March 26, 2004
For immediate release
Company name: Nippon Oil Corporation
Representative: Fumiaki Watari, President
Code number: 5001, Tokyo Stock Exchange, First Section
For further information, please contact:
Public Relations Dept., Public Relations Group
Telephone: +81-3-3502-1124

Announcement of Early Application of Fixed Asset Impairment Accounting and Revisions in Forecast for Nippon Oil

At the meeting of the Board of Directors of Nippon Oil Corporation (the Company) held on March 26, 2004, the decision was made to apply "Accounting Standards for Impairment of Fixed Assets" ahead of schedule, beginning with the fiscal year now in progress, as described in the following paragraphs. Accompanying this accounting change, the Company has revised its forecast for performance, previously announced on February 10, 2004. The details are as follows.

1.Early Application of Accounting Standards for Impairment of Fixed Assets

The Nippon Oil Group (the Group) has implemented measures to slim its balance sheets by disposing of assets not necessary for the conduct of its business activities. In addition, the Group has undertaken a comprehensive review of its assets and has decided to substantially enhance the soundness of its consolidated financial position through the early application of new asset impairment accounting standards.

At present, the Group is proceeding with systematic measures to dispose of or make more effective use of its assets, including idle assets and unprofitable service stations, and plans call for an acceleration of these measures. Also, the Group is working to improve its return on assets and strengthen its competitiveness by conducting stricter screening of proposed new investments, allocating resources according the principle of selectivity and concentration, and closely monitoring profitability after investments have been made.

Along with the application of new accounting standards for impairment of fixed assets, the Group is adopting stricter standards for valuation losses. For land that has declined 30% or more in market value compared with book value, these assets will be considered to show evidence of valuation losses, and the unrealized losses will be calculated.

The following table shows the valuation losses forecast for fiscal 2004.

(Unit: Millions of yen)

Type of business operation	Parent company	Consolidated subsidiaries after eliminations	Consolidated
Service stations	70,600	1,400	72,000
Plants	0	17,800	17,800
Real estate	14,500	3,500	18,000
Other businesses	0	30,000	30,000
Idle assets, other	30,400	1,800	32,200
Total	115,500	54,500	170,000

2.Revisions in Forecast for Performance in Fiscal 2004 (From April 1, 2003, to March 31, 2004)

(1) Revised forecast on a consolidated basis

(Units: Millions of yen, %)

	Net sales	Recurring income	Net income
Revised forecast (A)	4,270,000	55,000	−136,000
Previous forecast (B)	4,245,000	44,000	14,000
Change (A−B)	25,000	11,000	−150,000
Change (%)	0.6	25.0	−
For reference: Results for fiscal 2003	4,187,392	90,796	32,281

(2) Revised forecast on a non-consolidated basis

(Units: Millions of yen, %)

	Net sales	Recurring income	Net income
Revised forecast (A)	3,370,000	18,000	−128,000
Previous forecast (B)	3,320,000	13,000	−5,000
Change (A−B)	50,000	5,000	−123,000
Change (%)	1.5	38.5	−
For reference: Results for fiscal 2003	3,313,250	28,237	5,078

(3) Reasons for revisions in the Company's forecast

Under the revised forecast, recurring income on a consolidated basis for the fiscal year is expected to amount to ¥55.0 billion, or ¥11.0 billion above the previous forecast. This increase will be due mainly to the positive impact of inventory factors owing to the stabilization of crude oil prices at a high level and other developments. After exclusion of the impact of inventory factors, recurring income on a consolidated basis would amount to ¥81.6 billion, approximately ¥38.9 billion higher than the ¥42.7 billion for the previous fiscal year (after exclusion of the effect of inventory factors).

Regarding extraordinary gains and losses, the Company will record about ¥207.0 billion in net extraordinary losses. In addition to the previously mentioned losses on revaluation of fixed assets, amounting to approximately ¥170.0 billion, as previously announced, the Company will also report about ¥15.0 billion in additional reserves for payments to employees of Nippon Oil Corporation and Nippon Petroleum Refining Company, Limited, who choose to take early retirement and approximately ¥9.9 billion in liquidation and revaluation losses related to consolidated subsidiaries.

As a consequence of these various developments, the Company will report a consolidated net loss of approximately ¥136.0 billion.On a non-consolidated basis, owing to the same reasons, recurring income is expected to amount to about ¥18.0 billion (approximately ¥5.0 billion higher than previously forecast). However, extraordinary losses of about ¥149.0 billion will be reported. These will include losses on revaluation of fixed assets amounting to approximately ¥115.5 billion, expenses of about ¥15.6 billion in connection with the restructuring of subsidiary Wakayama Petroleum Refinery Co., Ltd., additional reserves for payments to early retirees of approximately ¥7.5 billion, and liquidation as well as revaluation losses of about ¥6.4 billion related to consolidated subsidiaries. As a result, a loss of approximately ¥128.0 billion is forecast on a non-consolidated basis.

3.Outlook for Dividends

The Company does not plan to change its previously announced dividends (¥7 per share for the full fiscal year, comprising an interim dividend of ¥3 per share and a dividend for the year-end of ¥4 per share).

Note: Figures in the above forecast were tabulated based on currently available information. Actual results may be influenced by a range of factors and may differ substantially from the forecasts presented here. Factors that may have an impact on actual performance include – but are not limited too – economic conditions, crude oil prices, demand/supply and market conditions for petroleum products, as well as trends in currency exchange rates and interest rates.