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Press Release

TonenGeneral Sekiyu K.K.
(Stock Code: 5012 Tokyo Stock Exchange)
Representative Director,
Chairman and President
D.G. Wascom
Contact:
Public Affairs
ExxonMobil Yugen Kaisha
Tel: 03-6713-4400

TonenGeneral Sekiyu K.K. Earnings Results for January 1 - September 30, 2006

TonenGeneral Sekiyu K.K. today announced its consolidated earnings for January 1 - September 30, 2006.

1. Industry Conditions

Crude Cost and the Petroleum Product Market

The Dubai crude spot price started the year at 55 dollars per barrel and rose to 72 dollars per barrel by mid-July. Crude prices began to decline in the second half of August, with Dubai crude falling to 57 dollars per barrel at the end of September, resulting in a January-September average of 62.9 dollars per barrel, about 31% (14.8 dollars per barrel) higher than the same period last year.

The U.S. dollar-yen exchange rate for January-September averaged 116.9 yen per dollar, which represents a depreciation of about 8.1 yen against the US dollar versus the same period last year. As a result, year-to-date average crude cost in yen-per-liter terms (on a loaded basis) was 46.2 yen per liter, or about 40% (13.1 yen) higher than the same period last year.

Retail pump prices for gasoline, diesel and kerosene increased 12.0, 12.9 and 17.8 yen per liter respectively, versus the same period last year.

Industry Petroleum Product Demand

January-September, 2006 total petroleum product demand declined by 5.1% versus the corresponding period last year, reflecting both special factors affecting particular fuels as well as assumed fuel-switching and other consumer measures in reaction to elevated prices. Demand for gasoline and diesel dropped 1.6% and 2.6% respectively. Kerosene demand fell 9.7% mainly due to higher temperatures in the first quarter this year versus the same period last year. Fuel Oil A demand decreased by 11.2% versus the January -September period last year with advances in fuel conversion and the lower demand for building heating and air conditioning, while Fuel Oil C demand fell 5.1%, reflecting a sharp decrease in demand during the July-September period this year.

Petrochemicals: Industry Production and Market Price

With the exception of paraxylene production, which increased versus the same period in 2005, domestic production of basic petrochemical products such as olefins and aromatics fell 2%-5% due to factors such as differences in the timing of planned maintenance shutdowns versus last year. However, production levels remained firm compared with trends of the past several years. Although Asian spot market prices (in US dollar terms) for benzene fell 2.0% versus the same period last year, spot prices for paraxylene and toluene rose 30.2% and 21.7% respectively.

2. TonenGeneral Financial Results for January 1 - September 30, 2006

Consolidated:

(Unit: billion yen)

	Sales Revenue	Operating Income/Loss	Ordinary Income/Loss	Net Income/Loss
Jan – Sep 2006 (A)	2,289.5	40.4	45.9	27.9
Jan – Sep 2005 (B)	2,074.7	4.3	7.1	5.9
Difference (A-B)	214.8	36.1	38.8	22.0
Increase/Decrease	10.4%	840.8%	543.6%	373.5%

Sales Revenue

Although product sales volumes decreased versus the January-September period last year, sales revenue increased by 214.8 billion yen to 2,289.5 billion yen.

Operating Income

Operating income improved significantly, with an increase of 36.1 billion versus the same period last year to 40.4 billion yen. Main factors are as follows:

(1) Improved margins in the petroleum sector

Product margins increased by 31.4 billion yen versus the same period last year. TonenGeneral accounts for purchased crude when it is loaded, whereas most of industry accounts for crude when it arrives in Japan, so that crude price changes affect our results approximately one month earlier than other industry participants. Calculated on a Dubai basis, the adverse effect of the differences in accounting methods on our earnings for the January-September period in 2006 fell to about 13.0 billion yen, from about 49.0 billion yen for the same period last year. This improvement was due to the decline in crude prices beginning in the second half of August.

(2) Strong trends in petrochemical product earnings

Overall, earnings in the petrochemicals sector remained high compared with trends of the past several years, although they were lower than the same period in 2005, reflecting lower sales volumes mainly due to the effects of a temporary shutdown of facilities caused by a fire at Sakai refinery in April, as well as a large-scale planned maintenance shutdown at Kawasaki refinery. Aromatics margins were lower than the same period last year, primarily due to a weaker market for benzene, while olefins margins were higher due to continued strong demand.

(3) Operating cost reduction

As a result of continued efforts toward operating cost reduction, operating costs decreased by 2.5 billion yen versus the same period in 2005 through reductions in pension, labor and other costs.

(4) Inventory valuation effects

TonenGeneral applies the LIFO/LOCOM method for inventory evaluation. Operating income includes inventory valuation gains of 19.8 billion yen, versus 6.4 billion yen of valuation gains for the same period last year. These inventory valuation effects are non-cash earnings.

Ordinary Income

Ordinary income increased by 38.8 billion yen versus the same period last year to 45.9 billion yen, reflecting a net non-operating income of 5.5 billion yen, which was mainly due to foreign exchange gains.

Net Income

Extraordinary items such as loss from disposal of fixed assets produced a net extraordinary loss of 1.3 billion yen. This resulted in a January-September 2006 net income of 27.9 billion yen, 22.0 billion yen higher than the same period in 2005.

Memo:

Parent:

(Unit: billion yen)

	Sales Revenue	Operating Income/Loss	Ordinary Income/Loss	Net Income/Loss
Jan – Sep 2006 (A)	2,250.0	26.5	86.5	73.0
Jan – Sep 2005 (B)	2,032.0	▲11.8	▲3.1	0.3
Difference (A-B)	218.0	38.3	89.5	72.7
Increase/Decrease	10.7%	---	---	20,880.1%

3. Revision of the Full Year Earnings Forecast for 2006 (January 1 – December 31, 2006)

Consolidated:

(Unit: billion yen)

	Sales Revenue	Operating Income/Loss	Ordinary Income/Loss	Net Income/Loss
Revised Forecast (A)	3,140.0	39.0	45.0	27.0
Previous Forecast (B)	3,176.0	21.0	27.0	16.0
Difference (A-B)	▲36.0	18.0	18.0	11.0
Increase/Decrease	▲1%	86%	67%	69%

(B) announced on August 22, 2006

Consolidated operating income for the full year 2006 is forecast at 39.0 billion yen. The increase from our prior full-year forecast made in August of this year takes into account the results of the January-September period (consolidated operating income of 40.4

billion yen). This upward revision reflects the significantly increased earnings in the petroleum sector during the July-September period due to the decline in crude prices beginning in the second half of August, as well as the improvement in petrochemicals earnings for the July-September period versus the previous forecast.

Projections for the October-December, 2006 period take into account the following factors:

(1) Petroleum product margins are expected to improve slightly versus the previous forecast. A significant rise in crude oil prices during the October-December period, which could increase the adverse crude oil accounting impacts referred to above, would represent a downside risk to this forecast.
(2) Petroleum product sales volume is expected to be almost the same as the previous forecast.
(3) Earnings in the petrochemicals sector are expected to remain about the same as the previous forecast.
(4) Inventory valuation gains for the full year are assumed to be about the same as the previous forecast. This implies a significant reduction from inventory gains recorded this year through the July-September period, and therefore may be regarded as conservative. TonenGeneral uses the LIFO method for inventory valuation, and inventory valuation impacts are significantly affected by actual year-end inventory levels as well as crude oil and product prices. Forecasts of inventory effects on earnings are therefore subject to considerable uncertainty. However, we believe that there are probably upside risks to the earnings forecast associated with inventory factors.

Memo:

Parent:

(Unit: billion yen)

	Sales Revenue	**Operating Income/Loss**	**Ordinary Income/Loss**	**Net Income/Loss**
Revised Forecast (A)	3,080.0	21.0	81.0	69.0
Previous Forecast (B)	3,118.0	▲1.0	59.0	57.0
Difference (A-B)	▲38.0	22.0	22.0	12.0
Increase/Decrease	▲1%	--	37%	21%

(B) announced on August 22, 2006

4. Dividend Forecast

Our basic policy is to deliver appropriate dividends to shareholders, while maintaining a sound financial structure and giving due consideration to consolidated cash flow trends and future capital investments. We continue with our view of financial management that cash flow that cannot be employed in a way that meets our rigorous investment standards should be returned to shareholders.

There is no change in the original projected full-year dividends forecast of 37 yen per share. The company paid an interim dividend of 18.5 yen per share to its shareholders as of June 30, 2006, The company projects a payment of a further 18.5 yen per share to its shareholders as of December 31, 2006, as a dividend for the latter half of the term ended December 31, 2006, subject of course to the decision of general meeting of shareholders, taking into account of the full-year business performance and cash flow.

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