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Press Release

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TonenGeneral Sekiyu Earnings Results for Full Year 2006

TonenGeneral Sekiyu K.K. today announces its consolidated and parent earnings for full year 2006 (January 1-December 31, 2006).

1. Industry Conditions

Crude Cost and Petroleum Product Market Trend

The Dubai crude spot price started at 55 dollars per barrel at the beginning of 2006 and rose to 72 dollars per barrel in mid-July. It showed a downward trend beginning in the second half of August, hitting a low of 54 dollars in late September, then remaining in the 55-60-dollar range until the end of the year. The average price for the January -December period was 61.5 dollars per barrel, 25% higher than the previous year. The U.S. dollar-yen exchange rate for the January-December, 2006 period averaged 117.4 yen per dollar, which represents a depreciation of 6.2 yen against the US dollar versus 2005. As a result, year-to-date crude cost in yen-per-liter terms (on a loaded basis) was 45.4 yen per liter or about 10.9 yen (32%) higher than the same period the previous year. According to government data, retail pump prices for gasoline, diesel and kerosene increased 10.7 yen, 11.7 yen and 15.8 yen per liter, respectively, versus the previous year, reflecting the rise in crude prices.

Petroleum Product Demand

According to METI data, 2006 full year total petroleum product demand declined by 5.4% versus the previous year. Demand for gasoline dropped 1.1% due to factors such as high prices and an increase in the number of fuel-efficient vehicles. Demand for kerosene fell 11.2% versus the previous year due to the relatively warm winter season. Demand for diesel and heavy fuels continued a multi-year decline due to inland freight transport industry efficiencies and a shift to other sources of energy.

Petrochemicals: Production and Market Price

Domestic production of basic petrochemical products such as olefins and aromatics remained at high levels due to continued strong demand, especially from China. Production of ethylene, which recorded its second-highest level in 2005, declined slightly in 2006, but overall maintained a high level. Production of paraxylene remained at about the same level as 2005, when production volumes reached an all-time high. Asian spot market prices for basic petrochemical products, excluding benzene, remained firm due to strong supply and demand patterns and the shift of rising raw material costs to product prices. Asian spot market prices (dollar base) for paraxylene, ethylene and propylene rose 28%, 27% and 16%, respectively, versus the previous year. Asian spot market prices for benzene hovered at a low level during the first half of 2006 due to sluggish supply and demand, but ended the year 6% higher than the previous year, reflecting higher US prices starting in the third quarter.

2. Full Year 2006 Financial Results

Consolidated:

(Unit: billion yen)

	Sales Revenue	Operating Income	Ordinary Income	Net Income
Jan – Dec 2006 (A)	3,078.8	58.7	66.0	39.8
Jan – Dec 2005 (B)	2,856.2	20.0	22.8	13.0
Difference (A-B)	222.6	38.7	43.2	26.8
Increase/Decrease (%)	7.8	193.8	189.1	205.9

Sales Revenue

Despite a decline in product sales volumes, consolidated sales revenue for FY 2006 increased 222.6 billion versus the previous year to 3,078.8 billion yen due to higher product prices reflecting the increase in crude costs.

Operating Income

Consolidated operating income increased 38.7 billion yen versus the previous year to 58.7 billion yen. Earnings in the petroleum segment improved approximately 35.0 billion yen versus the previous year, resulting in a 9.5 billion yen profit (including inventory valuation effects of 7.8 billion yen). Earnings in the petrochemicals segment surpassed the favorable results of 2004 and 2005, reaching an all-time high of 49.4 billion yen.

(1) Improved margins in the petroleum sector

Petroleum product margins improved during the latter half of 2006, as product prices rose to reflect crude costs. Since TonenGeneral accounts for purchased crude when it is loaded, whereas most of industry accounts for crude when it arrives in Japan, crude price changes affect our results approximately one month earlier than industry. As the rise in crude prices during 2006 was more moderate than that of 2005, the adverse effect of our cost accounting method on earnings was significantly reduced, contributing to our earnings versus the previous year. Diversification of feedstocks, for which we are making continuous efforts, also contributed to the improved margins.

(2) Strong trends in petrochemical product earnings

Although margins for benzene declined versus FY 2005 due to the weak market in the first half of 2006, margins for other major petrochemical products such as olefins and paraxylene surpassed those of the previous year due to strong demand, maintaining high levels compared with past trends. In our specialty business area, two new production lines for our microporous film (MPF) separators for lithium ion batteries started operation in 2006, contributing to an increase in sales volume and earnings.

(3) Operating cost reduction

Operating costs decreased by approximately 4.6 billion yen versus the previous year 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 7.8 billion yen, versus 23.2 billion yen of valuation gains included in operating income for the previous year.

Ordinary Income

Net non-operating income was 7.3 billion yen, an increase of 4.5 billion versus the prior year, mainly due to foreign exchange gains. Ordinary income was 66.0 billion yen, 43.2 billion yen higher than the previous year.

Net Income

There was a net extraordinary loss of 3.3 billion yen due mostly to impairment and retirement losses on fixed assets. As a result, net income was 39.8 billion yen, 26.8 billion yen higher than the previous year.

Memo:

Parent:

(Unit: billion yen)

	Sales Revenue	Operating Income/Loss	Ordinary Income/Loss	Net Income/Loss
Jan – Dec 2006 (A)	3,027.1	33.7	95.1	77.2
Jan – Dec 2005 (B)	2,800.9	▲1.4	7.1	4.1
Difference (A-B)	226.2	35.1	88.0	73.1
Increase/Decrease (%)	8.1	-	-	-

3. TonenGeneral Corporate Initiatives

We have been operating our businesses as a major presence in the Japanese petroleum/petrochemicals markets for many years. We will continue our drive to be the most efficient in the industry, providing a stable supply of quality products while maintaining a high level of safety and reliability in our operations. We are taking an integrated approach to all segments of our business including refining, supply, marketing and petrochemicals, pursuing an optimal mix of feedstocks, product supply and marketing channels to achieve maximum added value. In this connection, we will continue to leverage our competitive advantage of access to the ExxonMobil Group global network, especially in feedstock supply and analysis, use of ExxonMobil's global supply and product exchange network, and technology, as we pursue further synergies in full integration of our business lines.

Refining & Supply

In Refining and Supply our mid- to long-term focus has been on raising efficiency and optimizing the equipment configuration of our refining facilities. As part of this effort we are in the process of investing more than 25 billion yen over and above the levels of our usual annual investment programs. These investments for new facilities and enhancement of existing facilities will continue through 2007. In particular, we are constructing facilities to enable us to respond to changes in product specifications and in the market’s supply and demand structure. A portion of these facilities was completed and operations started in 2006. This will allow us greater flexibility in operating modes and the use of feedstocks to respond to market changes.

In addition, in order to enhance our ability to achieve reasonable financial results even under severe market conditions, we are not relying only on the market, but are continuing to implement our profit improvement programs. These programs include diversification of crude oil procurement to include more feedstocks that pose technical challenges and therefore are less expensive, and development of technologies for most effective processing of those feedstocks.

In addition, in order to take advantage of profitable product export opportunities, we are expanding the capacity of our export facilities. In addition to exporting finished products, we are maximizing added value through exchange of products and semi-finished products with ExxonMobil Group refineries in the Asia-Pacific region, the U.S. West Coast and Europe.

Marketing

Our “General” brand shares common marketing strategies with the ExxonMobil Japan Group “Esso” and “Mobil” brands, and our retail sector is continuing its efforts toward increasing sales volume and earnings. The ExxonMobil Japan Group continues to increase the number of self-service stations, and in September 2006 the ExxonMobil Japan Group became the first in the industry to have opened 1,000 self-service stations in Japan.

In particular, the branded self-service site “Express”, with the brand concept of “the quickest, easiest and cleanest” service, has expanded to nearly 700 locations within the ExxonMobil Japan Group. Membership for Speedpass, a non-contact payment tool which is a feature of “Express”, and the Synergy Card, a credit card that can be used at General, Esso and Mobil brand sites, each reached over one million last year. For further brand differentiation and sales promotion of “Express”, we will continue to introduce new technology in response to customer needs and offer improved service. In addition, based on a business arrangement with Seven-Eleven Japan Co., Ltd., a pilot test for Express sites combined with convenience is are currently in progress at 11 sites (as of December, 2006). If the pilot is successful, combined sites are expected to be rolled out on a nationwide basis.

Chemicals

In Chemicals, the two elements of our strategy are growth of our specialties business and cost competitiveness of our commodities business.

In specialties, specifically our microporous film (MPF) business, production started on two new lines this year to respond to strong demand and high growth. In addition, agreement was reached at the end of 2006 for the restructuring of Nippon Unicar Corporation, a joint venture 50% owned by our 100% subsidiary, Tonen Kagaku K.K. Nippon Unicar, a manufacturer and marketer of polyethylene, is Tonen Kagaku's largest buyer of ethylene. The agreement calls for measures to enhance the competitiveness of Nippon Unicar, with the support of the shareholders, including expansion of the specialty polyethylene business. In the case of our commodities business, including olefins and aromatics, continued efforts toward chemical and refining integration resulting in optimization of operations, maximum utilization of raw materials and diversification of chemicals feedstocks have contributed significantly to improved earnings.

4. Dividend Plan

The company projects a payment to its shareholders as of December 31, 2006, of 18.5 yen per share as a final dividend for the term ended December 31, 2006, subject to the decision of the general meeting of shareholders.

5. 2007 Year-end Results (projected)

(Unit: billion yen)

	Sales Revenue	Operating Income	Ordinary Income	Net Income
Consolidated	3,030.0	51.0	52.0	30.0
Parent	2,980.0	27.0	29.0	18.0

Consolidated operating income for full year 2007 is forecast to decrease 7.7 billion yen versus 2006 to 51.0 billion yen, with earnings in our petroleum segment rising, and our chemicals segment earnings falling somewhat in response to anticipated changes in the commodity cycle. This estimate assumes no profit or loss from the effects of inventory valuation. TonenGeneral does not project prices of crude oil or petroleum products; our earnings forecasts are instead based principally on margin assumptions.

Petroleum product margins are projected to be about the same as 2006. We make no assumptions regarding the effects of crude oil price changes during the year, in particular any such effects as reflected in our practice of accounting for purchased crude when it is loaded. With price fluctuations reflecting completion of new and expanded industry facilities in Asia and the Middle East, we expect a decrease in petrochemicals margins compared to 2006.

6. Dividend Forecast

Our basic policy is to deliver appropriate returns 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.

Full-year dividends for 2007 are expected to be 37 yen per share, subject to review of our full year business performance and cash flow results and the endorsement of both our Board of Directors and shareholders.

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