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Press Release

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TonenGeneral Sekiyu Interim Earnings Results for the First Half, 2007

TonenGeneral Sekiyu K.K. today announces its consolidated and parent earnings for the first half of 2007 (January 1-June 30, 2007).

1. Industry Conditions

Crude Oil Price

The Dubai spot crude price, which is regarded as a crude benchmark for the Asia region, started between 57 and 58 dollars per barrel at the beginning of the year and fell to under 50 dollars per barrel in mid-January, but subsequently increased, exceeding 65 dollars in mid-April and remaining around 65 dollars for the remainder of the period. While the January-June spot price averaged 60.1 dollars per barrel, at a similar level to the same period last year, the absolute increase in the January-June period, 15 dollars per barrel, was much larger than the increase in the same period last year (8 dollars per barrel on Dubai basis), and price movements were much more volatile. The depreciation in the yen versus the U.S. dollar also increased the average cost of crude oil in yen terms.

Domestic Petroleum Product Demand

According to published data from the Ministry of Economy, Trade and Industry, total petroleum product demand for the January-June, 2007 period fell 8.8% versus the same period in 2006. Demand for gasoline and diesel fell 1.6% and 1.2%, respectively, while demand for kerosene and Fuel Oil A dropped 15.4% and 16.2%, respectively, due to reasons such as relatively warm winter and shifts to other energy sources. Demand for Fuel Oil C also declined 19.4% versus the same period last year, reflecting declines in fuel oil demand by the electrical power sector and shifts to other energy sources.

Petrochemicals: Industry Production and Market Price

Domestic production of basic petrochemical products such as olefins and aromatics increased versus the same period last year. Ethylene and benzene production increased by 8% and 9% respectively. Asian spot market prices (in US dollar terms) for benzene and paraxylene increased 28% and 26%, respectively, versus the same period last year, a significant increase reflecting the rise in crude and naphtha prices as well as strong product demand. On the other hand, toluene showed a relatively modest price increase of 8% versus the same period last year. Although feedstock costs increased, margins for olefins and aromatics rose versus the same period last year, and these margins remained high compared with past trends.

2. TonenGeneral Corporate Initiatives

We have been operating our businesses as a major presence in the Japanese petroleum and petrochemicals markets for many years. We are increasingly 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 on an entire company basis. In this connection, we will continue to leverage our competitive advantage of access to the ExxonMobil Group's global network, especially in the areas of 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, our mid- to long-term focus has been on raising efficiency and optimizing the equipment configuration of our refining facilities. To enable us to respond to changes in product specifications and in the market's supply and demand structure, we have invested over 25 billion yen for facilities enhancements in addition to our usual investment programs for maintenance and repairs. These facilities enhancements were successfully completed in the first half of 2007, offering us greater flexibility in operating modes to respond to market fluctuations and allowing us to expand our choice of feedstocks.

In addition, in order to enhance our ability to achieve reasonable financial results even under severe market conditions without depending solely on market trends, we are continuing implementation of our Profit Improvement Programs. More specifically, we continue the diversification of crude oil procurement so as to include feedstocks that pose technical challenges and therefore are less expensive, and development of technologies for efficient processing of these feedstocks. At the same time, we are working on expansion of the capacity of our export facilities in order to take advantage of profitable product export opportunities. In addition to exports of finished products, we are maximizing added value through exchange of products and semi-finished products among 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 is continuing its efforts toward further development of its self-service stations. In particular, at our branded self-service "Express" sites, with the brand concept of "the quickest, easiest and cleanest" service, we are introducing new technology to respond to customer needs in a continuous effort for further brand differentiation and sales promotion. In addition, based on a business arrangement with Seven-Eleven Japan Co., Ltd., a pilot test for self-service sites combined with convenience stores is currently in progress. If the pilot succeeds in meeting customer needs, the combined sites are expected to be rolled out on a nationwide basis.

Chemicals

Our Chemicals strategy is to concentrate on our core business and to implement high-return investments both for capacity expansion and for further process optimization with our refining operations. We are also expanding and enhancing capacity at our specialties production facilities in order to grow our specialty business segments. Production volume for the first half of 2007 was lower than the same period last year due to turnaround (i.e., planned maintenance) of the aromatics plants at Sakai and Wakayama Refineries. However, we took advantage of this opportunity to increase production capacity for low-cost aromatics. Meanwhile, earnings improved in the olefins segment due to implementation of Reliability Improvement Programs, process optimization with refining, and diversification of feedstocks.

3. First Half 2007 Financial Results

Consolidated:

(unit: billion yen)

	Sales Revenue	Operating Income/Loss	Ordinary Income/ Loss	Net Income/Loss
Jan-Jun 2007 (A)	1,405.4	26.4	28.4	17.1
Jan-Jun 2006 (B)	1,479.8	11.4	15.3	10.1
Difference (A-B)	▲74.4	15.1	13.1	7.0
Increase/Decrease	▲5.0%	132.7%	86.0%	69.8%

Sales Revenue

Consolidated sales revenue fell 74.4 billion yen versus the same period last year to 1,405.4 billion yen due to decreased sales volumes.

Operating Income

Operating income increased by 15.1 billion yen from the same period last year to 26.4 billion yen. The following were significant factors:

(1) Low margins for petroleum products

Due to a steeper rise in crude prices compared with the same period last year, petroleum product margins were lower than in the first half of 2006. The steep increase in crude prices in the period was not reflected in inland petroleum fuels prices. In addition, TonenGeneral accounts for purchased crude in its cost of goods when it is loaded, whereas most of the 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. The crude price increases therefore adversely affected TonenGeneral, in accounting terms, in comparison with industry. Excluding inventory profit effects, operating earnings from petroleum refining and marketing were 8.3 billion yen lower than the same period last year.

(2) Strong trends in petrochemical products earnings

Operating earnings in the petrochemical segment increased by 12.4 billion yen versus the same period last year. Margins for both aromatics and olefins increased, supported by continued strong demand. In the specialties segment, earnings increased substantially versus the same period last year despite rising feedstock costs. Two new production lines for our microporous film (MPF) used as the separators for lithium ion batteries started full operation in March and June of last year, contributing to an increase in sales volume and earnings.

(3) Operating costs

Although reductions in pension and other costs continued, some costs, including depreciation and maintenance, increased, resulting in an increase in operating costs of 1.8 billion yen versus the same period last year. However, we believe that our full-year operating costs will be consistent with our original plan for 2007.

(4) Inventory valuation effects

TonenGeneral applies the LIFO/LOCOM accounting method for inventory valuation. Operating income includes non-cash inventory valuation gains of 18.8 billion yen, an increase of 11.1 billion yen versus the same period last year. These earnings do not have cash effects.

Net Income

Net non-operating income was 2.0 billion yen, which included foreign exchange gains and equity earnings of affiliates, slightly lower than last year due to lower foreign exchange earnings. Extraordinary items produced a net extraordinary loss of 0.5 billion yen, about the same as last year. As a result, net income was 17.1 billion yen, 7.0 billion yen higher than the same period last year.

Memo:

Parent:

(Unit: billion yen)

	Sales Revenue	Operating Income/Loss	Ordinary Income/Loss	Net Income/Loss
Jan-Jun 2007 (A)	1,378.2	10.0	14.3	9.9
Jan-Jun 2006 (B)	1,453.6	0.4	29.1	27.4
Difference(A-B)	▲75.4	9.7	▲14.7	▲17.5
Increase/Decrease	▲5.2%	-	▲50.7%	▲64.0%

4. Earnings Forecast Revision for the Full Year 2007

Consolidated:

(Unit: billion yen)

	Sales Revenue	Operating Income/Loss	Ordinary Income/Loss	Net Income/Loss
Revised Forecast (A)	3,090.0	47.0	49.0	29.0
Previous Forecast (B)	3,030.0	51.0	52.0	30.0
Difference (A-B)	60.0	▲4.0	▲3.0	▲1.0
Increase/Decrease	2%	▲8%	▲6%	▲3%

(B) announced on February 19, 2007

Consolidated operating income for the full year 2007 is forecast at 47.0 billion yen. Projections involved in the forecast include the following:

(1) We have assumed slightly lower second-half margins for petroleum products than in our previous forecast in February, reflecting current conditions.
(2) Petroleum product sales volumes for the July-December period are expected to remain about the same as previously forecast in February.
(3) Earnings in the petrochemicals segment for the July-December period are expected to be higher than forecast in February, on the assumption of higher margins due to strong demand, especially for olefins.

(4) We project that first-half inventory valuation gains will reverse in part during the remainder of the year.

Memo:

Parent:

(Unit: billion yen)

	Sales Revenue	Operating Income/Loss	Ordinary Income/Loss	Net Income/Loss
Revised Forecast (A)	3,040.0	17.0	21.0	13.0
Previous Forecast (B)	2,980.0	27.0	29.0	18.0
Difference (A-B)	60.0	▲10.0	▲8.0	▲5.0
Increase/Decrease	2%	▲37%	▲28%	▲28%

(B) announced on February 19, 2007

5. Dividends 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 that cash flow that cannot be employed in a way that meets our rigorous investment standards should be returned to shareholders.

The Board of Directors has decided today to pay 18.5 yen per share as an interim dividend to the Company's shareholders as of June 30, 2007. The Company projects a payment to its shareholders as of December 31, 2007, of 18.5 yen per share as a final dividend for the term ended December 31, 2007, subject to the necessary corporate decisions regarding dividends, taking into account the full-year business performance and cash flow. The interim and projected full-year dividends are the same as originally forecast in February.

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