Consolidated Financial Statements (Kessan Tanshin) for 2005

February 24, 2006

Listed Company: TonenGeneral Sekiyu Kabushiki Kaisha
Listed on: Tokyo Stock Exchange
Code #: 5012
Location of Head Office: Tokyo
(URL http://www.tonengeneral.co.jp)

Representative:
Position: Representative Director, Chairman and President
Name: G. W. Pruessing
For further information, please contact:
Position: ExxonMobil Y.K. Public Affairs Manager
Name: K. Morishita
Date of Board Meeting for Year-end Closing: February 24, 2006
Phone: (03) 6713-4400

Name of Parent Company: ExxonMobil Yugen Kaisha (Code #: -) and one other
Voting Rights Owned by Parent Company: 50.7 %

Adoption of U.S. GAAP Accounting Standard: No

1. Consolidated Business Performance for 2005 (January 1, 2005 through December 31, 2005)

(1) Business Performance

(Note) Amounts are shown in truncated millions of yen.

	Sales Revenues		Operating Income		Ordinary Income	
	Million Yen	%	Million Yen	%	Million Yen	%
2005	2,856,182	(21.9)	19,978	(△68.4)	22,822	(△66.7)
2004	2,342,276	(9.7)	63,177	(85.9)	68,625	(78.8)

	Net Income		Net Income per Share	Net Income Per Share after Adjustments	Income Ratio to Shareholders Equity	Ordinary Income Ratio to Total Assets	Ordinary Income Ratio to Sales Revenue
	Million Yen	%	Yen	Yen	%	%	%
2005	13,015	(△73.0)	22.01	−	5.4	2.4	0.8
2004	48,243	(74.1)	81.52	−	20.3	7.3	2.9

(Note) ① Earnings from Equity-method Investments 2005: 1,670 Million Yen 2004: 2,999 Million Yen
② Average Number of Issued Shares (Consolidated)
2005: 591,379,999 Shares 2004: 591,790,532 Shares
③ Change in Accounting Policies: No
④ Percentage shown in Sales Revenues, Operating Income, Ordinary Income and Net Income are comparisons with those for the previous accounting period.

(2) Financial Position

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio	Shareholders' Equity per Share
	Million Yen	Million Yen	%	Yen
2005	968,334	230,159	23.8	394.56
2004	945,537	249,849	26.4	422.27

(Note) Number of Outstanding Shares at the End of the Period (Consolidated)
12/31/2005: 583,329,495 Shares 12/31/2004: 591,683,207 Shares

(3) Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at the End of Period
	Million Yen	Million Yen	Million Yen	Million Yen
2005	39,951	△ 14,422	△ 25,390	569
2004	41,675	13,972	△ 55,874	431

(4) Scope of Consolidation and Application of the Equity Method
Number of Consolidated Subsidiaries: 7
Number of Subsidiary Companies Accounted for by the Equity Method: -
Number of Affiliated Companies Accounted for by the Equity Method: 2

(5) Change in Scope of Consolidated Companies and Application of the Equity Method
Consolidation: (Addition) 1 (Removal) 2
Equity Method: (Addition) - (Removal) 1

2. Projected Consolidated Business Performance for 2006 (January 1, 2006 through December 31, 2006)

	Sales Revenues	Ordinary Income	Net Income
	Million Yen	Million Yen	Million Yen
First Half	1,540,000	21,000	13,000
Full Year	3,080,000	41,000	25,000

(Reference) Projected Net Income per Share (Full Year) 42.86 Yen

This filing contains forward-looking statements based on projections and estimates that involve many variables. The Company operates in an extremely competitive business environment and in an industry characterized by rapid changes in supply-demand balance. Certain risks and uncertainties including, without limitation, general economic conditions in Japan and other countries, crude prices and the exchange rate between the yen and the U.S. dollar, could cause the Company's results to differ materially from any projections and estimates presented.

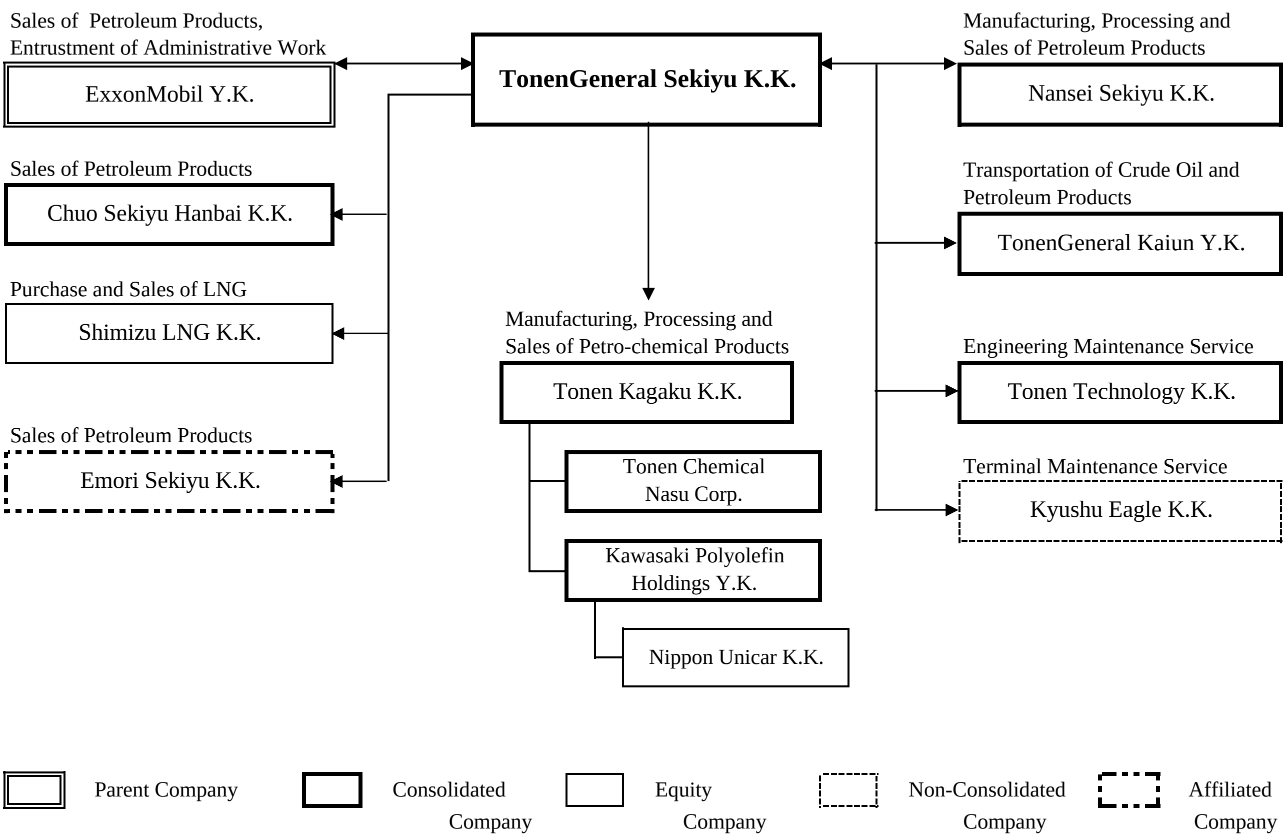
Ⅰ. Profile of Group Companies

Major businesses and positions of 13 group companies (the Company, 7 Consolidated Subsidiaries, 2 Equity Companies, 1 Non-consolidated Subsidiary, 1 Affiliated Company and 1 Parent Company) are as follows:

Segment	Function	Major Business	Name of Company	Number of Companies
Oil Products	Marketing	Sales of Petroleum Products	TonenGeneral Sekiyu K.K., ExxonMobil Y.K., Chuo Sekiyu Hanbai K.K., Emori Sekiyu K.K.	4
	Refining	Manufacturing, Processing and Sales of Petroleum Products	TonenGeneral Sekiyu K.K., Nansei Sekiyu K.K.	2
	Shipping	Transportation of Crude Oil and Petroleum Products	TonenGeneral Kaiun Y.K.	1
	Others	Purchases and Sales of LNG	Shimizu LNG K.K.	1
Chemical Products	Refining and Marketing	Manufacturing, Processing and Sales of Petro-chemical Products	TonenGeneral Sekiyu K.K., ExxonMobil Y.K., Tonen Kagaku K.K., Tonen Chemical Nasu Corp., Nippon Unicar K.K., Kawasaki Polyolefin Holdings Y.K.	6
Others		Engineering Maintenance Service	Tonen Technology K.K., Kyushu Eagle K.K.	2

(Notes)
1. Exxon Mobil Corporation, which indirectly owns 100% of the equity of ExxonMobil Y.K. via subsidiaries, is another parent company, but it is not included in the "Profile of Group Companies" as there are no material business transactions with the Company.
2. Tonex Co., Ltd., a former equity-method subsidiary, became a consolidated subsidiary as a result of stock acquisition by Tonen Kagaku K.K., a consolidated subsidiary of the Company. Tonex was then merged into Tonen Kagaku on August 1, 2005.
3. Tonen Energy and Marine (Singapore) Private Ltd., a consolidated subsidiary of the Company, was liquidated on February 19, 2005.

Business structure of the group (as of December 31, 2005) is shown below:



Ⅱ. Corporate Policy

(1) Mission of TonenGeneral

TonenGeneral group strives to be a good corporate citizen in all the places we operate. We are dedicated to maintaining the highest ethical standards, complying with all applicable laws and regulations. We also are dedicated to running safe, healthy and environmentally responsible operations. TonenGeneral will help lead Japan into the future by stably providing quality products, as the best petroleum and petrochemical company in Japan , leveraging the ExxonMobil Group's global network, to quickly and reliably respond to customers and circumstances so as to valuably contribute to shareholders, customers, employees, local communities and society. In addition, we are dedicated to meeting growing energy needs in an economically, environmentally and socially responsible manner.

(2) Corporate Goals

TonenGeneral group's corporate goal is to maintain and enhance our operations in order to remain the best petroleum and petrochemical company in Japan, with world-class cost competitiveness and technology. TonenGeneral will continue to strive to achieve global levels of operational efficiency and profitability.

- Commitment to Safety, Health and Environment: Achieve safe, healthy and environmentally sound operations, making effective use of application of systems and energy-saving methods. Our commitment to Safety, Health and Environment is our first priority.
- Business Integrity and Governance: Operate with the highest standards of business ethics（See next section for a more complete discussion of Corporate Governance）
- Oil segment

  - Refining and Supply: Achieve a first quartile position in the world-wide efficiency rankings.(Solomon survey) Work toward 12% Return On Capital Employed (ROCE).

  - Marketing: Focus on differentiation. Lead the self-serve format shift and actively introduce new technologies. Pursue the best balance between margin and sales volume.
- Chemical Segment

  Promote integration of our petrochemical and refining businesses, while seeking opportunities to invest in high-return specialties businesses.
- As a member of ExxonMobil Group: Leverage ExxonMobil's technology, network, and global experience.

(3) Future Prospects and Our Challenges

- **Future Prospects for the Industry**

  The 2005 Japanese economy maintained healthy, moderate, growth, as it transitioned from growth led by export, mainly due to the strength of Chinese economy, to one supported by domestic private demand including corporate investment and personal consumption.

  While we expect moderate economic growth will continue, we cannot rely on an improving economy to support increases in our profitability. We do not see major support from domestic growth as a key driver of our industry, but international trade in our products, both in fuels and chemicals, may become more important in the future as the globalization of the industry continues.

  <u>Petroleum products</u>

  The expected demand growth for gasoline will be subdued due to limits on automobile growth and improving fuel efficiency of gasoline cars, while demand is anticipated to decrease in other major petroleum products due to such factors as continued streamlining in the transportation industry. Overall, domestic demand for major oil products as a whole is anticipated to slightly decline in the future. Meanwhile, in the Japanese petroleum industry, there is still an excess in overall industry supply capacity, both in the refining and retail sectors, and thus the generally difficult conditions in the domestic supply/demand picture can be expected to remain unchanged, at least in the short term.

  <u>Petrochemical products</u>

  Since strong demand growth is expected in the Asian petrochemical market, favorable market conditions in this sector will continue in 2006. However, as we saw in 2005, fluctuation of market prices due to start-up of new industry capacity and adjustments in supply/demand may occur in the Asian region, and there are some concerns about a continuing high price level for petrochemical inputs such as naphtha in 2006.

- **Business Challenges of TonenGeneral**

  In this environment, what is key to success is efficiency. The TonenGeneral group plans to continue our drive to be the most efficient industry player in all aspects: efficient in costs and cost structure, efficient in feedstock supply and usage, and efficient in capital structure. Based on participation in our global network, we believe TonenGeneral group has a competitive advantage to pursue further efficiencies.

  <u>Oil Segment</u>

  In our oil segment, the TonenGeneral group will pursue the best balance between margins and sales volume and lead the shift to self-service stations to meet customer demand under the "Express" concept, including network expansion for Speedpass and New Video Pumps. In addition, since January of 2005 we have been supplying ultra low-sulfur gasoline and diesel fuel while focusing on the most efficient supply, using the ExxonMobil global supply network. We are installing facilities over the next few years to enhance our flexibility to make these products at lower production cost.

Chemical Segment

In our chemical segment, we are working to fully optimize our specialty chemicals business lines, whose returns are not subject to the cyclical change in profitability of our commodity chemicals such as aromatics and olefins. Our two new microporous film production lines will start early this year, and we will continue to pursue strategies to pursue the potential demand growth for HEVs (Hybrid Electric Vehicle) and EVs (Electric Vehicle). Also, we will progress key profit improvement projects through capital investments to improve production facilities for other specialty products. As for commodity products, we will progress olefins and aromatics feedstock flexibility/optimization projects and aromatics de-bottlenecking /efficiency improvement projects, fully capitalizing on strong synergies with our oil refining operations.

(4) Dividend Policy

TonenGeneral considers providing superior total returns to shareholders as one of its top management priorities, with the objective of steadily increasing shareholder value over time. Our basic policy is to continue to provide returns to shareholders through stable dividends, while maintaining a solid financial structure and considering issues such as trends in consolidated cash flows and future capital expenditures.

(5) Lowering the Trading Unit

TonenGeneral regards liquidity of our stock as an important management issue. However, it is estimated that lowering the trading unit requires considerable cost. Therefore, at present we do not believe that it is necessarily in the best interest of all of our shareholders. We continue to monitor market conditions, keeping in mind the need to enhance both liquidity and the interests of all of our shareholders, and note that trading volume in our shares increased in 2005 over prior years.

(6) Corporate Governance

Fundamental Philosophy

TonenGeneral focuses on good corporate citizenship, which begins with our commitment to high ethical standards, effective corporate governance, sound financial controls, operational integrity and safety, health and environmental care. We believe our straightforward business model, culture of integrity and legal compliance, governance practices, and management control systems are key to achieving long-term sustainable results.

The company’s directors and employees are responsible for developing, approving, and implementing plans and actions designed to achieve the company’s objectives. We believe that the methods we employ to attain results are as important as the results themselves. The company’s directors and employees are expected to observe the highest standards of integrity in the conduct of the company’s business. In addition, we are committed to candor, honesty, and integrity in the reports that we make to our investors.

- **Standards of Business Conduct**

  TonenGeneral has long established ‘Standards of Business Conduct’ consisting of various policies and guidelines that apply both to the directors and employees. TonenGeneral directors and employees are expected to review these policies annually in order to ensure compliance and to apply them to all aspects of their work. Formal “Business Practices Reviews” training sessions are conducted periodically for all employees to bring about a greater understanding of these standards. In addition, there are separate periodic training sessions held on specific policies. All directors and regular employees are required to annually confirm in writing their compliance with the ‘Standards of Business Conduct’.

  TonenGeneral’s ‘Standards of Business Conduct’ contain 16 foundation policies and major guidelines also address guiding principles, related procedures for receiving and handling questions, concerns, and suggestions regarding our business practices, and open door communication.

  - Ethics Policy
  - Conflicts of Interest Policy
  - Corporate Assets Policy
  - Directorships Policy
  - Gifts and Entertainment Policy
  - Political Activities Policy
  - International Operations Policy
  - Antitrust Policy
  - Health Policy
  - Environment Policy
  - Safety Policy
  - Product Safety Policy
  - Customer Relations and Product Quality Policy
  - Alcohol and Drug Use Policy
  - Equal Employment Opportunity Policy
  - Harassment in the Workplace Policy

Governance Practices

- **The Board of Directors**

  The directors' fiduciary duty is to exercise their business judgment in the best interests of TonenGeneral's shareholders. Currently, the board consists of six directors. We consider the size of this board appropriate so as to have free and vigorous discussions where each director can participate meaningfully and exercise effective business judgment. Basically, the term of office of a director is two years. However, the term of office of any director elected due to an increase in the number of directors, or any director elected to fill a vacancy caused by a resignation of a director before the expiration, will expire at the same time as the expiration of the term of office of other directors. A Regular Meeting of the Board of Directors is to be held at least once every three months and special Meetings of the Board of Directors are convened from time to time when necessary. Meetings of the Board of Directors were held eleven times in

2005.

- **Statutory Auditors**
  TonenGeneral continues to adopt the system of "Board of Statutory Auditors". The Statutory Auditors are an independent organ from the Board of Directors and their major role is to audit the execution of business by directors. They monitor business decisions and execution by the Board of Directors to confirm compliance with laws and the Company's articles of incorporation as well as the standards of business conduct. They also confirm establishment and state of implementation of the internal control systems to ensure that the shareholders interests are properly protected. The Company has the legally required number of three Statutory Auditors, two of whom are full-time and two of whom are external, as defined by the law. They attend the important meetings such as the Board of Directors and other business meetings, visit major sites such as refineries, terminals and branch offices to audit the activities at those sites, and receive briefings from directors, responsible managers of various departments and affiliates' directors on their business activities and management control. The Statutory Auditors discuss the audit plans prepared by the Accounting Auditors and the Internal Audit Group in advance, and receive reports on the audit results. They also review the content of the agenda items and relevant documents to be submitted to the General Meeting of Shareholders to ensure that those do not violate laws and/or the articles of incorporation.

− Remuneration Paid to Directors and Statutory Auditors in this Fiscal Year

Classification	Directors		Statutory Auditors		Total	
	No. of Directors	Current payment	No. of Statutory Auditors	Current payment	No. of Directors/ Statutory Auditors	Current payment
Remuneration based on Articles of Association/ Resolution of Annual General Meeting	6	Million yen 304	3	Million yen 37	9	Million yen 342
Total		304		37		342

− Amount of fees to be paid to Accounting Auditor in this Fiscal Year
Fee paid for audit and certification business, in accordance with our audit contract: 28,940 thousand-yen
Total amount paid other than the above: 0 thousand-yen

Controls Framework

Sound controls are fundamental to our business operating model. We have established effective control mechanisms for our operations. Authority to approve business arrangements on behalf of our company is clearly assigned and formally delegated to appropriate management. Through internal and external audits, we continuously monitor compliance.

- **System of Management Control (SMC)**
  Our System of Management Control Basic Standards (SMC) defines the basic principles, concepts and standards that form our control system. “Control” comprises all the means devised by an organization to direct, restrain, govern and check upon various activities. TonenGeneral has evolved a system of management control to ensure effective, efficient and proper utilization of its resources in pursuit of the company’s objectives, with due regard for the respective interests of its stakeholders and the public. The basic purpose of such control is to see that business is conducted properly in accordance with management’s general and specific directives.

- **Controls Integrity Management System (CIMS)**
  Our Controls Integrity Management System (CIMS), based on the SMC, provides a systematic framework for the effective execution of controls and takes a structured, standardized, prevention-based approach to managing risks and concerns. CIMS is a management system providing a process for ensuring that the Corporate Policies, SMC standards and In-Line Controls (control steps / procedures implemented at the process and/or job level) are implemented and effectively sustained over time. The system is comprised of seven “elements”: “Management Leadership Commitment & Accountability”, “Risk Assessment”, “Business Procedure Management & Improvement”, “Personnel & Training”, “Management of Change”, “Reporting & Resolution of Control Weakness” and “ Controls Integrity Assessment”.

- **Auditing and Compliance**
  The Internal Audit group conducts TonenGeneral’s internal audit process. The Internal Audit staff independently assesses compliance with policies and procedures, and evaluates the effectiveness of all financial and related controls. Management and managers are obligated to consider all Internal Audit findings and recommendations and take appropriate actions. Generally, each segment of the business receives an internal audit about every three years. In addition, business segments conduct internal assessments based on CIMS and audit standards around the middle of each audit cycle. Approximately once each year, Management reviews internal audit results, with particular attention to any problem areas.

  Independent external auditors review the company’s financial statements to ensure accuracy and conformity with generally accepted accounting principles. The company takes many steps to assure the independence of external auditors.

Safety, Health and Environment Compliance

- **Operation Integrity Management System (OIMS)**
  TonenGeneral believes that an effective system for maintaining standards for safety, health, and environmental protection is a key aspect of governance. We have introduced the “Operations Integrity Management System (OIMS)” originally developed by the

ExxonMobil Group, into all refineries, terminals and service stations to ensure safety, health and environmental soundness in all our operations consistent with the ISO 14001 Environmental Management Systems Standards. The OIMS framework includes 11 elements, each with clearly defined expectations, including:

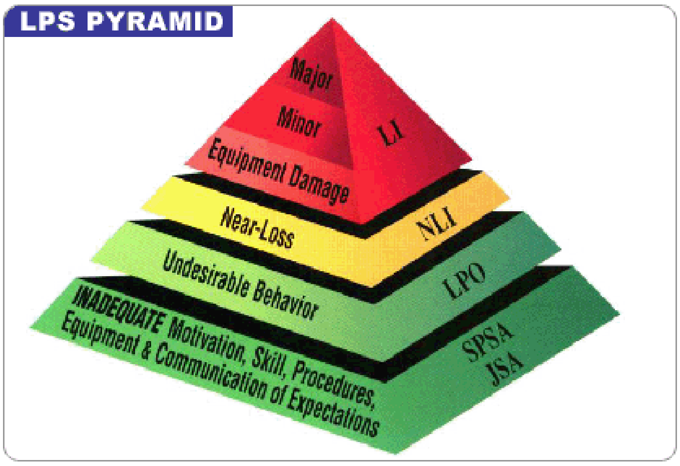
The Eleven Elements of OIMS

- Management, Leadership, Commitment and Accountability
- Risk assessment and management
- Facilities Design and Construction
- Information and Documentation
- Personnel and Training
- Operations and Maintenance
- Management of Change
- Third-party Services
- Incident Investigation and Analysis
- Community awareness and Emergency preparedness
- Operation Integrity Assessment and improvement
-

OIMS requires each operating unit to be assessed by experienced employees from outside the unit on a periodic basis. Self-assessments are required in years when these external assessments are not done. Under OIMS, we review specific hazards that we believe could have major incident potential and take steps to mitigate risks.

- **Loss prevention System(LPS)**

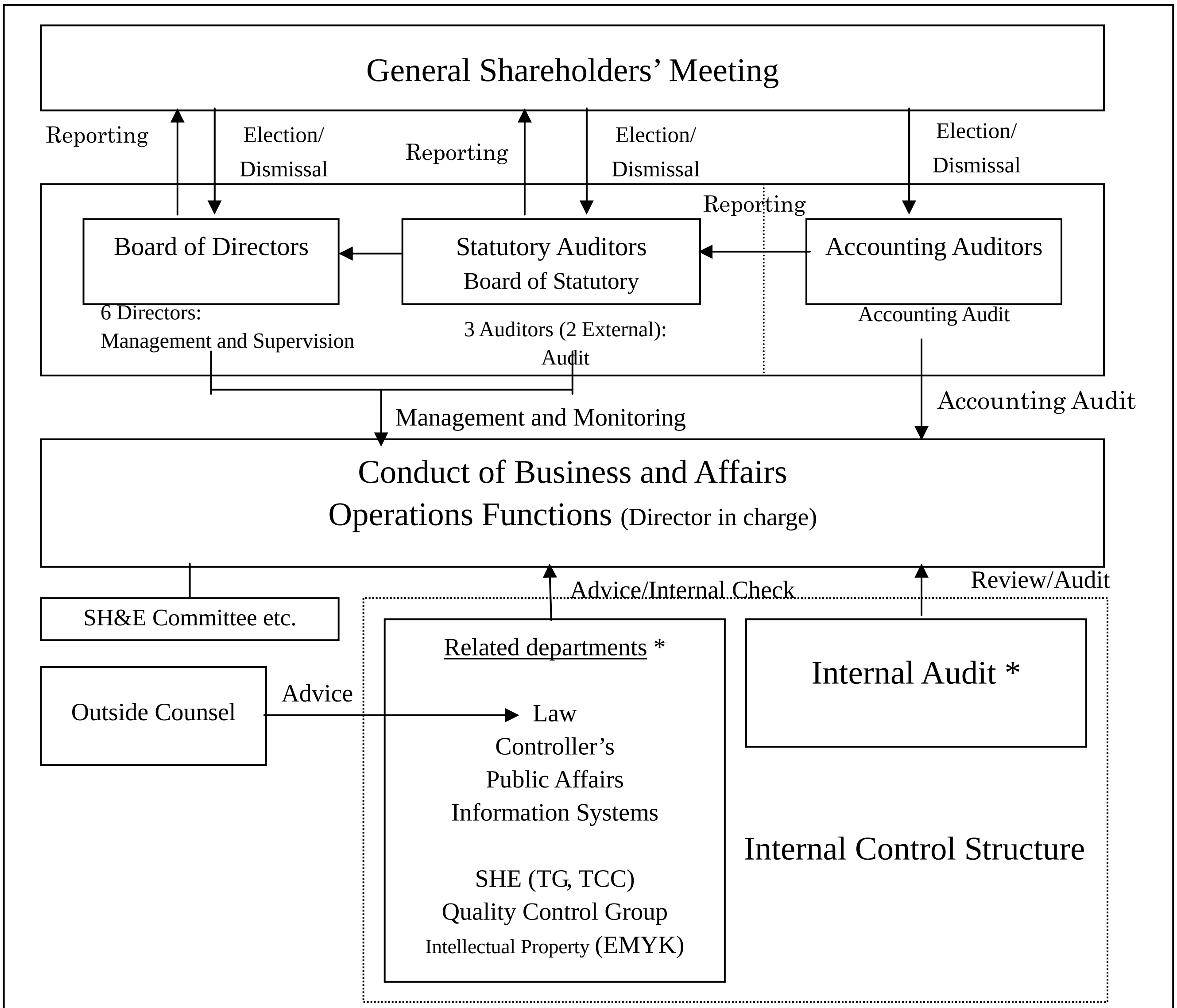
TonenGeneral has introduced the LPS at all its refineries, chemical plants, and other operating sites to ensure safety. Focusing on the human behavior before an incident, the LPS identifies the fundamental causes of a near-loss (a situation that could result in an incident) and undesirable behavior before the near-loss (the portion at the bottom of the safety pyramid shown below) to eliminate it before an incident causing injury actually occurs. To strengthen safety awareness, all site employees and long-term contractors have been trained in LPS. We will continue to promote safe operations with the aim of completely eliminating accidents.



- **Safety, Health & Environment(SH&E)Committees**
  TonenGeneral continues to make every effort to protect the environment, using the ExxonMobil Group's global network and its employment of OIMS. As a part of these activities, the ExxonMobil Japan Group, including TonenGeneral, has established "SH&E Committees" in each of the Refining and Supply and Chemicals segments to set the basic policies of SH&E and regularly review the results. In each function, specific objective setting and detailed follow-ups are practiced.

Framework: Conduct of Business and Affairs, Monitoring and Internal Auditing

（**Framework 1**）



* Under a comprehensive service arrangement, the provision of most services, including Law, Controller's, Information Systems and Internal Audit, is mutualized across all companies in the ExxonMobil Group in Japan. The services are provided to all companies by ExxonMobil Yugen Kaisha, TonenGeneral's parent company.

Key Governance System

Standards of Business Conducts

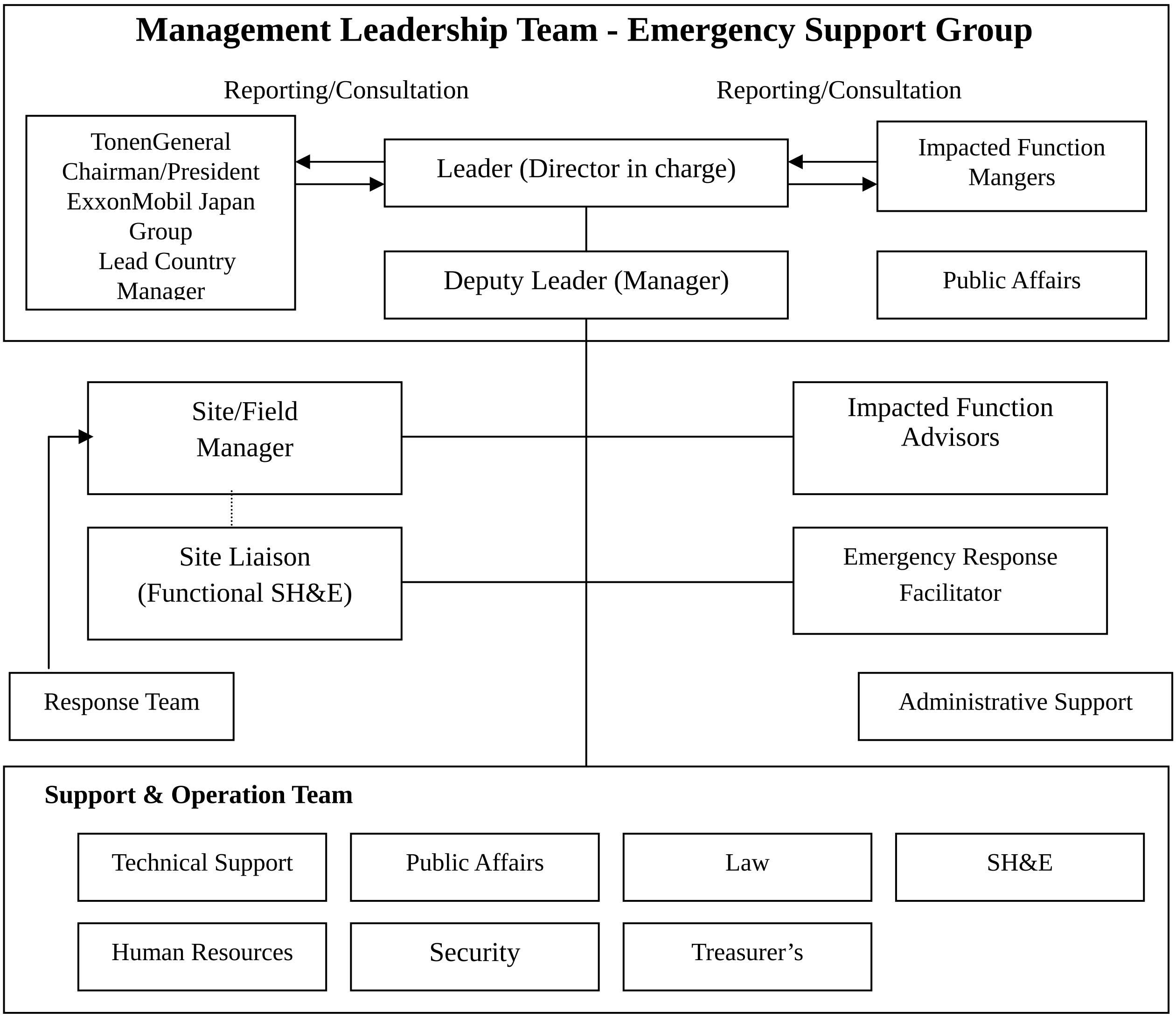
System of Management Control (SMC)

Controls Integrity Management System（CIMS）

Operating Integrity Management System (OIMS)

Framework – Risk Management （**Framework 2**）

In order to minimize damages in emergency cases, TonenGeneral has established plans for emergency response



(7) Activities during the Last Year to Enhance Corporate Governance

Compliance with "Standards of Business Conduct"

- Briefing sessions on Standards of Business Conduct were conducted for each function in 2005, with the objective of furthering understanding of our corporate policies. Simultaneously, "Antitrust Policy" training was conducted. Directors and employees confirmed their compliance with the 'Standards of Business Conduct' in writing during 2005.
- We have conducted training sessions for "Human Rights Promotion Committee " members and each member held a training session on "Equal Employment Opportunity Policy" and 'Harassment in the Workplace Policy in each workplace'.

(8) Basic idea about the relationship with related parties

ExxonMobil Yugen Kaisha holds (as of end of December 2005) 50.7 % of TonenGeneral's total shareholders' voting rights. ExxonMobil Y.K. is a 100% indirect subsidiary of Exxon Mobil Corporation of the U.S.A. Within the ExxonMobil Japan Group, including ExxonMobil Y.K. and TonenGeneral K.K., all of the businesses of companies are organized along functional lines. The objective of this organization is to take advantage of economies of scale, synergies across companies, and rapid implementation of ExxonMobil best practices from around the world. The main elements of the relationship between TonenGeneral K.K. and the ExxonMobil Group companies are as follows.

- TonenGeneral supplies petroleum products to ExxonMobil Y.K. under an agreement relating to supply and offtake for petroleum products.
- TonenGeneral has concluded an agreement with ExxonMobil Y.K. under which TonenGeneral is entrusted with certain logistic functions of ExxonMobil Y.K.
- TonenGeneral has concluded agreements for comprehensive services with ExxonMobil Y.K. to entrust marketing functions and administrative functions.
- TonenGeneral has concluded agreements in relation to crude oil, products and feedstocks supply, services, and research with some ExxonMobil affiliated companies abroad.
- Tonen Chemical Corp. has concluded an agency agreement with ExxonMobil Y.K., utilizing ExxonMobil Y.K. as an agent to centralize its sales and logistics operations.
- Four directors of TonenGeneral are also directors of ExxonMobil Y.K.

Name of the Parent Company, etc.

Name of the parent company, etc.	Relationship	Percentage of voting rights owned by the parent company, (%)	Trade style or name of the stock exchange, in which the parent company, etc., are listed.
ExxonMobil Yugen Kaisha (Y.K.)	Parent Company	50.7	Not applicable
Exxxon Mobil Corporation	Parent Company	50.7	New York Stock Exchange

1. Exxon Mobil Corporation, which indirectly owns 100% of the outstanding shares of ExxonMobil Y.K. via subsidiaries, is another parent company, but there are no material business transactions with the company.
2. Voting rights owned by Exxon Mobil Corporation are indirectly owned via ExxonMobil Y. K.
3. For items related to transactions with the parent company, refer to "10. Transactions with Related Parties".

(9) Risk Factors Affecting Future Results

Below summarized are risk factors that may affect the earnings, stock price and consolidated financial statements etc. in TonenGeneral Group.

- **Competitive Factors**
  The energy and petrochemical industries are highly competitive. There is competition within the industries and also with other industries in supplying the energy, fuel and chemical needs of industry and individual customers. A key component of the Company’s competitive position, particularly given the commodity-based nature of many of its products, is its ability to manage expenses successfully, which requires continuous management focus on reducing unit costs and improving efficiency.
- **Political Factors**
  The operations and earnings of the Company and its affiliates have been, and may in the future be, affected from time to time in varying degrees by political developments, and governmental activity including new laws and regulations. Examples of potential activities or events include: forced divestiture of assets, restrictions on production, imports and exports; war or other international conflicts; civil unrest and local security concerns that threaten the safe operation of company facilities; price controls; tax increases and retroactive tax claims; expropriation of property; cancellation of contract rights; and environmental regulations. Both the likelihood of such occurrences and their overall effect upon the Company vary greatly and are not predictable.
- **Environmental Regulations**
  In Japan, supply of 50-ppm diesel and gasoline was required by regulation with effect as of 2004 end. Furthermore, it is required to lower sulfur level to 10 ppm effective 2007 for diesel and effective 2008 for gasoline. TonenGeneral voluntarily started supply of 10 ppm diesel and gasoline as of January 2005 in order to meet customer needs and to maintain competitiveness in the market. In addition, studies have begun in the petroleum industry regarding the blending of bio fuel with gasoline by 2010. The earnings of the Company may be affected by increases in costs, in response to further new environmental regulations.
- **Petroleum Tariff Reform**
  Tariffs on imported crude oil are scheduled to be abolished in April 2006. Those on petroleum products will be gradually reduced from that time. If tariffs on petroleum

products were reduced or abolished in the future, this could have effects on domestic petroleum prices.

- **Industry and Economic Factors**
  The operations and earnings of the Company and its affiliates are affected by local, regional and global events or conditions that affect supply and demand for oil, petroleum products and other our products. These events and conditions are generally not predictable and include, among other things, general economic growth rates and the occurrence of economic recessions; supply disruptions; weather, including seasonal patterns that affect energy demand and severe weather events that can disrupt operations; technological advances, including advances in technology relating to energy usage in refining, and petrochemical manufacturing; changes in demographics, including population growth rates and consumer preferences; and the competitiveness of alternative hydrocarbon or other energy sources or product substitutes.

- **Market Risks, Inflation and Other Uncertainties**
  Crude oil, petroleum product and chemical prices have fluctuated widely in response to changing market forces. The impacts of these price fluctuations on earnings are generally not predictable.

- **Information Management Risk**
  In an effort to secure proper use and management of confidential information including personal data, we have taken appropriate measures such as installation of firewalls on computer networks, introduction of computer antivirus software to protect internal database and PC operations, monitoring of computer networks, use of dedicated lines for data exchange with external parties, and introduction of advanced data management system, etc. We have required that service providers to whom we have outsourced our customer data adopt the same security policies, and thus our customer data has been properly managed and monitored. Nevertheless, in cases of loss, leak or falsification of internal information including customer data, our business activities might be negatively affected.

Ⅲ. Financial Results

(1) Business Overview

The spot price for Dubai crude oil started at 34 dollars per barrel at the beginning of this year and rose dramatically, hitting a peak of 59 dollars per barrel in September. Later, it showed a moderate downward trend toward the end of the year, ending at 53 dollars per barrel. The 2005 average for the year of 49.3 dollars per barrel was about 15.7 dollars per barrel, or 47%, higher than that of last year. The average U.S. dollar-yen exchange rate for the year was around 111.2 yen per dollar or about 2.0 yen higher than that of 2004. The annual average of crude oil cost in yen per liter terms was 34.5 yen per liter, about 11.4 yen (49%) per liter higher than the average price in 2004. Domestic retail market prices for major products such as gasoline, kerosene and diesel in this year showed a firm trend. However, with the exception for kerosene prices at the end of December, petroleum products price trended lower in the fourth quarter and margins for these products were lower than previous term.

Demand for petroleum products in the domestic market showed a 0.4% increase over the previous year. For gasoline, there was a slight increase in demand of 0.6% over the previous year even though there was a high demand during the hot summer of 2004. Demand for kerosene showed a 7.6% increase over the previous year due to colder winter impacts in the first and fourth quarters of the year. Diesel demand declined 1.9% over the previous year. Fuel Oil A demand decreased 1.9% over the previous year due to conversion by consumers to other energy sources due to soaring oil prices. Demand for Fuel Oil C declined 1.9% over the previous year as nuclear plants restarted, coupled with lower power demand in the summer versus the hot summer of 2004.

Japanese basic chemical production continued to increase, mainly due to continuing strong demand in China. Japanese ethylene production was the second highest in history, next to 1999, and paraxylene production broke the historical high record of 2004. On the other hand, the Asian spot market price for these products fluctuated widely, reflecting both the start-up of new plants in China and Middle East and inventory adjustments by Chinese buyers. Ethylene spot prices showed a down trend since the second quarter of last year, and benzene prices declined since the third quarter. Consequently, Asian spot market prices in US dollar for petrochemicals varied based on the supply and demand of respective products: benzene - 0.9%, paraxylene +13%, ethylene - 3%, propylene +16%, compared with the previous year. Against this market price fluctuation, industry margins for petrochemical products in 2005 remained high in comparison with historical margin levels.

[Financial Results by Segment]

1) Petroleum Products

Consolidated sales revenue increased by 469.5 billion yen to 2,611.9 billion yen, as crude cost hikes were reflected to the product prices. Operating income decreased by 46.0 billion yen to minus 25.4 billion yen. This was due to the extreme effects of the rapid crude price increase in the period. 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 industry. Therefore, the full effects of the extreme crude price increases seen in the 2005 are reflected in our financial results in the period. This adverse effect on a Dubai basis versus the accounting method of industry is estimated at about 43 billion yen. TonenGeneral applies the LIFO/LOCOM method for inventory evaluation. Operating income includes inventory valuation gains of 23.2 billion yen, versus 1.1 billion yen of negative inventory effects in the previous year. These inventory valuation effects do not affect our cash earnings. In addition, the price of light crude oil, our main feedstock, remained high in 2005, resulting in adverse margin effects.

2) Petrochemical Products

Consolidated sales revenue increased by 44.9 billion yen to 242.6 billion yen, reflecting the continued strong demand in the industry. Operating income expanded by 3.1 billion yen to 45.5 billion yen. Sales volume and unit margins for major products such as Olefins and Paraxylene showed a strong trend reflecting the continuous strong demand. These margin increases contributed to the operating income increase.

3) Others

Sales revenue for engineering, maintenance service, etc was 1.6 billion yen, and operating income was 55 million yen.

(1) Earnings Forecast

Earnings forecasts for the period ending December 31, 2006 are as follows:

(Unit: billion yen)

	Sales Revenue	Operating Income/Loss	Ordinary Income/Loss	Net Income/Loss
Consolidated	3,080	40	41	25
Parent	3,030	27	52	40

Consolidated operating income for 2006 is expected to increase 20 billion yen over 2005 to 40 billion yen. This estimate assumes a zero effect of inventory valuation on profits. TonenGeneral does not provide crude price projections; our earnings forecasts are instead based principally on margin assumptions. Petroleum product margins are almost same as 2005 actual. One factor in this projection is the assumption that crude price movements will be more moderate than in 2005. We assume no benefit or further adverse effect from the crude lead/lag effect, discussed above. With spot price fluctuations reflecting enhancement of facilities in Asia and the Middle East, a slight decrease in petrochemicals margins is expected. We are projecting continuing reductions in our operating costs in all aspects of our business.

Ⅳ. Financial Condition

(1) Cash Flows in full year accounting period 2005

Cash and Cash Equivalents were 0.6 billion yen at the end of the full year accounting period. This was a 0.1 billion yen increase from the end of the previous accounting period. In general, it is the Company's policy, for reasons of financial efficiency, to try to minimize holding cash to the extent practicable in operations.

The overall cash flow position did not change significantly from the prior year. Net cash generation (Cash from Operating Activities plus Cash from Investing Activities) totaled 25.5 billion yen. These cash flows plus an increase in debt of 5.7 billion yen financed our dividends and stock repurchase program. Factors of Cash Flows in each activity in the full year accounting period are summarized below.

Cash Flows from Operating Activities were positive 40.0 billion yen. Positive factors included before-tax income, depreciation and favorable working capital movements (reduction in inventory, increases in accounts payable partly offset by increases in accounts receivable) less payments of corporate income taxes.

Cash Flows from Investing Activities were negative 14.4 billion yen. Cash outflows for capital expenditures and acquisition of a subsidiary's stock were larger than cash inflows from divestments of marketable securities and fixed assets.

Cash Flows from Financing Activities were negative 25.4 billion yen. Cash outflows from dividend payments and repurchases of our own stock were larger than cash inflows from the increase in debt.

(2) Outlook on cash flows

Net cash generation from operations (Cash from Operating Activities plus those from Investing Activities) is anticipated to be similar to or slightly larger in 2006 than in 2005. Higher forecast operating earnings in 2006 will be offset by, among other things, larger capital expenditure than in 2005. We have assumed no significant changes in working capital.

Net cash generation will be applied to distributions to shareholders and to reduction of debt.

(3) Trend in cash flows

	FY 2002	FY 2003	FY 2004	FY 2005
Shareholder's Equity Ratio (%) – Book Base	22.5%	24.2%	26.4%	23.8%
Shareholder's Equity Ratio (%) - Market Base	47.9%	56.3%	58.4%	76.4%
Years needed to retire debt (years)	6.4	2.1	1.7	1.9
Interest coverage Ratio (times)	24.4	50.5	58.5	69.7

* All indicators have been calculated based on consolidated financial data

* Definitions:

Shareholder's Equity Ratio – Book Base: Shareholder's Equity / Total Assets

Shareholder's Equity Ratio – Market Base: Total value of stock at market price / Total Assets

Years needed to retire debt: Interest-bearing debt / Operating Cash Flows

Interest coverage ratio: Operating Cash Flows / Interest paid

* Operating cash flows is the cash flow from operations shown in the Consolidated Statement of Cash Flows

* Interest-bearing debt is interest-bearing debt, including short-term borrowings, Commercial Paper and long-term debt on the Consolidated Balance Sheet. Interest Paid is the amount shown in the Consolidated Statement of Cash Flows.

Ⅴ. Consolidated Financial Statements

Consolidated Balance Sheet

(Unit: Million Yen)

Account Title	December 31, 2004	December 31, 2005	Dec. 31, 2005 vs. Dec. 31, 2004
Assets	945,537	968,334	22,796
Current Assets	658,833	686,625	27,791
Cash and Cash Equivalents	431	569	137
Notes and Trade Accounts Receivable	464,412	492,618	28,205
Inventories	178,490	166,899	△ 11,590
Income Tax Refund Receivable	-	12,202	12,202
Deferred Tax Assets	6,186	6,633	446
Short-term Loans Receivable	770	714	△ 56
Others	9,477	7,611	△ 1,866
Bad Debt Allowance	△ 935	△ 623	312
Long-term Assets	286,703	281,708	△ 4,995
Property, Plant and Equipment	242,464	237,090	△ 5,373
Buildings and Structures	60,767	57,234	△ 3,533
Tanks	7,332	6,924	△ 407
Machinery, Equipment and Vehicles	71,656	66,614	△ 5,041
Tools, Furniture and Fixtures	1,878	1,549	△ 329
Land	94,335	91,550	△ 2,784
Incomplete Construction	6,494	13,216	6,722
Intangible Assets	5,778	8,231	2,453
Leasehold	1,997	1,974	△ 23
Software	3,095	3,143	47
Consolidation Adjustment Account	-	2,613	2,613
Others	685	500	△ 184
Investments and Other Assets	38,460	36,385	△ 2,074
Investment Securities	16,910	13,495	△ 3,415
Long-term Loans Receivable	1,976	1,390	△ 586
Deferred Tax Assets	5,469	6,993	1,524
Others	15,831	15,201	△ 630
Bad Debt Allowance	△ 1,727	△ 694	1,032
Total Assets	945,537	968,334	22,796

(Note) Amounts are shown in truncated millions of yen.

Consolidated Balance Sheet

(Unit: Million Yen)

Account Title	December 31, 2004	December 31, 2005	Dec. 31, 2005 vs. Dec. 31, 2004
Liabilities	694,674	737,159	42,484
Current Liabilities	617,697	660,721	43,023
Notes and Trade Accounts Payable	242,685	294,663	51,977
Gasoline Tax etc., Payable	238,859	236,899	△ 1,959
Short-term Debt	53,595	45,877	△ 7,717
Commercial Paper	-	15,000	15,000
Accrued Income Tax	22,366	4,769	△ 17,597
Accrued Consumption Tax	12,028	13,517	1,488
Guarantee Deposits Payable	11,853	12,344	491
Reserve for Bonuses	1,455	1,428	△ 26
Others	34,853	36,220	1,367
Long-term Liabilities	76,976	76,437	△ 539
Long-term Debt	16,572	14,653	△ 1,919
Deferred Income Tax Liabilities	859	1,348	489
Reserve for Accrued Pension Costs	40,025	39,995	△ 29
Reserve for Officers' Retirement Allowance	231	238	7
Reserve for Repairs	13,859	16,395	2,535
Reserve for Offshore Well Abandonment	1,608	1,567	△ 40
Others	3,821	2,239	△ 1,582
Minority Interests	1,014	1,015	1
Shareholders' Equity	249,849	230,159	△ 19,689
Common Stock	35,123	35,123	-
Additional Paid-in Capital	20,753	20,770	16
Retained Earnings	193,069	173,772	△ 19,297
Net Unrealized Holding Gains on Securities	1,625	579	△ 1,046
Treasury Stock	△ 723	△ 85	637
Total Liabilities, Minority Interests and Shareholders' Equity	945,537	968,334	22,796

(Note) Amounts are shown in truncated millions of yen.

Consolidated Statement of Income

(Unit: Million Yen)

Section	Subsection	Account Title	2004 (Jan. 1 through Dec. 31)	2005 (Jan. 1 through Dec. 31)	2005 vs. 2004
Ordinary P/L	Operating P/L	Sales Revenues	2,342,276	2,856,182	513,905
		Cost of Sales	2,233,696	2,797,434	563,738
		Gross Margin	108,580	58,747	△ 49,832
		Selling, General and Administrative Expenses	45,402	38,769	△ 6,633
		Operating Income	63,177	19,978	△ 43,199
	Non-operating P/L	**Non-operating Income**			
		Interest Income	155	100	△ 55
		Dividends Received	133	72	△ 60
		Foreign Exchange Gain	2,914	1,770	△ 1,143
		Equity Earnings of Affiliates	2,999	1,670	△ 1,329
		Others	545	135	△ 409
		Total Non-operating Income	6,748	3,749	△ 2,999
		Non-operating Expenses			
		Interest Expenses	722	605	△ 117
		Loss on Sales and Disposals of Supplies	116	94	△ 22
		Others	461	205	△ 256
		Total Non-operating Expenses	1,301	905	△ 395
		Ordinary Income	68,625	22,822	△ 45,802
Extraordinary P/L		**Extraordinary Gain**			
		Gain on Sales of Property, Plant and Equipment	3,290	2,815	△ 475
		Gain on Sales of Investment Securities	11,596	2,138	△ 9,457
		Gain on Sale of Marketing Goodwill	-	377	377
		Gain on Return of Subsitutional Portion of Employee Pension Fund	6,937	-	△ 6,937
		Settlement Package etc. Related to Withdrawal from Power Generation Business	1,929	-	△ 1,929
		Gain on Reversal of Bad Debt Allowance	9	-	△ 9
		Others	169	41	△ 127
		Total Extraordinary Gain	23,932	5,373	△ 18,558
		Extraordinary Loss			
		Additional Allowance for Employee's Early Retirement	2,387	3,380	993
		Loss on Sales and Disposals of Property, Plant and Equipment	4,371	2,864	△ 1,507
		Loss on Asset Impairment	3,370	868	△ 2,501
		Evaluation Loss on Investment Securities	-	664	664
		Others	147	-	△ 147
		Total Extraordinary Loss	10,276	7,778	△ 2,498
		Income before Income Taxes	82,280	20,417	△ 61,862
		Current Income Taxes	31,117	8,120	△ 22,996
		Deferred Income Tax	2,817	△ 719	△ 3,536
		Minority Interests	102	1	△ 101
		Net Income	48,243	13,015	△ 35,228

(Note) Amounts are shown in truncated millions of yen.

Consolidated Statement of Retained Earnings

(Unit: Million Yen)

Description	2004 (Jan. 1 through Dec. 31)		2005 (Jan. 1 through Dec. 31)	
Additional Paid-in Capital				
Ⅰ Outstanding Balance at the Beginning of the Period		20,741		20,753
Ⅱ Increase in Additional Paid-in Capital				
Gain on Disposal of Treasury Stock	11	11	16	16
Ⅲ Outstanding Balance at the End of the Period		20,753		20,770
Retained Earnings				
Ⅰ Outstanding Balance at the Beginning of the Period		166,131		193,069
Ⅱ Increase in Consolidated Retained Earnings				
Net Income	48,243	48,243	13,015	13,015
Ⅲ Decrease in Consolidated Retained Earnings				
1 Cash Dividends Declared	21,305		21,298	
2 Retirement of Repurchased Treasury Stocks	-	21,305	11,014	32,313
Ⅳ Outstanding Balance at the End of the Period		193,069		173,772

(Note) Amounts are shown in truncated millions of yen.

Consolidated Statement of Cash Flows

(Unit: Million Yen)

Title	2004 (Jan.1 through Dec.31) Amounts	2005 (Jan.1 through Dec.31) Amounts
Ⅰ.Cash Flows from Operating Activities		
Net Income before Income Taxes	82,280	20,417
Depreciation and Amortization	21,474	20,507
Gain on Sales of Investment Securities	△ 11,596	△ 2,138
Gain on Return of Substitutional Portion of Employee Pension Fund	△ 6,937	-
Settlement Package etc. Related to Withdrawal from Power Generation Business	△ 1,929	-
Loss on Asset Impairment	3,370	868
Decrease(△Increase) in Trade Accounts Receivable	△ 45,756	△ 27,642
Decrease(△Increase) in Inventories	△ 9,378	12,170
Increase(△Decrease) in Trade Accounts Payable	28,742	51,403
Increase(△Decrease) in Other Accounts Payable	3,805	△ 440
Others	△ 2,435	4,531
Sub-Total	61,638	79,678
Interest and Dividend Income Received	5,401	815
Interest Paid	△ 712	△ 572
Payments of Additional Allowance for Employee's Early Retirement	△ 1,026	△ 1,605
Receipt of Settlement Package Related to Withdrawal from Power Generation Business	1,000	-
Income Taxes Paid	△ 24,625	△ 38,364
Cash Flows from Operating Activities	41,675	39,951
Ⅱ.Cash Flows from Investing Activities		
Payments for Purchases of Property, Plant and Equipment	△ 16,180	△ 17,850
Proceeds from Sales of Property, Plant and Equipment	5,724	4,152
Payments for Purchases of Intangible Assets	△ 101	△ 894
Proceeds from Sales of Investment Securities	19,638	2,446
Decrease(△Increase) in Short-term Loans Receivable	3,990	-
Payments of Long-term Loans Receivable	△ 59	△ 86
Collection of Long-term Loans Receivable	921	443
Payments for Stock Purchase of a Subsidiary Company	-	△ 3,988
Proceeds from Share Buy Back by an Equity-method Subsidiary	-	1,300
Others	37	55
Cash Flows from Investing Activities	13,972	△ 14,422
Ⅲ.Cash Flows from Financing Activities		
Decrease(△Increase) in Short-term Loans Receivable	-	△ 56
Increase(△Decrease) in Short-term Debt	△ 36,219	△ 6,731
Increase(△Decrease) in Commercial Paper	-	15,000
Increase in Long-term Debt	4,785	-
Payments of Long-term Debt	△ 2,977	△ 2,597
Payments for Purchases of Treasury Stock	△ 258	△ 9,766
Proceeds from Sales of Treasury Stock	105	69
Cash Dividends Paid	△ 21,305	△ 21,298
Payment of Liquidation Dividends to Minority Interests	△ 4	-
Others	-	△ 10
Cash Flows from Financing Activities	△ 55,874	△ 25,390
Ⅳ.Increase(△Decrease) in Cash and Cash Equivalents	△ 226	137
Ⅴ.Cash and Cash Equivalents at the Beginning of the Period	658	431
Ⅵ.Cash and Cash Equivalents at the End of the Period	431	569

(Note) Amounts are shown in truncated millions of yen.

Notes to Consolidated Financial Statements

1. Scope of Consolidation

- Consolidated subsidiaries: 7 companies, see "I. Profile of Group Companies"
- Subsidiaries added to consolidation during the period: 1 company Tonex Co., Ltd.
- Subsidiaries removed from consolidation during the period: 2 companies
  Tonen Energy and Marine (Singapore) Private Ltd.
  Tonex Co., Ltd.
- Non-consolidated subsidiaries: 1 company
  Kyushu Eagle K.K.

2. Application of Equity Method

- Affiliates accounted for by the equity method: 2 companies, see "I. Profile of Group Companies"
- Removed during the period: 1 company Tonex Co., Ltd.
- Non equity-method companies: 2 companies Kyushu Eagle K.K., Emori Sekiyu K.K.

3. Closing Date of Consolidated Subsidiaries

Closing dates of consolidated subsidiaries are the same as that of the Company.

4. Summary of Significant Accounting Procedures

(1) Evaluation Methods for Important Assets

① Inventories
- Products, goods, unfinished products and crude: generally LIFO at the lower of cost or market
- Supplies: the moving-average method at cost

② Securities
- Other securities
  ・Marketable: market value at the closing date
  (Unrealized holding gain/loss is directly reflected in shareholders' equity, and cost of sales is calculated using the moving-average method.)
  ・Non-marketable: the moving-average method at cost

③ Derivative transactions, etc.: market value at the closing date

(2) Depreciation and Amortization of Fixed Assets

- Property, Plant and Equipment: generally the declining-balance method
  The service life ranges of major types of assets are:

Buildings and Structures:	10 to 50 years
Tanks:	10 to 25 years
Machinery and Equipment:	8 to 15 years

- Intangible Assets: the straight-line method
  In-house computer software is amortized over its service life (5 to 15years) using the straight-line method.

(3) Accounting Standards for Major Reserves

- Bad Debt Allowance
  To provide for losses due to bad debt, the Company and its consolidated subsidiaries accrue an estimated bad debt allowance on ordinary receivables based on historical bad debt ratios, and on highly doubtful receivables based on the financial conditions of individual customers.

- Reserve for Bonuses
  To provide for the payment of employees' bonuses, the Company and its consolidated subsidiaries accrue an estimated reserve for the consolidated accounting period.

- Reserve for Accrued Pension Costs

To provide for the payment of employees' post-retirement benefits, the Company and its consolidated subsidiaries accrue estimated reserves based on projected benefit obligations and estimated pension plan assets as of the closing date. Any difference in actuarial calculations of retirement benefits are amortized beginning with the next accounting period, where the declining-balance method is employed over a period which is set within employees' average remaining service years (12 years). Prior service obligations are amortized using the straight-line method over employees' average remaining service years (15.5 years for 2003 and before, 12.9 and 11.4 years thereafter for the Company and its consolidated subsidiary, respectively).

- Reserve for Officers' Retirement Allowance

To provide for the payment of officers' post-retirement allowance, the Company and its consolidated subsidiaries accrue an estimated amount of lump sum retirement allowance assuming that officers retire at the closing date.

- Reserve for Repairs

To provide for periodic tank inspections required under the Fire Service Law and for periodic repairs of machinery and equipment, the Company and two of its consolidated subsidiaries accrue estimated reserves for the consolidated accounting period, based on actual payments and repair plans, respectively.

- Reserve for Offshore Well Abandonment

To provide for expenses for offshore well abandonment to be incurred when natural gas production is terminated, the Company and its consolidated subsidiaries accrue an estimated amount using the unit-of-production method.

(4) Translation Method for Foreign Currency Assets and Liabilities

Foreign currency assets and liabilities are translated into yen at the spot rate of the closing date, and any difference in the exchange rate is reflected in income.

(5) Accounting for Finance Lease Transactions

The same accounting treatment is employed for finance lease transactions without transfer of ownership of leased items to lessee, as ordinary operating lease transactions.

(6) Other

Amounts on the Consolidated Statement of Income do not include consumption taxes.

5. Evaluation of Assets and Liabilities of Consolidated Subsidiaries

Assets and liabilities of consolidated subsidiaries are evaluated using the partial fair value method.

6. Amortization of Consolidation Adjustment Accounts

Consolidation adjustment accounts are amortized over five years using the straight-line method. When the amounts are immaterial, they are amortized in a lump sum in the consolidated accounting period. When the number of amortization years is reasonably estimable, and it is shorter than 5 years, consolidation adjustment accounts are amortized over the estimated years using the straight-line method.

7. Retained Earnings Distribution

The Consolidated Statement of Retained Earnings reflects appropriations during the current accounting period of the Company and its consolidated subsidiaries.

8. Scope of Cash and Cash Equivalents in Consolidated Statement of Cash Flows

Cash and Cash Equivalents are composed of cash on hand, deposits drawable at any time, and readily convertible and price change insensitive short-term advances whose maturity comes generally within three months.

Additional Information

1. Return of Substitutional Portion of Employee Pension Fund (EPF)

   With the implementation of the Defined Benefit Pension Plan Act, the Company and its consolidated subsidiary Tonen Kagaku K.K. were granted approval by the Minister of Health, Labor and Welfare on the return of the substitutional portion of the Employee Pension Fund (EPF) in the previous consolidated accounting period. The return was completed on May 31, 2005. The variance in the return amounts between the estimate in the previous consolidated accounting period and the actual amount determined in the current consolidated accounting period amounted to 118 million yen. As a result, Operating Income for this consolidated accounting period increased by 118 million yen.

2. Pro Forma Standard Taxation

   With the promulgation of amendments to the Local Tax Law (Law No.9 for 2003) on March 31, 2003, and the implementation of the Pro Forma Standard Taxation effective with accounting periods that started after April 1, 2004, the Company recognized the value-added and capital-proportionate portions of Enterprise Tax as Cost of Sales and Selling, General and Administrative Expense in accordance with "the guideline on how to show pro forma portions of Enterprise Tax on the Income Statement" (Corporate Accounting Standards Committee - Accounting Practice Report No.12). As a result, Cost of Sales and Selling, General and Administrative Expenses increased by 121million yen and 153 million yen, respectively, and Operating Income, Ordinary Income and Income before Taxes decreased by 275 million yen.

Other Notes

1. Consolidated Balance Sheet

		December 31, 2004		December 31, 2005	
(1) Accumulated Depreciation on Tangible Fixed Assets:		731,330	Million Yen	746,567	Million Yen
(2) Contingent Liabilities:		4,791	Million Yen	3,867	Million Yen
(3) Number of Shares Issued:	Number of Common Stock	592,543,018	Shares	583,400,000	Shares
(4) Treasury Stock:	Number of Shares	859,811	Shares	70,505	Shares
	Amount	723	Million Yen	85	Million Yen

2. Consolidated Statement of Income

	2004		2005	
(1) Gain on Sales of Property, Plant and Equipment				
Land (Service Stations, etc.)	2,360	Million Yen	2,468	Million Yen
Machinery, Equipment and Vehicles (Vessel, etc.)	144	Million Yen	304	Million Yen
Buildings and Structures(Service Stations, etc.)	753	Million Yen	31	Million Yen
Others	31	Million Yen	11	Million Yen
Total	3,290	Million Yen	2,815	Million Yen
(2) Loss on Sales and Disposal of Property, Plant and Equipment				
Buildings and Structures(Service Stations, etc.)	846	Million Yen	1,037	Million Yen
Land (Service Stations, etc.)	2,988	Million Yen	847	Million Yen
Machinery, Equipment and Vehicles (Refinery Facilities, etc.)	378	Million Yen	541	Million Yen
Others	158	Million Yen	437	Million Yen
Total	4,371	Million Yen	2,864	Million Yen

3. Consolidated Statement of Cash Flows

Cash and Cash Equivalents at the Closing Dates and Accounts on the Balance Sheet

	2004		2005	
Cash on Hand and in Banks	431	Million Yen	569	Million Yen
Cash and Cash Equivalents	431	Million Yen	569	Million Yen

4. Lease Transactions

Finance Leases without Transfer of Ownership of Leased Items to Lessee

(1) Acquisition Cost Equivalent, Accumulated Depreciation Equivalent and Net Book Value Equivalent at the Closing Dates

(Unit: Million Yen)

December 31, 2004				December 31, 2005			
	Acquisition Amount Equivalent	Accumulated Depreciation Equivalent	Outstanding Balance		Acquisition Amount Equivalent	Accumulated Depreciation Equivalent	Outstanding Balance
Tanks	301	85	216	Tanks	301	184	117
Machinery, Equipment and Vehicles	378	311	67	Machinery, Equipment and Vehicles	381	351	29
Other Property, Plant and Equipment	41	21	19	Other Property, Plant and Equipment	31	25	6
Intangible Assets	88	73	14	Intangible Assets	-	-	-
Total	809	491	318	Total	714	561	153

(Notes) The acquisition cost equivalent amounts include interest-equivalent expenses, since interest-equivalent expenses are immaterial considering the total amount of property, plant and equipment.

(2) Outstanding Balance of Accrued Lease Fees at the Closing Dates

	December 31,2004	December 31,2005
Due within One Year	167 Million Yen	118 Million Yen
Due over One Year	150 Million Yen	34 Million Yen
Total	318 Million Yen	153 Million Yen

(Notes) The outstanding balances of accrued lease fees include interest-equivalent expenses, since interest-equivalent expenses are immaterial considering the total amount of property, plant and equipment.

(3) Lease Fees Paid and Depreciation Expense Equivalent

	2004	2005
Lease Fees Paid	171 Million Yen	162 Million Yen
Depreciation Expense Equivalent	171 Million Yen	162 Million Yen

(4) Calculation Method for Depreciation Expense Equivalent

Straight-line method with no residual value, where a lease period is treated as a period of depreciation.

5. Securities

(1) Other Securities with Market Value

(Unit: Million Yen)

Title		December 31, 2004			December 31, 2005		
		Purchase Price	Book Value	Gain/Loss	Purchase Price	Book Value	Gain/Loss
Book Value exceeds Purchase Price	(1) Stocks	1,544	4,156	2,612	1,246	2,047	800
	(2) Bonds	-	-	-	-	-	-
	(3) Others	-	-	-	-	-	-
	Sub-Total	1,544	4,156	2,612	1,246	2,047	800
Book Value does not exceed Purchase Price	(1) Stocks	-	-	-	-	-	-
	(2) Bonds	-	-	-	-	-	-
	(3) Others	-	-	-	-	-	-
	Sub-Total	-	-	-	-	-	-
Total		1,544	4,156	2,612	1,246	2,047	800

(2) Available-for-sale Securities Sold during the Consolidated Accounting Period

(Unit: Million Yen)

Title	2004 (Jan. 1 through Dec. 31)	2005 (Jan. 1 through Dec. 31)
Sales Amounts	15,638	2,446
Total Gain	11,596	2,138
Total Loss	-	3

(3) Breakdown of Non-marketable Securities

(Unit: Million Yen)

Title	December 31, 2004	December 31, 2005
	Book Value	Book Value
Other Securities		
Non-listed Stocks	12,753	11,447
Investment Securities	5	5
Total	12,758	11,452

(Note) In this consolidated accounting period, the impairment of non-marketable securities amounted to 664 million yen, which was deducted from the purchase prices.

6. Derivative Transactions

Contract Amount, Market Value and Unrealized Gain/Loss of Derivative Transactions

Currency Related

(Unit: Million Yen)

Subject of Deal	Type of Instrument	December 31, 2004				December 31, 2005			
		Contract Amount		Market Value	Unrealized Gain/ (Loss)	Contract Amount		Market Value	Unrealized Gain/ (Loss)
			Over One Year				Over One Year		
Transactions Other than Market Transactions	Foreign Exchange Forward US$ Buying	62,109	-	62,387	277	93,536	-	93,294	△ 242
Total		62,109	-	62,387	277	93,536	-	93,294	△ 242

2004	2005
(Note) Calculation Method for Market Value Closing market price is calculated based on current market price.	(Note) Calculation Method for Market Value Ditto

Qualitative information regarding the derivative transaction above is omitted.

7. Payment for Employees' Post-retirement Benefits

1. Outline of Adopted Retirement Benefit Scheme

As of the end of the consolidated accounting period, the Company and two of its consolidated subsidiaries employed a defined benefit plan, one employed a tax-qualified pension plan, and six employed retirement allowance plans.

2. Breakdown of Projected Benefit Obligations

(Unit: Million Yen)

	December 31, 2004	December 31, 2005
① Projected Benefit Obligations	△ 152,107	△ 150,465
② Plan Assets	105,529	124,084
③ Non-deposited Retirement Pay Obligations (①+②)	△ 46,577	△ 26,381
④ Unrecognized Actuarial Gain/Loss	5,998	△ 12,946
⑤ Unrecognized Prior Service Costs (Reduction of Liabilities)	4,028	3,498
⑥ Amount Booked on Consolidated Balance Sheet (③+④+⑤)	△ 36,550	△ 35,829
⑦ Prepaid Pension Costs	3,474	4,166
⑧ Reserve for Accrued Pension Costs (⑥-⑦)	△ 40,025	△ 39,995

(Note) Some of the consolidated subsidiaries apply simplified methods in calculating projected benefit obligations.

3. Breakdown of Accrued Pension Costs

(Unit: Million Yen)

	2004 (Jan. 1 through Dec. 31)	2005 (Jan. 1 through Dec. 31)
① Service Costs	3,179	2,519
② Interest Expenses	3,470	3,790
③ Expected Return on Plan Assets	△ 5,459	△ 6,137
④ Amortization of Unrecognized Actuarial Gain/Loss	3,260	801
⑤ Amortization of Prior Service Costs	123	529
⑥ Employee Contribution to Employee Pension Fund	△ 184	-
⑦ Accrued Pension Costs (①+②+③+④+⑤+⑥)	4,389	1,503

(Note) 1. In the previous consolidated accounting period, employee contributions to the employee's pension fund for January and February are not included. (Approval on the return of the future portion was granted in February.)

2. Accrued Pension Costs for the consolidated subsidiary that adopt a simplified method are included in①Service costs.

3. In this consolidated accounting period, the variance in the return amounts of Employee Pension Fund, which amounted to 118 million yen, between the estimate in the previous accounting period at the timing of approval by the Minister of Health, Labor and Welfare and the actual amount determined at the completion of the return (May 31, 2005) was included in④Amortization of Unrecognized Actuarial Gain/Loss.

4. Besides the above Accrued Pension Costs, 2,387 million yen and 3,380 million yen of Additional Allowance for Employee's Early Retirement were recognized as extraordinary losses for the previous and current accounting periods, respectively.

4. Related Information on the Calculation of Projected Benefit Obligations

	December 31, 2004	December 31, 2005
① Period Distribution Method of Estimated Retirement Benefits	Period fixed amount standard	Ditto
② Discount Rate	2.60%	2.50%
③ Rate of Expected Return on Plan Assets	6.00%	Ditto
④ Amortization Period for Prior Service Costs	15.5 years for 2003 and before, 12.9 and 11.4 years thereafter for the Company and its consolidated subsidiary, respectively (Prior service costs are amortized using the straight line method over employees' average remaining service years.)	Ditto
⑤ Amortization Period for Actuarial Differences	12 years (Actuarial differences are amortized using the declining-balance method over certain years within employees' average remaining service years.)	Ditto

8. Deferred Tax Accounting

(1) Breakdown of Deferred Tax Assets and Deferred Tax Liabilities

（Unit：Million Yen）

	December 31, 2004	December 31, 2005
（Deferred Tax Assets）		
Excess over Deduction Limit of Reserve for Retirement Allowance	16,850	16,136
Excess over Deduction Limit of Accumulated Depreciation	375	489
Excess over Deduction Limit of Reserve for Turnaround	3,610	4,621
Asset Impairment	1,371	807
Tax Loss Carry Forward	61	1,521
Others	9,046	8,294
Total Deferred Tax Assets	31,314	31,870
（Deferred Tax Liabilities）		
Reserve for Replacement of Property	△ 14,848	△ 13,560
Unrealized Holding Gains on Securities	△ 1,062	△ 325
Other	△ 4,608	△ 5,705
Total Deferred Tax Liabilities	△ 20,520	△ 19,591
Net of Deferred Tax Assets	10,795	12,278

Deferred Tax Amounts Included in the Consolidated Balance Sheet

（Unit：Million Yen）

	December 31, 2004	December 31, 2005
Current Assets - Deferred Tax Assets	6,186	6,633
Fixed Assets - Deferred Tax Assets	5,469	6,993
Current Liabilities - Others	△ 1	-
Long Term Liabilities - Deferred Tax Liabilities	△ 859	△ 1,348

(2) Factors in the Difference between Statutory Effective Tax Rate and Actual Effective Tax Rate

	December 31, 2004	December 31, 2005
Statutory Effective Tax Rate	42.1 %	40.7 %
(Adjustment)		
Items Never Recognized as Loss, Such as Entertainment Expense	0.1 %	0.3 %
Items Never Recognized as Profit, Such as Dividends Received	△ 0.1 %	△ 0.1 %
Equity Earnings	△ 1.5 %	△ 3.3 %
Liquidation Dividends from Overseas Consolidated Subsidiary	1.4 %	- %
Tax Credit	△ 1.1 %	△ 1.4 %
Adjustment of Gain on Sales of Investment Securities	0.3 %	- %
Amortization in Consolidation Adjustments Account	- %	1.3 %
Deemed Dividend Associated with Decapitalization of Consolidated Subsidiary	- %	△ 1.8 %
Others	0.0 %	0.6 %
Actual Effective Tax Rate	41.2 %	36.3 %

9. Segment Information

1. Information by Business Line

2004 (January 1, 2004 through December 31, 2004)

(Unit: Million Yen)

	Oil	Chemicals	Others	Total	Elimination	Consolidated
Ⅰ. Sales Revenues and Operating Income						
Sales Revenues						
(1) Sales to Third Parties	2,142,378	197,722	2,175	2,342,276	-	2,342,276
(2) Internal Transactions	380,792	25,187	1,318	407,298	(407,298)	-
Total	2,523,171	222,910	3,494	2,749,575	(407,298)	2,342,276
Operating Expenses	2,502,589	180,525	3,480	2,686,595	(407,496)	2,279,098
Operating Income	20,581	42,384	14	62,980	197	63,177
Ⅱ. Assets, Depreciation, Loss on Asset Impairment and Capital Expenditures						
Assets	937,703	116,712	2,481	1,056,897	(111,359)	945,537
Depreciation Expenses	17,606	3,865	2	21,474	-	21,474
Loss on Asset Impairment	3,370	-	-	3,370	-	3,370
Capital Expenditures	14,150	2,128	2	16,281	-	16,281

(Note)

1. Classification of business lines is based on the internal control procedure the Company has adopted.

2. Major products of each business line:
   (1) Oil : Gasoline, Naphtha, Jet Fuel, Kerosene, Diesel Fuel, Fuel Oils, Lubricants, LPG, etc.
   (2) Chemicals: Ethylene, Propylene, Benzene, Toluene, Paraxylene, Micro Porous Film, etc.
   (3) Others: Engineering, Maintenance Service, etc.

3. Change in Accounting Policies
   (1) Starting with this accounting period, Tonen Kagaku K.K. (TCC) and Tonen Chemical Nasu Corporation, subsidiaries of the Company, changed their evaluation method of products, semi products and raw materials from the gross average method at the lower of cost or market (LOCOM) to the LIFO method at LOCOM. This change aligned the companies' accounting policies with those of their parent company, in connection with TCC's introduction in 2004 of the same inventory management systems as those of its parent company. As a result, the Operating Expenses for the petrochemical segment increased by 451 million yen as compared with that using the old method, and its Operating Income decreased by the same amount.

   (2) Starting with this accounting period, TCC changed its depreciation method for plant, property and equipment from the straight line method to the declining balance method. This change aligned the company's accounting policies with its parent company, in connection with introduction of the same fixed asset management systems as that of its parent company. As a result, the Operating Expenses for the petrochemical segment increased by 248 million yen as compared with that using the old method, and its Operating Income decreased by the same amount.

2005 (January 1, 2005, through December 31, 2005)

(Unit: Million Yen)

	Oil	Chemicals	Others	Total	Elimination	Consolidated
Ⅰ. Sales Revenues and Operating Income						
Sales Revenues						
(1) Sales to Third Parties	2,611,974	242,635	1,573	2,856,182	-	2,856,182
(2) Internal Transactions	349,723	36,260	4	385,988	(385,988)	-
Total	2,961,697	278,895	1,577	3,242,170	(385,988)	2,856,182
Operating Expenses	2,987,142	233,400	1,522	3,222,065	(385,861)	2,836,203
Operating Income(△Loss)	△ 25,444	45,495	55	20,105	(126)	19,978
Ⅱ. Assets, Depreciation, Loss on Asset Impairment and Capital Expenditures						
Assets	964,961	126,760	2,236	1,093,959	(125,624)	968,334
Depreciation Expenses	16,482	4,022	2	20,507	-	20,507
Loss on Asset Impairment	868	-	-	868	-	868
Capital Expenditure	13,498	5,245	0	18,744	-	18,744

(Note)

1. Classification of business lines is based on the internal control procedure the Company has adopted.

2. Major products of each business line:
   (1) Oil : Gasoline, Naphtha, Jet Fuel, Kerosene, Diesel Fuel, Fuel Oils, Lubricants, LPG, etc.
   (2) Chemicals: Ethylene, Propylene, Benzene, Toluene, Paraxylene, Micro Porous Film, etc.
   (3) Others: Engineering, Maintenance Service, etc.

2. Segment Information by Geographical Area

This information is omitted, since sales revenues and assets in the domestic market comprise over 90% of total sales revenue and total assets, respectively, in current and previous consolidated periods.

3. Overseas Sales

This information is omitted, since overseas sales revenue is less than 10% of total sales revenue in current and previous consolidated periods.

10. Transactions with Affiliated Companies

2004 (January 1 through December 31)

(1)Parent Company and Main Corporate Shareholders

Affiliation	Name	Address	Capital	Business	Equity Ratio to Total Voting Right	Relationship: Representing Officers	Relationship: Business	Contents of Transaction		Transaction Amount	Account Title	Outstanding Balance at Year End
			Million Yen							Million Yen		Million Yen
Parent Company	ExxonMobil Yugen Kaisha	Minato-ku Tokyo	50,000	Sales of Oil Products	Direct 50.8%	4 persons	Purchases and Sales of Oil Products and Provision of Services	Trade Transactions	Purchases, and Sales of Oil Products	1,286,938	Trade Accounts Receivable	285,065
										202,121	Trade Accounts Payable	78,180
									Provision of Services	8,484	Accounts Receivable	1,706
										2,651	Accrued Expenses	2,060
							Group Finances	Non-operating Transactions	Interest Income	0	Short-term Loans Receivable	415

(Note) Exxon Mobil Corporation, which indirectly owns 100% of the equity of ExxonMobil Y.K. via subsidiaries, is another parent company, but there were no material business transactions with the Company.

Transaction Terms and Policies for Determining Transaction Terms:

(1) Purchase and sales prices of oil products were determined at market prices.

(2) Accounts receivables and Accounts payables were accrued amounts that the Company incur or charge to affiliated companies based on "Comprehensive Administrative Service Agreement", "Comprehensive Management Service Agreement" and "Logistics Service Agreement".

(3) Interest rates applicable in group financing are determined in the following manner. Rates for loans receivable are those 0.02% below the weight average of uncollateralized overnight call rates for the last business day of the week before the loan. Rates for loans payable are one-month Tokyo Interbank Offered Rate (TIBOR) plus 0.3% that is published two business days prior to the last business day of the previous month of the loan.

(Note) Consumption taxes were included in the outstanding balances at the year end, but not in transaction amounts.

(2)Officers and Main Individual Shareholders

None

(3)Subsidiaries

None

(4)Affiliated Companies

①

Affiliation	Name	Address	Capital	Business	Equity Ratio. to Total Voting Right	Relationship: Representing Officers	Relationship: Business	Contents of Transaction		Transaction Amount	Account Title	Outstanding Balance at Year End
			Thousand US. $							Million Yen		Million Yen
ExxonMobil Affiliated Company	ExxonMobil Asia Pacific Private Ltd.	Singapore	1,557,981	Sales of Oil Products	None	None	Sales and Purchases of Oil Products	Trade Transactions	Sales of Oil Products	11,501	Trade Accounts Receivable	3,228
									Purchases of Oil Products	162,173	Trade Accounts Payable	6,937
							Group Finances	Non-operating Transactions	Interest Expenses	0	Short-term Loans Payable	8,398

Transaction Terms and Policies for Determining Transaction Terms, etc.

Purchase and sales prices of oil products were determined at fair market prices.

Loan conditions were set at the same level as those on the Japanese financial market.

(Note) The amounts above do not include consumption taxes.

②

<table>
<tr><th rowspan="2">Affiliation</th><th rowspan="2">Name</th><th rowspan="2">Address</th><th rowspan="2">Capital</th><th rowspan="2">Business</th><th rowspan="2">Equity Ratio. to Total Voting Right</th><th colspan="2">Relationship</th><th rowspan="2" colspan="2">Contents of Transaction</th><th rowspan="2">Transaction Amount</th><th rowspan="2">Account Title</th><th rowspan="2">Outstanding Balance at Year End</th></tr>
<tr><th>Representing Officers</th><th>Business</th></tr>
<tr><td rowspan="2">ExxonMobil Affiliated Company</td><td rowspan="2">ExxonMobil Sales and Supply Corporation</td><td rowspan="2">Fairfax Virginia U.S.A.</td><td rowspan="2">Thousand US. $
50,890</td><td rowspan="2">Sales of Oil Products and Crude</td><td rowspan="2">None</td><td rowspan="2">None</td><td rowspan="2">Sales and Purchases of Oil Products and Crude</td><td rowspan="2">Trade Transactions</td><td>Sales of Oil Products and Crude</td><td>Million Yen
19,860</td><td>Trade Accounts Receivable</td><td>Million Yen
8,472</td></tr>
<tr><td>Purchases of Crude</td><td>845,344</td><td>Trade Accounts Payable</td><td>82,754</td></tr>
</table>

Transaction Terms and Policies for Determining Transaction Terms, etc.
Purchase and sales prices of crude and oil products were determined at fair market prices.

(Note) The amounts above do not include consumption taxes.

③

<table>
<tr><th rowspan="2">Affiliation</th><th rowspan="2">Name</th><th rowspan="2">Address</th><th rowspan="2">Capital</th><th rowspan="2">Business</th><th rowspan="2">Equity Ratio. to Total Voting Right</th><th colspan="2">Relationship</th><th rowspan="2" colspan="2">Contents of Transaction</th><th rowspan="2">Transaction Amount</th><th rowspan="2">Account Title</th><th rowspan="2">Outstanding Balance at Year End</th></tr>
<tr><th>Representing Officers</th><th>Business</th></tr>
<tr><td>ExxonMobil Affiliated Company</td><td>Mobil International Petroleum Corporation</td><td>Irving Texas U.S.A.</td><td>Thousand US. $
3,619,152</td><td>Financing for Affiliates</td><td>None</td><td>None</td><td>Group Finances</td><td>Non-operating Transactions</td><td>Interest Expenses</td><td>Million Yen
9</td><td>Short-term Loans Payable</td><td>Million Yen
7,000</td></tr>
</table>

Transaction Terms and Policies for Determining Them, etc.
Loan conditions were set at the same level as those prevailing on the Japanese financial markets.

2005 (January 1 through December 31)

(1)Parent Company and Main Corporate Shareholders

Affiliation	Name	Address	Capital	Business	Equity Ratio. to Total Voting Right	Relationship: Representing Officers	Relationship: Business	Contents of Transaction		Transaction Amount	Account Title	Outstanding Balance at Year End
			Million Yen							Million Yen		Million Yen
Parent Company	ExxonMobil Yugen Kaisha	Minato-ku Tokyo	50,000	Sales of Oil Products	Direct 50.7%	4 persons	Purchases and Sales of Oil Products and Provision of Services	Trade Transactions	Purchases, and Sales of Oil Products	1,505,573	Trade Accounts Receivable	331,205
										207,348	Trade Accounts Payable	77,944
									Provision of Services	13,472	Account Receivable	1,542
										17,497	Accrued Expenses	2,402
							Group Finances	Non-operating Transactions	Interest Expenses	0	Short-term Loans Receivable	472

(Note) Exxon Mobil Corporation, which indirectly owns 100% of the equity of ExxonMobil Y.K. via subsidiaries, is another parent company, but there were no material business transactions with the Company.

Transaction Terms and Policies for Determining Transaction Terms:

(1) Purchase and sales prices of oil products were determined at market prices.

(2) Accounts receivables and Accounts payables were accrued amounts that the Company incur or charge to affiliated companies based on "Amendment and Restated Agreement for Comprehensive Administrative Services".

(3) Interest rates applicable in group financing are determined in the following manner. Rates for loans receivable are those 0.02% below the weight average of uncollateralized overnight call rates for the last business day of the week before the loan. Rates for loans payable are one-month Tokyo Interbank Offered Rate (TIBOR) plus 0.3% that is published two business days prior to the last business day of the previous month of the loan.

(Note) Consumption taxes were included in the outstanding balances at the year end, but not in transaction amounts.

(2)Officers and Main Individual Shareholders

None

(3)Subsidiaries

None

(4)Affiliated Companies

①

Affiliation	Name	Address	Capital	Business	Equity Ratio. to Total Voting Right	Relationship: Representing Officers	Relationship: Business	Contents of Transaction		Transaction Amount	Account Title	Outstanding Balance at Year End
			Thousand US. $							Million Yen		Million Yen
ExxonMobil Affiliated Company	ExxonMobil Asia Pacific Private Ltd.	Singapore	1,557,981	Sales of Oil Products	None	None	Sales and Purchases of Oil Products	Trade Transactions	Sales of Oil Products	68,307	Trade Accounts Receivable	8,437
									Purchases of Oil Products	251,217	Trade Accounts Payable	13,043
							Group Finances	Non-operating Transactions	Interest Expenses	1	Short-term Loans Payable	16,946

Transaction Terms and Policies for Determining Transaction Terms, etc.

Purchase and sales prices of oil products were determined at fair market prices.

Loan conditions were set at the same level as those on the Japanese financial market.

(Note) The amounts above do not include consumption taxes.

②

Affiliation	Name	Address	Capital	Business	Equity Ratio. to Total Voting Right	Relationship: Representing Officers	Relationship: Business	Contents of Transaction		Transaction Amount	Account Titles	Outstanding Balance at Year End
			Thousand US. $							Million Yen		Million Yen
ExxonMobil Affiliated Company	ExxonMobil Sales and Supply Corporation	Fairfax Virginia U.S.A.	50,890	Sales of Oil Products and Crude	None	None	Sales and Purchases of Oil Products and Crude	Trade Transactions	Sales of Oil Products and Crude	1,587	Trade Accounts Receivable	-
									Purchase of Crude	1,186,279	Trade Accounts Payable	117,625

Transaction Terms and Policies for Determining Transaction Terms, etc.

Purchase and sales prices of crude and oil products were determined at fair market prices.

(Note) The amounts above do not include consumption taxes.

③

Affiliation	Name	Address	Capital	Business	Equity Ratio. to Total Voting Right	Relationship: Representing Officers	Relationship: Business	Contents of Transaction		Transaction Amount	Account Titles	Outstanding Balance at Year End
ExxonMobil Affiliated Company	Mobil International Petroleum Corporation	Irving Texas U.S.A.	Thousand US. $ 3,619,152	Financing for Affiliates	None	None	Group Finances	Non-operating Transactions	Interest Expenses	Million Yen 1	Short-term Loans Payable	Million Yen 7,001

Transaction Terms and Policies for Determining Them, etc.

Loan conditions were set at the same level as those prevailing on the Japanese financial markets.

Ⅵ. Production, Consignments and Sales

1. Production

Production volume by business segment for the consolidated accounting period is as follows:

Business segment	2005 (Jan.1 through Dec. 31)	Comparison with Previous Period (%)	Major Products
Oil Products	(KKL) 36,207	6.5	Gasoline, Naphtha, Jet Fuel, Kerosene, Diesel Fuel, Fuel Oils, Lubricants, LPG, etc.
Chemical Products	(KTon) 2,774	1.2	Ethylene, Propylene, Benzene, Toluene, Paraxylene, Micro Porous Film, etc.

(Note) The amounts above show the total production volumes of the consolidated refining companies.

2. Consignment

There was no consignment of major products during the consolidated accounting period.

3. Sales

Sales amounts by business segment for the consolidated accounting period is as follows:

(Unit: Million Yen)

Business Segment	2005 (Jan.1 through Dec. 31)	Comparison with Previous Period (%)	Major Products
Oil Products	2,611,974	21.9	Gasoline, Naphtha, Jet Fuel, Kerosene, Diesel Fuel, Fuel Oils, Lubricants, LPG, etc.
Chemical Products	242,635	22.7	Ethylene, Propylene, Benzene, Toluene, Paraxylene, Micro Porous Film, etc.
Others	1,573	△ 27.7	Engineering, Maintenance Service, etc.
Total	2,856,182	21.9	

(Note)(1) Sales Amount to Major Customers and Percentage versus Total Sales Amount

(Unit: Million Yen)

Customer Name	2005 (Jan.1 through Dec. 31)	Comparison with Previous Period (%)	Percentage vs. Total Sales Amount (%)	Major Products
ExxonMobil Y.K.	1,657,141	18.0	58.0	Gasoline, Kerosene, Diesel Fuel, LPG , etc.

(2) The above amounts do not include consumption taxes.
(3) The above sales amounts show sales to third parties.

Ⅶ. Consolidated Sales Volume and Sales Amounts

(Unit : KKL, Kton, Million Yen)

Business Segment	Products	2005 (January 1 through December 31)	
		Volume	Amounts
Oil Products	Gasoline	14,286 35.3	1,544,895 59.2
	Naphtha	83 0.2	3,186 0.1
	Kerosene	5,708 14.1	260,245 10.0
	Diesel fuel	6,428 15.9	298,036 11.4
	Fuel Oils and Crude	9,892 24.5	356,422 13.6
	Lubricants	337 0.8	20,342 0.8
	LPG	3,484 8.6	93,992 3.6
	Other Products	224 0.6	34,851 1.3
	Sub Total	40,443 100.0	2,611,974 100.0
Chemical Products	Olefins etc.	1,852 69.3	168,194 69.3
	Aromatics etc.	820 30.7	74,440 30.7
	Sub Total	2,672 100.0	242,635 100.0
Others	Other Operating Revenue		1,573
Grand Total		43,115	2,856,182

(Note) 1. Amounts are shown in truncated millions of yen.
2. The second figure in each cell shows percentage against total.
3. Volumes for Oil Products are shown in KKL, and those for Chemical Products in Kton.