Consolidated Financial Results (Kessan Tanshin) for 2006

February 19, 2007

Listed company:	TonenGeneral Sekiyu Kabushiki Kaisha	Listed on:	Tokyo Stock Exchange
Code number:	5012	Location of the head office:	Tokyo
URL:	http://www.tonengeneral.co.jp		
Representative:	D. G. Wascom, Representative Director, Chairman and President		
Contact person:	K. Morishita, ExxonMobil Y.K., Public Affairs Manager Tel. (03) 6713-4400		

Date of Board of Directors meeting for closing:	February 19, 2007
Names of parent companies:	ExxonMobil Yugen Kaisha (Code #: -) and one other company
Voting rights owned by parent companies	50.6%
Adoption of U.S. GAAP:	No

1. Consolidated financial results for 2006 (January 1, 2006 through December 31, 2006)

(1) Financial Results

Amounts shown in truncated millions of yen

	Sales Revenue		Operating Income		Ordinary Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
2006	3,078,772	(7.8)	58,694	(193.8)	65,987	(189.1)
2005	2,856,182	(21.9)	19,978	(△68.4)	22,822	(△66.7)

	Net Income		Net Income per Share	Net Income per Share after Adjustment	Income Ratio to Owners' Equity	Ordinary Income Ratio to Total Assets	Ordinary Income Ratio to Sales Revenue
	Millions of yen	%	Yen	Yen	%	%	%
2006	39,820	(205.9)	68.27	-	16.7	6.7	2.1
2005	13,015	(△73.0)	22.01	-	5.4	2.4	0.8

(Notes)
① Equity companies earnings
2006: 1,395 million yen 2005 1,670 million yen
② Average number of issued shares (consolidated)
2006: 583,277,811 shares 2005 591,379,999 shares
③ Change in accounting policies: No
④ Percentage figures shown in Sales Revenues, Operating Income, Ordinary Income and Net Income are comparisons with the previous accounting period.

(2) Financial Position

	Total Assets	Net Assets	Owners' Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
2006	1,019,517	249,155	24.3	425.60
2005	968,334	230,159	23.8	394.56

(Notes)
① Number of outstanding shares at the end of the period (consolidated)
2006: 583,224,522 shares 2005 583,329,495 shares
② "Net Assets" for FY 2005 represent "Shareholders' Equity" based on the rules for financial statements etc. then in force

(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 the Period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
2006	75,085	△ 34,433	△ 40,557	664
2005	39,951	△ 14,422	△ 25,390	569

(4) Scope of Consolidation and Application of Equity Method
Number of consolidated Subsidiaries: 6 companies
Number of subsidiary companies accounted for by equity method: -
Number of affiliated companies accounted for by equity method: 2 companies

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

2. Projected Consolidated Business Performance for 2007 (January 1, 2007 through December 31, 2007)

	Sales Revenue	Ordinary Income	Net Income
	Millions of yen	Millions of yen	Millions of yen
First Half	1,510,000	22,000	13,000
Full Year	3,030,000	52,000	30,000

(Reference) Projected net income per share (Full Year) 51.44 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.

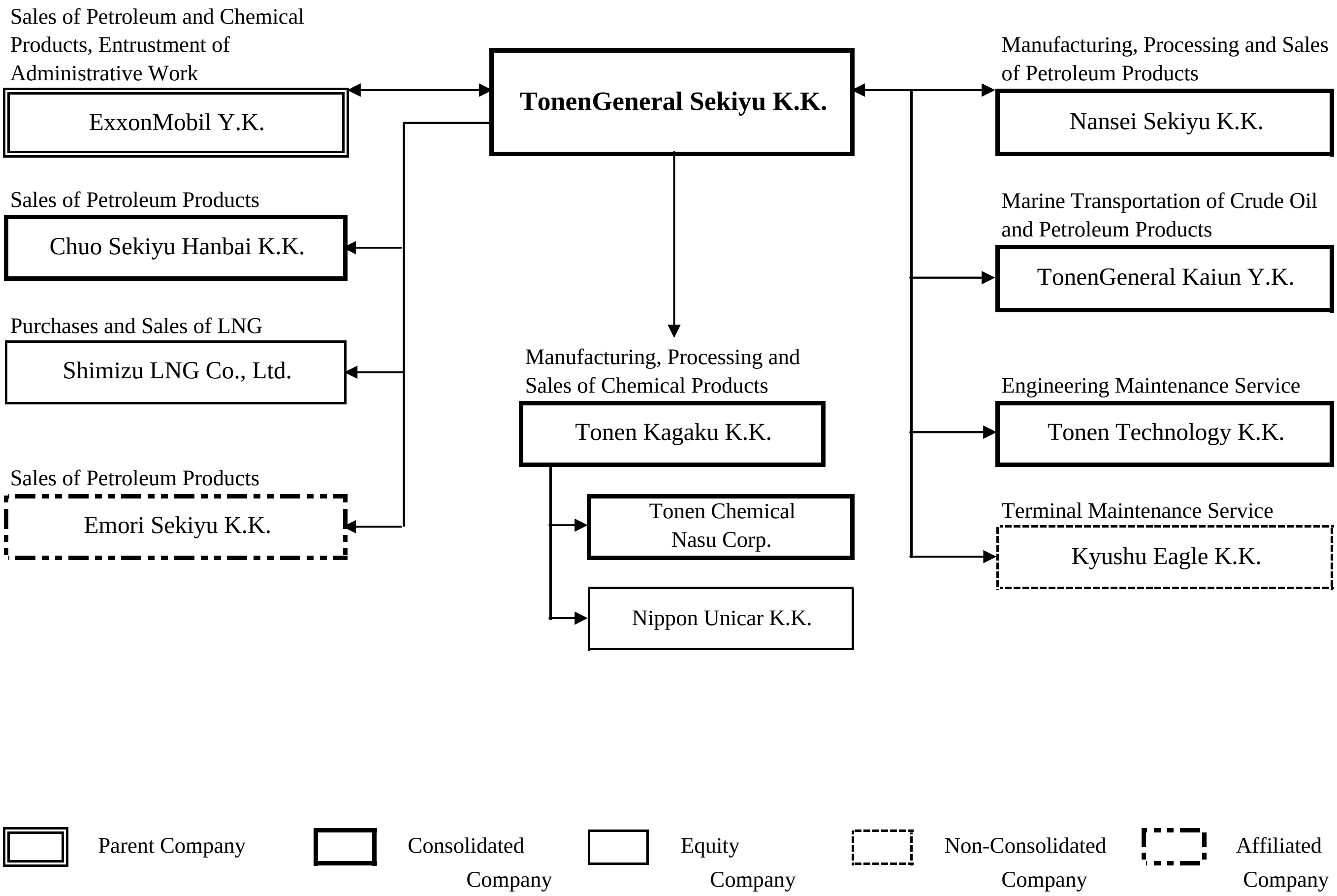
I. Profile of Group Companies

Major businesses and positions of group companies (the Company, 6 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
Petroleum 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	Marine Transportation of Crude Oil and Petroleum Products	TonenGeneral Kaiun Y. K.	1
	Others	Purchases and Sales of LNG	Shimizu LNG Co., Ltd.	1
Chemical Products	Refining and Marketing	Manufacturing, Processing and Sales of Chemical Products	TonenGeneral Sekiyu K.K., ExxonMobil Y. K., Tonen Kagaku K.K., Tonen Chemical Nasu Corp., Nippon Unicar K.K.	5
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. Kawasaki Polyolefin Holdings Y.K. was merged into Tonen Kagaku K.K. on December 22, 2006.

Business structure of the group (as of December 31, 2006) 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 are also 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 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 toward global levels of operational efficiency and profitability.

- **Commitment to Safety, Health and Environment**

  To achieve safe, healthy and environmentally sound operations, with effective application of systems and energy-saving methods. Our commitment to safety, health and the environment is our first priority.

- **Business Integrity and Governance**

  To operate with the highest standards of business ethics.

- **Oil segment**

  - Refining and Supply: To achieve a first quartile position in the world-wide refinery efficiency rankings (Solomon survey). Work toward 12% return on capital employed (ROCE).

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

- **Chemical Segment**

  To promote integration of our petrochemical and refining businesses, while seeking balance between our commodity and specialties businesses.

- **As a member of the ExxonMobil Group**

  To leverage ExxonMobil's global technology, network, and experience.

(3) Future Prospects and Our Challenges

- **Future Prospects for the Industry**

  Steady recovery of the Japanese economy continues with an increase in exports and capital investments by private businesses. Despite concerns about the impact of price increases for resources, moderate growth is expected to continue. However, economic recovery notwithstanding, a downward trend in domestic petroleum demand has become evident with changes in the energy demand structure brought about by high crude prices. In addition, with a gradual reduction in petroleum product tariffs, competition with imports is expected to increase. On the other hand, tight supply and demand for refined products globally may offer opportunities for increased exports.

  <u>Petroleum products</u>

  Looking at domestic oil demand by product, demand for gasoline is expected to weaken due to factors such as improved fuel efficiency for gasoline-powered automobiles. A further decline in diesel demand is expected due to industry restructuring and a decrease in the number of diesel vehicles. The decline in overall demand for major petroleum products is expected to continue based on industry patterns and fuel switching. In addition, with surpluses remaining in refining capacity and supply capacity (number of service stations, etc.) tough market conditions for petroleum products are expected to continue.

  <u>Petrochemical products</u>

  For petrochemicals, favorable market conditions continue, supported by increased demand in Asian markets, particularly China. However, the changing supply/demand environment in Asia, as well as industry capacity increases in Asia and the Middle East, could lead to market price volatility as well as pressure on margins.

- **Business Challenges of TonenGeneral**

  In this environment, the TonenGeneral Group continues our drive to be the most efficient industry player by taking integrated approaches in all segments of our business, including refining, supply, marketing and petrochemicals, via an optimized mix of feedstocks, product supply and marketing channels for maximum added value. By utilizing the ExxonMobil Group global network to the fullest extent, we believe the TonenGeneral Group has a competitive advantage to pursue further business value.

  <u>Oil Segment</u>

  In our oil segment, the TonenGeneral group will pursue the optimal balance between earnings and sales volume, with overall profitability and return on capital being the key objective. We intend to optimize the configuration of our refining facilities for the mid- to long-term, and are in the process of investing more than 25 billion yen over and above the levels of our usual annual investment programs. These investments for new facilities and enhancement of existing facilities will continue through 2007. In particular, we are constructing facilities to enable us to respond to changes in product specifications and in the market's supply and demand structure. A

portion of these facilities was completed and operations started in 2006. This will allow us greater flexibility in operating modes and the use of feedstocks to respond to market changes.
In the marketing sector, we will continue with our present strategies under which we will remain the most efficient marketer and will strive to continue to differentiate our brands from our competitors. In particular, we will continue leading the industry shift to self-service stations under the integrated "Express" concept, including network expansion for Speedpass, an automatic payment device, and introduction of the new Video Pumps.

Petrochemicals Segment

In our petrochemicals segment, we are working to enhance our specialties business, which is not subject to the major cyclical market changes that affect the commodity chemicals business. Two new microporous film (MPF) production lines began operation in 2006, and we will continue to pursue strategies to increase the use of microporous film in HEVs (Hybrid Electric Vehicle) and EVs (Electric Vehicle). For other specialty products as well, capacity creep investments are being used in a timely manner to advance profit improvement projects. For basic petrochemical products, we are working to enhance cost competitiveness in order to respond to the cyclical nature of the market. We are working to achieve the position of the most cost-competitive supplier through diversification of feedstocks and optimization based on integration with refineries, production capacity expansion with low-cost, high-return investments and implementation of projects to enhance cost competitiveness.

(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.

(6) Relationship with Parent Companies

ExxonMobil Yugen Kaisha holds (as of December end 2006) 50.6% 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 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 related 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 technical support with some ExxonMobil affiliated companies abroad.
- Tonen Kagaku K.K. 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 serving concurrently as directors of ExxonMobil Y.K. Ninety-seven employees from ExxonMobil Y.K. have been dispatched to the TonenGeneral head office refining and supply division and to TonenGeneral terminals and refineries. In addition, 291 employees from TonenGeneral have been dispatched to ExxonMobil Y.K. mainly in the service, administrative and marketing functions in order to promote personnel exchange within the group. (as of December end 2006)
- TonenGeneral conducts business efficiently while maintaining close cooperative relationships with ExxonMobil Y.K. and other companies in the ExxonMobil Japan Group. Having directors appointed to concurrent positions at ExxonMobil Y.K. and accepting employees dispatched from ExxonMobil Y.K. does not impede independent business judgment. Business independence and independent governance systems have been established to ensure that actions are taken in pursuit of TonenGeneral's best interests.

(Concurrent positions of directors)

Position	Name	Position at parent company, etc.	Reason for appointment
Representative Director, Chairman and President	D.G. Wascom	Representative Director and President	Abundant experience on a global level in both refining/supply and marketing. Representative director, chairman and president is judged to be an appropriate appointment.
Representative Director and Vice President	Kazuo Suzuki	Director	Deep insight into all aspects of company's business; contribution to business operations.
Director	W.J. Bogaty	Representative Director and Vice President	Expertise in international and local financial management and operations; contribution to business operations.
Director	Yoshinori Miyahara	Director	Broad expertise and experience in the Japan marketing business. Contribution to the business operations of the company.

(Dispatched employees)

Dispatched to	Number of employees	Employed by	Reason for dispatch
Head office refining and supply division	75	ExxonMobil Y.K.	To utilize the business knowledge of ExxonMobil Y.K. employees and promote personnel exchange within the group.
Terminals	3	ExxonMobil Y.K.	Same as above
Refineries (Kawasaki, Wakayama, Sakai)	19	ExxonMobil Y.K.	Same as above

(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 is listed.
ExxonMobil Yugen Kaisha (Y.K.)	Parent Company	50.6	Not applicable
Exxon Mobil Corporation	Parent Company	50.6	New York Stock Exchange

1. Exxon Mobil Corporation, which indirectly owns 100% of the outstanding shares of ExxonMobil Y.K. via subsidiaries, is one of the parent companies, 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.

(7) Risk Factors Affecting Future Results

The following are risk factors that may affect earnings, stock prices, consolidated financial statements, etc. in the TonenGeneral Group.

- **Competitive Factors**
  The energy and petrochemical industries are highly competitive. There is competition within the industry, as well as with other industries, in supplying products to 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, there is a requirement to lower sulfur levels to 10ppm or less for diesel from 2007 and for gasoline from 2008. TonenGeneral voluntarily started supply of 10ppm diesel and gasoline in January 2005 in order to meet customer needs and to maintain competitiveness in the market. In addition, based on the use of biomass fuels for transportation fuel contained in the plan for achieving the Kyoto Protocol targets, studies have begun in the petroleum industry for the blending of bio fuel with gasoline by 2010. The earnings of the Company may be affected in response to further new environmental regulations.

- **Petroleum Tariff Reform**
  Tariffs on crude oil imports were eliminated in April 2006, and petroleum product tariffs have gradually been reduced since that time. This could increase competition with imported products, possibly affecting domestic prices of petroleum products.

- **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 in turn affect supply and demand for oil, petroleum products and petrochemical 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 production; 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, and use of dedicated lines for data exchange with external parties. We have required that service providers to whom we have outsourced our customer data adopt the same security policies, to ensure that 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

Petroleum Product Market Trend

The Dubai crude spot price started at 55 dollars per barrel at the beginning of 2006 and rose to 72 dollars per barrel in mid-July. It showed a downward trend beginning in the second half of August, hitting a low of 54 dollars in late September, then remaining in the 55-60-dollar range until the end of the year. The average price for the January 1-December 31 period was 61.5 dollars per barrel, 25% higher than the previous year. The U.S. dollar-yen exchange rate for the January 1-December 31, 2006 period averaged 117.4 yen per dollar, which represents a depreciation of about 6.2 yen against the US dollar versus 2005. As a result, year-to-date crude cost in yen-per-liter terms (on a loaded basis) was 45.4 yen per liter or about 10.9 yen (32%) higher than the same period the previous year. According to government data, retail pump prices for gasoline, diesel and kerosene increased 10.7 yen, 11.7 yen and 15.8 yen per liter, respectively, versus the previous year, reflecting the rise in crude prices.

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

Petrochemicals: Production and Market Price

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

[Financial Results by Segment]

1) Petroleum Products

Consolidated sales revenue increased by 175.3 billion yen to 2,787.2 billion yen. Operating income increased 35.0 billion yen to 9.5 billion yen. Petroleum product margins improved during the latter half of 2006, as product prices rose to reflect the increase in crude costs. Since TonenGeneral accounts for purchased crude when it is loaded, whereas most of industry accounts for crude when it arrives in Japan, crude price changes affect our results approximately one month earlier than industry. As the rise in crude prices during 2006 was more moderate than that of 2005, the adverse impact of our cost accounting method on earnings was significantly reduced, contributing to our earnings versus the previous year. Diversification of feedstocks, for which we are making continuous efforts, also contributed to the improved margins.

TonenGeneral applies the LIFO/LOCOM method for inventory evaluation. Operating income includes inventory valuation gains of 7.8 billion yen, versus 23.2 billion yen of valuation gains included in operating income for the previous year.

2) Petrochemical Products

Consolidated sales revenue increased by 47.7 billion yen to 290.3 billion yen. Operating income increased 3.9 billion yen versus the previous period to 49.4 billion yen. Although margins for benzene declined versus FY 2005 due to the soft market in the first half of 2006, margins for other major petrochemical products such as olefins and paraxylene, reflecting the strong demand, surpassed those of the previous year, maintaining high levels compared with past trends. In our specialty business area, two new production lines for our microporous film (MPF) separators for lithium ion batteries started operation in 2006, contributing to an increase in sales volume and earnings.

3) Other

Sales revenue for engineering, maintenance service, etc. was 1.3 billion yen, and operating income was minus 38 million yen.

(2) Earnings Forecast

(Unit: billion yen)

	Sales Revenue	Operating Income	Ordinary Income	Net Income
Consolidated	3,030	51	52	30
Parent	2,980	27	29	18

Consolidated operating income for full year 2007 is forecast to decrease 7.7 billion yen versus 2006 to 51.0 billion yen, with earnings in our petroleum segment rising, and our chemicals segment earnings falling in response to anticipated changes in the commodity cycle.

This estimate assumes no profit or loss from the effects of inventory valuation. TonenGeneral does not project prices of crude oil or petroleum products; our earnings forecasts are instead based principally on margin assumptions.

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

Ⅳ. Financial Condition

(1) Cash Flows in full year accounting period 2006

Cash and Cash Equivalents were 0.7 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 except where impracticable in operations or where there is economic benefit to the Company.

The 2006 net cash generation (Cash from Operating Activities plus Cash from Investing Activities) was 40.7 billion yen, a 15.1 billion yen increase from 2005. This net cash generation was used to pay dividends and repay debt. Key factors are summarized below.

Cash Flows from Operating Activities were positive 75.1 billion yen. Positive factors included before-tax income, depreciation and favorable working capital movements (increases in accounts payable partly offset by increases in accounts receivable and inventory) less payments of corporate income taxes.

Cash Flows from Investing Activities were negative 34.4 billion yen, mainly for capital expenditures.

Cash Flows from Financing Activities were negative 40.6 billion yen. This cash outflow is for dividend payments and debt repayments.

(2) Outlook on cash flows

In 2007, operating earnings and net cash generation from operations (cash flows from Operating Activities plus those from Investing Activities) are anticipated to be slightly lower than in 2006. 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 2003	FY 2004	FY 2005	FY 2006
Shareholder's Equity Ratio (%) – Book Base	24.2%	26.4%	23.8%	24.3%
Shareholder's Equity Ratio (%) – Market Base	56.3%	58.4%	76.4%	67.4%
Years needed to retire debt (years)	2.1	1.7	1.9	0.8
Interest coverage Ratio (times)	50.5	58.5	69.7	108.3

* All indicators have been calculated based on consolidated financial data
* Definitions:

Shareholder's Equity Ratio – Book Base : (Net Assets – Minority Interests) / Total Assets

(Until FY2005, "Shareholder Equity" is applied to the numerator)

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 includes 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, 2005	December 31, 2006	Dec. 31, 2006 vs. Dec. 31, 2005
(ASSETS)			
Ⅰ Current Assets			
1 Cash and Cash Equivalents	569	664	94
2 Notes and Trade Accounts Receivable	492,618	517,645	25,027
3 Inventories	166,899	188,054	21,154
4 Income Tax Refund Receivable	12,202	-	△ 12,202
5 Deferred Tax Assets	6,633	5,544	△ 1,088
6 Short-term Loans Receivable	714	346	△ 367
7 Others	7,611	10,153	2,542
8 Bad Debt Allowance	△ 623	△ 202	421
Total Current Assets	686,625	722,206	35,581
Ⅱ Long-term Assets			
1 Property, Plant and Equipment			
(1) Buildings and Structures	57,234	54,826	△ 2,407
(2) Tanks	6,924	6,478	△ 446
(3) Machinery, Equipment and Vehicles	66,614	72,303	5,688
(4) Tools, Furniture and Fixtures	1,549	1,572	23
(5) Land	91,550	89,311	△ 2,238
(6) Incomplete Construction	13,216	26,127	12,910
Total Property, Plant and Equipment	237,090	250,620	13,529
2 Intangible Assets			
(1) Leasehold	1,974	1,909	△ 64
(2) Software	3,143	3,097	△ 46
(3) Consolidation Adjustments Account	2,613	-	△ 2,613
(4) Goodwill	-	1,960	1,960
(5) Others	500	348	△ 152
Total Intangible Assets	8,231	7,315	△ 916
3 Investments and Other Assets			
(1) Investment Securities	13,495	14,276	781
(2) Long-term Loans Receivable	1,390	1,217	△ 173
(3) Deferred Tax Assets	6,993	8,285	1,292
(4) Others	15,201	16,167	965
(5) Bad Debt Allowance	△ 694	△ 572	122
Total Investments and Other Assets	36,385	39,374	2,988
Total Long-term Assets	281,708	297,310	15,601
Total Assets	968,334	1,019,517	51,183

(Note) Amounts shown in truncated millions of yen.

Consolidated Balance Sheet

(Unit: Million yen)

Account Title	December 31, 2005	December 31, 2006	Dec. 31, 2006 vs. Dec. 31, 2005
(LIABILITIES)			
Ⅰ Current Liabilities			
1 Notes and Trade Accounts Payable	294,663	354,461	59,798
2 Gasoline Tax etc., Payable	236,899	234,216	△ 2,683
3 Short-term Debt	45,877	39,666	△ 6,211
4 Commercial Paper	15,000	5,000	△ 10,000
5 Accrued Income Taxes	4,769	7,197	2,428
6 Accrued Consumption Taxes	13,517	7,660	△ 5,857
7 Guarantee Deposits Payable	12,344	12,647	302
8 Reserve for Bonuses	1,428	1,374	△ 54
9 Others	36,220	38,197	1,976
Total Current Liabilities	660,721	700,421	39,699
Ⅱ Long-term Liabilities			
1 Long-term Debt	14,653	12,403	△ 2,250
2 Deferred Tax Liabilities	1,348	1,707	358
3 Reserve for Accrued Pension Costs	39,995	36,545	△ 3,450
4 Reserve for Officers' Retirement Allowance	238	169	△ 69
5 Reserve for Repairs	16,395	15,397	△ 997
6 Reserve for Offshore Well Abandonment	1,567	2,234	666
7 Others	2,239	1,483	△ 755
Total Long-term Liabilities	76,437	69,941	△ 6,496
Total Liabilities	737,159	770,362	33,203
(MINORITY INTERESTS)	1,015	-	△ 1,015
(SHAREHOLDERS' EQUITY)			
Ⅰ Common Stock	35,123	-	△ 35,123
Ⅱ Additional Paid-in Capital	20,770	-	△ 20,770
Ⅲ Retained Earnings	173,772	-	△ 173,772
Ⅳ Net Unrealized Holding Gains on Securities	579	-	△ 579
Ⅴ Treasury Stock	△ 85	-	85
Total Shareholders' Equity	230,159	-	△ 230,159
Total Liabilities, Minority Interests and Shareholders' Equity	968,334	-	△ 968,334
(NET ASSETS)			
Ⅰ Owners' Equity			
1 Paid-in Capital	-	35,123	35,123
2 Capital Surplus	-	20,766	20,766
3 Earned Surplus	-	192,010	192,010
4 Treasury Stock	-	△ 206	△ 206
Total Owners' Equity	-	247,693	247,693
Ⅱ Valuation and Translation Adjustments			
1 Valuation Difference on Available-for-Sales Securities	-	527	527
Total Valuation and Translation Adjustment	-	527	527
Ⅲ Minority Interests	-	933	933
Total Net Assets	-	249,155	249,155
Total Liabilities and Net Assets	-	1,019,517	1,019,517

(Note) Amounts shown in truncated millions of yen.

Consolidated Statement of Income

(Unit: Million yen)

Account Title	2005 (Jan. 1 through Dec. 31)	2006 (Jan. 1 through Dec. 31)	2006 vs. 2005
Ⅰ Sales Revenues	2,856,182	3,078,772	222,590
Ⅱ Cost of Sales	2,797,434	2,984,391	186,957
Gross Margin	58,747	94,380	35,632
Ⅲ Selling, General and Administrative Expenses	38,769	35,685	△ 3,083
Operating Income	19,978	58,694	38,716
Ⅳ Non-operating Income			
1 Interest Income	100	346	246
2 Dividends Received	72	60	△ 12
3 Foreign Exchange Gain	1,770	6,123	4,352
4 Equity Earnings of Affiliates	1,670	1,395	△ 275
5 Others	135	235	100
Total Non-operating Income	3,749	8,160	4,411
Ⅴ Non-operating Expenses			
1 Interest Expense	605	698	93
2 Loss on Sales and Disposal of Supplies	94	37	△ 57
3 Others	205	131	△ 73
Total Non-operating Expense	905	867	△ 37
Ordinary Income	22,822	65,987	43,165
Ⅵ Extraordinary Gain			
1 Gain on Liquidation of Investment Securities	-	503	503
2 Gain on Sales of Property, Plant and Equipment	2,815	108	△ 2,707
3 Gain on Sales of Golf Membership	40	47	6
4 Gain on Sales of Investment Securities	2,138	-	△ 2,138
5 Gain on Sale of Marketing Goodwill	377	-	△ 377
6 Others	1	-	△ 1
Total Extraordinary Gain	5,373	658	△ 4,714
Ⅶ Extraordinary Loss			
1 Loss on Asset Impairment	868	2,109	1,240
2 Loss on Sales and Disposals of Property, Plant and Equipment	2,864	1,121	△ 1,743
3 Provision Loss on Reserve for Offshore Well Abandonment	-	672	672
4 Evaluation Loss on Investment Securities	664	7	△ 657
5 Additional Allowance for Employee's Early Retirement	3,380	-	△ 3,380
Total Extraordinary Loss	7,778	3,910	△ 3,868
Income before Income Taxes	20,417	62,736	42,318
Current Income Taxes	8,120	22,791	14,670
Deferred Income Tax	△ 719	173	892
Minority Interests (△Loss)	1	△ 47	△ 49
Net Income	13,015	39,820	26,804

(Note) Amounts shown in truncated millions of yen.

Consolidated Statement of Retained Earnings

(Unit: Million yen)

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

(Note) Amounts shown in truncated millions of yen.

Consolidated Statement of Changes in Net Assets

2006 (January 1, 2006 through December 31, 2006)

(Unit: Million yen)

	Owner's Equity					Valuation and Translation Adjustments		Minority Interests	Net Assets
	Paid-in Capital	Capital Surplus	Earned Surplus	Treasury Stock	Total Owner's Equity	Valuation Difference on Available-for-Sale Securities	Total Valuation and Translation Adjustments		
Balance at December 31, 2005	35,123	20,770	173,772	△ 85	229,580	579	579	1,015	231,174
Changes of Items during the Period									
Dividends from Surplus	-	-	△ 21,582	-	△ 21,582	-	-	△ 33	△ 21,615
Net Income	-	-	39,820	-	39,820	-	-	△ 47	39,772
Purchases of Treasury Stock	-	-	-	△ 210	△ 210	-	-	-	△ 210
Disposal of Treasury Stock	-	△ 4	-	90	85	-	-	-	85
Net Changes of Items Other than Owners' Equity	-	-	-	-	-	△ 51	△ 51	-	△ 51
Total Changes of Items during the Period	-	△ 4	18,237	△ 120	18,113	△ 51	△ 51	△ 81	17,980
Balance at December 31, 2006	35,123	20,766	192,010	△ 206	247,693	527	527	933	249,155

(Note) Amounts shown in truncated millions of yen.

Consolidated Statement of Cash Flows

(Unit: Million yen)

Title	2005 (Jan. 1 through Dec. 31) Amounts	2006 (Jan. 1 through Dec. 31) Amounts
I Cash Flows from Operating Activities		
Net Income before Income Taxes	20,417	62,736
Depreciation and Amortization	20,507	19,191
Gain on Sales of Investment Securities	△ 2,138	-
Gain on Sales of Marketing Goodwill	△ 377	-
Gain on Liquidation of Investment Securities	-	△ 503
Loss on Asset Impairment	868	2,109
Increase(△Decrease) in Reserve for Offshore Well Abandonment	-	672
Increase(△Decrease) in Reserve for Repairs	2,535	△ 997
Decrease(△Increase) in Trade Accounts Receivable	△ 27,642	△ 25,543
Decrease(△Increase) in Inventories	12,170	△ 21,154
Increase(△Decrease) in Trade Accounts Payable	51,403	59,798
Increase（△Decrease） in Other Accounts Payable	△ 440	△ 3,482
Others	2,374	△ 6,124
Sub-Total	79,678	86,702
Interest and Dividend Income Received	815	407
Interest Paid	△ 572	△ 692
Proceeds from Gain on Sale of Marketing Goodwill	-	376
Payments of Additional Allowance for Early Retirement	△ 1,605	△ 3,131
Refund of Income Taxes Paid	-	12,389
Income Taxes Paid	△ 38,364	△ 20,966
Cash Flows from Operating Activities	39,951	75,085
II Cash Flows from Investing Activities		
Payments for Purchases of Property, Plant and Equipment	△ 17,850	△ 35,086
Proceeds from Sales of Property, Plant and Equipment	4,152	228
Payments for Purchases of Intangible Assets	△ 894	△ 731
Proceeds from Sales of Intangible Assets	-	1
Proceeds from Sales of Investment Securities	2,446	439
Payments for Long-term Loans Receivable	△ 86	△ 20
Collection of Long-term Loans Receivable	443	252
Payments for Stock Purchase of a Subsidiary Company	△ 3,988	-
Proceeds from Share Buy Back by an Equity-method Subsidiary	1,300	428
Others	55	53
Cash Flows from Investing Activities	△ 14,422	△ 34,433
III Cash Flows from Financing Activities		
Decrease(△Increase) in Short-term Loans Receivable	△ 56	308
Increase（△Decrease） in Short-term Debt	△ 6,731	△ 6,542
Increase（△Decrease） in Commercial Paper	15,000	△ 10,000
Payments for Long-term Debt	△ 2,597	△ 1,919
Payments for Repurchase of Treasury Stock	△ 9,766	△ 873
Proceeds from Sales of Treasury Stock	69	85
Cash Dividends Paid	△ 21,298	△ 21,582
Payment of Dividends to Minority Interests	-	△ 33
Others	△ 10	-
Cash Flows from Financing Activities	△ 25,390	△ 40,557
IV Increase(△Decrease) in Cash and Cash Equivalents	137	94
V Cash and Cash Equivalents at the Beginning of the Period	431	569
VI Cash and Cash Equivalents at the End of the Period	569	664

(Note) Amounts shown in truncated millions of yen.

Notes to Consolidated Financial Statements

1. Scope of Consolidation

- Consolidated subsidiaries: 6 companies, see "I. Profile of Group Companies"
- Subsidiaries eliminated from consolidation during the Period: 1 company   Kawasaki Polyolefin Holdings Y.K.
- 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"
- 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 method at the lower of cost or market
- Supplies: the moving-average method

② Securities

- Other securities
  - ・Marketable: market value at the closing date
    (Valuation difference on available-for-sales securities is directly reflected in Owners' equity, and cost of sales is calculated using the moving-average method.)
  - ・Non-marketable: the moving-average method

③ Derivatives 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 an estimated reserve based on the projected benefit obligations and estimated pension plan assets as of the closing date. Any differences 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 (11.4, 12.9 and 15.5 years).

- 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 an 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 accrues 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 the yen at the spot rate at the closing date and any difference in 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 for ordinary operating lease transactions.

(6) Other

Consolidated Statement of Income does not include consumption tax.

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

Goodwill is amortized over five years using the straight-line method.

7. 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.

Changes in Fundamental and Important Items for Financial Statements

1. Accounting Standard for Presentation of Net Assets in the Balance Sheet

"Accounting standard for presentation of net assets in the balance sheet" and "its implementation guideline" were issued by the Accounting Standards Board of Japan ("ASBJ"), on December 9, 2005 as "Accounting Standard No.5" and "Guideline No.8". The standard and guideline are effective from the accounting period that ends after May 1, 2006, and the Company has applied them from this accounting period for consolidated financial statements. The amount of "Shareholders' Equity" based on the previous standard is 248,221 million yen.

The changes in presentation in the consolidated balance sheet due to adoption of the new ASBJ requirements are as follows;

(1) "Shareholders' Equity" in the prior period is changed in this period, to "Net Assets" including "Owners' Equity", "Valuation and Translation Adjustments", and "Minority Interests".

(2) "Paid-in Capital", "Capital Surplus", and "Earned Surplus" which were independently identified in the prior period are included in "Owners' Equity" in this period.

(3) "Net Unrealized Holding Gains on Securities", presented under "Retained Earnings" in the prior period, is included in "Valuation and Translation Adjustments" in this period.

(4) "Minority Interests", presented in "Liabilities" in the prior period, is presented as an independent item included in "Net Assets" in this period.

2. Revision of accounting standard for Treasury Shares and Appropriation of Legal Reserve

Revised "Accounting Standard for Treasury Shares and Appropriation of Legal Reserve" and its implementation guideline were issued by ASBJ on December 27, 2005 as "Accounting Standard No.1" and "Guideline No.2". The Company has applied the standard and guideline from this accounting period for consolidated financial statements. There is no P/L impact from this application.

The changes in presentation in the consolidated balance sheet are as follows:

In the prior period, "Treasury Stock", which is a deduction from the amount of "Shareholders' Equity", is presented at the bottom of "Shareholders' Equity". From this accounting period, "Treasury Stock", which is a deduction from "Owners' Equity", is presented at the bottom of "Owners' Equity".

3. Additional Information

- Goodwill

From this accounting period, "Consolidation Adjustment Account" is included in "Goodwill" based on the revised rules for terminology, format, and preparation of consolidated financial statement (ordinance 28 of the Ministry of Finance, 1976), which has been revised due to the ordinance of partial revision for the ordinance of the Cabinet Office related to the audit certification of financial statements (Ordinance 56 of the Cabinet Office, April 26, 2006).

Other Notes

1. Consolidated Balance Sheets

	December 31, 2005	December 31, 2006
(1) Accumulated Depreciation on Tangible Fixed Assets	746,567 million yen	756,481 million yen
(2) Contingent Liabilities	3,867 million yen	3,349 million yen
(3) Number of Shares Issued: Common Stock	583,400,000 Shares	583,400,000 Shares
(4) Treasury Stock — Number of Shares	70,505 Shares	175,478 Shares
Amount	85 million yen	206 million yen

2. Consolidated Statement of Income

	December 31, 2005	December 31, 2006
(1) Gain on Sales of Property, Plant and Equipment		
Buildings and Structures (Service Stations, etc.)	31 million yen	58 million yen
Land (Service Stations, etc.)	2,468 million yen	49 million yen
Machinery, Equipment and Vehicles (Ship and Refinery Facilities, etc.)	304 million yen	0 million yen
Others	11 million yen	0 million yen
Total	2,815 million yen	108 million yen

	December 31, 2005	December 31, 2006
(2) Loss on Sales and Disposals of Property, Plant and Equipment		
Machinery, Equipment and Vehicles (Refinery Facilities, etc.)	541 million yen	594 million yen
Buildings and Structures (Service Stations, etc.)	1,037 million yen	276 million yen
Tools, Furniture and Fixtures (Service Stations, etc.)	- million yen	120 million yen
Land (Service Stations, etc.)	847 million yen	18 million yen
Others	437 million yen	111 million yen
Total	2,864 million yen	1,121 million yen

3. Consolidated Statement of Changes in Owners' Equity

(1) Number of Shares Issued as of December 31,2006

Category	Dec. 31, 2005	Increase	Decrease	Dec. 31, 2006
Common Stock (shares)	583,400,000	-	-	583,400,000

(2) Treasury Stock

Category	Dec. 31, 2005	Increase	Decrease	Dec. 31, 2006
Common Stock (shares)	70,505	180,158	75,185	175,478

(Major cause of movement)

Increase and decrease of Treasury Stock is due to purchase and sales of odd-lot stocks.

(3) Dividends

① Dividends Paid

Resolution	Category	Total Amount of Dividend	Dividend per Share	Reference date	Effective date
Annual General Shareholder's Meeting held at March 28, 2006	Common Stock	million of yen 10,791	yen 18.50	December 31, 2005	March 29, 2006
Board of Directors held at August 22, 2006	Common Stock	million of yen 10,790	yen 18.50	June 30, 2006	September 25, 2006

② Planning Resolution at Annual General Shareholder's Meeting on March 27, 2007

Planning Resolution	Category	Dividend Resource	Total Amount of Dividend	Dividend per Share	Reference date	Effective date
March 27, 2007	Common Stock	Earned Surplus	million of yen 10,789	yen 18.50	December 31, 2006	March 28, 2007

4. Consolidated Statement of Cash Flows

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

	December 31, 2005	December 31, 2006
Cash on Hand and in Banks	569 million yen	664 million yen
Cash and Cash Equivalents	569 million yen	664 million yen

5. 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

December 31, 2005				December 31, 2006			
	Acquisition Amount Equivalent (Millions of yen)	Accumulated Depreciation Equivalent (Millions of yen)	Outstanding Balance (Millions of yen)		Acquisition Amount Equivalent (Millions of yen)	Accumulated Depreciation Equivalent (Millions of yen)	Outstanding Balance (Millions of yen)
Tanks	301	184	117	Tanks	301	278	23
Machinery, Equipment and Vehicles	381	351	29	Machinery, Equipment and Vehicles	260	44	215
Property, Plant, Equipment and other	31	25	6	Property, Plant, Equipment and other	52	34	17
Total	714	561	153	Total	614	357	257

(Note) The acquisition cost equivalent amounts include interest-equivalent expenses, since the outstanding balance of accrued lease fee at the end of period is immaterial considering the total amount of Property, plant and equipment.

(2) Outstanding Balance of Accrued Lease Fees at the closing dates

	December 31, 2005	December 31, 2006
Due within One Year	118 million yen	84 million yen
Due over One Year	34 million yen	172 million yen
Total	153 million yen	257 million yen

(Note) The outstanding balances of accrued lease fees include interest-equivalent expenses, since the outstandin balance of accrued lease fee at the end of period is immaterial considering the total amount of Property, plant and equipment.

(3) Lease Fees Paid and Depreciation Expense Equivalent

	2005	2006
Lease Fees Paid	162 million yen	167 million yen
Depreciation Expenses Equivalent	162 million yen	167 million yen

(4) Calculation Method for Depreciation Expense Equivalent

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

6. Securities

(1) Other Securities with Market Value

(Unit: Million yen)

Title		December 31, 2005			December 31, 2006		
		Purchase Price	Book Value	Gain/Loss	Purchase Price	Book Value	Gain/Loss
Book Value exceeds Purchase Price	(1) Stocks	1,246	2,047	800	1,246	2,003	756
	(2) Bonds	-	-	-	-	-	-
	(3) Others	-	-	-	-	-	-
	Sub-Total	1,246	2,047	800	1,246	2,003	756
Book Value does not exceed Purchase Price	(1) Stocks	-	-	-	-	-	-
	(2) Bonds	-	-	-	-	-	-
	(3) Others	-	-	-	-	-	-
	Sub-Total	-	-	-	-	-	-
Total		1,246	2,047	800	1,246	2,003	756

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

(Unit: Million yen)

Title	2005 (Jan. 1 through Dec. 31)	2006 (Jan. 1 through Dec. 31)
Sales Amounts	2,446	549
Total Gain	2,138	512
Total Loss	3	0

(3) Details of Non-marketable Securities

(Unit: Million yen)

Title	December 31, 2005	December 31, 2006
	Book Value	Book Value
Securities		
Non-listed Stocks	11,447	12,273
Contribution	5	5
Total	11,452	12,278

(Note)

1. In the previous consolidated accounting period, the impairment of non-marketable securities amounted to 664 million yen, which was deducted from the purchase prices on the consolidated balance sheet.
2. In this consolidated accounting period, the impairment of non-marketable securities amounted to 7 million yen, which was deducted from the purchase prices on the consolidated balance sheet.

7. 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, 2005				December 31, 2006			
		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	93,536	-	93,294	△ 242	119,470	-	121,636	2,166
Total		93,536	-	93,294	△ 242	119,470	-	121,636	2,166

2005	2006
(Note) Calculation method for market value Closing market value is calculated based on current market price.	(Note) Calculation method for market value Ditto

Qualitative information regarding the derivative transaction above is omitted because it is to be disclosed on EDINET.

8. 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, 2005	December 31, 2006
① Projected Benefit Obligations	△ 150,465	△ 156,606
② Plan Assets	124,084	142,149
③ Unfunded Benefit Obligations (①+②)	△ 26,381	△ 14,457
④ Unrecognized Actuarial Gain/Loss	△ 12,946	△ 19,526
⑤ Unrecognized Prior Service Costs（Reduction of Liabilities）	3,498	2,968
⑥ Amount Booked on Consolidated Balance Sheet (③+④+⑤)	△ 35,829	△ 31,015
⑦ Prepaid Pension Costs	4,166	5,529
⑧ Reserve for Accrued Pension Costs (⑥-⑦)	△ 39,995	△ 36,545

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

3. Breakdown of Accrued Pension Costs

（Unit：Million Yen）

	2005 (Jan. 1 through Dec. 31)	2006 (Jan. 1 through Dec. 31)
① Service Costs	2,519	2,553
② Interest Expenses	3,790	3,616
③ Expected Return on Plan Assets	△ 6,137	△ 7,212
④ Amortization of Unrecognized Actuarial Gain/Loss	801	△ 2,234
⑤ Amortization of Prior Service Costs	529	529
⑥ Accrued Pension Costs (①+②+③+④+⑤)	1,503	△ 2,747

(Note) 1. Accrued Pension Costs for the consolidated subsidiaries that adopt a simplified method are included in①Service costs.

2. In the previous accounting period, the variance in the return amounts of Employee Pension Fund, which amounted to 118 million yen, between the estimate in year 2004 at the timing of approval by the Minister of Health, Labor and Welfare for return of the government portion of the fund and the actual amount determined at the completion of the return (May 31, 2005) was included in④Amortization of Unrecognized Actuarial Gain/Loss.

3. In addition to the above Accrued Pension Costs, 3,380 million yen of Additional Allowance for Employee's Early Retirement were recognized as extraordinary losses for the previous accounting period.

4. Related Information on the Calculation of Projected Benefit Obligations

	December 31, 2005	December 31, 2006
① Period Distribution Method of Estimated Retirement Benefits	Period fixed amount standard	Ditto
② Discount Rate	2.50%	2.30%
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

9. Deferred Tax Accounting

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

（Unit：Million Yen）

	December 31, 2005	December 31, 2006
（Deferred Tax Assets）		
Reserve for Retirement Allowance	16,136	15,070
Excess over Deduction Limit of Accumulated Depreciation	489	236
Excess over Deduction Limit of Reserve for Turnaround	4,621	4,109
Asset Impairment	807	1,555
Tax Loss Carry Forward	1,521	1,156
Others	8,294	7,577
Total Deferred Tax Assets	31,870	29,707
（Deferred Tax Liabilities）		
Reserve for Replacement of Property	△ 13,560	△ 12,395
Unrealized Holding Gains on Securities	△ 325	△ 307
Other	△ 5,705	△ 4,881
Total Deferred Tax Liabilities	△ 19,591	△ 17,583
Net of Deferred Tax Assets	12,278	12,123

Deferred Tax Amounts Included in the Consolidated Balance Sheet

（Unit：Million Yen）

	December 31, 2005	December 31, 2006
Current Assets - Deferred Tax Assets	6,633	5,544
Fixed Assets - Deferred Tax Assets	6,993	8,285
Current Liabilities - Others	-	-
Long Term Liabilities - Deferred Tax Liabilities	△ 1,348	△ 1,707

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

	December 31, 2005	December 31, 2006
Statutory Effective Tax Rate	40.7 %	40.7 %
(Adjustment)		
Items Never Recognized as Loss, Such as Entertainment Expense	0.3 %	0.1 %
Items Never Recognized as Profit, Such as Dividends Received	△ 0.1 %	△ 0.2 %
Equity Earnings	△ 3.3 %	△ 0.9 %
Tax Credit	△ 1.4 %	△ 2.5 %
Amortization in Consolidation Adjustments Account	1.3 %	- %
Amortization in Goodwill	- %	0.4 %
Deemed Dividend Associated with Decapitalization of Consolidated Subsidiary	△ 1.8 %	- %
Others	0.6 %	△ 1.0 %
Actual Effective Tax Rate	36.3 %	36.6 %

10. Segment Information

1. Information by Business Line

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

(Unit: Million Yen)

	Oil	Chemicals	Others	Total	Elimination	Consolidated
Ⅰ.						
(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 Expenditures	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.

2006 (January 1, 2006, through December 31, 2006)

(Unit: Million Yen)

	Oil	Chemicals	Others	Total	Elimination	Consolidated
Ⅰ.						
(1) Sales to Third Parties	2,787,180	290,325	1,266	3,078,772	-	3,078,772
(2) Internal Transactions	404,582	41,016	6	445,605	(445,605)	-
Total	3,191,762	331,342	1,273	3,524,378	(445,605)	3,078,772
Operating Expenses	3,182,237	281,919	1,311	3,465,468	(445,390)	3,020,077
Operating Income(△Loss)	9,525	49,422	△ 38	58,909	(214)	58,694
Ⅱ. Assets, Depreciation, Loss on Asset Impairment and Capital Expenditures						
Assets	1,022,282	106,742	2,152	1,131,177	(111,659)	1,019,517
Depreciation Expenses	15,386	3,802	1	19,191	-	19,191
Loss on Asset Impairment	2,109	-	-	2,109	-	2,109
Capital Expenditure	29,921	5,895	1	35,818	-	35,818

(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 for the fiscal accounting period, since sales revenue in the domestic market comprise over 90% of total sales revenue. In this accounting period, the Company did not have overseas consolidated companies or important overseas branches.

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.

11. Transactions with Affiliated Companies

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	Accounts Receivable	1,542
										17,497	Accrued Expenses	2,402
							Group Finances	Non-operating Transactions	Interest Income	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 "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	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		Contents of Transaction		Transaction Amount	Account Title	Outstanding Balance at Year End
						Representing Officers	Business					
			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	-
									Purchases 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		Contents of Transaction		Transaction Amount	Account Title	Outstanding Balance at Year End
						Representing Officers	Business					
			Thousand US. $							Million Yen		Million Yen
ExxonMobil Affiliated Company	Mobil International Petroleum Corporation	Irving Texas U.S.A.	3,619,152	Financing for Affiliates	None	None	Group Finances	Non-operating Transactions	Interest Expenses	1	Short-term Loans Payable	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.

2006 (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 50.6%	4 persons	Purchases and Sales of Oil Products and Provision of Services	Trade Transactions	Purchases, and Sales of Oil Products	1,712,778	Trade Accounts Receivable	338,529
										241,175	Trade Accounts Payable	80,028
									Provision of Services	11,294	Account Receivable	1,635
										15,258	Accrued Expenses	2,292
							Group Finances	Non-operating Transactions	Interest Expenses	0	Short-term Loans Receivable	164

(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) The interest rates applied to the group financing is based on the rates, which applied to the transactions between the parent company and the bank.

(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	115,734	Trade Accounts Receivable	8,084
									Purchases of Oil Products	315,419	Trade Accounts Payable	31,244
							Group Finances	Non-operating Transactions	Interest Expenses	86	Short-term Loans Payable	11,915

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 Limited Liability Company	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	51,921	Trade Accounts Receivable	614
									Purchase of Crude	1,500,925	Trade Accounts Payable	144,228

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.

Ⅵ. Production, Consignments and Sales

1. Production

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

Business segment	2006 (Jan.1 through Dec. 31)	Comparison with Previous Period (%)	Major Products
Petroleum Products	(KKL) 34,833	△ 3.8	Gasoline, Naphtha, Jet Fuel, Kerosene, Diesel Fuel, Fuel Oils, Lubricants, LPG, etc.
Chemical Products	(KTon) 2,539	△ 8.5	Ethylene, Propylene, Benzene, Toluene, Paraxylene, Microporous 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	2006 (Jan.1 through Dec. 31)	Comparison with Previous Period (%)	Major Products
Petroleum Products	2,787,180	6.7	Gasoline, Naphtha, Jet Fuel, Kerosene, Diesel Fuel, Fuel Oils, Lubricants, LPG, etc.
Chemical Products	290,325	19.7	Ethylene, Propylene, Benzene, Toluene, Paraxylene, Microporous Film, etc.
Others	1,266	△ 19.5	Engineering, Maintenance Service, etc.
Total	3,078,772	7.8	

(Notes)

(1) Sales Amount to Major Customers

(Unit: Million yen)

Customer Name	2006 (Jan.1 through Dec. 31)	Comparison with Previous Period (%)	Percentage vs. Total Sales Amount (%)	Major Products
ExxonMobil Y.K.	1,890,822	14.1	61.4	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)		2006 (January 1 through December 31)	
		Volume	Amounts	Volume	Amounts
Petroleum Products	Gasoline	14,286 35.3	1,544,895 59.2	13,905 36.2	1,522,397 54.6
	Naphtha	83 0.2	3,186 0.1	145 0.4	6,779 0.2
	Kerosene	5,708 14.1	260,245 10.0	4,794 12.5	282,010 10.1
	Diesel fuel	6,428 15.9	298,036 11.4	6,128 16.0	348,850 12.5
	Fuel Oils and Crude	9,892 24.5	356,422 13.6	9,941 25.9	458,769 16.5
	Lubricants	337 0.8	20,342 0.8	349 0.9	30,095 1.1
	LPG	3,484 8.6	93,992 3.6	2,903 7.5	107,731 3.9
	Other Products	224 0.6	34,851 1.3	220 0.6	30,546 1.1
	Sub Total	40,443 100.0	2,611,974 100.0	38,385 100.0	2,787,180 100.0
Chemical Products	Olefins etc.	1,852 69.3	168,194 69.3	1,778 69.4	201,577 69.4
	Aromatics etc.	820 30.7	74,440 30.7	785 30.6	88,747 30.6
	Sub Total	2,672 100.0	242,635 100.0	2,563 100.0	290,325 100.0
Others	Other Operating Revenue		1,573		1,266
	Grand Total	43,115	2,856,182	40,948	3,078,772

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