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Press Release

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TonenGeneral Sekiyu K.K. Earnings Results for January 1 – December 31, 2007

TonenGeneral Sekiyu K.K. today announces its consolidated earnings for January 1 – December 31, 2007.

1. Industry Conditions

Crude Cost

The spot price for Dubai crude oil (generally used as a reference price for our industry in the Asia-Pacific region) started at 57 dollars per barrel at the beginning of this year and dropped to 49 dollars per barrel toward the middle of January. It subsequently rose to a peak of 90 dollars per barrel in November, after which spot prices remained between 83 and 90 dollars per barrel until the end of the year. The average price for 2007 was 68.4 dollars per barrel, 11% (6.9 dollars) higher than that of the previous year. Although the yen strengthened at the end of 2007, the average U.S. dollar-yen exchange rate (TTS) for the year was 118.84 yen per dollar, about 1.46 yen weaker than that of 2006. As a result, average yen crude cost (on a loaded basis) for 2007 was 51.1 yen per liter, which was 5.7 yen (13%) higher than the average for the previous year. Driven by crude price increases, domestic retail market prices for gasoline, diesel and kerosene in 2007 rose 3.9 yen (5%), 5.6 yen (7%) and 0.8 yen (1%) per liter, respectively. (data from The Oil Information Center）

Domestic Petroleum Product Demand

According to data published by the Ministry of Economy, Trade and Industry, total demand for major petroleum products for the January-December 2007 period fell 5.6% versus the same period in 2006. Demand for gasoline and diesel fell 1.7% and 2.3%, respectively, versus the same period in 2006. Demand for kerosene and Fuel Oil A dropped 12.4% and 14.3%, respectively, mainly due to factors such as a relatively warm winter and a shift to other forms of energy. In addition, despite a mid-year surge in demand for electrical power due to the suspension of operations at a nuclear power plant, demand for Fuel Oil C fell 3.9% versus the same period last year, reflecting a shift to other forms of energy.

Petrochemicals: Industry Production and Market Price

According to data published by the Japan Petrochemical Industry Association, domestic production of basic petrochemical products such as olefins and aromatics increased versus the same period last year, with ethylene and benzene production increasing 3% and 8%, respectively. Although Asian spot prices (in US dollar terms) for paraxylene fell 2.9%, those for benzene and toluene rose 17.6% and 3.8%, respectively, versus the same period last year.

2. TonenGeneral Corporate Initiatives

In order to achieve maximum added value, we are taking an integrated approach to all segments of our business including refining, supply, marketing and petrochemicals, pursuing an optimal mix of feedstocks, product supply and marketing channels. We continue to leverage our competitive advantage of access to the ExxonMobil Group global network, especially in feedstock supply and diversity, use of ExxonMobil's global supply and product exchange network, and technology.

Refining and Supply

In Refining and Supply, our focus has been on raising efficiency and optimizing the equipment configuration of our refining facilities. One of our recent efforts has been capital investment to address the revision of quality specifications for gasoline and changes in the demand structure and crude pricing system. As a result of these investments, ultra-low sulfur fuel production facilities at three of our refineries had begun operation by the first half of 2007. With completion of these facilities, we have more flexibly in choosing our portfolio of feedstocks for operations, and in particular can reduce raw material costs by processing a heavier mix of crude oils. In addition, we are continuing the implementation of our Profit Improvement Programs, which include diversification of crude oil procurement and re-configuration of our feedstock slate, as well as the increase of exports through capacity enhancement of export facilities.

TonenGeneral continuously and rigorously assesses its business portfolio including business expansion, realignment and divestment opportunities based on strategic management objectives. Options for the future of our subsidiary, Nansei Sekiyu Kabushiki Kaisha (Nansei Sekiyu), were studied extensively as part of this process. As a result, TonenGeneral Sekiyu decided to divest its shareholding in Nansei Sekiyu, and in November agreed to sell its shares to Petrobras International Braspetro B.V. (Petrobras), a subsidiary of Petróleo Brasileiro S.A. Closure of the transaction is expected in the first half of 2008.

Marketing

Our “General” brand shares common marketing strategies with the ExxonMobil Japan Group “Esso” and “Mobil” brands. Expanding the branded self-service station “Express”, with the concept of “Quickest”, “Easiest”, and “Cleanest”, TonenGeneral has proactively shifted its format to self service stations offering customers superior service. In 2007, the number of memberships in Speedpass, our special keychain attachment wireless payment device, reached 1,500,000. The ExxonMobil Japan Group, including TonenGeneral also developed a unique card reader that accepts a number of contact-less IC credit cards, and installed the readers at more than 650 “Express” stations. We actively expanded the “Mobil 1 Center”, which provides oil change service with “Mobil 1”, the premier auto lubricant brand, in our “Express” network. In addition, based on an alliance with Seven-Eleven Japan Co. Ltd, the ExxonMobil Japan Group continued to develop and test combined convenience stores and service stations.

Chemicals

The two major strategy themes of our Chemicals business have been to capture specialty chemicals business growth and to increase the cost-competitiveness of the basic chemicals business. In the specialty business, we have continued to focus on lithium-ion battery separator film as one key business area. To ensure the growth of this business, we increased production capacity through expansion and enhancement of facilities. In December, we introduced to the market our new high-quality, high technology film, which we expect will have application for the next generation lithium-ion batteries for HEVs (Hybrid Electric Vehicles) and EVs (Electric Vehicles). In order to respond to the expected high growth in demand in the near future, we started a feasibility study for the construction of new film production lines in Korea. In our basic chemicals segment, we have been pursuing chemical and refinery integration and have succeeded in improving profits through optimization of operations, maximum utilization of molecules and diversification of feedstock. In addition, we continued our planned implementation of business improvement plans aimed at enhancing the competitiveness of the specialty polyethylene business at Nippon Unicar Company Limited (Nippon Unicar), of which is 50% is owned by our 100% subsidiary, Tonen Kagaku K.K.

3. Financial Results for January 1-December 31, 2007

Consolidated:

(Unit: billion yen)

	Sales Revenue	Operating Income/Loss	Ordinary Income/Loss	Net Income
Jan-Dec 2007 (A)	3,049.8	7.1	15.1	7.0
Jan-Dec 2006 (B)	3,078.8	58.7	66.0	39.8
Difference (A-B)	▲28.9	▲51.6	▲50.9	▲32.8
Increase/Decrease	▲0.9%	▲88.0%	▲77.2%	▲82.4%

Consolidated Sales Revenue

Although product prices increased with the steep rise in crude prices, sales volumes declined and consolidated sales revenue fell 0.9% versus the previous year to 3,049.8 billion yen.

Consolidated Operating Income

Consolidated operating income decreased by 51.6 billion yen versus the same period last year to 7.1 billion yen. The factors contributing to this decrease are as follows.

(1) Declining trends in petroleum product earnings

Petroleum margins decreased versus the same period last year. The lower margins were due in particular to sharp increases in input costs, including an increase in crude prices in the fourth quarter, and a steep rise in ocean freight costs in December. These cost increases were not adequately reflected in market prices.

In order to manage these unfavorable conditions, we continued self-help initiatives such as alteration of our feedstock slate to reduce costs. We are actively expanding product exports through the ExxonMobil Group's global supply network, and optimizing the domestic sales mix to focus on profitability while ensuring domestic product supply. The reduction in our sales volumes (9.2% in total versus 2006) arose partly from decline in domestic demand, but was also due to our execution of these export and domestic product supply initiatives to improve profitability.

For accounting purposes, TonenGeneral recognizes crude oil price in its cost of goods when the crude is loaded, whereas most of the industry accounts for crude cost when it arrives in Japan, so that crude price changes affect our accounting results approximately one month earlier than other industry participants. For this reason, the steep increase in crude prices throughout the year is fully reflected in our 2007 results. This adverse effect (using Dubai crude price as a benchmark) versus the accounting method of the industry (arrival basis) is about 41 billion yen, an adverse increase of about 30 billion yen versus 2006.

(2) Inventory valuation effects

TonenGeneral applies the LIFO/LOCOM accounting method for inventory valuation. Operating income for the January-December 2007 period includes inventory valuation gains of 15.5 billion yen (a 7.6 billion yen increase versus 2006).

(3) Other inventory-related effects

With the expected sale of Nansei Sekiyu stock described above, we were able to realize the market value of our share of inventories at the Nansei Sekiyu refinery, resulting in valuation gains. On the other hand, large fluctuations in TonenGeneral's inventory levels during the course of the year resulted in our building up of crude inventories in the latter half of the year when crude prices were rising, leading to an adverse effect on the cost of goods. The total of these inventory-related effects was around negative 5.0 billion yen.

(4) Strong trends in petrochemical product earnings

Operating income in the petrochemicals segment increased 6.2 billion yen versus the same period last year. Strong profits were maintained in 2007 due to solid margins for basic chemicals, such as aromatics and olefins as well as growth in the specialty petrochemicals segment.

(5) Operating costs

Although reductions in pension and other costs continued, there were increases in some areas, including depreciation due to new investments and maintenance costs due to a steep rise in materials costs. This resulted in an increase in operating costs of 8.1 billion yen versus the same period the previous year.

Net Income

Net non-operating income was 8 billion yen, which included foreign exchange gains and equity earnings of affiliates. Net extraordinary loss was 4 billion yen, primarily due to impairment and retirement losses on fixed assets, as well as a 2.8 billion yen accrued loss on the Nansei Sekiyu stock sale. As a result, net income was 7 billion yen, 32.8 billion yen less than the same period last year.

Memo:

Parent:

(Unit: billion yen)

	Sales Revenue	Operating Income/Loss	Ordinary Income/Loss	Net Income
Jan-Dec 2007 (A)	3,014.4	▲24.1	▲1.2	4.4
Jan-Dec 2006 (B)	3,027.1	33.7	95.1	77.2
Difference (A-B)	▲12.7	▲57.9	▲96.3	▲72.8
Increase/Decrease	▲0.4%	▲171.5%	▲101.3%	▲94.3%

4. Dividend Plan

The company projects a payment to its shareholders as of December 31, 2007, of 19 yen per share as a final dividend for the term ended December 31, 2007, subject to the decision of the general meeting of shareholders.

5. Earnings Forecast for the Full Year 2008

(Unit: billion yen)

	Sales Revenue	Operating Income/Loss	Ordinary Income/Loss	Net Income
Consolidated	3,500.0	51.0	52.0	32.0
Parent	3,400.0	28.0	31.0	20.0

Consolidated operating income for full year 2008 is forecast to increase 43.9 billion yen versus 2007 to 51.0 billion yen, with earnings in our petroleum segment rising, and our chemicals segment earnings falling somewhat in response to anticipated movement in the chemical 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 (adjusted to exclude inventory valuation effects and the effects of crude oil accounting leads/lags). We make no assumptions regarding the effects of crude oil price changes during the year, in particular any such effects associated with our practice of accounting for purchased crude versus the practices of other industry participants. With price fluctuations reflecting completion of new and expanded industry facilities in Asia and the Middle East, we expect some decrease in petrochemicals margins compared to 2007.

6. Dividends Policy and Forecast

Our basic policy is to deliver appropriate dividends to shareholders, while maintaining a sound financial structure and giving due consideration to consolidated cash flow trends and future capital investments. We adhere to our view that cash flow that cannot be employed in a way that meets our rigorous investment standards should be returned to shareholders.
Full-year dividends for 2008 are expected to be 38.0 yen per share (versus 37.5 for 2007), subject to review of our full year business performance and cash flow results and the endorsement of both our Board of Directors and shareholders.

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