

TonenGeneral Sekiyu K.K. 2005 Financial Results and Business Strategy

February 27, 2006
at TSE Arrows



This material contains forward-looking statements based on projections and estimates that involve many variables. TonenGeneral 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 in this publication.

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Business Overview

G. W. Pruessing

*Representative Director, Chairman and President,
TonenGeneral Sekiyu K.K.*

Japan Chairman of ExxonMobil Group Companies

Trends in the Industry Environment

- Industry environment since 2000 Tonen/General merger
 - » Surplus capacity both in refining and marketing
 - » Crude prices rising; sharp increases in 2005
 - Difficult to pass on increased crude cost to product price
 - Pricing more explicitly related to crude; impeded cost recovery
 - » Next phases of low sulfur motor-fuels introduced; 2003 & 2005
 - » Chemicals segment highly profitable from 2004

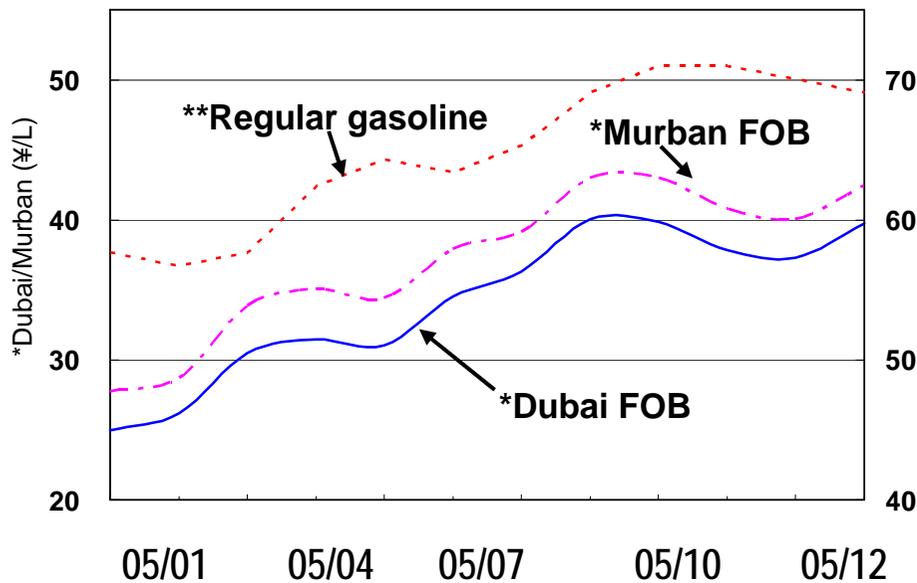
- Future public policy challenges
 - » Potential introduction of bio-fuels, further changes to fuel quality
 - » Product duties, environmental taxes
 - » Domestic product demand trends
 - Could create challenges future upgrade investments

- TonenGeneral has responded to meet industry challenges, taking a long-term perspective
 - » Focus on core business; grow specialty products where we have competitive advantage
 - » In the “commodity environment” of our industry, efficiency in opex and capital is the critical driver
 - » Long-term objective is efficiency and profitability in any set of prevailing market conditions

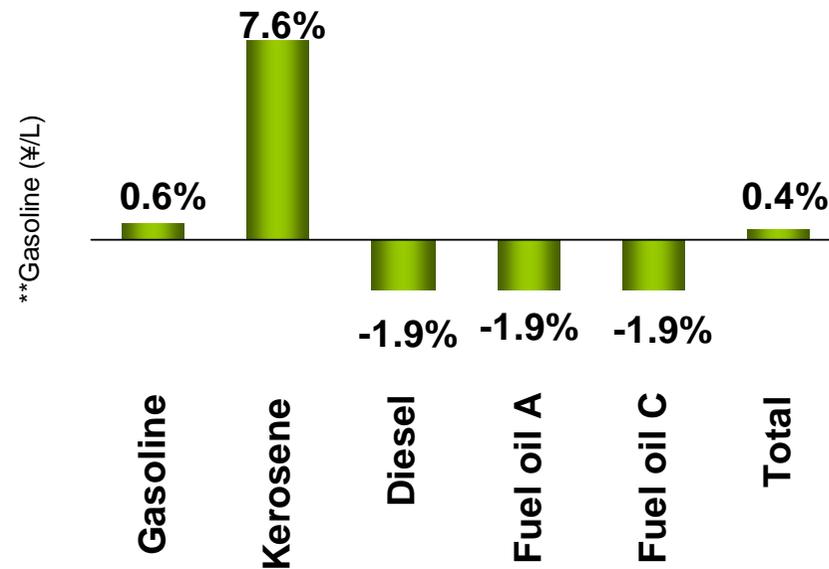
Oil Market Environment for 2005 ^{*} Loaded base (left axis) ^{**} Excluding tax (right axis)

- Continued crude price increases and fluctuation
- Widened light/heavy crude spread
- Low growth in Mogas, lower demand in Diesel, FOA, and FOC
 - » Gasoline demand slightly increased vs.'04
 - » Kerosene demand increased due to colder winter impacts in the first and fourth quarter
 - » Fuel Oil C demand from power companies decreased vs. '04
- Industry margins remain at low levels

Industry Pump and Crude Oil Prices



Industry '05 Sales Volume Growth vs. '04



Our Downstream Business Strategy

Refining: Targeting World-class Efficiency

- Project in place to improve raw material flexibility and meet changing market environment
 - » Incremental 25G Yen investments in refining facilities
 - » Seek optimal use of existing facilities
 - » Enhance flexibility for crude oil selection and way of production
 - » Utilize most updated technology
 - High performance HDS catalyst, proprietary SCANfining process, etc.
 - » Facilities implemented in 2006 and 2007

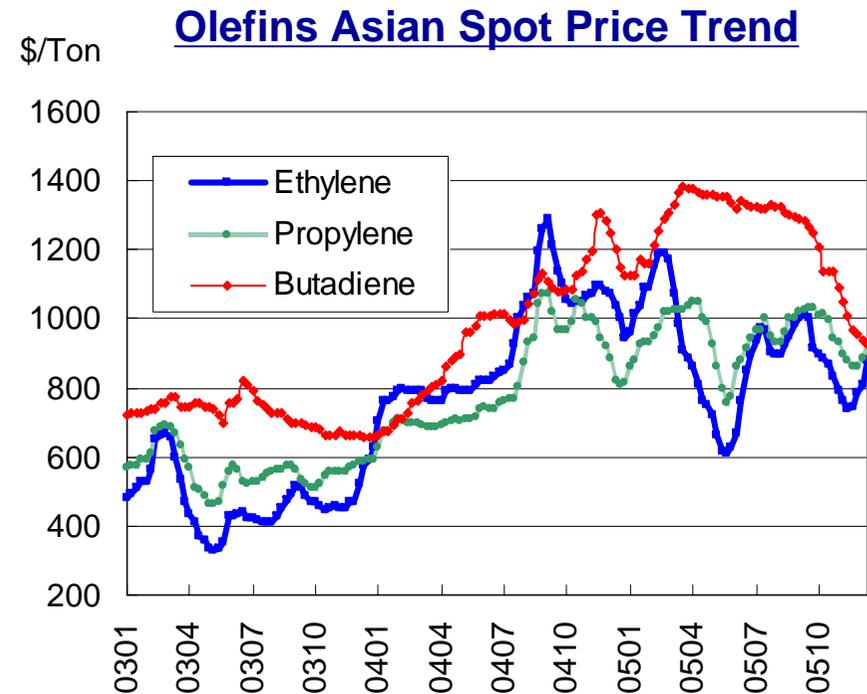
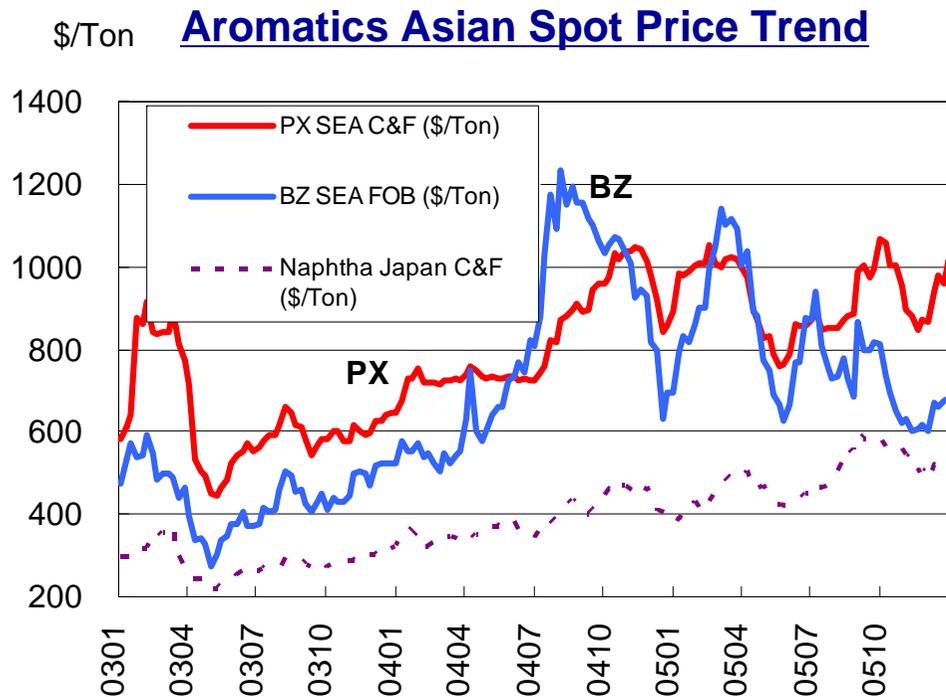
- In 2006, other profit improvement plans are on-going
 - » Reduce demurrage costs
 - » Challenged Crude Program

Marketing: Continue to lead the format shift

- Expand “Express” branded Self SS
- Introduce new technologies: Speed pass, video pump

Chemical Market Environment for 2005/2006

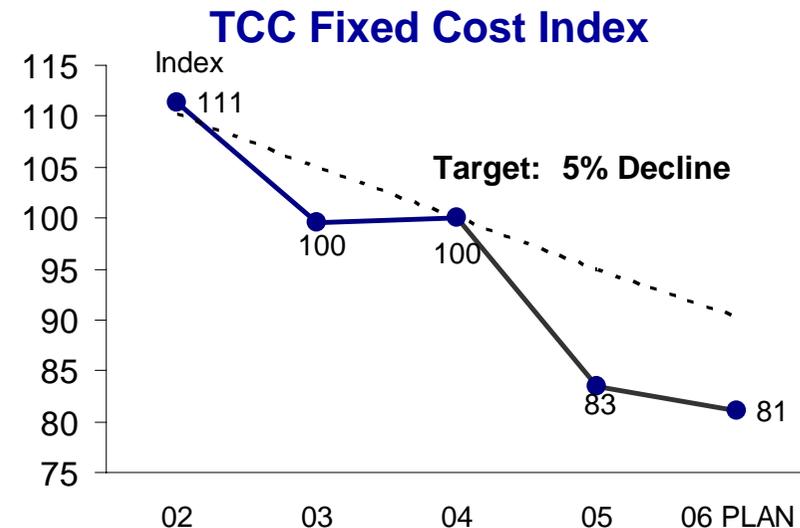
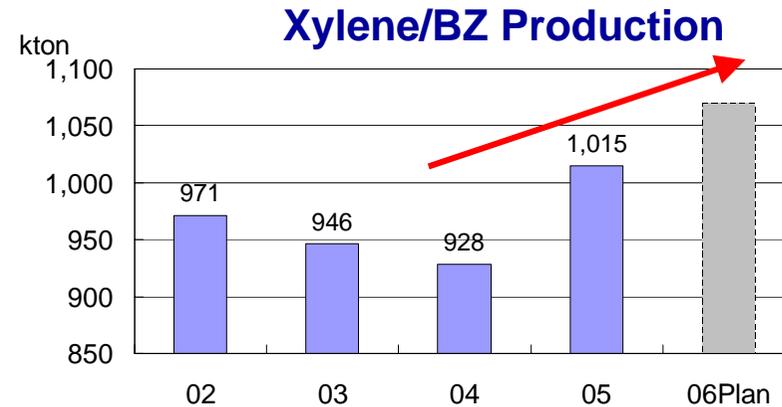
- Asian market prices volatile for Basic Chemicals such as Aromatics and Olefins
- Product prices reached historical highs
- Basic Chemicals markets are expected to continue near top cycle in 2006
- Market very volatile



Chemicals Business Strategy

Position Ourselves for the Chemicals Business Cycle

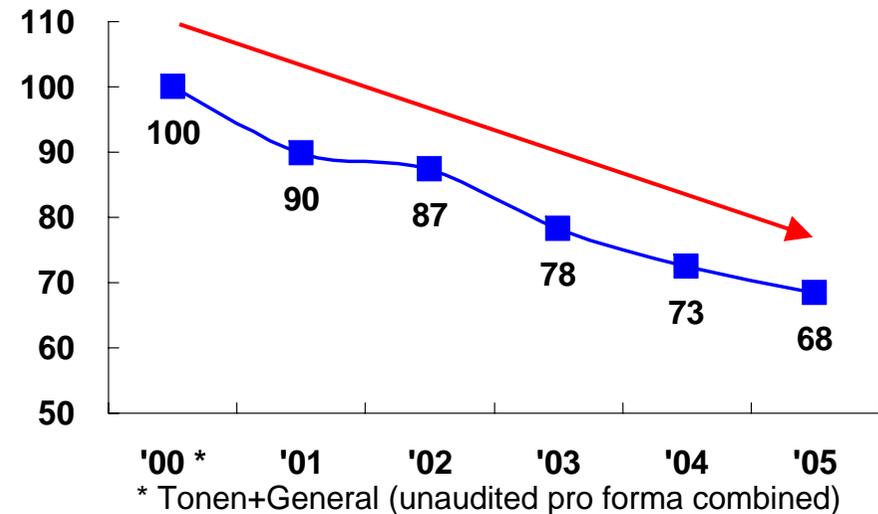
- Capitalize on strong synergies with refining operations
 - » Fully utilize Aromatics and Olefins Capacity
 - » Xylene/Benzene production in 2005 increased by 7% vs. '03
- Continuous focus on Cost Management
 - » Achieving 5 %/year fixed cost reduction through restructuring and refining/chemicals synergies
- Grow our specialty business segments
 - » Progress specialty product growth projects (Intermediates, Adhesives, Micro Porous Film (MPF))



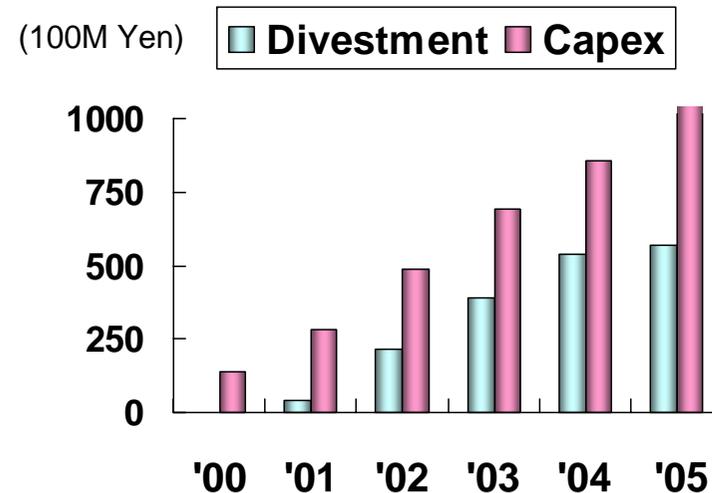
Efficiency Leadership

- Make maximum use of competitive advantages of our membership in the ExxonMobil group
 - » Business Centers for administration
 - » Product & semi-product exchanges
- Rigorous attention to operating cost efficiency
 - » Opex reduction about 6% p.a. since merger
- Disciplined capital investments
 - » Maintain long-term perspective
 - Refining facilities
 - Express branded self SS
 - MPF production capacity
 - » Selective divestment of assets where sale is higher value than retention

TonenGeneral Opex Reduction Index (Consolidated)



Cumulative Capex and Divestment of Assets (Consolidated, Book Value basis)



Corporate Citizenship

■ Safety

- » Remains the top priority in all our activities
- » Commitment to our vision: “Nobody Gets Hurt”

■ Governance and Integrity

- » Clear and enforced standards of business conduct
- » Controls Integrity Management System
- » Effective statutory Audit process
- » Rigorous internal independent audit

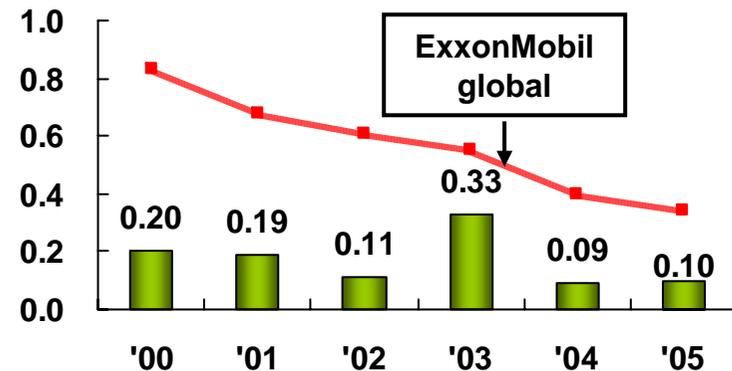
■ Focus on the environment

- » Actively invest in facilities to reduce emissions

■ Issued our first “Corporate Citizenship Report”

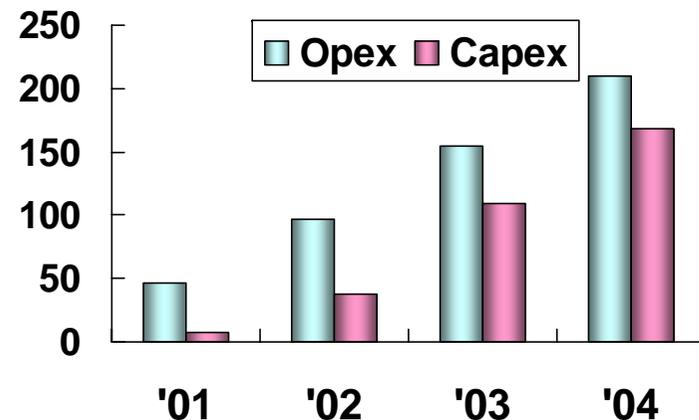
Total Recordable Incident Rate (#/ 0.2Mil Hrs)

(TonenGeneral & Nansei Sekiyu vs ExxonMobil global)



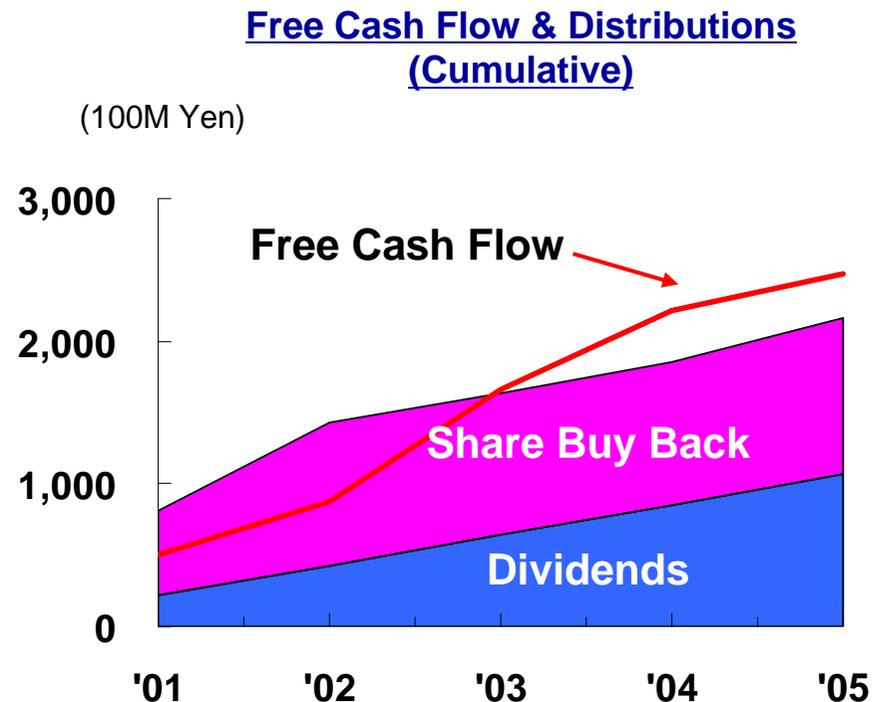
Cumulative Opex and Capex related to Environment (Consolidated)

(100M Yen)

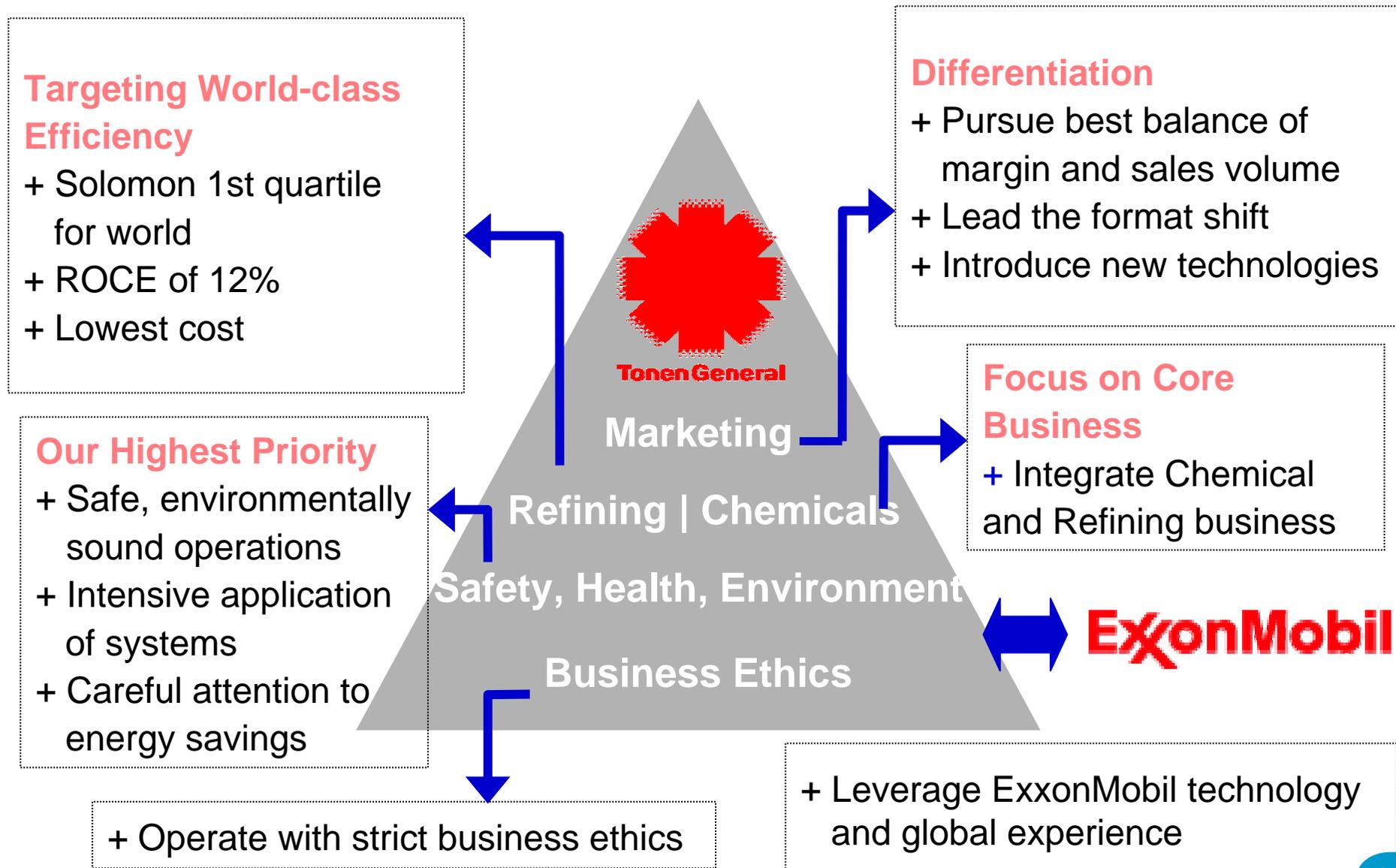


Superior Shareholder Distributions

- Our principles
 - » Company wealth not required in our business should be returned to shareholders
 - » Balance creation of long-term shareholder value and distributions
- From cash flow generated in the last 5 years:
 - » 90G yen for capex
 - » 217G yen for distributions (107G yen for dividends and 110G yen for share buy back)
- Prudent review of trends in the business environment and analysis of best mix and timing of distributions



Key Corporate Themes & Strategies Remain Unchanged



2005 Business Results and 2006 Financial Forecast

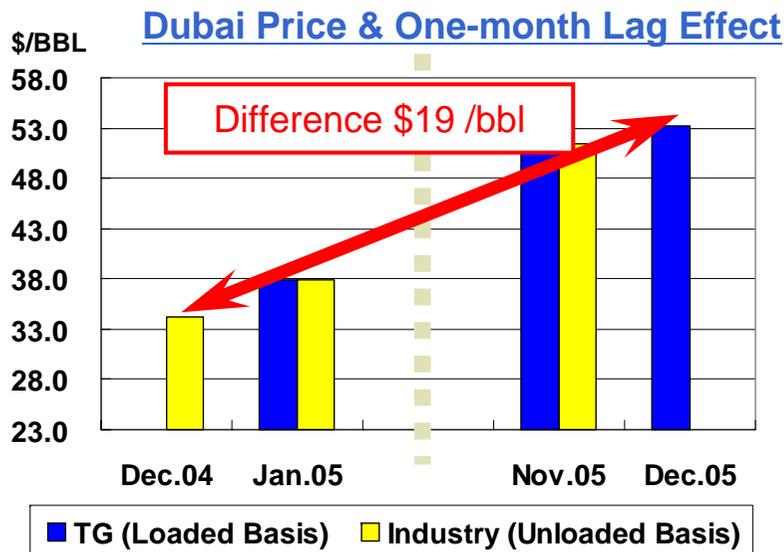
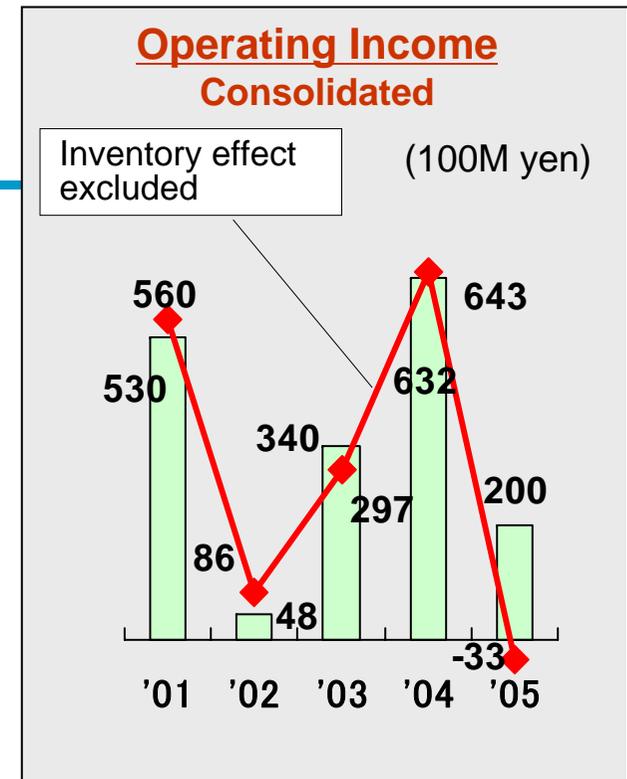
W. J. Bogaty

*Director,
TonenGeneral Sekiyu K.K.*

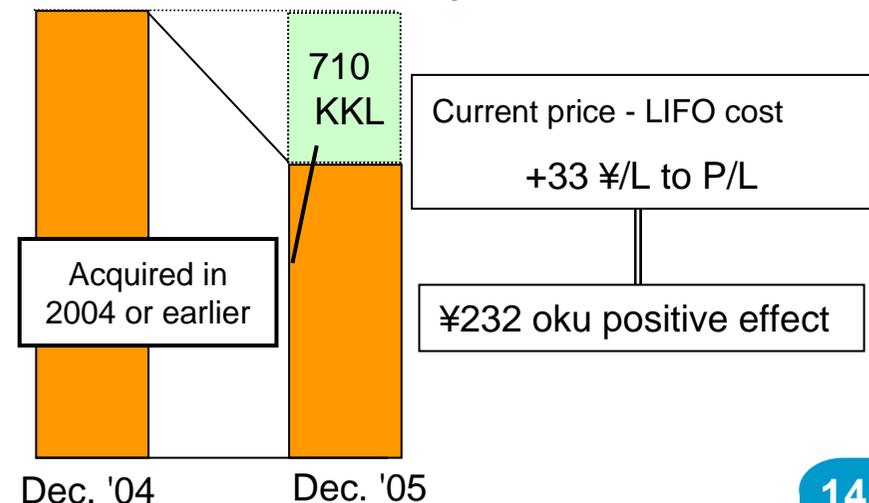
*Representative Director and Vice President,
ExxonMobil Y.K.*

Business Highlights

- Business strategies and operations are on track
 - » Long-term perspective and strategies
 - » Disciplined capex plans for growth & efficiency enhancement
 - » All operating activities, including sales, manufacturing, and OPEX reduction were on or above plan
- Operating income decreased vs. FY '04
 - » Chemicals continuously contributed to profits
 - Favorable performance in all lines supported by active demand
 - » Oil margin dropped sharply on large, rapid, crude price increase
 - Accounted for approx. one month ahead of rest of industry
 - Light/heavy crude price spread widened; affected LS fuels production cost
 - » Positive inventory effect



Crude & Product Inventory Drawdown Effect

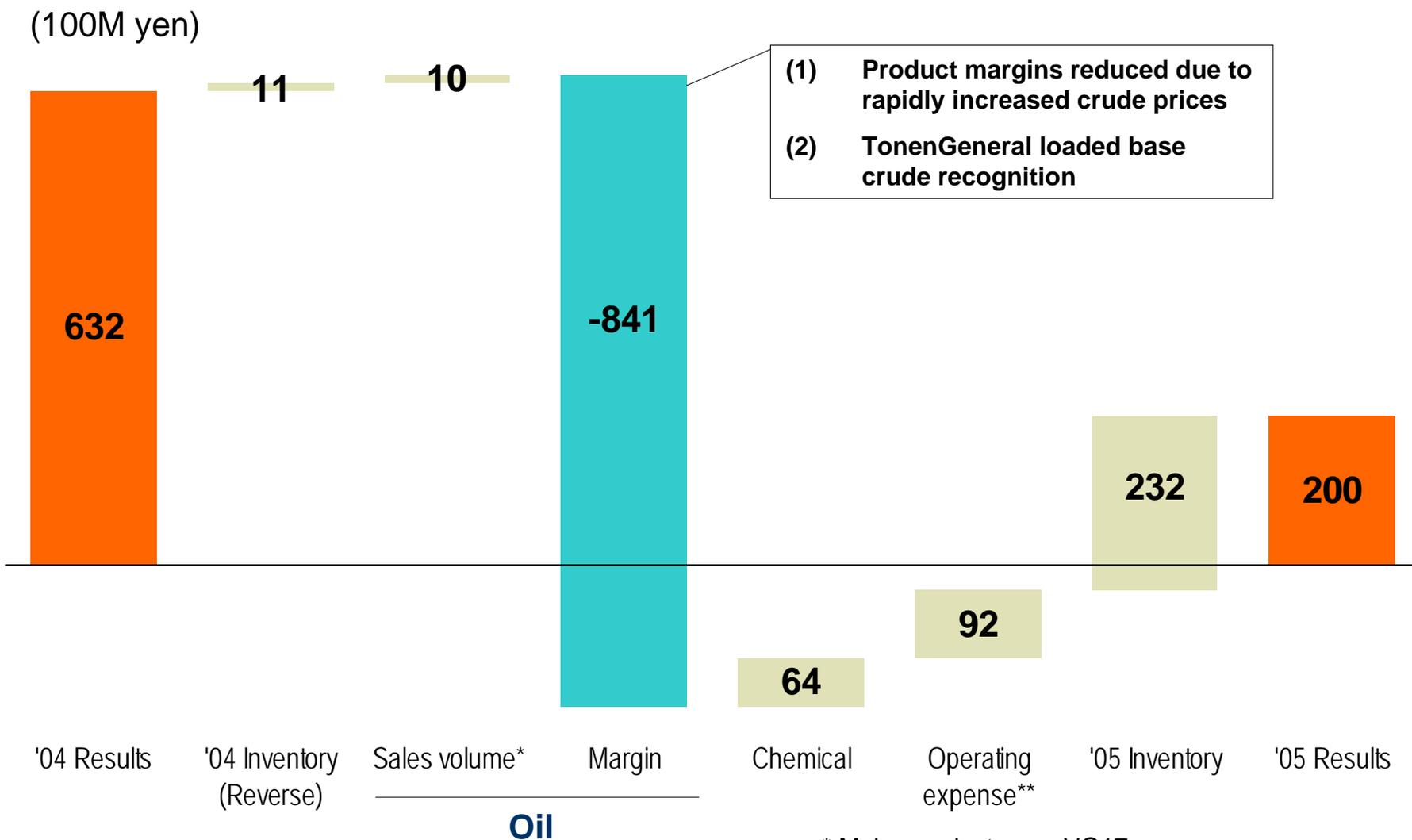


Earnings Results [Consolidated]

(100M yen)	'04	'05	Inc./Dec.
Sales revenue	23,423	28,562	5,139
– Operating income	632	200	-432
Ordinary income	686	228	-458
Extraordinary P/L	137	-24	-161
Net income	482	130	-352
<hr/>			
Reverse inventory effects	+11	-232	-243
→ Adjusted operating income	643	-33	-675
Oil segment and others	219	-487	-707
Chemical segment	424	455	31

Factor Analysis of Operating Income

['05 Results vs. '04 Results; Consolidated]



- (1) Product margins reduced due to rapidly increased crude prices
- (2) TonenGeneral loaded base crude recognition

* Major products, per VG17

** Excluding impacts of accounting reclassification

Sales Volume/ Capacity Utilization

- Most fuels increased versus FY 2004, especially in Kerosene due to colder winter and absence of major turn-arounds

Oil Products (Consolidated, Excluding Barter)

(KKL)		<u>2004</u>	<u>2005</u>	<u>Inc./Dec.</u>	<u>Industry Inc./Dec.</u>
by Product	Gasoline	11,951	12,204	2.1%	+0.6%
	Kerosene	3,746	4,539	21.2%	+7.6%
	Diesel fuel	4,703	5,005	6.4%	-1.9%
	Fuel oil A	4,320	4,066	-5.9%	-1.9%
	Fuel oil C	3,422	3,070	-10.3%	-1.9%
	LPG and others	3,359	3,477	3.5%	N/A
by Channel	<i>General (Marketing)</i>	8,563	8,600	0.4%	
	<i>Esso/Mobil/Kygnus</i>	22,937	23,761	3.6%	
	Sub Total	31,499	32,361	2.7%	0.4%
	Others*	6,975	8,082	15.9%	
	G. Total	38,474	40,443	5.1%	

Others includes lube, crude, exports, product exchanges within ExxonMobil Japan Group, etc.

Chemical Products (Consolidated)

(Kton)	Olefins and others (TCC)	1,819	1,852	1.8%
	Aromatics (TG)	789	820	3.9%
	Chemical Total	2,609	2,672	2.4%

Capacity Utilization (Parent/Consoli.) **83%/79%**

86%/81%

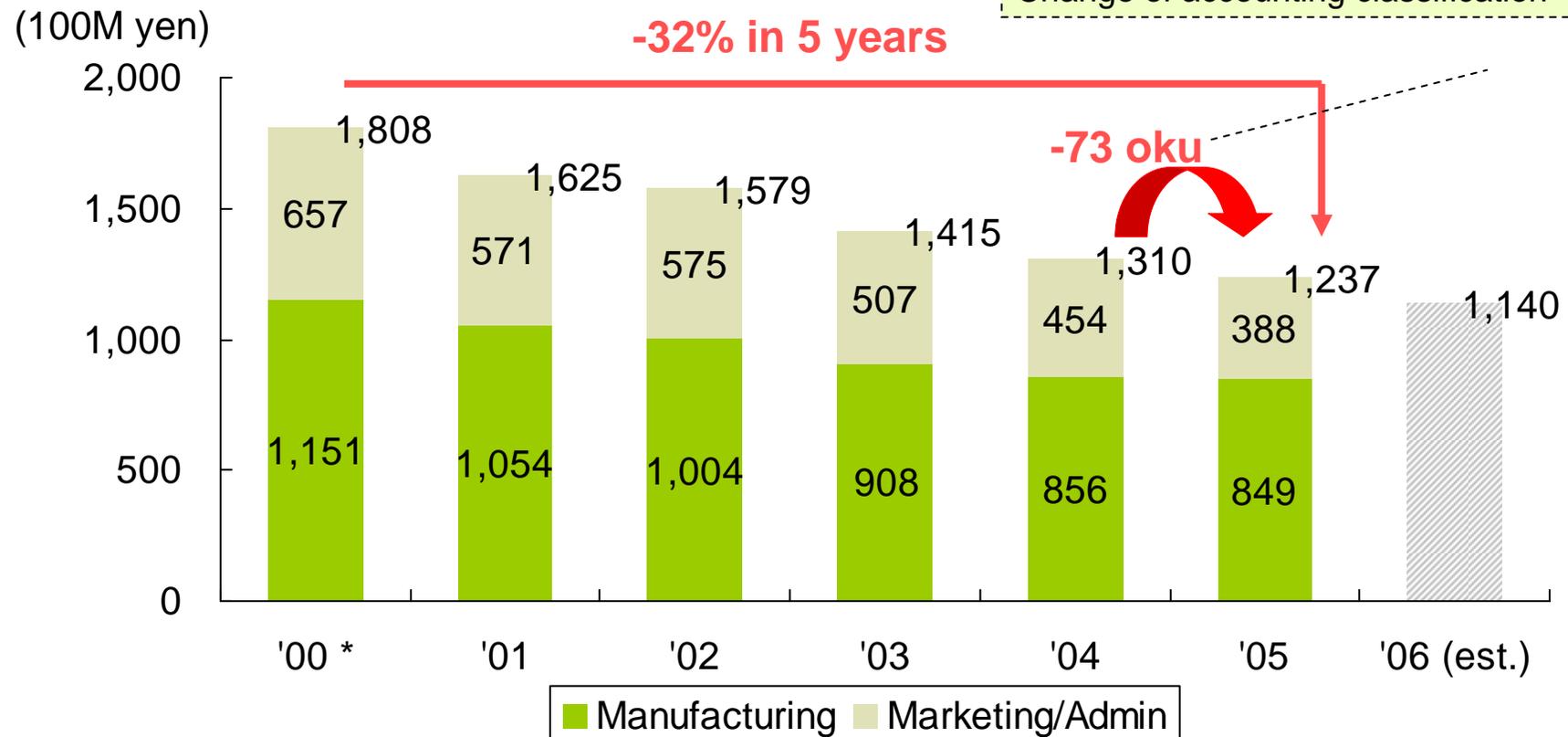
87%

* Tonen+General (unaudited pro forma combined)

Operating Expenses [Consolidated]

- Continued reductions in opex
- Lower pension cost partly due to portfolio performance
- Includes acquired Tonex opex in 2005

Pension expense (Non-cash)	-28
Business restructuring	-19
Payroll	-16
Other efficiencies	-23
Others	-6
Change of accounting classification**	19



**Accounting change moved certain costs from cost of goods to opex; cost of goods reduced by same amount

Cash Flows, Debt/Equity [Consolidated]

(100M yen)

Operating / Investing Activities

	'05
	255
Net income before taxes	204
Net capex / Depreciation	18
Asset disposal	66
Inventory	122
TAR/TAP/Other payables/Others	230
Income tax payment	-384

Financing Activities

	-254
Change in debt	57
Dividend to shareholders	-213
Stock repurchase/Others	-98

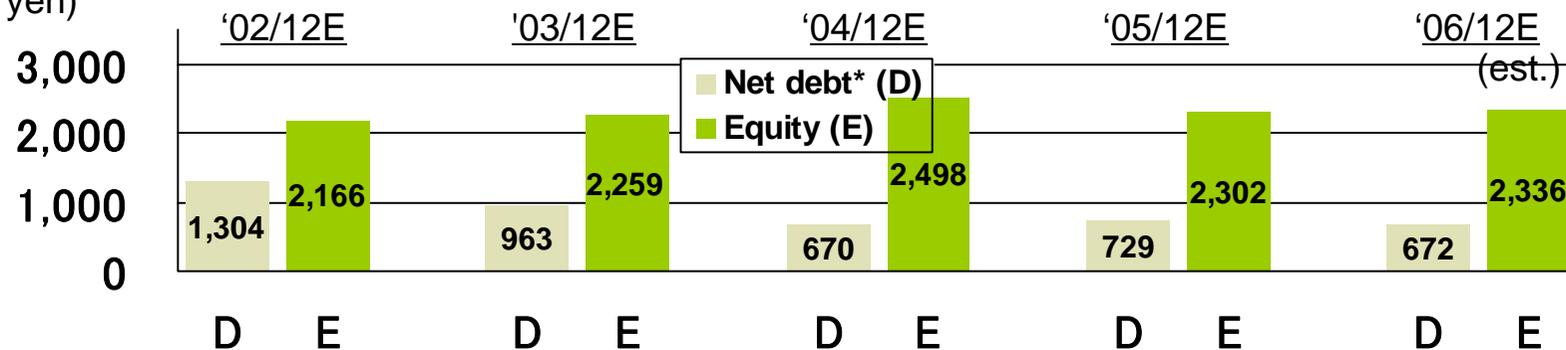
Net Cash Change

-1

Financial position remains healthy

- » Strong free cash flow
- » Paid 213 Oku yen dividends
- » Conducted 100 Oku yen stock repurchase, financed by short-term debt

(100M yen)



* Excl. cash and loans receivable

Net D/E ratio*:

0.60

0.43

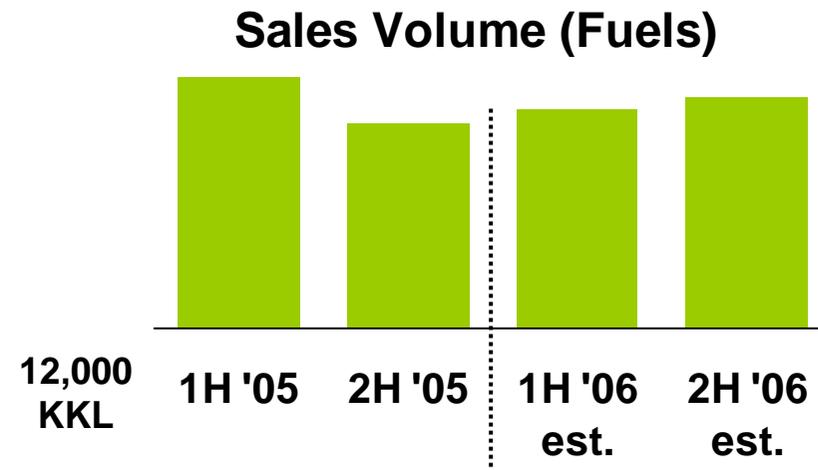
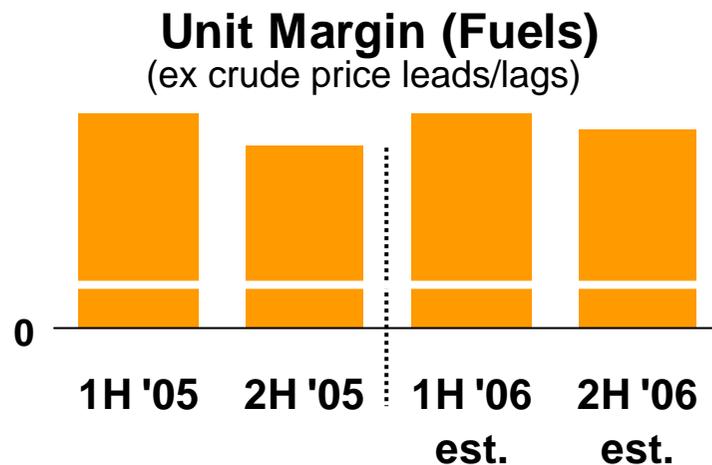
0.27

0.32

0.29

Assumptions for 2006

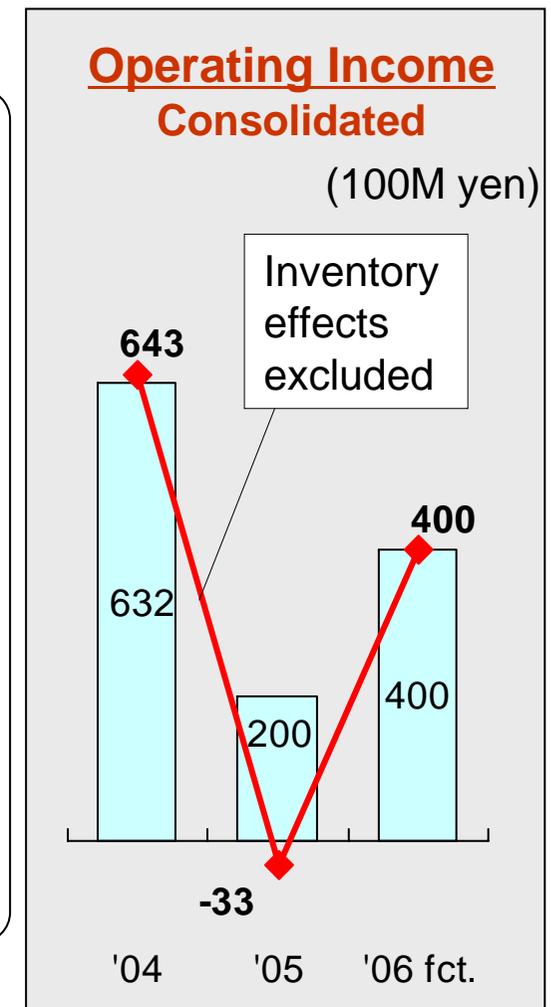
- Fuels Margins Almost same as '05 actual (ex crude price leads/lags)
- Fuels Sales volumes Almost same as '05 actual
- Chemicals Margins Lower than '05 actual for both Aromatics and Olefins
- Chemicals volumes Aromatics: Higher than '05 Olefins: Lower than '05
- Operating expense Continuing reduction
- Inventory effects Assume zero impact in 2006
- Crude cost, FX 53.5 \$/BBL(Dubai), 118.1 ¥/\$ -- values as of year-end '05
[for sales revenues only]
- Inventory accounting LIFO/LOCOM



Earnings Forecast [Consolidated]

- Adjusted operating income for FY '06 is projected to recover to 400 Oku yen
- We assume no benefit or further adverse effect from crude lead/lag effect
- Zero inventory gain/loss assumed

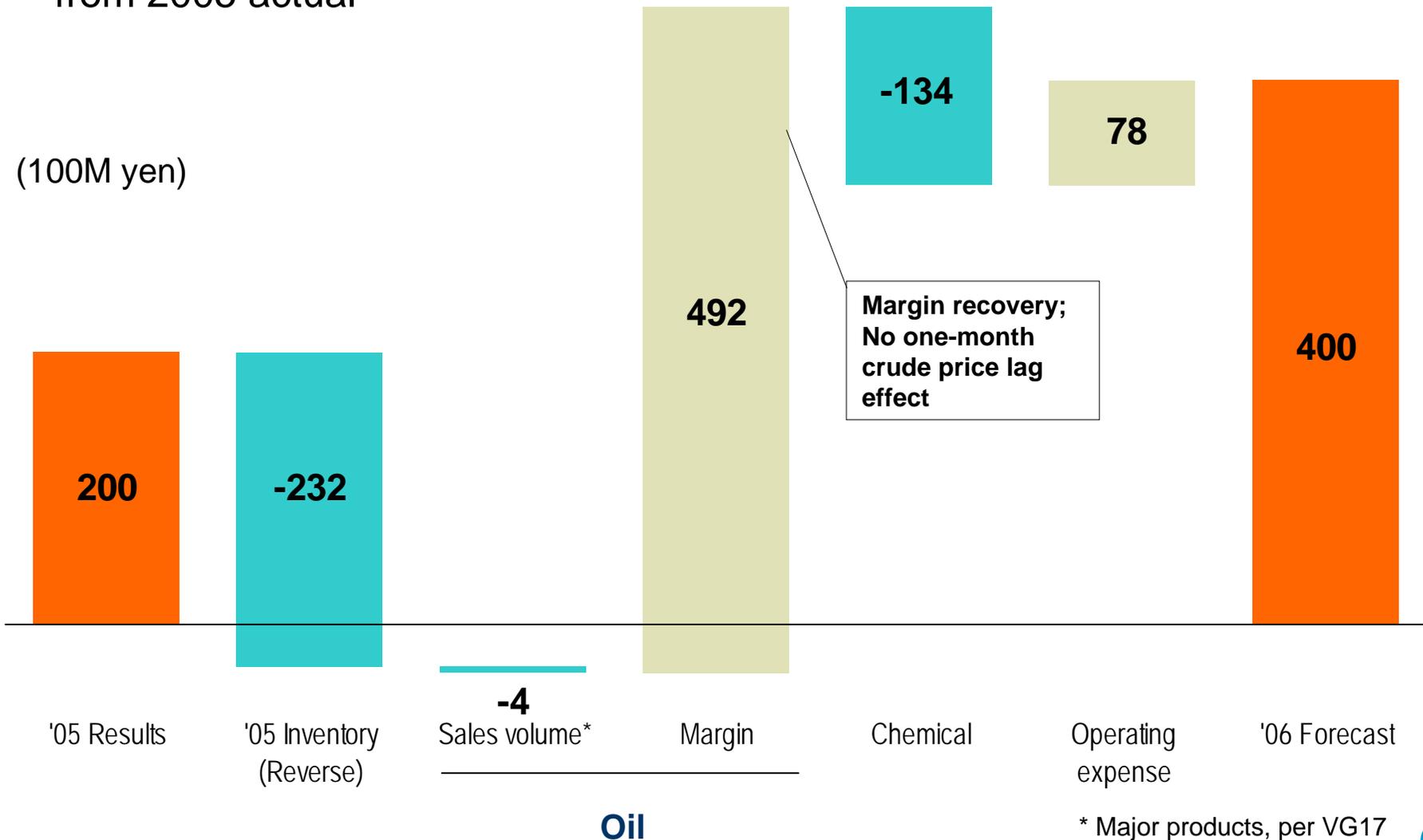
(100M yen)	'05	'06 fct.	1H fct.	2H fct.
Sales revenue	28,562	30,800	15,400	15,400
Operating income	200	400	210	190
Ordinary income	228	410	210	200
Extraordinary gain/loss	-24	-20	-5	-15
Net income	130	250	130	120
Reverse inventory effects	-232	0	0	0
Adjusted operating income	-33	400	210	190
Oil segment and others	-487	60	30	30
Chemical segment	455	340	180	160



Factor Analysis of Operating Income

[FY '05 Results vs. '06 Forecast; Consolidated]

- Operating income for full-year 2006 is projected to increase by ¥200 oku from 2005 actual



Dividend Policy and Projection for 2006

- Philosophy

- » Maintain appropriate capital structure
- » Maintain stable dividend payment levels
- » Consider free cash flows and cash needs; net income coverage
- » Focus on total return to shareholders

- Financial strength and shareholder focus unchanged

- » Strong free cash flows and D/E ratio
- » Project total dividend of 37 yen per share in 2006

Interim dividend of 18.5 yen per share and year-end of 18.5 yen per share

- » Continuous close study on various capital structure options in unclear industry environment

Refining & Supply

- Targeting World Class Efficiency -

J. Mutoh

Director, Wakayama Refinery Manager

Tonen General Sekiyu K.K.

Strategic Focus

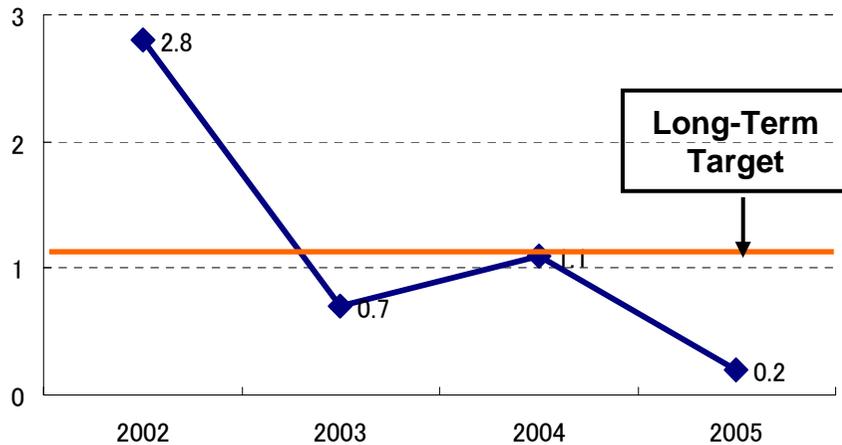
- Continue to improve safety/ reliability as foundation of business
- Conduct profit improvement initiatives
 - » Crude source diversification
 - Including “Challenged” crude process
 - » Effective use of products / semi-products
 - Optimization in ExxonMobil global network
 - Increase product exports to maximize product value
 - » Other Initiatives
- Increased level of capital investments
- Effective asset utilization

Improve Safety/ Reliability Performance

- Safety/Reliability performance steadily improving. Using ExxonMobil's comprehensive systems

- » OIMS (Operations Integrity Management System)
- » LPS (Loss Prevention System)
- » Facilities Reliability Improvement Initiatives

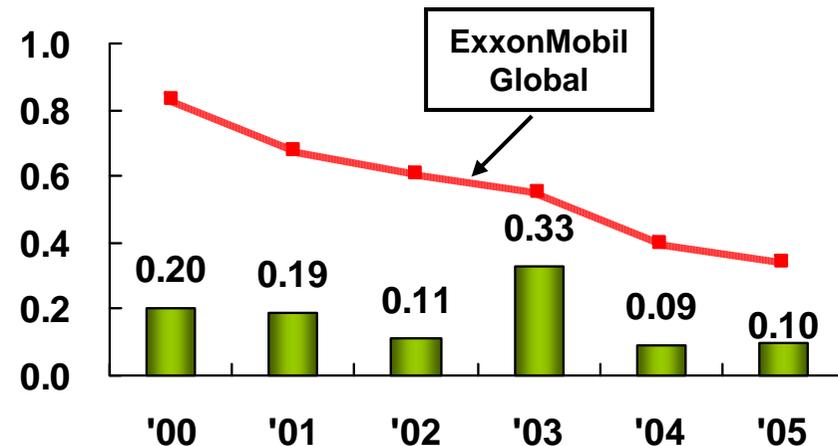
Unplanned Capacity Loss (%)*



*) Ratio of refining capacity not utilized mainly due to mechanical problem

Total Recordable Incident Rate (#/ 0.2Mil Hrs)

(TonenGeneral & Nansei Sekiyu vs ExxonMobil Global)



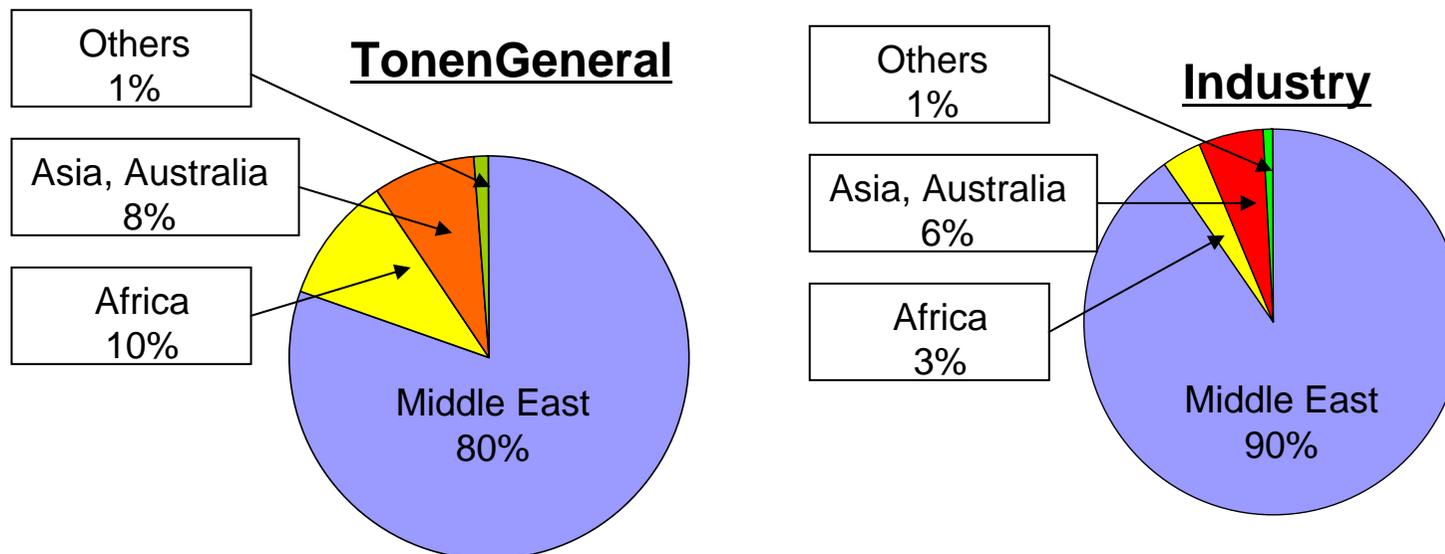
- Effective internal control

- » CIMS (Control Integrity Management System)

Promote Crude Diversification

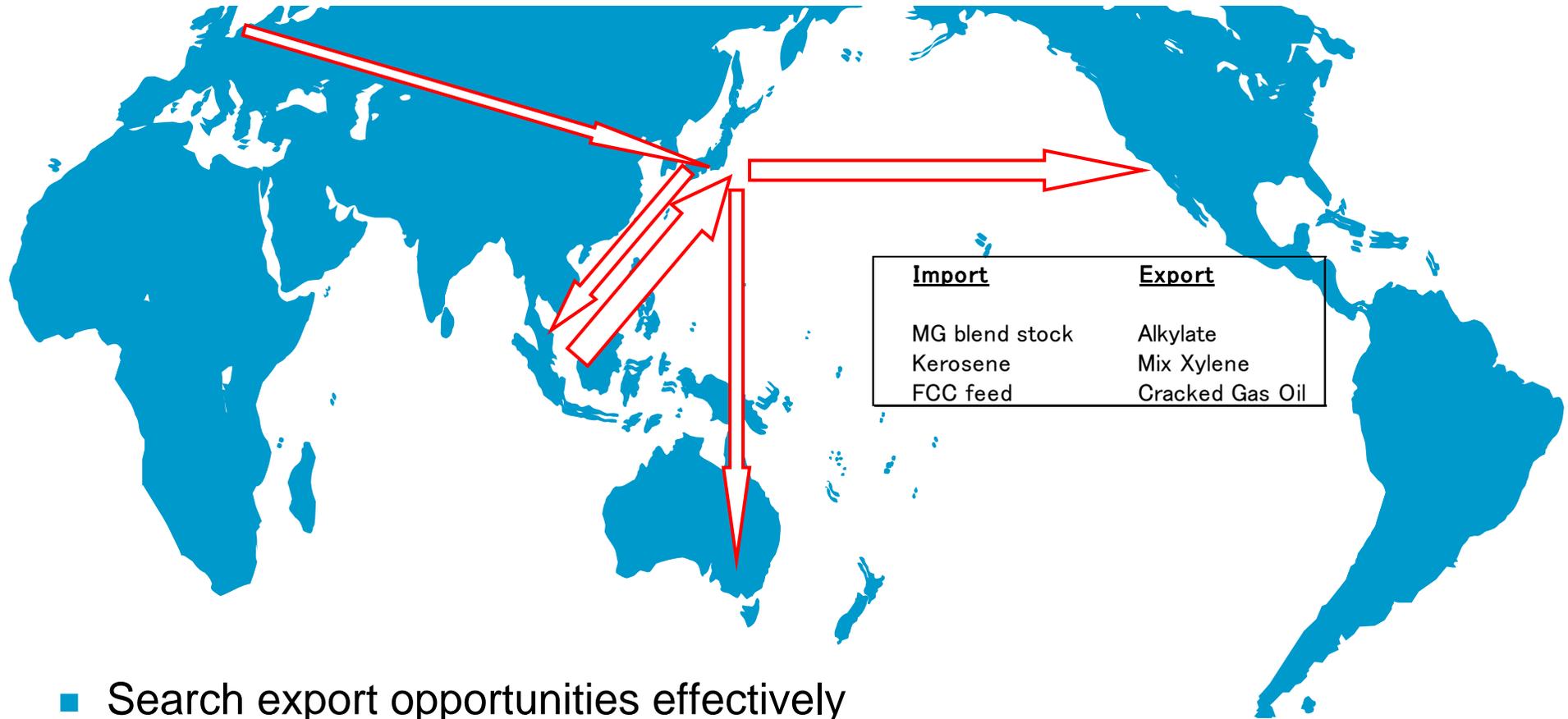
- Utilize crude supply network of ExxonMobil
 - » Crude source diversified to West Africa, Sakhalin, etc
 - » Enjoy supply flexibility of equity crudes
- Exploit network know-how on processing of “challenged” crude*
 - *) *Crude oil whose price is discounted because of technical processing challenges*
 - » Experience of other ExxonMobil refineries is available to us
 - » Technical/Engineering support provided

Crude Import Source by Region (2005)



Effective Use of Product/Semi-Products

- Realize synergy among refineries of ExxonMobil Group
 - » Enjoy mutual benefits by transfer of product/semi-product among refineries in Asia Pacific
 - » Optimization opportunities expanded to Europe and US West Coast

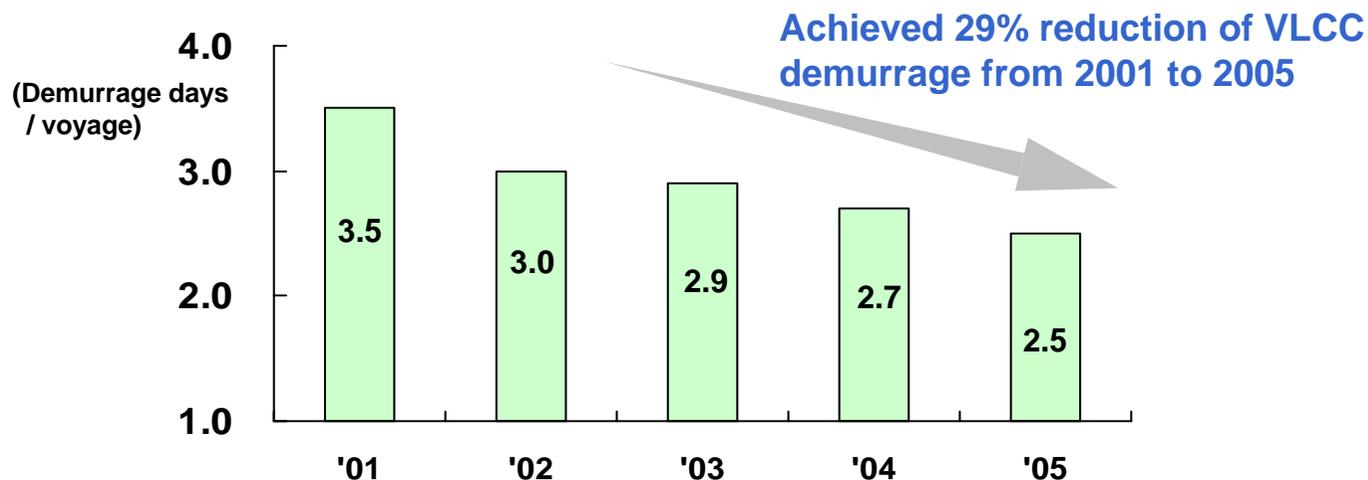


- Search export opportunities effectively
 - » TG can take advantage of ExxonMobil's global network for export opportunities to maximize product value, while securing domestic supply

Capital Investments to Enhance Competitive Edge

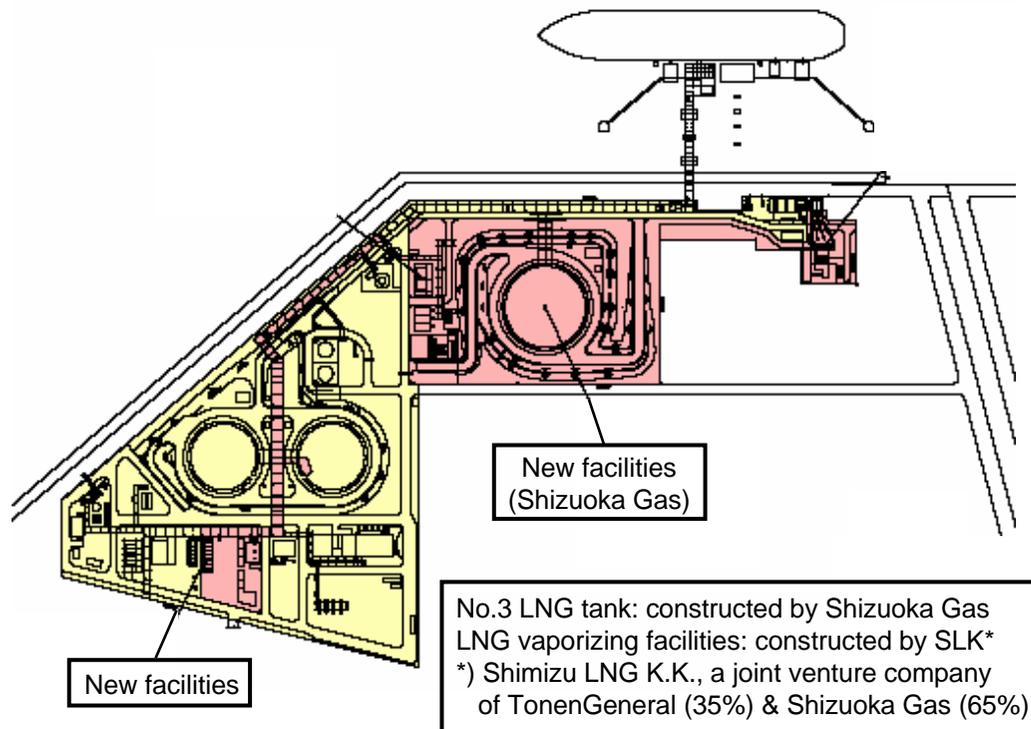
- Increased capital investment projects underway
 - » Designed to optimize use of existing facilities
 - » Using most updated technology
- Expected benefits
 - » Greater flexibility in crude/ feedstock to reduce production costs
 - » Production of high quality/ high value added products: High quality lube oil
 - » Increased high value production: Capacity creep of CCR* to produce high octane product
 - *) Continuous Catalyst Regeneration Reformer
 - » Enhancement of export capability
 - » Reduction of demurrage at crude discharge

Trends of VLCC (Very Large Crude Carrier) demurrage



Effective Use of Assets

- Facility Expansion at Shimizu LNG Sodeshi Terminal
 - » Attractive project for TG
 - Capture demand growth for LNG
 - Effective use of Shimizu reclaimed land/ sea berth
 - » Deepen partnership with Shizuoka Gas K.K.
 - » Mechanical completion and start operation planned in 2010



Marketing Overview

J. F. Spruill

*Director,
TonenGeneral Sekiyu K.K.*

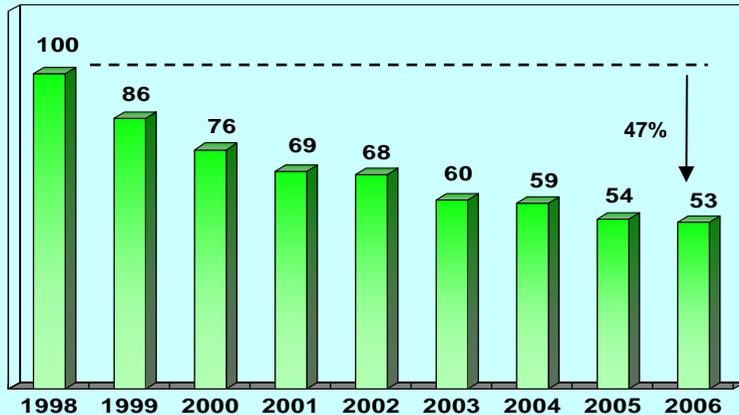
*Representative Director and Vice President,
ExxonMobil Y.K.*

Strategic Focus

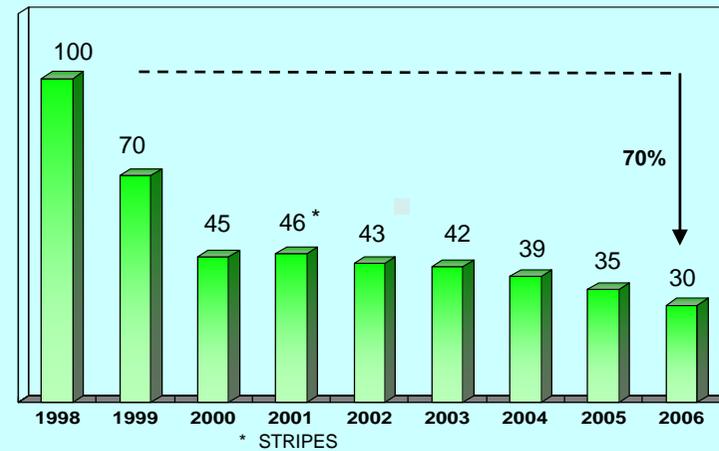
- Customer Focus: Value-conscious motorists who appreciate convenience and innovative concepts (Auto-Enthusiasts and New Pragmatists)
- Winning Proposition: Lead the format shift to self service by operating at the lowest cost in the industry while providing the quickest and easiest purchase in the cleanest and most pleasant facilities
- Key Priorities supporting Winning Proposition
 1. Superior Operational Efficiency: eliminate waste providing funds to enhance service
 2. RSOI: leader in on-site and dealer head-office productivity
 3. Network Planning: best sites (divestments, rebuilds, NTIs)
 4. Technology: new concepts valued by customers (Video Pump & Speedpass)
 5. Alliance: Doutor and 7-11 at self service SS
 6. Express: build the self service brand

Superior Operational Efficiency

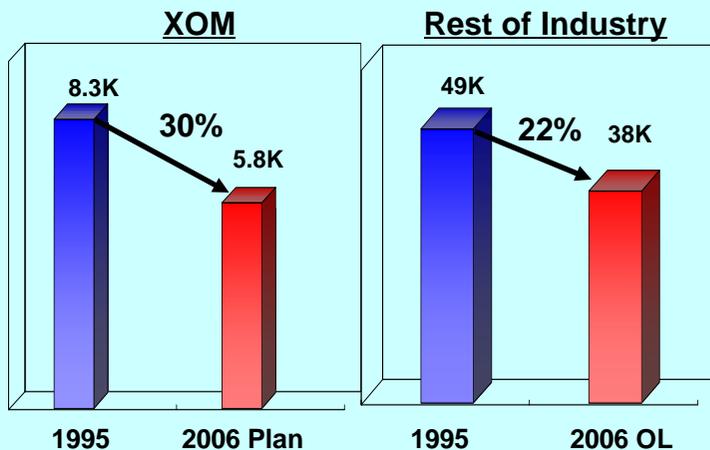
Market Unit Cost Index



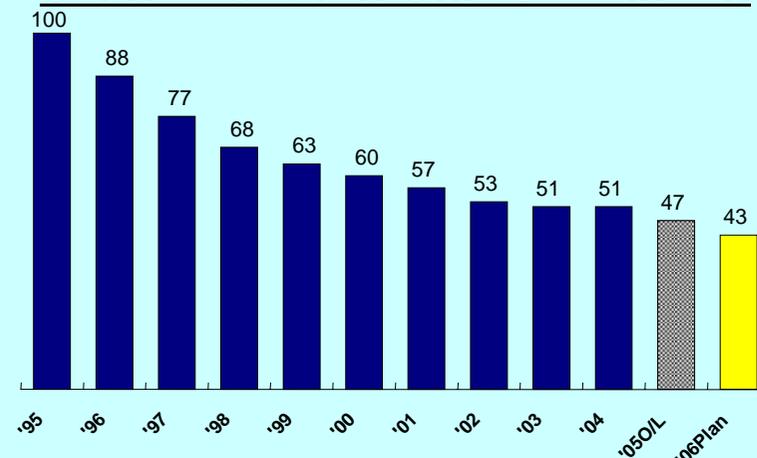
Manpower Index



Rationalization

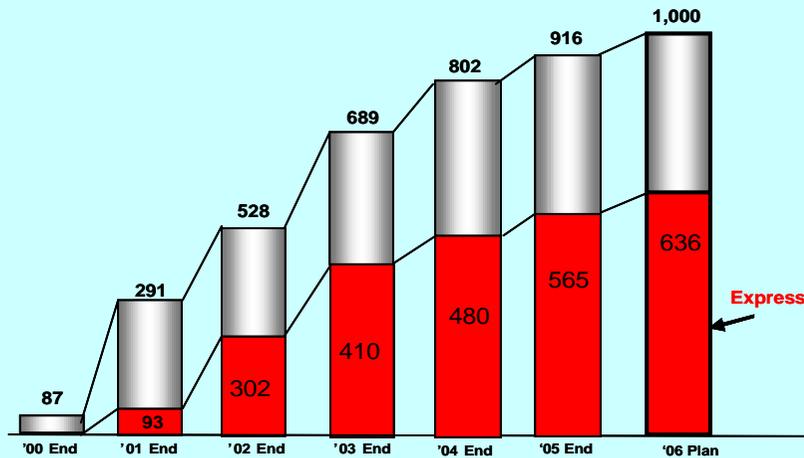


Service Station Unit Cost Index

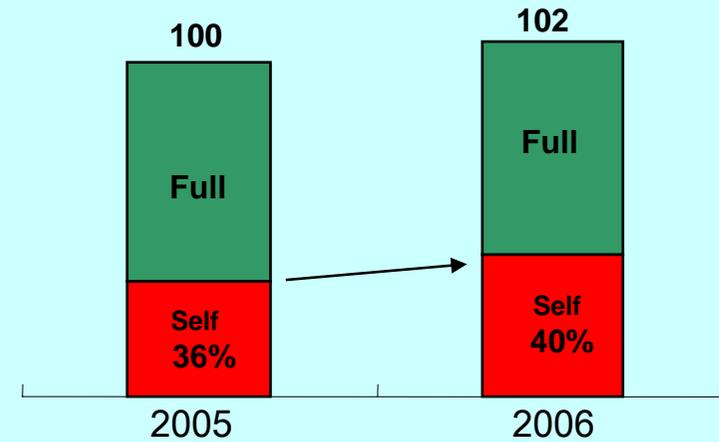


Express Brand

Self / Express Development

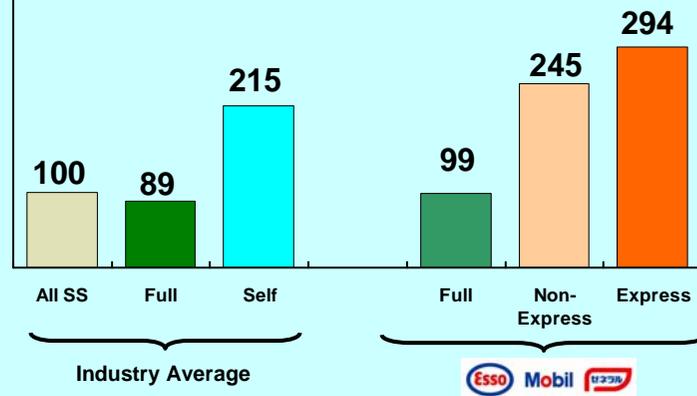


Branded Mofuel Sales Volume (2005=100)

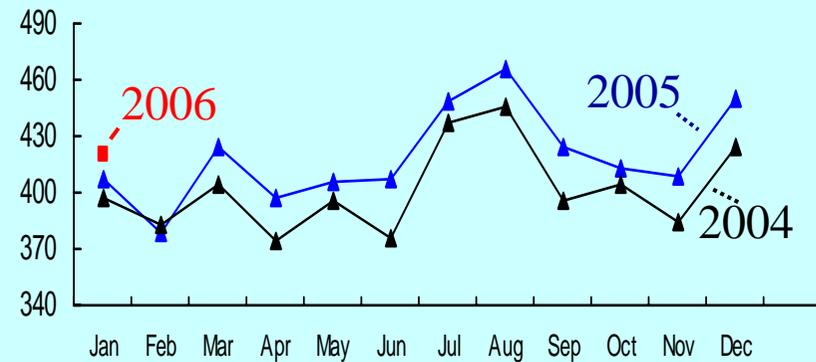


Mofuel (Vol/Mo) (Ind Avg = 100)

'05 Jan-Oct Avg.



Express per Site MF (KL)



Technology: Video Pump

- Color LCD w/touch panel
- Operation guidance
- Promotion video
- Promotion game (slot, roulette, etc)

Advertisement for Campaign on screen



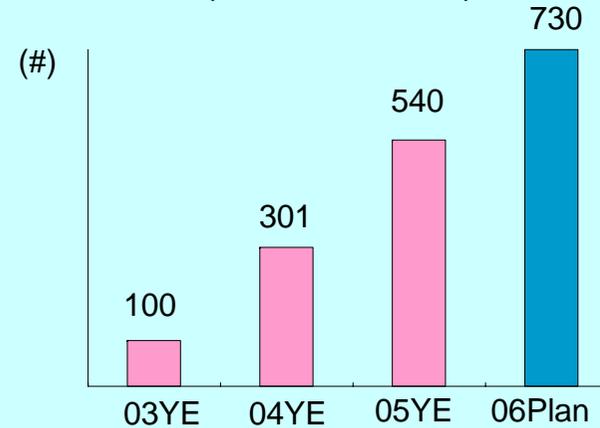
Technology: Speedpass



- Network (2003YE=100)



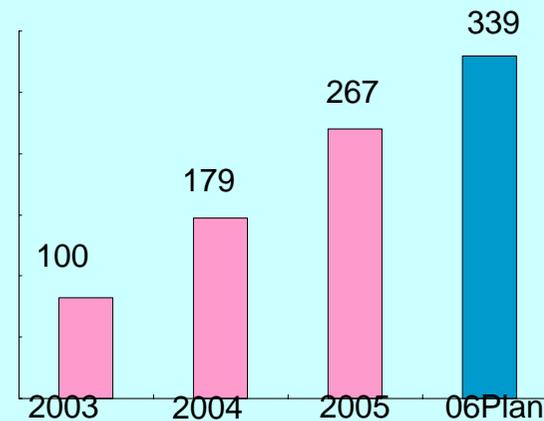
- Enrollment (2003YE=100)



- Average volume/month/customer (Cash = 100)



- Speedpass sales per site (2003=100)



Alliance: 7-Eleven

