

# Summary of Consolidated Financial Statements for 1st-3rd Quarter 2006

November 14, 2006

Listed Company: TonenGeneral Sekiyu Kabushiki Kaisha

(Code #: 5012 Tokyo Stock Exchange, First Section)

(URL <http://www.tonengeneral.co.jp>)



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## 1. Matters concerning development of the quarterly consolidated financial statements.

- ① Adoption of a simplified method in accounting treatment (Yes) • No  
 Statutory effective tax rate was used for corporate tax calculations.
- ② Change in accounting methods compared to the last consolidated accounting period Yes • (No)
- ③ Change in the scope of consolidated companies and equity companies Yes • (No)

## 2. Consolidated financial results for 3rd Quarter 2006 (January 1, 2006 through September 30, 2006)

### (1) Financial Results

(Note) Amounts shown in truncated millions of yen.

	Sales Revenue		Operating Income		Ordinary Income		Interim (Annual) Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
3Q YTD 2006	2,289,535	( 10.4 )	40,385	( 840.8 )	45,916	( 543.6 )	27,851	( 373.5 )
3Q YTD 2005	2,074,720	( 21.8 )	4,292	( △88.6 )	7,134	( △82.7 )	5,882	( △78.0 )
Full Year 2005	2,856,182		19,978		22,822		13,015	

  

	Interim (Annual) Net Income per Share	Interim (Annual) Net Income per Share after Adjustments
	Yen	Yen
3Q YTD 2006	47.75	-
3Q YTD 2005	9.94	-
Full Year 2005	22.01	-

(Note) Percentages figures shown in Sales Revenue, Operating Income, Ordinary Income and Interim (annual) Net Income are comparisons with the previous interim accounting period.

### Sales Revenue

Although product sales volumes decreased versus the January-September period last year, sales revenue increased by 214.8 billion yen to 2,289.5 billion yen.

### Operating Income

Operating income improved significantly, with an increase of 36.1 billion versus the same period last year to 40.4 billion yen. Main factors are as follows:

(1) Improved margins in the petroleum sector:

Product margins increased by 31.4 billion yen versus the same period last year. TonenGeneral accounts for purchased crude when it is loaded, whereas most of industry accounts for crude when it arrives in Japan, so that crude price changes affect our results approximately one month earlier than other industry participants. Calculated on a Dubai basis, the adverse effect of the differences in accounting methods on our earnings for the January-September period in 2006 fell to about 13.0 billion yen, from about 49.0 billion yen for the same period last year. This improvement was due to the decline in crude prices beginning in the second half of August.

(2) Strong trends in petrochemical product earnings:

Overall, earnings in the petrochemicals sector remained high compared with trends of the past several years, although they were lower than the same period in 2005, reflecting lower sales volumes mainly due to the effects of a temporary shutdown of facilities caused by a fire at Sakai refinery in April, as well as a large-scale planned maintenance shutdown at Kawasaki refinery. Aromatics margins were lower than the same period last year, primarily due to a weaker market for benzene, while olefins margins were higher due to continued strong demand.

(3) Operating cost reduction:

As a result of continued efforts toward operating cost reduction, operating costs decreased by 2.5 billion yen versus the same period in 2005 through reductions in pension, labor and other costs.

(4) Inventory valuation effects:

TonenGeneral applies the LIFO/LOCOM method for inventory evaluation. Operating income includes inventory valuation gains of 19.8 billion yen, versus 6.4 billion yen of valuation gains for the same period last year. These inventory valuation effects are non-cash earnings.

### Net Income

Ordinary income increased by 38.8 billion yen versus the same period last year to 45.9 billion yen, reflecting a net non-operating income of 5.5 billion yen, which was mainly due to foreign exchange gains. Extraordinary items such as loss from disposal of fixed assets produced a net extraordinary loss of 1.3 billion yen. This resulted in a January-September 2006 net income of 27.9 billion yen, 22.0 billion yen higher than the same period in 2005.

(2) Financial Position

	Total Assets	Net Assets	Owners' Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
3Q 2006 End	991,002	237,164	23.8	405.11
3Q 2005 End	921,829	233,216	25.3	394.28
2005 End	968,334	230,159	23.8	394.56

(Notes) "Net Assets" for 3Q and FY 2005 represent "Shareholders' Equity" based on the rules for financial statements etc. then in force

[ 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
3Q YTD 2006	△ 10,383	△ 23,647	33,791	330
3Q YTD 2005	24,232	△ 7,810	△ 16,339	514
Full Year 2005	39,951	△ 14,422	△ 25,390	569

**Financial Position**

Total Assets as of September 30, 2006 totaled 991.0 billion yen, a 22.7 billion yen increase from December 31, 2005. (Total Assets increased by 69.2 billion yen versus September 30, 2005.) The change was mainly attributable to increases in Inventories and Incomplete Construction. Liabilities amounted to 753.8 billion yen, a 16.7 billion yen increase from December 31, 2005, which is mainly due to increases in Short-term Debt and Commercial Paper, offsetting decreases in Trade Accounts Payable. Since this quarter end was a bank holiday, Gasoline Tax etc., Payable was 35.7 billion yen greater than September 30, 2005 (which was not a bank holiday). (Total Liabilities increased by 66.2 billion yen versus September 30, 2005.)

**Cash Flows**

At the end of September 2006, the outstanding balance of cash and cash equivalent was 0.3 billion yen, an increase of 0.2 billion yen versus 2005 year-end.

In the period from January to September 2006, Cash Flows from Operating Activities were negative 10.4 billion yen, affected by working capital items such as a decrease in trade accounts payable and an increase in inventory. These exceeded positive factors such as before-tax net income and depreciation.

Cash Flows from Investing Activities were negative 23.6 billion yen, mainly due to capital expenditures.

Cash Flows from Financing Activities were positive 33.8 billion yen, chiefly related to increased short-term borrowings including commercial paper.

Attachment:

Interim Consolidated Balance Sheets and Interim Consolidated Statement of Income, etc.

[ Reference ]

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

	Sales Revenue	Ordinary Income	Net Income
	Millions of yen	Millions of yen	Millions of yen
Full Year	3,140,000	45,000	27,000

(Reference) Projected net income per share 46.29 Yen

Consolidated operating income for the full year 2006 is forecast at 39.0 billion yen. The increase from our prior full-year forecast made in August of this year takes into account the results of the January 1-September 30 period (consolidated operating income of 40.4 billion yen). This upward revision reflects the significantly increased earnings in the petroleum sector during the July-September period due to the decline in crude prices beginning in the second half of August, as well as the improvement in petrochemicals earnings for the July-September period versus the previous forecast.

Projections for the October-December, 2006 period take into account the following factors:

- (1) Petroleum product margins are expected to improve slightly versus the previous forecast. A significant rise in crude oil prices during the October-December period, which could increase the adverse crude oil accounting impacts, would represent a downside risk to this forecast.
- (2) Petroleum product sales volume is expected to be almost the same as the previous forecast.
- (3) Earnings in the petrochemicals sector are expected to remain about the same as the previous forecast.
- (4) Inventory valuation gains for the full year are assumed to be about the same as the previous forecast. This implies a significant reduction from inventory gains recorded this year through the July-September period, and therefore may be regarded as conservative. TonenGeneral uses the LIFO method for inventory valuation, and inventory valuation impacts are significantly affected by actual year-end inventory levels as well as crude oil and product prices. Forecasts of inventory effects on earnings are therefore subject to considerable uncertainty. However, we believe that there are probably upside risks to the earnings forecast associated with inventory factors.

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.

## Attachments

### 1. Interim Consolidated Balance Sheets

(Unit: Million yen)

Account Title	September 30, 2005	September 30, 2006	December 31, 2005	Sep. 30, 2006 vs. Dec. 31, 2005
(ASSETS)				
I Current Assets				
1 Cash and Cash Equivalents	514	330	569	△ 239
2 Notes and Trade Accounts Receivable	431,177	492,686	492,618	68
3 Inventories	178,092	191,273	166,899	24,373
4 Income Tax Refund Receivable	-	-	12,202	△ 12,202
5 Deferred Tax Assets	10,068	6,715	6,633	82
6 Short-term Loans Receivable	479	197	714	△ 516
7 Others	22,202	7,597	7,611	△ 13
8 Bad Debt Allowance	△ 744	△ 186	△ 623	437
Total Current Assets	641,790	698,615	686,625	11,989
II Long-term Assets				
1 Property, Plant and Equipment				
(1) Buildings and Structures	57,884	55,832	57,234	△ 1,402
(2) Tanks	6,951	6,602	6,924	△ 322
(3) Machinery, Equipment and Vehicles	65,581	66,234	66,614	△ 380
(4) Tools, Furniture and Fixture	1,612	1,622	1,549	72
(5) Land	93,422	91,223	91,550	△ 326
(6) Incomplete Construction	10,897	25,893	13,216	12,676
Total Property, Plant and Equipment	236,350	247,408	237,090	10,317
2 Intangible Assets				
(1) Leasehold	1,974	1,961	1,974	△ 12
(2) Software	3,106	2,839	3,143	△ 304
(3) Consolidation Adjustment Account	2,776	-	2,613	△ 2,613
(4) Goodwill	-	2,123	-	2,123
(5) Others	539	387	500	△ 113
Total Intangible Assets	8,397	7,311	8,231	△ 920
3 Investments and Other Assets				
(1) Investment Securities	13,225	13,739	13,495	244
(2) Long-term Loans Receivable	1,458	1,270	1,390	△ 120
(3) Deferred Tax Assets	6,646	7,253	6,993	259
(4) Others	15,026	16,053	15,201	851
(5) Bad Debt Allowance	△ 1,065	△ 647	△ 694	46
Total Investments and Other Assets	35,291	37,667	36,385	1,281
Total Long-term Assets	280,038	292,387	281,708	10,678
Total Assets	921,829	991,002	968,334	22,668

(Note) Amounts shown in truncated millions of yen.

## Interim Consolidated Balance Sheets

(Unit: Million yen)

Account Title	September 30, 2005	September 30, 2006	December 31, 2005	Sep. 30, 2006 vs. Dec. 31, 2005
<b>(LIABILITIES)</b>				
<b>I Current Liabilities</b>				
1 Notes and Trade Accounts Payable	302,007	268,291	294,663	△ 26,371
2 Gasoline Tax etc., Payable	195,514	231,174	236,899	△ 5,724
3 Short-term Debt	59,049	77,669	45,877	31,791
4 Commercial Paper	-	40,000	15,000	25,000
5 Accrued Income Taxes	2,864	2,613	4,769	△ 2,156
6 Accrued Consumption Taxes	9,637	7,950	13,517	△ 5,567
7 Guarantee Deposits Payable	12,393	13,010	12,344	665
8 Reserve for Bonuses	3,771	3,563	1,428	2,134
9 Others	25,993	38,202	36,220	1,982
Total Current Liabilities	611,231	682,475	660,721	21,753
<b>II Long-term Liabilities</b>				
1 Long-term Debt	15,006	12,756	14,653	△ 1,897
2 Deferred Tax Liabilities	1,444	606	1,348	△ 741
3 Reserve for Accrued Pension Costs	39,888	37,636	39,995	△ 2,358
4 Reserve for Officers' Retirement Allowance	235	172	238	△ 66
5 Reserve for Repairs	15,927	16,511	16,395	116
6 Reserve for Offshore Well Abandonment	1,602	2,234	1,567	666
7 Others	2,322	1,444	2,239	△ 794
Total Long-term Liabilities	76,426	71,362	76,437	△ 5,074
Total Liabilities	687,657	753,838	737,159	16,678
(MINORITY INTERESTS)	955	-	1,015	△ 1,015
<b>(SHAREHOLDERS' EQUITY)</b>				
<b>I Common Stock</b>				
II Additional Paid-in Capital	20,763	-	20,770	△ 20,770
III Retained Earnings	177,654	-	173,772	△ 173,772
IV Net Unrealized Holding Gains on Securities	609	-	579	△ 579
V Treasury Stock	△ 933	-	△ 85	85
Total Shareholders' Equity	233,216	-	230,159	△ 230,159
Total Liabilities, Minority Interests and Shareholders' Equity	921,829	-	968,334	△ 968,334
<b>(NET ASSETS)</b>				
<b>I Owners' Equity</b>				
1 Paid-in Capital	-	35,123	-	35,123
2 Capital Surplus	-	20,766	-	20,766
3 Earned Surplus	-	180,042	-	180,042
4 Treasury Stock	-	△ 150	-	△ 150
Total Owners' Equity	-	235,781	-	235,781
<b>II Valuation and Translation Adjustments</b>				
1 Valuation Difference on Available-for-Sales Securities	-	506	-	506
Total Valuation and Translation Adjustments	-	506	-	506
III Minority Interests	-	876	-	876
Total Net Assets	-	237,164	-	237,164
Total Liabilities and Net Assets	-	991,002	-	991,002

(Note) Amounts shown in truncated millions of yen.

## 2. Interim Consolidated Statement of Income

(Unit: Million yen)

Account Title	3Q 2005 (Jan. 1 through Sep. 30)	3Q 2006 (Jan. 1 through Sep. 30)	3Q 2006 vs. 3Q 2005	2005 (Jan. 1 through Dec. 31)
I Sales Revenue	2,074,720	2,289,535	214,815	2,856,182
II Cost of Sales	2,042,089	2,221,929	179,839	2,797,434
Gross Margin	32,630	67,606	34,975	58,747
III Selling, General and Administrative Expenses	28,338	27,220	△ 1,117	38,769
Operating Income	4,292	40,385	36,093	19,978
IV Non-operating Income				
1 Interest Income	79	325	246	100
2 Dividends Received	72	59	△ 13	72
3 Foreign Exchange Gain	1,966	4,702	2,735	1,770
4 Equity Earnings of Affiliates	1,316	859	△ 456	1,670
5 Others	32	207	174	135
Total Non-operating Income	3,468	6,154	2,686	3,749
V Non-operating Expenses				
1 Interest Expenses	459	509	50	605
2 Loss on Sales and Disposal of Supplies	22	17	△ 4	94
3 Others	144	97	△ 47	205
Total Non-operating Expenses	625	623	△ 2	905
Ordinary Income	7,134	45,916	38,781	22,822
VI Extraordinary Gain				
1 Gain on Sales of Property, Plant and Equipment	1,196	58	△ 1,137	2,815
2 Gain on Sales of Golf Membership	40	44	3	40
3 Gain on Sales of Investment Securities	2,137	-	△ 2,137	2,138
4 Gain on Sales of Marketing Goodwill	-	-	-	377
5 Others	0	-	0	1
Total Extraordinary Gain	3,375	103	△ 3,272	5,373
VII Extraordinary Loss				
1 Provision Loss on Reserve for Offshore Well Abandonment	-	672	672	-
2 Loss on Sales and Disposals of Property, Plant and Equipment	1,598	447	△ 1,151	2,864
3 Loss on Asset Impairment	30	322	291	868
4 Evaluation Loss on Investment Securities	664	7	△ 657	664
5 Additional Allowance for Employee's Early Retirement	-	-	-	3,380
Total Extraordinary Loss	2,293	1,449	△ 844	7,778
Interim (Annual) Income before Income Taxes	8,216	44,571	36,354	20,417
Current Income Taxes	6,148	17,873	11,724	8,120
Deferred Income Tax	△ 3,756	△ 1,049	2,707	△ 719
Minority Interests (△Loss)	△ 58	△ 105	△ 46	1
Interim (Annual) Net Income	5,882	27,851	21,969	13,015

(Note) Amounts shown in truncated millions of yen.

### 3. Interim Consolidated Statement of Changes in Net Assets

3rd Quarter 2006 (January 1, 2006 through September 30, 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
Interim Net Income	-	-	27,851	-	27,851	-	-	△ 105	27,746
Purchases of Treasury Stock	-	-	-	△ 140	△ 140	-	-	-	△ 140
Disposal of Treasury Stock	-	△ 3	-	75	72	-	-	-	72
Net Changes of Items Other than Owners' Equity	-	-	-	-	-	△ 72	△ 72	-	△ 72
Total Changes of Items during the Period	-	△ 3	6,269	△ 64	6,201	△ 72	△ 72	△ 139	5,990
Balance at September 30, 2006	35,123	20,766	180,042	△ 150	235,781	506	506	876	237,164

(Note) Amounts shown in truncated millions of yen.

#### 4. Interim Consolidated Statement of Cash Flows

(Unit: Million yen)

Title	3Q 2005	3Q 2006	2005
	(Jan. 1 through Sep. 30)	(Jan. 1 through Sep. 30)	(Jan. 1 through Dec. 31)
	Amounts	Amounts	Amounts
<b>I Cash Flows from Operating Activities</b>			
Interim (Annual) Income before Income Taxes	8,216	44,571	20,417
Depreciation and Amortization	15,159	13,696	20,507
Gain on Sales of Investment Securities	△ 2,137	—	△ 2,138
Loss on Asset Impairment	30	322	868
Provision Loss on Reserve for Offshore Well Abandonment	—	672	—
Increase(△Decrease) in Reserve for Repairs	2,067	116	2,535
Decrease(△Increase) in Trade Accounts Receivable	33,798	△ 516	△ 27,642
Decrease(△Increase) in Inventories	978	△ 24,373	12,170
Increase(△Decrease) in Trade Accounts Payable	58,747	△ 26,371	51,403
Increase(△Decrease) in Other Accounts Payable	△ 52,861	△ 15,754	△ 440
Others	△ 2,099	△ 2,784	1,996
Sub-Total	61,899	△ 10,421	79,678
Interest and Dividend Income Received	668	370	815
Interest Paid	△ 371	△ 535	△ 572
Proceeds from Sales of Marketing Goodwill	—	376	—
Payments of Additional Allowance for Early Retirement	△ 1,365	△ 3,112	△ 1,605
Refund of Income Taxes Paid	—	12,388	—
Income Taxes Paid	△ 36,598	△ 9,450	△ 38,364
Cash Flows from Operating Activities	24,232	△ 10,383	39,951
<b>II Cash Flows from Investing Activities</b>			
Payments for Purchases of Property, Plant and Equipment	△ 9,602	△ 24,103	△ 17,850
Proceeds from Sales of Property, Plant and Equipment	2,031	63	4,152
Payments for Purchases of Intangible Assets	△ 632	△ 252	△ 894
Proceeds from Sales of Investment Securities	2,491	1	2,446
Payments of Long-term Loans Receivable	△ 79	△ 14	△ 86
Collection of Long-term Loans Receivable	669	178	443
Payments for Stock Purchase of a Subsidiary Company	△ 3,988	—	△ 3,988
Proceeds from Share Buy Back	1,300	428	1,300
by an Equity-method Subsidiary			
Others	—	50	55
Cash Flows from Investing Activities	△ 7,810	△ 23,647	△ 14,422
<b>III Cash Flows from Financing Activities</b>			
Decrease(△Increase) in Short-term Loans Receivable	219	472	△ 56
Increase(△Decrease) in Short-term Debt	6,422	31,460	△ 6,731
Increase(△Decrease) in Commercial Paper	—	25,000	15,000
Payments of Long-term Debt	△ 2,227	△ 1,566	△ 2,597
Payments for Repurchase of Treasury Stock	△ 243	△ 804	△ 9,766
Proceeds from Sales of Treasury Stock	43	72	69
Cash Dividends Paid	△ 20,553	△ 20,809	△ 21,298
Payments of Dividends to Minority Interests	—	△ 33	—
Others	—	—	△ 10
Cash Flows from Financing Activities	△ 16,339	33,791	△ 25,390
IV Increase(△Decrease) in Cash and Cash Equivalents	82	△ 239	137
V Cash and Cash Equivalents at the Beginning of the Period	431	569	431
VI Cash and Cash Equivalents at the End of the Period	514	330	569

(Note) Amounts shown in truncated millions of yen.

## 5. Segment Information

Consolidated (6)

### Information by Business Line

#### (1) 3rd Quarter 2005 (January 1, 2005 through September 30, 2005)

(Unit: Million yen)

	Oil	Chemicals	Others	Total	Elimination	Consolidated
Sales Revenue						
(1)Sales to Third Parties	1,899,925	173,558	1,236	2,074,720	-	2,074,720
(2)Internal Transactions	245,550	26,014	4	271,569	(271,569)	-
Total	2,145,476	199,572	1,241	2,346,290	(271,569)	2,074,720
Operating Expenses	2,177,888	162,834	1,191	2,341,914	(271,486)	2,070,428
Operating Income ( $\Delta$ Loss)	$\Delta$ 32,411	36,737	49	4,375	(83)	4,292

#### (2) 3rd Quarter 2006 (January 1, 2006 through September 30, 2006)

(Unit: Million yen)

	Oil	Chemicals	Others	Total	Elimination	Consolidated
Sales Revenue						
(1)Sales to Third Parties	2,078,772	209,727	1,036	2,289,535	-	2,289,535
(2)Internal Transactions	304,874	29,297	1	334,172	(334,172)	-
Total	2,383,646	239,024	1,037	2,623,708	(334,172)	2,289,535
Operating Expenses	2,375,790	206,286	1,089	2,583,166	(334,016)	2,249,150
Operating Income ( $\Delta$ Loss)	7,855	32,737	$\Delta$ 51	40,542	(156)	40,385

#### (3) 2005 (January 1, 2005 through December 31, 2005)

(Unit: Million yen)

	Oil	Chemicals	Others	Total	Elimination	Consolidated
Sales Revenue						
(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 ( $\Delta$ Loss)	$\Delta$ 25,444	45,495	55	20,105	(126)	19,978

(Note) Amounts shown in truncated millions of yen.