Consolidated Financial Results (Kessan Tanshin) for 2007

February 14, 2008

Listed company: TonenGeneral Sekiyu Kabushiki Kaisha　Listed on: Tokyo Stock Exchange, First Section
Code number: 5012　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
Annual General Shareholders' Meeting will be held on: March 26, 2008
Dividend will be paid from: March 27, 2008
Annual Financial Report will be submitted on: March 26, 2008

Amounts shown in truncated millions of yen

1. Consolidated financial results for 2007 (January 1, 2007 through December 31, 2007)

(1) Consolidated Financial Results

(Percentage figures are comparisons with the previous accounting period)

	Sales Revenue		Operating Income		Ordinary Income		Net Income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
2007	3,049,842	(△0.9)	7,063	(△88.0)	15,073	(△77.2)	7,014	(△82.4)
2006	3,078,772	(7.8)	58,694	(193.8)	65,987	(189.1)	39,820	(205.9)

	Net Income per Share	Net Income per Share after Adjustment	Net Income per Owner's Equity	Ordinary Income per Total Assets	Operating Income per Sales Revenue
	Yen	Yen	%	%	%
2007	12.12	–	3.0	1.5	0.2
2006	68.27	–	16.7	6.6	1.9

(Ref.) Equity Companies Earnings　2007　1,598 million Yen　2006　1,395 million Yen

(2) Consolidated Financial Position

	Total Assets	Net Assets	Owner's Equity Ratio	Net Assets per Share
	Millions of Yen	Millions of Yen	%	Yen
2007	1,045,536	214,279	20.4	377.41
2006	1,019,517	249,155	24.3	425.60

(Ref.) Owner's Equity　2007　213,236 million Yen　2006　248,221 million Yen

(3) Consolidated Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at the End of Period
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
2007	6,682	△19,479	12,748	614
2006	75,085	△34,433	△40,557	664

2. Dividend

	Dividend per Share			Total Amount (Full Year)	Payout Ratio (Cons.)	Dividend per Net Assets (Cons.)
(Reference date)	First Half	Year-end	Full Year			
	Yen	Yen	Yen	Millions of Yen	%	%
2006	18.50	18.50	37.00	21,580	54.2	8.7
2007	18.50	19.00	37.50	21,522	309.3	9.3
2008(Forecast)	19.00	19.00	38.00	–	67.1	–

3. Projected Consolidated Business Performance for 2008 (January 1, 2008 through December 31, 2008)

(Percentage figures are comparisons with the previous accounting period)

	Sales Revenue		Operating Income		Ordinary Income		Net Income		Net Income per Share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
1H	1,750,000	(24.5)	25,000	(△5.5)	26,000	(△8.5)	16,000	(△6.4)	28.32
Full Year	3,500,000	(14.8)	51,000	(622.0)	52,000	(245.0)	32,000	(356.2)	56.64

4. Others

(1) Change in Major Subsidiaries in this Accounting Period

(Change in designated subsidiaries, which has alteration in the scope of consolidation) No

(2) Change in Accounting Policy, Procedure, Expression and so on for Consolidated Financial Statements

(Items which will be noted on "Changes in fundamental and important items for consolidated financial statements)

① There are changes due to a revision of accounting standards Yes

② There are changes other than ① No

(Note) For further detail, please refer to 'Fundamental and Important Items for Consolidated Financial Statements (Change of Accounting Method)' on page 21

(3) Number of Outstanding Shares (Common Stock)

①	Number of outstanding shares at the end of the period (Including Treasury Stock)	2007	565,182,000 shares	2006	583,400,000 shares
②	Treasury Stock at the end of the period	2007	180,951 shares	2006	175,478 shares

(Note) As to the number of shares, which is the basis to calculate the net income per share, please refer to 'Financial Data per Share' on page 36

(Ref.) Summary of Parent Company's Financial Results

1. Financial results for 2007 (January 1, 2007 through December 31, 2007)

(1) Financial Results (Percentage figures are comparisons with the previous interim accounting period)

	Sales Revenue		Operating Income		Ordinary Income		Net Income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
2007	3,014,375	(△0.4)	△24,130	(−)	△1,226	(−)	4,368	(△94.3)
2006	3,027,083	(8.1)	33,739	(−)	95,117	(−)	77,200	(−)

	Net Income per Share	Net Income per Share after Adjustment
	Yen	Yen
2007	7.55	−
2006	132.36	−

(2) Financial Position

	Total Assets	Net Assets	Owner's Equity Ratio	Net Assets per Share
	Millions of Yen	Millions of Yen	%	Yen
2007	1,004,819	184,358	18.3	326.30
2006	986,415	221,909	22.5	380.49

(Ref.) Owner's Equity 2007 184,358 million yen 2006 221,909 million yen

2. Projected Parent's Business Performance for 2008 (January 1, 2008 through December 31, 2008)

(Percentage figures are comparisons with the previous accounting period)

	Sales Revenue		Operating Income		Ordinary Income		Net Income		Net Income per Share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
1H	1,700,000	(23.4)	13,000	(29.9)	17,000	(18.6)	12,000	(21.6)	21.24
Full Year	3,400,000	(12.8)	28,000	(−)	31,000	(−)	20,000	(357.8)	35.40

※ Explanatory notes for an appropriate use of projections / Other notes

This filing contains forwardlooking 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 supplydemand 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 Companys results to differ materially from any projections and estimates presented. As for the information of the projections above, please refer to 1.Financial Results (1) Analysis of Financial Results Earnings ②Forecast onpage 5.

1 Financial Results

(1) Analysis of Financial Results

①Business Overview

i. Crude Oil and Petroleum Product Market Trend

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)

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.

ii. Petrochemicals: 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.

iii. Financial Results by Segment

(a) Petroleum Products

Consolidated sales revenue declined 69.6 billion yen versus the previous period to 2,717.6 billion yen. This was mainly due to the fact that, although product prices increased with the steep rise in crude prices, sales volumes declined. Operating income decreased 58.2 billion yen versus the previous consolidated accounting period, and a loss of 48.7 billion yen was recorded for 2007.

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.

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 increase versus 2006).

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.

(b) Petrochemical Products

Consolidated sales revenue increased 40.5 billion yen versus the previous period to 330.8 billion yen. Operating income increased 6.2 billion yen versus the same period last year to 55.7 billion yen. 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.

(c) Other

For engineering and maintenance services, sales revenue was 1,486 million yen and operating income was 83 million yen.

② Earnings Forecast

(Unit: billion yen)

	Sales Revenue	Operating Income/Loss	Ordinary Income/Loss	Net Income/Loss
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.

(2) Analysis of Financial Condition

① Total Assets, Liabilities and Total Net Assets

Total Assets as of December 31, 2007 totaled 1,045.5 billion yen, a 26.0 billion yen increase from December 31, 2006. The change was mainly attributable to increases in Trade Accounts Receivable, partially offset by decrease in inventories. Liabilities amounted to 831.3 billion yen, a 60.9 billion yen increase from December 31, 2006, which is mainly due to an increase in Trade Accounts Payable and Short-term Debt. Total Net Assets as of December 31, 2007 amounted to 214.3 billion yen, a 34.9 billion yen decrease from December 31, 2006, which is mainly due to payment of dividends and cancellation of treasury stock.

② Cash flows in Full Year Accounting Period 2007

Cash and Cash Equivalents were 614 million yen at the end of the full year accounting period, a 49 million yen decrease from the end of the previous accounting period. Our Company's policy, for reasons of financial efficiency, is to try to minimize holding cash except where impracticable in operations or where there is economic benefit to the Company. Key factors of cash flows are summarized below.

Cash Flows from Operating Activities were positive 6,682 million yen. Positive cash flows from pre-tax income, depreciation and reductions in inventory outweighed negative cash flows from income tax payments and working capital movements related to changes in payables and receivables.

Cash Flows from Investing Activities were negative 19,479 million yen mainly for capital expenditures.

Free Cash Flow (the sum of Operating Cash flows and Investing Cash Flows) therefore totaled negative 12,798 million yen for 2007, a reduction of 53,450 million yen versus the prior year. The chief elements in this change were the negative effects of: (1) lower earnings, (2) lower net payables offset in part by lower inventory levels, and (3) the positive effect of reduced capital expenditures.

Cash Flows from Financing Activities were positive 12,748 million yen (53,305 million yen increase versus the previous year), representing the increase in debt required to balance Free Cash Flow, and payments for dividends and stock repurchases.

③ Outlook on Cash Flows

In 2008, Free Cash Flow is anticipated to improve versus 2007, with forecast higher earnings and moderate levels of capital expenditures. We have assumed no significant changes in working capital.

④ Trend in indices relating to cash flows

We provide below certain financial ratios required to be reported under Stock Exchange Guidelines. The ratios related to debt and interest coverage as of end-2007 deviated from prior-year trends. The major factors for this change are reduced earnings in 2007, coupled with higher debt levels associated with higher capital expenditure levels in 2006 and stock repurchases in 2007. However, these ratios are expected to reverse in 2008, given forecast higher earnings and moderate capital expenditures levels in 2008.

	FY 2004	FY 2005	FY 2006	FY 2007
Owner's Equity Ratio (%) – Book Base	26.4%	23.8%	24.3%	20.4%
Owner's Equity Ratio (%) – Market Base	58.4%	76.4%	67.4%	59.6%
Cashflow vs. Interest Bearing Debt (times)	1.7	1.9	0.8	16.7
Interest Coverage Ratio (times)	58.5	69.7	108.3	9.4

* All indicators have been calculated based on consolidated financial data

* Definitions:

Owner's Equity Ratio – Book Base:

(Period-end Total Net Assets – Period-end Minority Interests) / Period-end Total Assets

Owner's Equity Ratio – Market Base:

Total Value of Stock ex. Treasury Stock at Period-end Market Price / Period-end Total Assets

Cashflow vs. Interest Bearing Debt: Period-end interest-bearing debt / Operating Cash Flows

Interest coverage ratio: Operating Cash Flows / Interest paid

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

* Interest-bearing debt is actual interest-bearing debt, defined as S/T debts, Commercial Paper and L/T debts on the Consolidated Balance Sheet. Interest Paid is the amount shown in the Consolidated Statement of Cash Flows.

(3) Dividend Policy, Dividend in Current Period and Dividend in Next Period

① 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 deliver appropriate dividends to shareholders, while maintaining a sound financial structure and giving due consideration to consolidated cash flow trends and future capital investments.

② Dividend in Current Period

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.

③ Dividend in Next Period

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.

(4) 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.

2 Profile of Group Companies

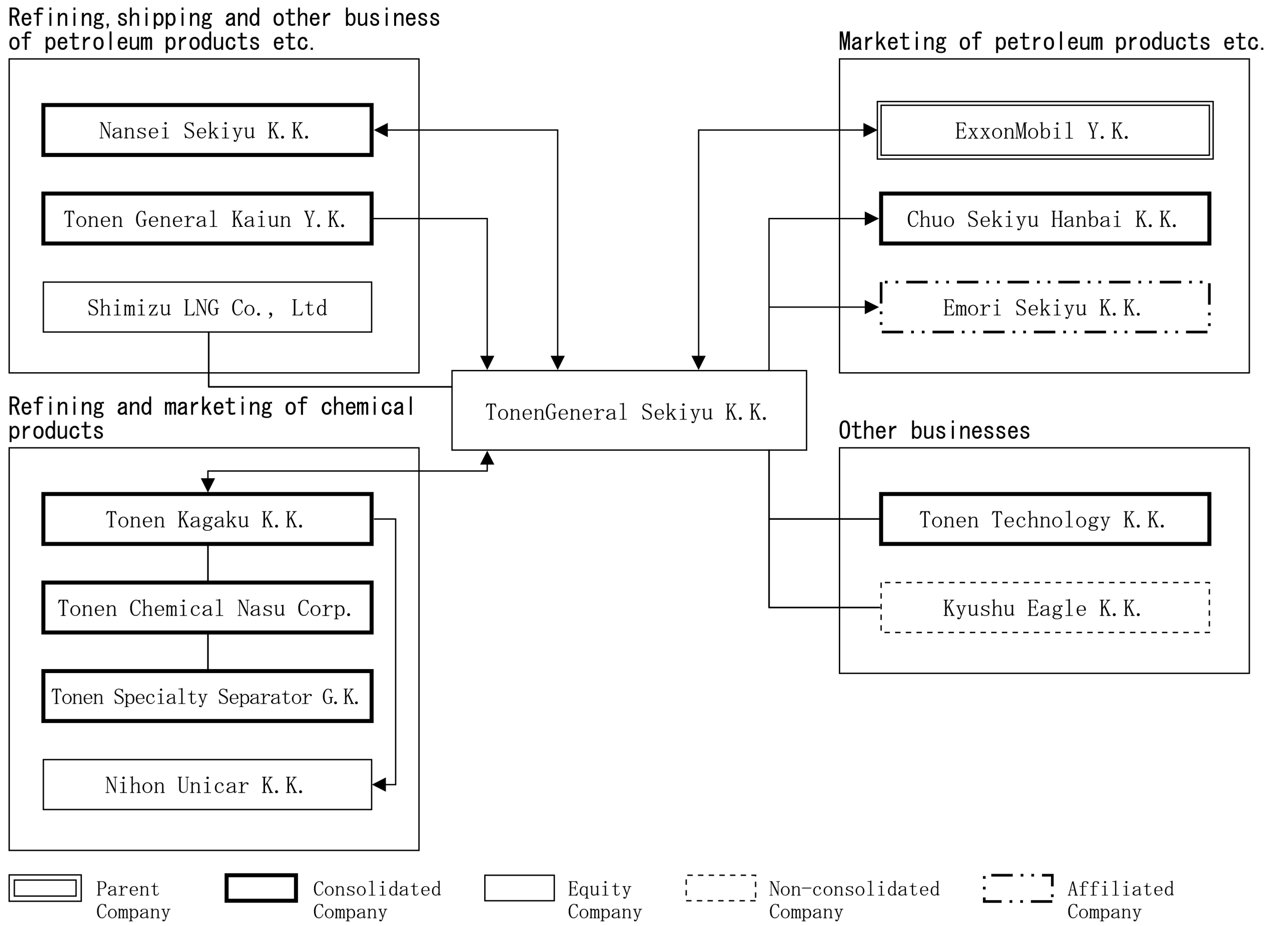
Major businesses and positions of group companies (the Company, 7 Consolidated Subsidiaries, 2 Equity Companies, 1 Non-consolidated Subsidiary, 1 Affiliated Company and 1 Parent Company) are as follows:

Segment	Function	Major Business	Name of Company	Number of Companies
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 Petroleum Products	TonenGeneral Sekiyu K.K., ExxonMobil Y.K., Tonen Kagaku K.K., Tonen Chemical Nasu Corp., Tonen Specialty Separator G.K., Nippon Unicar K.K.	6
Others		Engineering Maintenance Service	Tonen Technology K.K., Kyushu Eagle K.K.	2

(Notes) 1.Exxon Mobil Corporation, which indirectly owns 100% of the equity of ExxonMobil Y.K. via subsidiaries, is another parent company, but it is not included in the "Profile of Group Companies" as there are no material business transactions with the Company.

2.Tonen Specialty Separator G.K. was newly established on November 1, 2007 by the contribution of assets in the Company's subsidiaries (Tonen Kagaku K.K. and Tonen Chemical Nasu Corp.).

Business structure of the group (as of December 31, 2007) is shown below:



3 Corporate Policy

(1) Basic Corporate Policy

Mission of TonenGeneral

TonenGeneral group strives to be a good corporate citizen in all the places we operate, making a valuable contribution to shareholders, customers, employees, local communities and society. We are dedicated to maintaining the highest ethical standards, and 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, and by leveraging ExxonMobil Group's global network to quickly and reliably respond to customers and circumstances. In short, we are dedicated to meeting energy needs in an economically, environmentally and socially responsible manner.

(2) Operating Strategies, Objectives and Indicators

Corporate Goals

The TonenGeneral group's corporate goal is to maintain and enhance our operations in order to remain one of the best petroleum and petrochemical companies 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: Pursuing World-Class Efficiency and Competitiveness

To achieve a first quartile position in the world-wide refinery efficiency rankings (Solomon survey). Our long-term objective is a sustainable 12% return on capital employed (ROCE).

– Marketing: Differentiation Strategy

To focus on service differentiation. Lead the self-serve format shift and actively introduce new technologies. Pursue the optimal 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) Our Challenges

The TonenGeneral group strives to be a good corporate citizen in all of its business activities. Maintaining safe, reliable and environmentally responsible operations is the foundation of our business and is our "license" to operate in local communities. Our most important role is to supply our products at fair prices using safe and environmentally-conscious methods. The TonenGeneral group conducts its operations based on OIMS (Operations Integrity Management System), a system for ensuring the highest standards in the areas of safety, health and the environment. In order to further enhance the quality of operations, we introduced LPS (Loss Prevention System), which focuses on human behavior to increase safety awareness and prevent the occurrence of incidents.

Regarding environmental activities, based on a program implemented globally by the ExxonMobil Group in 2005 called "Protect Tomorrow. Today.", we have set specific targets at all of our refineries to achieve the highest level of environmental protection and we have implemented plans for achieving these targets. Under these plans, our target is to improve energy efficiency by 2010 by 20% compared to 1990.

A high standard of business conduct is another foundation of our business. Our reputation and our commitment to legal compliance and ethical conduct are true assets. With the enactment of the new corporate law in May 2006, our board of directors passed a resolution for review of all of our internal controls systems. We periodically implement refresher training for employees to increase their understanding of our business practices and compliance with the Antimonopoly Law. Information about our internal controls systems is available on our website (http://www.tonengeneral.co.jp).

In the oil segment in 2008, domestic demand for gasoline is expected to continue to decline due to fewer gasoline-engine cars and improved fuel efficiency. Demand for other major petroleum products is anticipated to decrease due to such factors as continued streamlining in the transportation industry, energy conservation, and conversion by consumers. In addition, there is an excess in overall industry supply capacity, both in the refining and retail sectors. Thus the conditions in the domestic market are expected to remain difficult. Maximizing effective use of facilities is a critical challenge given the significant decrease in domestic product demand.

In this severe industry environment, the TonenGeneral group is increasingly taking an integrated approach to all segments of its business including refining, supply, marketing and petrochemicals, pursuing an optimal mix of feedstocks, product supply, and marketing channels to achieve maximum added value for the entire company. The TonenGeneral group will pursue an optimal balance between margins and sales volume. In addition, the TonenGeneral group will continue to leverage its competitive advantage of access to the ExxonMobil Group's global network, especially in the areas of feedstock supply and analysis, use of ExxonMobil's global supply and product exchange network, and technology.

The TonenGeneral group will lead the shift to self-service stations, under the 'Express' concept, to meet customer demand, including network expansion for Speedpass and enhancement of wireless payment devices. We are also preparing for the introduction of bio-fuels.

In 2008, the Chemical segment will likely have to respond to anticipated movements in the basic chemicals commodity cycle. Fluctuations in market prices due to supply and demand changes in the Asian region may occur. In addition, continuing high prices are expected for petrochemical feedstocks, such as naphtha.

Therefore, it is essential that we optimize our costs to remain competitive, given the cyclical change in the business. We will progress projects that create flexibility and optimize production of olefins and aromatics, as well as de-bottlenecking and efficiency improvement projects, fully capitalizing on strong synergies with our oil refining operations.

In addition, the Chemical business is working to fully optimize our specialty chemicals business lines, whose returns are not subject to the same cyclical changes in profitability. In particular, we will progress our growth strategy in our battery separator film business to pursue potential demand for battery separator film in Lithium ion batteries used in Hybrid Electric Vehicles and Electric Vehicles. We will also continue to support the specialty polyethylene business at Nippon Unicar.

4 Consolidated Financial Statements

(1) Consolidated Balance Sheet

Account Title	Notes No.	Prior Period (December 31, 2006) Amounts (Million yen)		Ratio(%)	Current Period (December 31, 2007) Amounts (Million yen)		Ratio (%)	2007 vs. 2006
(ASSETS)								
Ⅰ Current Assets								
1 Cash and Cash Equivalents			664			614		△49
2 Notes and Trade Accounts Receivables			517, 645			553, 198		35, 552
3 Inventories			188, 054			168, 477		△19, 576
4 Income Tax Refund Receivable			–			4, 504		4, 504
5 Deferred Tax Assets			5, 544			16, 053		10, 508
6 Short-term Loans Receivable			346			264		△82
7 Others			10, 153			9, 220		△932
8 Bad Debt Allowance			△ 202			△72		129
Total Current Assets			722, 206	70. 8		752, 260	72. 0	30, 054
Ⅱ Long-term Assets								
1 Property, Plant and Equipment								
(1) Buildings and Structures	1,3	213, 796			214, 799			
Accumulated Depre		158, 969	54, 826		161, 983	52, 816		△2, 010
(2) Tanks	1,3	78, 332			78, 360			
Accumulated Depre		71, 854	6, 478		72, 232	6, 128		△350
(3) Machinery, Equipment and Vehicles	1,3	587, 987			615, 252			
Accumulated Depre		515, 684	72, 303		528, 521	86, 710		14, 407
(4) Tools, Furniture and Fixtures	1,3	11, 547			11, 159			
Accumulated Depre		9, 974	1, 572		9, 742	1, 417		△155
(5) Land	3		89, 311			87, 946		△1, 365
(6) Incomplete Construction			26, 127			11, 392		△14, 734
Total Property, Plant and Equipment			250, 620	(24. 6)		246, 410	(23. 6)	△4, 209
2 Intangible Assets								
(1) Goodwill			1, 960			1, 306		△653
(2) Leasehold			1, 909			1, 917		7
(3) Software			3, 097			3, 144		46
(4) Others			348			350		1
Total Intangible Assets			7, 315	(0. 7)		6, 718	(0. 6)	△597
3 Investments and Other Assets								
(1) Investment Securities	2		14, 276			15, 063		787
(2) Long-term Loans Receivable			1, 217			1, 041		△176
(3) Deferred Tax Assets			8, 285			5, 728		△2, 557
(4) Others			16, 167			18, 753		2, 586
(5) Bad Debt Allowance			△ 572			△439		132
Total Investments and Other Assets			39, 374	(3. 9)		40, 146	(3. 8)	772
Total Long-term Assets			297, 310	29. 2		293, 275	28. 0	△4, 034
Total Assets			1, 019, 517	100. 0		1, 045, 536	100. 0	26, 019

Account Title	Notes No.	Prior Period (December 31, 2006) Amounts (Million yen)	Ratio(%)	Current Period (December 31, 2007) Amounts (Million yen)	Ratio(%)	2007 vs. 2006
(LIABILITIES)						
Ⅰ Current Liabilities						
1 Notes and Trade Accounts Payable		354, 461		381, 690		27, 228
2 Gasoline Tax etc., Payable	3	234, 216		219, 836		△14, 379
3 Short-term Debt	3	39, 666		101, 429		61, 762
4 Commercial Paper		5, 000		–		△5, 000
5 Accrued Income Taxes		7, 197		7, 273		76
6 Accrued Consumption Taxes		7, 660		6, 814		△845
7 Guarantee Deposits Payable		12, 647		11, 213		△1, 433
8 Reserve for Bonuses		1, 374		1, 298		△75
9 Others		38, 197		38, 828		631
Total Current Liabilities		700, 421	68. 7	768, 385	73. 5	67, 963
Ⅱ Long-term Liabilities						
1 Long-term Debt	3	12, 403		10, 153		△2, 250
2 Deferred Tax Liabilities		1, 707		2, 352		645
3 Reserve for Accrued Pension Costs		36, 545		31, 561		△4, 983
4 Reserve for Officers' Retirement Allowance		169		167		△2
5 Reserve for Repairs		15, 397		15, 428		30
6 Reserve for Offshore Well Abandonment		2, 234		2, 069		△164
7 Others		1, 483		1, 140		△343
Total Long-term Liabilities		69, 941	6. 9	62, 871	6. 0	△7, 069
Total Liabilities		770, 362	75. 6	831, 256	79. 5	60, 894
(NET ASSETS)						
Ⅰ Owner's Equity						
1 Paid-in Capital		35, 123		35, 123		–
2 Capital Surplus		20, 766		20, 741		△24
3 Earned Surplus		192, 010		157, 216		△34, 794
4 Treasury Stock		△206		△202		3
Total Owners' Equity		247, 693	24. 3	212, 878	20. 4	△34, 814
Ⅱ Valuation and Translation Adjustments						
1 Valuation Difference on Available-for-Sales Securities		527		357		△170
Total Valuation and Translation Adjustments		527	0. 0	357	0. 0	△170
Ⅲ Minority Interests		933	0. 1	1, 043	0. 1	109
Total Net Assets		249, 155	24. 4	214, 279	20. 5	△34, 875
Total Liabilities and Net Assets		1, 019, 517	100. 0	1, 045, 536	100. 0	26, 019

(2) Consolidated Statement of Income

Account Title	Notes No.	2006 (Jan. 1, 2006 through Dec. 31, 2006) Amounts (Million yen)		Ratio (%)	2007 (Jan. 1, 2007 through Dec. 31, 2007) Amounts (Million yen)		Ratio (%)	2007 vs. 2006
Ⅰ Sales Revenue			3, 078, 772	100. 0		3, 049, 842	100. 0	△28, 929
Ⅱ Cost of Sales	1,3		2, 984, 391	96. 9		3, 009, 758	98. 7	25, 366
Gross Margin			94, 380	3. 1		40, 084	1. 3	△54, 295
Ⅲ Selling, General and Administrative Expenses	2,3		35, 685	1. 2		33, 020	1. 1	△2, 665
Operating Income			58, 694	1. 9		7, 063	0. 2	△51, 630
Ⅳ Non-operating Income								
1 Interest Income		346			76			
2 Dividends Received		60			64			
3 Foreign Exchange Gain		6, 123			7, 069			
4 Equity Earnings of Affiliates		1, 395			1, 598			
5 Others		235	8, 160	0. 2	77	8, 886	0. 3	725
Ⅴ Non-operating Expenses								
1 Interest Expense		698			719			
2 Loss on Sales and Disposal of Supplies		37			19			
3 Others		131	867	0. 0	137	876	0. 0	9
Ordinary Income			65, 987	2. 1		15, 073	0. 5	△50, 913
Ⅵ Extraordinary Gain								
1 Gain on Sales of Property, Plant and Equipment	4	108			386			
2 Gain on Sales of Golf Membership		47			66			
3 Gain on Liquidation of Investment Securities		503	658	0. 0	−	453	0. 0	△205
Ⅶ Extraordinary Loss								
1 Accrued Loss on Sales of Subsidiary Company's Stock	7	−			2, 803			
2 Loss on Sales and Disposals of Property, Plant and Equipment	5	1, 121			749			
3 Loss on Asset Impairment	6	2, 109			732			
4 Surcharge		−			142			
5 Provision Loss on Reserve for Offshore Well Abandonment		672			−			
6 Evaluation Loss on Investment Securities		7	3, 910		−	4, 427	0. 1	517
Income before Income Taxes			62, 736	2. 0		11, 099	0. 4	△51, 636
Current Income Taxes		22, 791			11, 219			
Deferred Income Tax		173	22, 964	0. 7	△7, 243	3, 975	0. 1	△18, 988
Minority Interests (△Loss)			△47	0. 0		109	0. 0	157
Net Income			39, 820	1. 3		7, 014	0. 3	△32, 805

(3) Consolidated Statement of Changes in Net Assets

Prior Consolidated Accounting Period (January 1, 2006 through December 31, 2006)

	Owner's Equity				
	Paid-in Capital	Capital Surplus	Earned Surplus	Treasury Stock	Total Owner's Equity
Balance at Dec. 31, '05 (Million yen)	35, 123	20, 770	173, 772	△85	229, 580
Changes of Items during the Period					
Dividends from Surplus	–	–	△21, 582	–	△21, 582
Net Income	–	–	39, 820	–	39, 820
Purchases of Treasury Stock	–	–	–	△210	△210
Disposal of Treasury Stock	–	△4	–	90	85
Net Changes of Items Other than Owner's Equity	–	–	–	–	–
Total Changes of Items during the Period (Million yen)	–	△4	18, 237	△120	18, 113
Balance at Dec. 31, '06 (Million yen)	35, 123	20, 766	192, 010	△206	247, 693

	Valuation and Translation Adjustments		Minority Interests	Net Assets
	Valuation Difference on Available-for-Sale Securities	Total Valuation and Translation Adjustments		
Balance at Dec. 31, '05 (Million yen)	579	579	1, 015	231, 174
Changes of Items during the Period				
Dividends from Surplus	–	–	△33	△21, 615
Net Income	–	–	–	39, 820
Purchases of Treasury Stock	–	–	–	△210
Disposal of Treasury Stock	–	–	–	85
Net Changes of Items Other than Owner's Equity	△51	△51	△47	△99
Total Changes of Items during the Period (Million yen)	△51	△51	△81	17, 980
Balance at Dec. 31, '06 (Million yen)	527	527	933	249, 155

Current Consolidated Accounting Period (January 1, 2007 through December 31, 2007)

	Owner's Equity				
	Paid-in Capital	Capital Surplus	Earned Surplus	Treasury Stock	Total Owner's Equity
Balance at Dec. 31, '06 (Million yen)	35, 123	20, 766	192, 010	△206	247, 693
Changes of Items during the Period					
Dividends from Surplus	–	–	△21, 576	–	△21, 576
Net Income	–	–	7, 014	–	7, 014
Purchases of Treasury Stock	–	–	–	△20, 301	△20, 301
Disposal of Treasury Stock	–	△24	△20, 231	20, 305	48
Net Changes of Items Other than Owner's Equity	–	–	–	–	–
Total Changes of Items during the Period (Million yen)	–	△24	△34, 794	3	△34, 814
Balance at Dec. 31, '07 (Million yen)	35, 123	20, 741	157, 216	△202	212, 878

	Valuation and Translation Adjustments		Minority Interests	Net Assets
	Valuation Difference on Available-for-Sale Securities	Total Valuation and Translation Adjustments		
Balance at Dec. 31, '06 (Million yen)	527	527	933	249, 155
Changes of Items during the Period				
Dividends from Surplus	–	–	–	△21, 576
Net Income	–	–	–	7, 014
Purchases of Treasury Stock	–	–	–	△20, 301
Disposal of Treasury Stock	–	–	–	48
Net Changes of Items Other than Owner's Equity	△170	△170	109	△60
Total Changes of Items during the Period (Million yen)	△170	△170	109	△34, 875
Balance at Dec. 31, '07 (Million yen)	357	357	1, 043	214, 279

(4) Consolidated Statement of Cash Flows

		2006 (January 1, 2006 through Dec. 31, 2006)	2007 (January 1, 2007 through Dec. 31, 2007)	2007 vs. 2006
Title	Notes No.	Amounts (Million yen)	Amounts (Million yen)	Amounts (Million yen)
I Cash Flows from Operating Activities				
Net Income before Income Taxes		62, 736	11, 099	△51, 636
Depreciation and Amortization		19, 191	23, 377	4, 186
Amortization of Goodwill		653	653	−
Loss on Asset Impairment		2, 109	732	△1, 377
Increase (△Decrease) in Reserve for Bonuses		△54	△75	△21
Decrease in Reserve for Accrued Pension Costs		△3, 450	△4, 983	△1, 533
Decrease in Reserve for Repairs		△997	30	1, 027
Interest and Dividend Income		△406	△140	265
Interest Expenses		698	719	20
Equity Earnings of Affiliates		△1, 395	△1, 598	△203
Loss on Sales and Disposals of Property, Plant and Equipment		1, 121	749	△371
Gain on Sales of Property, Plant and Equipment		△108	△386	△278
Gain on Liquidation of Investment Securities		△503	−	503
Accrued Loss on Sales of Subsidiary Company's Stock		−	2, 803	2, 803
Provision Loss on Reserve for Offshore Well Abandonment		672	−	△672
Evaluation Loss on Investment Securities		7	−	△7
Surcharge		−	142	142
Decrease(△Increase) in Trade Accounts Receivable		△25, 543	△35, 655	△10, 112
Decrease(△Increase) in Inventories		△21, 154	19, 576	40, 730
Decrease(△Increase) in Other Accounts Receivable		△829	803	1, 633
Increase(△Decrease) in Trade Accounts Payable		59, 798	27, 228	△32, 570
Increase(△Decrease) in Other Accounts Payable		△3, 482	△21, 404	△17, 921
Others		△2, 360	△1, 147	1, 213
Sub-Total		86, 702	22, 523	△64, 179
Interest and Dividend Received		407	149	△257
Interest Paid		△692	△714	△21
Proceeds from Sales of Marketing Goodwill		376	−	△376
Payments of Additional Allowance for Early Retirement		△3, 131	△9	3, 122
Payment of Surcharge		−	△142	△142
Refund of Income Tax etc.		12, 389	1, 715	△10, 674
Income Tax etc. Paid		△20, 966	△16, 840	4, 125
Cash Flows from Operating Activities		75, 085	6, 682	△68, 403

Title	Notes No.	2006 (January 1, 2006 through Dec. 31, 2006) Amounts (Million yen)	2007 (January 1, 2007 through Dec. 31, 2007) Amounts (Million yen)	2007 vs. 2006 Amounts (Million yen)
Ⅱ Cash Flows from Investing Activities				
Payments for Purchases of Property, Plant and Equipment		△35, 086	△21, 406	13, 680
Proceeds from Sales of Property, Plant and Equipment		228	1, 997	1, 769
Payments for Purchases of Intangible Assets		△731	△911	△179
Proceeds from Sales of Intangible Assets		1	–	△1
Payment for Purchase of Investment Securities		–	△82	△82
Proceeds from Sales of Investment Securities		439	–	△439
Payments for Long-term Loans Receivable		△20	△2	18
Collection of Long-term Loans Receivable		252	195	△57
Proceeds from Share Buy Back by an Equity-Method Subsidiary		428	633	204
Others		53	94	41
Cash Flows from Investing Activities		△34, 433	△19, 479	14, 953
Ⅲ Cash Flows from Financing Activities				
Decrease(△Increase) in Short-term Loan Receivable		308	64	△243
Increase(△Decrease) in Short-term Debt		△6, 542	61, 762	68, 305
Increase(△Decrease) in Commercial Paper		△10, 000	△5, 000	5, 000
Payments for Long-term Debt		△1, 919	△2, 250	△331
Payments for Repurchase of Treasury Stock		△873	△20, 301	△19, 427
Proceeds from Sales of Treasury Stock		85	48	△36
Cash Dividends Paid		△21, 582	△21, 577	5
Payment of Dividends to Minority Interests		△33	–	33
Cash Flows from Financing Activities		△40, 557	12, 748	53, 305
Ⅳ Increase(△Decrease) in Cash and Cash Equivalents		94	△49	△144
Ⅴ Cash and Cash Equivalents at the Beginning of the Period		569	664	94
Ⅵ Cash and Cash Equivalents at the End of the Period	1	664	614	△49

(5) Fundamental and Important Items for Consolidated Financial Statements

2006 (From Jan. 1, 2006 to Dec. 31, 2006)	2007 (From Jan. 1, 2007 to Dec. 31, 2007)
Ⅰ Scope of Consolidation 1 Consolidated subsidiaries: 6 companies Each company's name is omitted as those are listed on "2. Profile of Group Companies" In this period, one company has been excluded from the scope because Tonen Kagaku K.K. merged Kawasaki Polyolefin Holdings Y.K. 2 Non-consolidated subsidiaries: 1 company Kyushu Eagle K.K. 3 The reason to exclude the subsidiary from the scope of consolidation The subsidiary is excluded from the scope of consolidation, because its assets, sales revenue, net income, earned surplus and so on have no material impact on the consolidated financial statements	Ⅰ Scope of Consolidation 1 Consolidated subsidiaries: 7 companies Each company's name is omitted as those are listed on "2. Profile of Group Companies" In this period, one company has been included in the scope because Tonen Specialty Separator G.K. was established 2 Non-consolidated subsidiaries: 1 company No Change 3 The reason to exclude the subsidiary from the scope of consolidation No Change
Ⅱ Application of Equity Method 1 Affiliates accounted for by the equity method: 2 companies Nippon Unicar K.K. / Shimizu LNG Co., Ltd 2 Non-equity-method companies Non-consolidated subsidiaries: 1 company Kyushu Eagle K.K. Affiliated companies: 1 company Emori Sekiyu K.K. 3 The reason not to apply equity method The non-consolidated subsidiary and affiliated company, which are mentioned, are not accounted by equity method because the companies do not have material impact on net income, earned surplus, etc.	Ⅱ Application of Equity Method 1 Affiliates accounted for by the equity method: 2 companies No Change 2 Non-equity-method companies No Change 3 The reason not to apply equity method No Change
Ⅲ Closing Date of Consolidated Subsidiaries Closing dates of consolidated subsidiaries are the same as that of the Company	Ⅲ Closing Date of Consolidated Subsidiaries No Change
Ⅳ Summary of Significant Accounting Procedures In order to prepare each companies' financial statements, which are basis of the consolidated financial statements, the Company and its subsidiaries applied following accounting procedures	Ⅳ Summary of Significant Accounting Procedures In order to prepare each companies' financial statements, which are basis of the consolidated financial statements, the Company and its subsidiaries applied following accounting procedures

2006 (From Jan. 1, 2006 to Dec. 31, 2006)	2007 (From Jan. 1, 2007 to Dec. 31, 2007)
1 Evaluation Rules and 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 ①Marketable 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) ②Non-marketable The moving-average method (3) Derivatives transactions, etc Market value at the closing date	1 Evaluation Rules and Methods for Important Assets (1) Inventories No Change (2) Securities Other securities ①Marketable No Change ②Non-marketable No Change (3) Derivatives transactions, etc No Change
2 Depreciation Method for Major Depreciable Assets (1) Property, Plant and Equipment Generally the declining-balance method The service life ranges by major assets are: Buildings and Structures 10 to 50 years Tanks 10 to 25 years Machinery and Equipment 8 to 15 years	2 Depreciation Method for Major Depreciable Assets (1) Property, Plant and Equipment No Change (Change of Accounting Method) In accordance with the revision of the Corporate Tax Law, the depreciation method for Property, Plant and Equipment, which was acquired on or after April 1, 2007, was aligned with the method under revised Corporate Tax Law from this accounting period. As a result, Operating Income, Ordinary Income and Income Before Income Taxes decreased by 1,145million yen, respectively
(2) Intangible Assets The straight-line method In-house computer software is amortized over its service life (5 to 15years) using the straight-line method	(2) Intangible Assets No Change
3 Accounting Standards for Major Reserves (1) 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 (2) 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	3 Accounting Standards for Major Reserves (1) Bad Debt Allowance No Change (2) Reserve for Bonuses No Change

2006 (From Jan. 1, 2006 to Dec. 31, 2006)	2007 (From Jan. 1, 2007 to Dec. 31, 2007)
(3) 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 liabilities are amortized using the straight-line method over employees' average remaining service years (Before 2004: 15.5 years Since 2004: Parent 12.9 years Consolidated Subsidiary 11.4 years)	(3) 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 liabilities are amortized using the straight-line method over employees' average remaining service years (Before 2004: 15.5 years Since 2004: Parent 12.9 years Consolidated Subsidiary 11.4 years Since 2007: Parent 11.9 years Consolidated Subsidiary 11.0 years)
(4) 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	(4) Reserve for Officers Retirement Allowance No Change
(5) 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	(5) Reserve for Repairs No Change
(6) 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	(6) Reserve for Offshore Well Abandonment No Change
4 Translation Method for Major 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	4 Translation Method for Major Foreign Currency Assets and Liabilities No Change
5 Accounting Method for Major Lease Transactions The accounting treatment for finance lease transactions, which ownership do not transfer to lessee, is as same as the method applied to ordinary operating lease transactions	5 Accounting Method for Major Lease Transactions No Change

2006 (From Jan. 1, 2006 to Dec. 31, 2006)	2007 (From Jan. 1, 2007 to Dec. 31, 2007)
6 Accounting Method for Consumption Tax Consolidated Statement of Income does not include consumption tax	6 Accounting Method for Consumption Tax No Change
Ⅴ Evaluation Method for Assets and Liabilities of Consolidated Subsidiaries Partial fair value method is applied to evaluate the consolidated subsidiaries' assets and liabilities	Ⅴ Evaluation Method for Assets and Liabilities of Consolidated Subsidiaries No Change
Ⅵ Amortization of Goodwill and Negative Goodwill Goodwill and negative goodwill is amortized over 5 years equally	Ⅵ Amortization of Goodwill and Negative Goodwill No Change
Ⅶ Scope of Cash and Cash Equivalents in Consolidated Statement of Cash Flows Cash and cash equivalents are composed of cash on hand, deposits draw able at any time, and readily convertible and price change insensitive short-term advances whose maturity comes generally within three months	Ⅶ Scope of Cash and Cash Equivalents in Consolidated Statement of Cash Flows No Change

(6) Notes to Consolidated Financial Statements

(Consolidated Balance Sheets)

2006 (December 31, 2006)

1 The accumulated reduced-value entry, which directly deducted from Property, Plant and Equipment is amounted by 1,763 million yen. The reduced-value entry is applied due to insurance money etc.
(Building and Structures 40 million yen, Tanks 40 million yen, Machinery, Equipment and Vehicles 1,671 million yen, Tools, Furniture and Fixtures 11 million yen)

2 Non-consolidated Subsidiary and Affiliated Company
The item shown below is included in Investment and Other Assets, which related to non-consolidated subsidiaries and affiliated companies
Investment Securities (Stocks) 8,621 million yen

3 Mortgaged Assets
Mortgaged assets and mortgaged liabilities by security rights are as shown below

Mortgaged Assets	Amounts (Million Yen)	(Mortgage on Factory Foundation) (Million Yen)
Building and Structures	7, 948	(7, 948)
Tanks	1, 611	(1, 611)
Machinery, Equipment and Vehicles	15, 888	(15, 888)
Tools, Furniture and Fixtures	51	(51)
Land	27, 899	(8, 871)
Total	53, 399	(34, 371)

Mortgaged Liabilities by Security Rights	Amounts (Million Yen)	(Mortgage on Factory Foundation) (Million Yen)
Short-term debt	422	(85)
Long-term debt	624	(-)
Gasoline Tax etc., Payable	56, 814	(-)
Total	57, 860	(85)

(Note)1 In the summary of mortgaged assets, mortgage on factory foundation is shown with round bracket

2007 (December 31, 2007)

1 The accumulated reduced-value entry, which directly deducted from Property, Plant and Equipment is amounted by 1,763 million yen. The reduced-value entry is applied due to insurance money etc.
(Building and Structures 40million yen, Tanks 40million yen, Machinery, Equipment and Vehicles 1,671million yen, Tools, Furniture and Fixtures 11million yen)

2 Non-consolidated Subsidiary and Affiliated Company
The item shown below is included in Investment and Other Assets, which related to non-consolidated subsidiaries and affiliated companies
Investment Securities (Stocks) 9,501million yen

3 Mortgaged Assets
Mortgaged assets and mortgaged liabilities by security rights are as shown below

Mortgaged Assets	Amounts (Million Yen)	(Mortgage on Factory Foundation) (Million Yen)
Building and Structures	7, 653	(7, 653)
Tanks	1, 551	(1, 551)
Machinery, Equipment and Vehicles	24, 138	(24, 138)
Tools, Furniture and Fixtures	42	(42)
Land	27, 196	(8, 168)
Total	60, 582	(41, 553)

Mortgaged Liabilities by Security Rights	Amounts (Million Yen)	(Mortgage on Factory Foundation) (Million Yen)
Short-term debt	422	(-)
Long-term debt	202	(-)
Gasoline Tax etc., Payable	56, 489	(36, 768)
Total	57, 113	(36, 768)

(Note)1 In the summary of mortgaged assets, mortgage on factory foundation is shown with round bracket

2006 (December 31, 2006)	2007 (December 31, 2007)
2 In the summary of mortgaged liabilities by security rights, mortgage on factory foundation is shown with round bracket	2 In the summary of mortgaged liabilities by security rights, mortgage on factory foundation is shown with round bracket
3 In addition to the above and the obligation for guarantees shown in the item 4, the Company committed to offer a contract of mortgage on factory foundation for short-term debt (1,412 million of yen) and long-term debt (7,410 million of yen)	3 In addition to the above and the obligation for guarantees shown in the item 4, the Company committed to offer a contract of mortgage on factory foundation for short-term debt (1,412 million of yen) and long-term debt (5,998 million of yen)
Building and Structures 14,037 Million Yen Tanks 1,448 Machinery, Equipment and Vehicles 15,491 Tools, Furniture and Fixtures 295 Land 847	Building and Structures 13,668 Million Yen Tanks 1,346 Machinery, Equipment and Vehicles 26,687 Tools, Furniture and Fixtures 362 Land 847
4 Obligations for Guarantees The Company guarantees the obligations of bank borrowing etc., for dealers and employees of the Company, its consolidated subsidiaries and equity companies etc.	4 Obligations for Guarantees The Company guarantees the obligations of bank borrowing etc., for dealers and employees of the Company, its consolidated subsidiaries and equity companies etc.
Shimizu LNG K.K. 2,497 million yen Company Employees 322 K.K. Ryuseki Nenryo 217 Okada Sekiyu K.K. 84 Others (7 companies) 228 Total 3,349	Shimizu LNG K.K. 2,007 million yen Company Employees 283 K.K. Ryuseki Nenryo 148 Others (5 companies) 151 Total 2,589
(Note) For the debt (4,920million of yen) of Shimizu LNG K.K. from the Development Bank of Japan etc.. The Company has a contractual obligation reserve land for a mortgage, while its land (book value 747million of yen) was collateralized	(Note) For the debt (3,366million of yen) of Shimizu LNG K.K. from the Development Bank of Japan etc.. The Company has a contractual obligation reserve land for a mortgage, while its land (book value 747million of yen) was collateralized

(Consolidated Statement of Income)

2006 (Jan. 1, 2006 through Dec. 31, 2006)		2007 (Jan. 1, 2007 through Dec. 31, 2007)	
1 The loss due to the lower cost or market method, which included in cost of sales, is 171 million yen		1 The gain due to the lower cost of market method, which included in cost of sales, is 154 million yen	
2 The major items and amounts in selling, general and administrative expenses are as follows		2 The major items and amounts in selling, general and administrative expenses are as follows	
Salaries and Bonuses	12,288 million yen	Salaries and Bonuses	11,312 million yen
Transportation Costs	3,935	Transportation Costs	3,850
Outside Order Expenses	3,952	Outside Order Expenses	3,064
Rent	3,113	Rent	2,804
Depreciation Expenses	2,078	Depreciation Expenses	1,771
Sales Commissions	3,496	Sales Commissions	3,321
Pension Expenses	△851	Pension Expenses	△1,729
Provisions for Bonuses	375	Provisions for Bonuses	340
3 Research and development costs included in administrative and manufacturing costs are amounted by 3,397 million yen		3 Research and development costs included in administrative and manufacturing costs are amounted by 3,648 million yen	
4 Gain on Sales of Property, Plant and Equipment		4 Gain on Sales of Property, Plant and Equipment	
Building and Structures (Service Stations etc.)	58 million yen	Land (Service Stations etc.)	384 million yen
Land (Service Stations etc.)	49	Others	2
Others	0	Total	386
Total	108		
5 Loss on Sales and Disposals of Property, Plant and Equipment		5 Loss on Sales and Disposals of Property, Plant and Equipment	
Machinery, Equipment and Vehicles (Refinery Facilities, etc.)	594 million yen	Machinery, Equipment and Vehicles (Refinery Facilities, etc.)	479 million yen
Buildings and Structures (Service Stations, etc.)	276	Buildings and Structures (Service Stations, etc.)	153
Tools, Furniture and Fixtures (Service Stations, etc.)	120	Tools, Furniture and Fixtures (Refinery, Facilities, etc.)	64
Land (Service Stations, etc.)	18	Others	52
Others	111	Total	749
Total	1,121		

2006 (Jan. 1, 2006 through Dec. 31, 2006)

6 Loss on Asset Impairment

Used for	Location	Type	Amount (million yen)
Service Station	TonenGeneral Sekiyu K.K., Narita-Minami SS (Narita City, Chiba Pref.) and other 8 items	Land	2, 109

The Company recognized a loss on the 9 items, which recoverable value is significantly lower than net book value, by deducting the NBV to the recoverable value. The deduction is amounted by 2,109million yen and presented as an extraordinary loss

Net selling value, which is a market price based on official values, is applied to evaluate the recoverable value

2007 (Jan. 1, 2007 through Dec. 31, 2007)

6 Loss on Asset Impairment

Used for	Location	Type	Amount (million yen)
Service Station	TonenGeneral Sekiyu K.K., Nishi Yamato SS (Kita Katsuragi County, Nara Pref.) and other 12 items	Land	564
Manu-facturing Facilities	Tonen Kagaku K.K. Chidori Factory (Kawasaki-ku, Kawsaki City, Kanagawa Pref.)	Buildings Other	141 26

The Company recognized a loss on the 14 items, which recoverable value is significantly lower than net book value, by deducting the NBV to the recoverable value. The deduction is amounted by 732million yen and presented as an extraordinary loss

Net selling value, which is a market price based on official values, is applied to evaluate the recoverable value

7 Accrued Loss on Sales of Subsidiary Company's Stock

The Board of Directors of the company which was held on November 9, 2007 approved the transfer by sale of 100% of its shareholding in Nansei Sekiyu K.K. to Petrobras International Braspetoro B.V.. The accrued amount of 2,803 million yen was recognized as "Accrued Loss on Sales of Subsidiary's Stock" in Extraordinary Loss

(Consolidated Statement of Changes in Owner's Equity)

Prior Consolidated Accounting Period (January 1, 2006 to December 31, 2006

1 Number of Shares Issued

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 (Million Yen)	Dividend per Share (Yen)	Reference date	Effective date
Annual General Shareholder's Meeting held at March 28, 2006	Common Stock	10, 791	18. 50	December 31, 2005	March 29, 2006
Board of Directors held at August 22, 2006	Common Stock	10, 790	18. 50	June 30, 2006	September 25, 2006

(2) Planned Resolution at Annual General Shareholder's Meeting on March 27, 2007

Planned Resolution	Category	Dividend Resource	Total Amount of Dividend (Million Yen)	Dividend per Share (Yen)	Reference date	Effective date
March 27, 2007	Common Stock	Earned Surplus	10, 789	18. 50	December 31, 2006	March 28, 2007

Current Consolidated Accounting Period (January 1, 2007 to December 31, 2007)

1 Number of Shares Issued

Category	Dec. 31, 2006	Increase	Decrease	Dec. 31, 2007
Common Stock (shares)	583, 400, 000	–	18, 218, 000	565, 182, 000

(Major cause of movement) Decrease of Common Stock is due to cancellation of Treasury Stock

2 Treasury Stock

Category	Dec. 31, 2006	Increase	Decrease	Dec. 31, 2007
Common Stock (shares)	175, 478	18, 264, 848	18, 259, 375	180, 951

(Major cause of movement) An increase in Treasury Stock is due to TOB and repurchase of odd-lot stocks,
and a decrease is due to cancellation and sales of odd-lot stocks

3 Dividends

(1) Dividends Paid

Resolution	Category	Total Amount of Dividend (Million Yen)	Dividend per Share (Yen)	Reference date	Effective date
Annual General Shareholder's Meeting held at March 27, 2007	Common Stock	10, 789	18. 50	December 31, 2006	March 28, 2007
Board of Directors held at August 14, 2007	Common Stock	10, 787	18. 50	June 30, 2007	September 18, 2007

(2) Planned Resolution at Annual General Shareholder's Meeting on March 26, 2008

Planned Resolution	Category	Dividend Resource	Total Amount of Dividend (Million Yen)	Dividend per Share (Yen)	Reference date	Effective date
March 26, 2008	Common Stock	Earned Surplus	10, 735	19. 00	December 31, 2007	March 27, 2008

(Consolidated Statement of Cash Flows)

2006 (Jan. 1 through Dec. 31)	2007 (Jan. 1 through Dec. 31)
1 Cash and Cash Equivalents at the Closing Dates and Accounts on the Balance Sheets (December 31, 2006) Cash on Hand and in Banks 664 million yen Cash and Cash Equivalents 664	1 Cash and Cash Equivalents at the Closing Dates and Accounts on the Balance Sheets (December 31, 2007) Cash on Hand and in Banks 614 million yen Cash and Cash Equivalents 614

(Segment Information)

1 Information by Business Line

Prior Consolidated Accounting Period (January 1, 2006, through December 31, 2006)

	Oil (Million Yen)	Chemicals (Million Yen)	Others (Million Yen)	Total (Million Yen)	Elimination (Million Yen)	Consolidated (Million Yen)
Ⅰ Sales Revenues and Operating Income						
Sales Revenues						
(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, Battery Separator Film, etc.

(3) Others: Engineering, Maintenance Service, etc.

Current Consolidated Accounting Period (January 1, 2007, through December 31, 2007)

	Oil (Million Yen)	Chemicals (Million Yen)	Others (Million Yen)	Total (Million Yen)	Elimination (Million Yen)	Consolidated (Million Yen)
Ⅰ Sales Revenues and Operating Income						
Sales Revenues						
(1) Sales to Third Parties	2, 717, 571	330, 785	1, 486	3, 049, 842	−	3, 049, 842
(2) Internal Transactions	436, 095	46, 040	6	482, 142	(482, 142)	−
Total	3, 153, 667	376, 825	1, 492	3, 531, 985	(482, 142)	3, 049, 842
Operating Expenses	3, 202, 338	321, 173	1, 409	3, 524, 921	(482, 142)	3, 042, 778
Operating Income (△Loss)	△48, 670	55, 651	83	7, 063	(−)	7, 063
Ⅱ Assets, Depreciation, Loss on Asset Impairment and Capital Expenditures						
Assets	1, 039, 211	124, 897	2, 196	1, 166, 305	(120, 768)	1, 045, 536
Depreciation Expenses	19, 303	4, 072	0	23, 377	−	23, 377
Loss on Asset Impairment	564	167	−	732	−	732
Capital Expenditure	20, 070	2, 246	−	22, 317	−	22, 317

(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, Battery Separator Film, etc.

(3) Others: Engineering, Maintenance Service, etc.

3 Change of Accounting Method

In accordance with the revision of the Corporate Tax Law, the depreciation method for Property, Plant ande Equipment, which was acquired on or after April 1, 2007, was aligned with the method under revise Coprorate Tax Law from this accountign period.

Due to the new method, Oil Segment and Chemical Segment had unfavorable impact by 1,135million yen and 6million yen on Operating Income respectively.

2 Segment Information by Geographical Area

This information is omitted since the Company did not have overseas consolidated companies or important overseas branches in current and previous consolidated periods

3 Overseas Sales

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

(Deferred Tax Accounting)

2006 (December 31, 2006)	2007 (December 31, 2007)
1 Detail of Deferred Tax Assets and Deferred Tax Liabilities	1 Detail of Deferred Tax Assets and Deferred Tax Liabilities

2006 (December 31, 2006)

1 Detail of Deferred Tax Assets and Deferred Tax Liabilities

(Deferred Tax Assets)	
Reserve for Retirement Allowance	15,070 million yen
Excess over Deduction Limit of Accumulated Depreciation	236
Excess over Deduction Limit of Reserve for Turnaround	4,109
Asset Impairment	1,555
Tax Loss Carry Forward	1,156
Others	7,577
Total Deferred Tax Assets	29,707
(Deferred Tax Liabilities)	
Reserve for Replacement of Property	△12,395 million yen
Unrealized Holding Gains on Securities	△307
Others	△4,881
Total Deferred Tax Liabilities	△17,583
Net of Deferred Tax Assets	12,123

The amounts of "net of deferred tax assets" are included in the accounts below

Current Assets-Deferred Tax Assets	5,544 million yen
Long-term Assets-Deferred Tax Assets	8,285
Long-term Liabilities-Deferred Tax Liabilities	△1,707

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

Statutory Effective Tax Rate	40.7%
(Adjustment)	
Items Never Recognized as Loss, Such as Entertainment Expense	0.1
Items Never Recognized as Profit, Such as Dividends Received	△0.2
Equity Earnings	△0.9
Amortization in Goodwill	0.4
Tax Credit	△2.5
Others	△1.0
Actual Effective Tax Rate	36.6

2007 (December 31, 2007)

1 Detail of Deferred Tax Assets and Deferred Tax Liabilities

(Deferred Tax Assets)	
Reserve for Retirement Allowance	12,459 million yen
Excess over Deduction Limit of Accumulated Depreciation	164
Excess over Deduction Limit of Reserve for Turnaround	4,023
Asset Impairment	1,820
Tax Loss Carry Forward	12,811
Others	6,074
Total Deferred Tax Assets	37,353
(Deferred Tax Liabilities)	
Reserve for Replacement of Property	△11,881 million yen
Excess over Deduction Limit of Reserve for Retirement Allowance	△2,634
Unrealized Holding Gains on Securities	△245
Others	△3,162
Total Deferred Tax Liabilities	△17,924
Net of Deferred Tax Assets	19,429

The amounts of "net of deferred tax assets" are included in the accounts below

Current Assets-Deferred Tax Assets	16,053 million yen
Long-term Assets-Deferred Tax Assets	5,728
Long-term Liabilities-Deferred Tax Liabilities	△2,352

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

Statutory Effective Tax Rate	40.7%
(Adjustment)	
Items Never Recognized as Loss, Such as Entertainment Expense	0.4
Items Never Recognized as Profit, Such as Dividends Received	△2.1
Equity Earnings	△5.8
Amortization in Goodwill	2.4
Tax Credit	△4.3
Consolidated Adjustment of Accrued Loss on Sales Subsidiary Company's Stock	3.6
Others	0.5
Actual Effective Tax Rate	35.3

(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

	2006 (December 31, 2006)	2007 (December 31, 2007)
	million yen	million yen
(1) Projected Benefit Obligations	△156, 606	△156, 120
(2) Plan Assets	142, 149	140, 668
(3) Unfunded Benefit Obligations((1)+(2))	△14, 457	△15, 452
(4) Unrecognized Actuarial Gain/Loss	△19, 526	△6, 310
(5) Unrecognized Prior Service Liabilities	2, 968	△2, 354
(6) Amount Booked on Consolidated Balance Sheet ((3)+(4)+(5))	△31, 015	△24, 117
(7) Prepaid Pension Costs	5, 529	7, 444
(8) Reserve for Accrued Pension Costs((6)−(7))	△36, 545	△31, 561

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

3 Breakdown of Accrued Pension Costs

	2006 (Jan. 1, 2006 through Dec. 31, 2006)	2007 (Jan. 1, 2006 through Dec. 31, 2006)
Accrued Pension Costs	million yen	million yen
(1) Service Costs	2, 553	2, 398
(2) Interest Expenses	3, 616	3, 345
(3) Expected Return on Plan Assets	△7, 212	△8, 038
(4) Amortization of Unrecognized Actuarial Gain/Loss	△2, 234	△3, 348
(5) Amortization of Prior Service Liabilities	529	123
(6) Accrued Pension Costs((1)+(2)+(3)+(4)+(5))	△2, 747	△5, 518

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

4 Related Information on the Calculation of Projected Benefit Obligations

	2006 (December 31, 2006)	2007 (December 31, 2007)
(1) Period Distribution Method of Estimated Retirement Benefits	Period fixed amount standard	Ditto
(2) Discount Rate	2.3%	Ditto
(3) Rate of Expected Return on Plan Assets	6.0%	Ditto
(4) Amortization Period for Prior Service Liabilities	15.5 years for 2003 and before 12.9 and 11.4 years thereafter for the Company and its consolidated subsidiary (Prior service liabilities are amortized using the straight line method over employees' average remaining service years)	15.5 years for 2003 and before, 12.9 and 11.4 years since 2004 and 11.9 and 11.0 years since 2007 for the Company and its consolidated subsidiary (Prior service liabilities are amortized using the straight line method over employees' average remaining service years)
(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

(Financial Data per Share)

2006 (January 1, 2006 through December 31, 2006)		2007 (January 1, 2007 through December 31, 2007)	
1 Net Assets per Share	425. 60 Yen	1 Net Assets per Share	377. 41Yen
2 Net Income per Share	68. 27 Yen	2 Net Income per Share	12. 12Yen
Net income per share after adjustment is not noted because the Company has not issued any residual securities		Net income per share after adjustment is not noted because the Company has not issued any residual securities	

(Note) Basis of the Calculation

1 Net Assets per Share

	2006 (January 1, 2006 through December 31, 2006)	2007 (January 1, 2007 through December 31, 2007)
Net Assets on the Consolidated Balance Sheet	249, 155 million yen	214, 279 million yen
Net Assets per Common Share	248, 221 million yen	213, 236 million yen
The difference between "Net Assets on the Consolidated Balance Sheet" and "Net Assets per Common Share" which is the basis of the calculation for "Net Assets per Share"	933 million yen	1, 043 million yen
(Minority Interests)	(933 million yen)	(1, 043 million yen)
Number of outstanding common shares	583, 400, 000 shares	565, 182, 000 shares
Number of common shares owned by the Company	175, 478 shares	180, 951 shares
Number of common shares used for the calculation of "Net Assets per Share"	583, 224, 522 shares	565, 001, 049 shares

2 Net Income per Share

	2006 (January 1, 2006 through December 31, 2006)	2007 (January 1, 2007 through December 31, 2007)
Net Income	39, 820 million yen	7, 014 million yen
Net Income not related to common shareholders	–	–
Net Income per Common Share	39, 820 million yen	7, 014 million yen
Average numbers of outstanding common shares	583, 277, 811 shares	578, 585, 407 shares

5 Consolidated Sales Volume and Sales Amount

(Unit : KKL, Kton, Million yen)

Business Segment	Products	2006 (January 1, 2006 through December 31, 2006)		2007 (January 1, 2007 through December 31, 2007)	
		Volume	Amounts	Volume	Amounts
Petroleum Products	Gasoline	13, 905 36. 2	1, 522, 397 54. 6	13, 175 37. 8	1, 499, 654 55. 2
	Naphtha	145 0. 4	6, 779 0. 2	151 0. 4	7, 697 0. 3
	Kerosene	4, 794 12. 5	282, 010 10. 1	4, 726 13. 5	287, 453 10. 6
	Diesel Fuel	6, 128 16. 0	348, 850 12. 5	5, 881 16. 9	367, 836 13. 5
	Fuel Oils and Crude	9, 941 25. 9	458, 769 16. 5	8, 164 23. 4	403, 549 14. 8
	Lubricants	349 0. 9	30, 095 1. 1	370 1. 1	34, 687 1. 3
	LPG	2, 903 7. 5	107, 731 3. 9	2, 193 6. 3	89, 511 3. 3
	Other	220 0. 6	30, 546 1. 1	205 0. 6	27, 184 1. 0
	Sub Total	38, 385 100. 0	2, 787, 180 100. 0	34, 865 100. 0	2, 717, 571 100. 0
Chemical Products	Olefins etc.	1, 778 69. 4	201, 577 69. 4	1, 872 70. 5	234, 839 71. 0
	Aromatics etc.	785 30. 6	88, 747 30. 6	783 29. 5	95, 946 29. 0
	Sub Total	2, 563 100. 0	290, 325 100. 0	2, 655 100. 0	330, 785 100. 0
Others	Other Operating Revenue		1, 266		1, 486
	Grand Total	40, 948	3, 078, 772	37, 520	3, 049, 842

(Note) 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

6 Financial Statements

(1) Balance Sheet

Account Title	Notes No.	Prior Period (December 31, 2006) Amounts (Million yen)		Ratio (%)	Current Period (December 31, 2007) Amounts (Million yen)		Ratio (%)	2007 vs. 2006
(ASSETS)								
Ⅰ Current Assets								
1 Cash and Cash Equivalents			198			52		△ 146
2 Notes and Trade Accounts Receivables	4		517, 480			556, 362		38, 882
3 Inventories			34, 886			36, 816		1, 929
4 Unfinished Products			30, 307			26, 559		△ 3, 748
5 Crude Oil			101, 057			87, 461		△ 13, 596
6 Supplies			3, 655			3, 349		△ 305
7 Prepaid Expenses			2, 236			2, 363		126
8 Income Tax Refund Receivable			–			4, 504		4, 504
9 Deferred Tax Assets			3, 978			14, 394		10, 415
10 Short-term Loan Receivable to Associated Companies			35, 880			16, 854		△ 19, 026
11 Other Accounts Receivable			4, 647			4, 948		300
12 Others			2, 383			2, 159		△ 224
13 Bad Debt Allowance			△ 202			△ 72		129
Total Current Assets			736, 511	74. 7		755, 752	75. 2	19, 241
Ⅱ Long-term Assets								
1 Property, Plant and Equipment								
(1) Buildings	2	42, 806			42, 712			
Accumulated Depre.		27, 085	15, 720		27, 799	14, 912		△ 807
(2) Structures	1,2	147, 302			149, 120			
Accumulated Depre.		116, 268	31, 034		118, 634	30, 485		△ 548
(3) Tanks	2	62, 275			62, 309			
Accumulated Depre.		57, 009	5, 266		57, 311	4, 998		△ 268
(4) Machinery and Equipment	1,2	486, 439			513, 675			
Accumulated Depre.		431, 485	54, 954		441, 606	72, 069		17, 114
(5) Cars and Delivery Equipment		764			871			
Accumulated Depre.		684	80		677	194		113
(6) Tools, Furniture and Fixtures	1	10, 171			9, 879			
Accumulated Depre.		8, 793	1, 377		8, 628	1, 251		△ 126
(7) Land	2		73, 768			73, 180		△ 587
(8) Incomplete Construction			25, 528			10, 776		△ 14, 752
Total Property, Plant and Equipment			207, 730	(21. 1)		207, 867	(20. 7)	136

Account Title	Notes No.	Prior Period (December 31, 2006) Amounts (Million yen)		Ratio (%)	Current Period (December 31, 2007) Amounts (Million yen)		Ratio (%)	2007 vs. 2006
2 Intangible Assets								
(1) Leasehold			1, 909			1, 917		7
(2) Software			2, 891			2, 963		72
(3) Utility Rights			320			324		3
Total Intangible Assets			5, 121	(0. 5)		5, 204	(0. 5)	83
3 Investments and Other Assets								
(1) Investment Securities			5, 639			5, 547		△ 92
(2) Stock of Subsidiaries			13, 487			13, 487		−
(3) Long-term Loans Receivable			31			29		△ 1
(4) Long-term Loans to Employees			1, 095			928		△ 166
(5) Long-term Deposits			5, 328			4, 950		△ 378
(6) Deferred Tax Assets			7, 307			5, 574		△ 1, 733
(7) Others			4, 680			5, 861		1, 181
(8) Bad Debt Allowance			△ 517			△ 385		131
Total Investments and Other Assets			37, 052	(3. 7)		35, 993	(3. 6)	△ 1, 058
Total Long-term Assets			249, 904	25. 3		249, 066	24. 8	△ 838
Total Assets			986, 415	100. 0		1, 004, 819	100. 0	18, 403

Account Title	Notes No.	Prior Period (December 31, 2006) Amounts (Million yen)		Ratio (%)	Current Period (December 31, 2007) Amounts (Million yen)		Ratio (%)	2007 vs. 2006
(LIABILITIES)								
Ⅰ Current Liabilities								
1 Notes and Trade Accounts Payable	4		369, 281			405, 988		36, 706
2 Gasoline Tax etc., Payable	2		224, 555			210, 489		△ 14, 065
3 Short-term Debt								
(1) Short-term Debt		36, 915			65, 813			
(2) Long-term Debt due 1Year	2	2, 176	39, 091		2, 176	67, 989		28, 898
4 Short-term Debt from Associated Companies			2, 310			31, 170		28, 859
5 Commercial Paper			5, 000			−		△ 5, 000
6 Other Accounts Payable			16, 668			10, 312		△ 6, 355
7 Accrued Expenses			11, 986			13, 738		1, 752
8 Accrued Income Taxes			3, 543			−		△ 3, 543
9 Accrued Consumption Taxes			6, 265			3, 205		△ 3, 059
10 Advance from Customers			5, 995			5, 368		△ 627
11 Guarantee Deposits Payable			12, 637			11, 203		△ 1, 433
12 Reserve for Bonuses			1, 122			1, 025		△ 96
13 Others			1, 109			3, 023		1, 913
Total Current Liabilities			699, 567	70. 9		763, 516	76. 0	63, 948
Ⅱ Long-term Liabilities								
1 Long-term Debt	2		11, 625			9, 449		△ 2, 176
2 Reserve for Accrued Pension Costs			34, 645			29, 966		△ 4, 679
3 Reserve for Officers' Retirement Allowance			167			164		△ 3
4 Reserve for Repairs			14, 919			14, 269		△ 650
5 Reserve for Offshore Well Abandonment			2, 234			2, 069		△ 164
6 Others			1, 345			1, 026		△ 318
Total Long-term Liabilities			64, 937	6. 6		56, 944	5. 7	△ 7, 993
Total Liabilities			764, 505	77. 5		820, 461	81. 7	55, 955

Account Title	Notes No.	Prior Period (December 31, 2006) Amounts (Million yen)		Ratio (%)	Current Period (December 31, 2007) Amounts (Million yen)		Ratio (%)	2007 vs. 2006
(NET ASSETS)								
Ⅰ Owner's Equity								
1 Paid-in Capital			35, 123	3. 6		35, 123	3. 5	−
2 Capital Surplus								
(1) Capital Legal Surplus		20, 741			20, 741			
(2) Other Capital Surplus		24			−			
Total Capital Surplus			20, 766	2. 1		20, 741	2. 0	△ 24
3 Earned Surplus								
(1) Earned Legal Reserve		8, 780			8, 780			
(2) Other Earned Surplus								
Reserve for Replacement of Property		18, 067			17, 089			
Reserve for Mine Exploration		239			−			
Reserve for Special Depreciation		20			8			
Earned Surplus Brought Forward		138, 670			102, 459			
Total Earned Surplus			165, 778	16. 8		128, 337	12. 8	△ 37, 440
4 Treasury Stock			△ 206	△0. 0		△ 202	△0. 0	3
Total Owners' Equity			221, 461	22. 5		184, 000	18. 3	△ 37, 460
Ⅱ Valuation and Translation Adjustments								
1 Valuation and Translation Adjustments			448	0. 0		357	0. 0	△ 91
Total Valuation and Translation Adjustments			448	0. 0		357	0. 0	△ 91
Total Net Assets			221, 909	22. 5		184, 358	18. 3	△ 37, 551
Total Liabilities and Net Assets			986, 415	100. 0		1, 004, 819	100. 0	18, 403

(2) Statement of Income

Account Title	Notes No.	2006 (January 1 through December 31) Amounts (Million yen)		Ratio (%)	2007 (January 1 through December 31) Amounts (Million yen)		Ratio (%)	2007 vs. 2006
Ⅰ Sales Revenue	1		3, 027, 083	100. 0		3, 014, 375	100. 0	△ 12, 707
Ⅱ Cost of Sales	2, 5		2, 968, 011	98. 0		3, 016, 220	100. 1	48, 208
Gross Margin			59, 071	2. 0		△ 1, 844	△ 0. 1	△ 60, 915
Ⅲ Selling, General and Administrative Expenses	4, 5		25, 331	0. 9		22, 285	0. 7	△ 3, 046
Operating Income(△Loss)			33, 739	1. 1		△ 24, 130	△ 0. 8	△ 57, 869
Ⅳ Non-operating Income								
1 Interest Income		704			626			
2 Dividends Received	3	55, 153			16, 061			
3 Foreign Exchange Gain		6, 037			6, 876			
4 Others		231	62, 127	2. 1	51	23, 616	0. 8	△ 38, 511
Ⅴ Non-operating Expenses								
1 Interest Expenses		723			668			
2 Loss on Sales and Disposals of Supplies		23			15			
3 Others		2	749	0. 0	28	712	0. 0	△ 36
Ordinary Income			95, 117	3. 2		△ 1, 226	0. 0	△ 96, 344
Ⅵ Extraordinary Gain								
1 Gain on Sales of Golf Membership		47			66			
2 Gain on Sales of Property, Plant and Equipment	6	107			35			
3 Gain on Liquidation of Investment Securities		503	658	0. 0	−	102	0. 0	△ 556
Ⅶ Extraordinary Loss								
1 Accrued Loss on Sales of Subsidiary Company's Stock	9	−			1, 822			
2 Loss on Sales and Disposals of Property, Plant and Equipment	7	909			680			
3 Loss on Asset Impairment	8	2, 131			564			
4 Provision Loss on Reserve for Offshore Well Abandonment		672	3, 712	0. 1	−	3, 067	0. 1	△ 645
Income before Income Taxes			92, 063	3. 1		△ 4, 191	△ 0. 1	△ 96, 254
Current Income Taxes		14, 412			59			
Deferred Income Tax		450	14, 862	0. 5	△ 8, 619	△ 8, 560	△ 0. 2	△ 23, 422
Net Income			77, 200	2. 6		4, 368	0. 1	△ 72, 831

(3) Statement of Changes in Net Assets

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

	Owner' Equity			
	Paid-in Capital	Capital Surplus		
		Capital Legal Reserve	Other Capital Surplus	Total
Balance at Dec. 31, '05 (Million yen)	35, 123	20, 741	28	20, 770
Changes of Items during the Period				
Dividends from Surplus	−	−	−	−
Net Income	−	−	−	−
Purchases of Treasury Stock	−	−	−	−
Disposal of Treasury Stock	−	−	△ 4	△ 4
Addition/ Withdrawal of Other Earned Surplus	−	−	−	−
Net Changes of Items other than Owner's Equity	−	−	−	−
Total Changes of Items during the Period (Million yen)	−	−	△ 4	△ 4
Balance at Dec. 31, '06 (Million yen)	35, 123	20, 741	24	20, 766

	Owner' Equity							
	Earned Surplus						Treasury Stock	Total
	Earned Legal Reserve	Other Earned Surplus				Total		
		Reserve for Replace-ment Property	Reserve for Mine Exploration	Reserve for Special Depre.	Earned Surplus brought Forward			
Balance at Dec. 31, '05 (Million yen)	8, 780	21, 467	258	161	79, 491	110, 160	△ 85	165, 968
Changes of Items during the Period								
Dividends from Surplus	−	−	−	−	△ 21, 582	△ 21, 582	−	△ 21, 582
Net Income	−	−	−	−	77, 200	77, 200	−	77, 200
Purchases of Treasury Stock	−	−	−	−	−	−	△ 210	△ 210
Disposal of Treasury Stock	−	−	−	−	−	−	90	85
Addition/ Withdrawal of Other Earned Surplus	−	△ 3, 400	△ 19	△ 140	3, 560	−	−	−
Net Changes of Items other than Owner's Equity	−	−	−	−	−	−	−	−
Total Changes of Items during the Period (Million yen)	−	△ 3, 400	△ 19	△ 140	59, 178	55, 618	△ 120	55, 493
Balance at Dec. 31, '06 (Million yen)	8, 780	18, 067	239	20	138, 670	165, 778	△ 206	221, 461

	Valuation and Translation Adjustments		Total Net Assets
	Valuation Difference on Available-for-Sales securities	Total	
Balance at Dec. 31, '05 (Million yen)	474	474	166, 442
Changes of Items during the Period			
Dividends from Surplus	−	−	△ 21, 582
Net Income	−	−	77, 200
Purchases of Treasury Stock	−	−	△ 210
Disposal of Treasury Stock	−	−	85
Addition/ Withdrawal of Other Earned Surplus	−	−	−
Net Changes of Items other than Owner's Equity	△ 26	△ 26	△ 26
Total Changes of Items during the Period (Million yen)	△ 26	△ 26	55, 467
Balance at Dec. 31, '06 (Million yen)	448	448	221, 909

2007 (January 1, 2007 through December 31, 2007)

	Owner' Equity			
	Paid-in Capital	Capital Surplus		
		Capital Legal Reserve	Other Capital Surplus	Total
Balance at Dec. 31, '06 (Million yen)	35, 123	20, 741	24	20, 766
Changes of Items during the Period				
Dividends from Surplus	−	−	−	−
Net Income	−	−	−	−
Purchases of Treasury Stock	−	−	−	−
Disposal of Treasury Stock	−	−	△ 24	△ 24
Addition/ Withdrawal of Other Earned Surplus	−	−	−	−
Net Changes of Items other than Owner's Equity	−	−	−	−
Total Changes of Items during the Period (Million yen)	−	−	△ 24	△ 24
Balance at Dec. 31, '07 (Million yen)	35, 123	20, 741	−	20, 741

	Owner' Equity							
	Earned Surplus						Treasury Stock	Total
	Earned Legal Reserve	Other Earned Surplus				Total		
		Reserve for Replace-ment Property	Reserve for Mine Exploration	Reserve for Special Depre.	Earned Surplus brought Forward			
Balance at Dec. 31, '06 (Million yen)	8, 780	18, 067	239	20	138, 670	165, 778	△ 206	221, 461
Changes of Items during the Period								
Dividends from Surplus	−	−	−	−	△ 21, 576	△ 21, 576	−	△ 21, 576
Net Income	−	−	−	−	4, 368	4, 368	−	4, 368
Purchases of Treasury Stock	−	−	−	−	−	−	△ 20, 301	△ 20, 301
Disposal of Treasury Stock	−	−	−	−	△ 20, 231	△ 20, 231	20, 305	48
Addition/ Withdrawal of Other Earned Surplus	−	△ 977	△ 239	△ 12	1, 229	−	−	−
Net Changes of Items other than Owner's Equity	−	−	−	−	−	−	−	−
Total Changes of Items during the Period (Million yen)	−	△ 977	△ 239	△ 12	△ 36, 210	△ 37, 440	3	△ 37, 460
Balance at Dec. 31, '07 (Million yen)	8, 780	17, 089	−	8	102, 459	128, 337	△ 202	184, 000

	Valuation and Translation Adjustments		Total Net Assets
	Valuation Difference on Available-for-Sales securities	Total	
Balance at Dec. 31, '06 (Million yen)	448	448	221, 909
Changes of Items during the Period			
Dividends from Surplus	−	−	△ 21, 576
Net Income	−	−	4, 368
Purchases of Treasury Stock	−	−	△ 20, 301
Disposal of Treasury Stock	−	−	48
Addition/ Withdrawal of Other Earned Surplus	−	−	−
Net Changes of Items other than Owner's Equity	△ 91	△ 91	△ 91
Total Changes of Items during the Period (Million yen)	△ 91	△ 91	△ 37, 551
Balance at Dec. 31, '07 (Million yen)	357	357	184, 358

(4) Major Accounting Policies

2006 (From January 1, 2006 to December 31, 2006)	2007 (From January 1, 2007 to December 31, 2007)
1 Evaluation Standards and Methods for Stocks (1) Stocks of subsidiaries and affiliated companies The moving-average method (2) Other Securities ① 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) ② Non-marketable The moving-average method	1 Evaluation Standards and Methods for Stocks (1) Stocks of subsidiaries and affiliated companies No Change (2) Other Securities ① Marketable No Change ② Non-marketable No Change
2 Evaluation Standards and Methods for Derivative transactions, etc. Market value at the closing date	2 Evaluation Standards and Methods for Derivative transactions, etc. No Change
3 Evaluation Standards and Method for Inventories (1) Products, goods, unfinished products, and crude LIFO method at the lower of cost or market (2) Supplies The moving-average method	3 Evaluation Standards and Method for Inventories (1) Products, goods, unfinished products, and crude No Change (2) Supplies No Change
4 Depreciation and Amortization Methods for Fixed Assets (1) Property, Plant and Equipment 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 (2) Intangible Assets The straight-line method In-house computer software is amortized over its service life (5 to 15 years) using the straight-line method	4 Depreciation and Amortization Methods for Fixed Assets (1) Property, Plant and Equipment No Change (Change of Accounting Method) In accordance with the revision of the Corporate Tax Law, the depreciation method for Property, Plant and Equipment, which was acquired on or after April 1, 2007, was aligned with the method under revised Corporate Tax Law from this accounting period. As s result, Operating Loss, Ordinary Loss and Loss before Income Taxes increased by 1,135 million yen, respectively (2) Intangible Assets No Change
5 Translation Method for Foreign Currency Assets and Liabilities Foreign currency assets and liabilities are translated into yen at the spot rate at the interim closing date and any difference in exchange rate is reflected into income	5 Translation Method for Foreign Currency Assets and Liabilities No Change
6 Accounting Standards for Major Reserves (1) Bad Debt Allowance To provide for losses due to bad debt, the Company accrues 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	6 Accounting Standards for Major Reserves (1) Bad Debt Allowance No Change

2006 (From January 1, 2006 to December 31, 2006)	2007 (From January 1, 2007 to December 31, 2007)
(2) Reserve for Bonuses To provide for the payment of employees' bonuses, the Company accrues an estimated reserve for the accounting period	(2) Reserve for Bonuses No Change
(3) Reserve for Accrued Pension Costs To provide for the payment of employees' post-retirement benefits, the Company accrues an estimated reserve based on the projected benefit obligations and estimated pension plan assets as of the closing date. Any difference caused in actuarial calculations of retirement benefits is 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 with the straight-line method over employees' average remaining service years. (Before 2004: 15.5 years, Since 2004: 12.9 years)	(3) Reserve for Accrued Pension Costs To provide for the payment of employees' post-retirement benefits, the Company accrues an estimated reserve based on the projected benefit obligations and estimated pension plan assets as of the closing date. Any difference caused in actuarial calculations of retirement benefits is 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 with the straight-line method over employees' average remaining service years (Before 2004: 15.5 years, Since 2004: 12.9 years, Since 2007: 11.9 years)
(4) Reserve for Officers' Retirement Allowance To provide for the payment of officers' post-retirement allowance, the Company accrues an estimated amount of lump sum retirement allowance assuming that officers retire at the interim closing date	(4) Reserve for Officers' Retirement Allowance No Change
(5) 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 accrues an estimated reserves for the accounting period, based on actual payments and repair plans, respectively	(5) Reserve for Repairs No Change
(6) Accounting for Lease Transactions 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	(6) Accounting for Lease Transactions No Change
7 Accounting for Lease Transactions The same accounting method is employed for finance lease transactions without transfer of ownership of leased items to lessee as for ordinary operating lease transactions	7 Accounting for Lease Transactions No Change
8 Others Accounting Method for Consumption Tax Statement of Income does not include consumption tax	8 Others Accounting Method for Consumption Tax No Change

(5) Notes to Financial Statements

(Balance Sheets)

2006 (December 31, 2006)

1 The accumulated reduced-value entry, which directly deducted from Property, Plant and Equipment is amounted by 1,674 million yen. The reduced-value entry is applied due to insurance money etc (Building and Structures 33 million yen, Machinery, Equipment and Vehicles 1,629 million yen, Tools, Furniture and Fixtures 11 million yen)

2 Mortgaged Assets

Mortgaged assets and mortgaged liabilities by security rights are as shown below

Mortgaged Assets	Amounts (Million Yen)	(Mortgage on Factory Foundation) (Million Yen)
Building	1, 444	(1, 444)
Structures	5, 109	(5, 109)
Tanks	810	(810)
Machinery and Equipment	13, 199	(13, 199)
Land	24, 360	(5, 331)
Total	44, 924	(25, 895)

Mortgaged Liabilities by Security Rights	Amounts (Million Yen)	(Mortgage on Factory Foundation) (Million Yen)
Long-term debt due 1 year	422	(-)
Long-term debt	624	(-)
Gasoline Tax etc., Payable	53, 541	(-)
Total	54, 587	(-)

(Note) 1 In the summary of mortgaged assets, mortgage on factory foundation is shown with round bracket

2 In the summary of mortgaged liabilities by security rights, mortgage on factory foundation is shown with round bracket

3 In addition to the above and the obligation for guarantees shown in the item 3, the Company committed to offer a contract of mortgage on factory foundation for short-term debt (1,412million of yen) and long-term debt (7,410million of yen)

Building	2,068 million yen
Structures	11,968
Tanks	1,448
Machinery and Equipment	15,463
Land	847
Others	323

2007 (December 31, 2007)

1 The accumulated reduced-value entry, which directly deducted from Property, Plant and Equipment is amounted by 1,674 million yen. The reduced-value entry is applied due to insurance money etc (Building and Structures 33 million yen, Machinery, Equipment and Vehicles 1,629 million yen, Tools, Furniture and Fixtures 11 million yen)

2 Mortgaged Assets

Mortgaged assets and mortgaged liabilities by security rights are as shown below

Mortgaged Assets	Amounts (Million Yen)	(Mortgage on Factory Foundation) (Million Yen)
Building	1, 500	(1, 500)
Structures	4, 827	(4, 827)
Tanks	771	(771)
Machinery and Equipment	21, 746	(21, 746)
Land	23, 657	(4, 628)
Total	52, 503	(33, 474)

Mortgaged Liabilities by Security Rights	Amounts (Million Yen)	(Mortgage on Factory Foundation) (Million Yen)
Long-term debt due 1 year	422	(-)
Long-term debt	202	(-)
Gasoline Tax etc., Payable	53, 195	(33, 474)
Total	53, 819	(33, 474)

(Note) 1 In the summary of mortgaged assets, mortgage on factory foundation is shown with round bracket

2 In the summary of mortgaged liabilities by security rights, mortgage on factory foundation is shown with round bracket

3 In addition to the above and the obligation for guarantees shown in the item 3, the Company committed to offer a contract of mortgage on factory foundation for short-term debt (1,412million of yen) and long-term debt (5,998million of yen)

Building	2,017 million yen
Structures	11,650
Tanks	1,346
Machinery and Equipment	26,671
Land	847
Others	379

2006 (December 31, 2006)	2007 (December 31, 2007)
3 Obligations for Guarantees The Company guarantees the obligations of bank borrowing etc. for dealers and employees of the Company, its consolidated subsidiaries and equity companies etc. Shimizu LNG K.K. 2,497 million yen Company Employees 236 K.K. Ryuseki Nenryo 217 Okada Sekiyu K.K 84 Others (7 companies) 228 Total 3,262 (Note)For the debt (4,920 million of yen) of Shimizu LNG K.K. from the Development Bank of Japan etc., the company has a contractual obligation reserve for mortgage, while its land (book value 747million of yen) was collateralized	3 Obligations for Guarantees The Company guarantees the obligations of bank borrowing etc. for dealers and employees of the Company, its consolidated subsidiaries and equity companies etc. Shimizu LNG K.K. 2,007 million yen Company Employees 210 K.K. Ryuseki Nenryo 148 Others (5 companies) 151 Total 2,517 (Note)For the debt (3,366 million of yen) of Shimizu LNG K.K. from the Development Bank of Japan etc., the company has a contractual obligation reserve for mortgage, while its land (book value 747million of yen) was collateralized
4 Notes related to Associated Companies Followings are included in the accounts, which are not independently represented as transactions with associated companies Trade Accounts Receivable 373,678 million yen Trade Accounts Payable 106,445	4 Notes related to Associated Companies Followings are included in the accounts, which are not independently represented as transactions with associated companies Trade Accounts Receivable 383,139 million yen Trade Accounts Payable 115,361

(Statement of Income)

2006 (January 1, 2006 through December 31, 2006)	2007 (January 1, 2007 through December 31, 2007)
1 Transactions with Associated Companies included in Sales Revenues in the Current Period Sales Revenues 1,938,806 million yen	1 Transactions with Associated Companies included in Sales Revenues in the Current Period Sales Revenues 1,902,827 million yen
2 Transactions with Associated Companies included in Purchases in the Current Period Purchases 413,729 million yen The amount above includes the amounts related to mogas tax, local road tax and ADO tax	2 Transactions with Associated Companies included in Purchases in the Current Period Purchases 498,493 million yen The amount above includes the amounts related to mogas tax, local road tax and ADO tax
3 Transactions with Associated Companies included in Non-operating Income and Expenses Dividends 55,095 million yen	3 Transactions with Associated Companies included in Non-operating Income and Expenses Dividends 16,001 million yen
4 Marketing expenses and administrative expenses are approximately 56% and 44% respectively. Major expenses and amounts are as follows Salaries and Bonuses 8,217 million yen Transportation Costs 3,491 Outside Order Expenses 2,303 Rent 3,083 Depreciation Expenses 1,911 Sales Commissions 1,953 Pension Expenses △359 Provisions for Bonuses 361	4 Marketing expenses and administrative expenses are approximately 60% and 40% respectively. Major expenses and amounts are as follows Salaries and Bonuses 7,575 million yen Transportation Costs 3,388 Outside Order Expenses 2,439 Rent 2,571 Depreciation Expenses 1,709 Sales Commissions 1,714 Pension Expenses △1,141 Provisions for Bonuses 339
5 Research and development costs included in administrative and manufacturing costs are amounted by 2,231 million yen	5 Research and development costs included in administrative and manufacturing costs are amounted by 1,868 million yen
6 Gain on Sales of Property, Plant and Equipment Structures (Service Stations etc.) 58 million yen Land (Terminals etc.) 49 Others 0 Total 107	6 Gain on Sales of Property, Plant and Equipment Land (Service Stations) 33 million yen Others 2 Total 35
7 Loss on Sales and Disposals of Property, Plant and Equipment Machinery and Equipment (Refinery Facilities, etc.) 445 million yen Buildings (Service Stations, etc.) 137 Structures (Service Stations, etc.) 115 Land (Service Stations, etc.) 17 Tanks(Refinery Facilities, etc.) 4 Others 188 Total 909	7 Loss on Sales and Disposals of Property, Plant and Equipment Machinery and Equipment (Refinery Facilities, etc.) 454 million yen Buildings (Service Stations, etc.) 67 Structures (Service Stations, etc.) 58 Tools, Furniture and Fixtures (Refinery Facilities, etc.) 58 Others 42 Total 680

<table>
<tr><th>2006
(January 1, 2006 through
December 31, 2006)</th><th>2007
(January 1, 2007 through
December 31, 2007)</th></tr>
<tr><td>

8 Loss on Asset Impairment

Used for	Location	Type	Amount (million yen)
Service Station	Tonen General Sekiyu K.K. Narita Minami SS (Narita City Chiba Pref.) and other 8items	Land	2,131

The Company recognized a loss on the 9 items, which recoverable value is significantly lower than net book value, by deducting the NBV to the recoverable value
The deduction is amounted by 2,131 million yen and presented as an extraordinary loss
Net selling value, which is a market price based on official values, is applied to evaluate the recoverable value

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8 Loss on Asset Impairment

Used for	Location	Type	Amount (million yen)
Service Station	Tonen General Sekiyu K.K. Nishi Yamato SS (Kita katsuragi County Nara Pref.) and other 12items	Land	564

The Company recognized a loss on the 13 items, which recoverable value is significantly lower than net book value, by deducting the NBV to the recoverable value
The deduction is amounted by 564 million yen and presented as an extraordinary loss
Net selling value, which is a market price based on official values, is applied to evaluate the recoverable value

9 Accrued Loss on Sales of Subsidiary Company's Stock
The Board of Directors of the company which was held on November 9, 2007 approved the transfer by sale of 100% of its shareholding in Nansei Sekiyu K.K. to Petrobras International Braspetro B.V..
The accrued amount of 1,822million yen was recognized as "Accrued Loss on Sales of Subsidiary's Stock" in Extraordinary Loss

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(Statement of Changes in Owner's Equity)

Prior Consolidated Accounting Period (January 1, 2006 to December 31, 2006)

1 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

Current Consolidated Accounting Period (January 1, 2007 to December 31, 2007)

1 Treasury Stock

Category	Dec. 31, 2006	Increase	Decrease	Dec. 31, 2007
Common Stock (shares)	175,478	18,264,848	18,259,375	180,951

(Major cause of movement) An increase in Treasury Stock is due to TOB and repurchase of odd-lot stocks, and a decrease is due to cancellation and sales of odd-lot stocks

(Deferred Tax Accounting)

2006 (December 31, 2006)		2007 (December 31, 2007)	
1 Detail of Deferred Tax Assets and Deferred Tax Liabilities		1 Detail of Deferred Tax Assets and Deferred Tax Liabilities	
(Deferred Tax Assets)		(Deferred Tax Assets)	
Reserve for Retirement Allowance	14,319 million yen	Tax Loss Carry Forward	12,483 million yen
Excess over Deduction Limit of Reserve for Turnaround	4,050	Reserve for Retirement Allowance	12,268
Variance from different Inventory Evaluations	1,628	Excess over Deduction Limit of Reserve for Turnaround	3,646
Asset Impairment	1,555	Asset Impairment	1,752
Enterprise Tax Payable	1,021	Variance from different Inventory Evaluations	1,175
Others	3,511	Accrued Loss on Sales of Subsidiary Company's Stock	741
Total Deferred Tax Assets	26,087	Others	2,596
		Total Deferred Tax Assets	34,664
(Deferred Tax Liabilities)		(Deferred Tax Liabilities)	
Reserve for Replacement of Property	△12,395 million yen	Reserve for Replacement of Property	△11,724 million yen
Unrealized Holding Gains on Securities	△307	Accrued Enterprise Tax Receivable	△1,238
Others	△2,098	Unrealized Holding Gains on Securities	△245
Total Deferred Tax Liabilities	△14,800	Others	△1,487
Net of Deferred Tax Assets	11,286	Total Deferred Tax Liabilities	△14,695
		Net of Deferred Tax Assets	19,969
2 Factors in the Difference between Statutory Effective Tax Rate and Actual Effective Tax Rate		2 Factors in the Difference between Statutory Effective Tax Rate and Actual Effective Tax Rate	
Statutory Effective Tax Rate	40.7%	Statutory Effective Tax Rate	40.7%
(Adjustment)		(Adjustment)	
Items Never Recognized as Loss, Such as Entertainment Expense	0.0	Items Never Recognized as Loss, Such as Entertainment Expense	△0.9
Items Never Recognized as Profit, Such as Dividends Received	△24.5	Items Never Recognized as Profit, Such as Dividends Received	155.3
Others	△0.1	Prior Year Tax Adjustment	10.2
Actual Effective Tax Rate	16.1	Others	△1.1
		Actual Effective Tax Rate	204.2