

Notes to the Consolidated Financial Statements

1. Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Securities and Exchange Law of Japan and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards.

As permitted by the Security Exchange Law, fractions below one million yen are rounded off. It causes the totals in the financial statements are not equivalent to the sums of each item.

2. Summary of Significant Accounting Principles

(1) Principles of Consolidation

a) Consolidated subsidiaries as of 31 December 2006: (26 companies)

Showa Yokkaichi Sekiyu Co., Ltd.	Shoseki Overseas Oil Development Co., Ltd.	Shoseki Home Gas K.K.
Toa Oil Co., Ltd.	Petro Star Kansai K.K.	K.K. Shinyo Sekiyu
East Ogishima Oil Terminal Co., Ltd	Chuo Shell Sekiyu Hanbai K.K.	K.K. Marushin
Showa Shell Sempaku K.K.	Kanto Koyu Energy Co., Ltd	K.K. Rising Sun
Shoseki Gas K.K.	Nakagawa Oil Co., Ltd.	Shoseki Engineering & Construction Co., Ltd.
Nippon Grease Co., Ltd.	Tokyo Shell Pack K.K.	Wakamatsu Gas K.K.
Shoseki Kako K.K.	Petro Star Kanto Co., Ltd.	Genex Co., Ltd.
Heiwa Kisen Kaisha, Ltd.	K.K. Sun Road	On-Site Power Co., Ltd.(* 1)
Central Energy K.K.(* 2)	Nissho Koyu K.K.(* 3)	

(* 1) On-Site Power Co., Ltd. has become a consolidated subsidiary from this financial year due to additional acquisition of shares.

(* 2) Central Energy K.K., which used to be an equity-method affiliate, has become a consolidated subsidiary from this financial year due to additional acquisition of shares.

(* 3) Nissho Koyu K.K., which used to be an equity-method affiliate, has become a consolidated subsidiary from this financial year due to additional acquisition of shares.

Companies, such as K.K. Hayawa are excluded from consolidation because their influence is immaterial to the consolidated financial statements.

b) Account closing dates

	Toa Oil Co., Ltd. and Genex Co., Ltd. change their account closing date from 31 March to 31 December from this financial year.
	Central Energy K.K. change its account closing date from 31 December to 30 September.
30 September	Petro Star Kansai K.K., Petro Star Kanto Co., Ltd., Nakagawa Oil Co., Ltd., K.K. Sun Road, K.K. Sinyo Sekiyu, Shoseki Home Gas K.K., and K.K. Marushin.
31 October	Tokyo Shell Pack K.K.

The consolidated financial statements incorporated the accounts of the above companies with adjustments for significant transactions arising after their accounts closed.

(2) Equity-method Affiliates

Equity-method affiliates as of 31 December 2006: (11 companies)

Seibu Oil Co., Ltd.	Toyotsu Petrotex Co.	Niigata Joint Oil Stockpiling Co., Ltd.
Japan Oil Network Co., Ltd.	Joyo Shell Sekiyu Hanbai K.K.	Marubeni Energy Corporation
Central Sekiyu Gas Co., Ltd.	Mieseki Shoji K.K.	Shell Sekiyu Osaka Hatsubaisho K.K.
Shell Tokuhatsu K.K.	DaiaShoseki K.K.	

Central Energy K.K. and Nissho Koyu K.K. are excluded from the scope of equity-method affiliates as of this financial year for the reason mentioned above.

(3) Valuation Methods for Major Assets

a) Securities:

Securities with market value are stated at market value. Net unrealised gains or losses on these securities are reported as a component of the net assets in after-tax amount. Cost of securities sold is calculated primarily by the moving average method.

Securities with no market value are valued at historical cost, based on the moving average method.

b) Derivatives:

Derivatives are stated at market value.

c) Inventories:

Inventories are stated at historical cost, mainly based on the weighted average method.

(4) Depreciation and Amortisation of Major Assets

a) Tangible fixed assets:

Straight-line method is adopted. The same standard as stipulated in the Corporate Tax Law is applied to the useful economic lives and the residual values. The main refining facilities at the Ogimachi Factory of the Keihin Refinery of Showa Shell Sekiyu K.K. and the Yokkaichi Refinery of Showa Yokkaichi Sekiyu Co., Ltd. are depreciated with estimated useful economic lives of 20 years.

b) Intangible fixed assets:

Straight-line method is adopted. Software for in-house use is amortised based on the straight-line method over the expected useful economic life of 5 years.

(5) Basis of Provisions

a) Provisions for doubtful debts:

For doubtful debts, provisions are calculated individually based on the estimated uncollectible amounts. For other debts, provisions are calculated based on the actual ratio of the past doubtful debt losses.

b) Provisions for employees' bonuses:

Accrued bonuses for the current financial year are provided based on the estimated bonuses to be paid in the following year.

c) Provisions for Directors' bonuses:

For directors' bonuses, provisions are calculated based on the estimated bonuses to be paid in the following year.

d) Provisions for retirement benefits:

Accrued retirement benefits for the current financial year are provided based on the estimated PBO and pension assets as at the current financial year end. Actuarial differences are amortised evenly within the following 13-14 years, which is the average remaining service years of employees. The past service liabilities are amortised evenly within 14 years, which was the average number of remaining service years of employees at occurrences. Differences at the accounting standards change are amortised evenly over the following 15 years, which used to be the average remaining service years of employees at that time.

e) Provisions for special maintenances:

Estimated accrued expenses on inspections and maintenances on refining machineries and oil tanks are provided. Periodical inspections on oil tanks are required under the Fire Defence Law.

(6) Accounting for Leases

Finance leases, in which ownership of the leased assets is not transferred to the lessees, are treated in the same way as operating leases.

(7) Hedge Accounting

Hedge accounting is not adopted.

(8) Consumption Tax

Consumption tax is imposed at the flat rate of 5% on all domestic consumption of goods and services (with certain exemptions). The consumption tax withheld upon sale and consumption tax paid by the Companies on their purchases of goods and services is not included in revenue and cost or expense items respectively in the accompanying consolidated statements of income.

(9) Valuation Method for Assets and Liabilities of Subsidiaries

Assets and liabilities of the subsidiaries are measured at the fair values when consolidated.

(10) Amortisation of Goodwill and Negative Goodwill

Goodwill and negative goodwill is amortised evenly over a period not exceeding 20 years, which is determined in consideration of its causes. Goodwill is expensed in the year it arises when it is immaterial.

(11) Appropriation of retained earnings

Under the corporation law of Japan, the appropriation of retained earnings on the current financial year is determined by resolution of shareholders meeting held after the financial year-end. Therefore the appropriation of the retained earnings for the current financial year is not reflected in the accounts of the current financial year.

(12) Cash and Cash Equivalents

Cash and cash equivalents in the consolidated cash flow statements consists of cash in hand, deposits, readily convertible into cash, and short-term investments with low risk of price fluctuations and with a maturity of 3 months or less at the time of acquisition.

(13) Comparatives

Certain accounts in consolidated financial statements for the year ended 31 December 2005 have been reclassified to conform to the 2006 presentation.

3. Accounting Change

a) Accounting standard for directors' bonuses

"Accounting Standard for Directors' Bonuses" (ASBJ Statement No. 4, issued on 29 November 2005) has been adopted effective for the current financial year. Due to the adoption of this new accounting standard, the directors' bonuses are expensed when incurred, although it had been accounted for an appropriation of retained earnings upon resolution of shareholders' meeting. As a result, operating income, ordinary income and net income before taxes are decreased by 92 million yen compared with those would have been reported under the previous accounting policy.

b) Accounting standard for presentation of net assets on the balance sheet

"Accounting Standard for Presentation of Net Assets on the Balance Sheet" (ASBJ Statement No. 5, issued on 9 December 2005) and its Implementation Guidance (ASBJ Guidance No. 8, issued on 9 December 2005) have been adopted effective for the current financial year.

In addition, preparation of a consolidated statement of changes in net assets has been required instead of a consolidated statement of shareholders' equity.

In order to conform to the 2006 presentation, the consolidated balance sheet as of 31 December 2005 and the consolidated statement of shareholders' equity for the year ended December 2005 have been restated.

4. Securities

a) Investment securities

	Million Yen	
	2006	2005
Securities	¥26,098	¥27,489
Securities of non-consolidated subsidiaries and affiliates	28,410	23,887
	¥54,509	¥51,377

b) Securities with market value

	Million Yen		
	2006		
	Historical cost	Fair market value	Unrealised gain (loss)
Securities with unrealised gains:			
Shares	¥12,172	¥20,465	¥8,292
Securities with unrealised losses:			
Shares	4	4	(0)

	Million Yen		
	2005		
	Historical cost	Fair market value	Unrealised gain (loss)
Securities with unrealised gains:			
Shares	¥12,426	¥21,616	¥9,189
Securities with unrealised losses:			
Shares	0	0	0

c) Securities sold

	Million Yen	
	2006	2005
Amount of sold during the year	¥1,064	¥471
Realised gains	725	91
Realised losses	0	0

d) Securities with no market value

	Million Yen	
	2006	2005
Securities		
Unlisted shares	¥5,614	¥5,858
Unlisted bonds	15	15
	¥5,629	¥5,873

5. Short-term and Long-term Debts

a) Short-term debts

	Million Yen	
	2006	2005
Short-term debts	¥ 43,589	¥ 30,535
Commercial papers	68,000	86,000
	¥111,589	¥116,535

Note: The weighted average interest rates on short-term debts outstanding at the year-end were as follows:

	%	
	2006	2005
Short-term debts	0.18	0.19
Commercial papers	0.44	0.03

b) Long-term debts

	Million Yen	
	2006	2005
Loans from banks, other financial institutions, etc.		
Due from 2007 to 2015	¥48,937	¥ —
Due from 2006 to 2015	—	60,295
0.71 per cent unsecured straight bond due in 2010	15,000	15,000
1.66 per cent unsecured straight bond due in 2013	15,000	—
	78,937	75,295
Less: due within one year	7,665	11,366
	¥71,272	¥63,929

Note: The weighted average interest rate on long-term debts (excluding the one due in 1 year) from banks outstanding as of 31 December 2006 and 2005 were 1.74% and 1.68%, respectively.

Annual maturities of bonds

	Million Yen	
	2006	
Within one year	¥ —	—
More than one year less than two years	—	—
More than two years less than three years	—	—
More than three years less than four years	15,000	—
More than four years less than five years	—	—
More than five years	15,000	—
	¥30,000	—

Annual maturities of long-term debts, (excl. bonds)

	Million Yen	
	2006	
Within one year	¥ 7,665	—
More than one year less than two years	678	—
More than two years less than three years	10,160	—
More than three years less than four years	9,042	—
More than four years less than five years	500	—
More than five years	20,892	—
	¥48,937	—

c) Commitment-line contracts

The company concludes a revolving credit contract available up to 60 billion yen with a banking syndicate and overdraft contract up to 10 billion yen with Mizuho Corporate Bank Ltd.

There was 4,135 million yen balance as at 31 December 2006 under the contract with Mizuho Corporate Bank Ltd.

6. Lease Transactions

(1) Lessee

a) Finance leases

Finance leases, excluding those for which the ownership of the leased assets is considered to be transferred to the lessee, as of, and for the years ended 31 December 2006 and 2005.

Million Yen				
2006				
	Acquisition Costs	Accumulated Depreciation	Accumulated Impairment Losses	Balance
Buildings, structures and tanks.....	¥ 312	¥ 216	¥ —	¥ 95
Machineries and equipments.....	17,545	5,937	91	11,517
Tools, implements and fixtures.....	1,141	364	—	776
Intangible fixed assets.....	18	14	—	3
	¥19,018	¥6,533	¥91	¥12,393

Million Yen			
2005			
	Acquisition Costs	Accumulated Depreciation	Balance
Buildings, structures and tanks.....	¥ 312	¥ 180	¥ 132
Machineries and equipments.....	1,189	614	575
Tools, implements and fixtures.....	3,316	1,870	1,445
Intangible fixed assets.....	12	6	5
	¥4,830	¥2,672	¥2,157

Lease rental payments and depreciation for the years ended 31 December 2006 and 2005 amounted to 2,037 million yen and 852 million yen respectively. Depreciation is calculated by the straight-line method over the lease term of the leased assets assuming no residual value.

Scheduled maturities of future lease rental payments of finance leases as of 31 December 2006 and 2005

Million Yen		
	2006	2005
Due within one year	¥ 3,384	¥2,261
Due over one year	14,156	4,510
	¥17,540	¥6,771

b) Operating Leases

Million Yen		
	2006	2005
Due within one year	¥ 90	¥101
Due over one year	125	182
	¥215	¥284

(2) Lessor

Finance leases

Scheduled maturities of future lease rental payments of finance leases as of 31 December 2006 and 2005

Million Yen		
	2006	2005
Due within one year	¥1,422	¥1,421
Due over one year	3,724	3,191
	¥5,146	¥4,613

Note: They are sublease transactions.

7. Income Taxes

(1) Temporary differences that compose deferred tax assets and liabilities

	Million Yen	
	2006	2005
Deferred tax assets:		
Provisions for retirement benefits	¥31,887	¥31,508
Impairment losses of fixed assets.....	14,287	14,496
Valuation losses on investment securities.....	900	1,014
Provisions for doubtful debts.....	219	310
Others.....	16,139	16,475
Sub-total	63,435	63,805
Valuation reserve.....	(14,742)	(15,090)
Total deferred tax assets	¥48,693	¥48,715
Deferred tax liabilities:		
Reserve for advanced depreciation fixed assets transactions	¥ (9,688)	¥ (9,038)
Unrealised gains on investment securities	(3,377)	(3,740)
Others.....	(10,134)	(5,873)
Total deferred tax liabilities.....	(23,200)	(18,652)
Net deferred tax assets / (liabilities).....	¥25,492	¥30,063

(2) Reconciliation between the statutory tax rate and the effective tax rate

Information on 2006 and 2005 accounts is omitted because there was no significant difference between the normal effective statutory tax and the effective income tax rates.

8. Provisions for Retirement Benefits

The Companies operate various kinds of retirement benefit plans, such as contributory pension plan, qualified pension plan and severance payment plan.

(1) Provisions for retirement benefits

	Million Yen	
	2006	2005
Retirement benefit obligations	¥(105,977)	¥(106,240)
Pension assets	17,326	15,212
Unfunded retirements benefit obligations.....	(88,650)	(91,027)
Unrecognised actuarial differences	9,695	10,889
Unrecognised past service cost (reduction in obligations)	(567)	(624)
Unrecognised transition differences due to accounting changes	967	1,085
	¥ (78,554)	¥ (79,677)

Notes: 1. A past service obligation (decrease in obligations) arose because a consolidated subsidiary using the general accounting method changed its plan by reducing the benefit level in its lump-sum retirement scheme.

2. SSSKK's retirement benefit scheme includes three consolidated subsidiaries.

3. The simple method is used for calculating retirement benefit obligations, except at SSSKK and two of the consolidated subsidiaries.

4. In-house pension schemes are mainly those in which employees retiring at retirement age or voluntarily at above the age of 55 contribute 50% of their retirement benefits to their company, which then pays it out over 180 months or until the death of the pensioners.

5. SSSKK has introduced a new retirement benefit system in which employees choose from a scheme for advance cash payment or retirement allowance and pension (full payment of retirement allowance and pension equivalent amount included in salary), and a lump-sum retirement benefit scheme; the benefit obligations of employees choosing the lump-sum scheme are also included.

(2) The net periodic pension expense related to the retirement benefits

	Million Yen	
	2006	2005
Service cost	¥2,315	¥2,132
Interest cost	2,535	2,496
Expected return on pension assets	(924)	(56)
Amortisation of unrecognised actuarial differences.....	1,171	1,268
Amortisation of unrecognised post service costs	(57)	(57)
Amortisation of unrecognised transition differences due to accounting changes	117	29
	¥5,158	¥5,812

Note: The retirement benefit costs of consolidated subsidiaries that use a simple method are included in "Service cost."

(3) Assumptions used in calculation of the above information

	As of 31 December 2006	As of 31 December 2005
Allocation method for retirement benefits expense	Periodical straight line	Periodical straight line
Discount rate	2.5%	2.5%
Expected rate of return.....	6.5%	0.5%
Period for amortisation of past service cost	14 years	14 years
Period for amortisation of actuarial differences	13-14 years	13-15 years
Period for amortisation of transition differences due to accounting changes.....	15 years	15 years

9. Derivatives

(1) Conditions of transactions

In the normal course of business, the Companies use derivatives to manage their exposures to market risks in compliance with their internal policies. The Companies do not use derivatives for speculative purposes. These instruments include foreign exchange contracts, foreign currency options, interest rate swaps, futures, forward contracts and options of crude oil, oil products and tanker freight.

All such derivatives involve risks, including the credit risk of non-performance by counter-parties. However, in order to minimise the credit risk of non-performance by counter-parties, the Companies deals these derivatives with major financial institutions and trading companies with a high credit rating.

(2) Current Value of Derivatives

	Million Yen		
	31 December 2006		
	Notional Amount	Fair Value	Unrealised Gain (Loss)
Foreign currency contracts (US\$)			
To buy	¥53,532	¥54,243	¥ 710
To sell	1,780	1,785	(5)
			¥ 705
Foreign currency contracts (US\$)			
To buy	19,006	29,945	10,941
To sell	17,010	16,569	441
			¥11,382

	Million Yen		
	31 December 2005		
	Notional Amount	Fair Value	Unrealised Gain (Loss)
Foreign currency contracts (US\$)			
To buy	¥35,944	¥35,899	¥ (45)
To sell	5,535	5,549	(14)
			¥ (59)
Commodity-related transactions			
To buy	63,853	74,351	10,500
To sell	69,201	80,058	(10,856)
			¥ (356)

Interest rate swaps, which meet specific matching criteria are not measured at fair value although the net amount to be paid or received under the swap contracts is recognised and included in interest expenses or income. The above information is presented excluding these interest rate swaps.

10. Sales, Administrative and General Expenses

Major elements of sales, administrative and general expenses for the years ended 31 December 2006 and 2005

	Million Yen	
	2006	2005
Transportation	¥ 44,649	¥ 41,468
Salaries.....	29,746	29,478
Rents	4,843	4,843
Depreciation	5,173	5,498
Research and development expenses	1,866	2,030
Others	32,569	30,765
	¥118,847	¥114,084

11. Impairment Loss of Fixed Assets

As a minimum unit for generating cash flows, service stations were assessed individually, and other fixed assets were grouped by segments of management accounting. Assets used for rent and non-performing assets were assessed individually in principle.

Recoverable value was assessed comparing net selling price and value in use. Net selling price was mainly adopted for non-performing assets and value in use for other assets. Net selling prices, if material, were assessed according to the property appraisal standards. To calculate value in use, the future cash flows were discounted at 6.5%.

An impairment loss was recorded at the amount by which the carrying amount of each group of assets exceeded its recoverable value. For the year ended 31 December 2006, the Companies recognised impairment losses of 2,462 million yen on 57 groups of impaired fixed assets, which were accounted for as a special loss. They were primarily related to the significant decrease in the market value of the Companies' land as well as to the overall deterioration of their business environment. They consisted of the following:

	Million Yen		
	2006		
	Land	Others	Total
Service stations (21 groups)	¥819	¥457	¥1,277
Idle assets (36 groups)	363	822	1,185
			¥2,462

	Million Yen		
	2005		
	Land	Others	Total
Service stations (26 groups)	¥638	¥132	¥ 770
Assets for property business (2 groups)	15	5	20
Idle assets (30 groups)	112	989	1,102
			¥1,894

12. Collateral Assets

As of 31 December 2006, 172,358 million yen assets were mortgaged for certain liabilities of the Companies (86,853 million yen).

13. Contingent Liabilities

The Companies had the following contingent liabilities as of 31 December 2006 and 2005:

	Million Yen	
	2006	2005
Guarantees for:		
Non-consolidated subsidiaries, affiliates and other companies	¥6,227	¥6,507
Employees (housing loan).....	1,355	1,514
Discounts of notes receivable.....	121	19
	¥7,703	¥8,040

14. Related Third Party Transactions

When transactions of the Company with its related third parties are more than 10% of the consolidated sales proceeds, or 10% of the total amount of the consolidated cost of sales, or 10% of the consolidated sales, administrative and general expenses, excluding transactions with consolidated subsidiaries, for the years ended 31 December 2006 and 2005 are disclosed by each item.

The Company discloses material balances and transactions with related third parties where such balances and transactions represent more than 1 per cent of the consolidated total assets, excluding transactions with consolidated subsidiaries.

(1) Related third parties – Corporation

For the year ended 31 December 2006

Name	Capital (Million Yen)	Voting right share owing (share owned)	Million Yen	
			Transactions	Closing balances
Saudi Arabian Oil Co., Ltd	—	(Indirect 15.0%)	Purchase of crude oil and oil products	¥761,084 Accounts payable (trade) ¥61,195
Seibu Oil Co., Ltd.	8,000	Direct 38.0%	Purchase of oil products	326,090 Accounts payable (trade) 38,565
Marubeni Energy Corporation	2,350	Direct 33.4%	Sale of oil products	154,402 Accounts receivable (trade) 17,846
Shell Chemicals Japan	250	NA	Purchase of petrochemicals	96,926 Accounts receivable (trade) 12,259
Shell Eastern Trading (P.T.E.) Limited	714	NA	Sales and purchase of crude and oil products	294,586 Accounts payable (trade) 23,251

For the year ended 31 December 2005

Name	Capital (Million Yen)	Voting right share owing (share owned)	Million Yen	
			Transactions	Closing balances
Saudi Arabian Oil Co., Ltd	—	(Indirect 15.0%)	Purchase of crude oil and oil products	¥586,763 Accounts payable (trade) ¥47,872
Seibu Oil Co., Ltd.	8,000	Direct 38.0%	Purchase of oil products	222,602 Accounts payable (trade) 38,244
Toa Oil Co., Ltd.	4,961	Direct 37.5%	Refining on commission	14,561 Other current liabilities 2,082
			Payment of gasoline tax	90,800 Accounts payable (other) 24,477
Marubeni Energy Corporation	2,350	Direct 33.4%	Sale of oil products	131,340 Accounts receivable (trade) 19,174

(2) Related third parties – Individuals

Material transactions and balances of the Company with related individuals, including shareholders and directors, representing more than 1 million yen for the years ended 31 December 2006 and 2005 are as follows.

For the year ended 31 December 2006

Name	Post	Voting right share owing (share owned)	Million Yen	
			Transactions	Closing balances
Haruyuki Niimi	Chairman of SSSKK, Head Director of Showa Shell Sekiyu, Foundation for Promotion of Environmental Research	—	Donation	¥38 — —

For the year ended 31 December 2005

Name	Post	Voting right share owing (share owned)	Million Yen	
			Transactions	Closing balances
Haruyuki Niimi	Chairman of SSSKK, Head Director of Showa Shell Sekiyu, Foundation for Promotion of Environmental Research	—	Donation	¥38 — —

15. Segment Information

(1) Business Segment Information

For the year ended 31 December 2006

	Million Yen					
	Oil business	Property business	Other businesses	Sub-total	Internal trade	Total
I. Total sales and operating income						
Total sales						
(1) Sales to customers	¥2,883,480	¥ 4,283	¥33,523	¥2,921,287	¥ —	¥2,921,287
(2) Inter-segment sales and transfers	5,799	126	15,293	21,220	(21,220)	—
Total sales	2,889,279	4,410	48,817	2,942,507	(21,220)	2,921,287
Operating expenses	2,819,298	1,648	47,184	2,868,131	(21,146)	2,846,985
Operating income	¥ 69,980	¥ 2,761	¥ 1,633	¥ 74,375	¥ (73)	¥ 74,301
II. Assets, depreciation, impairment and capital expenditures						
Assets	¥1,165,149	¥31,361	¥28,818	¥1,225,329	¥(30,314)	¥1,195,015
Depreciation	24,021	907	2,400	27,329	—	27,329
Impairment losses	2,462	—	—	2,462	—	2,462
Capital expenditures	30,057	125	3,812	33,995	—	33,995

For the year ended 31 December 2005

	Million Yen					
	Oil business	Property business	Other businesses	Sub-total	Internal trade	Total
I. Total sales and operating income						
Total sales						
(1) Sales to customers	¥2,250,088	¥ 4,281	¥14,119	¥2,268,488	¥ —	¥2,268,488
(2) Inter-segment sales and transfers	728	128	8,540	9,398	(9,398)	—
Total sales	2,250,817	4,410	22,659	2,277,887	(9,398)	2,268,488
Operating expenses	2,156,018	1,719	21,774	2,179,511	(9,404)	2,170,107
Operating income	¥ 94,798	¥ 2,691	¥ 885	¥ 98,375	¥ 5	¥ 98,381
II. Assets, depreciation, impairment and capital expenditures						
Assets	¥1,091,570	¥32,729	¥38,573	¥1,162,873	¥(17,682)	¥1,145,191
Depreciation	22,197	926	854	23,979	—	23,979
Impairment losses	1,873	20	—	1,894	—	1,894
Capital expenditures	17,697	42	3,552	21,292	—	21,292

Notes: 1. Businesses are classified based on the companies' internal definition.

2. Main products and businesses by each segment

(1) Oil business: Gasoline, naphtha, kerosene, diesel oil, fuel oil, lubricating oil, LPG, asphalt, petrochemical products

(2) Property business: Leasing and administration of properties

(3) Other businesses: Engineering, sale and lease of automobile accessories, city gas business, electric power supply business and distributed power supply, etc.

3. "Internal trade" did not include any operating expenses that could not be allocated.

4. Corporate assets are fully allocated to each segment and not included in assets in "Internal trade."

5. Long-term prepaid expenses and their depreciation are included in depreciation and impairment losses and capital expenditures.

(2) Geographic Segment Information

For the years ended 31 December 2006 and 2005, geographic segment information has been omitted as the Companies have no consolidated subsidiaries or branches domiciled in countries or regions other than Japan.

(3) Overseas Sales

For the year ended 31 December 2006

	Million Yen		
	Asia	Others	Total
Overseas sales	¥212,113	¥127,463	¥ 339,576
Consolidated sales proceeds			2,921,287
Overseas sales as a percentage of total consolidated sales proceeds	7.3%	4.4%	11.6%

For the year ended 31 December 2005

	Million Yen		
	Asia	Others	Total
Overseas sales	¥125,583	¥92,901	¥ 218,484
Consolidated sales proceeds			2,268,488
Overseas sales as a percentage of total consolidated sales proceeds	5.5%	4.1%	9.6%

Notes: 1. Countries and regions are classified on the basis of geographic proximity.

2. Main countries included in each geographic segment are as follows;

(1) Asia Singapore, Republic of Korea, Hong Kong

(2) Others... U.A.E., U.S.A., United Kingdom, Belize

3. Overseas sales are sales of the Company and its consolidated subsidiaries outside Japan.