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Press Release

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Revision of the Full Year Earnings Forecast for 2006 **(January – December 2006)**

TonenGeneral Sekiyu K.K. has revised its consolidated and parent income forecasts for January 1 through December 31, 2006, which were previously announced on August 22, 2006.

1. Revision of Income Forecast during January 1 – December 31, 2006

Consolidated:

(Unit: billion yen)

	Sales Revenue	Operating Income/Loss	Ordinary Income/Loss	Net Income/Loss
Revised Forecast (A)	3,140.0	39.0	45.0	27.0
Previous Forecast (B)	3,176.0	21.0	27.0	16.0
Difference (A-B)	▲36.0	18.0	18.0	11.0
Increase/Decrease	▲1%	86%	67%	69%

(B) announced on August 22, 2006

Parent:

(Unit: billion yen)

	Sales Revenue	Operating Income/Loss	Ordinary Income/Loss	Net Income/Loss
Revised Forecast (A)	3,080.0	21.0	81.0	69.0
Previous Forecast (B)	3,118.0	▲1.0	59.0	57.0
Difference (A-B)	▲38.0	22.0	22.0	12.0
Increase/Decrease	▲1%	--	37%	21%

(B) announced on August 22, 2006

2. Reasons for the Revision

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

Projections for the October 1-December 31, 2006 period take into account the following factors:

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