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Press Release

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Revision of the Interim Earnings Forecast for the 1st half, 2005

(January – June 2005)

TonenGeneral Sekiyu K.K. has revised its consolidated and parent income forecasts for the first half ended June 30, 2005, which were previously announced on February 28, 2005.

1. Revision of Income Forecast during January 1 – June 30, 2005

Consolidated:

(Unit: Billion yen)

	Sales revenue	Operating income	Ordinary income	Net income
Previous Forecast (A)	1,160.0	33.0	33.0	20.0
Revised Forecast (B)	1,324.9	22.0	23.9	14.8
Difference (B-A)	164.9	- 11.0	- 9.1	-5.2
Increase/Decrease(%)	14.2	- 33.3	- 27.6	- 26.0

(A) announced on February 28, 2005

Parent:

(Unit: Billion yen)

	Sales revenue	Operating income	Ordinary income	Net income
Previous Forecast (A)	1,170.0	24.0	24.0	13.0
Revised Forecast (B)	1,294.9	12.0	15.1	9.2
Difference (B-A)	124.9	- 12.0	- 8.9	-3.8
Increase/Decrease(%)	10.7	- 50.0	- 37.1	- 29.2

(A) announced on February 28, 2005

2. Reasons for the Revision

Consolidated Sales Revenue for the first half of 2005 is expected to be 1,324.9 billion yen, an increase by 14.2% or 164.9 billion yen from the previous forecast announced in February 2005. Among the reasons for this change are higher wholesale product prices due to significantly increased crude oil prices.

Consolidated operating income for the first half of 2005 is estimated to be 22.0 billion yen, a decrease of 11.0 billion yen from the previous forecast. The revision is mainly due to the following factors:

(1)Increased margins for petrochemical products:
Unit margins for major products such as Olefins, Benzene, and Paraxylene will exceed the previous forecast, reflecting the continuous strong demand.

(2) Significantly lower margins for petroleum products:
Petroleum product margins are significantly lower than those assumed in the previous forecast, due to the extreme effects of the crude price increases in the first half of 2005. TonenGeneral accounts for purchased crude when it is loaded, whereas most of the industry accounts for crude when it arrives in Japan, so that crude price changes affect our results approximately one month earlier than industry. The full effects of the extreme crude price increases seen in the first half of 2005 (an increase of 19.9$/barrel overall on a Dubai basis) are reflected in our financial results in the first half. This effect on Dubai basis versus our original forecast (and versus accounting method of industry) is estimated at about 26 billion yen.

(3) Inventory valuation effects:
TonenGeneral applies the LIFO/LOCOM method for inventory evaluation. Estimated operating income includes inventory valuation gains of around 16 billion yen during the first half of 2005, while the 1st half inventory effects were assumed to be zero in our previous projection. These inventory valuation effects, which do not affect our cash earnings, only partly offset the significantly reduced petroleum margins described above.

We will reconsider the projection for full-year earnings together with our disclosure of the first half earnings results, in August.

We have made no revision to our original projection of total dividend payments of 36 yen per share for the year.

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