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Press Release

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TonenGeneral Sekiyu K.K. Earnings Results for January 1 – March 31, 2007

TonenGeneral Sekiyu K.K. today announces its consolidated earnings for January 1 – March 31, 2007.

1. Industry Conditions

Crude Cost and Petroleum Product Market Trends

The Dubai spot crude price, which is regarded as a crude index for the Asia region, started between 57 and 58 dollars per barrel at the beginning of the year and fell to under 50 dollars per barrel in mid-January, but subsequently increased, reaching just over 63 dollars at the end of March. The January-March spot price averaged 55.4 dollars per barrel, a 4% (2.5 dollars) decrease versus the same period in 2006. The U.S. dollar-yen exchange rate for the January-March, 2007 period averaged 120.52 yen per dollar, a depreciation of 2.58 yen versus the same period in 2006. As a result, the average crude cost in yen-per-liter terms (on a loaded basis) was 42.03 yen per liter, or about 2% (0.96 yen) lower than the same period last year. Retail pump prices for gasoline and diesel increased 0.6 yen and 3.5 yen per liter, respectively, while the pump price of kerosene fell 2.8 yen per liter versus the same period last year (according to The Oil Information Center).

Domestic Petroleum Product Demand

According to published data from the Ministry of Economy, Trade and Industry, total petroleum product demand for the January-March, 2007 period fell 11.2% versus the same period in 2006. Demand for gasoline and diesel fell 2.4% and 2.1%, respectively, while demand for kerosene and Fuel Oil A dropped significantly by 15.9% and 16.8%, respectively, due mainly to a relatively warm winter. In addition, demand for Fuel Oil C fell 26.2%, a significant decline versus the same period last year, reflecting declines in fuel oil demand by the electrical power sector.

Petrochemicals: Industry Production and Market Price

Domestic production of basic petrochemical products such as olefins and aromatics increased 5%-7% versus the same period last year. Asian spot market prices (in US dollar terms) for ethylene and benzene increased 10.7% and 32.2%, respectively, while those for paraxylene and toluene rose 15.6% and 13.3%, respectively, versus the same period last year.

2. TonenGeneral Financial Results for January 1-March 31, 2007

Consolidated:

(Unit: billion yen)

	Sales Revenue	Operating Income/Loss	Ordinary Income/Loss	Net Income/Loss
Jan-Mar 2007 (A)	708.8	22.5	23.6	14.4
Jan-Mar 2006 (B)	768.9	17.4	19.6	11.7
Difference (A-B)	▲60.1	5.2	4.0	2.6
Increase/Decrease	▲7.8%	29.7%	20.3%	22.3%

Sales Revenue

Consolidated sales revenue fell 60.1 billion yen versus the same period last year to 708.8 billion yen due to decreased sales volumes and overall lower average prices for the mix of products sold.

Operating Income

Consolidated operating income improved by 5.2 billion yen over the same period last year to 22.5 billion yen. The factors involved in this 5.2 billion yen are as follows:

（1） Strong trends in petrochemical product earnings

Due to continued strong demand, margins for olefins and aromatics improved versus the same period last year and they remain high compared with trends of the past several years. As a result, petrochemical product margins increased earnings by 3.6 billion yen versus the same period last year.

（2） Improved earnings in the petroleum sector

Improved product margins increased earnings by 3.0 billion yen versus the same period last year.

（3） Inventory valuation effects

TonenGeneral applies the LIFO/LOCOM method for inventory valuation. As a result of this method, operating income includes inventory valuation gains of 8.4 billion yen (versus 8.9 billion yen for the same period last year). These earnings do not have cash effects.

（4） Increase in operating expense

Operating expense increased 0.9 billion yen versus the same period last year. This is mostly due to timing factors, and overall 2007 operating expense is expected to be reduced from 2006 as planned.

Ordinary Income

Ordinary income increased by 4.0 billion yen versus the same period last year to 23.6 billion yen, reflecting a net non-operating income of 1.1 billion yen, principally due to foreign exchange gains.

Net Income

Extraordinary gain items such as profits from the sale of fixed assets were essentially offset by extraordinary losses such as impairment losses. This resulted in a net income of 14.4 billion yen, 2.6 billion yen higher than the same period in 2006.

3. Earnings/Dividend Forecast for the Interim/Full Year 2007

We have not changed the 2007 full year and interim earnings forecast announced on February 19, 2007. Also, there is no change in the original projected full-year dividends forecast of 37 yen per share.