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Press Release

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Revision of the Full Year Earnings Forecast 2005
(January – December 2005)

TonenGeneral Sekiyu K.K. has revised its consolidated and parent income forecasts for Full Year 2005, which were previously announced on August 22, 2005.

1. Revision of Income Forecast during January 1 – December 31, 2005

Consolidated:

(Unit: Billion yen)

	Sales revenue	Operating income	Ordinary income	Net income
Revised Forecast (A)	2,877.0	30.0	33.0	20.0
Previous Forecast (B)	2,815.0	55.0	57.0	35.0
Difference (A-B)	62.0	-25.0	-24.0	-15.0
Increase/Decrease (%)	2.2	-45.5	-42.1	-42.9

(B) announced on August 22, 2005

Parent:

(Unit: Billion yen)

	Sales revenue	Operating income	Ordinary income	Net income
Revised Forecast (A)	2,840.0	9.0	17.0	11.0
Previous Forecast (B)	2,798.0	35.0	43.0	27.0
Difference (A-B)	42.0	-26.0	-26.0	-16.0
Increase/Decrease (%)	1.5	-74.3	-60.5	-59.3

(B) announced on August 22, 2005

2. Reasons for revision

Consolidated operating income for the full year 2005 is projected at 30.0 billion yen. Some considerations leading to the forecast include the following assumptions:

(1) Sales volume is assumed to be almost the same as the previous forecast.
(2) While margins of Chemical sector in the fourth quarter are expected to improve versus the third quarter margins, Chemicals earnings on a full year basis are projected to decrease slightly from the prior projection (though they will exceed full-year 2004 levels).
(3) Oil product margins are expected to decrease on a full-year 2005 basis, versus our prior forecast reflecting the extreme effects of the rapid crude price increase during January to September. However, our forecast oil product margin for the fourth quarter alone is essentially unchanged versus our prior forecast. This forecast depends, among other things, on an assumed stabilization of crude prices.
(4) Given the elevated crude price levels implied in our projection of product margins, we are assuming an inventory valuation gain of 13.0 billion yen. However, as TonenGeneral applies the LIFO/LOCOM method for inventory evaluation, year-end inventory valuation remains subject to crude oil and product prices, as well as inventory volume levels, at the end of the year.

Overall, full year earnings are expected to be lower than our prior forecast due to third quarter results. However, due mostly to forecast increases in inventory evaluation effects, fourth quarter operating income expected to be somewhat higher than that assumed in our prior projection.

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