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Press Release

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Earnings Results for January 1 through September 30, 2005

TonenGeneral Sekiyu K.K. announces today its consolidated earnings for January 1 through September 30, 2005.

1. Industry Conditions

Crude Cost and Petroleum Product Market

Dubai crude spot price started at 34 dollars per barrel at the beginning of this year and has risen abruptly, hitting a peak of 59 dollars per barrel in September. The 2005 3rd quarter year-to-date average of 48.1 dollars per barrel was about 15.1 dollars per barrel, or 46%, higher than that of last year. The U.S. dollar-yen exchange rate in the same period averaged 108.8 yen per dollar, an appreciation of about 1.2 yen against the US dollar versus the same period of last year. Year-to-date crude cost in yen per liter terms (on a loaded basis) was 33.1 yen per liter or about 45% higher than in the same period of last year.
Domestic retail market prices for major products such as gasoline, kerosene and diesel in the January-September period showed a firm trend. However, industry experienced lower product margins during the third quarter versus the same period of last year, due to the inability to recover increased crude oil prices in the petroleum product market.

Product Demand

2005 third quarter year-to-date total petroleum product demand showed a decrease of 0.2% versus the corresponding period last year. Gasoline demand increased by 0.8%. Kerosene demand grew by 4.3%, due to the impact of a colder winter in the first quarter. Diesel demand deceased by 1.2%. FOA demand decreased by 1.7%. FOC demand declined by 3.8%, reversing the effects of nuclear plant shutdowns in 2004.

Petrochemicals: Production and Market Price

Asian spot market prices for aromatics showed a declining trend in the July-September period. Prices for paraxylene experienced a short-term pullback ending in August, and are now again in an upward trend. Prices for benzene have leveled off, after prices rose to unsustainable levels associated with supply shortages earlier this year. On the other hand, demand has showed a continuous strong trend, and domestic production volume for ethylene has remained at high levels, almost equal to the previous January to September levels. Similarly, production volume for benzene, toluene and paraxylene, was positive 5.9%, 4.9% and 3.8% respectively, versus the corresponding period last year.

2. TonenGeneral Financial Results for January 1 through September 30, 2005

Consolidated:

(Unit: Billion yen)

	Sales Revenue	Operating Income/Loss	Ordinary Income/Loss	Net Income/Loss
YTD 2005 (A)	2,074.7	4.3	7.1	5.9
YTD 2004 (B)	1,703.0	37.6	41.1	26.7
Difference (A-B)	371.8	-33.3	-34.0	-20.8
Increase/Decrease (%)	21.8	-88.6	-82.7	-78.0

Sales Revenue

Consolidated sales revenue increased by 371.8 billion yen from the previous year to 2,074.7 billion yen, mainly due to elevated product selling prices following the rise in crude oil price.

Operating Income

Consolidated operating income decreased by 33.3 billion yen from the previous year to 4.3 billion yen. The factors for this result were:

(1) Increased margins for petrochemical products:

Though unit margins for aromatics in the July-September period declined from the January-June levels this year, they were at almost the same levels as during the third-quarter year-to-date period last year. For petrochemical products such as olefins and chemical specialties, margins have stayed strong, and as a result, overall petrochemical margins increased by 11.9 billion yen over the previous period.

(2) Operating cost reduction

Operating costs were 8.8 billion yen lower than the prior year. This reduction in operating costs, a key and continuing focus for the Company, included lower pension expenses and lower personnel costs.

(3) Inventory valuation effects

TonenGeneral applies the LIFO/LOCOM method for inventory evaluation. Operating income includes inventory valuation gains of 6.4 billion yen, versus 0.5 billion yen of negative inventory effects in the previous year. These inventory valuation effects do not affect our cash earnings.

(4) Reduced petroleum product margins:

Petroleum product margins decreased operating earnings by 61.7 billion yen compared with the same period last year, due to the extreme effects of the rapid crude price increase. In particular, industry experienced significantly lower product margins during the third quarter of this year, due to the inability to recover increased crude oil prices in the petroleum product market. In addition to industry-wide factors, TonenGeneral accounts for purchased crude when it is loaded, whereas most of industry accounts for crude when it arrives in Japan, so that crude price changes affect our results approximately one month earlier than industry. Therefore, the full effects of the extreme crude price increases seen in the third quarter year-to date (an increase of about 25 dollars/barrel overall on a Dubai basis from the price lows in January to the price highs in September) are reflected in our financial results in the same period. This difference in accounting practice versus industry adversely affected the Company's results, versus industry, by approximately 49 billion yen (on a Dubai basis) during the first three quarters of this year.

Net Income

Non-operating income stood at 2.8 billion yen, chiefly due to exchange gains. Gains on sales of investment securities resulted in a net extraordinary gain of 1.1 billion yen. With this, net income decreased by 20.8 billion yen versus the previous period to 5.9 billion yen.

Memo:

Parent:

(Unit: Billion yen)

	Sales Revenue	Operating Income/Loss	Ordinary Income/Loss	Net Income/Loss
YTD 2005 (A)	2,032.0	-11.8	-3.1	0.3
YTD 2004 (B)	1,724.7	24.4	32.4	23.5
Difference (A-B)	307.2	-36.2	-35.5	-23.2
Increase/Decrease (%)	17.8	-148.4	-109.5	-98.5

3. TonenGeneral Corporate Initiatives

All operational activities, including manufacturing, sales, and operating expense reductions, were at or better than plan.

Refining
To further improve efficiency and enhance our refineries' operating configuration in the mid to long term range, TonenGeneral is making capital investments for new and revamped units at its refineries. In addition to our normal investment programs, total capital for these investments is expected to exceed 25 billion yen for these units, over the next few years.

Chemical
TonenGeneral invests aggressively in businesses with high earning potential. For example, to meet demand growth, we are making investments to add two new lines, for lithium battery microporous membrane separators, expected to be on line early in 2006. These products are used in batteries for cellular phones, PCs, etc.

LNG Terminal Business
TonenGeneral and Shizuoka Gas have reached a heads of agreement on an expansion plan for the LNG Terminal at the Sodeshi Terminal, Shizuoka Prefecture, operated by Shimizu LNG Co., Ltd (SLK). SLK, a joint venture owned 35% by TonenGeneral and 65% by Shizuoka Gas, was established in 1992 to accept and store LNG and re-gasify and resell gas. SLK currently owns two LNG underground tanks with the capacity of 180 KKL. The expansion would include construction of a third tank by SG and completion of additional regasification facilities by SLK. Definitive agreements for the expansion plan are currently being finalized and remain subject to each Company's final management approval.

4. Dividend Forecast

Our basic policy is to deliver appropriate dividends to shareholders, while maintaining a sound financial structure and giving due consideration to consolidated cash flow trends and future capital investments. We continue with our view of financial management that cash flow that cannot be employed in a way that meets our rigorous investment standards should be returned to our shareholders.

The company paid an interim dividend to its shareholders as of June 30, 2005, of 18 yen per share. Based on current earnings projections, the Board of Directors is prepared to consider a plan to increase the dividend per share to an amount that would result in the total dividends paid to shareholders remaining at substantially the same aggregate level as the level before stock repurchase program that we announced separately today. Subject to the number of shares actually repurchased in the program, and the terms of their purchase, as well as the necessary decision of the general meeting of shareholders on the level of the final dividend, this could result in a final dividend per share of about 18.5 yen/share versus the current 18.0 yen/share forecast in August.

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