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Press Release

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Revision of the Interim Earnings Forecast for the 1st half, 2006

(January – June 2006)

TonenGeneral Sekiyu K.K. has revised its consolidated and parent income forecasts for the first half ended June 30, 2006, which were previously announced on February 24, 2006.

1. Revision of Income Forecast during January 1 – June 30, 2006

Consolidated:

(Unit: Billion yen)

	Sales revenue	Operating income	Ordinary income	Net income
Revised Forecast(A)	1,479.8	11.4	15.3	10.1
Previous Forecast (B)	1,540.0	21.0	21.0	13.0
Difference (A-B)	-60.2	- 9.6	- 5.7	-2.9
Increase/Decrease(%)	-4	- 46	- 27	- 23

(B) announced on February 24, 2006

Parent:

(Unit: Billion yen)

	Sales revenue	Operating income	Ordinary income	Net income
Revised Forecast(A)	1,453.6	0.4	29.1	27.4
Previous Forecast (B)	1,510.0	13.5	38.5	33.0
Difference (A-B)	-56.4	- 13.1	- 9.4	-5.6
Increase/Decrease(%)	-4	- 97	- 25	- 17

(B) announced on February 24, 2006

2. Reasons for the Revision

Consolidated operating income for the first half of 2006 is estimated to be 11.4 billion yen, a decrease of 9.6 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 and aromatics will exceed the previous forecast, reflecting the continuous strong demand.

(2) Lower petroleum products earnings:

Petroleum product margins are significantly lower than those assumed in the previous forecast. Although there were some favorable factors in the period, including reduced ocean freight costs, the effects of the crude price increases in the first half of 2006, especially the sharp increase in the second quarter of the year, have led to significantly lower margins than those assumed in the previous forecast. 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 crude price increases seen in the first half of 2006 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 20 billion yen.

In addition, the fire at our Sakai Refinery on April 10 that led to a temporary shutdown of facilities had an adverse effect on costs. However, this effect was much smaller than that of crude price increases. We have since fully recovered from this incident and resumed operations in June.

(3) Inventory valuation effects:

TonenGeneral applies the LIFO/LOCOM method for inventory evaluation. Earnings include inventory valuation gains of around 7.7 billion yen (no effect on cash flow), although inventory valuation effects were assumed to be zero in our previous projection.

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

Parent operating income for the first half of 2006 is estimated at 0.4 billion yen, down 97%, or a decrease of 13.1 billion yen, from the previous forecast.
The most significant difference between the consolidated results and non-consolidated results is the contribution to consolidated earnings of our major Chemicals subsidiary, Tonen Kagaku K.K.

3. Dividends projection

We have made no revision to our original projection of total dividend payments of 37 yen per share for the year.

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