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Press Release

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TonenGeneral Sekiyu K.K. Earnings Results for January 1 – September 30, 2007

TonenGeneral Sekiyu K.K. today announces its consolidated earnings for January 1 – September 30, 2007.

1. Industry Conditions

Crude Cost

The Dubai crude spot price started between 57 and 58 dollars per barrel at the beginning of the year and proceeded on a volatile but upward trend, reaching a high between 76 and 77 dollars at the end of September. The January-September Dubai spot price averaged 63.4 dollars per barrel, a 0.9% (0.5 dollars) increase versus the same period in 2006. The U.S. dollar-yen exchange rate for the January-September, 2007 period averaged 120.4 yen per dollar, a decline of 3.5 yen versus the same period in 2006. As a result, the average crude cost in yen-per-liter terms (on a loaded basis) was 48.0 yen per liter, or about 3.9% (1.8 yen) higher than the same period last year. Retail pump prices for gasoline and diesel increased 1.1 yen and 3.4 yen per liter, respectively, while the pump price for kerosene fell 2.2 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-September 2007 period fell 6.7% versus the same period in 2006. Demand for gasoline and diesel fell 1.1% and 1.7%, respectively, versus the same period in 2006. Demand for kerosene and Fuel Oil A dropped 14.3% and 15.9%, respectively, mainly due to factors such as a relatively warm winter and a shift to other forms of energy. In addition, demand for Fuel Oil C fell 10.2% versus the same period last year, reflecting factors such as the decline in fuel oil demand by the electrical power sector and the shift to other forms of energy.

Petrochemicals: Industry Production and Market Price

Domestic production of basic petrochemical products such as olefins and aromatics increased versus the same period last year, with ethylene and benzene production increasing 4% and 9%, respectively. Although Asian spot prices (in US dollar terms) for paraxylene fell 1.5%, those for benzene and toluene rose 16.4% and 1.1%, respectively, versus the same period last year.

2. Financial Results for January 1-September 30, 2007

Consolidated:

(Unit: billion yen)

	Sales Revenue	Operating Income/Loss	Ordinary Income/Loss	Net Income
Jan-Sept 2007 (A)	2,191.5	54.8	59.4	35.5
Jan-Sept 2006 (B)	2,289.5	40.4	45.9	27.9
Difference (A-B)	▲98.0	14.4	13.5	7.7
Increase/Decrease	▲4.3%	35.7%	29.4%	27.5%

Consolidated Sales Revenue

Consolidated sales revenue fell 98.0 billion yen versus the same period last year to 2,191.5 billion yen due to decreased sales volumes.

Consolidated Operating Income

Consolidated operating income improved by 14.4 billion yen versus the same period last year to 54.8 billion yen. The factors contributing to this improvement are as follows.

(1) Low margins for petroleum products

Petroleum product margins were lower than in the same period in 2006. The steep increase in crude prices during the January-September 2007 period was not fully reflected in domestic fuel prices. In addition, TonenGeneral accounts for purchased crude in its cost of goods 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 other industry participants. Calculated on a Dubai basis, the effect of this accounting method difference on our earnings for the January-September 2007 period is about negative 22.0 billion yen, versus negative 13.0 billion yen for the same period last year.

As a result of the factors above, excluding inventory valuation effects, operating income in the petroleum segment decreased 19.7 billion yen versus the same period last year.

(2) Inventory valuation effects
Offsetting the effects of low petroleum product margins described above, operating income for the January-September 2007 period includes significant non-cash inventory valuation gains of 41.7 billion yen. This is an increase of 21.9 billion yen versus the same period last year. TonenGeneral applies the LIFO/LOCOM accounting method for inventory valuation; one large component of the gain was a draw-down of inventory volumes versus the end of 2006. It is projected that inventory, which decreased temporarily at the end of September, will reverse in part during the fourth quarter, and that full-year inventory valuation gains will be lower than at present.

(3) Strong trends in petrochemical product earnings
Operating income in the petrochemicals segment increased 12.3 billion yen versus the same period last year. Margins for both aromatics and olefins increased, supported by continued strong demand. In addition, the absence during the January-September 2007 period of large-scale turn-arounds, like that which took place at the ethylene plant in the third quarter of 2006, allowed for higher sales volumes and contributed to the increase in earnings.

(4) Operating costs
Although reductions in pension and other costs continued, there were increases in some areas, including depreciation due to new investments and maintenance costs. This resulted in an increase in operating costs of 2.4 billion yen versus the same period last year.

Net Income

Net non-operating income was 4.6 billion yen, which included foreign exchange gains and equity earnings of affiliates. Net extraordinary loss was 0.6 billion yen, a 0.7 billion improvement versus the same period last year. As a result, net income for the January-September 2007 period was 35.5 billion yen, 7.7 billion yen higher than the same period in 2006.

Memo:

Parent:

(Unit: billion yen)

	Sales Revenue	Operating Income/Loss	Ordinary Income/Loss	Net Income
Jan-Sept 2007 (A)	2,163.2	33.6	40.7	25.5
Jan-Sept 2006 (B)	2,250.0	26.5	86.5	73.0
Difference (A-B)	▲86.8	7.2	▲45.7	▲47.6
Increase/Decrease	▲3.9%	27.1%	▲52.9%	▲65.1%

3. Earnings Forecast Revision for the Full Year 2007

Consolidated:

(Unit: billion yen)

	Sales Revenue	Operating Income/Loss	Ordinary Income/Loss	Full Year Net Income
Revised Forecast (A)	3,090.0	47.0	51.0	29.0
Previous Forecast (B)	3,090.0	47.0	49.0	29.0
Difference (A-B)	-	-	2.0	-
Increase/Decrease	-	-	4%	-

(B) announced on August 14, 2007

Operating income is forecast to be the same as the previous forecast. Excluding inventory valuation effects, petroleum segment earnings for the full year are expected to be somewhat lower than previously forecast due to lower margins. This is expected to be partially offset by 2007 operating earnings related to the divestment of Nansei Sekiyu (K.K.) stock, announced on Nov. 10, 2007. Inventory gains as of end-September are forecast to reverse in part by year-end, but ending higher than our prior full-year forecast. This is expected to balance the lower margin effects mentioned above.

Ordinary income is expected to rise versus the previous forecast, reflecting foreign exchange gains during the January-September period.

An extraordinary loss of 2.9 billion yen is projected related to the stock transfer of Nansei Sekiyu (K.K.) mentioned above.

Taking the above into consideration, 2007 full year net income is expected to be 29.0 billion yen, the same as the previous forecast.

Parent:

(Unit: billion yen)

	Sales Revenue	Operating Income/Loss	Ordinary Income/Loss	Full Year Net Income
Revised Forecast (A)	3,040.0	14.0	34.0	26.0
Previous Forecast (B)	3,040.0	17.0	21.0	13.0
Difference (A-B)	-	▲3.0	13.0	13.0
Increase/Decrease	-	▲18%	62%	100%

(B) announced on August 14, 2007

Parent ordinary income for the full year 2007 is expected to be 34.0 billion yen. The increase versus our prior forecast is primarily due to a projected 13.0 billion yen in dividend earnings from subsidiaries not previously forecast. This revision does not affect the consolidated earnings forecast.

4. Dividends Policy and 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 adhere to our view that cash flow that cannot be employed in a way that meets our rigorous investment standards should be returned to shareholders.

The Company has paid an interim dividend of 18.5 yen per share to the company’s shareholders as of June 30, 2007. In addition, as stated in the “Dividends Forecast Revision” announced on August 17, the Company projects a payment to its shareholders as of December 31, 2007, of 19 yen per share as a dividend for the latter half of the term ended December 31, 2007, subject to the decision of general meeting of shareholders, taking into account the full-year business performance and cash flow.

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