July 25, 2008

Press Release

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Revision of the Interim Earnings Forecast for the First Half, 2008

TonenGeneral Sekiyu K.K. has revised its interim consolidated and parent earnings forecasts for the January 1 - June 30, 2008 period, which were previously announced on February 14, 2008.

1. Revision of the interim earnings forecast for the first half, 2008

Consolidated:

(Unit: Billion yen)

	Sales revenue	Operating income	Ordinary income	Net income
Revised forecast (A)	1,692.6	▲2.3	3.8	5.9
Previous forecast (B)	1,750.0	25.0	26.0	16.0
Difference (A-B)	▲57.4	▲27.3	▲22.2	▲10.1
Increase/decrease (%)	▲3%	-	▲85%	▲63%

(B) announced on February 14, 2008

Parent:

(Unit: Billion yen)

	Sales revenue	Operating income	Ordinary income	Net income
Revised forecast (A)	1,683.9	▲15.6	▲5.2	1.7
Previous forecast (B)	1,700.0	13.0	17.0	12.0
Difference (A-B)	▲16.1	▲28.6	▲22.2	▲10.3
Increase/decrease (%)	▲1%	-	-	▲86%

(B) announced on February 14, 2008

2. Reasons for the revision

Consolidated operating income for the first half of 2008 is estimated to be -2.3 billion yen, a decrease of 27.3 billion yen versus the previous forecast. The revision is mainly due to the following factors:

- There was a significant reduction in margins for petroleum products versus the previous forecast. The cost increases led by abrupt crude price hikes were not sufficiently reflected in product sales prices. During the first half, crude oil prices (Dubai crude FOB spot basis) increased by 42 dollars per barrel versus December 2007.

- For accounting purposes TonenGeneral Sekiyu recognizes crude oil price in its cost of goods when the crude is loaded, whereas most of other oil companies account for crude cost when it arrives in Japan, so that crude price changes affect our accounting results approximately one month earlier than other industry participants. For this reason, crude price increases during the first half of 2008 are fully reflected in our first half results. With significant crude price hikes in the January-June period, it is estimated that, using Dubai crude FOB spot price as a benchmark, this difference adversely affected our results by about 50 billion yen versus the other oil companies' accounting method.

- TonenGeneral Sekiyu applies the LIFO method for inventory evaluation. Earnings include expected inventory valuation gains of around 29 billion yen (no effect on cash flow), although inventory valuation effects were assumed to be zero in our previous projection.

- Margins for petrochemicals, mainly aromatics, were lower than expected, as feedstock costs, affected by crude oil prices, rose at a higher rate than the product sales price.

Net income for the first half of 2008 is estimated to be 5.9 billion yen, 10.1 billion yen lower than the forecast announced in February. We will reconsider our projection for full-year earnings at the time of our disclosure of the first half earnings results in August.

3. Dividends forecast

There is no change in the original interim and full-year dividends forecast of 19 yen and 38 yen per share respectively, announced in February.

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