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Press Release

TonenGeneral Sekiyu K.K.

(Stock Code: 5012 Tokyo Stock Exchange)

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Earnings Results for January 1 through March 31, 2005

TonenGeneral Sekiyu K.K. announces today its consolidated earnings for January 1 through March 31, 2005.

1. Industry Conditions

Crude Cost

Dubai spot price (on a loaded basis) started off at 34.3 dollars per barrel at the beginning of this year and has risen abruptly, hitting a peak of 47.9 dollars per barrel in March. The 2005 first quarter year-to-date average of 41.2 dollars per barrel was about 11.8 dollars per barrel, or 40%, higher than that of last year. The U.S. dollar-yen exchange rate in the same period ranged from 103 to 107 yen per dollar, averaging at 105.5 yen per dollar. Year-to-date crude cost in yen per liter terms was 27.4 yen per liter or about 36% higher than in the same period of last year.

Petroleum Product Market

Overall product market conditions in the January-March period became firmer than last year. Gasoline retail pump prices increased by 11.1 yen per liter in the first quarter of 2005, versus the previous period. Similarly, diesel and kerosene retail pump prices were up by 9.1yen per liter over the same period respectively.

Petroleum Product Demand

2005 first quarter year-to-date total petroleum product demand showed a slight increase of 0.6% versus the corresponding period last year. Gasoline showed a steady demand and grew by 1.7%. Kerosene demand grew by 5.1%, due to the impact of a colder winter. Diesel demand increased by 1.3%. FOA demand decreased by 1.0%. FOC demand declined by 7.5%, reversing the effects of nuclear plant shutdowns in 2004.

Petrochemicals: Production and Market Price

In the 1st quarter of 2005, petrochemical products continued to show strong trends both in production volume and spot market prices, reflecting the strong demand mainly seen in China. Compared with the same period last year, production volume for Benzene, Paraxylene was positive 9% and 6% respectively. As for Asian spot market price in US dollar terms, Naphtha increased by 24% during January through March, Benzene 78%, and Paraxylene 41% respectively, compared with the same period last year.

2. TonenGeneral Financial Results for January 1 through March 31, 2005

Consolidated:

(Unit: billion yen)

	Sales Revenue	Operating Income/Loss	Ordinary Income/Loss	Net Income/Loss
Jan – Mar 2005 (A)	663.3	9.6	10.4	6.4
Jan – Mar 2004 (B)	557.4	10.8	12.0	7.7
Difference (A-B)	105.9	▲1.2	▲1.6	▲1.3
Increase/Decrease (%)	19	▲11	▲13	▲17

Sales Revenue

Consolidated year-to-date sales revenue increased by 105.9 billion yen to 663.3 billion yen, reflecting the sales volume increase in major petroleum products, and elevated product selling prices following the rise in crude oil prices.

Operating Income

Improvement in utilization over the same period last year contributed to sales volume increases. Results from key business operational activities, including manufacturing, sales, and operating expense reductions, were at or better than plan.

The main factors affecting financial results were as follows:

(1) Increased margins for petrochemical products:

Sales volume and unit-margins for major products such as Olefins, Benzene, and Paraxylene showed a strong trend reflecting the continuous strong demand. These margin increases contributed 6.9 billion yen to operating income versus last year.

(2) Reduced petroleum product margins:

Petroleum product margins decreased by 23.5 billion yen compared with the same period last year, due to the extreme effects of the rapid crude price increase in the first quarter. 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 crude price increase are reflected in our first quarter results.

(3) Inventory valuation effects:

TonenGeneral applies the LIFO/LOCOM method for inventory evaluation. Operating income includes an inventory valuation gain of 14.4 billion yen, versus 0.1 billion yen of favorable inventory effects in the previous year. These inventory valuation effects do not affect our cash earnings.

As a result of those factors above, consolidated operating income during the first quarter declined to 9.6 billion yen, a reduction of 1.2 billion yen, versus the same period last year.

Net Income

Non-operating income was 0.9 billion yen, mainly due to foreign exchange gains and profits in equity companies. Net extraordinary income decreased by 0.4 billion yen versus the previous period, and net income in the January-March period decreased by 1.3 billion yen versus the previous period, to 6.4 billion yen.

3. Earnings/Dividend Forecast for the Interim/Full Year 2005

We have not changed the full year and interim earnings forecast announced on February 28, 2005, and have not revised our projection for total dividend payments for the year of 36 yen per share.

Consolidated Earnings Outlook for 2005 (January 1, 2005 through December 31, 2005)

(Unit: billion yen)

	Sales Revenue	Operating Income	Ordinary Income	Net Income
First Half	1,160.0	33.0	33.0	20.0
Full Year	2,370.0	65.0	66.0	40.0

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