August 22, 2005

Press Release

TonenGeneral Sekiyu K.K.
(Stock Code: 5012 Tokyo Stock Exchange)
Representative Director,
Chairman and President
G.W. Pruessing
Contact:
Public Affairs
ExxonMobil Yugen Kaisha
Tel: 03-6713-4400

Interim Earnings Results for the 1st half and Revision of the Full year Earnings Forecast, 2005

TonenGeneral Sekiyu K.K. announces today its consolidated and parent earnings for the first half ended June 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 54 dollars per barrel at the end of June. The 2005 first half year-to-date average of 44.5 dollars per barrel was about 13.1 dollars per barrel, or 42% higher than that of last year. The U.S. dollar-yen exchange rate in the same period ranged from 104 to 109 yen per dollar, averaging at 107.1 yen per dollar which represents an appreciation of about 2.4 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 30.1 yen per liter or about 39% 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 - June period firmed versus last year.

Product Demand

2005 first half year-to-date total petroleum product demand showed an increase of 1.1% versus the corresponding period last year. Gasoline demand increased by 1.8%. Kerosene demand grew by 6.4%, due to the impact of a colder winter. Diesel demand increased by 0.1%. FOA demand decreased by 0.7%. FOC demand declined by 3.0%, reversing the effects of nuclear plant shutdowns in 2004.

Petrochemicals: Production and Market Price

In the 1st half of 2005, despite a minor dip in the period from April to June, petrochemical products continued to show strong trends both in production volume and spot market prices, reflecting strong demand, especially from China. Domestic ethylene production volume continued to stay at a high level, maintaining the previous year's level. Compared with the same period last year, production volume for Benzene, Toluene and Paraxylene was positive 7.1%, 7.7% and 5.0% respectively. Asian spot market prices, in US dollar terms, increased by 43.1% for Benzene, and by 27.7% for Paraxylene, compared with the same period last year. The spot price for Naphtha, a key input for petrochemical production, increased by 24.0%.

2. TonenGeneral Corporate Initiatives

Refining & Supply

TonenGeneral has placed highest priority on safe operations and self-help initiatives to enhance our profitability. As for safety initiatives, we rededicated ourselves to flawless operations through "Operations Integrity Management System (OIMS)" and "Loss Prevention System (LPS)" that have been already applied in all of our refineries, oil terminals and offices. In addition, in parallel with the rest of the oil industry, we have been supplying ultra low-sulfur gasoline and diesel fuels from January 2005 to meet the needs of our customers and maintain a competitive position in the market. In meeting this requirement, we have focused on utilizing the global ExxonMobil supply network, and on making the most efficient use of our capital.

Marketing

TonenGeneral has participated in an integrated marketing strategy with the ExxonMobil Japan Group across the nationwide network of "General", "Esso" and "Mobil" brands to expand our share and profit through the retail channels. We continued to enhance the development of self-serve stations, maintaining our top position in the industry.

ExxonMobil Japan Group including TonenGeneral has rolled out more than 500 of branded self-serve site "Express" since 2002. We aim at ensuring higher quality of our offerings under the concept “quick and easy”, and are aggressively expanding the branded self-serve site “Express”. In addition, ExxonMobil Japan Group and Seven-Eleven Japan Co., Ltd. have collaborated on the joint development of convenience stores and retail self-service stations sites since last year with favorable results. The third pilot test site, in Okayama Prefecture, is expected to be on stream this September. Following that, new pilot test sites are expected to be on stream in the future.

Chemicals

Our Chemicals business, centering on TonenGeneral’s aromatics business and on Tonen Chemical Corp. (TCC), a wholly owned subsidiary, continues to focus on integration with our oil business and concentration on our core competitive segments, such as basic chemicals and intermediates, aiming at being the most efficient and competitive supplier in Japan. Furthermore, we are progressing key profit improvement projects such the capital investments for expansion of supply capacity of Micro-porous Film, debottlenecking of facilities for specialty products, feed stock optimization and improving core business efficiency.

3. The first half 2005 Financial Results

Consolidated:

(Unit: Billion yen)

	Sales Revenue	Operating Income/Loss	Ordinary Income/Loss	Net Income/Loss
2005 (A)	1,324.9	22.0	23.9	14.8
2004 (B)	1,077.3	16.1	17.7	12.4
Difference (A-B)	247.5	5.9	6.2	2.4
Increase/Decrease (%)	23.0	36.7	34.8	19.0

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

Sales Revenue

Consolidated sales revenue increased by 247.5 billion yen from the previous year to 1,324.9 billion yen, mainly due to elevated product selling prices following the rise in crude oil price, in addition to sales volume increases in major petroleum products versus last year.

Operating Income

Consolidated operating income increased by 5.9 billion yen from the previous year to 22.0 billion yen. Main reasons for this are:

(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 to the operating income increase by 12.2 billion yen versus last year.

(2) Operating cost reduction

Operating costs were reduced by around 4.8 billion yen versus the previous term. This reduction included lower pension expense and lower personnel costs.

(3) Inventory valuation effects

TonenGeneral applies the LIFO/LOCOM method for inventory evaluation. Operating income includes inventory valuation gains of 16.3 billion yen, versus 1.8 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 by approximately about 30 billion yen compared with the same period last year, due to the extreme effects of the rapid crude price increase in the first half. 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 first half of 2005 (an increase of about 20$/barrel overall on a Dubai basis from the price lows in January to the price highs in June) are reflected in our financial results in the first half. This adverse effect on a Dubai basis versus the accounting method of industry is estimated at about 26 billion yen.

Net Income

Non-operating income stood at 1.9 billion yen, chiefly due to exchange gains. Losses and gains on disposals of property and of investment securities resulted in a net extraordinary loss of about 0.1 billion yen. Including operating income and these non-operating factors, net income increased by 2.4 billion yen versus the previous period, to 14.8 billion yen.

Memo:

Parent:

(Unit: Billion yen)

	Sales Revenue	Operating Income/Loss	Ordinary Income/Loss	Net Income/Loss
2005 (A)	1,294.9	12.0	15.1	9.2
2004 (B)	1,094.7	8.4	15.7	13.5
Difference (A-B)	200.2	3.7	-0.6	-4.3
Increase/Decrease (%)	18.3	44.0	-3.7	-31.9

4. Earning Forecast for the Full Year 2005

Consolidated:

(Unit: Billion yen)

	Sales Revenue	Operating Income/Loss	Ordinary Income/Loss	Net Income/Loss
Revised Forecast (A)	2815.0	55.0	57.0	35.0
Previous Forecast (B)	2370.0	65.0	66.0	40.0
Difference (A-B)	445.0	-10.0	-9.0	-5.0
Increase/Decrease(%)	18.8	-15.4	-13.6	-12.5

(B) announced on February 28, 2005

Consolidated operating income for the full year 2005 is projected at 55.0 billion yen. Some considerations leading to the forecast include the following assumptions:

(1) Sales volume is assumed to be slightly higher than the previous forecast, reflecting first half sales volume increases.

(2) Higher earnings in the chemical sector versus the prior forecast are assumed, reflecting the continuous strong demand.

(3) Oil product margins are expected to decrease reflecting the extreme effects of the rapid crude price increase in the first half.

(4) Given the elevated crude price levels implied in our projection of product margins, we

are assuming a year-end inventory valuation gain of 9 billion yen.

Memo:

Parent:

(Unit: Billion yen)

	Sales Revenue	Operating Income/Loss	Ordinary Income/Loss	Net Income/Loss
Revised Forecast (A)	2,798.0	35.0	43.0	27.0
Previous Forecast (B)	2,400.0	47.0	47.0	26.0
Difference (A-B)	398.0	-12.0	-4.0	1.0
Increase/Decrease(%)	16.6	-25.5	-8.5	3.8

(B) announced on February 28, 2005

5. 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 board of directors has decided today to pay its shareholders as of June 30, 2005, an 18-yen per share as an interim dividend.
The company projects a payment to its shareholders as of December 31, 2005, of an 18-yen per share as dividend for the latter half of the term ended December 31, 2005, subject of course to the decision of general meeting of shareholders, taking into account of the full-year business performance and cash flow. The interim and projected full-year dividends are the same as originally forecast in February, and the same as last year.

***