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Press Release

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Interim Earnings Results for the 1st half, 2006

(January – June 2006)

TonenGeneral Sekiyu K.K. announces today its consolidated and parent earnings for the first half ended June 30, 2006.

1. Industry Conditions

Crude Cost

The Dubai crude spot price started at 55 dollars per barrel at the beginning of this year and rose to 68 dollars per barrel at the beginning of May. The price has remained at a high level since then, resulting in a first half year-to-date average of 61.4 dollars per barrel, 38% (16.9 dollars per barrel) higher than that of 1H last year.

The U.S. dollar-yen exchange rate in the same period averaged 116.7 yen per dollar, which represents a depreciation of about 9.6 yen against the US dollar versus the same period of last year. As a result, year-to-date crude cost in yen-per-liter terms (on a loaded basis) was 45.0 yen per liter or about 50% (14.9 yen) higher than the same period last year.

Petroleum Product Market

Retail pump prices for gasoline, diesel and kerosene increased 11.6, 12.5 and 18.6 yen per liter respectively, versus the same period last year.

Petroleum Product Demand

2006 first half year-to-date total petroleum product demand declined by 3.7% versus the corresponding period last year. Demand for gasoline and diesel dropped 1.0% and 2.7% respectively. Kerosene demand fell 8.0% due to higher temperatures in the first quarter this year versus the same period last year. Fuel Oil A demand decreased by 10.2% versus the same period last year with the lower demand for building heat, while Fuel Oil C demand increased by 1.8% versus 1H 2005 due to favorable demand for electric power in the first quarter.

Petrochemicals: Production and Market Price

Although domestic production of basic petrochemical products such as olefins and aromatics fell 3%-6% versus the same period last year, due to factors such as the effects of planned maintenance shutdowns, production remained at a high level compared with five-year historical trends.

Asian spot market prices (in US dollar terms) for benzene reversed downwards from the sharp increases in 1H 2005 to end up 9.6% lower than 1H 2005, while spot prices for paraxylene and toluene rose 17.4% and 18.9% respectively. Due to the effects of rising material costs, aromatics margins were lower than in the same period last year, but remained high compared with past trends.

2. TonenGeneral Corporate Initiatives

Refining & Supply

In Refining, TonenGeneral's long-term focus has been on raising efficiency and optimizing equipment configuration. To enhance our facilities, we are in the process of investing more than 25 billion yen over and above the levels of our usual annual investment programs. These investments for facility enhancements will continue until 2007. In particular, in view of regulatory requirements for gasoline and diesel fuel quality and structural changes in demand, we are constructing facilities to allow us greater flexibility in the use of feedstocks and in operating modes to respond to market changes. In addition, in an effort to develop the ability to achieve reasonable financial results even under severe market conditions, we are continuing to implement our “Profit Improvement Programs”. These programs include diversification of crude oil procurement to include more challenged crudes from sources such as West Africa, and development of technologies for handling crude oils with discounted prices due to their processing difficulties.

In addition, in order to take advantage of economically feasible product export opportunities, we are working on capacity expansion of our export facilities. In addition to exports sales to third parties, we are achieving maximum production value by actively increasing the exchange of products and semi-finished products with ExxonMobil Group refineries in the Asia-Pacific region, the U.S. West Coast and Europe.

Marketing

Our “General” brand is offered nationwide through an integrated marketing program with the ExxonMobil Japan Group “Esso” and “Mobil” brands, and our retail sector is continuing its efforts toward improving sales volume and earnings. The ExxonMobil Japan Group continues to increase the number of self-service stations, maintaining the top position in the industry. The number of ExxonMobil Japan Group self-service stations in Japan will reach 1,000 in the autumn of this year.

In particular, the branded self-service sites “Express”, with its brand concept of “the quickest and easiest service in the cleanest and most comfortable facilities”, has expanded to over 600 sites within the ExxonMobil Japan Group. For brand differentiation and sales promotion of “Express”, Tonen General and the ExxonMobil Japan Group are introducing new technology in response to customer needs in a continuous effort to gain even greater customer satisfaction. One example is Speedpass, a system that allows quick and easy payment for customers. As of June 2006, there were over 900,000 Speedpass members, and the number is expected to reach one million by the end of August. In addition, pilot tests for “Express” sites combined with convenience stores, which began in 2004 in conjunction with Seven-Eleven Japan Co., Ltd., are currently progressing smoothly at eight sites. If the pilots are successful, the alliance is expected to be rolled out on a nationwide basis.

Chemicals

Our Chemicals strategy is to concentrate on our core business and implement high-return investments for expanding capacity, as well as implementing efficiency projects through further integration with our refining operations. We are also expanding and enhancing capacity at our specialties production facilities in order to grow our specialty business segments. Production for 1H 2006 was slightly higher than planned due to implementation of reliability improvement programs and production optimization with refining. Moreover, improvements in earnings have been achieved through diversification and optimization of feedstock for olefins and aromatics based on cooperation with our refineries. In the specialty business, two new lines were added to the microporous film (MPF) production facilities, and began operation in March and June of this year..

3. First half 2006 Financial Results

Consolidated:

(Unit: billion yen)

	Sales Revenue	Operating Income/Loss	Ordinary Income/Loss	Net Income/Loss
Jan – Jun 2006 (A)	1,479.8	11.4	15.3	10.1
Jan – Jun 2005 (B)	1,324.9	22.0	23.9	14.8
Difference (A-B)	154.9	▲10.7	▲8.6	▲4.7
Increase/Decrease (%)	11.7	▲48.4	▲36.1	▲31.9

Sales Revenue

Sales revenue increased by 154.9 billion yen versus 1H last year to 1,479.8 billion yen, due to elevated product selling prices reflecting the rise in crude oil prices.

Operating Income

Operating income decreased by 10.7 billion yen from the same period last year to 11.4 billion yen. Significant factors were the following:

(1) Low margins for petroleum products:

Due to a more moderate rise in crude prices compared with the same period last year, petroleum product margins showed an increase of 4.6 billion yen over 1H 2005. However, the steep rise in crude costs was not completely accounted for in product prices. In particular, 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 first half results approximately one month earlier than industry (an increase of approximately 12.0 dollars per barrel on a Dubai crude basis). When calculated on a Dubai basis, this accounting method, versus the arrival base accounting method, had an adverse effect on margins estimated to be about 20 billion yen for 1H 2006.

(2) Reduced sales volume

Sales volumes of all petroleum products declined compared to the same period last year. This was mainly due to a reduced sales volume of kerosene resulting from a relatively warm winter and an absence of the special demand factors for all fuels that prevailed in 2005.

(3) Strong trends in petrochemical products earnings

Although aromatics margins were lower than the same period last year, olefins margins were higher due to continued strong demand. Overall, earnings were lower than the same period last year, but remained high compared with past trends.

(4) Operating cost reduction

As a result of continued efforts toward operating cost reduction, operating costs decreased by approximately 2.6 billion yen versus the previous year through reductions in pension, labor and other costs.

(5) Inventory valuation effects

TonenGeneral applies the LIFO/LOCOM method for inventory evaluation. Operating income includes inventory valuation gains of 7.7 billion yen, versus 16.3 billion yen of valuation gains for the same period last year. These inventory valuation effects do not affect our cash earnings.

Net Income

Net non-operating income was 3.9 billion yen, which included foreign exchange gains and equity earnings of affiliates. Extraordinary items such as loss from disposal of fixed assets produced a net extraordinary loss of 0.5 billion yen. This resulted in a 1H 2006 net income of 10.1 billion yen, 4.7 billion yen lower than the same period in 2005.

Memo:

Parent:

(Unit: billion yen)

	Sales Revenue	Operating Income/Loss	Ordinary Income/Loss	Net Income/Loss
Jan – Jun 2006 (A)	1,453.6	0.4	29.1	27.4
Jan – Jun 2005 (B)	1,294.9	12.0	15.1	9.2
Difference (A-B)	158.6	▲11.7	14.0	18.2
Increase/Decrease (%)	12.3	▲97.0	92.7	198.8

4. Earnings Forecast for the Full Year 2006

Consolidated:

(Unit: billion yen)

	Sales Revenue	Operating Income/Loss	Ordinary Income/Loss	Net Income/Loss
Revised Forecast (A)	3,176.0	21.0	27.0	16.0
Previous Forecast (B)	3,080.0	40.0	41.0	25.0
Difference (A-B)	96.0	▲19.0	▲14.0	▲9.0
Increase/Decrease(%)	3	▲48	▲34	▲36

(B) announced on February 24, 2006

Consolidated operating income for the full year 2006 is forecast at 21.0 billion yen. The reduction from our prior full-year forecast made in February takes into account the results of the first half (operating income of 11.4 billion yen). Projections involved in the forecast include the following:

(1) While the sharp increase in crude prices in July affected margins, we have assumed that this trend will not continue and that oil margins for the remainder of the year will be at levels similar to our original forecast in February.

(2) Petroleum product sales volume for the second half is expected to increase versus the first half, though to levels slightly lower than previous forecast.

(3) Earnings in the chemical sector for the second half are expected to be higher than the previous forecast due to continued margin improvement accompanying strong demand for olefins and other products.

(4) We project that first-half inventory valuation gains will reverse in part during the remainder of the year.

Memo:

Parent:

(Unit: billion yen)

	Sales Revenue	Operating Income/Loss	Ordinary Income/Loss	Net Income/Loss
Revised Forecast (A)	3,118.0	▲1.0	59.0	57.0
Previous Forecast (B)	3,030.0	27.0	52.0	40.0
Difference (A-B)	88.0	▲28.0	7.0	17.0
Increase/Decrease(%)	3	▲104	13	43

(B) announced on February 24, 2006

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 shareholders.

The board of directors has decided today to pay its shareholders as of June 30, 2006, 18.5 yen per share as an interim dividend.

The company projects a payment to its shareholders as of December 31, 2006, of 18.5 yen per share as dividend for the latter half of the term ended December 31, 2006, 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.

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