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Press Release

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Earnings Results for January 1 through March 31, 2006

TonenGeneral Sekiyu K.K. announces today its consolidated earnings for January 1 through March 31, 2006.

1. Industry Conditions

Crude Cost

Dubai spot price (on a loaded basis) started off at 55.2 dollars per barrel at the beginning of this year and has risen, hitting a peak of 60.5 dollars per barrel at the end of March, averaging 58.0 dollars, or 40% (16.7 dollars) higher than the same period last year. The U.S. dollar-yen exchange rate in the January-March 2006 period was 117.9 yen per dollar, 12.4 yen higher than the same period last year. The year-to-date crude cost in yen-per-liter terms was 43 yen, 57% (15.6 yen) higher than the same period last year.

Petroleum Product Market

Retail pump prices for gasoline and diesel rose 12.4 yen and 13.3 yen per liter, respectively, versus the same period last year. Similarly, kerosene retail pump prices rose 20.9 yen over the first quarter last year, improving product margins.

Petroleum Product Demand

2006 first quarter year-to-date total petroleum product demand showed a decline of 4.2% versus the corresponding period last year. Gasoline demand declined 1.3%. Kerosene demand fell 9.9% over first quarter 2005 due to the effects of a milder winter. Demand for diesel also decreased 3.3%. With demand for building heating sluggish due to the mild winter, FOA demand decreased 10.0%. However, due to an upturn in demand for power plants, FOC demand showed an increase of 6.2%.

Petrochemicals: Production and Market Price

Although domestic production of basic petrochemicals such as olefins and aromatics was 4-5% lower than the first quarter last year, it has remained at a firm level in historical terms. Although the Asian spot market prices of benzene and paraxylene fell 24.3% and 0.5%, respectively, versus the same period last year due to fluctuations in the market supply/demand trends, margins remained at high historical levels.

2. TonenGeneral Financial Results for January 1 through March 31, 2006

Consolidated:

(Unit: billion yen)

	Sales Revenue	Operating Income/Loss	Ordinary Income/Loss	Net Income/Loss
Jan-Mar 2006 (A)	768.9	17.4	19.6	11.7
Jan-Mar 2005 (B)	663.3	9.6	10.4	6.4
Difference (A-B)	105.6	7.8	9.2	5.4
Increase/Decrease (%)	15.9	81.8	88.5	84.4

Sales Revenue

Consolidated year-to-date sales revenue increased by 105.6 billion yen to 768.9 billion yen, due to an increase in product selling prices reflecting the rise in crude prices, offset in part by somewhat lower sales volumes.

Operating Income

Operating income increased 7.8 billion yen over the same period last year to 17.4 billion yen. The main factors affecting financial results were as follows:

(1) Petrochemicals maintained high earnings levels:

Although the margins of aromatics decreased versus the same period last year, they have stayed at high historical levels. Olefin margins continued to expand due to favorable demand. As a result, although earnings for petrochemicals fell slightly versus the previous year, overall the sector remained robust.

(2) Effects of cost reduction:

Operating costs were 3.0 billion yen lower than the same period last year.

(3) Improvements in petroleum product margins:

Petroleum product margins were 16.4 billion yen higher than the same period last year. TonenGeneral accounts for purchased crude 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 industry.

This adverse effect on a Dubai crude basis versus the accounting method of industry is estimated at about 11.0 billion yen during the first quarter of 2006. However, the rise in crude prices during the first quarter of this year was moderate compared with the sharp rise during the same period last year, improving our comparative results.

In addition, the price spread between lower-cost heavy and higher-cost light crude oils narrowed somewhat versus the same period last year. This comparative improvement in the cost of light crude oil, our main feed stock, in turn improved our petroleum product margins in comparison to the first quarter of last year.

(4) Inventory valuation effects:

TonenGeneral applies the LIFO/LOCOM method for inventory evaluation. Operating income includes an inventory valuation gain of 8.9 billion yen, versus 14.4 billion yen of favorable inventory effects in the previous year. These inventory valuation effects do not affect our cash earnings. The above resulted in a 5.5 billion decline in operating income compared with the same period last year.

<u>Net Income</u>

Non-operating income was about 2.2 billion yen, mainly due to foreign exchange gains.

Net extraordinary losses were about 0.1 billion yen, an improvement of about 0.3 billion yen versus the same period last year, and net income increased 5.4 billion yen to 11.7 billion yen.

3. Earnings/Dividend Forecast for the Interim/Full Year 2006

We have not changed the full year and interim earnings forecast announced on February 24, 2006. However, since TonenGeneral accounts for purchased crude when it is loaded, the rapid increase in crude oil prices after March could adversely affect overall first half results, depending on events in the crude oil market and the ability to pass on increased costs to refined product prices during the remainder of the second quarter, which we are unable to predict. In addition, depending on the price of crude oil and the level of our inventories at the end of the period, non-cash earnings could be impacted due to inventory valuation effects. We are not able to predict either the direction or magnitude of these effects.

Finally, the fire at our Sakai Refinery on April 10 that has led to its temporary shutdown will have an adverse effect on the company’s earnings. However, at this point, while we cannot predict the final effect of this incident on earnings, we believe the impact will have less significance for earnings than the potential crude price and inventory valuation effects mentioned above.

We have not revised our projection for total dividend payments for the year of 37 yen per share.

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