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Press Release

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TonenGeneral Sekiyu K.K. Earnings Results for January 1 – March 31, 2008

TonenGeneral Sekiyu K.K. today announces its consolidated earnings for January 1 – March 31, 2008.

1. TonenGeneral Consolidated Financial Results for January 1-March 31, 2008

(Unit: billion yen)

	Sales Revenue	Operating Income/Loss	Ordinary Income/Loss	Net Income/Loss
Jan-Mar 2008 (A)	877.5	62.7	68.8	40.6
Jan-Mar 2007 (B)	708.8	22.5	23.6	14.4
Difference (A-B)	168.6	40.2	45.2	26.3
Increase/Decrease	23.8%	178.6%	191.5%	183.2%

Sales Revenue

Consolidated sales revenue rose 168.6 billion yen versus the same period last year to 877.5 billion yen, due to increases in refined product prices associated with high crude oil price levels. Domestic sales volumes declined reflecting the general demand trend, partly offset by increases in exports.

Operating Income

Consolidated operating income improved by 40.2 billion yen over the same period last year to 62.7 billion yen, due among other things to the following factors:

(1) Petroleum sector earnings

Earnings in this sector improved over the previous period, from 5.7 billion yen to 53.3 billion yen. Factors for this change include:

Inventory valuation effects

TonenGeneral applies the LIFO/LOCOM method for inventory valuation. Operating income benefited from inventory valuation gains of 53.3 billion yen (an increase of 44.9 billion yen versus the same period last year). This very large gain resulted mostly from a drawdown in crude oil inventories, which is associated in part with planned refinery turnarounds. We expect a large portion of this gain to reverse in subsequent periods, as inventories rebuild.

Market and other conditions

In connection with our divestment of shares in Nansei Sekiyu K.K., as previously announced, we realized the market value of our share of that company's inventories. This realization contributed an estimated at 11.0 billion yen to our operating earnings, versus the 8.0 billion yen that we forecast in November when the divestment was announced and which was incorporated in our February earnings forecast, arising from an increase in petroleum price levels. On the other hand, the overall business environment remained severe, due to the continued and rapid rise in crude prices during the period which were not completely reflected in refined product pricing, and this factor offset in part the gains associated with the Nansei divestment.

(2) Petrochemical sector earnings

Chemicals profits were 9.3 billion yen, versus 16.8 billion yen in the same period last year. Generally, this segment has remained robust. However, margins for such products as aromatics and olefins were lower than in the previous year, when the industry enjoyed historically high margins.

(3) Operating Expenses

Operating expenses increased by 4.0 billion yen versus the same period last year. Major factors were increases in depreciation costs, including an increase of 1.2 billion yen related to a change accounting methods, in addition to costs associated with new investments put into service in 2007, and increases in pension costs versus the prior year.

Ordinary Income

Ordinary income increased by 45.2 billion yen versus the same period last year to 68.8 billion yen, reflecting a net non-operating income of 6.1 billion yen, principally due to foreign exchange gains.

Net Income

Net income was 40.6 billion yen, 26.3 billion yen higher than the same period in 2007.

2. Earnings/Dividend Forecast for the Interim/Full Year 2008

We have not changed the 2008 full year and interim earnings forecast announced on February 14, 2008. We assume that the inventory valuation gains experienced in the first quarter will reverse in large part during the remainder of the year. We also expect, over the remainder of this year, some improvement in refined product margins versus those that prevailed during the first quarter. There is no change in the original projected full-year dividends forecast of 38 yen per share.

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