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Press Release

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Announcement of Second Quarter Financial Results

This is to announce that the following consolidated financial results for 2009 second quarter year to date (January 1-June 30, 2009) were confirmed at today's Board of Directors meeting.

1. Consolidated Financial Results for 2009 Second Quarter Year to Date

(unit: million yen)

	Net Sales	Operating Income	Ordinary Income	Net Income
2009 2Q YTD (A)	964,645	△10,861	△10,681	△6,423
2008 2Q YTD (B)	1,692,649	△2,321	3,783	5,851
Difference (A-B)	△728,004	△8,540	△14,465	△12,275
Increase/decrease (%)	△43.0	—	—	—

Net Sales

Net sales decreased 728.0 billion yen versus the same period last year to 964.6 billion yen. This was mainly due to the downward shift in oil product prices, reflecting the crude price movements.

Operating Income

Operating income decreased by 8.5 billion yen versus the same period last year to negative 10.9 billion yen. Following are the results of the main segments.

(1) Oil segment

Although operating income in the oil segment increased 9.7 billion yen versus the same period last year, it was negative 10.7 billion yen for this period. The principal factors are as follows.

The increase in crude prices during the January-June period this year was directly reflected in earnings in the same period. TonenGeneral accounts for crude procurement costs when crude oil is loaded, in contrast to the other arrival basis cost accounting method generally employed by other companies in the industry, so that fluctuations in crude prices are accounted for earlier than by other companies in the industry. The adverse effect of this accounting difference during the January-June 2009 period was an estimated 33.0 billion yen. This adverse effect was more moderate than the same period last year, when crude price rises were more severe.

This period includes 7.2 billion yen (12.4 billion yen less than the same period last year) in inventory-related gains due mainly to fluctuations in crude inventory volumes.

In addition to the above, operating income for the same period last year included a one-time gain of 11.0 billion yen related to divestments.

Excluding these special factors, operating income would have been 15.1 billion yen, an increase of 27.6 billion yen versus the same period last year.

Reference: Analysis of oil segment operating income compared with previous year

	(unit: billion yen)		
	2009 2Q YTD	2008 2Q YTD	Difference
Operating income	△10.7	△20.3	9.7
Effect of difference in timing of crude cost accounting (estimate)	△33.0	△38.5	5.5
Inventory-related gains	7.2	19.6	△12.4
Gains related to divestments	—	11.0	△11.0
Operating income excluding above special factors (estimate)	15.1	△12.5	27.6

(2) Chemical segment

Operating income in our Chemical segment declined 18.1 billion yen versus the same period last year, to negative 0.2 billion yen.

While results for the full period were negative, there were indications of improvement in demand in the second quarter.

Ordinary Income

Non-operating income decreased 5.9 billion yen versus the same period last year to 0.2 billion yen due to absence of foreign exchange gains in the present period. As a result, ordinary income was negative 10.7 billion yen (14.5 billion yen less than the same period last year).

Net Income

Net income was negative 6.4 billion yen (12.3 billion yen less than the same period last year).

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