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TonenGeneral Sekiyu K.K. Earnings Results for Full Year 2010 and Forecast for 2011

TonenGeneral Sekiyu K.K. today announces its financial results for full year 2010, dividend plan and 2011 earnings forecast as follows.

1. Consolidated Financial Results

(Unit: million yen)

	Net Sales	Operating Income	Ordinary Income	Net Income
Full Year 2010 (A)	2,398,718	33,528	37,011	42,873
Full Year 2009 (B)	2,111,753	(34,559)	(34,545)	(21,718)
Difference (A-B)	286,964	68,088	71,556	64,592
Increase (%)	13.6	-	-	-

Consolidated net sales increased 13.6 percent versus the previous year to 2,398.7 billion yen, mainly due to the upward shift in oil product prices, reflecting crude price movements.

Consolidated operating income was 33.5 billion yen, 68.1 billion yen greater than the previous year. Consolidated ordinary income was 37.0 billion yen, an increase of 71.6 billion yen versus the previous year, primarily due to the addition of non-operating items including gains from foreign exchange and equity earnings. In addition, extraordinary items, primarily the gain realized upon formation of a joint venture involving our battery separator film subsidiary, added 19.4 billion yen. These resulted in consolidated net income of 42.9 billion yen, an improvement of 64.6 billion yen over the negative 21.7 billion figure of the previous year.

Following are operating income results by segment.

(1) Oil segment

Operating income in the Oil segment was 31.5 billion yen, 69.9 billion yen greater than the previous year. Improved results in this segment were attributable largely to better margins aided by steady domestic demand for oil products particularly during the extremely hot summer. Another factor in our improved profits is that the negative 8.0 billion yen in adverse effects in 2010 resulting from our loading point cost recognition accounting method was less than the negative 35.0 billion yen resulting from this method in the previous year. A comparison of our estimates for operating income in the Oil segment, excluding the effects of our crude cost recognition method and inventory-related gain/loss, is shown in the table below.

Oil segment operating income compared with the previous year

(unit: billion yen)

	2010	2009	Difference
Operating income	31.5	(38.4)	69.9
Effect of difference in timing of crude cost accounting (estimate)	(8.0)	(35.0)	27.0
Inventory-related gain / (loss)	(0.2)	7.4	(7.6)
Operating income excluding above special factors (estimate)	39.7	(10.8)	50.5

(2) Chemical segment

Operating income in the Chemical segment was 2.0 billion yen, 1.8 billion yen less than the previous year. The decrease was primarily due to a decline in basic chemical margins in the latter half of the year and lower production volume arising from significant maintenance at our Kawasaki plant as per the normal four year maintenance schedule.

2. Dividend Plan

TonenGeneral Sekiyu projects a payment to its shareholders as of December 31, 2010 of 19 yen per share as a final dividend for the term ended December 31, 2010, subject to decision by the general meeting of shareholders.

3. Forecast for Full Year 2011 Consolidated Earnings

(Unit: million yen)

Net Sales	Operating Income	Ordinary Income	Net Income
2,600,000	200,000	202,000	121,000

In accordance with the revision of the “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9), TonenGeneral Sekiyu will adopt the weighted average inventory valuation method from 2011. If prices, inventory volumes and other factors in 2011 were to remain the same as those in place at the end of 2010, we estimate that this change would result in an increase in operating income of approximately 160 billion yen, to be realized during 2011.

Excluding inventory effects, we project full year 2011 operating income of 30.0 billion yen (9.7 billion yen less than 2010) in the Oil segment and 10.0 billion yen (8.0 billion yen greater than 2010) in the Chemical segment. We anticipate a drop in the Oil segment versus 2010 due to a slight decline in margins resulting from projected decline in domestic demand, and an increase in the Chemical segment due to absence of large-scale scheduled maintenance at our Kawasaki plant and improved margins for basic chemicals.

In addition, from 2011, TonenGeneral Sekiyu will change the timing of its crude cost recognition from the loading point to the point of arrival in Japan, the same method employed by other companies in the industry. With this change, our earnings comparison with other oil companies will no longer be affected by differences in the timing of crude cost accounting.

TonenGeneral Sekiyu does not forecast prices of crude oil or petroleum products, and our forecast above assumes no effects from inventory-related gains and losses resulting from crude price fluctuations.

Full-year dividends for 2011, like those of 2010, are forecast to be 38 yen per share, subject to review of our full year business performance and cash flow results and the decision of both our Board of Directors and shareholders.

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