# TonenGeneral Sekiyu K.K.
# 3QYTD 2010 Financial Results and Revised FY 2010 Financial Forecast

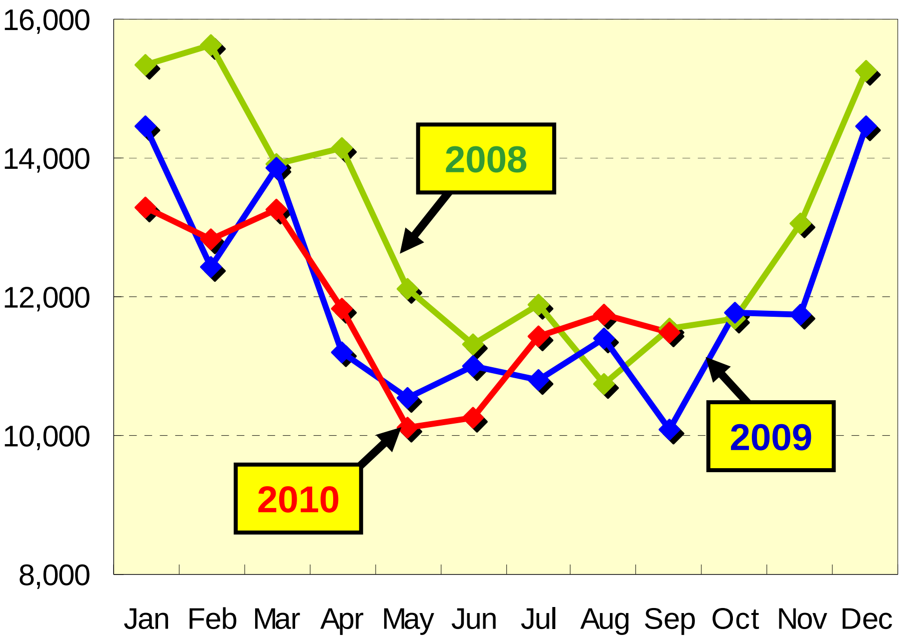
November 12, 2010

- This material contains forward-looking statements based on projections and estimates that involve many variables. TonenGeneral operates in an extremely competitive business environment and in an industry characterized by rapid changes in supply-demand balance. Certain risks and uncertainties including, without limitation, general economic conditions in Japan and other countries, crude prices and the exchange rate between the yen and the U.S. dollar, could cause the Company's results to differ materially from any projections and estimates presented in this publication.
- The official language for TonenGeneral's filings with the Tokyo Stock Exchange and Japanese authorities, and for communications with our shareholders, is Japanese. We have posted English versions of some of this information on this web site. While these English versions have been prepared in good faith, TonenGeneral does not accept responsibility for the accuracy of the translations, and reference should be made to the original Japanese language materials.

# Business Environment

- Higher downstream margins in 3Q10, continuously improving from 4Q09
  - Strong domestic petroleum demand supported by extreme heat in summer
  - Product export margins still weak, but recovered from early 2010
- Commodity chemical margins deteriorated in 2Q/3Q10, some recovery seen in September
- Industry submitted compliance plans to METI at October end as required by regulations concerning the Energy Supply Structural Improvement Law

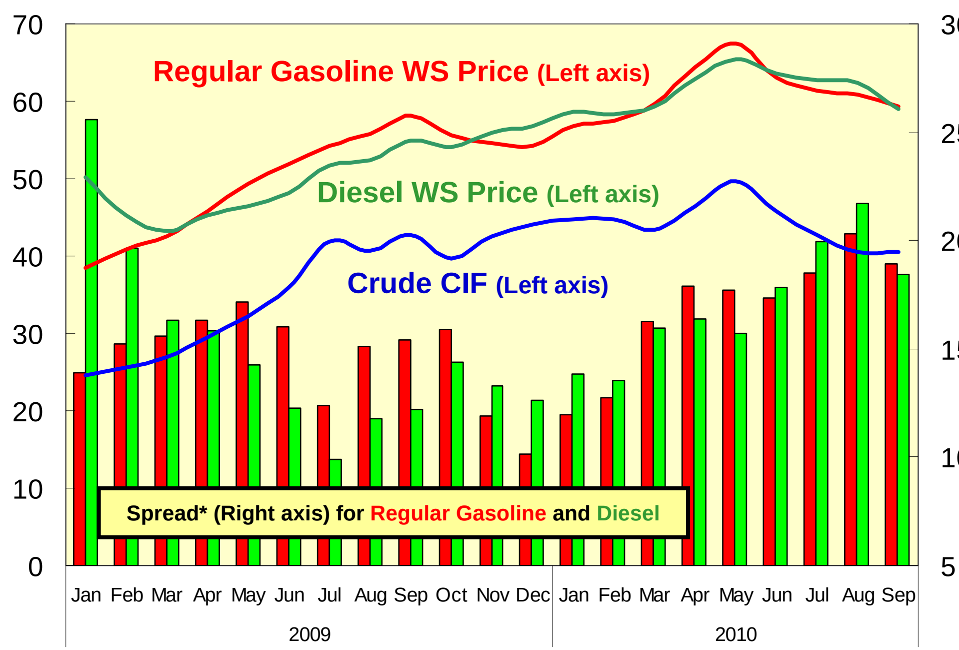
**Domestic Petroleum Product Demand (2008~)**
**(5 Major products*, KKL)**




* Gasoline/Diesel/Kerosene/FOA/FOC

Source: METI Statistics

**Crude and Product Prices (2009~)**
**(Crude CIF vs. Gasoline/Diesel Wholesale Prices, Yen/L)**




* Spread: Domestic WS prices – crude CIF

Source: PAJ and Oil Information Center

# Financial Highlights

- 3Q10YTD operating income was 41.2 billion yen, 54.8 billion yen higher than 3Q09YTD
- After adjustment for inventory and lead lag effects, 3Q10YTD adjusted operating income was 19.0 billion yen higher than 3Q09YTD: primarily due to improved oil segment operating income in 3Q10
- Extraordinary income reflects primarily the gain related to battery separator film (BSF) JV formation realized in 1Q10

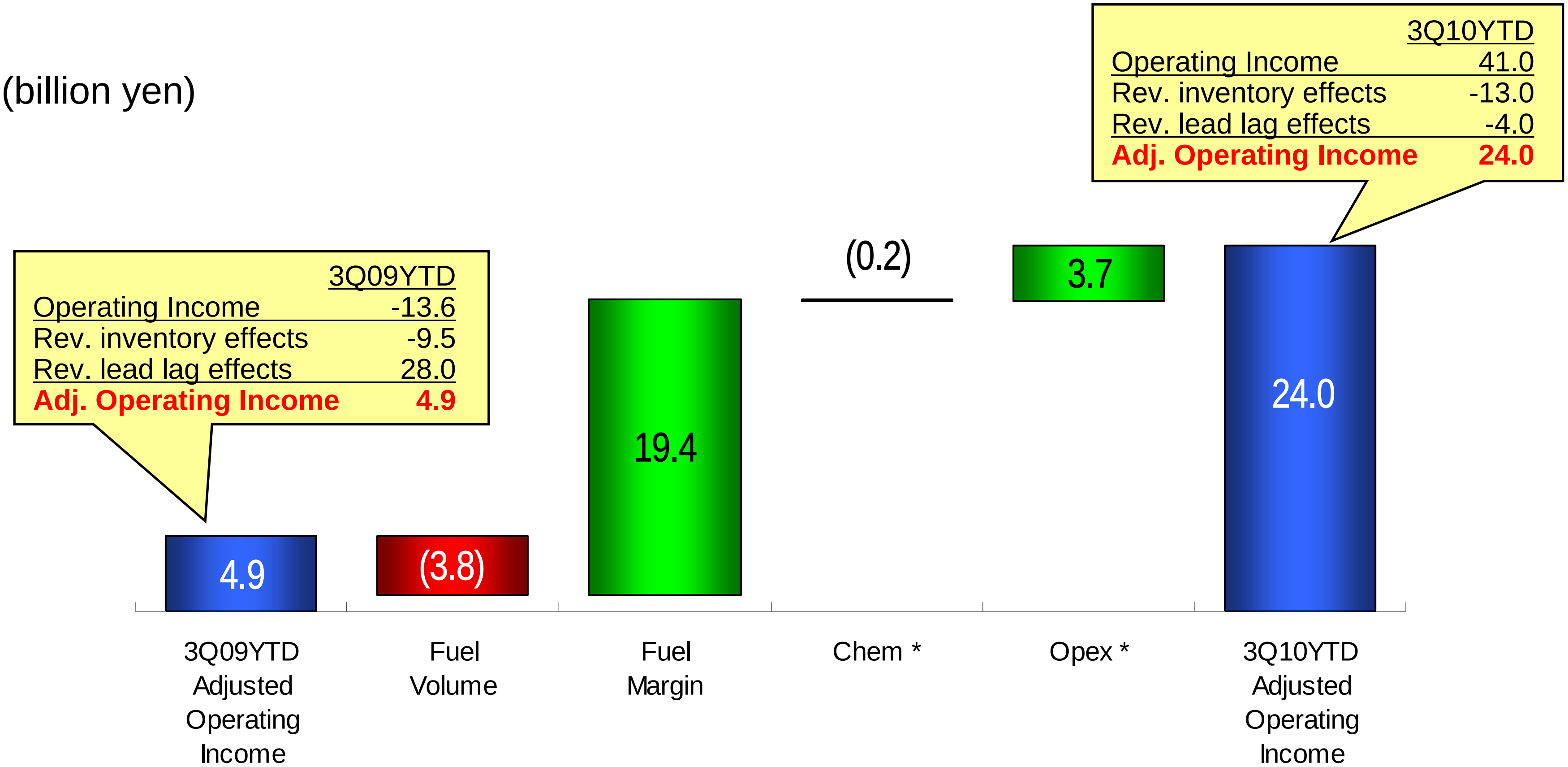
| (billion yen) | 3Q09YTD | **3Q10YTD** | Inc/Dec |
|---|---|---|---|
| Net sales | 1,524.7 | **1,780.6** | 255.9 |
| Operating income | -13.6 | **41.2** | 54.8 |
| Ordinary income | -12.0 | **43.1** | 55.1 |
| Extraordinary income/loss | -1.2 | **19.5** | 20.8 |
| Net income | -7.4 | **45.8** | 53.3 |
| Reverse inventory effects | -9.5 | **-13.3** | -3.8 |
| Reverse lead lag effects | 28.0 | **-4.0** | -32.0 |
| Adjusted operating income | 4.9 | **23.9** | 19.0 |
| Oil segment | 2.2 | **21.7** | 19.5 |
| Chemical segment | 2.7 | **2.3** | -0.5 |

# Factor Analysis of Operating Income (1)

## [3Q10YTD Results vs. 3Q09YTD Results; Consolidated]

- Adjusted Oil segment operating income improved, supported by higher refining margins in 3Q10 with stable domestic sales volume
- 3Q10 decline in Chemical results was offset by the absence of 1Q09 "trough" in Chemical markets, resulting in similar income levels on a YTD basis

(billion yen)




* Chemical margin & opex factors excludes impact of removal of BSF affiliates from consolidation

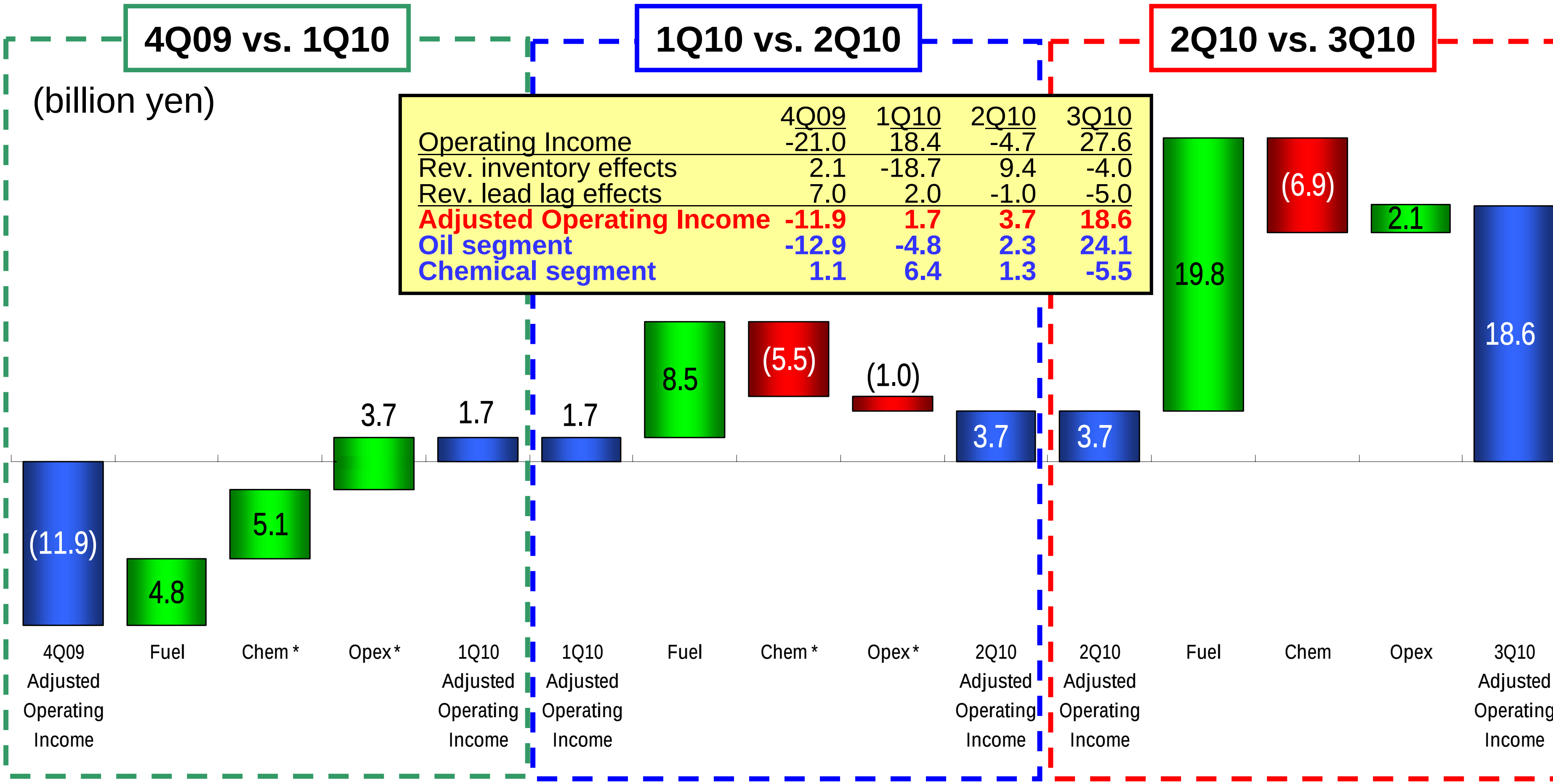
# Factor Analysis of Operating Income (2)

## [Quarter to Quarter 3Q10YTD Results; Consolidated]

- Oil segment operating income continuously improved from 4Q09
- Chemical operating income worsened in 3Q10 due to turnaround at TCC Kawasaki plant and weak margin environment, especially Aromatics

(billion yen)

| | 4Q09 | 1Q10 | 2Q10 | 3Q10 |
|---|---|---|---|---|
| Operating Income | -21.0 | 18.4 | -4.7 | 27.6 |
| Rev. inventory effects | 2.1 | -18.7 | 9.4 | -4.0 |
| Rev. lead lag effects | 7.0 | 2.0 | -1.0 | -5.0 |
| **Adjusted Operating Income** | **-11.9** | **1.7** | **3.7** | **18.6** |
| **Oil segment** | **-12.9** | **-4.8** | **2.3** | **24.1** |
| **Chemical segment** | **1.1** | **6.4** | **1.3** | **-5.5** |




* Chemical margin & opex factors excludes impact of removal of BSF affiliates from consolidation

# Sales Volume

- Lower petroleum domestic sales volume in 1Q/2Q10 vs. prior year was almost offset by higher volume in 3Q10 supported by strong domestic demand
- Lower export volume mainly due to 1Q10 deteriorated export margin and turnaround at Kawasaki refinery in 2Q10
- Lower Olefins volume mainly due to turnaround at TCC Kawasaki plant in 3Q10

**Oil Products***

(KKL)

| | | 3Q09YTD | 3Q10YTD | Inc/Dec | Industry Inc/Dec **** |
|---|---|---|---|---|---|
| Japan Inland Sales | Gasoline | 7,797 | **7,750** | -0.6% | +1.8% |
| | Kerosene | 1,873 | **1,781** | -4.9% | +3.4% |
| | Diesel fuel | 2,129 | **2,190** | +2.8% | +1.9% |
| | Fuel oil A | 1,462 | **1,417** | -3.1% | -3.3% |
| | Fuel oil C | 1,040 | **1,208** | +16.1% | -6.2% |
| | 5 Major Fuels Total | 14,301 | **14,345** | +0.3% | +0.4% |
| | LPG and others | 1,754 | **1,803** | +2.7% | |
| | Sub Total | 16,055 | **16,147** | +0.6% | |
| | Exports** | 4,327 | **3,361** | -22.3% | |
| | Others*** | 2,566 | **2,518** | -1.9% | |
| | G. Total | 22,948 | **22,026** | -4.0% | |
| **Topper Utilization** | | **75%** | **70%** | | **76%** |

Notes:
* Consolidated and excluding Barter
** Excluding bond sales
*** Others include crude, product exchanges within ExxonMobil Japan Group, etc.
**** Data Source; METI Statistics

**Chemical Products** (Consolidated)

(Kton)

| | 3Q09YTD | 3Q10YTD | Inc/Dec |
|---|---|---|---|
| Olefins and others (TCC) | 1,196 | **1,128** | -5.7% |
| Aromatics and others (TG) | 592 | **595** | +0.5% |
| Chemical Total | 1,788 | **1,723** | -3.6% |

# Revised Earnings Forecast [Consolidated]

- Full year operating income revised upward to 39.0 billion yen
  - » 3Q/4Q10 improved refining margins are partly offset by lower chemical operating income
  - » 13.3 billion yen inventory gain in 3Q10YTD projected to decline to 2.0 billion yen by year-end
  - » Negative 2.0 billion yen lead lag effects projected in 4Q10 reflecting higher crude prices in October, resulting in positive 2.0 billion yen for the year
- Dividend forecast unchanged (38 yen/share in 2010)

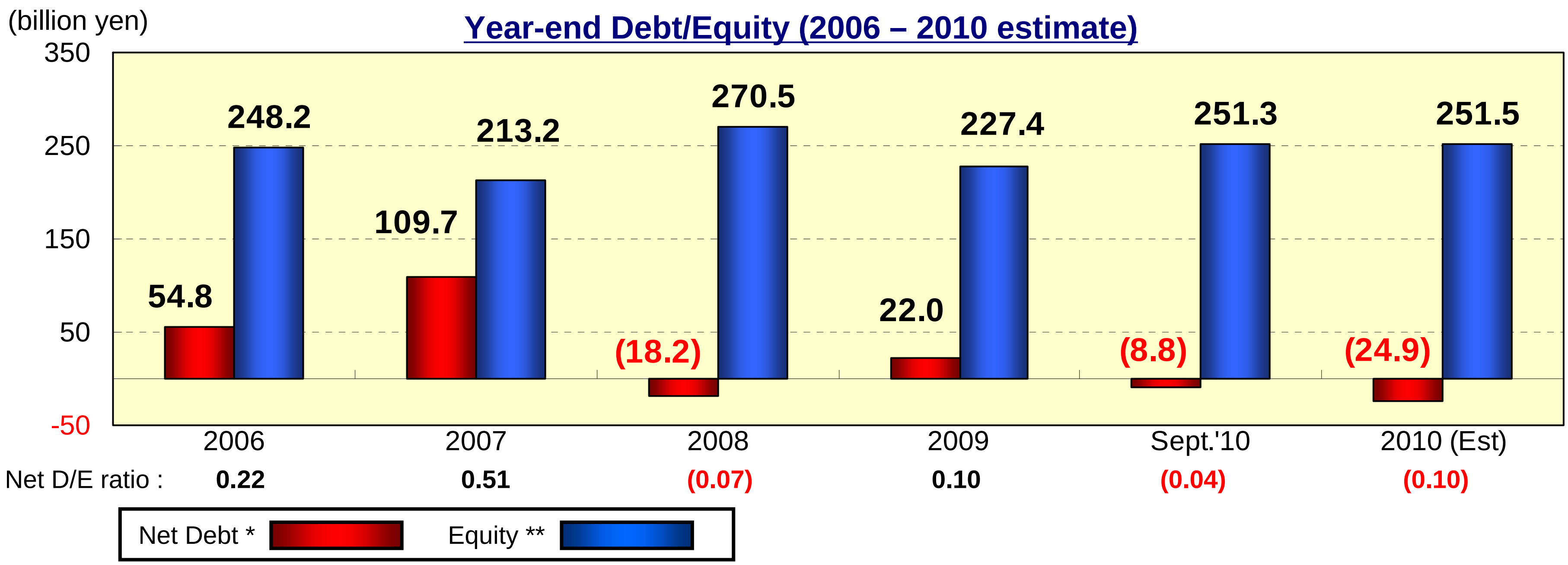
| | 2010 Forecast | | | Memo: |
|---|---|---|---|---|
| (billion yen) | Aug. Disc | **Nov. Rev*** | Inc/Dec | 3Q10YTD |
| Net sales | 2,400 | **2,400** | - | 1,780.6 |
| Operating income | 14 | **39** | 25 | 41.2 |
| Ordinary income | 16 | **42** | 26 | 43.1 |
| Extraordinary income/loss | 20 | **20** | - | 19.5 |
| Net income | 30 | **46** | 16 | 45.8 |
| Reverse inventory effects | 0 | **-2** | -2 | -13.3 |
| Reverse lead lag effects | 1 | **-2** | -3 | -4.0 |
| Adjusted operating income | 15 | **35** | 20 | 23.9 |
| Oil segment | 6 | **32** | 26 | 21.7 |
| Chemical segment | 9 | **3** | -6 | 2.3 |

* Based on $80/Bbl (Dubai) and ¥82/$ < October 2010 monthly average >

# Cash Flows, Debt/Equity [Consolidated]

| (billion yen) | 3Q10YTD | |
|---|---|---|
| **Operating Activities** | **67.1** | |
| Net income before taxes | | 62.7 |
| Income tax payment | | -2.9 |
| Depreciation | | 20.2 |
| Change in working capital etc. | | -12.9 |
| **Investing Activities** | **- 14.2** | |
| **Financing Activities** | **- 53.0** | |
| Decrease in net debt | | -32.1 |
| Dividend to shareholders | | -20.9 |

- Free cash flow (operating plus investing) YTD equal to 2.5 times the annual dividend payment
- Strong competitive financial position remains




* Net debt excludes cash and loans receivable ** Net Worth excl. Minority Interest

# Change of Inventory Valuation Method

- Japanese GAAP disallows the continued use of LIFO (Last In First Out) therefore the Company plans to change its inventory valuation method commencing January 2011

| | Current | To be |
|---|---|---|
| Valuation Method | LIFO (Last In First Out) | WAC (Weighted Average Cost) |
| Valuation Term | Annual | Monthly |
| Crude cost recognition timing | Loading basis | Arrival basis |

» First quarter 2011 results will be reported on the new basis

» New basis similar to reporting practices of competitors

**Lead lag effects to be eliminated**

- **Potential financial impacts**
  - » Gain to be recognized in 2011 cannot be determined at this time, and will be dependent on price levels and volumes in 2011
  - » If prices and volumes remained approximately the same as those in place at the end of September 2010, this change would result in a pre-tax gain of about 100 billion yen to be realized during 2011

- **Accounting treatment**
  - » One-time gain from LIFO to WAC and on-going WAC P/L to be reported as operating income and total amounts will be disclosed

# Reference Information

# Price Spread (Gasoline Wholesale Price vs. Crude CIF)

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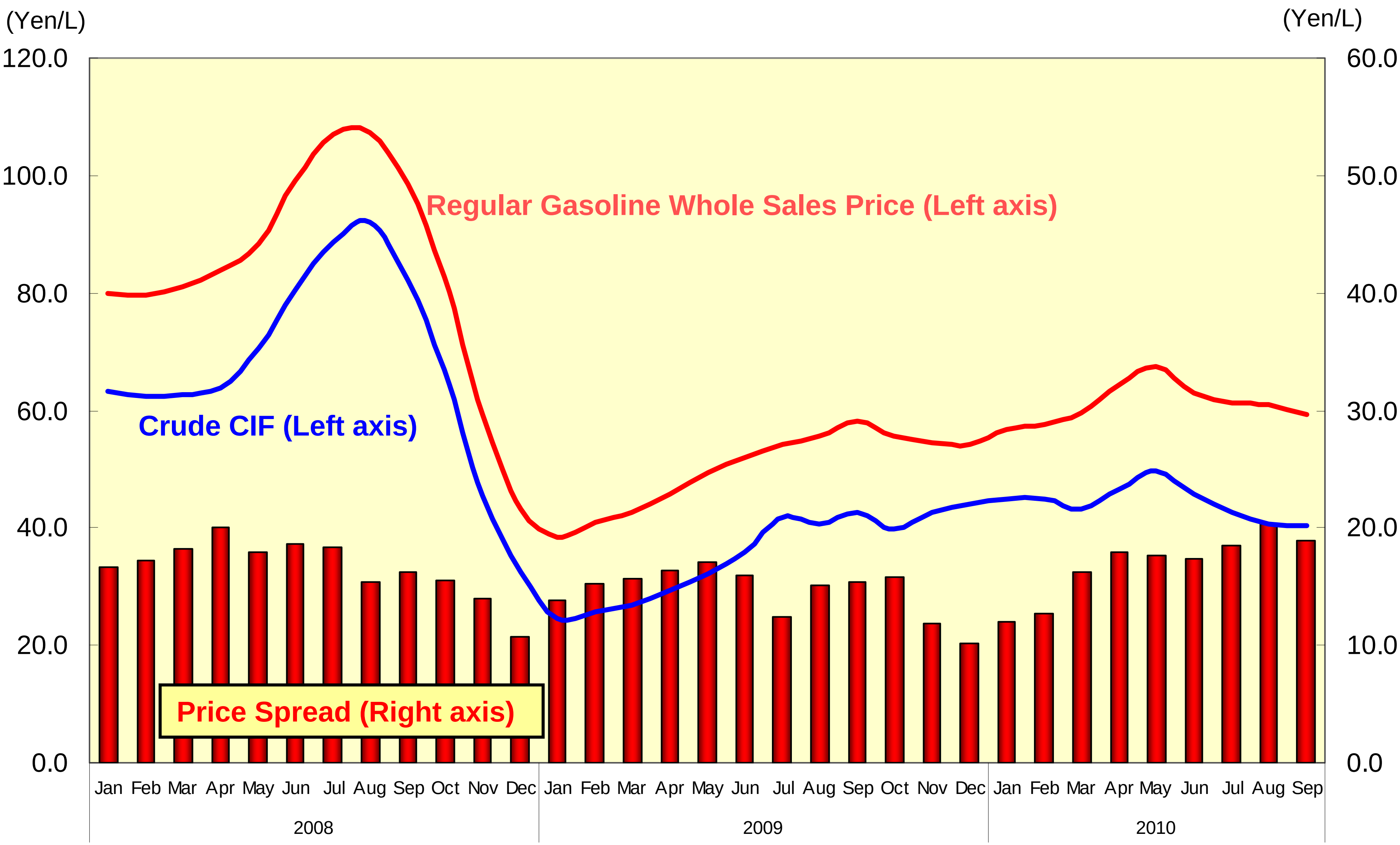
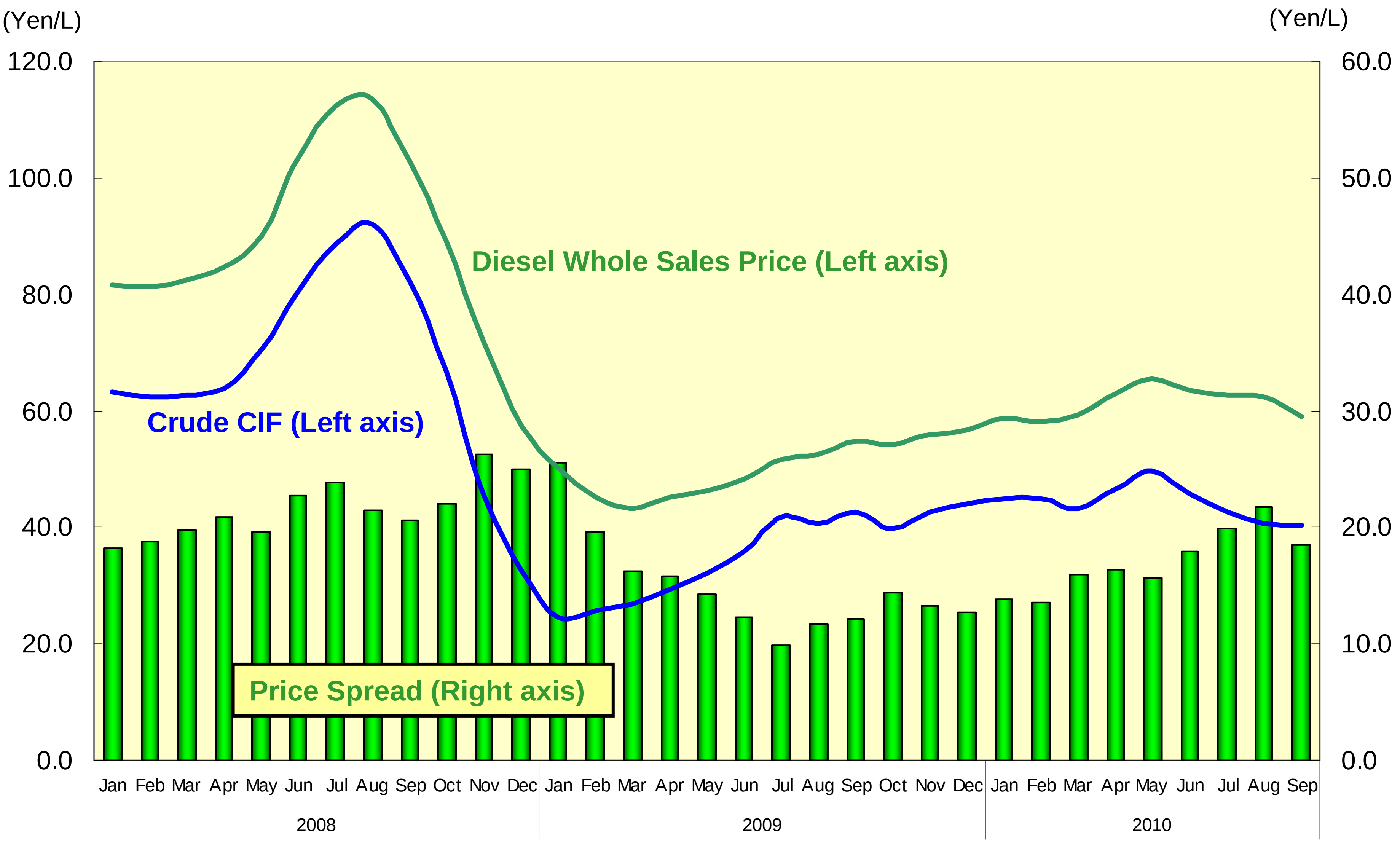



Source: PAJ and The Oil Information Center

# Price Spread (Diesel Wholesale Price vs. Crude CIF)




Source: PAJ and The Oil Information Center

# Price Spread (Kerosene Wholesale Price vs. Crude CIF)

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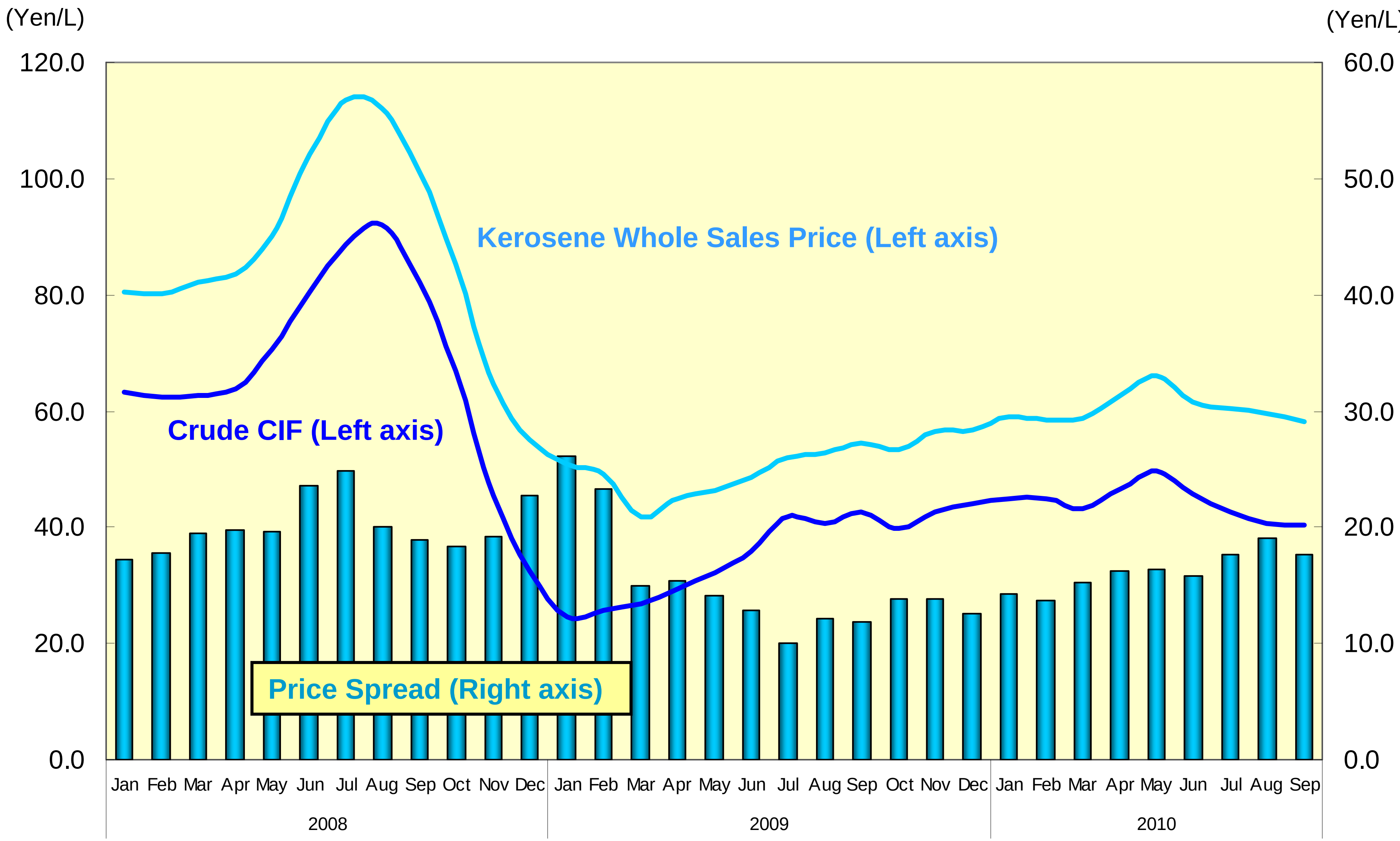


Source: PAJ and The Oil Information Center

# Details of Operating Income (2008~3Q10)

**2010**

(Unit: billion yen)

| Breakdown of Operating Income | 1Q10 | 2Q10 | 3Q10 | 4Q10 | FY2010 | 1H10 | 3Q10YTD |
|---|---|---|---|---|---|---|---|
| Oil segment and others (Substantial) | -4.8 | 2.3 | 24.1 | | | -2.5 | 21.7 |
| Chemical segment | 6.4 | 1.3 | -5.5 | | | 7.8 | 2.3 |
| Inventory effects | 18.7 | -9.4 | 4.0 | | | 9.3 | 13.3 |
| Lead lag effects | -2.0 | 1.0 | 5.0 | | | -1.0 | 4.0 |
| Total | 18.4 | -4.7 | 27.6 | | | 13.6 | 41.2 |

**2009**

| Breakdown of Operating Income | 1Q09 | 2Q09 | 3Q09 | 4Q09 | FY2009 | 1H09 | 3Q09YTD |
|---|---|---|---|---|---|---|---|
| Oil segment and others (Substantial) | 22.5 | -7.4 | -13.0 | -12.9 | -10.8 | 15.1 | 2.2 |
| Chemical segment | -2.3 | 2.1 | 2.9 | 1.1 | 3.8 | -0.2 | 2.7 |
| Inventory effects | 1.8 | 5.4 | 2.3 | -2.1 | 7.4 | 7.2 | 9.5 |
| Lead lag effects | -9.0 | -24.0 | 5.0 | -7.0 | -35.0 | -33.0 | -28.0 |
| Total | 13.1 | -23.9 | -2.7 | -21.0 | -34.6 | -10.9 | -13.6 |

**2008**

| Breakdown of Operating Income | 1Q08 | 2Q08 | 3Q08 | 4Q08 | FY2008 | 1H08 | 3Q08YTD |
|---|---|---|---|---|---|---|---|
| Oil segment and others (Substantial) | -11.4 | -1.0 | -14.9 | 35.5 | 8.2 | -12.4 | -27.3 |
| Chemical segment | 9.3 | 8.6 | 7.0 | -11.0 | 13.9 | 17.9 | 24.9 |
| Inventory effects | 52.3 | -32.7 | 13.0 | -18.6 | 14.1 | 19.6 | 32.6 |
| Lead lag effects | 1.5 | -40.0 | 43.0 | 70.0 | 74.5 | -38.5 | 4.5 |
| Gain related to divestment | 11.0 | - | - | - | 11.0 | 11.0 | 11.0 |
| Total | 62.7 | -65.0 | 48.1 | 76.0 | 121.7 | -2.3 | 45.8 |