

# TonenGeneral Sekiyu K.K. 2QYTD 2010 Financial Results

August 16, 2010  
at TSE Arrows



- 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.

- Basic Management Philosophy and Challenges P. P. Ducom
- 2QYTD 2010 Business Results and Revised FY 2010 Financial Forecast W. J. Bogaty
- Q & A

# Basic Management Philosophy and Challenges

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P. P. Ducom

Representative Director, President  
TonenGeneral Sekiyu K.K.

## ■ Birth Place

- » Rueil Malmaison, France (near Paris)

## ■ Work Experience

- » Joined Exxon Chemical France in July 1987
- » Various job experiences in petrochemical sector:
  - Manufacturing / Marketing / Supply / Planning / Management
- » Global work experience
  - France (7 years), United States (7 years), Belgium (4 years) and Japan (since December 2007)

## ■ Roles in Japan

- » Current: Representative Director and President of
  - Tonen Chemical Corporation (since December 2007)
  - TonenGeneral Sekiyu K.K. (since March 2010)
- » In addition to the above, as a replacement of W.J. Bogaty
  - Lead Country Manager, ExxonMobil Japan Group (September 1, 2010)
  - Representative Director, President of ExxonMobil Y.K. (October 1, 2010)

## Our basic management philosophy continues

### ■ Ensure flawless operations

- » Safety: “Nobody gets hurt”
- » Environmental protection: “Protect Tomorrow. Today.”
- » Effective internal controls
- » Corporate governance / Integrity

### ■ Improve efficiency & profitability

- » Pursue efficiency / profitability across all segments of the business
- » Effective asset management

### ■ Increase shareholder value

- » Increase shareholder value through optimal combination of business investment and return to shareholders from long-term perspective

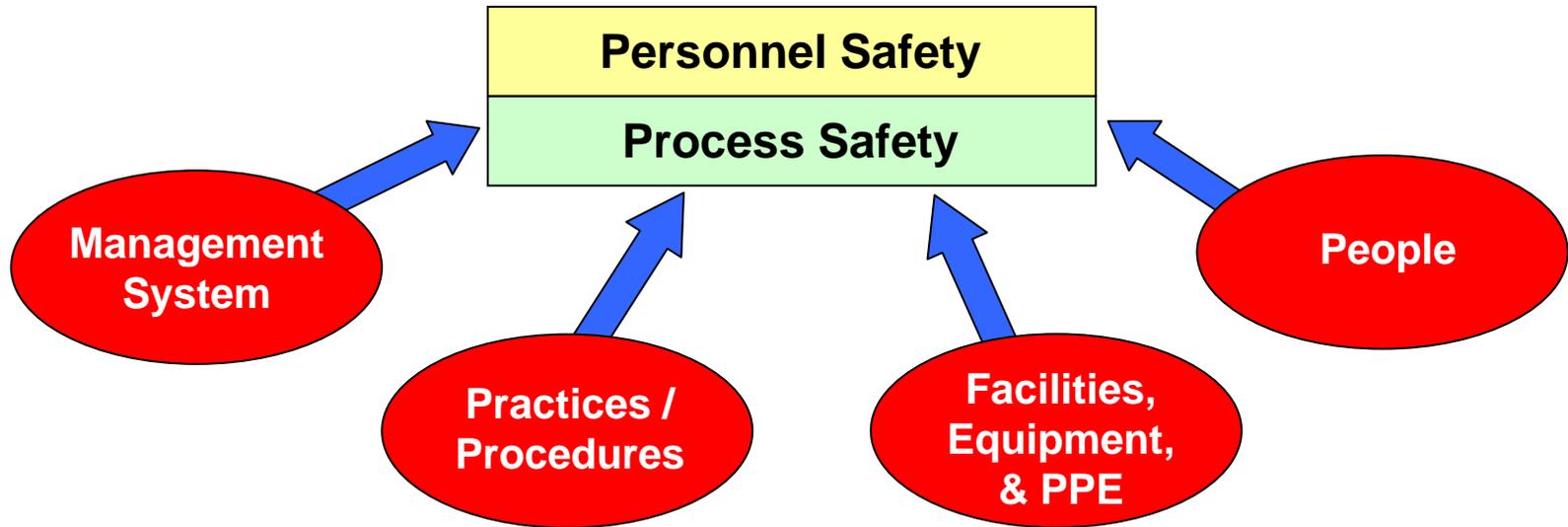
**< Concentration on our Core Businesses >**

# Ensure Flawless Operations



## Safety is a core value of the company on which there is no compromise

- Personnel safety: “Nobody gets hurt”
  - » No LTI (Lost Time Injuries) since 2004
  - » Create a culture of safety
- Process safety
  - » Continuous improvement through our exhaustive “Operations Integrity Management System” (OIMS)



# Improve Efficiency & Profitability



## ■ Refining & Supply

- » Crude diversification and ongoing flexibility
- » Effective utilization of secondary units

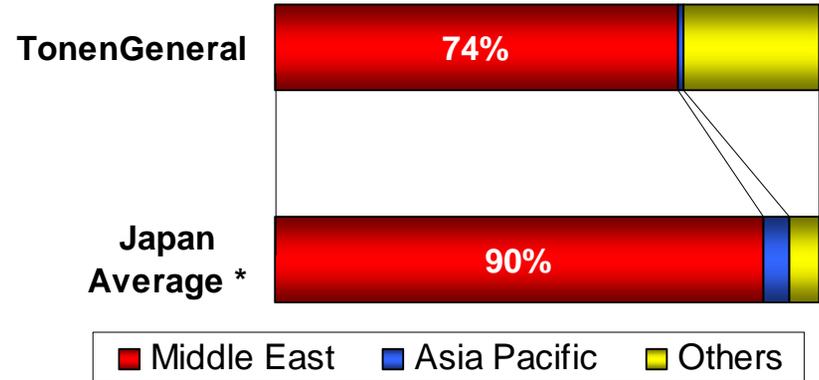
## ■ Fuels Marketing

- » Maximizing productivity
  - Further strengthening “Express” brand
  - Optimizing marketing channels

## ■ Chemical

- » Expansion of integration synergies with refining
- » Feedstock diversification

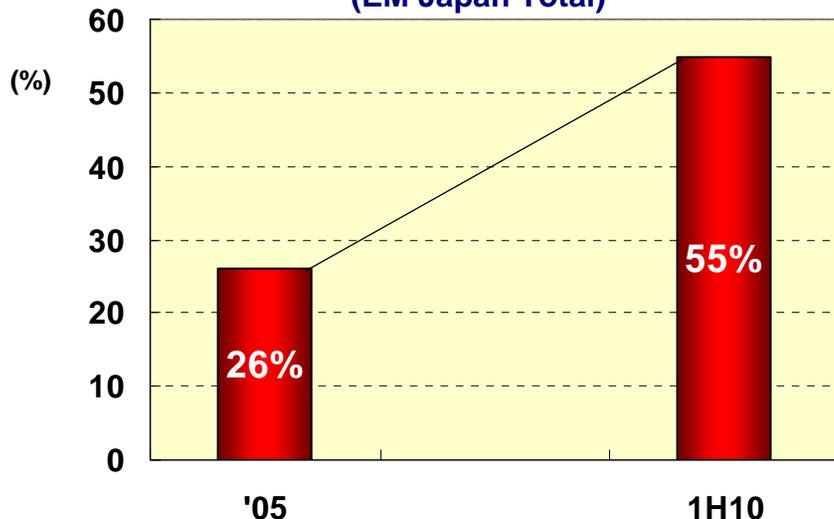
**Crude Import by Region**  
(1H10 Actual, %)



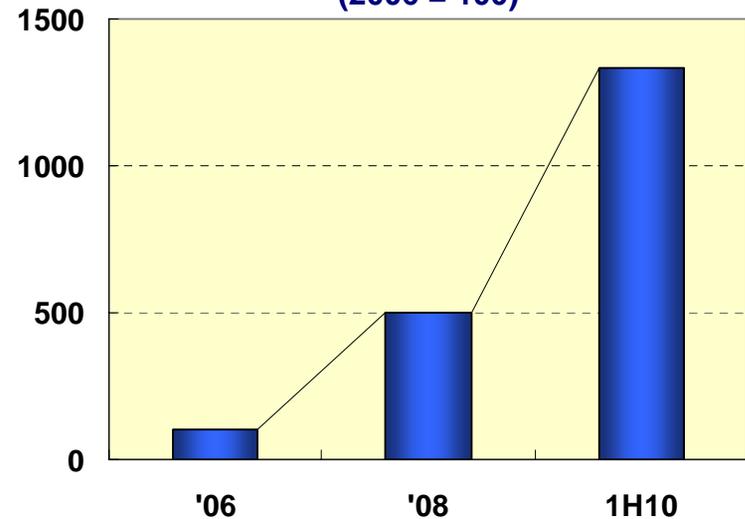
\* Excluding TonenGeneral

Source: METI Statistics

**Express Share of Retail Gasoline/Diesel Sales**  
(EM Japan Total)



**Butane Cracking Capability Index**  
(2006 = 100)

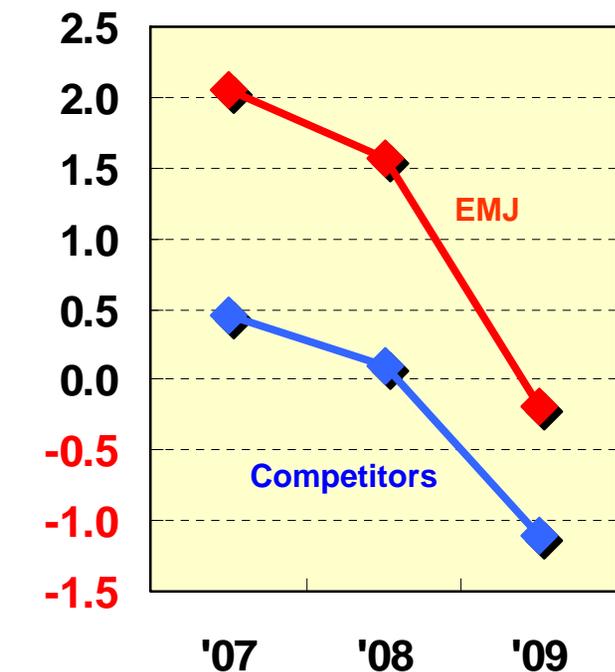


# Increase Shareholder Value

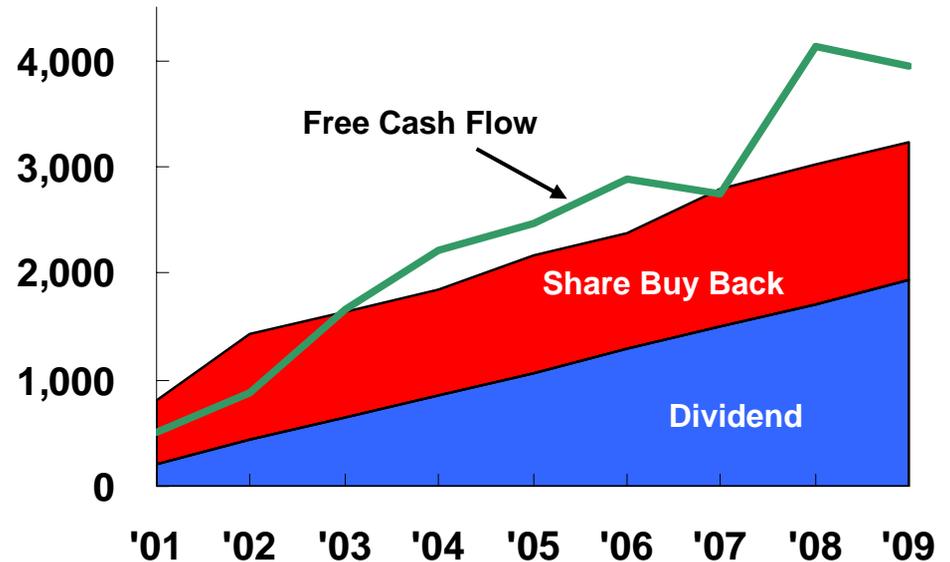


- EMJ (TG + EMYK) adjusted operating income for Downstream and Chemical continues to be superior
- Company's wealth that is not otherwise required in a way that meets our rigorous profitability standards should be returned to shareholders

**Unit Adjusted Operating Income\***  
(D/S + Chemical)



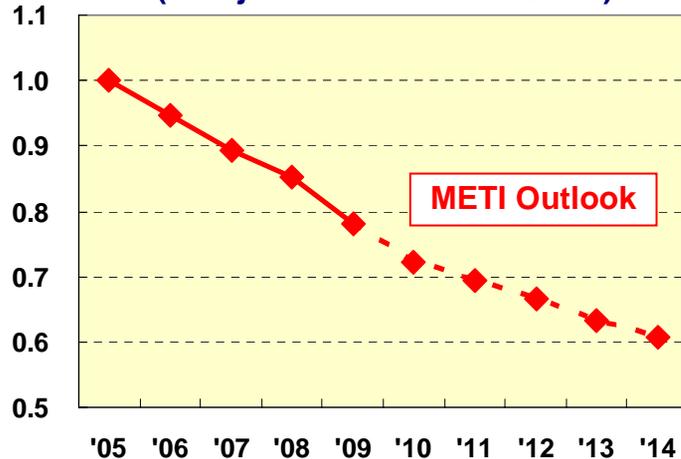
**TG's Free Cash Flow and Distribution**  
(Cumulative, 100 million yen)



\* D/S + Chemical operating income excl. inventory and crude lead/lag effects per crude throughput. All competitors' figures are extracted from their official disclosures

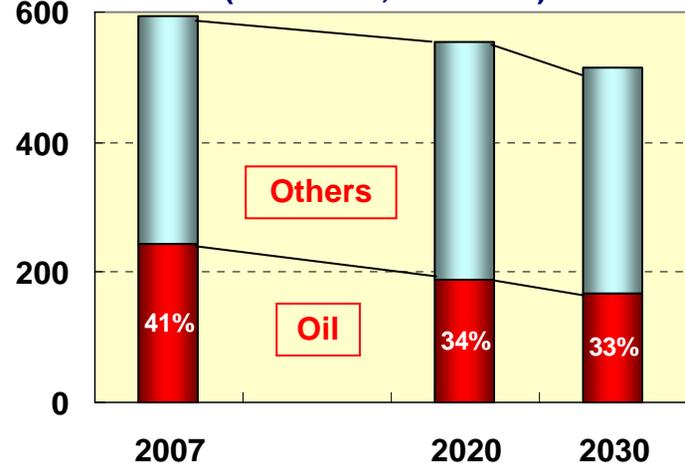
- **Structural change in operating environment**
  - » Further decline in domestic petroleum product demand
- **However, oil will remain an important energy resource**
  - » Japan's oil dependence in 2030 is expected to remain one-third, still significant level

**Domestic Product Demand Index**  
(5 Major Fuels\* Total - '05=1.0)



Source: METI Statistics and 5-Year Demand Outlook  
\* Gasoline / Diesel / Kerosene / FOA / FOC

**Long-term Primary Energy Supply Outlook**  
(Crude OE, million kl)



Source: METI Long-term S&D Forecast  
Political Initiative Case for 2020/2030

- **METI's regulation to increase proportion of resid conversion to APS capacity**
  - » Requiring increase in conversion rates, reduction in APS capacity, or both
  - » TonenGeneral studying various options
  - » We believe that policy should be based on efficiency and competitiveness

# Climate Policies - Our Position



- Technology development is the key to long-term fundamental GHG reduction at reasonable cost
- In the short-to-medium term, efficiency is key to limiting growth in GHG emissions
- If gov't mandates are necessary, we favor carbon tax approach over cap & trade
  - » Uniform & predictable GHG cost across the economy
  - » Let market prices drive the selection of solutions
  - » Simple, low cost, transparent system
  - » Allow for adjustments in the future (via tax rates)
- Unless next-generation biofuels emerge, biofuels offer uncertain rewards, considering:
  - » GHG reduction effect on an LCA basis
  - » Competition with food production
  - » Supply security
  - » Cost effectiveness



# Lead Evolution – *Move Together*

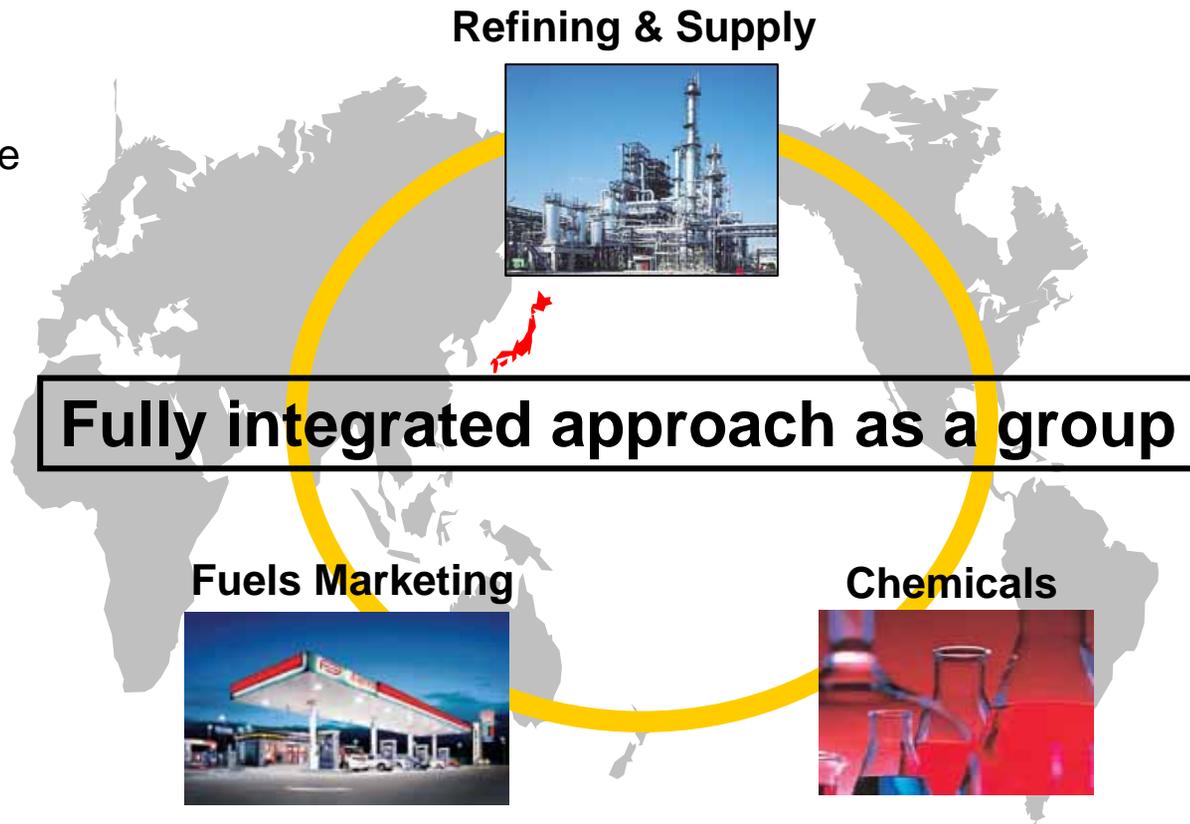


## ■ Our basic strategies remain unchanged

- » Concentration on our core businesses
- » Good corporate citizenship
- » Efficiency improvement
- » Increase in shareholder value

## ■ Coming years

- » Big challenges
- » Most efficient will survive



# 2QYTD 2010 Business Results and Revised FY 2010 Financial Forecast

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W. J. Bogaty

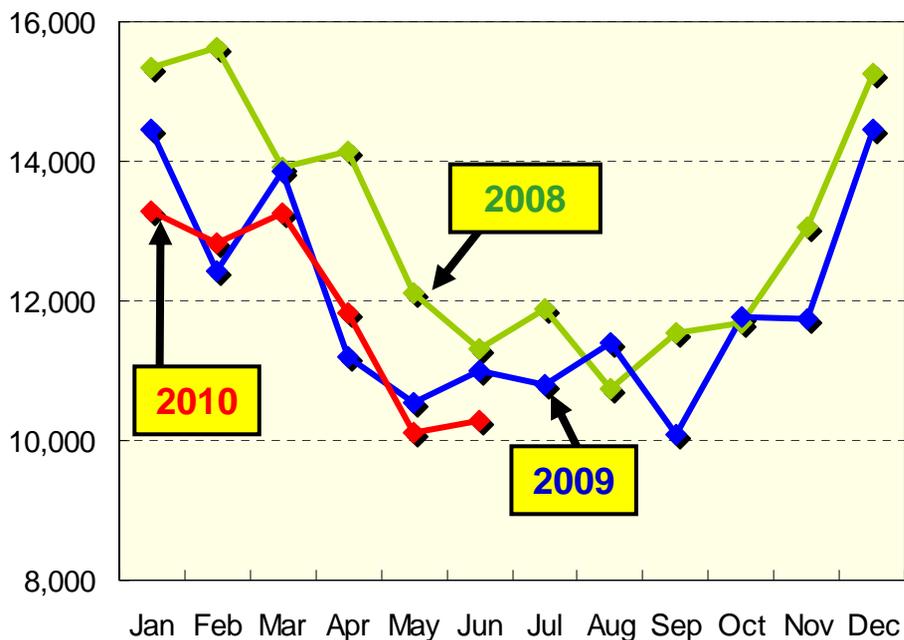
Representative Director, Managing Director  
TonenGeneral Sekiyu K.K.  
Representative Director, President  
ExxonMobil Y.K.

# Business Environment



- Downstream margins recovered in 2Q vs. 1Q, offset in part by reduced chemical margins
- Domestic petroleum product demand slightly lower than last year
- 1H10 chemical margins (especially aromatics) and demand improved compared with 1H09, but deterioration possible in 2H as supply increases in region

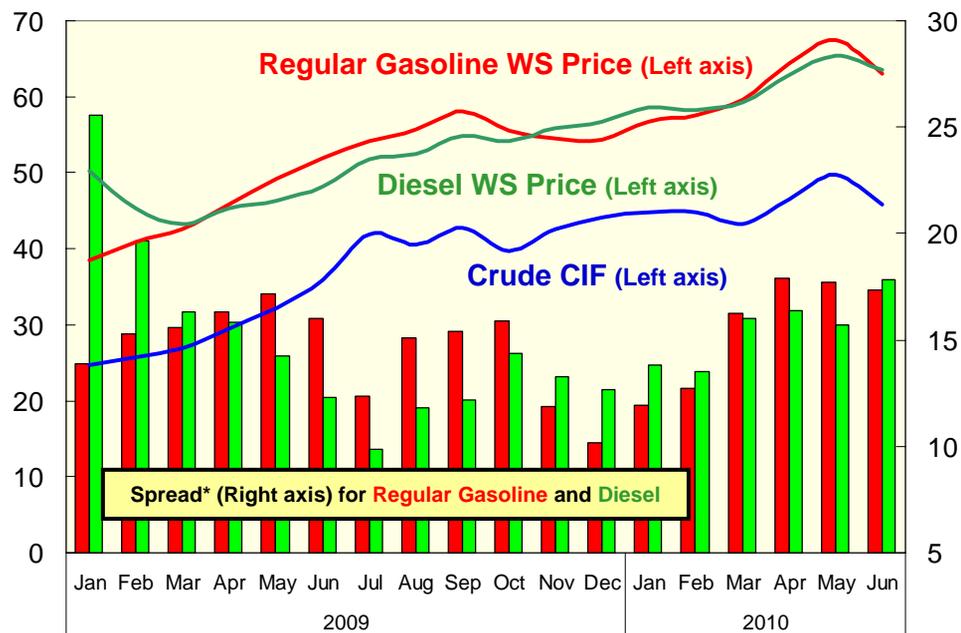
**Domestic Petroleum Product Demand (2008-)**  
(5 Major products\*, KKL)



\* Gasoline/Diesel/Kerosene/FOA/FOC

Source: METI Statistics

**Price Trend for Crude and Products (2009-)**  
(Crude CIF vs. Gasoline/Diesel Wholesale Prices, ¥/L)



\* Spread: Domestic WS prices – crude CIF

Source: PAJ and Oil Information Center

# Financial Highlights



- 2Q10YTD operating income 245 oku yen higher than 2Q09YTD
- After adjustment for inventory and lead lag effects, 2Q10YTD adjusted operating income was 96 oku yen lower than 2Q09YTD: lower oil segment income in 1Q partly offset by improvement in Chemicals
- 202 oku yen gain related to BSF JV formation realized as extraordinary income in 1Q10

(100M yen = oku yen)	<u>2Q09YTD</u>	<u>2Q10YTD</u>	<u>Inc/Dec</u>
Net sales	9,646	<b>11,730</b>	2,084
┌ Operating income	-109	<b>136</b>	245
Ordinary income	-107	<b>148</b>	255
Extraordinary income/loss	-9	<b>195</b>	205
Net income	-64	<b>286</b>	350
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┌ Reverse inventory effects	-72	<b>-93</b>	-21
┌ Reverse lead lag effects	330	<b>10</b>	-320
└ Adjusted operating income	<b>149</b>	<b>53</b>	<b>-96</b>
└ Oil segment	151	<b>-25</b>	-176
└ Chemical segment	-2	<b>78</b>	80

- Net sales increased by 22%, reflecting higher average crude prices than 2Q09YTD

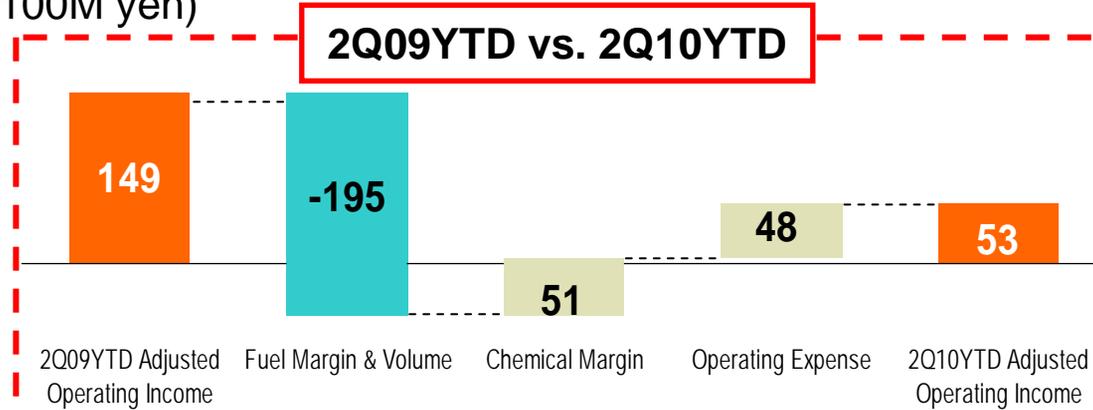
# Factor Analysis of Operating Income (1)

## [2Q10YTD Results vs. 2Q09YTD Results: Consolidated]

- 2Q10YTD vs. 2Q09YTD comparison best analyzed on quarter vs. quarter basis
- 2Q10 improved reflecting recovery in oil segment margin following the severe margin environment since 2Q09

(100M yen)

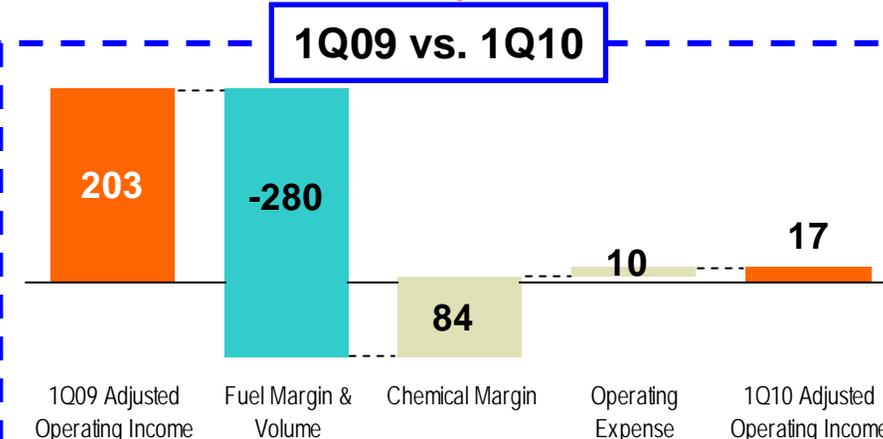
### 2Q09YTD vs. 2Q10YTD



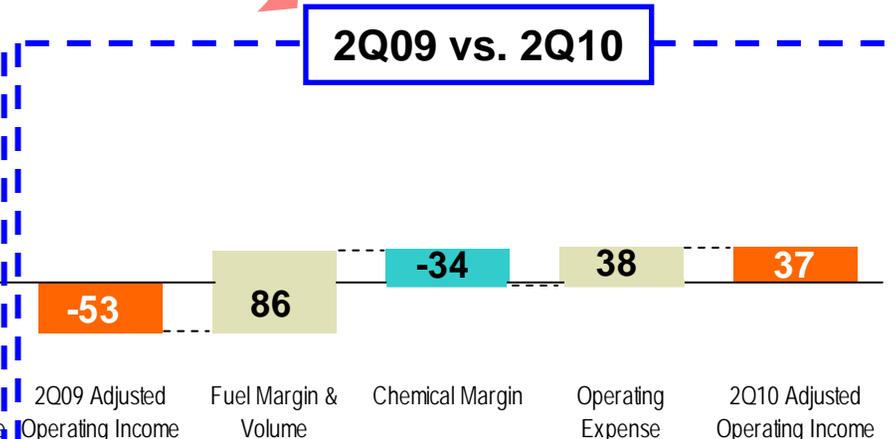
	1Q09	2Q09	1H09
Operating income	131	-239	-109
Rev. inventory effects	-18	-54	-72
Rev. lead lag effects	90	240	330
<b>Adjusted operating income</b>	<b>203</b>	<b>-53</b>	<b>149</b>

	1Q10	2Q10	1H10
Operating income	184	-47	136
Rev. inventory effects	-187	94	-93
Rev. lead lag effects	20	-10	10
<b>Adjusted operating income</b>	<b>17</b>	<b>37</b>	<b>53</b>

### 1Q09 vs. 1Q10



### 2Q09 vs. 2Q10

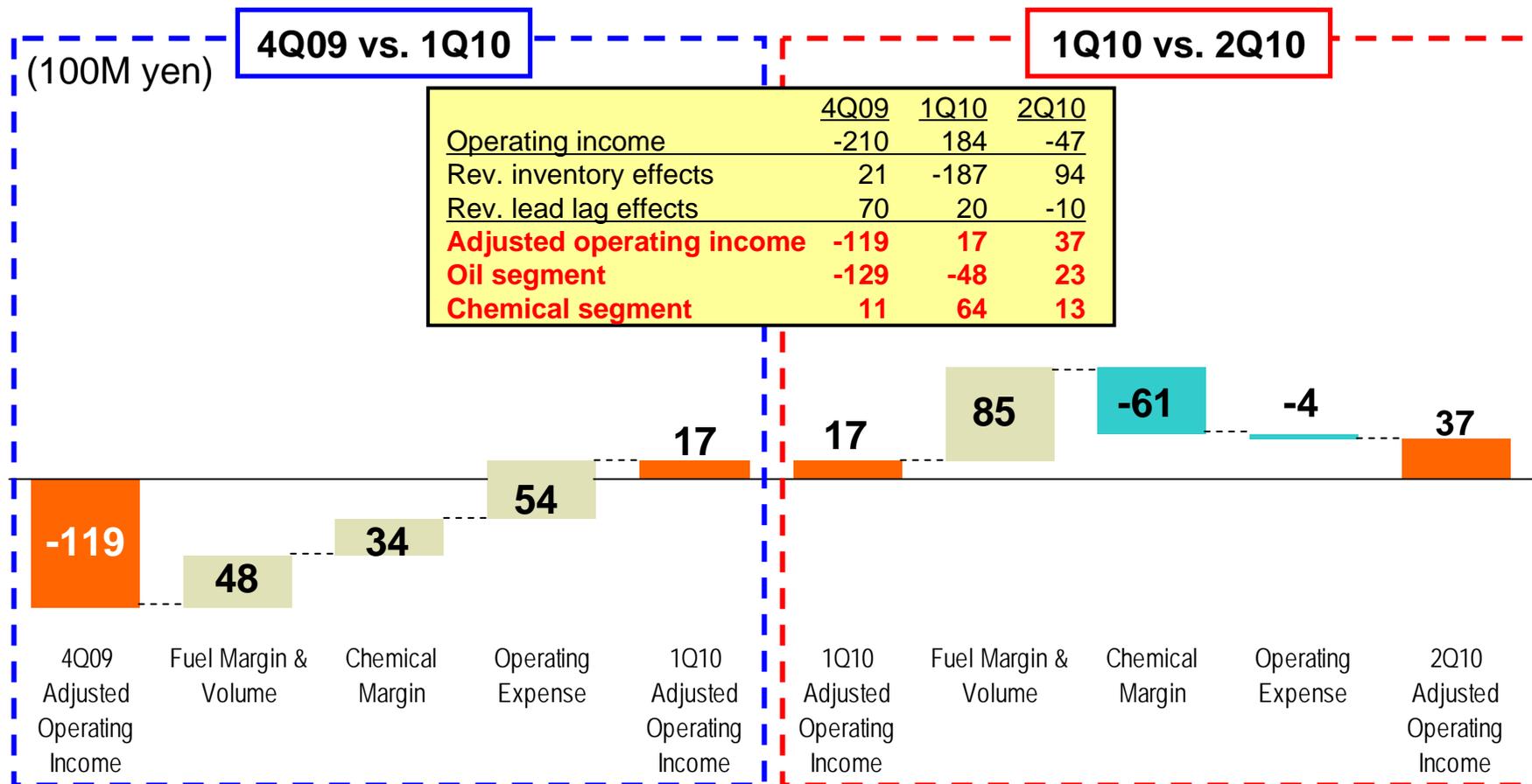


# Factor Analysis of Operating Income (2)



## [2Q10 Results vs. 1Q10 / 4Q09 Results: Consolidated]

- Adjusted oil segment operating income returned to positive position in 2Q10, reflecting recent margin improvement, after four negative quarters
- Chemical operating income reduced in 2Q versus 1Q: weaker margin environment, especially for aromatics products



# Sales Volume



- Continuing attention to profitability of each sales channel
  - » Domestic demand for 5 major fuels continuously decreased
  - » Significant drop in exports due to severe margin environment early this year
- Product availability reduced during Kawasaki turn-around in May/June 2010
- Stable chemical volume compared with last year, overall recovery vs. 1Q 2009 “trough”

## Oil Products\*

(KKL)	2Q09YTD	2Q10YTD	Inc./Dec.	Industry Inc./Dec. ****	
Japan Inland Sales	Gasoline	5,168	4,884	-5.5%	+0.1%
	Kerosene	1,522	1,344	-11.7%	+2.7%
	Diesel fuel	1,428	1,424	-0.3%	-0.3%
	Fuel oil A	1,033	953	-7.7%	-4.5%
	Fuel oil C	716	785	+9.7%	-18.4%
	5 Major Fuels Total	9,866	9,391	-4.8%	-2.5%
	LPG and others	1,255	1,268	+1.0%	
	Sub Total	11,121	10,659	-4.2%	
	Exports**	2,683	1,884	-29.8%	
	Others***	1,670	1,645	-1.5%	
G. Total	15,474	14,188	-8.3%		

## Chemical Products (Consolidated)

(Kton) Olefins and others (TCC)	791	849	+7.4%
Aromatics and others (TG)	395	410	+3.8%
Chemical Total	1,185	1,259	+6.2%

### Notes:

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

Topper Utilization	76%	68%	75%
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# Earnings Forecast [Consolidated]



- We have updated 2010 earnings forecasts upward from previous update
  - » Recent improved oil margin increases adjusted oil segment operating income, partly offset by lower chemical operating income
  - » 93 oku-yen 1H inventory profits assumed reversed in 2H. Balanced by positive real operating earnings
  - » No lag effects assumed in 2H10, negative 10 oku-yen in 1H10 assumed to remain at year-end
- Sensitivities in future earnings
  - » Regional chemical supply/demand balance
  - » Crude price movements and consequential margin effects
  - » Small draw down in inventory levels and consequential P/L effects

(100M yen)	<u>Prev. Update</u> <u>FY10</u>	<u>Actual</u> <u>1H10</u>	<u>Aug Update*</u> <u>FY10</u>	
Net sales	24,000	11,730	<b>24,000</b>	
Operating income	120	136	<b>140</b>	Little net change in 2H10 but positive real earnings pattern
Ordinary income	140	148	<b>160</b>	
Extraordinary income/loss	190	195	<b>200</b>	
Net income	290	286	<b>300</b>	
<hr style="border-top: 1px dashed gray;"/>				
Reverse inventory effects	0	-93	<b>0</b>	Assumed negative 93 oku yen in 2H10
Reverse lead lag effects	20	10	<b>10</b>	
Adjusted operating income	140	53	<b>150</b>	
Oil segment	30	-25	<b>60</b>	Assumed positive 85 oku yen in 2H10
Chemical segment	110	78	<b>90</b>	

\* Based on \$74/Bbl (Dubai) and ¥91/\$ < June 2010 monthly average >



# Cash Flows, Debt/Equity [Consolidated]

(100M yen)

## Operating Activities

Net income before taxes	343
Depreciation	130
Equity valuation gain	-202
Income tax payment	-15
Change in working capital etc.	-439 *

## 2Q10YTD

**-183**

## Investing Activities

**-95**

## Financing Activities

**278**

Increase in net debt	386
Dividend to shareholders	-108

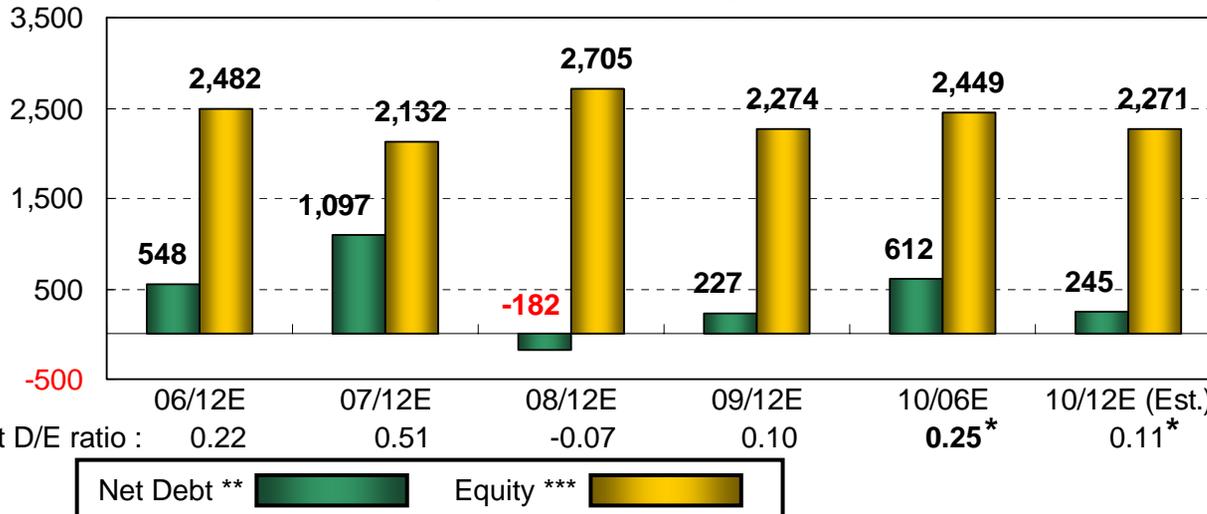
## Net Cash Change

**0**

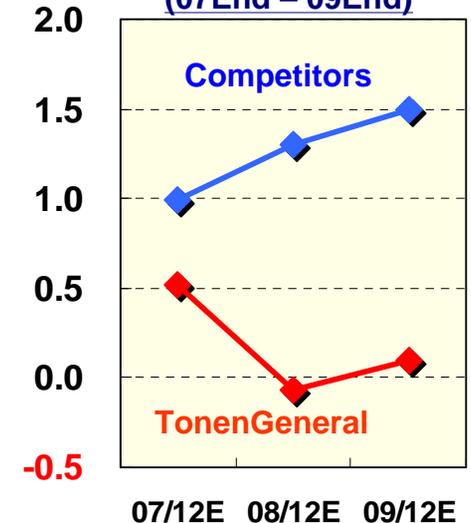
- Intra-year increase in debt reflecting seasonal working capital changes
- Strong competitive financial position

(100M yen)

Net Debt, Equity and Net D/E ratio (06End – 10End estimate)



Net D/E ratio (07End – 09End)

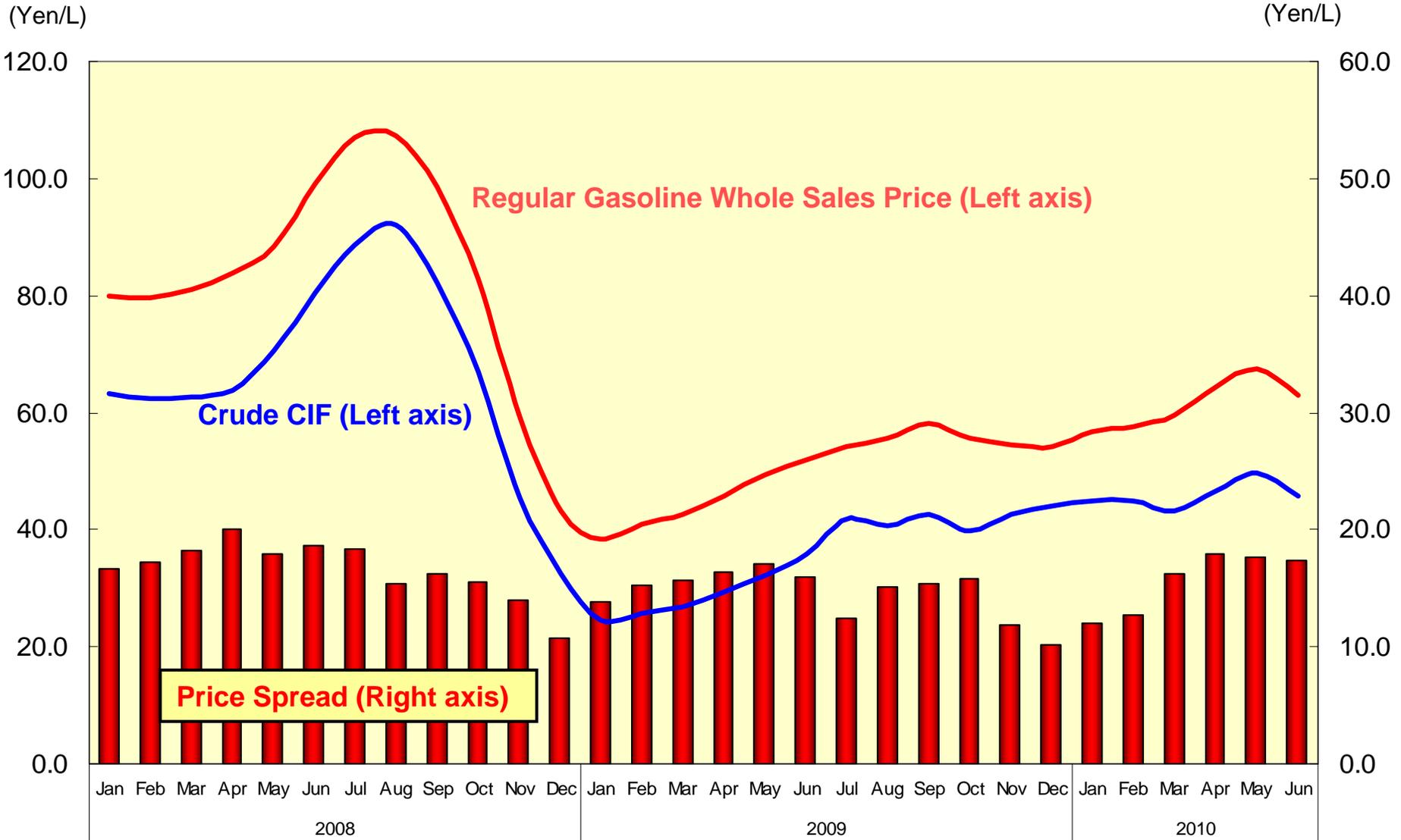


\* Excl. effect of cash deposit from new JV \*\* Net debt excludes cash and loans receivable \*\*\* Net Worth excl. Minority Interest

## Supplemental Information

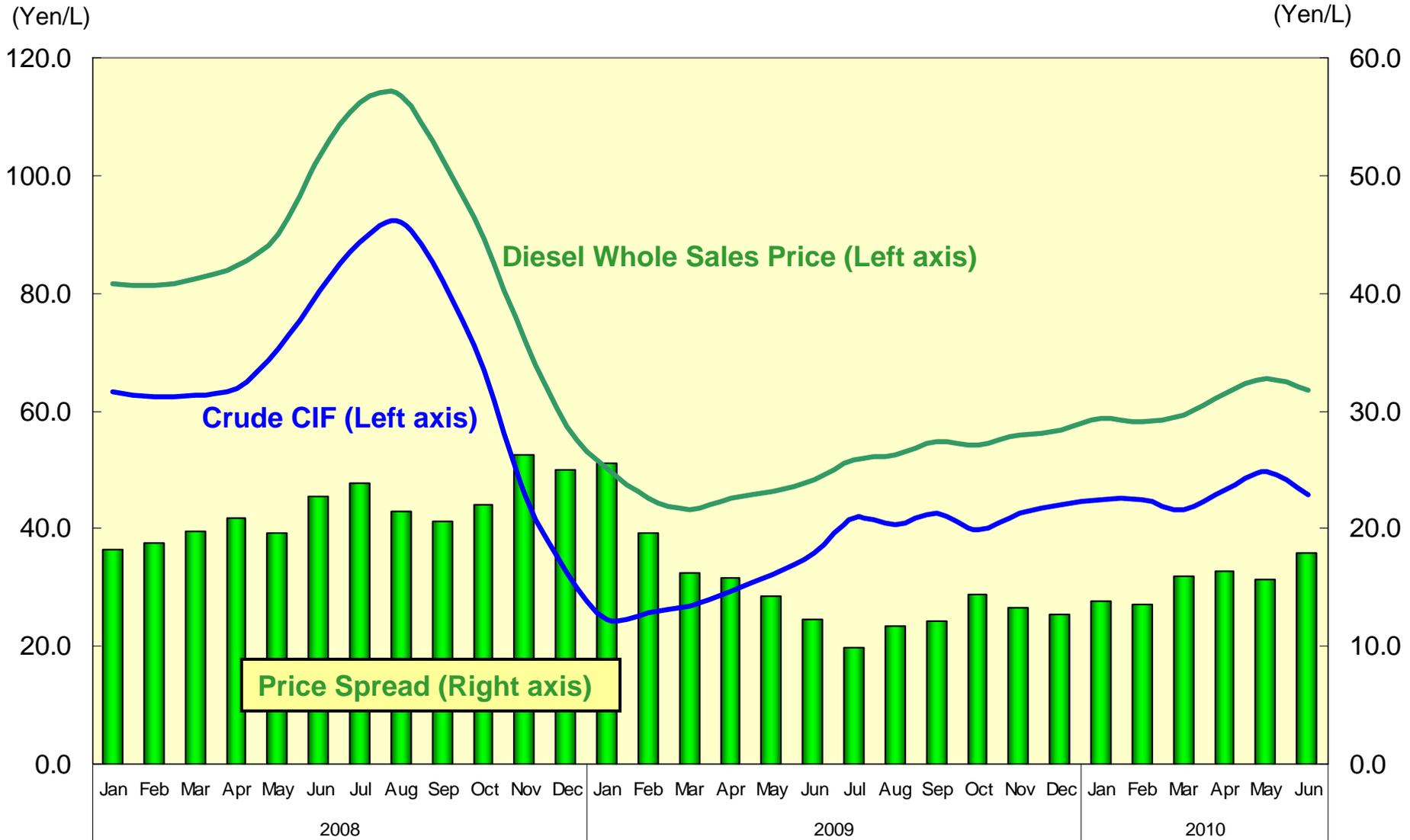
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# Price Spread (Gasoline Wholesale Price vs. Crude CIF)

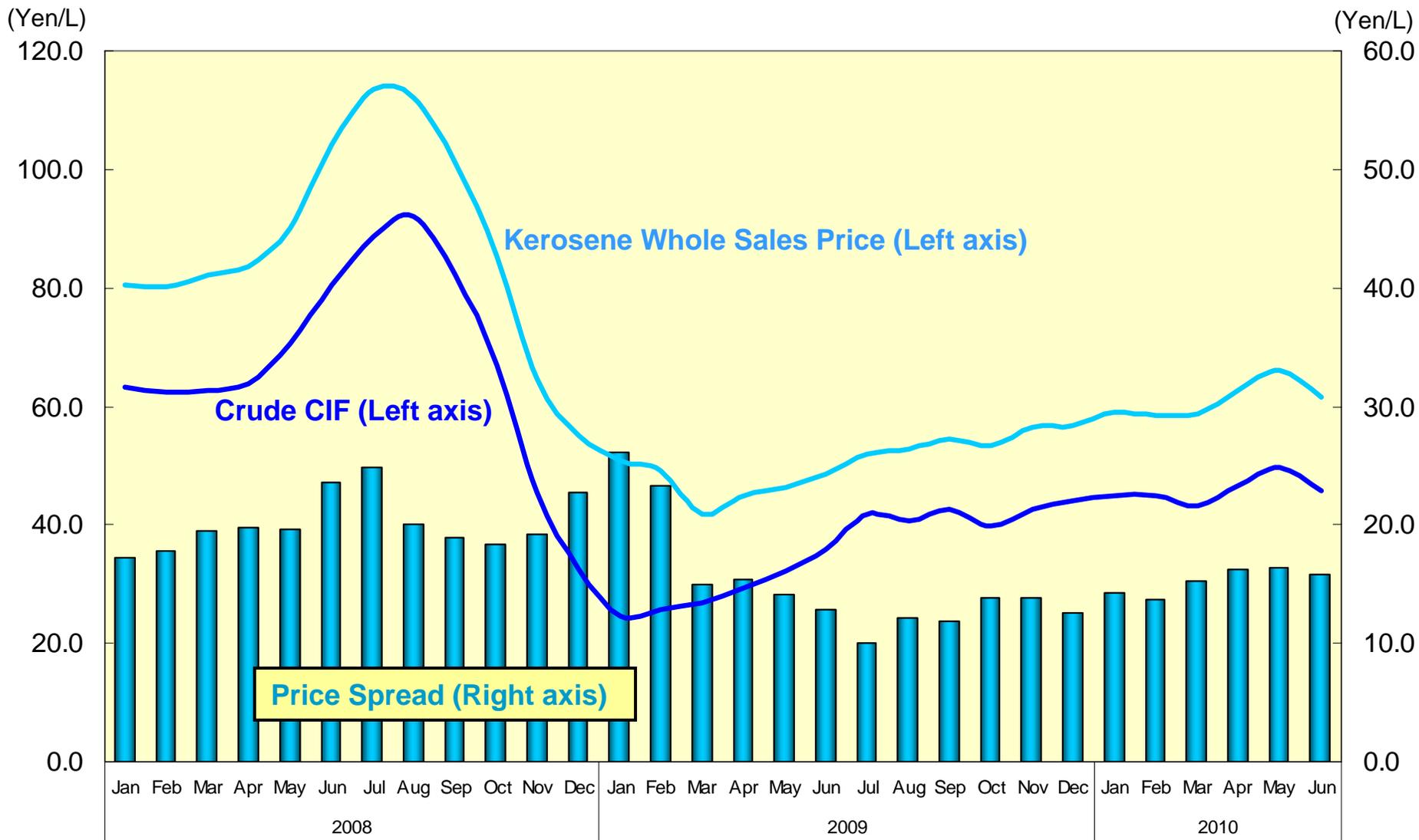


Source: PAJ and The Oil Information Center

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



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



# Details of Operating Income (2008-2Q10)



営業利益内訳 (単位: 億円)	Breakdown of Operating Income (Unit: 100MYen = Oku Yen)	'10 1-3月期 1Q10	'10 4-6月期 2Q10	'10 7-9月期 3Q10	'10 10-12月期 4Q10	'10 通期 FY2010	'10 1-6月期 1H10
石油部門(実質)	Oil segment (Substantial)	-48	23				-25
石油化学部門	Chemical segment	64	13				78
在庫関連利益	Inventory effects	187	-94				93
原油コスト認識時点の差による影響	Lead lag effects	-20	10				-10
総合計	Total	184	-47				136

営業利益内訳 (単位: 億円)	Breakdown of Operating Income (Unit: 100MYen = Oku Yen)	'09 1-3月期 1Q09	'09 4-6月期 2Q09	'09 7-9月期 3Q09	'09 10-12月期 4Q09	'09 通期 FY2009	'09 1-6月期 1H09
石油部門 他(実質)	Oil segment and others (Substantial)	225	-74	-130	-129	-108	151
石油化学部門	Chemical segment	-23	21	29	11	38	-2
在庫関連利益	Inventory effects	18	54	23	-21	74	72
原油コスト認識時点の差による影響	Lead lag effects	-90	-240	50	-70	-350	-330
総合計	Total	131	-239	-27	-210	-346	-109

営業利益内訳	Breakdown of Operating Income	'08 1-3月期 1Q08	'08 4-6月期 2Q08	'08 7-9月期 3Q08	'08 10-12月期 4Q08	'08 通期 FY2008	'08 1-6月期 1H08
石油部門 他(実質)	Oil segment and others (Substantial)	-114	-10	-149	355	82	-124
石油化学部門	Chemical segment	93	86	70	-110	139	179
在庫関連利益	Inventory effects	523	-327	130	-186	141	196
原油コスト認識時点の差による影響	Lead lag effects	15	-400	430	700	745	-385
資産売却に伴う利益	Gain related to divestment	110				110	110
総合計	Total	627	-650	481	760	1,217	-23