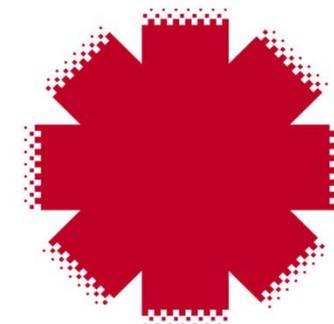


# TonenGeneral Sekiyu K.K.

## 2QYTD 2011 Financial Results

August 15, 2011  
at Bellesalle Yaesu



**TonenGeneral**

- 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 and product 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 Overview P. P. Ducom
- 2QYTD 2011 Business Results and  
FY 2011 Financial Forecast D. R. Csapo
- Q & A

# Business Overview

---

P. P. Ducom

Representative Director, President  
TonenGeneral Sekiyu K.K.

## **2Q11 results influenced by:**

- Business environment post Great East Japan Earthquake Disaster
- Operational issues
- Continued rise in inventory values

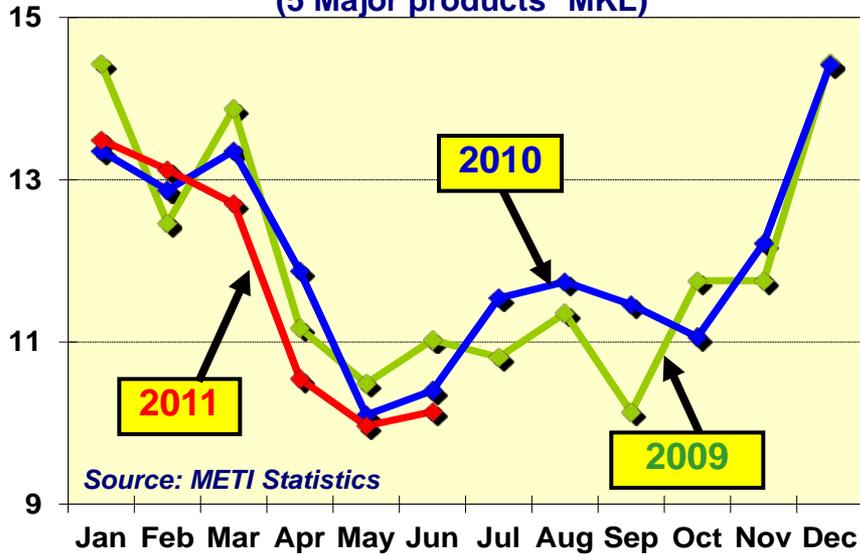
## **3Q11 back in line with full year expectation**

- Business environment improving
- All facilities running normally

## **Continued to progress strategic initiatives**

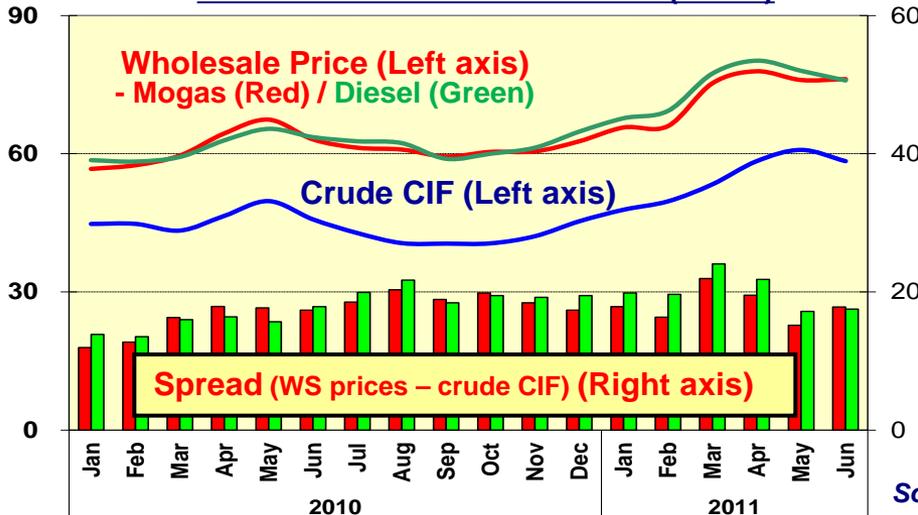
- Efficiency projects at Sakai
- Specialty Chemicals growth

**Domestic Petroleum Product Demand**  
(5 Major products\* MKL)



\* Gasoline/Diesel/Kerosene/FOA/FOC

**Crude and Product Prices (Yen/L)**



Source: PAJ and Oil Information Center

## ■ Slump in domestic product demand after March 11

- » Downturn in Japan economy
- » Petroleum products demand decline (LS FOC for power an exception)
- » Some signs for recovery from May

## ■ Volatile downstream margins

- » Long domestic S&D balance after the earthquake
- » Improved S&D balance since June due to lower runs / restart of exports

## ■ Basic Chemical segment under pressure

- » Aromatics decline in 2Q11 after 3-quarters uptrend

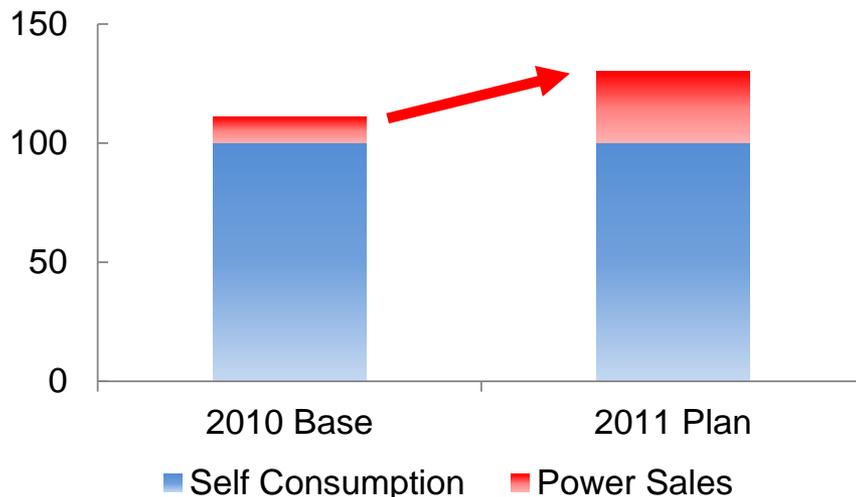
# 2011 Progress – Refining & Supply



## Planned and unplanned events impacted 2Q performance

- **Successfully completed major Turnaround at Sakai**
  - » No Lost Time Injury
  - » Implemented small efficiency projects
  - » Restarted on schedule late June
- **Kawasaki H-Oil unit down due to residual effects from the Earthquake**
  - » Shutdown in early April to repair damaged equipment
  - » Crude slate and run-plan impacted
  - » Back to normal operation in late May
- **Kawasaki site continues to supply electricity**
  - » Cooperation among TG entities minimizes impact of 15% power cut

**Kawasaki Power Generation in Summer**  
(Index: 2010 Self Consumption = 100)

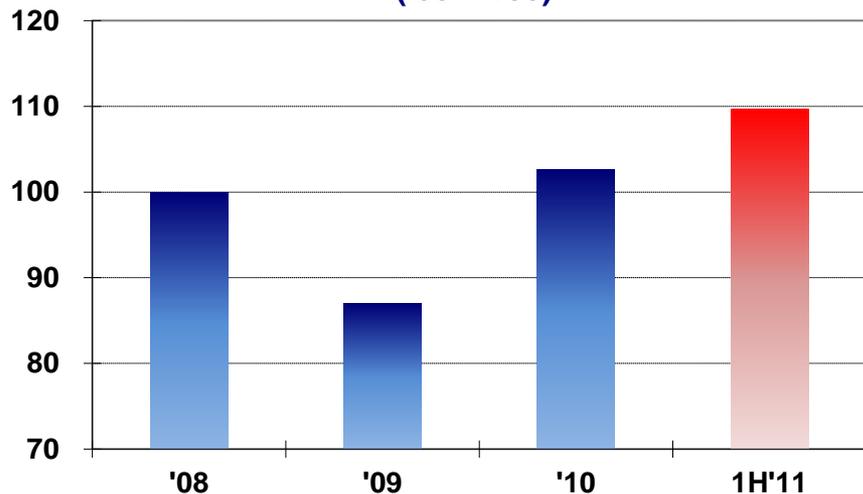


# 2011 Progress – Chemical



Tonen General

Specialty Chemicals Sales Volume  
(‘08 = 100)



- **Efficiency projects completed during the Sakai turnaround**

- » Improved steam utilization to reduce fuel consumption

- **Steam Cracker mechanical failure at TCC Kawasaki plant**

- » Two-week shutdown in June for compressor repair
- » No impact on MEK production

- **Self-help to improve feed flexibility proved valuable during unplanned events**

- **Strong specialty chemical volumes and margins**

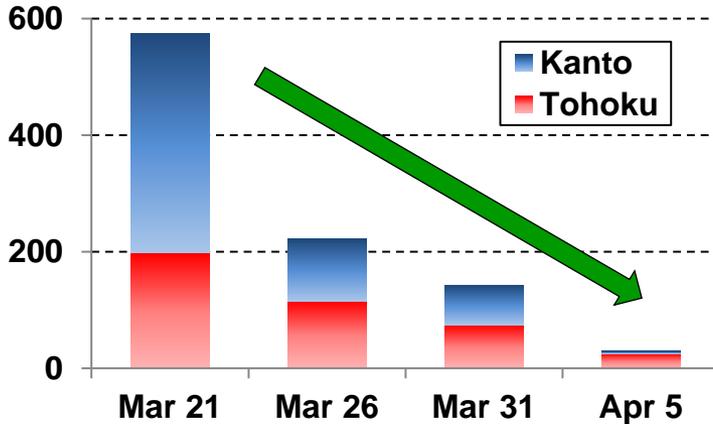
- » Customer focused market strategies

- **TTSS JV commencing construction of additional BSF capacity in Korea**

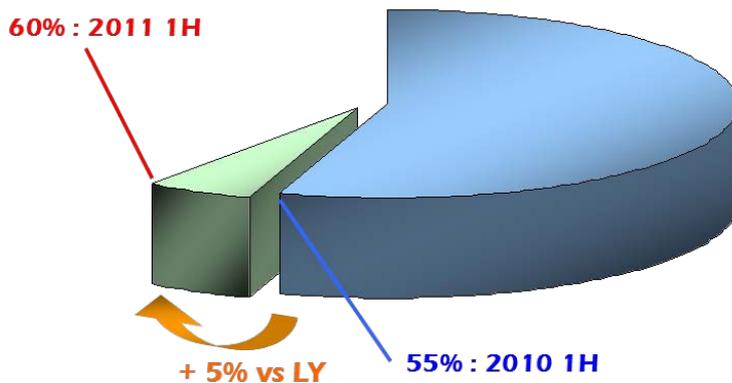
# 2011 Progress – Fuels Marketing



**EM Japan Group Closed SS Status**  
(as of April 5)



**Retail sales volume through Express (%)**



- Quick and efficient delivery to the stricken areas
- Self serve brand “Express” growth supports improved productivity
  - » 60% retail gasoline/diesel through “Express,” about 5% increase from 2010
  - » Three million “Speedpass” touchless payment transponders issued
- Continuous focus on further development of exclusive alliance with Seven-Eleven Japan

\* Data for EM Japan group. TG is operating its marketing business under unified strategies with the EM Japan group

## Expectations for 2H11

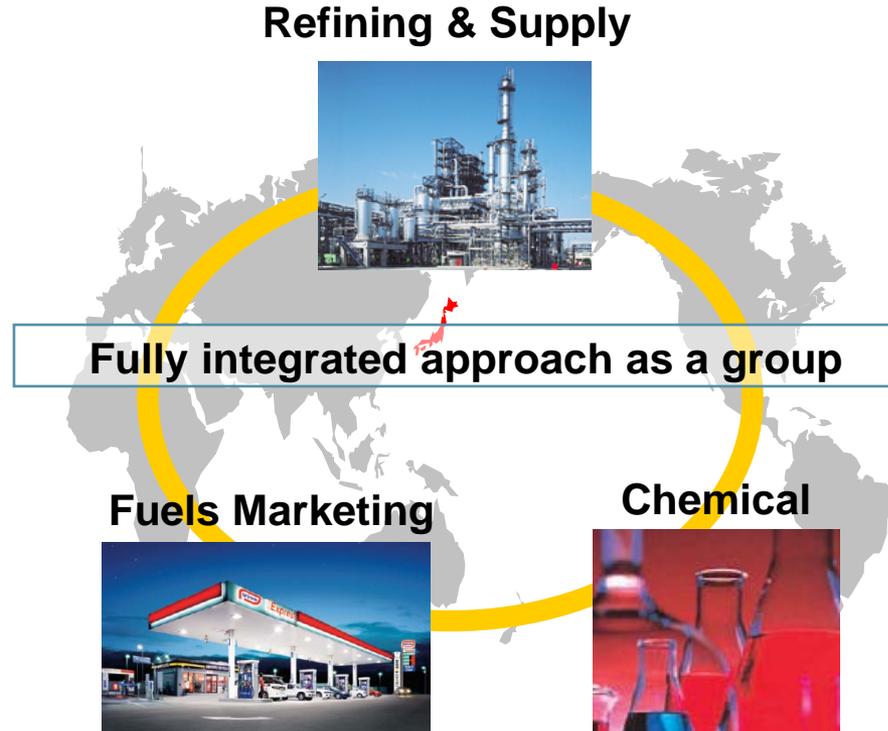
- All facilities back to normal capability
- Demand recovery continuing
- Domestic market S&D in reasonable balance
- Export market opportunities available

## Other key focus areas

- Energy policy discussions
- Power supply (winter 2011 / summer 2012)
- Local and regional “economic trends”

## Continued focus on core strategies

- Ensure flawless operations
- Improve efficiency and profitability
- Increase shareholder value
- Self-help a key contributor



# **2QYTD 2011 Business Results and FY 2011 Financial Forecast**

---

D. R. Csapo

Director  
TonenGeneral Sekiyu K.K.

# Financial Highlights (2QYTD 2011)



- Net sales rose by 132.5 billion yen reflecting higher average product prices vs. 2Q10YTD
  - » Average crude price up US\$30 per barrel
- Operating income was 217.8 billion yen, a 204.2 billion yen increase from 2Q10YTD
  - » 201.2 billion yen inventory gain realized in 2011 largely due to accounting change
  - » Oil segment margins continue above depressed first half 2010 levels
  - » Chemical modest margin plus offset planned / unplanned maintenance in 2011
- No material non-operating or extraordinary items in 2Q11YTD

(billion yen)	<u>2Q10YTD</u>	<u>2Q11YTD</u>	<u>Inc./Dec.</u>
Net sales	1,173.0	<b>1,305.5</b>	132.5
Operating income	13.6	<b>217.8</b>	204.2
Ordinary income	14.8	<b>218.7</b>	204.0
Extraordinary gain/loss	19.5	<b>-0.2</b>	-19.7
Net income	28.6	<b>130.0</b>	101.4
<hr style="border-top: 1px dashed gray;"/>			
Reverse inventory effects	-9.3	<b>-201.2</b>	-191.9
Reverse lead lag effects	1.0	-	-1.0
<b>Adjusted operating income</b>	<b>5.3</b>	<b>16.6</b>	<b>11.3</b>
Oil segment	-2.5	<b>8.9</b>	11.4
Chemical segment	7.8	<b>7.7</b>	-0.1

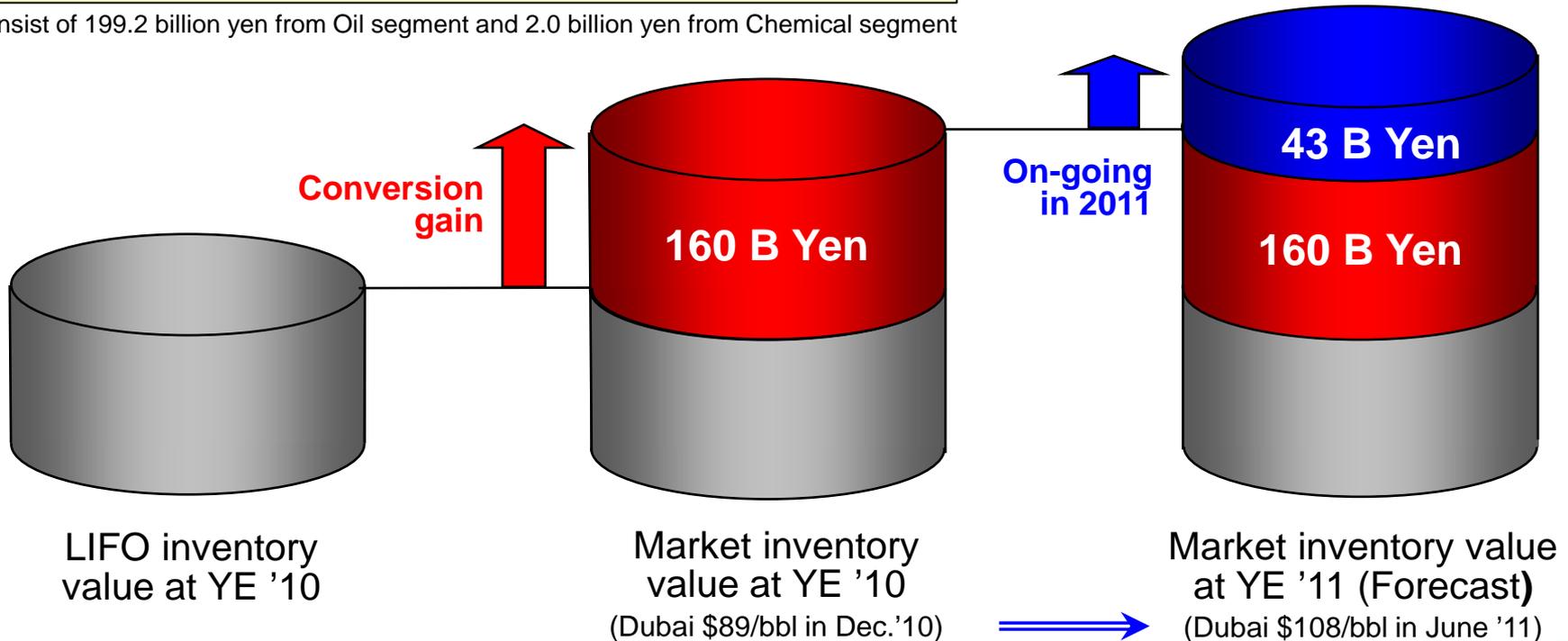
# 2011 Inventory Related Effects

- 2011 inventory related effect is composed of two elements:
  - Conversion gain:** LIFO restated to WAC using December 2010 prices
  - On-going:** On-going WAC inventory effect as a result of change in crude price during 2011

2011 Inventory Related Effects (billion yen)

	2QYTD Actual	Full Year Forecast
1) <b>Conversion gain</b>	<b>157.1</b>	<b>160.0</b>
2) <b>On-going inventory effect</b>	<b>44.1</b>	<b>43.0</b>
<b>Total</b>	<b>201.2*</b>	<b>203.0</b>

\* Consist of 199.2 billion yen from Oil segment and 2.0 billion yen from Chemical segment



# Factor Analysis of 2Q11 Operating Income

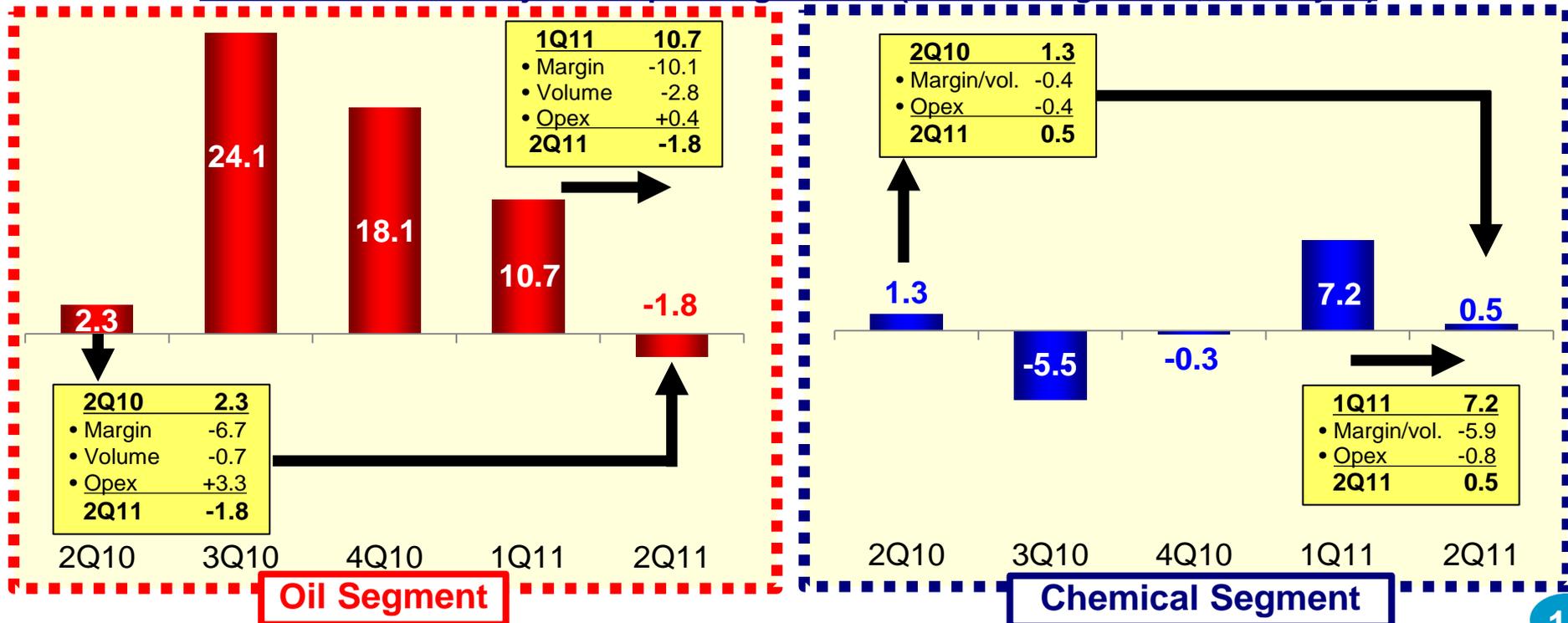
## 2Q11 vs. 2Q10

- Modestly weaker oil margins and H-Oil outage impacted Oil segment
- Specialties and commodities margin plus offset by planned and unplanned maintenances to Chemical segment

## 2Q11 vs. 1Q11

- Refining margin weakened especially in May, though some recovery seen toward 2Q end
- Aromatics margin also weakened due to demand contraction
- H-Oil and steam cracker downtime at Kawasaki as well as turnaround at Sakai impacted Oil and Chemical segment performance

### Quarter to Quarter Adjusted Operating Income (2Q10 through 2Q11, billion yen)



# Sales Volume

- Post-quake weak industry demand especially in April
  - » Some recovery seen from May
- Sakai turnaround and H-oil downtime at Kawasaki weakened both domestic and export oil products volume in 2Q11
- Lower aromatics due to turnaround at Wakayama in 1Q11 and at Sakai in 2Q11 and lower olefins due to Kawasaki steam cracker mechanical issue in June'11

## Oil Products\*

(KKL)	2Q10YTD	2Q11YTD	Inc./Dec.	Industry Inc./Dec. ****	
Japan Inland Sales	Gasoline	4,933	<b>4,781</b>	-3.1%	-3.0%
	Kerosene	1,375	<b>1,323</b>	-3.8%	-5.5%
	Diesel fuel	1,441	<b>1,384</b>	-3.9%	-1.6%
	Fuel oil A	1,009	<b>909</b>	-9.8%	-8.2%
	Fuel oil C	882	<b>772</b>	-12.5%	+5.8%
	5 Major Fuels Total	9,639	<b>9,169</b>	-4.9%	-2.8%
	LPG/Jet/Others	1,326	<b>1,518</b>	+14.5%	
	Sub Total	10,965	<b>10,686</b>	-2.5%	
	Exports**	1,884	<b>1,727</b>	-8.3%	
	Others***	1,339	<b>1,554</b>	+16.1%	
G. Total	14,188	<b>13,967</b>	-1.6%		

### Notes:

\* Excluding Barter

\*\* Excluding bond sales

\*\*\* Others include crude, lubricants, product exchanges within ExxonMobil Japan Group, etc.

\*\*\*\* Data Source; METI Statistics

## Topper Utilization

**68%**      **67%**

## Chemical Products

(Kton) Olefins and others	837	<b>771</b>	-7.9%
Aromatics	330	<b>283</b>	-14.4%
Specialties	91	<b>93</b>	+1.8%
Chemical Total	1,259	<b>1,147</b>	-8.9%

# 2011 Consolidated Earnings Forecast

- 2011 earnings forecast unchanged from the May forecast, although components shifted reflecting first half performance
  - » -6 billion yen Oil segment and -2 billion yen Chemical segment offset by +8 billion yen inventory effects
- Recent trend indicates 2H margin and volume returning to the May forecast levels
- Reaffirming 38 yen per share dividend forecast

(billion yen)	<u>2QYTD 2011</u>			<u>FY2011 Forecast</u>		
	<u>May Update</u>	<u>Actual</u>	<u>Delta</u>	<u>May Update</u>	<u>August Update</u>	<u>Delta</u>
Net sales	1,300	1,305.5	5.5	2,800	<b>2,800</b>	} No change
Operating income	218	217.8	-0.2	240	<b>240</b>	
Ordinary income	219	218.7	-0.3	242	<b>242</b>	
Extraordinary income/loss	0	-0.2	-0.2	0	<b>0</b>	
Net income	130	130.0	0.0	145	<b>145</b>	
<b>Reverse inventory effects</b>	<b>-193</b>	<b>-201.2</b>	<b>-8.2</b>	<b>-195</b>	<b>-203</b>	<b>-8</b>
Adjusted operating income	25	16.6	<b>-8.4</b>	45	<b>37</b>	<b>-8</b>
Oil segment	15	8.9	<b>-6.1</b>	30	<b>24</b>	<b>-6</b>
Chemical segment	10	7.7	<b>-2.3</b>	15	<b>13</b>	<b>-2</b>

Reflected 1H under / over run to full-year forecast

# Cash Flows, Debt/Equity



(billion yen)

## Operating Activities

**2Q11YTD**

**19.4**

Net income before taxes	218.6
Change in inventories	-224.0
Depreciation	12.8
Change in working capital etc.	12.0

## Investing Activities

**-5.8**

## Financing Activities

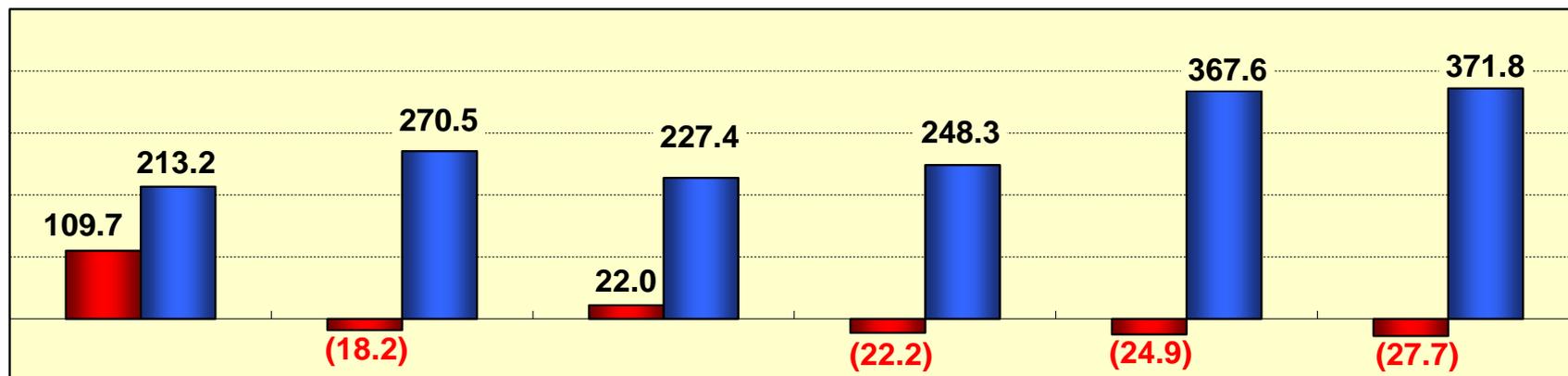
**-13.6**

Decrease in net debt etc.	-2.9
Dividend to shareholders	-10.7

- Strong dividend paying capability
  - » LIFO/WAC gain adds to distributable surplus balance
- Modest change in net debt
  - » Continued solid financial position
- TG Board considers long-term view in evaluating future distributions

(billion yen)

## Year-end Debt/Equity (2007 – 2011 estimate)



Net D/E ratio : 0.51

2008 (0.07)

2009 0.10

2010 (0.09)

2Q11 (0.07)

2011 (Est.) (0.07)



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

## Supplemental Information

---

# Financial Highlights – Net Income Comparison

- Reported 2Q11YTD net income increased by 101.4 billion yen from 2Q10YTD due to:
  - » 113.9 billion yen increase in inventory related gains due mainly to accounting change
  - » Improved Oil segment results
  - » Partially offset by the absence of last year's extraordinary gains primarily BSF JV formation
- Adjusted 2Q11YTD net income was 10.8 billion yen, a 6.8 billion yen increase from 2Q10YTD

(After tax basis - billion yen)	<u>2Q10YTD</u>	<u>2Q11YTD</u>	<u>Inc./Dec.</u>
Net income	28.6	<b>130.0</b>	101.4
-----			
Exclude after tax effects of:			
Inventory gains	-5.5	<b>-119.3</b>	-113.9
Lead lag effects	0.6	-	-0.6
Extraordinary gains/loss	-19.8	<b>0.1</b>	19.9
Adjusted net income	3.9	<b>10.8</b>	6.8
Reference:			
Adjusted operating income (before tax)	5.3	<b>16.6</b>	11.3

# Sensitivities for 2011 Earnings Forecast

## ■ Base assumption for August update

Key Factors	Unit	Base	Reference
Dubai FOB	US\$/Bbl	108	June 2011 average
Exchange Rate	Yen/US\$	81	June 2011 average

Above assumptions used for net sales and inventory effects calculation

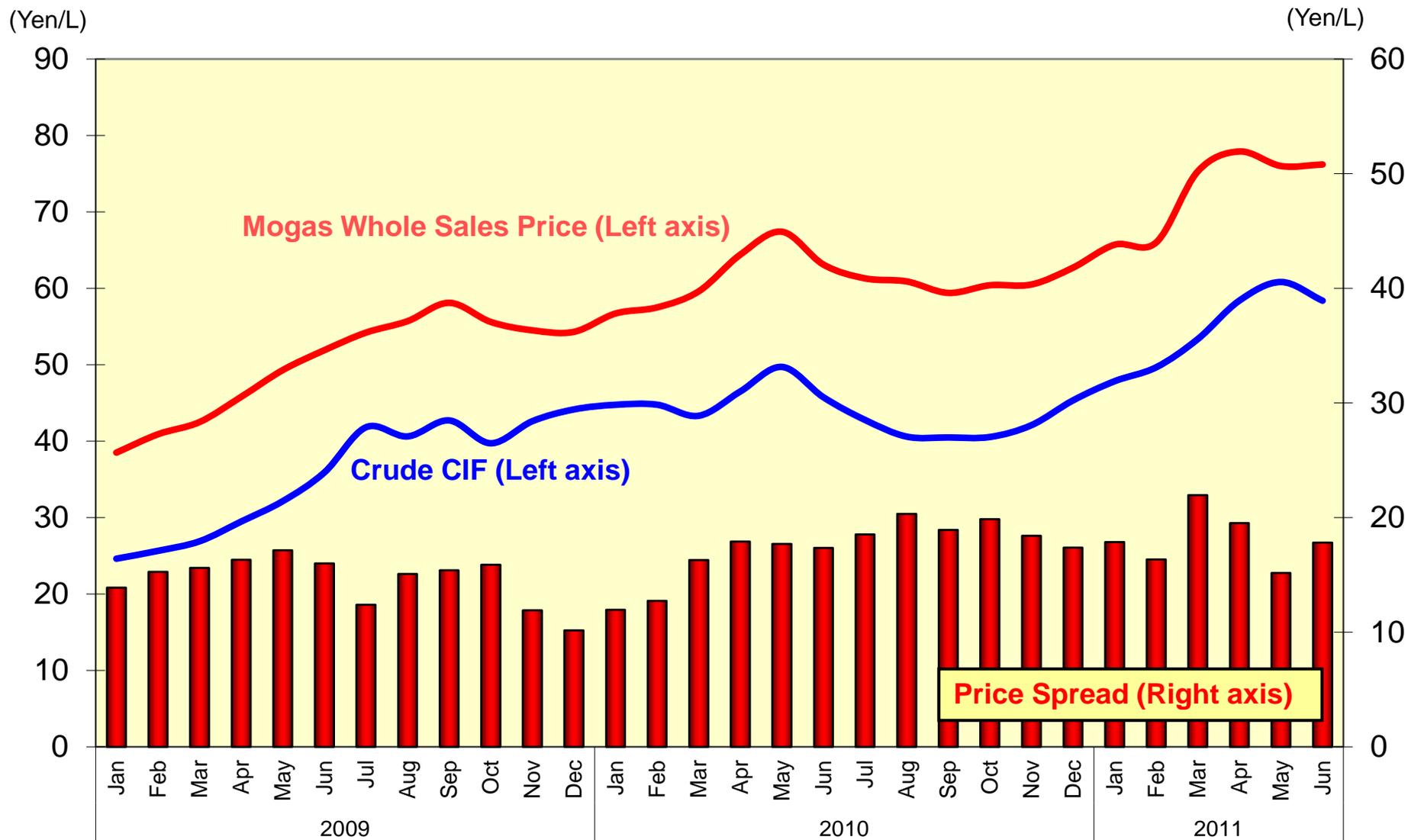
## ■ Full year sensitivities in the future operating income

Key Factors	Unit	Appreciation by	Annual Impact (billion yen)
Dubai FOB	US\$/Bbl	10	18* <sup>1</sup>
Exchange Rate	Yen/US\$	10	- 24* <sup>1</sup>
Refining margin	Yen/L	1	30* <sup>2</sup>

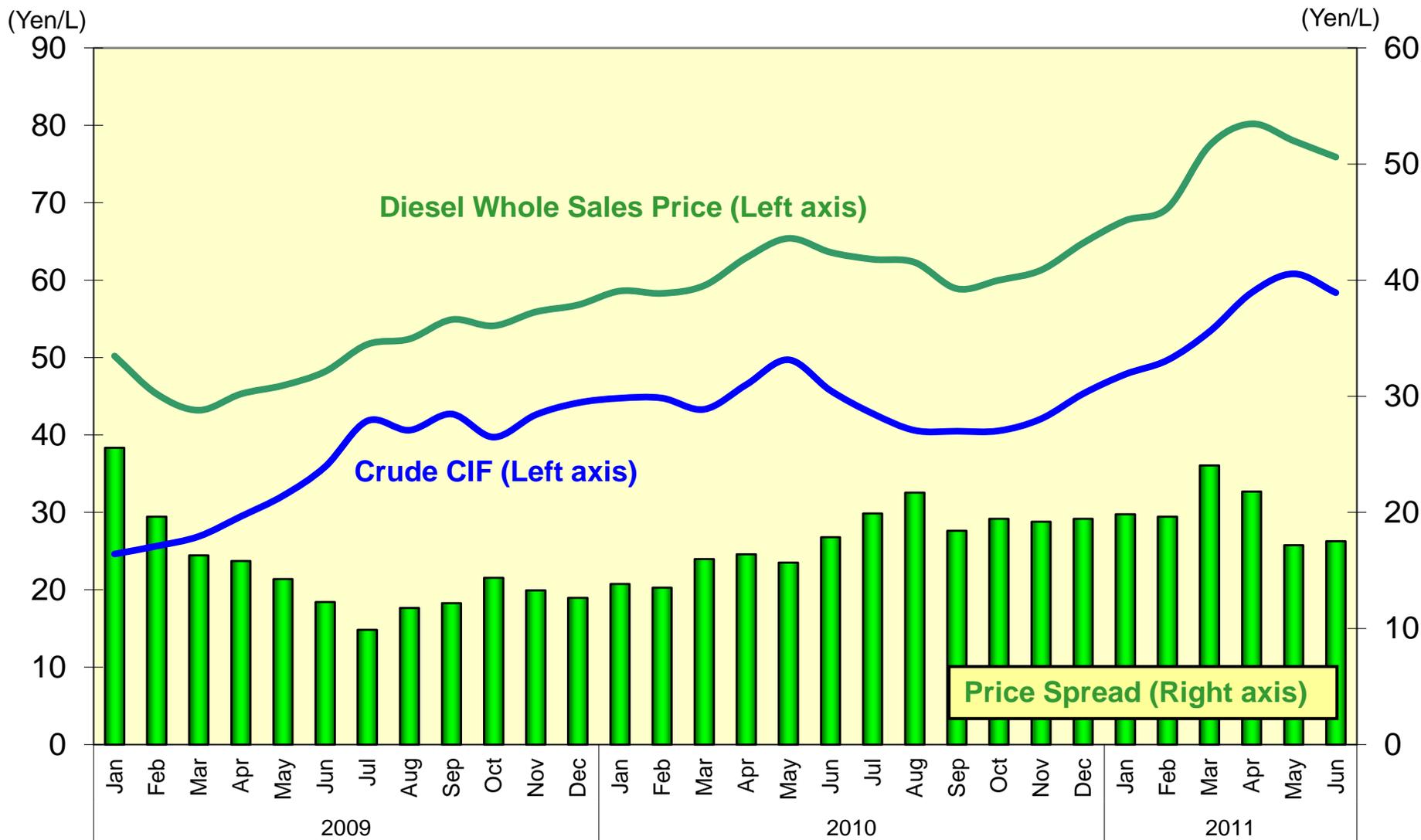
\*<sup>1</sup> Inventory effects only, the sensitivity would change subject to timing of crude price fluctuation and inventory volume

\*<sup>2</sup> Impact to operating income on annual basis rounded to nearest billion yen subject to change in sales volume

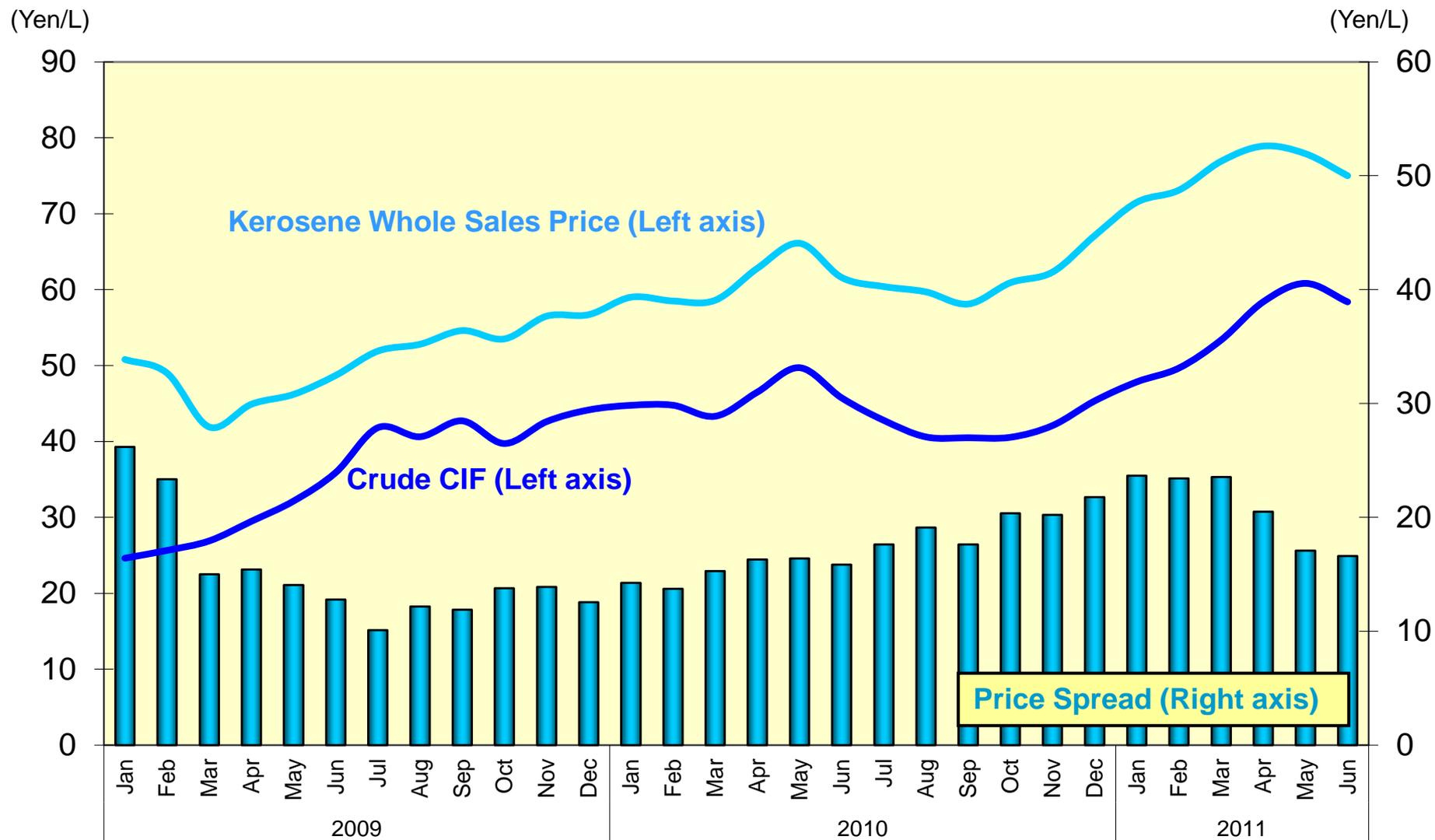
# Price Spread (Mogas Wholesale Price vs. Crude CIF)



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



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



# Details of Operating Income (2009 – 2Q11)



(Unit: billion yen)

## 2011

Breakdown of Operating Income	1Q11	2Q11	3Q11	4Q11	FY2011	1H11	3Q11YTD
Oil segment and others (Substantial)	10.7	-1.8				8.9	
Chemical segment	7.2	0.5				7.7	
Inventory effects	173.2	28.0				201.2	
<b>Total</b>	<b>191.1</b>	<b>26.7</b>				<b>217.8</b>	

## 2010

Breakdown of Operating Income	1Q10	2Q10	3Q10	4Q10	FY2010	1H10	3Q10YTD
Oil segment and others (Substantial)	-4.8	2.3	24.1	18.1	39.7	-2.5	21.7
Chemical segment	6.4	1.3	-5.5	-0.3	2.0	7.8	2.3
Inventory effects	18.7	-9.4	4.0	-13.5	-0.2	9.3	13.3
Lead lag effects	-2.0	1.0	5.0	-12.0	-8.0	-1.0	4.0
<b>Total</b>	<b>18.4</b>	<b>-4.7</b>	<b>27.6</b>	<b>-7.7</b>	<b>33.5</b>	<b>13.6</b>	<b>41.2</b>

## 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
<b>Total</b>	<b>13.1</b>	<b>-23.9</b>	<b>-2.7</b>	<b>-21.0</b>	<b>-34.6</b>	<b>-10.9</b>	<b>-13.6</b>