

# TonenGeneral Sekiyu K.K.

## 1Q 2013 Financial Results

May 15, 2013

- This material contains forward-looking statements based on projections and estimates that involve many variables. TonenGeneral Sekiyu 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 Sekiyu'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 website. While these English versions have been prepared in good faith, TonenGeneral Sekiyu does not accept responsibility for the accuracy of the translations, and reference should be made to the original Japanese language materials.



# 1Q13 Company Key Items

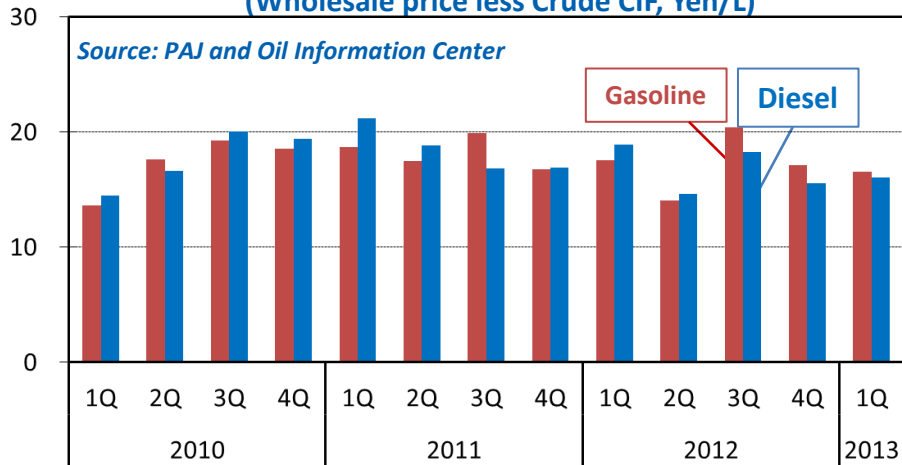
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- ❑ Operating income ahead of pro-rata 1H and FY forecasts released in February. FY and 1H 2013 projections increased reflecting inventory gains due to higher prices
- ❑ Good operating performance - no significant unplanned unit downtime in 1Q13
  - Decommissioning plans underway for Kawasaki and Wakayama toppers
  - Topper utilization at 92% excluding two toppers not in service
- ❑ Clean products export margins aided by yen depreciation supported a 54% increase in export volumes
- ❑ Steady progress to capture synergies and advance mid term plan objectives
  - Synergies above plan - cost reduction 1.4 billion yen / margin improvement 1.2 billion yen
  - Executed agreement with Showa Shell Sekiyu to advance synergy opportunities in Refining/Supply and Distribution
  - Advanced joint implementation with Kansai Electric Power Co. Inc. of a mega solar power generation project on surplus land at Wakayama
- ❑ 50 billion yen new syndicated loan drawn down extending debt maturities

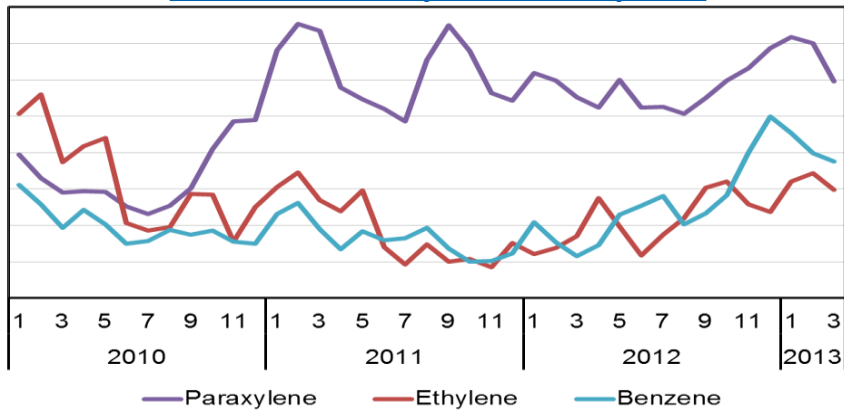
# 1Q13 Business Environment

**Domestic Petroleum Product Margins**  
(Wholesale price less Crude CIF, Yen/L)

Source: PAJ and Oil Information Center



**Chemical Price Spread vs. Naphtha**



Data derived from Bloomberg

## Oil Segment

- ❑ Modest average 1Q13 margins weakening over the quarter
  - Inventory build due to declining demand including impacts of warm weather in latter half of the quarter
- ❑ 1Q13 domestic product demand: -6.1%
  - Gasoline -4.6%
  - Kerosene -10.4% and Fuel Oil A -11.5%
  - Diesel +0.6% reflects reconstruction demand

## Chemical Segment

- ❑ Profitable aromatics in 1Q13
  - Downward vector during quarter due to polyester / PTA demand decrease
- ❑ Olefins margins moderate with ethylene about flat
  - Weakening tire demand affected butadiene pricing

# 1Q13 Financial Highlights

- ❑ Net sales up 74.2 billion yen; crude and product prices rose reflecting yen depreciation
- ❑ Operating income was 42.7 billion yen, a 12.3 billion yen increase from 1Q12
  - 6.5G yen of higher 2013 inventory gains
  - Improved Oil (4.6 billion yen) and Chemical (5.5 billion yen) results
  - Partial offset by 4.2 billion yen of goodwill amortization
- ❑ 1.2 billion yen non-operating loss includes equity earnings more than offset by forex loss and interest expense
- ❑ 1Q13 net income of 25.2 billion yen includes no significant extra-ordinary items

billion yen	1Q12	1Q13	Inc./Dec.
Net Sales	723.5	<b>797.6</b>	74.2
<b>Operating income</b>	30.4	<b>42.7</b>	<b>12.3</b>
Ordinary income	29.7	<b>41.5</b>	11.8
Extraordinary gain/loss	16.4	<b>-0.1</b>	-16.5
<b>Net income</b>	24.5	<b>25.2</b>	<b>0.7</b>

(Breakdown of operating income)

Inventory gain/loss	19.2	<b>25.7</b>	6.5
Goodwill amortization	-	<b>-4.2</b>	-4.2
<b>Adjusted Operating income</b>	11.2	<b>21.2</b>	<b>10.0</b>
<b>Oil segment</b>	9.1	<b>13.6</b>	<b>4.6</b>
<b>Chemical segment</b>	2.1	<b>7.6</b>	<b>5.5</b>

# Factor Analysis of 1Q13 Operating Income

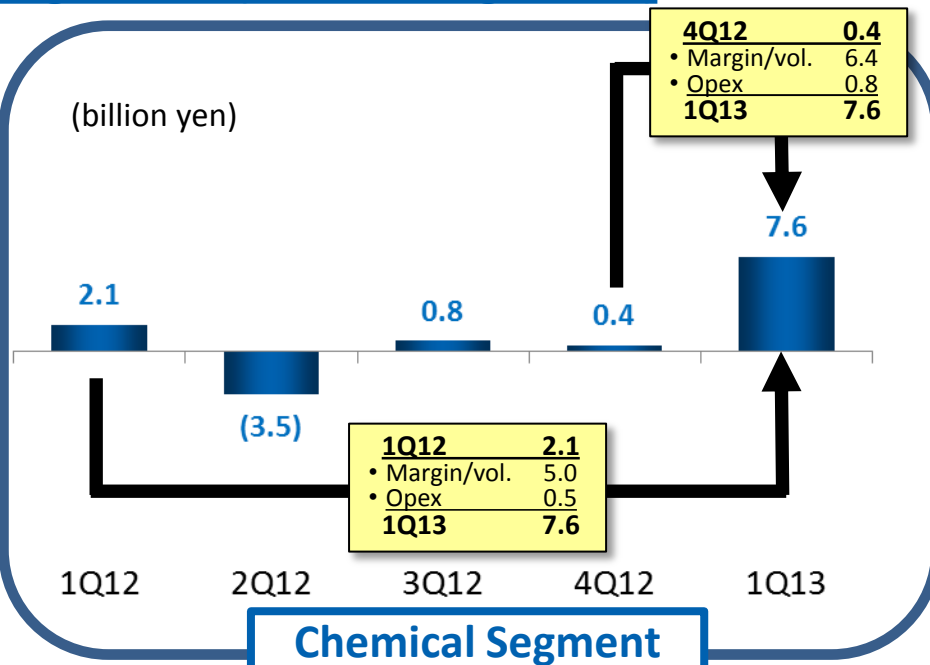
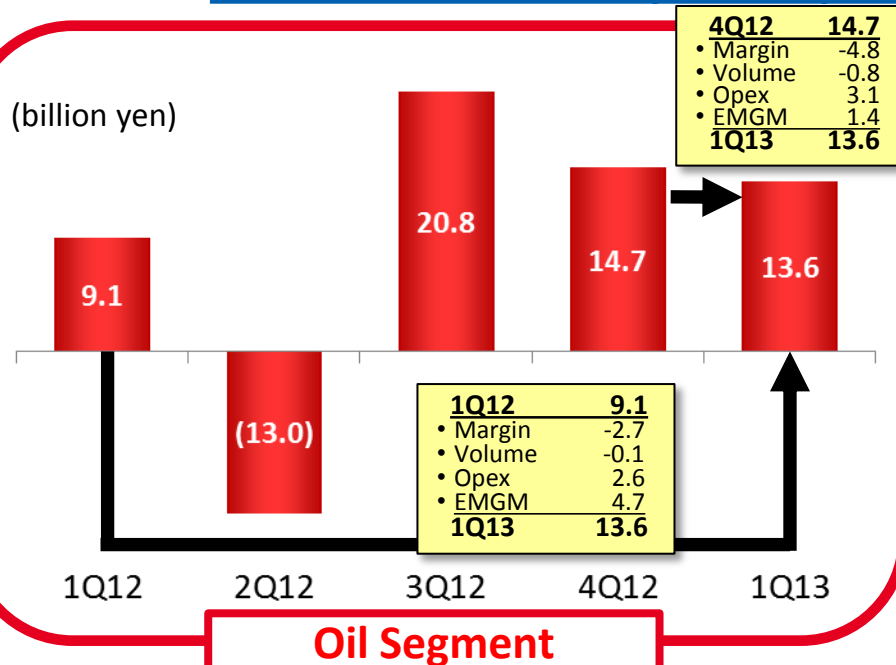
## Oil

- Versus 1Q12 and 4Q12, EMG Marketing G.K.(EMGM) contributions, expanding synergy effects and other opex savings largely offset the decline in domestic margins
- Middle distillate exports continue to be favorable

## Chemical

- Chemical profitability supported by strong aromatics vs. 1Q12 & 4Q12, moderate olefins and stable specialty margins

### Quarter to Quarter Adjusted Operating Income (1Q12 through 1Q13)



# Sales Volume\*

Product	1Q12	1Q13	Inc./Dec.	Inc./Dec.
<b>Oil products (KKL)</b>				Industry
Gasoline	2,767	<b>2,619</b>	-5.3%	-4.6%
Kerosene	1,248	<b>1,059</b>	-15.2%	-10.4%
Diesel Fuel	865	<b>827</b>	-4.5%	+0.6%
Fuel Oil A	592	<b>436</b>	-26.3%	-11.5%
Fuel Oil C	510	<b>508</b>	-0.4%	-7.4%
LPG/Jet/Others	829	<b>874</b>	+5.4%	
<b>Domestic sales total</b>	<b>6,812</b>	<b>6,324</b>	<b>-7.2%</b>	
<b>Export</b>	<b>878</b>	<b>1,355</b>	<b>+54.3%</b>	
<b>Oil products</b>	<b>7,690</b>	<b>7,678</b>	<b>-0.2%</b>	
<b>Chemical Products (Kton)</b>				
Olefins and others	405	<b>392</b>	-3.2%	
Aromatics	167	<b>180</b>	+7.9%	
Specialties	63	<b>66</b>	+4.5%	
<b>Chemical products</b>	<b>635</b>	<b>638</b>	<b>+0.5%</b>	
<b>Topper Utilization**</b>	<b>76%</b>	<b>92%***</b>		

❑ Weak domestic demand

❑ Maximized middle distillates export volumes to capture favorable margins

❑ Increased gasoline export volume to maximize economical secondary unit utilization

❑ Reliable operations allowed volume growth in aromatics and specialties

\* Restated volume data to include EMGM acquisition effects for both 2012 and 2013

\*\* Utilization for TonenGeneral three refineries

\*\*\* Excludes Kawasaki and Wakayama toppers to be decommissioned

# FY2013 Earnings Projection

- Forecast unchanged except:
  - Net sales (+100 billion yen) reflecting higher yen prices
  - Added inventory gain of 20 billion yen based on April average prices and forex rates
- 38 yen per share dividend forecast reaffirmed

(billion yen)	1Q13 Actual	May Update *		Change from Feb Forecast	
		1H13	FY13	1H13	FY13
Net Sales	797.6	1,500	3,100	-	100
Operating income	42.7	41	63	20	20
Ordinary income	41.5	39	61	18	19
Extraordinary gain/loss	-0.1	0	0	-	-
Net income	25.2	22	33	12	13

(Breakdown of operating income)

Inventory gain/loss	25.7	20.0	20.0	20.0	20.0
Goodwill amortization	-4.2	-8.5	-17.0	-	-
Adjusted Operating income	21.2	29.5	60.0	-	-
Oil segment	13.6	24.5	50.0	-	-
Chemical segment	7.6	5.0	10.0	-	-

\* Assumed April Dubai (\$102/bbl) and Forex (98Yen/\$) continues through 2013

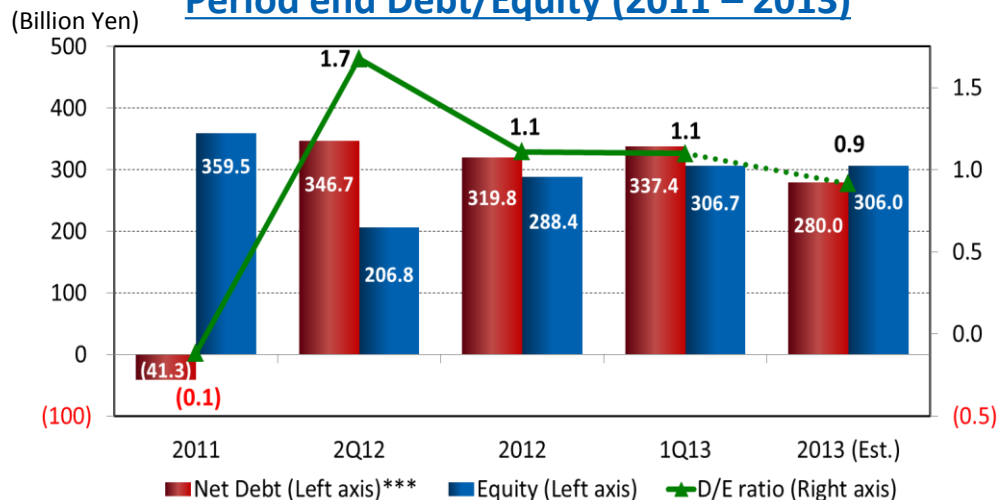
# Cash Flows, Debt/Equity

- ❑ 1Q13 D/E ratio unchanged from 2012 year end
  - 1Q negative cash flow primarily due to inventory build
- ❑ Continue to anticipate debt reduction and D/E ratio improvement in 2H13
  - 1Q13 debt increase of 17.6 billion yen will reverse – 0.9 D/E ratio at 2013 end
- ❑ Adjusting debt structure in terms of maturities and fixed / floating mix under current favorable financing environment
- ❑ Growth in equity supports debt rating

## 1Q13 Cash flow (billion Yen)

	1Q13
<b>Free Cash Flow *</b>	<b>-11.0</b>
Net income before taxes	41.4
Depreciation / (Capex)**	7.6
Inventory (increase) / decrease	-60.3
All others	0.3
<b>Dividend to shareholders</b>	<b>-6.6</b>
<b>Net Debt*** Increase / (Decrease)</b>	<b>17.6</b>

## Period end Debt/Equity (2011 – 2013)



\* Sum of cash flows from operating and investing activities  
 \*\* Include goodwill amortization  
 \*\*\* Deduct cash and cash equivalents



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# Supplemental Information

# Sales Volume

- Sales volume consistent with net sales (TonenGeneral + 1Q13 EMGM effects)

Product	1Q12*	1Q13*	Inc./Dec.	Inc./Dec. Industry	EMGM effects**	New base 1Q13
<b>Oil products (KKL)</b>						
Gasoline	2,459	<b>2,441</b>	-0.7%	-4.6%	179	<b>2,619</b>
Kerosene	1,083	<b>975</b>	-9.9%	-10.4%	84	<b>1,059</b>
Diesel Fuel	740	<b>711</b>	-3.9%	+0.6%	116	<b>827</b>
Fuel Oil A	524	<b>403</b>	-23.1%	-11.5%	33	<b>436</b>
Fuel Oil C	417	<b>429</b>	+3.1%	-7.4%	79	<b>508</b>
LPG/Jet/Others	720	<b>740</b>	+2.9%		134	<b>874</b>
<b>Domestic sales total</b>	<b>5,941</b>	<b>5,700</b>	<b>-4.1%</b>		<b>624</b>	<b>6,324</b>
<b>Export</b>	<b>788</b>	<b>1,263</b>	<b>+60.3%</b>		<b>91</b>	<b>1,355</b>
<b>Oil products</b>	<b>6,729</b>	<b>6,963</b>	<b>+3.5%</b>		<b>715</b>	<b>7,678</b>
<b>Chemical Products (Kton)</b>						
Olefins and others	405	<b>392</b>	-3.2%		-	<b>392</b>
Aromatics	167	<b>180</b>	+7.9%		-	<b>180</b>
Specialties	50	<b>48</b>	-3.7%		18	<b>66</b>
<b>Chemical products</b>	<b>622</b>	<b>620</b>	<b>-0.3%</b>		<b>18</b>	<b>638</b>
<b>Topper Utilization</b>	<b>76%</b>	<b>92%***</b>	<b>-</b>			

- \* Previous TG basis before EMGM acquisition
- \*\* Added volume in 1Q13 resulting from EMGM acquisition
- \*\*\* Excludes Kawasaki and Wakayama toppers to be decommissioned

# Sensitivities for 2013 Earnings Forecast

## □ Base assumption for November disclosure

Key Factors	Unit	Base	Reference
Dubai FOB	US\$/Bbl	102	April 2013 average
Exchange Rate	Yen/US\$	98	April 2013 average

Above assumptions used for net sales and inventory effects calculation

## □ Full year sensitivities in the future operating income

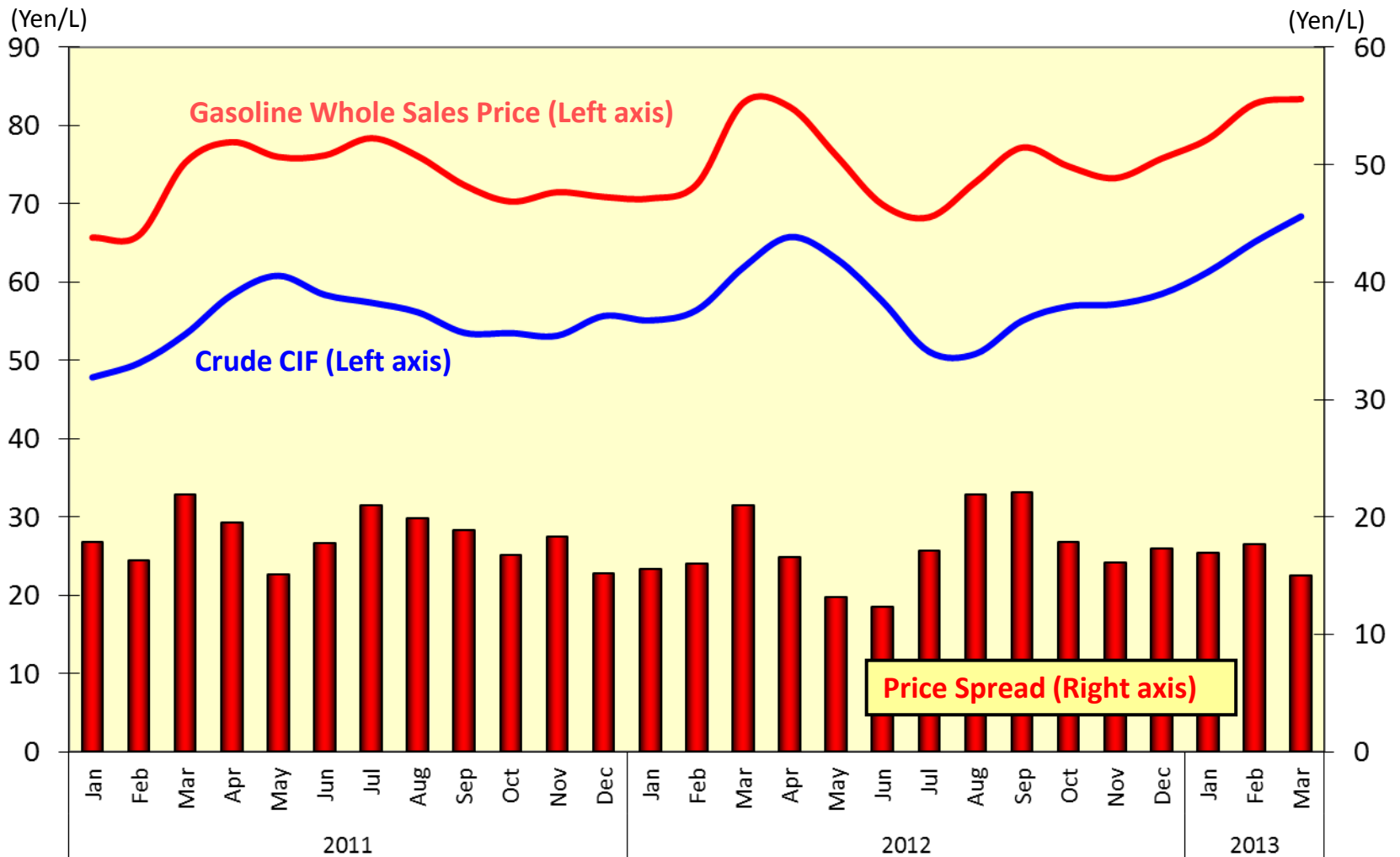
Key Factors	Unit	Appreciation by	Annual Impact (billion yen) Operating / Ordinary income* <sup>1</sup>
Dubai FOB	US\$/Bbl	10	22 / 23* <sup>2</sup>
Exchange Rate	Yen/US\$	10	- 23 / -24 * <sup>2</sup>
Refining margin	Yen/L	1	32* <sup>3</sup>

\*<sup>1</sup> Including equity earnings for Kyokuto Petroleum Industry (50% after tax) as non-operating income

\*<sup>2</sup> Inventory effects only, the sensitivity would change subject to timing of crude price fluctuation and inventory volume

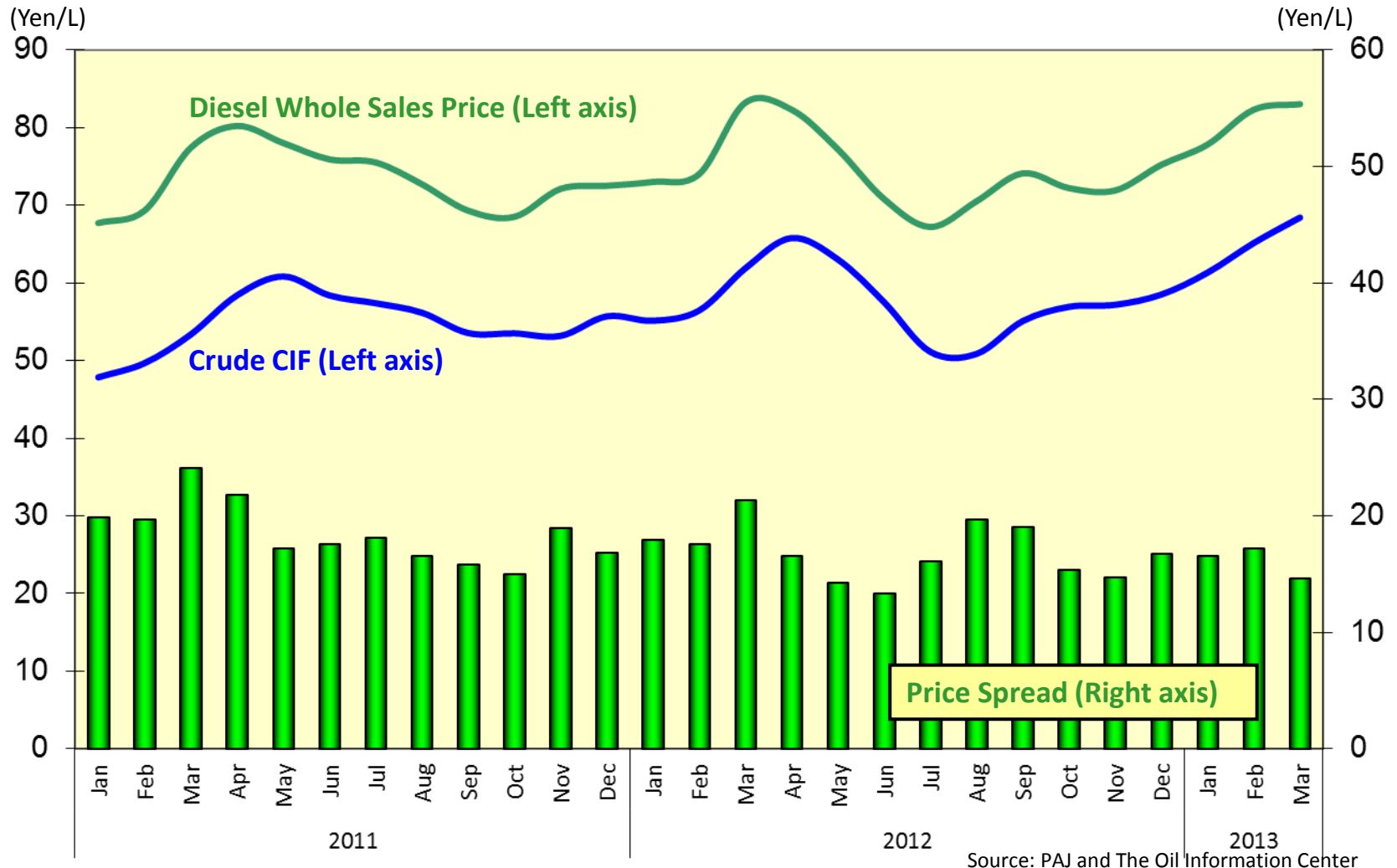
\*<sup>3</sup> Impact to operating income on annual basis rounded to nearest billion yen subject to change in sales volume

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



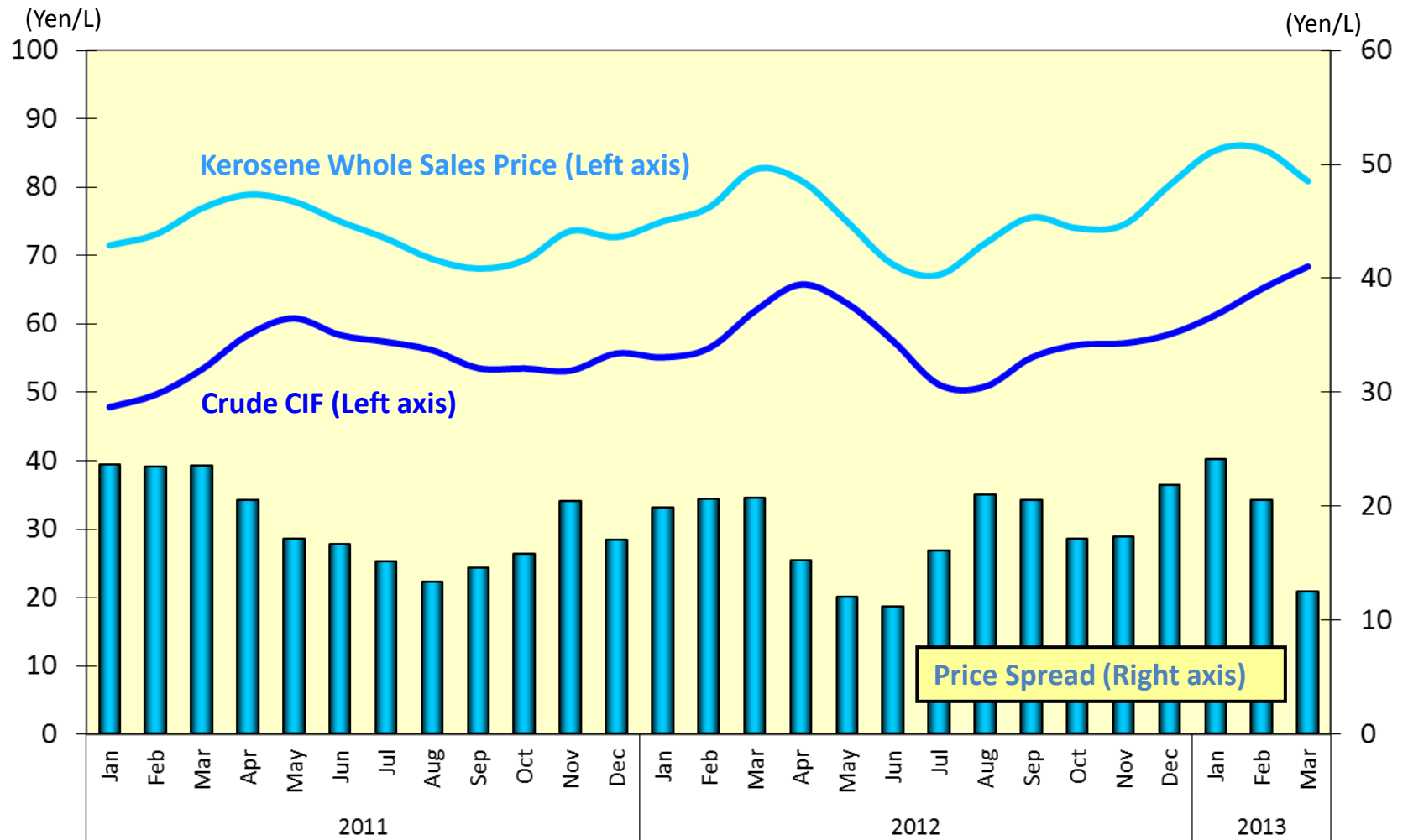
Source: PAJ and The Oil Information Center

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



Source: PAJ and The Oil Information Center

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



Source: PAJ and The Oil Information Center

# Details of Operating Income (2011 – 1Q13)

2013

(Unit: billion yen)

Breakdown of Operating Income	1Q13	2Q13	3Q13	4Q13	FY2013	1H13	3Q13YTD
Oil segment and others (Substantial)	13.6						
Chemical segment	7.6						
Inventory effects	25.7						
Goodwill Amochization	-4.2						
<b>Total</b>	<b>42.7</b>						

2012

(Unit: billion yen)

Breakdown of Operating Income	1Q12	2Q12	3Q12	4Q12	FY2012	1H12	3Q12YTD
Oil segment and others (Substantial)	9.1	-13.0	20.8	14.7	31.5	-4.0	16.8
Chemical segment	2.1	-3.5	0.8	0.4	-0.1	-1.4	-0.6
Inventory effects	19.2	-28.3	4.0	9.5	4.4	-9.1	-5.1
Goodwill Amochization			-4.2	-4.2	-8.5		-4.2
<b>Total</b>	<b>30.4</b>	<b>-44.8</b>	<b>21.3</b>	<b>20.4</b>	<b>27.3</b>	<b>-14.4</b>	<b>6.9</b>

2011

Breakdown of Operating Income	1Q11	2Q11	3Q11	4Q11	FY2011	1H11	3Q11YTD
Oil segment and others (Substantial)	10.7	-1.8	8.7	6.4	24.1	8.9	17.7
Chemical segment	7.2	0.5	-2.4	-2.3	3.0	7.7	5.3
Inventory effects	173.2	28.0	-12.2	0.1	189.1	201.2	189.0
<b>Total</b>	<b>191.1</b>	<b>26.7</b>	<b>-5.9</b>	<b>4.2</b>	<b>216.2</b>	<b>217.8</b>	<b>212.0</b>