

# TonenGeneral Sekiyu K.K.

## 3QYTD 2016 Financial Results

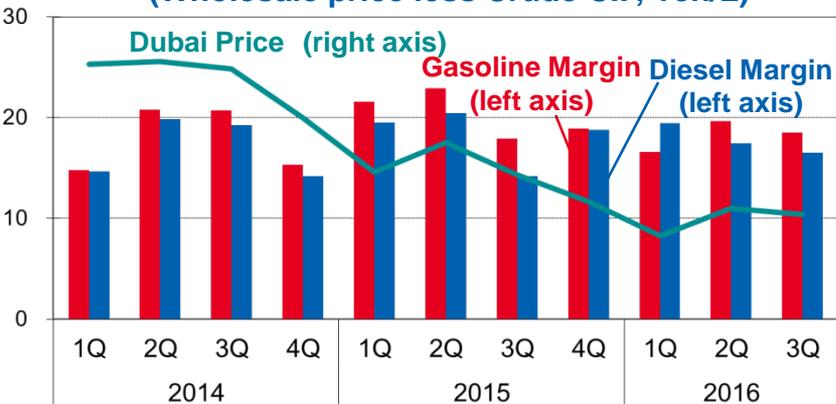
November 11, 2016

- 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.



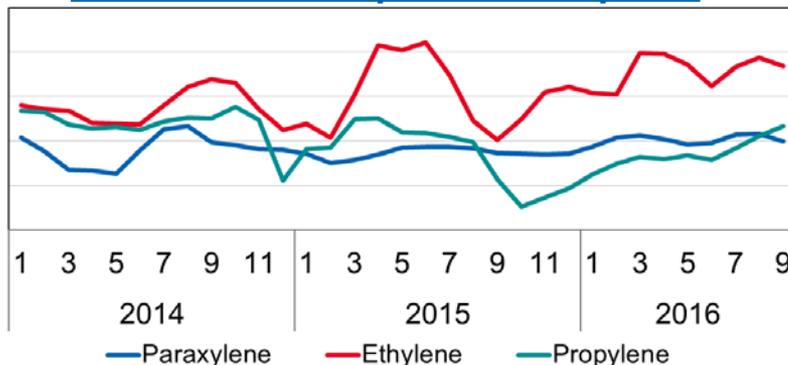
# 3Q16 Business Environment

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



Source: PAJ and Oil Information Center

## Chemical Price Spread vs. Naptha



Data derived from Bloomberg

## Oil Segment

- ❑ Crude price, which gradually increased from February, experienced a drop in July. With yen appreciation, 3Q average dropped to 27.8 yen/L (2Q 29.3 yen/L)
- ❑ 3Q16 domestic major 5 fuels demand: -0.1% vs. 3Q15
  - Gasoline -0.9%
  - Distillate +0.6%
  - Fuel oil C +0.9%
- ❑ While domestic margins shrank significantly in July, gasoline margin greatly improved from August
- ❑ In export, gasoline margin worsened while distillate margins remained at a low level

## Chemical Segment

- ❑ Ethylene margin maintained 2Q high level, propylene margin increased
- ❑ Aromatics margin stayed healthy

# 3Q16 YTD Financial Highlights

- ❑ Net sales : 535.6 billion yen decrease mainly due to decrease in crude / product prices
- ❑ Operating income was 28.6 billion yen, an 18.5 billion yen increase
  - Oil : -40.2 billion yen, domestic and export margins narrowed
  - Chemical : +9.3 billion yen, product margins favorable, especially ethylene
  - Inventory : +49.4 billion yen, loss decreased from 3Q15 YTD
- ❑ Net income\*: 20.7 billion yen, a 19.2 billion yen increase

(billion yen)	3Q15 YTD	3Q16 YTD	Inc./Dec.
Net sales	2,043.8	<b>1,508.2</b>	-535.6
<b>Operating income</b>	<b>10.1</b>	<b>28.6</b>	<b>18.5</b>
Ordinary income	7.9	<b>25.7</b>	17.7
Extraordinary gain/loss	8.1	<b>0.5</b>	-7.6
<b>Net income*</b>	<b>1.6</b>	<b>20.7</b>	<b>19.2</b>

Oil Segment	
<b>3Q15YTD</b>	<b>61.1</b>
•Margin	-31.9
•Vol.	-2.5
•Opex	-5.8
<b>3Q16YTD</b>	<b>20.9</b>

(Breakdown of operating income)

Inventory gain/loss	-60.1	<b>-10.8</b>	49.4
Goodwill amortization	-13.1	<b>-13.1</b>	-
<b>Adjusted operating income</b>	<b>83.3</b>	<b>52.4</b>	-30.9
<b>Oil Segment</b>	<b>61.1</b>	<b>20.9</b>	-40.2
<b>Chemical Segment</b>	<b>22.3</b>	<b>31.6</b>	9.3

Chemical Segment	
<b>3Q15YTD</b>	<b>22.3</b>
•Margin/Vol.	7.9
•Opex	1.4
<b>3Q16YTD</b>	<b>31.6</b>

\* Net income represents the net income attributable to owners of the parent (the Company), excluding income attributable to non-controlling interests

# Factor Analysis of 3Q16 Operating Income

## Oil

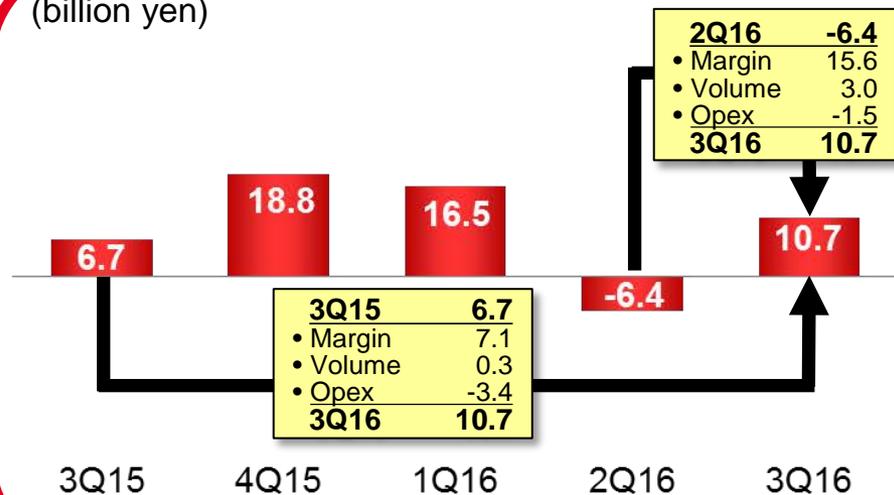
- Versus 3Q15, margins significantly improved
- Versus 2Q16, profitability increased due to absence of major turnaround at Kawasaki refinery

## Chemical

- Ethylene margin stayed favorable while other chemical product margins stayed healthy

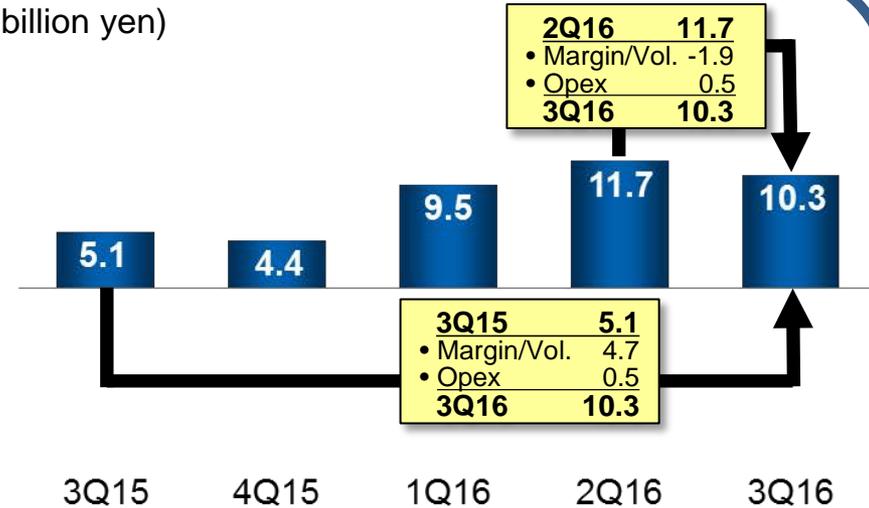
### Quarter-to-Quarter Adjusted Operating Income (3Q15 through 3Q16)

(billion yen)



**Oil Segment**

(billion yen)



**Chemical Segment**

# Sales Volume

Product	3Q15 YTD	3Q16 YTD	Inc./Dec.	Inc./Dec. Industry
<b>Oil products (KKL)</b>				
Gasoline	8,068	<b>8,175</b>	+1.3%	-0.6%
Kerosene	1,824	<b>1,650</b>	-9.5%	+0.1%
Diesel fuel	2,855	<b>2,955</b>	+3.5%	-1.3%
Fuel Oil A	934	<b>1,126</b>	+20.5%	+2.4%
Fuel Oil C <sup>1</sup>	1,744	<b>1,777</b>	+1.9%	-17.5%
LPG/Jet/Other <sup>1, 2</sup>	2,822	<b>3,139</b>	+11.2%	
<b>Domestic sales total <sup>3</sup></b>	<b>18,246</b>	<b>18,822</b>	<b>+3.2%</b>	
<b>Export</b>	<b>5,820</b>	<b>4,367</b>	<b>-25.0%</b>	
<b>Oil products</b>	<b>24,066</b>	<b>23,189</b>	<b>-3.6%</b>	
<b>Chemical products (Kton)</b>				
Olefins and other	1,197	<b>1,222</b>	+2.1%	
Aromatics	650	<b>757</b>	+16.4%	
Specialties	164	<b>180</b>	+9.6%	
<b>Chemical products</b>	<b>2,012</b>	<b>2,159</b>	<b>+7.4%</b>	
<b>Topper utilization</b>	<b>83%</b>	<b>79%</b>		

Industry 3Q16 YTD
<b>85%</b>

- Total oil product sales decreased from 3Q15 YTD due to significant drop in export, while domestic sales increased
  - Rise in mogas and diesel domestic sales, where margins were relatively high
  - Re-focus on Fuel Oil A domestic sales
  - Upturn in Fuel Oil C for marine fuel
  - Significant drop in export due to Kawasaki turnaround and weakening of the international market
  
- Aromatics sales increase from continued aromatics / gasoline product optimization and start-up of a new mixed xylene recovery unit at Chiba refinery

<sup>1</sup> Adjusted 2015 Fuel Oil C and LPG/Jet/Other sales volume according to 2016 categorization

<sup>2</sup> Excluding the 2015 volume impact of LPG business split-off to Gyxis

<sup>3</sup> Bonded sales volume included in domestic sales

# FY2016 Earnings Forecast<sup>1</sup>

- FY2016 operating income 48 billion yen, same as August forecast
  - Net sales: -200 billion yen reflecting 3QYTD lower crude and product prices
- Dividend forecast is 47.5 yen per share including 9.5 yen per share special dividend<sup>2</sup>

(billion yen)	3Q16YTD Actual	FY16 Forecast		Inc./Dec.
		Aug. Rev.	Nov. Rev.	
Net sales	<b>1,508.2</b>	2,300.0	<b>2,100.0</b>	-200
Operating income	<b>28.6</b>	48.0	<b>48.0</b>	-
Ordinary income	<b>25.7</b>	47.0	<b>47.0</b>	-
Extraordinary gain/loss	<b>0.5</b>	1.0	<b>1.0</b>	-
Net income <sup>3</sup>	<b>20.7</b>	31.0	<b>31.0</b>	-
(Breakdown of operating income)				
Inventory gain/loss	<b>-10.8</b>	-2.0	<b>-2.0</b>	-
Goodwill amortization	<b>-13.1</b>	-17.0	<b>-17.0</b>	-
Adj. operating income	<b>52.4</b>	67.0	<b>67.0</b>	-
Oil Segment	<b>20.9</b>	31.0	<b>31.0</b>	-
Chemical Segment	<b>31.6</b>	36.0	<b>36.0</b>	-

<sup>1</sup> Assumed Dubai (\$45/bbl) and Forex (105Yen/\$) for the remaining period in 2016

<sup>2</sup> Contingent on the execution of the business integration with JX Holdings, Inc.

<sup>3</sup> Net income represents the net income attributable to owners of the parent (the Company), excluding income attributable to non-controlling interests

# Cash Flows, Debt/Equity

- 3Q16YTD adjusted free cash flow was 61.3 billion yen, excluding:
  - Timing effect of 3Q excise tax payments (51.6 billion yen)
- 3Q16 end net debt increased by 6.6 billion yen vs. 2015 end

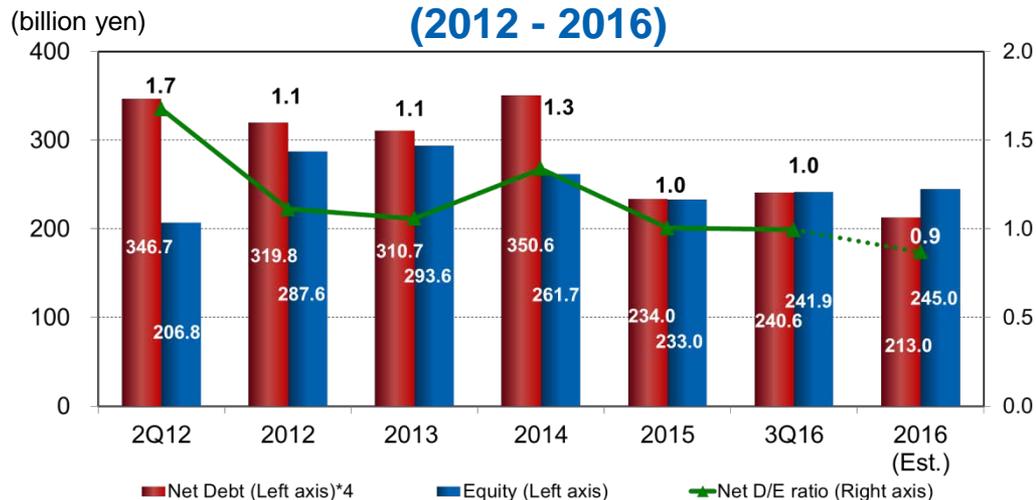
	<u>billion yen</u>
Free cash flow	9.7
Dividend payment and other	(16.3)
<u>(Increase)/decrease in net debt</u>	<u>(6.6)</u>

- Net D/E ratio to improve from 1.0 at 3Q16 end to 0.9 toward year end
  - Healthy cash flow
  - Absence of timing effects

## 3Q16YTD Cash Flow (billion yen)

Net income before taxes <sup>1</sup>	37.0
Depreciation <sup>2</sup> / (Capex)	7.3
Working capital changes / Other	17.0
<b>Adjusted free cash flow</b>	<b>61.3</b>
Timing of excise tax payments	-51.6
<b>Free cash flow<sup>3</sup></b>	<b>9.7</b>

## Period-end Net Debt/Equity (2012 - 2016)



<sup>1</sup> Excluding inventory effects  
<sup>2</sup> Including goodwill amortization  
<sup>3</sup> Sum of cash flows from operating and investing activities  
<sup>4</sup> Debt deducting cash and cash equivalents

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# Supplemental Information

# Sensitivities for 2016 Earnings Forecast

## Base assumptions for the earnings forecast

Key factors	Unit	Base
Dubai FOB	US\$/Bbl	45
Exchange rate	Yen/US\$	105

Above assumptions used for net sales and inventory effects calculation

## Full-year sensitivities in future operating income

Key factors	Unit	Appreciation by	Annual impact (billion yen) Operating income
Dubai FOB	US\$/Bbl	10	27 <sup>1</sup>
Exchange rate (Yen appreciation)	Yen/US\$	10	-8 <sup>1</sup>
Refining margin	Yen/L	1	35 <sup>2</sup>

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

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

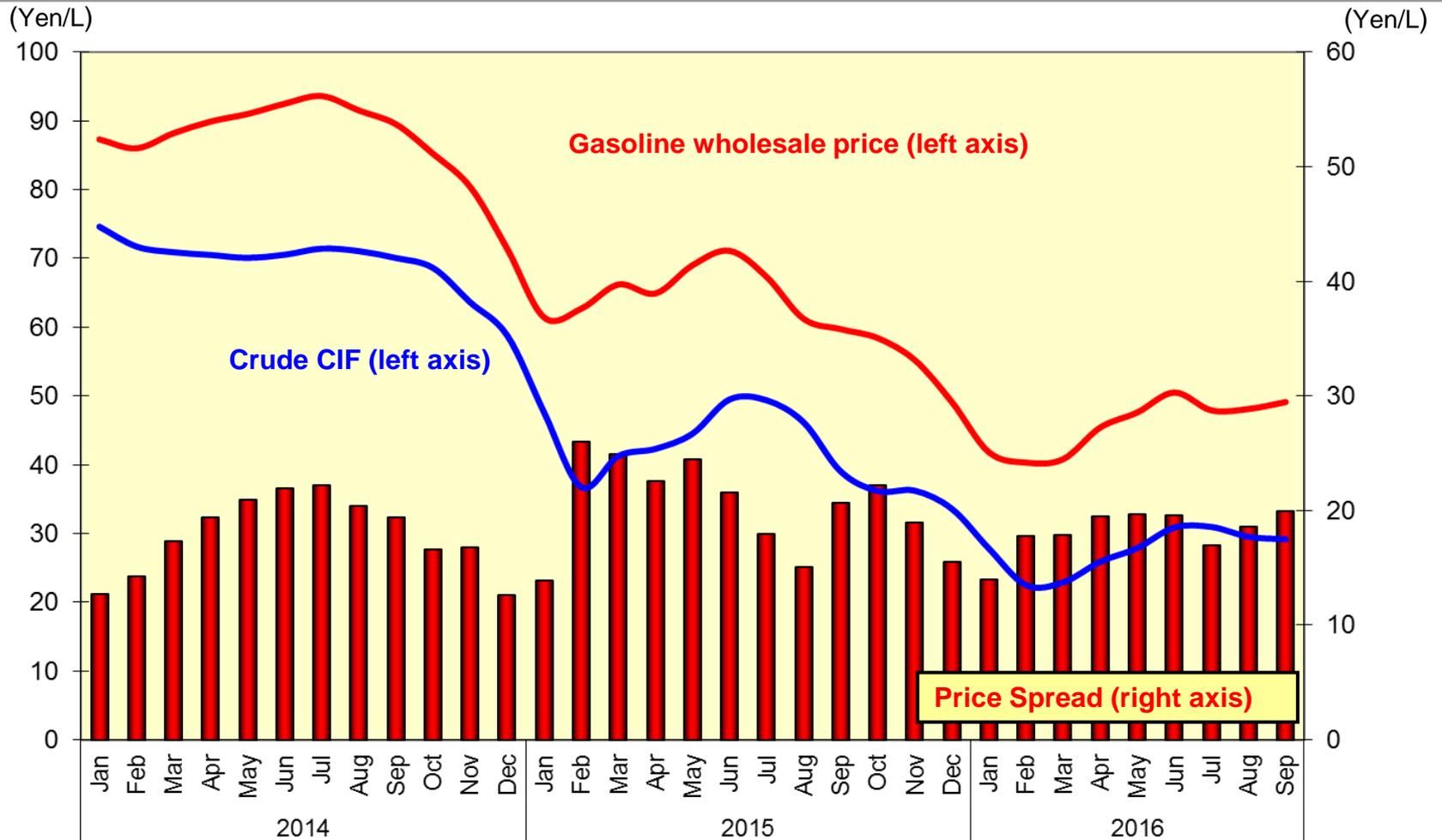
# Sales Volume

□ Sales volume consistent with net sales

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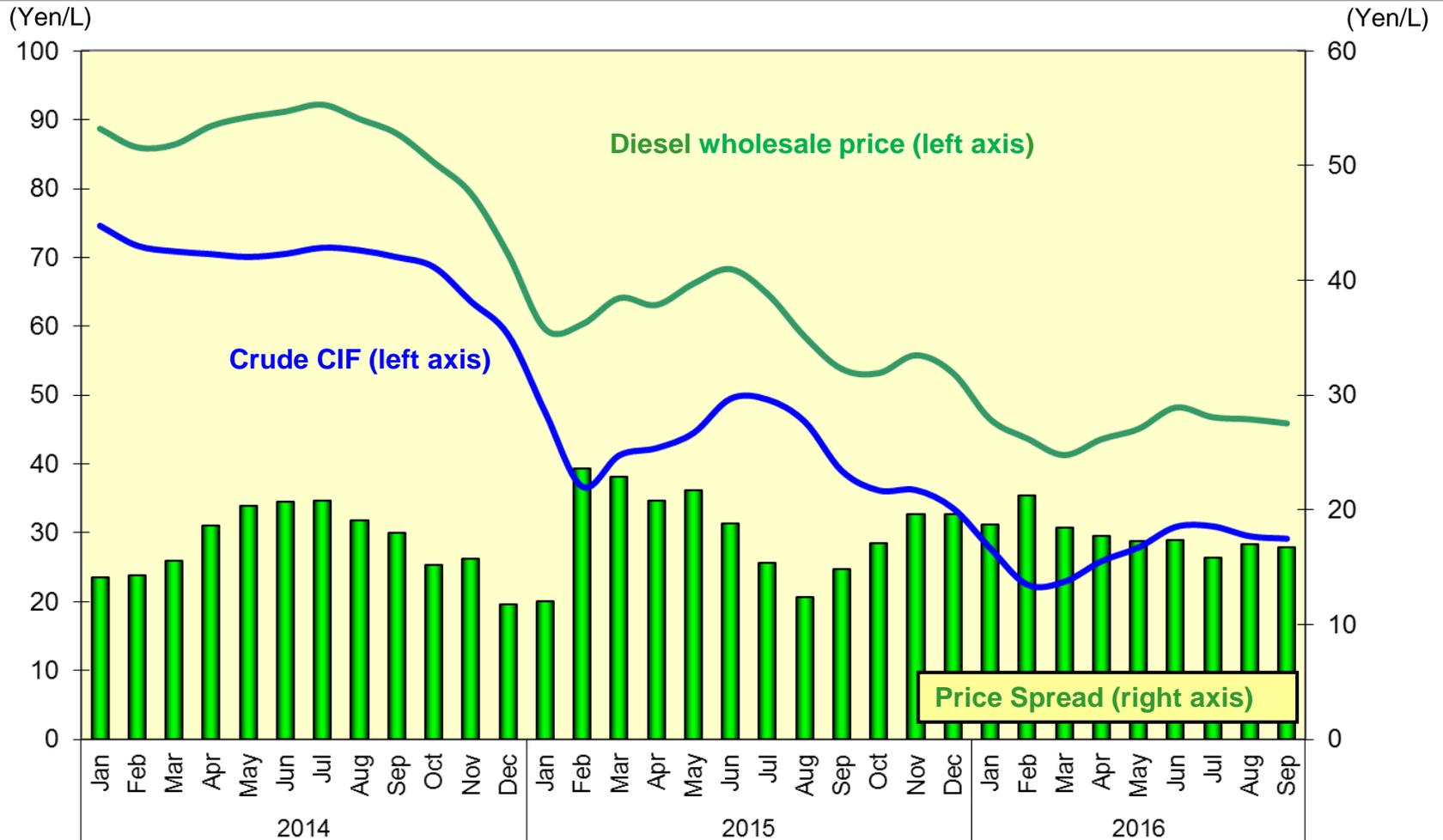
\* Bonded sales volume included in domestic sales

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



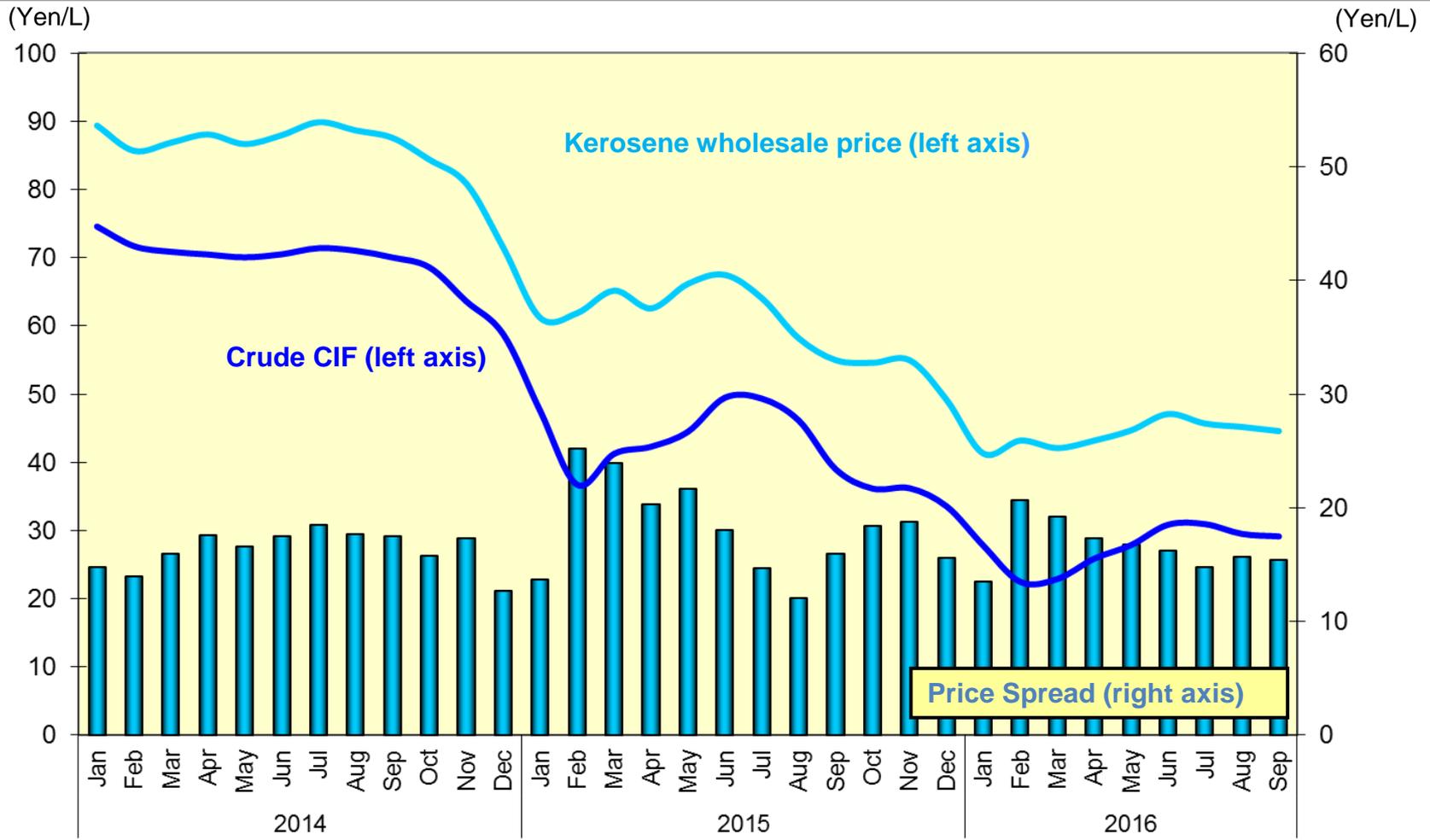
Source: PAJ and The Oil Information Center

# 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 (2014 – 3Q16)

2016

(Unit: billion yen)

Breakdown of Operating Income	1Q16	2Q16	3Q16	4Q16	FY2016	1H16	3Q16YTD
Oil segment (Substantial)	16.5	-6.4	10.7			10.2	20.9
Chemical segment (Substantial)	9.5	11.7	10.3			21.3	31.6
Inventory effects	-28.3	22.5	-5.0			-5.8	-10.8
Goodwill amortization	-4.4	-4.4	-4.4			-8.7	-13.1
<b>Total</b>	<b>-6.6</b>	<b>23.5</b>	<b>11.7</b>			<b>16.9</b>	<b>28.6</b>

2015

Breakdown of Operating Income	1Q15	2Q15	3Q15	4Q15	FY2015	1H15	3Q15YTD
Oil segment (Substantial)	30.8	23.6	6.7	18.8	79.8	54.4	61.1
Chemical segment (Substantial)	4.3	12.9	5.1	4.4	26.7	17.2	22.3
Inventory effects	-45.0	22.8	-38.0	-26.9	-87.1	-22.1	-60.1
Goodwill amortization	-4.4	-4.4	-4.4	-4.4	-17.5	-8.7	-13.1
<b>Total</b>	<b>-14.2</b>	<b>54.9</b>	<b>-30.6</b>	<b>-8.2</b>	<b>2.0</b>	<b>40.7</b>	<b>10.1</b>

2014

Breakdown of Operating Income	1Q14	2Q14	3Q14	4Q14	FY2014	1H14	3Q14YTD
Oil segment (Substantial)	-17.3	0.6	17.6	16.7	17.7	-16.6	1.0
Chemical segment (Substantial)	7.8	4.5	2.4	-1.6	13.2	12.3	14.8
Inventory effects	0.1	-3.6	-6.2	-76.8	-86.5	-3.5	-9.7
Goodwill amortization	-4.2	-4.4	-4.4	-4.4	-17.3	-8.6	-13.0
<b>Total</b>	<b>-13.6</b>	<b>-2.8</b>	<b>9.5</b>	<b>-66.0</b>	<b>-72.9</b>	<b>-16.4</b>	<b>-6.9</b>