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Press Release

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TonenGeneral Sekiyu K.K. Earnings Results for Full Year 2009

TonenGeneral Sekiyu K.K. today announces its consolidated financial results for full year 2009 as follows.

1. Consolidated Financial Results

(Unit: million yen)

	Net Sales	Operating Income	Ordinary Income	Net Income
Full year 2009 (A)	2,111,753	(34,559)	(34,545)	(21,718)
Full year 2008 (B)	3,272,429	121,742	131,290	79,285
Difference (A-B)	(1,160,676)	(156,302)	(165,835)	(101,004)
Increase/(Decrease) (%)	(35.5)	-	-	-

Consolidated net sales for 2009 amounted to 2,111.8 billion yen, 1,160.7 billion yen, or 35.5%, less than the previous year. This substantial decrease was primarily due to lower prices for petroleum products versus 2008, reflecting significant crude oil price decreases.

Consolidated operating income showed a loss of 34.6 billion yen, a 156.3 billion yen decrease from the previous year. By segment, operating income showed a loss of 38.4 billion yen for the oil segment (146.1 billion yen less than the previous year), and a 3.8 billion yen profit in the chemical segment (10.1 billion yen lower than the previous year).

The loss in the oil segment was primarily due to declining margins resulting from decreasing fuel demand and the negative impact from our prompt crude cost recognition accounting methods.

We account for crude procurement costs when crude oil is loaded, in contrast to the arrival basis cost accounting method generally employed by other companies in the industry, so that the impact of fluctuations in crude prices is recognized earlier. When crude prices rise, we are adversely affected, and we benefit when crude prices drop.

With the cost of the benchmark Dubai crude rising from 36 dollars per barrel at December 31, 2008 to 77 dollars by December 31, 2009, we estimate the adverse effect of this accounting difference during this period to be approximately 35.0 billion yen (the effect was positive 74.5 billion yen in the previous year).

We provide below a comparison of our estimates for operating income for our oil segment, excluding special factors including such as that referred to above.

Analysis of oil segment and others operating income comparison versus the previous period

(Unit: billion yen)

Item	2009	2008	Difference
Operating income	(38.4)	107.8	(146.2)
Effect of difference in timing of crude cost accounting (estimate)	(35.0)	74.5	(109.5)
Inventory-related gains	7.4	14.1	(6.7)
Divestment-related gains	—	11.0	(11.0)
Operating income excluding above special factors (estimate)	(10.8)	8.2	(19.0)

The decline in results in our chemical segment versus the prior year was due mainly to low margins and volumes reflecting the severe economic conditions of 2009.

Consolidated ordinary income showed a loss of 34.5 billion yen (165.8 billion yen less than the previous year), with net non-operating income of 13 million yen, reflecting foreign exchange gains and a loss in companies accounted for on the equity method.

Extraordinary items including losses from idle asset divestments and asset impairments resulted in a net extraordinary loss of 1.6 billion yen. As a result, consolidated net income showed a loss of 21.7 billion yen (a 101.0 billion yen decrease from the previous year).

2. Dividend Plan

The company projects a payment to its shareholders as of December 31, 2009, of 19 yen per share as a final dividend for the term ended December 31, 2009, subject to a resolution by the general meeting of shareholders.

3. Forecast for Full Year 2010 Consolidated Earnings

(Unit: million yen)

Net Sales	Operating Income	Ordinary Income	Net Income
2,400,000	12,000	14,000	29,000

We expect the business environment in the oil segment to continue to be difficult in 2010, but are forecasting a very small improvement in margins from the depressed conditions of the second half of 2009. Consolidated operating income for full year 2010 is forecast to increase by 46.6 billion yen versus 2009 to 12.0 billion yen. Operating income in our oil segment and chemical segment are projected 3.0 billion yen (41.4 billion yen higher than 2009) and 9.0 billion yen (5.2 billion yen higher than 2009), respectively.

TonenGeneral does not forecast prices of crude oil or petroleum products, and our forecast above assumes no effects from inventory related gains and losses resulting from crude price fluctuations (7.4 billion yen gain in 2009) or effects resulting from differences in the timing of crude cost recognition in our accounting process (35.0 billion yen loss in 2009).

The above forecast also includes approximately 20 billion yen of net income resulting from extraordinary gains from the establishment of Toray Tonen Specialty Separator Godo Kaisha, our battery separator film joint venture with Toray Industries, Inc.

4. Dividend Policy and Forecast

Our basic policy is to deliver appropriate dividends to shareholders, while maintaining a sound financial structure, and giving due consideration to consolidated cash flow trends and future capital investments. We continue with our view that the company’s wealth that is not otherwise required in our business in a way that meets our rigorous profitability standards should be returned to shareholders.

Full-year dividends for 2010 are forecast to be 38 yen per share, subject to review of our full year business performance and cash flow results and the decision of both our Board of Directors and shareholders. (Reference: Forecast full-year dividends for 2009: 38 yen per share)

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