Frequently Used Terms - 1 -

Listed below are definitions of several of TonenGeneral's frequently used financial and operating measures and other terms.

•Free Cash Flow
Free cash flow is the sum of net cash provided by operations and net cash provided by investing activities. Free Cash Flow, therefore, is cash flow that is generated from all business activities other than financing activities.
(Equation) Free cash flow = cash flow from operations + cash flow from investing activities.

•LIFO (Last In First Out)
We adopt LIFO, an inventory valuation method, assuming that lastly acquired products are the ones sold first in inventory valuation. In addition, we take into inventory for valuation purposes crude oil as it is loaded (for crude oil from the Middle East, about one month before it arrives in Japan). In contrast, most of industry accounts for crude purchases on an arrival basis and using a average method. The method we have adopted reflects in a timely manner the current situation resulting from changing prices of crude and products, which are sensitive to the international market.
We also adopt LOCOM, valuing inventories at Lower Of acquisition Cost Or Market, for inventory valuation. We believe that our inventory valuation method, LIFO at LOCOM is a conservative and sound method, taking into account the volatility of crude and product prices.
Changes in inventory valuations are reflected in our periodical income statements as gain/losses. However, please note that these income gains/losses do not correspond to actual cash income changes.

•Debt Equity ratio
Debt Equity (D/E) ratio represents the ratio of a company's leverage, calculated by dividing Net Debt by shareholders' equity. D/E ratio is an indication of a company's financial stability.
(Equation) Debt Equity Ratio = Net Debt / Shareholder's equity

The capital structure of companies is also sometimes measured by the Debt to Capital Ratio, which examines a company's financial stability by relating Debt to Total Capital (Debt plus Equity)
(Equation) Debt to Capital Ratio = Net Debt / Total Capital (Debt + Equity)

•Net Debt
Net Debt is the interest-bearing debts, less cash and loans receivable.

Frequently Used Terms - 2 -

•Dubai CIF
The crude oil generated in Dubai, United Arab Emirates (UAE), is regarded as the bellwether crude. We show the "Dubai CIF" as a reference by adding our theoretically indexed insurance cost and freight on the Dubai crude prices provided by industry standard publications. Note that actual crude oil costs may differ considerably from this industry standard, because the mix of crude oils actually purchased by our company (and our competitors) may differ considerably from Dubai in terms of quality and price.

•C&F
C&F stands for Cost and Freight

•FOB
FOB stands for Free On Board

• Middle Distillate
We call the three fuels (kerosene, diesel, and Fuel oil A) as Middle Distillates

•Industry Oil Margin
In our definition, Industry Oil Margin is product prices announced by Oil Information Center, less Dubai CIF prices

•Operation rate
Operation rate is based on Atmospheric Distillation Units in which crude oil is firstly fractionated into petroleum gas, naphtha, kerosene, gas oil, and residue.
(Equation)
Operation rate = crude oil throughput / calendar-day basis capacity of Atmospheric Distillation Units

•BTX
BTX stands for Benzene, Toluene, and Xylene. This group of chemicals products is also frequently called “Aromatics” because some of them have distinctive smell.

Frequently Used Terms - 3 -

•Return on Capital Employed (ROCE)

ROCE is defined as net income before interest and after tax divided by the average of opening and closing capital employed (the sum of shareholders' equity and net debt). Return on capital employed is a useful performance measure ratio for a company and shows how efficiently capital employed is used in operations. TonenGeneral views ROCE as the best measure of capital productivity in our capital-intensive, long-term industry.