

*** Notes**

(1) Change in major subsidiaries in the current quarter year-to-date (change in designated subsidiaries resulting in a change in the scope of consolidation): Yes
Added: 1 company (Name: Kyokuto Petroleum Industries, Ltd)

(2) Adoption of special accounting method in preparing quarterly consolidated financial statements: No

(3) Change in accounting method, change in accounting estimates and restatements

- a. Change in accounting method with accounting standards revisions : No
- b. Change in accounting method other than above : No
- c. Change in accounting estimates : No
- d. Restatements : No

(4) Number of shares issued (Common Stock)

a. Number of shares issued at the end of period (includes treasury shares)					
1Q2014	565,182,000	shares	Full year 2013	565,182,000	shares
b. Number of treasury shares at the end of period					
1Q2014	200,825,062	shares	Full year 2013	200,813,664	shares
c. Average number of shares during the period					
1QYTD2014	364,359,853	shares	1Q YTD 2013	364,545,852	shares

• **Review status of Quarterly Securities Report (*Shihanki-Houkokusho*) for the first quarter 2014**

This report is not required to be included and is not included in the scope of external audit quarterly review conducted pursuant to the Financial Instruments and Exchange Act of Japan. However, PricewaterhouseCoopers Aarata has separately completed their quarterly review of the quarterly consolidated financial statements included in “Financial information,” a part of the Quarterly Securities Report for the First Quarter 2014. The auditor expressed the conclusion on May 14, 2014 that “nothing has come to our attention that causes us to believe that the quarterly consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company and its consolidated subsidiaries as of March 31, 2014, the results of their operations and their cash flows for the three-month period then ended in conformity with accounting principles for quarterly consolidated financial statements generally accepted in Japan.”

• **Explanatory note on the use of projections / other notes**

This filing contains forward-looking statements based on projections and estimates that involve many variables. TonenGeneral Sekiyu K.K. (the “Company”) 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.

For further information regarding the projections above, please refer to (Attachments) “1. Discussion of quarterly consolidated financial results (3) Discussion of projected consolidated operating results” on page 3.

(Reference)

Projected non-consolidated operating results for 2014 (January 1, 2014 through December 31, 2014)

(Percentage figures are the changes from the same period prior year)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	3,000,000	(1.1)	15,000	(63.6)	27,000	(32.8)	21,000	(19.8)	57.64

(Note) Revision to the most recent consolidated earnings forecast: Yes

(Attachments)

Table of contents of attachments

1. Discussion of quarterly consolidated financial results	2
(1) Discussion of consolidated operating results	2
(2) Discussion of consolidated financial condition	2
(3) Discussion of projected consolidated operating results	3
2. Information relating to Notes in summary information	3
(1) Summary of change in major subsidiaries	3
(2) Business and other risks	3
(3) Issues to be addressed	3
3. Quarterly consolidated financial statements	4
(1) Quarterly consolidated balance sheet	4
(2) Quarterly consolidated statement of income and comprehensive income	6
a. Consolidated statement of income	6
b. Consolidated statement of comprehensive income	7
(3) Quarterly consolidated statement of cash flows	8
(4) Notes on assumption of going concern	9
(5) Notes on significant changes in the amount of shareholders' equity	9
(6) Segment information	9
(7) Business combination	10

1. Discussion of quarterly consolidated financial results

(1) Discussion of consolidated operating results

Consolidated net sales for the first quarter year-to-date period amounted to 821.4 billion yen, an increase of 23.8 billion yen or 3.0 percent versus the same period of the previous year, mainly due to higher product prices, growth in chemical product sales volume and a decline in Oil product sales volume.

Consolidated operating income was a loss of 13.6 billion yen, a decrease of 56.3 billion yen versus the same period of the previous year, as a result of lower industry margins and a decrease in inventory valuation gains which had a favorable effect on the last year's earnings.

Consolidated ordinary income which incorporates non-operating items including equity in earnings of affiliates, foreign exchange losses and interest expenses was a loss of 14.3 billion yen, a decrease of 55.8 billion yen versus the same period of the previous year. Consolidated net income which includes extraordinary items and income taxes was a loss of 10.7 billion yen, a decrease of 35.9 billion yen versus the same period of the previous year.

Segment results based on operating income less goodwill amortization are shown as follows:

a. Oil segment

Oil segment income was a loss of 17.1 billion yen, a decrease of 55.4 billion yen versus the same period of the previous year. Inventory effects during the current period were 0.2 billion yen, a 24.5 billion yen decrease versus the same period of the previous year. Oil segment income excluding inventory effects was a loss of 17.3 billion yen, a 30.9 billion yen decrease versus the same period of the previous year, as a result of lower industry margins.

Oil segment income compared with the same period of the previous year

	(Unit: Billion yen)		
	1Q YTD 2013	1Q YTD 2014	Difference
Segment income (loss) as reported	38.3	(17.1)	(55.4)
Inventory effects	24.6	0.2	(24.5)
Segment income (loss) excluding above inventory effects	13.6	(17.3)	(30.9)

b. Chemical segment

Chemical segment income was 7.7 billion yen, a 0.9 billion yen decrease from the same period of the previous year. This year, Chemical segment income experienced a 0.1 billion yen inventory valuation loss versus a 1.1 billion yen inventory valuation gain in the prior period. Excluding inventory effects, this year's Chemical results were 7.8 billion yen compared to 7.6 billion yen in the prior period as favorable olefins margins offset weakening aromatics margins.

(2) Discussion of consolidated financial condition

a. Total assets, liabilities and net assets

In the first quarter period, the balance sheet was affected by a change in the scope of consolidation as a consequence of the Company's acquisition of 95.5% of the shares of MOC Marketing K.K. Total assets as of March 31, 2014 were 1,527.7 billion yen, a 118.6 billion yen increase from December 31, 2013, which is mainly due to the addition of assets of newly consolidated subsidiaries MOC Marketing K.K. and Kyokuto Petroleum Industries, Ltd. Liabilities as of March 31, 2014 amounted to 1,249.8 billion yen, a 135.3 billion yen increase from December 31, 2013, mainly due to a change in the scope of consolidation and increases in loans and bonds payable. Total net assets as of March 31, 2014 amounted to 277.9 billion yen, a 16.7 billion yen decrease from December 31, 2013.

b. Cash flows

At the end of March 2014, the outstanding balance of cash and cash equivalents was 49.2 billion yen, an increase of 30.5 billion yen versus December 31, 2013. Key factors influencing cash flows are summarized below.

In the first quarter year-to-date 2014, cash flows from operating activities were negative 46.1 billion yen versus a negative 9.2 billion yen in the same period last year. Negative factors such as a decrease in gasoline tax payables due to 4 months equivalent tax paid in the 3 months period and loss before income taxes and minority interests outweighed positive factors such as a decrease in working capital.

Cash flows from investing activities were negative 29.1 billion yen versus a negative 1.8 billion yen in the same period last year. The current period cash outflows are due mainly to the acquisition of MOC Marketing K. K.

Cash flows from financing activities were positive 105.7 billion yen versus a positive 50.9 billion yen in the same period last year. This is due mainly to an increase in short-term and long-term loans primarily to finance the negative cash flow from operations in the quarter and the acquisition of MOC Marketing K. K.

(3) Discussion of projected consolidated operating results

Forecasts for the second quarter year-to-date 2014 and full year 2014 have been revised as noted below reflecting depressed Oil and strong Chemical results in the first quarter 2014 and weaker Aromatics margin assumed for the rest of the year. No inventory gains have been assumed in this forecast. The company reaffirms the full year dividend of 38 yen per share stated in our previous announcement.

Revision of consolidated earnings forecast figures for the second quarter year-to-date 2014 (January 1 through June 30, 2014)

(Unit: million yen)

	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income per share (yen)
Previous forecast (A)	1,800,000	6,500	6,000	1,000	2.74
Revised forecast (B)	1,700,000	0	(1,000)	(4,000)	(10.98)
Difference (B-A)	(100,000)	(6,500)	(7,000)	(5,000)	-
Increase/ (decrease) (%)	(5.6)	-	-	-	-

Revision of consolidated earnings forecast figures for full-year 2014 (January 1 through December 31, 2014)

(Unit: million yen)

	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income per share (yen)
Previous forecast (A)	3,900,000	35,000	34,000	15,000	41.17
Revised forecast (B)	3,700,000	23,000	21,000	7,000	19.21
Difference (B-A)	(200,000)	(12,000)	(13,000)	(8,000)	-
Increase/ (decrease) (%)	(5.1)	(34.3)	(38.2)	(53.3)	-

2. Information relating to Notes in summary information**(1) Summary of change in major subsidiaries**

In February 2014, the Company acquired 95.5% of the issued stocks of Mitsui Oil Co., Ltd. (renamed as MOC Marketing K.K.). As a result, MOC Marketing K.K. and Toyo Sekiyu Hanbai K.K. have been included in the scope of consolidation effective from the first quarter period with a deemed date of acquisition of March 31, 2014.

MOC Marketing K.K. and other subsidiary of the Company own each 50% interest in Kyokuto Petroleum Industries, Ltd. As a result, Kyokuto Petroleum Industries, Ltd. has been excluded from the scope of the equity method and included in the scope of consolidation effective from the first quarter period with a deemed date of acquisition of March 31, 2014. This change in the scope of consolidation will have a material effect on consolidated financial statements for the annual period ending December 31, 2014.

A summary of operating results and financial position of MOC Marketing K.K. and Kyokuto Petroleum Industries, Ltd. is provided below.

MOC Marketing K.K.	as of March 31, 2013	Kyokuto Petroleum Industries, Ltd.	as of December 31, 2013
Net sales	361,709 million yen	Net sales	638,566 million yen
Ordinary income	2,782 million yen	Ordinary income	7,027 million yen
Net income	1,638 million yen	Net income	4,265 million yen
Net assets	24,855 million yen	Net assets	31,371 million yen
Total assets	99,657 million yen	Total assets	249,524 million yen

Kyokuto Petroleum Industries, Ltd. is a designated subsidiary of the Company.

(2) Business and other risks

No new business risks or other risks have arisen during the first quarter year-to-date period.

There were no material changes to the business and other risks which were already reported in the year-end report for 2013.

(3) Issues to be addressed

There were no material changes to the business issues to be addressed by the Company Group during the first quarter year-to-date period.

3. Quarterly consolidated financial statements**(1) Quarterly consolidated balance sheet**

(Unit: Million yen)

	2013 (December 31, 2013)	1Q 2014 (March 31, 2014)
Assets		
Current assets		
Cash and deposits	18,655	49,155
Notes and accounts receivable - trade	277,929	261,831
Merchandise and finished goods	108,039	134,266
Semi-finished goods	67,358	82,762
Raw materials	251,701	287,638
Supplies	8,371	10,504
Short-term loans receivable	15,069	60
Other	23,151	24,826
Allowance for doubtful accounts	(325)	(482)
Total current assets	769,953	850,563
Non-current assets		
Property, plant and equipment		
Machinery, equipment and vehicles, net	30,959	36,212
Land	145,927	177,515
Other, net	67,096	80,448
Total property, plant and equipment	243,984	294,176
Intangible assets		
Goodwill	313,108	319,404
Other	21,537	24,168
Total intangible assets	334,646	343,572
Investments and other assets		
Investment securities	35,592	16,432
Other	25,044	23,119
Allowance for doubtful accounts	(139)	(174)
Total investments and other assets	60,496	39,377
Total non-current assets	639,127	677,126
Total assets	1,409,081	1,527,690

(Unit: Million yen)

	2013 (December 31, 2013)	1Q 2014 (March 31, 2014)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	321,262	293,815
Gasoline taxes payable	193,193	176,188
Short-term loans payable	123,129	236,342
Commercial papers	30,000	30,000
Income taxes payable	13,822	2,643
Provision	1,537	4,346
Other	88,352	81,307
Total current liabilities	771,297	824,643
Non-current liabilities		
Bonds payable	40,000	75,000
Long-term loans payable	136,197	172,467
Deferred tax liabilities	15,663	20,268
Provision for retirement benefits	122,238	123,587
Provision for repairs	22,369	25,339
Other	6,675	8,478
Total non-current liabilities	343,143	425,141
Total liabilities	1,114,440	1,249,785
Net assets		
Shareholders' equity		
Capital stock	35,123	35,123
Capital surplus	49,561	49,561
Retained earnings	350,736	333,113
Treasury shares	(142,140)	(142,151)
Total shareholders' equity	293,280	275,646
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	315	440
Total accumulated other comprehensive income	315	440
Subscription rights to shares	72	72
Minority interests	971	1,744
Total net assets	294,640	277,904
Total liabilities and net assets	1,409,081	1,527,690

(2) Quarterly consolidated statement of income and comprehensive income
a. Consolidated statement of income
First quarter YTD period

(Unit: Million yen)

	1Q YTD 2013 (January 1, 2013 through March 31, 2013)	1Q YTD 2014 (January 1, 2014 through March 31, 2014)
Net sales	797,635	821,396
Cost of sales	732,361	812,473
Gross profit	65,273	8,923
Selling, general and administrative expenses	22,564	22,525
Operating income (loss)	42,709	(13,602)
Non-operating income		
Interest income	205	45
Share of profit of entities accounted for using equity method	2,586	234
Other	26	68
Total non-operating income	2,818	349
Non-operating expenses		
Interest expenses	982	666
Foreign exchange losses	3,076	52
Bond issuance cost	—	155
Other	10	164
Total non-operating expenses	4,069	1,038
Ordinary income (loss)	41,458	(14,292)
Extraordinary income		
Gain on sales of non-current assets	169	61
Gain on step acquisitions	—	431
Total extraordinary income	169	493
Extraordinary losses		
Loss on sales and retirement of non-current assets	228	604
Impairment loss	4	—
Settlement package	—	1,169
Total extraordinary losses	232	1,774
Income (loss) before income taxes and minority interests	41,395	(15,574)
Income taxes	16,155	(4,886)
Income (loss) before minority interests	25,240	(10,687)
Minority interests in income	57	12
Net income (loss)	25,182	(10,700)

b. Consolidated statement of comprehensive income
First quarter YTD period

(Unit: Million yen)

	1Q YTD 2013 (January 1, 2013 through March 31, 2013)	1Q YTD 2014 (January 1, 2014 through March 31, 2014)
Income (loss) before minority interests	25,240	(10,687)
Other comprehensive income		
Valuation difference on available-for-sale securities	(19)	126
Share of other comprehensive income of entities accounted for using equity method	1	—
Total other comprehensive income	(18)	126
Comprehensive income	25,221	(10,561)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	25,164	(10,575)
Comprehensive income attributable to minority interests	57	13

(3) Quarterly consolidated statement of cash flows

(Unit: Million yen)

	1Q YTD 2013 (January 1, 2013 through March 31, 2013)	1Q YTD 2014 (January 1, 2014 through March 31, 2014)
Cash flows from operating activities		
Income (loss) before income taxes and minority interests	41,395	(15,574)
Depreciation	5,551	4,843
Amortization of goodwill	4,231	4,231
Share of (profit) loss of entities accounted for using equity method	(2,586)	(234)
Impairment loss	4	—
Increase (decrease) in provision for retirement benefits	(1,006)	(1,327)
Increase (decrease) in provision for repairs	1,429	721
Interest and dividend income	(205)	(46)
Interest expenses	982	666
Loss (gain) on step acquisitions	—	(431)
Settlement package	—	1,169
Loss (gain) on sales and retirement of non-current assets	58	543
Decrease (increase) in notes and accounts receivable - trade	20,995	42,425
Decrease (increase) in inventories	(60,331)	16,161
Increase (decrease) in notes and accounts payable - trade	(21,491)	(30,621)
Decrease (increase) in accounts receivable - other	(187)	1,244
Increase (decrease) in accounts payable - other	1,957	(53,543)
Other, net	2,378	(40)
Subtotal	(6,824)	(29,812)
Interest and dividend income received	939	899
Interest expenses paid	(860)	(759)
Income taxes paid	(2,469)	(15,257)
Settlement package paid	—	(1,169)
Net cash provided by (used in) operating activities	(9,214)	(46,099)
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,830)	(3,684)
Proceeds from sales of property, plant and equipment	387	309
Purchase of intangible assets	(359)	(269)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(25,503)
Payments of long-term loans receivable	(4)	(5)
Collection of long-term loans receivable	18	23
Net cash provided by (used in) investing activities	(1,787)	(29,130)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	16,000	47,420
Repayments of long-term loans payable	(521)	(171)
Proceeds from long-term loans payable	50,000	30,000
Increase (decrease) in commercial papers	(8,000)	—
Proceeds from issuance of bonds	—	34,844
Purchase of treasury shares	(12)	(10)
Proceeds from sales of treasury shares	0	0
Cash dividends paid	(6,557)	(6,353)
Net cash provided by (used in) financing activities	50,910	105,730
Net increase (decrease) in cash and cash equivalents	39,908	30,499
Cash and cash equivalents at beginning of period	13,369	18,655
Cash and cash equivalents at end of period	53,277	49,155

(4) Notes on assumption of going concern

Not applicable.

(5) Notes on significant changes in the amount of shareholders' equity

Not applicable.

(6) Segment information**First quarter YTD 2013 period (January 1, 2013 through March 31, 2013)**

Net sales and segment income by reportable segments

(Unit: Million yen)

	Oil	Chemical	Total	Adjustment (Note) 1, 2	Quarterly consolidated statement of income amount
Net sales					
Sales to third parties	716,584	81,050	797,635	—	797,635
Internal transactions	524,710	55,301	580,011	(580,011)	—
Total	1,241,295	136,351	1,377,647	(580,011)	797,635
Segment income	38,285	8,655	46,940	(4,231)	42,709

(Note) 1. Adjustment of (580,011) million yen represents an elimination of inter-segment transactions.

2. Goodwill amortization of (4,231) million yen is shown in adjustment, as it is not allocated to each segment.

3. Total segment income plus "Adjustment" is the same as operating income in the quarterly consolidated statement of income.

First quarter YTD 2014 period (January 1, 2014 through March 31, 2014)

Net sales and segment income by reportable segments

(Unit: Million yen)

	Oil	Chemical	Total	Adjustment (Note) 1, 2	Quarterly consolidated statement of income amount
Net sales					
Sales to third parties	724,513	96,883	821,396	—	821,396
Internal transactions	451,259	19,155	470,414	(470,414)	—
Total	1,175,772	116,038	1,291,811	(470,414)	821,396
Segment income (loss)	(17,091)	7,720	(9,371)	(4,231)	(13,602)

(Note) 1. Adjustment of (470,414) million yen represents an elimination of inter-segment transactions.

2. Goodwill amortization of (4,231) million yen is shown in the adjustment column as it is not allocated to each segment.

3. Total segment income (loss) plus "Adjustment" is the same as operating loss in the quarterly consolidated statement of income.

(7) Business combination**First quarter 2014 period (January 1, 2014 through March 31, 2014)**

1. Outline of business combination

(1) Overview of the company acquired (As of December 31, 2013)

a. Name of company	Mitsui Oil Co., Ltd.
b. Business	Sales of petroleum products
c. Date of establishment	February 18, 1961
d. Paid-in capital	3,000 million yen

(2) Background and objectives of the Transaction

The Group Company plans to enhance its core businesses by integrating the newly acquired businesses into the existing ones, e.g. expansion and strengthening of the sales network and optimization of the supply system.

(3) Date of business combination

February 4, 2014

(4) Legal form of business combination

Acquisition of share capital in exchange for cash

(5) Acquired entity name after combination

MOC Marketing K.K.

(6) Percentage of shares acquired through the Transaction, the purchase price and percentage of voting rights after the Transaction

a. Percentage of shares acquired:	95.5%
b. Purchase price:	26,646 million yen
c. Percentage of voting rights after the Transaction:	95.5%

(7) Reason for designating the Company as acquiring company

The Company intends to own the majority control of the acquired company through the acquisition of 95.5% of the shares thereof.

2. Period of the acquired entity's results of operations included in the Company's quarterly consolidated statement of income for the cumulative quarterly period

Not applicable because the deemed date of acquisition was March 31, 2014.

3. Acquisition cost of acquired entity and components thereof

Consideration for acquisition (cash and deposits)	26,396 million yen
Direct costs for acquisition	250 million yen
Acquisition cost	26,646 million yen

4. Amount of goodwill recognized, reason for recognition of goodwill, and method and period of amortization of goodwill

(1) Amount of goodwill recognized

10,527 million yen

This is a provisionally determined amount as the acquisition cost allocation is not yet finalized.

(2) Reason for recognition of goodwill

The future income and cash flow generation in excess of the fair value of the net assets acquired in the purchase of the business operated by MOC Marketing K.K. was recognized as goodwill.

(3) Method and period of amortization of goodwill

Goodwill is amortized over 20 years using the straight-line method.