

*** Notes**

(1) Change in major subsidiaries in the current quarter year-to-date period (change in designated subsidiaries resulting in a change in the scope of consolidation): No

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

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

- a. Change in accounting policy with accounting standards revisions : Yes
- b. Change in accounting policy 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)					
2Q2016	366,000,000	shares	Full year 2015	565,182,000	shares
b. Number of treasury shares at the end of period					
2Q2016	1,764,440	shares	Full year 2015	200,936,131	shares
c. Average number of shares during the period					
2QYTD2016	364,239,936	shares	2QYTD 2015	364,289,681	shares

• **Review status of Quarterly Securities Report (*Shihanki-Houkokusho*) for the Second Quarter 2016**

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 LLC 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 Second Quarter 2016. The auditor expressed the conclusion on August 12, 2016 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 TonenGeneral Sekiyu K.K. (the “Company”) and its consolidated subsidiaries as of June 30, 2016, the results of their operations and their cash flows for the six-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. 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.

(Attachments)

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1. Discussion of quarterly consolidated financial results

(1) Discussion of consolidated operating results

Consolidated net sales for the second quarter year-to-date period amounted to 958.0 billion yen, a decrease of 426.2 billion yen or 30.8 % versus the same period of the previous year, primarily due to lower product prices in response to the lower crude prices as well as lower sales volume.

Consolidated operating income amounted to 16.9 billion yen, a decrease of 23.8 billion yen versus the same period the previous year, due mainly to losses from lower oil product margins, despite gains due in particular to a decrease in inventory valuation losses and favorable chemical product margins.

Consolidated ordinary income, which incorporates non-operating items including share of loss of entities accounted for using equity method, foreign exchange losses and interest expenses, was 15.2 billion yen, a decrease of 24.9 billion yen versus the same period of the previous year.

Profit attributable to owners of parent which incorporates extraordinary items and income taxes was 15.9 billion yen, a decrease of 7.4 billion yen versus the same period of the previous year. Income taxes reflect adjustments in line with revisions to the statutory effective tax rate as further described in the section titled "3. Quarterly consolidated financial statements (4) Additional information".

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

a. Oil segment

Oil segment income for the second quarter year-to-date period was 4.9 billion yen, a decrease of 29.7 billion yen versus the same period of the previous year. Oil segment income excluding inventory valuation losses of 5.3 billion yen versus losses of 19.8 billion yen in the same period of the previous year was 10.2 billion yen, a decrease of 44.2 billion yen versus the same period of the previous year, reflecting the environment of margins for domestic petroleum products and product exports.

Oil segment income (loss) compared with the same period of the previous year

(Unit: Billion yen)			
	2Q YTD 2015	2Q YTD 2016	Difference
Segment income as reported	34.6	4.9	(29.7)
Inventory effects (losses)	(19.8)	(5.3)	14.5
Segment income excluding above inventory effects	54.4	10.2	(44.2)

b. Chemical segment

Chemical segment income for the second quarter year-to-date period was 20.7 billion yen, an increase of 5.9 billion yen versus the same period of the previous year. Chemical segment income excluding inventory valuation losses of 0.5 billion yen versus losses of 2.3 billion yen in the same period of the previous year was 21.3 billion yen, an increase of 4.1 billion yen versus the same period of the previous year, largely reflecting favorable olefins margins and aromatics margins recovery.

Chemical segment income (loss) compared with the same period of the previous year

(Unit: Billion yen)			
	2Q YTD 2015	2Q YTD 2016	Difference
Segment income as reported	14.8	20.7	5.9
Inventory effects (losses)	(2.3)	(0.5)	1.8
Segment income excluding above inventory effects	17.2	21.3	4.1

(2) Discussion of consolidated financial condition

a. Total assets, liabilities and net assets

Total assets as of June 30, 2016 were 1,115.5 billion yen, a 93.9 billion yen decrease from December 31, 2015, mainly due to decreases in cash and deposits and notes and accounts receivable - trade.

Total liabilities as of June 30, 2016 amounted to 873.6 billion yen, a 101.7 billion yen decrease from December 31, 2015, attributable mainly to decreases in gasoline taxes payable and long-term loans payable. Total net assets as of June 30, 2016 amounted to 241.9 billion yen, a 7.8 billion yen increase from December 31, 2015, due mainly to profit attributable to owners of parent exceeding a decrease due to dividend payments.

Based on a resolution by the Board of Directors of the Company, 199,182,000 treasury shares were canceled on February 29, 2016. This cancellation decreased retained earnings and treasury shares by 141.0 billion yen each.

b. Cash flows

At the end of the June 2016, the outstanding balance of cash and cash equivalents was 13.8 billion yen, a decrease of 86.4 billion yen versus December 31, 2015. Key factors influencing cash flows are summarized below.

In the second quarter year-to-date 2016 period, cash flows from operating activities were negative 37.7 billion yen versus

positive 26.5 billion yen in the same period of the previous year. This is mainly due to the fact that negative factors such as a decrease in payables largely reflecting payment of 7 months equivalent of gasoline taxes during the 6 month period outweighed positive factors such as profit before income taxes.

Cash flows from investing activities were negative 13.5 billion yen versus negative 18.8 billion yen in the same period of the previous year. This is mainly due to capital expenditures.

Cash flows from financing activities were negative 33.9 billion yen versus negative 27.7 billion yen in the same period of the previous year. This is mainly due to repayments of long-term loans payable.

(3) Discussion of projected consolidated operating results

In consolidated operating income for the full year 2016, deteriorating oil product margins from the previous forecast are assumed to be offset by favorable chemical product margins.

As a result, there is no change to the figures in the consolidated earnings forecast for the full year 2016 that was announced in Consolidated Financial Results for the 2015 issued on February 12, 2016. Furthermore, there are no changes to the full-year dividend forecast of 38 yen per share.

2. Information relating to Notes in summary

(1) Change in major subsidiaries in the current quarter year-to-date period

Not applicable.

(2) Change in accounting policy, change in accounting estimates and restatements

- Application of Accounting Standard for Business Combinations, etc.

The Company has adopted the “Accounting Standard for Business Combinations” (The Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013), the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013) and so forth effective from the first quarter 2016 period. Changes in ownership interests in subsidiaries remaining under the control of the Company are accounted to capital surplus and acquisition related costs are expensed in the incurred year’s consolidated financial statements. For a business combination carried out on and after the beginning of the first quarter 2016 period, revisions for its purchase price allocation as a result of finalizing provisional accounting treatment is reflected in the quarterly financial statements for the quarter when the business combination is created. In addition, changes in presentation for net income and so on, and presentation from minority interests to non-controlling interests are implemented. In order to reflect these changes in presentation, reclassification has been made for the quarterly consolidated financial statements and the consolidated financial statements in the second quarter year-to-date 2015 period and the fiscal year 2015.

Application of Accounting Standard for Business Combinations, etc. have been adopted from the beginning of the first quarter 2016 period in accordance with transitional measures provided in Paragraph 58-2 (4) of the Accounting Standards for Business Combinations, Paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements, and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures.

There are no impacts on the quarterly financial statements.

- Application of Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016

Following the revision to the Corporation Tax Act, the Company has applied the “Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016” (ASBJ PITF No. 32, June 17, 2016) from the second quarter 2016 period, and changed the depreciation method for facilities attached to buildings and structures acquired on and after April 1, 2016 from the declining balance method to the straight line method.

The effect of this change on the quarterly financial statements is immaterial.

(3) Number of shares issued

Based on a February 12, 2016 resolution by the Board of Directors of the Company, 199,182,000 treasury shares were canceled on February 29, 2016. As a result, the number of shares issued is 366,000,000 shares at the end of June, 2016.

(4) Business and other risks

There were no material changes to the business and other risks which were already reported in the year-end report for 2015.

(5) Issues to be addressed

There were no material changes to the business issues to be addressed by the Company Group (the Company and the eight subsidiaries) during the second quarter year-to-date period.

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

(Unit: Million yen)

	2015 (December 31, 2015)	2Q 2016 (June 30, 2016)
Assets		
Current assets		
Cash and deposits	100,161	13,759
Notes and accounts receivable - trade	172,650	141,273
Merchandise and finished goods	64,274	65,689
Semi-finished goods	35,332	37,036
Raw materials	83,692	108,311
Supplies	10,003	9,263
Income taxes receivable	4,100	4,575
Deferred tax assets	1,733	664
Other	24,682	24,369
Allowance for doubtful accounts	(282)	(3)
Total current assets	496,348	404,938
Non-current assets		
Property, plant and equipment		
Machinery, equipment and vehicles, net	36,247	40,081
Land	174,562	174,043
Other, net	96,918	97,009
Total property, plant and equipment	307,728	311,134
Intangible assets		
Goodwill	288,865	280,139
Other	21,503	20,934
Total intangible assets	310,368	301,073
Investments and other assets		
Investment securities	33,922	30,965
Deferred tax assets	45,391	50,251
Other	15,677	17,170
Allowance for doubtful accounts	(74)	(59)
Total investments and other assets	94,918	98,328
Total non-current assets	713,015	710,536
Total assets	1,209,364	1,115,475

(Unit: Million yen)

	2015 (December 31, 2015)	2Q 2016 (June 30, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	129,769	155,744
Gasoline taxes payable	244,907	159,417
Short-term loans payable	118,180	116,786
Income taxes payable	1,761	3,569
Provision	1,743	1,902
Other	100,287	86,099
Total current liabilities	596,649	523,520
Non-current liabilities		
Bonds payable	85,000	85,000
Long-term loans payable	131,027	106,744
Deferred tax liabilities	319	263
Net defined benefit liability	132,993	131,538
Provision for repairs	23,634	20,855
Other	5,633	5,651
Total non-current liabilities	378,609	350,054
Total liabilities	975,258	873,575
Net assets		
Shareholders' equity		
Capital stock	35,123	35,123
Capital surplus	48,473	48,102
Retained earnings	309,049	176,977
Treasury shares	(142,278)	(1,249)
Total shareholders' equity	250,367	258,953
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,054	77
Revaluation reserve for land	(32)	(47)
Remeasurements of defined benefit plans	(18,412)	(17,446)
Total accumulated other comprehensive income	(17,390)	(17,416)
Subscription rights to shares	170	199
Non-controlling interests	959	163
Total net assets	234,106	241,899
Total liabilities and net assets	1,209,364	1,115,475

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

(Unit: Million yen)

	2Q YTD 2015 (January 1, 2015 through June 30, 2015)	2Q YTD 2016 (January 1, 2016 through June 30, 2016)
Net sales	1,384,144	957,989
Cost of sales	1,292,520	888,180
Gross profit	91,624	69,808
Selling, general and administrative expenses	50,907	52,874
Operating income	40,716	16,933
Non-operating income		
Interest income	72	80
Dividend income	253	143
Share of profit of entities accounted for using equity method	154	-
Compensation income	52	65
Other	375	233
Total non-operating income	909	523
Non-operating expenses		
Interest expenses	1,201	1,105
Foreign exchange losses	79	360
Share of loss of entities accounted for using equity method	-	629
Other	190	126
Total non-operating expenses	1,471	2,222
Ordinary income	40,154	15,234
Extraordinary income		
Gain on sales of non-current assets	150	1,582
Compensation income for expropriation	-	179
Gain on change in equity	9,617	-
Total extraordinary income	9,767	1,762
Extraordinary losses		
Loss on sales and retirement of non-current assets	956	530
Impairment loss	88	134
Total extraordinary losses	1,045	664
Profit before income taxes	48,877	16,331
Income taxes	25,599	(10)
Profit	23,277	16,342
Profit attributable to non-controlling interests	7	460
Profit attributable to owners of parent	23,270	15,881

b. Quarterly consolidated statement of comprehensive income
Second quarter YTD period

(Unit: Million yen)

	2Q YTD 2015 (January 1, 2015 through June 30, 2015)	2Q YTD 2016 (January 1, 2016 through June 30, 2016)
Profit	23,277	16,342
Other comprehensive income		
Valuation difference on available-for-sale securities	409	(953)
Remeasurements of defined benefit plans, net of tax	115	968
Share of other comprehensive income of entities accounted for using equity method	(8)	(41)
Total other comprehensive income	516	(26)
Comprehensive income	23,794	16,315
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	23,796	15,855
Comprehensive income attributable to non-controlling interests	(1)	460

(3) Quarterly consolidated statement of cash flows

(Unit: Million yen)

	2Q YTD 2015 (January 1, 2015 through June 30, 2015)	2Q YTD 2016 (January 1, 2016 through June 30, 2016)
Cash flows from operating activities		
Profit before income taxes	48,877	16,331
Depreciation	11,223	11,789
Amortization of goodwill	8,725	8,725
Share of (profit) loss of entities accounted for using equity method	(154)	629
Impairment loss	88	134
Increase (decrease) in net defined benefit liability	(2,707)	(1,454)
Increase (decrease) in provision for repairs	778	(2,778)
Interest and dividend income	(326)	(223)
Interest expenses	1,201	1,105
Foreign exchange losses (gains)	(169)	1,391
Loss (gain) on sales and retirement of non-current assets	806	(1,052)
Compensation income for expropriation	-	(179)
Compensation income	(52)	(65)
Loss (gain) on change in equity	(9,617)	-
Decrease (increase) in notes and accounts receivable - trade	23,767	31,098
Decrease (increase) in inventories	12,638	(26,996)
Increase (decrease) in notes and accounts payable - trade	36,696	25,975
Decrease (increase) in accounts receivable - other	(1,979)	3,307
Increase (decrease) in accounts payable - other	(99,527)	(90,763)
Other, net	(5,076)	(11,652)
Subtotal	25,192	(34,680)
Interest and dividend income received	1,133	1,007
Interest expenses paid	(1,247)	(1,171)
Income taxes refund	25,450	3,866
Income taxes paid	(24,084)	(6,743)
Proceeds from compensation	52	65
Net cash provided by (used in) operating activities	26,498	(37,654)
Cash flows from investing activities		
Purchase of property, plant and equipment	(14,849)	(14,331)
Proceeds from sales of property, plant and equipment	1,002	1,912
Purchase of intangible assets	(2,843)	(1,165)
Proceeds from sales of intangible assets	321	0
Proceeds from compensation for expropriation	-	179
Purchase of investment securities	(3,023)	(150)
Other, net	633	59
Net cash provided by (used in) investing activities	(18,757)	(13,495)

(Unit: Million yen)

	2Q YTD 2015 (January 1, 2015 through June 30, 2015)	2Q YTD 2016 (January 1, 2016 through June 30, 2016)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(1,938)	(1,386)
Repayments of long-term loans payable	(3,789)	(29,288)
Proceeds from long-term loans payable	-	5,000
Net increase (decrease) in commercial papers	(15,000)	-
Cash dividends paid	(6,921)	(6,920)
Repayments to non-controlling shareholders	-	(1,254)
Other, net	(32)	(10)
Net cash provided by (used in) financing activities	(27,682)	(33,861)
Effect of exchange rate change on cash and cash equivalents	169	(1,391)
Net increase (decrease) in cash and cash equivalents	(19,771)	(86,401)
Cash and cash equivalents at beginning of period	35,048	100,161
Cash and cash equivalents at end of period	15,277	13,759

(4) Additional information

- Amendment to amount of deferred tax assets and liabilities due to change in corporate income tax rate, etc.

The “Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 15 of 2016) and the “Act for Partial Amendment of the Local Tax Act, etc.” (Act No. 13 of 2016) have been promulgated on March 31, 2016. With this amendment, the corporate income tax rates, etc. are to be reduced effective from the fiscal year beginning on and after April 1, 2016. In conjunction with this, the statutory effective tax rate used to calculate deferred tax assets and deferred tax liabilities is changed from the previous rate of 32.3%. The rate is 30.9% for temporary differences expected to be realized in the fiscal years beginning on January 1, 2017 and beginning on January 2018, and 30.6% for temporary differences expected to be realized in the fiscal years beginning on and after January 1, 2019.

As a result, deferred tax assets (after deducting deferred tax liabilities) decreased by 1,728 million yen, capital surplus decreased by 54 million yen, income taxes – deferred increased by 1,259 million yen, profit attributable to non-controlling interests increased by 2 million yen, valuation difference on available-for-sale securities increased by 28 million yen, remeasurements of defined benefit plans increased by 441 million yen, and non-controlling interests increased by 1 million yen.

Moreover, the system of deduction for losses carried forward has been revised. The limit of deduction from taxable income applicable to losses carried forward is amount equivalent to 60% of the income before loss carried forward effective from the fiscal year beginning on January 1, 2017, 55% effective from the fiscal year beginning on January 1, 2018 and 50% effective from the fiscal years beginning on and after January 1, 2019. As a result, deferred tax assets (after deducting deferred tax liabilities) decreased by 479 million yen, capital surplus decreased by 17 million yen, and income taxes - deferred increased by 461 million yen.

(5) Notes on assumption of going concern

Not applicable.

(6) Notes on significant changes in the amount of shareholders’ equity

Based on a February 12, 2016 resolution by the Board of Directors of the Company, 199,182,000 treasury shares were canceled on February 29, 2016. This cancellation decreased capital surplus by 6 million yen, retained earnings by 141,032 million yen and treasury shares by 141,038 million yen in the second quarter year-to-date 2016 period.

(7) Segment information**Second quarter YTD 2015 period (January 1, 2015 through June 30, 2015)**

Net sales and segment income (loss) by reportable segment

(Unit: Million yen)

	Oil	Chemical	Total	Adjustment (Note) 1, 2	Quarterly consolidated statement of income amount
Net sales					
Sales to third parties	1,242,373	141,771	1,384,144	-	1,384,144
Internal transactions	947,834	24,912	972,746	(972,746)	-
Total	2,190,207	166,683	2,356,891	(972,746)	1,384,144
Segment income	34,596	14,846	49,442	(8,725)	40,716

(Notes) 1. Adjustment of (972,746) million yen represents an elimination of inter-segment transactions.

2. Goodwill amortization of (8,725) million yen is shown in the adjustment column 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.

Second quarter YTD 2016 period (January 1, 2016 through June 30, 2016)

1. Net sales and segment income (loss) by reportable segment

(Unit: Million yen)

	Oil	Chemical	Total	Adjustment (Note) 1, 2	Quarterly consolidated statement of income amount
Net sales					
Sales to third parties	840,790	117,198	957,989	-	957,989
Internal transactions	616,967	15,715	632,682	(632,682)	-
Total	1,457,757	132,913	1,590,671	(632,682)	957,989
Segment income	4,919	20,739	25,659	(8,725)	16,933

(Notes) 1. Adjustment of (632,682) million yen represents an elimination of inter-segment transactions.

2. Goodwill amortization of (8,725) million yen is shown in the adjustment column 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.

2. Disclosure of changes, etc. in reportable segments

- Application of Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016

As listed in "2. Information relating to Notes in summary (2) Change in accounting policy, change in accounting estimates and restatements," the Company has applied the "Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016" from the second quarter 2016 period, and changed the depreciation method for facilities attached to buildings and structures acquired on and after April 1, 2016 from the declining balance method to the straight line method.

The effect of this change is immaterial.

(8) Significant subsequent events

Not applicable