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President's New Year Message – 2015

Today, the first working day of 2015, TonenGeneral Sekiyu K.K. Representative Director and President Jun Mutoh delivered a New Year message to TonenGeneral Group staff. An excerpt of the message is as follows.

Happy New Year! Let me first express my deep appreciation for your hard work and your contributions to our business over the past year.

2014 was a year in which some drastic changes occurred. Crude prices dropped significantly toward the end of the year, while the steep decline in the value of the yen continued. Industry margins reached historical lows at the beginning of the year, squeezing profits for us and our competitors for the first half of the term. Demand for petroleum products declined considerably, particularly from summer on, due to factors such as unseasonable weather and the consumption tax hike. But even under these circumstances, we were able to achieve significant profit improvement in the third quarter due to margin recovery in the domestic market and sales performance that was ahead of the industry.

Initiatives in 2014

Looking back at the progress of our medium-term management plan, we can see solid results in the strengthening of our core business and the development of growth options, the cornerstones of our business strategy.

In our core business, MOC Marketing employees joined the Group and have been making great contributions in all of our business segments. The number of Express SS surpassed 1000, which includes the addition of all directly-managed SS previously displaying the Mitsui logo that were converted to Express SS. In addition, the number of Seven-Eleven alliance sites has reached almost 100. Furthermore, with the addition of Kyokuto Petroleum Industries to the Group last year, we established the framework for the full optimization of operations of the four refineries.

We strengthened our partnerships with other companies, particularly in the following four areas: discussions concerning a joint business project between Kyokuto Petroleum and Cosmo Oil in Chiba, expansion of cooperative efforts with Toa Oil Co. in conjunction with the H-Oil capacity increase at our Kawasaki refinery, integration of the LP gas import and wholesale operations of four corporate groups, and consignment from Cosmo Oil for the manufacture of lubricant products.

In our chemical segment, another mainstay of our core business, we are working toward optimization with our fuels segment while continuing the shift toward petrochemicals from a more mid- to long-term, group-wide perspective.

In addition, TonenGeneral Sekiyu was recognized by METI for the third consecutive year, and Tonen Chemical for the second consecutive year, for having achieved the government's energy benchmarks. This is a notable achievement, both in terms of environmental efforts and cost reduction. We also raised our cost competitiveness with a reduction in spending of over 5 billion yen against budget.

As part of our efforts to develop our growth options, we established the Electric Power Business Department and are carrying out initiatives in preparation for entering into the electric power business. Our first step in this endeavor was investment in a biomass power generation project. We are also continuing our efforts to expand our electric power business through projects such as the development of competitive power sources in conjunction with other power businesses and retailers.

I am pleased to say that all of these achievements over the past year were the result of your dedication and the contributions made by each and every one of you to our business.

Important challenges for 2015

With the decline in domestic demand and intensifying competition due to the increase in production facilities throughout Asia, the harsh business environment in which we find ourselves is likely to continue, making 2015 a year in which we must take on many challenges. Therefore, the precise management of spending and the implementation of investments in a strategic manner will become increasingly important.

There is no change to our robust strategy of strengthening our core business while developing growth options, as set out in our medium-term management plan. We will strengthen our management base, which comprises our domestic petroleum and petrochemical businesses, and also accelerate the implementation of our growth options, including our electrical power business. It is important for each of us to do our part to ensure the success of these endeavors.

Safety is the foundation of our operations

In conclusion, I would like to emphasize that safety is the foundation of all of our operations, and that we must all work together to ensure absolute safety.

Once again, let me offer my best wishes to you for the new year. Let's keep working together to make 2015 our best year ever.

Jun Mutoh, Representative Director and President
TonenGeneral Sekiyu K.K.
January 5, 2015

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[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.]