

# TonenGeneral Sekiyu K.K.

## Business Strategy and 2008 Financial Results

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February 16, 2009  
at TSE Arrows



This material contains forward-looking statements based on projections and estimates that involve many variables. TonenGeneral 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 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 in this publication.

- Business Overview
- 2008 Business Results and  
2009 Financial Forecast
- Q&A

K. Suzuki

W. J. Bogaty

# Business Overview

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K. Suzuki

*Representative Director, President  
TonenGeneral Sekiyu K.K.*

# Business Environment – 2008 Topics



## ■ Unprecedented fluctuation in crude prices

- » Dubai crude prices sharply increased to a historic high of \$140/Bbl in July, fell below \$40/Bbl by the year end
  - Product prices did not completely reflect crude price movements
- » Significantly affected our domestic operating environment

## ■ Temporary discontinuation of the ADO and the provisional gasoline taxes

## ■ Global economic recession

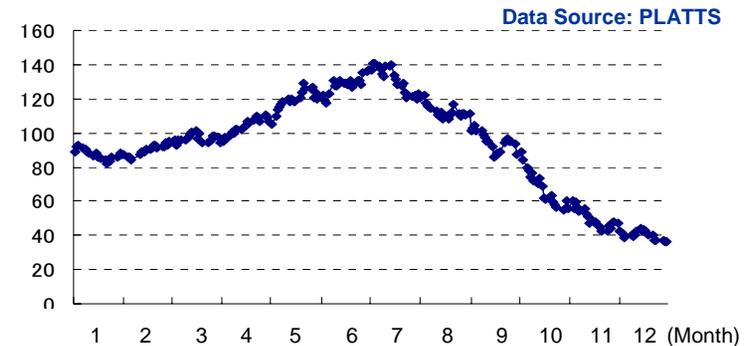
- » The extensive global recession following the global financial crisis led to a more drastic downturn in the Japanese economic environment

## ■ Downturn in domestic demand

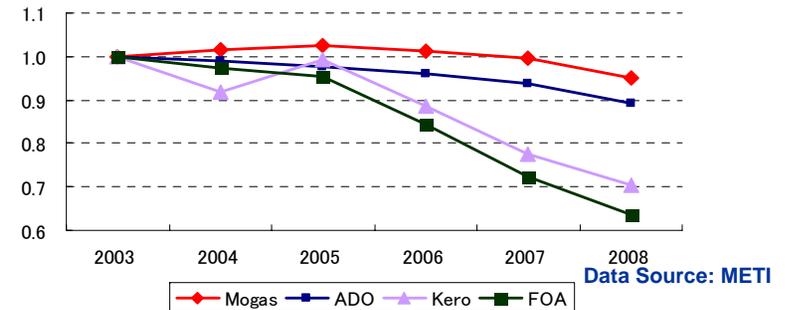
- » Decline in domestic fuel and basic petrochemical demand
- » Decrease in crude runs and topper utilization at domestic refineries<sup>(\*)</sup>

(\*) Data Source: METI

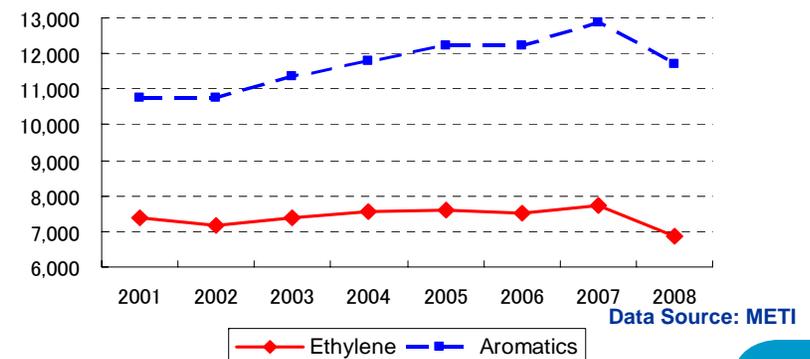
Crude Prices in 2008 (Dubai, \$/Bbl)



Domestic Product Demand Index ('03=1.0)



Domestic Production - Basic Petrochemical (KTon/Yr)



# Consistent Approach with a Long-term Vision



## Long-term Vision:

- Establish “Prominent Position” in Japan and within ExxonMobil

## Basic Management Philosophy:

- Ensure Flawless Operations
  - » Operations
    - Safety: “Nobody gets hurt”
    - Environmental Protection: “Protect Tomorrow, Today.”
  - » Business:
    - Effective internal controls
    - Maintain integrity / corporate ethics
- Improve Efficiency & Profitability
  - » Pursue efficiency / profitability across all segments of the business
  - » Effective asset management
- Increase Shareholders’ Value
  - » Increase Shareholders’ Value from long-term perspective
    - Optimal combination of business investment and return to shareholders

**Steady, concerted self-help efforts are essential for success**

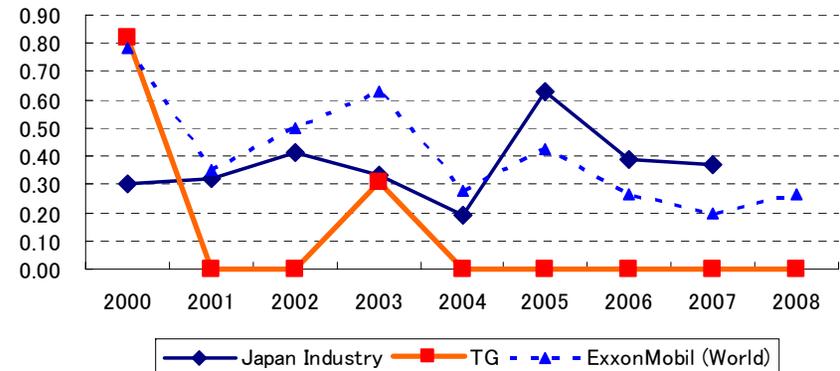
# Ensure Flawless Operations



Attention to safety, health and environment is our top priority in all our businesses

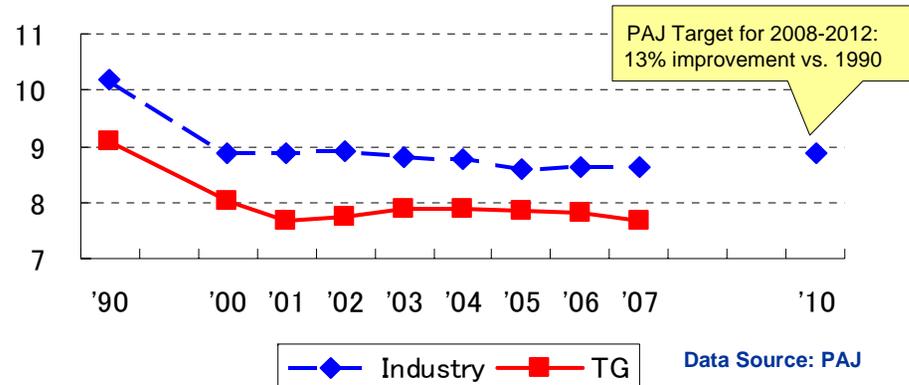
- Safety
  - » No employee incurred a Lost Time Injury since 2004
    - An excellent safety record
  
- Environmental Protection
  - » Measures to address global warming
  - » Energy efficiency improvement efforts by all business units
  
- Governance and Integrity
  - » Another foundation of our business
  - » Periodic refresher training for employee

**Loss Time Injury Rate of Employee**  
(Refining & Supply, # / million hours)



Data Source: JAISH

**Unit Energy Consumption in Refineries**  
Energy Consumption (KL) / APS Throughput (KKL)

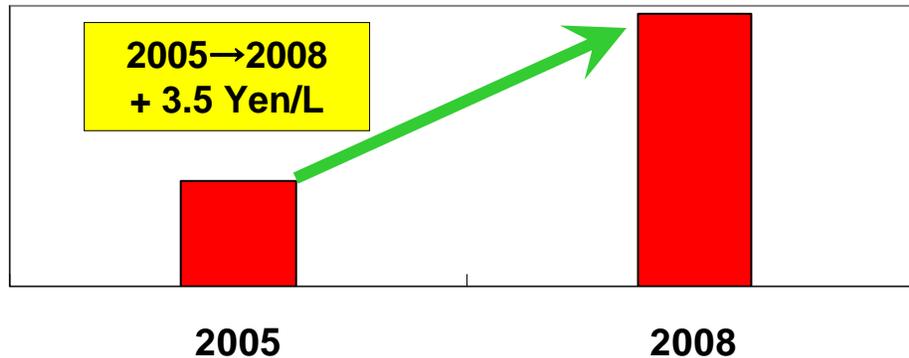


Data Source: PAJ

# Improve Efficiency & Profitability (1)

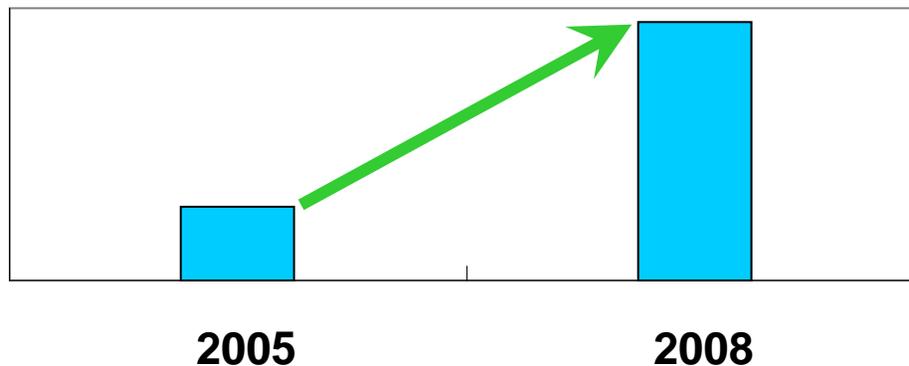


D/S Industry Market Trend (Unit Margin) (\*1)



(\*1) Our estimate of industry margin based on typical refining yield and typical Motouri margins, on a loaded basis

TG Oil Segment Gross Margin Trend (\*2)



(\*2) Adjusted for temporary inventory effects

2005→2008  
**+ 100 B Yen**

Self help through our basic strategies

- Functional excellence
- Fully integrated approach across businesses
- Cost effectiveness
- Asset optimization

2005→2008  
**+ 135 B Yen**

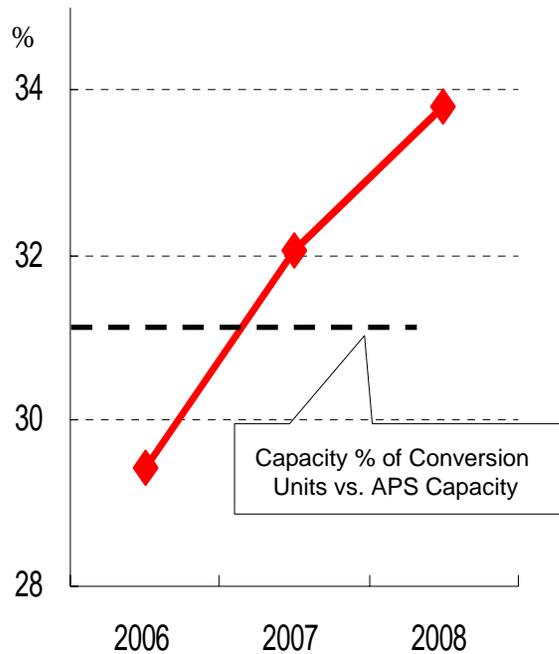
# Improve Efficiency & Profitability (2)



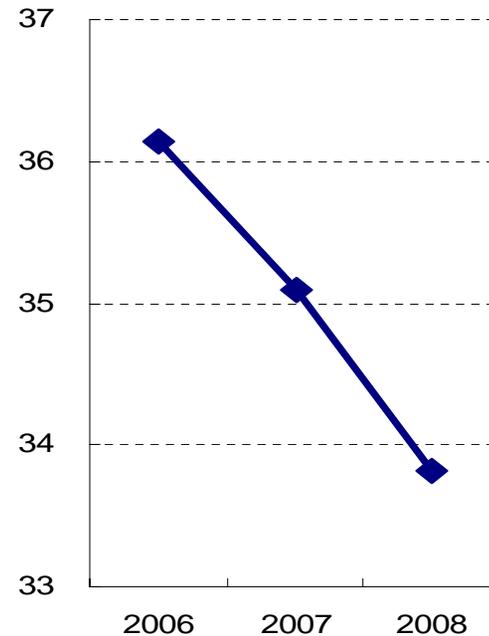
## ■ Refining & Supply

- » Full use of our secondary facilities (Conversion units)
- » Cutting feedstock cost through crude diversification and processing a heavier mix of crude oils
- » Product export expansion and export capacity enhancement

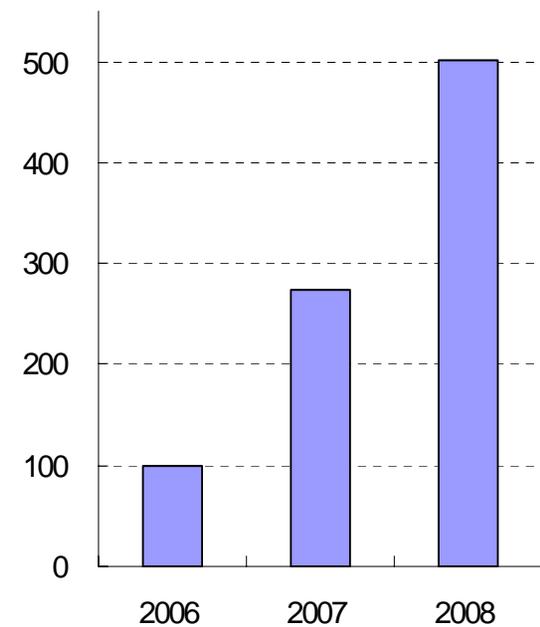
TG Conversion Units Utilization %  
( vs. Crude Processing )



TG Average API of Processed Crude  
(excl. condensates)



Product Export Volume (Middle Distillates)  
(2006 = 100)



# Improve Efficiency & Profitability (3)

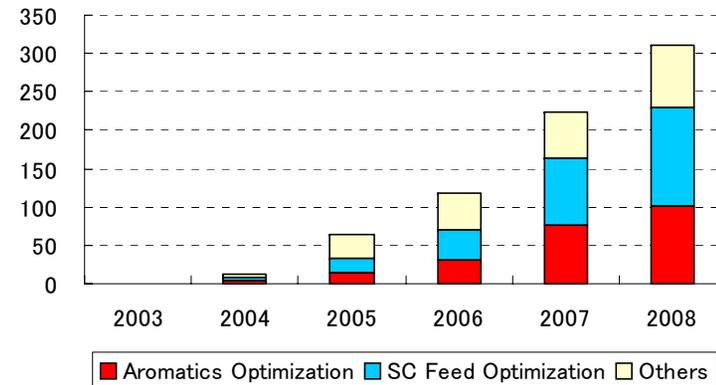


## ■ Chemicals

- » Continued pursuing the advantages of integration with refineries
  - Diversification of feedstock
  - Unified organization
  
- » Expansion of Specialty Chemicals business
  - Started construction of a new production facility for battery separator films in Korea



Synergy effect on Refinery/Chemical integration  
(Cumulative, 2003 = 1)



## ■ Marketing

- » Continued to strengthen the “Express” brand value
  - Improvement of customer convenience in “Express” SS
  - Promotion of the alliance with Seven-Eleven

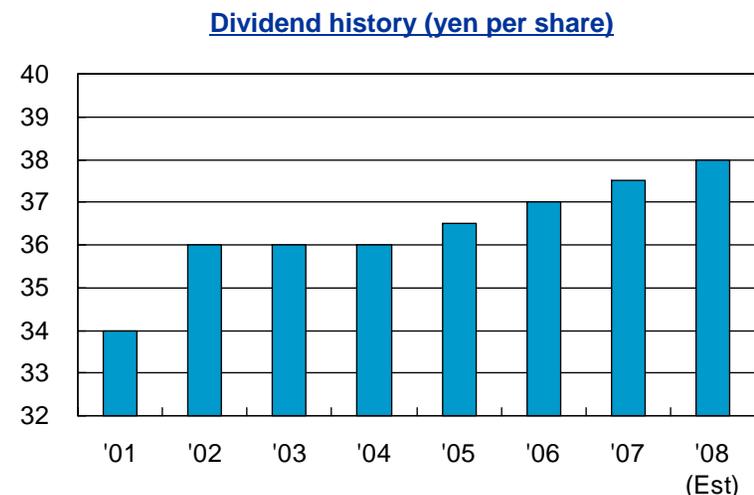
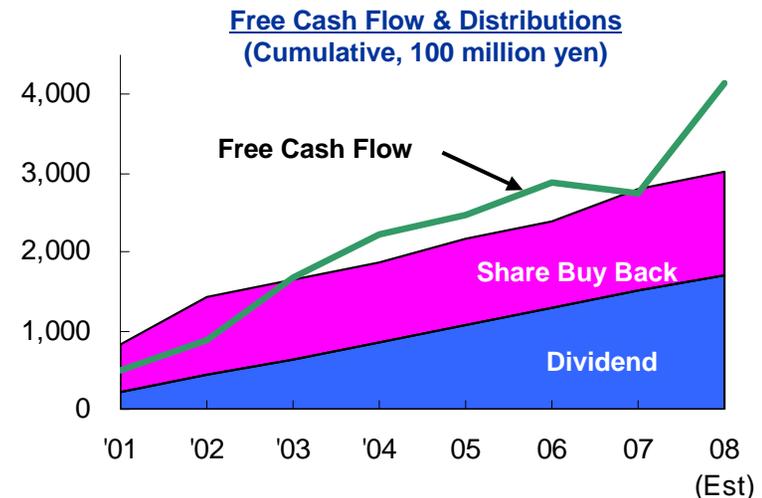


# Increase Shareholders' Value



**Our basic policy on shareholder returns remains unchanged, even in a changing business environment**

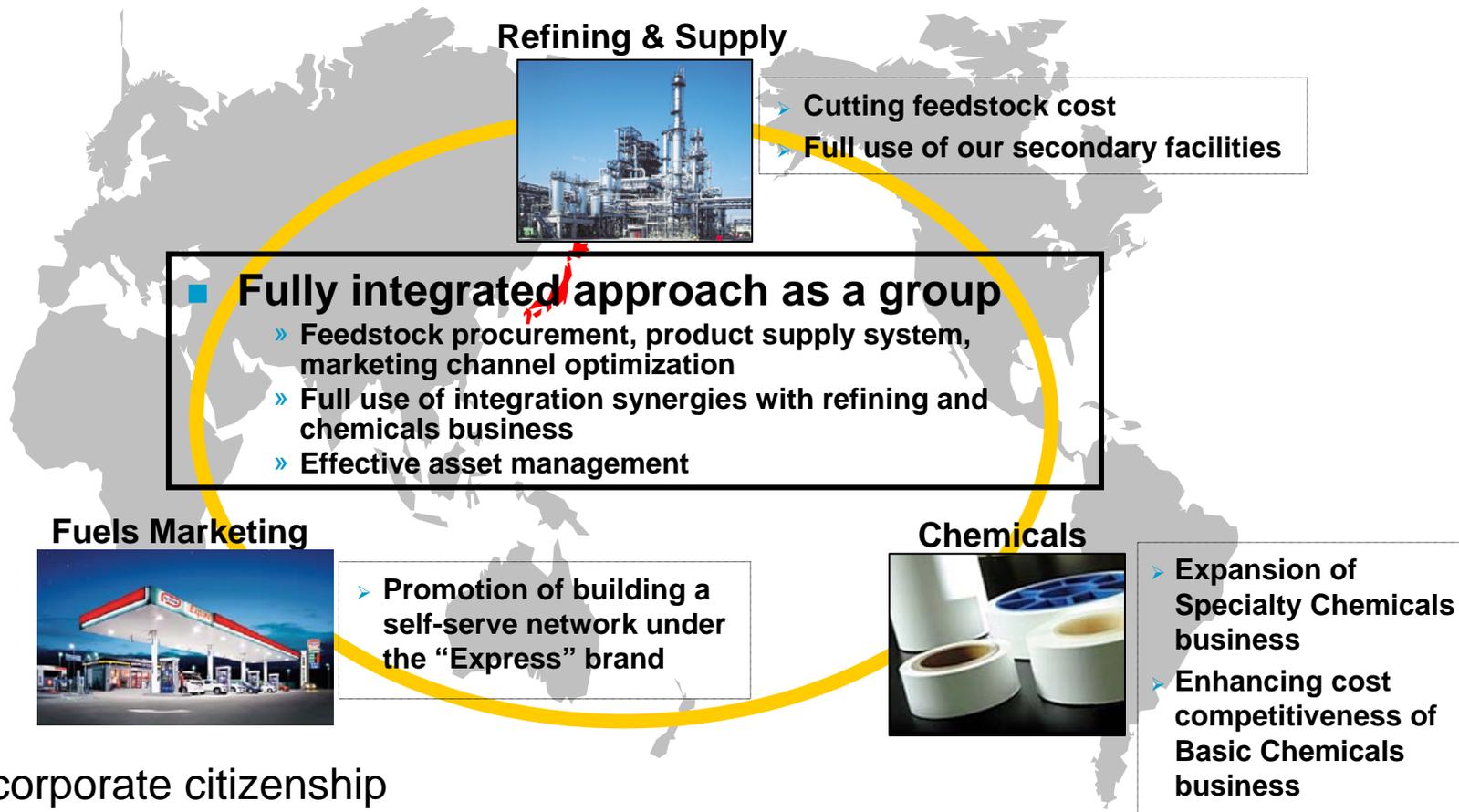
- Our principles
  - » Company cash flow not required for our business should be returned to shareholders
  - » Balance long-term shareholder value with distributions
- Stable Dividend
  - » Maintain total payout amount (22G yen per year) since the merger, while increased per-share dividend
  - » Dividend yield: ~4%, top level in TSE stocks
- Dividend in 2008
  - » Plan to pay a full-year dividend of 38 yen per share (an increase of 0.5 yen compared with 2007)



# Evolution – Move Together



- “Evolution ~ Move Together”: World class efficiency and competitiveness



- Good corporate citizenship
  - » Continuous attention to safety and ethics
  - » Measures to address global warming
- Focus on continuous growth in profitability !

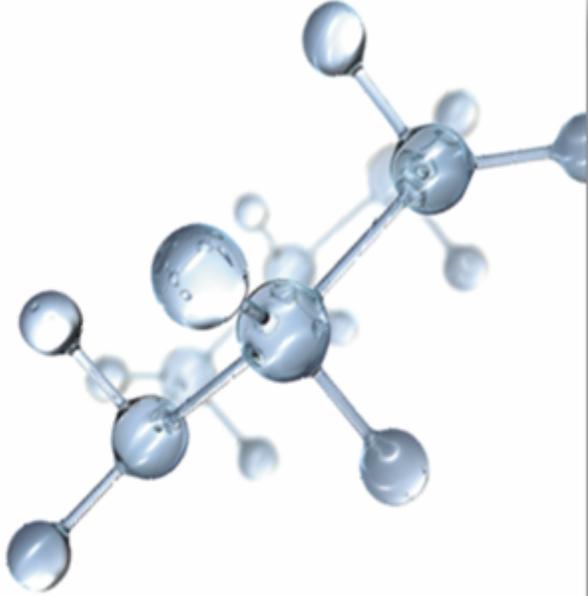
# Our Commitment



来日したのは、1893年でした。

エクソンモービル・ジャパングループは、100年以上にわたって日本とともに成長し、日本のエネルギーを支えてきました。私たちはこれからも、進化し続けます。

[www.exxonmobil.jp](http://www.exxonmobil.jp)



    
エクソンモービルブランド



**ExxonMobil**  
私たちはエネルギーチャレンジに真剣に取り組んでいます

(Posted at JR Shinagawa Station)

# 2008 Business Results and 2009 Financial Forecast

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W. J. Bogaty

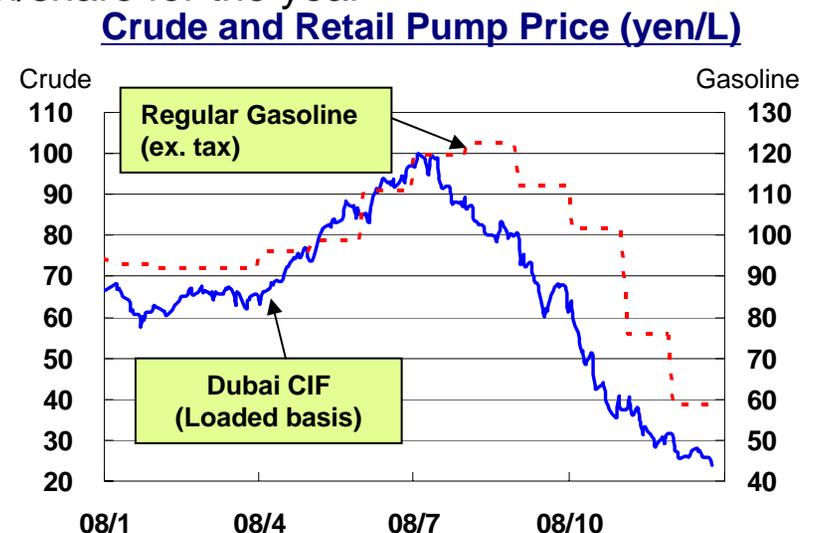
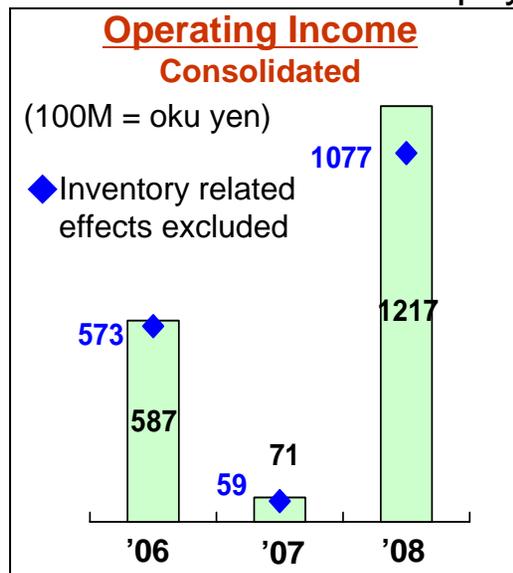
*Representative Director, Managing Director  
TonenGeneral Sekiyu K.K.*

*Representative Director, Vice President  
ExxonMobil Y.K.*

# Business Highlights



- Operating income increased significantly from the previous year
  - » TonenGeneral's downstream margins increased
    - Positive inventory effect
    - Domestic demand decreased dramatically
    - Large positive margin impact in 2H as crude prices rapidly declined
    - Our prompt crude cost recognition accounting increased 2H earnings impact
  - » Chemicals continued positive contribution, but segment earnings 75% lower than '07
    - Margin decreased significantly toward the end of the year; segment earnings were negative in 4Q
    - Sales volume decreased in 2H
- Financial position remains healthy
  - » Strong debt/equity position
  - » No revision to total dividend payment of 38.0 yen/share for the year



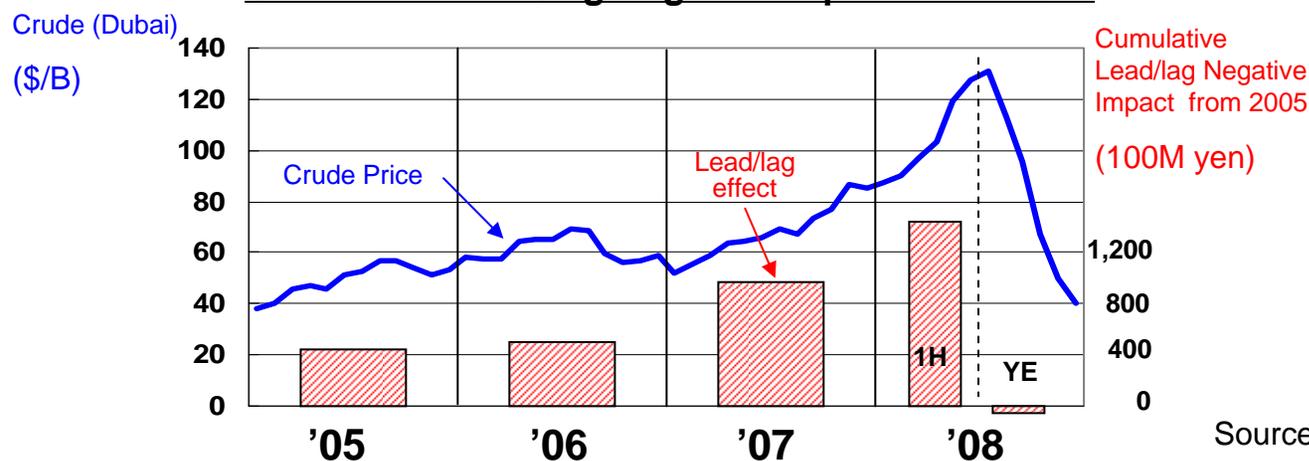
Source: Platt's, The Oil Information Center, etc.

# Earnings Results [Consolidated]



(100M yen)	'07		'08		Inc/Dec
	Full Year	3Q YTD	4Q	Full Year	
Sales revenue	30,498	26,315	6,409	<b>32,724</b>	2,226
Operating income	71	458	760	<b>1,217</b>	1,147
Ordinary income	151	530	783	<b>1,313</b>	1,162
Extraordinary gain/loss	-40	42	-18	<b>24</b>	64
Net income	70	342	451	<b>793</b>	723
Reverse inventory effects	-11	-326	186	<b>-141</b>	-129
Adjusted operating income	59	131	945	<b>1,077</b>	1,017
Oil segment and others	-497	-118	1,055	938	1,435
Chemical segment	557	249	-110	139	-417
<Note> Profit/Loss(-) from Lead/lag effect	-470	60	960	1,020	

**Crude Price Trend and  
Cumulative Lead/lag Negative Impact from 2005**



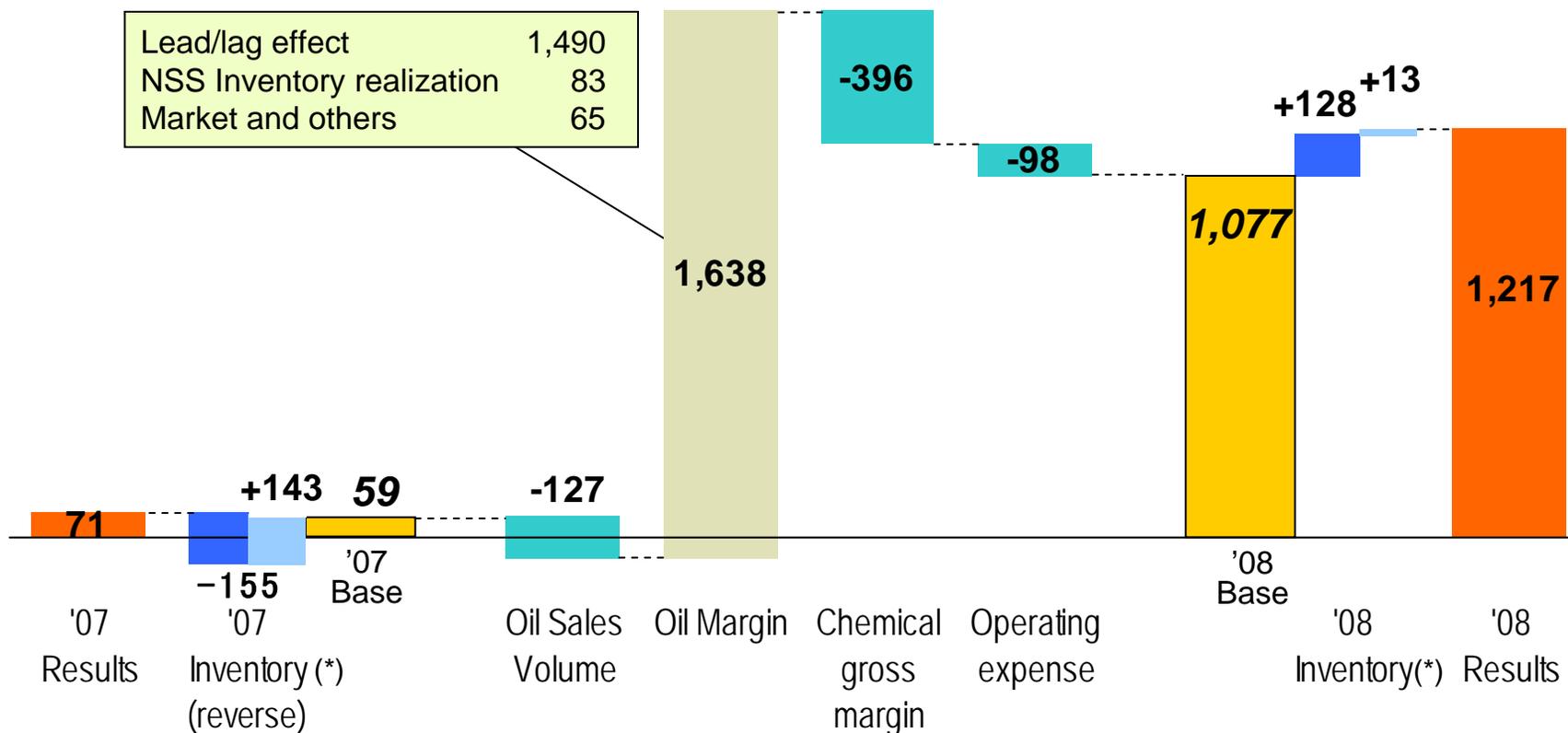
Source: Platt's

# Factor Analysis of Operating Income



## ['08 Results vs. '07 Results; Consolidated]

(100M yen)



(\*) Inventory effects include LIFO profit and other impact associated with temporary inventory volume changes

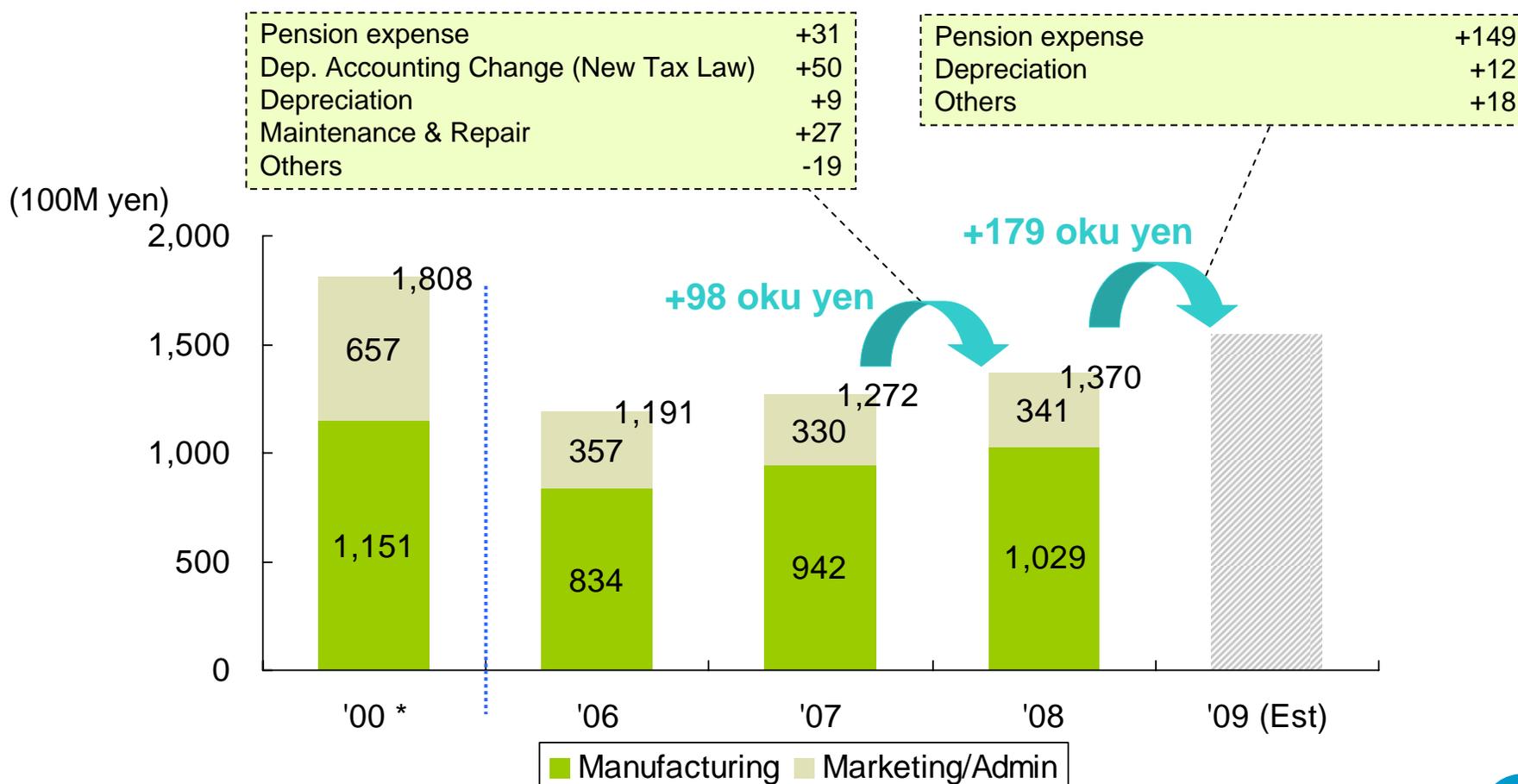
■ LIFO    ■ Other



# Operating Expenses [Consolidated]



- Higher pension cost reflecting lower investment performance
- Depreciation expenses reflect both new facilities and changes due to new rules introduced from 2008
- Increased maintenance and repair cost reflecting higher construction costs including material costs



\*:Tonen+General (unaudited pro forma combined)

# Cash Flows, Debt/Equity [Consolidated]

(100M yen)

## Operating / Investing Activities

	<b>2008*</b>
Net income before taxes	1,337
Net capex/Depreciation/Asset Disposal	160
Inventory	315
TAR/TAP/Gas tax & other payables	-250
Income tax payment	-85
Others	20

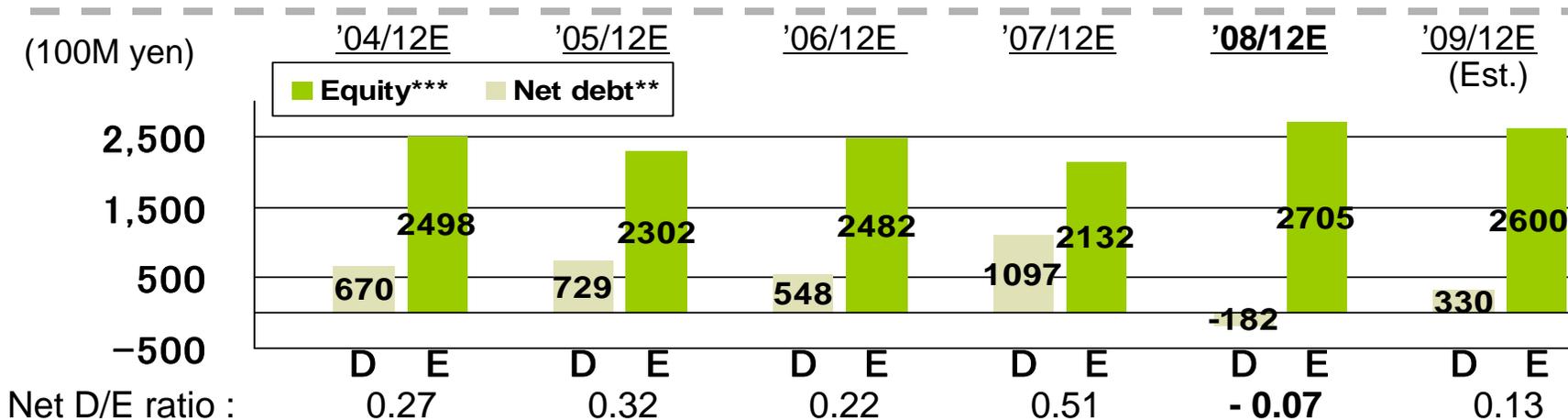
## Financing Activities

Change in debt	-1,282
Dividend to shareholders	-215
Others	-1

## Net Cash Change

**-1**

- Net debt negative at '08 year end
  - » Large cash earnings
  - » Favorable reduction of inventory volumes
- Distributed 215 Oku yen to shareholders through dividends
  - » YE2008 consolidated retained earnings increased by 37%
- Financial position expected to remain healthy toward '09 year end



\* Cash flow before adjustment of B/S changes associated with NSS stock sales. The adjustments do not affect total cash flow

\*\* Debt excl. cash and loans receivable

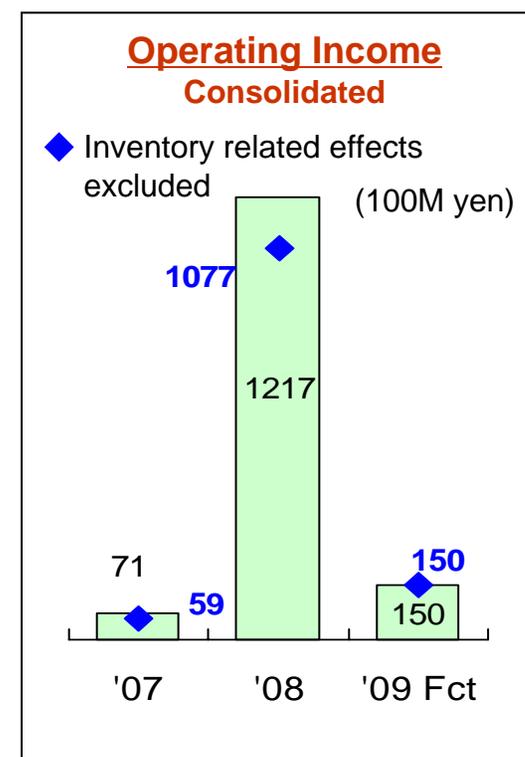
\*\*\* Net Worth excl. Minority Interest

# Earnings Forecast [Consolidated]



- Adjusted operating income for FY '09 is projected to be 150 Oku yen
- We assume no benefit or adverse effect from crude lead/lag effect
- We assume zero inventory-related gain/loss

(100M yen)	'08	'09 fct. (*)	1H fct.	2H fct.
Sales revenue	32,724	<b>23,000</b>	11,500	11,500
Operating income	1,217	<b>150</b>	60	90
Ordinary income	1,313	<b>160</b>	60	100
Extraordinary gain/loss	24	<b>-20</b>	0	-20
Net income	793	<b>90</b>	40	50
Reverse inventory effects	-141	<b>0</b>	0	0
<b>Adjusted operating income</b>	<b>1,077</b>	<b>150</b>	<b>60</b>	<b>90</b>
Oil segment and others	938	100	50	50
Chemical segment	139	50	10	40



(\*) 44.0 \$/Bbl (Dubai), 89.6 ¥/\$  
<as of January-end '09>

# Factor Analysis of Operating Income



## [FY '08 Results vs. '09 Forecast; Consolidated]

- Expect modest recovery in domestic sales volumes and increased exports
- Assume more stable margins than in 2008

(100M yen)

