

*The official language for TonenGeneral'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 web site. While these English versions have been prepared in good faith, TonenGeneral does not accept responsibility for the accuracy of the translations, and reference should be made to the original Japanese language materials.*

[ENGLISH TRANSLATION]

(Securities Code: 5012)

March 9, 2011

To the Shareholders

P. P. Ducom  
Representative Director and President  
TonenGeneral Sekiyu K.K.  
8-15, Kohnan 1-chome, Minato-ku, Tokyo

### Notice of the Ordinary General Meeting of Shareholders

You are cordially invited to attend the 91st Ordinary General Meeting of Shareholders of TonenGeneral Sekiyu K. K. ("TG" or the "Company") to be held as specified below.

When you attend the meeting in person, please present the enclosed voting rights exercise form to the reception desk.

In the event you are unable to attend, you are kindly requested to exercise your voting rights in writing as follows: review the attached Reference Materials for the Shareholders' Meeting; to exercise your voting rights, respond "yes" or "no" to each agenda item on the enclosed form; and return the form to us.

1. Date & Time: Friday, March 25, 2011 at 10:00 a.m.
2. Venue: In the room "Pegasus", 1F, Hotel Nikko Tokyo  
9-1, Odaiba 1-chome, Minato-ku, Tokyo  
(Please confirm the venue with the attached map on the last page.)

3. Purposes:

Items for Report:

Item No.1: Report of Business Report, and Consolidated Financial Statements for the 91st Business Term (from January 1, 2010 to December 31, 2010), and Audit Reports for Consolidated Financial Statements by Accounting Auditor and the Board of Statutory Auditors

Item No.2: Report of Financial Statements for the 91st Business Term (from January 1, 2010 to December 31, 2010)

Items for Resolution:

Proposal No. 1: Retained Earnings Distribution

Proposal No. 2: Partial Amendment to the Articles of Incorporation

Proposal No. 3: Election of Nine Directors of the Board

Proposal No. 4: Election of Three Statutory Auditors

Proposal No. 5: Election of One Alternate Statutory Auditor

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- Any required corrections to the Attachment to the Notice of Ordinary General Meeting of Shareholders (the Business Report, Consolidated Financial Statements and/or Financial Statements) and/or the Reference Materials for the Shareholders' Meeting, will be placed on the Company's web-site.  
(<http://www.tonengeneral.co.jp>)
  - This is a convocation notice, attachments (the Business Report, Consolidated Financial Statements and Financial Statements), and Reference Materials for the TG Shareholders' Meeting on March 25, 2011. An English translation of these documents has been placed on the Company's web-site.

(Attachment to the Convocation Notice)

## **BUSINESS REPORT**

(For the year ended December 31, 2010)

### **1. Business Overview**

#### **(1) Developments and Results of Operations**

< General Business and Industry Conditions >

The Japanese economy experienced moderate recovery driven by exports in the first half of the period. While personal spending subsequently remained firm, spurred by a surge in consumer demand due to factors such as the unusually hot summer and the impending termination of subsidies for fuel-efficient vehicles, the slowing of exports led to stagnation of the economy in the latter part of the year.

The Dubai spot price, used as a crude price index in the Asia region, fluctuated between 70 and 85 dollars per barrel from the first of the year until the summer. The price increased from autumn until December, reaching 89 dollars per barrel by the end of the year. The average price for the year was 78 dollars per barrel, up 16 dollars (26 percent) from the previous year. The yen-US dollar exchange rate (TTS) hovered between 90 and 95 yen per dollar during the first half of the year, but with the continued appreciation of the yen in the second half of the period, the year ended with a rate of 82 yen per dollar. The 2010 average rate was 88.8 yen per dollar, an appreciation of 5.8 yen versus the previous year. As a result, the yen equivalent average price for Dubai crude (at loading point) for the period was 43.6 yen per liter, an increase of 6.7 yen (18 percent) versus the previous period.

After continuous decline from 2006, overall domestic demand for petroleum products in 2010 turned to positive growth from the previous year due to transient factors such as a colder winter and hotter summer than usual and modest recovery of the Japanese economy. Although gasoline, diesel and kerosene demand increased, Fuel Oil A and Fuel Oil C demand continued to decrease mainly due to the shift to other energy sources.

Petrochemical production of ethylene and aromatics such as benzene and paraxylene in 2010 increased from the previous year supported by modest recovery of the Japanese

economy and strong economic growth in China. However, production has yet to fully recover to levels preceding the global economic downturn.

< TonenGeneral Sekiyu's Results for the Term >

TonenGeneral Sekiyu K. K. (TG) consolidated net sales for 2010 amounted to 2,398.7 billion yen, an increase of 287.0 billion yen or 13.6 percent versus the previous year, primarily due to higher product prices for petroleum products versus 2009.

Consolidated operating income was 33.5 billion yen, an increase of 68.1 billion yen versus the previous year. By segment, operating income was 31.5 billion yen, an increase of 69.9 billion yen versus the previous year for the Oil segment, and a 2.0 billion yen profit, a decrease of 1.8 billion yen versus the previous year for Chemical. Improved Oil segment results were mainly due to better margins attributable to steady demand for oil products particularly during the extremely hot summer. An additional factor in the improvement in profits is that the negative 8.0 billion yen in adverse effects in 2010 resulting from our use of prompt cost recognition accounting methods was smaller than the negative effects of 35.0 billion yen in the previous year. The decline in Chemical results versus the previous year was mainly due to factors such as a decline in margins for commodity products and the second half 2010 scheduled shutdown at the Kawasaki site for maintenance that typically occurs every four years.

Consolidated ordinary income was 37.0 billion yen, an increase of 71.6 billion yen versus the previous year, primarily due to the addition of non-operating items including foreign exchange gains and gains from equity earnings.

With extraordinary items, including primarily the gain arising from the formation of a joint venture involving our battery separator film subsidiary and income tax costs, consolidated net income amounted to 42.9 billion yen, an increase of 64.6 billion yen versus the previous year.

The following table shows net sales and operating income by segment in 2010.

Millions of yen

	Oil	Chemicals	Consolidated
Net Sales	2,178,937	219,780	2,398,718
Operating Income	31,518	2,010	33,528

The Company paid an interim dividend of 19 yen per share in accordance with a resolution made at the Board of Directors Meeting held on August 13, 2010.

#### <Oil Business Results>

##### - Production -

Crude runs at the Kawasaki, Sakai and Wakayama refineries in 2010 decreased by 4.6 percent versus the previous year to a total of 26,924 thousand kl, with topper utilization at 70 percent.

In Refining, we continued to focus on raising efficiency and making optimal use of existing facilities, especially secondary units. In 2010, we made facility modifications and introduced a next-generation computer system in order to improve reliability and efficiency, as well as accomplishing a large-scale scheduled shutdown at Kawasaki refinery without any incidents.

We are continuing to enhance and implement our Profit Improvement Programs. These programs include optimal utilization of secondary units, full use of integration synergies among the refining and chemical businesses, and diversification of our sources of refining feedstocks.

##### - Marketing -

Overall sales volumes for oil products in 2010 decreased by 3.7 percent to 29,555 thousand kl mainly due to lower product exports under a poor export margin environment at the beginning of the year, while domestic sales increased versus the previous year.

The following table shows sales results by product in 2010.

Oil Product	Sales Volume Thousand kl	Net Sales Millions of yen
Gasoline	12,077	1,305,987
Kerosene & Diesel Fuel	9,132	486,541
Fuel Oil and Crude	5,873	265,514
Lube	360	29,497
LPG and Others	2,113	91,397
Total	29,555	2,178,937

TG has entrusted its marketing business to ExxonMobil Yugen Kaisha (EMYK), TG's parent company. EMYK operates the marketing business through one integrated marketing strategy for the ExxonMobil Japan Group, using the ESSO and Mobil brands and the Company's GENERAL brand. The information provided on marketing activities below makes reference to ExxonMobil Japan Group statistics unless noted otherwise.

With our firm belief that the crucial elements to success are to uphold solid brand value aligned with customer needs, and to pursue operational efficiency of our service stations, we share a challenging common objective with our dealers, with whom we endeavor to achieve maximum operational efficiency while increasing added value to our services and products.

The ExxonMobil Japan Group including TG have expanded the network of our self-service brand Express, which has earned a high degree of customer satisfaction, to almost 900 sites and in addition, the number of Express SS with Seven-Eleven convenience store sites exceeded 50 in 2010. Express stations account for approximately 22 percent of the total number of ExxonMobil Japan Group (including TG) service stations, and the total retail gasoline and diesel oil volume of Express stations had reached over 55 percent of our retail sales volume as of the end of 2010.

For initiatives to enhance customer service, we renewed the Synergy Card in July

2010 in order to further improve customer convenience and added value. We have issued more than 70,000 new cards in six months. We have issued approximately 100,000 corporate cards, which has consequently increased the card sales ratio of ExxonMobil Japan Group's entire Retail sales to 35 percent.

As for the expansion of the Video Pump and Speedpass (the ExxonMobil Japan Group's special key-chain attachable wireless payment device), which are designed to enhance the quality of self service, Speedpass membership increased to 2,840,000 by the end of 2010. In addition, to further elevate convenience for customers and promote added value, we have implemented initiatives such as mobile phone e-mail services for members, effective promotions of Doutor Coffee Shop, promotions of lube sales highlighting Mobil 1 and improving customer service and service station cleanliness.

#### <Chemical Business Results>

Our chemical business has two long-term strategic challenges, improvement of cost competitiveness in our basic chemicals business and continuing growth in our specialty chemicals business.

In our basic chemicals business, which includes olefins and aromatics, we continued to focus on fixed cost reduction, energy efficiency improvement, operational reliability, and further integration of chemical and refinery operations to pursue synergy effects. We have also pursued feedstock diversification by making the required investments in facility modification. In 2010, our ethylene and propylene sales volume significantly decreased versus the previous year due to the impact of the large-scale scheduled turnaround for regular repair and maintenance which typically occurs every four years. Our paraxylene and benzene sales volume also decreased versus the previous year due to unfavorable economics in the middle of 2010.

The following table shows sales results by product in 2010.

Chemical Product	Sales Volume Thousand tons	Net Sales Millions of yen
Olefins and Others	1,541	148,856
Aromatics	799	70,923
Total	2,341	219,780

In specialty chemicals, sales volume of specialty solvents in 2010 increased versus the previous year, supported by continuous strong demand in the electronics materials sector, especially in the liquid crystal materials sector, and in export markets. Sales volumes of adhesives for disposable diapers and tires also increased versus the previous year due to expanding demand in China.

In our battery separator film (BSF) business, we established Toray Tonen Specialty Separator Godo Kaisha on January 29, 2010. The joint venture enables us to accelerate the development of BSF technology by combining our lithium ion BSF business expertise and technology with Toray's plastic film processing precision and polymer science technologies. In addition, the joint venture will build on over 20 years of experience and success in providing separator films for use in the personal electronics market and will create synergies through the introduction of Toray's next-generation BSF technology to contribute to future industry growth of lithium ion batteries.

#### <Corporate Citizenship>

With the continuation of flawless operations as the business foundation of the ExxonMobil Japan Group, we conduct all of our activities with high standards of safety performance, concern for the environment, effective internal controls and compliance with business ethics. This stems from our belief that a company is one of the citizens that makes up a society, and therefore we continuously strive to be a good corporate citizen in all of the communities in which we operate. Our efforts toward this end include the following.

In accordance with our unwavering commitment to high ethical standards and business integrity, our directors and employees undergo periodic training to ensure that they conduct their business activities in an appropriate manner. In addition, we continue to have directors and employees complete an annual written compliance statement indicating whether they have conducted their business operations in accordance with company policies.

Each of our refineries and chemical plants completes a five-year Environmental Business Plan annually. These are specific, short- to mid-term plans for capital investment and other matters related to environmental protection. They include a review of results from the previous year as well as an assessment of current and anticipated environmental and business conditions, issues concerning the general public and regulatory trends. In accordance with our commitment to conducting business in a manner that protects the environment, we are actively addressing the important challenge of providing the energy needed to meet demand while reducing greenhouse gas (GHG) emissions associated with the production and use of petroleum and petrochemical products. These efforts yielded further improvements in energy efficiency in 2010.

We also protect the safety of our employees, contractors, customers, and the public by managing both personnel and process safety. In all of our workplaces, we employ the Loss Prevention System, in which we focus on human behavior to identify and eliminate the root causes not only of incidents, but also of near-misses and the undesirable behavior that precedes them. Employees and contractors at our Sakai and Wakayama refineries achieved two consecutive years of safety incident-free operations from 2009 to 2010 while Kawasaki's record of incident free operation was interrupted by minor loss time incidents in 2010.

We continue to strengthen our ties with local communities through our wide-ranging social contributions and support for cultural activities, including our efforts to promote environmental protection, health and welfare, community interaction, education, and culture and the arts.

## **(2) Financing**

Capital expenditures in 2010 were financed by the Company's own funds, without depending on new long-term bank borrowings or issuance of either equity or corporate bonds. The outstanding debt balance of TG on a consolidated basis was 53.0 billion yen at the end of 2010, a decrease of 35.5 billion yen versus 2009. Our basic policy is to maintain healthy financial conditions while maximizing profits through efficient operations and selection of business investments that meet rigorous return criteria.

## **(3) Capital Investment**

Capital expenditures for 2010 totaled 19.7 billion yen. In Refining, we had system related investments including next-generation process control systems, and investment at Kawasaki, Sakai and Wakayama refineries to enhance export capacities. Modification of tanks to improve safety in case of earthquake is also in progress. In Chemical, we invested in profitability improvement projects such as facility modification to enable us to use more economical feedstocks, and a next-generation process control system at Kawasaki.

## **(4) Issues to be Addressed By The TG Group**

In July 2010, the Ministry of Economy, Trade and Industry required all oil refining companies to increase the bottom-cracking capacity ratio of equipment used in refining heavy oil by 2014. We assiduously examined all the alternatives for complying with the regulations and submitted a plan at the end of October 2010 which incorporated multiple scenarios, including reducing atmospheric distillation equipment and increasing bottom-cracking capacity. Since about three years remains until the compliance date, we will make a final decision after continuing to assess the options in our typical rigorous manner.

In addition to the above, the business environment in which we operate is anticipated to experience continued pressure on volumes and margins in 2011. In this business

environment, in order to achieve our goal of maintaining a prominent position in our industry, all functions of our Oil and Chemical segments will continue to work together to pursue efficiency and profitability improvement.

In our oil business, we will continue to focus on effective utilization of secondary units and full use of integration synergies among the refining and chemical businesses, as well as maximum utilization of the ExxonMobil global network. In marketing, we will continue to focus on further enhancement of the Express brand value and further expansion of the alliance network with convenience stores.

In our chemical business, we will continue to enhance the cost competitiveness of our basic chemicals business and to further enhance our specialty chemicals business. In particular, we will progress the execution of our growth strategies in our BSF business through the joint venture.

The steady enhancement of shareholder value from a long-term perspective is another important objective for us. We will continue to seek the proper balance in implementing the Company's dividend policy.

Finally, we will continue working to achieve safe and reliable operations, a stable supply of high-quality products and a high level of environmental protection, while maintaining our commitment to legal compliance and ethical conduct.

The continued interest and support of our shareholders will always be highly appreciated.

**(5) Changes in Financial Results and Asset Status of the Group**

	88th Term Jan. 1, '07- Dec.31, '07	89th Term Jan. 1, '08- Dec.31, '08	90th Term Jan. 1, '09- Dec.31, '09	91st Term Jan. 1, '10- Dec.31, '10
Sales revenue (M ¥)	3,049,842	3,272,429	2,111,753	2,398,718
Operating income (M¥)	7,063	121,742	(34,559)	33,528
Ordinary income (M¥)	15,073	131,290	(34,545)	37,011
Net income (M ¥)	7,014	79,285	(21,718)	42,873
Net income per share (¥)	12.12	140.34	(38.46)	75.95
Total assets (M¥)	1,045,536	901,598	875,177	906,846
Net assets (M ¥)	214,279	270,500	227,359	248,295
Number of consolidated companies	7	7	7	5
Number of affiliates on equity basis	2	2	2	6

Notes: 1. Net income per share is calculated on the basis of the average number of shares outstanding during the term (excluding the number of treasury shares held during the term).

2. ( ) represents loss.

3. The operating income of the 90<sup>th</sup> term was adversely affected by our use of prompt cost recognition accounting methods as the crude market exhibited an upward trend during the term.

## **(6) Parent Company and Affiliates**

### **1) Relationship with Parent Company**

The Company's parent company is ExxonMobil Yugen Kaisha ("EMYK," Head Office: Minato-ku, Tokyo), which holds 282,708 thousand shares, or 50.02% of shares outstanding. The capital amount of EMYK is ¥50 billion and its main business is sales of petroleum products. EMYK is a 100% indirect subsidiary of Exxon Mobil Corporation of the U.S.A.

The main elements of the relationship between the Group and EMYK are as follows.

- The Company supplies petroleum and chemical products to EMYK.
- The Company is entrusted with certain logistics functions of EMYK.
- EMYK is entrusted with marketing and administrative functions of the Group.
- The Company and Tonen Chemical Corporation, the Company's wholly-owned subsidiary, utilize EMYK as an agent to centralize its sales and logistics operations in the chemical business.
- Employees of both the Group and EMYK have been dispatched to the other in relation to the entrustment agreements above.
- Four Directors of the Company are serving concurrently as Directors of EMYK.
- The Group has concluded agreements in relation to crude oil, products and feedstocks supply, services, and technical support with some ExxonMobil affiliated companies abroad.

## 2) Consolidated Companies and Equity Companies

The numbers of consolidated companies and equity companies are five and six respectively as follows:

### (i) Consolidated Companies

Name of Company	Capital	Ownership	Major Business
	¥ million	%	
Oil Segment			
TonenGeneral Kaiun Yugen Kaisha	243	100.0	Marine transportation of crude oil and petroleum products
Tonen Technology Kabushiki Kaisha	50	100.0	Construction management
Chuo Sekiyu Hanbai Kabushiki Kaisha	30	100.0	Sales of petroleum products
Chemical Segment			
Tonen Chemical Corporation	1,000	100.0	Manufacture and sale of petrochemicals
Tonen Chemical Nasu Corporation	300	100.0	Manufacture and sale of petrochemicals

Note: 1. Ownership ratio includes a portion of indirect holding via subsidiaries.

2. The capital of Tonen Chemical Corporation became ¥ 1,000 million as of September 3, 2010.

## (ii) Equity Companies

Name of Company	Capital	Ownership	Major Business
	¥ million	%	
<b>Oil Segment</b>			
Shimizu LNG Co., Ltd	3,000	35.0	Purchase and sale of LNG
Japan Biofuels Supply Limited Liability Partnership	400	20.5	Procurement and delivery of biofuels
<b>Chemical Segment</b>			
Nippon Unicar Company Limited	2,000	50.0	Manufacture and sale of polyethylene
Toray Tonen Specialty Separator Godo Kaisha	301	50.0	Manufacture and sale of petrochemicals
Toray Tonen Specialty Separator Korea Limited	63.3 won billion	50.0	Manufacture and sale of petrochemicals
Toray Tonen Services Godo Kaisha	300	50.0	Manufacture and sale of petrochemicals

Notes: 1. Ownership ratio includes a portion of indirect holding via subsidiaries.

2. On January 29, 2010, Toray Industries, Inc. made a capital injection into Tonen Specialty Separator Godo Kaisha thereby acquiring a 50% interest in the company (subsequently renamed Toray Tonen Specialty Separator Godo Kaisha) and its wholly-owned subsidiary Tonen Specialty Separator Korea Limited (subsequently renamed Toray Tonen Specialty Separator Korea Limited). Following this transaction, the accounting treatment for these affiliates changed from consolidated subsidiaries to affiliates accounted for by the equity method in this term.
3. Toray Tonen Services Godo Kaisha was established as of January 29, 2010 as a wholly-owned subsidiary of Toray Tonen Specialty Separator Godo Kaisha.
4. The capital of Toray Tonen Specialty Separator Korea Limited became 63.3 won billion as of June 17, 2010.
5. Japan Biofuels Supply Limited Liability Partnership and Toray Tonen Services Godo Kaisha became affiliates of the Company accounted for by the equity method in this term.

**(7) Major Business of the Group (As of December 31, 2010)**

Segment	Business	Major Products Handled
Oil Segment	Manufacturing, Processing and Sales of Petroleum Products, and Transportation of Crude oil and Petroleum Products, and Construction Management	Gasoline, Naphtha, Kerosene, Jet Fuel, Automotive Diesel Oil, Fuel Oils, Lube Oils, and LPG, etc.
Chemical Segment	Manufacturing, Processing and Sales of Petrochemical Products	Ethylene, Propylene, Benzene, Toluene, Paraxylene, Battery Separator Film, etc.

**(8) Principal Places of Operation of the Group (As of December 31, 2010)**

Company Name	Division	Location
The Company	Head Office	Minato-ku, Tokyo
	Kawasaki Refinery	Kawasaki City, Kanagawa Pref.
	Sakai Refinery	Sakai City, Osaka-fu
	Wakayama Refinery	Arida City, Wakayama Pref.
	Research Center	Kawasaki City, Kanagawa Pref.
Tonen Chemical Corporation	Head Office	Minato-ku, Tokyo
	Kawasaki Plant	Kawasaki City, Kanagawa Pref.

**(9) Employees of the Group** (As of December 31, 2010)

Segment	Number of Employees	Change from Previous Term
Oil Segment	1,780	Increase of 14
Chemical Segment	398	Decrease of 190
Total	2,178	Decrease of 176

- Notes: 1. The number of employees does not include loaned-out employees, but includes loaned-in employees.
2. The Group has concluded business entrustment agreements with EMYK as shown in “1) Relationship with Parent Company of (6) Profile of TonenGeneral Group and Development of Business Affiliation,” which resulted in 276 loaned-out employees to EMYK and 117 loaned-in employees from EMYK.
3. The decrease in the number of employees in the Chemical Segment occurred due mainly to the fact that the Company’s subsidiaries in the battery separator film business became joint venture companies, and as a result employees of these affiliates are excluded from the above number.

**(10) Major Sources of Loans** (As of December 31, 2010)

Lender	Amount of Loan Outstanding
	¥ million
Japan Oil, Gas and Metals National Corporation	45,783
Development Bank of Japan	3,174
Sumitomo Mitsui Banking Corporation	2,565

**(11) Other Important Items for the Group**

There are no applicable items.

## 2. Shares of the Company (As of December 31, 2010)

- 1) Total number of shares authorized to be issued: 880,937,982 shares
- 2) Total number of shares issued: 565,182,000 shares  
(number of treasury shares of above: 757,140 shares)
- 3) Number of shareholders: 51,518

(Decrease of 1,346 from the end of the previous term)

### 4) Major Shareholders (Top 10)

Name	Number of Shares Held	Shareholding Ratio
	thousands	%
ExxonMobil Yugen Kaisha	282,708	50.08
Japan Trustee Services Bank, Ltd. (Trust Account)	13,804	2.44
The Master Trust Bank of Japan, Ltd. (Trust Account)	11,211	1.98
Kochi Shinkin Bank	8,574	1.51
Sompo Japan Insurance Inc.	4,819	0.85
Nippon Life Insurance Company	4,544	0.80
SSBT OD05 Omnibus Account – Treaty Clients	4,480	0.79
Japan Trustee Services Bank, Ltd. (Trust Account 1)	2,329	0.41
State Street Bank West Client – Treaty	2,303	0.40
Japan Trustee Services Bank, Ltd. (Trust Account 6)	2,142	0.37

Note: Shareholding ratio represents the number of common shares held, divided by the number of common shares issued excluding treasury shares.

## 3. Stock Options of the Company

The Company has not issued stock options.

#### 4. Directors and Statutory Auditors of the Company

(1) Directors and Statutory Auditors (As of December 31, 2010)

Name	Position and Responsibility	Important Concurrent Status
M. J. Aguiar	Director and Chairman of the Board	Refining Director, ExxonMobil Asia Pacific Pte. Ltd.  Director, ExxonMobil Yugen Kaisha (“EMYK”)
P. P. Ducom	Representative Director and President	Representative Director and President, Tonen Chemical Corporation (“TCC”)  Representative Director and President, EMYK  Representative Director, Chairman, Nippon Unicar Company Limited
Jun Mutoh	Representative Director and Managing Director, Kawasaki Refinery Manager	Director, Kyokuto Petroleum Industries, Ltd
S. K. Arnet	Director	Representative Director, Vice President (Fuels Marketing), EMYK
D. R. Csapo	Director	Director, Business Services Manager/Controller, EMYK  Representative Director, TCC
Tetsuro Yamamoto	Full-time Statutory Auditor	Statutory Auditor, TCC
Masaaki Ayukawa	Full-time Statutory Auditor	Statutory Auditor, TCC
Masahiro Iwasaki	Statutory Auditor	Full-time Statutory Auditor, TCC

Notes: 1. Mr. Tetsuro Yamamoto and Mr. Masaaki Ayukawa are Outside Statutory Auditors.

2. Mr. Tetsuro Yamamoto and Mr. Masaaki Ayukawa, Statutory Auditors, are Independent Directors/Auditors under the rules of the Tokyo Stock Exchange. The Tokyo Stock Exchange was notified of the names of these Independent Directors/Auditors.
3. Mr. Tetsuro Yamamoto, Statutory Auditor, served as a Director of a financial institution, and as a full-time statutory auditor of a business corporation, and Mr. Masaaki Ayukawa,

Statutory Auditor, is qualified as a Certified Public Accountant of Japan. Therefore they have a significant amount of knowledge and experience concerning accounting and finance.

4. Mr. Masahiro Iwasaki was first elected as Statutory Auditor at the Ordinary General Meeting of Shareholders held on March 26, 2010, and assumed his position on the same date.
5. Mr. P. P. Ducom, Director, assumed the position of Representative Director and President as of March 26, 2010.
6. Mr. Tetsuro Yamamoto, Statutory Auditor, assumed the position of Full-time Statutory Auditor as of March 26, 2010.
7. Director and Statutory Auditor resignations during the current term
  - Mr. Kazuo Suzuki resigned from the position of Representative Director and President as of March 26, 2010. (Important concurrent status at the retirement: Director, EMYK)
  - Mr. Nobuaki Miyajima resigned from the position of Full-time Statutory Auditor as of March 26, 2010. (Important concurrent status at the retirement: Statutory Auditor, TCC)
  - Mr. W. J. Bogaty resigned from the position of Representative Director and Managing Director as of September 30, 2010. (Important concurrent status at the retirement: Representative Director and President, EMYK)
  - Mr. Kyoji Yoshida resigned from the position of Director as of November 12, 2010. (Important concurrent status at the retirement: Director, EMYK)
8. The relationship of the Company with EMYK and TCC is described in “1. Business Overview - (6) Parent Company and Affiliates”.
9. ExxonMobil Asia Pacific Pte. Ltd. is a 100% indirect subsidiary of Exxon Mobil Corporation, as is EMYK, the parent company of the Company.
10. EMYK, the Company’s parent company, owns 50% of the shares of Kyokuto Petroleum Industries, Ltd whose major business is manufacturing, processing and refining of petroleum products.

(2) Amount of Remuneration Paid to Directors and Statutory Auditors

	<u>Number</u>	<u>Current Payment</u>
		¥ Million
Directors	4	137
Statutory Auditors	4	54
(Outside Statutory Auditors of Above)	(2)	(40)

Notes: 1. The above amount includes an increase in the reserve for retirement allowance for Directors and Statutory Auditors.

2. In addition to the above amounts, one Outside Statutory Auditor was paid ¥ 2 million as remuneration by a subsidiary of the Company since he concurrently served as Statutory Auditor of the subsidiary.

3. In addition to the above amounts, the Company paid retirement allowances of ¥ 85 million to a retired Director and ¥ 37 million to a retired Statutory Auditor respectively based on the resolution made at the Annual General Meeting of Shareholders held on March 26, 2010.

### (3) Matters concerning Outside Officers

#### Major activities at Board Meetings

Mr. Tetsuro Yamamoto, Statutory Auditor, attended all the Board of Directors' meetings and Board of Statutory Auditors' Meetings which were convened nine times and six times respectively during the current term, demonstrating his expertise and useful experience concerning accounting and finance, asking questions and offering opinions. The Company benefited from his active participation.

Mr. Masaki Ayukawa, Full-time Statutory Auditor, attended all the Board of Directors' meetings and Board of Statutory Auditors' Meetings which were convened nine times and six times respectively during the current term, demonstrating his expertise and useful experience concerning accounting and finance, asking questions and offering opinions. The Company benefited from his active participation.

## **5. Accounting Auditor**

(1) Name of Accounting Auditor

PricewaterhouseCoopers Aarata

(2) Compensation Paid to Accounting Auditor

1) Compensation amount as an Accounting Auditor paid by the Company

20 ¥ million

2) Compensation amount of fee paid by the Company and its affiliates

23 ¥ million

Note: The amount in 1) above is the total of the compensation for auditing pursuant to the Companies Act and the compensation for auditing pursuant to the Financial Instruments and Exchange Law since the audit contract between the Company and the Accounting Auditor does not segregate these audits.

(3) Contents of Non-Auditing Activities

There are no applicable items.

(4) Policies for Decision-making on Dismissal or Non-reappointment of Accounting Auditor

The Company would propose dismissal or non-reappointment of the Accounting Auditor if it is judged that exercise of their duties cannot be relied upon due to occurrence of the incidents such as those stipulated in the Paragraph 1 of Article 340 of the Companies Act.

## **6. Systems for Ensuring Appropriate Business Conduct**

The following was adopted as the Internal Governance System for the Company.

### **1. System for maintenance and preservation of information pertaining to exercise of Directors' duties**

To provide a system for the maintenance and preservation of information pertaining to the exercise of the Directors' duties, all Directors and employees shall comply

with the Company's Information Protection and Management Guidelines and Records Management Guidelines, which have been previously adopted and made available to all Directors and employees.

## **2. Regulations and other systems for management of risk of loss**

To ensure appropriate management of risk of loss, the following shall be required:

- (1) All of the company's refineries, terminals and service stations shall be operated in accordance with the Operations Integrity Management System ("OIMS") to help ensure management of risk of loss and to ensure safety, health and environmental soundness in all aspects of the Company's operations. OIMS has been adopted by the Company and information relating to it has been made available to all employees. The OIMS framework includes a number of elements, each with clearly defined expectations, which must be achieved by all functions in the Company. These include: management leadership, commitment and accountability; risk assessment; facilities design and construction; information and documentation; personnel and training; operations and maintenance; management of change; third party services; incident investigation and analysis; community awareness and emergency preparedness; and operations integrity assessment and improvement.
- (2) The Company's Controls Integrity Management System ("CIMS") which has been adopted by the Company and information relating to which has been made available to all employees, shall be complied with to ensure: (i) a systematic framework for the effective execution of controls; (ii) a structured, standardized, prevention-based approach to managing risks and concerns; and (iii) a process for ensuring that corporate policies are implemented and effectively sustained over time. The system is comprised of a number of elements including management leadership; commitment and accountability; risk assessment; business procedure management and improvement; personnel and training; management of change; reporting and resolution of control weakness; and controls integrity assessment.

## **3. Systems to ensure that Directors' duties are executed efficiently**

To ensure Directors' duties are executed efficiently, the following shall be required:

- (1) Board of Directors meetings shall be held in accordance with the Company's Articles of Incorporation and the Rules of the Board of Directors. Items to be reviewed shall be decided in accordance with such rules and proposed by responsible functions.
- (2) Directors shall be required to follow the Company's established delegations of authority regarding approval, endorsement and review of business and other matters

relating to the Company.

- (3) Issuance of powers of attorney and use of corporate seals shall be implemented appropriately in accordance with the Company's "Guidelines for Powers of Attorney" and "Company Seal Administration Guide", respectively, to ensure among other things, compliance with the authority delegations referred to in item (2) above.

**4. Systems to ensure that the execution of Directors' and employees' duties shall be performed in conformity with applicable laws or regulations and the articles of incorporation.**

To ensure that the execution of Directors' and employees' duties shall be performed in conformity with applicable laws and regulations and the articles of incorporation, the following shall be required:

- (1) Directors and employees shall comply with the Company's System of Management Control Basic Standards ("SMC"), which have been made available to all employees and defines the basic principles, concepts and standards that form our internal control system. Internal controls comprise the means to direct, restrain, govern and check upon various activities. The basic purpose of such controls is to assure that business is conducted properly in accordance with management's general and specific directives. The SMC consists of four major elements. The Foundation and Framework section sets out the standards for the formulation and administration of company policies. The Administrative and Operating Controls section deals with standards for activities such as budgeting, financing, contracting and computer systems. The Internal Accounting Controls section deals with standards to ensure the integrity and objectivity of accounting records. Lastly, Checks on the System describes the roles of organizations which serve as checks on the system's effectiveness.
- (2) Directors and employees shall comply with the Company's Standards of Business Conduct ("SBC"), which apply both to the Directors and employees. The SBC has been made available to all Directors and employees and they are expected to review these policies annually in order to ensure compliance and to apply them to all aspects of their work. The SBC contains foundation policies and major guidelines, and also contains provisions and related procedures for receiving and handling questions, concerns and suggestions regarding our business practices, and open communication. These policies include, among others, the Company's Ethics Policy, Conflicts of Interest Policy and Antitrust Policy. Also, formal Business Practices Review training sessions, Antitrust Compliance training, and new employee training shall be conducted periodically for employees to bring about appropriate understanding of the relevant requirements.

- (3) The Company shall continue to follow the Statutory Auditor system. The Board of Statutory Auditors (“BOSA”) is an independent organ from the Board of Directors. Its major role is to audit the execution of business by Directors. It monitors business decisions and execution by the Board of Directors to confirm compliance with laws and the Company’s articles of incorporation as well as the SBC. It also confirms establishment and state of implementation of the Company’s internal control systems, including the SMC to ensure that the shareholders’ interests are properly protected.
- (4) Internal audit review shall be conducted by the Corporate Audit Service Department (“CAS”) of ExxonMobil Yugen Kaisha (“EMYK”), the Company’s parent company, pursuant to an agreement between the Company and EMYK under which administrative and service functions are entrusted by the Company to EMYK (the “Comprehensive Service Agreement”). CAS shall independently assess compliance with policies and procedures, and evaluate the effectiveness of all control systems related to the business. Directors and managers shall be obligated to consider all internal audit findings and recommendations and take appropriate actions.
- (5) Using its existing internal controls system, the Company shall, under the Financial Instruments and Exchange Law, evaluate the reliability and effectiveness of the Company and the Group’s financial reporting, and prepare a report on internal controls.

**5. Systems for ensuring the appropriateness of practices of corporate groups formed by the company, its parent companies and its subsidiaries.**

To ensure the appropriateness of practices of corporate groups formed by the Company, its parent companies and its subsidiaries (the “Group”), the following shall be required:

- (1) consistent with the requirements of other members of the Group, employees and Directors of the Company shall comply with the SMC and SBC;
- (2) consistent with the requirements of other members of the Group, internal audit reviews of the Company shall be conducted by CAS under the Comprehensive Service Agreement in order to assess compliance with appropriate policies and procedures;
- (3) consistent with the requirements of other members of the group, Directors and employees of the Company, as appropriate, shall receive training to ensure awareness of the principles applicable to appropriate interactions among members of the Company’s corporate group; and

(4) the Company shall also cause those subsidiaries which it controls to adopt the system provided for in this Paragraph 5.

**6. Items concerning employees who will assist the Statutory Auditors where requested by the Statutory Auditors to provide such assistance**

Assistance to the Statutory Auditors shall, upon their request, be provided by CAS pursuant to the Comprehensive Service Agreement. This assistance shall consist of:

- (1) discussions with the Statutory Auditors of the Company on Annual Audit Plans;
- (2) regarding the implementation of each internal audit:
  - i) provision to the Statutory Auditors of the engagement letter,
  - ii) invitation to attend the Closing Meeting between CAS and the relevant department, and
  - iii) provision of a report on the internal audit results;
- (3) report to and consultation with the Statutory Auditors semiannually regarding material items; and
- (4) investigations based on requests by the Statutory Auditors.

**7. Items concerning such employees' independence from the Directors**

CAS is the internal audit service for the ExxonMobil group in Japan including the Company. It is a separately established organization within EMYK, and functions independently from the Directors of the Company.

**8. Systems for reports to the Statutory Auditors from Directors and employees**

- (1) A Director who has found a fact that is likely to cause significant damage to the Company shall present himself to the BOSA and report the fact at the BOSA.
- (2) In support of the foregoing, each Director shall submit a written statement in the form attached to BOSA at the end of each year.
- (3) CAS shall report timely to the BOSA any information it receives from an employee or any other source regarding a Director's breach of duty.
- (4) Law, Controllers and other departments of EMYK shall report material items to

BOSA periodically and as required by the BOSA, based on the Comprehensive Service Agreement.

- (5) Pursuant to the Rules of the BOSA, the Statutory Auditors shall have meetings with Representative Directors of the Company as required and exchange opinions on important audit related matters.

**9. System (in addition to the foregoing) to ensure that Statutory Auditors' audits are performed effectively**

To ensure that the Statutory Auditors' audits are performed effectively, the following shall apply:

- (1) The Statutory Auditors shall have access to important information of the Company, including receiving explanations of relevant matters in advance and access to employees and relevant service providers under the Comprehensive Service Agreement who may have knowledge of such information.
- (2) The Statutory Auditors shall have access to the Company's external audit firm and other appropriate outside professionals.
- (3) The Statutory Auditors shall also have access to the services and assistance of Law, Controllers and other service functions pursuant to the Comprehensive Services Agreement.

\*\*\*\*\*

Date:

To: Statutory Auditor, TonenGeneral Sekiyu K.K.

From: Director

### STATEMENT

I confirm that there is nothing that I should report to the Statutory Auditors under the provisions of Article 357 of the New Company Law for the year ended December 31, XXXX.

[Note,

Article 357: A director who has found a fact that is likely to cause significant damage to the Company shall immediately report it to the Statutory Auditors.]

## Consolidated Balance Sheet

As of December 31, 2010

(Unit: Million yen)

Account Title	Amounts	Account Title	Amounts
<b>(Assets)</b>		<b>(Liabilities)</b>	
<b>Current assets</b>		<b>Current liabilities</b>	
Cash and deposits	278	Account payable-trade	280,210
Accounts receivable-trade	414,435	Gasoline taxes payable	185,170
Inventories	127,014	Short-term loans payable	49,029
Prepaid expenses	3,427	Accounts payable-other	12,916
Income taxes receivable	6,892	Accrued expenses	9,488
Deferred tax assets	6,468	Income taxes payable	498
Short-term loans receivable	74,349	Accrued consumption taxes	14,165
Accounts receivable-other	4,643	Guarantee deposits payable	8,034
Other	7	Advances received	4,692
Allowance for doubtful accounts	(44)	Provision for bonuses	1,153
<b>Total current assets</b>	<b>637,471</b>	Provision for offshore well abandonment	824
		Other	31,580
		<b>Total current liabilities</b>	<b>597,766</b>
<b>Noncurrent assets</b>		<b>Noncurrent liabilities</b>	
<b>Property, plant and equipment</b>		Long-term loans payable	3,985
Buildings and structures	43,125	Deferred tax liabilities	1,661
Tanks	4,806	Provision for retirement benefits	37,187
Machinery, equipment and vehicles	55,263	Provision for directors' retirement benefits	48
Tools, furniture and fixtures	1,622	Provision for repairs	16,615
Land	76,623	Other	1,286
Construction in progress	6,518	<b>Total noncurrent liabilities</b>	<b>60,784</b>
<b>Total Property, plant and equipment</b>	<b>187,960</b>	<b>Total liabilities</b>	<b>658,551</b>
		<b>(Net assets)</b>	
<b>Intangible assets</b>		<b>Shareholders' equity</b>	
Software	2,554	Capital stock	35,123
Other	1,748	Capital surplus	20,741
<b>Total intangible assets</b>	<b>4,302</b>	Retained earnings	193,234
		Treasury stock	(647)
<b>Investments and other assets</b>		<b>Total shareholders' equity</b>	<b>248,451</b>
Investment securities	51,900	<b>Valuation and translation adjustments</b>	
Long-term deposits	2,940	Valuation difference	5
Deferred tax assets	10,145	on available-for-sale securities	
Other	12,421	Foreign currency	
Allowance for doubtful accounts	(295)	translation adjustment	(161)
<b>Total investments and other assets</b>	<b>77,112</b>	<b>Total valuation and translation adjustments</b>	<b>(156)</b>
<b>Total noncurrent assets</b>	<b>269,375</b>	<b>Total net assets</b>	<b>248,295</b>
<b>Total assets</b>	<b>906,846</b>	<b>Total liabilities and net assets</b>	<b>906,846</b>

## Consolidated Statement of Income

January 1, 2010 through December 31, 2010

(Unit: Million yen)

Account Title	Amounts	
<b>Net sales</b>		<b>2,398,718</b>
<b>Cost of sales</b>		<b>2,331,852</b>
<b>Gross profit</b>		<b>66,865</b>
<b>Selling, general and administrative expenses</b>		<b>33,337</b>
<b>Operating income</b>		<b>33,528</b>
<b>Non-operating income</b>		
Interest income	99	
Dividends income	80	
Foreign exchange gains	1,933	
Equity in earnings of affiliates	1,777	
Other	61	3,951
<b>Non-operating expenses</b>		
Interest expenses	345	
Other	123	469
<b>Ordinary income</b>		<b>37,011</b>
<b>Extraordinary income</b>		
Gain on change in equity	20,174	
Gain on sales of noncurrent assets	1,581	21,756
<b>Extraordinary loss</b>		
Loss on sales and retirement of noncurrent assets	1,527	
Impairment loss	839	2,366
<b>Income before income taxes and minority interests</b>		<b>56,400</b>
Income taxes - current	956	
Income taxes - deferred	12,570	13,527
<b>Net income</b>		<b>42,873</b>

## Consolidated Statement of Changes in Net Assets

January 1, 2010 through December 31, 2010

(Unit: Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the end of previous period	35,123	20,741	171,814	(539)	227,140
Changes of items during the period					
Dividends from surplus	—	—	(21,451)	—	(21,451)
Net income	—	—	42,873	—	42,873
Purchase of treasury stock	—	—	—	(132)	(132)
Disposal of treasury stock	—	—	(2)	24	21
Net changes of items other than Shareholders' equity	—	—	—	—	—
Total changes of items during the period	—	—	21,419	(108)	21,310
Balance at the end of current period	35,123	20,741	193,234	(647)	248,451

	Valuation and translation adjustments			Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total valuation and translation adjustments	
Balance at the end of previous period	162	56	219	227,359
Changes of items during the period				
Dividends from surplus	—	—	—	(21,451)
Net income	—	—	—	42,873
Purchase of treasury stock	—	—	—	(132)
Disposal of treasury stock	—	—	—	21
Net changes of items other than Shareholders' equity	(156)	(218)	(375)	(375)
Total changes of items during the period	(156)	(218)	(375)	20,935
Balance at the end of current period	5	(161)	(156)	248,295

## Notes to Consolidated finance statements

### 1. Significant accounting policies

#### (1) Scope of consolidation

##### 1) Number and name of consolidated subsidiaries

(i) Number of consolidated subsidiaries: 5 companies

(ii) Name of consolidated subsidiaries:

Tonen Chemical Corporation, Chuo Sekiyu Hanbai K. K., Tonen Technology K. K.,  
TonenGeneral Kaiun Y. K., Tonen Chemical Nasu Corporation

In the current period, the following two companies had been excluded from the scope of consolidation:

Tonen Specialty Separator Godo Kaisha (currently Toray Tonen Specialty Separator Godo Kaisha)

Tonen Specialty Separator Korea Limited (currently Toray Tonen Specialty Separator Korea Limited)

On January 29, 2010, Toray Industries Inc. made a capital injection into Tonen Specialty Godo Kaisha. Following this transaction, the accounting treatment for the Company and its wholly-owned subsidiary Tonen Specialty Separator Korea Limited changed from consolidated subsidiaries to affiliates accounted for by the equity method.

These companies had been included in the scope of consolidation until January 31, 2010.

#### (2) Application of the equity method

##### 1) Number and name of affiliates accounted for by the equity method

(i) Number of affiliates accounted for by the equity method: 6 companies

(ii) Name of affiliates accounted for by the equity method:

Shimizu LNG K. K., Nippon Unicar Company Limited,  
Toray Tonen Specialty Separator Godo Kaisha,  
Toray Tonen Specialty Separator Korea Limited, Toray Tonen Services Godo Kaisha,  
Japan Biofuels Supply LLP

Among these affiliates, the following four companies have newly become affiliates accounted for by the equity method in the current period:

Toray Tonen Specialty Separator Godo Kaisha and Toray Tonen Specialty Separator Korea Limited are accounted for the equity method beginning on February 1, 2010 as referred to in “(1) Scope of consolidation”.

Toray Tonen Services Godo Kaisha was established on January 29, 2010 as a wholly-owned subsidiary of Toray Tonen Specialty Separator Godo Kaisha. This company, and Japan Biofuels Supply LLP, due to its increasing scale of business, are also accounted for by the equity method beginning in the current period.

##### 2) Name of non-equity-method company and reason equity method was not applied

(i) Name of non-equity-method company: Emori Sekiyu K. K.

(ii) Reason equity method was not applied

The affiliated company is not accounted for by the equity method because it does not have a material impact on net income (loss), retained earnings, etc. on a consolidated basis.

### (3) Summary of significant accounting procedures

#### 1) Valuation rules and methods for significant assets

##### (i) Securities

###### -Other securities

Securities with readily determinable fair values	Market value at the closing date (Valuation difference on available-for-sales securities is directly reflected in net assets, and cost of sales is calculated using the moving-average method)
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Securities without readily determinable fair values	The moving-average cost method
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(ii) Derivatives transactions, etc      Market value at the closing date

(iii) Inventories      Generally the lower of acquisition costs determined by the LIFO method or their net realizable value

#### 2) Depreciation and amortization method of significant noncurrent assets

##### (i) Property, plant and equipment (excluding leased assets)

Generally the declining-balance method

The service life ranges by major assets are:

Buildings and structures	10 to 50 years
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Tanks	10 to 25 years
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Machinery, equipment and vehicles	7 to 15 years
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##### (ii) Intangible assets (excluding leased assets)

The straight-line method

In-house computer software is amortized over its service life (5 to 15 years) using the straight-line method.

##### (iii) Leased assets

The straight-line method is employed, where the leasing period is deemed as the service life and residual value is set as zero. The accounting treatment for finance lease transactions, in which ownership is not transferred to the lessee and which became effective before January 1, 2009, is the same as the method applied to ordinary operating lease transactions.

#### 3) Basis for significant provisions

##### - Allowance for doubtful accounts

To provide for losses due to bad debt, the Company and its consolidated subsidiaries reserve an estimated bad debt allowance on ordinary receivables based on historical bad debt ratios, and on highly doubtful receivables based on the recoverability from individual customers.

##### - Provision for bonuses

To provide for the payment of employees' bonuses, the Company and its consolidated subsidiaries accrue an estimated reserve for the period.

##### - Provision for retirement benefits

To provide for the payment of employees' post-retirement benefits, the Company and its consolidated subsidiaries accrue an estimated reserve based on the projected benefit obligations and estimated pension plan assets as of the closing date.

Any differences in actuarial calculations of retirement benefits are amortized beginning with the next period, using the declining-balance method over a period determined based on employees' average remaining service years (12 years).

Prior service liabilities are amortized using the straight-line method over employees' average remaining service years;

Before 2004:		15.5 years
Since 2004:	The Company	12.9 years
	Consolidated subsidiaries	11.4 years
Since 2007:	The Company	11.9 years
	Consolidated subsidiaries	11.0 years

〈Change in accounting policy〉

“Partial Amendments to Accounting Standard for Retirement Benefits (Part3)” (ASBJ statement No. 19 issued on July 31, 2008) is applied beginning in the current period. There is no impact from this change.

- Provision for directors' retirement benefits

To provide for the payment of officers' post-retirement allowance, the Company and its consolidated subsidiaries reserve an estimated amount of lump sum retirement allowance assuming that officers retire at the closing date.

- Provision for repairs

To provide for periodic tank inspections required under the Fire Service Act and for periodic repairs of machinery and equipment, the Company and one consolidated subsidiary reserve an estimated cost for the period, based on actual payments and repair plans, respectively.

- Provision for offshore well abandonment

To provide for expenses for offshore well abandonment accompanied by the termination of gas production, the Company reserves the estimated amount anticipated to be spent.

4) Other important items for consolidated financial statements

(i) Translation method for foreign currency assets and liabilities

Foreign currency assets and liabilities are translated into yen at the spot rate at the closing date, and any difference from exchange rate change is reflected in income.

(ii) Accounting method for consumption taxes

Each item in the consolidated statement of income does not include consumption taxes.

(4) Valuation method for assets and liabilities of consolidated subsidiaries

The assets and liabilities excluding minority interests of consolidated subsidiaries are valued using the fair market value at each time when the Company acquires equity interest of the respective subsidiaries.

(5) Change in presentation

“Long-term loans receivable” which had been independently presented in the section of “Investments and other assets” in the prior period, is included in “Other” in that section beginning in the current period because its amount is immaterial.

The outstanding balance of long-term loans receivable at the end of the current period is 537 million yen.

## 2. Consolidated balance sheet

### (1) Security rights established on assets

Mortgaged assets and mortgaged liabilities by security rights are as shown below:

Book value of mortgaged assets	Amounts (Million yen)	(Plant mortgage) (Million yen)
Buildings and structures	4,455	(4,455)
Tanks	510	(510)
Machinery, equipment and vehicles	11,157	(11,157)
Land	12,203	(4,628)
Total	28,327	(20,752)

  

Mortgaged liabilities by security right	Amounts (Million yen)	(Plant mortgage) (Million yen)
Gasoline taxes payable	53,245	(20,752)

- (Note) 1. In the summary of mortgaged assets, plant mortgage is shown in parentheses.  
 2. In the summary of mortgaged liabilities by security rights, plant mortgage is shown in parentheses.  
 3. In addition to the above, the Company committed to offer upon lender's demand a contract of mortgage over the asset noted below to support the current portion of short-term loans payable (1,412 million yen) and long-term loans payable (1,762 million yen).

Assets	Amounts (Million yen)
Buildings and structures	13,025
Tanks	985
Machinery, equipment and vehicles	18,096
Land	12,300
Others	523
Total	44,931

(2) Accumulated depreciation of property, plant and equipment      777,896 million yen

### (3) Obligations for guaranties

#### 1) Bank borrowing, etc.

The Company has guaranteed the following bank borrowing, etc. by associated companies, etc.

Guarantees	Amounts (Million yen)
Japan Biofuels Supply LLP	1,640
Shimizu LNG K.K.	773
Employees of the Company and consolidated subsidiaries	180
Others (3 companies)	34
Total	2,629

(Note) For the borrowing (272 million yen) of Shimizu LNG K.K. from Development Bank of Japan Inc. etc., the Company has a contractual obligation to reserve its land (book value 747 million yen) for a mortgage.

2) Letters of credit

The Company has guaranteed letters of credit as follows.

Guarantees	Amounts (USD)	(Yen equivalent)
Japan Biofuels Supply LLP	19,768 thousand USD	(1,610 million yen)

3) Deferral of import consumption tax payment

The Company has guaranteed the deferral of import consumption tax payment as follows.

Guarantees	Amounts
Japan Biofuels Supply LLP	167 million yen

3. Consolidated statement of changes in net assets

(1) Class and total number of shares issued as of December 31, 2010

Common stock      565,182,000 shares

(2) Dividends in the current period

Resolution	Class of shares	Total dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders held on March 26, 2010	Common stock	10,726	19.00	December 31, 2009	March 29, 2010
Board of Directors Meeting held on August 13, 2010	Common stock	10,725	19.00	June 30, 2010	September 15, 2010

(3) Planned resolution at annual general meeting of shareholders on March 25, 2011

Planned resolution	Class of shares	Dividend resource	Total dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders held on March 25, 2011	Common stock	Retained earnings	10,724	19.00	December 31, 2010	March 28, 2011

#### 4. Financial instruments

##### (1) Detail of financial instruments

The Company and its subsidiaries and affiliated companies (“TG group companies” hereinafter) finance their working capital and capital investment through a combination of internally generated funds, external borrowing with banks and other financial institutions and issuance of commercial paper. Short-term surplus cash has been lent to ExxonMobil group companies in country and/or overseas. Derivative transactions are made in accordance with consistent guidelines and are limited to the forward purchase of foreign exchange for settlement of net payable exposures arising from import transactions net of export transactions.

Trade accounts receivable are exposed to credit risk but TG group companies mitigate the risk in accordance with consistent guidelines. Trade accounts receivable include foreign currency denominated product exports which are exposed to the risk of foreign currency rate fluctuations offset by the foreign currency denominated payable for import transactions.

Short-term loans receivable solely result from transactions with ExxonMobil group companies in country and overseas. Investment securities are limited to stock of companies with which TG group companies have a business relationship. Part of these stock investments is exposed to the risk of market stock price fluctuations.

Trade accounts payable outstanding are largely due within six months. Also trade accounts payable resulting from import transactions including crude oil import are exposed to the risk of foreign currency rate fluctuations but the risk has been mitigated through the use of foreign currency forwards as noted above.

Loans payable result from external loans with financial institutions including banks and the issuance of commercial paper. The interest rate of such loans payable is in part determined with market reference rates and therefore the variable interest rate loans are exposed to the risk of interest fluctuations. Derivative transactions are limited to aforementioned foreign exchange transactions.

(2) Fair value of financial instruments

The following table indicates the amounts recorded in the consolidated balance sheet, the fair value and the difference as of December 31, 2010.

(Unit: Million yen)

	Amounts recorded in the consolidated balance sheet (*)	Fair value (*)	Difference
1) Cash and deposits	278	278	—
2) Accounts receivable-trade	414,391	414,391	—
3) Prepaid expenses	3,427	3,427	—
4) Income taxes receivable	6,892	6,892	—
5) Short-term loans receivable	74,349	74,349	—
6) Accounts receivable-other	4,643	4,643	—
7) Investment securities			
– Other securities	1,256	1,256	—
<b>Total assets</b>	<b>505,238</b>	<b>505,238</b>	<b>—</b>
8) Accounts payable-trade	(280,210)	(280,210)	—
9) Gasoline taxes payable	(185,170)	(185,170)	—
10) Short-term loans payable	(49,029)	(49,029)	—
11) Accounts payable-other	(12,916)	(12,916)	—
12) Accrued expenses	(9,488)	(9,488)	—
13) Income taxes payable	(498)	(498)	—
14) Accrued consumption taxes	(14,165)	(14,165)	—
15) Guarantee deposits payable	(8,034)	(8,034)	—
16) Advances received	(4,692)	(4,692)	—
17) Long-term loans payable	(3,985)	(3,969)	(15)
<b>Total liabilities</b>	<b>(568,192)</b>	<b>(568,177)</b>	<b>(15)</b>
18) Derivative transactions	(80,421)	(80,421)	—

\* The figure shown in the liabilities on the balance sheet is presented in parentheses.

(Note) Calculation method for the fair value of financial instruments, and notes to securities and derivatives

Assets:

1) Cash and deposits, 2) Accounts receivable-trade, 3) Prepaid expenses, 4) Income taxes receivable, 5) Short-term loans receivable and 6) Accounts receivable-other

Fair value is deemed the same as book value because these assets are settled within a short period of time and there is little rationale for fair and book values to diverge.

7) Investment securities

Fair value of stocks is based on the prices traded at the stock exchange. Among “Other securities,” the securities of which the book value is 50,643 million yen are excluded from the above table because there is no ascertainable market value for those securities and it is deemed extremely difficult to calculate their fair value.

Liabilities:

8) Accounts payable-trade, 9) Gasoline taxes payable, 10) Short-term loans payable, 11) Accounts payable –other, 12) Accrued expenses, 13) Income taxes payable, 14) Accrued consumption taxes, 15) Guarantee deposits payable and 16) Advances received

Fair value is deemed the same as book value because these liabilities are settled within a short period of time and there is little rational for fair and book value to diverge.

17) Long-term loans payable

Fair value is calculated based on the present value estimated by discounting the total principal and interest, using discount rates which would be applied for similar new borrowings.

18) Derivatives

Fair value of derivatives is based on the actual market exchange rate.

(Additional information)

“Accounting Standards for Financial Instruments” (ASBJ Statement No. 10 issued on March 10, 2008) and the “Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance NO. 19 issued on March 10, 2008) have been applied beginning in the current period.

5. Real estates for lease etc.

(1) Overview of real estates for lease, etc.

The Company and one consolidated subsidiary lease a part of lands at their refining and manufacturing sites, the service stations assets and other assets in Kanagawa and other areas in Japan. The net of leasing income and related expense of these transactions are 576 million yen (the income is included in net sales and the expense is included in cost of sales or selling, general and administrative expenses), gain/loss on sales and retirement of related assets are 551 million yen (included in extraordinary gain/loss), and impairment loss of related assets is 744 million yen (included in extraordinary loss) in the current period.

(2) Fair value of real estates for lease, etc.

(Million yen)

Balance sheet amount	Fair value
26,852	40,577

(Note) 1. The balance sheet amount is the acquisition cost reduced by the accumulated depreciation and the accumulated impairment loss.

2. The fair value at the closing date is an amount calculated by the Company with making adjustments to public price indexes including roadside value and property tax value by reference to valuation guidelines including “Real Estate Appraisal Standards”.

(Additional information)

“Disclosures about Fair Value of Investment and Rental Property” (ABSJ Statement No. 20 issued on November 28, 2008) and the “Implementation Guidance on Disclosures about Fair Value of Investment and Rental Property” (ASBJ Guidance NO. 23 issued on November 28, 2008) have been applied beginning in the current period.

6. Financial data per share

(1) Net assets per share	439.91	yen
(2) Net income per share	75.95	yen

7. Other

- Gain on change in equity

On January 29, 2010, the Company started a 50:50 joint venture through a capital contribution by Toray Industries, Inc. into Tonen Specialty Separator Godo Kaisha (currently Toray Tonen Specialty Separator Godo Kaisha), which was a consolidated subsidiary of the Company. As a result, the Company recognized 20,174 million yen as “gain on change in equity” reflected as an extraordinary gain on the consolidated statement of income in the current period.

8. Unit of amount

Amounts are shown in truncated millions of yen.

## Balance Sheet

As of December 31, 2010

(Unit: Million yen)

Account Title	Amounts	Account Title	Amounts
<b>(Assets)</b>		<b>(Liabilities)</b>	
<b>Current assets</b>		<b>Current liabilities</b>	
Cash and deposits	33	Account payable-trade	282,555
Accounts receivable-trade	413,157	Gasoline taxes payable	185,170
Merchandise and finished goods	26,503	Short-term loans payable	49,383
Semi-finished goods	25,364	Accounts payable-other	9,343
Raw materials	67,520	Accrued expenses	10,914
Supplies	4,004	Accrued consumption taxes	13,706
Prepaid expenses	3,096	Guarantee deposits payable	8,025
Income taxes receivable	5,293	Advances received	4,691
Deferred tax assets	5,350	Provision for bonuses	935
Short-term loans receivable	90,684	Provision for offshore well abandonment	824
Accounts receivable-other	4,034	Other	2,547
Other	14	<b>Total current liabilities</b>	<b>568,098</b>
Allowance for doubtful accounts	(44)	<b>Noncurrent liabilities</b>	
<b>Total current assets</b>	<b>645,013</b>	Long-term loans payable	3,985
<b>Noncurrent assets</b>		Provision for retirement benefits	36,050
<b>Property, plant and equipment</b>		Provision for directors' retirement benefits	48
Buildings	11,346	Provision for repairs	16,329
Structures	28,390	Other	515
Tanks	4,636	<b>Total non-current liabilities</b>	<b>56,928</b>
Machinery and equipment	46,062	<b>Total liabilities</b>	<b>625,027</b>
Vehicles	76	<b>(Net assets)</b>	
Tools, furniture and fixtures	1,336	<b>Shareholders' equity</b>	
Land	67,812	Capital stock	35,123
Construction in progress	5,328	Capital surplus	
<b>Total property, plant and equipment</b>	<b>164,989</b>	Legal capital surplus	20,741
<b>Intangible assets</b>		Total capital surplus	20,741
Leasehold right	1,511	Retained earnings	
Software	2,272	Legal retained earnings	8,780
Right of using facilities	211	Other retained earnings	
<b>Total intangible assets</b>	<b>3,995</b>	Reserve for property replacement	14,733
<b>Investments and other assets</b>		Retained earnings brought forward	135,420
Investment securities	4,223	Total retained earnings	158,934
Stocks of subsidiaries and affiliates	3,149	Treasury stock	(647)
Long-term deposits	2,910	<b>Total shareholders' equity</b>	<b>214,152</b>
Deferred tax assets	9,985	<b>Valuation and translation adjustments</b>	
Other	5,214	Valuation difference	
Allowance for doubtful accounts	(295)	on available-for-sale securities	5
<b>Total investments and other assets</b>	<b>25,187</b>	<b>Total valuation and translation adjustments</b>	<b>5</b>
<b>Total non-current assets</b>	<b>194,172</b>	<b>Total net assets</b>	<b>214,158</b>
<b>Total assets</b>	<b>839,185</b>	<b>Total liabilities and net assets</b>	<b>839,185</b>

## Statement of Income

January 1, 2010 through December 31, 2010

(Unit: Million yen)

Account Title	Amounts	
<b>Net sales</b>		<b>2,392,460</b>
<b>Cost of sales</b>		<b>2,335,714</b>
<b>Gross profit</b>		<b>56,745</b>
<b>Selling, general and administrative expenses</b>		<b>25,593</b>
<b>Operating income</b>		<b>31,151</b>
<b>Non-operating income</b>		
Interest income	162	
Dividends income	25,188	
Foreign exchange gains	2,165	
Other	61	27,578
<b>Non-operating expenses</b>		
Interest expenses	286	
Other	35	322
<b>Ordinary income</b>		<b>58,407</b>
<b>Extraordinary income</b>		
Gain on sales of noncurrent assets	1,581	1,581
<b>Extraordinary loss</b>		
Loss on sales and retirement of noncurrent assets	1,390	
Impairment loss	839	2,230
<b>Income before income taxes</b>		<b>57,758</b>
Income taxes - current	31	
Income taxes - deferred	12,757	12,789
<b>Net income</b>		<b>44,969</b>

## Statement of Changes in Net Assets

January 1, 2010 through December 31, 2010

(Unit: Million yen)

	Shareholders' equity		
	Capital stock	Capital surplus	
		Legal capital surplus	Total capital surplus
Balance at the end of previous period	35,123	20,741	20,741
Changes of items during the period			
Dividends from surplus	—	—	—
Net income	—	—	—
Purchase of treasury stock	—	—	—
Disposal of treasury stock	—	—	—
Reversal of reserve for property replacement	—	—	—
Net changes of items other than Shareholders' equity	—	—	—
Total changes of items during the period	—	—	—
Balance at the end of current period	35,123	20,741	20,741

	Shareholders' equity					Treasury stock	Total shareholders' equity
	Retained earnings				Total retained earnings		
	Legal retained earnings	Other retained earnings					
		Reserve for property replacement	Retained earnings brought forward				
Balance at the end of previous period	8,780	15,165	111,473	135,419	(539)	190,745	
Changes of items during the period							
Dividends from surplus	—	—	(21,451)	(21,451)	—	(21,451)	
Net income	—	—	44,969	44,969	—	44,969	
Purchase of treasury stock	—	—	—	—	(132)	(132)	
Disposal of treasury stock	—	—	(2)	(2)	24	21	
Reversal of reserve for property replacement	—	(431)	431	—	—	—	
Net changes of items other than Shareholders' equity	—	—	—	—	—	—	
Total changes of items during the period	—	(431)	23,946	23,514	(108)	23,406	
Balance at the end of current period	8,780	14,733	135,420	158,934	(647)	214,152	

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at the end of previous period	162	162	190,907
Changes of items during the period			
Dividends from surplus	—	—	(21,451)
Net income	—	—	44,969
Purchase of treasury stock	—	—	(132)
Disposal of treasury stock	—	—	21
Reversal of reserve for property replacement	—	—	—
Net changes of items other than Shareholders' equity	(156)	(156)	(156)
Total changes of items during the period	(156)	(156)	23,250
Balance at the end of current period	5	5	214,158

## Notes to Non-consolidated financial statements

### 1. Significant accounting policies

#### (1) Valuation rules and methods for assets

##### 1) Securities

-Stock of subsidiaries and affiliated companies                      The moving-average cost method

##### -Other securities

    Securities with readily determinable fair values                      Market value at the closing date  
    (Valuation difference on available-for-sales securities is directly reflected in net assets, and cost of sales is calculated using the moving-average method)

    Securities without readily determinable fair values                      The moving-average cost method

2) Derivatives transactions, etc                      Market value at the closing date

3) Inventories                      Generally the lower of acquisition costs determined by the LIFO method or their net realizable value

#### (2) Depreciation and amortization method for noncurrent assets

##### 1) Property, plant and equipment (excluding leased assets)

    Generally the declining-balance method

    The service life ranges by major assets are:

        Buildings and structures                      10 to 50 years

        Tanks                      10 to 25 years

        Machinery, equipment and vehicles                      7 to 15 years

##### 2) Intangible assets (excluding leased assets)

    The straight-line method

    In-house computer software is amortized over its service life (5 to 15 years) using the straight-line method.

##### 3) Leased assets

    The straight-line method is employed, where the leasing period is deemed as the service life and residual value is set as zero. The accounting treatment for finance lease transaction, in which ownership is not transferred to the lessee and which became effective before January 1, 2009, is the same as the method applied to ordinary operating lease transactions.

#### (3) Basis for significant provisions

##### -Allowance for doubtful accounts

    To provide for losses due to bad debt, the Company reserves an estimated bad debt allowance on ordinary receivables based on historical bad debt ratios, and on highly doubtful receivables based on the recoverability from individual customers.

-Provision for bonuses

To provide for the payment of employees' bonuses, the Company accrues an estimated reserve for the period.

-Provision for retirement benefits

To provide for the payment of employees' post-retirement benefits, the Company accrues an estimated reserve based on the projected benefit obligations and estimated pension plan assets as of the closing date.

Any differences in actuarial calculations of retirement benefits are amortized beginning with the next period, using the declining-balance method over a period determined based on employees' average remaining service years (12 years).

Prior service liabilities are amortized using the straight-line method over employees' average remaining service years;

Before 2004:	15.5 years
Since 2004:	12.9 years
Since 2007:	11.9 years

<Change in accounting policy>

“Partial Amendments to Accounting Standard for Retirement Benefits (Part3)” (ABSJ Statement No. 19 issued on July 31, 2008) is applied beginning in the current period. There is no impact from this change.

-Provision for directors' retirement benefits

To provide for the payment of officers' post-retirement allowance, the Company reserves an estimated amount of lump sum retirement allowance assuming that officers retire at the closing date.

-Provision for repairs

To provide for periodic tank inspections required under the Fire Service Act and for periodic repairs of machinery and equipment, the Company reserves an estimated cost for the period, based on actual payments and repair plans, respectively.

-Provision for offshore well abandonment

To provide for expenses for offshore well abandonment accompanied by the termination of gas production, the Company reserves the estimated amount anticipated to be spent.

(4) Other important items for financial statements

1) Translation method for foreign currency assets and liabilities

Foreign currency assets and liabilities are translated into yen at the spot rate at the closing date, and any difference from exchange rate change is reflected in income.

2) Accounting method for consumption taxes

Each item in the consolidated statement of income does not include consumption taxes.

(5) Change in presentation

“Long-term loans receivable” which had been independently presented in the section of “Investments and other assets” in the prior period, is included in “Other” in that section beginning in the current period because its amount is immaterial.

The amount of long-term loans receivable at the end of the current period is 487 million yen.

## 2. Balance sheet

### (1) Security rights established on assets

Mortgaged assets and mortgaged liabilities by security rights are as shown below:

Book value of mortgaged assets	Amounts (Million yen)	(Plant mortgage) (Million yen)
Buildings	1,291	(1,291)
Structures	3,163	(3,163)
Tanks	510	(510)
Machinery and equipment	11,157	(11,157)
Land	12,203	(4,628)
Total	28,327	(20,752)
Mortgaged liabilities by security right	Amounts (Million yen)	(Plant mortgage) (Million yen)
Gasoline taxes payable	53,245	(20,752)

(Note) 1. In the summary of mortgaged assets, plant mortgage is shown in parentheses.

2. In the summary of mortgaged liabilities by security rights, plant mortgage is shown in parentheses.

3. In addition to the above, the Company committed to offer upon lender's demand a contract of mortgage over the asset noted below to support the current portion of short-term loans payable (1,412 million yen) and long-term loans payable (1,762 million yen).

Assets	Amounts (Million yen)
Buildings	1,889
Structures	11,135
Tanks	985
Machinery and equipment	18,096
Land	12,300
Others	523
Total	44,931

(2) Accumulated depreciation of property, plant and equipment      704,355 million yen

(3) Obligations for guaranties

1) Bank borrowing, etc.

The Company has guaranteed the following bank borrowing, etc. by associated companies, etc.

Guarantees	Amounts (Million yen)
Japan Biofuels Supply LLP	1,640
Shimizu LNG K.K.	773
Employees of the Company	153
Others (3 companies)	34
Total	2,602

(Note) For the borrowing (272 million yen) of Shimizu LNG K.K. from Development Bank of Japan Inc. etc., the Company has a contractual obligation to reserve its land (book value 747 million yen) for a mortgage.

2) Letters of credit

The Company has guaranteed letters of credit as follows.

Guarantees	Amounts (USD)	(Yen equivalent)
Japan Biofuels Supply LLP	19,768 thousand USD	(1,610 million yen)

3) Deferral of import consumption tax payment

The Company has guaranteed the deferral of import consumption tax payment as follows.

Guarantees	Amounts
Japan Biofuels Supply LLP	167 million yen

(4) Details of receivable from and payable to associated companies

Receivable

Accounts receivable-trade	292,671 million yen
Short-term loans receivable	22,559
Accounts receivable-trade	2,106

Payable

Accounts payable-trade	88,259 million yen
Short-term loans payable	1,846
Accrued expenses	3,194
Guarantee deposits payable	1,230

### 3. Statement of income

#### Transaction with associated companies

Trade transaction	Net sales	1,489,025	million yen
	Cost of sales	288,848	
Others		25,205	

### 4. Statement of changes in net assets

#### Treasury stock

Class	December 31, 2009	Increase	Decrease	December 31, 2010
Common stock	619,801 shares	165,374 shares	28,035 shares	757,140 shares

(Major cause of movement)

Increase and decrease of shares in treasury stock is due to purchase and sales of odd-lot shares.

### 5. Deferred tax accounting

#### Breakdown of deferred tax assets and deferred tax liabilities

##### (Deferred tax assets)

Provision for retirement benefits	14,669	million yen
Provision for repairs	4,670	
Tax loss carry forward	2,916	
Accumulated impairment loss	1,876	
Variance from different inventory valuations	1,644	
Other	1,807	
<b>Total deferred tax assets</b>	<b>27,584</b>	

##### (Deferred tax liabilities)

Reserve for property replacement	(10,108)	million yen
Other	(2,140)	
<b>Total deferred tax liabilities</b>	<b>(12,249)</b>	
<b>Net deferred tax assets</b>	<b>15,335</b>	

## 6. Lease transaction

Finance leases in which ownership is not transferred to the lessee

(For transactions which became effective on or before December 31, 2008)

- (1) Acquisition cost equivalent, accumulated depreciation equivalent and net book value equivalent at the closing date

Assets	Acquisition cost equivalent (Million yen)	Accumulated depreciation equivalent (Million yen)	Net book value equivalent at the closing date (Million yen)
Buildings	89	10	79
Machinery	210	54	155
Cars and vehicles	85	82	2
Total	386	147	238

(Note) The acquisition cost equivalent includes interest-equivalent expenses, since the outstanding balance of future lease payment at the closing date is immaterial considering the total value of property, plant and equipment.

- (2) Outstanding balance of future lease payment at the closing date

Due one year	33 million yen
Due over one year	204
Total	238

(Note) The outstanding balance of future lease payment includes interest-equivalent expenses, since the outstanding balance of future lease payments at the closing date is immaterial considering the total value of property, plant and equipment.

- (3) Lease fees paid and depreciation expense equivalent

Lease fees paid	45 million yen
Depreciation expense equivalent	45

- (4) Calculation method for depreciation expense equivalent

The straight-line method with no residual value, where a lease period is treated as a period of depreciation.

## 7. Financial data per share

- (1) Net assets per share 379.43 yen  
(2) Net income per share 79.66 yen

## 8. Unit of amount

Amounts are shown in truncated millions of yen.

Independent Auditors' Report  
(English Translation\*)

February 15, 2011

To the Board of Directors of TonenGeneral Sekiyu K.K.

PricewaterhouseCoopers Aarata

Masahiro Yamamoto, CPA  
Designated and Engagement Partner

Kazuhiko Tomoda, CPA  
Designated and Engagement Partner

We have audited, pursuant to Article 444 (4) of the "Corporate Law" of Japan, the consolidated financial statements, which consist of the consolidated balance sheet, consolidated profit and loss statement, consolidated statement of change in net assets and notes to the consolidated financial statements of TonenGeneral Sekiyu K.K. (hereinafter referred to as the "Company") for the fiscal year from January 1, 2010 to December 31, 2010. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit is performed on a test basis and includes assessing the accounting principles used by management including how they are applied and estimates made by management, as well as examining the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and the results of operations of the Company and its subsidiaries for the period covered by the consolidated financial statements in conformity with accounting principles generally accepted in Japan.

We have no interest in or relationship with the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountant Law of Japan.

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\* The original audit report is in Japanese. This English translation is for readers' convenience and reading this translation is not a substitute for reading the original audit report in Japanese.

Independent Auditors' Report  
(English Translation\*)

February 15, 2011

To the Board of Directors of TonenGeneral Sekiyu K.K.

PricewaterhouseCoopers Aarata

Masahiro Yamamoto, CPA  
Designated and Engagement Partner

Kazuhiko Tomoda, CPA  
Designated and Engagement Partner

We have audited, pursuant to Article 436 (2) 1 of the "Corporate Law" of Japan, the financial statements, which consist of the balance sheet, profit and loss statement, statement of change in net assets and notes to the financial statements, and the supplementary schedules of TonenGeneral Sekiyu K.K. (hereinafter referred to as the "Company") for the 91th fiscal year from January 1, 2010 to December 31, 2010. These financial statements and supplementary schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and supplementary schedules based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we obtain reasonable assurance about whether the financial statements and supplementary schedules are free of material misstatement. An audit is performed on a test basis and includes assessing the accounting principles used by management including how they are applied and estimates made by management, as well as examining the overall presentation of the financial statements and supplementary schedules. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements and supplementary schedules referred to above present fairly, in all material respects, the financial position and the results of operations for the period covered by the financial statements and supplementary schedules in conformity with accounting principles generally accepted in Japan.

We have no interest in or relationship with the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountant Law of Japan.

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\* The original audit report is in Japanese. This English translation is for readers' convenience and reading this translation is not a substitute for reading the original audit report in Japanese.

## (Translation)

### Audit Report

The Board of Statutory Auditors (BOSA) has reviewed the audit reports individually prepared by each Statutory Auditor (Auditor) and reached a consensus to prepare this Audit Report, after deliberation among the Auditors, regarding Directors' execution of duties for the 91st fiscal period from January 1, 2010 to December 31, 2010, as follows.

1. The methods and results of the Statutory Audit by individual Auditors and by the BOSA.

(1) On March 26, 2010, the BOSA held a meeting attended by all Auditors, and passed a resolution on the audit policy, audit plan, and assignment of work among the Auditors. The Auditors conducted the audit based on the resolution. However, for those items deemed necessary or appropriate, individual Auditors conducted audits from time to time, outside the scope of the above resolution.

(2) Individual Auditors made every effort to maintain good communication with the Directors and Internal Audit and other functions and to collect information and maintain an appropriate audit environment. At the same time, we attended the Board of Directors (BOD) meetings, monthly management meetings and other important meetings.

(3) As to the BOD meetings, all Auditors examined proposals in advance, and observed the process and results of their reviews covering the matters brought up for resolution and report by attending the BOD meetings. We also asked questions and expressed opinions.

(4) We audited the Head Office departments (including business operations entrusted to ExxonMobil Y.K.), the refineries, the terminals, the oil storage site, the overseas affiliate, the major branches of ExxonMobil Y.K., and the ExxonMobil overseas affiliate, with whom the Company entrusts its administrative operations, by visiting those sites based on the assigned responsibilities.

(5) For the subsidiaries, we maintained communications and exchanged information with their directors and Auditors. In addition, we periodically received reports on their business performance and visited the sites based on the assigned responsibilities.

(6) We examined the content and monitored the implementation of the BOD resolution regarding the Internal Controls Systems that ensure compliance of Directors' execution of duties with applicable laws and regulations and the Articles of Incorporation, and

## (Translation)

appropriate business conduct of the Company.

(7) As to the Internal Audit function, we received briefings in advance on the audit plans and detailed explanations regarding the results of the internal audits, from both auditees and auditors at the managerial level. Also, we discussed the state of the internal controls systems, from time to time, and confirmed that the necessary countermeasures for the audit comments were implemented in a timely manner.

(8) For the accounting audit, we received an explanation of the audit plan from the Accounting Auditor in advance, had discussions with them, and received the reports of their audit results. Furthermore, we monitored and verified that they maintained independence and conducted appropriate audits, received reports on the status of their audit work, and asked for explanations. We were also advised by the Accounting Auditor that they had their own internal controls systems in place.

(9) We periodically held BOSA and auditors meetings in order to discuss the results of the audits conducted by individual Auditors and to exchange opinions in order to share information. We communicated our opinion as necessary, in writing or verbally, about the result of our survey or audit to the responsible director or manager in charge of each business unit.

(10) Based on the above stated steps, we examined the business report and supplements for the current fiscal year. We also examined the financial statements (balance sheet, income statement, statement of changes in net assets, and notes thereon), supplements, and the consolidated financial statements (consolidated balance sheet, consolidated income statement, consolidated statement of changes in net assets, and consolidated notes thereon).

### 2. Result of the audit

#### (1) Result of the audit of the business report and supplements

It is our opinion that

- (i) the business report and supplements present fairly the status of the Company's business conditions in conformity with the applicable laws and regulations and the Articles of Incorporation,
- (ii) there is no indication of significant wrongdoing or violation of laws and regulations and the Articles of Incorporation in the Directors' execution of duties,
- (iii) the content of the BOD resolution on the internal control systems was

## (Translation)

appropriate. Also, there are no items to be noted on the Directors' executions of duties regarding the internal control systems.

(2) Result of the audit of the financial statements and supplements

The methods and results of audits conducted by Aarata Audit Corporation, our Accounting Auditor, are appropriate.

(3) Result of the audit of the consolidated financial statements

The methods and results of audits conducted by Aarata Audit Corporation, our Accounting Auditor, are appropriate.

February 18, 2011

The Board of Statutory Auditors,  
Tonen General Sekiyu K.K.

Tetsuro Yamamoto, Full-time Statutory Auditor (Outside Auditor)

Masaaki Ayukawa, Full-time Statutory Auditor (Outside Auditor)

Masahiro Iwasaki, Statutory Auditor

## Reference Materials for General Meeting of Shareholders

### Proposals and References

#### Proposal No.1: Retained Earnings Distribution

The Company considers providing superior total returns to shareholders as one of its top management priorities, with the objective of steadily increasing shareholder value over time. Our basic policy is to continue to deliver stable dividends to shareholders, while maintaining a sound financial structure and giving due consideration to trends in consolidated cash flows and future capital expenditures. We continue with our view that the company's wealth that is not otherwise required in our business in a way that meets our rigorous profitability standards should be returned to shareholders.

In accordance with the basic policy, it is proposed that the Company pay a term-end dividend for the 91st Business Term, as described below:

1. A dividend of ¥19.00 per common share, totaling ¥10,724,072,340  
(As the Company paid an interim dividend of ¥19.00 per share, the total amount of dividends for the 91st term shall be ¥38.00 per share.)
2. The dividend will take effect on March 28, 2011

**Proposal No. 2: Partial Amendments to the Articles of Incorporation**

1. Reasons for amendments

In accordance with the provisions of Article 426, paragraph 1 of the Companies Act, it is proposed to newly establish Article 25, paragraph 1 and Article 33, paragraph 1 of the Articles of Incorporation to permit exemption of liability of Directors and Statutory Auditors to the extent provided by laws and ordinances by resolution of the Board of Directors so that they can fully manifest their expected roles.

In accordance with the provisions of Article 427, paragraph 1 of the Companies Act, it is proposed to newly establish Article 25, paragraph 2 and Article 33, paragraph 2 of the Articles of Incorporation to permit execution of liability limitation contracts to the amount provided by laws and ordinances with Outside Directors and Outside Statutory Auditors so that they can fully manifest their expected roles.

For these reasons, the Company proposes that Articles 25 to 31 and Articles 32 to 36 be renumbered accordingly.

All the Statutory Auditors have consented to this proposal to newly establish these provisions to limit liability of Directors.

2. Contents of amendments

Described below are the current provisions of the Articles of Incorporation and the proposed amendments.

(The amendments are underlined.)

Current Provisions	Provisions to be amended
[Newly provided]	<p><u>Article 25. (Limitation of Liability of Directors)</u></p> <p><u>In accordance with the provisions of Article 426, paragraph 1 of the Companies Act, the Company may, by resolution of the Board of Directors, exempt any Director (including any former Director) from the liability under Article 423, paragraph 1 of the Companies Act, to the extent permitted by laws and ordinances.</u></p>

	<p><u>2. In accordance with the provisions of Article 427, paragraph 1 of the Companies Act, the Company may enter into an agreement with Outside Directors to limit the liability under Article 423, paragraph 1 of the Companies Act to the amount provided by laws and ordinances.</u></p>
<p>Article <u>25</u> ~ Article <u>31</u> [Provisions omitted]</p>	<p>Article <u>26</u> ~ Article <u>32</u> [Same as the current Articles 25 to 31]</p>
<p>[Newly provided]</p>	<p><u>Article 33. (Limitation of Liability of Statutory Auditors)</u></p> <p><u>In accordance with the provisions of Article 426, paragraph 1 of the Companies Act, the Company may, by resolution of the Board of Directors, exempt any Statutory Auditor (including any former Statutory Auditor) from the liability under Article 423, paragraph 1 of the Companies Act, to the extent permitted by laws and ordinances.</u></p> <p><u>2. In accordance with the provisions of Article 427, paragraph 1 of the Companies Act, the Company may enter into an agreement with Outside Statutory Auditors to limit the liability under Article 423, paragraph 1 of the Companies Act to the amount provided by laws and ordinances.</u></p>
<p>Article <u>32</u> ~ Article <u>36</u> [Provisions omitted]</p>	<p>Article <u>34</u> ~ Article <u>38</u> [Same as the current Articles 32 to 36]</p>

### Proposal No.3: Election of Nine Directors to the Board of Directors

The term of office of all of the Directors will expire at the close of this Ordinary General Meeting of Shareholders. Hence, it is hereby proposed that nine Directors be elected increasing the number of Directors by four in order to reinforce the management of the Company.

The candidates for Directors are as follows:

No.	Name (Date of Birth)	Brief History, Position and Business in Charge in the Company, and Important Concurrent Status	Number of Shares of the Company Held
1	M. J. Aguiar (March 10, 1957)	8/1980 Joined Exxon Chemical Company, a Division of Exxon Corporation 7/2004 Vice President of , Aromatics Global Business Unit, ExxonMobil Chemical Company, a Division of Exxon Mobil Corporation (“EMCC”) 11/2006 Vice President, Basic Chemicals Global Business Unit, EMCC 3/2009 Director, TonenGeneral Sekiyu K.K. (“TG”) 4/2009 Director, Refining, Asia Pacific, ExxonMobil Asia Pacific Pte. Ltd. (Present) 7/2009 Director and Chairman of the Board, TG (Present) 7/2009 Director, ExxonMobil Yugen Kaisha (Present)	None
2	P. P. Ducom (January 5, 1965)	7/1987 Joined Exxon Chemical France 1/2005 Intermediates Global Supply and Planning Manager, ExxonMobil Chemical Company, a Division of Exxon Mobil Corporation 12/2007 Representative Director, Vice President and Chemical Division Manager, ExxonMobil Yugen Kaisha (“EMYK”) 12/2007 Representative Director, President, Tonen Chemical Corporation (Present) 12/2007 Representative Director, President, Tonen Chemical Nasu Corporation (“TCN”) 12/2007 Representative Director, Chairman, Nippon Unicar Company Limited (Present) 3/2009 Director, TonenGeneral Sekiyu K. K. (“TG”) 10/2009 Operating Committee Member and President, TCN (Present) 3/2010 Representative Director and President, TG (Present) 10/2010 Representative Director and President, EMYK (Present)	None

No.	Name (Date of Birth)	Brief History, Position and Business in Charge in the Company, and Important Concurrent Status	Number of Shares of the Company Held
3	Jun Mutoh (August 20, 1959)	4/1982 Joined General Sekiyu K.K. (Currently TG) 3/2004 Director, Wakayama Refinery Manager, TG 3/2006 Representative Director, Managing Director, Wakayama Refinery Manager, TG 3/2006 Director, Kyokuto Petroleum Industries, Ltd. (Present) 4/2006 Representative Director, Managing Director, Kawasaki Refinery Manager, TG (Present)	2,000
4	S. K. Arnet (May 12, 1959)	6/1984 Joined Esso Norway 9/2004 Manager Project Implementation Company Operated Retail Stores, Europe & Africa, ExxonMobil Petroleum & Chemical 5/2008 Manager Company Operated Retail Stores, Europe & Africa, ExxonMobil Petroleum & Chemical 9/2008 Director, ExxonMobil Yugen Kaisha (“EMYK”) 10/2008 Representative Director, Vice President (Fuels Marketing), EMYK (Present) 3/2009 Director, TonenGeneral Sekiyu K. K. (Present)	None
5	D. R. Csapo (June 17, 1955)	7/1979 Joined Exxon Corporation 11/2003 Vice President and Controller, ExxonMobil Mediterranean 9/2006 Assistant Treasurer, Credit, Exxon Mobil Corporation 1/2008 Controller/Treasurer, ExxonMobil Yugen Kaisha (“EMYK”) 9/2008 Director, Controller/Treasurer, EMYK 3/2009 Director, TonenGeneral Sekiyu K. K. (Present) 10/2010 Director, Business Services Manager/Controller, EMYK (Present) 10/2010 Representative Director, Tonen Chemical Corporation (Present)	None
6	Yasushi Onoda (December 30, 1962)	4/1985 Joined Tonen Corporation (Currently TG) 1/2004 Assistant to Process Manager, Kawasaki Refinery, TG 4/2006 Sakai Refinery Manager, TG 7/2008 General Manager and Sakai Refinery Manager, TG 12/2009 SHE Senior Advisor, ExxonMobil Corporation (Present)	None
7	Tomohide Miyata (May 8, 1965)	4/1990 Joined Tonen Corporation (Currently TG) 6/2004 Manager, Maintenance & Inspection Department, Wakayama Refinery 4/2006 Wakayama Refinery Manager 7/2008 General Manager and Wakayama Refinery Manager (Present)	None

No.	Name (Date of Birth)	Brief History, Position and Business in Charge in the Company, and Important Concurrent Status	Number of Shares of the Company Held
8	Yukinori Ito (March 8, 1936)	4/1962 Joined The Export-Import Bank of Japan (currently Japan Bank for international Cooperation) 6/1991 Senior Executive Director, The Export-Import Bank of Japan 4/1995 Corporate Advisor, Mitsubishi Corporation 4/2002 Professor of Department of Economics, Teikyo University 1/2003 Statutory Auditor, AOC Holdings, Ltd. 3/2007 President & CEO, Centennial Economic Advisors (Japan), Inc. 6/2007 Director, Shinsei Bank, Limited 6/2010 Retired from Director, Shinsei Bank, Limited	None
9	Masaoki Funada (June 3, 1942)	4/1965 Joined Mitsubishi Chemical Corporation ("MCC") 6/1996 Member of the Board, MCC 6/1999 Managing Executive Officer, MCC 6/2002 Senior Managing Director, Representative Director, Senior Managing Executive Officer COO, Petrochemical Segment, MCC 6/2004 Deputy Chief Executive Officer, Representative Director, Member of the Board, MCC 10/2005 Member of the Board, Mitsubishi Chemical Holdings Corporation 4/2007 Member of the Board, MCC 6/2007 Advisor, MCC 6/2008 Retired from MCC	None

Notes: 1. The above candidates Messrs. M. J. Aguiar, P. P. Ducom, S. K. Arnet and D. R. Csapo are Directors of EMYK. EMYK is a parent company of TG, and is engaged in the same business as the Company (sales of petroleum products). The Company supplies petroleum products and entrusts its marketing and administrative functions to EMYK. In addition, EMYK entrusts logistics services to the Company.

2. The other candidates have no special interest with the Company.

3. Mr. Yukinori Ito and Mr. Masaoki Funada are candidates for Outside Director.

4. The Company has nominated Mr. Yukinori Ito as a candidate for Outside Director since he has served as a Director and as a Statutory Auditor of other companies, and he can take advantage of his abundant expertise to perform duties as an Outside Director.

5. The Company has nominated Mr. Masaoki Funada as a candidate for Outside Director since he has served as management in chemical business, and he can take advantage of his abundant expertise to perform duties as an Outside Director.

6. The Company intends to enter into an agreement with Mr. Yukinori Ito and Mr. Masaoki Funada to limit the liability for damages pursuant to the provision of

Article 427, paragraph 1 of the Companies Act. The limit on the liability for damages under the agreement shall be as provided for in laws and ordinances.

#### Proposal No. 4: Election of Three Statutory Auditors

The term of office of all of the Statutory Auditors will expire at the close of this Ordinary General Meeting of Shareholders. Hence, it is hereby proposed that three Statutory Auditors be elected.

The Board of Statutory Auditors has consented to this proposal.

The candidates for Statutory Auditors are as follows:

No.	Name (Date of Birth)	Brief History and Position in the Company, and Important Concurrent Status	Number of Shares of the Company Held
1	Tetsuro Yamamoto (December 23, 1948)	4/1972 Joined Mitsubishi Bank (currently Bank of Tokyo-Mitsubishi UFJ) 6/2000 Statutory Auditor, Konami Corporation 3/2007 Statutory Auditor, Tonen Chemical Corporation (“TCC”) 3/2007 Statutory Auditor, TonenGeneral Sekiyu K. K. (“TG”) 6/2007 Full-time Statutory Auditor, TCC 3/2010 Statutory Auditor, TCC (Present) 3/2010 Full-time Statutory Auditor, TG (Present)	None
2	Masaaki Ayukawa (July 28, 1945)	4/1969 Joined Chuo Audit Corporation (Later renamed ChuoAoyama Audit Corporation) 2/1971 Registered with Japanese Institute of Certified Public Accountants 4/2004 Deputy Chairman, ChuoAoyama Audit Corporation 9/2006 Executive Board Member, Misuzu Audit Corporation (Renamed from ChuoAoyama Audit Corporation) 8/2007 Liquidator, Misuzu Audit Corporation (Present) 3/2009 Statutory Auditor, Tonen Chemical Corporation (Present) 3/2009 Full-time Statutory Auditor, TonenGeneral Sekiyu K. K. (Present) 12/2009 Statutory Auditor, Chuo Sekiyu Hanbai K. K. (Present)	None
3	Masahiro Iwasaki (March 13, 1949)	4/1973 Joined Toa Nenryo Kogyo K. K. (Currently TonenGeneral Sekiyu K. K. (“TG”)) 3/2001 Sakai Refinery Manager, TG 4/2006 Project Executive, TG 6/2006 Representative Director and President, Nansei Sekiyu K. K. 4/2009 Advisor, Mitsubishi Chemical Corporation 3/2010 Full-time Statutory Auditor, Tonen Chemical Corporation (Present) 3/2010 Statutory Auditor, TG (Present)	2,000

- Note: 1. The above candidates have no special interests with the Company.
2. Mr. Tetsuro Yamamoto and Mr. Masaaki Ayukawa are candidates for Outside Statutory Auditor.
  3. The Company has nominated Mr. Tetsuro Yamamoto as a candidate for Outside Statutory Auditor since he has served as a Director of a financial institution, and as a full-time statutory auditor of a business corporation, and then became an Outside Statutory Auditor of the Company, and he can take advantage of his abundant expertise to perform duties as an Outside Statutory Auditor appropriately. Mr. Yamamoto will have served for four years in the position of Outside Statutory Auditor of the Company at the close of this General Meeting of Shareholders.
  4. The Company has nominated Mr. Masaaki Ayukawa as a candidate for Outside Statutory Auditor since he has years of experience as a Certified Public Accountant auditing several listed companies, and he can take advantage of his abundant expertise to perform duties as an Outside Statutory Auditor appropriately. Mr. Ayukawa will have served for two years in the position of Outside Statutory Auditor of the Company at the close of this General Meeting of Shareholders.
  5. The Company intends to enter into an agreement with Mr. Tetsuro Yamamoto and Mr. Masaaki Ayukawa to limit the liability for damages pursuant to the provision of Article 427, paragraph 1 of the Companies Act. The limit on the liability for damages under the agreement shall be as provided for in laws and ordinances.

**Proposal No. 5: Election of One Alternate Statutory Auditor**

Since the term of the Alternate Statutory Auditor expires at the commencement of this General Meeting of Shareholders, the following candidate is proposed for election as an Alternate Statutory Auditor in order to fill any vacancy caused by a Statutory Auditor not fulfilling his term for any reason, as the minimum number of Statutory Auditors required by law is three.

The Board of Statutory Auditors has consented to this proposal.

The candidate for Alternate Statutory Auditors is as follows:

Name (Date of Birth)	Personal History, Incumbent Position, and Important Concurrent Status	Number of Shares of the Company Held
Hisayoshi Kobayakawa (January 18, 1941)	10/1964 Joined Price Waterhouse Accounting Office 7/1996 Executive Representative Partner, Aoyama and Senior Partner of P&W Japan 3/2000 Statutory Auditor, General Sekiyu K. K. (currently TonenGeneral Sekiyu K. K., "TG") 7/2000 Full-time Statutory Auditor, TG 3/2004 Statutory Auditor, Tonen Chemical Corporation ("TCC") 3/2007 Full-time Statutory Auditor, TCC 3/2007 Statutory Auditor, TG 6/2007 Full-time Statutory Auditor, TG 6/2007 Statutory Auditor, TCC 3/2009 Alternate Statutory Auditor, TG (Present)	10,000

- Notes: 1. The above candidate has no special interest with the Company.
2. Mr. Hisayoshi Kobayakawa is a candidate for an Alternate Outside Statutory Auditor.
3. The Company has nominated Mr. Hisayoshi Kobayakawa as a candidate for Alternate Outside Statutory Auditor since he is qualified as a Certified Public Accountant of Japan and has served for years as an Outside Statutory Auditor of the Company, and he can take advantage of his abundant expertise to perform duties as an Outside Statutory Auditor.