

January 4, 2016

TonenGeneral Sekiyu K.K.

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Today, the first business day of 2016, TonenGeneral Sekiyu K.K. president Jun Mutoh delivered the following message to TonenGeneral Group employees.

2016 New Year Message from the TonenGeneral Sekiyu K.K. President

Greetings and Happy New Year.

2015 was a year in which we made further progress in two areas specified in our medium-term management plan: strengthening our core businesses, namely our oil and chemical segments; and developing growth options utilizing our strengths.

I would like to thank each and every one of you for your efforts and achievements over the past year despite the severe business conditions that we faced.

Initiatives in 2015

First, let's take a look at safety over the past year. In 2015, we completed major turnarounds at our Sakai and Wakayama refineries without incidents or lost-time injuries. We must remain vigilant and continue our Group-wide efforts to maintain safety.

We also made significant advances over the past year in strengthening our core businesses. These include cross-functional initiatives through Integrated Business Teams for optimization throughout the Group, an increase in the number of Seven-Eleven alliance sites to 120, collaborations with other companies in Chiba and Kawasaki, the launch of integrated LP gas motouri Gyxis Corporation, and the start of consigned manufacturing of lubricants for Cosmo Sekiyu at our Tsurumi plant.

As for the development of growth options in 2015, in our electric power business, we announced plans for natural gas power generation in Shimizu and coal-fueled power generation in Chiba, and carried out initiatives toward the realization of these projects. In preparation for full deregulation of the electric power market in April of this year, we registered as an electric power retailer and are working toward the achievement of a business model that encompasses the entire supply chain, from power generation to sales. In our overseas business, we established a joint venture company in Australia, where our operations are focused on terminal construction and sales network development.

As illustrated by the above, in 2015 we made steady progress in enhancing our management base and strengthening our core businesses, both based on a foundation of safe operations.

Business integration with JX Holdings, Inc.

On December 3 of last year, we concluded a memorandum of understanding for a business integration with JX Holdings, Inc., signifying our intent to begin discussions to that end. As we begin the new year, I would like to share some thoughts on this matter.

Since our transition to the new TonenGeneral Group in 2012, we have worked as a team to thrive in the industry. However, the long-term decline in domestic demand and unpredictability in crude oil prices and other aspects of the business environment are expected to continue, and the question of how to effectively and sustainably increase our corporate value and fulfill of our social responsibility over the next 20 or 30 years has been a constant concern.

Discussions with JX Holdings convinced us that they shared our intent and vision for the future, and led to the mutual conclusion that combining the tangible and intangible strengths of our two corporate groups over the long term was the best option. We will pursue further discussions for the business integration with JX Holdings in the spirit of fairness and equitability.

Through the business integration, we aim to develop into one of the most prominent and internationally-competitive comprehensive energy, natural resource and materials company groups in Asia, and to contribute to the development of a sustainable and vigorous economy and society. To achieve this vision, we will implement fundamental, zero-based business changes in the pursuit of sound business management. We have set a target of an increase of over 100 billion yen in annual earnings within five years after the business integration.

Our slogan, Think deeply. Shape the future., encapsulates the true nature of the TonenGeneral Group. Our wisdom, which enables us to think rationally and get down to the essence, and our enthusiasm, which enables us to take sound action with a sense of urgency to make positive changes for the future, are important assets and reveal our true nature. I hope our true nature will also be evident in the business integration with JX Holdings.

The business integration is currently slated for April 2017. An integration preparation team comprising members from both companies will be established, speeding up the move toward the integration. In the meantime, I ask that you maintain your focus on your day-to-day business operations, which are of great importance. Let's keep working to maintain our management base, upheld by safe operations and our high ethical standards, to further enhance our strengths.

Once again, I would like to extend my best wishes for the new year. In 2016, let's keep looking ahead to a new start toward a bright future.

Jun Mutoh
President and Representative Director
TonenGeneral Sekiyu K.K.

[The official language for TonenGeneral Sekiyu's filings with the Tokyo Stock Exchange and Japanese authorities, and for communications with our shareholders, is Japanese. We have posted English versions of some of this information on this website. While these English versions have been prepared in good faith, TonenGeneral Sekiyu does not accept responsibility for the accuracy of the translations, and reference should be made to the original Japanese language materials.]