

**Annual Securities Report for 2009**  
(Pursuant to Financial Instruments and Exchange Act)

(The English translation of the  
“Yukashoken-Houkokusho” for  
the 90th term ended December 31, 2009)

**TonenGeneral Sekiyu K.K.**

This document is the English translation of the following documents:

1. *Yukashoken-Houkokusho* (Annual Securities Report) based on Article 24, paragraph (1) of the Financial Instruments and Exchange Act filed on March 26, 2010 using the Electronic Data Processing System for Disclosure (EDINET) as provided for in Article 27-30-2 of the Financial Instruments and Exchange Act. The translation includes a table of contents and pagination that are not included in the electronic filing.
2. Appended to the back of this document, are the *Naibutousei-Houkokusho* (Internal Control Report) and *Kakuninsho* (Confirmation Letter) that were filed at the same time as the Annual Securities Report, and the *Kansa-Houkokusho* (Independent Auditors' Report) that was attached to the Annual Securities Report when it was filed using the aforementioned method.

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[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.]

## [Cover]

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Company name (Japanese):	東燃ゼネラル石油株式会社 (TonenGeneral Sekiyu Kabushiki Kaisha)
Company name (English):	TonenGeneral Sekiyu K.K.
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## A. Information on the Company

### I. Overview of the Company

#### 1. Key financial data and trends

##### (1) Consolidated financial data

Term	86th term	87th term	88th term	89th term	90th term
Year ended	December 31, 2005	December 31, 2006	December 31, 2007	December 31, 2008	December 31, 2009
Net sales (Million yen)	2,856,182	3,078,772	3,049,842	3,272,429	2,111,753
Ordinary income (loss) (Million yen)	22,822	65,987	15,073	131,290	(34,545)
Net income (loss) (Million yen)	13,015	39,820	7,014	79,285	(21,718)
Net assets (Million yen)	230,159	249,155	214,279	270,500	227,359
Total assets (Million yen)	968,334	1,019,517	1,045,536	901,598	875,177
Net assets per share (Yen)	394.56	425.60	377.41	478.89	402.72
Net income (loss) per share (Yen)	22.01	68.27	12.12	140.34	(38.46)
Diluted net income per share (Yen)	–	–	–	–	–
Shareholders' equity ratio (%)	23.8	24.3	20.4	30.0	26.0
Return on equity (ROE) (%)	5.4	16.7	3.0	32.8	–
Price earnings ratio (PER) (Times)	57.61	17.27	90.98	6.38	–
Net cash provided by (used in) operating activities (Million yen)	39,951	75,085	6,682	145,092	5,418
Net cash provided by (used in) investing activities (Million yen)	(14,422)	(34,433)	(19,479)	(6,469)	(24,063)
Net cash provided by (used in) financing activities (Million yen)	(25,390)	(40,557)	12,748	(138,595)	18,691
Cash and cash equivalents at end of period (Million yen)	569	664	614	488	789
Number of employees [Separately, average number of temporary employees] (Person)	2,497 [2,019]	2,378 [1,776]	2,357 [1,631]	2,278 [1,667]	2,354 [1,559]

- (Note) 1. Net sales do not include consumption taxes (meaning consumption tax and local consumption tax. The same shall apply hereinafter).
2. Diluted net income per share prior to the 90th term is not noted because the Company has not issued any dilutive securities.
3. Diluted net income per share for the 90th term is not noted because it is the net loss per share and the Company has not issued any dilutive securities.
4. The "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board of Japan, December 9, 2005, ASBJ Statement No. 5) and the "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board of Japan, December 9, 2005, ASBJ Guidance No. 8) have been applied since the 87th term.

## (2) Non-consolidated financial data

Term	86th term	87th term	88th term	89th term	90th term
Year ended	December 31, 2005	December 31, 2006	December 31, 2007	December 31, 2008	December 31, 2009
Net sales (Million yen)	2,800,894	3,027,083	3,014,375	3,260,775	2,089,668
Ordinary income (loss) (Million yen)	7,075	95,117	(1,226)	117,298	(37,517)
Net income (loss) (Million yen)	4,055	77,200	4,368	72,600	(22,550)
Capital stock (Million yen)	35,123	35,123	35,123	35,123	35,123
Total number of shares issued (Shares)	583,400,000	583,400,000	565,182,000	565,182,000	565,182,000
Net assets (Million yen)	166,442	221,909	184,358	235,133	190,907
Total assets (Million yen)	917,982	986,415	1,004,819	859,357	827,831
Net assets per share (Yen)	285.33	380.49	326.30	416.27	338.15
Dividend per share (Yen)	36.50	37.00	37.50	38.00	38.00
[Interim dividend per share] (Yen)	[18.00]	[18.50]	[18.50]	[19.00]	[19.00]
Net income (loss) per share (Yen)	6.86	132.36	7.55	128.51	(39.93)
Diluted net income per share (Yen)	–	–	–	–	–
Shareholders' equity ratio (%)	18.1	22.5	18.3	27.4	23.1
Return on equity (ROE) (%)	2.3	39.8	2.2	34.6	–
Price earnings ratio (PER) (Times)	184.90	8.91	146.09	6.96	–
Payout ratio (%)	528.6	28.0	496.7	29.6	–
Number of employees [Separately, average number of temporary employees] (Person)	1,656 [66]	1,559 [62]	1,570 [39]	1,590 [83]	1,604 [62]

(Note) 1. Net sales do not include consumption taxes.

2. Diluted net income per share prior to the 90th term is not noted because the Company has not issued any dilutive securities.

3. Diluted net income per share for the 90th term is not noted because the per share data is the net loss per share and the Company has not issued any dilutive securities.

4. The "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board of Japan, December 9, 2005, ASBJ Statement No. 5) and the "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board of Japan, December 9, 2005, ASBJ Guidance No. 8) have been applied since the 87th term.

## 2. History

Jul. 1939	Toa Nenryo Kogyo K.K. (“Tonen”, capital amount: 50 million yen) established for the purpose of producing aviation fuels and lubricants.
May 1941	Tonen Wakayama Refinery started operation.
Nov. 1944	Tonen Shimizu Refinery started operation.
Jul. 1947	General Bussan K.K. (later renamed General Sekiyu K.K. “GSK”, capital amount: 180,000 yen) established for the purpose of marketing, importing and exporting petroleum products.
Feb. 1949	Tonen concluded an affiliation agreement with Standard Vacuum Oil Company (“SVOC”), a joint venture of the predecessors of Exxon Corporation and Mobil Corporation. SVOC became Tonen’s major shareholder.
Apr. 1949	GSK designated as an oil wholesaler.
Sep. 1950	Tonen’s stock listed on the Tokyo Stock Exchange.
Nov. 1952	GSK entered into business alliance with SVOC.
Jul. 1953	GSK’s stock listed on the Tokyo Stock Exchange.
Nov. 1958	GSK and Tonen jointly established General Sekiyu K.K. (“General Refining”), with each holding 50% interest.
Nov. 1960	General Refining’s Kawasaki Refinery started operation.
Dec. 1960	Tonen established Tonen Sekiyu Kagaku K.K. (currently Tonen Chemical Corporation).
Aug. 1961	Tonen sold its shares in General Refining to SVOC (later transferred to Exxon).
Mar. 1962	In connection with the dissolution of SVOC, Exxon and Mobil each became 25% owner of Tonen.
Mar. 1962	Tonen Kawasaki Refinery started operation.
Jul. 1965	General Refining’s Sakai Refinery started operation.
Jan. 1967	General Bussan K.K. renamed General Sekiyu K.K. (“GSK”) and General Sekiyu K.K. renamed General Sekiyu Seisei K.K. (“General Refining”).
Feb. 1972	Equity participation by Tonen in Kygnus Sekiyu K.K.
May 1972	Equity participation by GSK in Nansei Sekiyu K.K.
May 1979	Exxon acquired 49% of outstanding shares of GSK. GSK acquired 50% of outstanding shares of General Refining held by Exxon, becoming the 100% owner of General Refining.
Oct. 1980	General Refining merged into GSK.
Dec. 1984	GSK concluded an alliance agreement with Exxon’s Japan affiliate.
Mar. 1987	Refining facilities at GSK Kawasaki Refinery dismantled.
Dec. 1987	Refining facilities at Tonen Shimizu Refinery dismantled.
Jul. 1989	Toa Nenryo Kogyo K.K. renamed Tonen Corporation (“Tonen”).
Jul. 1997	Exxon’s shareholding ratio in GSK increased to 50.1%.
Jan. 1999	GSK concluded mutual services agreement with Exxon’s Japan affiliate.
Jul. 2000	GSK (surviving company) merged with Tonen and renamed TonenGeneral Sekiyu K.K. (“TG”). As a result of this merger and the 1999 merger of Exxon and Mobil, TG became an indirect majority-owned subsidiary of Exxon Mobil Corporation. Integrated operations began among TG and other ExxonMobil affiliates in Japan.
Dec. 2004	All of TG’s shares in Kygnus Sekiyu K.K. sold to San-ai Sekiyu K.K.
Nov. 2007	Tonen Specialty Separator G.K. established as a 100% indirect subsidiary of TG, for the manufacturing and marketing of battery separator films.
Feb. 2008	Tonen Specialty Separator Korea Limited (currently Toray Tonen Specialty Separator Korea Limited) established in Korea as a 100% subsidiary of Tonen Specialty Separator G.K.
Apr. 2008	All of TG’s shares in Nansei Sekiyu K.K. sold to Petrobras International Braspetro B.V.
Jan. 2010	Tonen Specialty Separator G.K. accepted a capital injection from Toray Industries, Inc. and was renamed Toray Tonen Specialty Separator G.K. Film businesses in Japan and Korea were combined into 50-50 joint venture between TG and Toray.

### 3. Description of business

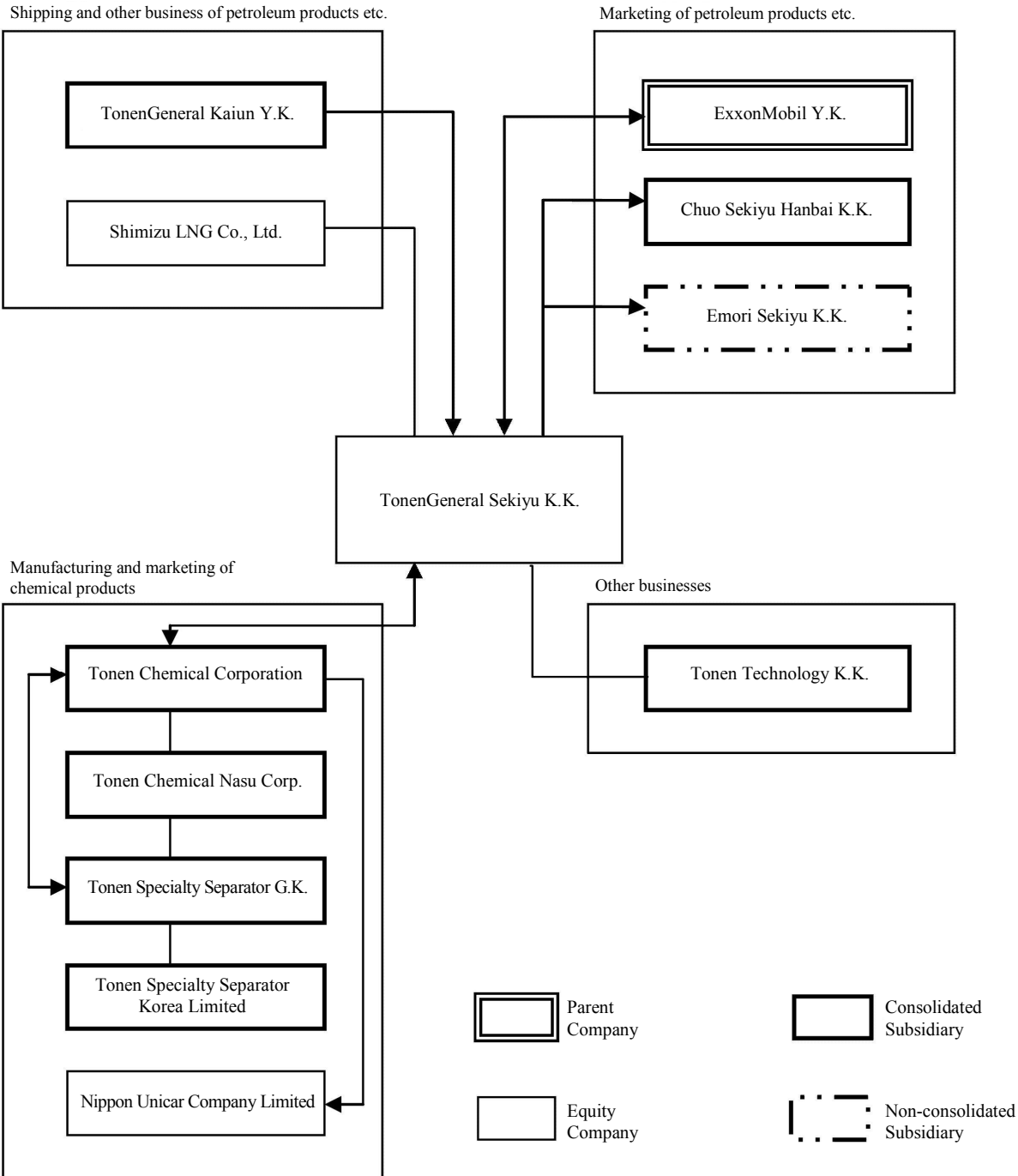
Major businesses of the TonerGeneral Group (TG Group)'s 12 companies (TonerGeneral Sekiyu K.K. [the Company], 7 consolidated subsidiaries, 2 equity companies, 1 affiliated company and 1 parent company) are importing, shipping, refining and marketing of crude oil, petroleum products, chemical products and related products.

The following table shows the relationship between the business activities and the respective positions of the Company and its subsidiaries and affiliates with respect to the aforesaid business activities and the segmentation by business line. For details of the major companies, see "4. Information on subsidiaries and affiliates."

Segment	Function	Major business	Name of company	Number of companies
Oil	Marketing	Sales of Petroleum Products	TonerGeneral Sekiyu K.K., ExxonMobil Y.K., Chuo Sekiyu Hanbai K.K., Emori Sekiyu K.K.	4
	Refining	Manufacturing, Processing and Sales of Petroleum Products	TonerGeneral Sekiyu K.K.	1
	Shipping	Marine Transportation of Crude Oil and Petroleum Products	TonerGeneral Kaiun Y.K.	1
	Others	Purchases and Sales of LNG	Shimizu LNG Co., Ltd.	1
Chemical	Manufacturing and Marketing	Manufacturing, Processing and Sales of Chemical Products	TonerGeneral Sekiyu K.K., ExxonMobil Y.K., Toner Chemical Corp., Toner Chemical Nasu Corp., Toner Specialty Separator G.K., Toner Specialty Separator Korea Limited, Nippon Unicar Company Limited	7
Other		Construction Management	Toner Technology K.K.	1

- (Note)
1. Exxon Mobil Corporation, which indirectly owns 100% of the equity of ExxonMobil Y.K. via its subsidiaries, is another parent company, but it is not included in this table as there are no material business transactions with the Company.
  2. Toner Chemical Nasu Corporation changed its corporate form from a kabushiki kaisha to a godo kaisha as of October 1, 2009.
  3. All of the Company's shares in Kyusyu Eagle K.K. were sold on December 15, 2009.

Business structure of the TG Group is shown below:



#### 4. Information on subsidiaries and affiliates

##### (1) Parent companies

Name of company and address	Capital	Major business	Percentage of voting rights in TG (%)	Relationship
				Business relationship
ExxonMobil Y.K. Minato-ku, Tokyo	50,000 million yen	Marketing of Petroleum Products etc.	50.5	(1) ExxonMobil Y.K. and the Company mutually conduct sales of petroleum products and provision of services. (2) Marketing functions and administrative and service functions are entrusted to ExxonMobil Y.K. (3) ExxonMobil Y.K. leases part of the office space to the Company. (4) The Company conducts integrated management of short-term financing with ExxonMobil Y.K. (5) Directors of ExxonMobil Y.K. have concurrent positions in the Company.
Exxon Mobil Corporation Irving, Texas, U.S.A. (Location of head office)	5,503 million US Dollars	Exploration, development, refining and marketing of petroleum resources etc.	50.5 (50.5)	Exxon Mobil Corporation has no material business transactions with the Company.

- (Note) 1. Exxon Mobil Corporation, which indirectly owns 100% of the equity of ExxonMobil Y.K. via its subsidiaries, is another parent company, but there are no material business transactions with the Company.
2. The percentage of voting rights in TG owned by Exxon Mobil Corporation is entirely the percentage of voting rights indirectly held via ExxonMobil Y.K.
3. Figures in parentheses in the "Percentage of voting rights in TG" column are the percentage of voting rights indirectly owned by parent companies and are included in the figures outside the parentheses.

**(2) Consolidated subsidiaries**

Name of company and address	Capital	Major business	Percentage of voting rights held by TG (%)	Relationship
				Business relationship
Tonen Chemical Corporation Minato-ku, Tokyo	4,500 million yen	Chemical	100	(1) Tonen Chemical Corp. purchases petrochemical feedstock from the Company. (2) The Company conducts integrated management of short-term financing with Tonen Chemical Corp. (3) The Company entrusts part of the refining operations of the Kawasaki Refinery to Tonen Chemical Corp. (4) The Company leases part of the land of Kawasaki Refinery to Tonen Chemical Corp. (5) Directors of Tonen Chemical Corp. have concurrent positions in the Company.
Tonen Chemical Nasu Corp. Nasushiobara-City, Tochigi Pref.	300 million yen	Chemical	100 (100)	(1) The Company conducts integrated management of short-term financing with Tonen Chemical Nasu Corp. (2) Operating Committee Member of Tonen Chemical Nasu Corp. has concurrent positions in the Company.
Tonen Specialty Separator G.K. Nasushiobara-City, Tochigi Pref.	101 million yen	Chemical	100 (100)	(1) Tonen Specialty Separator G.K. purchases petrochemical feedstock from some consolidated subsidiaries and markets products. (2) The Company conducts integrated management of short-term financing with Tonen Specialty Separator G.K.
Tonen Specialty Separator Korea Limited Gumi City, Gyeongsangbuk-Do, Republic of Korea	58,800 million Korean won	Chemical	100 (100)	The Company conducts integrated management of short-term financing with Tonen Specialty Separator Korea Limited.
TonenGeneral Kaiun Y.K. Minato-ku, Tokyo	243 million yen	Oil	100	(1) TonenGeneral Kaiun Y.K. conducts shipping of crude oil and products handled by the Company. (2) The Company conducts integrated management of short-term financing with TonenGeneral Kaiun Y.K. (3) Directors of TonenGeneral Kaiun Y.K. have concurrent positions in the Company.
Chuo Sekiyu Hanbai K.K. Minato-ku, Tokyo	30 million yen	Oil	100	(1) Chuo Sekiyu Hanbai K.K. purchases petroleum products from the Company. (2) The Company conducts integrated management of short-term financing with Chuo Sekiyu Hanbai K.K. (3) Directors of Chuo Sekiyu Hanbai K.K. have concurrent positions in the Company.
Tonen Technology K.K. Kawasaki-ku, Kawasaki-City, Kanagawa Pref.	50 million yen	Other	100	The Company conducts integrated management of short-term financing with Tonen Technology K.K.

- (Note) 1. Descriptions in the "Major business" column are names of business segments.  
2. Tonen Chemical Corp. and Tonen Specialty Separator Korea Limited are designated subsidiaries.  
3. Tonen Chemical Nasu Corporation changed its corporate form from a kabushiki kaisha to a godo kaisha as of October 1, 2009.  
4. Figures in parentheses in the "Percentage of voting rights held by TG" column are the percentage of voting rights indirectly owned by TG and are included in the figures outside the parentheses.  
5. None of the subsidiaries stated above are companies that file securities registration statements or annual securities reports.

### (3) Equity companies

Name of company and address	Capital	Major business	Percentage of voting rights held by TG (%)	Relationship
				Business relationship
Shimizu LNG Co., Ltd. Shimizu-ku, Shizuoka-City, Shizuoka Pref.	3,000 million yen	Oil	35	(1) The Company leases part of the land of Shimizu Refinery, wharf facilities etc. to Shimizu LNG Co., Ltd. (2) The Company provides loan guarantees to Shimizu LNG Co., Ltd.
Nippon Unicar Company Limited Shinagawa-ku, Tokyo	2,000 million yen	Chemical	50 (50)	(1) Nippon Unicar Company Limited purchases petrochemical products to be used as feedstock from some consolidated subsidiaries. (2) The Company leases part of the land of Kawasaki Refinery to Nippon Unicar Company Limited.

- (Note) 1. Descriptions in the "Major business" column are names of business segments.  
2. Figures in parentheses in the "Percentage of voting rights held by TG" column are the percentage of voting rights indirectly owned by TG and are included in the figures outside the parentheses.  
3. None of the equity companies stated above are companies that file securities registration statements or annual securities reports.

## 5. Employees

### (1) Consolidated

(As of December 31, 2009)

Business segment	Number of employees
Oil	1,741 [1,530]
Chemical	588 [26]
Other	25 [3]
Total	2,354 [1,559]

- (Note) The number of employees is the number of working employees, and the average number of temporary employees during this fiscal year is given in parentheses separately.

### (2) Non-consolidated

(As of December 31, 2009)

Number of employees	Average age (Years old)	Average years of service (Year)	Average annual salary (Yen)
1,604 [62]	44.8	23.7	10,010,226

- (Note) 1. The number of employees is the number of working employees, and the average number of temporary employees during this fiscal year is given in parentheses separately.  
2. Average annual salary (including taxes) includes overtime allowances, and bonuses.  
3. The Company entrusts administrative and service functions (general business affairs, personnel, accounting, etc.) and marketing functions to ExxonMobil Y.K., and the Company has 269 employees currently loaned-out to ExxonMobil Y.K.

### (3) Labor union

The Company and its consolidated subsidiaries have three labor unions other than the ExxonMobil Group Union and the Zensekiyu General Sekiyu Labor Union, organized by employees. There are a total of 1,651 union members, and normal industrial relations are being maintained with all labor unions.

## II. Business overview

### 1. Overview of business results

#### (1) Operating results

The world economy has suffered from the effects of the global financial crisis that began in 2008. In 2009, the economy gradually moved to a recovery track after the spring, but each country and region moved at a different pace. While China and certain other developing countries experienced a stronger recovery, Europe, the United States and Japan showed signs of only moderate growth. In the case of Japan, in particular, exports have gradually recovered in response to demand increases in Asia, but private-sector capital investment, residential housing investment and consumer spending have continued to struggle.

In 2009, the crude market exhibited a moderate upward trend compared to the 2008 price surge when record highs were observed and subsequent steep decline. The price per barrel for Dubai crude, generally used as a reference price for our industry in the Asia-Pacific region, began in 2009 in the 40 to 49 dollar range, but started an upward trend in mid-March, arriving at between 60 and 80 dollars in the latter half of the period. As a result, the 2009 year-end level of 77 dollars was around 42 dollars higher than at the end of 2008. The average for the year was 62 dollars per barrel, 32 dollars (34%) lower than the previous period. The yen began and ended the year at around 90 yen per dollar, though with both up and down trends during the period. The yen-US dollar exchange rate (TTS) averaged 94.6 yen per dollar for the year, 9.8 yen stronger than the previous year. The average Dubai price for 2009, in yen terms, on a loaded basis, was 36.9 yen per liter, 25.0 yen per liter (40%) less than 2008.

Overall domestic demand for petroleum products continued to decrease in 2009, continuing a trend from 2006. Gasoline demand slightly surpassed that of 2008, which was depressed due to high retail pump prices. Kerosene, Diesel, Fuel Oil A and Fuel Oil C demand continued to decrease. The main reasons for these decreases, other than the effects of the economic downturn referred to above, were a warm winter, a shift to alternative energy sources such as electricity and gas instead of Kerosene, more efficient operation in the transportation sector, fuel switching to other energy sources for Diesel and Fuel Oil A, and the absence of the demand for Fuel Oil C for electricity generation that accompanied nuclear power plant shutdowns in 2008.

In the Petrochemical sector, domestic demand suffered a significant drop in the fourth quarter 2008, reached the bottom in the first quarter 2009, and then gradually recovered in the remainder of 2009 driven by strong economic growth in China. On a full year basis, paraxylene and ethylene production slightly increased compared to the previous year while benzene and propylene production decreased by a few percentage points versus 2008. Balanced to long supply/demand conditions combined with relatively low crude and naphtha prices led to relatively low market prices for aromatics and olefins products in 2009. The market prices of petrochemical products gradually increased in the second half of 2009, following the rise of crude oil and other feedstock prices. However, the average market prices in 2009 ended up lower than in 2008 due to the significant decrease in the first half of 2009. The Asian spot market price for ethylene dropped from an average 1,198 \$/Ton in 2008 to 850 \$/Ton in 2009, and paraxylene dropped from 1,184 \$/Ton to 996\$/Ton.

Consolidated net sales for 2009 amounted to 2,111.8 billion yen, 1,160.7 billion yen, or 35.5%, less than the previous year. This substantial decrease was primarily due to lower prices for petroleum products versus 2008, reflecting significant crude oil price decreases. Consolidated operating income showed a loss of 34.6 billion yen, a 156.3 billion yen decrease from the previous year. The details of major business segments are presented below.

#### a. Oil

Oil segment operating income showed a loss of 38.4 billion yen, a decrease of 146.1 billion yen from the previous year.

The loss in the oil segment was primarily due to declining margins resulting from decreasing fuel demand and the negative impact from our prompt crude cost recognition accounting methods.

We account for crude procurement costs when crude oil is loaded, in contrast to the arrival basis cost accounting method generally employed by other companies in the industry, so that the impact of fluctuations in crude prices is recognized earlier. When crude prices rise, we are adversely affected, and we benefit when crude prices drop.

With the cost of the benchmark Dubai crude rising from 36 dollars per barrel at December 31, 2008 to 77 dollars by December 31, 2009, we estimate the adverse effect of this accounting difference during this period to be approximately 35.0 billion yen (the effect was positive 74.5 billion yen in the previous year).

We provide below a comparison of our estimates for operating income for our oil segment, excluding special factors including such as that referred to above.

Analysis of oil segment operating income comparison versus the previous period

(Unit: Billion yen)

	2009	2008	Increase / (decrease)
Operating income	(38.4)	107.7	(146.1)
Effect of difference in timing of crude cost accounting (estimate)	(35.0)	74.5	(109.5)
Inventory-related gains	7.4	14.1	(6.7)
Divestment-related gains	–	11.0	(11.0)
Operating income excluding above special factors (estimate)	(10.8)	8.1	(18.9)

**b. Chemical**

Chemical segment operating income was 3.8 billion yen, a decrease of 10.1 billion yen from the previous year.

The decline in results in our chemical segment versus the prior year was due mainly to low margins and volumes reflecting the severe economic conditions of 2009.

**c. Other**

For construction management, net sales were 781 million yen and operating income was 33 million yen.

Consolidated ordinary income showed a loss of 34.5 billion yen (165.8 billion yen less than the previous year), with net non-operating income of 13 million yen, reflecting foreign exchange gains and equity in losses of affiliates.

Extraordinary items including loss on idle asset divestments and asset impairments resulted in a net extraordinary loss of 1.6 billion yen. As a result, consolidated net income showed a loss of 21.7 billion yen (a 101.0 billion yen decrease from the previous year).

**(2) Cash flows**

At the end of December 31, 2009, the outstanding balance of cash and cash equivalent was 789 million yen, an increase of 301 million yen versus 2008 year end. Our Company's basic policy, for reasons of financial efficiency, is to try to minimize the holding cash except where impracticable in operations or where there is economic benefit to the Company. In this consolidated accounting period, surpluses which cannot be used to pay down term debt have been placed as short-term loans receivable to group companies. Key factors of cash flows are summarized below.

In the period from January to December 2009, cash flows from operating activities were positive 5,418 million yen. Positive factors such as depreciation and amortization and a decrease in working capital following changes of trade accounts payable and receivable outweighed negative factors such as loss before income taxes and minority interests and income taxes paid.

Cash flows from investing activities were negative 24,063 million yen. The cash outflows mainly came from capital expenditures.

Cash flows from financing activities were positive 18,691 million yen. The cash inflows from a collection of short-term loans receivable and an increase in short-term loans payable exceeded the cash outflows for cash dividends paid.

## 2. Production, consignments and sales

### (1) Production

Production volume by business segment for the consolidated accounting period is as follows:

Business segment	Current period (January 1, 2009 through December 31, 2009)	Increase / (decrease) from prior period (%)	Major products
Oil	(KKL) 30,143	5.2	Gasoline, naphtha, jet fuel, kerosene, diesel fuel, fuel oils, lubricants oils, LPG, etc.
Chemical	(KTon) 2,625	5.7	Ethylene, propylene, benzene, toluene, paraxylene, battery separator film, etc.

(Note) The amounts stated above show the total production volumes of the consolidated manufacturing companies.

### (2) Consignment

There was no consignment of major products during the consolidated accounting period.

### (3) Sales

Sales amount by business segment for the consolidated accounting period is as follows:

Business segment	Current period (January 1, 2009 through December 31, 2009) (Million yen)	Increase / (decrease) from prior period (%)	Major products, etc.
Oil	1,917,453	(34.3)	Gasoline, naphtha, jet fuel, kerosene, diesel fuel, fuel oils, lubricants oils, LPG, etc.
Chemical	193,518	(45.2)	Ethylene, propylene, benzene, toluene, paraxylene, battery separator film, etc.
Other	781	(42.0)	Construction management
Total	2,111,753	(35.5)	–

(Note) 1. Sales by major customer and its ratio to total sales are as follows:

Customer name	Prior period (January 1, 2008 through December 31, 2008)		Current period (January 1, 2009 through December 31, 2009)		Major products
	Amounts (Million yen)	Ratio (%)	Amounts (Million yen)	Ratio (%)	
ExxonMobil Y.K.	1,874,964	57.3	1,231,182	58.9	Gasoline, kerosene, diesel fuel, LPG, etc.
ExxonMobil Asia Pacific Pte. Ltd.	–	–	213,805	10.2	Gasoline, kerosene, diesel fuel, fuel oils, etc.

2. The amounts stated above do not include consumption taxes.

3. The sales amount by business segment show sales to third parties.

### **3. Future prospects and our challenges**

#### **(1) Business issues**

The business environment in which the TG Group operates is forecast to continue to be severe in 2010. Even 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 the Oil business, we will continue to focus on effective utilization of secondary units, 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 our “Express” brand value and further expansion of the alliance network with Seven-Eleven Japan.

In the Chemical business, we will continue to enhance 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 battery separator film business through the joint venture with Toray Industries, Inc.

To steadily enhance shareholders’ value from long-term perspective is another important objective for us. 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.

The TG Group firmly determined to ensure the implementation of the above measures in the respective business segments and will continue working to achieve safe and reliable operations, stable supply of high-quality products, high level of environmental protection, while maintaining commitment to our legal compliance and ethical conduct.

#### **(2) Financial issues**

The Company, aiming to raise financial efficiency, is minimizing the holding of cash to the extent that is possible for company operations. Moreover, consolidated interest-bearing debt at the end of the fiscal year was 88.6 billion yen, a year-on-year increase of 14.0 billion yen. Our basic policy is to deliver appropriate dividends to shareholders while giving due consideration to cash flow trends and future capital investments. We adhere to a financial policy that cash flow that is not otherwise required in our business in a way that meets our rigorous investment standards should be returned to shareholders.

### **4. Business and other risks**

The following are risk factors that may affect operating results, financial position and stock prices, etc. in the TG Group.

#### **(1) Competitive factors**

The energy and petrochemical industries are highly competitive. There is competition within the industry, as well as with other industries, in supplying products to customers. A key component of the Company’s competitive position, particularly given the commodity-based nature of many of its products, is its ability to manage expenses successfully, which requires continuous management focus on reducing unit costs and improving efficiency.

#### **(2) Political factors**

The operations and earnings of the TG Group have been, and may in the future be, affected from time to time in varying degrees by political developments and governmental activity including new laws and regulations. Examples of potential activities or events include: forced divestiture of assets, restrictions on production, imports and exports; war or other international conflicts; civil unrest and local security concerns that threaten the safe operation of company facilities; price controls; change in taxation; expropriation of property; cancellation of contract rights; and environmental regulations. Both the likelihood of such occurrences and their overall effect upon the TG Group vary greatly and are not predictable.

#### **(3) Environmental policies**

It is possible that government action related to environmental matters could adversely affect the business results of the TG Group.

#### **(4) Industry and economic factors**

The operations and earnings of the TG Group is affected by local, regional and global events or conditions that in turn affect supply and demand for oil, petroleum products and petrochemical products. These events and conditions are generally not predictable and include, among other things, general economic growth rates and the occurrence of economic recessions, supply disruptions, weather, including seasonal patterns that affect energy demand and severe weather events that can disrupt operations; technological advances, including advances in technology relating to energy usage in refining and production; changes in demographics, including population growth rates and consumer preferences; and the competitiveness of alternative hydrocarbon or other energy sources or product substitutes.

#### **(5) Market risks, inflation and other uncertainties**

Crude oil, petroleum product and chemical prices have fluctuated widely in response to changing market forces. The impacts of these price fluctuations on earnings of the TG Group are generally not predictable.

#### **(6) Information management risk**

In an effort to secure proper use and management of confidential information including personal data, the TG Group has taken appropriate measures such as installation of firewalls on computer networks, introduction of computer antivirus software to protect internal database and PC operations, monitoring of computer networks, and use of dedicated lines for data exchange with external parties. We have required that service providers to whom we have outsourced our customer data adopt the same security policies, to ensure that our customer data has been properly managed and monitored. Nevertheless, in cases of loss, leak or falsification of internal information including customer data, our business activities might be negatively affected.

Among the risks stated above, the risks relative to the future events are the perception as of the end of this period. The risks stated above do not necessarily cover all risks relative to the TG Group.

### **5. Important business contracts**

Addressing the difficult business environment surrounding the industry and to boost our competitiveness, the TG Group concluded the following contracts with ExxonMobil Y.K. on June 1, 2002 for (1) to (3) of the following and on April 1, 2003 for (4) of the following, and is striving to simplify and streamline the business.

#### **(1) Agreement relating for the supply of petroleum products**

The Company has concluded an agreement relating for the supply of petroleum products to ExxonMobil Y.K.

#### **(2) Agreement for logistics services**

The Company has concluded an agreement with ExxonMobil Y.K. under which TonenGeneral is entrusted with certain logistic functions of ExxonMobil Y.K.

#### **(3) Agreement for comprehensive services**

The TG Group concluded agreements for comprehensive services under which ExxonMobil Y.K. is entrusted with marketing functions and administrative functions of the TG Group.

#### **(4) Agency agreement**

Tonen Chemical Corp., a consolidated subsidiary, has concluded an agency agreement with ExxonMobil Y.K., utilizing ExxonMobil Y.K. as an agent to centralize its sales and logistics operations.

The TG Group collaborates with ExxonMobil affiliated companies abroad in the supply of crude oil, petroleum products and feedstocks, the provision of services and technological assistance.

Furthermore, the Company concluded a final agreement with Toray Industries, Inc., on December 21, 2009 to establish a joint venture for development, production, and sales of battery separator film and inaugurated a joint venture on January 29, 2010. For details, see "V. Financial Information, Notes to Consolidated Financial Statements, (Significant subsequent events)."

## **6. Research and development activities**

The following describes an overview of the TG Group's main research activities during the consolidated fiscal year under review. During this period, research and development costs totaled 4.0 billion yen.

### **(1) Oil**

The TG Group is conducting active research and development activities, mainly at the Research Center, that focus on petroleum products and the oil refining process.

During this period, the following research and development activities were conducted.

- a. With respect to fuels, we conducted research aimed at achieving advancements in fuel manufacturing processes, and research aimed at maintaining and improving fuel product quality. In the area of automobile fuels in particular, where new standards and policies for the expanded introduction of bio-fuel feedstocks are under review, we focused on research of fuel manufacturing and fuel supply processes associated with the introduction of bio-fuels and investigation related to the quality assurance of bio-fuels. We also continued our evaluation and assessment of the fuel quality required by vehicles that are equipped with new-technology engines such as common rail diesel engines.
- b. With respect to lubricating oils, our attention was directed to the automobiles sector and our efforts included development of new products, quality improvement research and review of market trends. We particularly focused on developing engine oils and drive system lubricants that contribute to lower fuel cost and thus contribute to environmental protection. In addition, we conducted research into core technology for lubricants that can give rise to a new generation of products.

Total research and development costs for oil products totaled 1.5 billion yen.

### **(2) Chemical**

We pushed ahead energetically with research and technological development activities aimed at further developing the high function materials business based on unique technology of the TG Group. Moreover, working in collaboration with the chemical products division of the ExxonMobil Group, we also continued technological development activities aimed at cultivating new global markets for this business.

Total research and development costs for the chemical products totaled 2.5 billion yen.

### **(3) Other**

There were no research and development costs for other businesses.

## 7. Analysis of financial position, operating results and cash flows

### (1) Financial position

Total assets as of December 31, 2009 totaled 875.2 billion yen, a 26.4 billion yen decrease from December 31, 2008. The change was mainly attributable to a decrease in short-term loans receivable. Total liabilities amounted to 647.8 billion yen, a 16.7 billion yen increase from December 31, 2008, which is mainly due to an increase in accounts payable-trade reflecting higher crude prices at the end of the year, partially offset by a decrease in income taxes payable. Net assets as of December 31, 2009 amounted to 227.4 billion yen, a 43.1 billion yen decrease from December 31, 2008, which was mainly due to net loss and cash dividends paid.

### (2) Cash flows

For details of cash flows in the current period, see “II. Business overview 1. Overview of business results (2) Cash flows.”

In 2010, free cash flow (the sum of operating cash flows and investing cash flows) is anticipated to increase versus 2009, with forecast larger earnings.

### (Reference) Key financial indexes

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Shareholders' equity ratio (%) - book base	23.8	24.3	20.4	30.0	26.0
Shareholders' equity ratio (%) - market base	76.4	67.4	59.6	56.1	50.0
Cash flow vs. interest-bearing debt (Times)	1.9	0.8	16.7	0.5	16.3
Interest coverage ratio (Times)	69.7	108.3	9.4	205.0	14.5

- (Note) 1. All indicators have been calculated based on consolidated financial data.  
2. Definitions are as follows:  
Shareholders' equity ratio - book base: (period-end total net assets - period-end minority interests) / period-end total assets  
Shareholders' equity ratio - market base: total value of stock ex. treasury stock at period-end market price / period-end total assets  
Cash flow vs. interest-bearing debt: period-end interest-bearing debt / operating cash flows  
Interest coverage ratio: operating cash flows / interest paid  
3. Operating cash flows is net cash provided by (used in) operating activities shown in the Consolidated Statement of Cash Flows.  
4. Interest-bearing debt is actual interest-bearing debt, defined as short-term loans payable and long-term loans payable on the Consolidated Balance Sheet.  
Interest paid is the amount shown in the Consolidated Statement of Cash Flows.

### (3) Operating results

For details of the analysis of operating results, see “II. Business overview 1. Overview of business results (1) Operating results.”

Among the items stated above, matters relating to future prospects reflect judgments made as of the end of this period.

### III. Facilities

#### 1. Overview of capital expenditures

Capital expenditures by the TG Group in the current period amounted to 26,221 million yen in total. A breakdown of these expenditures by business segment is presented below.

	(Unit: Million yen)
	Current period
Oil	14,956
Chemical	11,265
Other	–
Total	26,221

In the Oil segment, the Company enhanced its Bio-ETBE blending facilities in Kawasaki Refinery and invested in its Kawasaki, Sakai and Wakayama Refineries to enhance export capacity. In the Chemical segment, the construction of a new facility to manufacture battery separator films in Republic of Korea continued in the current period.

(Note) The capital expenditures amounts stated above include intangible assets such as expenditures in software acquisition.

## 2. Major facilities

Major facilities of the TG Group are as follows.

### (1) The Company

(As of December 31, 2009)

Office and factory name (Location)	Business segment	Description	Book value (Million yen)					Number of employees
			Buildings, structures and tanks	Machinery, equipment and vehicles	Land (Size: m <sup>2</sup> )	Tools, furniture and fixtures	Total	
Head Office (Minato-ku, Tokyo)	Oil	Marketing and supply facilities etc.	9,174	1,809	30,589 (872,306) [100,421]	236	41,809	142 {17}
Kawasaki Refinery (Kawasaki-ku, Kawasaki-City, Kanagawa Pref.)	Oil	Refining facility	20,087	26,974	25,729 (2,017,446)	529	73,321	664 {18}
Sakai Refinery (Nishi-ku, Sakai-City, Osaka Pref.)	Oil	Refining facility	5,635	16,642	5,366 (770,560)	135	27,780	358 {13}
Wakayama Refinery (Arida-City, Wakayama Pref.)	Oil	Refining facility	10,151	11,041	7,300 (2,471,979) [49,135]	216	28,710	440 {14}

### (2) Domestic subsidiaries

(As of December 31, 2009)

Company, office and factory name	Location	Business segment	Description	Book value (Million yen)					Number of employees
				Buildings, structures and tanks	Machinery, equipment and vehicles	Land (Size: m <sup>2</sup> )	Tools, furniture and fixtures	Total	
Tonen Chemical Corp. Kawasaki Plant	Kawasaki-ku, Kawasaki-City, Kanagawa Pref.	Chemical	Manufacturing facility	3,053	4,476	– (–)	54	7,584	391 {23}
Tonen Chemical Corp. Chidori Plant	Kawasaki-ku, Kawasaki-City, Kanagawa Pref.	Chemical	Research facility	630	69	8,982 (177,610)	43	9,726	– {–}
Tonen Specialty Separator G.K. Nasu Plant	Nasushiobara-City, Tochigi Pref.	Chemical	Manufacturing facility	2,382	3,089	1,468 (101,990)	76	7,017	117 {3}

- (Note) 1. Other than what is stated above, property, plant and equipment includes construction in progress of 18,924 million yen.  
2. The amounts stated above do not include consumption taxes.  
3. The figure in square parentheses [ ] is the area of leased land.  
4. The number of employees stated in curly brackets { } is the number of temporary employees.  
5. The major land for rent that is included as land of the Company is stated below.

Office and factory	Lessee	Book value (Million yen)	Size (m <sup>2</sup> )
Head Office	Shimizu LNG Co., Ltd. (equity company)	881	98,700
Kawasaki Refinery	Nippon Unicar Company Limited (equity company)	691	174,339
	Japan Polypropylene Corporation	282	29,155

6. The major land for rent that is included as land of domestic subsidiaries is stated below.

Name of company	Office and factory	Lessee	Book value (Million yen)	Size (m <sup>2</sup> )
Tonen Chemical Corp.	Chidori Plant	Japan Polyethylene Corporation	2,500	49,449
		Japan Polypropylene Corporation	557	11,014

### 3. Plans for acquisition and disposal of facilities

The plans for acquisition or repair of significant facilities, or disposal of significant facilities that were certain as of the end of the period are stated below.

#### (1) Acquisition of significant facilities

Company, office and factory name	Location	Business segment	Description	Planned amount of investment		Source of financing	Starting date	Scheduled completion date	Main production capacity after completion
				Total amount (Million yen)	Amount already paid (Million yen)				
The Company, Wakayama Refinery	Arida-City, Wakayama Pref.	Oil	Refining facility	1,300	1,146	own funds	December 2006	March 2010	–
The Company, Kawasaki Refinery	Kawasaki-ku, Kawasaki-City, Kanagawa Pref.	Oil	Refining facility	2,100	2,042	own funds	August 2007	February 2010	–
The Company, Kawasaki Refinery	Kawasaki-ku, Kawasaki-City, Kanagawa Pref.	Oil	Refining facility	1,400	700	own funds	December 2008	April 2010	–
Tonen Chemical Corp., Kawasaki Plant	Kawasaki-ku, Kawasaki-City, Kanagawa Pref.	Chemical	Manufacturing facility	4,700	1,021	own funds	October 2008	March 2012	–
Tonen Chemical Corp., Kawasaki Plant	Kawasaki-ku, Kawasaki-City, Kanagawa Pref.	Chemical	Manufacturing facility	1,700	646	own funds	February 2009	March 2011	–
Tonen Chemical Corp., Kawasaki Plant	Kawasaki-ku, Kawasaki-City, Kanagawa Pref.	Chemical	Manufacturing facility	1,000	315	own funds	February 2009	December 2010	–
Tonen Specialty Separator Korea Limited, Gumi	Gumi City, Gyeongsangbuk-Do, Republic of Korea	Chemical	Manufacturing facility	14,000	8,740	own funds	September 2008	March 2010	–

(Note) The amounts stated above do not include consumption taxes.

#### (2) Disposals of significant facilities

No significant disposals or sales of facilities are scheduled.

## IV. Profile of the Company

### 1. Information on the Company's shares

#### (1) Total number of shares authorized, etc.

##### a. Total number of shares authorized

Class	Total number of shares authorized to be issued
Common stock	880,937,982
Total	880,937,982

##### b. Number of shares issued

Class	Number of shares issued (as of December 31, 2009)	Number of shares issued (as of the filing date: March 26, 2010)	Name of financial instruments exchange where the stock of the Company is traded or the name of authorized financial instruments firms association where the Company is registered	Description
Common stock	565,182,000	565,182,000	Tokyo Stock Exchange (First Section)	(Note)
Total	565,182,000	565,182,000	–	–

(Note) These shares are the Company's standard shares without any restriction of shareholders' rights and the number of shares constituting one voting unit is 1,000 shares.

#### (2) Stock acquisition rights

Not applicable.

#### (3) Exercised corporate bonds with stock acquisition rights with attached clauses to amend the exercise price

Not applicable.

#### (4) Rights plan

Not applicable.

#### (5) Trends in total number of shares issued, capital stock, etc.

Date	Change in the total number of shares issued (Share)	Balance of total number of shares issued (Share)	Change in capital stock (Million yen)	Balance of capital stock (Million yen)	Change in legal capital surplus (Million yen)	Balance of legal capital surplus (Million yen)
December 22, 2005 (Note 1)	(9,143,018)	583,400,000	–	35,123	–	20,741
November 30, 2007 (Note 2)	(18,218,000)	565,182,000	–	35,123	–	20,741

(Note) 1. Decreased due to cancellation of treasury stock in accordance with the provisions of Article 212 of the Commercial Code.

2. Decreased due to cancellation of treasury stock in accordance with the provisions of Article 178 of the Companies Act.

## (6) Shareholder composition

(As of December 31, 2009)

Category	Shareholder composition (Number of shares constituting one voting unit: 1,000 shares)								Odd-lot shares (Share)
	Public sector	Financial institutions	Financial instruments business operators	Other corporations	Foreign investors		Individuals, etc.	Total	
					Companies, etc.	Individuals			
Number of shareholders (Person)	1	96	57	687	310	12	51,701	52,864	–
Number of shares held (Unit)	4	73,625	2,467	297,903	35,912	55	150,171	560,137	5,045,000
Percentage of voting shares (%)	0.00	13.03	0.44	52.73	6.36	0.01	27.43	100.00	–

(Note) 1. The 619,801 shares of treasury stock are presented as follows: 619 voting units are included in “Individuals, etc.” and 801 shares are included in “Odd-lot shares.”

2. In “Other corporations,” 2 voting units under the name of the Japan Securities Depository Center, Inc. are included.

## (7) Major shareholders

(As of December 31, 2009)

Name of shareholders	Address	Number of shares held (Thousands of shares)	Percentage of total number of shares issued (%)
ExxonMobil Y.K.	1-8-15, Kohnan, Minato-ku, Tokyo	282,708	50.02
Japan Trustee Services Bank, Ltd. (Trust Account)	1-8-11, Harumi, Chuo-ku, Tokyo	11,474	2.03
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3, Hamamatsu-cho, Minato-ku, Tokyo	10,353	1.83
Kochi Shinkin Bank	2-4-4, Harimaya-cho, Kochi-City, Kochi Pref.	8,514	1.50
Sompo Japan Insurance Inc.	1-26-1, Nishi-Shinjuku, Shinjuku-ku, Tokyo	7,319	1.29
Nippon Life Insurance Company	Nippon Life Securities Operation Department, 1-6-6, Marunouchi, Chiyoda-ku, Tokyo	4,544	0.80
State Street Bank West Client - Treaty (Standing proxy: Mizuho Corporate Bank, Ltd., Custody & Proxy Department)	1776 HERITAGE PRIVE, N. QUINCY, MA 02171, U.S.A. (4-16-13, Tsukishima, Chuo-ku, Tokyo)	3,302	0.58
SSBT OD05 Omnibus China Treaty Clients (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch) (Securities Trust Account)	338 PITT STREET, SYDNEY, NSW 2000 AUSTRALIA (3-11-1, Nihonbashi, Chuo-ku, Tokyo)	2,811	0.49
Tokio Marine & Nichido Fire Insurance Co. Ltd.	1-2-1, Marunouchi, Chiyoda-ku, Tokyo	2,579	0.45
Japan Trustee Services Bank, Ltd. (Trust Account 1)	1-8-11, Harumi, Chuo-ku, Tokyo	2,172	0.38
Total	–	335,778	59.37

## (8) Voting rights

### a. Shares issued

(As of December 31, 2009)

Classification	Number of shares (Share)	Number of voting rights (Unit)	Description
Shares without voting rights	–	–	–
Shares with restricted voting rights (Treasury stock, etc.)	–	–	–
Shares with restricted voting rights (Other)	–	–	–
Shares with full voting rights (Treasury stock, etc.)	(Treasury stock) Common stock 619,000 (Crossholding stock) Common stock 26,000	–	–
Shares with full voting rights (Other)	Common stock 559,492,000	559,492	–
Odd-lot shares	Common stock 5,045,000	–	–
Total number of shares issued	565,182,000	–	–
Total number of voting rights	–	559,492	–

(Note) The number of “Shares with full voting rights (Other)” includes 2,000 shares (the number of voting rights: 2) under the name of Japan Securities Depository Center, Inc.

### b. Treasury stock, etc.

(As of December 31, 2009)

Name of shareholders	Address	Number of shares held under own name (Share)	Number of shares held under the name of others (Share)	Total number of shares held (Share)	Percentage of total number of shares issued (%)
(Treasury stock) The Company	1-8-15, Kohnan, Minato-ku, Tokyo	619,000	–	619,000	0.11
(Crossholding stock) Emori Sekiyu K.K.	158 Azahama, Maizuru-City, Kyoto Pref.	26,000	–	26,000	0.00
Total	–	645,000	–	645,000	0.11

## (9) Stock options

Not applicable.

## 2. Acquisition of treasury stock

[Class of shares] \_\_\_\_\_ Acquisition of shares of common stock under Article 155, paragraph (7) of the Companies Act

### (1) Acquisition by resolution of the General Meeting of Shareholders

Not applicable.

### (2) Acquisition by resolution of the Board of Directors

Not applicable.

### (3) Items not based on resolution of the General Meeting of Shareholders or Board of Directors

Category	Number of shares (Share)	Total value (Million yen)
Treasury stock acquired during the fiscal year ended December 31, 2009	359,766	293
Treasury stock acquired during the period from January 1, 2010 to the filing date	44,260	34

(Note) The number of shares in treasury stock acquired during the period from January 1, 2010 to the filing date does not include the number of shares acquired through purchase of odd-lot shares during the period from March 1, 2010 to the filing date of this Annual Securities Report.

### (4) Status of disposal and ownership of acquired treasury stock

Category	Fiscal year ended December 31, 2009		From January 1, 2010 to the filing date	
	Number of shares (Share)	Total disposal value (Million yen)	Number of shares (Share)	Total disposal value (Million yen)
Acquired treasury stock offered for subscription	–	–	–	–
Acquired treasury stock that were disposed	–	–	–	–
Acquired treasury stock transferred for merger, share exchange and company split	–	–	–	–
Other (sold on the market)	68,520	61	5,553	4
Treasury stock held	619,801	–	658,508	–

(Note) The number of treasury stock held during the period from January 1, 2010 to the filing date does not include the number of shares acquired through purchase of odd-lot shares or the number of shares sold by request for the Company to sell during the period from March 1, 2010 to the filing date of this Annual Securities Report.

### 3. Dividend policy

Our basic policy is to deliver appropriate dividends to shareholders, while maintaining a sound financial structure, and giving due consideration to consolidated cash flow trends and future capital investments. 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.

It is also a basic policy of the Company to pay an interim dividend and year-end dividend annually, with the former determined by the Board of Directors and the latter by the General Meeting of Shareholders.

Based on this basic policy, the Company paid an annual dividend of 38 yen per share which consisted of a year-end dividend of 19 yen per share and an interim dividend of 19 yen per share.

The Company's Articles of Incorporation stipulate that the Company may pay interim dividends to shareholders with the record date of June 30 each year, upon a resolution by the Board of Directors.

Resolution date	Total dividends (Million yen)	Cash dividends per share (Yen)
Meeting of the Board of Directors held on August 14, 2009	10,730	19.00
Annual General Meeting of Shareholders held on March 26, 2010	10,726	19.00

### 4. Trends in share price

#### (1) Highest and lowest share prices for the most recent 5 years by term

Term	86th term	87th term	88th term	89th term	90th term
Year ended	December 31, 2005	December 31, 2006	December 31, 2007	December 31, 2008	December 31, 2009
Highest (Yen)	1,354	1,288	1,345	1,103	1,031
Lowest (Yen)	923	1,005	1,060	700	745

(Note) The yearly highest and lowest share prices were those recorded on the first section of the Tokyo Stock Exchange.

#### (2) Monthly highest and lowest share prices for the most recent 6 months

Month	July 2009	August 2009	September 2009	October 2009	November 2009	December 2009
Highest (Yen)	979	960	891	873	832	812
Lowest (Yen)	870	880	863	804	745	745

(Note) The monthly highest and lowest share prices were those recorded on the first section of the Tokyo Stock Exchange.

## 5. Members of the Board of Directors and Statutory Auditors

Position	Responsibility	Name (Date of birth)	Personal history	Term of office	Number of shares held (Thousands of shares)
Director and Chairman of the Board		M. J. Aguiar (March 10, 1957)	<p>Aug. 1980 Joined Exxon Chemical Company, a Division of Exxon Corporation</p> <p>Jul. 2004 Vice President, Aromatics Global Business Unit, ExxonMobil Chemical Company, a Division of Exxon Mobil Corporation ("EMCC")</p> <p>Nov. 2006 Vice President, Basic Chemicals Global Business Unit, EMCC</p> <p>Mar. 2009 Director, TonenGeneral Sekiyu K.K. ("TG")</p> <p>Apr. 2009 Director, Refining, Asia Pacific, ExxonMobil Asia Pacific Pte Ltd. (Present)</p> <p>Jul. 2009 Director and Chairman of the Board, TG (Present)</p> <p>Jul. 2009 Director, ExxonMobil Y.K. ("EMYK") (Present)</p>	Note 3	–
Representative Director and President		P. P. Ducom (January 5, 1965)	<p>Jul. 1987 Joined Exxon Chemical France</p> <p>Jan. 2005 Intermediates Global Supply and Planning Manager, ExxonMobil Chemical Company, a Division of EMCC</p> <p>Dec. 2007 Representative Director, Vice President and Chemical Division Manager, EMYK (Present)</p> <p>Dec. 2007 Representative Director, President, Tonen Chemical Corporation ("TCC") (Present)</p> <p>Dec. 2007 Representative Director, President, Tonen Chemical Nasu Corporation ("TCN")</p> <p>Dec. 2007 Representative Director, Chairman, Nippon Unicar Company Limited (Present)</p> <p>Dec. 2007 Representative Director, Advanced Elastomer Systems Korea Limited (Present)</p> <p>Mar. 2009 Director, TG</p> <p>Oct. 2009 Operating Committee Member and President, TCN (Present)</p> <p>Mar. 2010 Representative Director and President, TG (Present)</p>	Note 3	–
Representative Director and Managing Director		Jun Mutoh (August 20, 1959)	<p>Apr. 1982 Joined General Sekiyu K.K. (currently TG)</p> <p>Mar. 2004 Director, Wakayama Refinery Manager, TG</p> <p>Mar. 2006 Representative Director and Managing Director, Wakayama Refinery Manager, TG</p> <p>Mar. 2006 Director, Kyokuto Petroleum Industries, Ltd. (Present)</p> <p>Apr. 2006 Representative Director and Managing Director, Kawasaki Refinery Manager, TG (Present)</p>	Note 3	2
Representative Director and Managing Director		W. J. Bogaty (September 13, 1947)	<p>Jun. 1972 Joined Mobil Corporation</p> <p>Jul. 2000 Representative Director and President, ExxonMobil Business Services Y.K. (currently EMYK)</p> <p>Jul. 2000 Director, TG</p> <p>Jun. 2002 Representative Director and Vice President (Services), EMYK</p> <p>Nov. 2007 Director, TCN</p> <p>Mar. 2008 Representative Director and Managing Director, TG (Present)</p> <p>Jul. 2008 Director, TCC</p> <p>Jul. 2009 Representative Director and President, EMYK (Present)</p> <p>Oct. 2009 Operating Committee Member, TCN (Present)</p> <p>Mar. 2010 Representative Director, TCC (Present)</p>	Note 3	11

Position	Responsibility	Name (Date of birth)	Personal history	Term of office	Number of shares held (Thousands of shares)
Director		Kyoji Yoshida (January 23, 1955)	Apr. 1978 Joined Esso Sekiyu K.K. (Currently EMYK) Dec. 2002 Director, Industrial & Wholesales Manager, EMYK Sep. 2008 Director, EMYK (Present) Sep. 2008 General Manager, TG Mar. 2009 Director, General Manager (External Relations), TG (Present)	Note 3	–
Director		S. K. Arnet (May 12, 1959)	Jun. 1984 Joined Esso Norway Sep. 2004 Manager Project Implementation Company Operated Retail Stores, Europe & Africa, ExxonMobil Petroleum & Chemical May.2008 Manager Company Operated Retail Stores, Europe & Africa, ExxonMobil Petroleum & Chemical Sep. 2008 Director, EMYK Oct. 2008 Representative Director, Vice President (Fuels Marketing), EMYK (Present) Mar. 2009 Director, TG (Present)	Note 3	–
Director		D. R. Csapo (June 17, 1955)	Jul. 1979 Joined Exxon Corporation Nov. 2003 Vice President and Controller, ExxonMobil Mediterranean Sep. 2006 Assistant Treasurer, Credit, EMCC Jan. 2008 Controller/Treasurer, EMYK Sep. 2008 Director, Controller/Treasurer, EMYK (Present) Mar. 2009 Director, TG (Present)	Note 3	–
Full-time Statutory Auditor		Tetsuro Yamamoto (December 23, 1948)	Apr. 1972 Joined Mitsubishi Bank (Currently The Bank of Tokyo-Mitsubishi UFJ, Ltd.) Jul. 1999 Director, Tokyo-Mitsubishi Securities Co., Ltd. (Currently Mitsubishi UFJ Securities Co., Ltd.) Jun. 2000 Statutory Auditor, Konami Corporation Mar. 2007 Statutory Auditor, TG Mar. 2007 Statutory Auditor, TCC Jun. 2007 Full-time Statutory Auditor, TCC Mar. 2010 Statutory Auditor, TCC (Present) Mar. 2010 Full-time Statutory Auditor, TG (Present)	Note 4	–
Full-time Statutory Auditor		Masaaki Ayukawa (July 28, 1945)	Apr. 1969 Joined Chuo Audit Corporation (Later renamed ChuoAoyama Audit Corporation) Feb. 1971 Registered with Japanese Institute of Certified Public Accountants Apr. 2004 Deputy Chairman, ChuoAoyama Audit Corporation Sep. 2006 Executive Board Member, Misuzu Audit Corporation (Renamed from ChuoAoyama Audit Corporation) Aug. 2007 Liquidator, Misuzu Audit Corporation (Present) Mar. 2009 Statutory Auditor, TCC (Present) Mar. 2009 Full-time Statutory Auditor, TG (Present) Dec. 2009 Statutory Auditor, Chuo Sekiyu Hanbai K.K. (Present)	Note 5	–

Position	Responsibility	Name (Date of birth)	Personal history	Term of office	Number of shares held (Thousands of shares)	
Auditor		Masahiro Iwasaki (March 13, 1949)	Apr. 1973	Joined Toa Nenryo Kogyo K.K. (currently TG)	Note 6	2
			Mar. 2001	Sakai Refinery Manager, TG		
			Apr. 2006	Project Executive, TG		
			Jun. 2006	Representative Director and President, Nansei Sekiyu K.K.		
			Apr. 2009	Advisor, Mitsubishi Chemical Corporation		
			Mar. 2010	Full-time Statutory Auditor, TCC (Present)		
			Mar. 2010	Statutory Auditor, TG (Present)		
Total					15	

- (Note)
1. Full-time Statutory Auditor Mr. Tetsuro Yamamoto and Full-time Statutory Auditor Mr. Masaaki Ayukawa are Outside Statutory Auditors as prescribed by Article 2, paragraph (16) of the Companies Act.
  2. Mr. Hisayoshi Kobayakawa was elected as alternate Statutory Auditor at the Annual General Meeting of Shareholders held on March 26, 2010.
  3. Pursuant to the Articles of Incorporation the term of office is from March 26, 2009 to the close of the Annual General Meeting of Shareholders to be held in March 2011.
  4. Pursuant to the Articles of Incorporation the term of office is from March 27, 2007 to the close of the Annual General Meeting of Shareholders to be held in March 2011.
  5. Pursuant to the Articles of Incorporation the term of office is from March 26, 2009 to the close of the Annual General Meeting of Shareholders to be held in March 2011.
  6. Pursuant to the Articles of Incorporation the term of office is from March 26, 2010 to the close of the Annual General Meeting of Shareholders to be held in March 2011.

## **6. Corporate governance**

### **(1) Corporate governance**

#### **1. Fundamental philosophy**

TonenGeneral regards high ethical standards, effective corporate governance, sound financial controls, operational integrity and sufficient care for safety, health and environment as fundamental for good corporate citizenship. We believe that building a straightforward business model, creating a culture of integrity, legal compliance, governance practices, and implementing management control systems are keys to achieving long-term sustainable results.

The Company's directors and employees are responsible for developing, approving, and implementing plans and actions designed to achieve the Company's objectives. We believe that the methods we employ to attain results are as important as the results themselves. The Company's directors and employees are expected to observe the highest standards of integrity in the conduct of the Company's business. In addition, we are committed to candor, honesty, and integrity in the reports that we make to our investors.

#### **2. Corporate governance of the Company**

##### **(1) Corporate governance structure**

###### **a. The Board of Directors**

Directors have the fiduciary duty to exercise their business judgment in the best interests of shareholders. The Company stipulated in its Articles of Incorporation that the number of directors should not be more than nineteen, and the Board currently consists of seven directors. We consider the size of the Board appropriate because it allows each director to participate meaningfully and exercise effective business judgment through free and vigorous discussions. Basically, the term of office of a director is two years. However, the term of office of any director elected due to an increase in the number of directors, or any director elected to fill a vacancy caused by a resignation of a director before the expiration of his/her term, will expire at the same time as the expiration of the term of office of other directors. A regular meeting of the Board of Directors must convene at least once every three months, and special meetings of the Board of Directors are convened from time to time when necessary. The Board of Directors convened thirteen times during 2009.

###### **b. The Board of Statutory Auditors**

TonenGeneral continues to employ the "Board of Statutory Auditors" system. The Board of Statutory Auditors is independent from the Board of Directors and its primary responsibility is to audit the execution of business by the directors. It monitors the decisions and business execution by the Board of Directors to confirm compliance with laws and the Company's Articles of Incorporation as well as internal standards of business conduct. It also monitors the establishment and state of implementation of corporate governance and internal control systems to appropriately preserve shareholder interests. Currently, the Board of Statutory Auditors consists of three statutory auditors, as required by law, and two of them are full-time and two are outside statutory auditors. Auditors attend important meetings, such as meetings of the Board of Directors and visit major sites such as refineries, terminals and branch offices to audit activities. Moreover, TonenGeneral directors, responsible managers of various divisions, and the directors of subsidiaries are periodically required to explain operations and management control to the statutory auditors. The statutory auditors discuss the audit plans prepared by the accounting auditors and the Internal Audit Group in advance, and receive reports on the audit results. They also review the content of agenda items and relevant documents to be submitted to the General Meeting of Shareholders to ensure that those do not violate laws and/or the Articles of Incorporation.

##### **(2) Implementation of internal control systems**

The following is adopted as the Internal Governance System for the Company:

Since the regulation on internal controls system for financial reporting based on the Financial Instruments and Exchange Act was implemented, the Board of Directors resolved at its February 20, 2009 meeting to add 5) in d. below, "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."

###### **a. 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.

**b. 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. The Company has adopted OIMS and has made information relating to it 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) 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.

**c. 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.

**d. 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 which 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. Last. Checks on the System describes the roles of organizations that 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 Act, evaluate the reliability and effectiveness of the Company and the Group’s financial reporting, and prepare a report on internal controls.

**e. 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 that it controls to adopt the system provided for in this Paragraph e.
- 5) using its existing internal controls system, the Company shall, under the Financial Instruments and Exchange Act, evaluate the reliability and effectiveness of the Company and the Group’s financial reporting, and prepare a report on internal controls.

**f. 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) reports to and consultation with the Statutory Auditors semiannually regarding material items; and
- 4) investigations based on requests by the Statutory Auditors.

**g. 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.

**h. 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.

**i. 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: XXXX

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 Companies Act 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.]

**(3) Remuneration paid to Directors and Statutory Auditors**

	<u>Number</u>	<u>Current payment</u> (Million yen)
Directors	4	152
Statutory Auditors	4	52
(Outside Statutory Auditors)	(3)	(30)

- (Note)
1. The above amount includes an increase of 10 million yen in the provision for directors' retirement benefits (Within 10 million yen, 6 million yen for Outside Statutory Auditors).
  2. In addition to the above amounts, one Outside Statutory Auditor was paid 8 million yen as remuneration by TG's subsidiary since he concurrently served as Statutory Auditor of the subsidiary.
  3. In addition to the above amounts, the Company paid directors' retirement benefits of 44 million yen to a retired Outside Statutory Auditor based on the resolution made at the Annual General Meeting of Shareholders held on March 26, 2009.
  4. In addition to the above amounts, the Company paid directors' retirement benefits of 9 million yen to a retired Director based on the resolution made at the Annual General Meeting of Shareholders held on June 26, 1998. This is because the retired Director was hired by the Company after his retirement as Director and retired from the Company during the current term.

**3. Organization for internal audits and audits of Statutory Auditors; personnel and procedures; reciprocal collaboration with the Accounting Auditor**

Internal audit review shall be conducted by CAS of 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"). The Statutory Auditors obtain assistance with regard to duties from the CAS under this Comprehensive Service Agreement.

Moreover, while maintaining sufficient collaboration with the Accounting Auditor, Statutory Auditors conduct audits of not only the financial statements of the company, the status of implementation of internal control systems and the efficiency of such systems, and the status of preservation of company property but also the subsidiaries and affiliated companies. Before a company audit, Statutory Auditors hold discussions with the Accounting Auditor concerning the audit plan. The Statutory Auditors ask questions concerning the explanation of financial results provided by the responsible departments, attend the actual audit conducted by the Accounting Auditor, and when necessary, discuss other important problems with the Accounting Auditor. The Statutory Auditors have access to the audit results in the form of documents containing an overview and opinions of the audit.

**4. Personal, capital, business or other ties of interest between Outside Statutory Auditors and the Company**

Neither of the two Outside Statutory Auditors has any special interest in the Company.

Messer's Tetsuro Yamamoto and Masaaki Ayukawa concurrently serve as Outside Statutory Auditors of the Company's consolidated subsidiary Tonen Chemical Corp. Tonen Chemical Corp. purchases petrochemical feedstock naphtha from the Company and is entrusted by the Company to conduct part of the refining operations.

**5. Names of the CPA's**

The audit firm and its employees who carried out the work have no special interest in the Company.

The names of the CPA's who carried out the work for this period, the name of the audit firm to which the CPA's belong and the organization of assistants relating to the audit work are presented below.

Names of the CPA's	Name of the audit firm
Masahiro Yamamoto Designated and Engagement Partner	PricewaterhouseCoopers Aarata
Kazuhiko Tomoda Designated and Engagement Partner	Same as above
Assistants relating to the audit work CPA's 3 Others 6	Same as above

**6. Number of Directors**

The Company's Articles of Incorporation stipulates that the number of Directors of the Company is 19 or fewer.

**7. Requirements for a resolution to elect Directors**

The Company's Articles of Incorporation stipulates that a resolution to elect Directors shall be adopted by a majority of the votes of the shareholders present at the General Meeting of Shareholders holding voting rights representing not less than one-third of the number of voting rights of the shareholders who are entitled to exercise their voting rights thereat. In addition, the Articles of Incorporation also stipulates that no cumulative voting shall be used for a resolution to elect Directors.

**8. Applicable matters of situations where resolution matters of a General Meeting of Shareholders can be resolved at a meeting of the Board of Directors' and the reason thereof**

**a. Purchases of treasury stock**

For the purpose of expediting appropriate adjustment of capital structure, the Company's Articles of Incorporation stipulates that it is possible to purchase treasury stock by resolution of the Board of Directors as provided for by Article 165, paragraph (2) of the Companies Act.

**b. Interim dividends**

For the purpose of expediting decisions on interim dividends, the Company's Articles of Incorporation stipulates that the Company is able to provide an interim dividend with a reference date of June 30 each year by resolution of the Board of Directors as provided for by Article 454, paragraph (5) of the Companies Act.

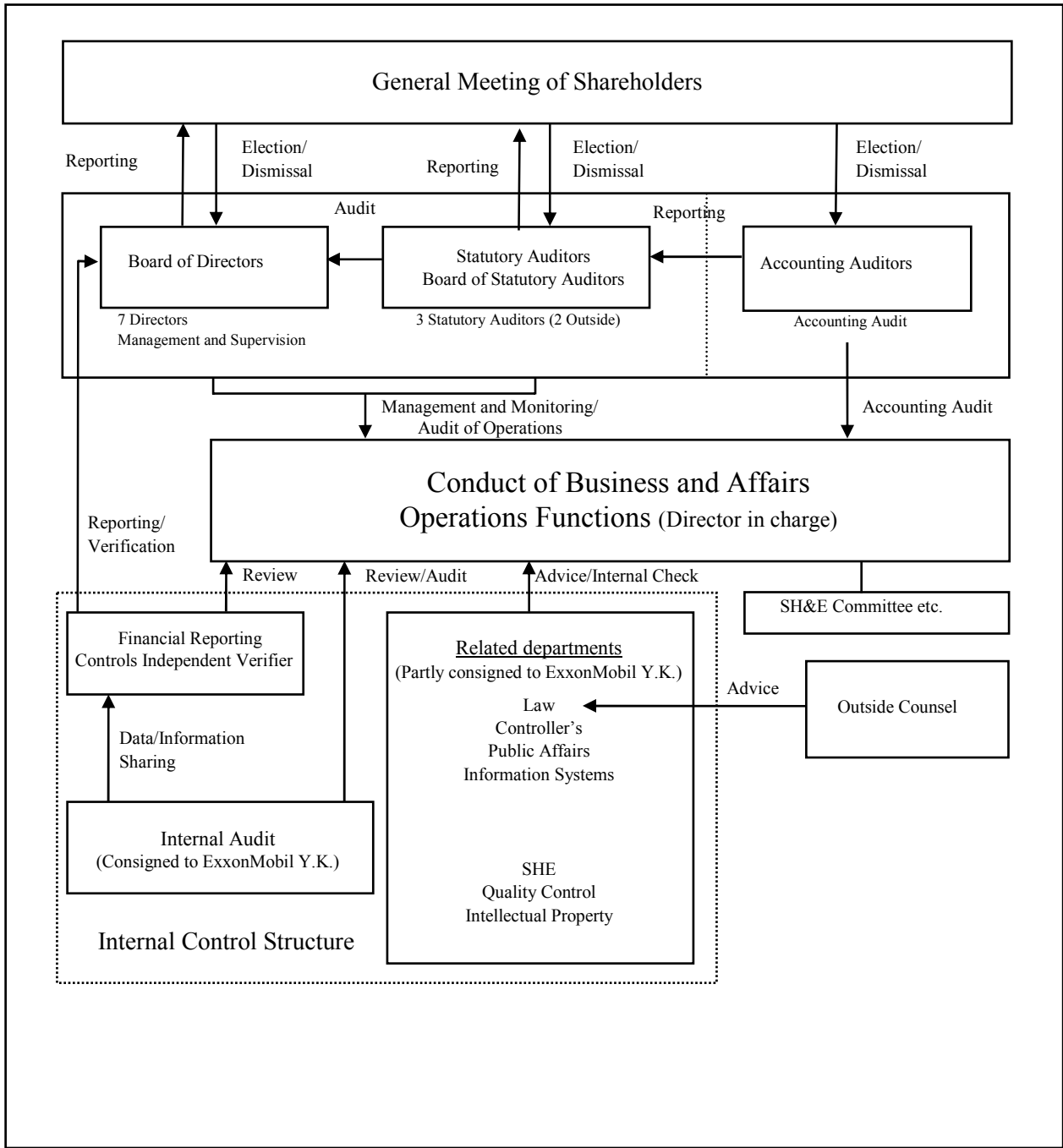
**9. Requirements of special resolution of a General Meeting of Shareholders**

For the purpose of conducting smooth operations at a General Meeting of Shareholders, the Company's Articles of Incorporation stipulates that special resolutions of a General Meeting of Shareholders shall be adopted by not less than two-third of the votes of the shareholders present thereat holding voting rights representing not less than one-third of the number of voting rights of the shareholders who are entitled to exercise their voting rights at the General Meeting of Shareholders in question as provided for by Article 309, paragraph (2) of the Companies Act.

**10. For cases of transactions between the Company and a specified shareholder that pose the risk of conflicting interest between the transaction parties, measures to prevent such transactions harming the interest of shareholders (excluding the shareholder who is party to the transaction)**

ExxonMobil Y.K. is the parent company of the Company, and it owns 50.5% of the Company's voting rights. The Company maintains independence with respect to its management and business activities, and it has established an independent governance system. When conducting transactions with shareholders, the Company does so at an appropriate price level and transaction conditions.

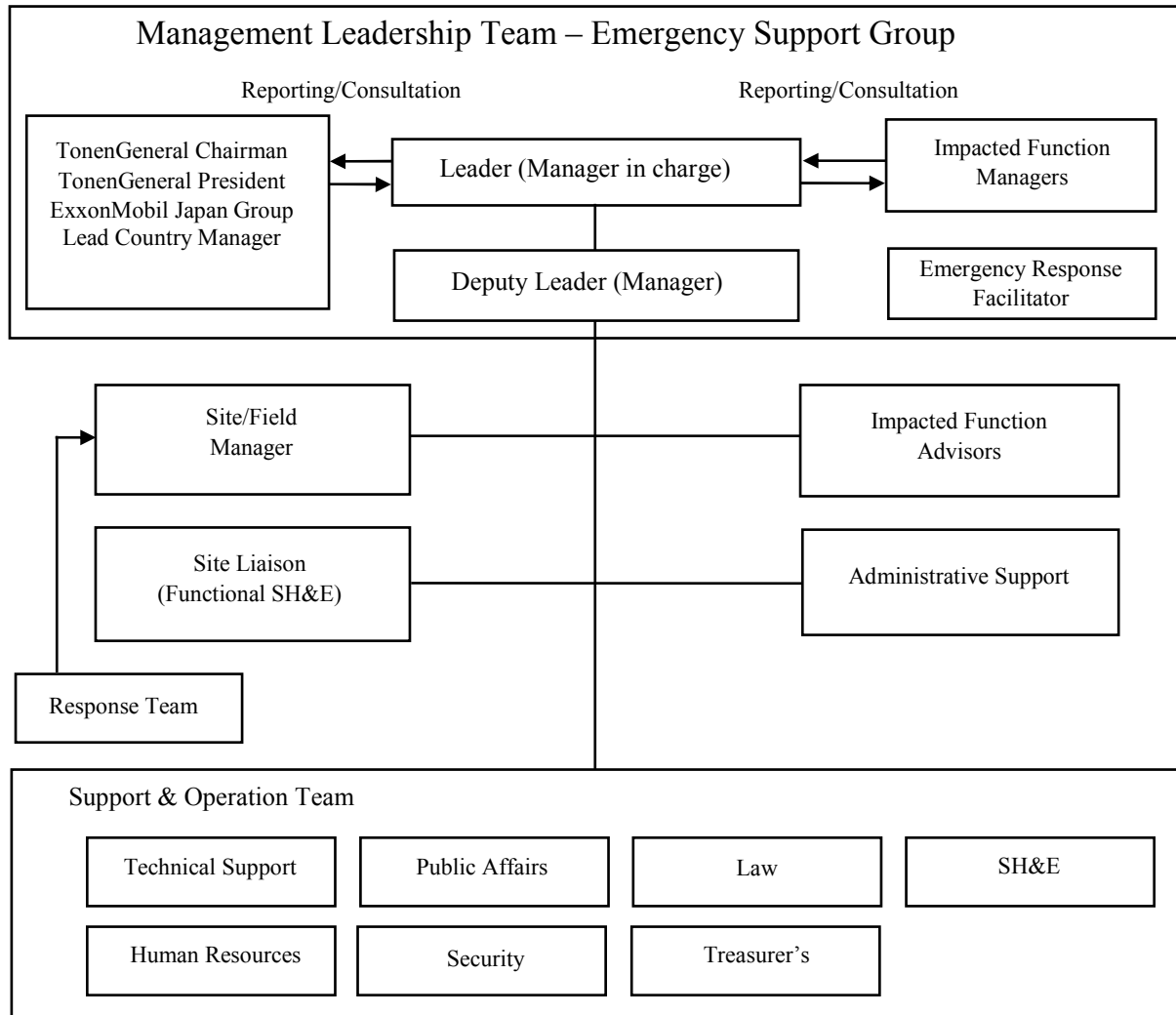
**Framework – conduct of business and affairs, monitoring and internal auditing**



  
**Key Governance System**  
**Standards of Business Conduct**  
**System of Management Control (SMC)**  
**Controls Integrity Management System (CIMS)**  
**Operations Integrity Management System (OIMS)**

**Framework – risk management**

In order to minimize damages in emergency cases, the ExxonMobil Japan Group including TonenGeneral has established plans for emergency response.



## (2) Details of audit-related compensation

### a. Compensation for auditing certified public accountants

Category	Prior period		Current period	
	Compensation for audit attestation (Million yen)	Compensation for non-auditing services (Million yen)	Compensation for audit attestation (Million yen)	Compensation for non-auditing services (Million yen)
The Company	–	–	21	–
Consolidated subsidiary	–	–	2	–
Total	–	–	23	–

(Note) The audit agreement entered into by the Company and the Accounting Auditor does not clearly distinguish the compensation amount being derived from the audit under the Companies Act and that being derived from the audit under the Financial Instruments and Exchange Act and the amounts stated above are the total amounts of these.

### b. Details of other material compensation

Tonen Specialty Separator Korea Limited, a consolidated subsidiary of the Company, pays compensation for audit attestation etc. to Samil PricewaterhouseCoopers which belongs to the same network as the Company's auditing certified public accountants.

### c. Details of non-auditing services provided to the Company by auditing certified public accountants

Not applicable.

### d. Policy for determining audit-related compensation

Not applicable.

## **V. Financial information**

### **- Preparation policy of the consolidated and non-consolidated financial statements**

- (1) The Company prepares consolidated financial statements in accordance with the Regulation for Terminology, Forms and Preparation of Consolidated Financial Statements (Ministry of Finance Ordinance No. 28 of 1976; hereinafter referred to as the “Regulation for Consolidated Financial Statements”).

The consolidated financial statements for the fiscal year ended December 31, 2008 were prepared in accordance with the pre-revised Regulation for Consolidated Financial Statements while those for the fiscal year ended December 31, 2009 were prepared in accordance with the revised Regulation for Consolidated Financial Statements.

- (2) The Company prepares non-consolidated financial statements in accordance with the Regulation for Terminology, Forms and Preparation of Financial Statements (Ministry of Finance Ordinance No. 59 of 1963; hereinafter referred to as the “Regulation for Financial Statements”).

The non-consolidated financial statements for the fiscal year ended December 31, 2008 were prepared in accordance with the pre-revised Regulation for Financial Statements while those for the fiscal year ended December 31, 2009 were prepared in accordance with the revised Regulation for Financial Statements.

- (3) In the original Japanese report, changes have been made to the writing style to make it more uniform. However, as these changes have no impact on the English translation, the details of such changes are herein omitted.

### **- Audit attestation**

The consolidated financial statements for the fiscal year ended December 31, 2008 and for the fiscal year ended December 31, 2009, and the non-consolidated financial statements for the fiscal year ended December 31, 2008 and for the fiscal year ended December 31, 2009 were audited by PricewaterhouseCoopers Aarata, pursuant to the provisions of Article 193-2, paragraph (1) of the Financial Instruments and Exchange Act.

# 1. Consolidated financial statements

## (1) Consolidated financial statements

### a. Consolidated balance sheet

(Unit: Million yen)

	Prior period (December 31, 2008)		Current period (December 31, 2009)	
Assets				
Current assets				
Cash and deposits		488		789
Notes and accounts receivable-trade		390,733		397,307
Inventories		136,970		–
Merchandise and finished goods		–		28,908
Semi-finished goods		–		24,053
Raw materials		–		65,536
Supplies		–		5,115
Income taxes receivable		79		130
Deferred tax assets		5,855		7,120
Short-term loans receivable		91,485		65,077
Other		7,302		10,090
Allowance for doubtful accounts		(71)		(42)
Total current assets		632,843		604,086
Noncurrent assets				
Property, plant and equipment				
Buildings and structures	*1, *3	208,279	*1, *3	207,977
Accumulated depreciation		(159,691)		(161,629)
Buildings and structures, net		48,588		46,348
Tanks	*1, *3	65,377	*1, *3	66,005
Accumulated depreciation		(60,401)		(61,232)
Tanks, net		4,976		4,773
Machinery, equipment and vehicles	*1, *3	599,446	*1, *3	608,201
Accumulated depreciation		(525,041)		(543,679)
Machinery, equipment and vehicles, net		74,405		64,522
Tools, furniture and fixtures	*1, *3	10,465	*1, *3	10,469
Accumulated depreciation		(9,077)		(9,173)
Tools, furniture and fixtures, net		1,387		1,296
Land	*3, *4	80,883	*3, *4	79,265
Construction in progress		12,734		18,924
Total property, plant and equipment		222,976		215,130
Intangible assets				
Goodwill		653		–
Leasehold right		1,714		1,678
Software		3,151		3,760
Other		303		274
Total intangible assets		5,822		5,714
Investments and other assets				
Investment securities	*2	13,873	*2	12,786
Long-term loans receivable		839		674
Deferred tax assets		6,591		21,972
Other		18,994		15,151
Allowance for doubtful accounts		(343)		(339)
Total investments and other assets		39,955		50,246
Total noncurrent assets		268,754		271,090
Total assets		901,598		875,177

(Unit: Million yen)

	Prior period (December 31, 2008)		Current period (December 31, 2009)	
<b>Liabilities</b>				
Current liabilities				
Notes and accounts payable-trade		221,355		267,188
Gasoline taxes payable	*3	189,199	*3	185,983
Short-term loans payable	*3	67,085	*3	82,823
Income taxes payable		40,204		2,342
Accrued consumption taxes		10,311		1,547
Guarantee deposits payable		9,926		9,009
Provision for bonuses		1,310		1,314
Provision for offshore well abandonment		–		2,549
Other		32,437		33,537
Total current liabilities		571,830		586,295
Noncurrent liabilities				
Long-term loans payable	*3	7,493	*3	5,739
Deferred tax liabilities		2,478		1,391
Provision for retirement benefits		28,432		35,027
Provision for directors' retirement benefits		170		126
Provision for repairs		16,393		17,847
Provision for offshore well abandonment		2,953		–
Other		1,347		1,391
Total noncurrent liabilities		59,267		61,523
Total liabilities		631,097		647,818
<b>Net assets</b>				
Shareholders' equity				
Capital stock		35,123		35,123
Capital surplus		20,741		20,741
Retained earnings		215,002		171,814
Treasury stock		(307)		(539)
Total shareholders' equity		270,559		227,140
Valuation and translation adjustments				
Valuation difference on available-for-sale securities		135		162
Foreign currency translation adjustment		(194)		56
Total valuation and translation adjustments		(59)		219
Total net assets		270,500		227,359
Total liabilities and net assets		901,598		875,177

**b. Consolidated statement of income**

(Unit: Million yen)

	Prior period (Jan. 1, 2008 through Dec. 31, 2008)		Current period (Jan. 1, 2009 through Dec. 31, 2009)	
Net sales		3,272,429		2,111,753
Cost of sales	*1, *3	3,116,603	*1, *3	2,109,076
Gross profit		155,825		2,676
Selling, general and administrative expenses	*2, *3	34,082	*2, *3	37,236
Operating income (loss)		121,742		(34,559)
Non-operating income				
Interest income		128		98
Dividends income		62		93
Foreign exchange gains		10,354		1,283
Other		150		92
Total non-operating income		10,696		1,566
Non-operating expenses				
Interest expenses		657		366
Equity in losses of affiliates		238		1,007
Other		251		178
Total non-operating expenses		1,148		1,552
Ordinary income (loss)		131,290		(34,545)
Extraordinary income				
Gain on sales of noncurrent assets	*4	1,396	*4	1,005
Gain on sales of subsidiaries and affiliates' stocks	*7	5,970		–
Gain on sales of investment securities		71		–
Total extraordinary income		7,439		1,005
Extraordinary loss				
Loss on sales and retirement of noncurrent assets	*5	1,738	*5	1,602
Impairment loss	*6	2,085	*6	436
Early extra retirement payments		–		328
Settlement package		–		213
Loss on provision for offshore well abandonment		1,185		–
Total extraordinary losses		5,009		2,580
Income (loss) before income taxes and minority interests		133,720		(36,121)
Income taxes-current		44,999		3,354
Income taxes-deferred		9,430		(17,757)
Total income taxes		54,429		(14,402)
Minority interests in income		4		–
Net income (loss)		79,285		(21,718)

**c. Consolidated statement of changes in net assets**

(Unit: Million yen)

	Prior period (Jan. 1, 2008 through Dec. 31, 2008)	Current period (Jan. 1, 2009 through Dec. 31, 2009)
<b>Shareholders' equity</b>		
Capital stock		
Balance at the end of previous period	35,123	35,123
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	35,123	35,123
Capital surplus		
Balance at the end of previous period	20,741	20,741
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	20,741	20,741
Retained earnings		
Balance at the end of previous period	157,216	215,002
Changes of items during the period		
Dividends from surplus	(21,468)	(21,462)
Net income (loss)	79,285	(21,718)
Disposal of treasury stock	(30)	(6)
Total changes of items during the period	57,786	(43,187)
Balance at the end of current period	215,002	171,814
Treasury stock		
Balance at the end of previous period	(202)	(307)
Changes of items during the period		
Purchase of treasury stock	(331)	(293)
Disposal of treasury stock	226	61
Total changes of items during the period	(105)	(231)
Balance at the end of current period	(307)	(539)
Total shareholders' equity		
Balance at the end of previous period	212,878	270,559
Changes of items during the period		
Dividends from surplus	(21,468)	(21,462)
Net income (loss)	79,285	(21,718)
Purchase of treasury stock	(331)	(293)
Disposal of treasury stock	195	55
Total changes of items during the period	57,681	(43,419)
Balance at the end of current period	270,559	227,140

(Unit: Million yen)

	Prior period (Jan. 1, 2008 through Dec. 31, 2008)	Current period (Jan. 1, 2009 through Dec. 31, 2009)
<b>Valuation and translation adjustments</b>		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	357	135
Changes of items during the period		
Net changes of items other than shareholders' equity	(222)	26
Total changes of items during the period	(222)	26
Balance at the end of current period	135	162
Foreign currency translation adjustment		
Balance at the end of previous period	–	(194)
Changes of items during the period		
Net changes of items other than shareholders' equity	(194)	251
Total changes of items during the period	(194)	251
Balance at the end of current period	(194)	56
Total valuation and translation adjustments		
Balance at the end of previous period	357	(59)
Changes of items during the period		
Net changes of items other than shareholders' equity	(417)	278
Total changes of items during the period	(417)	278
Balance at the end of current period	(59)	219
<b>Minority interests</b>		
Balance at the end of previous period	1,043	–
Changes of items during the period		
Net changes of items other than shareholders' equity	(1,043)	–
Total changes of items during the period	(1,043)	–
Balance at the end of current period	–	–
<b>Total net assets</b>		
Balance at the end of previous period	214,279	270,500
Changes of items during the period		
Dividends from surplus	(21,468)	(21,462)
Net income (loss)	79,285	(21,718)
Purchase of treasury stock	(331)	(293)
Disposal of treasury stock	195	55
Net changes of items other than shareholders' equity	(1,460)	278
Total changes of items during the period	56,220	(43,140)
Balance at the end of current period	270,500	227,359

**d. Consolidated statement of cash flows**

(Unit: Million yen)

	Prior period (Jan. 1, 2008 through Dec. 31, 2008)	Current period (Jan. 1, 2009 through Dec. 31, 2009)
Net cash provided by (used in) operating activities		
Income (loss) before income taxes and minority interests	133,720	(36,121)
Depreciation and amortization	28,800	30,579
Amortization of goodwill	653	653
Increase (decrease) in provision for bonuses	74	4
Increase (decrease) in provision for retirement benefits	(2,308)	6,595
Increase (decrease) in provision for repairs	1,607	1,454
Loss (gain) on sales and retirement of noncurrent assets	341	596
Loss (gain) on sales of investment securities	(71)	–
Loss (gain) on sales of stocks of subsidiaries and affiliates	(5,970)	–
Early extra retirement payments	–	328
Settlement package	–	213
Loss on provision for offshore well abandonment	1,185	–
Impairment loss	2,085	436
Interest and dividends income	(191)	(191)
Interest expenses	657	366
Equity in (earnings) losses of affiliates	238	1,007
Decrease (increase) in notes and accounts receivable-trade	149,848	(6,616)
Decrease (increase) in inventories	2,300	13,356
Decrease (increase) in accounts receivable-other	(2,216)	(868)
Increase (decrease) in notes and accounts payable-trade	(137,319)	45,832
Increase (decrease) in accounts payable-other	(20,608)	(8,052)
Other	1,250	(2,272)
Subtotal	154,078	47,304
Interest and dividends income received	212	180
Interest expenses paid	(707)	(372)
Payments for early extra retirement payments	–	(87)
Settlement package paid	–	(213)
Income taxes refund	4,538	660
Income taxes paid	(13,029)	(42,053)
Net cash provided by (used in) operating activities	145,092	5,418
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(18,215)	(25,144)
Proceeds from sales of property, plant and equipment	2,051	1,867
Purchase of intangible assets	(757)	(1,076)
Proceeds from sales of investment securities	603	–
Payments of long-term loans receivable	(4)	(5)
Collection of long-term loans receivable	236	171
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	9,601	–
Other	14	125
Net cash provided by (used in) investing activities	(6,469)	(24,063)

(Unit: Million yen)

	Prior period (Jan. 1, 2008 through Dec. 31, 2008)	Current period (Jan. 1, 2009 through Dec. 31, 2009)
Net cash provided by (used in) financing activities		
Net decrease (increase) in short-term loans receivable	(91,251)	26,408
Net increase (decrease) in short-term loans payable	(23,689)	15,737
Repayment of long-term loans payable	(1,993)	(1,754)
Purchase of treasury stock	(331)	(293)
Proceeds from sales of treasury stock	195	55
Cash dividends paid	(21,469)	(21,462)
Cash dividends paid to minority shareholders	(55)	–
Net cash provided by (used in) financing activities	(138,595)	18,691
Effect of exchange rate change on cash and cash equivalents	(153)	255
Net increase (decrease) in cash and cash equivalents	(126)	301
Cash and cash equivalents at beginning of period	614	488
Cash and cash equivalents at end of period	*1 488	*1 789

## Significant accounting policies

Prior period (Jan. 1, 2008 through Dec. 31, 2008)	Current period (Jan. 1, 2009 through Dec. 31, 2009)
<p>I Scope of consolidation</p> <p>1. Consolidated subsidiaries: 7 companies Each company's name is omitted as those are listed on "4. Information on subsidiaries and affiliates" of "I. Overview of the Company." In this period, one company has been added to and one company has been excluded from the scope of consolidation as follows; Newly established in Republic of Korea: Tonen Specialty Separator Korea Private Limited Sold the shares owned by the Company: Nansei Sekiyu K.K.</p> <p>2. Non-consolidated subsidiaries: 1 company Kyushu Eagle K.K.</p> <p>3. Reason to exclude the subsidiary from the scope of consolidation The subsidiary is excluded from the scope of consolidation because its assets, net sales, net income, retained earnings, etc have no material impact on the consolidated financial statements.</p>	<p>I Scope of consolidation</p> <p>1. Consolidated subsidiaries: 7 companies Each company's name is omitted as those are listed on "4. Information on subsidiaries and affiliates" of "I. Overview of the Company."</p> <hr/> <hr/>
<p>II Application of equity method</p> <p>1. Affiliates accounted for by the equity method: 2 companies Nippon Unicar Company Limited, Shimizu LNG Co., Ltd</p> <p>2. Non-equity-method companies Non-consolidated subsidiaries: 1 company Kyushu Eagle K.K. Affiliated companies: 1 company Emori Sekiyu K.K.</p> <p>3. Reason equity method was not applied The non-consolidated subsidiary and affiliated company are not accounted for by the equity method because the companies do not have a material impact on net income (loss), retained earnings, etc. on a consolidated basis.</p>	<p>II Application of equity method</p> <p>1. Affiliates accounted for by the equity method: 2 companies No Change</p> <p>2. Non-equity-method companies Affiliated companies: 1 company Emori Sekiyu K.K.</p> <p>3. 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.</p>
<p>III Closing date of consolidated subsidiaries Closing dates of consolidated subsidiaries are the same as that of the Company.</p>	<p>III Closing date of consolidated subsidiaries No change</p>
<p>IV Summary of significant accounting procedures In order to prepare each company's financial statements, which form the basis of these consolidated financial statements, the Company and its subsidiaries applied the following accounting procedures.</p> <p>1. Valuation rules and methods for significant assets (1) Inventories Merchandise and finished goods, semi-finished goods, and raw materials: Generally LIFO method at the lower of cost or market Supplies: The moving-average cost method</p>	<p>IV Summary of significant accounting procedures In order to prepare each company's financial statements, which form the basis of these consolidated financial statements, the Company and its subsidiaries applied the following accounting procedures.</p> <p>1. Valuation rules and methods for significant assets (1) Inventories Generally the lower of acquisition costs determined by the LIFO method or their net realizable value</p>

<p style="text-align: center;">Prior period (Jan. 1, 2008 through Dec. 31, 2008)</p>	<p style="text-align: center;">Current period (Jan. 1, 2009 through Dec. 31, 2009)</p>												
<p>(2) Securities Other securities a. 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)</p> <p>b. Securities without readily determinable fair values The moving-average cost method</p> <p>(3) Derivatives transactions, etc. Market value at the closing date</p> <p>2. Depreciation and amortization of significant noncurrent assets (1) Property, plant and equipment Generally the declining-balance method The service life ranges by major assets are:</p> <table data-bbox="260 1176 769 1272"> <tr> <td>Buildings and structures</td> <td>10 to 50 years</td> </tr> <tr> <td>Tanks</td> <td>10 to 25 years</td> </tr> <tr> <td>Machinery, equipment and vehicles</td> <td>8 to 15 years</td> </tr> </table> <p>(2) Intangible assets The straight-line method In-house computer software is amortized over its service life (5 to 15 years) using the straight-line method.</p>	Buildings and structures	10 to 50 years	Tanks	10 to 25 years	Machinery, equipment and vehicles	8 to 15 years	<p>&lt;Change of accounting method&gt; With regard to inventories held for sale in the ordinary course of business, last-in first-out (LIFO) method at the lower of cost or market had been applied to merchandise and finished goods, semi-finished goods and raw materials, and the moving-average cost method had been applied to supplies. In accordance with the introduction of the “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9 issued on July 5, 2006), inventories are generally stated on the balance sheet at the lower of acquisition cost determined by the LIFO method or their net realizable value beginning in this consolidated accounting period. There is no earnings impact from this change.</p> <p>(2) Securities Other securities a. Securities readily determinable fair values No change</p> <p>b. Securities without readily determinable fair values No change</p> <p>(3) Derivatives transactions, etc. No change</p> <p>2. Depreciation and amortization of significant noncurrent assets (1) Property, plant and equipment (excluding leased assets) Generally the declining-balance method The service life ranges by major assets are:</p> <table data-bbox="882 1176 1391 1272"> <tr> <td>Buildings and structures</td> <td>10 to 50 years</td> </tr> <tr> <td>Tanks</td> <td>10 to 25 years</td> </tr> <tr> <td>Machinery, equipment and vehicles</td> <td>7 to 15 years</td> </tr> </table> <p>(2) Intangible assets (excluding leased assets) No change</p> <p>(3) Leased assets The straight-line method is employed, where 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 the beginning of this consolidated accounting period, is the same as the method applied to ordinary operating lease transactions.</p>	Buildings and structures	10 to 50 years	Tanks	10 to 25 years	Machinery, equipment and vehicles	7 to 15 years
Buildings and structures	10 to 50 years												
Tanks	10 to 25 years												
Machinery, equipment and vehicles	8 to 15 years												
Buildings and structures	10 to 50 years												
Tanks	10 to 25 years												
Machinery, equipment and vehicles	7 to 15 years												

<p style="text-align: center;">Prior period (Jan. 1, 2008 through Dec. 31, 2008)</p>	<p style="text-align: center;">Current period (Jan. 1, 2009 through Dec. 31, 2009)</p>
<p>3. Basis for significant provisions</p> <p>(1) 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.</p> <p>(2) Provision for bonuses To provide for the payment of employees' bonuses, the Company and its consolidated subsidiaries accrue an estimated reserve for the consolidated accounting period.</p> <p>(3) 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 accounting period, where the declining-balance method is employed over a period which is set within 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)</p>	<p>&lt;Change of accounting method&gt;</p> <p>The accounting treatment for finance lease transactions, in which ownership is not transferred to the lessee, had been the same as the method applied to ordinary operating lease transactions. Revisions in "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13 issued on June 17, 1993, amended on March 30, 2007) and "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16 issued on January 18, 1994, amended on March 30, 2007) which is applied for the consolidated accounting period beginning on or after April 1, 2008, were applied to finance leases in which ownership is not transferred to the lessee, so that they are treated in the same way as ordinary purchase and sale transactions beginning in this consolidated accounting period.</p> <p>As to the depreciation method for lease assets related to finance lease transactions in which ownership is not transferred to the lessee, the straight-line method is employed, where leasing period is deemed as the service life and residual value is set as zero.</p> <p>The accounting treatment for finance lease transactions, in which ownership is not transferred to the lessee and which became effective before the beginning of the current period, is the same as the method applied to ordinary operating lease.</p> <p>There is no earnings impact from this change.</p> <p>3. Basis for significant provisions</p> <p>(1) Allowance for doubtful accounts No change</p> <p>(2) Provision for bonuses No change</p> <p>(3) Provision for retirement benefits No change</p>

<p style="text-align: center;">Prior period (Jan. 1, 2008 through Dec. 31, 2008)</p>	<p style="text-align: center;">Current period (Jan. 1, 2009 through Dec. 31, 2009)</p>
<p>(4) 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.</p> <p>(5) 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 consolidated accounting period, based on actual payments and repair plans, respectively.</p> <p>(6) Provision for offshore well abandonment To provide for expenses for offshore well abandonment to be incurred when natural gas production is terminated, the Company reserves the estimated amount using the unit of production method.</p> <p>4. 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.</p> <p>5. Accounting method for major lease transactions The accounting treatment for finance lease transactions, in which ownership is not transferred to the lessee, is the same as the method applied to ordinary operating lease transactions.</p> <p>6. Accounting method for consumption taxes Each item in the consolidated statement of income does not include consumption taxes.</p> <p>V Valuation method for assets and liabilities of consolidated subsidiaries The assets and liabilities excluding minority interests of consolidated subsidiaries are evaluated using the fair market value at each time when the Company acquires equity interest of the respective subsidiaries.</p> <p>VI Amortization of goodwill and negative goodwill Goodwill and negative goodwill are both amortized over 5 years using the straight line method.</p> <p>VII Scope of cash and cash equivalents in consolidated statement of cash flows Cash and cash equivalents are composed of cash on hand, deposits drawable at any time, deposits readily convertible to cash and price change insensitive short-term advances whose maturity comes generally within three months.</p>	<p>(4) Provision for directors' retirement benefits No change</p> <p>(5) Provision for repairs No change</p> <p>(6) 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.</p> <p>4. Translation method for foreign currency assets and liabilities No change</p> <p>5. _____</p> <p>6. Accounting method for consumption taxes No change</p> <p>V Valuation method for assets and liabilities of consolidated subsidiaries No change</p> <p>VI Amortization of goodwill and negative goodwill No change</p> <p>VII Scope of cash and cash equivalents in consolidated statement of cash flows No change</p>

### Change in significant accounting policies

Prior period (Jan. 1, 2008 through Dec. 31, 2008)	Current period (Jan. 1, 2009 through Dec. 31, 2009)
_____	<p>&lt;Application of the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements”&gt;</p> <p>“Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (ASBJ Practical Issues Task Force (PITF) No. 18 issued on May 17, 2006) is applied beginning in this consolidated accounting period.</p> <p>There is no earnings impact from this change.</p>

### Change in presentation

Prior period (Jan. 1, 2008 through Dec. 31, 2008)	Current period (Jan. 1, 2009 through Dec. 31, 2009)
<p>&lt;Consolidated statement of income&gt;</p> <p>Although “loss on sales and disposals of supplies” was listed in “non-operating expenses” in the prior consolidated accounting period, it is included in “other” in this consolidated accounting period as the amount is not more than 10% of the total non-operating expenses. The amount included in “other” in this accounting period is 49 million yen.</p>	<p>&lt;Consolidated balance sheet&gt;</p> <p>In line with the adoption of the “Cabinet Office Ordinance Partially Revising Regulation for Terminology, Forms and Preparation of Financial Statements” (Cabinet Office Ordinance No. 50 of August 7, 2008), “inventories” for the prior period was separately presented as “merchandise and finished goods,” “semi-finished goods,” “raw materials” and “supplies” effective from the current period. “inventories” for the prior period included “merchandise and finished goods” of 39,658 million yen, “semi-finished goods” of 24,879 million yen, “raw materials” of 67,473 million yen and “supplies” of 4,959 million yen.</p>

### Additional information

Prior period (Jan. 1, 2008 through Dec. 31, 2008)	Current period (Jan. 1, 2009 through Dec. 31, 2009)
<p>&lt;Depreciation of property, plant and equipment&gt;</p> <p>In accordance with the revision of the Corporation Tax Act, the differences between the limit of depreciation (5% of the acquisition cost) and the memorandum value of property, plant and equipment, which were acquired before March 31, 2007, are depreciated on a straight-line basis over 5 years from the next year after the assets are fully depreciated up to the limit of depreciation (5% of the acquisition cost), and the Company and its domestic subsidiaries recognize the resulting differences as depreciation costs.</p> <p>As a result, operating income, ordinary income and income before income taxes and minority interests decreased by 5,120 million yen, respectively.</p> <p>The impact of the change to each segment is stated in “Segment Information.”</p> <p>&lt;Provisional loss for offshore well abandonment&gt;</p> <p>Following the cessation of production concerning the Offshore Iwaki Gas Project, the Company has estimated updated costs of offshore well abandonment, and the difference of 1,185 million yen from the previously accrued amount is shown as an extraordinary loss in this accounting period.</p>	<p>&lt;Depreciation of property, plant and equipment &gt;</p> <p>In accordance with the revision of the useful life stipulated in the Corporation Tax Act, the service life for machinery such as refining and electric power generation assets owned by the Company and its domestic subsidiaries was changed beginning in this consolidated accounting period.</p> <p>As a result, operating loss, ordinary loss and loss before income taxes and minority interests increased by 2,139 million yen, respectively.</p> <p>The impact of the change to each segment is stated in “Segment Information”.</p>

**Notes to consolidated financial statements**

**(Consolidated balance sheet)**

Prior period (December 31, 2008)	Current period (December 31, 2009)																																																									
<p>1. The accumulated reduced-value entry, which is directly deducted from property, plant and equipment, amounted to 1,749 million yen. The reduced-value entry is applied due to insurance proceeds etc. (Buildings and structures 40 million yen, tanks 40 million yen, machinery, equipment and vehicles 1,657 million yen, tools, furniture and fixtures 11 million yen)</p> <p>2. Non-consolidated subsidiary and affiliated company The item shown below is included in investments and other assets and relates to non-consolidated subsidiaries and affiliated companies. Investment securities (stocks) 9,259 million yen</p> <p>3. Mortgaged assets Mortgaged assets and mortgaged liabilities by security rights are as shown below;</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Mortgaged assets</th> <th style="text-align: center;">Amounts (Million yen)</th> <th style="text-align: center;">(Plant mortgage) (Million yen)</th> </tr> </thead> <tbody> <tr> <td>Buildings and structures</td> <td style="text-align: right;">5,641</td> <td style="text-align: right;">(5,641)</td> </tr> <tr> <td>Tanks</td> <td style="text-align: right;">639</td> <td style="text-align: right;">(639)</td> </tr> <tr> <td>Machinery, equipment and vehicles</td> <td style="text-align: right;">17,522</td> <td style="text-align: right;">(17,522)</td> </tr> <tr> <td>Land</td> <td style="text-align: right;">23,657</td> <td style="text-align: right;">(4,628)</td> </tr> <tr> <td style="text-align: center;">Total</td> <td style="text-align: right;">47,460</td> <td style="text-align: right;">(28,431)</td> </tr> </tbody> </table> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Mortgaged liabilities by security right</th> <th style="text-align: center;">Amounts (Million yen)</th> <th style="text-align: center;">(Plant mortgage) (Million yen)</th> </tr> </thead> <tbody> <tr> <td>Short-term loans payable</td> <td style="text-align: right;">202</td> <td style="text-align: center;">(-)</td> </tr> <tr> <td>Gasoline taxes payable</td> <td style="text-align: right;">47,257</td> <td style="text-align: right;">(28,431)</td> </tr> <tr> <td style="text-align: center;">Total</td> <td style="text-align: right;">47,459</td> <td style="text-align: right;">(28,431)</td> </tr> </tbody> </table>	Mortgaged assets	Amounts (Million yen)	(Plant mortgage) (Million yen)	Buildings and structures	5,641	(5,641)	Tanks	639	(639)	Machinery, equipment and vehicles	17,522	(17,522)	Land	23,657	(4,628)	Total	47,460	(28,431)	Mortgaged liabilities by security right	Amounts (Million yen)	(Plant mortgage) (Million yen)	Short-term loans payable	202	(-)	Gasoline taxes payable	47,257	(28,431)	Total	47,459	(28,431)	<p>1. 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**(Consolidated statement of income)**

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Research and development expenses included in general and administrative expenses and manufacturing costs were 4,076 million yen.</p> <p>4. Gain on sales of noncurrent assets</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Land (service stations)</td> <td style="text-align: right;">1,133 million yen</td> </tr> <tr> <td>Vessels</td> <td style="text-align: right;">185</td> </tr> <tr> <td>Other</td> <td style="text-align: right;">78</td> </tr> <tr> <td style="border-top: 1px solid black;">Total</td> <td style="text-align: right; border-top: 1px solid black;">1,396</td> </tr> </table> <p>5. 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The deduction was 2,085 million yen and is shown as an extraordinary loss.</p> <p>Net selling value, which is a market price based on official values, is applied to evaluate the recoverable value.</p>	Salaries and bonuses	12,431 million yen	Transportation costs	3,067	Other third party expenses	3,745	Rent	2,058	Depreciation and amortization	2,271	Sales commissions	3,230	Retirement benefit expenses	(748)	Provisions for bonuses	338	Land (service stations)	1,133 million yen	Vessels	185	Other	78	Total	1,396	Buildings and structures (service stations, etc.)	669 million yen	Machinery, equipment and vehicles (refinery facilities, etc.)	526	Leasehold right (service stations, etc.)	202	Land (service stations, etc.)	101	Tools, furniture and fixtures (refinery facilities, etc.)	84	Other	153	Total	1,738	Used for	Location	Type	Amount (Million yen)	Service station	TonenGeneral Sekiyu K.K., Suma Central Dai-ichi SS (Suma-ku, Kobe-City, Hyogo Pref.) and other 22 items	Land	2,085	Total			2,085	<p>1. Inventories are stated on the balance sheet at the lower of acquisition costs or their net realizable value. The following net gain on reversal of valuation loss on inventories resulting from offsetting the gain on reversal of the valuation loss by the lower of cost-or-market method incurred in the prior period and the valuation loss incurred in the current period is included in cost of sales. 2,899 million yen</p> <p>2. The major items and amounts in selling, general and administrative expenses are as follows.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Salaries and bonuses</td> <td style="text-align: right;">11,444 million yen</td> </tr> <tr> <td>Transportation costs</td> <td style="text-align: right;">2,620</td> </tr> <tr> <td>Other third party expenses</td> <td style="text-align: right;">3,264</td> </tr> <tr> <td>Rent</td> <td style="text-align: right;">1,872</td> </tr> <tr> <td>Depreciation and amortization</td> <td style="text-align: right;">2,007</td> </tr> <tr> <td>Sales commissions</td> <td style="text-align: right;">3,291</td> </tr> <tr> <td>Retirement benefit expenses</td> <td style="text-align: right;">3,550</td> </tr> <tr> <td>Provisions for bonuses</td> <td style="text-align: right;">315</td> </tr> </table> <p>3. 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The deduction was 436 million yen and is shown as an extraordinary loss.</p> <p>Net selling value, which is a market price based on official values, is applied to evaluate the recoverable value.</p>	Salaries and bonuses	11,444 million yen	Transportation costs	2,620	Other third party expenses	3,264	Rent	1,872	Depreciation and amortization	2,007	Sales commissions	3,291	Retirement benefit expenses	3,550	Provisions for bonuses	315	Land (service stations)	933 million yen	Other	71	Total	1,005	Buildings and structures (service stations, etc.)	877 million yen	Land (service stations, etc.)	334	Machinery, equipment and vehicles (refinery facilities, etc.)	311	Other	77	Total	1,602	Used for	Location	Type	Amount (Million yen)	Service station	TonenGeneral Sekiyu K.K., Mobara SS (Mobara-City, Chiba Pref.) and other 15 items	Land	436	Total			436
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Sales commissions	3,291																																																																																														
Retirement benefit expenses	3,550																																																																																														
Provisions for bonuses	315																																																																																														
Land (service stations)	933 million yen																																																																																														
Other	71																																																																																														
Total	1,005																																																																																														
Buildings and structures (service stations, etc.)	877 million yen																																																																																														
Land (service stations, etc.)	334																																																																																														
Machinery, equipment and vehicles (refinery facilities, etc.)	311																																																																																														
Other	77																																																																																														
Total	1,602																																																																																														
Used for	Location	Type	Amount (Million yen)																																																																																												
Service station	TonenGeneral Sekiyu K.K., Mobara SS (Mobara-City, Chiba Pref.) and other 15 items	Land	436																																																																																												
Total			436																																																																																												

<p style="text-align: center;">Prior period (Jan. 1, 2008 through December 31, 2008)</p>	<p style="text-align: center;">Current period (Jan. 1, 2009 through December 31, 2009)</p>
<p>7. Gain on sales of subsidiaries and affiliates' stocks</p> <p>The shares in Nansei Sekiyu K.K., which were owned by the Company, were sold to Petrobras International Braspetro B.V. on April 1, 2008.</p> <p>The gain of 5,970 million yen was recognized as "gain on sales of subsidiaries and affiliates' stocks" and shown as an extraordinary income.</p> <p>"Gain on sales of subsidiaries and affiliates' stocks" includes the reversal of the accrued loss on sale of subsidiary company's stock of 2,803 million yen, which was recognized in the prior period.</p>	<p>7. _____</p>

**(Consolidated statement of changes in shareholders' equity)**

Prior period (January 1, 2008 through December 31, 2008)

**1. Number of shares issued**

Class	Dec. 31, 2007	Increase	Decrease	Dec. 31, 2008
Common stock (shares)	565,182,000	–	–	565,182,000

**2. Treasury stock**

Class	Dec. 31, 2007	Increase	Decrease	Dec. 31, 2008
Common stock (shares)	180,951	372,332	224,728	328,555

(Major cause of movement) Increase and decrease of shares in treasury stock is due to repurchase and sales of odd-lot shares.

**3. Dividends****(1) Dividends paid**

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, 2008	Common stock	10,735	19.00	December 31, 2007	March 27, 2008
Board of Directors held on August 14, 2008	Common stock	10,733	19.00	June 30, 2008	September 16, 2008

**(2) Dividends whose record dates are in the current period but whose effective dates fall in the next period**

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 26, 2009	Common stock	Retained earnings	10,732	19.00	December 31, 2008	March 27, 2009

Current period (January 1, 2009 through December 31, 2009)

### 1. Number of shares issued

Class	Dec. 31, 2008	Increase	Decrease	Dec. 31, 2009
Common stock (shares)	565,182,000	–	–	565,182,000

### 2. Treasury stock

Class	Dec. 31, 2008	Increase	Decrease	Dec. 31, 2009
Common stock (shares)	328,555	359,766	68,520	619,801

(Major cause of movement) Increase and decrease of shares in treasury stock is due to repurchase and sales of odd-lot shares.

### 3. Dividends

#### (1) Dividends paid

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, 2009	Common stock	10,732	19.00	December 31, 2008	March 27, 2009
Board of Directors held on August 14, 2009	Common stock	10,730	19.00	June 30, 2009	September 15, 2009

#### (2) Dividends whose record dates are in the current period but whose effective dates fall in the next period

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 26, 2010	Common stock	Retained earnings	10,726	19.00	December 31, 2009	March 29, 2010

**(Consolidated statement of cash flows)**

Prior period (Jan. 1, 2008 through Dec. 31, 2008)	Current period (Jan. 1, 2009 through Dec. 31, 2009)
1. Cash and cash equivalents at end of period and accounts on the balance sheets  <p style="text-align: right;">(December 31, 2008)</p> Cash and deposits 488 million yen <hr/> Cash and cash equivalents 488	1. Cash and cash equivalents at end of period and accounts on the balance sheets  <p style="text-align: right;">(December 31, 2009)</p> Cash and deposits 789 million yen <hr/> Cash and cash equivalents 789
2. Breakdown of assets and liabilities of the subsidiary excluded from the scope of consolidation by stock sales  The following assets, liabilities and net assets of Nansei Sekiyu K.K. have been excluded from scope of consolidation as a result of sales of its stock. The relation between the value of this stock sold and the net proceeds received is as follows:	
Current assets 42,005 million yen Noncurrent assets 9,150 Current liabilities (44,383) Noncurrent liabilities (2,149) Minority interests (992) <hr/> Gain on sale of stock 5,970	
Sale price of stock 9,601 Cash and cash equivalents - Net proceeds from sales 9,601	

**(Lease transactions)**

Prior period (Jan. 1, 2008 through Dec. 31, 2008)	Current period (Jan. 1, 2009 through Dec. 31, 2009)																																																												
<p>Finance leases in which ownership is not transferred to the lessee</p> <p>1. Acquisition cost equivalent, accumulated depreciation equivalent and net book value equivalent at the closing date</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;"></th> <th style="width: 20%;">Acquisition cost equivalent (Million yen)</th> <th style="width: 20%;">Accumulated depreciation equivalent (Million yen)</th> <th style="width: 30%;">Net book value equivalent at the closing date (Million yen)</th> </tr> </thead> <tbody> <tr> <td>Buildings and structures</td> <td style="text-align: center;">136</td> <td style="text-align: center;">42</td> <td style="text-align: center;">93</td> </tr> <tr> <td>Machinery, equipment and vehicles</td> <td style="text-align: center;">310</td> <td style="text-align: center;">62</td> <td style="text-align: center;">247</td> </tr> <tr> <td>Other tangible assets</td> <td style="text-align: center;">23</td> <td style="text-align: center;">12</td> <td style="text-align: center;">10</td> </tr> <tr> <td style="text-align: right;">Total</td> <td style="text-align: center;">470</td> <td style="text-align: center;">117</td> <td style="text-align: center;">352</td> </tr> </tbody> </table> <p>(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.</p> <p>2. Outstanding balance of future lease payment at the closing date</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;">Due one year</td> <td style="text-align: right;">61 million yen</td> </tr> <tr> <td>Due over one year</td> <td style="text-align: right;">291</td> </tr> <tr> <td style="border-top: 1px solid black;">Total</td> <td style="text-align: right; border-top: 1px solid black;">352</td> </tr> </table> <p>(Note) The outstanding balance of future lease payment 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.</p> <p>3. Lease fees paid and depreciation expense equivalent</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;">Lease fees paid</td> <td style="text-align: right;">40 million yen</td> </tr> <tr> <td>Depreciation equivalent</td> <td style="text-align: right;">40</td> </tr> </table> <p>4. Calculation method for depreciation equivalent The straight-line method with no residual value, where a lease period is treated as a period of depreciation.</p>		Acquisition cost equivalent (Million yen)	Accumulated depreciation equivalent (Million yen)	Net book value equivalent at the closing date (Million yen)	Buildings and structures	136	42	93	Machinery, equipment and vehicles	310	62	247	Other tangible assets	23	12	10	Total	470	117	352	Due one year	61 million yen	Due over one year	291	Total	352	Lease fees paid	40 million yen	Depreciation equivalent	40	<p>The accounting treatment for finance leases, in which ownership is not transferred to lessee and which became effective before the beginning of this consolidated accounting period, is the same as the method applied to ordinary operating lease transactions. The detail is as follows.</p> <p>1. Acquisition cost equivalent, accumulated depreciation equivalent and net book value equivalent at the closing date</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;"></th> <th style="width: 20%;">Acquisition cost equivalent (Million yen)</th> <th style="width: 20%;">Accumulated depreciation equivalent (Million yen)</th> <th style="width: 30%;">Net book value equivalent at the closing date (Million yen)</th> </tr> </thead> <tbody> <tr> <td>Buildings and structures</td> <td style="text-align: center;">89</td> <td style="text-align: center;">5</td> <td style="text-align: center;">84</td> </tr> <tr> <td>Machinery, equipment and vehicles</td> <td style="text-align: center;">306</td> <td style="text-align: center;">103</td> <td style="text-align: center;">202</td> </tr> <tr> <td>Tools, furniture and fixtures</td> <td style="text-align: center;">16</td> <td style="text-align: center;">11</td> <td style="text-align: center;">4</td> </tr> <tr> <td style="text-align: right;">Total</td> <td style="text-align: center;">412</td> <td style="text-align: center;">120</td> <td style="text-align: center;">291</td> </tr> </tbody> </table> <p>(Note) No change</p> <p>2. Outstanding balance of future lease payment at the closing date</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;">Due one year</td> <td style="text-align: right;">51 million yen</td> </tr> <tr> <td>Due over one year</td> <td style="text-align: right;">239</td> </tr> <tr> <td style="border-top: 1px solid black;">Total</td> <td style="text-align: right; border-top: 1px solid black;">291</td> </tr> </table> <p>(Note) No change</p> <p>3. Lease fees paid and depreciation expense equivalent</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;">Lease fees paid</td> <td style="text-align: right;">53 million yen</td> </tr> <tr> <td>Depreciation equivalent</td> <td style="text-align: right;">53</td> </tr> </table> <p>4. Calculation method for depreciation equivalent No change</p>		Acquisition cost equivalent (Million yen)	Accumulated depreciation equivalent (Million yen)	Net book value equivalent at the closing date (Million yen)	Buildings and structures	89	5	84	Machinery, equipment and vehicles	306	103	202	Tools, furniture and fixtures	16	11	4	Total	412	120	291	Due one year	51 million yen	Due over one year	239	Total	291	Lease fees paid	53 million yen	Depreciation equivalent	53
	Acquisition cost equivalent (Million yen)	Accumulated depreciation equivalent (Million yen)	Net book value equivalent at the closing date (Million yen)																																																										
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**(Securities)****1. Other securities with readily determinable fair values**

	Type	December 31, 2008			December 31, 2009		
		Original purchase price (Million yen)	Current book value (Million yen)	Gain/Loss (Million yen)	Original purchase price (Million yen)	Current book value (Million yen)	Gain/Loss (Million yen)
Current book value exceeds original purchase price	(1) Stocks	1,246	1,478	231	1,246	1,520	273
	(2) Bonds	–	–	–	–	–	–
	(3) Others	–	–	–	–	–	–
	Sub-total	1,246	1,478	231	1,246	1,520	273
Current book value does not exceed original purchase price	(1) Stocks	–	–	–	–	–	–
	(2) Bonds	–	–	–	–	–	–
	(3) Others	–	–	–	–	–	–
	Sub-total	–	–	–	–	–	–
Total		1,246	1,478	231	1,246	1,520	273

**2. Other securities sold during the prior and current periods**

Prior period (Jan. 1, 2008 through Dec. 31, 2008)			Current period (Jan. 1, 2009 through Dec. 31, 2009)		
Sales amounts (Million yen)	Total gain (Million yen)	Total loss (Million yen)	Sales amounts (Million yen)	Total gain (Million yen)	Total loss (Million yen)
603	71	–	125	4	–

**3. Details of securities that are not valued at fair market values and their book values**

Type	December 31, 2008	December 31, 2009
	Book value (Million yen)	Book value (Million yen)
Other securities		
Non-listed stocks	12,359	11,233
Limited liability partnership	35	33
Contribution	5	5

**(Derivative transactions)****1. Details of derivative transactions**

Prior period (Jan. 1, 2008 through Dec. 31, 2008)		Current period (Jan. 1, 2009 through Dec. 31, 2009)	
(1)	Derivative transactions The Company enters into derivative transactions for forward exchange contracts.	(1)	Derivative transactions No change
(2)	Derivative transaction policy The Company uses derivative transactions to manage its exposure to future fluctuation in foreign currency exchange rates, and does not enter into such transactions for speculative trading purpose.	(2)	Derivative transaction policy No change
(3)	Purpose of derivative transactions The Company utilizes derivative transactions for purpose of hedging its currency risk on foreign currency denominated payables associated with import of crude to mitigate cost volatility.	(3)	Purpose of derivative transactions No change
(4)	Risk associated with derivative transactions Although forward exchange contracts are exposed to fluctuations in foreign currency exchange rates, their risk exposure to earnings is limited as the derivative transactions the Company utilizes have been entered into in order to offset or mitigate the market risk of assets and liabilities on the balance sheet. Also, in order not to anticipate any losses arising from a default of counterparty, the Company enters into derivative transactions only with financial institutions with high credit rating.	(4)	Risk associated with derivative transactions No change
(5)	Risk management for derivative transactions Derivative transactions are executed and managed by ExxonMobil Y.K., to which the Company entrusts general financial transactions, in accordance with the Company's guideline regarding derivatives and the internal rules for authorization and transaction limit which have been established by the Company's Board of Directors. As to derivative transactions, each procedure of approval, execution, record and verification is separately made by independent department, and risk management of the operation is strengthened by such segregation of duties. The balances of transactions are periodically confirmed with counterparties.	(5)	Risk management for derivative transactions No change
(6)	Other The values of contracts or notional principals of contracts presented in "fair value of derivative transactions" do not represent the sizes of the market risks involved in the derivative transactions.	(6)	Other No change

**2. Fair value of derivative transactions**

Notional amounts, fair value and unrealized gain or loss

Currency

Category	Type	Prior period (December 31, 2008)				Current period (December 31, 2009)			
		Contract/ Notional amount (Million yen)	Contract/ Notional amount/ Over one year (Million yen)	Fair value (Million yen)	Gain (Loss) (Million yen)	Contract/ Notional amount (Million yen)	Contract/ Notional amount/ Over one year (Million yen)	Fair value (Million yen)	Gain (Loss) (Million yen)
Non-market transactions	Forward exchange contracts US dollars Purchased	41,668	–	41,846	178	77,242	–	79,017	1,774
Total		41,668	–	41,846	178	77,242	–	79,017	1,774

(Note) Calculation of fair value

Fair value is calculated based on the actual market exchange rate.

**(Employees' post-retirement benefits)****1. Outline of adopted retirement benefit scheme**

As of the end of the current period, the Company and two of its consolidated subsidiaries operated a defined benefit plan and six companies had retirement allowance plans.

**2. Breakdown of projected benefit obligations**

	Prior period (December 31, 2008)	Current period (December 31, 2009)
(1) Projected benefit obligations	(159,476) million yen	(159,887) million yen
(2) Plan assets	80,131	94,039
(3) Unfunded benefit obligations ((1)+(2))	(79,344)	(65,848)
(4) Unrecognized actuarial gain/loss	62,171	40,334
(5) Unrecognized prior service liabilities	(2,440)	(2,526)
(6) Amount booked on consolidated balance sheet((3)+(4)+(5))	(19,613)	(28,040)
(7) Prepaid pension costs	8,818	6,987
(8) Provision for retirement benefits ((6)-(7))	(28,432)	(35,027)

(Note) Some of the consolidated subsidiaries apply simplified methods in calculating projected benefit obligations.

**3. Breakdown of retirement benefit expenses**

	Prior period (Jan. 1, 2008 through Dec. 31, 2008)	Current period (Jan. 1, 2009 through Dec. 31, 2009)
Retirement benefit expenses		
(1) Service costs	3,020 million yen	2,637 million yen
(2) Interest expense	3,453	3,115
(3) Expected return on plan assets	(7,885)	(4,522)
(4) Amortization of unrecognized actuarial gain/loss	(1,058)	10,753
(5) Amortization of prior service liabilities	86	86
(6) Retirement benefit expenses ((1)+(2)+(3)+(4)+(5))	(2,384)	12,069

(Note) Retirement benefit expenses for the consolidated subsidiaries that adopt simplified method are included in (1) Service costs.

**4. Information on the calculation of projected benefit obligations**

	Prior period (December 31, 2008)	Current period (December 31, 2009)
(1) Period distribution method of estimated retirement benefits	Period fixed amount standard	Ditto
(2) Discount rate	2.0%	2.1%
(3) Rate of expected return on plan assets	6.0%	Ditto
(4) Amortization period for prior service liabilities	15.5 years for 2003 and before, 12.9 and 11.4 years since 2004 and 11.9 and 11.0 years since 2007 for the Company and its consolidated subsidiary. (Prior service liabilities are amortized using the straight-line method over employees' average remaining service years)	Ditto
(5) Amortization period for actuarial differences	12 years (Any differences in actuarial calculations are amortized using the declining-balance method over a period which is set within employees' average remaining service years.)	Ditto

**(Deferred tax accounting)**

Prior period (December 31, 2008)	Current period (December 31, 2009)
1. Detail of deferred tax assets and deferred tax liabilities	1. Detail of deferred tax assets and deferred tax liabilities
(Deferred tax assets)	(Deferred tax assets)
Provision for retirement benefits	Tax loss carry forward
11,201 million yen	16,499 million yen
Provision for repairs	Provision for retirement benefits
4,585	13,927
Accrued enterprise tax payable	Provision for repairs
2,869	5,392
Accumulated impairment loss	Accumulated impairment loss
2,452	1,980
Variance from different inventory valuations	Variance from different inventory valuations
1,637	1,298
Provision for offshore well abandonment	Provision for offshore well abandonment
1,201	1,037
Accrued removal expenses	Accrued removal expenses
601	601
Other	Other
2,238	2,039
Total deferred tax assets	Total deferred tax assets
26,788	42,776
(Deferred tax liabilities)	(Deferred tax liabilities)
Reserve for property replacement	Reserve for property replacement
(11,337) million yen	(10,404) million yen
Provision for retirement benefits	Provision for retirement benefits
(3,220)	(2,503)
Valuation difference on available-for-sale securities	Valuation difference on available-for-sale securities
(94)	(111)
Other	Other
(2,167)	(2,055)
Total deferred tax liabilities	Total deferred tax liabilities
(16,819)	(15,074)
Net of deferred tax assets	Net of deferred tax assets
9,969	27,701
The "Net of deferred tax assets" amount above is distributed as follows:	
Current assets - deferred tax assets	
5,855 million yen	
Noncurrent assets - deferred tax assets	
6,591	
Noncurrent liabilities - deferred tax liabilities	
(2,478)	
2. Factors in the difference between the statutory effective tax rate and actual effective tax rate	2. Factors in the difference between the statutory effective tax rate and actual effective tax rate
Statutory effective tax rate	This note is omitted since the difference between the statutory effective tax rate and actual effective tax rate is not more than 5% of the statutory effective tax rate.
40.7 %	
(Adjustments)	
Equity earnings	
0.1	
Amortization of goodwill	
0.2	
Tax credit	
(0.2)	
Consolidated adjustment for accrued gain on sales of subsidiary company's stocks	
(0.1)	
Others	
0.1	
Actual effective tax rate	
40.8	

**(Segment information)****1. Segment information by business line**

Prior period (January 1, 2008 through December 31, 2008)

(Unit: Million yen)

	Oil	Chemical	Others	Total	Elimination	Consolidated
I Net sales and operating income						
Net sales						
(1) Sales to third parties	2,917,761	353,320	1,347	3,272,429	–	3,272,429
(2) Internal transactions	373,241	51,320	5	424,567	(424,567)	–
Total	3,291,003	404,641	1,352	3,696,997	(424,567)	3,272,429
Operating expenses	3,183,353	390,723	1,178	3,575,254	(424,567)	3,150,686
Operating income	107,650	13,917	174	121,742	–	121,742
II Assets, depreciation and amortization, impairment loss and capital expenditures						
Assets	859,571	98,093	1,463	959,127	(57,529)	901,598
Depreciation and amortization	24,123	4,676	0	28,800	–	28,800
Impairment loss	2,085	–	–	2,085	–	2,085
Capital expenditures	15,273	3,699	0	18,972	–	18,972

(Note) 1. Classification by business lines is based on the internal control procedure the Company has adopted.

2. The major products and business activities of each business line:

(1) Oil: Gasoline, naphtha, jet fuel, kerosene, diesel fuel, fuel oils, lubricants, LPG, etc.

(2) Chemical: Ethylene, propylene, benzene, toluene, paraxylene, battery separator film, etc.

(3) Others: Engineering, maintenance service, etc.

3. Additional information

In accordance with the revision of the Corporation Tax Act, the differences between the limit of depreciation (5% of the acquisition cost) and the memorandum value of property, plant and equipment, which were acquired before March 31, 2007 are depreciated on a straight-line basis over 5 years from the next year after the assets are fully depreciated up to the limit of depreciation (5% of the acquisition cost), and the Company and its domestic subsidiaries recognize the resulting differences as depreciation costs.

As a result, the oil segment and chemical segment had an unfavorable impact of 4,573 million yen and 546 million yen on operating income respectively.

Current period (January 1, 2009 through December 31, 2009)

(Unit: Million yen)

	Oil	Chemical	Others	Total	Elimination	Consolidated
I Net sales and operating income (loss)						
Net sales						
(1) Sales to third parties	1,917,453	193,518	781	2,111,753	–	2,111,753
(2) Internal transactions	171,644	25,992	4	197,640	(197,640)	–
Total	2,089,097	219,510	785	2,309,394	(197,640)	2,111,753
Operating expenses	2,127,512	215,689	752	2,343,953	(197,640)	2,146,312
Operating income (loss)	(38,414)	3,821	33	(34,559)	–	(34,559)
II Assets, depreciation and amortization, impairment loss and capital expenditures						
Assets	821,986	117,906	622	940,514	(65,336)	875,177
Depreciation and amortization	25,814	4,764	0	30,579	–	30,579
Impairment loss	436	–	–	436	–	436
Capital expenditures	14,956	11,265	–	26,221	–	26,221

(Note) 1. Classification by business lines is based on the internal control procedure the Company has adopted.

2. The major products and business activities of each business line:

- (1) Oil: Gasoline, naphtha, jet fuel, kerosene, diesel fuel, fuel oils, lubricants, LPG, etc.
- (2) Chemical: Ethylene, propylene, benzene, toluene, paraxylene, battery separator film, etc.
- (3) Others: Construction management, etc.

3. Additional information

In accordance with the revision of the useful life stipulated in the Corporation Tax Act, the service life for machinery such as refining and electric power generation assets owned by the Company and its domestic subsidiaries was changed beginning in this consolidated accounting period.

As a result, the oil segment and chemical segment had an unfavorable impact of 2,072 million yen on operating loss and 66 million yen on operating income respectively.

## 2. Segment information by geographic area

The information is omitted for both the previous and the current accounting periods, because the share of net sales in Japan (including export) versus total net sales is over 90%.

## 3. Overseas sales

Prior period (January 1, 2008 through December 31, 2008)

(1) Overseas sales	(Million yen)	390,374
(2) Consolidated sales	(Million yen)	3,272,429
(3) Percentage of (1) vs. (2)	(%)	11.9

(Note) 1. Overseas sales are not given by country or region as the information is not deemed to be material.  
2. The major countries or regions in the category: Asia Pacific  
3. Overseas sales is the Company's and its consolidated subsidiaries' sales to customers outside of Japan.

Current period (January 1, 2009 through December 31, 2009)

(1) Overseas sales	(Million yen)	217,714
(2) Consolidated sales	(Million yen)	2,111,753
(3) Percentage of (1) vs. (2)	(%)	10.3

(Note) 1. Overseas sales are not given by country or region as the information is not deemed to be material.  
2. The major countries or regions in the category: Asia Pacific  
3. Overseas sales above include exports by the Company and its consolidated subsidiaries.

**(Transactions with related parties)**

Prior period (January 1, 2008 through December 31, 2008)

**(1) Parent company and major corporate shareholders**

Attribute	Name of company	Address	Capital (Million yen)	Business	Percentage of voting shares (%)	Relationship		Contents of transaction	Transaction amount (Million yen)	Account title	Outstanding balance at the closing date (Million yen)	
						Interlocking directors (Person)	Business					
Parent company	ExxonMobil Y.K.	Minato-ku, Tokyo	50,000	Sales of oil products	Direct 50.6	3	Purchases and sales of oil products, provision of services, and group finances	Trade transactions	Sales of oil products	1,644,383	Accounts receivable-trade	245,717
									Purchases of oil products	235,213	Accounts payable-trade	62,003
									Provision of services	9,261	Accounts receivable-other	926
										13,523	Accrued expenses	1,479
								Non-operating transactions	Interest income	1	Short-term loans receivable	543

(Note) Exxon Mobil Corporation, which indirectly owns 100% of the equity of ExxonMobil Y.K. via its subsidiaries, is another parent company, but there are no material business transactions with the Company.

Transaction terms and policies for determining transaction terms:

- (i) Purchase and sales prices of oil products are determined at fair market prices.
- (ii) Accounts receivable-other and accrued expenses are accrued amounts that the Company should incur or charge to based on “Amendment and Restated Agreement for Comprehensive Administrative Services.”
- (iii) The interest rates applied to the group financing are based on the rates on the Japanese financial market.

(Note) In the amounts above, consumption taxes are included in the outstanding balances at the closing date but not in transaction amounts.

**(2) Officers and major individual shareholders**

Not applicable.

**(3) Subsidiaries**

Not applicable.

**(4) Fellow subsidiaries**

**a.**

Attribute	Name of company	Address	Capital (Thousand US dollars)	Business	Percentage of voting shares (%)	Relationship		Contents of transaction	Transaction amount (Million yen)	Account title	Outstanding balance at the closing date (Million yen)	
						Interlocking directors (Person)	Business					
Subsidiary of the Company's parent company's parent company	ExxonMobil Asia Pacific Private Ltd.	Singapore	1,557,981	Sales of oil products, etc.	None	None	Purchases and sales of oil products, and group finances	Trade transactions	Sales of oil products	357,991	Accounts receivable- trade	15,358
									Purchases of oil products	323,220	Accounts payable-trade	7,807
								Non- operating transactions	Interest income	21	Short-term loans receivable	90,807
									Interest expenses	131		

Transaction terms and policies for determining transaction terms, etc.

Purchase and sales prices of oil products are determined at fair market prices.

The interest rates applied to the group financing are based on the rates on the Japanese financial market.

(Note) The amounts above do not include import consumption tax.

**b.**

Attribute	Name of company	Address	Capital (Thousand US dollars)	Business	Percentage of voting shares (%)	Relationship		Contents of transaction	Transaction amount (Million yen)	Account title	Outstanding balance at the closing date (Million yen)	
						Interlocking directors (Person)	Business					
Subsidiary of the Company's parent company's parent company	ExxonMobil Sales and Supply Limited Liability Company	Fairfax Virginia U.S.A.	50,890	Sales of crude and oil products, etc.	None	None	Purchases and sales of crude and oil products	Trade transactions	Sales of crude and oil products	32,188	Accounts receivable- trade	59
									Purchases of crude	1,691,082	Accounts payable- trade	62,694

Transaction terms and policies for determining transaction terms, etc.

Purchase and sales prices of crude and oil products are determined at fair market prices.

(Note) The amounts above do not include import consumption tax.

Current period (January 1, 2009 through December 31, 2009)

(Additional information)

The Company adopted the “Accounting Standard for Related Party Disclosures” (ASBJ Statement No. 11, October 17, 2006) and “Guidance on Accounting Standard for Related Party Disclosures” (ASBJ Guidance No. 13, October 17, 2006) effective from the current fiscal year.

As a result, transactions between consolidated subsidiaries of the company filing the consolidated financial statements and the parent company and major corporate shareholders of the company filing the consolidated financial statements are added to the conventional scope of disclosure.

## 1. Transactions with related parties

### (1) Transactions between the company filing the consolidated financial statements and related parties

#### (A) Parent company and major corporate shareholders, etc. of the company filing the consolidated financial statements

Attribute	Name of company	Location	Capital (Million yen)	Business	Percentage of voting shares (%)	Relationship of related party	Contents of transaction	Transaction amount (Million yen)	Account title	Outstanding balance at the closing date (Million yen)
Parent company	ExxonMobil Y.K.	Minato-ku, Tokyo	50,000	Sales of oil products	Direct 50.5	Interlocking directors, purchases and sales of oil products, provision of services, and group finances	Sales of oil products	1,113,303	Accounts receivable-trade	253,472
							Purchases of oil products	143,758	Accounts payable-trade	63,702
							Provision of services	9,427	Accounts receivable-other	1,378
								13,872	Accrued expenses	1,856
Interest income	29	Short-term loans receivable	26,202							

(Note) Exxon Mobil Corporation, which indirectly owns 100% of the equity of ExxonMobil Y.K. via its subsidiaries, is another parent company, but there are no material business transactions with the Company.

Transaction terms and policies for determining transaction terms:

- (i) Purchase and sales prices of oil products are determined at fair market prices.
- (ii) Accounts receivable-other and accrued expenses are accrued amounts that the Company should incur or charge to based on “Amendment and Restated Agreement for Comprehensive Administrative Services.”
- (iii) The interest rates applied to the group financing are based on the rates on the domestic financial market.

(Note) In the amounts above, consumption taxes are included in the outstanding balances at the closing date, but not in transaction amounts.

#### (B) Companies which have an identical parent company with the company filing the consolidated financial statements

##### a.

Attribute	Name of company	Location	Capital (Thousand US dollars)	Business	Percentage of voting shares (%)	Relationship of related party	Contents of transaction	Transaction amount (Million yen)	Account title	Outstanding balance at the closing date (Million yen)
Company which has an identical parent company	ExxonMobil Asia Pacific Private Ltd.	Singapore	1,557,981	Sales of oil products, etc.	None	Purchases and sales of oil products, and group finances	Sales of oil products	213,805	Accounts receivable-trade	22,349
							Purchases of oil products	128,880	Accounts payable-trade	17,076
							Interest income	4	Short-term loans receivable	38,748

Transaction terms and policies for determining transaction terms:

Purchase and sales prices of oil products are determined at fair market prices.

The interest rates applied to the group financing are based on the rates on the domestic financial market.

(Note) The amounts above do not include import consumption tax.

b.

Attribute	Name of company	Location	Capital (Thousand US dollars)	Business	Percentage of voting shares (%)	Relationship of related party	Contents of transaction	Transaction amount (Million yen)	Account title	Outstanding balance at the closing date (Million yen)
Company which has an identical parent company	ExxonMobil Sales and Supply Limited Liability Company	Fairfax Virginia U.S.A.	50,890	Sales of crude and oil products, etc.	None	Sales of products and purchases of crude	Purchases of crude	1,055,142	Accounts payable-trade	105,088

Transaction terms and policies for determining transaction terms:

Purchase and sales prices of crude and oil products are determined at fair market prices.

(Note) The amounts above do not include import consumption tax.

**(2) Transactions between the consolidated subsidiaries of the company filing the consolidated financial statements and related parties**

**Parent company and major corporate shareholders, etc. of the company filing the consolidated financial statements**

Attribute	Name of company, etc.	Location	Capital (Million yen)	Business	Percentage of voting shares (%)	Relationship of related party	Contents of transaction	Transaction amount (Million yen)	Account title	Outstanding balance at the closing date (Million yen)
Parent company	ExxonMobil Y.K.	Minato-ku, Tokyo	50,000	Sales of oil products	Indirect 50.5	Interlocking directors, purchases and sales of chemical products, and provision of services	Sales of chemical products	113,493	Accounts receivable-trade	16,058
							Purchases of chemical products	11,299	Accounts payable-trade	2,931
							Provision of services	907	Accounts receivable-other	80
								3,339	Accrued expenses	627

Name of the consolidated subsidiary: Tonen Chemical Corporation

Transaction terms and policies for determining transaction terms:

- (i) Purchase and sales prices of raw materials are determined at fair market prices.
- (ii) Accounts receivable-other and accrued expenses are accrued amounts that the consolidated subsidiaries of the Company should incur or charge to based on "Sole Agency Agreement."

(Note) In the amounts above, consumption taxes are included in the outstanding balances at the closing date, but not in transaction amounts.

**2. Notes concerning the parent company or important affiliated companies**

**(1) Parent company information**

- (A) ExxonMobil Y.K. (Not listed)
- (B) Exxon Mobil Corporation (Listed on New York Stock Exchange)

**(2) Summary financial information of important affiliated companies**

Not applicable.

**(Financial data per share)**

Prior period (Jan. 1, 2008 through Dec. 31, 2008)		Current period (Jan. 1, 2009 through Dec. 31, 2009)	
Net assets per share	478.89 yen	Net assets per share	402.72 yen
Net income per share	140.34 yen	Net loss per share	(38.46) yen

**(Note) Basis of the calculation**

1. Diluted net income per share for the prior period is not noted because the Company has not issued any dilutive securities.
2. Diluted net income per share for the current period is not noted because the per share data is the net loss per share and the Company has not issued any dilutive securities.
3. Net assets per share

		Prior period (December 31, 2008)	Current period (December 31, 2009)
Net assets on the consolidated balance sheet	(Million yen)	270,500	227,359
Net assets pertaining to common stock	(Million yen)	270,500	227,359
Difference between "Net assets on the consolidated balance sheet" and "Net assets pertaining to common stock" used for the basis of the calculation for "Net assets per share"	(Million yen)	–	–
Number of common shares issued	(Shares)	565,182,000	565,182,000
Number of common shares in treasury	(Shares)	328,555	619,801
Number of common shares used for the basis of the calculation for "Net assets per share"	(Shares)	564,853,445	564,562,199

**4. Net income (loss) per share**

		Prior period (Jan. 1, 2008 through Dec. 31, 2008)	Current period (Jan. 1, 2009 through Dec. 31, 2009)
Net income (loss)	(Million yen)	79,285	(21,718)
Net income not relating to common shareholders	(Million yen)	–	–
Net income (loss) pertaining to common stock	(Million yen)	79,285	(21,718)
Average number of outstanding common shares	(Shares)	564,938,170	564,759,828

**(Significant subsequent events)**

Prior period (Jan. 1, 2008 through Dec. 31, 2008)	Current period (Jan. 1, 2009 through Dec. 31, 2009)
	<p data-bbox="810 286 1369 313">&lt;Significant subsequent events regarding business combination&gt;</p> <p data-bbox="810 318 1407 465">On January 29, 2010, the Company started a 50:50 joint venture in the battery separator film business through a new contribution by Toray Industries, Inc. into Tonen Specialty Separator Godo Kaisha, in which the Company held a 100% interest through fully-owned subsidiaries Tonen Chemical Corporation and Tonen Chemical Nasu Corporation.</p> <ol data-bbox="810 470 1407 1547" style="list-style-type: none"> <li data-bbox="810 470 1407 600">1. Name and business description of other combining entity concerned Entity name: Toray Industries, Inc. Business description: Manufacturing and sales of fiber products and other products</li> <li data-bbox="810 604 1407 683">2. Legal form of business combination The combination business is jointly controlled by the Tonen Group and Toray Industries, Inc. with an equity ratio of 50:50.</li> <li data-bbox="810 687 1407 743">3. Entity name after combination Toray Tonen Specialty Separator Godo Kaisha</li> <li data-bbox="810 748 1407 1142">4. Overview of transaction including purpose of transaction The joint-venture company fuses the Company's know-how and technology of the battery separator film (BSF) business with Toray Industries' plastic film precision processing technology and polymer technology. It develops, manufactures and sells BSF. Through this tie-up, both companies are able to develop BSF technology at a faster pace than if they undertook this business independently. An additional aim of the joint venture is to swiftly meet the needs of the continually growing lithium ion battery market while capturing new markets. The joint-venture company is starting from a solid base of experience and proven track record that has been amassed up until now through twenty years of providing BSF to the personal electronics market. From this starting point, the Company believes the joint venture can contribute to promoting growth in the lithium ion battery market for electric vehicles and hybrid vehicles</li> <li data-bbox="810 1146 1407 1547">5. Overview of implemented accounting method The business combination is a 50:50 joint-venture company that was formed when Toray Industries, Inc. contributed approximately 60 billion yen in additional equity to the former Tonen Specialty Separator Godo Kaisha, which was a consolidated subsidiary of the Company. As a result, the Company will recognize an estimated 20 billion yen as "gain on change in equity" and shown as an extraordinary gain on the consolidated statement of income in the next consolidated accounting period. Toray Tonen Specialty Separator Godo Kaisha (former Tonen Specialty Separator Godo Kaisha) and Toray Tonen Specialty Separator Korea Limited (former Tonen Specialty Separator Korea Limited) which were the consolidated subsidiaries of the Company will become equity method affiliates of the Company from the next consolidated accounting period.</li> </ol>

**e. Consolidated supplementary statements****Detailed statement of bonds payable**

Not applicable.

**Detailed statement of loans**

Category	Opening balance (Million yen)	Closing balance (Million yen)	Average interest rate (%)	Payment due
Short-term loans payable	65,129	81,069	0.11	–
Current portion of long-term loans payable	1,956	1,754	1.53	–
Lease obligations due 1 year	–	37	–	–
Long-term loans payable (excluding current portion)	7,493	5,739	1.53	March 12, 2018
Lease obligations (excluding obligations due 1 year)	–	298	–	–
Total	74,578	88,898	–	–

(Note) 1. The average interest rate represents the weighted-average rate obtained from all increases and decreases of loans during the period.

2. Repayment of long-term loans payable and lease obligations (excluding current portion) above scheduled within 5 years after the closing date of accounting period are as follows:

(Unit: Million yen)

Category	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Long-term loans payable	1,754	1,754	692	342
Lease obligations	44	43	44	44

## (2) Others

### a. Quarterly information for the consolidated accounting period

	First quarter (Jan. 1, 2009 through Mar. 31, 2009)	Second quarter (Apr. 1, 2009 through Jun. 30, 2009)	Third quarter (Jul. 1, 2009 through Sep. 30, 2009)	Fourth quarter (Oct. 1, 2009 through Dec. 31, 2009)
Net sales (Million yen)	484,223	480,422	560,023	587,084
Income (loss) before income taxes and minority interests (Million yen)	12,055	(23,638)	(1,619)	(22,919)
Net income (loss) (Million yen)	7,656	(14,080)	(1,003)	(14,291)
Net income (loss) per share (Yen)	13.56	(24.93)	(1.78)	(25.31)

### b. Matters concerning criminal charge pertaining to Antimonopoly Act

On November 9, 1999, the Tokyo High Public Prosecutors Office instituted prosecution against the Company, together with 10 other companies that are mainly oil wholesalers, at the Tokyo High Court on the charge of violation of the Antimonopoly Act in relation to petroleum product bidding for Ministry of Defense orders over the period from November 21, 1995 to November 20, 1998, and trials were held at the aforementioned court. On March 24, 2004, the Company was found guilty and fined 25 million yen. In addition, in relation to the aforesaid bidding, the Company, together with the 10 other companies that are mainly oil wholesalers, was issued a recommendation to cease activities in violation of the Antimonopoly Act from the Japan Fair Trade Commission on November 17, 1999 and the Company conceded to this recommendation. With respect to this, the Company received an order to pay surcharges (total surcharges of 522 million yen) from the Japan Fair Trade Commission on November 27, 2000, and pursuant to the provisions of the Antimonopoly Act, on December 20, 2000, the Company demanded the start of hearing procedures against the aforesaid Commission, and this hearing was held for some time. However, on February 23, 2005, a written decision was delivered by the Japan Fair Trade Commission to the Company. According to the decision, the surcharges owed were 505 million yen. The Company was dissatisfied with the above decision and filed an action for the revocation of the decision at the Tokyo High Court on March 22, 2005, demanding the revocation of this decision, but this appeal was dismissed on February 24, 2006, and the above decision became the final and binding decision for this case.

In relation to the above case, on December 19, 2005, the Japanese Government instituted a civil lawsuit against the Company, together with the 10 other companies that are mainly oil wholesalers, at the Tokyo District Court for refund of unjust enrichment (the amount of claim of 581 million yen and interest thereof calculated based on 6% per annum interest rate) and the trial is currently in progress.

## 2. Non-consolidated financial statements

### (1) Non-consolidated financial statements

#### a. Non-consolidated balance sheet

(Unit: Million yen)

	Prior period (December 31, 2008)		Current period (December 31, 2009)	
Assets				
Current assets				
Cash and deposits		36		44
Accounts receivable-trade	*4	389,931	*4	393,552
Merchandise and finished goods		36,176		26,044
Semi-finished goods		23,736		22,996
Raw materials		67,473		65,536
Supplies		3,641		3,800
Prepaid expenses		2,216		2,208
Deferred tax assets		5,137		6,240
Short-term loans receivable		90,935		38,868
Short-term loans receivable to subsidiaries and affiliates		8,370		35,486
Accounts receivable-other		4,065		4,861
Other		213		1,915
Allowance for doubtful accounts		(70)		(42)
Total current assets		631,863		601,513
Noncurrent assets				
Property, plant and equipment				
Buildings	*2	41,826	*2	40,482
Accumulated depreciation		(28,089)		(27,728)
Buildings, net		13,736		12,753
Structures	*1, *2	149,913	*1, *2	150,598
Accumulated depreciation		(121,020)		(122,845)
Structures, net		28,892		27,753
Tanks	*2	62,778	*2	63,405
Accumulated depreciation		(58,087)		(58,864)
Tanks, net		4,690		4,541
Machinery and equipment	*1, *2	520,073	*1, *2	528,937
Accumulated depreciation		(455,811)		(472,589)
Machinery and equipment, net		64,261		56,347
Vehicles		836		875
Accumulated depreciation		(712)		(754)
Vehicles, net		123		121
Tools, furniture and fixtures	*1	9,495	*1	9,451
Accumulated depreciation		(8,304)		(8,333)
Tools, furniture and fixtures, net		1,191		1,118
Land	*2, *3	70,604	*2, *3	68,985
Construction in progress		10,958		8,554
Total property, plant and equipment		194,458		180,175
Intangible assets				
Leasehold right		1,714		1,678
Software		3,016		3,049
Right of using facilities		277		248
Total intangible assets		5,008		4,976

(Unit: Million yen)

	Prior period (December 31, 2008)		Current period (December 31, 2009)	
Investments and other assets				
Investment securities		4,599		4,520
Stocks of subsidiaries and affiliates		6,599		6,596
Long-term loans receivable		21		26
Long-term loans receivable from employees		754		591
Long-term deposits		4,321		3,379
Deferred tax assets		6,455		21,745
Other		5,618		4,644
Allowance for doubtful accounts		(343)		(339)
Total investments and other assets		28,026		41,165
Total noncurrent assets		227,494		226,318
Total assets		859,357		827,831
Liabilities				
Current liabilities				
Accounts payable-trade	*4	223,092	*4	269,309
Gasoline taxes payable	*2	189,199	*2	185,983
Short-term loans payable		65,121		80,054
Current portion of long-term loans payable	*2	1,956	*2	1,754
Short-term loans payable to subsidiaries and affiliates		3,468		1,484
Accounts payable-other		9,917		12,639
Accrued expenses		12,053		11,637
Income taxes payable		38,226		–
Accrued consumption taxes		8,595		272
Advances received		6,950		3,958
Guarantee deposits payable		9,917		8,999
Provision for bonuses		1,031		1,022
Provision for offshore well abandonment		–		2,549
Other		952		1,123
Total current liabilities		570,483		580,787
Noncurrent liabilities				
Long-term loans payable	*2	7,493	*2	5,739
Provision for retirement benefits		27,239		33,669
Provision for directors' retirement benefits		170		126
Provision for repairs		15,340		16,010
Provision for offshore well abandonment		2,953		–
Other		544		591
Total noncurrent liabilities		53,741		56,136
Total liabilities		624,224		636,924

(Unit: Million yen)

	Prior period (December 31, 2008)	Current period (December 31, 2009)
Net assets		
Shareholders' equity		
Capital stock	35,123	35,123
Capital surplus		
Legal capital surplus	20,741	20,741
Total capital surplus	20,741	20,741
Retained earnings		
Legal retained earnings	8,780	8,780
Other retained earnings		
Reserve for property replacement	16,371	15,165
Retained earnings brought forward	154,286	111,473
Total retained earnings	179,439	135,419
Treasury stock	(307)	(539)
Total shareholders' equity	234,996	190,745
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	137	162
Total valuation and translation adjustments	137	162
Total net assets	235,133	190,907
Total liabilities and net assets	859,357	827,831

**b. Non-consolidated statement of income**

(Unit: Million yen)

	Prior period (Jan. 1, 2008 through Dec. 31, 2008)		Current period (Jan. 1, 2009 through Dec. 31, 2009)	
Net sales	*1	3,260,775	*1	2,089,668
Cost of sales				
Beginning merchandise and finished goods		36,816		36,176
Cost of purchased goods	*2	354,736	*2	131,759
Gasoline taxes and ado tax.	*2	641,039	*2	687,569
Cost of products manufactured	*5	2,135,876	*5	1,277,077
Total		3,168,468		2,132,582
Ending merchandise and finished goods		36,176		26,044
Valuation loss (reversal gain) on merchandise and finished goods		2,282		(2,282)
Valuation loss (reversal gain) on raw materials		564		(564)
Total cost of sales		3,135,139		2,103,690
Gross profit (loss)		125,636		(14,021)
Selling, general and administrative expenses	*4, *5	22,798	*4, *5	25,072
Operating income (loss)		102,837		(39,094)
Non-operating income				
Interest income		512		195
Dividends income	*3	4,152	*3	896
Foreign exchange gains		10,473		815
Other		95		59
Total non-operating income		15,233		1,968
Non-operating expenses				
Interest expenses		662		362
Other		110		28
Total non-operating expenses		773		391
Ordinary income (loss)		117,298		(37,517)
Extraordinary income				
Gain on sales of noncurrent assets	*6	1,192	*6	934
Gain on sales of subsidiaries and affiliates' stocks	*9	5,560		–
Gain on sales of investment securities		71		–
Total extraordinary income		6,824		934
Extraordinary loss				
Loss on sales and retirement of noncurrent assets	*7	1,367	*7	1,515
Impairment loss	*8	2,085	*8	436
Early extra retirement payments		–		328
Settlement package		–		213
Loss on provision for offshore well abandonment		1,185		–
Total extraordinary losses		4,637		2,494
Income (loss) before income taxes		119,484		(39,077)
Income taxes-current		38,357		32
Income taxes for prior periods		–		(148)
Income taxes-deferred		8,526		(16,411)
Total income taxes		46,884		(16,527)
Net income (loss)		72,600		(22,550)

### Statements of cost of products manufactured

Account title	Notes no.	Prior period (Jan. 1, 2008 through Dec. 31, 2008)			Current period (Jan. 1, 2009 through Dec. 31, 2009)		
		Amounts (Million yen)		Ratio (%)	Amounts (Million yen)		Ratio (%)
I Raw material cost			1,947,045	91.2		1,124,925	88.1
II Labor cost			15,444	0.7		23,700	1.8
III Other expenses							
1 Fuel expenses		83,758			49,470		
2 Repair expenses		14,896			14,525		
3 Depreciation and amortization		23,297			25,734		
4 Other		48,608	170,562	8.0	37,980	127,711	10.0
Total manufacturing cost			2,133,053	99.9		1,276,337	99.9
IV Beginning semi-finished goods			26,559	1.2		23,736	1.9
Total			2,159,612	101.1		1,300,073	101.8
V Ending semi-finished goods			23,736	1.1		22,996	1.8
Cost of products manufactured			2,135,876	100.0		1,277,077	100.0

(Note) Class process costing is applied as the costing method.

**c. Non-consolidated statement of changes in net assets**

(Unit: Million yen)

	Prior period (Jan. 1, 2008 through Dec. 31, 2008)	Current period (Jan. 1, 2009 through Dec. 31, 2009)
<b>Shareholders' equity</b>		
Capital stock		
Balance at the end of previous period	35,123	35,123
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	35,123	35,123
Capital surplus		
Legal capital surplus		
Balance at the end of previous period	20,741	20,741
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	20,741	20,741
Total capital surplus		
Balance at the end of previous period	20,741	20,741
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	20,741	20,741
Retained earnings		
Legal retained earnings		
Balance at the end of previous period	8,780	8,780
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	8,780	8,780
Other retained earnings		
Reserve for property replacement		
Balance at the end of previous period	17,089	16,371
Changes of items during the period		
Reversal of reserve for property replacement	(717)	(1,206)
Total changes of items during the period	(717)	(1,206)
Balance at the end of current period	16,371	15,165
Reserve for special depreciation		
Balance at the end of previous period	8	—
Changes of items during the period		
Reversal of reserve for special depreciation	(8)	—
Total changes of items during the period	(8)	—
Balance at the end of current period	—	—
Retained earnings brought forward		
Balance at the end of previous period	102,459	154,286
Changes of items during the period		
Dividends from surplus	(21,468)	(21,462)
Net income (loss)	72,600	(22,550)
Disposal of treasury stock	(30)	(6)
Reversal of reserve for property replacement	717	1,206
Reversal of reserve for special depreciation	8	—
Total changes of items during the period	51,827	(42,812)
Balance at the end of current period	154,286	111,473

(Unit: Million yen)

	Prior period (Jan. 1, 2008 through Dec. 31, 2008)	Current period (Jan. 1, 2009 through Dec. 31, 2009)
Total retained earnings		
Balance at the end of previous period	128,337	179,439
Changes of items during the period		
Dividends from surplus	(21,468)	(21,462)
Net income (loss)	72,600	(22,550)
Disposal of treasury stock	(30)	(6)
Total changes of items during the period	51,101	(44,019)
Balance at the end of current period	179,439	135,419
Treasury stock		
Balance at the end of previous period	(202)	(307)
Changes of items during the period		
Purchase of treasury stock	(331)	(293)
Disposal of treasury stock	226	61
Total changes of items during the period	(105)	(231)
Balance at the end of current period	(307)	(539)
Total shareholders' equity		
Balance at the end of previous period	184,000	234,996
Changes of items during the period		
Dividends from surplus	(21,468)	(21,462)
Net income (loss)	72,600	(22,550)
Purchase of treasury stock	(331)	(293)
Disposal of treasury stock	195	55
Total changes of items during the period	50,995	(44,250)
Balance at the end of current period	234,996	190,745
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	357	137
Changes of items during the period		
Net changes of items other than shareholders' equity	(220)	24
Total changes of items during the period	(220)	24
Balance at the end of current period	137	162
Total valuation and translation adjustments		
Balance at the end of previous period	357	137
Changes of items during the period		
Net changes of items other than shareholders' equity	(220)	24
Total changes of items during the period	(220)	24
Balance at the end of current period	137	162
Total net assets		
Balance at the end of previous period	184,358	235,133
Changes of items during the period		
Dividends from surplus	(21,468)	(21,462)
Net income (loss)	72,600	(22,550)
Purchase of treasury stock	(331)	(293)
Disposal of treasury stock	195	55
Net changes of items other than shareholders' equity	(220)	24
Total changes of items during the period	50,775	(44,226)
Balance at the end of current period	235,133	190,907

## Significant accounting policies

Prior period (Jan. 1, 2008 through Dec. 31, 2008)	Current period (Jan. 1, 2009 through Dec. 31, 2009)												
<p>1. Valuation rules and methods for securities</p> <p>(1) Stocks of subsidiaries and affiliated companies The moving-average cost method</p> <p>(2) Other securities</p> <p>a. Securities with readily determinable fair values Market value at the closing date (Valuation differences on available-for-sales securities are directly reflected in net assets, and cost of sales is calculated using the moving-average method)</p> <p>b. Securities without readily determinable fair values The moving-average cost method</p> <p>2. Valuation rules and methods for derivative transactions etc. Market value at the closing date</p> <p>3. Valuation rules and methods for inventories</p> <p>(1) Merchandise, finished goods, semi-finished goods, and raw materials LIFO method at the lower of cost or market</p> <p>(2) Supplies The moving-average cost method</p> <p>4. Depreciation and amortization method for noncurrent assets</p> <p>(1) Property, plant and equipment Generally the declining-balance method The service life ranges by major assets are:</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 80%;">Buildings and structures</td> <td style="text-align: right;">10 to 50 years</td> </tr> <tr> <td>Tanks</td> <td style="text-align: right;">10 to 25 years</td> </tr> <tr> <td>Machinery, equipment and vehicles</td> <td style="text-align: right;">8 to 15 years</td> </tr> </table> <p>(2) Intangible assets The straight-line method In-house computer software is amortized over its service life (5 to 15 years) using the straight-line method.</p>	Buildings and structures	10 to 50 years	Tanks	10 to 25 years	Machinery, equipment and vehicles	8 to 15 years	<p>1. Valuation rules and methods for securities</p> <p>(1) Stocks of subsidiaries and affiliated companies The moving-average cost method</p> <p>(2) Other securities</p> <p>a. Securities with readily determinable fair values No change</p> <p>b. Securities without readily determinable fair values No change</p> <p>2. Valuation rules and methods for derivative transactions etc. No change</p> <p>3. Valuation rules and methods for inventories Generally the lower of acquisition cost determined by the LIFO method or their net realizable value &lt;Change of accounting method&gt; With regard to inventories held for sale in the ordinary course of business, last-in first-out (LIFO) method at the lower of cost or market had been applied to merchandise and finished goods, semi-finished goods and raw materials, and the moving-average cost method had been applied to supplies. In accordance with the introduction of the “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9 issued on July 5, 2006), inventories are generally stated on the balance sheet at the lower of acquisition cost determined by the LIFO method and their net realizable value beginning in this accounting period. There is no earnings impact from this change.</p> <p>4. Depreciation and amortization method for noncurrent assets</p> <p>(1) Property, plant and equipment (excluding leased assets) Generally the declining-balance method The service life ranges by major assets are:</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 80%;">Buildings and structures</td> <td style="text-align: right;">10 to 50 years</td> </tr> <tr> <td>Tanks</td> <td style="text-align: right;">10 to 25 years</td> </tr> <tr> <td>Machinery, equipment and vehicles</td> <td style="text-align: right;">7 to 15 years</td> </tr> </table> <p>(2) Intangible assets (excluding leased assets) No change</p>	Buildings and structures	10 to 50 years	Tanks	10 to 25 years	Machinery, equipment and vehicles	7 to 15 years
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<p style="text-align: center;">Prior period (Jan. 1, 2008 through Dec. 31, 2008)</p>	<p style="text-align: center;">Current period (Jan. 1, 2009 through Dec. 31, 2009)</p>
<p>5. 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.</p> <p>6. Basis for provisions</p> <p>(1) 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.</p> <p>(2) Provision for bonuses To provide for the payment of employees' bonuses, the Company accrues an estimated reserve for the accounting period.</p> <p>(3) 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 accounting period, where the declining-balance method is employed over a period which is set within employees' average remaining service years (12 years). Prior service liabilities are amortized using the straight-line method over employees' average remaining service years;</p> <p>(Before 2004: 15.5 years Since 2004: 12.9 years Since 2007: 11.9 years)</p>	<p>(3) Leased assets The straight-line method is employed, where 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 the beginning of this accounting period, is the same as the method applied to ordinary operating lease transactions.</p> <p>&lt;Change of accounting method&gt; The accounting treatment for finance lease transactions, in which ownership is not transferred to the lessee, had been the same as the method applied to ordinary operating lease transactions. Revisions in "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13 issued on June 17, 1993, amended on March 30, 2007) and "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16 issued on January 18, 1994, amended on March 30, 2007) which can be applied for the accounting period beginning on or after April 1, 2008, were applied to finance leases in which ownership is not transferred to the lessee, so that they are treated in the same way as ordinary purchase and sale transactions beginning in this accounting period. As to the depreciation method for lease assets related to finance lease transactions in which ownership is not transferred to the lessee, the straight-line method is employed, where 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 the beginning of the current period, is the same as the method applied to ordinary operating lease transactions. There is no earnings impact from this change.</p> <p>5. Translation method for foreign currency assets and liabilities No change</p> <p>6. Basis for provisions</p> <p>(1) Allowance for doubtful accounts No change</p> <p>(2) Provision for bonuses No change</p> <p>(3) Provision for retirement benefits No change</p>

Prior period (Jan. 1, 2008 through Dec. 31, 2008)	Current period (Jan. 1, 2009 through Dec. 31, 2009)
<p>(4) 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.</p> <p>(5) 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 reserve for the accounting period, based on actual payments and repair plans.</p> <p>(6) Provision for offshore well abandonment To provide for expenses for offshore well abandonment to be incurred when natural gas production is terminated, the Company reserves the estimated amount anticipated to be spent.</p> <p>7. Accounting for lease transactions The accounting treatment for finance lease transactions, in which ownership does not transfer to the lessee, uses the same method as applied to ordinary operating lease transactions.</p> <p>8. Others Accounting method for consumption taxes Each item in the statement of income does not include consumption taxes.</p>	<p>(4) Provision for directors' retirement benefits No change</p> <p>(5) Provision for repairs No change</p> <p>(6) 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.</p> <p>7. _____</p> <p>8. Others Accounting method for consumption taxes No change</p>

#### Change in presentation

Prior period (Jan. 1, 2008 through Dec. 31, 2008)	Current period (Jan. 1, 2009 through Dec. 31, 2009)
<p>&lt;Balance sheet&gt;</p> <p>Although "short-term loans receivable" was included in "other" of "current assets" in the prior period, it is independently listed as "short-term loans receivable" in this period as the balance exceeded 1% of the total assets. The amount included in "other" of "current assets" in the prior period was 157 million yen.</p> <p>&lt;Statement of income&gt;</p> <p>Although "loss on sales and disposals of supplies" was listed in "non-operating expenses" in the prior accounting period, it is included in "other" in this accounting period as the amount is not more than 10% of the total non-operating expenses. The amount included in "other" in this accounting period is 15 million yen.</p>	<p>_____</p>

**Additional information**

<p style="text-align: center;">Prior period (Jan. 1, 2008 through Dec. 31, 2008)</p>	<p style="text-align: center;">Current period (Jan. 1, 2009 through Dec. 31, 2009)</p>
<p>&lt;Depreciation of property, plant and equipment&gt;</p> <p>In accordance with the revision of the Corporation Tax Act, the differences between the limit of depreciation (5% of the acquisition cost) and the memorandum value of property, plant and equipment, which were acquired before March 31, 2007, are depreciated on a straight-line basis over 5 years from the next year after the assets are fully depreciated up to the limit of depreciation (5% of the acquisition cost), and the Company and its domestic subsidiaries recognize the resulting differences as depreciation costs.</p> <p>As a result, operating income, ordinary income and income before income taxes decreased by 4,494 million yen, respectively.</p> <p>&lt;Provision loss on reserve for offshore well abandonment&gt;</p> <p>Following the cessation of production concerning the Offshore Iwaki Gas Project, the Company has estimated updated costs of offshore well abandonment, and the difference of 1,185 million yen from the previously accrued amount is shown as an extraordinary loss in this accounting period.</p>	<p>&lt;Change in service life of property, plant and equipment&gt;</p> <p>In accordance with the revision of the useful life stipulated in the Corporation Tax Act, the service life for machinery such as refining and electric power generation assets owned by the Company was changed beginning in this accounting period. As a result, operating loss, ordinary loss and loss before income taxes increased by 2,072 million yen, respectively.</p>

**Notes to non-consolidated financial statements**

**(Non-consolidated balance sheet)**

Prior period (December 31, 2008)	Current period (December 31, 2009)																																																																																	
<p>1. The accumulated reduced-value entry, which directly deducted from property, plant and equipment, is amounted by 1,674 million yen. The reduced-value entry is applied due to insurance money etc. (Structures 33 million yen, machinery and equipment 1,629 million yen, tools, furniture and fixtures 11 million yen)</p> <p>2. Mortgaged assets Mortgaged assets and mortgaged liabilities by security rights are as shown below;</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Mortgaged assets</th> <th style="text-align: center;">Amounts (Million yen)</th> <th style="text-align: center;">(Plant mortgage) (Million yen)</th> </tr> </thead> <tbody> <tr> <td>Building</td> <td style="text-align: right;">1,414</td> <td style="text-align: right;">(1,414)</td> </tr> <tr> <td>Structures</td> <td style="text-align: right;">4,227</td> <td style="text-align: right;">(4,227)</td> </tr> <tr> <td>Tanks</td> <td style="text-align: right;">639</td> <td style="text-align: right;">(639)</td> </tr> <tr> <td>Machinery and equipment</td> <td style="text-align: right;">17,522</td> <td style="text-align: right;">(17,522)</td> </tr> <tr> <td>Land</td> <td style="text-align: right;">23,657</td> <td style="text-align: right;">(4,628)</td> </tr> <tr> <td style="text-align: center;">Total</td> <td style="text-align: right;">47,460</td> <td style="text-align: right;">(28,431)</td> </tr> </tbody> </table> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Mortgaged liabilities by security right</th> <th style="text-align: center;">Amounts (Million yen)</th> <th style="text-align: center;">(Plant mortgage) (Million yen)</th> </tr> </thead> <tbody> <tr> <td>Current portion of long-term loans payable</td> <td style="text-align: right;">202</td> <td style="text-align: center;">(-)</td> </tr> <tr> <td>Gasoline taxes payable</td> <td style="text-align: right;">47,257</td> <td style="text-align: right;">(28,431)</td> </tr> <tr> <td style="text-align: center;">Total</td> <td style="text-align: right;">47,459</td> <td style="text-align: right;">(28,431)</td> </tr> </tbody> </table>	Mortgaged assets	Amounts (Million yen)	(Plant mortgage) (Million yen)	Building	1,414	(1,414)	Structures	4,227	(4,227)	Tanks	639	(639)	Machinery and equipment	17,522	(17,522)	Land	23,657	(4,628)	Total	47,460	(28,431)	Mortgaged liabilities by security right	Amounts (Million yen)	(Plant mortgage) (Million yen)	Current portion of long-term loans payable	202	(-)	Gasoline taxes payable	47,257	(28,431)	Total	47,459	(28,431)	<p>1. The accumulated reduced-value entry, which directly deducted from property, plant and equipment, is amounted by 1,674 million yen. The reduced-value entry is applied due to insurance money etc. (Structures 33 million yen, machinery and equipment 1,629 million yen, tools, furniture and fixtures 11 million yen)</p> <p>2. 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Current amounts outstanding under this loan agreement are for current portion of long-term loans payable (1,412 million of yen) and long-term loans payable (4,586 million of yen)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Buildings</td> <td style="text-align: right;">1,860</td> <td style="text-align: right;">million yen</td> </tr> <tr> <td>Structures</td> <td style="text-align: right;">10,863</td> <td></td> </tr> <tr> <td>Tanks</td> <td style="text-align: right;">1,382</td> <td></td> </tr> <tr> <td>Machinery and equipment</td> <td style="text-align: right;">25,297</td> <td></td> </tr> <tr> <td>Land</td> <td style="text-align: right;">847</td> <td></td> </tr> <tr> <td>Others</td> <td style="text-align: right;">420</td> <td></td> </tr> </table>	Mortgaged assets	Amounts (Million yen)	(Plant mortgage) (Million yen)	Building	1,350	(1,350)	Structures	3,657	(3,657)	Tanks	514	(514)	Machinery and equipment	15,664	(15,664)	Land	23,657	(4,628)	Total	44,845	(25,816)	Mortgaged liabilities by security right	Amounts (Million yen)	(Plant mortgage) (Million yen)	Gasoline taxes payable	51,186	(25,816)	Total	51,186	(25,816)	Buildings	1,860	million yen	Structures	10,863		Tanks	1,382		Machinery and equipment	25,297		Land	847		Others	420	
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<p>3. Obligations for guarantees</p> <p>The Company has guaranteed the following borrowing etc., by employees of the Company, its associated companies, dealers, etc.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Shimizu LNG K.K.</td> <td style="text-align: right;">1,580 million yen</td> </tr> <tr> <td>Company employees</td> <td style="text-align: right;">189</td> </tr> <tr> <td>K.K. Ryuseki Nenryo</td> <td style="text-align: right;">95</td> </tr> <tr> <td>Others (4 companies)</td> <td style="text-align: right;">109</td> </tr> <tr> <td style="border-top: 1px solid black;">Total</td> <td style="text-align: right; border-top: 1px solid black;">1,974</td> </tr> </table> <p>(Note) For the debt (1,822 million of yen) of Shimizu LNG K.K. from the Development Bank of Japan etc., the Company has a contractual obligation to reserve its land for a mortgage. (book value 747 million of yen)</p>	Shimizu LNG K.K.	1,580 million yen	Company employees	189	K.K. Ryuseki Nenryo	95	Others (4 companies)	109	Total	1,974	<p>3. Obligations for guarantees</p> <p>(1) Bank borrowing, etc.</p> <p>The Company has guaranteed the bank borrowing etc. by its associated companies etc. as follows.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Shimizu LNG K.K.</td> <td style="text-align: right;">1,174 million yen</td> </tr> <tr> <td>Japan Biofuels Supply LLP</td> <td style="text-align: right;">376</td> </tr> <tr> <td>Company employees</td> <td style="text-align: right;">171</td> </tr> <tr> <td>Others (5 companies)</td> <td style="text-align: right;">130</td> </tr> <tr> <td style="border-top: 1px solid black;">Total</td> <td style="text-align: right; border-top: 1px solid black;">1,852</td> </tr> </table> <p>(Note) For the debt (892 million of yen) of Shimizu LNG K.K. from the Development Bank of Japan etc., the Company has a contractual obligation to reserve its land for a mortgage. (book value 747 million of yen)</p> <p>(2) Letter of credit</p> <p>The Company has guaranteed the letter of credit as follows.</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;">Guarantees</th> <th style="text-align: right; border-bottom: 1px solid black;">Amounts (USD)</th> <th style="text-align: right; border-bottom: 1px solid black;">(Yen equivalent)</th> </tr> </thead> <tbody> <tr> <td>Japan Biofuels Supply LLP</td> <td style="text-align: right;">11,137 thousand USD</td> <td style="text-align: right;">(1,025) million yen</td> </tr> </tbody> </table> <p>(3) Deferral of import consumption tax payment</p> <p>The Company has guaranteed the deferral of import consumption tax payment as follows.</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;">Guarantees</th> <th style="text-align: right; border-bottom: 1px solid black;">Amounts</th> </tr> </thead> <tbody> <tr> <td>Japan Biofuels Supply LLP</td> <td style="text-align: right;">292 million yen</td> </tr> </tbody> </table>	Shimizu LNG K.K.	1,174 million yen	Japan Biofuels Supply LLP	376	Company employees	171	Others (5 companies)	130	Total	1,852	Guarantees	Amounts (USD)	(Yen equivalent)	Japan Biofuels Supply LLP	11,137 thousand USD	(1,025) million yen	Guarantees	Amounts	Japan Biofuels Supply LLP	292 million yen
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<p>4. Notes related to associated companies</p> <p>The amounts of transactions with associated companies included in accounts other than those independently represented as such transactions are as follows.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Accounts receivable-trade</td> <td style="text-align: right;">265,401 million yen</td> </tr> <tr> <td>Accounts payable-trade</td> <td style="text-align: right;">71,315</td> </tr> </table>	Accounts receivable-trade	265,401 million yen	Accounts payable-trade	71,315	<p>4. Notes related to associated companies</p> <p>The amounts of transactions with associated companies included in accounts other than those independently represented as such transactions are as follows.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Accounts receivable-trade</td> <td style="text-align: right;">269,899 million yen</td> </tr> <tr> <td>Accounts payable-trade</td> <td style="text-align: right;">72,321</td> </tr> </table>	Accounts receivable-trade	269,899 million yen	Accounts payable-trade	72,321																						
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Accounts payable-trade	72,321																														

**(Non-consolidated statement of income)**

Prior period (Jan. 1, 2008 through Dec. 31, 2008)		Current period (Jan. 1, 2009 through Dec. 31, 2009)																		
1.	Transactions with associated companies included in net sales in the current period Net sales	1,941,840 million yen	1. Transactions with associated companies included in net sales in the current period Net sales	1,260,196 million yen																
2.	Transactions with associated companies included in purchases in the current period Purchases	423,797 million yen	2. Transactions with associated companies included in purchases in the current period Purchases	245,765 million yen																
	The amount above includes the amounts related to mogas tax, local road tax and ado tax.		The amount above includes the amounts related to gasoline taxes and ado tax.																	
3.	Transactions with associated companies included in non-operating income and expenses Dividends income	4,094 million yen	3. Transactions with associated companies included in non-operating income and expenses Dividends income	804 million yen																
4.	Selling expenses and general and administrative expenses are approximately 62% and 38% respectively. Major expenses and amounts are as follows;		4. Selling expenses and general and administrative expenses are approximately 56% and 44% respectively. Major expenses and amounts are as follows;																	
	Salaries and bonuses	8,047 million yen	Salaries and bonuses	7,240 million yen																
	Transportation costs	2,668	Transportation costs	2,201																
	Other third party expenses	2,247	Other third party expenses	2,121																
	Rent	1,895	Rent	1,702																
	Depreciation and amortization	1,833	Depreciation and amortization	1,577																
	Sales commissions	1,764	Sales commissions	2,155																
	Retirement benefit expenses	(516)	Retirement benefit expenses	2,735																
	Provisions for bonuses	338	Provisions for bonuses	314																
5.	Research and development expenses included in general and administrative expenses and manufacturing costs are accounted by 1,740 million yen.		5. Research and development expenses included in general and administrative expenses and manufacturing costs are accounted by 1,880 million yen.																	
6.	Gain on sales of noncurrent assets		6. Gain on sales of noncurrent assets																	
	Land (service stations)	1,119 million yen	Land (service stations)	933 million yen																
	Other	72	Other	0																
	Total	1,192	Total	934																
7.	Loss on sales and retirement of noncurrent assets		7. Loss on sales and retirement of noncurrent assets																	
	Building	340 million yen	Building	626 million yen																
	(service stations, etc.)		(service stations, etc.)																	
	Machinery and equipment	331	Land	334																
	(refinery facilities, etc.)		(service stations, etc.)																	
	Structures	289	Structures	250																
	(service stations, etc.)		(service stations, etc.)																	
	Leasehold right	202	Machinery and equipment	226																
	(service stations, etc.)		(service stations, etc.)																	
	Others	203	Others	77																
	Total	1,367	Total	1,515																
8.	Impairment loss		8. Impairment Loss																	
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;">Used for</th> <th style="width: 35%;">Location</th> <th style="width: 15%;">Type</th> <th style="width: 35%;">Amount (million yen)</th> </tr> </thead> <tbody> <tr> <td>Service station</td> <td>The Company, Suma Central Dai-ichi SS (Suma-ku, Kobe-City, Hyogo Pref.) and other 22 items</td> <td>Land</td> <td style="text-align: center;">2,085</td> </tr> </tbody> </table>	Used for	Location	Type	Amount (million yen)	Service station	The Company, Suma Central Dai-ichi SS (Suma-ku, Kobe-City, Hyogo Pref.) and other 22 items	Land	2,085		<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;">Used for</th> <th style="width: 35%;">Location</th> <th style="width: 15%;">Type</th> <th style="width: 35%;">Amount (million yen)</th> </tr> </thead> <tbody> <tr> <td>Service station</td> <td>The Company, Mobara SS (Mobara-City, Chiba Pref.) and other 15 items</td> <td>Land</td> <td style="text-align: center;">436</td> </tr> </tbody> </table>	Used for	Location	Type	Amount (million yen)	Service station	The Company, Mobara SS (Mobara-City, Chiba Pref.) and other 15 items	Land	436	
Used for	Location	Type	Amount (million yen)																	
Service station	The Company, Suma Central Dai-ichi SS (Suma-ku, Kobe-City, Hyogo Pref.) and other 22 items	Land	2,085																	
Used for	Location	Type	Amount (million yen)																	
Service station	The Company, Mobara SS (Mobara-City, Chiba Pref.) and other 15 items	Land	436																	
	<p>The Company recognized an impairment loss on the 23 items, whose recoverable value is significantly lower than net book value, by deducting the NBV to the recoverable value. The deduction was 2,085 million yen and is shown as an extraordinary loss.</p> <p>Net selling value, which is a market price based on official values, is applied to evaluate the recoverable value.</p>		<p>The Company recognized an impairment loss on the 16 items, whose recoverable value is significantly lower than net book value, by deducting the NBV to the recoverable value. The deduction was 436 million yen and is shown as an extraordinary loss.</p> <p>Net selling value, which is a market price based on official values, is applied to evaluate the recoverable value.</p>																	

Prior period (Jan. 1, 2008 through Dec. 31, 2008)	Current period (Jan. 1, 2009 through Dec. 31, 2009)
<p>9. Gain on sales of subsidiaries and affiliates' stocks</p> <p>The shares in Nansei Sekiyu K.K., which were owned by the Company, were sold to Petrobras International Braspetro B.V. on April 1, 2008.</p> <p>The gain of 5,560 million yen was recognized as "gain on sales of subsidiaries and affiliates' stocks" in extraordinary income.</p> <p>"Gain on sale of subsidiary company's stock" includes the reversal of the accrued loss on sale of subsidiary company's stock of 1,822 million yen, which was recognized in the prior period.</p>	9. _____

**(Non-consolidated statement of changes in shareholders' equity)**

Prior period (January 1, 2008 through December 31, 2008)

**1. Treasury stock**

Class	Dec. 31, 2007	Increase	Decrease	Dec. 31, 2008
Common stock (shares)	180,951	372,332	224,728	328,555

(Major cause of movement) Increase and decrease of shares in treasury stock is due to purchase and sales of odd-lot shares.

Current period (January 1, 2009 through December 31, 2009)

**1. Treasury stock**

Class	Dec. 31, 2008	Increase	Decrease	Dec. 31, 2009
Common stock (shares)	328,555	359,766	68,520	619,801

(Major cause of movement) Increase and decrease of shares in treasury stock is due to purchase and sales of odd-lot shares.

**(Lease transactions)**

Prior period (Jan. 1, 2008 through Dec. 31, 2008)	Current period (Jan. 1, 2009 through Dec. 31, 2009)																																												
Finance leases in which ownership is not transferred to the lessee	The accounting treatment for finance leases, in which ownership is not transferred to the lessee and which became effective before the beginning of this period, is the same as the method applied to ordinary operating lease transactions. The detail is as follows.																																												
1. Acquisition cost equivalent, accumulated depreciation equivalent and net book value equivalent at the closing date	1. Acquisition cost equivalent, accumulated depreciation equivalent and net book value equivalent at the closing date																																												
<table border="1"> <thead> <tr> <th></th> <th style="text-align: center;">Acquisition cost equivalent (Million yen)</th> <th style="text-align: center;">Accumulated depreciation equivalent (Million yen)</th> <th style="text-align: center;">Net book value equivalent at the closing date (Million yen)</th> </tr> </thead> <tbody> <tr> <td>Buildings</td> <td style="text-align: center;">89</td> <td style="text-align: center;">1</td> <td style="text-align: center;">88</td> </tr> <tr> <td>Machinery</td> <td style="text-align: center;">210</td> <td style="text-align: center;">2</td> <td style="text-align: center;">208</td> </tr> <tr> <td>Cars and vehicles</td> <td style="text-align: center;">100</td> <td style="text-align: center;">60</td> <td style="text-align: center;">39</td> </tr> <tr> <td>Others</td> <td style="text-align: center;">53</td> <td style="text-align: center;">47</td> <td style="text-align: center;">5</td> </tr> <tr> <td style="text-align: center;">Total</td> <td style="text-align: center;">453</td> <td style="text-align: center;">111</td> <td style="text-align: center;">342</td> </tr> </tbody> </table>		Acquisition cost equivalent (Million yen)	Accumulated depreciation equivalent (Million yen)	Net book value equivalent at the closing date (Million yen)	Buildings	89	1	88	Machinery	210	2	208	Cars and vehicles	100	60	39	Others	53	47	5	Total	453	111	342	<table border="1"> <thead> <tr> <th></th> <th style="text-align: center;">Acquisition cost equivalent (Million yen)</th> <th style="text-align: center;">Accumulated depreciation equivalent (Million yen)</th> <th style="text-align: center;">Net book value equivalent at the closing date (Million yen)</th> </tr> </thead> <tbody> <tr> <td>Buildings</td> <td style="text-align: center;">89</td> <td style="text-align: center;">5</td> <td style="text-align: center;">84</td> </tr> <tr> <td>Machinery</td> <td style="text-align: center;">210</td> <td style="text-align: center;">28</td> <td style="text-align: center;">182</td> </tr> <tr> <td>Cars and vehicles</td> <td style="text-align: center;">95</td> <td style="text-align: center;">74</td> <td style="text-align: center;">20</td> </tr> <tr> <td style="text-align: center;">Total</td> <td style="text-align: center;">395</td> <td style="text-align: center;">109</td> <td style="text-align: center;">286</td> </tr> </tbody> </table>		Acquisition cost equivalent (Million yen)	Accumulated depreciation equivalent (Million yen)	Net book value equivalent at the closing date (Million yen)	Buildings	89	5	84	Machinery	210	28	182	Cars and vehicles	95	74	20	Total	395	109	286
	Acquisition cost equivalent (Million yen)	Accumulated depreciation equivalent (Million yen)	Net book value equivalent at the closing date (Million yen)																																										
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4. Calculation method for depreciation expense equivalent	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.	No change.																																												

**(Securities)**

At the end of the prior and current periods, there were no subsidiaries' and affiliates' stocks with determinable market values.

**(Deferred tax accounting)**

Prior period (December 31, 2008)		Current period (December 31, 2009)	
1. Detail of deferred tax assets and deferred tax liabilities		1. Detail of deferred tax assets and deferred tax liabilities	
(Deferred tax assets)		(Deferred tax assets)	
Provision for retirement benefits	11,152 million yen	Tax loss carry forward	16,238 million yen
Provision for repairs	4,097	Provision for retirement benefits	13,751
Accrued enterprise tax payable	2,703	Provision for repairs	4,550
Accumulated impairment loss	2,383	Accumulated impairment loss	1,912
Variance from different inventory valuations	1,637	Variance from different inventory valuations	1,298
Provision for offshore well abandonment	1,201	Provision for offshore well abandonment	1,037
Other	1,860	Other	1,633
Total deferred tax assets	25,036	Total deferred tax assets	40,421
(Deferred tax liabilities)		(Deferred tax liabilities)	
Reserve for property replacement	(11,231) million yen	Reserve for property replacement	(10,404) million yen
Other	(2,212)	Other	(2,030)
Total deferred tax liabilities	(13,444)	Total deferred tax liabilities	(12,435)
Net of deferred tax assets	11,592	Net of deferred tax assets	27,986
2. Factors in the difference between the statutory effective tax rate and actual effective tax rate		2. Factors in the difference between the statutory effective tax rate and actual effective tax rate	
Statutory effective tax rate	40.7 %	This note is omitted since the difference between the statutory effective tax rate and actual effective tax rate is not more than 5% of the statutory effective tax rate.	
(Adjustments)			
Items not recognized as loss, such as entertainment expense	0.1		
Items not recognized as income, such as dividends received	(1.4)		
Others	(0.2)		
Actual effective tax rate	39.2		

**(Financial data per share)**

Prior period (Jan. 1, 2008 through Dec. 31, 2008)		Current period (Jan. 1, 2009 through Dec. 31, 2009)	
Net assets per share	416.27 yen	Net assets per share	338.15 yen
Net income per share	128.51 yen	Net loss per share	(39.93) yen

**(Note) Basis of the calculation**

1. Diluted net income per share for the prior period is not noted because the Company has not issued any dilutive securities.
2. Diluted net income per share for the current period is not noted because the per share data is the net loss per share and the Company has not issued any dilutive securities.
3. Net assets per share

		Prior period (December 31, 2008)	Current period December 31, 2009)
Net assets on the balance sheet	(Million yen)	235,133	190,907
Net assets pertaining to common stock	(Million yen)	235,133	190,907
Difference between “Net assets on the balance sheet” and “Net assets pertaining to common stock” used for the basis of the calculation for “Net assets per share”	(Million yen)	–	–
Number of common shares issued	(Shares)	565,182,000	565,182,000
Number of common shares in treasury	(Shares)	328,555	619,801
Number of common shares used for the basis of the calculation for “Net assets per share”	(Shares)	564,853,445	564,562,199

## 4. Net income (loss) per share

		Prior period (Jan. 1, 2008 through Dec. 31, 2008)	Current period (Jan. 1, 2009 through Dec. 31, 2009)
Net income (loss)	(Million yen)	72,600	(22,550)
Net income not relating to common shareholders	(Million yen)	–	–
Net income (loss) per common share	(Million yen)	72,600	(22,550)
Average number of outstanding common shares	(Shares)	564,938,170	564,759,828

**d. Non-consolidated supplementary statements****Detailed statement of securities****(Shares)**

Issues	Number of shares (Share)	Balance sheet amount (Million yen)
(Investment securities)		
Other securities		
TOJOGAS Corporation	101,129	1,415
MITSUUROKO CO., LTD.	1,992,961	1,237
HOKKAIDO JOINT OIL STOCKPILING CO.,LTD.	123,480	1,234
SANRIN CO.,LTD.	500,000	281
Kansai International Airport Co., Ltd.	3,460	86
KANARIN LTD	166,000	83
TRANS-TOKYO BAY HIGHWAY CORPORATION	1,000	50
Japan Underground Oil Storage Co., Ltd.	600	30
MUTSU-OGAWARA OIL STRAGE CO., LTD.	2,000	20
JAPAN OIL TERMINAL CO.,LTD.	38,400	19
Other issues (10 companies)	68,145	28
Total	2,997,175	4,486

**(Other)**

Issues	Number of shares (Share)	Balance sheet amount (Million yen)
(Investment securities)		
Other securities		
Japan Biofuels Supply LLP	-	33

### Detailed statement of property, plant and equipment and intangible assets

Assets	Opening balance (Million yen)	Increase (Million yen)	Decrease (Million yen)	Closing balance (Million yen)	Accumulated depreciation (Million yen)	Current period depreciation (Million yen)	Closing acquisition cost (Million yen)
Property, plant and equipment							
Buildings	41,826	574	1,919	40,482	27,728	916	12,753
Structures	149,913	2,357	1,671	150,598	122,845	3,259	27,753
Tanks	62,778	804	176	63,405	58,864	946	4,541
Machinery and equipment	520,073	13,342	4,478	528,937	472,589	20,996	56,347
Vehicles	836	60	21	875	754	62	121
Tools, furniture and fixtures	9,495	491	534	9,451	8,333	534	1,118
Land	70,604	–	1,618 (436)	68,985	–	–	68,985
Construction in progress	10,958	14,771	17,176	8,554	–	–	8,554
Total	866,485	32,403	27,597 (436)	871,291	691,115	26,714	180,175
Intangible assets							
Leasehold right	1,714	–	35	1,678	–	–	1,678
Software	7,871	692	163	8,400	5,351	540	3,049
Right of using facilities	2,985	31	123	2,892	2,643	56	248
Total	12,570	724	323	12,971	7,994	597	4,976

(Note) 1. Impairment Loss amounts are shown with the parenthesis in the column of “Decrease.”

2. Major items of the increase in property, plant and equipment are conversions of the fluid catalytic cracking unit (4.3 billion yen) and improvement of the security facilities (0.8 billion yen) at Kawasaki Refinery, conversions of the sulfur recovery unit (0.7 billion yen) at Sakai Refinery and minor improvement works of manufacturing facilities (about 300 items, 10.2 billion yen) and facility improvement for service stations (0.2 billion yen) at each refinery.

### Detailed statement of provisions

Category	Opening balance (Million yen)	Increase (Million yen)	Decrease (Appropriation) (Million yen)	Decrease (Others) (Million yen)	Closing balance (Million yen)
Allowance for doubtful accounts	413	14	45	–	382
Provision for bonuses	1,031	1,022	1,031	–	1,022
Provision for directors’ retirement benefits	170	10	54	–	126
Provision for repairs	15,340	5,010	4,340	–	16,010
Provision for offshore well abandonment	2,953	–	404	–	2,549

## (2) Detail of major assets and liabilities

### a. Assets

#### Current assets

##### 1) Cash and deposits

Category	Amount (Million yen)
Cash	–
Cash equivalents	
Current deposits	38
Ordinary deposits	6
Total	44

##### 2) Accounts receivable-trade

###### i. Balance by customers

Customers	Amount (Million yen)
ExxonMobil Y.K.	253,472
Kygnus Sekiyu K.K.	32,120
Showa Shell Sekiyu K.K.	24,102
ExxonMobil Asia Pacific Private Ltd.	22,349
Tonen Chemical Corporation	16,123
Other	45,383
Total	393,552

###### ii. Average collection period and collection of accounts receivable-trade

Balance brought forward (Million yen)	Accrual in the current period (Million yen)	Collection in the current period (Million yen)	Balance carried forward (Million yen)	Collection rate (%)	Average collection period (Day)
(A)	(B)	(C)	(D)	$\frac{(C)}{(A) + (B)} \times 100$	$\frac{(A) + (D)}{(B)}$
389,931	2,631,008	2,627,387	393,552	87	54

##### 3) Merchandise and finished goods

Oil type	Volume (KKL, KTon)	Amount (Million yen)
Gasoline	165	4,539
Kerosene	251	5,949
Diesel fuel	199	5,299
Fuel oils	250	4,898
LPG	149	3,795
Other	56	1,561
Total	1,074	26,044

4) Semi-finished goods

Oil type	Volume (KKL, KTon)	Amount (Million yen)
Gasoline	529	13,312
Kerosene	46	1,373
Diesel fuel	248	5,388
Fuel oils	166	2,032
Lubricants	17	675
Other	6	213
Total	1,014	22,996

5) Raw materials

Volume (KKL)	Amount (Million yen)
3,336	65,536

6) Supplies

Item	Amount (Million yen)
Materials, consumable supplies	3,110
Catalyst, chemicals, etc.	690
Total	3,800

7) Short-term loans receivable

Borrowers	Amount (Million yen)
ExxonMobil Asia Pacific Private Ltd.	38,748
Other	119
Total	38,868

**b. Liabilities**

**Current liabilities**

1) Accounts payable-trade

Vendors	Amount (Million yen)
ExxonMobil Sales and Supply Limited Liability Company	105,088
ExxonMobil Y.K.	63,702
ExxonMobil Asia Pacific Private Ltd.	17,076
Showa Shell Sekiyu K.K.	10,515
TonenGeneral Kaiun Y.K.	5,422
Other	67,503
Total	269,309

## 2) Gasoline taxes payable

Category	Amount (Million yen)
Gasoline tax	145,407
Petroleum tax	21,263
Import consumption tax	19,240
Custom duty	48
Ado tax	22
Total	185,983

## 3) Short-term loans payable

Lenders	Amount (Million yen)
Japan Oil, Gas and Metals National Corporation	80,054
Total	80,054

### (3) Other

Matters concerning criminal charge pertaining to Antimonopoly Act

On November 9, 1999, the Tokyo High Public Prosecutors Office instituted prosecution against the Company, together with 10 other companies that are mainly oil wholesalers, at the Tokyo High Court on the charge of violation of the Antimonopoly Act in relation to petroleum product bidding for Ministry of Defense orders over the period from November 21, 1995 to November 20, 1998, and trials were held at the aforementioned court. On March 24, 2004, the Company was found guilty and fined 25 million yen. In addition, in relation to the aforesaid bidding, the Company, together with the 10 other companies that are mainly oil wholesalers, was issued a recommendation to cease activities in violation of the Antimonopoly Act from the Japan Fair Trade Commission on November 17, 1999 and the Company conceded to this recommendation. With respect to this, the Company received an order to pay surcharges (total surcharges of 522 million yen) from the Japan Fair Trade Commission on November 27, 2000, and pursuant to the provisions of the Antimonopoly Act, on December 20, 2000, the Company demanded the start of hearing procedures against the aforesaid Commission, and this hearing was held for some time. However, on February 23, 2005, a written decision was delivered by the Japan Fair Trade Commission to the Company. According to the decision, the surcharges owed were 505 million yen. The Company was dissatisfied with the above decision and filed an action for the revocation of the decision at the Tokyo High Court on March 22, 2005, demanding the revocation of this decision, but this appeal was dismissed on February 24, 2006, and the above decision became the final and binding decision for this case.

In relation to the above case, on December 19, 2005, the Japanese Government instituted a civil lawsuit against the Company, together with the 10 other companies that are mainly oil wholesalers, at the Tokyo District Court for refund of unjust enrichment (the amount of claim of 581 million yen and interest thereof calculated based on 6% per annum interest rate) and the trial is currently in progress.

## VI. Administrative information on the Company's shares

Business year	January 1 through December 31
Annual General Meeting of Shareholders	March
Record date	December 31
Record dates for dividend of surplus	June 30 December 31
Number of shares constituting one voting unit	1,000 shares
Purchase/Sale of odd-lot shares:	
Place of business	1-4-5, Marunouchi, Chiyoda-ku, Tokyo, Japan Corporate Agency Division, Mitsubishi UFJ Trust and Banking Corporation
Administrator of Shareholder's register	1-4-5, Marunouchi, Chiyoda-ku, Tokyo, Japan Mitsubishi UFJ Trust and Banking Corporation
Forwarding office	_____
Handling charge for purchase/sale	No charge
Method of public notices	The public notices of the Company shall be given by electronic means on the Company's web site at <a href="http://www.tonengeneral.co.jp">http://www.tonengeneral.co.jp</a> . Provided, however, in case of unavoidable circumstances such as an accident which renders the use of the public notice by electronic means, they shall be placed in the <i>Nihon Keizai Shimbun</i> .
Special benefits for shareholders	Not applicable

**VII. Reference information on the Company**

**1. Information on the parent company of the Company**

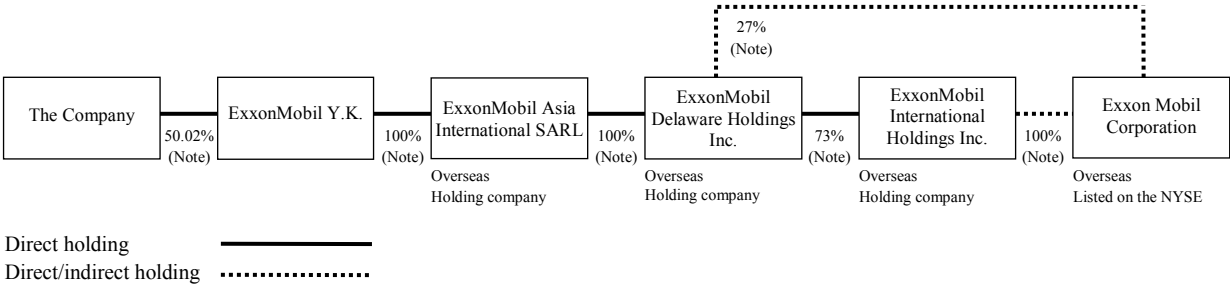
The following companies fall under the category of “parent company, etc.” as described by the provisions of Article 24-7, paragraph (1) of the Financial Instruments and Exchange Act:

- ExxonMobil Y.K.
- ExxonMobil Asia International SARL
- ExxonMobil Delaware Holdings Inc.
- ExxonMobil International Holdings Inc.

The diagram below shows the ownership ties between the Company and its parent companies.

Note that Exxon Mobil Corporation, which appears in the diagram below, is not recognized as a parent company as described by the provisions of Article 24-7, paragraph (1) of the Financial Instruments and Exchange Act because it is listed on the New York Stock Exchange (NYSE).

[Ownership ties between the Company and its parent companies]



(Note) The percentage values in the diagram represent equity ratios.

The filing date of Parent Company Report; March 26, 2010

## **2. Other reference information**

From the beginning of this business year until the filing date of this Annual Securities Report, the Company has filed the following documents.

### **(1) Annual Securities Report and Appendices**

89th term: from January 1, 2008 through December 31, 2008  
Filed to Director-General of Kanto Local Finance Bureau on March 26, 2009.

### **(2) Quarterly Securities Report and Appendices**

First quarter of 90th term: from January 1, 2009 through March 31, 2009  
Filed to Director-General of Kanto Local Finance Bureau on May 15, 2009.

Second quarter of 90th term: from April 1, 2009 through June 30, 2009  
Filed to Director-General of Kanto Local Finance Bureau on August 14, 2009.

Third quarter of 90th term: from July 1, 2009 through September 30, 2009  
Filed to Director-General of Kanto Local Finance Bureau on November 13, 2009.

### **(3) Extraordinary Report**

Extraordinary Report based on Article 19, paragraph (2), item (ix) (Changes in Representative Directors) of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc. was filed with Director-General of Kanto Local Finance Bureau on June 18, 2009.

Extraordinary Report based on Article 19, paragraph (2), item (iii) (Changes in designated subsidiaries) of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc. was filed with Director-General of Kanto Local Finance Bureau on February 1, 2010.

**B. Information on guarantors for the Company**

Not applicable.

**Independent Auditors' Report**  
(English Translation)

March 26, 2009

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 193-2 (1) of the “Financial Instruments and Exchange Act” of Japan, the consolidated financial statements included in “Financial Information”, which consist of the consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets, consolidated statement of cash flows and consolidated supplementary statements of TonenGeneral Sekiyu K.K. (hereinafter referred to as the “Company”) for the fiscal year from January 1, 2008 through December 31, 2008. 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 of the Company and its consolidated subsidiaries as of December 31, 2008, and the consolidated results of their operations and their cash flows for the year then ended 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 Act of Japan.

- 
- (Note) 1. The English translation has no legal force and is provided for convenience only.  
2. The document presented above is a digitized copy of the original version of the Auditors’ Report. The original report is kept separately by the Company (the filing company of the Annual Securities Report.)  
3. XBRL data is not included in the scope of the consolidated financial statements.

**Independent Auditors' Report and Internal Control Audit Report**  
(English Translation)

March 26, 2010

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

<Audit of Financial Statements>

We have audited, pursuant to Article 193-2 (1) of the “Financial Instruments and Exchange Act” of Japan, the consolidated financial statements included in “Financial Information”, which consist of the consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets, consolidated statement of cash flows and consolidated supplementary statements of TonenGeneral Sekiyu K.K. (hereinafter referred to as the “Company”) for the fiscal year from January 1, 2009 through December 31, 2009. 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 of the Company and its consolidated subsidiaries as of December 31, 2009, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

<Internal Control Audit>

We have audited, pursuant to Article 193-2 (2) of the “Financial Instruments and Exchange Act” of Japan, the internal control report of the Company as of December 31, 2009. The Company’s management is responsible for implementing and operating internal control over financial reporting and for preparing an internal control report. Our responsibility is to express an opinion on this internal control report based on our audit. Misstatements in financial reports resulting from internal control over financial reporting may not be completely preventable or detectable.

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we obtain reasonable assurance about whether the internal control report is free of material misstatement. An internal control audit is performed on a test basis and examines the overall presentation of the internal control report, including the statements made by management, with regard to the scope, procedures and results of the evaluation of the internal control over financial reporting. We believe that our internal control audit provides a reasonable basis for our opinion.

In our opinion, the internal control report referred to above, in which the Company validates its internal control over financial reporting as of December 31, 2009, presents fairly, in all material respects, the evaluation of the internal control over financial reporting in conformity with evaluation standards for internal control over financial reporting generally accepted in Japan.

#### Supplemental Information

As described in “Significant Subsequent Events,” Tonen Specialty Separator Godo Kaisha which had been a consolidated subsidiary became a joint venture.

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 Act of Japan.

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- (Note)
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  2. The document presented above is a digitized copy of the original version of the Auditors’ Report. The original report is kept separately by the Company (the filing company of the Annual Securities Report.)
  3. XBRL data is not included in the scope of the consolidated financial statements.

**Independent Auditors' Report**  
(English Translation)

March 26, 2009

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 193-2 (1) of the “Financial Instruments and Exchange Act” of Japan, the financial statements included in “Financial Information”, which consist of the balance sheet, statement of income, statement of changes in net assets and the supplementary statements of TonenGeneral Sekiyu K.K. (hereinafter referred to as the “Company”) for the 89th fiscal year from January 1, 2008 through December 31, 2008. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these 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 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 financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2008, and the results of its operations for the year then ended 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 Act of Japan.

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- (Note) 1. The English translation has no legal force and is provided for convenience only.  
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3. XBRL data is not included in the scope of the financial statements.

**Independent Auditors' Report**  
(English Translation)

March 26, 2010

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 193-2 (1) of the “Financial Instruments and Exchange Act” of Japan, the financial statements included in “Financial Information”, which consist of the balance sheet, statement of income, statement of changes in net assets and the supplementary statements of TonenGeneral Sekiyu K.K. (hereinafter referred to as the “Company”) for the 90th fiscal year from January 1, 2009 through December 31, 2009. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these 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 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 financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2009, and the results of its operations for the year then ended 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 Act of Japan.

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- (Note) 1. The English translation has no legal force and is provided for convenience only.  
2. The document presented above is a digitized copy of the original version of the Auditors’ Report. The original report is kept separately by the Company (the filing company of the Annual Securities Report.)  
3. XBRL data is not included in the scope of the financial statements.

*[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.]*

## **[Cover]**

Document filed:	Internal Control Report (“ <i>Naibutousei-Houkokusho</i> ”)
As required under:	Article 24-4-4, paragraph (1) of the Financial Instruments and Exchange Act
Filed to:	Director-General of the Kanto Local Finance Bureau
Filing date	March 26, 2010
Company name (Japanese):	東燃ゼネラル石油株式会社 ( <i>TonenGeneral Sekiyu Kabushiki Kaisha</i> )
Company name (English):	TonenGeneral Sekiyu K.K.
Position and name of representative:	P. P. Ducom, Representative Director and President
Position and name of chief financial officer:	Not applicable
Location of head office:	1-8-15, Kohnan, Minato-ku, Tokyo, Japan
Places where the document is available for public inspection:	Tokyo Stock Exchange, Inc. 2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo, Japan

## **1. Basic framework of internal control over financial reporting**

P. P. Ducom, President of TonenGeneral Sekiyu K.K. (the “Company”), has the responsibility for the design and operation of internal control over financial reporting of the Company and manages the design and operation of such internal control in accordance with the basic framework set forth in “On the Setting of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)” published by the Business Accounting Council. Internal control aims at achieving its objectives to a reasonable extent given that all individual components of internal control are integrated, and function as a whole. Thus, it is possible that internal control over financial reporting may not be able to completely prevent or detect false statements in financial reporting.

## **2. Scope of assessment, assessment date and assessment procedure**

Assessment of internal control over financial reporting was performed as of December 31, 2009 (i.e., the last day of the Company’s accounting year) in accordance with assessment standards for internal control over financial reporting generally accepted in Japan. In this assessment, evaluation was first made of company-level control which would have a material impact on the reliability of financial reporting on a consolidated basis, and based on such result, business processes to be assessed were then selected. In the process-level control assessment, the effectiveness of internal control was assessed by analyzing the business processes in scope, identifying key controls that would have a material impact on the reliability of the financial reporting, and evaluating designs and operations of these key controls. Scope of internal control assessment for financial reporting was determined by selecting the Company, consolidated subsidiaries and companies accounted for by the equity method based on the materiality of their impacts on the reliability of financial reporting. The materiality of the impacts on the reliability of financial reporting was determined in consideration of both quantitative and qualitative aspects, and the scope of assessment of process-level control was reasonably determined based on the result of the company-level control assessment. Consolidated subsidiaries and companies accounted for by the equity method were excluded from the scope of this company-level control assessment if their quantitative and qualitative impacts were deemed insignificant. For the purpose of determining the scope of process-level control assessment, businesses which contributed approximately two-thirds of the Company’s consolidated net sales in the aggregate were selected as “Significant Businesses”. In such Significant Businesses, all business processes related to the accounts that are closely associated with the Company’s business objectives, such as sales, accounts receivable, and inventory were included in the scope of assessment. Furthermore, regardless of the selected significant businesses, certain other business processes related to significant accounts involving estimates and forecasts, or related to businesses or operations dealing with high-risk transactions were added to the scope of assessment as “business processes with material impacts on financial reporting.”

## **3. Assessment result**

Based on the above mentioned assessment results, it was concluded that the internal control over financial reporting at the end of this accounting year was effective.

## **4. Supplementary information**

Not applicable

## **5. Special affairs**

Not applicable

*[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.]*

## **[Cover]**

Document filed:	Confirmation Letter ("Kakuninsho")
As required under:	Article 24-4-2, paragraph (1) of the Financial Instruments and Exchange Act
Filed to:	Director-General of the Kanto Local Finance Bureau
Filing date	March 26, 2010
Company name (Japanese):	東燃ゼネラル石油株式会社 (TonenGeneral Sekiyu Kabushiki Kaisha)
Company name (English):	TonenGeneral Sekiyu K.K.
Position and name of representative:	P. P. Ducom, Representative Director and President
Position and name of chief financial officer	Not applicable
Location of head office:	1-8-15, Kohnan, Minato-ku, Tokyo, Japan
Places where the document is available for public inspection:	Tokyo Stock Exchange, Inc. 2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo, Japan

## **1. Appropriateness of the descriptions in this Annual Securities Report**

P. P. Ducom, President of TonenGeneral Sekiyu K.K. has confirmed that this annual securities report (January 1 through December 31, 2009) of the 90th fiscal term is reasonably and fairly stated in accordance with the Financial Exchange and Securities Act and related regulations.

## **2. Special notes**

There are not noteworthy matters that are pertinent to this annual securities report.