

**Annual Securities Report for 2010**  
(Pursuant to Financial Instruments and Exchange Act)

(The English translation of the  
“Yukashoken-Houkokusho” for  
the 91st term ended December 31, 2010)

**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 25, 2011 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]**

Document filed:	Annual Securities Report (“ <i>Yukashoken-Houkokusho</i> ”)
As required under:	Article 24, paragraph (1) of the Financial Instruments and Exchange Act
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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.
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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	87th term	88th term	89th term	90th term	91st term
Year ended	December 31, 2006	December 31, 2007	December 31, 2008	December 31, 2009	December 31, 2010
Net sales (Million yen)	3,078,772	3,049,842	3,272,429	2,111,753	2,398,718
Ordinary income (loss) (Million yen)	65,987	15,073	131,290	(34,545)	37,011
Net income (loss) (Million yen)	39,820	7,014	79,285	(21,718)	42,873
Net assets (Million yen)	249,155	214,279	270,500	227,359	248,295
Total assets (Million yen)	1,019,517	1,045,536	901,598	875,177	906,846
Net assets per share (Yen)	425.60	377.41	478.89	402.72	439.91
Net income (loss) per share (Yen)	68.27	12.12	140.34	(38.46)	75.95
Diluted net income per share (Yen)	–	–	–	–	–
Shareholders' equity ratio (%)	24.3	20.4	30.0	26.0	27.4
Return on equity (ROE) (%)	16.7	3.0	32.8	–	18.0
Price earnings ratio (PER) (Times)	17.27	90.98	6.38	–	11.69
Net cash provided by (used in) operating activities (Million yen)	75,085	6,682	145,092	5,418	83,305
Net cash provided by (used in) investing activities (Million yen)	(34,433)	(19,479)	(6,469)	(24,063)	(16,943)
Net cash provided by (used in) financing activities (Million yen)	(40,557)	12,748	(138,595)	18,691	(66,382)
Cash and cash equivalents at end of period (Million yen)	664	614	488	789	278
Number of employees [Separately, average number of temporary employees]	2,378 [1,776]	2,357 [1,631]	2,278 [1,667]	2,354 [1,559]	2,178 [1,457]

- (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 for the 87th, 88th, 89th and 91st terms are 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.

**(2) Non-consolidated financial data**

Term	87th term	88th term	89th term	90th term	91st term
Year ended	December 31, 2006	December 31, 2007	December 31, 2008	December 31, 2009	December 31, 2010
Net sales (Million yen)	3,027,083	3,014,375	3,260,775	2,089,668	2,392,460
Ordinary income (loss) (Million yen)	95,117	(1,226)	117,298	(37,517)	58,407
Net income (loss) (Million yen)	77,200	4,368	72,600	(22,550)	44,969
Capital stock (Million yen)	35,123	35,123	35,123	35,123	35,123
Total number of shares issued (Share)	583,400,000	565,182,000	565,182,000	565,182,000	565,182,000
Net assets (Million yen)	221,909	184,358	235,133	190,907	214,158
Total assets (Million yen)	986,415	1,004,819	859,357	827,831	839,185
Net assets per share (Yen)	380.49	326.30	416.27	338.15	379.43
Dividend per share (Yen)	37.00	37.50	38.00	38.00	38.00
[Interim dividend per share] (Yen)	[18.50]	[18.50]	[19.00]	[19.00]	[19.00]
Net income (loss) per share (Yen)	132.36	7.55	128.51	(39.93)	79.66
Diluted net income per share (Yen)	–	–	–	–	–
Shareholders' equity ratio (%)	22.5	18.3	27.4	23.1	25.5
Return on equity (ROE) (%)	39.8	2.2	34.6	–	22.2
Price earnings ratio (PER) (Times)	8.91	146.09	6.96	–	11.15
Payout ratio (%)	28.0	496.7	29.6	–	47.7
Number of employees [Separately, average number of temporary employees]	1,559 [62]	1,570 [39]	1,590 [83]	1,604 [62]	1,631 [94]

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

2. Diluted net income per share for the 87th, 88th, 89th and 91st terms are 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.

## 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

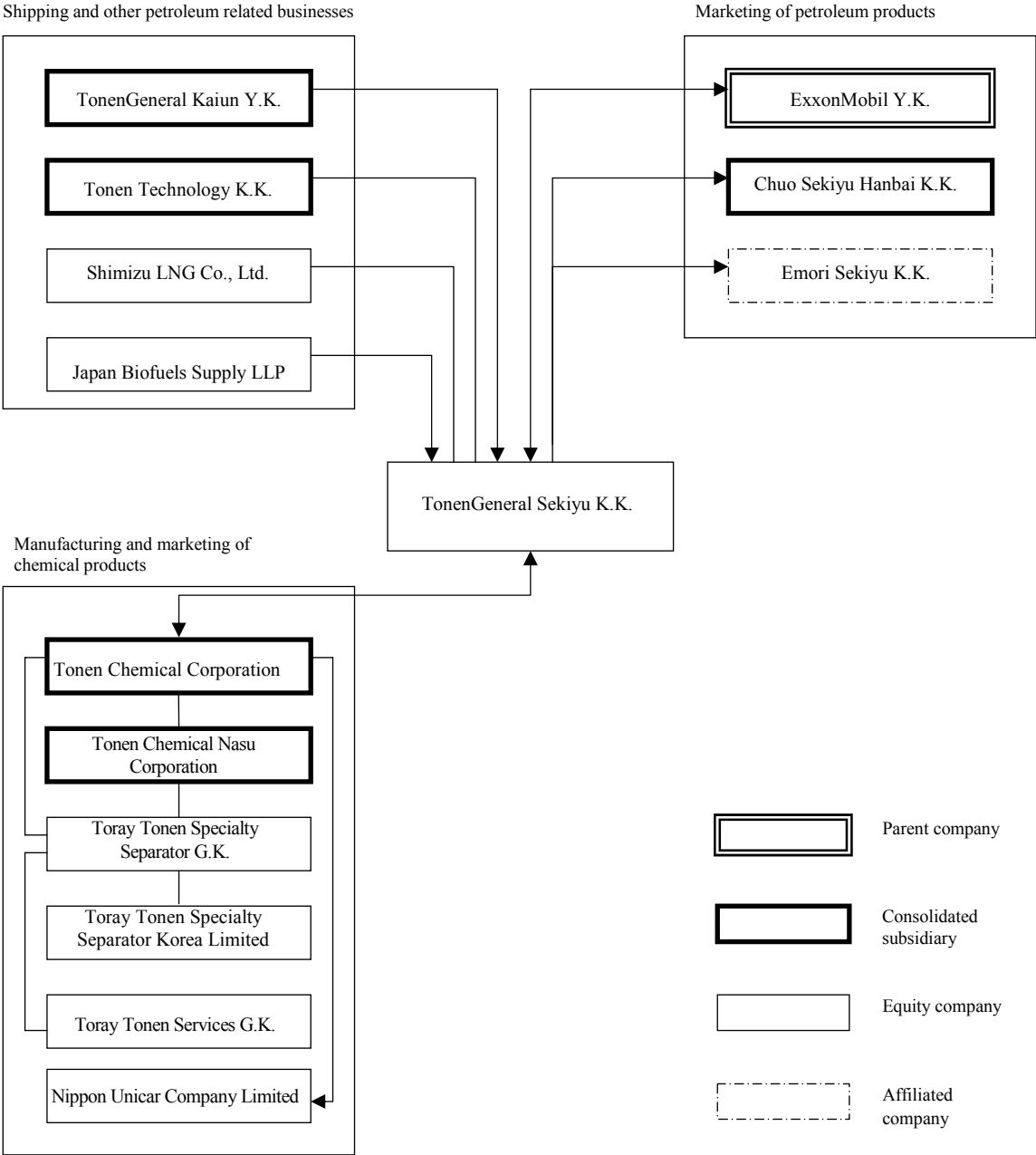
Major businesses of TonenGeneral Sekiyu K.K. (“the Company”) and its associated companies (14 companies in total including the Company, 5 consolidated subsidiaries, 6 affiliates accounted for by the equity method, 1 affiliated company and 1 parent company) are importing, shipping, refining and marketing of crude oil, petroleum products, chemical products and related products.

The following table shows the major companies’ business activities. For details, see “4. Information on associated companies.”

Segment	Function	Major business	Name of company	Number of companies
Oil	Marketing	Sales of petroleum products	TonenGeneral Sekiyu K.K., ExxonMobil Y.K., Chuo Sekiyu Hanbai K.K., Emori Sekiyu K.K.	4
	Refining	Manufacturing, processing and sales of petroleum products	TonenGeneral Sekiyu K.K.	1
	Shipping	Marine transportation of crude oil and petroleum products	TonenGeneral Kaiun Y.K.	1
	Others	Purchases and sales of LNG Purchases and sales of bio-fuel Construction management	Shimizu LNG Co., Ltd., Japan Biofuels Supply LLP, Tonen Technology K.K.	3
Chemical	Manufacturing and Marketing	Manufacturing, processing and sales of chemical products	TonenGeneral Sekiyu K.K., ExxonMobil Y.K., Tonen Chemical Corporation, Tonen Chemical Nasu Corporation, Toray Tonen Specialty Separator G.K., Toray Tonen Specialty Separator Korea Limited, Toray Tonen Services G.K., Nippon Unicar Company Limited	8

- (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. Japan Biofuels Supply LLP, due to its increasing scale of operations, became accounted for by the equity method beginning in the current period.
  3. Tonen Specialty Separator G.K. became a joint venture company through the investment by Toray Industries, Inc., and it was renamed Toray Tonen Specialty Separator G.K. on January 29, 2010, and the equity ratio of the TG Group (the Company and its consolidated subsidiaries) became 50.0%.
  4. Tonen Specialty Separator G.K. became a joint venture company through the investment by Toray Industries, Inc. and Tonen Specialty Separator Korea Limited, a 100% subsidiary of Tonen Specialty Separator G.K., was renamed Toray Tonen Specialty Separator Korea Limited as of January 29, 2010, and the TG Group’s equity ratio became 50.0%.
  5. Toray Tonen Services G.K. was established as of January 29, 2010 to act as a services company for Toray Tonen Specialty Separator G.K. The equity ratio of the TG group in Toray Tonen Services G.K. is 50.0%.

Our business structure is shown below (as of December 31, 2010)



#### 4. Information on associated companies

##### (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)	9,371 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) Exxon Mobil Corporation, which indirectly owns 100% of the equity of ExxonMobil Y.K. via its subsidiaries, is one of the parent companies. The percentage of voting rights in the Company owned by Exxon Mobil Corporation is entirely the percentage of voting rights indirectly held via ExxonMobil Y.K., and such indirect ownership is shown in parentheses 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	1,000 million yen	Chemical	100.0	(1) Tonen Chemical Corporation (“TCC”) purchases petrochemical feedstock from the Company. (2) The Company conducts integrated management of short-term financing with TCC. (3) The Company entrusts part of the refining operations of the Kawasaki Refinery to TCC. (4) The Company leases part of the land of Kawasaki Refinery to TCC. (5) Directors of TCC have concurrent positions in the Company.
Tonen Chemical Nasu Corporation Minato-ku, Tokyo	300 million yen	Chemical	100.0 (100.0)	(1) The Company conducts integrated management of short-term financing with Tonen Chemical Nasu Corporation. (2) Operating Committee Members of Tonen Chemical Nasu Corporation have concurrent positions in the Company.
TonenGeneral Kaiun Y.K. Minato-ku, Tokyo	243 million yen	Oil	100.0	(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.
Chuo Sekiyu Hanbai K.K. Minato-ku, Tokyo	30 million yen	Oil	100.0	(1) Chuo Sekiyu Hanbai K.K. (“CSK”) purchases petroleum products from the Company. (2) The Company conducts integrated management of short-term financing with CSK. (3) Directors of CSK have concurrent positions in the Company.
Tonen Technology K.K. Kawasaki-ku, Kawasaki City, Kanagawa Pref.	50 million yen	Oil	100.0	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. 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 subsidiaries stated above are companies that file securities registration statements or annual securities reports.

**(3) Affiliates accounted for by the equity method**

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	35.0	(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.
Japan Biofuels Supply LLP Chuo-ku, Tokyo	400 million yen	Oil	20.5	(1) The Company purchases the feedstock of petroleum products from Japan Biofuels Supply LLP. (2) The Company guarantees certain obligations to Japan Biofuels Supply LLP.
Nippon Unicar Company Limited Shinagawa-ku, Tokyo	2,000 million yen	Chemical	50.0 (50.0)	(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. (3) A Director of Nippon Unicar Company Limited has concurrent positions in the Company.
Toray Tonen Specialty Separator G.K. Nasushiobara City, Tochigi Pref.	301 million yen	Chemical	50.0 (50.0)	(1) Toray Tonen Specialty Separator G.K. deposits a part of its surplus cash with a consolidated subsidiary of the Company. (2) Toray Tonen Specialty Separator G.K. entrusts management of short-term financing to the Company.
Toray Tonen Specialty Separator Korea Limited Gumi City, Gyeongsangbuk-Do, Republic of Korea	63,300 million Korean won	Chemical	50.0 (50.0)	_____
Toray Tonen Services G.K. Nasushiobara City, Tochigi Pref.	300 million yen	Chemical	50.0 (50.0)	_____

- (Note)
1. Descriptions in the "Major business" column are names of business segments.
  2. Effective January 29, 2010, as a result of a capital injection by Toray Industries, Inc., Tonen Specialty Separator G.K. (currently Toray Tonen Specialty Separator G.K.) and its wholly-owned subsidiary Tonen Specialty Separator Korea Limited (currently Toray Tonen Specialty Separator Korea Limited), which was a designated subsidiary of the Company, became affiliates accounted for by the equity method.
  3. Effective January 29, 2010, Toray Tonen Services G.K. was established as a wholly-owned subsidiary of Toray Tonen Specialty Separator G.K. (formerly Tonen Specialty Separator G.K.).
  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 companies stated above are companies that file securities registration statements or annual securities reports.

## 5. Employees

### (1) Consolidated

(As of December 31, 2010)

Business segment	Number of employees
Oil	1,780 [1,428]
Chemical	398 [29]
Total	2,178 [1,457]

(Note) The number of employees is the number of regular employees, and the average number of temporary employees during the current period is given in parentheses separately.

### (2) Non-consolidated

(As of December 31, 2010)

Number of employees	Average age (Years old)	Average years of service (Year)	Average annual salary (Yen)
1,631 [94]	43.9	22.6	9,645,835

(Note) 1. The number of employees is the number of regular employees, and the average number of temporary employees during the current period 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 240 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, organized by employees. There are a total of 1,506 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 Japanese economy experienced moderate recovery driven by exports in the first half of the period. While personal spending subsequently remained firm, spurred by a surge in consumer demand due to factors such as the unusually hot summer and the impending termination of subsidies for fuel-efficient vehicles, the slowing of exports led to stagnation of the economy in the latter part of the year.

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

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

Petrochemical production of ethylene and aromatics such as benzene and paraxylene in 2010 increased from the previous year supported by modest recovery of the Japanese economy and strong economic growth in China. However, production has yet to fully recover to levels preceding the global economic downturn.

With the above business environment, consolidated net sales increased 13.6 percent versus the previous year to 2,398.7 billion yen, mainly due to the upward shift in oil product prices, reflecting crude price movements.

Consolidated operating income was 33.5 billion yen, 68.1 billion yen greater than the previous year. Consolidated ordinary income was 37.0 billion yen, an increase of 71.6 billion yen versus the previous year, primarily due to the addition of non-operating items including gains from foreign exchange and equity earnings. In addition, extraordinary items primarily the gain realized upon formation of a joint venture involving our battery separator film subsidiary, added 19.4 billion yen. These resulted in consolidated net income of 42.9 billion yen, an improvement of 64.6 billion yen over the negative 21.7 billion figure of the previous year.

Following are operating income results by segment.

#### a. Oil

Operating income in the Oil segment was 31.5 billion yen, 69.9 billion yen greater than the previous year. Improved results in this segment were attributable largely to better margins aided by steady domestic demand for oil products particularly during the extremely hot summer. Another factor in our improved profits is that the negative 8.0 billion yen in adverse effects in 2010 resulting from our loading point cost recognition accounting method was less than the negative 35.0 billion yen resulting from this method in the previous year. A comparison of our estimates for operating income in the Oil segment, excluding the effects of our crude cost recognition method and inventory-related gain/loss, is shown in the table below.

Oil segment operating income compared with the previous year

(Unit: Billion yen)

	2010	2009	Difference
Operating income	31.5	(38.4)	69.9
Effect of difference in timing of crude cost accounting (estimate)	(8.0)	(35.0)	27.0
Inventory-related gain/loss	(0.2)	7.4	(7.6)
Operating income excluding above special factors (estimate)	39.7	(10.8)	50.5

**b. Chemical**

Operating income in the Chemical segment was 2.0 billion yen, 1.8 billion yen less than the previous year. The decrease was primarily due to a decline in basic chemical margins in the latter half of the year and lower production volume arising from significant maintenance at our Kawasaki Plant as per the normal four year maintenance schedule.

**(2) Cash flows**

As of December 31, 2010, the outstanding balance of cash and cash equivalent was 278 million yen, a decrease of 511 million yen versus December 31, 2009. Key factors influencing cash flows are summarized below.

In the current period, cash flows from operating activities were positive 83.3 billion yen (positive 5.4 billion yen in the prior period). Major contributing factors were operating income, depreciation and cash deposited with the Company by an affiliated company accounted for by the equity method.

Cash flows from investing activities were negative 16.9 billion yen (negative 24.1 billion yen in the prior period), mainly due to capital expenditures.

Cash flows from financing activities were negative 66.4 billion yen (positive 18.7 billion yen in the prior period). In addition to dividend payments, short term borrowing was decreased.

## 2. Production, consignments and sales

### (1) Production

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

Business segment	Current period (January 1, 2010 through December 31, 2010)	Increase / (decrease) from prior period (%)	Major products
Oil	(KKL) 29,188	(3.2)	Gasoline, naphtha, jet fuel, kerosene, diesel fuel, fuel oils, lubricants oils, LPG, etc.
Chemical	(KTon) 2,584	(1.6)	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 current period.

### (3) Sales

Sales revenue by business segment for the current period is as follows:

Business segment	Current period (January 1, 2010 through December 31, 2010) (Million yen)	Increase / (decrease) from prior period (%)	Major products, etc.
Oil	2,178,937	13.6	Gasoline, naphtha, jet fuel, kerosene, diesel fuel, fuel oils, lubricants oils, LPG, construction management, etc.
Chemical	219,780	13.6	Ethylene, propylene, benzene, toluene, paraxylene, battery separator film, etc.
Total	2,398,718	13.6	—

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

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

Customer name	Current period (January 1, 2010 through December 31, 2010)		Major products
	Amounts (Million yen)	Ratio (%)	
ExxonMobil Y.K.	1,451,879	60.5	Gasoline, kerosene, diesel fuel, LPG, etc.

- The amounts stated above do not include consumption taxes.
- The sales revenue by business segment shows sales to third parties.

### **3. Issues to be addressed**

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

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

In addition to the above, the business environment in which we operate is anticipated to experience continued pressure on volumes and margins in 2011. In this business environment, in order to achieve our goal of maintaining a prominent position in our industry, all functions of our Oil and Chemical segments will continue to work together to pursue efficiency and profitability improvement.

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

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

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

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

#### **(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 current period was 53.0 billion yen, a year-on-year decrease of 35.5 billion yen. The Company enjoys a favorable credit rating and good access to debt funding in addition to internally generated funds.

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

The following are risk factors that may affect the operating results and financial position of the TG Group as well as the share price of the Company.

#### **(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 TG Group's facilities are located primarily in Japan, and to a minor extent in the Republic of Korea through one of its equity company affiliates. The TG Group also acquires crude and feedstock supplies from a wide diversity of sources worldwide and conducts export sales primarily within Asia. Consequently, the TG Group's business operations may in the future be affected from time to time from both domestic and worldwide political developments and governmental activities primarily those that might interfere with normal supply, production and sales activities. Both the likelihood of such occurrences and their overall effect upon the TG Group vary greatly and are not predictable.

### **(3) Regulatory factors**

It is possible that the earnings of the TG Group could be affected by laws and regulations applicable to the energy and petrochemical industries. Examples of such laws and regulations include: environmental regulations; restrictions on production, imports and exports, and facilities; price controls; changes in taxation.

The Company submitted plans to the Ministry of Economy, Trade and Industry (METI) for compliance with regulations issued by METI on July 5, 2010 concerning the Energy Supply Structural Improvement Law dealing with the required ratio of atmospheric pipestill capacity to bottoms conversion capacity. The options in the submitted plan include the reduction of pipestill capacity and investment in conversion capability. The choice of option is to be determined following further evaluation by the Company. At this time it is not possible to predict the impact of these regulations on the TG Group's future earnings.

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

The operations and earnings of the TG Group are 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 product prices fluctuate widely in response to changing market forces and the yen-US dollar exchange rates. The impacts of these price fluctuations on earnings of the TG Group are generally not predictable.

### **(6) Disaster and accident risk**

All of the TG Group's refineries, terminals and service stations are operated in accordance with the TG Group's Operations Integrity Management System to help ensure management of risk of loss and to ensure safety, health and environmental soundness in all aspects of the TG Group's operations. In spite of such thorough efforts to pursue safety, our business activities might be negatively affected by natural disasters, unexpected accidents, and resulting shutdowns at our business sites.

The TG Group generally carries property insurance against natural disaster and accidents to the extent feasible and reasonable. However, it is uncertain as to whether the insurance would cover any conceivable loss.

### **(7) 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 the current 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 and service functions of the TG Group.

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

Tonen Chemical Corporation, 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.

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

The following describes an overview of the TG Group's main research activities during the current period. During the period, research and development costs totaled 2.5 billion yen.

### **(1) Oil**

In its research and development activities for oil products, while maintaining close collaboration with the research and development divisions and oil product divisions of overseas ExxonMobil affiliated companies, the TG Group is conducting vigorous research and development activities, mainly at the Research Center, looking at oil products and oil refining processes.

During the current 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 equipped with new technology such as the next-generation vehicles.
- 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 1.0 billion yen.

### **(2) Chemical**

In its research and development activities for chemical products, while maintaining close collaboration with the research and development divisions and chemical product divisions of overseas ExxonMobil affiliated companies, the TG Group is conducting technological development activities aimed at creating new global markets.

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

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

### (1) Financial position

Total assets as of December 31, 2010 totaled 906.8 billion yen, a 31.7 billion yen increase from December 31, 2009. The change was mainly attributable to an increase in trade accounts receivable and an increase in investment securities attributable largely to the formation of the battery separator film joint venture. Total liabilities as of December 31, 2010 amounted to 658.6 billion yen, a 10.7 billion yen increase from December 31, 2009 including the factors such as an increase in deposit from an affiliated company accounted for by the equity method. Net assets as of December 31, 2010 amounted to 248.3 billion yen, a 20.9 billion yen increase from December 31, 2009, which is mainly attributable to an increase in retained earnings due to net income offsetting 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 2011, free cash flow (the sum of cash flows from operating and investing activities) is anticipated to decrease versus 2010, the largest factor being the absence of the deposit from an affiliated company accounted for by the equity method.

### (Reference) Key financial indices

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Shareholders' equity ratio (%) - book base	24.3	20.4	30.0	26.0	27.4
Shareholders' equity ratio (%) - market base	67.4	59.6	56.1	50.0	55.3
Cash flow vs. interest-bearing debt (Times)	0.8	16.7	0.5	16.3	0.6
Interest coverage ratio (Times)	108.3	9.4	205.0	14.5	234.8

(Note) 1. 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 / cash flows

Interest coverage ratio: cash flows / interest paid

2. All indicators have been calculated based on consolidated financial data.

3. Cash flow 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 the current period.

### III. Facilities

#### 1. Overview of capital expenditures

Capital expenditures by the TG Group in the current period amounted to 19,693 million yen in total. A breakdown of these expenditures by business segment is presented below.

	(Unit: Million yen)
	Current period
Oil	12,176
Chemical	7,516
<hr/>	
Total	19,693

In the Oil segment, we had system related investments including next-generation process control systems, and investment at Kawasaki, Sakai and Wakayama Refineries to enhance export capacities. Modification of tanks to improve safety in case of earthquake is also in progress. In the Chemical segment, we invested in profitability improvement projects such as facility modification to enable us to use more economical feedstocks, and a next-generation process control system at Kawasaki.

(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, 2010)

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.	7,579	1,444	29,415 (855,683) [83,644]	201	38,641	142 {13}
Kawasaki Refinery (Kawasaki-ku, Kawasaki City, Kanagawa Pref.)	Oil	Refining facility	21,675	23,448	25,729 (2,017,146)	605	71,459	670 {32}
Sakai Refinery (Nishi-ku, Sakai City, Osaka Pref.)	Oil	Refining facility	5,072	11,886	5,366 (770,560)	166	22,492	356 {21}
Wakayama Refinery (Arida City, Wakayama Pref.)	Oil	Refining facility	10,044	9,360	7,300 (2,471,979) [34,472]	362	27,068	463 {28}

### (2) Domestic subsidiaries

(As of December 31, 2010)

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 Corporation Kawasaki Plant	Kawasaki-ku, Kawasaki City, Kanagawa Pref.	Chemical	Manufacturing facility	2,968	8,721	– (–)	250	11,940	395 {28}
Tonen Chemical Corporation Chidori Plant	Kawasaki-ku, Kawasaki City, Kanagawa Pref.	Chemical	Research facility	585	49	8,982 (177,610)	32	9,649	– {–}

- (Note) 1. Other than what is stated above, property, plant and equipment includes construction in progress of 6,518 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. (an affiliate accounted for by the equity method)	804	93,020
Kawasaki Refinery	Nippon Unicar Company Limited (an affiliate accounted for by the equity method)	691	174,339

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 Corporation	Chidori Plant	Japan Polyethylene Corporation	2,500	49,449
		Japan Polypropylene Corporation	560	11,086

### 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 current 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	1,400	1,081	own funds	October 2009	October 2011	–
Tonen Chemical Corporation Kawasaki Plant	Kawasaki-ku, Kawasaki City, Kanagawa Pref.	Chemical	Manufacturing facility	4,700	3,003	own funds	October 2008	March 2012	–
Tonen Chemical Corporation Kawasaki Plant	Kawasaki-ku, Kawasaki City, Kanagawa Pref.	Chemical	Manufacturing facility	1,600	1,470	own funds	February 2009	March 2011	–

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

#### (2) Disposals of significant facilities

No disposals or sales of significant 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 (Share)
Common stock	880,937,982
Total	880,937,982

##### b. Number of shares issued

Class	Number of shares issued (as of December 31, 2010) (Share)	Number of shares issued (as of the filing date: March 25, 2011) (Share)	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) 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)
November 30, 2007 (Note)	(18,218,000)	565,182,000	–	35,123	–	20,741

(Note) 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, 2010)

Category	Number of units and their shareholders (Number of shares constituting one voting unit: 1,000 shares)								Odd-lot shares (Number of shares)
	Public sector	Financial institutions	Financial instruments business operators	Other corporations	Foreign investors		Individuals, etc.	Total	
					Companies, etc.	Individuals			
Number of shareholders (Person)	1	85	49	676	316	12	50,379	51,518	–
Number of shares held (Unit)	12	71,988	3,470	297,954	40,092	51	146,913	560,480	4,702,000
Percentage of voting shares (%)	0.00	12.85	0.62	53.16	7.15	0.01	26.22	100.00	–

(Note) 1. The 757,140 shares of treasury stock are presented as follows: 757 voting units are included in “Individuals, etc.” and 140 shares are included in “Odd-lot shares.”

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

## (7) Major shareholders

(As of December 31, 2010)

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	13,804	2.44
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3, Hamamatsu-cho, Minato-ku, Tokyo	11,211	1.98
Kochi Shinkin Bank	2-4-4, Harimaya-cho, Kochi City, Kochi Pref.	8,574	1.51
Sompo Japan Insurance Inc.	1-26-1, Nishi-Shinjuku, Shinjuku-ku, Tokyo	4,819	0.85
Nippon Life Insurance Company	Nippon Life Securities Operation Department, 1-6-6, Marunouchi, Chiyoda-ku, Tokyo	4,544	0.80
SSBT OD05 Omnibus Account - Treaty Clients (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	338 PITT STREET, SYDNEY, NSW 2000 AUSTRALIA (3-11-1, Nihombashi, Chuo-ku, Tokyo)	4,480	0.79
Japan Trustee Services Bank, Ltd. (Trust Account 1)	1-8-11, Harumi, Chuo-ku, Tokyo	2,329	0.41
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)	2,303	0.40
Japan Trustee Services Bank, Ltd. (Trust Account 6)	1-8-11, Harumi, Chuo-ku, Tokyo	2,142	0.37
Total	–	336,916	59.61

## (8) Voting rights

### a. Shares issued

(As of December 31, 2010)

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 757,000 (Crossholding stock) Common stock 26,000	–	–
Shares with full voting rights (Other)	Common stock 559,697,000	559,697	–
Odd-lot shares	Common stock 4,702,000	–	–
Total number of shares issued	565,182,000	–	–
Total number of voting rights	–	559,697	–

(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, 2010)

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	757,000	–	757,000	0.13
(Crossholding stock) Emori Sekiyu K.K.	158 Aza Hama, Maizuru City, Kyoto Pref.	26,000	–	26,000	0.00
Total	–	783,000	–	783,000	0.13

## (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 period from January 1, 2010 to December 31, 2010	165,374	132
Treasury stock acquired during the period from January 1, 2011 to the filing date	22,297	20

(Note) The number of shares in treasury stock acquired during the period from January 1, 2011 to the filing date does not include the number of shares acquired through purchase of odd-lot shares during the period from March 1, 2011 to the filing date of this Annual Securities Report.

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

Category	From January 1, 2010 to December 31, 2010		From January 1, 2011 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 (sale of odd-lot shares at the request of shareholders)	28,035	24	1,530	1
Treasury stock held at the end of the period	757,140	–	777,907	–

(Note) 1. The number of shares of disposed treasury stock in the column of “From January 1, 2011 to the filing date” does not include the number of odd-lot shares sold by the Company during the period from March 1, 2011 to the filing date of this Annual Securities Report.

2. The number of shares of treasury stock held at the end of the period in the column of “From January 1, 2011 to the filing date” does not reflect the acquisitions and dispositions of odd-lot shares during the period from March 1, 2011 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 stipulates 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 13, 2010	10,725	19.00
Annual General Meeting of Shareholders held on March 25, 2011	10,724	19.00

### 4. Trends in share price

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

Term	87th term	88th term	89th term	90th term	91st term
Year ended	December 31, 2006	December 31, 2007	December 31, 2008	December 31, 2009	December 31, 2010
Highest (Yen)	1,288	1,345	1,103	1,031	933
Lowest (Yen)	1,005	1,060	700	745	701

(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 2010	August 2010	September 2010	October 2010	November 2010	December 2010
Highest (Yen)	802	797	796	776	835	933
Lowest (Yen)	754	758	757	701	710	827

(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 Private 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 4	–
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</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>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> <p>Oct. 2010 Representative Director and President, EMYK (Present)</p>	Note 4	–
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 4	2
Director		S. K. Arnet (May 12, 1959)	<p>Jun. 1984 Joined Esso Norway</p> <p>Sep. 2004 Manager Project Implementation Company Operated Retail Stores, Europe &amp; Africa, ExxonMobil Petroleum &amp; Chemical</p> <p>May. 2008 Manager Company Operated Retail Stores, Europe &amp; Africa, ExxonMobil Petroleum &amp; Chemical</p> <p>Sep. 2008 Director, EMYK</p> <p>Oct. 2008 Representative Director, Vice President (Fuels Marketing), EMYK (Present)</p> <p>Mar. 2009 Director, TG (Present)</p>	Note 4	–

Position	Responsibility	Name (Date of birth)	Personal history	Term of office	Number of shares held (Thousands of shares)
Director		D. R. Csapo (June 17, 1955)	<p>Jul. 1979 Joined Exxon Corporation</p> <p>Nov. 2003 Vice President and Controller, ExxonMobil Mediterranean</p> <p>Sep. 2006 Assistant Treasurer, Credit, EMCC</p> <p>Jan. 2008 Controller/Treasurer, EMYK</p> <p>Sep. 2008 Director, Controller/Treasurer, EMYK</p> <p>Mar. 2009 Director, TG (Present)</p> <p>Oct. 2010 Director, Business Services Manager/Controller, EMYK (Present)</p> <p>Oct. 2010 Representative Director, TCC (Present)</p>	Note 4	–
Director		Yasushi Onoda (December 30, 1962)	<p>Apr. 1985 Joined Tonen Corporation (Currently TG)</p> <p>Jan. 2004 Assistant to Process Manager, Kawasaki Refinery, TG</p> <p>Apr. 2006 Sakai Refinery Manager, TG</p> <p>Jul. 2008 General Manager and Sakai Refinery Manager, TG</p> <p>Dec. 2009 SHE Senior Advisor, EMCC (Present)</p> <p>Mar. 2011 Director, TG (Present)</p>	Note 4	–
Director		Tomohide Miyata (May 8, 1965)	<p>Apr. 1990 Joined Tonen Corporation (Currently TG)</p> <p>Jun. 2004 Manager, Maintenance &amp; Inspection Department, Wakayama Refinery, TG</p> <p>Apr. 2006 Wakayama Refinery Manager, TG</p> <p>Jul. 2008 General Manager and Wakayama Refinery Manager, TG</p> <p>Mar. 2011 Director and Wakayama Refinery Manager, TG (Present)</p>	Note 4	–
Director		Yukinori Ito (March 8, 1936)	<p>Apr. 1962 Joined The Export-Import Bank of Japan (Currently Japan Bank for International Cooperation)</p> <p>Jun. 1991 Senior Executive Director, The Export-Import Bank of Japan</p> <p>Apr. 1995 Corporate Advisor, Mitsubishi Corporation</p> <p>Apr. 2002 Professor of Department of Economics, Teikyo University</p> <p>Jan. 2003 Statutory Auditor, AOC Holdings, Ltd.</p> <p>Mar. 2007 President &amp; CEO, Centennial Economic Advisors (Japan), Inc.</p> <p>Jun. 2007 Director, Shinsei Bank, Limited</p> <p>Mar. 2011 Director, TG (Present)</p>	Note 4	–

Position	Responsibility	Name (Date of birth)	Personal history	Term of office	Number of shares held (Thousands of shares)
Director		Masaoki Funada (June 3, 1942)	Apr. 1965 Joined Mitsubishi Chemical Industries Limited (Currently Mitsubishi Chemical Corporation ("MCC")) Jun. 1996 Member of the Board, MCC Jun. 1999 Managing Executive Officer, MCC Jun. 2002 Senior Managing Director, Representative Director, Senior Managing Executive Officer COO, Petrochemical Segment, MCC Jun. 2004 Deputy Chief Executive Officer, Representative Director, Member of the Board, MCC Oct. 2005 Member of the Board, Mitsubishi Chemical Holdings Corporation Apr. 2007 Member of the Board, MCC Jun. 2007 Advisor, MCC Mar. 2011 Director, TG (Present)	Note 4	–
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 Morgan Stanley 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 5	–
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	–
Auditor		Masahiro Iwasaki (March 13, 1949)	Apr. 1973 Joined Toa Nenryo Kogyo K.K. (Currently TG) 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)	Note 5	2
Total					4

- (Note) 1. Directors Mr. Yukinori Ito and Mr. Masaoki Funada are Outside Directors as prescribed by Article 2, paragraph (15) of the Companies Act.  
2. Full-time Statutory Auditors Mr. Tetsuro Yamamoto and Mr. Masaaki Ayukawa are Outside Statutory Auditors as prescribed by Article 2, paragraph (16) of the Companies Act.  
3. Mr. Hisayoshi Kobayakawa was elected as alternate Statutory Auditor at the Annual General Meeting of Shareholders held on March 25, 2011.  
4. Pursuant to the Articles of Incorporation the term of office is from March 25, 2011 to the close of the Annual General Meeting of Shareholders to be held in March 2013.  
5. Pursuant to the Articles of Incorporation the term of office is from March 25, 2011 to the close of the Annual General Meeting of Shareholders to be held in March 2015.

## **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 shareholders.

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

##### **(1) Overview of corporate governance structure and reason for adopting this structure**

###### **a. Overview of corporate governance structure**

The Company is a "company with statutory auditors," and the overview of the system is as follows.

###### **1) The Board of Directors (nine Directors including two Outside Directors)**

Directors have the fiduciary duty to exercise their business judgment in the best interests of shareholders. 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. In addition, we have appointed new outside directors to bring additional independent perspectives to the Boards' decision-making process. 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.

###### **2) The Board of Statutory Auditors (three Statutory Auditors including two Outside Statutory Auditors)**

The Board of Statutory Auditors 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 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. Statutory 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.

###### **b. Reason for adopting this corporate governance structure**

TonenGeneral believes that the "Statutory Auditors" system the Company adopted is the most ideal for practicing business management using business expertise and knowledge and for ensuring corporate governance of the Company. We determined that the current system that helps Statutory Auditors such as Outside Statutory Auditors recognize and monitor the details of business conduct through auditing is optimal, considering that the Company conducts business, including business entrusted between the Company and associated companies such as the parent company. The Company also believes that, by electing Outside Directors, the Company's corporate governance will be further enhanced.

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

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

###### **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 and management; 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 define the basic principles, concepts and standards that form our internal control system. Internal controls comprise the means to direct, restrain, govern and check upon various activities. The basic purpose of such controls is to assure that business is conducted properly in accordance with management's general and specific directives. The SMC consists of four major elements. The Foundation and Framework section sets out the standards for the formulation and administration of Company policies. The Administrative and Operating Controls section deals with standards for activities such as budgeting, financing, contracting and computer systems. The Internal Accounting Controls section deals with standards to ensure the integrity and objectivity of accounting records. Lastly, checks on the System describes the roles of organizations 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 Y.K. (“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.

**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 of EMYK 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) Overview of limited liability contracts with Outside Directors and Outside Statutory Auditors**

The Company has signed limited liability contracts with each of two Outside Directors and two Outside Statutory Auditors pursuant to the provisions of Article 427, paragraph (1) of the Companies Act. The maximum liability amount provided for in the provisions of these contracts is as specified by laws.

**3. Internal audits and audits of Statutory Auditors**

Internal audit review shall be conducted by CAS of EMYK, the Company's parent company entrusted with part of the internal control functions of the Company, pursuant to the Comprehensive Service Agreement between the Company and EMYK under which administrative and service functions are entrusted by the Company to EMYK. 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 effectiveness 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.

Mr. Tetsuro Yamamoto, Statutory Auditor, served as a Director of a financial institution, and as a full-time statutory auditor of a business corporation, and Mr. Masaaki Ayukawa, Statutory Auditor, is qualified as a Certified Public Accountant of Japan. Therefore they have a significant amount of knowledge and experience concerning accounting and finance.

#### 4. Outside Directors and Outside Statutory Auditors

Regarding the Outside Directors, the Company believes that, in terms of the function and role they fulfill in corporate governance and by virtue of their broad and extensive business experience and independent views, they bring additional perspectives to the decision-making of the Board of Directors. Through asking questions, offering opinions, discussion and voting on resolutions, their participation is beneficial to all shareholders. Regarding the Outside Statutory Auditors, the Company believes that, by virtue of their expertise in matters relative to the Companies Act, the Company's Articles of Incorporation and internal controls, they provide useful oversight on the execution of duties by Directors. At the Board of Directors meeting, in addition to receiving reports of internal audits, audits conducted by the Accounting Auditor and the status of internal control, the Outside Statutory Auditors also fulfill their oversight role through asking questions, offering opinions and discussion. Any of the two Outside Directors and two Outside Statutory Auditors are all qualified to perform their duties, and none of them have relationships with the Company that conflict with or reduce their ability to perform their duties.

Two Outside Statutory Auditor Mr. Tetsuro Yamamoto and Mr. Masaaki Ayukawa concurrently serve as Outside Statutory Auditors of the Company's consolidated subsidiary Tonen Chemical Corporation.

#### 5. Remuneration paid to Directors and Statutory Auditors

##### (1) Remuneration total paid to Directors and Statutory Auditors, remuneration total by type, and number of recipients

	Remuneration total (Million yen)	Remuneration total by type (Million yen)		Number of recipients
		Basic remuneration	Retirement benefits	
Directors (excl. Outside Directors)	137	127	9	4
Statutory Auditors (excl. Outside Statutory Auditors)	13	11	2	2
Outside Directors and Statutory Auditors	40	34	5	2

- (Note)
1. Outside Directors are not included in the above category of Outside Directors and Statutory Auditors because the Company did not have any Outside Directors in the 91st term.
  2. In addition to the above amounts, one Outside Statutory Auditor was paid 2 million yen as remuneration by the Company's subsidiary since the Outside Statutory Auditor concurrently served as Statutory Auditor of the subsidiary.
  3. In addition to the above amounts, the Company paid directors' retirement benefits of 85 million yen and 37 million yen to a retired Director and a retired Outside Statutory Auditor, respectively, based on resolution made at the General Meeting of Shareholders held on March 26, 2010.

##### (2) Guideline for determining Director and Statutory Auditor remuneration and the calculation method

The maximum remuneration total for Directors was set at 30 million yen or less per month by resolution of the Annual General Meeting of Shareholders held on June 26, 1998 (note that this amount does not include salaries for employees serving concurrently as Directors). The maximum remuneration total for Statutory Auditors was set at 7 million yen or less per month by resolution of the Annual General Meeting of Shareholders held on June 29, 1994.



**10. 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 may pay interim dividends to shareholders with the record date of June 30 each year, upon a resolution by the Board of Directors as provided for by Article 454, paragraph (5) of the Companies Act.

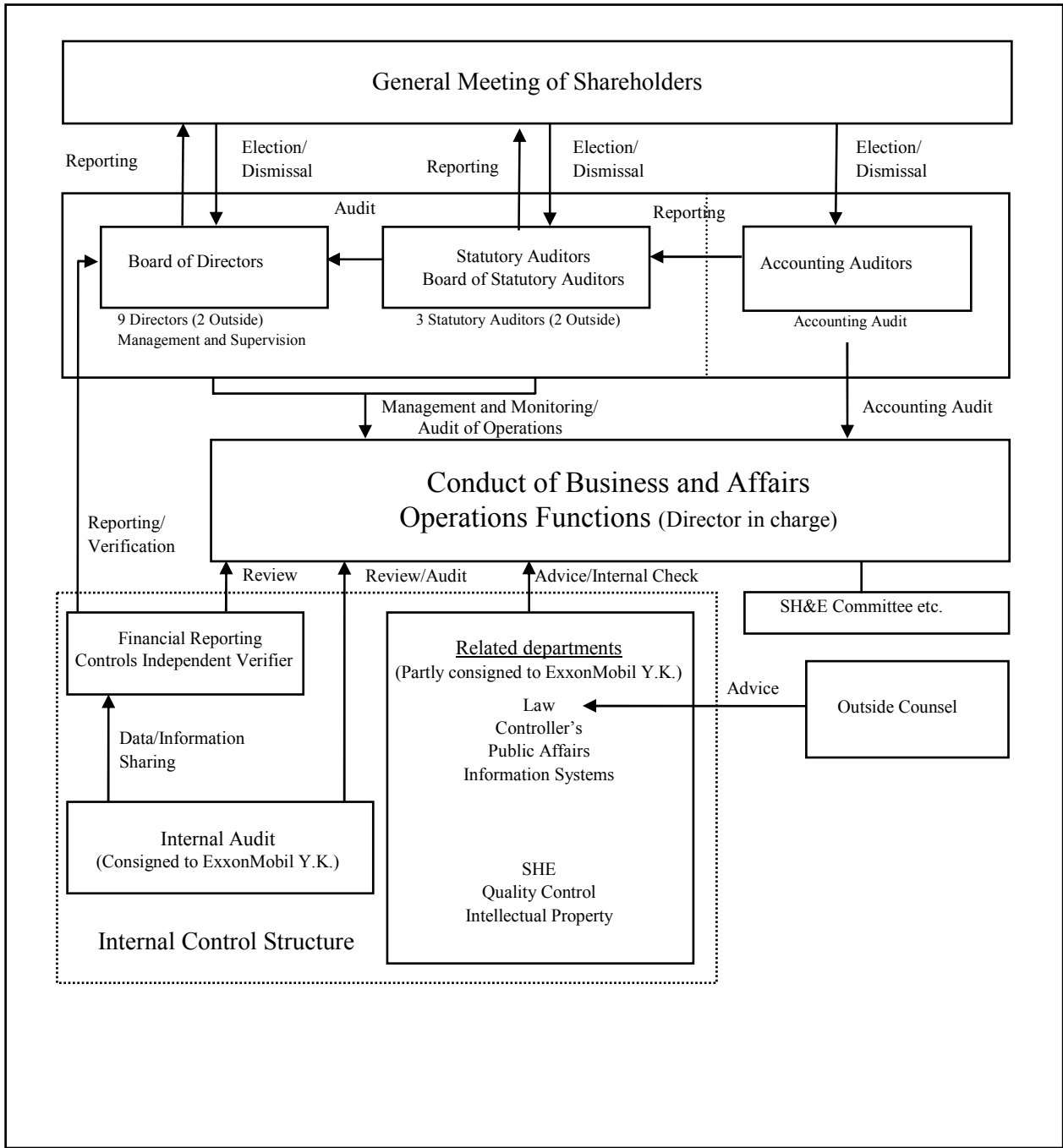
**11. Requirements of special resolution of a General Meeting of Shareholders**

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.

**12. 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 market-based pricing and transaction conditions, in accordance with necessary approval from the Board of Directors and necessary reporting to the Board of Directors.

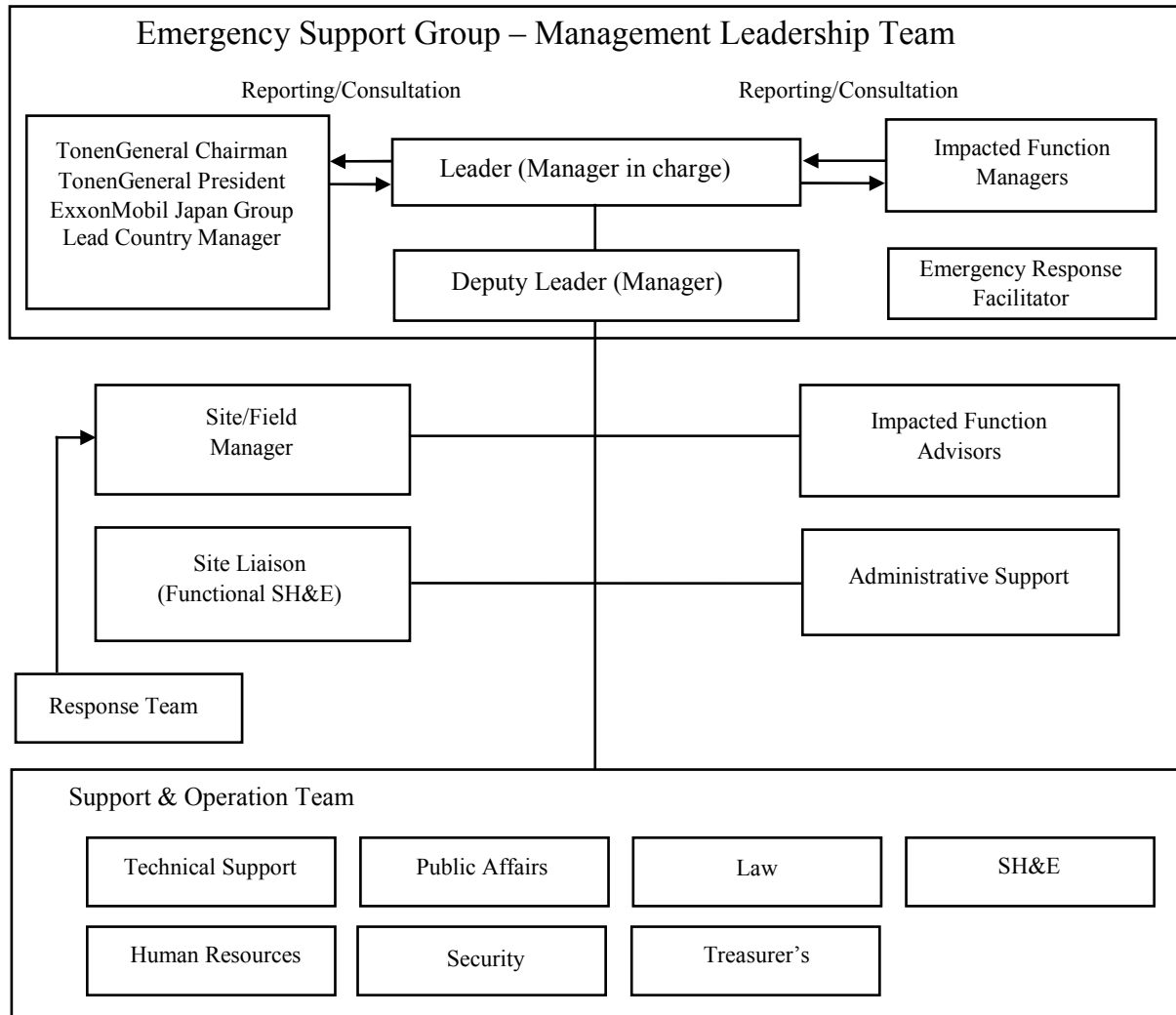
**Framework – conduct of business and affairs, monitoring and internal auditing**



  
**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	–	20	–
Consolidated subsidiary	2	–	2	–
Total	23	–	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

(Prior period)

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.

(Current period)

Not applicable.

### 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**

### **- Method for preparation 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, 2009 were prepared in accordance with the pre-revised Regulation for Consolidated Financial Statements while those for the fiscal year ended December 31, 2010 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, 2009 were prepared in accordance with the pre-revised Regulation for Financial Statements while those for the fiscal year ended December 31, 2010 were prepared in accordance with the revised Regulation for Financial Statements.

### **- Audit attestation**

The consolidated financial statements for the fiscal year ended December 31, 2009 and for the fiscal year ended December 31, 2010, and the non-consolidated financial statements for the fiscal year ended December 31, 2009 and for the fiscal year ended December 31, 2010 were audited by PricewaterhouseCoopers Aarata, pursuant to the provisions of Article 193-2, paragraph (1) of the Financial Instruments and Exchange Act.

### **- Special measures for ensuring appropriateness of consolidated financial statements**

The Company carries out special measures for ensuring appropriateness of consolidated financial statements. Specifically, in order to ensure the Company has an appropriate understanding of the contents of the accounting standards etc., the Company participates in seminars held by the Accounting Auditors. In order to ensure the Company practices appropriate accounting methods etc., the Company regularly holds meetings with the Accounting Auditor to exchange opinions.

# 1. Consolidated financial statements

## (1) Consolidated financial statements

### a. Consolidated balance sheet

(Unit: Million yen)

	Prior period (December 31, 2009)		Current period (December 31, 2010)	
Assets				
Current assets				
Cash and deposits		789		278
Notes and accounts receivable-trade		397,307		414,435
Merchandise and finished goods		28,908		28,937
Semi-finished goods		24,053		25,512
Raw materials		65,536		67,520
Supplies		5,115		5,043
Income taxes receivable		130		6,892
Deferred tax assets		7,120		6,468
Short-term loans receivable		65,077		74,349
Other		10,090		8,078
Allowance for doubtful accounts		(42)		(44)
Total current assets		604,086		637,471
Noncurrent assets				
Property, plant and equipment				
Buildings and structures	*1, *3	207,977	*1, *3	205,811
Accumulated depreciation		(161,629)		(162,685)
Buildings and structures, net		46,348		43,125
Tanks	*1, *3	66,005	*1, *3	66,670
Accumulated depreciation		(61,232)		(61,863)
Tanks, net		4,773		4,806
Machinery, equipment and vehicles	*1, *3	608,201	*1, *3	599,626
Accumulated depreciation		(543,679)		(544,363)
Machinery, equipment and vehicles, net		64,522		55,263
Tools, furniture and fixtures	*1, *3	10,469	*1	10,606
Accumulated depreciation		(9,173)		(8,983)
Tools, furniture and fixtures, net		1,296		1,622
Land	*3, *4	79,265	*3, *4	76,623
Construction in progress		18,924		6,518
Total property, plant and equipment		215,130		187,960
Intangible assets				
Leasehold right		1,678		1,511
Software		3,760		2,554
Other		274		236
Total intangible assets		5,714		4,302
Investments and other assets				
Investment securities	*2	12,786	*2	51,900
Long-term loans receivable		674		–
Deferred tax assets		21,972		10,145
Other		15,151		15,361
Allowance for doubtful accounts		(339)		(295)
Total investments and other assets		50,246		77,112
Total noncurrent assets		271,090		269,375
Total assets		875,177		906,846

(Unit: Million yen)

	Prior period (December 31, 2009)		Current period (December 31, 2010)	
<b>Liabilities</b>				
Current liabilities				
Notes and accounts payable-trade		267,188		280,210
Gasoline taxes payable	*3	185,983	*3	185,170
Short-term loans payable	*3	82,823	*3	49,029
Income taxes payable		2,342		498
Accrued consumption taxes		1,547		14,165
Guarantee deposits payable		9,009		8,034
Provision for bonuses		1,314		1,153
Provision for offshore well abandonment		2,549		824
Other		33,537		58,678
Total current liabilities		586,295		597,766
Noncurrent liabilities				
Long-term loans payable	*3	5,739	*3	3,985
Deferred tax liabilities		1,391		1,661
Provision for retirement benefits		35,027		37,187
Provision for directors' retirement benefits		126		48
Provision for repairs		17,847		16,615
Other		1,391		1,286
Total noncurrent liabilities		61,523		60,784
Total liabilities		647,818		658,551
<b>Net assets</b>				
Shareholders' equity				
Capital stock		35,123		35,123
Capital surplus		20,741		20,741
Retained earnings		171,814		193,234
Treasury stock		(539)		(647)
Total shareholders' equity		227,140		248,451
Valuation and translation adjustments				
Valuation difference on available-for-sale securities		162		5
Foreign currency translation adjustment		56		(161)
Total valuation and translation adjustments		219		(156)
Total net assets		227,359		248,295
Total liabilities and net assets		875,177		906,846

**b. Consolidated statement of income**

(Unit: Million yen)

	Prior period (January 1, 2009 through December 31, 2009)		Current period (January 1, 2010 through December 31, 2010)	
Net sales		2,111,753		2,398,718
Cost of sales	*1, *3	2,109,076	*1, *3	2,331,852
Gross profit		2,676		66,865
Selling, general and administrative expenses	*2, *3	37,236	*2, *3	33,337
Operating income (loss)		(34,559)		33,528
Non-operating income				
Interest income		98		99
Dividends income		93		80
Foreign exchange gains		1,283		1,933
Equity in earnings of affiliates		–		1,777
Other		92		61
Total non-operating income		1,566		3,951
Non-operating expenses				
Interest expenses		366		345
Equity in losses of affiliates		1,007		–
Other		178		123
Total non-operating expenses		1,552		469
Ordinary income (loss)		(34,545)		37,011
Extraordinary income				
Gain on change in equity		–		20,174
Gain on sales of noncurrent assets	*4	1,005	*4	1,581
Total extraordinary income		1,005		21,756
Extraordinary loss				
Loss on sales and retirement of noncurrent assets	*5	1,602	*5	1,527
Impairment loss	*6	436	*6	839
Early extra retirement payments		328		–
Settlement package		213		–
Total extraordinary losses		2,580		2,366
Income (loss) before income taxes and minority interests		(36,121)		56,400
Income taxes-current		3,354		956
Income taxes-deferred		(17,757)		12,570
Total income taxes		(14,402)		13,527
Net income (loss)		(21,718)		42,873

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

(Unit: Million yen)

	Prior period (January 1, 2009 through December 31, 2009)	Current period (January 1, 2010 through December 31, 2010)
<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	215,002	171,814
Changes of items during the period		
Dividends from surplus	(21,462)	(21,451)
Net income (loss)	(21,718)	42,873
Disposal of treasury stock	(6)	(2)
Total changes of items during the period	(43,187)	21,419
Balance at the end of current period	171,814	193,234
Treasury stock		
Balance at the end of previous period	(307)	(539)
Changes of items during the period		
Purchase of treasury stock	(293)	(132)
Disposal of treasury stock	61	24
Total changes of items during the period	(231)	(108)
Balance at the end of current period	(539)	(647)
Total shareholders' equity		
Balance at the end of previous period	270,559	227,140
Changes of items during the period		
Dividends from surplus	(21,462)	(21,451)
Net income (loss)	(21,718)	42,873
Purchase of treasury stock	(293)	(132)
Disposal of treasury stock	55	21
Total changes of items during the period	(43,419)	21,310
Balance at the end of current period	227,140	248,451

(Unit: Million yen)

	Prior period (January 1, 2009 through December 31, 2009)	Current period (January 1, 2010 through December 31, 2010)
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	135	162
Changes of items during the period		
Net changes of items other than shareholders' equity	26	(156)
Total changes of items during the period	26	(156)
Balance at the end of current period	162	5
Foreign currency translation adjustment		
Balance at the end of previous period	(194)	56
Changes of items during the period		
Net changes of items other than shareholders' equity	251	(218)
Total changes of items during the period	251	(218)
Balance at the end of current period	56	(161)
Total valuation and translation adjustments		
Balance at the end of previous period	(59)	219
Changes of items during the period		
Net changes of items other than shareholders' equity	278	(375)
Total changes of items during the period	278	(375)
Balance at the end of current period	219	(156)
Total net assets		
Balance at the end of previous period	270,500	227,359
Changes of items during the period		
Dividends from surplus	(21,462)	(21,451)
Net income (loss)	(21,718)	42,873
Purchase of treasury stock	(293)	(132)
Disposal of treasury stock	55	21
Net changes of items other than shareholders' equity	278	(375)
Total changes of items during the period	(43,140)	20,935
Balance at the end of current period	227,359	248,295

**d. Consolidated statement of cash flows**

(Unit: Million yen)

	Prior period (January 1, 2009 through December 31, 2009)	Current period (January 1, 2010 through December 31, 2010)
Net cash provided by (used in) operating activities		
Income (loss) before income taxes and minority interests	(36,121)	56,400
Depreciation and amortization	30,579	28,134
Amortization of goodwill	653	–
Equity in (earnings) losses of affiliates	1,007	(1,777)
Increase (decrease) in provision for bonuses	4	(160)
Increase (decrease) in provision for retirement benefits	6,595	2,270
Increase (decrease) in provision for repairs	1,454	(1,231)
Loss (gain) on sales and retirement of noncurrent assets	596	(54)
Early extra retirement payments	328	–
Settlement package	213	–
Impairment loss	436	839
Interest and dividends income	(191)	(179)
Interest expenses	366	345
Loss (gain) on change in equity	–	(20,174)
Decrease (increase) in notes and accounts receivable-trade	(6,616)	(19,519)
Decrease (increase) in inventories	13,356	(5,142)
Decrease (increase) in accounts receivable-other	(868)	433
Increase (decrease) in notes and accounts payable-trade	45,832	13,245
Increase (decrease) in accounts payable-other	(8,052)	9,091
Other, net	(2,272)	29,207
Subtotal	47,304	91,729
Interest and dividends income received	180	691
Interest expenses paid	(372)	(354)
Payments for early extra retirement payments	(87)	(240)
Settlement package paid	(213)	–
Income taxes refund	660	181
Income taxes paid	(42,053)	(8,701)
Net cash provided by (used in) operating activities	5,418	83,305
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(25,144)	(19,265)
Proceeds from sales of property, plant and equipment	1,867	2,613
Purchase of intangible assets	(1,076)	(427)
Payments of long-term loans receivable	(5)	(5)
Collection of long-term loans receivable	171	141
Other, net	125	–
Net cash provided by (used in) investing activities	(24,063)	(16,943)

(Unit: Million yen)

	Prior period (January 1, 2009 through December 31, 2009)	Current period (January 1, 2010 through December 31, 2010)
Net cash provided by (used in) financing activities		
Net decrease (increase) in short-term loans receivable	26,408	(9,272)
Net increase (decrease) in short-term loans payable	15,737	(33,793)
Repayment of long-term loans payable	(1,754)	(1,754)
Purchase of treasury stock	(293)	(132)
Proceeds from sales of treasury stock	55	21
Cash dividends paid	(21,462)	(21,452)
Net cash provided by (used in) financing activities	18,691	(66,382)
Effect of exchange rate change on cash and cash equivalents	255	(11)
Net increase (decrease) in cash and cash equivalents	301	(32)
Cash and cash equivalents at beginning of period	488	789
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	–	(479)
Cash and cash equivalents at end of period	*1 789	*1 278

## Significant accounting policies

Prior period (January 1, 2009 through December 31, 2009)	Current period (January 1, 2010 through December 31, 2010)
<p>I Scope of consolidation Consolidated subsidiaries: 7 companies Each company's name is omitted as those are listed on "4. Information on associated companies" of "I. Overview of the Company."</p> <p>II Application of equity method 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 Affiliates: 1 company Emori Sekiyu K.K.</p> <p>3. Reason equity method was not applied The affiliate 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>IV Summary of 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>I Scope of consolidation Consolidated subsidiaries: 5 companies Each company's name is omitted as those are listed on "4. Information on associated companies" of "I. Overview of the Company." The following two companies have been excluded from the scope of consolidation in the current period. - Tonen Specialty Separator G.K. (currently Toray Tonen Specialty Separator G.K.) - Tonen Specialty Separator Korea Limited (currently Toray Tonen Specialty Separator Korea Limited) On January 29, 2010, Toray Industries, Inc. made a capital injection into Tonen Specialty Separator G.K. Following this transaction, the accounting treatment for the Company and its wholly-owned subsidiary Tonen Specialty Separator Korea Limited changed from consolidated subsidiaries to affiliates accounted for by the equity method. These companies had been included in the scope of consolidation until January 31, 2010.</p> <p>II Application of equity method 1. Affiliates accounted for by the equity method: 6 companies Each company's name is omitted as those are listed in "4. Information on associated companies" of "I. Overview of the Company." The following four companies began to be accounted for by the equity method in the current period. - Toray Tonen Specialty Separator G.K. - Toray Tonen Specialty Separator Korea Limited - Toray Tonen Services G.K. - Japan Biofuels Supply LLP Among these affiliates, Toray Tonen Specialty Separator G.K. and Toray Tonen Specialty Separator Korea Limited are accounted for by the equity method beginning on February 1, 2010 as referred to in "I Scope of consolidation, 1. Consolidated subsidiaries." Toray Tonen Services G.K. was established on January 29, 2010 as a wholly-owned subsidiary of Toray Tonen Specialty Separator G.K. This company, and Japan Biofuels Supply LLP, due to its increasing scale of operations, are also accounted for by the equity method beginning in the current period.</p> <p>2. Non-equity-method companies Affiliates: 1 company No Change</p> <p>3. Reason equity method was not applied No Change</p> <p>III Closing date of consolidated subsidiaries No change</p> <p>IV Summary of 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>

Prior period (January 1, 2009 through December 31, 2009)	Current period (January 1, 2010 through December 31, 2010)
<p>1. Valuation rules and methods for significant assets</p> <p>(1) Inventories Generally the lower of acquisition costs determined by the last-in first-out (LIFO) method or their net realizable value</p> <p>&lt;Change of accounting method&gt; With regard to inventories held for sale in the ordinary course of business, 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 the current period. There is no earnings impact from this change.</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)  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</p> <p>(1) Property, plant and equipment (excluding leased assets) Generally the declining-balance method The service life ranges by major assets are: Buildings and structures                      10 to 50 years Tanks    10 to 25 years Machinery, equipment and vehicles              7 to 15 years</p> <p>(2) Intangible assets (excluding leased assets) The straight-line method In-house computer software is amortized over its service life (5 to 15 years) using the straight-line method.</p> <p>(3) Leased assets The straight-line method is employed, where the leasing period is deemed as the service life and residual value is set as zero. The accounting treatment for finance lease transactions that do not transfer ownership to the lessee and became effective before January 1, 2009 is the same as the method applied to ordinary operating lease transactions.</p>	<p>1. Valuation rules and methods for significant assets</p> <p>(1) Inventories No change</p> <hr style="width: 20%; margin-left: auto; margin-right: auto;"/> <p>(2) Securities Other securities a. Securities with readily determinable fair values No change  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</p> <p>(1) Property, plant and equipment (excluding leased assets) No change</p> <p>(2) Intangible assets (excluding leased assets) No change</p> <p>(3) Leased assets No change</p>

Prior period (January 1, 2009 through December 31, 2009)	Current period (January 1, 2010 through December 31, 2010)														
<p>&lt;Change of accounting method&gt;</p> <p>The accounting treatment for finance lease transactions that do not transfer ownership to the lessee had been the same as the method applied to ordinary operating lease transactions. Revisions in the “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13 originally issued by the Business Accounting Council on June 17, 1993, and amended by ASBJ on March 30, 2007) and “Guidance on Accounting Standard for Lease Transactions” (ASBJ Guidance No. 16 originally issued by the Japanese Institute of Certified Public Accountants on January 18, 1994, and amended by ASBJ on March 30, 2007), which are applied for the period beginning on or after April 1, 2008, were applied to finance leases that do not transfer ownership to the lessee, so that they are treated in the same way as ordinary purchase and sale transactions beginning in the current period.</p> <p>As to the depreciation method for leased assets related to finance lease transactions that do not transfer ownership 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 that do not transfer ownership to the lessee and became effective before the beginning of the current period is the same as the method applied to ordinary operating lease transactions.</p> <p>There is no earnings impact from this change.</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 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 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 period, using the declining-balance method is employed over a period determined based on employees’ average remaining service years (12 years). Prior service liabilities are amortized using the straight-line method over employees’ average remaining service years;</p> <table style="margin-left: 40px;"> <tr> <td>(Before 2004:</td> <td style="text-align: right;">15.5 years</td> </tr> <tr> <td>Since 2004:</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">The Company</td> <td style="text-align: right;">12.9 years</td> </tr> <tr> <td style="padding-left: 20px;">Consolidated subsidiaries</td> <td style="text-align: right;">11.4 years</td> </tr> <tr> <td>Since 2007:</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">The Company</td> <td style="text-align: right;">11.9 years</td> </tr> <tr> <td style="padding-left: 20px;">Consolidated subsidiaries</td> <td style="text-align: right;">11.0 years)</td> </tr> </table>	(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)	<hr style="width: 20%; margin: 0 auto;"/> <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>
(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 style="text-align: center;">Prior period (January 1, 2009 through December 31, 2009)</p>	<p style="text-align: center;">Current period (January 1, 2010 through December 31, 2010)</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 current 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 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 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 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 valued 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 No change</p> <p>4. Translation method for foreign currency assets and liabilities No change</p> <p>5. Accounting method for consumption taxes No change</p> <p>V Valuation method for assets and liabilities of consolidated subsidiaries No change</p> <p>VI _____</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 (January 1, 2009 through December 31, 2009)	Current period (January 1, 2010 through December 31, 2010)
<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 the current period.</p> <p>There is no earnings impact from this change.</p>	<p>&lt;Application of the “Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)”&gt;</p> <p>“Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)” (ASBJ Statement No. 19 issued on July 31, 2008) is applied beginning in the current period.</p> <p>There is no earnings impact from this change.</p>

### Change in presentation

Prior period (January 1, 2009 through December 31, 2009)	Current period (January 1, 2010 through December 31, 2010)
<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>	<p>&lt;Consolidated balance sheet&gt;</p> <p>“Long-term loans receivable,” which had been separately presented in the section of “Investments and other assets” for the prior period, is included in “Other” in that section beginning in the current period because its amount is immaterial.</p> <p>The outstanding balance of long-term loans receivable at the end of the current period is 537 million yen.</p>

### Additional information

Prior period (January 1, 2009 through December 31, 2009)	Current period (January 1, 2010 through December 31, 2010)
<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 the current period.</p> <p>This had 2,139 million yen unfavorable impact on operating income, ordinary income and income before income taxes and minority interests respectively.</p> <p>The impact of the change to each segment is stated in “Segment Information.”</p>	<hr style="width: 20%; margin: auto;"/>

Notes to consolidated financial statements

(Consolidated balance sheet)

Prior period (December 31, 2009)	Current period (December 31, 2010)																																																						
<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 subsidiaries and affiliates The item shown below is included in investments and other assets and relates to affiliates. Investment securities (stocks) 8,252 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;">5,008</td> <td style="text-align: right;">(5,008)</td> </tr> <tr> <td>Tanks</td> <td style="text-align: right;">514</td> <td style="text-align: right;">(514)</td> </tr> <tr> <td>Machinery, equipment and vehicles</td> <td style="text-align: right;">15,664</td> <td style="text-align: right;">(15,664)</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;">44,845</td> <td style="text-align: right;">(25,816)</td> </tr> </tbody> </table> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Mortgaged liabilities by security rights</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>Gasoline taxes payable</td> <td style="text-align: right;">51,186</td> <td style="text-align: right;">(25,816)</td> </tr> <tr> <td style="text-align: center;">Total</td> <td style="text-align: right;">51,186</td> <td style="text-align: right;">(25,816)</td> </tr> </tbody> </table>	Mortgaged assets	Amounts (Million yen)	(Plant mortgage) (Million yen)	Buildings and structures	5,008	(5,008)	Tanks	514	(514)	Machinery, equipment and vehicles	15,664	(15,664)	Land	23,657	(4,628)	Total	44,845	(25,816)	Mortgaged liabilities by security rights	Amounts (Million yen)	(Plant mortgage) (Million yen)	Gasoline taxes payable	51,186	(25,816)	Total	51,186	(25,816)	<p>1. 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<p>4. Obligations for guaranties</p> <p>(1) Bank borrowing, etc.</p> <p>The Company has guaranteed the following bank borrowing etc. by its associated companies etc.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Shimizu LNG Co., Ltd.</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>Employees of the Company and consolidated subsidiaries</td> <td style="text-align: right;">206</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;">1,887</td> </tr> </table> <p>(Note) For the debt (892 million yen) of Shimizu LNG Co., Ltd. from the Development Bank of Japan Inc. etc., the Company has a contractual obligation to reserve its land for a mortgage. (book value 747 million yen)</p> <p>(2) Letters of credit</p> <p>The Company has guaranteed letters of credit as follows.</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Guarantees</th> <th style="text-align: center;">Amounts (USD)</th> <th style="text-align: center;">(Yen equivalent)</th> </tr> </thead> <tbody> <tr> <td style="border-top: 1px solid black;">Japan Biofuels Supply LLP</td> <td style="text-align: right; border-top: 1px solid black;">11,137 thousand USD</td> <td style="text-align: right; border-top: 1px solid black;">(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: center;">Guarantees</th> <th style="text-align: center;">Amounts</th> </tr> </thead> <tbody> <tr> <td style="border-top: 1px solid black;">Japan Biofuels Supply LLP</td> <td style="text-align: right; border-top: 1px solid black;">292 million yen</td> </tr> </tbody> </table>	Shimizu LNG Co., Ltd.	1,174 million yen	Japan Biofuels Supply LLP	376	Employees of the Company and consolidated subsidiaries	206	Others (5 companies)	130	Total	1,887	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	<p>4. Obligations for guaranties</p> <p>(1) Bank borrowing, etc.</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Guarantees</th> <th style="text-align: center;">Amounts</th> </tr> </thead> <tbody> <tr> <td style="border-top: 1px solid black;">Japan Biofuels Supply LLP</td> <td style="text-align: right; border-top: 1px solid black;">1,640 million yen</td> </tr> <tr> <td>Shimizu LNG Co., Ltd.</td> <td style="text-align: right;">773</td> </tr> <tr> <td>Employees of the Company and consolidated subsidiaries</td> <td style="text-align: right;">180</td> </tr> <tr> <td>Others (3 companies)</td> <td style="text-align: right;">34</td> </tr> <tr> <td style="border-top: 1px solid black;">Total</td> <td style="text-align: right; border-top: 1px solid black;">2,629</td> </tr> </tbody> </table> <p>(Note) For the debt (272 million yen) of Shimizu LNG Co., Ltd. from the Development Bank of Japan Inc. etc., the Company has a contractual obligation to reserve its land for a mortgage. (book value 747 million yen)</p> <p>(2) Letters of credit</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Guarantees</th> <th style="text-align: center;">Amounts (USD) (Yen equivalent)</th> </tr> </thead> <tbody> <tr> <td style="border-top: 1px solid black;">Japan Biofuels Supply LLP</td> <td style="text-align: right; border-top: 1px solid black;">19,768 thousand USD (1,610 million yen)</td> </tr> </tbody> </table> <p>(3) Deferral of import consumption tax payment</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Guarantees</th> <th style="text-align: center;">Amounts</th> </tr> </thead> <tbody> <tr> <td style="border-top: 1px solid black;">Japan Biofuels Supply LLP</td> <td style="text-align: right; border-top: 1px solid black;">167 million yen</td> </tr> </tbody> </table>	Guarantees	Amounts	Japan Biofuels Supply LLP	1,640 million yen	Shimizu LNG Co., Ltd.	773	Employees of the Company and consolidated subsidiaries	180	Others (3 companies)	34	Total	2,629	Guarantees	Amounts (USD) (Yen equivalent)	Japan Biofuels Supply LLP	19,768 thousand USD (1,610 million yen)	Guarantees	Amounts	Japan Biofuels Supply LLP	167 million yen
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**(Consolidated statement of income)**

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The major items and amounts in selling, general and administrative expenses are as follows.</p> <table style="width: 100%; border-collapse: collapse;"> <tr><td>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. Research and development expenses included in general and administrative expenses and manufacturing costs were 4,047 million yen.</p> <p>4. Gain on sales of noncurrent assets</p> <table style="width: 100%; border-collapse: collapse;"> <tr><td>Land (service stations)</td><td style="text-align: right;">933 million yen</td></tr> <tr><td>Other</td><td style="text-align: right;">71</td></tr> <tr><td style="border-top: 1px solid black;">Total</td><td style="text-align: right; border-top: 1px solid black;">1,005</td></tr> </table> <p>5. 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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	<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. <span style="float: right;">63 million yen</span></p> <p>2. 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Rent	1,635																																																																																										
Depreciation and amortization	1,558																																																																																										
Sales commissions	3,241																																																																																										
Retirement benefit expenses	1,884																																																																																										
Provisions for bonuses	274																																																																																										
Land (service stations)	1,446 million yen																																																																																										
Other	135																																																																																										
Total	1,581																																																																																										
Buildings and structures (service stations, etc.)	787 million yen																																																																																										
Machinery, equipment and vehicles (refinery facilities, etc.)	389																																																																																										
Other	350																																																																																										
Total	1,527																																																																																										
Used for	Location	Type	Amount (Million yen)																																																																																								
Service station	TonenGeneral Sekiyu K.K., Tamadaira SS (Hino City, Tokyo) and other 19 items	Land, etc.	373																																																																																								
Company resort house	TonenGeneral Sekiyu K.K., Izu resort house (Higashi Izu-cho, Shizuoka Pref.)	Buildings, etc.	466																																																																																								
Total			839																																																																																								

**(Consolidated statement of changes in net assets)**

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

**1. Number of shares issued**

Class	December 31, 2008	Increase	Decrease	December 31, 2009
Common stock (Share)	565,182,000	–	–	565,182,000

**2. Treasury stock**

Class	December 31, 2008	Increase	Decrease	December 31, 2009
Common stock (Share)	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 Meeting 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

Current period (January 1, 2010 through December 31, 2010)

### 1. Number of shares issued

Class	December 31, 2009	Increase	Decrease	December 31, 2010
Common stock (Share)	565,182,000	–	–	565,182,000

### 2. Treasury stock

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

(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, 2010	Common stock	10,726	19.00	December 31, 2009	March 29, 2010
Board of Directors Meeting held on August 13, 2010	Common stock	10,725	19.00	June 30, 2010	September 15, 2010

#### (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 25, 2011	Common stock	Retained earnings	10,724	19.00	December 31, 2010	March 28, 2011

**(Consolidated statement of cash flows)**

Prior period (January 1, 2009 through December 31, 2009)	Current period (January 1, 2010 through December 31, 2010)
1. Reconciliation of cash and cash equivalents at end of period and related account on the balance sheet is as follows. <p style="text-align: right;">(As of December 31, 2009)</p>	1. Reconciliation of cash and cash equivalents at end of period and related account on the balance sheet is as follows. <p style="text-align: right;">(As of December 31, 2010)</p>
Cash on hand and in banks <span style="float: right;">789 million yen</span>	Cash on hand and in banks <span style="float: right;">278 million yen</span>
Cash and cash equivalents <span style="float: right;">789</span>	Cash and cash equivalents <span style="float: right;">278</span>

**(Lease transactions)**

Prior period (January 1, 2009 through December 31, 2009)				Current period (January 1, 2010 through December 31, 2010)			
The accounting treatment for finance lease transactions that do not transfer ownership to the lessee and became effective before January 1, 2009 is the same as the method applied to ordinary operating lease transactions. The detail is as follows.				The accounting treatment for finance lease transactions that do not transfer ownership to the lessee and became effective before January 1, 2009 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 at the closing date equivalent				1. Acquisition cost equivalent, accumulated depreciation equivalent and net book value at the closing date equivalent			
	Acquisition cost equivalent (Million yen)	Accumulated depreciation equivalent (Million yen)	Net book value equivalent at the closing date (Million yen)		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	Buildings and structures	89	10	79
Machinery, equipment and vehicles	306	103	202	Machinery, equipment and vehicles	296	137	158
Tools, furniture and fixtures	16	11	4				
Total	412	120	291	Total	386	147	238
(Note) The acquisition cost equivalent includes interest-equivalent expenses, since the outstanding balance of future lease payment at the closing date is immaterial considering the total value of property, plant and equipment.				(Note) No change			
2. Outstanding balance of future lease payment at the closing date				2. Outstanding balance of future lease payment at the closing date			
			51 million yen				33 million yen
			239				204
			<u>291</u>				<u>238</u>
(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.				(Note) No change			
3. Lease fees paid and depreciation expense equivalent				3. Lease fees paid and depreciation expense equivalent			
			53 million yen				45 million yen
			53				45
4. Calculation method for depreciation equivalent				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.				No change			

## **(Financial instruments)**

Current period (January 1, 2010 through December 31, 2010)

### **1. Status of financial instruments**

#### **(1) Policy on handling financial instruments**

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

#### **(2) Description of financial instruments and related risks**

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

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

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

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

#### **(3) Risk management for financial instruments**

##### **a. Management of credit risk (counterparty default risk)**

The Company manages the credit risk of trade accounts receivable based on the Company’s guidelines related to credit management. It regularly appraises the financial position of counterparties and sets an appropriate maximum transaction limit individually for each counterparty.

The Company only executes derivative transactions with financial institutions that are rated at or above a prescribed rating level.

##### **b. Management of market risk (fluctuation risk of foreign currency exchange rates etc.)**

To reduce exchange rate fluctuation risk of foreign currency denominated payables for import transactions such as the import of crude oil etc., the Company utilizes forward exchange contracts. The Company executes forward exchange contracts in accordance with the Company’s guidelines regarding derivatives and foreign currency exchange, and the internal rules for authorization and transaction limit which have been approved by the Company’s Board of Directors. As to derivative transactions, each procedure of approval, execution, recording and verification is made by independent departments, and risk management of the operation is strengthened by such segregation of duties.

##### **c. Management of liquidity risks associated with fund procurements (risk of inability to pay on due date)**

The Company prepares and updates financing plans as appropriate and secures fund procurement of any from the financial markets. In addition, group financing is conducted within the ExxonMobil Group to achieve efficient fund procurement and improved liquidity.

#### **(4) Supplementary explanation to matters concerning fair values of financial instruments**

The fair values of financial instruments include values based on market prices and reasonably measured values where market prices are unavailable. As certain assumptions are incorporated into the measurement of said values, they may vary depending on the assumptions used.

In addition, the contract or notional amounts of derivative transactions, mentioned in “Derivative transactions” in the notes to consolidated financial statements, should not be considered indicative of the sizes of the market risks involved in the derivative transactions. However, because derivative transactions of the Company are short-term or limited in their purpose, the contract notional amount and the market risk are considered to be not materially different.

## 2. Fair values of financial instruments

The balance sheet amounts and fair values as of December 31, 2010, and the variances thereof are shown below.

	Balance sheet amount (Million yen)	Fair value (Million yen)	Difference (Million yen)
(1) Cash and deposits	278	278	–
(2) Notes and accounts receivable–trade (*1)	414,391	414,391	–
(3) Income taxes receivable	6,892	6,892	–
(4) Short-term loans receivable	74,349	74,349	–
(5) Current assets–other	8,070	8,070	–
(6) Investment securities	1,256	1,256	–
<b>Total assets</b>	<b>505,238</b>	<b>505,238</b>	<b>–</b>
(7) Notes and accounts payable–trade	280,210	280,210	–
(8) Gasoline taxes payable	185,170	185,170	–
(9) Short-term loans payable	49,029	49,029	–
(10) Income taxes payable	498	498	–
(11) Accrued consumption taxes	14,165	14,165	–
(12) Guarantee deposits payable	8,034	8,034	–
(13) Current liabilities–other	27,097	27,097	–
(14) Long-term loans payable	3,985	3,969	(15)
<b>Total liabilities</b>	<b>568,192</b>	<b>568,177</b>	<b>(15)</b>
Derivative transactions (*2)	80,421	80,421	–

(\*1) The amounts of related allowance for notes and accounts receivable–trade are deducted from the values.

(\*2) The values of assets and liabilities arising from derivative transactions are shown at net value.

(Notes) 1. Measurement method for the fair value of financial instruments, and notes to securities and derivative transactions

### Assets:

(1) Cash and deposits, (2) Notes and accounts receivable–trade, (3) Income taxes receivable, (4) Short-term loans receivable, and (5) Current assets–other

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

The amount of Current assets–other in the above table represents only the portion of that consolidated balance sheet item that is applicable to financial instruments.

(6) Investment securities

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

Please refer to “Securities” in the notes to consolidated financial statements for information on securities for each holding purpose.

### Liabilities:

(7) Notes and accounts payable–trade, (8) Gasoline taxes payable, (9) Short-term loans payable, (10) Income taxes payable, (11) Accrued consumption taxes, (12) Guarantee deposits payable, and (13) Current liabilities–other

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

The amount of Current liabilities–other in the above table represents only the portion of that consolidated balance sheet item that is applicable to financial instruments.

(14) Long-term loans payable

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

### Derivative transactions:

Please refer to “Derivative transactions” in the notes to consolidated financial statements.

2. Expected redemption amount of monetary receivables and securities with maturity arriving after the closing date of current period

	Due one year (Million yen)	Due after one year through five years (Million yen)	Due after five years through ten years (Million yen)	Due over ten years (Million yen)
Cash and deposits	278	–	–	–
Notes and accounts receivable–trade	414,391	–	–	–
Income taxes receivable	6,892	–	–	–
Short-term loans receivable	74,349	–	–	–
Current assets–other	8,070	–	–	–
Total	503,981	–	–	–

3. Scheduled amounts of repayment of long-term loans payable after the closing date of current period

Please refer to the section of “Detailed statement of loans” in the Consolidated supplementary statements.

(Additional information)

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

**(Securities)**

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

**1. Other securities with readily determinable fair values**

	Type	Original purchase price (Million yen)	Amount recorded in the consolidated balance sheet (Million yen)	Gain/Loss (Million yen)
Items whose amount recorded in the consolidated balance sheet exceeds original purchase price	(1) Stocks	1,246	1,520	273
	(2) Bonds	–	–	–
	(3) Others	–	–	–
	Sub-total	1,246	1,520	273
Items whose amount recorded in the consolidated balance sheet does not exceed original purchase price	(1) Stocks	–	–	–
	(2) Bonds	–	–	–
	(3) Others	–	–	–
	Sub-total	–	–	–
Total		1,246	1,520	273

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

Sales amounts (Million yen)	Total gain (Million yen)	Total loss (Million yen)
125	4	–

**3. Details of securities that are not valued at fair market values and their amounts recorded in the consolidated balance sheet**

Type	Amount recorded in the consolidated balance sheet (Million yen)
Other securities	
Non-listed stocks	11,233
Limited liability partnership	33
Contribution	5

Current period (January 1, 2010 through December 31, 2010)

**Other securities**

	Type	Amount recorded in the consolidated balance sheet (Million yen)	Original purchase price (Million yen)	Gain/Loss (Million yen)
Items whose amount recorded in the consolidated balance sheet exceeds original purchase price	(1) Stocks	991	979	12
	(2) Bonds	–	–	–
	(3) Others	–	–	–
	Sub-total	991	979	12
Items whose amount recorded in the consolidated balance sheet does not exceed original purchase price	(1) Stocks	265	266	(1)
	(2) Bonds	–	–	–
	(3) Others	–	–	–
	Sub-total	265	266	(1)
Total		1,256	1,246	10

(Note) Non-listed stocks (2,981 million yen recorded in the consolidated balance sheet) have no market prices. Because the fair values are deemed to be extremely difficult to figure out, they are not included in the above table "Other securities."

**(Derivative transactions)**

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

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

The Company enters into derivative transactions for forward exchange contracts.

**(2) Approach to derivative transaction**

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.

**(3) Purpose of derivative transaction**

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.

**(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 to reduce the risk of any losses arising from a default of counterparty, the Company enters into derivative transactions only with financial institutions with high credit rating.

**(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, recording 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.

**(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.

**2. Fair value of derivative transactions**

Notional amounts, fair value and unrealized gain or loss

Currency

Category	Type	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	77,242	–	79,017	1,774
Total		77,242	–	79,017	1,774

(Note) Measurement method of fair value

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

Current period (January 1, 2010 through December 31, 2010)

### Derivative transactions to which hedge accounting is not applied

Currency

Category	Contract type	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 Purchased US dollars	82,071	–	80,421	(1,650)
Total		82,071	–	80,421	(1,650)

(Note) Measurement method of fair value

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

### (Employees' post-retirement benefits)

#### 1. Outline of adopted retirement benefit scheme

At the end of current period, three companies among the Company and its consolidated subsidiaries operated a defined benefit plan, and four of them had a lump-sum plan.

#### 2. Breakdown of projected benefit obligations

	Prior period (December 31, 2009)	Current period (December 31, 2010)
(1) Projected benefit obligations	(159,887) million yen	(160,790) million yen
(2) Plan assets	94,039	91,521
(3) Unfunded benefit obligations ((1)+(2))	(65,848)	(69,268)
(4) Unrecognized actuarial gain/loss	40,334	40,235
(5) Unrecognized prior service liabilities	(2,526)	(2,148)
(6) Amount booked on consolidated balance sheet ((3)+(4)+(5))	(28,040)	(31,180)
(7) Prepaid pension costs	6,987	6,006
(8) Provision for retirement benefits ((6)-(7))	(35,027)	(37,187)

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

#### 3. Breakdown of retirement benefit expenses

	Prior period (January 1, 2009 through December 31, 2009)	Current period (January 1, 2010 through December 31, 2010)
Retirement benefit expenses		
(1) Service costs	2,637 million yen	2,616 million yen
(2) Interest expense	3,115	3,281
(3) Expected return on plan assets	(4,522)	(4,848)
(4) Amortization of unrecognized actuarial gain/loss	10,753	6,814
(5) Amortization of prior service liabilities	86	(378)
(6) Retirement benefit expenses ((1)+(2)+(3)+(4)+(5))	12,069	7,485

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

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

	Prior period (December 31, 2009)	Current period (December 31, 2010)
(1) Period distribution method of estimated retirement benefits	Period fixed amount standard	No change
(2) Discount rate	2.1%	1.8%
(3) Rate of expected return on plan assets	6.0%	5.25%
(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, respectively. (Prior service liabilities are amortized using the straight-line method over employees' average remaining service years.)	No change
(5) Amortization period for actuarial differences	12 years (Any differences in actuarial calculations are amortized using the declining-balance method over a period determined based on employees' average remaining service years.)	No change

**(Deferred tax accounting)**

Prior period (December 31, 2009)	Current period (December 31, 2010)
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	Provision for retirement benefits
13,927 million yen	14,778 million yen
Provision for repairs	Provision for repairs
5,392	4,860
Tax loss carry forward	Tax loss carry forward
16,499	3,638
Accumulated impairment loss	Accumulated impairment loss
1,980	1,945
Variance from different inventory valuations	Variance from different inventory valuations
1,298	1,644
Accrued removal expenses	Accrued removal expenses
601	600
Provision for offshore well abandonment	Other
1,037	2,092
Other	Total deferred tax assets
2,039	29,560
Total deferred tax assets	
42,776	
(Deferred tax liabilities)	(Deferred tax liabilities)
Reserve for property replacement	Reserve for property replacement
(10,404) million yen	(10,108) million yen
Provision for retirement benefits	Provision for retirement benefits
(2,503)	(2,132)
Valuation difference on available-for-sale securities	Other
(111)	(2,368)
Other	Total deferred tax liabilities
(2,055)	(14,608)
Total deferred tax liabilities	Net of deferred tax assets
(15,074)	14,951
Net of deferred tax assets	
27,701	
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
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.	Statutory effective tax rate
	40.7 %
	(Adjustments)
	Earnings from change in equity
	(14.9)
	Equity earnings
	(1.3)
	Items not recognized as income, such as dividends received
	(1.0)
	Others
	0.5
	Actual effective tax rate
	24.0

**(Business combination)**

Prior period (January 1, 2009 through December 31, 2009)	Current period (January 1, 2010 through December 31, 2010)
	<p data-bbox="810 295 1184 320">&lt;Formation of jointly controlled company&gt;</p> <p data-bbox="810 322 1407 465">On January 29, 2010, the Company started a 50:50 joint venture in the battery separator film business through a capital contribution by Toray Industries, Inc. into Tonen Specialty Separator G.K., in which the Company held a 100% interest through fully-owned subsidiaries Tonen Chemical Corporation and Tonen Chemical Nasu Corporation.</p> <p data-bbox="810 501 1327 548">1. Name and business description of other combining entity concerned</p> <p data-bbox="858 555 1158 580">Entity name: Toray Industries, Inc.</p> <p data-bbox="858 584 1327 631">Business description: Manufacturing and sales of fiber products and other products</p> <p data-bbox="810 667 1145 692">2. Legal form of business combination</p> <p data-bbox="858 696 1407 770">The business combination is a formation of a company jointly controlled by the TG Group and Toray Industries, Inc. with an equity ratio of 50:50.</p> <p data-bbox="810 777 1098 801">3. Entity name after combination</p> <p data-bbox="858 806 1203 831">Toray Tonen Specialty Separator G.K.</p> <p data-bbox="810 866 1327 891">4. Overview of transaction including purpose of transaction</p> <p data-bbox="842 896 1407 1061">The joint-venture company combines 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.</p> <p data-bbox="810 1097 1225 1122">5. Overview of implemented accounting method</p> <p data-bbox="842 1126 1407 1541">The business combination, including a capital contribution by Toray Industries, Inc. (Toray), converted Tonen Specialty Separator G.K. (currently Toray Tonen Specialty Separator G.K.), which was a consolidated subsidiary of the Company, into a 50:50 joint-venture company. The Company and Toray entered into a shareholder's agreement to own the Company as a jointly-controlled company; the counter value for Toray's capital contribution was voting stock. In addition, there is no certain fact that shows the existence of other dominance relationship with the Company. Accordingly, the business combination was judged as the formation of jointly controlled company and the "Accounting Standards for Business Combinations" (issued on October 31, 2003 by Business Accounting Council) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10 issued on November 15, 2007) are applied to determine the accounting procedures to describe the transaction.</p> <p data-bbox="842 1547 1407 1693">As a result of the business combination, the Company recognized 20,174 million yen as "gain on change in equity" reflected as an extraordinary gain on the consolidated statement of income in the current period. Toray Tonen Specialty Separator G.K. became an affiliate of the Company accounted for by the equity method from February 2010 onward.</p>

**(Investment and rental property)**

Current period (January 1, 2010 through December 31, 2010)

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

The balance sheet amount for said investment and rental property is stated below.

(Unit: Million yen)

Balance sheet amount			Fair value as of December 31, 2010
As of December 31, 2009	Change during the current period	As of December 31, 2010	
28,809	(1,957)	26,852	40,577

- (Notes)
1. The amount recorded in the consolidated balance sheet is the acquisition cost reduced by the accumulated depreciation and the accumulated impairment loss.
  2. The major decreases in the current period were sale of real estate (894 million yen) and impairment loss on real estate (744 million yen).
  3. The amounts used for the fair value as of December 31, 2010 were mainly amounts determined by the Company based on the "Real Estate Appraisal Standard" (these amounts include adjustments that utilize indices etc.).

**(Additional information)**

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

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

Prior 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

(Notes) 1. Classification by business line 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 the current period.

This had an unfavorable 2,072 million yen impact on Oil segment operating income and 66 million yen unfavorable impact on Chemical segment operating income.

Current period (January 1, 2010 through December 31, 2010)

(Unit: Million yen)

	Oil	Chemical	Total	Elimination	Consolidated
I. Net sales and operating income					
Net sales					
(1) Sales to third parties	2,178,937	219,780	2,398,718	–	2,398,718
(2) Internal transactions	202,278	29,846	232,124	(232,124)	–
Total	2,381,215	249,626	2,630,842	(232,124)	2,398,718
Operating expenses	2,349,697	247,616	2,597,314	(232,124)	2,365,189
Operating income	31,518	2,010	33,528	–	33,528
II. Assets, depreciation and amortization, impairment loss and capital expenditures					
Assets	834,828	95,433	930,261	(23,415)	906,846
Depreciation and amortization	24,213	3,921	28,134	–	28,134
Impairment loss	839	–	839	–	839
Capital expenditures	12,176	7,516	19,693	–	19,693

(Note) 1. Classification by business line 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, construction management, etc.

(2) Chemical: Ethylene, Propylene, Benzene, Toluene, Paraxylene, Battery Separator Film, etc.

## 2. Segment information by geographic area

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

The information is omitted, because over 90% of total net sales originated in Japan.

Current period (January 1, 2010 through December 31, 2010)

The information is omitted, because over 90% of total net sales originated in Japan.

## 3. Overseas sales

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

I. Overseas sales	(Million yen)	217,714
II. Net sales	(Million yen)	2,111,753
III. 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 is the Company's and its consolidated subsidiaries' sales to customers outside of Japan.

Current period (January 1, 2010 through December 31, 2010)

The information is omitted, because overseas sales are less than 10% of consolidated net sales.

**(Transactions with related parties)**

Prior 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 period.

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 in the Company (%)	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, etc.	Direct 50.5	Interlocking directors, purchases and sales of products, provision of services, and group finances	Sales of oil products, etc.	1,113,303	Accounts receivable-trade	253,472
							Purchases of oil products, etc.	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 the “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 in/owned by the Company (%)	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.	-	Purchases and sales of oil products, and group finances	Sales of oil products, etc.	213,805	Accounts receivable-trade	22,349
							Purchases of oil products, etc.	128,880	Accounts payable-trade	17,076
							Interest income	4	Short-term loans receivable	38,748

Transaction terms and policies for determining transaction terms:

- (i) Purchase and sales prices of oil products are determined at fair market prices.
- (ii) 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 in/owned by the Company (%)	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.	—	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	Location	Capital (Million yen)	Business	Percentage of voting shares in the consolidated subsidiary (%)	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, etc.	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 the “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.

Current period (January 1, 2010 through December 31, 2010)

## 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 in the Company (%)	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, etc.	Direct 50.5	Interlocking directors, purchases and sales of products, provision of services, and group finances	Sales of oil products, etc.	1,309,232	Accounts receivable-trade	275,649
							Purchases of oil products, etc.	172,933	Accounts payable-trade	78,581
							Provision of services	8,754	Accounts receivable-other	1,288
								13,077	Accrued expenses	1,667
Interest income	25	Short-term loans receivable	6,219							

Transaction terms and policies for determining transaction terms:

- (i) Purchase and sales prices of oil products, etc. 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 the “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 in/owned by the Company (%)	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.	—	Purchases and sales of oil products, etc., and group finances	Sales of oil products, etc.	191,805	Accounts receivable-trade	19,531
							Purchases of oil products, etc.	282,140	Accounts payable-trade	26,921
							Interest income	—	Short-term loans receivable	68,024

Transaction terms and policies for determining transaction terms:

- (i) Purchase and sales prices of oil products, etc. are determined at fair market prices.
- (ii) 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 in/owned by the Company (%)	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.	—	Sales of products and purchases of crude	Purchases of crude	1,095,287	Accounts payable-trade	101,966

Transaction terms and policies for determining transaction terms:

Purchase and sales prices of crude and oil products, etc. 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**

**(A) 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 in the consolidated subsidiary (%)	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, etc.	Indirect 50.5	Interlocking directors, purchases and sales of chemical products, and provision of services	Sales of chemical products	138,357	Accounts receivable-trade	16,235
							Purchases of chemical products	12,883	Accounts payable-trade	2,630
							Provision of services	668	Accounts receivable-other	47
								3,423	Accrued expenses	312

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 the "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.

**(B) Unconsolidated subsidiaries and affiliates of the company filing the consolidated financial statements**

Attribute	Name of company, etc.	Location	Capital (Million yen)	Business	Percentage of voting shares owned by the consolidated subsidiary (%)	Relationship of related party	Contents of transaction	Account title	Outstanding balance at the closing date (Million yen)
Affiliate	Toray Tonen Specialty Separator G.K.	Nasushiobara City, Tochigi Pref.	301	Manufacture, processing and sales of synthetic resin films	Direct 25% Indirect 25%	Provision of services, etc.	Group finances	Deposits received	28,715

Name of the consolidated subsidiary: Tonen Chemical Corporation

Transaction terms and policies for determining transaction terms:

Deposits received is an amount received by the said consolidated subsidiary based on the "Deposit and Collateral Taking Agreement."

**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 (January 1, 2009 through December 31, 2009)

Net assets per share	402.72 yen
Net loss per share	(38.46) yen

(Note) Basis of the calculation

1. 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.
2. Net assets per share (as of December 31, 2009)

Net assets on the consolidated balance sheet	227,359 million yen
Net assets pertaining to common stock	227,359 million yen
Difference between “Net assets on the consolidated balance sheet” and “Net assets pertaining to common stock” used as the basis for the calculation of “Net assets per share”	–
Number of common shares issued	565,182,000 shares
Number of common shares in treasury	619,801 shares
Number of common shares used as the basis for the calculation of “Net assets per share”	564,562,199 shares

3. Net loss per share

Net loss	(21,718) million yen
Net loss not relating to common shareholders	–
Net loss pertaining to common stock	(21,718) million yen
Average number of outstanding common shares	564,759,828 shares

Current period (January 1, 2010 through December 31, 2010)

Net assets per share	439.91 yen
Net income per share	75.95 yen

(Note) Basis of the calculation

1. Diluted net income per share for the current period is not noted because the Company has not issued any dilutive securities.
2. Net income per share

Net income	42,873 million yen
Net income not relating to common shareholders	–
Net income pertaining to common stock	42,873 million yen
Average number of outstanding common shares	564,485,004 shares

**(Significant subsequent events)**

Prior period (January 1, 2009 through December 31, 2009)	Current period (January 1, 2010 through December 31, 2010)
<p data-bbox="188 286 746 313">&lt;Significant subsequent events regarding business combination&gt;</p> <p data-bbox="188 318 785 461">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 G.K., in which the Company held a 100% interest through fully-owned subsidiaries Tonen Chemical Corporation and Tonen Chemical Nasu Corporation.</p> <p data-bbox="188 465 785 515">1. Name and business description of other combining entity concerned</p> <p data-bbox="223 519 526 546">Entity name: Toray Industries, Inc.</p> <p data-bbox="223 551 785 600">Business description: Manufacturing and sales of fiber products and other products</p> <p data-bbox="188 604 536 631">2. Legal form of business combination</p> <p data-bbox="223 636 785 685">The combination business is jointly controlled by the Tonen Group and Toray Industries, Inc. with an equity ratio of 50:50.</p> <p data-bbox="188 689 488 716">3. Entity name after combination</p> <p data-bbox="223 721 555 748">Toray Tonen Specialty Separator G.K.</p> <p data-bbox="188 752 715 779">4. Overview of transaction including purpose of transaction</p> <p data-bbox="223 784 785 1142">The joint-venture company combines 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</p> <p data-bbox="188 1146 619 1173">5. Overview of implemented accounting method</p> <p data-bbox="223 1178 785 1375">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 G.K., 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 period.</p> <p data-bbox="223 1379 785 1516">Toray Tonen Specialty Separator G.K. (former Tonen Specialty Separator G.K.) 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 period.</p>	<hr data-bbox="963 309 1257 313"/>

**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	81,069	47,275	0.11	–
Current portion of long-term loans payable	1,754	1,754	1.43	–
Lease obligations due one year	37	39	–	–
Long-term loans payable (excluding current portion)	5,739	3,985	1.43	March 12, 2018
Lease obligations (excluding obligations due one year)	298	257	–	–
Total	88,898	53,311	–	–

- (Note) 1. The average interest rate represents the weighted-average rate obtained from all increases and decreases of loans during the period.
2. The average interest rate relative to lease obligations is not noted because the interest-equivalent expense component is not material and has not been separately identified from the underlying lease obligation, and is amortized using the straight-line method.
3. Repayment of long-term loans payable and lease obligations (excluding current portion) above scheduled within 5 years after the closing date of current 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	692	342	1,197
Lease obligations	44	44	45	46

**(2) Others****a. Quarterly information for the current period**

	First quarter (Jan. 1, 2010 through Mar. 31, 2010)	Second quarter (Apr. 1, 2010 through Jun. 30, 2010)	Third quarter (Jul. 1, 2010 through Sep. 30, 2010)	Fourth quarter (Oct. 1, 2010 through Dec. 31, 2010)
Net sales (Million yen)	586,858	586,160	607,585	618,113
Income (loss) before income taxes and minority interests (Million yen)	38,852	(4,515)	28,315	(6,251)
Net income (loss) (Million yen)	31,580	(2,992)	17,257	(2,971)
Net income (loss) per share (Yen)	55.94	(5.30)	30.57	(5.26)

**b. Civil lawsuit for unjust enrichment filed by the Japanese Government**

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) in relation to petroleum product bidding for the Defense Agency (the current Ministry of Defense) orders over the period from November 21, 1995 to November 20, 1998. The hearings have been done so far and the final hearing was held on December 27, 2010. The date for judgment was set on June 27, 2011 by the Tokyo District Court.

## 2. Non-consolidated financial statements

### (1) Non-consolidated financial statements

#### a. Non-consolidated balance sheet

(Unit: Million yen)

	Prior period (December 31, 2009)		Current period (December 31, 2010)	
<b>Assets</b>				
<b>Current assets</b>				
Cash and deposits		44		33
Accounts receivable-trade	*4	393,552	*4	413,157
Merchandise and finished goods		26,044		26,503
Semi-finished goods		22,996		25,364
Raw materials		65,536		67,520
Supplies		3,800		4,004
Prepaid expenses		2,208		3,096
Income taxes receivable		–		5,293
Deferred tax assets		6,240		5,350
Short-term loans receivable		38,868		68,124
Short-term loans receivable from subsidiaries and affiliates		35,486		22,559
Accounts receivable-other		4,861		4,034
Other		1,915		14
Allowance for doubtful accounts		(42)		(44)
<b>Total current assets</b>		<b>601,513</b>		<b>645,013</b>
<b>Noncurrent assets</b>				
<b>Property, plant and equipment</b>				
Buildings	*2	40,482	*2	39,033
Accumulated depreciation		(27,728)		(27,687)
Buildings, net		12,753		11,346
Structures	*1, *2	150,598	*1, *2	153,920
Accumulated depreciation		(122,845)		(125,530)
Structures, net		27,753		28,390
Tanks	*2	63,405	*2	64,146
Accumulated depreciation		(58,864)		(59,510)
Tanks, net		4,541		4,636
Machinery and equipment	*1, *2	528,937	*1, *2	528,541
Accumulated depreciation		(472,589)		(482,479)
Machinery and equipment, net		56,347		46,062
Vehicles		875		877
Accumulated depreciation		(754)		(800)
Vehicles, net		121		76
Tools, furniture and fixtures	*1	9,451	*1	9,684
Accumulated depreciation		(8,333)		(8,348)
Tools, furniture and fixtures, net		1,118		1,336
Land	*2, *3	68,985	*2, *3	67,812
Construction in progress		8,554		5,328
<b>Total property, plant and equipment</b>		<b>180,175</b>		<b>164,989</b>
<b>Intangible assets</b>				
Leasehold right		1,678		1,511
Software		3,049		2,272
Right of using facilities		248		211
<b>Total intangible assets</b>		<b>4,976</b>		<b>3,995</b>

(Unit: Million yen)

	Prior period (December 31, 2009)		Current period (December 31, 2010)	
Investments and other assets				
Investment securities		4,520		4,223
Stocks of subsidiaries and affiliates		6,596		3,149
Long-term loans receivable		26		–
Long-term loans receivable from employees		591		–
Long-term deposits		3,379		2,910
Deferred tax assets		21,745		9,985
Other		4,644		5,214
Allowance for doubtful accounts		(339)		(295)
Total investments and other assets		41,165		25,187
Total noncurrent assets		226,318		194,172
Total assets		827,831		839,185
Liabilities				
Current liabilities				
Accounts payable-trade	*4	269,309	*4	282,555
Gasoline taxes payable	*2	185,983	*2	185,170
Short-term loans payable		80,054		45,783
Current portion of long-term loans payable	*2	1,754	*2	1,754
Short-term loans payable to subsidiaries and affiliates		1,484		1,846
Accounts payable-other		12,639		9,343
Accrued expenses		11,637		10,914
Accrued consumption taxes		272		13,706
Advances received		3,958		4,691
Guarantee deposits payable		8,999		8,025
Provision for bonuses		1,022		935
Provision for offshore well abandonment		2,549		824
Other		1,123		2,547
Total current liabilities		580,787		568,098
Noncurrent liabilities				
Long-term loans payable	*2	5,739	*2	3,985
Provision for retirement benefits		33,669		36,050
Provision for directors' retirement benefits		126		48
Provision for repairs		16,010		16,329
Other		591		515
Total noncurrent liabilities		56,136		56,928
Total liabilities		636,924		625,027

(Unit: Million yen)

	Prior period (December 31, 2009)	Current period (December 31, 2010)
Net assets		
Shareholders' equity		
Capital stock	35,123	35,123
Capital surplus		
Legal capital surplus	20,741	20,741
Total capital surpluses	20,741	20,741
Retained earnings		
Legal retained earnings	8,780	8,780
Other retained earnings		
Reserve for property replacement	15,165	14,733
Retained earnings brought forward	111,473	135,420
Total retained earnings	135,419	158,934
Treasury stock	(539)	(647)
Total shareholders' equity	190,745	214,152
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	162	5
Total valuation and translation adjustments	162	5
Total net assets	190,907	214,158
Total liabilities and net assets	827,831	839,185

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

(Unit: Million yen)

	Prior period (January 1, 2009 through December 31, 2009)		Current period (January 1, 2010 through December 31, 2010)	
Net sales	*1	2,089,668	*1	2,392,460
Cost of sales				
Beginning merchandise and finished goods		36,176		26,044
Cost of purchased goods	*2	131,759	*2	185,370
Gasoline taxes and ado tax	*2	687,569	*2	692,877
Cost of products manufactured	*5	1,277,077	*5	1,457,925
Total		2,132,582		2,362,217
Ending merchandise and finished goods		26,044		26,503
Valuation loss (reversal gain) on merchandise and finished goods		(2,282)		–
Valuation loss (reversal gain) on raw materials		(564)		–
Total cost of sales		2,103,690		2,335,714
Gross profit (loss)		(14,021)		56,745
Selling, general and administrative expenses	*4, *5	25,072	*4, *5	25,593
Operating income (loss)		(39,094)		31,151
Non-operating income				
Interest income		195		162
Dividends income	*3	896	*3	25,188
Foreign exchange gains		815		2,165
Other		59		61
Total non-operating income		1,968		27,578
Non-operating expenses				
Interest expenses		362		286
Other		28		35
Total non-operating expenses		391		322
Ordinary income (loss)		(37,517)		58,407
Extraordinary income				
Gain on sales of noncurrent assets	*6	934	*6	1,581
Total extraordinary income		934		1,581
Extraordinary loss				
Loss on sales and retirement of noncurrent assets	*7	1,515	*7	1,390
Impairment loss	*8	436	*8	839
Early extra retirement payments		328		–
Settlement package		213		–
Total extraordinary losses		2,494		2,230
Income (loss) before income taxes		(39,077)		57,758
Income taxes-current		32		31
Income taxes for prior periods		(148)		–
Income taxes-deferred		(16,411)		12,757
Total income taxes		(16,527)		12,789
Net income (loss)		(22,550)		44,969

### Statements of cost of products manufactured

Account title	Notes no.	Prior period (January 1, 2009 through December 31, 2009)			Current period (January 1, 2010 through December 31, 2010)		
		Amounts (Million yen)		Ratio (%)	Amounts (Million yen)		Ratio (%)
I Raw material cost			1,124,925	88.1		1,302,119	89.3
II Labor cost			23,700	1.8		21,357	1.4
III Other expenses							
1 Fuel expenses		49,470			61,496		
2 Repair expenses		14,525			14,493		
3 Depreciation and amortization		25,734			23,947		
4 Other		37,980	127,711	10.0	36,877	136,815	9.4
Total manufacturing cost			1,276,337	99.9		1,460,293	100.1
IV Beginning semi-finished goods			23,736	1.9		22,996	1.6
Total			1,300,073	101.8		1,483,289	101.7
V Ending semi-finished goods			22,996	1.8		25,364	1.7
Cost of products manufactured			1,277,077	100.0		1,457,925	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 (January 1, 2009 through December 31, 2009)	Current period (January 1, 2010 through December 31, 2010)
<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	16,371	15,165
Changes of items during the period		
Reversal of reserve for property replacement	(1,206)	(431)
Total changes of items during the period	(1,206)	(431)
Balance at the end of current period	15,165	14,733
Retained earnings brought forward		
Balance at the end of previous period	154,286	111,473
Changes of items during the period		
Dividends from surplus	(21,462)	(21,451)
Net income (loss)	(22,550)	44,969
Disposal of treasury stock	(6)	(2)
Reversal of reserve for property replacement	1,206	431
Total changes of items during the period	(42,812)	23,946
Balance at the end of current period	111,473	135,420

(Unit: Million yen)

	Prior period (January 1, 2009 through December 31, 2009)	Current period (January 1, 2010 through December 31, 2010)
<b>Total retained earnings</b>		
Balance at the end of previous period	179,439	135,419
Changes of items during the period		
Dividends from surplus	(21,462)	(21,451)
Net income (loss)	(22,550)	44,969
Disposal of treasury stock	(6)	(2)
Total changes of items during the period	(44,019)	23,514
Balance at the end of current period	135,419	158,934
<b>Treasury stock</b>		
Balance at the end of previous period	(307)	(539)
Changes of items during the period		
Purchase of treasury stock	(293)	(132)
Disposal of treasury stock	61	24
Total changes of items during the period	(231)	(108)
Balance at the end of current period	(539)	(647)
<b>Total shareholders' equity</b>		
Balance at the end of previous period	234,996	190,745
Changes of items during the period		
Dividends from surplus	(21,462)	(21,451)
Net income (loss)	(22,550)	44,969
Purchase of treasury stock	(293)	(132)
Disposal of treasury stock	55	21
Total changes of items during the period	(44,250)	23,406
Balance at the end of current period	190,745	214,152
<b>Valuation and translation adjustments</b>		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	137	162
Changes of items during the period		
Net changes of items other than shareholders' equity	24	(156)
Total changes of items during the period	24	(156)
Balance at the end of current period	162	5
<b>Total valuation and translation adjustments</b>		
Balance at the end of previous period	137	162
Changes of items during the period		
Net changes of items other than shareholders' equity	24	(156)
Total changes of items during the period	24	(156)
Balance at the end of current period	162	5
<b>Total net assets</b>		
Balance at the end of previous period	235,133	190,907
Changes of items during the period		
Dividends from surplus	(21,462)	(21,451)
Net income (loss)	(22,550)	44,969
Purchase of treasury stock	(293)	(132)
Disposal of treasury stock	55	21
Net changes of items other than shareholders' equity	24	(156)
Total changes of items during the period	(44,226)	23,250
Balance at the end of current period	190,907	214,158

## Significant accounting policies

Prior period (January 1, 2009 through December 31, 2009)	Current period (January 1, 2010 through December 31, 2010)						
<p>1. Valuation rules and methods for securities</p> <p>(1) Stocks of subsidiaries and affiliates 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 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 the current 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="margin-left: 40px;"> <tr> <td>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) 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	7 to 15 years	<p>1. Valuation rules and methods for securities</p> <p>(1) Stocks of subsidiaries and affiliates No change</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 No change</p> <hr style="width: 20%; margin-left: 40px;"/> <p>4. Depreciation and amortization method for noncurrent assets</p> <p>(1) Property, plant and equipment (excluding leased assets) No change</p> <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						

<p style="text-align: center;">Prior period (January 1, 2009 through December 31, 2009)</p>	<p style="text-align: center;">Current period (January 1, 2010 through December 31, 2010)</p>
<p>(3) Leased assets</p> <p>The straight-line method is employed, where the leasing period is deemed as the service life and residual value is set as zero. The accounting treatment for finance lease transactions that do not transfer ownership to the lessee and became effective before January 1, 2009 is the same as the method applied to ordinary operating lease transactions.</p> <p>&lt;Change of accounting method&gt;</p> <p>The accounting treatment for finance lease transactions that do not transfer ownership to the lessee had been the same as the method applied to ordinary operating lease transactions. Revisions in the “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13 originally issued by the Business Accounting Council on June 17, 1993, and amended by ASBJ on March 30, 2007) and the “Guidance on Accounting Standard for Lease Transactions” (ASBJ Guidance No. 16 originally issued by the Japanese Institute of Certified Public Accountants on January 18, 1994, and amended by ASBJ on March 30, 2007), which can be applied for the period beginning on or after April 1, 2008, were applied to finance lease transactions that do not transfer ownership to the lessee, so that they are treated in the same way as ordinary purchase and sale transactions beginning in the current period. As to the depreciation method for lease assets related to finance lease transactions that do not transfer ownership 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 that do not transfer ownership to the lessee and became effective before January 1, 2009 is the same as the method applied to ordinary operating lease transactions.</p> <p>There is no earnings impact from this change.</p> <p>5. Translation method for foreign currency assets and liabilities</p> <p>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</p> <p>To provide for losses due to bad debt, the Company reserves an estimated bad debt allowance on highly doubtful receivables based on the recoverability from individual customers.</p> <p>(2) Provision for bonuses</p> <p>To provide for the payment of employees’ bonuses, the Company accrues an estimated reserve for the period.</p> <p>(3) Provision for retirement benefits</p> <p>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.</p> <p>Any differences in actuarial calculations of retirement benefits are amortized beginning with the next period, using the declining-balance method is employed over a period determined based on employees’ average remaining service years (12 years). Prior service liabilities are amortized using the straight-line method over employees’ average remaining service years;</p> <p style="margin-left: 40px;">(Before 2004: 15.5 years Since 2004: 12.9 years Since 2007: 11.9 years)</p>	<p>(3) Leased assets</p> <p>No change</p> <hr style="width: 20%; margin: 20px auto;"/> <p>5. Translation method for foreign currency assets and liabilities</p> <p>No change</p> <p>6. Basis for provisions</p> <p>(1) Allowance for doubtful accounts</p> <p>No change</p> <p>(2) Provision for bonuses</p> <p>No change</p> <p>(3) Provision for retirement benefits</p> <p>No change</p>

Prior period (January 1, 2009 through December 31, 2009)	Current period (January 1, 2010 through December 31, 2010)
<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 period, based on actual payments and repair plans.</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. 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 No change</p> <p>7. Others Accounting method for consumption taxes No change</p>

#### Change in significant accounting policies

Prior period (January 1, 2009 through December 31, 2009)	Current period (January 1, 2010 through December 31, 2010)
_____	<p>&lt;Application of the "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)"&gt; "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (ASBJ Statement No. 19 issued on July 31, 2008) is applied beginning in the current period. There is no earnings impact from this change.</p>

#### Change in presentation

Prior period (January 1, 2009 through December 31, 2009)	Current period (January 1, 2010 through December 31, 2010)
_____	<p>&lt;Non-consolidated balance sheet&gt; "Long-term loans receivable" and "Long-term loans receivable from employees," which had been separately presented in the section of "Investments and other assets" for the prior period, is included in "Other" in that section beginning in the current period because its amount is immaterial. The outstanding balance of long-term loans receivable and long-term loans receivable from employees at the end of the current period are 25 million yen and 462 million yen respectively.</p>

#### Additional information

Prior period (January 1, 2009 through December 31, 2009)	Current period (January 1, 2010 through December 31, 2010)
<p>&lt;Change in service life of property, plant and equipment&gt; 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 the current period. This had 2,072 million yen unfavorable impact on operating income, ordinary income and income before income taxes respectively.</p>	_____

**Notes to non-consolidated financial statements**

**(Non-consolidated balance sheet)**

Prior period (December 31, 2009)	Current period (December 31, 2010)																																																																																																			
<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. <b>Mortgaged Assets</b> 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;">1,350</td> <td style="text-align: right;">(1,350)</td> </tr> <tr> <td>Structures</td> <td style="text-align: right;">3,657</td> <td style="text-align: right;">(3,657)</td> </tr> <tr> <td>Tanks</td> <td style="text-align: right;">514</td> <td style="text-align: right;">(514)</td> </tr> <tr> <td>Machinery and equipment</td> <td style="text-align: right;">15,664</td> <td style="text-align: right;">(15,664)</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;">44,845</td> <td style="text-align: right;">(25,816)</td> </tr> </tbody> </table> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Mortgaged liabilities by security rights</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>Gasoline taxes payable</td> <td style="text-align: right;">51,186</td> <td style="text-align: right;">(25,816)</td> </tr> <tr> <td style="text-align: center;">Total</td> <td style="text-align: right;">51,186</td> <td style="text-align: right;">(25,816)</td> </tr> </tbody> </table> <p>(Note) 1. In the summary of mortgaged assets, plant mortgage is shown in parenthesis. 2. In the summary of mortgaged liabilities by security rights, plant mortgage is shown in parenthesis. 3. In addition to the above, the Company committed to offer upon lender's demand a contract of mortgage over the assets noted below to support the obligation of guaranties as shown in item "3. Obligation for guaranties", current portion of long-term loans payable (1,412 million yen) and long-term loans payable (3,174 million yen)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Buildings</td> <td style="text-align: right;">2,009</td> <td style="text-align: right;">million yen</td> </tr> <tr> <td>Structures</td> <td style="text-align: right;">10,510</td> <td></td> </tr> <tr> <td>Tanks</td> <td style="text-align: right;">1,155</td> <td></td> </tr> <tr> <td>Machinery and equipment</td> <td style="text-align: right;">21,465</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;">423</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 rights	Amounts (Million yen)	(Plant mortgage) (Million yen)	Gasoline taxes payable	51,186	(25,816)	Total	51,186	(25,816)	Buildings	2,009	million yen	Structures	10,510		Tanks	1,155		Machinery and equipment	21,465		Land	847		Others	423		<p>1. 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Prior period (December 31, 2009)	Current period (December 31, 2010)																																																		
<p>3. Obligations for guaranties</p> <p>(1) Bank borrowing, etc.</p> <p>The Company has guaranteed the following bank borrowing etc. by its associated companies etc.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Shimizu LNG Co., Ltd.</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 yen) of Shimizu LNG Co., Ltd. from the Development Bank of Japan Inc. etc., the Company has a contractual obligation to reserve its land for a mortgage. (book value 747 million yen)</p> <p>(2) Letters of credit</p> <p>The Company has guaranteed letters 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> <p>4. 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(book value 747 million yen)</p> <p>(2) Letters of credit</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;">19,768 thousand USD</td> <td style="text-align: right;">(1,610 million yen)</td> </tr> </tbody> </table> <p>(3) Deferral of import consumption tax payment</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;">167 million yen</td> </tr> </tbody> </table> <p>4. 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**(Non-consolidated statement of income)**

Prior period (January 1, 2009 through December 31, 2009)		Current period (January 1, 2010 through December 31, 2010)	
1.	Transactions with associated companies included in net sales in the current period Product sales 1,260,196 million yen	1.	Transactions with associated companies included in net sales in the current period Product sales 1,489,025 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 gasoline taxes and ado tax.	2.	Transactions with associated companies included in purchases in the current period Purchases 241,240 million yen 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 804 million yen	3.	Transactions with associated companies included in non-operating income and expenses Dividends income 25,108 million yen
4.	Within total selling, general and administrative expenses, selling expenses and general and administrative expenses are approximately 56% and 44% respectively. Major expenses and amounts are as follows; Salaries and bonuses 7,240 million yen Transportation costs 2,201 Other third party expenses 2,121 Rent 1,702 Depreciation and amortization 1,577 Sales commissions 2,155 Retirement benefit expenses 2,735 Provisions for bonuses 314	4.	Within total selling, general and administrative expenses, selling expenses and general and administrative expenses are approximately 57% and 43% respectively. Major expenses and amounts are as follows; Salaries and bonuses 6,737 million yen Transportation costs 2,142 Other third party expenses 2,188 Rent 1,564 Depreciation and amortization 1,557 Sales commissions 2,485 Retirement benefit expenses 1,594 Provisions for bonuses 274 Repair expenses 1,457
5.	Research and development expenses included in general and administrative expenses and manufacturing costs are amounted by 1,880 million yen.	5.	Research and development expenses included in general and administrative expenses and manufacturing costs are amounted by 1,308 million yen.
6.	Gain on sales of noncurrent assets Land (service stations) 933 million yen Other 0 <hr/> Total 934	6.	Gain on sales of noncurrent assets Land (service stations) 1,446 million yen Other 135 <hr/> Total 1,581
7.	Loss on sales and retirement of noncurrent assets Building 626 million yen (service stations, etc.) Land 334 (service stations, etc.) Structures 250 (service stations, etc.) Machinery and equipment 226 (service stations, etc.) Others 77 <hr/> Total 1,515	7.	Loss on sales and retirement of noncurrent assets Building 467 million yen (service stations, etc.) Machinery and equipment 320 (service stations, etc.) Structures 253 (service stations, etc.) Others 349 <hr/> Total 1,390

Prior period (January 1, 2009 through December 31, 2009)				Current period (January 1, 2010 through December 31, 2010)			
8. Impairment Loss				8. Impairment Loss			
Used for	Location	Type	Amount (Million yen)	Used for	Location	Type	Amount (Million yen)
Service station	The Company, Mobara SS (Mobara City, Chiba Pref.) and other 15 items	Land	436	Service station	The Company, Tamadaira SS (Hino City, Tokyo) and other 19 items	Land, etc.	373
<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>				<p>The Company recognized an impairment loss on the 21 items, whose recoverable value is significantly lower than net book value, by deducting the NBV to the recoverable value. The 839 million yen impairment loss is shown as an extraordinary loss.</p> <p>Net selling value, which is determined principally with reference to official values, is applied to evaluate the recoverable value.</p>			
				Company resort house			466
				Total			839

**(Non-consolidated statement of changes in net assets)**

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

**1. Treasury stock**

Class	December 31, 2008	Increase	Decrease	December 31, 2009
Common stock (Share)	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.

Current period (January 1, 2010 through December 31, 2010)

**1. Treasury stock**

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

(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 (January 1, 2009 through December 31, 2009)				Current period (January 1, 2010 through December 31, 2010)			
The accounting treatment for finance lease transactions that do not transfer ownership to the lessee and became effective before January 1, 2009 is the same as the method applied to ordinary operating lease transactions. The detail is as follows.				The accounting treatment for finance leases that do not transfer ownership the lessee and which became effective before January 1, 2009 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 at the closing date equivalent				1. Acquisition cost equivalent, accumulated depreciation equivalent and net book value at the closing date equivalent			
	Acquisition cost equivalent (Million yen)	Accumulated depreciation equivalent (Million yen)	Net book value equivalent at the closing date (Million yen)		Acquisition cost equivalent (Million yen)	Accumulated depreciation equivalent (Million yen)	Net book value equivalent at the closing date (Million yen)
Buildings	89	5	84	Buildings	89	10	79
Machinery	210	28	182	Machinery and equipment	210	54	155
Cars and vehicles	95	74	20	Cars and vehicles	85	82	2
Total	395	109	286	Total	386	147	238
(Note) The acquisition cost equivalent includes interest-equivalent expenses, since the outstanding balance of future lease payment at the closing date is immaterial considering the total value of property, plant and equipment.				(Note) No change.			
2. Outstanding balance of future lease payment at the closing date				2. Outstanding balance of future lease payment at the closing date			
Due one year		48 million yen		Due one year		33 million yen	
Due over one year		238		Due over one year		204	
Total		286		Total		238	
(Note) The outstanding balance of future lease payment includes interest-equivalent expenses, since the outstanding balance of future lease payments at the closing date is immaterial considering the total value of property, plant and equipment.				(Note) No change			
3. Lease fees paid and depreciation expense equivalent				3. Lease fees paid and depreciation expense equivalent			
Lease fees paid		47 million yen		Lease fees paid		45 million yen	
Depreciation expenses equivalent		47		Depreciation expenses equivalent		45	
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)**

Prior period (December 31, 2009)

There were no subsidiaries' and affiliates' stocks with determinable market values.

Current period (December 31, 2010)

The information is not noted since there is no ascertainable market value for subsidiaries' stock (book value of 2,040 million yen) and affiliates' stock (book value of 1,108 million yen) and it is deemed extremely difficult to determine their fair value.

**(Deferred tax accounting)**

Prior period (December 31, 2009)	Current period (December 31, 2010)
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	Provision for retirement benefits
13,751 million yen	14,669 million yen
Provision for repairs	Provision for repairs
4,550	4,670
Tax loss carry forward	Tax loss carry forward
16,238	2,916
Accumulated impairment loss	Accumulated impairment loss
1,912	1,876
Variance from different inventory valuations	Variance from different inventory valuations
1,298	1,644
Provision for offshore well abandonment	Other
1,037	1,807
Other	Total deferred tax assets
1,633	27,584
Total deferred tax assets	
40,421	
(Deferred tax liabilities)	(Deferred tax liabilities)
Reserve for property replacement	Reserve for property replacement
(10,404) million yen	(10,108) million yen
Other	Other
(2,030)	(2,140)
Total deferred tax liabilities	Total deferred tax liabilities
(12,435)	(12,249)
Net of deferred tax assets	Net of deferred tax assets
27,986	15,335
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
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.	Statutory effective tax rate
	40.7 %
	(Adjustments)
	Items not recognized as income, such as dividends received
	(18.7)
	Others
	0.1
	Actual effective tax rate
	22.1

**(Financial data per share)**

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

Net assets per share	338.15 yen
Net loss per share	(39.93) yen

(Note) Basis of the calculation

1. 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.
2. Net assets per share (as of December 31, 2009)

Net assets on the balance sheet	190,907 million yen
Net assets pertaining to common stock	190,907 million yen
Difference between “Net assets on the balance sheet” and “Net assets pertaining to common stock” used as the basis for the calculation of “Net assets per share”	–
Number of common shares issued	565,182,000 shares
Number of common shares in treasury	619,801 shares
Number of common shares used as the basis for the calculation of “Net assets per share”	564,562,199 shares

3. Net loss per share

Net loss	(22,550) million yen
Net loss not relating to common shareholders	–
Net loss per common share	(22,550) million yen
Average number of outstanding common shares	564,759,828 shares

Current period (January 1, 2010 through December 31, 2010)

Net assets per share	379.43 yen
Net income per share	79.66 yen

(Note) Basis of the calculation

1. Diluted net income per share for the current period is not noted because the Company has not issued any dilutive securities.
2. Net income per share

Net income	44,969 million yen
Net income not relating to common shareholders	–
Net income per common share	44,969 million yen
Average number of outstanding common shares	564,485,004 shares

**d. Non-consolidated supplementary statements**

**Detailed statement of securities**

**(Shares)**

Issues	Number of shares (Share)	Amounts recorded in the balance sheet (Million yen)
(Investment securities)		
Other securities		
TOJOGAS Corporation	101,129	1,415
HOKKAIDO JOINT OIL STOCKPILING CO., LTD.	123,480	1,234
MITSUUROKO CO., LTD.	1,992,961	990
SANRIN CO., LTD.	500,000	265
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	4,223

**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	40,482	354	1,803 (407)	39,033	27,687	865	11,346
Structures	150,598	4,558	1,237 (84)	153,920	125,530	3,603	28,390
Tanks	63,405	1,167	426	64,146	59,510	1,054	4,636
Machinery and equipment	528,937	9,171	9,566 (0)	528,541	482,479	18,839	46,062
Vehicles	875	5	3	877	800	49	76
Tools, furniture and fixtures	9,451	821	589 (2)	9,684	8,348	571	1,336
Land	68,985	3	1,180 (344)	67,812	–	–	67,812
Construction in progress	8,554	11,964	15,189	5,328	–	–	5,328
Total	871,291	28,047	30,541 (839)	869,345	704,355	24,983	164,989
Intangible assets							
Leasehold right	1,678	–	167	1,511	–	–	1,511
Software	8,400	605	1,054	7,950	5,678	476	2,272
Right of using facilities	2,892	10	98 (0)	2,804	2,593	44	211
Total	12,971	615	1,320 (0)	12,266	8,271	521	3,995

(Note) 1. Impairment loss amounts are shown in parentheses in the column of "Decrease."

2. Major items of the increase in property, plant and equipment are enhancement of export capacity (2.2 billion yen), construction of the blending units for bio-fuel gasoline at Kawasaki Refinery (1.8 billion yen), minor improvement works of manufacturing facilities (about 280 items, 10.4 billion yen) at refineries and facility improvement for service stations (0.3 billion yen).  
Major items of the decrease in property, plant and equipment are the retirement of assets associated with the termination of natural gas production (4.9 billion yen) and retirement of refining assets due to the replacements (2.9 billion yen).

**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	382	23	66	–	339
Provision for bonuses	1,022	935	1,022	–	935
Provision for offshore well abandonment	2,549	–	1,724	–	824
Provision for directors' retirement benefits	126	45	123	–	48
Provision for repairs	16,010	5,236	4,917	–	16,329

## (2) Detail of major assets and liabilities

### a. Assets

#### Current assets

##### 1) Cash and deposits

Category	Amount (Million yen)
Cash	
Cash equivalents	
Current deposits	30
Ordinary deposits	2
Total	33

##### 2) Accounts receivable-trade

###### i. Balance by customers

Customers	Amount (Million yen)
ExxonMobil Y.K.	275,649
Kygnus Sekiyu K.K.	34,116
Showa Shell Sekiyu K.K.	23,997
ExxonMobil Asia Pacific Private Ltd.	19,531
Tonen Chemical Corporation	16,721
Other	43,141
Total	413,157

###### 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)	$\frac{(C)}{(A) + (B)} \times 100$	$\frac{(A) + (D)}{(B)}$
393,552	2,927,362	2,907,757	413,157	88	50

##### 3) Merchandise and finished goods

Oil type	Volume (KKL, KTon)	Amount (Million yen)
Gasoline	179	5,272
Kerosene	221	5,504
Diesel fuel	208	5,765
Fuel oils	214	4,561
LPG	130	3,067
Other	71	2,332
Total	—	26,503

4) Semi-finished goods

Oil type	Volume (KKL, KTon)	Amount (Million yen)
Gasoline	527	13,266
Kerosene	43	1,249
Diesel fuel	290	7,631
Fuel oils	168	2,094
Lubricants	20	927
Other	5	194
Total	-	25,364

5) Raw materials

Volume (KKL)	Amount (Million yen)
3,360	67,520

6) Supplies

Item	Amount (Million yen)
Materials, consumable supplies	3,312
Catalyst, chemicals, etc.	691
Total	4,004

7) Short-term loans receivable

Borrowers	Amount (Million yen)
ExxonMobil Asia Pacific Private Ltd.	68,024
Other	100
Total	68,124

**b. Liabilities**

**Current liabilities**

1) Accounts payable-trade

Vendors	Amount (Million yen)
ExxonMobil Sales and Supply Limited Liability Company	101,966
ExxonMobil Y.K.	78,581
ExxonMobil Asia Pacific Private Ltd.	26,921
Showa Shell Sekiyu K.K.	10,694
TonenGeneral Kaiun Y.K.	5,001
Other	59,390
Total	282,555

## 2) Gasoline taxes payable

Category	Amount (Million yen)
Gasoline tax	146,088
Petroleum tax	21,632
Import consumption tax	17,409
Ado tax	28
Custom duty	11
Total	185,170

## 3) Short-term loans payable

Lenders	Amount (Million yen)
Japan Oil, Gas and Metals National Corporation	45,783
Total	45,783

### (3) Other

Civil lawsuit for unjust enrichment filed by the Japanese Government

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) in relation to petroleum product bidding for the Defense Agency (the current Ministry of Defense) orders over the period from November 21, 1995 to November 20, 1998. The hearings have been done so far and the final hearing was held on December 27, 2010. The date for judgment was set on June 27, 2011 by the Tokyo District Court.

## 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 dividends from surplus	June 30 December 31
Number of shares constituting one voting unit	1,000 shares
Purchase/Sale of odd-lot shares:	
Place of business	(Special account) 1-4-5, Marunouchi, Chiyoda-ku, Tokyo, Japan Corporate Agency Division, Mitsubishi UFJ Trust and Banking Corporation
Administrator of Shareholder's register	(Special account) 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**

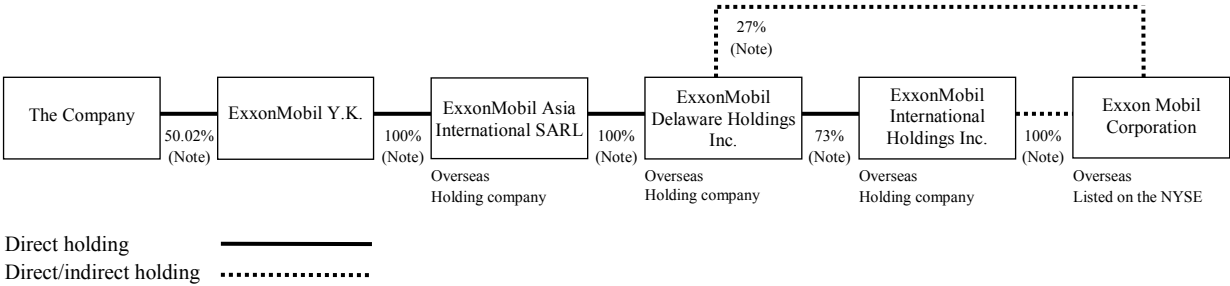
The following companies fall under the category of “parent company, etc.” as described by the provisions of Article 24-7, paragraph (1) of the Financial Instruments and Exchange Act:

- 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 25, 2011

## **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**

90th term: from January 1, 2009 through December 31, 2009  
Filed to Director-General of Kanto Local Finance Bureau on March 26, 2010.

### **(2) Internal Control Report and Appendices**

Filed to Director-General of Kanto Local Finance Bureau on March 26, 2010.

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

First quarter of 91st term: from January 1, 2010 through March 31, 2010  
Filed to Director-General of Kanto Local Finance Bureau on May 14, 2010.

Second quarter of 91st term: from April 1, 2010 through June 30, 2010  
Filed to Director-General of Kanto Local Finance Bureau on August 13, 2010.

Third quarter of 91st term: from July 1, 2010 through September 30, 2010  
Filed to Director-General of Kanto Local Finance Bureau on November 12, 2010.

### **(4) Amendment Report and Appendices for Quarterly Securities Report**

Filed Amendment Report and Appendices for Quarterly Securities Report for the third quarter of 91st term (from July 1, 2010 through September 30, 2010) to the Director-General of Kanto Local Finance Bureau on November 19, 2010.

### **(5) 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 to Director-General of Kanto Local Finance Bureau on July 13, 2010.

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

Not applicable.

**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 G.K. 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)
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 25, 2011

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

PricewaterhouseCoopers Aarata

Masahiro Yamamoto, CPA  
Designated and Engagement Partner

Kazuhiko Tomoda, CPA  
Designated and Engagement Partner

<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, 2010 through December 31, 2010. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as of December 31, 2010, 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, 2010. 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, 2010, 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.

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

March 25, 2011

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

PricewaterhouseCoopers Aarata

Masahiro Yamamoto, CPA  
Designated and Engagement Partner

Kazuhiko Tomoda, CPA  
Designated and Engagement Partner

We have audited, pursuant to Article 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 91st fiscal year from January 1, 2010 through December 31, 2010. 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, 2010, 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 25, 2011
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
Place 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, 2010 (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 affiliates 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 affiliates 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 25, 2011
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
Place 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, 2010 through December 31, 2010) of the 91st 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.