

Consolidated Financial Statements (Kessan Tanshin) for First Half of 2002

August 29, 2002

Registered Company Name: TonenGeneral Sekiyu K.K.

Registered to: Tokyo Stock Exchange

Stock Code Number: 5012

Location of Head Office: Tokyo

(URL <http://www.tonengeneral.co.jp>)

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Date of BOD for Interim Closing: August 29, 2002

Name of Parent Company: ExxonMobil Yugen Kaisha

Holding Ratio of Parent Company: 50.02 %

Adoption of U.S. GAAP Accounting Standard: No

1. Business Performance for 1st Half 2002 (January 1, 2002 through June 30, 2002)

(1) Consolidated Business Performance

(Note) Amounts are shown in truncated millions of yen.

	Sales Revenue		Operating Income		Ordinary Income	
	M Yen	%	M Yen	%	M Yen	%
2002 / 6	870,774	(15.4)	7,054	(-)	4,180	(-)
2001 / 6	1,029,888	(-)	32,835	(-)	31,526	(-)
2001 / 12	2,062,274		53,018		51,187	

	Interim (Annual) Net Income		Interim (Annual) Net Income per Share	Interim (Annual) Net Income per Share after Adjustments
	M Yen	%	Yen	Yen
2002 / 6	1,281	(-)	2.05	-
2001 / 6	10,397	(-)	14.95	-
2001 / 12	20,559		30.93	-

(Note) Earnings from Equity Interests 2002/6: 793 M Yen 2001/6: 203 M Yen 2001/12: 295 M Yen

Average Number of Issued Shares (Consolidated)

2002/6: 625,679,616 Shares 2001/6: 695,305,228 Shares 2001/12: 664,771,544 Shares

Change in Accounting Procedure etc.: Yes

Percentage shown in Sales Revenue, Operating Income, Ordinary Income and Interim (Annual) Net Income is the comparison with previous accounting period.

Consolidated financial statements have adopted from previous previous accounting period, therefore, the comparison with previous accounting period for both of interim and annual for 2001 is omitted.

(2) Consolidated Financial Overview

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio	Shareholders' Equity per Share
	M Yen	M Yen	%	Yen
2002 / 6	923,405	219,311	23.8	370.18
2001 / 6	980,032	276,419	28.2	435.49
2001 / 12	1,000,349	271,747	27.2	428.19

(Note) Number of Issued Shares at Closing Date (Consolidated)

2002/6: 592,448,167 Shares 2001/6: 634,735,384 Shares 2001/12: 634,636,543 Shares

(3) Consolidated Cash Flows Overview

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at the end of the Period
	M Yen	M Yen	M Yen	M Yen
2002 / 6	38,727	6,828	33,905	2,151
2001 / 6	59,660	585	60,331	3,146
2001 / 12	75,753	25,958	50,057	4,158

(4) Scope of Consolidation and Application of Equity Method

Number of Consolidated Subsidiaries: 14 Companies

Number of Subsidiary Companies accounted for by Equity Method: - Companies

Number of Connected Companies accounted for by Equity Method: 5 Companies

(5) Change in Scope of Consolidation and Application of Equity Method

Consolidation: (Addition) - Companies (Exclusion) - Companies

Equity Method: (Addition) - Companies (Exclusion) - Companies

2. Estimated Consolidated Business Performance for Full Year 2002 (January 1, 2002 through December 31, 2002)

	Sales Revenue	Ordinary Income	Net Income
	M Yen	M Yen	M Yen
Full Year	1,870,000	21,000	13,000

(Reference) Estimated Net Income per Share 21.35 Yen

Above estimation is based on the information as of August 29, 2002, therefore, an actual results could be different from the estimation due to various factors.

For further information relating to the estimation, please see attachment III. Business Performance (2) .

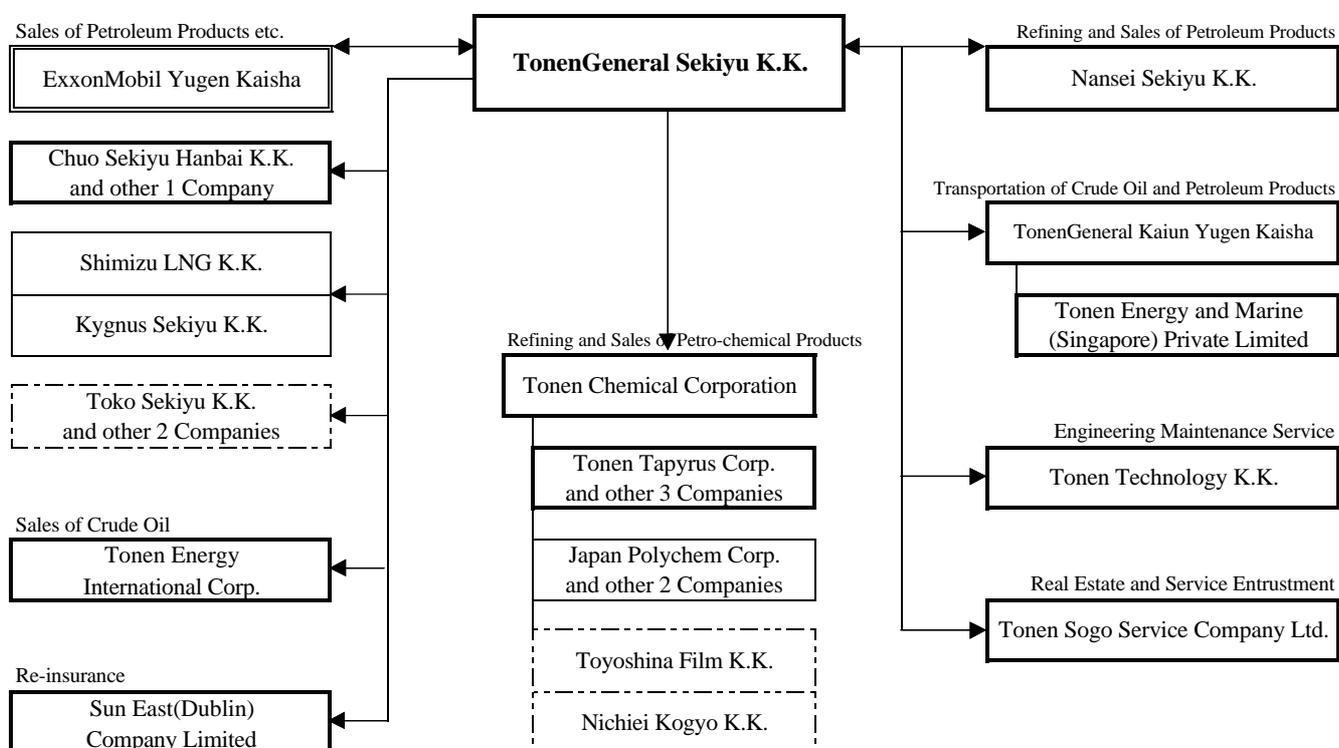
. Profile of Group Companies

Followings show 27 group companies' (The Company, 14 Consolidated Subsidiaries, 5 Equity Companies, 6 Non-consolidated Subsidiaries and Connected Companies and 1 Parent Company) major businesses and position.

Segment	Function	Major Business	Name of Company	Number of Companies
Petroleum Products	Marketing	Sales of Petroleum Products	TonenGeneral Sekiyu K.K., ExxonMobil Yugen Kaisha, Kygnus Sekiyu K.K., Chuo Sekiyu Hanbai K.K., K.K. General Sekiyu Hanbaisho and other 3 companies	8
	Refining	Refining and Sales of Petroleum Products	TonenGeneral Sekiyu K.K. and Nansei Sekiyu K.K.	2
	Shipping	Transportation of Crude Oil and Petroleum Products	TonenGeneral Kaiun Yugen Kaisha and Tonen Energy and Marine(Singapore) Private Ltd.	2
	Others	Sales of Crude Oil, Insurance and Purchase and Sales of LNG	Tonen Energy International Corp., Sun East(Dublin) Company Ltd., Shimizu LNG K.K. and other 1 company	4
Petro-chemical Products	Refining & Marketing	Refining and Sales of Petro-chemical Products	TonenGeneral Sekiyu K.K., Tonen Chemical Corporation, Tonen Tapyrus K.K., Tonen Chemical Nasu Corp., Japan Polychem Corp., Nippon Unicar Corp., Tonex Corp. and other 4 companies	11
Others		Engineering Maintenance Service	Tonen Technology K.K.	1
		Real Estate and Service Entrustment	Tonen Sogo Service Company Limited	1

(Note) Effective June 1, 2002, Esso Sekiyu Yugen Kaisha, the parent company of TonenGeneral Sekiyu K.K., merged with Mobil Sekiyu Yugen Kaisha and other 2 companies; and renamed to ExxonMobil Yugen Kaisha.

Business structure is as follows;



Parent Company



Consolidated Company



Equity Company



Connected Company

. Corporate Policy

(1) Mission of TonenGeneral

TonenGeneral will help lead Japan into the future by stably providing quality products, as the world's premier refiner and supplier, leveraging ExxonMobil's global network, to quickly and reliably respond to customers and circumstances so as to valuably contribute to shareholders, customers, employees, local communities and society.

(2) Corporate Strategy

Reflecting our slogan, "Power to Drive the 21st Century," TonenGeneral have announced the goal of its corporate strategy which is defined by the company as "Marketing" among best class in Japan and "Refinery and Supply" whose cost competitiveness and technology are on par with global standard.

Under the free competition, TonenGeneral will continue to grow and develop in the future, accelerating its efforts to enhance business efficiency and profitability with global level.

(3) Key Principle

To realize corporate strategy, we will strongly promote following items as key business policy

- Secure Safety, Healthy and Environment
- Secure Integrity of Business and Keep Flawless Operations
- Enhance efficiency and global competitiveness
- Provide attractive service and high add value
- Create vital organization by creative employee

(4) Dividend Policy

TonenGeneral considers providing superior total returns to shareholders as one of its top management priorities, with the objective of steadily increasing shareholder value over time. Our basic policy is to continue to provide returns to shareholders through stable dividends, while maintaining a solid financial structure and considering issues such as trends in consolidated cash flows and future capital expenditures.

(5) Lowering the Trading Unit

TonenGeneral regards raising liquidity of our stock as one of important management issues. However, it is estimated that lowering the trading unit requires a huge cost. Therefore, at present we do not believe that it is necessarily the best interest of all of our shareholders. We continue to monitor market conditions, while investigating the best way to enhance both liquidity and the interests of all of our shareholders.

. Financial Results

(1) Business Overview

The Japanese economy's severe conditions continued during the period, as the domestic consumption and capital spending remained bearish, and domestic production activity has been stagnant.

As to the international crude oil market, Dubai crude was at a level below the \$20 mark in the beginning, but it rose to \$24 to \$26 ranges during the mid-term. While the crude oil price was on the increase during the 1H, however, the intensifying sales competition continued, reflecting from excessive refining capacities and the falling oil demand due to economic recession and competition with other energy sources. As a result, the domestic product market and product margins were increasingly severe.

[Financial Results by Segment]

1) Petroleum Products

Domestic demand for gasoline has been firm, but because of warmer-than-normal winter weather, demand for kerosene, and particularly kerosene product margins, had particular adverse effects on our profitability. Due to the decrease in demand from electric power industry and the shift toward other energy sources, demand for FOC also suffered from a steep decline. Likewise, demand for naphtha, ADO and FOA fell during the period, because of the economic slump. As a result, total industry demand for major fuel products dropped down by 5% from the corresponding period of the previous term.

Under these business condition, sales revenue went down by 153.1 billion yen from the previous period, and amounted to 922.5 billion yen. Operating income fell by 38.7 billion yen from the previous period to negative 10.3 billion yen. This is derived from significantly lower product margins due to the inability to recover increased crude oil prices in the petroleum product market because of weak demand. In addition, product sales of middle distillates, especially kerosene, decreased from the previous period. In addition, the unplanned suspension of our Kawasaki Refinery's some plants operations for about 3 weeks from late of this April, due to utility-related problems. Although 2.3 billion yen of negative impact has been accounted, we have since fully recovered from these problems.

Operating income also included negative Yen 6.8 billion related to the (non-cash) effects of inventory accounting. These inventory accounting effects are mainly attributable to an increase in the cost of sales due to the inclusion in LIFO inventory valuation of the cost of in-transit

crude oil. (In prior periods, in-transit petroleum was accounted for at cost, which is typical in the Japanese petroleum industry, while we have inventories have been valued on a LIFO basis).

2) Petrochemical Products

In the petrochemical industry, the profits fell off sharply due to the inability to recover increased oil price which is caused by reduced domestic demand. The ethylene production quantity in Japan was decreased by 7.1% from the previous period to 3.43 million tons. Sales revenue in this period reduced by 33.9 billion yen from the previous period to 72.0 billion yen. This is derived from reduced products demand and selling prices, and the withdrawal from MAH (Maleic Anhydride) business aiming to business restructuring. Operating income stood at 3.1 billion yen decreasing by 0.9 billion yen from previous period due to stagnant products market.

3) Other Segment

Both engineering & maintenance business for refineries and terminals for national stock piling and outplacement agency business were on a bearish side due to depression and business partners' cost efficiency/rationalization efforts. Consequently, sales revenue fell by 1.6 billion yen to 2.5 billion yen and operating income decreased by 0.2 billion yen to 0.1 billion yen.

(2) Earnings Forecast

The earnings forecast for the period ending December 2002 is as follows:

Unit: billion yen

	<u>Parent-own</u>	<u>Consolidated</u>
Sales Revenue	1,860	1,870
Operating Income	10	16
Ordinary Income	19	21
Net Income	15	13

Consolidated sales revenue is now projected to 1,870 billion yen as a result of the sluggish sales during the 1H.

For the 2H operating income versus 1H, we are anticipating an increase in the profit, by positively promoting the retail program to boost the sales volume. We also expect some recovery in product margin of kerosene and FOA, as well as further improvement in earnings among refining sectors in 2H. In short, we anticipate that margins will improve somewhat from 1H levels, to approach those experienced over 2001.

The 2002 full year forecast net profit is estimated now at 13 billion yen due principally to our disappointing 1H results.

This forecast is made on the assumption that crude oil price of 1H 2002 is 24.8 \$/B and FOREX rate of the same period is 123.5 ¥/\$.

. Important Facts to be announced after Closing Accounts

Implementation of Early Retirement Programs (ERP)

ExxonMobil Group in Japan has been improving its corporate efficiency through business restructuring and new computer system implementation.

With those achievements, the group of companies now plan to implement the Early Retirement Program (ERP) in order to realize the optimum workforce structure to meet the new business organizations as follows:

- Target number for ERP: Approx. 300 in all EM Japan Group
- Eligibility: All employees
- Recruiting period: 4th Quarter of 2002

Incentives such as extra retirement bonus would be granted to employees who take the ERP.

Extraordinary loss from the retirement incentive payments is estimated at approximately ¥11.1 billion as ExxonMobil group companies on the whole. The extraordinary loss for TonenGeneral parent company is estimated at approximately ¥3.9 billion and

. Interim Consolidated Financial Statements

Interim Consolidated Balance Sheet

(Unit: Million Yen)

Account Titles	June 30, 2001	June 30, 2002	December 31, 2001	June 30, 2002 vs. December 31, 2001
Assets	980,032	923,405	1,000,349	-76,944
Current Assets	592,995	559,361	630,213	-70,851
Cash on Hand and in Banks	3,146	2,151	4,158	-2,006
Trade Notes and Accounts Receivable	401,990	352,210	430,642	-78,431
Inventories	162,844	159,350	144,066	15,283
Deferred Income Tax Assets	4,825	7,582	5,889	1,693
Short-term Loan Receivable	-	27,929	27,590	338
Others	21,494	10,795	19,184	-8,389
Allowance for Bad Debt	-1,305	-657	-1,317	659
Fixed Assets	387,037	364,043	370,136	-6,092
Property, Plant and Equipment	291,533	278,717	281,368	-2,650
Buildings, Structures & Tanks	87,333	80,595	84,202	-3,606
Machinery and Equipment	87,538	74,489	80,060	-5,571
Land	107,749	107,033	107,405	-371
Others	8,910	16,598	9,701	6,897
Intangible Fixed Assets	6,668	6,281	6,286	-4
Investments, etc.	88,835	79,044	82,481	-3,436
Investment in Securities	55,326	45,474	47,121	-1,646
Long-term Loans Receivable	8,290	6,967	7,677	-710
Deferred Income Tax Assets	9,369	9,967	10,504	-536
Others	15,848	16,634	17,177	-543
Total Assets	980,032	923,405	1,000,349	-76,944

(Note) Amounts are shown in truncated millions of yen.

Interim Consolidated Balance Sheet

(Unit: Million Yen)

Account Titles	June 30, 2001	June 30, 2002	December 31, 2001	June 30, 2002 vs. December 31, 2001
Liabilities	702,694	702,577	727,085	-24,507
Current Liabilities	594,466	579,527	598,610	-19,082
Trade Accounts Payable	205,570	188,859	209,292	-20,433
Gasoline Tax etc., Payables	230,898	215,977	234,405	-18,427
Short-term Loans Payable	80,806	111,315	92,198	19,117
Commercial Paper	5,000	5,000	5,000	-
Guarantee Deposits Payable	13,353	12,845	12,374	471
Others	58,837	45,529	45,338	190
Long Term Liabilities	108,227	123,049	128,475	-5,425
Long-term Loans Payable	22,817	41,506	43,396	-1,890
Reserve for Accrued Pension Costs	51,906	50,319	49,891	427
Reserve for Retirement Allowans for Officers	932	438	1,004	-565
Reserve for Repairs	13,464	14,033	14,162	-128
Consolidation Adjustment Account	-	1,527	2,100	-572
Others	19,106	15,224	17,919	-2,695
Minority Interests	918	1,516	1,517	-1
Shareholders' Equity	276,419	219,311	271,747	-52,435
Capital	35,123	35,123	35,123	-
Additional Paid-in Capital	20,741	20,741	20,741	-
Retained Earnings	213,636	160,635	213,007	-52,371
Unrealized Gains on Holding Securities	6,955	2,930	3,009	-78
Cumulative Translation Adjustment	-31	-28	-36	7
Treasury Stocks	-5	-90	-98	7
Total Liabilities, Minority Interests and Shareholders' Equity	980,032	923,405	1,000,349	-76,944

(Note) Amounts are shown in truncated millions of yen.

Interim Consolidated Statement of Income

(Unit: Million Yen)

Account Titles		1st Half 2001	1st Half 2002	1st Half 2002	Full Year 2001	
		(January 1, 2001 ~ June 30, 2001)	(January 1, 2002 ~ June 30, 2002)	vs. 1st Half 2001	(January 1, 2001 ~ December 31, 2001)	
Ordinary P/L Section	Operating P/L Section	Sales Revenue	1,029,888	870,774	-159,113	2,062,274
		Cost of Goods Sold	969,410	849,866	-119,544	1,952,129
		Selling, General & Administrative Expenses	27,641	27,962	321	57,125
		Operating Income (Loss)	32,835	-7,054	-39,890	53,018
	Non-Operating P/L Section	Non-Operating Income				
		Interest Income	185	269	83	329
		Dividends Received	220	186	-34	280
		Gain on Foreign Exchange	-	1,419	1,419	-
		Amortization of Consolidation Adjustment Account	-	572	572	-
		Earnings from Equity Interests	203	793	589	295
		Others	375	441	65	679
		Non-Operating Expenses				
		Interest Expenses	654	542	-112	1,244
		Loss on Foreign Exchange	1,242	-	-1,242	1,059
Others	397	266	-131	1,113		
Ordinary Income (Loss)		31,526	-4,180	-35,706	51,187	
Extraordinary P/L Section	Extraordinary Gain					
	Gain on Sales of Property, Plant and Equipment	270	2,242	1,972	3,081	
	Gain on Business Transfer of Lubricants Oil Blending	-	843	843	-	
	Reversal of Allowance for Bad Debt	237	116	-120	280	
	Revaluation of Assets due to Merger	2,202	-	-2,202	2,202	
	Gain on Sales of Investment in Securities	52	-	-52	65	
	Others	349	31	-317	1,009	
	Extraordinary Loss					
	Loss on Sales and Disposal of Property, Plant & Equipment	638	1,194	556	1,550	
	LPG Collection related Expense	-	734	734	-	
	Amortization of Retroactive Costs due to Pension Accounting	13,149	-	-13,149	13,149	
	Evaluation Loss on Golf Club Membership	997	-	-997	1,109	
	Additional Allowance for Early Retirement	299	-	-299	298	
	Loss on Sales of Stocks of Consolidated Subsidiary	150	-	-150	-	
Evaluation Loss on Investment Securities and Other Assets	54	-	-54	103		
Loss on Withdrawal from Business	-	-	-	3,020		
Loss on Sales of Investment in Securities	-	-	-	11		
Others	0	50	49	412		
Interim (Annual) Net Income Before Income Taxes (Loss)		19,348	-2,924	-22,272	38,169	
Current Income Tax and Enterprise Tax		4,895	1,732	-3,162	11,900	
Deferred Income Tax		4,029	-3,416	-7,446	5,519	
Net Income applicable to Minority Interest in Consolidated Subsidiaries		26	41	15	190	
Interim (Annual) Net Profit (Loss)		10,397	-1,281	-11,679	20,559	

(Note) Amounts are shown in truncated millions of yen.

Interim Consolidated Statement of Retained Earnings

(Unit: Million Yen)

Description	1st Half 2001 January 1, 2001 through June 30, 2001		1st Half 2002 January 1, 2002 through June 30, 2002		Full Year 2001 January 1, 2001 through December 31, 2001	
	Outstanding Balance at Beginning of Period		273,775		213,007	
Increase in Consolidated Retained Earnings						
Addition of Consolidated Subsidiary		-		-	26	26
Decrease in Consolidated Retained Earnings						
Cash Dividends Declared	10,536		10,788		21,327	
Amortization of Repurchased Treasury Stocks	59,999		40,301		59,999	
Merger of Consolidated Subsidiaries	-	70,536	-	51,090	27	81,354
Net Income (Net Loss)		10,397		-1,281		20,559
Outstanding Balance at End of Period		213,636		160,635		213,007

(Note) 1. Amounts are shown in truncated millions of yen.

2. Decrease in Consolidated Retained Earnings due to the Merger of Consolidated Subsidiaries for previous consolidated accounting period shows the merger of Tonen Tanker K.K. and General Kaiun K.K. with Esso Tanker Y.K..

Interim Consolidated Statement of Cash Flows

(Unit: Million Yen)

Description	1st Half 2001	1st Half 2002	Full Year 2001
	(January 1, 2001 ~ June 30, 2001)	(January 1, 2002 ~ June 30, 2002)	(January 1, 2001 ~ December 31, 2001)
	Amounts	Amounts	Amounts
.Cash Flows from Operating Activities			
Net Income Before Income Taxes	19,348	2,924	38,169
Depreciation and Amortization	14,126	11,845	27,544
Amortization of Consolidation Adjustment Account	-	572	-
Decrease in Reserve for Retirement Allowance	55,237	-	55,237
Increase in Reserve for Accrued Pension Costs	51,906	427	49,891
Decrease in Reserve for Repairs	1,439	128	742
Interest Income and Dividend Received	406	455	609
Interest Expense	654	542	1,244
Earnings from Equity Interests	203	793	295
Revaluation of Assets due to Merger	2,202	-	2,202
Loss on Withdrawal from Business	-	-	3,020
Loss on Sales and Disposal of Property, Plant and Equipment	638	1,194	1,550
Gain on Sales of Property, Plant and Equipment	270	2,242	3,081
Gain on Business Transfer of Lubricants Oil Blending	-	843	-
Additional Allowance for Early Retirement	299	-	298
Evaluation Loss on Investment Securities and Other Assets	54	-	103
LPG Collection related Expense	-	734	-
Change in Trade Accounts Receivable	8,970	78,431	38,049
Change in Inventories	11,473	15,283	29,696
Change in Accounts Receivable	3,559	9,509	4,230
Change in Trade Accounts Payable	30,193	20,433	33,320
Change in Accounts Payable	9,615	21,893	5,267
Others	10,186	5,492	4,069
Sub Total	64,095	42,605	87,654
Receipts of Interest and Dividend	531	463	740
Payments for Interest	785	671	1,288
Payments for Additional Allowance for Early Retirement	618	-	617
Payments for LPG Collection related Expense	-	734	-
Payments for Current Income Tax	3,561	2,935	10,735
Net Cash Provided by Operating Activities	59,660	38,727	75,753
.Cash Flows from Investing Activities			
Payments for Purchases of Property, Plant and Equipment	7,661	10,022	13,623
Proceeds from Sales of Property, Plant and Equipment	428	3,107	4,555
Payments for Purchases of Intangible Assets	747	440	659
Change in Short-term Loans Receivable	5,642	338	3,486
Financing of Long-term Loans Receivable	1,182	478	1,425
Collection of Long-term Loans Receivable	1,664	1,306	2,519
Payments for Purchases of Stocks of Consolidated Subsidiary	-	-	22,600
Others	1,269	37	1,787
Net Cash Used in Investing Activities	585	6,828	25,958
.Cash Flows from Financing Activities			
Change in Short-term Debt	2,571	19,117	8,131
Change in Commercial Paper	4,999	0	4,999
Proceeds from Issuance of Long-term Debt	-	-	22,600
Payments for Repayment of Long-term Debt	2,874	1,890	4,206
Payments for Repurchase of Treasury Stock	49,093	40,301	59,999
Cash Dividends Paid to Shareholders of TonenGeneral	10,536	10,788	21,327
Cash Dividends Paid to Minority Interests of Consolidated Subsidiary	254	42	254
Net Cash Used in Financing Activities	60,331	33,905	50,057
.Net Decrease in Cash and Cash Equivalents	1,255	2,006	263
.Cash and Cash Equivalents at Beginning of Period	4,402	4,158	4,402
.Increase in Cash and Cash Equivalents due to Addition of Consolidated Subsidiary	-	-	19
.Cash and Cash Equivalents at End of Period	3,146	2,151	4,158

(Note) Amounts are shown in truncated million of yen.

Notes to the Interim Consolidated Financial Statements

1. Scope of Consolidation

- Consolidated Subsidiaries: 14 Companies, see "I. Profile of Companies Group"
- Non-consolidated Subsidiaries: Kyushu Eagle K.K.

2. Scope of Application of Equity Method

- Number of Companies Accounted for by Equity Method: 5 Companies, see "I. Profile of Companies Group"
- Number of Companies Accounted for by Cost Method: 1 Non-consolidated Subsidiary and 5 Connected Companies

3. Closing Date of Consolidated Subsidiaries

Closing dates of consolidated subsidiaries are the same as that of TonenGeneral Sekiyu K.K. (TG).

4. Significant Accounting Procedures

(1) Evaluation Methods for Significant Assets

Inventories

- Goods, Products, Unfinished Products, Crude and Raw Materials: generally LIFO at the Lower of Cost or Market
- Supplies: Moving Average Method

Change in Accounting Procedure

Starting from this accounting period, TG and Nansei Sekiyu K.K. (NSS), a consolidated subsidiary, changed evaluation method of crude and products in transit from the acquisition cost by vessel to LIFO at the lower of cost or market in combined with landed crude and products respectively.

This change caused by the implementation of new system, which is able to control both of in transit and landed inventories as one, has been taken place to reflect price fluctuation on crude and products, which are an international market commodity, to an earnings appropriately and timely.

As a result, Inventories decreased by 6,840 million yen, and Ordinary Loss and Interim Net Loss Before Income Taxes increased by the same amount respectively, in comparing with the evaluation method as in the past.

Moreover, as for an effect to business segments, please see IV. Segment Information.

Securities

- Others
 - Marketable: Market Value at Closing Date
 - Non-marketable: Moving Average Method

Derivative Financial Instruments, etc.: Market Value at Closing Date

(2) Depreciation and Amortization Method for Fixed Assets

- Property, Plant and Equipment: generally Declining Balance Method excluding 1 Consolidated Subsidiary

In addition, the range of service life for major type of assets are:

- Buildings: 10 years to 50 years
- Structures: 10 years to 25 years
- Machinery and Equipment: 8 years to 15 years

- Intangible Assets: Straight Line Method

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

Change in Accounting Procedure

Starting from this accounting period, NSS changed its depreciation method for property, plant and equipment from the straight line method to the declining balance method. This change is to harmonize accounting procedure among consolidated subsidiaries due to implementation of new system which is common with TG, as parent company.

As a result, Property, Plant and Equipment decreased by 40 million yen, and Ordinary Loss and Net Loss Before Income Taxes increased by the same amount respectively, in comparing with the depreciation method as in the past.

Moreover, as for an effect to business segments, please see IV. Segment Information.

(3) Calculation Procedure for Reserves

- Allowance for Bad Debt

To provide for the losses due to bad debt, TG and consolidated subsidiaries accrue an estimated reserve for bad debt on ordinary receivables based on experienced bad debt ratio; and on highly doubtful receivables based on individual customer's financial position.

- Reserve for Accrued Pension Costs

To provide for the payment of employees' postretirement benefits, TG and consolidated subsidiaries accrue an estimated reserve based on projected benefit obligation and estimated pension plan assets at closing date. Moreover, any different costs caused by actuarial calculation are amortized in starting from next accounting period under the declining balance method over the certain years (12 years) within the average employees' remaining service years as incurred. Prior service obligations are amortized under the straight line method over the average employees' remaining service years (15.5 years) as incurred.

- Reserve for Retirement Allowance for Officers

To provide for the payment of officers' postretirement allowance, TG and consolidated subsidiaries accrue an estimated amount of lump sum retirement allowance, if they retired at closing date.

- Reserve for Repairs

TG and 3 consolidated subsidiaries accrue an estimated reserve for periodic tank opening inspection expenses, as required by The Fire Service Law, based on actual payments; and for turn-around repair expenses relating to machinery and equipment based on actual payments and the repair plan.

(4) Translation Method for Foreign Currency Assets and Liabilities

Foreign currency assets and liabilities are translated into yen at spot rate at closing date and any difference of exchange rate is reflected to gain or loss.

(5) Accounting Procedure for Lease Transaction

Finance lease transaction without transfer of ownership of leased items to lessee is treated in the same way as a procedure for normal lease transaction.

(6) Other

Income Statement does not include any consumption tax transaction.

5. Definition of Cash and Cash Equivalents

Cash and Cash Equivalents include cash on hand, deposits which are drawable at any time; and short-term advances, generally with original maturities of three months or less, which are readily convertible and present insignificant risk of change in value.

Remarks

1. Consolidated Balance Sheet related Information

	<u>June 30, 2001</u>	<u>June 30, 2002</u>	<u>December 31, 2001</u>
(1) Accumulated Depreciation of Property, Plant and Equipment	730,868 M Yen	730,531 M Yen	723,672 M Yen
(2) Long-term Allowance for Bad Debt	778 M Yen	1,425 M Yen	1,057 M Yen
(3) Guarantees of Indebtedness	10,990 M Yen	9,451 M Yen	10,404 M Yen
(4) Treasury Stocks			
Number of Shares	6,634	94,851	105,475
Amount	5 M Yen	90 M Yen	98 M Yen
(5) In the Loan Participation dealt by a consolidated subsidiary, total principal amount of Loans Receivable sold to the third party recorded in accordance with the Report No.3 of The Accounting Institution Committee of The Japanese Institute of Certified Public Accountants, issued on June 1, 1995.			
	- M Yen	67,525 M Yen	242,659 M Yen

2. Consolidated Statement of Cash Flows related Information

Relationship between Cash and Cash Equivalents at Closing Date and some Accounts in Balance Sheet

	<u>June 30, 2001</u>	<u>June 30, 2002</u>	<u>December 31, 2001</u>
Cash on Hand and in Bank	<u>3,146 M Yen</u>	<u>2,151 M Yen</u>	<u>4,158 M Yen</u>
Cash and Cash Equivalents	<u><u>3,146</u></u>	<u><u>2,151</u></u>	<u><u>4,158</u></u>

3 .Lease Transaction

Consolidated

Finance Lease without Transfer of Ownership of Leased Items to Lessee

- (1) Acquisition Cost Equivalent Amount, Accumulated Depreciation Equivalent Amount and Net Book Value Equivalent Amount at Closing Date

	<u>1st Half 2001</u> Tools, Furnitures & Fixtures	<u>1st Half 2002</u> Tools, Furnitures & Fixtures	<u>Full Year 2001</u> Tools, Furnitures & Fixtures
Acquisition Cost Equivalent Amount	2,894 M Yen	678 M Yen	1,646 M Yen
Accumulated Depreciation Equivalent Amount	<u>2,292 M Yen</u>	<u>527 M Yen</u>	<u>1,239 M Yen</u>
Net Book Value Equivalent Amount	602 M Yen	151 M Yen	407 M Yen

(Note) Acquisition cost equivalent amount includes interest equivalent expenses, since interest equivalent expenses are insignificant in comparison with total amount of property, plant and equipment.

- (2) Outstanding Balance of Accrued Lease Fees at Closing Date

Due within One Year	339 M Yen	101 M Yen	214 M Yen
Due over One Year	<u>263 M Yen</u>	<u>50 M Yen</u>	<u>193 M Yen</u>
Total	602 M Yen	151 M Yen	407 M Yen

(Note) Outstanding Balance of accrued lease fees includes interest equivalent expenses, since interest equivalent expense are insignificant in comparison with total amount of property, plant and equipment.

- (3) Lease Fees Paid and Depreciation Equivalent Expenses

Lease Fees Paid	331 M Yen	78 M Yen	530 M Yen
Depreciation Equivalent Expenses	331 M Yen	78 M Yen	530 M Yen

- (4) Calculation Method for Depreciation

Straight Line Method with No Residual Value

4. Securities

Consolidated

Previous Interim Accounting Period (as of June 30, 2001)

Securities

1 .Marketable Securities

(Unit: Million Yen)

	Acquisition Cost	Amount in Balance Sheet	Difference
Stocks	9,091	21,093	12,001
Bonds	9	10	0
Total	9,100	21,103	12,002

2 .Non-marketable Securities

(Unit: Million Yen)

	Amount in Balance Sheet	Note
Securities		
Non-listed Stocks (excluding Over-the-counter Stocks)	32,422	
Deposit in Trust Funds	1,834	
Investment Securities	27	

This Interim Accounting Period (as of June 30, 2002)

1 .Marketable Securities

(Unit: Million Yen)

	Acquisition Cost	Amount in Balance Sheet	Difference
Stocks	9,066	13,811	4,745

2 .Non-marketable Securities

(Unit: Million Yen)

	Amount in Balance Sheet	Note
Securities		
Non-listed Stocks (excluding Over-the-counter Stocks)	29,829	
Deposit in Trust Funds	1,834	
Investment Securities	11	

Previous Accounting Period (as of December 31, 2001)

Securities

1 .Marketable Securities

(Unit: Million Yen)

	Acquisition Cost	Amount in Balance Sheet	Difference
Stocks	9,067	13,933	4,866
Bonds	10	10	-
Total	9,077	13,943	4,866

(Note) In this accounting period, asset impairment of 61 million yen was recorded.

2 .Non-marketable Securities

(Unit: Million Yen)

	Amount in Balance Sheet	Note
Securities		
Non-listed Stocks (excluding Over-the-counter Stocks)	31,362	
Deposit in Trust Funds	1,834	
Investment Securities	17	

5 . Derivative Financial Instruments

Previous Interim Accounting Period (as of June 30, 2001)

Contract Amount etc., Market Value and Evaluation Gain or Loss of Derivative

(Unit: Million Yen)

Subject of Deal	Type of Instrument	Contract Amount	Market Value	Evaluation Gain
Currency	Foregin Exchange Forward	41,045	41,663	618

This Interim Accounting Period (as of June 30, 2002)

Contract Amount etc., Market Value and Evaluation Gain or Loss of Derivative

(Unit: Million Yen)

Subject of Deal	Type of Instrument	Contract Amount	Market Value	Evaluation Gain
Currency	Foregin Exchange Forward	38,952	37,669	1,283
Commodity	Swap	16,679	1	1
Total		55,632	37,670	1,282

Previous Accounting Period (as of December 31, 2001)

Contract Amount etc., Market Value and Evaluation Gain or Loss of Derivative

(Unit: Million Yen)

Subject of Deal	Type of Instrument	Contract Amount	Market Value	Evaluation Gain
Currency	Foregin Exchange Forward	24,315	25,365	1,049

Qualitative information regarding the above derivative transaction is omitted.

6. Segment Information

Consolidated

1. Business Segment Information

Previous Interim Accounting Period (January 1, 2001 through June 30, 2001)

(Unit: Million Yen)

	Petroleum	Petro-Chemical	Others	Total	Elimination	Consolidated
Sales Revenue						
(1)Revenue from Third Parties	954,265	74,363	1,258	1,029,888	-	1,029,888
(2)Internal Revenue	121,451	31,658	2,924	156,035	(156,035)	-
Total	1,075,717	106,022	4,183	1,185,923	(156,035)	1,029,888
Cost of Goods Sold and Operating Expens	1,047,404	101,946	3,787	1,153,139	(156,086)	997,052
Operating Income	28,312	4,075	395	32,784	51	32,835

(Note) 1. Business segments is classified by internal rule.

2. Major products or business is classified as follows:

- (1) Petroleum: Gasoline, Naphtha, Jet Fuel, Kerosene, ADO, Heavy Fuel, Lubelicans, LPG and etc.
- (2) Petro-chemical: Benzen, Tolene, Paraxylyene, Propylene, TBA, Octene, Sulfur
- (3) Others: Real Estate, Engineering, Maintenance Service and etc.

3. Change in Accounting Procedure and etc.

Starting from this accounting period, pension accounting is adopted. As a result, Operating Expenses decreased by 4,003 million yen for petroleum segment and 401 million yen for petro-chemical segment; and Operating Income increased by the same amount for each segment respectively in comparing with the procedure as in the past.

This Interim Accounting Period (January 1, 2002 through June 30, 2002)

(Unit: Million Yen)

	Petroleum	Petro-Chemical	Others	Total	Elimination	Consolidated
Sales Revenue						
(1)Revenue from Third Parties	808,398	61,053	1,322	870,774	-	870,774
(2)Internal Revenue	114,156	11,011	1,239	126,407	(126,407)	-
Total	922,554	72,065	2,561	997,181	(126,407)	870,774
Cost of Goods Sold and Operating Expens	932,945	68,907	2,450	1,004,302	(126,473)	877,828
Operating Income	(10,390)	3,158	111	(7,120)	66	(7,054)

(Note) 1. Business segments is classified by internal rule.

2. Major products or business is classified as follows:

- (1) Petroleum: Gasoline, Naphtha, Jet Fuel, Kerosene, ADO, Heavy Fuel, Lubelicans, LPG and etc.
- (2) Petro-chemical: Ethylene, Propylene, Benzen, Tolene, Paraxylyene and etc.
- (3) Others: Real Estate, Engineering, Maintenance Service and etc.

3. Change in Accounting Procedure and etc.

(1) Starting from this accounting period, TonenGeneral Sekiyu K.K. and Nansei Sekiyu K.K. (NSS), a consolidated subsidiary, changed evaluation method of crude and products in transit from the acquisition cost by vessel to LIFO at the lower of cost or market in combined with landed crude and products respectively.

As a result, Cost of Goods Sold and Operating Loss for petroleum segment increased 6,840 million yen respectively in comparison with the procedure as in the past.

(2) Starting from this accounting period, NSS changed depreciation method for property, plant and equipment from the straight line method to the declining balance method.

As a result, Operating Expenses and Operating Loss for petroleum segment increased by 40 million yen respectively in comparison with the procedure as in the past.

Previous Accounting Period (January 1, 2001 through December 31, 2001)

(Unit: Million Yen)

	Petroleum	Petro-Chemical	Others	Total	Elimination	Consolidated
Sales Revenue						
(1)Revenue from Third Parties	1,922,343	136,482	3,448	2,062,274	-	2,062,274
(2)Internal Revenue	245,403	55,714	4,700	305,817	(305,817)	-
Total	2,167,746	192,196	8,148	2,368,091	(305,817)	2,062,274
Cost of Goods Sold and Operating Expen	2,120,317	187,764	7,419	2,315,501	(306,246)	2,009,255
Operating Income	47,428	4,432	729	52,590	428	53,018

(Note) 1. Business segments is classified by internal rule.

2. Major products or business is classified as follows:

(1) Petroleum: Gasoline, Naphtha, Jet Fuel, Kerosene, ADO, Heavy Fuel, Lubelicans, LPG and etc.

(2) Petro-chemical: Ethylene, Propylene, Benzen, Tolene, Paraxylene and etc.

(3) Others: Real Estate, Engineering, Maintenance Service and etc.

3. Change in Accounting Procedure and etc.

Starting from this accounting period, pension accounting is adopted. As a result, Operating Expenses decreased by 5,417 million yen for petroleum segment and 324 million yen for petro-chemical segment; and Operating Income increased by the same amount for each segment respectively in comparing with the procedure as in the past.

2. Segment Information by Geographic Area

This information is omitted, since sales revenue in domestic market is in excess of 90% of total sales revenue in each of previous interim, this interim and previous annual accounting period respectively.

3. Overseas Sales

This information is omitted, since overseas sales revenue is less than 10% of total sales revenue in each of previous interim, this interim and previous annual accounting period respectively.

V. Productions, Consignments and Sales

1. Actual Production Volume

Followings show actual production volume by business segment.

(Unit: Kilo KL, Kilo Ton)

Business segment	1st Half 2002 (January 1, 2002 through June 30, 2002)	Comparison % with Previous Accounting Period	Main Products
Petroleum	16,434	9.79	Gasoline, Naphtha, Kerosene, ADO, LPG and etc.
Petro-chemical	1,245	25.83	Ethylene, Propylene and etc.

(Note) Above numbers show the total actual production volume of consolidated subsidiaries.

2. Actual Consignment Volume

No order of consignment received in this interim accounting period.

3. Actual Sales Amounts

Followings show actual sales amount by business segments.

(Unit: Millions of Yen)

Segment by Business Line	1st Half 2002 (January 1, 2002 through June 30, 2002)	Comparison with Previous Accounting Period (%)	Major Products
Oil Products	808,398	15.29	Gasoline, Naphtha, Kerosene, ADO, LPG and etc.
Chemical Products	61,053	17.90	Ethylene, Propylene and etc.
Others	1,322	5.01	Real Estate, Maintenance Service and etc.
Total	870,774	15.45	

(Note) (1) Actual sales amount to major customer and the percentage against total sales amount are as follows.

(Unit: Millions of Yen)

Customer Name	1st Half 2002 (January 1, 2002 through June 30, 2002)	Comparison with Previous Accounting Period (%)	Percentage against Total Sales Amount	Main Products
ExxonMobil Yugen Kaisha	513,458	7.46	58.97%	Gasoline, Kerosene, ADO, LPG and etc.

(2) No consumption tax is included in above numbers.

(3) Actual sales volume and amount show the sales to the third parties.

(4) Since Esso Sekiyu Yugen Kaisha and Mobil Sekiyu Yugen Kaisha, as major customers, merged on June 1, 2002 and renamed to ExxonMobil Yugen Kaisha, actual sales amounts to them is combined for this interim accounting period.