

# The summary of Financial Statements(Kessan Tanshin) for 2004

February 28, 2005

Registration Company Name : TonenGeneral Sekiyu K.K.

Registered to: Tokyo Stock Exchange

Stock Code No. 5012

Location of Head Office: Tokyo

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

Representative :

Position : Representative Director, Chairman and President

Name : G.W.Pruessing

For further information, please contact :

Position : Public Affairs Manager

Name : K. Morishita Telephone : (03) 5425-9000

Date of Board meeting for Year-end Closing: February 28, 2005

Interim Dividend Plan : Yes

Date of General Shareholders' Meeting : March 25, 2005

Share Unit Method : Yes

(One Unit = 1,000 Shares)

## 1. Business Performance for 2004 (January 1, 2004 through December 31, 2004)

### (1) Business Performance

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

	Sales Revenue		Operating Income		Ordinary Income	
	Million Yen	%	Million Yen	%	Million Yen	%
2004	2,370,549	( 9.2 )	42,549	( 56.6 )	52,316	( 59.8 )
2003	2,170,613	( 11.7 )	27,170	( - )	32,742	( - )

	Net Income		Net Income Per Share	Net Income Per Share, Diluted	Income Ratio to Shareholders' Equity	Ordinary Income Ratio to Total Assets	Ordinary Income Ratio to Sales Revenue
	Million Yen	%	Yen	Yen	%	%	%
2004	40,542	( 69.5 )	68.51	-	21.9	5.9	2.2
2003	23,913	( 354.0 )	40.40	-	13.7	3.7	1.5

(Note) Average Number of Issued Shares

2004: 591,790,532 Shares

2003: 591,867,896 Shares

Change in Accounting Policies: No

Percentages shown in Sales Revenue, Operating Income, Ordinary Income and Net Income are comparisons with the previous accounting period

### (2) Dividends

	Annual Dividend Per Share			Total Amount of Dividend (Annual)	Payout Ratio	Dividend Ratio to Shareholders' Equity
	Yen	Interim	Year-end			
2004	36.00	18.00	18.00	21,302	52.5	11.0
2003	36.00	18.00	18.00	21,307	89.1	12.0

### (3) Financial Overview

	Total Assets	Shareholders' Equity	Net Worth Ratio	Net Worth per Share
	Million Yen	Million Yen	%	Yen
2004	889,420	193,897	21.8	327.71
2003	870,873	177,112	20.3	299.25

(Note) Number of Outstanding Shares

12/31/2004: 591,683,207 Shares

12/31/2003: 591,846,572 Shares

Number of Treasury Socks

12/31/2004: 859,811 Shares

12/31/2003: 696,446 Shares

## 2. Projected Earnings for 2005 (January 1, 2005 ~ December 31, 2005)

	Sales Revenue	Ordinary Income	Net Income	Annual Dividend per Share		
				Interim	Year-end	Yen
First Half	1,170,000	24,000	13,000	18.00	-	-
Full Year	2,400,000	47,000	26,000	-	18.00	36.00

(Reference) Projected Net Income per Share 43.94 Yen

This filing contains forward-looking statements based on projections and estimates that involve many variables. The Company operates in a competitive environment and in an industry characterized by rapid changes in supply-demand balance. Certain risks and uncertainties including, without limitation, general economic conditions in Japan and other countries, crude prices and the exchange rate between the yen and the U.S. dollar, could cause the Company's results to differ materially from any projections and estimates presented.

Balance Sheet

(Unit: Million Yen)

Account Titles	As of December 31, 2003	As of December 31, 2004	December 31, 2004 vs. December 31, 2003
<b>Assets</b>	<b>870,873</b>	<b>889,420</b>	<b>18,546</b>
<b>Current Assets</b>	<b>598,562</b>	<b>643,639</b>	<b>45,077</b>
Cash and Cash Equivalents	223	19	203
Notes and Account Receivable	409,132	446,050	36,918
Inventories	152,912	161,715	8,803
Deferred Tax Assets	4,611	4,356	254
Short-Term Loans Receivable	23,052	24,328	1,275
Other Accounts Receivable	6,185	5,575	609
Others	3,441	2,528	913
Bad Debt Allowance	996	935	61
<b>Long Term Assets</b>	<b>272,311</b>	<b>245,780</b>	<b>26,530</b>
<b>Property, Plant and Equipment</b>	<b>216,724</b>	<b>203,180</b>	<b>13,543</b>
Buildings, Structures & Tanks	63,301	59,194	4,106
Machinery and Equipment	56,861	57,108	246
Land	88,004	78,854	9,150
Others	8,556	8,021	534
<b>Intangible Assets</b>	<b>6,338</b>	<b>5,433</b>	<b>905</b>
<b>Investments and Other Assets</b>	<b>49,248</b>	<b>37,167</b>	<b>12,080</b>
Investment in Securities	13,188	5,803	7,384
Stock of Subsidiaries	14,466	12,520	1,946
Unit of Subsidiaries	967	967	-
Long-Term Loans Receivable	2,559	1,860	698
Deferred Tax Assets	4,487	5,829	1,342
Others	15,140	11,770	3,370
Bad Debt Allowance	1,560	1,584	23
<b>Total Assets</b>	<b>870,873</b>	<b>889,420</b>	<b>18,546</b>

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

**Balance Sheet (Continued)**

(Unit: Million Yen)

Account Titles	As of December 31, 2003	As of December 31, 2004	December 31, 2004 vs. December 31, 2003
<b>Liabilities</b>	<b>693,761</b>	<b>695,523</b>	<b>1,761</b>
<b>Current Liabilities</b>	<b>611,647</b>	<b>624,357</b>	<b>12,710</b>
Trade Accounts Payable	228,244	264,017	35,773
Gasoline Tax etc., Payable	222,345	228,455	6,110
Short-Term Loans	91,593	63,786	27,806
Other Accounts Payable	14,537	12,405	2,132
Accrued Income Tax	15,150	14,770	379
Accrued Consumption Taxes	9,794	11,115	1,320
Guarantee Deposits Payable	11,687	11,844	156
Reserve for Bonus	1,258	1,194	63
Others	17,035	16,767	268
<b>Long Term Liabilities</b>	<b>82,113</b>	<b>71,165</b>	<b>10,948</b>
Long-Term Debt	14,384	15,720	1,336
Reserve for Accrued Pension Costs	47,960	37,858	10,101
Reserve for Officers' Retirement Allowance	221	228	7
Reserve for Repairs	12,789	12,374	414
Reserve for Offshore Well Abandonment	1,608	1,608	-
Others	5,150	3,374	1,775
<b>Shareholders' Equity</b>	<b>177,112</b>	<b>193,897</b>	<b>16,785</b>
Common Stock	35,123	35,123	-
Additional Paid-in Capital	20,741	20,753	11
Legal Capital Surplus	20,741	20,741	-
Other Legal Capital Surplus	-	11	11
Retained Earnings	119,181	138,417	19,236
Legal Earned Reserve	8,780	8,780	-
Voluntary Reserves	21,888	24,352	2,463
Unappropriated Retained Earnings	88,511	105,284	16,772
Unrealized Holding Gains on Securities	2,624	326	2,298
Treasury Stock	558	723	164
<b>Total Liabilities and Shareholders' Equity</b>	<b>870,873</b>	<b>889,420</b>	<b>18,546</b>

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

# Statement of Income

(Unit: Million Yen)

Account Titles		2003 (January 2003 ~ December 2003)	2004 (January 2004 ~ December 2004)	2004 vs. 2003		
<b>Ordinary P/L</b>	<b>Operating P/L</b>	Sales Revenue	2,170,613	2,370,549	199,936	
		Cost of Sales	2,104,237	2,294,660	190,422	
		Gross Margin	66,375	75,888	9,513	
		Selling, General and Administrative Expenses	39,205	33,338	5,866	
	Operating Income		27,170	42,549	15,379	
	<b>Non-Operating P/L</b>	Non-Operating Income				
		Interest Income	487	409	77	
		Dividends Received	3,943	7,116	3,173	
		Foreign Exchange Gain	2,070	3,058	988	
		Others	31	74	43	
		Total Non-Operating Income		6,532	10,659	4,127
		Non-Operating Expenses				
		Interest Expenses	852	686	165	
	Others	106	205	98		
Total Non-Operating Expenses		959	892	67		
Ordinary Income		32,742	52,316	19,573		
<b>Extraordinary P/L</b>	Extraordinary Gain					
	Gain on Sales of Stock of Subsidiary Company		-	6,767	6,767	
	Gain on Return of Substitutional Portion of Employee Pension Fund		-	5,191	5,191	
	Gain on Sales of Investment Securities		1,067	4,564	3,497	
	Gain on Sales of Property, Plant and Equipment		8,231	3,302	4,928	
	Settlement Package etc. Related to Withdrawal from Power Generation Business		-	1,929	1,929	
	Gain on Sales of Technical License		319	-	319	
	Gain on Reversal of Reserve for Offshore Well Abandonment		259	-	259	
	Gain on Liquidation of Subsidiary Company		173	-	173	
	Total Extraordinary Gain		10,049	21,755	11,705	
	Extraordinary Loss					
	Loss on Sales and Disposal of Property, Plant and Equipment		3,605	4,404	799	
	Loss on Asset Impairment		-	3,370	3,370	
	Additional Allowance for Early Retirement		-	2,132	2,132	
Evaluation Loss on Stock of Subsidiary Company		332	-	332		
Loss on Sales of Investment Securities		137	-	137		
Evaluation Loss on Investment Securities and Other Assets		126	-	126		
Total Extraordinary Loss		4,201	9,907	5,705		
Income Before Income Taxes		38,590	64,165	25,574		
Current Income Taxes		16,101	23,133	7,032		
Deferred Income Tax		1,424	489	1,913		
Net Income		23,913	40,542	16,628		
Unappropriated Retained Earnings Brought Forward		75,252	75,394	141		
Loss on Treasury Stock Disposal		0	-	0		
Interim Dividends Declared		10,654	10,652	1		
Unappropriated Retained Earnings at End of Period		88,511	105,284	16,772		

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

## Statement of Appropriations

(Unit:Million Yen)

Account Titles	2003 (January 1, 2003 ~ December 31, 2003)	2004 (January 1, 2004 ~ December 31, 2004)	2004 vs. 2003
Unappropriated Retained Earnings	88,511	105,284	16,772
Reversal of Voluntary Reserves:			
Reserve for Replacement of Property	-	2,357	2,357
Reserve for Mine Exploration	-	6	6
Reserve for Special Depreciation	102	100	1
Total	88,613	107,748	19,135
Appropriation:			
Cash Dividends	10,653 18.00 yen per share	10,650 18.00 yen per share	2
Reserve for Replacement of Property	2,545	-	2,545
Reserve for Mine Exploration	20	-	20
Retained Earnings Carried Forward	75,394	97,098	21,704

(Note) Amounts are reported in truncated Millions of Yen.

## Notes to Financial Statements

1. Evaluation Methods for Securities
  - (1) Stocks of Subsidiaries and Affiliated Companies: Moving Average Method
  - (2) Others Securities
    - Marketable: Market Value at the Closing Date
    - Non-Marketable: Moving Average Method
2. Evaluation Methods for Derivative Transactions
  - Derivative: Market Value at the Closing Date
3. Evaluation Methods for Inventories
  - (1) Goods, Products, Unfinished Products, and Crude: generally LIFO at the Lower of Cost or Market
  - (2) Supplies: Moving Average Method
4. Depreciation and Amortization of Fixed Assets
  - (1) Property, Plant and Equipment: generally the Declining Balance Method
    - The service life range of major types of assets are:

Buildings and Structures	: 10 to 50 years
Tanks	: 10 to 25 years
Machinery and Equipment	: 8 to 15 years
  - (2) Intangible Assets: Straight Line Method
    - In-house computer software is amortized over its service life (5 to 15 years) using the straight line method
5. Translation Method for Foreign Currency Assets and Liabilities
  - Foreign currency assets and liabilities are translated into the yen at spot rate of the closing date and any difference in exchange rate is reflected on income.
6. Accounting Standards for Major Reserves
  - (1) Bad Debt Allowance
    - To provide for losses due to bad debt, the Company accrues an estimated bad debt allowance on ordinary receivables based on historical bad debt ratios, and on highly doubtful receivables based on the financial conditions of individual customers.
  - (2) Reserve for Bonus
    - To provide for the payment of employees' bonus, the Company accrues an estimated reserve for the accounting period.
  - (3) Reserve for Accrued Pension Costs
    - To provide for the payment of employees' post-retirement benefits, the Company accrues an estimated reserve based on the projected benefit obligations and estimated pension plan assets as of the closing date. Any difference caused in actuarial calculations of retirement benefits is amortized beginning with the next accounting period, where the declining balance method is employed over a period which is set within employees' average remaining service years (12 years). Prior service obligations are amortized with the straight line method over employees' average remaining service years (12.9 and 15.5 years).
  - (4) Reserve for Officers' Retirement Allowance
    - To provide for the payment of officers' postretirement allowance, the Company accrues an estimated amount of lump sum retirement allowance assuming that officers retire at the closing date.
  - (5) Reserve for Repairs
    - The Company accrues an estimated reserve for periodic tank inspections expenses based on actual payments, as required under the Fire Service Law, and for turnaround repair expenses for machinery and equipment based on actual payments and repair plans.
  - (6) Reserve for Offshore Well Abandonment
    - To provide for expenses for offshore well abandonment to be incurred when natural gas production is terminated, the company accrues an estimated amount using the unit of production method.

7. Accounting for Finance Lease Transactions

The same accounting treatment is employed for finance lease transactions without transfer of ownership of leased items to lessee as for ordinary operating lease transactions.

8. Asset Impairment Accounting

As "Opinions on the establishment of asset impairment accounting standards" (Business Accounting Council, August 9, 2002) and "Guidelines on application of Accounting Standards for Impairment of Fixed Assets" (Accounting Standard Board of Japan, October 31, 2003), became effective with the accounting period ending on December 31, 2004 onwards, the Company adopted the accounting standards and guidelines beginning with this accounting period. As a result, Income Before Taxes decreased by 3,370 million yen.

9. Others

The Income Statement does not include any consumption tax transactions.

### Additional Information

- Return of Substitutional Portion of Employee Pension Fund (EPF)

With the implementation of Defined Benefit Pension Plan Act, the Company was granted approval on February 25, 2004 by the Minister of Health, Labor and Welfare on the exemption of future payment obligations of the substitutional portion of EPF and also on December 1, 2004 was granted approval on the return of its past substitutional portion. The effect of the implementation of the act amounted to 5,191 million yen, and was listed as an extraordinary gain.



### 3. Lease Transactions

#### Finance Lease without Transfer of Ownership of Leased Items to Lessee

##### (1) The Acquisition Cost Equivalent Amount, Accumulated Depreciation Equivalent Amount and Net Book Value Equivalent Amount at the Closing Dates

	<u>As of December 31, 2003</u>	<u>As of December 31, 2004</u>
Acquisition Equivalent Amount	380 Million Yen	380 Million Yen
Accumulated Depreciation		
Equivalent Amount	<u>328 Million Yen</u>	<u>383 Million Yen</u>
Outstanding Balance	51 Million Yen	280 Million Yen

- (Note) 1. The amounts above are mainly accounted for by "Tank" and "Machinery and Equipment".  
 2. The acquisition cost equivalent amounts include interest equivalent expenses, since interest equivalent expenses are immaterial in comparison with the total property, plant and equipment.

##### (2) Outstanding Balance of Accrued Lease Fees at the Closing Dates

	<u>As of December 31, 2003</u>	<u>As of December 31, 2004</u>
Due within One Year	36 Million Yen	145 Million Yen
Due over One Year	<u>15 Million Yen</u>	<u>134 Million Yen</u>
Total	51 Million Yen	280 Million Yen

- (Note) The outstanding Balance of accrued lease fees includes interest equivalent expenses, since interest equivalent expenses are immaterial in comparison with the total amount of property, plant and equipment.

##### (3) Lease Fees Paid and Depreciation Equivalent Expenses

	<u>2003</u>	<u>2004</u>
Lease Fees Paid	85 Million Yen	146 Million Yen
Depreciation Expense		
Equivalent	85 Million Yen	146 Million Yen

##### (4) Depreciation Method

Straight Line Method with No Residual Value

### 4. Securities

#### As of December 31, 2003

There were no stocks of subsidiaries and investments in securities with market value.

#### As of December 31, 2004

There were no stocks of subsidiaries and investments in securities with market value.

## 5. Deferred Tax Accounting

## (1) Major Sources of Deferred Tax Assets and Deferred Tax Liabilities

(Unit : Million Yen )

	As of December 31, 2003	As of December 31, 2004
<b>(Deferred Tax Assets )</b>		
Excess over Deduction Limit for Reserve for Retirement Allowance	18,877	16,178
Excess over Deduction Limit for Reserve for Turnaround	2,907	3,088
Evaluation Loss on Inventories	248	1,521
Enterprise Tax Payable	1,496	1,411
Total of Loss on Asset Impairment	-	1,371
Others	6,252	3,936
<b>Total Deferred Tax Assets</b>	<b>29,782</b>	<b>27,507</b>
<b>(Deferred Tax Liabilities )</b>		
Reserve for Replacement of Property	16,376	14,728
Unrealized Holding Gains on Securities	1,800	223
Other	2,506	2,369
<b>Total Deferred Tax Liabilities</b>	<b>20,683</b>	<b>17,321</b>
<b>Net of Deferred Tax Assets</b>	<b>9,098</b>	<b>10,186</b>

## (2) Major Factors That Contributed to the Gap between the Statutory Effective Tax Rate and the Actual Effective Tax Rate

	As of December 31, 2003	As of December 31, 2004
<b>Statutory Effective Tax Rate</b>	<b>42.1 %</b>	<b>42.1 %</b>
<b>(Adjustment)</b>		
Items Never Recognized as Loss, Such as Entertainment Expense	0.1 %	0.1 %
Items Never Recognized as Profit, Such as Dividends Received	4.2 %	4.6 %
Tax Credit	0.4 %	0.9 %
Others	0.4 %	0.1 %
<b>Actual Effective Tax Rate</b>	<b>38.0 %</b>	<b>36.8 %</b>

## . Actual Sales Volume & Sales Value

(Unit : Thousand KL, Kilo Ton, Million Yen)

Products	2003 (January 1, 2003 - December 31, 2003)		2004 (January 1, 2004 - December 31, 2004)		2004 vs 2003	
	Volume	Value	Volume	Value	Volume	Value
<b>Gasoline</b>	13,782 28.3	1,277,655 59.4	13,730 30.1	1,393,822 59.3	51	116,166
<b>Naphtha</b>	3,035 6.2	71,472 3.3	3,186 7.0	87,062 3.7	150	15,589
<b>Kerosene</b>	5,834 12.0	169,792 7.9	5,114 11.2	171,636 7.3	720	1,844
<b>Diesel fuel</b>	6,316 13.0	183,632 8.5	6,154 13.5	214,831 9.1	161	31,198
<b>Fuel, Crude</b>	11,973 24.6	280,419 13.0	11,663 25.5	317,770 13.5	309	37,351
<b>Lube oil</b>	355 0.7	15,719 0.7	345 0.8	15,265 0.6	9	453
<b>LPG</b>	5,604 11.5	91,489 4.2	3,852 8.4	84,408 3.6	1,752	7,081
<b>Chemicals</b>	1,106 2.3	44,867 2.1	1,108 2.4	60,297 2.6	2	15,429
<b>Other Products</b>	659 1.4	20,260 0.9	520 1.1	7,427 0.3	139	12,833
<b>Sub Total</b>	48,667 100.0	2,155,310 100.0	45,675 100.0	2,352,521 100.0	2,991	197,211
<b>Other Operating Revenue</b>		15,303		18,028		2,724
<b>Grand Total</b>	48,667	2,170,613	45,675	2,370,549	2,991	199,936

(Note) Figure in lower line in each column shows the percent of total sales.