

# Summary of Financial Statements(Kessan Tanshin) for 1st Half 2005

August 22, 2005

Listed Company: TonenGeneral Sekiyu Kabushiki Kaisha

Listed on: Tokyo Stock Exchange

Code # : 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 : ExxonMobil Y. K. Public Affairs Manager

Name: K. Morishita Telephone: (03) 6713-4400

Date of Board Meeting for Interim Closing: August 22, 2005

Interim Dividend Plan: Yes

Starting Date of Payment of Interim Dividend: September 26, 2005

Unit Share System: Yes

(One Unit = 1,000 Shares)

## 1. Business Performance for 1st Half 2005 (January 1, 2005 through June 30, 2005)

### (1) Business Performance

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

	Sales Revenue		Operating Income		Ordinary Income	
	Million Yen	%	Million Yen	%	Million Yen	%
1H 2005	1,294,946	( 18.3)	12,026	( 44.0)	15,074	( △3.7)
1H 2004	1,094,697	( 2.0)	8,352	( △48.7)	15,661	( △23.0)
2004	2,370,549		42,549		52,316	

	Interim (Annual) Net Income		Interim (Annual) Net Income per Share
	Million Yen	%	Yen
1H 2005	9,160	( △31.9)	15.48
1H 2004	13,457	( △5.9)	22.74
2004	40,542		68.51

(Note) ① Average Number of Issued Shares

1H 2005: 591,612,402 Shares 1H 2004: 591,829,304 Shares 2004: 591,790,532 Shares

② Change in Accounting Policies: No

③ Percentages shown in Sales Revenue, Operating Income, Ordinary Income and Interim (Annual) Net Income are comparisons with the previous interim accounting period.

### (2) Dividends

	Interim Dividends Declared per Share	Annual Dividends Declared per Share
	Yen	Yen
1H 2005	18.00	-
1H 2004	18.00	-
2004	-	36.00

### (3) Financial Position

	Total Assets	Shareholders' Equity	Net Worth Ratio	Net Worth per Share
	Million Yen	Million Yen	%	Yen
1H 2005	789,234	192,304	24.4	325.08
1H 2004	781,097	178,566	22.9	301.73
2004	889,420	193,897	21.8	327.71

(Note) ① Number of Outstanding Shares at the End of the Period

1H 2005: 591,563,063 Shares 1H 2004: 591,809,571 Shares 2004: 591,683,207 Shares

② Number of Treasury Stocks

1H 2005: 979,955 Shares 1H 2004: 733,447 Shares 2004: 859,811 Shares

## 2. Projected Business Performance for 2005 (January 1, 2005 through December 31, 2005)

	Sales Revenue	Ordinary Income	Net Income	Annual Dividend per Share	
	Million Yen	Million Yen	Million Yen	Year-end Yen	Yen
Full Year	2,798,000	43,000	27,000	18.00	36.00

(Reference) Projected Net Income per Share 45.64 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.

## Interim Balance Sheet

(Unit: Million Yen)

Account Title	June 30, 2004	June 30, 2005	December 31, 2004	Jun. 30, 2005 vs. Dec. 31, 2004
<b>Assets</b>	781,097	789,234	889,420	△ 100,185
<b>Current Assets</b>	516,318	548,198	643,639	△ 95,440
Cash and Cash Equivalents	258	578	19	559
Trade Accounts Receivable	321,533	375,273	446,050	△ 70,777
Inventories	157,980	146,752	161,715	△ 14,963
Deferred Tax Assets	2,544	3,719	4,356	△ 637
Short-term Loans Receivable	22,714	12,754	24,328	△ 11,573
Other Accounts Receivable	7,488	4,773	5,575	△ 802
Others	4,776	5,090	2,528	2,561
Bad Debt Allowance	△ 977	△ 744	△ 935	191
<b>Long-term Assets</b>	264,778	241,035	245,780	△ 4,744
<b>Property, Plant and Equipment</b>	213,006	199,034	203,180	△ 4,145
Buildings	19,786	17,794	18,498	△ 703
Structures	35,395	33,674	34,772	△ 1,098
Machinery and Equipment	53,089	53,808	57,108	△ 3,300
Land	85,718	78,333	78,854	△ 520
Others	19,015	15,423	13,946	1,477
<b>Intangible Assets</b>	5,650	5,164	5,433	△ 269
<b>Investments and Other Assets</b>	46,122	36,837	37,167	△ 329
Investment in Securities	8,146	5,572	5,803	△ 231
Stock of Subsidiaries	14,452	12,520	12,520	-
Investment in Subsidiaries	967	967	967	-
Long-term Loans Receivable	1,997	1,742	1,860	△ 118
Deferred Tax Assets	5,331	6,149	5,829	320
Others	16,785	11,232	11,770	△ 537
Bad Debt Allowance	△ 1,559	△ 1,347	△ 1,584	237
<b>Total Assets</b>	781,097	789,234	889,420	△ 100,185

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

## Interim Balance Sheet

(Unit: Million Yen)

Account Title	June 30, 2004	June 30, 2005	December 31, 2004	Jun. 30, 2005 vs. Dec. 31, 2004
<b>Liabilities</b>	602,530	596,930	695,523	△ 98,593
<b>Current Liabilities</b>	519,886	526,437	624,357	△ 97,920
Trade Accounts Payable	222,180	233,397	264,017	△ 30,620
Gasoline Tax etc., Payable	150,726	166,972	228,455	△ 61,483
Short-term Debt	97,269	77,161	63,786	13,374
Other Accounts Payable	8,397	6,808	12,405	△ 5,596
Accrued Income Tax	1,394	4,594	14,770	△ 10,176
Accrued Consumption Tax	7,841	7,383	11,115	△ 3,731
Guarantee Deposits Payable	11,840	12,306	11,844	462
Reserve for Bonus	1,267	1,222	1,194	27
Others	18,967	16,590	16,767	△ 176
<b>Long-term Liabilities</b>	82,644	70,492	71,165	△ 672
Long-term Debt	16,819	14,750	15,720	△ 970
Reserve for Accrued Pension Costs	47,852	37,674	37,858	△ 184
Reserve for Officers' Retirement Allowance	225	231	228	2
Reserve for Repairs	11,708	13,404	12,374	1,029
Reserve for Offshore Well Abandonment	1,608	1,604	1,608	△ 3
Others	4,431	2,828	3,374	△ 546
<b>Shareholders' Equity</b>	178,566	192,304	193,897	△ 1,592
Common Stock	35,123	35,123	35,123	-
Additional Paid-in Capital	20,747	20,761	20,753	8
Legal Capital Surplus	20,741	20,741	20,741	-
Other Legal Capital Surplus	5	20	11	8
Retained Earnings	121,985	136,927	138,417	△ 1,489
Legal Earned Reserve	8,780	8,780	8,780	-
Voluntary Reserves	24,352	21,887	24,352	△ 2,464
Unappropriated Retained Earnings	88,852	106,259	105,284	975
Net Unrealized Holding Gains on Securities	1,308	352	326	26
Treasury Stock	△ 597	△ 861	△ 723	△ 137
<b>Total Liabilities and Shareholders' Equity</b>	781,097	789,234	889,420	△ 100,185

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

## Interim Statement of Income

(Unit: Million Yen)

Account Title		1H 2004 (Jan. 1 through Jun. 30)	1H 2005 (Jan. 1 through Jun. 30)	1H 2005 vs. 1H 2004	FY 2004 (Jan. 1 through Dec. 31)	
Ordinary P/L	Operating P/L	Sales Revenue	1,094,697	1,294,946	200,248	2,370,549
		Cost of Sales	1,069,146	1,269,210	200,064	2,294,660
		Gross Margin	25,551	25,735	184	75,888
		Selling, General and Administrative Expenses	17,198	13,709	△ 3,489	33,338
		Operating Income	8,352	12,026	3,673	42,549
	Non-operating P/L	Non-operating Income				
		Interest Income	221	195	△ 25	409
		Dividends Received	6,545	2,362	△ 4,183	7,116
		Foreign Exchange Gain	1,026	810	△ 216	3,058
		Others	12	19	7	74
		Total Non-operating Income	7,805	3,387	△ 4,418	10,659
		Non-operating Expenses				
		Interest Expenses	352	315	△ 37	686
	Others	144	23	△ 121	205	
	Total Non-operating Expenses	497	339	△ 158	892	
Ordinary Income	15,661	15,074	△ 586	52,316		
Extraordinary P/L	Extraordinary Gain					
	Gain on Sales of Property, Plant and Equipment	646	253	△ 393	3,302	
	Gain on Sales of Golf Membership	-	37	37	-	
	Gain on Sales of Investment Securities	2,701	-	△ 2,701	4,564	
	Gain on Sales of Stock of Subsidiaries	-	-	-	6,767	
	Gain on Return of Substitutional Portion of Employee Pension Fund	-	-	-	5,191	
	Settlement Package etc. Related to Withdrawal from Power Generation Business	-	-	-	1,929	
	Total Extraordinary Gain	3,348	290	△ 3,057	21,755	
	Extraordinary Loss					
	Loss on Sales and Disposal of Property, Plant and Equipment	949	847	△ 101	4,404	
Evaluation Loss on Investment Securities	-	615	615	-		
Loss on Asset Impairment	-	30	30	3,370		
Additional Allowance for Early Retirement	-	-	-	2,132		
Total Extraordinary Loss	949	1,493	544	9,907		
Interim (Annual) Income before Income Taxes		18,059	13,871	△ 4,188	64,165	
Current Income Taxes		2,514	4,411	1,896	23,133	
Deferred Income Tax		2,087	299	△ 1,787	489	
Interim (Annual) Net Income		13,457	9,160	△ 4,297	40,542	
Unappropriated Retained Earnings Brought Forward		75,394	97,098	21,704	75,394	
Interim Dividends Declared		-	-	-	10,652	
Unappropriated Retained Earnings at End of Period		88,852	106,259	17,406	105,284	

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

## **Notes to Interim Financial Statements**

### **1. Evaluation Methods for Important Assets**

- (1) Securities
  - Stocks of subsidiaries and affiliated companies: moving-average method
  - Others Securities
    - Marketable: market value at the closing date  
(Unrealized holding gain/loss is directly reflected in shareholders' equity, and cost of sales is calculated using the moving-average method.)
    - Non-marketable: moving-average method
- (2) Inventories
  - Goods, products, unfinished products, and crude: generally LIFO at the lower of cost or market
  - Supplies: moving-average method
- (3) Derivatives transactions, etc.: market value at the closing date

### **2. Depreciation and Amortization of Fixed Assets**

- (1) Property, Plant and Equipment: generally the declining-balance method
  - The service life ranges 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.

### **3. Accounting Standards for Major Reserves**

- 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.
- Reserve for Bonus
  - To provide for the payment of employees' bonus, the Company accrues an estimated reserve for the interim accounting period.
- 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 interim 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).
- Reserve for Officers' Retirement Allowance
  - To provide for the payment of officers' post-retirement allowance, the Company accrues an estimated amount of lump sum retirement allowance assuming that officers retire at the closing date.
- Reserve for Repairs
  - To provide for periodic tank inspections required under the Fire Service Law and for periodic repairs of machinery and equipment, the Company accrues estimated reserves for the interim accounting period, based on actual payments and on actual payments and repair plans, respectively.
- 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.

**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 in exchange rate is reflected into income.

**5. Accounting for Finance Lease Transactions**

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

**6. Others**

Interim Statement of Income does not include consumption tax.

**Additional Information****Return of Substitutional Portion of Employee Pension Fund (EPF)**

With the implementation of the Defined Benefit Pension Plan Act, the Company was granted approval by the Minister of Health, Labor and Welfare on the return of its past substitutional government portion in the previous accounting period. The return was completed on May 31, 2005. As a result, operating income for this interim accounting period increased by 89 million yen.

**Other Notes****1. Interim Balance Sheet**

	<u>June 30, 2004</u>	<u>June 30, 2005</u>	<u>December 31, 2004</u>
(1) Accumulated Depreciation of Property, Plant and Equipment	619,000 Million Yen	628,119 Million Yen	622,733 Million Yen
(2) Contingent Liabilities	4,821 Million Yen	4,098 Million Yen	4,660 Million Yen
(3) Number of Shares Issued: Common Stock	592,543,018 Shares	592,543,018 Shares	592,543,018 Shares
(4) Treasury Stock	733,447 Shares	979,955 Shares	859,811 Shares
Number of Shares Amount	597 Million Yen	861 Million Yen	723 Million Yen

**2. Interim Statement of Income**

	<u>1H 2004</u>	<u>1H 2005</u>	<u>2004</u>
(1) Gain on Sales of Property, Plant and Equipment			
Land (Service Stations, etc.)	641 Million Yen	246 Million Yen	2,518 Million Yen
Buildings (Training Center, etc.)	- Million Yen	2 Million Yen	727 Million Yen
Structures (Service Stations, etc.)	- Million Yen	- Million Yen	26 Million Yen
Machinery and Equipment (Service Stations, etc.)	- Million Yen	- Million Yen	0 Million Yen
Others	4 Million Yen	4 Million Yen	30 Million Yen
Total	<u>646</u> Million Yen	<u>253</u> Million Yen	<u>3,302</u> Million Yen
(2) Loss on Sales of Property, Plant and Equipment			
Land (Service Stations, etc.)	672 Million Yen	289 Million Yen	3,196 Million Yen
Buildings (Service Stations, etc.)	104 Million Yen	204 Million Yen	521 Million Yen
Structures (Service Stations, etc.)	70 Million Yen	69 Million Yen	300 Million Yen
Machinery and Equipment (Refinery Facilities, etc.)	76 Million Yen	221 Million Yen	301 Million Yen
Others	25 Million Yen	64 Million Yen	83 Million Yen
Total	<u>949</u> Million Yen	<u>847</u> Million Yen	<u>4,404</u> Million Yen

### 3. Lease Transactions

Parent ⑥

Finance Lease without Transfer of Ownership of Leased Items to Lessee

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

June 30, 2004			June 30, 2005			December 31, 2004					
	Acquisition Amount Equivalent	Accumulated Depreciation Equivalent	Outstanding Balance		Acquisition Amount Equivalent	Accumulated Depreciation Equivalent	Outstanding Balance		Acquisition Amount Equivalent	Accumulated Depreciation Equivalent	Outstanding Balance
	(Million Yen)	(Million Yen)	(Million Yen)		(Million Yen)	(Million Yen)	(Million Yen)		(Million Yen)	(Million Yen)	(Million Yen)
Machinery and Equipment	238	197	41	Machinery and Equipment	238	218	19	Machinery and Equipment	238	208	30
Property, Plant, Equipment and other	342	48	294	Property, Plant, Equipment and other	346	159	186	Property, Plant, Equipment and other	336	102	234
Intangible Assets	88	58	29	Intangible Assets	88	86	2	Intangible Assets	88	73	14
Total	669	304	365	Total	673	465	208	Total	663	383	280

(Note) The acquisition cost equivalent amounts include interest-equivalent expenses, since interest-equivalent expenses are immaterial considering the total amount of property, plant and equipment.

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

	<u>June 30, 2004</u>	<u>June 30, 2005</u>	<u>December 31, 2004</u>
Due within One Year	170 Million Yen	126 Million Yen	145 Million Yen
Due over One Year	194 Million Yen	82 Million Yen	134 Million Yen
Total	<u>365 Million Yen</u>	<u>208 Million Yen</u>	<u>280 Million Yen</u>

(Note) The outstanding balances of accrued lease fees include interest-equivalent expenses, since interest-equivalent expenses are immaterial considering the total amount of property, plant and equipment.

(3) Lease Fees Paid and Depreciation Expense Equivalent

	<u>1H 2004</u>	<u>1H 2005</u>	<u>2004</u>
Lease Fees Paid	58 Million Yen	79 Million Yen	146 Million Yen
Depreciation Expense Equivalent	58 Million Yen	79 Million Yen	146 Million Yen

(4) Calculation Method for Depreciation Expense Equivalent

Straight-line method with no residual value, where a lease period is treated as a period of depreciation.

### 4. Securities

There were no stocks of subsidiaries or investments in securities that had market values in the previous interim accounting period, the current interim accounting period or the previous accounting period.