Consolidated Financial Statements (Kessan Tanshin) for First Half of 2004

August 23, 2004

Registration 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)

Representative:
Position: Representative Director, Chairman and President Name: G. W. Pruessing

For further information, please contact:
Position: ExxonMobil Y.K. Director, Management Support Manager Name: T. Uchimura

Date of Board Meeting for Interim Closing: August 23, 2004 Telephone: (03) 5425-9000

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 2004 (January 1, 2004 through June 30, 2004)

(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	%
1H 2004	1,077,347	(2.7)	16,109	(△16.4)	17,728	(△15.5)
1H 2003	1,049,387	(20.5)	19,266	(-)	20,973	(-)
2003	2,135,289		33,992		38,386	

	Interim (Annual) Net Income		Interim (Annual) Net Income per Share	Interim (Annual) Net Income per Share after Adjustments
	M Yen	%	Yen	Yen
1H 2004	12,424	(△15.1)	20.99	-
1H 2003	14,630	(-)	24.72	-
2003	27,712		46.82	-

(Note) ① Investment P/L on Equity Method 1H 2004: 840 M Yen 1H 2003: 852 M Yen 2003: 1,597 M Yen
② Average Number of Issued Shares (Consolidated)
1H 2004: 591,829,304 Shares 1H 2003: 591,865,297 Shares 2003: 591,867,896 Shares
③ Change in Accounting Policies : Yes
④ Percentages shown in Sales Revenue, Operating Income, Ordinary Income and Interim (Annual) Net Income are comparisons with previous accounting period.

(2) Consolidated Financial Overview

	Total Assets	Shareholders' Equity	Net Worth Ratio	Net Worth per Share
	M Yen	M Yen	%	Yen
1H 2004	841,378	226,323	26.9	382.43
1H 2003	869,400	220,529	25.4	372.58
2003	932,586	225,882	24.2	381.66

(Note) Number of Outstanding Shares (Consolidated)
6/30/2004: 591,809,571 Shares 6/30/2003: 591,893,321 Shares 12/31/2003: 591,846,572 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
1H 2004	501	△ 938	186	407
1H 2003	15,649	5,877	△ 22,492	704
2003	50,115	28,909	△ 80,036	658

(4) Scope of Consolidation and Application of Equity Method
Number of Consolidated Subsidiaries: 10
Number of Subsidiary Companies accounted for by Equity Method: -
Number of Affiliated Companies accounted for by Equity Method: 4

(5) Change in Scope of Consolidation and Application of Equity Method
Consolidation: (Addition) - (Exclusion) 1
Equity Method: (Addition) - (Exclusion) -

2. Projected Consolidated Business Performance for 2004 (January 1, 2004 through December 31, 2004)

	Sales Revenue	Ordinary Income	Net Income
	M Yen	M Yen	M Yen
Full Year	2,254,000	40,000	29,000

(Reference) Projected Net Income per Share 49.00 Yen

The forecast is based on the information available at the issued date, and may differ from actual results.
See attached information Ⅲ. Financial results (2) in respect of the forecast above.

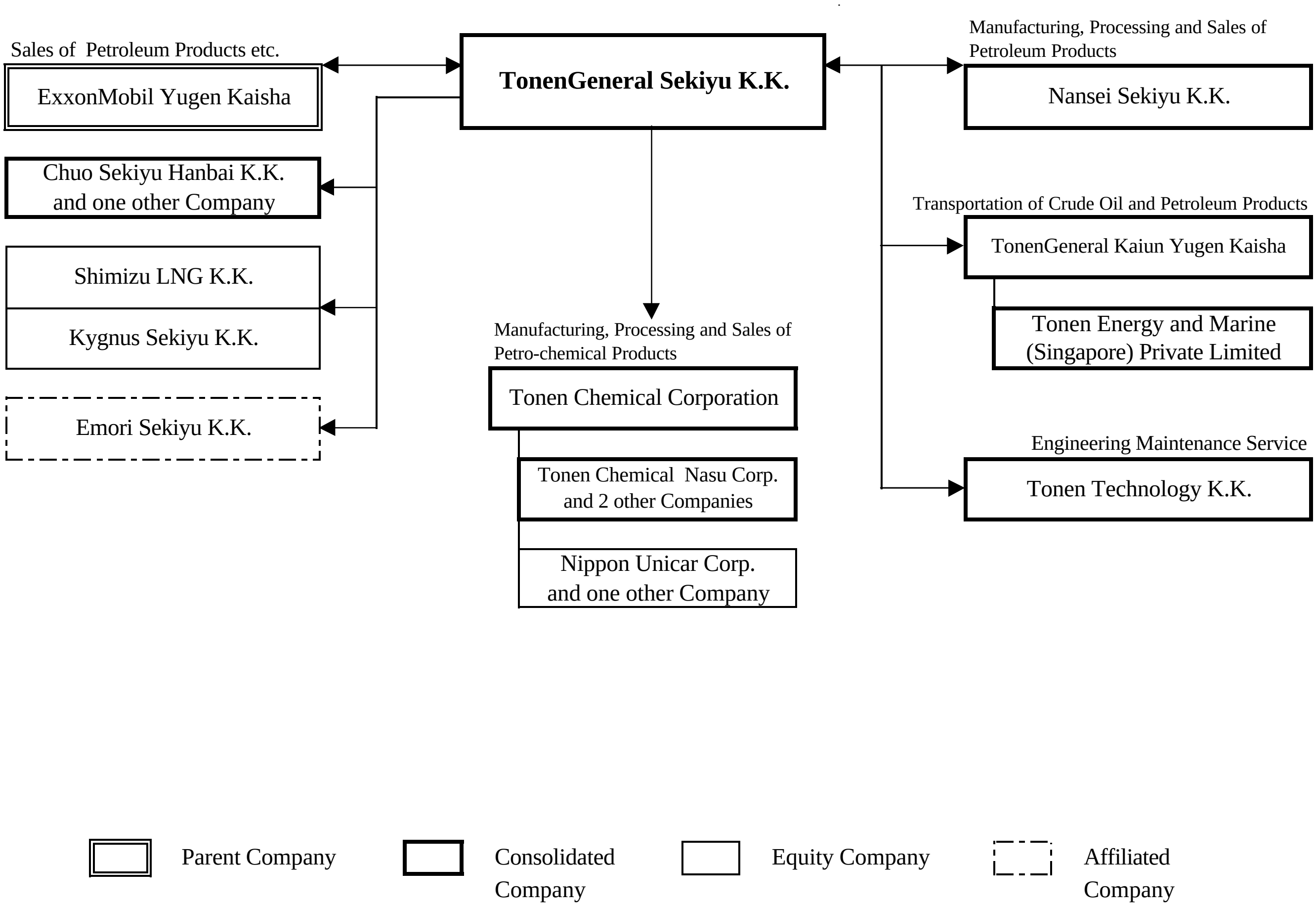
Ⅰ. Profile of Group Companies

Followings show 18 group companies' (The Company, 10 Consolidated Subsidiaries, 4 Equity Companies, 2 Non-consolidated Subsidiaries and Connected Companies and 1 Parent Company) major businesses and position.

Segment	Function	Major Business	Name of Company	Number of Companies
Oil 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 one other company	6
	Refining	Manufacturing, Processing 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	Purchase and Sales of LNG and others	Shimizu LNG K.K. and one other company	2
Chemical Products	Refining & Marketing	Manufacturing, Processing and Sales of Petro-chemical Products	TonenGeneral Sekiyu K.K., Tonen Chemical Corporation, Tonen Chemical Nasu Corp., Nippon Unicar Corp., Tonex Corp. and 2 other companies	7
Others		Engineering Maintenance Service	Tonen Technology K.K.	1

(Note) Tonen Sogo Service Company Limited, a consolidated subsidiary of the company, was liquidated as of June 23, 2004.

Business structure is as follows;



Ⅱ. Corporate Policy

(1) Mission of TonenGeneral

TonenGeneral will help lead Japan into the future by stably providing quality products, as the Japan'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 Goals

Reflecting our slogan, "Power to Drive the 21st Century," TonenGeneral continues its previously announced corporate goals. These are to be among the best in class in "Marketing", "Refining and Supply" in Japan, with cost-competitiveness and technology on par with global standard.

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

(3) 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.

(4) Lowering the Trading Unit

TonenGeneral regards raising liquidity of our stock as an important management issue. However, it is estimated that lowering the trading unit requires considerable cost. Therefore, at present we do not believe that it is necessarily in 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.

(5) Corporate Governance

TonenGeneral expects everyone - directors, officers, employees and suppliers acting on our behalf to maintain the highest ethical standards, in addition to compliance with all applicable laws and regulations. We are also dedicated to running safe and environmentally responsible operations.

TonenGeneral has long established 'Standards of Business Conduct' consisting of various policies applied to the employees, including those related to business ethics, conflicts of interest, antitrust, information control and protection, safety, and health and environmental performance. All employees, directors and officers are subject to the ‘Standards of Business Conduct’. Furthermore, we are to conduct periodic reviews of our business practices to ensure compliance. A formal organization-wide training session “Business Practices Review” is to be conducted during periodic intervals, aiming at bringing about a greater understanding about these standards.

TonenGeneral believes that effective systems for maintaining standards for safety, health, and environmental protection is a key aspect of governance. We have introduced the “Operations Integrity Management System (OIMS)” into all refineries, terminals and service stations, originally developed by Exxonmobil, to ensure safety, health and environmental soundness in all our operations. To strengthen our safety soundness, we conduct yearly internal audits regarding OIMS compliance, by employees who have no direct relationship with audited department. Specialists from overseas Exxonmobil affiliates also audit our refineries or terminals every three years.

Ⅲ. Financial Results

(1) Business Overview

During the first half 2004 (January – June), Dubai crude oil prices on an arrival basis continued to increase from approximately 28 dollars in the January March period to 34 dollars in June 2004. On the other hand, a stronger yen since the second half of 2003 mitigated the dollar increase in crude oil cost. The first half average of crude oil cost in yen terms increased around 1.0 yen per liter from the same period in the previous year. Against the increased crude oil price in the second quarter, the retail pump prices of petroleum products took time moving up to recapture increased cost. As a result, industry product margins in the first half of 2004 decreased by around 1 –2 yen a liter against the same period in 2003.

Industry product margins used here are defined as retail pump prices of petroleum products minus Dubai crude cost in yen terms on an arrival basis. Please note that TonenGeneral accounts for the crude purchases on a loaded basis, whereas most of industry employs an arrival basis. In addition, we employ the LIFO basis of inventory accounting, whereas, much of industry values inventory on an average basis. These differences may distort comparison of margin, etc., with those of other companies in the industry.

[Financial Results by Segment]

1) Petroleum Products

Petroleum products demand for the industry in the first half decreased by 5.3 % over the same period in 2003. Key components were the decrease of kerosene (-6.8%) and FOA (-2.3%) demand, owing to the warmer-than-normal weather, and sharp decrease of Fuel Oil C demand (-22.3%) because of resumption of operation of nuclear power plants in 2004, which had been temporally shut in 2003. Diesel sales were also down by 1.1% over the previous year due to the continued decrease in number of diesel vehicles, a result of transportation industry streamlining and environmental regulation. On the other hand, gasoline marked a steady increase of 1.4% over the previous year.

TonenGeneral group's sales revenue expanded by 19.1 billion yen to 987.0 billion yen, due mainly to the elevated product selling price following the rise in crude oil price, whereas sales volume in major petroleum products decreased by 3.5% versus last year. Operating income decreased by 11.9 billion yen from the previous period to 0.3 billion yen. TonenGeneral applies the LIFO/LOCOM method for inventory evaluation. Operating income includes inventory valuation losses of around 1.8 billion yen, versus 5.3 billion yen of favorable inventory effects in the previous year. These inventory valuation effects do not affect our cash earnings. In addition, this decrease is due to reduced margins and decreased sales volume of petroleum products. Product margins declined in the first half 2004, compared with the same period in the previous year. Increased product costs due to higher crude prices were not fully passed on to the market, especially in May 2004. Decreased product sales volumes mainly associated with the warmer-than-normal weather negatively affected operating income to some extent. On the other hand, Operating costs were reduced by around 4.8 billion yen over the previous year. Included in this reduction were a decline in compensations, and lower pension plan costs.

2) Petrochemical Products

Petrochemical products demand in the first half remained steady, showing 3.5% increase in domestic ethylene production and 0.2% increase in aromatics production against the previous year, respectively.

Our chemical sales revenue stood at 89.3 billion yen, mainly reflecting the rise in unit price of petrochemical products triggered by the increase in naphtha price. Operating income went up by around 8.8 billion yen from last year to 15.7 billion yen. Supported by strong market demand, sales volume and margins for petrochemical products remained high especially in aromatics and olefins.

(2) Earnings Forecast

Our earnings forecasts for the period ending December 2004 are as follows:

Unit: billion yen

	Consolidated	Parent-own
Sales Revenue	2,254.0	2,292.0
Operating Income	38.0	23.0
Ordinary Income	40.0	29.0
Net Income	29.0	24.0

Consolidated operating income for the full year 2004 is projected at 38.0 billion yen. This estimate assumes that inventory valuation effects on profits for the entire year will be zero. Some considerations leading to the forecast include the following assumptions:

- Sales volume is assumed to be slightly lower than the previous forecast.
- Oil product margins are expected to slightly decrease reflecting the current severe market conditions from the previous forecast.
- Higher earnings in chemical sector is assumed.

- Extraordinary income is projected to be higher due mainly to the increase in sales of equities than the previous forecast.

Ⅳ. Financial Position

(1) Cash flows in the first half 2004

Cash and Cash Equivalents were 0.4 billion yen at the end of this semi-annual accounting period. This was 0.2 billion yen decrease from the end of the previous accounting period.

Cash Flows from Operating Activities were positive 0.5 billion yen. Negative factors such as decrease in other accounts payable, which includes gasoline tax payable, and payments for 2003 corporate taxes were slightly lower than positive factors such as decrease in trade accounts payable, before-tax income and depreciation.

In the 1st half of 2004, seven-months' equivalent of gasoline tax, etc. was paid (due to time when due dates fell on the calendar), and the amount of the extra months' payment was 30.8 billion yen. This will reverse in the 2nd half of this year. Excluding this extra month payment of gasoline tax, etc., Cash Flows from Operating Activities were 31.3 billion yen in the 1st half of this year.

Cash Flows from Investing Activities were negative 0.9 billion yen. This negative cash flow was due to larger capital expenditures than sales proceeds from disposal of marketable securities and tangible assets.

Cash Flows from Financing Activities were positive 0.2 billion yen. Cash inflows by increasing short-term and long-term borrowings slightly exceeded cash outflows for dividend payment.

(2) Outlook on cash flows

In Cash Flows from Operating Activities, extra month payment of gasoline tax, etc. during the 1st half of 2004 is expected to reverse in the 2nd half of the year so that 12 months of payments for gasoline tax, etc. will be made during the entire year of 2004.

As resolved today by the board of directors, an 18 yen per share dividend will be paid in September 2004. Total payment amount is about 10.6 billion yen.

The outlook above contains forward-looking statements based on projections and estimates that involve many variables. TonenGeneral operates in an extremely 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 above.

(3) Trend in cash flows

	FY 2002	1st Half 2003	FY 2003	1st Half 2004
Shareholder's Equity Ratio (%) - Book Base	22.5%	25.4%	24.2%	26.9%
Shareholder's Equity Ratio (%) - Market Base	47.9%	57.5%	56.3%	65.8%
Years needed to retire debt (years)	6.4	- (*)	2.1	- (*)
Interest coverage Ratio (times)	24.4	- (*)	50.5	- (*)

(*): Years needed to retire debt and Interest coverage ratio are not shown in interim reporting

* All indicators have been calculated based on consolidated financial data

* Definitions:

Shareholder's Equity Ratio – Book Base: Shareholder's Equity / Total Assets

Shareholder's Equity Ratio – Market Base: Total value of stock at market price / Total Assets

Years needed to retire debt: Interest-bearing debt / Operating Cash Flows

Interest coverage ratio: Operating Cash Flows / Interest paid

* Operating cash flows is the cash flow from operations shown in the Consolidated Statement of Cash Flows

* Interest-bearing debt is actual interest-bearing debt, defined as S/T borrowings, Commercial Paper and L/T Debt on the Consolidated Balance Sheet. Interest Paid is the amount shown in the Consolidated Statement of Cash Flows.

Ⅴ. Interim Consolidated Financial Statements

Interim Consolidated Balance Sheet

(Unit: Million Yen)

Account Title	June 30, 2003	June 30, 2004	December 31, 2003	Dec. 31, 2003 vs Jun. 30, 2004
Asset	869,400	841,378	932,586	△ 91,207
Current Assets	539,111	531,151	610,649	△ 79,497
Cash and Cash Equivalents	704	407	658	△ 251
Notes and Accounts Receivable	316,598	334,828	418,655	△ 83,827
Inventories	181,326	174,220	169,111	5,109
Deferred Tax Assets	5,317	3,984	6,964	△ 2,980
Short-term Loan sReceivable	25,874	5,591	4,893	697
Others	10,180	13,096	11,371	1,725
Bad Debt Allowance	△ 889	△ 977	△ 1,006	28
Long-term Assets	330,288	310,227	321,936	△ 11,709
Property,Plant and Equipment	264,927	253,525	257,651	△ 4,125
Buildings, Structures and Tanks	77,188	70,378	72,118	△ 1,740
Machinery and Equipment	66,848	67,653	70,432	△ 2,779
Land	105,499	101,153	103,435	△ 2,282
Others	15,391	14,340	11,663	2,676
Intangible Assets	7,322	6,044	6,764	△ 720
Investments and Other Assets	58,038	50,657	57,521	△ 6,864
Investment in Securities	27,087	22,943	31,851	△ 8,908
Long-term Loans Receivable	2,849	2,132	2,705	△ 573
Deferred Tax Assets	9,024	5,361	4,736	624
Others	20,901	21,925	19,487	2,438
Bad Debt Allowance	△ 1,823	△ 1,706	△ 1,259	△ 446
Total Assets	869,400	841,378	932,586	△ 91,207

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

Interim Consolidated Balance Sheet(Continued)

(Unit: Million Yen)

Account Title	June 30, 2003	June 30, 2004	December 31, 2003	Dec. 31, 2003 vs Jun. 30, 2004
Liabilities	647,887	614,133	705,788	△ 91,654
Current Liabilities	553,951	522,907	615,401	△ 92,494
Trade Accounts Payable	186,742	207,486	213,943	△ 6,457
Gasoline Tax etc., Payable	162,885	159,225	232,492	△ 73,266
Short-term Loans	135,943	97,781	90,194	7,586
Accrued Income Tax	8,030	3,267	15,411	△ 12,143
Accrued Consumption Tax	9,540	8,363	10,336	△ 1,973
Guarantee Deposits Payable	11,653	11,850	11,697	152
Reserve for Bonus	1,618	1,603	1,580	22
Others	37,536	33,328	39,744	△ 6,415
Long-term Liabilities	93,935	91,226	90,386	839
Long-term Debt	15,860	17,671	14,384	3,287
Deferred Income Tax Liabilities	-	6	-	6
Reserve for Accrued Pension Costs	54,251	53,252	53,295	△ 43
Reserve for Officers' Retirement Allowance	441	292	382	△ 90
Reserve for Repairs	13,518	13,042	14,123	△ 1,080
Reserve for Offshore Well Abandonment	1,562	1,608	1,608	-
Consolidation Adjustment Account	381	-	-	-
Others	7,920	5,353	6,593	△ 1,239
Minority Interests	983	921	915	6
Shareholders' Equity	220,529	226,323	225,882	441
Common Stock	35,123	35,123	35,123	-
Capital Surplus	20,741	20,747	20,741	5
Retained Earnings	163,700	167,902	166,131	1,771
Unrealized Holding Gains on Securities	1,491	3,157	4,454	△ 1,296
Foreign Currency Translation Adjustments	△ 12	△ 10	△ 10	0
Treasury Stock	△ 515	△ 597	△ 558	△ 39
Total Liabilities, Minority Interests and Shareholders' Equity	869,400	841,378	932,586	△ 91,207

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

Consolidated③

Interim Consolidated Statement of Income

(Unit: Million Yen)

		Account Title	1H 2003 (January 1, 2003 ～ June 30, 2003)	1H 2004 (January 1, 2004 ～ June 30, 2004)	1H 2003 vs 1H 2004	2003 (January 1, 2003 ～ December 31, 2003)
Ordinary P/L	Operating P/L	Sales Revenue	1,049,387	1,077,347	27,960	2,135,289
		Cost of Sales	1,006,096	1,038,477	32,381	2,050,573
		Gross Margin	43,290	38,869	△ 4,420	84,715
		Selling, General and Administrative Expenses	24,023	22,759	△ 1,264	50,723
		Operating Income	19,266	16,109	△ 3,156	33,992
	Non-Operating P/L	Non-Operating Income				
		Interest Income	254	89	△ 164	409
		Dividends Received	90	122	32	137
		Foreign Exchange Gain	389	1,033	644	2,253
		Consolidation Adjustment Account	572	-	△ 572	954
		Equity in Earnings of Affiliates	852	840	△ 11	1,597
		Others	261	254	△ 6	532
		Total Non-Operating Income	2,419	2,340	△ 78	5,884
		Non-Operating Expenses				
		Interest Expenses	508	371	△ 137	935
		Loss on Sales and Disposal of Supplies	17	87	69	31
		Others	185	263	77	523
		Total Non-Operating Expense	712	722	9	1,490
		Ordinary Income	20,973	17,728	△ 3,245	38,386
Extraordinary P/L		Extraordinary Gain				
		Gain on Sales of Investment Securities	4,182	2,757	△ 1,424	4,322
		Gain on Sales of Property, Plant and Equipment	1,774	648	△ 1,126	9,366
		Gain on Sales of Technical License	660	-	△ 660	669
		Gain on Reversal of Reserve for Offshore Well Abandonment	259	-	△ 259	259
		Gain on Reversal of Bad Debt Allowance	37	-	△ 37	37
		Others	58	51	△ 7	69
		Total Extraordinary Gain	6,972	3,457	△ 3,515	14,725
		Extraordinary Loss				
		Loss on Sales and Disposal of Property, Plant and Equipment	271	1,020	749	3,383
		Loss on Retirement Allowance Expense for Transferred Employment	3,698	-	△ 3,698	3,699
		Evaluation Loss on Investment Securities	128	-	△ 128	126
		Others	21	18	△ 2	372
		Total Extraordinary Loss	4,119	1,039	△ 3,080	7,581
		Interim (Annual) Income Before Income Taxes	23,826	20,146	△ 3,679	45,529
		Current Income Taxes	8,550	4,402	△ 4,147	17,073
		Deferred Income Tax	633	3,312	2,679	778
		Minority Interests	11	6	△ 5	△ 35
		Interim (Annual) Net Income	14,630	12,424	△ 2,205	27,712

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

Interim Consolidated Statement of Retained Earnings

(Unit: Million Yen)

Description	1H 2003 January 1, 2003 through June 30, 2003		1H 2004 January 1, 2004 through June 30, 2004		2003 January 1, 2003 through December 31,2003	
Additional Paid -in Capital						
Ⅰ Outstanding Balance at the Beginning of the Period		20,741		20,741		20,741
Ⅱ Increase in Consolidated Additional Paid -in Capital						
Gain on Disposal of Treasury Stock	—	—	5	5	—	—
Ⅲ Outstanding Balance at the End of the Period		20,741		20,747		20,741
Retained Earnings						
Ⅰ Outstanding Balance at the Beginning of the Period		159,727		166,131		159,727
Ⅱ Increase in Consolidated Retained Earnings						
Interim(Annual) Net Income	14,630	14,630	12,424	12,424	27,712	27,712
Ⅲ Decrease in Consolidated Retained Earnings						
Cash Dividends Declared	10,653		10,653		21,307	
Loss on Disposal of Treasury Stock	3	10,656	—	10,653	0	21,308
Ⅳ Outstanding Balance at the End of the Period		163,700		167,902		166,131

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

Consolidated⑤

Interim Consolidated Statement of Cash Flows

(Unit: Million Yen)

Title	1H 2003 (Jan. 1, 2003 〜 Jun. 30, 2003) Amounts	1H 2004 (Jan. 1, 2004 〜 Jun. 30, 2004) Amounts	2003 (Jan. 1, 2003 〜 Dec. 31, 2003) Amounts
Ⅰ.Cash Flows from Operating Activities			
Interim(Annual) Net Income before Income Taxes	23,826	20,146	45,529
Depreciation and Amortization	10,307	10,061	21,673
Decrease(△Increase) in Trade Accounts Receivable	107,447	83,827	5,212
Decrease(△Increase) in Inventories	△ 26,611	△ 5,109	△ 14,547
Increase(△Decrease) in Trade Accounts Payable	△ 28,746	△ 6,457	△ 1,518
Increase（△Decrease）in Other Accounts Payable	△ 68,537	△ 83,905	9,041
Others	2,424	△ 1,176	△ 4,656
Sub-Total	20,111	17,386	60,735
Interest and Dividend Income Received	426	202	610
Interest Paid	△ 558	△ 389	△ 992
Payments for Additional Allowance for Early Retirement	△ 2,291	△ 4	△ 6,475
Income Taxes Paid	△ 2,038	△ 16,693	△ 3,761
Net Cash Provided by Operating Activities	15,649	501	50,115
Ⅱ.Cash Flows from Investing Activities			
Payments for Additions to Property, Plant and Equipment	△ 8,321	△ 7,656	△ 19,558
Proceeds from Sales of Property, Plant and Equipment	2,089	1,355	14,531
Payments for Additions to Intangible Assets	△ 1,340	△ 162	△ 1,180
Proceeds from Sales of Investment Securities	10,467	6,039	10,949
Decrease(△Increase) in Short-term Loans Receivable	△ 293	△ 856	20,644
Payments for Long-term Loans Receivable	△ 9	△ 47	△ 12
Collection of Long-term Loans Receivable	3,198	383	3,387
Others	88	5	150
Net Cash Provided(△Used) in Investing Activities	5,877	△ 938	28,909
Ⅲ.Cash Flows from Financing Activities			
Increase（△Decrease）in Short-term Borrowings	3	7,590	△ 22,678
Increase(△Decrease) in Commercial Paper	△ 10,000	-	△ 10,000
Increase（△Decrease）in Long-term Debt	△ 1,873	3,283	△ 26,018
Payments for Repurchase of Treasury Stock	△ 47	△ 85	△ 127
Proceeds from Sales of Treasry Stock	77	51	116
Cash Dividends Paid	△ 10,653	△ 10,653	△ 21,307
Payment to Minority Interests Due to Capital Reduction	-	-	△ 21
Net Cash Used in Financing Activities	△ 22,492	186	△ 80,036
Ⅳ.Decrease in Cash and Cash Equivalents	△ 965	△ 251	△ 1,011
Ⅴ.Cash and Cash Equivalents at the Beginning of the Period	1,670	658	1,670
Ⅵ.Cash and Cash Equivalents at the End of the Period	704	407	658

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

Notes to the Interim Consolidated Financial Statements

1. Scope of Consolidation

- Consolidated Subsidiaries: 10 Companies, see "I. Profile of Companies Group"

- Subsidiaries eliminated from Consolidation during the period: 1 Company
  Tonen Sogo Service Company Limited

- Non-consolidated Subsidiaries: 1 Company
  Kyushu Eagle K.K.

2. Application of Equity Method

- Affiliates Accounted for by the Equity Method: 4 Companies, see "I. Profile of Companies Group"

- Non-equity Method Companies :
  Non-consolidated Subsidiaries : 1 company
  Affiliates : 1 company
  Eliminated during the period: 2 companies
  Toko Sekiyu K.K., Toyoshina Film Co.,LTD.

3. Closing Date of Consolidated Subsidiaries

The closing dates of consolidated subsidiaries are the same dates as that of TonenGeneral Sekiyu K.K..

4. Summary of Significant Accounting Procedures

(1) Evaluation Methods for Important Assets

① Securities
- Other securities
  ･Marketable: Market Value at the Closing Date
  ･Non-marketable: Moving Average Method

② Derivative Transactions, etc.: Market Value at the Closing Date

③ Inventories
- Goods, Products, Unfinished Products, Raw Materials and Crude: generally LIFO at the Lower of Cost or Market
- Supplies: Moving Average Method

Change in Accounting Policies〉

Starting with this accounting period, Tonen Chemical Corporation (TCC) and Tonen Chemical Nasu Corporation, subsidiaries of TonenGeneral Sekiyu K.K., changed their evaluation method of products, semi products and raw materials from the gross average method at the lower of cost or market (LOCOM) to the LIFO method at LOCOM. This change is intended to align the companies' accounting policies with those of their parent company, in preparation for TCC's introduction of the same inventory management systems as those of its parent company. As a result, the inventory value for the petrochemical segment decreased by 150 million yen as compared with that using the old method, and both its Ordinary Income and interim Income Before Taxes decreased by the same amount.

(2) Depreciation and Amortization of Fixed Assets

- Property, Plant and Equipment: Generally the Declining Balance Method excluding one consolidated subsidiary
  In addition, 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

Change in Accounting Policies〉

Starting with this accounting period, TCC changed its depreciation method for plant, property and equipment from the straight line method to the declining balance method. This change is intended to align the company's accounting policies with its parent company, in preparation for introduction of the same fixed asset management systems as that of its parent company. As a result, the value of plant, property and equipment for the petrochemical segment decreased by 193 million yen as compared with that using the old method, and both its Ordinary Income and interim Income Before Taxes decreased by the same amount.

- Intangible Assets: Straight Line Method
  In-house computer software is amortized over its service life (5〜15years) using the straight line method.

(3) Accounting Standards for Major Reserves

- Bad Debt Allowance
  To provide for losses due to bad debt, TG and consolidated subsidiaries accrue an estimated bad debt allowance on ordinary receivables based on the experienced bad debt ratio; and on highly doubtful receivables based on the financial position of individual customers.

- Reserve for Bonus
  To provide for the payment of employees bonus, TG and consolidated subsidiaries accrue an estimated reserve for the interim accounting period.

- Reserve for Accrued Pension Costs
  To provide for the payment of employees' post-retirement benefits, TG and consolidated subsidiaries accrue an estimated reserve based on the projected benefit obligation and estimated pension plan assets at closing date.
  Any differences in cost caused by the actuarial calculation of retirement benefits are amortized starting from next accounting period using the declining balance method over a period which is within the average employees' remaining service years (12 years). Prior service obligations are amortized using the straight line method over the average employees' remaining service years (15.5 years).

- Reserve for Officers Retirement Allowance
  To provide for the payment of officers' post-retirement allowance, TG and consolidated subsidiaries accrue an estimated amount of lump sum retirement allowance, on the basis that officers retire at the closing date.

- Reserve for Repairs
  TG and two 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 turnaround repair expenses relating to machinery and equipment based on actual payments and repair plans.

- Reserve for Offshore Well Abandonment
  In recognition of expenses required for offshore well abandonment when natural liquid gas production is terminated, TG 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 closing date and any difference of exchange rate is reflected into Income.

(5) Accounting for Finance Lease Transactions

Finance lease transactions without transfer of ownership of leased items to lessee are treated using the same accounting method as ordinary lease transactions.

(6) Other

The Income Statement does not include any consumption tax transactions.

5. Scope of Cash and Cash Equivalents in the consolidated cash flow statement

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

Other Notes

1. Interim Consolidated Balance Sheet

	As of June 30, 2003	As of June 30, 2004	As of December 31, 2003
(1) Accumulated Depreciation of Property, Plant and Equipment	727,587 M Yen	726,739 M Yen	718,797 M Yen
(2) Contingent Liabilities	7,135 M Yen	4,962 M Yen	5,777 M Yen
(3) Number of Shares Issued: Common Stock	592,543,018 Shares	592,543,018 Shares	592,543,018 Shares
(4) Treasury Stock Number of Shares	649,697 Shares	733,447 Shares	696,446 Shares
Amount	515 M Yen	597 M Yen	558 M Yen

(5) By way of loan participations, the total principal amount of loans receivable sold by a consolidated subsidiary to third parties recorded in accordance with Report No.3 of The Accounting Institution Committee of The Japanese Institute of Certified Public Accountants, issued on June 1, 1995.

196,035 M Yen	165,456 M Yen	210,449 M Yen

2. Interim Consolidated Statement of Cash Flows Related Information

Cash and Cash Equivalents at the Closing Dates and some Accounts on the Balance Sheet

	As of June 30, 2003	As of June 30, 2004	As of December 31, 2003
Cash on Hand and in Banks	704 M Yen	407 M Yen	658 M Yen
Cash and Cash Equivalents	704	407	658

3. Lease Transactions

Finance Leases without Transfer of Ownership of Leased Items to Lessee

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

	As of June 30,2003	As of June 30,2004	As of Dec. 31,2003
Acquisition Equivalent Amount	786 M Yen	799 M Yen	586 M Yen
Accumulated Depreciation Equivalent Amount	624 M Yen	398 M Yen	502 M Yen
Outstanding Balance	162 M Yen	401 M Yen	84 M 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 comparing with the total amount of property, plant and equipment.

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

	As of June 30,2003	As of June 30,2004	As of Dec. 31,2003
Due within One Year	133 M Yen	188 M Yen	57 M Yen
Due over One Year	29 M Yen	212 M Yen	26 M Yen
Total	162 M Yen	401 M Yen	84 M Yen

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

(3) Lease Fees Paid and Depreciation Equivalent Expenses

	1H 2003	1H 2004	2003
Lease Fees Paid	80 M Yen	71 M Yen	150 M Yen
Depreciation Expense Equivalent	80 M Yen	71 M Yen	150 M Yen

(4) Calculation Method for Depreciation

Straight Line Method with No Residual Value

4. Securities

Consolidated ⑩

Previous Interim Accounting Period (as of June 30, 2003)

1. Other Securities with Market Value

(Unit: Million Yen)

	Purchase Price	Book Value	Gain/Loss
Stocks	2,368	4,683	2,315

2. Breakdown of Non-marketable Securities

(Unit: Million Yen)

	Amount in Balance Sheet	Note
Securities		
Non-listed Stocks	22,403	
(excluding Over-the-counter Stocks)		
Investment Securities	15	

Current Interim Accounting Period (as of June 30, 2004)

1. Other Securities with Market Value

(Unit: Million Yen)

	Purchase Price	Book Value	Gain/Loss
Stocks	1,840	6,667	4,826

2. Breakdown of Non-marketable Securities

(Unit: Million Yen)

	Amount in Balance Sheet	Note
Securities		
Non-listed Stocks	16,276	
(excluding Over-the-counter Stocks)		
Investment Securities	5	

2003 (January 1, 2003~ December 31, 2003)

1. Other Securities with Market Value

(Unit: Million Yen)

	Purchase Price	Book Value	Gain/Loss
Stocks	2,372	9,648	7,275

2. Breakdown of Non-marketable Securities

(Unit: Million Yen)

	Amount in Balance Sheet	Note
Securities		
Non-listed Stocks	22,203	
(excluding Over-the-counter Stocks)		
Investment Securities	5	

5． Derivative Transactions

Previous Interim Accounting Period (as of June 30, 2003)

Contract Amount etc., Market Value and Unrealized Gain or Loss on Derivative Transactions

(Unit: Million Yen)

Subject of Deal	Type of Instrument	Contract Amount	Market Value	Unrealized G/L
Currency	Foreign Exchange Forwards	51,554	51,023	△ 531

(Note) Calculation Method for Market Value : Market Value is calculated based on current market price

This Interim Accounting Period (as of June 30, 2004)

Contract Amount etc., Market Value and Unrealized Gain or Loss on Derivative Transactions

(Unit: Million Yen)

Subject of Deal	Type of Instrument	Contract Amount	Market Value	Unrealized G/L
Currency	Foreign Exchange Forwards	63,838	63,480	△ 357

(Note) Calculation Method for Market Value : Market Value is calculated based on current market price

Previous Accounting Period (as of December 31, 2003)

Contract Amount etc., Market Value and Unrealized Gain or Loss on Derivative Transactions

(Unit: Million Yen)

Subject of Deal	Type of Instrument	Contract Amount	Market Value	Unrealized G/L
Currency	Foreign Exchange Forwards	48,719	48,604	△ 115

(Note) Calculation Method for Market Value : Market Value is calculated based on current market price

6. Segment Information

1. Segment Information by Business Lines

1H 2003 (January 1, 2003 through June 30, 2003)

(Unit: Million Yen)

	Oil	Chemicals	Others	Total	Elimination	Consolidated
Net Sales and Operating Income						
(1)Sales Revenue to Third Parties	967,990	80,408	987	1,049,387	-	1,049,387
(2)Internal Transactions	190,623	13,116	812	204,552	△ 204,552	-
Total	1,158,614	93,525	1,799	1,253,939	△ 204,552	1,049,387
Operating Expenses	1,146,367	86,609	1,819	1,234,796	△ 204,675	1,030,120
Operating Income (△Loss)	12,246	6,916	△ 19	19,143	123	19,266

(Note) 1. The classification of business lines has been based on the internal control procedure the company has adopted.
2. The classification of business lines and major products which belongs to each business lines:
(1) Oil : Gasoline, Naphtha, Jet Fuel, Kerosene, Diesel Fuel, Heavy Fuel, Lubricants, LPG, etc.
(2) Chemicals: Ethylene, Propylene, Benzene, Toluene, Paraxylene, etc.
(3) Others: Real Estate Management, Engineering, Maintenance Service, etc.

1H 2004 (January 1, 2004 through June 30, 2004)

(Unit: Million Yen)

	Oil	Chemicals	Others	Total	Elimination	Consolidated
Net Sales and Operating Income						
(1)Sales Revenue to Third Parties	987,044	89,283	1,020	1,077,347	-	1,077,347
(2)Internal Transactions	183,585	11,478	775	195,839	△ 195,839	-
Total	1,170,630	100,761	1,795	1,273,187	△ 195,839	1,077,347
Operating Expenses	1,170,289	85,026	1,875	1,257,191	△ 195,954	1,061,237
Operating Income (△Loss)	340	15,735	△ 80	15,995	114	16,109

(Note)1. The classification of business lines has been based on the internal control procedure the company has adopted.
2. The classification of business lines and major products which belongs to each business lines:
(1) Oil : Gasoline, Naphtha, Jet Fuel, Kerosene, Diesel Fuel, Heavy Fuel, Lubricants, LPG, etc.
(2) Chemicals: Ethylene, Propylene, Benzene, Toluene, Paraxylene, etc.
(3) Others: Real Estate Management, Engineering, Maintenance Service, etc.
3. Change in Accounting Policies
(1) Starting with this accounting period, Tonen Chemical Corporation (TCC) and Tonen Chemical Nasu Corporation, subsidiaries of TonenGeneral Sekiyu K.K., changed their evaluation method of products, semi products and raw materials from the gross average method at the lower of cost or market (LOCOM) to the LIFO method at LOCOM. This change is intended to align the companies' accounting policies with those of their parent company, in preparation for TCC's introduction of the same inventory management systems as those of its parent company. As a result, the Operating Expenses for the petrochemical segment increased by 150 million yen as compared with that using the old method, and its Operating Income decreased by the same amount.

(2) Starting with this accounting period, TCC changed its depreciation method for plant, property and equipment from the straight line method to the declining balance method. This change is intended to align the company's accounting policies with its parent company, in preparation for introduction of the same fixed asset management systems as that of its parent company. As a result, the Operating Expenses for the petrochemical segment increased by 193 million yen as compared with that using the old method, and its Operating Income decreased by the same amount.

2003 (January 1, 2003 through December 31, 2003)

(Unit: Million Yen)

	Oil	Chemicals	Others	Total	Elimination	Consolidated
Sales Revenue						
(1)Sales Revenue to Third Parties	1,975,199	158,101	1,987	2,135,289	-	2,135,289
(2)Internal Transactions	343,610	24,438	2,008	370,057	△ 370,057	-
Total	2,318,810	182,540	3,995	2,505,347	△ 370,057	2,135,289
Cost of Goods Sold and Operating Expenses	2,305,230	162,390	4,000	2,471,622	△ 370,325	2,101,297
Operating Income (△Loss)	13,579	20,149	△ 4	33,724	267	33,992

(Note) 1. The classification of business lines has been based on the internal control procedure the company has adopted.
2. The classification of business lines and major products which belongs to each business lines:
(1) Oil : Gasoline, Naphtha, Jet Fuel, Kerosene, Diesel Fuel, Heavy Fuel, Lubricants, LPG, etc.
(2) Chemicals: Ethylene, Propylene, Benzene, Toluene, Paraxylene, etc.
(3) Others: Real Estate Management, Engineering, Maintenance Service, etc.

2. Segment Information by Geographic Area

This information is omitted, since sales revenue and assets in the domestic market comprise over 90% of total sales revenue and total Assets, respectively, in current and previous consolidated periods.

3. Overseas Sales

This information is omitted, since overseas sales revenue is less than 10% of total sales revenue in current and previous consolidated periods.

Ⅵ. Productions, Consignments and Sales

1. Actual production volume

Business segment	1H 2004 (January 1, 2004 ~ June 30, 2004)	Comparison % with Previous Period	Major Products
Oil Products	(Kilo KL) 16,174	△ 8.66	Gasoline, Naphtha, Kerosene, Diesel Fuel, LPG , etc.
Petro-chemical Products	(Kilo Ton) 1,349	2.32	Ethylene, Propylene, etc.

(Note) The volume shown above is the total volume produced by the consolidated refining companies.

2. Actual Consignment Volume for a third party

No consolidated companies received an order of consignment from a third party in this interim accounting period.

3. Actual sales amounts

(Unit: Millions of Yen)

Business Segment	1H 2004 (January 1, 2004 ~ June 30, 2004)	Comparison with Previous Period (%)	Major Products
Oil Products	987,044	1.97	Gasoline, Naphtha, Kerosene, Diesel Fuel, LPG , etc.
Petro-chemical Products	89,283	11.04	Ethylene, Propylene, etc.
Others	1,020	3.34	Maintenance Service, etc.
Total	1,077,347	2.66	

(Note)(1) Actual Sales Amount to Major Customer.

(Unit:Millions of Yen)

Customer Name	1H 2004 (January 1, 2004 ~ June 30, 2004)	Comparison with Previous Period (%)	Percentage of Total Sales Amount	Major Products
ExxonMobil Y.K.	596,595	8.78	55.38%	Gasoline, Kerosene, Diesel Fuel, LPG , etc.

(2) No consumption tax is included in the above amounts.
(3) The above actual sales volume shows sales amount to each customer.