

# The summary of 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 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 : Management Support Manager

Name : T.Uchimura Telephone : (03) 5425-9000

Date of Board meeting for Interim Closing: August 23, 2004

Interim Dividend Plan : Yes

Starting Date of Payment of Interim Dividend: September 24, 2004

Share Unit Method : Yes  
(One Unit = 1,000 Shares)

## 1. Business Performance for 1st Half 2004 (January 1, 2004 through June 30, 2004)

### (1) 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	1,094,697	( 2.0)	8,352	( 48.7)	15,661	( 23.0)
1H 2003	1,073,487	( 23.3)	16,264	( - )	20,345	( - )
2003	2,170,613		27,170		32,742	

	Interim (Annual) Net Income		Interim (Annual) Net Income per Share
	M Yen	%	Yen
1H 2004	13,457	( 5.9)	22.74
1H 2003	14,293	( - )	24.15
2003	23,913		40.40

(Note) Average Number of Issued Shares  
 2004 1H: 591,829,304 Shares      2003 1H: 591,865,297 Shares      2003: 591,867,896 Shares  
 Change in Accounting Policies: No  
 Percentages shown in Sales Revenue, Operating Income, Ordinary Income and Interim (Annual) Net Income are the comparisons with previous accounting period.

### (2) Dividends

	Interim Dividend Declared per Share	Annual Dividend Declared per Share
	Yen	Yen
1H 2004	18.00	-
1H 2003	18.00	-
2003	-	36.00

### (3) Financial Overview

	Total Assets	Shareholders' Equity	Net Worth Ratio	Net Worth per Share
	M Yen	M Yen	%	Yen
1H 2004	781,097	178,566	22.9	301.73
1H 2003	781,348	175,783	22.5	296.99
2003	870,873	177,112	20.3	299.25

(Note) Number of Outstanding Shares  
 6/30/2004: 591,809,571 Shares      6/30/2003: 591,893,321 Shares      12/31/2003: 591,846,572 Shares  
 Number of Treasury Stocks  
 6/30/2004: 733,447 Shares      6/30/2003: 649,697 Shares      12/31/2003: 696,446 Shares

## 2. Projected Earnings for Full Year 2004 (January 1, 2004 ~ December 31, 2004)

	Sales Revenue	Ordinary Income	Net Income	Annual Dividend per Share	
	M Yen	M Yen	M Yen	Year-end Yen	Yen
Full Year	2,292,000	29,000	24,000	18.00	36.00

(Reference) Projected Net Income per Share 40.55 Yen

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

## Interim Balance Sheet

(Unit: Million Yen)

Account Titles	As of June 30, 2003	As of June 30, 2004	As of December 31, 2003	June 30, 2004 vs. December 31, 2003
<b>Assets</b>	<b>781,348</b>	<b>781,097</b>	<b>870,873</b>	<b>89,776</b>
<b>Current Assets</b>	<b>500,720</b>	<b>516,318</b>	<b>598,562</b>	<b>82,243</b>
Cash and Cash Equivalents	298	258	223	35
Notes and Account Receivable	309,336	321,533	409,132	87,598
Inventories	163,768	157,980	152,912	5,067
Deferred Tax Assets	2,428	2,544	4,611	2,067
Short-Term Loans Receivable	17,048	22,714	23,052	338
Other Accounts Receivable	4,918	7,488	6,185	1,302
Others	3,801	4,776	3,441	1,334
Bad Debt Allowance	879	977	996	19
<b>Long Term Assets</b>	<b>280,627</b>	<b>264,778</b>	<b>272,311</b>	<b>7,532</b>
<b>Property, Plant and Equipment</b>	<b>224,695</b>	<b>213,006</b>	<b>216,724</b>	<b>3,718</b>
Buildings, Structures & Tanks	68,010	61,278	63,301	2,022
Machinery and Equipment	53,410	53,089	56,861	3,772
Land	90,319	85,718	88,004	2,286
Others	12,954	12,919	8,556	4,362
<b>Intangible Assets</b>	<b>6,829</b>	<b>5,650</b>	<b>6,338</b>	<b>688</b>
<b>Investments and Other Assets</b>	<b>49,102</b>	<b>46,122</b>	<b>49,248</b>	<b>3,126</b>
Investment in Securities	9,442	8,146	13,188	5,041
Stock of Subsidiaries	14,652	14,452	14,466	13
Unit of Subsidiaries	967	967	967	-
Long-Term Loans Receivable	2,677	1,997	2,559	561
Deferred Tax Assets	7,080	5,331	4,487	843
Others	15,772	16,785	15,140	1,645
Bad Debt Allowance	1,489	1,559	1,560	1
<b>Total Assets</b>	<b>781,348</b>	<b>781,097</b>	<b>870,873</b>	<b>89,776</b>

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

## Interim Balance Sheet (Continued)

(Unit: Million Yen)

Account Titles	As of June 30, 2003	As of June 30, 2004	As of December 31, 2003	June 30, 2004 vs. December 31, 2003
<b>Liabilities</b>	<b>605,564</b>	<b>602,530</b>	<b>693,761</b>	<b>91,230</b>
<b>Current Liabilities</b>	<b>523,307</b>	<b>519,886</b>	<b>611,647</b>	<b>91,761</b>
Trade Accounts Payable	195,356	222,180	228,244	6,064
Gasoline Tax etc., Payable	154,874	150,726	222,345	71,618
Short-Term Loans	114,470	97,269	91,593	5,676
Other Accounts Payable	11,277	8,397	14,537	6,139
Accrued Income Tax	7,608	1,394	15,150	13,755
Accrued Consumption Taxes	9,207	7,841	9,794	1,953
Guarantee Deposits Payable	11,648	11,840	11,687	152
Reserve for Bonus	1,274	1,267	1,258	9
Others	17,590	18,967	17,035	1,932
<b>Long Term Liabilities</b>	<b>82,256</b>	<b>82,644</b>	<b>82,113</b>	<b>530</b>
Long-Term Debt	15,860	16,819	14,384	2,435
Reserve for Accrued Pension Costs	46,167	47,852	47,960	108
Reserve for Officers' Retirement Allowance	219	225	221	4
Reserve for Repairs	12,449	11,708	12,789	1,081
Reserve for Offshore Well Abandonment	1,562	1,608	1,608	-
Others	5,996	4,431	5,150	718
<b>Shareholders' Equity</b>	<b>175,783</b>	<b>178,566</b>	<b>177,112</b>	<b>1,454</b>
Common Stock	35,123	35,123	35,123	-
Additional Paid-in Capital	20,741	20,747	20,741	5
Legal Capital Surplus	20,741	20,741	20,741	-
Other Legal Capital Surplus	1	5	-	5
Retained Earnings	120,212	121,985	119,181	2,804
Legal Earned Reserve	8,780	8,780	8,780	-
Voluntary Reserves	21,888	24,352	21,888	2,463
Unappropriated Retained Earnings	89,542	88,852	88,511	340
Unrealized Holding Gains on Securities	221	1,308	2,624	1,315
Treasury Stock	515	597	558	39
<b>Total Liabilities and Shareholders' Equity</b>	<b>781,348</b>	<b>781,097</b>	<b>870,873</b>	<b>89,776</b>

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

## Interim Statement of Income

(Unit: Million Yen)

Account Titles		1st Half 2003 (January 2003 ~ June 2003)	1st Half 2004 (January 2004 ~ June 2004)	1st Half 2004 vs. 1st Half 2003	Full Year 2003 (January 2003 ~ December 2003)	
Ordinary P/L	Operating P/L	Sales Revenue	1,073,487	1,094,697	21,210	2,170,613
		Cost of Sales	1,038,904	1,069,146	30,241	2,104,237
		Gross Margin	34,582	25,551	9,030	66,375
		Selling, General and Administrative Expenses	18,317	17,198	1,118	39,205
	Operating Income	16,264	8,352	7,912	27,170	
	Non-Operating P/L	Non-Operating Income				
		Interest Income	270	221	49	487
		Dividends Received	3,941	6,545	2,604	3,943
		Foreign Exchange Gain	334	1,026	691	2,070
		Others	23	12	11	31
Total Non-Operating Income		4,570	7,805	3,235	6,532	
Non-Operating Expenses	Interest Expenses	469	352	116	852	
	Others	20	144	124	106	
	Total Non-Operating Expenses	489	497	7	959	
Ordinary Income		20,345	15,661	4,684	32,742	
Extraordinary P/L	Extraordinary Gain					
	Gain on Sales of Investment Securities	993	2,701	1,708	1,067	
	Gain on Sales of Property, Plant and Equipment	1,114	646	468	8,231	
	Gain on Sales of Technical License	310	-	310	319	
	Gain on Reversal of Reserve for Offshore Well Abandonment	259	-	259	259	
	Gain on Liquidation of Subsidiary Company	-	-	-	173	
	Total Extraordinary Gain	2,677	3,348	670	10,049	
	Extraordinary Loss					
	Loss on Sales and Disposal of Property, Plant and Equipment	436	949	513	3,605	
	Evaluation Loss on Stock of Subsidiary Company	227	-	227	332	
Evaluation Loss on Investment Securities and Other Assets	127	-	127	126		
Loss on Sales of Investment Securities	-	-	-	137		
Total Extraordinary Loss	791	949	158	4,201		
Interim (Annual) Income Before Income Taxes		22,232	18,059	4,172	38,590	
Current Income Taxes		8,125	2,514	5,610	16,101	
Deferred Income Tax		186	2,087	2,274	1,424	
Interim (Annual) Net Income		14,293	13,457	835	23,913	
Unappropriated Retained Earnings Brought Forward		75,252	75,394	141	75,252	
Loss on Treasury Stock Disposal		3	-	3	-	
Interim Dividends Declared		-	-	-	10,654	
Unappropriated Retained Earnings at End of Period		89,542	88,852	690	88,511	

(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
      - Non-Marketable: Moving Average Method
  - (2) Derivative Transactions, etc.
    - Derivative: Market Value at the Closing Date
  - (3) Inventories
    - Goods, Products, Unfinished Products, and Crude: generally LIFO at the Lower of Cost or Market
    - Supplies: Moving Average Method
2. 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
3. Accounting Standards for Major Reserves
  - Bad Debt Allowance
    - To provide for losses due to bad debt, TonenGeneral Sekiyu K.K. (TG) accrues 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 accrues an estimated reserve for the interim accounting period.
  - Reserve for Accrued Pension Costs
    - To provide for the payment of employees' postretirement benefits, TG accrues an estimated reserve based on the projected benefit obligation and estimated pension plan assets at the closing date.
    - Any differences in cost caused by the actuarial calculation of retirement benefits are amortized in 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' postretirement allowance, TG accrues an estimated amount of lump sum retirement allowance, on the basis that officers retire at the closing date.
  - Reserve for Repairs
    - TG accrues 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 the 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 operating lease transactions.
6. Others
  - The Income Statement does not include any consumption tax transactions.
  - Moreover, accrued consumption tax receivables subject to the expenditures and accrued consumption tax payables subject to the income are offset, and then any difference is disclosed in Accrued Consumption Taxes.

Other Notes

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## 1. Interim Balance Sheet

	<u>As of June 30, 2003</u>	<u>As of June 30, 2004</u>	<u>As of December 31, 2003</u>
(1) Accumulated Depreciation of Property, Plant and Equipment	621,137 M Yen	619,000 M Yen	612,601 M Yen
(2) Contingent Liabilities	6,217 M Yen	4,821 M Yen	5,624 M Yen
(3) Number of Shares Issued: Common Stock	592,543,018 Shares	592,543,018 Shares	592,543,018 Shares
(4) Treasury Stocks	649,697 Shares	733,447 Shares	696,446 Shares
Number of Shares Value	515 M Yen	597 M Yen	558 M Yen

## 2. Interim Income Statement related Information

## (1) Extraordinary Gain

## - Details of Gain on Sales of Fixed Assets

	<u>1H 2003</u>	<u>1H 2004</u>	<u>2003</u>
Land, Buildings and Structures of Service Stations	265 M Yen	646 M Yen	1,108 M Yen
Land, Buildings and Structures of Leased Buildings	765 M Yen	- M Yen	760 M Yen
Easement	84 M Yen	- M Yen	84 M Yen
Land and Buildings for Dormitory	- M Yen	- M Yen	3,302 M Yen
Corporate Research & Development Laboratory	- M Yen	- M Yen	2,965 M Yen
Others	- M Yen	- M Yen	10 M Yen

## (2) Extraordinary Loss

## - Details of Loss on Sales and Disposal of Fixed Assets

	<u>1H 2003</u>	<u>1H 2004</u>	<u>2003</u>
Land, Buildings and Structures for Service Station	219 M Yen	685 M Yen	2,001 M Yen
Disposal of fixed assets	217 M Yen	264 M Yen	1,584 M Yen
Corporate Research & Development Laboratory	- M Yen	- M Yen	19 M Yen

## 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 June 30, 2003</u>	<u>As of June 30, 2004</u>	<u>As of Dec 31, 2003</u>
Acquisition Equivalent Amount	443 M Yen	669 M Yen	380 M Yen
Accumulated Depreciation			
Equivalent Amount	<u>352 M Yen</u>	<u>304 M Yen</u>	<u>328 M Yen</u>
Outstanding Balance	90 M Yen	365 M Yen	51 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 in comparison to the total property, plant and equipment.

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

	<u>As of June 30, 2003</u>	<u>As of June 30, 2004</u>	<u>As of Dec 31, 2003</u>
Due within One Year	74 M Yen	170 M Yen	36 M Yen
Due over One Year	<u>16 M Yen</u>	<u>194 M Yen</u>	<u>15 M Yen</u>
Total	90 M Yen	365 M Yen	51 M Yen

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

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

	<u>1H 2003</u>	<u>1H 2004</u>	<u>2003</u>
Lease Fees Paid	42 M Yen	58 M Yen	85 M Yen
Depreciation Expense			
Equivalent	42 M Yen	58 M Yen	85 M Yen

## (4) Calculation Method for Depreciation

Straight Line Method with No Residual Value

## 4. Securities

As of June 30, 2003

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

As of June 30, 2004

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

## . Actual Sales Volume & Sales Value

(Unit : KKL, Kton, Million Yen)

Products	1H 2003 (January 1, 2003 - June 30, 2003)		1H 2004 (January 1, 2004 - June 30, 2004)		2003 (January 1, 2003 - December 31, 2003)	
	Volume	Value	Volume	Value	Volume	Value
<b>Gasoline</b>	6,522 26.8	595,751 55.8	6,505 28.1	645,132 59.4	13,782 28.3	1,277,655 59.4
<b>Naphtha</b>	1,558 6.4	39,054 3.7	1,605 6.9	40,084 3.7	3,035 6.2	71,472 3.3
<b>Kerosene</b>	3,149 13.0	97,079 9.1	2,873 12.4	86,128 7.9	5,834 12.0	169,792 7.9
<b>Diesel fuel</b>	3,028 12.6	91,764 8.6	3,059 13.2	92,621 8.5	6,316 13.0	183,632 8.5
<b>Fuel, Crude</b>	6,060 24.9	151,116 14.2	5,851 25.3	146,482 13.5	11,973 24.6	280,419 13.0
<b>Lube oil</b>	182 0.7	7,763 0.7	181 0.8	7,641 0.7	355 0.7	15,719 0.7
<b>LPG</b>	2,909 12.0	49,895 4.7	2,353 10.1	38,593 3.6	5,604 11.5	91,489 4.2
<b>Chemicals</b>	494 2.0	20,388 1.9	543 2.3	25,602 2.4	1,106 2.3	44,867 2.1
<b>Other Products</b>	405 1.6	14,248 1.3	214 0.9	3,266 0.3	659 1.4	20,260 0.9
<b>Sub Total</b>	24,310 100.0	1,067,062 100.0	23,189 100.0	1,085,554 100.0	48,667 100.0	2,155,310 100.0
<b>Other Operating Revenue</b>		6,424		9,143		15,303
<b>Grand Total</b>	24,310	1,073,487	23,189	1,094,697	48,667	2,170,613

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