AOC Holdings, Inc.

Annual Report 2009

April 1, 2008–March 31, 2009

Profile

As a comprehensive energy-focused group, the AOC Holdings Group (the Group) seeks to fulfill its responsibilities as a corporate citizen by contributing to the future affluence of society and the realization of a safe and comfortable environment. Based on this mission, the Group provides a stable supply of energy products, including oil, natural gas, and petroleum products, which are indispensable to people's daily lives and industrial activities.

AOC Holdings, Inc.

www.aochd.co.jp/e/

AOC Holdings, Inc. (AOCHD), was established in January 2003 as a joint stockholding company for Arabian Oil Company, Ltd. (AOC), and Fuji Oil Company, Ltd. (FOC). AOCHD's mission is to maximize the corporate value of the Group by leveraging a unique business structure featuring integrated upstream and downstream operations while applying thorough risk management.

100%

Arabian Oil Company, Ltd.

www.aoc.co.jp/e/index.html

Responsible for the exploration, development, production, and sale of crude oil and natural gas, AOC was established in 1958. Since then, as the Japanese pioneer of development of overseas oil fields, AOC has been engaged in upstream oil operations in Saudi Arabia and Kuwait as well as in North America, East Asia, and Europe. AOC's business operations have contributed strongly to the stable supply of energy to resource-poor Japan.

100%

Fuji Oil Company, Ltd.

www.foc.co.jp/
(Japanese only)

Responsible for crude oil refining and the sale of petroleum products, FOC was established in 1964 through investment by such companies as AOC, The Tokyo Electric Power Company, Incorporated, and Sumitomo Chemical Company, Limited. In 1968, FOC commenced operations of its refinery complex in Sodegaura, Chiba Prefecture. As an advanced, large-scale refinery capable of processing heavy crude oil efficiently, the Sodegaura Refinery plays a vital role in supplying petroleum products to the greater Tokyo area, which is a major consuming region. FOC has also expanded its operations to provide petrochemical feedstocks.

50% / **50%**

Petro Progress, Inc.

(Purchasing, marketing, and transportation of crude oil and petroleum products)

49.9% / **50%**

Japan Oil Engineering Co., Ltd.

(Engineering and consulting services in upstream and downstream sectors of the oil and gas industry)

Note: Percentage shows investment ratio.

Contents

Cautionary Statement with Respect to Forward-Looking Statements

This annual report contains forward-looking statements that reflect AOCHD's plans and expectations. These forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, and other factors that may cause AOCHD's actual results, performance, achievements, or financial position to be materially different from any future results, performance, achievements, or financial position expressed or implied by these forward-looking statements.

AOCHD at a Glance

Consolidated Financial Highlights

In fiscal 2009, ended March 31, 2009, Dubai crude oil started in the $90 per barrel range, and after surging to $140 per barrel, plummeted to the $30 per barrel range due to sharp deterioration in the global economy, and ended fiscal 2009 in the latter-$40 per barrel range. Domestic demand for petroleum products fell in reaction to deterioration in the economy, a warm winter, and other factors, with total fuel oil sales declining compared with fiscal 2008.

Under these circumstances, AOC Holdings, Inc. (AOCHD), posted consolidated net sales amounting to ¥927,222 million, edging down 0.4%, or ¥3,516 million, compared with a year earlier. After recording profits in fiscal 2008, AOCHD recorded an operating loss of ¥35,042 million, down ¥48,997 million year on year, and a net loss of ¥31,765 million, down ¥36,430 million from a year earlier.

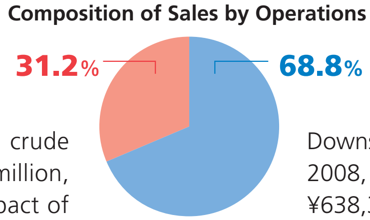
Years ended March 31	Millions of Yen					Thousands of U.S. Dollars
	2005	2006	2007	2008	**2009**	**2009**
For the year:						
Net sales	¥477,295	¥701,352	¥801,020	¥930,738	**¥927,222**	**$9,439,296**
Operating income (loss)	18,447	19,864	25,616	13,954	**(35,042)**	**(356,734)**
Income (loss) before income taxes	21,418	43,875	27,205	8,401	**(39,370)**	**(400,794)**
Net income (loss)	17,248	34,018	18,999	4,665	**(31,765)**	**(323,374)**
Capital expenditures	3,986	11,771	26,542	19,967	**15,380**	**156,571**
Depreciation and amortization	4,007	4,038	4,580	6,253	**10,633**	**108,246**
At year-end:						
Total assets	¥293,404	¥349,835	¥385,431	¥451,892	**¥352,985**	**$3,593,454**
Total shareholders' equity	76,351	120,017	—	—	**—**	**—**
Total net assets	—	—	143,261	145,147	**108,748**	**1,107,075**
Interest-bearing debt	113,419	108,918	136,002	176,471	**163,876**	**1,668,289**
Interest-bearing debt*	89,901	77,609	82,475	113,506	**111,478**	**1,134,867**
Debt-equity ratio (times)	1.49	0.91	0.96	1.22	**1.47**	
Debt-equity ratio* (times)	1.18	0.65	0.58	0.78	**1.00**	
Per share (yen and U.S. dollars)**:**						
Net income (loss)	¥ 255.67	¥ 484.21	¥ 247.53	¥ 60.41	**¥ (411.37)**	**$ (4.188)**
Cash dividends paid	10	15	15	15	**15**	**0.15**
Number of employees	616	625	629	609	**597**	

*Excluding borrowings for lending funds under the loan agreement with Kuwait Gulf Oil Company, which is substantially liable for repayment

Note: The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made, as a matter of arithmetic computation only, at the rate of ¥98.23 = U.S.$1.00, the approximate rate of exchange on March 31, 2009.

Results of Operations and Major Topics

Composition of Sales by Operations



Upstream Operations
(Oil/Gas Development and Sales)

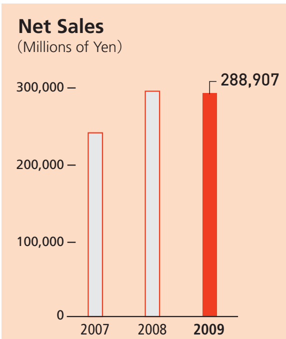
Despite the increases in sales volume and crude oil prices, upstream sales declined ¥2,792 million, or 1.0%, to ¥288,907 million under the impact of the appreciation of the yen. Operating income, however, grew on the strength of the contribution of higher crude oil prices. The absence of exploration expenses during the fiscal year under review was another contributing factor. Operating income was ¥2,981 million, climbing ¥2,357 million, or 377.8%, from fiscal 2008.

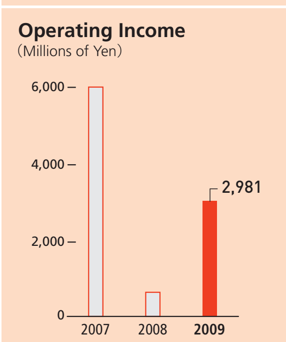
Downstream Operations
(Oil Refinery and Sales)

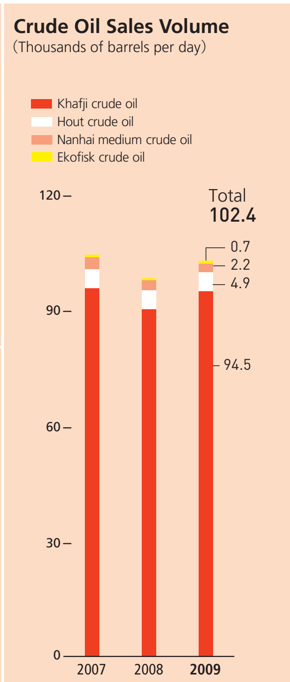
Downstream sales were almost the same as in fiscal 2008, edging down ¥724 million, or 0.1%, to ¥638,314 million. On the other hand, operations posted an operating loss of ¥39,777 million, down ¥53,201 million from fiscal 2008. This operating loss can be attributed to insufficient transfer of the higher cost of crude oil to product prices during the surge in crude oil prices during the first half, the sharp drop in sales prices following the plummeting of crude oil prices from September 2008 onward, and a loss on valuation of year-end inventories due to a change in accounting policies.

Upstream Operations

(Years ended March 31)

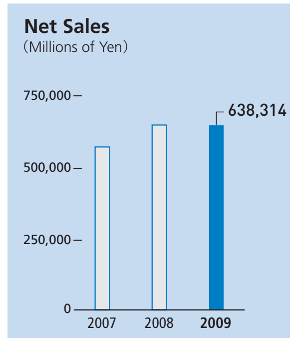


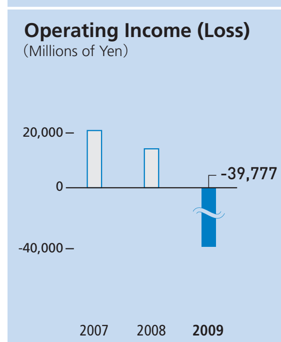


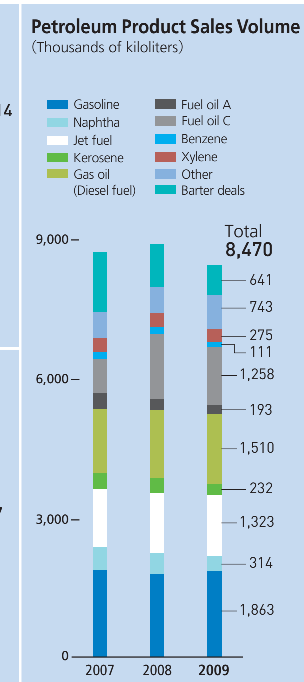


Downstream Operations

(Years ended March 31)

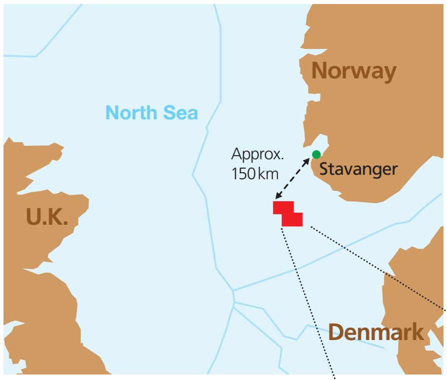




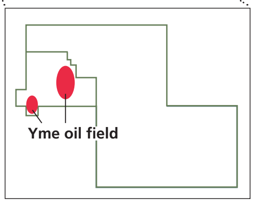


Topics

To expand its operations in the Norwegian North Sea, Norske AEDC AS has acquired a portion of the interests for a number of blocks for exploration and development including the Yme oil field. Construction of facilities for redevelopment of the Yme oil field is underway in preparation for the start of production in 2010.



Location of Yme oil field and block interests acquired

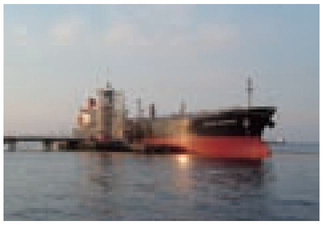


Topics

The Sodegaura Refinery brought its No. 2 Fluid Catalytic Cracking (FCC) unit on stream smoothly in March 2008. The new unit has contributed to making Fuji Oil Company, Ltd., better able to adapt to changes (such as greater demand for clean oil) in the petroleum product demand structure.

No. 2 FCC unit

The Sodegaura Refinery has been reinforcing its product export facilities continuously with the goal of expanding sales in Asia and the Pacific region. In October 2008, the Refinery completed expansion of its gasoline export facilities, establishing a more competitive export infrastructure.



120-thousand-DWT pier
(for export)

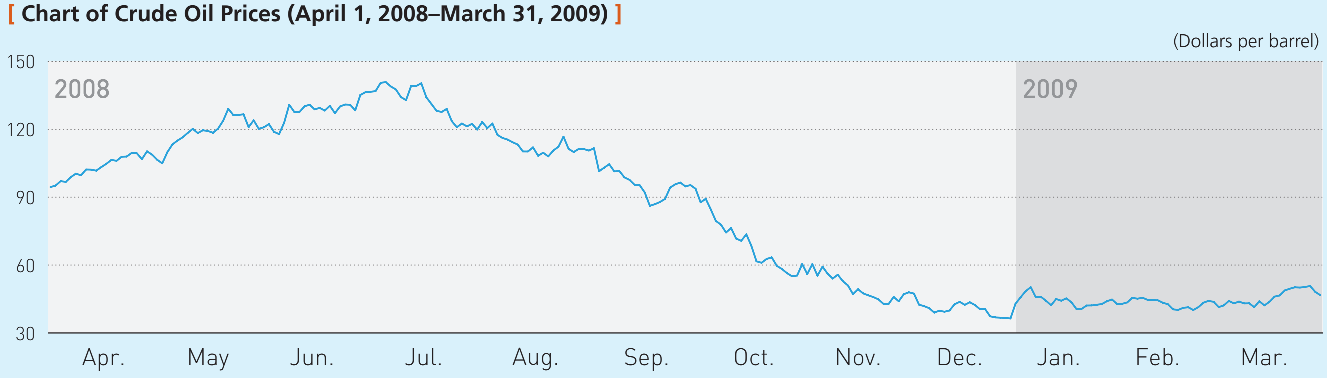
To Our Shareholders and Investors

Business Climate in the Petroleum Industry

In fiscal 2009, the biggest event in the petroleum industry was the dramatic fluctuation in the price of crude oil. Dubai crude oil started the fiscal year in the $90 per barrel range. However, due to a large influx of speculative money into the oil futures market and other factors, crude oil soared to a historic high of $140 per barrel in July 2008. It then plunged just as dramatically in the face of global economic deterioration following the financial crisis epitomized by the fall of Lehman Brothers. By December 2008, the price of crude oil per barrel had plummeted to the $30 range, ending the fiscal year in the latter-$40 range. The drastic fluctuations in oil prices were on a scale never before witnessed in history, and impacted strongly on the fiscal performance of the AOC Holdings Group.

Domestic demand for petroleum products was also affected during fiscal 2009, producing difficult business conditions. The shift to alternative energy sources progressed further in the first half because of the hike in oil prices, while demand for fuel oils declined in the second half because of the worsening economy and a warm winter. Overall, total fuel oil sales fell compared with fiscal 2008.

[Chart of Crude Oil Prices (April 1, 2008–March 31, 2009)]



Fiscal 2009 Consolidated Performance

In fiscal 2009, the net sales of the Group edged down 0.4% from fiscal 2008. Both upstream and downstream sales declined slightly. In upstream operations, the higher price of crude oil and unit sales growth offset the appreciation of the yen, resulting in a small decrease in net sales. Although product prices rose along with the hike in crude oil prices in downstream operations, these gains were eroded by a decline in sales volume caused by the deterioration in the economy, which produced an overall slight reduction in net sales.

Operating income fell sharply from an income of ¥13.9 billion in fiscal 2008 to a loss of ¥35.0 billion. The major factor in this decrease was a loss on valuation of inventories in downstream operations due to the adoption in fiscal 2009 of the valuation method for closing inventories measured at the lower of cost or net selling value. Excluding the influence of inventories and looking at performance on an actual basis, operating income dropped from ¥11.5 billion in fiscal 2008 to a loss of ¥3.8 billion in fiscal 2009.

Despite difficult conditions, we made progress in our upstream operations, expanding operations in the Norwegian North Sea. We acquired a portion of the interests for a number of blocks including the Yme oil field for redevelopment. Construction of facilities at the Yme oil field is underway in preparation for the start of production. In Egypt, the Group received official approval from the Egyptian Ministry of Petroleum and Mineral Resources for petroleum and natural gas development in the Northwest October Block. Having commenced the basic

“If the AOC Holdings Group can generate 100% of its potential, I am confident that it can secure itself a key role in the petroleum industry with its raison d’être.”

F. Sekiya

Fumio Sekiya
President and Representing Director

planning process for production facilities, we formed AOC Egypt Petroleum Company, Ltd., in October 2008, to manage operations. In China, a petroleum contract under which we had been producing oil from an oil field in the South China Sea since 1993 expired in February 2009. Accordingly, we have transferred operations to the Chinese partner.

In our downstream operations, the Sodegaura Refinery of Fuji Oil Company, Ltd. (FOC), brought its No. 2 FCC unit, which started its operation in March 2008, on stream smoothly. The new unit has facilitated FOC's ability to adapt to changes in the petroleum product demand structure (such as greater demand for clean oil). In order to prepare for greater exports mainly to Asia and the Pacific region, FOC established a more competitive export infrastructure by completing expansion and reinforcement of its gasoline export facilities in October 2008. Furthermore, FOC progressed with various preparations for capacity expansion, the strengthening of the Eureka Thermal Cracking Unit, the addition of a hydrogen production unit, and the integration of control rooms.

Our plan to construct a new pipeline to enable the Sodegaura Refinery to provide stable supplies of butane and butylenes to the neighboring Chiba works of Sumitomo Chemical Company, Limited, was selected for support by the subsidies program of RING[1] under their Fiscal 2009 Complex Cooperation for Stable Supply of Petroleum Measures.

Progress with environmental measures during fiscal 2009 included participating in the Japanese government's Experimental Emissions Trading Scheme, a part of global warming countermeasures aimed at reducing carbon dioxide emissions. The Sodegaura Refinery's energy conservation activities won the fiscal 2008 Energy Conservation Center Chairman's Prize for excellent energy-saving successful cases by the Energy Conservation Center, Japan.

In December 2008, we received a TPM[2] Excellence Award from the Japan Institute of Plant Maintenance for our TPM activities that achieved significant results in terms of cost reductions and the education and training of employees.

1. RING: Research Association of Refinery Integration for Group-Operation
2. TPM: Total Productive Maintenance

Medium-Term Business Plan

In May 2009, we announced a medium-term business plan covering fiscal 2010 to fiscal 2012. The plan has specific objectives for our upstream and downstream operations. In our upstream operations, we plan to "Reorganize, expand, and enhance its business base" while in our downstream operations, we will "Stabilize earnings and strengthen competitiveness" through capital investments to boost performance of our refinery operations.

For our upstream operations, we have positioned the Middle East, including Egypt, and Norway as our core areas of operations. Over the five years up to fiscal 2014, we will invest a total of ¥55.5 billion and aim at specific five-year targets for achieving over 30 million barrels of oil reserves and production of 10 thousand barrels per day. In our downstream operations, we plan to invest a total of ¥24.5 billion over the three-year period up to fiscal 2012. Giving first priority to safety, our downstream operations will aim to be a leading class petroleum refiner with unique features and high international competitiveness. In fiscal 2010, we will complete large-scale capital investment projects, including our construction of facilities to deal with the shift in demand away from black oil. We plan to reinforce and enhance our profit base by achieving high efficiency and developing high value addition through utilization of state-of-the-art facilities.

If I were to venture a title for the new medium-term business plan, it would be "Heading into the Next Stage of Our Journey to a Grand Future." If our two core companies specializing in upstream and downstream operations put their heads together, form a scrum, and generate 100% of the potential of the Group, I am confident that the Group can secure itself a key role in the petroleum industry with its raison d'être. We have taken the first step towards the success of that vision by positioning the medium-term business plan as the next stage.

AOC Holdings Group's Unique Role in the Industry

Based on its concession agreements in Saudi Arabia and Kuwait, Arabian Oil Company, Ltd. (AOC), has provided Japan with a stable supply of crude oil for almost half a century through its operations in the offshore Partitioned Neutral Zone between the two countries. Those agreements have ended, but AOC still has its sights set on playing a role in the oil industry based on the technology, know-how, and capabilities of its staff developed through its long experience as an operator in the Middle East. Going forward, AOC plans to leverage those assets to the maximum in targeting new development projects and securing a profit base. Moreover, AOC will aim to be an operator of large-scale oil and gas fields in the future.

In the downstream market, FOC's strengths revolve around the location advantage of a refinery in the greater Tokyo area and a stable customer base. In addition, since its establishment, FOC has thoroughly pursued high efficiency in its operations while developing comprehensive production facilities for high value-added products from heavy crude oil. In an age where efficiency is more important than quantitative expansion, FOC has assembled the latest, highly efficient refining and cracking units, establishing a flexible production system that can easily respond to changes in demand structure.

I believe it will be important for these upstream and downstream companies, each with their own highly original styles, to steadily pursue results in their own businesses while mutually complementing each other for the good of the Group as a whole.

Message to Our Shareholders and Investors

We recognize returning profits to our shareholders and investors as a key issue for management. Whilst ensuring internal reserves are built up adequately to facilitate medium- and long-term business development, our basic policy is to strive for the maintenance of stable dividends, after taking into account operating results and our funding balance. Based on this policy, AOC Holdings, Inc. (AOCHD), decided on dividends of ¥15.00 per share for fiscal 2009, the same as in the previous fiscal year.

Amid the current major ebbs and flows in the petroleum industry, we believe that AOCHD also has come to a turning point. Stretching out toward new growth, we will strive to maintain a sound financial structure, while making strategic investments for the future. As a management team, convinced that achieving new growth will produce large returns for our shareholders and investors, we intend to take the necessary actions to move forward.

September 2009
Fumio Sekiya
President and Representing Director

Feature: Medium-Term Business Plan

Basic Policies to Formulate the Medium-Term Business Plan

The AOC Holdings Group pursues continuous growth and development by maximized mobilization and efficient utilization of its management resources while maintaining sound corporate governance and a compliance system. Based on these policies, and taking into consideration changes in the business environment, the Group is planning to "Reorganize, expand, and enhance its business base" in upstream operations and "Stabilize earnings and strengthen competitiveness" in downstream operations. These are the fundamental principles to be achieved under the plan, which will target maximization of corporate value for stakeholders.

Medium-Term Business Plan

Management Vision

- **AOC: Contribute to energy security in Japan by conducting crude oil and natural gas development activities**
- **FOC: Aim to be a leading class petroleum refiner with unique features and high international competitiveness**

Assumptions about the Business Climate

- **Crude oil and petroleum product prices will rise gradually.**
  (Price movements will reverse following a recovery of the global economy in the latter half of 2009.)

Business Plan

[Upstream Operations]

Basic Business Strategy
(Fiscal 2010–Fiscal 2014)

Reestablish the profit base by effective utilization of technological capabilities and human resources cultivated and developed through overseas operations

- Make maximum use of technology and operating and management experience to revitalize businesses and solidify the foundation for reestablishing the profit base
  ⇒ Focus on the Middle East (including Egypt) and Norway as core areas
- Secure business base for further growth
  ⇒ Carry out operations in large-scale oil and natural gas fields in the Middle East region, where AOC holds brand value

▼

- Target figures of reserves & production by fiscal 2014:
  Oil reserves: over 30 million barrels
  Oil production: 10 thousand barrels per day

As the lead time for recovery of investments is long in upstream operations, the Group has created a five-year business plan covering the period up to March 2014, positioning the Middle East, including Egypt, and Norway as core areas. The Group will focus on the Northwest October Project in Egypt, and the Yme oil field and an exploration project in Norway. In addition to continuing to work steadily on these projects, the Group will endeavor to discover and commercialize additional new projects. The plan's specific targets are to achieve oil reserves of over 30 million barrels and the production of 10 thousand barrels per day.

Furthermore, as a medium- to long-term measure, the Group will aim to once again become an active operator in the large-scale oil and natural gas fields in the Middle East region, where Arabian Oil Company, Ltd. (AOC), holds brand value. For the future, the Group is also targeting entrance into the upstream oil and natural gas business in Iraq.

[Downstream Operations]

Basic Business Strategy
(Fiscal 2010–Fiscal 2012)

Reinforce and enhance the profit base by effective utilization of state-of-the-art facilities
Strengthen and enhance safety and environmental protection

- Reinforce and enhance the profit base by achieving high efficiency and developing high value addition through utilization of state-of-the-art facilities
  ⇒ Complete large-scale facilities investments as a countermeasure for black oil
- Further reinforce and enhance safety and environmental protection systems
  ⇒ Make appropriate investments in safety and environmental protection
- Strengthen a stable profit system that can respond flexibly and swiftly to changes in the business environment

▼

- Reinforce Eureka Thermal Cracking Unit (24 thousand→30 thousand barrels per day)
- Addition of hydrogen production unit
- Maintain stable and high production levels (97% operating rate for crude distillation unit)
- Reinforce export facilities (increase respective annual shipment capacity for gasoline, jet fuel, and gas oil to 1 million kiloliters)
- VLCC and VLGC shipping operation business by Petro Progress Pte Ltd.

In order to continue to develop downstream operations, Fuji Oil Company, Ltd. (FOC), plans to make further appropriate investments in safety and environmental protection. At the same time, FOC plans to strengthen and enhance its profit base by achieving high efficiency and developing high value addition through utilization of state-of-the-art facilities. Specifically, following the No. 2

FCC unit that was completed and brought on stream in 2008, FOC intends to complete projects with large-scale investments, including facilities capable of processing black oil efficiently, as scheduled.

Singapore-based affiliate, Petro Progress Pte Ltd., will continue its procurement and sale of crude oil and petroleum products and its Very Large Crude Carrier (VLCC) shipping operations. In addition, it plans to put a Very Large Gas Carrier (VLGC) into service through its 50% owned Aramo Shipping (Singapore) Pte Ltd. Through these efforts, it will further strengthen its operating base.

Capital Investment Plan

The Group has determined the following capital investments for ongoing projects, planned projects, and additional new projects with the goals of achieving sustained growth for its businesses and strengthening its profit base. The Group is planning total capital investments of approximately ¥80.0 billion, comprised of ¥55.5 billion for upstream operations over the five-year period up to fiscal 2014, and ¥24.5 billion for downstream operations over the three-year period up to fiscal 2012.

In principle, the Group plans to finance 50% of the above capital investments from capital surplus and 50% with loans from financial institutions.

[Upstream Operations: Total in five years: ¥55.5 billion]

(Billions of Yen)

	Fiscal 2010	Fiscal 2011	Fiscal 2012	Three-Year Total	Fiscal 2013–2014	Five-Year Total
• **Planned projects**	¥15.5	¥6.5	¥9.0	**¥31.0**	¥7.0	**¥38.0**
Egypt	1.0	4.0	4.5	**9.5**	—	**9.5**
Norway	12.0	2.5	4.5	**19.0**	7.0	**26.0**
Others	2.5	—	—	**2.5**	—	**2.5**
• **New projects**	5.0	1.5	6.5	**8.5**	9.0	**17.5**
Total	**¥16.0**	**¥8.0**	**¥15.5**	**¥39.5**	**¥16.0**	**¥55.5**

[Downstream Operations: Total in three years: ¥24.5 billion]

	Fiscal 2010	Fiscal 2011	Fiscal 2012	Three-Year Total
• **Strengthening Eureka Thermal Cracking Unit**	¥ 6.0	¥ —	¥ —	**¥ 6.0**
• **Control systems**	2.2	—	1.5	**3.7**
• **Safety measures**	9.0	1.5	1.5	**12.0**
• **Facility renewal**	2.3	0.5	—	**2.8**
Total	**¥19.5**	**¥2.0**	**¥3.0**	**¥24.5**

New hydrogen production facility

Forecast for Consolidated Financial Results

- **Stable profit over ¥10 billion on a operating income basis.**
- **Operating income for upstream business is estimated at ¥8.4 billion in fiscal 2014.**

The Group's expected profit by each fiscal year for three years from fiscal 2010 to fiscal 2012 stands at over ¥10 billion on an operating income basis. Operating income for upstream business, which needs longer lead time to recover investment, is estimated at ¥8.4 billion in fiscal 2014. Operating income for downstream business, excluding inventory valuation, is estimated at over ¥9.0 billion from fiscal 2011 onwards.

(Billions of Yen)

	Fiscal 2010			Fiscal 2011			Fiscal 2012		
	Upstream	Downstream	Total	Upstream	Downstream	Total	Upstream	Downstream	Total
• **Net sales**	¥175.7	¥392.3	**¥568.0**	¥250.0	¥450.0	**¥700.0**	¥245.0	¥445.0	**¥690.0**
• **Operating income**	(3.7)	16.3	**12.6**	3.5	16.5	**20.0**	1.2	9.4	**10.6**
[excluding inventory valuation]	[(3.7)]	[3.8]	**[0.1]**	[3.5]	[9.9]	**[13.4]**	[1.2]	[9.4]	**[10.6]**
• **Ordinary income**	(3.6)	14.6	**11.0**	3.3	14.7	**18.0**	0.7	8.5	**9.2**
[excluding inventory valuation]	[(3.6)]	[2.1]	**[(1.5)]**	[3.3]	[8.1]	**[11.4]**	[0.7]	[8.5]	**[9.2]**
Crude oil (Dubai)	$52.5/Bbl ¥95/$			$65.0/Bbl ¥100/$			$65.0/Bbl ¥100/$		
AL-AH*	$0.4/Bbl			$0.6/Bbl			$0.6/Bbl		

* Price difference between Arabian light crude oil and Arabian heavy crude oil

Please visit >>> http://www.aochd.co.jp/e/ir/businessplan.html



Kazutoshi Hoyano
President and Representing Director of AOC
(Vice President and Representing Director of AOCHD)

Upstream Operations

Arabian Oil Company, Ltd. (AOC)

Established in 1958, AOC is the AOC Holdings Group's core entity engaged in the exploration, development, production, and sale of crude oil and natural gas. Known as the Japanese pioneer of overseas oil development, AOC discovered the Khafji oil field in 1960 and the Hout oil field in 1963 in the offshore Neutral Zone (now Partitioned Neutral Zone) shared by Saudi Arabia and Kuwait. For nearly half a century, AOC has contributed to the stability of Japan's energy supply through its oil production activities as an oil operator in the field site. Even after expiration of its concession agreements with Saudi Arabia and Kuwait, AOC has continued to utilize its strengths—experience, advanced technology, and accomplished personnel gained as an oil operator—to participate in many projects in other regions.

Strengths:

- **Superior oil and gas exploration, development, and production technology**
  Comprehensive technology capabilities developed over many years as an oil operator in the Middle East
- **Human resource assets with experience in operations management**
  Large number of specialists with diverse experience and a strong record in all aspects of oil and gas operations, from exploration to development and production

Major Points and Issues of the Medium-Term Business Plan:

- **Make maximum use of technology and operating and management experience to revitalize businesses and solidify the foundation for reestablishing the profit base**
- **Secure business base for further growth**

Review of Fiscal 2009

Review of Upstream Operations

In fiscal 2009, AOC purchased Khafji and Hout crude oils from the Kuwait Petroleum Corporation (KPC) under a long-term crude oil sale and purchase agreement and sold 99 thousand barrels per day. In other regions, New Huanan Oil Development Co., Ltd. (NHODC), a 84.3% owned subsidiary of the Group, produced crude oil from the Lufeng 13-1 oil field located in China's part of the South China Sea, while Norske AEDC AS (NAEDC), a wholly owned subsidiary of AOC, produced crude oil from the Gyda oil field in the Norwegian North Sea. These two companies sold a total of 2.9 thousand barrels of their equity oil per day.

To expand its operations in the Norwegian North Sea, NAEDC has acquired partial interests in licenses for a number of exploration blocks, including the Yme oil field for redevelopment. In Egypt, following the conclusion of a production sharing contract in 2005, AOC received official approval from the Egyptian government for petroleum and gas development in the Northwest October Block in the northern Gulf of Suez. AOC is proceeding with the startup process, including drawing up the basic designs for the production facilities.

As a result, sales of upstream operations totaled ¥288,907 million, edging down ¥2,792 million, or 1.0% year on year. Although sales volume and crude oil prices rose during the fiscal year, the appreciation of the yen produced an overall slight decline in sales amount. Operating income, however, soared ¥2,357 million, or 377.8%, to ¥2,981 million. The large increase could be attributed to the greater profits of NHODC and NAEDC due to higher crude oil prices and to the absence of exploration expenses in fiscal 2009.

The medium-term business plan has designated the Middle East, including Egypt, and Norway as core areas for its oil operations. Beginning in April 2009, AOC will make capital investments totaling ¥55.5 billion over a five-year period. These investments are targeted at increasing oil reserves to over 30 million barrels and achieving crude oil production of 10 thousand barrels per day. To that end, AOC is strengthening its efforts to develop new projects, proceeding with the revitalization of its businesses, and restructuring the profit base.

[Individual Operations]

Khafji-Related Operations:
Crude oil sales under the long-term crude oil sale and purchase agreement

AOC has been selling Khafji and Hout crude oils under a 20-year crude oil sale and purchase agreement with KPC since January 2003 after the expiration of the concession agreement with Kuwait.

• **Crude Oil Sales Volume** (Years ended March 31)

(Thousands of barrels per day)

	2005	2006	2007	2008	**2009**
Khafji crude oil	78.7	93.2	95.2	89.8	**94.5**
Hout crude oil	6.0	5.0	5.0	5.0	**4.9**

South China Sea Operations:
Crude oil production from the Lufeng 13-1 oil field ended

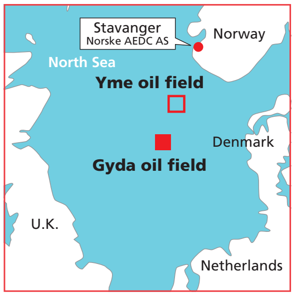
Established in 1985, NHODC discovered the Lufeng 13-1 oil field in Pearl River Mouth Basin of the South China Sea after oil exploration activities jointly conducted with two Japanese partners. NHODC, holding 30% working interests, commenced joint oil production in October 1993. Since the production period of the said oil field under the petroleum contract ended in February 2009, the oil field operations were transferred to the Chinese partner, and NHODC is now in the process of winding up. Recognized for the wide array of oil development technology used in making the project a success, NHODC received the Distinguished Contribution Award from the Japanese Association for Petroleum Technology in June 2009.

• **Crude Oil Sales Volume** (Jan.–Dec.)

(Thousands of barrels per day)

	2005	2006	2007	2008	**2009**
Nanhai medium crude oil (South China Sea)	3.6	2.9	3.1	2.5	**2.2**

Operations in the Norwegian North Sea: Additional acquisition of interests for licensed blocks



NAEDC holds 5% working interests in the Gyda oil field in the Norwegian North Sea, where crude oil production began in June 1990, and is currently producing approximately 10 thousand barrels per day.

Since September 2008, NAEDC has acquired portions of the interests in an exploration block adjacent to the Gyda oil field, the Yme oil field for redevelopment, and two exploration blocks neighboring it, as well as an exploration block located 20 km east of the Gyda oil field, respectively. As a redevelopment project, the technical risks of the Yme oil field, of which NAEDC newly acquired 10% interest, are limited. Average production over a four-year period is projected to be about 25 thousand barrels per day. In the block 20 km east of the Gyda oil field, where NAEDC acquired 10% interest, the existence of a number of promising prospects, including undeveloped crude oil and gas fields, is confirmed. NAEDC expects to discover some new oil and gas fields in this area, and is preparing to carry out exploratory drilling.

• **Crude Oil Sales Volume** (Jan.–Dec.)

(Thousands of barrels per day)

	2005	2006	2007	2008	2009
Ekofisk crude oil (Norwegian North Sea)	0.4	0.7	0.6	0.5	**0.7**

Operations in the Egyptian Part of the Gulf of Suez: Northwest October Block enters development stage

In February 2005, AOC won an international bid for an oil and gas development project in the Northwest October Block in the northern Gulf of Suez, Egypt, and concluded an oil production sharing contract with the government of Egypt and Egyptian General Petroleum Corporation in July of the same year. Proceeding with exploration under this contract, AOC confirmed the existance of oil in commercial quantities in September 2006. AOC received official approval from the government of Egypt for petroleum and gas development in June 2008, and is proceeding with preparations for the start of production.

In October 2008, AOC established AOC Egypt Petroleum Company, Ltd., as a wholly owned subsidiary, to be responsible for oil operations in this field.

Business Activities in Iraq

In June 2005, as part of Japan's cooperation efforts in rebuilding the Iraqi economy following the war in Iraq, AOC concluded a memorandum of understanding on technical support of the redevelopment of the upstream petroleum industry with Iraq's Ministry of Oil. Based on the agreement, during the three-year period up to January 2008, AOC implemented an assistance program which included the development plan of the Tuba oil field for Iraq's South Oil Company, an expansion and reinforcement plan for crude oil loading facilities, and technical training for Iraqi engineers. AOC aims to use this experience as a springboard for entering upstream business activities in Iraq.

Potential of Upstream Operations

A Pioneer in Overseas Development of Oil Supplies for Japan

Since the discovery and commencement of oil production at the Khafji and Hout oil fields, AOC has continued its oil operations for almost half a century. Furthermore, AOC has worked on petroleum development projects around the world, including the production of natural gas in the US Gulf of Mexico (1990–2004); crude oil production in the Norwegian North Sea (since 1990); and crude oil production in China's part of the South China Sea (1993–2009). In recent years, AOC has been working to expand its production of equity crude oil by developing new projects in the Gulf of Suez, Egypt, and in the Norwegian North Sea.

Large Number of Specialists to Assure Technology Capabilities

Through its involvement with a variety of projects, AOC has developed a large pool of specialists in all aspects of oil operation, from exploration to development and production. Currently, the Group has about 100 engineers overall. The Group is consistently emphasizing the improvement of their skill levels.

Frontier Development of Oil and Integrated Engineering Capabilities for Enhancing Oil Recovery

Currently, there are two major trends in oil development. One trend is a shift towards frontier areas with harsh conditions, such as remote locations, polar conditions, or deep-sea situations. The other trend is towards a focus on recovering the remaining crude oil from existing oil fields by achieving as high oil recovery as possible. AOC has developed world-class technical and operational capabilities in these areas based on the development of high-precision and high-efficiency technologies during its long years of experience as an operator of such sites as the Khafji oil field.

For example, in the Khafji and Hout oil fields, AOC analyzed the geological history, sedimentation, and structural development of the area by interpreting well data and 3D seismic data. Utilizing the results of these analyses and interpretations, AOC developed detailed 3D reservoir models for optimum field development.

In the 1970s, AOC introduced dump water injection to maintain reservoir pressure and improve oil recovery in the Khafji oil field. In 1989, AOC introduced gas lift operation utilizing associated gas as a kind of artificial lifting technology. This technology injects gas into non-natural flow wells that have lost the ability to spout.

AOC drilled and completed the first offshore horizontal well in the Middle East. In addition, AOC successfully completed extended reach drilling (ERD) in a gas field two to five kilometers away from an offshore platform in the US Gulf of Mexico. One of the wells reached a total depth of 20 thousand feet, with a maximum inclination angle of 70° and a departure of 15,532 feet. The well was listed among the record ERD wells in the Gulf of Mexico in the year 2000.

More recently, AOC has been working on research projects on enhanced oil recovery with CO_2 injection and other methods.

Health, Safety, and Environment Programs (HSE)

Upgrading and Maintaining the HSE Management System

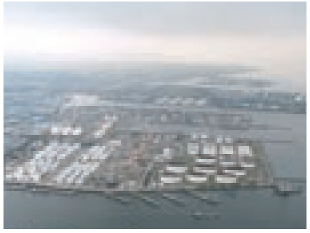
Aiming to conduct business with a commitment to fulfilling its responsibilities to the economy, the environment, and society, AOC has introduced an HSE management system.

Recognizing the significant risks related to health, safety, and the environment inherent in the upstream operations of its petroleum business, AOC is committed to conducting its business with a law-abiding spirit and the highest moral sense. AOC will endeavor to ensure the safety and health of people related to its business and to protect the Earth and its environment. It will strive to consistently improve its HSE management to develop a sustainable growth society that harmonizes man and nature.

In its operations, AOC implements HSE measures based on the following basic strategies:

1. Comply with and continuously improve on all applicable HSE laws, regulations, International Industry Standards, and other related internal and external requirements to which AOC subscribes and applies
2. Give top priority to the health and safety of all our employees, service contractors, and people affected by our operations and in this regard, AOC will identify and assess health and safety hazards in advance and eliminate them or, if not possible, reduce risks to as low as reasonably practicable to prevent incidents
3. Encourage the use of the best available advanced technology, efficient use of energy and materials, zero emission, and the minimization of wastes to reduce the adverse impact of our operations on the environment
4. Implement, maintain, and improve HSE management systems to the highest levels possible so as to achieve continual HSE performance improvement under the direct supervision of the top management
5. Conduct education, training, and interoffice awareness activities in order to make staff conscious of their roles and responsibilities regarding HSE activities and finally to improve awareness of HSE issues
6. Disclose AOC's HSE policy and the results of HSE activities to build mutual understanding among stakeholders

Please visit >>> http://www.aochd.co.jp/e/environment/



Fumio Sekiya
President and Representing Director of FOC
(President and Representing Director of AOCHD)

Downstream Operations

Fuji Oil Company, Ltd. (FOC)

In 1964, FOC was established through investment by such companies as Arabian Oil Company, Ltd., The Tokyo Electric Power Company, Incorporated (TEPCO), and Sumitomo Chemical Company, Limited. It is responsible for downstream operations such as crude oil refining and the sale of petroleum products in the AOC Holdings Group. In 1968, FOC commenced operations of the Sodegaura Refinery, Chiba Prefecture. Today, as a large-scale integrated refinery with a capacity of 192 thousand barrels per day, the Sodegaura Refinery supplies petroleum products primarily to clients in the greater Tokyo area, and is also expanding its export infrastructure for Asia and other overseas regions.

Strengths:

- **Location—Large-scale refinery in the greater Tokyo area**
  Capitalizing on the advantage of having a large-scale refinery in the greater Tokyo area, a major consuming region, FOC maintains stable business relations with Showa Shell Sekiyu K. K., TEPCO, Sumitomo Chemical, Nippon Oil Corporation, and Japan Airlines International Co., Ltd., building a business with relatively low sales risk.
- **Efficiency—Advantages include highly efficient refining and cracking units and a flexible production system that can adapt to changes in demand structure**
  FOC is one of the most efficient refiners to process heavy crude oil, having started full-fledged operations of its expanded and reinforced cracking units in 2008 and having established a system to aggressively respond to the increasing demand for clean oil (such as gasoline, kerosene, gas oil, etc.), particularly in Asia.

Major Points and Issues of the Medium-Term Business Plan:

- **Reinforce and enhance the profit base by achieving high efficiency and developing high value addition through utilization of state-of-the-art facilities**
- **Further reinforce and enhance safety and environmental protection systems**
- **Strengthen a stable profit system that can respond flexibly and swiftly to changes in the business environment**

Review of Fiscal 2009

Review of Downstream Operations

In fiscal 2009, FOC continued to provide a stable supply of petroleum products to such core customers as Showa Shell Sekiyu, TEPCO, and Sumitomo Chemical.

In March 2008, FOC's Sodegaura Refinery brought its No. 2 FCC unit on stream smoothly. The new unit has facilitated FOC's ability to adapt to changes in the petroleum product demand structure (such as greater demand for clean oil). FOC also took steps to expand its export infrastructure in view of the growing demand for clean oil in Asia and the Pacific region. In October 2008, FOC completed expansion and reinforcement of its gasoline export facilities, establishing a more competitive export infrastructure. In fiscal 2009, FOC's sales volume of petroleum products amounted to 8.47 million kiloliters, decreasing 4.9% from a year earlier. However, exports were up 36.7%, at 540 thousand kiloliters.

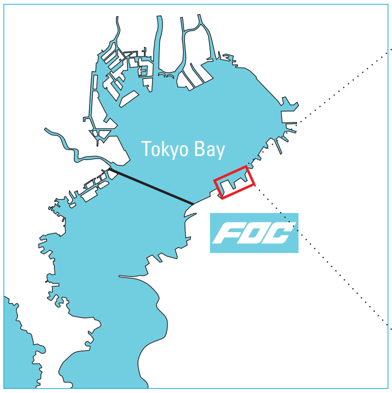
During fiscal 2009, Petro Progress Pte Ltd. continued its procurement and sale of crude oil and petroleum products and its Very Large Crude Carrier (VLCC) shipping operations.

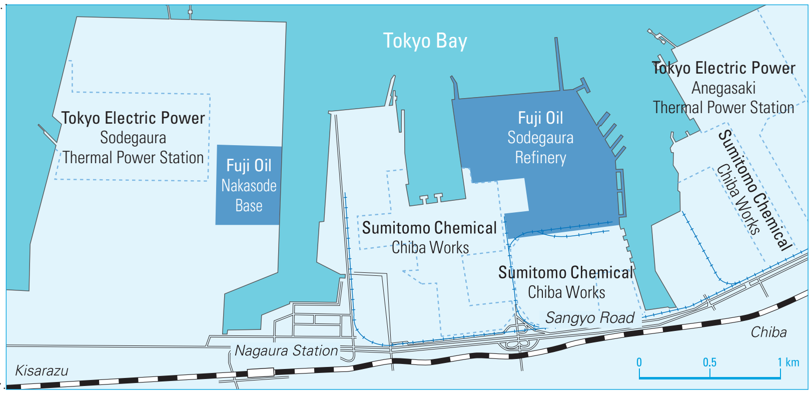
As a result, sales of downstream operations were almost the same as in the previous fiscal year, edging down ¥724 million, or 0.1%, to ¥638,314 million. However, profits decreased more significantly, as an operating loss of ¥39,777 million, a decline of ¥53,201 million year on year, was posted for downstream operations. Factors behind the operating loss included the higher price of crude oil not being adequately reflected in the sales prices of products in the first half due to a time lag, the sharp drop in product sales prices following the plummeting of crude oil prices from September 2008 onward, and a loss on valuation of year-end inventories due to a change in accounting policies.

The three major priorities of downstream operations in the medium-term business plan are 1) to reinforce and enhance the profit base by achieving high efficiency and developing high value addition through utilization of state-of-the-art facilities, 2) to further reinforce and enhance safety and environmental protection systems, and 3) to strengthen a stable profit system that can respond flexibly and swiftly to changes in the business environment. In more concrete terms, FOC is expanding and strengthening its Eureka Thermal Cracking Unit, that can produce further amounts of clean oil from the final residues of the refining process; constructing a new hydrogen production unit; maintaining a stable and high capacity operating ratio for its Crude Distillation Unit (CDU); expanding its export facilities for jet fuel; and installing a new integrated control room.

Furthermore, Petro Progress Pte Ltd. plans to further strengthen its business base through such measures as putting a Very Large Gas Carrier (VLGC) into service.

Although FOC will invest a total of ¥24.5 billion in downstream operations over the three-year period up to fiscal 2012, the plan calls for concentrating ¥19.5 billion of that capital investment on fiscal 2010 to achieve a rapid strengthening of the business base.





Production Facilities

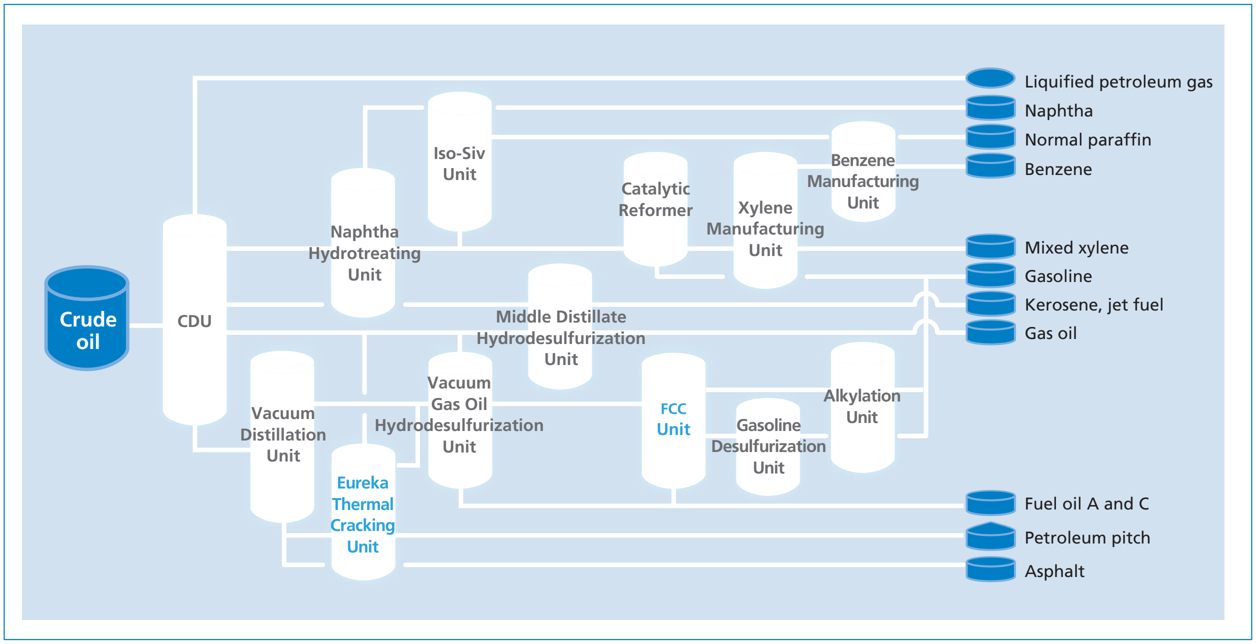
Importance of Cracking and Efficient Use of Black Oil

In the distillation process, crude oil is heated to approximately 350°C in a crude furnace and fed into a CDU. In this process, the various fractions, such as gasoline, naphtha, kerosene, and gas oil are pulled out by their different vaporization temperatures. There will be remaining residues after the distillation process, from which black oil and asphalt are produced.

Demand for clean oil is growing around the world, particularly in the high economic growth region of Asia. In this region, demand for gasoline is rising along with the increasing number of automobiles. Moreover, there is increased use of fuels that produce less sulfur oxides and nitrogen oxides due to environmental issues.

The secondary processes after distillation need to have a high cracking rate to minimize the production ratio of fuel oil or asphalt to as little as possible, and thus increase the yield of clean oil. Black oil contains many impurities, such as sulfur, which has a high impact on the environment. The higher cracking capability the refinery has, the more effectively the crude oil is processed, which means that the refinery enables the supply of petroleum products with high quality and added value. Having a high cracking ratio means the refinery can deal with both the trend toward higher demand for clean oil and the trend toward larger supply of heavy crude oil, which indicates the refinery has a high level of technology.

• Refining Process



High Performance of Processing Black Oil with FCC Units and the Eureka Thermal Cracking Unit

In further breaking down black oil and reducing the amount of residues, a key point is the processing capacity of the secondary unit. Among the many types of secondary units used are catalytic reformers and FCC, desulfurization, hydrocracking, and coking units.

The processing capacity of the Sodegaura Refinery includes two FCC units, each with a capacity of 18 thousand barrels per day, and the Eureka Thermal Cracking Unit, which has a capacity of 24 thousand barrels per day. The Eureka Thermal Cracking Unit is capable of cracking and refining asphalt, considered the final residue of the crude oil refining process, into fractions used in the production of gasoline and gas oil. FOC is the only company in the world with this type of cracker. In June 2009, FOC increased the capacity of its No. 2 FCC unit to 21 thousand barrels per day and the capacity of the Eureka Thermal Cracking Unit to 30 thousand barrels per day.

The total of this processing capacity divided by the actual amount of crude oil processed yields the processing rate of the units, which in the case of the Sodegaura Refinery is about 50%, a high processing capacity for heavy crude oil. In addition, through the use of the Eureka Thermal Cracking Unit, the Sodegaura Refinery reduces the amount of final residues in crude oil processing from the usual more than 20% to only 6%.

Japan imports various qualities of crude oil from various oil-producing countries. Refineries do not process a single type of crude oil all year, but rather employ a variety of crude oil in their processing in response to the season or trends in product demand. The average API gravity* of the crude oil processed at the Sodegaura Refinery for fiscal 2009 was 32.4 °API, compared with an average of 35.6 °API for domestic refineries. The Sodegaura Refinery, one of the most efficient refineries that processes heavy crude oil and other petroleum products in Japan, has achieved a high efficiency rate in its use of petroleum as well as low crude oil costs.

* API gravity: The American Petroleum Institute gravity, or API gravity, is a measure of how heavy or light a petroleum liquid is compared to water. The higher the rating, the lighter the crude oil, and the lower the rating, the heavier the crude oil.

• Capacity of Major Refining Units

(As of July 2009)

Major Refining Facilities	Units	Capacity
Crude Distillation Unit (CDU)	2	192,000 B/D
Naphtha Hydrotreating Unit	1	43,000 B/D
Catalytic Reformer	1	28,000 B/D
Iso-Siv Unit	1	1,900 B/D
Fluid Catalytic Cracking Unit (FCC)	2	39,000 B/D
Gasoline Desulfurization Unit	1	23,000 B/D
Alkylation Unit	1	4,400 B/D
Middle Distillate Hydrodesulfurization Unit	2	63,500 B/D
Xylene Manufacturing Unit	1	245,000 T/Y
Benzene Manufacturing Unit	2	175,000 T/Y
Vacuum Distillation Unit	1	60,000 B/D
Vacuum Gas Oil Hydrodesulfurization Unit	2	47,000 B/D
Vacuum Residue Thermal Cracking Unit (Eureka Thermal Cracking Unit)	1	30,000 B/D

Note: B/D: Barrels per Day, T/Y: Tons per Year

• Sodegaura Refinery Petroleum Product Sales Volume

(Years ended March 31)

(Thousands of kiloliters)

	2005	2006	2007	2008	2009
Gasoline	1,640	1,771	1,888	1,781	**1,863**
Naphtha	328	347	489	470	**314**
Jet fuel	953	976	1,246	1,294	**1,323**
Kerosene	438	499	340	311	**232**
Gas oil (Diesel fuel)	1,126	1,119	1,395	1,481	**1,510**
Fuel oil A	518	580	334	228	**193**
Fuel oil C	1,142	1,178	726	1,402	**1,258**
Benzene	176	148	153	150	**111**
Xylene	297	283	311	308	**275**
Other	576	523	557	562	**742**
Subtotal	7,193	7,424	7,439	7,992	**7,828**
Barter deals	1,533	1,333	1,299	917	**641**
Total	8,726	8,757	8,738	8,910	**8,470**
Portion of total for export (excluding bunker fuel)	166	105	132	398	**544**

Solid User Base

A Solid Sales System with Many Long-Term Clients

With a refinery in Sodegaura, Chiba Prefecture, which is located in the greater Tokyo area, FOC has a system that can provide stable and low cost supplies to clients. FOC has also focused its efforts on developing technology, such as achieving a high cracking ratio for heavy crude oil. These competitive advantages of location and efficiency have become key words for describing FOC.

In addition to location and efficiency, a solid sales base built upon a stable client base is another key phrase for describing FOC. Not only the companies that have invested in FOC to ensure supplies of fuel for power stations or feedstock for chemical products, such as TEPCO and Sumitomo Chemical, but also other major companies including Showa Shell Sekiyu, Nippon Oil, and Japan Airlines International have highly evaluated FOC's superior features, and signed purchasing agreements with FOC for petroleum products.

[Supply of Petroleum Products]

FOC	Fuel products →	• Showa Shell Sekiyu K. K. • Nippon Oil Corporation • Japan Airlines International Co., Ltd. • Others
	Fuel oil / Crude oil →	• The Tokyo Electric Power Company, Incorporated
	Naphtha / Benzene →	• Sumitomo Chemical Company, Limited
	Petroleum pitch / Xylene →	• Sumitomo Metal Industries, Ltd., and others

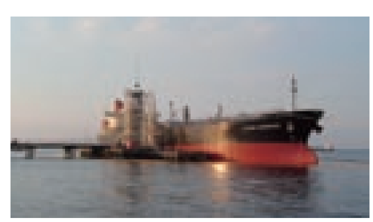
Exports

Foundation for Meeting Growing Global Demand for Clean Oil

Through the use of sulfur-free (10 ppm sulfur content or less) technology, clean oil produced in Japan is the highest quality available in the world. As sulfur-free products are being used to deal with environmental issues, the demand for these products is growing not only in Asia, where the demand for clean oil is growing, but also in other countries around the world.

Although a temporary decline in demand is forecasted due to the global economic recession, over the long term the trend towards greater demand for clean oil is not expected to change. To proactively take advantage of this globally increasing demand as an opportunity to increase earnings, FOC is steadily building a solid framework for expanding its exports of clean oil. In addition to Singapore-based affiliate Petro Progress Pte Ltd. strengthening its sales activities, FOC has built a pier at its Sodegaura Refinery that can accommodate 120-thousand-DWT tankers, making it one of the largest piers annexed to a refinery in Japan. FOC is proceeding with expansion of facilities to enable the export of a total of 3 million kiloliters of petroleum products annually, equivalent to about 40% of the Sodegaura Refinery's crude oil processing.

Petro Progress Pte Ltd.
(Singapore)



120-thousand-DWT pier
(for export)

Health, Safety, and Environment (HSE) Programs

Safety and Environmental Measures for All Aspects of Business

Since commencing operations of the Sodegaura Refinery in 1968, FOC has devoted companywide efforts to ensuring safety and protecting the environment. Annually, in preparation for the new fiscal year, the Safety and Environment Committee, chaired by the President, meets to review safety and environmental activities throughout FOC and to formulate new strategies as part of a PDCA Cycle. In addition, FOC annually produces an FOC Environmental Report, which is made available to the public.

In 2004, in consideration of corporate social responsibility in its business operations, FOC formulated the FOC Code of Conduct to provide a specific guide for the daily business activities of employees.

To ensure safety in its operations, FOC obtained a high pressure gas safety self inspection certificate in accordance with the High Pressure Gas Safety Law and its continuous operation of boilers and other equipment certificate in accordance with the Industrial Safety and Health Act, achieving continued stable operations of its equipment. Among other programs, FOC started its Total Productive Maintenance (TPM) activities in 2000. TPM activities involve all employees, and target safe and stable production operations that avoid accidents and defective products by increasing the efficiency of the production system through constant improvements in the quality of staff and facilities. In December 2008, FOC's TPM program results were recognized by the Japan Institute of Plant Maintenance, which presented FOC with the Award in Excellence in Consistent TPM Commitment. Other safety activities that FOC implements include fire prevention training for all employees and *hiyari hatto* (near miss incident) investigations that look for possible causes of future accidents hidden in small incidents.

One way in which FOC is trying to protect the environment is by aiming to produce low sulfur gasoline, gas oil, and other such products. FOC is also strengthening its environmental activities in all aspects of its operations, such as actively introducing environmentally friendly units, ensuring safe operations, recycling waste, and implementing energy conservation activities.

As a whole, the petroleum industry is targeting a 13% reduction in its average energy consumption basic unit during the period from fiscal 2009 to fiscal 2013 in comparison to fiscal 1991. FOC has set a stricter target of 15% reduction by fiscal 2011. In fiscal 2008, FOC had achieved a 19.2% reduction compared with fiscal 1991.

During the period from 2003 to 2007, FOC collaborated with Sumitomo Chemical and Chiyoda Corporation in joint research with Japan's New Energy and Industrial Technology Development Organization (NEDO) on developing integrated recovery technology for low temperature waste heat emitted by chemical complexes. During the research project, FOC developed technology to recover low temperature waste heat released into the atmosphere and reuse it in plants for heating and electricity generation. The annual energy savings generated by this technology are equivalent to 11,500 kiloliters of crude oil and also equivalent to reducing carbon dioxide emissions by 30 thousand tons annually.

Among other activities, FOC plans to begin supplying bio-gasoline to the market as early as 2010, in conjunction with the Japanese oil industry's global warming countermeasures.

FOC Code of Conduct

In our daily conduct we emphasize the following:

- **Fair**............ Value relationships with clients, shareholders, employees, and local communities and seek to contribute to society through the fair and open conduct of business as a good corporate citizen
- **Operation**... Give top priority to ensuring safety and protecting the environment in our business activities, producing quality products that are useful to society
- **Challenge**... Based on a motivational and stimulating environment in the workplace, we challenge ourselves to achieve dramatic development of our company by demonstrating the maximum amount of initiative and creativity.

Please visit >>> **http://www.aochd.co.jp/e/environment/**

Corporate Governance

AOC Holdings, Inc. (AOCHD), considers the establishment of sound corporate governance to be one of its highest priority issues. As an open company with transparent management, AOCHD seeks to fulfill its responsibility to report to its stakeholders on its efforts to achieve sustained growth in corporate value as well as maximize corporate value in the eyes of its stakeholders. The Company has also set out the Charter of Corporate Behavior with the aim of being a corporate group that has the trust and support of people in the society it serves and the local communities surrounding its operations.

Charter of Corporate Behavior

The AOC Holdings Group makes it management philosophy to contribute to the realization of a satisfactory life and comfortable environment in our society through a stable supply of oil, natural gas, and petroleum products, critically important sources of energy, to support people's lives and industry. In order to realize this philosophy, we at AOCHD hereby lay down the Charter of Corporate Behavior and aim to become a business corporation that will gain firm trust and support of local communities and society.

- Stable Supply of Energy Resources
- Safe Operation and Environmental Protection
- Social Contribution
- Observance of Laws, Regulations, and Rules
- Rejection of Antisocial Entities
- Achieving Better Communication
- Respect for Employees' Individuality and Differences
- Resolution of Problems

Internal Control System

AOCHD has implemented the following internal control system—pursuant to the stipulations of the Japanese Companies Act—to ensure efficient corporate management and a stringent level of compliance with laws and regulations.

I. System to Ensure Proper Execution of Duties by Directors

The Company shall formulate a Charter of Corporate Behavior and make clear its strong commitment to strict compliance with all relevant laws and regulations, both in Japan and in overseas jurisdictions, as well as its Articles of Association and various internal rules. The Board of Directors shall be responsible for making decisions regarding the Company's compliance system and internal control system. This specifically includes the formulation of policies and plans and the execution of such plans.

The Company shall appoint outside directors in order to maintain and enhance the function of the Board of Directors in supervising directors' execution of duties. In addition, corporate auditors shall audit the directors' execution of duties.

II. System to Ensure Proper Execution of Business Operations

1. System for the storage and management of information

With regard to information relating to the execution of duties by directors, important documents shall be recorded, stored, and managed in accordance with internal rules, and such documents shall be available for subsequent inspection as necessary.

2. Risk management system

Risks that may have a significant impact on the Company's management shall be comprehensively recognized and quantified, and a set of rules for managing risk shall be established. A system shall also be developed for risk prevention and reduction during normal business operations. Should an unforeseen or emergency situation arise, a crisis management center shall be rapidly deployed.

3. System to ensure efficient execution of business operations

The Board of Directors shall determine core management policies and important matters relating to management, and shall supervise the directors' execution of duties. The Executive Committee, comprising the full-time directors, full-time corporate auditor and executive officers, shall share information covering all aspects of management and shall undertake resolutions to ensure the efficient execution of business operations, in accordance with decisions of the Board of Directors. Each department and division of the Company shall receive instructions from directors and executive officers and shall carry out business operations efficiently and in accordance with internal rules and shall report the results of their respective operations.

4. System to ensure proper execution of business operations by employees

The Company shall formulate a Charter of Corporate Behavior and maintain a thorough level of compliance with all laws and regulations, both in Japan and overseas, as well as its Articles of Association and internal rules. The Company shall also conduct training programs for directors and employees covering compliance issues. The Company shall establish a help line for employees to facilitate the reporting and discussion of matters relating to legal or internal rule violations.

5. System to ensure proper execution of business operations of Group companies

The Company shall establish clear criteria for subsidiaries and affiliates on matters that must be reported to the Company and matters that require approval from the Company. There shall be close liaisons and exchanges of information between departments and divisions of the Company and subsidiaries and affiliates. The Company shall maintain thorough control over subsidiaries and affiliates.

Directors, Auditors, and Executive Officers (As of June 25, 2009)

From the left:
Fumio Sekiya, President and Representing Director
Kuniyasu Takeda, Chairman
Kazutoshi Hoyano, Vice President and Representing Director

[Directors]

Chairman
Kuniyasu Takeda

President and Representing Director
Fumio Sekiya

Vice President and Representing Director
Kazutoshi Hoyano

Directors
Toshiyuki Hiroki
Taro Shoji
Takashi Enatsu
Shigemi Tamura
Hiromasa Yonekura
Shigeya Kato
Yahya Jamil Shinawi
Nasser Bader Al-Mudhaf

[Auditors]

Shinichi Ame (Full Time)
Nobuhiko Ishii
Koichi Nakanishi
Yasushi Yamawaki

[Executive Officers]

Yasuo Kiyota
Koichi Sekikawa
Nobumasa Hara

6. System to assist corporate auditors' execution of duties

The Company shall establish the Office of Corporate Auditors as a department dedicated to assisting the corporate auditors in the execution of their duties. The division of duties and operations shall be determined in accordance with the views of the corporate auditors.

7. Independent assistance for corporate auditors

Staff assigned to the Office of Corporate Auditors shall follow the orders and instructions of corporate auditors. Personnel changes and employee evaluations in the Internal Audit Department staff require the approval of the Board of Corporate Auditors.

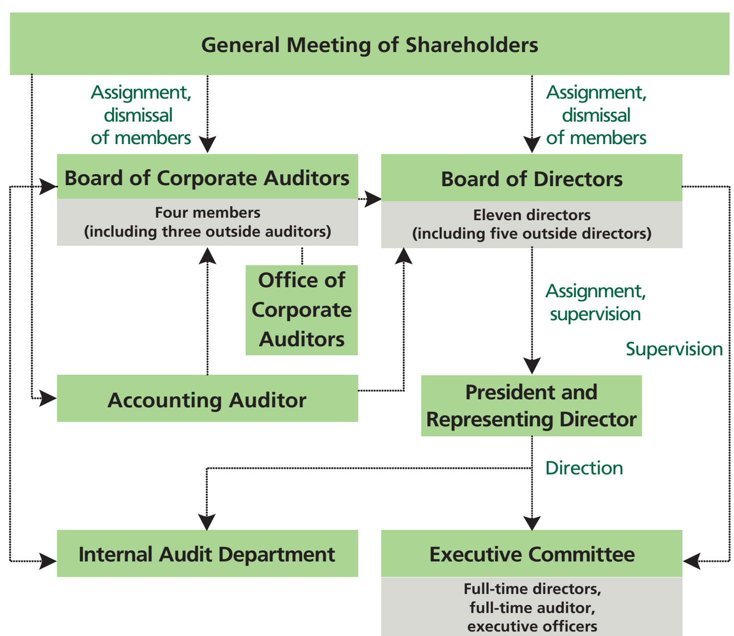
8. System of reporting to corporate auditors

The directors and employees shall provide reports to the corporate auditors on a regular basis as well as when specifically requested by a corporate auditor.

9. Other systems to ensure effective auditing

The directors and corporate auditors shall convene regular meetings to ensure the maintenance of sound communications between them. To ensure that the corporate auditors are able to carry out their duties appropriately, the directors shall cooperate to facilitate the corporate auditors' communication with directors and corporate auditors of subsidiaries and affiliates, information gathering and exchange, research of major customers and suppliers, and receipt of advice from certified public accountants, attorneys, and other outside specialists.

Corporate Governance Structure
(As of June 25, 2009)



Please visit >>> http://www.aochd.co.jp/e/group/governance.html

Corporate History

• Arabian Oil Company, Ltd. • Fuji Oil Company, Ltd. • AOC Holdings, Inc.

1950	1957	Dec.	•Conclusion of the concession agreement between the government of Saudi Arabia and Japan Petroleum Trading Co., Ltd. (JPTC)
	1958	Feb.	•Establishment of Arabian Oil Company, Ltd. (AOC), which inherited the concession agreement concluded between Saudi Arabia and JPTC
		Jul.	•Conclusion of the concession agreement with the government of Kuwait
1960	1960	Jan.	•Discovery of the Khafji oil field
	1961	Feb.	•Commencement of oil production from the Khafji oil field
		Oct.	•Listing of stock on the Second Section of the Tokyo and Osaka Stock Exchanges
	1963	Nov.	•Discovery of the Hout oil field
	1964	Apr.	•Establishment of Fuji Oil Company, Ltd. (FOC)
	1966	Aug.	•Participation in the Kyodo Oil Group (now Japan Energy Group)
	1967	Feb.	•Discovery of the Lulu oil field
		Nov.	•Discovery of the Dorra gas field
	1968	Oct.	•Startup of the Sodegaura Refinery with a Crude Distillation Unit (CDU) capacity of 70 thousand B/D
1970	1970	Feb.	•Listing of stock on the First Section of the Tokyo and Osaka Stock Exchanges
		Nov.	•Expansion of the Sodegaura Refinery's CDU capacity to 140 thousand B/D
	1971	Sep.	•Establishment of Eureka Industry Company, Ltd., jointly with Kureha Chemical Industry Company, Ltd. (now Kureha Corporation), and two other companies
	1974	Jan.	•Government participation in the operations in the offshore Partitioned Neutral Zone by 60%
1980	1981	Feb.	•Completion of Nakasode Crude Storage Base (first phase) with a storage capacity of 390 thousand kiloliters
	1982	Dec.	•Completion of Nakasode Crude Storage Base (second phase) with a storage capacity of 780 thousand kiloliters
	1983	Apr.	•Establishment of AOC Energy Development Company, Ltd. (AEDC)
1990	1990	Mar.	•Merger of Eureka Industry Company, Ltd., into FOC
		Jun.	•Commencement of oil production from the Gyda oil field in the Norwegian North Sea
		Nov.	•Commencement of natural gas production from the MC487 gas field in the US Gulf of Mexico
	1991	Jan.	•Temporary shutdown of the operations in the offshore Partitioned Neutral Zone (until early June 1991) due to the outbreak of the Gulf War
	1993	Jul.	•Startup of Aromatics Manufacturing Complex with a production capacity of 150 thousand tons of benzene and 190 thousand tons of xylene per year
		Oct.	•Commencement of oil production from the Lufeng 13-1 oil field in the South China Sea
	1996	Apr.	•Acquisition of ISO 9002 certification
	1998	Oct.	•Reinforcement of the Sodegaura Refinery's CDU capacity to 192 thousand B/D
2000	2000	Feb.	•Expiry of the concession agreement with the government of Saudi Arabia
	2001	Mar.	•Acquisition of ISO 14001 certification
	2002	Apr.	•Acquisition of ISO 9001 certification
	2003	Jan.	•Expiry of the concession agreement with Kuwait and the effectuation of new agreements with Kuwait
			•Business integration with FOC with the establishment of a joint stockholding company
			•Establishment of AOC Holdings, Inc., with ¥20,000 million in capital and listing on the First Section of the Tokyo Stock Exchange
		May	•Merger of AEDC into AOC
	2005	Jun.	•Conclusion of the memorandum of understanding with Iraq's Ministry of Oil on AOC's technical assistance to Iraq's upstream oil sector
		Jul.	•Conclusion of the production sharing contract with the Egyptian government and the Egyptian General Petroleum Corp. for oil and gas exploration and development in the Northwest October Block of the Gulf of Suez, Egypt
		Oct.	•Commencement of petroleum products supply to Showa Shell Sekiyu K. K. under a new business alliance
			•Increase of capital to ¥24,467 million by the third-party allocation of new shares
	2006	Apr.	•Commencement of petroleum products supply to Japan Airlines International Co., Ltd., and Kyushu Oil Co., Ltd. (now Nippon Oil Corporation), under a new business alliance
	2008	Jan.	•Expiry of the technical services agreement with Kuwait concluded in 2003
		Mar.	•Startup of the No. 2 FCC unit with a capacity of 18 thousand B/D in the Sodegaura Refinery

AOC Holdings Group Companies

	Company	Head Office	Capital	Major Shareholders	Principal Business
Upstream Business (Oil/Gas Development and Sales)	**Arabian Oil Company, Ltd. (AOC)**	Tokyo	¥13,000 million	AOC Holdings, Inc.: 100%	Exploration, development, production, and sale of crude oil and natural gas
	Norske AEDC AS (NAEDC)	Norway	Nkr 30 million	AOC: 100%	Exploration, development, production, and sale of crude oil and natural gas in Norway
	New Huanan Oil Development Co., Ltd. (NHODC)	Tokyo	¥96 million	AOC: 83.7% FOC: 0.6%	Exploration, development, production, and sale of crude oil and natural gas in China
	AOC Egypt Petroleum Company, Ltd.	Tokyo	¥500 million	AOC: 100%	Exploration, development, production, and sale of crude oil and natural gas in Egypt
Downstream Business (Oil Refinery and Sales)	**Fuji Oil Company, Ltd. (FOC)**	Tokyo	¥10,225 million	AOC Holdings, Inc.: 100%	Oil refining, storage, sales and purchasing, and export and import of petroleum products
	Petro Progress, Inc.	Tokyo	¥3,000 million	AOC: 50.0% FOC: 50.0%	Purchasing, marketing, and transportation of crude oil and petroleum products
	Petro Progress Pte Ltd.	Singapore	S$34 million	Petro Progress, Inc.: 100%	Overseas purchasing, marketing, and transportation of crude oil and petroleum products
	Fuji Tanker Company, Ltd.	Tokyo	¥50 million	FOC: 100%	Chartering and scheduling of oil tankers
	Fuji Oil Sales Co., Ltd.	Tokyo	¥100 million	FOC: 100%	Sale of petroleum products
	Fuji Rinkai Co., Ltd.	Chiba	¥10 million	FOC: 70%	Loading and unloading of oil
Other Business	**Japan Oil Engineering Co., Ltd.**	Tokyo	¥600 million	FOC: 50.0% AOC: 49.9%	Engineering and consulting services in upstream and downstream sectors of the oil and gas industry
	Tokyo Petroleum Industrial Co., Ltd.	Tokyo	¥120 million	AOC: 49.8%	Manufacturing, sale, and recycling of asphalt mixture

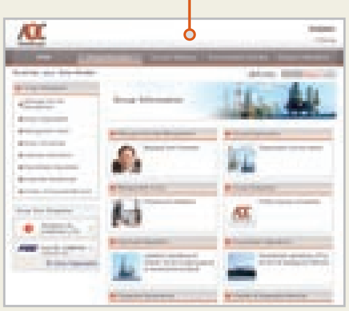
Website Guide

AOC Holdings, Inc., positions its website as a powerful tool for providing up to date corporate information.

Home Page

http://www.aochd.co.jp/e/

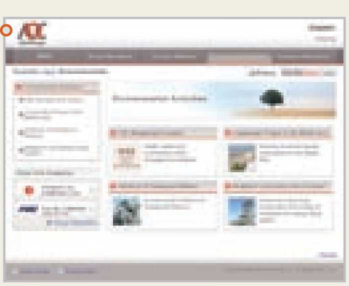
Our website provides a variety of information.



Group Information

http://www.aochd.co.jp/e/group/index.html

Please see this page for the AOC Holdings Group's organization and its principal business.



Environmental Activities

http://www.aochd.co.jp/e/environment/

For a look at the AOC Holdings Group's environmental activities, please see this page.

Investor Relations

http://www.aochd.co.jp/e/ir/

Please see this page for useful IR information for our shareholders and investors.

Financial Section

Consolidated Balance Sheets

AOC Holdings, Inc. and Consolidated Subsidiaries
As of March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	**2009**	2008	**2009**
Current assets:			
Cash and deposits (Note 17)	**¥ 28,464**	¥ 31,550	**$ 289,769**
Notes and accounts receivable—trade	**55,630**	97,969	**566,324**
Short-term investment securities (Note 4)	**340**	1,274	**3,461**
Inventories	**59,346**	104,113	**604,154**
Accounts receivable—other	**1,543**	1,313	**15,708**
Deferred tax assets (Note 7)	**2,713**	938	**27,619**
Other (Notes 6 and 11)	**19,564**	16,609	**199,165**
Allowance for doubtful accounts	**(11)**	—	**(112)**
Total current assets	**167,591**	253,770	**1,706,108**
Property, plant and equipment (Note 5):			
Buildings and structures (Note 6)	**16,604**	12,926	**169,032**
Storage tanks (Note 6)	**2,359**	2,948	**24,015**
Machinery, equipment and vehicles (Note 6)	**40,753**	18,992	**414,873**
Land (Note 6)	**51,359**	51,359	**522,844**
Construction in progress	**10,697**	32,278	**108,897**
Other	**330**	198	**3,359**
Total property, plant and equipment	**122,106**	118,703	**1,243,062**
Intangible assets	**1,068**	1,360	**10,872**
Investments and other assets:			
Investment securities (Notes 4 and 6)	**12,346**	12,077	**125,685**
Long-term loans receivable (Notes 6 and 11)	**38,764**	54,666	**394,625**
Long-term time deposits (Note 6)	**6,896**	7,708	**70,203**
Investment for exploration development	**3,284**	2,863	**33,432**
Other	**1,326**	1,143	**13,499**
Allowance for doubtful accounts	**(400)**	(401)	**(4,072)**
Total investments and other assets	**62,219**	78,057	**633,401**
Total assets	**¥352,985**	¥451,892	**$3,593,454**

See notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of Yen 2009	2008	Thousands of U.S. Dollars (Note 1) 2009
Current liabilities:			
Accounts payable—trade	**¥ 28,924**	¥ 62,082	**$ 294,452**
Short-term loans payable (Note 6)	**72,962**	85,873	**742,767**
Current portion of long-term loans payable (Notes 6 and 11)	**21,940**	18,802	**223,353**
Accounts payable—other	**9,105**	18,064	**92,691**
Excise taxes payable on gasoline and other fuels	**16,165**	17,318	**164,563**
Income taxes payable (Note 7)	**1,397**	2,274	**14,222**
Provision for loans receivable agreement expense	**686**	890	**6,984**
Other (Note 6)	**6,305**	6,284	**64,186**
Total current liabilities	**157,487**	211,591	**1,603,247**
Noncurrent liabilities:			
Long-term loans payable (Notes 6 and 11)	**68,974**	71,795	**702,168**
Deferred tax liabilities (Note 7)	**5,020**	13,047	**51,105**
Provision for retirement benefits (Note 8)	**4,016**	4,132	**40,884**
Provision for directors' retirement benefits	**180**	181	**1,832**
Provision for special repairs	**1,742**	1,692	**17,734**
Provision for repairs	**5,375**	2,001	**54,719**
Provision for loans receivable agreement expenses	**1,063**	1,806	**10,822**
Negative goodwill	**—**	29	**—**
Other	**375**	465	**3,818**
Total noncurrent liabilities	**86,749**	95,153	**883,121**
Commitments and contingent liabilities (Notes 11 and 12)			
Net assets (Note 10)			
Shareholders' equity:			
Capital stock:			
Authorized—200,000,000 shares in 2009 and 2008			
Issued—78,183,677 shares in 2009 and 2008	**24,467**	24,467	**249,079**
Capital surplus	**57,679**	57,679	**587,183**
Retained earnings	**30,376**	63,299	**309,233**
Treasury stock (Note 6)	**(1,239)**	(1,238)	**(12,613)**
Total shareholders' equity	**111,283**	144,207	**1,132,882**
Valuation and translation adjustments:			
Valuation difference on available-for-sale securities	**160**	(180)	**1,629**
Deferred gains or losses on hedges	**—**	(2)	**—**
Revaluation reserve for land	**2**	2	**20**
Foreign currency translation adjustments	**(3,443)**	148	**(35,050)**
Total valuation and translation adjustments	**(3,280)**	(31)	**(33,391)**
Minority interests	**744**	971	**7,574**
Total net assets	**108,748**	145,147	**1,107,075**
Total liabilities and net assets	**¥352,985**	¥451,892	**$3,593,454**

Consolidated Statements of Operations

AOC Holdings, Inc. and Consolidated Subsidiaries
For the years ended March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	**2009**
Net sales (Note 20)	**¥927,222**	¥930,738	**$9,439,296**
Cost of sales (Note 18)	**956,418**	908,742	**9,736,516**
Gross profit (loss)	**(29,196)**	21,995	**(297,221)**
Exploration expenses	**—**	2,438	**—**
Selling, general and administrative expenses (Note 18)	**5,846**	5,602	**59,513**
Operating income (loss)	**(35,042)**	13,954	**(356,734)**
Non-operating income (expenses):			
Interest and dividends income	**2,533**	4,479	**25,786**
Foreign exchange gains	**—**	431	**—**
Equity in earnings of affiliates	**3,079**	583	**31,345**
Gain on termination of a concession agreement	**—**	267	**—**
Interest expenses	**(5,558)**	(7,675)	**(56,581)**
Foreign exchange losses	**(1,558)**	—	**(15,861)**
Loss on retirement of noncurrent assets	**(280)**	(699)	**(2,850)**
Loss on sales of noncurrent assets	**0**	(12)	**0**
Loss on valuation of investment securities	**(1,891)**	—	**(19,251)**
Provision for loans receivable agreement expenses	**—**	(2,697)	**—**
Settlement of arbitration (Note 15)	**(713)**	—	**(7,258)**
Other, net	**62**	(231)	**631**
	(4,326)	(5,554)	**(44,039)**
Income (loss) before income taxes	**(39,370)**	8,401	**(400,794)**
Income taxes (Note 7):			
Income taxes—current	**1,741**	4,484	**17,724**
Income taxes—deferred	**(9,672)**	(1,111)	**(98,463)**
	(7,931)	3,373	**(80,739)**
Minority interests in income	**326**	363	**3,319**
Net income (loss)	**¥ (31,765)**	¥ 4,665	**$ (323,374)**

See notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

AOC Holdings, Inc. and Consolidated Subsidiaries
As of March 31, 2009 and 2008

		Millions of Yen				
		Shareholders' equity				
	Number of shares of capital stock	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Net assets at March 31, 2007	78,183,677	¥24,467	¥57,679	¥ 59,793	¥(1,238)	¥140,701
Dividends from surplus				(1,158)		(1,158)
Net income				4,665		4,665
Purchase of treasury stock					(0)	(0)
Net changes of items other than shareholders' equity						
Total changes during the period		—	—	3,506	(0)	3,506
Net assets at March 31, 2008	78,183,677	24,467	57,679	63,299	(1,238)	144,207
Dividends from surplus				**(1,158)**		**(1,158)**
Net loss				**(31,765)**		**(31,765)**
Purchase of treasury stock					**(0)**	**(0)**
Net changes of items other than shareholders' equity						
Total changes during the period		**—**	**—**	**(32,923)**	**(0)**	**(32,923)**
Balance at March 31, 2009	**78,183,677**	**¥24,467**	**¥57,679**	**¥ 30,376**	**¥(1,239)**	**¥111,283**

	Millions of Yen						
	Valuation and translation adjustments						
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Total valuation and translation adjustments	Minority interests	Total net assets
Net assets at March 31, 2007	¥ 593	¥—	¥2	¥ 785	¥ 1,381	¥1,178	¥143,261
Dividends from surplus							(1,158)
Net income							4,665
Purchase of treasury stock							(0)
Net changes of items other than shareholders' equity	(774)	(2)	—	(636)	(1,413)	(206)	(1,619)
Total changes during the period	(774)	(2)	—	(636)	(1,413)	(206)	1,886
Net assets at March 31, 2008	(180)	(2)	2	148	(31)	971	145,147
Dividends from surplus							**(1,158)**
Net loss							**(31,765)**
Purchase of treasury stock							**(0)**
Net changes of items other than shareholders' equity	**341**	**2**	**—**	**(3,592)**	**(3,248)**	**(227)**	**(3,475)**
Total changes during the period	**341**	**2**	**—**	**(3,592)**	**(3,248)**	**(227)**	**(36,399)**
Balance at March 31, 2009	**¥ 160**	**¥—**	**¥2**	**¥(3,443)**	**¥(3,280)**	**¥ 744**	**¥108,748**

See notes to consolidated financial statements.

	Number of shares of capital stock	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
		Thousands of U.S. Dollars (Note 1)				
		Shareholders' equity				
Net assets at March 31, 2008	78,183,677	$249,079	$587,183	$ 644,396	$(12,603)	$1,468,055
Dividends from surplus				**(11,789)**		**(11,789)**
Net loss				**(323,374)**		**(323,374)**
Purchase of treasury stock					**(0)**	**(0)**
Net changes of items other than shareholders' equity						
Total changes during the period		**—**	**—**	**(335,162)**	**(0)**	**(335,162)**
Balance at March 31, 2009	**78,183,677**	**$249,079**	**$587,183**	**$ 309,233**	**$(12,613)**	**$1,132,882**

	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Total valuation and translation adjustments	Minority interests	Total net assets
	Thousands of U.S. Dollars (Note 1)						
	Valuation and translation adjustments						
Net assets at March 31, 2008	$(1,832)	$(20)	$20	$ 1,507	$ (316)	$ 9,885	$1,477,624
Dividends from surplus							**(11,789)**
Net loss							**(323,374)**
Purchase of treasury stock							**(0)**
Net changes of items other than shareholders' equity	**3,471**	**20**	**—**	**(36,567)**	**(33,065)**	**(2,311)**	**(35,376)**
Total changes during the period	**3,471**	**20**	**—**	**(36,567)**	**(33,065)**	**(2,311)**	**(370,549)**
Balance at March 31, 2009	**$ 1,629**	**$ —**	**$20**	**$(35,050)**	**$(33,391)**	**$ 7,574**	**$1,107,075**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

AOC Holdings, Inc. and Consolidated Subsidiaries
For the years ended March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dolllars (Note 1)
	2009	2008	**2009**
Net cash provided by (used in) operating activities:			
Income (loss) before income taxes	**¥(39,370)**	¥ 8,401	**$(400,794)**
Depreciation and amortization	**10,633**	6,253	**108,246**
Increase in provision for repairs	**3,374**	803	**34,348**
Increase (decrease) in provision for retirement benefits	**(116)**	10	**(1,181)**
Increase in allowance for doubtful accounts	**9**	1	**92**
Increase in provision for special repairs	**49**	43	**499**
Increase (decrease) in provision for directors' retirement benefits	**(0)**	31	**(0)**
Increase (decrease) in provision for loans receivable agreement expenses	**(947)**	2,697	**(9,641)**
Interest and dividends income	**(2,534)**	(4,480)	**(25,797)**
Interest expenses	**5,558**	7,675	**56,581**
Equity in earnings of affiliates	**(3,079)**	(583)	**(31,345)**
Loss on retirement of noncurrent assets	**280**	699	**2,850**
Gain on termination of concession agreement	**—**	(267)	**—**
Loss on valuation of investment securities	**1,891**	—	**19,251**
Settlement of arbitration	**713**	—	**7,258**
Decrease (increase) in notes and accounts receivable—trade	**42,286**	(9,281)	**430,479**
Decrease (increase) in inventories	**44,742**	(25,468)	**455,482**
Increase (decrease) in notes and accounts payable—trade	**(33,157)**	16,268	**(337,545)**
Increase (decrease) in excise taxes payable on gasoline and other fuels	**(1,152)**	416	**(11,728)**
Other, net	**(2,211)**	2,010	**(22,508)**
Subtotal	**26,968**	5,231	**274,539**
Interest and dividends income received	**3,276**	4,584	**33,350**
Interest expenses paid	**(6,573)**	(7,585)	**(66,914)**
Income taxes paid	**(4,132)**	(6,436)	**(42,065)**
Income taxes refund	**958**	123	**9,753**
Payment for settlement of arbitration	**(713)**	—	**(7,258)**
Net cash provided by (used in) operating activities	**19,784**	(4,082)	**201,405**
Net cash provided by (used in) investment activities:			
Payments into time deposits	**(14,681)**	(13,737)	**(149,455)**
Proceeds from withdrawal of time deposits	**15,471**	14,230	**157,498**
Purchase of investment securities	**(504)**	(1,000)	**(5,131)**
Proceeds from redemption of securities	**924**	1,300	**9,406**
Purchase of short-term investment securities	**—**	(1,000)	**—**
Purchase of property, plant and equipment	**(16,506)**	(16,797)	**(168,034)**
Proceeds from sales of property, plant and equipment	**17**	2	**173**
Purchase of intangible assets	**(460)**	(415)	**(4,683)**
Payments of long-term loans receivable	**(8)**	(26,018)	**(81)**
Collection of long-term loans receivable	**9,683**	6,469	**98,575**
Payment for investments for exploration development	**(491)**	(329)	**(4,998)**
Other, net	**(564)**	(185)	**(5,742)**
Net cash used in investment activities	**(7,119)**	(37,482)	**(72,473)**
Net cash provided by (used in) financing activities:			
Net increase (decrease) in short-term loans payable	**(12,930)**	38,832	**(131,630)**
Proceeds from long-term loans payable	**20,300**	31,814	**206,658**
Repayment of long-term loans payable	**(19,014)**	(19,671)	**(193,566)**
Purchase of treasury stock	**(0)**	(0)	**(0)**
Cash dividends paid	**(1,158)**	(1,155)	**(11,789)**
Cash dividends paid to minority shareholders due to capital reduction	**(79)**	(94)	**(804)**
Cash dividends paid to minority shareholders	**(471)**	(377)	**(4,795)**
Net cash (used in) provided by financing activities	**(13,354)**	49,348	**(135,946)**
Effect of exchange rate change on cash and cash equivalents	**(2,330)**	(1,722)	**(23,720)**
Net decrease (increase) in cash and cash equivalents	**(3,019)**	6,060	**(30,734)**
Cash and cash equivalents at beginning of year (Note 17)	**31,810**	25,749	**323,832**
Cash and cash equivalents at end of year (Note 17)	**¥ 28,790**	¥ 31,810	**$ 293,088**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

AOC Holdings, Inc. and Consolidated Subsidiaries

1. Basis of Presenting the Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared from the accounts maintained by AOC Holdings, Inc. (the "Company") and its domestic and foreign subsidiaries (the "Companies"), and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

The Company and its domestic subsidiaries maintain their accounting records in conformity with accounting principles and practices generally accepted in Japan ("Japanese GAAP").

Prior to the year ended March 31, 2009, the accounts of consolidated overseas subsidiaries used in the preparation of the consolidated financial statements were based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. As discussed in Note 2, the accounts of consolidated overseas subsidiaries used in the preparation of the consolidated financial statements for the year ended March 31, 2009 are prepared in accordance with International Financial Reporting Standards with adjustments for the six specified items as applicable.

The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

As permitted by the Financial Instruments and Exchange Law, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.

The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made, as a matter of arithmetic computation only, at the rate of ¥98.23 = U.S.$1.00, the approximate rate of exchange on March 31, 2009. This translation should not be construed as a representation that yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

2. Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements

On May 17, 2006, the Accounting Standards Board of Japan ("ASBJ") issued ASBJ Practical Issues Task Force No. 18 "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" ("PITF No. 18"). PITF No. 18 requires that accounting policies and procedures applied by the Company and its subsidiaries to similar transactions and events under similar circumstances should, in principle, be unified for the preparation of the consolidated financial statements. PITF No. 18, however, as a tentative measure, allows the Company to prepare consolidated financial statements using foreign subsidiaries' financial statements prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles. In this case, adjustments for the following six items are required in the consolidation process so that their impacts on net income are accounted for in accordance with Japanese GAAP unless the impact is not material.

- Goodwill not subjected to amortization
- Actuarial gains and losses of defined benefit plans recognized outside profit or loss
- Capitalized expenditures for research and development activities
- Fair value measurement of investment properties, and revaluation of property, plant and equipment, and intangible assets
- Retrospective treatment of a change in accounting policies
- Accounting for net income attributable to minority interests

There were no significant effects from adopting PITF No. 18 on the consolidated financial statements for the year ended March 31, 2009.

3. Summary of Significant Accounting Policies

(a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and its nine significant subsidiaries (the "Subsidiaries") as of March 31, 2009 and 2008. Consolidated subsidiaries as of March 31, 2009 were as follows:

- Arabian Oil Company, Ltd.
- Fuji Oil Company, Ltd.
- Fuji Oil Sales Co., Ltd.
- Fuji Tanker Company, Ltd.
- Fuji Rinkai Co., Ltd.
- Norske AEDC AS
- Petro Progress, Inc.
- Petro Progress Pte Ltd.
- New Huanan Oil Development Co., Ltd.

Eight other subsidiaries in 2009 and 2008 are excluded from the scope of consolidation because they are less material in terms of total assets, net sales, net income (loss) and retained earnings and do not have a material effect on the consolidated financial statements as a whole.

Petro Progress Pte Ltd., Norske AEDC AS and New Huanan Oil Development Co., Ltd., have a fiscal year-end of December 31. The consolidated financial statements incorporate the accounts of the above companies for the fiscal year ended December 31 with adjustments for significant transactions arising after year-end.

All significant intercompany accounts and transactions have been eliminated on consolidation.

The difference between the cost and underlying net equity at acquisition of investments in subsidiaries and affiliates accounted for by the equity method is allocated to identifiable assets and liabilities based on fair market value at the date of acquisition. The unallocated portion of the difference, which is recognized as goodwill or negative goodwill, is being equally amortized over a period of 10 years by the straight-line method.

(b) Equity method

The equity method was applied to the investments in two non-consolidated subsidiaries and an affiliate in 2009 and 2008.

Non-consolidated subsidiaries and an affiliate accounted for by the equity method as of March 31, 2009 and 2008 were as follows:

Non-consolidated subsidiaries accounted for by the equity method:

- Japan Oil Engineering Co., Ltd.
- Tokyo Petroleum Industrial Co., Ltd.

Affiliate accounted for by the equity method:

- Aramo Shipping (Singapore) Pte Ltd.

Investment securities (equity) in other non-consolidated subsidiaries and affiliates (eight companies in 2009 and 2008) are not accounted for by the equity method, but stated at cost, because the corresponding amounts of net income (loss) and retained earnings are immaterial and do not have a material effect on the consolidated financial statements as a whole.

(c) Cash and cash equivalents

In preparing the consolidated statements of cash flows, cash equivalents include all highly liquid debt instruments with an original maturity of three months or less.

(d) Short-term investment securities and investment securities

Securities other than equity securities issued by subsidiaries and affiliates are classified as either held-to-maturity securities or available-for-sale securities. Held-to-maturity securities are carried at amortized cost. Short-term investment securities and investment securities classified as available-for-sale securities are carried at fair value with any changes in valuation on available-for-sale securities, net of taxes, included directly in valuation and translation adjustments under net assets. The cost of marketable available-for-sale securities sold is calculated by the moving-average method. Non-marketable securities classified as available-for-sale securities are carried at cost determined by the moving-average method.

(e) Inventories

Prior to April 1, 2008, finished goods, semi-finished goods and crude oil were stated at cost determined by the gross average method. Goods in transit were stated at cost determined by the specific identification method and stored goods were stated at cost determined by the moving-average method.

Effective from April 1, 2008, the Company and its domestic subsidiaries applied the "Accounting Standards for Measurement of Inventories" ("Accounting Standard No. 9" issued by the ASBJ on July 5, 2006).

This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate.

As a result of this change, operating income and income before income taxes for the year ended March 31, 2009 decreased by ¥26,773 million ($272,554 thousand), compared to the previous method.

Effective from April 1, 2008, crude oil is measured quarterly at cost determined by the gross average method to reflect the fluctuation of the fair value of crude oil timely.

As a result, operating income and income before income taxes for the year ended March 31, 2009 decreased by ¥15,195 million ($154,688 thousand), compared to the previous method of measuring yearly at cost determinded the gross average method.

Since inventories at March 31, 2009 are stated at net selling value, the amount of the loss on valuation of inventories, ¥26,773 million ($272,554 thousand), is included in the cost of sales for March 31, 2009.

Inventories at March 31, 2009 consisted of finished goods ¥20,214 million ($205,782 thousand), semi-finished goods ¥10,172 million ($103,553 thousand) and raw materials and supplies ¥28,959 million ($294,808 thousand).

(f) Impairment of long-lived assets

Long-lived assets, such as property, plant, and equipment, and acquired intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of by sale are reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated.

(g) Depreciation and amortization

Depreciation of manufacturing plant equipment for petrochemical products and in-house power generating equipment is calculated principally by the declining-balance method and depreciation of other property, plant and equipment is calculated principally by the straight-line method, except for one consolidated subsidiary using the declining-balance method, based on the estimated useful lives of the respective assets. In addition, certain foreign consolidated subsidiaries are using the unit-of-production method for certain assets. The useful lives of major property, plant and equipment are summarized as follows:

■ Buildings and structures	2 to 60 years
■ Storage tanks	10 to 15 years
■ Machinery, equipment and vehicles	2 to 15 years

Intangible assets, except for mineral rights which are amortized by the unit-of-production method, are amortized by the straight-line method over their respective estimated useful lives. Software intended for internal use is amortized by the straight-line method over an estimated useful life of five years.

Accompanying revisions to Japan's Corporate Tax Law (as contained in the Law Revising a Portion of the Income Tax Law, March 30, 2007, Law No. 6, and the Ordinance Revising a Portion of the Enforcement Regulations for the Income Tax Law, March 30, 2007, Ordinance No. 83), effective from April 1, 2007, the Company and its domestic consolidated subsidiaries have changed the method of depreciation for property, plant and equipment purchased on or after April 1, 2007, to the method prescribed by revisions to Japan's Corporate Tax Law. As a result of this change, operating income and income before income taxes decreased by ¥41 million ($409 thousand) for the year ended March 31, 2008.

Effective from April 1, 2007, after having depreciated property, plant and equipment purchased before March 31, 2007 up to five percent of the acquisition cost based on the prior Japan's Corporate Tax Law, the Company and its domestic consolidated subsidiaries depreciate five percent of the acquisition cost less the new salvage value of ¥1 (memorandum value), using the straight line method over five years, according to revisions to Japan's Corporate Tax Law. The effect of this change was to decrease operating income and income before income taxes by ¥1,670 million ($16,668 thousand) for the year ended March 31, 2008.

Effective from April 1, 2008, the Company and its domestic consolidated subsidiaries changed the useful lives of equipment for oil refinery from eight to seven years according to revisions to Japan's Corporate Tax Law in the year ended March 31, 2008.

As a result, operating income and income before income taxes for the year ended March 31, 2009 decreased by ¥700 million ($7,126 thousand), compared to the previous method.

(h) Allowance for doubtful accounts

The allowance for doubtful accounts is provided at an amount determined based on the historical experience of bad debts with respect to ordinary receivables, plus an estimate of uncollectible amounts determined by reference to specific doubtful receivables.

(i) Provision for repairs

The provision for repairs is provided at an amount equivalent to the estimated amount of statutory periodical maintenance expenses for machinery and equipment.

(j) Provision for special repairs

The provision for special repairs is provided at an amount determined based on historical experience with respect to the periodical inspection and maintenance expenses for storage tanks required by the Fire Defense Law and for vessels required by the Vessel Safety Law.

(k) Provision for loans receivable agreement expenses

The technical services agreement between Arabian Oil Company, Ltd. ("AOC"), a wholly-owned subsidiary, and Kuwait Gulf Oil Company ("KGOC") expired on January 4, 2008. This contract constituted part of the contracts structure with Kuwait, replacing the old concession agreement. Provision for loans receivable agreement expenses is provided for a part of the loan agreement expenses of ¥1,750 million ($17,815 thousand) relating to Kuwait contracts, deemed irrecoverable.

(l) Provision for retirement benefits

Certain consolidated subsidiaries provide for defined benefit employees' retirement benefits principally by basing calculations on the estimated present value of benefit obligations and the estimated fair value of plan assets as of the balance sheet date.

Prior service costs are amortized by the straight-line method over a period (10 years) within the average remaining years of service of the eligible employees.

Actuarial gains and losses are amortized from the year following the year in which the gain or loss is incurred by the straight-line method over a period (10 years) within the average remaining years of service of the eligible employees.

(m) Provision for directors' retirement benefits

Provision for directors' retirement benefits is estimated based on the amount calculated in accordance with internal rules.

(n) Leases

Prior to April 1, 2008, the Company and its consolidated domestic subsidiaries accounted for finance leases which do not transfer ownership of the leased property to the lessee as operating leases.

On March 30, 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions" and ASBJ Guidance No. 16, "Guidance on Accounting Standard for Lease Transactions". The new accounting standards require that all finance leased assets should be capitalized with recognition of a corresponding finance lease liability.

Effective from April 1, 2008, the Company and its consolidated domestic subsidiaries adopted the new accounting standards for finance leases commencing after March 31, 2008 and capitalized assets used under such leases, except for certain immaterial or short-term finance leases, which are accounted for as operating leases. As permitted, finance leases which commenced prior to April 1, 2008 and have been accounted for as operating leases, continue to be accounted for as operating leases. The effect on the financial statements from adoption of the new accounting standards was not material.

(o) Exploration expenses

The expenditures incurred in connection with the exploration activities for crude oil and natural gas are charged to income and separately disclosed under "Exploration expenses" in the accompanying consolidated statements of operations.

(p) Derivatives and hedge accounting

Derivatives are principally stated at fair value. If certain hedging criteria are met, the gain or loss on a derivative designated as a hedging instrument is deferred as part of "Valuation and translation adjustments" in the accompanying consolidated balance sheets until the hedged item is settled. Alternatively, foreign currency denominated receivables and payables hedged by forward exchange contracts are translated at the respective forward contract rates. Furthermore, if certain criteria are met, an interest rate swap qualified for hedge accounting is not stated at fair value but the net settlement of interest under such an interest swap is reported as a component of interest on related hedged assets or liabilities.

(q) Income taxes
Deferred tax assets and liabilities are recognized for expected future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis, and operating loss and tax credit carryforwards. A valuation allowance is recorded to reduce deferred income tax assets to their net realizable value if it is more likely than not that some portion or all of the deferred tax asset will not be realized.

The Company and its domestic subsidiaries adopt a consolidated tax filing system.

(r) Foreign currency translation
All monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rate prevailing at the balance sheet date, except for foreign currency denominated monetary assets and liabilities hedged by forward exchange contracts as noted above. Income and expenses in foreign currencies are translated at the rates prevailing at the time of the transactions. The resulting exchange gains or losses are credited or changed to income as incurred.

Financial statements of foreign subsidiaries and affiliates are translated into Japanese yen at the balance sheet exchange rates for all assets and liabilities, at historical exchange rates for shareholders' equity and average exchange rates during the year for all income and expense accounts. Foreign currency translation adjustments resulting from the above translation procedures are reported as a component of "Valuation and translation adjustments" under net assets in the accompanying consolidated balance sheets.

(s) Reclassifications
Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

(t) Investment for exploration development
Investment for exploration development includes the expenditures incurred after oil and gas were discovered and the future commercial production was considered to be feasible as a result of exploration activities for crude oil and natural gas.

4. Short-Term Investment Securities and Investment Securities

Short-term investment securities and investment securities classified as available-for-sale securities as of March 31, 2009 and 2008 are summarized as follows:

	Millions of Yen			Thousands of U.S. Dollars (Note 1)		
	Acquisition cost	Carrying value	Valuation difference	Acquisition cost	Carrying value	Valuation difference
			2009			
Securities with carrying value exceeding acquisition cost:						
Equity securities	**¥ 449**	**¥ 507**	**¥57**	**$ 4,571**	**$ 5,161**	**$580**
Securities with carrying value not exceeding acquisition cost:						
Equity securities	**1,129**	**1,127**	**(2)**	**11,493**	**11,473**	**(20)**
Total	**¥1,578**	**¥1,634**	**¥55**	**$16,064**	**$16,634**	**$560**

	Millions of Yen		
	Acquisition cost	Carrying value	Valuation difference
		2008	
Securities with carrying value exceeding acquisition cost:			
Equity securities	¥ 469	¥ 696	¥ 227
Securities with carrying value not exceeding acquisition cost:			
Equity securities	2,999	2,193	(805)
Total	¥3,468	¥2,890	¥(578)

There are no held-to-maturity securities which had readily determinable fair value as of March 31, 2009 and 2008.

There are no available-for-sale securities sold during the years ended March 31, 2009 and 2008.

The carrying value of securities which did not have a readily determinable fair value as of March 31, 2009 and 2008 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	**2009**
Held-to-maturity securities:			
Municipal bonds	**¥ 18**	¥ 24	**$ 183**
Foreign bonds	**—**	1,000	**—**
	¥ 18	¥1,024	**$ 183**
Available-for-sale securities:			
Unlisted stocks	**¥541**	¥ 538	**$5,507**
Other, including money market funds	**336**	270	**3,421**
	¥877	¥ 808	**$8,928**

The schedule of the contractual maturities of held-to-maturity securities as of March 31, 2009 and 2008 are summarized as follows:

	Millions of Yen			
	Within one year	After one year through five years	After five years through 10 years	After 10 years
	2009			
Foreign bonds	**¥—**	**¥—**	**¥—**	**¥—**
Municipal bonds	**4**	**13**	**—**	**—**
Total	**¥ 4**	**¥13**	**¥—**	**¥—**

	Thousands of U.S. Dollars (Note 1)			
	Within one year	After one year through five years	After five years through 10 years	After 10 years
	2009			
Foreign bonds	**$—**	**$ —**	**$—**	**$—**
Municipal bonds	**41**	**132**	**—**	**—**
Total	**$41**	**$132**	**$—**	**$—**

	Millions of Yen			
	Within one year	After one year through five years	After five years through 10 years	After 10 years
	2008			
Foreign bonds	¥1,000	¥—	¥—	¥—
Municipal bonds	4	19	—	—
Total	¥1,004	¥19	¥—	¥—

5. Property, Plant and Equipment

Accumulated depreciation

Property, plant and equipment are stated at cost less accumulated depreciation in the accompanying consolidated balance sheets. The accumulated depreciation as of March 31, 2009 and 2008 was ¥217,677 million ($2,215,993 thousand) and ¥213,929 million, respectively.

Deferred gain on national subsidies and insurance claims

Deferred gain on national subsidies and insurance claims is directly deducted from the acquisition cost of the related machinery, equipment and vehicles in the accompanying consolidated balance sheets as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	**2009**
Gain on national subsidies	**¥196**	¥196	**$1,995**
Gain on insurance claims	**¥128**	¥128	**$1,303**

6. Short-Term Loans Payable and Long-Term Loans Payable

Short-term loans payable and long-term loans payable as of March 31, 2009 and 2008 and the weighted average interest rates on the loans payable outstanding as of March 31, 2009 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	**2009**
Short-term loans payable—1.2%	**¥ 72,962**	¥ 85,873	**$ 742,767**
Current portion of long-term loans payable—2.6%	**21,940**	18,802	**223,353**
Lease obligations due within one year	**17**	—	**173**
Long-term loans payable, maturing in 2010–2018—2.6%	**68,974**	71,795	**702,168**
Lease obligations due after 2011	**72**	—	**733**
Total	**¥163,966**	¥176,471	**$1,669,205**

Annual maturities of long-term loans payable as of March 31, 2009 are as follows:

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
Years ending March 31,	**2009**	
2010	**¥21,940**	**$223,353**
2011	**17,584**	**179,008**
2012	**14,041**	**142,940**
2013	**11,987**	**122,030**
2014 and thereafter	**22,170**	**225,695**

Future lease payments as of March 31, 2009 are as follows:

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
Years ending March 31,	**2009**	
2010	**¥17**	**$173**
2011	**17**	**173**
2012	**17**	**173**
2013	**17**	**173**
2014 and thereafter	**8**	**81**

Pledged assets

The following assets are pledged as collateral for long-term loans payable and other current liabilities amounting to ¥91,059 million ($926,998 thousand) and ¥90,115 million, including current portion of ¥21,671 million ($220,615 thousand) and ¥17,608 million, as of March 31, 2009 and 2008, respectively.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	**2009**
Investment securities	**¥ 697**	¥ 846	**$ 7,096**
Long-term deposits	**6,896**	6,924	**70,203**
Treasury stock	**1,208**	1,208	**12,298**
Buildings and structures	**13,737**	9,213	**139,845**
Storage tanks	**2,359**	2,948	**24,015**
Machinery, equipment and vehicles	**40,677**	18,871	**414,100**
Land	**48,952**	48,952	**498,341**
Short-term loans	**14,734**	9,522	**149,995**
Long-term loans receivable	**37,663**	53,443	**383,416**
Other current assets	**303**	848	**3,085**
Total carrying value of pledged assets	**¥167,230**	¥152,779	**$1,702,433**

7. Income Taxes

Income taxes applicable to the Company and its domestic subsidiaries comprise corporation, enterprise, and inhabitants' taxes which, in the aggregate, resulted in a statutory tax rate of 40.4% for the years ended March 31, 2009 and 2008. The Company and six domestic subsidiaries adopt a consolidated tax filing system. Income taxes also include foreign income taxes.

Reconciliation between the statutory income tax rate and the effective income tax rate as a percentage of income before income taxes and minority interests for the year ended March 31, 2008 is as follows:

	2008
Statutory income tax rate:	40.4%
Movement in valuation allowance	(8.3)
Adjustment on foreign income	9.2
Equity in earnings of affiliates	(0.6)
Dividend income	(1.0)
Other	0.4
Effective income tax rate	40.1%

The Company omitted the reconciliation between the statutory income tax rate and the effective income tax rate as a percentage of income before income taxes and minority interests for the year ended March 31, 2009 due to the loss before income taxes and minority interests for the year ended March 31, 2009.

The significant components of deferred tax assets and liabilities as of March 31, 2009 and 2008 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	**2009**
Deferred tax assets:			
Tax loss carryforwards	**¥ 18,992**	¥ —	**$ 193,342**
Provision for retirement benefits	**1,469**	1,500	**14,955**
Provision for loans receivable agreement fee	**707**	1,089	**7,197**
Foreign income taxes	**362**	369	**3,685**
Provision for repairs	**2,117**	776	**21,551**
Provision for special repairs	**240**	242	**2,443**
Depreciation	**587**	643	**5,976**
Valuation difference on available-for-sale securities	**—**	435	**—**
Others	**1,001**	1,037	**10,190**
Subtotal	**25,408**	6,096	**258,658**
Valuation allowance	**(14,684)**	(2,991)	**(149,486)**
Total deferred tax assets	**10,724**	3,104	**109,172**
Deferred tax liabilities:			
Valuation difference on assets of consolidated subsidiaries	**(11,949)**	(11,949)	**(121,643)**
Undistributed earnings of foreign subsidiaries	**(300)**	(2,603)	**(3,054)**
Other	**(781)**	(660)	**(7,951)**
Total deferred tax liabilities	**(13,031)**	(15,213)	**(132,658)**
Net deferred tax liabilities	**¥ (2,307)**	¥(12,108)	**$ (23,486)**

The above net deferred tax liabilities are recorded under the following accounts in the accompanying consolidated balance sheets:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	**2009**
Current assets—Deferred tax assets	**¥ 2,713**	¥ 938	**$ 27,619**
Long-term liabilities—Deferred tax liabilities	**(5,020)**	(13,047)	**(51,105)**

8. Provision for Retirement Benefits

As of March 31, 2009 and 2008, four consolidated subsidiaries had defined benefit retirement plans. The plans consist of tax-qualified pension plans, mutual aid plans for small and medium size companies and lump-sum severance plans, which cover substantially all employees who are entitled upon retirement to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rate of pay, length of service, and the conditions under which termination occurs.

As of March 31, 2009, four consolidated subsidiaries had defined contribution retirement plans.

The following table sets forth the funded and accrued status of the defined benefit retirement plans and the amounts recognized in the consolidated balance sheets as of March 31, 2009 and 2008:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	**2009**
Retirement benefit obligation	**¥(5,719)**	¥(6,066)	**$(58,221)**
Fair value of plan assets	**1,785**	2,004	**18,172**
Unfunded retirement benefit obligation	**(3,934)**	(4,062)	**(40,049)**
Unrecognized prior service costs	**8**	—	**81**
Unrecognized actuarial loss	**266**	324	**2,708**
Net retirement benefit obligation	**(3,659)**	(3,737)	**(37,249)**
Prepaid pension expenses	**357**	394	**3,634**
Accrued retirement benefits	**¥(4,016)**	¥(4,132)	**$(40,884)**

For the years ended March 31, 2009 and 2008, three of the consolidated subsidiaries adopted a simplified method in computing their retirement benefit obligations as permitted by Japanese GAAP.

The components of retirement benefit expenses for the years ended March 31, 2009 and 2008 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	**2009**
Service cost	**¥277**	¥268	**$2,820**
Interest cost	**107**	108	**1,089**
Expected return on plan assets	**(30)**	(34)	**(305)**
Amortization of prior service cost	**0**	—	**0**
Amortization of actuarial loss	**82**	51	**835**
Total	**¥437**	¥394	**$4,449**

Retirement benefit expenses of the consolidated subsidiaries adopting the simplified method are included in service cost. Special retirement benefits paid are recorded under “Non-operating expenses” in the accompanying consolidated statements of operations.

The assumptions used in accounting for the plan not accounted for by the simplified method are as follows:

	2009	2008
Discount rate	**2.0%**	2.0%
Expected rate of return on plan assets	**1.6%**	1.6%
Amortization period for unrealized actuarial gain or loss	**10 years**	10 years
Amortization period for prior service costs	**10 years**	10 years

9. Derivative Instruments and Hedging Activities

Two consolidated subsidiaries enter into derivative transactions, such as foreign exchange forward contracts, foreign currency options, interest rate swaps, and commodity swaps. Foreign exchange forward contracts and foreign currency options are utilized to reduce the risk of changes in foreign exchange rates for import transactions in the normal course of business. Commodity swaps are utilized to manage the market risk associated with forecasted transactions of crude oil and product. Interest rate swaps are utilized to convert variable interest rates on loans payable to fixed interest rates for three to five years.

As described in Note 3 (p), the subsidiaries apply hedge accounting for such hedging activities utilizing derivatives if certain hedge criteria are met, which includes an assessment of hedge effectiveness at inception of the hedge and on an ongoing basis.

Approval of the management of the subsidiaries is required before derivative transactions are executed by the respective finance department of the subsidiaries. The management of the subsidiaries considers that the credit risks related to derivative transactions are remote because the counterparties are restricted to credit-worthy financial institutions.

10. Net Assets

Under the Japanese Corporate Law (the "Law") and related regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases where a dividend distribution of surplus is made, the lesser of an amount equal to 10% of the dividend or the excess, if any, of 25% of capital stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. However, all additional paid-in capital and legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Law.

At the annual shareholders' meeting held on June 25, 2009, the shareholders approved cash dividends amounting to ¥1,158 million ($11,789 thousand). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2009. Such appropriations are recognized in the period in which they are approved by the shareholders.

Treasury stock

The number of treasury stock owned by the Companies as of March 31, 2009 and 2008 were 965,898 and 965,848 common stock shares, respectively.

11. Loan Commitment Agreement

As a creditor:

AOC has entered into a loan commitment agreement with KGOC. The outstanding balance of the loan commitment as of March 31, 2009 and 2008 is as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	**2009**
Total commitments available	**¥73,672**	¥75,142	**$749,995**
Amount utilized	**73,632**	75,142	**749,995**
Balance available	**¥ —**	¥ —	**$ —**

As a debtor:

AOC entered into loan commitment agreements with eight banks aggregating ¥73,672 million ($749,995 thousand) and ¥75,142 million as of March 31, 2009 and 2008, respectively, to cover the loan commitments granted to KGOC as noted above. In addition, Fuji Oil Company, Ltd., a consolidated subsidiary, entered into loan commitment agreements with ten banks aggregating ¥37,500 million ($381,757 thousand), ¥22,500 million ($229,054 thousand) of which is restricted to the import usance loans payable, and ¥45,000 million as of March 31, 2009 and 2008, respectively, to finance working capital requirements. The outstanding balance of such loan commitments as of March 31, 2009 and 2008 is as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	**2009**
Total commitments available	**¥111,172**	¥120,142	**$1,131,752**
Amount utilized	**87,604**	100,359	**891,825**
Balance available	**¥ 23,568**	¥ 19,783	**$ 239,927**

12. Contingent Liabilities

The Companies had the following guarantees of liabilities as of March 31, 2009 and 2008.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	**2009**
As guarantors of indebtedness of:			
Employees (for home purchase)	**¥233**	¥319	**$2,372**

13. Expiration of the Production Sharing Agreement of New Huanan Oil Development Co., Ltd.

New Huanan Oil Development Co., Ltd., a subsidiary of AOC, reached a production sharing agreement with China National Offshore Oil Corporation and continued production of the Lufeng 13-1 oil field in the South China Sea. This agreement expired on February 22, 2009.

14. Treatment of Domestic Assets in Japan on Termination of Concession Agreement with Government of Kuwait

AOC reached an agreement with the Government of Kuwait regarding the treatment of assets located in Japan and expenditures for construction in progress in Kuwait as of January 4, 2003 on termination concession agreement and the final settlement was completed in January 2008.

AOC consequently recorded a gain of ¥267 million on termination of concession agreement for the year ended March 31, 2008.

15. Market International Commercial Arbitration with Kuwait Petroleum Corporation (KPC)

In December 2007, Kuwait Petroleum Corporation ("KPC") filed a request for arbitration with the London Court of International Arbitration (LCIA) regarding the default of the minimum purchase quantity section by AOC in the oil purchase agreement between AOC, and KPC. AOC and KPC settled this matter out of court, and AOC paid ¥713 million ($7,258 thousand) as settlement, which is recorded in "Non-operating income (expenses)" in the accompanying consolidated statements of operations for the year ended March 31, 2009.

16. Leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of leased assets as of March 31, 2009 and 2008, which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases as allowed under Japanese GAAP.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	**2009**
Acquisition costs:			
Machinery, equipment and vehicles	**¥ 35**	¥ 40	**$ 356**
Other	**197**	328	**2,005**
	¥233	¥368	**$2,372**
Accumulated depreciation:			
Machinery, equipment and vehicles	**¥ 22**	¥ 17	**$ 224**
Other	**113**	183	**1,150**
	¥136	¥201	**$1,385**
Net book value:			
Machinery, equipment and vehicles	**¥ 13**	¥ 23	**$ 132**
Other	**83**	144	**845**
	¥ 96	¥167	**$ 977**

Lease payments relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements and the related pro forma depreciation expenses for the years ended March 31, 2009 and 2008 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	**2009**
Lease payments	**¥49**	¥86	**$499**
Depreciation expenses	**49**	86	**499**

Depreciation expenses are computed by the straight-line method over the respective lease terms assuming a nil residual value.

Future minimum lease payments as of March 31, 2009 and 2008 for finance leases currently accounted for as operating leases are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	**2009**
Due within one year	**¥42**	¥ 71	**$428**
Due after one year	**53**	96	**540**
Total	**¥96**	¥167	**$977**

17. Cash and Cash Equivalents

Reconciliation of "Cash and cash equivalents" in the consolidated statements of cash flows and "Cash and deposits" in the consolidated balance sheets as of March 31, 2009 and 2008 is as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	**2009**
Cash and deposits	**¥28,464**	¥31,550	**$289,769**
Short-term investment securities	**340**	1,274	**3,461**
Subtotal	**28,805**	32,825	**293,240**
Time deposits maturing over three months	**(10)**	(10)	**(102)**
Debt securities maturing over three months	**(4)**	(1,004)	**(41)**
Cash and cash equivalents	**¥28,790**	¥31,810	**$293,088**

18. Research and Development Expenses

Research and development expenses are expensed as incurred. Research and development expenses included in selling, general and administrative expenses and cost of sales for the year ended March 31, 2008 amounted to ¥37 million. There are no research and development expenses included in selling, general and administrative expenses and cost of sales for the year ended March 31, 2009.

19. Per Share Data

	Yen		U.S. Dollars (Note 1)
	2009	2008	**2009**
Net assets per share	**¥1,398.69**	¥1,867.13	**$14,239**
Basic net (loss) income per share	**(411.37)**	60.41	**(4.188)**
Cash dividends per share attributable to the year	**15.00**	15.00	**0.15**

Net assets per share is computed based on the net assets available for distribution to the shareholders of capital stock and the number of shares of capital stock outstanding at the year-end.

Basic net (loss) income per share is computed based on the net (loss) income available for distribution to shareholders of capital stock and the weighted average number of shares of capital stock outstanding during the year. Diluted net income per share has been omitted because no potentially dilutive instruments were outstanding during the years ended March 31, 2009 and 2008.

Cash dividends per share represent the cash dividends declared as applicable to the respective years, including dividends to be paid after the end of the year and not accrued in the accompanying consolidated financial statements.

20. Segment Information

Business segments

Business segment information for the Companies as of and for the years ended March 31, 2009 and 2008 is summarized as follows:

	Millions of Yen				
	Oil/gas development and sales	Oil refinery and sales	Total	Eliminations and corporate	Consolidated
			2009		
I. Sales and operating income					
Sales to third parties	**¥288,907**	**¥638,314**	**¥927,222**	**¥ —**	**¥927,222**
Intersegment sales	**7,398**	**—**	**7,398**	**(7,398)**	**—**
Total sales	**296,306**	**638,314**	**934,620**	**(7,398)**	**927,222**
Operating expenses	**293,325**	**678,092**	**971,417**	**(9,152)**	**962,264**
Operating income	**¥ 2,981**	**¥ (39,777)**	**¥ (36,796)**	**¥ 1,753**	**¥ (35,042)**
II. Assets, depreciation and capital expenditures					
Total assets	**¥108,607**	**¥253,509**	**¥362,116**	**¥(9,131)**	**¥352,985**
Depreciation	**747**	**9,842**	**10,589**	**43**	**10,633**
Capital expenditures	**975**	**14,404**	**15,379**	**1**	**15,380**

	Thousands of U.S. Dollars (Note 1)				
	Oil/gas development and sales	Oil refinery and sales	Total	Eliminations and corporate	Consolidated
			2009		
I. Sales and operating income					
Sales to third parties	**$2,941,128**	**$6,498,157**	**$9,439,296**	**$ —**	**$9,439,296**
Intersegment sales	**75,313**	**—**	**75,313**	**(75,313)**	**—**
Total sales	**3,016,451**	**6,498,157**	**9,514,609**	**(75,313)**	**9,439,296**
Operating expenses	**2,986,104**	**6,903,105**	**9,889,209**	**(93,169)**	**9,796,030**
Operating income	**$ 30,347**	**$ (404,937)**	**$ (374,590)**	**$ 17,846**	**$ (356,734)**
II. Assets, depreciation and capital expenditures					
Total assets	**$1,105,640**	**$2,580,770**	**$3,686,409**	**$(92,955)**	**$3,593,454**
Depreciation	**7,605**	**100,193**	**107,798**	**438**	**108,246**
Capital expenditures	**9,926**	**146,635**	**156,561**	**10**	**156,571**

	Millions of Yen					
	Khafji-related	Oil/gas exploration and production	Oil refinery and sales	Total	Eliminations and corporate	Consolidated
			2008			
I. Sales and operating income						
Sales to third parties	¥282,041	¥ 9,658	¥639,038	¥930,738	¥ —	¥930,738
Intersegment sales	8,192	—	—	8,192	(8,192)	—
Total sales	290,234	9,658	639,038	938,931	(8,192)	930,738
Operating expenses	290,944	8,324	625,614	924,883	(8,099)	916,783
Operating income	¥ (710)	¥ 1,334	¥ 13,423	¥ 14,047	¥ (92)	¥ 13,954
II. Assets, depreciation and capital expenditures						
Total assets	¥114,188	¥13,799	¥327,025	¥455,013	¥(3,121)	¥451,892
Depreciation	12	747	5,456	6,216	36	6,253
Capital expenditures	82	1,065	18,682	19,830	137	19,967

Notes: 1. Businesses are classified considering the business structure and product and service lines.
2. Main products and services in each business segment are as follows:
Khafji-related: Dispatch of engineers, Khafji crude oil, Hout crude oil
Oil/gas development and sales: Natural gas, natural gas liquid, crude oil
Oil refinery and sales: Crude oil, petrochemical products (gasoline, naphtha, etc.)
3. Non-allocable operating expenses (¥916 million ($9,325 thousand) for the year ended March 31, 2009) included in "Eliminations and corporate" are mainly administrative expenses related to the corporate general affairs function of the Company.
4. Corporate assets (¥2,828 million ($28,790 thousand) as of March 31, 2009) included in "Eliminations and corporate" mainly consist of surplus funds, including cash and deposits and investment securities of the Company.
5. Change in classification of business segments
Business segments are classified based on the type and nature of services in consideration of the degree of unification within the organization. Since the Technical Service Agreement between AOC and KGOC, a profit driver of the business segment "Khafji-related", expired in January, 2008, the oil upstream business "Khafji-related" segmented in the previous year is included in the "Oil/gas exploration and production" segment which was renamed the "Oil/gas development and sales" segment from the year ended March 31, 2009. The sales of the former segmented business "Khafji-related" included in the "Oil/gas development and sales" segment in the year ended March 31, 2009 was ¥285,526 million ($2,906,709 thousand).
6. Change in accounting policies
For the year ended March 31, 2009
Application of the "Accounting Standards for Measurement of Inventories"
As discussed in Note 3 (e), effective from April 1, 2008, the Company and its domestic consolidated subsidiaries applied the "Accounting Standards for Measurement of Inventories" ("Accounting Standard No. 9" issued by the ASBJ on July 5, 2006) and changed their measurement method of inventories from cost method to lower of cost or net selling price method. As a result of this change, operating income for "Oil refinery and sales" decreased by ¥26,773 million ($272,554 thousand) for the year ended March 31, 2009, compared to the previous method.
7. Additional information
Change in useful lives of tangible assets
As discussed in Note 3 (g), effective from April 1, 2008, the Company and its domestic consolidated subsidiaries have changed the useful lives of equipment for oil refinery from eight to seven years in accordance with revisions to Japan's Corporate Tax Law in the year ended March 31, 2008. As a result, operating income for "Oil refinery and sales" decreased by ¥700 million ($7,126 thousand) for the year ended March 31, 2009, compared to the previous method.
Change in measurement method for crude oil inventories
As discussed in Note 3 (e), effective from April 1, 2008, crude oil is measured quarterly at cost determined by the gross average method to reflect the fluctuation of the fair value of crude oil timely. As a result, operating income for "Oil refinery and sales" decreased by ¥15,195 million ($154,688 thousand) for the year ended March 31, 2009, compared to the previous method.
Expiration of the production sharing agreement with New Huanan Oil Development Co., Ltd.
New Huanan Oil Development Co., Ltd., a subsidiary of AOC reached a production sharing agreement with China National Offshore Oil Corporation and continued the production from the Lufeng 13-1 oil field in the South China Sea. This agreement expired on February 22, 2009. The operating result of New Huanan Oil Development Co., Ltd. is included in the business segment of "Oil/gas exploration and production", and its total sales and operating income were ¥8,764 million ($89,219 thousand) and ¥4,994 million ($50,840 thousand), respectively, for the year ended March 31, 2009.

Geographical segments

Geographical segment information for the Companies as of and for the years ended March 31, 2009 and 2008 is summarized as follows:

	Millions of Yen						
	Japan	Asia	Europe	Others	Total	Eliminations and corporate	Consolidated
				2009			
I. Sales and operating income							
Sales to third parties	**¥867,790**	**¥ 59,112**	**¥ 308**	**¥ 11**	**¥ 927,222**	**¥ —**	**¥927,222**
Intersegment sales	**44,928**	**436,141**	**1,706**	**—**	**482,776**	**(482,776)**	**—**
Total sales	**912,718**	**495,254**	**2,014**	**11**	**1,409,999**	**(482,776)**	**927,222**
Operating expenses	**957,310**	**488,499**	**985**	**—**	**1,446,795**	**(484,530)**	**962,264**
Operating income	**¥ (44,591)**	**¥ 6,754**	**¥1,029**	**¥ 11**	**¥ (36,796)**	**¥ 1,753**	**¥ (35,042)**
II. Assets	**¥328,078**	**¥ 41,212**	**¥3,081**	**¥6,203**	**¥ 378,576**	**¥ (25,590)**	**¥352,985**

	Thousands of U.S. Dollars (Note 1)						
	Japan	Asia	Europe	Others	Total	Eliminations and corporate	Consolidated
				2009			
I. Sales and operating income							
Sales to third parties	**$8,834,267**	**$ 601,771**	**$ 3,135**	**$ 112**	**$ 9,439,296**	**$ —**	**$9,439,296**
Intersegment sales	**457,376**	**4,439,998**	**17,367**	**—**	**4,914,751**	**(4,914,751)**	**—**
Total sales	**9,291,642**	**5,041,779**	**20,503**	**112**	**14,354,057**	**(4,914,751)**	**9,439,296**
Operating expenses	**9,745,597**	**4,973,012**	**10,027**	**—**	**14,728,647**	**(4,932,607)**	**9,796,030**
Operating income	**$ (453,945)**	**$ 68,757**	**$10,475**	**$ 112**	**$ (374,590)**	**$ 17,846**	**$ (356,734)**
II. Assets	**$3,339,896**	**$ 419,546**	**$31,365**	**$63,148**	**$ 3,853,975**	**$ (260,511)**	**$3,593,454**

	Millions of Yen						
	Japan	Asia	Middle East	Europe	Total	Eliminations and corporate	Consolidated
				2008			
I. Sales and operating income							
Sales to third parties	¥871,635	¥ 55,718	¥ 1,851	¥1,532	¥ 930,738	¥ —	¥930,738
Intersegment sales	39,506	455,411	—	967	495,884	(495,884)	—
Total sales	911,141	511,130	1,851	2,499	1,426,623	(495,884)	930,738
Operating expenses	900,991	506,247	3,239	2,097	1,412,575	(495,791)	916,783
Operating income	¥ 10,150	¥ 4,882	¥(1,387)	¥ 402	¥ 14,047	¥ (92)	¥ 13,954
II. Assets	¥420,924	¥ 73,441	¥ 5,887	¥3,541	¥ 503,793	¥ (51,901)	¥451,892

Notes: 1. The geographical segments are determined based on the location where the sales are recorded.
2. Countries and regions are classified on the basis of geographic proximity.
3. Principal countries included in each geographic segment are as follows:
(1) Asia: Singapore and The People's Republic of China
(2) Europe: Norway
4. Non-allocable operating expenses (¥916 million ($9,325 thousand) for the year ended March 31, 2009) included in "Eliminations and corporate" are mainly administrative expenses related to the corporate general affairs function of the Company.
5. Corporate assets (¥2,828 million ($28,790 thousand) as of March 31, 2009) included in "Eliminations and corporate" mainly consist of surplus funds, including cash and deposits and investment securities of the Company.
6. "Middle East" segmented in the previous year is included in "Others" in the year ended March 31, 2009, due to decreasing sales related to "Middle East".
7. Change in accounting policies
For the year ended March 31, 2009
Application of the "Accounting Standards for Measurement of Inventories"
As discussed in Note 3 (e), effective from April 1, 2008, the Company and its domestic consolidated subsidiaries applied the "Accounting Standards for Measurement of Inventories" ("Accounting Standard No. 9" issued by the ASBJ on July 5, 2006) and changed their measurement method of inventories from cost method to lower of cost or net selling price method. As a result of this change, operating income for "Japan" decreased by ¥26,773 million ($272,554 thousand) for the year ended March 31, 2009, compared to the previous method.
8. Additional information
Change in useful lives of tangible assets
As discussed in Note 3 (g), effective from April 1, 2008, the Company and its domestic consolidated subsidiaries have changed the useful lives of equipment for oil refinery from eight to seven years in accordance with revisions to Japan's Corporate Tax Law in the year ended March 31, 2008. As a result, operating income for "Japan" decreased by ¥700 million ($7,126 thousand) for the year ended March 31, 2009, compared to the previous method.
Change in measurement method for crude oil inventories
As discussed in Note 3 (e), effective from April 1, 2008, crude oil is measured quarterly at cost determined by the gross average method to reflect the fluctuation of the fair value of crude oil timely. As a result, operating income for "Japan" decreased by ¥15,195 million ($154,688 thousand) for the year ended March 31, 2009, compared to the previous method.
Expiration of the production sharing agreement with New Huanan Oil Development Co., Ltd.
New Huanan Oil Development Co., Ltd., a subsidiary of AOC reached a production sharing agreement with China National Offshore Oil Corporation and continued the production from the Lufeng 13-1 oil field in the South China Sea. This agreement expired on February 22, 2009. The operating result of New Huanan Oil Development Co., Ltd. is included in the geographical segment of "Asia", and its total sales and operating income were ¥8,764 million ($89,219 thousand) and ¥4,994 million ($50,840 thousand), respectively, for the year ended March 31, 2009.

Overseas sales

Overseas sales information for the Companies for the years ended March 31, 2009 and 2008 is summarized as follows:

	Millions of Yen		
	Asia	Others	Total
		2009	
Overseas net sales	**¥268,035**	**¥4,424**	**¥272,460**
Consolidated net sales	**—**	**—**	**927,222**
Overseas net sales as a percentage of total consolidated net sales	**28.91%**	**0.48%**	**29.38%**

	Thousands of U.S. Dollars (Note 1)		
	Asia	Others	Total
		2009	
Overseas net sales	**$2,728,647**	**$45,037**	**$2,773,694**
Consolidated net sales	**—**	**—**	**9,439,296**
Overseas net sales as a percentage of total consolidated net sales	**28.91%**	**0.48%**	**29.38%**

	Millions of Yen			
	Asia	Middle East	Others	Total
		2008		
Overseas net sales	¥231,549	¥1,851	¥3,753	¥237,155
Consolidated net sales	—	—	—	930,738
Overseas net sales as a percentage of total consolidated net sales	24.88%	0.20%	0.40%	25.48%

Notes: 1. Regions are classified on the basis of geographic proximity.
2. Principal countries included in each geographic segment are as follows:
(1) Asia: Korea, Taiwan and Singapore
(2) Others: U.K. and Norway
3. Overseas net sales are net sales of the consolidated subsidiaries in countries and regions outside Japan.
4. "Middle East" segmented in the previous year is included in "Others" in the year ended March 31, 2009, due to decreasing sales related to "Middle East".

21. Related Party Transactions

The Company did not have any related party transactions during the year ended March 31, 2008. The followings are the Company's transactions with its related parties for the year ended March 31, 2009.

Name	Relationship	Transaction type	Transaction amount	Account	Balance at year-end
Haruyuki Niimi	A director of the Company and the representative chairman of Showa Shell Sekiyu K.K.	Sale of crude oil and products	¥381,190 million ($3,880,586 thousand)	Accounts receivable-trade	¥20,675 million ($210,475 thousand)
		Purchase of petrochemical products	¥7,513 million ($76,484 thousand)	Accounts payable-trade	¥1,119 million ($11,392 thousand)
Hiromasa Yonekura	A director of the Company and the representative director of Sumitomo Chemical Co., Ltd.	Sale of petrochemical products	¥34,678 million ($353,029 thousand)	Accounts receivable-trade	¥1,557 million ($15,851 thousand)

Notes: 1. The transaction amounts are exclusive of consumption tax, while the balances at year-end are inclusive of consumption tax.
2. Basis of transactions
The selling price of crude oil and petrochemical products is determined based on usual general business terms in consideration of market prices.
The purchase price of petrochemical product is determined based on usual general business terms in consideration of market prices.
3. The transaction with Haruyuki Niimi, a director of the Company and its consolidated subsidiary, was recognized as the transaction between the Company and the representative chairman of Showa Shell Sekiyu K.K., Haruyuki Niimi.
4. The transaction with Hiromasa Yonekura, a director of the Company, was recognized as the transaction between the Company and the representative director of Sumitomo Chemical Co, Ltd., Hiromasa Yonekura.
5. Haruyuki Niimi, a director of the Company and its consolidated subsidiary, retired as the representative chairman of Showa Shell Sekiyu K.K. on March 27, 2009. The transaction amount and balance at year-end was the amount as of and for the year ended March 31, 2009.

KPMG

Independent Auditors' Report

To the Board of Directors of
AOC Holdings, Inc.

We have audited the accompanying consolidated balance sheets of AOC Holdings,Inc. and consolidated subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of AOC Holdings,Inc. and subsidiaries as of March 31, 2009 and 2008, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following:

(1) As discussed in Note 3(e) to the consolidated financial statements, effective from this fiscal year, AOC Holdings, Inc. and its domestic subsidiaries applied the "Accounting Standards for Measurement of Inventories" ("Accounting Standard No.9" issued by the Accounting Standards Board of Japan on July 5, 2006).

(2) As discussed in Note 3(e) to the consolidated financial statements, effective from this fiscal year, AOC Holdings, Inc. and its domestic subsidiaries commenced to measure crude oil at cost determined by the gross average on a quarterly basis, which previously measured on a yearly basis.

(3) As discussed in Note 3(g) to the consolidated financial statements, accompanying revisions to Japan's Corporate Tax Law, effective from April 1, 2007, AOC Holdings, Inc. and its domestic consolidated subsidiaries have changed the method of depreciation for property, plant and equipment purchased on or after April 1, 2007, to the method prescribed by revisions to Japan's Corporate Tax Law. In addition, effective from April 1, 2007, after having depreciated property, plant and equipment purchased before March 31, 2007, up to five percent of the acquisition cost based on the prior Corporate Tax Law, AOC Holdings, Inc. and its domestic consolidated subsidiaries depreciate five percent of the acquisition cost less the new salvage value of \1 (memorandum value), using the straight line method over five years, according to revisions to Japan's Corporate Tax Law.

(4) As discussed in Note 20 to the consolidated financial statements, effective from this fiscal year, AOC Holdings, Inc. changed the segmentation of its business segments.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

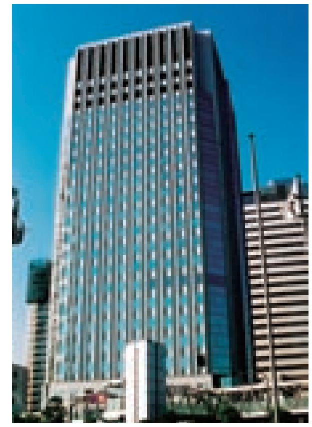
KPMG AZSA & Co.

Tokyo, Japan
June 25, 2009

KPMG AZSA & Co., an audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative

Investor Information (As of March 31, 2009)

Corporate Data



Trade Name AOC Holdings, Inc.
Date of Establishment January 31, 2003
Head Office Tennozu Parkside Building
5-8, Higashishinagawa 2-chome,
Shinagawa-ku, Tokyo 140-0002, Japan
TEL: 81-3-5463-5061 FAX: 81-3-5463-5043
Paid-in Capital ¥24,467 million
Fiscal Year-End March 31
Employees Non-Consolidated: 41
Consolidated: 597
Principal Business Through shareholding, the Company is to conduct management of subsidiary companies, which carry out the following undertakings:
1. To explore, develop, produce, refine, sell, and buy crude oil, natural gas, other mineral resources, and new energies substituting for oil.
2. To export, import, sell, buy, and store petroleum products.

Shareholder Information

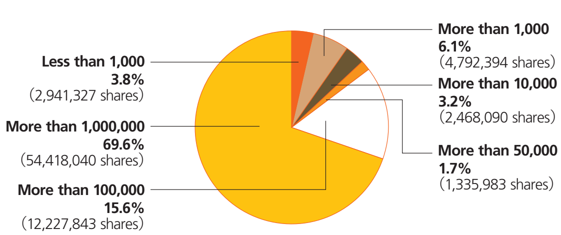
Number of Shares Authorized: 200,000,000 shares
Number of Shares Issued: 78,183,677 shares
Number of Shareholders: 15,673

Principal Shareholders

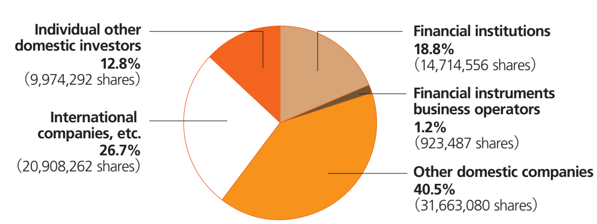
Name	Number of shares held (thousands)	Percentage of total shares outstanding (%)
The Tokyo Electric Power Company, Incorporated	6,839.9	8.74
Kuwait Petroleum Corporation	5,811.3	7.43
Government of the Kingdom of Saudi Arabia	5,811.3	7.43
BBH for Fidelity Low Price Stock Fund	5,692.3	7.28
Showa Shell Sekiyu K. K.	5,144.0	6.57
Sumitomo Chemical Company, Limited	5,051.6	6.46
Japan Trustee Services Bank Ltd. (Trust Accounts)	3,029.2	3.87
Japan Trustee Services Bank Ltd. (Trust Accounts 4G)	3,018.3	3.86
Nippon Yusen Kabushiki Kaisha	2,750.8	3.51
The Kansai Electric Power Company, Incorporated	1,900.0	2.43
Total	45,049.0	57.61

Composition of Shareholders

Number of Shares Held



Types of Shareholders



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