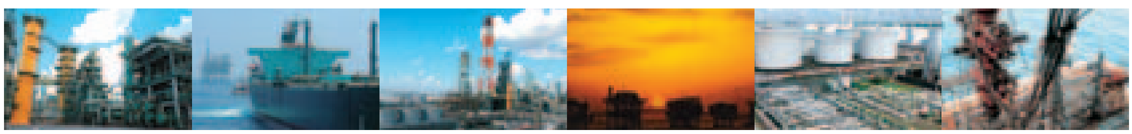
AOC Holdings, Inc.

ANNUAL REPORT 2005

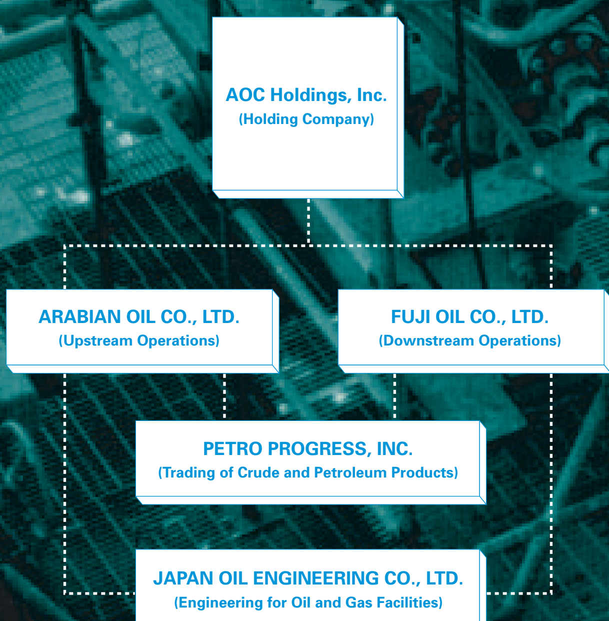
Fiscal year ended March 31, 2005



PROFILE

AOC Holdings, Inc, the head of the AOC Holdings Group, was established in January 2003 as a joint holding company for the Arabian Oil Company, Ltd. (AOC), and Fuji Oil Company, Ltd. (FOC). AOC is responsible for the Group's upstream oil operations, while FOC heads the Group's downstream oil operations. These two companies form the central core of the Group, an integrated energy consortium that specializes in providing a stable supply of much-needed oil, natural gas and petroleum products to the private and industrial sectors. In this manner, we contribute to the development of a society that enjoys abundance and is environmentally responsible.

Through the centralized management of upstream and downstream operations, we seek to augment the effective deployment of our management resources as we work to optimize the Group's operations as a whole. This management approach enables us to maximize corporate value for our shareholders, investors, customers and other stakeholders.



CONTENTS

Cautionary Statement with Regard to Forward-Looking Statements

Certain of the statements made in this annual report are forward-looking statements, which involve certain risks and uncertainties that could cause actual results to differ from those projected. These statements are based on management's assumptions and beliefs in light of the information currently available.

MESSAGE FROM THE PRESIDENT

Overview of the Group

We are entering the fourth year since we integrated our management through the establishment of the AOC Holdings, Inc. to form the AOC Holdings Group. Our efforts to raise operating efficiency, coupled with a favorable operating environment, have helped us take the first step toward achieving a stable earnings base. However, the outlook for our operating environment is severe, owing to instability in some oil-producing nations and the unpredictable nature of economic movements in Japan and overseas. In response to this situation and to maximize corporate value, we have launched a medium-term business plan that is designed to steadily improve the Group's competitiveness and profitability, as well as ensure a stable supply of crude oil and petroleum products.

The Year in Review

During fiscal 2005, ended March 31, 2005, the Group's operating environment was characterized by a robust global economy, which prompted higher demand for crude oil. Affecting crude oil prices were concerns of supply stability, exacerbated by uncertainty about the situation in Iraq, which fueled speculation. Partly for this reason, the price of Dubai crude—a price marker for Middle East crude—rose from approximately $29 per barrel at the beginning of the fiscal year to a new historic high of $47.93 at year end. In Japan, unusually warm summer weather prompted an increase in demand for gasoline, although demand eased for diesel fuel and kerosene. Demand for heavy fuel oil "C" fell substantially, owing to decreased demand for use in thermal power generation. As a result of these factors, overall demand for fuel oil was down slightly, compared with the preceding fiscal year.

Under these market conditions, crude oil prices, U.S. natural gas prices and tanker freight rates remained high, and prices of petrochemical products rose sharply. Benefiting from this situation, the Group's net sales grew 6.7%, to ¥477.3 billion. Operating income more than doubled, to ¥18.4 billion, and net income was ¥17.2 billion—nearly four times the previous year's figure.

Medium-Term Business Plan

To ensure sustainable long-term increases in corporate value, the Group aims to raise operating profitability and strengthen its financial base. To this end, in November 2004 we established a medium-term business plan to guide the Group through the three years from fiscal 2006 to fiscal 2008. During this foundation-building period, the plan establishes a framework for achieving stable Group profitability. The plan concentrates on improving our financial base, which will allow us to entertain more flexible financing options in the future. In particular, we plan to enter into new business alliances and reinforce our capital structure through equity financing.

Financial Highlights

(Years ended March 31)

(Millions of yen)

	2004	2005
Net sales	447,460	**477,295**
Operating income	7,820	**18,447**
Net income	4,402	**17,248**
Shareholders' equity	63,255	**76,351**
Total assets	272,075	**293,404**

Through an extensive new alliance with Showa Shell Sekiyu K.K., we will provide a stable, long-term supply of FOC products, jointly purchase crude oil and other products, foster reciprocal cooperation in facilities and distribution networks, and work together in the export and import of petroleum products.

We will also strengthen existing alliances. For example, with Sumitomo Chemical Co., Ltd., we will seek better operational efficiency by cross-utilizing technology and facilities, and provide a stable, long-term supply of FOC products. We will also reinforce our long-standing alliance with Nippon Yusen K.K. in the area of crude oil transportation for FOC. With Mitsui O.S.K. Lines Ltd., we will enhance our alliance through joint operation of tankers between an AOC Group company in the maritime business and Mitsui O.S.K. We will also build firmer capital relationships with these companies through capital investments, the sale of treasury stock and the issuance of new shares.

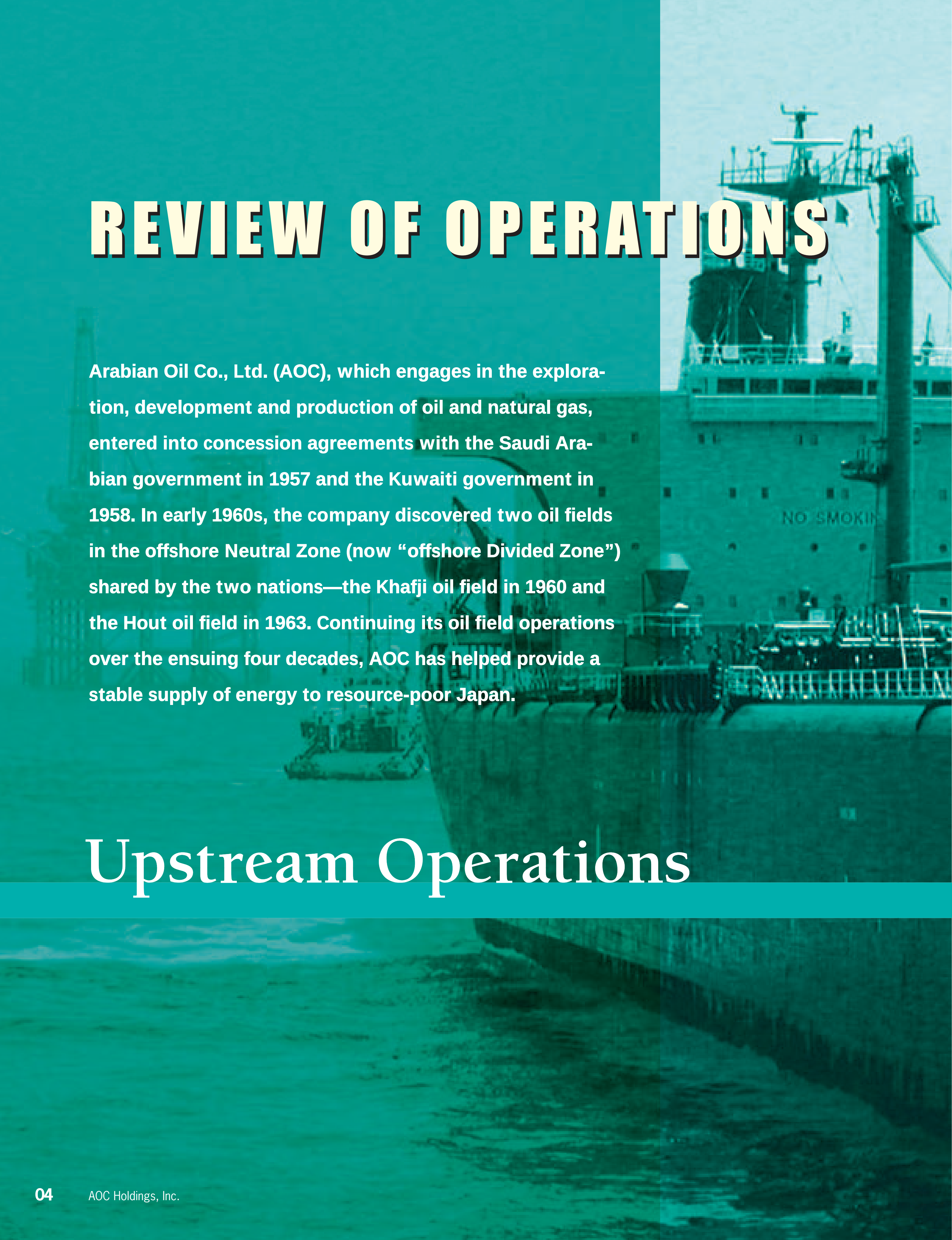
In upstream oil operations, the plan calls for the continued provision of management and technical services in Khafji, and effective use of management resources on existing projects. In our core area—spanning the Middle East, North Africa and Central Asia—we will seek out new projects that offer relatively low risks and early return on investment.

For downstream oil operations, our plan focuses on upgrading our system for low-cost production, as well as investment in facilities to produce lighter-grade and higher-value-added products in response to the changing demand structure. We also plan to expand sales of petroleum products in Asian markets.

I thank our shareholders and investors for their cooperation to date, and look forward to their continued support.

October 2005

Yoshihiro Sakamoto
President and Representing Director
AOC Holdings, Inc.



REVIEW OF OPERATIONS

Arabian Oil Co., Ltd. (AOC), which engages in the exploration, development and production of oil and natural gas, entered into concession agreements with the Saudi Arabian government in 1957 and the Kuwaiti government in 1958. In early 1960s, the company discovered two oil fields in the offshore Neutral Zone (now "offshore Divided Zone") shared by the two nations—the Khafji oil field in 1960 and the Hout oil field in 1963. Continuing its oil field operations over the ensuing four decades, AOC has helped provide a stable supply of energy to resource-poor Japan.

Upstream Operations

Khafji-Related Operations

Following the expiry of its concession agreement with the Saudi government in February 2000, oil operations in the offshore Divided Zone were jointly conducted by AOC and Aramco Gulf Operations Company (AGOC), a subsidiary of state-owned Saudi Aramco, until January 4, 2003, when its concession agreement with the Kuwaiti government expired.

On December 29, 2002, AOC concluded new agreements with Kuwait, including the Technical Service Agreement with Kuwait Gulf Oil Company (KGOC), a subsidiary of state-owned Kuwait Petroleum Corporation, effective January 5, 2003. Under these agreements, AOC supports the joint operations between AGOC and KGOC in the offshore Divided Zone.

Since oil production commenced in 1961, AOC's cumulative production until the beginning of 2003 had amounted to 3.9 billion barrels of crude oil, 2.8 billion barrels of which were supplied to Japan. This amount equates to two years' worth of Japan's recent average annual import volume or 46% of the cumulative volume of crude oil developed and imported by Japanese companies during this period. AOC's current crude oil sales agreement with Kuwait Petroleum Corporation involves the provision of 100,000 barrels per day for the 20-year period that began in January 2003.

A Japanese pioneer in the development of overseas oil fields

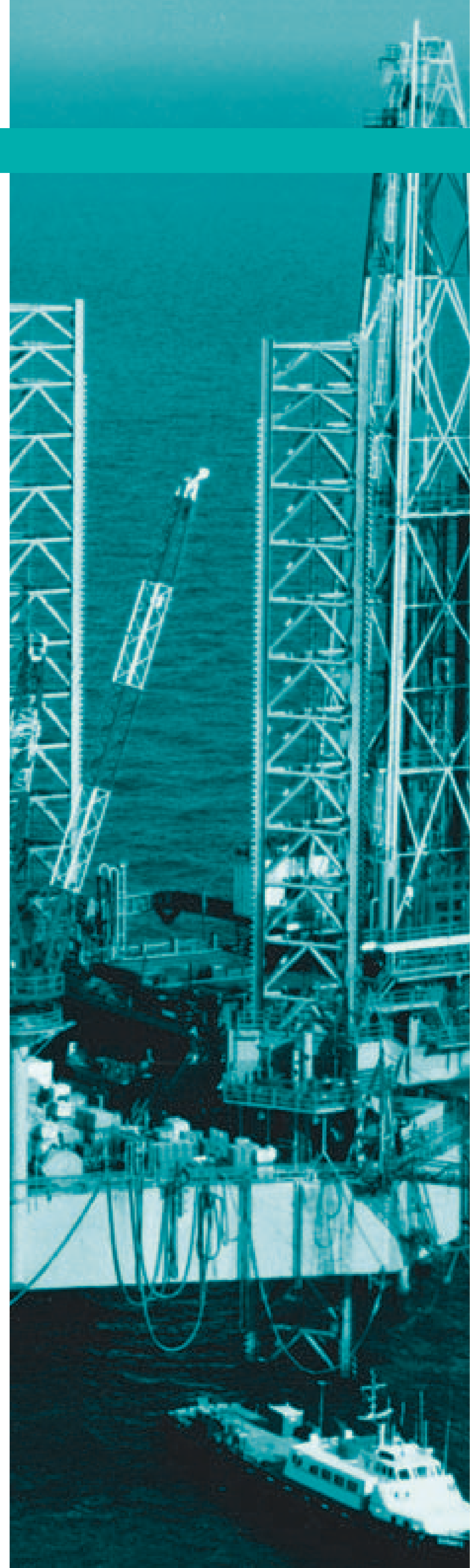
Crude Oil Sales Volume (Years ended March 31)

(Thousands of barrels per day)

	2004	**2005**
Khafji crude	93.4	**78.7**
Hout crude	4.9	**6.0**

REVIEW OF OPERATIONS

Upstream Operations



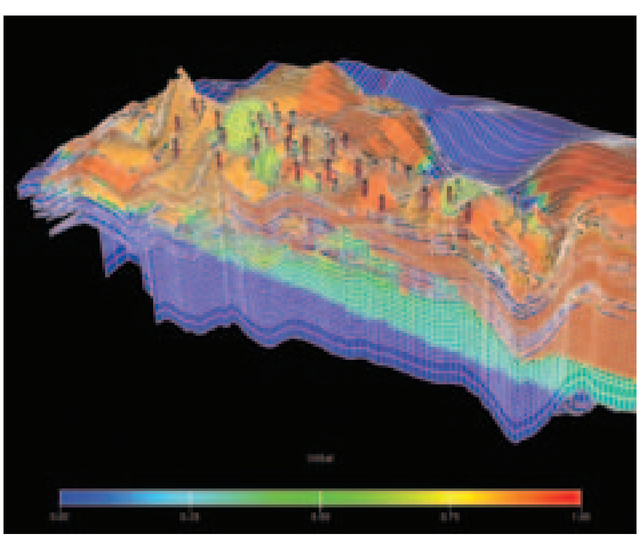
Oil and Gas Exploration, Development and Production

Besides Khafji, AOC is engaged in oil and gas exploration, development and production in other parts of the world, such as the South China Sea and the Norwegian North Sea. AOC is marshalling the technical, human resource and operational expertise it has cultivated for nearly 50 years to raise profitability even further. Also positioning itself as an operator in Middle East, North Africa and Central Asia, AOC aims to expand its level of crude oil production to 30,000 barrels per day by the fiscal year ending in March 2008. Operations in these areas will focus specifically on uncovering and commercializing new upstream projects.

Crude Oil and Natural Gas Sales Volume (Years ended March 31)

(Crude oil: Thousands of barrels per day)
(Natural gas: Millions of cubic feet per day)

	2004	**2005**
Nanhai medium crude	3.4	**3.6**
Ekofisk crude	0.5	**0.4**
Natural gas (U.S. Gulf of Mexico)	12.1	**13.6**



AOC will focus specifically on projects that offer early and appropriate levels of investment return, by investing aggressively in new projects, giving priority to the development of oil and gas fields that have already been discovered but have not been developed yet and the enhancement of output at producing fields. Through such efforts, AOC aims to boost crude oil equivalent production to 30,000 barrels per day by the fiscal year ending in March 2008.

As part of this strategy, AOC signed a production-sharing contract with the Egyptian government and Egyptian General Petroleum Corporation on July 26, 2005 for oil and gas exploration and development of the Northwest October Block in the northern Gulf of Suez, Egypt. AOC plans to begin production of crude oil in the Block in the second 2007.

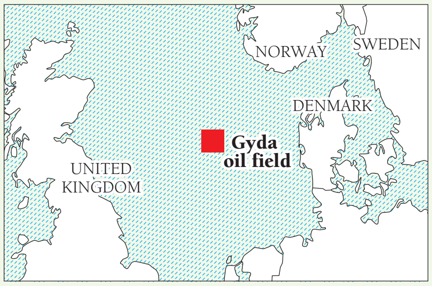
AOC is also reviewing and restructuring operations involving existing projects. In fiscal 2005, AOC sold its rights to a project subsidiary that held rights to gas fields in the U.S. Gulf of Mexico. Conversely, AOC additionally acguired 50% of shareholdings in the New Huanan Oil Development Company, Ltd., formerly an affiliated company involved in oil field production projects in the South China Sea, and converted this company to a subsidiary.

South China Sea

New Huanan Oil Development, in which the AOC Holdings Group holds an 84.3% share, and two Japanese partners discovered the Lufeng 13-1 oil field in Block 16/06, located at the Pearl River Mouth Basin in the South China Sea. Production at this field, which began in October 1993, currently amounts to 11,000 barrels per day. Of this output, New Huanan Oil Development owns 30% rights.

Norwegian North Sea

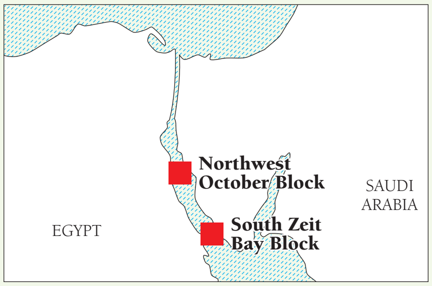
Norske AEDC A/S was established as a local subsidiary to undertake oil and natural gas exploration and development projects around Norway. Currently, it holds a 5% interest in the Gyda oil field in Block 2/1 of the Norwegian North Sea. This oil field began production in June 1990, and currently produces 15,000 barrels per day, with Talisman Energy Inc. carrying out operations.



Egyptian Gulf of Suez

AOC successfully won a bid for oil and gas exploration and development in the Northwest October Block in the northern Gulf of Suez, Egypt, in February 2005, and signed a production-sharing contract with the Egyptian government and Egyptian General Petroleum Corporation on July 26, 2005. AOC plans to begin production of crude oil in the second half of 2007.

Separately, AOC is involved in a project at a field in the South Zeit Bay Block, encompassing the land and water portion of the south end of the Egyptian Gulf of Suez. By dispatching personnel to Alexoil SA, a Swiss company that won the rights to this field, AOC is supporting exploration activities extensively.



Fuji Oil Co., Ltd. (FOC) was established in 1964 through investment by such companies as AOC, Tokyo Electric Power (TEPCO), Sumitomo Chemical and Nippon Mining (now, Japan Energy). Four years later, FOC's refinery in Sodegaura, Chiba Prefecture, began supplying heavy fuel oil for electric power generation and naphtha for conversion into petrochemicals at a neighboring industrial complex and general petroleum products to a nationwide petroleum distributor. The Sodegaura refinery has evolved into an advanced, large-scale facility that fills a vital role in supplying petroleum products to the mass energy-consuming Tokyo metropolitan area. FOC is working at expanding its operations to provide petrochemical feedstock.

Sodegaura Refinery

Location:	Sodegaura, Chiba Prefecture
Area:	1,512,000 m^2
Refining capacity:	192,000 bbl/day
Storage capacity:	2,028,000 kl of crude oil, 1,583,000 kl of petroleum products

Downstream Operations

Petroleum Product Sales Volume (Years ended March 31)

(Thousands of kiloliters)

	2004	**2005**
Gasoline	1,630	1,640
Naphtha	289	328
Jet fuel	1,008	953
Kerosene	422	438
Diesel fuel (Gas oil)	1,356	1,126
Heavy fuel oil A	452	518
Heavy fuel oil C	1,383	1,142
Benzene	148	176
Xylene	279	297
Crude oil for burning	50	—
Other	564	576
Subtotal	7,582	7,193
Barter deals	1,033	1,533
Total	8,616	8,726
Of which, for export (excluding bunker fuel)	295	166

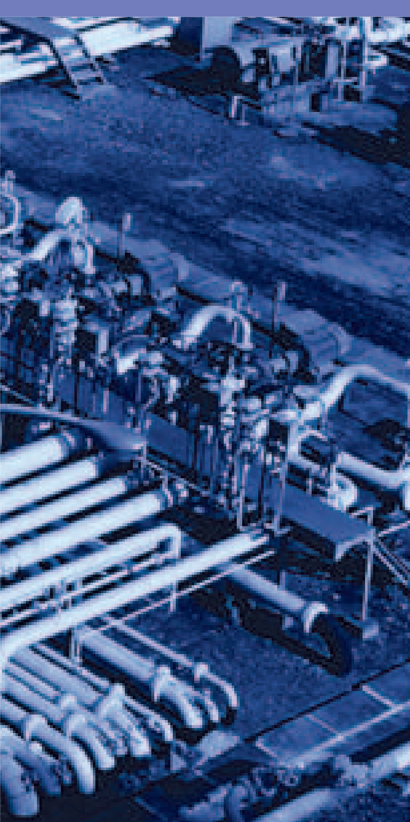
FOC maintains high levels of efficiency and capacity utilization as it seeks to achieve the highest levels of cost competitiveness in Japan, while maintaining safe and stable operations, and taking environmental conservation into account.

In addition to expansion of xylene production facilities scheduled for the first half of fiscal 2006, FOC reinforces the existing production facilities to respond to a foreseeable change of demand structure. Utilizing AOC's overseas sales channels, FOC plans to expand sales of high-quality, competitive petroleum products that help alleviate environmental issues, particularly in rapidly growing Asian markets.

The Sodegaura refinery employs a vacuum residue thermal cracking unit ("Eureka" thermal cracking unit), which effectively converts asphalt into diesel fuel and other clean oil distillates. Compared to other domestic refineries, the Sodegaura refinery handles a substantially larger percentage volume of heavy crude. Consequently, when the differential between heavy and light crude oil prices expands, FOC can reduce its crude oil procurement costs. This option enables FOC to strengthen its competitive position in terms of costs and profits.

Eureka thermal cracking unit

Oil Refining and Product Sales



Principal Facilities at the Sodegaura Refinery

	Units	Capacity
Crude distillation unit	2	192,000 bbl/day
Naphtha hydrotreating unit	1	43,000 bbl/day
Catalytic reformer	1	28,000 bbl/day
Iso-siv unit	1	1,900 bbl/day
Fluid catalytic cracking unit	1	18,000 bbl/day
Gasoline desulfurization unit	1	13,000 bbl/day
Alkylation unit	1	4,000 bbl/day
Middle distillate hydrodesulfurization unit	2	63,500 bbl/day
Xylene manufacturing unit	1	245,000 tonnes/year
Benzene manufacturing unit	2	175,000 tonnes/year
Vacuum distillation unit	1	55,000 bbl/day
Vacuum gas oil hydrodesulfurization unit	2	47,000 bbl/day
Vacuum residue thermal cracking unit (Eureka thermal cracking unit)	1	24,000 bbl/day

CORPORATE GOVERNANCE ENHANCEMENTS

AOC Holdings, Inc. seeks to achieve ongoing increases in corporate value, thereby maximizing the value it provides to stakeholders. To this end, we recognize that our most important management responsibilities are to maintain corporate transparency and openness and to clearly explain our activities to stakeholders. Our corporate governance system is designed to meet these goals.

Internal Organizations and Systems

Under our basic management policy, the Board of Directors is charged with ensuring legal compliance, making important management decisions and supervising the execution of business activities. A combination of full-time directors and executive officers allows the Group to execute business duties swiftly and flexibly. The Executive Committee, comprising full-time directors, standing statutory auditors and executive officers, shares information on the progress of business plans and ensures that groupwide business is executed in the most appropriate manner.

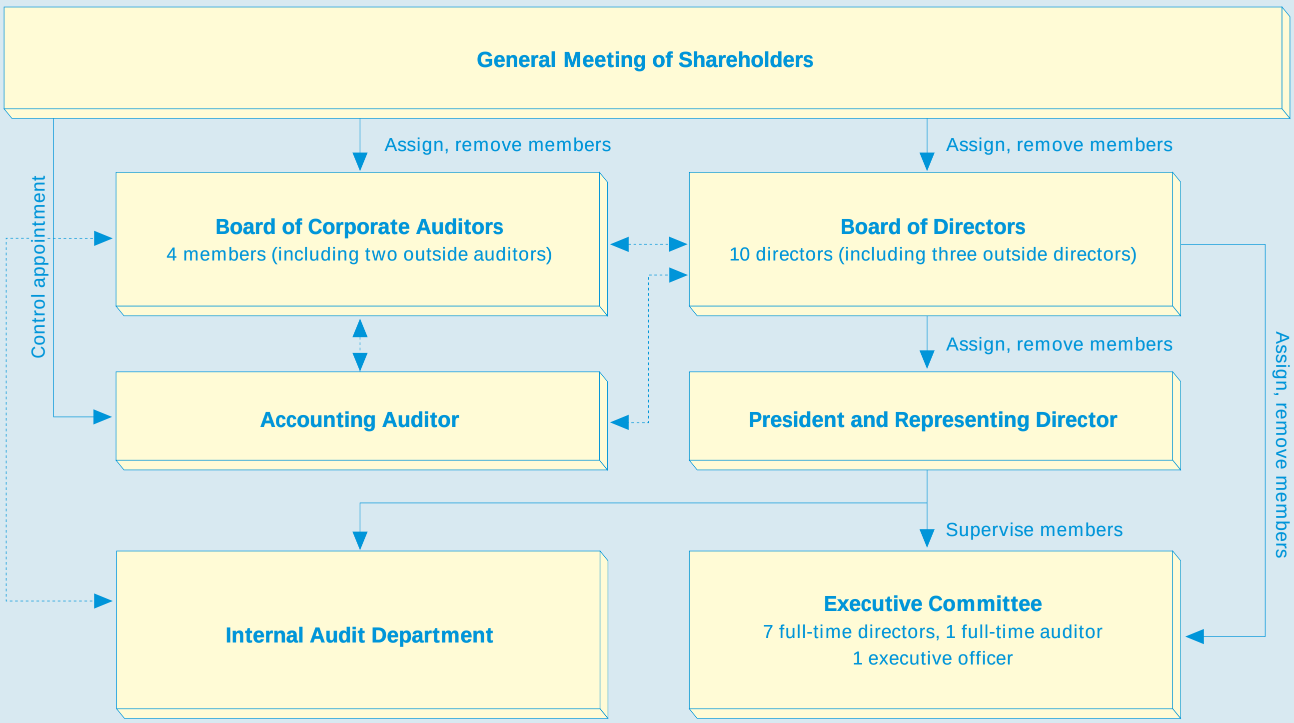
The Board of Auditors comprises four corporate auditors, including two outside corporate auditors. In addition to carefully monitoring the execution of duties by directors, this board maintains close relationships with accounting auditors, the Internal Audit Department and the corporate auditors of subsidiaries.

The Board of Directors includes three outside directors, whose important insights and broad backgrounds allow them to offer the Board valuable opinions and advice. For legal advice, we retain Iwata Godo Law Offices and several other law offices on ad hoc basis. Our accounting auditor is AZSA & Co., which performs audits based on the Japanese Commercial Code and Securities Exchange Law.

Risk Management System

Our groupwide risk management and managerial compliance activities satisfy all legal requirements in Japan and overseas. We have also established a Code of Conduct, which clearly outlines the AOC Holdings Group's policies on operational safety, environmental preservation and contribution to society, as well as top management responsibility. Our Legal Department oversees the Group's compliance with laws, corporate ethics and all applicable legislative requirements, and seeks to prevent any and all illegal activities. The Department also provides necessary education in this area for executives and employees alike.

Our IR Department, is responsible for the Group's investor relations and public relations, and seeks to disclose appropriate information to stakeholders in a timely and proactive manner.



Directors, Auditors and Executives

President and Representing Director

Yoshihiro Sakamoto

Executive Vice President and Representing Director

Fumio Sekiya

Directors

Yasubumi Shima

Masato Ono

Junichiro Asano

Toshiyuki Hiroki

Shigemi Tamura

Toshio Mori

Issa Own

(Undersecretary, Administration & Finance Affairs, Ministry of Energy, Kuwait)

Usama Trabulsi

(Chief Financial Controller, Ministry of Petroleum and Mineral Resources, Saudi Arabia)

Standing Statutory Auditor

Shinichi Ame

Corporate Auditors

Yukinori Ito

Kunitaka Kajita

Sukenobu Nakayama

Managing Executive Officer

Toshiro Tateishi

ENVIRONMENTAL PRESERVATION INITIATIVES

Environmental Preservation Activities at the Sodegaura Refinery

FOC considers preserving the environment in the region where it operates—and the world as a whole—as one of its most important tasks. For this reason, the company takes independent initiatives to ensure global environmental preservation, the health of employees and the residents of areas in which it operates, the efficient use of energy, the minimization of emissions, and recycling. At the end of each fiscal year, its president chairs an environmental meeting. This meeting sets the basic environmental policy and establishes environmental targets for the Sodegaura Refinery. Other environmental activities include the establishment of an environmental management system and the obtainment of the international ISO14001 environmental certification. FOC also endeavors to raise the efficiency of its facilities, improve its heat recovery ratio, employ advanced controls to conserve energy and increase output per unit of energy consumed. FOC is also seeking to reduce the burden it places on the environment through measures to counter atmospheric pollution and water contamination, control the emissions of chemical substances, promote recycling and prevent marine oil spills. FOC endeavors to provide products that impact the environment as little as possible. For example, ahead of legislative requirements FOC put in place processing equipment to minimize sulfur oxide, nitrogen oxide and particulate matter, and now ships sulfur-free gasoline and diesel fuel.

As part of our proactive environmental initiatives, in January 2005 we began shipping sulfur-free gasoline, diesel fuel and other products, defined as having a sulfur content of less than 10 parts per million.

Joining in the Environmental Improvement Initiatives of Middle Eastern Oil-Producing Nations

AOC cooperates with environmental efforts involving both Japan and Middle Eastern Gulf oil-producing nations, such as the Initiative for Japan–Kuwait Cooperation on Environmental Issues & Technology Transfer. Based on this initiative, under the auspices of the Japanese government and the Japan External Trade Organization (JETRO), AOC cooperates with other Japanese companies on various programs to improve the marine environment around the Gulf of Kuwait. These efforts include cleaning up tidal wetlands, marine environment real-time monitoring system and technology transfer through personnel training. Moreover, under the guidance of the Ministry of Economy, Trade and Industry, AOC was asked to cooperate in activities to address water resource issues in Middle Eastern oil-producing nations. AOC has begun providing technical cooperation as a member of the Cooperation Committee on Water Resources in the Middle East.

FINANCIAL SECTION

CONTENTS

CONSOLIDATED BALANCE SHEETS

AOC Holdings, Inc. and Consolidated Subsidiaries
As of March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
Assets			
Current assets:			
Cash on hand and in banks (Notes 6 and 16)	¥ 23,096	¥ 23,381	$ 215,067
Trade notes and accounts receivable	53,708	59,547	500,121
Marketable securities (Note 4)	6,993	227	65,118
Inventories	54,840	37,491	510,662
Other receivables (Note 11)	6,842	6,642	63,712
Deferred tax assets (Note 7)	2,556	1,736	23,801
Others	5,943	2,345	55,340
Total current assets	153,982	131,373	1,433,858
Property, plant and equipment (Notes 5 and 6):			
Buildings and structures	12,286	12,532	114,405
Wells	—	2,129	—
Storage tanks	4,379	4,774	40,777
Machinery, equipment and vehicles	12,185	12,178	113,465
Land	51,578	51,669	480,287
Construction in progress	420	312	3,911
Others	202	185	1,881
Total property, plant and equipment	81,053	83,783	754,754
Intangible assets	1,328	512	12,366
Investments and other assets:			
Investment securities (Notes 4 and 6)	25,884	33,816	241,028
Long-term loans receivable (Note 11)	24,453	19,543	227,703
Long-term deposits (Note 6)	6,871	2,430	63,982
Other assets	607	1,410	5,652
Allowance for doubtful accounts	(778)	(795)	(7,245)
Total investments and other assets	57,039	56,405	531,139
Total assets	¥ 293,404	¥ 272,075	$2,732,135

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
Liabilities, minority interests and shareholders' equity			
Current liabilities:			
Trade payables	¥ 21,467	¥ 23,663	$ 199,898
Short-term borrowings (Notes 6)	36,688	37,238	341,633
Current portion of long-term debt (Note 6)	19,235	17,980	179,114
Other payables	19,495	13,796	181,535
Excise taxes payable on gasoline and other fuels	16,817	16,598	156,597
Accrued income taxes (Note 7)	4,191	1,653	39,026
Other current liabilities	12,346	9,111	114,964
Total current liabilities	130,242	120,041	1,212,794
Long-term liabilities:			
Long-term debt (Notes 6 and 11)	57,496	60,061	535,394
Deferred tax liabilities (Note 7)	19,879	20,867	185,110
Accrued retirement benefits for employees (Note 8)	3,760	3,368	35,013
Accrued retirement benefits for directors and corporate auditors	74	227	689
Special reserve for repairs	1,850	2,326	17,227
Reserve for repairs	2,325	837	21,650
Negative goodwill on consolidation	125	—	1,164
Other long-term liabilities	217	963	2,021
Total long-term liabilities	85,729	88,651	798,296
Minority interests	1,080	126	10,057
Commitments and contingent liabilities (Notes 11 and 12)			
Shareholders' equity (Note 10):			
Common stock			
Authorized – 200,000,000 shares			
Issued – 73,587,377 shares in 2005 and 2004	20,000	20,000	186,237
Capital surplus	48,634	45,728	452,873
Retained earnings	8,563	(8,684)	79,737
Unrealized gain on revaluation of land	6	2	56
Unrealized holding gains on securities	9,278	10,143	86,395
Foreign currency translation adjustments	27	(417)	251
Less treasury stock, at cost (Note 6)	(10,158)	(3,518)	(94,590)
Total shareholders' equity	76,351	63,255	710,969
Total liabilities, minority interests and shareholders' equity	¥ 293,404	¥ 272,075	$2,732,135

See notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF INCOME

AOC Holdings, Inc. and Consolidated Subsidiaries
For the years ended March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
Net sales (Note 19)	¥ 477,295	¥ 447,460	$ 4,444,501
Cost of sales (Note 17)	453,777	435,115	4,225,505
Gross profit	23,518	12,345	218,996
Selling, general and administrative expenses (Note 17)	5,071	4,524	47,220
Operating income	18,447	7,820	171,776
Other income (expenses):			
Interest and dividend income	671	551	6,248
Exchange gain (loss), net	490	(735)	4,563
Equity in earnings of a non-consolidated subsidiary and affiliates	355	2,097	3,306
Gain on sales of investment securities	6,072	1,068	56,542
Interest expense	(2,621)	(2,189)	(24,406)
Loss on disposal of fixed assets	(327)	(1,001)	(3,045)
Retirement benefit expenses	(740)	(247)	(6,891)
Business integration costs	(370)	(465)	(3,445)
Other, net	(588)	(303)	(5,196)
	2,972	(1,226)	27,675
Income before income taxes and minority interests	21,418	6,594	199,441
Income taxes (Note 7):			
Current	5,088	1,286	47,379
Deferred	(1,036)	897	(9,647)
	4,052	2,184	37,732
Minority interests	117	8	1,089
Net income	¥ 17,248	¥ 4,402	$ 160,611

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

AOC Holdings, Inc. and Consolidated Subsidiaries
For the years ended March 31, 2005 and 2004

	Millions of yen							
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Unrealized gain on revaluation of land	Unrealized holding gains on securities	Foreign currency translation adjustments	Treasury stock
Balance at March 31, 2003	73,587,377	¥ 20,000	¥ 45,728	¥ (13,521)	¥ 2	¥ 2,629	¥ (74)	¥ (3,518)
Net income	—	—	—	4,402	—	—	—	—
Increase resulting from inclusion of an affiliate accounted for by the equity method	—	—	—	434	—	—	—	—
Net change in unrealized holding gains on securities	—	—	—	—	—	7,514	—	—
Foreign currency translation adjustments	—	—	—	—	—	—	(343)	—
Balance at March 31, 2004	73,587,377	20,000	45,728	(8,684)	2	10,143	(417)	(3,518)
Net income	—	—	—	17,248	—	—	—	—
Gain on sales of treasury stock	—	—	2,905	—	—	—	—	—
Net change in unrealized gain on revaluation of land	—	—	—	—	4	—	—	—
Net change in unrealized holding gains on securities	—	—	—	—	—	(865)	—	—
Foreign currency translation adjustments	—	—	—	—	—	—	444	—
Net increase in treasury stock	—	—	—	—	—	—	—	(6,640)
Balance at March 31, 2005	73,587,377	¥ 20,000	¥ 48,634	¥ 8,563	¥ 6	¥ 9,278	¥ 27	¥ (10,158)

	Thousands of U.S. dollars (Note 1)							
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Unrealized gain on revaluation of land	Unrealized holding gains on securities	Foreign currency translation adjustments	Treasury stock
Balance at March 31, 2004	73,587,377	$ 186,237	$ 425,812	$ (80,864)	$ 19	$ 94,450	$ (3,883)	$ (32,759)
Net income	—	—	—	160,611	—	—	—	—
Gain on sales of treasury stock	—	—	27,051	—	—	—	—	—
Net change in unrealized gain on revaluation of land	—	—	—	—	37	—	—	—
Net change in unrealized holding gains on securities	—	—	—	—	—	(8,055)	—	—
Foreign currency translation adjustments	—	—	—	—	—	—	4,134	—
Net increase in treasury stock	—	—	—	—	—	—	—	(61,831)
Balance at March 31, 2005	73,587,377	$ 186,237	$ 452,873	$ 79,737	$ 56	$ 86,395	$ 251	$ (94,590)

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

AOC Holdings, Inc. and Consolidated Subsidiaries
For the years ended March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 21,418	¥ 6,594	$ 199,441
Depreciation and amortization	4,007	4,930	37,313
Increase in reserve for repairs	1,488	59	13,856
Increase in accrued retirement benefits for employees	392	81	3,650
Increase (decrease) in allowance for doubtful accounts	(14)	546	(130)
Decrease in special reserve for repairs	(476)	(131)	(4,432)
Decrease in accrued retirement benefits for directors and corporate auditors	(153)	(134)	(1,425)
Interest and dividend income	(671)	(552)	(6,248)
Interest expense	2,621	2,189	24,406
Equity in earnings of a non-consolidated subsidiary and affiliates	(355)	(2,097)	(3,306)
Gain on sales of investment securities	(6,072)	(1,068)	(56,542)
Loss on disposal of fixed assets	327	1,001	3,045
Loss on impairment	91	—	847
Gain on sale of mineral interests in properties	(547)	—	(5,094)
Loss on valuation of golf membership	36	0	335
Special severance benefits	405	247	3,771
Decrease in trade receivables	5,638	8,482	52,500
Decrease (increase) in inventories	(17,344)	3,210	(161,505)
Decrease in trade payables	(2,343)	(6,692)	(21,818)
Increase (decrease) in excise taxes payable on gasoline and other fuels	219	(1,312)	2,039
Other	8,834	(4,346)	82,261
Subtotal	17,502	11,011	162,976
Interest and dividends received	698	637	6,500
Interest paid	(2,507)	(2,166)	(23,345)
Income taxes paid	(2,298)	(1,901)	(21,399)
Special severance benefits paid	(295)	(247)	(2,747)
Other	(742)	41	(6,909)
Net cash provided by operating activities	12,357	7,375	115,067

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
Cash flows from investing activities:			
Increase in time deposits	(8,979)	(6,842)	(83,611)
Repayment of time deposits	5,981	8,532	55,694
Purchase of investment securities	(190)	(500)	(1,769)
Proceeds from sales of investment securities	9,254	1,194	86,172
Proceeds from redemption of investment securities	799	6	7,440
Purchase of property, plant and equipment	(2,302)	(946)	(21,436)
Proceeds from sales of property, plant and equipment	0	0	0
Purchase of intangible assets	(102)	(88)	(950)
Purchase of shares of a subsidiary resulting in change in consolidation scope	(2,410)	—	(22,442)
Increase in long-term loans receivable	(7,799)	(14,667)	(72,623)
Proceeds from collection of long-term loans receivable	8	636	74
Proceeds from sale of shares in a subsidiary	1,496	—	13,931
Proceeds from sale of mineral interests in properties	1,680	—	15,644
Other	127	(10)	1,183
Net cash used in investing activities	(2,435)	(12,686)	(22,674)
Cash flows from financing activities:			
Net decrease in short-term borrowings	(569)	(6,971)	(5,298)
Proceeds from long-term debt	16,582	37,823	154,409
Repayment of long-term debt	(18,209)	(27,817)	(169,560)
Purchase of treasury stock	(8,792)	(0)	(81,870)
Proceeds from sales of treasury stock	5,015	—	46,699
Net cash (used in) provided by financing activities	(5,974)	3,034	(55,629)
Effect of exchange rate changes on cash and cash equivalents	144	(1,748)	1,341
Net increase (decrease) in cash and cash equivalents	4,091	(4,025)	38,095
Cash and cash equivalents at beginning of year	22,127	26,152	206,043
Increase in cash and cash equivalents resulting from newly consolidated subsidiary	3,811	—	35,487
Decrease in cash and cash equivalents resulting from deconsolidation	(40)	—	(372)
Cash and cash equivalents at end of year	¥ 29,989	¥ 22,127	$ 279,253

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AOC Holdings, Inc. and Consolidated Subsidiaries
For the years ended March 31, 2005 and 2004

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 complied from the consolidated financial statements prepared by the Company as required by the Securities 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") and foreign subsidiaries maintain their accounting records in conformity with accounting principles and practices of their respective country of domicile, which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards.

As permitted by the Securities and Exchange Law of Japan, 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.

Some 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.

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 ¥107.39 = U.S.$1.00, the approximate rate of exchange on March 31, 2005. 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. Summary of Significant Accounting Policies

(a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and its ten significant subsidiaries (the "Subsidiaries") as of March 31, 2005 and 2004. Consolidated subsidiaries as of March 31, 2005 were as follows:

- Arabian Oil Co., Ltd.
- Fuji Oil Co., Ltd.
- Arabian Oil Company (Cayman) Ltd.
- Fuji Oil Sales Co., Ltd.
- Fuji Tanker Co., Ltd
- Norske AEDC A/S
- Petro Progress, Inc.
- Petro Progress Pte Ltd.
- New Huanan Oil Development Co., Ltd.
- Fuji Rinkai Co., Ltd.

New Huanan Oil Development Co., Ltd., which was an affiliate accounted for by the equity method as of March 31, 2004, was newly consolidated during the year ended March 31, 2005 due to the acquisition of additional shares. AEDC (USA) Inc., which was a consolidated subsidiary as of March 31, 2004, was excluded from the consolidation due to the sale of the shares owned by Arabian Oil Co., Ltd. during the year ended March 31, 2005.

Five other subsidiaries in 2005 and three subsidiaries in 2004 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., Arabian Oil Company (Cayman) Ltd., Norske AEDC A/S and New Huanan Oil Development Co., Ltd. have a fiscal year-end of December 31. The consolidated financial statements incorporated the accounts of the above companies for the fiscal year ended December 31 with adjustments for significant transactions arising after year-end, except for Arabian Oil

Company (Cayman) Ltd., whose accounts were prepared on a pro forma basis as of March 31, 2005 and 2004.

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 ten years by the straight-line method.

(b) Equity method

The equity method was applied to the investments in a non-consolidated subsidiary and two affiliates in 2005 and a non-consolidated subsidiary and three affiliates in 2004.

Non-consolidated subsidiary and affiliates accounted for by the equity method as of March 31, 2005 were as follows:

Non-consolidated subsidiary accounted for by the equity method:

- Japan Oil Engineering Co., Ltd.

Affiliates accounted for by the equity method:

- Tokyo Sekiyu Kogyo Co., Ltd.
- Aramo Shipping (Singapore) Pte Ltd.

Investment securities (equity) in other non-consolidated subsidiaries and affiliates (eight companies in 2005 and seven companies in 2004) 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.

Investment securities (equity) in other non-consolidated subsidiaries and affiliates stated at cost amounted to ¥4,379 million ($40,777 thousand) and ¥6,005 million as of March 31, 2005 and 2004, respectively.

(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) Marketable 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. Marketable securities classified as available-for-sale securities are carried at fair value with any changes in unrealized holding gain or loss, net of applicable income taxes, included directly in shareholders' equity. 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

Finished goods, semi-finished goods and crude oil are stated at cost determined by the weighted average method. Goods in transit are stated at cost determined by the specific identification method and stored goods are stated at cost determined by the moving average method.

(f) 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 a 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 on a straight-line method over an estimated useful life of five years.

(g) 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 from customers.

(h) Reserve for repairs

The Companies provide for an amount equivalent to the estimated amount of statutory periodical maintenance expenses for machinery and equipment.

(i) Special reserve for repairs

The special reserve for repairs is provided at an amount determined based on the 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.

(j) Accrued retirement benefits for employees

Certain consolidated subsidiaries provide for 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.

The transitional difference (¥746 million) on the initial application of the new accounting standard for retirement benefits with effect form April 1, 2000 is being amortized over five years.

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 the average remaining years of service of the eligible employees.

(k) Accrued retirement benefits for directors and corporate auditors

Accrued retirement benefits for directors and corporate auditors of the Companies are estimated based on the amount calculated in accordance with internal rules.

(l) Leases

Finance leases that do not transfer ownership of the assets at the end of the lease term are accounted for as operating leases.

(m) 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 until the hedged item is settled. Alternatively, foreign currency denominated 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.

(n) 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.

Effective from the year ended March 31, 2005, the Company and six domestic subsidiaries adopted a consolidated tax filing system.

(o) Foreign currency translation

All receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rate prevailing at the balance sheet date, except for foreign currency denominated payables hedged by forward exchange contracts as noted above. Income and expenses in foreign currency are translated at the rates prevailing at the time of the transactions. The resulting exchange gains or losses are credited or charged 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 separate component of "Shareholders' equity" in the consolidated balance sheets.

(p) Reclassifications

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

3. Accounting Changes

Accounting standard for impairment of fixed assets

On August 9, 2002, the Business Accounting Deliberation Council issued "Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets" and on October 31, 2003, the Accounting Standard Board of Japan issued "Guidance for Application of the Accounting Standard for Impairment of Fixed Assets". The Company and its domestic subsidiaries adopted this standard with effect from the year ended March 31, 2005. In accordance with the standard, the Company and its domestic subsidiaries reviewed fixed assets for impairment by grouping the assets in income generating units and, as a result, recognized an impairment loss on idle land for which there was an indication of a significant decline in the fair value against its book value based on an independent appraisal. In accordance with Japanese GAAP, the adoption of this new accounting standards is treated as an accounting change. As a result of this adoption, income before income taxes and minority interests decreased by ¥91 million ($847 thousand) for the year ended March 31, 2005.

4. Marketable Securities and Investment Securities

Marketable securities and investment securities classified as available-for-sale securities as of March 31, 2005 and 2004 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars		
	Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)
	2005					
Securities with carrying value exceeding acquisition cost:						
Equity securities	¥ 5,538	¥ 20,774	¥ 15,235	$ 51,569	$ 193,444	$ 141,866
Debt securities	—	—	—	—	—	—
Other	—	—	—	—	—	—
Subtotal	5,538	20,774	15,235	51,569	193,444	141,866
Securities with carrying value not exceeding acquisition cost:						
Equity securities	—	—	—	—	—	—
Debt securities	—	—	—	—	—	—
Other	1,791	1,791	—	16,678	16,678	—
Subtotal	1,791	1,791	—	16,678	16,678	—
Total	¥ 7,330	¥ 22,566	¥ 15,235	$ 68,256	$ 210,131	$ 141,866

	Millions of yen		
	Acquisition cost	Carrying value	Unrealized gain (loss)
	2004		
Securities with carrying value exceeding acquisition cost:			
Equity securities	¥ 8,111	¥ 24,900	¥ 16,788
Debt securities	—	—	—
Other	—	—	—
Subtotal	8,111	24,900	16,788
Securities with carry value not exceeding acquisition cost			
Equity securities	—	—	—
Debt securities	1,240	1,240	—
Other	—	—	—
Subtotal	1,240	1,240	—
Total	¥ 9,352	¥ 26,141	¥ 16,788

Available-for-sale securities sold during the years ended March 31, 2005 and 2004 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
Proceeds from sales of equity securities	¥ 9,002	¥ 1,653	$ 83,825
Gain on sales	6,072	1,068	56,542
Loss on sales	28	2	261

The carrying value of securities which did not have a readily determinable fair value as of March 31, 2005 and 2004 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
Held-to-maturity securities:			
Commercial paper	¥ 4,999	¥ —	$ 45,550
Discount bonds	—	499	—
Municipal bonds	39	44	363
Available-for-sale securities:			
Unlisted stocks	693	1,127	6,453
Other, including Money Market Funds	202	227	1,881

The schedule of the contractual maturities of held-to-maturity securities as of March 31, 2005 and 2004 is summarized as follows:

	Millions of yen			
	Within 1 year	After 1 year through 5 years	After 5 years through 10 years	After 10 years
	2005			
Commercial paper	¥ 4,999	¥ —	¥ —	¥ —
Municipal bonds	4	19	14	—
Total	¥ 5,004	¥ 19	¥ 14	¥ —

	Thousands of U.S. dollars			
	Within 1 year	After 1 year through 5 years	After 5 years through 10 years	After 10 years
	2005			
Commercial paper	$ 46,550	$ —	$ —	$ —
Municipal bonds	37	177	130	—
Total	$ 46,597	$ 177	$ 130	$ —

	Millions of yen			
	Within 1 year	After 1 year through 5 years	After 5 years through 10 years	After 10 years
	2004			
Discount bonds	¥ 499	¥ —	¥ —	¥ —
Municipal bonds	4	19	14	—
Total	¥ 504	¥ 19	¥ 14	¥ —

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 for the years ended March 31, 2005 and 2004 was ¥203,976 million ($1,899,395 thousand) and ¥212,726 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)
	2005	2004	2005
Gain on national subsidies	¥ 134	¥ 113	$ 1,248
Gain on insurance claims	129	129	1,201

6. Short-term Borrowings and Long-term Debt

Short-term borrowings and long-term debt as of March 31, 2005 and 2004 and the weighted average interest rates on the borrowings outstanding as of March 31, 2005 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
Short-term borrowings – 2.1%	¥ 36,688	¥ 37,238	$ 341,633
Current portion of long-term debt – 2.3%	19,235	17,980	179,114
Long-term debt – 2.5%	57,496	60,061	535,394
Total	¥ 113,419	¥ 115,279	$ 1,056,141

Annual maturities of the long-term debt are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2005	
Year ending March 31,		
2006	¥ 19,235	$ 179,114
2007	18,032	167,911
2008	16,339	152,146
2009	11,296	105,186
2010 and thereafter	11,829	110,150

Pledged Assets

The following assets are pledged as collateral for long-term debt amounting to ¥58,963 million ($549,055 thousand) and ¥60,453 million, including current portion of ¥13,408 million ($124,853 thousand) and ¥14,369 million, as of March 31, 2005 and 2004, respectively.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
Cash on hand and in banks	¥ 4,172	¥ 1,251	$ 38,849
Investment securities	1,024	4,732	9,535
Long-term deposits	2,699	2,430	25,133
Treasury stock	682	—	6,351
Buildings and structures	9,721	10,210	90,521
Storage tanks	4,379	4,774	40,777
Machinery, equipment and vehicles	12,086	11,635	112,543
Land	49,184	47,884	457,994
Total carrying value of pledged assets	¥ 83,951	¥ 82,920	$ 781,739

As of March 31, 2004, in addition to the above pledged assets, a U.S. Treasury bond with a carrying value of ¥1,081 million was pledged for future dismantlement costs of an oil and gas field.

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 2005 and 41.7% for 2004. Effective from the year ended March 31, 2005, the Company and six domestic subsidiaries adopted a consolidated tax filing system. Income taxes also include foreign income taxes.

The significant components of deferred tax assets and liabilities as of March 31, 2005 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
Deferred tax assets:			
Tax loss carryforward	¥ 12,959	¥ 21,145	$ 120,672
Loss on devaluation of investment securities	2,038	2,286	18,978
Accrued retirement benefits	1,217	1,044	11,333
Gain on sale of land	775	796	7,217
Foreign income taxes	454	622	4,228
Special reserve for repairs	870	409	8,101
Other	2,513	2,073	23,401
Subtotal	20,829	28,377	193,957
Valuation allowance	(18,272)	(26,641)	(170,146)
Total deferred tax assets	2,556	1,736	23,801
Deferred tax liabilities:			
Unrealized holding gains on securities	(6,774)	(7,812)	(63,078)
Unrealized gain on revaluation of assets of consolidated subsidiaries	(11,949)	(11,741)	(111,267)
Undistributed earnings of foreign subsidiaries	(1,068)	(1,091)	(9,945)
Other	(86)	(221)	(801)
Total deferred tax liabilities	(19,879)	(20,867)	(185,110)
Net deferred tax liabilities	¥ (17,322)	¥ (19,131)	$ (161,300)

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)
	2005	2004	2005
Current assets – Deferred tax assets	¥ 2,556	¥ 1,736	$ 23,801
Long-term liabilities – Deferred tax liabilities	19,879	20,867	185,110

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 years ended March 31, 2005 and 2004 is as follows:

	2005	2004
Statutory income tax rate	40.4%	41.7%
Movement in valuation allowance	(28.7)	(18.9)
Prior year foreign taxes	2.7	—
Difference in statutory tax rates of foreign subsidiaries	—	6.6
Equity in earnings of a non-consolidated subsidiary and affiliates	(0.7)	(6.7)
Tax effects on retained earnings of foreign subsidiaries	—	10.7
Gain on sales of the Company's shares held by subsidiaries	5.2	—
Other	0.0	(0.3)
Effective income tax rate	18.9%	33.1%

8. Accrued Retirement Benefits for Employees

As of March 31, 2005, four consolidated subsidiaries had defined retirement benefit plans (2004: three subsidiaries). 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.

The following table sets forth the funded and accrued status of the defined retirement benefit plans and the amounts recognized in the consolidated balance sheets as of March 31, 2005 and 2004.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
Retirement benefit obligation	¥ (5,678)	¥ (5,378)	$ (52,873)
Fair value of plan assets	1,708	1,568	15,905
Unfunded retirement benefit obligation	(3,970)	(3,809)	(36,968)
Unrecognized plan assets	(187)	(33)	(1,741)
Unrecognized transition difference	—	131	—
Unrecognized actuarial loss	722	629	6,723
Net retirement benefit obligation	(3,435)	(3,082)	(31,986)
Prepaid pension expenses	324	285	3,017
Accrued retirement benefits	¥ (3,760)	¥ (3,368)	$ (35,013)

For the year ended March 31, 2005, three of the consolidated subsidiaries adopted a simplified method in computing their retirement benefit obligations as permitted by accounting principles and practices generally accepted in Japan (2004: two subsidiaries).

The components of retirement benefit expenses for the years ended March 31, 2005 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
Service cost	¥ 617	¥ 229	$ 5,745
Interest cost	104	106	968
Expected return on plan assets	(23)	(20)	(214)
Amortization of transition difference	131	131	1,220
Amortization of actuarial loss	85	100	792
Special retirement benefits paid	172	247	1,602
Total	¥ 1,086	¥ 795	$ 10,113

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

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

	2005	2004
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	1.6%	1.6%
Amortization periods for unrealized actuarial gain or loss	10 years	10 years
Amortization periods for transition differences	5 years	5 years

9. Derivative Instruments and Hedging Activities

Three consolidated subsidiaries enter into derivative transactions, such as foreign exchange forward contracts, foreign currency options, interest rate swaps, commodity collar options 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 collar options and commodity swaps are utilized to manage the market risk associated with forecasted transactions of crude oil. Interest rate swaps are utilized to convert variable interest rates on borrowings to fixed interest rates for 3 to 5 years.

As described in Note 2 (m), 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 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. Shareholders’ Equity

Premium on common stock, capital surplus, legal earnings reserve and cash dividends

Under the Commercial Code of Japan (the “Commercial Code”), the entire amount of the issue price of shares is required to be accounted for as capital, although a company may, by resolution of its Board of Directors, account for an amount not exceeding one-half of the issue price of the new shares as additional paid-in capital, which is included in capital surplus.

The Commercial Code provides that an amount equal to at least 10% of cash dividends and other cash appropriations shall be appropriated as a legal earnings reserve until the total amount of legal earnings reserve and additional paid-in capital equals 25% of common stock. The legal earnings reserve and additional paid-in capital may be used to eliminate or reduce a deficit by resolution of the shareholders’ meeting or may be capitalized by resolution of the Board of Directors. On condition that the total amount of legal earnings reserve and additional paid-in capital remains being equal to or exceeding 25% of common stock, they are available for distribution by the resolution of shareholders' meeting. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

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 Commercial Code.

Appropriation of retained earnings

Under the Commercial Code of Japan, the appropriation of retained earnings with respect to a given financial period is made by resolution of the shareholders at a general meeting held subsequent to the close of the financial period. The accounts for the period do not, therefore, reflect such appropriations.

Treasury stock

The number of treasury stock owned by the Companies as of March 31, 2005 and 2004 were 7,920,120 and 5,984,608 common stock shares, respectively.

Reduction of additional paid in capital of the Company

The Board of Directors of the Company resolved to reduce additional paid-in capital by ¥24,638 million ($229,425 thousand) to ¥5,000 million ($46,559 thousand) on May 27, 2004 and the proposal was approved by the general shareholders' meeting held on June 29, 2004. Consequently, the reduction in additional paid-in capital was transferred to other capital surplus, which is available for distribution by the resolution of shareholders' meeting.

11. Loan Commitment Agreements

As a creditor:

Arabian Oil Co., Ltd. ("AOC"), a consolidated subsidiary, has entered into a loan commitment agreement with Kuwait Gulf Oil Company ("KGOC"). The outstanding balance of the loan commitment as of March 31, 2005 and 2004 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
Total commitments available	¥ 80,542	¥ 79,267	$ 749,995
Amount utilized	23,518	16,508	218,996
Balance available	¥ 57,024	¥ 62,758	$ 530,999

As a debtor:

AOC entered into loan commitment agreements with nine banks aggregating ¥80,542 million ($749,995 thousand) and ¥79,267 million as of March 31, 2005 and 2004, respectively, to cover the loan commitments granted to KGOC as noted above. In addition, Fuji Oil Co., Ltd., a consolidated subsidiary, entered into loan commitment agreements with nine banks aggregating ¥10,000 million ($93,119 thousand) as of March 31, 2005 and 2004, respectively, to finance working capital requirements. The outstanding balance of such loan commitments as of March 31, 2005 and 2004 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
Total commitments available	¥ 90,542	¥ 89,267	$ 843,114
Amount utilized	23,518	16,508	218,996
Balance available	¥ 67,024	¥ 72,758	$ 624,118

12. Contingent Liabilities

The Companies had the following guarantees of liabilities as of March 31, 2005 and 2004.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
As guarantors of indebtedness of:			
Employees (for property purchase)	¥ 627	¥ 808	$ 5,839
Keiyo Sea Berth Co., Ltd.	—	970	—
Total	¥ 627	¥ 1,778	$ 5,839

13. Request for Buy Out of Fuji Oil Co., Ltd. ("FOC") Shares

FOC, a consolidated subsidiary, was requested to buy out 5,434,000 of its shares from its former shareholders who rejected FOC's proposed restructuring plan at the shareholders' meeting held in December 2002. As the price of the shares was not agreed between FOC and the former shareholders, the former shareholders filed a claim to the Tokyo District Court in 2003 requesting the court to determine the price. In February 2005, the Court proposed a price of ¥1,618 per share and FOC reached an amicable settlement with the former shareholders and purchased the 5,434,000 shares at the proposed price per share.

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

The treatment of assets located in Japan and expenditures for unfinished projects as of January 4, 2003 are under discussion with the Government of Kuwait. The treatment of assets located in Japan is also under discussion with the Government of Saudi Arabia.

15. Leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of leased assets as of March 31, 2005 and 2004, 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)
	2005	2004	2005
Acquisition costs:			
Machinery, equipment and vehicles	¥ 12	¥ 339	$ 112
Other	238	283	2,216
	¥ 250	¥ 318	$ 2,328

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
Accumulated depreciation:			
Machinery, equipment and vehicles	¥ 5	¥ 24	$ 47
Other	140	199	1,304
	¥ 145	¥ 224	$ 1,350
Net book value:			
Machinery, equipment and vehicles	¥ 7	¥ 8	$ 65
Other	97	85	903
	¥ 105	¥ 93	$ 978

Lease payments relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements and the related depreciation expense for the years ended March 31, 2005 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
Lease payments	¥ 51	¥ 65	$ 475
Depreciation expense	51	65	475

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

Future minimum lease payments as of March 31, 2005 and 2004 for finance leases currently accounted for as operating leases are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
Due within one year	¥ 42	¥ 44	$ 391
Due after one year	62	48	577
Total	¥ 105	¥ 93	$ 978

16. Cash and Cash Equivalents

Reconciliation of “Cash and cash equivalents” in the consolidated statements of cash flows and “Cash on hand and in banks” in the consolidated balance sheets as of March 31, 2005 and 2004, is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
Cash on hand and in banks	¥ 23,096	¥ 23,381	$ 215,067
Marketable securities	6,993	227	65,118
Subtotal	30,090	23,609	280,194
Time deposits maturing over three months	(100)	(1,482)	(931)
Cash and cash equivalents	¥ 29,989	¥ 22,127	$ 279,253

Assets and liabilities of the newly consolidated subsidiary, New Huanan Oil Development Co., Ltd., at the inception of consolidation, related acquisition cost and expenditure for acquisition of shares are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Current assets	¥ 4,442	$ 41,363
Fixed assets	997	9,284
Current liabilities	(309)	(2,877)
Goodwill on consolidation	(154)	(1,434)
Minority interests	(836)	(7,785)
Acquisition value of shares	4,138	38,532
Prior year's acquisition value	(1,728)	(16,091)
Payment during the 2005 fiscal year	2,410	22,442
Increase in cash and cash equivalents	3,811	35,487
Net increase in cash and cash equivalents	¥ 1,401	$ 13,046

Major assets and liabilities of AEDC (USA) Inc. which was excluded from consolidation due to sale of shares are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
	As of January 31, 2005	
Current assets	¥ 442	$ 4,116
Fixed assets	1,056	9,833
Current liabilities	(429)	(3,995)

17. Research and Development Costs

Research and development costs are expensed as incurred. Research and development costs included in selling, general and administrative expenses and cost of sales for the years ended March 31, 2005 and 2004 amounted to ¥458 million ($4,265 thousand) and ¥58 million, respectively.

18. Per Share Data

	Yen		U.S. dollars
	2005	2004	2005
Net assets per share	¥ 1,162.70	¥ 935.68	$ 10.83
Basic net income per share	255.67	65.11	2.38

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

Basic net income per share is computed based on the net income available for distribution to shareholders of common stock and the weighted-average number of shares of common 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, 2005 and 2004.

19. Segment Information

Business segments

Business segment information for the Companies as of and for the years ended March 31, 2005 and 2004 is summarized as follows:

	Millions of yen					
	Khafji related	Oil/gas exploration and production	Oil refinery and sales	Total	Eliminations and corporate	Consolidated
	2005					
I. Sales and operating income						
Sales to third parties	¥ 89,483	¥ 6,359	¥ 381,453	¥ 477,295	¥ —	¥ 477,295
Intersegment sales	30,178	—	3,610	33,789	(33,789)	—
Total sales	119,661	6,359	385,064	511,085	(33,789)	477,295
Operating expenses	118,893	3,652	370,155	492,702	(33,853)	458,848
Operating income	¥ 768	¥ 2,706	¥ 14,908	¥ 18,383	¥ 64	¥ 18,447
II. Assets, depreciation and amortization and capital expenditures						
Total assets	¥ 63,408	¥ 9,151	¥ 242,543	¥ 315,104	¥ (21,700)	¥ 293,404
Depreciation and amortization	¥ 3	¥ 1,116	¥ 2,863	¥ 3,983	¥ 12	¥ 3,995
Loss on impairment	¥ —	¥ —	¥ 91	¥ 91	¥ —	¥ 91
Capital expenditures	¥ —	¥ 266	¥ 3,719	¥ 3,986	¥ —	¥ 3,986

	Thousands of U.S. dollars					
	Khafji related	Oil/gas exploration and production	Oil refinery and sales	Total	Eliminations and corporate	Consolidated
	2005					
I. Sales and operating income						
Sales to third parties	$ 833,253	$ 59,214	$ 3,552,035	$ 4,444,501	$ —	$ 4,444,501
Intersegment sales	281,013	—	33,616	314,638	(314,638)	—
Total sales	1,114,266	59,214	3,585,660	4,759,149	(314,638)	4,444,501
Operating expenses	1,107,114	34,007	3,446,829	4,587,969	(315,234)	4,272,726
Operating income	$ 7,152	$ 25,198	$ 138,821	$ 171,180	$ 596	$ 171,776
II. Assets, depreciation and amortization, capital and expenditures						
Total assets	$ 590,446	$ 85,213	$ 2,258,525	$ 2,934,202	$ (202,067)	$ 2,732,135
Depreciation and amortization	$ 28	$ 10,392	$ 26,660	$ 37,089	$ 112	$ 37,201
Loss on impairment	$ —	$ —	$ 847	$ 847	$ —	$ 847
Capital expenditures	$ —	$ 2,477	$ 34,631	$ 37,117	$ —	$ 37,117

	Millions of yen					
	Khafji related	Oil/gas exploration and production	Oil refinery and sales	Total	Eliminations and corporate	Consolidated
	2004					
I. Sales and operating income						
Sales to third parties	¥ 103,058	¥ 3,653	¥ 340,748	¥ 447,460	¥ —	¥ 447,460
Intersegment sales	10,230	—	1,341	11,571	(11,571)	—
Total sales	113,289	3,653	342,090	459,032	(11,571)	447,460
Operating expenses	112,111	2,858	336,281	451,251	(11,611)	439,640
Operating income	¥ 1,177	¥ 794	¥ 5,808	¥ 7,780	¥ 39	¥ 7,820
II. Assets, depreciation and amortization and capital expenditures						
Total assets	¥ 53,529	¥ 8,331	¥ 218,086	¥ 279,948	¥ (7,873)	¥ 272,075
Depreciation and amortization	¥ 5	¥ 1,303	¥ 3,607	¥ 4,916	¥ 3	¥ 4,919
Capital expenditures	¥ —	¥ 265	¥ 1,633	¥ 1,898	¥ —	¥ 1,898

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 exploration and production: Natural gas, natural gas liquid, crude oil
Oil refinery and sales: Crude oil, petrochemical products (gasoline, naphtha, etc.)
3. Non-allocable operating expenses included in "Eliminations and corporate" are mainly administrative expenses related to the corporate general affairs function of the parent company.
4. Corporate assets included in "Eliminations and corporate" mainly consist of surplus funds, including cash on hand and in banks of the parent company.
5. For the year ended March 31, 2005, the oil/gas exploration and production segment includes net sales, operating expenses and operating income amounting to ¥3,527 million ($32,843 thousand), ¥1,620 million ($15,085 thousand) and ¥1,907 million ($17,758 thousand), respectively, of New Huanan Oil Development Co., Ltd. which was newly consolidated in the year due to the acquisition of additional shares.

Geographical segments

Geographical segment information for the Companies for the years ended March 31, 2005 and 2004 is summarized as follows:

	Millions of yen							
	Japan	Asia	Middle East	America	Europe	Total	Eliminations and corporate	Consolidated
	2005							
I. Sales and operating income								
Sales to third parties	¥ 451,709	¥ 19,554	¥ 3,200	¥ 2,095	¥ 735	¥ 477,295	¥ —	¥ 477,295
Intersegment sales	33,584	177,206	—	3,595	—	214,386	(214,386)	—
Total sales	485,294	196,761	3,200	5,691	735	691,682	(214,386)	477,295
Operating expenses	470,441	194,852	1,440	4,915	713	672,364	(213,516)	458,848
Operating income	¥ 14,852	¥ 1,908	¥ 1,759	¥ 775	¥ 21	¥ 19,317	¥ (870)	¥ 18,447
II. Assets	¥ 309,180	¥ 23,614	¥ 1,957	¥ 2,542	¥ 2,604	¥ 339,360	¥ (45,955)	¥ 293,404

	Thousands of U.S. dollars							
	Japan	Asia	Middle East	America	Europe	Total	Eliminations and corporate	Consolidated
	2005							
I. Sales and operating income								
Sales to third parties	$4,206,248	$ 182,084	$ 29,798	$ 19,508	$ 6,844	$4,444,501	$ —	$4,444,501
Intersegment sales	312,729	1,650,116	—	33,476	—	1,996,331	(1,996,316)	—
Total sales	4,518,987	1,832,210	29,798	52,994	6,844	6,440,842	(1,996,331)	4,444,501
Operating expenses	4,380,678	1,814,433	13,409	45,768	6,639	6,260,955	(1,988,230)	4,272,726
Operating income	$ 138,299	$ 17,767	$ 16,380	$ 7,217	$ 205	$ 179,877	$ (8,101)	$ 171,776
II.Assets	$2,879,039	$ 219,890	$ 18,223	$ 23,671	$ 19,220	$3,160,071	$ (472,926)	$2,732,135

	Millions of yen							
	Japan	Asia	Middle East	America	Europe	Total	Eliminations and corporate	Consolidated
	2004							
I. Sales and operating income								
Sales to third parties	¥ 409,783	¥ 30,120	¥ 3,903	¥ 2,911	¥ 741	¥ 447,460	¥ —	¥ 447,460
Intersegment sales	17,078	137,622	—	1,340	—	156,042	(156,042)	—
Total sales	426,862	167,742	3,903	4,252	741	603,502	(156,042)	447,460
Operating expenses	421,464	167,730	1,587	3,504	685	594,973	(155,333)	439,640
Operating income	¥ 5,397	¥ 11	¥ 2,316	¥ 747	¥ 55	¥ 8,529	¥ (708)	¥ 7,820
II.Assets	¥ 269,008	¥ 14,873	¥ 1,843	¥ 8,415	¥ 1,750	¥ 295,891	¥ (23,816)	¥ 272,075

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, People's Republic of China
(2) Middle East ... Kuwait, Saudi Arabia
(3) America .... U.S.A., Cayman Islands
(4) Europe .... Norway
4. Non-allocable operating expenses included in "Eliminations and corporate" are mainly administrative expenses related to the corporate general affairs function of the parent company.
5. Corporate assets included in "Eliminations and corporate" mainly consist of surplus funds, including cash on hand in banks of the parent company.
6. For the year ended March 31, 2005, the Asia segment includes net sales, operating expenses and operating income amounting to ¥3,527 million ($32,843 thousand), ¥1,620 million ($15,058 thousand) and ¥1,907 million ($17,758 thousand), respectively, of New Huanan Oil Development Co., Ltd. which was newly consolidated in the year due to the acquisition of additional shares.

Overseas sales

Oversea sales information for the Companies for the years ended March 31, 2005 and 2004 is summarized as follows:

	Millions of yen			
	Asia	Middle East	Others	Total
	2005			
Overseas net sales	¥ 52,895	¥ 3,200	¥ 3,415	¥ 59,511
Consolidated net sales	—	—	—	477,295
Overseas net sales as a percentage of total consolidated net sales	11.08%	0.67%	0.72%	12.47%

	Thousands of U.S. dollars			
	Asia	Middle East	Others	Total
	2005			
Overseas net sales	$ 492,551	$ 29,798	$ 31,800	$ 554,158
Consolidated net sales	—	—	—	4,444,501
Overseas net sales as a percentage of total consolidated net sales	11.08%	0.67%	0.72%	12.47%

	Millions of yen			
	Asia	Middle East	Others	Total
	2004			
Overseas net sales	¥ 46,042	¥ 3,903	¥ 7,308	¥ 57,254
Consolidated net sales	—	—	—	447,460
Overseas net sales as a percentage of total consolidated net sales	10.29%	0.87%	1.63%	12.80%

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

(2) Middle East ... Kuwait, Saudi Arabia

(3) Others .... U.S.A.

3. Overseas net sales are net sales of the consolidated subsidiaries in countries and regions outside Japan.

4. Asia includes net sales of ¥3,527 million ($32,843 thousand) of New Huanan Oil Development Co., Ltd., for the year ended March 31, 2005 which was newly consolidated in the year due to the acquisition of additional shares.

INDEPENDENT AUDITORS' REPORT

Independent Auditors' Report

To 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, 2005 and 2004, and the related consolidated statements of income, shareholders' equity 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 consolidated financial position of AOC Holdings, Inc. and subsidiaries as of March 31, 2005 and 2004, and the consolidated 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.
As discussed in Note 3 to the consolidated financial statements, effective April 1, 2004, AOC Holdings, Inc. and consolidated domestic subsidiaries adopted early the new accounting standards for impairment of fixed assets.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2005 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 28, 2005

AOCHD GROUP COMPANIES

AOC Holdings, Inc.
As of March 31, 2005

	Company	Head Office	Capital	Major Shareholders	Principal Business
Upstream business	Arabian Oil Co., Ltd. (AOC)	Tokyo, Japan	13,000 Million Yen	AOC Holdings 100%	Exploration, development, production and sale of crude oil & natural gas
	Norske AEDC A/S	Stavanger, Norway	1,000 Thousand Norwegian Krone	AOC 100%	Exploration, development, production and sale of oil & natural gas in Norway
	New Huanan Oil Development Co., Ltd.	Tokyo, Japan	1,950 Million Yen	AOC 83.7% FOC 0.6%	Exploration, development, production and sale of oil & natural gas in China
	Arabian Oil Co. (Cayman) Ltd.	Grand Cayman, The Cayman Islands	10 Thousand U.S. Dollars	AOC 100%	Overseas sale of crude oil
Downstream business	Fuji Oil Co., Ltd. (FOC)	Tokyo, Japan	10,225 Million Yen	AOC Holdings 100%	Oil refining and sale of refined products
	Petro Progress, Inc.	Tokyo, Japan	3,000 Million Yen	AOC 50% FOC 50%	Purchasing, marketing, transportation of crude oil and refined products
	Petro Progress Pte, Ltd.	Singapore	34,000 Thousand Singapore Dollars	Petro Progress Inc. 100%	Overseas purchasing, marketing and transportation of crude oil and refined products
	ARAMO Shipping (Singapore) Pte, Ltd.	Singapore	20,742 Thousand U.S. Dollars	Petro Progress Pte, Ltd. 50%	Operation of crude oil tankers
	Fuji Oil Sales Co., Ltd.	Tokyo, Japan	100 Million Yen	FOC 100%	Agent of oil products sales
	Fuji Rinkai Co., Ltd.	Chiba, Japan	10 Million Yen	FOC 70%	Loading and unloading of oil
Other business	Fuji Tanker Co., Ltd.	Tokyo, Japan	50 Million Yen	FOC 100%	Chartering and scheduling of oil tankers
	Japan Oil Engineering Co., Ltd.	Tokyo, Japan	600 Million Yen	FOC 50% AOC 49.9%	Engineering and consulting services in upstream and downstream sectors of oil and gas industry
	Tokyo Sekiyu Kogyo K.K.	Tokyo, Japan	120 Million Yen	Arabian Oil Co. (Cayman) 49.8%	Manufacturing, sale and recycling of asphalt mixture

INVESTOR INFORMATION

AOC Holdings, Inc.
As of March 31, 2005

Outline of the Company

Trade Name:	AOC Holdings, Inc.
Date of Establishment:	January 31, 2003
Paid-in capital:	20,000 million yen
Total number of shares issued:	73,587,377 shares
Number of shares forming a predetermined unit:	100 shares
Financial year:	From April 1 to March 31 of the following year
Stock Exchange:	Shares listed on Tokyo Stock Exchange
Transfer Agent:	Mizuho Trust & Banking Co., Ltd.
Employees:	(AOCHD only) 39
	(Consolidated) 616

Principal Shareholders

	Number of shares held (thousands)	Percentage of total shares outstanding (%)
The Tokyo Electric Power Co., Inc.	6,839.9	9.29
Kuwait Petroleum Corporation	5,811.3	7.89
Government of the Kingdom of Saudi Arabia	5,811.3	7.89
Fuji Oil Co., Ltd.	5,434.4	7.38
Sumitomo Chemical Co., Ltd.	2,994.0	4.06
The Kansai Electric Power Co., Inc.	1,900.0	2.58
Master Trust Bank of Japan, Ltd. (Trust Account)	1,685.4	2.29
Japan Trustee Services Bank, Ltd. (Trust Account)	1,424.4	1.93
Nippon Life Insurance, Co.	1,279.7	1.73
Nippon Steel Co.	1,250.0	1.69

Independent Certified Public Accountant

KPMG AZSA & Co.

AOC Holdings, Inc.

Tennozu Parkside Building
5-8 Higashishinagawa 2-chome,
Shinagawa-ku, Tokyo 140-0002, Japan
www.aochd.co.jp

Printed in Japan on recycled paper