

AOC Holdings, Inc. (TSE:5017)

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# Report on Performance in FY2009

(April 1, 2009-March 31, 2010)

May 18, 2010  
AOC Holdings, Inc.



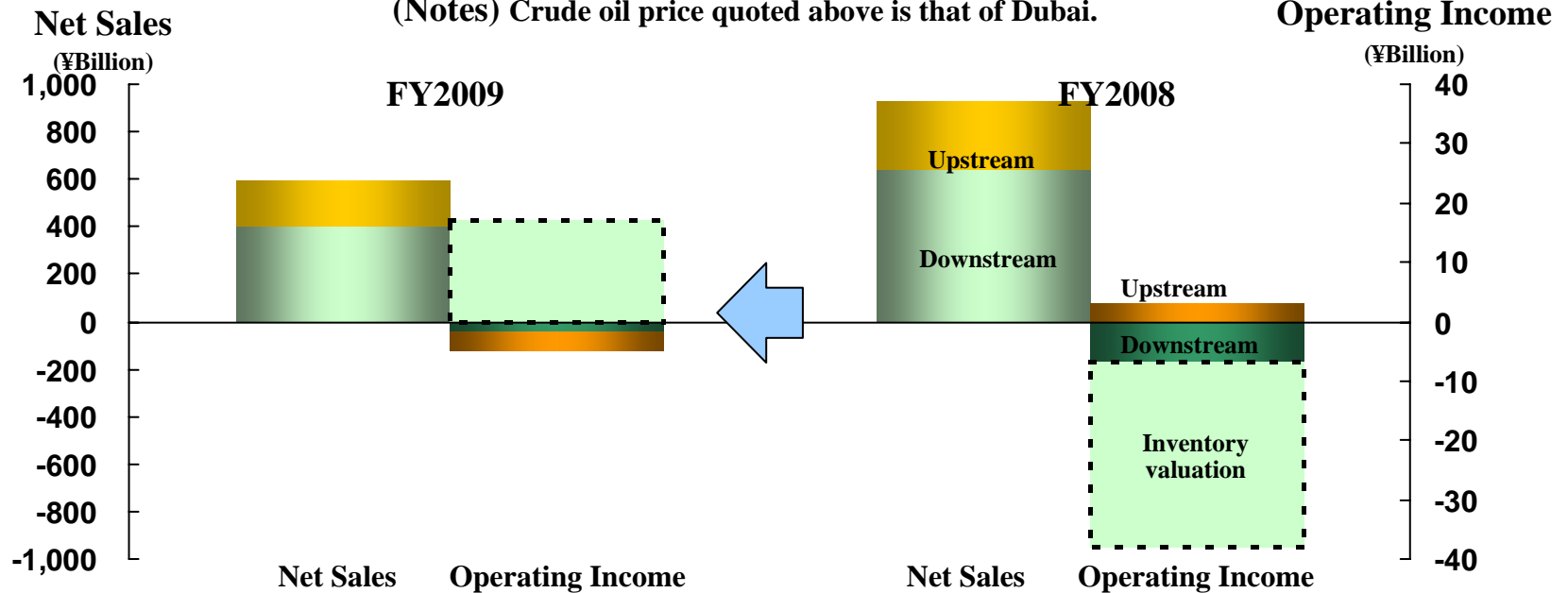
**Chapter I**

**Consolidated Financial Results for FY2009 and  
Forecast on Consolidated Financial Results for FY2010**

# Consolidated Financial Results for FY2009 and FY2008(April-March)

≧¥Billion≦	FY2009 \$69.6/Bbl ¥93/\$			FY2008 \$81.8/Bbl ¥101/\$			Change - \$12.2/Bbl - ¥8/\$		
	Upstream	Down-stream	Total	Upstream	Down-stream	Total	Upstream	Down-stream	Total (%)
Net Sales	189.8	404.9	594.7	288.9	638.3	927.2	-99.1	-233.3	-332.4 (-35.9%)
Operating Income (Excl. Inventory Valuation)	-3.1	-1.8 (-18.8)	-4.9 (-21.9)	2.9	-38.0 (-6.8)	-35.0 (-3.8)	-6.0	36.1 (-11.9)	30.0 (-18.0) (-%)
Ordinary Income	-3.3	-3.9	-7.2	1.1	-37.6	-36.4	-4.5	33.7	29.1 (-%)
Net Income	-2.7	-13.4	-16.1	-1.3	-30.3	-31.7	-1.3	16.9	15.6 (-%)

(Notes) Crude oil price quoted above is that of Dubai.



## Sales Volume and Prices of Crude Oils

	Sales Volume (Thousand Bbls/day)			Sales Prices (\$/Bbl)	
	FY2009	FY2008	Change(%)	FY2009	FY2008
Crude Oil Sales and Purchase Agreement	<b>81.4</b>	<b>99.4</b>	<b>-18.1</b>		
Khafji crude oil	<b>77.6</b>	<b>94.5</b>	<b>-17.9</b>	<b>68.17</b>	<b>77.68</b>
Hout crude oil	<b>3.8</b>	<b>4.9</b>	<b>-22.4</b>	<b>67.82</b>	<b>81.66</b>
Interests oil	<b>0.7</b>	<b>2.9</b>	<b>-75.9</b>		
Nanhai Medium crude oil (South China Sea)	<b>*0.4</b>	<b>*2.2</b>	<b>-81.8</b>	<b>42.67</b>	<b>*103.93</b>
Ekofisk crude oil (Norwegian North Sea)	<b>*0.3</b>	<b>*0.7</b>	<b>-57.1</b>	<b>*61.29</b>	<b>*97.34</b>
<b>Total</b>	<b>82.1</b>	<b>102.4</b>	<b>-19.8</b>	<b>—</b>	<b>—</b>

≧\* January – December ≦

## Sales Volume of Petroleum Products

(Thousand Kiloliters)

	FY2009	FY2008	Change(%)
Gasoline	1,907	1,863	2.4
Naphtha	356	314	13.4
Jet fuel	1,137	1,323	-14.1
Kerosene	186	232	-19.8
Diesel fuel (Gas oil)	1,310	1,510	-13.2
Heavy fuel oil A	154	193	-20.2
Heavy fuel oil C (incl. electric power company)	640 (455)	1,258 (1,027)	-49.1 (- 55.7)
Benzene	142	111	27.9
Xylene	286	275	4.0
Propane and Propylene	166	141	17.7
Pitch	289	324	-10.8
Others	217	277	-21.7
Subtotal	6,794	7,828	-13.2
Barter deals	498	641	-22.3
Total	7,293	8,470	-13.9
incl. export ≥excl. bunker fuel≤	431	544	-20.6
Crude refining volume	6,496	7,646	-15.0

## Net sales and Operating Income by segment

≧¥Billion≦	FY2009		FY2008		Change	
	Oil / Gas Development and Sales	Oil Refinery and Sales	Oil / Gas Development and Sales	Oil Refinery and Sales	Oil / Gas Development and Sales	Oil Refinery and Sales
Net Sales	188.8	404.9	288.9	638.3	-99.1	-233.3
Operating Income	-3.1	-1.8	2.9	-39.7	-6.0	+37.9

### Factors of Increase / Decrease

		(Billion)	Increase	Decrease
Net Sales	Oil / Gas Development and Sales			Decrease of sales volume -18% Drop of sales prices -12%
	Oil Refinery and Sales			Decrease of sales volume -14% Drop of product prices -29%
Operating Income	Oil / Gas Development and Sales			Expiry of the Contract of South China Sea -¥4.8 Exploration Cost -¥1.3
	Oil Refinery and Sales		Valuation on closing inventories +¥53.3	Effects of high-cost opening inventories -¥5.2(-¥4.4→-¥9.6) Deterioration of margin for fuel oil -¥8.8 Deterioration of margin for Tanker -¥2.7

## Breakdown of Non-operating Income/Expenses and Extraordinary Income/Loss

### Non-operating Income/Expenses

(¥Million)	FY2009	FY2008	Change
<b>Non-operating Income</b>	<b>1,296</b>	<b>6,182</b>	<b>-4,886</b>
Interest and Dividends	667	2,534	-1,866
Equity in earnings of affiliates	-	3,079	-3,079
Others	628	569	59
<b>Non-operating Expenses</b>	<b>3,599</b>	<b>7,591</b>	<b>-3,991</b>
Interest	2,565	5,558	-2,993
Foreign exchange loss	443	1,558	-1,115
Others	591	474	116

### Extraordinary Income/Loss

(¥Million)	FY2009	FY2008	Change
<b>Extraordinary Loss</b>	<b>738</b>	<b>2,919</b>	<b>-2,180</b>
Loss on valuation of investment securities	C	1,891	-1,891
Settlement of arbitration	C	713	-713
Loss on retirement of noncurrent assets	692	280	412
Others	46	33	13

## Increase and Decrease in Consolidated Balance Sheet

≧¥Billion≦	Mar. 31, 2010	Mar. 31, 2009	Change	Factors of Increase / Decrease
<b>Current assets</b>	<b>188.1</b>	<b>167.5</b>	<b>20.5</b>	Accounts receivable-trade +27.2 Inventories +9.8
<b>Noncurrent assets</b>	<b>188.0</b>	<b>185.3</b>	<b>2.6</b>	
Property, plant and equipment	135.7	122.1	13.6	Machinery +15.5
Investments and other assets	50.2	62.2	-11.9	Loans to KGOC*,etc. -13.4
<b>Total assets</b>	<b>376.2</b>	<b>352.9</b>	<b>23.2</b>	
<b>Current liabilities</b>	<b>198.9</b>	<b>157.4</b>	<b>41.4</b>	Increase in short-term loans payable by oil price rise +47.9
<b>Noncurrent liabilities</b>	<b>85.9</b>	<b>86.7</b>	<b>-0.8</b>	Long-term loans payable -1.7
<b>Total liabilities</b>	<b>284.8</b>	<b>244.2</b>	<b>40.6</b>	
<b>Total net assets</b>	<b>91.3</b>	<b>108.7</b>	<b>-17.4</b>	Net loss -16.1
<b>Total liabilities and net assets</b>	<b>376.2</b>	<b>352.9</b>	<b>23.2</b>	

\*KGOC (Kuwait Gulf Oil Company)□The other party of Loan Agreement

**Equity ratio 24.2> Debt-equity ratio 1.8**  
(excluding debt for financing KGOC loans≦)



## Consolidated Statements of Cash Flows

≧¥Billion≦	FY2009	FY2008	Major Factors in FY2009
Net cash provided by (used in) operating activities	<b>-41.0</b>	<b>19.7</b>	Depreciation +¥12.9 Loss before income tax -¥8.0 Increase of accounts receivable-trade -¥27.2 Increase of inventories -¥9.8 Decrease of provision for repairs -¥4.9
Net cash used in investment activities	<b>-13.7</b>	<b>-7.1</b>	Purchase of property, plant and equipment -¥26.0 Collection of loans receivable +¥14.2
Net cash provided by (used in) financing activities	<b>43.7</b>	<b>-13.3</b>	Net increase in short-term loans payable +¥47.8
Effect of exchange rate change on cash and cash equivalents	<b>-0.0</b>	<b>-2.3</b>	
Net increase (decrease) in cash and cash equivalents	<b>-11.1</b>	<b>-3.0</b>	
Cash and cash equivalents at beginning of year	<b>28.7</b>	<b>31.8</b>	
Cash and cash equivalents at end of year	<b>17.6</b>	<b>28.7</b>	

## Forecast on Sales of Crude Oils and Petroleum Products for FY2010

### Crude Oil (Thousand Barrels/day)

	FY2010(Plan)	FY2009(Actual)	Change (%)
Khafji crude oil	40.0	77.6	-48.4
Hout crude oil	—	3.8	—
Nanhai Medium crude oil	—	0.4	—
Norwegian North Sea	1.5	0.3	400.0
New projects	0.1	—	—
<b>Total</b>	<b>41.6</b>	<b>82.1</b>	<b>-48.2</b>

### Petroleum Products (Thousand Kiloliters)

Gasoline	2,038	1,907	6.8
Naphtha	396	356	11.2
Middle distillate	3,397	2,788	21.8
Heavy fuel oil C ≥incl. for electric power company≤	478(364)	640(456)	-25.3(-20.2)
Benzene and Xylene	517	428	20.8
Others	830	672	23.5
<b>Sub-total</b>	<b>7,659</b>	<b>6,794</b>	<b>12.7</b>
Barter deals	194	498	-61.0
<b>Total</b>	<b>7,854</b>	<b>7,293</b>	<b>7.7</b>
Incl. for export ≥excl. bunker fuel≤	1,066	431	147.3
Crude refining volume	7,960	6,496	22.5

## Forecast on Consolidated Profit and Loss for FY2010

≧¥Billion≦	FY2010 \$75.0/Bbl ¥90/\$			FY2009 \$69.6/Bbl ¥93/\$			Change \$5.4/Bbl -¥3/\$		
	Upstream	Down-stream	Total	Upstream	Down-stream	Total	Upstream	Down-stream	Total (%)
Net Sales	101.0	456.0	557.0	189.8	404.9	594.7	-88.8	51.0	-37.7 (-6%≦)
Operating Income (excl. inventory val.)	-2.0	4.6 (4.9)	2.6 (2.9)	-3.1	-1.8 (-18.8)	-4.9 (-21.9)	1.1	6.4 (23.7)	7.5 (-%≦) (24.8) (-%≦)
Ordinary Income	-1.4	2.3	0.9	-3.3	-3.9	-7.2	1.9	6.2	8.1 (-%≦)
Net Income	-1.6	3.4	1.8	-2.7	-13.4	-16.1	1.1	16.8	17.9 (-%≦)

Increase / Decrease Factors of Operating Income (¥Billion)	Increase Factors	Decrease Factors
<b>Upstream</b>	Increase of North Sea crude oil +¥1.5	Exploration cost of Norwegian projects -¥0.4
<b>Downstream</b>	Improvement of margins for fuel oil +¥17.3 Improvement of margins for petrochemicals +¥3.4 Improvement of margin for petroleum pitch +¥1.9 Recovery of tanker market +¥0.8	Effect of inventories -¥17.2(¥16.9→-¥0.3)

(Note 1) Net sales represent sales amount to the external customers.

(Note 2) Crude oil prices represent Dubai crude oil.



**Chapter II**



**The Medium-Term Business Plan  
(FY2010-FY2012)**

## Basic Policy for Medium-Term Business Plan

### Business Environment

Crude oil and petroleum product prices will stay steady

Petroleum product demand is firm in Asia while domestic demand is on a declining trend

### Management Vision

- Revitalizing the business and restructuring of the base of profitability
- Aiming to be a leading class petroleum refiner with strong international competitiveness, uniqueness and independence

### Basic Business Strategy

#### ◆ Upstream Operations (AOC) [FY2010~2014]

In addition to the oil and gas exploration, development business, reestablish and expand its upstream business structure by including engineering and technical research activities

#### ◆ Downstream Operations (FOC) [FY2010~2012]

Improve profitability and strengthen competitiveness by making the utmost use of upgraded refinery facilities

#### ◆ Maintaining a sound base of finances

## Business Plan for Upstream

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

- **Revitalize its business and restructure the base of profitability by means of utilizing to the maximum extent its manpower resources vested with technical skills and management experience**
  - ⇒ Focus on the Middle East (including Egypt) and Norway as core areas
- **Promote engineering and technical research business**
  - ⇒ Utilize to the maximum extent its technology and know-how, to secure new source of earnings

**Targets figures of reserves and production for 2012**

**Oil reserves : 20 million barrels**

**Oil production : 10,000 barrels per day**

## Business Plan for Downstream

**Flexible and agile utilization of state-of-the-art facilities**

**Continuing improvement of systems for safe operation and environment preservation**

- Reinforce profit base by flexible and agile operation of state-of-the-art facilities
- Improve systems continuously for safe operation and environment preservation and promote energy saving
- Maintain a stable base of profit and sound finances by saving costs



- Improve its profitability at every possible opportunity by maximum utilization of heavy oil treatment and export facilities
- Improve systems for safe operation, environment preservation and quality control of products, promote greenhouse effect gas reduction through energy saving, and establish a stable and efficient supply system of petroleum products
- Maintain a stable base of profit and sound finances by making a thoroughgoing effort to save costs

# Investment Plan

## Upstream ¥25 Billion

(¥Billion)

	FY2010	FY2011	FY2012	Subtotal	FY2013-2014	Total
<b>Planned Projects</b>	6.5	5.5	3.5	15.5	0.0	15.5
Norway	5.5	1.0	1.5	8.0	0.0	8.0
Egypt	1.0	4.5	2.0	7.5	0.0	7.5
<b>New Projects</b>	0.5	2.5	2.5	5.5	4.0	9.5
<b>Total</b>	7.0	8.0	6.0	21.0	4.0	25.0

## Downstream ¥6 Billion

(¥Billion)

	FY2010	FY2011	FY2012	Total
<b>Safety Measures</b>	0.5	1.5	0.5	2.5
<b>Energy-saving Measures</b>	1.0	1.0	1.5	3.5
<b>Total</b>	1.5	2.5	2.0	6.0





## Forecast on Sales of Crude Oils and Petroleum Products

### Crude Oil (Thousand Barrels/day)

	FY2010	FY2011	FY2012	FY2013	FY2014
<b>Khafji Crude Oil</b>	<b>40.0</b>	<b>40.0</b>	<b>40.0</b>	<b>40.0</b>	<b>40.0</b>
<b>Equity Crude Oil</b>	<b>1.6</b>	<b>5.2</b>	<b>5.3</b>	<b>5.6</b>	<b>4.8</b>
Norway	1.5	4.7	3.5	2.9	2.1
Egypt	-	-	0.8	1.2	1.1
New Projects	0.1	0.5	1.0	1.5	1.6
<b>Total</b>	<b>41.6</b>	<b>45.2</b>	<b>45.3</b>	<b>45.6</b>	<b>44.8</b>

### Petroleum Products (Thousand Kiloliters)

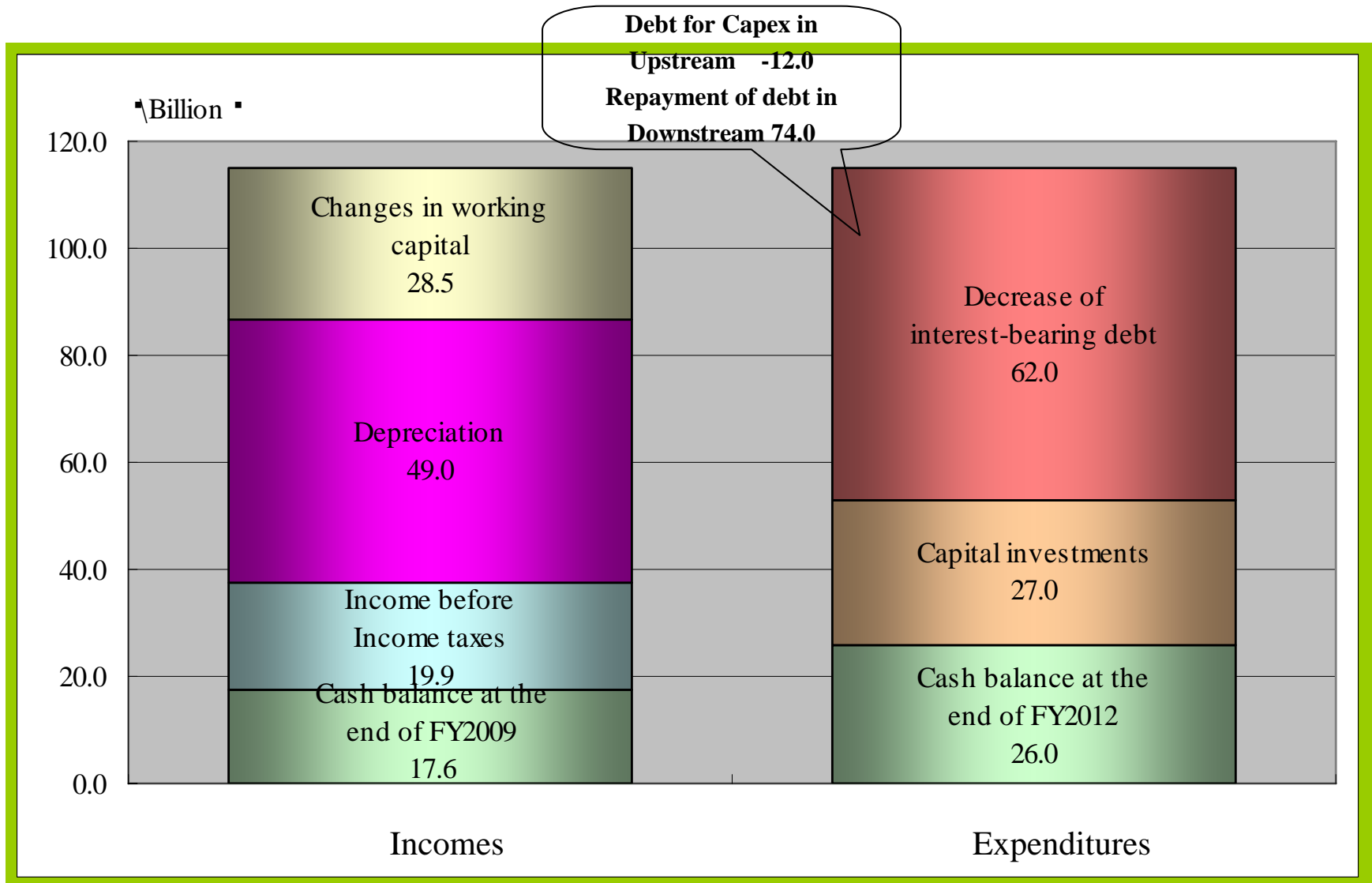
<b>Gasoline</b>	<b>2,038</b>	<b>2,107</b>	<b>2,210</b>
<b>Naphtha</b>	<b>396</b>	<b>339</b>	<b>366</b>
<b>Middle distillate</b>	<b>3,397</b>	<b>3,271</b>	<b>3,302</b>
<b>Heavy fuel oil C (incl. for electric power company)</b>	<b>478 (364)</b>	<b>510 (360)</b>	<b>474 (360)</b>
<b>Benzene / Xylene</b>	<b>517</b>	<b>513</b>	<b>523</b>
<b>Others</b>	<b>1,025</b>	<b>976</b>	<b>1,053</b>
<b>Total</b>	<b>7,854</b>	<b>7,718</b>	<b>7,930</b>
<b>Incl. For Export (Gas Oil)</b>	<b>1,066</b>	<b>495</b>	<b>628</b>
<b>Crude refining volume</b>	<b>7,960</b>	<b>7,887</b>	<b>8,054</b>

## Forecast on Consolidated Financial Results (FY2010-FY2012)

~ Over 10 billion yen ordinary income in FY2012 ~

(¥Billion)	FY2010			FY2011			FY2012		
Crude Oil (Dubai)	\$75.0/Bbl ¥90/\$			\$75.0/Bbl ¥90/\$					
Differential (AL-AH)	\$3.0/Bbl			\$ 4.0/Bbl					
	Up stream	Down stream	Total	Up stream	Down stream	Total	Up stream	Down stream	Total
Net Sales	101.0	456.0	557.0	105.0	465.0	570.0	106.0	474.0	580.0
Operating Income	-2.0	4.6	2.6	3.5	6.5	10.0	2.0	9.5	11.5
Ordinary Income	-1.4	2.3	0.9	3.5	5.0	8.5	2.0	8.5	10.5

# Forecast on Consolidated Cash Flows (FY2010-FY2012)



**α Cautions with respect to Forward-Looking Statement α**

**The financial forecasts, management targets, and any other estimates and projections of the Company presented in this report are based on information available to the management as of the date set forth within.**

**Please note that actual results may vary significantly from projected forecasts due to various uncertain factors, and as such, readers should take care when making investment decisions based solely on the forecasts herein.**

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