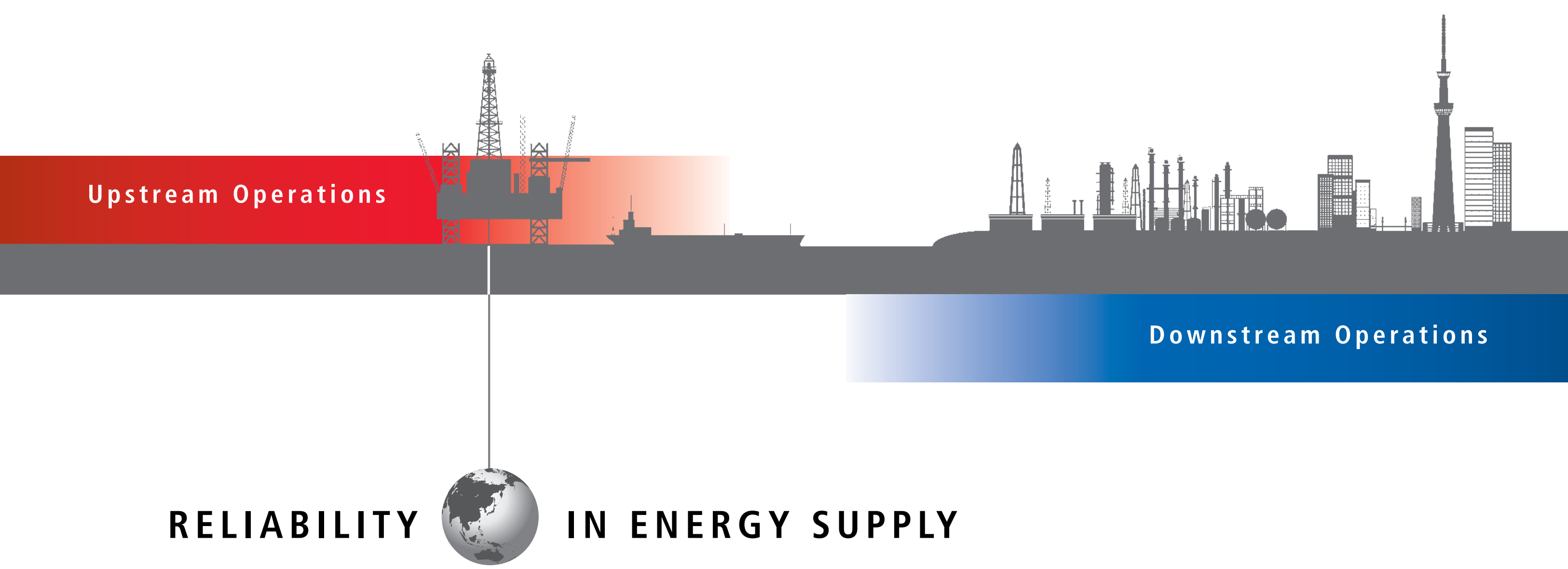
AOC Holdings, Inc.

Annual Report 2012

April 1, 2011 – March 31, 2012



RELIABILITY IN ENERGY SUPPLY

Profile

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

AOC Holdings, Inc.

www.aochd.co.jp/e/

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

100%

Arabian Oil Company, Ltd.

www.aoc.co.jp/e/

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

100%

Fuji Oil Company, Ltd.

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

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

100%

Petro Progress, Inc.

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

49.9%

Japan Oil Engineering Co., Ltd.

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

50%

Note: Percentage shows investment ratio (As of June 30, 2012).

Contents

Cautionary Statement with Respect to Forward-Looking Statements

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

AOCHD at a Glance

Consolidated Financial Highlights

In the fiscal year ended March 31, 2012, the price of Dubai crude oil, which stood at the $110 per barrel range at the beginning of the fiscal year, fell below $100 per barrel at one point, but turned up again and moved into the $120 per barrel range by the end of the fiscal year amid the rising tension over Iran and global monetary easing, with the average price for the whole fiscal year coming to around $110 per barrel. In the foreign exchange market, the yen began the fiscal year in the ¥83 range to the dollar and marked an all-time high in the ¥75 range to the dollar in October 2011 due to concerns over a deceleration of the U.S. economy and the euro zone debt crisis. In the wake of the Bank of Japan's decision on additional credit easing, however, the yen eased back into the ¥82 range to the dollar by the end of the fiscal year.

Domestic demand for petroleum products leveled off at around the previous fiscal year's level. While demand for gasoline, kerosene, gas oil and fuel oil A decreased from a year before due to the continuation of fuel conversion, demand for fuel oil C exceeded the previous fiscal year's level as demand increased substantially for power generation in the wake of the suspension of operations of nuclear power stations across Japan.

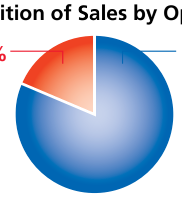
Under these circumstances, AOC Holdings, Inc. (AOCHD) posted consolidated net sales of ¥701.6 billion in the fiscal year ended March 31, 2012, an increase of 22.8% over the previous fiscal year. AOCHD recorded operating income of ¥5.2 billion, a rise of 21.0% over the previous fiscal year, and net income of ¥3.3 billion, a decrease of 16.1% from the previous fiscal year.

Years ended March 31	Millions of Yen					Thousands of U.S. Dollars[1]
	2008	2009	2010	2011	**2012**	**2012**
For the year:						
Net sales	¥930,738	¥927,222	¥594,784	¥571,149	**¥701,650**	**$8,536,927**
Operating income (loss)	13,954	(35,042)	(4,985)	4,363	**5,281**	**64,254**
Income (loss) before income taxes and minority interests	8,401	(39,370)	(8,010)	1,318	**1,001**	**12,179**
Net income (loss)	4,665	(31,765)	(16,160)	4,019	**3,371**	**41,015**
Capital expenditures[2]	19,967	15,380	27,092	6,312	**5,986**	**72,831**
Depreciation and amortization	6,253	10,633	12,922	13,464	**11,658**	**141,842**
At year-end:						
Total assets	¥451,892	¥352,985	¥376,238	¥370,542	**¥409,950**	**$4,987,833**
Total net assets	145,147	108,748	91,344	93,067	**94,766**	**1,153,011**
Interest-bearing debt	176,471	163,876	206,747	172,800	**166,211**	**2,022,277**
Interest-bearing debt[3]	113,506	111,478	171,073	151,191	**153,734**	**1,870,470**
Debt-equity ratio (times)	1.22	1.47	2.20	1.76	**1.65**	
Debt-equity ratio[3] (times)	0.78	1.00	1.82	1.54	**1.52**	
Per share (yen and U.S. dollars[1]):						
Basic net income (loss) per share	¥ 60.41	¥ (411.37)	¥ (209.29)	¥ 52.06	**¥ 43.66**	**$ 0.53**
Cash dividends per share attributable to the year	15	15	0	6	**6**	**0.073**
Number of employees	609	597	606	605	**581**	

1: 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 ¥82.19 = U.S.$1.00, the approximate rate of exchange on March 31, 2012.
2: Figures in 2010 and thereafter represent "increase in property, plant and equipment and intangible assets."
3: Excluding borrowings for lending funds under the loan agreement with Kuwait Gulf Oil Company, which is substantially liable for repayment

Results of Operations

Composition of Sales by Operations



Upstream Operations
(Oil/Gas Development and Sales)

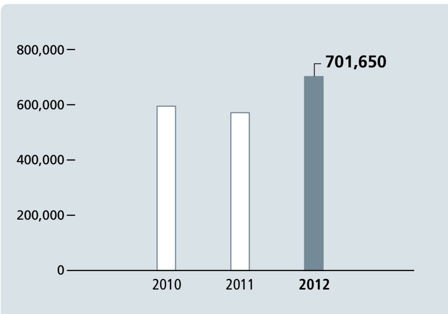
Net sales of upstream operations came to ¥129.3 billion, an increase of 38.8% over the previous fiscal year. The robust performance despite the yen's appreciation resulted from a 37% rise in the price of Khafji crude oil, which accounts for the bulk of net sales, as well as a 10% increase in its sales volume. Looking at the segment profit and loss, upstream operations incurred a segment loss of ¥2.9 billion, an improvement by ¥1.6 billion compared with a segment loss of ¥4.5 billion in the previous fiscal year, thanks to smaller foreign exchange losses and a decrease in exploration costs.

Downstream Operations
(Oil Refinery and Sales)

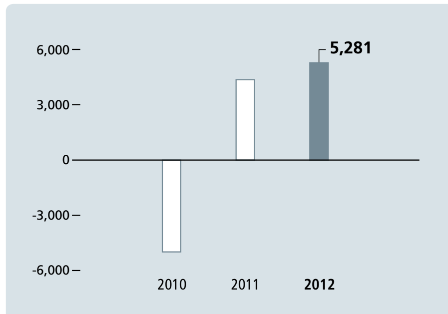
Net sales of downstream operations increased 19.7% over the previous fiscal year to ¥572.3 billion. This resulted mainly from higher selling prices, while sales volume fell from a year before due to small-scale regular maintenance carried out during this fiscal year. Downstream operations recorded a segment profit of ¥4.2 billion, down ¥1.8 billion from the previous fiscal year, due to deterioration of margin for petroleum pitch as well as deterioration of the non-operating balance, despite some profit-boosting factors, such as a better inventory valuation and improved margins of some petroleum products.

(Years ended March 31)

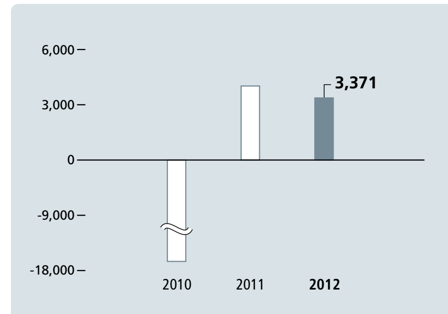
Net Sales (Millions of Yen)



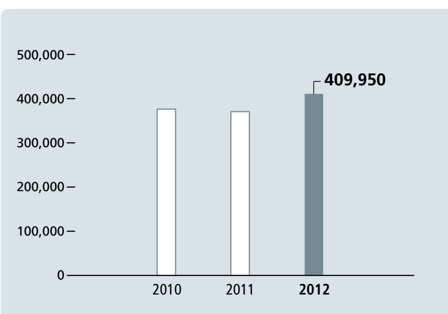
Operating Income (Loss) (Millions of Yen)



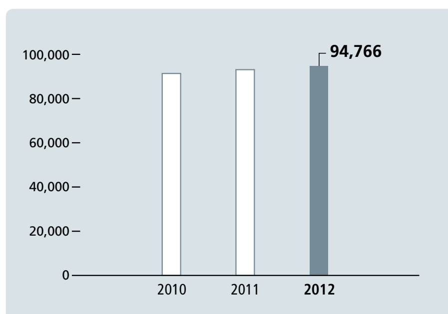
Net Income (Loss) (Millions of Yen)



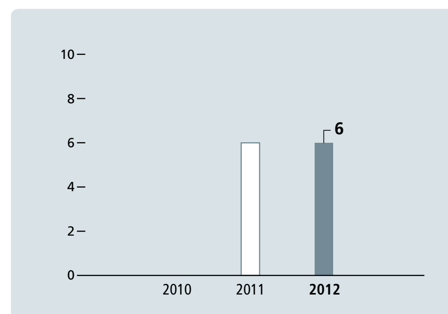
Total Assets (Millions of Yen)



Total Net Assets (Millions of Yen)

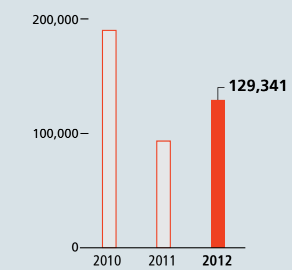


Cash Dividends per Share Attributable to the Year (Yen)

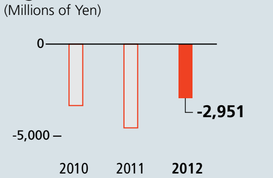


Upstream Operations

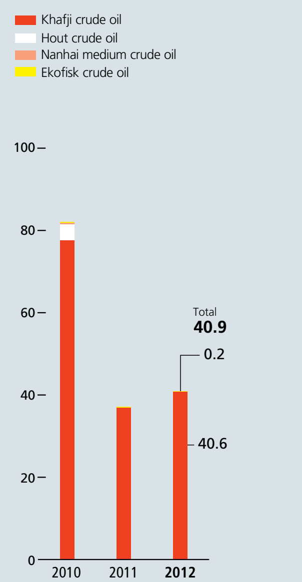
Net Sales
(Millions of Yen)



Segment Profit (Loss)
(Millions of Yen)

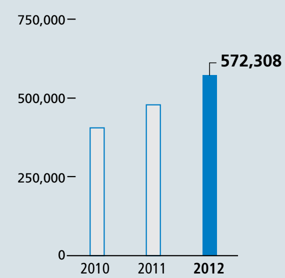


Crude Oil Sales Volume
(Thousands of Barrels per Day)

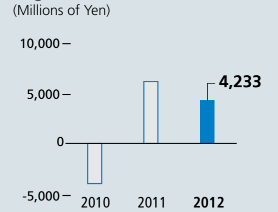


Downstream Operations

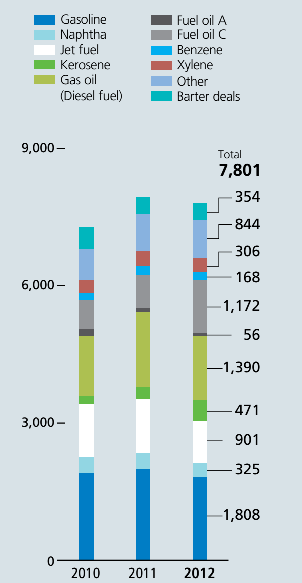
Net Sales
(Millions of Yen)



Segment Profit (Loss)
(Millions of Yen)



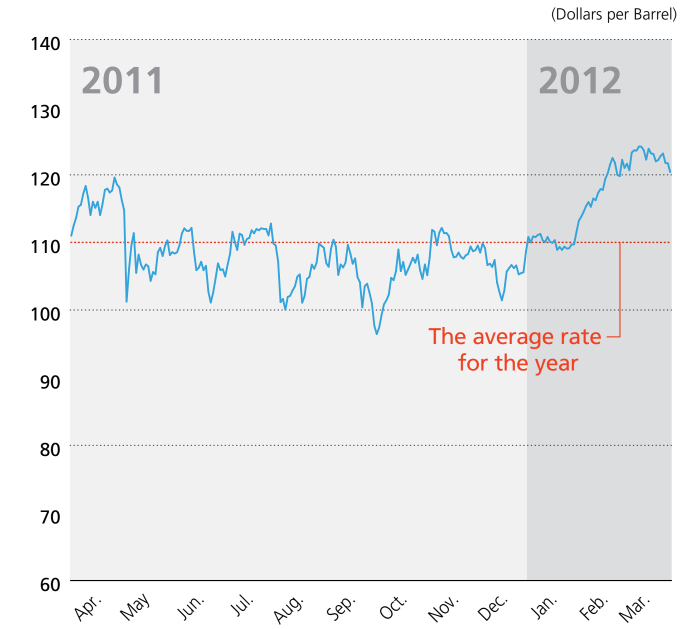
Petroleum Product Sales Volume
(Thousands of Kiloliters)



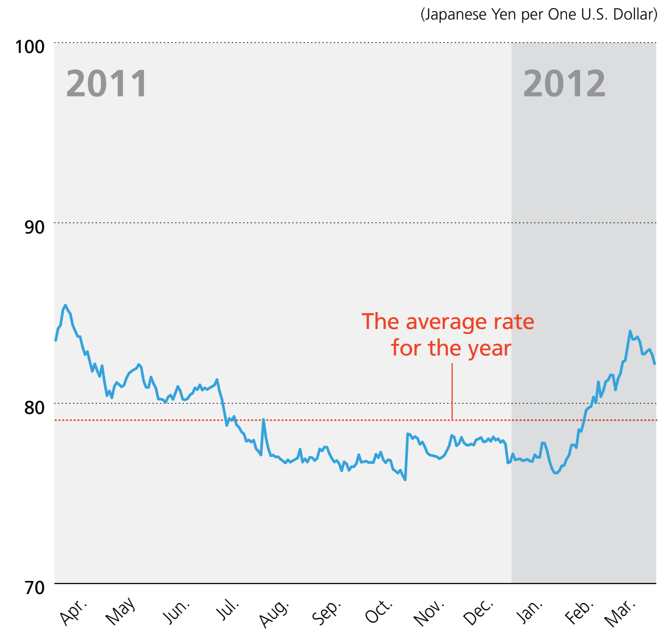
AOCHD at a Glance

Market Data

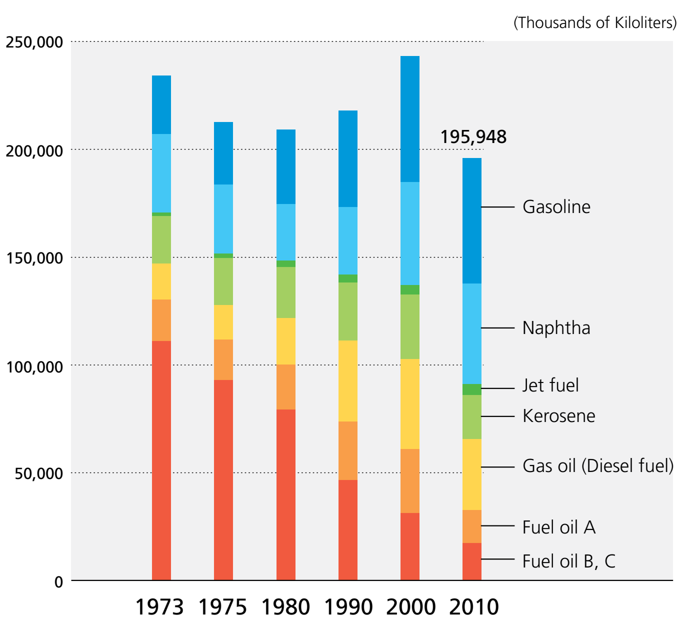
[Dubai Crude Oil Prices (April 1, 2011 – March 31, 2012) **]**



[Exchange Rate (April 1, 2011 – March 31, 2012) **]**

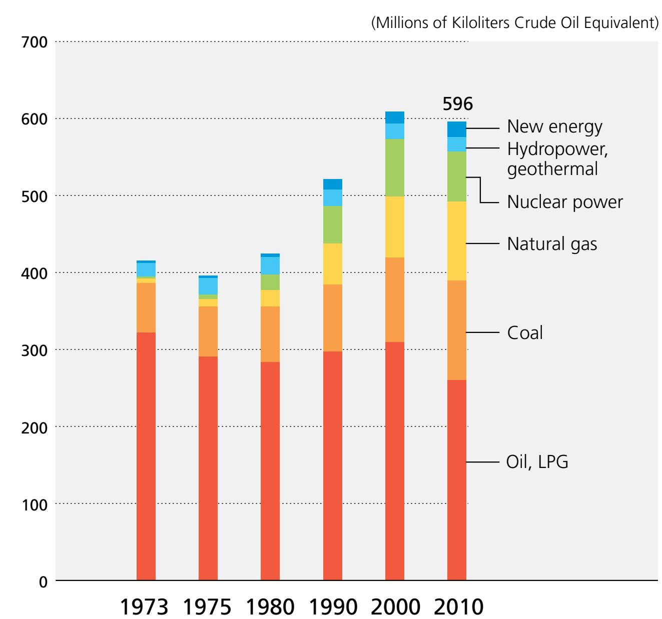


[Petroleum Product (Fuel) Domestic Demand (Years ended March 31) **]**



Source: Ministry of Economy, Trade and Industry (METI)

[Primary Energy Supply (Years ended March 31) **]**



Source: METI

To Our Shareholders and Investors

Business Environment in the Petroleum Industry

In the crude oil market in the fiscal year ended March 31, 2012, the price of Dubai crude oil, which stood at the $110 per barrel range at the beginning of the fiscal year, fell below $100 per barrel at one point amid rising concerns over the fiscal crisis among European countries, but turned up later and rose into the $120 per barrel range by the end of the fiscal year amid the heightened tension over Iran and global monetary easing. As a result, the average price of Dubai crude oil for the whole fiscal year came to around $110 per barrel, an increase of about $25 over the previous fiscal year.

In the foreign exchange market, the yen began the fiscal year in the ¥83 range to the dollar and marked an all-time high in the ¥75 range to the dollar in October 2011 due to concerns over a deceleration of the U.S. economy and the euro zone debt crisis. In the wake of the Bank of Japan's decision on additional credit easing, however, the yen eased back into the ¥82 range to the dollar by the end of the fiscal year.

Domestic demand for petroleum products leveled off at around the previous fiscal year's level. While demand for gasoline, kerosene, gas oil and fuel oil A decreased from the previous fiscal year due to the continuation of fuel conversion and other factors, demand for fuel oil C exceeded the previous fiscal year's level as demand increased markedly for power generation in the wake of the suspension of operations of nuclear power stations across Japan.

Fumio Sekiya
President and Representing Director

Consolidated Performance and Business Operations

In the fiscal year ended March 31, 2012, AOCHD posted consolidated net sales of ¥701.6 billion, an increase of 22.8% over the previous fiscal year, operating income of ¥5.2 billion, up 21.0% from the previous fiscal year, and net income of ¥3.3 billion, down 16.1% from the previous fiscal year.

The breakdown by segment is as follows:

In upstream operations (oil/gas development and sales), Arabian Oil Company, Ltd. (AOC) sold 40.6 thousand barrels per day of Khafji crude oil under a long-term crude oil sale and purchase contract with Kuwait Petroleum Corporation (KPC).

Norske AEDC AS (NAEDC), a wholly owned subsidiary of AOC, is producing crude oil from the Gyda oil field, where NAEDC holds 5% working interests, located in the Norwegian North Sea, and sold 0.2 thousand barrels per day of equity crude oil. In the Yme oil field for redevelopment in the Norwegian North Sea, where NAEDC holds 10% working interests, construction work on production facilities is behind schedule, and Talisman Energy Norge AS, the operator of the oil field, is now considering the process going forward.

Meanwhile, the development plan is currently under review for the Northwest October Block in the Gulf of Suez in Egypt, where AOC holds 50% working interests and is involved in its development as an operator. In the wake of the unstable domestic situation in Egypt since 2011, AOC is now engaged in

To Our Shareholders and Investors

consultations with its partner, Egyptian General Petroleum Corporation (EGPC), over the new development plan and the timing of the start of production.

In the engineering and technical services business, we conducted feasibility studies on the upgrading of Kuwaiti heavy oil as well as on the underground storage of carbon dioxide (CO_2) and the enhanced recovery of crude oil using CO_2 in Indonesia, and also provided technical services and dispatched engineers for oil and gas upstream projects of other companies.

As a result of the business activities described above, net sales of upstream operations came to ¥129.3 billion, an increase of 38.8% over the previous fiscal year, mainly due to higher crude oil prices and higher sales volume. Looking at the segment profit and loss, upstream operations incurred a segment loss of ¥2.9 billion, an improvement by ¥1.6 billion compared with a segment loss of ¥4.5 billion in the previous fiscal year, thanks to smaller foreign exchange losses and a decrease in exploration costs.

In downstream operations (oil refinery and sales), crude oil processing of the Sodegaura Refinery of Fuji Oil Company, Ltd. (FOC) totaled 7,609 thousand kiloliters, a decrease of 209 thousand kiloliters from the previous fiscal year due to small-scale regular maintenance carried out, and sales volume also fell by 130 thousand kiloliters year on year to 7,801 thousand kiloliters.

Following the Great East Japan Earthquake in March 2011, we immediately carried out an overall checkup at the Sodegaura Refinery, and we continued the refinery's normal operation after we found no abnormalities in equipment or elsewhere. As part of our responses to the earthquake, in April 2011, we boosted the capacity of the Crude Distillation Unit (CDU) to increase the refinery's crude oil processing capacity to 143 thousand barrels per day.

Through these efforts, we were able to provide a stable supply of petroleum products and petrochemical products in response to demand from such core customers as Showa Shell Sekiyu K. K., the Tokyo Electric Power Company, Incorporated (TEPCO) and Sumitomo Chemical Company, Limited, and were also able to continue the maximum utilization of all facilities and sustain the efficient production system, thus dealing with a larger supply of heavy crude oil than the previous fiscal year. Furthermore, as we firmly maintained the safe and stable operations of the refinery, we have received the certification of the Minister of Economy, Trade and Industry, allowing us to maintain the long-term continuous operation system.

Petro Progress Pte Ltd., which is based in Singapore, continued business operations such as transportation, purchasing and sales of crude oil and petroleum products.

As a result of business activities described above, net sales of downstream operations increased 19.7% over the previous fiscal year to ¥572.3 billion, mainly thanks to higher selling prices of petroleum products. Downstream operations recorded a segment profit of ¥4.2 billion, a decrease of ¥1.8 billion from the previous fiscal year, due to deterioration of margin for petroleum pitch as well as deterioration of the non-operating balance, despite some profit-boosting factors, such as a better inventory valuation and improved margins of some petroleum products.

Responding to Various Challenges

The AOCHD Group (the Group) will strive to fulfill its social mission of providing a stable supply of oil, natural gas and petroleum products and concentrate our energies on expanding and strengthening the stable base of profitability.

In upstream operations, AOC will continue consultations with Talisman Energy Norge AS, the operator of the Yme oil field for redevelopment in the Norwegian North Sea, concerning the future process of the project to develop the oil field. For the project to develop the Northwest October Block in the Gulf of Suez in Egypt, we will strive to collect and analyze information on Egypt including the political situation and business risks there and carefully consider the timing of the launch of the project.

As for the engineering and technical services business,

meanwhile, we will continue to strive to increase order receipts for related services in order to develop it as a new core business in parallel with the business of oil and natural gas exploration, development and production, and seek higher profits from the business.

As for sales of Khafji crude oil, we will continue to strive for stable sales of 40 thousand barrels per day under a long-term crude oil sale and purchase contract with KPC.

In downstream operations, the social importance of oil with ready availability in an emergency as the core source of energy was driven home again through the Great East Japan Earthquake. FOC will redouble efforts to further strengthen its preparedness for natural disasters and other contingencies and strive to supply petroleum products in a stable and expeditious manner even in an emergency.

Amid the continuing trend of declining domestic demand for petroleum products due to the promotion of energy-saving efforts, environmental problems and various other factors, competition in the petroleum industry is likely to intensify further. Furthermore, the business environment for petroleum is also expected to become increasingly severe as the procurement of crude oil gets more unstable and crude oil prices become prone to wider fluctuations in the wake of the tense situation over Iran. Under these circumstances, we will continue to strive toward the maximum utilization of facilities, maintain safe and stable operations, and respond to various changes in the business environment in a flexible and expeditious manner.

To Our Shareholders and Investors

The Group recognizes returning profits to our shareholders and investors as a key issue for management. While ensuring internal reserves are built up adequately to facilitate medium- and long-term business development, our basic policy is to strive for the maintenance of stable dividends, after taking into account operating results and our funding balance.

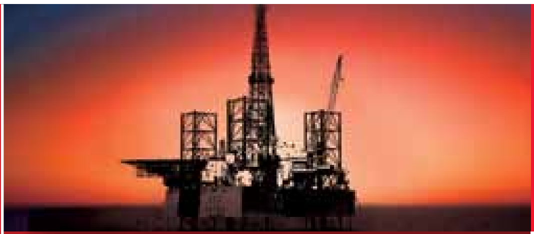
In line with this policy, we have decided to pay ¥6 per share in dividends for the fiscal year ended March 31, 2012, the same amount as in the previous fiscal year. For the fiscal year ending March 31, 2013, we also plan to pay dividends of ¥6 per share.

The global economic and energy situation does not warrant optimism, and yet is subject to abrupt and rapid changes. Even in this challenging situation, we will seek to contribute to the stable supply of energy to Japan and win a place in the global energy industry by leveraging our unique business structure and characteristics.

August 2012

Fumio Sekiya
President and Representing Director

Review of Operations
● Upstream Operations



Upstream Operations

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

Upstream Operations

Arabian Oil Company, Ltd. (AOC)

Established in 1958, AOC is the AOC Holdings Group's core entity engaged in the exploration, development, production, and sale of crude oil and natural gas. Known as the Japanese pioneer of overseas oil development, AOC discovered the Khafji oil field in 1960 and the Hout oil field in 1963 in the offshore Neutral Zone (now Divided Zone) shared by Saudi Arabia and Kuwait. For nearly half a century, AOC has contributed to the stability of Japan's energy supply through its oil production activities as an oil operator. Thereafter, AOC has continued to leverage its strengths—experience gained as an oil operator and personnel with advanced technological prowess and vast experience—to participate in many projects in other regions, and is also focusing on the engineering and technical services business by making use of knowledge acquired through these operations.

Strengths:

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

Review of the Fiscal Year Ended March 31, 2012

Review of Upstream Operations

In the fiscal year ended March 31, 2012, AOC sold 40.6 thousand barrels per day of crude oil under a long-term crude oil sale and purchase contract with Kuwait Petroleum Corporation (KPC). Norske AEDC AS (NAEDC), a wholly owned subsidiary of AOC, is producing crude oil from the Gyda oil field in the Norwegian North Sea, where NAEDC holds 5% working interests, and sold 0.2 thousand barrels per day of equity crude oil. In the Yme oil field for redevelopment in the Norwegian North Sea, where NAEDC holds 10% working interests, development work has been underway for the start of production in the April–June quarter of 2012. However, according to Talisman Energy Norge AS, the operator of the oil field, it is difficult to start production before December 2012 due to a delay in construction work on production facilities, and Talisman is now considering the process going forward.

Meanwhile, we have been proceeding with development of the Northwest October Block in the Gulf of Suez in Egypt, where AOC holds 50% working interests and is involved in its development as an operator, with the target of starting production in May 2012. Yet, in the wake of the unstable domestic situation in Egypt since 2011 and a review of the development plan, it is now deemed difficult to start production as targeted. AOC is now engaged in consultations with its operating partner, Egyptian General Petroleum Corporation (EGPC), over the new development plan.

In the engineering and technical services business, we conducted feasibility studies on the upgrading of Kuwaiti heavy oil as well as on the underground storage of carbon dioxide (CO_2) and the enhanced recovery of crude oil using CO_2 in Indonesia, and also provided technical services and dispatched engineers for oil and gas upstream projects of other companies.

As a result of the business activities described above, net sales of upstream operations came to ¥129,341 million, an increase of ¥36,145 million over the previous fiscal year, mainly due to higher crude oil prices, despite the adverse impact of the yen's appreciation. Looking at the segment profit and loss, upstream operations incurred a segment loss of ¥2,951 million, an improvement by ¥1,622 million from the previous fiscal year, thanks to smaller foreign exchange losses and a decrease in exploration costs.

[Individual Operations]

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

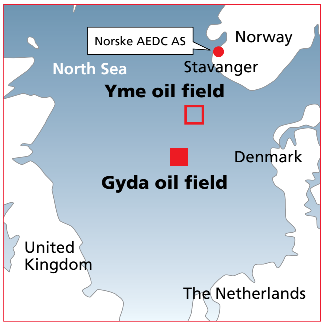
AOC sold 40.6 thousand barrels per day of Khafji crude oil under the 20-year crude oil sale and purchase agreement concluded with KPC after the January 2003 expiration of the concession agreement with Kuwait and the January 2010 amendment of the agreement (under which the contracted quantity was changed to 40 thousand barrels per day).

• Crude Oil Sales Volume (Years ended March 31) (Thousands of Barrels per Day)

	2008	2009	2010	2011	2012
Khafji crude oil	89.8	94.5	77.6	36.9	**40.6**
Hout crude oil	5.0	4.9	3.8	0.0	**0.0**

Operations in the Norwegian North Sea:
Redevelopment of Yme oil field

NAEDC holds 5% working interests in the Gyda oil field in the Norwegian North Sea, where crude oil production began in June 1990, and is currently producing (on a 100% basis) approximately 5,000 barrels per day. Going forward, NAEDC will strive to maximize crude oil production in the Gyda oil field by drilling additional development wells.



Since September 2008, NAEDC has acquired portions of the interests in an exploration block adjacent to the Gyda oil field, the Yme oil field for redevelopment, and two exploration blocks neighboring it, as well as an exploration block located 20 km east of the Gyda oil field, respectively. As for the redevelopment field in which NAEDC acquired 10% working interests, the average production of crude oil over four years after the start of production is estimated at around 25 thousand barrels per day.

• Crude Oil Sales Volume (Jan.–Dec.) (Thousands of Barrels per Day)

	2008	2009	2010	2011	2012
Ekofisk crude oil (Gyda oil field) (Norwegian North Sea)	0.5	0.5	0.3	0.2	**0.2**

Review of Operations

Upstream Operations

Operations in the Gulf of Suez in Egypt:

Development of Northwest October Block

In February 2005, AOC won an international bid for an oil and gas development project in the Northwest October Block in the northern Gulf of Suez in Egypt, and concluded an oil production sharing contract with the government of Egypt and Egyptian General Petroleum Corporation (EGPC) in July of the same year. Following exploration under this contract, AOC confirmed the existence of oil in commercial quantities in September 2006. Having received official approval from the government of Egypt for petroleum and gas development in June 2008, AOC established AOC Egypt Petroleum Company, Ltd., as a wholly owned subsidiary to be responsible for oil development operations in the Block in October 2008. In a related development, AOC concluded an agreement to transfer 50% of the 100% working interests it held in the Northwest October Block and a joint operating agreement with EGPC in August 2009.

AOC is now cautiously proceeding with the preparations for development while closely monitoring changes in the business environment due to the political and economic confusion in Egypt since late January 2011.

Business Activities in Iraq

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

Potential of Upstream Operations

A Pioneer in Overseas Oil Development by Japanese Firms

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

In recent years, AOC has been working to expand its production of equity crude oil by developing new projects in the Gulf of Suez in Egypt, and in the Norwegian North Sea.

Large Number of Specialists to Assure Technology Capabilities

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

Integrated Engineering Capabilities for Frontier Oil Development and Enhancing Oil Recovery

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

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

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

AOC drilled and completed the first offshore horizontal well in the Middle East. In addition, AOC successfully completed extended reach drilling (ERD) in a gas field two to five kilometers away from an offshore platform in the US Gulf of Mexico. One of the wells reached a total depth of 20 thousand feet (approximately 6 thousand meters), with a maximum inclination angle of 70° and a horizontal departure of 15,500 feet (approximately 4,700 meters), setting a new drilling record.

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

Health, Safety, and Environment (HSE) Programs

Basic Policy Concerning Health, Safety and the Environment (HSE)

Basic Policy

AOC will strive toward the stable supply of oil and natural gas, the precious sources of energy to people's lives and industry, and will contribute to the realization of a fruitful life and comfortable environment.

Recognizing the significant risks related to health, safety and the environment inherent in the business of oil and natural gas exploration, development and production, AOC is committed to conducting its business with a law-abiding spirit and the highest moral sense. AOC will endeavor to ensure the safety and protect the health of all people related to its business, and preserve the environment of communities and the Earth. AOC will maintain its high-level HSE management system for the development of a sustainable society where people and nature exist in harmony.

HSE Measures

AOC will implement the following measures pursuant to the HSE Basic Policy:

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

HSE Management System

Acquisition of ISO 14001 and OHSAS 18001 Certifications

AOC acquired the OHSAS 18001: 2007 Certification (occupational health and safety) on September 30, 2010, and the ISO 14001: 2004 Certification (environment management) on October 1, 2010, at the head office, its office in Kuwait, and its branch in Egypt.

Operation of the HSE Management System

AOC is operating its HSE Management System to improve the environment, occupational health and safety and business operations using an annual PDCA cycle. AOC maintains the relevant certification by receiving a certification renewal screening every three years and an annual surveillance screening during the interim period.

HSE for Overseas Projects

AOC is undertaking HSE activities for its overseas projects in accordance with HSE documents prepared pursuant to relevant international standards (ISO 14001, OHSAS 18001, OGP guidelines, etc.).

Please visit >>> http://www.aoc.co.jp/e/hse/hse.html

Downstream Operations

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

Downstream Operations

Fuji Oil Company, Ltd. (FOC)

In 1964, FOC was established through investment by such companies as Arabian Oil Company, Ltd., The Tokyo Electric Power Company, Incorporated (TEPCO), and Sumitomo Chemical Company, Limited. It is responsible for downstream operations such as crude oil refining and the sale of petroleum products in the AOC Holdings Group. In 1968, FOC commenced operations of the Sodegaura Refinery, Chiba Prefecture. Today, as a large-scale integrated refinery with a capacity of 143 thousand barrels per day, the Sodegaura Refinery supplies petroleum products primarily to clients in the greater Tokyo area, and is also expanding its export infrastructure for Asia and other overseas regions.

Strengths:

- **Location—Large-scale refinery in the greater Tokyo area**
  Capitalizing on the advantage of having a large-scale refinery in the greater Tokyo area, a major consuming region, FOC has built a business structure with relatively low sales risk in cooperation with Showa Shell Sekiyu K. K., TEPCO, Sumitomo Chemical Company, Limited, JX Nippon Oil & Energy Corporation, Japan Airlines Co., Ltd., and other business partners.

- **Efficiency—Sophisticated refining and cracking units and a flexible production system that can adapt to changes in the demand structure**
  FOC is one of the most efficient refiners to process heavy crude oil, owing to the full-scale operation of the No. 2 Fluid Catalytic Cracking (FCC) Unit and having established a system to aggressively respond to the increasing demand for clean oil (such as gasoline, kerosene, gas oil, etc.), particularly in Asia.

Review of the Fiscal Year Ended March 31, 2012

Review of Downstream Operations

In the fiscal year ended March 31, 2012, crude oil processing of the Sodegaura Refinery of Fuji Oil Company, Ltd. totaled 7,609 thousand kiloliters, a decrease of 209 thousand kiloliters from the previous fiscal year, and sales volume also decreased by 130 thousand kiloliters year on year to 7,801 thousand kiloliters.

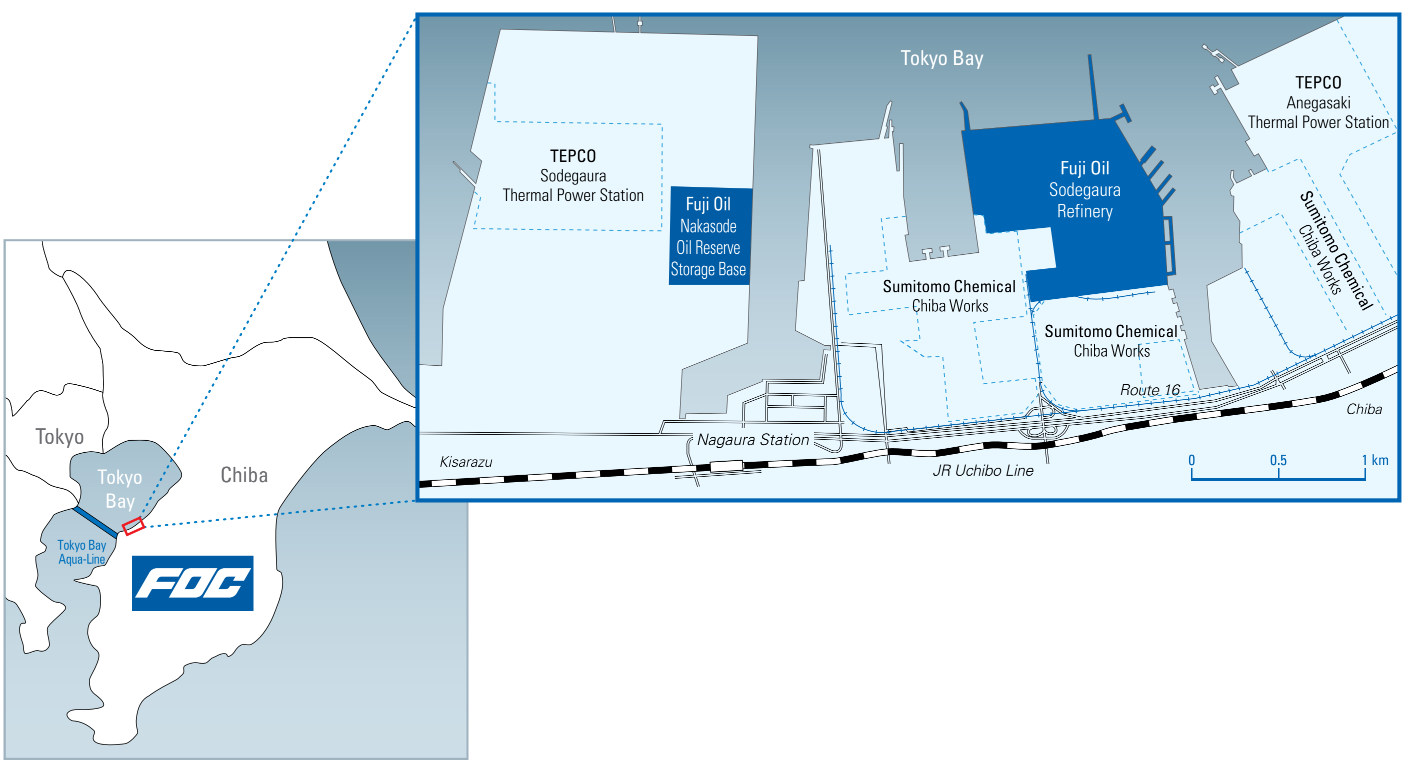
Following the Great East Japan Earthquake in March 2011, we immediately carried out an overall checkup at the Sodegaura Refinery, and we continued the refinery's normal operation after we found no abnormalities in equipment or elsewhere. As part of our responses to the earthquake, in April 2011, we boosted the capacity of the Crude Distillation Unit (CDU) to 143 thousand barrels per day. As a result of these efforts, we carried out stable shipments of petroleum products, including fuel oil C for power generation, in response to demand from our core customers.

Despite a limited cutback in operations due to small-scale regular maintenance carried out in May 2011, we made maximum use of facilities for which we have been pursuing sophistication efforts for some time, and we coped with the restriction on the use of power during summer by the "joint usage restriction scheme" with Sumitomo Chemical Company, Limited, which has production facilities in an adjacent site, and other companies, thus maintaining the maximum utilization of all the facilities as well as an efficient production system throughout the fiscal year ended March 31, 2012.

Furthermore, we were able to deal with a larger supply of heavy crude oil than the previous fiscal year. As we firmly maintained the safe and stable operations of the refinery, we have received the certification of the Minister of Economy, Trade and Industry in January 2012 for the continuous operation of 12 high-pressure gas facilities for four years and the continuous operation of five facilities for two years, allowing us to maintain the current continuous operation system.

Petro Progress Pte Ltd., which is based in Singapore, continued business operations such as transportation, purchasing and sales of crude oil and petroleum products.

As a result of the business activities described above, net sales of downstream operations increased ¥94,355 million over the previous fiscal year to ¥572,308 million, mainly thanks to higher selling prices of petroleum products, despite a drop in sales volume resulting from small-scale regular maintenance carried out. Downstream operations recorded a segment profit of ¥4,233 million, a decrease of ¥1,853 million from the previous fiscal year.



Review of Operations

Downstream Operations

Production Facilities

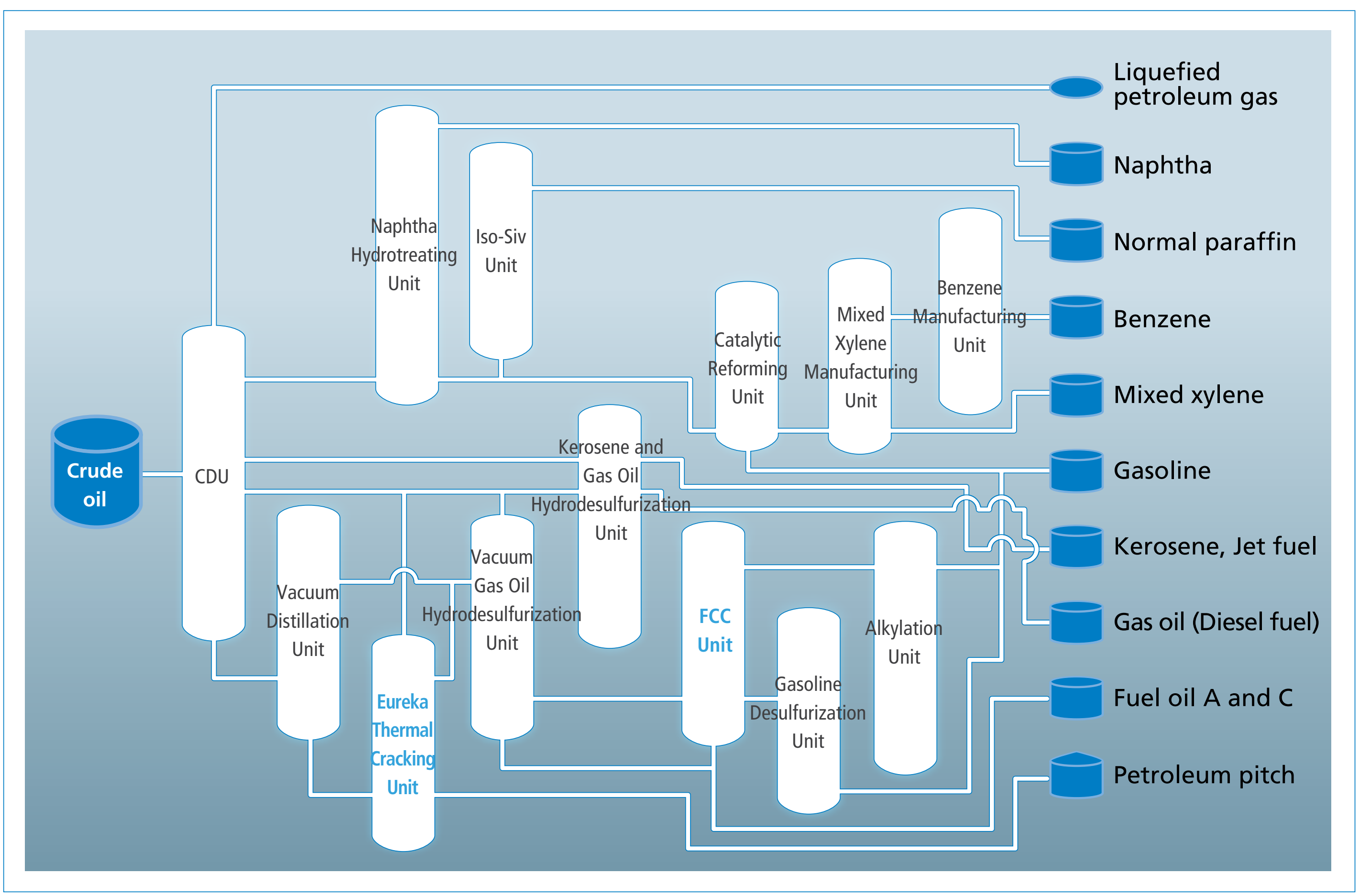
Importance of Cracking and Efficient Use of Black Oil

In the distillation process, crude oil is heated to approximately 350°C in a heating furnace and fed into a refining unit called the CDU. In this process, various fractions of distillate, such as gasoline, naphtha, kerosene, and gas oil, are extracted by their different vaporization temperatures to become various petroleum products. There will be remaining residues after the distillation process, from which fuel oil and asphalt are produced.

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

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

• Refining Process



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

To further crack black oil to obtain high value-added petroleum products, the key is the processing capacity of secondary units. Among the many types of secondary units used are catalytic reforming and FCC, desulfurization, hydrocracking, and coking units.

The units of the Sodegaura Refinery include two FCC units, with a total capacity of 39 thousand barrels per day, and the Eureka Thermal Cracking Unit, which has a capacity of 30 thousand barrels per day. The Eureka Thermal Cracking Unit is capable of cracking and refining asphalt, considered the final residue of the crude oil refining process, into fractions used in the production of gasoline and gas oil. FOC is the only company in the world with this type of cracker.

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

Japan imports various qualities of crude oil from various oil-producing countries. Refineries do not process a single type of crude oil all year, but rather employ a variety of crude oil in their processing in response to the season or trends in product demand. The average API gravity* of the crude oil processed at the Sodegaura Refinery for the fiscal year ended March 31, 2012 was 30.9 °API, far below the average of 35.9 °API for all domestic refineries. The Sodegaura Refinery, one of the most efficient refineries that processes heavy crude oil and other petroleum products in Japan, has achieved a high efficiency rate in its use of petroleum as well as low crude oil costs.

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

• Capacity of Major Refining Units

(As of July 2012)

Major Refining Units	Units	Capacity
Crude Distillation Unit (CDU)	1	143,000 B/D
Naphtha Hydrotreating Unit	1	43,000 B/D
Catalytic Reforming Unit	1	28,000 B/D
Iso-Siv Unit	1	1,900 B/D
Fluid Catalytic Cracking (FCC) Unit	2	39,000 B/D
FCC Gasoline Desulfurization Unit	1	23,000 B/D
Alkylation Unit	1	4,400 B/D
Kerosene and Gas Oil Hydrodesulfurization Unit	2	63,500 B/D
Mixed Xylene Manufacturing Unit	1	245,000 T/Y
Benzene Manufacturing Unit	2	175,000 T/Y
Vacuum Distillation Unit	1	60,000 B/D
Vacuum Gas Oil Hydrodesulfurization Unit	2	47,000 B/D
Vacuum Residue Thermal Cracking Unit (Eureka Thermal Cracking Unit)	1	30,000 B/D

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

• Sodegaura Refinery Petroleum Product Sales Volume

(Years ended March 31)

(Thousands of Kiloliters)

	2008	2009	2010	2011	**2012**
Gasoline	1,781	1,863	1,907	1,982	**1,808**
Naphtha	470	314	356	352	**325**
Jet fuel	1,294	1,323	1,137	1,186	**901**
Kerosene	311	232	186	252	**471**
Gas oil (Diesel fuel)	1,481	1,510	1,310	1,642	**1,390**
Fuel oil A	228	193	154	91	**56**
Fuel oil C	1,402	1,258	640	734	**1,172**
Benzene	150	111	142	181	**168**
Mixed xylene	308	275	286	340	**306**
Other	562	742	672	803	**844**
Subtotal	7,992	7,828	6,794	7,571	**7,447**
Barter deals	917	641	498	361	**354**
Total	8,910	8,470	7,293	7,932	**7,801**
Portion of total for export (excluding bunker fuel)	398	544	431	685	**0**

Review of Operations

● Downstream Operations

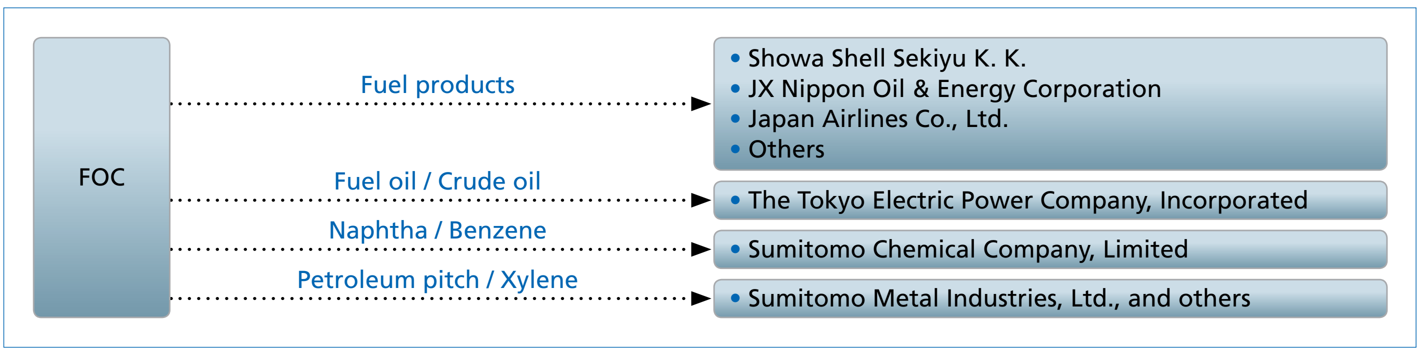
Stable Business Partners

A Sales System with Many Long-Term Clients

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

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

[Supply of Petroleum Products]



Exports

Foundation for Meeting Growing Global Demand for Clean Oil

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

Although a temporary decline in demand is forecasted due to the global economic recession, over the long term the trend towards greater demand for clean oil is not expected to change. To proactively take advantage of this globally increasing demand as an opportunity to increase earnings, FOC is steadily building a solid framework for expanding its exports of clean oil. In addition to Singapore-based affiliate Petro Progress Pte Ltd. strengthening its sales activities, FOC has built a pier at its Sodegaura Refinery that can accommodate 120,000-DWT tankers, making it one of the largest piers annexed to a refinery in Japan. FOC expanded its facilities to enable the export of a total of 3 million kiloliters of petroleum products annually, equivalent to about 40% of the Sodegaura Refinery's crude oil processing.

Petro Progress Pte Ltd. (Singapore)


120,000-DWT pier (for export)

Health, Safety, and Environment (HSE) Programs

Safety and Environmental Measures for All Aspects of Operations

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

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

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

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

The petroleum industry has formulated the "Petroleum Industry's Action Plan for A Low-Carbon Society" and decided to take measures to conserve energy equivalent to a cumulative 530 thousand kiloliters per year in crude oil during the period from the fiscal year ended March 31, 2011 through the fiscal year ending March 31, 2021. Based on the Action Plan, FOC is also promoting a variety of energy-saving activities to achieve its target.

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

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

FOC Code of Conduct

In our daily conduct we emphasize the following:

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

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

Corporate Governance

Basic Policy

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

Charter of Corporate Behavior

The AOC Holdings Group makes it management philosophy to contribute to the realization of a satisfactory life and comfortable environment in our society through a stable supply of oil, natural gas, and petroleum products, critically important sources of energy to people's lives and industry.

In order to realize this philosophy, we at AOCHD hereby lay down the Charter of Corporate Behavior and aim to become a business corporation that will gain firm trust and support of local communities and society.

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

Directors, Corporate Auditors, and Executive Officers (As of June 27, 2012)

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

[Directors]

Chairman
Kuniyasu Takeda

President and Representing Director
Fumio Sekiya

Vice President and Representing Director
Kazutoshi Hoyano

Directors
Yoshiaki Sekigawa
Taro Shoji
Nobumasa Hara
Shigemi Tamura
Shigeya Kato
Osamu Ishitobi
Yahya Jamil Shinawi
Nasser Bader Al-Mudhaf

[Corporate Auditors]

Shinichi Ame (full-time)
Nobuhiko Ishii
Yasushi Yamawaki
Shigeru Watanabe

[Executive Officers]

Koichi Sekikawa
Takashi Yonemoto
Hideki Itoh
Kazuo Kikuchi

Corporate Governance Structure

We believe that the establishment of the Board of Directors with about half of them outside directors and the Board of Corporate Auditors a majority of whom are outside auditors can guarantee adequate decision-making and the audit and supervisory functions of the execution of business operations.

We also believe that we can enhance the efficiency in the execution of business operations by holding meetings of the Executive Committee, which consists of full-time directors, a full-time corporate auditor and executive officers elected by decisions of the Board of Directors, regularly and with agility.

Reflecting the above-described beliefs, we have established the following corporate governance structure.

The Board of Directors, which consists of eleven directors, including five highly independent outside directors, makes decisions on the basic management policy, matters as prescribed by law and regulations and the Articles of Association and other important matters relating to management, and supervises the directors' execution of duties.

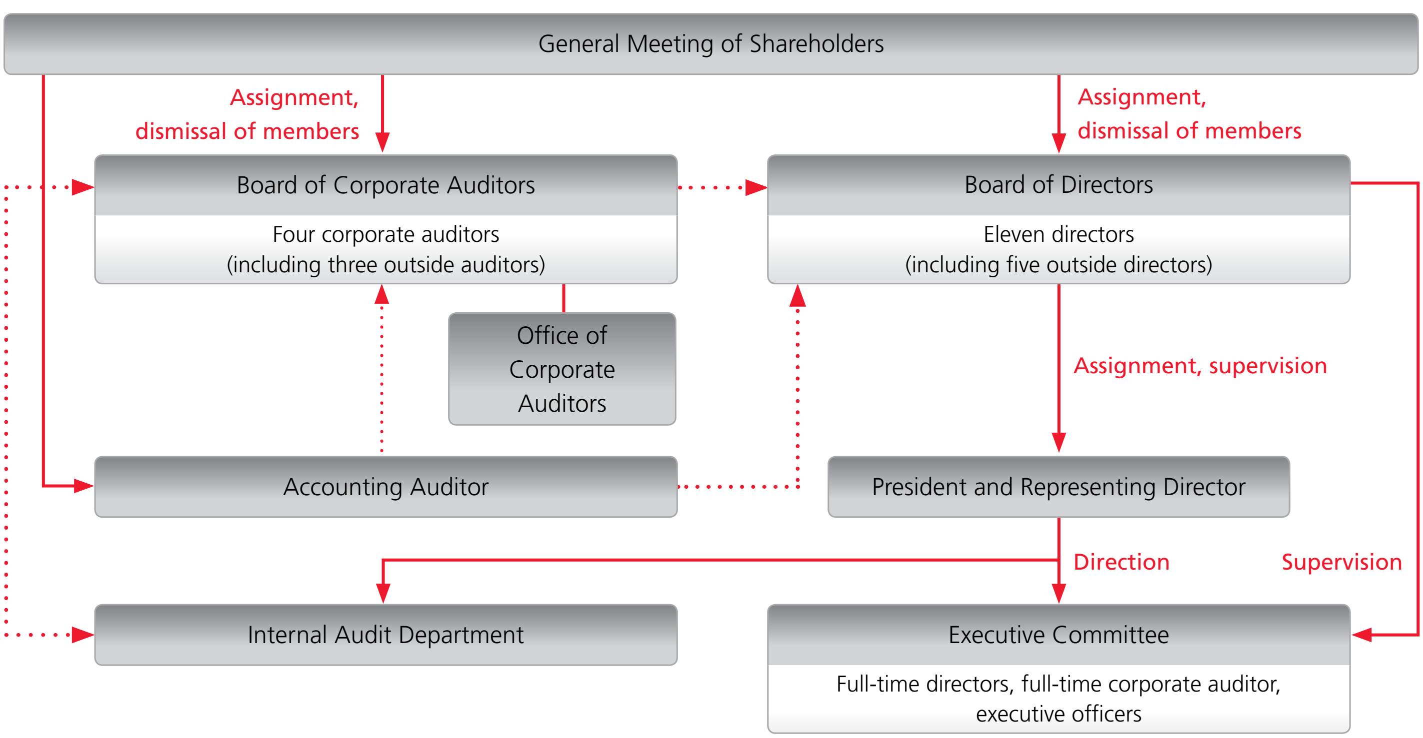
The Executive Committee meets every week, in principle, and also meets as necessary to share information, and discusses and coordinates matters to be referred to the Board of Directors as well as matters decided by the Board of Directors and other important measures and policies.

Full-time directors and executive officers strive to execute business operations in a speedy, timely and appropriate manner in accordance with decisions made by the Board of Directors as well as the results of discussions and coordination by the Executive Committee.

The Board of Corporate Auditors, which consists of four corporate auditors, including three highly independent outside auditors, strictly audits the directors' execution of duties in close cooperation with the Accounting Auditor, the Internal Audit Department and auditors of subsidiaries.

An outline of corporate management organizations related to management decision-making, execution and supervision and other corporate governance systems is as follows:

Corporate Governance Structure
(As of June 27, 2012)



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

Corporate Governance

Internal Control System

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

We develop the internal control system in line with the basic policy decided by the Board of Directors and strive to improve the system through its constant review.

I. System to Ensure Proper Execution of Duties by Directors

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

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

II. System to Ensure Proper Execution of Business Operations

1. System for the storage and management of information

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

2. Risk management system

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

3. System to ensure efficient execution of business operations

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

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

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

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

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

6. System to assist corporate auditors' execution of duties

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

7. Independent assistance for corporate auditors

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

8. System of reporting to corporate auditors

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

9. Other systems to ensure effective auditing

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

Status of Development of the Risk Management System

As for risk management efforts throughout the Group, based on the Charter of Corporate Behavior that makes clear its strong commitment to strict compliance with all relevant domestic and international laws and regulations, safe operations and environmental preservation, contribution to society, responsibility of top management and the exclusion of antisocial forces, we formulated the AOC Holdings Group Code of Conduct to realize the spirit of the Charter of Corporate Behavior as a code of practices for all Group officers and employees to follow in executing their duties.

We have formulated “Risk Management Regulations” for management of specific risks, and when grave risks are anticipated, they are first reported to the President and necessary countermeasures are taken after consideration by the Board of Directors and the Executive Committee. Should an unexpected contingency arise, we establish a crisis management center promptly.

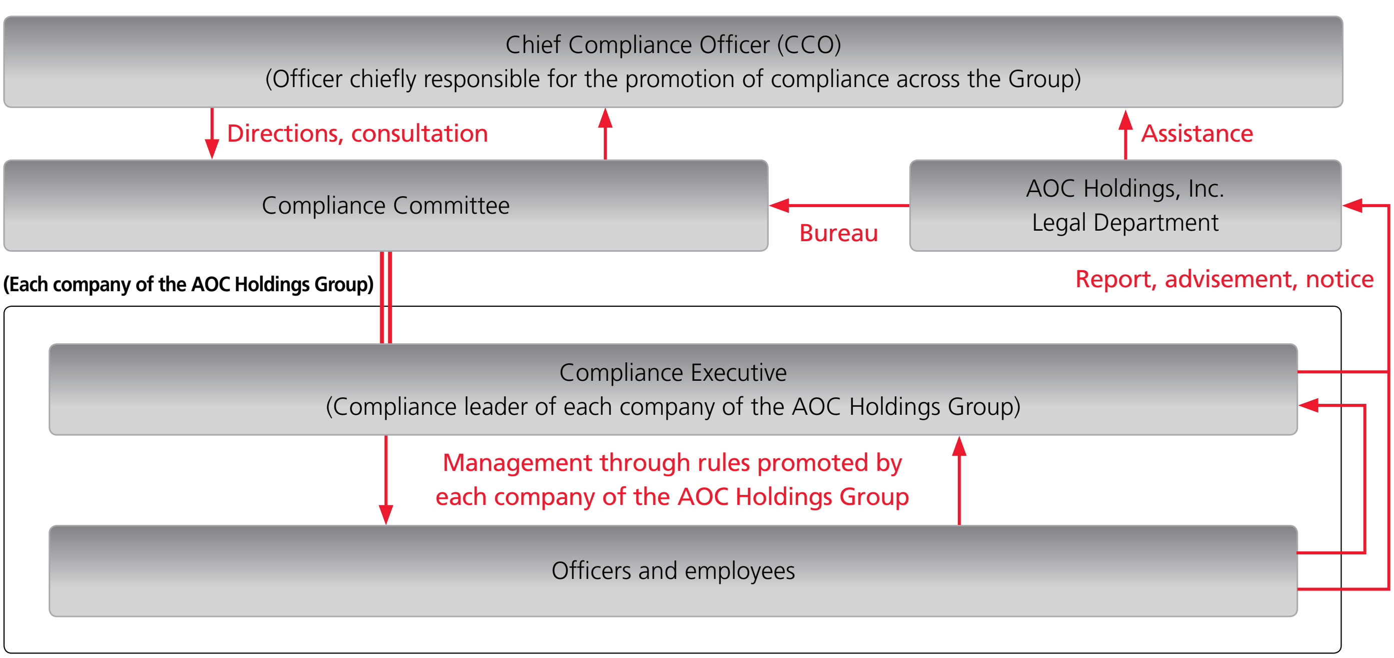
The Internal Audit Department conducts an audit of the status of development of the risk management system based on “Internal Audit Regulations” and regularly reports the audit results to the Board of Directors and the Board of Corporate Auditors.

As for compliance, we have formulated “Compliance Promotion Regulations” for the purpose of further enhancing the awareness of compliance as the Group as a whole by discussing and considering important matters related to compliance under the group-wide structure not limited to the Legal Department as directly responsible departments, and also established the Compliance Committee, which is chaired by the Director in charge of the Legal Department and has representatives of the Company’s divisions and subsidiaries as its members. As a means of preventing violations of laws and regulations, we have also established the Help Line for employees to facilitate the reporting and discussion of matters relating to legal or internal rule violations.

Compliance Committee

We will continue to improve the Help Line and other internal procedures going forward in order to thoroughly get the spirit of the Charter of Corporate Behavior across the Group and strive to ensure compliance with corporate ethics and relevant laws and regulations, enhancement of the awareness about compliance and prevention of violations of laws and regulations.

Risk Management Structure



Corporate History / AOC Holdings Group Companies

Corporate History

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

1950

1957 Dec. •Conclusion of the concession agreement between the government of Saudi Arabia and Japan Petroleum Trading Co., Ltd. (now AIN JPTC COMPANY, LTD.)
1958 Feb. •Establishment of Arabian Oil Company, Ltd. (AOC), which inherited the concession agreement concluded between Saudi Arabia and JPTC
Jul. •Conclusion of the concession agreement with the government of Kuwait

1960

1960 Jan. •Discovery of the Khafji oil field
1961 Feb. •Commencement of oil production from the Khafji oil field
Oct. •Listing of stock on the Second Section of the Tokyo and Osaka Stock Exchanges
1963 Nov. •Discovery of the Hout oil field
1964 Apr. •Establishment of Fuji Oil Company, Ltd. (FOC)
1966 Aug. •Participation in the Kyodo Oil Group (now JX Nippon Oil & Energy Corporation)
1967 Feb. •Discovery of the Lulu oil field
Nov. •Discovery of the Dorra gas field
1968 Oct. •Startup of the Sodegaura Refinery with a Crude Distillation Unit (CDU) capacity of 70 thousand B/D

1970

1970 Feb. •Listing of stock on the First Section of the Tokyo and Osaka Stock Exchanges
Nov. •Expansion of the Sodegaura Refinery's CDU capacity to 140 thousand B/D
1971 Sep. •Establishment of Eureka Industry Company, Ltd.
1974 Jan. •Government participation in the operations in the offshore Divided Zone by 60%

1980

1981 Feb. •Completion of Nakasode Crude Storage Base (first phase) with a storage capacity of 390 thousand kiloliters
1982 Dec. •Completion of Nakasode Crude Storage Base (second phase) with a storage capacity of 780 thousand kiloliters
1983 Apr. •Establishment of AOC Energy Development Company, Ltd. (AEDC)

1990

1990 Mar. •Merger of Eureka Industry Company, Ltd., into FOC
Jun. •Commencement of oil production from the Gyda oil field in the Norwegian North Sea
Nov. •Commencement of natural gas production from the MC487 gas field in the US Gulf of Mexico
1991 Jan. •Temporary shutdown of the operations in the offshore Divided Zone (until early June 1991) due to the outbreak of the Gulf War
1993 Jul. •Startup of Aromatics Manufacturing Complex with a production capacity of 150 thousand tons of benzene and 190 thousand tons of xylene per year
Oct. •Commencement of oil production from the Lufeng 13-1 oil field in the South China Sea
1996 Apr. •Acquisition of ISO 9002 certification
1998 Oct. •Reinforcement of the Sodegaura Refinery's CDU capacity to 192 thousand B/D

2000

2000 Feb. •Expiry of the concession agreement with the government of Saudi Arabia
2001 Mar. •Acquisition of ISO 14001 certification
2002 Apr. •Acquisition of ISO 9001 certification
2003 Jan. •Expiry of the concession agreement with Kuwait and the effectuation of new agreements with Kuwait
•Business integration of AOC and FOC with the establishment of a joint stockholding company
•Establishment of AOC Holdings, Inc., with ¥20,000 million in capital and listing on the First Section of the Tokyo Stock Exchange
May •Merger of AEDC into AOC
2005 Jun. •Conclusion of the memorandum of understanding with Iraq's Ministry of Oil on AOC's technical assistance to Iraq's upstream oil sector
Jul. •Conclusion of the production sharing contract with the Egyptian government and the Egyptian General Petroleum Corporation for oil and gas exploration and development in the Northwest October Block of the Gulf of Suez in Egypt
Oct. •Commencement of petroleum products supply to Showa Shell Sekiyu K. K. under a new business alliance
•Increase of capital to ¥24,467 million by the third-party allocation of new shares
2006 Apr. •Commencement of petroleum products supply to Japan Airlines International Co., Ltd. (now Japan Airlines Co., Ltd.), and Kyushu Oil Co., Ltd. (now JX Nippon Oil & Energy Corporation), under a new business alliance
2008 Jan. •Expiry of the technical services agreement with Kuwait concluded in 2003
Mar. •Startup of the No. 2 FCC unit with a capacity of 18 thousand B/D in the Sodegaura Refinery
Oct. •Establishment of AOC Egypt Petroleum Company, Ltd.
2009 Feb. •Termination of oil production from the Lufeng 13-1 oil field in the South China Sea

2010

2010 Nov. •Reduction of the Sodegaura Refinery's CDU capacity to 140 thousand B/D
2011 Apr. •Reinforcement of the Sodegaura Refinery's CDU capacity to 143 thousand B/D

AOC Holdings Group Companies

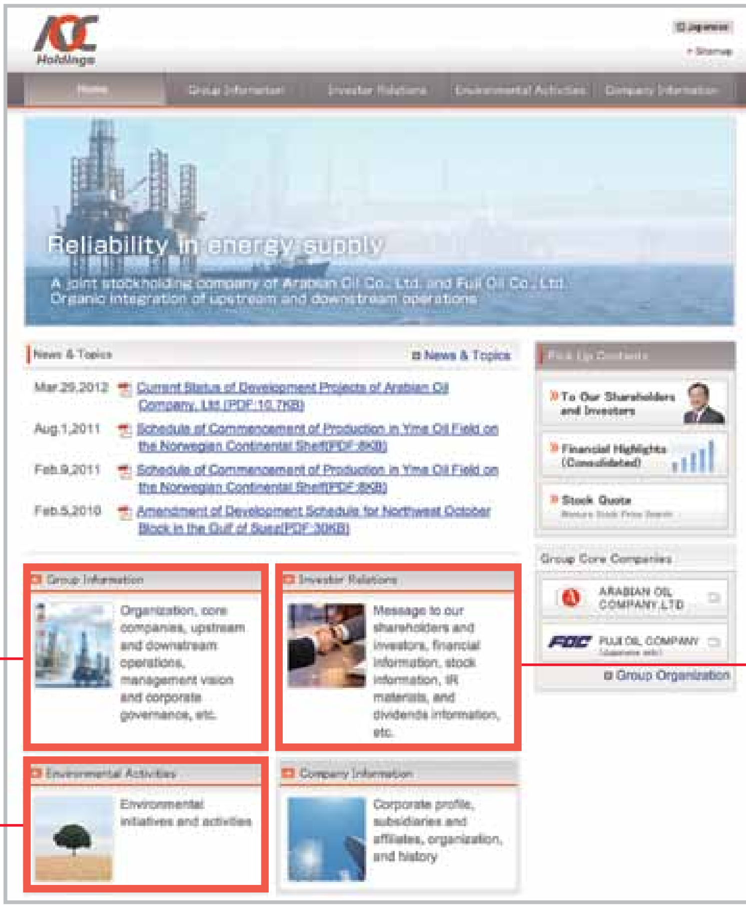
(As of June 30, 2012)

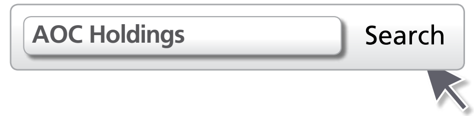
Segment	Company	Head Office	Capital	Major Shareholders	Principal Business
Upstream Business (Oil/Gas Development and Sales)	**Arabian Oil Company, Ltd. (AOC)**	Tokyo	¥13,000 million	AOC Holdings, Inc.: 100%	Exploration, development, production, and sale of crude oil and natural gas
	Norske AEDC AS (NAEDC)	Norway	Nkr 30 million	AOC: 100%	Exploration, development, production, and sale of crude oil and natural gas in Norway
	AOC Egypt Petroleum Company, Ltd.	Tokyo	¥500 million	AOC: 100%	Exploration, development, production, and sale of crude oil and natural gas in Egypt
Downstream Business (Oil Refinery and Sales)	**Fuji Oil Company, Ltd. (FOC)**	Tokyo	¥10,225 million	AOC Holdings, Inc.: 100%	Oil refining, storage, sales and purchasing, and export and import of petroleum products
	Petro Progress, Inc.	Tokyo	¥3,000 million	FOC:100%	Purchasing, marketing, and transportation of crude oil and petroleum products
	Petro Progress Pte Ltd.	Singapore	S$34 million	Petro Progress, Inc.: 100%	Overseas purchasing, marketing, and transportation of crude oil and petroleum products
	Fuji Tanker Company, Ltd.	Tokyo	¥50 million	FOC: 100%	Chartering and scheduling of oil tankers
	Fuji Oil Sales Co., Ltd.	Tokyo	¥100 million	FOC: 100%	Sale of petroleum products
	Fuji Rinkai Co., Ltd.	Chiba	¥10 million	FOC: 85%	Loading and unloading of oil
	Aramo Shipping (Singapore) Pte Ltd.	Singapore	US$20,742 thousand	Petro Progress Pte Ltd.: 50%	Operation of crude oil tankers
Other Business	**Japan Oil Engineering Co., Ltd.**	Tokyo	¥600 million	FOC: 50.0% AOC: 49.9%	Engineering and consulting services in upstream and downstream sectors of the oil and gas industry
	Tokyo Petroleum Industrial Co., Ltd.	Tokyo	¥120 million	AOC: 49.8%	Manufacturing, sale, and recycling of asphalt mixture

Website Guide / Financial Section

Website Guide

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





Home Page

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

AOCHD's website provides a variety of information.

Group Information

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

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

Environmental Activities

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

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

Investor Relations

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

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

Financial Section

Financial Section

Consolidated Balance Sheets

AOC Holdings, Inc. and Consolidated Subsidiaries
As of March 31, 2012 and 2011

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
Assets	**2012**	2011	**2012**
Current assets:			
Cash and deposits (Notes 4 and 15)	**¥ 17,185**	¥ 22,379	**$ 209,089**
Notes and accounts receivable—trade (Note 4)	**98,194**	67,138	**1,194,720**
Short-term investment securities (Notes 4, 5, and 15)	**886**	323	**10,780**
Inventories (Note 3)	**122,151**	102,202	**1,486,203**
Accounts receivable—other (Note 4)	**9,128**	2,166	**111,060**
Deferred tax assets (Note 9)	**1,403**	1,593	**17,070**
Other (Notes 8 and 12)	**12,775**	11,025	**155,433**
Total current assets	**261,726**	206,829	**3,184,402**
Property, plant and equipment (Note 6)**:**			
Buildings and structures (Note 8)	**27,886**	27,240	**339,287**
Storage tanks (Note 8)	**2,167**	2,001	**26,366**
Machinery, equipment and vehicles (Note 8)	**38,733**	45,975	**471,262**
Land (Notes 7 and 8)	**51,083**	51,298	**621,523**
Construction in progress	**208**	454	**2,531**
Other	**269**	302	**3,273**
Total property, plant and equipment	**120,348**	127,273	**1,464,266**
Intangible assets	**1,476**	1,728	**17,958**
Investments and other assets:			
Investment securities (Notes 4, 5, and 8)	**10,768**	11,991	**131,014**
Long-term loans receivable (Notes 4, 8, and 12)	**5,578**	13,722	**67,867**
Long-term time deposits (Notes 4 and 8)	**1,374**	1,383	**16,717**
Investment for exploration development	**4,192**	3,915	**51,004**
Deferred tax assets (Note 9)	**2,688**	1,998	**32,705**
Other	**2,195**	2,101	**26,706**
Allowance for doubtful accounts	**(400)**	(400)	**(4,867)**
Total investments and other assets	**26,398**	34,711	**321,183**
Total assets	**¥409,950**	¥370,542	**$4,987,833**

See notes to consolidated financial statements.

Liabilities and Net assets	Millions of Yen 2012	2011	Thousands of U.S. Dollars (Note 1) 2012
Current liabilities:			
Accounts payable—trade (Note 4)	**¥ 79,329**	¥ 55,542	**$ 965,190**
Short-term loans payable (Notes 4 and 8)	**100,470**	98,084	**1,222,411**
Current portion of long-term loans payable (Notes 4, 8, and 12)	**18,382**	15,932	**223,653**
Accounts payable—other (Note 4)	**24,711**	11,817	**300,657**
Excise taxes payable on gasoline and other fuels (Note 4)	**19,746**	10,092	**240,248**
Income taxes payable (Notes 4 and 9)	**129**	457	**1,570**
Provision for loans receivable agreement expenses	**149**	277	**1,813**
Other (Note 8)	**6,721**	6,531	**81,774**
Total current liabilities	**249,641**	198,735	**3,037,365**
Noncurrent liabilities:			
Long-term loans payable (Notes 4, 8, and 12)	**47,358**	58,783	**576,201**
Deferred tax liabilities (Note 9)	**10,445**	11,949	**127,084**
Provision for retirement benefits (Note 10)	**3,371**	3,600	**41,015**
Provision for directors' retirement benefits	**275**	242	**3,346**
Provision for special repairs	**2,118**	1,924	**25,770**
Provision for repairs	**937**	1,191	**11,400**
Provision for loans receivable agreement expenses	**49**	204	**596**
Other	**985**	843	**11,984**
Total noncurrent liabilities	**65,542**	78,739	**797,445**
Commitments and contingent liabilities (Notes 12 and 13)			
Net assets (Note 11)**:**			
Shareholders' equity:			
Capital stock:			
Authorized—200,000,000 shares in 2012 and 2011			
Issued—78,183,677 shares in 2012 and 2011	**24,467**	24,467	**297,688**
Capital surplus	**57,215**	57,679	**696,131**
Retained earnings	**20,429**	17,058	**248,558**
Treasury stock (Notes 8 and 11)	**(1,239)**	(1,239)	**(15,075)**
Total shareholders' equity	**100,874**	97,965	**1,227,327**
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	**(64)**	192	**(779)**
Revaluation reserve for land	**2**	2	**24**
Foreign currency translation adjustments	**(6,135)**	(5,170)	**(74,644)**
Total accumulated other comprehensive income	**(6,197)**	(4,975)	**(75,398)**
Minority interests	**90**	77	**1,095**
Total net assets	**94,766**	93,067	**1,153,011**
Total liabilities and net assets	**¥409,950**	¥370,542	**$4,987,833**

Financial Section

Consolidated Statements of Income

AOC Holdings, Inc. and Consolidated Subsidiaries
For the years ended March 31, 2012 and 2011

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	**2012**
Net sales (Note 19)	**¥701,650**	¥571,149	**$8,536,927**
Cost of sales	**690,771**	560,627	**8,404,563**
Gross profit	**10,878**	10,521	**132,352**
Exploration expenses	**296**	1,086	**3,601**
Selling, general and administrative expenses	**5,301**	5,071	**64,497**
Operating income	**5,281**	4,363	**64,254**
Non-operating income (expenses):			
Interest and dividends income	**405**	797	**4,928**
Equity in earnings (losses) of affiliates	**(104)**	979	**(1,265)**
Interest expenses	**(2,905)**	(2,718)	**(35,345)**
Foreign exchange losses, net	**(948)**	(2,006)	**(11,534)**
Loss on retirement of noncurrent assets	**(55)**	(196)	**(669)**
Impairment losses (Note 7)	**(248)**	(8)	**(3,017)**
Other, net	**(529)**	108	**(6,436)**
	(2,274)	(3,044)	**(27,668)**
Income before income taxes and minority interests	**1,001**	1,318	**12,179**
Income taxes (Note 9):			
Income taxes—current	**(195)**	(495)	**(2,373)**
Income taxes—deferred	**(2,188)**	(2,221)	**(26,621)**
	(2,384)	(2,716)	**(29,006)**
Income before minority interests	**3,385**	4,034	**41,185**
Minority interests in income	**13**	15	**158**
Net income	**¥ 3,371**	¥ 4,019	**$ 41,015**

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

AOC Holdings, Inc. and Consolidated Subsidiaries
For the years ended March 31, 2012 and 2011

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	**2012**
Income before minority interests	**¥ 3,385**	¥ 4,034	**$ 41,185**
Other comprehensive income:			
Valuation difference on available-for-sale securities	**(257)**	(211)	**(3,127)**
Deferred gains or losses on hedges	**—**	17	**—**
Foreign currency translation adjustments	**(638)**	(980)	**(7,763)**
Share of other comprehensive income of associates accounted for using equity method	**(326)**	(950)	**(3,966)**
Total other comprehensive income	**(1,222)**	(2,124)	**(14,868)**
Comprehensive income (Note 18)	**¥ 2,163**	¥ 1,909	**$ 26,317**
Comprehensive income attributable to:			
Owners of the parent	**¥ 2,149**	¥ 1,894	**$ 26,147**
Minority interests	**13**	15	**158**

See notes to consolidated financial statements.

Financial Section

Consolidated Statements of Changes in Net Assets

AOC Holdings, Inc. and Consolidated Subsidiaries
For the years ended March 31, 2012 and 2011

	Millions of Yen					
		Shareholders' equity				
	Number of shares of capital stock	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
	78,183,677	¥24,467	¥57,679	¥ 13,057	¥(1,239)	¥93,964
Net income				4,019		4,019
Purchase of treasury stock					(0)	(0)
Change in scope of consolidation				(18)		(18)
Net changes of items other than shareholders' equity						
Total changes during the period		—	—	4,001	(0)	4,001
	78,183,677	24,467	57,679	17,058	(1,239)	97,965
Dividends from surplus						
Net income						
Net changes of items other than shareholders' equity						
Total changes during the period						

	Millions of Yen						
	Accumulated other comprehensive income						
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Total accumulated other comprehensive income	Minority interests	Total net assets
	¥ 403	¥(17)	¥ 2	¥(3,239)	¥(2,850)	¥ 230	¥91,344
Net income							4,019
Purchase of treasury stock							(0)
Change in scope of consolidation							(18)
Net changes of items other than shareholders' equity	(211)	17		(1,930)	(2,124)	(153)	(2,278)
Total changes during the period	(211)	17	—	(1,930)	(2,124)	(153)	1,722
	192	—	2	(5,170)	(4,975)	77	93,067
Dividends from surplus							
Net income							
Net changes of items other than shareholders' equity							
Total changes during the period							

See notes to consolidated financial statements.

	Thousands of U.S. Dollars (Note 1)					
		Shareholders' equity				
	Number of shares of capital stock	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Net assets at April 1, 2011	78,183,677	$297,688	$701,776	$207,543	$(15,075)	$1,191,933
Dividends from surplus			**(5,633)**			**(5,633)**
Net income				**41,015**		**41,015**
Net changes of items other than shareholders' equity						
Total changes during the period		**—**	**(5,633)**	**41,015**	**—**	**35,381**
Balance at March 31, 2012	**78,183,677**	**$297,688**	**$696,131**	**$248,558**	**$(15,075)**	**$1,227,327**

	Thousands of U.S. Dollars (Note 1)						
	Accumulated other comprehensive income						
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Total accumulated other comprehensive income	Minority interests	Total net assets
Net assets at April 1, 2011	$ 2,336	$—	$24	$(62,903)	$(60,530)	$ 937	$1,132,340
Dividends from surplus							**(5,633)**
Net income							**41,015**
Net changes of items other than shareholders' equity	**(3,127)**			**(11,741)**	**(14,868)**	**146**	**(14,710)**
Total changes during the period	**(3,127)**	**—**	**—**	**(11,741)**	**(14,868)**	**146**	**20,659**
Balance at March 31, 2012	**$ (779)**	**$—**	**$24**	**$(74,644)**	**$(75,398)**	**$1,095**	**$1,153,011**

Financial Section

Consolidated Statements of Cash Flows

AOC Holdings, Inc. and Consolidated Subsidiaries
For the years ended March 31, 2012 and 2011

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	**2012**
Net cash provided by (used in) operating activities:			
Income before income taxes and minority interests	**¥ 1,001**	¥ 1,318	**$ 12,179**
Depreciation and amortization	**11,658**	13,464	**141,842**
Impairment losses	**248**	8	**3,017**
(Decrease) increase in provision for repairs	**(253)**	803	**(3,078)**
Decrease in provision for retirement benefits	**(228)**	(110)	**(2,774)**
Increase in provision for special repairs	**193**	151	**2,348**
Increase in provision for directors' retirement benefits	**32**	43	**389**
Decrease in provision for loans receivable agreement expenses	**(282)**	(523)	**(3,431)**
Interest and dividends income	**(406)**	(797)	**(4,940)**
Interest expenses	**2,905**	2,718	**35,345**
Equity in losses (earnings) of affiliates	**104**	(979)	**1,265**
Loss on retirement of noncurrent assets	**55**	196	**669**
Gain on sales of noncurrent assets	**(2)**	(1)	**(24)**
Gain on sales of affiliates' shares	**—**	(30)	**—**
Loss on adjustment for changes of accounting standard for asset retirement obligations	**—**	63	**—**
(Increase) decrease in notes and accounts receivable—trade	**(31,058)**	13,532	**(377,881)**
Increase in inventories	**(19,948)**	(32,967)	**(242,706)**
Increase in notes and accounts payable—trade	**23,786**	26,772	**289,403**
Increase (decrease) in excise taxes payable on gasoline and other fuels	**9,654**	(5,969)	**117,460**
Other, net	**3,639**	11,002	**44,275**
Subtotal	**1,101**	28,695	**13,396**
Interest and dividends income received	**705**	1,208	**8,578**
Interest expenses paid	**(2,854)**	(2,786)	**(34,724)**
Income taxes paid	**(512)**	(316)	**(6,229)**
Income taxes refund	**717**	1,359	**8,724**
Net cash (used in) provided by operating activities	**(841)**	28,161	**(10,232)**
Net cash provided by (used in) investing activities:			
Payments into time deposits	**(6,887)**	(13,447)	**(83,794)**
Proceeds from withdrawal of time deposits	**12,168**	13,447	**148,047**
Proceeds from capital reduction of investment securities	**186**	—	**2,263**
Purchase of investment securities	**(1)**	(1)	**(12)**
Proceeds from redemption of securities	**4**	4	**49**
Proceeds from sales of investment securities	**—**	34	**—**
Purchase of investments in subsidiaries	**—**	(72)	**—**
Purchase of property, plant and equipment	**(5,058)**	(6,341)	**(61,540)**
Proceeds from national subsidies	**92**	—	**1,119**
Proceeds from sales of property, plant and equipment	**3**	1	**37**
Purchase of intangible assets	**(340)**	(199)	**(4,137)**
Payments of long-term loans receivable	**(0)**	(300)	**(0)**
Collection of long-term loans receivable	**8,539**	10,927	**103,893**
Payments for investments for exploration development	**(259)**	(962)	**(3,151)**
Other, net	**9**	25	**110**
Net cash provided by investing activities	**8,457**	3,113	**102,896**
Net cash provided by (used in) financing activities:			
Net increase (decrease) in short-term loans payable	**2,205**	(22,805)	**26,828**
Proceeds from long-term loans payable	**7,200**	10,700	**87,602**
Repayment of long-term loans payable	**(15,500)**	(17,799)	**(188,587)**
Purchase of treasury stock	**—**	(0)	**—**
Cash dividends paid	**(462)**	(3)	**(5,621)**
Cash dividends paid to minority shareholders	**(0)**	(90)	**(0)**
Other, net	**(106)**	(87)	**(1,290)**
Net cash used in financing activities	**(6,664)**	(30,085)	**(81,080)**
Effect of exchange rate changes on cash and cash equivalents	**(282)**	(1,483)	**(3,431)**
Net increase (decrease) in cash and cash equivalents	**669**	(293)	**8,140**
Cash and cash equivalents at beginning of year (Note 15)	**17,388**	17,682	**211,559**
Cash and cash equivalents at end of year (Note 15)	**¥ 18,057**	¥ 17,388	**$ 219,698**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

AOC Holdings, Inc. and Consolidated Subsidiaries

1. Basis of Presenting the Consolidated Financial Statements

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

The Company and its domestic subsidiaries maintain their accounting records in conformity with accounting principles and practices generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards. Foreign subsidiaries maintain their accounting records in accordance with International Financial Reporting Standards.

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

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

The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made, as a matter of arithmetic computation only, at the rate of ¥82.19 = U.S.$1.00, the approximate rate of exchange on March 31, 2012. 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 eight significant subsidiaries (the "Subsidiaries") as of March 31, 2012 and 2011. Consolidated subsidiaries as of March 31, 2012 are as follows:

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

Six other subsidiaries in 2012 and 2011, 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. and Norske AEDC AS have a fiscal year-end of December 31. The consolidated financial statements incorporate the accounts of the above companies for the fiscal year ended December 31 with adjustments for significant transactions arising after year-end.

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

(b) Equity method

The equity method is applied to the investments in two non-consolidated subsidiaries and an affiliate in 2012 and 2011.

Non-consolidated subsidiaries and an affiliate accounted for by the equity method as of March 31, 2012 and 2011 are as follows:

Non-consolidated subsidiaries accounted for by the equity method:

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

Financial Section

Affiliate accounted for by the equity method:
- Aramo Shipping (Singapore) Pte Ltd.

Investment securities (equity) in other non-consolidated subsidiaries and affiliates (seven companies in 2012 and 2011) 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.

The accounts of certain equity method subsidiaries and affiliates with a fiscal year-end different from the Company's fiscal year-end are consolidated on the basis of the equity method subsidiaries' and affiliates' respective fiscal year-end.

(c) Cash and cash equivalents

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

(d) Short-term investment securities and investment securities

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

(e) Inventories

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

Finished goods, semi-finished goods and crude oil are stated at cost determined by the gross 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) Impairment of long-lived assets

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

(g) Depreciation and amortization

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

■ Buildings and structures	2 to 60 years
■ Storage tanks	10 to 15 years
■ Machinery, equipment and vehicles	2 to 17 years

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

With regard to certain new equipment designed to ensure stable, long-term operation through technical innovation, taking into consideration its wear status from the inspection conducted during the consolidated fiscal year ended March 31, 2011 and their future repair plans, the Companies revised their estimate of the equipment's useful life.

As a result, effective from the fourth quarter of the consolidated fiscal year ended March 31, 2011, the Companies revised the estimated useful life of certain equipment from the tax basis of seven years to 16–17 years. Accordingly, depreciation expenses decreased by ¥2,107 million ($25,636 thousand) and operating income and income before income taxes and minority interests each increased by ¥1,994 million ($24,261 thousand) for the consolidated fiscal year ended March 31, 2012.

(h) Allowance for doubtful accounts

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

(i) Provision for repairs

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

(j) Provision for special repairs

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

(k) Provision for loans receivable agreement expenses

The technical services agreement between Arabian Oil Company, Ltd. ("AOC"), a wholly-owned subsidiary, and Kuwait Gulf Oil Company ("KGOC") expired on January 4, 2008. This contract constituted part of the contracts structure with Kuwait, replacing the old concession agreement. Provision for loans receivable agreement expenses is provided for a part of the loan agreement expenses relating to Kuwait contracts, deemed irrecoverable as of March 31, 2012.

(l) Provision for retirement benefits

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

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

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

(m) Provision for directors' retirement benefits

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

(n) Leases

Leased assets under finance leases commencing after March 31, 2008 are capitalized except for certain immaterial or short-term finance leases, which are accounted for as operating leases. Finance leases that do not transfer ownership of the leased asset to the lessee which commenced prior to April 1, 2008 and have been accounted for as operating leases, continue to be accounted for as operating leases.

(o) Exploration expenses

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

(p) Derivatives and hedge accounting

Derivatives are principally stated at fair value. If certain hedging criteria are met, the gain or loss on a derivative designated as

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

(q) Income taxes

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

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

(r) Foreign currency translation

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

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

(s) Reclassifications

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

(t) Investment for exploration development

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

(u) Application of accounting standards

Accounting Standards for Accounting Changes and Error Corrections

The Company and its consolidated domestic subsidiaries have applied "Accounting Standard for Accounting Changes and Error Corrections" (Accounting Standards Board of Japan ("ASBJ") Statement No. 24, issued on December 4, 2009) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24, issued on December 4, 2009) for accounting changes and corrections of prior period errors which are made from the fiscal year beginning on April 1, 2011.

3. Inventories

Inventories at March 31, 2012 and 2011 consist of the following:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	**2012**
Finished goods	**¥ 19,071**	¥ 19,320	**$ 232,036**
Semi-finished goods	**12,297**	11,250	**149,617**
Raw materials and supplies	**90,782**	71,631	**1,104,538**
Total	**¥122,151**	¥102,202	**$1,486,203**

4. Financial Instruments

(1) Qualitative information on financial instruments

(a) Policies for using financial instruments

The Company and its consolidated subsidiaries limit their investment of temporary surpluses to short-term deposits and procure funds for capital investment and working capital through bank loans. Derivatives are employed to hedge against the risks described below; the Company and its consolidated subsidiaries do not engage in speculative transactions.

(b) Policies and systems for risk management

Trade notes and accounts receivable, which are claimable assets, are subject to customer credit risk. Also, certain imported commodities are denominated in foreign currencies, and therefore entail exchange rate fluctuation risk, as are products for export that are denominated in foreign currencies. The Company uses forward foreign exchange contracts to hedge this risk. As deferral hedge accounting is employed for forward foreign exchange contracts, an evaluation of hedge effectiveness is not performed.

Short-term investment securities and investment securities are mainly held-to-maturity bonds and unlisted equity securities. The Company also provides affiliated companies with long-term loans.

Most accounts payable, which are trade liabilities, are payable within four months. Certain accounts payable and the below-mentioned short-term loans payable related to crude oil imports are denominated in foreign currencies and are therefore subject to exchange rate fluctuation risk. Forward foreign exchange contracts are used to hedge this risk. As deferral hedge accounting is applied for forward foreign exchange contracts, an evaluation of hedge effectiveness is not performed.

Among loans, short-term loans payable include mainly funds raised as working capital in relation to crude oil imports. Long-term loans payable mainly comprise funds raised for capital expenditure and to fund lending to KGOC. Floating-rate loans are subject to interest rate fluctuation risk, but for most long-term loans the Company minimizes the risk of fluctuations in interest payments by fixing payment interest rates, employing interest rate swap transactions to hedge individual contracts. With regard to the evaluation of hedge effectiveness, as interest rate swaps meet the conditions for the application of exceptional accounting as described in Note 2 (p), an evaluation of hedge effectiveness is not performed.

With regard to derivative transactions, in addition to the above-mentioned forward foreign exchange contracts and interest rate swap transactions, for forecasted transactions for crude oil and products, the Company uses commodity swap transactions as a method of hedging the risk of fluctuations in future cash flows arising from commodity price fluctuations. The evaluation of hedge effectiveness is based on a comparison between the price fluctuations on crude oil and products and the cumulative fluctuation in rates on hedged items during the period from hedge commencement until the evaluation date.

With regard to the execution and control of derivative transactions, authorizations and monetary limits on transactions and controls are determined in accordance with internal regulations.

When employing derivatives, the Company selects as contractual counterparties Japanese banks, major trading companies and securities firms with high credit ratings. Consequently, the credit risk arising from counterparties being unable to fulfill their contractual obligations is considered negligible.

Trade liabilities and loans are subject to liquidity risk. To manage this risk, the Company creates and updates cash flow plans in a timely manner on the basis of reports from individual departments.

(c) Supplemental information on fair values

In Note 4 (2) Fair values of financial instruments, market risk related to derivative financial instruments is not included in the contract amounts of those instruments.

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(2) Fair values of financial instruments

Carrying values and fair values of the financial instruments on the consolidated balance sheets as of March 31, 2012 and 2011 are set out in the table below.

The following table does not include financial instruments for which it is extremely difficult to determine the fair value.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
Assets	**2012**	2011	**2012**
Carrying value:			
Cash and deposits	**¥ 17,185**	¥ 22,379	**$ 209,089**
Notes and accounts receivable—trade	**98,194**	67,138	**1,194,720**
Short-term investment securities and investment securities:			
Held-to-maturity debt securities	**4**	8	**49**
Available-for-sale securities	**2,399**	2,121	**29,188**
Accounts receivable—other	**9,128**	2,166	**111,060**
Long-term loans receivable, net of allowance of doubtful accounts	**5,178**	13,322	**63,000**
Long-term time deposits	**1,374**	1,383	**16,717**
Total	**133,465**	108,520	**1,623,859**
Fair value:			
Cash and deposits	**17,185**	22,379	**209,089**
Notes and accounts receivable—trade	**98,194**	67,138	**1,194,720**
Short-term investment securities and investment securities:			
Held-to-maturity debt securities	**4**	8	**49**
Available-for-sale securities	**2,399**	2,121	**29,188**
Accounts receivable—other	**9,128**	2,166	**111,060**
Long-term loans receivable, net of allowance of doubtful accounts	**5,178**	13,322	**63,000**
Long-term time deposits	**1,374**	1,383	**16,717**
Total	**133,465**	108,520	**1,623,859**
Difference:			
Cash and deposits	**—**	—	**—**
Notes and accounts receivable—trade	**—**	—	**—**
Short-term investment securities and investment securities:			
Held-to-maturity debt securities	**(0)**	(0)	**(0)**
Available-for-sale securities	**—**	—	**—**
Accounts receivable—other	**—**	—	**—**
Long-term loans receivable, net of allowance of doubtful accounts	**—**	—	**—**
Long-term time deposits	**—**	—	**—**
Total	**¥ (0)**	¥ (0)	**$ (0)**

Liabilities	Millions of Yen 2012	Millions of Yen 2011	Thousands of U.S. Dollars (Note 1) 2012
Carrying value:			
Accounts payable—trade	**¥ 79,329**	¥ 55,542	**$ 965,190**
Short-term loans payable	**100,470**	98,084	**1,222,411**
Accounts payable—other	**24,711**	11,817	**300,657**
Excise taxes payable on gasoline and other fuels	**19,746**	10,092	**240,248**
Income taxes payable	**129**	457	**1,570**
Long-term loans payable	**65,740**	74,715	**799,854**
Total	**290,128**	250,709	**3,529,967**
Fair value:			
Accounts payable—trade	**79,329**	55,542	**965,190**
Short-term loans payable	**100,470**	98,084	**1,222,411**
Accounts payable—other	**24,711**	11,817	**300,657**
Excise taxes payable on gasoline and other fuels	**19,746**	10,092	**240,248**
Income taxes payable	**129**	457	**1,570**
Long-term loans payable	**66,006**	74,372	**803,090**
Total	**290,394**	250,366	**3,533,204**
Difference:			
Accounts payable—trade	**—**	—	**—**
Short-term loans payable	**—**	—	**—**
Accounts payable—other	**—**	—	**—**
Excise taxes payable on gasoline and other fuels	**—**	—	**—**
Income taxes payable	**—**	—	**—**
Long-term loans payable	**265**	(343)	**3,224**
Total	**¥ 265**	¥ (343)	**$ 3,224**

Method of calculating the fair value of financial instruments and matters related to investment securities and derivative transactions:

Assets:

(a) Cash and deposits, notes and accounts receivable—trade and accounts receivable—other

As these instruments are settled within a short term, their carrying value approximates fair value.

(b) Short-term investment securities and investment securities

The fair values of equity securities are determined by their quoted prices on stock exchanges. The fair values of bonds are determined by discounting their value at maturity to present value at the corresponding interest rate. The fair values of joint operating money in trust are settled within a short term, their carrying value approximates fair value.

See Note 5 for an analysis of securities by classification.

(c) Long-term loans receivable

Fair value is calculated based on the present value of estimated future cash flows, using an interest rate based on borrower credit risk. For loans in danger of default, the fair value may be taken as the current value of estimated future cash flows, or, as estimated loan losses are calculated based on the expected recoverable amount, the fair value determined by subtracting current loan loss estimates from the book value as of the balance sheet date.

(d) Long-term time deposits

As these instruments are time deposits with maturities of six months, their carrying value approximates fair value.

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Liabilities:

(a) Accounts payable—trade, short-term loans payable, accounts payable—other, income taxes payable and excise taxes payable on gasoline and other fuels

As these instruments are settled within a short term, their carrying value approximates fair value.

(b) Long-term loans payable

For floating-rate loans, the Company assumes that interest rates reflect market rates over the short term and credit conditions will not change significantly after loans have gone into effect, so that the carrying value approximates fair value. For fixed-rate loans, the total amount of principal and interest is discounted to present value using the assumed rate of interest on new loans of the same type to calculate fair value.

One consolidated subsidiary employs the same valuation method for variable-rate and fixed-rate loans.

Derivatives:

(a) Hedge accounting not applied

At March 31, 2012, there are no outstanding derivative transactions for which hedge accounting is not applied.

The Company entered into forward exchange contracts to which hedge accounting was not applied for the year ended March 31, 2011. The contract amounts at March 31 2011 were ¥414 million, and the fair value and unrealized gains were ¥1 million.

(b) Hedge accounting applied

The Company has applied hedge accounting for forward exchange contracts to hedge risks of changes in foreign exchange rates on accounts receivable, accounts payable and short-term loans payable. The contract amounts at March 31, 2012 are ¥81,885 million ($996,289 thousand) for accounts payable and short-term loans payable. The contract amounts at March 31, 2011 were ¥3,310 million for accounts receivable and ¥50,153 million for accounts payable and short-term loans payable. As discussed in Note 2 (p), foreign currency denominated receivables and payables hedged by forward exchange contracts are translated at the respective forward contract rates. Therefore, the fair value of accounts receivable, accounts payable, and short-term loans payable include the fair value of the forward exchange contracts.

The Company has applied hedge accounting for interest rate swap contracts to hedge risks of changes in floating interest rates on long-term loans payable. The contract amount at March 31, 2012 is ¥23,959 million ($291,507 thousand) and the amount of contracts for which terms are more than one year is ¥18,289 million ($222,521 thousand). The contract amount at March 31, 2011 was ¥22,378 million and the amount of contracts for which terms are more than one year was ¥19,975 million. As discussed in Note 2 (p), if interest rate swap contracts are used as hedges and meet certain hedging criteria, 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. Therefore, the fair value of long-term loans payable includes the fair value of the interest swap contracts.

Financial instruments for which fair value is not readily determinable

The carrying value of financial instruments for which their value are not readily determinable as of March 31, 2012 and 2011 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
Assets	**2012**	2011	**2012**
Unlisted equity securities	**¥ 358**	¥ 551	**$ 4,356**
Stocks of affiliated companies	**¥8,891**	¥9,631	**$108,176**

Monetary claims and securities with maturities after the balance sheet date and their expected maturity values

The redemption schedule for monetary claims and securities with maturity dates as of March 31, 2012, are summarized as follows:

	Millions of Yen			
	One year or less	More than one year, within five years	More than five years, within 10 years	More than 10 years
	2012			
Cash and deposits	**¥ 17,185**	**¥ —**	**¥ —**	**¥—**
Notes and accounts receivable—trade	**98,194**	**—**	**—**	**—**
Short-term investment securities and investment securities:				
Held-to-maturity debt securities	**4**			
Available-for-sale securities	**—**	**—**	**—**	**—**
Accounts receivable—other	**9,128**	**—**	**—**	**—**
Long-term loans receivable, net of allowance of doubtful accounts	**37**	**5,309**	**194**	**75**
Long-term time deposits	**1,374**	**—**	**—**	**—**
Total	**¥125,925**	**¥5,309**	**¥194**	**¥75**

	Thousands of U.S. Dollars (Note 1)			
	One year or less	More than one year, within five years	More than five years, within 10 years	More than 10 years
	2012			
Cash and deposits	**$ 209,089**	**$ —**	**$ —**	**$ —**
Notes and accounts receivable—trade	**1,194,720**	**—**	**—**	**—**
Short-term investment securities and investment securities:				
Held-to-maturity debt securities	**49**	**—**	**—**	**—**
Available-for-sale securities	**—**	**—**	**—**	**—**
Accounts receivable—other	**111,060**	**—**	**—**	**—**
Long-term loans receivable, net of allowance of doubtful accounts	**450**	**64,594**	**2,360**	**913**
Long-term time deposits	**16,717**	**—**	**—**	**—**
Total	**$1,532,121**	**$64,594**	**$2,360**	**$913**

The redemption schedule for monetary claims and securities with maturity dates as of March 31, 2011, are summarized as follows:

	Millions of Yen			
	One year or less	More than one year, within five years	More than five years, within 10 years	More than 10 years
	2011			
Cash and deposits	¥22,379	¥ —	¥ —	¥ —
Notes and accounts receivable—trade	67,138	—	—	—
Short-term investment securities and investment securities:				
Held-to-maturity debt securities	4	4	—	—
Available-for-sale securities	—	—	—	—
Accounts receivable—other	2,166	—	—	—
Long-term loans receivable, net of allowance of doubtful accounts	0	13,414	194	112
Long-term time deposits	1,383	—	—	—
Total	¥93,072	¥13,419	¥194	¥112

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5. Short-Term Investment Securities and Investment Securities

The following tables summarize carrying value and fair value of held-to-maturity securities with available fair values as of March 31, 2012 and 2011:

	Millions of Yen			Thousands of U.S. Dollars (Note 1)		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
	2012					
Securities with fair value exceeding carrying value:						
Held-to-maturity securities	**¥—**	**¥—**	**¥—**	**$—**	**$—**	**$—**
Securities with fair value not exceeding carrying value:						
Held-to-maturity securities	**4**	**4**	**(0)**	**49**	**49**	**(0)**
Total	**¥ 4**	**¥ 4**	**¥(0)**	**$ 49**	**$ 49**	**$(0)**

	Millions of Yen		
	Carrying value	Fair value	Difference
	2011		
Securities with fair value exceeding carrying value:			
Held-to-maturity securities	¥—	¥—	¥—
Securities with fair value not exceeding carrying value:			
Held-to-maturity securities	8	8	(0)
Total	¥ 8	¥ 8	¥(0)

Short-term investment securities and investment securities classified as available-for-sale securities as of March 31, 2012 and 2011, are summarized as follows:

	Millions of Yen			Thousands of U.S. Dollars (Note 1)		
	Acquisition cost	Carrying value	Difference	Acquisition cost	Carrying value	Difference
	2012					
Securities with carrying value exceeding acquisition cost:						
Equity securities	**¥ 449**	**¥ 557**	**¥108**	**$ 5,463**	**$ 6,777**	**$ 1,314**
Securities with carrying value not exceeding acquisition cost:						
Equity securities	**1,133**	**960**	**(173)**	**13,785**	**11,680**	**(2,105)**
Other securities	**882**	**882**	**—**	**10,731**	**10,731**	**—**
Total	**¥2,465**	**¥2,399**	**¥ (65)**	**$29,991**	**$29,188**	**$ (791)**

	Millions of Yen		
	Acquisition cost	Carrying value	Difference
	2011		
Securities with carrying value exceeding acquisition cost:			
Equity securities	¥1,557	¥1,784	¥226
Securities with carrying value not exceeding acquisition cost:			
Equity securities	23	18	(5)
Other securities	318	318	—
Total	¥1,900	¥2,121	¥221

There are no available-for-sale securities sold during the years ended March 31, 2012 and 2011.

6. Property, Plant and Equipment

Accumulated depreciation

Property, plant and equipment are stated at cost less accumulated depreciation in the accompanying consolidated balance sheets. The accumulated depreciation as of March 31, 2012 and 2011 are ¥246,800 million ($3,002,798 thousand) and ¥236,784 million, respectively.

Deferred proceeds from national subsidies and insurance claims

Deferred proceeds from national subsidies and insurance claims are 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)
	2012	2011	**2012**
Proceeds from national subsidies	**¥350**	¥201	**$4,258**
Proceeds from insurance claims	**¥128**	¥128	**$1,557**

7. Impairment of Fixed Assets

The Company recorded a loss on impairment of land in Ichihara City, Chiba Prefecture, for the years ended March 31, 2012 and 2011.

The Company reviewed fixed assets for impairment by grouping assets into income-generating units. Regarding the land above, as the Company does not intend to use this asset in the future and the price of the land is continuously declining, the book value was reduced to the recoverable amount.

As a result, a loss in the amount of ¥248 million ($3,017 thousand) and ¥8 million are recorded as a loss on impairment of fixed assets under other, net in the accompanying consolidated statements of income for the years ended March 31, 2012 and 2011, respectively. The recoverable amount of the land is assessed based on the appraisal value by an independent real estate appraiser.

8. Short-Term Loans Payable, Long-Term Loans Payable, and Lease Obligations

Short-term loans payable, long-term loans payable, and lease obligations as of March 31, 2012 and 2011 and the weighted average interest rates on the loans payable outstanding as of March 31, 2012 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	**2012**
Short-term loans payable—1.3%	**¥100,470**	¥ 98,084	**$1,222,411**
Current portion of long-term loans payable—2.0%	**18,382**	15,932	**223,653**
Lease obligations due within one year	**27**	23	**329**
Long-term loans payable, maturing in 2013–2020—2.4%	**47,358**	58,783	**576,201**
Lease obligations due in 2013–2017	**44**	56	**535**
Total	**¥166,282**	¥172,880	**$2,023,142**

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Annual maturities of long-term loans payable as of March 31, 2012 are as follows:

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
Years ending March 31,	**2012**	
2013	**¥18,382**	**$223,653**
2014	**29,092**	**353,960**
2015	**3,861**	**46,977**
2016	**2,291**	**27,874**
2017	**3,156**	**38,399**

Annual maturities of long-term loans payable as of March 31, 2011 are as follows:

	Millions of Yen
Years ending March 31,	2011
2012	¥15,932
2013	18,283
2014	32,765
2015	3,471
2016	1,901

Future lease payments as of March 31, 2012 are as follows:

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
Years ending March 31,	**2012**	
2013	**¥27**	**$329**
2014	**18**	**219**
2015	**13**	**158**
2016	**9**	**110**
2017	**3**	**37**

Future lease payments as of March 31, 2011 are as follows:

	Millions of Yen
Years ending March 31,	2011
2012	¥23
2013	23
2014	14
2015	9
2016	6

Pledged assets

The following assets are pledged as collateral for long-term loans payable and other current liabilities amounting to ¥59,886 million ($728,629 thousand) and ¥70,727 million, including current portion of ¥17,082 million ($207,836 thousand) and ¥14,583 million, as of March 31, 2012 and 2011, respectively. Long-term loans receivable to affiliated companies of ¥2,000 million ($24,334 thousand), eliminated for consolidated purposes, are pledged as collateral.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	**2012**
Investment securities	**¥ 1,893**	¥ 2,229	**$ 23,032**
Long-term time deposits	**1,374**	1,383	**16,717**
Treasury stock	**1,208**	1,208	**14,698**
Buildings and structures	**11,658**	12,802	**141,842**
Storage tanks	**2,167**	2,001	**26,366**
Machinery, equipment and vehicles	**38,698**	45,918	**470,836**
Land	**48,952**	48,952	**595,596**
Long-term loans receivable	**4,517**	12,622	**54,958**
Other current assets	**7,978**	8,999	**97,068**
Total carrying value of pledged assets	**¥118,448**	¥136,118	**$1,441,149**

9. Income Taxes

Income taxes applicable to the Company and its domestic subsidiaries comprise corporation, enterprise, and inhabitants' taxes which, in the aggregate, resulted in a statutory tax rate of 40.4% for the years ended March 31, 2012 and 2011.

The Company and six domestic subsidiaries adopt 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, 2012 and 2011 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	**2012**
Deferred tax assets:			
Tax loss carryforwards	**¥ 19,721**	¥ 23,555	**$ 239,944**
Provision for retirement benefits	**1,137**	1,362	**13,834**
Provision for loans receivable agreement expenses	**74**	194	**900**
Foreign income taxes	**265**	306	**3,224**
Provision for repairs	**331**	481	**4,027**
Provision for special repairs	**187**	204	**2,275**
Depreciation	**445**	516	**5,414**
Other	**3,699**	1,097	**45,005**
Subtotal	**25,863**	27,719	**314,673**
Valuation allowance	**(21,574)**	(23,883)	**(262,489)**
Total deferred tax assets	**4,289**	3,836	**52,184**
Deferred tax liabilities:			
Valuation difference on assets of consolidated subsidiaries	**(10,470)**	(11,949)	**(127,388)**
Undistributed earnings of foreign subsidiaries	**(171)**	(217)	**(2,081)**
Other	**—**	(27)	**—**
Total deferred tax liabilities	**(10,642)**	(12,194)	**(129,480)**
Net deferred tax liabilities	**¥ (6,352)**	¥ (8,358)	**$ (77,284)**

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)
	2012	2011	**2012**
Current assets—Deferred tax assets	**¥ 1,403**	¥ 1,593	**$ 17,070**
Non-current assets—Deferred tax assets	**2,688**	1,998	**32,705**
Long-term liabilities—Deferred tax liabilities	**(10,445)**	(11,949)	**(127,084)**

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A 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, 2012 and 2011 is as follows:

	2012	2011
Statutory income tax rate:	**40.4%**	40.4%
Movement in valuation allowance	**(95.2)**	(122.1)
Adjustment on foreign income	**(49.0)**	(77.6)
Equity in earnings of affiliates	**3.9**	(29.8)
Dividends income	**(5.3)**	(32.4)
Changes in the corporate income tax rate	**(140.1)**	—
Other	**7.1**	15.4
Effective income tax rate	**(238.2)%**	(206.1)%

Effect of changes in the corporate income tax rate

Following the promulgation of the "Act for Partial Amendment of the Income Tax Act, etc. for the Purpose of Creating a Taxation System Responding to Changes in Economic and Social Structures" (Act No. 114, 2011) and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (Act No. 117, 2011) on December 2, 2011, the corporate income tax rate will be lowered and a special restoration surtax will be imposed from fiscal years beginning on or after April 1, 2012.

Accordingly, the statutory income tax rate used for the calculation of deferred tax assets and deferred tax liabilities is indicated below, showing dates of reversal owing to temporary differences and other factors.

Temporary differences expected to be reversed from April 1, 2012 to March 31, 2015 – 37.8%

Temporary differences expected to be reversed after March 31, 2015 – 35.4%

As a result of this change, deferred tax assets, deferred tax liabilities and deferred income tax decreased by ¥100 million ($1,217 thousand), ¥1,503 million ($18,287 thousand) and ¥1,402 million ($17,058 thousand), respectively for the year ended March 31, 2012.

10. Provision for Retirement Benefits

As of March 31, 2012 and 2011, four consolidated subsidiaries had defined benefit retirement plans. The plans consist of mutual aid plans for small and medium size companies and lump-sum severance plans, which cover substantially all employees who are entitled upon retirement to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rate of pay, length of service, and the conditions under which termination occurs. As of March 31, 2012 and 2011, certain consolidated subsidiaries also operate defined contribution retirement plans.

The following table sets forth the funded and accrued status of the defined benefit retirement plans and the amounts recognized in the consolidated balance sheets as of March 31, 2012 and 2011:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	**2012**
Retirement benefit obligation	**¥(6,062)**	¥(5,808)	**$(73,756)**
Fair value of plan assets	**2,613**	2,446	**31,792**
Unfunded retirement benefit obligation	**(3,449)**	(3,361)	**(41,964)**
Unrecognized prior service costs	**5**	6	**61**
Unrecognized actuarial difference	**247**	(26)	**3,005**
Net retirement benefit obligation	**(3,195)**	(3,381)	**(38,873)**
Prepaid pension expenses	**175**	218	**2,129**
Accrued retirement benefits	**¥(3,371)**	¥(3,600)	**$(41,015)**

For the years ended March 31, 2012 and 2011, three of the consolidated subsidiaries adopted a simplified method in computing their retirement benefit obligations as permitted by Japanese GAAP.

The components of retirement benefit expenses for the years ended March 31, 2012 and 2011 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	**2012**
Service cost	**¥250**	¥226	**$3,042**
Interest cost	**102**	99	**1,241**
Expected return on plan assets	**(31)**	(30)	**(377)**
Amortization of prior service cost	**0**	0	**0**
Amortization of actuarial difference	**7**	65	**85**
Total	**¥329**	¥362	**$4,003**

Retirement benefit expenses of the consolidated subsidiaries adopting the simplified method are included in service cost.

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

	2012	2011
Discount rate	**1.3%**	2.0%
Expected rate of return on plan assets	**1.6%**	1.6%
Amortization period for unrealized actuarial gain or loss	**10 years**	10 years
Amortization period for prior service costs	**10 years**	10 years

11. Net Assets

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

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

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

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

Treasury stock

The number of treasury stock owned by the Companies as of March 31, 2012 and 2011 are 966,016 common stock shares.

12. Loan Commitment Agreement

As a creditor:

AOC has entered into a loan commitment agreement with KGOC. The outstanding balance of the loan commitment as of March 31, 2012 and 2011 is as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	**2012**
Total commitments available	**¥61,642**	¥62,362	**$750,000**
Amount utilized	**61,642**	62,362	**750,000**
Balance available	**¥ —**	¥ —	**$ —**

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As a debtor:

AOC entered into loan commitment agreements with eight banks aggregating ¥61,642 million ($750,000 thousand) and ¥62,362 million as of March 31, 2012 and 2011, respectively, to cover the loan commitments granted to KGOC as noted above. In addition, Fuji Oil Company, Ltd., a consolidated subsidiary, entered into loan commitment agreements with ten banks aggregating ¥40,000 million ($486,677 thousand), ¥25,000 million ($304,173 thousand) of which is restricted to the import usance loans payable, and ¥37,500 million, ¥22,500 million of which is restricted to the import usance loans payable, as of March 31, 2012 and 2011, respectively, to finance working capital requirements. The outstanding balance of such loan commitments as of March 31, 2012 and 2011 is as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	**2012**
Total commitments available	**¥101,642**	¥99,862	**$1,236,671**
Amount utilized	**83,259**	83,883	**1,013,006**
Balance available	**¥ 18,383**	¥15,978	**$ 223,665**

13. Contingent Liabilities

The Companies had the following guarantees of liabilities as of March 31, 2012 and 2011.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	**2012**
Employees (for home purchase):			
Indebtedness to financial institutions	**¥ 90**	¥130	**$1,095**
Japan Biofuels Supply LLP:			
Guarantee of obligations related to overdraft facility	**280**	290	**3,407**
Guarantee of obligations related to deferred payment of consumption taxes on imports	**35**	29	**426**
Guarantee of obligations related to letter of credit agreements	**148**	244	**1,801**

14. Leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of leased assets as of March 31, 2012 and 2011, 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)
	2012	2011	**2012**
Acquisition costs:			
Machinery, equipment and vehicles	**¥ 8**	¥ 12	**$ 97**
Other	**58**	142	**706**
	¥67	¥154	**$815**
Accumulated depreciation:			
Machinery, equipment and vehicles	**¥ 7**	¥ 9	**$ 85**
Other	**56**	122	**681**
	¥64	¥132	**$779**
Net book value:			
Machinery, equipment and vehicles	**¥ 0**	¥ 2	**$ 0**
Other	**2**	19	**24**
	¥ 2	¥ 22	**$ 24**

Lease payments relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements and the related pro forma depreciation expenses for the years ended March 31, 2012 and 2011 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	**2012**
Lease payments	**¥18**	¥31	**$219**
Depreciation expenses	**18**	31	**219**

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

Future minimum lease payments as of March 31, 2012 and 2011 for finance leases currently accounted for as operating leases are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	**2012**
Due within one year	**¥ 2**	¥19	**$24**
Due after one year	**—**	2	**—**
Total	**¥ 2**	¥22	**$24**

15. Cash and Cash Equivalents

Reconciliation of "Cash and cash equivalents" in the consolidated statements of cash flows and "Cash and deposits" in the consolidated balance sheets as of March 31, 2012 and 2011 is as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	**2012**
Cash and deposits	**¥17,185**	¥22,379	**$209,089**
Short-term investment securities	**886**	323	**10,780**
Subtotal	**18,071**	22,702	**219,869**
Time deposits maturing over three months	**(10)**	(5,309)	**(122)**
Debt securities maturing over three months	**(4)**	(4)	**(49)**
Cash and cash equivalents	**¥18,057**	¥17,388	**$219,698**

16. Per Share Data

	Yen		U.S. Dollars (Note 1)
	2012	2011	**2012**
Net assets per share	**¥1,226.10**	¥1,204.26	**$14.92**
Basic net income per share	**43.66**	52.06	**0.53**
Cash dividends per share attributable to the year	**6.00**	6.00	**0.073**

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

Basic net income and loss per share are computed based on the net income available for distribution and loss attributable to shareholders of capital stock and the weighted average number of shares of capital stock outstanding during the year. Diluted net income per share has been omitted because no potentially dilutive instruments are outstanding during the years ended March 31, 2012 and 2011.

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

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17. Asset Retirement Obligations

Asset retirement obligations shown in the consolidated balance sheets

The Companies own buildings that contain asbestos in their building materials. As the removal of such buildings obliges the Companies to dispose of this asbestos, this obligation is recorded as asset retirement obligations in accordance with relevant laws and statutes. Estimates of such asset retirement obligations include usage periods ranging from 14 years to 49 years, and discount rates ranging from 1.672% to 2.285%.

Furthermore, the Companies own certain Service Station ("SS") equipment that is located at sites used under real estate leasing agreements. As the removal of such SS equipment involves obligations to return land and structures to their original condition, asset retirement obligations are recorded in accordance with these agreements. Estimates of such asset retirement obligations include a usage period of 47 years and a discount rate of 2.285%.

Changes in total asset retirement obligations during the consolidated fiscal years ended March 31, 2012 and 2011 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	**2012**
Balance at the beginning of the year	**¥100**	¥ 98	**$1,217**
Elapsed time adjustment	**2**	2	**24**
Balance at the end of the year	**¥102**	¥100	**$1,241**

Note: The balance at the beginning of the year ended March 31, 2011 reflects the application from the consolidated fiscal year ended March 31, 2011 of the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18, March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, March 31, 2008).

Asset retirement obligations other than those shown in the consolidated balance sheets

(1) The Companies own pipework that contains asbestos. The disposal of such pipework involves the obligation to dispose of asbestos. As conducting an investigation into the pipework could have a significant disruption on facility operation and on loading and unloading during sales operations, the Companies have difficulty to perform such investigation. Therefore, no rational estimate can be provided for this asset retirement obligations. Consequently, no corresponding obligation is included within asset retirement obligations.

(2) The Companies own electrical equipment that contains trace amounts of PCB. The disposal of such equipment involves the obligation to dispose of PCB-containing materials. However, as the disposal method is at present unclear, no rational estimate can be provided for this asset retirement obligations. Consequently, no corresponding obligation is included within asset retirement obligations.

18. Comprehensive Income

Each component of other comprehensive income for the year ended March 31, 2012 is the following:

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
	2012	
Valuation difference on available-for-sale securities:		
Amount arising during the year	**¥ (285)**	**$ (3,468)**
Reclassification adjustments	**—**	**—**
Amount before income tax effect	**(285)**	**(3,468)**
Income tax effect	**28**	**341**
Total	**(257)**	**(3,127)**
Foreign currency translation adjustments:		
Amount arising during the year	**(638)**	**(7,763)**
Share of other comprehensive income of associates accounted for using equity method:		
Amount arising during the year	**(326)**	**(3,966)**
Total other comprehensive income	**¥(1,222)**	**$(14,868)**

19. Segment Information

(1) Overview of reporting segments

The Companies' reporting segments are composed of those individual business units for which separate financial information is available, based on which the Board of Directors makes decisions regarding the allocation of management resources and for which operating performance can be evaluated, allowing them to be examined periodically.

The Companies have two reporting segments: the upstream business of oil/gas development and sales, which is conducted chiefly by the Arabian Oil Company, Ltd., and the downstream business of oil refinery and sales, which is conducted chiefly by the Fuji Oil Company, Ltd.

The oil/gas development and sales business primarily involves the exploration, development, production, and sale of crude oil and natural gas, while the oil refinery and sales business primarily involves the transportation, refining and sale of petroleum products.

(2) Methods of calculating sales, profit or losses, assets, liabilities and other items by reporting segment

Methods of accounting for reported business segments are in principal the same as those indicated in Note 2"Summary of Significant Accounting Policies." Profit or losses of reporting segments are based on ordinary income or losses. Ordinary income is calculated by adding net extraordinary losses of ¥305 million ($3,711 thousand) and ¥202 million for the years ended March 31, 2012 and 2011, respectively, to income before income taxes and minority interests. Profit or losses between segments and transfer amounts are based on market prices.

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(3) Sales, profit (loss), assets, liabilities and other items by reporting segment as of and for the years ended March 31, 2012 and 2011 is summarized as follows:

	Millions of Yen				
	Oil/gas development and sales	Oil refinery and sales	Total	Adjustments	Consolidated
			2012		
Sales:					
Sales to third parties	¥129,341	¥572,308	¥701,650	¥ —	¥701,650
Intersegment sales	—	—	—	—	—
Total sales	129,341	572,308	701,650	—	701,650
Segment profit (loss)	¥ (2,951)	¥ 4,233	¥ 1,281	¥ 24	¥ 1,305
Segment assets	¥ 66,474	¥342,193	¥408,667	¥ 1,282	¥409,950
Segment liabilities	¥ 34,080	¥287,802	¥321,883	¥(6,700)	¥315,183
Other:					
Depreciation and amortization	361	11,240	11,602	55	11,658
Interest income	103	24	128	0	128
Interest expenses	91	2,858	2,949	(44)	2,905
Equity in earnings (losses) of affiliates	39	(143)	(104)	—	(104)
Other, net	(12)	(274)	(286)	(19)	(305)
Investments in equity method affiliates	834	7,235	8,070	—	8,070
Increase in property, plant and equipment and intangible assets	3,351	2,578	5,930	56	5,986

	Thousands of U.S. Dollars (Note 1)				
	Oil/gas development and sales	Oil refinery and sales	Total	Adjustments	Consolidated
			2012		
Sales:					
Sales to third parties	$1,573,683	$6,963,232	$8,536,927	$ —	$8,536,927
Intersegment sales	—	—	—	—	—
Total sales	1,573,683	6,963,232	8,536,927	—	8,536,927
Segment profit (loss)	$ (35,905)	$ 51,503	$ 15,586	$ 292	$ 15,878
Segment assets	$ 808,785	$4,163,438	$4,972,223	$ 15,598	$4,987,833
Segment liabilities	$ 414,649	$3,501,667	$3,916,328	$(81,518)	$3,834,810
Other:					
Depreciation and amortization	4,392	136,756	141,161	669	141,842
Interest income	1,253	292	1,557	0	1,557
Interest expenses	1,107	34,773	35,880	(535)	35,345
Equity in earnings (losses) of affiliates	475	(1,740)	(1,265)	—	(1,265)
Other, net	(146)	(3,334)	(3,480)	(231)	(3,711)
Investments in equity method affiliates	10,147	88,028	98,187	—	98,187
Increase in property, plant and equipment and intangible assets	40,771	31,366	72,150	681	72,831

Notes: 1. The adjustment on segment profit (loss) of ¥24 million ($292 thousand) includes elimination of intersegment transactions.
2. The adjustment on segment assets of ¥1,282 million ($15,598 thousand) consists of elimination of intersegment transactions of ¥-1,178 million ($-14,333 thousand) and the Company's assets of ¥2,460 million ($29,931 thousand).
3. The adjustment on segment liabilities of ¥-6,700 million ($-81,518 thousand) consists of elimination of intersegment transactions of ¥-6,748 million ($-82,102 thousand) and the Company's liabilities of ¥48 million ($584 thousand).
4. The adjustment on depreciation and amortization of ¥55 million ($669 thousand) is related to the Company's assets.
5. The adjustment on other, net of ¥-19 million ($-231 thousand) is related to the Company's assets.
6. The adjustment on property, plant and equipment, and intangible fixed assets is an increase of ¥56 million ($681 thousand), which is related to the Company's assets.

	Millions of Yen				
	Oil/gas development and sales	Oil refinery and sales	Total	Adjustments	Consolidated
			2011		
Sales:					
Sales to third parties	¥93,196	¥477,953	¥571,149	¥ —	¥571,149
Intersegment sales	—	—	—	—	—
Total sales	93,196	477,953	571,149	—	571,149
Segment profit (loss)	¥ (4,574)	¥ 6,087	¥ 1,512	¥ 7	¥ 1,520
Segment assets	¥66,852	¥311,506	¥378,358	¥ (7,816)	¥370,542
Segment liabilities	¥32,010	¥256,361	¥288,372	¥(10,897)	¥277,474
Other:					
Depreciation and amortization	169	13,246	13,416	48	13,464
Interest income	151	36	187	(1)	186
Interest expenses	167	2,597	2,764	(45)	2,718
Equity in earnings of affiliates	455	524	979	—	979
Other, net	4,724	(202)	4,522	(4,724)	(202)
Investments in equity method affiliates	895	7,915	8,810	—	8,810
Increase in property, plant and equipment and intangible assets	4,402	1,784	6,187	124	6,312

Notes: 1. The adjustment on segment profit (loss) of ¥7 million includes elimination of intersegment transactions.
2. The adjustment on segment assets of ¥-7,816 million consists of elimination of intersegment transactions of ¥-10,213 million and the Company's assets of ¥2,397 million .
3. The adjustment on segment liabilities of ¥-10,897 million consists of elimination of intersegment transactions of ¥-10,972 million and the Company's liabilities of ¥74 million
4. The adjustment on depreciation and amortization of ¥48 million is related to the Company's assets.
5. The adjustment on other, net of ¥-4,724 million is elimination of intersegment transactions.
6. The adjustment on property, plant and equipment, and intangible fixed assets is an increase of ¥124 million, which is related to the Company's assets.
7. Other, net is generated primarily by sale of investment securities within the Companies, and is eliminated through adjustment.

(4) Significant changes of methods of calculating profit (loss) by reporting segment

As discussed in Note 2 (g), with regard to certain new equipment designed to ensure stable, long-term operation through technical innovation, taking into consideration its wear status from the inspection conducted during the consolidated fiscal year ended March 31, 2011 and their future repair plans, the Companies revised their estimate of the equipment's useful life. As a result, effective from the fourth quarter of the consolidated fiscal year ended March 31, 2011, the Companies revised the estimated useful life of certain equipment from the tax basis of seven years to 16–17 years. Accordingly, depreciation expenses decreased by ¥2,107 million ($25,636 thousand) and segment profit of "Oil refinery and sales" increased by ¥1,994 million ($24,261 thousand) for the consolidated fiscal year ended March 31, 2012.

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(5) Related information

Sales by products for the years ended March 31, 2012 and 2011 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	**2012**
Petroleum products	**¥566,152**	¥471,207	**$6,888,332**
Crude oil and natural gas	**129,108**	93,102	**1,570,848**
Other	**6,389**	6,838	**77,735**
Total	**¥701,650**	¥571,149	**$8,536,927**

Sales and property, plant and equipment by geographical areas as of and for the years ended March 31, 2012 and 2011 are as follows:

	Millions of Yen				
	Japan	Asia	Europe	Other	Total
			2012		
Sales	**¥689,178**	**¥6,196**	**¥ 3,411**	**¥2,862**	**¥701,650**
Property, plant and equipment	**104,934**	**—**	**15,414**	**—**	**120,348**

Note: Countries and regions are classified on the basis of the location of customers.

	Thousands of U.S. Dollars (Note 1)				
	Japan	Asia	Europe	Other	Total
			2012		
Sales	**$8,385,181**	**$ 75,386**	**$ 41,501**	**$34,822**	**$8,536,927**
Property, plant and equipment	**1,276,725**	**—**	**187,541**	**—**	**1,464,266**

	Millions of Yen				
	Japan	Asia	Europe	Other	Total
			2011		
Sales	¥495,859	¥52,197	¥ 702	¥22,389	¥571,149
Property, plant and equipment	113,768	—	13,504	0	127,273

Sales to major customers for the years ended March 31, 2012 and 2011 are as follows:

		Millions of Yen		Thousands of U.S. Dollars (Note 1)
Name of customer	Related segments	**2012**	2011	**2012**
Showa Shell Sekiyu K.K.	Oil/gas development and sales, Oil refinery and sales	**¥430,600**	¥295,774	**$5,239,080**

Information on impairment losses of fixed assets by reporting segment for the years ended March 31, 2012 and 2011

An impairment loss of fixed assets in the amount of ¥248 million ($3,017 thousand) and ¥8 million is recorded in the oil refinery and sales business for the consolidated fiscal years ended March 31, 2012 and 2011, respectively.

Information on gain on negative goodwill by reporting segment for the years ended March 31, 2012 and 2011

There is nothing to be reported for the year ended March 31, 2012. The Company acquired additional shares in a consolidated subsidiary in the oil refinery and sales business in which it had been a minority shareholder. As a result, negative goodwill of ¥4 million was generated during the consolidated fiscal year ended March 31, 2011.

20. Related Party Transactions

The following are the Company's transactions with its related parties for the years ended March 31, 2012 and 2011.

2012

Name	Relationship	Transaction type	Transaction amount	Account	Balance at year-end
Shigeya Kato	A director of the Company and the representative chairman of Showa Shell Sekiyu K. K.	Sale of crude oil and products	**¥430,600 million ($5,239,080 thousand)**	Accounts receivable—trade	**¥58,171 million ($707,763 thousand)**
		Accommodation of crude oil	**¥9,912 million ($120,599 thousand)**	Accounts receivable—other	**¥5,151 million ($62,672 thousand)**
		Purchase of crude oil and products	**¥292,560 million ($3,559,557 thousand)**	Accounts payable—trade	**¥30,861 million ($375,484 thousand)**
Osamu Ishitobi	A director of the Company and the representative director of Sumitomo Chemical Company, Limited	Sale of petrochemical products	**¥33,372 million ($406,035 thousand)**	Accounts receivable—trade	**¥4,644 million ($56,503 thousand)**

2011

Name	Relationship	Transaction type	Transaction amount	Account	Balance at year-end
Shigeya Kato	A director of the Company and the representative chairman of Showa Shell Sekiyu K. K.	Sale of crude oil and products	¥301,492 million	Accounts receivable—trade	¥35,600 million
		Purchase of crude oil and products	¥184,234 million	Accounts payable—trade	¥13,196 million
Hiromasa Yonekura	A director of the Company and the representative director of Sumitomo Chemical Company, Limited	Sale of petrochemical products	¥9,044 million	—	—
Osamu Ishitobi	A director of the Company and the representative director of Sumitomo Chemical Company, Limited	Sale of petrochemical products	¥24,607 million	Accounts receivable—trade	¥4,535 million

Notes: 1. The transaction amounts are exclusive of consumption tax, while the balances at year-end are inclusive of consumption tax.
2. Basis of transactions
The selling and purchase price of crude oil and petroleum products is determined based on usual general business terms in consideration of market prices. The price of crude oil accommodated is determined based on market prices.
3. The transactions with Shigeya Kato, a director of the Company, represent the transactions between the Company and Showa Shell Sekiyu K. K. of which Shigeya Kato is the representative chairman.
4. The transactions with Hiromasa Yonekura, a director of the Company, represent the transactions between the Company and Sumitomo Chemical Company, Limited of which Hiromasa Yonekura is the representative director.
5. The transactions with Osamu Ishitobi, a director of the Company, represent the transactions between the Company and Sumitomo Chemical Company, Limited of which Osamu Ishitobi is the representative director.
6. Hiromasa Yonekura stepped down from his position as director on June 28, 2010, and the transaction amount is recorded as the amount prior to his retirement. Also, owing to his retirement as of June 28, 2010, the balance of accounts receivable as of March 31, 2012, is omitted.
7. Oasmu Ishitobi was appointed as a Company director on June 28, 2010, and the transaction amounts above are from the date of his appointment.

21. Subsequent Events

The Company recorded the following losses during the first quarter of the fiscal year ending March 31, 2013.

1. Regarding fixed assets of the Yme Oil Field in the Norwegian North Sea where Norske AEDC AS, a wholly owned subsidiary of AOC, holds 10% working interests, the construction of the marine production facilities is behind schedule and the start of the production cannot be predicted. Therefore, AOC marked down the book value of the related fixed assets to the recoverable amount, and recorded the amount of ¥7,982 million as impairment losses. The recoverable amount of said fixed assets was calculated based on the net selling price derived from the tax value under the Norwegian tax system.
2. In light of the country's political situation and based on the state of progress of development work, AOC reviewed the development plan for the Northwest October Block in the Gulf of Suez in Egypt, where AOC holds 50% working interests and is involved in its development as an operator, and recorded a reserve against the ¥4,073 million of investment for exploration development account.

Financial Section / Investor Information

KPMG

Independent Auditor's Report

To the Board of Directors of AOC Holdings, Inc.:

We have audited the accompanying consolidated financial statements of AOC Holdings, Inc. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2012 and 2011, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to 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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of AOC Holdings, Inc. and its consolidated subsidiaries as at March 31, 2012 and 2011, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

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

(1) As discussed in Note 2(g) to the consolidated financial statements, effective from January 1, 2011, AOC Holdings, Inc. and its domestic subsidiaries revised the useful life of certain equipment.

(2) As discussed in Note 9 to the consolidated financial statements, AOC Holdings, Inc. notes the effect of changes in the corporate income tax rate.

(3) As discussed in Note 21 to the consolidated financial statements, AOC Holdings, Inc. notes the subsequent events, which occurred during the first quarter of the fiscal year ending March 31, 2013.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2012 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 LLC

June 27, 2012, except as to note 21, which is as of September 10, 2012
Tokyo, Japan

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity

Investor Information (As of March 31, 2012)

Corporate Data


Tennozu Parkside Building

Trade Name	AOC Holdings, Inc.
Date of Establishment	January 31, 2003
Head Office	Tennozu Parkside Building 5-8, Higashishinagawa 2-chome, Shinagawa-ku, Tokyo 140-0002, Japan TEL: 81-3-5463-5061 FAX: 81-3-5463-5043
Paid-in Capital	¥24,467 million
Fiscal Year-End	March 31
Employees	Non-Consolidated: 40 Consolidated: 581
Principal Business	Through shareholding, the Company is to conduct management of subsidiary companies, which carry out the following undertakings: 1. To explore, develop, produce, refine, sell, and buy crude oil, natural gas, other mineral resources, and new energies substituting for oil. 2. To export, import, sell, buy, and store petroleum products.

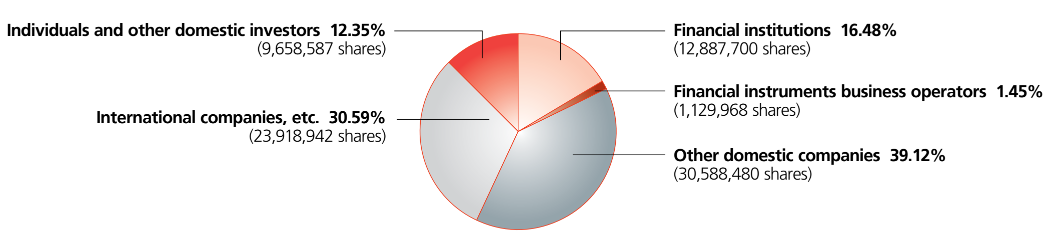
Shareholder Information

Number of Shares Authorized: 200,000,000 shares
Number of Shares Issued: 78,183,677 shares
Number of Shareholders: 14,270

Principal Shareholders

Name	Number of shares held (thousands)	Percentage of total shares outstanding (%)
The Tokyo Electric Power Company, Incorporated	6,839.9	8.74
BBH for Fidelity Low-Priced Stock Fund	6,050.0	7.73
Kuwait Petroleum Corporation	5,811.3	7.43
Government of the Kingdom of Saudi Arabia	5,811.3	7.43
Showa Shell Sekiyu K. K.	5,144.0	6.57
Sumitomo Chemical Company, Limited	5,051.6	6.46
Nippon Yusen Kabushiki Kaisha	2,750.8	3.51
Japan Trustee Services Bank, Ltd. (Trust Account)	2,367.9	3.02
The Master Trust Bank of Japan, Co., Ltd. (Trust Account)	2,022.9	2.58
The Kansai Electric Power Company, Incorporated	1,900.0	2.43
Total	43,749.9	55.95

Composition of Shareholders by Type



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