

Code No. 1662
June 6, 2017
Hideichi Okada, President
Japan Petroleum Exploration Co., Ltd. (JAPEX)
1-7-12 Marunouchi, Chiyoda-ku, Tokyo

To All Shareholders:

**Notification of the Convocation to
the 47th Ordinary General Meeting of the Shareholders**

The 47th Ordinary General Meeting of the Shareholders of Japan Petroleum Exploration Co., Ltd. (hereinafter referred to as the “JAPEX”) will be held according to the details below, and we kindly ask for your attendance.

If you are unable to attend the meeting, you may exercise your voting rights through a written document (Voting Rights Exercise Form) or by electronic means (via the Internet). Please read the attached “Reference Documents for Shareholders Meeting,” and exercise your voting rights after referring to “4. Guidance on the Exercise of Voting Rights” on the following page, prior to 5:35 p.m., Tuesday, June 27, 2017.

Thank you very much for your attention and cooperation.

Details:

1. Date and Time: 10:00 a.m., June 28, 2017 (Wednesday)
2. Location: Station Conference Tokyo “Sapia Hall” (Sapia Tower 5F)
1-7-12 Marunouchi, Chiyoda-ku, Tokyo
3. Agenda:
Announcements: 1) Business report and consolidated financial report of the 47th Term (from April 1, 2016 to March 31, 2017), and audit reports from the accounting auditor and Board of Corporate Auditors on the consolidated financial report
2) Financial report of the 47th Term (from April 1, 2016 to March 31, 2017)

Resolution items:

- Item 1: Appropriation of Surplus
- Item 2: Election of Fourteen (14) Directors
- Item 3: Election of Two (2) Corporate Auditors
- Item 4: Payment of Bonuses to Directors and Corporate Auditors
- Item 5: Renewal of the Measures to Prevent Large-scale Acquisition of Our Company Shares (Takeover Defense Measures)

NOTE: This document is an abridged translation of the Japanese “Notification of the Convocation to the 47th Ordinary General Meeting of the Shareholders” “Reference Documents for Shareholders Meeting” and “Financial Report” of JAPEX. This translation is intended for reference and convenience purposes only. In the event of any discrepancy between this translation and the Japanese original, the original shall prevail. JAPEX does not guarantee the accuracy and/or the completeness of this translation and shall have no liability for any errors or omissions therein.

4. Guidance on the Exercise of Voting Rights

[Exercise of Voting Rights in Writing (Voting Rights Exercise Form)]

Please indicate your approval or disapproval of each proposition on the enclosed Voting Rights Exercise Form and then send it back so that it reaches us no later than 5:35 p.m., Tuesday, June 27, 2017.

[Exercise of Voting Rights by Electronic Means (via the Internet)]

- (1) To exercise your voting rights via the Internet, you must use the following voting service website (<http://www.it-soukai.com/>) designated by the Company. You are cordially requested to exercise your voting rights via the Internet prior to 5:35 p.m., Tuesday, June 27, 2017.
- (2) Please register your approval or disapproval of each proposition, by using the code and password provided on your Voting Rights Exercise Form enclosed herewith and following the directions on the screen. Please check the “Guidance on the Exercise of Voting Rights via the Internet” shown on page 33 of this notice for the details.

[Treatment of Voting Rights Exercised Repeatedly]

- (1) If you exercise your voting rights both in writing and via the Internet, we will only accept the exercise of your voting rights via the Internet as valid.
- (2) If you exercise your voting rights more than once via the Internet, we will only accept the last exercise of your voting rights as valid.

END

*Upon your arrival at the Ordinary General Meeting of Shareholders, please submit the enclosed Voting Rights Exercise Form to the venue reception. Thank you.

*The following matters are not described in the Reference Documents of this Notification since they are posted on the JAPEX website (<http://www.japex.co.jp/>) in accordance with laws and regulations and with Article 17 of the Company’s Articles of Incorporation.

- 1) “(4) State of Accounting Auditor,” “(5) System to Ensure Proper Business Operations and the State of Its Operation,” and “(6) Basic Policy on Control of the Company” included in “2. Current State of the Company” of the business report
- 2) “Consolidated Statement of Changes in Equity” and “Notes to Consolidated Financial Statements” of the consolidated financial report
- 3) “Statement of Changes in Equity” and “Notes to Financial Statements” of the financial report

The business report, consolidated financial report and financial report audited by Corporate Auditors comprise the business report, consolidated financial report and financial report, which are attached to this Notification, as well as the items 1) to 3) above, which are posted on the JAPEX website.

The consolidated financial report and financial report audited by the Accounting Auditor comprise the consolidated financial report and financial report, which are attached to this Notification, as well as the items 2) and 3) above, which are posted on the JAPEX website.

*In case the Reference Documents for Shareholders Meeting, or business report, financial report or consolidated financial report is modified, such modification shall be posted on the JAPEX website. (<http://www.japex.co.jp/>)

Reference Documents for Shareholders' Meeting

Item 1: Appropriation of Surplus

JAPEX employs the basic policy of long-term, stable distribution of dividends, comprehensively taking into account the profit or loss situation of each fiscal period and funding needs in the future, etc., in the light of strengthening our financial basis, as well as considering the retained earnings for investment in new oil and gas reserves inside and outside Japan and the improvement and expansion of supply infrastructure, etc.

The year-end dividends for the 47th term will be as follows:

Details Concerning the Year-End Dividends

- (1) Type of dividend property: Money
- (2) Distribution and total amount of dividend property:
10 yen per share of common stock
Total amount of dividends: 571,526,370 yen
- (3) Effective date of distribution of surplus: June 29, 2017

Item 2: Election of Fourteen (14) Directors

Upon closing of this general meeting of shareholders, the terms of office of all Directors Osamu Watanabe, Hideichi Okada, Shoichi Ishii, Kiyoshi Ogino, Nobuyuki Ogura, Kazuo Nakayama, Hikaru Fukasawa, Yosuke Higai, Yasuhiro Masui, Kazuhiko Ozeki, Takahisa Inoue, Hajime Ito, Hirotaka Tanaka, Yoriko Kawaguchi, Akira Kojima, and Tetsuo Ito will expire. We kindly ask our shareholders to elect fourteen (14) Directors, decreasing by two (2) Directors in order to streamline the management structure.

The candidates for Director are as listed below:

Candidate No.	Name (Date of birth)	Brief history, Position and responsibilities in JAPEX or Significant positions concurrently held	JAPEX shares owned
1	Osamu Watanabe (December 6, 1940) Renominated	April 1964 Joined Ministry of International Trade and Industry (hereinafter referred to as the "MITI") July 1997 Vice Minister of International Trade and Industry July 2002 Chairman at Japan External Trade Organization June 2007 Executive Vice President at JAPEX June 2008 President June 2016 Chairman (up to the present date) <Significant positions concurrently held> Director at Canada Oil Sands Co., Ltd. Director at JAPEX Offshore, Ltd. Chairman at JAPEX Montney Ltd.	30,500 shares
[Attendance at the Board of Directors meetings held in the fiscal year ended March 31, 2017] 14 out of 14 meetings (100%) [Reasons for nomination as a candidate for Director] In addition to having distinguished insights through extensive administrative experience including energy administration in government positions, etc., Osamu Watanabe has held the positions of Executive Vice President and President at JAPEX in the period between 2007 and 2016, significantly contributing to the Group's business development. Since assuming the position of Chairman, he has appropriately provided management guidance from a broader perspective; therefore, we have continuously nominated him as a candidate for Director.			

Candidate No.	Name (Date of birth)	Brief history, Position and responsibilities in JAPEX or Significant positions concurrently held	JAPEX shares owned
2	Hideichi Okada (October 15, 1951) <u>Renominated</u>	<p>April 1976 Joined MITI</p> <p>July 2010 Vice-Minister for International Affairs, Ministry of Economy, Trade and Industry (hereinafter referred to as the “METI”)</p> <p>July 2014 Senior Executive Vice President at NEC Corporation</p> <p>June 2016 President at JAPEX (up to the present date)</p> <p><Significant positions concurrently held></p> <p>President at JAPEX Offshore, Ltd.</p> <p>President at JAPEX Garraf Ltd.</p> <p>Outside Director at The Yokohama Rubber Co., Ltd.</p>	500 shares
<p>[Attendance at the Board of Directors meetings held in the period between his appointment on June 24, 2016 and March 31, 2017] 9 out of 11 meetings (81%)</p> <p>[Reasons for nomination as a candidate for Director] Hideichi Okada has distinguished insights through extensive administrative experience including energy administration in government positions and a management career in other private sectors. In addition, since assuming the position of President in 2016, he has helmed the Group’s business development amid the tough business environment; therefore, we have continuously nominated him as a candidate for Director.</p>			
3	Shoichi Ishii (September 23, 1949) <u>Renominated</u>	<p>April 1973 Joined JAPEX</p> <p>June 1999 General Manager of Corporate Planning Dept.</p> <p>June 2003 Director, General Manager of Corporate Planning Dept.</p> <p>June 2005 Managing Executive Officer, General Manager of Nagaoka Division Office</p> <p>June 2006 Managing Director, General Manager of Nagaoka Division Office</p> <p>June 2007 Managing Director</p> <p>June 2011 Senior Managing Director</p> <p>Nov. 2012 Senior Managing Director, President of Soma Project Division</p> <p>June 2014 Executive Vice President, President of Soma Project Division (up to the present date)</p> <p><Significant position concurrently held></p> <p>President and Chief Executive Officer at Fukushima Gas Power Co., Ltd.</p>	8,400 shares
<p>[Attendance at the Board of Directors meetings held in the fiscal year ended March 31, 2017] 14 out of 14 meetings (100%)</p> <p>[Reasons for nomination as a candidate for Director] Shoichi Ishii has extensive experience in and knowledge of operations in the areas of our finance & accounting and corporate strategy divisions. Currently serving as Executive Vice President, he has assisted the President in the administrative division in general. In addition, as the person in charge of the Gas Pipeline Transportation Dept. and President of the Soma Project Division, he has significantly contributed to appropriate administration and management of JAPEX as well as the Group’s business development; therefore, we have continuously nominated him as a candidate for Director.</p>			

Candidate No.	Name (Date of birth)	Brief history, Position and responsibilities in JAPEX or Significant positions concurrently held	JAPEX shares owned
4	Hikaru Fukasawa (December 21, 1954) <div style="border: 1px solid black; display: inline-block; padding: 2px;">Renominated</div>	April 1979 Joined JAPEX Sep. 2004 General Manager of Domestic Exploration Dept., Exploration Division June 2009 Executive Officer, Advisor to President of Exploration Division March 2010 Executive Officer, General Manager of Nagaoka District Office June 2011 Executive Officer, General Manager of Nagaoka District Office, Domestic Project Division June 2012 Managing Director, General Manager of Nagaoka District Office, Domestic Project Division June 2014 Managing Director, Vice President of Domestic Project Division and Vice President of Soma Project Division June 2015 Senior Managing Director, President of Domestic Project Division and Vice President of Soma Project Division June 2016 Senior Managing Director, Vice President of Soma Project Division April 2017 Senior Managing Director, President of Inter-regional Gas Supply Division and Vice President of Soma Project Division (up to the present date)	3,000 shares
<p>[Attendance at the Board of Directors meetings held in the fiscal year ended March 31, 2017] 14 out of 14 meetings (100%)</p> <p>[Reasons for nomination as a candidate for Director] In addition to specializing in the exploration of oil and natural gas, Hikaru Fukasawa has extensive experience in and knowledge of our domestic and overseas project divisions. Currently serving as Senior Managing Director, President of the Inter-regional Gas Supply Division and Vice President of the Soma Project Division, he has significantly contributed to the Group's business development; therefore, we have continuously nominated him as a candidate for Director.</p>			

Candidate No.	Name (Date of birth)	Brief history, Position and responsibilities in JAPEX or Significant positions concurrently held	JAPEX shares owned
5	Yosuke Higai (April 9, 1955) <u>Renominated</u>	<p>April 1978 Joined JAPEX</p> <p>Sep. 2003 General Manager of Procurement Dept.</p> <p>June 2007 General Manager of Administration Dept.</p> <p>June 2009 Executive Officer, General Manager of Administration Dept.</p> <p>June 2010 Executive Officer</p> <p>June 2012 Managing Executive Officer</p> <p>June 2013 Managing Director</p> <p>June 2015 Managing Director, President of Marketing & Sales Division and Vice President of Soma Project Division</p> <p>June 2016 Senior Managing Director, President of Marketing & Sales Division and Vice President of Soma Project Division (up to the present date)</p> <p><Significant positions concurrently held></p> <p>Director at Japex Energy Co., Ltd.</p> <p>Director at TOHOKU NATURAL GAS Co., Inc.</p> <p>Director at Kitakyushu LNG Sales and Lorry Transport Corp.</p>	4,200 shares
<p>[Attendance at the Board of Directors meetings held in the fiscal year ended March 31, 2017] 14 out of 14 meetings (100%)</p> <p>[Reasons for nomination as a candidate for Director] Yosuke Higai has extensive experience in and knowledge of operations in the areas of our procurement, administration, and marketing & sales divisions. Currently serving as Senior Managing Director in charge of the Secretary Office and Procurement Dept., President of the Marketing & Sales Division and Vice President of the Soma Project Division, he has significantly contributed to appropriate administration and management of JAPEX as well as the Group's business development; therefore, we have continuously nominated him as a candidate for Director.</p>			
6	Yasuhiro Masui (January 26, 1956) <u>Renominated</u>	<p>April 1979 Joined JAPEX</p> <p>Dec. 2005 General Manager of Overseas Exploration Dept., Exploration Division</p> <p>June 2010 Executive Officer, Vice President of Exploration Division</p> <p>June 2011 Executive Officer, Vice President of Americas & Russia Project Division</p> <p>June 2013 Managing Executive Officer, Vice President of Americas & Russia Project Division</p> <p>June 2015 Managing Director, President of Americas & Russia Project Division (up to the present date)</p> <p><Significant positions concurrently held></p> <p>President at JAPEX Montney Ltd.</p> <p>Director at Sakhalin Oil and Gas Development Co., Ltd.</p>	1,800 shares
<p>[Attendance at the Board of Directors meetings held in the fiscal year ended March 31, 2017] 14 out of 14 meetings (100%)</p> <p>[Reasons for nomination as a candidate for Director] In addition to specializing in the exploration of oil and natural gas, Yasuhiro Masui has extensive experience in and knowledge of our domestic and overseas project divisions. Currently serving as Managing Director and President of the Americas & Russia Project Division, he has significantly contributed to the Group's business development; therefore, we have continuously nominated him as a candidate for Director.</p>			

Candidate No.	Name (Date of birth)	Brief history, Position and responsibilities in JAPEX or Significant positions concurrently held	JAPEX shares owned	
7	Kazuhiko Ozeki (January 19, 1957) <u>Renominated</u>	April 1980	Joined JAPEX	2,300 shares
		June 2005	General Manager of Iraq Project Dept., International Oil & Gas Division	
Feb. 2010	Vice President of Iraq Project Division			
June 2010	Executive Officer, Vice President of Iraq Project Division			
June 2011	Executive Officer, Advisor to President of Middle East, Africa & Europe Project Division			
June 2013	Managing Executive Officer, Advisor to President of Middle East, Africa & Europe Project Division			
Aug. 2013	Managing Executive Officer, Vice President of Middle East, Africa & Europe Project Division			
Jan. 2014	Managing Executive Officer			
June 2015	Managing Director, President of Environment and Innovative Technology Projects Division			
June 2016	Managing Director (up to the present date)			
<p>[Attendance at the Board of Directors meetings held in the fiscal year ended March 31, 2017] 14 out of 14 meetings (100%)</p> <p>[Reasons for nomination as a candidate for Director] Kazuhiko Ozeki has extensive experience in and knowledge of operations in the areas of our overseas project, and environment and innovative technology projects divisions. Currently serving as Managing Director in charge of the Corporate Strategy Dept., Media & Investor Relations Dept. and Business Solution Office, he has significantly contributed to appropriate administration and management of JAPEX; therefore, we have continuously nominated him as a candidate for Director.</p>				
8	Takahisa Inoue (April 18, 1955) <u>Renominated</u>	April 1980	Joined JAPEX	1,700 shares
		March 2009	General Manager of Operations Dept., Development Division	
July 2010	Vice President of Development Division			
June 2011	Executive Officer, General Manager of Hokkaido District Office, Domestic Project Division			
June 2014	Managing Executive Officer, General Manager of Hokkaido District Office, Domestic Project Division			
June 2015	Managing Executive Officer, Vice President of Domestic Project Division			
June 2016	Managing Director, President of Domestic Project Division and Vice President of Soma Project Division (up to the present date)			
<p><Significant position concurrently held> Director at JAPEX Offshore, Ltd.</p> <p>[Attendance at the Board of Directors meetings held in the period between his appointment on June 24, 2016 and March 31, 2017] 11 out of 11 meetings (100%)</p> <p>[Reasons for nomination as a candidate for Director] In addition to specializing in oil and gas field development and production and operations management in Japan and overseas, Takahisa Inoue has extensive experience in and knowledge of our domestic project division. Currently serving as the Managing Director, President of the Domestic Project Division and Vice President of the Soma Project Division, he has significantly contributed to the Group's business development; therefore, we have continuously nominated him as a candidate for Director.</p>				

Candidate No.	Name (Date of birth)	Brief history, Position and responsibilities in JAPEX or Significant positions concurrently held	JAPEX shares owned	
9	Hajime Ito (May 27, 1957) <u>Renominated</u>	April 1980	Joined MITI	800 shares
		July 2006	Deputy Director-General, METI	
<p>Oct. 2010</p> <p>June 2012</p> <p>June 2015</p> <p>June 2016</p>				
<p>Advisor to President at JAPEX</p> <p>Executive Officer, Vice President of Americas & Russia Project Division</p> <p>Managing Executive Officer, Vice President of Americas & Russia Project Division</p> <p>Managing Director, Vice President of Americas & Russia Project Division (up to the present date)</p> <p><Significant position concurrently held></p> <p>Director at Canada Oil Sands Co., Ltd.</p>				
<p>[Attendance at the Board of Directors meetings held in the period between his appointment on June 24, 2016 and March 31, 2017]</p> <p>10 out of 11 meetings (90%)</p> <p>[Reasons for nomination as a candidate for Director]</p> <p>Hajime Ito has international experience in government positions, as well as extensive experience and knowledge of energy administration in government offices and our overseas project divisions. Currently serving as Managing Director, Vice President of the Americas & Russia Project Division and Advisor to the President of the Canada Oil Sands Project Dept., he has significantly contributed to the Group's business development; therefore, we have continuously nominated him as a candidate for Director.</p>				
10	Hirotaka Tanaka (March 19, 1955) <u>Renominated</u>	April 1978	Joined JAPEX	1,400 shares
		Feb. 2009	General Manager of Kangean Project Dept.	
<p>June 2012</p> <p>Oct. 2013</p> <p>June 2015</p> <p>June 2016</p> <p>Sep. 2016</p>				
<p>Executive Officer</p> <p>Executive Officer, Vice President of Asia & Oceania Project Division</p> <p>Managing Executive Officer, Vice President of Asia & Oceania Project Division</p> <p>Managing Director, President of Asia & Oceania Project Division</p> <p>Managing Director (up to the present date)</p> <p><Significant position concurrently held></p> <p>President at Kangean Energy Indonesia Ltd.</p>				
<p>[Attendance at the Board of Directors meetings held in the period between his appointment on June 24, 2016 and March 31, 2017]</p> <p>10 out of 11 meetings (90%)</p> <p>[Reasons for nomination as a candidate for Director]</p> <p>In addition to specializing in drilling technology in the oil and mining industries, Hirotaka Tanaka has extensive experience in and knowledge of our overseas project divisions. Currently serving as Managing Director and President at Kangean Energy Indonesia Ltd., he has significantly contributed to the Group's business development; therefore, we have continuously nominated him as a candidate for Director.</p>				
11	Toshiyuki Hirata (January 5, 1958) <u>Newly nominated</u>	April 1981	Joined JAPEX	—
		June 2005	President at Japan Canada Oil Sands Limited (up to the present date)	
<p>June 2012</p> <p>June 2015</p>				
<p>Executive Officer at JAPEX</p> <p>Managing Executive Officer (up to the present date)</p> <p><Significant position concurrently held></p> <p>President at Japan Canada Oil Sands Limited</p>				
<p>[Reasons for nomination as a candidate for Director]</p> <p>In addition to specializing in oil and gas field development and production and operations management in Japan and overseas, Toshiyuki Hirata has extensive experience in and knowledge of the oil sand business. Currently serving as Managing Executive Officer and President of Japan Canada Oil Sands Limited, he has significantly contributed to the Group's business development. We expect JAPEX management will benefit from his experience and knowledge, and have therefore newly nominated him as a candidate for Director.</p>				

Candidate No.	Name (Date of birth)	Brief history, Position and responsibilities in JAPEX or Significant positions concurrently held	JAPEX shares owned
12	Yoriko Kawaguchi (January 14, 1941) <u>Renominated</u>	<p>April 1965 Joined MITI</p> <p>June 1992 Deputy Director-General of MITI</p> <p>Sep. 1993 Managing Director at Suntory Ltd.</p> <p>July 2000 Minister of State and Director-General of Environment Agency</p> <p>Jan. 2001 Minister of the Environment</p> <p>Feb. 2002 Minister of Foreign Affairs</p> <p>Sep. 2004 Special Advisor to the Prime Minister</p> <p>Oct. 2005 Member of the House of Councillors</p> <p>Nov. 2013 Adjunct Professor at Meiji Institute for Global Affairs, Meiji University</p> <p>June 2015 Director at JAPEX (up to the present date)</p> <p>April 2017 Fellow at Meiji Institute for Global Affairs, Meiji University (up to the present date)</p> <p><Significant positions concurrently held></p> <p>Fellow at Meiji Institute for Global Affairs, Meiji University</p> <p>Outside Director at Toyota Tsusho Corporation</p>	—
<p>[Number of years served as Director] Two years</p> <p>[Attendance at the Board of Directors meetings held in the fiscal year ended March 31, 2017] 13 out of 14 meetings (92%)</p> <p>[Reasons for nomination as a candidate for Outside Director] Yoriko Kawaguchi has extensive experience and knowledge as Minister of State and in government positions and the private sector, etc., as well as distinguished insights as an academic. Currently serving as an Outside Director, she has supervised and provided wide-ranging proposals for JAPEX management; therefore, we have continuously nominated her as a candidate for Outside Director.</p>			
13	Akira Kojima (July 18, 1942) <u>Renominated</u>	<p>April 1965 Joined Nikkei Inc.</p> <p>May 1997 Director and Chief Editor at Nikkei Inc.</p> <p>May 2000 Managing Director and Chief Editor at Nikkei Inc.</p> <p>May 2003 Senior Managing Director at Nikkei Inc.</p> <p>May 2004 Chairman at Japan Center for Economic Research</p> <p>July 2009 Adjunct Professor at National Graduate Institute for Policy Studies</p> <p>April 2011 Member, Board of Trustees and Adjunct Professor at National Graduate Institute for Policy Studies (up to the present date)</p> <p>June 2015 Director at JAPEX (up to the present date)</p> <p><Significant positions concurrently held></p> <p>Member, Board of Trustees and Adjunct Professor at National Graduate Institute for Policy Studies</p>	—
<p>[Number of years served as Director] Two years</p> <p>[Attendance at the Board of Directors meetings held in the fiscal year ended March 31, 2017] 14 out of 14 meetings (100%)</p> <p>[Reasons for nomination as a candidate for Outside Director] Akira Kojima has extensive experience and distinguished insights gained through his career in a newspaper company, etc. Currently serving as an Outside Director, he has supervised and provided wide-ranging proposals for JAPEX management; therefore, we have continuously nominated him as a candidate for Outside Director.</p>			

Candidate No.	Name (Date of birth)	Brief history, Position and responsibilities in JAPEX or Significant positions concurrently held	JAPEX shares owned
14	Tetsuo Ito (March 15, 1948) <u>Renominated</u>	<p>April 1975 Appointed prosecutor</p> <p>June 2001 Head of Special Investigation Force, Tokyo District Public Prosecutors Office</p> <p>Jan. 2009 Deputy Prosecutor-General, Supreme Public Prosecutors Office</p> <p>April 2011 Recorded attorney (Daiichi Tokyo Bar Association) (up to the present date)</p> <p>April 2011 Of Counsel at Nishimura & Asahi (up to the present date)</p> <p>June 2016 Director at JAPEX (up to the present date)</p> <p><Significant positions concurrently held></p> <p>Of Counsel at Nishimura & Asahi</p> <p>Outside Corporate Auditor at UNIZO Holdings Company, Limited</p> <p>Outside Corporate Auditor at Takasago Thermal Engineering Co., Ltd.</p> <p>Outside Corporate Auditor at Asahi Kasei Corp.</p>	—
<p>[Number of years served as Director] One year</p> <p>[Attendance at the Board of Directors meetings held in the period between his appointment on June 24, 2016 and March 31, 2017] 8 out of 11 meetings (72%)</p> <p>[Reasons for nomination as a candidate for Outside Director] Tetsuo Ito has extensive knowledge and experience as a legal specialist and as an Outside Director at JAPEX. Currently serving as an Outside Director, he has supervised and provided wide-ranging proposals for JAPEX management; therefore, we have continuously nominated him as a candidate for Outside Director.</p>			

- (Notes)
- Candidates Osamu Watanabe and Yasuhiro Masui are concurrently serving as the Chairman and President of JAPEX Montney Ltd., respectively. Candidate Toshiyuki Hirata is concurrently serving as the President of Japan Canada Oil Sands Limited. JAPEX is providing debt guarantees to both of these companies. Candidate Hideichi Okada is concurrently serving as the President of JAPEX Garraf Ltd., with which JAPEX is engaged in crude oil transactions. In addition, he is concurrently serving as the President of JAPEX Offshore, Ltd., with which JAPEX is entrusted funds via the cash management system. Candidate Shoichi Ishii is concurrently serving as the President of Fukushima Gas Power Co., Ltd., with which JAPEX has concluded an outsourcing agreement. Candidate Hirotaka Tanaka is concurrently serving as the President of Kangean Energy Indonesia Ltd., to which JAPEX is providing loans and debt guarantee.
 - No significant interest-based relationship exists between other candidates for Director and JAPEX.
 - Yoriko Kawaguchi, Akira Kojima, and Tetsuo Ito are candidates for Outside Director. These three candidates have been registered with the Tokyo Stock Exchange as Independent Officers, pursuant to the rules of the Exchange, and they are scheduled to continue to be Independent Officers, subject to the approval of their reappointment under this proposal.
 - Tetsuo Ito has held the office of Outside Corporate Auditor at Takasago Thermal Engineering Co., Ltd. since June 2014. In November 2014, the company and its former employees were respectively fined and given a suspended jail sentence for violation of the Antimonopoly Act. In addition to these sanctions, in January 2015, the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) ordered the company to suspend its operations for 60 days; in October of the same year, the Japan Fair Trade Commission issued cease and desist orders and surcharge payment orders. Meanwhile, regarding Asahi Kasei Corp., for which he has served as Outside Corporate Auditor since June 2015, its subsidiary received administrative dispositions in January 2016 by MLIT for the violation of the Construction Business Act. MLIT ordered to suspend business for 15 days and business improvement, together with an instruction to take steps to prevent recurrence of the violation. He was not involved in any of the above operations that were subject to reprimand and he successfully fulfilled his duties by making opinions to prevent recurrence of a similar event.
 - The Company has concluded a limited liability agreement with Candidates Yoriko Kawaguchi, Akira Kojima and Tetsuo Ito to limit their liability as stipulated in Article 423, Paragraph 1 of the Companies Act. The amount of liability under the agreement is limited to the amount provided by laws and regulations. The Company is scheduled to renew this agreement with each candidate, subject to the approval of their reappointment under this proposal.

Item 3: Election of Two (2) Corporate Auditors

Upon closing of this general meeting of shareholders, the term of office of Corporate Auditors Nobuaki Moritani, and Morio Ishizeki will expire. We kindly ask our shareholders to elect two (2) Corporate Auditors.

The candidates for Corporate Auditor are as listed below.

The Board of Corporate Auditors consented to this proposal.

Candidate No.	Name (Date of birth)	Brief history, Position in JAPEX or Significant positions concurrently held	JAPEX shares owned
1	Morio Ishizeki (February 28, 1953) <u>Renominated</u>	April 1976 Joined JAPEX June 2002 Senior Manager of Controlling Group, Finance & Accounting Dept. June 2005 Director at JAPEX SKS Corp. June 2009 Full-time Corporate Auditor at JAPEX (up to the present date)	2,300 shares
	<p>[Attendance at the Board of Directors meetings held in the fiscal year ended March 31, 2017] 14 out of 14 meetings (100%)</p> <p>[Attendance at the Board of Corporate Auditors meetings held in the fiscal year ended March 31, 2017] 12 out of 12 meetings (100%)</p> <p>[Reasons for nomination as a candidate for Corporate Auditor] Morio Ishizeki has extensive experience in and knowledge of operations in the areas of our finance & accounting division. Since assuming the position of Corporate Auditor in 2009, he has adequately performed his duties through auditing the execution of duties by Directors; therefore, we have continuously nominated him as a candidate for Corporate Auditor.</p>		
2	Kenji Uchida (January 12, 1957) <u>Newly nominated</u>	April 1979 Joined JAPEX Feb. 2010 General Manager of Technical Dept., Iraq Project Division June 2011 General Manager of Iraq Project Dept., Middle East, Africa & Europe Project Division July 2011 Advisor to President of Middle East, Africa & Europe Project Division June 2016 Executive Officer, Advisor to President of Middle East, Africa & Europe Project Division and Chief of Dubai Representative Office, Middle East, Africa & Europe Project Division May 2017 Executive Officer, Advisor to President of Middle East, Africa & Europe Project Division (up to the present date)	—
	<p>[Reasons for nomination as a candidate for Corporate Auditor] In addition to specializing in oil and gas field development and production and operations management in Japan and overseas, Kenji Uchida has extensive experience in and knowledge of our overseas project division. Currently serving as Executive Officer and Advisor to the President of the Middle East, Africa & Europe Project Division, he has significantly contributed to the Group's business development. We expect JAPEX audit will benefit from his experience and knowledge, and have therefore newly nominated him as a candidate for Corporate Auditor.</p>		

(Notes) No significant interest-based relationship exists between each candidate for Corporate Auditor and JAPEX.

Item 4: Payment of Bonuses to Directors and Corporate Auditors

In view of the business performance of the fiscal year ended March 31, 2017, the Company proposes to pay no bonus to Directors, and in consideration of the amounts paid in the past, etc., the Company proposes to pay a total bonus amount of 4,800,000 yen to two (2) of four (4) Corporate Auditors excluding Outside Corporate Auditors tenured during the fiscal year ended March 31, 2017.

Item 5: Renewal of the Measures to Prevent Large-scale Acquisition of Our Company Shares (Takeover Defense Measures)

Japan Petroleum Exploration Co., Ltd. (hereinafter the "Company" or "JAPEX") renewed, in the 44th Ordinary General Meeting of the Shareholders, held on June 25, 2014, the "Measures to Prevent Large-scale Acquisition of Our Company Shares (Takeover Defense Measures)" (hereinafter the

renewed measures are referred to as the “Former Plan”). The Former Plan will expire at the close of the 47th Ordinary General Meeting of the Shareholders (hereinafter the “Annual Shareholders’ Meeting”) to be held on June 28, 2017.

Prior to expiry of the effective period of the Former Plan, JAPEX has, in our Board of Directors Meeting held on May 12, 2017, decided to partially revise the content of the Former Plan and renew it (hereinafter the “Renewal” and the plan after the Renewal is the “Plan”) as undertakings based on the basic policy regarding the person controlling decisions relative to policies for our finances and business (refers to the policies in the provision in Article 118, Clause 3 of the Ordinance for Enforcement of the Companies Act, hereinafter the “Basic Policy”) to prevent the controlling of decision of policies of our finances and business by inappropriate persons (Article 118, Clause 3 (b) (2) of the Ordinance for Enforcement of the Companies Act), subject to the approval of our shareholders at the Annual Shareholders’ Meeting.

Therefore, we would like to request our shareholders to delegate to our Board of Directors the right to determine the matters related to the “allotment of share options without contribution” pursuant to the procedure mentioned in the following Item 2 “Details of the Proposal” in accordance with Article 12 of the Articles of Incorporation of our company.

1. Cause of the Proposal

(1) Basic Policy Regarding the Person Controlling Decisions Relative to Policies for Our Finances and Business

JAPEX considers that the person controlling our financial and business policy decisions should fully understand the content of our finances and business and the source of our corporate value, and is eligible to ensure and improve the corporate value and consequently, the common interest of the shareholders in a continuing, sustainable manner.

JAPEX believes the decision on an acquisition proposal with which is associated the transfer of corporate control should ultimately be made based on the general decision of our shareholders. Furthermore, JAPEX does not disapprove of large-scale share acquisition that contributes to our corporate value and consequently the common interest of the shareholders.

Nevertheless, among large-scale share acquisitions, there are many that do not contribute to the corporate value and the common interest of the shareholders, in the light of their purpose, including such that cause a clear infringement on the corporate value and the common interest of the shareholders, such that has the risk of a de facto coercion against the shareholders to sell their shares, such that does not provide sufficient time and/or information for the Board of Directors and the shareholders consideration of the content of the large-scale share acquisition or for the Board of Directors to propose an alternative plan, and such that require consultation and negotiation with the acquirer to draw out a more favorable condition than the conditions presented from the acquirer.

The large-scale share acquirer should understand the source of our corporate value not to mention the content of JAPEX’s finances and business, and unless he or she ensures and improves them for the medium-and-long term, our corporate value, and consequently the common interest of the shareholders will be damaged.

JAPEX considers such a large-scale acquirer that does not contribute to our corporate value and the common interest of our shareholders inappropriate as the controlling person to determine the policies of our finances and business, and thus consider necessary to protect our corporate value and consequently the common interest of our shareholders by taking essential and substantial measures against such attempts.

(2) Purpose of the Renewal

The Plan shall be renewed according to the Basic Policy described above (1) for the purpose of ensuring and improving our corporate value and the common interests of our shareholders.

The Board of Directors, as set forth in the Basic Policy, considers a person who performs the large-scale acquisition of JAPEX share certificates, etc., without contributing to our corporate value and/or the common interests of our shareholders inappropriate for making financial and business policy decisions regarding the Company. The Plan aims to prevent the control of our financial and business policies by such inappropriate persons and deter large-scale acquisition that is detrimental to our corporate value and/or the common interests of our shareholders. At the same time, the Plan shall

allow the Company's Board of Directors to ensure the necessary information and time required to propose an alternative plan to our shareholders or for our shareholders to sufficiently judge whether such a large-scale acquisition of JAPEX share certificates, etc., is acceptable and/or allow negotiation and other measures to be taken on behalf of our shareholders.

2. Content of the Plan

(1) Overview of the Plan

The Plan determines the necessary procedure for achieving the aforementioned purpose, such as demanding the prior provision of information from the acquirer, upon the emergence of a person who intends to acquire 20% or more of JAPEX share certificates, etc.

In case the decision of not implementing the Plan has been made by the Board of Directors based on the procedures of the Plan, the acquirer shall be authorized to make a large-scale acquisition of JAPEX share certificates, etc., only after such a board decision.

In case the acquirer does not comply with the procedure set forth in the Plan or the intended large-scale acquisition of JAPEX share certificates, etc., has a risk of impairing our corporate value and/or the common interest of our shareholders and if the predetermined requirements for the implementation of the Plan are satisfied, JAPEX shall allot share options with exercise conditions in which the exercise of rights by the acquirer is, in principle, impermissible or with acquisition clauses where JAPEX may, in principle, acquire share options from persons other than the acquirer in exchange for JAPEX shares to all shareholders excluding JAPEX at that point of time, through an allotment of share options without contribution.

In the event that the allotment of share options without contribution is executed according to the Plan, and associated by its execution or acquisition by JAPEX, when JAPEX shares are issued to all shareholders except for the acquirer, the percentage of voting rights the acquirer holds may be diluted up to a maximum of approximately 50%.

With regard to the decision whether to implement or not implement the allotment of share options without contribution, or to acquire, according to the Plan, in order to eliminate the arbitrary decision of the Board of Directors, it shall undergo the objective decision of the Independent Committee constituted only of Outside Director etc., who are independent from the Company's Board of Directors pursuant to the Independent Committee Provision. Moreover, in any of the predetermined cases in the Plan, the Board of Directors may convoke a general meeting of the shareholders to confirm the decision of the shareholders concerning the implementation of the allotment of share options without contribution.

We aim to ensure transparency of the process of these procedures through the timely disclosure of appropriate information to our shareholders.

(2) Procedure for the Implementation of the Plan

(a) Share purchases that are the subject of the Plan's application

The Plan shall be applied when a purchase or other acquisition of JAPEX share certificates, etc., that falls under 1) or 2) described subsequently or a similar act (including any proposal thereof) is pursued (excluding those on which the Board of Directors has otherwise approved of not applying the Plan); hereinafter the "Acquisition(s)").

- 1) Share purchase or other acquisition with an ownership ratio¹ of 20% or more of the holder² with regard to share certificates, etc.,³ issued by JAPEX.
- 2) Tender offers⁴ with a total ownership ratio⁵ of 20% or more of the persons pursuing tender offers and their special associated persons⁶ with regard to share certificates, etc.,⁷ issued by JAPEX.

Persons who intend to perform the Acquisitions (hereinafter the "Acquirer(s)") shall comply with the procedures set forth in the Plan, and they must not perform the Acquisitions before the Company's Board of Directors passes a resolution not to implement the allotment of the share options without contribution based on the Plan.

(b) Submission of the Intent Statement

The Acquirers shall, prior to the relevant Acquisitions, submit a legally binding document (on which the signature or the seal of the Acquirers' representative is placed and no conditions or reservations imposed) including covenant wordings, etc., that expresses the intention to comply with the procedure set forth in the Plan and a qualification certificate of the representative signed or sealed thereby, in a format specified by JAPEX (hereinafter collectively the "Intent Statement") to JAPEX. The Intent Statement shall specify the name or designation, the address or location such as the head office and offices of the Acquirers, the governing law for incorporation, the name of the representative, the contact in Japan and the outline of the intended Acquisition. The language used in

the Intent Statement and the Acquisition Statement, which is set forth in the following (c), and any other material that is submitted by the Acquirers to JAPEX or the Independent Committee must be only Japanese.

(c) Demand for information provision towards the Acquirers

JAPEX will deliver a form of the Acquisition Statement (defined below) (including a list of information items to be provided by the Acquirers to JAPEX) within 10 business days after receiving the Intent Statement. The Acquirers are required to submit a written statement, which provides the information stipulated in the following (hereinafter the “Required Information”) (hereinafter collectively the “Acquisition Statement”), to the Company’s Board of Directors in a format specified by JAPEX.

Upon receiving the Acquisition Statement, the Company’s Board of Directors will immediately send it to the Independent Committee (the appointment criteria of committee members, the requirements for adopting resolutions and matters for resolution are as described in the separate document 1 “Overview of the Independent Committee Provision” and personal careers of the members in the separate document 2 “Brief History of Independent Committee Members”).

When the Independent Committee has decided that the description on the Acquisition Statement falls short as Required Information, JAPEX may request the Acquirer to provide additional information, with an appropriate reply deadline. In this case, the Acquirers are required to additionally submit such information to JAPEX by the relevant deadline.

- 1) Details (including names, capital relationship, financial content, business performance, compliance with laws and other regulations, details of previous trade similar to the Acquisition of the relevant Acquirers, and the previous transactions of JAPEX share certificates, etc.) of the Acquirers, and their group (including joint shareholders⁸, special associated persons, and special associated persons of the parties whose controlled incorporations⁹ are the Acquirers)¹⁰
- 2) Purpose, method, and content of the Acquisition (includes value and type in consideration of the Acquisition, time of Acquisition, mechanism of related trade, legality of the method of Acquisition, and information on the feasibility of the Acquisition)
- 3) Price and basis of the valuation of the relevant Acquisition
- 4) Whether there have been agreements on JAPEX share certificates, etc. between the Acquirers and a third party, and other communication on the Acquisition
- 5) Proof of funds for the Acquisition (includes the specific names of providers of the funds for the Acquisition (including the beneficial providers), procurement methods, content of related trade, etc.)
- 6) Management policy, business plans, capital policy, and dividend policy, for JAPEX Group after the Acquisition
- 7) Post-acquisition policy regarding our shareholders, employees, labor union, business partners, customers, and other stakeholders related to JAPEX Group
- 8) Specific information regarding the risk of infringement by the Acquirers to the laws and regulations in and out of Japan (includes the Act of Prohibition of Private Monopolization and Maintenance of Fair Trade and foreign competition law)
- 9) Information regarding relationships with antisocial forces or organizations related to terrorism
- 10) Specific measures to prevent conflicts of interest with other shareholders of JAPEX shares
- 11) Other information reasonably decided by the Independent Committee as necessary

(d) Consideration of the content of Acquisition / Consideration of negotiation with the Acquirer or of an alternative plan

1) Request to the Board of Directors for the submission of information

The Independent Committee shall, when the Acquisition Statement and (if applicable) the additional information are submitted by the Acquirer, determine an appropriate reply deadline (in principle, 60 days maximum in view of the scale, characteristics and diversity of the JAPEX Group) with due consideration to the time required for the collection of information and the review and/or valuation of materials by the Board of Directors (including such examination by outside experts, as required). The Independent Committee may also request the Board of Directors to present its opinion (including suspension of opinion; hereinafter the same applies.) on the content of the Acquisition proposed by the Acquirer and the supporting materials, (if available) alternative

plans, and other information deemed necessary by the Independent Committee, as appropriate, with the appropriate reply deadline.

2) Reviews and other considerations by the Independent Committee

The Independent Committee shall, within an appropriate period (in principle, a maximum of 60 days in view of the scale, characteristics and diversity of the JAPEX Group) (hereinafter the “Reviewing Period of the Independent Committee”) after the receipt of the information (including the additional information requested) from the Acquirer and the Board of Directors (if the provision of information has been requested to the Company’s Board of Directors as described in 1) above), review the content of the Acquisition, collect information on and comparatively investigate the management and business plans of the Acquirer and the Board of Directors, and review the alternative plan provided by the Board of Directors.

In order to ensure that the Independent Committee makes the decision to the benefit of the corporate value and the common interest of our shareholders, the Independent Committee may seek advice from financial advisors, certified public accountants, lawyers, certified tax accountants, consultants and other experts at the expense of the Company.

In addition, the Independent Committee may, directly or indirectly, consult and/or negotiate with the Acquirer, if necessary, to improve the content of the relevant Acquisition in view of ensuring and improving our corporate value and thus the common interest of our shareholders. The Acquirer shall promptly respond to the direct or indirect request of the Independent Committee to provide reviewing materials or other information, or for consultation and/or negotiation.

Furthermore, the Independent Committee may extend the Reviewing Period of the Independent Committee, within a reasonable range (however, the total extendable period shall, in principle, be up to 30 days at a maximum) required for the reviewing of the content of the Acquisition by the Acquirer, for the consideration of the alternative plan, and for consultation and/or negotiation with the Acquirer.

(e) Procedure of advisory of the Independent Committee

The Independent Committee shall advise the Board of Directors as follows in compliance with the above procedure.

1) When advising the implementation of the Plan

When the Independent Committee judges that the Acquisition by the Acquirer falls under any of the causes for implementation (hereinafter collectively the “Cause for Implementation”) set forth in the following (3) “Requirements for the Allotment of the Share Options Without Contribution,” the Independent Committee shall advise the implementation of the allotment of the share options (of which the major content shall be as set forth in the following (4) “Overview of the Allotment of the Share Options Without Contribution”; hereinafter the “Share Options”) without contribution to the Board of Directors, except under special circumstances through which the further provision of information by or consultation and/or negotiation with the Acquirers is necessary. Meanwhile, the Independent Committee may issue a reservation that the shareholders’ decision should be heard and decided if the applicability of the second cause for implementation (hereinafter the “Second Cause for Implementation”) of the two causes specified in the following (3) “Requirements for the Allotment of the Share Options Without Contribution” has come into question with regard to a certain Acquisition.

Regardless of the foregoing paragraph, even after the implementation of the allotment of the Share Options without contribution has been advised, if the Independent Committee deems that any of the conditions specified below applies, the Independent Committee may pause the allotment of the Share Options without contribution by two business days before the ex-rights day of the allotment of the Share Options without contribution, or, may issue a new advisory to acquire all the Share Options without contribution by one day before the date of commencing the Period of Exercise after the effective date of the allotment of the Share Options without contribution.

- (i) When the Acquisition is withdrawn by the Acquirer after the advisory or when the Acquisition is otherwise no longer existent; or
- (ii) When the Cause for Implementation is no longer existent due to such reason that, for example, any change has occurred in the facts the decision of the advisory was based on.

2) When advising not to implement the Plan

When the Independent Committee determines that the Acquisition does not fall under any Cause for Implementation, the Independent Committee shall advise not to implement the allotment of the Share Options without contribution to the Board of Directors, irrespective of whether the Reviewing Period of the Independent Committee has commenced or has finished.

Regardless of the foregoing paragraph, even after the non-implementation of the allotment of the Share Options without contribution has been advised, if the Cause for Implementation becomes existent as a result of any change that occurred in the facts the decision of the advisory was based on, the Independent Committee may issue a new advisory to implement the allotment of the Share Options without contribution.

(f) Resolution of Board of Directors

In case an advisory as outlined above has been given by the Independent Committee, the Board of Directors shall make a resolution as a body under the Companies Act regarding the implementation or non-implementation of the allotment of the Share Options without contribution, in utmost deference to the above advisory of the Independent Committee.

However, in the case a general meeting of the shareholders for decision hearing is held according to the following (g), the Board of Directors shall prepare a resolution based on the resolution of the general meeting of the shareholders for decision hearing.

(g) Holding of the general meeting of the shareholders for decision hearing

With regard to the implementation of the allotment of the Share Options without contribution according to the Plan, the Board of Directors may convoke a general meeting of the shareholders (hereinafter the “General Meeting of the Shareholders for Decision Hearing”) to hear the shareholders’ decision regarding the implementation of the allotment of the Share Options without contribution in the case (i) where the Independent Committee issued a reservation that shareholders’ decision be heard in advance with regard to the implementation of the allotment of the Share Options pursuant to the procedure in (e) above, or (ii) where the applicability of the Second Cause for Implementation has come into question with regard to a certain Acquisition and the Independent Committee judges it appropriate to hear the shareholders’ decision in light of various factors such as the time required for holding the general meeting of the shareholders and the duty of care of a good manager.

(h) Information disclosure

In operating the Plan, JAPEX shall timely disclose the appropriate information as enumerated below in accordance with the governing laws and regulations and/or applicable rules and regulations of the stock exchanges: progress status of the respective procedures set forth in the Plan (including the fact of the Intent Statement and the Acquisition Statement submitted; the fact of the revealed existence of an Acquirer who intends to make the Acquisition without submitting the Intent Statement or the Acquisition Statement; the fact of the commenced Reviewing Period of the Independent Committee; and the fact of the extended Reviewing Period of the Independent Committee together with the extended period and the reason therefor), outline of the advisory of the Independent Committee, outline of the resolution adopted by the Company’s Board of Directors, outline of the resolution at the General Meeting of the Shareholders for Decision Hearing, and any other matters deemed appropriate by the Independent Committee or the Board of Directors.

(3) Requirements for the Allotment of the Share Options Without Contribution

The requirements for the implementation of the allotment of the Share Options without contribution pursuant to the Plan shall be as follows. As was described in (e) under (2) “Procedure for the Implementation of the Plan”, whether the Acquisition falls under the following requirements shall be always be decided with and after the advisory of the Independent Committee.

First Cause for Implementation

When the Acquisition is not in conformity with the procedures prescribed in the Plan (including the case where time and/or information reasonably required to make judgments on the content of the Acquisition have not been provided by the Acquirer) and it is deemed suitable to implement the allotment of the Share Options without contribution;

Second Cause for Implementation

When the Acquisition by the Acquirer falls under any of the following and it is deemed suitable to implement the allotment of the Share Options without contribution;

- (a) When the Acquisition clearly risks infringing on our corporate value and consequently to the common interest of our shareholders, by reason of the acts listed below:
 - 1) Act in which the Acquirer corners the share certificates, etc., and demands that JAPEX or parties related to JAPEX purchase such share certificates at a high price;
 - 2) Act in which the Acquirer temporarily controls the management of JAPEX to perform management for the benefit of the Acquirer that is based on the sacrifice of JAPEX, such as acquiring JAPEX's important assets and other properties at low cost;
 - 3) Act in which the Acquirer appropriates the assets of JAPEX Group as collateral for debt and/or as a resource to perform obligations of the Acquirer or its group companies, etc.; or
 - 4) Act in which the Acquirer temporarily controls the management of JAPEX to dispose of expensive assets and/or other properties that are not active in the business of JAPEX Group for the foreseeable future, and with the disposal income, perform temporary high dividend payouts or sell-out of shares on the occasion of sharp rises in share prices due to such temporary high dividend payouts.
- (b) When the Acquisition has a risk of a de facto coercion towards the shareholders to sell their shares, such as coercive two-tiered tender offers (refers to an act in which shares are purchased in tender offers and such, without soliciting/offering the purchase of all shares in the initial purchase, but set the second tier purchase condition disadvantageously or without clarifying the second tier purchase condition);
- (c) When the Acquisition is such that the condition of the Acquisition (including value and type in consideration, time, legality of the method, feasibility, post-acquisition management policy and business plans, post-acquisition shareholders other than JAPEX, and policy regarding the employees, customers, business partners, and other stakeholders related to JAPEX Group) is insufficient or inadequate with consideration to JAPEX's intrinsic value; or
- (d) When the Acquisition might cause significant damage to our corporate value and consequently to the common interest of our shareholders, with a risk of causing a serious hindrance in ensuring a stable supply of energy or ensuring customer convenience, due to the insufficiency or inadequacy of the content of post-acquisition management policy or business plans.

(4) Overview of the Allotment of the Share Options Without Contribution

The overview of the allotment of the Share Options without contribution planned to be implemented based on the Plan is as follows:

(a) Number of the Share Options

The number of the Share Options shall be equal to the final total number of shares (provided, however, that the number of JAPEX shares held by JAPEX at point of certain date is deducted) issued as of a certain date (hereinafter the "Allotment Date") otherwise decided by resolution of the Board of Directors or by resolution at a general meeting of the shareholders concerning the allotment of the Share Options without contribution (hereinafter the "Resolution for the Allotment of Share Options Without Contribution").

(b) Shareholders eligible for allotment

The Share Options shall be allotted to shareholders other than JAPEX who are registered on the final shareholder registry (hereinafter the "Shareholders Eligible for Allotment") as of the Allotment Date, in proportion of one Share Option per one JAPEX share held by the shareholder.

- (c) Effective date of allotment of the Share Options without contribution
The effective date shall be otherwise decided by the Resolution for the Allotment of Share Options Without Contribution.
- (d) Number of shares as object of the Share Options
The number of JAPEX shares as object of each Share Option (hereinafter the “Target Share Number”) is, in principle, one share.
- (e) Value of assets contributed upon the exercise of the Share Options
The object of contribution upon the exercise of the Share Options shall be money. The value per JAPEX share of the property to be contributed upon the exercise of the Share Options shall be otherwise decided in the Resolution for the Allotment of Share Options Without Contribution, within the value range of one yen as lower limit and one half of the market value of one JAPEX share as higher limit. Furthermore, “market value” is equivalent to the value corresponding to the average closing price (includes quotations) for 90 days (excludes dates without contracted trade) of ordinary exchange dates for ordinary JAPEX shares at the Tokyo Stock Exchange, prior to the Resolution for the Allotment of Share Options Without Contribution, and fractions shall be rounded up.
- (f) Period of exercise of the Share Options
The date otherwise prescribed in the Resolution for the Allotment of Share Options without Contribution shall be the initial date (hereinafter the initial date of such period of exercise shall be the “Commencing Date of the Period of Exercise”) of the Period of Exercise, and in principle the period otherwise prescribed in the Resolution for the Allotment of Share Options Without Contribution within the range of one to six months shall be the Period of Exercise. However, in case JAPEX acquires the Share Options based on the provision of the following clause (i), the Period of Exercise of the Share Options for such acquisition shall be until the business day before such acquisition date. Furthermore, if the final date of the Period of Exercise falls on a non-business day of the payment handling institution where the money shall be paid upon the exercise, the last business day before such date shall be the final date of the Period of Exercise.
- (g) Conditions of exercise of the Share Options
(I) Specific large-scale holders¹¹, (II) joint holders of specific large-scale holders, (III) specific large-scale acquirers¹², (IV) special associated persons of specific large-scale acquirers, or (V) persons who was assigned or succeeded the Share Options from persons that fall under (I) or (IV) without the approval of the Board of Directors, or (VI) persons who are in relation¹³ to persons that fall under (I) or (V) (hereinafter persons that fall under (I) or (VI) collectively shall be the “Unqualified Persons”) may not, excluding cases where certain exceptional causes¹⁴ exist, exercise the Share Options. Furthermore, under the applicable foreign law, non-residents, as they require prescribed procedures for the exercise of the Share Options, may not, in principle, exercise the Share Options. (However, on the condition that it is confirmed that the Share Options held by the non-resident does not infringe on the applicable law, they may become the object of acquisition by JAPEX in consideration of JAPEX shares as described in the following (i) 2)). In addition, persons who do not submit a covenant in a form prescribed by JAPEX containing a representation warrant clause with regard to that the person satisfies the requirements for exercise of the Share Options, compensation clause and other covenant wordings, cannot exercise the Share Options.
- (h) Restriction on assignment of the Share Options
The acquisition of the Share Options through assignment requires the approval of our Board of Directors.
- (i) Acquisition of the Share Options by JAPEX
1) In case the Board of Directors deem it appropriate for JAPEX to acquire the Share Options, JAPEX may any time acquire all the Share Options without contribution upon the coming of the date otherwise prescribed by the Board of Directors, until the day before the Commencing Date of the Period of Exercise.

- 2) JAPEX may, upon the coming of the date otherwise prescribed by the Board of Directors, acquire all the Share Options held by persons other than the Unqualified Persons, which are not exercised by the day before the date prescribed by the Board of Directors, and in exchange of such unexercised Share Options, may deliver the number of JAPEX shares equivalent to the Target Share Number per one Share Option.

Furthermore, in the event¹⁵ that the Board of Directors acknowledges the presence of persons other than the Unqualified Persons among the holders of the Share Options after the date of such an acquisition, upon the coming of the date prescribed by the Board of Directors that is after the date of the above acquisition, all the Share Options held by such persons that remained unexercised as of one business day before the date assigned by the Board of Directors shall be acquired by JAPEX and in exchange for this, JAPEX may deliver shares equivalent to the Target Share Number per one Share Option, and the same principle shall apply hereafter.

- (j) Delivery of share options in case of merger, demerger, incorporation-type company split, share exchange, and stock transfer

They shall be otherwise prescribed in the Resolution for the Allotment of Share Options Without Contribution.

- (k) Issuance of share option certificates

Share option certificates will not be issued for the Share Options.

- (l) Other

Details on the content of the Share Options (includes matters concerning the handling of the Share Options held by the Unqualified Persons) other than prescribed above shall be otherwise stipulated in the Resolution for the Allotment of Share Options Without Contribution.

- (5) Effective Period, Abolition, and Modification of the Plan

The effective period of the Plan shall be until the close of the Ordinary General Meeting of the Shareholders regarding the latest fiscal year ending within three years after the close of the Annual Shareholders' Meeting, which is the same as the delegation period of the authority to decide the matters concerning the allotment of the Share Options without contribution in the Plan to be in accordance with the resolution of the Annual Shareholders' Meeting.

However, even before the expiration of the effective period, 1) if a resolution for withdrawing the above delegation to the Board of Directors with regard to the decision on matters concerning the allotment of the Share Options without contribution in the Plan is made at a general meeting of the shareholders, or 2) if a resolution to abolish the Plan is made by the Board of Directors, the Plan shall be abolished at that point in time.

Furthermore, even during the effective period of the Plan, when an addition, revision, and/or abolishment of laws, financial instruments, or stock exchange rules concerning the Plan are appropriate to reflect on the Plan, when appropriate to correct the wordings by reason of typographical errors, or when the change of the Plan does not act against the intention to delegate based on the resolution of the Annual Shareholders' Meeting, such as when such changes are not detrimental to our shareholders, the Board of Directors may revise or modify the Plan upon the approval of the Independent Committee.

JAPEX shall promptly disclose information regarding the fact of the abolition, revision or modification of the Plan, (in case of a revision and/or a modification) the content of such revision and/or modification, and other matters.

- (6) Revision due to Amendments in Law

The provision of law referenced in the Plan is assumed as the provision in effect as of May 12, 2017, and should any addition, revision, or abolition of the law occur after the date and thus necessitates a revision to the clauses prescribed above or meaning of terms, such clauses or meaning of terms shall be appropriately interpreted within a reasonable range, upon consideration of the intention of the addition, revision, or abolition.

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1. Defined in Article 27-23-4 of the Financial Instruments and Exchange Act. The term herein is subject to its definition.
 2. Includes persons included in holders, based on Article 27-23-3 of the Financial Instruments and Exchange Act (includes persons the Board of Directors deemed that they will fall under the definition). The term herein is subject to its definition.
 3. Defined in Article 27-23-1 of the Financial Instruments and Exchange Act. The term herein is subject to its definition, unless otherwise specified.
 4. Defined in Article 27-2-6 of the Financial Instruments and Exchange Act. The term herein is subject to its definition.
 5. Defined in Article 27-2-8 of the Financial Instruments and Exchange Act. The term herein is subject to its definition.
 6. Defined in Article 27-2-7 of the Financial Instruments and Exchange Act (includes persons the Board of Directors deemed that they will fall under the definition). However, with regard to the persons stipulated in Article 27-2-7 (1), those who fall under Article 3-2 of the Cabinet Office order concerning the disclosure of tender offers of share certificates, etc. by persons other than the issuer, shall be excluded. The term herein is subject to its definition.
 7. Defined in Article 27-2-1 of the Financial Instruments and Exchange Act.
 8. Refers to the joint holders stipulated in Article 27-23-5 of the Financial Instruments and Exchange Act, and includes persons deemed joint holder based on Article 27-23-6 (includes persons the Board of Directors deemed that they will fall under the definition). The term herein is subject to its definition.
 9. Defined in Article 9-5 of the Enforcement Order of the Financial Instruments and Exchange Act.
 10. In case of funds, includes the information equivalent to that in 1) above for each union member or other members.
 11. In principle, refers to holders of share certificates, etc. issued by JAPEX and the ratio of whose ownership of such shares is 20% or more (includes persons the Board of Directors deemed that they will fall under the definition). However, persons whose acquisition or holding of the shares are deemed harmless to our corporate value or the common interest of our shareholders by the Board of Directors, and other persons who are otherwise designated by the Board of Directors in the Resolution for the Allotment of Share Options without Contribution, shall not fall under specific large-scale holders. The term herein is subject to its definition.
 12. In principle, refers to persons who made a public notice to purchase (defined in Article 27-2-1 of the Financial Instruments and Exchange Act. The term herein is subject to its definition.) shares issued by JAPEX (defined in Article 27-2-1 of the Financial Instruments and Exchange Act. The term herein is subject to its definition.) by tender offer and whose ratio of share ownership (as pursuant to this, shall include cases stipulated in Article 7-1 of the Enforcement Order of the Financial Instruments and Exchange Act) combined that of the person's special associated person become 20% or more after such purchase (includes persons the Board of Directors deemed that they will fall under the definition). However, persons whose acquisition or holding of the shares are deemed harmless to our corporate value or the common interest of our shareholders by the Board of Directors, and other persons who are otherwise designated by the Board of Directors in the Resolution for the Allotment of Share Options without Contribution, shall not fall under specific large-scale acquirers. The term herein is subject to its definition.
 13. "Those who are in relation" to refers to a person who substantially control the other person, or is controlled by the other person, or under the same control as the other person (includes persons the Board of Directors deemed that they will fall under the definition), or a person approved by the Board of Directors as acting substantially in cooperation with the other person. Furthermore, "control" refers to "the case where controlling the determination of financial and business policies" of another organization (defined in Article 3-3 of the Ordinance for Enforcement of the Companies Act).
 14. Specifically, the following case is deemed to fall under such exceptional causes: (x) In case the Acquirer pauses or withdraws the Acquisition after the Resolution for the Allotment of Share Options without Contribution is adopted or if the Acquirer and other Unqualified Persons have pledged that they do not intend to make the Acquisitions subsequently and have delegated a disposition of JAPEX shares to a securities company that JAPEX admits, and additionally (y) in case a ratio authorized by JAPEX (hereinafter the "Unqualified Persons' Ownership Ratio of JAPEX Share Certificates, etc.") as the Acquirer's ownership ratio of JAPEX share certificates, etc. (provided, however, that in calculating the ownership ratio of the JAPEX share certificates, etc., the Unqualified Persons other than the Acquirers and Joint Holders thereof shall be deemed to be the joint holders of the Acquirers, and the Share Options that do not satisfy the exercise conditions shall be excluded), is less than either (i) the Unqualified Persons' Ownership Ratio of JAPEX Share Certificates, etc., prior to the Acquisition or (ii) 20%, whichever is lower, the Acquirer of the Acquisition and other Unqualified Persons who have made the disposition may exercise the Share Options targeting the number of shares that correspond to the disposed shares within the range below said lowering ratio. The exercise conditions for the Share Options to be exercised by the Unqualified Persons and the details of relevant procedures shall be otherwise prescribed by the Company's Board of Directors.
 15. Examples include cases where persons who were initially special associated persons of specific large-scale acquirers resolve their relationship with the relevant specific large-scale acquirer after the implementation of the Plan and cease to be Unqualified Persons.

END

Overview of the Independent Committee Provision

- The Independent Committee shall be established by the resolution of the Board of Directors.
- The members of the Independent Committee shall be three or more, who are appointed by the Board of Directors from persons who are independent of management involved in business operations of JAPEX and are any of the following: (i) Outside Director (includes persons planned to be elected), (ii) Outside Corporate Auditor (includes persons planned to be elected), or (iii) outside expert. However, an expert must be a proven business administrator, post-bureaucrat, expert in investment banking, lawyer, certified public accountant, certified tax accountants, or a researcher with his or her main field of research as corporate law or such, or must be pursuant to the aforementioned. Furthermore, the members of the Independent Committee must enter into an agreement with JAPEX that includes provisions for the duty of care of a good manager, otherwise designated by the Board of Director.
- The term of office for Independent Committee members shall be until the close of the ordinary general meeting of the shareholders for the last fiscal year which ends within three years after the close of the Annual Shareholders' Meeting, provided that there is no resolution by the Board of Directors otherwise determining the term. Furthermore, in case an Independent Committee member who was an Outsider Director or Outside Corporate Auditor is no longer an Outsider Director or Outside Corporate Auditor (excludes cases where he or she is re-elected as one), the term of office as an Independent Committee member shall terminate at the same time.
- The Independent Committee shall decide on the matters with implementation or non-implementation of the allotment of the Share Options without contribution, pause of allotment of the Share Options without contribution or Acquisition of the Share Options without contribution, matters to be decided by the Board of Directors, on which the Board of Directors seeks the advice of the Independent Committee and other matters that may be executed by the Independent Committee as defined under the Plan.
- The resolution of the Independent Committee shall, in principle, be made upon the full attendance (includes attendance by TV conferences and telephone conferences; hereinafter the same applies.) of the members of the Independent Committee and with a majority vote. However, under unavoidable circumstances, a majority of the voting rights of a majority attendance shall produce a resolution.

END

Brief History of Independent Committee Members

The members of the Independent Committee as of the Renewal of the Plan are planned to be the following three persons:

Keiichiro Tsuchiya

(Date of Birth: December 23, 1946)

CAREER

April 1980	Lecturer of the School of Law, Meiji University
April 1986	Assistant Professor of the School of Law, Meiji University
April 1992	Professor of the School of Law, Meiji University (up to the present date)
April 2004	Dean of the School of Law, Meiji University
April 2008	Executive Trustee, Meiji University
April 2016	President, Meiji University (up to the present date)

*No particular relationship is existent between Mr. Tsuchiya and JAPEX

Akira Kojima

(Date of Birth: July 18, 1942)

CAREER

April 1965	Joined Nikkei Inc.
May 1997	Director and Chief Editor, Nikkei Inc.
May 2000	Managing Director and Chief Editor, Nikkei Inc.
May 2003	Senior Managing Director, Nikkei Inc.
May 2004	Chairman, Japan Center for Economic Research
July 2009	Adjunct Professor, National Graduate Institute for Policy Studies
April 2011	Member, Board of Trustees and Adjunct Professor, National Graduate Institute for Policy Studies (up to the present date)
June 2015	Director, JAPEX (up to the present date)

*Mr. Akira Kojima is JAPEX's Outside Director as stipulated in Article 2, Clause 15 of the Companies Act.

*No particular relationship is existent between Mr. Kojima and JAPEX

Hiroyasu Watanabe

(Date of Birth: April 11, 1945)

CAREER

July 1969	Joined The Ministry of Finance
July 2002	Director-General, National Tax Agency
April 2004	Professor, Graduate School of Finance, Accounting and Law, Waseda University
June 2015	Corporate Auditor, JAPEX (up to the present date)
December 2016	Advisor, Hibiya Park Law Offices (up to the present date)

*Mr. Hiroyasu Watanabe is JAPEX's Outside Corporate Auditor as stipulated in Article 2, Clause 16 of the Companies Act.

*No particular relationship is existent between Mr. Watanabe and JAPEX.

END

(Reference)

‘Qs and As’ about Allotment of Share Options without Contribution as Takeover Defense Measures

These ‘Qs and As’ are attached hereto not as reference documents for the ordinary general meeting of shareholders but as guide to plainly explain the Plan. For more accurate and detailed information, please refer to the explanations made in and after page 11 and the press release dated May 12, 2017 “Renewal of the Measures to Prevent Large-scale Acquisition of Our Company Shares (Takeover Defense Measures).”

Q1. What is the purpose of renewing the Takeover Defense Measures?

A. The Plan, for which we kindly ask your approval in Item5, describes procedures to be taken by JAPEX when a large-scale acquisition of JAPEX shares occurs. It ensures the information and time necessary for our shareholders to decide whether to accept the acquisition or not and for the Board of Directors to propose an alternative plan, as well as to secure the opportunities for consultation, negotiation, or any other communication with the Acquirer. As mentioned above, we believe the Plan will contribute to ensuring and improving of our corporate value and the common interests of our shareholders. Therefore, we decided to renew the current Takeover Defense Measures, which will expire on the designated date.

Q2. What are the differences between the Former Plan and the renewed Plan?

A. There is no difference between the Former Plan and the renewed Plan.

Q3. Please explain the outline of the Plan.

A. The Plan is a Prior Warning-type Rights Plan under which Share Options are allotted without contribution in the case of threat of acquisition. In particular, the Plan includes the following.

- (1) Acquirers who intend to acquire 20% or more of the shares issued by JAPEX, are required to submit, in advance, the Intent Statement containing covenant wordings, etc., that express the intention to comply with the procedure set forth in the Plan and provide such information on the Acquisition Statement, etc., that is needed for examining the content of the acquisition.
- (2) The Board of Directors will immediately send the Acquisition Statement to the Independent Committee. The Independent Committee may request the Board of Directors to present its opinion on the content of the acquisition, the supporting materials and, (if available) alternative plans.
- (3) After receipt of the information from an Acquirer and Board of Directors, Independent Committee will review the content of the acquisition and the alternative plan provided by the Board of Directors and consult and/or negotiate with the Acquirer, while seeking advice from experts, etc.
- (4) JAPEX will reach a resolution concerning the implementation of the allotment of Share Options without contribution, only after obtaining a judgment from the Independent Committee, under the situation where Acquirers fail to comply with the procedures set forth in the Plan, or the Acquisition clearly infringes on our corporate value and the common interests of our shareholders, and where resist to such Acquisition is deemed appropriate. JAPEX may confirm the intention of our shareholders concerning the implementation of the allotment of Share Options without contribution.
- (5) The Share Options allotted in relation to the exercise of the Plan includes an exercising condition which restricts the exercise of share option rights to Acquirers and an acquisition condition that JAPEX can acquire share options in exchange for JAPEX shares from holders other than the Acquirer. If JAPEX shares are issued to our shareholders other than the Acquirer according to this, the ratio of the voting rights of JAPEX held by the Acquirer may be diluted to a maximum of 50%.

Q4. The company's Takeover Defense Measures are deemed highly reasonable. In what specific ways is the JAPEX's Takeover Defense Measure highly reasonable?

A. The characteristics representing the Plan's reasonableness are listed below:

Item	The company's Takeover Defense Measures
Shareholders' intention	<ul style="list-style-type: none"> • The intention of our shareholders will be reflected by obtaining the approval of the Plan at this shareholders meeting. • Even before the expiration of its term, the Plan will be instantly abolished, if the general meeting of shareholders or the Board of Directors resolves to abolish the plan. Therefore, the continuity or discontinuity of the Plan can depend on the shareholders.
Independent Committee	<ul style="list-style-type: none"> • An Independent Committee comprised of independent Outside Directors, etc., is established. • The members of the Company's Independent Committee are one (1) Outside Director, one (1) Outside Auditor and one (1) outside expert, each with high independency. • The implementation of the Plan must be made on the advice of the Independent Committee, which is given after consideration of the specific designated requirement. • The Independent Committee may receive advice from experts at the Company's cost.
Condition for initiating the procedure	Holding 20% or more of the voting rights, or a tender offer that intends the acquisition of 20% or more of the voting rights.
Conditions for implementation	Reasonable and objective conditions are established.
Validity (sunset clause)	Three (3) years
Members of the Board of Directors	Fourteen (14) Directors (if the candidates of Directors mentioned in page 3 to page 10 of this notice are elected at this shareholders meeting), including three (3) independent Outside Directors.
Abolition	The Plan may be abolished at any time by resolution of the general meeting of shareholders or the Board of Directors (the Plan is neither a dead-hand type takeover defense measure [whereby the implementation of a takeover defense measure cannot be deterred even with the replacement of over half of the constituting members of the Board of Directors] nor a slow-hand type takeover defense measure [where the implementation of a takeover defense measure takes time]).
Disclosure of purpose, conditions for implementation, and procedures	Information is fully disclosed through press releases, resolution items and reference documents for the general meeting of shareholders, and at the general meeting of shareholders.
Delivery of notification of the convocation	The notification of convocation will be delivered on June 6, 2017 (Tuesday), three (3) weeks before the day of the ordinary general meeting of shareholders.

Q5. How will shareholders be impacted, if the Plan is renewed?

A. At the point of renewal of the Plan, the allotment of Share Options without contribution will not be made. Therefore, there will be no direct and specific impact on shareholders.

Meanwhile, in the case where Acquirers appear and the Plan is implemented, Share Options will be allocated free of charge to shareholders excluding the Company. The shareholders to whom Share Options without contribution are allotted are entitled to receive, on and after the commencing date of the period of exercise, in principle, one share per one share option, by paying the money value equivalent to the exercising value decided in the Resolution for the Allotment of Share Options without Contribution within the range of one yen per one share for the purpose of the Share Options as the lower limit and one half of the market value of one JAPEX share as the upper limit. If certain shareholders do not exercise their Share Options, the shares held by those shareholders will be diluted as a result of the exercise of the Share Options by other shareholders.

If JAPEX delivers JAPEX shares in exchange of acquiring the Share Options from shareholders, shareholders other than Acquirers will receive the corresponding JAPEX shares without following the

exercising procedure on the part of the shareholders. If JAPEX follows such an acquisition procedure, the shareholders other than Acquirers will receive JAPEX shares without exercising their Share Options and paying a monetary amount equivalent to the exercise price, and therefore the dilution of owned JAPEX shares held will not, in principle, occur.

Q6. If an allotment of Share Options without contribution is implemented, what procedures should be followed by the shareholders?

A. (1) Exercise of Share Options

When exercising Share Options allotted through the allotment of share options without contribution, in principle, the shareholders will be required to submit, during the period of the exercise of the Share Options, the documents necessary for the exercise of Share Options (in the form prescribed by JAPEX which contains the clauses of representation, warrant, etc., that the shareholders meet the exercise conditions) and other documents necessary for the exercise of Share Options, and pay, in principle during the period of exercise of the Share Options, a monetary amount equivalent to the exercise price.

(2) Procedure for the Acquisition of the Share Options by JAPEX

If the Board of Directors makes the decision to deliver JAPEX shares to shareholders in exchange for the acquisition of Share Options, JAPEX will, according to statutory procedures, acquire the Share Options on the date determined by the Board of Directors, and deliver JAPEX shares in exchange for the Share Options. In this case, the shareholders may be required to submit a document in the form prescribed by JAPEX.

Q7. Among the conditions relating to the exercise of the Share Options allocated by the allotment of Share Options without contribution, it is mentioned that non-residents (foreign residents), who are required under the applicable foreign laws and regulations to follow the prescribed procedures for the exercise of Share Options, may not, in principle, exercise their Share Options. Will non-residents be adversely affected by the Plan?

A. First of all, if non-resident shareholders are not required under the applicable foreign laws and regulations to follow the prescribed procedures for the exercise of the Share Options, such as obligations to register securities, such non-residents may exercise their Share Options.

Secondly, even if non-resident shareholders are required under the applicable foreign laws and regulations to follow the prescribed procedures for the exercise of Share Options, such as obligation to register securities, but if an exemption clause applies, the non-residents may, in principle, exercise their Share Options on condition that they meet the conditions of the said exemption clause.

Furthermore, if it was confirmed that the acquisition by JAPEX of the Share Options held by the relevant non-resident by means of the implementation of the terms and conditions for acquisition does not conflict with applicable laws and regulations, JAPEX's shares will also be delivered to these non-residents upon acquisition by JAPEX of the Share Options.

END

Consolidated Statement of Income

〔 From April 1, 2016
To March 31, 2017 〕

(Unit: millions of yen)

Accounting titles	Amount	
Net sales		207,130
Cost of sales		174,957
Gross profit		32,172
Exploration expenses		1,512
Selling, general and administrative expenses		29,975
Operating income		685
Non-operating income		
Interest income	1,243	
Dividend income	2,301	
Gain on sales of securities	104	
Foreign exchange gains	3,444	
Other	920	8,014
Non-operating expenses		
Interest expenses	1,245	
Loss on sales of securities	15	
Share of loss of entities accounted for using equity method	4,255	
Other	961	6,477
Ordinary income		2,222
Extraordinary income		
Gain on sales of non-current assets	892	
Gain on transfer of mining rights	403	
Other	5	1,301
Extraordinary losses		
Loss on retirement of non-current assets	90	
Impairment loss	62	
Loss on business liquidation	177	
Other	0	331
Profit before income taxes		3,192
Income taxes-current	2,619	
Income taxes-deferred	(977)	1,642
Profit		1,550
Loss attributable to non-controlling interests		1,892
Profit attributable to owners of parent		3,443

(Amount truncated to millions of yen)

Consolidated Statement of Changes in Equity

(From April 1, 2016
To March 31, 2017)

(Unit: millions of yen)

	Shareholders' equity					Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	14,288	157	345,674	(10)	360,109	50,554	3	10,087	253	60,899	74,308	495,317
Changes of items during period												
Dividends of surplus			(1,714)		(1,714)							(1,714)
Profit attributable to owners of parent			3,443		3,443							3,443
Changes in treasury shares of parent arising from transactions with non-controlling shareholders		26			26							26
Change of scope of equity method			393		393							393
Difference on change in equity			(2,103)		(2,103)							(2,103)
Net changes of items other than shareholders' equity						19,277	(229)	(2,786)	201	16,463	(1,216)	15,247
Total changes of items during period	—	26	19	—	45	19,277	(229)	(2,786)	201	16,463	(1,216)	15,292
Balance at end of current period	14,288	183	345,693	(10)	360,155	69,832	(226)	7,301	455	77,363	73,091	510,609

(Amount truncated to millions of yen)

Statement of Income

〔 From April 1, 2016
To March 31, 2017 〕

(Unit: millions of yen)

Accounting titles	Amount	
Net sales		150,137
Cost of sales		119,929
Gross profit		30,208
Exploration expenses		1,414
Selling, general and administrative expenses		20,855
Operating income		7,938
Non-operating income		
Interest income	929	
Interest on securities	0	
Dividend income	6,793	
Other	1,952	9,675
Non-operating expenses		
Interest expenses	196	
Loss on valuation of shares of subsidiaries and associates	2	
Inactive facility related expenses	244	
Inactive mine administrative expenses	157	
Foreign exchange losses	245	
Other	293	1,140
Ordinary income		16,473
Extraordinary income		
Gain on sales of non-current assets	891	891
Extraordinary losses		
Loss on retirement of non-current assets	73	73
Profit before income taxes		17,291
Income taxes-current	1,109	
Income taxes-deferred	1,118	2,227
Profit		15,063

(Amount truncated to millions of yen)

Statement of Changes in Equity

(From April 1, 2016
To March 31, 2017)

(Unit: millions of yen)

	Shareholders' equity											
	Capital Stock	Retained earnings									Treasury shares	Total shareholders' equity
		Legal retained earnings	Other retained earnings							Total retained earnings		
			Reserve for overseas investment loss	Reserve for mine prospecting	Reserve for special depreciation	Reserve for advanced depreciation of non-current assets	Reserve for exploration	General reserve	Retained earnings brought forward			
Balance at beginning of current period	14,288	3,572	5,225	22,694	432	211	47,246	171,600	49,463	300,445	(10)	314,723
Changes of items during period												
Reversal of reserve for overseas investment loss			(437)						437	—		—
Provision of reserve for mine prospecting				2,900					(2,900)	—		—
Reversal of reserve for mine prospecting				(6,215)					6,215	—		—
Reversal of reserve for special depreciation					(71)				71	—		—
Provision of reserve for advanced depreciation of non-current assets						511			(511)	—		—
Reversal of reserve for advanced depreciation of non-current assets						(9)			9	—		—
Dividends of surplus									(1,714)	(1,714)		(1,714)
Profit									15,063	15,063		15,063
Net changes of items other than shareholders' equity												
Total changes of items during period	—	—	(437)	(3,315)	(71)	502	—	—	16,672	13,349	—	13,349
Balance at end of current period	14,288	3,572	4,787	19,379	360	713	47,246	171,600	66,135	313,794	(10)	328,072

	Valuation and translation adjustments			Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at beginning of current period	50,567	(1)	50,565	365,288
Changes of items during period				
Reversal of reserve for overseas investment loss				—
Provision of reserve for mine prospecting				—
Reversal of reserve for mine prospecting				—
Reversal of reserve for special depreciation				—
Provision of reserve for advanced depreciation of non-current assets				—
Reversal of reserve for advanced depreciation of non-current assets				—
Dividends of surplus				(1,714)
Profit				15,063
Net changes of items other than shareholders' equity	19,302	1	19,303	19,303
Total changes of items during period	19,302	1	19,303	32,653
Balance at end of current period	69,869	—	69,869	397,941

(Amounts truncated to millions of yen)

Guidance on the Exercise of Voting Rights via the Internet

1. Matters to be acknowledged when exercising voting rights via the Internet

When exercising voting rights via the Internet, please acknowledge the following matters before exercising the rights.

- (1) Exercise of voting rights via the Internet is only possible by accessing the website (see URL shown below) designated by the Company for the purpose of exercising voting rights. Please note that a code for the exercise of voting rights and a password provided on your Voting Rights Exercise Form enclosed with the convocation notice are necessary for exercising voting rights via the Internet.
- (2) The code for the exercise of voting rights and password provided this time are effective only for this General Meeting of Shareholders. For the next General Meeting, a new code and a password will be issued.
- (3) If you exercise your voting rights both in writing and via the Internet, we will only accept the exercise of your voting rights via the Internet as valid.
- (4) If you exercise your voting rights more than once via the Internet, we will only accept the last exercise of your voting rights as valid.
- (5) Any access charge to be paid to a service provider, communication charge to telecommunications carriers, or other costs relating to the Internet shall be borne by shareholders.

2. Instructions for exercising voting rights via the Internet

- (1) Access <http://www.it-soukai.com/>.
- (2) Enter your code for the exercise of voting rights and password, and click the “Login” button.
The code for the exercise of voting rights and password are provided on your Voting Rights Exercise Form enclosed with the convocation notice.
- (3) Exercise your voting rights by following the guidance on the screen and registering your approval or disapproval of each proposition prior to 5:35 p.m., Tuesday, June 27, 2017.

3. Security

You may exercise your voting rights safely due to the encryption technology (SHA-2) used to prevent your voting information from being tampered with or spoofing.

The code for the exercise of voting rights and password provided on your Voting Rights Exercise Form are important to verify that the person voting is a genuine shareholder. Please maintain them as strictly confidential. In no event will the Company ask you your password.

4. Inquiries

If you have any questions about the exercise of voting rights via the Internet, please contact the transfer agent, Stock Transfer Agency Department of Mizuho Trust & Banking Co., Ltd. (see below)

- (1) For exclusive inquiries about how to exercise your voting rights via the Internet, etc.
Phone: 0120-768-524 (toll free)
Hours: 9:00 a.m. to 9:00 p.m., excluding Saturdays, Sundays and national holidays
- (2) For inquiries other than those above (1).
Phone: 0120-288-324 (toll free)
Hours: 9:00 a.m. to 5:00 p.m., excluding Saturdays, Sundays and national holidays

[To Institutional Investors]

Institutional investors may use the electronic platform for the exercise of voting rights operated by ICJ Inc. if you apply in advance.

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