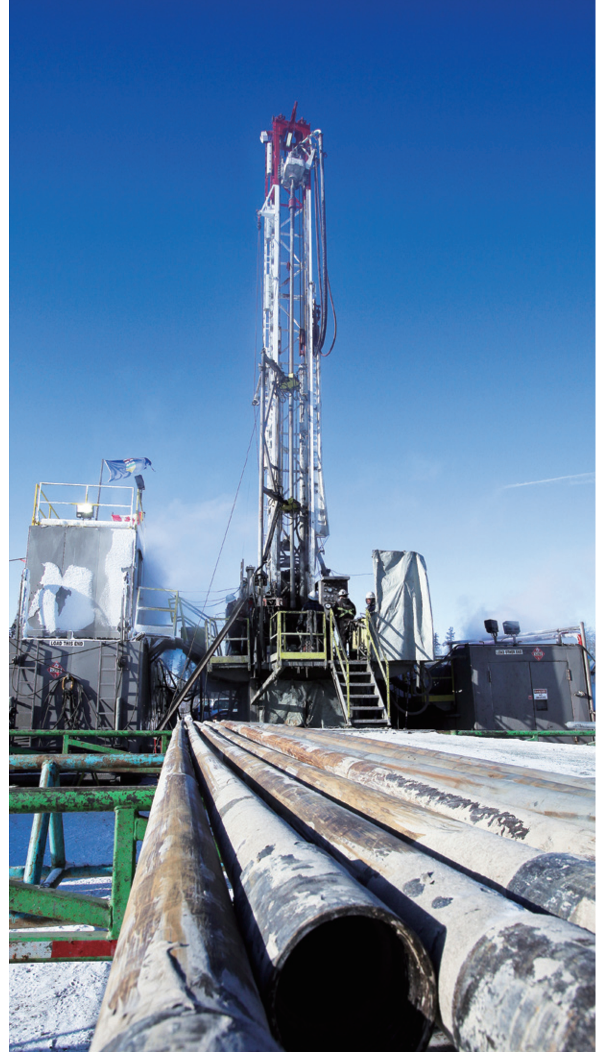
ANNUAL REPORT

2011

For The Year Ended March 31, 2011



JAPEX

Japan Petroleum Exploration Co., Ltd.

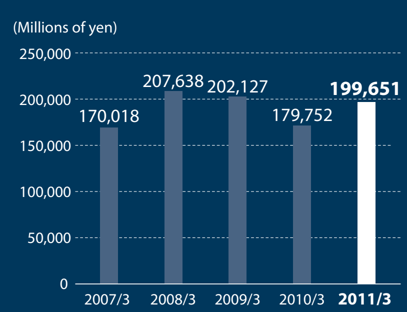
FINANCIAL HIGHLIGHTS

Japan Petroleum Exploration Co., Ltd. and Consolidated Subsidiaries
Years ended March 31

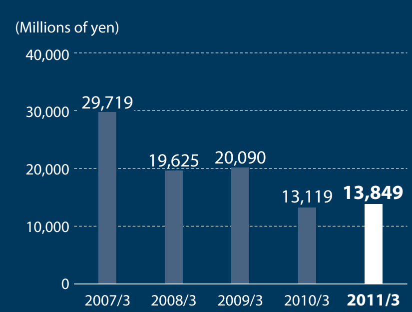
	Millions of yen			Thousands of U.S. dollars*
	2011	2010	2009	**2011**
For the Year:				
Net sales	¥ 199,651	¥ 179,752	¥ 202,127	**$2,405,433**
Cost of sales	144,919	125,467	134,447	**1,746,012**
Exploration expenses	9,798	10,396	15,352	**118,048**
Selling, general and administrative expenses	31,084	30,769	32,237	**374,506**
Operating income	13,849	13,119	20,090	**166,855**
Net income	10,010	17,939	12,560	**120,602**
At Year-End:				
Total assets	¥ 516,098	¥ 521,009	¥ 500,444	**$6,218,048**
Net assets	393,689	398,747	378,227	**4,743,240**
Long-term loans payable	26,898	24,471	25,325	**324,072**
			Yen	U.S. dollars*
Per Share Data:				
Net assets per share	¥6,743.83	¥6,839.05	¥6,486.85	**$81.25**
Net income per share	175.16	313.88	219.77	**2.11**
Cash dividends per share (full-year)	40.00	40.00	40.00	**0.48**
Other Data:				
Number of employees	1,728	1,735	1,678	**1,728**

* Exchange rate: ¥83/U.S.$

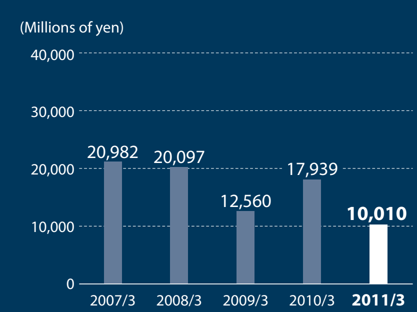
Net Sales



Operating Income



Net Income



Disclaimer

Statements made in this annual report with respect to Japan Petroleum Exploration Co., Ltd. (JAPEX)'s plans, estimates, strategies and other statements that are not historical facts are forward-looking statements about the future performance of JAPEX. These statements are based on management's assumptions and beliefs in light of information currently available. As such, these projections entail risks and uncertainties. Readers should be aware that actual results and events may differ substantially from these projections. Risks and uncertainties that may affect JAPEX include, but are not limited to, economic conditions in Japan, fluctuations in crude oil prices and exchange rates, rapid developments in technology, deregulation and other contingencies.

Corporate Guide

Corporate Vision

Taking on the challenge of creating new value from energy and increasing corporate value

Contribute to the supply of energy through global exploration and production (E&P) activities.

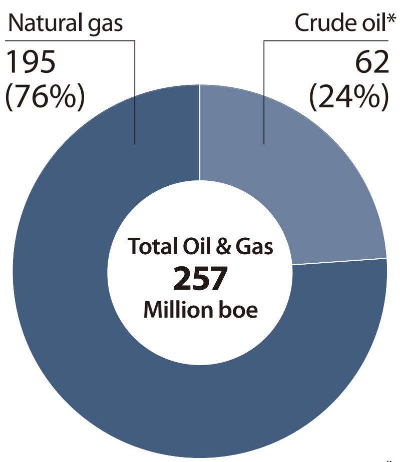
Contribute to coexistence between the planet and humankind by promoting the use of environment-friendly natural gas and taking on new business challenges.

Pursue sustainable growth and maximize shareholder value by placing top priority on maintaining mutual trust between society, customers, shareholders and employees.

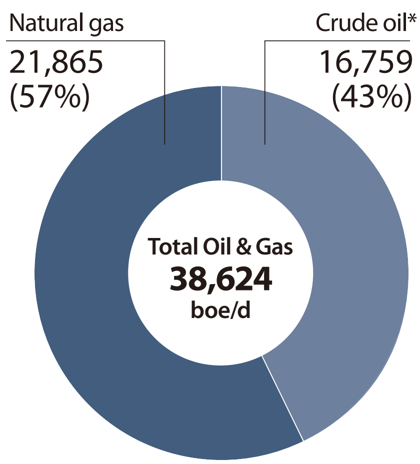
Profile

Japan Petroleum Exploration Co., Ltd. (JAPEX) is a Japanese upstream company engaged in crude oil and natural gas exploration and production (E&P) activities both in Japan and overseas. The Group is headquartered in Tokyo and employs nearly 1,700 people world-wide. JAPEX was founded in December 1955 as a special purpose company through a government initiative. With the primary objective to enhance Japan's self-sufficiency ratio, JAPEX has continued to explore and produce crude oil and natural gas in Japan while expanding its activities overseas. As a result, after launching operations with zero reserves, JAPEX has since established a sound operating base underpinned by numerous new discoveries. Between 1967 and 1970, JAPEX was incorporated into the Japan Petroleum Development Corporation (JPDC) as its E&P operating body. Thereafter, JAPEX was separated and re-established as a private-sector company under the former Commercial Code in April 1970. JAPEX listed on the First Section of the Tokyo Stock Exchange in December 2003.

Proved Reserves (End of March 2011)



Daily Production (Consolidated / Fiscal 2011)



* Crude oil includes bitumen.

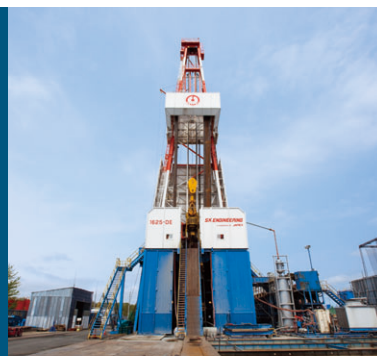
Business Domains

Acquisition of Oil and Gas Block Interests

- Mining and E&P rights application
- Negotiation
- Project bidding

Exploration

- Geological surveys
- Geophysical surveys
- Exploration well drilling
- Appraisal well drilling
- Evaluation of reserves



Development

- Production well drilling
- Facility construction
- Oil and gas production

Transportation, Supply and Sales

Natural gas: pipelines
LNG: tank containers and tank tracks
Crude oil: oil tankers and tank trucks


Shipment of bitumen

Contents

To Our Shareholders and Investors

Osamu Watanabe

President & Chief Executive Officer

Business Circumstances and Operating Performance in Fiscal 2011

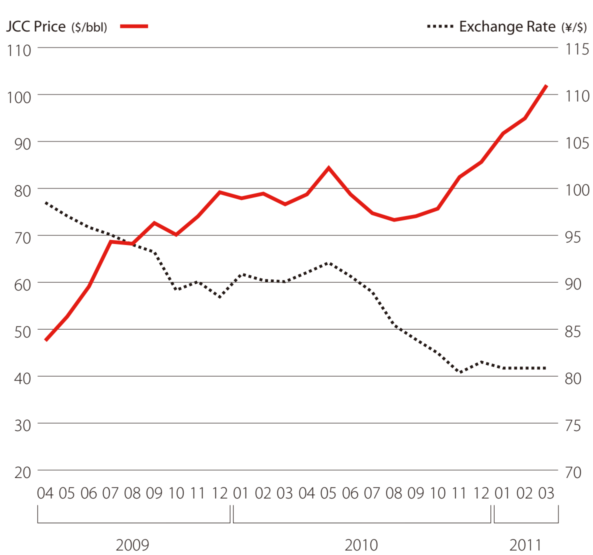
Business Circumstances

At the start of fiscal 2011, the fiscal year ended March 31, 2011, Japan's economy showed signs of a recovery trend. This was largely attributable to improvements in personal consumption as well as corporate-sector earnings. Buffeted by a persistently harsh operating environment, reflecting wide-ranging concerns surrounding the high rate of unemployment, the impact of the Great East Japan Earthquake that struck the nation toward the end of the fiscal year and other factors, however, the future of the domestic economy remains shrouded in uncertainty.

The Japan Crude Cocktail (JCC) price* at the outset of the fiscal year under review hovered around the upper U.S.$70 per barrel range. From the autumn months, the price saw a moderate upswing breaking through the U.S.$90 per barrel mark in January 2011. Price levels then hit the high U.S.$100 to U.S.$109 per barrel range at the end of the fiscal 2011.

Concerning foreign currency exchange rates, the beginning of the fiscal year under review saw the dollar-yen exchange rate fluctuate between ¥90 to ¥94. Thereafter, the value of the yen gradually appreciated hovering around the lower ¥80 range between autumn and the end of the fiscal year. Buoyed by the upswing in the JCC price, the JAPEX Group's average crude oil sales price for fiscal 2011 increased compared with the previous fiscal year.

Trends in the Japan Crude Cocktail (JCC) Price and Exchange Rates (April 2009 – March 2011)



Turning to natural gas, conditions throughout the fiscal year under review were mixed. On the one hand, the attractiveness of natural gas compared with other energy sources increased due mainly to the upswing in petroleum and related products as a result of higher crude oil prices. On the other hand, uncertainties surrounding the market environment including procurement conditions for liquefied natural gas (LNG) have continued to climb owing largely to the growing number of new market entrants reflecting increased supply infrastructure development on the back of deregulation and higher demand. Exacerbating this difficult operating environment are also anxieties surrounding the impact of the Great East Japan Earthquake.

* The average price of customs-cleared crude oil imports into Japan, including the cost of insurance and freight.

Operating Performance

Under these circumstances, the JAPEX Group made efforts to ensure safe and stable production and transportation, while focusing on efficiency in its E&P activities in Japan and overseas as the means to achieving the stable, long-term supply of energy essential for daily life. As a result, the Group's consolidated performance for fiscal 2011 was as follows.

(Millions of yen)

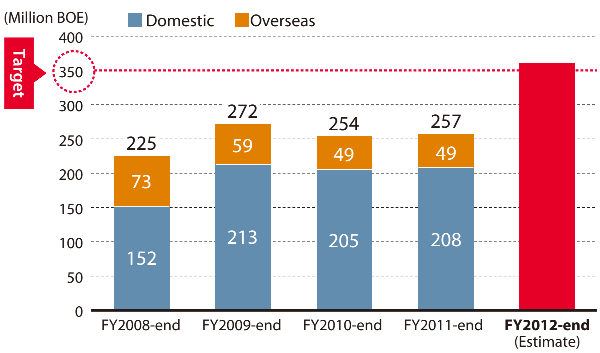
	Fiscal 2010	Fiscal 2011	Increase (Decrease)
Net sales	179,752	**199,651**	19,898
Operating income	13,119	**13,849**	730
Net income	17,939	**10,010**	(7,928)
Net assets	398,747	**393,689**	(5,057)
Total assets	521,009	**516,098**	(4,911)
Equity ratio	75.0%	**74.7%**	—

The New Medium-Term Business Plan

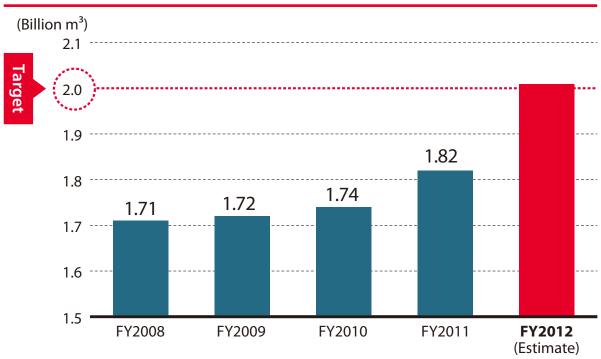
JAPEX announced details of its Mid-Term Business Plan, a five-year plan covering the period from fiscal 2009 to fiscal 2013, in May 2008. Under this plan, the Company identified key management tasks aimed at expanding its business, together with quantitative targets for reserves, natural gas sales volume as well as natural gas and domestically produced crude oil sales. Building on successful initiatives implemented to date, and recognizing that the Company would achieve its established targets during fiscal 2012, JAPEX put in place a new Medium-Term Business Plan covering the five-year period from fiscal 2012 to fiscal 2016.

Progress toward Achieving the Targets Identified under the Previous Mid-Term Business Plan

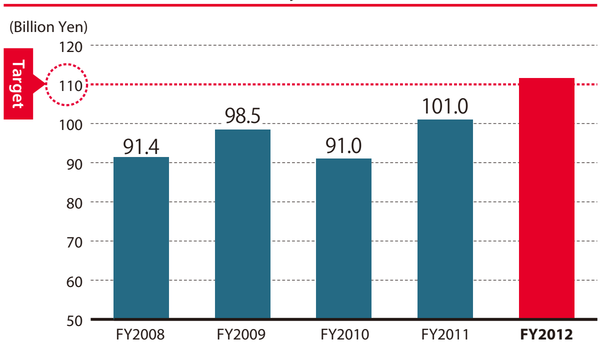
Proved Reserves of Oil and Gas



Natural Gas Sales Volume



Natural Gas and Domestically Produced Crude Oil Sales



Three Basic Policies Designed to Promote Business Expansion

Looking ahead, JAPEX recognizes that its resource development activities will continue to confront increasingly fierce global competition. In addition to unstable energy prices, the Company will also experience intensifying competition in its domestic natural gas business together with a growing social consciousness toward environmental issues. While continuing to pursue the three key management tasks identified under its previous Mid-Term Business Plan, and further clarifying its business fields, JAPEX has accordingly established three basic policies aimed at expanding its business.

1: E&P*1 business

Sustain and increase production volumes and reserves through exploration and development

2: Domestic natural gas business

Strengthen the natural gas integrated operation system

3: Environment and Innovative technology business

Accelerate large-scale methane hydrate and CCS*2 project activities

*1 E&P: Exploration and Production — the exploration, development and production of oil and natural gas

*2 CCS is the acronym for Carbon dioxide Capture and Storage.

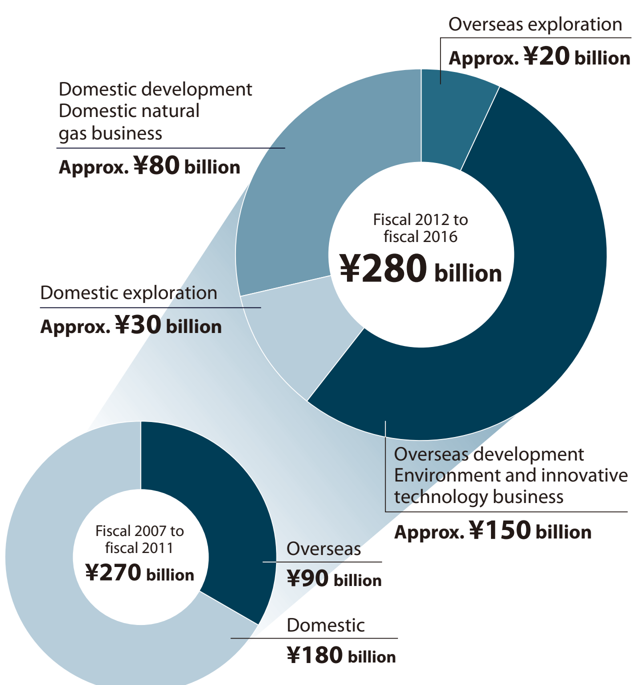
E&P Business

Within JAPEX's three basic policies aimed at expanding its business, the E&P business has been positioned at the core of the Company's growth strategy. Moving forward, JAPEX has therefore identified the following three phases together with respective quantitative targets to be achieved over the next ten years.

Phase 1: Lift Overall Overseas IneStment as a Ratio of the E&P Investment Portfolio to Around 60%

Combining externally procured funds with the free cash flow generated under the new medium-term business plan, JAPEX anticipates undertaking new investment to around ¥280 billion over the term of the plan.

With respect to the Company's portfolio underpinned by this exploration and development investment, JAPEX will uncover projects in an effort to lift overall overseas investment as a ratio of the E&P investment portfolio from the approximate 30% recorded over the past five years to around 60% over the five-year period from fiscal 2012 to fiscal 2016.



Note: Including investments through loans to equity-method affiliates

Phase 2: Increase Production Volume to 70,000 Boe/d

Increase production volume mainly overseas by ensuring steady progress in expansion and other activities at the Garraf oilfield and the Canada Oil Sands Expansion Project as well as the shift of production overseas. In specific terms, increase the current level of production volume from approximately 40,000 boe/d (barrels of oil equivalent per day) to approximately 70,000 boe/d over the next five years by around fiscal 2016.

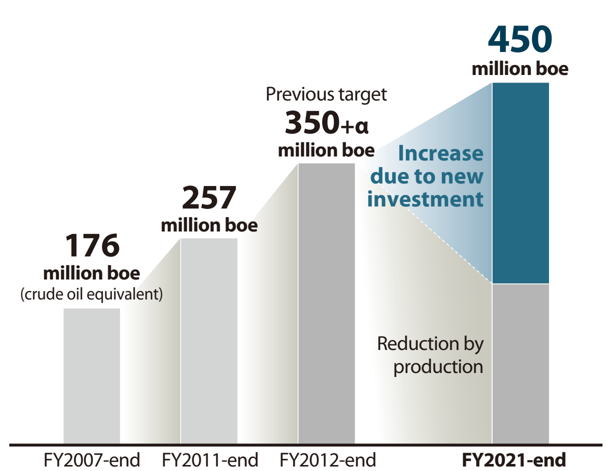
Note: The aforementioned production volume is equivalent to the JAPEX Group's interest.

Phase 3: Further increase proved reserves to 450 million boe

Further increase proved reserves from the current projected level of approximately 350 million boe as of the end of fiscal 2012 to around 450 million boe as of the end of fiscal 2021, ten years hence, by reinvesting the cash flows generated from the increase in production volume through activities identified in phase 2.

Note: The aforementioned proved reserves are equivalent to the JAPEX Group's interest.

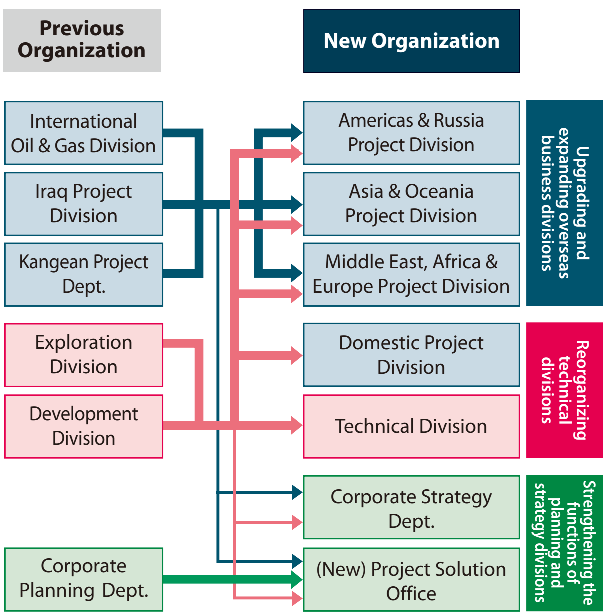
Proved Reserves



Restructuring of the E&P Business Organization

In order to achieve the Company's established targets, JAPEX has restructured the organization of its E&P business. The International Oil & Gas Division has been developed and expanded into the three Americas & Russia Project, Asia & Oceania Project and Middle East, Africa & Europe Project divisions. The Domestic Project Division has been added to form a four division structure.

Moreover, the Project Solution Office has been newly established to support the promotion of projects and buildup functions relating to overseas exploration and production performance.



Domestic Natural Gas Business

While JAPEX anticipates it will achieve the 2.0 billion cubic meters target in natural gas sales volume set under the previous mid-term business plan by fiscal 2012 due mainly to the steady growth in natural gas demand, business conditions in the period after March 2011 are extremely uncertain owing to a variety of factors including the impact of the Great East Japan Earthquake.

Under these circumstances, JAPEX will continue to cultivate new demand, focus on infrastructure and other development and engage in related activities that help promote increased natural gas use. At the same time, the Company will work to better link LNG procurement costs with efforts to optimally adjust sales prices.

Environment and Innovative Technology Business

JAPEX has actively participated in the development of CO_2 capture and storage (CCS) methods that help prevent global warming as well as GTL* technologies that use natural gas as feedstock to produce petroleum products, while engaging in research on methane hydrate, which continues to attract considerable attention as a new energy resource.

To date, the Company's participation in methane hydrate, CCS and related large-scale projects (see: P24–25) has ostensibly been under contract from government authorities. Looking ahead, JAPEX will strengthen and accelerate its activities in these areas as a part of its three basic policies which underpin the Company's future earnings platform.

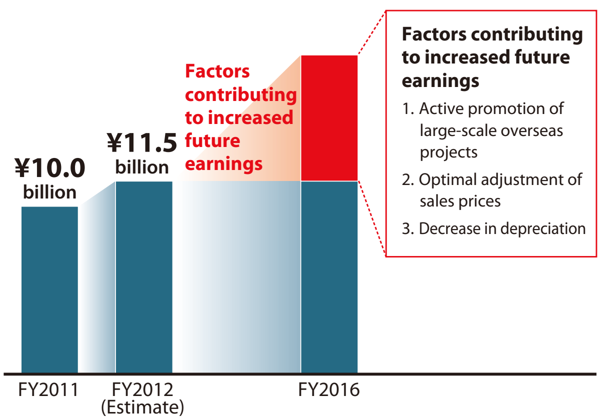
* GTL: Gas-to-Liquids

Consolidated Profit

Turning to the Company's income and expenditure forecasts, net income in fiscal 2012, the first year of the new medium-term business plan, is projected to come in at around ¥11.5 billion compared with ¥10.0 billion in fiscal 2011.

From fiscal 2013 and beyond, JAPEX will actively promote large-scale overseas projects, optimally adjust natural gas sales prices and implement various initiatives including decreases in depreciation to secure a projected substantial turnaround and recovery.

Net Income



Crude Oil Price and Exchange Rate Assumptions Applicable to the New Medium-Term Business Plan

	FY2011 (Actual)	FY2012 (Estimate)	FY2013 to FY2016 (Estimates)
Crude oil price: ($/bbl)	82.69	**90**	90
Exchange rate: (¥/$)	86.24	**85**	90

To Our Shareholders and Investors

JAPEX is committed to maintaining long-term, stable dividends and to increasing shareholder value by securing continuous business growth through the steady implementation of its new medium-term business plan. Recognizing the importance of corporate governance, we will strengthen and expand its scope and pursue business activities that will contribute to the global environment and local communities.

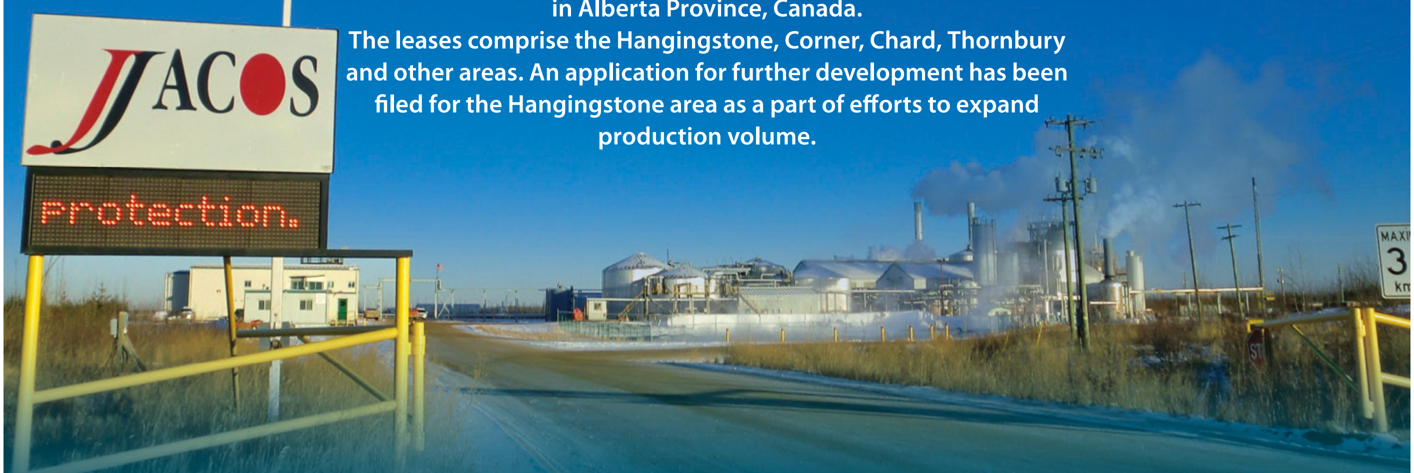
We look forward to the continued support of our stakeholders as we seek to achieve these objectives.

September 2011

Osamu Watanabe
OsaPresident & Chief Executive Officer

Japan Canada Oil Sands Limited (JACOS) Expansion Project Progress

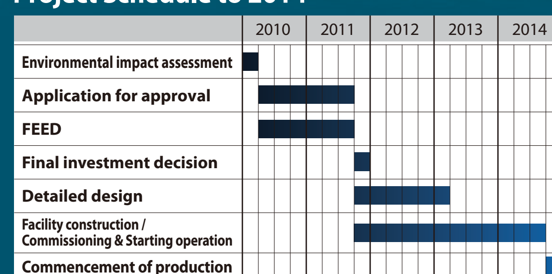
**JACOS owns leases for an oil sand area that is yet to be developed in Alberta Province, Canada.
The leases comprise the Hangingstone, Corner, Chard, Thornbury and other areas. An application for further development has been filed for the Hangingstone area as a part of efforts to expand production volume.**

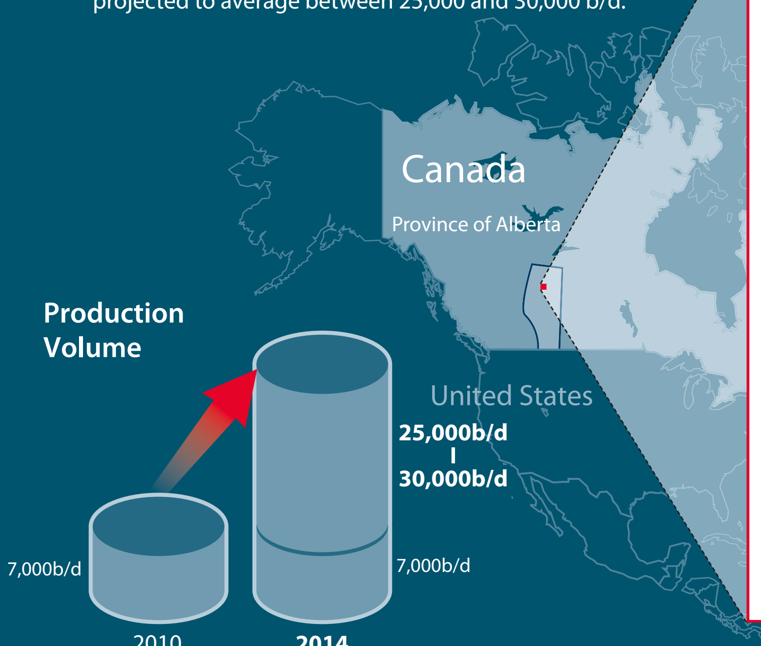


The Company's consolidated subsidiary Japan Canada Oil Sands Limited (JACOS) produces approximately 7,000 b/d of bitumen at an area (commonly referred to as the 3.75 section area) of the Hangingstone block. As a part of the company's expansion activities (the Hangingstone Expansion Project) and efforts to take better advantage of areas yet to be developed, JACOS conducted an environmental impact assessment from May 2008.

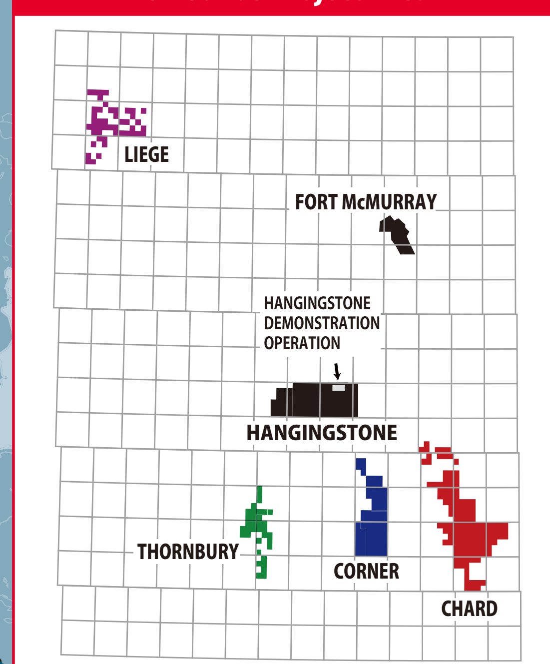
In the event JACOS makes a final investment decision (FID) after acquiring development approval around autumn 2011, production is scheduled to commence at the end of 2014. Under current development plans, bitumen production within the expansion area is then projected to average between 25,000 and 30,000 b/d.

Project Schedule to 2014





Oil Sands Project Area



Exploration and Production (E&P)

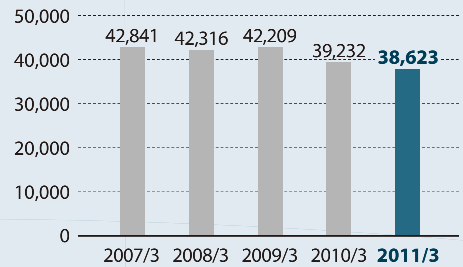
Effective E&P and the Discovery of New Oil and Gas Reserves

Maintaining and expanding oil and gas reserves, which continue to decline through production and sales activities, while putting in place a structure that can ensure stable supply over the long term are key priorities of the JAPEX Group and the backbone of its exploration, development and sales activities. To this end, the Group strives to uncover promising projects and to discover as well as secure new oil and gas reserves by engaging in effective exploration.

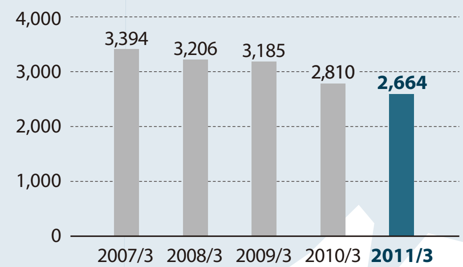
Daily Production of Crude Oil and Natural Gas

Average net production volume for fiscal 2011 for JAPEX and its consolidated subsidiaries was 2,664 kl/d (16,758 b/d) of crude oil, including bitumen, and 3,476 thousand m³/d (21,865 boe/d) of natural gas for an aggregate total of 38,623 boe/d.

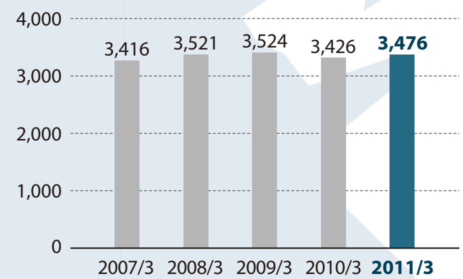
Total Production of Crude Oil and Natural Gas (boe/d)



Crude Oil Production (kl/d)



Natural Gas Production (Thousand m³/d)



Note: Figures for crude oil include bitumen (an extra-heavy oil extracted from oil sands).

Conversion Factors and Units

Crude oil 1 kl = 6.29 bbl
Natural gas 1,000 m³ = 35.31 thousand cubic feet
Natural gas 1,000 m³ = 1 kl of oil equivalent

boe/d: barrels of oil equivalent per day
b/d: barrels per day
kl/d: kiloliter per day

Domestic E&P

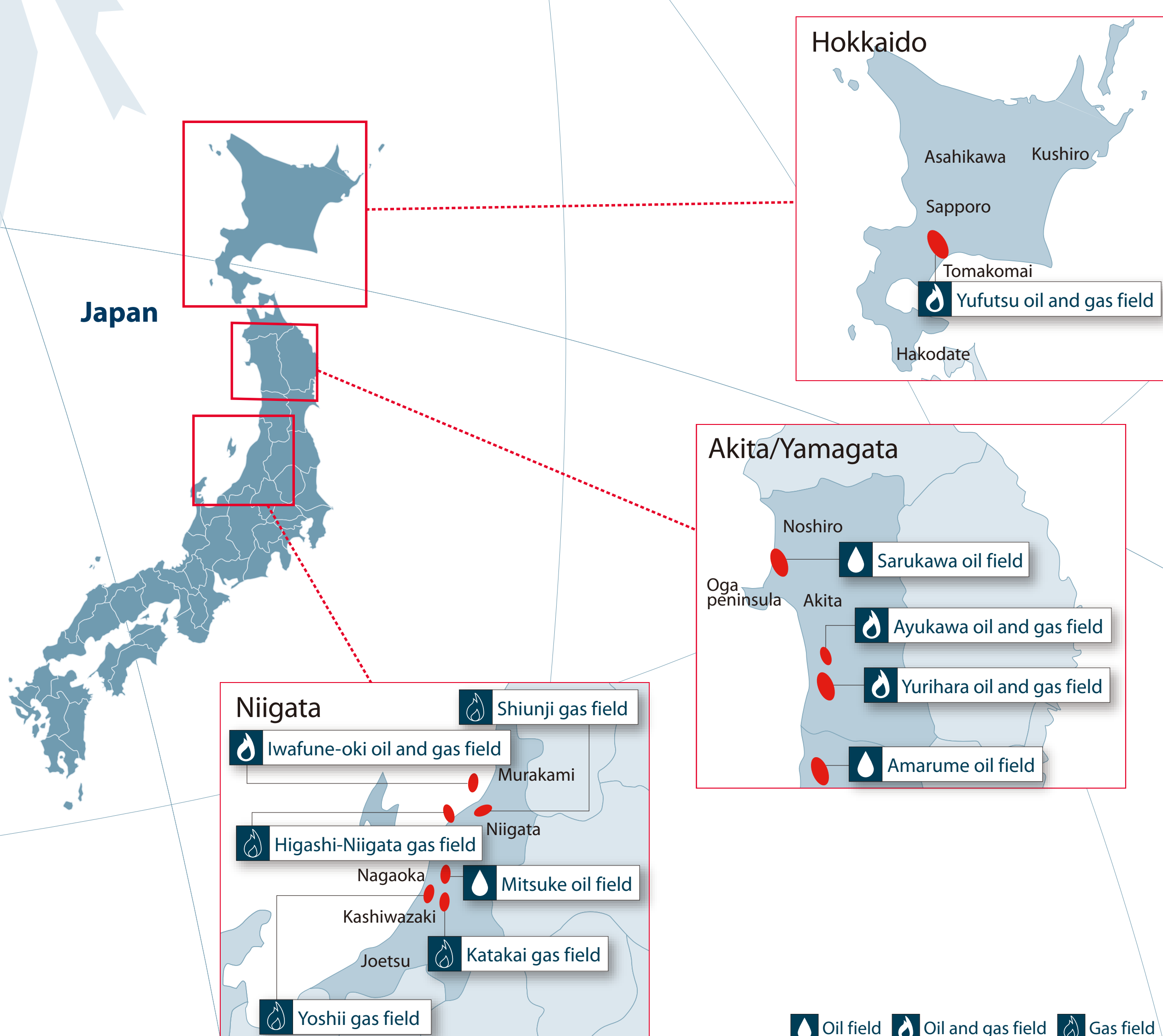
JAPEX's domestic oil and gas fields are located in Hokkaido, Akita, Yamagata and Niigata prefectures. In order to maintain and expand domestic reserves, while putting in place a reliable system for supplying crude oil and natural gas over the long term, JAPEX will effectively combine E&P aimed at adding new large-scale gas reserves with the expansion of reserves in areas near existing oil and gas fields. These activities will center on the prefectures of Hokkaido, Akita and Niigata. JAPEX is aggressively pursuing these E&P activities in line with plans.

JAPEX and Japex Offshore Ltd.

In fiscal 2011, the average net production volume in Japan was 1,528 kl/d of crude oil and 3,446 thousand m³/d of natural gas for a total production volume of 31, 293 boe/d.

JAPEX conducted 2D and 3D seismic surveys in Akita Prefecture as a part of its exploration activities in fiscal 2011. At the same time, the Company drilled one exploration well in Akita Prefecture and was successful with its Akebono SK-5D extension well in Hokkaido. In addition, we drilled one production well in fiscal 2011 and undertook construction of new production facilities at existing oil and gas fields.

In fiscal 2012, plans are in place to conduct two 2D seismic surveys in Niigata and Yamagata, drill an exploration well in Hokkaido and construct a CO_2 emission reduction facility.



Overseas E&P

JAPEX knows that securing reserves, expanding production and generating earnings overseas are important themes for establishing a stable operating base over the long term. Based on this thinking, JAPEX continues to boost operating efficiency and identify new projects in Southeast Asia, Canada, the Middle East, North Africa and Sakhalin in Russia as target areas.

JAPEX is adopting two approaches to opening up new business opportunities. One is to acquire rights to oil and gas fields that are already on-stream or that have been discovered but not yet developed, which offer relatively low risk and early returns. The other is to acquire exploration rights that are expected to deliver relatively high returns.

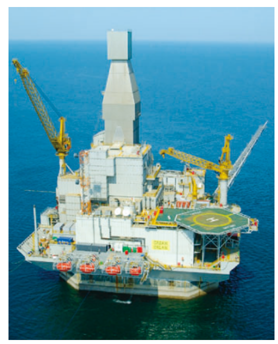
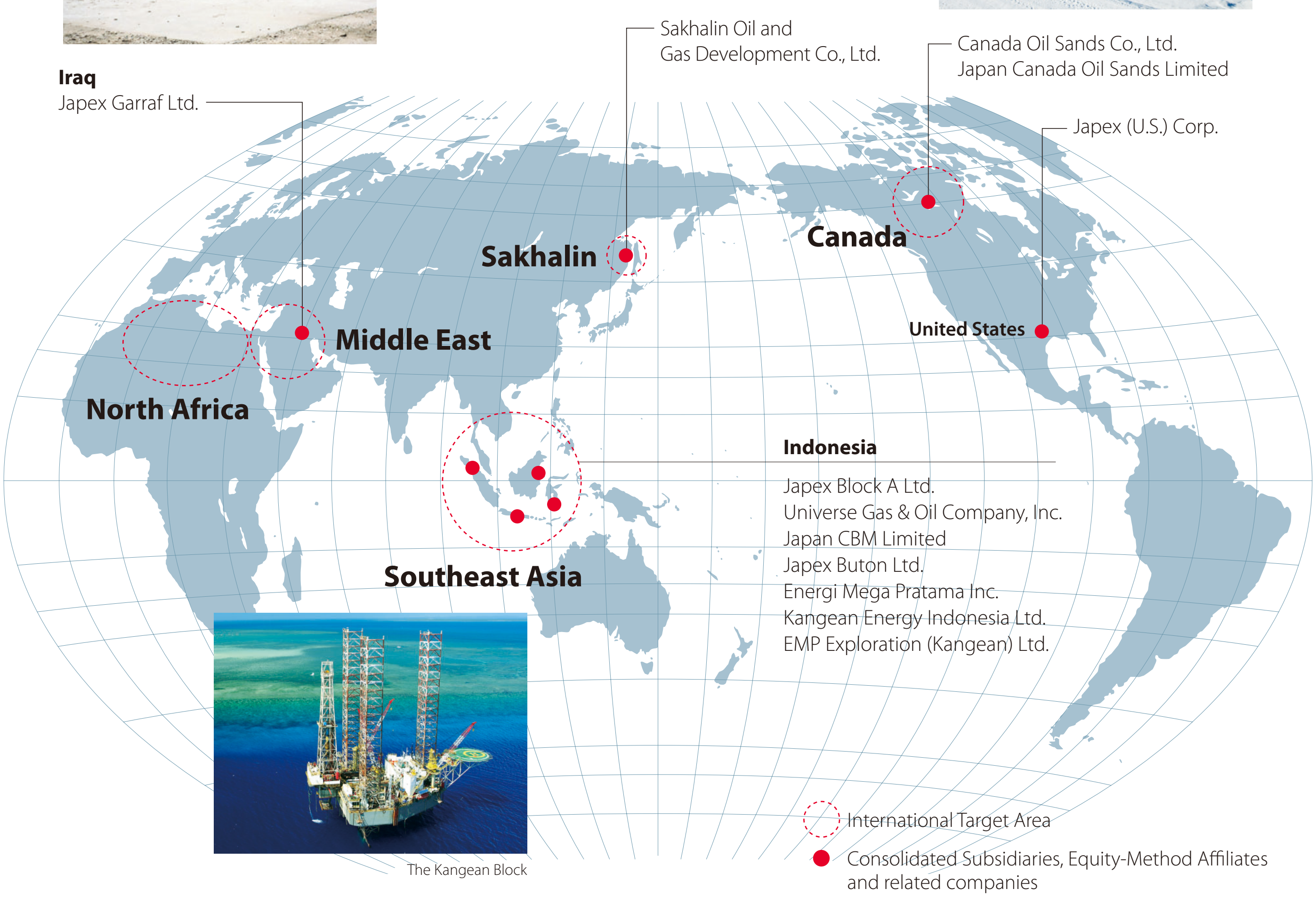


Photo courtesy of Exxon Neftegas Ltd.

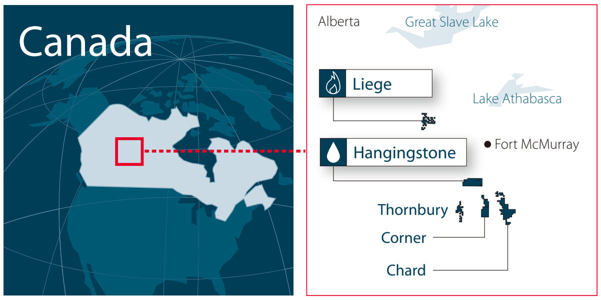


The Kangean Block

Oil field Oil and gas field Gas field

Target Area: Canada

Japan Canada Oil Sands Limited (JACOS)

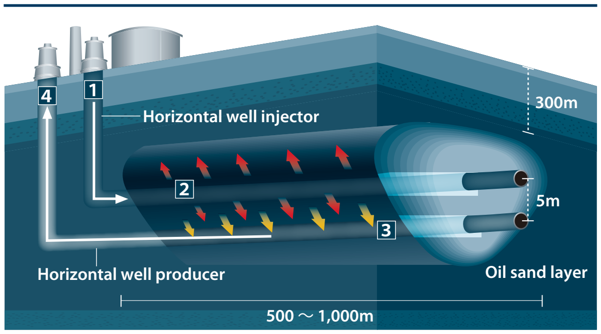


Block	Hangingstone (commonly known as the 3.75 section area)	
Project Company	Canada Oil Sands Co., Ltd. (local subsidiary: Japan Canada Oil Sands Limited)	
Interest	Japan Canada Oil Sands Limited (Operator)	100%

Block	Hangingstone (undeveloped area)	
Project Company	Canada Oil Sands Co., Ltd. (local subsidiary: Japan Canada Oil Sands Limited)	
Interest	Japan Canada Oil Sands Limited (Operator)	75%
	Nexen	25%

JAPEX has partnered with Suncor (formerly Petro-Canada), Nexen (formerly Canadian OXY) and Imperial Oil (formerly Esso) with respect to such yet to be developed areas as Chard, Corner and Thornbury. Participating interests differ for each respective block. Details of JACOS' participating interests in each respective block are presented as follows.

Schematic of the SAGD Process



1 Continuously injecting high-temperature, high-pressure steam into the upper well to provide liquidity to the bitumen.
2 The steam heats the oil sand layer.
3 Bitumen falls down to the lower well.
4 Bitumen emerges above ground along with warm water*.

* JACOS conducts environmentally friendly operations that minimize fresh water consumption by recycling at least 90% of the warm water produced.

In Canada, our consolidated subsidiary Canada Oil Sands Co., Ltd. is engaging in oil sand development through locally incorporated Japan Canada Oil Sands Limited (JACOS) using steam-assisted gravity drainage (SAGD) in a part of the Hangingstone area (commonly known as the 3.75 section area) in the Athabasca region of Alberta. Production volume in 2010 for the 3.75 section area was 7, 053 barrels per day of bitumen.

Progress at and future plans for the Hangingstone Oil Sands Expansion Project are presented as follows.

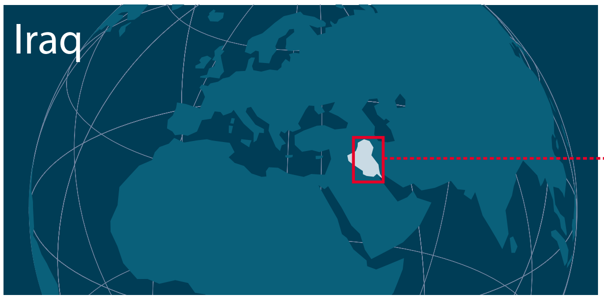
May 2008-Mar. 2010:	Conducted an environmental impact assessment
Apr. 2010:	Submitted a development application to the relevant agency of the Alberta provincial government (additional production of bitumen to a maximum of 35,000 b/d)
Around autumn 2011:	Acquire development approval; make a final investment decision
2011-2012:	Commence construction during the winter season
End of 2014:	Commence production

JACOS owns leases for an oil sand area that is yet to be developed spanning a total of 460 km² in the Athabasca region. In addition to future plans for the Hangingstone Oil Sands Expansion Project currently under production, project areas held include the Corner, Chard, Thornbury and other areas where expectations for a transition to development are high. Estimated contingent reserves* in areas yet to be developed as of the end of December 2008 totaled 1.7 billion barrels. A third-party evaluation was completed by Sproule Associates Limited (of Canada).

* Please refer to the definition of proved reserves on page 20.

Target Area: The Middle East

Japex Garraf Ltd.



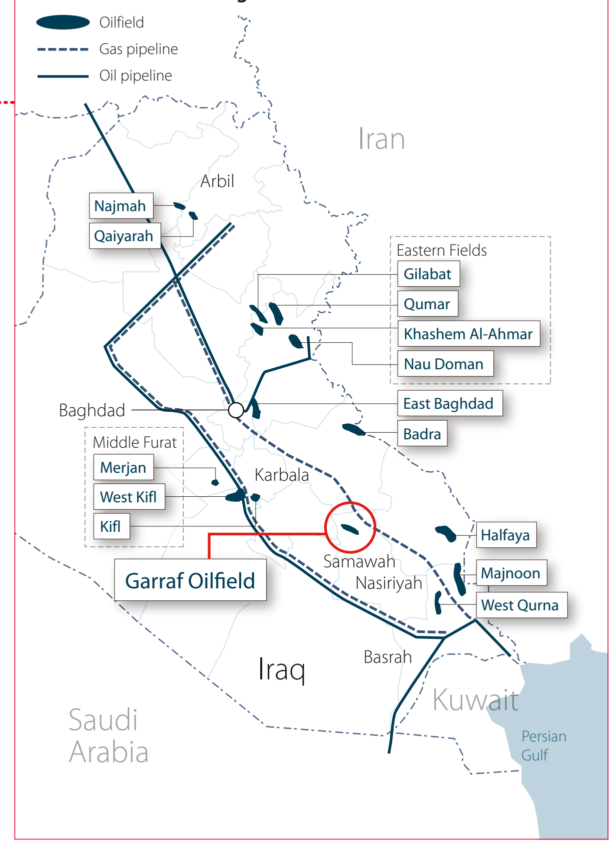
Field	Garraf oilfield (Southern Iraq)	
Project Company	Japex Garraf Ltd.	
Participating Interest	PETRONAS (Operator)	45%
	Japex Garraf Ltd.	30%
	North Oil Company	25%

The second petroleum licensing round was held by the Iraqi Ministry of Oil in December 2009. JAPEX together with Malaysian state-owned oil company PETRONAS jointly secured the winning bid and acquired the development and production service contract to the Garraf oilfield located in Southern Iraq.

In March 2010, JAPEX established Japex Garraf Ltd. as a project company and consolidated subsidiary to promote development of the Garraf oilfield.

At this time, production is scheduled to commence in 2012 with plans to achieve a daily production target of 230,000 barrels in 2017. Total capital investment for the oilfield over a 20-year period is around U.S.$5.0 to U.S.$6.0 billion. Of this amount, the Company's share is estimated at between U.S.$2.0 to U.S.$2.4 billion. Taking into consideration plans to offset crude oil revenues against capital investments following the commencement of production in 2012, as well as a forecast crude oil price of U.S.$70 per barrel, the maximum investment required is estimated at approximately U.S.$600 to U.S.$800 million with the Company's share projected at approximately between U.S.$250 to U.S.$300 million.

Location of the Garraf Oilfield and Other Oilfields Offered in the Second Licensing Round



Overview of the Garraf Oilfield Development

Contract Type:		Development and production service	
Contract Term:		20 years (with optional 5-year extension)	
Remuneration:		U.S.$1.49 per barrel of crude oil production	
Scheduled Production Plan	**2012:**	Commence initial production	
	2017:	Achieve production target of 230,000 b/d	
Aggregate Production Volume:		Approximately 1.3 billion barrels during the contract	
Contracting Party:		South Oil Company (controlled by the Iraqi Ministry of Oil)	
Development Contractors:		Project Share	Capital Contribution
PETRONAS		45%	60%
Japex Garraf Ltd.		30%	40%
North Oil Company (controlled by the Iraqi Ministry of Oil)		25%	–*

* JAPEX and PETRONAS are to provide the capital contribution for the North Oil Company.

Target Area: Southeast Asia

Energi Mega Pratama Inc.

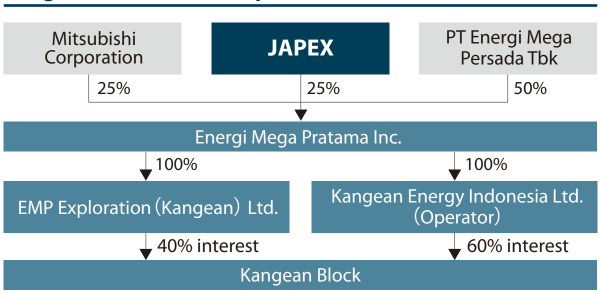
Block	Kangean Block (offshore East Java)	
Project Company	Energi Mega Pratama Inc.	
Interest	Kangean Energy Indonesia Ltd. (Operator)	60%
	EMP Exploration (Kangean) Ltd.	40%

Note: Kangean Energy Indonesia Ltd. and EMP Exploration (Kangean) Ltd. are subsidiaries of Energi Mega Pratama Inc.

Equity-method affiliate Energi Mega Pratama Inc. (EMPI) holds a 100% working interest in the Kangean Block offshore East Java through subsidiaries Kangean Energy Indonesia Ltd. and EMP Exploration (Kangean) Ltd.

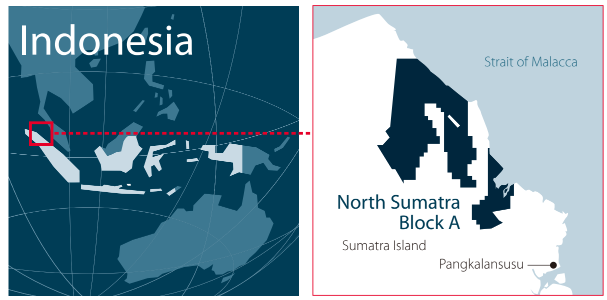
Within the same block, the company is moving forward with development activities at the Pagerungan Utara (PUO) oilfield and TSB gas field and production activities at the Pagerungan gas field and Sepanjang oilfield. Production volume of both crude oil and natural gas for the entire block in 2010 totaled 5,828 barrels of oil equivalent per day. Crude oil production commenced at the PUO oilfield in January 2011. Development work is progressing steadily toward the planned commencement of production at the TSB gas field from the end of March 2012. Production scale is estimated at 50,000 boe/d.

Kangean Block Ownership Structure



Target Area: Southeast Asia

Japex Block A Ltd.



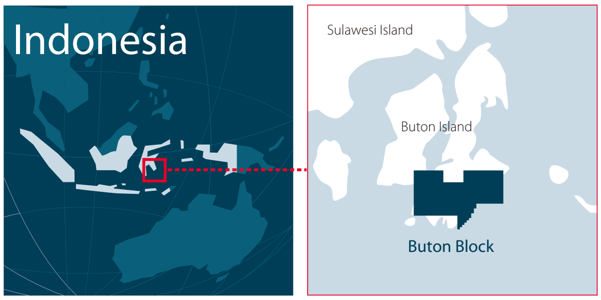
Block	North Sumatra Block A (onshore North Sumatra)	
Project Company	Japex Block A Ltd.	
Interest	Medco (Operator)	41.6667%
	Premier Oil	41.6666%
	Japex Block A Ltd.	16.6667%

In December 2007, consolidated subsidiary Japex Block A Ltd. (16.6667% interest) received approval from BPMIGAS, the PS contracting authority of Indonesia, for its development plan for gas fields consisting of Alur Siwah, Alur Rambong and Julu Rayeu in the North Sumatra Block A. We began the FEED process for production facilities in 2008. In addition, Japex Block A Ltd. concluded an agreement with the government of Indonesia to extend the North Sumatra Block A production sharing contract (PSC) a further 20 years from September 2011. Meanwhile, we signed a gas sales agreement (GSA) with a government-operated fertilizer plant in December 2007, and an additional GSA with Indonesia's state-owned electric power company in April 2008.

Plans are in place to commence gas production from 2013 to a maximum of 20,000 boe/d. Moving forward, we will continue to promote development activities.

Target Area: Southeast Asia

Japex Buton Ltd.



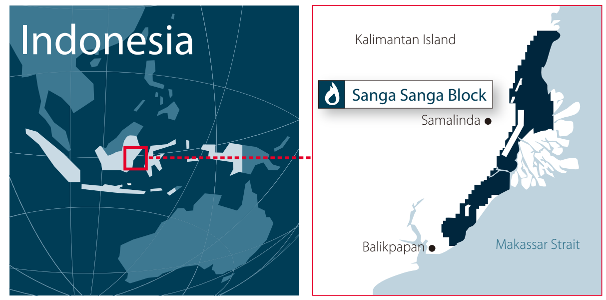
Block	Buton Block (onshore/offshore Buton Island, offshore Southeast Sulawesi)	
Project Company	Japex Buton Ltd.	
Interest	Japex Buton Ltd. (Operator)	40%
	Premier Oil	30%
	KUFPEC	30%

Consolidated subsidiary Japex Buton Ltd. (40% interest, operator) signed a PSC in January 2007 for the Buton Block, an onshore/offshore block on Buton Island, Southeast Sulawesi, which was awarded through a public tender in October 2006. Exploration activities in the area have included airborne gravity surveys and data interpretation activities conducted in 2008. We also acquired 318 kilometers of 2D seismic data from June 2008 through January 2009, with data processing activities completed in June 2009. Following this, the exploration well structure was selected based on data interpretation and later geological surveys.

In 2011, one exploration well is scheduled to be drilled.

Target Area: Southeast Asia

Universe Gas & Oil Company, Inc.

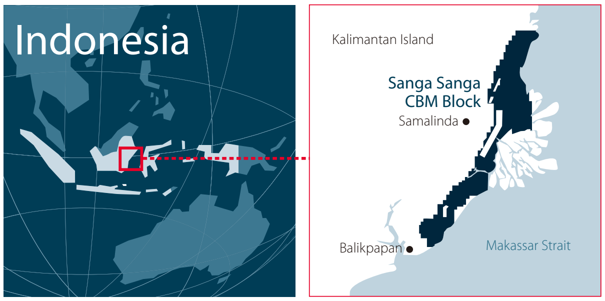


Block	Sanga Sanga Block (onshore East Kalimantan)	
Project Company	Universe Gas & Oil Company, Inc.	
Interest	BP East Kalimantan Ltd.	26.250%
	LASMO Sanga Sanga Ltd.	26.250%
	Virginia International Co.	15.625%
	Virginia Indonesia Co. (Operator)	7.500%
	Opicoil Houston Inc.	20.000%
	Universe Gas & Oil Company, Inc.	4.375%

Equity-method affiliate Universe Gas & Oil Company, Inc. (4.375% interest) carries out development and production centered on the four oil and gas fields of Badak, Nilam, Mutiara and Semberah in the onshore Sanga Sanga Block in East Kalimantan. In 2010, the company drilled 48 production wells to increase recovery efficiency and maintain production volume of crude oil and natural gas. Gross production volume was 91,643 barrels of oil equivalent per day of crude oil and natural gas for the block.

Target Area: Southeast Asia

Japan CBM Limited



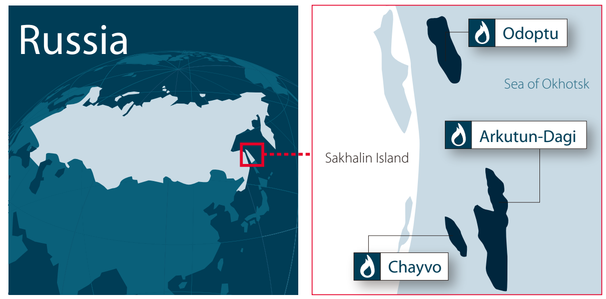
Block	Sanga Sanga CBM Block (onshore East Kalimantan)	
Project Company	Japan CBM Limited	
Interest	BP East Kalimantan CBM Limited	26.250%
	Eni CBM Limited	26.250%
	Opicoil Energy	20.000%
	Virginia Indonesia Co. CBM Limited (Operator)	7.500%
	VIC CBM Limited	15.625%
	Japan CBM Limited	4.375%

JAPEX, Osaka Gas, Japan Energy Corporation (name subsequently changed to JX Nippon Oil & Gas Exploration on July 1, 2010) and LNG Japan jointly established Japan CBM Limited on November 30, 2009. On the same day, the company signed a Production Sharing Contract (PSC) for the onshore Sanga Sanga CBM Block on East Kalimantan in which it won a public tender from the Indonesian Ministry of Mines and Energy. This same block occupies the same Sanga Sanga Block area in which JAPEX owns an interest through Universe Gas & Oil. JAPEX holds a 40.12% stake in Japan CBM Limited, making it an equity-method affiliate.

Ongoing activities on production feasibility of the coal bed methane from the block, including test production, are scheduled to take place in 2011.

Target Area: Sakhalin

Sakhalin Oil and Gas Development Co., Ltd. (SODECO)



Block	Chayvo, Odoptu and Arkutun-Dagi (offshore Sakhalin)	
Project Company	Sakhalin Oil and Gas Development Co., Ltd.	
Interest	Sakhalin Oil and Gas Development Co., Ltd.	30.0%
	Exxon Neftegas Ltd. (Operator)	30.0%
	ONGC Videsh Ltd.	20.0%
	Sakhalinmorneftegas-Shelf	11.5%
	RN-Astra	8.5%

In Russia, JAPEX is engaged in the Sakhalin 1 Project through its investment in Sakhalin Oil and Gas Development Co., Ltd. (SODECO), which owns a 30% interest in the project. The Sakhalin 1 project is a consortium to explore and produce oil and gas at three fields: Chayvo, Odoptu and Arkutun-Dagi (offshore Sakhalin). Oil and gas are produced from the Chayvo field using offshore platforms, onshore well pads and a processing facility. In February 2007, the project reached its peak gross production target of around 250,000 barrels per day (40,000 kiloliters per day) and achieved a cumulative crude oil production volume of 100 million barrels in January 2008. In addition, crude oil production from the Odoptu oil and gas field commenced in September 2010, while all necessary preparations are being undertaken toward development at the Arkutun-Dagi oil and gas field.

Sakhalin Oil and Gas Development Co., Ltd. Ownership Structure

The Minister of Economy, Trade and Industry	50.00%	SODECO	30% interest	Sakhalin 1 Project
JAPEX	14.46%			
Others	35.54%			

Proved Reserves

As of March 31, 2011, proved reserves owned by JAPEX and its consolidated subsidiaries along with the Company's investment equivalent in proved reserves of equity-method affiliates are presented in the following table.

Proved Reserves of the JAPEX Group

Proved reserves	JAPEX and consolidated subsidiaries						Equity-method affiliates		Total	
	Japan		Overseas		Subtotal					
	Crude oil (Thousand kl)	Gas (Million m^3)	Crude oil (Thousand kl)	Gas (Million m^3)	Crude oil (Thousand kl)	Gas (Million m^3)	Crude oil (Thousand kl)	Gas (Million m^3)	Crude oil (Thousand kl)	Gas (Million m^3)
As of March 31, 2010	7,187	25,432	2,644	1,030	9,831	26,462	134	3,999	9,965	30,461
Increase due to expansion or discovery	81	153	—	—	81	153	—	—	81	153
Change due to revision of evaluation standard	223	1,926	475	124	698	2,050	47	(122)	745	1,928
Change due to acquisition and/or divestiture	—	—	—	—	—	—	—	—	—	—
Decrease due to production	(450)	(1,409)	(409)	(11)	(859)	(1,420)	(13)	(65)	(872)	(1,485)
As of March 31, 2011	**7,041**	**26,102**	**2,710**	**1,143**	**9,751**	**27,245**	**168**	**3,812**	**9,919**	**31,057**

Notes:
1. Figures for crude oil include bitumen, an extra-heavy oil extracted from oil sand.
2. Proved reserves of consolidated companies include reserves held by minority interests.
3. Consolidated subsidiary Japex Garraf Ltd. commenced development operations in accordance with the Preliminary Development Plan (PDP) approved on January 19, 2011. While based on the future submission and approval of the appropriate Final Development Plan (FDP), evaluated reserves of crude oil held by the company as of March 31, 2011 stand at 9,539 thousand kl, this information has not been included in the table above. This is because an FDP has not at this stage been submitted or approved. FDP submission and approval is scheduled for 2013.

Reference: Proved Reserves of the JAPEX Group (crude oil equivalent)

Proved reserves	JAPEX and consolidated subsidiaries						Equity-method affiliates		Total	
	Japan		Overseas		Subtotal					
	Crude oil (Million bbl)	Gas (Million boe)	Crude oil (Million bbl)	Gas (Million boe)	Crude oil (Million bbl)	Gas (Million boe)	Crude oil (Million bbl)	Gas (Million boe)	Crude oil (Million bbl)	Gas (Million boe)
As of March 31, 2010	45	160	17	6	62	166	1	25	63	192
									Total 254	
Increase due to expansion or discovery	1	1	—	—	1	1	—	—	1	1
Change due to revision of evaluation standard	1	12	3	1	4	13	0	(1)	5	12
Change due to acquisition and/or divestiture	—	—	—	—	—	—	—	—	—	—
Decrease due to production	(3)	(9)	(3)	(0)	(5)	(9)	(0)	(0)	(5)	(9)
As of March 31, 2011	**44**	**164**	**17**	**7**	**61**	**171**	**1**	**24**	**62**	**195**
									Total 257	

Conversion Factors and Units

Crude oil 1 kl = 6.29 bbl

Natural gas 1,000 m^3 = 35.31 thousand cubic feet

Natural gas 1,000 m^3 = 1 kl of oil equivalent

boe: barrels of oil equivalent

Definition of Proved Reserves

Proved reserves indicated on the previous page represent estimated quantities of crude oil and natural gas according to surface conditions that geological and engineering data demonstrate with reasonable certainty to be recoverable from known crude oil and natural gas reservoirs under existing economic and operating conditions. They do not include past production or resources related to undiscovered deposits.

Reserves from the previous page conform to the Petroleum Resources Management System (PRMS) 2007, the international standards defined in 2007 by four organizations: the Society of Petroleum Engineers (SPE), the World Petroleum Congress (WPC), the American Association of Petroleum Geologists (AAPG), and the Society of Petroleum Evaluation Engineers (SPEE).

Figures for proved reserves reflect JAPEX's judgment based on "proved reserves" as defined by the PRMS. Such figures do not include "probable reserves" or "possible reserves," which have a high level of uncertainty regarding future extractability. Projects for which commercial development plans have not been finalized (even if the existence of resource deposits has been confirmed) are classified as "contingent resources" and are categorized separately from "reserves." Such "contingent resources," which include oil sand held in Canada by a consolidated subsidiary, are not included in the figures on the previous page.

In addition to the PRMS, the definition of proved reserves compiled by the United States Securities and Exchange Commission (SEC) is widely known among the investment community. Revisions released by the SEC in December 2008 have made this definition in essence similar to that provided by the PRMS.

Based on its judgment, JAPEX has been disclosing data that conforms to the PRMS definition of "proved reserves." Proved reserves held by overseas project companies are indicated based on the economic share of each project company as defined in agreements signed with respective local governments.

To verify its own evaluations and judgments with respect to reserves, JAPEX contracted with third party Ryder Scott Company Petroleum Consultants to examine 74% of the proved reserves of the Company and its consolidated subsidiaries as of March 31, 2011*1 in Japan, as shown in the table on the previous page. Overseas, with respect to bitumen reserves in the 3.75 section area currently under production owned by consolidated subsidiary Japan Canada Oil Sands Limited, JAPEX received a third-party evaluation from GLJ Petroleum Consultants.

This evaluation was based on standards outlined in the Canadian Oil and Gas Evaluation Handbook, compiled by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and others. In addition, with respect to equity-method affiliate Kangean Energy Indonesia Ltd., JAPEX received a third-party evaluation from Gaffney, Cline & Associates (Consultants) Pte Ltd. JAPEX has therefore received third-party evaluations for approximately 75% of total proved reserves (9,919 thousand kl of crude oil and 31,057 million m^3 of natural gas)*2 as of the fiscal year under review, as shown in the table on the previous page. JAPEX believes these figures for proved reserves are accurate and reflect the results of evaluations carried out by the aforementioned third parties.

"Reserves" as defined above refer to reserves with future development potential and contain inherent uncertainties. While JAPEX strives to obtain accurate evaluations according to geological, engineering and other scientific data, such reserves may again be reviewed based on data obtained in the future, changes in economic conditions, or changes in internationally recognized definitions. Evaluations are thus subject to upward or downward revision.

*1 Calculations are based on a conversion factor of 1 thousand kl for crude oil = 1 million m^3 for natural gas.
*2 Same as above.

Domestic Transport and Supply of Natural Gas

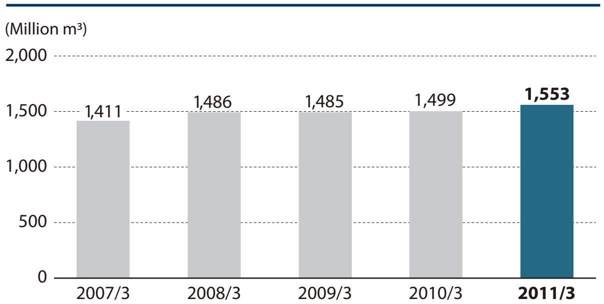
Covering a Broad Area through Diverse Supply Channels

In supplying gas in our core domestic natural gas business, we are aiming to cover a broad marketing area and expanding sales volume by enhancing our transport network with natural gas pipelines, tank trucks and railways.

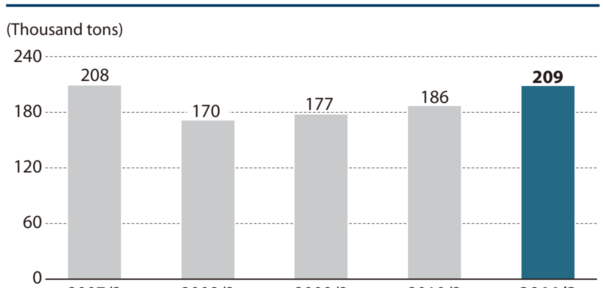
In fiscal 2011, the volume of natural gas sales including LNG amounted to 1.82 billion cubic meters, a year-on-year increase of 80 million cubic meters.

Under its Mid-Term Business Plan, announced in 2008, JAPEX set a sales target of 2.0 billion cubic meters in fiscal 2014. Projections indicate this target will be achieved during fiscal 2012.

Natural Gas Sales



LNG Sales



Natural Gas Pipeline Network

JAPEX owns and operates a domestic natural gas pipeline network with a total length of approximately 826 kilometers. This pipeline represents a key strategic asset because it allows us to directly link our natural gas field to customers, and thereby boost sales.

In the Hokkaido area, we have constructed a pipeline connecting the Yufutsu oil and gas field to the city of Tomakomai and on to the vicinity of Sapporo to supply local distribution companies (LDCs) and industrial customers.

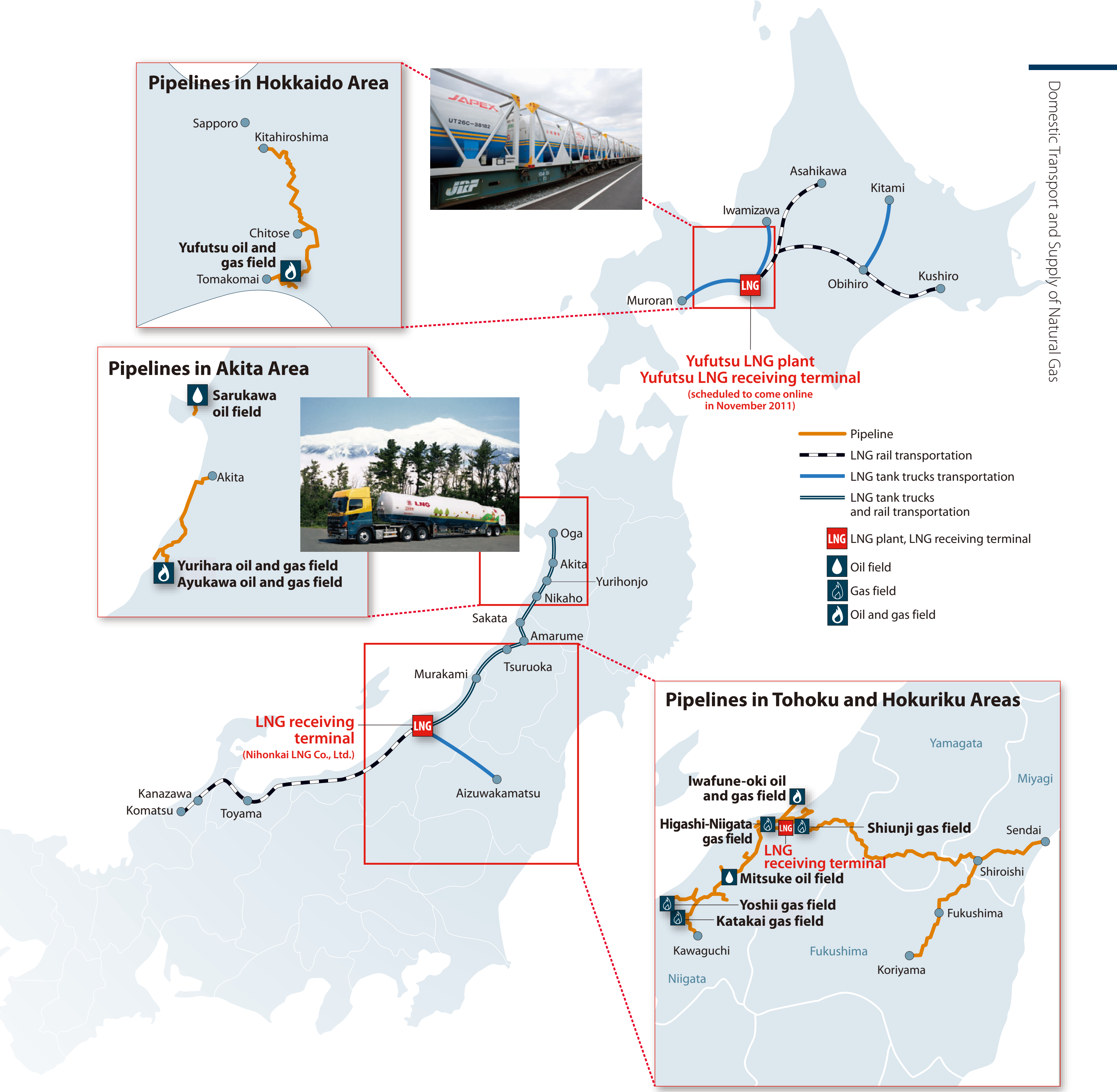
In the Akita area, we have constructed pipelines from the Yurihara and Ayukawa oil and gas fields into Akita City to supply natural gas, primarily to LDCs.

In the Tohoku and Hokuriku areas, we have expanded our largest natural gas pipeline network, covering the four prefectures of Niigata, Yamagata, Miyagi and Fukushima, branching out from our gas fields and LNG receiving terminal in Niigata and supplying gas-fired power plants, LDCs and industrial customers.

LNG Satellite System

JAPEX operates an LNG Satellite System to meet demand for gas in regions not served by its gas pipeline network. On the main island of Honshu, we supply the Tohoku, Hokuriku and other northern regions with LNG imported from overseas through an LNG receiving terminal in the port of Niigata using tank trucks and railway tank containers. Since it offers comparatively lower carbon dioxide emissions than tank trucks, the rail transport of natural gas is in the spotlight both in Japan and internationally as an environment-friendly transport method.

In Hokkaido, we have constructed a small LNG plant in the Yufutsu oil and gas field. Since October 2003, gas produced at this field has been converted into LNG and supplied to LDCs throughout the prefecture. The Yufutsu LNG plant acts as a key staging ground for the supply of LNG to Hokkaido, where there are no LNG receiving terminals. In November 2007, we completed a second train



at the Yufutsu LNG plant to expand supply volume to LDCs in Hokkaido.

Combining natural gas from the Yufutsu oil and gas field with LNG procured from external sources, steps were also taken to ensure stable supply as a part of efforts aimed at meeting peak winter natural gas demand in Hokkaido from the fiscal year ending March 31, 2012 and beyond. Plans are in place for the Company's Hokkaido Division Office, located in Tomakomai Harbor, Western Port District, to construct an LNG receiving terminal and commence operations in November 2011.

Research & Development

GTL demonstration plant (photo courtesy of Nippon GTL Technology Research Association)

Toward the Effective Utilization of Energy

The petroleum E&P industry is based on comprehensive technologies including geological surveys, geophysics, exploration, well drilling, oil reservoir engineering and information technologies. While many E&P companies outsource most of these diverse technologies, JAPEX, having evolved as a group of integrated E&P companies, boasts the competitive advantage of those inherent and accumulated technologies essential for exploration, development, production and transport.

The Company has positioned the environment and innovative technology business as one of three basic policies designed to expand its business. In this context, JAPEX is placing particular emphasis on accumulating innovative technologies and knowledge through its research on GTL, methane hydrate and CCS, as well as other areas.

Development of Gas-to-Liquids (GTL) Technologies

GTL uses natural gas as feedstock to produce petroleum products such as naphtha, kerosene and gas oils through a chemical reaction. Liquid fuel produced through GTL is considered a clean source of energy with less environmental impact since it does not contain sulfur and aromatic compounds. In this regard, it is an energy source that reflects the trends of the time. This technology could also become a source of new liquid fuels leading to a diversified energy supply because natural gas is used instead of crude oil as feedstock.

Combining Our Technological Capabilities for Commercialization

From 2001 through to 2004, JAPEX collaborated with the Japan National Oil Corporation (JNOC) (currently Japan Oil, Gas and Metals National Corporation: JOGMEC) and four private-sector companies in a seven barrel per day GTL pilot test at the Yufutsu oil and gas field in Tomakomai, Hokkaido, which proved to be a success. JAPEX subsequently established Nippon GTL Technology Research Association in October 2006 with five other private-sector companies and commenced demonstration research on GTL technology with JOGMEC. The development and demonstration of Japan's own GTL technology can be globally competitive by bringing together the financial and technological capabilities of the Japanese government and private sector to establish a research association and conduct joint research with JOGMEC.

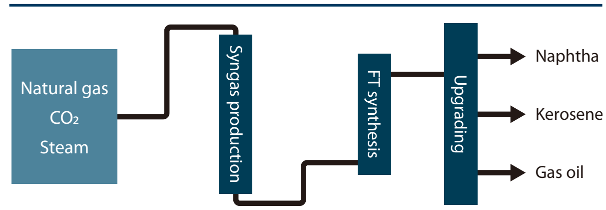
In 2007, Nippon GTL Technology Research Association commenced construction of a 500 barrel per day demonstration plant at a site owned by our subsidiary Japex Offshore Ltd. in the Niigata Port industrial park. Construction was completed in April 2009.

The Research Association is currently undertaking demonstration tests through to March 2012 with the aim of developing GTL technology to a commercial scale of several tens of thousands of barrels per day, which is considered both technologically and economically competitive.

Establishing Japanese Proprietary GTL Technologies

The GTL technology currently leading the global market requires oxygen and in some cases also the removal of CO_2 contained in the natural gas feedstock. On the other hand, the technology being developed for commercialization by the Nippon GTL Technology Research Association adopts a different approach in that it uses the CO_2 contained in natural gas without the need for oxygen, and therefore does not require an oxygen plant or CO_2 removal. This reduces capital expenditures and operational costs and is thus considered to be sufficiently competitive in the global market.

Schematic of the JAPAN-GTL Process



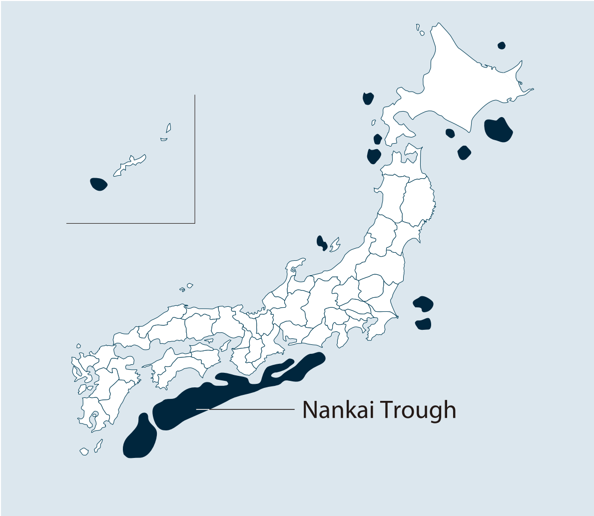
Characteristics of the JAPAN-GTL Process
The JAPAN-GTL Process is the world's first cutting-edge technology to directly use natural gas which contains CO_2 as feedstock.
Advantage: No need for (1) CO_2 removal from natural gas, and (2) an O_2 plant.

Development of Methane Hydrate in Japan

Methane, the main component of natural gas, is an environment-friendly clean energy. It emits less CO_2 at the time of combustion compared with oil and coal, and does not contain sulfur. Accordingly, methane does not emit harmful substances that can cause atmospheric pollution or acid precipitation.

Methane hydrate, a sherbet-like solid formed by methane captured inside water molecules, is attracting attention as a new energy resource. It is known to exist in highly pressurized, low-temperature natural environments, embedded in a shallow layer below the seabed at a water depth of over 500 meters or in permafrost layers near the north and south poles. Some estimate that offshore reserves of methane hydrate equivalent to more than 100 years of national gas consumption are present within the seas around Japan. Hopes are high that these reserves of methane hydrate could significantly enhance Japan's energy self-sufficiency.

Map of Methane Hydrate Reservoirs around Japan



Development Plan: Results of Phase 1 (Fiscal 2002 to Fiscal 2009)

The physical properties of methane hydrate are fundamentally different from those of conventional natural gas, and its recovery poses technical challenges that have yet to be resolved. Recognizing the potential of methane hydrate from early on, JAPEX has been actively involved in the development of technology to overcome these challenges, playing a central role in joint research carried out between fiscal 1996 and fiscal 2000 with JNOC and a number of private-sector companies. In 2000, JAPEX conducted exploration drilling of the Nankai Trough offshore Shizuoka Prefecture within its block and became the first company in Japan to successfully collect a methane hydrate core in domestic waters. Building on these achievements, Phase 1 of a full-scale joint research effort involving the public and private sectors commenced from fiscal 2002 in accordance with the Methane Hydrate Development Plan formulated by Japan's Ministry of Economy, Trade and Industry (METI). The results of Phase 1 research have demonstrated the potential of using methane hydrate present in the waters off Japan as an energy source.

Details of the Implementation of the Methane Hydrate Development Plan in Japan: Phase 1

FY2002	First onshore production test in Canada
FY2003	3D seismic survey in Nankai Trough (Kumano-nada to Tokai-oki)
FY2004	Exploration drilling in Nankai Trough (Kumano-nada to Tokai-oki)
FY2007	Detailed assessment of reserve volume in Nankai Trough (Kumano-nada to Tokai-oki)
FY2007-FY2008	Second onshore production test in Canada (successful production)
FY2009	Final assessment of Phase 1

Development Plan: Outline of Phase 2 (Fiscal 2010 to Fiscal 2016)

In Phase 2, we will build on the technical achievements gained in Phase 1 through offshore production tests in the seas around Japan to more reliably assess the potential of using methane hydrate as an energy resource, while also working to identify the technical challenges for commercially producing methane hydrate and conducting research related to environmental impact assessment.

Having identified the area off Atsumi Peninsula in Aichi Prefecture as the location for offshore production tests, drilling is scheduled to commence around spring 2012. The government intends to have in place technologies for the production of methane hydrate by March 2019 with a view to commercialization in the early stages of the 2020s. JAPEX will continue to play a central role as a member of the Steering Committee of the Research Consortium for Methane Hydrate Resources in Japan (MH21).

Commercialization of CO_2 Capture and Storage (CCS)

CCS is the acronym for Carbon dioxide Capture and Storage one of the various methods proposed for reducing CO_2 emissions. It involves storing CO_2 by directly injecting it into depleted oil and gas reservoirs, coal reservoirs or aquifers, and is considered to be highly practical, reliable and safe.

It is estimated that up to approximately 150 billion tons of CO_2 could be stored in underground geological formations in Japan. This is equivalent to approximately 100 years of Japan's annual CO_2 emissions.

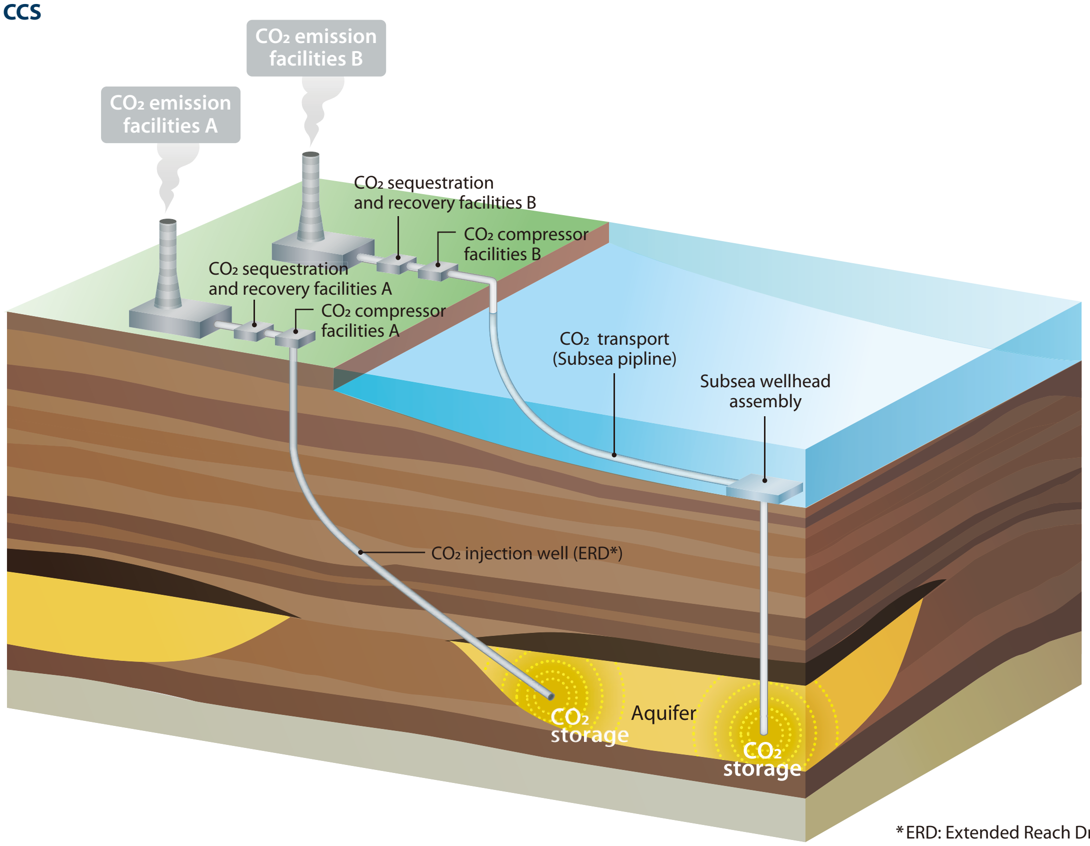
Applying Core E&P Technologies

JAPEX possesses cutting-edge technologies cultivated over half a century of experience in petroleum development, such as those used for investigating underground structures, estimating petrophysical properties, drilling, production and fluid migration simulation, as well as underground monitoring centered on seismic surveys. Our exploration and production technologies combined represent an indispensable core technology for CCS.

Commercialization of CCS Technology

In its Action Plan for Building a Low-carbon Society, the government has stated its policy to commercialize CCS by 2020. In response to this policy, JAPEX in May 2008 jointly established Japan CCS Co., Ltd. with other private-sector companies. Japan CCS has been commissioned to conduct research on demonstration tests for CCS by the Ministry of Economy, Trade and Industry and the New Energy and Industrial Technology Development Organization (NEDO). Currently, research and related activities are ongoing at Tomakomai in Hokkaido and Kitakyushu in Fukuoka Prefecture. Through these demonstration tests we will establish CCS as a commercial business as our contribution to the prevention of global warming.

Schematic of CCS



*ERD: Extended Reach Drilling

CCS involves three broad mechanisms.

1. Sequestration and recovery: CO_2 is separated and recovered from the gas and other emissions of such major emitters as power generating stations and plants.

2. Transportation: After capture, the CO_2 is transported to suitable storage sites.

3. Storage: This CO_2 is then injected and stored in the reservoir or aquifer capped by seal layers at depths in excess of 1,000 m.

Risk Factors

The following is a list of significant risks that could affect JAPEX's operating results, stock price, financial condition and other factors. Recognizing the possibility that the events described below could take place, the JAPEX Group is working to prevent their occurrence and to respond appropriately in the event they do occur. At the same time, JAPEX makes every effort to disclose all pertinent information to its shareholders and investors including information that may not necessarily constitute a risk to the Company's business.

1. Factors Relating to Changes in Operating Results

(1) Factors Affecting Sales of Crude Oil

The price of crude oil sold in Japan is determined by international crude oil prices, and the market could fluctuate according to the level of output set by OPEC, trends in the international balance of supply and demand and other factors. Fluctuations in exchange rates may also impact the price of crude oil sold by JAPEX. Although the Company conducts crude oil swaps and other transactions to limit these risks, risk cannot be completely avoided through such measures.

(2) Factors Affecting Sales of Natural Gas

The unit sales price of natural gas sold in Japan is generally fixed according to year-long contracts with each customer on a yen-denominated basis. However, over the past few years there has been a growing trend toward contracts in which the price is determined according to the market price of LNG, and therefore the price is exposed to the heightened risk of fluctuations in international market prices or foreign exchange. The sales volume of gas supplied to local distribution companies fluctuates seasonally, with demand falling during the summer months and rising in winter. Moreover, a relatively warm winter will lead to a fall in sales volume. Further, over the long term, deregulation of Japan's energy market and other factors have the potential of having an adverse affect on natural gas unit sales prices and sales volumes.

(3) Fluctuations in Earnings Due to the Level of Exploration Investment

Exploration, development and sales constitute the backbone of the JAPEX Group, and it is important that the Company reinforce its framework for ensuring the stable, long-term supply of crude oil and natural gas by maintaining and expanding reserves that become depleted by production and sales. Consequently, the Group allocates an appropriate amount of the earnings gained from sales of crude oil and natural gas to exploration for resources in Japan and overseas. The amount of this exploration investment is expensed as an exploration expense or as a reserve at the time it is incurred. As a result, increases or decreases in the amount of exploration investment made in each fiscal year have a direct affect on Group earnings.

2. Business Risks

(1) Business Characteristics

The exploration stage of business operations, from initial surveys to exploration work and discovery of resources, requires the substantial investment of funds and time with no assurances that oil or gas will be found, making it an inherently high risk endeavor. Moreover, after the discovery of resources, further substantial investments are required to drill development wells, construct production and transportation facilities and other infrastructure. Consequently, long lead times are typically required from the start of a particular project until an investment can be recovered and earnings generated. During this period, changes in the business environment may lead to the need for additional investment, a decline in demand for products, a fall in unit sales prices, an escalation of operating costs and fluctuations in exchange rates, or other negative effects. At the same time, there is a risk that the Company will be unable to achieve the original investment goals of the project. There is also a variety of technical risks specific to the resource development industry that could affect these investments, including geological uncertainties, such as unexpected declines in reserves and production volume and unanticipated levels of impurities.

(2) Impact of Energy Market Liberalization

Regulations in the electricity and gas sectors in Japan are being relaxed in various ways with the aim of introducing market mechanisms. In accordance with the revised Gas Business Act that took effect on April 1, 2004, companies with a certain level of supply capacity are obligated to provide third-party access to their pipelines, which includes pipelines owned by the Company. JAPEX believes that such deregulatory moves will invigorate the Japanese gas industry overall and boost demand for natural gas, while also increasing the degree of marketing freedom for the Group and leading to an expansion of business fields and customer base. At the same time, however, restructuring the energy market will generate tougher price competition, with the resultant possibility that this will adversely affect the Group's natural gas sales.

(3) Overseas Business Risks

As the Company's overseas business progresses from the stage of exploration to development, it may require substantial investments (capital investments or debt financing), which may affect the financial condition of the Company. In cases where an overseas business company in which JAPEX has invested procures funds through bank financing or other means, the Company will sometimes provide a guarantee of debt for all or part of the borrowings. In such cases, should the financial position of such a project company deteriorate and it defaults on its obligation, the Company could be required to fulfill this obligation with respect to the guaranteed amount.

Further, oil resource development in general is predisposed to having a portion of its overseas business conducted in areas with a relatively high level of country risk. There is a possibility that the smooth operation of the Group's overseas business could be adversely affected by political or economic turmoil in these countries, as well as by their respective legal systems, tax structures, political policies or other factors.

3. Fluctuations in the Stock Price of INPEX CORPORATION

As of the end of March 2011, JAPEX owned 7.31% of the stock of INPEX CORPORATION. The JAPEX Group's balance of investment securities as of March 31, 2011 was ¥221,971 million. Of this amount, shares of INPEX CORPORATION accounted for ¥168,624 million. As is the case with the JAPEX Group, the results of operations and stock price of INPEX CORPORATION are affected by such factors as trends in crude oil prices. Accordingly, in the event of fluctuations in INPEX CORPORATION's stock price, there is a possibility that the Group's financial position could be affected.

4. JAPEX Shares Held by the Government

JAPEX listed its stock on the First Section of the Tokyo Stock Exchange on December 2003, after the Japan National Oil Corporation (the name of the corporation at that time) sold a portion of its holdings of the Company's stock. As a result, its share of stockholdings in the Company fell from 65.74% to 49.94%.

Following the abolition of the Corporation, stock it owned in the Corporation was transferred to the government (Minister of Economy, Trade and Industry) as of April 1, 2005. The government subsequently sold 15.94% of its stockholdings in the Company through a stock sale with a date of delivery of June 15, 2007, and as a result, the Minister's stockholding in the Company has fallen to and remains at 34.00%. There is a continuing possibility that the remaining government-held shares could be sold, which, depending on the timing, method and volume of any sale, could affect the Company's stock price.

There is a memorandum that stipulates consultation between the government and the Company in regard to changes to the Articles of Incorporation, changes in capital or issuance of bonds, settlement and disposition of earnings, transfer of a portion or all of operations or acquisition of operations, selection of director candidates and matters with a significant influence on assets or operational administration. The memorandum is administered in a way that respects the independent management of JAPEX, and the existence of the memorandum is neither a hindrance to the Company's operations nor a restriction on the scope of the Company's activities.

Corporate Social Responsibility

JAPEX endeavors to fulfill its mission of providing a stable, long-term supply of energy essential to the livelihood of society and places top priority on the work safety of its employees as well as preservation of the global environment. We strive to contribute to the development of the local community by maintaining communication with various stakeholders as a corporate citizen with roots in the communities in which we operate.

Health, Safety and Environment (HSE)

Voluntary Safety Activities

Each year, JAPEX revises its Safety Policy and Objectives to exercise initiative in its voluntary safety activities. The Safety Policy and Objectives for 2011 are as follows.

Safety Policy for 2011

Upholding the principle of human dignity and recognizing that safety takes precedence over all else, we will strive to ensure safety through a concerted effort and create a safe and comfortable workplace, free from disaster.

Safety Objectives for 2011

JAPEX is actively engaging in safety activities based on the following safety objectives.

(1) Aim for zero occupational accidents
(2) Prevent pollution caused by operations
(3) Create a safe and comfortable workplace

JAPEX conducts an overall review of its safety activities at the end of each year, evaluates its achievements and incorporates the results into the coming year's safety activities. In this way, the Company continuously upgrades its safety levels to virtually eliminate accidents and disasters.

Emergency Countermeasures

JAPEX consistently strives to identify potential emergency incidents and circumstances relating to its office employees, facilities, operations and sales activities. Based on the information collated through these efforts, the Company formulates a package of appropriate countermeasures and produces an emergency countermeasures manual. In the event of an emergency situation, information is gathered and communicated and instructions issued in accordance with established countermeasures and current manuals. At the same time, an "Emergency Countermeasures Headquarters" and "Emergency Countermeasures Team" as well as a "Local Emergency Countermeasures Headquarters" are established at the Company's head office and relevant division office, respectively, on an as required basis. On a contingency basis, emergency countermeasure drills and training sessions are conducted each year with countermeasures and manuals updated as required.

Environmental Preservation Initiatives Outside Japan

Calls for environmental concerns to be incorporated into activities relating to the development of oil are extremely high both in Japan and overseas.

Introducing a Corporate Health, Safety and Environment (HSE) Management System

Under these circumstances, the Company has clarified its HSE Policy and put in place a corporate HSE management system to promote policy implementation. Operators for all of the Company's projects outside Japan commenced HSE activities in accordance with this system in January 2010.

Relationship with Society

Support for Areas Affected by the Great East Japan Earthquake (Contributing to Society)

Japan was devastated by the Great East Japan Earthquake that struck on March 11, 2011, causing unprecedented damage across a wide area along the nation's Pacific coast.

Immediately after the earthquake, JAPEX forwarded cash donations and essential supplies including gasoline and gas oil equivalent to ¥100 million as a part of relief efforts and reconstruction support through the Japanese Red Cross Society and other charitable organizations.

JAPEX also provided every assistance and aid to employees engaging in volunteer activities at affected areas. An aggregate total of 168 directors and employees including family members took part in volunteer efforts.

Afforestation Activities

Since 2005, JAPEX has been helping to protect the global environment as well as local communities by planting trees and improving forests. These initiatives form part of the Company's efforts to reduce CO_2 emissions and to help prevent global warming. To date, we have engaged in forest improvement activities in Hokkaido, Akita and Niigata.

Tree-planting ceremony at the JAPEX Yuri Forest (Yurihonjo City, Akita Prefecture)

As a Member of the Regional Community

JAPEX actively participates and sponsors local festivals and other events to deepen mutual exchange among the residents of local communities in which our domestic operations are located. The Company also promotes a greater understanding about its business activities.

JAPEX is a co-sponsor of the Katakai Fireworks Festival in Niigata Prefecture.

Participating in the Akita Kanto Festival

Corporate Governance

1. Basic Policy

JAPEX recognizes the importance of corporate governance in increasing earnings through more efficiency management and ensuring that the Company continues to play a valuable role in society. We have therefore adopted an executive officer system, appointed outside directors and corporate auditors who bring to the Company external perspectives, established an internal audit division and put in place an effective audit and other systems to further enhance corporate governance.

2. Corporate Governance Structure

As well as the representative directors, JAPEX's directors and/or executive officers whose duties are assigned by the Board of Directors, serve as the Company's operating officers. The Board of Directors and corporate auditors (including the Board of Corporate Auditors consisting of all corporate auditors) in turn supervise the execution of these responsibilities. JAPEX has adopted the Corporate Auditor System.

(1) Directors, the Board of Directors and the Executive Committee

JAPEX has appointed 14 directors, one of whom is selected from outside the Company. The Board of Directors meets regularly once per month, and retains decision-making authority over important decisions. It also serves in a supervisory role by receiving reports on the status of operations submitted by directors and executive officers.

Furthermore, from the perspective of increasing the speed of decision-making, an Executive Committee composed of directors and other executives based at the Company's headquarters has been established. This Committee meets in principle twice per month to make decisions on matters that are not the responsibility of the Board of Directors and to conduct discussions to support the decision-making of the Board of Directors.

(2) Corporate Auditors and the Board of Auditors

JAPEX appoints four corporate auditors, two of whom are outside corporate auditors. Corporate auditors attend meetings of the Board of Directors. Standing auditors attend meetings of the Executive Committee and other important meetings, and fill a supervisory function through exchanges of opinions as necessary with the various directors and executive officers responsible for business execution.

Although each corporate auditor commands independent auditing authority, auditing policy and the assignment of auditing responsibilities are decided by the Board of Corporate Auditors.

(3) Outside Director and Outside Corporate Auditors

The outside director and two outside corporate auditors have no personal, financial, business relationship or other interests with the Company.

The outside director and outside corporate auditors must not possess a conflict of interest with ordinary shareholders and must have a neutral and equitable status to pursue profits on behalf of the Company's shareholders. Each of the current three outside officers meets these conditions.

In addition, the selection of the current outside director and outside corporate auditors has been determined to be valid based on a corporate governance perspective that accounts for the mix and number of directors and corporate auditors of the Company.

(4) Internal Audit

The Auditing Department, reporting directly to the president, oversees business execution in all departments in terms of compliance with laws and internal Company regulations.

The internal audit is conducted sequentially based on an annual plan, with the results reported to the president each time. When necessary, guidance and advice are also provided to relevant business departments.

(5) Accounting Auditor

The accounting auditor who conducted the audit of the Company's financial statements and the internal control practices for the fiscal year under review was Ernst & Young ShinNihon LLC. The names of the individual accounting auditors who executed the audit are listed below:

* Accounting auditors: Kazuhiko Umemura, Hiroaki Kosugi
* Composition of auditors: 8 certified public accountants, 15 assistant auditors

(6) Cooperation between Corporate Auditors, Accounting Auditor and Internal Audit Departments

The Board of Corporate Auditors receives prior explanations on the audit plan and explanations of audit implementation at the time of receipt of the audit report from the accounting auditor, while full-time corporate auditors also receive implementation status reports of the accounting audit, when necessary.

The internal control report compiled by the Internal Control Department is submitted to the president, Board of Corporate Auditors and the accounting auditor. The department also provides regular explanations on the status of the audit to full-time corporate auditors.

(7) Reason for Adopting this Corporate Governance Structure

JAPEX adopts the executive officer system for the purpose of clarifying the business execution structure. As well as the representative directors, the system has been set up so that JAPEX's directors and/or executive officers, whose duties are assigned by the Board of Directors, serve as the Company's operating officers.

In order to strengthen the oversight function of the Board of Directors, JAPEX also appoints an outside director with a high degree of independence and insight. The outside director and outside corporate auditors stand in an independent position from the Company's executive management team to actively offer ideas on resolution proposals and deliberations, provide advice and engage the Board of Directors in dynamic discussion.

Through an oversight structure where outside directors and outside corporate auditors provide ideas and opinions to the representative directors and executive officers who are familiar with each delegated responsibility and act with responsibility, JAPEX believes objectivity and fairness are guaranteed in the decision-making process.

3. Structures regarding Internal Control and Risk Management Systems

JAPEX, with the Internal Control Committee and the Auditing Department as its main organs, continually conducts reviews of and implements improvements to its internal control and risk management structures in order to ensure operations are executed appropriately. In compliance with the Companies Act and its enforcement regulations, JAPEX has developed the required structures to ensure operations are conducted appropriately according to the following policy.

(1) System to Ensure the Execution of Duties by Directors is in Compliance with Relevant Laws and the Articles of Incorporation

In accordance with regulations and resolutions of the Board of Directors, each director, based on their individual responsibilities and authority, promotes mutual supervision through discussions within and reports to the Board. Corporate auditors may offer their opinions to the Board where necessary.

(2) System to Store and Manage Information Related to the Execution of Duties by Directors

Minutes of meetings of the Board of Directors, management approval documents, contracts and important documents that show the status of the execution of business matters are stored. The details of how these documents are handled are determined by specific document handling regulations.

(3) Regulations and Other Systems to Manage Risk Related to Losses

Credit management regulations, market risk management and derivative trading regulations and emergency response procedures are reviewed, and where necessary, procedural manuals created and other steps taken from the perspective of risk management.

(4) System to Ensure Directors Execute Their Duties Efficiently

In principle, the Board of Directors meets monthly, to conduct swift decision-making on matters requiring a resolution of the Board of Directors as determined in advance through discussion by the Executive Committee. The Board also ensures efficient business execution by delegating authority in accordance with decisions and authorization regulations.

(5) System to Ensure the Duties and Actions of Employees Comply with Relevant Laws and the Articles of Incorporation

The duties of employees are managed in accordance with regulations for each administrative process and procedural manuals in each department; the Auditing Department monitors the effectiveness of internal control systems and reports the results to the president.

(6) System to Ensure Appropriate Business Activities by the JAPEX Group

The parent company's Internal Control Committee is responsible for communicating JAPEX's internal control policy to principal Group companies, and manages Group companies in accordance with the rules for administering subsidiaries and affiliated companies. In addition, the parent company's Auditing Department conducts regular audits of principal Group companies.

(7) Matters Related to Employees Requested by Corporate Auditors to Support Audit Activities

At least one employee must be assigned to the secretariat of the Board of Auditors to perform duties as instructed by the Board of Auditors.

(8) Independence of Employees Mentioned in the Previous Item from Directors

Appointment, transfer and other personnel matters related to the employee(s) appointed to the secretariat of the Board of Auditors require the prior approval of the Board of Auditors.

(9) System to Allow Directors and Employees to Report Information to Corporate Auditors and Other Related Reporting Systems

The directors must submit reports to the corporate auditors at monthly meetings of the Board of Directors, and refer the corporate auditors to management approval documents. In the event that directors discover facts that could lead to substantial damages to the Company, they must immediately report them to the Board of Auditors.

(10) Other Systems to Ensure Corporate Auditor Activities are Conducted Effectively

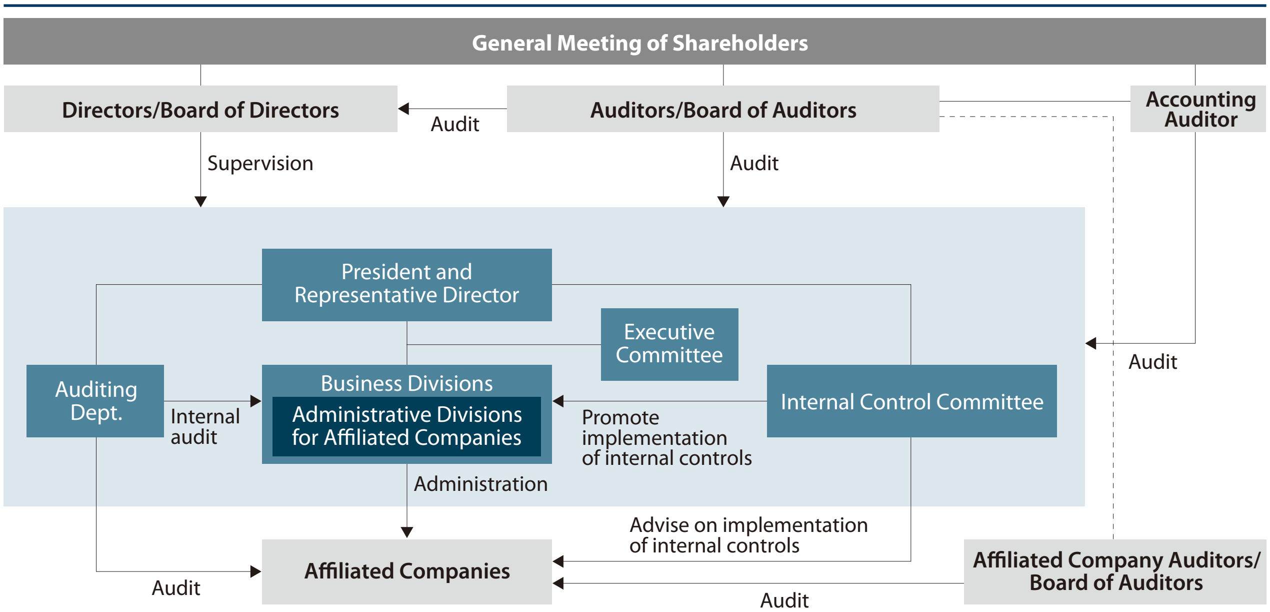
The Auditing Department and the accounting auditor must regularly provide information to the corporate auditors.

(11) System to Ensure the Appropriateness of Documents and Other Information Pertaining to Financial Calculations

To ensure the reliability of financial statements, an internal control system related to financial statements will be established and effectively operated, and its effectiveness will be evaluated.

In addition, JAPEX, in executing decisions regarding business matters, makes organizational decisions at the Executive Committee or when necessary at the Board of Directors, under the responsibility of directors and executive officers in charge of each business group, based on an assessment of operational risk (planning, strategy, finance and credit risk). JAPEX conducts business operations according to this phased approach to decision making, and has developed a framework for managing operational risk, including the creation of various operating manuals developed for the execution phase. In addition, the Internal Control Committee and Auditing Department create risk-mapping scenarios for specific operational risks and conduct reviews of risk management structures that include principal Group companies.

Corporate Governance and Internal Control Structure



4. Details about Remuneration and Compensation

For the fiscal year under review, remuneration provided to directors and corporate auditors as well as compensation provided to the accounting auditors are presented as follows.

(1) Remuneration of Directors and Corporate Auditors

1. Total Remuneration, Breakdown of Remuneration and Number of Applicable Officers by Classification

Class	Total Remuneration (Millions of yen)	Breakdown of Remuneration (Millions of yen)			Number of Officers (Persons)
		Base Pay	Bonus	Retirement Benefit	
Directors (Excluding the outside director)	544	359	64	119	16
Corporate auditors (Excluding the outside corporate auditors)	42	29	4	8	2
Outside director and outside corporate auditors	46	36	—	10	3

Note: The number of officers above includes one director who retired (passed away) on April 6, 2010 and three directors who retired at the conclusion of the Company's 40th annual General Meeting of Shareholders on June 23, 2010.

2. Director Remuneration Policy

The basic or monthly remuneration for each director is determined based on a resolution passed by the Board of Directors, while monthly remuneration for each corporate auditor is determined based on discussions among corporate auditors. Monthly remuneration is set within the ceiling determined by the resolution passed at the General Meeting of Shareholders (directors: 40 million yen; corporate auditors: 5 million yen).

Based on approval obtained at the General Meeting of Shareholders, as well as monthly remuneration, the total bonus paid to directors is determined based on a resolution passed by the Board of Directors, while the total bonus paid to each corporate auditor is determined based on discussions among corporate auditors.

Based on a resolution passed at the General Meeting of Shareholders, the retirement benefit is awarded to a retiring director or corporate auditor following the prescribed standard of the Company with the specific amount, payment date and method determined voluntarily for a retiring director by the Board of Directors and through a discussion among corporate auditors for a retiring corporate auditor.

(2) Compensation of Accounting Auditors

1. Compensation based on auditing and attestation

JAPEX: ¥60 million, Consolidated subsidiaries: ¥26 million

2. Compensation based on other services

JAPEX: ¥1 million, Consolidated subsidiaries: ¥2 million

Compensation provided to accounting auditors is determined based on such factors as the number of auditing days.

Financial Section

Six-Year Summary

Japan Petroleum Exploration Co., Ltd. and Consolidated Subsidiaries
Years ended March 31

Millions of yen

	2011	2010	2009	2008	2007	2006
For the Year:						
Net sales	**¥199,651**	¥179,752	¥202,127	¥207,638	¥170,018	¥138,796
Cost of sales	**144,919**	125,467	134,447	143,682	104,174	77,433
Exploration expenses	**9,798**	10,396	15,352	13,559	8,178	9,677
Selling, general and administrative expenses	**31,084**	30,769	32,237	30,770	27,946	24,666
Operating income	**13,849**	13,119	20,090	19,625	29,719	27,018
Net income	**10,010**	17,939	12,560	20,097	20,982	20,216
Capital expenditures	**21,975**	28,835	30,902	41,742	31,746	19,934
Depreciation and amortization	**24,587**	23,237	21,521	16,669	14,938	13,951
At Year-End:						
Total assets	**¥516,098**	¥521,009	¥500,444	¥620,946	¥578,059	¥532,516
Net assets (formerly shareholders' equity)*	**393,689**	398,747	378,227	448,226	418,929	386,222
Long-term loans payable	**26,898**	24,471	25,325	21,922	17,722	15,000
						Yen
Per Share Data:						
Net assets per share	**¥6,743.83**	¥6,839.05	¥6,486.85	¥7,696.00	¥7,185.80	¥6,756.00
Net income per share	**175.16**	313.88	219.77	351.65	367.12	352.11
Cash dividends per share (full-year)	**40.00**	40.00	40.00	40.00	40.00	40.00
Other Data:						
Number of employees	**1,728**	1,735	1,678	1,622	1,557	1,481

* Net assets are presented in the balance sheets from the fiscal year ended March 31, 2007.

Management's Discussion and Analysis

Scope of Operations

The JAPEX Group (the Company and its subsidiaries and affiliates) comprises the Company, 26 subsidiaries and 16 affiliates as of March 31, 2011. The Group's oil and natural gas-related operations make up the core of its business activities. In addition to its endeavors in Japan, the JAPEX Group works diligently to develop business overseas through its project companies established at each business base.

Analysis of Operating Results

Overview

In fiscal 2011, ended March 31, 2011, net sales were ¥199,651 million, an increase of ¥19,898 million compared with the previous fiscal year. While operating income climbed ¥730 million year on year to ¥13,849 million, net income declined ¥7,928 million to ¥10,010 million.

Crude Oil Prices and Exchange Rates

The average unit sales price of crude oil received by JAPEX during fiscal 2011 in terms of year-round average sales price was ¥45,303 per kiloliter, an increase of ¥4,867 per kiloliter compared with the previous fiscal year.

The sales price of domestic crude oil is essentially linked to yen translations of the price of imported crude oil. On a dollar basis, the weighted average price of crude oil based on the Japan Crude Cocktail (JCC) price was $82.69 per barrel, up $15.19 from the level per barrel of the previous fiscal year.

Compared with the previous fiscal year, the yen appreciated ¥6.50 relative to the dollar, for a weighted average exchange rate of ¥86.24.

For sales of imported crude oil, fluctuations in crude oil prices and foreign exchange rates have a limited effect on earnings because the sales price is linked to changes in the purchase price.

In addition, the weighted average unit sales price of bitumen in Canadian dollars was C$48.32 per barrel, which was down by C$1.83 compared with fiscal 2010. Whereas, the weighted average exchange rate was ¥81.47 to the Canadian dollar, as the yen appreciated by ¥6.60 relative to the dollar year on year.

Capital Expenditures and Depreciation

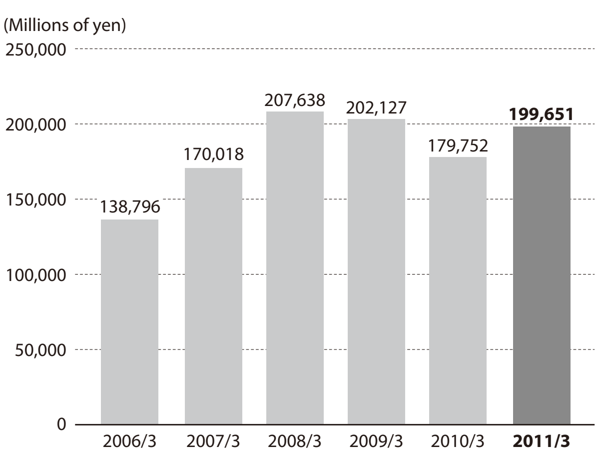
Capital expenditures decreased ¥6,860 million year on year to ¥21,975 million. Major components of these expenditures included improvements to production facilities at the Katakai gas field in Niigata, construction of an LNG receiving terminal at the Hokkaido Division Office and investments relating to development of the Garraf oilfield in Iraq. Depreciation and amortization expenses rose ¥1,349 million compared with the previous fiscal year to ¥24,587 million.

Exploration Activities

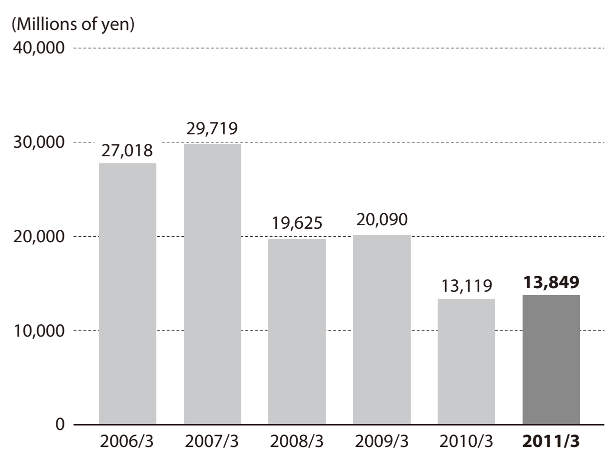
Exploration expenses decreased ¥597 million year on year to ¥9,798 million after excluding government subsidies.

Domestic exploration costs were primarily attributed to extension activities at one well in Hokkaido, exploratory activities at one well in Akita and seismic surveys. Overseas exploration costs mainly comprised exploration activities at one well in Libya and exploration assessment activities in Canada.

Net Sales



Operating Income



Net Sales

In fiscal 2011, net sales in E&P totaled ¥152,819 million, accounting for 76.6% of the total. Net sales in the Contract Services were ¥7,031 million, or 3.5% of the total. Net sales in the Other Businesses were ¥39,801 million, representing 19.9% of the total.

E&P

Net sales of E&P (including liquefied natural gas (LNG) and bitumen) amounted to ¥152,819 million, an increase of ¥4,214 million year on year. This was largely attributable to higher sales volume of natural gas combined with the upswing in unit sales price.

In fiscal 2011, the volume of crude oil sales decreased 224 thousand kiloliters to 1,489 thousand kiloliters compared with fiscal 2010. This mainly reflected the drop in sales volume of SOKOL crude purchased from Sakhalin Oil and Gas Development Co., Ltd. (SODECO) as well as sales volume of crude oil purchased from Japan Canada Oil Sands Limited. Total crude oil sales decreased ¥1,820 million year on year to ¥67,488 million.

The volume of natural gas sales increased 54 million cubic meters to 1,553 million year on year. The unit sales price rose ¥2.24 per cubic meter to ¥39.32 per cubic meter. As a result, sales of natural gas grew ¥5,496 million to ¥61,090 million compared with the previous fiscal year.

Sales volume for LNG increased 23 thousand tons year on year to 209 thousand. LNG sales grew ¥1,832 million to ¥14,100 million.

Sales volume for bitumen decreased 2 thousand kiloliters compared with fiscal 2010 to 409 thousand kiloliters. In monetary terms, bitumen sales declined ¥1,292 million year on year to ¥10,141 million.

Contract Services

During fiscal 2011, net sales of contract services were ¥7,031 million, up ¥2,172 million year on year. This ostensibly comprised orders for drilling and geological surveys.

Other Businesses

Net sales of other businesses, such as the sale of oil products including liquefied petroleum gas (LPG) and fuel oil as well as sales from the transportation of natural gas and oil products on consignment together with other subcontracted tasks increased ¥13,511 million compared with fiscal 2010 to ¥39,801 million. This substantial increase was due to a variety of factors including higher sales of oil and other products recorded by JAPEX Energy Co., Ltd., which became a JAPEX consolidated subsidiary in the third quarter of the previous fiscal year.

Operating Expenses

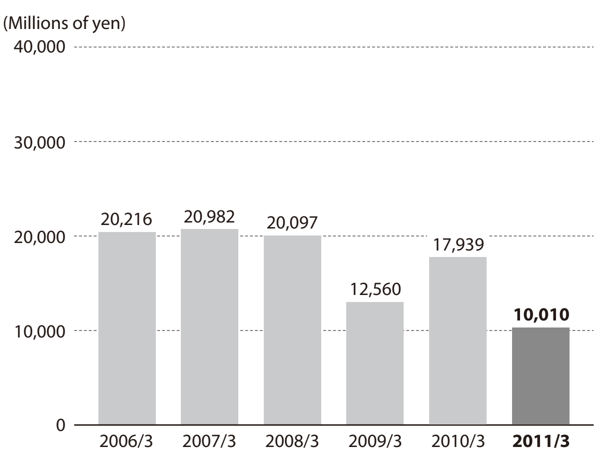
The cost of sales climbed ¥19,451 million compared with the previous fiscal year to ¥144,919 million. Despite such factors as the previously mentioned drop in sales volume of SOKOL crude purchased from SODECO, this increase was principally attributable to an upswing in the oil and other product-related procurement of JAPEX Energy Co., Ltd., which became a JAPEX consolidated subsidiary in the third quarter of the previous fiscal year as well as the increase in depreciation and other operating costs in Japan.

Selling, general and administrative (SG&A) expenses were essentially unchanged from the previous fiscal year edging up ¥314 million to ¥31,084 million.

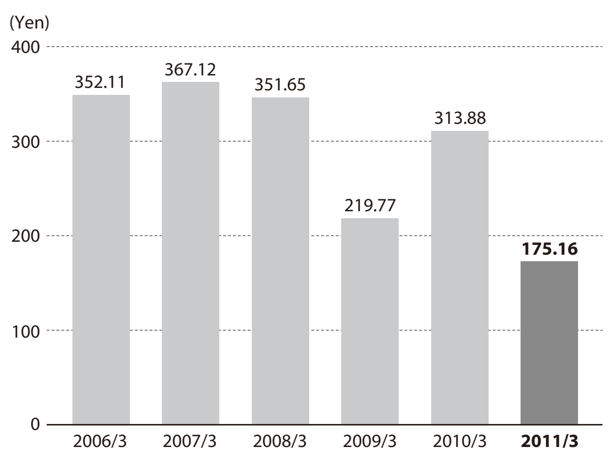
Please see the Exploration Activities section for information on exploration expenses on page 36.

As a result of these factors, operating income increased ¥730 million compared with fiscal 2010 to ¥13,849 million.

Net Income



Net Income per Share



Income before Income Taxes and Minority Interests

Other income posted a decline over fiscal 2010 primarily due to lower dividend payments received from SODECO and the absence of the gain on changes in equity from the issuance of new shares for equity-method affiliate Japan Drilling Co., Ltd., in line with its share listing, recorded in the previous fiscal year.

Other expenses were up year on year owing to such factors as higher write-downs due to losses on valuation of securities held, the loss on adjustment for changes of accounting standard for asset retirement obligations and losses from the disaster accompanying the Great East Japan Earthquake. As a result, income before income taxes and minority interests decreased ¥10,413 million year on year to ¥12,955 million.

Net Income

For the fiscal year under review, the total of current and deferred income taxes was ¥2,161 million, or 16.7% of income before income taxes and minority interests of ¥12,955 million. This was 19.5% below the Company's statutory tax rate of 36.2%. In accordance with the exploration reserve system (Article 58 of the Act on Special Measures Concerning Taxation) and the new deposit exploration expense special exemption system (Article 59 of the Act on Special Measures Concerning Taxation), the amount of reserves from profits implemented in preparation of exploration work (reserve for exploration) is exempt from taxes if conditions set out in the tax laws are met. The Company also utilized tax loss carried forward for consolidated subsidiaries. The statutory tax rate applicable to the Company is less than the standard statutory tax rate (about 40%) because oil and natural gas exploration and production operations fall under the category of "mineral extraction activities" and are therefore tax-exempt.

Accounting for the above factors, after deducting income taxes (following the application of tax effect accounting) and minority interests, net income totaled ¥10,010 million, down ¥7,928 million year on year.

Analysis of Financial Position and Cash Flows

Balance Sheet

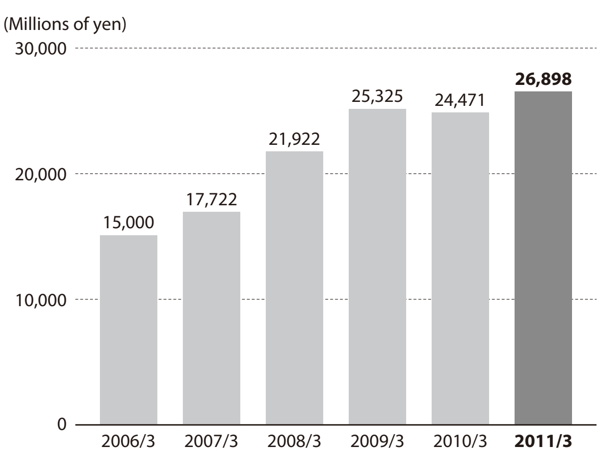
Total assets at the end of fiscal 2011 stood at ¥516,098 million, a decrease of ¥4,911 million year on year. Total current assets increased ¥17,034 million to ¥122,604 million and total noncurrent assets decreased ¥21,945 million to ¥393,493 million.

Primary fluctuations in current assets are the decrease in short-term loans receivable as a result of repo transactions (transactions relating to repurchase or resale agreements) as well as the increase in cash and deposits and the upswing in short-term investment securities from the purchase of commercial paper and money market funds.

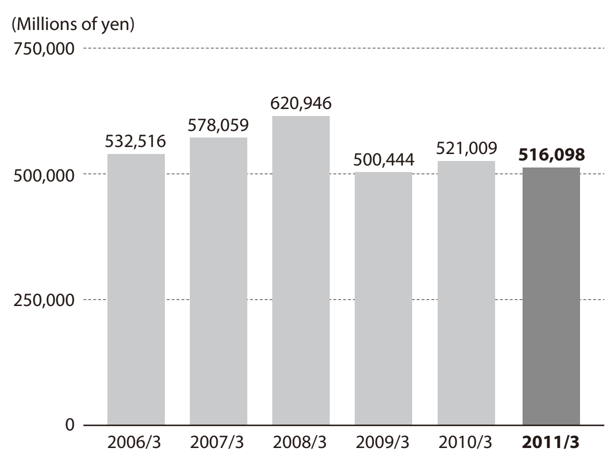
In total noncurrent assets, total property, plant and equipment decreased ¥4,122 million. This was due to the fall in depreciation and other charges, which outweighed improvements to production facilities at the Katakai gas field in Niigata. Total investments and other assets declined ¥17,668 million compared with the end of the previous fiscal year. While long-term loans receivable to equity-method affiliates Kangean Energy Indonesia Ltd. (KEI) and EMP Exploration (Kangean) Ltd. (EMPE) increased, this decline reflected decreases in investment securities due to the market devaluation of stocks including INPEX CORPORATION.

Total liabilities at the fiscal year-end increased ¥146 million year on year to ¥122,408 million. Deferred tax liabilities declined due mainly to the aforementioned decrease in

Long-Term Loans Payable



Total Assets



investment securities. This was more than offset by the proceeds from long-term loans payable to be channeled as investments in KEI and EMPE, the decision to put in place a provision for losses from the disaster accompanying the Great East Japan Earthquake and the increase in asset retirement obligations. As of the end of the fiscal year under review, the provision for cost of abandonment was transferred to asset retirement obligations.

Total net assets decreased ¥5,057 million year on year to ¥393,689 million. Despite the increase in retained earnings, this reflected such factors as decreases in valuation difference on available-for-sale securities and in foreign currency translation adjustment.

As a result, the equity ratio as of March 31, 2011 was 74.7%.

Cash Flows

As of March 31, 2011, cash and cash equivalents (hereinafter "net cash") totaled ¥66,826 million, up ¥9,181 million compared with the end of the previous fiscal year. Below is a summary of cash flows for each activity.

Cash Flows from Operating Activities

Net cash provided by operating activities was ¥34,284 million. This was mainly attributable to major cash inflows of ¥12,955 million in income before income taxes and minority interests as well as ¥24,587 million in depreciation and amortization, which more than offset principal cash outflows of ¥3,595 million representing interest and dividends income as well as ¥3,220 million in income taxes paid.

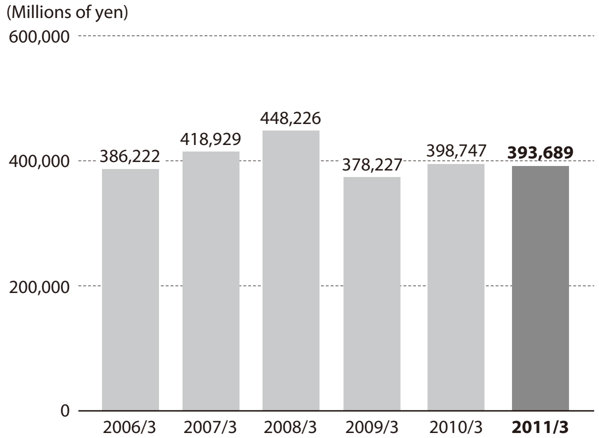
Cash Flows from Investing Activities

Net cash used in investing activities amounted to ¥24,282 million. Major cash outflows were ¥21,262 million for payments into time deposits, ¥18,799 million for the purchase of property, plant and equipment and ¥4,597 million for payments of loans receivable. These items exceeded such cash inflows as ¥17,184 million in proceeds from withdrawal of time deposits and ¥4,762 million in interest and dividends income received.

Cash Flows from Financing Activities

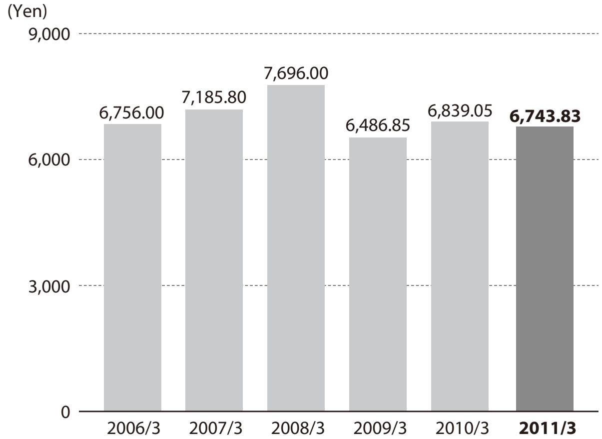
Net cash used in financing activities amounted to ¥521 million. The principal cash inflow was proceeds from long-term loans payable of ¥4,508 million to be channeled as investments in KEI and EMPE. This was exceeded by the amount of total expenditures which included ¥2,286 million for cash dividends paid and ¥2,278 million for repayment of long-term loans payable.

Net Assets (Formerly Shareholders' Equity)*



* Net assets are presented in the balance sheets from the fiscal year ended March 31, 2007.

Net Assets per Share



Financial Policy

JAPEX and its consolidated subsidiaries manage working capital, capital expenditures and other financial policy according to the following practices.

Working capital is primarily procured using internal funds. Some consolidated subsidiaries, however, when temporarily in need of working capital as a result of gaps in the timing between fixed payments and accounts receivable, procure working capital from intercompany loans, or if this is not sufficient, then through short-term debt. In addition, the Company also maintains an overdraft facility in the amount of ¥26,896 million signed with six of its banking partners to be used for working capital when required. The Company, however, had not executed any short-term debt as of the end of fiscal 2010 and fiscal 2011.

Funds used for capital investments and overseas investments are also primarily procured using internal funds. When the investment amount warrants, however, long-term debt financing is occasionally used in light of the quality of the project and the balance of the Company's liquidity in hand. The total of long-term loans payable scheduled to mature within one year as of the end of fiscal 2011 and other long-term loans payable was up ¥926 million compared with the end of fiscal 2010 to ¥27,676 million. A breakdown of long-term loans payable includes ¥3,888 million for the Shiroishi-Koriyama gas pipeline construction project, ¥7,000 million to acquire stock of Japan Canada Oil Sands Limited (JACOS) and ¥16,788 million for the development of the Kangean Block in Indonesia.

In addition, as of the end of fiscal 2011 the JAPEX Group maintained contingent liabilities totaling ¥28,455 million for guarantees of bank and other financing used for operating capital of overseas project companies and for employee home loans. Provisions for these obligations, however, ensure adequate liquidity through cash on hand and marketable securities.

Entries appearing in the above text about the future represent an assessment made by the JAPEX Group as of the end of fiscal 2011.

CONSOLIDATED BALANCE SHEETS

Japan Petroleum Exploration Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	**2011**
ASSETS			
Current assets:			
Cash and deposits (Notes 10 and 19)	**¥ 32,042**	¥ 24,314	**$ 386,048**
Notes and accounts receivable-trade (Note 10)	**21,235**	19,774	**255,843**
Short-term investment securities (Notes 4, 10 and 19)	**28,186**	17,669	**339,590**
Merchandise and finished goods (Note 3)	**4,535**	4,632	**54,638**
Work in process (Note 3)	**102**	386	**1,228**
Raw materials and supplies (Note 3)	**5,579**	5,398	**67,216**
Deferred tax assets (Note 6)	**2,150**	1,336	**25,903**
Short-term loans receivable (Note 10)	**24,087**	28,534	**290,204**
Other	**4,685**	3,532	**56,445**
Less — allowance for doubtful accounts	**(1)**	(10)	**(12)**
Total current assets	**122,604**	105,569	**1,477,156**
Noncurrent assets:			
Property, plant and equipment:			
Land (Note 16)	**15,107**	14,955	**182,012**
Buildings and structures (Note 16)	**151,483**	148,591	**1,825,096**
Wells	**71,395**	67,143	**860,180**
Machinery, equipment and vehicles	**122,785**	106,870	**1,479,337**
Construction in progress (Note 16)	**6,816**	7,263	**82,120**
Other	**15,398**	15,130	**185,518**
Less — accumulated depreciation	**(242,345)**	(215,189)	**(2,919,819)**
Total property, plant and equipment	**140,642**	144,765	**1,694,481**
Intangible assets:			
Other	**7,296**	7,450	**87,903**
Total intangible assets	**7,296**	7,450	**87,903**
Investments and other assets:			
Investment securities (Notes 4 and 10)	**221,971**	246,141	**2,674,349**
Long-term loans receivable (Note 10)	**18,791**	15,377	**226,397**
Deferred tax assets (Note 6)	**1,101**	1,332	**13,265**
Other	**9,024**	6,211	**108,722**
Less — allowance for doubtful accounts	**(42)**	(46)	**(506)**
Less — allowance for overseas investment loss	**(5,291)**	(5,793)	**(63,746)**
Total investments and other assets	**245,554**	263,223	**2,958,481**
Total noncurrent assets	**393,493**	415,439	**4,740,879**
Total assets	**¥516,098**	¥521,009	**$6,218,048**

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	**2011**
LIABILITIES AND NET ASSETS			
Current liabilities:			
Notes and accounts payable-trade (Note 10)	**¥ 5,057**	¥ 5,914	**$ 60,927**
Provision for directors' bonuses	**87**	104	**1,048**
Provision for loss on disaster	**1,444**	—	**17,397**
Other (Notes 5 and 6)	**13,363**	15,966	**161,000**
Total current liabilities	**19,953**	21,986	**240,397**
Noncurrent liabilities:			
Long-term loans payable (Notes 5 and 10)	**26,898**	24,471	**324,072**
Deferred tax liabilities (Note 6)	**56,531**	61,386	**681,096**
Provision for retirement benefits (Note 7)	**7,121**	6,429	**85,795**
Provision for directors' retirement benefits	**645**	690	**7,771**
Provision for cost of abandonment (Note 2 (16))	**—**	6,216	**—**
Asset retirement obligations (Notes 2 (17) and 12)	**9,524**	—	**114,746**
Other (Note 5)	**1,734**	1,080	**20,891**
Total noncurrent liabilities	**102,455**	100,275	**1,234,397**
Total liabilities	**122,408**	122,261	**1,474,795**
Commitment and contingent liabilities (Notes 9, 11 and 13)			
Net assets (Note 8):			
Shareholders' equity:			
Capital stock:			
Authorized — 120,000,000 shares			
Issued — 57,154,776 shares in 2011 and 2010	**14,288**	14,288	**172,144**
Retained earnings	**279,582**	271,858	**3,368,457**
Treasury stock; 2,105 shares in 2011 and 1,961 shares in 2010	**(10)**	(10)	**(120)**
Total shareholders' equity	**293,861**	286,137	**3,540,493**
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	**95,518**	106,896	**1,150,819**
Deferred gains or losses on hedges	**17**	24	**204**
Foreign currency translation adjustment	**(3,968)**	(2,186)	**(47,807)**
Total accumulated other comprehensive income	**91,566**	104,733	**1,103,204**
Minority interests	**8,261**	7,876	**99,530**
Total net assets	**393,689**	398,747	**4,743,240**
Total liabilities and net assets	**¥516,098**	¥521,009	**$6,218,048**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

Japan Petroleum Exploration Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	**2011**
Net sales	**¥199,651**	¥179,752	**$2,405,433**
Cost of sales (Note 3)	**144,919**	125,467	**1,746,012**
Gross profit	**54,732**	54,285	**659,421**
Exploration expenses	**10,161**	10,865	**122,421**
Exploration subsidies	**(362)**	(468)	**(4,361)**
	9,798	10,396	**118,048**
Selling, general and administrative expenses (Note 15)	**31,084**	30,769	**374,506**
Operating income	**13,849**	13,119	**166,855**
Other income (expenses):			
Interest income	**520**	720	**6,265**
Dividends income	**3,074**	8,669	**37,036**
Gain (loss) on sales of securities, net	**178**	176	**2,144**
Gain (loss) on change in equity, net	**—**	1,279	**—**
Reversal of provision for loss on business of subsidiaries and affiliates	**—**	35	**—**
Interest expenses	**(199)**	(291)	**(2,397)**
Loss on valuation of securities	**(1,060)**	(11)	**(12,771)**
Provision for cost of abandonment	**—**	(890)	**—**
Foreign exchange gains (losses)	**(669)**	(686)	**(8,060)**
Gain on sales of noncurrent assets	**28**	0	**337**
Loss on retirement of noncurrent assets	**(273)**	(378)	**(3,289)**
Impairment loss (Note 16)	**—**	(575)	**—**
Retirement benefit expenses for prior periods	**—**	(265)	**—**
Loss on disaster (Note 2 (18))	**(1,591)**	—	**(19,168)**
Loss on adjustment for changes of accounting standard for asset retirement obligations (Notes 2 (17) and 12)	**(2,339)**	—	**(28,180)**
Other, net	**1,436**	2,469	**17,301**
	(894)	10,249	**(10,771)**
Income before income taxes and minority interests	**12,955**	23,368	**156,084**
Income taxes (Note 6):			
Income taxes-current	**1,256**	4,135	**15,132**
Income taxes-deferred	**904**	307	**10,891**
	2,161	4,443	**26,036**
Income before minority interests	**10,794**	18,925	**130,048**
Minority interests in income	**783**	986	**9,433**
Net income (Note 18)	**¥ 10,010**	¥ 17,939	**$ 120,602**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Japan Petroleum Exploration Co., Ltd. and Consolidated Subsidiaries
Year ended March 31, 2011

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2011	**2011**
Income before minority interests	**¥10,794**	**$130,048**
Other comprehensive income (Note 20)		
Valuation difference on available-for-sale securities	**(11,446)**	**(137,903)**
Deferred gains or losses on hedges	**(7)**	**(84)**
Foreign currency translation adjustment	**(1,403)**	**(16,903)**
Share of other comprehensive income of associates accounted for using equity method	**(529)**	**(6,373)**
Total other comprehensive income	**(13,387)**	**(161,289)**
Comprehensive income	**¥ (2,592)**	**$ (31,228)**
Comprehensive income attributable to (Note 20):		
Owners of the parent	**¥ (3,156)**	**$ (38,024)**
Minority interests	**563**	**6,783**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Japan Petroleum Exploration Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	**2011**
Shareholders' equity			
Capital stock			
Balance at the end of previous period	**¥ 14,288**	¥ 14,288	**$ 172,144**
Balance at the end of current period	**¥ 14,288**	¥ 14,288	**$ 172,144**
Retained earnings			
Balance at the end of previous period	**¥271,858**	¥255,499	**$3,275,397**
Changes of items during the period			
Dividends from surplus	**(2,286)**	(2,286)	**(27,542)**
Net income	**10,010**	17,939	**120,602**
Change of scope of equity method	—	706	—
Total changes of items during the period	**7,724**	16,359	**93,060**
Balance at the end of current period	**¥279,582**	¥271,858	**$3,368,457**
Treasury stock			
Balance at the end of previous period	**¥ (10)**	¥ (9)	**$ (120)**
Changes of items during the period			
Purchase of treasury stock	**(0)**	(0)	**(0)**
Total changes of items during the period	**(0)**	(0)	**(0)**
Balance at the end of current period	**¥ (10)**	¥ (10)	**$ (120)**
Total shareholders' equity			
Balance at the end of previous period	**¥286,137**	¥269,778	**$3,447,433**
Changes of items during the period			
Dividends from surplus	**(2,286)**	(2,286)	**(27,542)**
Net income	**10,010**	17,939	**120,602**
Change of scope of equity method	—	706	—
Purchase of treasury stock	**(0)**	(0)	**(0)**
Total changes of items during the period	**7,723**	16,358	**93,048**
Balance at the end of current period	**¥293,861**	¥286,137	**$3,540,493**

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	**2011**
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities			
Balance at the end of previous period	**¥106,896**	¥105,430	**$1,287,903**
Changes of items during the period			
Net changes of items other than shareholders' equity	**(11,377)**	1,465	**(137,072)**
Total changes of items during the period	**(11,377)**	1,465	**(137,072)**
Balance at the end of current period	**¥ 95,518**	¥106,896	**$1,150,819**
Deferred gains or losses on hedges			
Balance at the end of previous period	**¥ 24**	¥ (0)	**$ 289**
Changes of items during the period			
Net changes of items other than shareholders' equity	**(7)**	24	**(84)**
Total changes of items during the period	**(7)**	24	**(84)**
Balance at the end of current period	**¥ 17**	¥ 24	**$ 204**
Foreign currency translation adjustment			
Balance at the end of previous period	**¥ (2,186)**	¥ (4,465)	**$ (26,337)**
Changes of items during the period			
Net changes of items other than shareholders' equity	**(1,781)**	2,278	**(21,457)**
Total changes of items during the period	**(1,781)**	2,278	**(21,457)**
Balance at the end of current period	**¥ (3,968)**	¥ (2,186)	**$ (47,807)**
Total accumulated other comprehensive income			
Balance at the end of previous period	**¥104,733**	¥100,964	**$1,261,843**
Changes of items during the period			
Net changes of items other than shareholders' equity	**(13,166)**	3,769	**(158,626)**
Total changes of items during the period	**(13,166)**	3,769	**(158,626)**
Balance at the end of current period	**¥ 91,566**	¥104,733	**$1,103,204**
Minority interests			
Balance at the end of previous period	**¥ 7,876**	¥ 7,484	**$ 94,891**
Changes of items during the period			
Net changes of items other than shareholders' equity	**384**	391	**4,626**
Total changes of items during the period	**384**	391	**4,626**
Balance at the end of current period	**¥ 8,261**	¥ 7,876	**$ 99,530**
Total net assets			
Balance at the end of previous period	**¥398,747**	¥378,227	**$4,804,180**
Changes of items during the period			
Dividends from surplus	**(2,286)**	(2,286)	**(27,542)**
Net income	**10,010**	17,939	**120,602**
Change of scope of equity method	**—**	706	**—**
Purchase of treasury stock	**(0)**	(0)	**(0)**
Net changes of items other than shareholders' equity	**(12,781)**	4,160	**(153,987)**
Total changes of items during the period	**(5,057)**	20,519	**(60,927)**
Balance at the end of current period	**¥393,689**	¥398,747	**$4,743,240**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Japan Petroleum Exploration Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	**2011**
Cash provided by (used in) operating activities:			
Income before income taxes and minority interests	**¥12,955**	¥23,368	**$156,084**
Depreciation and amortization	**24,587**	23,237	**296,228**
Impairment loss	—	575	—
Amortization of goodwill	—	1,207	—
Loss on retirement of property, plant and equipment	**272**	360	**3,277**
Loss (gain) on valuation of short-term and long term investment securities	**1,060**	11	**12,771**
Increase (decrease) in allowance for doubtful accounts	**(12)**	(24)	**(144)**
Increase (decrease) in provision for retirement benefits	**691**	695	**8,325**
Increase (decrease) in provision for directors' retirement benefits	**(44)**	130	**(530)**
Increase (decrease) in provision for cost of abandonment	—	395	—
Increase (decrease) in allowance for overseas investment loss	**(501)**	(10)	**(6,036)**
Interest and dividends income	**(3,595)**	(9,389)	**(43,313)**
Interest expenses	**199**	291	**2,397**
Loss (gain) on redemption of securities	—	(47)	—
Loss (gain) on redemption of investment securities	**(38)**	—	**(457)**
Loss (gain) on sales of short-term and long term investment securities	**(178)**	(176)	**(2,144)**
Equity in (earnings) losses of affiliates	**(441)**	(1,059)	**(5,313)**
Loss (gain) on change in equity	—	(1,279)	—
Decrease (increase) in notes and accounts receivable-trade	**(1,615)**	(2,623)	**(19,457)**
Decrease (increase) in inventories	**200**	656	**2,409**
Increase (decrease) in notes and accounts payable-trade	**4**	(752)	**48**
Increase (decrease) in accrued consumption taxes	**(879)**	1,214	**(10,590)**
Loss on adjustment for changes of accounting standard for asset retirement obligations	**2,339**	—	**28,180**
Other, net	**2,502**	698	**30,144**
Subtotal	**37,505**	37,482	**451,867**
Income taxes (paid) refund	**(3,220)**	1,466	**(38,795)**
Net cash provided by (used in) operating activities	**¥34,284**	¥38,948	**$413,060**

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	**2011**
Cash provided by (used in) investing activities:			
Payments into time deposits	**¥ (21,262)**	¥ (14,892)	**$ (256,168)**
Proceeds from withdrawal of time deposits	**17,184**	10,368	**207,036**
Proceeds from sales and redemption of securities	**510**	1,159	**6,144**
Purchase of property, plant and equipment	**(18,799)**	(29,074)	**(226,493)**
Proceeds from sales of property, plant and equipment	**35**	12	**421**
Purchase of intangible assets	**(313)**	(4,519)	**(3,771)**
Payments for asset retirement obligations	**(249)**	—	**(3,000)**
Purchase of investment securities	**(2,073)**	(5,695)	**(24,975)**
Proceeds from sales and redemption of investment securities	**3,388**	5,062	**40,819**
Payments of recoverable accounts	**(2,877)**	(199)	**(34,662)**
Payments of loans receivable	**(4,597)**	(2,025)	**(55,385)**
Collection of loans receivable	**53**	58	**638**
Interest and dividends income received	**4,762**	10,523	**57,373**
Other, net	**(42)**	(77)	**(506)**
Net cash provided by (used in) investing activities	**(24,282)**	(29,300)	**(292,554)**
Cash provided by (used in) financing activities:			
Proceeds from long-term loans payable	**4,508**	1,934	**54,313**
Repayment of long-term loans payable	**(2,278)**	(2,278)	**(27,445)**
Purchase of treasury stock	**(0)**	(0)	**(0)**
Cash dividends paid	**(2,286)**	(2,284)	**(27,542)**
Cash dividends paid to minority shareholders	**(178)**	(1,038)	**(2,144)**
Interest expenses paid	**(200)**	(332)	**(2,409)**
Other, net	**(86)**	(54)	**(1,036)**
Net cash provided by (used in) financing activities	**(521)**	(4,054)	**(6,277)**
Effect of exchange rate change on cash and cash equivalents	**(299)**	75	**(3,602)**
Net increase (decrease) in cash and cash equivalents	**9,181**	5,669	**110,614**
Cash and cash equivalents at beginning of period	**57,645**	51,975	**694,518**
Cash and cash equivalents at end of period (Note 19)	**¥ 66,826**	¥ 57,645	**$ 805,132**

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Japan Petroleum Exploration Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Japan Petroleum Exploration Co., Ltd. (the "Company") and Consolidated Subsidiaries (together, the "Group") have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Act of Japan and its related accounting regulations and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2010 financial statements to conform to the classifications used in 2011.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates.

As permitted by the regulations under the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements in yen do not necessarily agree with the sums of the individual amounts.

The U.S. dollar amounts shown in the accompanying consolidated financial statements and notes thereto were translated from the presented Japanese yen amounts into U.S. dollar amounts at the rate of ¥83 = U.S. $1, the approximate rate of exchange at March 31, 2011, and were then rounded down. As a result, the totals shown in the accompanying consolidated financial statements in U.S. dollar do not necessarily agree with the sums of the individual amounts. This translation of Japanese yen amounts into U.S. dollar amounts is included solely for convenience of readers outside Japan. Such translation should not be construed as a representation that Japanese yen could be converted into U.S. dollars at that or any other rate.

2. Significant Accounting Policies

(1) Principles of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

The consolidated financial statements as of March 31, 2011 include the accounts of the Company and its 22 significant (22 in 2010) subsidiaries.

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for using the equity method.

For the years ended March 31, 2011 and 2010, 12 affiliates are accounted for using the equity method.

Investments in the remaining unconsolidated subsidiaries and affiliates are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The goodwill (including the difference between the cost and the underlying net equity at fair value of investments in consolidated subsidiaries) is amortized by the straight-line method, in general, over a period of 5 years.

The difference between the cost and the underlying net equity at fair value of investments in companies accounted for using the equity method is amortized by the straight-line method over periods not exceeding 20 years, except for minor accounts that are charged to income in the period of acquisition.

The accounts of certain subsidiaries with a fiscal year-end of December 31 are consolidated on the basis of the subsidiaries' respective fiscal year-end.

The necessary adjustments have been made to the financial statements for any significant transactions that took place between their balance sheet dates and the date of the consolidated financial statements.

Investments in companies accounted for using the equity method whose fiscal year-ends were not identical to the Company are accounted on the basis of the companies' respective fiscal year-end.

(2) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into yen at the exchange rates prevailing at the balance sheet dates.

All revenues and expenses associated with foreign currencies are translated at the rates of exchange prevailing when such transactions were made. The resulting exchange gains or losses are credited or charged to income.

The revenue and expense accounts of the overseas subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date, and, except for the components of net assets excluding minority interests, the balance sheet accounts are translated into yen at the rates of exchange in effect at the balance sheet date. The components of net assets excluding minority interests are translated at their historical exchange rates. Differences arising from the translation are presented as translation adjustments and minority interests in the accompanying consolidated financial statements.

(3) Cash and cash equivalents

Cash and cash equivalents as stated in the consolidated statements of cash flows consist of liquid investments with a maturity of three months or less when purchased to be cash equivalents, and that are subject to an insignificant risk of changes in value.

(4) Short-term investment securities and investment securities

In general, securities are classified into three categories: trading, held-to-maturity or available-for-sale securities.

Available-for-sale securities with a determinable market value are stated at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in shareholders' equity. Available-for-sale securities without a determinable market value are stated at cost. Cost of securities sold is determined by the moving average method.

(5) Inventories

Merchandise and finished goods are mainly stated at cost determined by the first-in, first-out method and raw materials and supplies are mainly stated at cost determined by the moving average method.

Inventories held for sale in the ordinary course of business are measured at the lower of cost or net selling value.

(6) Property, plant and equipment and depreciation (excluding leased assets)

Depreciation of property, plant and equipment is computed mainly by the declining-balance method, except for buildings acquired on and after April 1, 1998 as well as the Sendai pipelines, the Shiroishi-Koriyama pipelines, and assets of the Hokkaido Division Office on which depreciation is computed by the straight-line method, at rates based on the estimated useful lives of the respective assets.

However, depreciation of property, plant and equipment held by two domestic consolidated subsidiaries is computed by the straight-line method and that of two foreign consolidated subsidiaries is computed by the unit of production method.

The useful lives of property, plant and equipment are summarized as follows:

Buildings and structures	2 to 60 years
Wells	3 years
Machinery, equipment and vehicles	2 to 20 years

(7) Intangible assets (excluding leased assets)

Intangible fixed assets are amortized by the straight-line method. Capitalized computer software costs are being amortized by the straight-line method over a period of five years.

(8) Deferred assets

Development expenses are charged to income when incurred.

(9) Leases

For finance leases, which do not transfer ownership of the leased assets to the lessee, leased assets are depreciated by the straight-line method over the lease period with no residual value.

In addition, the Group accounted for lease transactions that had been in existence at March 31, 2008 and do not transfer ownership of the leased assets to the lessee as operating lease transactions.

(10) Impairment of noncurrent assets

The Group reviews its noncurrent assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable.

An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group.

The impairment loss is measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

(11) Provision for retirement benefits

Accrued retirement benefits for employees have been recorded mainly at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of the balance sheet date, as adjusted for unrecognized actuarial gain or loss and unrecognized prior service benefits and cost. The retirement benefit obligation is attributed to each period by the straight-line method over the estimated years of service of the eligible employees.

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

Prior service benefits and cost are recognized as income or expense by the straight-line method over a period (10 years) which is within and shorter than the average remaining years of service of the employees.

(12) Provision for directors' retirement benefits
The provision for directors' retirement benefits is provided at an amount to be required as of the balance sheet date according to the internal regulations.

(13) Allowance for doubtful accounts
The allowance for doubtful accounts is provided at an amount determined based on the historical experience of bad debt with respect to ordinary receivables, plus an estimate of uncollectible amounts determined by reference to specific doubtful receivables from customers which are experiencing financial difficulties.

(14) Provision for directors' bonuses
The provision for directors' bonuses is provided at the expected payment amount for the year-end.

(15) Allowance for overseas investment loss
The allowance for overseas investment loss is provided for possible losses arising from investments in the exploration and development of overseas natural resources at an amount determined based on the investees' financial position and certain other factors.

(16) Provision for cost of abandonment
As of March 31, 2010, the provision for cost of abandonment is provided to cover the costs to be incurred upon the abandonment of wells and mining facilities at an estimated amount which, in general, is allocated over a scheduled period based on the Company's or consolidated subsidiaries' plans for the abandonment of wells and mining facilities. The amount recorded under this account was reclassified to the account of "Asset retirement obligations" as of April 1, 2010.

(17) Asset retirement obligations
Effective the year ended March 31, 2011, the Group has applied the "Accounting Standard for Asset Retirement Obligations" (Accounting Standards Board of Japan ("ASBJ") Statement No. 18, issued on March 31, 2008) and the "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, issued on March 31, 2008). Accordingly, the amount previously recorded under "Provision for cost of abandonment" account was reclassified to the account of "Asset retirement obligations" as of April 1, 2010.

As a result of the application of this Standard and Guidance, operating income and income before income taxes and minority interests decreased by ¥436 million ($5,253 thousand) and ¥2,210 million ($26,626 thousand), respectively, for the year ended March 31, 2011. Additionally, upon the application of this Standard and Guidance, the balance of Asset retirement obligations was changed by ¥4,267 million ($51,409 thousand).

(18) Provision for loss on disaster
The provision for loss on disaster is provided at an amount based on expected future costs of the restoring damages caused by the Great East Japan Earthquake.

For the year ended March 31, 2011, loss on disaster of ¥1,591 million ($19,168 thousand) on the consolidated statements of income includes provision for loss on disaster of ¥1,444 million ($17,397 thousand).

(19) Hedge accounting
Deferral hedge accounting is adopted for hedge transactions.

For interest rate swaps that meet certain criteria, the short-cut method is applied.

For foreign exchange forward contracts that meet certain criteria, the allocation method is applied.

The following summarizes hedging derivative instruments used by the Group and items hedged:

Hedging instruments: Interest rate swaps, foreign exchange forward contracts, and foreign currency deposits

Hedged items: Accounts payable-trade and long-term loans payable

In addition, the nominal amount of the derivative transaction is limited to within the scope of actual demand, and the Group does not engage in speculative derivative transactions.

(20) Recognition of revenue and costs of construction contracts
The Group applies the percentage-of-completion method (cost-comparison method using primarily estimates of construction progress) for construction contracts, if the progress of the construction by the end of the fiscal year is deemed certain. For contracts where the outcome is uncertain, the completed-contract method is applied.

(21) Research and development expenses
Research and development expenses are charged to income when incurred.

(22) Income taxes
Income taxes are computed based on income before income taxes and minority interests included in the consolidated statements of income.

Deferred taxes and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of deferred tax assets and liabilities of a change in tax rate is recognized in income in the period that includes the enacted dates.

(23) New accounting standards
Effective the year ended March 31, 2011, the Group has applied the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, December 26, 2008), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, December 26, 2008), the "Partial Amendments to Accounting Standard for Research and Development Costs" (ASBJ Statement No. 23, December 26, 2008), the "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, December 26, 2008), the "Revised Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16, revised on December 26, 2008) and the "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, revised on December 26, 2008).

Effective the year ended March 31, 2011, the Group has applied the "Cabinet Office Ordinance Partially Revising Regulation on Terminology, Forms and Preparation of Financial Statements" (Cabinet Office Ordinance No. 5, March 24, 2009) based on the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, December 26, 2008). As a result, "Income before minority interests" was presented on the consolidated financial statements for the year ended March 31, 2011.

In addition, effective the year ended March 31, 2011, the Group has applied the "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, June 30, 2010). Accordingly, the consolidated statement of comprehensive income has been presented. Information with respect to comprehensive income for the year ended March 31, 2010 was disclosed in Note 20. "Accumulated other comprehensive income" is presented in the consolidated balance sheets and the consolidated statements of changes in net assets. The amounts of "Accumulated other comprehensive income" and "Total accumulated other comprehensive income" as of March 31, 2011 indicate the amounts of "Valuation and translation adjustments" and "Total valuation and translation adjustments" as of March 31, 2010, respectively.

Effective the year ended March 31, 2011, the Group applied the "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16, March 10, 2008) and the "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" (ASBJ Practical Issues Task Force ("PITF") No. 24, March 10, 2008). There was no impact from the application of these standards for the year ended March 31, 2011.

3. Inventories
The amount of book value reduced by decreased profitability included in cost of sales for the years ended March 31, 2011 and 2010 was ¥300 million ($3,614 thousand) and ¥414 million, respectively.

4. Short-term Investment Securities and Investment Securities

Securities held by the Group are all classified as available-for-sale securities.

(a) Information of available-for-sale securities as of March 31, 2011 and 2010 was as follows:

	Millions of yen			Thousands of U.S. dollars		
March 31, 2011	Carrying value	Acquisition cost	Unrealized gain (loss)	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:						
Equity securities	**¥172,113**	**¥23,205**	**¥148,907**	**$2,073,650**	**$279,578**	**$1,794,060**
Debt securities:						
Government bonds	**153**	**150**	**3**	**1,843**	**1,807**	**36**
Corporate bonds	**2,432**	**2,417**	**15**	**29,301**	**29,120**	**180**
Other debt securities	**991**	**897**	**93**	**11,939**	**10,807**	**1,120**
Other	**2,810**	**2,321**	**489**	**33,855**	**27,963**	**5,891**
Subtotal	**178,502**	**28,992**	**149,509**	**2,150,626**	**349,301**	**1,801,313**
Securities whose acquisition cost exceeds or is equal to their carrying value:						
Equity securities	**1,523**	**1,664**	**(140)**	**18,349**	**20,048**	**(1,686)**
Debt securities:						
Government bonds	**1,333**	**1,563**	**(229)**	**16,060**	**18,831**	**(2,759)**
Corporate bonds	**6,708**	**6,757**	**(48)**	**80,819**	**81,409**	**(578)**
Other debt securities	**1,495**	**1,506**	**(10)**	**18,012**	**18,144**	**(120)**
Other	**22,879**	**22,893**	**(14)**	**275,650**	**275,819**	**(168)**
Subtotal	**33,941**	**34,383**	**(442)**	**408,927**	**414,253**	**(5,325)**
Total	**¥212,443**	**¥63,376**	**¥149,067**	**$2,559,554**	**$763,566**	**$1,795,987**

	Millions of yen		
March 31, 2010	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Equity securities	¥191,402	¥25,070	¥166,332
Debt securities:			
Government bonds	666	640	26
Corporate bonds	3,327	3,289	37
Other debt securities	1,270	1,072	198
Other	3,409	2,861	548
Subtotal	200,077	32,933	167,143
Securities whose acquisition cost exceeds or is equal to their carrying value:			
Equity securities	308	336	(27)
Debt securities:			
Government bonds	983	1,084	(100)
Corporate bonds	2,130	2,176	(46)
Other debt securities	2,526	2,599	(73)
Other	17,326	17,329	(2)
Subtotal	23,275	23,526	(251)
Total	¥223,352	¥56,460	¥166,892

Unlisted equity securities of ¥8,297 million ($99,963 thousand) and ¥8,855 million are not included in the above tables as of March 31, 2011 and 2010, respectively, as there were no market prices available and it is extremely difficult to determine the fair value.

(b) Information of sales of securities classified as available-for-sale for the years ended March 31, 2011 and 2010 was as follows:

	Millions of yen			Thousands of U.S. dollars		
March 31, 2011	Sales amount	Aggregate gain	Aggregate loss	Sales amount	Aggregate gain	Aggregate loss
Available-for-sale securities						
Equity securities	**¥ 275**	**¥ 79**	**¥1**	**$ 3,313**	**$ 951**	**$12**
Debt securities:						
Government bonds	—	—	—	—	—	—
Corporate bonds	**596**	**4**	**0**	**7,180**	**48**	**0**
Other debt securities	**389**	**73**	—	**4,686**	**879**	—
Other	**95**	**23**	—	**1,144**	**277**	—
Total	**¥1,356**	**¥181**	**¥2**	**$16,337**	**$2,180**	**$24**

	Millions of yen		
March 31, 2010	Sales amount	Aggregate gain	Aggregate loss
Available-for-sale securities			
Equity securities	¥ 501	¥ 52	¥70
Debt securities:			
Government bonds	—	—	—
Corporate bonds	603	4	2
Other debt securities	1,735	20	—
Other	1,039	187	15
Total	¥3,880	¥264	¥88

(c) During the years ended March 31, 2011 and 2010, the Group recorded losses on valuation of available-for-sale securities due to permanent diminutions in value in the amounts of ¥1,060 million ($12,771 thousand) and ¥11 million, respectively. In addition, an impairment loss is recognized for the full amount if the market value of the security declines by 50% or more from its acquisition cost as of the end of the period. If the decline ranges between about 30% and 50%, an impairment loss is recognized for a necessary amount taking into consideration recoverability and collectability.

(d) Investments in unconsolidated subsidiaries and affiliates at March 31, 2011 and 2010 were ¥29,416 million ($354,409 thousand) and ¥31,603 million, respectively.

5. Long-term Loans Payable and Lease Obligations

Long-term loans payable at March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Loans from banks and others, at interest rates ranging from 0.56% to 1.83% :			
Unsecured	**¥ 27,676**	**¥26,749**	**$333,445**
	27,676	**26,749**	**333,445**
Less: Current portion	**(778)**	**(2,278)**	**(9,373)**
	¥26,898	**¥24,471**	**$324,072**

The aggregate annual maturities of long-term loans payable subsequent to March 31, 2011 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2012	¥ 778	$ 9,373
2013	4,135	49,819
2014	4,135	49,819
2015	11,135	134,156
2016 and thereafter	7,491	90,253
Total	¥27,676	$333,445

Of the long-term loans maturing in 2015, the agreements permit early repayment of ¥7,000 million ($84,337 thousand).

The Company and certain consolidated subsidiaries have entered into overdraft agreements amounting to ¥26,896 million ($324,048 thousand) and ¥26,968 million with six banks at March 31, 2011 and 2010, respectively.

There were no borrowings outstanding under the overdraft agreements as of March 31, 2011 and 2010.

Lease obligations at March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Lease obligations	**¥455**	**¥410**	**$5,481**
Less: Current portion	**(80)**	**(63)**	**(963)**
	¥374	**¥347**	**$4,506**

The aggregate annual maturities of lease obligations subsequent to March 31, 2011 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2012	¥ 80	$ 963
2013	91	1,096
2014	77	927
2015	61	734
2016 and thereafter	144	1,734
Total	¥455	$5,481

6. Income Taxes

Income taxes applicable to the Company and its domestic consolidated subsidiaries comprise corporation, enterprise and inhabitants' taxes. The statutory tax rate applicable to the Company was approximately 36.2% for the years ended March 31, 2011 and 2010. Income taxes of two foreign consolidated subsidiaries are based principally on the tax rates applicable in their countries of incorporation.

The effective tax rates reflected in the consolidated statements of income for the years ended March 31, 2011 and 2010 differ from the statutory tax rate for the following reasons:

	2011	2010
Statutory tax rate	**36.2%**	36.2%
Effect of :		
Net tax loss carried forward of consolidated subsidiaries	**5.0**	4.6
Exploration cost deducted for income tax purposes	**(22.0)**	(9.9)
Dividends income deductible for income tax purposes	**(2.6)**	(4.3)
Tax credit for loss carried forward	**(7.9)**	(7.4)
Expenses not deductible for income tax purposes	**1.2**	1.1
Consolidated adjustment for equity method	**(1.2)**	(3.6)
Change of valuation allowance	**10.7**	—
Other	**(2.7)**	2.3
Effective tax rates	**16.7%**	19.0%

The significant components of deferred tax assets and liabilities at March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Deferred tax assets:			
Allowance for overseas investment loss	**¥ 1,704**	¥ 2,358	**$ 20,530**
Net loss carried forward	**10,720**	12,711	**129,156**
Provision for retirement benefits	**2,626**	2,357	**31,638**
Depreciation	**2,764**	2,424	**33,301**
Provision for directors' retirement benefits	**261**	280	**3,144**
Finished goods	**962**	966	**11,590**
Asset retirement obligations	**3,005**	—	**36,204**
Provision for cost of abandonment	—	1,881	—
Other	**8,478**	6,826	**102,144**
Subtotal	**30,525**	29,806	**367,771**
Valuation allowance	**(18,000)**	(17,618)	**(216,867)**
Total deferred tax assets	**12,525**	12,187	**150,903**
Deferred tax liabilities:			
Reserve for exploration	**(10,434)**	(10,230)	**(125,710)**
Valuation difference on available-for-sale securities	**(53,551)**	(59,894)	**(645,192)**
Reserve for advanced depreciation of noncurrent assets	**(147)**	(154)	**(1,771)**
Other	**(1,947)**	(889)	**(23,457)**
Total deferred tax liabilities	**(66,080)**	(71,169)	**(796,144)**
Net deferred tax liabilities	**¥(53,555)**	¥(58,981)	**$(645,240)**

7. Retirement Benefit Plans

The Company and its domestic consolidated subsidiaries have defined benefit plans, i.e., tax-qualified pension plans and lump-sum payment plans, covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rates of pay, length of service, and the conditions under which termination occurs. Certain domestic consolidated subsidiaries participate in the Smaller Enterprise Retirement Allowance Mutual Aid System.

Effective April 1, 2011, the Company will change from all tax-qualified pension plans to defined benefit corporate pension plans.

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheets as of March 31, 2011 and 2010 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Retirement benefit obligation	**¥(16,895)**	¥(17,479)	**$(203,554)**
Plan assets at fair value	**8,024**	7,922	**96,674**
Unfunded retirement benefit obligation	**(8,870)**	(9,557)	**(106,867)**
Unrecognized actuarial gain or loss	**2,472**	2,779	**29,783**
Unrecognized prior service benefits and cost	**(723)**	348	**(8,710)**
Provision for retirement benefits	**¥ (7,121)**	¥ (6,429)	**$ (85,795)**

Note: Consolidated subsidiaries apply simplified method in calculating retirement benefit obligation.

The components of retirement benefits expenses for the years ended March 31, 2011 and 2010 were outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Service cost	**¥ 921**	¥ 845	**$11,096**
Interest cost	**325**	305	**3,915**
Expected return on plan assets	**(79)**	(200)	**(951)**
Amortization of actuarial gain or loss	**544**	552	**6,554**
Amortization of prior service benefits and cost	**36**	58	**433**
Other	**62**	61	**746**
Total	**¥1,811**	¥1,622	**$21,819**

Notes: 1. Retirement benefits expenses of consolidated subsidiaries which apply simplified method are included in "Service cost."
2. "Other" indicates premiums paid to the Smaller Enterprise Retirement Allowance Mutual Aid System.

The assumptions used in accounting for the above plan as of March 31, 2011 and 2010 were as follows:

	2011	2010
Discount rates	**2.0%**	2.0%
Expected rates of return on plan assets	**1.0%**	3.0%

8. Shareholders' Equity

The Companies Act of Japan provides that an amount equal to at least 10% of the amount to be disbursed as distributions of capital surplus (other than capital reserve) and retained earnings (other than legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the total of capital reserve and the legal reserve equals 25% of the capital stock account.

Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met.

9. Leases

(1) Finance leases

As discussed in Note 2. Significant Accounting Policies (9) Leases, the Group accounts for leases that had been in existence at March 31, 2008 and do not transfer ownership of the leased property to the lessee as operating lease transactions.

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of leased property as of March 31, 2011 and 2010, which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

(Lessee)

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Acquisition costs:			
Machinery, equipment and vehicles	**¥1,244**	¥1,276	**$14,987**
Total	**¥1,244**	¥1,276	**$14,987**
Accumulated depreciation:			
Machinery, equipment and vehicles	**¥ 763**	¥ 648	**$ 9,192**
Total	**¥ 763**	¥ 648	**$ 9,192**
Net book value:			
Machinery, equipment and vehicles	**¥ 481**	¥ 627	**$ 5,795**
Total	**¥ 481**	¥ 627	**$ 5,795**

Lease payments relating to finance leases accounted for as operating leases amounted to ¥146 million ($1,759 thousand) and ¥161 million, which were equal to the depreciation expense of the leased assets computed by the straight-line method over the lease terms with no residual value, for the years ended March 31, 2011 and 2010, respectively.

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2011 for finance leases accounted for as operating leases were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2012	¥126	$1,518
2013 and thereafter	354	4,265
Total	¥481	$5,795

(Lessor)

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Acquisition costs:			
Buildings and structures	**¥ 54**	¥ 54	**$ 650**
Machinery, equipment and vehicles	**200**	200	**2,409**
Other	**50**	50	**602**
Total	**¥305**	¥305	**$3,674**
Accumulated depreciation:			
Buildings and structures	**¥ 8**	¥ 4	**$ 96**
Machinery, equipment and vehicles	**76**	44	**915**
Other	**22**	13	**265**
Total	**¥107**	¥ 62	**$1,289**
Net book value:			
Buildings and structures	**¥ 46**	¥ 49	**$ 554**
Machinery, equipment and vehicles	**123**	155	**1,481**
Other	**27**	37	**325**
Total	**¥197**	¥242	**$2,373**

For the years ended March 31, 2011 and 2010, the lease receivables relating to finance leases accounted for as operating leases amounted to ¥68 million ($819 thousand) and ¥83 million, respectively. The depreciation expense of the leased assets computed by the straight-line method over the lease terms amounted to ¥45 million ($542 thousand) and ¥57 million, respectively.

Future minimum lease receivables (including the interest income portion thereon) subsequent to March 31, 2011 for finance leases accounted for as operating leases were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2012	¥ 45	$ 542
2013 and thereafter	292	3,518
Total	¥337	$4,060

(2) Operating leases

Future minimum lease payments subsequent to March 31, 2011 for non-cancelable operating leases were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2012	¥ 99	$ 1,192
2013 and thereafter	69	831
Total	¥169	$2,036

10. Financial Instruments

(1) Overview

(a) Policy for measures relating to financial instruments

It is the Group's policy to obtain operating funds for ensuring funding liquidity and the hedging of risks. The Group uses bank loans as its prime source of financing. Domestic capital investment is financed by Development Bank of Japan Inc. and other commercial banks and overseas investment is financed by Japan Bank for International Cooperation (Japan Finance Corporation) and other commercial banks.

The Group entered into loan agreements with financial institutions to invest in the Kangean Block in Indonesia and recorded the loans as long-term loans payable. Loans receivable from affiliates accounted for using the equity method operating in the Kangean Block are recognized as long-term loans receivable.

The Group does not use direct financing such as bond issuance or project finance; however, there is a possibility of financing by these methods depending on specific conditions. The Group does not enter into derivative transactions for trading or speculative purposes but uses them to avoid undermentioned risks.

(b) Types of financial instruments and related risk and risk management

Operating receivables such as notes and accounts receivable-trade are exposed to credit risk. The Group evaluates current receivables accurately by following internal credit management rules and monitoring credit conditions of customers and takes action to prevent bad debts.

Some accounts receivable-trade are denominated in foreign currencies and are exposed to foreign currency risk. However, accounts payable-trade and accounts receivable-trade related to crude oil denominated in the same foreign currency are settled principally the same day, therefore the risk is limited to the net amount.

Short-term loans receivable mainly consists of repo transactions of bonds with financial institutions to manage the short-term fund and are exposed to credit risk. The Group mitigates the risk by dealing with creditworthy financial institutions and by purchasing bonds that carry little risk such as government bonds.

Short-term investment securities and investment securities mainly consist of investment trusts (open bond investment trust "MMF" and others) and stocks of partner companies and are exposed to market fluctuation risk. Fair value evaluation is reported to the director monthly and to the president on a quarterly basis according to the internal regulations. Investment securities mainly consist of stock of INPEX CORPORATION valued at ¥168,624 million ($2,031,614 thousand) and ¥183,321 million, consisting of 76.0% and 74.5% of investment securities as of March 31, 2011 and 2010, respectively.

Long-term loans receivable are mainly loans to our affiliates in which the Group invests an operating capital and are exposed to credit risk and foreign currency risk. The Group manages credit risk appropriately by monitoring the collection status of the loans receivable following the internal regulations. The Group minimizes the foreign currency risk by financing bank loans denominated in the same foreign currency as the loan receivable.

Operating payables such as notes and accounts payable-trade are due within one year. Some of the accounts payable-trade are denominated in foreign currencies and thus, they are exposed to foreign currency risk. Payables denominated in foreign currencies are mainly for the purchase of crude oil and liquefied natural gas (LNG). Accounts payable-trade of crude oil falls within the range of the balance of accounts receivable-trade denominated in the same foreign currencies. Accounts payable-trade relating to LNG in a foreign currency are hedged by foreign exchange forward contracts.

Long-term loans payable mainly consist of domestic capital investment and overseas investment. Part of the loans that the Group financed were loaned to affiliates for their equipment funds. Since our loans are mainly floating interest rate loans, they are exposed to interest rate fluctuation risk. Part of the loans payable are denominated in foreign currencies, thus there is foreign currency risk; however, the corresponding loans receivable from related companies are also denominated in the same foreign currency to minimize the risk.

The Group utilizes derivative transactions such as foreign exchange forward contracts to hedge its foreign currency risk, crude oil swap contracts to hedge oil price fluctuation risk, interest rate swaps contracts to hedge interest rate and foreign currency and interest rate swaps contracts to hedge fluctuation risk of foreign currencies and interest rates on loans. Implementation and management of derivative transactions are based on the internal regulations which determine the authorization and maximum amounts of the transactions and transactions are executed after getting the approval from the approver.

The Group performs balance confirmation with counter parties directly on a regular basis.

The Group's derivative transactions have risk related to fluctuation of interest rates, foreign currency exchange rates and oil prices.

The Group enters into transactions only with creditworthy financial institutions to reduce the counter party risk.

Operating payables and loans are exposed to liquidity risk; however, the Group manages the risk by preparing monthly cash flow plans.

(c) Supplemental information on fair value of financial instruments

As well as the values based on market prices, fair values of financial instruments include values, which are calculated in case market prices do not exist. As the calculation of those values adopts certain assumptions, those values may vary in case different assumptions are applied.

Also, for the contract amount and others regarding derivative transactions described in Note 11. Derivative transactions, the contract amount itself does not indicate market risk related to derivative transactions.

(2) Fair value of financial instruments

Carrying value on the consolidated balance sheets as of March 31, 2011 and 2010, fair value and difference were as follows. The financial instruments whose fair value is extremely difficult to determine are not included below.

			Millions of yen
March 31, 2011	Carrying value	Fair value	Difference
Cash and deposits	**¥ 32,042**	**¥ 32,084**	**¥ 42**
Notes and accounts receivable-trade	**21,235**	**21,235**	—
Short-term loans receivable	**24,087**	**24,087**	—
Short-term investment securities and investment securities	**223,738**	**231,790**	**8,052**
Long-term loans receivable	**18,791**		
Allowance for doubtful accounts (*1)	**(4)**		
	18,786	**18,786**	—
Total assets	**¥319,890**	**¥327,985**	**¥8,094**
Notes and accounts payable-trade	**¥ 5,057**	**¥ 5,057**	**¥ (0)**
Long-term loans payable	**26,898**	**26,983**	**(85)**
Total liabilities	**¥ 31,955**	**¥ 32,041**	**¥ (85)**
Derivative transactions (*2)	**¥ 680**	**¥ 680**	**¥** —

			Millions of yen
March 31, 2011	Carrying value	Fair value	Difference
Cash and deposits	¥ 24,314	¥ 24,342	¥ 28
Notes and accounts receivable-trade	19,774	19,774	—
Short-term loans receivable	28,534	28,534	—
Short-term investment securities and investment securities	233,548	249,539	15,990
Long-term loans receivable	15,377		
Allowance for doubtful accounts (*1)	(9)		
	15,368	15,368	—
Total assets	¥321,540	¥337,559	¥16,018
Notes and accounts payable-trade	¥ 5,914	¥ 5,914	¥ —
Long-term loans payable	24,471	24,543	(71)
Total liabilities	¥ 30,386	¥ 30,458	¥ (71)
Derivative transactions (*2)	¥ 498	¥ 498	¥ —

(*1) Allowance for doubtful accounts recognized in long-term loans receivable on an individual basis is deducted from the carrying amount.
(*2) Net assets and liabilities arising from derivative transactions are presented on a net basis and the liability position is shown in parenthesis.

March 31, 2011	Carrying value	Fair value	Difference
	Thousands of U.S. dollars		
Cash and deposits	$ 386,048	$ 386,554	$ 506
Notes and accounts receivable-trade	255,843	255,843	—
Short-term loans receivable	290,204	290,204	—
Short-term investment securities and investment securities	2,695,638	2,792,650	97,012
Long-term loans receivable	226,397		
Allowance for doubtful accounts (*1)	(48)		
	226,337	226,337	—
Total assets	$3,854,096	$3,951,626	$97,518
Notes and accounts payable-trade	$ 60,927	$ 60,927	$ (0)
Long-term loans payable	324,072	325,096	(1,024)
Total liabilities	$ 385,000	$ 386,036	$(1,024)
Derivative transactions (*2)	$ 8,192	$ 8,192	$ —

(*1) Allowance for doubtful accounts recognized in long-term loans receivable on an individual basis is deducted from the carrying amount.
(*2) Net assets and liabilities arising from derivative transactions are presented on a net basis and the liability position is shown in parenthesis.

Note 1. Valuation method for financial instruments and information on short-term investment securities and derivative transactions

Assets

• Cash and deposits

As for deposits without maturities, fair value is based on carrying value since fair value is considered to be the equivalent of carrying value. As for deposits with maturities, present value is calculated by discounting the carrying value for each segment based on the term, using deposit interest rate, which is assumed to be applied to new deposits.

• Notes and accounts receivable-trade

The carrying value is deemed as the fair value since these are scheduled to be settled in a short period of time.

• Short-term loans receivable

The carrying value is deemed as the fair value since these are scheduled to be settled in a short period of time.

• Short-term investment securities and investment securities

Fair value of securities is based on the price on stock exchanges and that of bonds is based on the price on bond markets or prices provided by the counter party financial institutions. Fair value of investment trust is based on constant value or price provided by counter party financial institutions.

Please refer to Note 4. of notes to the consolidated financial statements for matters relating to investment securities by holding purpose.

• Long-term loans receivable

The carrying value is deemed as the fair value for long-term loans receivable with floating interest since these loans reflect the short-term market interest rate and the carrying value approximates the fair value unless the credit condition changes dramatically after the loans are executed. For the receivables deemed to be uncollectible, the carrying value after deduction of the bad debt balance currently estimated is deemed as the fair value, since the estimated bad debt balance is calculated based on the future discounted cash flow and the carrying value as of the balance sheet date minus the estimated bad debt balance approximates the fair value.

Liabilities

• Notes and accounts payables-trade

Among accounts payable-trade, the accounts payables-trade with foreign exchange forward contracts that meet certain criteria are combined with foreign exchange forward contracts to determine the fair value. For the others, the carrying value is deemed as the fair value since it is scheduled to be settled in a short period of time.

• Long-term loans payable

With regard to floating rate loans, the carrying value is deemed as the fair value because interest rate changes will be reflected quickly in the future cash flows and the credit condition of the Group does not change dramatically after executing the loans payable. For those loans, which meet special treatment of interest rate swaps, the fair value is determined by the total amount of principal and the interest processed as interest rate swaps. For fixed rate loans, the fair value is measured as the net present value of estimated future cash flows by discounting the principal and interest value for each segment based on the term, using the loan interest rate.

Derivative transactions

Please refer to Note 11. of notes to the consolidated financial statements for matters relating to Derivative transactions.

Note 2. Financial instruments for which fair value is extremely difficult to determine

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Carrying value:			
Unlisted equity securities	**¥26,419**	¥30,262	**$318,301**

The above securities are not included in the above Note 1. Short-term investment securities and investment securities, as there were no market prices available and it is extremely difficult to determine the fair value.

(3) The redemption schedule for financial instruments and securities with maturities classified as available-for-sale:

				Millions of yen
March 31, 2011	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	**¥32,037**	**¥ —**	**¥ —**	**¥ —**
Notes and accounts receivable-trade	**21,235**	**—**	**—**	**—**
Short-term loans receivable	**24,087**	**—**	**—**	**—**
Short-term investment securities and investment securities				
Available-for-sale securities				
Equity securities	**—**	**—**	**500**	**—**
Debt securities:				
Government bonds, local government bonds and others	**253**	**919**	**313**	**—**
Corporate bonds	**4,655**	**3,183**	**302**	**—**
Other debt securities	**1,000**	**1,001**	**—**	**484**
Other	**—**	**180**	**282**	**100**
Long-term loans receivable (*)	**—**	**13,169**	**5,613**	**—**
Total	**¥83,271**	**¥18,453**	**¥7,012**	**¥585**

				Millions of yen
March 31, 2010	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	¥24,314	¥ —	¥ —	¥ —
Notes and accounts receivable-trade	19,774	—	—	—
Short-term loans receivable	28,534	—	—	—
Short-term investment securities and investment securities				
Available-for-sale securities				
Equity securities	—	—	500	—
Debt securities:				
Government bonds, local government bonds and others	—	1,311	338	—
Corporate bonds	100	4,074	91	196
Other debt securities	399	1,262	1,273	861
Other	31	239	332	—
Long-term loans receivable (*)	—	8,156	7,205	—
Total	¥73,154	¥15,044	¥9,742	¥1,058

(*) The amount does not include receivables deemed to be uncollectible of ¥8 million ($96 thousand) and ¥15 million as of March 31, 2011 and 2010, respectively.

March 31, 2011	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
	Thousands of U.S. dollars			
Cash and deposits	$ 385,987	$ —	$ —	$ —
Notes and accounts receivable-trade	255,843	—	—	—
Short-term loans receivable	290,204	—	—	—
Short-term investment securities and investment securities				
Available-for-sale securities				
Equity securities	—	—	6,024	—
Debt securities:				
Government bonds, local government bonds and others	3,048	11,072	3,771	—
Corporate bonds	56,084	38,349	3,638	—
Other debt securities	12,048	12,060	—	5,831
Other	—	2,168	3,397	1,204
Long-term loans receivable (*)	—	158,662	67,626	—
Total	$1,003,265	$222,325	$84,481	$7,048

(*) The amount does not include receivables deemed to be uncollectible of ¥8 million ($96 thousand) and ¥15 million as of March 31, 2011 and 2010, respectively.

(4) Scheduled maturities of long-term loans payable

March 31, 2011	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
	Millions of yen			
Long-term loans payable	¥ —	¥23,540	¥3,357	¥ —
Total	¥ —	¥23,540	¥3,357	¥ —

March 31, 2011	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
	Thousands of U.S. dollars			
Long-term loans payable	$ —	$283,614	$40,445	$ —
Total	$ —	$283,614	$40,445	$ —

11. Derivative Transactions

The Group utilizes derivative transactions for the purpose of hedging its risk to adverse fluctuations in interest rates, foreign currency exchange rates and oil prices, but does not enter into such transactions for trading or speculative purposes.

The Group is exposed to credit risk in the event of nonperformance by the counterparties to the derivative transactions, but any such loss would not be material because the Group enters into transactions only with creditworthy financial institutions.

The fair value of derivatives held by the Group as of March 31, 2011 and 2010 were as follows.

Fair value is measured based on quotes and others provided by financial institutions and others.

(1) Derivative transactions for which hedge accounting is not applied

2011	Millions of yen				Thousands of U.S. dollars			
	Contract amount and others	Due after one year	Fair value	Unrealized gain (loss)	Contract amount and others	Due after one year	Fair value	Unrealized gain (loss)
Currency and interest rate related:								
Foreign currency and interest rate swaps								
Receive Japanese yen fixed/ Pay U.S. dollars floating	¥2,000	¥2,000	¥653	¥653	$24,096	$24,096	$7,867	$7,867
Total	¥2,000	¥2,000	¥653	¥653	$24,096	$24,096	$7,867	$7,867

2010	Contract amount and others	Due after one year	Fair value	Unrealized gain (loss)
				Millions of yen
Currency and interest rate related:				
Foreign currency and interest rate swaps				
Receive Japanese yen fixed/ Pay U.S. dollars floating	¥2,000	¥2,000	¥459	¥459
Total	¥2,000	¥2,000	¥459	¥459

(2) Derivative transactions for which hedge accounting is applied

	Millions of yen			Thousands of U.S. dollars		
2011	Contract amount and others	Due after one year	Fair value	Contract amount and others	Due after one year	Fair value
Currency:						
Benchmark method						
Foreign exchange forward contracts						
USD (Buying)	**¥1,802**	**¥ —**	**¥26**	**$21,710**	**$ —**	**$313**
GBP (Buying)	**16**	**—**	**0**	**192**	**—**	**0**
Allocation Method						
Foreign exchange forward contracts						
USD (Buying)	**4**	**—**	**(*1)**	**48**	**—**	**(*1)**
Total	**¥1,822**	**¥ —**	**¥27**	**$21,951**	**$ —**	**$325**

2010	Contract amount and others	Due after one year	Fair value
			Millions of yen
Currency:			
Benchmark method			
Foreign exchange forward contracts			
USD (Buying)	¥1,263	¥ —	¥38
SGD (Buying)	10	—	0
Allocation Method			
Foreign exchange forward contracts			
USD (Buying)	274	—	(*1)
Total	¥1,548	¥ —	¥38

(*1) Derivatives transactions under allocation method are accounted for with the hedge item such as accounts payable-trade. Thus, the fair value of derivative transactions is included in the fair value of the accounts payable-trade.

	Millions of yen			Thousands of U.S. dollars		
2011	Contract amount and others	Due after one year	Fair value	Contract amount and others	Due after one year	Fair value
Interest rate:						
Short-cut method						
Interest rate swaps						
Receive floating/Pay floating	**¥7,000**	**¥7,000**	**(*2)**	**$84,337**	**$84,337**	**(*2)**
Total	**¥7,000**	**¥7,000**	**¥ —**	**$84,337**	**$84,337**	**$ —**

2010	Contract amount and others	Due after one year	Fair value
			Millions of yen
Interest rate:			
Short-cut method			
Interest rate swaps			
Receive floating/Pay floating	¥7,000	¥7,000	(*2)
Total	¥7,000	¥7,000	¥ —

(*2) Derivative transactions under short-cut method are accounted for with the hedge item such as long-term loans payable. Thus, the fair value of the derivative transactions is included in the fair value of long-term loans payable.

12. Asset Retirement Obligations

(1) Asset retirement obligations recognized in the consolidated balance sheet as of March 31, 2011

Asset retirement obligations recognized by the Group are determined by estimating the costs of decommissioning oil and natural gas wells and production facilities in accordance with the domestic and foreign laws, lease contracts and others regarding these wells and production facilities and applying appropriate discount rates.

The Group estimates the periods in which the obligations are incurred to be approximately 2 to 55 years from acquisition of assets. This estimate is reasonably made based on the plans for decommissioning these wells and facilities or the expected producing lives of fields in case no such plan exists. Discount rates applied were 0.176 to 2.335% for domestic obligations and mainly 7% for overseas (mainly Canada).

Although the future costs to be incurred upon decommissioning and timing when the obligations are incurred are based on the Group's best estimate, uncertainty exists regarding both the amount and timing of incurring these costs.

Changes in the balance of asset retirement obligations for the year ended March 31, 2011 were as follows:

Year ended March 31, 2011	Millions of yen	Thousands of U.S. dollars
Balance at the beginning of the year (Note)	**¥10,546**	**$127,060**
Accretion	**281**	**3,385**
Settlement	**(429)**	**(5,168)**
Foreign currency translation adjustment	**(179)**	**(2,156)**
Other changes, net	**12**	**144**
Balance at the end of the year	**¥10,231**	**$123,265**

Note: The amount represents the balance at the beginning of the first fiscal year to which the new accounting standards as described in Note 2 (17) was applied.

(2) Asset retirement obligations other than those recognized on the consolidated balance sheet as of March 31, 2011

The Group has obligations to restore sites to their original condition in accordance with the related laws, lease contracts and other provisions with regard to oil and natural gas production facilities. However, in the natural gas supply business, which is the Group's primary business operation, maintaining and ensuring the stable supply of natural gas is of high public interest; therefore, even after completion of production activities, the Group plans to continue to use some of the assets held for the purpose of producing and selling oil and gas on a permanent basis in order to fulfill the responsibilities as a supplier for users of natural gas by holistically integrating these assets. Thus, the Group does not recognize the relevant asset retirement obligations since it is impossible to determine the timing of decommissioning and estimate asset retirement obligations on a reasonable basis as of March 31, 2011.

The following table summarizes the details of balance of asset retirement obligations as of March 31, 2011.

	Millions of yen				Thousands of U.S. dollars			
	Beginning of the year	Increase (Note)	Decrease	End of the year	Beginning of the year	Increase (Note)	Decrease	End of the year
Under provision of Petroleum and Inflammable Natural Gas Resources Development Law	**¥ —**	**¥ 5,057**	**¥ 70**	**¥ 4,986**	**$ —**	**$ 60,927**	**$ 843**	**$ 60,072**
Under provision of Environmental Protection and Enhancement Act, etc. enforced in the Province of Alberta, Canada	**—**	**2,096**	**159**	**1,936**	**—**	**25,253**	**1,915**	**23,325**
Under provision of Act on Prevention of Marine Pollution and Maritime Disaster	**—**	**1,843**	**—**	**1,843**	**—**	**22,204**	**—**	**22,204**
Under provision of lease contracts and other	**—**	**1,842**	**378**	**1,464**	**—**	**22,192**	**4,554**	**17,638**
Total	**¥ —**	**¥10,840**	**¥608**	**¥10,231**	**$ —**	**$130,602**	**$7,325**	**$123,265**

Note: The amount "Increase" includes the balance at the beginning of the first fiscal year to which new accounting standards was applied (¥4,961 million ($59,771 thousand) under provision of Petroleum and Inflammable Natural Gas Resources Development Law, ¥1,966 million ($23,686 thousand) under provision of Environmental Protection and Enhancement Act, etc. enforced in the Province of Alberta, Canada, ¥1,802 million ($21,710 thousand) under provision of Act on Prevention of Marine Pollution and Maritime Disaster and ¥1,816 million ($21,879 thousand) under provision of lease contracts and other).

13. Contingent Liabilities

At March 31, 2011 and 2010, the Group had the following contingent liabilities:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
As guarantor of indebtedness of others:			
Kangean Energy Indonesia Ltd. (An obligation relating to production facilities)	**¥10,622**	¥ —	**$ 127,975**
Sakhalin Oil and Gas Development Co., Ltd.	**10,184**	8,077	**122,698**
INPEX North Caspian Sea, Ltd.	**6,038**	5,299	**72,746**
Employees (Housing loans)	**827**	959	**9,963**
TOHOKU NATURAL GAS Co., Inc.	**782**	922	**9,421**
Total	**¥28,455**	¥15,258	**$342,831**

14. Information Related to Consolidated Statements of Changes in Net Assets

(1) Dividends paid to shareholders

2011

Date of approval	Resolution approved by	Type of shares	Amount (Millions of yen)	Amount (Thousands of U.S. dollars)	Amount per share (Yen)	Amount per share (U.S. dollars)	Shareholders' cut-off date	Effective date
June 23, 2010	Annual General Meeting of Shareholders	Common stock	**¥1,143**	**$13,771**	**¥20**	**$0.2**	March 31, 2010	June 24, 2010
November 5, 2010	Board of Directors	Common stock	**¥1,143**	**$13,771**	**¥20**	**$0.2**	September 30, 2010	November 26, 2010

2010

Date of approval	Resolution approved by	Type of shares	Amount (Millions of yen)	Amount per share (Yen)	Shareholders' cut-off date	Effective date
June 24, 2009	Annual General Meeting of Shareholders	Common stock	¥1,143	¥20	March 31, 2009	June 25, 2009
November 6, 2009	Board of Directors	Common stock	¥1,143	¥20	September 30, 2009	November 27, 2009

(2) Dividends with a shareholders' cut-off date during the fiscal year but an effective date subsequent to the fiscal year

2011

Date of approval	Resolution approved by	Type of shares	Amount (Millions of yen)	Amount (Thousands of U.S. dollars)	Paid from	Amount per share (Yen)	Amount per share (U.S. dollars)	Shareholders' cut-off date	Effective date
June 24, 2011	Annual General Meeting of Shareholders	Common stock	**¥1,143**	**$13,771**	Retained earnings	**¥20**	**$0.2**	March 31, 2011	June 27, 2011

2010

Date of approval	Resolution approved by	Type of shares	Amount (Millions of yen)	Paid from	Amount per share (Yen)	Shareholders' cut-off date	Effective date
June 23, 2010	Annual General Meeting of Shareholders	Common stock	¥1,143	Retained earnings	¥20	March 31, 2010	June 24, 2010

15. Selling, General and Administrative Expenses

The main components of selling, general and administrative expenses for the years ended March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Selling, general and administrative expenses:			
Personal expenses	**¥8,120**	¥7,953	**$97,831**
Significant components of personal expenses:			
Retirement benefits expenses	**646**	589	**7,783**
Provision for directors' bonuses	**87**	106	**1,048**
Provision for directors' retirement benefits	**170**	193	**2,048**
Freightage expenses	**4,455**	4,216	**53,674**
Depreciation	**¥7,976**	¥8,255	**$96,096**

Research and development expenses included in selling, general and administrative expenses for the years ended March 31, 2011 and 2010 were ¥635 million ($7,650 thousand) and ¥604 million, respectively.

16. Impairment Loss

For the purpose of recognition and measurement of impairment loss, noncurrent assets of the Group were principally grouped into minimum cash generating units. However, idle assets were individually considered.

For the year ended March 31, 2011, the Group recognized no impairment loss.

The main components of impairment loss for the year ended March 31, 2010 were as follows:

	Millions of yen
	2010
Idle asset:	
Sapporo City, Hokkaido	
Land	¥219
Ito City, Shizuoka	
Land and others	¥173
Tomakomai City, Hokkaido	
Construction in progress	¥174
Yurihonjo City, Akita	
Buildings, structures and others	¥ 8
Total	¥575

• Background to recognition of impairment:

Because the above idle assets do not have a specific utilization plan and their fair value is below the carrying value at March 31, 2010, their carrying values have been written down to their recoverable amounts and the Group has recognized the amount of the write-down as impairment losses. Impairment losses consisted of ¥17 million for buildings and structures, ¥383 million for land, ¥174 million for construction in progress and ¥0 million for tools, furniture and fixtures. The recoverable amount of the asset group is measured according to net selling value. The net selling value is principally the amount valued for property tax and certain assets are valued at 0 yen.

17. Information on Related Party Transactions

(1) Related party transactions

Principal transactions between the Company and Kangean Energy Indonesia Ltd., an affiliate accounted for using the equity method, for the years ended March 31, 2011 and 2010, were as follows:

	Millions of yen		Thousands of U.S. dollars
Transactions:	**2011**	2010	**2011**
Payments of loans receivable	**¥ 2,705**	¥ 1,160	**$ 32,590**
Guarantee of obligation	**¥10,622**	—	**$ 127,975**

	Millions of yen		Thousands of U.S. dollars
Balances:	**2011**	2010	**2011**
Long-term loans receivable	**¥10,362**	¥8,230	**$124,843**

Principal transactions between the Company and EMP Exploration (Kangean) Ltd., an affiliate accounted for using the equity method, for the years ended March 31, 2011 and 2010, were as follows:

	Millions of yen		Thousands of U.S. dollars
Transactions:	**2011**	2010	**2011**
Payments of loans receivable	**¥ 1,803**	¥ 773	**$ 21,722**

	Millions of yen		Thousands of U.S. dollars
Balances:	**2011**	2010	**2011**
Long-term loans receivable	**¥ 6,908**	¥5,486	**$ 83,228**

The Company determines the reasonable interest rates of loans receivable by Kangean Energy Indonesia Ltd. and EMP Exploration (Kangean) Ltd. based on the market interest rates.

The Company provides a guarantee of an obligation with Kangean Energy Indonesia Ltd. for its production facilities. The amount of transaction indicates the balance of the guarantee as of the year end.

(2) Note for significant affiliates

For the year ended March 31, 2010, the summarized financial information of all affiliates (12 companies) accounted for using the equity method, including a significant affiliate, Japan Drilling Co., Ltd. was as follows:

	Millions of yen
Total current assets	¥56,880
Total noncurrent assets	80,702
Total current liabilities	19,541
Total noncurrent liabilities	49,379
Total net assets	68,662
Net sales	55,787
Net income before income taxes	6,587
Net income	5,881

The disclosure is not applicable for the year ended March 31, 2011.

18. Amounts per Share

Net income per share is computed based on the net income attributable to shareholders of capital stock and the weighted average number of shares of capital stock outstanding, which is 57,152 thousand shares, during the years ended March 31, 2011 and 2010.

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

	Yen		U.S. dollars
	2011	2010	**2011**
Net income per share	**¥ 175.16**	¥ 313.88	**$ 2.11**
Net assets per share	**6,743.83**	6,839.05	**81.25**

Diluted net income per share is not disclosed due to the absence of shares with dilution effect for the years ended March 31, 2011 and 2010.

19. Cash Flow Information

A reconciliation of cash and cash equivalents in consolidated statements of cash flows to accounts and amounts in the accompanying consolidated balance sheets as of March 31, 2011 and 2010 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Cash and deposits	**¥32,042**	¥24,314	**$386,048**
Time deposits with maturity in excess of three months	**(15,488)**	(12,301)	**(186,602)**
Short-term investment within three months and others:			
Commercial papers	**3,999**	—	**48,180**
Repo with forward resale commitment	**23,997**	28,494	**289,120**
Money management fund and other	**22,276**	17,138	**268,385**
Cash and cash equivalents	**¥66,826**	¥57,645	**$805,132**

20. Comprehensive Income

Other comprehensive income for the year ended March 31, 2010 was as follows:

	Millions of yen
Other comprehensive income	
Valuation difference on available-for-sale securities	¥1,616
Deferred gains or losses on hedges	24
Foreign currency translation adjustment	2,536
Share of other comprehensive income of associates accounted for using equity method	28
Total other comprehensive income	¥4,204

Comprehensive income for the year ended March 31, 2010 was as follows:

	Millions of yen
Comprehensive income attributable to:	
Owners of the parent	¥21,709
Minority interests	1,421
Comprehensive income	¥23,130

21. Segment Information

For the years ended March 31, 2011 and 2010

Effective the year ended March 31, 2011, the Group has applied the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17, as revised on March 27, 2009) and the "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, issued on March 21, 2008).

(1) Overview of reporting segment

The Group defines reporting segments as a component of the Group for which separate financial information is available and whose operating results are regularly evaluated by the Board of Directors to make decisions about how resources are allocated among the Group and assess its performance.

The Group is involved primarily in oil and natural gas related business. In addition to our domestic operations, the Group develops its overseas operations through project companies established at each operational site.

Therefore, the Group consists of segments based on operational site, and identifies "Japan" and "North America" as its reporting segments.

"Japan" is engaged in exploration, development, production, purchasing, sales and transportation of crude oil and natural gas in Japan, and manufacture, purchasing, sales, transportation of petroleum products, and well drilling contracts, etc.

"North America" is engaged in exploration, development, production, purchasing and sales, etc. of crude oil, natural gas and bitumen (extra-heavy oil extracted from oil sands) in North America.

(2) Basis of measurement for the amounts of sales, profit (loss), assets and other items for each reporting segment

The accounting policies of each reporting segment are consistent to those disclosed in Note 2. "Significant Accounting Policies." Segment profit is measured on a basis of operating income. Inter-segment sales and transfers are accounted for based on actual market prices.

(3) Information about net sales, profit (loss), assets and other items is as follows:

Millions of yen

	Reporting segment						
Year ended March 31, 2011	Japan	North America	Total	Other (Note 1)	Total	Adjustments and eliminations (Note 2)	Amounts on consolidated financial statements (Note 3)
Net sales:							
Sales to third parties	**¥183,066**	**¥16,585**	**¥199,651**	**¥ —**	**¥199,651**	**¥ —**	**¥199,651**
Inter-segment sales and transfers	**11**	**—**	**11**	**—**	**11**	**(11)**	**—**
Total sales	**183,078**	**16,585**	**199,663**	**—**	**199,663**	**(11)**	**199,651**
Segment profit (loss)	**19,798**	**3,249**	**23,047**	**(1,628)**	**21,419**	**(7,569)**	**13,849**
Segment assets	**132,432**	**6,505**	**138,937**	**9,160**	**148,098**	**367,999**	**516,098**
Other items							
Depreciation and amortization	**23,538**	**807**	**24,345**	**0**	**24,346**	**241**	**24,587**
Equity in earnings (losses) of affiliates	**1,351**	**—**	**1,351**	**(778)**	**573**	**(131)**	**441**
Investments in associates accounted for using the equity method	**661**	**—**	**661**	**26,829**	**27,491**	**0**	**27,491**
Increase in property, plant and equipment and intangible assets	**¥ 18,733**	**¥ 211**	**¥ 18,945**	**¥ 37**	**¥ 18,983**	**¥ 114**	**¥ 19,098**

Year ended March 31, 2010	Reporting segment: Japan	Reporting segment: North America	Reporting segment: Total	Other (Note 1)	Total	Adjustments and eliminations (Note 2)	Amounts on consolidated financial statements (Note 3)
							Millions of yen
Net sales:							
Sales to third parties	¥159,765	¥19,446	¥179,212	¥ 540	¥179,752	¥ —	¥179,752
Inter-segment sales and transfers	33	—	33	—	33	(33)	—
Total sales	159,799	19,446	179,246	540	179,786	(33)	179,752
Segment profit (loss)	20,877	2,576	23,453	(2,557)	20,896	(7,777)	13,119
Segment assets	136,631	6,456	143,088	6,246	149,334	371,674	521,009
Other items							
Depreciation and amortization	22,079	871	22,951	0	22,951	286	23,237
Amortization of goodwill and (negative goodwill)	144	1,097	1,241	(33)	1,207	—	1,207
Equity in earnings (losses) of affiliates	2,328	—	2,328	(1,268)	1,059	—	1,059
Investments in associates accounted for using the equity method	661	—	661	26,748	27,410	6	27,417
Increase in property, plant and equipment and intangible assets	¥ 24,394	¥ 954	¥ 25,349	¥ 3,774	¥ 29,124	¥ 50	¥ 29,174

Year ended March 31, 2011	Reporting segment: Japan	Reporting segment: North America	Reporting segment: Total	Other (Note 1)	Total	Adjustments and eliminations (Note 2)	Amounts on consolidated financial statements (Note 3)
							Thousands of U.S. dollars
Net sales:							
Sales to third parties	**$2,205,614**	**$199,819**	**$2,405,433**	**$ —**	**$2,405,433**	**$ —**	**$2,405,433**
Inter-segment sales and transfers	**132**	**—**	**132**	**—**	**132**	**(132)**	**—**
Total sales	**2,205,759**	**199,819**	**2,405,578**	**—**	**2,405,578**	**(132)**	**2,405,433**
Segment profit (loss)	**238,530**	**39,144**	**277,674**	**(19,614)**	**258,060**	**(91,192)**	**166,855**
Segment assets	**1,595,566**	**78,373**	**1,673,939**	**110,361**	**1,784,313**	**4,433,722**	**6,218,048**
Other items							
Depreciation and amortization	**283,590**	**9,722**	**293,313**	**0**	**293,325**	**2,903**	**296,228**
Equity in earnings (losses) of affiliates	**16,277**	**—**	**16,277**	**(9,373)**	**6,903**	**(1,578)**	**5,313**
Investments in associates accounted for using the equity method	**7,963**	**—**	**7,963**	**323,240**	**331,216**	**0**	**331,216**
Increase in property, plant and equipment and intangible assets	**$ 225,698**	**$ 2,542**	**$ 228,253**	**$ 445**	**$ 228,710**	**$ 1,373**	**$ 230,096**

Notes: 1. "Other" which does not belong to reporting segment includes the Middle East, North Africa, South East Asia and others. For the year ended March 31, 2010, "Other" included segment loss of ¥2,685 million at North Africa.

Notes: 2. "Adjustments and eliminations" includes the following:

(a) Segment profit (loss)

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Inter-segment elimination	**¥ (0)**	¥ (19)	**$ (0)**
Corporate expense (*)	**(7,569)**	(7,758)	**(91,192)**
Total	**¥(7,569)**	¥(7,777)	**$(91,192)**

(*) "Corporate expense" presents mainly general and administrative expenses and experiment and research expense that are not allocated to reporting segments.

(b) Segment assets

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Inter-segment elimination	**¥ (25)**	¥ (25)	**$ (301)**
Corporate assets (*1)	**3,061**	3,225	**36,879**
Other assets (*2)	**364,963**	368,474	**4,397,144**
Total	**¥367,999**	¥371,674	**$4,433,722**

(*1) "Corporate assets" present mainly the assets administrated by Head office that are not allocated to reporting segments.
(*2) Segment assets allocated to reporting segments consist of property, plant and equipment, intangible assets and recoverable accounts included in investments and other assets. "Other assets" consist of property, plant and equipment, intangible assets and other assets other than recoverable accounts, which are not allocated to reporting segments.

Notes: 3. Segment profit (loss) is reconciled to operating income on the consolidated statements of income.

(4) Related information

(a) Information by product and sales

Year ended March 31, 2011	Millions of yen	Thousands of U.S. dollars
Sales to third parties:		
Crude oil	**¥ 67,488**	**$ 813,108**
Natural gas	**61,090**	**736,024**
LNG	**14,100**	**169,879**
Bitumen	**10,141**	**122,180**
Contract services	**7,031**	**84,710**
Oil products/merchandise	**32,523**	**391,843**
Others	**7,278**	**87,686**
Total	**¥199,651**	**$2,405,433**

(b) Information by geographical area

Year ended March 31, 2011	Millions of yen	Thousands of U.S. dollars
Net Sales		
Japan	**¥150,289**	**$1,810,710**
Canada	**16,311**	**196,518**
Russia	**31,772**	**382,795**
Others	**1,278**	**15,397**
Total	**¥199,651**	**$2,405,433**

Note: Net sales are accounted for by countries or geographical area on the basis of the place in which products have been delivered or services have been rendered.

Information about property, plant and equipment has been omitted since the balance of property, plant and equipment in Japan is over 90% of the consolidated balance for the year ended March 31, 2011.

(c) Information by major customers

Information by major customer has been omitted since there was no single external customer accounting for 10% or more of the consolidated sales for the year ended March 31, 2011.

For the year ended March 31, 2010

The Group is engaged in the oil and natural gas segment and other segments.

• Business segments

As the net sales, operating income and total assets of the oil and natural gas segment constituted more than 90% of the consolidated totals for the year ended March 31, 2010, the disclosure of business segment information has been omitted.

• Geographical segments

The geographical segments of the Group for the year ended March 31, 2010 were as follows:

Millions of yen

Year ended March 31, 2010	Japan	North America	Other areas	Total	Eliminations	Consolidated
Sales to third parties	¥159,765	¥19,446	¥ 540	¥179,752	¥ —	¥179,752
Inter-segment sales and transfers	33	—	—	33	(33)	—
Total sales	159,799	19,446	540	179,786	(33)	179,752
Operating expenses	146,680	16,870	3,097	166,648	(14)	166,633
Operating income	13,119	2,576	(2,557)	13,138	(19)	13,119
Total assets	¥532,570	¥23,417	¥9,340	¥565,328	¥(44,319)	¥521,009

The principal countries or areas included in each region were as follows:

North America ..........U.S.A. and Canada
Other areas ....China, Indonesia, Philippines, Libya and others

• Overseas sales

Overseas sales, which include export sales of the Company and its domestic consolidated subsidiaries and sales (other than exports to Japan) of the foreign consolidated subsidiaries, for the year ended March 31, 2010, were as follows:

Millions of yen

Year ended March 31, 2010	Southeast Asia	East Asia	North America	Europe	Total
Overseas sales	¥1,129	¥540	¥19,446	¥34,303	¥ 55,419
Consolidated net sales					179,752
Overseas sales as a percentage of consolidated net sales	0.63%	0.30%	10.82%	19.08%	30.83%

The principal countries or areas included in each region were as follows:

Southeast Asia ....Indonesia
East Asia ....China
North America ..........U.S.A. and Canada
Europe ....Russia

Report of Independent Auditors

ERNST & YOUNG

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Report of Independent Auditors

The Board of Directors
Japan Petroleum Exploration Co., Ltd.

We have audited the accompanying consolidated balance sheets of Japan Petroleum Exploration Co., Ltd. and consolidated subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended and consolidated statement of comprehensive income for the year ended March 31, 2011, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Japan Petroleum Exploration Co., Ltd. and consolidated subsidiaries at March 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Supplemental Information

As described in Note 2(17), effective the year ended March 31, 2011, the Group has applied the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18, issued on March 31, 2008) and the "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, issued on March 31, 2008).

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.

Ernst & Young ShinNihon LLC

June 24, 2011

Principal Consolidated Subsidiaries and Equity-Method Affiliates

(As of March 31, 2011)

Consolidated Subsidiaries	Principal Business Activities	Paid-In Capital or Subscription Amount (Millions of yen)	Percentage of Voting Rights Held (%)
Akita Natural Gas Pipeline Co., Ltd.	Pipeline transport of natural gas in Akita Prefecture	250	100.00
SK Engineering Co., Ltd.	Contract engineering and well drilling	300	100.00
JAPEX SKS Corporation	Manufacture and sales of petroleum products, real estate management, insurance and travel agent services	90	100.00
North Japan Oil Co., Ltd.	Refining, processing and sales of crude oil, recycling of waste oil, and contract handling and transportation of LNG and crude oil	80	100.00
Shirone Gas Co., Ltd. *1	Manufacturing, supply and sales of gas in Niigata City and Tsubame City	3,000	100.00
Japex Pipeline Ltd.	Pipeline management and maintenance	80	100.00
JGI, Inc. *1	Contract geophysical surveys and development of geophysical exploration technologies	2,100	100.00
Geophysical Surveying Co., Ltd.	Geophysical surveys and contract mud logging operations	446	100.00
Japex (U.S.) Corp. *1	Exploration, development and production of petroleum in the United States, and investment in an LNG project in Malaysia	8,000 (Thousands of U.S. dollars)	100.00
Japan Canada Oil Sands Limited *1,*3	Exploration, development and production of oil sands in Canada under a block lease agreement	298,170 (Thousands of Canadian dollars)	100.00 (100.00)
Canada Oil Sands Co., Ltd. *1,*3	Invests in oil sands exploration and development through Japan Canada Oil Sands Limited	1,682	87.98 (1.34)
North Japan Security Service Co., Ltd.	Disaster protection for industrial facilities and security services	30	89.42
Japex Offshore Ltd. *1	Exploration, development and production of offshore petroleum from the continental shelf in the Sea of Japan	5,963	70.61
GEOSYS, Inc. *3	Contract geophysical exploration operations and sales of geophysical exploration devices and equipment	49	54.49 (54.49)
Japex Block A Ltd.	Exploration, development and production of petroleum on the island of Sumatra in Indonesia	1,415	100.00
Japex Buton Ltd.	Exploration, development and production of petroleum on the island of Buton in Indonesia	815	100.00
Japex Energy Co., Ltd. *5	Purchasing and sales of LNG and petroleum products	90	90.00
Japex Garraf Ltd. *1	Exploration, development and production of petroleum in the Garraf oilfield in Iraq	5,629	71.94

Equity-Method Affiliates	Principal Business Activities	Paid-In Capital or Subscription Amount (Millions of yen)	Percentage of Voting Rights Held (%)
TOHOKU NATURAL GAS Co., Inc.	Purchasing and sales of natural gas in the Tohoku region of Japan	300	45.00
TELNITE CO., LTD.	Manufacture and sales of drilling mud for well drilling and the provision of mud services	98	47.00
Universe Gas & Oil Company, Inc.	Exploration, development and production of petroleum in east coast of Kalimantan, Indonesia	9,443	33.43
Japan Drilling Co., Ltd.	Contract offshore well drilling for petroleum	7,572	30.75
Energi Mega Pratama Inc.	Exploration, development and production of petroleum in east coast of Java, Indonesia	52,000 (Thousands of U.S. dollars)	25.00
Kangean Energy Indonesia Ltd. *2,*4	Exploration, development and production of petroleum in east coast of Java, Indonesia	10 (Thousands of U.S. dollars)	— [100.00]
EMP Exploration (Kangean) Ltd. *2,*4	Exploration, development and production of petroleum in east coast of Java, Indonesia	100 (British pounds)	— [100.00]
Diamond Gas Netherlands B.V. *3	Invests in a project operated by Malaysian LNG producer Malaysia LNG Tiga	12,316 (Thousands of Euros)	20.00 (20.00)
Japan CBM Limited	Exploration, development and production of coal bed methane in the eastern region of Kalimantan Island in Indonesia	175	40.12

Notes:
*1 A specified subsidiary
*2 Brackets appearing in the voting rights column indicate the voting rights of individuals close to the Company or individuals agreeing with the Company and are excluded from the total.
*3 Parenthesis appearing in the voting rights column indicate indirect voting rights which are included in the total.
*4 Although shareholdings in Kangean Energy Indonesia Ltd. and EMP Exploration (Kangean) Ltd. amount to less than 20%, the Company considers the two to be affiliated companies because the Company essentially holds control of both.
*5 Net sales that exceed 10% of consolidated net sales.

Corporate Data

(As of March 31, 2011)

Company Name	Japan Petroleum Exploration Co., Ltd. (Abbreviation: JAPEX)
Service Logo	JAPEX
Established	April 1, 1970
Paid-In Capital	14,288,694,000 yen
Fiscal Year	April 1 to March 31 of the following year
Number of Employees	1,728 (Consolidated)
Principal Businesses	Exploration, development and sales of oil, natural gas, and other energy resources and contract service-related operations such as drilling
Main Offices	Headquarters (see below), Hokkaido, Akita, Nagaoka, Research Center (Chiba), London, Dubai, Houston, Beijing, Jakarta
Headquarters	SAPIA Tower, 1-7-12 Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan TEL: +81-3-6268-7000 FAX: +81-3-6268-7300 URL: http://www.japex.co.jp/english/index.html

Directors, Auditors and Officers (As of June 24, 2011)

Chairman
Yuji Tanahashi

President & Chief Executive Officer
Osamu Watanabe

Executive Vice Presidents & Executive Officers
Katsuo Suzuki
Hiroshi Sato

Senior Managing Directors & Executive Officers
Shoichi Ishii
Toshio Ibi

Managing Directors & Executive Officers
Mitsuru Saito
Junichi Matsumoto
Nobuyuki Ogura
Nobuaki Moritani
Hitoshi Yamatoya
Kazuo Nakayama
Kiyoshi Ogino

Director
Kazuo Kawakami

Corporate Auditors
Ken Fujii
Morio Ishizeki
Masahiko Kadotani
Kisaburo Ikeda

Managing Executive Officer
Koji Sakuma

Executive Officers
Keisuke Inoue
Toru Kuroda
Yosuke Higai
Hikaru Fukasawa
Shigeru Mitsuya
Yasuhiro Masui
Kazuhiko Ozeki
Taku Kawanaka
Motofumi Hyodo
Takahisa Inoue
Hajime Ito

Notes:
1. Director Kazuo Kawakami is an outside director as stipulated under Article 2-15 of the Companies Act.
2. Auditors Masahiko Kadotani and Kisaburo Ikeda are outside auditors as stipulated under Article 2-16 of the Companies Act.

Stock Information (As of March 31, 2011)

Exchange Listing	First Section of the Tokyo Stock Exchange (Securities Code Number: 1662)
Common Stock	Authorized: 120,000,000 shares Issued: 57,154,776 shares
Number of Shareholders	17,404

Transfer Agent and Registrar
Mizuho Trust & Banking Co., Ltd.
Inquiries
Mizuho Trust & Banking Co., Ltd.,
Stock Transfer Agency Division
8-4 Izumi 2-chome, Suginami-ku,Tokyo 168-8507, Japan
TEL: 0120-288-324 (Toll-free in Japan)

Major Shareholders

Shareholders	Shares	Voting Rights (%)
The Minister of Economy, Trade and Industry	19,432,724	34.00
INPEX CORPORATION	2,852,212	4.99
JX Holdings, Inc.	2,299,884	4.02
The Master Trust of Japan, Ltd. (Trust)	1,873,500	3.28
JFE Engineering Corporation	1,848,012	3.23
Japan Trustee Services Bank, Ltd. (Trust)	1,541,000	2.70
Mizuho Corporate Bank, Ltd.	720,152	1.26
ITOCHU Corporation	698,000	1.22
Morgan Stanley & Co. Inc.	694,582	1.22
Sumitomo Metal Industries, Ltd.	610,316	1.07

JAPEX

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