Corporate Report 2020

Japan Petroleum Exploration Co., Ltd.

For the Year Ended March 31, 2020

Contents

* 📖 Items marked by the book icon are explained in the "Glossary" on page 52.

Editorial Policy
We issue our Corporate Report to facilitate the understanding of our economic, social and environmental activities over the most recent fiscal year as well as our business strategies, financial position and CSR activities aimed at securing corporate sustainability and growth potential. We position this report as a key communication tool with our stakeholders, and are striving to enhance its content.

Information Disclosure Sources
This report presents important information with the aim of enhancing understanding of our company. More-detailed information is available on our website.

Financial Information
Website: IR information
https://www.japex.co.jp/english/ir/

Corporate Report

Non-financial Information
Website: CSR
https://www.japex.co.jp/english/csr/

Reference Guidelines
METI, "Guidance for Collaborative Value Creation"
IIRC, "International Integrated Reporting Framework"
GRI, "Sustainability Reporting Standards"

Organizations Covered by this Report
This report covers Japan Petroleum Exploration Co., Ltd. (JAPEX), and its 19 consolidated subsidiaries and other group companies.

Reporting Period
Fiscal 2019 started on April 1, 2019 and ended March 31, 2020.
Some statements include data before March 31, 2019 or after April 1, 2020.

Issuing Date
December 2020 (Next issue: November 2021)

Disclaimer
This report includes past and current facts about JAPEX and its affiliate firms, their plans and prospects as of the issuing date, as well as forecasts based on their business plans and corporate management policies. These forecasts represent management's assumptions or decisions based on information currently available. Readers should be aware that actual results may be different from these forecasts due to changes in the business environment.

Corporate Vision

Contribute to society through the stable supply of energy, addressing social issues to realize the sustainable development goals.

- Explore, develop, produce, and deliver crude oil and natural gas in Japan and overseas.
- Enhance natural gas supply, utilizing our domestic infrastructure, and promote the electric power business.
- Contribute to solving the challenges for a sustainable society, such as energy and climate change, by developing and commercializing new technologies based on our expertise.
- Aim for sustainable growth and maximization of corporate value, placing trust with stakeholders as the top priority.

JAPEX Group Code of Ethics and Conduct

To realize our corporate vision as a long-trusted company in society, JAPEX established the "JAPEX Group Code of Ethics and Conduct" to serve as the corporate ethics standards and action principles for business execution by all officers and employees.

1. Comply with applicable laws and regulations, and respect international codes of conduct.
2. Place top priority on HSE (health, safety, and environment).
3. Strive to build trust with stakeholders and contribute to society.
4. Respect the human rights of all people.
5. Develop a good working environment.
6. Engage in fair and free competition and appropriate dealings.
7. Maintain sound and transparent relationships with politicians and administrative agencies.
8. Resolutely terminate any and all relationships with anti-social forces.
9. Properly manage and protect confidential information, including personal/client data.

JAPEX Past and Future

Since its founding, JAPEX has focused on the stable supply of crude oil and natural gas and the development of E&P technologies. In light of changing energy demands, we will continue with our aim of growing into the Integrated Energy Company by promoting the creation of electric power and environmentally friendly businesses.

1955~

Founded as a government-owned company to enhance Japan's self-sufficiency for oil and gas

1955	**Founded as a government-owned company**
1958	Discovered Mitsuke Oil Field in Niigata (In production from 1958 to 2016) Discovered Sarukawa Oil Field in Akita (In production from 1959)
1959	Discovered Higashi-Niigata Gas Field in Niigata (In production from 1959)
1960	Discovered Amarume Oil Field in Yamagata (In production from 1960) Discovered Katakai Gas Field in Niigata (In production from 1960)
1962	Discovered Shiunji Gas Field in Niigata (In production from 1963)
1965	**Expanded the operation range overseas by revision of the law**
1967	Integrated into Japan Petroleum Development Corporation (JPDC) as a division
1968	Discovered Yoshii Gas Field in Niigata (In production from 1968)

1955
Foundation

1958 Began production at Mitsuke Oil Field, the first to succeed in commercial production

1970~

Reorganized as a private company

1970

1999 Began oil sands production via SAGD ahead of other companies in the Oil Sands Project in Canada

1970	**Reorganized as a private company again by separating from JPDC**
1976	Discovered Yurihara Oil and Gas Field in Akita (In production from 1984)
1978	Participated in the Oil Sands Project in Canada (Started trial production in 1999, began commercial production from 2003)
1983	Discovered Iwafune-oki Oil and Gas Field in Niigata (In production from 1990)
1989	Discovered Yufutsu Oil and Gas Field in Hokkaido (In production from 1996) Discovered Ayukawa Oil and Gas Field in Akita (In production from 1995)
1996	Commenced operation at the Niigata-Sendai Gas Pipeline

2000~

Promoted overseas E&P businesses and the electric power business

2000

2003	Listed on the Tokyo Stock Exchange First Section
2007	Participated in the Kangean Project in Indonesia
2010	Participated in the Garraf Project in Iraq
2012	Participated in the Tight Oil Project in the United States Made final investment decision for development in Hangingstone lease in Canada for the Oil Sands Project
2013	Participated in the Shale Gas Project in Canada
2014	Participated in the Seagull Project in the United Kingdom's North Sea
2016	**Decided on commercialization of the Natural Gas-fired Power Generation Project in Fukushima**
2018	**Formulated the Long-term Vision 2030 and Mid-term Business Plan 2018–2022** Commenced operation at Soma LNG Terminal in Fukushima
2020	Commenced commercial operation at Fukushima Natural Gas Power Plant (Fukushima Gas Power Co., Ltd.)

JAPEX's Strengths

1 The JAPEX Group's comprehensive technical capabilities

2 Resilient domestic infrastructure

3 Relationships of trust with stakeholders

2020 Unit No. 1 of the Fukushima Natural Gas Power Plant after commencing operations

2022

- **Improve ROE 5% or more**

(FY2022 goal in the Mid-term Business Plan 2018–2022)

2030

- **Profit Composition Ratio of the E&P Business and Non-E&P Business* = 6:4**
- **Growth to the Integrated Energy Company Utilizing Oil and Gas E&P and Its Supply Basis** (Long-term Vision 2030)

* The Infrastructure/Utility Business and New Business Development

JAPEX Our Strengths

JAPEX will continue transforming and tackling challenges as an integrated energy company by leveraging the three strengths that drive the corporate value it has cultivated over its 65-year history. Through the stable supply of energy, which is our mission, we will contribute to the creation of a sustainable society.

1 The JAPEX Group's comprehensive technical capabilities

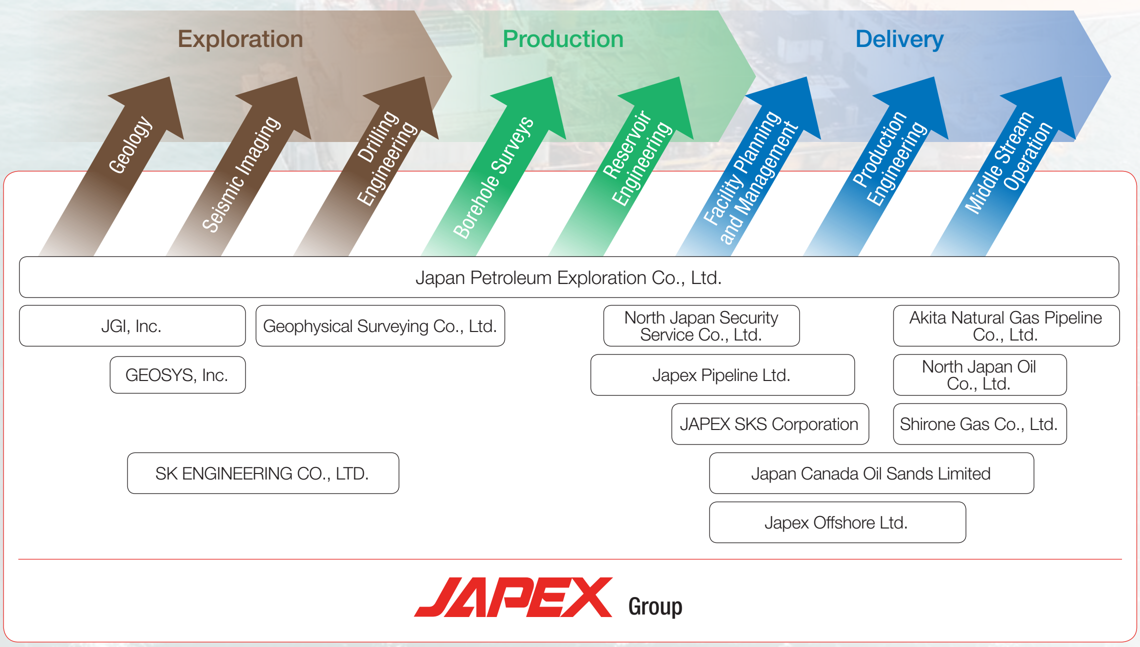
→ Technical capabilities in the E&P Business

→ Application of technical capabilities in new businesses development

- We possess comprehensive technical capabilities that can fully augment the entire E&P Business.
- We are working to create environmentally friendly businesses, expand renewable energy and other electric power businesses, and develop CCS 📖 technology that contributes to the realization of a low-carbon society by leveraging the technologies and expertise cultivated in the E&P Business.

For more information, see P.26-37.

The JAPEX Group's wide range of technical capabilities in the E&P Business



Mission and Purpose
Strategy
Value Creation Through Business Activities
Initiatives to Support Value Creation
Financial and Other Information

2

Resilient domestic infrastructure

- Diverse gas supply network
- Resilient system for stable operation of infrastructure

- We provide a stable supply of LNG and natural gas, which offer low environmental burden, using diverse transportation methods, such as JAPEX's own natural gas pipeline network and railway tank containers.
- In the Shiunji Gas Field (Niigata Prefecture), we are storing domestic natural gas underground to meet variable seasonal demand and prepare for emergencies, thereby contributing to stable energy supply.
- We are building a system for stable operation of infrastructure without major accidents or injuries. We have been able to ensure safety during crises, such as the Great East Japan Earthquake, achieving quick recovery and the restart of supply.

For more information, see P.32-33.

Relationships of trust with stakeholders

3

- Thorough safety and quality management
- Environmental conservation initiatives
- Contributing to local communities
- Rewarding workplaces

- Since our founding, we have been able to build relationships of trust by contributing to local communities and holding dialogue with various stakeholders. These relationships have become the foundation of our business.

For more information, see P.02-03 and P.44-49.

The JAPEX Group's Value Creation Process

Given changes in the economic and social environment, the JAPEX Group aims to contribute to all its stakeholders, achieving sustained and enhanced corporate value through business activities that take advantage of its strengths.

Awareness of the External Environment

P.24

- Changes in global trends toward the realization of a decarbonized society
- Fluctuations in oil and natural gas prices
- Declining population in Japan
- Liberalization of power and gas businesses
- Intensifying competition for securing resources

Capital to Support Business Growth

Financial capital
(Sound and stable financial base)
P.50-51

Production capital
(Robust infrastructure)
(Specified Gas Pipeline 800km in length)
P.32-33

Intellectual capital
(Comprehensive technological capabilities in E&P business)
P.04-05

Human capital
(Career building through diverse in-house training programs)
P.48

Social and relationship capital
(Relationships of trust with stakeholders)
P.49

Natural capital
(Proved reserves 355 million barrels)
P.28-29

Business Model

Businesses

- E&P Business P.28-31
- Infrastructure/Utility Business* P.32-33
- New Business Development P.34-36

Five Core CSR Themes "SHINE" P.22

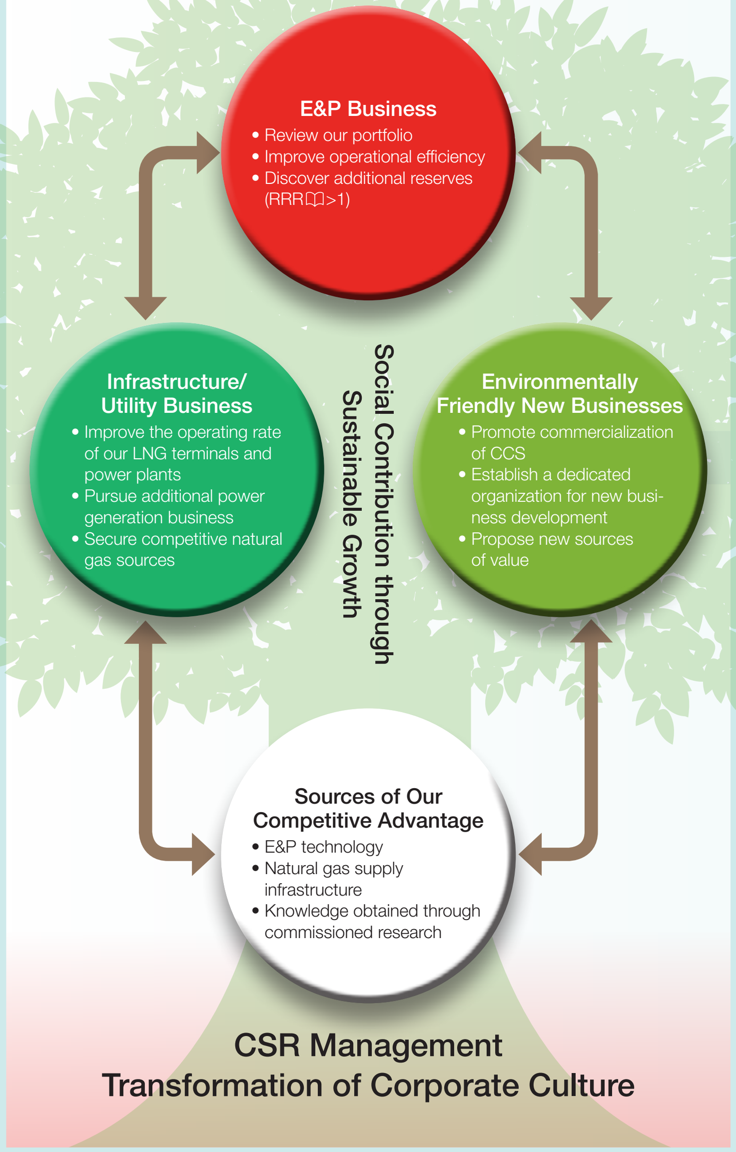
- **S** Stable and sustainable energy supply
- **H** HSE as our culture
- **I** Integrity and governance
- **N** Being a good neighbor
- **E** The employer of choice

* Infrastructure/Utility Business, including business of supplying natural gas and business of power generation/electricity sales

Corporate Vision P.01

Long-term Vision 2030

Growth to the Integrated Energy Company Utilizing Oil and Gas E&P and Its Supply Basis



Value Delivered to Stakeholders

Clients and regional societies
- Stable energy supply
- Supply environmentally friendly energy

Shareholders and investors
- Improve corporate value
- Shareholder returns

Local communities, Oil-and gas-producing countries
- Work hand-in-hand with local communities/create employment

Employees
- An inclusive workplace

Contribution to Society

We will stably supply oil, a key resource supporting primary energy demand, as well as natural gas, a clean energy source, in accordance with the needs of regional societies and clients.

We will contribute to the restoration of communities in Fukushima and the development of regional societies by taking advantage of a robust supply platform supported by our Soma LNG Terminal and Fukushima Natural Gas Power Plant.

We will proactively play our part in resolving global issues regarding low carbonization and decarbonization.

Sustainable Development Goals (SDGs)

Growth to the Integrated Energy Company Utilizing Oil and Gas E&P and its Supply Basis

Masahiro Fujita

Representative Director and President,
Chief Executive Officer

Almost one year has passed since I assumed the position of Representative Director and President of JAPEX in October 2019. Looking back on this year, the effects of the COVID-19 pandemic resulted in a major transformation to people's lives, as well as to the business environment, which was struck by plunging crude oil prices and disruptions in demand.

Since its foundation, JAPEX has pursued a social mission of ensuring a stable energy supply and thereby contributing to the development of Japan's oil sector. Both broader society and the market surrounding our business have been greatly altered due mainly to changes in our response to climate change and resource prices.

In 2018, we formulated our "Long-term Vision 2030" and Mid-term Business Plan 2018–2022 and announced the 2030 vision, "Growth to the Integrated Energy Company Utilizing Oil and Gas E&P and its Supply Basis." Based on this vision, we will maintain stable oil and gas supply to meet the needs of regional communities and customers while aiming for a profit composition that is approximately a six-to-four ratio of E&P to non-E&P businesses by 2030. We will achieve this by promoting the use of low environmental burden energy, such as natural gas-fired power generation and renewable energy; establishing a new business model using our existing business; and operating new eco-friendly businesses.

In support of the U.N.'s sustainable development goals (SDGs), we are especially focusing our efforts on Goal 7 (Affordable and clean energy), Goal 9 (Industry, innovation and infrastructure), and Goal 13 (Climate action). To implement specific initiatives, we have formulated a detailed ESG promotion roadmap to fiscal 2022.

In December of fiscal 2019, the second year of the Mid-term Business Plan, we started to generate power with Unit No. 1 of the Fukushima Natural Gas Power Plant at Soma Port in Fukushima Prefecture, as the first parallel operation in commissioning. We thus made significant progress toward achieving full-scale operations of the electric power business, which forms the core of our non-E&P businesses.

FY2019 Business Performance

In fiscal 2019, operating profit was ¥14.2 billion, an increase of ¥11.9 billion year on year. The increase was due to growth in sales volume of crude oil and diluted bitumen, as well as an improvement in profit from diluted bitumen sales stemming from the narrowing light-heavy differential (between Western Canadian Select, which is the reference price for heavy crude oil from the oil sands, and WTI, which is the reference price for light crude oil) associated with our Canada Oil Sands Project. Ordinary profit was ¥32.6 billion, an increase of ¥20.1 billion year on year, due mainly to an increase in dividend income and the turnaround from foreign exchange losses to foreign exchange gains. Profit attributable to owners of parent increased by ¥12.0 billion year on year to ¥26.8 billion, approaching the record high since listing in 2003 (set in fiscal 2014 at ¥29.5 billion).

Due to this boost to profit, ROE reached 6.5% in fiscal 2019, while the quantitative goal in the Mid-term Business Plan is an ROE of 5% or more in fiscal 2022. In fiscal 2020, we expect it will be difficult to achieve the ROE goal due mainly to the stagnation in crude oil prices caused by effects from the COVID-19 pandemic. Nevertheless, we will continue carrying out the Mid-term Business Plan with the aim of securing a strong financial position that is resilient against fluctuations in crude oil prices.

As for major progress made in each business, we started full-scale development work for the Seagull Project in the U.K.'s North Sea in the E&P Business. In addition, in the Infrastructure/Utility Business, we established a specialized organization related to procuring and marketing LNG and developing the renewable energy business, thereby strengthening the systems promoting these endeavors. In the New Business, we continue initiatives aimed at developing new business models and acquiring new business seeds, such as beginning feasibility studies about building a domestic value chain for sustainable aviation fuel (SAF) that utilizes used cooking oil as a raw feedstock.

Promoting ESG

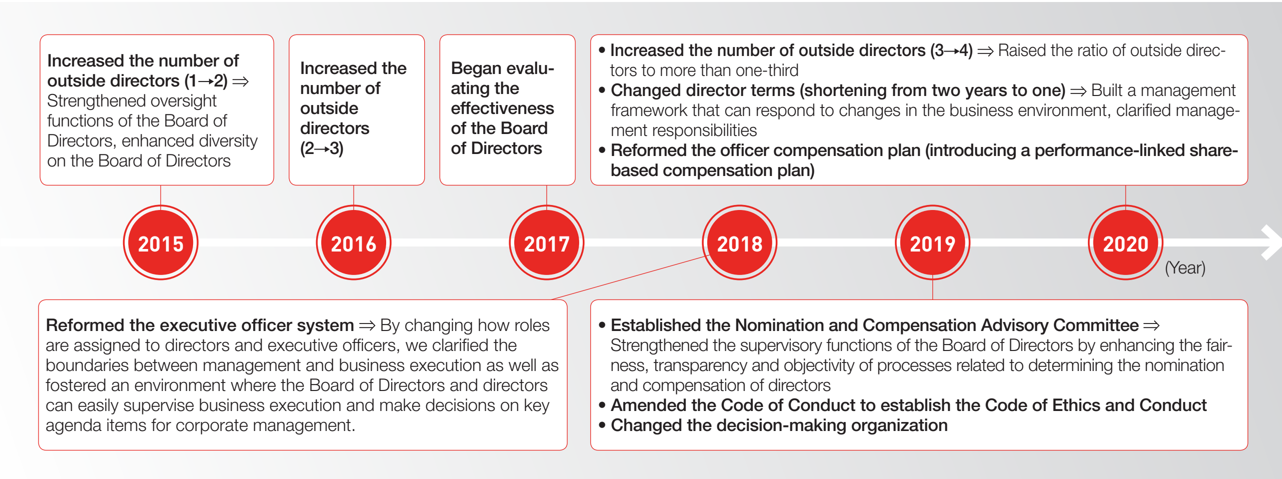
JAPEX specified five core CSR themes to be addressed through the "SHINE" initiatives and is carrying out initiatives for each theme. In this report, we have organized our initiatives from an ESG perspective with the aim of communicating them to various outside stakeholders in an easy-to-understand way.

In terms of environment, we began reporting to the Board of Directors on business risks, including those related to climate change, from fiscal 2019 to enhance discussions about addressing climate change. In fiscal 2020, we will continue moving forward with enhancing our response to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), beginning by setting targets for reducing greenhouse gas (GHG) emissions.

We are continuing to incrementally strengthen our corporate governance framework. In 2019, we strengthened the supervisory functions of the Board of Directors with the establishment of the Nomination and Compensation Advisory Committee. In 2020, we also introduced a performance-linked share-based compensation plan, increased the number of outside directors, and shortened director terms.

JAPEX focuses most on initiatives that prioritize safety. Our internal meetings begin with an "HSE Value Moment" where one participant introduces a topic related to HSE (health, safety and environment). This, of course, encourages safety in the workplace as each employee maintains an awareness of ensuring safety every day. We will continue to instill this safety-first mindset and roll out initiatives to entrench this kind of culture.

Initiatives to Strengthen Corporate Governance P.38–43



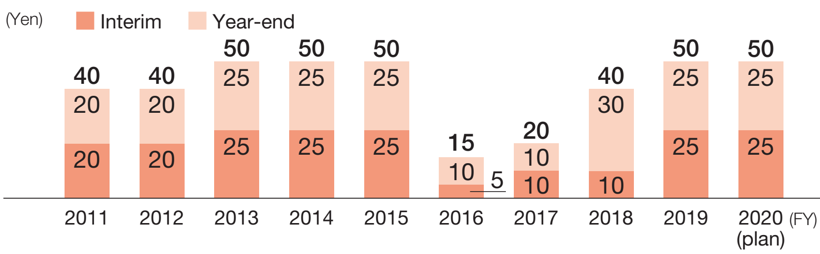
Shareholder Returns

JAPEX's basic policy is to maintain the stable payout of dividends over the long term. Specific dividend amounts are set in comprehensive consideration of the profit situation of each period and future funding needs in line with medium- to long-term forecasts of the business environment. At the same time, we consider internal reserves for maintaining and expanding supply infrastructure and investment aimed at securing new reserves in Japan and overseas as a company that is responsible for the stable supply of oil and natural gas indispensable to daily life. Based on this policy, we set a base line of ¥50 per share for the annual dividend, which is the level before the decrease made in fiscal 2016.

We have steadily increased dividends in line with our business performance, with the aim of achieving a quick recovery, bringing the level back up to ¥50 for the year in fiscal 2019. For fiscal 2020, we also aim to pay annual dividends of ¥50 per share, which comprise interim dividends of ¥25 per share and year-end dividends of ¥25 per share. Over the medium to long term, we will strive to further enhance shareholder returns by improving the soundness of our financial position and executing growth investment aimed at securing greater corporate value.

To continue achieving our business goals, we will maintain our efforts aimed at enhancing corporate value and achieving sustainable growth while flexibly responding to changes in the situation. I would like to thank all our shareholders and investors for their continued support.

Annual Dividends per Share



Finance & Accounting Dept. Director's Message

Assessment of the Business Environment

In a sharp turn from the stable crude oil prices that underpinned 2019, JAPEX faced major changes in its business environment caused by stagnating economic activity and plunging crude oil prices precipitated by the COVID-19 pandemic that began at the start of 2020. If the effects of the pandemic continue to drag on, we may see structural changes in a wide range of areas, such as people's lifestyles, corporate behavior, energy consumption, and environmental problems.

Under the Long-term Vision and Mid-term Business Plan released in 2018, JAPEX is working to shift to a profit composition resilient to the volatility in crude oil prices by accelerating investments in the Infrastructure/Utility Business and other non-E&P businesses. We also aim to achieve sustainable growth in the approaching low-carbon society by raising the percentage of low-carbon businesses in our portfolio. I think this era of unprecedented complexity and uncertainty, symbolized by the current pandemic, will require dynamic transformations that anticipate changes and management flexibility that can adapt to an array of different situations.

In fiscal 2018 and 2019, during the first half of the Mid-term Business Plan, we focused on discovering new projects in both E&P and non-E&P businesses and enhanced the resilience of the E&P Business to fluctuations in oil prices mainly by optimizing development plans, reducing operating expenses, and revising our portfolio, such as by selling some assets. From fiscal 2020, we have been working to achieve the targets of the Mid-term Business Plan with an increased sense of urgency.

Investment Plan and Financial Strategy

Under our Mid-term Business Plan, we plan to allocate funds totaling ¥60 billion to existing business and ¥65 billion to new growth investments by fiscal 2022. For this kind of investment, we need to ensure a robust financial foundation underpinned by ample internal reserves and liquidity on hand to overcome the volatile business environment.

Michiro Yamashita
Director, Managing Executive Officer
Finance & Accounting Dept.

In our E&P Business, we obviously need to prepare sufficient risk capital in line with the business's characteristics. We also need to make long-term commitments to businesses for infrastructure investments, such as for LNG receiving terminals and natural gas pipelines, until the large amount of initial investment is recouped. In addition, to stably procure LNG for power generation for use in the natural gas supply business and electric power business, we need long-term purchase contracts backed by a high-level of credit. From this perspective, JAPEX has positioned the maintenance of financial soundness as the bedrock of its financial strategy.

Furthermore, increasing the efficiency of our balance sheet is also a key issue. Regarding assets, we are working to improve profitability and thoroughly manage business asset risks by conducting PDCA cycles and operating an investment evaluation system. Regarding liabilities, we will maintain an optimal level of leverage in line with strict financial discipline and consider using project finance in our infrastructure and renewable energy businesses. Through these kinds of initiatives, we aim to improve capital efficiency, in terms of both assets and liabilities, and sustainably enhance corporate value.

Financial Discipline Targets

	Results as of March 31, 2019	Results as of March 31, 2020	Target for March 31, 2022
Interest-bearing debt*	¥151.7 billion	¥140.8 billion	Reduce to about ¥100.0–120.0 billion
Debt-to-EBITDA ratio	3.6 times	2.4 times	2.0 times or less

* Including lease obligations, retirement benefit liabilities and contingent liabilities

Long-term Vision 2030

In May 2018, the JAPEX Group identified “Growth to the Integrated Energy Company Utilizing Oil and Gas E&P and Its Supply Basis” as its vision for 2030. We will maintain stable oil and gas supply to meet the needs of regional societies and customers while also being active in helping resolve global issues calling for low carbonization and decarbonization.

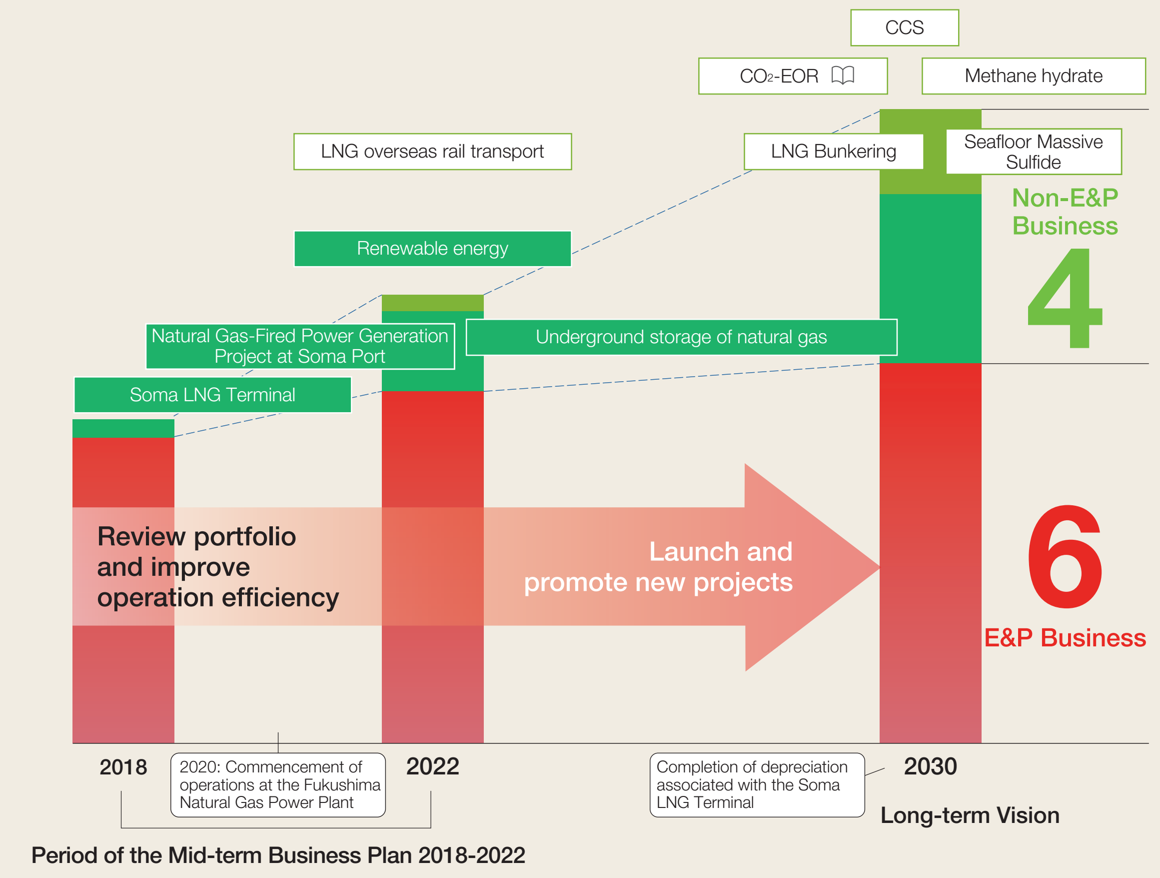
Long-term Vision 2030

Growth to the Integrated Energy Company Utilizing Oil and Gas E&P and Its Supply Basis

<The Profit Composition JAPEX Aims for in 2030>

E&P Business: Non-E&P Business = 6 : 4

Profit Contribution Image of Business Portfolio



Mid-term Business Plan 2018-2022

Under the Mid-term Business Plan, we have set long-term targets and fiscal 2022 targets for each of three Business segments. With the assumed oil CIF price (JCC 📖) of USD60 per barrel, we are thus aiming to improve our ROE to 5% or more by the end of fiscal 2022.

Mid-term Business Plan 2018-2022

FY2022 Target: ROE of 5% or more

(assumed oil price: USD60/bbl)

Business Plans and Targets for Each Business Segment

E&P Business

P.28-31

Long-term Target............ **Maintain “RRR>1”**

FY2022 Target.................. **Acquire new overseas interests while maintaining or increasing reserves in Japan**

Infrastructure/Utility Business

P.32-33

Long-term Target............ **Promote supply of energy with a low environmental impact**

FY2022 Targets .... Annual natural gas transaction volume in Japan: **1.6 million tons** (LNG equivalent)
Electricity sales volume: **2.8 billion kWh**

New Business Development

P.34-36

Long-term Target............ **Generate environmentally friendly new business**

FY2022 Targets .... **Develop a new business model**
Identify new business seeds

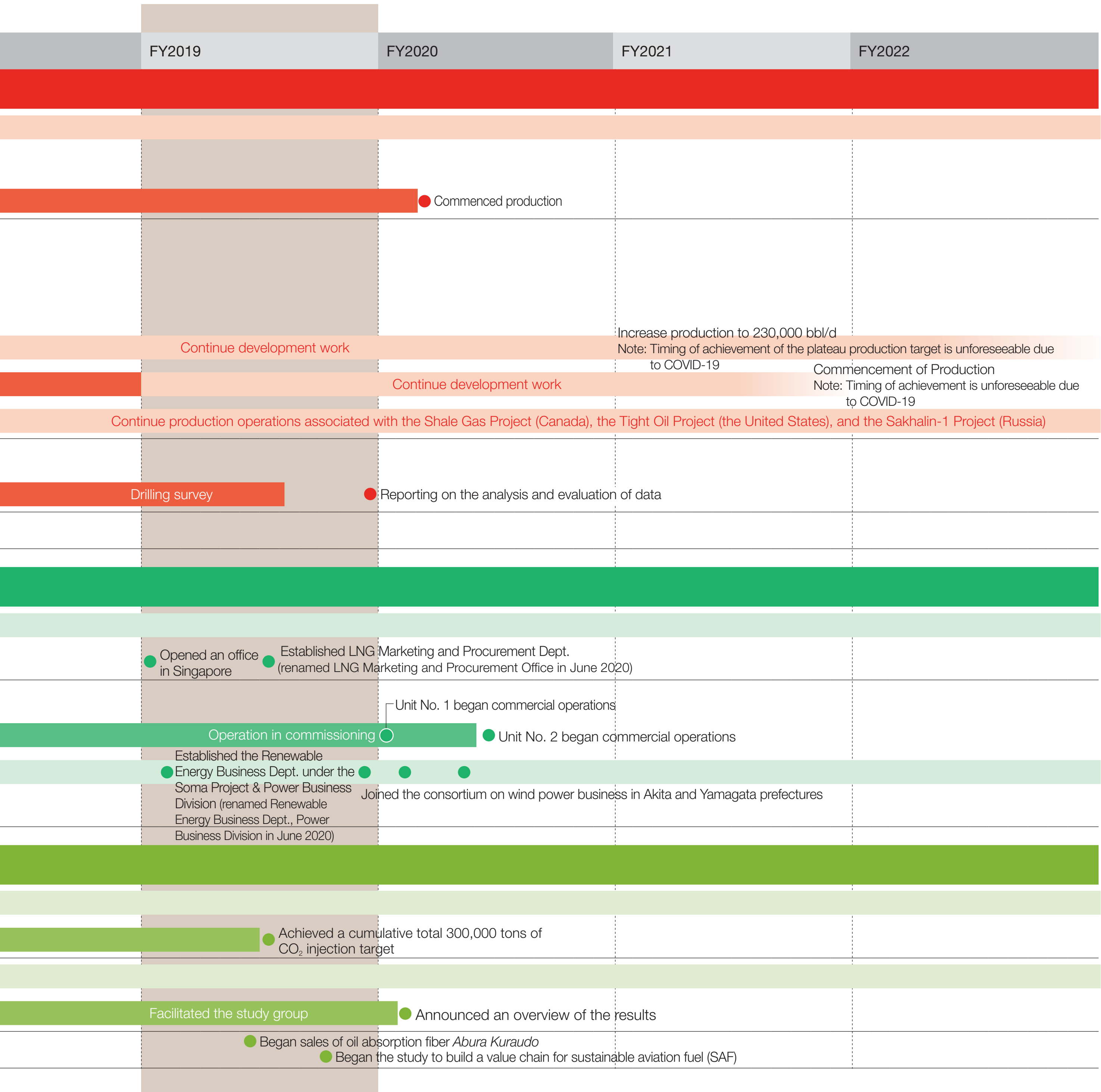
Toward Achieving Our Profit Targets

We will optimize the existing projects and enhance their profitability while accelerating the development of new projects in each business field.

Forecasts and Progress in the Mid-term Business Plan by Fiscal Year

: Completed : Ongoing : Results

	FY2018
E&P Business	
Maximize the value of domestic resources	Continue production at 10 domestic oil and gas fields
Additional development of the 1,900-meter reservoir of the Iwafune-oki Oil and Gas Field	Conducted development work; Commenced production
Development of the Yufutsu shallow reservoir	Conducted development work
Growth investment in overseas E&P	
Canada Oil Sands Project	Transition to 20,000 bbl/d stable production operations
Indonesia Kangean Project	Conducted development work; Commenced phase 2 production operations at the TSB Gas Field Complex
Iraq Garraf Project	Commenced development work to increase production to 230,000 bbl/d
U.K. North Sea Seagull Project	Conducted exploration and evaluation work and formulated a development plan
Others	
Discover and acquire new reserves	
Conduct exploratory drilling offshore the Hidaka Area	
Optimize our asset portfolio	Sold Hangingstone 3.75 section, Canada an asset in the Oil Sands Project
Infrastructure/Utility Business	
Natural gas supply in Japan	Continue with ongoing efforts to expand sales
Strengthen our LNG procurement capabilities	
Electric power	
Natural Gas-Fired Power Generation Project at Soma Port	Fukushima Natural Gas Power Plant
Renewable energy	Promoted initiatives to acquire new projects
New Business Development	
Development of next-generation technologies	Strive to commercialize CCS/CCUS, methane hydrate, and survey technologies for deep-sea mineral resources
Large-scale CCS Demonstration Project in Tomakomai	Conducted demonstration project
Develop a new business model	Constructing a new business model, including the overseas rail transport and bunkering of LNG
The study group aiming to implement the LNG Bunkering framework at Tomakomai Port	
Identifying unique business seeds	Established the New Business Promotion Office (renamed New Business Promotion Dept. in June 2020)


FY2019
FY2020
FY2021
FY2022
Commenced production
Continue development work
Increase production to 230,000 bbl/d
Note: Timing of achievement of the plateau production target is unforeseeable due to COVID-19
Continue development work
Commencement of Production
Note: Timing of achievement is unforeseeable due to COVID-19
Continue production operations associated with the Shale Gas Project (Canada), the Tight Oil Project (the United States), and the Sakhalin-1 Project (Russia)
Drilling survey
Reporting on the analysis and evaluation of data
Opened an office in Singapore
Established LNG Marketing and Procurement Dept. (renamed LNG Marketing and Procurement Office in June 2020)
Unit No. 1 began commercial operations
Operation in commissioning
Unit No. 2 began commercial operations
Established the Renewable Energy Business Dept. under the Soma Project & Power Business Division (renamed Renewable Energy Business Dept., Power Business Division in June 2020)
Joined the consortium on wind power business in Akita and Yamagata prefectures
Achieved a cumulative total 300,000 tons of CO_2 injection target
Facilitated the study group
Announced an overview of the results
Began sales of oil absorption fiber *Abura Kuraudo*
Began the study to build a value chain for sustainable aviation fuel (SAF)

Special Dialogue
President Masahiro Fujita × Outside Director Yukari Yamashita

The themes of the dialogue centered on the role of JAPEX in realizing a sustainable society and confronting how society is currently being transformed by COVID-19.

Theme 1

The role of JAPEX in realizing a sustainable society

Fujita JAPEX has the important mission of contributing to society through the stable supply of energy. Looking toward 2050, this mission will essentially continue unchanged. In light of the global issue of addressing climate change, however, the Company's position will continue to evolve. Although the E&P Business has been the core of the Company to date, going forward we will continue to expand businesses outside of E&P and are focusing on two strategies in particular.

The first is strengthening initiatives to develop low-carbon energy sources and encourage use of these greener alternatives.

For example, we are very efficiently supplying electric power from the Fukushima Natural Gas Power Plant, which began operations at Soma Port in Fukushima Prefecture. In addition, we will continue to expand our renewable energy business. One of our other important roles is encouraging customers to switch their fuel from heavy oil, which has a large environmental impact, to natural gas.

The second is the creation of eco-friendly businesses. Our carbon capture, utilization and storage (CCUS) technologies stand above the rest in Japan and can really help us create new eco-friendly businesses.

In this way, we will achieve our mission to stably supply energy. Moreover, by shifting our business components as much as possible to those with reduced environmental impact and expanding the non-E&P field, we aim to grow into an integrated energy company. In the Long-term Vision announced in 2018, we laid out the goal of achieving a profit composition that is a six-to-four ratio of E&P to non-E&P businesses by 2030. JAPEX is now standing at a major inflection point.

Yamashita In its Corporate Vision, the Company states that it will work to solve social issues to help achieve the sustainable development goals (SDGs). The fact that the Company positioned contributing to the SDGs at the foundation is extremely forward-looking.

I would like to touch on that topic of the inflection point. Following the 2011 Great East Japan Earthquake, Japan's 3E+S energy policy (Energy security, Environmental protection and Economic efficiency + Safety) was the topic of much debate. With this in mind, JAPEX, which has underpinned the supply of domestically produced petroleum and natural gas, will continue to expand the options for Japan's energy supply by leveraging its technological capabilities. Essentially, it appears that the Company has taken an important step toward more robustly ensuring the security of Japan's energy by diversifying its energy sources.

Fujita In terms of environmental conservation, we made a lot of progress in fiscal 2019. We introduced internal carbon pricing (ICP) in our investment assessment standards and committed to GHG emission reduction and other initiatives. In addition, we are directly addressing the TCFD recommendations*1 by, for example, incorporating climate change risks into the deliberations the Board of Directors holds.

Yamashita I think the Board of Directors has made progress in holding discussions that foster understanding of the main points regarding actions addressing climate change. Natural gas is the greenest energy among fossil fuels. As we shift to a low-carbon society, natural gas will remain an important source of energy over the next few decades. Simultaneously, it is important that even as we carefully cultivate this option, JAPEX must continue to play a role in enabling Japan to shift to a low-carbon, decarbonized society going forward.

In addition, I think it will be necessary to hold dialogue with stakeholders to enhance energy literacy in a broad sense because of the expenses associated with the shift to a low-carbon, decarbonized society.

*1 Recommendations on disclosures related to the financial impact of climate change from the Task Force on Climate-related Financial Disclosure (TCFD), which was established by the Financial Stability Board (FSB)

Background of Outside Director Yukari Yamashita

October 1985	Joined the Institute of Energy Economics, Japan
June 2011	Became the Director and Head of the Climate Change and Energy Efficiency Unit
July 2011	Became a Board Member and Director in Charge of the Energy Data and Modelling Center
June 2019	Became an Outside Director at JAPEX (current position)
January 2020	Became President of the International Associate for Energy Economics, Inc. (current position)
June 2020	Became a Managing Director of the Energy Data and Modelling Center at the Institute of Energy Economics, Japan (current position)

Theme 2

Confronting how society is being transformed by COVID-19

Fujita In addressing COVID-19 as a company that supplies energy, we reaffirmed the importance of our mission to continue business under any environment. On February 17, 2020, JAPEX established the Emergency Response Headquarters to prioritize the safety of our employees and the stable supply of energy, initiating various measures to prevent the spread of infections, such as remote working. On the frontlines of production and operations in areas across Japan in particular, we are working to conduct business with a critical sense of urgency, ensuring that the supply is never cut off.

Furthermore, to pull together to overcome this crisis as a unified group, I delivered a message to employees, encouraging each team member to carry out business while taking every precaution to fulfill the Company's mission.

Yamashita When I first encountered the SHINE and HSE principles engrained in JAPEX and the activities of everyone on the frontlines, I was very impressed by the thoroughgoing awareness of safety assurance, an altogether higher level than we are usually cognizant of in our daily lives. To coexist with COVID-19, society-wide countermeasures are needed, and on that point, I got the impression that JAPEX employees already possess the appropriate mindset.

Fujita Among our current emergency response measures, we have increased the efficiency of operations in part by moving meetings and training online. We have also discovered issues that should be addressed by adjusting workstyles and operational structures, including internal approval processes and systems that cannot be accessed remotely.

Perceiving this as a chance for transformation, we intend to strengthen these measures into sustainable mechanisms, going beyond emergency response alone. Facing this new normal, we began trying out a Company-wide work-from-home system from August 2020.

Looking at business forecasts, however, demand for jet fuel, gasoline and other transportation fuels may not simply return to earlier levels. Europe is talking about a "green recovery," where the future economic recovery accelerates a shift to a low-carbon society. We need to consider the risk of energy demand and supply structure continuing to change.

Yamashita Regarding climate change, Europe appears to be leading the way and, to be frank, that there is some recognition that realizing a low-carbon, decarbonized society in Japan is challenging. Accordingly, environmental measures to date have been top-down or decided by departments, making it seem like they are not that relevant to individual people. The COVID-19 pandemic, however, has helped people realize that they need to proactively protect their own lives to create a society where people can live life with some semblance of normality. In this sense, the people of the world are experiencing an atmosphere similar to the time right after the Great East Japan Earthquake, something that the people, especially of Northeast Japan, felt keenly at that time.

Due to this change in consumer perspective, it is clear that this is an unwavering trend and we need to move in that direction. Going forward, we need to carefully think about the timeline for shifting to a low-carbon society, how to contribute to that shift, and how to continue fulfilling the important mission of JAPEX.

Fujita The sharp drop in crude oil prices and the disruption to the global economy caused by the COVID-19 pandemic could cause major changes to JAPEX's business environment. However, we have not decided to hold back on new investments just because crude oil prices have fallen. JAPEX typically conducts business over the span of ten to twenty years or so. We also view this as an opportunity for new investment aimed at achieving our target portfolio.

By shifting to a business portfolio resilient to oil price fluctuations and enhancing the profit ratio of non-E&P business as stated in the Long-term Vision, we reaffirmed the importance of adapting to be able to sustainably grow even in a low-carbon society. Thank you for sharing your valuable insights today.

Yamashita Thank you.

Initiatives for a Low-Carbon Society

Our Recognition of Climate Change

Driven by global warming, the impacts of climate change are expected to worsen going forward and extend from abnormal weather events to sea level rise. Accommodating a low-carbon society is becoming an international issue. The JAPEX Group has positioned climate change response as a key management issue in order to achieve sustainable growth in a low-carbon society.

We aim for “Growth to the Integrated Energy Company Utilizing Oil and Gas E&P and Its Supply Basis.” To achieve this as society faces rapid change, we will appropriately identify the risks and opportunities of climate change and fully leverage the comprehensive technological capabilities, resilient infrastructure, and expansive knowledge we have cultivated since our founding.

By realizing this vision, we will see through the JAPEX Group’s mission of contributing to society through the provision of a stable energy supply and fulfill our proactive role in creating a low-carbon society.

Initiatives to Reduce Greenhouse Gas Emissions

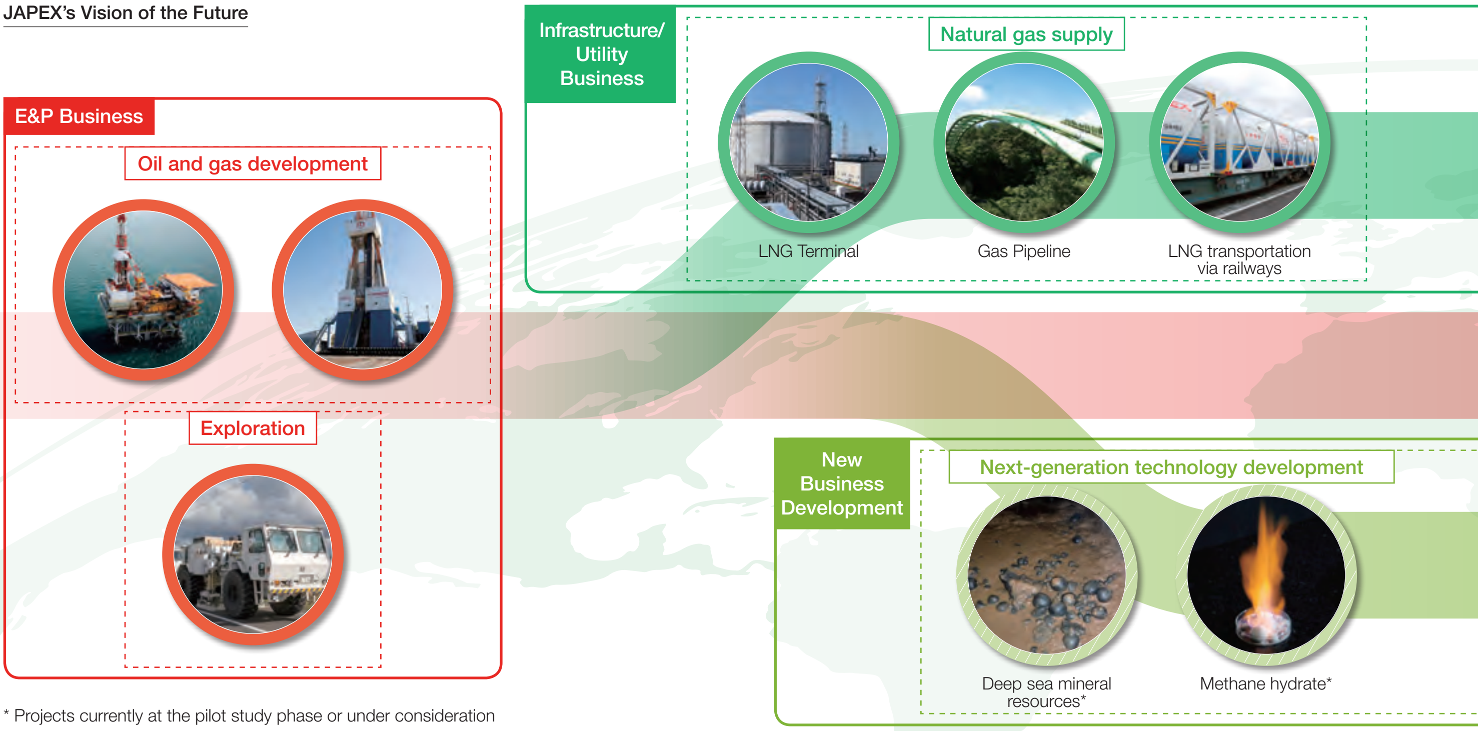
Since 2013, the JAPEX Group has worked to meet its GHG reduction quota for the reduction targets set by the Japan Petroleum Development Association for 2020 and 2030 based on the Japan Business Federation’s Commitment to a Low Carbon Society initiative.

Specifically, in fiscal 2019, we installed waste heat recovery equipment at the Yufutsu Plant in Hokkaido to conserve energy, thereby reducing energy costs by over ¥20 million while reducing annual CO_2 emissions by 973 tons.

Overseas, at our oil sand projects in Alberta, Canada, we are running some of the most energy efficient operations in the country by effectively using the accompanying gas with the bitumen and by maintaining highly efficient boiler operations that constitute the majority of our energy consumption.

Furthermore, the JAPEX Group set its own GHG reduction targets for fiscal 2020 and plans to continue working toward those reductions.

JAPEX’s Vision of the Future



* Projects currently at the pilot study phase or under consideration

Photo provided by MH21-S R&D Consortium (the photo shows artificial methane hydrate being burned)

Aiming for Business Growth in a Low-Carbon Society

The JAPEX Group is expanding businesses that contribute to the transition to low-carbon society by leveraging the technologies and knowledge cultivated in our oil and gas E&P business and our domestic natural gas supply business.

In the Infrastructure/Utility Business, we helped reduce GHG emissions through highly efficient power generation at the Fukushima Natural Gas Power Plant, which began parallel operation through commissioning in fiscal 2019. The plant runs on regasified LNG (Liquefied Natural Gas), given its lower environmental burden, and boasts two generation units utilizing Gas Turbine Combined-Cycle (GTCC) 📖 , which is currently the most efficient method of gas power generation. In addition, we established the new Renewable Energy Business Dept. in May 2019 and are pursuing opportunities, both domestic and overseas, to join various renewable energy development projects, including solar, geothermal, wind and biomass.

As for new business, we began considering establishing a production system and building a value chain for Sustainable Aviation Fuel (SAF), which utilizes used cooking oil as feedstock. By building an SAF value chain, we aim to contribute to the establishment of a sustainable and circular society from the perspective of reducing GHG emissions. In addition, Japan CCS Co., Ltd. (JCCS), which was established by JAPEX and other private-sector companies, is aiming to study the practical application of CCS technologies, which are expected to be a future method of CO_2 emission reduction. In fiscal 2019, JCCS successfully injected a total of 300,000 tons of CO_2 for a Tomakomai CCS Demonstration Project in Hokkaido.

The Introduction of an ICP System

As part of our structure aimed at managing business risks arising from climate change, we have engaged in intensive discussion regarding the inclusion of an internal carbon pricing (ICP) system into our investment evaluation criteria and, in fiscal 2019, began introducing this ICP system. ICP is the voluntary pricing of CO_2 emissions on a managerial accounting basis, taking into account both costs associated with and opportunities arising from responses to climate change. Therefore, the use of ICP systems is expected to assist corporations in their strategic decision-making via quantitative assessments of the impact of climate change on their current and future business activities. Through the utilization of the ICP system, which will make it easier to assess costs associated with CO_2 emissions, we will curb the volume of CO_2 emissions from our operations.

With regard to climate change countermeasures, we also recognize the importance of constantly reducing greenhouse gas (GHG) emissions, formulating emission targets and providing officers and employees with environmental education. Accordingly, we are simultaneously implementing these activities.

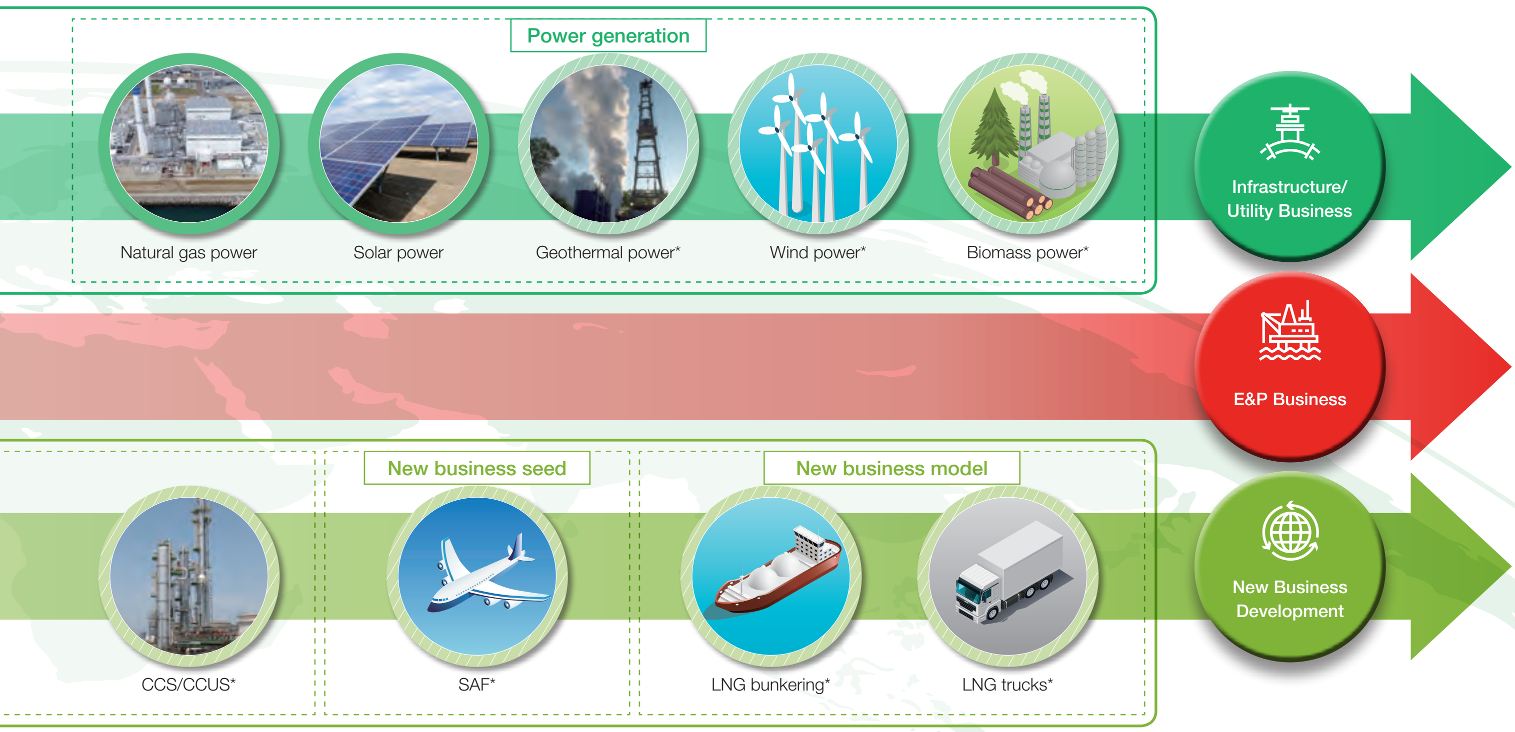


Photo provided by Japan CCS Co., Ltd.

Climate Change Response

Responding to climate change is a major global issue confronting society, and private sector companies are being called upon to take more proactive measures aimed at achieving the long-term goals of the Paris Agreement, which went into effect in 2016, as well as transitioning to a low-carbon society. In 2017, the Task Force on Climate-related Financial Disclosures (TCFD) was established by the Financial Stability Board, which consists of central bank representatives and financial authorities from major economic powers. The TCFD in turn issued recommendations aimed at facilitating information disclosure with regard to the financial impact of climate change.

In its Long-term Vision 2030, JAPEX announced a policy of aiming to reduce CO_2 emissions in its businesses, commercializing CCS technologies by leveraging its expertise, and creating and expanding renewable energy and other businesses. Based on this policy, we are strengthening our climate change response measures mainly by establishing an organization dedicated to developing renewable energy, introducing an ICP system, and initiating risk reporting, including climate change and business risks, to the Board of Directors.

JAPEX's Main Recent Initiatives for Climate Change

FY2018	FY2019
• Announced Long-term Vision 2030 (revealed initiatives for realizing sustainable energy supply and solving social issues to achieve the SDGs) • Established an organization dedicated to creating and expanding new environmentally friendly business	• Established an organization dedicated to developing renewable energy • Introduced an ICP system for evaluating investments of JAPEX's main businesses • Began sending annual reports to the Board of Directors regarding risks, including climate change and business risks

In this report, JAPEX explains its response to climate change in line with the four core elements of the TCFD recommendations: Governance; Strategy; Risk Management; and Metrics and Targets.

Governance

JAPEX recognizes climate change response as an important management issue. We began reporting overall business risks, including climate change risks, to the Board of Directors from fiscal 2019. We will continue striving to expand our supervisory framework underpinned by the Board of Directors.

For more information on our governance framework, see P.38.

Strategy

Shifting to a low-carbon society is expected to have an outsize impact on the sustainability of our E&P Business. JAPEX has identified mid- and long-term risks and opportunities associated with climate change. Based on multiple scenarios, including the 2°C scenario released by the International Energy Agency (IEA), we have firmly grasped the impacts and risks for our businesses and are promoting discussion.

JAPEX's Climate Change Risks

Transition Risks	
Policy and Legal Risks	Increase in additional expenses due to carbon taxes and other environmental laws and regulations
Market and Technology Risks	Decrease in profit due to lower oil and gas demand
Reputation Risk	Reputation risks related to GHG emissions of oil and gas businesses
Physical Risks	
Acute Risks	Impacts on onshore and offshore facilities due to extreme changes in weather

Risk Management

JAPEX assesses and manages business risks that are utilized in the investment decision and project execution phases.

When making business investment decisions that would entail a certain level of financial burden, we identify risks and opportunities from technical, economic, commercial, organizational, and socio-political aspects for consideration at each phase of the decision gate (DG) process, then conduct a decision gate review (DGR) of possible countermeasures. The Investment Evaluation Committee, which corresponds to DGR-4, assesses the risks and appropriateness of the investment. The committee then reports its opinions regarding all these factors, whether to approve the project, and other matters to the Executive Committee, which is the final decision-making authority, and, when necessary, to the Board of Directors. JAPEX introduced an ICP system in July 2019, and conducts business risk assessments, including risk resilience to carbon taxes and GHG emission regulations.

For projects that have moved onto the execution phase, the Project Total Management Committee qualitatively and quantitatively assesses and manages risks by regularly monitoring their status. In addition, we also monitor carbon taxes, GHG emission targets, emission regulations, and other circumstances in the countries and regions of our projects.

Risk Management Organization

Committee	Overview	Chair
Investment Evaluation Committee	This committee comprehensively evaluates important investment projects based on the Company's rules and reports its findings to the Executive Committee (and the Board of Directors as necessary).	The chair is appointed by the president from among the full-time executives. Currently, the executive of the Finance & Accounting Dept. serves in this position.
Project Total Management Committee	This committee manages the progress of major projects as well as studies and deliberates related issues. The committee meets once a month.	The chair is appointed by the president from among the full-time executives. Currently, the president serves in this position.

DG Process Overview

	Phase-1 Identify (Project kick-off)	Phase-2 Assess (Feasibility study)	Phase-3 Select (Concept selection)	Phase-4 Define (Detailed study)	Execute & Operate	Learn from Project
	DGR-1 Make a decision	DGR-2 Make a decision	DGR-3 Make a decision	DGR-4 (Investment Evaluation Committee) Make a decision (Executive Committee/Board of Directors)		
	Investment Decision Stage				Execution and Operation Stage	
Deliberation Topics	New investment projects that could have a particularly significant impact on the Company's business and investment projects that will be undertaken as additions to existing projects				Major overseas E&P projects and some domestic projects	
Evaluation Points	Confirm the project's alignment with strategy, then identify risks and opportunities based on assessments of the external environment	Identify all alternative options and evaluate their feasibility, risks, and opportunities	Select the concept delivering maximum value	Get ready/Prepare to proceed into execution phase	Review the progress of project execution	Add to knowledge for future projects
Rules and Guidelines	Decision Gate (DG) Process and Guidelines					
	Investment Evaluation Committee Rules Investment Evaluation Guidelines				Project Total Management Committee Rules Project Management Guidelines	

Metrics and Targets

The majority of GHG emissions from JAPEX's operations are accounted for by its E&P business sites. We have been working to reduce these emissions since 2013 as a participant in the Japan Business Federation's Commitment to a Low Carbon Society initiative through the Japan Petroleum Development Association. Furthermore, in line with the industry reduction targets set by the association, we are striving to meet our GHG reduction quota.

Aiming to achieve further reductions, the JAPEX Group intends to set its own GHG reduction targets for fiscal 2020 and establish a monitoring system.

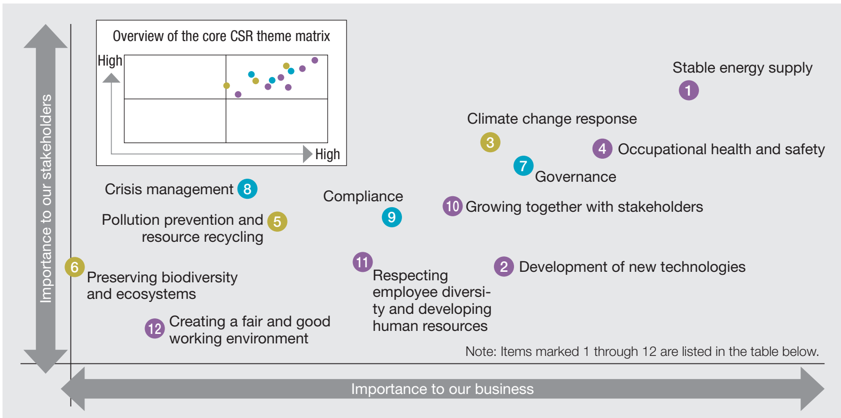
CSR in the JAPEX Group

We emphasize corporate social responsibility (CSR) when executing business. In fiscal 2014, to meet the demands and expectations of stakeholders and grow as a trusted global corporation, we specified five core CSR themes under the name “SHINE” that encapsulates the individual issues.

S	H	I	N	E
Stable & Sustainable Energy Supply	**H**SE as Our Culture	**I**ntegrity & Governance	Being a Good **N**eighbor	The **E**mployer of Choice

Under SHINE, we have currently identified 12 individual issues. The issues are revised as needed based on environmental changes surrounding the Company. When making revisions, the CSR Committee, which is chaired by the president, conducts reviews and makes decisions.

As for the promotion of CSR, all departments set CSR plans and targets in line with the individual issues and implement PDCA cycles. In addition, the status of CSR promotion is reported regularly to the CSR Committee and the Board of Directors.



For more information on the Company’s core CSR themes embodied in “SHINE” and its CSR action plans and targets, see the webpages below.
https://www.japex.co.jp/english/csr/management.html
https://www.japex.co.jp/english/csr/csrdata.html

ESG and Core CSR Themes (SHINE) Table

ESG Category	Core CSR Themes						
	S	H	I	N	E	Core Theme	Individual Issues
Environment E	●					Stable Energy Supply	3 Climate change response
		●				HSE as Our Culture	5 Pollution prevention and resource recycling 6 Preserving biodiversity and ecosystems
Social S	●					Stable Energy Supply	1 Stable energy supply 2 Development of new technologies
		●				HSE as Our Culture	4 Occupational health and safety
				●		Being a Good Neighbor	10 Growing together with stakeholders
					●	The Employer of Choice	11 Respecting employee diversity and developing human resources 12 Creating a fair and good working environment
Governance G			●			Integrity and Governance	7 Governance 8 Crisis management 9 Compliance

UN Global Compact

On May 28, 2020, JAPEX joined the UN Global Compact and the Global Compact Network Japan (GCNJ), which comprises Japanese companies.

We specified our core CSR themes in “SHINE,” identified 12 individual issues, and have been taking measures related to the four areas of the UN Global Compact covering human rights, labour, environment, and anti-corruption.

The Ten Principles of the UN Global Compact

Human Rights	Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and Principle 2: make sure that they are not complicit in human rights abuses.
Labour	Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; Principle 4: the elimination of all forms of forced and compulsory labour; Principle 5: the effective abolition of child labour; and Principle 6: the elimination of discrimination in respect of employment and occupation.
Environment	Principle 7: Businesses should support a precautionary approach to environmental challenges; Principle 8: undertake initiatives to promote greater environmental responsibility; and Principle 9: encourage the development and diffusion of environmentally friendly technologies.
Anti-Corruption	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

WE SUPPORT UN GLOBAL COMPACT

For more information on UN Global Compact, see the websites below.
https://www.unglobalcompact.org/

SUSTAINABLE DEVELOPMENT GOALS

SDGs	FY2019 Activities (relevant pages)	
7, 9, 13	• Initiatives for a low-carbon society • Climate change response	P.18-19 P.20-21
6, 12, 15	• Initiatives to Reduce VOC Emissions, Initiatives to Preserve the Quality of Wastewater and Initiatives to Effectively Use Water • Initiatives to Plant Trees of Native Species in Soma	P.45
7, 9, 13	• E&P Business, Infrastructure/Utility Business and New Business Development • Promoting Digital Transformation	P.28-37 P.47
12	• Strengthening Systems for Occupational Health and Safety, HSE Audits, HSE Training and Efforts to Improve HSE Culture, Initiatives to Strengthen the HSE Management of Contractors	P.46-47
4, 9, 17	• Dialogue with Shareholders and Investors/Relationships with Local Communities	P.49
5, 8	• Initiatives to Promote Diversity, Human Resource Development, Health Management	P.48
10, 16	• Corporate Governance Structure, Evaluation of the Overall Effectiveness of the Board of Directors, Performance-linked Share-based Compensation Plan, Cross-Shareholdings	P.38-40
	• Business Continuity Planning and Our COVID-19 Response	P.40
	• Systems for Promoting Compliance and Education, Preventing Bribery, Compliance Reporting and Consulting System, Respect for Human Rights	P.40-41

The Risks, Opportunities and Value Chain of the JAPEX Group

Awareness of the external environment

Changes in global trends toward the realization of a decarbonized society	Volatility in oil and natural gas prices	Declining population in Japan	Liberalization of power and gas businesses	Intensifying competition for securing resources

Business risks

Growing call for withdrawal from investment in and financing for fossil fuel businesses	Fluctuations in procurement costs/sales prices of oil and gas	A decrease in sales volume in step with shrinking domestic demand	Intensifying market competition in Japan	• Growing difficulties in acquisition of interests • Rising cost of exploration and development

Our response to business opportunities and risks

Shift in the business portfolio to help create a low-carbon society while continuously pushing ahead with the E&P Business
- Promote renewable energy development
- Develop CCS technologies to achieve commercialization

Shift to a new portfolio that is resilient against fluctuations in oil prices, etc.
- Strengthen the power generation business, including the renewable energy business

Strengthen market competitiveness in Japan
- Expand sales of natural gas by switching fuels
- Procure competitively priced LNG
- Advance “smart community” and “compact city” business

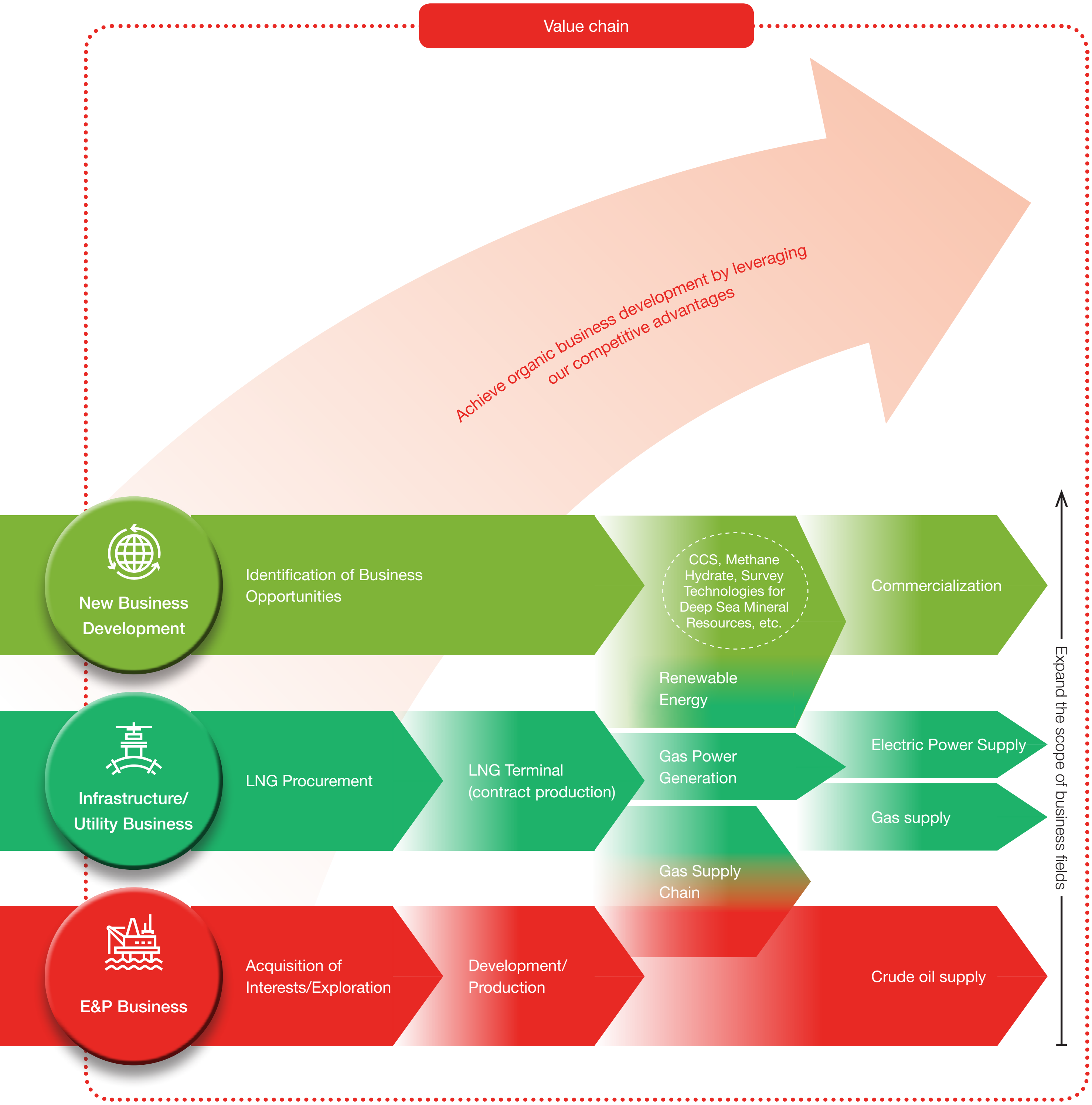
Expand our scope of services
- Cultivate new clients in the power generation business
- Engage in commissioned businesses that take advantage of existing infrastructure

Expand globally by leveraging our strengths in domestic operations

Pursue opportunities that will better position us to employ our technologies and expertise

Exploit the remaining potential of our domestic reserves

While uncertainties associated with changes in the external environment are risks that pose a threat to the JAPEX Group's operations, such changes may also lead to the creation of new opportunities for expanding our business scope. Accordingly, we are working to predict and assess changes in the operating environment and specify risks and opportunities arising from such changes, in order to formulate our business strategies. We are thus planning our business strategies with an eye to pushing ahead with organic business development that leverages our advantages via the shift in the business portfolio and transcends the scope of our value chain.



At a Glance

Toward “Growth to the Integrated Energy Company Utilizing Oil and Gas E&P and its Supply Basis” as stated in the Long-term Vision 2030, we have positioned the E&P Business, the Infrastructure/Utility Business, and the New Business Development as areas of key importance.

E&P Business

Since its founding, JAPEX has been involved in the upstream oil and natural gas businesses of exploration, development and production, as well as transportation and supply, racking up numerous accomplishments in Japan and overseas. The wide range of technologies and expertise we have accumulated over time have contributed to the stable supply of energy.

Long-term Target

Maintain “RRR>1”

Infrastructure/ Utility Business

To meet energy demand in Japan, we provide a stable supply combining domestically produced natural gas and LNG procured from overseas. We also conduct contract services using our infrastructure foundation, including owned natural gas pipelines and LNG terminals. In addition, we are promoting the supply of low-environmental-impact energy by supplying electricity from natural gas-fired power generation and promoting the renewable energy business.

Long-term Target

Promote supply of energy with a low environmental impact

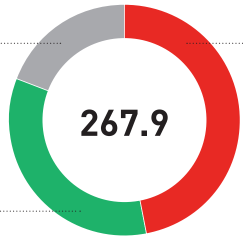
New Business Development

Using technologies and experience acquired through the E&P Business, we are striving to develop eco-friendly next-generation technologies and new energy sources, construct a new business model in peripheral areas of existing businesses, and identify unique businesses seeds.

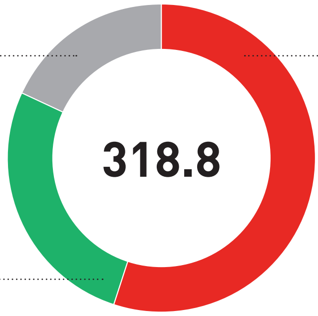
Long-term Target

Generate environmentally friendly new business

FY2018 Sales Composition (Billions of yen)



FY2019 Sales Composition (Billions of yen)



- E&P Business
- Infrastructure/Utility Business
- Other: Contract business (drilling, geophysical surveys, etc.), sales of liquified petroleum gas (LPG), heavy oil and other petroleum products, etc.

Strengths

- A comprehensive suite of in-house technological capabilities covering the entire spectrum of E&P operations
- A wide range of technologies and expertise acquired through E&P operations, including the development of unconventional resources
- Trusted relationships with stakeholders

Risks

- Fluctuations in the procurement and sales prices of oil, natural gas, etc.
- Growing difficulties in acquisition of interests
- Rising cost of exploration and development

The Iwafune-oki Oil and Gas Field

Strengths

- JAPEX's own domestic natural gas supply chain that combines domestic infrastructure and transportation
- Ownership of gas fields in Japan with underground storage capacity in case of supply-demand adjustments and emergencies
- A robust infrastructure and operational framework without major accidents or injuries

Risks

- Decreasing energy demand due to the declining population in Japan and subsequent decreases in sales volume of natural gas and electricity
- Intensifying competition in the Japanese market due to the liberalization of the electric power and gas businesses

Natural Gas Pipeline

Strengths

- A wide range of E&P technologies and expertise
- Natural gas infrastructure in Japan owned by JAPEX
- Technologies and expertise acquired through contracted research on developing next-generation technologies

Long-term Target............ **Maintain “RRR>1”**

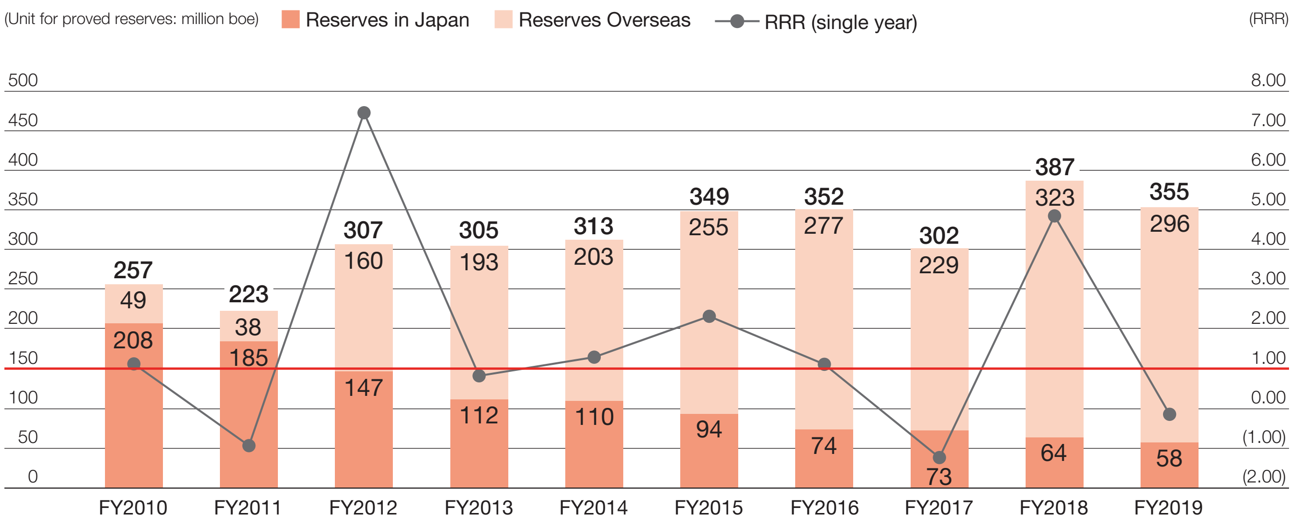
FY2022 Target.................. **Acquire new overseas interests while maintaining or increasing reserves in Japan**

Medium- and long-term initiatives aimed at maintaining and increasing reserves will be key to achieving the E&P Business’s long-term targets and fiscal 2022 target.

In fiscal 2019, in Japan, we conducted additional development of the shallow reservoir in the Yufutsu Oil and Gas Field in Hokkaido Prefecture and completed exploratory drilling and survey offshore the Hidaka Area of Hokkaido Prefecture. Overseas, we steadily proceeded with development work to increase oil production at the Garraf Oil Field in Iraq and development work to begin oil production at the Seagull Project in the U.K. North Sea.

In terms of achieving our reserve replacement ratio (RRR) target, setting a specific number of years as a basis is difficult because the E&P business requires an extended period for exploration, development and production. We therefore do not use a set number of years as the basis for the calculation cycle. The single-year RRR for fiscal 2019 was -0.14, due mainly to a decrease in proved reserves in line with overseas production activities.

Proved Reserves and RRR



Proved Reserves

Proved reserves owned by JAPEX and its consolidated subsidiaries as of March 31, 2020, along with our 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	Natural gas	Crude oil	Bitumen	Natural gas	Crude oil	Bitumen	Natural gas	Crude oil	Natural gas	Crude oil	Bitumen	Natural gas
	Thousand kL	Million m³	Thousand kL	Thousand kL	Million m³	Thousand kL	Thousand kL	Million m³	Thousand kL	Million m³	Thousand kL	Thousand kL	Million m³
As of March 31, 2019	2,508	7,862	16,502	21,153	7,729	19,009	21,153	15,591	4,986	1,278	23,995	21,153	16,869
Increase due to expansion or discovery	—	—	785	—	1,642	785	—	1,642	—	—	785	—	1,642
Change due to revision of evaluation standard	(9)	130	(3,316)	(148)	(172)	(3,326)	(148)	(41)	(136)	612	(3,462)	(148)	570
Change due to acquisition and/or divestiture	—	—	—	—	—	—	—	—	—	—	—	—	—
Decrease due to production	(303)	(689)	(957)	(1,040)	(431)	(1,259)	(1,040)	(1,121)	(579)	(478)	(1,838)	(1,040)	(1,598)
As of March 31, 2020	2,195	7,303	13,014	19,965	8,769	15,210	19,965	16,072	4,270	1,412	19,480	19,965	17,483

1 Proved reserves of the following consolidated companies include reserves held by non-controlling interests. (Figures in parentheses are non-controlling interests' percentage.)
Japan: Japex Offshore Ltd. (29.39%)
Overseas: Canada Oil Sands Co., Ltd. (5.42%), JAPEX Montney Ltd. (45.00%), Japex Garraf Ltd. (45.00%)

2 Reserves of consolidated subsidiaries and equity-method affiliates whose fiscal year-ends differ from that of the Company are accounted for on the basis of the entity's respective fiscal year-end.

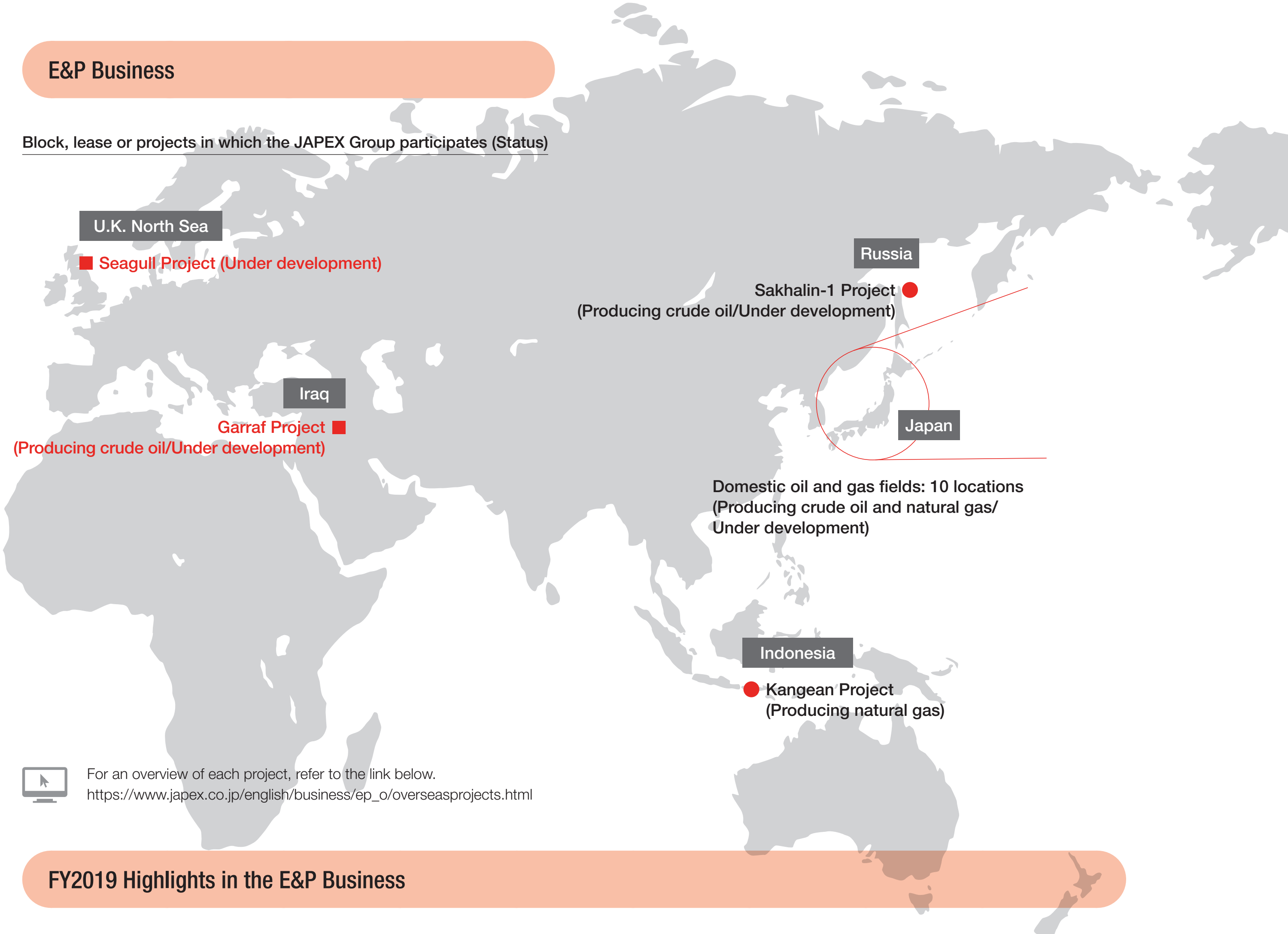
Proved Reserves of the JAPEX Group: Crude Oil Equivalent (For Reference)

Proved Reserves	JAPEX and Consolidated Subsidiaries								Equity-Method Affiliates		Total		
	Japan		Overseas			Subtotal							
	Crude oil	Natural gas	Crude oil	Bitumen	Natural gas	Crude oil	Bitumen	Natural gas	Crude oil	Natural gas	Crude oil	Bitumen	Natural gas
	Million bbl	Million boe	Million bbl	Million bbl	Million boe	Million bbl	Million bbl	Million boe	Million bbl	Million boe	Million bbl	Million bbl	Million boe
As of March 31, 2019	16	48	104	133	47	120	133	95	31	8	151	133	103
											387		
Increase due to expansion or discovery	—	—	5	—	10	5	—	10	—	—	5	—	10
Change due to revision of evaluation standard	(0)	1	(21)	(1)	(1)	(21)	(1)	(0)	(1)	4	(22)	(1)	3
Change due to acquisition and/or divestiture	—	—	—	—	—	—	—	—	—	—	—	—	—
Decrease due to production	(2)	(4)	(6)	(7)	(3)	(8)	(7)	(7)	(4)	(3)	(12)	(7)	(10)
As of March 31, 2020	14	44	82	126	53	96	126	98	27	9	123	126	106
											355		

Conversion Factors and Units:
Crude oil 1 kL = 6.29 bbl
Crude oil 1 kL = Natural gas 1,033.1 m³
boe: barrels of oil equivalent

E&P Business

Block, lease or projects in which the JAPEX Group participates (Status)



For an overview of each project, refer to the link below.
https://www.japex.co.jp/english/business/ep_o/overseasprojects.html

FY2019 Highlights in the E&P Business

Japan	
July 2017	Commenced development work on crude oil production from shallow reservoir of the Yufutsu Oil and Gas Field in Hokkaido Prefecture (Began commercial production in June 2020)
August 2019	Completed exploratory drilling offshore the Hidaka Area of Hokkaido Prefecture

Overseas	
April 2018	Commenced development work to increase crude oil production at the Garraf Oil Field in Iraq
March 2019	Commenced development work at the Seagull Project in the U.K. North Sea

Japan

Yufutsu Oil and Gas Field in Hokkaido Prefecture

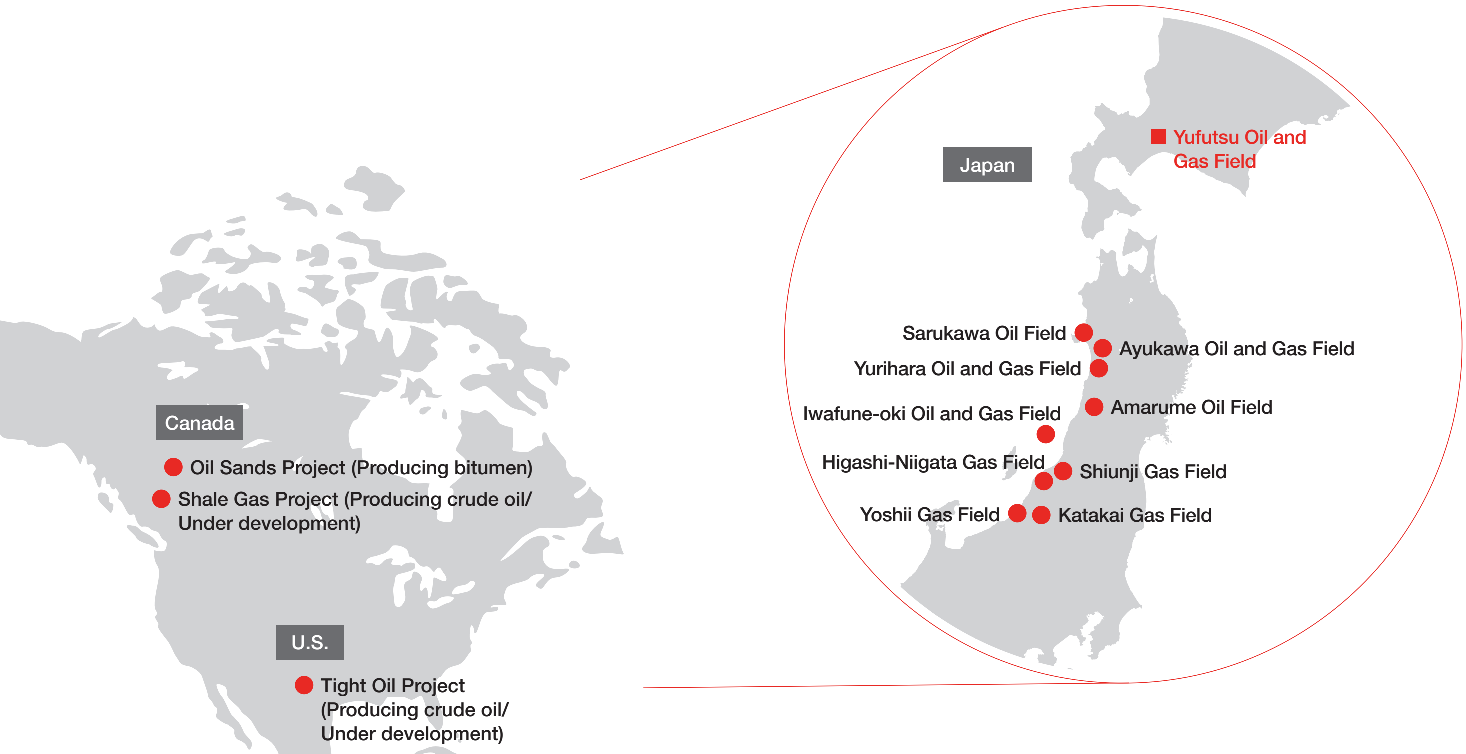
Commencement of Development Work on Crude Oil Production from Shallow Reservoir

We started development work in 2017 on the Takinoue Formation, which is a proved but undeveloped shallow reservoir that lies above the current crude oil and natural gas production reservoir. In fiscal 2019, we installed production equipment for wellheads and the processing facilities for heavy oil. Commercial production began in June 2020.


Crude oil processing facility of the Yufutsu Plant

Exploration Project Offshore the Hidaka Area of Hokkaido Prefecture

JAPEX was commissioned by the government to conduct exploratory drilling operations around 50 kilometers offshore the Hidaka Area of Hokkaido Prefecture. We confirmed the presence of natural gas. Going forward, we will continue to consider the possibility of exploration at this offshore site in part by analyzing and evaluating the data gained from this survey.



Overseas

Iraq Garraf Project

Conducting Development Work to Increase Oil Production

Based on the Final Development Plan agreed upon with the Iraqi government in 2018, we expanded our facilities and drilled additional wells in 2019 as we aim to achieve the plateau production target of 230,000 barrels per day.

Garraf Oil Field production equipment

Project Company	**Japex Garraf Ltd. (JAPEX's investment ratio: 55%)**
Gross Production Rate	FY2019 average production volume: 96,000 bbl/d
Operator	PETRONAS Carigali Iraq Holding B.V. (PCIHBV)
Interest	30% (JAPEX Net: 16.5%)

U.K. North Sea　Seagull Project

Commenced development work at the Seagull Project in the U.K. North Sea

We made a final investment decision in March 2019 regarding moving to the development stage. In fiscal 2019, we ordered and prepared procurement of long lead items and made a detailed design for work on facilities. In addition, each company participating in this project, including JAPEX subsidiaries, won the MER UK Award in November 2019. This award is given to industry players who contributed to maximizing the economic recovery of oil and gas from the U.K. North Sea by the Oil & Gas Authority (OGA), which is the organization governing upstream oil and gas businesses in the United Kingdom.

At the awards ceremony (Second from right: Kosei Yoshida, then director of JAPEX UK E&P Ltd.)

Project Company	**JAPEX UK E&P Ltd. (JAPEX's investment ratio: 100%)**
Operator	Neptune E&P UK Limited
Interest	15% (JAPEX Net: 15%)

Infrastructure/Utility Business

Long-term Target............	**Promote supply of energy with a low environmental impact**
FY2022 Targets	Annual natural gas transaction volume in Japan: **1.6 million tons** (LNG equivalent) Electricity sales volume: **2.8 billion kWh**

In fiscal 2019, we sold approximately 1.2 million tons of natural gas (LNG equivalent) in Japan. These figures include a transaction volume of domestic natural gas and regasified LNG provided through our pipelines as well as sales through our LNG satellite system. Going forward, following the April 2020 commercial operation commencement at the Fukushima Natural Gas Power Plant, we established a new organization dedicated to enhancing our ability to procure LNG as we expect a large increase in the transaction volume of natural gas, including the amount procured for use as fuel for electric power generation. In addition, regarding the electric power business, JAPEX further cultivated buyers for the portion of electric power it takes over, and has launched full-scale initiatives to develop renewable energy.

FY2019 Highlights in the Infrastructure/Utility Business

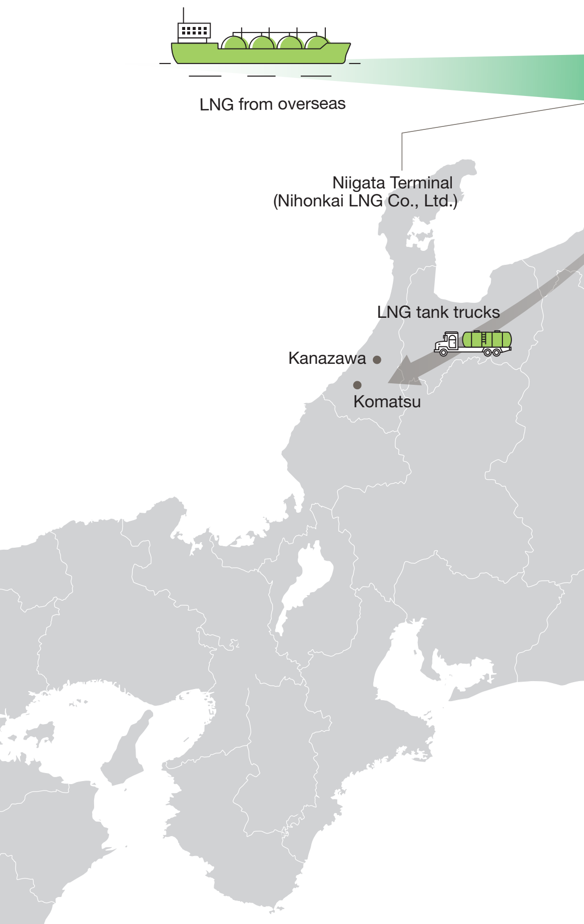
May 2019	Established an organization dedicated to renewable energy (the Renewable Energy Business Dept.)
October 2019	Established an organization dedicated to overseas LNG procurement and marketing (currently the LNG Marketing and Procurement Office)
December 2019	Commenced power generation of Unit No. 1 at the Fukushima Gas Power Plant (commenced commercial operations of Unit No. 1 in April 2020 and Unit No. 2 in August 2020)

Natural Gas Supply Chain

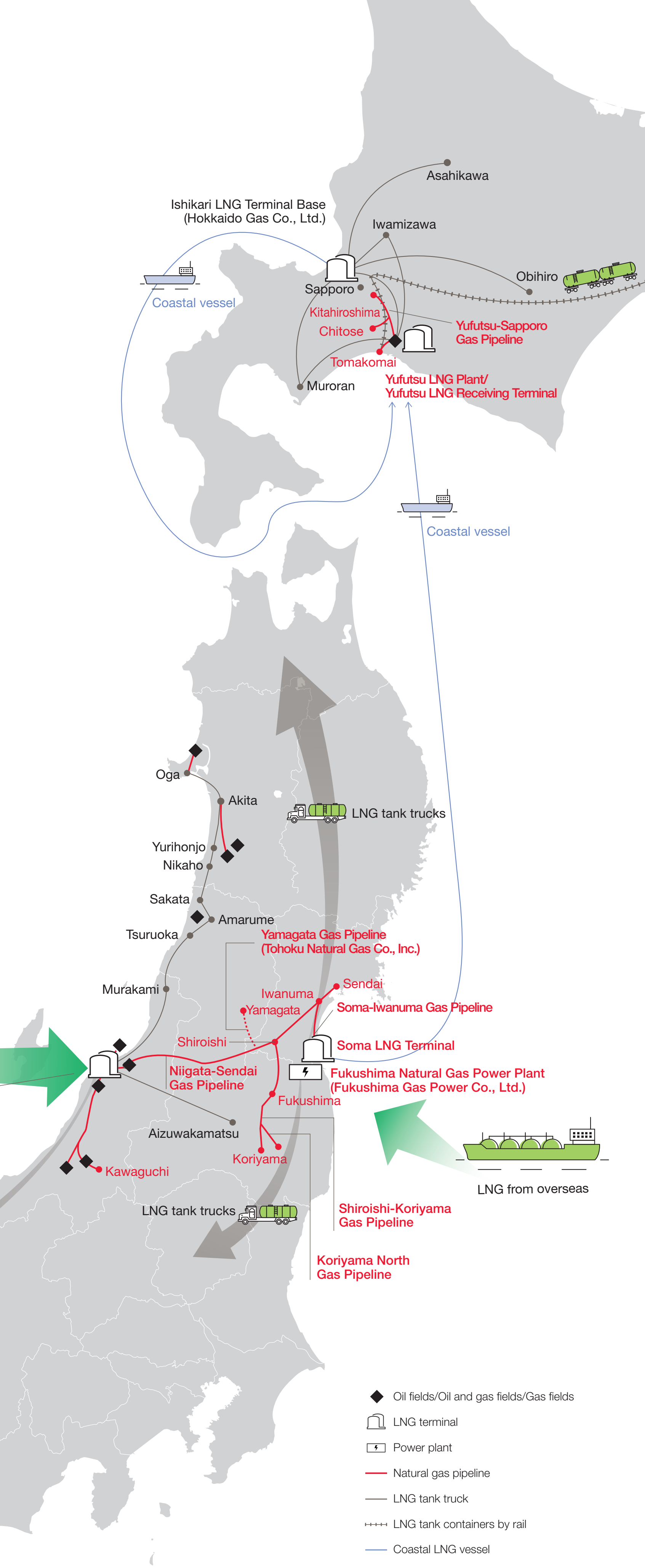
Establishing New Organization Dedicated to Overseas LNG Procurement and Marketing

JAPEX supplies natural gas and LNG to clients in Japan through its proprietary natural gas supply network. It includes a network of over 800 kilometers of pipelines connecting natural gas production bases in Japan with LNG terminals on the country's coasts along the Sea of Japan and Pacific Ocean. It also includes an LNG satellite system that utilizes tank trucks and rail transport tank containers for areas neighboring our LNG terminals without pipelines.

We will need to procure LNG more strategically than ever before based on our forecasts that demand for LNG, which has the lowest environmental burden among fossil fuels, will remain at a steady level in terms of expanding the supply of natural gas to domestic consumers and securing LNG for power generation fuel. To respond to these market environments, the LNG Marketing and Procurement Dept. (currently the LNG Marketing and Procurement Office), which was established in October 2019, and the Singapore Branch, which began operating from December 2019, worked together with the aim of boosting profit by expanding international LNG trading and promoting flexible and competitive LNG procurement.



Natural Gas Supply Network in Japan



Natural Gas-Fired Power Generation

Completion of the Construction of the Fukushima Natural Gas Power Plant

Fukushima Gas Power Co., Ltd. (FGP), which JAPEX funds as a business partner, is promoting the project of the Fukushima Natural Gas Power Plant at Soma Port in Fukushima Prefecture. Construction work proceeded according to plan toward the commencement of commercial operations. The commissioning of Unit No. 1 had been conducted from autumn 2019, and the plant achieved the first parallel operation in December 2019. Commercial operations began at Unit No. 1 in April 2020 and at Unit No. 2 in August 2020.

The plant comprises two 0.59 million kW gas turbine combined-cycle (GTCC) power generation units and is fueled by regasified LNG, which has a low environmental burden. We added the latest elemental technologies to the plant to achieve world-class power generation efficiency, ensuring a cost advantage while lowering the burden on the surrounding environment. We also carefully consider the surrounding environment when designing and running nearby facilities, such as emission stacks and drains for heated water from the plant.

The plant is run via a tolling model by the five business partners funding FGP, including JAPEX. Each company procures their own LNG in line with their electric power needs and brings it to the plant. FGP produces power based on the demand of the partner companies, which then receive the electric power from FGP and sell it themselves. In addition, based on a business commission contract, at the Soma LNG Terminal neighboring the plant, JAPEX receives and stores LNG procured by each company, regasifies the LNG, and delivers the regasified LNG to the power plant.

Renewable Energy Development

Establishing Dedicated Organization and Launching Full-Scale Studies

In May 2019, we established the Renewable Energy Business Dept. to promote the development of renewable energy. In addition to the operation of the two existing mega solar projects running in Tomakomai, Hokkaido Prefecture, we moved ahead with detailed studies related to the development of new renewable energy, such as geothermal, wind, and biomass. We are searching for opportunities to participate in various projects by leveraging the technologies we developed in our strong suit of oil and gas E&P operations, our solid relationships with local communities, and our experience in building and managing facilities, as well as procuring fuels, in the electric power business.

New Business Development

Long-term Target............. **Generate environmentally friendly new business**

FY2022 Targets .... **Develop a new business model**
Identify new business seeds

By conducting studies to assess ideas that are periodically solicited in-house as well as proposals from other companies, we are focusing efforts on uncovering and creating eco-friendly businesses that contribute to the sustainable growth of JAPEX and solutions to global issues.

In fiscal 2019, we facilitated the study group aiming to implement the LNG Bunkering framework and began a study to build a value chain for next-generation aviation fuel SAF that utilizes used cooking oil. We also made progress on building a new business model for peripheral areas of existing businesses as well as identifying, considering and evaluating potential projects that could become new business seeds not tied to existing business sectors.

In addition, we will continue promoting initiatives that help reduce carbon emissions and develop next-generation technologies, such as CCS, CCUS, methane hydrate, and survey technologies for deep-sea mineral resources.

FY2019 Highlights in New Businesses

February 2019	Launched the study group aiming to implement the LNG Bunkering framework based on Tomakomai Port in Hokkaido Prefecture (ended in April 2020)
November 2019	Successfully injected 300,000 tons of CO_2 into the ground for a large-scale CCS demonstration project in Tomakomai, Hokkaido Prefecture
January 2020	Started a study to build a value chain for sustainable aviation fuel with used cooking oil as feedstock

LNG Bunkering

New Business Model

Facilitating a Study Group for LNG Bunkering at Tomakomai Port

Owing to its low emissions of greenhouse gases and sulfur oxides, expectations of rapid market growth in LNG's popularity as bunker fuel are mounting. This is in part due to such global developments as the International Maritime Organization's (IMO) Marine Environment Protection Committee's decision to enact stricter limits on the sulfur content of fuels used on the open ocean and its adoption of a GHG reduction strategy, which is a comprehensive set of goals for reducing GHG emissions from international shipping as well as countermeasures to achieve those goals. Therefore, in line with the growing number of LNG-fueled vessels, demand has increased for the supply of LNG to these vessels (LNG bunkering). Feasibility studies on similar measures are accelerating across Japan as well.

Tomakomai Port, which is the site of JAPEX's Yufutsu LNG Receiving Terminal, fulfills important roles both as the largest trading port in northern Japan and as the country's leading hub port in terms of volume. Given the recent trend toward lower environmental impact bunker fuel, JAPEX and the Tomakomai Port Authority launched a study group aiming to implement the LNG Bunkering framework based on Tomakomai Port between February 2019 to April 2020, with JAPEX acting as the secretariat. The group was convened a total of six times to uncover issues for each LNG bunkering method and consider equipment and operational methods compliant with laws and regulations, before compiling the results into a report. We expect the results to be used to quickly realize LNG bunkering at Tomakomai Port and to promote LNG bunkering elsewhere in Japan and overseas.

Carbon dioxide Capture and Storage (CCS)/Carbon dioxide Capture, Utilization and Storage (CCUS)

Next-Generation Technology

Successfully Injected 300,000 Tons of CO_2 for a Large-Scale CCS Demonstration Project

Expectations are high for the establishment and practical application of revolutionary CCS technologies to greatly reduce atmospheric CO_2 emissions, which are one source of global warming. Through Japan CCS Co., Ltd., JAPEX participated in a large-scale CCS demonstration project in Tomakomai, Hokkaido Prefecture. The injection of CO_2 was begun in April 2016, and reached the target of a cumulative total of 300,000 tons in November 2019, after which injection was suspended. We are currently monitoring the situation.

Aboveground facilities for demonstration project in Tomakomai
(Photograph provided by Japan CCS Co., Ltd.)

Carbon Dioxide Capture, Utilization and Storage (CCUS) Initiatives

In addition to initiatives aimed at developing CCS technologies, we are conducting studies aimed at building a business model for CCUS, which effectively uses the captured CO_2 and stores it underground.

In fiscal 2019, as a member of the Geological Carbon Dioxide Storage Technology Research Association, JAPEX conducted a demonstration test on the storage efficiency through micro-bubbled CO_2 injection at its Sarukawa Oil Field in Akita Prefecture. Going forward, we will continue to carry out initiatives aimed at the practical application of micro-bubble technology in CO_2 storage and enhanced oil recovery through CO_2 injection (CO_2-EOR).

Bio Jet Fuel

New Business Seeds

Start of a Study to Build a Value Chain for Sustainable Aviation Fuel (SAF)

In the aviation industry, the International Civil Aviation Organization (ICAO) adopted the target of not increasing total CO_2 emissions in the international aviation sector from 2020 onward, spurring an urgent need to build a system for developing and stably supplying sustainable aviation fuel (SAF). In light of this situation, from January 2020, JAPEX and two other companies launched studies aimed at establishing a production system for SAF in Japan and building a value chain spanning the procurement of raw materials for SAF to its supply. The other two companies are Revo International Inc., which has a long track record of producing and supplying biodiesel fuel made from used cooking oil, and JGC Japan Corporation, which possesses extensive experience building plants and facilities and actively promotes the development of environmental businesses.

JAPEX will continue to support the launch of projects to commercialize SAF while leveraging its experience and knowledge in handling crude oil and operating facilities.

Topic

Oil Absorption Fiber, *Abura Kuraudo*

New Business Seeds

Developed to block oil spilled in rivers and seas, *Abura Kuraudo* is a high-efficiency oil absorbent made of extra-fine polypropylene fiber. This product was developed by the venture company OLX LTD., based in Koriyama, Fukushima Prefecture. The JAPEX Group has been handling its marketing and sales from October 2019.

Abura Kuraudo means "oil-eating cloud" in Japanese, and it can absorb 30 to 60 times its weight in oil, floating on water for a long time like a cloud. Given its efficient absorption speed and holding capacity, *Abura Kuraudo* is highly appreciated in wider situations, such as crude oil operation sites, disposal of used cooking oil at restaurants, and cleaning up oil stains. JAPEX has donated *Abura Kuraudo* to disaster areas, including oil spilled from an iron factory in Saga Prefecture following torrential rain in northern Kyushu in 2019, as well as a heavy oil spill caused by the 2020 grounding of a cargo ship in Mauritius.

Oil absorption fiber
Abura Kuraudo
(cotton type)

Methane Hydrate

Methane hydrate is an ice-like crystalline solid formed by methane and water. It exists only in high-pressure and low-temperature environments, such as below the seabed in deep waters or below permafrost in the polar regions. In Japan, there are two types of methane hydrate beneath the sea bed: "pore-filling type in sand" and "shallow type." The original gas-in-place for pore-filling type methane hydrate in the eastern Nankai Trough region was evaluated as being around 1.1 trillion cubic meters of methane.*1 As for the shallow type methane hydrate in the Sea of Japan, 1,742 gas chimney structures where methane hydrate may exist were confirmed. The Umitaka Spur, which is one of these structures, has been evaluated as containing 600 million cubic meters of methane.*2

In 2013 and 2017, the Ministry of Economy, Trade and Industry (METI) conducted the world's first offshore production test of pore-filling type methane hydrate at the Daini Atsumi Knoll, off the coast of central Japan. Continuous gas production was successfully confirmed by this production test. Based on these results, METI is proceeding with a private-sector led R&D project between FY2023 and FY2027, aiming for commercialization thereafter.*3

Taking notice of the potential of methane hydrate earlier than others, JAPEX has been taking the initiative with R&D by providing its technologies, experience and knowledge acquired through E&P to academic researchers. We will continue actively contributing to R&D to ensure that methane hydrate will be one source of clean energy resources in Japan.

In 2014, JAPEX established Japan Methane Hydrate Operating Co., Ltd. (JMH) together with Japanese E&P companies and engineering companies. In 2015, JMH was assigned as an operator to conduct a second offshore production test by Japan Oil, Gas and Metals National Corporation (JOGMEC). In April 2019, the MH21-S R&D Consortium was formed by JOGMEC and the National Institute of Advanced Industrial Science and Technology and JMH, and was assigned to conduct R&D by METI.

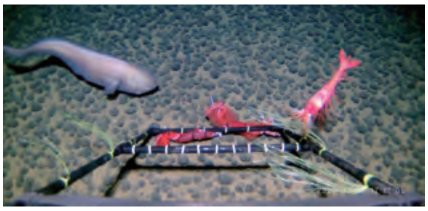
*1 MH21-S R&D Consortium pamphlet
*2 News release from the Ministry of Economy, Trade and Industry on September 16, 2016
*3 The Offshore Energy and Mineral Resource Development Plan revised by the Ministry of Economy, Trade and Industry on February 15, 2019

Survey Technologies for Deep-sea Mineral Resources

The existence of useful ocean mineral resources within Japan's exclusive economic zone (EEZ) has been confirmed. In 2014, the government selected "Next-Generation Technology for Ocean Resources Exploration" as one program of focus for its Cross-ministerial Strategic Innovation Promotion Program (SIP)*4 with the aim of establishing the world's first technologies for surveying these deep-sea mineral resources with high efficiency and at low cost and then transferring the technologies to private corporations under SIP phase 1. In fiscal 2018, the government selected "Innovative Technology for Exploration of Deep Sea Resources" as one program of focus for SIP Phase 2. The development of these technologies is proceeding apace.

In 2014, JAPEX and three other private corporations established the Research and Development Partnership for Next-Generation Technology of Marine Resources Survey (J-MARES). J-MARES succeeded in developing and using proprietary technologies in exploration efforts that led to the discovery of new hydrothermal deposits. Under SIP Phase 2, the aim is to be the first in the world to establish innovative exploration technologies for rare-earth deposits, a deep seafloor mineral resource, at water depth exceeding 5,000 meters. Due to its solid track record during SIP Phase 1, J-MARES is the only private organization chosen to participate in this technological development, which includes marine environmental solutions and aims for future commercialization under SIP Phase 2.

Environmental training course onboard a ship developing marine human resources of Pacific island nations



A large organism photographed at a depth of 5,500 meters in the waters off Minamitori-shima Island

*4 A cross-organizational program that extends beyond the bounds of individual ministries and sectors. SIP was established to achieve scientific and technological innovation based on the "Comprehensive Strategy on Science, Technology and Innovation" and the "Japan Revitalization Strategy," which are major government policies.

From the field to the laboratory, from the laboratory to underground

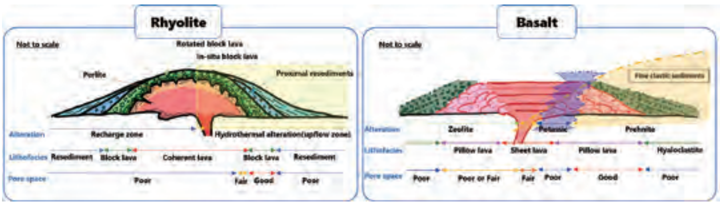
JAPEX commercializing technology

In the JAPEX Research Center (hereinafter, the “Lab”), we study and analyze volcanic rocks, which are the main reservoir rocks in our oil and gas fields in Japan. We have been continuously producing oil and gas in several volcanic reservoir fields, and we are proud of our technologies for studying and analyzing the volcanic rocks. Globally speaking, oil and gas E&P fields with volcanic reservoir are quite rare. So there are no established methods for exploration, development and production, unlike other more common types of reservoir rocks, such as carbonate rock and sandstone.

To increase the amount of production and reserves of oil and gas, we need to evaluate the data from existing wells and estimate the volcanic reservoir rocks’ distribution and their facies.

To this end, we carry out geological fields surveys where we can observe structures similar to our volcanic reservoirs. Through these surveys, we observe the morphology and the lithology of the field. We often collect rock samples to analyze the petrographic and reservoir properties at the Lab.

Felsic volcanic deposits in Dogashima, Izu created from subaqueous volcanic activity
(similar to volcanic rock at JAPEX’s Katakai Gas Field in Niigata Prefecture)

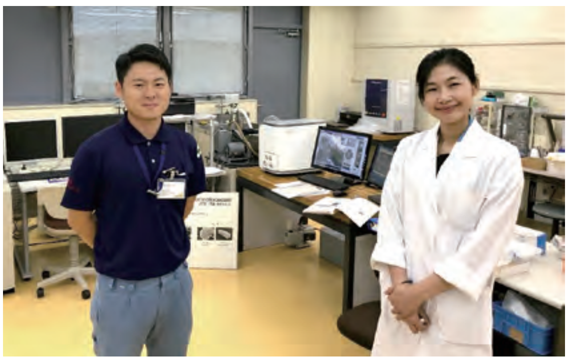


JAPEX’s volcanic reservoir rock models for its Katakai Gas Field in Niigata Prefecture (left) and its Yurihara Oil and Gas Field in Akita Prefecture (right)
(The volcanic rock formations and distribution of reservoir layers are completely different by exploration area.)

It is important to analyze rock samples, taken from wells and fields at the Lab. We analyze the characteristics of various rock properties, such as textures, chemical compositions, porosity and permeability of the samples, then identify target volcanic rocks that function as reservoir rocks.

We construct the facies and the alteration models of volcanic oil and gas fields by integrating the results of data analyses of wells, the Lab and fields. Finally, the volcanic reservoir model for each exploration area has been constructed.

Those volcanic reservoir models are constantly updated by newly acquired drilling data. We repeatedly keep on field surveys and analyses at the Lab as we strive to enhance our day-to-day technical capabilities to assess underground conditions more accurately. We are striving to achieve stable energy supply and sustainable oil and gas development with our technologies and expertise acquired from the Lab works.



Scanning Electron Microscope with Energy Dispersive X-ray Spectroscopy (SEM-EDS) in the JAPEX Research Center
Dr. Shimazu, in charge of carbonate rock (left), Ms. Nonaka, in charge of volcanic rock (right)

Governance G

Integrity and Governance

JAPEX recognizes contributing to society through stable energy supply as its mission and helping to realize the sustainable development goals by addressing social issues as its Corporate Vision. To achieve its Corporate Vision and maximize its corporate value from both the medium and long term perspectives, efficient and transparent corporate management and the building of relationships of mutual trust with stakeholders, including shareholders, by ensuring its accountability are required. Therefore, sound corporate governance, which is foundational to the Company, is one of its most important challenges.

Corporate Governance

Corporate Governance Structure

JAPEX has an Executive Officer System. The representative directors and Board of Directors appoint the directors as well as executive officers, defining their responsibilities and charging the latter with business execution duties. The Board of Directors and the Audit & Supervisory Board supervise said business execution. To strengthen the supervisory functions of the Board of Directors, highly knowledgeable and independent outside directors are appointed. These outside directors and Audit & Supervisory Board members, being independent from the management team, actively provide opinions and advice that support lively debate in the Board of Directors. Contrasting with the type of management carried out by business executives, this framework of independent directors and an Audit & Supervisory Board in which members provide opinions and supervision is, we believe, well-configured to provide decision making that is sufficiently objective and appropriate.

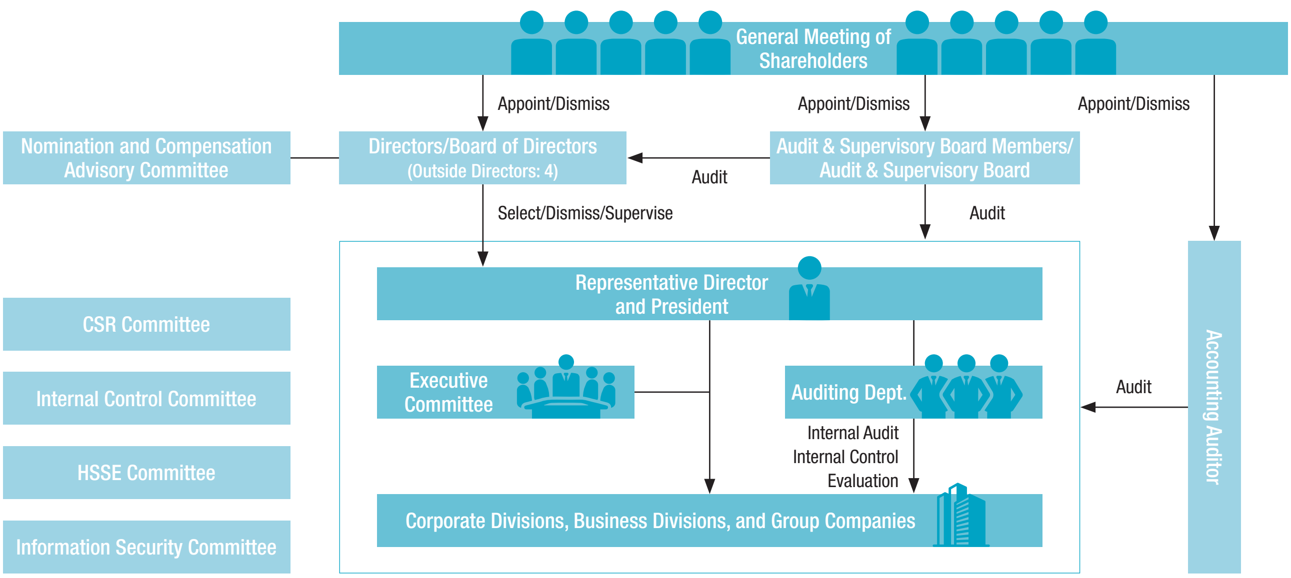
In June 2020, to strengthen our management system, we increased the number of outside directors from three to four and shortened the term of directors from two years to one.

Corporate Governance Overview (As of June 26, 2020)

Organizational Design	Company with Audit & Supervisory Board
Executive Officer System	Yes
Number of Directors Provided for Under Articles of Incorporation	18
Number of Directors	12 (includes 4 outside directors)

Chairman of the Board of Directors	President
Number of Audit & Supervisory Board Members Provided for Under the Articles of Incorporation	4
Number of Audit & Supervisory Board Members	4 (includes 2 outside members)

Corporate Governance and Internal Control Structure (As of June 26, 2020)



Evaluation of the Overall Effectiveness of the Board of Directors

With the aim of maximizing our medium-to-long term corporate value, we evaluate the effectiveness of the Board of Directors regularly, especially with regard to how it supervises the management and makes improvements.

In fiscal 2019, we held an exchange of opinions between directors and Audit & Supervisory Board members to assess our responses to issues identified to date through the analysis and evaluation of the effectiveness of Board of Directors. Such issues included a reduction of the number of attendees at Board of Director meetings, as well as the quality of discussions of management strategy and business plans.

The result of the assessment was that we have achieved overall improvement for each issue and determined that the effectiveness of the Board of Directors as a whole has been enhanced.

Going forward, we will continue working to further enhance the functionality of the Board of Directors by periodically identifying issues regarding day-to-day operations through surveys of attendees at Board of Directors meetings, and by making progress on the issues that are identified.

Performance-linked Share-based Compensation Plan

JAPEX decided to introduce a performance-linked share-based compensation plan with the purpose of highlighting the link between the compensation of directors and the Company's performance and share price. By ensuring directors share the merits attributable to higher share prices and the risks of lower share prices with shareholders, we aim to encourage directors to enhance medium- and long-term business performance and boost corporate value. Principle 4.2 and Supplementary Principle 4.2.1 of the Corporate Governance Code recommend adopting performance-linked compensation and a stock compensation system because the board should design management remuneration systems that operate as a healthy incentive to generate sustainable growth. With a strong awareness of this, we have adopted a plan that links the merits and risks faced by shareholders with management, and we will continue working to enhance shareholder value.

After introducing this plan, we intend that approximately 20% of directors' total compensation will be comprised of performance-linked compensation (bonuses and stock compensation).

Message from a New Director

Hideichi Kawasaki, Outside Director

I started out in the sales department of Oki Electric Industry Co., Ltd. and gained experience at headquarters and operating departments. Since then, I have supported management as an officer, president, and chairman. The telecommunications industry was often assaulted in the past by major disruptions. In those times, we remained positive and overcame these trials by relying on a compass called the future. This was an industry marked by rapid change. From this perspective, JAPEX's businesses, which have the social responsibility of stably providing energy, have been comparatively steady and the pace of change has been slow moving. However, the environment surrounding these businesses has recently changed significantly, and I think there are issues in expanding business along the same lines as before. In addition, amid rapid digital transformation, we will likely need strategies imbued with innovative ideas, as has been stated in the Mid-term Business Plan. I will put forth my best effort without fail to help management take the lead in this transformative period based on my experience in the telecommunications business and the expertise I have gained from that experience.

Cross-Shareholdings

JAPEX owns cross-shareholdings comprising shares of companies determined to be necessary to promote smooth business and to maintain good business relationships with the purpose of enhancing sustainable growth and medium- to long-term corporate value. To ensure that these cross-shareholdings are reasonable, the Board of Directors assesses the pros and cons of maintaining the holdings every year by conducting a qualitative evaluation related to the appropriateness of the purpose of owning the shares and a quantitative evaluation about whether the benefits and risks of the holdings are balanced with the capital costs. As a result of this assessment, regarding the shares we decided to continue owning, we disclose the purpose and number of shares held as specific investments in our securities report. In addition, if we determine that it has become less reasonable to own certain shares, we reduce the number of those shareholdings. In fiscal 2019, we sold the shares of one company.

Regarding the exercise of voting rights, we determine whether to vote in favor of or against proposals only after individually evaluating the appropriateness of each and comprehensively considering whether or not the proposals contribute to the purpose of owning the shares and the enhancement of medium- to long-term corporate value.

Crisis Management

Safety assurance and crisis management are our top priorities when developing our business activities in Japan and overseas. The HSSE Committee is working to strengthen the crisis management system mainly by formulating the basic policies for security measures and crisis management. In addition, we are working to ensure stable business continuity by conducting drills and drafting plans to maintain, continue and quickly restore business activities during large-scale disasters and epidemics.

Business Continuity Planning and Our COVID-19 Response

Using the Basic Novel Influenza Response Plan formulated in 2010, we raised awareness within the Company of measures to prevent COVID-19 infections and stem its spread, and rolled out remote working options at the headquarters and all work sites. On operating front lines, we maintained safe operations in part through no-contact task handovers that avoid face-to-face interaction, as well as entry restrictions at the central monitoring office. Recognizing that it will take some time until the pandemic is completely contained, we are keeping an eye on new lifestyles and workstyles, and will continue to consider appropriate countermeasures from various angles in accordance with our COVID-19 Response Action Plan.

Remote managers in an annex taking over tasks from the central monitoring office

Compliance

To ensure a corporate culture of compliance with all applicable laws and regulations, conventional wisdom, social norms, and its own in-house rules, all JAPEX Group directors, officers, and employees are expected and directed to act ethically and with integrity.

Systems for Promoting Compliance and Education

JAPEX has established an Internal Control Committee to ensure the appropriate conduct of business and to investigate compliance violations. The JAPEX Group strives to heighten awareness of compliance among its directors, officers, and employees. To that end, the Group has created a compliance manual that lists consultation and reporting contact details and summarizes key matters and standards to be observed on a daily basis with the aim of ensuring that business duties are carried out in accordance with the JAPEX Group Code of Ethics and Conduct.

Furthermore, for in-house training, we made CSR, compliance, and insider trading prevention mandatory subjects for training programs for new hires and mid-career training programs.

Prevention of Bribery

The Group established the Anti-Bribery Guidelines in 2016 with the aim of preventing violations of bribery-related laws and regulations in Japan and overseas while ensuring the steady expansion of business. We are working hard to raise awareness within the Group of the basic principles behind the prohibition of bribery; how to conduct risk assessments and take precautions in high-risk countries; and the need for periodic compliance assessments. We regularly hold training sessions for directors, officers and employees, including those of subsidiaries.

There were no incidents or reports involving bribery in fiscal 2019. Furthermore, we do not make any political contributions.

Compliance Reporting and Consultation System

JAPEX has established a system for reporting to and consulting with relevant departments through the normal chain of command (line of reporting) in the event that a problem related to a compliance matter arises. We have also established the Compliance Reporting and Consultation System, which stands independent from internal lines of reporting. Under this system, anyone can make a report or receive a consultation anonymously. Moreover, the people in charge of the system, including the corporate lawyer of JAPEX who serves as an external helpline, are prohibited, when conducting an investigation or formulating countermeasures, from leaking information gained to a third party.

Visit the link below to see the Organization Chart of the Compliance Reporting and Consultation System.
https://www.japex.co.jp/english/company/compliance.html

Respect for Human Rights

The Company has established the JAPEX Group Code of Ethics and Conduct, which provides corporate ethics standards to be adhered to by all officers and employees. Regarding respect for human rights, including the prevention of slave labor and human trafficking, the code requires behavior that respects the human rights of all people. Furthermore, the compliance manual, which is based on the code, outlines compliance with respect for human rights in line with such international standards as the Universal Declaration of Human Rights, the International Covenant on Human Rights, and the ILO's International Labour Standards.

Initiatives Related to Preventing Slave Labor, Preventing Human Trafficking, and Protecting the Rights of Indigenous Peoples

In our Basic Procurement Policy, we clarify our reasons for requiring our business partners' compliance with relevant laws and regulations, the spirit of said laws and regulations, and social mores and norms. We strive to avoid transactions that debase the trust society has placed in us.

In the process of evaluating investments and operating projects, we work to identify not only problems related to profitability and technology but also explicit and implicit problems related to the environmental and social characteristics of the area in which said business is being pursued. After evaluating the risks and potential solutions, we take appropriate action, such as conducting monitoring in line with in-house rules.

In our overseas businesses, we regard the rights of indigenous peoples, respect for their cultures and customs, and concern for human rights as extremely important. For the Canada Oil Sands Project, we have put in place a system that incorporates the views of local indigenous people and pursue business in cooperation with them. In line with the UK Modern Slavery Act 2015, which was enacted with the aim of requiring companies to identify and eradicate any and all instances of slave labor and human trafficking across their supply chains, the JAPEX Group releases a statement on its website every year detailing its relevant policies and initiatives.

Initiatives to Foster Workplaces Free of Harassment

Since fiscal 2016, we have been continuously conducting Company-wide training programs and daily educational activities designed to foster a better understanding of workplace harassment. In fiscal 2020, we will establish harassment prevention rules and create guidelines. In addition, we plan to hold power harassment prevention training for directors and executives and steadily roll out the training to employees going forward.

Moreover, we also distribute a periodic in-house e-mail magazine as a means of building awareness on a daily basis. Reflecting the rising attention being given to harassment recently, the magazine has been introducing personal cases and sharing information on legal revisions in light of recent developments.

In the event an individual consults it, the harassment hotline serving headquarters or the relevant district office takes quick action. When an instance of harassment occurs (as defined by internal rules), we implement a harsh response based on detailed interviews and notify all employees of the incident to prevent a recurrence.

For details on how we comply with the UK Modern Slavery Act, refer to the following URL.
https://www.japex.co.jp/english/csr/slaveryactstatement.html

Directors, Audit & Supervisory Board Members and Executive Officers (As of July 1, 2020)

- The date the board members were appointed appears in parentheses next to their years in office
- The attendance record for board meetings is for fiscal 2019

Directors

Representative Director and Chairman

Osamu Watanabe

1964 Joined the Ministry of International Trade and Industry (MITI), later became Vice Minister of International Trade and Industry and served as Chairman of Japan External Trade Organization (JETRO)
2007 Joined JAPEX, served as Executive Vice President and President
2016 Assumed his current position in June

Attendance at the Board of Directors Meetings:
12 out of 13 meetings
Years in Office: 13 years (June 2007)

Representative Director and President Chief Executive Officer

Masahiro Fujita

1977 Joined the Ministry of International Trade and Industry (MITI), later became the head of the Trade and Economic Cooperation Bureau at the Ministry of Economy, Trade and Industry (METI) and served as Sumitomo Corporation's Representative Director, Executive Vice President
2019 Joined JAPEX, served as Representative Director and Executive Vice President
2019 Assumed his current position in October

Attendance at the Board of Directors Meetings:
10 out of 10 meetings
Years in Office: 1 year (June 2019)

Representative Director Executive Vice President

Yosuke Higai

Advisor to President, President of the Marketing & Sales Division, In charge of the Secretary Office and the Procurement Dept.

1978 Joined JAPEX, served as General Manager of Procurement Dept., General Manager of Administration Dept., President of Marketing & Sales Division, Vice President of Soma Project Division, Executive in charge of Secretary Office, and Executive in charge of Procurement Dept.
2019 Assumed his current position in June

Attendance at the Board of Directors Meetings:
13 out of 13 meetings
Years in Office: 7years (June 2013)

Director Senior Managing Executive Officer

Kazuhiko Ozeki

President of Overseas Project Management Division, In charge of the New Business Promotion Dept.

1980 Joined JAPEX, served as General Manager of Iraq Project Dept., International Oil & Gas Division, Vice President of Iraq Project Division, Vice President of Middle East, Africa & Europe Project Division, President of Environment and Innovative Technology Projects Division, Executive in charge of Corporate Strategy Dept., and Executive in charge of Media & Investor Relations Dept., Executive in charge of Commercial Office for Overseas Projects, Executive in charge of New Business Promotion Office, President of Asia & Oceania Project Division
2020 Assumed his current position in June

Attendance at the Board of Directors Meetings:
13 out of 13 meetings
Years in Office: 5 years (June 2015)

Director Senior Managing Executive Officer

Yoshitaka Ishii

President of the Power Business Division

1981 Joined JAPEX, served as General Manager of Technical Dept., Nagaoka District Office, General Manager of Nagaoka District Office, Domestic Project Division, In charge of the Gas Pipeline Transportation Dept., Vice President of Inter-regional Gas Supply Division, President of Soma Project Division, President of the Soma Project & Power Business Division
2020 Assumed his current position in June

Attendance at the Board of Directors Meetings:
13 out of 13 meetings
Years in Office: 2 years (June 2018)

Director Managing Executive Officer

Hajime Ito

President of the Americas & Russia Project Division

1980 Joined the Ministry of International Trade and Industry (MITI), later became Deputy Director-General of the Ministry of Economy, Trade and Industry (METI)
2010 Joined JAPEX, served as President of Americas & Russia Project Division
2016 Became Managing Executive Officer*
2018 Assumed his current position in June

Attendance at the Board of Directors Meetings:
13 out of 13 meetings
Years in Office: 4 years (June 2016)

Director Managing Executive Officer

Toshiyuki Hirata

President of Middle East, Asia & Europe Project Division

1981 Joined JAPEX, served as President of Canada Oil Sands Co., Ltd., Executive in charge of the Canada Oil Sands Project
2017 Became Managing Executive Officer*
2018 Assumed his current position in June

Attendance at the Board of Directors Meetings:
12 out of 13 meetings
Years in Office: 3 years (June 2017)

Director Managing Executive Officer

Michiro Yamashita

Finance & Accounting Dept.

1982 Joined JAPEX, served as General Manager of Corporate Planning Dept., Vice President of Environment and Innovative Technology Projects Division, and Executive in charge of Finance & Accounting Dept.
2018 Assumed his current position in June

Attendance at the Board of Directors Meetings:
13 out of 13 meetings
Years in Office: 2 years (June 2018)

* Executive officer system amended in June 2018

Outside Director
Akira Kojima*1

1965 Joined Nikkei Inc. and served as its Director, Chief Editor and Senior Managing Director, later served as Chairman at Japan Center for Economic Research and Adjunct Professor at National Graduate Institute for Policy Studies
2015 Assumed his current position at JAPEX in June
Concurrently serves as a member of the Board of Trustees and Adjunct Professor at National Graduate Institute for Policy Studies and as President of the Center for International Economic Collaboration

Reasons for Appointment: To use his extensive experience and distinguished insights gained through his career in a newspaper company and other entities in the Company's management

Attendance at the Board of Directors Meetings: 13 out of 13 meetings
Years in Office: 5 years (June 2015)

Outside Director
Tetsuo Ito*1

1975 Appointed as a prosecutor, served as Head of Special Investigation Force, Tokyo District Public Prosecutors Office, and as Deputy Prosecutor-General, Supreme Public Prosecutors Office
2016 Assumed his current position at JAPEX in June
Concurrently serves as a Registered Attorney (Daiichi Tokyo Bar Association), Of Counsel at Nishimura & Asahi, Outside Auditor at Takasago Thermal Engineering Co., Ltd., and Outside Auditor at Asahi Kasei Corporation

Reasons for Appointment: To use his extensive knowledge and experience as a legal specialist in the Company's management

Attendance at the Board of Directors Meetings: 10 out of 13 meetings
Years in Office: 4 years (June 2016)

Outside Director
Yukari Yamashita*1

1985 Joined the Institute of Energy Economics, Japan, reached the position of Director and Head of the Climate Change and Energy Efficiency Unit, became a Board Member at the Institute and Director in charge of the Energy Data and Modelling Center
2019 Assumed her current position at JAPEX in June
Concurrently serves as a Managing Director of the Energy Data and Modelling Center at the Institute of Energy Economics, Japan and as President of the International Association for Energy Economics, Inc.

Reasons for Appointment: To use the extensive knowledge of energy economics and energy-and environment-related public policy she acquired through focused research activities in the Company's management

Attendance at the Board of Directors Meetings: 10 out of 10 meetings
Years in Office: 1 year (June 2019)

Outside Director
Hideichi Kawasaki*1

1970 Joined Oki Electric Industry Co., Ltd., served as President, Representative Director and as Chairman of the Board, Representative Director
2020 Assumed his current position at JAPEX in June
Concurrently serves as Chairman of the Board of Oki Electric Industry Co., Ltd.

Reasons for Appointment: To use his extensive experience and insights related to general corporate management in the Company's management

Attendance at the Board of Directors Meetings: —
Years in Office: —

Audit & Supervisory Board Members

Audit & Supervisory Board Member
Kenji Uchida

1979 Joined JAPEX, served as General Manager of Technical Dept., Iraq Project Division, General Manager of Iraq Project Dept., Middle East, Africa & Europe Project Division, Advisor to President of Middle East, Africa & Europe Project Division, and Chief of Dubai Representative Office, Middle East, Africa & Europe Project Division
2017 Assumed his current position in June

Attendance at the Board of Directors Meetings: 13 out of 13 meetings
Board of Corporate Auditors meetings: 11 out of 11 meetings

Audit & Supervisory Board Member
Koichi Shimomura

1982 Joined JAPEX, served as General Manager of the Media & Investor Relations Dept., General Manager of International Planning Dept., International Oil & Gas Division, General Manager of First Project Dept., International Oil & Gas Division, General Manager of Canada Oil Sands Project Dept., Americas & Russia Project Division, Advisor to President of America & Russia Project Division, Advisor to President of Middle East, Africa & Europe Project Division
2018 Assumed his current position in June

Attendance at the Board of Directors Meetings: 13 out of 13 meetings
Board of Corporate Auditors meetings: 11 out of 11 meetings

Outside Audit & Supervisory Board Member
Hiroyasu Watanabe*2

1969 Joined the Ministry of Finance where he served as Director-General of the National Tax Agency, and also served as Professor of Graduate School of Finance, Accounting and Law, Waseda University
2015 Assumed his current position at JAPEX in June
Concurrently serves as Advisor of Hibiya Park Law Offices and President of the Japan Tariff Association

Reasons for Appointment: To use his distinguished insights gained from his extensive experience as a graduate school professor and in government administration in the Company's management

Attendance at the Board of Directors Meetings: 13 out of 13 meetings
Board of Corporate Auditors meetings: 11 out of 11 meetings

Outside Audit & Supervisory Board Member
Norio Nakajima*2

1970 Joined the Industrial Bank of Japan, Limited (IBJ) where he served as its Managing Executive Officer and later in the same position at Mizuho Corporate Bank, Ltd., then served as President & CEO of DIAM Co., Ltd.
2014 Assumed his current position at JAPEX in June

Reasons for Appointment: To use his distinguished insights gained from his extensive managerial experience with financial institutions in the Company's management

Attendance at the Board of Directors Meetings: 13 out of 13 meetings
Board of Corporate Auditors meetings: 11 out of 11 meetings

Executives

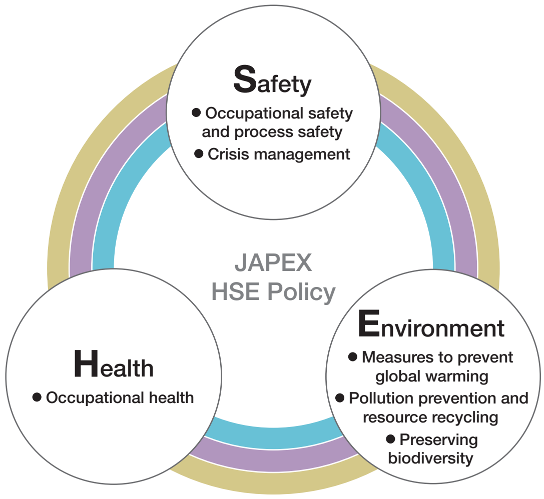
Senior Managing Executive Officer	Tsuyoshi Suga
Managing Executive Officer	Yasushi Hamada
Managing Executive Officer	Senichiro Kaku
Managing Executive Officer	Minoru Kuniyasu
Managing Executive Officer	Tadashi Matsunaga
Managing Executive Officer	Tsuneta Nakamura
Managing Executive Officer	Masanori Amano
Executive Officer	Ryohei Wakishima
Executive Officer	Takamasa Miyadai
Executive Officer	Yoshihiko Motoyama
Executive Officer	Shinichi Takahata
Executive Officer	Toshiaki Nakajima
Executive Officer	Kazuhiko Tezuka
Executive Officer	Satoshi Abe
Fellow*3	Amane Waseda

*1 Akira Kojima, Tetsuo Ito, Yukari Yamashita and Hideichi Kawasaki are outside directors as stipulated under Article 2-15 of the Companies Act of Japan.
*2 Hiroyasu Watanabe and Norio Nakajima are outside Audit & Supervisory Board members as stipulated under Article 2-16 of the Companies Act of Japan.
*3 Fellows support executives through their high degree of expertise in specialized fields.

JAPEX HSE Management

The JAPEX Group declared its intention to secure occupational health and safety and conserve the natural environment in its business activities and formulated JAPEX HSE*1 Policy. We are also asking our contractors to engage in HSE management that aligns with this policy. In order to put the policy into action, we have implemented the HSE Management System at our domestic operations and JACOS since 2014. We strive for the continuous improvement of the System through PDCA cycles.

*1 Health, Safety and Environment



Progress of Mid-term HSE Plan (FY2018–2020)

In line with the JAPEX Mid-term HSE Plan (FY2018–2020), we introduced international standards for calculating injury frequency (e.g., LTIF*2 and TRIR*3), adopted contractor HSE management methods, strengthened governance by concluding HSE-related agreements with Group companies, and created a GHG emission reduction roadmap. The HSSE Committee*4 is chaired by the Senior Managing Director in charge of HSE, and its members are composed of upper management. In committee meetings, the progress of the HSE Plan and HSE activities are reported, and the committee provides direction and advice as management. The HSE department reflects these directions and advice in the annual HSE activity plan to continuously improve HSE activities.

In fiscal 2020, the last year of this mid-term HSE plan, the entire Company will work together to achieve the goals of the plan by carrying out effective HSE activities.

Progress of Each Mid-term HSE Plan Goal

Goals	FY2019 Achievements	FY2020 Goals
To achieve continuous reduction of the LTIF and TRIR	Reduced injury frequency rate LTIF: 0.00, TRIR: 1.46	Further reduce injury frequency rate
To maintain necessary HSE resources and organization	Assigned an HSE officer to manage HSE at workplaces and conducted HSE officer training	Optimize the HSE personnel framework in line with business scenarios
To foster the Company's HSE culture	Conducted a survey on HSE levels Held a Company-wide ESG seminar with an external instructor and conducted safety training using virtual reality (VR)	Act on measures (education on laws, etc.) to address what the survey of HSE levels brought to light
To develop new HSE training programs	Incrementally introduced a Company-wide HSE training program (set up a training program for young employees)	Finish preparing all Company-wide HSE training programs (set up manager training programs)
To introduce process safety approaches	Developed the manuals for process safety	Continue developing manuals related to process safety Conduct frontline workshops adapted to facilities
To fully operationalize the contractor HSE management element	Strengthen management of contractors by qualification for HSE requirements during bidding process and assigning a HSE officer at target construction sites	Review the Contractor HSE management guidelines through the actual operation of HSE officers
To strengthen HSE governance in the JAPEX subsidiary companies	Concluded HSE agreements with five Group companies and clarified our cooperative relationships	Conclude HSE agreements with six Group companies to enhance HSE collaboration.
Regarding GHG emissions, implement more detailed monitoring and intensify reduction measures	Created a GHG reduction road map Adopted energy conservation activities based on exergy analyses at business sites	Continue adopting energy conservation activities based on exergy analyses at business sites

*2 Lost Time Injury Frequency: The number of lost time injuries per 1,000,000 work hours.
*3 Total Recordable Injury Rate: The number of total recordable injuries per 1,000,000 hours worked.
*4 Health, Safety, Security, and Environment Committee: An organization that deliberates issues related to health, safety, and the environment as well as security.

Environment

E

HSE as Our Culture

As part of the JAPEX HSE Policy, we resolve to "promote the conservation of natural resources including water and biodiversity and prevent pollution from waste and other contaminants generated by our operations." We recognize the importance of initiatives to prevent pollution. At each operation field, we identify pollution risks for the soil, water, and air and take measures to prevent pollution as necessary. In addition, from the perspective of recycling resources, we strive to protect and effectively use water resources because we utilize a large quantity due to the unique characteristics of our businesses.

Initiatives to Prevent Pollution and Recycled Resources

Initiatives to Reduce VOC Emissions

Volatile organic compounds (VOCs) are one cause of air pollution, including PM 2.5 and other suspended particulate matter (SPM). The primary source of emissions for our businesses is the release of volatile hydrocarbons, including the Pollutant Release and Transfer Register (PRTR) substances benzene, toluene, and xylene (BTX), but excluding methane.

We have been participating in a voluntary action plan to reduce VOC emissions as a member of the Japan Natural Gas Association since fiscal 2005. As part of our ongoing drive to reduce VOC emissions, we are working to seal crude oil storage tanks better and incinerate VOCs that would otherwise be emitted from gas processing facilities. Fiscal 2019 VOC emissions totaled 1,125 tons, a year-on-year decrease of 266 tons. The main factor behind the decline was a reduction in the release of natural gas into the air.

Initiatives to Preserve the Quality of Wastewater

JAPEX appropriately disposes of the water resources it uses in its business activities. Regarding water used in the production of oil and gas as well as pit water collected in the course of mining, we either inject it back underground or, after purifying it to meet wastewater standards set by laws and regulations, expel it into public waterways.

Initiatives to Effectively Use Water

At our domestic production plants, we are striving to use water more effectively by promoting the recycling and reuse of water used as a coolant in processing facilities and water used as boiler water. In fiscal 2019, the amount of water we used in Japan amounted to 940,000 kiloliters, an increase of 130,000 kiloliters year on year. The main factor behind the increase was construction of a LNG tank at the Soma LNG Terminal.

In addition, for the Canada Oil Sands Project, we use the SAGD bitumen recovery process, which has been reported to impose fewer environmental burdens in comparison with open-pit mining. The steam injected underground exchanges heat with the oil sands reservoir. Along with the bitumen that has become liquid upon heat exchange, the condensed water is recovered and sent to the central processing facility. More than 90% of the overall recovered water is recycled into fresh water for the steam and injected underground once again.

Preserving Biodiversity and Ecosystems

Initiatives to Plant Trees of Native Species in Soma

JAPEX conducts voluntary environmental impact assessments that go beyond the legally required investigations when beginning a project, regardless of the business content or whether it is in Japan or overseas. The assessments are appropriate for the specific conditions in the environment surrounding the project, such as the existence of vulnerable species and the type of ecosystem. In addition to formulating development plans based on the results of the assessments, we conduct monitoring and take precautions as necessary after the development stage concludes. We are thereby striving to reduce the impact of our business activities on biodiversity.

During the construction of the Fukushima Natural Gas Power Plant, we carried out a greening policy with the guidance of experts. We aim to enable the green area to serve as a peaceful habitat for local native wildlife by selecting tree species, especially local native species, to make it resemble a forest.

Potted saplings that have been planted in the ground (greening construction)

Social

S

HSE as Our Culture/Stable and Sustainable Energy Supply

To ensure a stable supply of energy through safe and efficient operations, we position HSE as our top priority. To achieve this goal, we have established the JAPEX HSE Policy, appropriately control and reduce HSE risks, and continuously improve our HSE management system. In addition, as activities for ensuring occupational safety, we are implementing initiatives to foster our HSE culture and to manage and promote employee health.

Occupational Health and Safety

Strengthening Systems for Occupational Health and Safety

In fiscal 2019, we began to operate incident classifications for our domestic operations based on international standards. We collected Company-wide working hour data for all employees and other relevant workers, including office workers and contractors. We also switched the Company's incident classifications to international standards. This change enabled us to compare JAPEX's HSE level with worldwide industry levels, and clarified our HSE target. From the current fiscal year, we will set out a HSE target for injury frequency based on these international standards.

In an effort to prevent accidents, we conducted risk assessments and registered the HSE hazards about the near miss reports and accident reports from each worksite. Through safety committees and the corporate website, we are raising awareness of the results of risk assessment and hazard registration. As a forum of communication between management and workers on occupational health and safety, we hold safety committee meetings, safety conferences, health committee meetings and other meetings for active discussion about the Company's HSE plan and HSE status. At headquarters, in addition to these committees, we established a place for discussions between management and the labor union, namely the Central HSE Council.

In addition, every year we convene the JAPEX Group HSE Promotion Meeting organized by each Group company's HSE representatives to share information and strengthen HSE governance for the entire Group. Under the Mid-term HSE Plan, we are concluding HSE agreements to raise Group-wide HSE levels and clarifying the cooperative relationships related to HSE management with each Group company.

HSE Audits

Since introducing its HSE Management System (HSE-MS), we have conducted internal audits to confirm our current HSE activities. With the growing sophistication of the HSE-MS, we began different style audits from fiscal 2019 with the purpose of further enhancing its effectiveness. We not only confirm whether it successfully maintains an organized record of HSE-MS operations, we also engage in two-way communication with employees on the frontlines and auditors. By fully surveying and applauding the many effective HSE activities (strong points), we increase the motivation of our workers and encourage them to more enthusiastically engage in HSE activities. In addition to HSE audits, the HSE personnel of each district office conduct HSE patrols and continuously improve day-to-day HSE activities.

HSE Training and Efforts to Improve HSE Culture

We provide planned and structured HSE training programs for all the employees with an aim to create healthy and safe working environments. The competency requirements are identified by company rules, not just laws and regulations, for HSE critical positions such as HSE administrators, supervisors, and workers in oil and gas fields. We are encouraging employees to participate in internal and external training and get certifications required for the positions, based on the Company's HSE competency requirements. Also, we have established an incentive system to secure the number of qualified employees for legal requirements. In addition, we introduced various measures to enhance our "HSE-first" culture.

- Sent out the internal email newsletter called *The HSE Kawaraban* every week to provide all employee with timely and useful HSE information
- Shared HSE information using the intranet website (such as health management, accident reports, HSE activities of each site, education materials of HSE laws and regulations)
- Conducted the HSE Smile Award program to provide recognition to outstanding HSE activities
- Started opening various meetings with an "HSE Value Moment" where one participant spends a few minutes talking about HSE
- Promoted "refresh time" as a way of encouraging simple exercises employees can do at their desk and preventing people from sitting for too long


A safety training session underway


The Power Business Division with its Zero Accident Award

Initiatives to Strengthen the HSE Management of Contractors

In the promotion of its businesses, JAPEX works hard to ensure safe operations in collaboration with a large number of other companies. With regard to contracts for commissioned work, we request that contractors conduct HSE management in compliance with laws, regulations and the Company's guidelines. In fiscal 2019, we began official deployment of the Contractor HSE management guidelines, which include specific HSE-related management actions for contractors. In this way, we are working to further improve work environments and achieve zero accidents while thoroughly enforcing JAPEX's policy of putting the highest priority on HSE and fulfilling the Company's ethical obligation as the commissioning party. By cooperating with the business departments, procurement departments and the HSE officers that are charged with managing HSE at JAPEX's workplaces, we aim for the seamless promotion of accident-free operations that fully include our contractors by subjecting contracts to these additional guidelines.

Promoting Digital Transformation

JAPEX launched internal discussions related to digital transformation (DX) from 2019 and set a DX goal of making its energy supply system more resilient and achieving structural reforms. We established an organization dedicated to achieving DX within the Administration & Legal Department.

Regarding the promotion of DX, our basic policy is to first start small with the aim of enhancing operational efficiency through the deployment of digital technologies. In addition to making office operations more efficient, going forward, we plan to consider strengthening stable operations by storing and optimizing operational data to detect and predict abnormalities.

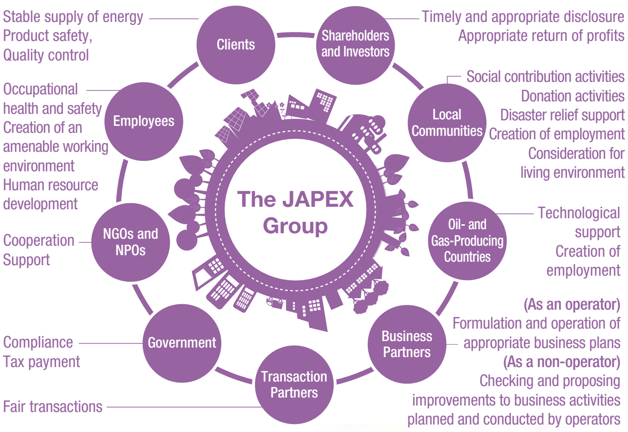
Although we have just begun to promote a digital transformation, we intend to flexibly and swiftly move ahead with the consideration and implementation of measures to help improve operational efficiency.


A member attending a meeting remotely

Goal	Make our energy supply system more resilient and achieve structural reforms
Initiatives	• Enhance operational efficiency through the deployment of digital technologies • Enhance the sophistication of our domestic production and supply systems that are responsible for the stable supply of energy

The Employer of Choice/Being a Good Neighbor

We believe that the maintenance of safe and stable business operations depends on building relationships of understanding and trust with our stakeholders. With this in mind, we will strive to respect the cultures and customs of the regions in which we operate while complying with various international regulations. We will develop favorable relationships with the communities in which we operate through a variety of social contribution activities, constructive dialogue, and the timely and appropriate disclosure of information. In addition, we believe that in order for JAPEX to achieve sustainable growth and enhance its corporate competitiveness, it must support its employees in their autonomous and ongoing pursuits of career development and personal growth without shying away from transformation. To this end, we are working to promote diversity & inclusion, work-life balance, health management, career development, and personnel development.



Human Resources Development and Respecting Employee Diversity

Initiatives to Promote Diversity

We formulated our Basic Diversity Policy in 2016 and have been striving to create a work environment and corporate culture that respect diversity, including workstyles and career paths, in order to enable all employees to tap their full potential. As for our efforts to empower women to take on more active roles, we set numerical targets for the percentage of female managers (10.2%), promoting women to general manager (1 woman), and the percentage of female university graduates hired (30% every year). Regarding the percentage of female managers, we set a target of raising the figure from 3.4% as of October 2014 three times to 10.2% by 2020. As of April 2020, the percentage was 5.2%. We were, however, able to promote one woman to general manager in 2019, and the percentage of female university graduates hired was 30% or more from 2017 on, except for fiscal 2018 when total hiring was extremely low.

Human Resource Development

Keeping an eye toward future business development, we launched a management talent development program with the purpose of selecting and continuously training the next generation of younger managers that can lead and direct businesses with a Company-wide perspective. In fiscal 2019, we trained 16 mid-level employees aged 30 to 37. Of this total, 12 trainees acquired managerial knowledge through the program. After that, under the mentor of executives, they identified management issues the Company faces and reported the solutions to the issues to upper management. The other four trainees participated in a cross-industry leadership development project with the aim of growing individually as a leader while working to solve real social issues and making detailed proposals to the project coordinators.


A session of the management talent development program

Create a Fair and Good Working Environment

Health Management

JAPEX is practicing health management, recognizing that being mindful of employee health contributes to the Company's sustainable growth. For the fourth consecutive year since 2017, JAPEX was certified as a leader in Health and Productivity Management. In line with the JAPEX HSE Policy based on the Representative Director and President's declaration, the entire Company is working to improve the environment of each workplace and prevent lifestyle diseases using a health promotion app from fiscal 2019 to enable all to work vibrantly. In addition, as a company in charge of life lines for the stable supply of energy, we are focusing our energy on infection countermeasures for employees, with daily BCP countermeasures that include preventative education and group vaccinations against influenza.

Dialogue with Shareholders and Investors

We believe that establishing relationships of trust with our shareholders and investors is crucial to achieving sustainable growth over the medium to long term and increasing our corporate value. Accordingly, we actively arrange opportunities for dialogue to promote a deeper understanding of our business and strive to disclose corporate information in a timely, appropriate and fair manner. Opinions and information received through IR and SR activities are appropriately communicated to senior management.

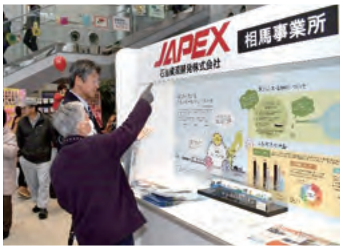
Fiscal 2019 Accomplishments

- Held financial results briefings for institutional investors and securities analysts
- Held one-on-one meetings with institutional investors and securities analysts
- Participated in IR conferences for overseas institutional investors
- Participated in briefings hosted by securities companies for individual investors
- Hosted tours of the JAPEX Research Center for shareholders

Relationships with Local Communities

Participating in a Redevelopment Project—Shinchi, Fukushima Prefecture

JAPEX is participating in a "Smart Community" initiative led by Shinchi Town. This initiative aims to redevelop the area around JR Shinchi Station where there is damage from the Great East Japan Earthquake. Natural gas from Soma LNG terminal is supplied to heat sources (heating, electricity) for public infrastructure, hotels and bathing facilities in the area. These initiatives are expected to reduce CO_2 emissions from the communities and help curb energy consumption while reinvigorating the community around producing and using local energy.



Our booth at the Hometown Industry Festival in Shinchi Town

In addition, we sponsored a local summer festival for the first time in nine years, after the earthquake. Other than that, every November, we participate in the Soma Citizens' Festival and the Hometown Industry Festival. Through these activities, we interact with local communities to promote an understanding of our operations and raise awareness of the importance of efficient energy use and protecting the environment. In 2019, we again held an event featuring Shinchi Town specialties at our Tokyo headquarters building. In addition to selling fresh agricultural and marine products as well as prepared foods in-house, we also offered popular lunch items using Shinchi Town ingredients, contributing to positive PR for the area.

Contributing to Education and Social Welfare—Iraq

In Iraq, we are engaged in the Garraf Project. Residents in the area surrounding our petroleum facilities number in the several tens of thousands, and we are cognizant of the critical importance of building favorable relationships with local communities. Accordingly, with particular emphasis placed on providing educational assistance and enhancing social welfare, JAPEX and PETRONAS (the project operator) are working in tandem to contribute to the local communities in various ways. With regard to education, we help repair and maintain primary and secondary school facilities. We also donate water purification filters. With regard to social welfare, JAPEX and PETRONAS have donated wheelchairs and medical equipment due to the need to expand healthcare facilities. We also provide low-income households with food and fresh meat during the month of Ramadan. As such, we are striving to ensure that our presence in the region helps build a harmonious community.

Building Favorable Relationships with Residents of Remote Islands—Indonesia

In the Kangean Project, through indirect investment in Kangean Energy Indonesia Ltd. (KEI) we are engaged in various activities aimed at contributing to the well-being of the inhabitants of Pagerungan Island and of other islands in the surrounding waters.

We have been voluntarily providing electricity and water from the production facility's power generation equipment to approximately 6,000 residents of Pagerungan Island. In addition, we dispatch doctors employed at the terminal to local clinics at no cost. We are also committed to annually donating a fixed amount to island communities, thereby providing financial support for the construction and repair of school buildings, establishment of ice-making facilities for the fishery industry, and development of a soccer field for recreation.

In 2019, we aided local communities by supporting infrastructure development, funding the repair and construction of piers and roads, assisting mangrove tree planting, furnishing scholarships and other educational assistance, and enabling the purchase of nutritional supplements for infants. Moving ahead, we will remain committed to helping the communities in which we operate thrive by providing ongoing assistance to aspects of education, healthcare, economic vitalization, environmental protection, and infrastructure development.

Facilitating Mutual and Sustainable Prosperity with Indigenous Communities—Canada

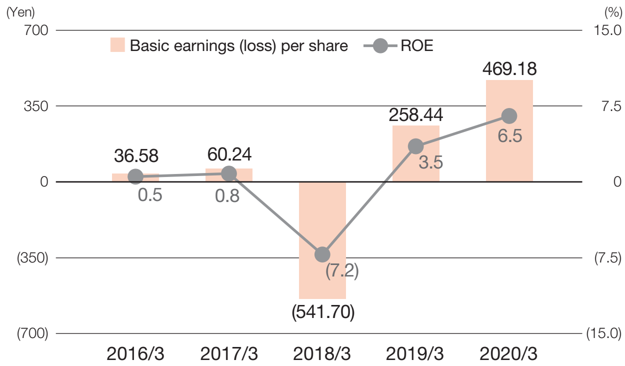
For more than 40 years, JAPEX has been engaged in the Canada Oil Sands Project. Having worked for so long hand in hand with local communities in a broad range of fields, including environmental preservation, social development, and economic vitalization, partnerships between JAPEX and such communities have become an integral component of the project. Examples of collaboration include the establishment of the Indigenous Advisory Group (IAG), by indigenous residents with the support of our local subsidiary Japan Canada Oil Sands Limited (JACOS), when oil sands development commenced at the Hangingstone Block. In fiscal 2019, JACOS and the IAG conducted a wide range of activities, such as holding quarterly meetings, hosting traditional cultural events, giving facility tours to representatives from both sides, and conducting environmental monitoring activities. As for local education, we accepted three interns from local universities and provided monetary and personnel support for the local environmental monitoring education program.


A social event after an IAG quarterly meeting (right: Satoshi Abe, JACOS's then President)

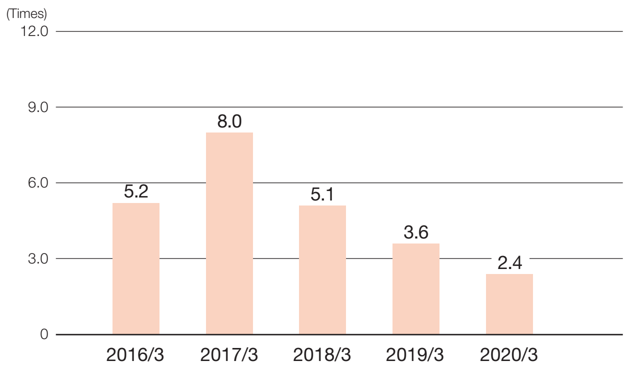
Furthermore, we are working to ensure fair business opportunities for indigenous operators and proactively providing information to help promote orders.

Financial and Non-financial Highlights

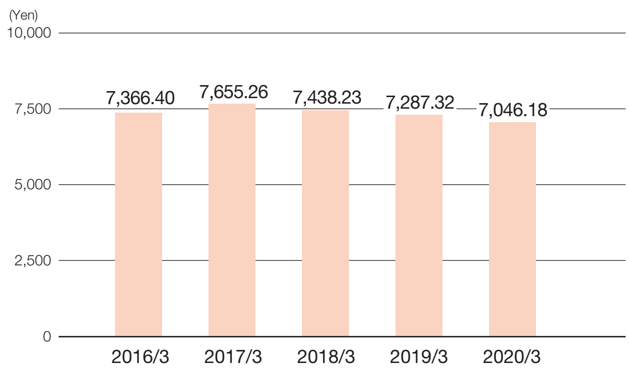
Basic earnings (loss) per share (left axis)/ROE (right axis)



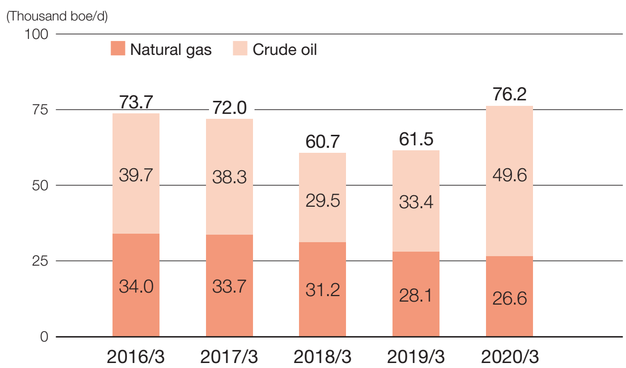
Debt-to-EBITDA ratio



Net assets per share



Production volume



			2011/3
Crude oil price (CIF)*1 (USD/bbl)			82.69
Exchange rate*1 (JPY/USD)			86.24
For Fiscal Year (Millions of yen)			
	Net sales		199,651
	Cost of sales		144,919
	Exploration expenses		9,798
	Selling, general and administrative expenses		31,084
	Operating profit		13,849
	Ordinary profit		17,122
	Profit (loss) attributable to owners of parent		10,010
	EBITDA*2		43,200
	Cash flows from operating activities		34,284
	Cash flows from investing activities		(24,282)
	Cash flows from financing activities		(521)
	Cash and cash equivalents at end of period		66,826
At Fiscal Year-End (Millions of yen)			
	Total assets		516,098
	Net assets		393,689
	Long-term loans payable		26,898
	Interest-bearing debt*3		65,458
Financial Ratios (Yen, %)			
	Basic earnings (loss) per share		175.16
	Return on Equity		2.6
	Debt-to-EBITDA ratio		1.5
	Net assets per share		6,743.83
	Cash dividends per share (full-year)		40.00
Production Volume in the Fiscal Year (daily)*4 (Thousand boe/d)			
	Production volume	Natural gas	25.5
		Crude oil	15.0
		Total	40.6
Proved Reserve Volume at Fiscal Year-End (Million boe)			
	Proved reserves	Overseas	49
		Japan	208
		Total	257
Non-financial Data			
HSE	Occupational safety*5	Frequency rate*6	1.59
		Severity rate*7	0.00
		LTIF*8	
		TRIR*9	
	Greenhouse gas emissions (t-CO_2)*10	JAPEX + 1 consolidated subsidiary*5	303,146
		JAPEX + 12 consolidated subsidiaries	
	Energy consumption (TJ)*11	JAPEX + 1 consolidated subsidiary*5	3,137.4
		JAPEX + 12 consolidated subsidiaries	
Human resources	Number of employees	Consolidated	1,728
		Non-consolidated	867
	Ratio of female managers (%)*12		2.1
	Employees with disabilities (%)*13		1.5

*1 Domestic sales price average of crude oil referring to crude oil (CIF) price and its conversion exchange rate
*2 EBITDA is the total of operating profit, depreciation and interest and dividends received.
*3 Interest-bearing debt includes lease obligations, retirement benefit liabilities and contingent liabilities.
*4 Figures for crude oil include bitumen.
These figures include production volumes of equity-method affiliates.
*5 JAPEX and Japex Offshore Ltd.
*6 Frequency rate = (Number of deaths and injuries caused by accidents/Number of hours worked in mines) x 1,000,000
*7 Severity rate = (Number of days of work lost/Number of hours worked in mines) x 1,000

(Fiscal years ended March 31)

2012/3	2013/3	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3
112.43	114.67	110.51	96.48	51.48	45.60	56.20	71.94	**68.11**
78.93	81.71	99.31	106.23	121.06	108.53	111.67	110.35	**109.15**
230,638	231,086	276,588	304,911	240,302	207,130	230,629	267,980	**318,822**
174,359	172,075	210,460	234,649	193,022	174,957	191,366	233,133	**271,780**
7,805	13,086	9,800	4,489	6,516	1,512	1,324	788	**893**
33,426	32,017	31,692	33,625	32,426	29,975	29,173	31,743	**31,864**
15,045	13,906	24,634	32,146	8,336	685	8,764	2,313	**14,283**
22,159	28,082	43,889	54,839	4,652	2,222	3,828	12,523	**32,635**
17,027	(865)	29,015	29,567	2,090	3,443	(30,959)	14,770	**26,815**
46,042	43,046	53,905	61,963	31,200	21,887	33,211	41,736	**58,296**
37,172	34,254	45,226	78,666	57,659	43,672	52,881	30,970	**69,895**
(13,950)	(14,836)	(131,600)	(63,031)	(125,771)	(84,686)	(54,218)	(13,969)	**(18,701)**
9,856	(7,177)	71,680	18,475	54,816	18,360	(1,196)	(15,493)	**(13,743)**
99,803	112,639	102,830	142,657	126,570	103,630	99,892	100,633	**138,259**
532,890	525,172	663,038	736,862	707,601	746,739	699,536	655,288	**627,132**
406,773	403,625	496,915	540,647	495,317	510,609	459,255	450,156	**440,157**
26,198	24,197	21,636	20,726	130,030	141,903	135,959	127,715	**118,774**
82,165	77,325	98,345	121,827	163,575	176,012	170,193	151,726	**140,848**
297.92	(15.14)	507.68	517.35	36.58	60.24	(541.70)	258.44	**469.18**
4.4	(0.2)	7.2	6.7	0.5	0.8	(7.2)	3.5	**6.5**
1.8	1.8	1.8	2.0	5.2	8.0	5.1	3.6	**2.4**
6,869.27	6,691.58	7,389.62	8,055.59	7,366.40	7,655.26	7,438.23	7,287.32	**7,046.18**
40.00	40.00	50.00	50.00	50.00	15.00	20.00	40.00	**50.00**
22.8	23.3	26.4	32.3	34.0	33.7	31.2	28.1	**26.6**
15.8	13.3	21.8	42.1	39.7	38.3	29.5	33.4	**49.6**
38.6	36.6	48.3	74.4	73.7	72.0	60.7	61.5	**76.2**
38	160	193	203	255	277	229	323	**296**
185	147	112	110	94	74	73	64	**58**
223	307	305	313	349	352	302	387	**355**
0.80	0.00	0.84	1.02	1.15	3.53	0.00	0.00	**0.00**
0.00	0.00	0.10	0.03	0.02	0.18	0.00	0.00	**0.00**
								0.00
								1.46
256,561	267,446	251,121	244,491	230,636	241,360			
						600,030	810,657	**876,835**
3,128.2	2,962.8	2,780.3	2,516.2	2,374.0	2,452.5			
						6,424.4	11,954.8	**13,734.3**
1,743	1,747	1,782	1,818	1,847	1,825	1,788	1,741	**1,739**
880	882	874	886	902	897	920	904	**919**
2.0	3.3	2.9	4.1	4.5	4.5	5.4	4.9	**5.2**
1.9	1.8	1.6	2.0	2.2	2.0	2.0	2.8	**2.6**

*8 Lost Time Injury Frequency: The number of lost time injuries per 1,000,000 work hours.
*9 Total Recordable Injury Rate: The number of total recordable injuries per 1,000,000 hours worked.
*10 Includes scope 1, 2, and 3 (scope 3 refers to greenhouse gas emissions from transportation commissioned by the Company as a cargo owner)
*11 Includes scope 1 and 2
*12 Figures based on non-consolidated operations. Figures for the fiscal year ended March 31, 2014 and subsequent years are stated as of April 1 of the respective subsequent fiscal year.
*13 Figures based on non-consolidated operations.

Conversion Factors and Units:
Crude oil 1 kL = 6.29 bbl
Crude oil 1 kL = Natural gas 1,033.1 m^3
boe: barrels of oil equivalent
boe/d: barrels of oil equivalent per day

For non-financial data, see the webpage below.
https://www.japex.co.jp/english/csr/csrdata.html

Glossary

E&P Business

- **Enhanced/Improved oil recovery (EOR/IOR)**
  EOR, also known as tertiary recovery, involves the injection of heat, gaseous carbon dioxide or other chemicals into the reservoir. While primary recovery uses natural oil emission energy and secondary recovery increases the volume of oil recovered by maintaining or raising pressure in the oil sands layer, EOR alters the physical or chemical behavior of the residual crude oil, thereby enhancing oil recovery. IOR is a broader term referring to a range of methods aimed at improving oil recovery, including secondary recovery.

- **Exploration & production (E&P)**
  Businesses that engage in the exploration, development, production, transportation and sale of oil and gas.

- **Final investment decision (FID)**
  In the context of oil and gas projects, FID often refers to the final decision regarding investment before entering the development phase (i.e., facility design, procurement and construction). Prior to FID, relevant parties must meet all requirements, such as formulating robust plans for development, marketing and fundraising; signing necessary contracts; obtaining approval from authorities; and securing sufficient human resources.

- **Japan crude cocktail (JCC)**
  The average price of crude oil imported by Japan and determined in reference to cost, insurance and freight (CIF).

- **Oil sand**
  Oil sands refer to sandstones containing crude oil that is extremely viscous like tar and lacking in fluidity, unlike the crude oil typically found in reservoirs. Crude oil recovered from oil sands is generally referred to as bitumen or extra-heavy crude oil in accordance with its viscosity.

- **Operator**
  A contractual term used in the exploration, development and production of oil and gas via collaboration between multiple partners; the "operator" is the partner commissioned to handle and manage actual operations. Any partner to the contract other than the operator is a "non-operator." Signing a joint operation contract, both the operator and non-operator determine methods for making operational decisions and raising necessary funds before they launch the project.

- **Production sharing contract (PSC)**
  A contract between the government of a host country and one or more investors regarding the exploration, development and production of oil by the investors under license and management by the host country. Under the PSC, the government and investors share oil production in accordance with set rates after the investors have recovered their costs and expenses from oil marketing revenues.

- **Reserve replacement ratio (RRR)**
  RRR is the ratio of growth in volume of proved reserves against production volume in a single fiscal year or other specific period of time. As a numerical indicator for measuring business performance in terms of oil and gas exploration and development, RRR is calculated by dividing growth in the volume of proved reserves by the production volume.

- **Risk service contract**
  A contract between the government of a host country and an oil company where the oil company provides specified services for exploration, development and production of oil, in return for fixed payment or allocation of oil commensurate with its production volume. The proprietary rights of produced oil vests with the government.

- **Steam assisted gravity drainage (SAGD)**
  A modern technology that employs a pair of horizontal wells, one set five meters above the other, drilled into an oil sands layer located around 300 meters below the ground surface, with their horizontal lengths ranging from 500 to 1,000 meters. A continuous injection of steam into the oil sands layer via the upper well (the injection well) heats the bitumen and increases its fluidity, enabling it to flow down into the lower well (the bitumen production well) assisted by gravity. Bitumen is thus recovered to the above-ground production facilities.

- **Western Canadian Select (WCS)**
  Heavy oil produced in western Canada.

Infrastructure/Utility Business

- **Gas turbine combined cycle (GTCC)**
  A power generation method that combines gas and steam turbines. The gas turbines are used to produce electricity, and the heat of the exhaust gas from the turbine is used to power the steam turbines and generate more electricity.

New Business Development

- **Carbon dioxide capture and storage (CCS)**
  Carbon dioxide capture, utilization and storage (CCUS)
  CCS technologies separate and recover CO_2 from gas emissions of electric power plants, factories, and other facilities, then inject and store the CO_2 in stable underground geologic formations. CCUS technologies effectively use the separated and recovered CO_2 to enhance oil recovery and for other applications and then store it.

- **LNG bunkering**
  Supplying LNG fuel to vessels.

- **Sustainable aviation fuel (SAF)**
  Jet fuel produced from sustainable sources with low CO_2 emissions throughout the entire cycle, from raw material production/collection to final usage. In recent years, the International Aviation Trade Association (IATA) changed the name from bio jet fuel to sustainable aviation fuel (SAF) because it is produced from various raw materials.

Contents

Financial Data

For the year ended March 31, 2020
(From April 1, 2019 to March 31, 2020)

Overview of Operating Results

Operating Results

During the fiscal year ended March 31, 2020 (FY2020/3), net sales was ¥318,822 million, an increase of ¥50,842 million (+19.0%) year on year. Gross profit was ¥47,042 million, an increase of ¥12,196 million (+35.0%) year on year. Major factors behind the year-on-year increases for net sales were growth in sales volume of crude oil and diluted bitumen in Japan Canada Oil Sands Limited (JACOS) Hangingstone leases. The major factor behind the year-on-year increase for gross profit was an increase in sales volume of diluted bitumen as well as an increase of diluted bitumen sales price stemming from a narrowing of the light-heavy differential* in the oil sands business.

* The differential between Western Canadian Select (WCS), which is the reference price for heavy crude oil from the oil sands, and the WTI, which is the reference price of light crude oil.

Exploration expenses was ¥893 million, an increase of ¥104 million (+13.3%) year on year. Selling, general and administrative expenses was ¥31,864 million, an increase of ¥121 million (+0.4%) year on year. Despite these increases, operating profit was ¥14,283 million, an increase of ¥11,970 million (+517.4%) year on year.

Ordinary profit was ¥32,635 million, an increase of ¥20,112 million (+160.6%) year on year, due mainly to an increase in dividend income and the turnaround from foreign exchange losses to foreign exchange gains, despite a decrease in share of profit of entities accounted for using equity method and a decrease in gain on reversal of asset retirement obligations in the previous fiscal year.

Profit before income taxes increased by ¥18,829 million year on year to ¥31,903 million, due mainly to a decrease in gain on sales of non-current assets and the recognition of impairment loss on business assets related to Amarume Oil Field. Profit attributable to owners of parent increased by ¥12,044 million year on year to ¥26,815 million.

Overview of Financial Position

Total assets at the end of this fiscal year decreased by ¥28,155 million from the previous fiscal year-end to ¥627,132 million.

Current assets increased by ¥46,966 million from the previous fiscal year-end, mainly due to increases in cash and deposits, and notes and accounts receivable—trade. Non-current assets decreased by ¥75,122 million from the previous fiscal year-end. This was mainly due to a decrease in investment securities resulting from the fall in market values and a decrease in property, plant and equipment resulting from depreciation.

Liabilities decreased by ¥18,155 million from the previous fiscal year-end to ¥186,975 million.

Current liabilities increased by ¥3,359 million from the previous fiscal year-end. This was mainly due to an increase in notes and accounts payable—trade despite a decrease in advances received included in other in current liabilities. Non-current liabilities decreased by ¥21,515 million from the previous fiscal year-end. This was mainly due to a decrease in deferred tax liabilities resulting from the above-mentioned fall in market values of investment securities and a decrease in long-term borrowings resulting from the reclassification of borrowings with repayments due in one year or less to current liabilities.

Net assets decreased by ¥9,999 million from the previous fiscal year-end to ¥440,157 million. The main factor was a decrease in valuation difference on available-for-sale securities, despite an increase in retained earnings.

Cash Flows

As of March 31, 2020, cash and cash equivalents (hereinafter “net cash”) increased by ¥37,625 million compared to the end of the previous fiscal year to ¥138,259 million. Below is a summary of cash flows for each activity.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to ¥69,895 million. The main factors were recovery of recoverable accounts of ¥41,040 million and ¥31,903 million in profit before income taxes.

(Cash flows from investing activities)

Net cash used in investing activities amounted to ¥18,701 million. Net cash was mainly used in payments of recoverable accounts of ¥30,226 million and purchase of property, plant and equipment of ¥7,566 million, while net cash was mainly provided by interest and dividends received of ¥18,820 million.

(Cash flows from financing activities)

Net cash used in financing activities was ¥13,743 million. Net cash was mainly used in repayments of long-term borrowings of ¥6,307 million, interest paid of ¥4,729 million and dividends paid of ¥3,141 million.

Dividend Policy

JAPEX has the basic policy on profit distribution to maintain long-term and stable dividends for shareholders. As a company with the role of providing a stable supply of oil and natural gas essential for society to function, the specific dividend amount is set after giving comprehensive consideration to investments aimed at securing new, proved reserves worldwide and retaining earnings to fund development and expansion of our supply infrastructure in light of the medium- to long-term outlook for the business environment. In addition to the above, we need to consider the level of earnings for each fiscal year and any future funding needs.

Our basic policy is to pay dividends on surplus twice a year, in the form of interim and year-end dividends. The interim dividend is determined by resolution of the Board of Directors, whereas the year-end dividend is determined by resolution of the General Meeting of Shareholders.

Based on this policy, we decided to issue an annual dividend for FY2020/3 of ¥50 per share, split equally between the interim dividend and the year-end dividend.

In accordance with the stipulations of Paragraph 5, Article 454 of the Companies Act of Japan, JAPEX’s Articles of Incorporation permit the interim dividend to be determined by resolution of the Board of Directors, with September 30 as the date of record.

Consolidated Balance Sheet

Japan Petroleum Exploration Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2020**	2019	**2020**
Current assets:			
Cash and deposits (Notes 11 and 20)	**¥160,077**	¥117,468	**$1,482,194**
Notes and accounts receivable—trade (Note 11)	**27,510**	20,825	**254,722**
Securities (Notes 4, 11 and 20)	**4,000**	2,330	**37,037**
Merchandise and finished goods (Note 3)	**5,223**	4,559	**48,361**
Work in process (Note 3)	**167**	362	**1,546**
Raw materials and supplies (Note 3)	**11,141**	7,589	**103,157**
Short-term loans receivable (Note 11)	**19**	4,575	**175**
Other	**4,946**	8,410	**45,796**
Less—allowance for doubtful accounts	**(31)**	(33)	**(287)**
Total current assets	**213,054**	166,087	**1,972,722**
Non-current assets:			
Property, plant and equipment (Notes 5 and 17)			
Land	**16,670**	16,732	**154,351**
Buildings and structures	**335,240**	335,648	**3,104,074**
Wells	**117,964**	116,070	**1,092,259**
Machinery, equipment and vehicles	**146,113**	146,276	**1,352,898**
Construction in progress	**31,466**	26,825	**291,351**
Other	**37,965**	37,316	**351,527**
Less—accumulated depreciation	**(391,383)**	(369,754)	**(3,623,916)**
Total property, plant and equipment	**294,038**	309,114	**2,722,574**
Intangible assets:			
Other	**6,823**	7,399	**63,175**
Total intangible assets	**6,823**	7,399	**63,175**
Investments and other assets:			
Investment securities (Notes 4 and 11)	**88,922**	137,794	**823,351**
Long-term loans receivable (Note 11)	**43**	42	**398**
Deferred tax assets (Note 7)	**8,003**	7,713	**74,101**
Retirement benefit asset (Note 8)	**971**	1,319	**8,990**
Other (Note 4)	**16,034**	26,920	**148,462**
Less—allowance for doubtful accounts	**(44)**	(46)	**(407)**
Less—allowance for overseas investment loss	**(715)**	(1,057)	**(6,620)**
Total investments and other assets	**113,216**	172,686	**1,048,296**
Total non-current assets	**414,078**	489,200	**3,834,055**
Total assets	**¥627,132**	¥655,288	**$5,806,777**

See notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of yen 2020	Millions of yen 2019	Thousands of U.S. dollars (Note 1) 2020
Current liabilities:			
Notes and accounts payable—trade (Note 11)	**¥ 12,237**	¥ 7,666	**$ 113,305**
Provision for bonuses for directors (and other officers)	**75**	25	**694**
Other (Note 6)	**23,425**	24,686	**216,898**
Total current liabilities	**35,738**	32,378	**330,907**
Non-current liabilities:			
Long-term borrowings (Notes 6 and 11)	**118,774**	127,715	**1,099,759**
Deferred tax liabilities (Note 7)	**9,878**	22,330	**91,462**
Provision for retirement benefits for directors (and other officers)	**88**	86	**814**
Retirement benefit liability (Note 8)	**3,528**	3,452	**32,666**
Asset retirement obligations (Note 13)	**15,432**	15,335	**142,888**
Other (Note 6)	**3,535**	3,831	**32,731**
Total non-current liabilities	**151,236**	172,752	**1,400,333**
Total liabilities	**186,975**	205,131	**1,731,250**
Commitment and contingent liabilities (Notes 10, 12 and 14)			
Net assets (Note 9)**:**			
Shareholders' equity:			
Share capital:			
Authorized—120,000,000 shares			
Issued—57,154,776 shares as of March 31, 2020 and 2019	**14,288**	14,288	**132,296**
Capital surplus	**—**	157	**—**
Retained earnings	**350,934**	331,306	**3,249,388**
Treasury shares; 2,303 shares as of March 31, 2020 2,207 shares as of March 31, 2019	**(11)**	(10)	**(101)**
Total shareholders' equity	**365,212**	345,741	**3,381,592**
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	**33,061**	66,296	**306,120**
Deferred gains or losses on hedges	**181**	(2)	**1,675**
Foreign currency translation adjustment	**3,494**	3,338	**32,351**
Remeasurements of defined benefit plans	**756**	1,114	**7,000**
Total accumulated other comprehensive income	**37,494**	70,747	**347,166**
Non-controlling interests	**37,450**	33,668	**346,759**
Total net assets	**440,157**	450,156	**4,075,527**
Total liabilities and net assets	**¥627,132**	¥655,288	**$5,806,777**

See notes to consolidated financial statements.

Consolidated Statement of Income

Japan Petroleum Exploration Co., Ltd. and Consolidated Subsidiaries
Year ended March 31, 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Net sales	**¥318,822**	¥267,980	**$2,952,055**
Cost of sales (Note 3)	**271,780**	233,133	**2,516,481**
Gross profit	**47,042**	34,846	**435,574**
Exploration expenses	**893**	788	**8,268**
Selling, general and administrative expenses (Note 16)	**31,864**	31,743	**295,037**
Operating profit	**14,283**	2,313	**132,250**
Other income (expenses):			
Interest income	**1,096**	1,598	**10,148**
Dividend income	**5,618**	2,102	**52,018**
Gain (loss) on sales of securities, net	**239**	2	**2,212**
Share of profit (loss) of entities accounted for using equity method	**11,960**	12,550	**110,740**
Gain on reversal of asset retirement obligations	**—**	3,293	**—**
Foreign exchange gains (losses)	**2,425**	(5,296)	**22,453**
Interest expenses	**(4,641)**	(4,130)	**(42,972)**
Gain (loss) on sales of non-current assets, net	**(13)**	656	**(120)**
Loss on retirement of non-current assets	**(193)**	(74)	**(1,787)**
Impairment loss (Note 17)	**(524)**	(30)	**(4,851)**
Other, net	**1,652**	91	**15,296**
	17,619	10,760	**163,138**
Profit before income taxes	**31,903**	13,074	**295,398**
Income taxes (Note 7)**:**			
Income taxes—current	**4,318**	3,925	**39,981**
Income taxes—deferred	**469**	(5,179)	**4,342**
	4,788	(1,254)	**44,333**
Profit	**27,114**	14,328	**251,055**
Profit (loss) attributable to non-controlling interests	**299**	(441)	**2,768**
Profit attributable to owners of parent (Note 19)	**¥ 26,815**	¥ 14,770	**$ 248,287**

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Japan Petroleum Exploration Co., Ltd. and Consolidated Subsidiaries
Year ended March 31, 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	**2020**
Profit	**¥27,114**	¥14,328	**$251,055**
Other comprehensive income (Note 21)**:**			
Valuation difference on available-for-sale securities	**(33,236)**	(20,366)	**(307,740)**
Deferred gains or losses on hedges	**184**	(5)	**1,703**
Foreign currency translation adjustment	**(34)**	(1,705)	**(314)**
Remeasurements of defined benefit plans, net of tax	**(357)**	(38)	**(3,305)**
Share of other comprehensive income of entities accounted for using equity method	**74**	(16)	**685**
Total other comprehensive income	**(33,369)**	(22,132)	**(308,972)**
Comprehensive income	**¥ (6,254)**	¥ (7,804)	**$ (57,907)**
Comprehensive income attributable to:			
Owners of parent	**¥ (6,437)**	¥ (7,455)	**$ (59,601)**
Non-controlling interests	**183**	(348)	**1,694**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Japan Petroleum Exploration Co., Ltd. and Consolidated Subsidiaries
Year ended March 31, 2020

Millions of yen

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of April 1, 2018	¥14,288	¥ 183	¥317,679	¥(10)	¥332,140
Dividends from surplus			(1,143)		(1,143)
Profit attributable to owners of parent			14,770		14,770
Change in ownership interest of parent due to transactions with non-controlling interests		(26)			(26)
Purchase of treasury shares				(0)	(0)
Net changes in items other than shareholders' equity					
Total changes during period	—	(26)	13,627	(0)	13,600
Balance as of April 1, 2019	**14,288**	**157**	**331,306**	**(10)**	**345,741**
Dividends from surplus			**(3,143)**		**(3,143)**
Profit attributable to owners of parent			**26,815**		**26,815**
Change in ownership interest of parent due to transactions with non-controlling interests		**(4,192)**			**(4,192)**
Change in scope of consolidation			**(7)**		**(7)**
Purchase of treasury shares				**(0)**	**(0)**
Transfer from retained earnings to capital surplus		**4,035**	**(4,035)**		**—**
Net changes in items other than shareholders' equity					
Total changes during period	**—**	**(157)**	**19,628**	**(0)**	**19,470**
Balance as of March 31, 2020	**¥14,288**	**¥ —**	**¥350,934**	**¥(11)**	**¥365,212**

Millions of yen

	Accumulated other comprehensive income						
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance as of April 1, 2018	¥86,667	¥ 3	¥5,149	¥1,152	¥92,973	¥34,140	¥459,255
Dividends from surplus							(1,143)
Profit attributable to owners of parent							14,770
Change in ownership interest of parent due to transactions with non-controlling interests							(26)
Purchase of treasury shares							(0)
Net changes in items other than shareholders' equity	(20,370)	(5)	(1,810)	(38)	(22,225)	(472)	(22,698)
Total changes during period	(20,370)	(5)	(1,810)	(38)	(22,225)	(472)	(9,098)
Balance as of April 1, 2019	**66,296**	**(2)**	**3,338**	**1,114**	**70,747**	**33,668**	**450,156**
Dividends from surplus							**(3,143)**
Profit attributable to owners of parent							**26,815**
Change in ownership interest of parent due to transactions with non-controlling interests							**(4,192)**
Change in scope of consolidation							**(7)**
Purchase of treasury shares							**(0)**
Transfer from retained earnings to capital surplus							**—**
Net changes in items other than shareholders' equity	**(33,235)**	**184**	**156**	**(357)**	**(33,252)**	**3,782**	**(29,470)**
Total changes during period	**(33,235)**	**184**	**156**	**(357)**	**(33,252)**	**3,782**	**(9,999)**
Balance as of March 31, 2020	**¥33,061**	**¥181**	**¥3,494**	**¥ 756**	**¥37,494**	**¥37,450**	**¥440,157**

See notes to consolidated financial statements.

	Thousands of U.S. dollars (Note 1)				
	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of April 1, 2019	**$132,296**	**$ 1,453**	**$3,067,648**	**$ (92)**	**$3,201,305**
Dividends from surplus			**(29,101)**		**(29,101)**
Profit attributable to owners of parent			**248,287**		**248,287**
Change in ownership interest of parent due to transactions with non-controlling interests		**(38,814)**			**(38,814)**
Change in scope of consolidation			**(64)**		**(64)**
Purchase of treasury shares				**(0)**	**(0)**
Transfer from retained earnings to capital surplus		**37,361**	**(37,361)**		**—**
Net changes in items other than shareholders' equity					
Total changes during period	**—**	**(1,453)**	**181,740**	**(0)**	**180,277**
Balance as of March 31, 2020	**$132,296**	**$ —**	**$3,249,388**	**$(101)**	**$3,381,592**

	Thousands of U.S. dollars (Note 1)						
	Accumulated other comprehensive income						
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance as of April 1, 2019	**$613,851**	**$ (18)**	**$30,907**	**$10,314**	**$655,064**	**$311,740**	**$4,168,111**
Dividends from surplus							**(29,101)**
Profit attributable to owners of parent							**248,287**
Change in ownership interest of parent due to transactions with non-controlling interests							**(38,814)**
Change in scope of consolidation							**(64)**
Purchase of treasury shares							**(0)**
Transfer from retained earnings to capital surplus							**—**
Net changes in items other than shareholders' equity	**(307,731)**	**1,703**	**1,444**	**(3,305)**	**(307,888)**	**35,018**	**(272,870)**
Total changes during period	**(307,731)**	**1,703**	**1,444**	**(3,305)**	**(307,888)**	**35,018**	**(92,583)**
Balance as of March 31, 2020	**$306,120**	**$1,675**	**$32,351**	**$ 7,000**	**$347,166**	**$346,759**	**$4,075,527**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Japan Petroleum Exploration Co., Ltd. and Consolidated Subsidiaries
Year ended March 31, 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Cash flows from operating activities:			
Profit before income taxes	¥ 31,903	¥ 13,074	$ 295,398
Depreciation	25,190	23,296	233,240
Impairment loss	524	30	4,851
Loss on retirement of property, plant and equipment	136	74	1,259
Loss (gain) on valuation of short-term and long-term investment securities	—	4	—
Increase (decrease) in allowance for doubtful accounts	(4)	(4)	(37)
Decrease (increase) in retirement benefit asset	347	132	3,212
Increase (decrease) in retirement benefit liability	75	(43)	694
Increase (decrease) in provision for retirement benefits for directors (and other officers)	2	2	18
Increase (decrease) in allowance for overseas investment loss	(342)	(924)	(3,166)
Gain on reversal of asset retirement obligations	—	(3,293)	—
Interest and dividend income	(6,714)	(3,700)	(62,166)
Interest expenses	4,641	4,130	42,972
Foreign exchange losses (gains)	(2,986)	5,444	(27,648)
Loss (gain) on sales of short-term and long-term investment securities	(239)	(2)	(2,212)
Share of loss (profit) of entities accounted for using equity method	(11,960)	(12,550)	(110,740)
Recovery of recoverable accounts	41,040	11,118	380,000
Decrease (increase) in trade receivables	(6,695)	5,217	(61,990)
Decrease (increase) in inventories	(4,029)	(1,188)	(37,305)
Increase (decrease) in trade payables	3,831	(11,131)	35,472
Increase (decrease) in accrued consumption taxes	(668)	970	(6,185)
Other, net	(2,140)	8,443	(19,814)
Subtotal	71,914	39,101	665,870
Income taxes (paid) refund	(2,018)	(8,130)	(18,685)
Net cash provided by (used in) operating activities	69,895	30,970	647,175
Cash flows from investing activities:			
Payments into time deposits	(77,870)	(68,859)	(721,018)
Proceeds from withdrawal of time deposits	70,869	66,992	656,194
Purchase of securities	—	(30)	—
Proceeds from sales and redemption of securities	—	500	—
Purchase of property, plant and equipment	(7,566)	(12,955)	(70,055)
Proceeds from sales of property, plant and equipment	11	1,337	101
Purchase of intangible assets	(111)	(734)	(1,027)
Payments for asset retirement obligations	(78)	(221)	(722)
Purchase of investment securities	(373)	(52)	(3,453)
Proceeds from sales and redemption of investment securities	1,024	2	9,481
Payments of recoverable accounts	(30,226)	(25,107)	(279,870)
Loan advances	(26)	(26)	(240)
Collection of loans receivable	4,484	6,912	41,518
Interest and dividends received	18,820	16,126	174,259
Proceeds from dividends of residual property	5	21	46
Proceeds from capital reduction of investments	2,138	1,636	19,796
Proceeds from transfer of mining rights	—	543	—
Other, net	196	(56)	1,814
Net cash provided by (used in) investing activities	(18,701)	(13,969)	(173,157)
Cash flows from financing activities:			
Proceeds from short-term borrowings	49,918	2,939	462,203
Repayments of short-term borrowings	(48,615)	(7,877)	(450,138)
Repayments of long-term borrowings	(6,307)	(4,990)	(58,398)
Purchase of treasury shares	(0)	(0)	(0)
Dividends paid	(3,141)	(1,143)	(29,083)
Dividends paid to non-controlling interests	(516)	(183)	(4,777)
Interest paid	(4,729)	(3,865)	(43,787)
Repayments of lease obligations	(357)	(404)	(3,305)
Proceeds from share issuance to non-controlling shareholders	4	32	37
Net cash provided by (used in) financing activities	(13,743)	(15,493)	(127,250)
Effect of exchange rate change on cash and cash equivalents	175	(766)	1,620
Net increase (decrease) in cash and cash equivalents	37,625	740	348,379
Cash and cash equivalents at beginning of period	100,633	99,892	931,787
Cash and cash equivalents at end of period (Note 20)	¥138,259	¥100,633	$1,280,175

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Japan Petroleum Exploration Co., Ltd. and Consolidated Subsidiaries
Year ended March 31, 2020

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Japan Petroleum Exploration Co., Ltd. (the "Company") and its 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 ("IFRS").

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.

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 rounded down. 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 ¥108 = U.S. $1, the approximate rate of exchange at March 31, 2020, and were then rounded down to the nearest thousand. 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 and for the year ended March 31, 2020 include the accounts of the Company and its 19 (21 in 2019) significant 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 year ended March 31, 2020, 11 (11 in 2019) 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 were applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

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

The accounts of certain consolidated subsidiaries with a fiscal year-end of December 31 are consolidated on the basis of their fiscal year-end. The necessary adjustments have been made to the consolidated financial statements for any significant transactions that took place between the day following their balance sheet date and the consolidated balance sheet date.

Entities accounted for using the equity method whose fiscal year-ends are different than that of the Company are accounted for on the basis of the entities' 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 consolidated balance sheet dates.

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

The revenue and expense accounts as well as balance sheet accounts of the foreign consolidated subsidiaries are translated into yen at the exchange rates in effect at their balance sheet dates, except for the components of net assets excluding non-controlling interests. The components of net assets excluding non-controlling interests are translated into yen at their historical exchange rates.

Differences arising from the translation are presented as foreign currency translation adjustments and non-controlling interests in the accompanying consolidated financial statements.

(3) Cash and cash equivalents

In preparing the consolidated statements of cash flows, the Company considers cash on hand, readily available deposits and highly liquid short-term investments with maturities of three months or less when purchased that are exposed to an insignificant risk of changes in value to be cash and cash equivalents.

(4) 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 based on market value at the balance sheet date, and unrealized gains and losses, net of applicable income taxes, are reported as a separate component of net assets. Cost of securities sold is computed based on the moving average method. Available-for-sale securities without a determinable market value are stated at the moving average cost.

(5) Inventories

Merchandise and finished goods are mainly stated at the lower of cost, determined by the first-in, first-out method, or net realizable value. Raw materials and supplies are mainly stated at the lower of cost, determined by the moving average method, or net realizable value.

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

Buildings (excluding attached facilities) acquired on or after April 1, 1998 and facilities attached to buildings and structures of certain domestic consolidated subsidiaries acquired on or after April 1, 2016 as well as the Sendai pipelines, the Shiroishi-Koriyama gas pipelines, Soma-Iwanuma gas pipelines, assets of the Hokkaido District Office and Soma District Office of the Company and property, plant and equipment held by three domestic consolidated subsidiaries are depreciated by the straight-line method.

Property, plant and equipment held by three foreign consolidated subsidiaries are depreciated by the unit of production method.

Other property, plant and equipment (excluding leased assets) are depreciated by the declining-balance 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 22 years

(7) Intangible assets (excluding leased assets)

Intangible assets are amortized by the straight-line method.

Capitalized computer software costs are amortized by the straight-line method over a period of five years, and those of one foreign consolidated subsidiary are mainly amortized by the unit of production method.

(8) Share issuance costs and development expenses

Share issuance costs and development expenses are charged to income when incurred.

(9) Leased assets

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

(10) Impairment on non-current assets

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

The impairment loss is measured as the amount by which the carrying amount of the asset or asset group exceeds its net realizable value, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling value at balance sheet date.

(11) Provision for retirement benefits for directors (and other officers)

Consolidated subsidiaries recognize provision for retirement benefits for directors and other officers at the amount required according to the internal regulations at the end of the fiscal year.

(12) Allowance for doubtful accounts

The allowance for doubtful accounts is stated at the 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.

(13) Provision for bonuses for directors (and other officers)

The provision for bonuses for directors and other officers is stated at the estimated amount of payment at the end of the fiscal year.

(14) Allowance for overseas investment loss

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

(15) Asset retirement obligations

Asset retirement obligations recognized by the Group are determined based on the estimated costs of decommissioning oil and natural gas wells and production facilities in accordance with laws, land lease contracts, etc. for wells and production facilities in Japan and overseas, and the appropriate discount rates.

(16) Retirement benefits

(a) Method of attributing expected benefit to periods

The retirement benefit obligations for employees are attributed to each period by the benefit formula method over the estimated years of service of the eligible employees.

(b) Accounting treatment of actuarial gains and losses and prior service costs

Prior service costs are amortized by the straight-line method over a certain period (10 years), which is shorter than the average remaining years of service of the employees.

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

(c) Application of simplified method for smaller enterprises

Certain consolidated subsidiaries apply the simplified method for calculating retirement benefit expenses and liabilities based on the assumption that the benefit payable, which are calculated as if all eligible employees voluntarily terminated their employment at fiscal year end, approximates the retirement benefit obligation at year end.

(17) Hedge accounting

Deferral hedge accounting is adopted for hedge transactions. Foreign exchange forward contracts are accounted for by the allocation method if the foreign exchange forward contracts meet certain criteria to adopt the method.

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

Hedging instruments:	Foreign exchange forward contracts and crude oil swaps
Hedged items:	Accounts receivable—trade, accounts payable—trade and accounts payable—other

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.

(18) Recognition of revenue and costs of construction contracts

The Group applies the percentage-of-completion method (the cost-comparison method is used to estimate the progress of the construction activity) for construction contracts, if the outcome of the construction activity is deemed certain at the end of the fiscal year. For contracts where the outcome of activity is uncertain, the completed-contract method is applied.

(19) Research and development expenses

Research and development expenses are charged to income when incurred.

(20) Income taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts for income tax purposes. Deferred tax assets and liabilities are measured using enacted tax rates expected to be applied to taxable income in the years in which the temporary differences are expected to be settled or realized. The effect of deferred tax assets and liabilities due to change in tax rate is recognized in the statement of income for the period including the enacted date.

(21) Accounting standards issued but not yet effective

- "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan ("ASBJ") Statement No. 29, revised on March 31, 2020)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, revised on March 31, 2020)
- "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, revised on March 31, 2020)

(a) Overview

International Accounting Standards Board ("IASB") and Financial Accounting Standards Board of the United States of America ("FASB") jointly developed a comprehensive accounting standard for revenue recognition and issued "Revenue from Contracts with Customers" (IFRS No. 15 issued by IASB and Topic 606 issued by FASB) in May 2014. Considering the situation that IFRS No. 15 has become applicable from the fiscal year beginning on and after January 1, 2018 and Topic 606 from the fiscal year beginning after December 15, 2017, ASBJ developed a comprehensive accounting standard for revenue recognition and issued it together with implementation guidance.

ASBJ's basic policy in developing the accounting standard for revenue recognition was to establish accounting standards as a starting point to adopt basic principles of IFRS No. 15 from the viewpoint of comparability of financial statements which is one of benefits of maintaining consistency with IFRS No. 15, and to add alternative treatments to the extent not to impair comparability in case where previous practice and others in Japan should be considered.

Date of application

The "Accounting Standard for Revenue Recognition," etc. are applied effective from the beginning of the fiscal year ending March 31, 2022.

Effect of application

The effect of applying the "Accounting Standard for Revenue Recognition," etc. on the consolidated financial statements is currently under assessment.

- "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, issued on July 4, 2019)
- "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, revised on July 4, 2019)
- "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, revised on July 4, 2019)
- "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, issued on July 4, 2019)
- "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, revised on March 31, 2020)

(b) Overview

The ASBJ promoted an initiative to enhance comparability of the requirements between the Japanese accounting standards and international accounting standards, primarily in the areas of guidance on the fair values of financial instruments and their disclosures, and issued "Accounting Standard for Fair Value Measurement," etc., considering the circumstance where the IASB and the FASB have prescribed almost the similar detailed guidance (IFRS 13 "Fair Value Measurement" issued by IASB and Accounting Standards Codification Topic 820 "Fair Value Measurement" issued by FASB).

The ASBJ's fundamental policies adopted for developing the "Accounting Standard for Fair Value Measurement," etc. are, in principle, to implement all the requirements of IFRS 13 from the viewpoint of enhancing the comparability of the financial statements of domestic and overseas companies by prescribing unified measurement methods, and also to prescribe exceptional treatments for individual matters so that comparability would not be impaired while the accounting practices that have conventionally been adopted in Japan are taken into account.

Date of application

The "Accounting Standard for Fair Value Measurement," etc. are applied effective from the beginning of the fiscal year ending March 31, 2022.

Effect of application

The effect of applying the "Accounting Standard for Fair Value Measurement," etc. on the consolidated financial statements is currently undetermined.

- "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, issued on March 31, 2020)

(c) Overview
The ASBJ developed and issued "Accounting Standard for Disclosure of Accounting Estimates" considering the circumstance where the ASBJ received comments requesting consideration for notes disclosure requirement regarding sources of estimation uncertainty in the Japanese accounting standards since disclosure of such information is required by Paragraph 125 of IAS 1 "Presentation of Financial Statements" ("IAS 1") issued by the IASB in 2003 and is highly useful for users of financial statements.

The ASBJ's fundamental policies adopted for developing the "Accounting Standard for Disclosure of Accounting Estimates" are, in principle, to make reference to the requirements of Paragraph 125 of IAS 1 by presenting principles (disclosure objectives), not enhancing existing notes disclosures, and requiring each entity to determine specific contents of disclosure along with the disclosure objectives.

Date of application
The "Accounting Standard for Disclosure of Accounting Estimates" is applied effective from the end of the fiscal year ending March 31, 2021.

- "Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections" (ASBJ Statement No. 24, revised on March 31, 2020)

(d) Overview
The ASBJ made required revisions and issued the revised "Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections" considering the circumstance where the ASBJ received proposals for consideration of enhancement of notes disclosure information on "accounting policies and procedures adopted when requirements under the relating accounting standards are not clearly defined."

When enhancing notes disclosure on "accounting policies and procedures adopted when requirements under the relating accounting standards are not clearly defined," note 1-2 of the Business Accounting Principles should be followed to avoid affecting accounting practices when requirements under the relating accounting standards are clearly defined.

Date of application
The "Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections" is applied effective from the end of the fiscal year ending March 31, 2021.

(22) Additional information
Financial covenants
A part of loans from financial institutions of JAPEX Montney Ltd., a consolidated subsidiary of the Company, amounting to ¥29,690 million ($274,907 thousand) includes certain financial covenants clauses. JAPEX Montney Ltd. has been breaching the financial covenants clauses as it has been in a state of insolvency. However, creditor financial institutions have agreed to suspend execution of their rights in relation to the forfeiture of the benefit of time until March 2021.

Accounting estimates in connection with the spread of COVID-19 infection
The spread of COVID-19 infection is still expanding at March 31, 2020 and domestic and overseas economic activities have been considerably stagnant due to restriction on movement including stay-at-home request and others. The business activities of the Group have also been affected to a certain degree, such as suspension of the development and production operations in the Garraf Oil Field in the south of the Republic of Iraq as explained in Note. 23 Subsequent Events.

The effect of COVID-19 infection on business activities of the Group is considered to be short-term and the situation will recover gradually in the fiscal year ending March 31, 2021 and thereafter although degree of its spread and timing of its cessation is uncertain and difficult to determine. The effect is assumed to be limited although sales volume of crude oil, natural gas, diluted bitumen, electricity and others may temporarily decline. The CIF price of crude oil is expected to recover gradually to $40 per barrel during the year ending March 31, 2021 and to the price level before the spread of COVID-19 infection thereafter.

The accounting estimates on impairment of non-current assets and recoverability of deferred tax assets are highly uncertain if there are changes in assumptions including period for recovery in economy and effect of COVID-19 infection is prolonged. There is a possibility to recognize impairment losses on non-current assets or a write-down of deferred tax assets recorded on the consolidated balance sheet if revenue and cash flows are expected to decrease further due to decline in the sales prices and the sales volume as these items are largely dependent on estimates of future revenues and cash flows generated from the primary business activities of the Group.

3. Inventories

The amount of book value reduced due to a decline in profitability which is included in cost of sales for the years ended March 31, 2020 and 2019 are ¥566 million ($5,240 thousand) and ¥2,033 million, respectively.

4. Securities and Investment Securities

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

(1) Information of available-for-sale securities as of March 31, 2020 and 2019 is as follows:

	Millions of yen			Thousands of U.S. dollars		
March 31, 2020	Carrying value	Acquisition cost	Unrealized gain (loss)	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:						
Equity securities	¥68,709	¥23,220	¥45,489	$636,194	$215,000	$421,194
Debt securities:						
Corporate bonds	—	—	—	—	—	—
Other debt securities	—	—	—	—	—	—
Other	—	—	—	—	—	—
Subtotal	68,709	23,220	45,489	636,194	215,000	421,194
Securities whose carrying value does not exceed their acquisition cost:						
Equity securities	11	11	(0)	101	101	(0)
Debt securities:						
Corporate bonds	59	60	(0)	546	555	(0)
Other debt securities	—	—	—	—	—	—
Other	4,000	4,000	—	37,037	37,037	—
Subtotal	4,071	4,071	(0)	37,694	37,694	(0)
Total	¥72,781	¥27,292	¥45,488	$673,898	$252,703	$421,185

	Millions of yen		
March 31, 2019	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Equity securities	¥114,340	¥22,552	¥91,787
Debt securities:			
Corporate bonds	30	30	0
Other debt securities	—	—	—
Other	—	—	—
Subtotal	114,370	22,582	91,787
Securities whose carrying value does not exceed their acquisition cost:			
Equity securities	1,326	1,464	(137)
Debt securities:			
Corporate bonds	—	—	—
Other debt securities	—	—	—
Other	2,300	2,300	—
Subtotal	3,626	3,764	(137)
Total	¥117,997	¥26,346	¥91,650

Unlisted equity securities, carrying values of which as of March 31, 2020 and 2019 were ¥2,023 million ($18,731 thousand) and ¥1,830 million, respectively, are not included in the above tables as no quoted market prices were available and it was extremely difficult to determine the fair value.

(2) Information on sales of securities classified as available-for-sale for the years ended March 31, 2020 and 2019 is as follows:

	Millions of yen			Thousands of U.S. dollars		
March 31, 2020	Sales amount	Aggregate gain	Aggregate loss	Sales amount	Aggregate gain	Aggregate loss
Available-for-sale securities:						
Equity securities	**¥1,024**	**¥240**	**¥1**	**$9,481**	**$2,222**	**$9**
Debt securities:						
Corporate bonds	**—**	**—**	**—**	**—**	**—**	**—**
Other debt securities	**—**	**—**	**—**	**—**	**—**	**—**
Other	**—**	**—**	**—**	**—**	**—**	**—**
Total	**¥1,024**	**¥240**	**¥1**	**$9,481**	**$2,222**	**$9**

	Millions of yen		
March 31, 2019	Sales amount	Aggregate gain	Aggregate loss
Available-for-sale securities:			
Equity securities	¥—	¥—	¥—
Debt securities:			
Corporate bonds	—	—	—
Other debt securities	—	—	—
Other	—	—	—
Total	¥—	¥—	¥—

(3) During the year ended March 31, 2020, the Group recorded no loss on valuation of securities. During the year ended March 31, 2019, the Group recorded losses on valuation of securities in the amount of ¥4 million (loss on valuation of available-for-sale securities whose fair value is extremely difficult to determine). However, allowance for overseas investment loss was recorded, and there was no impact on profit and loss during the year ended March 31, 2019. In addition, if the market value of the security declines by 50% or more from its acquisition cost as of the end of the fiscal year, the Group recognizes the difference between the market value and the acquisition cost as an impairment loss. If the decline ranges between about 30% and 50%, the Group recognizes an impairment loss for the necessary amount considering its recoverability.

(4) Investments in unconsolidated subsidiaries and affiliates at March 31, 2020 and 2019 were ¥18,117 million ($167,750 thousand) and ¥20,297 million, respectively.

(5) As of March 31, 2020 and 2019, investment securities of ¥624 million ($5,777 thousand) and ¥503 million were pledged as collateral for loans payable of subsidiaries and affiliates.

5. Reduction Entry for Property, Plant and Equipment

The amount deducted from the acquisition costs of property, plant and equipment due to government subsidies received, etc. as of March 31, 2020 and 2019 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Buildings and structures	**¥ 42**	¥ 73	**$ 388**
Machinery, equipment and vehicles	**4,841**	4,892	**44,824**
Other	**198**	198	**1,833**

6. Long-term Borrowings and Lease Obligations

Long-term borrowings at March 31, 2020 and 2019 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Loans from banks and others			
Unsecured	**¥125,607**	¥134,115	**$1,163,027**
	125,607	134,115	**1,163,027**
Less—current portion	**(6,833)**	(6,399)	**(63,268)**
	¥118,774	¥127,715	**$1,099,759**

As of March 31, 2020, the weighted-average interest rate for the long-term borrowings balance was 2.84%.

The aggregate annual maturities of long-term borrowings subsequent to March 31, 2020 are as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2021	**¥ 6,833**	**$ 63,268**
2022	**12,731**	**117,879**
2023	**12,731**	**117,879**
2024	**12,731**	**117,879**
2025	**12,721**	**117,787**
2026 and thereafter	**68,258**	**632,018**
Total	**¥126,009**	**$1,166,750**

The Company and certain consolidated subsidiaries have entered into overdraft agreements and loan commitment agreements amounting to ¥143,419 million ($1,327,953 thousand) with six banks and ¥151,652 million with six banks at March 31, 2020 and 2019, respectively, to facilitate efficient procurement of working capital. The borrowings outstanding under the overdraft agreements and loan commitment agreements as of March 31, 2020 and 2019 were ¥62,558 million ($579,240 thousand) and ¥63,381 million, respectively; therefore, the unused balance was ¥80,860 million ($748,703 thousand) and ¥88,271 million as of March 31, 2020 and 2019, respectively.

Lease obligations included in other in non-current liabilities at March 31, 2020 and 2019 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Lease obligations	**¥2,209**	¥2,519	**$20,453**
Less—current portion	**(321)**	(348)	**(2,972)**
	¥1,888	¥2,171	**$17,481**

The aggregate annual maturities of lease obligations subsequent to March 31, 2020 are as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2021	**¥ 321**	**$ 2,972**
2022	**255**	**2,361**
2023	**208**	**1,925**
2024	**184**	**1,703**
2025	**177**	**1,638**
2026 and thereafter	**1,063**	**9,842**
Total	**¥2,209**	**$20,453**

7. Income Taxes

Income taxes imposed on the Company and its domestic consolidated subsidiaries comprise corporation, inhabitants and enterprise taxes. The statutory tax rate applicable to the Company was approximately 28.0% for the years ended March 31, 2020 and 2019. Income taxes of five foreign consolidated subsidiaries (six in 2019) 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, 2020 and 2019 differ from the statutory tax rates for the following reasons:

	2020	2019
Statutory tax rates	**28.0 %**	28.0 %
Effect of:		
Unrecognized tax effect accounting on net tax loss carried forward of consolidated subsidiaries	**3.1**	25.4
Exploration expenses deducted for income tax purposes	**(0.8)**	(2.6)
Dividends income, etc. not taxable for income tax purposes	**(5.1)**	(3.3)
Utilization of tax loss carried forward	**—**	(11.0)
Expenses not deductible for income tax purposes	**0.2**	11.2
Consolidation adjustment for equity method	**(5.7)**	(15.5)
Change in valuation allowance	**(7.6)**	37.8
Foreign tax	**—**	(20.3)
Tax rate difference with consolidated subsidiaries	**(1.7)**	(2.9)
Tax system differences for foreign consolidated subsidiaries	**(0.3)**	(2.5)
Consolidation adjustment	**2.5**	(9.0)
Tax credits	**—**	(46.5)
Other, net	**2.4**	1.6
Effective tax rates	**15.0%**	(9.6)%

The significant components of deferred tax assets and liabilities at March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Deferred tax assets:			
Allowance for overseas investment loss	¥ 200	¥ 296	$ 1,851
Net tax loss carried forward (Note)	12,238	11,563	113,314
Retirement benefit liability	1,032	1,008	9,555
Depreciation	26,856	25,559	248,666
Payable for retirement benefits for directors and other officers	64	69	592
Asset retirement obligations	4,197	4,285	38,861
Impairment loss on non-current assets	907	894	8,398
Investment securities	1,318	1,454	12,203
Tax credit carried forward	6,139	6,795	56,842
Other	6,651	8,832	61,583
Subtotal	59,605	60,760	551,898
Valuation allowance for net tax loss carried forward (Note)	(5,846)	(5,184)	(54,129)
Valuation allowance for total of deductible temporary differences	(33,069)	(36,399)	(306,194)
Total valuation allowance	(38,916)	(41,584)	(360,333)
Total deferred tax assets	20,689	19,176	191,564
Deferred tax liabilities:			
Reserve for exploration	(5,398)	(5,752)	(49,981)
Valuation difference on available-for-sale securities	(12,431)	(25,355)	(115,101)
Reserve for advanced depreciation of non-current assets	(221)	(230)	(2,046)
Undistributed earnings of foreign subsidiaries and affiliates	(437)	(375)	(4,046)
Reserve for special depreciation	(56)	(84)	(518)
Retirement benefit asset	(272)	(369)	(2,518)
Depreciation of foreign subsidiaries	(2,550)	—	(23,611)
Other	(1,197)	(1,626)	(11,083)
Total deferred tax liabilities	(22,564)	(33,793)	(208,925)
Net deferred tax liabilities	¥ (1,875)	¥(14,617)	$ (17,361)

(Note) Net tax loss carried forward and breakdown of deferred tax assets thereof by expiration dates

Millions of yen

March 31, 2020	Expire in one year or less	Expire after one year through five years	Expire after five years through ten years	Expire after ten years/No expiration date	Total (*2)
Net tax loss carried forward (*1)	¥51	¥311	¥796	¥11,078	¥12,238
Valuation allowance	(51)	(254)	(781)	(4,759)	(5,846)
Deferred tax assets	¥—	¥ 57	¥ 15	¥ 6,318	¥ 6,391

Millions of yen

March 31, 2019	Expire in one year or less	Expire after one year through five years	Expire after five years through ten years	Expire after ten years	Total (*2)
Net tax loss carried forward (*1)	¥47	¥248	¥933	¥10,334	¥11,563
Valuation allowance	(47)	(248)	(809)	(4,079)	(5,184)
Deferred tax assets	¥—	¥ —	¥124	¥ 6,254	¥ 6,378

Thousands of U.S. dollars

March 31, 2020	Expire in one year or less	Expire after one year through five years	Expire after five years through ten years	Expire after ten years/No expiration date	Total (*2)
Net tax loss carried forward (*1)	$472	$2,879	$7,370	$102,574	$113,314
Valuation allowance	(472)	(2,351)	(7,231)	(44,064)	(54,129)
Deferred tax assets	$ —	$ 527	$ 138	$ 58,500	$ 59,175

(*1) Net tax loss carried forward is calculated using the statutory tax rate.

(*2) Deferred tax assets of ¥6,391 million ($59,175 thousand) and ¥6,378 million are recognized for net tax loss carried forward of ¥12,238 million ($113,314 thousand) and ¥11,563 million (calculated using statutory tax rate) for the years ended in March 31, 2020 and 2019, respectively. Valuation allowance has not been recognized for the net tax loss carried forward which is expected to be recoverable from the estimated taxable income in the future.

8. Retirement Benefit Plans

(1) Overview of retirement benefit plans

The Company and its domestic consolidated subsidiaries have defined benefit plans, i.e., defined benefit corporate pension plans and lump-sum payment plans. The plans cover substantially all employees, and the amounts to be paid are determined by their respective basic rates of pay at retirement, length of service, and termination reasons. Certain domestic consolidated subsidiaries participate in the Smaller Enterprise Retirement Allowance Mutual Aid System and calculate retirement benefit liability and retirement benefit expenses using the simplified method.

(2) Defined benefit plans

(a) The reconciliation between retirement benefit obligations at the beginning of period and the end of period (excluding plans applying the simplified method shown in (c)) is as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Retirement benefit obligations at beginning of period	**¥16,009**	¥16,226	**$148,231**
Service costs	**940**	949	**8,703**
Interest costs	**139**	141	**1,287**
Actuarial gains and losses	**(426)**	(14)	**(3,944)**
Retirement benefits paid	**(1,116)**	(1,293)	**(10,333)**
Retirement benefit obligations at end of period	**¥15,546**	¥16,009	**$143,944**

(b) The reconciliation between plan assets at the beginning of period and the end of period (excluding plans applying the simplified method shown in (c)) is as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Plan assets at beginning of period	**¥14,861**	¥15,144	**$137,601**
Expected return on plan assets	**148**	151	**1,370**
Actuarial gains and losses	**(635)**	(27)	**(5,879)**
Contribution from employer	**473**	496	**4,379**
Retirement benefits paid	**(813)**	(903)	**(7,527)**
Plan assets at end of period	**¥14,035**	¥14,861	**$129,953**

(c) The reconciliation between retirement benefit liabilities of plans applying the simplified method at the beginning of period and the end of period is as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Retirement benefit liability at beginning of period	**¥ 986**	¥962	**$9,129**
Retirement benefit expenses	**215**	229	**1,990**
Retirement benefits paid	**(72)**	(128)	**(666)**
Contribution to plans	**(83)**	(77)	**(768)**
Retirement benefit liability at end of period	**¥1,045**	¥986	**$9,675**

(d) The reconciliation between retirement benefit obligations and plan assets at the end of period and retirement benefit liability and retirement benefit asset on the consolidated balance sheets is as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Funded retirement benefit obligations	¥13,063	¥13,542	$120,953
Plan assets	(14,035)	(14,861)	(129,953)
	(971)	(1,319)	(8,990)
Unfunded retirement benefit obligations	3,528	3,452	32,666
Net retirement benefit liability (asset) on consolidated balance sheet	2,557	2,133	23,675
Retirement benefit liability	3,528	3,452	32,666
Retirement benefit asset	(971)	(1,319)	(8,990)
Net retirement benefit liability (asset) on consolidated balance sheet	¥ 2,557	¥ 2,133	$ 23,675

(e) The breakdown of retirement benefit expenses is as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Service costs	¥940	¥ 949	$8,703
Interest costs	139	141	1,287
Expected return on plan assets	(148)	(151)	(1,370)
Amortization of actuarial gains and losses	(184)	62	(1,703)
Amortization of prior service costs	(103)	(103)	(953)
Retirement benefit expenses calculated by simplified method	215	229	1,990
Retirement benefit expenses on defined benefit plans	¥858	¥1,127	$7,944

(f) Remeasurements of defined benefit plans recorded under other comprehensive income
The breakdown of items recorded in remeasurements of defined benefit plans, before tax, recorded under other comprehensive income is as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Prior service costs	¥(103)	¥(103)	$ (953)
Actuarial gains and losses	(393)	50	(3,638)
Total	¥(496)	¥ (53)	$(4,592)

(g) Remeasurements of defined benefit plans recorded under accumulated other comprehensive income
The breakdown of items recorded in remeasurements of defined benefit plans, before tax effect, recorded under accumulated other comprehensive income is as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Unrecognized prior service costs	¥ 82	¥ 185	$ 759
Unrecognized actuarial gains and losses	968	1,361	8,962
Total	¥1,050	¥1,547	$9,722

(h) Plan assets

(i) Breakdown of plan assets

The percentage of various assets to total plan assets by main category is as follows:

	2020	2019
Debt securities	**56%**	55%
Equity securities	**31%**	33%
Cash and deposits	**4%**	3%
Other	**9%**	9%
Total	**100%**	100%

(ii) Determination of long-term expected rate of return

In order to determine the long-term expected rate of return on plan assets, the Group considers the current and expected allocation of plan assets and the current and expected long-term rate of return from various assets constituting plan assets.

(i) Actuarial assumptions

The main actuarial assumptions for the years ended March 31, 2020 and 2019 (weighted averages) are as follows:

	2020	2019
Discount rate	**0.9%**	0.9%
Long-term expected rate of return	**1.0%**	1.0%

9. Shareholders' Equity

The Companies Act of Japan provides that an amount equal to at least 10% of the amount to be disbursed as distributions 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 share capital account.

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

10. Leases

Operating leases

Future minimum lease payments under non-cancelable operating leases subsequent to March 31, 2020 are as follows:

(Lessee)

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2021	**¥108**	**$1,000**
2022 and thereafter	**175**	**1,620**
Total	**¥284**	**$2,629**

11. Financial Instruments

(1) Overview

(a) Policy for measures relating to financial instruments

The Group's policy is to obtain operating funds ensuring funding liquidity and controlling risks. The Group raises necessary funds through funds on hand and bank loans. Domestic capital investment is financed by commercial banks, and overseas business investment is financed by Japan Bank for International Cooperation and other commercial banks. The Group does not enter into derivative transactions for trading or speculative purposes but uses them to hedge the undermentioned risks.

(b) Descriptions 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 works to prevent bad debts by monitoring credit conditions, etc. of customers on a timely basis in accordance with internal credit management rules.

Securities and investment securities mainly consist of equity securities of partner companies, and for those exposed to market fluctuation risk, fair value evaluation is reported to the directors on a regular basis in accordance with the internal regulations. Investment securities mainly consist of equity securities of INPEX CORPORATION recorded at ¥65,076 million ($602,555 thousand) and ¥112,825 million as of March 31, 2020 and 2019, the proportions of which to investment securities are 73.2% and 81.9%, respectively.

Loans receivable are mainly loans to our subsidiaries and affiliates for their operating capital and are exposed to credit risk and foreign currency fluctuation risk. The Group manages the credit risk appropriately by monitoring the collection status of the loans receivable. The Group reduces the foreign currency fluctuation risk mainly by being financed for the loans receivable by bank loans denominated in the same foreign currency.

Notes and accounts payable—trade and accounts payable—other are due within one year. Accounts payable—trade and others relating to LNG are exposed to foreign currency fluctuation risk, and the risk is hedged mainly by foreign exchange forward contracts.

Loans payable are mainly for domestic capital investment and overseas business investment. Floating interest rate loans are exposed to interest rate and foreign currency fluctuation risks, and the Group reduces the risks by providing the funds from the loans to our subsidiaries and affiliates as loans with the corresponding floating rate and in the same currency.

In addition, foreign currencies to provide for overseas business investment are exposed to foreign currency fluctuation risk. The Group reduces such risk by utilizing foreign exchange forward contracts.

The Group utilizes foreign exchange forward contracts as mentioned above. Implementation and management of derivative transactions are based on the internal regulations which prescribe the authorization and maximum upper limit of the transactions, and the department responsible for derivative transactions executes transactions after obtaining approval from the person responsible for authorization. The Group enters into transactions only with creditworthy financial institutions to reduce the counterparty risk.

Liquidity risk associated with financing is managed mainly by preparing monthly financial 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 reasonably calculated when market prices do not exist. As the calculation of those values includes variable factors, those values may vary if different assumptions are applied.

Also, for the contract amount, etc. regarding derivative transactions described in Note 12. Derivative Transactions, the contract amount itself does not indicate market risk related to derivative transactions.

(2) Fair value of financial instruments

Carrying value in the consolidated balance sheets, fair value and the difference as of March 31, 2020 and 2019 are as follows. The financial instruments whose fair value is extremely difficult to determine are not included below.

			Millions of yen
March 31, 2020	Carrying value	Fair value	Difference
Cash and deposits	**¥160,077**	**¥160,078**	**¥ 1**
Notes and accounts receivable—trade	**27,510**	**27,510**	**—**
Short-term loans receivable	**19**	**19**	**—**
Securities and investment securities	**72,781**	**72,786**	**5**
Long-term loans receivable	**43**	**43**	**—**
Total assets	**¥260,432**	**¥260,438**	**¥ 6**
Notes and accounts payable—trade	**¥ 12,237**	**¥ 12,237**	**¥—**
Long-term borrowings	**118,774**	**118,774**	**—**
Total liabilities	**¥131,011**	**¥131,011**	**¥—**
Derivative transactions (*)	**¥282**	**¥282**	**¥—**

			Millions of yen
March 31, 2019	Carrying value	Fair value	Difference
Cash and deposits	¥117,468	¥117,469	¥ 1
Notes and accounts receivable—trade	20,825	20,825	—
Short-term loans receivable	4,575	4,575	—
Securities and investment securities	117,997	118,005	8
Long-term loans receivable	42	42	—
Total assets	¥260,908	¥260,918	¥10
Notes and accounts payable—trade	¥ 7,666	¥ 7,666	¥—
Long-term borrowings	127,715	127,715	0
Total liabilities	¥135,382	¥135,382	¥ 0
Derivative transactions (*)	¥ (3)	¥ (3)	¥—

			Thousands of U.S. dollars
March 31, 2020	Carrying value	Fair value	Difference
Cash and deposits	**$1,482,194**	**$1,482,203**	**$ 9**
Notes and accounts receivable—trade	**254,722**	**254,722**	**—**
Short-term loans receivable	**175**	**175**	**—**
Securities and investment securities	**673,898**	**673,944**	**46**
Long-term loans receivable	**398**	**398**	**—**
Total assets	**$2,411,407**	**$2,411,462**	**$56**
Notes and accounts payable—trade	**$ 113,305**	**$ 113,305**	**$—**
Long-term borrowings	**1,099,759**	**1,099,759**	**—**
Total liabilities	**$1,213,064**	**$1,213,064**	**$—**
Derivative transactions (*)	**$ 2,611**	**$ 2,611**	**$—**

(*) Net assets and liabilities arising from derivative transactions are presented on a net basis, and the liability position is shown in parenthesis.

Note 1. **Calculation method for fair value of financial instruments and information on securities and derivative transactions**

Assets

• Cash and deposits

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

• 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.

• Securities and investment securities

The fair value of equity securities is based on the price on stock exchanges, and that of debt securities is based on the price on bond markets or provided by counterparty financial institutions. The fair value of investment trusts is based on the constant value or price provided by counterparty financial institutions. Please refer to Note 4. Securities and Investment Securities, for matters relating to 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 rates since these loans reflect the market interest rates in a short period of time and the carrying value approximates the fair value unless the credit condition has changed dramatically since the loans were executed.

Liabilities

• Notes and accounts payable—trade

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

• Long-term borrowings

With regard to floating rate loans, the carrying value is deemed as the fair value since these loans reflect the market interest rates in a short period of time and the credit condition of the Company has not changed dramatically since the loans were executed. For fixed rate loans, the present value is calculated by discounting the total amount of principal and interest for each segment based on the term, using a loan interest rate which is assumed to be applied to a similar loan.

Derivative transactions

Please refer to Note 12. Derivative Transactions.

Note 2. **Financial instruments whose fair value is extremely difficult to determine**

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Carrying value:			
Unlisted equity securities	**¥20,141**	¥22,127	**$186,490**

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

(3) Redemption schedule for monetary claims and securities with maturities

	Millions of yen			
March 31, 2020	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	¥160,075	¥—	¥—	¥—
Notes and accounts receivable—trade	27,510	—	—	—
Short-term loans receivable	19	—	—	—
Securities and investment securities:				
Available-for-sale securities with maturities:				
Equity securities	—	—	—	—
Debt securities (Corporate bonds)	—	60	—	—
Other	—	—	—	—
Long-term loans receivable	—	37	5	—
Total	¥187,606	¥97	¥ 5	¥—

March 31, 2019	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
Cash and deposits	¥117,467	¥ —	¥—	¥—
Notes and accounts receivable—trade	20,825	—	—	—
Short-term loans receivable	4,575	—	—	—
Securities and investment securities:				
Available-for-sale securities with maturities:				
Equity securities	—	—	—	—
Debt securities (Corporate bonds)	30	—	—	—
Other	—	—	—	—
Long-term loans receivable	—	38	3	—
Total	¥142,897	¥38	¥ 3	¥—

March 31, 2020	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	**$1,482,194**	**$ —**	**$—**	**$—**
Notes and accounts receivable—trade	**254,722**	**—**	**—**	**—**
Short-term loans receivable	**175**	**—**	**—**	**—**
Securities and investment securities:				
Available-for-sale securities with maturities:				
Equity securities	**—**	**—**	**—**	**—**
Debt securities (Corporate bonds)	**—**	**555**	**—**	**—**
Other	**—**	**—**	**—**	**—**
Long-term loans receivable	**—**	**342**	**46**	**—**
Total	**$1,737,092**	**$898**	**$46**	**$—**

(4) Scheduled maturities of long-term borrowings

March 31, 2020	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 borrowings	**¥—**	**¥50,917**	**¥62,359**	**¥5,898**
Total	**¥—**	**¥50,917**	**¥62,359**	**¥5,898**

March 31, 2019	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 borrowings	¥—	¥45,762	¥63,687	¥18,715
Total	¥—	¥45,762	¥63,687	¥18,715

March 31, 2020	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 borrowings	**$—**	**$471,453**	**$577,398**	**$54,611**
Total	**$—**	**$471,453**	**$577,398**	**$54,611**

12. Derivative Transactions

The Group utilizes derivative transactions for the purpose of hedging its risks to adverse fluctuations in foreign currency exchange rates and crude 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 risk would not be material because the Group enters into transactions only with creditworthy financial institutions.

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

Currency related transactions

	Millions of yen				Thousands of U.S. dollars			
March 31, 2020	Contract amount, etc.	Due after one year	Fair value (*)	Valuation gains/ (losses)	Contract amount, etc.	Due after one year	Fair value (*)	Valuation gains/ (losses)
Over-the-counter transactions								
Foreign exchange forward contracts								
Canadian dollars (Selling)	¥14,637	¥—	¥29	¥29	$135,527	$—	$268	$268
Total	¥14,637	¥—	¥29	¥29	$135,527	$—	$268	$268

(*)Fair value is measured based on quotes, etc. provided by financial institutions, etc.

No currency related derivative contract was outstanding as of March 31, 2019.

(2) Derivative transactions for which hedge accounting is applied

Currency related transactions

	Millions of yen			Thousands of U.S. dollars		
March 31, 2020	Contract amount, etc.	Due after one year	Fair value (*)	Contract amount, etc.	Due after one year	Fair value (*)
Deferral hedge accounting						
Foreign exchange forward contracts						
U.S. dollars (Buying) - Accounts payable—trade	¥1,084	¥—	¥ (4)	$10,037	$—	$ (37)
U.S. dollars (Buying) - Accounts payable—other	31	—	0	287	—	0
U.S. dollars (Selling) - Accounts receivable—trade	2,628	—	(40)	24,333	—	(370)
Total	¥3,743	¥—	¥(44)	$34,657	$—	$(407)

March 31, 2019	Millions of yen Contract amount, etc.	 Due after one year	 Fair value (*)
Deferral hedge accounting			
Foreign exchange forward contracts			
U.S. dollars (Buying) - Accounts payable—trade	¥3,303	¥—	¥(34)
U.S. dollars (Buying) - Accounts payable—other	20	—	0
U.S. dollars (Selling) - Accounts receivable—trade	2,197	—	33
Allocation method			
Foreign exchange forward contracts			
British pound (Buying) - Accounts payable—other	1	—	(0)
Total	¥5,523	¥—	¥ (1)

(*) Fair value is measured based on quotes, etc. provided by financial institutions, etc.

Commodity related transactions

March 31, 2020	Millions of yen Contract amount, etc.	 Due after one year	 Fair value (*)	Thousands of U.S. dollars Contract amount, etc.	 Due after one year	 Fair value (*)
Deferral hedge accounting						
Crude oil swap contracts						
Receive fixed price/ pay market price - Accounts receivable—trade	**¥2,453**	**¥—**	**¥296**	**$22,712**	**$—**	**$2,740**
Total	**¥2,453**	**¥—**	**¥296**	**$22,712**	**$—**	**$2,740**

(*) Fair value is measured based on quotes, etc. provided by financial institutions, etc.

No commodity related derivative contract was outstanding as of March 31, 2019.

13. Asset Retirement Obligations

(1) Asset retirement obligations recognized in the consolidated balance sheets

Asset retirement obligations recognized by the Group are determined based on the estimated costs of decommissioning oil and natural gas wells and production facilities in accordance with laws, land lease contracts, etc. for wells and production facilities in Japan and overseas, and the appropriate discount rates.

The Group estimates the periods in which the obligations are paid out to be approximately 2 to 46 years (2 to 44 years in 2019) from acquisition of assets. This estimate is reasonably made based on the plans for decommissioning wells and facilities or the estimated producing lives of fields if no such plan exists. Discount rates applied are (0.217)% to 2.287% ((0.217)% to 2.287% in 2019) for domestic obligations and 1.76% to 7% (2.09% to 7% in 2019) for overseas.

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 years ended March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Balance at beginning of period	**¥15,593**	¥18,887	**$144,379**
Increase due to acquisition of new assets	**36**	55	**333**
Accretion expense	**230**	361	**2,129**
Liabilities settlement	**(151)**	(252)	**(1,398)**
Foreign currency translation adjustment	**65**	(410)	**601**
Other changes, net (*)	**(113)**	(3,047)	**(1,046)**
Balance at end of period	**¥15,660**	¥15,593	**$145,000**

(*) Other changes, net, are mainly related to the reversal of asset retirement obligations as a result of completion of transfer of oil and natural gas wells and production facilities in the year ended March 31, 2019.

(2) Asset retirement obligations other than those recognized in the consolidated balance sheets

The Group has obligations to restore sites to their original condition in accordance with laws, land lease contracts, etc. regarding 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, 2020 and 2019.

The following table summarizes the details of balance of asset retirement obligations for the year ended March 31, 2020.

				Millions of yen
March 31, 2020	At beginning of period	Increase	Decrease	At end of period
Under provisions of Petroleum and Inflammable Natural Gas Resources Development Law	**¥ 8,520**	**¥ 94**	**¥ —**	**¥ 8,615**
Under provisions of Environmental Protection and Enhancement Act, etc. enforced in Canada	**2,198**	**200**	**147**	**2,251**
Under provisions of Act on Prevention of Marine Pollution and Maritime Disaster	**2,294**	**50**	**—**	**2,345**
Under provisions of land lease contracts and other	**2,579**	**22**	**152**	**2,449**
Total	**¥15,593**	**¥368**	**¥300**	**¥15,660**

March 31, 2020	At beginning of period	Increase	Decrease	At end of period
	Thousands of U.S. dollars			
Under provisions of Petroleum and Inflammable Natural Gas Resources Development Law	$ 78,888	$ 870	$ —	$ 79,768
Under provisions of Environmental Protection and Enhancement Act, etc. enforced in Canada	20,351	1,851	1,361	20,842
Under provisions of Act on Prevention of Marine Pollution and Maritime Disaster	21,240	462	—	21,712
Under provisions of land lease contracts and other	23,879	203	1,407	22,675
Total	$144,379	$3,407	$2,777	$145,000

14. Contingent Liabilities

At March 31, 2020 and 2019, the Group had the following contingent liabilities:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Guarantee obligation for loans payable from financial institutions, etc.:			
INPEX North Caspian Sea, Ltd.	¥8,012	¥ 9,090	$74,185
Employees (Housing loans)	61	97	564
Kumamoto Mirai LNG Co., Ltd.	44	51	407
Greenland Petroleum Exploration Co., Ltd.	18	16	166
Guarantee obligation relating to production facilities:			
Kangean Energy Indonesia Ltd.	1,364	2,382	12,629
Total	¥9,501	¥11,638	$87,972

15. Information Related to Consolidated Statement of Changes in Net Assets

(1) Dividends paid to shareholders

2020

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 27, 2019	Annual General Meeting of Shareholders	Common stock	¥1,714	$15,870	¥30	$0.27	March 31, 2019	June 28, 2019
November 8, 2019	Board of Directors	Common stock	¥1,428	$13,222	¥25	$0.23	September 30, 2019	December 16, 2019

2019

Date of approval	Resolution approved by	Type of shares	Amount (Millions of yen)	Amount per share (Yen)	Shareholders' cut-off date	Effective date
June 28, 2018	Annual General Meeting of Shareholders	Common stock	¥571	¥10	March 31, 2018	June 29, 2018
November 9, 2018	Board of Directors	Common stock	¥571	¥10	September 30, 2018	December 13, 2018

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

2020

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 26, 2020	Annual General Meeting of Shareholders	Common stock	**¥1,428**	**$13,222**	Retained earnings	**¥25**	**$0.23**	March 31, 2020	June 29, 2020

2019

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 27, 2019	Annual General Meeting of Shareholders	Common stock	¥1,714	Retained earnings	¥30	March 31, 2019	June 28, 2019

16. Selling, General and Administrative Expenses

The main components of selling, general and administrative expenses for the years ended March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Selling, general and administrative expenses:			
Personnel expenses	**¥11,152**	¥10,789	**$103,259**
Significant components of personnel expenses:			
Retirement benefit expenses	**506**	637	**4,685**
Provision for bonuses for directors (and other officers)	**75**	22	**694**
Provision for retirement benefits for directors (and other officers)	**25**	24	**231**
Freightage costs	**6,595**	7,517	**61,064**
Depreciation	**4,446**	4,705	**41,166**

Research and development expenses included in general and administrative expenses for the years ended March 31, 2020 and 2019 were ¥360 million ($3,333 thousand) and ¥173 million, respectively.

17. Impairment Loss

For the purpose of recognition and measurement of impairment loss, business-use assets of the Group such as oil and gas fields are principally grouped into minimum cash generating units. However, idle assets are individually considered.

For the year ended March 31, 2020, the Group recorded an impairment loss on the following asset groups:

	Millions of yen	Thousands of U.S. dollars
	2020	2020
Business-use assets related to Amarume oil field:		
Shonai Town, Yamagata Prefecture		
Buildings and structures	¥148	$1,370
Machinery, equipment and vehicles	305	2,824
Land	67	620
Other	2	18
Total	¥524	$4,851

For the business-use assets related to Amarume oil field, the carrying value of the business-use assets used for production operations was reduced to the recoverable amount based on estimated future cash flows mainly in relation to the decline in crude oil prices, and the reduction was recorded as impairment loss in other expenses.

The recoverable amount was measured mainly at value in use. For the year ended March 31, 2020, its cash flow generated from those assets was expected to be negative so that the memorandum value is used for the book value of this asset group.

18. Information on Related Party Transactions

(1) Related party transactions

Principal transactions between the Company and Sakhalin Oil and Gas Development Co., Ltd., the affiliate accounted for using the equity method, for the years ended March 31, 2020 and 2019 and related balances are as follows.

	Millions of yen		Thousands of U.S. dollars
Transactions:	2020	2019	2020
Purchase of crude oil (*1)	¥66,274	¥62,550	$613,648

	Millions of yen		Thousands of U.S. dollars
Balances:	2020	2019	2020
Accounts payable—trade	¥3,180	¥—	$29,444

Principal transactions between the Company and Fukushima Gas Power Co., Ltd. (FGP), the affiliate of the Company, for the years ended March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
Transactions:	2020	2019	2020
Pledge of collateral (*2)	¥40,862	¥31,102	$378,351

(*1) Prices for purchase of crude oil from Sakhalin Oil and Gas Development Co., Ltd. are determined based on the market price.

(*2) The Company provides FGP with certificates of FGP shares held by the Company as collateral for its borrowings from financial institutions. The amount of the transactions indicates the balance of borrowings corresponding to assets pledged as collateral as of the year-end.

(2) Note to significant affiliates

For the years ended March 31, 2020 and 2019, the summarized consolidated financial information of all affiliates accounted for using the equity method (11 companies in 2020 and 2019), including a significant affiliate, Sakhalin Oil and Gas Development Co., Ltd. (Energi Mega Pratama Inc. in 2019) is as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Total current assets	**¥105,489**	¥110,341	**$ 976,750**
Total non-current assets	**43,705**	54,701	**404,675**
Total current liabilities	**66,698**	77,137	**617,574**
Total non-current liabilities	**27,523**	27,951	**254,842**
Total net assets	**54,972**	59,953	**509,000**
Net sales	**286,711**	285,533	**2,654,731**
Profit before income taxes	**129,788**	132,092	**1,201,740**
Profit	**81,078**	82,707	**750,722**

19. Amounts per Share

Basic earnings per share is computed based on the profit attributable to common shareholders of parent and the average number of shares of common stock outstanding during the period, which is 57,152 thousand shares during the years ended March 31, 2020 and 2019.

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

	Yen		U.S. dollars
	2020	2019	**2020**
Basic earnings per share	**¥ 469.18**	¥ 258.44	**$ 4.34**
Net assets per share	**7,046.18**	7,287.32	**65.24**

Diluted earnings per share is not disclosed due to the absence of dilutive shares for the years ended March 31, 2020 and 2019.

20. Cash Flow Information

Reconciliations between cash and cash equivalents in the consolidated statements of cash flows for the years ended March 31, 2020 and 2019 and cash and deposits in the consolidated balance sheets as of March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Cash and deposits	**¥160,077**	¥117,468	**$1,482,194**
Time deposits with maturities in excess of three months	**(25,817)**	(19,134)	**(239,046)**
Short-term investments with maturities of three months or less, etc.:			
Money management fund and other	**4,000**	2,300	**37,037**
Cash and cash equivalents	**¥138,259**	¥100,633	**$1,280,175**

21. Other Comprehensive Income

Reclassification adjustments and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Valuation difference on available-for-sale securities:			
Gains (losses) arising during the year	**¥(45,921)**	¥(28,286)	**$(425,194)**
Reclassification adjustments	**(239)**	—	**(2,212)**
Pre-tax amount	**(46,161)**	(28,286)	**(427,416)**
Tax effect	**12,924**	7,919	**119,666**
Valuation difference on available-for-sale securities	**(33,236)**	(20,366)	**(307,740)**
Deferred gains or losses on hedges:			
Gains (losses) arising during the year	**256**	(8)	**2,370**
Reclassification adjustments	**—**	—	**—**
Pre-tax amount	**256**	(8)	**2,370**
Tax effect	**(71)**	2	**(657)**
Deferred gains or losses on hedges	**184**	(5)	**1,703**
Foreign currency translation adjustment:			
Gains (losses) arising during the year	**(140)**	(1,705)	**(1,296)**
Reclassification adjustments	**105**	—	**972**
Foreign currency translation adjustment	**(34)**	(1,705)	**(314)**
Remeasurements of defined benefit plans, net of tax:			
Gains (losses) arising during the year	**(209)**	(12)	**(1,935)**
Reclassification adjustments	**(287)**	(40)	**(2,657)**
Pre-tax amount	**(496)**	(53)	**(4,592)**
Tax effect	**139**	14	**1,287**
Remeasurements of defined benefit plans, net of tax	**(357)**	(38)	**(3,305)**
Share of other comprehensive income of entities accounted for using equity method:			
Gains (losses) arising during the year	**(95)**	(16)	**(879)**
Reclassification adjustments	**170**	—	**1,574**
Share of other comprehensive income of entities accounted for using equity method	**74**	(16)	**685**
Total other comprehensive income	**¥(33,369)**	¥(22,132)	**$(308,972)**

22. Segment Information

(1) Overview of reporting segments

Reporting segments are defined as components 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 the operational site, and identifies "Japan," "North America," "Europe" and "Middle East" as its reporting segments.

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

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

"Europe" is engaged in exploration and development of crude oil and natural gas in Europe.

"Middle East" is engaged in development, production, sales, etc. of crude oil and natural gas in the Middle East.

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

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

(3) Information about net sales, profit (loss), assets and other items

Millions of yen

	Reporting segment								
March 31, 2020	Japan	North America	Europe	Middle East	Total	Other (Note 1)	Total	Adjustments and eliminations (Note 2)	Amounts on consolidated financial statements (Note 3)
Net sales:									
Sales to third parties	¥268,365	¥ 48,703	¥ —	¥ 1,754	¥318,822	¥ —	¥318,822	¥ —	¥318,822
Intersegment sales and transfers	8	—	—	42,136	42,144	—	42,144	(42,144)	—
Total sales	268,373	48,703	—	43,890	360,967	—	360,967	(42,144)	318,822
Segment profit (loss)	18,834	3,422	(164)	612	22,705	(1)	22,703	(8,419)	14,283
Segment assets	97,780	191,611	6,018	13,628	309,038	—	309,038	318,093	627,132
Other items:									
Depreciation and amortization	12,407	12,138	0	293	24,839	—	24,839	351	25,190
Share of profit (loss) of entities accounted for using equity method	152	—	—	(8)	144	11,816	11,960	—	11,960
Investments in entities accounted for using the equity method	347	—	—	286	634	20,494	21,128	—	21,128
Increase in property, plant and equipment and intangible assets	3,787	4,907	1,697	—	10,392	—	10,392	255	10,648

									Millions of yen
	Reporting segment								
March 31, 2019	Japan	North America	Europe	Middle East	Total	Other (Note 1)	Total	Adjustments and eliminations (Note 2)	Amounts on consolidated financial statements (Note 3)
Net sales:									
Sales to third parties	¥232,089	¥ 34,270	¥ —	¥ 1,620	¥267,980	¥ —	¥267,980	¥ —	¥267,980
Intersegment sales and transfers	18	—	—	13,195	13,213	—	13,213	(13,213)	—
Total sales	232,107	34,270	—	14,816	281,194	—	281,194	(13,213)	267,980
Segment profit (loss)	19,308	(9,751)	(157)	955	10,355	(7)	10,348	(8,034)	2,313
Segment assets	106,848	199,522	4,230	24,736	335,337	—	335,337	319,950	655,288
Other items:									
Depreciation and amortization	12,095	10,348	0	293	22,738	—	22,738	557	23,296
Share of profit (loss) of entities accounted for using equity method	165	(10)	—	2	157	12,392	12,550	—	12,550
Investments in entities accounted for using the equity method	347	—	—	286	634	22,784	23,419	—	23,419
Increase in property, plant and equipment and intangible assets	8,958	1,619	129	—	10,707	—	10,707	195	10,903

									Thousands of U.S. dollars
	Reporting segment								
March 31, 2020	Japan	North America	Europe	Middle East	Total	Other (Note 1)	Total	Adjustments and eliminations (Note 2)	Amounts on consolidated financial statements (Note 3)
Net sales:									
Sales to third parties	**$2,484,861**	**$ 450,953**	**$ —**	**$ 16,240**	**$2,952,055**	**$ —**	**$2,952,055**	**$ —**	**$2,952,055**
Intersegment sales and transfers	**74**	**—**	**—**	**390,148**	**390,222**	**—**	**390,222**	**(390,222)**	**—**
Total sales	**2,484,935**	**450,953**	**—**	**406,388**	**3,342,287**	**—**	**3,342,287**	**(390,222)**	**2,952,055**
Segment profit (loss)	**174,388**	**31,685**	**(1,518)**	**5,666**	**210,231**	**(9)**	**210,212**	**(77,953)**	**132,250**
Segment assets	**905,370**	**1,774,175**	**55,722**	**126,185**	**2,861,462**	**—**	**2,861,462**	**2,945,305**	**5,806,777**
Other items:									
Depreciation and amortization	**114,879**	**112,388**	**0**	**2,712**	**229,990**	**—**	**229,990**	**3,250**	**233,240**
Share of profit (loss) of entities accounted for using equity method	**1,407**	**—**	**—**	**(74)**	**1,333**	**109,407**	**110,740**	**—**	**110,740**
Investments in entities accounted for using the equity method	**3,212**	**—**	**—**	**2,648**	**5,870**	**189,759**	**195,629**	**—**	**195,629**
Increase in property, plant and equipment and intangible assets	**35,064**	**45,435**	**15,712**	**—**	**96,222**	**—**	**96,222**	**2,361**	**98,592**

Note 1: “Other” which does not belong to reporting segments includes the Southeast Asia, etc.

Note 2: "Adjustments and eliminations" includes the following:

(a) Segment profit (loss)

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Intersegment elimination	¥ 16	¥ 15	$ 148
Corporate expense (*)	(8,436)	(8,050)	(78,111)
Total	¥(8,419)	¥(8,034)	$(77,953)

(*) "Corporate expense" represents 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
	2020	2019	2020
Intersegment elimination	¥ (600)	¥ (616)	$ (5,555)
Corporate assets (*1)	3,204	3,387	29,666
Other assets (*2)	315,489	317,179	2,921,194
Total	¥318,093	¥319,950	$2,945,305

(*1) "Corporate assets" represents mainly the assets administrated by the head office that are not allocated to reporting segments.

(*2) Assets allocated to reporting segments consist of property, plant and equipment, intangible assets and recoverable accounts included in investments and other assets. "Other assets" consists of property, plant and equipment, intangible assets and assets other than recoverable accounts, which are not allocated to reporting segments.

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

(4) Related information

(a) Information by product and service

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Sales to third parties:			
Crude oil	¥128,152	¥ 94,579	$1,186,592
Natural gas	67,231	67,820	622,509
LNG	19,395	22,913	179,583
Diluted bitumen	45,025	30,116	416,898
Contract services	15,003	7,342	138,916
Oil products/merchandise	37,502	39,820	347,240
Other	6,512	5,387	60,296
Total	¥318,822	¥267,980	$2,952,055

(b) Information by geographical area

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Net sales:			
Japan	¥159,815	¥156,043	$1,479,768
Canada	48,062	33,555	445,018
Russia	66,341	62,612	614,268
Iraq	43,960	14,829	407,037
Other	642	938	5,944
Total	¥318,822	¥267,980	$2,952,055

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

		Millions of yen		Thousands of U.S. dollars
		2020	2019	2020
Property, plant and equipment:				
Japan		**¥ 99,523**	¥108,657	**$ 921,509**
Canada		**186,499**	194,263	**1,726,842**
Other		**8,015**	6,193	**74,212**
Total		**¥294,038**	¥309,114	**$2,722,574**

(c) Information by major customer

	Segment	Millions of yen 2020	Millions of yen 2019	Thousands of U.S. dollars 2020
Net sales:				
BP Singapore Pte. Ltd.	Japan	**¥34,707**	¥7,754	**$321,361**

(5) Information about impairment loss on non-current assets by reporting segment

Millions of yen

	Reporting segment						
March 31, 2020	Japan	North America	Europe	Middle East	Other	Corporate/ eliminations	Total
Impairment loss	**¥524**	**¥—**	**¥—**	**¥—**	**¥—**	**¥—**	**¥524**

Millions of yen

	Reporting segment						
March 31, 2019	Japan	North America	Europe	Middle East	Other	Corporate/ eliminations	Total
Impairment loss	¥30	¥—	¥—	¥—	¥—	¥—	¥30

Thousands of U.S. dollars

	Reporting segment						
March 31, 2020	Japan	North America	Europe	Middle East	Other	Corporate/ eliminations	Total
Impairment loss	**$4,851**	**$—**	**$—**	**$—**	**$—**	**$—**	**$4,851**

23. Subsequent Events

Temporary suspension of development and production operations at the Garraf Oil Field in the south of the Republic of Iraq

The Company's consolidated subsidiary, Japex Garraf Ltd., participates in the Garraf Oil Field development and production projects (30% participating interest) in the south of the Republic of Iraq. Following the spread of novel coronavirus disease (COVID-19), as a preventative measure to ensure the health and safety of employees, from March 16, 2020 all expatriates have been evacuated from the country, necessitating the suspension of development and production operations. Preparations are currently being made to restart the operation after July 2020.

The Garraf Oil Field started crude oil production in August 2013. The average daily production volume for 2019, the most recent year, was approximately 96,000 barrels.

It is difficult at this time to rationally calculate the impact of the operational suspensions on the Company's financial position, business results, and cash flows for the fiscal year ending March 31, 2021 and onwards.

Independent Auditor's Report

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

Opinion

We have audited the accompanying consolidated financial statements of Japan Petroleum Exploration Co., Ltd. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2020, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

June 26, 2020

/s/ Yoshio Yukawa
Designated Engagement Partner
Certified Public Accountant

/s/ Kazuhiko Yamazaki
Designated Engagement Partner
Certified Public Accountant

/s/ Takeshi Yoshida
Designated Engagement Partner
Certified Public Accountant

Main Businesses

As of March 31, 2020, the JAPEX Group comprises 23 subsidiaries and 19 affiliates. The Group's principal business line is the "oil and gas related business." In addition to business activities in Japan, the Group has developed business activities overseas through a project company established at each business location.

Therefore, the Group consists of segments classified by business location. The business lines of each segment and the relationships between the Company and its affiliates are as follows.

Business Segment	Main Businesses
Japan	(1) Oil and gas JAPEX and its consolidated subsidiary Japex Offshore Ltd. produces, procures, and sells crude oil and natural gas in Japan. JAPEX also buys and sells all of the crude oil and natural gas produced by Japex Offshore Ltd. In addition, the consolidated subsidiary North Japan Oil Co., Ltd. buys and sells JAPEX's crude oil. The consolidated subsidiary Shirone Gas Co., Ltd. and the affiliate TOHOKU NATURAL GAS CO., Inc. buy and sell JAPEX's natural gas.
	(2) Contract services The consolidated subsidiary SK Engineering Co., Ltd. is contracted by JAPEX and other companies to conduct drilling and workover services. The consolidated subsidiary Geophysical Surveying Co., Ltd. is contracted by JAPEX and other companies to conduct geophysical surveys and mud logging related to the drilling and workover of wells. Mud logging refers to recording the results of surveys and analyses of the mud that circulates within wells that are being drilled as well as the drill cuttings that are pushed to the surface by the mud. The consolidated subsidiary JGI, Inc. is contracted by JAPEX and other companies to conduct geophysical exploration. The consolidated subsidiary Japex Pipeline Ltd. is contracted by JAPEX to maintain and manage JAPEX's trunk gas pipelines. The consolidated subsidiary North Japan Security Service Co., Ltd. conducts security for JAPEX and the consolidated subsidiary Japex Offshore Ltd.
	(3) Other business JAPEX buys and sells oil products. In addition, the Company accepts contracts to transport crude oil and natural gas. The consolidated subsidiary JAPEX SKS Corporation procures the Company's crude oil and natural gas, produces oil products, and sells said products. In addition, the subsidiary sells LPG and other products to the Company and accepts contracts to manage the Company's real estate. The consolidated subsidiary North Japan Oil Co., Ltd. is contracted to transport the Company's crude oil. The consolidated subsidiary Japex Energy Co., Ltd.'s principal business is the sale of oil products and other products. In addition, the subsidiary sells LPG and other products to the Company as well as oil products and other products to JAPEX SKS Corporation and other companies. The consolidated subsidiary Akita Natural Gas Pipeline Co., Ltd. transports the Company's natural gas in Akita Prefecture.
North America	Oil and gas In many cases, the Company establishes companies for each project to ensure efficient operations when conducting exploration and development of crude oil and natural gas fields overseas. These companies are often joint ventures with other companies in an effort to distribute risks. In North America, the Company is the project company taking a leading role and has consolidated subsidiaries engaged in production, namely Japex (U.S.) Corp., Japan Canada Oil Sands Limited (a subsidiary of Canada Oil Sands Co., Ltd.), and JAPEX Montney Ltd.
Europe	Oil and gas The consolidated subsidiary JAPEX UK E&P Ltd. engages in development operations in the U.K. North Sea.
Middle East	Oil and gas The consolidated subsidiary Japex Garraf Ltd. is engaged in production in the Garraf Oil Field in the Republic of Iraq.
Other	Oil and gas We also have business segments in Southeast Asia (the affiliate Energi Mega Pratama Inc. for production) and Russia (the affiliate Sakhalin Oil and Gas Development Co., Ltd. for production).

Affiliates

Status of Important Subsidiaries

Name	Share Capital (Millions of yen)	Principal Business Activities	Ownership Percentage of Voting Rights (%)
Akita Natural Gas Pipeline Co., Ltd.	250	Pipeline transport of natural gas in Akita Prefecture	100.00
SK Engineering Co., Ltd.	300	Contract engineering and well drilling	100.00
JAPEX SKS Corporation	90	Manufacture and sale of petroleum products, real estate management, and insurance agent services	100.00
North Japan Oil Co., Ltd.	80	Sale of crude oil, reprocessing of waste oil, contracted transportation of crude oil	100.00
Shirone Gas Co., Ltd.	3,000	Manufacturing, supply and sale of gas in Tsubame City and Niigata City	100.00
Japex Pipeline Ltd.	80	Pipeline management and maintenance	100.00
JGI, Inc.	2,100	Contract geophysical surveys and development of geophysical exploration technologies	100.00
Geophysical Surveying Co., Ltd.	446	Geophysical surveys and contract mud logging operations	100.00
Japex (U.S.) Corp.	33,000 (Thousands of U.S. dollars)	Exploration, development and production of petroleum resources in U.S.; capital participation in LNG project in Malaysia	100.00
Japan Canada Oil Sands Limited*1	788,255 (Thousands of U.S. dollars)	Oil sands exploration, development and production based on area lease agreement in Canada	100.00 (100.00)
Canada Oil Sands Co., Ltd.*1	34,863	Investment in oil sands business through Japan Canada Oil Sands Limited	94.58 (0.98)
JAPEX Montney Ltd.	918,583 (Thousands of Canadian dollars)	Exploration, development and production of shale gas in Canada	55.00
JAPEX UK E&P Ltd.	51,162 (Thousands of British pounds)	Exploration, development and production of petroleum resources in U.K.'s North Sea	100.00
North Japan Security Service Co., Ltd.	30	Disaster protection for industrial facilities and security services	89.42
Japex Offshore Ltd.	5,963	Exploration, development and production of petroleum resources from the continental shelf in the Sea of Japan	70.61
GEOSYS, Inc.*1	49	Contract services for geophysical exploration and sales of equipment for geophysical exploration	57.82 (57.82)
Japex Energy Co., Ltd.	90	Purchasing and sale of LNG, petroleum products, etc.	90.00
Japex Garraf Ltd.	20,930	Exploration, development and production of petroleum resources in Garraf oil field, Republic of Iraq	55.00
One other company			

Status of Important Affiliates

Name	Share Capital (Millions of yen)	Principal Business Activities	Ownership Percentage of Voting Rights (%)
TOHOKU NATURAL GAS CO., INC.	300	Purchasing and sale of natural gas in the Tohoku region of Japan	45.00
TELNITE Co., Ltd.	98	Manufacture and sale of drilling mud for well drilling and the provision of mud technical services	47.00
Sakhalin Oil and Gas Development Co., Ltd.	22,592	Exploration, development and production of petroleum resources on Sakhalin Island and its continental shelf, Russian Federation	15.29
Energi Mega Pratama Inc.	52,000 (Thousands of U.S. dollars)	Exploration, development and production of petroleum resources off the coast of the eastern part of Java Island, Republic of Indonesia	25.00
Kangean Energy Indonesia Ltd.*2, 3	10 (Thousands of U.S. dollars)	Exploration, development and production of petroleum resources off the coast of the eastern part of Java Island, Republic of Indonesia	— [100.00]
EMP Exploration (Kangean) Ltd.*2, 3	100 (Thousands of British pounds)	Exploration, development and production of petroleum resources off the coast of the eastern part of Java Island, Republic of Indonesia	— [100.00]
Diamond Gas Netherlands B.V.*1	5,536 (Thousands of U.S. dollars)	Investment in Malaysia LNG Tiga, which produces LNG in Malaysia	20.00 (20.00)
Four other companies			

Notes: 1 Figures in parentheses in the final column represent the percentage of indirect holdings included in the figure given for Ownership Percentage of Voting Rights.
2 Figures in brackets in the final column indicate the percentage of voting rights, owned by parties who are closely related to or in agreement with the Group, that are not included in the figure given for Ownership Percentage of Voting Rights.
3 Although Ownership Percentage of Voting Rights is less than 20%, the company is accounted for using the equity method because it has the potential to materially impact the Group’s business.

Business and Other Risks

The following section describes the main factors that could impact the Group's business performance and financial standing. The Group's policy is to recognize the probability of these risks occurring and then work to prevent those occurrences and take appropriate action if they do occur.

Specifically, JAPEX established the Investment Evaluation Committee and the Project Total Management Committee, both of which are chaired by the president, to address "1 Risks related to market conditions and foreign exchange" and risks related to the "2.2 Infrastructure/Utility Business." These committees identify risks associated with making decisions on executing businesses that come with a certain level of financial responsibility, consider the likelihood of those risks and analyze measures to avert and address those risks. These committees also work to assess and manage risks (both qualitatively and quantitatively) by regularly monitoring the status of businesses that have begun operations.

Furthermore, the risks mentioned below are the main risks recognized by the Company. It is possible that the Group's business performance and financial standing may be impacted by risks not listed below. In addition, this section includes matters related to the future that were determined by the Company as of June 26, 2020.

1 Risks related to market conditions and foreign exchange

1.1 Price variation risk for crude oil and natural gas

The Group operates its E&P Business mainly in Japan, North America, Europe and the Middle East. Net sales and operating profit are significantly affected by variation in the price of crude oil and natural gas.

Furthermore, in the event that the Group forecasts that it will be unable to collect future profit in line with the book value of business assets when, for example, the expected medium- to long-term sales price of crude oil, natural gas and other products declines, the Group will record an impairment loss on said assets. This could have a negative impact on the Group's business performance.

1.2 Foreign exchange risk

As the crude oil and natural gas that the Group produces in Japan is sold in Japanese yen with reference to the CIF prices of crude oil and LNG, variation in the exchange rate of U.S. dollars and yen affects the Group's business performance including net sales and operating profit. In addition, the domestic sales price of natural gas, which uses imported LNG as a raw material, and the procurement cost (cost of sales) are affected in a similar way.

2 Risks related to business

2.1 E&P Business

2.1.1 Risks related to E&P Business investments

The following types of investment risks are generally characteristic of the Company's E&P Business.

(a) Risks related to exploration investments

Exploration activities encompass first analyzing the geological properties of target areas, assessing the structures through geophysical surveys and other methods, and, in the event of a promising prospect, conducting drilling tests to confirm the distribution of the oil and gas formations, as well as the resource volume. However, geological uncertainty cannot be dispelled, even with recent geophysical technology, and there is no guarantee of finding the anticipated scale of crude oil and natural gas. Therefore, the Group may be unable to recoup the expenditures in unsuccessful exploration activities and investment losses may be incurred.

(b) Risks related to development investments

When moving onto the development of oil and gas fields, the Group works to make logical final investment decisions based on the wide range of data and forecasts available at the time. Specifically, the Group looks at estimates of the amount of resources obtained through exploration activities; the construction and operation costs for wells, production and transportation equipment, and other facilities to ensure economical production; and the sales price forecast of products. However, there is a possibility that investment losses may be incurred due to a variety of factors making the Group unable to make a final investment decision or unable to recover sunk costs due to business profitability being lower than expected when the final investment decision is made. These factors include changes to facility design due to detailed technical considerations made subsequently; surging prices for materials, equipment and services needed for development; delays in work like drilling or getting government approvals; unexpected geological problems that occur in the production stage; and falling prices for crude oil and natural gas.

(c) Risks related to future abandoned wells and mines

After production is terminated at currently producing wells and mines, the Group needs to conduct abandonment work. The Group records the present value of costs in relation to abandonments of wells and mines based on current estimates as asset retirement obligations. In the near term, if the Group forecasts that said estimates are insufficient due to such factors as changes to abandonment plans, tightening legal and regulatory restrictions, or surging material costs, then asset retirement obligations may increase, which could have a negative impact on the Group's financial standing and business performance.

(d) Risks attributable to the period for return on investment

The E&P Business requires a large amount of investment over the long term in the exploration stage, which encompasses initial basic surveys, drilling and resource discovery, as well as in the development and production stage, which encompasses drilling production wells after discovering resources, constructing production and transportation facilities, and more. Accordingly, changes in the business environment, including delays to development schedules, could cause the amount invested to expand, demand to decrease, sales prices to fall, operating costs to rise, exchange rates to vary and business profitability to decline. There is therefore a possibility that the Group may be unable to recover sunk costs and investment losses may be incurred.

(e) Risks related to reserves and production volumes

To maintain and develop the E&P Business, the Group needs to expand both reserves and production volumes over the medium to long term through continuous efforts to acquire interests in blocks and conduct exploration and development activities as existing reserves decrease in line with production activities. However, due to the aforementioned "(a) Risks related to exploration investments," "(d) Risks attributable to the period for return on investment," and the following risks related to the overseas E&P Business and climate change, if these efforts do not succeed, it is possible that reserves and production volumes will decrease over time and have a negative impact on the Group's business performance.

Assessed reserves are the volume of oil and gas expected to be economically extractable from existing oil and gas fields based on geological and engineering data at the time of assessment. This figure may be revised upward or downward going forward in line with reviews based on newly acquired data, changes in economic conditions, and changes to the internationally recognized definition of reserves.

2.1.2 Risks specific to overseas E&P Business investments

The overseas E&P Business faces the following risks as a general trend in addition to the aforementioned “2.1.1 Risks related to E&P Business investments.”

(a) Country risks

Some overseas E&P Business operations are conducted in areas with relatively high country risks. The political, economic and social turmoil (including marked deterioration in civil order) in these countries as well as changes to laws, taxes and policies may have a negative impact on the smooth execution of the Group’s overseas businesses.

(b) Market risks

To maximize the profitability of crude oil and natural gas produced in the overseas E&P Business, the Group sells those products in the most promising markets for each project after comprehensively considering pipeline transport ability, production and sales costs, and other factors. However, due to the characteristics of the products, the supply-demand trends and other factors, the Group may be forced to sell the products at a huge discount compared with the representative crude oil and natural gas price indices such as WTI, Henry Hub, etc., and this may lower the profitability of the business.

(c) Partner risks

If a large amount of investment is required to successfully conduct business or if there are major risks from a technical perspective, the Company does not work alone. Instead, to reduce funding and disperse risks, the Company partners with other companies to jointly run operations.

As for decision making related to joint operations, in general voting rights are recognized in proportion to the share held by each partner. In joint operations in which the Company holds only a minor share, the Company does not have controlling authority. Therefore, the Company’s opinion is not always reflected in decisions regarding exploration and development plans, and in the event that these plans are carried out in such a way that does not contribute to the Company’s profit, the Company may not achieve its anticipated profit.

Furthermore, the risks for major overseas E&P projects that are currently producing oil and gas and that require a certain level of funding are as listed in the following section.

2.1.3 Risks related to main individual projects of the overseas E&P Business

(a) Oil Sands Development Project at Hangingstone Block in Alberta, Canada

The Company conducts oil sands development project in Alberta, Canada through its consolidated subsidiary Canada Oil Sands Co., Ltd. (93.60% share as of March 31, 2020; 94.58% share including indirect holding) and is engaged in production operations via its wholly owned subsidiary, Japan Canada Oil Sands Limited (JACOS). Moreover, this is a joint business with JACOS, which owns a 75% working interest, and CNOOC Petroleum North America ULC, which owns a 25% working interest.

The Company strives to improve the profitability of the project through the operator JACOS. If the performance of JACOS deteriorates due in part to long-term stagnation of the price of diluted bitumen in Alberta, the Group’s business performance and financial standing could be adversely affected by, for example, the fulfilment of guarantee obligations on the borrowings pledged by the Company.

(b) Shale Gas Development Project in British Columbia, Canada

The Company participates in the shale gas development and production project operated by the Malaysian state-owned oil company Petronas through its consolidated subsidiary JAPEX Montney Ltd. (JML; 55% share as of March 31, 2020), which holds 10% working interest in the project.

The Company strives to enhance the profitability of the project in cooperation with the operator Petronas. In the event there is a decrease in production or an unforeseen rise in costs due to long-term stagnation of gas prices or delays in the development schedule, the Group's business performance and financial standing could be adversely affected by, for example, a deterioration in JML's performance or the fulfilment of guarantee obligations on the borrowings pledged by the Company.

Furthermore, although the JML's functional currency is the Canadian dollar, its borrowings are denominated in U.S. dollars. Variation in the Canadian and U.S. dollar exchange rates could therefore generate foreign exchange gains or losses due to translation differences of said borrowings.

(c) Garraf Oil Field Development Project in Iraq

The Company participates in the Garraf Oil Field development and production project in the southern region of Iraq through its consolidated subsidiary Japex Garraf Ltd. (55.00% share as of March 31, 2020), which holds 30% working interest in the project and provides 40% of funding. The company engages in the development business jointly with the operator PETRONAS Carigali Iraq Holding B.V. (a subsidiary of Petronas).

Production began in August 2013, the project is currently promoting additional development work while allocating crude oil sales income to capital investment based on the final development plan with the aim of boosting crude oil production.

The Company conducts business while amply cautious of the country's political, social and civic situation. If those circumstances significantly worsen, there is a risk that production volume and income will decline due to a delay in the additional development work and a suspension of oil production. In addition, if costs increase, the development schedule is delayed, or production volume decreases, there is a possibility that the crude oil sales income allocated to capital investment would not be sufficient and the Company would increase its funding for the project.

(d) Sakhalin Project in Russia

The Company participates in the crude oil and natural gas development business off the coast of Sakhalin, Russia (Sakhalin 1 Project) through its affiliate Sakhalin Oil and Gas Development Co., Ltd. (15.29% share as of March 31, 2020).

In Sakhalin 1 Project, the Company is moving ahead with additional development work at currently producing oil and gas fields. As this work and further additional development plans make progress, the Group's return on investment through the equity method could decrease in the short term or the Company could incur guarantee obligations.

2.2 Infrastructure/Utility Business

2.2.1 Risks related to sale of natural gas

The Company is expanding its natural gas transaction volume as part of its Infrastructure/Utility Business from the perspective of mitigating the impact of various risks in the E&P Business. The Company is actively working to cultivate new demand using its existing natural gas pipelines as well as tanker trucks outside of its pipeline network. However, the Group's business performance could be adversely affected by a decrease in the transaction volume of natural gas (including the commissioned supply by third parties), weak cultivation of new demand, or a fall in sales prices. The main factors for these potential scenarios are a decline in population due to the falling birth rate and graying population, a fall in the capacity utilization of consumers, and intensifying competition with other companies against a backdrop of systemic reforms in the gas business.

Regarding the LNG that the Company anticipates it will need for future sales, the Company is working to ensure stable procurement and also flexibility to adjust to changes in demand mainly by using a combination of long-term and spot contracts. If there is an unanticipated drop in demand, the Company may not be able to respond solely through adjustments in the amount procured with spot contracts, and it may be necessary to resell the LNG at a cheaper price or to incur a payment under the take or pay clause in long-term contracts. The Company has taken measures to appropriately pass on changes in the procurement price of LNG to the sales price, but the Group's financial standing and business performance could be adversely affected if it is not able to sufficiently pass on the changes.

2.2.2 Risks related to the Soma Electric Power Business

The Company provides funding to Fukushima Gas Power Co., Ltd. (33% share as of March 31, 2020), which is the operator of the natural gas-fired power generation business at the Soma Port in Fukushima Prefecture, and promotes the Electric Power Business using the power generation capability of its affiliate in proportion to its share.

The Company has concluded long-term sales contracts with multiple customers, mainly electricity retailers, regarding the portion of electricity taken by the Company. However, if the sales volume declines or sales prices fall due to intensifying competition between power sources or procurement of alternative power owing to problems with power generation equipment, the Group's business performance could be adversely affected.

2.3 Business overall

2.3.1 Risks related to accidents and disasters

The Group is working to upgrade its emergency response measures, including security systems and business continuity plans (BCPs), and to maintain the soundness of its equipment (including natural gas pipelines) related to its drilling wells; the production and transport of crude oil and natural gas; and the storage, regasification and transport of LNG. Due to operating accidents and disasters (including abnormal weather and natural disasters), pandemics, crime and terrorism, it is impossible to completely prevent the risk of inoperability of oil and gas fields or the risk of damage to people and equipment. In such an event, insurance may not necessarily cover all damage, nor may damage be restricted to direct damage. Collateral damage may arise including, but not limited to, reduced earnings due to canceled sales; payment of damages to retailers the Company is obliged to supply; payment of damages or governmental penalties; and a loss of social trust due to environmental pollution of soil, air, water, and oceans.

2.3.2 Risks related to climate change

With the adoption of the Paris Agreement, the trend toward realizing a low-carbon society is accelerating as countries around the world promote initiatives aimed at reducing greenhouse gas emissions, which are driving climate change and global warming. The Company recognizes the importance of addressing climate change and is promoting necessary measures in the fields of governance, business strategy, risk management and emission management. Going forward, if each country strengthens climate change policies (tightening or introducing environmental laws and regulations such as carbon taxes), the Group's business value could be diminished due to a decline in oil and natural gas demand in Japan and overseas, as well as by additional expenses.

3 Unique laws and regulations

3.1 Laws and regulations related to the Gas Business and Electric Power Business

In the Gas Business in Japan, the amended Gas Business Act went into force on April 1, 2017 as part of the easing of various regulations aimed at introducing competition. In addition to natural gas pipelines that have been obligated to transport third-party gas, LNG terminals of a certain size are now obligated to open up to third parties under the regulations of the Gas Business Act. A trend of easing regulations will help expand demand for natural gas and stimulate the overall gas market in Japan, as well as increase the degree of freedom for the Group's marketing, leading to an expansion in the business field and customer base. On the other hand, this kind of progress in structural reform will bring about intense price competition, which could adversely affect the Group's natural gas sales.

Furthermore, the Company's future sales of electricity could be adversely affected by revisions to policies regulating electric power businesses, along with accompanying market changes, as the government pushes ahead with electric power system reforms with the aim of ensuring a stable supply, suppressing the upper limit on electricity fees, and expanding corporate business opportunities as well as options for consumers, including households.

3.2 Other unique laws and regulations related to the Group's businesses

Due to their specific characteristics, the Group's businesses will or could put various burdens on the environment through their operational processes. The Group therefore legally and appropriately goes through required procedures, such as obtaining approval from oversight agencies, submitting notifications, and providing product information to customers in accordance with relevant laws and regulations like the Mine Safety Act and the High Pressure Gas Safety Act. To date, there have been no major problems. However, if laws and regulations are strengthened in line with rising global environmental awareness and expenses related to additional equipment and operational measures increase, the Group's performance could be adversely affected.

4 Risks associated with variation in INPEX's share price

As of March 31, 2020, the Company held 7.32% of INPEX Corporation's shares, which accounted for ¥65,076 million of the Group's ¥88,922 million in investment securities. If INPEX's share price fluctuates, the Group's financial standing could be affected.

5 JAPEX's shares owned by the Japanese government

The Company's shares were listed on the First Section of the Tokyo Securities Exchange when privately held shares of JAPEX were sold by the former Japan National Oil Corporation (JNOC) in December 2003. As a result, JNOC's percentage of owned shares fell from 65.74% to 49.94%.

Furthermore, the remaining shares of JAPEX held by JNOC were then transferred to the Japanese government (the Ministry of the Economy, Trade and Industry) on April 1, 2005 following the abolishment of JNOC. An equivalent of 15.94% of those shares was sold with the transfer date of June 15, 2007. As a result, the percentage of shares held by the Ministry was reduced to 34.00%, which is the current level. The remaining shares could still be sold, which could have an effect on the Company's share price depending on the timing, method, volume and other factors.

Moreover, regarding the ownership of these shares, the Company and the Japanese government have a memorandum of understanding that sets out discussions between the two parties on changing the articles of incorporation; changes in capital or issuance of corporate bonds; financial results and appropriation of retained earnings; transfer or reception of some or all of operations; determination of executive nominees; and matters that have a material impact on assets or business management. The memorandum is managed in a way that respects the independence of JAPEX's management. The existence of the memorandum has not interfered with or restricted the Company's business.

6 Compliance and social responsibility

When conducting business in Japan and overseas, the Group needs to fulfill its social responsibility.

(a) Compliance with laws and regulations

The Group complies with laws and regulations, including various industrial laws like the Companies Act, tax laws, Financial Instruments Exchange Act, Antimonopoly Act, Labor Standards Act, various environmental laws, various data security laws, various anti-bribery laws, Mining Act, and Gas Business Act.

(b) Information security measures

The Group appropriately manages confidential information, including personal data collected in the course of business operations, to ensure it does not leak and is not used for unspecified purposes.

(c) Prohibition of unfair trade

The Group does not conduct unfair trade, such as bribery and provision of profit to antisocial forces.

(d) Respect for human rights

In the overall supply chain, the Group does not infringe human rights or abet such activities, namely discrimination, harassment, forced labor, child labor or unfair interference in the rights of native peoples.

To fulfill these social responsibilities, the Group works to raise awareness of compliance and human rights among executives and employees through in-house training, upgrades internal regulations and committees, and builds necessary systems, such as internal control systems related to internal audits and financial reporting. The Group cannot guarantee that it can completely prevent executives and employees from committing illegal or unfair acts. If such acts were to be committed, the Group could suffer tangible damage, namely the suspension of production operations at oil and gas fields and the incurrence of litigation expenses, in addition to intangible damage, namely a loss of social trust. This could adversely affect the Group's business performance.

Note: Regarding the effects of the COVID-19 pandemic on business activities, "Note (22) Additional information" related to P. 67 of the consolidated financial statements lists the Group's estimated sales volumes and sales prices, the assumptions that serve as the basis for those estimates, and the expected level of uncertainty. In addition, from the perspective of the business continuity plan (BCP) related to pandemics, which is described in the aforementioned "2.3.1 Risks related to accidents and disasters," as a way to prevent the spread of infections, the Company established an in-house emergency response headquarters related to addressing the COVID-19 pandemic, expanded flextime systems, introduced telecommuting, and restricted unurgent domestic and international business travel. In addition, at domestic production sites, the Company maintained contactless operations that avoid in-person interactions and instituted restrictions on entering the central oversight control room.

Corporate Data (As of March 31, 2020)

Corporate Profile

Company Name	Japan Petroleum Exploration Co., Ltd. (JAPEX)
Established	April 1, 1970
Paid-in Capital	JPY 14,288,694,000
Fiscal Year	April 1 to March 31 of the following year
Number of Employees	1,739 (Consolidated basis)
Main Businesses	Exploration, development, production, 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, Soma, Sendai, JAPEX Research Center (Chiba), Houston, Jakarta, Aberdeen, Dubai, Singapore
Headquarters	SAPIA Tower, 1-7-12 Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan TEL: +81-3-6268-7000 (Administration & Legal Dept.)

Organization (As of September 9, 2020)

- Board of Directors
- Audit & Supervisory Board
- President
  - Executive Committee
  - Secretary Office
  - Gas Pipeline Transportation Office
  - Corporate Communication Office
  - Auditing Dept.
  - Corporate Strategy Dept.
  - Administration & Legal Dept.
  - Human Resources Dept.
  - Finance & Accounting Dept.
  - Procurement Dept.
  - Information Technology Dept.
  - HSE Dept.
- Technical Division
  - Technical Planning & Coordination Dept.
  - Technical Solution Dept.
  - Subsurface Evaluation Dept.
  - Development Engineering Dept.
  - Environmental Engineering Dept.
  - Research Center
- Marketing & Sales Division
  - Hokkaido Marketing & Sales Office
  - Marketing & Sales Planning Dept.
  - Marketing & Sales Dept. I
  - Marketing & Sales Dept. II
  - Marketing & Sales Dept. III
    - Sendai Liaison Office
- LNG Marketing and Procurement Office
  - Singapore Branch
- Domestic E&P Project Division
  - Project Planning & Coordination Dept.
  - Exploration & Development Dept.
  - Operations Dept.
- Inter-regional Gas Supply Division
  - Business Planning & Coordination Dept.
  - Supply Planning & Coordination Dept.
- Hokkaido District Office
- Akita District Office
- Nagaoka District Office
- Soma District Office
- Overseas Project Management Division
  - Strategic Planning Dept.
  - New Business Development Dept. I
  - New Business Development Dept. II
    - Houston Representative Office
    - Jakarta Representative Office
    - Aberdeen Representative Office
    - Dubai Representative Office
- Americas & Russia Project Division
  - Project Dept.
  - Canada Shale Project Dept.
- Middle East, Asia & Europe Project Division
  - Project Dept.
  - Iraq Project Dept.
- Power Business Division
  - Power Business Dept.
  - Renewable Energy Business Dept.
- New Business Promotion Dept.

Stock Information

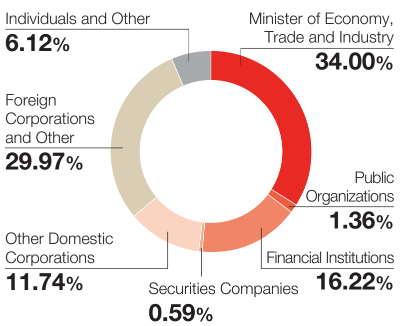
Exchange Listing	Tokyo Stock Exchange, First Section (Securities Code Number: 1662)
Common Stock (Authorized)	120,000,000 shares
Common Stock (Issued)	57,154,776 shares
Number of Shareholders	10,874
Transfer Agent and Registrar	Mizuho Trust & Banking Co., Ltd.
Inquiries	Mizuho Trust & Banking Co., Ltd., 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 and Shareholding by Shareholder Type

Shareholder Name	Number of Shares	Voting Rights (%)
Minister of Economy, Trade and Industry	19,432,724	34.00
The Master Trust Bank of Japan, Ltd. (Trust)	2,897,900	5.07
INPEX CORPORATION	2,852,212	4.99
JFE Engineering Corporation	1,848,012	3.23
ORBIS SICAV	1,670,904	2.92
Japan Trustee Services Bank, Ltd. (Trust)	1,233,400	2.16
THE BANK OF NEW YORK MELLON 140051	1,171,900	2.05
MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY-PB	1,040,499	1.82
SSBTC CLIENT OMNIBUS ACCOUNT	1,025,211	1.79
STATE STREET BANK AND TRUST COMPANY 505103	969,352	1.70

* Voting rights are calculated without treasury shares (2,303).

Shareholding by Shareholder Type



Note: Percentage figures are rounded up to the second decimal place.

Inquiries:

Japan Petroleum Exploration Co., Ltd.
Corporate Communication Office
TEL : +81-3-6268-7111
FAX : +81-3-6268-7302

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