JAPEX

Japan Petroleum Exploration Co., Ltd.

For The Year Ended March 31, 2012

ANNUAL REPORT 2012

Corporate Guide

Corporate Vision

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

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

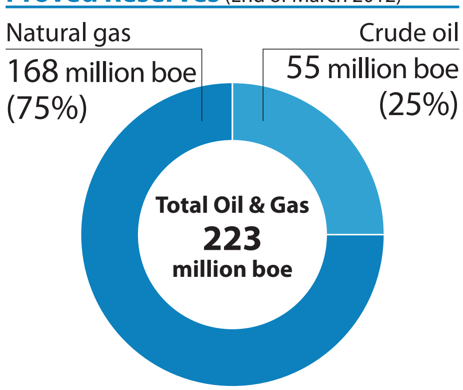
Contribute to coexistence between the planet and humankind by promoting the use of environment-friendly natural gas and taking on new business challenges.

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

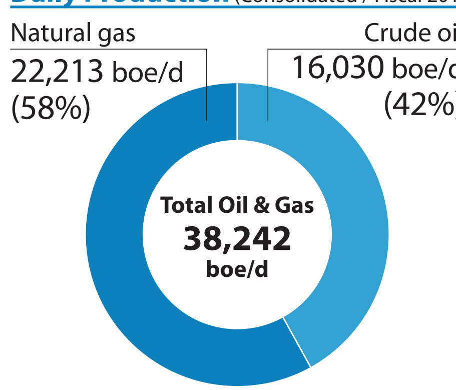
Profile

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

Proved Reserves (End of March 2012)



Daily Production (Consolidated / Fiscal 2012)



* Crude oil includes bitumen (extra-heavy oil extracted from oil sands).
boe: barrels of oil equivalent
boe/d: barrels of oil equivalent per day

Contents

Oil and Natural Gas Business

Acquisition of Oil and Gas Block Interests

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

The acquisition of block interests involves several steps. A technical evaluation is first undertaken based on relevant information, literature and purchased documentation. At the same time, a preliminary survey is conducted to assess the regulatory, political and economic stability of the relevant region together with geographical conditions.

Block interests for promising regions are then acquired through a mining and E&P rights application, negotiation and bid process.

Exploration

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

Exploration for oil and natural gas deposits begins with field geological surveys. Geologists head out to gather information on the geological features of each field and collect sedimentary rocks and other samples. They then analyze the properties of these samples, including fossils, oil and natural gas source rocks as well as reservoirs. Geophysical surveys involve probing underground structures using physical techniques; one of the most effective methods is seismic surveys. Seismic surveys induce artificial seismic vibrations onshore and offshore to measure reflected waves from subsurface structures. Seismic acquisition data are processed and evaluated to determine the geological structure.

The next step is to drill an exploration well to search for potential oil and gas deposits at a site deemed promising based on evaluations of geological and geophysical surveys. If exploratory drilling leads to the discovery of oil or gas, several extension wells are drilled in surrounding areas in an effort to evaluate and determine the structure and size of the oil or gas field based on its shape, potential productivity and other factors. After determining the level of reserves and scale, a final decision is made with respect to commercial production taking into consideration a wide range of factors.

Development

- FEED
- Production well drilling
- Production facility construction
- Oil and gas production

If oil and gas fields are shown to have commercial-scale reserves based on an evaluation of information gathered from the exploration and appraisal wells, production wells are drilled after carefully formulating the appropriate front-end engineering and design (FEED), while constructing various facilities for processing, storing and transporting the oil and natural gas prior to the start of production. In the production phase, the operator uses a separator to separate the oil and natural gas from the fluid stream produced by production wells, and regulates oil and gas pressure, among other tasks.

Natural gas is produced while carefully monitoring supply-demand dynamics in order to match the supply-demand situation of customers, whose natural gas usage varies significantly depending on the time and season.

The crude oil produced is stored in tanks within the production facility.

Transportation and Sales

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

The natural gas produced is sold mainly to electric power companies, local distribution companies (LDCs) and industrial users via the Company's natural gas pipelines.

In regions in which there are no natural gas pipelines, JAPEX sells liquefied natural gas (LNG) to LDCs via its LNG Satellite System, which uses tank trucks and railway tank containers.

Crude oil is sold mainly to petroleum refiners and trading companies via oil tankers and tank trucks.

Financial Highlights

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

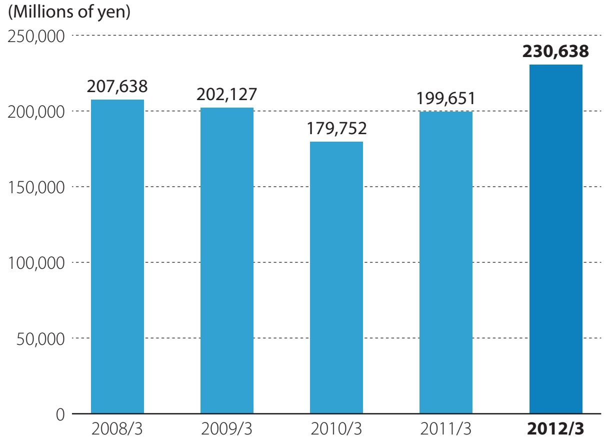
					Millions of yen	Thousands of U.S. dollars*
	2012	2011	2010	2009	2008	**2012**
For the Year:						
Net sales	**¥ 230,638**	¥ 199,651	¥ 179,752	¥ 202,127	¥ 207,638	**$2,812,658**
Cost of sales	**174,359**	144,919	125,467	134,447	143,682	**2,126,329**
Exploration expenses	**7,805**	9,798	10,396	15,352	13,559	**95,182**
Selling, general and administrative expenses	**33,426**	31,084	30,769	32,237	30,770	**407,634**
Operating income	**15,045**	13,849	13,119	20,090	19,625	**183,475**
Net income	**17,027**	10,010	17,939	12,560	20,097	**207,646**
At Year-End:						
Total assets	**¥ 532,890**	¥ 516,098	¥ 521,009	¥ 500,444	¥ 620,946	**$6,498,658**
Net assets	**406,773**	393,689	398,747	378,227	448,226	**4,960,646**
Long-term loans payable	**26,198**	26,898	24,471	25,325	21,922	**319,487**
					Yen	U.S. dollars*
Per Share Data:						
Net assets per share	**¥6,869.27**	¥6,743.83	¥6,839.05	¥6,486.85	¥7,696.00	**$83.77**
Net income per share	**297.92**	175.16	313.88	219.77	351.65	**3.63**
Cash dividends per share (full-year)	**40.00**	40.00	40.00	40.00	40.00	**0.49**
Other Data:						
Number of employees	**1,743**	1,728	1,735	1,678	1,622	**1,743**

* Exchange rate: ¥82/U.S.$

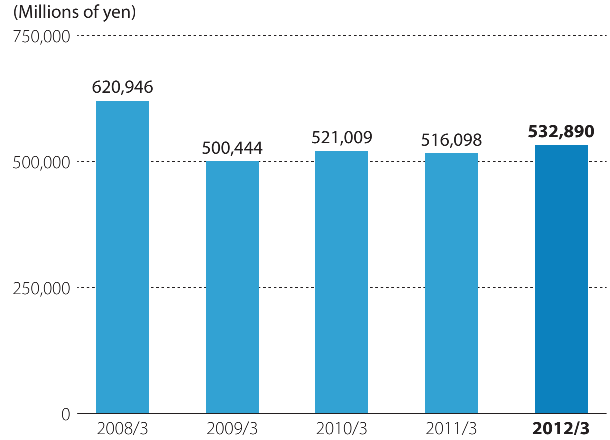
Disclaimer

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

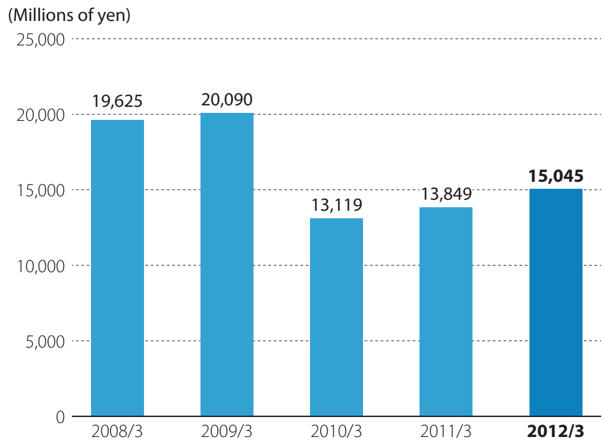
Net sales



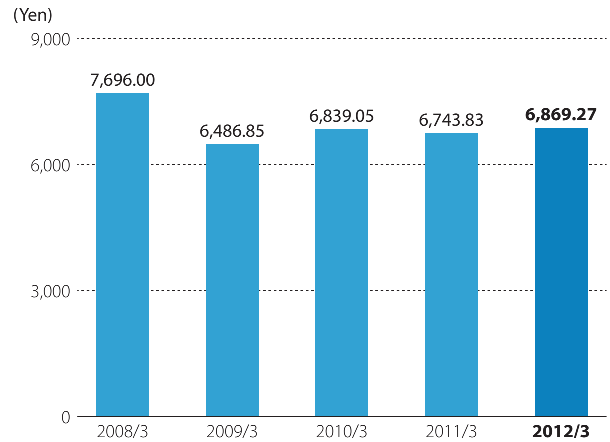
Total assets



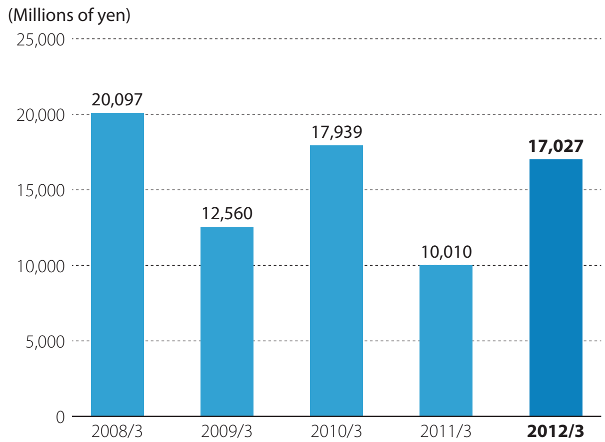
Operating income



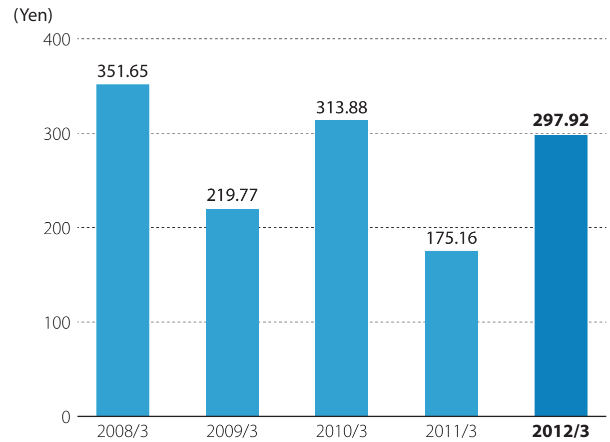
Net assets per share



Net income



Net income per share



To Our Shareholders and Investors

Osamu Watanabe
President & Chief Executive Officer

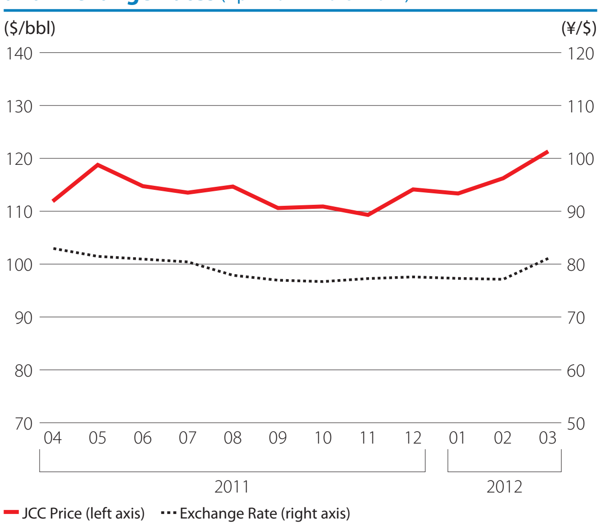
Business Circumstances and Operating Performance in Fiscal 2012

Business Circumstances

In the fiscal year ended March 31, 2012, the Japanese economy was in a severe situation from the beginning of the fiscal year due to the impact of the Great East Japan Earthquake. Despite signs of a gentle recovery from the second half of the fiscal year, the economic outlook remains adverse, particularly with respect to the decline in corporate earnings and the ongoing difficult employment environment.

The Japan Crude Cocktail (JCC) price* began the fiscal year at the high level of $110 per barrel, owing to the political unrest in the Middle East and North Africa, and then rose to as high as $118 per barrel in May. Subsequently, although the price hovered around the $110 level until tensions in the Middle East pushed up the price again, and as of the end of the fiscal year, the price had reached a high level of $120 per barrel.

Trends in the Japan Crude Cocktail (JCC) Price and Exchange Rates (April 2011–March 2012)



Concerning foreign currency exchange rates, the beginning of the fiscal year under review saw the dollar-yen exchange rate fluctuate between ¥80 to ¥84. From autumn until the end of the fiscal year, the value of the yen was at unprecedented levels in the higher ¥70s range. Buoyed by the upswing in the JCC price, the JAPEX Group's average crude oil sales price for fiscal 2012 increased compared with the previous fiscal year.

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

On the other hand, with regard to natural gas, against a backdrop of rising demand for natural gas, particularly as a fuel for electricity generation in the wake of the Great East Japan Earthquake, it became increasingly difficult to procure liquefied natural gas (LNG), which is then converted to natural gas for use. Moreover, as a result of the continued movement towards entering the market by other companies, particularly with respect to the development of supply infrastructure, the JAPEX Group was faced with a difficult market environment.

Operating Performance

Given this environment, the JAPEX Group endeavored to secure production and transportation, and focused on efficient E&P in Japan and overseas with the aim of achieving a stable, long-term supply of energy essential for daily life. During the fiscal year ended March 2012, consolidated net sales amounted to the following.

(Millions of Yen)

	2011/3	2012/3	Change
Net sales	199,651	**230,638**	15.5%
Operating income	13,849	**15,045**	8.6%
Net income	10,010	**17,027**	70.1%
Net assets	393,689	**406,773**	3.3%
Total assets	516,098	**532,890**	3.3%
Equity ratio	74.7%	**73.7%**	—

Progress Under the Medium-Term Business Plan

In May 2011, the JAPEX Group announced a new Medium-Term Business Plan, covering the 5 years from fiscal 2012 through fiscal 2016. Anticipating increasing global competition in resource development, unstable energy prices, intensifying competition in the domestic natural gas business and the rising social awareness about environmental issues, the following three basic strategies for expanding business were established.

Three Basic Policies Designed to Promote Business Expansion

1: E&P business*

2: Domestic natural gas business

3: Environment and Innovative technology business

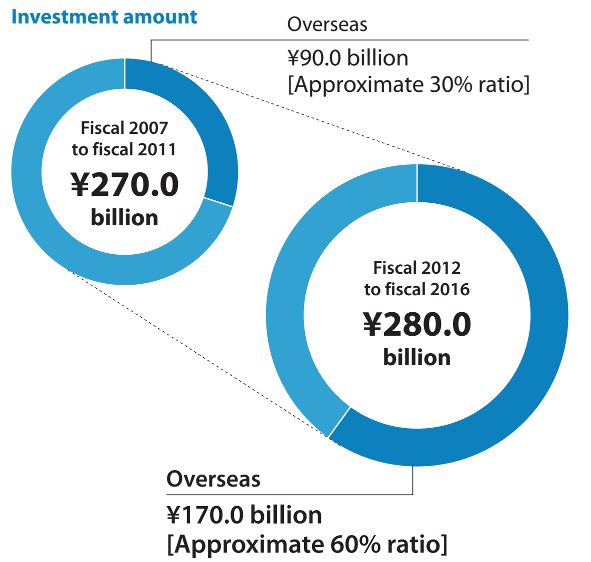
In the E&P business, which is the first basic policy, we plan to increase production volume and proven reserves by shifting exploration and development investment overseas.

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

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

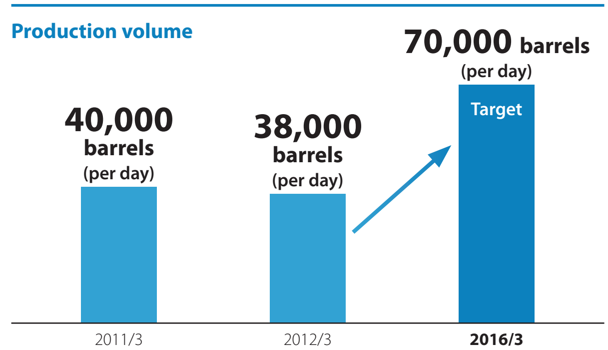
Three Phases of the E&P Business

Phase 1: Shift to overseas investment

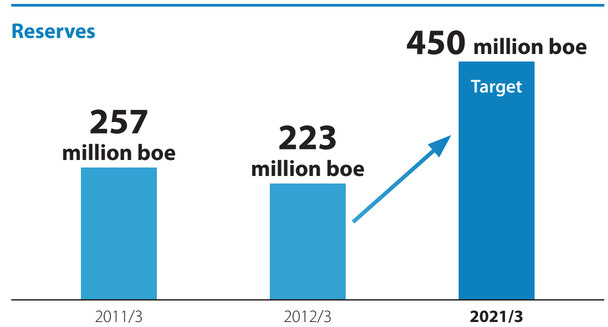


Note 1: Including investments through loans to equity-method affiliates.

Phase 2: Increase production volume



Phase 3: Sustain and increase reserves



Note 2: The aforementioned production volume and reserves are oil equivalents.

Note 3: The aforementioned proved reserves are equivalent to the JAPEX Group's interest.

Overseas, production of natural gas began at the end of this May at the TSB gas field in the Kangean Block area of Indonesia, and expansion of production volume is planned going forward. In the Garraf oil field in Iraq, since drilling commenced last June, drilling of a total of six wells (one appraisal well and five development wells) have been completed, and oil prospects are good at each well. We are continuing to drill at the development wells (as of July 2012). Our earnest development work is aimed at starting production in the second half of 2012, all while keeping tight security measures in place. Also, the Oil Sands Expansion Project in Canada is working towards a commencement of production in 2016, and we plan to make our final investment decision before the end of this year. In Japan, we were successful in producing both natural gas and crude oil at the exploration well "Akeno SK-1D" in Tomakomai City, Hokkaido, where drilling started n August 2011. Also, this April we opened the prospect well "Katakai SK-29D" in Niigata Prefecture, and are planning to drill prospect wells in both Hokkaido and Niigata Prefecture.

Concerning the second basic policy of the domestic natural gas business, in fiscal 2012, immediately after the Great East Japan Earthquake, our pipeline network contributed significantly to the quick recovery of city gas in Sendai City. Also, last winter, which was a very cold winter, in order to help ensure a stable supply of natural gas in Hokkaido during times of peak demand, in addition to providing natural gas from our Yufutsu oil and gas field, we also used LNG procured from overseas. We accomplished this by carrying out "STS (Ship-to-Ship)" operations to transship LNG between LNG vessels used for international transport and LNG vessels used for domestic transport. This work must be done very carefully, including safe navigation and vigilant efforts to prevent an offshore disaster, and this was the first ever successful operation of its kind in Japan, and allowed for the stable supply of natural gas in Hokkaido.

One initiative concerning the third basic policy of Environment and Innovative technology business is methane hydrate development. We were commissioned by the government to be the project operator for drilling work for offshore production testing led by the Japanese government which commenced in February this year. Methane hydrate development is still in the testing phase and a decision on commercialization will not be made for another seven years until the end of fiscal 2019 or thereabouts. However, if methane hydrate production technologies are established and commercialized, there is hope that this could become a new energy resource that would make a tremendous contribution to ensuring a stable supply of energy for Japan.

Going forward, the JAPEX Group also plans to continue to proactively participate in government projects related to CCS*, and to accumulate technologies and experience with an aim of eventual commercialization.

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

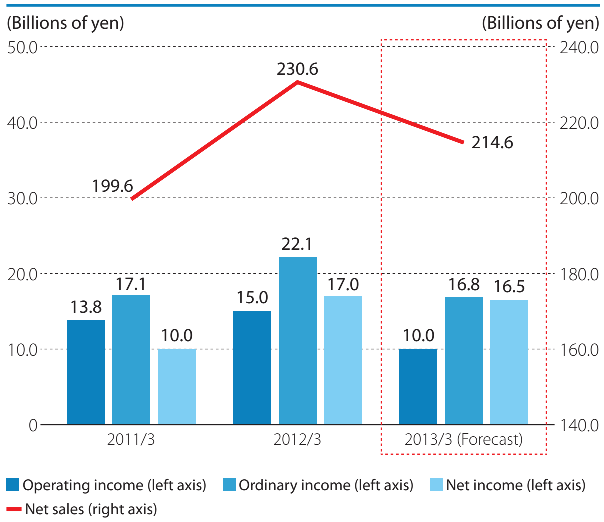
Consolidated Profit

Net sales for the fiscal year ending March 31, 2013, are expected to decrease by ¥15.9 billion from the fiscal year under review to ¥214.6 billion, as despite the outlook for higher profit due to the recovery in natural gas third-party access revenue in the wake of the Great East Japan Earthquake, we expect a decline in crude oil sales due to a drop in production volumes and lower prices.

We forecast operating income to decline ¥5 billion from the fiscal year under review to ¥10 billion, as we expect exploration expenses to increase in Japan and overseas.

Concerning net income, we forecast a decrease of ¥0.5 billion to ¥16.5 billion, due to the expectations for extraordinary income from the sale of assets and lower income taxes.

Fiscal 2013 Business Forecast



Crude Oil Price (Japan Crude Cocktail (JCC) Price) and Exchange Rate Assumptions Applicable to Fiscal 2013

	FY2011 (Actual)	FY2012 (Actual)	**FY2013 (Estimate)**
Crude oil price: ($/bbl)	82.69	112.43	**100**
Exchange rate: (¥/$)	86.24	78.93	**80**

To Our Shareholders and Investors

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

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

August 2012

Osamu Watanabe

President & Chief Executive Officer

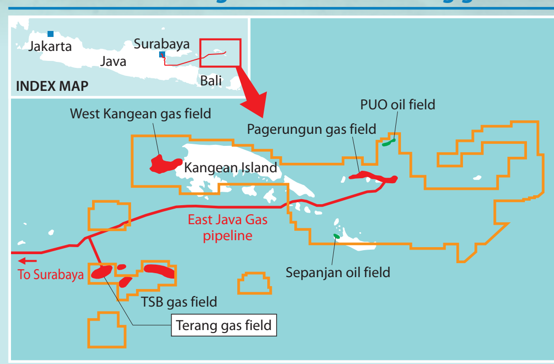
Production Starts in Terang Gas Field of Kangean PSC Area in Republic of Indonesia

On May 26, 2012, commercial production started at the Terang gas field in the Kangean PSC area located offshore of East Java, Republic of Indonesia. Specifically, Kangean Energy Indonesia Ltd. (an equity-method affiliate of JAPEX and the operator), a wholly owned subsidiary of Energi Mega Pratama Inc. (in which JAPEX has made an investment) based in the Republic of Indonesia, began the production. The JAPEX Group has 25% ownership of the Kangean PSC area, which is comprised of the Pagerungun gas field, the Pagerungun Utara Offshore (PUO) oil field, and the TSB gas field.

Terang gas field is located 90 km north of Bali Island (water depth of 90 m) and is part of the TSB gas field complex, which comprises the Terang, Sirasun, and Batur gas fields. The natural gas produced at the Terang gas field will first be processed in the FPU (floating production unit), then sent through the East Java Gas pipeline, where it will be sold to the state-owned power company as well as fertilizer factories in the outskirts of Surabaya, East Java. Demand for natural gas in this area has been growing markedly, and we believe that this will contribute to the stable supply of energy resources and the economic growth of this area, which are also the hopes of the government of Indonesia.

From the Terang gas field, 300 million standard cubic feet per day during peak periods (annual production of 2.25 million tons, 50 thousand boe per day) of natural gas is expected to be sold within the Republic of Indonesia, an amount which is almost equivalent to the daily natural gas production volume in Japan.

Location of the Kangean Block and Terang gas field



Kangean Block Interest Scheme

Mitsubishi Corporation — 25%
JAPEX — 25%
PT Energy Mega Persada Tbk — 50%

Energi Mega Pratama Inc.

100% — Kangean Energy Indonesia Ltd. (Operator)
100% — EMP Exploration Kangean Ltd.

60% / 40%

Kangean PSC Block

FPU located at Terang gas field in Kangean PSC area

Exploration and Production (E&P)

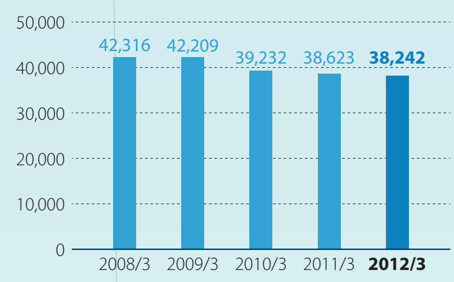
Effective E&P and the Discovery of New Oil and Gas Reserves

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

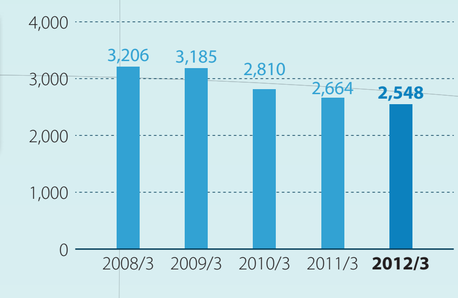
Daily Production of Crude Oil and Natural Gas

Average net production volume for fiscal 2012 for JAPEX and its consolidated subsidiaries was 2,548 kl/d (16,030 b/d) of crude oil, including bitumen, and 3,531 thousand m^3/d (22,213 boe/d) of natural gas for an aggregate total of 38,242 boe/d.

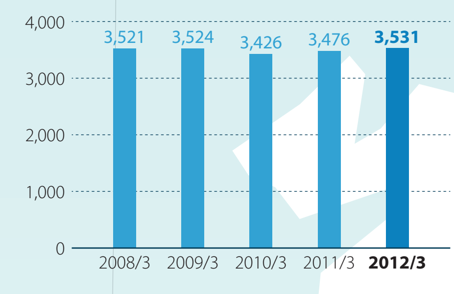
Total Production of Crude Oil and Natural Gas (boe/d)



Crude Oil Production (kl/d)



Natural Gas Production (Thousand m^3/d)



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

Conversion Factors and Units

Crude oil 1 kl = 6.29 bbl
Natural gas 1,033 m^3 = 35.31 thousand cubic feet
Natural gas 1,033 m^3 = 1 kl of oil equivalent

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

Domestic E&P

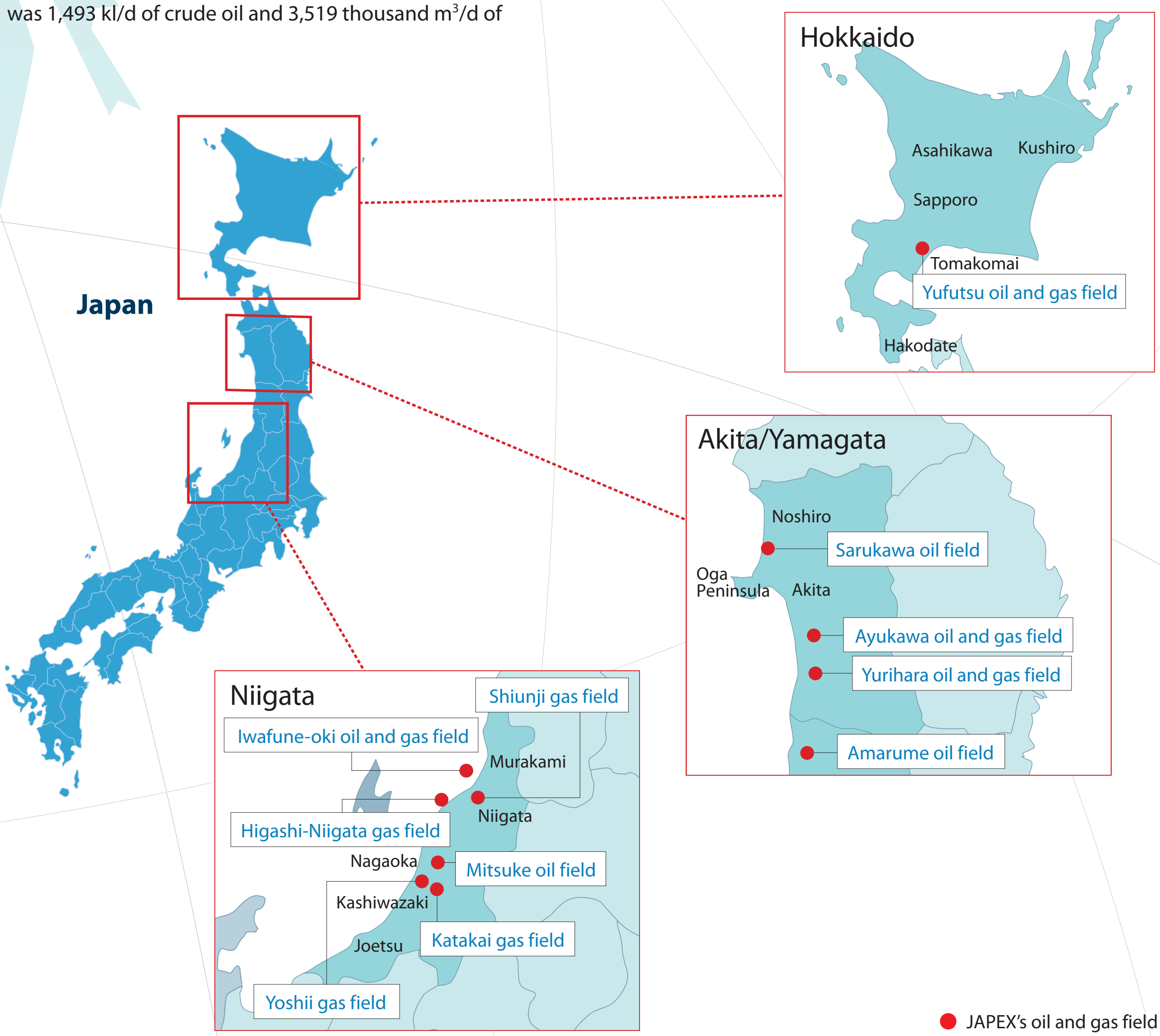
JAPEX's domestic oil and gas fields are located in Hokkaido, Akita, Yamagata and Niigata prefectures. In order to maintain and expand domestic reserves, while putting in place a reliable system for supplying crude oil and natural gas over the long term, JAPEX will effectively combine E&P aimed at adding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

JAPEX and Japex Offshore Ltd.

In fiscal 2012, the average net production volume in Japan was 1,493 kl/d of crude oil and 3,519 thousand m^3/d of natural gas for a total production volume of 31, 532 boe/d.

JAPEX conducted 2D seismic surveys in Niigata and Yamagata prefectures as a part of its exploration activities in fiscal 2012. At the same time, the Company drilled one exploration well (Akebono SK-1D extension well in Hokkaido). In addition, we succeeded in the production of 60 thousand m^3/d of natural gas and 60 kl/d of crude oil.

As regards exploration and development activities in fiscal 2013, in April we spudded in an exploration well in Niigata (Katakai SK-29D), plans are in place to conduct two 2D seismic surveys in Akita and Yamagata, and to drill three exploration wells (two in Hokkaido and one in Niigata).



Overseas E&P

JAPEX knows that securing reserves, expanding production and generating earnings overseas are important themes for establishing a stable operating base over the long term. Based on this thinking, JAPEX continues to boost operating efficiency and identify new projects in Southeast Asia, Canada, the Middle East, North Africa and Sakhalin in Russia as target areas. JAPEX is adopting two approaches to opening up new business opportunities. One is to acquire rights to oil and gas fields that are already on-stream or that have been discovered but not yet developed, which offer relatively low risk and early returns. The other is to acquire exploration rights that are expected to deliver relatively high returns.

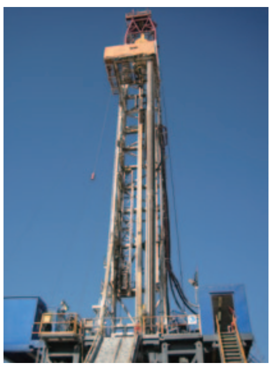
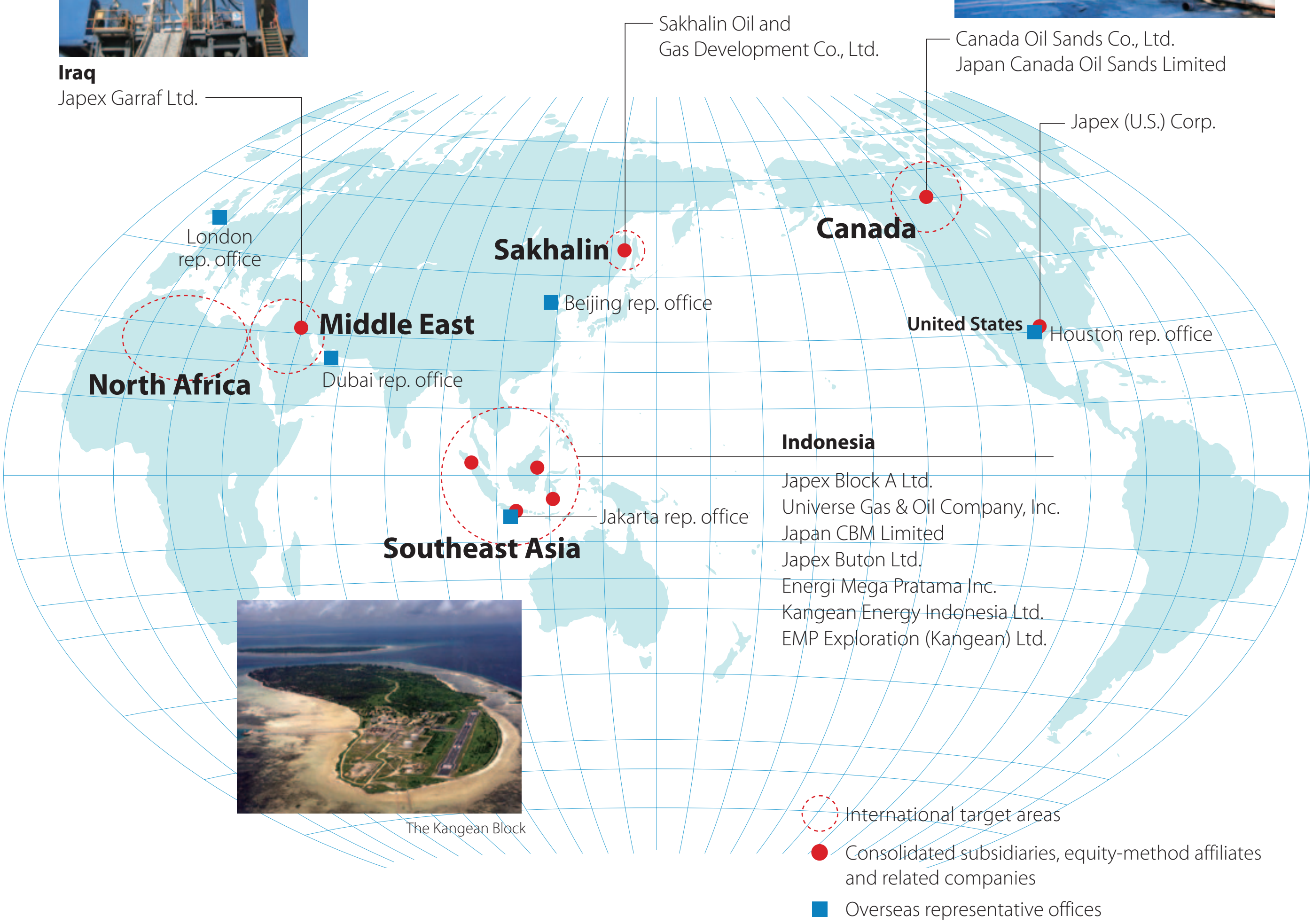


Photo courtesy of Exxon Neftegas Ltd.

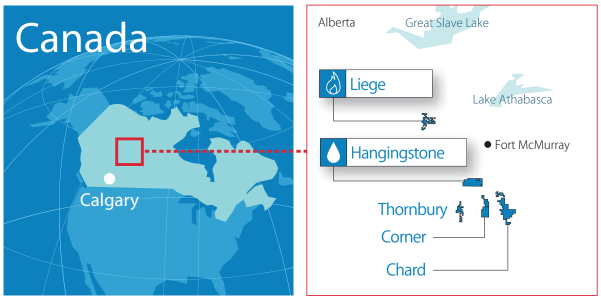


The Kangean Block

Oil field Oil and gas field Gas field

Target Area: Canada

Japan Canada Oil Sands Limited (JACOS)

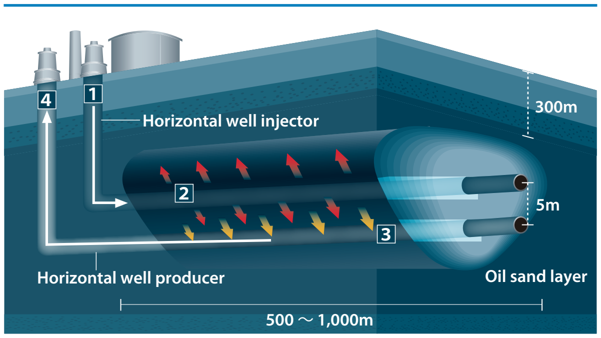


Block	Hangingstone (commonly known as the 3.75 section area)	
Project Company	Canada Oil Sands Co., Ltd. (local subsidiary: Japan Canada Oil Sands Limited)	
Interest	Japan Canada Oil Sands Limited (Operator)	100%

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

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

Schematic of the SAGD Process



1 Continuously injecting high-temperature, high-pressure steam into the upper well to provide liquidity to the bitumen.

2 The steam heats the oil sand layer.

3 Bitumen falls down to the lower well.

4 Bitumen emerges above ground along with warm water*.

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

In Canada, our consolidated subsidiary Canada Oil Sands Co., Ltd. is engaging in oil sand development through locally incorporated Japan Canada Oil Sands Limited (JACOS) using steam-assisted gravity drainage (SAGD) in a part of the Hangingstone area (commonly known as the 3.75 section area) in the Athabasca region of Alberta. Production volume of bitumen (extra-heavy oil extracted from oil sands) in 2011 for the 3.75 section area was 6,592 barrels per day.

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

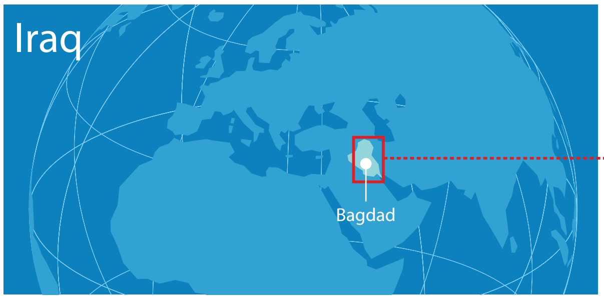
May 2008–Mar. 2010:	Conducted an environmental impact assessment
Apr. 2010:	Submitted a development application to the relevant agency of the Alberta provincial government (additional production of bitumen to a maximum of 30,000 barrels per day)
Around winter 2012:	Acquire development approval; make a final investment decision
2012–2013:	Commence construction during the winter season
First half of 2016:	Commence production

JACOS owns leases for an oil sand area that is yet to be developed spanning a total of 460 km^2 in the Athabasca region. In addition to future plans for the Hangingstone Oil Sands Expansion Project currently under production, project areas held include the Corner, Chard, Thornbury and other areas where expectations for a transition to development are high. Estimated contingent reserves* in areas yet to be developed as of the end of December 2008 totaled 1.7 billion barrels. A third-party evaluation was completed by Sproule Associates Limited (of Canada).

* Please refer to the "Definition of Proved Reserves" on page 20.

Target Area: The Middle East

Japex Garraf Ltd.



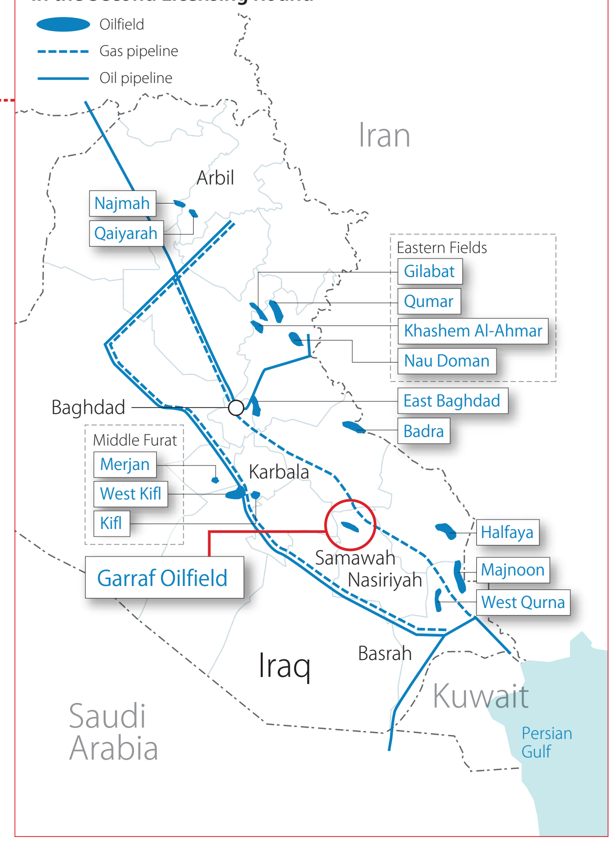
Field	Garraf oilfield (Southern Iraq)	
Project Company	Japex Garraf Ltd.	
Participating Interest	PETRONAS (Operator)	45%
	Japex Garraf Ltd.	30%
	North Oil Company	25%

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

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

Since starting exploration work in June 2011 at the Garraf oilfield, we have finished drilling (as of the end of July 2012) six wells: one appraisal well and five development wells. All of them seem to be promising oil wells. We plan to drill one new appraisal well from toward the end of July, and four development wells from August. There are adequate security measures in place at the worksite, and aiming to start production in the second half of 2012, we are moving ahead with all necessary development activities.

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



Overview of the Garraf Oilfield Development

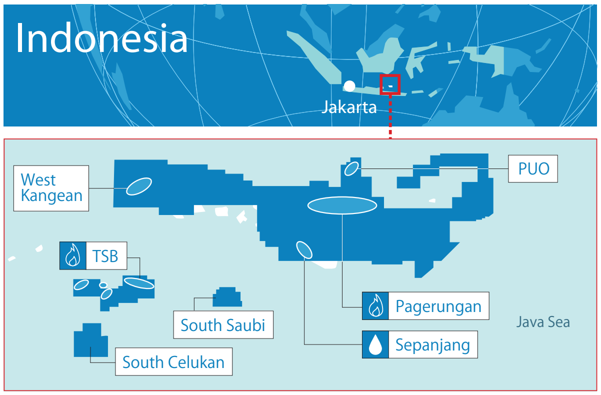
Contract Type:	Development and production service	
Contract Term:	20 years (with optional 5-year extension)	
Remuneration:	U.S.$1.49 per barrel of crude oil production	
Scheduled Production Plan	**2012:** Commence initial production	
	2017: Achieve production target of 230,000 b/d	
Aggregate Production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

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

Oil field | Oil and gas field | Gas field

Target Area: Southeast Asia

Energi Mega Pratama Inc.



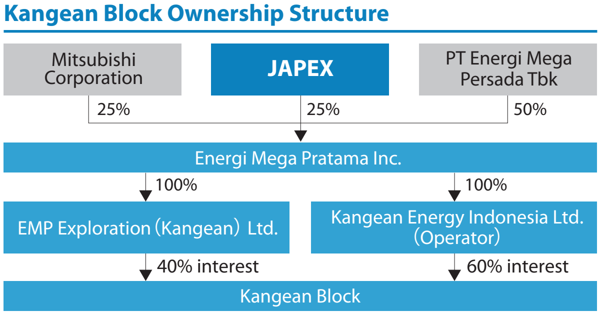
Block	Kangean Block (offshore East Java)	
Project Company	Energi Mega Pratama Inc.	
Interest	Kangean Energy Indonesia Ltd. (Operator)	60%
	EMP Exploration (Kangean) Ltd.	40%

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

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

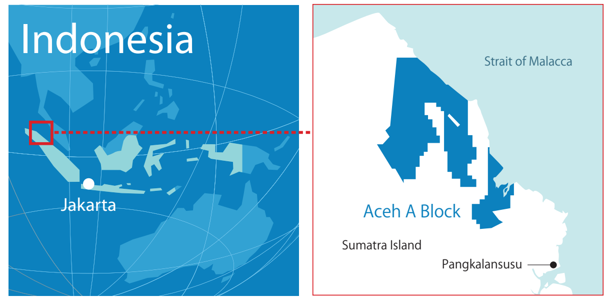
Within the same block, the company is moving forward with production activities at the Pagerungan gas field, and the Terang gas field in the TSB gas field, and development activities at the Sirasun gas field in the TSB gas field, and the Batur gas field. Production volume of both crude oil and natural gas for the entire block in 2011 totaled 7,328 barrels of oil equivalent per day. Commercial production commenced at the Terang gas field, which is part of the TSB gas field from May 2012. From the same gas field at its peak, we plan to sell inside Indonesia a daily production of 300 million cubic feet of natural gas (an average annual production of 2,250 thousand tons, approximately 50 thousand barrels of oil equivalent per day).

Kangean Block Ownership Structure



Target Area: Southeast Asia

Japex Block A Ltd.



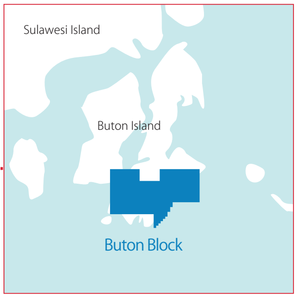
Block	North Sumatra Block A (onshore North Sumatra)	
Project Company	Japex Block A Ltd.	
Interest	Medco (Operator)	41.6667%
	Premier Oil	41.6666%
	Japex Block A Ltd.	16.6667%

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

Plans are in place to commence gas production from 2014 to a maximum of 20,000 boe/d. Moving forward, we will continue to promote development activities.

Target Area: Southeast Asia

Japex Buton Ltd.



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

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

We drilled one exploration well from March to June 2012, but the well was plugged and abandoned due to lack of commercially viable oil and gas. Evaluation studies are currently underway for the block.

Target Area: Southeast Asia

Universe Gas & Oil Company, Inc.

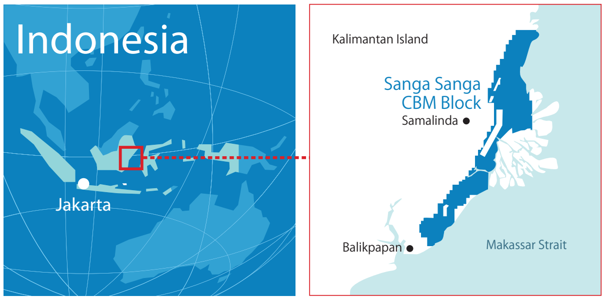
Block	Sanga Sanga Block (onshore in East Kalimantan Province)	
Project Company	Universe Gas & Oil Company, Inc.	
Interest	BP East Kalimantan Ltd.	26.250%
	LASMO Sanga Sanga Ltd.	26.250%
	Virginia International Co.	15.625%
	Virginia Indonesia Co. (Operator)	7.500%
	Opicoil Houston Inc.	20.000%
	Universe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

Equity-method affiliate Universe Gas & Oil Company, Inc. (4.375% interest) carries out development and production centered on the four oil and gas fields of Badak, Nilam, Mutiara and Semberah in the onshore Sanga Sanga Block in East Kalimantan Province. In 2011, the company drilled 42 production wells to increase recovery efficiency and maintain production volume of crude oil and natural gas. Gross production volume was 81,368 barrels of oil equivalent per day of crude oil and natural gas for the block.

Oil field | Oil and gas field | Gas field

Target Area: Southeast Asia

Japan CBM Limited



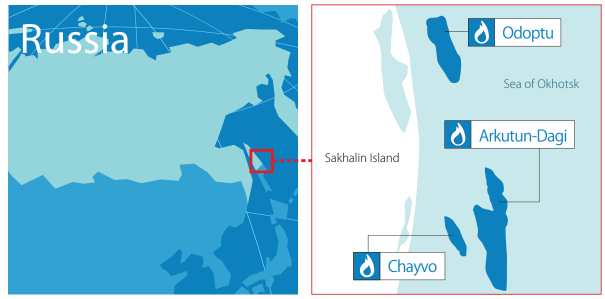
Block	Sanga Sanga CBM Block (onshore in East Kalimantan Province)	
Project Company	Japan CBM Limited	
Interest	BP East Kalimantan CBM Limited	26.250%
	Eni CBM Limited	26.250%
	Opicoil Energy	20.000%
	Virginia Indonesia Co. CBM Limited (Operator)	7.500%
	VIC CBM Limited	15.625%
	Japan CBM Limited	4.375%

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

Ongoing activities on production feasibility of the coal bed methane from the block, including test production, are scheduled to take place in 2012.

Target Area: Sakhalin

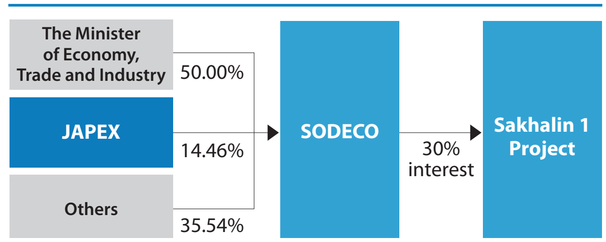
Sakhalin Oil and Gas Development Co., Ltd. (SODECO)



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

In Russia, JAPEX is engaged in the Sakhalin 1 Project through its investment in Sakhalin Oil and Gas Development Co., Ltd. (SODECO), which owns a 30% interest in the project. The Sakhalin 1 project is a consortium to explore and produce oil and gas at three fields: Chayvo, Odoptu and Arkutun-Dagi (offshore Sakhalin). Oil and gas are produced from the Chayvo field using offshore platforms, onshore well pads and a processing facility. In February 2007, the project reached its peak gross production target of around 250,000 barrels per day (40,000 kiloliters per day) and achieved a cumulative crude oil production volume of 100 million barrels in January 2008. In addition, crude oil production from the Odoptu oil and gas field commenced in September 2010, while all necessary preparations are being undertaken toward the commencement of crude oil production in 2014 at the Arkutun-Dagi oil and gas field.

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



Proved Reserves

As of March 31, 2012, proved reserves owned by JAPEX and its consolidated subsidiaries along with the Company's investment equivalent in proved reserves of equity-method affiliates are presented in the following table.

Proved Reserves of the JAPEX Group

Proved Reserves	JAPEX and consolidated subsidiaries						Equity-method affiliates		Total	
	Japan		Overseas		Subtotal					
	Crude oil (Thousand kl)	Gas (Million m^3)	Crude oil (Thousand kl)	Gas (Million m^3)	Crude oil (Thousand kl)	Gas (Million m^3)	Crude oil (Thousand kl)	Gas (Million m^3)	Crude oil (Thousand kl)	Gas (Million m^3)
As of March 31, 2011	7,041	26,102	2,710	1,143	9,751	27,245	168	3,812	9,919	31,057
Increase due to expansion or discovery	—	—	—	—	—	—	13	8	13	8
Change due to revision of evaluation standard	(189)	(894)	65	(1,121)	(124)	(2,015)	(88)	65	(212)	(1,950)
Change due to acquisition and/or divestiture	—	—	—	—	—	—	(2)	—	(2)	—
Decrease due to production	(540)	(1,254)	(333)	(5)	(873)	(1,259)	(47)	(109)	(920)	(1,368)
As of March 31, 2012	**6,312**	**23,954**	**2,442**	**17**	**8,754**	**23,971**	**44**	**3,776**	**8,798**	**27,747**

Notes: 1. Figures for crude oil include bitumen, an extra-heavy oil extracted from oil sands.
2. Proved reserves of consolidated companies include reserves held by minority interests.
3. Consolidated subsidiary Japex Garraf Ltd. commenced development operations in accordance with the Preliminary Development Plan (PDP) approved on January 19, 2011. While based on the future submission and approval of the appropriate Final Development Plan (FDP), evaluated reserves of crude oil held by the company as of March 31, 2012 stand at 8,026 thousand kl, this information has not been included in the table above. This is because an FDP has not at this stage been submitted or approved. FDP submission and approval is scheduled for 2013.

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

<table>
<tr><th rowspan="3">Proved Reserves</th><th colspan="6">JAPEX and consolidated subsidiaries</th><th colspan="2" rowspan="2">Equity-method affiliates</th><th colspan="2" rowspan="2">Total</th></tr>
<tr><th colspan="2">Japan</th><th colspan="2">Overseas</th><th colspan="2">Subtotal</th></tr>
<tr><th>Crude oil (Million bbl)</th><th>Gas (Million boe)</th><th>Crude oil (Million bbl)</th><th>Gas (Million boe)</th><th>Crude oil (Million bbl)</th><th>Gas (Million boe)</th><th>Crude oil (Million bbl)</th><th>Gas (Million boe)</th><th>Crude oil (Million bbl)</th><th>Gas (Million boe)</th></tr>
<tr><td rowspan="2">As of March 31, 2011</td><td rowspan="2">44</td><td rowspan="2">164</td><td rowspan="2">17</td><td rowspan="2">7</td><td rowspan="2">61</td><td rowspan="2">171</td><td rowspan="2">1</td><td rowspan="2">24</td><td>62</td><td>195</td></tr>
<tr><td colspan="2">Total 257</td></tr>
<tr><td>Increase due to expansion or discovery</td><td>—</td><td>—</td><td>—</td><td>—</td><td>—</td><td>—</td><td>0</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>Change due to revision of evaluation standard</td><td>(1)</td><td>(10)</td><td>0</td><td>(7)</td><td>(1)</td><td>(12)</td><td>(1)</td><td>0</td><td>(1)</td><td>(12)</td></tr>
<tr><td>Change due to acquisition and/or divestiture</td><td>—</td><td>—</td><td>—</td><td>—</td><td>—</td><td>—</td><td>(0)</td><td>—</td><td>(0)</td><td>—</td></tr>
<tr><td>Decrease due to production</td><td>(3)</td><td>(8)</td><td>(2)</td><td>(0)</td><td>(5)</td><td>(8)</td><td>(0)</td><td>(1)</td><td>(6)</td><td>(8)</td></tr>
<tr><td rowspan="2">As of March 31, 2012</td><td rowspan="2">40</td><td rowspan="2">146</td><td rowspan="2">15</td><td rowspan="2">0</td><td rowspan="2">55</td><td rowspan="2">146</td><td rowspan="2">0</td><td rowspan="2">22</td><td>55</td><td>168</td></tr>
<tr><td colspan="2">Total 223</td></tr>
</table>

Note: Hitherto, JAPEX has disclosed the crude oil conversion volumes for reserves and production volumes as 5.6 mcf of natural gas = 1 bbl of crude oil (1,000 m^3 = 1kl), but from the fiscal year ended March 31, 2012 and beyond the conversion rate is being changed to 5.8 mcf of natural gas = 1 bbl of crude oil (1,033 m^3 = 1kl), which is the conversion factor currently recommended by the Petroleum Resources Management System (PRMS).
The conversion rate for the fiscal year ended March 31, 2011 and earlier was based on past conversion factors.

Conversion Factors and Units

Crude oil 1 kl = 6.29 bbl

Natural gas 1,033 m^3 = 35.31 thousand cubic feet

Natural gas 1,033 m^3 = 1 kl of oil equivalent

boe: barrels of oil equivalent

Definition of Proved Reserves

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

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

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

In addition to the PRMS, the definition of proved reserves compiled by the United States Securities and Exchange Commission (SEC) is widely known among the investment community. Revisions released by the SEC in December 2008 have made this definition in essence similar to that provided by the PRMS. Based on its judgment, JAPEX has been disclosing data that conforms to the PRMS definition of "proved reserves." Proved reserves held by overseas project companies are indicated based on the economic share of each project company as defined in agreements signed with respective local governments.

To verify its own evaluations and judgments with respect to reserves, JAPEX contracted with third party Ryder Scott Company Petroleum Consultants to examine 73% of the proved reserves of the Company and its consolidated subsidiaries as of March 31, 2012*1 in Japan, as shown in the table on the previous page. Overseas, with respect to bitumen reserves in the 3.75 section area currently under production owned by consolidated subsidiary Japan Canada Oil Sands Limited, JAPEX received a third-party evaluation from GLJ Petroleum Consultants. This evaluation was based on standards outlined in the Canadian Oil and Gas Evaluation Handbook, compiled by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and others. In addition, with respect to equity-method affiliate Kangean Energy Indonesia Ltd., JAPEX received a third-party evaluation from Gaffney, Cline & Associates (Consultants) Pte Ltd. JAPEX has therefore received third-party evaluations for approximately 77% of total proved reserves (8,798 thousand kl of crude oil and 27,747 million m^3 of natural gas)*2 as of fiscal 2012, as shown in the table on the previous page. The evaluation figures from JAPEX itself and the third-party evaluation figures have been close from the past, but some of the figures at the end of fiscal 2012 show that the third-party evaluation to some extent fell short of JAPEX's own evaluation. This difference will be assessed in the future.

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

*1 Calculations are based on a conversion factor of 1 thousand kl for crude oil = 1,033 m^3 (1 boe = 5.8 Mscf) for natural gas.
*2 Same as above.

Review of Operations

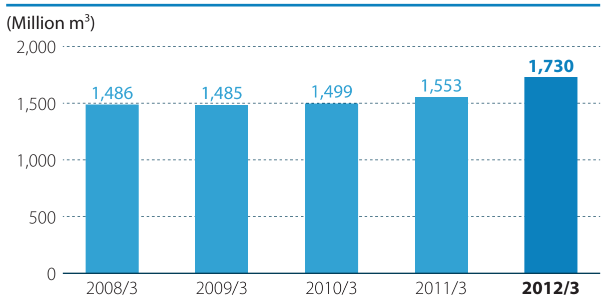
Domestic Transportation of Natural Gas

Covering a Broad Area through Diverse Supply Channels

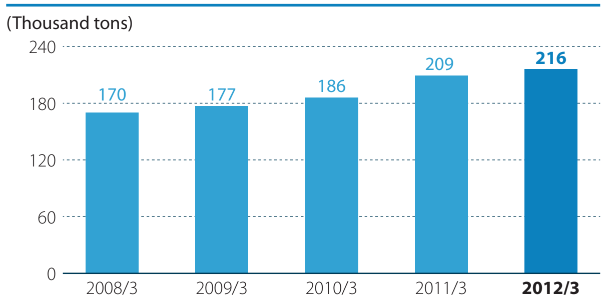
In supplying gas in our core domestic natural gas business, we are aiming to cover a broad marketing area and expanding sales volume by enhancing our transport network with natural gas pipelines, tank trucks and railways.

In fiscal 2012, the volume of natural gas sales including LNG amounted to 2.01 billion cubic meters, a year-on-year increase of 190 million cubic meters.

Natural Gas Sales



LNG Sales



Natural Gas Pipeline Network

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

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

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

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

LNG Satellite System

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

Transportation of LNG by railway tank containers

Transportation of LNG by tank trucks

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

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

Research & Development

JAPEX Research Center

Toward the Effective Utilization of Energy

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

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

Development of Methane Hydrate in Japan

Recognizing the potential of methane hydrate from early on, JAPEX has been actively involved in the development of technology to overcome these challenges, playing a central role in joint research carried out between fiscal 1995 and fiscal 1999 with the Japan National Oil Corporation (currently Japan Oil, Gas and Metals National Corporation) and a number of private-sector companies. In 2000, JAPEX conducted exploration drilling of the Nankai Trough offshore Shizuoka Prefecture within its block and became the first company in Japan to successfully collect a methane hydrate core in domestic waters. Building on these achievements, Phase 1 of a full-scale joint research effort involving the public and private sectors commenced from fiscal 2002 in accordance with the Methane Hydrate Development Plan formulated by the Japanese Government. The results of Phase 1 research have demonstrated the potential of using methane hydrate present in the waters off Japan as an energy source.

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

In February 2012, JAPEX started the first offshore production tests within its block at the second Atsumi sea hill area offshore of the Atsumi Peninsula and the Shima Peninsula. JAPEX has been commissioned by the Japan Oil, Gas and Metals National Corporation as an operator to conduct exploration work.

The government intends to have in place technologies for the production of methane hydrate by March 2019 with a view to commercialization in the early stages of the 2020s. JAPEX will continue to play a central role as a member of the Steering Committee of the Research Consortium for Methane Hydrate Resources in Japan (MH21).

Details of the Implementation of the Methane Hydrate Development Plan in Japan

Phase 1 (FY2001 to FY2008) Basic Research	
FY2001	First onshore production test in Canada
FY2002	3D seismic survey in Nankai Trough
FY2003	Basic exploration in Nankai Trough
FY2006	Detailed assessment of reserve volume in Nankai Trough
FY2006–FY2007	Second onshore production test in Canada (successful production)
FY2008	Final assessment of Phase 1

Phase 2 (FY2009 to FY2015)	
FY2011	Advance drilling in first offshore production tests
FY2012	First offshore production tests
FY2014	Second offshore production tests
FY2015	Final assessment of Phase 2

Phase 3 (FY2016 to FY2018)	
FY2016	Commercial production preparation
FY2017	Comprehensive assessment (economic factors, environmental impact, etc.)
FY2018	Final assessment of project

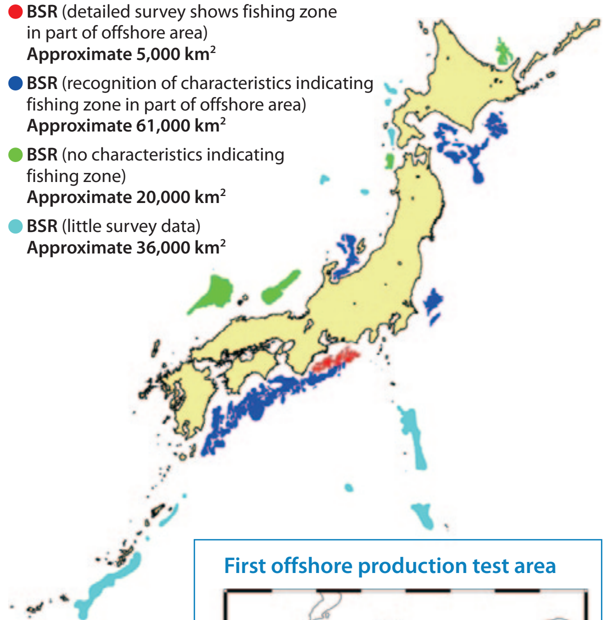
2020s Commercialization target

Map of Methane Hydrate Reservoirs around Japan

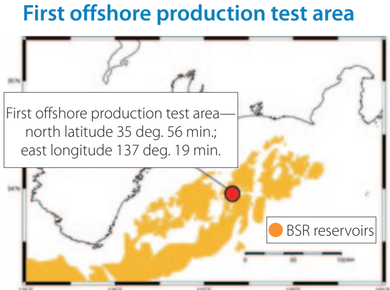
Map provided by the Research Consortium for Methane Hydrate Resources in Japan

BSR area: Approximate 122,000 km^2

- **BSR** (detailed survey shows fishing zone in part of offshore area) **Approximate 5,000 km^2**
- **BSR** (recognition of characteristics indicating fishing zone in part of offshore area) **Approximate 61,000 km^2**
- **BSR** (no characteristics indicating fishing zone) **Approximate 20,000 km^2**
- **BSR** (little survey data) **Approximate 36,000 km^2**



First offshore production test area



Reference materials: 20th Methane Hydrate Development Investigative Committee materials

Note: BSR: Bottom Simulating Reflector.
The BSR distribution data obtained from seismic surveys provides clues about the existence of methane hydrate.

Glossary

What is methane hydrate?

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

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

"Artificial methane hydrate after combustion"
Photo provided by the Research Consortium for Methane Hydrate Resources in Japan

Commercialization of CO_2 separation, and Capture and Storage technology (CCS)

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

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

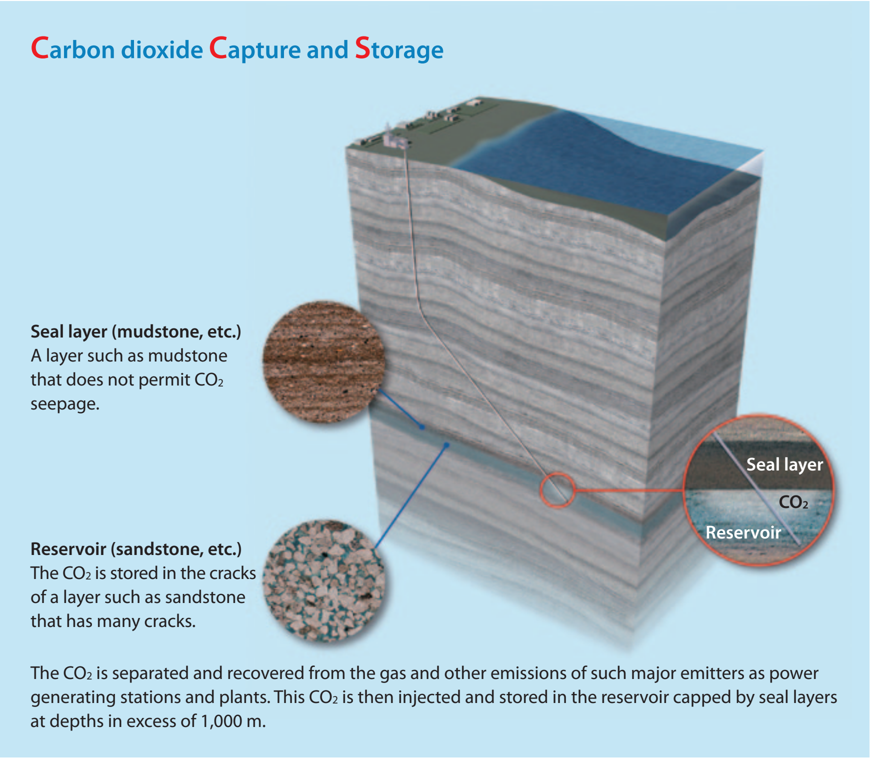
Applying Core E&P Technologies

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

Commercialization of CCS Technology

In its Action Plan for Building a Low-carbon Society, the government has stated its policy to commercialize CCS by 2020. In response to this policy, JAPEX in May 2008 jointly established Japan CCS Co., Ltd. with other private-sector companies. Japan CCS has been commissioned by the Ministry of Economy, Trade and Industry to conduct surveys in preparation for large-scale demonstration tests. In addition to desktop examinations, these surveys comprised drilling survey wells at prospective sites in Tomakomai in Hokkaido and in Kitakyushu in Fukuoka Prefecture, and proceeding with geological evaluations. Then, through demonstration tests to be conducted at Tomakomai in Hokkaido we will establish CCS as a commercial business as our contribution to the prevention of global warming.

Schematic of CCS



Source: The Ministry of Economy, Trade and Industry

Risk Factors

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

1. Factors Relating to Changes in Operating Results

(1) Factors Affecting Sales of Crude Oil

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

(2) Factors Affecting Sales of Natural Gas

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

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

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

2. Business Risks

(1) Business Characteristics

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

(2) Impact of Energy Market Liberalization

Regulations in the electricity and gas sectors in Japan are being relaxed in various ways with the aim of introducing market mechanisms. In accordance with the revised Gas Business Act that took effect on April 1, 2004, companies with a certain level of supply capacity are obligated to provide third-party access to their pipelines, which includes pipelines owned by the Company.

JAPEX believes that such deregulatory moves will invigorate the Japanese gas industry overall and boost demand for natural gas, while also increasing the degree of marketing freedom for the Group and leading to an expansion of business fields and customer base. At the same time, however, restructuring the energy market will generate tougher price competition, with the resultant possibility that this will adversely affect the Group's natural gas sales.

(3) Overseas Business Risks

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

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

3. Fluctuations in the Stock Price of INPEX CORPORATION

As of the end of March 2012, JAPEX owned 7.31% of the stock of INPEX CORPORATION. The JAPEX Group's balance of investment securities as of March 31, 2012 was ¥192,726 million. Of this amount, shares of INPEX CORPORATION accounted for ¥149,383 million. As is the case with the JAPEX Group, the results of operations and stock price of INPEX CORPORATION are affected by such factors as trends in crude oil prices. Accordingly, in the event of fluctuations in INPEX CORPORATION's stock price, there is a possibility that the Group's financial position could be affected.

4. JAPEX Shares Held by the Government

JAPEX listed its stock on the First Section of the Tokyo Stock Exchange on December 2003, after the Japan National Oil Corporation (the name of the corporation at that time) sold a portion of its holdings of the Company's stock. As a result, its share of stockholdings in the Company fell from 65.74% to 49.94%. Following the abolition of the Corporation, stock it owned in the Corporation was transferred to the government (Minister of Economy, Trade and Industry) as of April 1, 2005. The government subsequently sold 15.94% of its stockholdings in the Company through a stock sale with a date of delivery of June 15, 2007, and as a result, the Minister's stockholding in the Company has fallen to and remains at 34.00%. There is a continuing possibility that the remaining government-held shares could be sold, which, depending on the timing, method and volume of any sale, could affect the Company's stock price.

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

Corporate Social Responsibility

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

Health, Safety and Environment (HSE)

Voluntary Safety Activities

Each year, JAPEX revises its Safety Policy and Objectives to exercise initiative in its voluntary safety activities. The Safety Policy and Objectives for 2012 are as follows:

Safety Policy for 2012

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

Safety Objectives for 2012

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

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

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

Emergency Countermeasures

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

Environmental Preservation Initiatives Outside Japan

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

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

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

Relationship with Society

Afforestation Activities

Since 2005, JAPEX has been planting trees and improving forests. These initiatives form part of the Company's efforts to protect the global environment and contribute to local communities. To date, we have engaged in forest improvement activities in Akita, Hokkaido, and Niigata. JAPEX is endeavoring to reduce carbon dioxide levels through these afforestation activities, and to preserve the social environment as a corporate citizen through investment in the World Bank's BioCarbon Fund.

Tree-planting ceremony at the JAPEX Yuri-no-Mori Forest (Yurihonjo City, Akita Prefecture)

Endowments for Universities and Graduate Schools

By endowing educational and research programs at universities and graduate schools, JAPEX supports the development of people who can contribute to ensuring stable, long-term energy supplies for Japan. The following provides an overview of the endowment that has currently been established.

<Overview of endowment for Hokkaido University>
Endowment name: JAPEX Global Energy Frontier Research Department
Location: Creative Research Faculty, Hokkaido University
Period: April 1, 2009–March 31, 2014
Research activities: Research related to behavior of deep underground coalbed methane seal gas, Cenozoic petroleum systems and global systems.

Internships and Dispatch of Teaching Staff

As a company engaged in a small number of fields—the exploration, development and production of petroleum and natural gas in Japan—JAPEX accepts research students from Japan and overseas.

In Japan, undergraduate students including overseas students, postgraduate students and high school students receive internships and have on-the-job training in Japan at production sites, laboratories and Head Office. In some cases, they are eligible for accreditation during this training.

In addition, we are involved in an overseas engineers support program conducted at the technical center of the Japan Oil, Gas and Metals National Corporation, a program to teach basic knowledge about petroleum exploration, the dispatch of teachers to teach courses related to petroleum exploration, and the education of Japanese and overseas engineers and office staff.

As a Member of the Regional Community

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

Participating in the Akita Kanto Festival

Volunteer Activities by Employees

At JAPEX, some employees expressed the desire to participate in volunteer activities to help with the aftermath of the Great East Japan Earthquake that struck in March 2011. We offered every support to these employees by allowing them to make use of a 3-day off-work period in summer 2011 when we were adjusting to save electricity, including by chartering buses to go to the afflicted areas and providing volunteer work-clothes. An aggregate total of 182 employees including family members offered their services to clear rubble and do other volunteer work in three locations in Miyagi Prefecture (Motoyoshi District in Minamisanriku Town, Higashi Matsushima, Ishinomaki City).

Employees conducting volunteer activities

Corporate Governance

1. Basic Policy

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

2. Corporate Governance Structure

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

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

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

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

(2) Corporate Auditors and the Board of Auditors

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

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

(3) Outside Director and Outside Corporate Auditors

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

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

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

(4) Internal Audit

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

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

(5) Accounting Auditor

The accounting auditor who conducted the audit of the Company's financial statements and the internal control practices for fiscal 2012 was Ernst & Young ShinNihon LLC. The names of the individual accounting auditors who executed the audit are listed below:

- Accounting auditors: Kazuhiko Umemura, Hiroaki Kosugi
- Composition of auditors: 8 certified public accountants, 14 assistant auditors

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

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

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

(7) Reason for Adopting this Corporate Governance Structure

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

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

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

3. Structures regarding Internal Control and Risk Management Systems

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

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

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

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

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

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

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

(4) System to Ensure Directors Execute Their Duties Efficiently

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

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

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

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

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

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

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

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

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

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

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

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

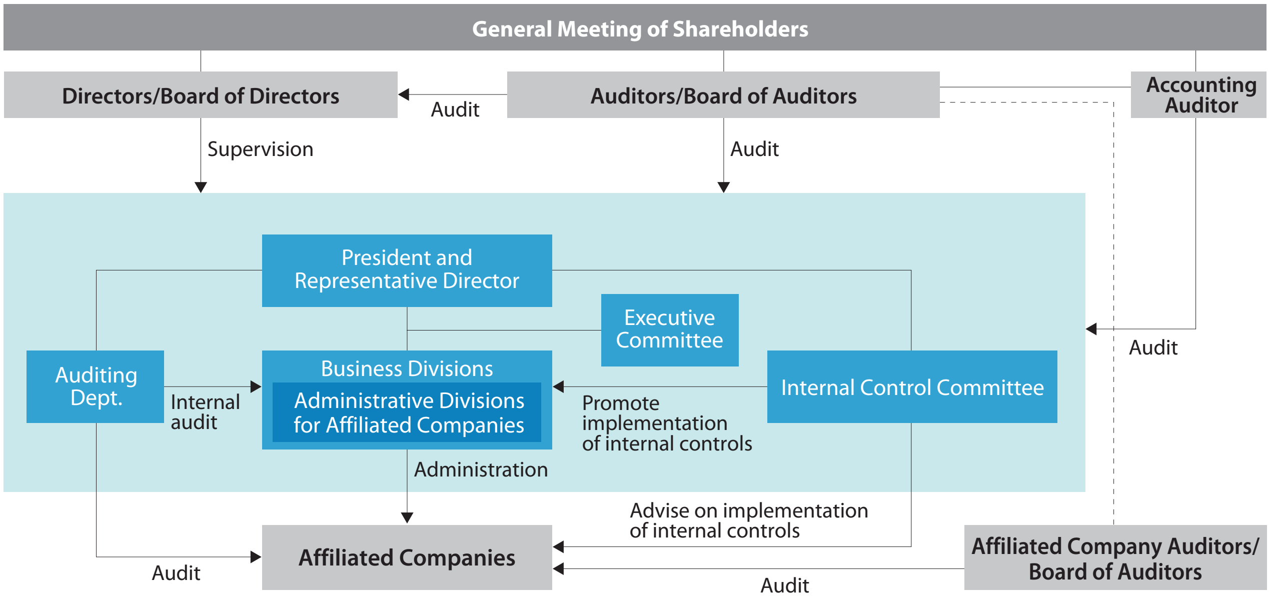
The Auditing Department and the accounting auditor must regularly provide information to the corporate auditors.

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

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

In addition, JAPEX, in executing decisions regarding business matters, makes organizational decisions at the Executive Committee or when necessary at the Board of

Corporate Governance and Internal Control Structure



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

4. Details about Remuneration and Compensation

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

(1) Remuneration of Directors and Corporate Auditors

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

Class	Total Remuneration (Millions of yen)	Breakdown of Remuneration (Millions of yen)			Number of Officers (Persons)
		Base Pay	Bonus	Retirement Benefit	
Directors (Excluding the outside director)	564	369	70	125	14
Corporate auditors (Excluding the outside corporate auditors)	42	29	4	8	2
Outside director and outside corporate auditors	46	36	–	10	3

Note: The number of officers above includes one director who retired at the conclusion of the Company's 41st annual General Meeting of Shareholders on June 24, 2011.

2. Director Remuneration Policy

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

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

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

(2) Compensation of Accounting Auditors

1. Compensation based on auditing and attestation

JAPEX: ¥58 million, Consolidated subsidiaries: ¥28 million

2. Compensation based on other services

JAPEX: ¥6 million, Consolidated subsidiaries: ¥2 million

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

Financial Section

Five-Year Summary

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

					Millions of yen
	2012	2011	2010	2009	2008
For the Year:					
Net sales	**¥ 230,638**	¥ 199,651	¥ 179,752	¥ 202,127	¥ 207,638
Cost of sales	**174,359**	144,919	125,467	134,447	143,682
Exploration expenses	**7,805**	9,798	10,396	15,352	13,559
Selling, general and administrative expenses	**33,426**	31,084	30,769	32,237	30,770
Operating income	**15,045**	13,849	13,119	20,090	19,625
Net income	**17,027**	10,010	17,939	12,560	20,097
Capital expenditures	**23,806**	21,975	28,835	30,902	41,742
Depreciation and amortization	**23,902**	24,587	23,237	21,521	16,669
At Year-End:					
Total assets	**¥ 532,890**	¥ 516,098	¥ 521,009	¥ 500,444	¥ 620,946
Net assets	**406,773**	393,689	398,747	378,227	448,226
Long-term loans payable	**26,198**	26,898	24,471	25,325	21,922
					Yen
Per Share Data:					
Net assets per share	**¥6,869.27**	¥6,743.83	¥6,839.05	¥6,486.85	¥7,696.00
Net income per share	**297.92**	175.16	313.88	219.77	351.65
Cash dividends per share (full-year)	**40.00**	40.00	40.00	40.00	40.00
Other Data:					
Number of employees	**1,743**	1,728	1,735	1,678	1,622

Management's Discussion and Analysis

Scope of Operations

The JAPEX Group (the Company and its subsidiaries and affiliates) comprises the Company, 25 subsidiaries and 17 affiliates as of March 31, 2012. The Group's oil and natural gas-related operations make up the core of its business activities. In addition to its endeavors in Japan, the JAPEX Group works diligently to develop business overseas through its project companies established at each business base.

Analysis of Operating Results

Overview

In fiscal 2012, ended March 31, 2012, net sales were ¥230,638 million, an increase of ¥30,986 million compared with the previous fiscal year. While operating income climbed ¥1,195 million year on year to ¥15,045 million, net income increased ¥7,016 million to ¥17,027 million.

Crude Oil Prices and Exchange Rates

The average unit sales price of crude oil received by JAPEX during fiscal 2012 in terms of year-round average sales price was ¥57,854 per kiloliter, an increase of ¥12,551 per kiloliter compared with the previous fiscal year.

The sales price of domestic crude oil is essentially linked to yen translations of the price of imported crude oil. On a dollar basis, the weighted average price of crude oil based on the Japan Crude Cocktail (JCC) price was $112.43 per barrel, up $29.74 from the level per barrel of the previous fiscal year. Compared with the previous fiscal year, the yen appreciated ¥7.31 relative to the dollar, for a weighted average exchange rate of ¥78.93.

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

In addition, the weighted average unit sales price of bitumen in Canadian dollars was C$49.81 per barrel, which was up by C$1.49 compared with fiscal 2011. Whereas, the weighted average exchange rate was ¥76.22 to the Canadian dollar, as the yen appreciated by ¥5.25 relative to the dollar year on year.

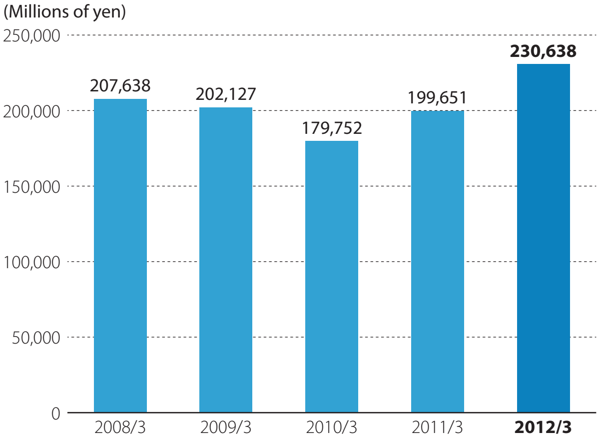
Capital Expenditures and Depreciation

Capital expenditures decreased ¥1,831 million year on year to ¥23,806 million. Major components of these expenditures included domestic vessels for LNG transportation (lease asset), the construction of new facilities in Hokkaido, including a CO_2 emission reduction facility and an LNG receiving terminal for domestic vessels, and investments relating to development of the Garraf oilfield in Iraq. Depreciation and amortization expenses fell ¥684 million compared with the previous fiscal year to ¥23,902 million.

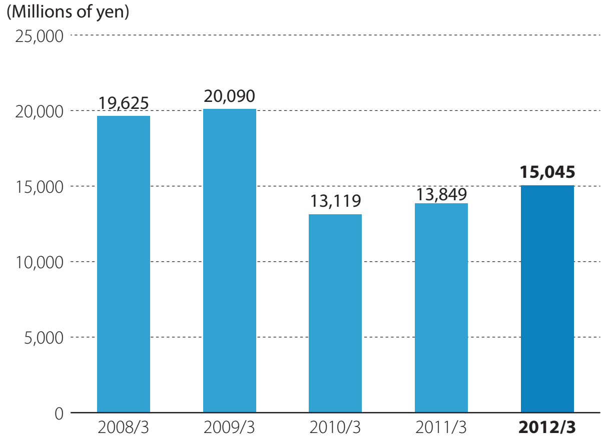
Exploration Activities

Exploration expenses (after excluding government subsidies) decreased ¥1,992 million year on year to ¥7,805 million. Domestic exploration costs were primarily attributed to extension activities at one well in Hokkaido,

Net Sales



Operating Income



and seismic surveys in Akita and Niigata. Overseas exploration costs mainly comprised exploration assessment activities in Canada.

Net Sales

In fiscal 2012, net sales in E&P totaled ¥180,779 million, accounting for 78.4% of the total. Net sales in the Contract Services were ¥8,360 million, or 3.6% of the total. Net sales in the Other Businesses were ¥41,497 million, representing 18.0% of the total.

E&P

Net sales of E&P (including liquefied natural gas (LNG) and bitumen) amounted to ¥180,779 million, an increase of ¥27,960 million year on year. This was largely attributable to higher sales volume of natural gas combined with the upswing in unit sales price.

In fiscal 2012, the volume of crude oil sales decreased 93 thousand kiloliters to 1,395 thousand kiloliters compared with fiscal 2011. This mainly reflected that the rise in sales volume of crude oil (SOKOL crude) purchased from Sakhalin Oil and Gas Development Co., Ltd. (SODECO) was less than the sales volume of crude oil purchased from Japan Canada Oil Sands Limited, due to the halting of transactions. However, total crude oil sales increased ¥13,266 million year on year to ¥80,754 million, due to rising sales prices resulting from soaring oil prices despite decrease factors such as reduced sales volume and the yen appreciation.

The volume of natural gas sales increased 176 million cubic meters to 1,730 million year on year. The unit sales price rose ¥4.00 per cubic meter to ¥43.32 per cubic meter. As a result, sales of natural gas grew ¥13,867 million to ¥74,957 million compared with the previous fiscal year.

Sales volume for LNG increased 6 thousand tons year on year to 216 thousand. Liquefied natural gas sales grew ¥1,829 million to ¥15,930 million.

Sales volume for bitumen decreased 26 thousand kiloliters compared with fiscal 2011 to 382 thousand kiloliters. In monetary terms, bitumen sales declined ¥1,003 million year on year to ¥9,137 million.

Contract Services

During fiscal 2012, net sales of Contract Services were ¥8,360 million, up ¥1,329 million year on year. This ostensibly comprised orders for drilling and geological surveys.

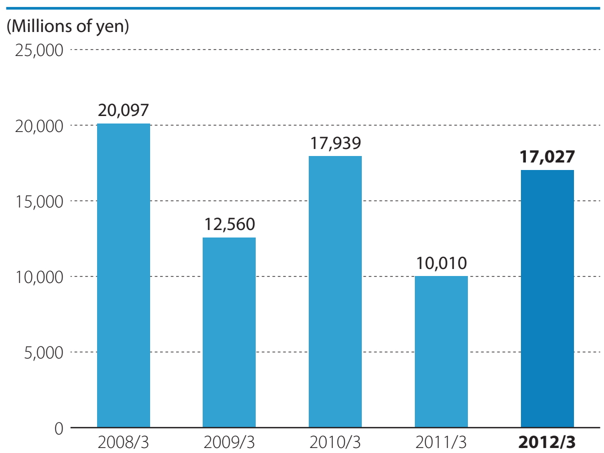
Other Businesses

Net sales of Other Businesses, such as the sale of oil products including liquefied petroleum gas (LPG) and fuel oil as well as sales from the transportation of natural gas and oil products on consignment together with other subcontracted tasks increased ¥1,696 million compared with fiscal 2011 to ¥41,497 million.

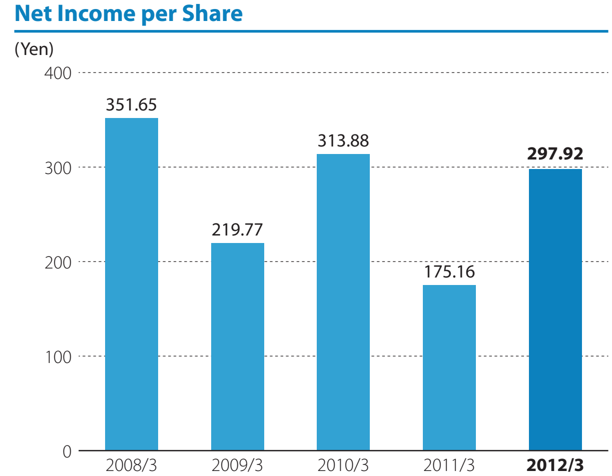
Operating Expenses

The cost of sales climbed ¥29,440 million compared with the previous fiscal year to ¥174,359 million. This increase was principally attributable to the previously mentioned rise in sales volume of crude oil (SOKOL crude) purchased

Net Income



Net Income per Share



from SODECO, to the rise in purchase prices accompanying the increased LNG purchase volume and soaring oil prices, and to the increased expenses in response to the winter peak demand for natural gas in Hokkaido.

Selling, general and administrative (SG&A) expenses increased from the previous fiscal year, rising ¥2,342 million to ¥33,426 million. This was mainly due to upgrading and expanding overseas business divisions resulting from an organizational realignment, and reorganizing of technical divisions, both conducted in June 2011.

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

As a result of these factors, operating income increased ¥1,195 million compared with fiscal 2011 to ¥15,045 million.

Income before Income Taxes and Minority Interests

Other income posted an increase over fiscal 2011 primarily due to higher dividend payments received from SODECO, an increase in gain on sales of securities, and insurance benefits received for damage suffered from the Great East Japan Earthquake.

Other expenses were down compared to fiscal 2011 owing to such factors as lower write-downs due to losses on valuation of securities held, lower exchange losses, and the loss in fiscal 2011 on adjustment for changes of accounting standard for asset retirement obligations and losses from the disaster accompanying the Great East Japan Earthquake.

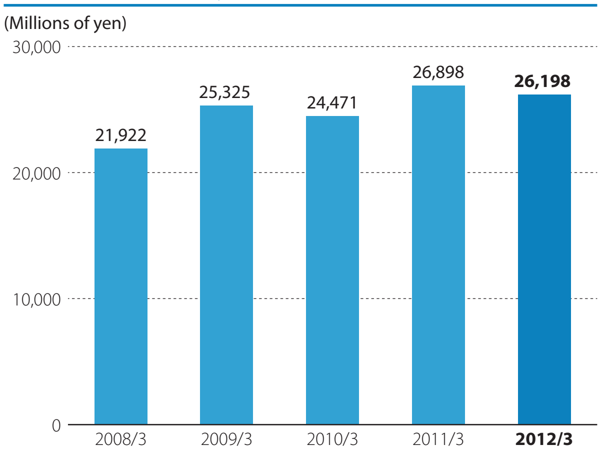
As a result, income before income taxes and minority interests increased ¥9,515 million compared to fiscal 2011 to ¥22,471 million.

Net Income

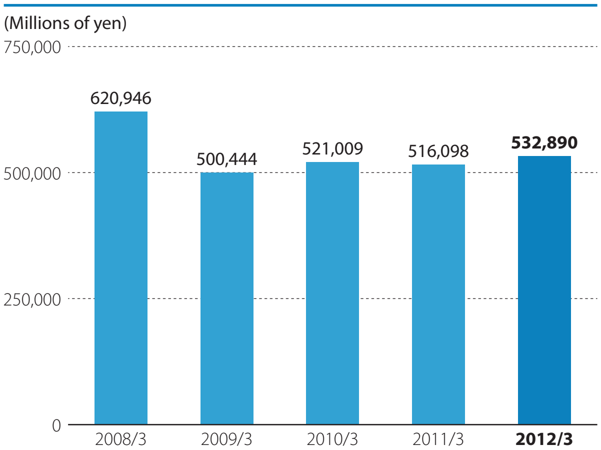
For the fiscal year under review, the total of current and deferred income taxes was ¥4,746 million, or 21.1% of income before income taxes and minority interests of ¥22,471 million. This was 15.1% below the Company's statutory tax rate of 36.2%. In accordance with the exploration reserve system (Article 58 of the Act on Special Measures Concerning Taxation) and the new deposit exploration expense special exemption system (Article 59 of the Act on Special Measures Concerning Taxation), the amount of reserves from profits implemented in preparation of exploration work (reserve for exploration) is exempt from taxes if conditions set out in the tax laws are met. The Company also utilized tax loss carried forward for consolidated subsidiaries. The statutory tax rate applicable to the Company is less than the standard statutory tax rate (about 40%) because oil and natural gas exploration and production operations fall under the category of "mineral extraction activities" and are therefore tax-exempt.

Accounting for the above factors, after deducting income taxes (following the application of tax effect accounting) and minority interests, net income totaled ¥17,027 million, up ¥7,016 million year on year.

Long-Term Loans Payable



Total Assets



Analysis of Financial Position and Cash Flows

Balance Sheet

Total assets at the end of fiscal 2012 stood at ¥532,890 million, an increase of ¥16,792 million year on year. Total current assets increased ¥42,449 million to ¥165,054 million and total noncurrent assets decreased ¥25,657 million to ¥367,836 million.

Primary fluctuations in current assets are the increase in short-term investment securities due to the purchase mainly of commercial paper aimed at managing short-term funds, and an increase in short-term loans receivable as a result of repo transactions (transactions relating to repurchase or resale agreements).

In total noncurrent assets, total property, plant and equipment decreased ¥7,782 million. This was due to the fall in depreciation and other charges, which outweighed improvements due to the CO_2 emission reduction facility in Hokkaido and the new LNG vessel receiving facility. Total investments and other assets declined ¥17,734 million compared with the end of the previous fiscal year. While long-term loans receivable to equity-method affiliates Kangean Energy Indonesia Ltd. (KEI) and EMP Exploration (Kangean) Ltd. (EMPE), and investments relating to development of the Garraf oilfield in Iraq, both increased, this decline reflected decreases in investment securities due to the market devaluation of stocks including INPEX CORPORATION.

Total liabilities at the fiscal year-end increased ¥3,708 million year on year to ¥126,117 million. Although deferred tax liabilities declined due mainly to the aforementioned decrease in investment securities, this was offset by the proceeds from loans payable to be channeled as investments in KEI and EMPE, the posting of lease obligations resulting from the lease of domestic vessels for LNG transportation and the increase in purchase obligations.

Total net assets increased ¥13,083 million year on year to ¥406,773 million. This reflected such factors as decreases in valuation difference on available-for-sale securities and in foreign currency translation adjustment, offset by increases in retained earnings and in minority interests due to a third-party allocation of new shares by Japex Garraf Ltd.

As a result, the equity ratio as of March 31, 2012 was 73.7%.

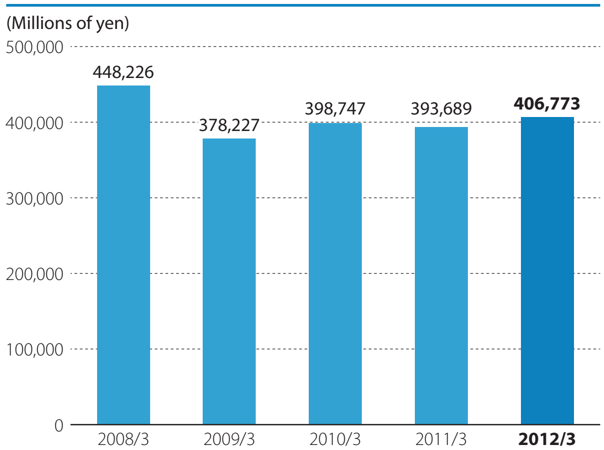
Cash Flows

As of March 31, 2012, cash and cash equivalents (hereinafter "net cash") totaled ¥99,803 million, up ¥32,976 million compared with the end of the previous fiscal year. Below is a summary of cash flows for each activity.

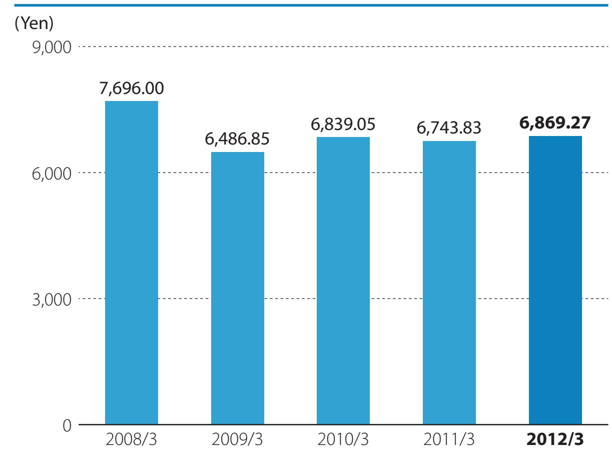
Cash Flows from Operating Activities

Net cash provided by operating activities was ¥37,172 million. This was mainly attributable to major cash inflows of ¥22,471 million in income before income taxes and minority interests as well as ¥23,902 million in depreciation and amortization, which more than offset principal cash outflows of ¥6,876 million representing interest and dividends income as well as ¥2,325 million in increases in notes and accounts receivable—trade and notes and accounts payable—trade.

Net Assets



Net Assets per Share



Cash Flows from Investing Activities

Net cash used in investing activities amounted to ¥13,950 million. Major cash outflows were ¥19,095 million for payments into time deposits, ¥11,618 million for the purchase of property, plant and equipment, ¥6,406 million in payments of recoverable accounts and ¥8,018 million for payments of loans receivable. These items exceeded such cash inflows as ¥19,446 million in proceeds from withdrawal of time deposits, ¥4,194 million in proceeds from sale and redemption of investment securities, and ¥7,453 million in interest and dividends income received.

Cash Flows from Financing Activities

Net cash provided by financing activities amounted to ¥9,856 million. The principal cash inflow was proceeds from long-term loans payable of ¥7,895 million to be channeled as investments in KEI and EMPE, and proceeds from stock issuance to minority interests due to a third-party allocation of new shares by Japex Garraf Ltd . This was exceeded by the amount of total expenditures which included ¥2,286 million for cash dividends paid and ¥778 million for repayment of long-term loans payable.

Financial Policy

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

Working capital is primarily procured using internal funds. Some consolidated subsidiaries, however, when temporarily in need of working capital as a result of gaps in the timing between fixed payments and accounts receivable, procure working capital from intercompany loans, or if this is not sufficient, then through short-term debt. In addition, the Company also maintains an overdraft facility in the amount of ¥26,838 million signed with six of its banking partners to be used for working capital when required. The Company, however, had not executed any short-term debt as of the end of fiscal 2011 and fiscal 2012.

Funds used for capital investments and overseas investments are also primarily procured using internal funds. When the investment amount warrants, however, long-term debt financing is occasionally used in light of the quality of the project and the balance of the Company's liquidity in hand. The total of long-term loans payable scheduled to mature within one year as of the end of fiscal 2012 and other long-term loans payable was up ¥7,159 million compared with the end of fiscal 2011 to ¥34,835 million. A breakdown of long-term loans payable includes ¥3,110 million for the Shiroishi-Koriyama gas pipeline construction project, ¥7,000 million to acquire stock of Japan Canada Oil Sands Limited (JACOS) and ¥24,725 million for the development of the Kangean Block in Indonesia.

In addition, as of the end of fiscal 2012 the JAPEX Group maintained contingent liabilities totaling ¥33,684 million for guarantees of bank and other financing used for operating capital of overseas project companies and for employee home loans. Provisions for these obligations, however, ensure adequate liquidity through cash on hand and marketable securities.

Entries appearing in the above text about the future represent an assessment made by the JAPEX Group as of the end of fiscal 2012.

CONSOLIDATED BALANCE SHEETS

Japan Petroleum Exploration Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2012**	2011	**2012**
Current assets:			
Cash and deposits (Notes 10 and 19)	¥ **29,805**	¥ 32,042	$ **363,475**
Notes and accounts receivable-trade (Note 10)	**27,392**	21,235	**334,048**
Short-term investment securities (Notes 4, 10 and 19)	**51,870**	28,186	**632,560**
Merchandise and finished goods (Note 3)	**4,407**	4,535	**53,743**
Work in process (Note 3)	**99**	102	**1,207**
Raw materials and supplies (Note 3)	**4,952**	5,579	**60,390**
Deferred tax assets (Note 6)	**1,722**	2,150	**21,000**
Short-term loans receivable (Note 10)	**39,295**	24,087	**479,207**
Other	**5,509**	4,685	**67,182**
Less — allowance for doubtful accounts	**(1)**	(1)	**(12)**
Total current assets	**165,054**	122,604	**2,012,853**
Noncurrent assets:			
Property, plant and equipment (Note 16):			
Land	**15,097**	15,107	**184,109**
Buildings and structures	**154,526**	151,483	**1,884,463**
Wells	**71,662**	71,395	**873,926**
Machinery, equipment and vehicles	**133,791**	122,785	**1,631,597**
Construction in progress	**708**	6,816	**8,634**
Other	**19,870**	15,398	**242,317**
Less — accumulated depreciation	**(262,797)**	(242,345)	**(3,204,841)**
Total property, plant and equipment	**132,859**	140,642	**1,620,231**
Intangible assets:			
Other	**7,156**	7,296	**87,268**
Total intangible assets	**7,156**	7,296	**87,268**
Investments and other assets:			
Investment securities (Notes 4 and 10)	**192,726**	221,971	**2,350,317**
Long-term loans receivable (Note 10)	**23,407**	18,791	**285,451**
Deferred tax assets (Note 6)	**878**	1,101	**10,707**
Other	**15,439**	9,024	**188,280**
Less — allowance for doubtful accounts	**(38)**	(42)	**(463)**
Less — allowance for overseas investment loss	**(4,593)**	(5,291)	**(56,012)**
Total investments and other assets	**227,820**	245,554	**2,778,292**
Total noncurrent assets	**367,836**	393,493	**4,485,804**
Total assets	¥ **532,890**	¥ 516,098	$ **6,498,658**

See notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of yen 2012	Millions of yen 2011	Thousands of U.S. dollars (Note 1) 2012
Current liabilities:			
Notes and accounts payable-trade (Note 10)	¥ 7,251	¥ 5,057	$ 88,426
Provision for directors' bonuses	94	87	1,146
Provision for loss on disaster	115	1,444	1,402
Other (Notes 5 and 6)	25,516	13,363	311,170
Total current liabilities	32,977	19,953	402,158
Noncurrent liabilities:			
Long-term loans payable (Notes 5 and 10)	26,198	26,898	319,487
Deferred tax liabilities (Note 6)	42,601	56,531	519,524
Provision for retirement benefits (Note 7)	7,129	7,121	86,939
Provision for directors' retirement benefits	745	645	9,085
Asset retirement obligations (Notes 2(16) and 12)	9,670	9,524	117,926
Other (Note 5)	6,795	1,734	82,865
Total noncurrent liabilities	93,140	102,455	1,135,853
Total liabilities	126,117	122,408	1,538,012
Commitment and contingent liabilities (Notes 9, 11 and 13)			
Net assets (Note 8)**:**			
Shareholders' equity:			
Capital stock:			
Authorized — 120,000,000 shares			
Issued — 57,154,776 shares in 2012 and 2011	14,288	14,288	174,243
Retained earnings	294,323	279,582	3,589,304
Treasury stock; 2,139 shares in 2012 and 2,105 shares in 2011	(10)	(10)	(121)
Total shareholders' equity	308,601	293,861	3,763,426
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	89,366	95,518	1,089,829
Deferred gains or losses on hedges	20	17	243
Foreign currency translation adjustment	(5,391)	(3,968)	(65,743)
Total accumulated other comprehensive income	83,995	91,566	1,024,329
Minority interests	14,176	8,261	172,878
Total net assets	406,773	393,689	4,960,646
Total liabilities and net assets	¥ 532,890	¥ 516,098	$ 6,498,658

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

Japan Petroleum Exploration Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Net sales	¥ 230,638	¥ 199,651	$ 2,812,658
Cost of sales (Note 3)	174,359	144,919	2,126,329
Gross profit	56,278	54,732	686,317
Exploration expenses	7,805	10,161	95,182
Exploration subsidies	–	(362)	–
	7,805	9,798	95,182
Selling, general and administrative expenses (Note 15)	33,426	31,084	407,634
Operating income	15,045	13,849	183,475
Other income (expenses):			
Interest income	1,368	520	16,682
Dividends income	5,507	3,074	67,158
Gain (loss) on sales of securities, net	474	178	5,780
Interest expenses	(219)	(199)	(2,670)
Loss on valuation of securities	(360)	(1,060)	(4,390)
Equity in losses of affiliates	(408)	–	(4,975)
Foreign exchange gains (losses)	(193)	(669)	(2,353)
Gain on sales of noncurrent assets	140	28	1,707
Insurance income	620	–	7,560
Loss on retirement of noncurrent assets	(460)	(273)	(5,609)
Loss on disaster (Note 2(17))	(7)	(1,591)	(85)
Loss on adjustment for changes of accounting standard for asset retirement obligations (Notes 2(16) and 12)	–	(2,339)	–
Other, net	962	1,436	11,731
	7,425	(894)	90,548
Income before income taxes and minority interests	22,471	12,955	274,036
Income taxes (Note 6):			
Income taxes-current	3,709	1,256	45,231
Income taxes-deferred	1,037	904	12,646
	4,746	2,161	57,878
Income before minority interests	17,724	10,794	216,146
Minority interests in income	696	783	8,487
Net income (Note 18)	¥ 17,027	¥ 10,010	$ 207,646

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Japan Petroleum Exploration Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	**2012**
Income before minority interests	**¥ 17,724**	¥ 10,794	**$ 216,146**
Other comprehensive income (Note 20)			
Valuation difference on available-for-sale securities	**(6,191)**	(11,446)	**(75,500)**
Deferred gains or losses on hedges	**(10)**	(7)	**(121)**
Foreign currency translation adjustment	**(1,414)**	(1,403)	**(17,243)**
Share of other comprehensive income of associates accounted for using equity method	**(154)**	(529)	**(1,878)**
Total other comprehensive income	**(7,770)**	(13,387)	**(94,756)**
Comprehensive income	**¥ 9,953**	¥ (2,592)	**$ 121,378**
Comprehensive income attributable to (Note 20):			
Owners of the parent	**¥ 9,455**	¥ (3,156)	**$ 115,304**
Minority interests	**497**	563	**6,060**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Japan Petroleum Exploration Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	**2012**
Shareholders' equity			
Capital stock			
Balance at the beginning of current period	**¥ 14,288**	¥ 14,288	**$ 174,243**
Balance at the end of current period	**¥ 14,288**	¥ 14,288	**$ 174,243**
Retained earnings			
Balance at the beginning of current period	**¥ 279,582**	¥ 271,858	**$ 3,409,536**
Changes of items during the period			
Dividends from surplus	**(2,286)**	(2,286)	**(27,878)**
Net income	**17,027**	10,010	**207,646**
Total changes of items during the period	**14,740**	7,724	**179,756**
Balance at the end of current period	**¥ 294,323**	¥ 279,582	**$ 3,589,304**
Treasury stock			
Balance at the beginning of current period	**¥ (10)**	¥ (10)	**$ (121)**
Changes of items during the period			
Purchase of treasury stock	**(0)**	(0)	**(0)**
Total changes of items during the period	**(0)**	(0)	**(0)**
Balance at the end of current period	**¥ (10)**	¥ (10)	**$ (121)**
Total shareholders' equity			
Balance at the beginning of current period	**¥ 293,861**	¥ 286,137	**$ 3,583,670**
Changes of items during the period			
Dividends from surplus	**(2,286)**	(2,286)	**(27,878)**
Net income	**17,027**	10,010	**207,646**
Purchase of treasury stock	**(0)**	(0)	**(0)**
Total changes of items during the period	**14,740**	7,723	**179,756**
Balance at the end of current period	**¥ 308,601**	¥ 293,861	**$ 3,763,426**

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	**2012**
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities			
Balance at the beginning of current period	**¥ 95,518**	¥ 106,896	**$ 1,164,853**
Changes of items during the period			
Net changes of items other than shareholders' equity	**(6,152)**	(11,377)	**(75,024)**
Total changes of items during the period	**(6,152)**	(11,377)	**(75,024)**
Balance at the end of current period	**¥ 89,366**	¥ 95,518	**$ 1,089,829**
Deferred gains or losses on hedges			
Balance at the beginning of current period	**¥ 17**	¥ 24	**$ 207**
Changes of items during the period			
Net changes of items other than shareholders' equity	**3**	(7)	**36**
Total changes of items during the period	**3**	(7)	**36**
Balance at the end of current period	**¥ 20**	¥ 17	**$ 243**
Foreign currency translation adjustment			
Balance at the beginning of current period	**¥ (3,968)**	¥ (2,186)	**$ (48,390)**
Changes of items during the period			
Net changes of items other than shareholders' equity	**(1,422)**	(1,781)	**(17,341)**
Total changes of items during the period	**(1,422)**	(1,781)	**(17,341)**
Balance at the end of current period	**¥ (5,391)**	¥ (3,968)	**$ (65,743)**
Total accumulated other comprehensive income			
Balance at the beginning of current period	**¥ 91,566**	¥ 104,733	**$ 1,116,658**
Changes of items during the period			
Net changes of items other than shareholders' equity	**(7,571)**	(13,166)	**(92,329)**
Total changes of items during the period	**(7,571)**	(13,166)	**(92,329)**
Balance at the end of current period	**¥ 83,995**	¥ 91,566	**$ 1,024,329**
Minority interests			
Balance at the beginning of current period	**¥ 8,261**	¥ 7,876	**$ 100,743**
Changes of items during the period			
Net changes of items other than shareholders' equity	**5,914**	384	**72,121**
Total changes of items during the period	**5,914**	384	**72,121**
Balance at the end of current period	**¥ 14,176**	¥ 8,261	**$ 172,878**
Total net assets			
Balance at the beginning of current period	**¥ 393,689**	¥ 398,747	**$ 4,801,085**
Changes of items during the period			
Dividends from surplus	**(2,286)**	(2,286)	**(27,878)**
Net income	**17,027**	10,010	**207,646**
Purchase of treasury stock	**(0)**	(0)	**(0)**
Net changes of items other than shareholders' equity	**(1,656)**	(12,781)	**(20,195)**
Total changes of items during the period	**13,083**	(5,057)	**159,548**
Balance at the end of current period	**¥ 406,773**	¥ 393,689	**$ 4,960,646**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Japan Petroleum Exploration Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Cash provided by (used in) operating activities:			
Income before income taxes and minority interests	¥ 22,471	¥ 12,955	$ 274,036
Depreciation and amortization	23,902	24,587	291,487
Loss on retirement of property, plant and equipment	457	272	5,573
Loss (gain) on valuation of short-term and long term investment securities	360	1,060	4,390
Increase (decrease) in allowance for doubtful accounts	(3)	(12)	(36)
Increase (decrease) in provision for retirement benefits	7	691	85
Increase (decrease) in provision for directors' retirement benefits	99	(44)	1,207
Increase (decrease) in allowance for overseas investment loss	(697)	(501)	(8,500)
Interest and dividends income	(6,876)	(3,595)	(83,853)
Interest expenses	219	199	2,670
Loss (gain) on redemption of investment securities	–	(38)	–
Loss (gain) on sales of short-term and long term investment securities	(474)	(178)	(5,780)
Equity in (earnings) losses of affiliates	408	(441)	4,975
Decrease (increase) in notes and accounts receivable-trade	(6,236)	(1,615)	(76,048)
Decrease (increase) in inventories	758	200	9,243
Increase (decrease) in notes and accounts payable-trade	3,910	4	47,682
Increase (decrease) in accrued consumption taxes	74	(879)	902
Loss on adjustment for changes of accounting standard for asset retirement obligations	–	2,339	–
Other, net	848	2,502	10,341
Subtotal	39,229	37,505	478,402
Income taxes (paid) refund	(2,057)	(3,220)	(25,085)
Net cash provided by (used in) operating activities	37,172	34,284	453,317
Cash provided by (used in) investing activities:			
Payments into time deposits	(19,095)	(21,262)	(232,865)
Proceeds from withdrawal of time deposits	19,446	17,184	237,146
Purchase of short-term investment securities	(401)	–	(4,890)
Proceeds from sales and redemption of short-term investment securities	1,900	510	23,170
Purchase of property, plant and equipment	(11,618)	(18,799)	(141,682)
Proceeds from sales of property, plant and equipment	191	35	2,329
Purchase of intangible assets	(217)	(313)	(2,646)
Payments for asset retirement obligations	(447)	(249)	(5,451)
Purchase of investment securities	(1,586)	(2,073)	(19,341)
Proceeds from sales and redemption of investment securities	4,194	3,388	51,146
Payments of recoverable accounts	(6,406)	(2,877)	(78,121)
Payments of loans receivable	(8,018)	(4,597)	(97,780)
Collection of loans receivable	115	53	1,402
Interest and dividends income received	7,453	4,762	90,890
Proceeds from dividends of residual property	472	–	5,756
Other, net	65	(42)	792
Net cash provided by (used in) investing activities	(13,950)	(24,282)	(170,121)
Cash provided by (used in) financing activities:			
Proceeds from long-term loans payable	7,895	4,508	96,280
Repayment of long-term loans payable	(778)	(2,278)	(9,487)
Purchase of treasury stock	(0)	(0)	(0)
Cash dividends paid	(2,286)	(2,286)	(27,878)
Cash dividends paid to minority shareholders	(265)	(178)	(3,231)
Interest expenses paid	(188)	(200)	(2,292)
Repayments of lease obligations	(270)	(86)	(3,292)
Proceeds from stock issuance to minority shareholders	5,908	–	72,048
Repayments to minority shareholders	(149)	–	(1,817)
Other, net	(9)	–	(109)
Net cash provided by (used in) financing activities	9,856	(521)	120,195
Effect of exchange rate change on cash and cash equivalents	(101)	(299)	(1,231)
Net increase (decrease) in cash and cash equivalents	32,976	9,181	402,146
Cash and cash equivalents at beginning of period	66,826	57,645	814,951
Cash and cash equivalents at end of period (Note 19)	¥ 99,803	¥ 66,826	$ 1,217,109

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Japan Petroleum Exploration Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2012 and 2011

1. Basis of Presenting Consolidated Financial Statements

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2011 financial statements to conform to the classifications used in 2012.

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

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

The U.S. dollar amounts shown in the accompanying consolidated financial statements and notes thereto were translated from the presented Japanese yen amounts into U.S. dollar amounts at the rate of ¥82 = U.S. $1, the approximate rate of exchange at March 30, 2012, 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, 2012 include the accounts of the Company and its 21 (22 in 2011) 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 years ended March 31, 2012 and 2011, 12 affiliates are accounted for using the equity method.

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

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

The difference between the cost and the underlying net equity at fair value of investments in associates 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.

Associates 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 associates' 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 of the overseas consolidated subsidiaries are translated into yen at the exchange rates in effect at their balance sheet dates, and, except for the components of net assets excluding minority interests, the balance sheet accounts are translated into yen at the exchange rates in effect at their balance sheet dates. The components of net assets excluding minority interests are translated into yen at their historical exchange rates.

Differences arising from the translation are presented as foreign currency translation adjustment and minority 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) Short-term investment securities and investment securities

In general, securities are classified into three categories: trading, held-to-maturity or available-for-sale securities. Available-for-sale securities with a determinable market value are stated at fair value, 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 and raw materials and supplies are mainly stated at the lower of cost determined by the moving average method, or net selling value.

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

Property, plant and equipment (excluding leased assets) is depreciated mainly by the declining-balance method, except for buildings (excluding attached facilities) acquired on and after April 1, 1998 as well as the Sendai pipelines, the Shiroishi-Koriyama gas pipelines and assets of the Hokkaido Division Office of the Company which are depreciated by the straight-line method. Property, plant and equipment held by three domestic consolidated subsidiaries are depreciated by the straight-line method, and those of two foreign consolidated subsidiaries are depreciated by the unit of production method.

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

Buildings and structures	2 to 60 years
Wells	3 years
Machinery, equipment and vehicles	2 to 22 years

(7) Intangible assets (excluding leased assets)

Intangible fixed 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.

(8) Deferred assets

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 depreciated by the straight-line method over the lease period with no residual value.

In addition, the Group accounts for finance leases that commenced on or before March 31, 2008 and do not transfer ownership of the leased property to the lessee as operating leases.

(10) Impairment of noncurrent assets

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

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

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

(11) Provision for retirement benefits

The provision for retirement benefits for employees is recorded based on the estimated amounts of retirement benefit obligation and the fair value of the pension plan assets at the end of the fiscal year, adjusted for unrecognized actuarial gains and losses and unrecognized prior service benefits and costs. The expected retirement benefit obligation is allocated to each period by the straight-line method over the estimated years of service of the eligible employees.

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

Prior service benefits and costs are recognized as income or expense by the straight-line method over a certain period (10 years), which is within the average remaining years of service of the employees, from the fiscal year in which such benefits or costs occur.

(12) Provision for directors' retirement benefits

The provision for directors' retirement benefits is stated at the amount required according to the internal regulations at the end of the fiscal year.

(13) 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.

(14) Provision for directors' bonuses

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

(15) 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.

(16) 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 and others for wells and production facilities in Japan and overseas, and the appropriate discount rates.

(17) Provision for loss on disaster

The provision for loss on disaster is stated at the estimated amount for the restoration of fixed assets damaged by the Great East Japan Earthquake at the end of the fiscal year.

(18) Hedge accounting

Deferral hedge accounting is adopted for hedge transactions.

Interest rate swaps are accounted for by the exceptional treatment if the interest rate swaps meet certain criteria to adopt the treatment. 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: Interest rate swaps, foreign exchange forward contracts, and foreign currency deposits

Hedged items: Accounts payable-trade, long-term loans payable, 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.

(19) 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.

(20) Research and development expenses

Research and development expenses are charged to income when incurred.

(21) Income taxes

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

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.

(22) New accounting standards

Effective April 1, 2011, the "Accounting Standard for Accounting Changes and Error Corrections" (Accounting Standards Board of Japan ("ASBJ") Statement No. 24, issued on December 4, 2009) and the "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24, issued on December 4, 2009) have been applied to accounting changes and corrections of prior period errors.

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, 2012 and 2011 was ¥526 million ($6,414 thousand) and ¥300 million, respectively.

4. Short-term Investment Securities and Investment Securities

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

(1) Information of available-for-sale securities as of March 31, 2012 and 2011 is as follows:

March 31, 2012	Carrying value	Acquisition cost	Unrealized gain (loss)	Carrying value	Acquisition cost	Unrealized gain (loss)
			Millions of yen			Thousands of U.S. dollars
Securities whose carrying value exceeds their acquisition cost:						
Equity securities	¥ 150,813	¥ 22,099	¥ 128,714	$ 1,839,182	$ 269,500	$ 1,569,682
Debt securities:						
Government and municipal bonds	152	150	2	1,853	1,829	24
Corporate bonds	2,021	2,008	12	24,646	24,487	146
Other debt securities	683	660	22	8,329	8,048	268
Other	1,674	1,661	13	20,414	20,256	158
Subtotal	155,345	26,580	128,765	1,894,451	324,146	1,570,304
Securities whose carrying value does not exceed their acquisition cost:						
Equity securities	633	650	(16)	7,719	7,926	(195)
Debt securities:						
Government and municipal bonds	800	882	(82)	9,756	10,756	(1,000)
Corporate bonds	17,467	17,503	(35)	213,012	213,451	(426)
Other debt securities	1,596	1,607	(10)	19,463	19,597	(121)
Other	33,477	33,479	(1)	408,256	408,280	(12)
Subtotal	53,976	54,122	(146)	658,243	660,024	(1,780)
Total	¥ 209,321	¥ 80,703	¥ 128,618	$ 2,552,695	$ 984,182	$ 1,568,512

March 31, 2011	Carrying value	Acquisition cost	Unrealized gain (loss)
			Millions of yen
Securities whose carrying value exceeds their acquisition cost:			
Equity securities	¥ 172,113	¥ 23,205	¥ 148,907
Debt securities:			
Government and municipal bonds	153	150	3
Corporate bonds	2,432	2,417	15
Other debt securities	991	897	93
Other	2,810	2,321	489
Subtotal	178,502	28,992	149,509
Securities whose carrying value does not exceed their acquisition cost:			
Equity securities	1,523	1,664	(140)
Debt securities:			
Government and municipal bonds	1,333	1,563	(229)
Corporate bonds	6,708	6,757	(48)
Other debt securities	1,495	1,506	(10)
Other	22,879	22,893	(14)
Subtotal	33,941	34,383	(442)
Total	¥ 212,443	¥ 63,376	¥ 149,067

Unlisted equity securities, carrying values of which as of March 31, 2012 and 2011 were ¥7,494 million ($91,390 thousand) and ¥8,297 million, respectively, are not included in the above tables as no 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, 2012 and 2011 is as follows:

March 31, 2012	Millions of yen			Thousands of U.S. dollars		
	Sales amount	Aggregate gain	Aggregate loss	Sales amount	Aggregate gain	Aggregate loss
Available-for-sale securities:						
Equity securities	¥ 1,864	¥ 405	¥ 318	$ 22,731	$ 4,939	$ 3,878
Debt securities:						
Government and municipal bonds	249	–	72	3,036	–	878
Corporate bonds	1,192	0	0	14,536	0	0
Other debt securities	296	58	–	3,609	707	–
Other	1,376	417	16	16,780	5,085	195
Total	¥ 4,979	¥ 881	¥ 407	$ 60,719	$ 10,743	$ 4,963

March 31, 2011	Millions of yen		
	Sales amount	Aggregate gain	Aggregate loss
Available-for-sale securities:			
Equity securities	¥ 275	¥ 79	¥ 1
Debt securities:			
Government and municipal bonds	–	–	–
Corporate bonds	596	4	0
Other debt securities	389	73	–
Other	95	23	–
Total	¥ 1,356	¥ 181	¥ 2

(3) During the years ended March 31, 2012 and 2011, the Group recorded losses on valuation of available-for-sale securities due to permanent diminution in value in the amounts of ¥703 million ($8,573 thousand) and ¥1,060 million, respectively. For unlisted equity securities whose fair value is extremely difficult to determine, amounting to ¥342 million ($4,170 thousand) as of March 31, 2012, allowance for overseas investment loss was recorded, and there is no impact on the accompanying consolidated financial statements. 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, 2012 and 2011 were ¥27,781 million ($338,792 thousand) and ¥29,416 million, respectively.

5. Long-term Loans Payable and Lease Obligations

Long-term loans payable at March 31, 2012 and 2011 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Loans from banks and others, at interest rates ranging from 0.91% to 1.83%:			
Unsecured	¥ 34,835	¥ 27,676	$ 424,817
	34,835	27,676	424,817
Less — current portion	(8,636)	(778)	(105,317)
	¥ 26,198	¥ 26,898	$ 319,487

The aggregate annual maturities of long-term loans payable subsequent to March 31, 2012 are as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2013	¥ 8,636	$ 105,317
2014	6,636	80,926
2015	4,136	50,439
2016	4,134	50,414
2017 and thereafter	11,290	137,682
Total	¥ 34,835	$ 424,817

Of the long-term loans maturing in 2015, the agreements permit early repayment of ¥2,500 million ($30,487 thousand).

The Company and certain consolidated subsidiaries have entered into overdraft agreements amounting to ¥26,838 million ($327,292 thousand) and ¥26,896 million with six banks at March 31, 2012 and 2011, respectively. There were no borrowings outstanding under the overdraft agreements as of March 31, 2012 and 2011.

Lease obligations included in noncurrent liabilities-other at March 31, 2012 and 2011 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Lease obligations	¥ 5,162	¥ 455	$ 62,951
Less — current portion	(552)	(80)	(6,731)
	¥ 4,609	¥ 374	$ 56,207

The aggregate annual maturities of lease obligations subsequent to March 31, 2012 are as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2013	¥ 552	$ 6,731
2014	507	6,182
2015	484	5,902
2016	455	5,548
2017 and thereafter	3,161	38,548
Total	¥ 5,162	$ 62,951

6. 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 36.2% for the years ended March 31, 2012 and 2011. Income taxes of two foreign consolidated subsidiaries are based principally on the tax rates applicable in their countries of incorporation.

The effective tax rates reflected in the consolidated statements of income for the years ended March 31, 2012 and 2011 differ from the statutory tax rate for the following reasons:

	2012	2011
Statutory tax rate	**36.2%**	36.2%
Effect of:		
Unrecognized tax effect accounting on net tax loss carried forward of consolidated subsidiaries	**1.0**	5.0
Exploration cost deducted for income tax purposes	**(9.2)**	(22.0)
Dividends income not taxable for income tax purposes	**(3.6)**	(2.6)
Utilization of tax loss carried forward	**(2.1)**	(7.9)
Expenses not deductible for income tax purposes	**0.8**	1.2
Consolidation adjustment for equity method	**0.7**	(1.2)
Change of valuation allowance	**(0.7)**	10.7
Other, net	**(2.0)**	(2.7)
Effective tax rates	**21.1%**	16.7%

The significant components of deferred tax assets and liabilities at March 31, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Deferred tax assets:			
Allowance for overseas investment loss	**¥ 1,283**	¥ 1,704	**$ 15,646**
Net tax loss carried forward	**8,410**	10,720	**102,560**
Provision for retirement benefits	**2,348**	2,626	**28,634**
Depreciation	**2,934**	2,764	**35,780**
Provision for directors' retirement benefits	**259**	261	**3,158**
Finished goods	**795**	962	**9,695**
Asset retirement obligations	**2,470**	3,005	**30,121**
Other	**8,399**	8,478	**102,426**
Subtotal	**26,902**	30,525	**328,073**
Valuation allowance	**(15,332)**	(18,000)	**(186,975)**
Total deferred tax assets	**11,570**	12,525	**141,097**
Deferred tax liabilities:			
Reserve for exploration	**(10,592)**	(10,434)	**(129,170)**
Valuation difference on available-for-sale securities	**(39,266)**	(53,551)	**(478,853)**
Reserve for advanced depreciation of noncurrent assets	**(121)**	(147)	**(1,475)**
Other	**(1,933)**	(1,947)	**(23,573)**
Total deferred tax liabilities	**(51,913)**	(66,080)	**(633,085)**
Net deferred tax liabilities	**¥ (40,343)**	¥ (53,555)	**$ (491,987)**

The "Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating a Taxation System Responding to Changes in Economic and Social Structures" and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" were promulgated on December 2, 2011, and the statutory tax rates to calculate deferred tax assets and liabilities as of March 31, 2012 were changed to 33.3% for temporary differences expected to utilize on or after April 1, 2012 to March 31, 2015 from 36.2% for the year ended March 31, 2011, and to 30.8% for temporary differences expected to utilize on or after April 1, 2015.

As a result of this change, deferred tax assets in current assets (after deducting deferred tax liabilities) and deferred tax liabilities in noncurrent liabilities (after deducting deferred tax assets) decreased by ¥145 million ($1,768 thousand) and ¥7,066 million ($86,170 thousand), respectively. In addition, income taxes-deferred, valuation difference on available-for-sale securities and deferred gains or losses on hedges increased by ¥6 million ($73 thousand), ¥6,927 million ($84,475 thousand) and ¥0 million ($0 thousand), respectively, as of and for the year ended March 31, 2012.

7. 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, length of service, and termination reasons. Certain domestic consolidated subsidiaries participate in the Smaller Enterprise Retirement Allowance Mutual Aid System.

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

The following table sets forth the funded and accrued status of the plans of the Company's and its consolidated subsidiaries' defined benefit plans, and the amounts of provision for retirement benefits in the consolidated balance sheets, as of March 31, 2012 and 2011:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Retirement benefit obligation	**¥ (17,467)**	¥ (16,895)	**$ (213,012)**
Plan assets at fair value	**8,984**	8,024	**109,560**
Unfunded retirement benefit obligation	**(8,482)**	(8,870)	**(103,439)**
Unrecognized actuarial gains or losses	**2,031**	2,472	**24,768**
Unrecognized prior service benefits and costs	**(677)**	(723)	**(8,256)**
Provision for retirement benefits	**¥ (7,129)**	¥ (7,121)	**$ (86,939)**

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

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

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Service cost	**¥ 826**	¥ 921	**$ 10,073**
Interest cost	**309**	325	**3,768**
Expected return on plan assets	**(80)**	(79)	**(975)**
Amortization of actuarial gains or losses	**381**	544	**4,646**
Amortization of prior service benefits and costs	**(45)**	36	**(548)**
Other	**59**	62	**719**
Total	**¥ 1,451**	¥ 1,811	**$ 17,695**

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

The assumptions used in calculating the retirement benefit obligations as of March 31, 2012 and 2011 are as follows:

	2012	2011
Discount rates	**2.0%**	2.0%
Expected rates of return on plan assets	**1.0%**	1.0%

8. Shareholders' Equity

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

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

9. Leases

(1) Finance leases

As discussed in Note 2. Significant Accounting Policies, (9) Leased assets, the Group accounts for finance leases that commenced on or before March 31, 2008 and do not transfer ownership of the leased property to the lessee as operating leases.

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of leased property as of March 31, 2012 and 2011, which would be reflected in the consolidated balance sheets if finance lease accounting was applied to the finance leases currently accounted for as operating leases:

(Lessee)

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Acquisition costs:			
Machinery, equipment and vehicles	**¥ 1,117**	¥ 1,244	**$ 13,621**
Total	**¥ 1,117**	¥ 1,244	**$ 13,621**
Accumulated depreciation:			
Machinery, equipment and vehicles	**¥ 763**	¥ 763	**$ 9,304**
Total	**¥ 763**	¥ 763	**$ 9,304**
Net book value:			
Machinery, equipment and vehicles	**¥ 354**	¥ 481	**$ 4,317**
Total	**¥ 354**	¥ 481	**$ 4,317**

Lease payments relating to the finance leases accounted for as operating leases for the years ended March 31, 2012 and 2011 amounted to ¥126 million ($1,536 thousand) and ¥146 million, respectively, which were equal to the depreciation expense of the leased assets computed by the straight-line method over the lease terms with no residual value.

Future minimum lease payments (including the amounts equivalent to interest expenses) subsequent to March 31, 2012 for the finance leases accounted for as operating leases are as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2013	¥ 111	$ 1,353
2014 and thereafter	242	2,951
Total	¥ 354	$ 4,317

(Lessor)

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Acquisition costs:			
Buildings and structures	**¥ 54**	¥ 54	**$ 658**
Machinery, equipment and vehicles	**200**	200	**2,439**
Other (property, plant and equipment)	**50**	50	**609**
Total	**¥ 305**	¥ 305	**$ 3,719**
Accumulated depreciation:			
Buildings and structures	**¥ 11**	¥ 8	**$ 134**
Machinery, equipment and vehicles	**102**	76	**1,243**
Other (property, plant and equipment)	**29**	22	**353**
Total	**¥ 143**	¥ 107	**$ 1,743**
Net book value:			
Buildings and structures	**¥ 43**	¥ 46	**$ 524**
Machinery, equipment and vehicles	**97**	123	**1,182**
Other (property, plant and equipment)	**20**	27	**243**
Total	**¥ 161**	¥ 197	**$ 1,963**

For the years ended March 31, 2012 and 2011, the lease revenue relating to the finance leases accounted for as operating leases amounted to ¥53 million ($646 thousand) and ¥68 million, respectively. The depreciation expense of the leased assets computed by the straight-line method over the lease terms amounted to ¥35 million ($426 thousand) and ¥45 million, respectively.

Future minimum lease receivables (including the amounts equivalent to interest income) subsequent to March 31, 2012 for the finance leases accounted for as operating leases are as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2013	¥ 34	$ 414
2014 and thereafter	250	3,048
Total	¥ 284	$ 3,463

(2) Operating leases

Future minimum lease payments under non-cancelable operating leases subsequent to March 31, 2012 are as follows:

(Lessee)

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2013	¥ 281	$ 3,426
2014 and thereafter	1,391	16,963
Total	¥ 1,672	$ 20,390

10. 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 uses bank loans as its prime source of financing. Domestic capital investment is financed by Development Bank of Japan Inc. and other commercial banks, and overseas investment is financed by Japan Bank for International Cooperation (Japan Finance Corporation) and other commercial banks. The Group entered into loan agreements with financial institutions to invest in the Kangean Block in Indonesia and recorded the loans as financial liabilities. Loans receivable from associates accounted for using the equity method operating in the Kangean Block are recognized as financial assets. The Group does not use direct financing such as bond issuance or project finance; however, there is a possibility of being financed by these methods depending on specific conditions. The Group does not enter into derivative transactions for trading or speculative purposes but uses them to avoid undermentioned risks.

(b) 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 evaluates current receivables accurately and monitoring credit conditions of customers by following internal credit management rules and takes action to prevent bad debts. Some accounts receivable-trade are denominated in foreign currencies and are exposed to foreign currency risk. However, accounts receivable-trade related to crude oil and accounts payable-trade for the corresponding purchase denominated in the same foreign currency are settled principally the same day, therefore the risk is limited to the net amount.

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

Short-term investment securities and investment securities mainly consist of investment trusts (open bond investment trust, i.e., "MMF" and others) purchased for the purpose of short-term fund investment and equity securities of partner companies and are exposed to market fluctuation risk. Fair value evaluation is reported to the director in charge monthly and to the president on a quarterly basis according to the internal regulations. Investment securities mainly consist of equity securities of INPEX CORPORATION recorded at ¥149,383 million ($1,821,743 thousand) and ¥168,624 million as of March 31, 2012 and 2011, the proportions of which to investment securities are 77.5% and 76.0%, respectively.

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

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

Long-term loans payable are mainly for domestic capital investment and overseas investment. Some of the funds from the long-term loans are loaned to affiliates for their equipment funds. Since the loans payable are mainly floating interest rate loans, they are exposed to interest rate fluctuation risk. A part of the loans payable are denominated in foreign currencies and exposed to foreign currency risk; however, the corresponding loans receivable from affiliates are also denominated in the same foreign currency to reduce the risk.

The Group utilizes derivative transactions such as foreign exchange forward contracts to hedge its foreign currency risk of operating payables denominated in foreign currencies, interest rate swap contracts to reduce financial burden on interest payment and currency and interest rate swap contracts to hedge fluctuation risk of foreign currencies and interest rates on loans payable. Implementation and management of derivative transactions are based on the internal regulations which prescribe the authorization and maximum amounts of the transactions and transactions are executed after obtaining approval from the person with authorization. The Group performs balance confirmation with counterparties directly on a regular basis. The Group's derivative transactions have risk related to fluctuation of interest rates and foreign currency exchange rates. The Group enters into transactions only with creditworthy financial institutions to reduce the counterparty risk. Operating payables and loans payable are exposed to liquidity risk; however, the Group manages the risk 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 and others regarding derivative transactions described in Note 11. Derivative transactions, the contract amount itself does not indicate market risk related to derivative transactions.

(2) Fair value of financial instruments

Carrying value in the consolidated balance sheets, fair value and these difference as of March 31, 2012 and 2011 are as follows. The financial instruments whose fair value is extremely difficult to determine are not included below.

			Millions of yen
March 31, 2012	Carrying value	Fair value	Difference
Cash and deposits	**¥ 29,805**	**¥ 29,918**	**¥ 113**
Notes and accounts receivable-trade	**27,392**	**27,392**	**–**
Short-term loans receivable	**39,295**	**39,295**	**–**
Short-term investment securities and investment securities	**221,207**	**223,892**	**2,685**
Long-term loans receivable	**23,407**		
Allowance for doubtful accounts (*1)	**(4)**		
	23,403	**23,403**	**–**
Total assets	**¥ 341,104**	**¥ 343,903**	**¥ 2,798**
Notes and accounts payable-trade	**¥ 7,251**	**¥ 7,251**	**¥ –**
Long-term loans payable	**26,198**	**26,311**	**(112)**
Total liabilities	**¥ 33,449**	**¥ 33,562**	**¥ (112)**
Derivative transactions (*2)	**¥ 659**	**¥ 659**	**¥ –**

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

March 31, 2012	Carrying value	Fair value	Difference
	Thousands of U.S. dollars		
Cash and deposits	$ 363,475	$ 364,853	$ 1,378
Notes and accounts receivable-trade	334,048	334,048	–
Short-term loans receivable	479,207	479,207	–
Short-term investment securities and investment securities	2,697,646	2,730,390	32,743
Long-term loans receivable	285,451		
Allowance for doubtful accounts (*1)	(48)		
	285,402	285,402	–
Total assets	$ 4,159,804	$ 4,193,939	$ 34,121
Notes and accounts payable-trade	$ 88,426	$ 88,426	$ –
Long-term loans payable	319,487	320,865	(1,365)
Total liabilities	$ 407,914	$ 409,292	$ (1,365)
Derivative transactions (*2)	$ 8,036	$ 8,036	$ –

(*1) Allowance for doubtful accounts recognized for long-term loans receivable on an individual basis is deducted from the carrying value.

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

Note 1. 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 flow of principal and interest 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.

- **Short-term investment 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 the 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. Short-term Investment 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 changes dramatically after the loans are executed. For the receivables deemed to be uncollectible, since the estimated bad debt balance is calculated based on the present value of the estimated future cash flow and the carrying value as of the consolidated balance sheet date after deduction of the estimated bad debt balance approximates the fair value, the carrying value as of the consolidated balance sheet date minus the estimated bad debt balance is deemed as the fair value.

Liabilities

- **Notes and accounts payable-trade**

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

- **Long-term loans payable**

With regard to floating rate loans, the carrying value is deemed as the fair value since these loans reflect the market interest rates in a short period of time and the credit condition of the Group does not change dramatically after the loans are executed. For the loans hedged by interest rate swaps which meet certain criteria for the exceptional treatment, the fair value is determined by the total amount of principal and interest treated together with the relevant interest rate swaps. For fixed rate loans, the net 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 new loan.

Derivative transactions

Please refer to Note 11. Derivative Transactions.

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

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Carrying value:			
Unlisted equity securities	**¥ 23,390**	¥ 26,419	**$ 285,243**

The above securities are not included in short-term investment securities and investment securities in the table 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, 2012	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	**¥ 29,800**	¥ –	¥ –	¥ –
Notes and accounts receivable-trade	**27,392**	–	–	–
Short-term loans receivable	**39,295**	–	–	–
Short-term investment securities and investment securities				
Available-for-sale securities with maturities				
Equity securities	–	–	**500**	–
Debt securities:				
Government and municipal bonds	–	**725**	**227**	–
Corporate bonds	**17,381**	**2,007**	**100**	–
Other debt securities	**1,301**	**796**	–	**182**
Other	–	**40**	**100**	–
Long-term loans receivable (*)	–	**15,050**	**8,352**	–
Total	**¥ 115,171**	**¥ 18,619**	**¥ 9,280**	**¥ 182**

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

March 31, 2012	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	**$ 363,414**	**$ –**	**$ –**	**$ –**
Notes and accounts receivable-trade	**334,048**	–	–	–
Short-term loans receivable	**479,207**	–	–	–
Short-term investment securities and investment securities				
Available-for-sale securities with maturities				
Equity securities	–	–	**6,097**	–
Debt securities:				
Government and municipal bonds	–	**8,841**	**2,768**	–
Corporate bonds	**211,963**	**24,475**	**1,219**	–
Other debt securities	**15,865**	**9,707**	–	**2,219**
Other	–	**487**	**1,219**	–
Long-term loans receivable (*)	–	**183,536**	**101,853**	–
Total	**$ 1,404,524**	**$ 227,060**	**$ 113,170**	**$ 2,219**

(*) The amount does not include receivables deemed to be uncollectible of ¥4 million ($48 thousand) and ¥8 million as of March 31, 2012 and 2011, respectively.

(4) Scheduled maturities of long-term loans payable

March 31, 2012	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
				Millions of yen
Long-term loans payable	¥ –	¥ 18,267	¥ 7,931	¥ –
Total	¥ –	¥ 18,267	¥ 7,931	¥ –

March 31, 2012	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
				Thousands of U.S. dollars
Long-term loans payable	$ –	$ 222,768	$ 96,719	$ –
Total	$ –	$ 222,768	$ 96,719	$ –

11. Derivative Transactions

The Group utilizes derivative transactions for the purpose of hedging its risk to adverse fluctuations in interest rates and foreign currency exchange rates, 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

	Millions of yen				Thousands of U.S. dollars			
March 31, 2012	Contract amount and others	Due after one year	Fair value (*)	Unrealized gain (loss)	Contract amount and others	Due after one year	Fair value (*)	Unrealized gain (loss)
Currency and interest rate related:								
Foreign currency and interest rate swaps								
Receive Japanese yen fixed/Pay U.S. dollar floating	¥ 2,000	¥ 1,600	¥ 649	¥ 649	$ 24,390	$ 19,512	$ 7,914	$ 7,914
Total	¥ 2,000	¥ 1,600	¥ 649	¥ 649	$ 24,390	$ 19,512	$ 7,914	$ 7,914

	Millions of yen			
March 31, 2011	Contract amount and others	Due after one year	Fair value (*)	Unrealized gain (loss)
Currency and interest rate related:				
Foreign currency and interest rate swaps				
Receive Japanese yen fixed/Pay U.S. dollar floating	¥ 2,000	¥ 2,000	¥ 653	¥ 653
Total	¥ 2,000	¥ 2,000	¥ 653	¥ 653

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

(2) **Derivative transactions for which hedge accounting is applied**

March 31, 2012	Millions of yen			Thousands of U.S. dollars		
	Contract amount and others	Due after one year	Fair value (*1)	Contract amount and others	Due after one year	Fair value (*1)
Currency related:						
Deferral hedge accounting						
Foreign exchange forward contracts						
U.S. dollars (Buying)	**¥ 1,818**	**¥ –**	**¥ 9**	**$ 22,170**	**$ –**	**$ 109**
Total	**¥ 1,818**	**¥ –**	**¥ 9**	**$ 22,170**	**$ –**	**$ 109**

March 31, 2011	Millions of yen		
	Contract amount and others	Due after one year	Fair value (*1)
Currency related:			
Deferral hedge accounting			
Foreign exchange forward contracts			
U.S. dollars (Buying)	¥ 1,802	¥ –	¥ 26
U.K. pounds (Buying)	16	–	0
Allocation Method			
Foreign exchange forward contracts			
U.S. dollars (Buying)	4	–	(*2)
Total	¥ 1,822	¥ –	¥ 27

(*) 1. Fair value is measured based on quotes and others provided by financial institutions and others.
2. Foreign exchange forward contracts to which allocation method is applied are accounted for with the hedged item, accounts payable-trade. Thus, the fair value of the foreign exchange forward contracts is included in the fair value of the accounts payable-trade.

March 31, 2012	Millions of yen			Thousands of U.S. dollars		
	Contract amount and others	Due after one year	Fair value	Contract amount and others	Due after one year	Fair value
Interest rate related:						
Exceptional treatment						
Interest rate swaps						
Receive floating/Pay floating	**¥ 7,000**	**¥ 2,500**	**(*)**	**$ 85,365**	**$ 30,487**	**(*)**
Total	**¥ 7,000**	**¥ 2,500**	**¥ –**	**$ 85,365**	**$ 30,487**	**$ –**

March 31, 2011	Millions of yen		
	Contract amount and others	Due after one year	Fair value
Interest rate related:			
Exceptional treatment			
Interest rate swaps			
Receive floating/Pay floating	¥ 7,000	¥ 7,000	(*)
Total	¥ 7,000	¥ 7,000	¥ –

(*) Interest rate swaps to which exceptional treatment is applied are accounted for with the hedged item, long-term loans payable. Thus, the fair value of the interest rate swaps is included in the fair value of the long-term loans payable.

12. Asset Retirement Obligations

(1) Asset retirement obligations recognized in the consolidated balance sheets as of March 31, 2012 and 2011

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 and others 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 55 years from acquisition of assets. This estimate is reasonably made based on the plans for decommissioning wells and facilities or the producing lives of fields that the Group reasonably estimates by field if no such plan exists. Discount rates applied are 0.176 to 2.335% for domestic obligations and mainly 7% for overseas (mainly Canada).

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

Changes in the balance of asset retirement obligations for the years ended March 31, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Balance at the beginning of the period	**¥ 10,231**	¥ 10,546	**$ 124,768**
Increase due to acquisition of new assets	**57**	–	**695**
Accretion	**272**	281	**3,317**
Settlement	**(617)**	(429)	**(7,524)**
Foreign currency translation adjustment	**(127)**	(179)	**(1,548)**
Other changes, net	**15**	12	**182**
Balance at the end of the period	**¥ 9,832**	¥ 10,231	**$ 119,902**

(2) Asset retirement obligations other than those recognized in the consolidated balance sheets as of March 31, 2012 and 2011

The Group has obligations to restore sites to their original condition in accordance with laws, land lease contracts and others 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, 2012 and 2011.

The following table summarizes the details of balance of asset retirement obligations for the year ended March 31, 2012.

				Millions of yen
2012	Beginning of the year	Increase	Decrease	End of the year
Under provisions of Petroleum and Inflammable Natural Gas Resources Development Law	**¥ 4,986**	**¥ 143**	**¥ 404**	**¥ 4,725**
Under provisions of Environmental Protection and Enhancement Act, etc. enforced in the Province of Alberta, Canada	**1,936**	**127**	**128**	**1,935**
Under provisions of Act on Prevention of Marine Pollution and Maritime Disaster	**1,843**	**41**	**–**	**1,885**
Under provisions of land lease contracts and other	**1,464**	**36**	**215**	**1,285**
Total	**¥ 10,231**	**¥ 349**	**¥ 748**	**¥ 9,832**

2012	Beginning of the year	Increase	Decrease	End of the year
	Thousands of U.S. dollars			
Under provisions of Petroleum and Inflammable Natural Gas Resources Development Law	**$ 60,804**	**$ 1,743**	**$ 4,926**	**$ 57,621**
Under provisions of Environmental Protection and Enhancement Act, etc. enforced in the Province of Alberta, Canada	**23,609**	**1,548**	**1,560**	**23,597**
Under provisions of Act on Prevention of Marine Pollution and Maritime Disaster	**22,475**	**500**	**–**	**22,987**
Under provisions of land lease contracts and other	**17,853**	**439**	**2,621**	**15,670**
Total	**$ 124,768**	**$ 4,256**	**$ 9,121**	**$ 119,902**

13. Contingent Liabilities

At March 31, 2012 and 2011, the Group had the following contingent liabilities:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
As guarantor of indebtedness of others:			
Kangean Energy Indonesia Ltd. (An obligation relating to production facilities)	**¥ 15,369**	¥ 10,622	**$ 187,426**
Sakhalin Oil and Gas Development Co., Ltd.	**9,725**	10,184	**118,597**
INPEX North Caspian Sea, Ltd.	**7,224**	6,038	**88,097**
Employees (Housing loans)	**693**	827	**8,451**
TOHOKU NATURAL GAS Co., Inc.	**633**	782	**7,719**
Kumamoto Mirai LNG Co., Ltd.	**38**	–	**463**
Total	**¥ 33,684**	¥ 28,455	**$ 410,780**

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

(1) Dividends paid to shareholders

2012

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 24, 2011	Annual General Meeting of Shareholders	Common stock	**¥ 1,143**	**$ 13,939**	**¥ 20**	**$ 0.24**	March 31, 2011	June 27, 2011
November 4, 2011	Board of Directors	Common stock	**¥ 1,143**	**$ 13,939**	**¥ 20**	**$ 0.24**	September 30, 2011	November 29, 2011

2011

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

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

2012

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, 2012	Annual General Meeting of Shareholders	Common stock	**¥ 1,143**	**$ 13,939**	Retained earnings	**¥ 20**	**$ 0.24**	March 31, 2012	June 27, 2012

2011

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 24, 2011	Annual General Meeting of Shareholders	Common stock	¥ 1,143	Retained earnings	¥ 20	March 31, 2011	June 27, 2011

15. Selling, General and Administrative Expenses

The main components of selling, general and administrative expenses for the years ended March 31, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Selling, general and administrative expenses:			
Personal expenses	**¥ 9,567**	¥ 8,120	**$116,670**
Significant components of personal expenses:			
Retirement benefits expenses	**651**	646	**7,939**
Provision for directors' bonuses	**94**	87	**1,146**
Provision for directors' retirement benefits	**179**	170	**2,182**
Freightage expenses	**4,464**	4,455	**54,439**
Depreciation	**¥ 7,874**	¥ 7,976	**$ 96,024**

Research and development expenses included in selling, general and administrative expenses for the years ended March 31, 2012 and 2011 were ¥626 million ($7,634 thousand) and ¥635 million, respectively.

16. Impairment Loss

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

For the years ended March 31, 2012 and 2011, the Group recognized no impairment loss.

17. Information on Related Party Transactions

(1) Related party transactions

Principal transactions between the Company and Kangean Energy Indonesia Ltd., an associate accounted for using the equity method, for the years ended March 31, 2012 and 2011 are as follows:

Transactions:	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Offering loans	**¥ 4,778**	¥ 2,705	**$ 58,268**
Guarantee of obligation	**¥ 15,369**	¥ 10,622	**$ 187,426**

Balances:	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Short-term loans receivable	**¥ 2,246**	–	**$ 27,390**
Long-term loans receivable	**¥ 13,439**	¥ 10,362	**$ 163,890**

Principal transactions between the Company and EMP Exploration (Kangean) Ltd., an associate accounted for using the equity method, for the years ended March 31, 2012 and 2011 are as follows:

Transactions:	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Offering loans	**¥ 3,185**	¥ 1,803	**$ 38,841**

Balances:	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Short-term loans receivable	**¥ 1,497**	–	**$ 18,256**
Long-term loans receivable	**¥ 8,959**	¥ 6,908	**$ 109,256**

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

The Company provides a guarantee of an obligation with Kangean Energy Indonesia Ltd. for its production facilities and determines the reasonable guarantee fee rate considering the project plan. The amount of transaction indicates the balance of the guaranty as of the year-end.

(2) Note to significant affiliates

For the year ended March 31, 2012, the summarized financial information of all associates (12 companies) accounted for using the equity method, including a significant affiliate, Energi Mega Pratama Inc. is as follows:

Year ended March 31, 2012	Millions of yen	Thousands of U.S. dollars
Total current assets	**¥ 65,326**	**$ 796,658**
Total noncurrent assets	**92,717**	**1,130,695**
Total current liabilities	**35,324**	**430,780**
Total noncurrent liabilities	**63,558**	**775,097**
Total net assets	**59,160**	**721,463**
Net sales	**58,460**	**712,926**
Loss before income taxes	**3,217**	**39,231**
Net income	**1,904**	**23,219**

There were no relevant items for the year ended March 31, 2011.

18. Amounts per Share

Net income per share is computed based on the net income available to common shareholders and the weighted average number of shares of common stock outstanding during the period, which is 57,152 thousand shares during the years ended March 31, 2012 and 2011.

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

	Yen		U.S. dollars
	2012	2011	**2012**
Net income per share	**¥ 297.92**	¥ 175.16	**$ 3.63**
Net assets per share	**6,869.27**	6,743.83	**83.77**

Diluted net income per share is not disclosed due to the absence of dilutive shares for the years ended March 31, 2012 and 2011.

19. Cash Flow Information

Reconciliations between cash and cash equivalents in the consolidated statements of cash flows for the years ended March 31, 2012 and 2011 and cash and deposits in the consolidated balance sheets as of March 31, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Cash and deposits	**¥ 29,805**	¥ 32,042	**$ 363,475**
Time deposits with maturities in excess of three months	**(14,183)**	(15,488)	**(172,963)**
Short-term investments with maturities of three months or less and others:			
Commercial papers	**15,998**	3,999	**195,097**
Repo with forward resale commitment	**34,993**	23,997	**426,743**
Money management fund and other	**33,188**	22,276	**404,731**
Cash and cash equivalents	**¥ 99,803**	¥ 66,826	**$1,217,109**

20. Other Comprehensive Income

Reclassification adjustments and income tax benefit (expense) on components of other comprehensive income for the year ended March 31, 2012 are as follows:

Year ended March 31, 2012	Millions of yen	Thousands of U.S. dollars
Valuation difference on available-for-sale securities:		
Gains (losses) arising during the year	¥ **(20,449)**	$ **(249,378)**
Reclassification adjustments	**1**	**12**
Pre-tax amount	**(20,448)**	**(249,365)**
Income tax benefit (expense)	**14,257**	**173,865**
Valuation difference on available-for-sale securities	**(6,191)**	**(75,500)**
Deferred gains or losses on hedges:		
Gains (losses) arising during the year	**(17)**	**(207)**
Income tax benefit (expense)	**6**	**73**
Deferred gains or losses on hedges	**(10)**	**(121)**
Foreign currency translation adjustment:		
Gains (losses) arising during the year	**(1,413)**	**(17,231)**
Reclassification adjustments	**(1)**	**(12)**
Foreign currency translation adjustment:	**(1,414)**	**(17,243)**
Share of other comprehensive income of associates accounted for using equity method:		
Gains (losses) arising during the year	**(154)**	**(1,878)**
Share of other comprehensive income of associates accounted for using equity method:	**(154)**	**(1,878)**
Total other comprehensive income	¥ **(7,770)**	$ **(94,756)**

21. Segment Information

For the years ended March 31, 2012 and 2011

(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 operational site, and identifies "Japan" and "North America" as its reporting segments.

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

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

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

The accounting policies of each reporting segment are basically consistent with those disclosed in Note 2. Significant Accounting Policies. Segment profit is measured on a basis of operating income. 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

Year ended March 31, 2012	Reporting segment: Japan	Reporting segment: North America	Reporting segment: Total	Other (Note 1)	Total	Adjustments and eliminations (Note 2)	Amounts on consolidated financial statements (Note 3)
Net sales:							
Sales to third parties	¥ 221,340	¥ 9,297	¥ 230,638	¥ –	¥ 230,638	¥ –	¥ 230,638
Intersegment sales and transfers	11	–	11	–	11	(11)	–
Total sales	221,351	9,297	230,649	–	230,649	(11)	230,638
Segment profit (loss)	23,978	1,244	25,223	(496)	24,726	(9,680)	15,045
Segment assets	123,492	6,531	130,023	15,566	145,590	387,299	532,890
Other items:							
Depreciation and amortization	22,839	662	23,502	–	23,502	400	23,902
Equity in earnings (losses) of affiliates	825	–	825	(1,148)	(323)	(85)	(408)
Investments in associates accounted for using the equity method	771	–	771	26,949	27,720	0	27,720
Increase in property, plant and equipment and intangible assets	15,849	1,403	17,252	–	17,252	147	17,400

Millions of yen

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

	Thousands of U.S. dollars						
	Reporting segment			Other (Note 1)	Total	Adjustments and eliminations (Note 2)	Amounts on consolidated financial statements (Note 3)
Year ended March 31, 2012	Japan	North America	Total				
Net sales:							
Sales to third parties	**$2,699,268**	**$ 113,378**	**$2,812,658**	**$ –**	**$ 2,812,658**	**$ –**	**$ 2,812,658**
Intersegment sales and transfers	**134**	**–**	**134**	**–**	**134**	**(134)**	**–**
Total sales	**2,699,402**	**113,378**	**2,812,792**	**–**	**2,812,792**	**(134)**	**2,812,658**
Segment profit (loss)	**292,414**	**15,170**	**307,597**	**(6,048)**	**301,536**	**(118,048)**	**183,475**
Segment assets	**1,506,000**	**79,646**	**1,585,646**	**189,829**	**1,775,487**	**4,723,158**	**6,498,658**
Other items:							
Depreciation and amortization	**278,524**	**8,073**	**286,609**	**–**	**286,609**	**4,878**	**291,487**
Equity in earnings (losses) of affiliates	**10,060**	**–**	**10,060**	**(14,000)**	**(3,939)**	**(1,036)**	**(4,975)**
Investments in associates accounted for using the equity method	**9,402**	**–**	**9,402**	**328,646**	**338,048**	**0**	**338,048**
Increase in property, plant and equipment and intangible assets	**193,280**	**17,109**	**210,390**	**–**	**210,390**	**1,792**	**212,195**

Notes: 1. "Other" which does not belong to reporting segments includes the Middle East, North Africa, South East Asia and others.

2. "Adjustments and eliminations" includes the following:

(a) Segment profit (loss)

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Intersegment elimination	**¥ 4**	¥ (0)	**$ 48**
Corporate expense (*)	**(9,684)**	(7,569)	**(118,097)**
Total	**¥ (9,680)**	¥ (7,569)	**$ (118,048)**

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

(b) Segment assets

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Intersegment elimination	**¥ (25)**	¥ (25)	**$ (304)**
Corporate assets (*1)	**4,052**	3,061	**49,414**
Other assets (*2)	**383,272**	364,963	**4,674,048**
Total	**¥ 387,299**	¥ 367,999	**$ 4,723,158**

(*1) "Corporate assets" presents 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 other assets other than recoverable accounts which are not allocated to reporting segments.

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

(4) Related information

(a) Information by product and service

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Sales to third parties			
Crude oil	**¥ 80,754**	¥ 67,488	**$ 984,804**
Natural gas	**74,957**	61,090	**914,109**
LNG	**15,930**	14,100	**194,268**
Bitumen	**9,137**	10,141	**111,426**
Contract services	**8,360**	7,031	**101,951**
Oil products/merchandise	**36,585**	32,523	**446,158**
Others	**4,912**	7,278	**59,902**
Total	**¥ 230,638**	¥ 199,651	**$ 2,812,658**

(b) Information by geographical area

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Net sales:			
Japan	**¥ 174,111**	¥ 150,289	**$ 2,123,304**
Canada	**9,137**	16,311	**111,426**
Russia	**46,221**	31,772	**563,670**
Others	**1,167**	1,278	**14,231**
Total	**¥ 230,638**	¥ 199,651	**$ 2,812,658**

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

Information about property, plant and equipment is omitted since the balance of property, plant and equipment in Japan was over 90% of property, plant and equipment in the consolidated balance sheets as of March 31, 2012 and 2011.

(c) Information by major customer

Information by major customer is omitted since there was no sales to single external customer accounting for 10% or more of net sales in the consolidated statements of income for the years ended March 31, 2012 and 2011.

22. Subsequent Event

On May 30, 2012 (MST), Japan Canada Oil Sands Limited, a consolidated subsidiary of the Company, entered into an agreement with a Canadian entity on the assignment of its 25% working interest for bitumen in the Liege lease, one of its oil sands lease holdings, for a cash consideration of 32.5 million Canadian dollars. The Group will recognize the equivalent of the assignment amount as other income in the consolidated statement of income for the year ending March 31, 2013.

ERNST & YOUNG

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Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Japan Petroleum Exploration Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2012, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Japan Petroleum Exploration Co., Ltd. and its consolidated subsidiaries as at March 31, 2012, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

Ernst & Young ShinNihon LLC

June 26, 2012

Principal Consolidated Subsidiaries and Equity-Method Affiliates

(As of March 31, 2012)

Consolidated Subsidiaries	Principal Business Activities	Paid-In Capital or Subscription Amount (Millions of yen)	Percentage of Voting Rights Held (%)
Akita Natural Gas Pipeline Co., Ltd.	Pipeline transport of natural gas in Akita Prefecture	250	100.00
SK Engineering Co., Ltd.	Contract engineering and well drilling	300	100.00
JAPEX SKS Corporation	Manufacture and sales of petroleum products, real estate management, insurance and travel agent services	90	100.00
North Japan Oil Co., Ltd.	Refining, processing and sales of crude oil, recycling of waste oil, and contract handling and transportation of LNG and crude oil	80	100.00
Shirone Gas Co., Ltd. *1	Manufacturing, supply and sales of gas in Niigata City and Tsubame City	3,000	100.00
Japex Pipeline Ltd.	Pipeline management and maintenance	80	100.00
JGI, Inc. *1	Contract geophysical surveys and development of geophysical exploration technologies	2,100	100.00
Geophysical Surveying Co., Ltd.	Geophysical surveys and contract mud logging operations	446	100.00
Japex (U.S.) Corp. *1	Exploration, development and production of petroleum in the United States, and investment in an LNG project in Malaysia	8,000 (Thousands of U.S. dollars)	100.00
Japan Canada Oil Sands Limited *1,*3	Exploration, development and production of oil sands in Canada under a block lease agreement	297,170 (Thousands of Canadian dollars)	100.00 (100.00)
Canada Oil Sands Co., Ltd. *1,*3	Invests in oil sands exploration and development through Japan Canada Oil Sands Limited	1,682	87.98 (1.34)
North Japan Security Service Co., Ltd.	Disaster protection for industrial facilities and security services	30	89.42
Japex Offshore Ltd. *1	Exploration, development and production of offshore petroleum from the continental shelf in the Sea of Japan	5,963	70.61
GEOSYS, Inc. *3	Contract geophysical exploration operations and sales of geophysical exploration devices and equipment	49	57.82 (57.82)
Japex Block A Ltd.	Exploration, development and production of petroleum on the island of Sumatra in Indonesia	1,665	100.00
Japex Buton Ltd.	Exploration, development and production of petroleum on the island of Buton in Indonesia	1,115	100.00
Japex Energy Co., Ltd. *6	Purchasing and sales of LNG and petroleum products	90	90.00
Japex Garraf Ltd. *1	Exploration, development and production of petroleum in the Garraf oilfield in Iraq	7,968	58.98

Equity-Method Affiliates	Principal Business Activities	Paid-In Capital or Subscription Amount (Millions of yen)	Percentage of Voting Rights Held (%)
TOHOKU NATURAL GAS Co., Inc.	Purchasing and sales of natural gas in the Tohoku region of Japan	300	45.00
TELNITE CO., LTD.	Manufacture and sales of drilling mud for well drilling and the provision of mud services	98	47.00
Universe Gas & Oil Company, Inc.	Exploration, development and production of petroleum in east coast of Kalimantan, Indonesia	9,443	33.43
Japan Drilling Co., Ltd.*5	Contract offshore well drilling for petroleum	7,572	30.98
Energi Mega Pratama Inc.	Exploration, development and production of petroleum in east coast of Java, Indonesia	52,000 (Thousands of U.S. dollars)	25.00
Kangean Energy Indonesia Ltd. *2,*4	Exploration, development and production of petroleum in east coast of Java, Indonesia	10 (Thousands of U.S. dollars)	— [100.00]
EMP Exploration (Kangean) Ltd. *2,*4	Exploration, development and production of petroleum in east coast of Java, Indonesia	100 (British pounds)	— [100.00]
Diamond Gas Netherlands B.V. *3	Invests in a project operated by Malaysian LNG producer Malaysia LNG Tiga	12,316 (Thousands of Euros)	20.00 (20.00)
Japan CBM Limited	Exploration, development and production of coal bed methane in the eastern region of Kalimantan Island in Indonesia	325	40.12

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

Corporate Data

(As of March 31, 2012)

Company Name Japan Petroleum Exploration Co., Ltd. (Abbreviation: JAPEX)

Service Logo JAPEX

Established April 1, 1970

Paid-In Capital 14,288,694,000 yen

Fiscal Year April 1 to March 31 of the following year

Number of Employees 1,743 (Consolidated)

Principal Businesses Exploration, development and sales of oil, natural gas, and other energy resources and contract service-related operations such as drilling

Main Offices Headquarters (see below), Hokkaido, Akita, Nagaoka, Research Center (Chiba), London, Dubai, Houston, Beijing, Jakarta

Headquarters SAPIA Tower, 1-7-12 Marunouchi,
Chiyoda-ku, Tokyo 100-0005, Japan
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FAX: +81-3-6268-7300
URL: http://www.japex.co.jp/english/index.html

Directors, Auditors and Officers (As of June 26, 2012)

Chairman
Yuji Tanahashi

President & Chief Executive Officer
Osamu Watanabe

Executive Vice President & Executive Officer
Hiroshi Sato

Senior Managing Directors & Executive Officers
Shoichi Ishii
Toshio Ibi

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

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

Director
Kazuo Kawakami

Corporate Auditors
Ken Fujii
Morio Ishizeki
Masahiko Kadotani
Kisaburo Ikeda

Managing Executive Officers
Koji Sakuma
Yosuke Higai
Shigeru Mitsuya

Executive Officers
Keisuke Inoue
Toru Kuroda
Yasuhiro Masui
Kazuhiko Ozeki
Taku Kawanaka
Motofumi Hyodo
Takahisa Inoue
Hajime Ito
Hirotaka Tanaka
Toshiyuki Hirata

Stock Information (As of March 31, 2012)

Exchange Listing First Section of the Tokyo Stock Exchange (Securities Code Number: 1662)

Common Stock Authorized: 120,000,000 shares
Issued: 57,154,776 shares

Number of Shareholders 16,749

Transfer Agent and Registrar
Mizuho Trust & Banking Co., Ltd.

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

Major Shareholders

Shareholders	Shares	Voting Rights (%)
The Minister of Economy, Trade and Industry	19,432,724	34.00
INPEX CORPORATION	2,852,212	4.99
The Master Trust Bank of Japan, Ltd. (Trust)	2,216,400	3.88
Japan Trustee Services Bank, Ltd. (Trust)	1,872,300	3.28
JFE Engineering Corporation	1,848,012	3.23
JX Holdings, Inc.	1,149,984	2.01
Japan Trustee Services Bank, Ltd. (Trust 9)	878,700	1.54
The Chase Manhattan Bank N.A. London S.L. Omnibus Account	831,200	1.45
Mizuho Corporate Bank, Ltd.	720,152	1.26
ITOCHU Corporation	698,000	1.22

Inquiries:
Please contact the following if you have inquiries related to Investor Relations (IR).

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