JAPEX

Japan Petroleum Exploration Co., Ltd.

For the Year Ended March 31, 2015

ANNUAL REPORT 2015

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 of enhancing Japan's self-sufficiency ratio, JAPEX has continued to explore and produce crude oil and natural gas in Japan while expanding its activities overseas. As a result, after launching operations with zero reserves, JAPEX has since established a sound operating base underpinned by numerous new discoveries.

Between 1967 and 1970, JAPEX was incorporated into the Japan Petroleum Development Corporation (JPDC) as its E&P operating body. Thereafter, JAPEX was separated and re-established as a private-sector company under the former Commercial Code in April 1970. JAPEX was listed on the First Section of the Tokyo Stock Exchange in December 2003.

Corporate Vision

JAPEX is committed to contributing to local communities through a stable supply of energy. To this end, we will undertake the following activities:

- Explore, develop, produce and deliver oil and natural gas both in Japan and overseas
- Further enhance the natural gas supply chain, supported by our own domestic infrastructures, through aggressive introduction of LNG business
- Leverage our existing technology and expertise to develop and commercialize new technology
- Make stakeholder trust our first priority while striving to achieve sustainable growth and maximize corporate value

Oil and Natural Gas Business

JAPEX is engaged in projects in Japan and overseas that span the E&P value chain, from exploration, development, production and transportation to delivery.

Investigate

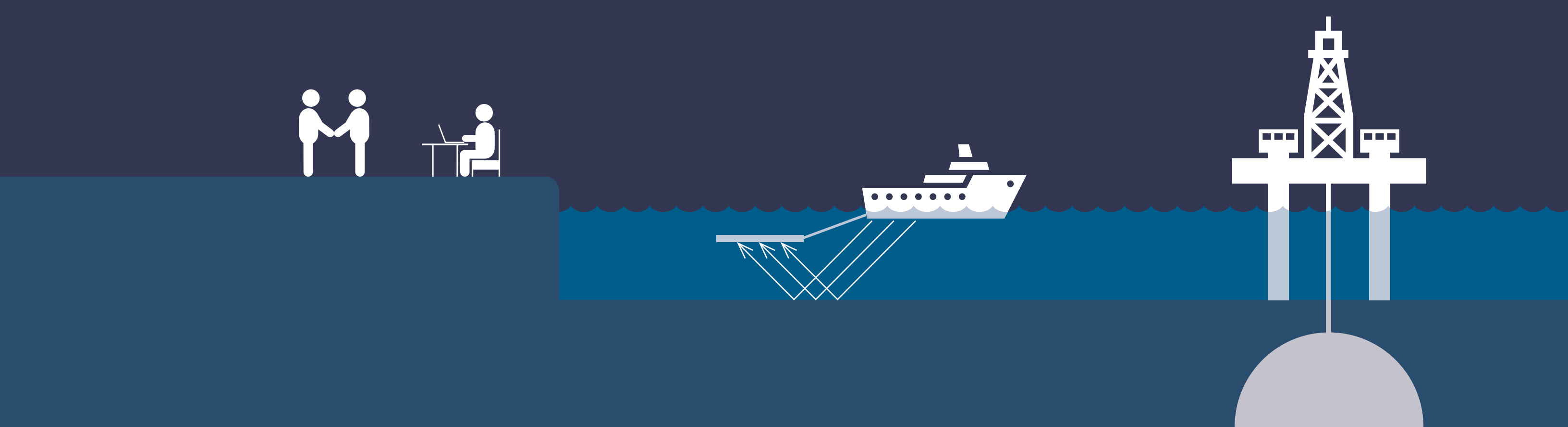
Acquisition of Interests

- Gathering of Information
- Preliminary Survey
- Acquisition of Interests

Search

Exploration

- Geological Survey
- Exploration and Appraisal Wells
- Evaluation of Reserves

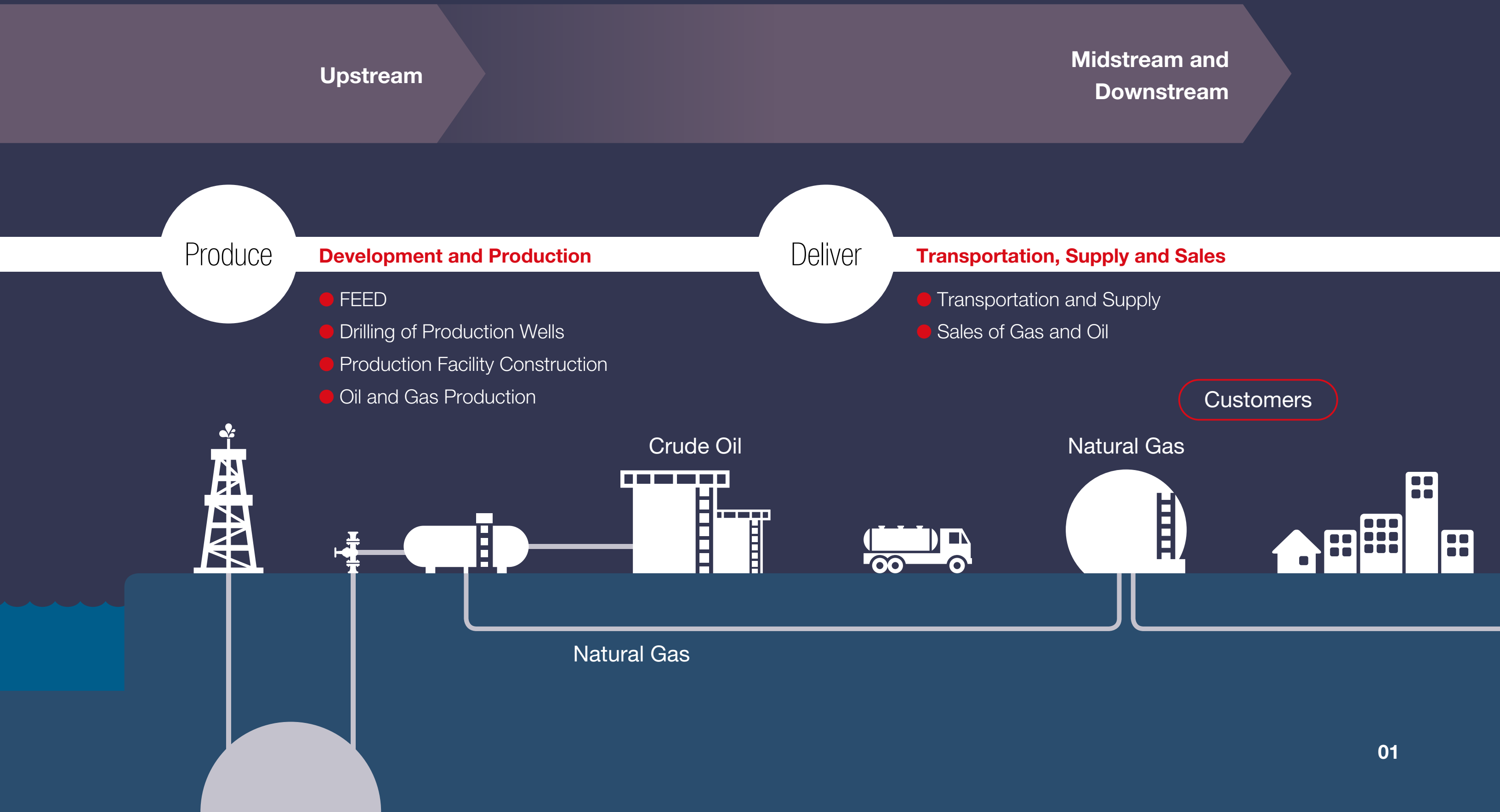


Contents

Towards the Leap to 2025

"Transformation to an Integrated Energy Company with a Focus on Oil and Gas E&P"

Review of Operations



Financial Highlights

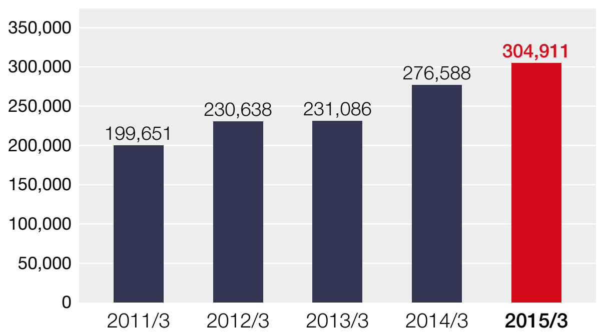
Japan Petroleum Exploration Co., Ltd. and Consolidated Subsidiaries
Years ended March 31

					Millions of yen	Thousands of US dollars*1
	2015/3*2	2014/3	2013/3	2012/3	2011/3	2015/3
For the Year:						
Net sales	**¥ 304,911**	¥ 276,588	¥ 231,086	¥ 230,638	¥ 199,651	**$ 2,540,925**
Cost of sales	**234,649**	210,460	172,075	174,359	144,919	**1,955,408**
Exploration expenses	**4,489**	9,800	13,086	7,805	9,798	**37,408**
Selling, general and administrative expenses	**33,625**	31,692	32,017	33,426	31,084	**280,208**
Operating income	**32,146**	24,634	13,906	15,045	13,849	**267,883**
Net income (loss)	**29,567**	29,015	(865)	17,027	10,010	**246,391**
At Year-End:						
Total assets	**¥ 736,862**	¥ 663,038	¥ 525,172	¥ 532,890	¥ 516,098	**$ 6,140,516**
Net assets	**540,647**	496,915	403,625	406,773	393,689	**4,505,391**
Long-term loans payable	**20,726**	21,636	24,197	26,198	26,898	**172,716**
					Yen	US dollars*1
Per Share Data:						
Net assets per share	**¥8,055.59**	¥7,389.62	¥6,691.58	¥6,869.27	¥6,743.83	**$ 67.12**
Net income (loss) per share	**517.35**	507.68	(15.14)	297.92	175.16	**4.31**
Cash dividends per share (full-year)	**50.00**	50.00	40.00	40.00	40.00	**0.40**
Other Data:						
Number of employees	**1,818**	1,782	1,747	1,743	1,728	
Market Data:						
The Japan Crude Cocktail (JCC) price*3	**96.48**	110.51	114.67	112.43	82.69	
Exchange rate (yen/US dollars)	**106.23**	99.31	81.71	78.93	86.24	
					boe/d*4	
JAPEX Group Production Volume in the Fiscal Year (daily) *4 :						
Natural gas (crude oil equivalent)	**32,308**	26,470	23,318	22,812	25,591	
Crude oil (including bitumen)	**42,100**	21,851	13,321	15,854	15,027	
Total	**74,408**	48,321	36,639	38,666	40,618	
					Millions of boe*5	
JAPEX Group Proved Reserves at Fiscal Year-End:						
Overseas	**203**	193	160	38	49	
Domestic	**110**	112	147	185	208	
Total	**313**	305	307	223	257	

*1 Exchange rate: ¥120/U.S.$1, the approximate rate of exchange at March 31, 2015.
*2 Throughout this report, fiscal years are denoted as 20XX/3, meaning the12 months ending March 31, 20XX.
*3 The JCC price refers to the average price of customs-cleared crude oil imports into Japan, including the cost of insurance and freight. JAPEX's domestic crude oil price is linked to the JCC price. The JCC price is also a key benchmark for imported LNG prices.
*4 Figures for crude oil include bitumen (an extra-heavy crude oil extracted from oil sands). From FY2013/3, these figures included production volumes of equity-method affiliates.
*5 Conversion Factors and Units
boe: barrels of oil equivalent
boe/d: barrels of oil equivalent per day
Natural gas 1,033 m^3 = 1 kl of oil equivalent
Crude oil 1 kl = 6.29 bbl

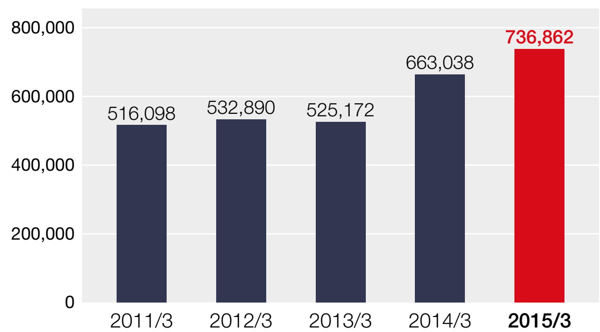
Net Sales

(Millions of yen)



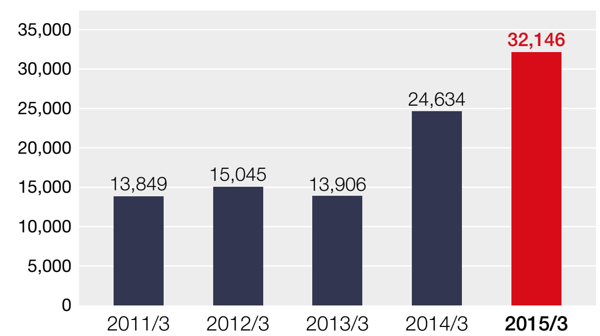
Total Assets

(Millions of yen)



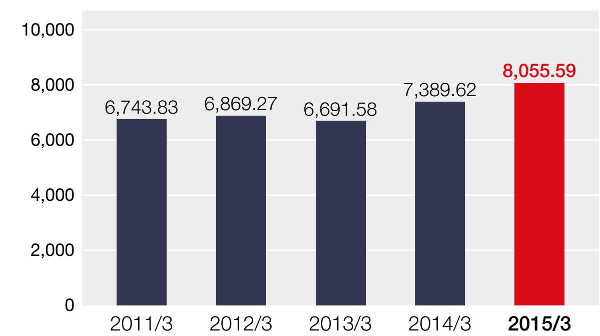
Operating Income

(Millions of yen)



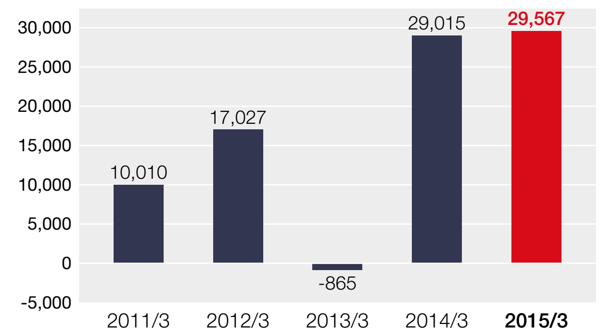
Net Assets per Share

(Yen)



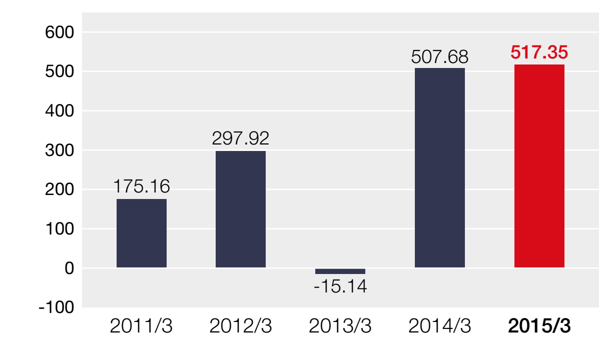
Net Income (Loss)

(Millions of yen)



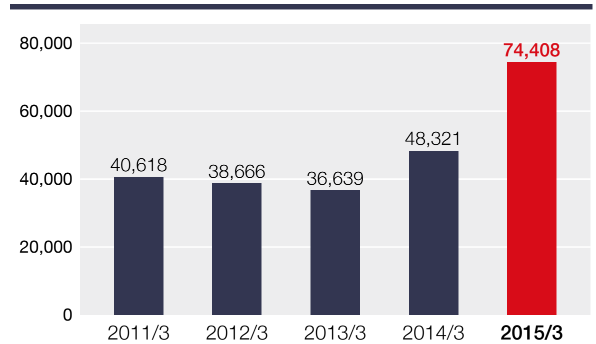
Net Income (Loss) per Share

(Yen)



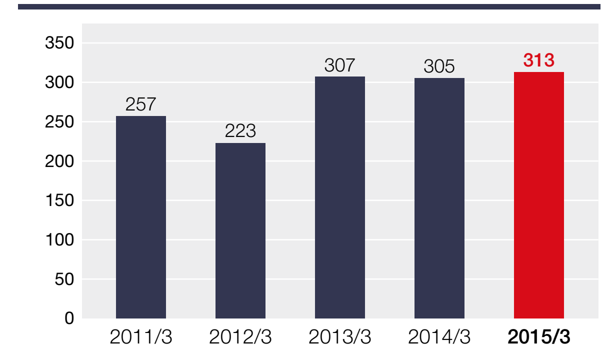
Production Volume (Crude Oil Equivalent)

(boe/d)



Proved Reserves (Crude Oil Equivalent)

(Millions of boe)



To Our Shareholders and Investors

Transformation to an Integrated Energy Company

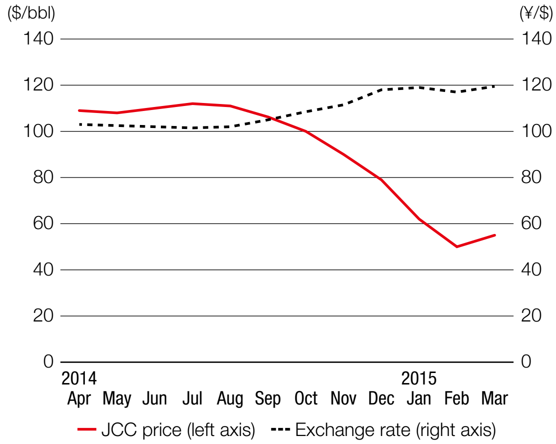
President
Chief Executive Officer
Osamu Watanabe

JAPEX’s Core Businesses

E&P	Domestic Natural Gas Supply	Environment and Innovative Technology

Operating Performance in FY2015/3

Trends in the JCC Price and Exchange Rate
(April 2014–March 2015)



Financial Highlights

(Millions of yen)

	2014/3	2015/3	Change
Net sales	276,588	**304,911**	+10.2%
Operating income	24,634	**32,146**	+30.5%
Net income	29,015	**29,567**	+1.9%
Net assets	496,915	**540,647**	+8.8%
Total assets	663,038	**736,862**	+11.1%
Equity ratio	63.7%	**62.5%**	–

Business Environment and Operating Performance in FY2015/3

Business Environment

In the fiscal year ended March 31, 2015 (FY2015/3), the Japanese economy remained on a moderate recovery path on account of the continuation of the prior year's trend of improving corporate earnings.

Although the JCC price*1 hovered in the vicinity of $110 per barrel over summer 2014, it began to fall sharply in the early autumn and slumped to around the $50 level at fiscal year-end due to the impact of factors including a supply increase resulting from higher shale oil production in the U.S. and stagnant demand worldwide. With regard to the currency exchange market, the depreciation trend of the yen progressed, starting from the lower ¥100 range at the beginning of the fiscal year, and hovering in the upper half of the ¥110 range towards the fiscal year-end.

As a result, the business climate for the JAPEX Group was unpredictable and adverse, as evidenced by such factors as the JAPEX Group's average crude oil sales price falling below the level of the previous fiscal year, being drastically affected by stagnation of the JCC price in autumn and winter.

Against this backdrop, the JAPEX Group worked to ensure safe production and transportation operations and concentrated its efforts on efficient E&P in Japan and overseas with the aim of realizing the stable, long-term supply of natural gas and crude oil that are essential for daily life.

Operating Performance

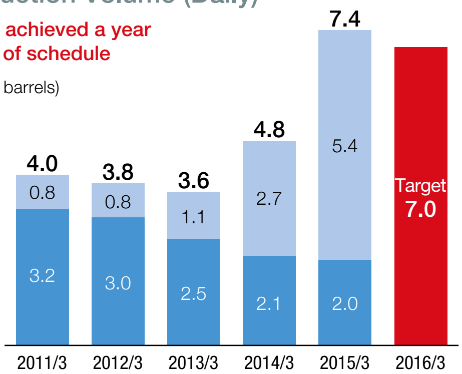
Despite the decline in the crude oil sales price, net sales in FY2015/3 was ¥304.9 billion, up ¥28.3 billion from the previous fiscal year. The sales increase is mainly attributable to higher sales volumes of overseas crude oil and natural gas from overseas. Operating income was ¥32.1 billion, increasing ¥7.5 billion from the previous year, as a result of lower exploration expenses and other factors. Net income was ¥29.5 billion, increasing ¥0.5 billion from the previous fiscal year, due to an increase in income taxes associated with the higher income level and an increase in deferred income taxes (due to a review of tax effect accounting) offsetting an increase in foreign exchange gains and a decrease in impairment loss recorded in the previous fiscal year.

*1 The JCC price refers to the average price of customs-cleared crude oil imports into Japan, including the cost of insurance and freight. JAPEX's domestic crude oil price is linked to the JCC price. The JCC price is also a key benchmark for imported LNG prices.

Progress with the Previous Medium-Term Business Plan

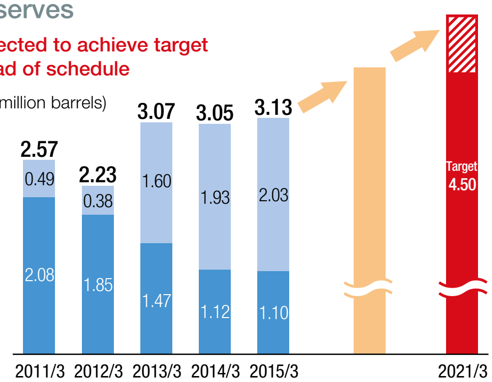
Production Volume (Daily)

Target achieved a year ahead of schedule



Reserves

Expected to achieve target ahead of schedule



Note: The production volume and reserves are oil equivalents, and correspond to the economic share owned by JAPEX Group.

Long-Term Business Vision and New Medium-Term Business Plan

Expected to Achieve the Previous Medium-Term Business Plan Targets ahead of Schedule

In May 2011, the JAPEX Group announced a Medium-Term Business Plan covering the five-year period from FY2012/3 through FY2016/3 (hereafter the “previous medium-term plan”). The plan identified the E&P*2 business, the domestic natural gas business, and the environment and innovative technology business as the three pillars for business expansion, and we have been actively pursuing these businesses.

In the E&P business, we set three stages of quantitative targets to achieve of our growth scenario: 1) raising the investment ratio for overseas business to 60%, 2) expanding consolidated daily production to 70,000 barrels of crude oil equivalent by FY2016/3 and 3) expanding consolidated reserves to 450 million barrels of crude oil equivalent by FY2021/3. The Group mounted a united effort to achieve these targets, accomplishing results including an investment decision to expand oil sands development in Canada, the start of production in the TSB gas field in the Kangean Block of Indonesia and the Garraf oil field in Iraq, and participation in the Canada shale gas and LNG project. Consequently, with respect to the first target, JAPEX achieved an investment ratio for overseas business of 80% during the four-year period until FY2015/3, for the second target, we achieved the target production level in FY2015/3, a year ahead of schedule. The third target’s reserves are expected to be achieved earlier than the end of FY2021/3.

Formulation of the Long-Term Business Vision and New Medium-Term Business Plan

In light of the progress made with the previous medium-term plan described above, in May 2015, JAPEX formulated the Long-Term Business Vision, which articulates a view ten years into the future, and a new Medium-Term Business Plan to achieve the vision covering the five-year period from FY2016/3 to FY2020/3. Although the price of crude oil has sharply declined since the second half of 2014 and the outlook for price recovery is uncertain, JAPEX believes that oil and natural gas will continue to play a major role globally as primary energy sources and has set out the course of future initiatives for further development of the three pillars for business expansion identified in the previous medium-term plan.

With regard to the E&P business, by shifting the business foundation overseas in accordance with the previous medium-term plan, we expect to achieve in FY2020/3 production of 100,000 barrels of crude oil equivalent per day and reserves of 550 million barrels of crude oil equivalent, both substantially higher than the targets in the previous medium-term plan. We aim to put the Canada shale gas and LNG project and other major projects in progress on the right tracks, ensuring that investments are recovered and that these projects contribute to earnings after the start of production

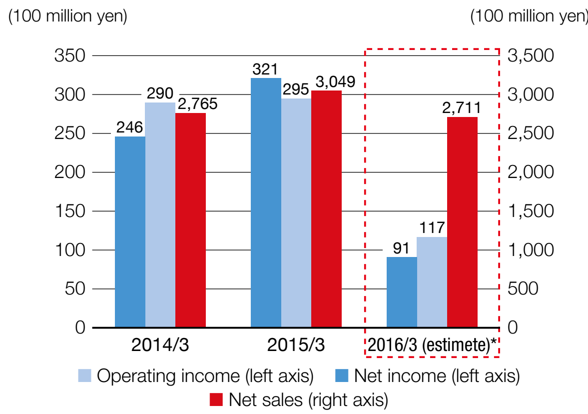
*2 E&P: Exploration and Production (exploration, development, production and sales of oil and natural gas)

Estimates for FY2016/3

Assumptions of Oil Price (CIF Price) and Foreign Exchange Rate in FY2016/3

	2014/3 (results)	2015/3 (results)	**2016/3 (estimate)**
CIF price (US$/bbl)	110.51	96.48	**60.00**
Exchange rate (JP¥/US$)	99.31	106.23	**115.00**

Estimates for FY2016/3[*1]



*1. Announced May 13, 2015.

operations an important step toward a significant leap forward in 2025.

In addition, JAPEX has worked over the years to ensure the stable supply of natural gas to domestic users, our most important customers. We consider it necessary to maintain a stable supply and secure earnings through volume expansion from further utilization, upgrading, and expansion of the Soma LNG terminal (currently under construction), pipelines, and other domestic natural gas supply infrastructure—even if domestic gas production declines in the future.

Also, in the face of the sharp decline in oil prices, we believe business diversification initiatives are necessary in order to mitigate to the extent possible the impact of oil price fluctuations on business performance and increase management stability necessary.

Therefore, JAPEX, which heretofore has specialized almost exclusively in E&P, will actively expand into fields related to oil and natural gas supply, including power generation, as well as into new businesses offering compatibility and commonality with the Group's E&P expertise, thereby aiming to expand its revenue beyond that of its existing E&P business.

Business Outlook for FY2016/3

For the fiscal year ending March 31, 2016 (FY2016/3), we forecast net sales of ¥271.1 billion, a decrease of ¥33.7 billion from the previous fiscal year, to result from lower sales volumes and sales prices for crude oil and natural gas. We forecast operating income of ¥9.1 billion, a decrease of ¥23.0 billion, to result from higher projected exploration expenses. We forecast net income attributable to owners of the parent of ¥11.7 billion, a decrease of ¥17.8 billion from the previous year, to result from decreases in equity method investment gains and foreign exchange gains, despite projected non-recurrence of impairment loss recorded under extraordinary losses in the previous fiscal year and lower income taxes.

To Our Shareholders and Investors

JAPEX will strive to maintain long-term, stable dividends and increase shareholder value by securing sustained corporate growth through steady implementation of the Long-Term Business Vision and Medium-Term Business Plan. In addition, we recognize that CSR activities such as social and environmental initiatives, HSE activities, and corporate governance are important prerequisites for sustained growth and will contribute to the global environment and local communities by systematically promoting CSR activities. We request the continued understanding and support of our shareholders and investors for our business endeavors in the years ahead.

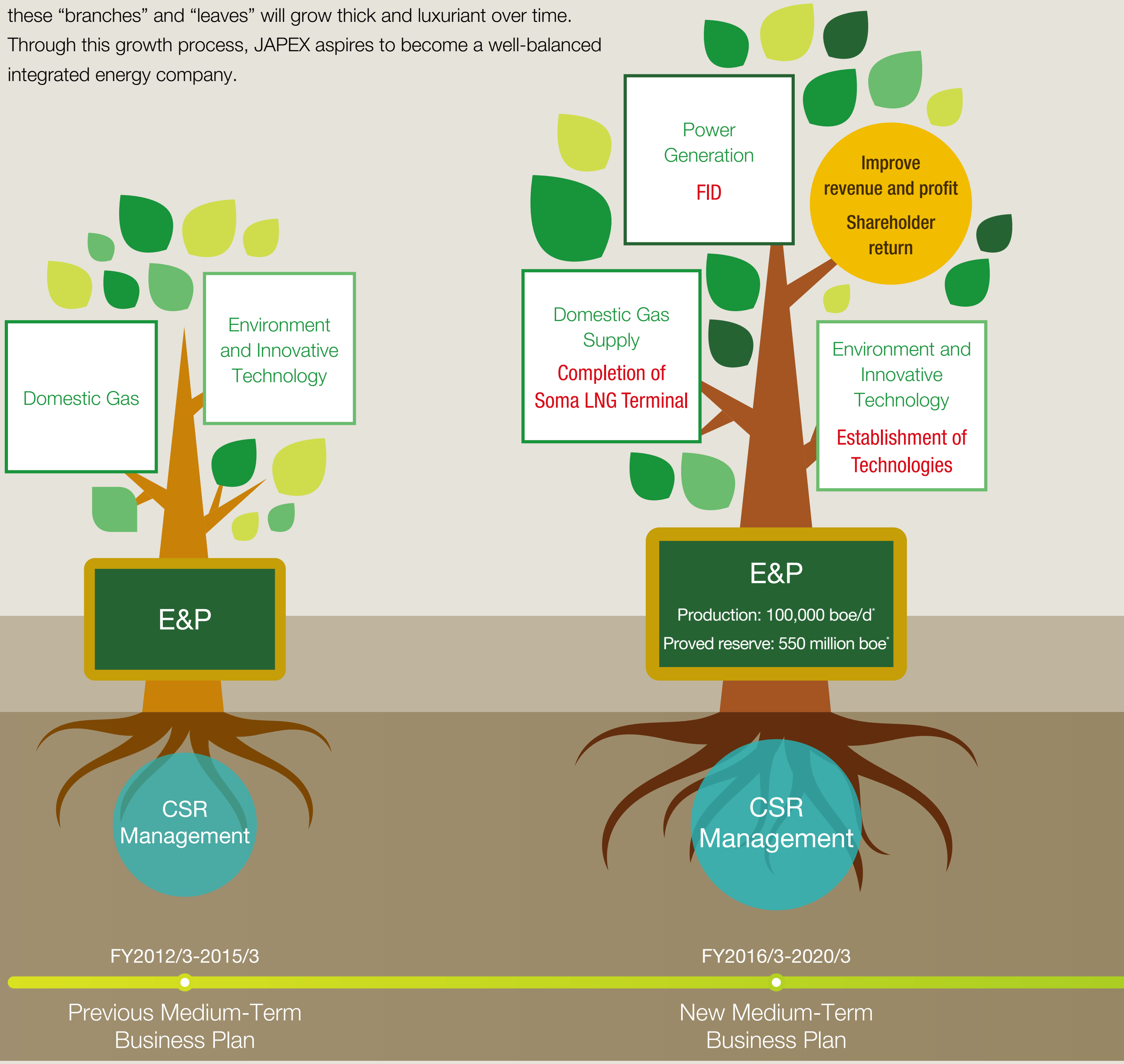
President
Chief Executive Officer

Long-Term Business Vision and New Medium-Term Business Plan

Towards the Leap to 2025

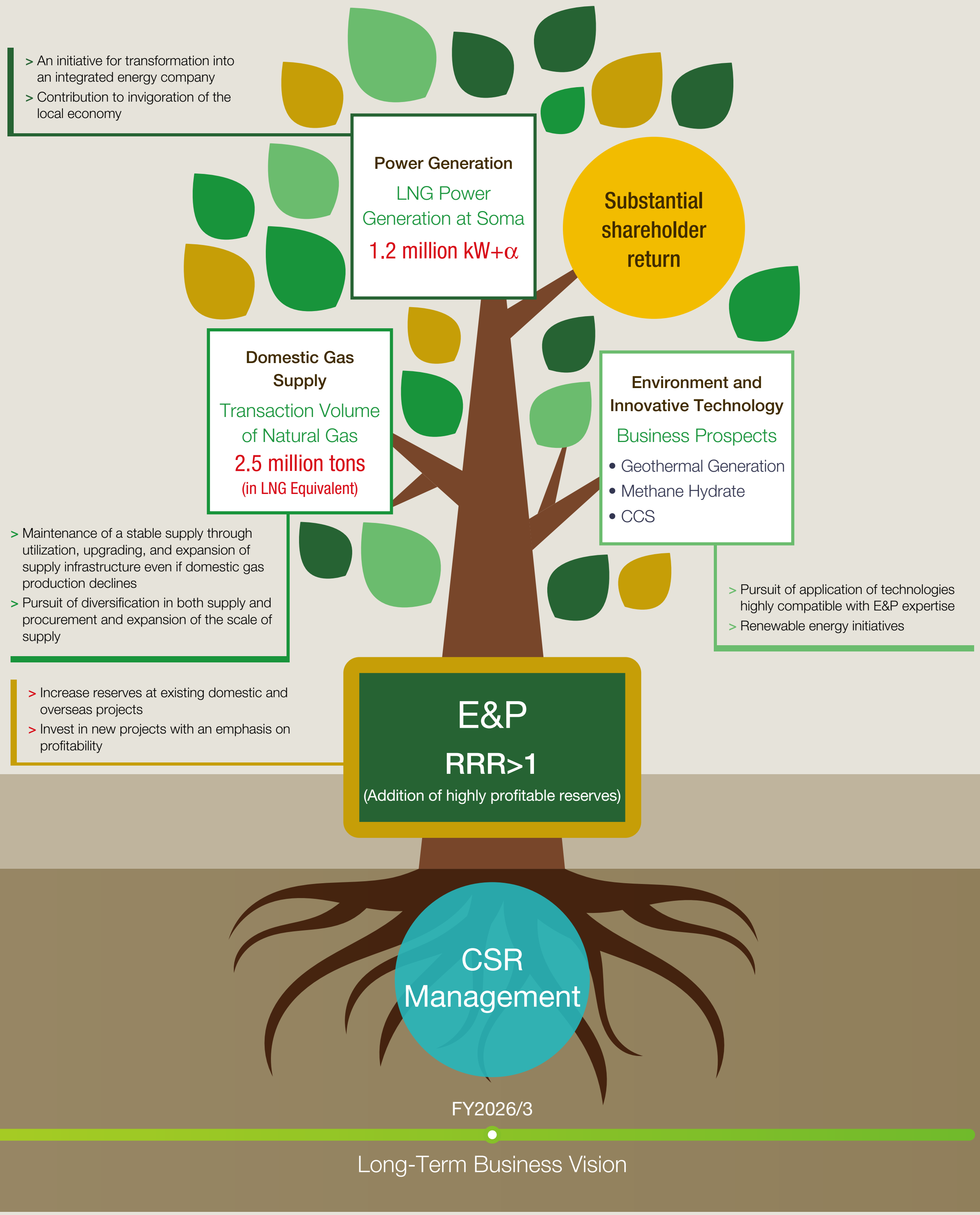
Transformation to an Integrated Energy Company with a Focus on Oil and Gas E&P

The JAPEX Group's business development can be likened to the growth of a tree. By expanding the trunk—the E&P business—and expanding the range of applications of its technologies and energy supply methods, these "branches" and "leaves" will grow thick and luxuriant over time. Through this growth process, JAPEX aspires to become a well-balanced integrated energy company.



* Total of oil and gas in oil equivalent.

The Leap to 2025



Long-Term Business Vision and New Medium-Term Business Plan

E&P Business

In JAPEX's core business, E&P, we will strive to increase production volume and reserves according to plan through steady implementation of major projects underway overseas, including the Canada shale gas and LNG project, the oil sands project in Canada, and the Garraf project in Iraq. At the same time, in Japan we will seek to maximize the production volume of our existing oil and gas fields through secondary and tertiary recovery and optimize the operating framework while carefully exploring additional potential. Through these initiatives, we will aim to achieve reserves of 550 million barrels and daily production of 100,000 barrels (both crude oil equivalent) as of the end of FY2020/3, recover investments, and secure earnings, while also establishing a reinvestment cycle.

Furthermore, in the long term, we will make investments to upgrade the resources held by existing projects into reserves and monetize them, and also pursue full-scale investments in new projects. When doing so, we will avoid the pointless pursuit of quantitative expansion, more rigorously pursue profitability from acquired reserves than ever before, and aim to maintain an RRR[*1] of greater than 1 for the Group's overall reserves over the long term.

*1 RRR (Reserve Replacement Ratio): Increased in reserves (during a certain period) ÷ Production volume

Domestic Natural Gas Supply Business

In order to fulfill our mission of ensuring a stable supply of natural gas to our most important customers, our domestic gas users, JAPEX will steadily progress and fortify its Integrated Natural Gas Operation and Supply System (Gas Integration). In particular, as we believe that further measures to expand and upgrade supply infrastructure and expand the scale of supply are necessary to compensate for a decline in domestic gas production and maintain a stable supply, we will undertake diversification of both supply methods and procurement sources.

On the supply side, we started construction of the Soma LNG terminal (Shinchi Town, Fukushima Prefecture) in November 2014 and are steadily proceeding with work with the aim of beginning operations at the end of fiscal 2018/3. The terminal will be an important site for receiving LNG from the Canada shale gas and LNG project, in which JAPEX owns an interest, and other overseas sources and supplying this LNG and vaporized gas to our customers in Japan.

In addition, JAPEX plans to operate a thermal power plant at a site adjacent to the Soma LNG terminal using gas vaporized at the terminal as a way of promoting the use of natural gas and, furthermore, as an important step toward becoming an integrated energy company as set forth in our Long-Term Business Vision. The objective is to contribute to the stable supply of low-cost electric power to the greater Tokyo area and to the economic

Prospective Results of Achieving the Long-Term Business Vision

E&P Business

End of FY2020/3 (crude oil equivalent)

Production volume: **100,000 barrels per day**

Proved Reserves: **550 million barrels**

Long-term maintenance of

RRR>1

(Addition of highly profitable reserves)

Domestic Natural Gas Supply Business

Annual volume of natural gas handled (LNG equivalent)

End of FY2020/3: **1.5 million tons**

2025:

2.5 million tons

development of the area surrounding the terminal by creating employment and attracting businesses. On the procurement side, we aim to both enhance our portfolio through a focus on the expansion of equity LNG sources as an E&P company and augment this by purchased LNG.

Through these initiatives, JAPEX aims to increase the volume of natural gas we handle (LNG equivalent) in stages and become a supplier of 1.5 million tons per year in FY2020/3 and 2.5 million tons in 2025.

Environment and Innovative Technology Business

JAPEX recognizes that consideration of the global environment through means such as reducing CO_2 emissions is a natural responsibility of a company that develops and supplies fossil fuels. Accordingly, we will strengthen our involvement in CCS*2 and renewable energy, initiatives in which our E&P technologies can be utilized, and strive towards the development and commercialization of technologies that will contribute to the resolution of global environmental issues.

In the interest of effectively using comparatively clean domestic natural gas, methane hydrate, JAPEX is playing a leading role in a consortium of Japanese private-sector companies with the aim of establishing technology for its development.

*2 Carbon dioxide Capture and Storage

High expectations have been placed on CCS as a measure to contribute to CO_2 reduction, and JAPEX aims to verify the potential of practicalizing CCS technology by FY2021/3 through means including government demonstration tests being conducted in Tomakomai through Japan CCS Co., Ltd.

In the renewable energy field, JAPEX is focusing on survey activities in the Mt. Musadake area in Hokkaido, aiming to establish a geothermal power generation business and to start power generation around 2020. We will also consider other candidate areas for geothermal power generation.

CSR Management

JAPEX places great importance on corporate social responsibility (CSR) in the conduct of business to achieve its medium- to long-term business objectives and will strive to advance the five key CSR policies expressed with the acronym SHINE (→P.32). In particular, we will seek to recruit a diverse workforce, fortify our human resource development system, and also work to triple the number of female managers by 2020.

Once JAPEX has achieved an increase in the level of profitability through these medium- and long-term initiatives, we will consider additional shareholder return measures such as increasing dividends, taking into account the appropriate balance between shareholder return and investment for growth.

Environment and Innovative Technology Business

Business prospects

Methane Hydrate:
Establishment of Development Technology

CCS:
Practicalization of Technology

Geothermal:
Commercialization of Power Generation

CSR Management

Promotion of SHINE

Percentage of Female Managers

2014: 3.4%

Triple by 2020

Recruitment and Training of a Diverse Human Resources

Review of Operations

E&P Business

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

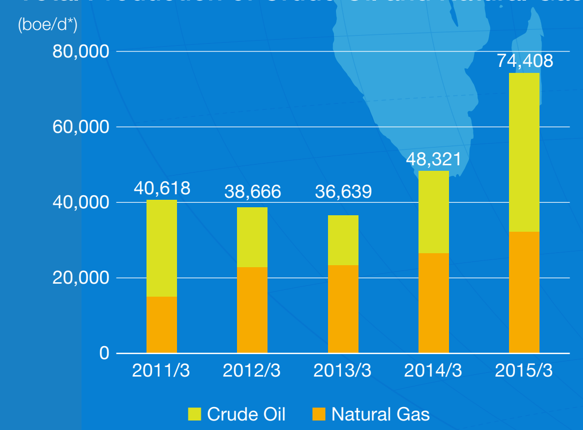
Effective E&P and the Discovery of New Oil and Gas Reserves

The exploration, development, production and sales of oil and natural gas constitutes the backbone of the JAPEX Group's business. It is important that the Group expands 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. To this end, the JAPEX Group shall strive to identify prospective opportunities and to discover as well as secure new oil and gas reserves by engaging in effective exploration and production both in Japan and overseas.

Daily Production of Crude Oil and Natural Gas

Average net production volume for fiscal year ended March 31, 2015 for the JAPEX Group was 42,100 b/d of crude oil, including bitumen, and 32,308 boe/d of natural gas for an aggregate total of 74,408 boe/d.

Total Production of Crude Oil and Natural Gas



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


Photo: Exxon Neftegas Ltd.

Russia: Sakhalin-1 Project


Iraq: Garraf Project

Canada: Pacific NorthWest LNG Project


Canada Oil Sands Project

Indonesia: Kangean Project

***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: kilo liter per day

Review of Operations

Domestic E&P

JAPEX currently operates 11 domestic oil and gas fields onshore and offshore of Hokkaido, Akita, Yamagata, and Niigata Prefectures. To maintain and expand its oil and natural gas reserves, JAPEX is systematically and actively pursuing exploration and development. Our aim is to discover new exploration opportunities in Japanese waters, including shallow waters, by utilizing government basic surveys while continuing exploration to expand reserves in existing oil and gas fields, mainly in Hokkaido, Akita, and Niigata Prefectures.

Exploration and Development Results and Plans (Including Japex Offshore Ltd.)

In FY2015/3, the net production volume of crude oil and natural gas in Japan was 20,361 boe/d, consisting of 6,617 b/d of crude oil and 13,744 boe/d of natural gas.

In exploration and development activities in FY2015/3, JAPEX conducted 3D seismic exploration work near the Yurihara oil and gas field in Akita Prefecture. We also drilled the Akebono SK-6bH exploration well at Yufutsu in Hokkaido and successfully conducted production tests for crude oil and natural gas at the well.

Planned exploration and development activities in FY2016/3 are drilling of the Minami Kashiwazaki SK-1D exploration well in Niigata Prefecture and conduct of the Uonuma 3D MT Survey (survey of electrical resistivity of subsurface rock) in Ojiya, Niigata Prefecture as a geophysical survey.

In addition, in April 2014 we began commercial production (approximately 35 kl/d) of tight oil (shale oil), which is attracting worldwide attention as a nonconventional resource, in the Ayukawa Oil and Gas Field in Akita Prefecture and has subsequently steadily continued production. Meanwhile, a pilot test to verify horizontal multistage fracturing, a standard technology used in tight oil development, is underway at the Fukumezawa Oil Field. On the basis of this experience, we will seek to advance tight oil development in the Ayukawa Oil and Gas Field, which has greater potential.

1

Yufutsu Oil and Gas Field

Tomakomai City, Hokkaido

Discovered	1989
Commenced production	1996

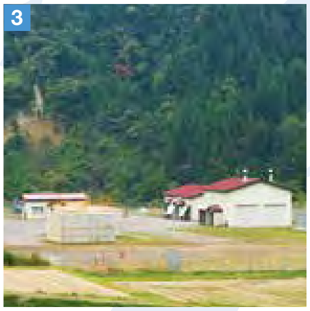
2

Sarukawa Oil Field

Oga City, Akita Prefecture

Discovered	1958
Commenced production	1959

3



Ayukawa Oil and Gas Field

Yurihonjo City, Akita Prefecture

Discovered	1989
Commenced production	1995

4

Yurihara Oil and Gas Field

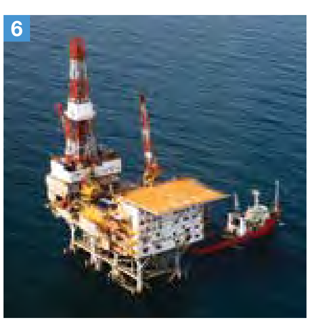
Yurihonjo City, Akita Prefecture

Discovered	1976
Commenced production	1984

Amarume Oil Field

Shonai Town,
Yamagata Prefecture

Discovered	1960
Commenced production	1960



Iwafune-oki Oil and Gas Field

Approximately 4km offshore from the mouth of the Tainai River, Tainai City, Niigata Prefecture

Discovered	1983
Commenced production	1990

Shiunji Gas Field

Shibata City,
Niigata Prefecture

Discovered	1962
Commenced production	1963

Higashi-Niigata Gas Field

Tomakomai City,
Hokkaido

Discovered	1959
Commenced production	1959

Mitsuke Oil Field

Mitsuke City,
Niigata Prefecture

Discovered	1958
Commenced production	1959

Katakai Gas Field

Ojiya City,
Niigata Prefecture

Discovered	1960
Commenced production	1960

Yoshii Gas Field

Kashiwazaki City,
Niigata Prefecture

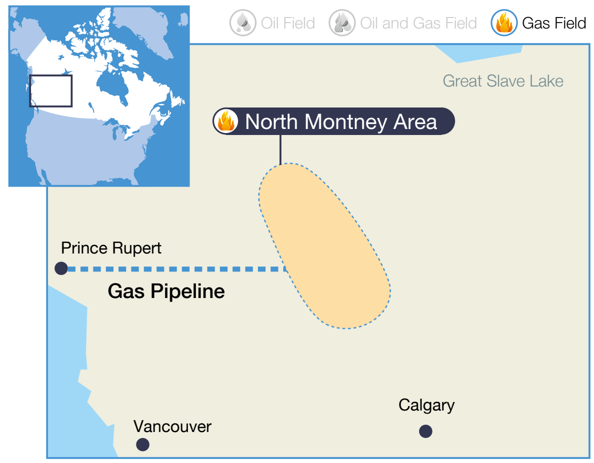
Discovered	1968
Commenced production	1968

Review of Operations

Overseas E&P

Canada

Pacific NorthWest LNG Project



Through consolidated subsidiary JAPEX Montney Ltd., JAPEX participates in a shale gas and LNG (liquefied natural gas) project in British Columbia, Canada implemented by PETRONAS, a Malaysian state-owned oil company.

Since JAPEX acquired a 10% interest in April 2013, reserves and production volume have steadily increased in the shale gas block development project in the North Montney area of British Columbia. We will continue to increase shale gas production and transport the gas by a new pipeline to Prince Rupert on the west coast of the province for export following liquefaction at a planned LNG plant (with annual production capacity of 12 million tons of LNG per year). We plan to supply our share of the produced LNG (10% interest: 1.2 million tons per year*) to customers in Japan through the Soma LNG terminal, now under construction, and other terminals.

A project structure in which each partner has an identical equity interest in every operation from the development of shale gas, through production and liquefaction, to the offtake of LNG ensures stable and efficient project operation. The partners are all Asian companies, and the all-Asian project will play an important role in the supply of energy to fast-growing Asia.

* Including the participating interests of other shareholders

Shale Gas Development & Production Project (Upstream)

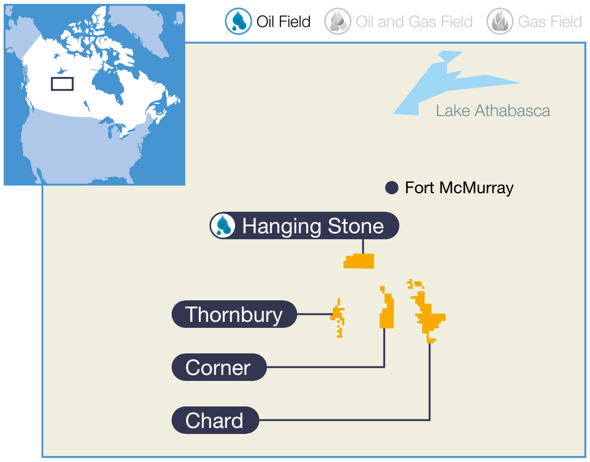
Block	North Montney Area, British Columbia, Canada	
Project Company	JAPEX Montney Ltd. (incorporated in the province of Alberta, Canada)	
Interest	PETRONAS Group	62%
	Sinopec Group	15%
	JAPEX Group	10%
	Indian Oil Group	10%
	Petroleum Brunei Group	3%

LNG Project (Downstream)

Proposed Plant Location	Lelu Island, Prince Rupert, British Columbia, Canada	
Interest	PETRONAS Group	62%
	Sinopec Group	15%
	JAPEX Group	10%
	Indian Oil Group	10%
	Petroleum Brunei Group	3%

Canada

Canada Oil Sands Project

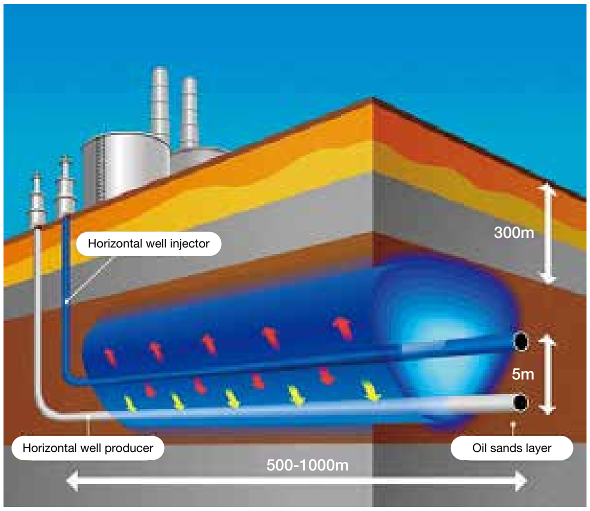


In Canada, JAPEX consolidated subsidiary Canada Oil Sands Co., Ltd., through its local subsidiary Japan Canada Oil Sands Ltd. (JACOS), is producing from 5,000 to 6,000 barrels per day of bitumen (heavy, high-viscosity oil extracted from the oil sand layer) in a part of the Hangingstone area (commonly known as the 3.75 section area) in the Athabasca region of Alberta using the Steam-Assisted Gravity Drainage (SAGD) method.

An expansion project is underway in an adjacent area, and production is expected to start in 2016. We have adopted a phased development concept for this project, and production volume in the initial phase will be approximately 20,000 barrels per day. After the start of initial production, we will examine production behavior and make a decision on facilities expansion to increase production to a maximum of 30,000 barrels per day.

In addition to the Hangingstone area, JACOS owns oil sands areas that have yet to be developed spanning a total of 290 km^2 (net) in the Athabasca region.

Schematic of the SAGD Process



Block	Hangingstone (3.75 section area, expansion area), undeveloped areas (Corner, Chard, and Thornbury)	
Project Company	Canada Oil Sands Co., Ltd. (local subsidiary: Japan Canada Oil Sands Ltd.)	
Hangingstone (commonly known as the 3.75 section area) (Interest)	JACOS (Operator)	100%
Hangingstone expansion area (Interest)	JACOS (Operator)	75%
	Nexen Energy	25%
Undeveloped areas (Corner, Chard, and Thornbury) (Interest)	JACOS has 100% participating interests in some of the leases, while other leases are held with partners (Suncor, Nexen Energy, Imperial Oil). Participating interests differ in each block.	

Review of Operations

Overseas E&P

Iraq

Garraf Project

First Oil in 2013

In December 2009, the Iraqi Ministry of Oil held the second international petroleum licensing round for oil fields that had been discovered but left undeveloped. JAPEX and Malaysian state-owned oil company PETRONAS, acquired the development and production service contract to the Garraf Oil Field, located in southern Iraq. In March 2010, JAPEX established Japex Garraf Ltd. as the project company to conduct the development of the Garraf Oil Field and has been working diligently with the operator, PETRONAS.

In August 2013, we successfully commenced production of around 35,000 b/d, and in November the Iraqi Ministry of Oil officially certified the achievement of commercial production at the Garraf Oil Field. The first shipment of 1.56 million barrels of crude oil, Japex Garraf's share of production, was made in February 2014, and seven shipments totaling 10.32 million barrels had been made as of July 2015. The Garraf Oil Field located in southern Iraq has not been affected by the security deterioration in northern Iraq, and has been maintaining steady production at around 80,000 to 90,000 b/d.

The proceeds recovered from the shipments will be reinvested in further development of the Garraf Oil Field, while the surplus will be distributed to the shareholders of Japex Garraf Ltd., including JAPEX.

Production Target of 230,000 b/d

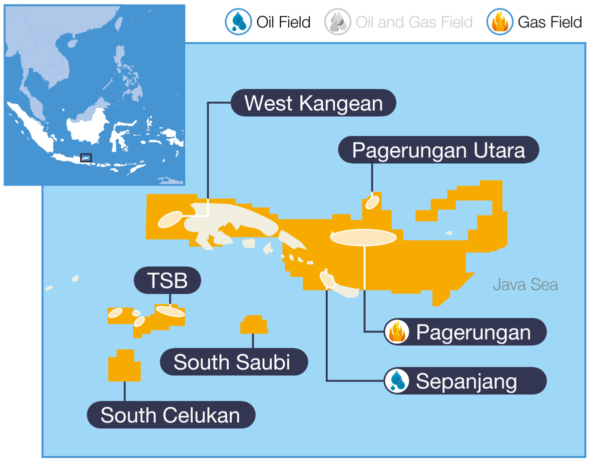
Preparations are currently underway for further development of the Garraf Oil Field, aimed at achieving a plateau production of 230,000 b/d. We will continue to do our best to contribute to corporate revenue by increasing production, stabilizing operation, and constantly shipping and selling crude oil.

Field	Garraf Oil Field (southern Iraq)	
Project Company	Japex Garraf Ltd.	
Contract Type	Development and Production Service Contract	
Contract Term	20 years (with optional 5-year extension)	
Remuneration	US$1.49 per barrel of crude oil production	
Production Schedule	2013: Commenced initial production 2017: Planned production target of 230,000 b/d (plateau production target)	
Aggregate Production Volume (during the contract)	Approximately 1.3 billion barrels	
Contracting Party	South Oil Company (under the Iraqi Ministry of Oil)	
Development Contractors	Project Share	Cost Share
PETRONAS Carigali Iraq Holding B.V.	45%	60%
Japex Garraf Ltd.	30%	40%
North Oil Company (under the Iraqi Ministry of Oil)	25%	—*

* JAPEX and PETRONAS are to provide the North Oil Company's share of costs which will be recovered by from the produced oil.

Indonesia

Kangean Project



An equity-method affiliate of JAPEX, Energi Mega Pratama Inc. (EMPI) holds a 100% working interest in the Kangean Block offshore East Java, Indonesia through subsidiaries Kangean Energy Indonesia Ltd. and EMP Exploration (Kangean) Ltd. Within this block, we are producing natural gas and crude oil from the Pagerungan Gas Field and the Terang Gas Field, part of the TSB gas fields.

Commercial production at the Terang gas field, located 90 km offshore (at a water depth of 90 m) north of Bali, began in May 2012. Peak production from the field is 300 million cubic feet of natural gas per day (equivalent to 50 thousand barrels of crude oil per day). After processing using a subsea production system at a floating production unit (FPU), the gas is sold to a government-operated power company in a suburb of Surabaya, East Java, a fertilizer plant, and other customers via the East Java pipeline. In August 2015, cumulative production reached 50 million barrels of crude oil equivalent.

Currently, JAPEX is proceeding with further exploration and development work within the block. In the Sirasun and Batur Gas Fields, part of the TSB gas fields complex, we have begun development work aimed at starting production in 2018 and beyond. In addition, we are preparing for exploratory drilling in the South Saubi Structure in 2016 and conducting evaluation activities in the West Kangean Gas Field.

The Kangean Project has earned a high reputation for its offshore operation safety systems, and has received the Journey to Zero Incident Award 2014 from the Indonesian government in June 2014 in recognition of its incident-free and accident-free record in 2013 (→P.33) and the Best Performance in Marine Security & Stakeholders Engagement award in November 2014.

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

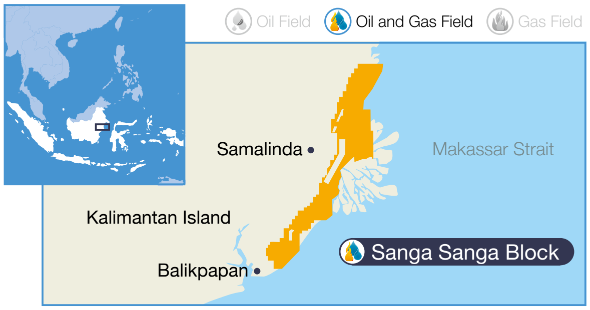
Note: Kangean Energy Indonesia Ltd. and EMP Exploration (Kangean) Ltd. are subsidiaries of Energi Mega Pratama Inc.

Review of Operations

Overseas E&P

Indonesia

Sanga Sanga Block



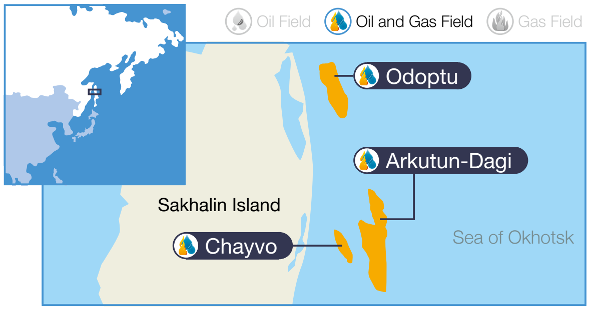
JAPEX equity-method affiliate Universe Gas & Oil Company, Inc. (4.375% interest) owns the onshore Sanga Sanga Block in East Kalimantan Province. The company develops and produces crude oil and natural gas in the block, mainly in the Badak, Nilam, Mutiara and Semberah gas fields. Most of the natural gas produced there is supplied to the Bontang LNG terminal.

Block	Sanga Sanga Block (eastern onshore region of Kalimantan Island)	
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%

Russia

Sakhalin-1 Project


Photo: Exxon Neftegas Ltd.



JAPEX equity-method affiliate Sakhalin Oil and Gas Development Co., Ltd. (SODECO) has a 30% interest in the Sakhalin 1 Project, an oil and natural gas exploration and development project in three offshore fields northeast of Sakhalin Island in Russia: Chayvo, Odoptu, and Arkutun-Dagi.

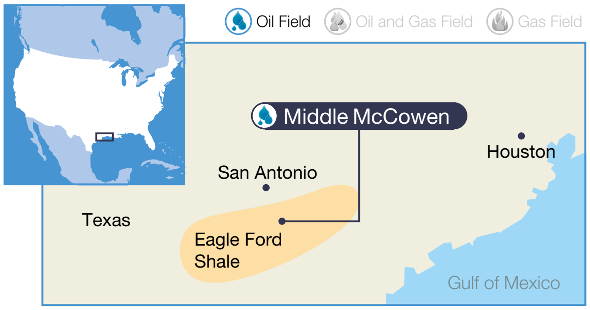
Since October 2005, oil and gas have been produced from the Chayvo Field using production infrastructure such as offshore platforms, onshore well pads and a processing facility. In April 2015, the project set the world record for measured depth of 13,500 meters using extended reach drilling.

Crude oil production commenced in September 2010 from the Odoptu Oil and Gas Field and in January 2015 from the Arkutun-Dagi Oil and Gas Field.

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%

United States

Shale Oil Development Project



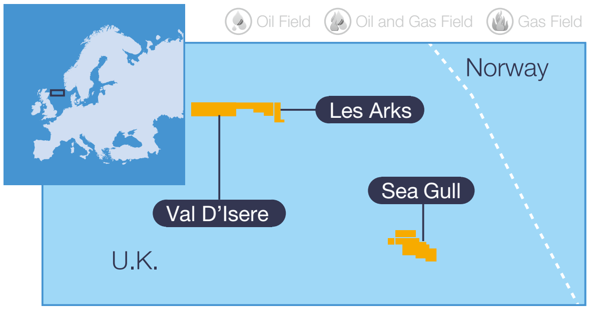
Consolidated subsidiary Japex (U.S.) Corp. acquired in August 2012 an interest in a shale oil development project operated by Marathon Oil Corp. in the Eagle Ford region of southern Texas that is engaged in development and production activities and is steadily expanding production of shale oil. Shale oil is oil contained in shale, an argillaceous rock. Difficult to produce using conventional technology, shale oil is developed using a technology called hydraulic fracturing. JAPEX is acquiring the latest available development technologies and expertise from this shale oil development project.

In addition, since 1997 Japex (U.S.) Corp. has been investing in an upstream/midstream LNG III project in Malaysia through equity-method affiliate Diamond Gas Netherlands B.V.

Block	**Chayvo, Odoptu and Arkutun-Dagi (offshore Sakhalin)**	
Project Company	Japex (U.S.) Corp.	
Interest	Marathon Oil Corp.	95%
	Japex (U.S.) Corp.	5%

U.K. North Sea

U.K. North Sea Offshore Block



JAPEX has engaged in exploration and evaluation since 2014 in a block located approximately 300 km offshore of Aberdeen in the U.K. through consolidated subsidiaries JAPEX UK E&P Ltd. and JAPEX UK E&P CENTRAL Ltd..

We drilled a well in the Seagull prospect in 2014 to confirm resource quantities and are currently conducting evaluations. We drilled a well in the Les Arcs prospect in 2015 and are currently conducting post-drill geological evaluation. We plan to drill an exploration well in the Val D'Isere prospect after 2016.

Block	**Chayvo, Odoptu and Arkutun-Dagi (offshore Sakhalin)**	
Project Company	JAPEX UK E&P Ltd. JAPEX UK E&P CENTRAL Ltd.	
Seagull Prospect (Interest)	Talisman Sinopec Energy UK Ltd.	50%
	Apache North Sea Ltd.	35%
	JAPEX UK E&P Ltd.	15%
Les Arcs Prospect (Interest)y	Apache North Sea Ltd.	70%
	JAPEX UK E&P CENTRAL Ltd.	20%
	Euroil Exploration Ltd.	10%
Val D'Isere Prospect (Interest)	Apache North Sea Ltd.	72.5%
	Euroil Exploration Ltd.	17.5%
	JAPEX UK E&P CENTRAL Ltd.	10%

Review of Operations

Proved Reserves

Proved reserves owned by JAPEX and its consolidated subsidiaries as of March 31, 2015, along with our investment equivalent in proved reserves of equity-method affiliates are presented in the following table.

Proved Reserves of the JAPEX Group

Proved Reserves	JAPEX and consolidated subsidiaries								Equity-method affiliates		Total		
	Japan		Overseas			Subtotal							
	Crude oil (Thousand kl)	Gas (Million m³)	Crude oil (Thousand kl)	Bitumen (Thousand kl)	Gas (Million m³)	Crude oil (Thousand kl)	Bitumen (Thousand kl)	Gas (Million m³)	Crude oil (Thousand kl)	Gas (Million m³)	Crude oil (Thousand kl)	Bitumen (Thousand kl)	Gas (Million m³)
As of March 31, 2014	**3,913**	**14,435**	**1,988**	**17,701**	**5,450**	**5,901**	**17,701**	**19,885**	**2,762**	**3,006**	**8,663**	**17,701**	**22,891**
Increase due to expansion or discovery	–	–	1,179	–	2,557	1,179	–	2,557	–	–	1,179	–	2,557
Change due to revision of evaluation standard	146	659	503	△ 357	△ 173	649	△ 357	486	61	968	710	△ 357	1,454
Change due to acquisition and/or divestiture	–	–	20	–	108	20	–	108	–	–	20	–	108
Decrease due to production	△ 384	△ 824	△ 1,425	△ 274	△ 395	△1,809	△ 274	△ 1,219	△ 360	△ 718	△ 2,169	△ 274	△1,937
As of March 31, 2015	**3,675**	**14,270**	**2,265**	**17,070**	**7,547**	**5,940**	**17,070**	**21,817**	**2,463**	**3,256**	**8,403**	**17,070**	**25,073**

Notes: 1. Proved reserves of the following consolidated companies include reserves held by minority interests. (Figures in parentheses are minority interest's percentage)
Japan: JAPEX (29.39%) Overseas: Canada Oil Sands Co., Ltd. (5.95%), JAPEX Montney Ltd. (55.00%), Japex Garraf Ltd. (45.00%)
2. 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, 2015 stand at 11,018 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. The company's share of the fiscal year 2015 scheduled production amount has been calculated as the amount of reserves. FDP submission and approval is scheduled for 2015.

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

Proved Reserves	JAPEX and consolidated subsidiaries								Equity-method affiliates		Total		
	Japan		Overseas			Subtotal							
	Crude oil (Million bbl)	Gas (Million boe)	Crude oil (Million bbl)	Bitumen (Millions bbl)	Gas (Million boe)	Crude oil (Million bbl)	Bitumen (Million bbl)	Gas (Million boe)	Crude oil (Million bbl)	Gas (Million boe)	Crude oil (Million bbl)	Bitumen (Million bbl)	Gas (Million boe)
As of March 31, 2014	**24**	**88**	**13**	**111**	**33**	**37**	**111**	**121**	**17**	**18**	**54**	**111** **Total 305**	**139**
Increase due to expansion or discovery	–	–	7	–	16	7	–	16	0	0	7	–	16
Change due to revision of evaluation standard	1	4	3	△ 2	△ 1	4	△ 2	3	0	6	4	△ 2	9
Change due to acquisition and/or divestiture	–	–	0	–	1	0	–	1	–	–	0	–	1
Decrease due to production	△ 2	△ 5	△ 9	△ 2	△ 2	△ 11	△ 2	△ 7	△ 2	△ 4	△ 14	△ 2	△ 12
As of March 31, 2015	**23**	**87**	**14**	**107**	**46**	**37**	**107**	**133**	**15**	**20**	**53**	**107** **Total 313**	**153**

Conversion Factors and Units	Crude oil 1 kl = 6.29 bbl Natural gas 1,033 m³ = 1 kl of oil equivalent	Natural gas 1,033 m³ = 35.31 thousand cubic feet boe: barrels of oil equivalent

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 on the previous page 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 sands 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 63% of the proved reserves of our company and its consolidated subsidiaries as of March 31, 2015*1 in Japan, as shown in the table on the previous page. Overseas, with respect to part of the bitumen reserves in the area owned by consolidated subsidiary Japan Canada Oil Sands Ltd., JAPEX received a third-party evaluation from Sproule Unconventional Ltd. 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, JAPEX also received a third-party evaluation with respect to the reserves of Japex (U.S.) Corp. and Kangean Energy Indonesia Ltd. JAPEX has therefore received third-party evaluations for approximately 78%*1 of total proved reserves (8,403 thousand kl of crude oil, 17,070 thousand kl of bitumen, and 22,073 million m^3 of natural gas) as of the end of FY2016/3, as shown in the table on the previous page.

The evaluation figures from JAPEX itself and the third-party evaluation figures have been close previously, and the divergence of some figures in recent years has lessened at the end of FY2016/3. As a result, JAPEX believes the figures for proved reserves, shown by its own evaluation in the table above to be appropriate.

"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 kl of crude oil and bitumen =1,033.1 m^3 (1 boe = 5.8 Mscf) of natural gas.

Review of Operations

Domestic Natural Gas Supply Business

Strengthening of Gas Integration

The domestic natural gas business is one of JAPEX's core business, and we are implementing various initiatives pertaining to an integrated supply structure for natural gas (gas integration) focused on the supply and sale to domestic customers, from gas field development (upstream) to wholesale distribution to electric power providers and local distribution companies and supply to industrial customers (downstream) through pipelines and other means of transportation (midstream). By implementing and strengthening these initiatives, JAPEX intends to undertake further enhancement of its capability to provide a long-term stable supply of natural gas, realize competitive prices, and enhance security capabilities in times of emergency.

Natural Gas Pipeline Network

The natural gas pipelines that JAPEX owns and manages in Japan, with a total length of over 800 kilometers, are an important asset for the supply and sale of natural gas in Japan. We have laid pipelines linking our gas fields, LNG terminals, and other natural-gas related business sites and supply our natural gas to local distribution companies, industrial customers, and gas-fired power plants.

LNG Satellite Supply

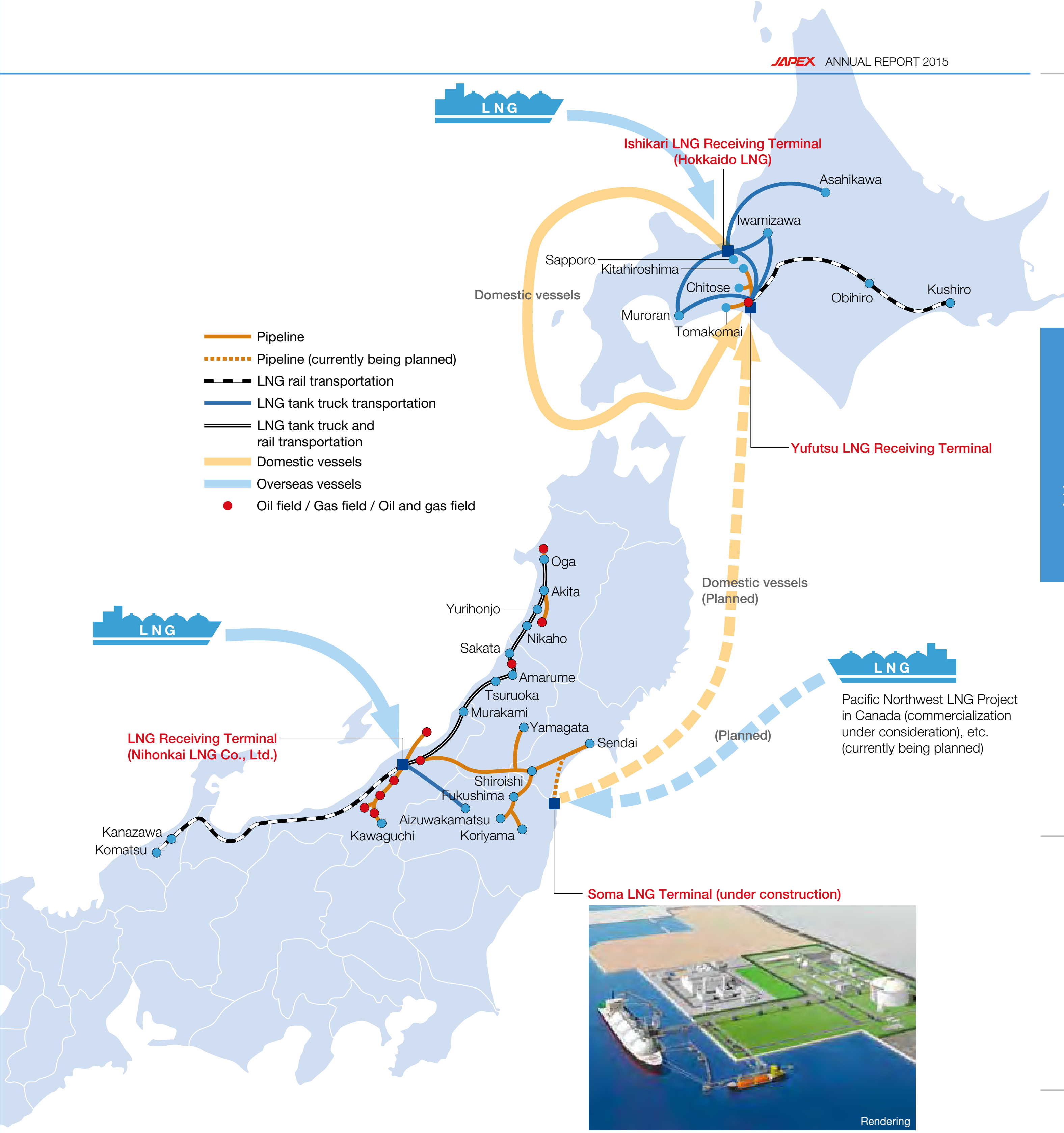
JAPEX operates an LNG satellite supply system to meet demand for natural gas in regions not served by its gas pipeline network. We use dedicated tank trucks and railway tank containers to transport and supply liquid natural gas from terminals that receive LNG imported by JAPEX. Rail transport in particular is attracting attention in Japan and overseas as an environment-friendly form of transportation with low CO_2 emissions, and we regularly use it as an important transportation method in Japan.

On Honshu, we use dedicated tank trucks and railway tank containers to supply LNG from an LNG receiving terminal at Niigata Port to customers in the Tohoku and Hokuriku regions.

In Hokkaido, we are supplying LNG received from Ishikari Bay New Port to customers. In addition, we constructed an LNG receiving terminal at our Hokkaido District Office in Tomakomai City and commenced LNG transport by coastal vessel in November 2011. We are supplying the transported LNG to customers, together with natural gas from the Yufutsu Oil and Gas Field.

Soma LNG Terminal

Construction of the Soma LNG Terminal is proceeding with the aim of starting operations in March 2018.



JAPEX plans to construct a new pipeline to connect LNG tanks with capacity for 230,000 kl, among the largest in Japan, to the existing pipeline that runs between Niigata and Sendai. The terminal will receive LNG from Canada and other sources, and JAPEX will sell to customers in Japan vaporized gas through its pipelines and LNG through the satellite supply network.

In addition, we are considering commercialization of a gas-fired power generation business on a site adjacent to the terminal with a view to contributing to a stable supply of electricity and invigoration of the local economy.

Review of Operations

Environment and Innovative Technology Business

The oil and natural gas development business relies on geology, geophysics, exploration technology, drilling technology, reservoir engineering, and information technology. While E&P companies often must outsource many of these technologies, the JAPEX Group, having evolved as a company with a fully integrated oil and natural gas development business, boasts the competitive advantage of accumulated technologies essential for exploration, development, production and transport.

To leverage the technologies and knowledge acquired in the oil and natural gas development business and promote the renewable energy business as a way of combating global warming, in 2010 JAPEX launched the Environment and Innovative Technology Projects Division (now the environment and innovative technology business). JAPEX has positioned the Environment and innovative technology business as one of three major basic policies for the expansion of its business and is focusing particularly on accumulating new technologies and knowledge in the following areas.

Methane Hydrate

Methane hydrate is an ice-like substance in which methane, the main component of natural gas, is captured inside water molecules. Methane hydrate can contribute to Japan's energy self-sufficiency and become a low-environmental-impact clean energy source since it emits less CO_2 at the time of combustion than oil or coal and does not emit substances that cause air pollution or acid rain. For this reason, establishment and commercialization of this technology is anticipated.

Carbon Dioxide Capture and Storage (CCS)

Various methods have been proposed to reduce emissions of carbon dioxide (CO_2). Carbon dioxide Capture and Storage (CCS) directly injects CO_2 into depleted oil and gas fields or saline aquifers deep underground. It is considered highly practical and safe.

Geothermal Power Generation

Geothermal resources are a purely domestic source of energy, and Japan is a volcanic country that has the third largest geothermal energy resources in the world.* Geothermal power, generating power using high-temperature steam and hot water extracted from deep underground, is expected to provide electricity steadily day and night regardless of weather conditions. Since it entails low CO_2 emissions, it also offers significant advantages for preventing global warming.

JAPEX will pursue solutions on a global scale in these and other new energy fields by contributing technology, knowledge and demonstration research, aiming for commercialization of these technologies as businesses and core sources of earnings.

*Source: "Global Geothermal Power Generation from the Perspective of Resources and Facilities Capacity" on the JOGMEC website (http://geothermal.jogmec.go.jp/geothermal/world.html)

Methane Hydrate

Methane hydrate exist in highly pressurized, low-temperature environments, such as below the seabed at depths of 500 meters or more or below, or permafrost layers in the polar regions. It is estimated that approximately 1.1 trillion m^3 of original methane hydrate resources exists in the eastern area of the Nankai Trough offshore from Shizuoka to Wakayama.

JAPEX quickly recognized the potential of methane hydrate and began research into development technologies. JAPEX played a leading role in joint research with the former Japan National Oil Corporation (JNOC) and companies from the private sector from FY1996/3–2000/3. In 2000, JAPEX drilled the exploratory "Nankai Trough" well in its block offshore Shizuoka on government funding and became the world's first company to successfully collect a methane hydrate core.

To move forward, Japan's Methane Hydrate R&D Program, initiated by the Ministry of Economy, Trade and Industry (METI) from 2001, is being conducted in phases by the Research Consortium for Methane Hydrate Resources in Japan (MH21), representing government, industry, and academia (see the table below). JAPEX was commissioned as the operator for the first offshore production tests at the Daini Atsumi Knoll off the coast of the Atsumi and Shima Peninsulas and started drilling work from January 2013. At production tests conducted in March 2013, JAPEX confirmed continuous production of methane over a six-day period (with an average production volume of 20,000 m^3 per day, and cumulative production of approximately 120,000 m^3) from a methane layer using the depressurization method and successfully collected a large amount of valuable data. This was a world first for offshore operations.

On the basis of these results, in May 2014 JAPEX was contracted by Japan Oil, Gas and Metal National Corporation (JOGMEC) to perform "Support Work Related to Studies on the Basic Policy and Plan for the Medium and Long-Term Offshore Production Test of Methane Hydrate" and completed the work in October 2014. On the basis of the results and identified technical issues, JAPEX was contracted by JOGMEC in December 2014 for "Support Work and Additional Work (Study of a Short-Term Test for Technical Verification) Related to Studies on the Basic Policy and Plan for the Medium and Long-Term Offshore Production Test of Methane Hydrate," concept design work to prepare an implementation plan for the next offshore production tests, and completed it in May 2015. In addition, JAPEX will closely watch developments and collect information about shallow-seabed type methane hydrate deposits in the Sea of Japan. JAPEX will continue to participate on the steering committee of MH21 and actively engage in development research through Japan Methane Hydrate Operating Co., Ltd., established in October 2014.

The first offshore production tests

Phase 1 Achievements	
FY2002/3	First onshore production test in Canada
FY2003/3	3D seismic survey offshore Shizuoka to Wakayama
FY2004/3	Basic exploratory drilling offshore Shizuoka to Wakayama
FY2007/3	Detailed assessment of resource volume offshore Shizuoka to Wakayama
FY2007/3–2008/3	Second onshore production test in Canada
FY2009/3	Final assessment of Phase 1

Phase 2 Achievements and Plans	
FY2013/3	Phase 1 offshore production test of MH at the Second Atsumi Sea Knoll
FY2016/3	Phase 2 final evaluation (planned)

Phase 3 Plans	
Around FY2017/3–2019/3	Preparations, comprehensive and final evaluation for commercial production

Review of Operations

Environment and Innovative Technology Business

Carbon dioxide Capture and Storage (CCS)

Carbon dioxide Capture and Storage (CCS) is expected contribute to carbon dioxide (CO_2) emissions reduction. It is a way of storing CO_2 by injecting it into depleted oil and gas fields or deep underground coal beds or aquifers. Around 146 billion tons of CO_2 (100 years of Japan's annual CO_2 emissions) might be storable in underground geological formations in Japan. CO_2 can be stored in layers of sandstone or other highly porous rock called reservoirs more than1,000 meters underground. The CO_2 is stored in cracks in the rock. To ensure that stored CO_2 doesn't seep out, such reservoirs must have a thick over layer of mudstone or similar dense rock, called a seal layer.

Applying E&P Technologies as Core Technologies

JAPEX possesses cutting-edge technologies cultivated over more than half a century of experience in petroleum and natural gas exploration and development, such as those used for identifying subsurface structures, estimating petrophysical properties, drilling, producing, simulating subsurface fluid movement, and underground monitoring, mainly by means of seismic surveys. These petroleum development technologies play an essential role as core technologies in CCS.

Commercialization of CCS Technology

With the aim of commercializing CCS, in May 2008 JAPEX jointly established Japan CCS Co., Ltd. (JCCS) together with other private-sector companies. In the Basic Energy Plan of 2014, the Japanese government stated its aim of commercializing CCS technology by 2020. Under a commission from the Ministry of Economy, Trade and Industry (METI), JCCS began CCS demonstration tests in April 2012. JAPEX has been commissioned by JCCS to conduct surveys pertaining to the demonstration tests and will contribute to preventing global warming by establishing technologies for the commercialization of CCS.

Ground facilities for CCS demonstration test in Tomakomai

Geothermal Power

The Great East Japan Earthquake of 2011 has led to renewed appreciation of geothermal resources. Regulations on surveys and development in nature parks have been eased, new government support systems such as the renewable energy fixed price purchase system are being created, and further promotion of geothermal resource development is expected.

Geothermal Resource Surveys and Development

JAPEX utilizes its oil and natural gas development technology to investigate and develop geothermal resources. Since 1977, JAPEX has conducted surveys of geothermal resources in Hokkaido, Tohoku, and Kyushu. In the Yamagawa area in Kagoshima Prefecture, JAPEX constructed a 30,000 kW geothermal power plant with Kyushu Electric Power Co., Inc., in 1995, handling the operation of steam facilities supply.

(These were transferred to Kyushu Electric Power Co., Inc. in 2005.)

JAPEX was asked by the government to conduct surveys of the Mt. Kirishima-Eboshidake area in Kagoshima from FY2002/3–2004/3, the Mt. Shibetsu-Serayama area in Hokkaido from FY2006/3–2007/3, and the Mt. Musadake area in Hokkaido in FY2011/3, as further contributions to geothermal resource development.

Pursuing New Geothermal Development

In light of earlier surveys of the Mt. Musadake area in Shibetsu-cho, Hokkaido since fiscal 2013, JAPEX has done drilling surveys with two joint operators to prepare for commercial geothermal power generation. We drilled one geothermal exploratory well each in 2013 and 2014, conducted provisional fumarolic testing (short-term tests to confirm the amount of steam and hot water gushing from a well), and on the basis of that, are analyzing data, leading to a future survey plan. We aim to continue surveys and gather and analyze the potential for commercialization of geothermal power generation in the Mt. Musadake area. We also join in wide-area geothermal resource surveys by a consortium of ten geothermal-related companies in the Bandai-Azuma-Adatara area of Fukushima Prefecture and geothermal resource development feasibility analyses in new areas including the south area of Mt. Furebetsutake in Kushiro City, Hokkaido.

Short-term flow test at Mt. Musadake (June 2015)

Solar Power Generation

Solar power generation plants with capacity over 1,000 kW are called mega-solar power plants. JAPEX is involved in operating two mega-solar power plants in Tomakomai City in Hokkaido. The Tomakomai area has long daylight hours, little snowfall, and low air temperature, making it one of Japan's most suitable places for solar power. Therefore, we expect the plants to be a stable source of solar power. A mega-solar plant built on our Hokkaido District Office premises started commercial operation in August 2014 and is selling its entire output of 1,800 kW. The mega-solar power plant of Solar Power Tomakomai Co., Ltd., a company established by the Sumitomo Corporation Group and JAPEX, started commercial operation in November 2014. Located near our Hokkaido District Office, the facility has power generation capacity of 13,000 kW.

	Facility capacity	Site area
Hokkaido District Office	1,800kW	38,700m^2
Solar Power Tomakomai Co., Ltd.*	13,000kW	300,000m^2

The mega-solar power plant within the JAPEX Hokkaido District Office premises

Risk Factors

The following is a list of significant risks that could affect JAPEX's operating results, stock price, financial condition and other factors. In addition, JAPEX makes every effort to disclose all pertinent information to its shareholders and investors, including information that may not necessarily constitute a risk to our company's business. 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.

1. Factors Relating to Changes in Operating Results

(1) Factors Affecting Sales of Crude Oil

The price of crude oil sold by JAPEX 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. Also, fluctuations in exchange rates may impact the price. Although we conduct crude oil swaps and other transactions to limit these risks, not all risks can be avoided through such measures.

(2) Factors Affecting Sales of Natural Gas

The unit sales price of natural gas sold by JAPEX 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 net sales are exposed to the heightened risk of fluctuations in international market prices or foreign exchange. In addition, 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 effect 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 Group reinforces 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 effect on the Group's earnings.

2. Business Risks

(1) Business Characteristics

The exploration stage of business operations, from initial surveys to exploration work and discovery of resources, requires a 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 and 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 (including cases coming from delays in the development schedule), 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 we 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. The emergence of such risks could adversely affect the Group's business results.

(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 regulations of the revised Gas Business Act, which took effect on April 1, 2004, the JAPEX Group is obligated to provide third-party access to some of its pipelines that have a certain level of supply capacity (designated pipelines).

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 JAPEX 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, which may adversely affect the Group's natural gas sales.

(3) Overseas Business Risks

As our overseas business progresses from the stage of exploration to development, it may require substantial investments (capital investments or debt financing), which may affect our financial condition of JAPEX. In cases where an overseas project company in which we have invested procures funds through bank financing or other means, we will sometimes provide a guarantee of debt for all or part of the borrowings. In such cases, should the financial position of the project company deteriorate causing it to default on its obligation, we 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 normal operation of the Group's overseas business could be adversely affected by political or economic turmoil in these countries, as well as by changes in their respective legal systems, tax structures, government policies or other factors.

3. Fluctuations in the Stock Price of INPEX CORPORATION

As of the end of March 2015, JAPEX owned 7.31% of the stock of INPEX CORPORATION. The JAPEX Group's balance of investment securities as of March 31, 2015 was ¥187.9 billion. Of this amount, shares of INPEX CORPORATION accounted for ¥141.6 billion. 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 (company name at that time) sold a portion of its holdings of our company's stock, reducing its equity share in our company from 65.74% to 49.94%.

Following the abolition of the Japan National Oil Corporation, its holdings of our company's stock were 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 our company through a stock sale with a date of delivery of June 2007, and as a result, the Minister's stockholding in our company has now fallen to 34.00%. There is a continuing possibility that the remaining government-held shares could be sold, which could affect our company's stock price.

There is a memorandum that stipulates consultation between the government and JAPEX 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 to respect the independent management of JAPEX, and the existence of the memorandum does not hinder our operations or restrict the scope of our activities.

Corporate Social Responsibility

JAPEX places great importance on corporate social responsibility (CSR) in the conduct of our business. We are implementing core CSR policies, expressed with the acronym SHINE, to grow as a trusted global company by meeting the expectations and requirements of our diverse stakeholders.

S Stable & Sustainable Energy Supply

H HSE*1 as Our Culture

I Integrity & Governance

N Being a Good Neighbor

E The Employer of Choice

*1 HSE: Health, Safety, and Environment

Stable Supply of Energy

At JAPEX, we consider our business activities themselves to be an important CSR priority. We engage in three core businesses to realize a stable supply of energy: the E&P business (→P.12), the domestic natural gas supply business (→P.24), and the environment and innovative technology business (→P.26).

HSE as a Corporate Culture

HSE Management System

Since January 1, 2014, JAPEX has been implementing integrated HSE activities (under an HSE management system) by adding health activities to the existing safety and environmental protection activities. The HSE Policy, revised on January 1, 2014, sets forth our Corporate HSE policies and objectives, and every year each business unit autonomously decides its action items and implements its HSE activities.

HSE activities are reviewed and evaluated each fiscal year, and the results are reflected in the following year's activities. By continually making improvements in this manner, we raise the level of HSE activities and link them to prevention of occupational accidents, fostering of safe and pleasant workplace environments, and protection of the environment.

HSE activities: an HSE seminar

Environmental Protection Activities

JAPEX strives towards the reduction of greenhouse gases, an important challenge for Japan, and the prevention of air pollution by reducing emissions of substances specified under Japan's Pollutant Release and Transfer Register Law (PRTR Law) and volatile organic compounds (VOCs). We are also pursuing research and development initiatives instrumental in protecting and improving the global environment, including Carbon dioxide Capture and Storage (CCS), recognized as a measure to help prevent global warming.

Afforestation Activities

To help protect the global environment and contribute to local communities, JAPEX has been carrying out afforestation programs since 2005. Our efforts so far have focused on helping to reduce CO_2 emissions through tree planting activities in Akita Prefecture, Hokkaido, and Niigata Prefecture.

Overseas HSE Management System

In the late 1950s, JAPEX commenced overseas oil and natural gas development business in various countries, including Indonesia, Canada and Australia. A very high standard of HSE activities is required of companies engaging in this business overseas, as in Japan. Accordingly, we decided in October 2009 to introduce a corporate HSE management system and began implementation the following January. Subsequently, JAPEX has conducted regular HSE audits of the projects that it operates such as the Canada Oil Sands project and E&P projects in Indonesia.

We are gradually shifting the operating base of our activities overseas and will be engaged in ventures with various companies in an increasing number of countries. Against this backdrop, we will continue to improve our HSE standards through the efficient use of the PDCA (Plan-Do-Check-Act) cycle.

● Environmental Protection in Canada

In the bitumen production operations of the oil sands project in Canada (→P.17), JAPEX is taking steps towards the preservation of water resources through measures such as the recovery and reuse of more than 90% of the steam injected underground and is endeavoring to reduce greenhouse gas emissions by optimizing the amount of fuel gas used for steam generation. In the expansion phase of the project, we have obtained a business permit after first conducting rigorous environmental impact studies and are proceeding with site development while paying careful attention to biodiversity conservation, for instance, by engaging in process management to complete tree cutting before the wild bird nesting season.

● Environmental Protection in Indonesia

In the Kangean Block (→P.19), JAPEX engages in production operations in the Pagerungan Gas Field and the Terang Gas Field, part of the TSB gas fields. In the Terang Gas Field, we have installed a floating production unit (FPU). Under supervision of the regulatory authorities, we conduct operations while taking care to minimize environmental impact on the basis of prior environmental impact assessments, and have received the Blue rating from Indonesia's Ministry of Environment indicating compliance with relevant laws and regulations. Last year, we received the Journey to Zero Incident Award 2014 from the Indonesian regulatory authorities in recognition of an incident-free and accident-free record and appropriate HSE implementation.

Receipt of the Journey to Zero Incident Award 2014

Corporate Social Responsibility

Integrity and Governance

JAPEX has established a governance structure to ensure highly efficient and transparent management. We are developing and enhancing compliance and governance systems with the aim of complying with laws and regulations in Japan and abroad, observing international norms, as well as respecting human rights, and acting in accordance with high ethical principles. (→P.36)

Building a Good Relationship with Society

As an Integral Member of the Local Community

At each of its district and field offices, JAPEX engages in activities to promote communication and exchange with local communities in order to deepen their understanding of our business activities. We conduct facilities tours for local government authorities and companies, provide opportunities for local elementary school students to experience workplaces as part of their schoolwork through facilities tours, and conduct tours, lectures, and seminars to support senior high school and university students in their search for employment. We also actively take part in and sponsor local festivals and other events.

Great East Japan Earthquake Volunteer Activities

With the aim of providing psychological support for children from areas stricken by the Great East Japan Earthquake, each year since 2012 we have invited junior high school students from the disaster area to Akita Prefecture during the summer school holidays for interchange with junior high students in Akita. In 2014, the third year for this activity, we invited 12 junior high school students from the town of Minamisanriku in Miyagi Prefecture and 17 students from the town of Shinchi in Fukushima Prefecture to join local students in an overnight joint softball training camp. At the camp, a total of 60 students strengthened their ties by practicing together at Akita Sky Dome, a domed facility in Akita City, and playing games in a round-robin format of six teams.

Contributions to the Local Community in Garraf, Iraq

JAPEX, together with Garraf Oil Field project operator PETRONAS, engages in various activities to contribute to the local community in the Garraf region of Iraq. These activities include renovating elementary schools, giving stationery to elementary schoolchildren, opening mobile healthcare clinics, and supplying drinking water to neighboring villages.

Also, JAPEX and PETRONAS provide funds for the maintenance and operation of the Garraf Vocational Training Center (GVTC) within the Garraf Oil Field contract area. GVTC accepts around 600 trainees every year, and provides vocational opportunities for the local people in order to promote employment in the area. Courses are offered in various subjects, such as electrical wiring, English, IT, and sewing. In addition, we have also built a soccer field adjacent to the training center. Since soccer is a national sport in Iraq, the field serves as a recreation area for the trainees and area residents. From January to March 2013, in cooperation with local government agencies and NGOs, we held the first league tournament with 12 participating teams from the surrounding villages. We held the second league tournament from March to May 2014, increasing the number of teams to 18. We plan to hold junior league

An electrical wiring class at GVTC

tournaments in the future, and will continue to offer our support in the hope of establishing these soccer tournaments as a major regional event.

Endowed University and Graduate School Programs

Through education and research activities in the form of endowed programs at universities and graduate schools, JAPEX supports the development of people who can contribute to the securing of stable, long-term energy supplies for Japan. Currently, we endow a program at the Creative Research Institution of Hokkaido University for research on the behavior of deep underground coal bed methane and shale gas and into Cenozoic petroleum systems and earth systems.

The Employer of Choice

Promoting Diversity

JAPEX is actively working to create an organization that accepts and takes advantage of differences in ways of thinking, values, and behavior patterns arising from gender, nationality, age, and other personal attributes. We are advancing the utilization of human resources to enhance our organizational strength by creating a framework that brings out the full potential of all employees and promote diversity in human resources through means such as the hiring of women, foreign nationals, and persons with disabilities.

Diversity training

Since FY2014/3 we have held workshops conducted by a company that is a leader in the promotion of diversity and provided training in childrearing and nursing care, and in March 2015, we established a new department dedicated to diversity promotion.

While continuing to hire and promote people from diverse backgrounds, we will actively review personnel programs and conduct training and hold awareness events concerning diversity, work-life balance, and career development to enable all employees to fully demonstrate their capabilities. In this way, we will create a corporate culture that respects and makes the most of diversity.

Human Resource Development Policy and Career Development Program

JAPEX launched the Career Development Program to support self-actualization and the enrichment of the working life of each individual employee and to engage in effective skills development. In accordance with the Career Development Guidelines, we seek to develop human resources by having employees themselves autonomously gain experience and knowledge with support from their superiors through periodic career development interviews with their superiors and selection of career development courses to become the professionals they want to be.

Education Program

To support the career development of individuals, JAPEX offers specialized education provided by each department as well as universal education programs for all employees. There is career design training for employees to independently plan their own futures, e-learning to strengthen basic business skills, and English proficiency training, overseas study, and overseas training to expand the pool of employees who can work abroad. We are also implementing selective training programs in order to develop personnel with comprehensive abilities including leadership and negotiation skills.

More detailed information on JAPEX's CSR activities is provided in our CSR Report, which has been posted on the JAPEX website (http://www.japex.co.jp/csr/index.html).

Status of Corporate Governance (Current as of June 30, 2015, unless otherwise noted)

JAPEX recognizes the importance of corporate governance in increasing earnings through more efficient management and ensuring that we continue playing 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 effective audit and other systems to maintain and enhance corporate governance.

In addition to this corporate governance code, we are pursuing to execute our business operations appropriately by each situation with business transparency through IR activities, such as holding investors meetings biannually, posting various IR information on our website, and others.

1. Corporate Governance Structure

(1) Outline of the Current Corporate Governance Structure

JAPEX has adopted a company with corporate auditors governance system. Directors or executive officers whose duties are stipulated and assigned by the representative directors and Board of Directors serve as the Company's operating officers. The Board of Directors and corporate auditors (as well as the Board of Corporate Auditors, consisting of all of the corporate auditors) perform the role of supervising business execution by these directors and executive officers.

• Board of Directors and Executive Committee

The Board of Directors consists of fourteen directors, two of whom are outside directors. 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 faster decision-making, an Executive Committee composed of directors and other executives based at the headquarters has been established 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. This Executive Committee meets in principle twice per month, but will also meet at other times when necessary.

• Corporate Auditors and Board of Corporate Auditors

The corporate auditors perform a supervisory function. All corporate auditors attend meetings of the Board of Directors, and the full-time corporate auditors attend meetings of the Executive Committee and other important meetings and exchange opinions as necessary with the directors and executive officers responsible for business execution.

JAPEX appoints four corporate auditors, two of whom are outside corporate auditors. Although the corporate auditors independently exercise their auditing authority, the Board of Corporate auditors decides the audit policy and division of duties among the corporate auditors.

• Internal Committees

Recognizing that fulfilling corporate social responsibility (CSR) is essential to the Company's sustainable development, JAPEX has established the CSR Committee, chaired by the president, as well as the Internal Control Committee, HSSE Committee, and Information Security Committee. JAPEX systematically promotes CSR activities in accordance with basic policies instituted by these committees.

(2) Reason for Selecting the Current Corporate Governance Structure

JAPEX has clearly specified the business execution structure by adopting an Executive Officer System under which directors or executive officers whose duties are stipulated and assigned by the representative directors and Board of Directors serve as the Company's operating officers.

In order to strengthen the Board of Directors as a supervisory body, JAPEX appoints highly independent outside directors who have keen insight. The outside directors and outside corporate auditors contribute to vigorous discussion at meetings of the Board of Directors by actively offering opinions and advice on resolution proposals and deliberations from a perspective independent from management.

JAPEX believes that objective and appropriate decision-making is sufficiently ensured through this structure in which independent outside directors and outside corporate auditors provide opinions and supervision concerning management by representative directors and executive officers who are knowledgeable about and take responsibility for the operations under their charge.

(3) Matters Concerning Internal Control Systems

JAPEX has developed the structures required to ensure the appropriateness of operations stipulated in the Companies Act and its enforcement regulations in accordance with the following policies.

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 deliberations 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.

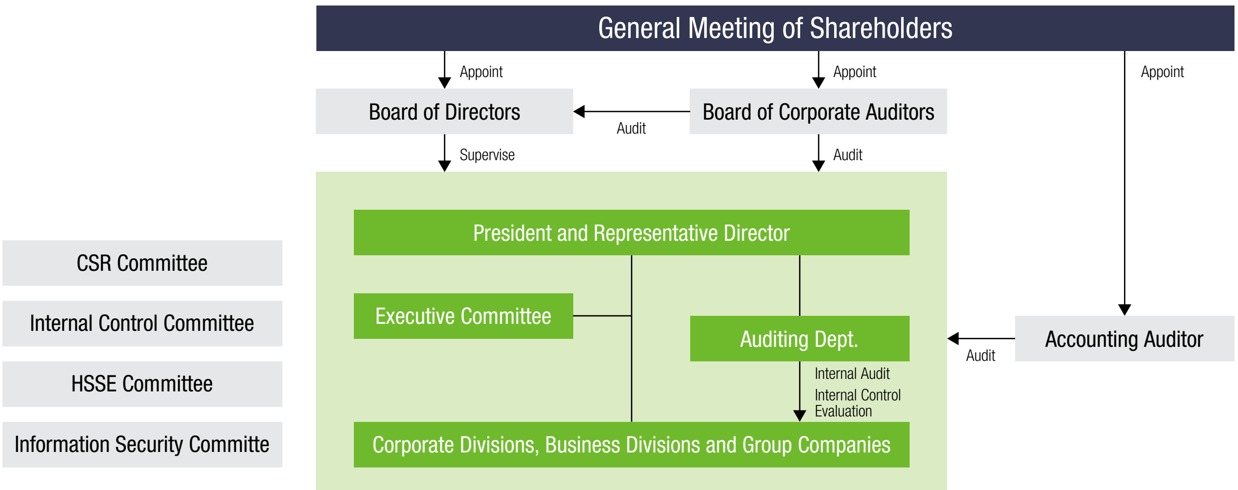
5. System to Ensure the Duties and Actions of Employees Comply with Relevant Laws and the Articles of Incorporation

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 the Appropriateness of Business Activities in the JAPEX Group, Consisting of the Company and Its Subsidiaries

By appropriately applying rules for administering subsidiaries and affiliated companies and Group management contracts, JAPEX supports the establishment and operation of internal control systems and risk management at subsidiaries and ensures the appropriateness of business activities throughout the Group. Subsidiaries establish and operate systems corresponding to JAPEX's system set forth in 5. above according to the nature and size of their business operations. Directors and other officers of subsidiaries report to JAPEX periodically and as necessary concerning the status of performance of duties. JAPEX's Auditing Department periodically conducts audits of subsidiaries.

Corporate Governance and Internal Control Structure



Status of Corporate Governance (Current as of June 30, 2015, unless otherwise noted)

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

   At the request of the Board of Corporate Auditors, one or more employee is assigned to the secretariat of the Board of Corporate Auditors.

8. Independence of Employees Mentioned in the Previous Item from Directors

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

9. Matters Related to Ensuring the Effectiveness of Instructions Given to Employees Assigned to the secretariat of the Board of Corporate Auditors

   Employees assigned to the secretariat of the Board of Corporate Auditors perform their duties in accordance with the instructions of the Board of Corporate Auditors, and the operating divisions must cooperate with those employees in the performance of their duties.

10. System for JAPEX Directors and Employees and Directors, etc. of Subsidiaries to Report to the Company's Corporate Auditors

    a) JAPEX directors provide monthly operating reports at meetings of the Board of Directors and refer management approval documents to the Board of Corporate Auditors. When JAPEX directors and employees discover matters that may lead to significant damage to the Company, they promptly report the matters to the Company's corporate auditors.

    b) When directors, corporate auditors, and employees of subsidiaries discover matters that may lead to significant damage to the Company, they promptly report the matters to the Company's corporate auditors. They also report matters deemed necessary concerning the performance of duties.

11. System for Ensuring that Persons Reporting as Set Forth in the Preceding Paragraph Are not Treated Disadvantageously Because of Such Reporting

    The guidelines for handling such reporting applied to JAPEX and subsidiaries specify that persons reporting as set forth in the preceding paragraph not be treated disadvantageously because of such reporting.

12. Matters Relating to the Procedure for Prepayment or Reimbursement of Expenses Incurred in the Performance of Duties by the Corporate Auditors and Other Policies for Processing Expenses or Debts Incurred in the Performance of Said Duties

    If a corporate auditor of the Company deems prepayment of expenses necessary for the performance of duties, if a corporate auditor has paid expenses out of pocket due to urgent necessity, or any other payment in connection with duties becomes necessary, the corporate auditor requests the Company to pay or reimburse the expenses on the basis of a document that clearly indicates, the reason, amount, etc., and the company pays or reimburses the expenses.

13. Other Systems for Ensuring that Audits Performed by the Company's Corporate Auditors Are Conducted Effectively

    The Auditing Department and accounting auditor regularly provide information to the Company's corporate auditors.

14. System for Ensuring the Appropriateness of Documents and Other Information Pertaining to Financial Calculations

    To ensure the reliability of financial reporting, the Company has established and effectively operates an internal control system pertaining to financial reporting and evaluates its effectiveness.

2. Internal Audits and Audits Performed by the Corporate Auditors

(1) Internal Audits

Internal audits of JAPEX are conducted by the Auditing Department under the direct management of the president. The Auditing Department has five staff members who are responsible for conducting internal audits, in which they check to see that business operations in each department are carried out in accordance with laws and internal regulations.

The internal audits are 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.

(2) Accounting Auditor

The accounting auditor who conducted the audit of the Company's financial statements and the internal control practices for fiscal year (FY) 2014 was Ernst & Young ShinNihon LLC. The names of the auditing certified public accountants and other information follows.

- Names: Hiroaki Kosugi, Satoshi Takahashi

- Breakdown of assistants to the audit: 8 certified public accountants, 11 other assistants

3. Outside Directors and Outside Corporate Auditors

(1) Selection of Outside Directors and Outside Corporate Auditors

JAPEX has two outside directors and two outside corporate auditors (see the table Status of Concurrent Appointments among Outside Directors and Outside Corporate Auditors and Reason for Appointment below). There are no personal, capital, or transactional relationships or other interests between the outside directors or the outside corporate auditors and JAPEX. The Company considers the number and composition the outside directors and outside corporate auditors to be appropriate from a corporate governance perspective.

(2) Summary of the Content of Limitation of Liability Agreements

The Company amended its Articles of Incorporation at the Annual Meeting of General Shareholders held in June 2015, and newly established provisions concerning limitation of liability agreements with outside directors and outside corporate auditors. Pursuant to the amendments, JAPEX has entered into limitation of liability agreements with the outside directors and outside corporate auditors. A summary of the content of said limitation of liability agreements follows.

- **Limitation of Liability Agreements with Outside Directors**

In the event an outside director is liable to compensate the Company for damages pursuant to Article 423 paragraph 1 of the Companies Act, when the director has performed his or her duties in good faith and without gross negligence, compensation shall be limited to the minimum liability amount provided for Article 425 paragraph 1 of the Companies Act, and the Company shall ipso facto exempt the outside director from any amount exceeding this limit.

- **Limitation of Liability Agreements with Outside Corporate Auditors**

In the event an outside corporate auditor is liable to compensate the Company for damages pursuant to Article 423 paragraph 1 of the Companies Act, when the outside corporate auditor has performed his or her duties in good faith and without gross negligence, compensation shall be limited to the minimum liability amount provided for Article 425 paragraph 1 of the Companies Act, and the Company shall ipso facto exempt the outside corporate auditor from any amount exceeding this limit.

Status of Concurrent Appointments among Outside Directors and Outside Corporate Auditors and Reason for Appointment

Outside Directors	
Yoriko Kawaguchi	JAPEX believes that Ms. Kawaguchi is qualified for the position of outside director and expects that she will facilitate appropriate business execution through oversight of the Company's management and wide-ranging proposals based on a wealth of experience and keen insights gained through a career as a minister of state and in other positions in government and the private sector. **Important concurrent positions** Adjunct professor at Meiji Institute for Global Affairs, Meiji University; outside director of Toyota Tsusho Corporation
Akira Kojima	APEX believes that Mr. Kojima is qualified for the position of outside director and expects that he will facilitate appropriate business execution through oversight of the Company's management and wide-ranging proposals based on a wealth of experience and keen insights gained through a career at a newspaper publisher and in other positions. **Important concurrent positions** Member of the Board of Trustees and adjunct professor at National Graduate Institute for Policy Studies

Outside Corporate Auditors	
Hiroyasu Watanabe	JAPEX believes that Mr. Kojima will appropriately conduct audits from an objective position independent from the managers who execute the Company's business based on a wealth of experience and keen insights gained through a career in public administration at the Ministry of Finance and other government agencies and as a graduate school professor. **Important concurrent positions** Professor at Graduate School of Finance, Accounting and Law, Waseda University; special advisor at Nagashima Ohno & Tsunematsu; outside corporate auditor at NOMURA Co., Ltd.; outside corporate auditor at Mitsui & Co., Ltd.
Akira Kojima	JAPEX believes that Mr. Nakajima will appropriately conduct audits from an objective position independent from the managers who execute the Company's business based on a wealth of experience and keen insights gained through a career at financial institutions. **Important concurrent positions** Not applicable

4. Remuneration of Directors and Corporate Auditors

The amount of remuneration of directors and corporate auditors is shown in the table below.

Remuneration of Directors and Corporate Auditors (FY2014)

Category	Total Remuneration (Millions of yen)	Breakdown of Remuneration (Millions of yen)			Number of Applicable Officers
		Base Pay	Bonus	Retirement Benefits	
Directors (Excluding Outside Directors)	607	372	97	138	14
Corporate Auditors (Excluding Outside Corporate Auditors)	51	36	4	10	2
Outside Directors and Corporate Auditors	45	35	–	10	4

Note: The number of officers above includes one director and one corporate auditor who retired at the conclusion of the Company's 44th Annual General Meeting of Shareholders, held on June 25, 2014, and one director who passed away on February 7, 2015.

FINANCIAL SECTION

Contents

Five-Year Summary

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

	2015/3	2014/3	2013/3	2012/3	2011/3
					Millions of yen
For the Year:					
Net sales	**¥ 304,911**	¥ 276,588	¥ 231,086	¥ 230,638	¥ 199,651
Cost of sales	**234,649**	210,460	172,075	174,359	144,919
Exploration expenses	**4,489**	9,800	13,086	7,805	9,798
Selling, general and administrative expenses	**33,625**	31,692	32,017	33,426	31,084
Operating income	**32,146**	24,634	13,906	15,045	13,849
Net income (loss)	**29,567**	29,015	(865)	17,027	10,010
Capital expenditures	**97,770**	127,241	25,355	23,806	21,975
Depreciation and amortization	**16,811**	15,567	16,294	23,902	24,587
Cash flows from operating activities	**78,666**	45,226	34,254	37,172	34,284
Cash flows from investing activities	**(63,031)**	(131,600)	(14,836)	(13,950)	(24,282)
Cash flows from financing activities	**18,475**	71,680	(7,177)	9,856	(521)
At Year-End:					
Total assets	**¥ 736,862**	¥ 663,038	¥ 525,172	¥ 532,890	¥ 516,098
Net assets	**540,647**	496,915	403,625	406,773	393,689
Long-term loans payable	**20,726**	21,636	24,197	26,198	26,898
					Yen
Per Share Data:					
Net assets per share	**¥8,055.59**	¥7,389.62	¥6,691.58	¥6,869.27	¥6,743.83
Net income (loss) per share	**517.35**	507.68	(15.14)	297.92	175.16
Cash dividends per share (full-year)	**50.00**	50.00	40.00	40.00	40.00
Other Data:					
Number of employees	**1,818**	1,782	1,747	1,743	1,728

Management's Discussion and Analysis

Scope of Operations

The JAPEX Group (JAPEX and its subsidiaries and affiliates) consists of JAPEX, 30 subsidiaries and 20 affiliates as of March 31, 2015. The core of its business activities is oil and natural gas-related operations. In addition to its endeavors in Japan, the JAPEX Group is conducting business overseas through its project companies established at each business base.

Analysis of Operating Results

Overview

As regards operating results in fiscal year (FY) 2015/3, ended March 31, 2015, net sales were ¥304,911 million, an increase of ¥28,322 million, or 10.2%, compared with the previous fiscal year. Operating income rose ¥7,512 million, or 30.5%, year on year to ¥32,146 million, and net income was ¥29,567 million, up ¥552 million, or 1.9%.

Crude Oil Prices and Exchange Rates

The average unit sales price of crude oil received by JAPEX during FY2015/3 was ¥58,733 per kiloliter, decreasing ¥10,764 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 $96.48 per barrel, decreasing $14.03 from the level per barrel of the previous fiscal year.

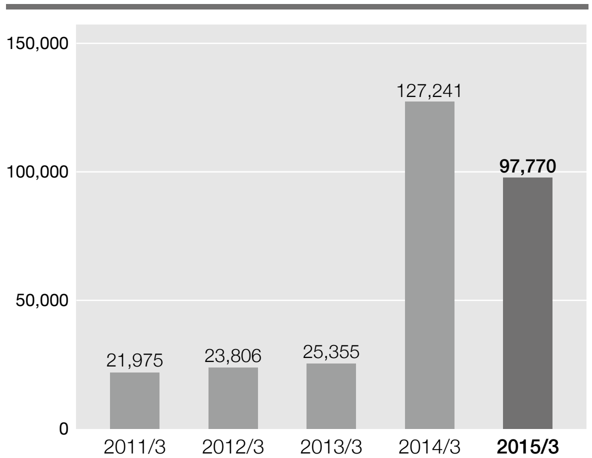
Compared with the previous fiscal year, the yen depreciated ¥6.92 relative to the dollar, for a weighted average exchange rate of ¥106.23. The Group's average crude oil sales price decreased compared to FY2014/3 because the decrease in dollar-denominated crude oil prices had a greater impact than the increase in crude oil prices resulting from yen depreciation.

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$55.86 per barrel,

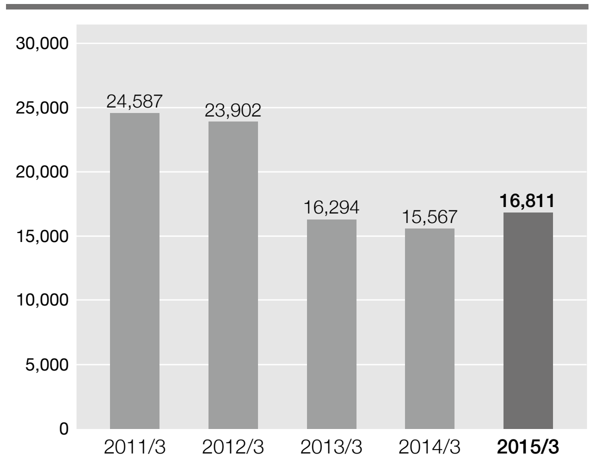
Capital Expenditures

(Millions of yen)



Depreciation and Amortization

(Millions of yen)



increasing by C$4.19 compared with FY2014/3. The weighted average exchange rate was ¥103.63 to the Canadian dollar, as the yen depreciated by ¥5.21 relative to the Canadian dollar year on year.

Capital Expenditures and Depreciation

Capital expenditures decreased ¥29,471 million year on year to ¥97,770 million. Major components of these expenditures included investments related to shale gas development and production projects in Canada and oil sands development. Depreciation and amortization rose ¥1,244 million compared with the previous fiscal year to ¥16,811 million.

Payments of recoverable accounts rose ¥10,842 million to ¥31,396 million, mainly for development of the Garraf Oil Field in Iraq. Recovery of recoverable accounts totaled ¥33,665 million, increasing ¥19,915 million from the previous fiscal year.

Exploration Activities

Exploration expenses (after excluding government subsidies) decreased ¥5,310 million year on year to ¥4,489 million.

Domestic exploration costs are mainly attributable to exploratory drilling in Hokkaido and seismic surveys in Akita Prefecture. Principal overseas exploration costs were for exploratory drilling and seismic surveys in Indonesia and Canada.

Net Sales

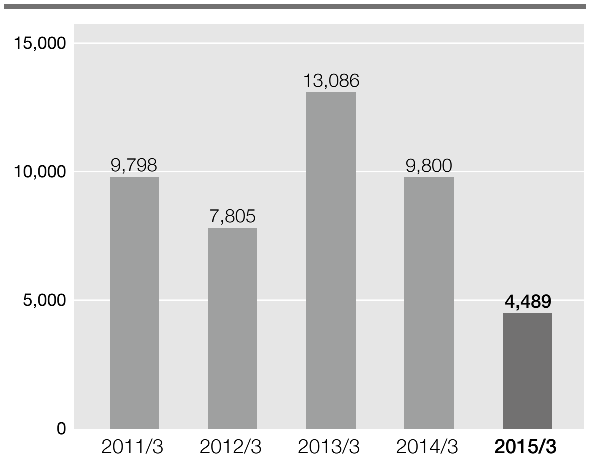
In FY2015/3, net sales in the E&P business totaled ¥245,631 million, accounting for 80.6% of the total. Net sales of Contract Services were ¥10,487 million, or 3.4% of the total. Net sales of Other Businesses were ¥48,792 million, representing 16.0% of the total. The following is an analysis of net sales in the E&P business, which accounts for the largest share of sales.

Crude oil sales volume increased 504 thousand kiloliters, or 32.3%, to 2,064 thousand kiloliters compared with FY2015/3. This sales volume growth mainly reflected factors such as the contribution from full-year sales of crude oil from the Garraf Oil Field in Iraq. Total crude oil sales increased ¥12,832 million year on year, or 11.8%, to ¥121,240 million, due to the previously mentioned increased sales volume, despite lower sales prices.

Natural gas sales volume increased 291 million cubic meters, or 20.6%, to 1,710 million cubic meters compared with FY2014/3. This sales volume growth

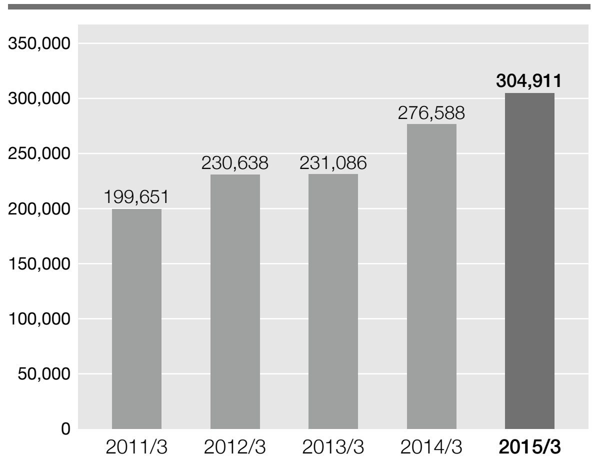
Exploration Expenses

(Millions of yen)



Net Sales

(Millions of yen)



Financial Section

mainly reflected factors such as an increase in sales volume of the North Montney block in Canada.

Although the unit sales price of natural gas fell ¥1.36 per cubic meter compared with the previous fiscal year to ¥49.09 per cubic meter, sales of natural gas increased ¥12,390 million, or 17.3%, to ¥83,974.

LNG sales volume increased 5 thousand tons, or 2.1%, year on year to 274 thousand tons, and LNG sales grew ¥2,108 million, or 8.0%, to ¥28,311 million.

Although bitumen sales volume decreased 10 thousand kiloliters, or 3.0%, compared with FY2014/3 to 332 thousand kiloliters, bitumen sales increased ¥1,143 million, or 10.4%, year on year to ¥12,105 million.

Operating Expenses

The cost of sales increased ¥24,188 million compared with the previous fiscal year to ¥234,649 million. This was mainly the result of the increase in sales volume of crude oil from the Garraf Oil Field in Iraq.

Selling, general and administrative (SG&A) expenses increased ¥1,932 million from the previous fiscal year to ¥33,625 million.

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

As a result of these factors, operating income increased ¥7,512 million compared with FY2014 to ¥32,146 million.

Non-operating Income (Loss)

Non-operating income rose ¥3,906 million year on year to ¥24,491 million, reflecting an increase in foreign exchange gains, despite decreases in the gain on sales on securities and other items.

Non-operating expenses were ¥1,799 million, increasing ¥469 million from FY2015/3 due to an increase in the allowance for overseas investment loss.

Extraordinary Gain (Loss)

Extraordinary loss was ¥4,507 million, decreasing ¥3,840 million from FY2014/3, as a result of factors including a decrease in impairment loss.

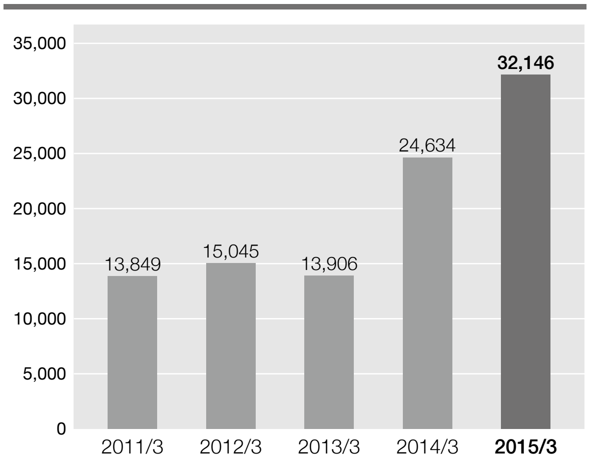
As a result of the above, income before income taxes and minority interests increased ¥14,789 million year on year to ¥50,373 million.

Net Income

For the fiscal year under review, the total of current and deferred income taxes was ¥17,644 million, increasing

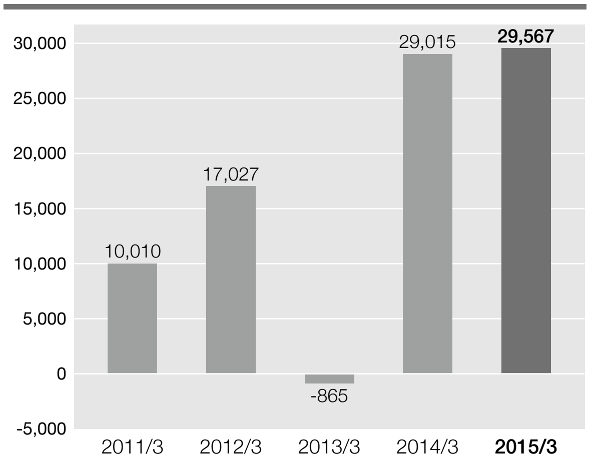
Operating Income

(Millions of yen)



Net Income (Loss)

(Millions of yen)



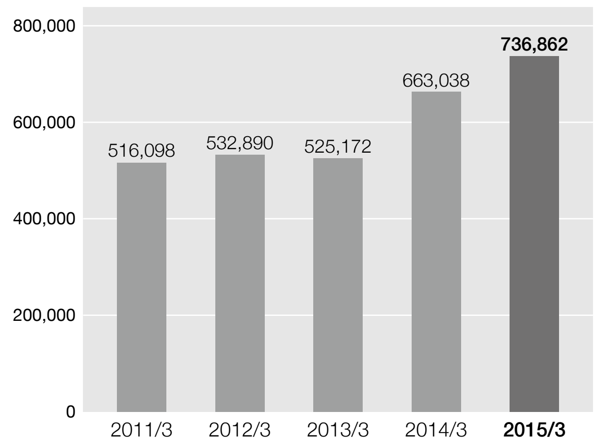
¥12,077 million from the previous fiscal year. The increase is principally attributable to an increase in income before income taxes and minority interests, revaluation of deferred tax liabilities accompanying tax reform, and a reversal of deferred tax assets resulting from a review of future collectability, among other factors.

Minority interests amounted to ¥3,161 million, an increase of ¥2,159 million from the previous fiscal year.

As a result of the above, after deducting income taxes (following the application of tax effect accounting) and minority interests, the Company recorded net income of ¥29,567 million for FY2015/3, up ¥552 million year on year.

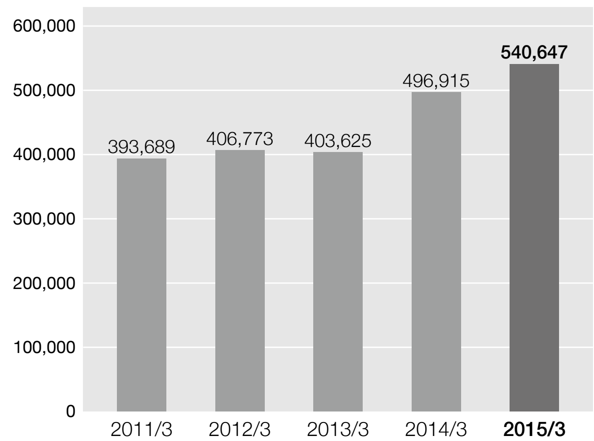
Total Assets

(Millions of yen)



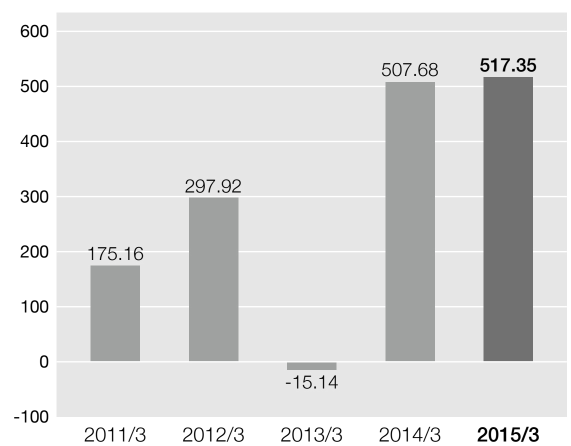
Net Assets

(Millions of yen)



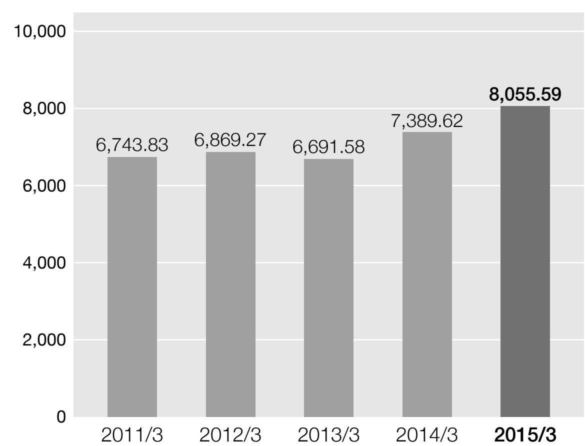
Net Income (Loss) per Share

(Yen)



Net Assets per Share

(Yen)



Analysis of Financial Position and Cash Flows

Balance Sheet

Total assets at the end of FY2015/3 stood at ¥736,862 million, increasing ¥73,824 million year on year, mainly due to an increase in non-current assets attributable to factors including an increase of ¥89,165 million in property, plant and equipment resulting from an increase in construction in progress.

Total liabilities at the fiscal year-end increased by ¥30,091 million year on year to ¥196,214 million, mainly as a result of an increase of ¥29,413 in current liabilities caused by increases in short-term loans payable and other current liabilities.

Total net assets increased by ¥43,732 million year on year to ¥540,647 million, mainly due to increases in retained earnings, foreign currency translation adjustment, and minority interests.

Cash Flows

As of March 31, 2015, cash and cash equivalents (hereinafter "net cash") totaled ¥142,657 million, increasing ¥39,827 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 amounted to ¥78,666 million. The main contributing factors were income before income taxes and minority interests of ¥50,373 million, depreciation and amortization of ¥16,811 million, and recovery of recoverable accounts of ¥33,665 million. The main factors reducing cash were share of profit of entities accounted for using equity method of ¥11,996 million and a decrease in notes and accounts payable—trade of ¥9,853 million.

Cash Flows from Investing Activities

Net cash used in investing activities amounted to ¥63,031 million. The major cash outflow was purchase of property, plant and equipment of ¥86,756 million, which was partly offset by proceeds from withdrawal of time deposits of ¥28,582 million.

Cash Flows from Financing Activities

Net cash provided by financing activities was ¥18,475 million. Major items were an increase in short-term loans payable of ¥223,797 million and a decrease in short-term loans payable of ¥202,648 million.

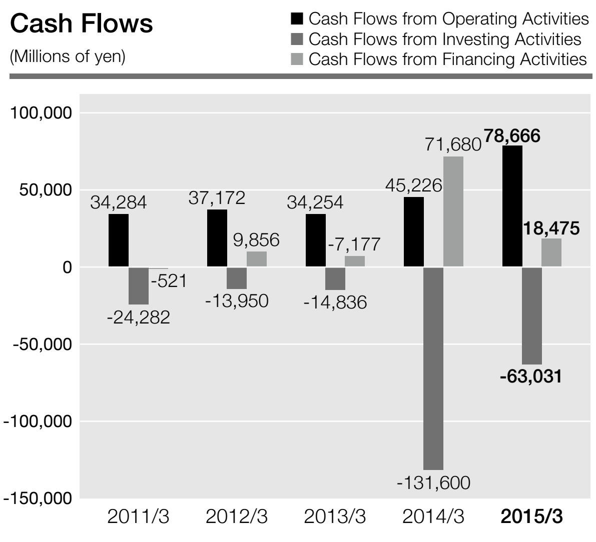
Financial Policy

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

Although working capital is primarily procured using internal funds, some consolidated subsidiaries, when faced with temporarily shortages of capital, procure working capital from intercompany loans, in principle. In addition, the Company also has entered into overdraft agreements and loan commitment agreements in a total amount of ¥68,546 million with seven of its banking partners for the purpose of efficiently procuring working capital. Although the amount of short-term loans payable recorded as of March 31, 2015 was ¥50,809 million, these are bridge loans for procurement of capital necessary for shale gas development and production

Cash Flows

(Millions of yen)



projects in Canada until capital becomes available from joint financing by Japan Bank for International Cooperation and commercial banks.

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 liquidity in hand. The total of long-term loans payable scheduled to mature within one year as of the end of FY2015/3 and other long-term loans payable increased ¥4,435 million compared with the end of FY2014/3 to ¥30,955 million. The primary components are ¥23,872 million in loans as capital for development of the Kangean Block in Indonesia and ¥4,306 million in loans as capital for oil sands development in Canada.

In addition, as of the end of FY2015/3, the JAPEX Group maintained contingent liabilities totaling ¥32,238 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.

Dividend Policy

JAPEX has adopted a basic policy of consistently paying stable dividends over the long term. We set the specific amount of dividends taking into account the need to maintain internal reserves while returning profits to shareholders, based on the outlook for the business environment over the medium to long term.

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

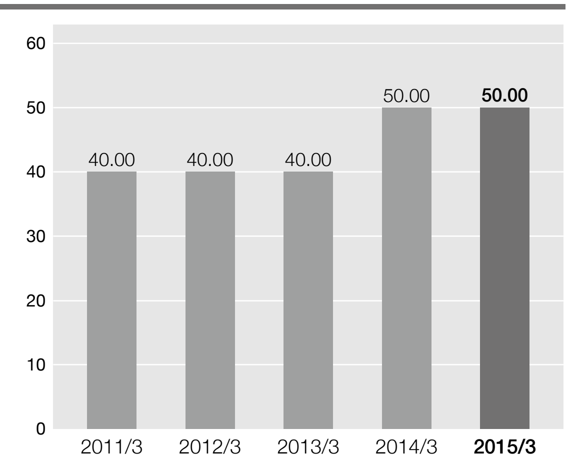
Under this basic policy, we have decided to issue a dividend for FY2015/3 of ¥50 per share, comprising interim and year-end dividends of ¥25 each. We plan to use internal reserves mainly to fund investments aimed at securing new proved reserves worldwide and to develop and expand our supply infrastructure.

We will aim to provide additional shareholder returns when oil prices recover and income from projects in progress is realized as a result of steady implementation of the Long-Term Business Vision and new Medium-Term Management Plan.

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

Cash Dividends per Share (Full-year)

(Yen)



CONSOLIDATED BALANCE SHEET

Japan Petroleum Exploration Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2015**	2014	**2015**
Current assets:			
Cash and deposits (Notes 10 and 19)	¥ **92,956**	¥ 81,031	$ **774,633**
Notes and accounts receivable - trade (Note 10)	**25,248**	37,222	**210,400**
Securities (Notes 4, 10 and 19)	**45,605**	41,203	**380,041**
Merchandise and finished goods (Note 3)	**4,551**	4,653	**37,925**
Work in process (Note 3)	**250**	128	**2,083**
Raw materials and supplies (Note 3)	**7,488**	6,285	**62,400**
Deferred tax assets (Note 6)	**1,088**	1,127	**9,066**
Short-term loans receivable (Note 10)	**13,810**	13,831	**115,083**
Other	**7,531**	9,772	**62,758**
Less — allowance for doubtful accounts	**(38)**	(48)	**(316)**
Total current assets	**198,492**	195,209	**1,654,100**
Non-current assets:			
Property, plant and equipment (Note 16):			
Land	**13,591**	12,193	**113,258**
Buildings and structures	**164,644**	151,904	**1,372,033**
Wells	**103,733**	80,675	**864,441**
Machinery, equipment and vehicles	**115,091**	111,305	**959,091**
Construction in progress	**132,122**	88,541	**1,101,016**
Other	**66,322**	46,699	**552,683**
Less — accumulated depreciation	**(305,787)**	(290,767)	**(2,548,225)**
Total property, plant and equipment	**289,718**	200,552	**2,414,316**
Intangible assets:			
Other (Note 16)	**9,949**	11,365	**82,908**
Total intangible assets	**9,949**	11,365	**82,908**
Investments and other assets:			
Investment securities (Notes 4 and 10)	**187,926**	190,765	**1,566,050**
Long-term loans receivable (Note 10)	**17,172**	29,100	**143,100**
Deferred tax assets (Note 6)	**4,009**	6,039	**33,408**
Defined benefit asset (Note 7)	**462**	–	**3,850**
Other (Notes 4 and 16)	**32,494**	34,329	**270,783**
Less — allowance for doubtful accounts	**(47)**	(39)	**(391)**
Less — allowance for overseas investment loss	**(3,317)**	(4,284)	**(27,641)**
Total investments and other assets	**238,701**	255,910	**1,989,175**
Total non-current assets	**538,369**	467,828	**4,486,408**
Total assets	¥ **736,862**	¥ 663,038	$ **6,140,516**

See notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of yen 2015	Millions of yen 2014	Thousands of U.S. dollars (Note 1) 2015
Current liabilities:			
Notes and accounts payable - trade (Note 10)	**¥ 6,728**	¥ 23,610	**$ 56,066**
Short-term loans payable (Note 10)	**50,809**	28,169	**423,408**
Provision for directors' bonuses	**120**	118	**1,000**
Other (Notes 5 and 6)	**55,210**	31,555	**460,083**
Total current liabilities	**112,868**	83,454	**940,566**
Non-current liabilities:			
Long-term loans payable (Notes 5 and 10)	**20,726**	21,636	**172,716**
Deferred tax liabilities (Note 6)	**36,657**	32,509	**305,475**
Provision for directors' retirement benefits	**874**	829	**7,283**
Defined benefit liability (Note 7)	**3,534**	6,845	**29,450**
Asset retirement obligations (Notes 2(15) and 12)	**17,475**	16,001	**145,625**
Other (Note 5)	**4,077**	4,845	**33,975**
Total non-current liabilities	**83,346**	82,668	**694,550**
Total liabilities	**196,214**	166,123	**1,635,116**
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 as of March 31, 2015 and 2014	**14,288**	14,288	**119,066**
Retained earnings	**346,441**	318,433	**2,887,008**
Treasury shares; 2,139 shares as of March 31, 2015 and 2014	**(10)**	(10)	**(83)**
Total shareholders' equity	**360,719**	332,711	**3,005,991**
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	**86,174**	84,856	**718,116**
Deferred gains or losses on hedges	**3**	(56)	**25**
Foreign currency translation adjustment	**12,980**	5,166	**108,166**
Remeasurements of defined benefit plans	**521**	(340)	**4,341**
Total accumulated other comprehensive income	**99,678**	89,624	**830,650**
Minority interests	**80,249**	74,579	**668,741**
Total net assets	**540,647**	496,915	**4,505,391**
Total liabilities and net assets	**¥ 736,862**	¥ 663,038	**$ 6,140,516**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

Japan Petroleum Exploration Co., Ltd. and Consolidated Subsidiaries
Year ended March 31, 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	**2015**
Net sales	**¥ 304,911**	¥ 276,588	**$ 2,540,925**
Cost of sales (Note 3)	**234,649**	210,460	**1,955,408**
Gross profit	**70,262**	66,127	**585,516**
Exploration expenses	**4,748**	9,985	**39,566**
Exploration subsidies	**(258)**	(184)	**(2,150)**
	4,489	9,800	**37,408**
Selling, general and administrative expenses (Note 15)	**33,625**	31,692	**280,208**
Operating income	**32,146**	24,634	**267,883**
Other income (expenses):			
Interest income	**2,042**	2,341	**17,016**
Dividend income	**2,431**	2,366	**20,258**
Gain (loss) on sales of securities, net	**96**	693	**800**
Share of profit (loss) of entities accounted for using equity method	**11,996**	12,140	**99,966**
Foreign exchange gains (losses)	**6,675**	1,173	**55,625**
Interest expenses	**(785)**	(839)	**(6,541)**
Loss on valuation of derivatives	**(164)**	(147)	**(1,366)**
Share issuance costs	**(80)**	(155)	**(666)**
Provision of allowance for overseas investment loss	**(393)**	–	**(3,275)**
Gain on sales of non-current assets	**0**	2	**0**
Subsidy income	**40**	40	**333**
Loss on retirement of non-current assets	**(336)**	(145)	**(2,800)**
Impairment loss (Note 16)	**(4,006)**	(7,983)	**(33,383)**
Other, net	**711**	1,462	**5,925**
	18,226	10,949	**151,883**
Income (loss) before income taxes and minority interests	**50,373**	35,584	**419,775**
Income taxes (Note 6)**:**			
Income taxes - current	**9,453**	6,825	**78,775**
Income taxes - deferred	**8,190**	(1,258)	**68,250**
	17,644	5,566	**147,033**
Income before minority interests	**32,729**	30,017	**272,741**
Minority interests in income	**3,161**	1,002	**26,341**
Net income (loss) (Note 18)	**¥ 29,567**	¥ 29,015	**$ 246,391**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Japan Petroleum Exploration Co., Ltd. and Consolidated Subsidiaries
Year ended March 31, 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	**2015**
Income before minority interests	**¥ 32,729**	¥ 30,017	**$ 272,741**
Other comprehensive income (Note 20)**:**			
Valuation difference on available-for-sale securities	**1,313**	6,543	**10,941**
Deferred gains or losses on hedges	**58**	(288)	**483**
Foreign currency translation adjustment	**9,985**	9,486	**83,208**
Remeasurements of defined benefit plans	**861**	–	**7,175**
Share of other comprehensive income of entities accounted for using equity method	**202**	39	**1,683**
Total other comprehensive income	**12,421**	15,781	**103,508**
Comprehensive income	**¥ 45,151**	¥ 45,798	**$ 376,258**
Comprehensive income attributable to (Note 20)**:**			
Owners of parent	**¥ 39,622**	¥ 42,807	**$ 330,183**
Minority interests	**5,529**	2,991	**46,075**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Japan Petroleum Exploration Co., Ltd. and Consolidated Subsidiaries
Year ended March 31, 2015

				Millions of yen
	Shareholders' equity			
	Capital stock	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of April 1, 2013	¥ 14,288	¥ 291,990	¥ (10)	¥ 306,268
Dividends from surplus		(2,571)		(2,571)
Net income (loss)		29,015		29,015
Net changes of items other than shareholders' equity				
Total changes of items during period	–	26,443	–	26,443
Balance as of March 31, 2014	**14,288**	**318,433**	**(10)**	**332,711**
Cumulative effects on changes in accounting policies		**1,297**		**1,297**
Balance as of April 1, 2014	**14,288**	**319,731**	**(10)**	**334,009**
Dividends from surplus		**(2,857)**		**(2,857)**
Net income (loss)		**29,567**		**29,567**
Net changes of items other than shareholders' equity				
Total changes of items during period	–	**26,710**	–	**26,710**
Balance as of March 31, 2015	**¥ 14,288**	**¥ 346,441**	**¥ (10)**	**¥ 360,719**

							Millions of yen
	Accumulated other comprehensive income						
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance as of April 1, 2013	¥ 78,310	¥ 226	¥ (2,362)	¥ –	¥ 76,173	¥ 21,183	¥ 403,625
Dividends from surplus							(2,571)
Net income (loss)							29,015
Net changes of items other than shareholders' equity	6,546	(283)	7,529	(340)	13,451	53,395	66,846
Total changes of items during period	6,546	(283)	7,529	(340)	13,451	53,395	93,290
Balance as of March 31, 2014	**84,856**	**(56)**	**5,166**	**(340)**	**89,624**	**74,579**	**496,915**
Cumulative effects on changes in accounting policies							**1,297**
Balance as of April 1, 2014	**84,856**	**(56)**	**5,166**	**(340)**	**89,624**	**74,579**	**498,213**
Dividends from surplus							**(2,857)**
Net income (loss)							**29,567**
Net changes of items other than shareholders' equity	**1,318**	**60**	**7,813**	**861**	**10,054**	**5,670**	**15,724**
Total changes of items during period	**1,318**	**60**	**7,813**	**861**	**10,054**	**5,670**	**42,434**
Balance as of March 31, 2015	**¥ 86,174**	**¥ 3**	**¥ 12,980**	**¥ 521**	**¥ 99,678**	**¥ 80,249**	**¥ 540,647**

See notes to consolidated financial statements.

	Thousands of U.S. dollars (Note 1)			
	Shareholders' equity			
	Capital stock	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of March 31, 2014	**$ 119,066**	**$ 2,653,608**	**$ (83)**	**$ 2,772,591**
Cumulative effects on changes in accounting policies		**10,808**		**10,808**
Balance as of April 1, 2014	**119,066**	**2,664,425**	**(83)**	**2,783,408**
Dividends from surplus		**(23,808)**		**(23,808)**
Net income (loss)		**246,391**		**246,391**
Net changes of items other than shareholders' equity				
Total changes of items during period	**–**	**222,583**	**–**	**222,583**
Balance as of March 31, 2015	**$ 119,066**	**$ 2,887,008**	**$ (83)**	**$ 3,005,991**

	Thousands of U.S. dollars (Note 1)						
	Accumulated other comprehensive income						
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance as of March 31, 2014	**$ 707,133**	**$ (466)**	**$ 43,050**	**$ (2,833)**	**$ 746,866**	**$ 621,491**	**$4,140,958**
Cumulative effects on changes in accounting policies							**10,808**
Balance as of April 1, 2014	**707,133**	**(466)**	**43,050**	**(2,833)**	**746,866**	**621,491**	**4,151,775**
Dividends from surplus							**(23,808)**
Net income (loss)							**246,391**
Net changes of items other than shareholders' equity	**10,983**	**500**	**65,108**	**7,175**	**83,783**	**47,250**	**131,033**
Total changes of items during period	**10,983**	**500**	**65,108**	**7,175**	**83,783**	**47,250**	**353,616**
Balance as of March 31, 2015	**$ 718,116**	**$ 25**	**$ 108,166**	**$ 4,341**	**$ 830,650**	**$ 668,741**	**$4,505,391**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Japan Petroleum Exploration Co., Ltd. and Consolidated Subsidiaries
Year ended March 31, 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	**2015**
Cash provided by (used in) operating activities:			
Income (loss) before income taxes and minority interests	**¥ 50,373**	¥ 35,584	**$ 419,775**
Depreciation and amortization	**16,811**	15,567	**140,091**
Impairment loss	**4,006**	7,983	**33,383**
Loss on retirement of property, plant and equipment	**336**	139	**2,800**
Increase (decrease) in allowance for doubtful accounts	**(1)**	25	**(8)**
Decrease (increase) in defined benefit asset	**(617)**	–	**(5,141)**
Increase (decrease) in defined benefit liability	**(164)**	(585)	**(1,366)**
Increase (decrease) in provision for directors' retirement benefits	**44**	26	**366**
Increase (decrease) in allowance for overseas investment loss	**(967)**	(346)	**(8,058)**
Interest and dividend income	**(4,473)**	(4,708)	**(37,275)**
Interest expenses	**785**	839	**6,541**
Loss (gain) on sales of short-term and long-term investment securities	**(96)**	(693)	**(800)**
Share of (profit) loss of entities accounted for using equity method	**(11,996)**	(12,140)	**(99,966)**
Recovery of recoverable accounts	**33,665**	13,749	**280,541**
Decrease (increase) in notes and accounts receivable - trade	**12,068**	(4,766)	**100,566**
Decrease (increase) in inventories	**(1,222)**	506	**(10,183)**
Increase (decrease) in notes and accounts payable - trade	**(9,853)**	364	**(82,108)**
Increase (decrease) in accrued consumption taxes	**420**	134	**3,500**
Other, net	**(3,125)**	(3,086)	**(26,041)**
Subtotal	**85,994**	48,595	**716,616**
Income taxes (paid) refund	**(7,327)**	(3,369)	**(61,058)**
Net cash provided by (used in) operating activities	**78,666**	45,226	**655,550**
Cash provided by (used in) investing activities:			
Payments into time deposits	**(2,574)**	(37,754)	**(21,450)**
Proceeds from withdrawal of time deposits	**28,582**	31,372	**238,183**
Purchase of securities	**(100)**	(200)	**(833)**
Proceeds from sales and redemption of securities	**938**	3,204	**7,816**
Purchase of property, plant and equipment	**(86,756)**	(121,283)	**(722,966)**
Proceeds from sales of property, plant and equipment	**10**	12	**83**
Purchase of intangible assets	**(877)**	(248)	**(7,308)**
Proceeds from sales of intangible assets	**–**	248	**–**
Payments for asset retirement obligations	**(507)**	(202)	**(4,225)**
Purchase of investment securities	**(1,497)**	(6,066)	**(12,475)**
Proceeds from sales and redemption of investment securities	**1,803**	1,430	**15,025**
Payments for investments in capital	**(1,063)**	(1,353)	**(8,858)**
Payments of recoverable accounts	**(31,396)**	(20,553)	**(261,633)**
Payments of loans receivable	**(26)**	(48)	**(216)**
Collection of loans receivable	**17,342**	4,768	**144,516**
Interest and dividend income received	**13,004**	13,702	**108,366**
Proceeds from dividends of residual property	**23**	–	**191**
Proceeds from capital reduction of investments	**1,011**	1,326	**8,425**
Other, net	**(947)**	42	**(7,891)**
Net cash provided by (used in) investing activities	**(63,031)**	(131,600)	**(525,258)**
Cash provided by (used in) financing activities:			
Increase in short-term loans payable	**223,797**	206,318	**1,864,975**
Decrease in short-term loans payable	**(202,648)**	(178,149)	**(1,688,733)**
Proceeds from long-term loans payable	**5,881**	300	**49,008**
Repayments of long-term loans payable	**(5,162)**	(4,816)	**(43,016)**
Cash dividends paid	**(2,816)**	(2,571)	**(23,466)**
Cash dividends paid to minority shareholders	**(529)**	(377)	**(4,408)**
Interest expenses paid	**(791)**	(850)	**(6,591)**
Repayments of lease obligations	**(557)**	(556)	**(4,641)**
Proceeds from share issuance to minority shareholders	**1,303**	52,383	**10,858**
Net cash provided by (used in) financing activities	**18,475**	71,680	**153,958**
Effect of exchange rate change on cash and cash equivalents	**5,716**	4,884	**47,633**
Net increase (decrease) in cash and cash equivalents	**39,827**	(9,809)	**331,891**
Cash and cash equivalents at beginning of period	**102,830**	112,639	**856,916**
Cash and cash equivalents at end of period (Note 19)	**¥ 142,657**	¥ 102,830	**$ 1,188,808**

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Japan Petroleum Exploration Co., Ltd. and Consolidated Subsidiaries
Year ended March 31, 2015

1. Basis of Presenting Consolidated Financial Statements

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

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 2014 financial statements to conform to the classifications used in 2015.

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 ¥120 = U.S. $1, the approximate rate of exchange at March 31, 2015, 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 associates

The consolidated financial statements as of and for the year ended March 31, 2015 include the accounts of the Company and its 25 (25 in 2014) significant subsidiaries.

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

For the year ended March 31, 2015, 14 (14 in 2014) associates are accounted for using the equity method.

Investments in the remaining unconsolidated subsidiaries and associates 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 entities accounted for using the equity method is amortized by the straight-line method over a period not exceeding 20 years, except for minor accounts that are charged to income in the period of acquisition.

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

Entities accounted for using the equity method whose fiscal year-ends are different than that of the Company are accounted for on the basis of the entities' respective fiscal year-end.

(2) Foreign currency translation

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

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

The revenue and expense accounts of the foreign 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) Securities and investment securities

In general, securities are classified into three categories: trading, held-to-maturity or available-for-sale securities. Available-for-sale securities with a determinable market value are stated at fair value based on market value at the balance sheet date, and unrealized gains and losses, net of applicable income taxes, are reported as a separate component of net assets. Cost of securities sold is computed based on the moving average method. Available-for-sale securities without a determinable market value are stated at the moving average cost.

(5) Inventories

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

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

Property, plant and equipment (excluding leased assets) are depreciated mainly by the declining-balance method, except for buildings (excluding attached facilities) acquired on or 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 three foreign consolidated subsidiaries (three in 2014) 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 assets are amortized by the straight-line method.

Capitalized computer software costs are amortized by the straight-line method over a period of five years, and those of one foreign consolidated subsidiary (one in 2014) are mainly amortized by the unit of production method.

(8) Deferred assets

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

(9) Leased assets

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

(10) Impairment on non-current assets

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

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 or asset group 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 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.

(12) Allowance for doubtful accounts

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

(13) Provision for directors' bonuses

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

(14) Allowance for overseas investment loss

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

(15) Asset retirement obligations

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

(16) Retirement benefits

(a) Method of attributing expected benefit to periods

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

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

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

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

(c) Application of simplified method for smaller enterprises

Certain consolidated subsidiaries apply the simplified method where the amount required for voluntary early retirement at the fiscal year end is treated as retirement benefit obligations for calculating defined benefit liability and retirement benefit expenses.

(17) Hedge accounting

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

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

Hedging instruments: Foreign exchange forward contracts and commodity price swaps
Hedged items: Accounts receivable – trade, accounts payable – trade, and accounts payable – other

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

(18) Recognition of revenue and costs of construction contracts

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

(19) Research and development expenses

Research and development expenses are charged to income when incurred.

(20) Income taxes

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.

(21) Application of the Accounting Standard for Retirement Benefits and its Guidance

The Group has adopted the main clauses of Section 35 of the "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan ("ASBJ") Statement No. 26, issued on May 17, 2012) (hereinafter: the "Accounting Standard") and the main clauses of Section 67 of the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, issued on March 26, 2015) (hereinafter: the "Guidance") from the fiscal year ended March 31, 2015. Consequently, the method of attributing expected benefit to periods was changed from the straight-line method to the benefit formula method. The method of determining the discount rate was also changed.

In accordance with the provisional treatment set out in Section 37 of the Accounting Standard, the amount of financial impact resulting from the change in the calculation method of retirement benefit obligations and service costs was added to, or deducted from, retained earnings as of April 1, 2014.

As a result of this change, defined benefit liability decreased by ¥1,874 million ($15,616 thousand) and retained earnings increased by ¥1,297 million ($10,808 thousand) as of April 1, 2014.

The effects on operating income, income before income taxes and minority interests, and per-share information, however, were immaterial for the fiscal year ended March 31, 2015.

(22) Accounting standards issued but not yet effective

- "Revised Accounting Standard for Business Combinations" (ASBJ Statement No. 21, issued on September 13, 2013)
- "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, issued on September 13, 2013)
- "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, issued on September 13, 2013)
- "Revised Accounting Standard for Earnings Per Share" (ASBJ Statement No. 2, issued on September 13, 2013)
- "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, issued on September 13, 2013)
- "Revised Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No. 4, issued on September 13, 2013)

(a) Overview

Under these revised accounting standards and guidelines, the ASBJ amended accounting treatment for changes in a parent's ownership interest in a subsidiary when the parent retains control over the subsidiary and acquisition-related costs on additional acquisition of subsidiaries' shares. In addition, the presentation of net income, the appellation of "minority interests" (changed to "non-controlling interests"), and provision for determination of tentative accounting treatment were also amended.

(b) Date of application

The revised standards and guidance except for provision for determination of tentative accounting treatment are applied effective from the beginning of the year ending March 31, 2016. Provision for determination of tentative accounting treatment is applied for business combinations effective on or after April 1, 2015.

(c) Effect of application

The Group is currently evaluating the effect of applying the "Revised Accounting Standard for Business Combinations" and other revised standards and guidelines on its consolidated financial statements.

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, 2015 and 2014 was ¥1,069 million ($8,908 thousand) and ¥1,281 million, respectively.

4. Securities and Investment Securities

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

(1) Information of available-for-sale securities as of March 31, 2015 and 2014 is as follows:

	Millions of yen			Thousands of U.S. dollars		
March 31, 2015	Carrying value	Acquisition cost	Unrealized gain (loss)	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:						
Equity securities	**¥ 144,658**	**¥ 23,996**	**¥ 120,661**	**$ 1,205,483**	**$ 199,966**	**$ 1,005,508**
Debt securities:						
Government and municipal bonds	**–**	**–**	**–**	**–**	**–**	**–**
Corporate bonds	**1,601**	**1,594**	**7**	**13,341**	**13,283**	**58**
Other debt securities	**1,102**	**1,100**	**1**	**9,183**	**9,166**	**8**
Other	**1,517**	**1,515**	**1**	**12,641**	**12,625**	**8**
Subtotal	**148,879**	**28,207**	**120,672**	**1,240,658**	**235,058**	**1,005,600**
Securities whose carrying value does not exceed their acquisition cost:						
Equity securities	**40**	**40**	**–**	**333**	**333**	**–**
Debt securities:						
Government and municipal bonds	**–**	**–**	**–**	**–**	**–**	**–**
Corporate bonds	**10,242**	**10,244**	**(2)**	**85,350**	**85,366**	**(16)**
Other debt securities	**–**	**–**	**–**	**–**	**–**	**–**
Other	**33,287**	**33,287**	**–**	**277,391**	**277,391**	**–**
Subtotal	**43,569**	**43,572**	**(2)**	**363,075**	**363,100**	**(16)**
Total	**¥ 192,449**	**¥ 71,779**	**¥ 120,670**	**$ 1,603,741**	**$ 598,158**	**$ 1,005,583**

March 31, 2014	Millions of yen Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Equity securities	¥ 146,061	¥ 23,996	¥ 122,064
Debt securities:			
Government and municipal bonds	305	273	31
Corporate bonds	1,907	1,887	19
Other debt securities	702	701	1
Other	1,534	1,528	6
Subtotal	150,511	28,387	122,123
Securities whose carrying value does not exceed their acquisition cost:			
Equity securities	40	40	–
Debt securities:			
Government and municipal bonds	225	235	(9)
Corporate bonds	10,960	10,966	(5)
Other debt securities	649	649	(0)
Other	29,980	29,980	–
Subtotal	41,856	41,872	(16)
Total	¥ 192,367	¥ 70,260	¥ 122,107

Unlisted equity securities, carrying values of which as of March 31, 2015 and 2014 were ¥2,948 million ($24,566 thousand) and ¥4,221 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, 2015 and 2014 is as follows:

March 31, 2015	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	**¥ –**	**¥ –**	**¥ –**	**$ –**	**$ –**	**$ –**
Debt securities:						
Government and municipal bonds	**279**	**58**	**–**	**2,325**	**483**	**–**
Corporate bonds	**1,510**	**38**	**–**	**12,583**	**316**	**–**
Other debt securities	**–**	**–**	**–**	**–**	**–**	**–**
Other	**–**	**–**	**–**	**–**	**–**	**–**
Total	**¥ 1,790**	**¥ 96**	**¥ –**	**$ 14,916**	**$ 800**	**$ –**

March 31, 2014	Millions of yen Sales amount	Aggregate gain	Aggregate loss
Available-for-sale securities:			
Equity securities	¥ 1,087	¥ 670	¥ –
Debt securities:			
Government and municipal bonds	112	11	–
Corporate bonds	–	–	–
Other debt securities	209	11	–
Other	–	–	–
Total	¥ 1,408	¥ 693	¥ –

(3) During the years ended March 31, 2015 and 2014, the Group recorded losses on valuation of available-for-sale securities whose fair value is extremely difficult to determine in the amounts of ¥1,349 million ($11,241 thousand) and ¥7 million, respectively. For them, 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 associates at March 31, 2015 and 2014 were ¥40,391 million ($336,591 thousand) and ¥36,614 million, respectively.

(5) As of March 31, 2015, investment securities of ¥177 million ($1,475 thousand) were pledged as collateral for loans payable of subsidiaries and associates.

5. Long-term Loans Payable and Lease Obligations

Long-term loans payable at March 31, 2015 and 2014 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Loans from banks and others, at interest rates ranging from 0.20% to 1.83%:			
Unsecured	**¥ 30,955**	¥ 26,519	**$ 257,958**
	30,955	26,519	**257,958**
Less — current portion	**(10,228)**	(4,883)	**(85,233)**
	¥ 20,726	¥ 21,636	**$ 172,716**

The aggregate annual maturities of long-term loans payable subsequent to March 31, 2015 are as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2016	**¥ 10,228**	**$ 85,233**
2017	**–**	**–**
2018	**4,806**	**40,050**
2019	**5,106**	**42,550**
2020	**6,506**	**54,216**
2021 and thereafter	**4,306**	**35,883**
Total	**¥ 30,955**	**$ 257,958**

The Company and certain consolidated subsidiaries have entered into overdraft agreements and loan commitment agreements amounting to ¥68,546 million ($571,216 thousand) and ¥17,293 million with seven banks and six banks at March 31, 2015 and 2014, respectively. The borrowings outstanding under the overdraft agreements and loan commitment agreements as of March 31, 2015 and 2014 were ¥2,411 million ($20,091 thousand) and zero, respectively, and, therefore, the unused balance was ¥66,135 million ($551,125 thousand) and ¥17,293 million as of March 31, 2015 and 2014, respectively.

Lease obligations included in other in non-current liabilities at March 31, 2015 and 2014 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Lease obligations	**¥ 4,289**	¥ 4,292	**$ 35,741**
Less — current portion	**(958)**	(528)	**(7,983)**
	¥ 3,330	¥ 3,763	**$ 27,750**

The aggregate annual maturities of lease obligations subsequent to March 31, 2015 are as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2016	¥ 958	$ 7,983
2017	486	4,050
2018	451	3,758
2019	423	3,525
2020	393	3,275
2021 and thereafter	1,576	13,133
Total	¥ 4,289	$ 35,741

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 30.8% and 33.3% for the years ended March 31, 2015 and 2014, respectively. Income taxes of five foreign consolidated subsidiaries (four foreign consolidated subsidiaries in 2014) 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, 2015 and 2014 differ from the statutory tax rates for the following reasons:

	2015	2014
Statutory tax rates	30.8%	33.3%
Effect of:		
Unrecognized tax effect accounting on net tax loss carried forward of consolidated subsidiaries	1.2	1.3
Exploration expenses deducted for income tax purposes	(5.5)	(8.4)
Dividends income not taxable for income tax purposes	(0.6)	(1.2)
Utilization of tax loss carried forward	(0.1)	0.1
Expenses not deductible for income tax purposes	0.3	0.4
Consolidation adjustment for equity method	(5.5)	(7.8)
Change in valuation allowance	10.7	(5.1)
Loss on valuation of subsidiaries' shares	3.2	–
Gain on non-taxable donation	(0.0)	(0.1)
Foreign tax credits	(0.3)	(0.2)
Remeasurement of deferred tax assets and deferred tax liabilities at end of period due to the change in tax rate	0.5	0.6
Other, net	0.3	2.7
Effective tax rates	35.0%	15.6%

The significant components of deferred tax assets and liabilities at March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Deferred tax assets:			
Allowance for overseas investment loss	**¥ 2,927**	¥ 1,934	**$ 24,391**
Net tax loss carried forward	**3,605**	7,410	**30,041**
Defined benefit liability	**1,058**	2,150	**8,816**
Depreciation	**11,359**	12,091	**94,658**
Provision for directors' retirement benefits	**272**	284	**2,266**
Asset retirement obligations	**3,847**	3,746	**32,058**
Impairment loss on non-current assets	**982**	1,044	**8,183**
Other	**11,808**	10,617	**98,400**
Subtotal	**35,862**	39,279	**298,850**
Valuation allowance	**(17,390)**	(14,237)	**(144,916)**
Total deferred tax assets	**18,471**	25,042	**153,925**
Deferred tax liabilities:			
Reserve for exploration	**(9,070)**	(9,839)	**(75,583)**
Valuation difference on available-for-sale securities	**(34,497)**	(37,250)	**(287,475)**
Reserve for advanced depreciation of non-current assets	**(88)**	(97)	**(733)**
Undistributed earnings of foreign subsidiaries and associates	**(3,063)**	(1,207)	**(25,525)**
Foreign tax	**(732)**	–	**(6,100)**
Loss on deemed transfer of shares	**(361)**	(36)	**(3,008)**
Reserve for special depreciation	**(202)**	–	**(1,683)**
Defined benefit asset	**(133)**	–	**(1,108)**
Other	**(2,355)**	(2,558)	**(19,625)**
Total deferred tax liabilities	**(50,505)**	(50,991)	**(420,875)**
Net deferred tax liabilities	**¥ (32,033)**	¥ (25,948)	**$ (266,941)**

The "Act for Partial Revision of the Income Tax Act, etc." (Act No. 9 of 2015) was promulgated on March 31, 2015, and the corporation tax rate will be reduced from the year beginning on or after April 1, 2015. Consequently, the effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities was changed from 30.8% to 28.9% for temporary differences expected to be settled or realized in or after the year beginning 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 non-current liabilities, after deducting deferred tax assets, decreased by ¥77 million ($641 thousand) and ¥2,119 million ($17,658 thousand) as of March 31, 2015. In addition, income taxes – deferred and valuation difference on available-for-sale securities increased by ¥265 million ($2,208 thousand), ¥2,307 million ($19,225 thousand), respectively, while deferred gains or losses on hedges decreased by ¥0 million ($0 thousand) for the year ended March 31, 2015.

7. Retirement Benefit Plans

(1) Overview of retirement benefit plans

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

(2) Defined benefit plans

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Retirement benefit obligations at beginning of period	**¥ 18,226**	¥ 18,569	**$ 151,883**
Cumulative effects of changes in accounting policies	**(1,874)**	–	**(15,616)**
Retirement benefit obligations at beginning of period after reflecting cumulative effects of changes in accounting policies	**16,351**	18,569	**136,258**
Service costs	**966**	867	**8,050**
Interest costs	**143**	215	**1,191**
Actuarial gains and losses arising during period	**82**	(448)	**683**
Retirement benefits paid	**(924)**	(978)	**(7,700)**
Retirement benefit obligations at end of period	**¥ 16,619**	¥ 18,226	**$ 138,491**

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Plan assets at beginning of period	**¥ 12,332**	¥ 10,748	**$ 102,766**
Expected return on plan assets	**123**	107	**1,025**
Actuarial gains and losses arising during period	**1,200**	661	**10,000**
Contribution from employer	**1,435**	1,435	**11,958**
Retirement benefits paid	**(580)**	(620)	**(4,833)**
Plan assets at end of period	**¥ 14,511**	¥ 12,332	**$ 120,925**

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Defined benefit liability at beginning of period	**¥ 951**	¥ 903	**$ 7,925**
Retirement benefit expenses	**239**	189	**1,991**
Retirement benefits paid	**(150)**	(72)	**(1,250)**
Contribution to plans	**(77)**	(69)	**(641)**
Defined benefit liability at end of period	**¥ 963**	¥ 951	**$ 8,025**

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Funded retirement benefit obligations	**¥ 14,048**	¥ 15,605	**$ 117,066**
Plan assets	**(14,511)**	(12,332)	**(120,925)**
	(462)	3,272	**(3,850)**
Unfunded retirement benefit obligations	**3,534**	3,572	**29,450**
Net defined benefit liability (asset) on consolidated balance sheet	**3,071**	6,845	**25,591**
Defined benefit liability	**3,534**	6,845	**29,450**
Defined benefit asset	**(462)**	–	**(3,850)**
Net defined benefit liability (asset) on consolidated balance sheet	**¥ 3,071**	¥ 6,845	**$ 25,591**

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Service costs	**¥ 966**	¥ 867	**$ 8,050**
Interest costs	**143**	215	**1,191**
Expected return on plan assets	**(123)**	(107)	**(1,025)**
Amortization of actuarial gains and losses	**152**	229	**1,266**
Amortization of prior service costs	**(45)**	(45)	**(375)**
Retirement benefit expenses calculated by simplified method	**239**	189	**1,991**
Retirement benefit expenses on defined benefit plans	**¥ 1,332**	¥ 1,349	**$ 11,100**

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Prior service costs	**¥ (45)**	¥ –	**$ (375)**
Actuarial gains and losses	**1,270**	–	**10,583**
Total	**¥ 1,224**	¥ –	**$ 10,200**

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Unrecognized prior service costs	**¥ 541**	¥ 586	**$ 4,508**
Unrecognized actuarial gains and losses	**191**	(1,078)	**1,591**
Total	**¥ 732**	¥ (491)	**$ 6,100**

(h) Plan assets
(i) Breakdown of plan assets
The percentage of various assets to total plan assets by main category is as follows:

	2015	2014
Debt securities	**51%**	50%
Equity securities	**37%**	38%
Cash and deposits	**3%**	2%
Other	**9%**	10%
Total	**100%**	100%

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

(i) Actuarial assumptions
The main actuarial assumptions for the years ended March 31, 2015 and 2014 (weighted averages) are as follows:

	2015	2014
Discount rate	**0.9%**	1.2%
Long-term expected rate of return	**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

Operating leases
Future minimum lease payments under non-cancelable operating leases subsequent to March 31, 2015 are as follows:

(Lessee)

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2016	¥ 501	$ 4,175
2017 and thereafter	1,236	10,300
Total	¥ 1,737	$ 14,475

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 raises necessary funds through funds on hand and bank loans. Domestic capital investment is financed by Development Bank of Japan Inc. and other commercial banks, and overseas business investment is financed by Japan Bank for International Cooperation and other commercial banks. The Group does not enter into derivative transactions for trading or speculative purposes but uses them to hedge the undermentioned risks.

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

Operating receivables such as notes and accounts receivable - trade are exposed to credit risk. The Group works to prevent bad debts by monitoring credit conditions and others of customers on a timely basis in accordance with internal credit management rules.

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.

Securities and investment securities mainly consist of equity securities of partner companies, and for those exposed to market fluctuation risk, fair value evaluation is reported to the directors on a regular basis in accordance with the internal regulations. Investment securities mainly consist of equity securities of INPEX CORPORATION recorded at ¥141,686 million ($1,180,716 thousand) and ¥143,129 million as of March 31, 2015 and 2014, the proportions of which to investment securities are 75.4% and 75.0%, respectively.

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

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

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

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

The Group utilizes foreign exchange forward contracts and interest rate and currency swaps as mentioned above as well as commodity price swaps in order to hedge oil price fluctuation risk associated with crude oil sales. Implementation and management of derivative transactions are based on the internal regulations which prescribe the authorization and maximum upper limit of the transactions, and the department responsible for derivative transactions executes transactions after obtaining approval from the person responsible for authorization. The Group enters into transactions only with creditworthy financial institutions to reduce the counterparty risk.

Liquidity risk associated with financing is managed mainly by preparing monthly financial plans.

(c) Supplemental information on fair value of financial instruments

As well as the values based on market prices, fair values of financial instruments include values which are reasonably calculated when market prices do not exist. As the calculation of those values includes variable factors, those values may vary if different assumptions are applied.

Also, for the contract amount 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 the difference as of March 31, 2015 and 2014 are as follows. The financial instruments whose fair value is extremely difficult to determine are not included below.

			Millions of yen
March 31, 2015	Carrying value	Fair value	Difference
Cash and deposits	**¥ 92,956**	**¥ 92,980**	**¥ 24**
Notes and accounts receivable - trade	**25,248**		
Allowance for doubtful accounts (*1)	**(12)**		
	25,235	**25,235**	**–**
Short-term loans receivable	**13,810**	**13,810**	**–**
Securities and investment securities	**208,692**	**214,509**	**5,817**
Long-term loans receivable	**17,172**	**17,172**	**–**
Total assets	**¥ 357,867**	**¥ 363,709**	**¥ 5,841**
Notes and accounts payable - trade	**¥ 6,728**	**¥ 6,728**	**¥ –**
Short-term loans payable	**50,809**	**50,809**	**–**
Long-term loans payable	**20,726**	**20,741**	**(14)**
Total liabilities	**¥ 78,264**	**¥ 78,279**	**¥ (14)**
Derivative transactions (*2)	**¥ (33)**	**¥ (33)**	**¥ –**

			Millions of yen
March 31, 2014	Carrying value	Fair value	Difference
Cash and deposits	¥ 81,031	¥ 81,154	¥ 122
Notes and accounts receivable - trade	37,222		
Allowance for doubtful accounts (*1)	(12)		
	37,210	37,210	–
Short-term loans receivable	13,831	13,831	–
Securities and investment securities	205,988	216,994	11,005
Long-term loans receivable	29,100	29,100	–
Total assets	¥ 367,162	¥ 378,290	¥ 11,128
Notes and accounts payable - trade	¥ 23,610	¥ 23,610	¥ (0)
Short-term loans payable	28,169	28,169	–
Long-term loans payable	21,636	21,677	(40)
Total liabilities	¥ 73,416	¥ 73,457	¥ (40)
Derivative transactions (*2)	¥ 62	¥ 62	¥ –

March 31, 2015	Carrying value	Fair value	Difference
	Thousands of U.S. dollars		
Cash and deposits	$ 774,633	$ 774,833	$ 200
Notes and accounts receivable - trade	210,400		
Allowance for doubtful accounts (*1)	(100)		
	210,291	210,291	–
Short-term loans receivable	115,083	115,083	–
Securities and investment securities	1,739,100	1,787,575	48,475
Long-term loans receivable	143,100	143,100	–
Total assets	$ 2,982,225	$ 3,030,908	$ 48,675
Notes and accounts payable - trade	$ 56,066	$ 56,066	$ –
Short-term loans payable	423,408	423,408	–
Long-term loans payable	172,716	172,841	(116)
Total liabilities	$ 652,200	$ 652,325	$ (116)
Derivative transactions (*2)	$ (275)	$ (275)	$ –

(*1) Allowance for doubtful accounts recognized for notes and accounts receivable - trade 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 flows for each segment based on the term, using a deposit interest rate which is assumed to be applied to a new deposit.

・ **Notes and accounts receivable - trade**

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

・ **Short-term loans receivable**

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

・ **Securities and investment securities**

The fair value of equity securities is based on the price on stock exchanges, and that of debt securities is based on the price on bond markets or provided by counterparty financial institutions. The fair value of investment trusts is based on the constant value or price provided by counterparty financial institutions. Please refer to Note 4. Securities and Investment Securities, for matters relating to securities by holding purpose.

・ **Long-term loans receivable**

The carrying value is deemed as the fair value for long-term loans receivable with floating interest rates since these loans reflect the market interest rates in a short period of time and the carrying value approximates the fair value unless the credit condition has changed dramatically since the loans were executed.

Liabilities

・ **Notes and accounts payable - trade**

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 they are scheduled to be settled in a short period of time.

・ **Short-term loans payable**

The carrying value is deemed as the fair value since these are 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 has not changed dramatically since the loans were executed. For fixed rate loans, the present value is calculated by discounting the total amount of principal and interest for each segment based on the term, using a loan interest rate which is assumed to be applied to a similar loan.

Derivative transactions

Please refer to Note 11. Derivative Transactions.

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Carrying value:			
Unlisted equity securities	**¥ 24,840**	¥ 25,980	**$ 207,000**

The above securities are not included in 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, 2015	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	**¥ 92,954**	**¥ –**	**¥ –**	**¥ –**
Notes and accounts receivable - trade (*1)	**25,233**	**1**	**–**	**–**
Short-term loans receivable	**13,810**	**–**	**–**	**–**
Securities and investment securities:				
Available-for-sale securities with maturities:				
Equity securities	**–**	**500**	**–**	**–**
Debt securities:				
Government and municipal bonds	**–**	**–**	**–**	**–**
Corporate bonds	**11,600**	**–**	**240**	**–**
Other debt securities	**700**	**400**	**–**	**–**
Other	**15**	**–**	**–**	**–**
Long-term loans receivable	**–**	**17,168**	**4**	**–**
Total	**¥ 144,315**	**¥ 18,069**	**¥ 244**	**¥ –**

Financial Section

March 31, 2014	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	¥ 81,029	¥ –	¥ –	¥ –
Notes and accounts receivable - trade (*2)	37,210	–	–	–
Short-term loans receivable	13,831	–	–	–
Securities and investment securities:				
Available-for-sale securities with maturities:				
Equity securities	–	–	500	–
Debt securities:				
Government and municipal bonds	255	205	–	–
Corporate bonds	10,300	2,465	210	–
Other debt securities	650	700	–	–
Other	–	26	–	–
Long-term loans receivable (*2)	–	19,415	9,685	–
Total	¥ 143,277	¥ 22,812	¥ 10,395	¥ –

March 31, 2015	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	**$ 774,616**	**$ –**	**$ –**	**$ –**
Notes and accounts receivable - trade (*1)	**210,275**	**8**	**–**	**–**
Short-term loans receivable	**115,083**	**–**	**–**	**–**
Securities and investment securities:				
Available-for-sale securities with maturities:				
Equity securities	**–**	**4,166**	**–**	**–**
Debt securities:				
Government and municipal bonds	**–**	**–**	**–**	**–**
Corporate bonds	**96,666**	**–**	**2,000**	**–**
Other debt securities	**5,833**	**3,333**	**–**	**–**
Other	**125**	**–**	**–**	**–**
Long-term loans receivable	**–**	**143,066**	**33**	**–**
Total	**$ 1,202,625**	**$ 150,575**	**$ 2,033**	**$ –**

(*1) The amount does not include receivables deemed to be uncollectible of ¥12 million ($100 thousand).
(*2) The amount does not include receivables deemed to be uncollectible of ¥12 million.

(4) Scheduled maturities of long-term loans payable

				Millions of yen
March 31, 2015	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Long-term loans payable	¥ –	¥ 16,420	¥ 4,306	¥ –
Total	¥ –	¥ 16,420	¥ 4,306	¥ –

				Thousands of U.S. dollars
March 31, 2015	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Long-term loans payable	$ –	$ 136,833	$ 35,883	$ –
Total	$ –	$ 136,833	$ 35,883	$ –

11. Derivative Transactions

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

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

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

	Millions of yen				Thousands of U.S. dollars			
March 31, 2015	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	¥ 800	¥ –	¥ (29)	¥ (29)	$ 6,666	$ –	$ (241)	$ (241)
Total	¥ 800	¥ –	¥ (29)	¥ (29)	$ 6,666	$ –	$ (241)	$ (241)

				Millions of yen
March 31, 2014	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	¥ 1,200	¥ 800	¥ 143	¥ 143
Total	¥ 1,200	¥ 800	¥ 143	¥ 143

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

Financial Section

March 31, 2015	Millions of yen				Thousands of U.S. dollars			
	Contract amount and others	Due after one year	Fair value (*)	Unrealized gain (loss)	Contract amount and others	Due after one year	Fair value (*)	Unrealized gain (loss)
Currency related:								
Foreign exchange forward contracts								
Norwegian krone (Buying)	**¥ 8**	**¥ –**	**¥ (0)**	**¥ (0)**	**$ 66**	**$ –**	**$ (0)**	**$ (0)**
Total	**¥ 8**	**¥ –**	**¥ (0)**	**¥ (0)**	**$ 66**	**$ –**	**$ (0)**	**$ (0)**

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

Note: No currency related derivative contract was outstanding as of March 31, 2014.

(2) Derivative transactions for which hedge accounting is applied

March 31, 2015	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)	**¥ 10**	**¥ –**	**¥ 0**	**$ 83**	**$ –**	**$ 0**
British pound (Buying)	**40**	**–**	**(0)**	**333**	**–**	**(0)**
Norwegian krone (Buying)	**33**	**–**	**(2)**	**275**	**–**	**(16)**
Allocation method						
Foreign exchange forward contracts						
U.S. dollars (Buying)	**5**	**–**	**0**	**41**	**–**	**0**
Total	**¥ 90**	**¥ –**	**¥ (2)**	**$ 750**	**$ –**	**$ (16)**

March 31, 2014	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)	¥ 54	¥ –	¥ (1)
British pound (Buying)	36	–	0
Allocation method			
Foreign exchange forward contracts			
U.S. dollars (Buying)	4,098	–	(*2)
British pound (Buying)	42	–	(0)
Total	¥ 4,231	¥ –	¥ (1)

(*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.

			Millions of yen
March 31, 2014	Contract amount and others	Due after one year	Fair value (*)
Commodity related:			
Deferral hedge accounting			
Crude oil price swaps			
Receive fixed/ Pay floating	¥ 842	¥ –	¥ (79)
Total	¥ 842	¥ –	¥ (79)

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

Note: No commodity related derivative contract was outstanding as of March 31, 2015.

12. Asset Retirement Obligations

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

Asset retirement obligations recognized by the Group are determined based on the estimated costs of decommissioning oil and natural gas wells and production facilities in accordance with laws, land lease contracts 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 35 years (2 to 35 years in 2014) 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 0.15 to 2.287% (0.15 to 2.287% in 2014) for domestic obligations and 1.7 to 7.0% (mainly 7% in 2014) for overseas.

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

Changes in the balance of asset retirement obligations for the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Balance at beginning of period	**¥ 16,221**	¥ 11,007	**$ 135,175**
Increase due to acquisition of new assets	**796**	1,514	**6,633**
Accretion	**487**	406	**4,058**
Settlement	**(564)**	(227)	**(4,700)**
Foreign currency translation adjustment	**288**	412	**2,400**
Other changes, net	**754**	3,107	**6,283**
Balance at end of period	**¥ 17,982**	¥ 16,221	**$ 149,850**

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

The Group has obligations to restore sites to their original condition in accordance with laws, land lease contracts 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, 2015 and 2014.

The following table summarizes the details of balance of asset retirement obligations for the year ended March 31, 2015.

				Millions of yen
March 31, 2015	At beginning of period	Increase	Decrease	At end of period
Under provisions of Petroleum and Inflammable Natural Gas Resources Development Law	¥ 7,489	¥ 314	¥ 125	¥ 7,678
Under provisions of Environmental Protection and Enhancement Act, etc. enforced in the Province of Alberta, Canada	4,923	2,283	1,461	5,745
Under provisions of land lease contracts and other	1,836	787	168	2,455
Under provisions of Act on Prevention of Marine Pollution and Maritime Disaster	1,971	131	–	2,103
Total	¥ 16,221	¥ 3,516	¥ 1,755	¥ 17,982

				Thousands of U.S. dollars
March 31, 2015	At beginning of period	Increase	Decrease	At end of period
Under provisions of Petroleum and Inflammable Natural Gas Resources Development Law	$ 62,408	$ 2,616	$ 1,041	$ 63,983
Under provisions of Environmental Protection and Enhancement Act, etc. enforced in the Province of Alberta, Canada	41,025	19,025	12,175	47,875
Under provisions of land lease contracts and other	15,300	6,558	1,400	20,458
Under provisions of Act on Prevention of Marine Pollution and Maritime Disaster	16,425	1,091	–	17,525
Total	$ 135,175	$ 29,300	$ 14,625	$ 149,850

13. Contingent Liabilities

At March 31, 2015 and 2014, the Group had the following contingent liabilities:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Guarantee obligation for loans payable from financial institutions, etc.:			
INPEX North Caspian Sea, Ltd.	¥ 13,428	¥ 11,189	$ 111,900
Sakhalin Oil and Gas Development Co., Ltd.	4,808	6,177	40,066
Employees (Housing loans)	350	447	2,916
TOHOKU NATURAL GAS Co., Inc.	112	304	933
Kumamoto Mirai LNG Co., Ltd.	77	83	641
Guarantee obligation relating to production facilities:			
Kangean Energy Indonesia Ltd.	13,460	14,314	112,166
Total	¥ 32,238	¥ 32,517	$ 268,650

14. Information Related to Consolidated Statement of Changes in Equity

(1) Dividends paid to shareholders

2015

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 25, 2014	Annual General Meeting of Shareholders	Common stock	**¥ 1,428**	**$ 11,900**	**¥ 25**	**$ 0.20**	March 31, 2014	June 26, 2014
November 7, 2014	Board of Directors	Common stock	**¥ 1,428**	**$ 11,900**	**¥ 25**	**$ 0.20**	September 30, 2014	December 2, 2014

2014

Date of approval	Resolution approved by	Type of shares	Amount (Millions of yen)	Amount per share (Yen)	Shareholders' cut-off date	Effective date
June 25, 2013	Annual General Meeting of Shareholders	Common stock	¥ 1,143	¥ 20	March 31, 2013	June 26, 2013
November 8, 2013	Board of Directors	Common stock	¥ 1,428	¥ 25	September 30, 2013	November 29, 2013

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

2015

Date of approval	Resolution approved by	Type of shares	Amount (Millions of yen)	Amount (Thousands of U.S. dollars)	Paid from	Amount per share (Yen)	Amount per share (U.S. dollars)	Shareholders' cut-off date	Effective date
June 24, 2015	Annual General Meeting of Shareholders	Common stock	**¥ 1,428**	**$ 11,900**	Retained earnings	**¥ 25**	**$ 0.20**	March 31, 2015	June 25, 2015

2014

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 25, 2014	Annual General Meeting of Shareholders	Common stock	¥ 1,428	Retained earnings	¥ 25	March 31, 2014	June 26, 2014

15. Selling, General and Administrative Expenses

The main components of selling, general and administrative expenses for the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Selling, general and administrative expenses:			
Personnel expenses	**¥11,302**	¥10,284	**$ 94,183**
Significant components of personnel expenses:			
Retirement benefit expenses	**664**	667	**5,533**
Provision for directors' bonuses	**120**	117	**1,000**
Provision for directors' retirement benefits	**179**	165	**1,491**
Freightage expenses	**5,249**	4,555	**43,741**
Subcontract expenses	**3,503**	2,687	**29,191**
Depreciation	**3,934**	4,175	**32,783**

Research and development expenses included in general and administrative expenses for the years ended March 31, 2015 and 2014 were ¥137 million ($1,141 thousand) and ¥177 million, respectively.

16. Impairment Loss

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

For the year ended March 31, 2015, the Group recorded an impairment loss on the following asset group:

	Millions of yen	Thousands of U.S. dollars
	2015	**2015**
Development assets related to the mining area Block A:		
Aceh, Indonesia		
Other in intangible assets	**¥ 1,988**	**$ 16,566**
Other in investments and other assets	**1,999**	**16,658**
Total	**¥ 3,987**	**$ 33,225**

For the development assets related to the mining area Block A in Aceh, Indonesia, the carrying amount of the development assets was reduced to the recoverable amount as a result of the re-calculation of future cash flows responding to the re-examination of the development plan of the Block A mining area, and the reduction was recorded as impairment loss in other expenses.

The recoverable amount of the asset group was mainly measured at value in use and calculated by discounting the future cash flows at 10%.

For the year ended March 31, 2014, the Group recorded an impairment loss on the following asset group:

	Millions of yen
	2014
Business-use assets related to Yufutsu oil and gas field:	
Tomakomai, Hokkaido	
Buildings and structures	¥ 2,199
Wells	47
Machinery, equipment and vehicles	4,972
Other	763
Total	¥ 7,983

For the business-use assets related to the Yufutsu oil and gas field, the carrying amount of the business-use assets related to production operations was reduced to the recoverable amount due to the additional reduction in productivity identified through the revaluation of the field, and the reduction was recorded as impairment loss in other expenses.

The recoverable amount of the asset group was mainly measured at value in use and calculated by discounting the future cash flows at 10%.

17. Information on Related Party Transactions

(1) Related party transactions

Principal transactions between the Company and Sakhalin Oil and Gas Development Co., Ltd., the associate accounted for using the equity method, for the years ended March 31, 2015 and 2014 and related balances are as follows.

Transactions:	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Purchase of crude oil (*1)	**¥ 48,957**	¥ 56,269	**$ 407,975**

Balances:	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Accounts payable - trade	**¥ –**	¥ 8,291	**$ –**

Principal transactions between the Company and Kangean Energy Indonesia Ltd., the associate accounted for using the equity method, for the years ended March 31, 2015 and 2014 and related balances are as follows:

Transactions:	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Collection of loans (*2)	**¥ 10,317**	¥ 2,830	**$ 85,975**
Guarantee of obligation (*3)	**¥ 13,460**	¥ 14,314	**$ 112,166**

Balances:	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Short-term loans receivable	**¥ 2,868**	¥ 2,877	**$ 23,900**
Long-term loans receivable	**¥ 9,503**	¥ 16,708	**$ 79,191**

Principal transactions between the Company and EMP Exploration (Kangean) Ltd., the associate accounted for using the equity method, for the years ended March 31, 2015 and 2014 and related balances are as follows:

Financial Section

Transactions:	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Collection of loans (*2)	**¥ 6,878**	¥ 1,886	**$ 57,316**

Balances:	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Short-term loans receivable	**¥ 1,912**	¥ 1,918	**$ 15,933**
Long-term loans receivable	**¥ 6,335**	¥ 11,139	**$ 52,791**

(*1) Prices for purchase of crude oil from Sakhalin Oil and Gas Development Co., Ltd. are determined based on the market price.
(*2) The Company determines the reasonable interest rates of loans receivable from Kangean Energy Indonesia Ltd. and EMP Exploration (Kangean) Ltd. based on the market interest rates.
(*3) The Company provides Kangean Energy Indonesia Ltd. with a guarantee of an obligation for its production facilities and determines the reasonable guarantee fee rate considering the project plan. The amount of the transaction indicates the balance of the guaranty as of the year-end.

(2) Note to significant associates

For the years ended March 31, 2015 and 2014, the summarized financial information of all associates accounted for using the equity method (14 companies in 2015 and 2014), including a significant associate, Sakhalin Oil and Gas Development Co., Ltd., is as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Total current assets	**¥ 205,605**	¥ 194,930	**$1,713,375**
Total non-current assets	**183,271**	188,117	**1,527,258**
Total current liabilities	**114,312**	102,502	**952,600**
Total non-current liabilities	**149,130**	174,664	**1,242,750**
Total net assets	**125,434**	105,880	**1,045,283**
Net sales	**307,596**	284,986	**2,563,300**
Income before income taxes	**105,940**	103,260	**882,833**
Net income	**64,096**	69,148	**534,133**

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, 2015 and 2014.

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
	2015	2014	**2015**
Net income (loss) per share	**¥ 517.35**	¥ 507.68	**$ 4.31**
Net assets per share	**8,055.59**	7,389.62	**67.12**

Diluted net income per share is not disclosed due to the absence of dilutive shares for the years ended March 31, 2015 and 2014.

19. Cash Flow Information

Reconciliations between cash and cash equivalents in the consolidated statements of cash flows for the years ended March 31, 2015 and 2014 and cash and deposits in the consolidated balance sheets as of March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Cash and deposits	**¥ 92,956**	¥ 81,031	**$ 774,633**
Time deposits with maturities in excess of three months	**(2,584)**	(27,180)	**(21,533)**
Short-term investments with maturities of three months or less and others:			
Commercial papers	**9,999**	9,999	**83,325**
Repo with forward resale commitment	**8,998**	8,999	**74,983**
Money management fund and other	**33,287**	29,980	**277,391**
Cash and cash equivalents	**¥ 142,657**	¥ 102,830	**$1,188,808**

As of March 31, 2015, cash and deposit of ¥1,974 million ($16,450 thousand) were restricted by a bank issued bank guarantees for subsidiaries and associates.

20. Other Comprehensive Income

Reclassification adjustments and income tax benefit (expense) on components of other comprehensive income for the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Valuation difference on available-for-sale securities:			
Gains (losses) arising during the year	**¥ (1,331)**	¥ 10,179	**$ (11,091)**
Reclassification adjustments	**(105)**	(692)	**(875)**
Pre-tax amount	**(1,436)**	9,486	**(11,966)**
Income tax benefit (expense)	**2,750**	(2,943)	**22,916**
Valuation difference on available-for-sale securities	**1,313**	6,543	**10,941**
Deferred gains or losses on hedges:			
Gains (losses) arising during the year	**(147)**	(318)	**(1,225)**
Reclassification adjustments	**226**	(80)	**1,883**
Pre-tax amount	**79**	(399)	**658**
Income tax benefit (expense)	**(20)**	110	**(166)**
Deferred gains or losses on hedges	**58**	(288)	**483**
Foreign currency translation adjustment:			
Gains (losses) arising during the year	**9,985**	9,486	**83,208**
Remeasurements of defined benefit plans:			
Gains (losses) arising during the year	**1,117**	–	**9,308**
Reclassification adjustments	**107**	–	**891**
Pre-tax amount	**1,224**	–	**10,200**
Income tax benefit (expense)	**(362)**	–	**(3,016)**
Remeasurements of defined benefit plans	**861**	–	**7,175**
Share of other comprehensive income of entities accounted for using equity method:			
Gains (losses) arising during the year	**202**	57	**1,683**
Reclassification adjustments	**–**	(18)	**–**
Share of other comprehensive income of entities accounted for using equity method	**202**	39	**1,683**
Total other comprehensive income	**¥ 12,421**	¥ 15,781	**$ 103,508**

21. Segment Information

(1) Overview of reporting segments

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

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

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

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

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

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

(2) Basis of measurement for the amounts of 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

March 31, 2015	Reporting segment: Japan	Reporting segment: North America	Reporting segment: Middle East	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	¥ 280,711	¥ 22,729	¥ 1,469	¥ 304,911	¥ –	¥ 304,911	¥ –	¥ 304,911
Intersegment sales and transfers	7	–	38,044	38,052	–	38,052	(38,052)	–
Total sales	280,719	22,729	39,514	342,964	–	342,964	(38,052)	304,911
Segment profit (loss)	35,205	3,223	5,241	43,669	(1,038)	42,631	(10,484)	32,146
Segment assets	75,086	209,640	27,831	312,558	5,358	317,917	418,945	736,862
Other items:								
Depreciation and amortization	9,871	6,310	293	16,475	0	16,476	335	16,811
Amortization of goodwill	–	4	–	4	–	4	–	4
Share of profit (loss) of entities accounted for using equity method	2,912	(190)	(10)	2,711	9,230	11,941	55	11,996
Investments in entities accounted for using the equity method	771	2,416	717	3,904	29,197	33,102	0	33,102
Increase in property, plant and equipment and intangible assets	17,671	74,633	–	92,304	4,973	97,277	941	98,219

Millions of yen

March 31, 2014	Reporting segment: Japan	Reporting segment: North America	Reporting segment: Middle East	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	¥ 261,529	¥ 14,668	¥ 390	¥ 276,588	¥ –	¥ 276,588	¥ –	¥ 276,588
Intersegment sales and transfers	18	–	15,853	15,871	–	15,871	(15,871)	–
Total sales	261,547	14,668	16,244	292,460	–	292,460	(15,871)	276,588
Segment profit (loss)	31,607	1,897	2,263	35,767	(997)	34,770	(10,135)	24,634
Segment assets	68,458	133,134	30,568	232,160	3,814	235,975	427,063	663,038
Other items:								
Depreciation and amortization	12,383	2,650	48	15,082	–	15,082	485	15,567
Amortization of goodwill	–	48	52	100	–	100	–	100
Share of profit (loss) of entities accounted for using equity method	1,608	(162)	(2)	1,442	10,731	12,174	(33)	12,140
Investments in entities accounted for using the equity method	771	1,352	1,947	4,071	30,566	34,638	0	34,638
Increase in property, plant and equipment and intangible assets	8,388	118,604	–	126,993	–	126,993	247	127,241

	Thousands of U.S. dollars							
	Reporting segment				Other (Note 1)	Total	Adjustments and eliminations (Note 2)	Amounts on consolidated financial statements (Note 3)
March 31, 2015	Japan	North America	Middle East	Total				
Net sales:								
Sales to third parties	**$2,339,258**	**$ 189,408**	**$ 12,241**	**$2,540,925**	**$ –**	**$ 2,540,925**	**$ –**	**$ 2,540,925**
Intersegment sales and transfers	**58**	**–**	**317,033**	**317,100**	**–**	**317,100**	**(317,100)**	**–**
Total sales	**2,339,325**	**189,408**	**329,283**	**2,858,033**	**–**	**2,858,033**	**(317,100)**	**2,540,925**
Segment profit (loss)	**293,375**	**26,858**	**43,675**	**363,908**	**(8,650)**	**355,258**	**(87,366)**	**267,883**
Segment assets	**625,716**	**1,747,000**	**231,925**	**2,604,650**	**44,650**	**2,649,308**	**3,491,208**	**6,140,516**
Other items:								
Depreciation and amortization	**82,258**	**52,583**	**2,441**	**137,291**	**0**	**137,300**	**2,791**	**140,091**
Amortization of goodwill	**–**	**33**	**–**	**33**	**–**	**33**	**–**	**33**
Share of profit (loss) of entities accounted for using equity method	**24,266**	**(1,583)**	**(83)**	**22,591**	**76,916**	**99,508**	**458**	**99,966**
Investments in entities accounted for using the equity method	**6,425**	**20,133**	**5,975**	**32,533**	**243,308**	**275,850**	**0**	**275,850**
Increase in property, plant and equipment and intangible assets	**147,258**	**621,941**	**–**	**769,200**	**41,441**	**810,641**	**7,841**	**818,491**

Note 1: "Other" which does not belong to reporting segments includes the Southeast Asia and others.

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

(a) Segment profit (loss)

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Intersegment elimination	**¥ 16**	¥ 0	**$ 133**
Corporate expense (*)	**(10,500)**	(10,135)	**(87,500)**
Total	**¥ (10,484)**	¥ (10,135)	**$ (87,366)**

(*) "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
	2015	2014	**2015**
Intersegment elimination	**¥ (23)**	¥ (25)	**$ (191)**
Corporate assets (*1)	**5,290**	3,754	**44,083**
Other assets (*2)	**413,677**	423,334	**3,447,308**
Total	**¥ 418,945**	¥ 427,063	**$ 3,491,208**

(*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.

Note 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
	2015	2014	**2015**
Sales to third parties			
Crude oil	**¥ 121,240**	¥ 108,408	**$ 1,010,333**
Natural gas	**83,974**	71,584	**699,783**
LNG	**28,311**	26,202	**235,925**
Bitumen	**12,105**	10,962	**100,875**
Contract services	**10,487**	8,740	**87,391**
Oil products/merchandise	**41,040**	42,860	**342,000**
Other	**7,751**	7,830	**64,591**
Total	**¥ 304,911**	¥ 276,588	**$ 2,540,925**

(b) Information by geographical area

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Net sales:			
Japan	**¥ 191,885**	¥ 186,735	**$ 1,599,041**
Canada	**20,535**	13,494	**171,125**
Russia	**48,989**	56,299	**408,241**
Iraq	**39,540**	15,861	**329,500**
Other	**3,960**	4,198	**33,000**
Total	**¥ 304,911**	¥ 276,588	**$ 2,540,925**

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Property, plant and equipment:			
Japan	**¥ 78,922**	¥ 71,331	**$ 657,683**
Canada	**202,249**	127,492	**1,685,408**
Other	**8,546**	1,728	**71,216**
Total	**¥ 289,718**	¥ 200,552	**$ 2,414,316**

(c) Information by major customer

Information by major customer is omitted since there were 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, 2015 and 2014.

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

	Reporting segment					
March 31, 2015	Japan	North America	Middle East	Other (*1)	Corporate/ eliminations	Total
						Millions of yen
Impairment loss	**¥ 18**	**¥ –**	**¥ –**	**¥ 3,987**	**¥ –**	**¥ 4,006**

	Reporting segment					
March 31, 2014	Japan	North America	Middle East	Other	Corporate/ eliminations	Total
						Millions of yen
Impairment loss	¥ 7,983	¥ –	¥ –	¥ –	¥ –	¥ 7,983

	Reporting segment					
March 31, 2015	Japan	North America	Middle East	Other (*1)	Corporate/ eliminations	Total
						Thousands of U.S. dollars
Impairment loss	**$ 150**	**$ –**	**$ –**	**$33,225**	**$ –**	**$ 33,383**

(*1) The amount of “Other” for the year ended March 31, 2015 is related to the business in Southeast Asia.

EY
Building a better working world

Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.
2-2-3 Uchisaiwai-cho, Chiyoda-ku
Tokyo, Japan 100-0011

Tel: +81 3 3503 1100
Fax: +81 3 3503 1197
www.shinnihon.or.jp

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, 2015, 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, 2015, 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 L.L.C.

June 24, 2015
Tokyo, Japan

Financial Section

Principal Consolidated Subsidiaries and Equity-Method Affiliates

(As of March 31, 2015)

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 and insurance 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	33,000 (Thousands of U.S. dollars)	100.00
Japan Canada Oil Sands Ltd. *1, *3	Exploration, development and production of oil sands in Canada under a block lease agreement	699,570 (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 Ltd.	12,787	93.28 (1.34)
JAPEX Montney Ltd. *1	Exploration, development and production of shale gas in Canada	826,725 (Thousands of Canadian dollars)	50.00
JAPEX UK E&P Ltd.	Exploration, development and production of offshore petroleum in the U.K.'s North Sea	28,000 (British pounds)	100.00
JAPEX UK E&P CENTRAL Ltd.	Exploration, development and production of offshore petroleum in the U.K.'s North Sea	8,500 (British pounds)	100.00
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. *1	Exploration, development and production of petroleum on the island of Sumatra in Indonesia	2,540	100.00
Japex Philippines Ltd.	Exploration, development and production of offshore petroleum in the Philippines	2,900	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 Oil Field in Iraq	25,930	55.00

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
JJI S&N B.V.	Development and production of offshore petroleum in the Persian Gulf	36,883 (Thousands of euro)	41.67
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 the eastern onshore region of Kalimantan Island	5,080	3.43
Sakhalin Oil and Gas Development Co., Ltd.	Exploration, development and production of petroleum in and Sakhalin in Russia	22,592	15.29
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 the east coast of Java in Indonesia	52,000 (Thousands of U.S. dollars)	25.00
Kangean Energy Indonesia Ltd. *2, *4	Exploration, development and production of petroleum in the east coast of Java in Indonesia	10 (Thousands of U.S. dollars)	— [100.00]
EMP Exploration (Kangean) Ltd. *2, *4	Exploration, development and production of petroleum in the east coast of Java in 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 euro)	20.00 (20.00)
Japan CBM Limited *7	Exploration, development and production of coal bed methane in the eastern onshore region of Kalimantan Island in Indonesia	690	40.12

Notes:
*1 Specified subsidiaries.
*2 Square 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 Companies that produce Annual Securities Reports.
*6 Companies whose net sales exceed 10% of consolidated net sales.
*7 Japan CBM Limited was dissolved on August 31, 2015

Corporate Data

Corporate Information (As of March 31, 2015)

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	1,818 (Consolidated)
Principal Businesses	Exploration, development and sales of oil, natural gas, and other energy resources and contract service-related operations such as drilling
Main Offices	Headquarters (see below), Hokkaido, Akita, Nagaoka, Research Center (Chiba), London,Dubai, Houston, Beijing, Jakarta
Headquarters	SAPIA Tower, 1-7-12 Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan TEL: +81-3-6268-7000 FAX: +81-3-6268-7300 URL: http://www.japex.co.jp/english/index.html

Directors, Auditors and Officers (As of June 24, 2015)

Chairman	Yuji Tanahashi
President Chief Executive Officer	Osamu Watanabe
Executive Vice President Executive Officers	Shoichi Ishii Kiyoshi Ogino
Senior Managing Director Executive Officers	Nobuyuki Ogura Kazuo Nakayama Hikaru Fukasawa
Managing Director Executive Officers	Yosuke Higai Shigeru Mitsuya Motofumi Hyodo Yasuhiro Masui Kazuhiko Ozeki
Directors	Yoriko Kawaguchi Akira Kojima
Corporate Auditors	Nobuaki Moritani Morio Ishizeki
Outside Corporate Auditors	Hiroyasu Watanabe Norio Nakajima
Special Advisor	Ajay Singh
Managing Executive Officers	Takahisa Inoue Hajime Ito Hirotaka Tanaka Toshiyuki Hirata
Executive Officers	Yoya Murahashi Yasushi Hamada Michiro Yamashita Yoshitaka Ishii Akihisa Takahashi Tamio Wachi Ryuhei Murayama Hideaki Ishii Kunio Suga

Notes:
1. Director Yoriko Kawaguchi and Akira Kojima are outside directors as stipulated under Article 2-15 of the Companies Act.
2. Corporate auditors Hiroyasu Watanabe and Norio Nakajima are outside corporate auditors as stipulated under Article 2-16 of the Companies Act.

Stock Information (As of March 31, 2015)

Exchange Listing	Tokyo Stock Exchange, First Section (Securities Code Number: 1662)
Common Stock (Authorized)	120,000,000 shares
Common Stock (Issued)	57,154,776 shares
Number of Shareholders	15,572
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	Number of Shares	Voting Rights (%)
The Minister of Economy, Trade and Industry	19,432,724	34.00
INPEX CORPORATION	2,852,212	4.99
JFE Engineering Corporation	1,848,012	3.23
The Master Trust Bank of Japan, Ltd. (Trust)	1,555,800	2.72
Japan Trustee Services Bank, Ltd. (Trust)	1,332,100	2.33
JX Holdings, Inc.	1,149,984	2.01
STATE STREET BANK AND TRUST COMPANY 505103	889,771	1.56
DEUTSCHE MORGAN GRENFELL (C.I.) LIMITED – GENERAL CLIENT A/C	722,266	1.26
Mizuho Bank, Ltd.	720,152	1.26
NIPPON STEEL & SUMITOMO METAL CORPORATION	610,316	1.07

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

Japan Petroleum Exploration Co., Ltd.
Investor Relations Group,
Media and Investor Relations Dept.

TEL: +81-3-6268-7111
FAX: +81-3-6268-7300

JAPEX

Japan Petroleum Exploration Co., Ltd.

MIX
Paper from responsible sources
FSC® C017928
FSC
www.fsc.org

VEGETABLE OIL INK

Waterless
Printing Naturally.

This report has been printed using environmentally friendly paper from FSC®-certified forests and vegetable-based ink.
Moreover, the printing process used a waterless system that does not emit wastewater.

2015.11 Printed in Japan