JAPEX

Japan Petroleum Exploration Co., Ltd.

Corporate Report 2018

Financial Data Book

For the year ended March 31, 2018

(From April 1, 2017 to March 31, 2018)

Contents

Management's Discussion and Analysis

Scope of Operations

The JAPEX Group comprises, as of March 31, 2018, JAPEX, 23 consolidated subsidiaries, and other Group companies. The core of its business activities are crude oil and natural gas-related operations. In addition to its business activities in Japan, the JAPEX Group is conducting business overseas through its project companies established at each business base.

Overview of Financial Position and Operating Results

In fiscal year (FY) 2018/3, ended March 31, 2018, net sales were at ¥230,629 million, an increase of ¥23,499 million (+11.3%) year on year, and gross profit was at ¥39,263 million, an increase of ¥7,090 million (+22.0%), compared with the previous fiscal year. The main factors behind the year-on-year increases in net sales and gross profit were rises in sales price of crude oil and natural gas.

Exploration expenses was ¥1,324 million, a decrease of ¥188 million (-12.4%) year on year. This was mainly the result of a considerable decrease of expenditures primarily overseas. Selling, general and administrative expenses was ¥29,173 million, a decrease of ¥801 million (-2.7%) year on year. As a result, operating profit was ¥8,764 million, an increase of ¥8,079 million (+1,179.5%) year on year.

At Japan Canada Oil Sands Limited (JACOS), following the decision not to restart operation of bitumen production using the SAGD process in the 3.75 Section Area (hereinafter "the DEMO Area") at the Hangingstone leases in the province of Alberta, Canada, the property, plant and equipment relating to the DEMO Area was depreciated by the unit-of-production method and was posted to depreciation of inactive non-current assets. Because of this and other negative factors, despite a significant increase in operating profit, ordinary profit was ¥3,828 million, an increase of ¥1,606 million (+72.3%) year on year.

Following the decision not to proceed with the Pacific NorthWest LNG Project (hereinafter "the PNW LNG Project"), the development plan of the shale gas project (hereinafter "the Upstream Project") was revised without the assumption of the PNW LNG Project. As a result, due to the posting of impairment loss on the asset of JAPEX Montney Ltd. (JML) relating to the Upstream Project, and the posting of cancellation expenses of the pipeline construction plan relating to the PNW LNG Project as other in extraordinary losses, loss before income taxes increased by ¥72,596 million to ¥69,403 million year on year, and profit attributable to owners of parent decreased ¥34,401 million year on year to loss attributable to owners of parent of ¥30,958 million.

Total assets at the end of FY2018/3 decreased by ¥47,200 million from the previous fiscal year-end to ¥699,539 million.

Current assets increased by ¥7,943 million from the previous fiscal year-end, mainly due to increases in cash and deposits, and in short-term loans receivable. Non-current assets decreased by ¥55,143 million from the previous fiscal year-end. This was due to the decline in property, plant and equipment resulting from the impairment loss of business assets of JML, progress in the recovery of recoverable accounts included in other in investments and other assets, and other factors, despite the increase in investment securities resulting from the rise in market values and other factors.

Total liabilities increased by ¥6,201 million from the previous fiscal year-end to ¥242,331 million.

Current liabilities increased by ¥7,716 million from the previous fiscal year-end, mainly due to an increase in short-term loans payable included in other in current liabilities. Non-current liabilities decreased by ¥1,514 million from the previous fiscal year-end. This was mainly due to the increase of deferred tax liabilities resulting from the above-mentioned rise in market values of investment securities, despite the decrease mainly due to the impact of fluctuation in foreign exchange rates and the reclassification of loans payable with repayments due in one year or less to current liabilities in long-term loans payable.

Total net assets decreased by ¥53,402 million year on year, to ¥457,207 million.

The main factors were decreases in non-controlling interests and retained earnings, despite an increase in valuation difference on available-for-sale securities.

Cash Flows

As of March 31, 2018, cash and cash equivalents (hereinafter "net cash") decreased by ¥3,737 million compared with the end of the previous fiscal year, to ¥99,892 million. Below is a summary of cash flows for each activity.

Cash flows from operating activities

Net cash provided by operating activities amounted to ¥52,881 million. The main factors were loss before income taxes of ¥69,403 million, impairment loss of ¥67,721 million, ¥27,381 million in recovery of recoverable accounts, ¥23,370 million in depreciation, and proceeds from subsidy income related to the Soma LNG terminal construction of ¥5,000 million.

Cash flows from investing activities
Net cash used in investing activities amounted to ¥54,218 million. Net cash was mainly used in purchase of property, plant and equipment of ¥42,534 million, payments into time deposits of ¥28,458 million and payments of recoverable accounts of ¥15,091 million, while net cash was mainly provided by proceeds from withdrawal of time deposits of ¥18,228 million, interest and dividend income received of ¥8,873 million and collection of loans receivable of ¥4,456 million.

Cash flows from financing activities
Net cash used in financing activities was ¥1,196 million. Net cash was mainly used in repayments of long-term loans payable of ¥4,760 million and interest expenses paid of ¥1,862 million, while net cash was mainly provided by an increase in short-term loans payable of ¥5,455 million.

Exchange Rates and Crude Oil Prices
The average unit sales price of crude oil received by JAPEX during FY2018/3 was ¥38,007 per kiloliter, an increase of ¥7,515 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.

The weighted average price of crude oil based on the Japan Crude Cocktail (JCC) price was $56.20 per barrel, an increase of $10.59 from the level per barrel of the previous fiscal year. Compared with the previous fiscal year, the yen depreciated ¥3.14 versus the US dollar, for a weighted average exchange rate of ¥111.67.

The Group's average crude oil sales price increased compared with FY2017/3 as a result of the increases in dollar-denominated crude oil prices shown above and 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.

The weighted average unit sales price of diluted bitumen was $39.63 per barrel.

Capital Expenditures and Depreciation
Capital expenditures decreased ¥26,583 million year on year, to ¥41,802 million. Major components of these expenditures included investments related to oil sands development in Canada. Depreciation and amortization increased ¥7,679 million year on year, to ¥23,370 million.

Payments of recoverable accounts fell ¥6,441 million year on year, to ¥15,015 million, mainly for development of the Garraf Oil Field in Iraq, and recovery of recoverable accounts totaled ¥27,381 million, an increase of ¥943 million from the previous fiscal year.

Exploration Activities
Exploration expenses declined ¥188 million year on year, to ¥1,324 million.

The decrease in exploration expenses is mainly attributable to a reduction in exploratory drilling in the U.K. North Sea Offshore Block in our overseas operations.

Net Sales
In FY2018/3, net sales in the E&P business amounted to ¥176,051 million, accounting for 76.3% of the total. Net sales of Contract Services were ¥8,484 million, or 3.7% of the total. Net sales of the Other businesses were ¥46,093 million, or 20.0% 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 decreased 324 thousand kiloliters, or 12.1%, compared with FY2017/3 to 2,346 thousand kiloliters, mainly due to a decrease in oil sales volume for the Garraf Oil Field in Iraq. Nevertheless, crude oil sales increased ¥7,744 million, or 9.5% year on year, to ¥89,173 million owing to rising crude oil sales prices.

Natural gas sales volume decreased 91 million cubic meters, or 4.9%, year on year, to 1,773 million cubic meters. This volume decline mainly reflected factors such as a decrease in sales volume of the North Montney region in Canada. However, sales of natural gas increased ¥5,101 million, or 9.2%, year on year, to ¥60,431 million, as the unit sales price of natural gas increased ¥4.41 per cubic meter year on year, to ¥34.08 per cubic meter.

LNG sales volume decreased 17 thousand tons, or 4.4%, year on year, to 380 thousand tons, and LNG sales rose ¥1,656 million, or 8.2%, to ¥21,935 million.

As a result of having started production operations of development project in the JACOS Hangingstone lease area, diluted bitumen sales volume was 160 thousand kiloliters, an increase of 68 thousand kiloliters, or 74.8% year on year, in comparison with bitumen in the DEMO Area in FY2017/3, and diluted bitumen sales increased ¥3,842 million, or 573.8% year on year, to ¥4,512 million.

Operating Expenses
The cost of sales increased ¥16,408 million compared with the previous fiscal year, to ¥191,366 million.

This was mainly the result of increases in the purchase price of LNG accompanying an increase in the CIF price for LNG as a result of the rise in crude oil prices.

Selling, general, and administrative (SG&A) expenses declined ¥801 million from the previous fiscal year, to ¥29,173 million.

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

As a result, operating income increased ¥8,079 million compared with FY2017/3, to ¥8,764 million.

Non-operating Income (Loss)

Total non-operating income increased ¥792 million year on year, to ¥8,806 million, mainly owing to an increased gain on sales of securities, and despite a decrease in foreign exchange gains.

Non-operating expenses were ¥13,743 million, increasing ¥7,265 million compared with the previous fiscal year mainly as a result of having posted depreciation of inactive non-current assets with respect to JACOS, upon depreciating property, plant and equipment relating to the DEMO Area using the unit-of-production method, in accordance with the decision to discontinue operation of bitumen production using the SAGD process in the DEMO Area.

As a result, ordinary income increased ¥1,606 million compared with FY2017/3, to ¥3,828 million.

Extraordinary Gain (Loss)

JAPEX recorded extraordinary income of ¥5,002 million, up ¥3,701 million from FY2017/3, as a result of such factors as subsidy income.

Extraordinary losses, meanwhile, increased ¥77,903 million year on year, to ¥78,234 million. The increase was largely a result of having recorded an impairment loss on project assets relating to the PNW LNG Project involving JML, while also having posted cancellation expenses with respect to pipeline construction plans relating to the PNW LNG Project as other in extraordinary losses, upon having revised development plans to account for the Upstream Project no longer being subject to PNW LNG Project assumptions, following the decision not to proceed with the PNW LNG Project.

As a result of the above, JAPEX recorded a loss before income taxes of ¥69,403 million, for a ¥72,596 million decrease in profit in comparison with the previous fiscal year.

Profit Attributable to Owners of Parent

Current and deferred income taxes amounted to ¥239 million, a ¥1,402 million decrease compared with the previous fiscal year. Meanwhile, loss attributable to non-controlling interests was ¥38,683 million (compared to loss attributable to non-controlling interests in FY2017/03 of ¥1,892 million).

As a result of the above, after deducting income taxes and non-controlling interests, JAPEX recorded loss attributable to owners of parent of ¥30,958 million, a decrease in profit of ¥34,401 million compared with the previous fiscal year.

Financial Policy

The following section describes practices of the JAPEX Group with respect to its capital resources and liquidity:

The JAPEX Group’s financing needs primarily consist of funds used as working capital with respect to its operating activities and funds for capital investment and overseas investment with respect to its investing activities.

Although working capital is primarily procured using internal funds, the JAPEX Group curtails its interest-bearing debt by arranging intercompany loans such as those using CMS (cash management systems) in an effort to improve funding efficiency. In addition, JAPEX had also, as of the end of FY2018/3, entered into overdraft agreements and loan commitment agreements in a total amount of ¥134,061 million with seven of its banking partners for the purpose of efficiently procuring working capital.

With funds used for capital investments and overseas investments, when the investment amount warrants 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 (including loans payable within one year) as of the end of FY2018/3 was ¥140,769 million. The primary components were ¥8,499 million in loans as capital for development of the Kangean Block in Indonesia and ¥67,407 million and ¥61,052 million, respectively, in loans as capital for oil sands development and shale gas development in Canada.

In addition, as of the end of FY2018/3, the JAPEX Group maintained contingent liabilities totaling ¥18,076 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 the basic policy on profit distribution to maintain long-term and stable dividends for shareholders. As a company with the role of providing a stable supply of oil and natural gas essential for the function of society, the specific dividend amount is set after giving comprehensive consideration to investments aimed at securing new, proved reserves worldwide and retaining earnings to fund development and expansion of our supply infrastructure in light of the medium to long-term outlook for the business environment. In addition to the above, we need to consider the level of earnings for each fiscal year and any future funding needs from the perspective of strengthening our financial standing in the midst of the recent deterioration in our consolidated results due to the decline in oil prices.

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

Based on this policy, we decided to issue the annual dividend for FY2018/3 of ¥20 per share (interim dividend of ¥10 per share and a year-end dividend of ¥10 per share).

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

CONSOLIDATED BALANCE SHEET

Japan Petroleum Exploration Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2018**	2017	**2018**
Current assets:			
Cash and deposits (Notes 11 and 20)	**¥ 115,313**	¥ 109,488	**$ 1,087,858**
Notes and accounts receivable - trade (Note 11)	**26,073**	28,283	**245,971**
Securities (Notes 4, 11 and 20)	**2,200**	1,302	**20,754**
Merchandise and finished goods (Note 3)	**5,447**	4,282	**51,386**
Work in process (Note 3)	**381**	84	**3,594**
Raw materials and supplies (Note 3)	**5,524**	5,414	**52,113**
Deferred tax assets (Note 7)	**151**	143	**1,424**
Short-term loans receivable (Note 11)	**6,449**	4,348	**60,839**
Other	**7,796**	8,042	**73,547**
Less — allowance for doubtful accounts	**(34)**	(31)	**(320)**
Total current assets	**169,302**	161,359	**1,597,188**
Non-current assets:			
Property, plant and equipment (Notes 5 and 17):			
Land	**16,783**	16,736	**158,330**
Buildings and structures	**328,212**	170,341	**3,096,339**
Wells	**116,387**	113,166	**1,097,990**
Machinery, equipment and vehicles	**116,313**	117,045	**1,097,292**
Construction in progress	**71,936**	217,984	**678,641**
Other	**30,906**	79,292	**291,566**
Less — accumulated depreciation	**(351,050)**	(330,776)	**(3,311,792)**
Total property, plant and equipment	**329,490**	383,790	**3,108,396**
Intangible assets:			
Other	**8,226**	8,487	**77,603**
Total intangible assets	**8,226**	8,487	**77,603**
Investments and other assets:			
Investment securities (Notes 4 and 11)	**167,342**	148,237	**1,578,698**
Long-term loans receivable (Note 11)	**4,547**	11,672	**42,896**
Deferred tax assets (Note 7)	**7,669**	4,668	**72,349**
Defined benefit asset (Note 8)	**1,451**	954	**13,688**
Other (Note 4)	**13,540**	30,171	**127,735**
Less — allowance for doubtful accounts	**(50)**	(51)	**(471)**
Less — allowance for overseas investment loss	**(1,982)**	(2,549)	**(18,698)**
Total investments and other assets	**192,519**	193,102	**1,816,216**
Total non-current assets	**530,236**	585,380	**5,002,226**
Total assets	**¥ 699,539**	¥ 746,739	**$ 6,599,424**

See notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of yen 2018	Millions of yen 2017	Thousands of U.S. dollars (Note 1) 2018
Current liabilities:			
Notes and accounts payable - trade (Note 11)	**¥ 13,544**	¥ 13,634	**$ 127,773**
Provision for directors' bonuses	**20**	24	**188**
Other (Notes 6 and 7)	**32,062**	24,252	**302,471**
Total current liabilities	**45,627**	37,911	**430,443**
Non-current liabilities:			
Long-term loans payable (Notes 6 and 11)	**135,959**	141,903	**1,282,632**
Deferred tax liabilities (Note 7)	**34,872**	29,497	**328,981**
Provision for directors' retirement benefits	**83**	69	**783**
Defined benefit liability (Note 8)	**3,496**	3,572	**32,981**
Asset retirement obligations (Note 13)	**18,664**	18,292	**176,075**
Other (Note 6)	**3,628**	4,882	**34,226**
Total non-current liabilities	**196,704**	198,218	**1,855,698**
Total liabilities	**242,331**	236,129	**2,286,141**
Commitment and contingent liabilities (Notes 10, 12 and 14)			
Net assets (Note 9)**:**			
Shareholders' equity:			
Capital stock:			
Authorized — 120,000,000 shares			
Issued — 57,154,776 shares as of March 31, 2018 and 2017	**14,288**	14,288	**134,792**
Capital surplus	**183**	183	**1,726**
Retained earnings	**315,631**	345,693	**2,977,650**
Treasury shares; 2,139 shares as of March 31, 2018 and 2017	**(10)**	(10)	**(94)**
Total shareholders' equity	**330,093**	360,155	**3,114,084**
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	**86,667**	69,832	**817,613**
Deferred gains or losses on hedges	**3**	(226)	**28**
Foreign currency translation adjustment	**5,149**	7,301	**48,575**
Remeasurements of defined benefit plans	**1,152**	455	**10,867**
Total accumulated other comprehensive income	**92,973**	77,363	**877,103**
Non-controlling interests	**34,140**	73,091	**322,075**
Total net assets	**457,207**	510,609	**4,313,273**
Total liabilities and net assets	**¥ 699,539**	¥ 746,739	**$ 6,599,424**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

Japan Petroleum Exploration Co., Ltd. and Consolidated Subsidiaries
Year ended March 31, 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	**2018**
Net sales	**¥ 230,629**	¥ 207,130	**$ 2,175,745**
Cost of sales (Note 3)	**191,366**	174,957	**1,805,339**
Gross profit	**39,263**	32,172	**370,405**
Exploration expenses	**1,380**	1,847	**13,018**
Exploration subsidies	**(55)**	(334)	**(518)**
	1,324	1,512	**12,490**
Selling, general and administrative expenses (Note 16)	**29,173**	29,975	**275,216**
Operating profit	**8,764**	685	**82,679**
Other income (expenses):			
Interest income	**1,382**	1,243	**13,037**
Dividend income	**2,422**	2,301	**22,849**
Gain (loss) on sales of securities, net	**1,349**	89	**12,726**
Share of profit (loss) of entities accounted for using equity method	**(2,601)**	(4,255)	**(24,537)**
Depreciation of inactive non-current assets (Note 22)	**(7,797)**	–	**(73,556)**
Foreign exchange gains (losses)	**2,710**	3,444	**25,566**
Interest expenses	**(2,178)**	(1,245)	**(20,547)**
Gain on sales of non-current assets	**2**	892	**18**
Gain on transfer of mining rights	**–**	403	**–**
Loss on retirement of non-current assets	**(74)**	(90)	**(698)**
Subsidy income (Note 5)	**5,000**	–	**47,169**
Impairment loss (Note 17)	**(67,721)**	(62)	**(638,877)**
Loss on business liquidation	**–**	(177)	**–**
Other, net	**(10,662)**	(35)	**(100,584)**
	(78,167)	2,507	**(737,424)**
Profit (loss) before income taxes	**(69,403)**	3,192	**(654,745)**
Income taxes (Note 7)**:**			
Income taxes - current	**4,392**	2,619	**41,433**
Income taxes - deferred	**(4,153)**	(977)	**(39,179)**
	239	1,642	**2,254**
Profit (loss)	**(69,642)**	1,550	**(657,000)**
Loss attributable to non-controlling interests	**(38,683)**	(1,892)	**(364,933)**
Profit (loss) attributable to owners of parent (Note 19)	**¥ (30,958)**	¥ 3,443	**$ (292,056)**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Japan Petroleum Exploration Co., Ltd. and Consolidated Subsidiaries
Year ended March 31, 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	**2018**
Profit (loss)	**¥ (69,642)**	¥ 1,550	**$ (657,000)**
Other comprehensive income (Note 21)**:**			
Valuation difference on available-for-sale securities	**16,791**	19,302	**158,405**
Deferred gains or losses on hedges	**242**	(244)	**2,283**
Foreign currency translation adjustment	**32**	(4,283)	**301**
Remeasurements of defined benefit plans	**632**	267	**5,962**
Share of other comprehensive income of entities accounted for using equity method	**(826)**	(297)	**(7,792)**
Changes in equity interest	**2,040**	(2,103)	**19,245**
Total other comprehensive income	**18,912**	12,640	**178,415**
Comprehensive income	**¥ (50,729)**	¥ 14,191	**$ (478,575)**
Comprehensive income attributable to:			
Owners of parent	**¥ (13,308)**	¥ 16,564	**$ (125,547)**
Non-controlling interests	**(37,421)**	(2,372)	**(353,028)**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Japan Petroleum Exploration Co., Ltd. and Consolidated Subsidiaries
Year ended March 31, 2018

	Millions of yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of April 1, 2016	¥ 14,288	¥ 157	¥ 345,674	¥ (10)	¥ 360,109
Dividends from surplus			(1,714)		(1,714)
Profit attributable to owners of parent			3,443		3,443
Change in ownership interest of parent due to transactions with non-controlling interests		26			26
Change of scope of equity method			393		393
Changes in equity interest			(2,103)		(2,103)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	26	19	–	45
Balance as of April 1, 2017	**14,288**	**183**	**345,693**	**(10)**	**360,155**
Dividends from surplus			**(1,143)**		**(1,143)**
Loss attributable to owners of parent			**(30,958)**		**(30,958)**
Changes in equity interest			**2,040**		**2,040**
Net changes of items other than shareholders' equity					
Total changes of items during period	**–**	**–**	**(30,061)**	**–**	**(30,061)**
Balance as of March 31, 2018	**¥ 14,288**	**¥ 183**	**¥ 315,631**	**¥ (10)**	**¥ 330,093**

	Millions of yen						
	Accumulated other comprehensive income						
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance as of April 1, 2016	¥ 50,554	¥ 3	¥ 10,087	¥ 253	¥ 60,899	¥ 74,308	¥ 495,317
Dividends from surplus							(1,714)
Profit attributable to owners of parent							3,443
Change in ownership interest of parent due to transactions with non-controlling interests							26
Change of scope of equity method							393
Changes in equity interest							(2,103)
Net changes of items other than shareholders' equity	19,277	(229)	(2,786)	201	16,463	(1,216)	15,247
Total changes of items during period	19,277	(229)	(2,786)	201	16,463	(1,216)	15,292
Balance as of April 1, 2017	**69,832**	**(226)**	**7,301**	**455**	**77,363**	**73,091**	**510,609**
Dividends from surplus							**(1,143)**
Loss attributable to owners of parent							**(30,958)**
Changes in equity interest							**2,040**
Net changes of items other than shareholders' equity	**16,834**	**229**	**(2,151)**	**697**	**15,610**	**(38,950)**	**(23,340)**
Total changes of items during period	**16,834**	**229**	**(2,151)**	**697**	**15,610**	**(38,950)**	**(53,402)**
Balance as of March 31, 2018	**¥ 86,667**	**¥ 3**	**¥ 5,149**	**¥ 1,152**	**¥ 92,973**	**¥ 34,140**	**¥ 457,207**

See notes to consolidated financial statements.

	Thousands of U.S. dollars (Note 1)				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of April 1, 2017	**$ 134,792**	**$ 1,726**	**$ 3,261,254**	**$ (94)**	**$ 3,397,688**
Dividends from surplus			**(10,783)**		**(10,783)**
Loss attributable to owners of parent			**(292,056)**		**(292,056)**
Changes in equity interest			**19,245**		**19,245**
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	**(283,594)**	–	**(283,594)**
Balance as of March 31, 2018	**$ 134,792**	**$ 1,726**	**$ 2,977,650**	**$ (94)**	**$ 3,114,084**

	Thousands of U.S. dollars (Note 1)						
	Accumulated other comprehensive income						
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance as of April 1, 2017	**$ 658,792**	**$ (2,132)**	**$ 68,877**	**$ 4,292**	**$ 729,839**	**$ 689,537**	**$ 4,817,066**
Dividends from surplus							**(10,783)**
Loss attributable to owners of parent							**(292,056)**
Changes in equity interest							**19,245**
Net changes of items other than shareholders' equity	**158,811**	**2,160**	**(20,292)**	**6,575**	**147,264**	**(367,452)**	**(220,188)**
Total changes of items during period	**158,811**	**2,160**	**(20,292)**	**6,575**	**147,264**	**(367,452)**	**(503,792)**
Balance as of March 31, 2018	**$ 817,613**	**$ 28**	**$ 48,575**	**$ 10,867**	**$ 877,103**	**$ 322,075**	**$ 4,313,273**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Japan Petroleum Exploration Co., Ltd. and Consolidated Subsidiaries
Year ended March 31, 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	**2018**
Cash provided by (used in) operating activities:			
Profit (loss) before income taxes	**¥ (69,403)**	¥ 3,192	**$ (654,745)**
Depreciation and amortization	**23,370**	15,690	**220,471**
Impairment loss	**67,721**	62	**638,877**
Loss on retirement of property, plant and equipment	**46**	86	**433**
Loss (gain) on valuation of short-term and long-term investment securities	**284**	10	**2,679**
Increase (decrease) in allowance for doubtful accounts	**1**	(6)	**9**
Decrease (increase) in defined benefit asset	**(497)**	(65)	**(4,688)**
Increase (decrease) in defined benefit liability	**(76)**	(1)	**(716)**
Increase (decrease) in provision for directors' retirement benefits	**14**	(18)	**132**
Increase (decrease) in allowance for overseas investment loss	**(566)**	(298)	**(5,339)**
Interest and dividend income	**(3,805)**	(3,545)	**(35,896)**
Interest expenses	**2,178**	1,245	**20,547**
Foreign exchange losses (gains)	**(3,003)**	(1,426)	**(28,330)**
Loss (gain) on sales of short-term and long-term investment securities	**(1,349)**	(89)	**(12,726)**
Share of loss (profit) of entities accounted for using equity method	**2,601**	4,255	**24,537**
Recovery of recoverable accounts	**27,381**	26,437	**258,311**
Decrease (increase) in notes and accounts receivable - trade	**2,209**	(3,648)	**20,839**
Decrease (increase) in inventories	**(1,571)**	(1,219)	**(14,820)**
Increase (decrease) in notes and accounts payable - trade	**844**	3,055	**7,962**
Increase (decrease) in accrued consumption taxes	**481**	(1,232)	**4,537**
Other, net	**2,742**	3,651	**25,867**
Subtotal	**49,602**	46,135	**467,943**
Proceeds from subsidy income	**5,000**	–	**47,169**
Income taxes (paid) refund	**(1,721)**	(2,463)	**(16,235)**
Net cash provided by (used in) operating activities	**52,881**	43,672	**498,877**
Cash provided by (used in) investing activities:			
Payments into time deposits	**(28,458)**	(7,249)	**(268,471)**
Proceeds from withdrawal of time deposits	**18,228**	946	**171,962**
Proceeds from sales and redemption of securities	**0**	398	**0**
Purchase of property, plant and equipment	**(42,534)**	(70,250)	**(401,264)**
Proceeds from sales of property, plant and equipment	**94**	951	**886**
Purchase of intangible assets	**(290)**	(323)	**(2,735)**
Payments for asset retirement obligations	**(712)**	(294)	**(6,716)**
Purchase of investment securities	**(70)**	(135)	**(660)**
Proceeds from sales and redemption of investment securities	**1,350**	2,645	**12,735**
Payments for investments in capital	**(198)**	(339)	**(1,867)**
Payments of recoverable accounts	**(15,091)**	(21,380)	**(142,367)**
Payments of loans receivable	**(20)**	(24)	**(188)**
Collection of loans receivable	**4,456**	1,082	**42,037**
Interest and dividend income received	**8,873**	5,511	**83,707**
Proceeds from dividends of residual property	**9**	–	**84**
Proceeds from capital reduction of investments	**208**	3,526	**1,962**
Other, net	**(63)**	250	**(594)**
Net cash provided by (used in) investing activities	**(54,218)**	(84,686)	**(511,490)**
Cash provided by (used in) financing activities:			
Increase in short-term loans payable	**5,455**	–	**51,462**
Proceeds from long-term loans payable	**3,221**	20,385	**30,386**
Repayments of long-term loans payable	**(4,760)**	–	**(44,905)**
Cash dividends paid	**(1,144)**	(1,716)	**(10,792)**
Dividends paid to non-controlling interests	**(1,529)**	(315)	**(14,424)**
Interest expenses paid	**(1,862)**	(896)	**(17,566)**
Repayments of lease obligations	**(577)**	(594)	**(5,443)**
Proceeds from share issuance to non-controlling shareholders	**–**	1,498	**–**
Net cash provided by (used in) financing activities	**(1,196)**	18,360	**(11,283)**
Effect of exchange rate change on cash and cash equivalents	**(1,204)**	(286)	**(11,358)**
Net increase (decrease) in cash and cash equivalents	**(3,737)**	(22,940)	**(35,254)**
Cash and cash equivalents at beginning of period	**103,630**	126,570	**977,641**
Cash and cash equivalents at end of period (Note 20)	**¥ 99,892**	¥ 103,630	**$ 942,377**

See notes to consolidated financial statements.

1. Basis of Presenting Consolidated Financial Statements

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

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

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

As permitted by the regulations under the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen have been 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 ¥106 = U.S. $1, the approximate rate of exchange at March 31, 2018, 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, 2018 include the accounts of the Company and its 23 (23 in 2017) 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, 2018, 12 (14 in 2017) 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 non-controlling 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 non-controlling interests are translated into yen at their historical exchange rates.

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

(3) Cash and cash equivalents

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

(4) Securities and investment securities

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

(5) Inventories

Merchandise and finished goods are mainly stated at the lower of cost determined by the first-in, first-out method or 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 and facilities attached to buildings and structures of certain domestic consolidated subsidiaries acquired on or after April 1, 2016 as well as the Sendai pipelines, the Shiroishi-Koriyama gas pipelines, Soma-Iwanuma gas pipelines and assets of the Hokkaido District 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 2017) 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 2017) 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.

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 value at disposition.

(11) Provision for directors’ retirement benefits

Consolidated subsidiaries recognize provision for directors’ retirement benefits 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, etc. for wells and production facilities in Japan and overseas, and the appropriate discount rates.

(16) Retirement benefits

(a) Method of attributing expected benefit to periods

The retirement benefit obligations for employees are attributed to each period by the benefit formula method over the estimated 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 foreign currency deposits
Hedged items:	Accounts payable – trade and accounts payable – other

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

(18) Recognition of revenue and costs of construction contracts

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

(19) Research and development expenses

Research and development expenses are charged to income when incurred.

(20) Income taxes

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

(21) Accounting standards issued but not yet effective

- "Implementation Guidance on Tax Effect Accounting" (Accounting Standards Board of Japan ("ASBJ") Guidance No. 28, revised on February 16, 2018)
- "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, revised on February 16, 2018)

(a) Overview

In the course of transferring practical guidance related to accounting for income tax effects prescribed by the Japanese Institute of Certified Public Accountants to ASBJ, the ASBJ basically followed the contents and made required modifications to the "Implementation Guidance on Tax Effect Accounting," etc.

(Major modified accounting treatments)

- Treatment of taxable temporary differences relating to subsidiary shares in non-consolidated financial statements
- Treatment of recoverability of deferred tax assets for entities falls under Category 1

(b) Date of application

The "Implementation Guidance on Tax Effect Accounting," etc. are applied effective from the beginning of the fiscal year ending March 31, 2019.

(c) Effect of application

The effect of applying the "Implementation Guidance on Tax Effect Accounting," etc. on the consolidated financial statements is currently under assessment.

- "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, issued on March 30, 2018)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, issued on March 30, 2018)

(a) Overview

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

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

(b) Date of application

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

(c) Effect of application

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

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, 2018 and 2017 was ¥164 million ($1,547 thousand) and ¥130 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, 2018 and 2017 is as follows:

March 31, 2018	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Acquisition cost	Unrealized gain (loss)	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:						
Equity securities	**¥ 143,933**	**¥ 23,997**	**¥ 119,936**	**$ 1,357,858**	**$ 226,386**	**$ 1,131,471**
Debt securities:						
Corporate bonds	**–**	**–**	**–**	**–**	**–**	**–**
Other debt securities	**–**	**–**	**–**	**–**	**–**	**–**
Other	**–**	**–**	**–**	**–**	**–**	**–**
Subtotal	**143,933**	**23,997**	**119,936**	**1,357,858**	**226,386**	**1,131,471**
Securities whose carrying value does not exceed their acquisition cost:						
Equity securities	**18**	**18**	**–**	**169**	**169**	**–**
Debt securities:						
Corporate bonds	**–**	**–**	**–**	**–**	**–**	**–**
Other debt securities	**–**	**–**	**–**	**–**	**–**	**–**
Other	**1,700**	**1,700**	**–**	**16,037**	**16,037**	**–**
Subtotal	**1,718**	**1,718**	**–**	**16,207**	**16,207**	**–**
Total	**¥ 145,652**	**¥ 25,716**	**¥ 119,936**	**$ 1,374,075**	**$ 242,603**	**$ 1,131,471**

March 31, 2017	Millions of yen		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Equity securities	¥ 120,611	¥ 23,997	¥ 96,614
Debt securities:			
Corporate bonds	–	–	–
Other debt securities	–	–	–
Other	2	2	0
Subtotal	120,614	23,999	96,614
Securities whose carrying value does not exceed their acquisition cost:			
Equity securities	21	21	–
Debt securities:			
Corporate bonds	–	–	–
Other debt securities	–	–	–
Other	1,300	1,300	–
Subtotal	1,321	1,321	–
Total	¥ 121,935	¥ 25,320	¥ 96,614

Unlisted equity securities, carrying values of which as of March 31, 2018 and 2017 were ¥2,334 million ($22,018 thousand) and ¥2,547 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, 2018 and 2017 is as follows:

	Millions of yen			Thousands of U.S. dollars		
March 31, 2018	Sales amount	Aggregate gain	Aggregate loss	Sales amount	Aggregate gain	Aggregate loss
Available-for-sale securities:						
Equity securities	**¥ 1,350**	**¥ 1,350**	**¥ 0**	**$ 12,735**	**$ 12,735**	**$ 0**
Debt securities:						
Corporate bonds	**–**	**–**	**–**	**–**	**–**	**–**
Other debt securities	**–**	**–**	**–**	**–**	**–**	**–**
Other	**–**	**–**	**–**	**–**	**–**	**–**
Total	**¥ 1,350**	**¥ 1,350**	**¥ 0**	**$ 12,735**	**$ 12,735**	**$ 0**

	Millions of yen		
March 31, 2017	Sales amount	Aggregate gain	Aggregate loss
Available-for-sale securities:			
Equity securities	¥ 588	¥ 104	¥ –
Debt securities:			
Corporate bonds	–	–	–
Other debt securities	–	–	–
Other	1,485	–	15
Total	¥ 2,073	¥ 104	¥ 15

(3) During the year ended March 31, 2017, the Group recorded losses on valuation of securities in the amount of ¥10 million (loss on valuation of available-for-sale securities with fair value in the amount of ¥8 million and loss on valuation of available-for-sale securities whose fair value is extremely difficult to determine in the amount of ¥1 million). However, for the ¥1 million of available-for-sale securities (unlisted equity securities) whose fair value is extremely difficult to determine, allowance for overseas investment loss was recorded, and there was no impact on profit and loss during the year ended March 31, 2017. During the year ended March 31, 2018, the Group recorded losses on valuation of securities in the amount of ¥284 million ($2,679 thousand) (loss on valuation of available-for-sale securities whose fair value is extremely difficult to determine in the amount of ¥283 million ($2,669 thousand) and loss on valuation of available-for-sale securities with fair value in the amount of ¥1 million ($9 thousand)). However, for the ¥283 million ($2,669 thousand) of available-for-sale securities (unlisted equity securities) whose fair value is extremely difficult to determine, allowance for overseas investment loss was recorded, and there was no impact on profit and loss during the year ended March 31, 2018. 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, 2018 and 2017 were ¥21,577 million ($203,556 thousand) and ¥28,081 million, respectively.

(5) As of March 31, 2018, investment securities of ¥453 million ($4,273 thousand) were pledged as collateral for loans payable of subsidiaries and associates.

5. Reduction Entry for Property, Plant and Equipment

The amount deducted from the acquisition costs of property, plant and equipment due to government subsidies received, etc. as of March 31, 2018 and 2017 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Buildings and structures	**¥ 31**	¥ 31	**$ 292**
Machinery, equipment and vehicles	**128**	126	**1,207**
Construction in progress	**5,000**	–	**47,169**

6. Long-term Loans Payable and Lease Obligations

Long-term loans payable at March 31, 2018 and 2017 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Loans from banks and others			
Unsecured	**¥ 140,769**	¥ 146,391	**$ 1,328,009**
	140,769	146,391	**1,328,009**
Less — current portion	**(4,809)**	(4,487)	**(45,367)**
	¥ 135,959	¥ 141,903	**$ 1,282,632**

As of March 31, 2018, the weighted-average interest rate for the long-term loans payable balance was 2.21%.

The aggregate annual maturities of long-term loans payable subsequent to March 31, 2018 are as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2019	**¥ 4,809**	**$ 45,367**
2020	**6,209**	**58,575**
2021	**7,040**	**66,415**
2022	**13,156**	**124,113**
2023	**13,156**	**124,113**
2024 and thereafter	**96,898**	**914,132**
Total	**¥141,269**	**$ 1,332,726**

The Company and certain consolidated subsidiaries have entered into overdraft agreements and loan commitment agreements amounting to ¥134,061 million ($1,264,726 thousand) and ¥139,212 million with seven and eight banks at March 31, 2018 and 2017, respectively, to facilitate efficient procurement of working capital. The borrowings outstanding under the overdraft agreements and loan commitment agreements as of March 31, 2018 and 2017 were ¥69,497 million ($655,632 thousand) and ¥65,933 million, respectively, and, therefore, the unused balance was ¥64,563 million ($609,084 thousand) and ¥73,279 million as of March 31, 2018 and 2017, respectively.

Lease obligations included in other in non-current liabilities at March 31, 2018 and 2017 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Lease obligations	**¥ 2,877**	¥ 3,306	**$ 27,141**
Less — current portion	**(399)**	(564)	**(3,764)**
	¥ 2,477	¥ 2,741	**$ 23,367**

The aggregate annual maturities of lease obligations subsequent to March 31, 2018 are as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2019	**¥ 399**	**$ 3,764**
2020	**421**	**3,971**
2021	**246**	**2,320**
2022	**221**	**2,084**
2023	**186**	**1,754**
2024 and thereafter	**1,401**	**13,216**
Total	**¥ 2,877**	**$ 27,141**

7. Income Taxes

Income taxes imposed on the Company and its domestic consolidated subsidiaries comprise corporation, inhabitants and enterprise taxes. The statutory tax rate applicable to the Company was approximately 28.2% for the year ended March 31, 2017. Income taxes of six foreign consolidated subsidiaries (six in 2017) 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, 2018 and 2017 differ from the statutory tax rates for the following reasons:

	2018	2017
Statutory tax rates	–%	28.2%
Effect of:		
Unrecognized tax effect accounting on net tax loss carried forward of consolidated subsidiaries	–	50.5
Exploration expenses deducted for income tax purposes	–	(6.8)
Dividends income, etc. not taxable for income tax purposes	–	(22.1)
Utilization of tax loss carried forward	–	(23.6)
Expenses not deductible for income tax purposes	–	1.4
Consolidation adjustment for equity method	–	43.3
Change in valuation allowance	–	(10.8)
Foreign tax	–	18.9
Tax rate difference with consolidated subsidiaries	–	5.0
Tax system differences for foreign consolidated subsidiaries	–	(9.2)
Consolidation adjustment	–	(22.9)
Other, net	–	(0.5)
Effective tax rates	**–%**	51.4%

Reconciliation of the effective tax rates reflected in the consolidated statements of income and the statutory tax rates for the year ended March 31, 2018 is not disclosed due to the Company recognized loss before income taxes.

The “Tax Cuts and Jobs Act” was enacted in the United States of America on December 22, 2017 and the federal income tax rate will be reduced from the year beginning on or after January 1, 2018. Due to the “Tax Cuts and Jobs Act,” the federal income tax rate applied to consolidated subsidiaries of the Company in the United States of America was changed from 35% to 21%.

As a result of this change, deferred tax liabilities in current liabilities, after deducting deferred tax assets, and deferred tax liabilities in non-current liabilities, after deducting deferred tax assets, decreased by ¥90 million ($849 thousand) and ¥279 million ($2,632 thousand) as of March 31, 2018, respectively. In addition, income taxes - deferred decreased by ¥370 million ($3,490 thousand) for the year ended March 31, 2018.

The significant components of deferred tax assets and liabilities at March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Deferred tax assets:			
Allowance for overseas investment loss	**¥ 615**	¥ 2,222	**$ 5,801**
Net tax loss carried forward	**10,562**	8,222	**99,641**
Defined benefit liability	**1,021**	1,044	**9,632**
Depreciation	**27,307**	7,463	**257,613**
Payable for directors' retirement benefit	**98**	142	**924**
Asset retirement obligations	**4,161**	4,249	**39,254**
Impairment loss on non-current assets	**947**	1,566	**8,933**
Loss on valuation of investment securities	**824**	2,038	**7,773**
Other	**12,585**	11,131	**118,726**
Subtotal	**58,124**	38,081	**548,339**
Valuation allowance	**(39,215)**	(21,285)	**(369,952)**
Total deferred tax assets	**18,908**	16,795	**178,377**
Deferred tax liabilities:			
Reserve for exploration	**(6,704)**	(7,848)	**(63,245)**
Valuation difference on available-for-sale securities	**(33,275)**	(26,745)	**(313,915)**
Reserve for advanced depreciation of non-current assets	**(271)**	(279)	**(2,556)**
Undistributed earnings of foreign subsidiaries and associates	**(600)**	(1,994)	**(5,660)**
Foreign tax	**(2,659)**	(2,054)	**(25,084)**
Loss on deemed transfer of shares	**(2,054)**	(2,054)	**(19,377)**
Reserve for special depreciation	**(112)**	(140)	**(1,056)**
Defined benefit asset	**(406)**	(267)	**(3,830)**
Other	**(1,886)**	(2,063)	**(17,792)**
Total deferred tax liabilities	**(47,971)**	(43,448)	**(452,556)**
Net deferred tax liabilities	**¥ (29,062)**	¥ (26,652)	**$ (274,169)**

8. Retirement Benefit Plans

(1) Overview of retirement benefit plans

The Company and its domestic consolidated subsidiaries have defined benefit plans, i.e., defined benefit corporate pension plans and lump-sum payment plans. The plans cover substantially all employees, and the amounts to be paid are determined by their respective basic rates of pay at retirement, length of service, and termination reasons. Certain domestic consolidated subsidiaries participate in the Smaller Enterprise Retirement Allowance Mutual Aid System and calculate 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
	2018	2017	**2018**
Retirement benefit obligations at beginning of period	**¥ 16,645**	¥ 16,964	**$ 157,028**
Service costs	**985**	998	**9,292**
Interest costs	**145**	148	**1,367**
Actuarial gains and losses arising during period	**(52)**	78	**(490)**
Retirement benefits paid	**(1,497)**	(1,543)	**(14,122)**
Retirement benefit obligations at end of period	**¥ 16,226**	¥ 16,645	**$ 153,075**

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Plan assets at beginning of period	**¥ 15,008**	¥ 15,278	**$ 141,584**
Expected return on plan assets	**150**	152	**1,415**
Actuarial gains and losses arising during period	**612**	251	**5,773**
Contribution from employer	**492**	515	**4,641**
Retirement benefits paid	**(1,119)**	(1,189)	**(10,556)**
Plan assets at end of period	**¥ 15,144**	¥ 15,008	**$ 142,867**

(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
	2018	2017	**2018**
Defined benefit liability at beginning of period	**¥ 981**	¥ 999	**$ 9,254**
Retirement benefit expenses	**223**	220	**2,103**
Retirement benefits paid	**(155)**	(156)	**(1,462)**
Contribution to plans	**(87)**	(83)	**(820)**
Defined benefit liability at end of period	**¥ 962**	¥ 981	**$ 9,075**

(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 sheets is as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Funded retirement benefit obligations	**¥ 13,693**	¥ 14,054	**$ 129,179**
Plan assets	**(15,144)**	(15,008)	**(142,867)**
	(1,451)	(954)	**(13,688)**
Unfunded retirement benefit obligations	**3,496**	3,572	**32,981**
Net defined benefit liability (asset) on consolidated balance sheet	**2,044**	2,618	**19,283**
Defined benefit liability	**3,496**	3,572	**32,981**
Defined benefit asset	**(1,451)**	(954)	**(13,688)**
Net defined benefit liability (asset) on consolidated balance sheet	**¥ 2,044**	¥ 2,618	**$ 19,283**

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Service costs	**¥ 985**	¥ 998	**$ 9,292**
Interest costs	**145**	148	**1,367**
Expected return on plan assets	**(150)**	(152)	**(1,415)**
Amortization of actuarial gains and losses	**316**	301	**2,981**
Amortization of prior service costs	**(103)**	(103)	**(971)**
Retirement benefit expenses calculated by simplified method	**223**	220	**2,103**
Retirement benefit expenses on defined benefit plans	**¥ 1,417**	¥ 1,412	**$ 13,367**

(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
	2018	2017	**2018**
Prior service costs	**¥ (103)**	¥ (103)	**$ (971)**
Actuarial gains and losses	**981**	474	**9,254**
Total	**¥ 878**	¥ 370	**$ 8,283**

(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
	2018	2017	**2018**
Unrecognized prior service costs	**¥ 289**	¥ 392	**$ 2,726**
Unrecognized actuarial gains and losses	**1,311**	330	**12,367**
Total	**¥ 1,600**	¥ 722	**$ 15,094**

(h) Plan assets

(i) Breakdown of plan assets

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

	2018	2017
Debt securities	**54%**	55%
Equity securities	**34%**	34%
Cash and deposits	**3%**	3%
Other	**9%**	8%
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, 2018 and 2017 (weighted averages) are as follows:

	2018	2017
Discount rate	**0.9%**	0.9%
Long-term expected rate of return	**1.0%**	1.0%

9. Shareholders' Equity

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

10. Leases

Operating leases

Future minimum lease payments under non-cancelable operating leases subsequent to March 31, 2018 are as follows:

(Lessee)

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2019	**¥ 133**	**$ 1,254**
2020 and thereafter	**368**	**3,471**
Total	**¥ 502**	**$ 4,735**

11. Financial Instruments

(1) Overview

(a) Policy for measures relating to financial instruments

The Group's policy is to obtain operating funds ensuring funding liquidity and controlling risks. The Group raises necessary funds through funds on hand and bank loans. Domestic capital investment is financed by 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, etc. of customers on a timely basis in accordance with internal credit management rules.

Securities and investment securities mainly consist of equity securities of partner companies, and for those exposed to market fluctuation risk, fair value evaluation is reported to the directors on a regular basis in accordance with the internal regulations. Investment securities mainly consist of equity securities of INPEX CORPORATION recorded at ¥140,671 million ($1,327,084 thousand) and ¥116,994 million as of March 31, 2018 and 2017, the proportions of which to investment securities are 84.1% and 78.9%, respectively.

Loans receivable are mainly loans to our subsidiaries and associates for their operating capital and are exposed to credit risk and foreign currency fluctuation risk. The Group manages the credit risk appropriately by monitoring the collection status of the loans receivable. The Group reduces the foreign currency fluctuation risk 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 fluctuation risk, and the risk is hedged mainly by foreign exchange forward contracts.

Loans payable are mainly for domestic capital investment and overseas business investment. Floating interest rate loans are exposed to interest rate and foreign currency fluctuation risks, and the Group reduces the risks by providing the funds from the loans to our subsidiaries and 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 as mentioned above. Implementation and management of derivative transactions are based on the internal regulations which prescribe the authorization and maximum upper limit of the transactions, and the department responsible for derivative transactions executes transactions after obtaining approval from the person responsible for authorization. The Group enters into transactions only with creditworthy financial institutions to reduce the counterparty risk.

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

(c) Supplemental information on fair value of financial instruments

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

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

(2) Fair value of financial instruments

Carrying value in the consolidated balance sheets, fair value and the difference as of March 31, 2018 and 2017 are as follows. The financial instruments whose fair value is extremely difficult to determine are not included below.

			Millions of yen
March 31, 2018	Carrying value	Fair value	Difference
Cash and deposits	**¥ 115,313**	**¥ 115,314**	**¥ 1**
Notes and accounts receivable - trade	**26,073**	**26,073**	**–**
Short-term loans receivable	**6,449**	**6,449**	**–**
Securities and investment securities	**145,652**	**156,858**	**11,205**
Long-term loans receivable	**4,547**	**4,547**	**–**
Total assets	**¥ 298,036**	**¥ 309,243**	**¥ 11,206**
Notes and accounts payable - trade	**¥ 13,544**	**¥ 13,544**	**¥ –**
Long-term loans payable	**135,959**	**135,967**	**(7)**
Total liabilities	**¥ 149,504**	**¥ 149,511**	**¥ (7)**
Derivative transactions (*)	**¥ 4**	**¥ 4**	**¥ –**

			Millions of yen
March 31, 2017	Carrying value	Fair value	Difference
Cash and deposits	¥ 109,488	¥ 109,488	¥ 0
Notes and accounts receivable - trade	28,283	28,283	–
Short-term loans receivable	4,348	4,348	–
Securities and investment securities	130,936	134,996	4,059
Long-term loans receivable	11,672	11,672	–
Total assets	¥ 284,728	¥ 288,789	¥ 4,060
Notes and accounts payable - trade	¥ 13,634	¥ 13,634	¥ –
Long-term loans payable	141,903	141,918	(14)
Total liabilities	¥ 155,537	¥ 155,552	¥ (14)
Derivative transactions (*)	¥ (0)	¥ (0)	¥ –

March 31, 2018	Thousands of U.S. dollars Carrying value	Fair value	Difference
Cash and deposits	**$ 1,087,858**	**$ 1,087,867**	**$ 9**
Notes and accounts receivable - trade	**245,971**	**245,971**	**–**
Short-term loans receivable	**60,839**	**60,839**	**–**
Securities and investment securities	**1,374,075**	**1,479,792**	**105,707**
Long-term loans receivable	**42,896**	**42,896**	**–**
Total assets	**$ 2,811,660**	**$ 2,917,386**	**$ 105,716**
Notes and accounts payable - trade	**$ 127,773**	**$ 127,773**	**$ –**
Long-term loans payable	**1,282,632**	**1,282,707**	**(66)**
Total liabilities	**$ 1,410,415**	**$ 1,410,481**	**$ (66)**
Derivative transactions (*)	**$ 37**	**$ 37**	**$ –**

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

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

Assets

・ **Cash and deposits**

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

・ **Notes and accounts receivable - trade**

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

・ **Short-term loans receivable**

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

・ **Securities and investment securities**

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

・ **Long-term loans receivable**

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

Liabilities

- **Notes and accounts payable - trade**

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

- **Long-term 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 Company has not changed dramatically since the loans were executed. For fixed rate loans, the present value is calculated by discounting the total amount of principal and interest for each segment based on the term, using a loan interest rate which is assumed to be applied to a similar loan.

Derivative transactions

Please refer to Note 12. Derivative Transactions.

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Carrying value:			
Unlisted equity securities	**¥ 23,889**	¥ 18,603	**$ 225,367**

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

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

				Millions of yen
March 31, 2018	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	**¥ 115,312**	**¥ –**	**¥ –**	**¥ –**
Notes and accounts receivable - trade	**26,073**	**–**	**–**	**–**
Short-term loans receivable	**6,449**	**–**	**–**	**–**
Securities and investment securities:				
Available-for-sale securities with maturities:				
Equity securities	**500**	**–**	**–**	**–**
Other	**–**	**–**	**–**	**–**
Long-term loans receivable	**–**	**4,542**	**5**	**–**
Total	**¥ 148,335**	**¥ 4,542**	**¥ 5**	**¥ –**

March 31, 2017	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	¥ 109,487	¥ –	¥ –	¥ –
Notes and accounts receivable - trade	28,283	–	–	–
Short-term loans receivable	4,348	–	–	–
Securities and investment securities:				
Available-for-sale securities with maturities:				
Equity securities	–	500	–	–
Other	2	–	–	–
Long-term loans receivable	–	11,667	4	–
Total	¥ 142,121	¥ 12,167	¥ 4	¥ –

March 31, 2018	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
	Thousands of U.S. dollars			
Cash and deposits	**$ 1,087,849**	**$ –**	**$ –**	**$ –**
Notes and accounts receivable - trade	**245,971**	**–**	**–**	**–**
Short-term loans receivable	**60,839**	**–**	**–**	**–**
Securities and investment securities:				
Available-for-sale securities with maturities:				
Equity securities	**4,716**	**–**	**–**	**–**
Other	**–**	**–**	**–**	**–**
Long-term loans receivable	**–**	**42,849**	**47**	**–**
Total	**$ 1,399,386**	**$ 42,849**	**$ 47**	**$ –**

(4) Scheduled maturities of long-term loans payable

March 31, 2018	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
	Millions of yen			
Long-term loans payable	**¥ –**	**¥ 39,561**	**¥ 64,990**	**¥ 31,908**
Total	**¥ –**	**¥ 39,561**	**¥ 64,990**	**¥ 31,908**

March 31, 2018	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
	Thousands of U.S. dollars			
Long-term loans payable	**$ –**	**$ 373,216**	**$ 613,113**	**$ 301,018**
Total	**$ –**	**$ 373,216**	**$ 613,113**	**$ 301,018**

12. Derivative Transactions

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

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

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

Currency related

No currency related derivative contract was outstanding as of March 31, 2018.

	Millions of yen			
March 31, 2017	Contract amount, etc.	Due after one year	Fair value (*)	Unrealized gain (loss)
Foreign exchange forward contracts				
U.S. dollars (Buying)	¥ 2	¥ –	¥ (0)	¥ (0)
Total	¥ 2	¥ –	¥ (0)	¥ (0)

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

(2) Derivative transactions for which hedge accounting is applied

Currency related

	Millions of yen			Thousands of U.S. dollars		
March 31, 2018	Contract amount, etc.	Due after one year	Fair value (*)	Contract amount, etc.	Due after one year	Fair value (*)
Deferral hedge accounting						
Foreign exchange forward contracts						
U.S. dollars (Buying) - Accounts payable - trade	**¥ 1,903**	**¥ –**	**¥ 5**	**$ 17,952**	**$ –**	**$ 47**
U.S. dollars (Buying) - Accounts payable - other	**10**	**–**	**(0)**	**94**	**–**	**(0)**
British pound (Buying) - Accounts payable - other	**14**	**–**	**(0)**	**132**	**–**	**(0)**
Allocation method						
Foreign exchange forward contracts						
U.S. dollars (Buying) - Accounts payable - other	**14**	**–**	**(0)**	**132**	**–**	**(0)**
Total	**¥ 1,942**	**¥ –**	**¥ 3**	**$ 18,320**	**$ –**	**$ 28**

	Millions of yen		
March 31, 2017	Contract amount, etc.	Due after one year	Fair value (*)
Deferral hedge accounting			
Foreign exchange forward contracts			
U.S. dollars (Buying) - Accounts payable - other	¥ 10	¥ –	¥ (0)
British pound (Buying) - Accounts payable - other	29	–	0
Allocation method			
Foreign exchange forward contracts			
U.S. dollars (Buying) - Accounts payable - other	368	–	(16)
Total	¥ 409	¥ –	¥ (16)

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

13. Asset Retirement Obligations

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

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

The Group estimates the periods in which the obligations are paid out to be approximately 2 to 35 years (2 to 41 years in 2017) 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 (0.217) to 2.287% ((0.217) to 2.287% in 2017) for domestic obligations and 2.26 to 7% (2.31 to 7% in 2017) 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, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Balance at beginning of period	**¥ 19,160**	¥ 18,330	**$ 180,754**
Increase due to acquisition of new assets	**1**	354	**9**
Accretion	**485**	455	**4,575**
Settlement	**(753)**	(148)	**(7,103)**
Foreign currency translation adjustment	**217**	(41)	**2,047**
Other changes, net (*)	**(223)**	209	**(2,103)**
Balance at end of period	**¥ 18,887**	¥ 19,160	**$ 178,179**

(*) Other changes, net, are related to the estimation changed for costs of decommissioning oil and natural gas wells and production facilities.

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

The Group has obligations to restore sites to their original condition in accordance with laws, land lease contracts, etc. regarding oil and natural gas production facilities. However, in the natural gas supply business, which is the Group's primary business operation, maintaining and ensuring the stable supply of natural gas is of high public interest; therefore, even after completion of production activities, the Group plans to continue to use some of the assets held for the purpose of producing and selling oil and gas on a permanent basis in order to fulfill the responsibilities as a supplier for users of natural gas by holistically integrating these assets. Thus, the Group does not recognize the relevant asset retirement obligations since it is impossible to determine the timing of decommissioning and estimate asset retirement obligations on a reasonable basis as of March 31, 2018 and 2017.

The following table summarizes the details of balance of asset retirement obligations for the year ended March 31, 2018.

				Millions of yen
March 31, 2018	At beginning of period	Increase	Decrease	At end of period
Under provisions of Petroleum and Inflammable Natural Gas Resources Development Law	**¥ 8,575**	**¥ 258**	**¥ 435**	**¥ 8,399**
Under provisions of Environmental Protection and Enhancement Act, etc. enforced in the Province of Alberta, Canada	**5,974**	**561**	**675**	**5,860**
Under provisions of Act on Prevention of Marine Pollution and Maritime Disaster	**2,196**	**48**	**–**	**2,245**
Under provisions of land lease contracts and other	**2,413**	**277**	**308**	**2,382**
Total	**¥ 19,160**	**¥ 1,146**	**¥ 1,419**	**¥ 18,887**

				Thousands of U.S. dollars
March 31, 2018	At beginning of period	Increase	Decrease	At end of period
Under provisions of Petroleum and Inflammable Natural Gas Resources Development Law	**$ 80,896**	**$ 2,433**	**$ 4,103**	**$ 79,235**
Under provisions of Environmental Protection and Enhancement Act, etc. enforced in the Province of Alberta, Canada	**56,358**	**5,292**	**6,367**	**55,283**
Under provisions of Act on Prevention of Marine Pollution and Maritime Disaster	**20,716**	**452**	**–**	**21,179**
Under provisions of land lease contracts and other	**22,764**	**2,613**	**2,905**	**22,471**
Total	**$ 180,754**	**$ 10,811**	**$ 13,386**	**$ 178,179**

14. Contingent Liabilities

At March 31, 2018 and 2017, the Group had the following contingent liabilities:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Guarantee obligation for loans payable from financial institutions, etc.:			
INPEX North Caspian Sea, Ltd.	**¥ 9,580**	¥ 11,045	**$ 90,377**
Sakhalin Oil and Gas Development Co., Ltd.	**4,871**	5,144	**45,952**
Employees (Housing loans)	**136**	215	**1,283**
Kumamoto Mirai LNG Co., Ltd.	**57**	64	**537**
Guarantee obligation relating to production facilities:			
Kangean Energy Indonesia Ltd.	**3,429**	6,272	**32,349**
Total	**¥ 18,076**	¥ 22,741	**$ 170,528**

15. Information Related to Consolidated Statement of Changes in Equity

(1) Dividends paid to shareholders

2018

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 28, 2017	Annual General Meeting of Shareholders	Common stock	**¥ 571**	**$ 5,386**	**¥ 10**	**$ 0.09**	March 31, 2017	June 29, 2017
November 10, 2017	Board of Directors	Common stock	**¥ 571**	**$ 5,386**	**¥ 10**	**$ 0.09**	September 30, 2017	December 13, 2017

2017

Date of approval	Resolution approved by	Type of shares	Amount (Millions of yen)	Amount per share (Yen)	Shareholders' cut-off date	Effective date
June 24, 2016	Annual General Meeting of Shareholders	Common stock	¥ 1,428	¥ 25	March 31, 2016	June 27, 2016
November 8, 2016	Board of Directors	Common stock	¥ 285	¥ 5	September 30, 2016	December 13, 2016

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

2018

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 28, 2018	Annual General Meeting of Shareholders	Common stock	**¥ 571**	**$ 5,386**	Retained earnings	**¥ 10**	**$ 0.09**	March 31, 2018	June 29, 2018

2017

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 28, 2017	Annual General Meeting of Shareholders	Common stock	¥ 571	Retained earnings	¥ 10	March 31, 2017	June 29, 2017

16. Selling, General and Administrative Expenses

The main components of selling, general and administrative expenses for the years ended March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Selling, general and administrative expenses:			
Personnel expenses	**¥11,073**	¥11,868	**$104,462**
Significant components of personnel expenses:			
Retirement benefit expenses	**797**	784	**7,518**
Provision for directors' bonuses	**17**	23	**160**
Provision for directors' retirement benefits	**21**	21	**198**
Freightage expenses	**4,121**	4,454	**38,877**
Subcontract expenses	**2,413**	2,561	**22,764**
Depreciation	**4,396**	4,151	**41,471**

Research and development expenses included in general and administrative expenses for the years ended March 31, 2018 and 2017 were ¥192 million ($1,811 thousand) and ¥244 million, respectively.

17. Impairment Loss

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

For the year ended March 31, 2018, the Group recorded an impairment loss on the following asset groups:

	Millions of yen	Thousands of U.S. dollars
	2018	**2018**
Business-use assets related to shale gas development and production project:		
British Columbia, Canada		
Buildings and structures	**¥ 4,351**	**$ 41,047**
Wells	**12,141**	**114,537**
Mineral resource (Property, plant and equipment - Other)	**50,987**	**481,009**
Total	**¥ 67,480**	**$ 636,603**

For the business-use assets related to shale gas development and production project (upper stream business), the carrying value of the business-use assets was reduced to the recoverable amount as a result of the re-examination of the development plan as an upper stream business alone, separately from Pacific NorthWest LNG project ("PNW business") in which LNG production was considered using the shale gas to be produced from this project as a result of decision made to abandon commercialization of PNW business, and the reduction was recorded as impairment loss in other expenses.

The recoverable amount of the asset group was measured at value in use and calculated by discounting future cash flows at 8.9%.

18. 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, 2018 and 2017 and related balances are as follows.

Transactions:	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Purchase of crude oil (*1)	**¥ 40,861**	¥ 40,391	**$385,481**

Balances:	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Accounts payable - trade	**¥ 5,050**	¥ 4,334	**$ 47,641**

Principal transactions between the Company and Kangean Energy Indonesia Ltd., the associate accounted for using the equity method, for the years ended March 31, 2018 and 2017 and related balances are as follows:

Transactions:	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Collection of loans (*2)	**¥ –**	¥ 314	**$ –**

Balances:	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Short-term loans receivable	**¥ –**	¥ 2,593	**$ –**
Long-term loans receivable	**¥ –**	¥ 6,667	**$ –**

Major transactions between the Company and Kangean Energy Indonesia Ltd. and balances for the year ended March 31, 2018, have been omitted because they are immaterial.

Principal transactions between the Company and Fukushima Gas Power Co., Ltd. (FGP), the associate accounted for using the equity method, for the years ended March 31, 2018 and 2017 are as follows:

Transactions:	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Pledge of collateral (*3)	**¥ 16,916**	¥ –	**$ 159,584**

(*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. based on the market interest rates.

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

(2) Note to significant associates

For the years ended March 31, 2018 and 2017, the summarized consolidated financial information of all associates accounted for using the equity method (12 companies in 2018 and 14 in 2017), including a significant associate, Japan Drilling Co., Ltd. is as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Total current assets	**¥ 164,968**	¥ 176,627	**$1,556,301**
Total non-current assets	**86,374**	112,845	**814,849**
Total current liabilities	**112,673**	54,189	**1,062,952**
Total non-current liabilities	**95,196**	134,077	**898,075**
Total net assets	**43,472**	101,206	**410,113**
Net sales	**228,955**	203,709	**2,159,952**
Profit (loss) before income taxes	**(2,001)**	12,198	**(18,877)**
Profit (loss)	**(28,691)**	(3,227)	**(270,669)**

19. Amounts per Share

Basic earnings (loss) per share is computed based on the profit (loss) attributable to common shareholders of parent and the average number of shares of common stock outstanding during the period, which is 57,152 thousand shares during the years ended March 31, 2018 and 2017.

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
	2018	2017	**2018**
Basic earnings (loss) per share	**¥ (541.69)**	¥ 60.24	**$ (5.11)**
Net assets per share	**7,402.41**	7,655.26	**69.83**

Diluted earnings (loss) per share is not disclosed due to the absence of dilutive shares for the years ended March 31, 2018 and 2017.

20. Cash Flow Information

Reconciliations between cash and cash equivalents in the consolidated statements of cash flows for the years ended March 31, 2018 and 2017 and cash and deposits in the consolidated balance sheets as of March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Cash and deposits	**¥ 115,313**	¥ 109,488	**$1,087,858**
Time deposits with maturities in excess of three months	**(17,120)**	(7,157)	**(161,509)**
Short-term investments with maturities of three months or less, etc.:			
Money management fund and other	**1,700**	1,300	**16,037**
Cash and cash equivalents	**¥ 99,892**	¥ 103,630	**$ 942,377**

As of March 31, 2017, cash and deposit of ¥58 million was restricted by a bank that issued bank guarantees for subsidiaries and associates. There was no restricted cash and deposit as of March 31, 2018.

21. Other Comprehensive Income

Reclassification adjustments and income tax benefit (expense) on components of other comprehensive income for the years ended March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Valuation difference on available-for-sale securities:			
Gains (losses) arising during the year	**¥ 23,321**	¥ 26,895	**$ 220,009**
Reclassification adjustments	**–**	(87)	**–**
Pre-tax amount	**23,321**	26,808	**220,009**
Income tax benefit (expense)	**(6,530)**	(7,506)	**(61,603)**
Valuation difference on available-for-sale securities	**16,791**	19,302	**158,405**
Deferred gains or losses on hedges:			
Gains (losses) arising during the year	**162**	(244)	**1,528**
Reclassification adjustments	**81**	–	**764**
Pre-tax amount	**244**	(244)	**2,301**
Income tax benefit (expense)	**(1)**	(0)	**(9)**
Deferred gains or losses on hedges	**242**	(244)	**2,283**
Foreign currency translation adjustment:			
Gains (losses) arising during the year	**32**	(4,283)	**301**
Remeasurements of defined benefit plans:			
Gains (losses) arising during the year	**665**	172	**6,273**
Reclassification adjustments	**212**	198	**2,000**
Pre-tax amount	**878**	370	**8,283**
Income tax benefit (expense)	**(245)**	(103)	**(2,311)**
Remeasurements of defined benefit plans	**632**	267	**5,962**
Share of other comprehensive income of entities accounted for using equity method:			
Gains (losses) arising during the year	**11**	(569)	**103**
Reclassification adjustments	**(838)**	271	**(7,905)**
Share of other comprehensive income of entities accounted for using equity method	**(826)**	(297)	**(7,792)**
Changes in equity interest:			
Gains (losses) arising during the year	**2,040**	(2,103)	**19,245**
Total other comprehensive income	**¥ 18,912**	¥ 12,640	**$ 178,415**

22. Segment Information

(1) Overview of reporting segments

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

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

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

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

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

“Europe” is engaged in exploration of crude oil and natural gas in Europe.

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

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

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

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

Millions of yen

March 31, 2018	Reporting segment					Other (Note 1)	Total	Adjustments and eliminations (Note 2)	Amounts on consolidated financial statements (Note 3)
	Japan	North America	Europe	Middle East	Total				
Net sales:									
Sales to third parties	¥ 219,566	¥ 9,250	¥ –	¥ 1,812	¥ 230,629	¥ –	¥ 230,629	¥ –	¥ 230,629
Intersegment sales and transfers	0	–	–	30,376	30,376	–	30,376	(30,376)	–
Total sales	219,566	9,250	–	32,189	261,006	–	261,006	(30,376)	230,629
Segment profit (loss)	22,497	(6,615)	(74)	1,366	17,173	(9)	17,163	(8,399)	8,764
Segment assets	109,943	216,914	4,437	11,040	342,334	–	342,334	357,204	699,539
Other items:									
Depreciation and amortization (Note 4)	9,362	13,285	2	293	22,943	–	22,943	426	23,370
Share of profit (loss) of entities accounted for using equity method	(7,783)	(3,330)	–	(5)	(11,118)	8,505	(2,613)	11	(2,601)
Investments in entities accounted for using the equity method	771	11	–	286	1,069	24,399	25,468	–	25,468
Increase in property, plant and equipment and intangible assets	30,772	11,081	80	–	41,934	–	41,934	(132)	41,802

Millions of yen

March 31, 2017	Reporting segment					Other (Note 1)	Total	Adjustments and eliminations (Note 2)	Amounts on consolidated financial statements (Note 3)
	Japan	North America	Europe	Middle East	Total				
Net sales:									
Sales to third parties	¥ 199,505	¥ 5,688	¥ –	¥ 1,936	¥ 207,130	¥ –	¥ 207,130	¥ –	¥ 207,130
Intersegment sales and transfers	0	–	–	25,242	25,242	–	25,242	(25,242)	–
Total sales	199,505	5,688	–	27,179	232,373	–	232,373	(25,242)	207,130
Segment profit (loss)	20,525	(8,620)	(268)	(1,120)	10,515	(57)	10,458	(9,773)	685
Segment assets	93,634	287,369	4,103	24,054	409,162	–	409,162	337,576	746,739
Other items:									
Depreciation and amortization	9,160	5,751	2	293	15,207	–	15,207	482	15,690
Share of profit (loss) of entities accounted for using equity method	(6,972)	(125)	–	(2)	(7,099)	2,939	(4,160)	(95)	(4,255)
Investments in entities accounted for using the equity method	771	3,943	–	286	5,001	24,412	29,413	0	29,413
Increase in property, plant and equipment and intangible assets	28,678	39,840	2	–	68,520	–	68,520	(134)	68,385

March 31, 2018	Reporting segment Japan	 North America	 Europe	 Middle East	 Total	Other (Note 1)	Total	Adjustments and eliminations (Note 2)	Thousands of U.S. dollars Amounts on consolidated financial statements (Note 3)
Net sales:									
Sales to third parties	**$2,071,377**	**$ 87,264**	**$ –**	**$ 17,094**	**$2,175,745**	**$ –**	**$ 2,175,745**	**$ –**	**$ 2,175,745**
Intersegment sales and transfers	**0**	**–**	**–**	**286,566**	**286,566**	**–**	**286,566**	**(286,566)**	**–**
Total sales	**2,071,377**	**87,264**	**–**	**303,669**	**2,462,320**	**–**	**2,462,320**	**(286,566)**	**2,175,745**
Segment profit (loss)	**212,235**	**(62,405)**	**(698)**	**12,886**	**162,009**	**(84)**	**161,915**	**(79,235)**	**82,679**
Segment assets	**1,037,198**	**2,046,358**	**41,858**	**104,150**	**3,229,566**	**–**	**3,229,566**	**3,369,849**	**6,599,424**
Other items:									
Depreciation and amortization (Note 4)	**88,320**	**125,330**	**18**	**2,764**	**216,443**	**–**	**216,443**	**4,018**	**220,471**
Share of profit (loss) of entities accounted for using equity method	**(73,424)**	**(31,415)**	**–**	**(47)**	**(104,886)**	**80,235**	**(24,650)**	**103**	**(24,537)**
Investments in entities accounted for using the equity method	**7,273**	**103**	**–**	**2,698**	**10,084**	**230,179**	**240,264**	**–**	**240,264**
Increase in property, plant and equipment and intangible assets	**290,301**	**104,537**	**754**	**–**	**395,603**	**–**	**395,603**	**(1,245)**	**394,358**

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

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

(a) Segment profit (loss)

	Millions of yen **2018**	 2017	Thousands of U.S. dollars **2018**
Intersegment elimination	**¥ 3**	¥ 1	**$ 28**
Corporate expense (*)	**(8,402)**	(9,775)	**(79,264)**
Total	**¥ (8,399)**	¥ (9,773)	**$ (79,235)**

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

(b) Segment assets

	Millions of yen **2018**	 2017	Thousands of U.S. dollars **2018**
Intersegment elimination	**¥ (631)**	¥ (453)	**$ (5,952)**
Corporate assets (*1)	**3,619**	3,894	**34,141**
Other assets (*2)	**354,216**	334,135	**3,341,660**
Total	**¥ 357,204**	¥ 337,576	**$ 3,369,849**

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

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

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

Note 4: Depreciation and amortization in "Other items" of North America segment includes depreciation of inactive non-current assets of ¥7,797 million ($73,556 thousand), which is recorded in other income (expenses).

(4) Related information

(a) Information by product and service

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Sales to third parties			
Crude oil	¥ **89,173**	¥ 81,428	$ **841,254**
Natural gas	**60,431**	55,329	**570,103**
LNG	**21,935**	20,278	**206,933**
Bitumen	**–**	669	**–**
Diluted bitumen	**4,512**	–	**42,566**
Contract services	**8,484**	10,354	**80,037**
Oil products/merchandise	**40,162**	33,354	**378,886**
Other	**5,930**	5,715	**55,943**
Total	¥ **230,629**	¥ 207,130	$ **2,175,745**

(b) Information by geographical area

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Net sales:			
Japan	¥ **147,303**	¥ 132,919	$ **1,389,650**
Canada	**8,762**	5,219	**82,660**
Russia	**40,905**	40,437	**385,896**
Iraq	**32,226**	27,215	**304,018**
Other	**1,431**	1,338	**13,500**
Total	¥ **230,629**	¥ 207,130	$ **2,175,745**

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
	2018	2017	**2018**
Property, plant and equipment:			
Japan	¥ **111,673**	¥ 95,985	$ **1,053,518**
Canada	**211,236**	281,332	**1,992,792**
Other	**6,579**	6,472	**62,066**
Total	¥ **329,490**	¥ 383,790	$ **3,108,396**

(c) Information by major customer

		Millions of yen		Thousands of U.S. dollars
	Segment	**2018**	2017	**2018**
Net sales:				
BP Singapore Pte. Ltd.	Japan	¥ **–**	¥ 25,527	$ **–**

Information by major customer for the year ended March 31, 2018 is omitted since there were no sales to single external customer accounting for 10% or more of net sales in the consolidated statement of income.

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

	Millions of yen						
	Reporting segment				Other	Corporate/ eliminations	Total
March 31, 2018	Japan	North America	Europe	Middle East			
Impairment loss	**¥ 241**	**¥67,480**	**¥ –**	**¥ –**	**¥ –**	**¥ –**	**¥ 67,721**

	Millions of yen						
	Reporting segment				Other	Corporate/ eliminations	Total
March 31, 2017	Japan	North America	Europe	Middle East			
Impairment loss	¥ 62	¥ –	¥ –	¥ –	¥ –	¥ –	¥ 62

	Thousands of U.S. dollars						
	Reporting segment				Other	Corporate/ eliminations	Total
March 31, 2018	Japan	North America	Europe	Middle East			
Impairment loss	**$ 2,273**	**$636,603**	**$ –**	**$ –**	**$ –**	**$ –**	**$638,877**

23. Subsequent Events

Sale of oil sands assets of Hangingstone 3.75 section area in the province of Alberta, Canada

On April 3, 2018 (local time of Calgary, Canada), Japan Canada Oil Sands Limited (“JACOS”), a foreign consolidated subsidiary of the Company, entered into an agreement with Greenfire Hangingstone Operating Corporation, a wholly owned subsidiary of Greenfire Oil and Gas Ltd. (Headquarters: Alberta, Canada) on the sale of all of the JACOS’ participating interest and related assets including wells and facilities in the Hangingstone 3.75 section area in the province of Alberta, Canada. The closing of the transaction is subject to approvals and consents of related stakeholders including the Supervisory Office for the Province of Alberta Energy Regulator (AER).

Upon the closing of the transaction, the Company expects to post approximately US$30 million as non-operating profit resulting primarily from the reversal of the provision for asset retirement obligations in the year ending March 31, 2019.

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, 2018, and the consolidated statements of income, comprehensive income, changes in equity, 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, 2018, 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 28, 2018
Tokyo, Japan

Japan Petroleum Exploration Co., Ltd.

Inquiries:

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

TEL: +81-3-6268-7111
FAX: +81-3-6268-7302