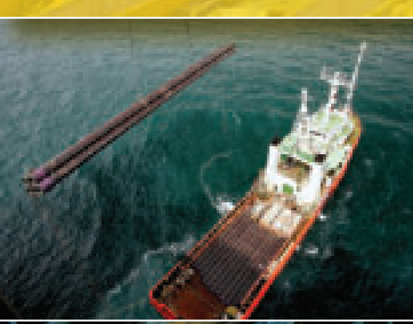
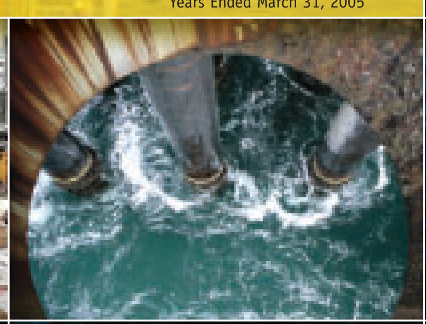
JAPEX

JAPAN PETROLEUM EXPLORATION CO., LTD.

Annual Report 2005

Years Ended March 31, 2005





JAPEX'S VISION

TAKING ON THE CHALLENGES OF CREATING NEW VALUE FROM ENERGY AND RAISING CORPORATE VALUE

Since its establishment, Japan Petroleum Exploration Co., Ltd. (JAPEX) has conducted integrated operations extending from oil and natural gas exploration and production (E&P) through transportation and supply. JAPEX is continuing to work on increasing its reserves, expanding its natural gas transmission network and other aspects of its operations as it aims for growth as a competitive player in the market.

Contents

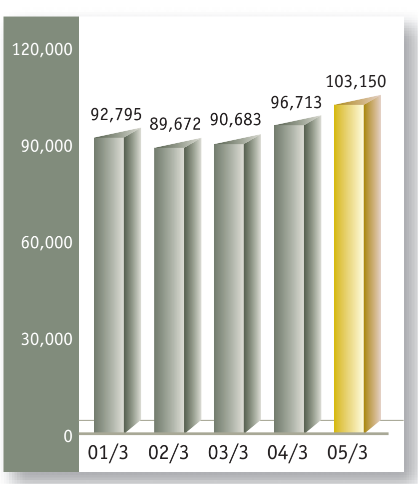
FINANCIAL HIGHLIGHTS

Japan Petroleum Exploration Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2003, 2004 and 2005

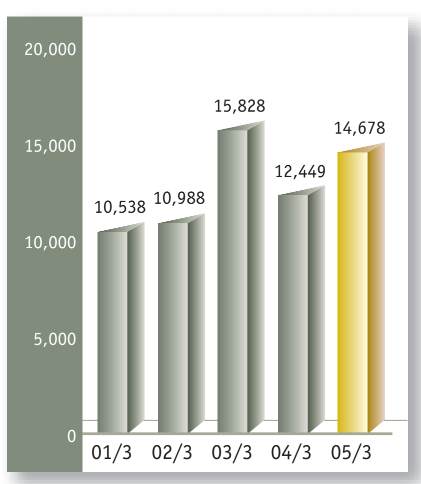
	Millions of yen (except per share data and other data)			Thousands of U.S. dollars (except per share data and other data)
	2005	2004	2003	**2005**
For the year:				
Net sales	**¥103,150**	¥ 96,713	¥ 90,683	**$ 964,019**
Operating income	**14,678**	12,449	15,828	**137,178**
Income before income taxes and minority interests	**18,129**	14,207	12,572	**169,430**
Net income	**13,234**	9,960	8,828	**123,682**
At year-end:				
Total assets	**¥393,733**	¥246,765	¥242,455	**$3,679,748**
Shareholders' equity	**293,152**	195,715	186,914	**2,739,738**
Per share data:				
Net income per share	**¥ 230.05**	¥ 172.76	¥ 153.14	**$ 2.150**
Cash dividends per share	**37.50**	35.00	25.00	**0.350**
Other data:				
Number of employees	**1,470**	1,388	1,358	

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥107=U.S.$1.00.
2. JAPEX conducted a four-for-one stock split on January 1, 2003.

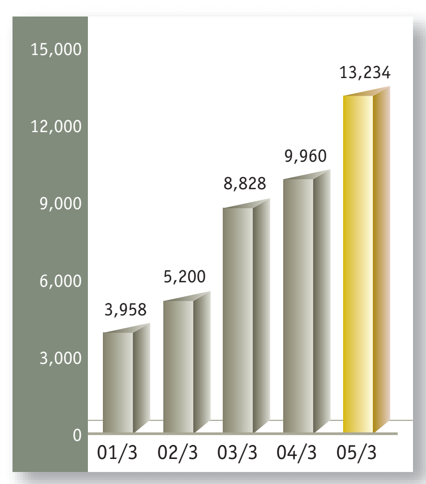
Net Sales
(Millions of yen)



Operating Income
(Millions of yen)

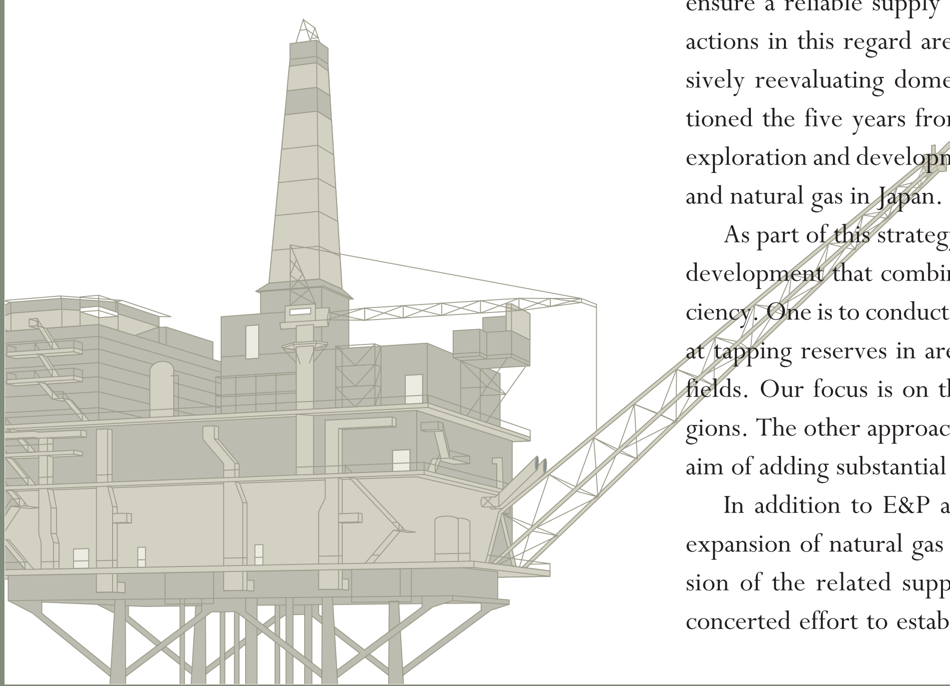


Net Income
(Millions of yen)



TO OUR SHAREHOLDERS
and the Investing Community

President & Chief Executive Officer
Yuji Tanahashi



Results of Operations

In fiscal 2005, ended March 31, 2005, the Japanese economy moved onto a recovery track, as improvements in the corporate sector finally spread to household spending. Nevertheless, the pace of recovery gradually waned from the middle of the year onward as weakness emerged in some sectors.

Looking at petroleum market conditions, although the yen strengthened, tight supplies and other factors caused prices for internationally traded crude oil to remain high, resulting in a sharp rise in prices for domestic crude oil. However, amid escalating competition among energy sectors due to accelerating deregulation, domestic natural gas prices remained weak.

Consolidated net sales rose 6.7% to ¥103,150 million due mainly to the high price of crude oil. Operating income increased 17.9% to ¥14,678 million, reflecting mainly the higher sales that outweighed a higher cost of sales and exploration expenses. Consolidated net income climbed 32.9% to ¥13,234 million.

Domestic Operations

As a company with operations centered on E&P, our overriding goal is to increase reserves of crude oil and natural gas to ensure a reliable supply of energy over the long term. Our actions in this regard are guided by a policy of comprehensively reevaluating domestic E&P potential. We have positioned the five years from fiscal 2004 as a period for active exploration and development to increase reserves of crude oil and natural gas in Japan.

As part of this strategy, we are executing exploration and development that combines two approaches for greater efficiency. One is to conduct exploration and development aimed at tapping reserves in areas surrounding existing oil and gas fields. Our focus is on the Niigata, Akita and Hokkaido regions. The other approach is to conduct exploration with the aim of adding substantial new gas reserves.

In addition to E&P activities, important themes are the expansion of natural gas sales and the upgrading and expansion of the related supply system. JAPEX is engaged in a concerted effort to establish and utilize a supply system that seamlessly and efficiently integrates services and facilities. This integrated system extends from the upstream sector of the natural gas business (E&P) through the mid-stream (transmission and storage) to downstream (supply to large users and local distribution companies, or LDCs). In February 2005, JAPEX completed a new pipeline to the city of Tomakomai from the Yufutsu oil and gas field in Hokkaido. Supplies of natural gas started soon after completion of this new pipeline. Furthermore, on Honshu, Japan's main island, we have started construction of a trunk gas pipeline that extends from the Shiroishi valve station on the Niigata-Sendai pipeline to the city of Koriyama through Fukushima city. Work is progressing as planned toward a completion date of March 2007.

We are also working to supply LNG to customers in geographic areas not reached by our gas pipeline network. Leveraging our LNG Satellite System, we ship LNG using tanker trucks and railway tank containers, endeavoring to supply natural gas to a broader base of customers. At the same time, to expand supplies to users in Hokkaido, work has started on expansion of the second train at the Yufutsu LNG plant.

Overseas Operations

In overseas operations too, we know it is imperative to secure reserves and generate earnings. Based on this thinking, we are vigorously conducting operations and acquiring E&P blocks in Southeast Asia, the Middle East, North Africa, Canada and other regions that we have positioned as target E&P areas. In Iraq, we have signed a Memorandum of Understanding with the Ministry of Oil concerning technical cooperation. This agreement includes conducting joint studies and evaluating oil fields. A centerpiece of the agreement is the provision of support to train ministry officials as oil experts. JAPEX is determined, through the reconstruction and development of Iraq's energy industry, to contribute to the country's economic development.

In another recent move, we acquired shares held by the Japan National Oil Corporation (JNOC) in Japex New Nanhai Ltd., Canada Oil Sands Co., Ltd. and other companies, making them consolidated subsidiaries. With this development, we expect to increase production volumes in our overseas business.

Addressing Environmental Issues

JAPEX attaches great importance to environmental issues. All company sites have acquired ISO 14001 certification, and through the ongoing use of environmental management systems, we work to reduce the environmental impact of our business activities.

We also contribute to environmental protection activities on a social level. Overseas, we support afforestation and forest protection projects by investing in the World Bank's BioCarbon Fund. In Japan, we are engaged in a tree planting business in Akita Prefecture.

Our actions to bolster our business foundation and enhance our competitiveness, as well as efforts to improve management efficiency, target two goals: sustained growth and higher shareholder value. The continued support of shareholders and other investors will be instrumental to our ability to achieve these goals.

August 2005

Yuji Tanahashi

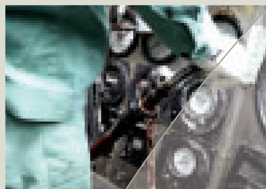
Yuji Tanahashi
President & Chief Executive Officer

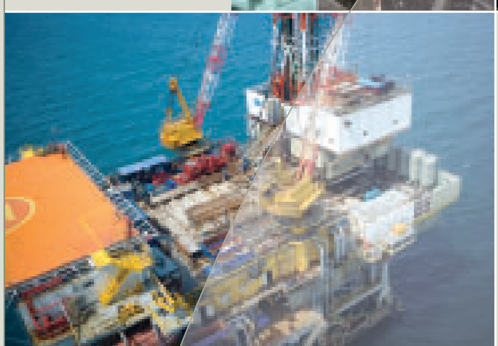
E&P

EXPLORATION AND PRODUCTION

Drilling rig in the Higashi-Niigata gas field (Niigata)

Domestic





Domestic E&P

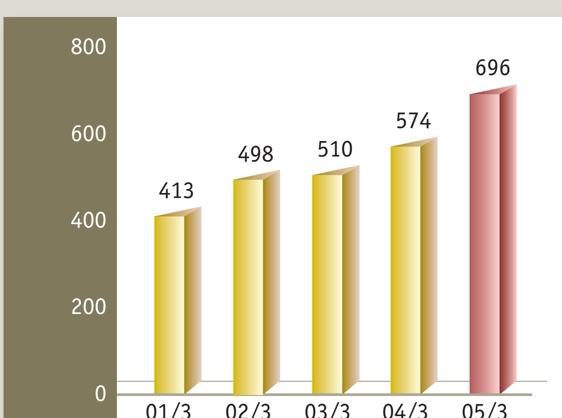
To ensure the sustained growth of the domestic natural gas business, one of the company's core businesses, JAPEX's basic strategy is to increase reserves of highly cost-competitive domestic natural gas. Guided by a policy of comprehensively reviewing domestic E&P potential, JAPEX is working to increase reserves of crude oil and natural gas in Japan. It has positioned the five years from fiscal 2004 as a period for actively exploring and developing reserves.

JAPEX's basic strategy is to conduct E&P that can add reserves in areas near existing oil and gas fields in Niigata, Akita and Hokkaido. At the same time, we aim to discover large reserves in new frontier areas.

JAPEX's average domestic production volume in fiscal 2005 was 1,600 kl/d (10,000 barrels of oil per day (bopd)) of crude oil and 2,900 thousand m^3/day (102 million cubic feet per day (mmcfd)) of natural gas.

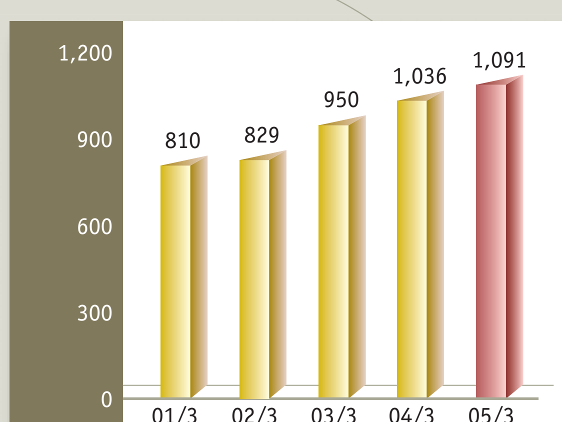
Crude Oil Production (Consolidated)

(Thousands of kiloliters)



Natural Gas Production (Consolidated)

(Millions of cubic meters)



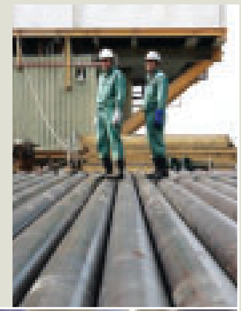
Domestic

NIIGATA AREA

Niigata Area

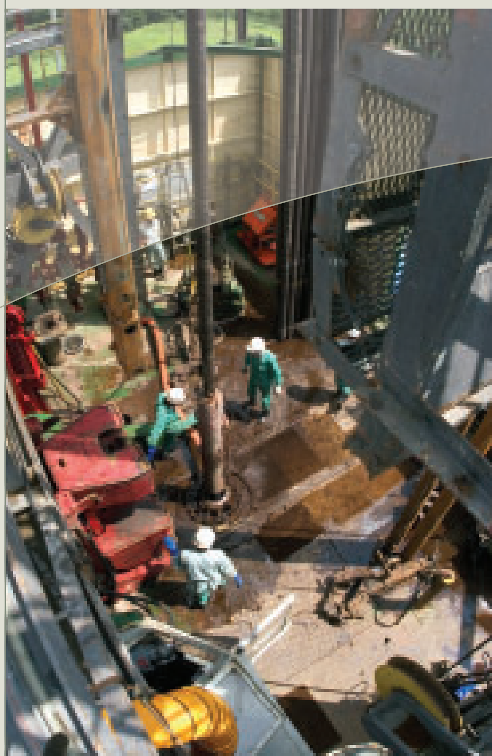
JAPEX produces crude oil and natural gas at nine oil and gas fields in the Niigata area. In fiscal 2004, JAPEX drilled one production well apiece at the Katakai gas field and Iwafuneoki oil and gas field to maintain and increase production capacity. Since the beginning of 2005, we have confirmed the extension of oil and gas formations at Higashi-Niigata MS-45 and Higashi-Niigata MS-46, wells in the Higashi-Niigata gas field. At the Iwafuneoki-Nishi MS-1 exploration well to the west of the Iwafuneoki oil and gas field, which is located 30 km offshore to the northeast of the city of Niigata, test production yielded 35.3 kl/d (220 bopd) of crude oil and 60,700 m^3/d (2,100 thousand cubic feet per day (mcfd)) of natural gas.

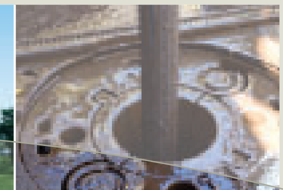
In terms of future exploration in the Niigata area, we will continue to conduct geophysical surveys onshore and at sea. At the same time, we will combine the two approaches of increasing reserves through exploration in existing oil and gas fields and exploratory drilling in new structures.



Iwafuneoki oil and gas field platform (Niigata)

AKITA AREA






Drilling rig in the Yurihara and Ayukawa oil and gas fields (Akita)

Akita Area

In the Akita area, JAPEX produces crude oil and natural gas at seven oil and gas fields. In fiscal 2004, JAPEX drilled two exploration and three extension wells. The Sarukawa SK-83H and Sarukawa SK-84H wells drilled in the Sarukawa oil field confirmed the extension of oil and gas formations. Furthermore, at the Naka-Ayukawa SK-1D exploration well, located near the Ayukawa oil and gas field, JAPEX was successful in producing 94 kl/d (590 bopd) of crude oil and 16,500 m^3/d (580 mcfd) of natural gas. In fiscal 2005, JAPEX drilled one exploration well and one extension well. At the Yurihara SK-17DH well in the Yurihara oil and gas field, test production confirmed the extension of an oil and gas formation.

To increase crude oil production from the Yurihara and Ayukawa oil and gas fields, JAPEX has continued to expand production and processing facilities. Expansion work was completed in November 2004, increasing crude oil production capacity to 330 kl/d (2,000 bopd).

JAPEX will continue to gather new geological data from geophysical surveys on land and at sea. We will also carry out E&P with the view to increasing reserves, targeting structures near existing oil and gas fields.

HOKKAIDO AND SANRIKU COAST AREA

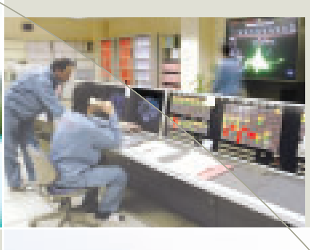
Domestic

Hokkaido and Sanriku Coast Area

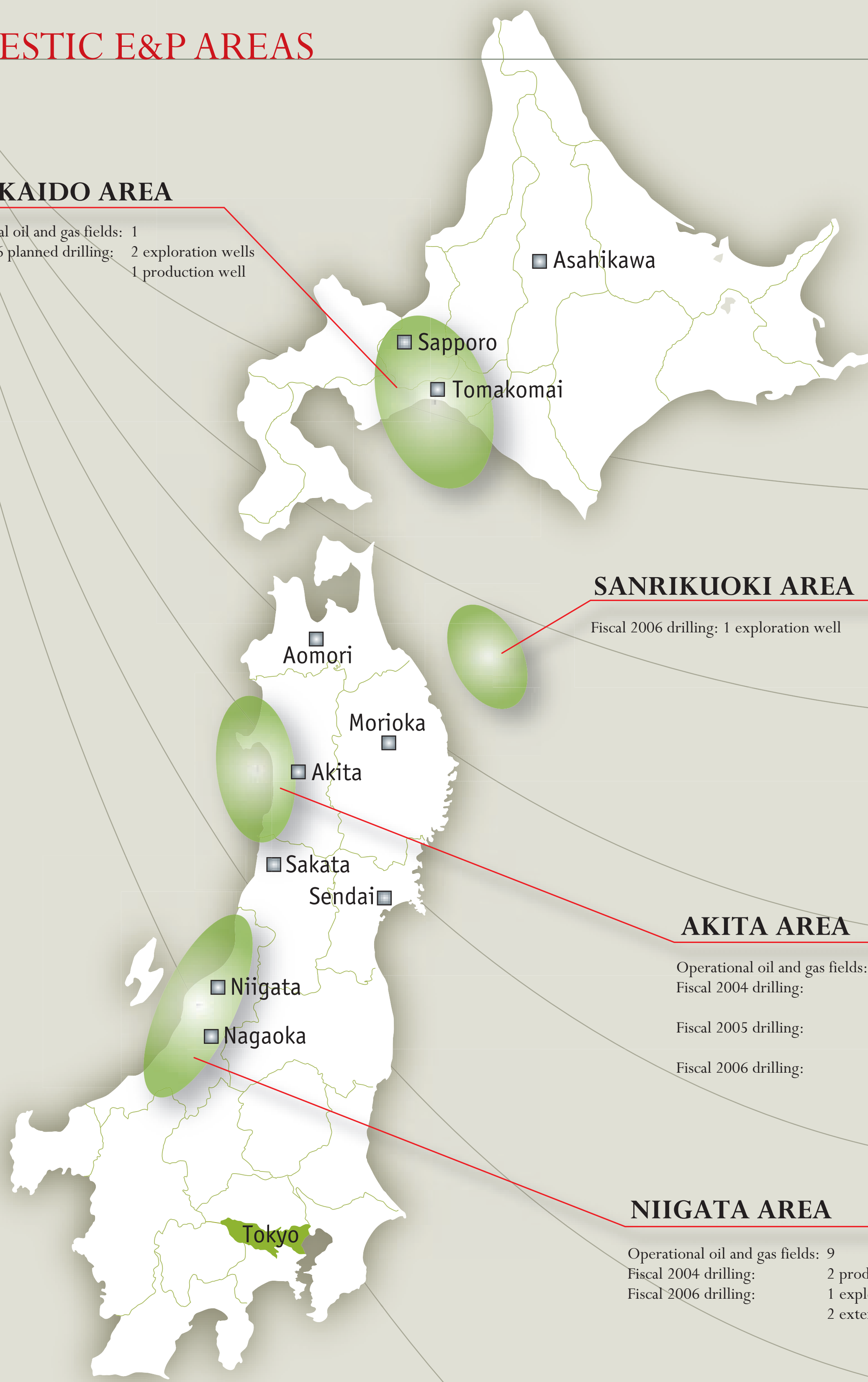
Production operations in Hokkaido are carried out in the Yufutsu oil and gas field. JAPEX discovered this field in 1989 and, since starting production in 1996, has expanded production capacity every year in line with strong demand.

In the Hokkaido and Sanriku coast areas, JAPEX has made efforts to gather new geological data with geophysical surveys targeting new structures that are expected to yield large reserves on a scale similar to Yufutsu. Based on seismic data obtained thus far, JAPEX plans to complete the drilling of one exploration well off the Sanriku coast in July, after which it will drill two exploration wells in the Yufutsu oil and gas field and off Hokkaido's southern Iburi coast in 2005.

JAPEX will continue to acquire new geological data from geophysical surveys on Hokkaido and off its coast as well as off the Sanriku coast. Based on these data, we will generate structures that are expected to yield large reserves and drill exploratory wells.



DOMESTIC E&P AREAS



HOKKAIDO AREA

Operational oil and gas fields: 1
Fiscal 2006 planned drilling: 2 exploration wells
1 production well

SANRIKUOKI AREA

Fiscal 2006 drilling: 1 exploration well

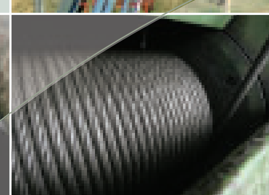
AKITA AREA

Operational oil and gas fields:	7
Fiscal 2004 drilling:	2 exploration wells
	3 extension wells
Fiscal 2005 drilling:	1 exploration well
	1 extension well
Fiscal 2006 drilling:	1 exploration well

NIIGATA AREA

Operational oil and gas fields:	9
Fiscal 2004 drilling:	2 production wells
Fiscal 2006 drilling:	1 exploration well
	2 extension wells

EXPLORATION AND PRODUCTION Overseas



Overseas E&P

JAPEX knows that securing reserves and generating earnings overseas are important themes for establishing a stable operating base over the long term. Based on this thinking, JAPEX is continuing to secure new projects in Southeast Asia, the Middle East, North Africa, Canada and other regions it has identified as target areas. JAPEX is adopting two approaches. One is to seek to acquire rights to oil and gas fields that are already onstream, which offer relatively low risk and early returns. The other is to acquire exploration rights that are expected to deliver relatively high returns.

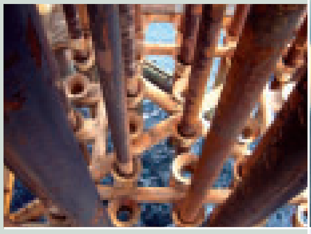
ASIA

Asia

In China, consolidated subsidiary Japex New Nanhai Ltd. is conducting production activities as a joint operator of the Lufeng 13-1 oil field in the South China Sea. In 2004, two production wells were drilled with the aim of increasing the efficiency of crude oil recovery. Efforts were also made to maintain production volume through the workover of four wells. In 2004, the average gross production volume for the field was 1,900 kl/d (12,000 bopd).

In Indonesia, equity-method affiliate Universe Gas & Oil Company, Inc. owns an interest in the Sanga Sanga block in Eastern Kalimantan. Production of crude oil and natural gas is carried out mainly at four oil and gas fields: Badak, Nilam, Mutiara and Semberah. Average gross production for all fields in 2004 was 46,000 kl/d (29,000 bopd) of crude oil and 26,000 thousand m^3/d (900 mmcfd) of natural gas. Furthermore, with the aim of raising the recovery efficiency of crude oil and natural gas and maintaining production volume, 19 production wells were drilled and a workover was carried out on three wells.

In the Philippines, we entered into a service agreement with the country's Department of Energy in December 2004 for the SC46 block, located in the sea between the islands of Negros and Cebu. In July 2005, JAPEX farmed out a 35% interests in this block, reducing its total rights to 65%. As the operator of this field, JAPEX has acquired 2D seismic data, which it is processing and interpreting as the basis for generating structures and evaluation activities.



Platform and floating storage and offloading unit (FSOU) in the Lufeng 13-1 oil field (China)

Overseas

CANADA

Oil sands production site in the Hanging Stone area (Canada)

Canada

In Canada, consolidated subsidiary Canada Oil Sands Co., Ltd. is conducting oil sands development using the Steam-Assisted Gravity Drainage (SAGD) method as operator in the Hanging Stone area in the Athabasca region, Alberta. The SAGD method involves drilling two parallel horizontal wells about five meters apart above and below the oil-sand formation. Steam is injected into the upper well. The heating process liquefies the bitumen, which flows down to the lower horizontal well, from where it is pumped to the surface. In 2004, an additional three pairs of horizontal wells were drilled, bringing the total number of pairs to 12. These 12 well pairs produced an average of 1,160 kl/d (7,300 bopd). In 2005, forecasts call for production to increase to around 1,600 kl/d (10,000 bopd) with the drilling of another three pairs of wells.

MIDDLE EAST AND RUSSIA

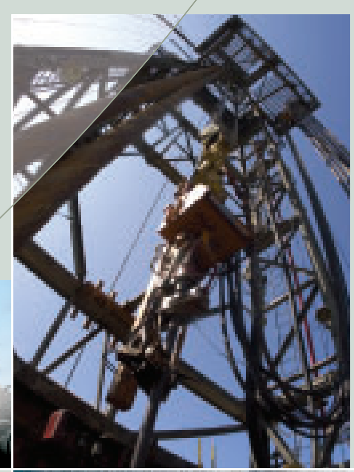
Middle East

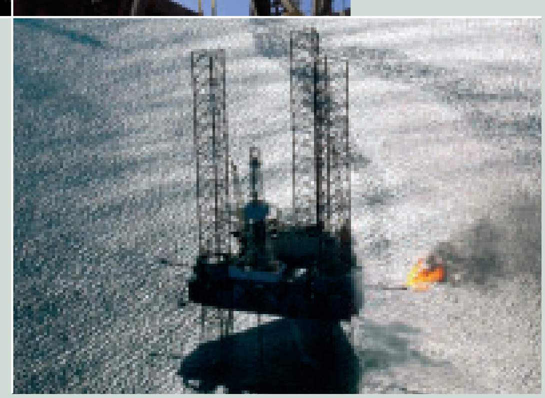
In Iran, equity-method affiliate JJI S&N B.V. is participating in a development and production project in the Soroosh and Nowrooz oil fields. Following the completion of production and processing facilities in May 2005, 30,210 kl/d (190,000 bopd) of oil was produced from both fields in July and production operations were handed over to National Iranian Oil Company.

In Iraq, JAPEX has signed a Memorandum of Understanding (MOU) with the Ministry of Oil concerning technical cooperation, mainly joint studies, including evaluation of specific oil fields, and training programs for the ministry's employees to foster oil experts. Under the terms of the MOU, JAPEX will work with the ministry to study the development of an oil field near Baghdad, evaluate another oil field in the north-eastern part of Iraq and evaluate the exploration potential for a third area, among other technical cooperation. In addition, as part of its technical support, JAPEX will provide the ministry with the necessary equipment and software to conduct 3D seismic surveys, and offer training programs for ministry employees covering such subjects as exploration and development technology.

Russia

JAPEX is participating in the Sakhalin-1 Project through its investment in Sakhalin Oil & Gas Development Co., Ltd. (SODECO), which owns a 30% interest in this project. The Sakhalin-1 Project is developing three oil and gas fields, Chayvo, Odoptu and Arkutun-Dagi, off the northeastern coast of Sakhalin Island, in the far eastern province of Russia. At present, in phase 1 operations to develop crude oil in the Chayvo field, development wells are being drilled using extended reach drilling and onshore production and processing facilities and an oil shipment terminal are being constructed.





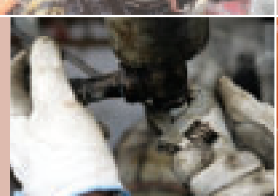
TRANSMISSION NETWORK

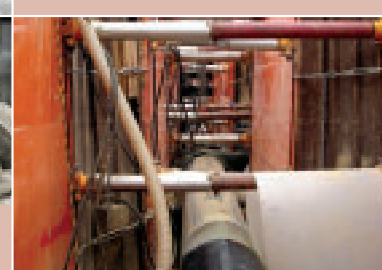
Transmission Network

JAPEX owns and operates a natural gas transmission network with a total length of approximately 760 km. Connecting directly with our oil and gas fields, this network is made up of the Yufutsu-Sapporo and Niigata-Sendai pipelines and lines in Niigata and Akita prefectures.

Responding to increasing demand, JAPEX has constructed new pipelines and expanded its gas supply area to increase sales volume of natural gas. JAPEX has set a target of increasing sales by 20% compared with the present level to 1.7 billion m^3 in the fiscal year ending March 31, 2009.

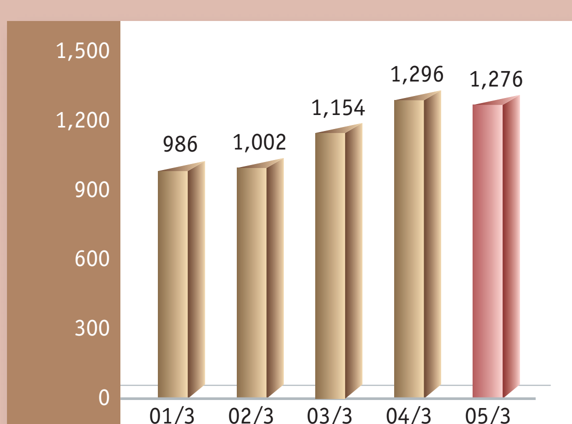
Shiroishi—Koriyama pipeline under construction





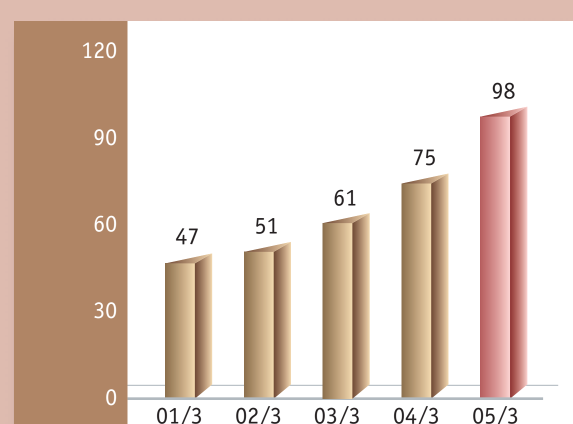
Natural Gas Sales Volume (Consolidated)

(Millions of cubic meters)



LNG Sales Volume (Consolidated)

(Thousands of tons)



Pipeline Extension

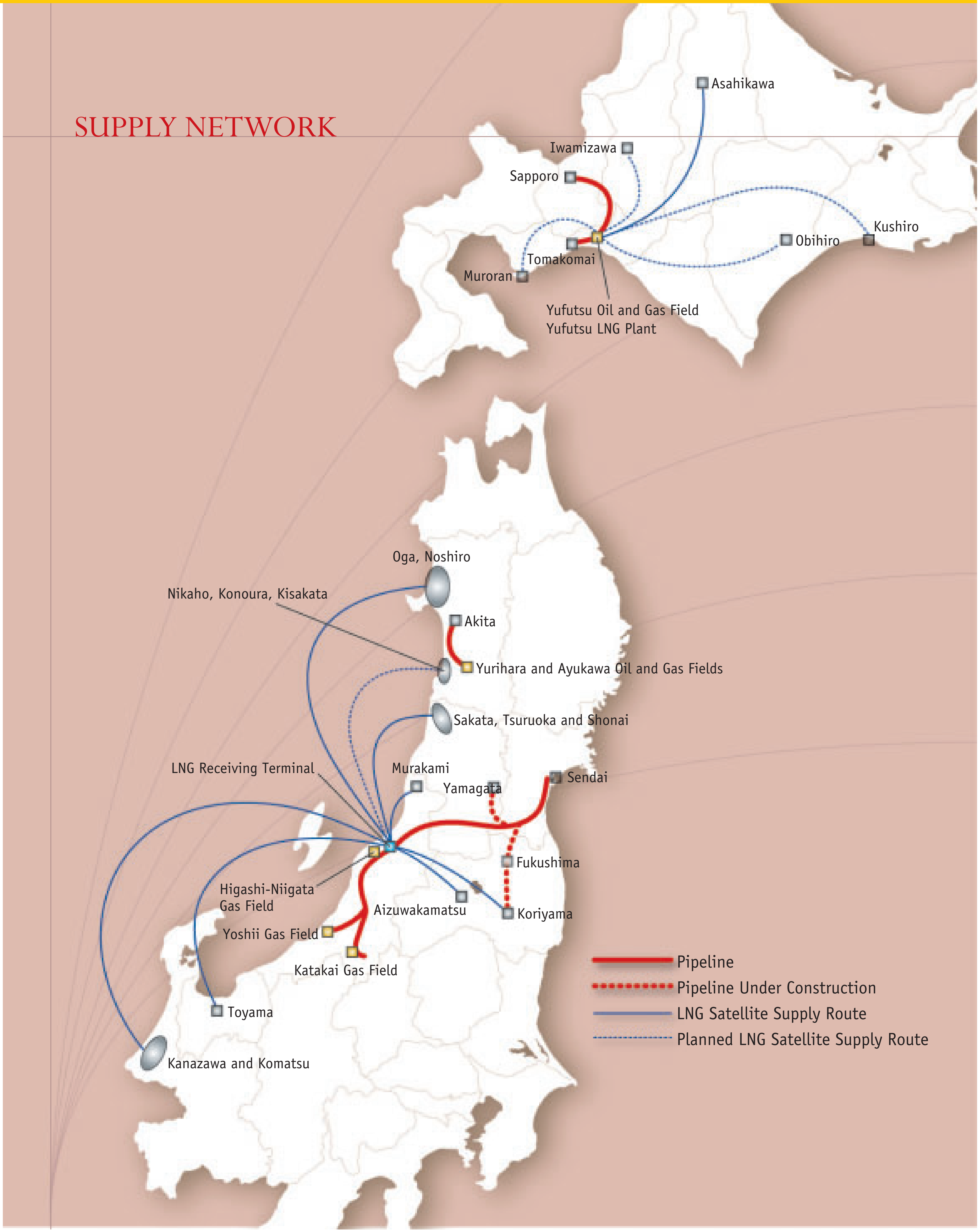
JAPEX regards its natural gas pipeline as an important strategic asset in the context of increasing gas sales volume. Consequently, JAPEX is constructing new pipelines to expand its marketing area. In February 2005, JAPEX completed a pipeline extending from the Yufutsu oil and gas field in Hokkaido to the city of Tomakomai. Gas supply began soon after. On Honshu, full-scale construction has begun on a 95 km extension of the Niigata-Sendai pipeline from the Shiroishi valve station to the city of Koriyama via Fukushima city. Construction of the 16-inch-diameter pipeline is progressing as planned toward a completion date of March 2007. The decision has already been made to supply gas to Fukushima Gas Co., Ltd. and Tobu Gas Co., Ltd. Ongoing efforts are being made to open up a new market, targeting mainly industrial users along the pipeline.

LNG Transportation

Some areas in Japan are not served by our gas pipeline network. To satisfy demand for natural gas from these areas, JAPEX supplies such customers using its LNG Satellite System.

On Honshu, we supply the Tohoku, Hokuriku and other regions. Tanker trucks and railway tank containers are used to transport imported LNG from an LNG receiving terminal in the port of Niigata. In Hokkaido, we constructed an LNG plant in the Yufutsu oil and gas field, and since October 2003 we have been liquefying Yufutsu natural gas to LNG for supply to Asahikawa Gas Co., Ltd. With plans for the start of LNG supply to Obihiro Gas Co., Ltd., Kushiro Gas Co., Ltd., Iwamizawa Gas Co., Ltd., Muroran Gas Co., Ltd. and other local distribution companies in stages from 2007, we have started construction of a second train at the Yufutsu LNG plant.

SUPPLY NETWORK



FIVE-YEAR SUMMARY

	Millions of yen (except per share data and other data)				
Years ended March 31	2005	2004	2003	2002	2001
For the year:					
Net sales	**¥ 103,150**	¥ 96,713	¥ 90,683	¥ 89,672	¥ 92,795
Cost of sales	**61,046**	58,060	52,288	56,220	59,138
Exploration expenses	**6,127**	5,213	3,113	3,674	4,344
Selling, general and administrative expenses	**21,298**	20,990	19,452	18,788	18,774
Operating income	**14,678**	12,449	15,828	10,988	10,538
Net income	**13,234**	9,960	8,828	5,200	3,958
Capital expenditures	**13,587**	16,735	11,806	7,245	2,903
Depreciation and amortization	**14,081**	11,043	9,817	9,523	9,601
At year-end:					
Total assets	**¥ 393,733**	¥ 246,765	¥ 242,455	¥ 239,799	¥ 256,970
Shareholders' equity	**293,152**	195,715	186,914	180,339	176,868
Per share data:					
Net assets per share	**¥5,127.67**	¥3,422.80	¥3,268.99	¥12,621.10	¥12,378.21
Net income per share	**230.05**	172.76	153.14	363.97	277.02
Cash dividends per share	**37.50**	35.00	25.00	100.00	100.00
Other data:					
Number of employees	**1,470**	1,388	1,358	1,387	1,447

Notes: JAPEX has prepared consolidated financial statements since the fiscal year ended March 31, 2001.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF OPERATING RESULTS

Operating Environment and Results

In fiscal 2005, ended March 31, 2005, the Japanese economy moved onto a firm recovery track as improvements in the corporate sector spread to household spending. Nevertheless, the pace of recovery gradually lost momentum from the middle of the year onward as weakness emerged in some sectors.

Looking at petroleum market conditions, although the yen strengthened in the currency market, a tight supply and demand environment caused prices for internationally traded crude oil to remain at a high level, resulting in a sharp rise in prices for domestic crude oil. Still, amid escalating competition among energy sectors due to acceleration in the pace of deregulation, domestic natural gas prices remained weak.

Consolidated net sales rose 6.7% to ¥103,150 million due to such factors as the price of crude oil, which remained at a high level. Operating income increased 17.9% to ¥14,678 million, mainly reflecting the higher sales, which outweighed a higher cost of sales and increased exploration expenses. Consolidated net income climbed 32.9% to ¥13,234 million.

Proved Reserves

As of March 31, 2005, the Company and its consolidated subsidiaries owned proved reserves as shown in the table below. The figure for crude oil includes bitumen, a heavy oil extracted from oil sands.

	Proved Reserves
Crude oil (thousand kl)	8,434
Natural gas (million m^3)	22,378

Effect of Foreign Exchange Rates and Crude Oil Prices on Performance

The average unit sales price of crude oil received by JAPEX during fiscal 2005 was ¥27,682/kl, ¥6,116 higher than in the previous fiscal year. The sales price of domestic crude oil is essentially linked to yen translations of the price of imported crude oil. On a U.S. dollar basis, the weighted-average price of crude oil rose $8.8 to $38.1 per barrel.

Meanwhile, the yen appreciated ¥6.45 relative to the U.S. dollar to a weighted-average exchange rate of ¥107.26. Although there was a slight impact on the sales price by the yen's appreciation, the unit sales price of domestic crude oil increased sharply year on year because of the higher U.S dollar-denominated crude oil price.

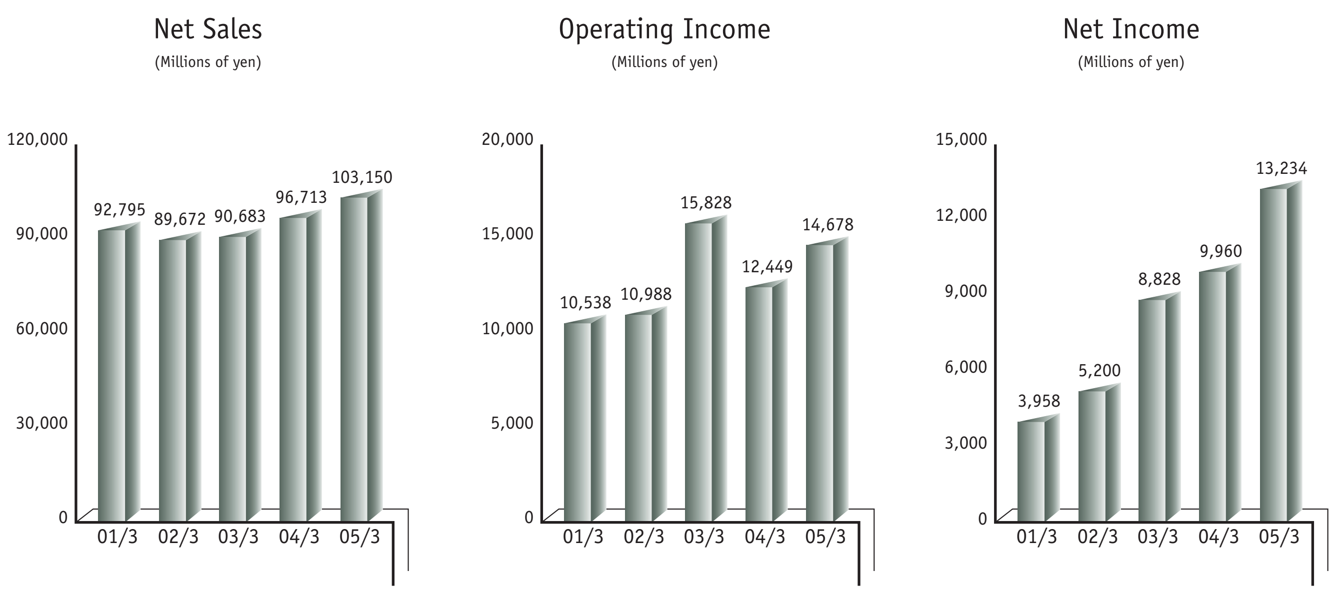
For sales of imported crude oil, fluctuations in crude oil prices and foreign exchange rates do not have a large effect on earnings because the sales price is set to reflect the purchase price.

Also, because JAPEX signs fixed yen-based contracts with customers on a single-year basis, the unit sales price of natural gas is not affected by short-term fluctuations in the international natural gas market or exchange rates.

Capital Expenditures and Depreciation Amortization

Capital expenditures decreased ¥3,147 million to ¥13,587 million. Major components of these expenditures were acquisition of gas supply facilities from the city of Shirone (now part of the city of Niigata), expansion of the central processing facilities of the Yurihara oil and gas field, and for constructing the basic layout of the Shiroishi-Koriyama pipeline.

Depreciation and amortization expenses increased ¥3,037 million to ¥14,081 million. The main reason for the increase was a full year's depreciation on construction work completed in the previous fiscal year: construction of the Akebono well site in the Yufutsu field, operated by the Sapporo Office, and construction



of a flowline linking the Akebono site with the Yufutsu Central Processing Facility; expansion and renovation of the Yufutsu Central Processing Facility; construction of an LNG plant; and drilling of production wells at the Katakai gas field operated by the Nagaoka Office.

Exploration Activities

Exploration expenses in fiscal 2005 rose ¥914 million year on year to ¥6,127 million. These expenses mostly represented four seismic surveys, and five exploration and extension wells, three of which were successful.

Outside Japan, exploration activities are preformed by companies established for each project. As expenses represent the purchase of equity in these companies, these expenses are recorded on the balance sheets as allowance for losses on overseas investment. If these companies are consolidated subsidiaries, JAPEX posts an accrual for losses on projects based on estimated losses in accordance with the financial condition of each company.

In the year under review, investments for overseas exploration activities were ¥235 million less than in the previous fiscal year, at ¥70 million. Investments were mostly for exploration in the Republic of Kazakhstan.

The scale of exploration activities has a significant impact on results of operations. The exploration budget is determined in each fiscal year on an ordinary income basis by taking into consideration the medium-term exploration plan and sales forecasts for the next few fiscal years.

NET SALES

In fiscal 2005, net sales in the Oil and Natural Gas Segment were ¥102,332 million, accounting for 99.2% of total sales. Net sales in the Geothermal Energy Segment were ¥818 million, representing the remaining 0.8% of total sales. The Oil and Natural Gas Segment is divided into three divisions: E&P, contract services, and other businesses. The following paragraphs provide analysis of E&P sales, which generate the majority of JAPEX's sales.

The volume of crude oil sales decreased 9.7% to 1,380 thousand kiloliters. However, because of a ¥6,116/kl increase in the average unit sales price, as mentioned in the discussion on the "Effect of foreign exchange rates and crude oil prices on performance," crude oil sales in monetary terms rose 15.9% to ¥38,211 million. For domestically produced crude oil, sales volume was down 6.7% to 545 thousand kiloliters, while sales in monetary terms increased 14.3% to ¥14,248 million.

The volume of natural gas sales decreased 1.5% to 1,276 million cubic meters. Unit sales prices were lower because of revisions in the classification of natural gas sales contracts and consignment agreements. As a result, fiscal 2005 natural gas sales decreased 6.3% to ¥39,867 million.

LNG sales volume increased 22 thousand tons year on year to 98 thousand tons. On a monetary basis, sales increased 27.4% to ¥4,888 million. This was mainly due to growth in sales in the Hokkaido region.

REVIEW OF OPERATIONS BY SEGMENT

Oil and Natural Gas Segment

E&P Division

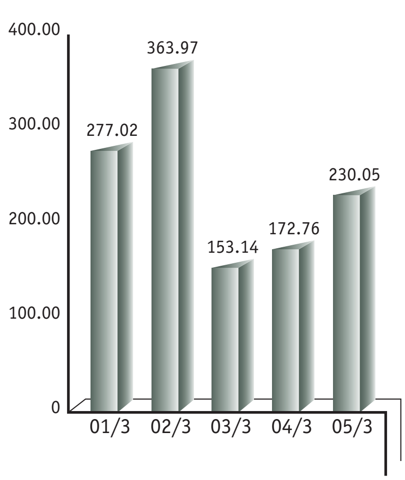
The sale of crude oil, natural gas and LNG are the principal activities in this division. Division sales increased 4.5% to ¥82,966 million, due to higher sales of crude oil accompanying the surge in the price of crude oil.

Contract Services Division

Drilling, seismic data acquisition and processing are the principal activities of this division. Division sales decreased 0.9% to ¥6,987 million.

Net Income per Share

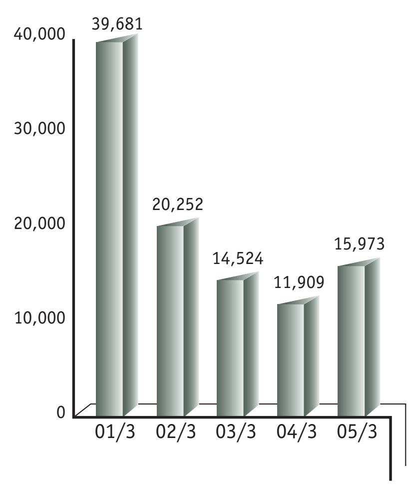
(Yen)



Note: JAPEX conducted a four-for-one stock split on January 1, 2003.

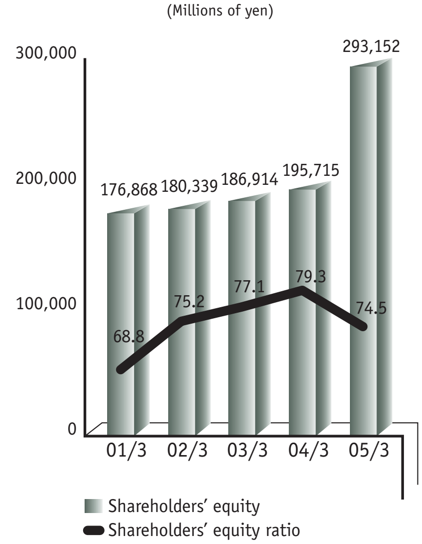
Interest-bearing Debt

(Millions of yen)



Shareholders' Equity/
Shareholders' Equity Ratio

(Millions of yen)



Other Businesses Division

Sales in this division mainly represent sales of products such as LPG and fuel oil, the transmission of third-party natural gas and petroleum products, and other consignment orders. Division sales increased 34.3% to ¥12,378 million due to growth in third-party transmission orders and higher sales volumes of petroleum products.

GEOTHERMAL ENERGY SEGMENT

Geothermal Energy Division

This division is engaged in the sale of steam for electric power generation and consigned R&D activities in the field of geothermal energy. Division sales decreased 24.9% to ¥818 million because of lower sales volumes of steam for generating electricity.

FINANCIAL POSITION

Assets, Liabilities and Shareholders' Equity

Total assets at March 31, 2005 stood at ¥393,733 million, 59.6% up on a year ago. This large increase was due chiefly to valuation gains on shares held in INPEX CORPORATION, following the listing of this company's shares on the First Section of the Tokyo Stock Exchange.

Current assets increased ¥15,856 million, the result mainly of the consolidation of two subsidiaries: Japex New Nanhai Ltd. and Jawa Oil Co., Ltd.

Property, plant and equipment, net declined ¥5,642 million from a year ago. This decrease was mainly due to depreciation and impairment losses, which outweighed capital expenditures such as for the acquisition of gas supply facilities from the city of Shirone (now part of the city of Niigata), expansion of the central facilities of the Yurihara oil and gas field, and constructing the basic layout of the Shiroishi-Koriyama pipeline. However, the impairment losses, recorded at Japex Geothermal Kyushu Ltd., had no effect on the consolidated statements of income because they were offset by the reversal of the accrual for losses on projects.

Liabilities

Total liabilities rose 100.1% to ¥91,380 million. One factor was an increase in interest-bearing debt (short-term bank loans, long-term debt, and the current portion of long-term debt) of ¥4,064 million. Another was the booking of ¥46,213 million in deferred tax liabilities at the fiscal year-end for the recognition of the tax effect on valuation gains on the aforementioned INPEX shares.

Shareholders' Equity

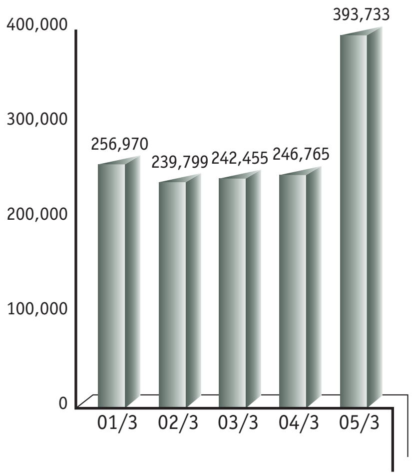
Shareholders' equity rose 49.8% to ¥293,152 million. The primary factors underlying the increase were a rise in retained earnings and an increase in unrealized holding gain on securities. Retained earnings rose 5.7% to ¥191,116 million, reflecting net income less dividends and other appropriations. Unrealized holding gain on securities rose ¥84,900 million to ¥88,313 million due to valuation gains on shares of INPEX.

As a result, the shareholders' equity ratio declined from 79.3% to 74.5%, while shareholders' equity per share increased from ¥3,422.80 to ¥5,127.67.

Credit guarantees for bank loans taken out by affiliated companies and others, treated as contingent liabilities, rose 33.8% to ¥22,792 million.

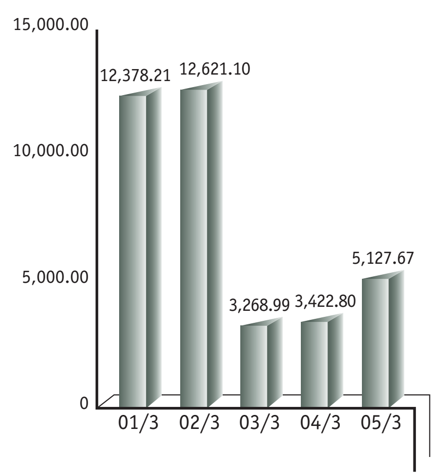
Total Assets

(Millions of yen)



Shareholders' Equity per Share

(Yen)



Note: JAPEX conducted a four-for-one stock split on January 1, 2003.

CASH FLOWS

As of March 31, 2005, cash and cash equivalents totaled ¥34,568 million, up 24.1% compared with a year ago. This increase was mainly attributable to income before income taxes and minority interests of ¥18,129 million and depreciation and amortization of ¥14,081 million in operating cash flows. These and other factors offset ¥14,688 million in payments for acquisition of securities and ¥11,978 million for acquisition of property, plant and equipment.

Cash Flows From Operating Activities

Net cash provided by operating activities was ¥21,936 million, an increase of 1.9% from the previous fiscal year. The main components were ¥18,129 million in income before income taxes and minority interests and ¥14,081 million in depreciation and amortization, which outweighed ¥4,139 million in income taxes paid and other uses of cash.

Cash Flows From Investing Activities

Net cash used in investing activities amounted to ¥15,805 million, up 24.7% from the previous fiscal year. The main uses were ¥11,978 million for acquisition of property, plant and equipment, as well as ¥3,033 million in net outlays from the purchase and sale of marketable and investment securities.

Cash Flows From Financing Activities

Net cash provided by financing activities was ¥786 million, compared with net cash used of ¥4,599 million in the previous fiscal year. This mainly reflected ¥7,000 million in proceeds from long-term debt, which outweighed ¥3,047 million used for cash dividends paid and ¥2,311 million for the repayment of long-term debt.

RISK FACTORS

The following is a list of significant risk factors that could affect JAPEX's business results, stock price and financial condition.

Risks Associated With Business Operations

The exploration stage of business operations is inherently highly risky. These operations require substantial investments and extended time frames to conduct activities beginning with initial surveys and including exploration work and the discovery of resources. Furthermore, there are no assurances that oil and gas will be found. Substantial investments are also required to commercialize newly found reserves, as JAPEX must drill development wells and construct production and transmission facilities. Due to these factors, long lead times are typically required from the start of a particular project until an investment can be recovered and earnings generated. During this period, the operating environment can change, meaning additional investment may be necessary, demand may decline, prices may fall, operating costs may escalate, and foreign exchange rates may become unfavorable. Any one of these factors can make it difficult to achieve the original investment goals of the project. Developers of natural resources must also contend with technical risks, among which are unexpected declines in recoverable reserves and production volumes, and unanticipated levels of impurities.

Factors Causing Volatility in Crude Oil Sales

The price of domestic crude oil JAPEX markets in Japan is closely linked to international crude oil prices. Consequently, the sales price of crude oil is affected by market trends, such as the level of output set by OPEC and trends in the international balance of supply and demand, as well as fluctuations in exchange rates. JAPEX may also conduct crude oil swaps and other transactions to reduce exposure to these risks, but a certain degree of risk exposure inevitably remains.

Factors Causing Volatility in Natural Gas Sales

In most cases, the unit sales price of natural gas that JAPEX markets in Japan is fixed, on a yen-denominated basis, each fiscal year in accordance with contracts with each customer. Prices are not affected by short-term fluctuations in international prices or exchange rates. However, in the case of gas supplied to LDCs, demand peaks in winter and declines during the summer months. Moreover, abnormal weather conditions, such as a relatively warm winter, affect sales volumes. Furthermore, over the longer term, the deregulation of Japan's energy markets carries the risk of lower unit sales prices and lower sales volumes of natural gas.

Procurement Risk

JAPEX began importing Malaysian LNG in March 2003. The contract includes a take-or-pay clause under which JAPEX has a long-term obligation to purchase no less than a certain volume of Malaysian LNG each year. Consequently, JAPEX may have to continue procuring a fixed amount of LNG despite a possible decline in its natural gas sales volume in the future. Moreover, the price of LNG is affected by crude oil prices and foreign exchange rates. JAPEX's profits may be squeezed in the event of a sudden rise in the cost of oil and gas unless it is able to pass on any increases in procurement prices to its customers in the form of higher sales prices.

Risk Concerning Company Shares Held by the Government

On April 1, 2005, 49.94% of JAPEX's shares owned by JNOC were transferred to the Japanese government, specifically the Minister of Economy, Trade and Industry, following the dissolution of JNOC. There is a possibility that these shares held by the government could be sold. JAPEX's stock price could be affected, depending on the timing, method and volume of any sale.

CONSOLIDATED BALANCE SHEETS

Japan Petroleum Exploration Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 3)
ASSETS	2005	2004	2005
Current assets:			
Cash and cash equivalents	¥ 34,568	¥ 27,851	$ 323,065
Time deposits	491	340	4,589
Short-term investments in securities (Note 4)	4,602	4,264	43,009
Notes and accounts receivable:			
Non-consolidated subsidiaries and affiliates	408	91	3,813
Trade	13,504	11,339	126,206
Less: Allowance for doubtful receivables	(17)	(13)	(159)
	13,895	11,416	129,860
Inventories (Note 5)	9,158	6,116	85,589
Deferred tax assets (Note 8)	706	726	6,598
Other current assets	7,365	4,218	68,832
Total current assets	70,788	54,932	661,570
Investments and long-term loans receivable:			
Investments in securities (Notes 4, 6 and 7)	216,467	84,771	2,023,056
Less: Allowance for losses on overseas investments (Note 6)	(8,312)	(13,334)	(77,682)
	208,155	71,437	1,945,374
Long-term loans receivable	2,366	2,562	22,112
Total investments and long-term loans receivable	210,521	74,000	1,967,486
Property, plant and equipment (Note 7):			
Land	11,191	12,051	104,589
Buildings and structures	113,155	123,744	1,057,523
Wells	31,401	30,295	293,467
Machinery and equipment	64,095	59,619	599,019
Other property, plant and equipment	13,003	11,468	121,523
	232,847	237,178	2,176,140
Less: Accumulated depreciation	(137,913)	(136,602)	(1,288,907)
Property, plant and equipment, net	94,933	100,576	887,224
Other assets:			
Deferred tax assets (Note 8)	457	4,966	4,271
Other	17,031	12,288	159,168
Total assets	¥ 393,733	¥ 246,765	$ 3,679,748

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 2005	Millions of yen 2004	Thousands of U.S. dollars (Note 3) 2005
Current liabilities:			
Short-term bank loans (Note 7)	¥ –	¥ 600	$ –
Current portion of long-term debt (Note 7)	8,973	2,306	83,860
Notes and accounts payable:			
Non-consolidated subsidiaries and affiliates	126	35	1,178
Trade	2,920	2,317	27,290
	3,047	2,353	28,477
Accrued income taxes (Note 8)	992	1,610	9,271
Other current liabilities	16,092	9,928	150,393
Total current liabilities	29,105	16,798	272,009
Long-term liabilities:			
Long-term debt (Note 7)	7,000	9,003	65,421
Deferred tax liability (Note 8)	46,213	158	431,897
Accrued retirement benefits for employees (Note 9)	3,831	3,574	35,804
Accrued retirement benefits for officers	773	696	7,224
Accrued estimated cost of abandonment	2,690	2,423	25,140
Accrual for losses on projects	1,688	10,975	15,776
Other long-term liabilities	77	2,028	720
Total long-term liabilities	62,275	28,859	582,009
Minority interests in consolidated subsidiaries	9,199	5,392	85,972
Shareholders' equity:			
Common stock:			
Authorized — 120,000,000 shares			
Issued — 57,154,776 shares	14,288	14,288	133,533
Retained earnings (Notes 10 and 18)	191,116	180,826	1,786,131
Unrealized holding gain on securities	88,313	3,412	825,355
Translation adjustments	(561)	(2,810)	(5,243)
	293,156	195,716	2,739,785
Less: Treasury stock, at cost; 954 shares in 2005 and 304 shares in 2004	(4)	(1)	(37)
Total shareholders' equity	293,152	195,715	2,739,738
Contingent liabilities (Note 14)			
Total liabilities and shareholders' equity	¥393,733	¥246,765	$3,679,748

CONSOLIDATED STATEMENTS OF INCOME

Japan Petroleum Exploration Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2005	2004	2005
Net sales	¥103,150	¥96,713	$964,019
Cost of sales (Note 12)	61,046	58,060	570,523
Gross profit	42,104	38,653	393,495
Exploration expenses (Note 12)	6,127	5,213	57,262
Selling, general and administrative expenses (Note 12)	21,298	20,990	199,047
Operating income	14,678	12,449	137,178
Other income (expenses):			
Interest and dividend income	2,833	2,491	26,477
Interest expense	(261)	(346)	(2,439)
Gain (loss) on sales of securities, net	3	210	28
Loss on devaluation of securities	(121)	(498)	(1,131)
Loss on disposal of property, plant and equipment	(665)	(286)	(6,215)
Reversal of allowance for losses on overseas investments	1,376	2,705	12,860
Reversal of accrual for losses on projects	957	–	8,944
Provision for accrued estimated cost of abandonment	(513)	(160)	(4,794)
Provision for accrual for losses on projects	–	(129)	–
Equity in earnings (losses) of non-consolidated subsidiaries and affiliates	116	(2,072)	1,084
Other, net	(274)	(154)	(2,561)
	3,451	1,757	32,252
Income before income taxes and minority interests	18,129	14,207	169,430
Income taxes (Note 8):			
Current	1,801	2,568	16,832
Deferred	2,469	1,386	23,075
	4,270	3,955	39,907
Income before minority interests	13,859	10,252	129,523
Minority interests	(624)	(291)	(5,832)
Net income (Note 18)	¥ 13,234	¥ 9,960	$123,682

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Japan Petroleum Exploration Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2005	2004	2005
Common stock:			
Beginning of year	¥ 14,288	¥ 14,288	$ 133,533
End of year	¥ 14,288	¥ 14,288	$ 133,533
Retained earnings:			
Beginning of year	¥180,826	¥172,370	$1,689,963
Net income	13,234	9,960	123,682
Cash dividends paid	(2,857)	(1,428)	(26,701)
Bonuses to directors and statutory auditors	(86)	(75)	(804)
End of year	¥191,116	¥180,826	$1,786,131
Unrealized holding gain on securities:			
Beginning of year	¥ 3,412	¥ 2,304	$ 31,888
Net change during the year	84,900	1,107	793,458
End of year	¥ 88,313	¥ 3,412	$ 825,355
Translation adjustments:			
Beginning of year	¥ (2,810)	¥ (2,048)	$ (26,262)
Net change during the year	2,248	(761)	21,009
End of year	¥ (561)	¥ (2,810)	$ (5,243)
Treasury stock:			
Beginning of year	¥ (1)	¥ –	$ (9)
Net change during the year	(2)	(1)	(19)
End of year	¥ (4)	¥ (1)	$ (37)

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Japan Petroleum Exploration Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2005	2004	2005
Operating activities:			
Income before income taxes and minority interests	¥ 18,129	¥ 14,207	$ 169,430
Depreciation and amortization	14,081	11,043	131,598
Equity in (earnings) losses of non-consolidated subsidiaries and affiliates	(116)	2,072	(1,084)
Interest and dividends income	(2,833)	(2,491)	(26,477)
Interest expense	261	346	2,439
Loss (gain) on sales and redemptions of securities, net	212	(270)	1,981
Loss on devaluation of securities	121	498	1,131
Increase in accrued retirement benefits	244	303	2,280
Decrease in accrued estimated cost of abandonment	(12)	(638)	(112)
Decrease in allowance for losses on overseas investments and accrual for losses on projects	(2,173)	(3,830)	(20,308)
(Increase) decrease in notes and accounts receivable	(1,823)	310	(17,037)
(Increase) decrease in inventories	(3,042)	2,669	(28,430)
Increase (decrease) in notes and accounts payable	152	(2,161)	1,421
Other, net	2,873	1,266	26,850
Subtotal	26,075	23,326	243,692
Income taxes (paid) refunded	(4,139)	(1,803)	(38,682)
Net cash provided by operating activities	21,936	21,522	205,009
Investing activities:			
Decrease (increase) in time deposits	300	(320)	2,804
Acquisition of property, plant and equipment	(11,978)	(15,734)	(111,944)
Proceeds from sales of property, plant and equipment	550	38	5,140
Acquisition of securities	(14,688)	(12,029)	(137,271)
Proceeds from sales and redemptions of securities	11,655	12,996	108,925
Acquisition of subsidiaries' stocks with changing the scope of consolidation	(2,269)	–	(21,206)
(Increase) decrease in loans receivable	(940)	465	(8,785)
Interest and dividends received	2,815	2,638	26,308
Other, net	(1,248)	(733)	(11,664)
Net cash used in investing activities	(15,805)	(12,677)	(147,710)
Financing activities:			
Decrease in short-term bank loans	(600)	(300)	(5,607)
Proceeds from long-term debt	7,000	–	65,421
Repayment of long-term debt	(2,311)	(2,315)	(21,598)
Acquisition of treasury stock	(2)	(1)	(19)
Cash dividends paid	(3,047)	(1,626)	(28,477)
Interest paid	(252)	(356)	(2,355)
Net cash used in financing activities	786	(4,599)	7,346
Effect of exchange rate changes on cash and cash equivalents	(199)	(260)	(1,860)
Cash and cash equivalents at beginning of year	27,851	23,866	260,290
Cash and cash equivalents at end of year	¥ 34,568	¥ 27,851	$ 323,065

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Japan Petroleum Exploration Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2005

1. BASIS OF PREPARATION

Japan Petroleum Exploration Co., Ltd. (the "Company") and its domestic consolidated subsidiaries maintain their books of account and prepare their financial statements in accordance with accounting principles generally accepted in Japan, and its foreign consolidated subsidiaries maintain their books of account in conformity with those of their countries of domicile.

The accompanying consolidated financial statements have been compiled from the consolidated financial statements prepared by the Company as required under the Securities and Exchange Law of Japan and have been prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

As permitted by the regulations under the Securities and Exchange Law of Japan, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sums of the individual amounts.

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

2. SIGNIFICANT ACCOUNTING POLICIES

(1) Principles of consolidation and accounting for investments in non-consolidated subsidiaries and affiliates

The accompanying consolidated financial statements include the accounts of the Company and significant companies controlled directly or indirectly by the Company. Certain non-consolidated subsidiaries and significant companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements on an equity basis. All significant intercompany balances and transactions have been eliminated in consolidation.

The difference between the cost and the underlying net equity at fair value of investments in consolidated subsidiaries and in companies accounted for by the equity method is amortized over a period of 5 years in general.

Investments in non-consolidated subsidiaries and affiliates other than the companies described above are stated at cost. Where there has been permanent impairment in the value of such investments, they have been written down in order to reflect the impairment.

(2) Foreign currency translation

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

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

The balance sheet accounts of the foreign consolidated subsidiaries, except for shareholders' equity, the components of which are translated at the historical exchange rates, are translated into yen at the rates of exchange in effect at the balance sheet date. Revenue and expense accounts are also translated at the rates of exchange in effect at the balance sheet date.

Translation adjustments are presented as a component of shareholders' equity and minority interests in the consolidated financial statements.

(3) Cash equivalents

The Company and its consolidated subsidiaries consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

(4) Securities

In general, securities are classified into three categories: trading, held-to-maturity or other securities. Securities held by the Company and its consolidated subsidiaries are all classified as other securities. Other securities with a determinable market value are stated at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in shareholders' equity. Other securities without a determinable market value are stated at cost. Cost of securities sold is determined by the moving average method.

(5) Inventories

Merchandise and finished products are mainly stated at cost determined by the first-in, first-out method. Construction projects in progress are stated at cost determined by the specific identification method. Other inventories are mainly stated at cost determined by the moving average method.

(6) Property, plant and equipment and depreciation

Depreciation of property plant and equipment is computed mainly by the declining-balance method, except for the buildings acquired on and after April 1, 1998, the Sendai pipelines and the production and sales assets of Sapporo office facilities on which depreciation is computed by the straight-line method, at rates based on the estimated useful lives of the respective assets.

However, depreciation of property, plant and equipment of three domestic consolidated subsidiaries is computed by the straight-line method. That of two foreign consolidated subsidiaries is computed by the percentage 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 and equipment	2 to 20 years

Effective April 1, 2004, the Company and its domestic consolidated subsidiaries changed the residual value of wells etc. to the economic residual value (memorandum value: ¥1) estimated by the Company and its domestic consolidated subsidiaries based on their scrap value and alternative usage of the assets instead of five percent of their acquisition costs.

The effect of this change was to increase depreciation expense by ¥992 million and to decrease operating income by ¥894 million and income before income taxes and minority interests by ¥967 million for the year ended March 31, 2005.

(7) Leases

Noncancelable leases are primarily accounted for as operating leases (whether such leases are classified as operating or finance leases) except that lease agreements which stipulate the transfer of ownership of the leased assets to the lessee are accounted for as finance leases.

(8) Retirement benefits

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

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

In addition, directors and statutory auditors ("officers") of the Company and certain consolidated subsidiaries are customarily entitled to severance payments under their respective retirement benefit plans. Provisions for retirement benefits for these officers are made at an estimated amount in accordance with the inter-company regulation as of the balance sheet date.

(9) Income taxes

Deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of the assets and liabilities, and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(10) Allowance for losses on overseas investments

The allowance for losses on overseas investments is provided for possible losses arising from investments in the exploration and development of overseas natural resources at an amount determined based on the net worth of the investees with reference to the investees' financial position and certain other factors.

(11) Accrued estimated cost of abandonment

The accrued estimated cost of abandonment is provided to cover the costs to be incurred upon the abandonment of wells and mining facilities at an estimated amount which, in general, is allocated over a scheduled period based on the Company's or consolidated subsidiaries' plans for the abandonment of wells and mining facilities.

(12) Accrual for losses on projects

The accrual for losses on projects is provided for possible losses arising from the project of natural resources conducted by consolidated subsidiaries at an estimated amount based on the net worth of each subsidiary's financial position and certain other factors.

(13) Research and development costs

Research and development costs are charged to income when incurred.

(14) Appropriation of retained earnings

Under the Commercial Code of Japan, the appropriation of retained earnings with respect to a given financial period is made by resolution of the shareholders at a general meeting held subsequent to the close of such financial period. The appropriations for that period are not, therefore, reflected in the consolidated balance sheets of respective years. See Note 19.

(15) Accounting change

Effective April 1, 2004, the Company and its domestic consolidated subsidiaries adopted a new accounting standard for impairment accounting for fixed assets as early adoption of the standards was permitted from the fiscal year ended March 31, 2004.

The adoption of this new standard had no effect on the consolidated statement of income for the year ended March 31, 2005.

3. U.S. DOLLAR AMOUNTS

The translation of yen amounts into U.S. dollar amounts is included solely for convenience and has been made, as a matter of arithmetic computation only, at the rate of ¥107=U.S.$1.00, the approximate rate of exchange in effect on March 31, 2005. The translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at that or any other rate.

4. SECURITIES

(a) Information regarding marketable securities classified as other securities as of March 31, 2005 and 2004 is summarized as follows:

	Millions of yen			Thousands of U.S. dollars		
March 31, 2005	Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:						
Stock	¥19,180	¥156,677	¥137,497	$179,252	$1,464,271	$1,285,019
Bonds:						
Government bonds	2,467	2,765	297	23,056	25,841	2,776
Corporate bonds	4,535	4,915	379	42,383	45,935	3,542
Other debt securities	7,672	7,829	157	71,701	73,168	1,467
Others	5,620	6,953	1,332	52,523	64,981	12,449
Subtotal	39,477	179,142	139,665	368,944	1,674,224	1,305,280
Securities whose acquisition cost exceeds or is equal to their carrying value:						
Stock	955	882	(73)	8,925	8,243	(682)
Bonds:						
Government bonds	3,738	3,528	(210)	34,935	32,972	(1,963)
Corporate bonds	568	539	(28)	5,308	5,037	(262)
Other debt securities	11,182	10,579	(603)	104,505	98,869	(5,636)
Others	6,032	5,829	(202)	56,374	54,477	(1,888)
Subtotal	22,477	21,358	(1,119)	210,065	199,607	(10,458)
Total	¥61,954	¥200,500	¥138,545	$579,009	$1,873,832	$1,294,813

	Millions of yen		
March 31, 2004	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stock	¥ 5,947	¥11,049	¥ 5,101
Bonds:			
Government bonds	3,708	4,038	329
Corporate bonds	4,529	4,891	362
Other debt securities	10,418	10,536	117
Others	5,243	6,279	1,036
Subtotal	29,847	36,795	6,948
Securities whose acquisition cost exceeds or is equal to their carrying value:			
Stock	2,169	1,972	(197)
Bonds:			
Government bonds	4,538	4,220	(318)
Corporate bonds	992	942	(49)
Other debt securities	10,873	10,217	(655)
Others	4,612	4,370	(241)
Subtotal	23,187	21,724	(1,463)
Total	¥53,034	¥58,519	¥ 5,485

Acquisition cost in the table above represents the book value after the devaluation of certain securities. Loss on devaluation of marketable securities for the years ended March 31, 2005 and 2004 amounted to ¥121 million ($1,131 thousand) and ¥498 million, respectively.

(b) Sales of securities classified as other securities amounted to ¥4,201 million ($39,262 thousand) with aggregate gain and loss of ¥148 million ($1,383 thousand) and ¥145 million ($1,355 thousand), respectively, for the year ended March 31, 2005.

For the year ended March 31, 2004, sales of securities classified as other securities amounted to ¥3,822 million with aggregate gain and loss of ¥244 million and ¥34 million, respectively.

(c) The redemption schedule for securities with maturity dates classified as other securities is summarized as follows:

	Millions of yen			
March 31, 2005	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Bonds:				
Government bonds	¥ 192	¥3,004	¥2,802	¥ 293
Corporate bonds	3,061	953	1,154	284
Other debt securities	1,106	5,163	3,892	8,247
Others	241	322	100	–
Total	¥4,602	¥9,444	¥7,950	¥8,824

	Thousands of U.S. dollars			
March 31, 2005	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Bonds:				
Government bonds	$ 1,794	$28,075	$26,187	$ 2,738
Corporate bonds	28,607	8,907	10,785	2,654
Other debt securities	10,336	48,252	36,374	77,075
Others	2,252	3,009	935	–
Total	$43,009	$88,262	$74,299	$82,467

5. INVENTORIES

Inventories at March 31, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Merchandise and finished products	¥3,449	¥3,553	$32,234
Raw materials and supplies	2,769	2,442	25,879
Construction projects in progress	2,938	120	27,458
	¥9,158	¥6,116	$85,589

6. INVESTMENTS IN SECURITIES AND ALLOWANCE FOR LOSSES ON OVERSEAS INVESTMENTS

Investments in securities and the allowance for losses on overseas investments at March 31, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Non-consolidated subsidiaries and affiliates	¥ 11,687	¥ 14,140	$ 109,224
Less: Allowance for losses on overseas investments	(1,148)	(3,172)	(10,729)
	10,539	10,967	98,495
Other securities:			
Listed stocks	157,560	13,021	1,472,523
Unlisted stocks and others	47,219	57,610	441,299
Less: Allowance for losses on overseas investments	(7,164)	(10,161)	(66,953)
	197,615	60,470	1,846,869
	¥208,155	¥ 71,437	$1,945,374

7. SHORT-TERM LOANS AND LONG-TERM DEBT

Short-term bank loans are principally unsecured or represent notes. The weighted average interest rate for the years ended March 31, 2004 was approximately 0.36%. There were no short-term bank loans for the year ended March 31, 2005.

Long-term debt at March 31, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Loans from banks and others, at interest rates ranging from 2.00% to 4.65%:			
Secured	¥ 1,632	¥ 3,286	$ 15,252
Unsecured	14,341	8,023	134,028
	15,973	11,309	149,280
Less: Current portion	(8,973)	(2,306)	(83,860)
	¥ 7,000	¥ 9,003	$ 65,421

The aggregate annual maturities of long-term debt subsequent to March 31, 2005 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2006	¥ 8,973	$ 83,860
2007	–	–
2008 and after	7,000	65,421
	¥15,973	$149,280

Assets pledged as collateral for long-term debt at March 31, 2005 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Investments in securities	¥ –	¥ 0	$ –
Property, plant and equipment – at net book value	10,191	11,779	95,243
	¥10,191	¥11,779	$95,243

The Company and certain consolidated subsidiaries have entered into bank overdraft agreements amounting to ¥16,050 million ($150,000 thousand) with six banks.

8. INCOME TAXES

Income taxes applicable to the Company and its domestic consolidated subsidiaries comprise corporation, enterprise and inhabitants' taxes. A statutory tax rate applicable to the Company is approximately 36.2% for 2005 and 2004. Income taxes of one foreign consolidated subsidiary are based principally on the tax rates applicable in its country of incorporation.

The effective tax rates reflected in the consolidated statements of income and retained earnings for the years ended March 31, 2005 and 2004 differed from the statutory tax rate for the following reasons:

	2005	2004
Statutory tax rate	36.2%	36.2%
Effect of:		
Net loss carryforward of consolidated subsidiaries	(1.2)	(0.4)
Exploration cost deducted for income tax purposes	(9.3)	(8.8)
Expenses not deductible for income tax purposes	0.9	1.1
Dividend income deductible for income tax purposes	(1.1)	(1.4)
Other, net	(2.0)	1.1
Effective tax rates	23.6%	27.8%

The significant components of deferred tax assets and liabilities at March 31, 2005 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Deferred tax assets:			
Allowance for losses on overseas investments	¥ 2,725	¥ 2,683	$ 25,467
Accrual for losses on projects	287	3,947	2,682
Net loss carryforward	8,236	3,553	76,972
Accrued retirement benefits for employees	1,370	1,262	12,804
Accrued retirement benefits for officers	298	272	2,785
Accrued estimated cost of abandonment	809	763	7,561
Finished products	1,019	1,023	9,523
Other	7,097	3,541	66,327
	21,845	17,047	204,159
Valuation allowance	(8,729)	(2,064)	(81,579)
Total deferred tax assets	13,115	14,982	122,570
Deferred tax liabilities:			
Reserve for exploration	(7,693)	(7,270)	(71,897)
Unrealized holding gain on securities	(50,168)	(1,988)	(468,860)
Reserve for advanced depreciation of fixed assets	(122)	(140)	(1,140)
Other	(180)	(47)	(1,682)
Total deferred tax liabilities	(58,165)	(9,447)	(543,598)
Net deferred tax assets (liabilities)	¥(45,049)	¥ 5,534	$(421,019)

9. RETIREMENT BENEFIT PLANS

The Company and its domestic consolidated subsidiaries have defined benefit plans, i.e., tax-qualified pension plans and lump-sum payment plans, covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rates of pay, length of service, and the conditions under which termination occurs. Certain domestic consolidated subsidiaries have defined contribution plans. One foreign subsidiary has both defined benefit and defined contribution plans.

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheets as of March 31, 2005 and 2004 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Retirement benefit obligation	¥(14,923)	¥(14,084)	$(139,467)
Plan assets at fair value	8,715	8,256	81,449
Unfunded retirement benefit obligation	(6,208)	(5,827)	(58,019)
Unrecognized actuarial loss	2,377	2,250	22,215
Unrecognized prior service cost	–	2	–
Accrued retirement benefits for employees	¥ (3,831)	¥ (3,574)	$ (35,804)

The components of retirement benefit expenses for the years ended March 31, 2005 and 2004 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Service cost	¥ 697	¥ 660	$ 6,514
Interest cost	289	269	2,701
Expected return on plan assets	(130)	(6)	(1,215)
Amortization of actuarial loss	391	418	3,654
Amortization of prior service cost	0	0	0
Other	69	51	645
Total	¥1,317	¥1,394	$12,308

The assumptions used in accounting for the above plan as of March 31, 2005 and 2004 were as follows:

	2005	2004
Discount rates	Mainly 2.0%	Mainly 2.0%
Expected rates of return on plan assets	Mainly 1.5%	Mainly 0.0%

10. RETAINED EARNINGS

In accordance with the Commercial Code of Japan (the "Code"), the Company has provided a legal reserve which was included in retained earnings. The Code provides that an amount equal to at least 10% of the amount to be disbursed as a distribution of earnings be appropriated to the legal reserve until the total of such reserve and the additional paid-in capital account equals 25% of the common stock account. The legal reserve amounted to ¥3,572 million ($33,383 thousand) and ¥3,572 million as of March 31, 2005 and 2004, respectively.

11. DEPRECIATION

Depreciation of property, plant and equipment charged to income for the years ended March 31, 2005 and 2004 amounted to ¥13,382 million ($125,065 thousand) and ¥10,616 million, respectively.

12. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses included in selling, general and administrative expenses, cost of sales and exploration expenses for the years ended March 31, 2005 and 2004 were ¥841 million ($7,860 thousand) and ¥383 million, respectively.

13. LEASES

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of leased property as of March 31, 2005 and 2004, which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Acquisition costs:			
Machinery and equipment	¥440	¥ 422	$4,112
Other	402	660	3,757
	¥843	¥1,083	$7,879
Accumulated depreciation:			
Machinery and equipment	¥235	¥ 206	$2,196
Other	281	426	2,626
	¥517	¥ 632	$4,832
Net book value:			
Machinery and equipment	¥205	¥ 216	$1,916
Other	120	234	1,121
	¥325	¥ 451	$3,037

Lease payments relating to finance leases accounted for as operating leases amounted to ¥214 million ($2,000 thousand) and ¥229 million, which were equal to the depreciation expense of the leased assets computed by the straight-line method over the lease terms, for the years ended March 31, 2005 and 2004, respectively.

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2005 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2006	¥136	$1,271
2007 and thereafter	188	1,757
	¥325	$3,037

14. CONTINGENT LIABILITIES

At March 31, 2005, the Company and its consolidated subsidiaries had the following contingent liabilities:

	Millions of yen	Thousands of U.S. dollars
As guarantor of indebtedness of others:		
Affiliated company	**¥ 6,620**	**$ 61,869**
Employees	**2,091**	**19,542**
Others	**14,080**	**131,589**
	¥22,792	**$213,009**

15. SEGMENT INFORMATION

The Company and its consolidated subsidiaries are engaged in the oil and natural gas segment and other segments. As the net sales, operating income and total assets of the oil and natural gas segment constituted more than 90% of the consolidated totals for the years ended March 31, 2005 and 2004, the disclosure of business segment information has been omitted.

The disclosure of geographical segment information has also been omitted as net sales and total assets of the foreign operations constituted less than 10% of the consolidated totals for both the years ended March 31, 2005 and 2004.

Overseas sales, which include export sales of the Company and its domestic consolidated subsidiaries and sales (other than exports to Japan) of the foreign consolidated subsidiaries, for the years ended March 31, 2005 and 2004 are summarized as follows:

	Millions of yen			
Year ended March 31, 2005	Southeast Asia	East Asia	Other Area	Total
Overseas sales	**¥12,864**	**¥5,116**	**¥204**	**¥ 18,185**
Consolidated net sales	**–**	**–**	**–**	**103,150**
	Thousands of U.S. dollars			
Overseas sales	**$120,224**	**$47,813**	**$1,907**	**$169,953**
Consolidated net sales	**–**	**–**	**–**	**964,019**
Overseas sales as a percentage of consolidated net sales	**12.47%**	**4.96%**	**0.20%**	**17.63%**

	Millions of yen			
Year ended March 31, 2004	Southeast Asia	East Asia	Other Area	Total
Overseas sales	¥10,032	¥4,891	¥326	¥15,250
Consolidated net sales	–	–	–	96,713
Overseas sales as a percentage of consolidated net sales	10.37%	5.06%	0.34%	15.77%

16. DERIVATIVE TRANSACTIONS

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

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

No specific disclosure for derivatives has been made as the Company holds derivative positions which meet the criteria for deferral hedge accounting as of March 31, 2005 and 2004.

17. IMPAIRMENT LOSS ON FIXED ASSETS

For the year ended March 31, 2005, a domestic consolidated subsidiary recognized an impairment loss on fixed assets which consisted of the following. However, no additional loss has been recognized on the consolidated statement of income for the fiscal year ended March 31, 2005, as the Company was off-set the impairment loss with the amounts of accrual for losses on projects.

	Millions of yen	Thousands of U.S. dollars
Building and structures	¥4,244	$39,664
Land	824	7,701
Other assets	581	5,430
Total	¥5,650	$52,804

Fixed assets in use of the Company and its consolidated subsidiaries are grouped at the management accounting unit. Each idle fixed asset consists of a unit.

A subsidiary recognized that the assets of the geothermal energy business, which it determined to cease were impaired by comparing their undiscounted expected future cash flows to the carrying amounts in the accounting record.

Recoverable amount in this asset group was measured by the respective net selling prices. The net selling prices were based on appraisal valuation.

18. AMOUNTS PER SHARE

Net income per share is computed based on the net income attributable to shareholders of common stock and the weighted average number of shares of common stock outstanding during the year.

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

Cash dividends per share represent the cash dividends declared as applicable to the respective years.

	Yen		U.S. dollars
	2005	2004	2005
Net income	**¥ 230.05**	¥ 172.76	**$ 2.150**
Net assets	**5,127.67**	3,422.80	**47.922**
Cash dividends applicable to the year	**37.50**	35.00	**0.350**

19. SUBSEQUENT EVENTS

The following appropriations of retained earnings of the Company, which have not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2005, were approved at a shareholders' meeting held on June 24, 2005:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥22.5=$0.210 per share)	**¥1,285**	**$12,009**
Bonuses to directors and statutory auditors	**82**	**766**

REPORT OF INDEPENDENT AUDITORS

ERNST & YOUNG SHINNIHON

Certified Public Accountants
Hibiya Kokusai Bldg.
2-2-3, Uchisaiwai-cho
Chiyoda-ku, Tokyo, Japan 100-0011
C.P.O. Box 1196, Tokyo, Japan 100-8641

Tel: 03 3503 1100
Fax: 03 3503 1197

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

We have audited the accompanying consolidated balance sheets of Japan Petroleum Exploration Co., Ltd. and consolidated subsidiaries as of March 31, 2005 and 2004, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Japan Petroleum Exploration Co., Ltd. and consolidated subsidiaries at March 31, 2005 and 2004, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2005 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3.

Ernst & Young ShinNihon

June 24, 2005

PRINCIPAL SUBSIDIARIES AND AFFILIATES

MAJOR SUBSIDIARIES	MAJOR BUSINESS ACTIVITIES	PAID-IN CAPITAL (Millions of yen)	VOTING RIGHTS (%)
Akita Natural Gas Pipeline Co., Ltd.	Transport of natural gas via pipelines in Akita Prefecture	250	100.00
SK Engineering Co., Ltd.	Onshore drilling and engineering services	300	100.00
JAPEX SKS Corporation	Manufacture and sale of petroleum products, real estate management	90	100.00
North Japan Oil Co., Ltd.	Refinement, processing and sale of crude oil	80	100.00
Shirone Gas Co., Ltd.	Production, supply and sale of gas in Niigata City, Niigata Prefecture and other areas	700	100.00
Japex Pipeline Ltd.	Maintenance and management of pipelines	80	100.00
JGI, Inc.	Seismic data acquisition and processing services	2,100	100.00
Geophysical Surveying Co., Ltd.	Electrical well logging and mud logging services	446	100.00
JAPEX (U.S.) Corp.	An investor in the Malaysia LNG Project	97,500 (Thousands of U.S. dollars)	100.00
Japan Canada Oil Sands Limited	Exploration and development of oil sands in Canada and related production	302,670 (Thousands of Canada dollars)	100.00 (100.00)
Canada Oil Sands Co., Ltd.	Investment in exploration and development of oil sands through Japan Canada Oil Sands Limited	36,482	87.98 (1.34)
North Japan Security Service Co., Ltd.	Security services	30	86.67
Japex New Nanhai Ltd.	Production of petroleum in the South China Sea	3,100	82.00
Japex Offshore Ltd.	Exploration and production of petroleum on the continental shelf of the Sea of Japan	5,963	67.70
Jawa Oil Co., Ltd.	Provide loans to Indonesia's state-run Pertamina	6,200	67.50
Japex Gulf Producing Corp.	Production of petroleum in the Gulf of Mexico	16,400 (Thousands of U.S. dollars)	100.00

Note: Numbers in parentheses under voting rights represent indirect shareholdings

MAJOR SUBSIDIARIES	MAJOR BUSINESS ACTIVITIES	PAID-IN CAPITAL (Millions of yen)	VOTING RIGHTS (%)
TOHOKU NATURAL GAS Co., Inc.	Marketing of natural gas in Japan's Tohoku region	300	45.00
JJI S&N B.V.	Development and production of petroleum in the Persian Gulf, off Iran	36,883 (Thousands of Euro)	41.67
TELNITE CO., LTD.	Manufacture and sales of drilling mud	98	39.80
Universe Gas & Oil Company, Inc.	Production of petroleum in Eastern Kalimantan, Indonesia	9,443	33.43
Japan Drilling Co., Ltd.	Offshore drilling service	4,000	33.25

Corporate Data (As of March 31, 2005)

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

Service Logo JAPEX

Establishment April 1, 1970

Paid-in Capital 14,288,694 thousand yen

Fiscal Year-end March 31

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

Headquarters NYK Tennoz Bldg., 2-2-20 Higashi-Shinagawa, Shinagawa-ku, Tokyo 140-0002, Japan

TEL: 03 (5461) 7300

FAX: 03 (5461) 7400

URL: http://www.japex.co.jp/

Directors, Auditors and Officers (As of June 24, 2005)

Chairman
Kazuo Wakasugi

President & Chief Executive Officer
Yuji Tanahashi

Executive Vice Presidents & Executive Officers
Fumio Okabe
Ryoichi Ono

Senior Managing Directors & Executive Officers
Tetsuo Awano
Tadashi Sagai

Managing Directors & Executive Officers
Mineo Kinoshita
Tadatsuna Koda
Kenkoh Morita
Tsuyoshi Minowa
Katsuo Suzuki
Norihiko Sawara

Corporate Auditors
Kiyoshi Wazumi
Tsutomu Sugiura
Masahiko Kadotani
Isao Yokoto

Managing Executive Officers
Toshihiro Ohara
Hiroshi Sato
Nobuzo Ichikawa
Masaki Hattori
Shoichi Ishii
Chikao Yoshida

Executive Officers
Toshio Ibi
Mitsuru Saito
Ken Fujii
Yoichi Ohta
Yutaka Aoki

Stock Information (As of March 31, 2005)

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

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

Number of Shareholders 5,864

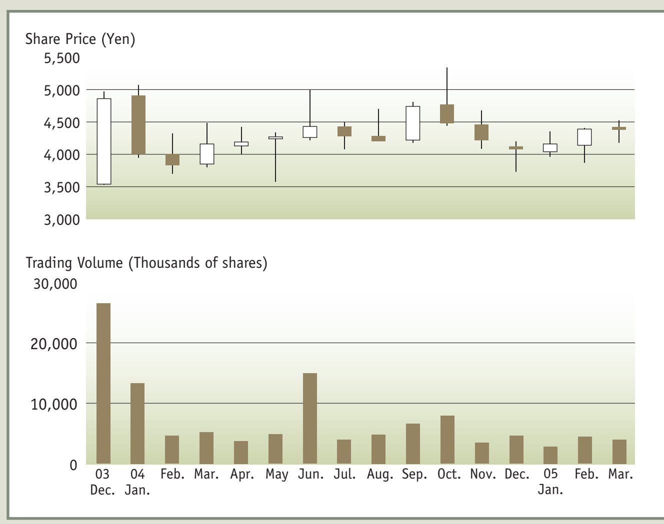
Major Shareholders

Shareholders	Shares	Voting Rights (%)
Japan National Oil Corporation	28,543,724	49.94
Teikoku Oil Co., Ltd.	2,847,612	4.98
JFE Engineering Corporation	1,848,012	3.23
Japan Trustee Services Bank, Ltd.	1,357,300	2.37
Bank of New York, Inc. GGM Client Accounts E ISG	1,162,463	2.03
Mizuho Corporate Bank, Ltd.	920,152	1.61
The Master Trust of Japan, Ltd.	899,800	1.57
Nippon Petroleum Refining Co., Ltd.	872,456	1.53
Nippon Oil Corporation	763,400	1.34
Itochu Corporation	698,000	1.22

Note: The 28,543,724 shares owned by Japan National Oil Corporation (JNOC) were transferred to the ownership of the Japanese government (the Minister of Economy, Trade and Industry) on April 1, 2005 following the dissolution of JNOC on the same date.

Transfer Agent and Registrar Inquiries Mizuho Trust & Banking Co., Ltd.
17-7, Saga 1-chome, Koto-ku, Tokyo 135-8722, Japan
Mizuho Trust & Banking Co., Ltd., Stock Transfer Agency Division
TEL: 0120-288-324

Share Price Fluctuations



JAPEX

Japan Petroleum Exploration Co., Ltd.

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