



Japan Petroleum Exploration Co., Ltd.

Corporate Report 2017



For the Year Ended March 31, 2017

Corporate Vision

JAPEX is committed to contributing to local communities through a stable supply of energy.

To this end, we will undertake the following activities:

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

JAPEX Group Code of Conduct

To put Corporate Vision in practice, the JAPEX Group's directors, officers and employees shall act based on the following "JAPEX Group Code of Conduct" that represents our key values:

1. Comply with applicable laws and regulations of the countries and regions where our business operations are based, respect international norms, and take actions by taking the stakeholders' interests into consideration;
2. Put the top priority on paying due attentions to HSE (health, safety and environment);
3. Respect human rights and do not engage in discriminations or harassments;
4. Engage in fair, transparent and free competition as well as appropriate trading practices;
5. Keep sound and normal relationships with the politicians, political parties and government officials/agencies;
6. Resolutely confront antisocial forces and sever all relations with such individuals and groups;
7. Pay careful attentions to managing and protecting confidential information and personal/customer data;
8. Have a strong will for innovative change from the status quo and energetically engage in tasks with flexible mindset and originality; and
9. Be more responsive to information and engage in tasks in the professional manner.

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The Social Significance of JAPEX and How It Creates Value

What JAPEX would like everyone to know:

1. What is JAPEX's mission?
2. How have we been helping to maintain a stable supply of energy?
3. What are the sources of sustainable growth and development?
4. How is JAPEX charting a pathway to growth?



Editorial Policy

We issue this Corporate Report for the purpose of gaining the understanding of our stakeholders concerning our path to improved corporate value, with regard to the features and social significance of oil and natural gas E&P business (exploration, development, and production), which form the core of our business, and by conveying details of initiatives aimed at solving management issues that we are aware of, in addition to reporting business activities and CSR activities of the Company.

JAPEX considers this report to be a valuable tool to facilitate communication with our stakeholders.

Information Disclosure Sources

This report presents important information with the aim of gaining understanding of the Company. More-detailed information is available on our website.



Financial Information

Website: IR Information



Corporate Report



Non-financial Information

Website: CSR

<http://www.japex.co.jp/english/ir/>

<http://www.japex.co.jp/english/csr/>

Reference Guidelines

GRI, "Sustainability Reporting Guidelines Ver. 4 (G4)"

Organizations Covered by this Report

This report covers Japan Petroleum Exploration Co., Ltd. (JAPEX), and its 23 consolidated subsidiaries and other Group companies. Environmental performance data are for JAPEX and Japex Offshore Ltd.

Reporting Period

Fiscal 2016 started on April 1, 2016 and ended March 31, 2017.

Some statements include data before March 31, 2016 or after April 1, 2017.

Issuing Date

October 2017 (Next issue: October 2018)

Disclaimer

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

What is JAPEX's mission?

Oil and Natural Gas Business: The Long-Term Underpinnings of Japan's Economic Growth

Energy resources are an essential factor in the economic activities of companies as well as our affluent lifestyles. The greatest portion of these are fossil fuels, including oil, which is the main fuel for generating electricity and running power machinery, as well as being used as the raw material for petrochemical products; natural gas, which is used for generating electricity and as city gas; and coal.

For a long time after the Meiji Era (1868-1912), coal played the main role in undergirding Japan's economy. However, in the period of high economic growth in the late 1950s, oil replaced coal as the foundation of Japan's economy. Subsequently, the two oil crises of the 1970s provided the impetus for expanded use of liquefied natural gas (LNG). Cooling natural gas to -162°C caused it to liquefy, making it possible to transport it in tankers and more convenient to use. The demand for natural gas, which produces the fewest CO_2 emissions and is therefore the most environmentally friendly fossil fuel, has continued to grow to the present day.

JAPEX was founded in 1955 as a government-owned company, based on the Japanese law and for more than sixty years since then, the company has poured all its efforts into maintaining stable supplies of crude oil and natural gas while developing exploration technology. Our intention is to contribute to people's continued well-being and comfort by securing domestic and overseas reserves and expanding production.

*Getting the needed
energy to the people
who need it*



Drilling rig 1625-DE

How have we been helping to maintain a stable supply of energy?

JAPEX: Helping to Maintain a Stable Supply of Energy

Japan is almost entirely reliant on imports from overseas for its main energy resources, oil and natural gas. Given these circumstances, JAPEX's mission is to provide a stable supply of energy.

The crude oil produced in the oil and gas fields is supplied and sold after being transported over the ocean in tankers and over land in tanker trucks, while natural gas is sold after being supplied through pipelines. The imported LNG that is transported from overseas on ocean-going vessels is received at our receiving terminals and then gasified so that it can be supplied through our pipeline network.



We also use domestic vessels to transport LNG between receiving terminals, or tanker trucks to transport it to satellite sites that are not equipped with pipelines.

Pipelines are one type of infrastructure that helps us maintain a stable supply, a superior means of transport that is not affected by factors such as weather and traffic. At our Gas Transport Monitoring Center, we use communications satellites and other technology to monitor the volume and pressure of the natural gas 24 hours a day, 365 days a year. We have installed a system that allows the Gas Transport Monitoring Center to shut off the flow of gas remotely in case of an emergency. Furthermore,

the areas along the pipelines and the delivery facilities are patrolled, inspected for gas leaks, and made maintenance and safety checks on a daily basis.

Crude oil is sold mostly to refineries, while natural gas is used by households, industrial users, and power plants, and even as a fuel for automobiles. Both fulfills a social role as Behind-the-scenes supporter for the lifestyles of a region's people. JAPEX aims to maintain a long-term, stable supply of these energy resources that are so essential to our society.



*Behind-the-scenes supporter
for the people lifestyles*

What are the sources of sustainable growth and development?

Comprehensive Technical Capabilities and the Human Resources to Support Them

The strength of the JAPEX Group lies in its comprehensive technical capabilities. Our Exploration and Production (E&P) business, an upstream business in the petroleum and natural gas industries, requires a combination of a wide variety of comprehensive technical capabilities for geological studies, geophysical surveys, drilling of wells, evaluating oil reservoirs, designing and managing facilities, production, and other functions. Even though most oil and gas companies outsource part of their technological requirements, JAPEX's oil and natural gas E&P business has a complete set of technical capabilities concentrated in its own Group. In addition to its E&P business, JAPEX provides operational support to environmental fields such as methane hydrate, carbon dioxide capture and storage (CCS), and geothermal power generation, and is striving to acquire and accumulate new technologies.

Highly specialized technical staffs provide support for the comprehensive technical capabilities that are our strengths. JAPEX lets them delve



deeper into the expert knowledge that they have accumulated, and strives to create an environment and systems that promote free-wheeling discussions from a variety of viewpoints, improving their honing of technical skills, awareness of globalization, and the acquisition of new technology. The results of these efforts are an enhancement of our strong technological foundation and the establishment of new revenue bases through the use of our technology. JAPEX aims to become a company that commercializes technology.

A Robust Domestic Infrastructure

JAPEX's natural gas pipelines, totaling over 800 km in length, supply natural gas to users in the surrounding areas. We are currently building the Soma LNG Terminal in order to enhance our pipeline network. Once the 39 km Soma-Iwanuma gas pipeline is operational, linking the Soma LNG Terminal with the Niigata-Sendai pipeline, it will be possible to supply natural gas from both the Japan Sea side and the Pacific Ocean side of the country, providing a more secure supply for consumers along the length of these pipelines.

Relationships of Trust with Our Stakeholders

Good relations with local communities are essential to developing oil and gas fields and operating them over the long term. JAPEX adopts measures in the areas of environmental concerns and safety concerns, dispels anxieties about the oil and natural gas development businesses through careful and continual explanations, and participates actively in a variety of community activities to obtain the confidence of the local communities. Overseas, too, we have been raising our profile in the countries in which we operate by undertaking joint development, welcoming technology researchers from abroad and providing them with financial assistance based on a careful assessment of needs in oil- and gas-producing countries, and building cooperative relationships particularly with local residents communities to help resolve environmental and social issues.



Human Resources as the Foundation for Improving Our Strengths

**How is JAPEX
charting a pathway
to growth?**

*Becoming an
integrated energy
company to fulfill
our mission*

Business Diversification

In order to improve company value in the long term, we formulated a Long-Term Business Vision, along with a Medium-Term Business Plan, designed to move us toward its realization in May 2015. This plan aims to alleviate the effects of fluctuations in the price of crude oil on our company's performance and increase the stability of our businesses through diversification. Even as the oil and natural gas E&P businesses remain the main axis of our operations, we are aware of having to respond to the diverse needs of our energy users as conditions have changed recently. We will actively pursue the expansion of areas connected to our oil and natural gas E&P business, such as our electric power business, with Environmental and Innovative Technology Business that have an affinity and commonalities with our technologies. Our guiding principle will be to transform ourselves into an integrated energy company.



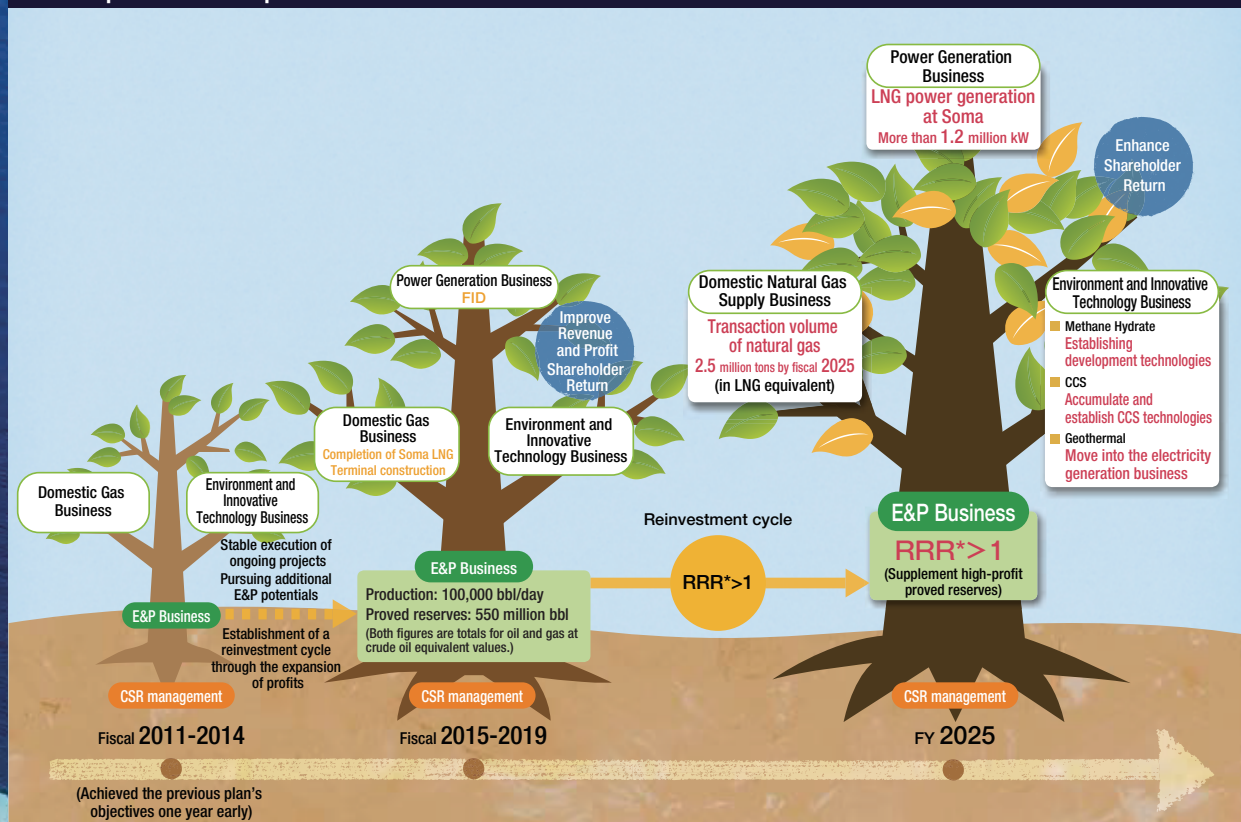
Of all our efforts at business diversification, the one we are most excited about and most progressed is our natural gas-fired power plant business, located in the Shinchi town in Fukushima Prefecture. We made the decision to commercialize this power plant project in October 2016. Construction of the main generating plant will begin in October 2017, and commercial operation is planned to commence in 2020. We believe that this electric power business will be less subject to fluctuations in oil prices than our E&P business, and it enjoys a relatively higher level of stability as a revenue base. Furthermore, when it comes to supply operations for the gas-fired plant, we will be able to rely on the nearby Soma LNG Terminal, which is currently under construction, and this will also increase the utilization rate of the Soma Terminal.

We are also moving ahead with a renewable energy business as a means of dealing with global

warming. In particular, we took a small-scale solar generating business into commercial operation in Hokkaido from 2014, both providing the local community with environmentally friendly energy and acquiring a stable contribution to our earnings that is not dependent on market conditions, thanks to our use of the national government's support system. We are also conducting drilling surveys as we look into the feasibility of developing geothermal power generation. In addition, we are also making use of the technology and knowledge gained through our E&P operations to conduct research and testing in areas such as methane hydrate, CCS, and next generation technology for ocean resources exploration.

We will move forward with our plans to transform JAPEX into an integrated energy company, leading to profitability that contributes to our consolidated results and raises the value of the company.

Concept of the Leap Toward Fiscal 2025



*RRR: Reserve replacement ratio = Increase in reserves (during a certain period) ÷ Production volume

The JAPEX Group's Value Creation Process

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

Capital to Support Business Growth

- **Financial capital** (a sound and stable financial base)
- **Production capital** (a robust infrastructure)
- **Intellectual capital** (technology)
- **Human capital** (experience)
- **Social and relationship capital** (relationships of trust with stakeholders)
- **Natural capital** (reserves)

Awareness of the External Environment

- Actualized volatility risk of global crude oil price
- Geopolitical risks
- Intensifying competition of domestic natural gas business
- The effects of the liberalization of energy markets
- Policies and legal systems
- Measure for global environmental problems

Business Activities

Long-Term Business Vision and Strategy

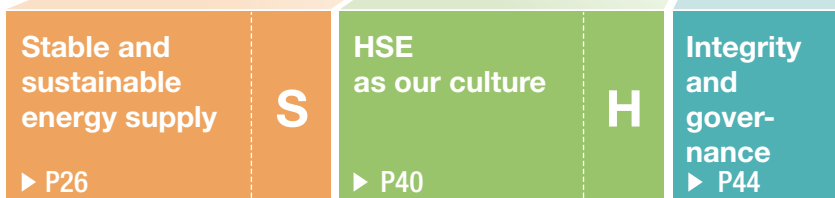
Transformation to an Integrated Energy Company with a Focus on Oil and Gas E&P

Value Chain ▶ P18



Foundations for Achieving Our Strategy

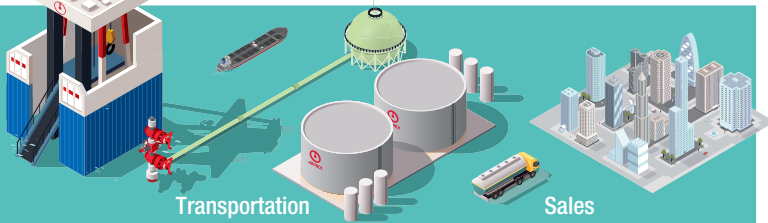
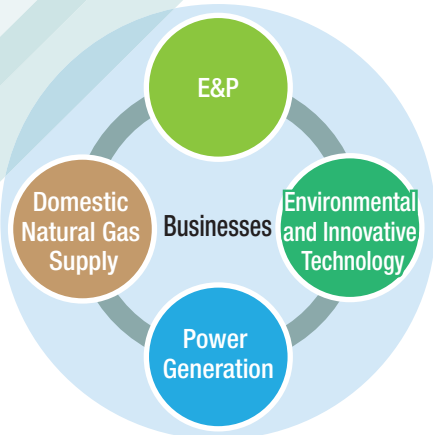
(Efforts towards Five Core CSR Themes as "SHINE" Initiatives)



An Accumulation of Credibility / Reinvestment in Business

Increasing the JAPEX Group's Corporate Value

(Business Model)



Value Provided

- A stable supply of energy
- Supplying environmentally friendly energy
- Increased returns to shareholders, higher revenues
- Working together with local communities and contributing to their well-being through job creation
- Creating a rewarding workplace

I

Being a good Neighbor

▶ P48

N

The Employer of choice

▶ P50

E

President's Message

**Transforming
Ourselves into a
Lean and Resilient
Corporation to
Respond Low Oil
Price Environment**

There has been a gradual recovery of crude oil prices since the drop to a \$30 level per barrel at the beginning of FY 2016. OPEC's November 2016 agreement to reduce production brought prices back up to the mid-\$50 per barrel range, but so far, there have been no signs of the price rising any higher, so the economic environment for our company remains adverse for us.

The effects on our consolidated performance for FY 2016 were such that net sales decreased 13.8% from the previous period to ¥207.1 billion, operating income decreased 91.8% from the previous period to ¥0.6 billion, while ordinary income decreased 52.2% from the previous period to ¥2.2 billion, but profit attributable to owners of parent increased 64.7% over the previous period to ¥3.4 billion.

We are taking the deterioration in consolidated performance seriously, and we are striving to transform JAPEX into a **lean and resilient corporation** that can guarantee a solid financial base even in an environment of low oil prices. In



Akio Okada

President, Chief Executive Officer

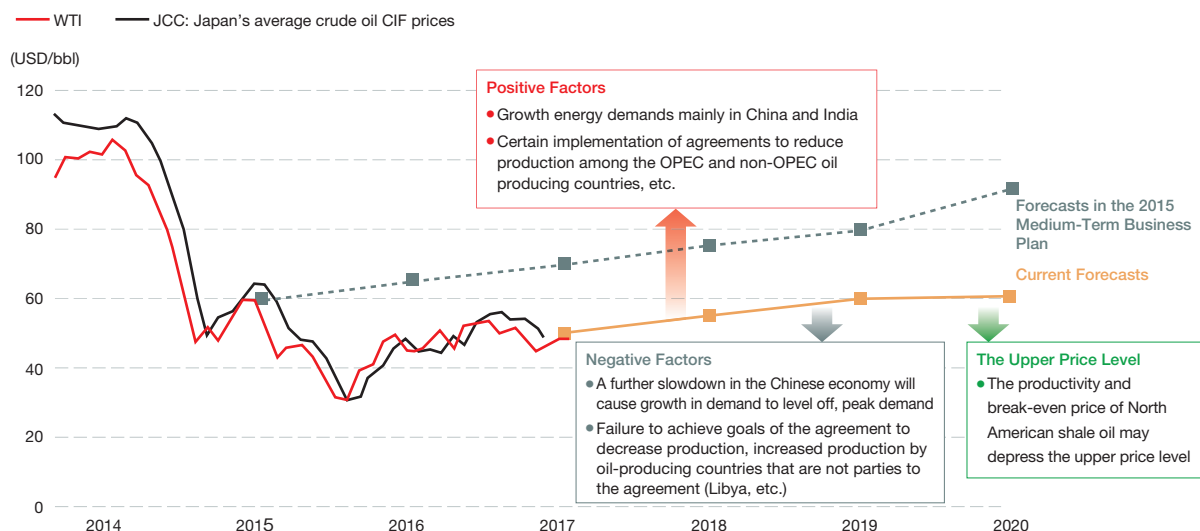
order to accomplish this, we have instituted cost cutting measures throughout the company, leaving nothing untouched, and are looking at means of improving our position, including revising our asset portfolio and selling off some of our holdings. Furthermore, in order to increase the profitability of our businesses, we are actively seeking to achieve economic efficiency in the overseas projects we are involved in and to propose fuel conversion to our domestic users in order to increase sales of natural gas. In particular, our domestic natural gas business is building friendly relations with domestic and overseas suppliers, constructing a system and

upgrading our infrastructure, so that purchased liquefied natural gas (LNG) and the natural gas produced in domestic gas fields combined can provide a stable supply of gas to our domestic users. This will lead to strong relations of trust with our domestic users. Making the greatest possible use of our strengths, such as our technological capabilities, robust infrastructure, and our favorable relations with our various stakeholders, we will accelerate our transformation into a lean and resilient corporation.

Assumptions about Oil Prices and Exchange Rates

Revision of oil prices and exchange rates forecasts from the time of the Medium-Term Business Plan

Reaffirmation of an adverse market environment. Even assuming a gentle recovery in the market, the highest prices are assumed to be even more limited than forecasts in 2016.



Base Case (figures in parentheses are those in the Medium-Term Business Plan)

		2016	2017	2018	2019	2020-2021
Oil Prices	USD/bbl	- (65)	50 (70)	55 (75)	60 (80)	60 (90)
Exchange Rates		110JPY/US\$ (120), 85JPY/CAS\$ (105)				

Note: 2017 assumptions are revised to oil price of 51.27US\$ per barrel and exchange rate of 110.62JPY/US\$ as of August 8, 2017.

**Progress on the
Medium-Term
Business Plan**

We are firmly committed to the basic strategy in our current Medium-Term Business Plan and to achieving a transformation to an integrated energy company with a focus

on the oil and natural gas E&P.

Due to delays in the implementation of the Canada shale gas development plan (*We decided not to proceed with the Canada LNG project in July 2017) and the Garraf oil fields development plan, both production and reserves as of the March 2017 period grew at a more sluggish pace than anticipated. As the plans progress, there is a risk of the goals laid out in the Medium-Term Business Plan (producing the equivalent of 100,000 barrels of crude oil, reserves the equivalent of 550 million barrels of crude oil) being delayed or not achieved. However, having decided in June 2017 to develop crude oil in the shallow reservoir of the Yufutsu oil and gas fields in Hokkaido, we are moving forward with work to supplement our domestic reserves with these contingent resources. Our aim is to achieve our goals while prioritizing economic efficiency.

Efforts in our domestic natural gas supply business include establishing a new main office, in Shinchi town, Fukushima Prefecture, in April 2017. A large-scale LNG Terminal, which is expected to go into operation in March 2018, is currently under construction. In advance of that, in November 2017 we will finish laying a new pipeline north of

the LNG Terminal that will connect to the existing Niigata-Sendai gas pipeline. After it goes into operation, it will link the LNG Terminal on the Japan Sea side with the LNG Terminal on the Pacific side, creating a two-way network. We are working hard to use this network as a means of acquiring new major customers. Furthermore, in October 2016, we decided commercialization of natural gas-fired power generation project that will use the LNG gasified at the Soma LNG Terminal in the adjacent area to the Soma Terminal. Construction will begin in October 2017, and the target date for completion is 2020. This plant will not only assist in the revitalization of the Tohoku region as it recovers from the March 2011 earthquake but will also serve as an active step toward expanding our business beyond merely supplying oil and gas to supplying electric power with a low environmental load and advance our transformation into an integrated energy company.

As JAPEX carries out its projects, we analyze the risks of continued lower oil and gas prices, and institute measures for project management, stable operations, and cost reductions in order to guarantee the continuity and economic efficiency of our business, which both allows us to recover our investments and contributes to our earnings. In addition, we are taking the technology and experience we have acquired in the course of our E&P business to establish and find practical applications for cutting-edge technology in new fields. JAPEX aims to make further dramatic leaps by commercializing its technological strengths.



**Toward Sustainable Growth
~Pride in Maintaining what We Have and the Courage to Change~**

JAPEX has positioned CSR management as the foundation as the guiding principle of its expansion.

As part of our core CSR themes, the “SHINE” initiatives,

we are especially emphasizing the recruitment and training of diverse human resources. One of the goals we are working toward is to triple the percentage of women in management positions (3.4% in 2014) by 2020. In March 2017, JAPEX was selected for the second year in a row under the Nadeshiko Brand Initiative, a program of the Ministry of Economy, Trade, and Industry (METI) that acknowledges listed companies that have made outstanding efforts to promote women’s success. JAPEX was also selected as one of the “White 500,” a group of large companies that offer superior health and productivity management. In addition, we are working to set up systems that allow employees to balance work and family life, including childcare and care for elderly or disabled family members. Our intention is to take a proactive approach to promoting diversity and creating workplaces where all kinds of people can enjoy success.

We also have a new awareness of the expectations and requirements for our company to achieve the Sustainable Development Goals, adopted to solve global issues, and the goals of the Paris Accords.

The most important priority for JAPEX is safety. This of course includes workplace safety, but we have also set up in-house meetings, the so-called HSE Moments, in which one of the participants presents a topic related to health, safety, and the environment (HSE). With each individual employee seriously concerned about guaranteeing safety, we will make sure that “safety first” is an important aspect of our corporate culture.

In order for JAPEX and the JAPEX GROUP to convert themselves into integrated energy companies, we decided to reform the companies to transform themselves into a lean and resilient corporation. Ever since assuming the position of president, I have repeatedly referred to “pride in maintaining what we have and the courage to change.” While maintaining the corporate culture of “safety first” and the technological capabilities that we are proud of, we must have the courage to change and to deal with new environments as we strive for a firm foundation for our businesses, and strengthen our competitiveness. Greater efficiency will promote the corporate group’s continued growth, development, and maximization of the company’s value.



CSR Activities within the JAPEX Group

Executive in charge of the **Corporate Strategy Dept.**

JAPEX's Corporate Vision states that JAPEX is committed to contributing to local communities through a stable supply of energy, so we consider our business activities themselves to be an important CSR priority. We view CSR management as a core support for the expansion of our business, and we have formulated and begun working on some core CSR themes.

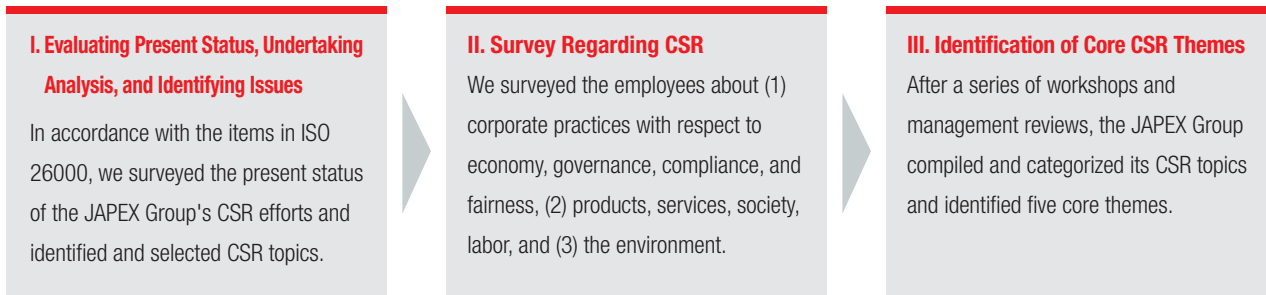
In FY2016, due to our efforts to ensure workers' health and safety and to accommodate diverse style of work for employees, we were chosen both for the Nadeshiko Brand and the White 500. In addition, we are working to strengthen compliance through continual in-house training sessions.

In response to trends in the international community and changes in the environment in which we operate, and in order to respond to the expectations and requirements of all our stakeholders, we will strive to make improvements in the areas of our core CSR themes and enhance our CSR management over the long term to improve corporate value and to contribute to the sustainable growth and development of society.



Kazuhiko Ozeki
 Managing Director
 Executive Officer
 Corporate Strategy Dept.

Process of Identifying Core CSR Themes




The JAPEX Group Efforts to Achieve the Sustainable Development Goals

The Sustainable Development Goals (SDGs) were adopted by the United Nations in September 2015 as a plan of action for humanity, the Earth, and prosperity.

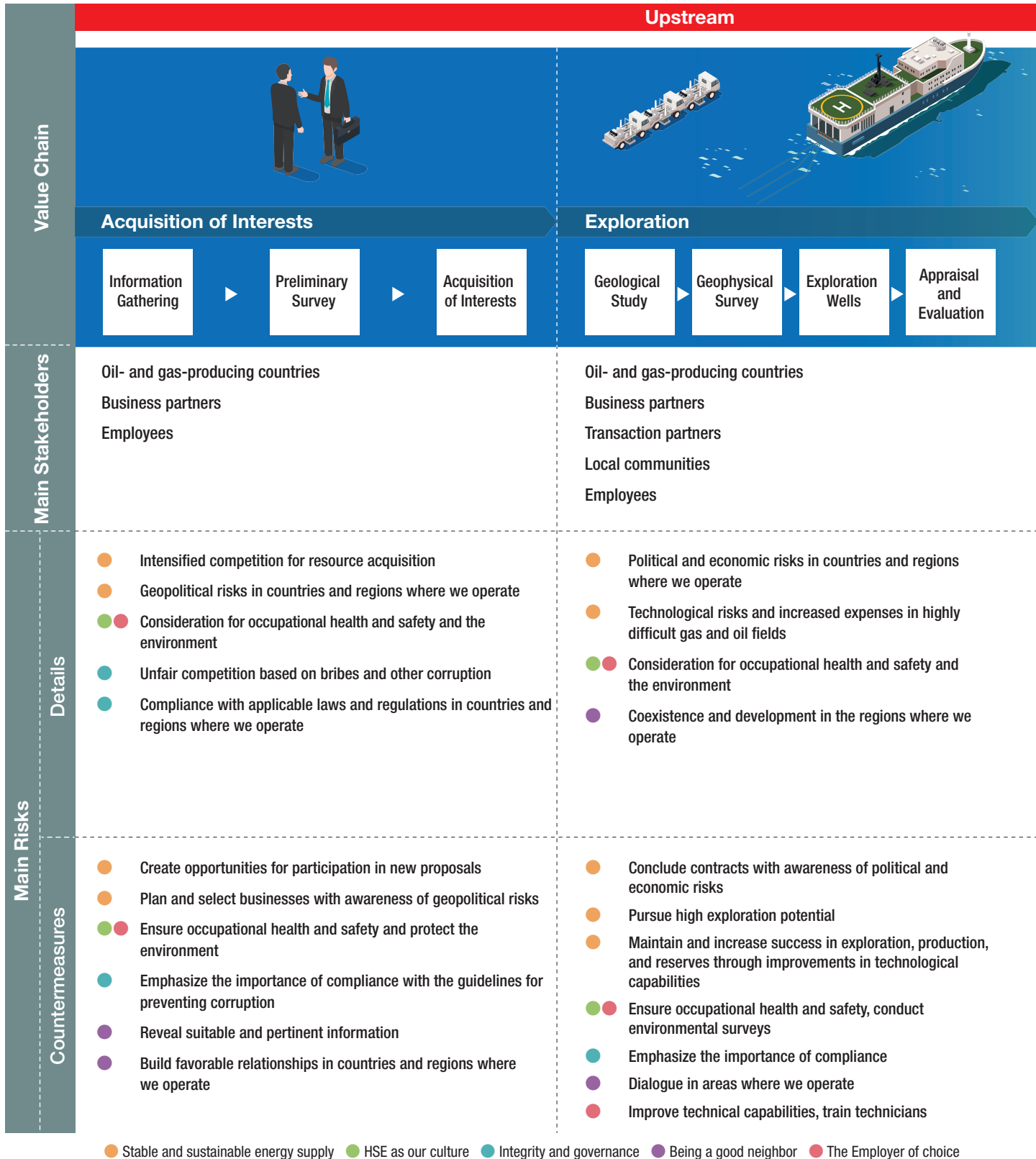
JAPEX makes use of the SDG Compass, a set of guidelines for corporate actions concerning the SDGs and has linked five core CSR themes to them as the "SHINE" initiatives. Please see p.17 for the goals that JAPEX is prioritizing.

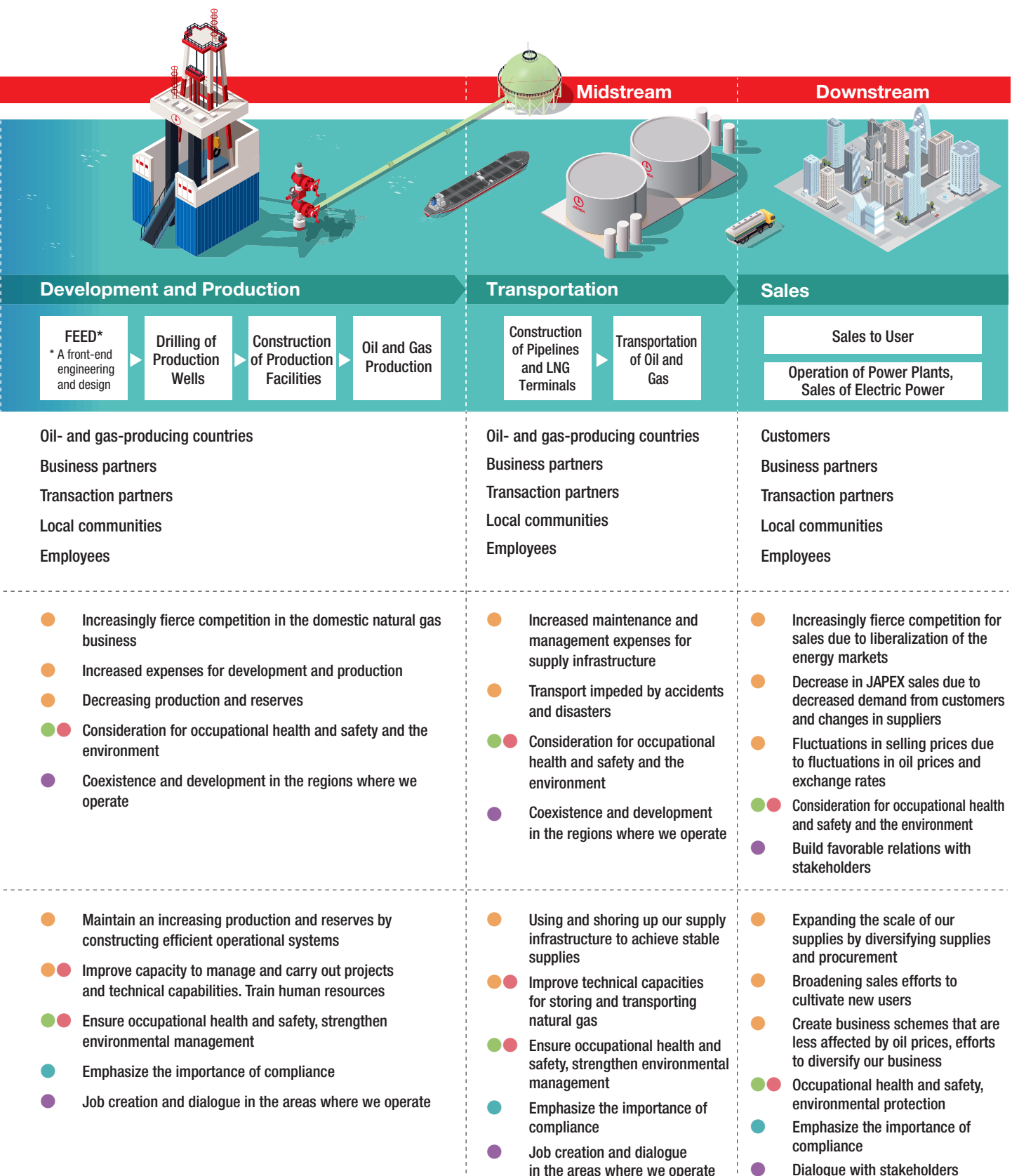


Five Core CSR Themes as “SHINE” Initiatives

	JAPEX Core CSR Themes	CSR Goals	Individual Issues	SDGs
S	Stable and sustainable energy supply	<ul style="list-style-type: none"> Achieve a stable supply of energy by maintaining stable supply sources and infrastructure for crude oil and natural gas, efficient and safe operations, and ensuring the quality and safety of its products. Secure diverse sources of supply by actively participating in the development of geothermal, solar, and other renewable energy sources, as well as unconventional energy sources such as shale oil gas and methane hydrate, while contributing to the development of related technologies such as carbon dioxide capture and storage (CCS). 	<ul style="list-style-type: none"> ① Stable energy supply ② Development of new technologies 	  
H	HSE as our culture	<ul style="list-style-type: none"> Secure occupational health and safety, develop various risk management policies and systems, including security risks, and firmly establish a corporate culture that places top priority on health, safety, and the environment (HSE). In conducting its business, strive for energy conservation and the efficient use of natural resources to prevent global warming and ensure the sustainability of resources. Reduce the environmental impact of its activities by preventing water, air, and soil pollution and taking care of our ecosystem. 	<ul style="list-style-type: none"> ③ Occupational health and safety ④ Crisis management ⑤ Measures to prevent global warming ⑥ Preserving biodiversity and ecosystems ⑦ Pollution prevention and resource recycling 	  
I	Integrity and governance	<ul style="list-style-type: none"> Practice highly efficient and transparent management under its governance structure. Establish a compliance system that prevents the occurrence of improper activities and legal violations. Foster employee awareness to promote steadfast work practices that are aligned with our Corporate Vision. 	<ul style="list-style-type: none"> ⑧ Governance ⑨ Compliance 	 
N	Being a good Neighbor	<ul style="list-style-type: none"> Through open and sound communication with stakeholders, gain an accurate understanding of the requirements society places on the JAPEx Group. By creating employment in regions where the Group operates and pursuing fair business practices, achieve co-existence and growth with its business partners, clients, and oil- and gas-producing countries. Respect local cultures and maintain good relationships with local communities through social contribution and funding initiatives outside our business activities. 	<ul style="list-style-type: none"> ⑩ Growing together with local communities ⑪ Building good relationships with stakeholders 	  
E	The Employer of choice	<ul style="list-style-type: none"> Establish a friendly workplace where all its employees—encompassing a wide range of nationalities, academic qualifications, and careers—recognize the diversity of each other’s attributes, fulfill their individual potential, receive appropriate evaluation and remuneration, improve their technical skills and knowledge, and are able to grow. As a global company, provide an attractive work environment where talented people choose to work. 	<ul style="list-style-type: none"> ⑫ Respecting employee diversity ⑬ Creating a fair and rewarding workplace ⑭ Human resources development and training 	 

Risks in the JAPEX Group's Value Chain and Countermeasures





Financial and Non-financial Highlights

Fiscal years ended March 31

	2013/3	2014/3	2015/3	2016/3	2017/3	
For Fiscal Year (Millions of yen)						
Net sales	231,086	276,588	304,911	240,302	207,130	
Cost of sales	172,075	210,460	234,649	193,022	174,957	
Exploration expenses	13,086	9,800	4,489	6,516	1,512	
Selling, general and administrative expenses	32,017	31,692	33,625	32,426	29,975	
Operating income	13,906	24,634	32,146	8,336	685	
Profit (loss) attributable to owners of parent	(865)	29,015	29,567	2,090	3,443	
Cash flows from operating activities	34,254	45,226	78,666	57,659	43,672	
Cash flows from investing activities	(14,836)	(131,600)	(63,031)	(125,771)	(84,686)	
Cash flows from financing activities	(7,177)	71,680	18,475	54,816	18,360	
Cash and cash equivalents at end of period	112,639	102,830	142,657	126,570	103,630	
At Fiscal Year-End (Millions of yen)						
Total assets	525,172	663,038	736,862	707,601	746,739	
Net assets	403,625	496,915	540,647	495,317	510,609	
Long-term loans payable	24,197	21,636	20,726	130,030	141,903	
Per Share Data (Yen)						
Net assets per share	6,691.58	7,389.62	8,055.59	7,366.40	7,655.26	
Basic earnings (loss) per share	(15.14)	507.68	517.35	36.58	60.24	
Cash dividends per share (full-year)	40.00	50.00	50.00	50.00	15.00	
Production Volume in the Fiscal Year (daily)*1 (Thousand boe/d)						
Production volume	Natural gas	23.3	26.4	32.3	34.0	33.7
	Crude oil	13.3	21.8	42.1	39.7	38.3
	Total	36.6	48.3	74.4	73.7	72.0
Proved Reserve Volume at Fiscal Year-End (Million boe)						
Proved reserves	Overseas	160	193	203	255	277
	Domestic	147	112	110	94	74
	Total	307	305	313	349	352
Non-financial Data						
Occupational safety	Frequency rate*2	0.00	0.84	1.02	1.15	3.53
	Severity rate*3	0.00	0.10	0.03	0.02	0.18
Greenhouse gas emissions (t-CO ₂)		267,446	251,121	244,491	230,884	241,796
Energy consumption (TJ)		3,168.0	2,975.1	2,698.8	2,543.8	2,609.3
Number of employees	Consolidated	1,747	1,782	1,818	1,847	1,825
	Non-consolidated	882	874	886	902	897
Ratio of female managers (%)		3.3	3.1	3.6	4.5	4.5
Employees with disabilities (%)		1.75	1.57	2.03	2.21	2.01

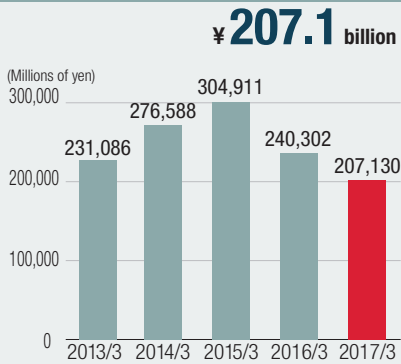
*1 Figures for crude oil include bitumen (an extra-heavy crude oil extracted from oil sands). These figures included production volumes of equity-method affiliates.

*2 Frequency rate = (Number of deaths and injuries caused by occupational accidents/Number of hours worked) x 1,000,000

*3 Severity rate = (Number of days of work lost/Number of hours worked) x 1,000

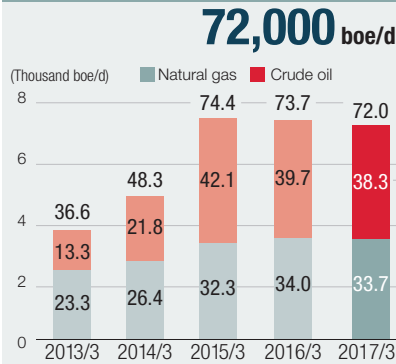
Conversion Factors and Units:
Crude oil 1 kL = 6.29 bbl
Crude oil 1 kL = Natural gas 1,033 m³
boe: barrels of oil equivalent
boe/d: barrels of oil equivalent per day

Net Sales



Net sales comprise sales of crude oil and natural gas (including LNG and bitumen), contract services, and other businesses (sales of petroleum products, etc. contract handling and transportation of natural gas, etc. and revenues from other contract business). In FY2017/3, net sales decreased 13.8% YoY to ¥207.1 billion, primarily due to factors including a decrease in sales volume of oil and domestic natural gas and a decline in sales prices that continued from the previous fiscal year.

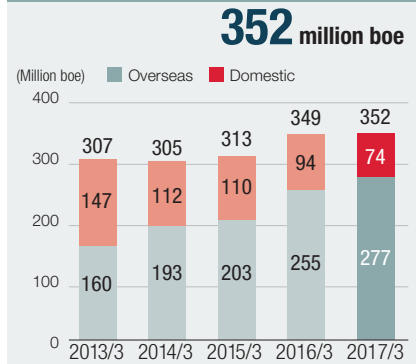
Production Volume



Total production volume declined around 2% YoY to 72,000 barrels of oil equivalent per day (boe/d) as production volume was nearly flat in Japan, and production volume declined overseas as a result of factors including a temporary suspension of production at Hangingstone 3.75 Section Area in Canada.

▶ P.22-30 Value Creation Through Business Activities

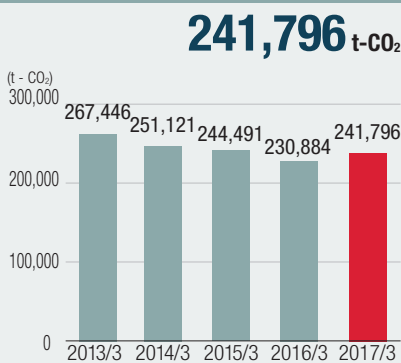
Proved Reserves



Total proved reserves increased by around 1% to 352 million boe as an increase, due to factors including incremental reserves resulted from cost reductions in shale gas development in Canada, compensated for a decrease due to a decline in production and reevaluation in Japan.

▶ P.31 Proved Reserves

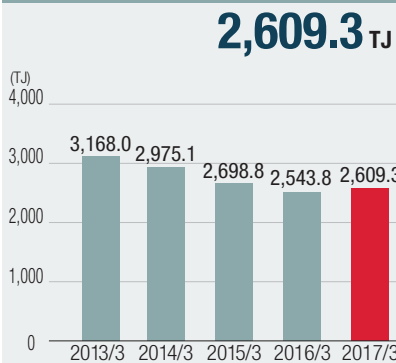
Greenhouse Gas Emissions



Greenhouse gas emissions increased by 5.5% YoY mainly due to emissions related to Soma-Iwanuma Gas Pipeline construction work. We will continue efforts to achieve YoY reductions in other business activities and at each office.

▶ P.42 Reduction of Greenhouse Gas Emissions

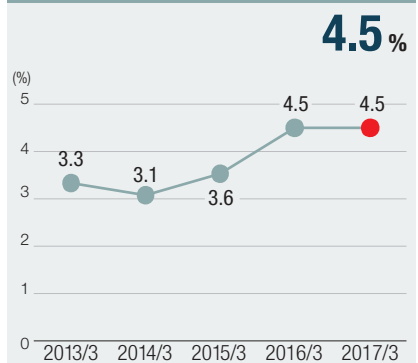
Energy Consumption



Energy consumption increased by 3.3% YoY mainly due to energy consumption related to changes in operating conditions at the Yufutsu LNG Plant. We will continue company-wide efforts to save energy including streamlining energy use and reducing the volume of energy used.

▶ P.42 Energy-Saving Activities

Ratio of Female Managers



JAPEX has established a "JAPEX Diversity Policy" under which we aim to triple the percentage of female managers by 2020, from 3.4% as of October 2014. We are actively promoting diversity, including the promotion of women to management positions and the active appointment of women.

▶ P.51 Efforts to Recruit Women to Management Positions

Hangingsstone Expansion Oil Sands Project in Canada



Toshiyuki Hirata
Managing Director and
Executive Officer,
Canada Oil Sands Project Dept.,
JAPEX

A message from the Managing Director and Executive Officer, Canada Oil Sands Project, JAPEX

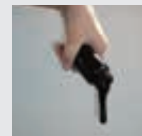
Canada has the third largest reserves of crude oil in the world, and about 95% of that is in the Alberta oil sands. JAPEX has been engaged in the development of oil sands as a pioneer in Alberta, Canada, for 40 years through Japan Canada Oil Sands Ltd. (JACOS), a consolidated subsidiary company founded in 1978.

In 1999, JACOS started to produce bitumen utilizing SAGD (Steam-Assisted Gravity Drainage) process at the Hangingsstone area as a forerunner. In the joint expansion project with Nexen Energy ULC in the same area, JACOS started injecting steam in April 2017 as the final preparation step for startup of production operations. Following that JACOS started production operations by the SAGD process in August, 2017. Production will rise gradually and production volume is expected to reach 20,000 barrels per day in the second half of 2018.

Based on our experiences and achievements, we will continue to maximize the project value by improving project economics through optimizing operations and the developing new technologies. We will work on this project from a long term view point and we will continue training on staffs and keep a good relationship with local communities.

What are oil sands?

Oil sands are sands containing heavy, highly viscous crude oil, and large quantities are deposited in western Canada. An oil sands development project extracts and produces an extra-heavy oil known as bitumen from the oil sands.



The History of JACOS



As a Pioneer in the SAGD Process

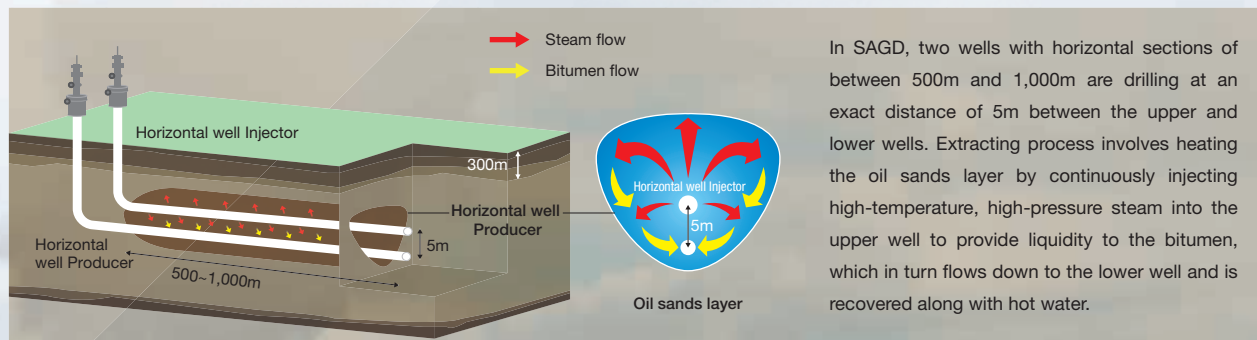
About 80% of bitumen is deposited in the deep layers of oil sands where the use of open-pit mining is not economical. As the bitumen in such state is almost solid at room temperature and because of its low flowability, it had been assumed commercial production was too difficult to achieve. JACOS struggled to recover the bitumen from the deep layers of the oil sands with conducting experiments of using electrical preheating and cyclic steam stimulation, but none of them were commercially feasible. After a lot of trial and error, JACOS adopted the SAGD process, which had not been commercially used at that point. In 1997, JACOS started independent test production using SAGD process in the Hangingstone area and as a result, they succeeded in

starting bitumen production ahead of the other companies in 1999, and transitioned into commercial production in 2003. Production rose steadily from then on, and JACOS recouped its investment in 2010. The SAGD process that JACOS pioneered and commercialized is now the main process for recovering bitumen in Alberta.

Environmental Activities

The SAGD process bitumen recovery requires less large-scale civil engineering work than open-pit mining, and it is said to place less of a burden on the environment. Moreover, JACOS has been achieving operational efficiencies that minimize freshwater consumption for the steam by recycling more than 90% of the overall water.

Schematic of the SAGD Process



February 2013
Construction for expansion development was commenced

August 2017
Bitumen production started in the expansion development area

Production Target (second half of 2018)
Expected to reach **20,000** barrels per day

For Maximization of the Project Value

The Hangingstone Expansion Project is a long-term project producing over thirty years. The produced bitumen is sold as diluted bitumen mixing with extra-light oil for increasing its fluidity in North American market via pipelines. JAPEX believes that the Expansion Project is become one of our core business in the future.

In order to maximize the value of the expansion project, we will improve the efficiency of our operations further through thorough-going cost reductions and the adoption of new technology.



Improved Business Plan

STEP 1

Cost Reductions (currently being implemented)

- Reduction of future capital expenditure (wells and field facilities) by optimization of engineering and work sequence.
- Reduction of general and administrative expense and operating expense by optimization of organization, personnel costs, etc.
- Pursue possibility to reduce transportation cost by sharing facilities with third party.

STEP 2

Adoption of a New Technology (currently pursuing possibility to realize this step)

The solvent-based SAGD process is injecting extra-light oil along with the steam so that the bitumen is diluted inside the reservoir, increasing its fluidity and allowing greater production efficiency.





Opening Ceremony with Alberta Premier Rachel Notley (third from left) Celebrating the Start of Production Operations at Hangingstone

Working with Local Indigenous Communities

For forty years, JACOS have been developing projects in harmony with local communities. In order to grow and develop together with the local communities, JACOS carries out all our activities under JAPEX “SHINE” CSR initiatives.

Throughout this project, we effectively implement the HSE management system with the utmost concern for guaranteeing safety and protecting the environment. In addition, JACOS works with these local communities in a wide range of areas: environmental, social, and economic including donations and other support to local activities,

and we consult with the local indigenous communities consisted of the people most likely to be affected by our business, the Indigenous Advisory Group formerly called the Aboriginal Review Group (ARG).

Moreover, we have about 170 employees with diversified ethnic and cultural backgrounds considering with labor market status and customs. Our organizational management emphasizes diversity, and we aim to contribute to the development of the local community and human resources through employment opportunities and training.



Harry Cheecham
IRC Traditional,
Land Use Specialist

A Message from a Member of One of the Indigenous Groups

I expect JACOS to continue its sincere efforts to implement environmental monitoring programs that incorporate traditional environmental knowledge.

I have been a member of the the Indigenous Advisory Group formerly called Aboriginal Review Group (“ARG”) since its founding. The ARG was initially formed, with representatives of local indigenous groups, in order to solicit input into the development of the Environmental Impact Assessment (“EIA”) for the Hangingstone Expansion Project (“HEP”). Since that time, the ARG has become involved in the ongoing environmental monitoring plans.

The ARG activities give local stakeholders the chance to work directly with JACOS personnel to understand the health of the local environment. It also insures that traditional knowledge is shared and made part of JACOS environmental work. These activities also represent a unique opportunity to meet with other local stakeholders with diverse ideas and similar goals. As an ongoing effort for the life of the HEP, direct involvement from local stakeholders will ensure an eventual reclamation of the project area that can be used for traditional activities by future generations.

Stable and sustainable energy supply

E&P Business

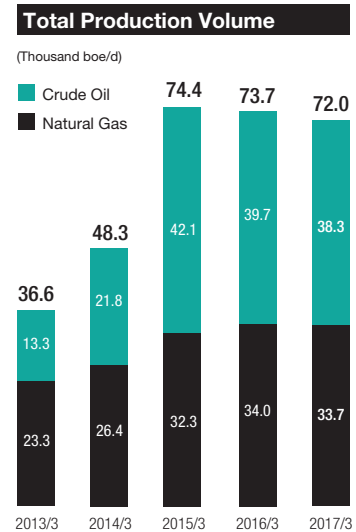
Effective E&P and the Discovery of New Oil and Gas Reserves

The E&P business is at the heart of the JAPEX Group's operations. It is important that the Group expands its framework for ensuring the stable, long-term supply of crude oil and natural gas by expanding and maintaining reserves that have become depleted by production and sales. To this end, the JAPEX Group seeks to identify prospective opportunities and to discover new oil and gas reserves by engaging in effective exploration and production both in Japan and overseas.

Production Volume of Crude Oil and Natural Gas

Average net production volume for FY2017/3 for the JAPEX Group was 38,300 boe/d of crude oil, including bitumen, and 33,700 boe/d of natural gas for an aggregate total of 72,000 boe/d.

* Production volume for each project is barrels of oil equivalent per day, including natural gas.



Overseas E&P Business



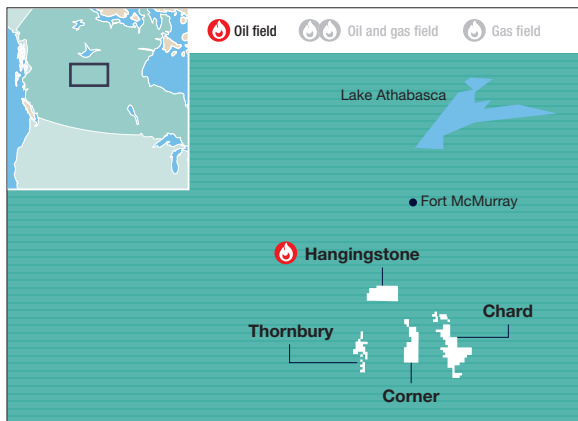
Our consolidated subsidiary, JAPEX Montney Ltd., participated in the shale gas project in the North Montney region of British Columbia, Canada, in April 2013, and we have been developing and producing shale gas together with the project operator, a subsidiary of the Malaysian national oil company, PETRONAS.

Average production rate of shale gas for 2016 was 577 million cubic feet per day, which was sold to the western Canadian market. Significant volume of shale gas assets has been confirmed in the area and we will continue to optimize the development and production plan to monetize these assets effectively.



Block Location	The North Montney Region of British Columbia	
Project Company (Founded)	JAPEX Montney Ltd. (March 2013)	
Percent of Interest	PETRONAS Group (Operator)	62%
	Sinopec Group	15%
	JAPEX Group	10%
	Indian Oil Group	10%
	Petroleum Brunei Group	3%

* In July 2017 JML decided not to proceed with the Lelu Island LNG Project near Prince Rupert, British Columbia

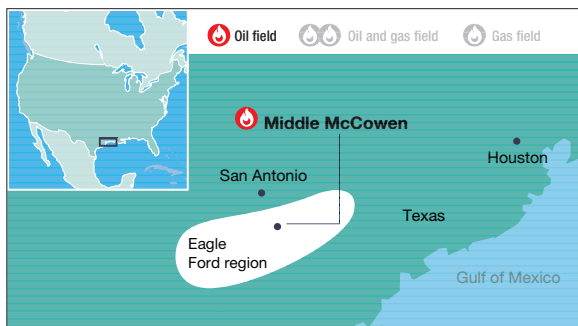


JAPEX subsidiary Japan Canada Oil Sands Limited (JACOS) succeeded to produce bitumen utilizing SAGD process at the 3.75 Section Area (hereinafter “the DEMO area”) at Hangingstone area in 1999 as a forerunner. Cumulative bitumen production volume of the Demo area is 35 million barrels (JACOS decided not to re-start SAGD process operations in the DEMO area in August 2017).

Construction for our expanded development project in the area adjacent to the DEMO area was completed in February 2017, and JACOS started production operation by SAGD process in August 2017. Production will rise gradually, and production volume is expected to reach 20,000 barrels per day by the second half of 2018.

Block	Hangingstone Expansion Area	
Project Company (Founded)	Canada Oil Sands, Ltd. (December 1978) Local corporation, JACOS	
Percent of Interest	JACOS (Operator)	75%
	Nexen Energy	25%

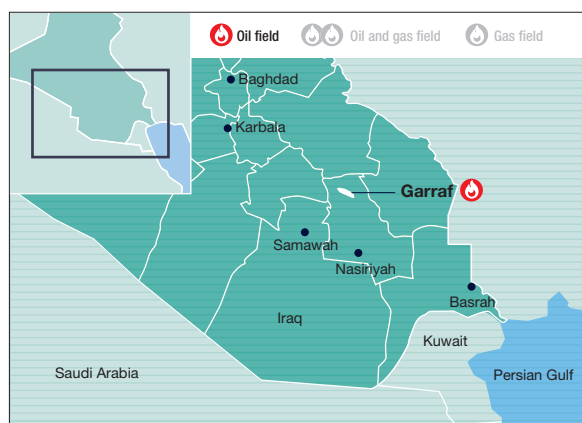
* In undeveloped areas, JACOS has 100% participating interests in certain leases, while other leases are held with partners (Suncor, Nexen Energy, Imperial Oil). Participating interests differ in each block.



Japex (U.S.) Corp. is participating in shale oil development in the Eagle Ford region in the southern part of Texas. Shale oil is a type of crude oil contained in low permeability rocks, and it is extracted using a technology known as “fracking.” In conjunction with Marathon Oil Corporation, a company with a track record in shale oil development, we are acquiring latest technology, and we will employ the knowledge gained in this project to improve productivity and economic efficiency in current and future projects.

Block	Middle McCowen	
Project Company (Founded)	Japex (U.S.) Corp. (October 1980)	
Percent of Interest	Marathon Oil Corporation (Operator)	95%
	Japex (U.S.) Corp.	5%

Overseas E&P Business

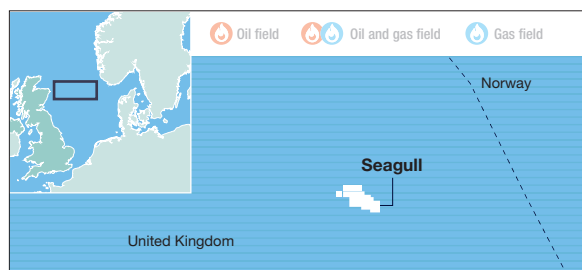


Through our foreign subsidiary Japex Garraf Ltd., we are developing the Garraf Oil Field. In August 2013, we began production at a level of 35,000 barrels per day, and by March 2017, we had shipped 23.11 million barrels. The capital recovered by shipping the crude oil is being reinvested in further development operations for the Garraf Project, with the remainder being distributed to the shareholders of Japex Garraf Ltd.

As of March 2017, the project is continuing to produce a steady 100,000 barrels per day, and we are in consultations about thorough-going, but gradual, development to reach 230,000 barrels per day.

Field	Garraf Oil Field	
Project Company (Founded)	Japex Garraf Ltd. (March 2010)	
Contract Type	Development and production service contract	
Contract Term	20 years (with an optional 5-year extension)	
Remuneration	US\$1.49 per barrel of crude oil production	
Aggregate Production Volume (during the contract)	Approximately 1.1 billion barrels	
Contracting Party	Basra Oil Company (under the Iraqi Ministry of Oil)	
Development Contractors	Project Share	Cost Share
PETRONAS (Operator)	45%	60%
Japex Garraf Ltd	30%	40%
North Oil Company (under the Iraqi Ministry of Oil)	25%	—*

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



JAPEX UK E&P Ltd. is conducting exploration and evaluation projects in the Seagull block, about 300 km offshore from Aberdeen, the United Kingdom. In 2015, we succeeded in producing crude oil and natural gas in a production test in an appraisal well, and we are conducting further evaluations based on those results.

Block	Seagull block	
Project Company (Founded)	JAPEX UK E&P Ltd. (March 2014)	
Percentage of Interest	Apache North Sea Ltd. (Operator)	35%
	BP	50%
	JAPEX UK E&P Ltd.	15%



In the Kangean block, where JAPEX has a 25% interest, we are producing natural gas and condensate from the Terang Gas Field, which is a part of the TSB (Terang, Sirasun, Batur) Gas Field Complex, and the Pagerungan Gas Field.

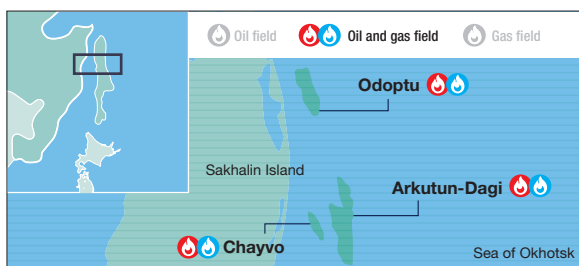
The Terang Gas Field went into commercial production in 2012, and now it is producing 220 million cubic feet of natural gas per day (38,000 boe/d), and the cumulative production volume reached 70 million boe in January 2017. Natural gas produced from the Terang Gas Field passes through the subsea production system, and after being processed at the Floating Production Unit (FPU), it is transported through the East Java Gas Pipeline to be sold to the state-owned power company and fertilizer factory on the outskirts of Surabaya, East Java. We are currently moving forward with further development projects in the Sirasun and Batur Gas Fields.

PSC Block	Kangean PSC Block	
Project Company (Date Shares Acquired)	Energi Mega Pratama Inc. (May 2007)	
Percentage of Interest	Kangean Energy Indonesia Ltd. (Operator)	60%
	EMP Exploration (Kangean) Ltd.	40%

Note: Kangean Energy Indonesia Ltd. and EMP Exploration (Kangean) Ltd. are subsidiaries of Energi Mega Pratama Inc. JAPEX holds 25% of the shares of Energi Mega Pratama Inc.



Provided by Exxon Neftegas Ltd.



JAPEX participates in the Sakhalin-1 Project through its investment in the Sakhalin Oil and Gas Development Co., Ltd. Crude oil and natural gas have been produced in the Chayvo oil and gas field since 2005, and in 2015, the project set the world record for a measured depth of 13,500 meters using extended reach drilling. In addition, crude oil production commenced in 2010 at the Odoptu Oil and Gas Field, and in 2015 at the Arkutun-Dagi Oil and Gas Field.

Block	Chayvo, Odoptu and Arkutun-Dagi	
Project Company (Founded)	Sakhalin Oil and Gas Development Co., Ltd. (March 1995)	
Percentage of Interest	Exxon Neftegas, Ltd. (Operator)	30%
	Sakhalin Oil and Gas Development Co., Ltd.	30%
	ONGC Videsh Ltd.	20%
	Sakhalinmorneftegas-Shelf	11.5%
	RN-Astra	8.5%

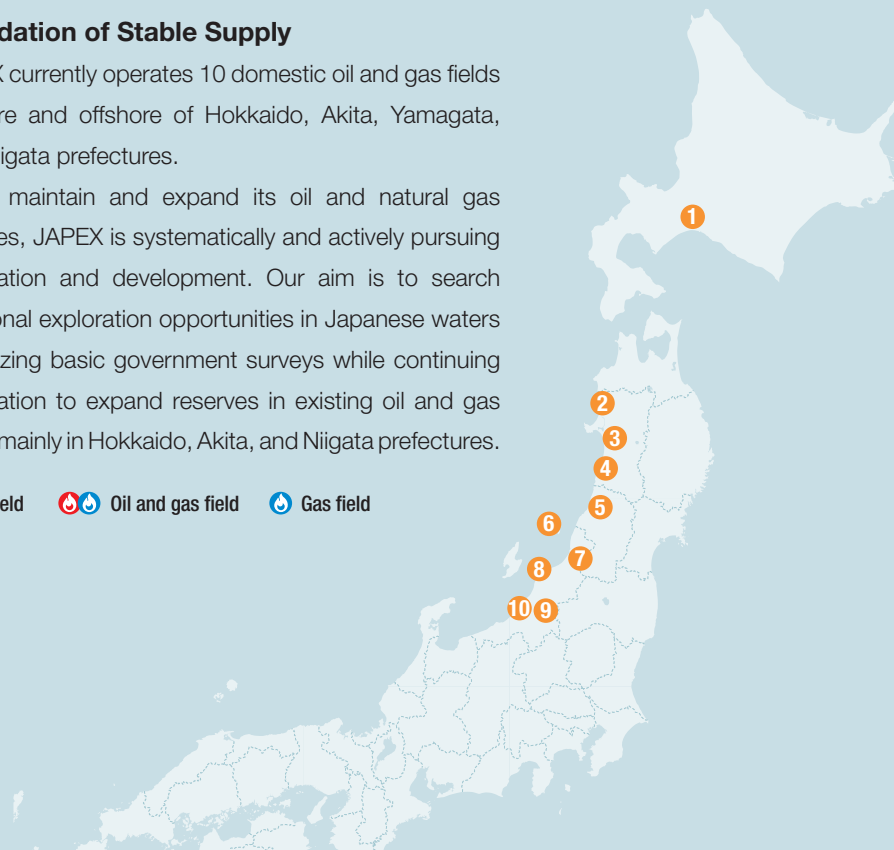
Domestic E&P Business

Foundation of Stable Supply

JAPEX currently operates 10 domestic oil and gas fields onshore and offshore of Hokkaido, Akita, Yamagata, and Niigata prefectures.

To maintain and expand its oil and natural gas reserves, JAPEX is systematically and actively pursuing exploration and development. Our aim is to search additional exploration opportunities in Japanese waters by utilizing basic government surveys while continuing exploration to expand reserves in existing oil and gas fields, mainly in Hokkaido, Akita, and Niigata prefectures.

🔥 Oil field 🔥🔵 Oil and gas field 🔵 Gas field



1 Yufutsu Oil and Gas Field 🔥🔵

Tomakomai City, Hokkaido	
Discovered	1989
Commenced production	1996



2 Sarukawa Oil Field 🔥

Oga City, Akita Prefecture	
Discovered	1958
Commenced production	1959



6 Iwafune-oki Oil and Gas Field 🔥🔵

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

Discovered	1983
Commenced production	1990



3 Ayukawa Oil and Gas Field 🔥🔵

Yurihonjo City, Akita Prefecture	
Discovered	1989
Commenced production	1995



4 Yurihara Oil and Gas Field 🔥🔵

Yurihonjo City, Akita Prefecture	
Discovered	1976
Commenced production	1984



5 Amarume Oil Field 🔥

Shonai Town, Yamagata Prefecture	
Discovered	1960
Commenced production	1960



7 Shiunji Gas Field 🔵

Shibata City, Niigata Prefecture	
Discovered	1962
Commenced production	1963



8 Higashi-Niigata Gas Field 🔵

Niigata City, Niigata Prefecture	
Discovered	1959
Commenced production	1959



9 Katakai Gas Field 🔵

Ojiya City, Niigata Prefecture	
Discovered	1960
Commenced production	1960



10 Yoshii Gas Field 🔵

Kashiwazaki City, Niigata Prefecture	
Discovered	1968
Commenced production	1968



Proved Reserves

Proved reserves owned by JAPEX and its consolidated subsidiaries as of March 31, 2017, along with our investment equivalent in proved reserves of equity-method affiliates are presented in the following table.

Proved Reserves of the JAPEX Group

Proved Reserves	JAPEX and consolidated subsidiaries									Equity-method affiliates		Total		
	Japan		Overseas			Subtotal			Crude oil	Gas	Crude oil	Bitumen	Gas	
	Crude oil	Gas	Crude oil	Bitumen	Gas	Crude oil	Bitumen	Gas						Crude oil
	Thousand kL	Million m ³	Thousand kL	Thousand kL	Million m ³	Thousand kL	Thousand kL	Million m ³	Thousand kL	Million m ³	Thousand kL	Thousand kL	Million m ³	
As of March 31, 2016	2,983	12,418	2,439	22,161	11,487	5,422	22,161	23,905	2,120	2,788	7,542	22,161	26,693	
Increase due to expansion or discovery	-	-	1,258	-	1,320	1,258	-	1,320	-	-	1,258	-	1,320	
Change due to revision of evaluation standard	Δ 294	Δ 1,809	358	5	2,853	63	5	1,044	228	20	292	5	1,064	
Change due to acquisition and/or divestiture	-	-	36	-	684	36	-	684	-	-	36	-	684	
Decrease due to production	Δ 315	Δ 857	Δ 1,374	Δ 90	Δ 533	Δ 1,689	Δ 90	Δ 1,390	Δ 444	Δ 635	Δ 2,134	Δ 90	Δ 2,025	
As of March 31, 2017	2,374	9,753	2,717	22,076	15,811	5,091	22,076	25,564	1,904	2,173	6,995	22,076	27,737	

Notes: 1. Proved reserves of the following consolidated companies include reserves held by non-controlling interests. (Figures in parentheses are non-controlling interests' percentage.)

Japan: Japex Offshore Ltd. (29.39%)

Overseas: Canada Oil Sands Co., Ltd. (5.42%), JAPEX Montney Ltd. (55.00%), Japex Garraf Ltd. (45.00%)

2. Based on a preliminary development plan approved on January 19, 2011, our consolidated subsidiary, Japex Garraf Ltd. initiated development operations and began initial production on August 31, 2013. Since the Final Development Plan has not yet been approved, we posted the company's planned production for fiscal 2017 as its reserves at the end of fiscal 2016.

3. The above proved reserves are figures based on our own evaluation using the definition of proved reserves in PRMS (Petroleum Resource Management System 2007).

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

Proved Reserves	JAPEX and consolidated subsidiaries									Equity-method affiliates		Total		
	Japan		Overseas			Subtotal			Crude oil	Gas	Crude oil	Bitumen	Gas	
	Crude oil	Gas	Crude oil	Bitumen	Gas	Crude oil	Bitumen	Gas						Crude oil
	Million bbl	Million boe	Million bbl	Million bbl	Million boe	Million bbl	Million bbl	Million boe	Million bbl	Million boe	Million bbl	Million bbl	Million boe	
As of March 31, 2016	19	76	15	139	70	34	139	146	13	17	47	139	163	
											349			
Increase due to expansion or discovery	-	-	8	-	8	8	-	8	0	0	8	-	8	
Change due to revision of evaluation standard	Δ 2	Δ 11	2	0	17	0	0	6	1	0	2	0	6	
Change due to acquisition and/or divestiture	-	-	0	-	4	0	-	4	-	-	0	-	4	
Decrease due to production	Δ 2	Δ 5	Δ 9	Δ 1	Δ 3	Δ 11	Δ 1	Δ 8	Δ 3	Δ 4	Δ 13	Δ 1	Δ 12	
As of March 31, 2017	15	59	17	139	96	32	139	156	12	13	44	139	169	
											352			

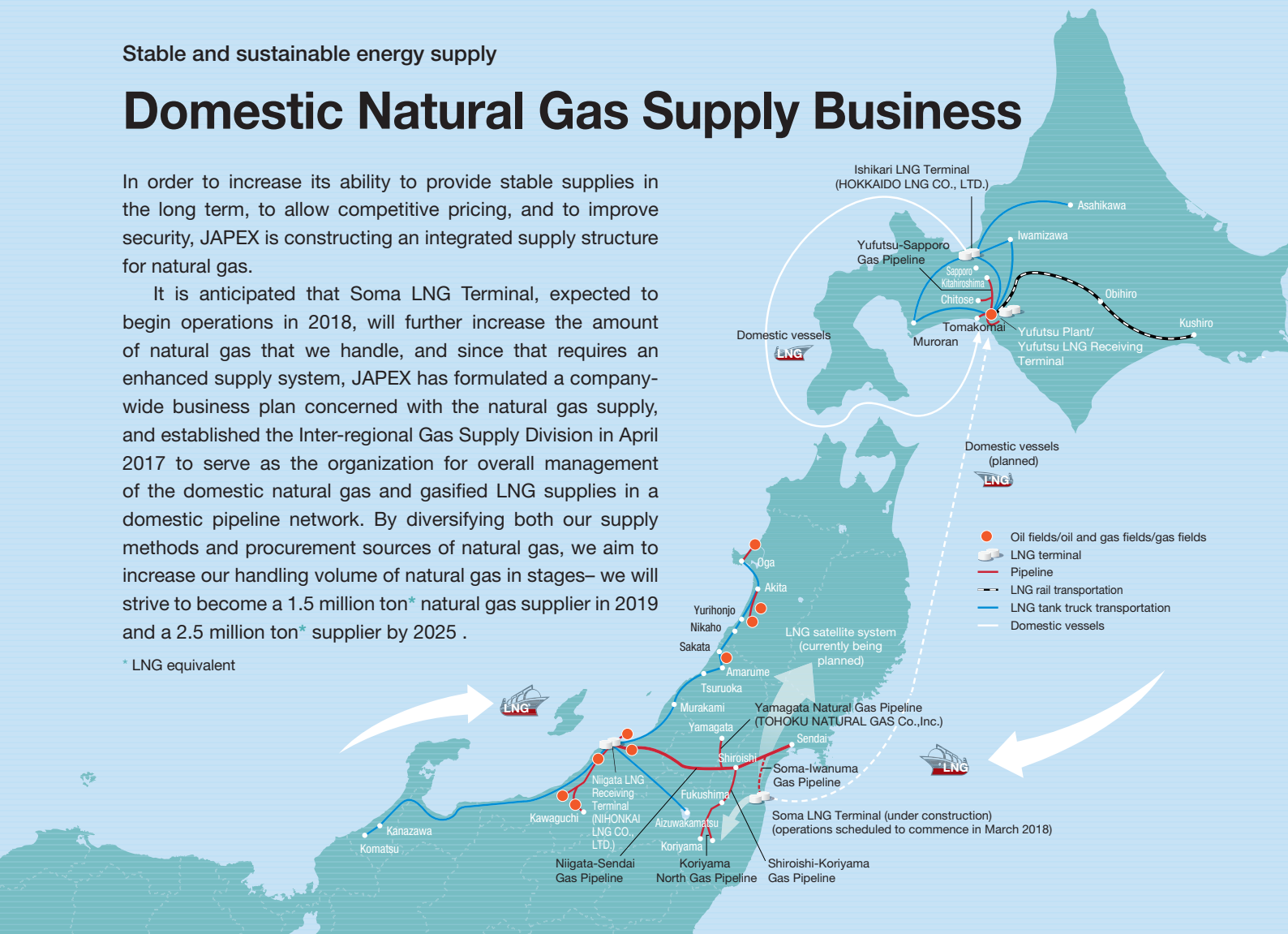
Stable and sustainable energy supply

Domestic Natural Gas Supply Business

In order to increase its ability to provide stable supplies in the long term, to allow competitive pricing, and to improve security, JAPEX is constructing an integrated supply structure for natural gas.

It is anticipated that Soma LNG Terminal, expected to begin operations in 2018, will further increase the amount of natural gas that we handle, and since that requires an enhanced supply system, JAPEX has formulated a company-wide business plan concerned with the natural gas supply, and established the Inter-regional Gas Supply Division in April 2017 to serve as the organization for overall management of the domestic natural gas and gasified LNG supplies in a domestic pipeline network. By diversifying both our supply methods and procurement sources of natural gas, we aim to increase our handling volume of natural gas in stages— we will strive to become a 1.5 million ton* natural gas supplier in 2019 and a 2.5 million ton* supplier by 2025 .

* LNG equivalent



Soma Project



Panoramic view of the Soma LNG Terminal construction site (Soma Port, Fukushima Prefecture)

JAPEX is building the Soma LNG Terminal at Soma Port in Shinchi Town, Fukushima Prefecture, and we are continuing construction toward completion as planned at the end of November 2017, with a priority on safety. This terminal will be a site for receiving LNG purchased from overseas, and the operation of the Soma-Iwanuma Gas Pipeline will complete the pipeline network that links the Pacific and Japan Sea sides of the country, dramatically increasing security during disasters. Furthermore, we plan tanker truck transport to LNG satellite system in areas where no pipelines have been laid, as well as transport by domestic vessels to our Yufutsu LNG Receiving Terminal.

This project is a major contribution to the area affected by the March 2011 earthquake in the form of industry agglomeration and new job creation. It has been acknowledged as a "reconstruction promotion plan" based on the Act on Special Zones for Reconstruction in Response to the Great East Japan Earthquake. It has also been mentioned as a significant plan for Fukushima's recovery according to the Fukushima International Research Industrial City (Innovation Coast) Framework.

Power Generation Business

In October 2016, we decided to go into the natural gas-fired power generation business, and we are building the Fukushima Natural Gas Power Plant that will use LNG gasified at the said Terminal on land adjacent to the Soma LNG Terminal with Fukushima Gas Power Co., Ltd. as the operator. As we completed the environmental assessment of the power plant in July 2017, and also preparations for construction were in order, including the work plans, construction of the power plant will begin in October 2017.

This is our first natural gas-fired power generation plant for us as we work toward our goal of transforming JAPEX to an integrated energy company. By adding power generation to our business domains we aim to stabilize our company, provide an environmentally friendly and reliable power supply to meet the demands of the Metropolitan district, and to contribute to the economy and industrial development of the area around the power plant. As we work toward putting the plant into commercial operation in 2020, our construction procedures place a high priority on environmental protection and safety management.

Fukushima Natural Gas Power Plant	
Construction Site	Komagamine Aza Imagami 161-3, Shinchi Town Port, Soma-Gun, Fukushima Prefecture (Soma Port No.4 Wharf)
Power and Generation Methods	Gas turbine and steam power Combined cycle power generation method
Fuel	Natural gas (vaporized LNG)
Capacity	1.18 million kW (2 units of 0.59 million kW)



Rendering of the Soma LNG Terminal and the Fukushima Natural Gas Power Plant

November 2013	Final decision to invest in construction of the Soma LNG Terminal and the connecting pipeline
November 2014	Construction begins on the Soma LNG Terminal
April 2015	Fukushima Gas Power Co., Ltd. founded
October 2015	Construction begins on the Soma-Iwanuma Gas Pipeline
October 2016	Decision to commercialize the natural gas-fired power generation business
July 2017	Environmental assessment for the natural gas-fired power generation business
October 2017	Construction begins on the Fukushima Natural Gas Power Plant
November 2017	Scheduled completion of the Soma LNG Terminal Scheduled completion of the Soma-Iwanuma Gas Pipeline
December 2017	First LNG tanker scheduled to enter the Soma Port
March 2018	Soma LNG Terminal scheduled to begin operations Soma-Iwanuma Gas Pipeline scheduled to begin operations
Spring 2020 (approximate)	Fukushima Natural Gas Power Plant scheduled to begin operations

A message from the executive in charge of the Soma Project

JAPEX aims to turn itself into an integrated energy company, as mentioned in its Long-Term Business Vision, and the completion of the Soma LNG Terminal and the Soma-Iwanuma Gas Pipeline in November 2017 and their start of operations in March 2018 are part of that aim. Furthermore, preparations are moving along as planned for Fukushima Gas Power Co., Ltd. to build the Fukushima Natural Gas Power Plant, with safety as the top priority.

The Hamadori areas of Fukushima Prefecture where is near the site of the Soma LNG Terminal and the Fukushima Natural Gas Power Plant suffered major damage during the March 2011 earthquake and tsunami. As the region accelerates the steps it is taking toward its recovery, we are contributing to this recovery by providing a stable supply of clean energy, luring new industries, and creating new employment.



Shoichi Ishii

President of Soma Project Division,
Executive Vice President,
Executive Officer

Stable and sustainable energy supply

Environment and Innovative Technology Business



Provided by Japan CCS Co., Ltd.

Interview with the Officer in Charge of the Environment and Innovative Technology Business

Aiming to achieve commercialization as a revenue base, and contribute to the solution of issues on a global scale.

Q

How do you evaluate the environment and innovative technology business in the JAPEX business strategy?

The environment and innovative technology business is one of the three pillars of the Company's business domains, together with the E&P business and the domestic natural gas supply business. The environment and innovative technology business aims to contribute to the long-term growth of the Company by optimizing the technology and knowledge developed through the E&P business and achieving commercialization as a revenue base.

For the Company, which is expanding its revenue base derived from businesses other than conventional E&P and transforming to an integrated energy company, the role of the environment and innovative technology business is important.

Q

What do you consider about public expectations toward the environment and innovative technology business?

There are increasing expectations for companies to solve environmental and social problems such as climate change. In addition to promoting R&Ds that contribute to measures to combat climate change such as geothermal power, and CCS, the Company is implementing the commercialization of the cutting-edge technologies in the new fields, such as the development of methane hydrate and the exploration of marine resources for next generation. Through our businesses, we will contribute to the solution of issues on a global scale, and meet the expectations of our stakeholders.

Q

Going forward, what kind of initiatives will you be conducting in the environment and innovative technology business?

There are unique challenges to be solved in each domain of the environment and innovative technology business. It is essential to find out solutions for such challenges and to secure public acceptance for business development, and we hope to promote steady commercialization in conjunction with the JAPEX Research Center, as each of our businesses is highly linked with the social mission and is also expected to contribute to the medium to long-term growth of the Company.

Furthermore, environment and innovative technology covers broad fields of technology apart from E&P. By discovering new seeds and pursuing commercial opportunities, we will actively develop new business areas.

Yasuo Takehana

Executive Officer
President of Environment and
Innovative Technology Projects Division



Next-generation Technology for Ocean Resources Exploration

It is known that there are various metallic mineral resources located in deep sea beds around the world, however, development of deep sea minerals has not been fully engaged anywhere in the world as they exist under vastly different conditions to the land-based metallic mineral resources that have been commercialized, in environments where radio waves and light do not reach, etc.

Because the existence of metallic minerals has been confirmed in the extensive, Japanese exclusive economic zone, the “Cross-ministerial Strategic Innovation Promotion Program (SIP)*” was developed in collaboration with the relevant ministries, based on the national science and technology strategy; one of the results of this has been that we are developing “Next-generation Technology for Ocean Resource Exploration” to increase Japan’s ocean resource exploration capabilities.

In fiscal 2014, we created the Research and Development Partnership for Next Generation Technology of Marine Resources Survey (J-MARES) as a corporation authorized by the Ministry of Education, Culture, Sports, Science and Technology in conjunction with three other companies (Nippon Steel and Sumikin Engineering Co., Ltd., Mitsubishi Materials Techno Corporation and JGI, Inc.), in order to create a private research industry as an exit strategy for this issue, and promoted the development of research technology.

In order to improve SIP’s management systems concerning this issue, executive vice president of the Company serves as an acting director of the program. Since the beginning of SIP, J-MARES has conducted activities as a member of the marine exploration technology team, which comprises a number of research institutions, and at present, it is at the core of the integrated marine

resource exploration system verification team, which was formed when the program was already underway, based on the support of participating private enterprises, in order to realize an exit strategy and promote possibilities of overseas development.

Specifically, the activities of J-MARES have involved aiming for high-efficiency and low-cost exploration techniques for each stage of exploration that enable the identification of promising marine areas through integrated interpretation and evaluation of various types of exploration data, obtained using seismic (sonic) survey and electromagnetic survey, etc. which applies petroleum exploration technology, and targets concealed hydrothermal deposits in sections of the seabed that have not yet been exposed.

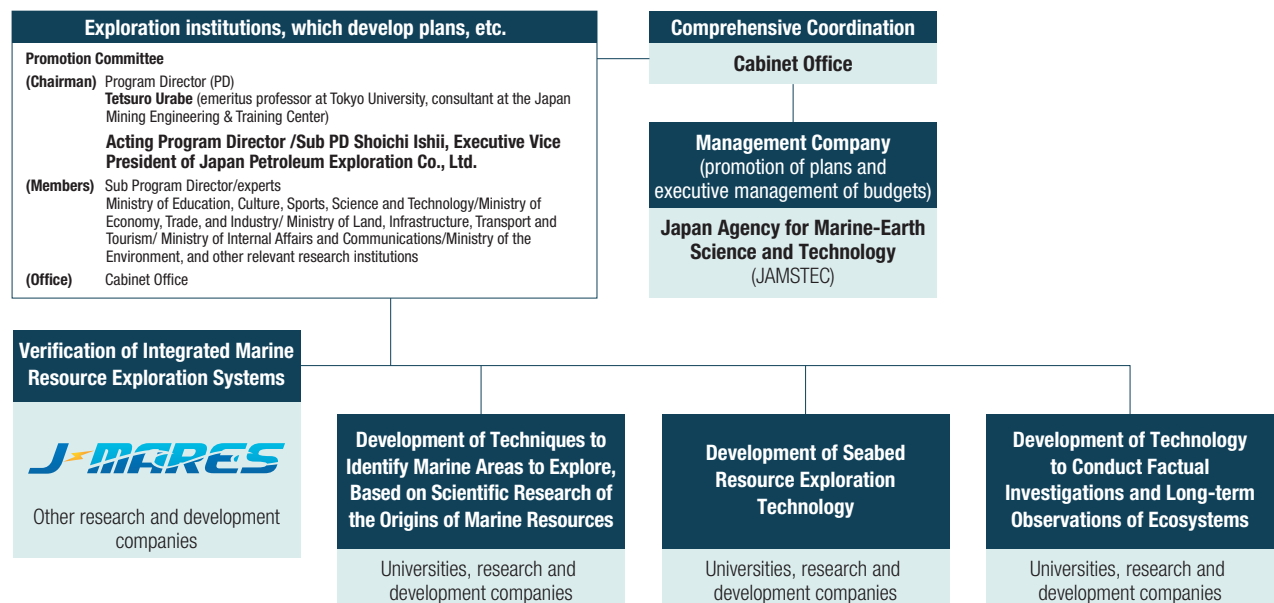
Through these initiatives, the JAPEX Group is pursuing the possibility of participation in the exploration market for seabed mineral resources, etc. which is expected to be established in the future.

* A cross-organizational program that extends beyond the bounds of individual ministries and sectors. The program was established to achieve scientific and technological innovation, based on the Strategy on Science, Technology and Innovation (cabinet decision of June 7, 2013)* and the “Japan Revitalization Strategy (growth strategy, cabinet decision of June 14, 2013), which are major government policies, and it has recognized eleven issues, which include “Next-generation Technology for Ocean Resource Exploration.”



Smoke-emitting seabed, which may contain hydrothermal deposits

Next-generation Technology for Ocean Resource Exploration Implementation System



Methane Hydrate

Methane hydrate is an ice-like crystalline solid formed by methane and water that exists in highly pressurized and low-temperature environments, such as below the seabed in deep waters or permafrost layers in the polar regions. Due to this reason, advanced technical capabilities are required to produce methane hydrate. In order to extract methane gas from the methane hydrate layer, depressurization method is confirmed to be the most efficient method. In Japan, it is known that there are two types of methane hydrate to be deposited: “sand-layer type” and “shallow type”.

It is estimated that approximately 1.1 trillion m³*1 of original methane hydrate resources exist in the eastern area of the Nankai Trough, offshore from Shizuoka to Wakayama Prefecture.

Shallow type methane hydrate is also known to exist under the Sea of Japan. A three-year study of the resources since FY2013 has confirmed 1,742 gas chimney structures where methane hydrate could exist.*2

R&D Activities for Methane Hydrate

In March 2013, the world’s first offshore production test of methane hydrate was conducted by the government using a deep-sea drilling vessel, “CHIKYU”, targeting sand-layer type methane hydrate at the Daini Atsumi Knoll, located between Atsumi Peninsula and Shima Peninsula off the coast of Japan. It was confirmed that methane gas continuously produced from an undersea methane hydrate layer by applying the depressurization method (period of six days with an average production volume of 20,000 m³ per day, and cumulative production of approximately 120,000 m³*3).

Based on these results, the government is proceeding with R&D activities related to methane hydrate while looking at the international situation, to have the private-sector-led commercialization project be initiated after 2023 as for sand-layer type.*4

JAPEX’s Contributions

JAPEX recognized the potential of methane hydrate earlier and has been taking the initiative on research and development by providing our technologies, experiences and knowledge which were cultivated in oil and gas development. JAPEX also made a contribution by engaging in the operator work for the first offshore production test.

In October 2014, Japan Methane Hydrate Operating Co., Ltd. (JMH) comprised of 11 private companies with

capabilities of oil and gas E&P and plant engineering including JAPEX as the largest shareholder was established, aiming to conduct offshore production tests of sand-layer type methane hydrate efficiently, effectively, and smoothly under the nation-wide organizations in Japan and share the knowledge obtained through the tests with the wide-range private companies.

JMH engaged in the operator work concerning the second offshore methane hydrate production test of methane hydrate on commission from Japan Oil, Gas and Metals National Corporation (JOGMEC) in April 2015. From May 2016, up-front works to drill five wells for evaluation, observation, and production were carried out at the Daini Atsumi Knoll, located between Atsumi Peninsula and Shima Peninsula. After that, production tests were undertaken from April to June in 2017.

Also, JAPEX will pursue the possibility for joining research and development activities of the shallow type methane hydrate which is under the resources evaluation phase.

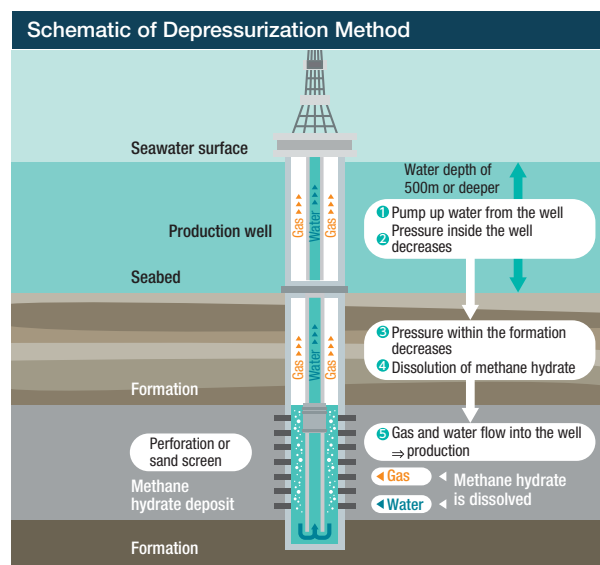
JAPEX will have been contributing to conduct offshore production tests through JMH, and will actively proceed with our research and development of methane hydrate for practical use of methane hydrate as a clean energy resource in Japan.

*1 Reprinted from the flyer of MH21 Research Consortium pamphlet published in March 2014

*2 Referred to the news release by Ministry of Economy, Trade and Industry on December 25, 2014 and January 22, 2016

*3 Referred to the news release by JOGMEC on March 19, 2013

*4 Referred to the Offshore Energy and Mineral Resource Development Plan formulated by the Ministry of Economy, Trade and Industry (METI) on December 24, 2013.



Based on a diagram from MH21 Research Consortium

Carbon Dioxide Capture and Storage (CCS)

CCS is one method that has been proposed for reducing CO₂ emissions. It involves storing CO₂ by directly injecting it into depleted oil and gas reservoirs, coal reservoirs, or deep brine layer and is considered to be highly practical, reliable, and safe. Synoptic surveys have shown that up to 146 billion tons of CO₂ could be stored beneath Japan, and detailed surveys commenced in 2014.

Applying Core E&P Technologies

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

Establishing Technologies for Commercialization of CCS

With the aim of commercializing CCS technology, JAPEX jointly established Japan CCS Co., Ltd. (JCCS) with other private-sector companies in May 2008. In accordance with its 2014 Basic Energy Plan, the Japanese government aims to commercialize CCS technology by 2020.

Under the commissioning of Japan's Ministry of Economy, Trade and Industry (METI), JCCS has been

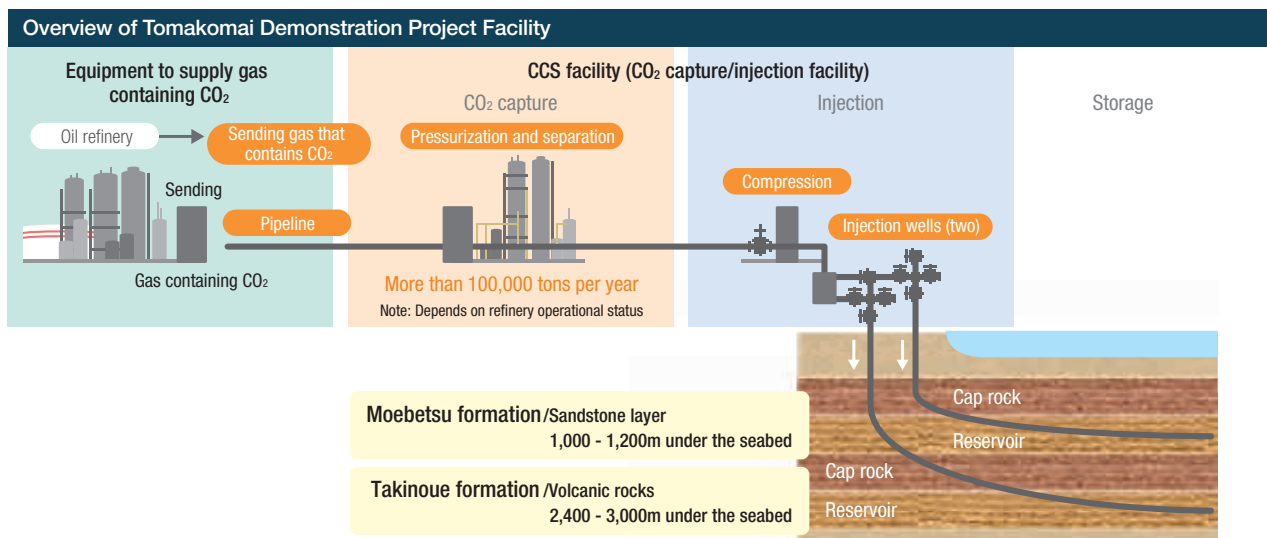
implementing a CCS demonstration project since April 2012, of which JAPEX has been contracted to undertake part of the preparatory work. Since April 2016, JCCS has commenced injection of CO₂ into offshore sub-seabed reservoirs.

In April 2016, JAPEX established the Geological Carbon dioxide Storage Technology Research Association together with the Research Institute of Innovative Technology for the Earth (RIITE), the National Institute of Advanced Industrial Science and Technology (AIST), and three private sector companies. This research association is working to develop safety management technologies for large-scale CCS and effective injection technologies that utilize micro-bubble technology on commission for METI.

Through the establishment of technologies geared toward the commercialization of CCS, JAPEX aims to contribute to the prevention of global warming.

E&P Technologies Essential for CCS

- Technologies for identifying subsurface structures and estimating petrophysical properties
- Technologies for drilling extended reach wells at depths and horizontal distances of several thousand meters
- Geophysical logging technologies
- Technologies for producing crude oil and natural gas safely
- Fluid movement simulation technologies
- Underground monitoring technologies



Based on materials from Japan CCS Co., Ltd.

Stable and sustainable energy supply

Geothermal Power

Geothermal power extracts steam and hot water from deep underground for power generation. Currently, there are geothermal power stations, including small-scale stations, operating in over forty areas in Japan. A land of volcanoes, Japan has abundant geothermal resources and is the third richest country in terms of geothermal energy. Geothermal energy is a clean energy with less greenhouse gas emission. Also, geothermal energy is stable and able to generate electricity continuously day and night.

There are high expectations for geothermal development. To promote such development, the Japanese government has introduced 1) deregulation for its development in national parks and 2) a FIT system (feed-in tariffs with fixed prices), which offers long-term contracts to renewable energy producers.

New Geothermal Development

JAPEX has been moving toward realizing the commercialization of geothermal power generation by making use of its accumulated technologies and experience. Since fiscal 2013, we have been conducting drilling surveys in the Mt. Musa area (Shibetsu Town, Hokkaido). To this point, we have drilled a total of three geothermal exploratory wells and conducted short-term production tests at them. We are currently analyzing the results of those trials. In fiscal 2016, two geothermal exploratory wells were drilled in the Bandai region of Fukushima Prefecture, through the “Fukushima Geothermal Project Team,” which JAPEX participates in along with ten other companies, and evaluation of results is currently underway. In addition, JAPEX is examining potential sources of geothermal energy in many other areas around Japan.



Testing of geothermal exploratory well in June 2015

Solar Power

Solar power generation plants with a capacity over 1,000 kW are known as “mega-solar” power plants. JAPEX is involved in two mega-solar operations in Tomakomai City, Hokkaido. The Tomakomai area has longer daylight hours, little snowfall, and lower air temperature, making it highly suitable for solar power generation. As such, we can expect the stable operations of those solar power plants.

In August 2014, JAPEX commenced operation of a mega-solar power plant at its Hokkaido District Office, and in November 2014, the mega-solar power plant of Solar Power Tomakomai Co., Ltd., a company established by the Sumitomo Corporation Group and JAPEX commenced operation.

	Installed Capacity	Site Area
At the Hokkaido District Office site	1,800kW	39,000m ²
Solar Power Tomakomai Co., Ltd.	13,000kW	300,000m ²



Solar panels (Solar Power Tomakomai Co., Ltd.)

Biogas

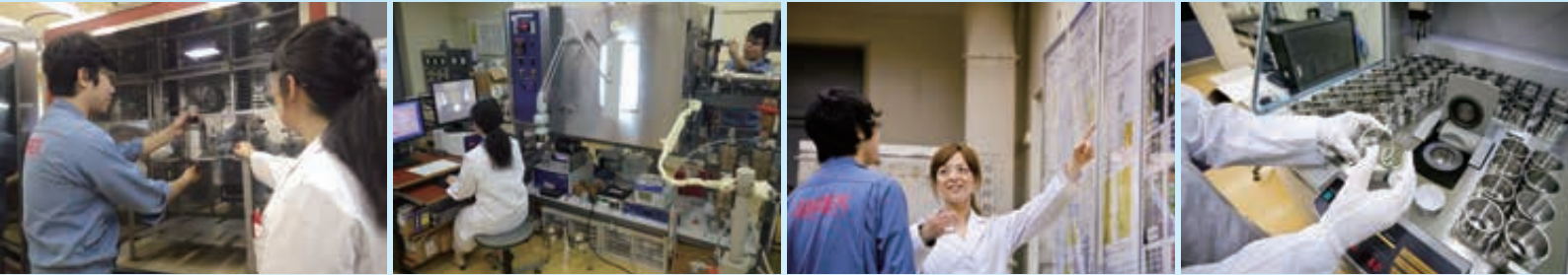
Biogas is a form of flammable gas that primarily comprises methane and carbon dioxide from landfill, sewage treatment plants, and food processing plants, etc. It is an exceptionally environmentally friendly source of renewable energy.

JAPEX incorporated the Shandong Bio-energy Corporation in conjunction with the Chinese Shandong Shifang Environmental Protection & Bio-Energy Co.,Ltd. in 2007. Shandong Bio-energy Corporation built and has been operating biogas and refinement and compression plants for biogas that arises from landfill in Taiyuan city in Shanxi province. The gas is supplied for natural gas-powered automobiles and as a raw material for city gas, and Shandong Bio-energy Corporation expects to produce a 6.138 million m³ of biogas in fiscal 2017.

This business has received high praise from both the Chinese government and local government for effectively utilizing the heretofore untapped resource of biogas.

Close Up : JAPEX Research Center Initiatives

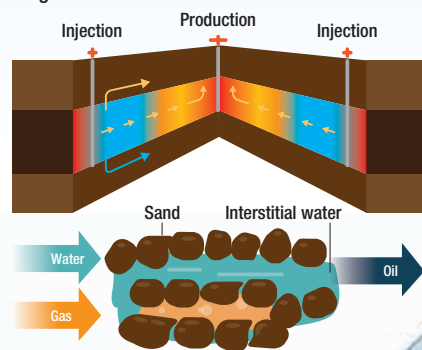
From the laboratory to the field — JAPEX is commercializing technology



Enhanced oil and gas recovery methods in oil and gas fields are an important theme. The WAG (Water Alternating Gas) method is one of these, which we are now in the process of transitioning from the laboratory research stage to practical application.

The WAG method is a technique that improves oil recovery by alternately injecting water and gas into the reservoir that accumulates oil. In the reservoir, because of heterogeneity, some regions are easy to flow and the others are not. Different fluids, water and gas, have different way of flow in the reservoir. Applying the WAG methods can control the flow in the reservoir and increase the oil recovery when compared to the injection of only water or gas.

Diagram of WAG



In the laboratory, we conduct experiments that recreate underground temperature and pressure conditions, using cores taken from underground rocks, in order to verify the optimal injection cycle and increment of oil recovery. Then, we conduct simulations to calculate the increased amount of oil obtainable from the entire field, based on the results that we have gained. We have already completed laboratory experiments and calculation of increased oil production for Iwafune-oki Oil and Gas Field and we are currently implementing a pilot test. We are also presently evaluating increased oil production at Yurihara Oil and Gas Field in Akita.

In addition to the WAG method, we are also engaging in the development of the latest technologies to achieve further increases in oil and gas production, such as further advancements in the SAGD (Steam Assisted Gravity Drainage) process used in Canadian oil sand projects and new techniques to improve oil production using microbubble technology. JAPEX is commercializing technology. The JAPEX Research Center is promoting initiatives, which are indispensable parts of the commercialization process, to take technology “from the laboratory to the field.”



HSE as Our Culture

JAPEX's Approach

Social Background and Issue Recognition

- The increased use of fossil fuels may exert a negative effect by accelerating global warming. Moreover, SDGs (Sustainable Development Goals) and the adoption of the Paris Agreement mean that all stakeholders, including JAPEX are required to offer measures against climate change and take action against the energy issues.
- Due to the nature of our business, any major accident or disaster has a major effect on the environment and society. For that reason, we prioritize safe and stable operations, and place great importance on risk management for controlling major accidents or disasters.

Main Measures

- Care for occupational health, safety, and the environment (HSE) is a priority for us, and in addition to ensuring safe and stable operations in our business activities, we are trying to solve such social issues such as reducing the environmental impact and preserving biodiversity by means of shifting to natural gas, using renewable energy, saving energy, and recycling resources.
- We continually improve our HSE management system through the PDCA cycle, striving to manage and reduce risks appropriately. We are also improving and fostering the growth of an HSE culture within JAPEX, managing and promoting the health of our employees.

Occupational Health and Safety Initiatives

● HSE Training

We undertake carefully organized and planned HSE training programs to support healthy and safe working practices among all our employees. For employees with key roles in our HSE operations, including HSE administrators, site workers, and staff responsible for onsite safety in our gas business, we set both legal and independent qualification requirements. Accordingly, we offer training programs and encourage employees to obtain specific qualifications. We also support employees in their efforts to obtain qualifications by incorporating them into our compensation system. In doing so, we guarantee that we have a stable staff of qualified employees.

We share information about accidents and disasters and about energy use over a company intranet. We invite outside instructors to give lectures on HSE issues, and at the beginning of every company meeting, no matter which kind, we have “HSE moments,” in which individuals talk about their experiences with HSE or about problems they have noticed. These are just two of the ways in which we try to inculcate the concept of prioritizing HSE among the employees and to continually improve our HSE culture.



Workers pledge their commitment to zero accidents (Nagaoka Works of Nagaoka District Office)

● HSE Management System (HSE-MS) Audits

We undertake HSE-MS audits at business sites in Japan and overseas. These assess how HSE-related laws and regulations are being implemented and the status of HSE-MS implementations. In addition, they check on the status of HSE activities across diverse fields, including risk assessment, and the implementation status of HSE training.

In fiscal 2016, we conducted audits of twenty-one office and production sites, as well as part of our overseas operations, including JACOS, our project operating company, where we conducted onsite HSE-MS audits.

In conjunction with our HSE-MS audits, we also provide regular training and advice for auditors who have received specialized education.

Crisis Management

Ensuring the safety of employees in operating domestic and overseas businesses is a top priority. At JAPEX, the HSSE Committee is tasked with formulating basic policies on safety and crisis management, as well as deliberating important matters. In addition, it is seeking to strengthen crisis management capability by formulating various developing programs and conducting training drills.

As for large-scale disaster countermeasures, regular drills are conducted based on disaster prevention and emergency measures established by each business site.

Out of anxiety about the international situation, we have made efforts to strengthen our ability to respond to overseas incidents. In fiscal 2016, we emphasized checking and refining the initial response procedures to follow after an overseas incident with our overseas incident response drills. We checked not only communication between overseas sites and the home office, but also the feasibility of our procedures for overseas security and crisis management, including dealing with employees' families. We were thus able to identify areas that needed improvement. Furthermore, since preceding fiscal year we have been conducting drills during the evenings and non-working days that involve our overseas emergency communications network to make our drills more complex but practical.



Search and rescue training (JACOS)



Offshore evacuation drill (KEI)

Measures to Prevent Global Warming

● Reduction of Greenhouse Gas Emissions **Graph 1**

Since 2013, JAPEX has been participating in the Japan Business Federation's Commitment to a Low Carbon Society initiative. We are striving to achieve the Japan Petroleum Development Association's target for reducing greenhouse gas emissions by 2020 and its target for 2030. In specific terms, we set annual goals for reducing greenhouse gas emissions into our CSR execution plans, that are based on our medium- and long-term goals, and are undertaking a wide range of initiatives in our daily activities, such as saving energy, using abandoned low-pressure gas effectively, and reviewing how we handle flare gas.

We will continue to develop environmentally friendly technologies to reduce emissions, including carbon dioxide capture and storage (CCS) and geothermal power, as well as making an effort to promote highly efficient energy use through cogeneration and conversion of fuels to natural gas, in order to support our customers' efforts to reduce greenhouse gas emissions.

In fiscal 2016, our greenhouse gas emissions* (excluding Scope 3) were equivalent to 231 kilotons-CO₂, an increase of 12 kilotons-CO₂ (5.5%) over the previous year's figure. Major factors in this increase were increased emissions associated with the construction of the Soma-Iwanuma Gas Pipeline and increased energy usage due to changes in the operating status of the Yufutsu LNG Plant.

* The calculation and reporting of greenhouse gas emissions and energy consumption are made for each scope of the Greenhouse Gas Protocol Standards. Internationally, the Greenhouse Gas Protocol is the most widely applied set of standards used to calculate and report greenhouse gas emissions.

● Promotion of Energy-Saving Activities **Graph 2**

As an integral part of our efforts to reduce greenhouse gas emissions, we are proactively undertaking energy-saving activities. At the business and production sites with high

energy consumption, we are employing "exergy" analysis (an index that measures the value of energy), which clearly points out waste and inefficient usage in order to make a more rational use of energy and reduce our overall usage. We are undertaking continual efforts at all our offices, such as optimizing office lighting and requiring employees to turn off the lights during their lunch break.

Our energy consumption in fiscal 2016 (excluding Scope 3) was 2,453 TJ, an increase of 79 TJ (3.3%) over the previous fiscal year.

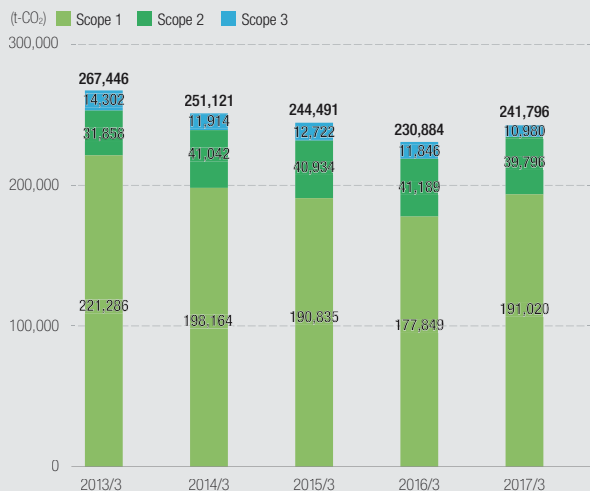
● Afforestation Programs

Ever since fiscal 2005, JAPEX has been carrying out afforestation and forest management programs as part of our contribution to reducing CO₂. These tree planting programs are currently being carried out in Hokkaido, Akita, and Niigata prefectures, where we have business operations. Now we are engaged in regular maintenance and management programs for the afforested land to ensure that the seedlings we have planted grow to be splendid trees.

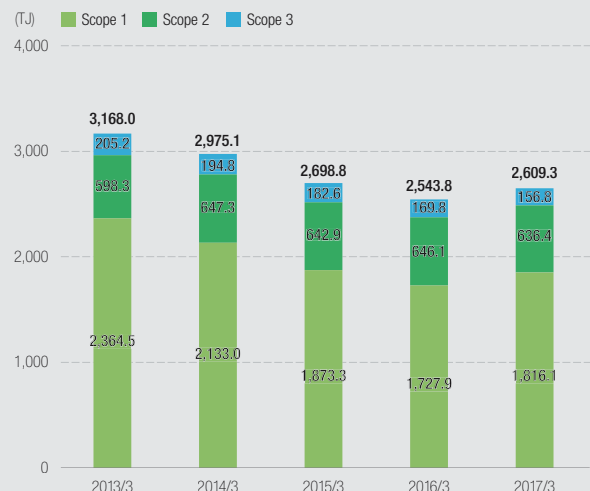


JAPEX Yuri Forest (Akita Prefecture)

Greenhouse Gas Emissions **Graph 1**



Energy Consumption Trends **Graph 2**



Scope 1: Direct emissions of greenhouse gases from a company from the use of fuel and processes

Scope 2: Indirect emissions of greenhouse gases from the use of electricity or heating supplied by another company

Scope 3: Other indirect emissions from a company's contracting of transportation services for the company's product

Preserving Biodiversity and Ecosystems

When JAPEX conducts any crude oil and natural gas exploration, development and production, as well as other projects in Japan and overseas, in addition to statutory surveys the Company formulates plans for voluntary environmental assessments. We also conduct regular reviews and monitoring to minimize our impact on biodiversity and ecosystems.

In fiscal 2016, JACOS joined forces with the Aboriginal Review Group (ARG), a consulting group that it has formed with local First Nations, to audit the status of wildlife and survey vegetation in the wetlands, as well as observing the current state of restoration programs in the area. Five subcommittees have been established with the ARG, each working on a specific environmental concern, and they have been involved in activities such as afforestation. In the Mt.Musa area in Hokkaido, where we are working on a geothermal development project, we are surveying the local wildlife and monitoring water quality in the rivers and hot springs as we formulate an environmentally friendly plan for our operations. In the CCS verification tests that Japan CCS Co., Ltd. is conducting at Tomakomai, the CO₂ levels in the local seawater are continuously being monitored in environmental impact surveys.

Pollution Prevention and Resource Recycling

● Preservation of Water Resources **Graph 3**

At our production field offices and plants, we are promoting the recycling and reuse of water used as a coolant in processing facilities and natural gas cleaning, and also as boiler water in order to preserve water resources by reducing the volume of water we use. In addition, we have

adopted recycling systems for the water used to cool equipment during drilling operations and to make use of rain water for drilling mud. Our domestic water usage in fiscal 2016 was 708,000 kL, a 9,000 kL (1.2%) increase over the previous year.

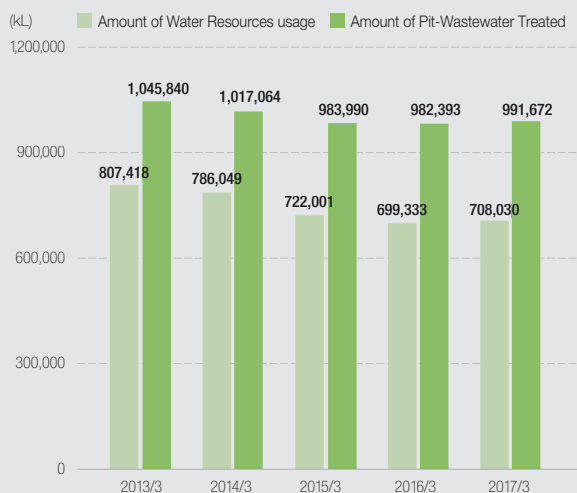
The main factors in this increase are leakage from water supply pipes at some of our work sites, and the use of melted snow in well abandonment operations.

● Reduction of VOC Emissions **Graph 4**

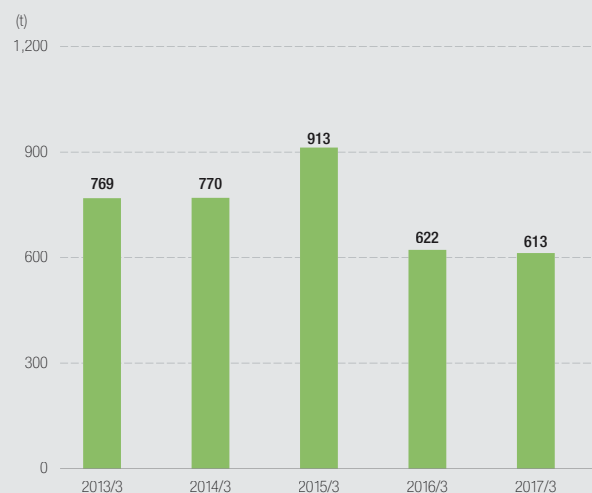
Volatile organic compounds (VOCs) are said to be the causative agent of suspended particulate matter (SPM) and photochemical oxidants in the atmosphere. Most VOCs are volatile hydrocarbons, excluding methane, which is released from crude oil storage tanks and in the course of gas processing, such as removing water contained in the gas, and they include Pollutant Release and Transfer Register (PRTR) substances such as benzene, toluene, and xylene (BTX). Measures to limit VOC emissions generally consist of sealing crude oil storage tanks and the incineration and recovery and disposal of VOCs discharged from gas processing facilities.

As part of our ongoing drive to reduce VOC emissions, JAPEX has been participating in a voluntary action plan as a member of the Japan Natural Gas Association since fiscal 2005. In fiscal 2016, our VOC emissions amounted to 613t, a 9t (1.4%) reduction compared with the previous fiscal year, through improvements to worksite VOC incineration treatment facilities and raising operating rates.

Amount of Water Resources Usage and Pit-Wastewater Treated **Graph 3**



Emissions of VOC **Graph 4**



Integrity and Governance

Basic Policy

JAPEX is committed to contributing to the local communities through the stable supply of energy. In order to achieve this commitment, we have to maximize corporate value from the standpoint of medium to long term while considering the characteristics and historical background of our company, which is mainly in charge of high risk and long lead time oil and gas E&P business, and the energy policy of the Japanese government. Based on the above policy, we perceive that our path to sustainable growth over the long term lies in efficient and transparent corporate management and building relationships of mutual trust with our stakeholders, including shareholders, through ensuring our accountability, and we recognize that corporate governance is the base as well as one of our important challenges. We will enhance our corporate governance by respecting the purpose and mind of the Japan's Corporate Governance Code.

Corporate Governance Overview	
As of June 28, 2017	
Organizational Structure	Company with Audit & Supervisory Board
Executive Officer System	Yes
Number of Directors Provided for Under Articles of Incorporation	18
Number of Directors	14 (includes 3 outside directors)
Chairman of the Board of Directors	President
Number of Audit & Supervisory Board Members Provided for Under the Articles of Incorporation	4
Number of Audit & Supervisory Board Members	4 (includes 2 outside Audit & Supervisory Board members)

Corporate Governance Structure

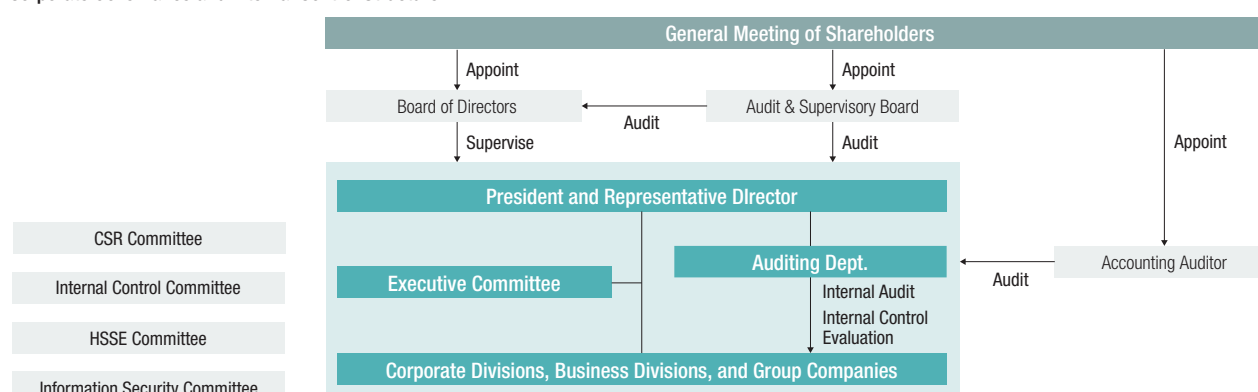
The Board of Directors meets regularly once per month and retains decision-making authority over important decisions. It also serves in a supervisory role by receiving reports on the status of operations submitted by directors and executive officers. To strengthen the supervisory functions of the Board of Directors, three outside directors have been appointed. These outside directors, being independent from the management team, actively provide opinions and advice regarding proposals and deliberations, supporting lively debate in the Board of Directors.

From the standpoint of accelerating the speed of decision-making, we composed the Executive Committee of the directors and other executives based at the headquarters to make decisions on the matters not involved

by the decision-making standard of the Board of Directors, and to have a discussion to assist the decision-making in the Board of Directors. The Executive Committee is held basically two times each month, and extraordinary meeting is also held as needed.

JAPEX considers that the engagement of Corporate Social Responsibility is vital for our sustainable growth. Based on this recognition, we established and run the CSR Committee headed by the President as well as the Internal Control Committee, the HSSE Committee and the Information Security Committee and are promoting our CSR activities systematically in accordance with the basic policies and other guidance developed by these committees.

Corporate Governance and Internal Control Structure



Analysis and Evaluation of the Overall Effectiveness of the Board of Directors

A questionnaire, conducted from the end of fiscal 2016 to early fiscal 2017, was used to analyze and evaluate the overall effectiveness of the Board of Directors, with the purpose of helping to maximize JAPEX's medium- to long-term corporate value by ascertaining and improving the effectiveness of management supervision by the Board of Directors. We evaluated that overall effectiveness of the Board of Directors is being maintained for matters such as the composition of the Board, its administration, and discussions held. However, we did recognize issues such as the need for more lively exchanges of opinion within the Board. Going forward, we will study how to improve such issues and further increase the functioning of the Board of Directors.

Audits Performed by Audit & Supervisory Board Members

● Internal Audits

Internal audits of JAPEX are conducted by the Auditing Department under the direct management of the President. The Auditing Department conducts internal audits to confirm whether the business operations of each department are carried out in accordance with laws and internal regulations. The Auditing Department reports the results of each audit to the President, and provides guidance and advice to the relevant business departments when necessary.

● Audit Performed by Audit & Supervisory Board Members

Audit & Supervisory Board Members, based on the audit policies determined by the Audit & Supervisory Board and their designated duties, attend and collect information for the meetings of the Board of Directors, the Executive Committee, and other important committees. They review requests for management approval documents and undertake audits to ensure that directors comply with the relevant laws and the Articles of Incorporation in the execution of their duties. Audit & Supervisory Board Members also hold regular meetings with audit & supervisory board members of major subsidiaries where they exchange information and views.

Audit & Supervisory Board Members also seek to raise the efficiency of audits based on reports on audits undertaken by the Auditing Dept. and information provided periodically by Accounting Auditors and the Auditing Dept. They also coordinate closely with outside directors through a special committee established for the purpose of providing information to, and exchanging information with, outside directors and outside Audit & Supervisory Board Members, and explaining proposals submitted to the Board of Directors ahead of meetings.

Risk Management Structure

Regarding business decision making, the Executive Committee and, when necessary, the Board of Directors make decisions on the basis of evaluations of business risks (risks related to planning, strategy, finance, and credit) by the Director and Executive Officer responsible for each department. In the case of particularly important investment projects, the risks and appropriateness of the investment are assessed by the Investment Evaluation Committee and a submission is made to the Executive Committee determining whether or not to proceed with the project, as well as conditions and other matters.

After it has been decided to move ahead with a particular project, the Project Total Management Committee, especially with a major of projects, monitors the progress of the project regularly and, when necessary, considers comprehensive and companywide response measures. Based on this phased process, projects are undertaken based on a process of consensual decision making, various manuals are prepared for business execution across the different implementation stages, and structures are put in place to manage business risks.

IR and SR Activities

In order to achieve sustainable growth over the medium to long term and to increase JAPEX's corporate value, we regard it as important to establish relationships of trust with shareholders and investors. We actively arrange opportunities for dialogue to facilitate a deeper understanding of our business and strive to disclose corporate information fairly, appropriately, and timely. Opinions and information received through IR and SR activities are fed back appropriately to senior management.



A briefing for individual investors

Compliance

The JAPEX Group complies with all applicable laws and regulations, conventional wisdom and social norms. To ensure that compliance is firmly entrenched in its corporate culture, all directors, officers, and employees are expected and directed to act ethically and with integrity.

● Compliance Systems and Training

JAPEX has established an Internal Control Committee to deliberate policies for systems to ensure the appropriate conduct of business and to investigate the facts related to compliance violations.

Additionally, in an effort to increase or improve compliance awareness, the JAPEX Group has a manual or guidebook (along with an explanatory supplement including case studies) summarizing those main matters and standards to be always observed, which direct all directors, officers, and employees of the JAPEX Group to comply with all applicable laws and regulations, and conventional wisdom and social norms relating to their business activities, based upon the JAPEX Group Code of Conduct.

In particular, “CSR,” “Compliance,” and “Prevention of Insider Trading” are considered as important topics or issues about which JAPEX’s employees must be aware in the course of their daily business operations. Accordingly, JAPEX’s new employees and employees at appropriate stages in their careers are required to take compliance training courses.

● Respect for Human Rights

The JAPEX Group Code of Conduct sets out respect for international rules, models, or norms, and rules for behavior in areas where stakeholder awareness is particularly high, including respect for human rights and prevention of discrimination and harassment. Training courses are given

to the JAPEX Group’s directors, officers, and employees to ensure they are familiar with this Code of Conduct.

The JAPEX Group regards the rights of indigenous peoples and the respect for their cultures and customs as extremely important. JACOS has put in place a system that incorporates the views of aboriginal people and pursues business in cooperation with them.

● Prevention of Bribery and Corruption

Countries in North America and Europe have in recent years been taking an increasingly strict approach to the prevention of bribery. Developing countries also have been introducing related laws and regulations in tandem with economic growth and there have also been growing calls for strict adherence to those laws and regulations.

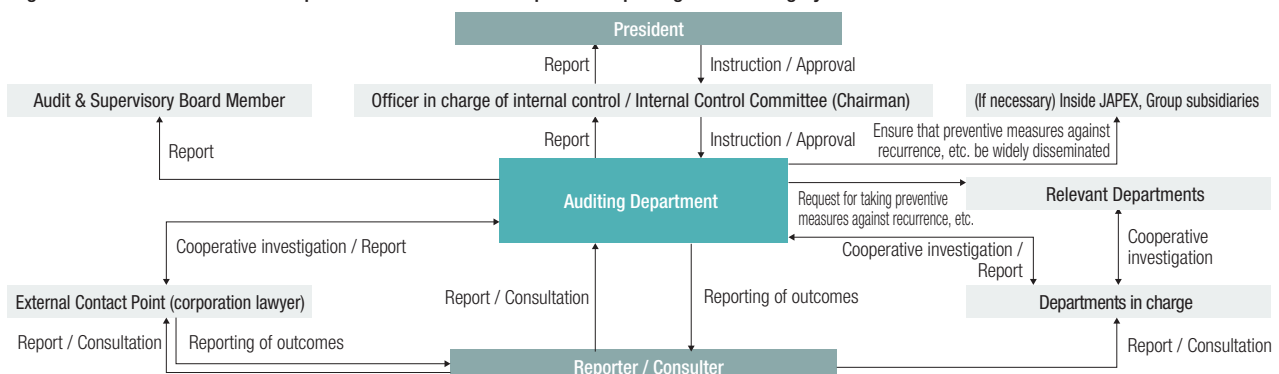
The JAPEX Group Code of Conduct calls for sound and normal relationships with politicians, political parties, and government officials/agencies. Each of its directors, officers, and employees are required to comply with the Code of Conduct.

In line with growing awareness in recent years of the need to prevent bribery in Japan and overseas, in April 2016 the JAPEX Group established and introduced “Prevention of Bribery Guidelines” in order to ensure strict compliance with all applicable laws and regulations. In addition, political contributions are not to be made.

● Compliance Reporting and Consulting System

The JAPEX Group has internal contact points for a compliance reporting and consulting system. It has also designated its corporation lawyer as an external contact point. The system can be used anonymously and the JAPEX Group protects those who use them, including ensuring confidentiality and preventing unfair treatment. No reports or consultations were received during fiscal 2016.

Organization Chart to Address Compliance Matters under Compliance Reporting & Consulting System



Directors and Audit & Supervisory Board Members (As of June 28, 2017)

Directors



Chairman
Osamu Watanabe

Attendance at the Board of Directors meetings:
14 out of 14 meetings



President
Chief Executive Officer
Hideichi Okada

Attendance at the Board of Directors meetings:
9 out of 11 meetings



Executive Vice
President
Executive Officer
Shoichi Ishii

Advisor to President (corporate),
Gas Pipeline Transportation Dept.,
President of Soma Project Division

Attendance at the Board of Directors meetings:
14 out of 14 meetings



Senior Managing
Director
Executive Officer
**Hikaru
Fukasawa**

President of Inter-regional Gas Supply Division,
Vice President of Soma Project Division

Attendance at the Board of Directors meetings:
14 out of 14 meetings



Senior Managing
Director
Executive Officer
Yosuke Higai

President of Marketing & Sales Division,
Vice President of Soma Project Division,
Secretary Office, Procurement Dept.

Attendance at the Board of Directors meetings:
14 out of 14 meetings



Managing Director
Executive Officer
Yasuhiro Masui

President of Technical Division, HSE Dept.

Attendance at the Board of Directors meetings:
14 out of 14 meetings



Managing Director
Executive Officer
**Kazuhiko
Ozeki**

Commercial Office for Overseas Projects
Corporate Strategy Dept.
Media & Investor Relations Dept.

Attendance at the Board of Directors meetings:
14 out of 14 meetings



Managing Director
Executive Officer
**Takahisa
Inoue**

President of Domestic Project Division

Attendance at the Board of Directors meetings:
11 out of 11 meetings



Managing Director
Executive Officer
Hajime Ito

President of Americas & Russia Project Division

Attendance at the Board of Directors meetings:
10 out of 11 meetings



Managing Director
Executive Officer
**Hiroataka
Tanaka**

President of Kangean Energy Indonesia Ltd.

Attendance at the Board of Directors meetings:
10 out of 11 meetings



Managing Director
Executive Officer
**Toshiyuki
Hirata**

Canada Oil Sands Project

Newly appointed in June 2017



Outside Director
**Yoriko
Kawaguchi**

Attendance at the Board of Directors meetings:
13 out of 14 meetings

Significant positions concurrently held:
Fellow at Meiji Institute for Global Affairs,
Meiji University
Outside Director at Toyota Tsusho Corporation



Outside Director
Akira Kojima

Attendance at the Board of Directors meetings:
14 out of 14 meetings

Significant positions concurrently held:
Member, Board of Trustees and Adjunct Professor at
National Graduate Institute for Policy Studies



Outside Director
Tetsuo Ito

Attendance at the Board of Directors meetings:
8 out of 11 meetings

Significant positions concurrently held:
Of Counsel at Nishimura & Asahi, Outside Corporate
Auditor at UNIZO Holdings Company, Limited,
Outside Corporate Auditor at Takasago Thermal
Engineering Co., Ltd.,
Outside Corporate Auditor at Asahi Kasei Corp.

Audit & Supervisory Board Members

Audit & Supervisory Board Member
Morio Ishizeki

Attendance at the Board of Directors meetings:
14 out of 14 meetings
Attendance at the Audit & Supervisory Board meetings:
12 out of 12 meetings

Audit & Supervisory Board Member
Kenji Uchida

Newly appointed in June 2017

Outside Audit & Supervisory Board Member
Hiroyasu Watanabe

Attendance at the Board of Directors meetings:
13 out of 14 meetings
Attendance at the Audit & Supervisory Board meetings:
12 out of 12 meetings

Outside Audit & Supervisory Board Member
Norio Nakajima

Attendance at the Board of Directors meetings:
13 out of 14 meetings
Attendance at the Audit & Supervisory Board meetings:
12 out of 12 meetings



Gastech Japan 2017

Being a Good Neighbor



JAPEX's Approach

Social Background and Issue Recognition

- To continuously engage in business that has a big social mission to provide a stable supply of energy, and that has a huge impact on the economy and society, it is essential to build relationships of understanding and trust with stakeholders.
- There are growing opportunities to make contributions, such as creation of employment and promotion of local industry, in regions where we operate.
- Problems in product quality could do tremendous damage to many stakeholders. We recognize that quality control and product safety are extremely important.

Main Measures

- In regions where we operate, we are working on such issues as job creation, environmental protection, social engagement, donation activities, and infrastructure support.
- We are making efforts to grasp diverse needs through dialogues with various stakeholders, and to be a company that earns the trust of society.
- We are committed to safety, quality control, and the appropriate provision of information, aiming to build good relationships with stakeholders so that customers can use our oil and natural gas products with peace of mind.

Stakeholder Relations

Hand-in-Hand with Local Communities



For many years we have been a sponsor of the Akita Kanto Festival, which is held every August. In November 2016, we received a letter of appreciation for our contributions to the development of the festival .

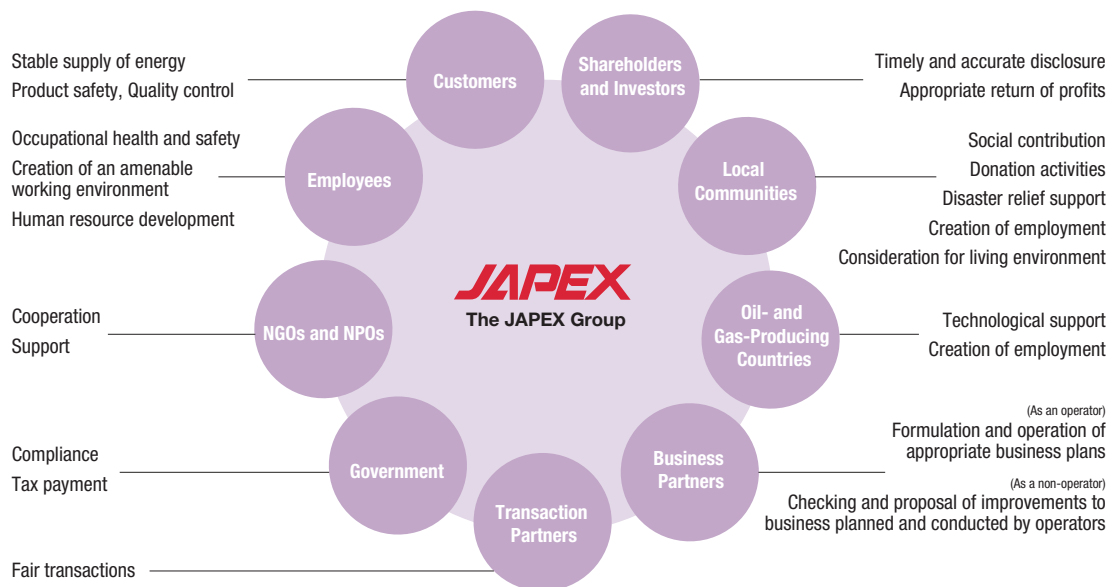


In June 2016, Kangean Energy Indonesia Ltd. invited 127 orphans to its office in Jakarta for Iftar (a dinner party to break Ramadan) and enjoyed the meal together with them.



In September 2016, we held a tour of LNG tank for local elementary school students at the Soma LNG Terminal, now under construction. Also, we promote deeper understanding among the local community through media such as a monthly newsletter published for the local community.

Expectations and Requests from Stakeholders



Commitment to Customers



The first ship based on an LNG cargo sales agreement docked at an LNG terminal in November 2016 and safely completed the transfer to the customer. We put effort into safety management and stable supply of products that customers can use with peace of mind.

Commitment to Shareholders



In December 2016, we held a site visit for shareholders at the JAPEX Research Center to promote a deeper understanding of the oil and natural gas E&P business, and encourage interest in our operations.

Commitment to Transaction Partners



We hold regular meetings with contractors undertaking construction work of the Soma LNG Terminal to share awareness of safety and the environment and to build relationships of trust through appropriate communication.



Strengthen Corporate Competitiveness

Flexibly Respond to a Changing Business Environment

Human resources and organizations that can cope instantly with a globalizing and diversifying business environment

Provide an Attractive Work Environment where Talented People Choose to Work

Human Resources Development and Training

Establish workplaces and conditions that enable improvement of technical skills, knowledge, and also growth

Create Workplace Environments where People can Fulfill Their Individual Potential

Respect Employee Diversity / Create a Fair and Rewarding Workplace

Human resources—encompassing different genders, nationalities, academic backgrounds, and careers—recognize the diversity of each other's attributes

The Employer of Choice



Fiscal 2016 Nadeshiko Brand



Excellent Enterprise of Health and Productivity Management 2017

JAPEX's Approach

Social Background and Issue Recognition

- To promote business globalization, there is a need to secure diverse human resources who can carry out that work. Japan is concerned about a labor shortage associated with its declining birthrate and aging population, necessitating respect for and the utilization of different generations of workers and working styles, including support for women's success in the workplace.
- Responding to the growing diversity of human resources, it is important to respect human rights and ensure thorough non-discrimination.
- Enhancement of human resources is needed to respond flexibly to a changing business environment and further increase corporate competitiveness.

Main Measures

- As part of our development of a system in which diverse human resources, regardless of gender, nationality, career orientation, or work style, can contribute to the best of their ability and keep growing as professionals through their own self-driven efforts. We are working to encourage women's success in the workplace, promote diverse working styles, and revise our human resource systems.
- By encouraging the success of diverse human resources, we are working to develop human resources and organizations that can cope instantly with a globalizing and diversifying business environment.

Diversity Promotion & Human Resources Development

Based on the JAPEX Diversity Policy, we carry out a variety of initiatives to promote the success of all employees.

● Efforts to Recruit Women to Management Positions

In October 2014, we set a target of tripling the percentage of women in management positions from 3.4% as of October 2014, to 10.2% by 2020. As of April 1, 2017, the percentage of female managers has reached 4.5%. Besides, as another voluntary action, we have also been promoting human resources development towards the goal to appoint female general managers by 2020.

In fiscal 2016, we held a lecture, given by JAPEX's outside director Ms. Yoriko Kawaguchi, on balancing a career and private life as a woman. We also held a leadership training course for senior women in managerial track positions and a training course in problem-solving for young women in managerial track and general clerical positions.

● Initiatives to Change the Mentality of Male Managers

We have held female subordinate development seminars at our sites across Japan to learn management methods for increasing ambitions to pursue career advancement by understanding attitudes and trends toward the work and roles of women, who are subject to many changes in work and private life. We picked up hints and know-how for management to increase female subordinate's abilities and broaden their chances for success.

● Work-Life Balance

In July 2016, we introduced a flex-time system on a trial basis with the aim of reducing overtime through greater efficiency and the realization of self-directed as well as highly flexible ways of working. After a nine-month trial period, we officially adopted the system in April 2017. We established recommended Company holidays and implemented company-wide time management training in an effort to ensure appropriate working hours and work-life balance.

During the fiscal 2016 "summer workstyle campaign," we formed a task force team of young employees to consider measures that actively reflect the voice of employees. For instance, the revision of meetings were revised, and workshops were held.

● Career Development and Educational Programs

To cope with the globalization and diversification of business, we have established systems and various educational programs to encourage personal career development of individuals so that they can fulfill their potential.

JAPEX has introduced a career development system and provides support through regular interviews with supervisors, to enable employees to effectively build their skills as well as create rewarding careers by proactively pursuing experience and education. Moreover, we encourage all employees to learn independently by providing diverse courses, including e-learning and training workshops.

The success of highly skilled and experienced human resources cultivated through such initiatives has become a driver of business expansion.

● Employee Satisfaction Survey

In November 2016, we conducted an employee satisfaction survey to grasp and identify issues towards employee's motivation under a challenging business conditions, including low oil prices, to which 1,172 out of 1,233 employees (95%) responded. The survey results were reported to senior management and commented back to employees. In addition, in response to requests for an opportunity for a direct dialogue between executives and employees, we conducted the Company's first town hall meeting and exchanged opinions on matters, including management policy and business conditions.

Enhancing the vitality of its employees is crucial for the Company's sustainable development. We will consider the survey results as an aid in examining actions to be taken for JAPEX continuous wholesome development.



Town hall meeting

Corporate Data

Status of Important Subsidiaries (as of March 31, 2017)

Important Subsidiaries	Paid-In Capital (Millions of yen)	JAPEX's Stake (%)	Principal Business Activities (Target Region)
Shirone Gas Co., Ltd.	3,000	100.0	Manufacturing, supply, and sale of gas in Tsubame City and Niigata City
JGI, Inc.	2,100	100.0	Contract geophysical surveys and development of geophysical exploration technologies
Geophysical Surveying Co., Ltd.	446	100.0	Geophysical surveys and contract mud logging operations
SK Engineering Co., Ltd.	300	100.0	Contract engineering and well drilling
Akita Natural Gas Pipeline Co., Ltd.	250	100.0	Pipeline transport of natural gas in Akita Prefecture
JAPEX SKS Corporation	90	100.0	Manufacture and sales of petroleum products, real estate management, and insurance agent services
Japex Pipeline Ltd.	80	100.0	Pipeline management and maintenance
North Japan Oil Co., Ltd.	80	100.0	Stocking and sales of crude oil and petroleum products, and recycling of waste oil
Japan Canada Oil Sands Limited	713,450 (Thousands of U.S. dollars)	100.0 (100.0)	Exploration, development, and production of oil sands (Alberta, Canada)
Japex (U.S.) Corp.	33,000 (Thousands of U.S. dollars)	100.0	Development and production of petroleum resources (including shale oil) Investment in the LNG III Project in Malaysia (Texas, U.S.A.)
JAPEX UK E&P Ltd.	31,700 (Thousands of British pounds)	100.0	Exploration and development of petroleum resources (offshore Aberdeen in the U.K.'s North Sea)
Canada Oil Sands Co., Ltd.	34,863	94.6 (1.0)	Exploration, development, and production of oil sands (Alberta, Canada)
Japex Energy Co., Ltd.	90	90.0	Stocking and sales of petroleum products and LNG
North Japan Security Service Co., Ltd.	30	87.3	Disaster protection for industrial facilities and security services
Japex Offshore Ltd.	5,963	70.6	Exploration, development, and production of petroleum resources from the continental shelf in the Sea of Japan
Japex Garraf Ltd.	20,930	55.0	Exploration, development, and production of petroleum resources (onshore in southern Iraq)
JAPEX UK E&P CENTRAL Ltd.	23,303 (Thousands of British pounds)	52.1	Exploration and development of petroleum resources (offshore Aberdeen in the U.K.'s North Sea)
JAPEX Montney Ltd.	918,583 (Thousands of Canadian dollars)	45.0	Development and production of shale gas (British Columbia, Canada)

(Notes) 1. Parentheses appearing in the JAPEX's Stake column indicate the indirect stake that is included in the total.
2. Capital in Japan Canada Oil Sands Ltd. was increased by 159,993,000 U.S. dollars between October 5, 2016 and February 28, 2017.
3. Capital in Canada Oil Sands Co., Ltd. was increased by 27,392 million yen (of which 13,696 million yen was allocated to Paid-in Capital) on February 9, 2017.
4. Corporate dissolution of Japex Block A Ltd. was adopted by a written resolution of a general meeting of shareholders on January 31, 2017.

Status of Important Affiliates (as of March 31, 2017)

Affiliates	Paid-In Capital (Millions of yen)	JAPEX's Stake (%)	Principal Business Activities (Target Region)
TELNITE CO., LTD.	98	47.0	Manufacture and sales of drilling mud for well drilling and the provision of mud technical services
TOHOKU NATURAL GAS Co., Inc.	300	45.0	Purchasing and sales of natural gas and petroleum fuels in the Tohoku region of Japan
JJI S&N B.V.	27,883 (Thousands of euros)	41.7 (62.5)	Development and production of petroleum resources (offshore the Islamic Republic of Iran)
Universe Gas & Oil Company, Inc.	5,080	33.4 (40.1)	Exploration, development, and production of petroleum resources (eastern region of Kalimantan Island, Republic of Indonesia)
Fukushima Gas Power Co., Ltd.	537	33.3	Conduct of a natural gas-fired power generation project in Soma Port, Fukushima Prefecture
Kitakyushu LNG Sales and Lorry Transport Corp.	30	33.0	Transportation and sales of LNG in the Kyushu region
Japan Drilling Co., Ltd.	7,572	31.0	Contract drilling of petroleum resources offshore
Energi Mega Pratama Inc.	52,000 (Thousands of U.S. dollars)	25.0	Exploration, development, and production of petroleum resources (offshore the east coast of Java, Republic of Indonesia)
Sakhalin Oil and Gas Development Co., Ltd.	22,592	15.3 (30.6)	Exploration, development, and production of petroleum resources (Sakhalin shelf, Russia)

(Notes) 1. Parentheses appearing in the JAPEX's Stake column indicate JAPEX's stake included in private shareholders' investment, excluding investment by the Japanese government (Minister of Economy, Trade and Industry)
2. A compensated capital reduction of 9,000,000 euros was made in JJI S&N B.V. on October 31, 2016.

Corporate Data

Corporate Information (As of March 31, 2017)

Company Name	Japan Petroleum Exploration Co., Ltd. (Abbreviation: JAPEx)	Principal Businesses	Exploration, development, production, and sales of oil, natural gas, and other energy resources, and contract service-related operations such as drilling
Established	April 1, 1970	Main Offices	Headquarters (see below), Hokkaido, Akita, Nagaoka, Soma, Research Center (Chiba), London, Dubai, Houston, Beijing, Jakarta (as of April 2017)
Paid-in Capital	¥14,288,694,000	Headquarters	SAPIA Tower, 1-7-12 Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan TEL: +81-3-6268-7000 FAX: +81-3-6268-7300
Fiscal Year	April 1 to March 31 of the following year		
Number of Employees	1,825 (Consolidated)		

Directors, Audit & Supervisory Board Members and Officers (As of June 28, 2017)

Chairman	Osamu Watanabe	Audit & Supervisory Board Members	Morio Ishizeki Kenji Uchida	Fellows	Satoru Yokoi Amane Waseda
President Chief Executive Officer	Hideichi Okada	Outside Audit & Supervisory Board Members	Hiroyasu Watanabe Norio Nakajima	(Notes) 1. Outside Directors Yoriko Kawaguchi, Akira Kojima, and Tetsuo Ito are outside directors as stipulated under Article 2-15 of the Companies Act. 2. Outside Audit & Supervisory Board Members Hiroyasu Watanabe and Norio Nakajima are outside Auditors as stipulated under Article 2-16 of the Companies Act. 3. The Special Advisor assists with strategy and commercials. 4. Fellows support directors and management through their high degree of expertise in their specialized fields.	
Executive Vice President Executive Officer	Shoichi Ishii	Special Advisor	Ajay Singh		
Senior Managing Directors Executive Officers	Hikaru Fukasawa Yosuke Higai	Managing Executive Officers	Michiro Yamashita Kunio Suga Yoshitaka Ishii		
Managing Directors Executive Officers	Yasuhiro Masui Kazuhiko Ozeki Takahisa Inoue Hajime Ito Hirotaka Tanaka Toshiyuki Hirata	Executive Officers	Yasushi Hamada Akihisa Takahashi Tamio Wachi Ryuhei Murayama Senichiro Kaku Minoru Kuniyasu Yasuo Takehana Junichiro Ando Mitsugu Takemura Tadashi Matsunaga Tsuoyoshi Suga		
Outside Directors	Yoriko Kawaguchi Akira Kojima Tetsuo Ito				

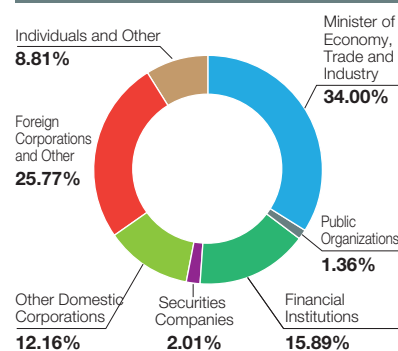
Stock Information (As of March 31, 2017)

Exchange Listing	Tokyo Stock Exchange, First Section (Securities Code Number: 1662)	Transfer Agent and Registrar	Mizuho Trust & Banking Co., Ltd.
Common Stock (Authorized)	120,000,000 shares	Inquiries	Mizuho Trust & Banking Co., Ltd., Stock Transfer Agency Division 8-4 Izumi 2-chome, Suginami-ku, Tokyo 168-8507, Japan TEL: 0120-288-324 (Toll-free in Japan)
Common Stock (Issued)	57,154,776 shares		
Number of Shareholders	14,978		

Major Shareholders

Shareholder Name	Number of Shares	Voting Rights (%)
Minister of Economy, Trade and Industry	19,432,724	34.00
INPEX CORPORATION	2,852,212	4.99
JFE Engineering Corporation	1,848,012	3.23
The Master Trust Bank of Japan, Ltd. (Trust)	1,417,400	2.48
Japan Trustee Services Bank, Ltd. (Trust)	1,357,800	2.38
STATE STREET BANK AND TRUST COMPANY	1,241,426	2.17
STATE STREET BANK AND TRUST COMPANY 505103	1,076,039	1.88
Japan Trustee Services Bank, Ltd. (Trust 4)	1,000,600	1.75
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	803,293	1.41
Mizuho Bank, Ltd.	720,152	1.26

Shareholding by Shareholder Type



Inquiries:

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