

Code No. 1662
June 3, 2014
Osamu Watanabe, President
Japan Petroleum Exploration Co., Ltd. (JAPEX)
1-7-12 Marunouchi, Chiyoda-ku, Tokyo

To All Shareholders:

**Notification of the Convocation to
the 44th Ordinary General Meeting of the Shareholders**

The 44th Ordinary General Meeting of the Shareholders of Japan Petroleum Exploration Co., Ltd. (hereinafter referred to as the “JAPEX”) will be held according to the details below, and we kindly ask for your attendance.

If you are unable to attend the meeting, you may exercise your voting rights through a written document (Voting Rights Exercise Form) or by electronic means (via the Internet). Please read the attached “Reference Documents for Shareholders Meeting,” and exercise your voting rights after referring to “4. Guidance on the Exercise of Voting Rights” on the following page, prior to 5:35 p.m., Tuesday, June 24, 2014.

Thank you very much for your attention and cooperation.

Details:

1. Date and Time: 10:00 a.m., June 25, 2014 (Wednesday)
2. Location: Station Conference Tokyo “Sapia Hall” (Sapia Tower 5F)
1-7-12 Marunouchi, Chiyoda-ku, Tokyo
3. Agenda:
 - Announcements:
 - 1) Business report and consolidated financial report of the 44th Term (from April 1, 2013 to March 31, 2014), and audit reports from the accounting auditor and Board of Corporate Auditors on the consolidated financial report
 - 2) Financial report of the 44th Term (from April 1, 2013 to March 31, 2014)
 - Resolution items:
 - Item 1: Appropriation of Surplus
 - Item 2: Election of One (1) Director
 - Item 3: Election of One (1) Corporate Auditor
 - Item 4: Awarding Retirement Benefits to Retiring Director and Retiring Corporate Auditor
 - Item 5: Payment of Bonuses to Directors and Corporate Auditors
 - Item 6: Renewal of the Measures to Prevent Large-scale Acquisition of Our Company Shares (Takeover Defense Measures)

NOTE: This document is an abridged translation of the Japanese “Notification of the Convocation to the 44th Ordinary General Meeting of the Shareholders” “Reference Documents for Shareholders Meeting” and “Financial Report” of JAPEX. This translation is intended for reference and convenience purposes only. In the event of any discrepancy between this translation and the Japanese original, the original shall prevail. JAPEX does not guarantee the accuracy and/or the completeness of this translation and shall have no liability for any errors or omissions therein.

4. Guidance on the Exercise of Voting Rights

[Exercise of Voting Rights in Writing (Voting Rights Exercise Form)]

Please indicate your approval or disapproval of each proposition on the enclosed Voting Rights Exercise Form and then send it back so that it reaches us no later than 5:35 p.m., Tuesday, June 24, 2014.

[Exercise of Voting Rights by Electronic Means (via the Internet)]

- (1) To exercise your voting rights via the Internet, you must use the following voting service website (<http://www.it-soukai.com/>) designated by the Company. You are cordially requested to exercise your voting rights via the Internet prior to 5:35 p.m., Tuesday, June 24, 2014.
- (2) Please register your approval or disapproval of each proposition, by using the code and password provided on your Voting Rights Exercise Form enclosed herewith and following the directions on the screen. Please check the “Guidance on the Exercise of Voting Rights via the Internet” shown on page 25 and 26 of this notice for the details.

[Treatment of Voting Rights Exercised Repeatedly]

- (1) If you exercise your voting rights both in writing and via the Internet, we will only accept the exercise of your voting rights via the Internet as valid.
- (2) If you exercise your voting rights more than once via the Internet, we will only accept the last exercise of your voting rights as valid.

END

*Upon your arrival at the Ordinary General Meeting of Shareholders, please submit the enclosed Voting Rights Exercise Form to the venue reception. Thank you.

*In case the Reference Documents for Shareholders Meeting, or business report, financial report or consolidated financial report is modified, such modification shall be posted on the JAPEX website. (<http://www.japex.co.jp/>)

Reference Documents for Shareholders Meeting

Item 1: Appropriation of Surplus

JAPEX employs the basic policy of long-term, stable distribution of dividends in considering the retained earnings for investment in new oil and gas reserves inside and outside Japan and the improvement and expansion of supply infrastructure, etc., as well as respecting the return of profits to our shareholders.

The year-end dividends for the 44th term will be as follows:

Details Concerning the Year-End Dividends

- (1) Type of dividend property: Money
- (2) Distribution and total amount of dividend property:
25 yen per share of common stock
Total amount of dividends: 1,428,815,925 yen
- (3) Effective date of distribution of surplus: June 26, 2014

Item 2: Election of One (1) Director

Upon closing of this general meeting of shareholders, Hiroshi Sato, Director of the Board, will resign. We kindly ask our shareholders to elect one (1) Director to replace him.

The candidate for Director is as listed below:

Name (Date of birth)	Brief history, Position and responsibilities in JAPEX or Significant positions concurrently held	JAPEX shares owned
Motofumi Hyodo (January 1, 1953)	April 1977	Joined JAPEX
	June 2002	General Manager of Canada Project Dept., International Oil & Gas Division
	June 2004	General Manager of Strategic Planning Dept., International Oil & Gas Division
	Feb. 2005	General Manager of First Project Dept., International Oil & Gas Division
	July 2007	Deputy Representative of Jakarta Office
	July 2008	Chief Representative of Jakarta Office
	June 2011	Executive Officer, Chief Representative of Jakarta Office
	Sept. 2011	Executive Officer, Vice President of Asia & Oceania Project Division
	June 2013	Managing Executive Officer, Vice President of Asia & Oceania Project Division
	July 2013	Managing Executive Officer, Vice President of Asia & Oceania Project Division and General Manager of Business Development Dept.
Oct. 2013	Managing Executive Officer, Vice President of Asia & Oceania Project Division (up to the present date)	
		100 shares

(Notes) 1. Motofumi Hyodo is a newly appointed candidate for Director.

2. No significant interest-based relationship exists between Motofumi Hyodo and JAPEX.

Item 3: Election of One (1) Corporate Auditor

Upon closing of this general meeting of shareholders, the term of office of Corporate Auditor Kisaburo Ikeda will expire. We kindly ask our shareholders to elect one (1) Corporate Auditor.

The candidate for Corporate Auditor is as listed below.

The Board of Corporate Auditors consented to this proposal.

Name (Date of birth)	Brief history, Position in JAPEX or Significant positions concurrently held	JAPEX shares owned
Norio Nakajima (April 22, 1947)	April 1970 Joined The Industrial Bank of Japan, Limited March 2000 Managing Executive Officer of the same bank April 2002 Managing Executive Officer of Mizuho Corporate Bank, Ltd. June 2009 President & CEO, DIAM Co., Ltd. (up to the present date)	—

(Notes) 1. Norio Nakajima is a newly appointed candidate for Corporate Auditor.

2. No significant interest-based relationship exists between Norio Nakajima and JAPEX.

3. Norio Nakajima is a candidate for Outside Auditor. We will submit to the Tokyo Stock Exchange a report that we elected him as an Independent Officer.

4. He has a wealth of business management experience at financial institutions and distinguished insight, and is in an objective position independent from the corporate management engaged in business execution. He has been nominated as a candidate as we believe he will contribute significantly to the Company's management as Outside Auditor.

5. He is to resign as President & CEO of DIAM Co., Ltd. effective June 30, 2014.

Item 4: Awarding Retirement Benefits to Retiring Director and Retiring Corporate Auditor

Upon closing of this general meeting of shareholders, Director Hiroshi Sato and Corporate Auditor Kisaburo Ikeda will be retiring from their respective posts.

Therefore, retirement benefits shall be awarded according to the standards specified by JAPEX in recognition of services during their respective tenures. We kindly ask our shareholders to allow deliberation by the Board of Directors with regard to the specific amount, period, and method of payment, etc. for the retiring Director, and consultation with the Corporate Auditors with regard to similar specific matters for the retiring Corporate Auditor.

Their brief histories are as follows:

Name	Brief history
Hiroshi Sato	June 2006 Managing Director June 2007 Senior Managing Director June 2010 Executive Vice President (up to the present date)
Kisaburo Ikeda	June 2006 Corporate Auditor at JAPEX (up to the present date)

Item 5: Payment of Bonuses to Directors and Corporate Auditors

In view of the amounts paid in the past and the business performance of the fiscal year ended March 31, 2014, a total bonus amount of 97,512,000 yen (92,712,000 yen for Directors and 4,800,000 yen for Corporate Auditors) will be paid to fifteen (15) Directors (one (1) Outside Director is not included) and five (5) Corporate Auditors tenured during the fiscal year ended March 31, 2014.

Item 6: Renewal of the Measures to Prevent Large-scale Acquisition of Our Company Shares (Takeover Defense Measures)

Japan Petroleum Exploration Co., Ltd. (hereinafter the "Company" or "JAPEX") renewed, in the 41st Ordinary General Meeting of the Shareholders, held on June 24, 2011, the "Measures to Prevent Large-scale Acquisition of Our Company Shares (Takeover Defense Measures)" (hereinafter the renewed measures are referred to as the "Former Plan"). The Former Plan will expire at the close of the 44th Ordinary General Meeting of the Shareholders (hereinafter the "Annual Shareholders' Meeting") to be held on June 25, 2014.

Prior to expiry of the effective period of the Former Plan, JAPEX has, in our Board of Directors Meeting held on May 12, 2014, decided to partially revise the content of the Former Plan and renew it (hereinafter the "Renewal" and the plan after the Renewal is the "Plan") as undertakings based on the basic policy regarding the person controlling decisions relative to policies for our finances and

business (refers to the policies in the provision in Article 118, Clause 3 of the Ordinance for Enforcement of the Companies Act, hereinafter the “Basic Policy”) to prevent the controlling of decision of policies of our finances and business by inappropriate persons (Article 118, Clause 3 (b) (2) of the Ordinance for Enforcement of the Companies Act), subject to the approval of our shareholders at the Annual Shareholders’ Meeting.

Therefore, we would like to request our shareholders to delegate to our Board of Directors the right to determine the matters related to the “allotment of share options without contribution” pursuant to the procedure mentioned in the following Item 2 “Details of the Proposal” in accordance with Article 12 of the Articles of Incorporation of our company.

1. Cause of the Proposal

(1) Basic Policy Regarding the Person Controlling Decisions Relative to Policies for Our Finances and Business

JAPEX considers that the person controlling our financial and business policy decisions should fully understand the content of our finances and business and the source of our corporate value, and is eligible to ensure and improve the corporate value and consequently, the common interest of the shareholders in a continuing, sustainable manner.

JAPEX believes the decision on an acquisition proposal with which is associated the transfer of corporate control should ultimately be made based on the general decision of our shareholders. Furthermore, JAPEX does not disapprove of large-scale share acquisition that contributes to our corporate value and consequently the common interest of the shareholders.

Nevertheless, among large-scale share acquisitions, there are many that do not contribute to the corporate value and the common interest of the shareholders, in the light of their purpose, including such that cause a clear infringement on the corporate value and the common interest of the shareholders, such that has the risk of a de facto coercion against the shareholders to sell their shares, such that does not provide sufficient time and/or information for the Board of Directors and the shareholders consideration of the content of the large-scale share acquisition or for the Board of Directors to propose an alternative plan, and such that require consultation and negotiation with the acquirer to draw out a more favorable condition than the conditions presented from the acquirer.

The large-scale share acquirer should understand the source of our corporate value not to mention the content of JAPEX’s finances and business, and unless he or she ensures and improves them for the medium-and-long term, our corporate value, and consequently the common interest of the shareholders will be damaged.

JAPEX considers such a large-scale acquirer that does not contribute to our corporate value and the common interest of our shareholders inappropriate as the controlling person to determine the policies of our finances and business, and thus consider necessary to protect our corporate value and consequently the common interest of our shareholders by taking essential and substantial measures against such attempts.

(2) Purpose of the Renewal

The Plan shall be renewed according to the Basic Policy described above (1) for the purpose of ensuring and improving our corporate value and the common interests of our shareholders.

The Board of Directors, as set forth in the Basic Policy, considers a person who performs the large-scale acquisition of JAPEX share certificates, etc., without contributing to our corporate value and/or the common interests of our shareholders inappropriate for making financial and business policy decisions regarding the Company. The Plan aims to prevent the control of our financial and business policies by such inappropriate persons and deter large-scale acquisition that is detrimental to our corporate value and/or the common interests of our shareholders. At the same time, the Plan shall allow the Company’s Board of Directors to ensure the necessary information and time required to propose an alternative plan to our shareholders or for our shareholders to sufficiently judge whether such a large-scale acquisition of JAPEX share certificates, etc., is acceptable and/or allow negotiation and other measures to be taken on behalf of our shareholders.

2. Content of the Plan

(1) Overview of the Plan

The Plan determines the necessary procedure for achieving the aforementioned purpose, such as demanding the prior provision of information from the acquirer, upon the emergence of a person who intends to acquire 20% or more of JAPEX share certificates, etc.

In case the decision of not implementing the Plan has been made by the Board of Directors based on the procedures of the Plan, the acquirer shall be authorized to make a large-scale acquisition of JAPEX share certificates, etc., only after such a board decision.

In case the acquirer does not comply with the procedure set forth in the Plan or the intended large-scale acquisition of JAPEX share certificates, etc., has a risk of impairing our corporate value and/or the common interest of our shareholders and if the predetermined requirements for the implementation of the Plan are satisfied, JAPEX shall allot share options with exercise conditions in which the exercise of rights by the acquirer is, in principle, impermissible or with acquisition clauses where JAPEX may, in principle, acquire share options from persons other than the acquirer in exchange for JAPEX shares to all shareholders excluding JAPEX at that point of time, through an allotment of share options without contribution.

In the event that the allotment of share options without contribution is executed according to the Plan, and associated by its execution or acquisition by JAPEX, when JAPEX shares are issued to all shareholders except for the acquirer, the percentage of voting rights the acquirer holds may be diluted up to a maximum of approximately 50%.

With regard to the decision whether to implement or not implement the allotment of share options without contribution, or to acquire, according to the Plan, in order to eliminate the arbitrary decision of the Board of Directors, it shall undergo the objective decision of the Independent Committee constituted only of Outside Director etc., who are independent from the Company's Board of Directors pursuant to the Independent Committee Provision. Moreover, in any of the predetermined cases in the Plan, the Board of Directors may convoke a general meeting of the shareholders to confirm the decision of the shareholders concerning the implementation of the allotment of share options without contribution.

We aim to ensure transparency of the process of these procedures through the timely disclosure of appropriate information to our shareholders.

(2) Procedure for the Implementation of the Plan

(a) Share purchases that are the subject of the Plan's application

The Plan shall be applied when a purchase or other acquisition of JAPEX share certificates, etc., that falls under 1) or 2) described subsequently or a similar act (including any proposal thereof) is pursued (excluding those on which the Board of Directors has otherwise approved of not applying the Plan); hereinafter the "Acquisition(s)").

- 1) Share purchase or other acquisition with an ownership ratio¹ of 20% or more of the holder² with regard to share certificates, etc.,³ issued by JAPEX.
- 2) Tender offers⁴ with a total ownership ratio⁵ of 20% or more of the persons pursuing tender offers and their special associated persons⁶ with regard to share certificates, etc.,⁷ issued by JAPEX.

Persons who intend to perform the Acquisitions (hereinafter the "Acquirer(s)") shall comply with the procedures set forth in the Plan, and they must not perform the Acquisitions before the Company's Board of Directors passes a resolution not to implement the allotment of the share options without contribution based on the Plan.

(b) Submission of the Intent Statement

The Acquirers shall, prior to the relevant Acquisitions, submit a legally binding document (on which the signature or the seal of the Acquirers' representative is placed and no conditions or reservations imposed) including covenant wordings, etc., that expresses the intention to comply with the procedure set forth in the Plan and a qualification certificate of the representative signed or sealed thereby, in a format specified by JAPEX (hereinafter collectively the "Intent Statement") to JAPEX. The Intent Statement shall specify the name or designation, the address or location such as the head office and offices of the Acquirers, the governing law for incorporation, the name of the representative, the contact in Japan and the outline of the intended Acquisition. The language used in

the Intent Statement and the Acquisition Statement, which is set forth in the following (c), and any other material that is submitted by the Acquirers to JAPEX or the Independent Committee must be only Japanese.

(c) Demand for information provision towards the Acquirers

JAPEX will deliver a form of the Acquisition Statement (defined below) (including a list of information items to be provided by the Acquirers to JAPEX) within 10 business days after receiving the Intent Statement. The Acquirers are required to submit a written statement, which provides the information stipulated in the following (hereinafter the “Required Information”) (hereinafter collectively the “Acquisition Statement”), to the Company’s Board of Directors in a format specified by JAPEX.

Upon receiving the Acquisition Statement, the Company’s Board of Directors will immediately send it to the Independent Committee (the appointment criteria of committee members, the requirements for adopting resolutions and matters for resolution are as described in the separate document 1 “Overview of the Independent Committee Provision” and personal careers of the members in the separate document 2 “Brief History of Independent Committee Members”).

When the Independent Committee has decided that the description on the Acquisition Statement falls short as Required Information, JAPEX may request the Acquirer to provide additional information, with an appropriate reply deadline. In this case, the Acquirers are required to additionally submit such information to JAPEX by the relevant deadline.

- 1) Details (including names, capital relationship, financial content, business performance, compliance with laws and other regulations, details of previous trade similar to the Acquisition of the relevant Acquirers, and the previous transactions of JAPEX share certificates, etc.) of the Acquirers, and their group (including joint shareholders⁸, special associated persons, and special associated persons of the parties whose controlled incorporations⁹ are the Acquirers)¹⁰
- 2) Purpose, method, and content of the Acquisition (includes value and type in consideration of the Acquisition, time of Acquisition, mechanism of related trade, legality of the method of Acquisition, and information on the feasibility of the Acquisition)
- 3) Price and basis of the valuation of the relevant Acquisition
- 4) Whether there have been agreements on JAPEX share certificates, etc. between the Acquirers and a third party, and other communication on the Acquisition
- 5) Proof of funds for the Acquisition (includes the specific names of providers of the funds for the Acquisition (including the beneficial providers), procurement methods, content of related trade, etc.)
- 6) Management policy, business plans, capital policy, and dividend policy, for JAPEX Group after the Acquisition
- 7) Post-acquisition policy regarding our shareholders, employees, labor union, business partners, customers, and other stakeholders related to JAPEX Group
- 8) Specific information regarding the risk of infringement by the Acquirers to the laws and regulations in and out of Japan (includes the Act of Prohibition of Private Monopolization and Maintenance of Fair Trade and foreign competition law)
- 9) Information regarding relationships with antisocial forces or organizations related to terrorism
- 10) Specific measures to prevent conflicts of interest with other shareholders of JAPEX shares
- 11) Other information reasonably decided by the Independent Committee as necessary

(d) Consideration of the content of Acquisition / Consideration of negotiation with the Acquirer or of an alternative plan

1) Request to the Board of Directors for the submission of information

The Independent Committee shall, when the Acquisition Statement and (if applicable) the additional information are submitted by the Acquirer, determine an appropriate reply deadline (in principle, 60 days maximum in view of the scale, characteristics and diversity of the JAPEX Group) with due consideration to the time required for the collection of information and the review and/or valuation of materials by the Board of Directors (including such examination by outside experts, as required). The Independent Committee may also request the Board of Directors to present its opinion (including suspension of opinion; hereinafter the same applies.) on the content of the Acquisition proposed by the Acquirer and the supporting materials, (if available) alternative

plans, and other information deemed necessary by the Independent Committee, as appropriate, with the appropriate reply deadline.

2) Reviews and other considerations by the Independent Committee

The Independent Committee shall, within an appropriate period (in principle, a maximum of 60 days in view of the scale, characteristics and diversity of the JAPEX Group) (hereinafter the “Reviewing Period of the Independent Committee”) after the receipt of the information (including the additional information requested) from the Acquirer and the Board of Directors (if the provision of information has been requested to the Company’s Board of Directors as described in 1) above), review the content of the Acquisition, collect information on and comparatively investigate the management and business plans of the Acquirer and the Board of Directors, and review the alternative plan provided by the Board of Directors.

In order to ensure that the Independent Committee makes the decision to the benefit of the corporate value and the common interest of our shareholders, the Independent Committee may seek advice from financial advisors, certified public accountants, lawyers, certified tax accountants, consultants and other experts at the expense of the Company.

In addition, the Independent Committee may, directly or indirectly, consult and/or negotiate with the Acquirer, if necessary, to improve the content of the relevant Acquisition in view of ensuring and improving our corporate value and thus the common interest of our shareholders. The Acquirer shall promptly respond to the direct or indirect request of the Independent Committee to provide reviewing materials or other information, or for consultation and/or negotiation.

Furthermore, the Independent Committee may extend the Reviewing Period of the Independent Committee, within a reasonable range (however, the total extendable period shall, in principle, be up to 30 days at a maximum) required for the reviewing of the content of the Acquisition by the Acquirer, for the consideration of the alternative plan, and for consultation and/or negotiation with the Acquirer.

(e) Procedure of advisory of the Independent Committee

The Independent Committee shall advise the Board of Directors as follows in compliance with the above procedure.

1) When advising the implementation of the Plan

When the Independent Committee judges that the Acquisition by the Acquirer falls under any of the causes for implementation (hereinafter collectively the “Cause for Implementation”) set forth in the following (3) “Requirements for the Allotment of the Share Options Without Contribution,” the Independent Committee shall advise the implementation of the allotment of the share options (of which the major content shall be as set forth in the following (4) “Overview of the Allotment of the Share Options Without Contribution”; hereinafter the “Share Options”) without contribution to the Board of Directors, except under special circumstances through which the further provision of information by or consultation and/or negotiation with the Acquirers is necessary. Meanwhile, the Independent Committee may issue a reservation that the shareholders’ decision should be heard and decided if the applicability of the second cause for implementation (hereinafter the “Second Cause for Implementation”) of the two causes specified in the following (3) “Requirements for the Allotment of the Share Options Without Contribution” has come into question with regard to a certain Acquisition.

Regardless of the foregoing paragraph, even after the implementation of the allotment of the Share Options without contribution has been advised, if the Independent Committee deems that any of the conditions specified below applies, the Independent Committee may pause the allotment of the Share Options without contribution by two business days before the ex-rights day of the allotment of the Share Options without contribution, or, may issue a new advisory to acquire all the Share Options without contribution by one day before the date of commencing the Period of Exercise after the effective date of the allotment of the Share Options without contribution.

- (i) When the Acquisition is withdrawn by the Acquirer after the advisory or when the Acquisition is otherwise no longer existent; or
- (ii) When the Cause for Implementation is no longer existent due to such reason that, for example, any change has occurred in the facts the decision of the advisory was based on.

2) When advising not to implement the Plan

When the Independent Committee determines that the Acquisition does not fall under any Cause for Implementation, the Independent Committee shall advise not to implement the allotment of the Share Options without contribution to the Board of Directors, irrespective of whether the Reviewing Period of the Independent Committee has commenced or has finished.

Regardless of the foregoing paragraph, even after the non-implementation of the allotment of the Share Options without contribution has been advised, if the Cause for Implementation becomes existent as a result of any change that occurred in the facts the decision of the advisory was based on, the Independent Committee may issue a new advisory to implement the allotment of the Share Options without contribution.

(f) Resolution of Board of Directors

In case an advisory as outlined above has been given by the Independent Committee, the Board of Directors shall make a resolution as a body under the Companies Act regarding the implementation or non-implementation of the allotment of the Share Options without contribution, in utmost deference to the above advisory of the Independent Committee.

However, in the case a general meeting of the shareholders for decision hearing is held according to the following (g), the Board of Directors shall prepare a resolution based on the resolution of the general meeting of the shareholders for decision hearing.

(g) Holding of the general meeting of the shareholders for decision hearing

With regard to the implementation of the allotment of the Share Options without contribution according to the Plan, the Board of Directors may convoke a general meeting of the shareholders (hereinafter the “General Meeting of the Shareholders for Decision Hearing”) to hear the shareholders’ decision regarding the implementation of the allotment of the Share Options without contribution in the case (i) where the Independent Committee issued a reservation that shareholders’ decision be heard in advance with regard to the implementation of the allotment of the Share Options pursuant to the procedure in (e) above, or (ii) where the applicability of the Second Cause for Implementation has come into question with regard to a certain Acquisition and the Independent Committee judges it appropriate to hear the shareholders’ decision in light of various factors such as the time required for holding the general meeting of the shareholders and the duty of care of a good manager.

(h) Information disclosure

In operating the Plan, JAPEX shall timely disclose the appropriate information as enumerated below in accordance with the governing laws and regulations and/or applicable rules and regulations of the stock exchanges: progress status of the respective procedures set forth in the Plan (including the fact of the Intent Statement and the Acquisition Statement submitted; the fact of the revealed existence of an Acquirer who intends to make the Acquisition without submitting the Intent Statement or the Acquisition Statement; the fact of the commenced Reviewing Period of the Independent Committee; and the fact of the extended Reviewing Period of the Independent Committee together with the extended period and the reason therefor), outline of the advisory of the Independent Committee, outline of the resolution adopted by the Company’s Board of Directors, outline of the resolution at the General Meeting of the Shareholders for Decision Hearing, and any other matters deemed appropriate by the Independent Committee or the Board of Directors.

(3) Requirements for the Allotment of the Share Options Without Contribution

The requirements for the implementation of the allotment of the Share Options without contribution pursuant to the Plan shall be as follows. As was described in (e) under (2) “Procedure for the Implementation of the Plan”, whether the Acquisition falls under the following requirements shall be always be decided with and after the advisory of the Independent Committee.

First Cause for Implementation

When the Acquisition is not in conformity with the procedures prescribed in the Plan (including the case where time and/or information reasonably required to make judgments on the content of the Acquisition have not been provided by the Acquirer) and it is deemed suitable to implement the allotment of the Share Options without contribution;

Second Cause for Implementation

When the Acquisition by the Acquirer falls under any of the following and it is deemed suitable to implement the allotment of the Share Options without contribution;

- (a) When the Acquisition clearly risks infringing on our corporate value and consequently to the common interest of our shareholders, by reason of the acts listed below:
 - 1) Act in which the Acquirer corners the share certificates, etc., and demands that JAPEX or parties related to JAPEX purchase such share certificates at a high price;
 - 2) Act in which the Acquirer temporarily controls the management of JAPEX to perform management for the benefit of the Acquirer that is based on the sacrifice of JAPEX, such as acquiring JAPEX's important assets and other properties at low cost;
 - 3) Act in which the Acquirer appropriates the assets of JAPEX Group as collateral for debt and/or as a resource to perform obligations of the Acquirer or its group companies, etc.; or
 - 4) Act in which the Acquirer temporarily controls the management of JAPEX to dispose of expensive assets and/or other properties that are not active in the business of JAPEX Group for the foreseeable future, and with the disposal income, perform temporary high dividend payouts or sell-out of shares on the occasion of sharp rises in share prices due to such temporary high dividend payouts.
- (b) When the Acquisition has a risk of a de facto coercion towards the shareholders to sell their shares, such as coercive two-tiered tender offers (refers to an act in which shares are purchased in tender offers and such, without soliciting/offering the purchase of all shares in the initial purchase, but set the second tier purchase condition disadvantageously or without clarifying the second tier purchase condition);
- (c) When the Acquisition is such that the condition of the Acquisition (including value and type in consideration, time, legality of the method, feasibility, post-acquisition management policy and business plans, post-acquisition shareholders other than JAPEX, and policy regarding the employees, customers, business partners, and other stakeholders related to JAPEX Group) is insufficient or inadequate with consideration to JAPEX's intrinsic value; or
- (d) When the Acquisition might cause significant damage to our corporate value and consequently to the common interest of our shareholders, with a risk of causing a serious hindrance in ensuring a stable supply of energy or ensuring customer convenience, due to the insufficiency or inadequacy of the content of post-acquisition management policy or business plans.

(4) Overview of the Allotment of the Share Options Without Contribution

The overview of the allotment of the Share Options without contribution planned to be implemented based on the Plan is as follows:

(a) Number of the Share Options

The number of the Share Options shall be equal to the final total number of shares (provided, however, that the number of JAPEX shares held by JAPEX at point of certain date is deducted) issued as of a certain date (hereinafter the "Allotment Date") otherwise decided by resolution of the Board of Directors or by resolution at a general meeting of the shareholders concerning the allotment of the Share Options without contribution (hereinafter the "Resolution for the Allotment of Share Options Without Contribution").

(b) Shareholders eligible for allotment

The Share Options shall be allotted to shareholders other than JAPEX who are registered on the final shareholder registry (hereinafter the "Shareholders Eligible for Allotment") as of the Allotment Date, in proportion of one Share Option per one JAPEX share held by the shareholder.

- (c) Effective date of allotment of the Share Options without contribution
The effective date shall be otherwise decided by the Resolution for the Allotment of Share Options Without Contribution.
- (d) Number of shares as object of the Share Options
The number of JAPEX shares as object of each Share Option (hereinafter the “Target Share Number”) is, in principle, one share.
- (e) Value of assets contributed upon the exercise of the Share Options
The object of contribution upon the exercise of the Share Options shall be money. The value per JAPEX share of the property to be contributed upon the exercise of the Share Options shall be otherwise decided in the Resolution for the Allotment of Share Options Without Contribution, within the value range of one yen as lower limit and one half of the market value of one JAPEX share as higher limit. Furthermore, “market value” is equivalent to the value corresponding to the average closing price (includes quotations) for 90 days (excludes dates without contracted trade) of ordinary exchange dates for ordinary JAPEX shares at the Tokyo Stock Exchange, prior to the Resolution for the Allotment of Share Options Without Contribution, and fractions shall be rounded up.
- (f) Period of exercise of the Share Options
The date otherwise prescribed in the Resolution for the Allotment of Share Options without Contribution shall be the initial date (hereinafter the initial date of such period of exercise shall be the “Commencing Date of the Period of Exercise”) of the Period of Exercise, and in principle the period otherwise prescribed in the Resolution for the Allotment of Share Options Without Contribution within the range of one to six months shall be the Period of Exercise. However, in case JAPEX acquires the Share Options based on the provision of the following clause (i), the Period of Exercise of the Share Options for such acquisition shall be until the business day before such acquisition date. Furthermore, if the final date of the Period of Exercise falls on a non-business day of the payment handling institution where the money shall be paid upon the exercise, the last business day before such date shall be the final date of the Period of Exercise.
- (g) Conditions of exercise of the Share Options
(I) Specific large-scale holders¹¹, (II) joint holders of specific large-scale holders, (III) specific large-scale acquirers¹², (IV) special associated persons of specific large-scale acquirers, or (V) persons who was assigned or succeeded the Share Options from persons that fall under (I) or (IV) without the approval of the Board of Directors, or (VI) persons who are in relation¹³ to persons that fall under (I) or (V) (hereinafter persons that fall under (I) or (VI) collectively shall be the “Unqualified Persons”) may not, excluding cases where certain exceptional causes¹⁴ exist, exercise the Share Options. Furthermore, under the applicable foreign law, non-residents, as they require prescribed procedures for the exercise of the Share Options, may not, in principle, exercise the Share Options. (However, on the condition that it is confirmed that the Share Options held by the non-resident does not infringe on the applicable law, they may become the object of acquisition by JAPEX in consideration of JAPEX shares as described in the following (i) 2)). In addition, persons who do not submit a covenant in a form prescribed by JAPEX containing a representation warrant clause with regard to that the person satisfies the requirements for exercise of the Share Options, compensation clause and other covenant wordings, cannot exercise the Share Options.
- (h) Restriction on assignment of the Share Options
The acquisition of the Share Options through assignment requires the approval of our Board of Directors.
- (i) Acquisition of the Share Options by JAPEX
1) In case the Board of Directors deem it appropriate for JAPEX to acquire the Share Options, JAPEX may any time acquire all the Share Options without contribution upon the coming of the date otherwise prescribed by the Board of Directors, until the day before the Commencing Date of the Period of Exercise.

- 2) JAPEX may, upon the coming of the date otherwise prescribed by the Board of Directors, acquire all the Share Options held by persons other than the Unqualified Persons, which are not exercised by the day before the date prescribed by the Board of Directors, and in exchange of such unexercised Share Options, may deliver the number of JAPEX shares equivalent to the Target Share Number per one Share Option.

Furthermore, in the event¹⁵ that the Board of Directors acknowledges the presence of persons other than the Unqualified Persons among the holders of the Share Options after the date of such an acquisition, upon the coming of the date prescribed by the Board of Directors that is after the date of the above acquisition, all the Share Options held by such persons that remained unexercised as of one business day before the date assigned by the Board of Directors shall be acquired by JAPEX and in exchange for this, JAPEX may deliver shares equivalent to the Target Share Number per one Share Option, and the same principle shall apply hereafter.

- (j) Delivery of share options in case of merger, demerger, incorporation-type company split, share exchange, and stock transfer

They shall be otherwise prescribed in the Resolution for the Allotment of Share Options Without Contribution.

- (k) Issuance of share option certificates

Share option certificates will not be issued for the Share Options.

- (l) Other

Details on the content of the Share Options (includes matters concerning the handling of the Share Options held by the Unqualified Persons) other than prescribed above shall be otherwise stipulated in the Resolution for the Allotment of Share Options Without Contribution.

- (5) Effective Period, Abolition, and Modification of the Plan

The effective period of the Plan shall be until the close of the Ordinary General Meeting of the Shareholders regarding the latest fiscal year ending within three years after the close of the Annual Shareholders' Meeting, which is the same as the delegation period of the authority to decide the matters concerning the allotment of the Share Options without contribution in the Plan to be in accordance with the resolution of the Annual Shareholders' Meeting.

However, even before the expiration of the effective period, 1) if a resolution for withdrawing the above delegation to the Board of Directors with regard to the decision on matters concerning the allotment of the Share Options without contribution in the Plan is made at a general meeting of the shareholders, or 2) if a resolution to abolish the Plan is made by the Board of Directors, the Plan shall be abolished at that point in time.

Furthermore, even during the effective period of the Plan, when an addition, revision, and/or abolishment of laws, financial instruments, or stock exchange rules concerning the Plan are appropriate to reflect on the Plan, when appropriate to correct the wordings by reason of typographical errors, or when the change of the Plan does not act against the intention to delegate based on the resolution of the Annual Shareholders' Meeting, such as when such changes are not detrimental to our shareholders, the Board of Directors may revise or modify the Plan upon the approval of the Independent Committee.

JAPEX shall promptly disclose information regarding the fact of the abolition, revision or modification of the Plan, (in case of a revision and/or a modification) the content of such revision and/or modification, and other matters.

- (6) Revision due to Amendments in Law

The provision of law referenced in the Plan is assumed as the provision in effect as of May 12, 2014, and should any addition, revision, or abolition of the law occur after the date and thus necessitates a revision to the clauses prescribed above or meaning of terms, such clauses or meaning of terms shall be appropriately interpreted within a reasonable range, upon consideration of the intention of the addition, revision, or abolition.

-
1. Defined in Article 27-23-4 of the Financial Instruments and Exchange Act. The term herein is subject to its definition.
 2. Includes persons included in holders, based on Article 27-23-3 of the Financial Instruments and Exchange Act (includes persons the Board of Directors deemed that they will fall under the definition). The term herein is subject to its definition.
 3. Defined in Article 27-23-1 of the Financial Instruments and Exchange Act. The term herein is subject to its definition, unless otherwise specified.
 4. Defined in Article 27-2-6 of the Financial Instruments and Exchange Act. The term herein is subject to its definition.
 5. Defined in Article 27-2-8 of the Financial Instruments and Exchange Act. The term herein is subject to its definition.
 6. Defined in Article 27-2-7 of the Financial Instruments and Exchange Act (includes persons the Board of Directors deemed that they will fall under the definition). However, with regard to the persons stipulated in Article 27-2-7 (1), those who fall under Article 3-2 of the Cabinet Office order concerning the disclosure of tender offers of share certificates, etc. by persons other than the issuer, shall be excluded. The term herein is subject to its definition.
 7. Defined in Article 27-2-1 of the Financial Instruments and Exchange Act.
 8. Refers to the joint holders stipulated in Article 27-23-5 of the Financial Instruments and Exchange Act, and includes persons deemed joint holder based on Article 27-23-6 (includes persons the Board of Directors deemed that they will fall under the definition). The term herein is subject to its definition.
 9. Defined in Article 9-5 of the Enforcement Order of the Financial Instruments and Exchange Act.
 10. In case of funds, includes the information equivalent to that in 1) above for each union member or other members.
 11. In principle, refers to holders of share certificates, etc. issued by JAPEX and the ratio of whose ownership of such shares is 20% or more (includes persons the Board of Directors deemed that they will fall under the definition). However, persons whose acquisition or holding of the shares are deemed harmless to our corporate value or the common interest of our shareholders by the Board of Directors, and other persons who are otherwise designated by the Board of Directors in the Resolution for the Allotment of Share Options without Contribution, shall not fall under specific large-scale holders. The term herein is subject to its definition.
 12. In principle, refers to persons who made a public notice to purchase (defined in Article 27-2-1 of the Financial Instruments and Exchange Act. The term herein is subject to its definition.) shares issued by JAPEX (defined in Article 27-2-1 of the Financial Instruments and Exchange Act. The term herein is subject to its definition.) by tender offer and whose ratio of share ownership (as pursuant to this, shall include cases stipulated in Article 7-1 of the Enforcement Order of the Financial Instruments and Exchange Act) combined that of the person's special associated person become 20% or more after such purchase (includes persons the Board of Directors deemed that they will fall under the definition). However, persons whose acquisition or holding of the shares are deemed harmless to our corporate value or the common interest of our shareholders by the Board of Directors, and other persons who are otherwise designated by the Board of Directors in the Resolution for the Allotment of Share Options without Contribution, shall not fall under specific large-scale acquirers. The term herein is subject to its definition.
 13. "Those who are in relation" to refers to a person who substantially control the other person, or is controlled by the other person, or under the same control as the other person (includes persons the Board of Directors deemed that they will fall under the definition), or a person approved by the Board of Directors as acting substantially in cooperation with the other person. Furthermore, "control" refers to "the case where controlling the determination of financial and business policies" of another organization (defined in Article 3-3 of the Ordinance for Enforcement of the Companies Act).
 14. Specifically, the following case is deemed to fall under such exceptional causes: (x) In case the Acquirer pauses or withdraws the Acquisition after the Resolution for the Allotment of Share Options without Contribution is adopted or if the Acquirer and other Unqualified Persons have pledged that they do not intend to make the Acquisitions subsequently and have delegated a disposition of JAPEX shares to a securities company that JAPEX admits, and additionally (y) in case a ratio authorized by JAPEX (hereinafter the "Unqualified Persons' Ownership Ratio of JAPEX Share Certificates, etc.") as the Acquirer's ownership ratio of JAPEX share certificates, etc. (provided, however, that in calculating the ownership ratio of the JAPEX share certificates, etc., the Unqualified Persons other than the Acquirers and Joint Holders thereof shall be deemed to be the joint holders of the Acquirers, and the Share Options that do not satisfy the exercise conditions shall be excluded), is less than either (i) the Unqualified Persons' Ownership Ratio of JAPEX Share Certificates, etc., prior to the Acquisition or (ii) 20%, whichever is lower, the Acquirer of the Acquisition and other Unqualified Persons who have made the disposition may exercise the Share Options targeting the number of shares that correspond to the disposed shares within the range below said lowering ratio. The exercise conditions for the Share Options to be exercised by the Unqualified Persons and the details of relevant procedures shall be otherwise prescribed by the Company's Board of Directors.
 15. Examples include cases where persons who were initially special associated persons of specific large-scale acquirers resolve their relationship with the relevant specific large-scale acquirer after the implementation of the Plan and cease to be Unqualified Persons.

END

Overview of the Independent Committee Provision

- The Independent Committee shall be established by the resolution of the Board of Directors.
- The members of the Independent Committee shall be three or more, who are appointed by the Board of Directors from persons who are independent of management involved in business operations of JAPEX and are any of the following: (i) Outside Director (includes persons planned to be elected), (ii) Outside Corporate Auditor (includes persons planned to be elected), or (iii) outside expert. However, an expert must be a proven business administrator, post-bureaucrat, expert in investment banking, lawyer, certified public accountant, certified tax accountants, or a researcher with his or her main field of research as corporate law or such, or must be pursuant to the aforementioned. Furthermore, the members of the Independent Committee must enter into an agreement with JAPEX that includes provisions for the duty of care of a good manager, otherwise designated by the Board of Director.
- The term of office for Independent Committee members shall be until the close of the ordinary general meeting of the shareholders for the last fiscal year which ends within three years after the close of the Annual Shareholders' Meeting, provided that there is no resolution by the Board of Directors otherwise determining the term. Furthermore, in case an Independent Committee member who was an Outsider Director or Outside Corporate Auditor is no longer an Outsider Director or Outside Corporate Auditor (excludes cases where he or she is re-elected as one), the term of office as an Independent Committee member shall terminate at the same time.
- The Independent Committee shall decide on the matters with implementation or non-implementation of the allotment of the Share Options without contribution, pause of allotment of the Share Options without contribution or Acquisition of the Share Options without contribution, matters to be decided by the Board of Directors, on which the Board of Directors seeks the advice of the Independent Committee and other matters that may be executed by the Independent Committee as defined under the Plan.
- The resolution of the Independent Committee shall, in principle, be made upon the full attendance (includes attendance by TV conferences and telephone conferences; hereinafter the same applies.) of the members of the Independent Committee and with a majority vote. However, under unavoidable circumstances, a majority of the voting rights of a majority attendance shall produce a resolution.

END

Brief History of Independent Committee Members

The members of the Independent Committee as of the Renewal of the Plan are planned to be the following three persons:

Kazuo Kawakami

(Date of Birth: April 26, 1933)

CAREER

April 1958	Appointed prosecutor
January 1983	Head of Special Investigation Force, The Tokyo District Public Prosecutors Office
September 1989	Chief of Trial Proceedings, Supreme Public Prosecutors' Office
May 1991	Recorded attorney at the Daiichi Tokyo Bar Association (up to the present date)
June 2007	Director at JAPEX (up to the present date)

*Mr. Kazuo Kawakami is JAPEX's Outside Director as stipulated in Article 2, Clause 15 of the Companies Act.

*No particular relationship is existent between Mr. Kawakami and JAPEX.

Masahiko Kadotani

(Date of Birth: February 14, 1936)

CAREER

April 1958	Joined the Ministry of Finance
June 1990	Director-General of the National Tax Agency
December 1994	President of the Japan Finance Corporation for Small Business
April 2002	Advisor at Mizuho Corporate Bank, Ltd.
June 2003	Corporate Auditor at JAPEX (up to the present date)

*Mr. Masahiko Kadotani is JAPEX's Outside Corporate Auditor as stipulated in Article 2, Clause 16 of the Companies Act.

*No particular relationship is existent between Mr. Kadotani and JAPEX.

Keiichiro Tsuchiya

(Date of Birth: December 23, 1946)

CAREER

April 1980	Lecturer of the School of Law, Meiji University
April 1986	Assistant Professor of the School of Law, Meiji University
April 1992	Professor of the School of Law, Meiji University (up to the present date)
April 2004	Dean of the School of Law, Meiji University
April 2008	Executive Trustee at Meiji University

*No particular relationship is existent between Mr. Tsuchiya and JAPEX.

END

(Reference)

‘Qs and As’ about Allotment of Share Options without Contribution as Takeover Defense Measures

These ‘Qs and As’ are attached hereto not as reference documents for the ordinary general meeting of shareholders but as guide to plainly explain the Plan. For more accurate and detailed information, please refer to the explanations made in and after page 4 and the press release dated May 12, 2014 “Renewal of the Measures to Prevent Large-scale Acquisition of Our Company Shares (Takeover Defense Measures).”

Q1. What is the purpose of renewing the Takeover Defense Measures?

A. The Plan, for which we kindly ask your approval in Item 6, describes procedures to be taken by JAPEX when a large-scale acquisition of JAPEX shares occurs. It ensures the information and time necessary for our shareholders to decide whether to accept the acquisition or not and for the Board of Directors to propose an alternative plan, as well as to secure the opportunities for consultation, negotiation, or any other communication with the Acquirer. As mentioned above, we believe the Plan will contribute to ensuring and improving of our corporate value and the common interests of our shareholders. Therefore, we decided to renew the current Takeover Defense Measures, which will expire on the designated date.

Q2. What are the differences between the Former Plan and the renewed Plan?

A. The main changes in the Plan from the Former Plan are as follows: 1) the contents of the Intent Statement have been reviewed; and 2) the items of information that JAPEX requests the acquirers to provide have been re-examined.

Q3. Please explain the outline of the Plan.

A. The Plan is a Prior Warning-type Rights Plan under which Share Options are allotted without contribution in the case of threat of acquisition. In particular, the Plan includes the following.

- (1) Acquirers who intend to acquire 20% or more of the shares issued by JAPEX, are required to submit, in advance, the Intent Statement containing covenant wordings, etc., that express the intention to comply with the procedure set forth in the Plan and provide such information on the Acquisition Statement, etc., that is needed for examining the content of the acquisition.
- (2) The Board of Directors will immediately send the Acquisition Statement to the Independent Committee. The Independent Committee may request the Board of Directors to present its opinion on the content of the acquisition, the supporting materials and, (if available) alternative plans.
- (3) After receipt of the information from an Acquirer and Board of Directors, Independent Committee will review the content of the acquisition and the alternative plan provided by the Board of Directors and consult and/or negotiate with the Acquirer, while seeking advice from experts, etc.
- (4) JAPEX will reach a resolution concerning the implementation of the allotment of Share Options without contribution, only after obtaining a judgment from the Independent Committee, under the situation where Acquirers fail to comply with the procedures set forth in the Plan, or the Acquisition clearly infringes on our corporate value and the common interests of our shareholders, and where resist to such Acquisition is deemed appropriate. JAPEX may confirm the intention of our shareholders concerning the implementation of the allotment of Share Options without contribution.
- (5) The Share Options allotted in relation to the exercise of the Plan includes an exercising condition which restricts the exercise of share option rights to Acquirers and an acquisition condition that JAPEX can acquire share options in exchange for JAPEX shares from holders other than the Acquirer. If JAPEX shares are issued to our shareholders other than the Acquirer according to this, the ratio of the voting rights of JAPEX held by the Acquirer may be diluted to a maximum of 50%.

- Q4. The company's Takeover Defense Measures are deemed highly reasonable. In what specific ways is the JAPEX's Takeover Defense Measure highly reasonable?
- A. The characteristics representing the Plan's reasonableness are listed below:

Item	The company's Takeover Defense Measures
Shareholders' intention	<ul style="list-style-type: none"> • The intention of our shareholders will be reflected by obtaining the approval of the Plan at this shareholders meeting. • Even before the expiration of its term, the Plan will be instantly abolished, if the general meeting of shareholders or the Board of Directors resolves to abolish the plan. Therefore, the continuity or discontinuity of the Plan can depend on the shareholders.
Independent Committee	<ul style="list-style-type: none"> • An Independent Committee comprised of independent Outside Directors, etc., is established. • The members of the Company's Independent Committee are one (1) Outside Director, one (1) Outside Auditor and one (1) outside expert, each with high independency. • The implementation of the Plan must be made on the advice of the Independent Committee, which is given after consideration of the specific designated requirement. • The Independent Committee may receive advice from experts at the Company's cost.
Condition for initiating the procedure	Holding 20% or more of the voting rights, or a tender offer that intends the acquisition of 20% or more of the voting rights.
Conditions for implementation	Reasonable and objective conditions are established.
Validity (sunset clause)	Three (3) years
Members of the Board of Directors	Fourteen (14) Directors (if the candidates of Directors mentioned in page 3 to page 4 of this notice are elected at this shareholders meeting), including one (1) independent Outside Director
Abolition	The Plan may be abolished at any time by resolution of the general meeting of shareholders or the Board of Directors (the Plan is neither a dead-hand type takeover defense measure [whereby the implementation of a takeover defense measure cannot be deterred even with the replacement of over half of the constituting members of the Board of Directors] nor a slow-hand type takeover defense measure [where the implementation of a takeover defense measure takes time]).
Disclosure of purpose, conditions for implementation, and procedures	Information is fully disclosed through press releases, resolution items and reference documents for the general meeting of shareholders, and at the general meeting of shareholders.
Delivery of notification of the convocation	The notification of convocation will be delivered on June 3, 2014 (Tuesday), three (3) weeks before the day of the ordinary general meeting of shareholders.

- Q5. How will shareholders be impacted, if the Plan is renewed?
- A. At the point of renewal of the Plan, the allotment of Share Options without contribution will not be made. Therefore, there will be no direct and specific impact on shareholders. Meanwhile, in the case where Acquirers appear and the Plan is implemented, Share Options will be allocated free of charge to shareholders excluding the Company. The shareholders to whom Share Options without contribution are allotted are entitled to receive, on and after the commencing date of the period of exercise, in principle, one share per one share option, by paying the money value equivalent to the exercising value decided in the Resolution for the Allotment of Share Options without Contribution within the range of one yen per one share for the purpose of the Share Options as the lower limit and one half of the market value of one JAPEX share as the upper limit. If certain shareholders do not exercise their Share Options, the shares held by those shareholders will be diluted

as a result of the exercise of the Share Options by other shareholders.

If JAPEX delivers JAPEX shares in exchange of acquiring the Share Options from shareholders, shareholders other than Acquirers will receive the corresponding JAPEX shares without following the exercising procedure on the part of the shareholders. If JAPEX follows such an acquisition procedure, the shareholders other than Acquirers will receive JAPEX shares without exercising their Share Options and paying a monetary amount equivalent to the exercise price, and therefore the dilution of owned JAPEX shares held will not, in principle, occur.

Q6. If an allotment of Share Options without contribution is implemented, what procedures should be followed by the shareholders?

A. (1) Exercise of Share Options

When exercising Share Options allotted through the allotment of share options without contribution, in principle, the shareholders will be required to submit, during the period of the exercise of the Share Options, the documents necessary for the exercise of Share Options (in the form prescribed by JAPEX which contains the clauses of representation, warrant, etc., that the shareholders meet the exercise conditions) and other documents necessary for the exercise of Share Options, and pay, in principle during the period of exercise of the Share Options, a monetary amount equivalent to the exercise price.

(2) Procedure for the Acquisition of the Share Options by JAPEX

If the Board of Directors makes the decision to deliver JAPEX shares to shareholders in exchange for the acquisition of Share Options, JAPEX will, according to statutory procedures, acquire the Share Options on the date determined by the Board of Directors, and deliver JAPEX shares in exchange for the Share Options. In this case, the shareholders may be required to submit a document in the form prescribed by JAPEX.

Q7. Among the conditions relating to the exercise of the Share Options allocated by the allotment of Share Options without contribution, it is mentioned that non-residents (foreign residents), who are required under the applicable foreign laws and regulations to follow the prescribed procedures for the exercise of Share Options, may not, in principle, exercise their Share Options. Will non-residents be adversely affected by the Plan?

A. First of all, if non-resident shareholders are not required under the applicable foreign laws and regulations to follow the prescribed procedures for the exercise of the Share Options, such as obligations to register securities, such non-residents may exercise their Share Options.

Secondly, even if non-resident shareholders are required under the applicable foreign laws and regulations to follow the prescribed procedures for the exercise of Share Options, such as obligation to register securities, but if an exemption clause applies, the non-residents may, in principle, exercise their Share Options on condition that they meet the conditions of the said exemption clause.

Furthermore, if it was confirmed that the acquisition by JAPEX of the Share Options held by the relevant non-resident by means of the implementation of the terms and conditions for acquisition does not conflict with applicable laws and regulations, JAPEX's shares will also be delivered to these non-residents upon acquisition by JAPEX of the Share Options.

END

Consolidated Balance Sheet

(As of March 31, 2014)

(Unit: millions of yen)

Accounting titles (Assets)	Amount	Accounting titles (Liabilities)	Amount
Current assets	195,209	Current liabilities	83,454
Cash and deposits	81,031	Notes and accounts payable-trade	23,610
Notes and accounts receivable-trade	37,222	Short-term loans payable	28,169
Securities	41,203	Provision for directors' bonuses	118
Merchandise and finished goods	4,653	Other	31,555
Work in process	128		
Raw materials and supplies	6,285	Non-current liabilities	82,668
Deferred tax assets	1,127	Long-term loans payable	21,636
Short-term loans receivable	13,831	Deferred tax liabilities	32,509
Other	9,772	Provision for directors' retirement benefits	829
Allowance for doubtful accounts	(48)	Net defined benefit liability	6,845
Non-current assets	467,828	Asset retirement obligations	16,001
Property, plant and equipment	200,552	Other	4,845
Buildings and structures	33,110	Total liabilities	166,123
Wells	11,616	(Net assets)	
Machinery, equipment and vehicles	22,894	Shareholders' equity	332,711
Land	12,193	Capital stock	14,288
Construction in progress	88,541	Retained earnings	318,433
Other	32,196	Treasury shares	(10)
Intangible assets	11,365	Accumulated other comprehensive income	89,624
Other	11,365	Valuation difference on available-for-sale securities	84,856
Investments and other assets	255,910	Deferred gains or losses on hedges	(56)
Investment securities	190,765	Foreign currency translation adjustment	5,166
Long-term loans receivable	29,100	Remeasurements of defined benefit plans	(340)
Deferred tax assets	6,039	Minority interests	74,579
Other	34,329	Total net assets	496,915
Allowance for doubtful accounts	(39)	Total liabilities and net assets	663,038
Allowance for overseas investment loss	(4,284)		
Total assets	663,038		

(Amounts truncated to millions of yen)

Consolidated Statement of Income

〔 From April 1, 2013
To March 31, 2014 〕

(Unit: millions of yen)

Accounting titles	Amount	
Net sales		276,588
Cost of sales		210,460
Gross profit		66,127
Exploration expenses		9,800
Selling, general and administrative expenses		31,692
Operating income		24,634
Non-operating income		
Interest income	2,341	
Dividend income	2,366	
Gain on sales of securities	693	
Share of profit of entities accounted for using equity method	12,140	
Foreign exchange gains	1,173	
Other	1,868	20,584
Non-operating expenses		
Interest expenses	839	
Loss on valuation of derivatives	147	
Share issuance cost	155	
Other	187	1,329
Ordinary income		43,889
Extraordinary income		
Gain on sales of noncurrent assets	2	
Subsidy income	40	
Other	0	42
Extraordinary losses		
Loss on retirement of non-current assets	145	
Impairment loss	7,983	
Other	219	8,347
Income before income taxes and minority interests		35,584
Income taxes-current	6,825	
Income taxes-deferred	(1,258)	5,566
Income before minority interests		30,017
Minority interests in income		1,002
Net income		29,015

(Amount truncated to millions of yen)

Consolidated Statement of Changes in Equity

〔 From April 1, 2013
To March 31, 2014 〕

(Unit: millions of yen)

	Shareholders' equity				Accumulated other comprehensive income					Minority interests	Total net assets
	Capital stock	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	14,288	291,990	(10)	306,268	78,310	226	(2,362)	—	76,173	21,183	403,625
Changes of items during period											
Dividends of surplus		(2,571)		(2,571)							(2,571)
Net income		29,015		29,015							29,015
Net changes of items other than shareholders' equity					6,546	(283)	7,529	(340)	13,451	53,395	66,846
Total changes of items during period	—	26,443	—	26,443	6,546	(283)	7,529	(340)	13,451	53,395	93,290
Balance at end of current period	14,288	318,433	(10)	332,711	84,856	(56)	5,166	(340)	89,624	74,579	496,915

(Amount truncated to millions of yen)

Balance Sheet

(As of March 31, 2014)

(Unit: millions of yen)

Accounting titles (Assets)	Amount	Accounting titles (Liabilities)	Amount
Current assets	87,504	Current liabilities	39,450
Cash and deposits	7,584	Accounts payable-trade	19,473
Notes and accounts receivable-trade	26,853	Current portion of long-term loans payable	4,883
Securities	23,797	Lease obligations	449
Merchandise and finished goods	4,552	Accounts payable-other	4,889
Raw materials and supplies	5,290	Accrued expenses	6,507
Advance payments-trade	357	Income taxes payable	2,353
Prepaid expenses	513	Advances received	24
Deferred tax assets	994	Deposits received	149
Accrued income	208	Provision for directors' bonuses	97
Short-term loans receivable	9,000	Provision for loss on construction contracts	236
Short-term loans receivable from subsidiaries and associates	5,971	Asset retirement obligations	169
Accounts receivable-other	155	Other	215
Advances paid	1,016	Non-current liabilities	73,762
Other	1,208	Long-term loans payable	21,636
Non-current assets	399,296	Lease obligations	3,539
Property, plant and equipment	58,175	Deferred tax liabilities	31,831
Buildings	8,017	Provision for retirement benefits	5,401
Structures	16,732	Provision for directors' retirement benefits	745
Wells	1,294	Provision for loss on business of subsidiaries and associates	274
Machinery and equipment	15,498	Asset retirement obligations	9,863
Vessels	0	Other	471
Vehicles	4	Total liabilities	113,213
Tools, furniture and fixtures	1,352		
Land	9,656		
Lease assets	3,790		
Construction in progress	1,746	(Net assets)	
Wells in progress	82	Shareholders' equity	288,741
Intangible assets	784	Capital stock	14,288
Leasehold right	150	Retained earnings	274,463
Software	535	Legal retained earnings	3,572
Other	98	Other retained earnings	270,891
Investment and other assets	340,336	Reserve for overseas investment loss	5,199
Investment securities	150,579	Reserve for mine prospecting	21,684
Shares of subsidiaries and associates	161,885	Reserve for advanced depreciation of non-current assets	219
Long-term loans receivable	1,173	Reserve for exploration	47,246
Long-term loans receivable from subsidiaries and associates	30,389	General reserve	171,600
Long-term prepaid expenses	1,185	Retained earnings brought forward	24,941
Other	2,664	Treasury shares	(10)
Allowance for doubtful accounts	(16)	Valuation and translation adjustments	84,846
Allowance for overseas investment loss	(7,524)	Valuation difference on available-for-sale securities	84,846
Total assets	486,800	Total net assets	373,587
		Total liabilities and net assets	486,800

(Amount truncated to millions of yen)

Statement of Income

〔 From April 1, 2013
To March 31, 2014 〕

(Unit: millions of yen)

Accounting titles	Amount	
Net sales		207,086
Cost of sales		158,422
Gross profit		48,664
Exploration expenses		8,353
Selling, general and administrative expenses		23,778
Operating income		16,532
Non-operating income		
Interest income	1,689	
Interest on securities	57	
Dividend income	11,831	
Foreign exchange gains	1,096	
Other	2,148	16,823
Non-operating expenses		
Interest expenses	194	
Loss on valuation of derivatives	147	
Other	174	515
Ordinary income		32,841
Extraordinary income		
Gain on sales of non-current assets	1	
Gain on reversal of provision for loss on disaster	0	1
Extraordinary loss		
Loss on retirement of non-current assets	91	
Loss on sales of non-current assets	2	
Impairment loss	7,893	7,986
Income before income taxes		24,855
Income taxes-current	4,354	
Income taxes-deferred	(2,408)	1,945
Net income		22,909

(Amount truncated to millions of yen)

Statement of Changes in Equity

(From April 1, 2013)
(To March 31, 2014)

(Unit: millions of yen)

	Shareholders' equity											
	Capital Stock	Retained earnings									Treasury shares	Total shareholders' equity
		Legal retained earnings	Other retained earnings							Total retained earnings		
			Reserve for overseas investment loss	Reserve for mine prospecting	Reserve for advanced depreciation of non-current assets	Reserve for exploration	General reserve	Retained earnings brought forward				
Balance at beginning of current period	14,288	3,572	4,261	21,309	236	47,246	181,600	(4,099)	254,125	(10)	268,403	
Changes of items during period												
Provision of reserve for overseas investment loss			1,021					(1,021)	—		—	
Reversal of reserve for overseas investment loss			(83)					83	—		—	
Provision of reserve for mine prospecting				6,014				(6,014)	—		—	
Reversal of reserve for mine prospecting				(5,639)				5,639	—		—	
Provision of reserve for advanced depreciation of non-current asset					1			(1)	—		—	
Reversal of reserve for advanced depreciation of non-current assets					(18)			18	—		—	
Provision of general reserve									—		—	
Reversal of general reserve							(10,000)	10,000				
Dividends of surplus								(2,571)	(2,571)		(2,571)	
Net income								22,909	22,909		22,909	
Net changes of items other than shareholders' equity												
Total changes of items during period	—	—	938	375	(16)	—	(10,000)	29,041	20,337	—	20,337	
Balance at end of current period	14,288	3,572	5,199	21,684	219	47,246	171,600	24,941	274,463	(10)	288,741	

	Valuation and translation adjustments			Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at the end of current period	78,300	38	78,339	346,743
Changes of items during the period				
Provision of reserve for overseas investment loss				—
Reversal of reserve for overseas investment loss				—
Provision of reserve for mine prospecting				—
Reversal of reserve for mine prospecting				—
Provision of reserve for advanced depreciation of non-current asset				—
Reversal of reserve for advanced depreciation of non-current assets				—
Provision of general reserve				—
Reversal of general reserve				—
Dividends from surplus				(2,571)
Net income				22,909
Net changes of items other than shareholders' equity	6,545	(38)	6,506	6,506
Total changes of items during the period	6,545	(38)	6,506	26,844
Balance at the end of current period	84,846	—	84,846	373,587

(Amounts truncated to millions of yen)

Guidance on the Exercise of Voting Rights via the Internet

1. Matters to be acknowledged when exercising voting rights via the Internet

When exercising voting rights via the Internet, please acknowledge the following matters before exercising the rights.

- (1) Exercise of voting rights via the Internet is only possible by accessing the website (see URL shown below) designated by the Company for the purpose of exercising voting rights. Please note that a code for the exercise of voting rights and a password provided on your Voting Rights Exercise Form enclosed with the convocation notice are necessary for exercising voting rights via the Internet.
- (2) The code for the exercise of voting rights and password provided this time are effective only for this General Meeting of Shareholders. For the next General Meeting, a new code and a password will be issued.
- (3) If you exercise your voting rights both in writing and via the Internet, we will only accept the exercise of your voting rights via the Internet as valid.
- (4) If you exercise your voting rights more than once via the Internet, we will only accept the last exercise of your voting rights as valid.
- (5) Any access charge to be paid to a service provider, communication charge to telecommunications carriers, or other costs relating to the Internet shall be borne by shareholders.

2. Instructions for exercising voting rights via the Internet

- (1) Access <http://www.it-soukai.com/>.
- (2) Enter your code for the exercise of voting rights and password, and click the “Login” button.
The code for the exercise of voting rights and password are provided on your Voting Rights Exercise Form enclosed with the convocation notice.
- (3) Exercise your voting rights by following the guidance on the screen and registering your approval or disapproval of each proposition prior to 5:35 p.m., Tuesday, June 24, 2014.

3. Security

You may exercise your voting rights safely due to the encryption technology (SSL 128 bit) used to protect your voting information from being tampered with or stolen.

The code for the exercise of voting rights and password provided on your Voting Rights Exercise Form are important to verify that the person voting is a genuine shareholder. Please maintain them as strictly confidential. In no event will the Company ask you your password.

4. Inquiries

If you have any questions about the exercise of voting rights via the Internet, please contact the transfer agent, Stock Transfer Agency Department of Mizuho Trust & Banking Co., Ltd. (see below)

- (1) For exclusive inquiries about how to exercise your voting rights via the Internet, etc.
Phone: 0120-768-524 (toll free)
Hours: 9:00 a.m. to 9:00 p.m., excluding Saturdays, Sundays and national holidays
- (2) For inquiries other than those above (1).
Phone: 0120-288-324 (toll free)
Hours: 9:00 a.m. to 5:00 p.m., excluding Saturdays, Sundays and national holidays

[To Institutional Investors]

Institutional investors may use the electronic platform for the exercise of voting rights operated by ICJ Inc. if you apply in advance.

###