ANNUAL REPORT 2005
Year ended March 31, 2005

Reliable Partnerships

JOGMEC
Japan’s Reliance on Overseas Sources for Natural Resources

<table>
<thead>
<tr>
<th>Resource</th>
<th>Domestic Production</th>
<th>Import</th>
<th>Total Consumption</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crude Oil</td>
<td>99.7%</td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>Natural Gas</td>
<td>96.5%</td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>Copper</td>
<td>99.9%</td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>Zinc</td>
<td>91.8%</td>
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<td>100%</td>
</tr>
</tbody>
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JOGMEC Supports Japan’s Future Resource and Energy Needs

Japan consumes considerably more natural resources than it produces domestically. It is therefore heavily reliant on imports. Japan Oil, Gas and Metals National Corporation (JOGMEC), an incorporated administrative agency established by the Japanese government, plays a key role in people’s lifestyles and industry through various activities involving oil, gas and metals. Against the current backdrop of surging prices for these natural resources across the board, driven by rising demand worldwide, JOGMEC constantly works to secure indispensable supplies for users in Japan.
Building and Strengthening Partnerships

Japan Oil, Gas and Metals National Corporation (JOGMEC) was created in February 2004 as an incorporated administrative agency through the merger of the functional and human resources of the Japan National Oil Corporation (JNOC) and the Metal Mining Agency of Japan (MMAJ). The mission of JOGMEC is to ensure a stable supply of energy and nonferrous metal resources for Japan. Fiscal 2004, the year ended March 2005, was effectively the first year of operations. The corporation’s first annual report begins with a few words of introduction from the president.

Ensuring a stable supply of energy and nonferrous metals for Japan

In the year or so since our establishment, we have provided assistance to Japanese companies through various functions related to the development of oil, gas and mineral resources. We have also played our part in supporting the policies of Japan’s central and local government organizations.

Today, rapid economic expansion in developing countries such as Brazil, Russia, India and China (“BRICs”) is spurring accelerated growth in demand for oil, gas and nonferrous metals. In turn, this is intensifying competition within the international community to secure such resources.

I believe that this situation will give added importance to JOGMEC’s role in the future. For this reason, our job will be to augment the expertise that we have already accumulated and further develop our network in Japan and overseas. As a group of experts in the field of resource development, we will make accurate assessments of the energy and mineral resource-related needs of private-sector companies, central government and local government organizations, and supply related high-quality services in the best interests of economy and efficiency.

Hidejiro Ohsawa
President, JOGMEC
It is essential that JOGMEC develops a diverse range of procurement options to fulfill its mission of ensuring a stable supply of resources for Japan. JOGMEC provides assistance across six different functional areas to realize this goal: (1) financial assistance to private-sector companies in the form of equity capital and liability guarantees; (2) intelligence services to aid business promotion; (3) assistance with geological surveys; (4) technology development and technical support; (5) stockpiling; and (6) mine pollution control operations.

(1) Our provision of financial assistance to private-sector companies in the form of equity capital and liability guarantees extends to Japanese upstream oil firms, including projects inherited from JNOC. JOGMEC also continues to provide equity capital, liability guarantees and other forms of financial assistance for metal and mineral resource exploration and for mine pollution control projects, both in Japan and overseas.

(2) Our intelligence-gathering services involve the collection of information and analytical surveys relating to trends in resource-rich countries and major developing nations, developments in international markets and other areas. JOGMEC actively discloses this information and supplies reports to companies, the Japanese government and local government organizations.

(3) In the area of geological surveys, we undertake detailed structural surveys in Mexico and other countries, as well as basic surveys in Japan. These operations are designed to support oil and gas exploration and production (E&P) projects by Japanese firms and other parties. In addition, we undertake geological surveys targeting the requirements of Japanese companies involved in nonferrous metal E&P operations, together with surveys conducted jointly with state-owned mining corporations.

(4) JOGMEC is an active player in the development of technologies for oil, gas and nonferrous metal E&P operations. We are engaged in a number of technical areas, including gas-to-liquid (GTL) technologies, R&D work on non-conventional resources such as methane hydrate, nonferrous metal recycling, and smelting technologies.

(5) Our stockpiling operations provide Japan with safe, secure and efficiently managed reserves of oil, liquid petroleum gas (LPG) and rare metals such as nickel and chromium. We can act dynamically in case of emergency to alleviate short-term supply constraints by releasing reserves or by selling portions of the stockpiles.

(6) In our mine pollution control activities, we provide financing and conduct mine pollution prevention studies and technical surveys with the aim of ensuring secure, long-term measures against pollution caused by domestic mining operations. In this way, JOGMEC helps to maintain public health and protect living environments in Japan.
In Closing

Looking ahead, our goal at JOGMEC will be to build reliable partnerships with government, the private sector and related parties by assessing trends in government policy and the corporate sector, and then taking the necessary actions to meet identified needs. We are committed to our mission of securing a stable supply of energy and nonferrous metal resources for Japan. I sincerely hope that we can rely on your continued support in these endeavors.

President, JOGMEC
November 2005
JOGMEC Business Portfolio

Main Activities

Oil & Gas Upstream Investment Unit
- Providing support to Japanese companies for oil and natural gas exploration and production (E&P) and project operation
  - Provision of liability guarantees to Japanese companies for oil and gas field E&P
  - Collection, equity capital, analysis and provision of information related to E&P

Oil & Gas Upstream Technology Unit
- Promoting the development of oil and natural gas E&P technologies; geological and other surveys
  - Technical support to help Japanese companies overcome technology development issues
  - Fostering and accumulating technological capabilities
  - Joint research with oil and gas producing nations
  - Accumulation and provision of information such as databased geological data

Metals Strategy & Exploration Unit
- Providing support for Japanese companies for exploration activities and project operation
  - Collection, analysis and provision of information related to the development of overseas nonferrous metal resources
  - Geological and other surveys in support of exploration projects by private-sector companies
  - Promotion of exploration technology development

Stockpile Unit
- Managing oil, LPG and rare metal stockpiles and supporting private-sector stockpiling
  - Safe, appropriate and efficient management of stockpiled resources
  - Expeditious release of stockpiles during emergencies
  - Gradual improvement and development of national oil and gas stockpile sites
  - Financial and other support for oil and LPG stockpiling by private-sector companies

Mine Pollution Control, Metals Finance & Technology Unit
- Supporting local public agencies and Japanese companies involved in mine pollution control
  - Financial support for mine pollution control activities by Japanese companies
  - Surveys and guidance related to mine pollution control
  - Operation of mine drainage treatment facilities entrusted by local public agencies
  - Management of the mine pollution control reserve fund and the mine pollution control operating fund
- Promoting technologies related to the development of nonferrous metal resources
- Providing investment, financial support and liability guarantees for exploration projects by Japanese companies
Fiscal 2004 Highlights

- Two requests for liability guarantees received and granted to Nippon Oil Exploration (Myanmar) Ltd. and ITOCHU Oil Exploration (Azerbaijan) Inc.
- Some assets held by predecessor JNOC transferred to JOGMEC
- Provided support for government-level talks between Japan and Russia on development projects in Eastern Siberia
- Technical study carried out in Libya and cooperation provided to Japanese companies on new business opportunities

- Joint research project carried out in Mexico’s largest onshore oil region
- Testing of domestic gas-to-liquid (GTL) technology in a pilot plant
- Joint development of EcoScope, a revolutionary electronic well-logging tool, and presentation at international academic conference
- Test drilling in Japan to confirm existence of concentrated methane hydrate layers

- Joint surveys with overseas resource exploration groups; surveys targeted copper and other metals in nine regions in six countries, including Chile and Indonesia
- Domestic geological survey identified a promising gold-bearing vein in the western part of Hishikari Mine, Kagoshima Prefecture, using highly accurate geological survey techniques

- High-volume foam fire extinguishers tested and emergency training carried out at oil stockpile sites
- Generally construction of national LPG stockpiling bases is advancing well
- Expeditious sales of stockpiled rare metals (ferrovanadium, molybdenum and ferromanganese) on six occasions due to surging prices for these metals

- Initiated a common research and consulting for the government and other customers; survey to identify common mine pollution control issues relevant to a large number of decommissioned mines and develop responses by accumulating relevant technologies and know-how
- Test carried out on a new mine neutralization and treatment facility at the abandoned Matsuo Mine, Iwate Prefecture; the result is expected to deliver electricity savings of at least 25%
- Hydrometallurgy technology development project launched; utilizes bioleaching and other techniques
- Used smelting and recycling technologies to achieve a recycling rate of at least 95% for metals in used hybrid car fuel batteries
Leveraging expertise accumulated over the years, JOGMEC works to facilitate Japan’s ability to independently develop energy resources by promoting and supporting the smooth operation of oil and natural gas development projects run by Japanese private sector companies. JOGMEC also actively supplies information to private companies as a leading information gathering organization in Japan focusing on the upstream oil and natural gas sector.
Business Overview

Providing Financial Assistance to Japanese Companies

In the oil and gas E&P business, risks associated with individual projects are exceptionally high. For private-sector companies, achieving a certain level of success is dependent on investment in multiple projects. Because it is difficult for these companies to take this risk using their own funds, JOGMEC helps them to procure investment funds.

One way JOGMEC does this is by supplying equity capital, giving Japanese companies some of the funds they need for oil and gas E&P activities and asset acquisitions, as well as for investment in natural gas extraction and liquefaction projects. Together with the provision of equity capital, another important way JOGMEC provides financial assistance to private-sector companies for these projects is by granting liability guarantees.

Gathering and Supplying Information

As a leading specialist organization in Japan gathering, analyzing and supplying data on upstream oil and gas operations, JOGMEC assesses, collates and analyzes a wide range of information. Areas of specialization include the global resource and energy situation, regulations and tax regimes in oil producing nations, information on newly opened exploration blocks and the latest moves by international oil majors. Based on efforts to enhance links between researchers and research institutes at home and abroad, JOGMEC also works to gather high-value, up-to-date information and supply it extensively to private-sector companies.

Financial Assistance Systems
Identifying Customer Needs
JOGMEC also actively approached private-sector companies at the management level in fiscal 2004. The aim of these meetings was twofold—to explain what JOGMEC does and the services it provides; and to accurately identify the kind of assistance companies need. As a result, the companies approached through the meetings called on JOGMEC to: expand the range of potential projects eligible for assessment; enhance the liability guarantee function; provide complete support packages for gas projects from upstream through downstream operations; simplify application procedures; and speed up decision making.

Cooperating on New Business Opportunities
Based on these needs, JOGMEC worked with Japanese companies to uncover new business opportunities. In fiscal 2004, we conducted a technical study in Libya and released the results to Japanese companies.

In order to efficiently supply our clients with the latest information on new exploration rights, we actively exchanged information with national oil companies and the heads of related government agencies in Malaysia, Russia and Abu Dhabi. In parallel, we actively participated in oil & gas in Azerbaijan, Libya, the United Arab Emirates, Iran and Mexico, aiming to raise the international profile of JOGMEC by showcasing our business activities and technical capabilities.

During the year, we carried out an internal study examining how we could more effectively serve Japanese companies in the future. As a result, we decided to focus on supporting companies in a number of key business fields such as asset acquisition, operatorship in E&P projects, and monetization of natural gas reserves already located. We also identified Eastern Siberia, Iraq, Libya and other target geographies as areas where we plan to provide strategic support going forward.
Stringent and Expeditious Assessment, Selection and Management of Projects

After carefully listening to client companies, JOGMEC assesses and selects projects for assistance in a stringent yet efficient and rapid manner.

All candidate projects requested by companies are evaluated from the perspective of whether they will strategically and efficiently contribute to the realization of a stable energy supply for Japan. Project selection evaluation standards have been announced publicly.

JOGMEC plans to establish a new set of standards in fiscal 2005 for project management. Project management will be implemented from a number of different perspectives, including adequacy of project operations, schedules and cost estimates, primacy in relation to government policy, and projected long-term cash flows.

JNOC Assets Transferred to JOGMEC

In accordance with directions from the government, some assets held by JNOC, explained below, were transferred to JOGMEC during the year under review. These assets included interests in the Kashagan oil development project in Kazakhstan owned by INPEX North Caspian Sea, Ltd., the Tangguh LNG project in Indonesia owned by Nippon Oil Exploration Berau Ltd. and two other companies.

- JNOC investments in oil and gas E&P projects that may require additional investment after the dissolution of JNOC in March 2005.
- Liability guarantees granted by JNOC for oil and gas E&P projects where the period of cover extends past the date of JNOC’s dissolution.

By fully leveraging its expertise in the field, JOGMEC will work to ensure these projects are a success based on appropriate and thorough project management.

Supporting Government-level Talks Between Japan and Russia

-Projects in Eastern Siberia and the Russian Far East-

Russian projects to develop natural resources in Siberia and the Far East and upgrade related transport infrastructure are extremely important to Japan from the perspective of energy security. JOGMEC is supporting talks between Japan and Russia on these projects through the provision of specialist know-how. In fiscal 2004, in conjunction with these government-level talks, JOGMEC established a dedicated task force to help fully realize these projects by gathering, analyzing and providing information and performing other support tasks.

As a result of these efforts, on December 31, 2004, Russian Prime Minister Fradkov signed a government directive that agreed in principle to Japan’s scheme to build an oil pipeline from Eastern Siberia to the Pacific coast.
Fiscal 2004 Achievements

Gathering and Supplying Information

Efficient and Highly Targeted Information Gathering
• Gathering, analyzing and providing key information in line with basic policy for project selection

In fiscal 2004, JOGMEC gathered information on key regions such as the Middle East, Libya, Indonesia and Russia, with a particular emphasis on information concerning upstream trends. This information was analyzed and supplied to both internal and external JOGMEC clients. In particular, we held a seminar about Indonesia in Tokyo in November 2004. The seminar, given by local consultants, focused on the upstream and midstream investment environment in the country.

Providing Up-to-date Practical Information
• Information on international trends in business models and other topics

During the year, JOGMEC also gathered information and held workshops in Japan (seven held annually) on concrete initiatives directly related to gas and oil field operations, including financial modeling for upstream businesses, comparison of the latest gas monetization methods for small and mid-size gas fields in the Asia-Pacific region, and cost-reduction methods for upstream operations.

• Information on changes in the natural gas business environment

Key themes in fiscal 2004 included gas-to-liquid (GTL) technology, which enables the production of diesel and other liquid fuels from natural gas, trends in the global LNG market and developments in the construction of LNG receiving terminals on the Pacific coast of North America. All these themes are of great importance to the energy supply environment.

• Publication of bimonthly Oil & Gas Review and monthly briefings

JOGMEC releases reports on trends in the oil and gas industry via its website on a monthly basis and at other appropriate times. Live briefings about these reports are held every month, and are usually attended by around 100 participants. An extensive redesign of JOGMEC’s bimonthly Oil & Gas Review newsletter has also helped to raise its value as a channel for both gathering and disseminating information.
In fiscal 2005 in particular, JOGMEC plans to provide support in key areas of the oil and gas business such as asset acquisition projects, an important means of increasing reserves; operatorship projects; and the monetization of gas assets that have already been discovered.

In the natural gas field, there is increasing diversification internationally in LNG, GTL, DME and other business formats. The way Japanese private-sector companies participate in this field is also becoming more complex. Against this backdrop, JOGMEC will specifically focus on concrete initiatives related to the monetization of existing gas assets in fiscal 2005 as part of efforts to reflect the needs of private-sector companies in its activities.

Additionally, based on its business plan formulated in fiscal 2004, JOGMEC will channel resources to support projects in strategic regions.

1. Areas where investment decisions present difficulties for companies at the current time: Eastern Siberia and Iraq
2. Areas where exploration has only been opened to foreign investment relatively recently: Libya, Iran and Mexico
3. Areas where Japanese private-sector companies can leverage their local position to pursue business opportunities closer to Japan: Sakhalin and Indonesia

JOGMEC will also continue to provide practical support to companies by organically combining its entire range of capabilities—provision of equity capital and liability guarantees, information gathering and provision, support for information gathering by Japanese companies and other clients, geological surveys, technical support and training.

Developments in Eastern Siberia Projects

There have been significant developments in discussions between the Japanese and Russian governments on projects in Eastern Siberia. We have also seen some concrete moves toward the realization of these projects, including the signing of a directive by Russia’s Industry and Energy Minister on April 26, 2005 to launch the start of pipeline construction in two phases by the Transneft Company. Against this backdrop, JOGMEC will do its part to help accelerate and fully realize oil, gas and related infrastructure projects in the region. This will mean continuing to enhance cooperation with the Japanese government, gathering timely high-value information, analyzing trends and carrying out the full range of technical assessments.

To achieve these objectives, JOGMEC will reinforce its system of special cross-divisional teams to support both governments in the early realization of these Eastern Siberian projects. A range of related JOGMEC organizations, including special teams, the Technology & Research Center (TRC) and the Moscow Office, will work closely to accumulate technical data, as well as carry out surveys and gather information on the status of exploration block acquisition, the investment environment and other areas.
As a specialist technical group in oil and gas E&P, JOGMEC has acquired common fundamental technologies and know-how which it supplies to private-sector companies. JOGMEC also provides these companies with solutions for technical issues related to oil and gas field operation. In addition, JOGMEC undertakes various collaborative projects from a global perspective including overseas geological surveys and technical cooperation with oil- and gas-producing nations.
Business Overview

Contributions spanning numerous technical fields

Based in Makuhari, Chiba, the JOGMEC Technology & Research Center (TRC, part of the Oil & Gas Upstream Technology Unit) provides technical support to the upstream oil industry in a number of areas. These range from business-related fields such as exploration, development, drilling, production and natural gas utilization, to technical management and training. Through these kinds of activities, JOGMEC works to expand contacts with the oil and gas industry both in Japan and overseas.

Other activities include accumulating the vital common fundamental technologies and know-how crucial to E&P activities, and strategically and intensively working to overcome technical issues related to oil and gas field operation.

Collaboration with outside experts

Broadening cooperation with outside experts in its technical development programs helps JOGMEC to achieve better results and thus make an enhanced contribution to the industry. For example, in technical areas such as gas-to-liquid (GTL) technology, dimethyl ether (DME) and methane hydrate, JOGMEC has formed research consortia, carries out joint research with foreign institutes, and invites proposals for these research subjects.

JOGMEC has always pursued strong business ties with companies in the steel, shipbuilding, engineering and other industries, working to translate expertise in these fields into more competitive oil and gas technologies.

Cooperation with oil- and gas-producing nations

JOGMEC is involved in joint projects aimed at promoting technical cooperation with oil- and gas-producing nations. In addition to working with its partners to actively develop new technologies, JOGMEC carries out education and training activities such as inviting technical staff from oil- and gas-producing nations to attend training courses in Japan.

The Oil and Gas E&P Technology Development Map
In fiscal 2004, targeting the vast oil fields of the Middle East, JOGMEC used analysis of core samples, well log data and 3D seismic data to construct preliminary geological models for heterogeneous, low-permeability carbonate reservoirs. In addition, JOGMEC prepared flowcharts and evaluation manuals related to the construction of sediment model, physical properties of sediments and structural evaluation as part of an ongoing program to disseminate general technical expertise accumulated to date about carbonate reservoir characterization.

As part of a project to improve the effect of water flooding in heterogeneous oil reservoirs, JOGMEC constructed an integrated model that incorporates anisotropic faults and permeability effects, and investigated associated development methods. Elsewhere, JOGMEC conducted field trials to test the application of a multi-phase flow meter that enables continuous monitoring of the proportions of oil, gas and water produced from a well. These tests yielded interesting data, not least concerning changes in the water cut.

Separately, in the area of oil field operations, JOGMEC conducted hearings with Japanese upstream oil firms, collating information with regard to short-, medium- and long-term technical issues. This process identified 13 technical areas about which JOGMEC has since entered into discussions with the companies.

### Methane hydrate research

As part of Phase 1 of the Japan’s Methane Hydrate Exploitation Program, JOGMEC gathered well log data on methane hydrate deposits, as well as core samples and temperature data. The results enabled JOGMEC to confirm the existence of methane hydrate-rich structures and to extract cores containing methane hydrate. JOGMEC also successfully drilled horizontal wells into shallow, unconsolidated sand strata below the seabed containing methane hydrate.

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**Conquering Technical Issues Faced by Japanese Firms**

- **Technologies for the development of heterogeneous, low-permeability carbonate reservoirs**

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GTL technologies

Using its Yufutsu pilot plant located in Tomakomai, Hokkaido, JOGMEC completed the acquisition of a range of data on the manufacture of GTL fuels from natural gas containing CO2. The prescribed numerical targets for 2004 were all achieved for the pilot production of synthetic gas ("Syngas") from this raw material, as well as for processes based on Fischer-Tropsche synthesis. JOGMEC also completed an economic feasibility study for the application of GTL technologies to gas fields in Indonesia and acquired related information on commercialization.

Joint research with PEMEX (Mexico)

The complex geological structures in the Chicontepec Basin, an onshore oil region in eastern Mexico, tend to depress productivity levels. JOGMEC is conducting joint research with Mexico’s national oil company, PEMEX, to develop technologies to maximize yield production. In fiscal 2004, JOGMEC undertook a special analysis of 3D seismic data in conjunction with a Mexican research team. The results were used to build a detailed geological model of the field. Joint research teams also applied novel theoretical approaches to enable the statistical incorporation of the diagenesis map, created using well data, into the geological model, as well as to extract the optimal area for exploitation and to develop scale-up methods.

In the Burgos Basin of northern Mexico, where gas production from the onshore Cuitlahuac gas field is rising rapidly, JOGMEC is undertaking a joint survey with PEMEX to determine the distribution of undeveloped gas strata through the application of S-wave seismic survey technology. In fiscal 2004, JOGMEC completed a study on data already obtained from the gas field and conducted velocity measurements on rock core samples. The P-wave and S-wave velocity data obtained helped JOGMEC to identify sandstone and shale strata, discover fluid deposits in the reservoir rock and derive porosity estimates.

Joint research with ADNOC (U.A.E.)

JOGMEC analyzed the effects of corrosion on metal test components inside drilling wells and carried out laboratory tests on the corrosive effects of varying water content. These results, combined with earlier studies, promise to help the Abu Dhabi National Oil Company (ADNOC) and the Abu Dhabi Company for Onshore Oil Operations (ADCO) in selecting future materials.

Technical collaboration with NIOC (Iran)

The National Iranian Oil Company (NIOC) is focused on monetizing its natural gas reserves, the world’s second largest. Responding to a request from the Research Institute of Petroleum Industry (RIPI), the research arm of NIOC, JOGMEC is collaborating on the development of technology to convert methane gas into a liquid fuel using the oxidative coupling method (OCM). During fiscal 2004, JOGMEC worked with RIPI in the development of a fluidized-bed catalyst. The project also completed the design and feasibility study phases for development of the fluidized-bed OCM reaction vessel and the overall process concept. Additionally, preparations were completed to move to the second-phase bench testing procedures.
Fiscal 2004 Achievements

Basic research and development

JOGMEC continued basic research and development into the following technologies during fiscal 2004. Going forward, the growing technical stature of JOGMEC promises to help Japan increase its level of energy self-sufficiency.

- Geochemical evaluation technologies for organic matter in sediments
- Improved/enhanced oil recovery (IOR/EOR) technologies
- Core/fluid analysis technologies
- Basic research into production technology
- Corrosion protection technology
- Research into drilling and completion engineering

Geological surveys for future resource development

In December 2004, an agreement was reached at the government level to construct a pipeline to supply Japan with energy from Eastern Siberia and Sakhalin. JOGMEC conducted regional geological studies and field reserves evaluations on this region to evaluate potential reserves ahead of anticipated collaboration on upstream development.

Ensuring efficient and effective technical development

JOGMEC undertook various initiatives in fiscal 2004 to ensure technical development programs operate effectively and efficiently.

All technical development and overseas geological survey projects are subject to quarterly reviews to assess status, implement revisions and reallocate budget and personnel as necessary. JOGMEC uses PDCA* cycles to drive progress in this area.

In areas requiring specialized testing, expert analysis or specific technical knowledge, JOGMEC promotes interaction with universities, research institutions and various companies around the world to boost the efficiency of internal research processes.

Start of 3D seismic data acquisition in East China Sea (waters northwest of Okinawa)

In a project commissioned by the Japanese government, JOGMEC has begun acquisition of 3D seismic data in Japan’s Exclusive Economic Zone (EEZ) east of the Japan-China maritime boundary using a Norwegian seismic survey vessel. The aim of the project is to assess the resource potential of the area.

*PDCA: Plan, Do, Check, Action
JOGMEC will continue to develop new technologies in fiscal 2005 to address the technical issues faced by private-sector companies in Japan. Projects will be selected in order of priority from the 13 candidates identified in technical consultations conducted with upstream companies in fiscal 2004. This process will involve seminars and workshops given by experts invited by JOGMEC, together with data analysis and other studies about oil and gas fields as well as new data acquisition by seismic surveys. JOGMEC plans to examine these issues and solutions tailored to actual frontline needs through discussions with related oil firms.

Elsewhere, JOGMEC plans to further raise its level of technical expertise in fields where it has already acquired extensive knowledge, such as reservoir characterization, improvement of wellbore stability, improved and enhanced oil recovery technologies, and geochemical evaluation. JOGMEC plans to respond promptly to concerns raised by oil companies in these and other areas.

Fiscal 2005 Plan

Responding to private-sector technical issues

JOGMEC will continue to develop new technologies in fiscal 2005 to address the technical issues faced by private-sector companies in Japan. Projects will be selected in order of priority from the 13 candidates identified in technical consultations conducted with upstream companies in fiscal 2004. This process will involve seminars and workshops given by experts invited by JOGMEC, together with data analysis and other studies about oil and gas fields as well as new data acquisition by seismic surveys. JOGMEC plans to examine these issues and solutions tailored to actual frontline needs through discussions with related oil firms.

Joint projects with oil-producing nations

In fiscal 2005, JOGMEC plans to continue various joint research projects with oil-producing nations such as Mexico, Iran and the U.A.E. (Abu Dhabi). In addition, preparatory discussions about new projects are ongoing with a number of other countries. These projects aim to make efficient use of each of the TRC functions (including field surveys, research and development), while also taking into consideration technologies needed by oil-producing nations and the projected benefits of future oil field development in terms of both the technology and the knowledge that could be acquired.

Promoting methane hydrate development

JOGMEC is working with other corporations on methane hydrate survey in accordance with the program approved by METI. One of JOGMEC’s key roles in this national project is the quantitative evaluation of methane hydrate resources. In fiscal 2005, JOGMEC plans to complete resource profiling for methane hydrate in the Nankai Trough, based on core and reservoir data from the exploratory well off the central Japan coast in the Kumano Basin and reprocessed seismic data. This analysis is expected to yield estimates of resources. JOGMEC also plans to conduct a second test production run for methane hydrate in Canada.

Technologies to promote effective natural gas utilization

JOGMEC has made progress in each of the gas utilization technologies it is currently developing. Technologies for GTL and NGH (natural gas hydrate) have now reached the final stage before commercialization. Going forward, JOGMEC plans to focus not just on technical development, but also on studies to solve challenges associated with commercialization. JOGMEC hopes to play an active role in launching technologies that will boost the effective utilization of natural gas.
Metals Strategy & Exploration Unit

The Metals Strategy & Exploration Unit provides support for the overseas mining operations of Japanese private-sector companies. Services include support for geological surveys and ore deposit studies in overseas regions, as well as exploration assessment studies. JOGMEC supplies effective solutions to support exploration activities for metals carried out by Japanese companies at home and abroad.
Business Overview

Information collection, analysis and provision

The information and documents that are collected and distributed as part of JOGMEC’s intelligence and analytical support services are designed to help Japanese companies engaged in metals exploration activities at home and abroad. The range of topics covered is broad, ranging from information on overseas geology and ore deposits as well as the status of exploration, development and production activities, to mining policies and regulations in different countries, supply and demand trends for major metals, trends in the global non-ferrous metals industry and mining-related environmental issues. JOGMEC publishes data and reports in periodicals, on its website and via briefing sessions, aiming to provide the most up-to-date information to private-sector companies and other clients.

Supporting metals exploration activities by Japanese companies

JOGMEC focuses principally on supporting the metals exploration activities of Japanese companies. Practical support includes conducting analysis of satellite images, and geological and geophysical surveys, of potential ore-producing regions around the world on behalf of private companies. The primary goal of such activities is to enable the results to be utilized by the private sector in exploration and mine development.

In recent years, JOGMEC has shifted focus by terminating programs for regional geological surveys within Japan and technical cooperation for mineral resources development, both of which had achieved their original goals. From fiscal 2003, JOGMEC instituted a new program of joint basic explorations. In fiscal 2004, JOGMEC also launched a new initiative in the field of securing strategic mineral resources.

With joint basic exploration, JOGMEC directly concludes contracts with overseas national mining companies and private-sector companies and carries out joint basic exploration with these partners. JOGMEC’s aim is to ensure mining rights related to promising areas identified by the surveys are awarded to Japanese companies. The ultimate objective of these projects is to develop mining operations in areas awarded to Japanese companies, thereby helping to ensure a stable supply of resources to Japan and supporting economic growth in developing countries.

In the case of strategic mineral resources security program, JOGMEC collects geological data using the latest satellite imaging technology and other means, and carries out joint surveys, primarily focusing on regions or mineral deposits that have little or no mining activities due to investment environment or technical difficulties. JOGMEC then gives the results of these surveys to private-sector companies.

Geological survey and subsidy schemes are also provided by JOGMEC to support mineral exploration projects conducted by Japanese companies both at home and abroad. After a public selection process, projects with the greatest probability of leading to actual mining activity are usually selected to receive assistance.

Through these schemes designed to meet the needs of Japanese companies, JOGMEC is playing its part in supporting mining activities.
1. Systematic, steady progress in supplying information on nonferrous metal resources

(1) Acquisition and distribution of mining-related information on major resource-rich countries
JOGMEC supplies a comprehensive range of information on nonferrous metals production, exploration project status and mining policies for 88 countries on its website (visit Profiles of Mining Countries* for more information). In fiscal 2004, using the expertise of its overseas office functions, JOGMEC published World Mining Annual Review 2005*, a survey of the mining industry in 47 countries.

(2) Publication of 2004 trends related to global nonferrous majors
In fiscal 2004, JOGMEC published Nonferrous Industry Majors: Trends in 2004*, a guide to the business status of the world’s 20 leading nonferrous metal companies in 2003, including information on recent activities.

(3) Analysis of base metals markets
Using information from international study groups and other sources, JOGMEC conducts surveys of daily price movements in international markets for base metals (copper, lead, zinc and nickel) and related supply-demand trends. In fiscal 2004, JOGMEC also published Material Flow 2004*, a quantitative analysis of the distribution and recycling of 40 mineral resources during 2003.

(4) Sustainable development in mining
In fiscal 2004, JOGMEC published Global Trends and Major Activities in Sustainable Development in Mining*, a survey of trends within global mining companies related to corporate social responsibility (CSR) and the debate over the development of sustainable mining, which is taking place both within the metals industry and at government level through the Meeting of APEC Ministers Responsible for Mining.

*Only available in Japanese

2. Strategic intelligence acquisition to support specific projects

(1) Strategic mineral resources security program
JOGMEC conducted satellite imaging and ground surveys in the Cordilleras mountain range of Peru and in the Tethys Sea convergence zone (spanning Iran and Turkey), both regions of high ore-yielding potential. Information on those areas with large untapped deposits and related survey data were later supplied to companies.

In Brazil, JOGMEC initiated survey, analysis and evaluation work for deposits of copper, nickel, platinum and related metals—all areas in which Japanese companies have little exploration experience. JOGMEC also collected intelligence for metals exploration projects in Canada, Australia and Papua New Guinea, countries in which resource development activities by Japanese companies have stalled due to issues such as environmental regulations and the land ownership rights of native peoples.

(2) Surveys of strategic investment conditions
Using overseas research institutions, JOGMEC conducted a survey of investment conditions in developed countries, focusing in particular on regions of the world such as Russia, Australia and the Canadian state of British Columbia, where environmental problems and issues related to the rights of native peoples have led to deterioration in the investment environment. In addition, JOGMEC completed a survey of China’s efforts to secure metal resources to supply booming demand caused by rapid economic growth. This survey also looked at the status of and trends in overseas developments by China.

(3) Invitations extended to overseas government officials and other key figures
JOGMEC invited Chimiddorjiin Ganzorig, Mongolian Minister of Industry and Trade, to facilitate smooth business development by Japanese companies in Mongolia. The visit made a significant contribution to the progress of a number of JOGMEC metals exploration projects in that country.
3. Distributing information to promote greater public understanding

(1) Publication of the latest information in periodicals
- News Flash: weekly publication (48 issues in 2004, with 893 articles)
- Current Topics: weekly publication (58 issues in 2004)
- Metals Report: bimonthly publication (6 issues per year)

(2) News bulletins from overseas staff and organization of lectures
- Reports from staff in overseas offices: five (Denver, Bangkok, Santiago, London, Lima)
- Speeches by government officials and other key figures: three (Mongolian Minister of Industry and Trade, Vice-President of Teck Cominco Ltd., a senior mining civil servant from Papua New Guinea)
- Lecture held on March 30, 2005 on market trends observed in 2004 for copper, lead and zinc and other commodities

(3) Active publication of geological survey data in digital form
- JOGMEC has compiled historical survey data from overseas metals exploration projects into an accessible and searchable database.

(4) Information distribution via website and e-mail services
The above information can be viewed at the Mineral Resources Information Center (MRIC), an online resource within the JOGMEC website called the “Virtual Mineral Resources Information Center”. JOGMEC also provides an e-mail service that highlights various articles in periodicals and mining-related newspapers, as well as lectures. A simple online application allows readers to subscribe to this e-mail service.
http://www.jogmec.go.jp/mric_web/index.html
(Japanese only)

(5) Information distribution via the JOGMEC library
JOGMEC possesses Japan’s only specialist library for nonferrous metals. It houses specialist publications on the technical aspects of mineral resource development and production, including geology, ore deposits, mining, separation and refining, as well as geological maps of all countries, deposit distribution maps and related documents, and publications on government mining policies, mining-related legislation and statistics on supply and demand. Lending and photocopying services are also available.

Mineral Resources Information Center

7F, Muza Kawasaki Central Tower, 1310 Omiya-cho, Saiwai-ku, Kawasaki-city, Kanagawa 212-8554 JAPAN
TEL: +81-44-520-8744, FAX: +81-44-520-8760

JOGMEC publications related to the metals field

The JOGMEC Mineral Resources Information Center
Fiscal 2004 Achievements

Contributing through geological and joint surveys

Results of geological surveys

- **Overseas geological surveys**
  In fiscal 2004, JOGMEC conducted geological surveys in three regions where mine development by Japanese companies is considered probable: the northwest Queensland region (Australia), the Collahuasi region (Chile), and the Chavin south region (Peru). The survey results found promising geophysical anomalies suggesting the existence of ore deposits in northwest Queensland. Separately, JOGMEC selected the Andina region of Chile for offering a subsidy.

- **Domestic geological surveys**
  In Japan, JOGMEC conducted drilling operations in the Hokusatsu Yamada region of southern Kyushu. The surveys identified a promising ore-bearing quartz vein to the west of the Hishikari mine located in Kagoshima Prefecture.

- **Geological survey database**
  Compilation of the results of completed geological surveys continued. JOGMEC has published the results of surveys conducted in Japan and abroad on its website to allow users to search and view them online.

Results of joint basic exploration surveys and other surveys

- **Joint basic exploration scheme**
  In fiscal 2004, JOGMEC completed joint surveys of nine regions in Chile, Indonesia, Mongolia, Argentina and Brazil.

- **New survey project**
  JOGMEC dispatched survey teams to Mongolia, Argentina, Brazil, Chile, Mexico, Ecuador, Peru, the Philippines and other countries in fiscal 2004 to collect information on exploration projects.

- **Technical cooperative projects for mineral exploration**
  In fiscal 2004, the final year of the cooperative technical projects for mineral exploration based on requests from government institutions in developing countries, JOGMEC conducted surveys with technicians from counterpart organizations from other nations in three regions, including the Marrakesh Techna region of Morocco. These efforts helped to promote technical cooperation between Japan and developing countries.

Advanced technology used in JOGMEC surveys

- **As part of a program to develop high-precision geophysical surveying techniques**, JOGMEC conducted field tests in Chile and Morocco for an electromagnetic method of surveying based on the SQUID magnetometer.

- **In the technical development field**, JOGMEC also made efforts in the field of remote sensing techniques for mineral exploration, focusing on research into hyperspectral data processing. Tests were conducted in the U.S., Chile and northwest Iran. JOGMEC also pursued a related research program into polarimetric synthetic aperture radar data processing.
Competition to acquire mining interests is expected to continue intensifying amid rising demand for metals in BRICs, that is, Brazil, Russia, India, China and other rapidly growing countries, which is leading these nations to invest more heavily in securing resources overseas. At the same time, consolidation within the global nonferrous metals industry is forecast to result in market domination by a small number of players. These conditions are spurring Japanese companies to develop resource business opportunities in overseas markets.

JOGMEC’s policy is to upgrade the assistance it offers to Japanese companies involved in mining operations so that it can make a greater contribution to the development of Japanese industry.

Ongoing active stance toward geological and joint surveys

JOGMEC plans to continue providing support to Japanese companies for geological surveys. JOGMEC will announce the public selection for this assistance online, and then review and select applications it receives. JOGMEC aims to maintain a proactive stance by developing joint basic exploration scheme and strategic mineral resources security program. Project formats will be linked to anticipated orders received by Japanese companies.

Focused information collection, analysis and provision

In fiscal 2005, JOGMEC plans to step up efforts to assist Japanese companies in developing resource-related overseas business opportunities. Priority areas for surveys and research are outlined below.

1. Surveys of individual resource-rich nations identified as key strategic exploration targets for Japanese companies
2. Survey and analysis of business and development strategies pursued by overseas non-ferrous metals majors (to aid project development by JOGMEC and Japanese companies)
3. Survey and analysis of production/development status for base metals, and future outlook thereof; analysis of composition of non-ferrous metals consumption, particularly in leading developing nations such as BRICs
4. Assistance for project development by JOGMEC and Japanese companies by extending invitations to key industry figures and participating in international conferences

Supporting Japanese companies to maximize overseas business chances
JOGMEC is responsible for the integrated management of national oil and rare metals stockpiling programs, constructing national LPG stockpiling bases, and providing financial support to the private sector for the fulfilment of legal stockpiling obligations.

JOGMEC ensures the safe and efficient management of stockpiled resources and manages stockpiling bases under ordinary conditions, while maintaining a system for the expeditious release of materials from stockpiles during times of emergency. Consequently, JOGMEC contributes to providing lasting stability for the Japanese public.
Integrated management of national stockpiles along with support for private-sector stockpiling

Japanese industry began oil stockpiling in fiscal 1972 in the wake of the first oil shock. Subsequently, the government initiated national oil stockpiling in fiscal 1978.

As of March 31, 2005, the national oil stockpiling consisted of a total equal to 92 days of domestic consumption stockpiled in tanks at ten locations across Japan (some of the tanks being leased from the private sector).

The private sector stockpiled crude oil and petroleum equal to an additional 74 days of consumption.

JOGMEC is responsible for the integrated management of the national oil stockpiles and stockpiling bases, related research and technical development, and promoting international cooperation, under a contract from the government. JOGMEC is providing financial support to private-sector companies to help them fulfill their legal stockpiling obligations. These wide-ranging activities of JOGMEC contribute significantly to the stability of life of the Japanese people.

National LPG stockpiles are aiming for the goal of 1.5 million tons by fiscal 2010

As with petroleum stockpiling, LPG stockpiling consists of government stockpiling and private-sector stockpiling. As of March 31, 2005, the private-sector stockpile represented a total of 58 days of domestic LPG consumption, compared with a legal obligation of 50 days. The Japanese government aims to create an LPG stockpile of 1.5 million tons by fiscal 2010. Construction of national LPG stockpiling bases is currently under way at five locations. JOGMEC is constructing these bases at Nanao, Ishikawa Prefecture; Fukushima, Nagasaki Prefecture; Kamisu, Ibaraki Prefecture; Namikata, Ehime Prefecture; and Kurashiki, Okayama Prefecture.

Rare metals stockpiling program: materials vital to Japanese industry

The two oil shocks underlined the status of Japan as a resource-poor nation that lacked significant domestic supplies of both oil and metals. In addition, the experience highlighted the high dependence of the Japanese economy on resources, as well as the fragility of related supply-demand structures. Repeating the lesson previously learnt with oil, these events confirmed the necessity of stockpiling supplies of metals—particularly rare metals.

Today, JOGMEC manages national stockpiles for seven types of rare metals: nickel, chromium, manganese, molybdenum, tungsten, cobalt and vanadium. These metals are collectively stored and managed in Takahagi in stockpiling warehouses in Ibaraki Prefecture. JOGMEC studies supply-demand and prices trends for rare metals and monitors the necessity for expeditious measures to maintain stable supplies. If required, JOGMEC is also empowered to release or sell resources from stockpiled commodities.
Maintaining release readiness of petroleum and LPG stockpiles

- Execution of emergency release exercises -

JOGMEC reinforced the emergency release system in fiscal 2004. This move ensures that the minimum period required for the release of stocks on orders from the METI minister is within seven days of dates specified by designated buyers at government tender.

Specifically, JOGMEC confirmed the necessity of repairs required to stockpiling tanks (both in the state-owned stockpile and the leased stockpile from the private sector), and obtained the corresponding release response times and volumes of oil released at each stockpiling bases.

Once more, JOGMEC conducted emergency release exercises using tankers at six national oil stockpiling bases (Mutsu-Ogawara, Tomakomai-East, Kikuma, Kushikino, Shibushi and Fukui).

In addition, JOGMEC assessed the readiness status of its release system through close coordination with related parties. This involved conducting hearings with the operational services companies contracted to manage the national stockpiling storage sites, as well as carrying out a more practical questionnaire survey of private-sector oil companies to ascertain what grades of crude oil from which stockpiling bases the companies would want to purchase in case of emergency. Based on the results of these processes, JOGMEC made a number of revisions to its petroleum stockpile release manual and procedures.

Fiscal 2004 Achievements

The dynamic release of petroleum and LPG stockpiles

- Tomakomai-East national oil stockpiling bases (above-ground tank system)
- Kamigoto national oil stockpiling bases (floating tank system)
- Nanao national LPG stockpiling bases (above-ground tank system)
**Rapid financing support for the private sector**

In April 2004, JOGMEC provided financial support to 15 domestic private oil companies and 12 LPG companies to ensure that the private sector could fulfill its collective stockpiling obligations (70 days cover for oil and 50 days for LPG). Financial support totaled ¥314.6 billion (¥269.9 billion for oil and ¥44.8 billion for LPG). Selection and review of applications for financing was based on each company's credit rating and the JOGMEC’s own credit standing model. Reviews were also conducted in strict accordance with JOGMEC’s internal loan review standards. During the year, JOGMEC also realized a smoother financing process by reducing the time needed for decisions on loan applications from six weeks to four weeks.

**Safe management of national oil stockpiling bases and cooperation with local communities**

**Maintaining a zero accident and disaster record**

In fiscal 2004, JOGMEC conducted the usual training exercises in Japan and overseas to prepare for fire extinguishing exercise, pollution control exercise and oil spilled response exercise, and focused on confirming the effectiveness of mandatory safety measures stipulated by Japanese laws governing fire fighting and shipping safety, by tank-opening inspections. JOGMEC also advanced investigations into the ideal risk management systems for national oil stockpiling bases and the replacement of any halon-based firefighting equipment.

In a fresh initiative, JOGMEC complied with amendments to disaster prevention legislation concerning crude oil installlations by conducting tests of the high-volume foam fire extinguishers at the Shibushi national oil stockpiling base. The test was carried out in collaboration with the Fire and Disaster Management Agency and the Agency for Natural Resources and Energy, METI. In addition, JOGMEC took steps to strengthen preventive measures against unforeseen events and to bolster disaster countermeasure capabilities by accelerating the construction of stockpile risk management systems and implementing system maintenance controls for the underground rock cavern tank system.

**Promoting harmony with local communities around stockpiling bases**

JOGMEC is taking steps to promote greater understanding of the government stockpile system through enhanced online public relations activities and the distribution of pamphlets and leaflets to local residents living close to stockpiling bases. Active public relations programs in fiscal 2004 also featured events held specifically for the benefit of local residents. In terms of environmental monitoring, JOGMEC is working to build local relations by creating coastal environment data maps for areas in the vicinity of stockpiling bases at Kituma and Kamigoto and by distributing these maps to relevant local government entities and other groups.

**Construction of national LPG stockpiling bases is progressing well**

For fiscal 2004, JOGMEC achieved the target for the progress to have been made at the end of fiscal year in the construction of all five bases: Nanao (Ishikawa Prefecture), Fukushima (Nagasaki Prefecture), Kamisu (Ibaraki Prefecture), Namikata (Ehime Prefecture) and Kurashiki (Okayama Prefecture). Construction of Nanao, Fukushima and Kamisu bases is expected to be completed on schedule within fiscal year 2005. JOGMEC is compiling base operations and management manuals, training operating personnel and increasing cooperation with related organizations and local residents to ensure that operations can get under way smoothly.
Efforts to reduce costs and raise the efficiency of stockpiling operations

JOGMEC is taking steps to promote the efficiency of stockpiling operations by reducing costs, conducting efficient switching of oil grades, and working to efficiently and effectively utilize state-owned products and assets. In fiscal 2004, JOGMEC achieved a reduction of 4.6% in total annual integrated management costs for national petroleum stockpiling operations, beating its target of 4.0%. This was achieved through accumulated gains from a whole host of various improvements, which included: savings in maintenance and repair costs through the provisional introduction of multi-year contracts for tank-opening inspections at some stockpiling bases; revisions to the form and substance of damage insurance contracts, coupled with a reduction in the number of contracts; and an increase in the number of contractors providing periodic inspection services following a shift to a much more competitive tender system.

In addition, the results of a technical survey undertaken by JOGMEC pointed to further potential cost savings due to an April 2004 alleviation of fire-fighting legislative provisions. As a result, the periodic cycle for tank-opening inspections for in-ground tanks at the Akita stockpiling base has been extended from 10 to 13 years.

Expeditious sales from national stockpiles

Expeditious sales of stockpiled rare metals to private firms

During fiscal 2004, there were sharp price increases for some metals JOGMEC holds in its rare metals stockpile due to a supply squeeze. This came against a backdrop of expanding internal demand in China, the principal supplier of these metals. The price increases were large enough in some cases to satisfy criteria for sales during rising prices*. JOGMEC responded swiftly to the needs of private-sector companies by selling quantities of ferrovanadium, molybdenum and ferromanganese. These sales followed protocols for times of rising prices** and normal times. Since the sales conducted in fiscal 2004 were also the most substantial since the establishment of the protocols in terms of both volume and frequency, JOGMEC was able to gain new expertise in the rapid release of stores from rare metal stockpiles in case of emergency.

Besides implementing these sales, JOGMEC also replaced portions of its cobalt, ferrovanadium and molybdenum ore stockpiles to ensure efficient release and promote stable management. In addition, JOGMEC focused on upgrading other aspects of stockpiling services. These efforts included convening an investigatory committee on the rare metals stockpiling program, commissioning research from a specialist institution on supply-demand trends for the seven rare metals in the stockpiling program as well as other metals of interest, and conducting local surveys in Japan and overseas.

*Sales from the rare metals stockpiled commodities based on requests from private-sector companies after the price of the corresponding metal has consistently been more than double the 5-year historical average for approximately one month

**Sales undertaken with the aim of adjusting stockpile volumes

<table>
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<tr>
<th>Sales of rare metals stockpiled commodities in fiscal 2004</th>
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<tr>
<td><strong>March/April</strong> Ferrovanadium 20 tons</td>
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<tr>
<td>April Ferromanganese 15,000 tons</td>
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<td>April Molybdenum 340 tons</td>
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<tr>
<td>May Ferrovanadium 20 tons</td>
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<tr>
<td>December Ferrovanadium 120 tons</td>
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<td>December Molybdenum 23 tons</td>
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Dynamic release and sale of stockpiled petroleum and rare metals

In petroleum stockpiling operations, JOGMEC plans to reinforce preparatory capabilities to conduct emergency release exercises at each stockpiling base. JOGMEC also aims to upgrade intelligence-gathering activities for international market price trends, and revise and prepare release manuals. In rare metal stockpiling operations, where the likelihood of stockpile releases and disposals is deemed high, JOGMEC plans to place the highest priority on ensuring timely and expeditious sales of stockpiled commodities once the relevant disposal conditions have been triggered.

Continuing efforts to reduce the cost and enhance the efficiency of stockpiling

JOGMEC is implementing a crude oil grade switching program to ensure that stockpiles are better aligned with the domestic demand structure. This program was not completed in fiscal 2004 due to external factors such as the sharp rise in oil prices and the relative slump in demand for heavier crude fractions, which caused a widening of the price differential between heavy and light crude oil fractions. In fiscal 2005, JOGMEC is taking steps to achieve the grade-switching volume targets stipulated by the Japanese government while seeking to reduce associated costs.

JOGMEC is also pursuing the simplification and improvement in efficiency of management systems. In the remaining period prior to the completion of the first three new national LPG stockpiling bases, JOGMEC plans to raise operational efficiency by finishing the development of communications systems and asset management systems for petroleum and LPG stockpiling.

Smooth financial support for private-sector stockpiling

JOGMEC is taking steps to build on the progress made in fiscal 2004 by achieving the same shortened loan review period of four weeks while implementing all the appropriate credit-screening controls.

Improvements in local community relations, focusing on informational aspects

In fiscal 2005, JOGMEC plans to continue implementing an energetic public relations program to foster strong relationships with local communities. Work is progressing on improvements to related exhibitions designed to foster contacts and strengthen cooperative relations with residents living in the vicinity of existing national oil stockpiling bases, as well as those under construction for LPG. JOGMEC also plans to be more proactive in disseminating and disclosing information to the general public, with special emphasis on expanding information on its website and on improving capabilities to respond to online inquiries.

From the perspective of international cooperation, JOGMEC plans to upgrade intelligence-gathering related to international energy conditions, market price trends and the stockpiling operations of other countries. At the same time, plans call for further progress in utilizing and sharing information with overseas stockpiling institutions through exchanges of data and regular consultation.

In cooperation for stockpiling in the Asian region initiated by the Japanese government, JOGMEC is assisting other Asian countries without any government stockpiling framework, such as Vietnam, in the construction of stockpiling systems.

Steady progress in LPG stockpiling bases construction and preparations for their operation

National LPG stockpiling bases are currently under construction at five locations. JOGMEC plans to begin general operational testing and complete other preparations for three surface installations (Nanao, Fukushima and Kamisu) due for completion in fiscal 2005. JOGMEC will continue to apply stringent project management and process control standards to ensure that progress toward site completion remains on target at the remaining two sites (Namikata and Kurashiki).
JOGMEC develops smelting and other technologies, provides technical support to agencies implementing mine pollution control measures, and supplies financial assistance to private-sector companies and other groups involved in minerals prospecting and mine pollution control. In these endeavors, JOGMEC responds to the wide-ranging needs of the national and municipal governments and private-sector companies by appropriately and efficiently reacting to changes in the business environment.
Supporting the Steady Implementation of Mine Pollution Control Activities

JOGMEC provides technical assistance to agencies implementing mine pollution control projects. Specifically, this involves two main elements: providing research and consulting and carrying out consignment operations for customers. In the former, JOGMEC carries out surveys in accordance with requests from local public bodies, formulates mine pollution control policy and provides basic materials relating to the planning of pollution control work. In the latter, JOGMEC responds to requests from local public bodies for technical support related to mine pollution control work, including the design of specific projects, and carries out the consignment operation and management of a new neutralization and treatment facility at the abandoned Matsuo Mine in Iwate Prefecture. Furthermore, to improve the efficiency of overall mine pollution control measures, the group provides technical consulting and education for interested parties, and provides data materials concerning the suspended or abandoned mines at upwards of 6,000 locations across the length and breadth of Japan.

Regarding research and development, the group carries out research on and develops technology relating to ways to treat mine drainage. Targeting a reduction in expenses for mine pollution control, these efforts are based on the needs of national and municipal governments and private-sector companies. JOGMEC also manages and operates two funds: the Reserve for Mine Pollution Control, which was set up by private-sector companies to meet the costs of mine pollution control, and the Mine Pollution Control Fund for maintaining mine drainage treatment operations.

Supporting Advanced Technological Development to Meet Private-sector and Governmental Needs

This group conducts technological development on themes relating to the development of nonferrous metal resources in line with the needs of Japanese companies. These themes are also highly relevant to the Japanese government policy. Technological development is also carried out jointly with research institutes in developing countries and regions with potential mineral resources to strengthen relationships and to collect information. Another role of the group is exploring deep seabed mineral resources (cobalt-rich manganese crust mineral deposits), which is regarded as a non-conventional resource.

Financial Support for Mining Activities by Japanese Companies

JOGMEC provides equity finance, loans and liability guarantees for nonferrous metals E&P projects by Japanese companies. It also offers loans and liability guarantees to domestic corporations and individuals engaged in mine pollution control.
As part of technical support, JOGMEC initiated common research and consulting to identify the numerous typical mine pollution control issues and develop responses by accumulating relevant technologies and know-how. The results of these surveys are provided to the government and other parties. In research and consulting activities, JOGMEC provided technical support for three mines: Taio Mine (Fukuoka Prefecture), Tomitaka Mine (Miyazaki Prefecture), and Ootani Mine (Kyoto). Furthermore, in addition to assistance for survey design for four mines, including the Horobetsu Sulfer Mine (Hokkaido Prefecture), JOGMEC supported construction work at 14 other mines, including the Oppu Mine (Aomori Prefecture). Moreover, in work involving the operation and management of a new neutralization and treatment facility at the abandoned Matsuo Mine in Iwate Prefecture, we maintained the quality of treated water within required water quality standards.

To disseminate technologies and know-how to municipal governments, JOGMEC held environmental information exchange meetings on mine pollution on two occasions during the past fiscal year, with the objective of sharing information among interested parties involved in mine pollution control. We also worked to ascertain the needs of frontline mine pollution control organizations through surveys and other means.

In terms of research and development, in the final year of technical research into high-efficiency system technology using high-density neutralization sludge, we introduced a process that utilizes iron oxidizing bacteria. Research results show that this could reduce neutralization sludge by approximately 30%. We also tackled the technical challenges of developing technologies to economically prevent flowouts of mine drainage using polymers and technologies for the treatment of the chemicals B, F, Sb, Mo and Ni in mine drainage.

Enhanced Support for Mine Pollution Control Activities

In recent years, there has been a noticeable increase in ores that are low grade or contain numerous impurities. In response, JOGMEC began developing hydrometallurgy technology that uses bioleaching as a low-cost mine development method. This approach is currently attracting attention in the global mining industry. JOGMEC has carried out overseas surveys, conducted joint research with universities, invited overseas researchers as lecturers and established research facilities at the Metals Technology Center in Kosaka, Akita Prefecture, Japan.

Developing New Approaches That Employ Biotechnology

Aiming to acquire mining sites of cobalt-rich manganese crust deposits, JOGMEC worked to obtain reliable data in international waters in the Central Pacific Ocean. And as part of technical cooperation, JOGMEC conducted deep sea mineral resource surveys in the exclusive economic zone of the Republic of the Fiji Islands in the South Pacific under contract with the Japan International Cooperation Agency (JICA). Moreover, JOGMEC played a central role in devising plans for sampling bedrock and analyzing data for extending the continental shelf requested by METI.

Continuing to Implement Surveys of Deep Sea Mineral Resources

In finance for private-sector companies, JOGMEC loaned a total of ¥630 million to support exploration in Japan. In addition, JOGMEC extended loans of ¥340 million to seven companies to help them maintain drainage treatment facilities at 14 mine sites. Moreover, JOGMEC provided loans of ¥220 million to help companies to carry out soil remediation activities on agricultural land in the Jintsu river basin.
JOGMEC will look at ways to assess projects eligible for government-funded mine pollution control assistance by order of priority. In parallel, JOGMEC will implement various themes identified by common research and consulting. These include ensuring the stability of mine drainage treatment and controlling the properties of neutralization sludge.

In research and consulting activities, continuing on from fiscal 2004, JOGMEC will provide technical support to two mines: Tomitaaka Mine (Miyazaki Prefecture), and Ootani Mine (Kyoto). In survey design, we will extend support to five mines, including the Horobetsu Sulfer Mine (Hokkaido Prefecture), and provide technical support for construction work at ten mines, including the Oppu Mine (Aomori Prefecture).

In terms of research and development, we will continue research into technologies to economically prevent flowouts of mine drainage using polymers and technologies for the treatment of the chemicals B, F, Sb, Mo and Ni in mine drainage. We also plan to begin looking at technology to reduce the volume of neutralization sludge.

### Implementing Strategic Technology Development and Support

The development environment for nonferrous metal resources is at a major crossroads, illustrated by four main factors: the declining grades of ore for developing new mines; the utilization of low-grade ore discarded in the past; the changing of large-scale open-pit mines into underground mines; and a shift to the development of ore containing relatively high quantities of harmful elements such as arsenic.

Major changes are also taking place for Japanese private-sector companies involved with overseas mine development. One example is intensifying competition for mining concessions to secure ore, a trend that has been spurred by increasing worldwide demand for mineral resources. Other dynamics include the expanding oligopoly of mineral resources formed by major international players and the needs for technology to resolve environmental issues in smelting processes.

Against this backdrop, JOGMEC will begin the full-scale launch of a hydrometallurgy technology development project that uses biotechnology and other techniques, and continue to provide technical support in fiscal 2005 that meets the needs of private-sector companies in overseas mining sites and other areas.

Helping to realize a recycling-oriented society will be another focus in fiscal 2005. We will conduct surveys and research related to metal resource recycling systems, identify commodities that must be recycled in the future and select new technology development themes.

In existing themes, JOGMEC is planning to start verification testing of technologies designed to recover valuable metals from ASR and discarded rechargeable batteries from hybrid vehicles. As mentioned earlier, JOGMEC is also cooperating on research into technologies for detoxifying and recovering metals from flue dust produced by copper smelters in Chile. Plans in 2005 call for the completion of a local pilot plant and verification of technology through research and operation. Regarding non-conventional resource development, JOGMEC will continue surveys of cobalt-rich manganese crust using the research vessel Hakurei-Maru No. 2. JOGMEC will also contribute to ongoing government surveys of continental shelf bedrock in the waters around Marcus Island. JOGMEC has continued to undertake ocean resource surveys in the South Pacific on contract from JICA since fiscal 1985. In fiscal 2005, JOGMEC will carry out surveys in the exclusive economic zone of the Federated States of Micronesia.
Financial Review

Approval, Audit and Disclosure of Financial Statements
The management of JOGMEC is carried out in accordance with the Law for Incorporated Administrative Agencies (“General Law”), enacted in 1999, and the Japan Oil, Gas and Metals National Corporation Law (“Specific Law”), enacted in 2002.

JOGMEC’s accounts are settled in accordance with the requirements of the General Law. Accounts are settled for each fiscal year and JOGMEC’s financial statements are submitted to the Minister of Economy, Trade and Industry by June 30 after being audited by an independent firm of auditors. The financial statements are then scrutinized by the Evaluation Committee for Incorporated Administrative Agencies within the Ministry of Economy, Trade and Industry (METI). Based on the advice of this committee, the METI minister approves JOGMEC’s statements.

JOGMEC’s financial statements are disclosed promptly after approval. Methods of disclosure include the JOGMEC corporate website and official government bulletins, as well as a disclosure room set up within JOGMEC to allow members of the public to view the statements.

Capital Structure
In the case of JOGMEC, funds equivalent to the accounting term “capital” for private-sector companies are provided by the Japanese government. These national government investments, which constitute JOGMEC’s financial base and were provided to the amount of ¥92.2 billion at the time of JOGMEC’s establishment, are supplied in an expeditious manner based on the corporation’s requirements for each business as detailed in the medium-term management plan.

In addition to national government investment, JOGMEC procures funds from a number of external sources, including revenues from grants for administrative services, subsidies, revenues from entrusted activities, loans from financial institutions, corporate bond issues, and loans from the fiscal investment and loan program. Methods of fund procurement are determined by how JOGMEC plans to use the funds.

Earnings Structure
The operation of JOGMEC is basically dictated by the amount of revenues from grants for administrative services it receives from the government to cover operating expenses. Consequently, opportunities to generate earnings are severely restricted.

Earnings are mainly derived from gains on the sale of rare metals. However, based on annual approval from METI in accordance with the General Law, JOGMEC contributes gains from these sales to a rare metals and minerals stockpiling fund, which is in turn used to bolster reserves as determined by the corporation’s medium-term management plan. Other sources of earnings include patent royalty income, interest earned on loans, guarantee fee income received, and interest income from short-term investments. In principle, these earnings are accumulated as retained earnings and then returned to the government at the end of the final year of each medium-term management plan after deducting the amount approved for carryover into the next medium-term management plan.

Revenues from grants for administrative services are provided by METI to cover the corporation’s annual operating expenses in accordance with annual business plans. Revenues from other grants received are paid by the government to support private-sector company survey and development activities in specific fields requested by the state. These grants represent the amount JOGMEC receives for activities it is responsible for implementing on behalf of the government. Revenues from entrusted activities represent the amount paid by the government to cover the cost of other specific activities requested by the state. Because revenues from all these grants are calculated and paid to correspond to the corporation’s operating expenses, general and administrative expenses and expenses for entrusted activities, JOGMEC, in principle, derives no profit from these business activities.
Equity Finance and Liability Guarantees
JOGMEC, together with private-sector companies, provides equity finance for operations related to oil and gas E&P, natural gas liquefaction and other activities. It also grants liability guarantees for these same activities. Equity finance is recorded as investments in subsidiaries and affiliates on the balance sheet, representing shares in ten companies transferred from JNOC. Currently, none of these subsidiaries or affiliates is publicly listed. In accordance with accounting standards for incorporated administrative agencies, amounts for liability guarantees can be found in the attached Notes to Financial Statements and supplementary financial statements.

In oil and LPG stockpiling-related activities, JOGMEC invests in joint-venture stockpiling firms, which together with a number of oil companies, construct and manage stockpiling facilities. JOGMEC also provides funds required for the construction of joint stockpiling sites. In addition, the corporation supplies financing to private-sector companies, which are required to meet certain stockpiling obligations by law, to help them purchase the necessary oil and LPG for stockpiling.

Additionally, JOGMEC provides financing required for new metal ore prospecting, conducts investments to supply the necessary funds for mineral resource E&P activities, and grants liability guarantees for overseas mining projects. Financing is also supplied for mine pollution control projects and other activities.

Stockpiling Business
JOGMEC is responsible for constructing national oil and gas stockpiling bases. After completing construction, JOGMEC hands over the facilities to the government. Funds received from the government during construction are recorded under liabilities as advances for uncompleted construction, while funds used to pay for construction are recorded under assets as payments for construction in progress.

JOGMEC provides financing to private-sector companies for costs related to the acquisition of oil and LPG for stockpiling. These payments are booked as loans receivable for private-sector stockpiling activities. Funds required for these loans are sourced in the same amount from private-sector financial institutions through syndicated loans. These funds are booked as loans payable for private company stockpiling activities.

In addition, JOGMEC is responsible for operating oil and LPG stockpiling bases. Certain equipment and materials associated with these sites is owned by JOGMEC and recorded on its financial statements under assets as part of machines and equipment.

JOGMEC also carries out its own rare metal and mineral stockpiling activities. These rare metal and mineral stockpiles are booked under assets. In the event of surging market prices for these materials, where necessary, JOGMEC sells certain amounts to stabilize market prices and supply and demand conditions. JOGMEC books gains or losses on the sale of these rare metal and mineral assets.

Mine Pollution Control Business
As part of its mine pollution control business, JOGMEC is responsible for managing two funds for mining rights holders. One is the Reserve for Mine Pollution Control, which was set up to meet mine remediation costs after the closure of mines. Interest earned on funds paid into the reserve by mining rights holders is returned when costs are incurred for remediation activities. The other is the Mine Pollution Control Fund. Income from the management of this fund is exclusively used to maintain mine drainage treatment facilities at abandoned mine sites. Expenses incurred for these activities are recorded as mine pollution control costs. JOGMEC also provides loans to mining rights holders for mine pollution control. These loans are recorded in the corporation’s financial statements as part of loans receivables.
### Balance Sheet

*Japan Oil, Gas and Metal National Corporation*

**March 31, 2005**

<table>
<thead>
<tr>
<th>Assets</th>
<th>¥</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>I. Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash on hand and in banks</td>
<td>33,439,697,386</td>
<td>309,626,827</td>
</tr>
<tr>
<td>Marketable securities</td>
<td>2,275,841,904</td>
<td>21,072,610</td>
</tr>
<tr>
<td>Trade accounts receivable</td>
<td>6,349,884,009</td>
<td>58,786,148</td>
</tr>
<tr>
<td>Inventories</td>
<td>6,250,927,477</td>
<td>57,876,180</td>
</tr>
<tr>
<td>Disbursements for work in process</td>
<td>97,440,029,094</td>
<td>902,222,408</td>
</tr>
<tr>
<td>Advances</td>
<td>591,470,754</td>
<td>5,476,581</td>
</tr>
<tr>
<td>Suspense payments</td>
<td>1,329,732</td>
<td>12,312</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>264,575</td>
<td>2,449</td>
</tr>
<tr>
<td>Accrued income</td>
<td>803,577,901</td>
<td>7,440,536</td>
</tr>
<tr>
<td>Short-term loans receivable</td>
<td>1,736,769,000</td>
<td>16,081,194</td>
</tr>
<tr>
<td>Loans receivable from subsidiaries and affiliates</td>
<td>223,126,000</td>
<td>2,065,981</td>
</tr>
<tr>
<td>Loans receivable for funding private-sector stockpiling activities</td>
<td>314,602,900,000</td>
<td>2,912,999,814</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>1,312,567,614</td>
<td>12,153,403</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>485,028,776,445</td>
<td>43,305,616,448</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>II. Fixed assets</strong></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Tangible fixed assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings</td>
<td>5,269,328,913</td>
<td>48,700,802</td>
</tr>
<tr>
<td>Less: accumulated depreciation</td>
<td>(327,381,775)</td>
<td>(3,031,312)</td>
</tr>
<tr>
<td>Structures</td>
<td>526,571,981</td>
<td>4,876,666</td>
</tr>
<tr>
<td>Less: accumulated depreciation</td>
<td>(89,048,900)</td>
<td>(824,526)</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>3,167,678,712</td>
<td>29,330,358</td>
</tr>
<tr>
<td>Less: accumulated depreciation</td>
<td>(980,249,444)</td>
<td>(9,076,305)</td>
</tr>
<tr>
<td>Vessels</td>
<td>760,000,000</td>
<td>7,077,037</td>
</tr>
<tr>
<td>Less: accumulated depreciation</td>
<td>(205,833,323)</td>
<td>(1,905,864)</td>
</tr>
<tr>
<td>Vehicles</td>
<td>585,776,510</td>
<td>5,423,851</td>
</tr>
<tr>
<td>Less: accumulated depreciation</td>
<td>(159,396,222)</td>
<td>(1,475,880)</td>
</tr>
<tr>
<td>Tools, furniture and fixtures</td>
<td>2,610,567,486</td>
<td>24,171,365</td>
</tr>
<tr>
<td>Less: accumulated depreciation</td>
<td>(612,874,707)</td>
<td>(5,674,765)</td>
</tr>
<tr>
<td>Land</td>
<td>3,900,100,000</td>
<td>36,112,037</td>
</tr>
<tr>
<td>Rare metals</td>
<td>28,177,047,302</td>
<td>260,898,586</td>
</tr>
<tr>
<td>Tangible fixed assets, net</td>
<td>42,062,573,024</td>
<td>399,800,204</td>
</tr>
<tr>
<td><strong>2. Intangible fixed assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Patents</td>
<td>9,076,648</td>
<td>84,043</td>
</tr>
<tr>
<td>Software</td>
<td>2,999,200</td>
<td>27,770</td>
</tr>
<tr>
<td>Telephone rights</td>
<td>6,409,000</td>
<td>59,342</td>
</tr>
<tr>
<td>Rights for use of facilities</td>
<td>2,000,000</td>
<td>18,518</td>
</tr>
<tr>
<td><strong>Total intangible fixed assets</strong></td>
<td>20,484,048</td>
<td>189,674</td>
</tr>
<tr>
<td><strong>3. Investments and other assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments in subsidiaries and affiliates</td>
<td>18,258,704,732</td>
<td>169,082,090</td>
</tr>
<tr>
<td>Long-term loans receivable</td>
<td>6,350,674,309</td>
<td>59,209,947</td>
</tr>
<tr>
<td>Long-term loans receivable from subsidiaries and affiliates</td>
<td>618,738,000</td>
<td>5,729,055</td>
</tr>
<tr>
<td>Doubtful receivables</td>
<td>97,754,000</td>
<td>905,129</td>
</tr>
<tr>
<td>Allowances for doubtful receivables</td>
<td>(21,000,000)</td>
<td>(194,444)</td>
</tr>
<tr>
<td>Discounts on bonds</td>
<td>638,906</td>
<td>5,915</td>
</tr>
<tr>
<td>Security deposits</td>
<td>606,632,603</td>
<td>5,616,968</td>
</tr>
<tr>
<td><strong>Total investments and other assets</strong></td>
<td>91,184,358,570</td>
<td>844,301,468</td>
</tr>
<tr>
<td><strong>Total fixed assets</strong></td>
<td>132,927,327,942</td>
<td>1,238,100,407</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>132,927,327,942</td>
<td>1,238,100,407</td>
</tr>
</tbody>
</table>
## Liabilities and Capital

### Liabilities

<table>
<thead>
<tr>
<th>Description</th>
<th>Yes</th>
<th>U.S. Dollars (Note 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants received in advance for administrative services</td>
<td>¥ 29,507,090,383</td>
<td>$273,213,799</td>
</tr>
<tr>
<td>Other grants received in advance</td>
<td>50,285,310</td>
<td>485,604</td>
</tr>
<tr>
<td>Current portion of bonds</td>
<td>2,070,000,000</td>
<td>18,166,666</td>
</tr>
<tr>
<td>Current portion of long-term borrowings</td>
<td>8,614,760,892</td>
<td>79,766,304</td>
</tr>
<tr>
<td>Loans payable for funding private-sector stockpiling activities</td>
<td>314,602,900,000</td>
<td>2,912,899,814</td>
</tr>
<tr>
<td>Trade accounts payable</td>
<td>5,179,618,721</td>
<td>47,859,432</td>
</tr>
<tr>
<td>Advances received for work in process</td>
<td>974,400,020,094</td>
<td>902,222,408</td>
</tr>
<tr>
<td>Accounts payable – other</td>
<td>1,162,310,094</td>
<td>10,762,130</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>776,004,302</td>
<td>7,185,225</td>
</tr>
<tr>
<td>Accrued consumption taxes</td>
<td>13,163,300</td>
<td>121,882</td>
</tr>
<tr>
<td>Advances received</td>
<td>7,447,003,553</td>
<td>68,953,736</td>
</tr>
<tr>
<td>Deposits received</td>
<td>7,732,617</td>
<td>67,802</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>466,947,389,331</td>
<td>4,233,591,567</td>
</tr>
</tbody>
</table>

### II. Long-term liabilities

<table>
<thead>
<tr>
<th>Description</th>
<th>Yes</th>
<th>U.S. Dollars (Note 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contra accounts for services and assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contra account for administrative services funded by grants</td>
<td>99,210,962</td>
<td>918,620</td>
</tr>
<tr>
<td>Contra account for assets purchased with grants</td>
<td>2,389,744,431</td>
<td>22,127,263</td>
</tr>
<tr>
<td>Contra account for assets purchased with donations</td>
<td>245,449,377</td>
<td>2,272,679</td>
</tr>
<tr>
<td>Bonds</td>
<td>1,553,000,000</td>
<td>14,379,629</td>
</tr>
<tr>
<td>Long-term borrowings</td>
<td>23,716,712,539</td>
<td>219,599,190</td>
</tr>
<tr>
<td>Allowances:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Allowance for retirement benefits</td>
<td>195,670,843</td>
<td>1,811,767</td>
</tr>
<tr>
<td>Allowance for restoration costs</td>
<td>102,425,373</td>
<td>948,383</td>
</tr>
<tr>
<td>Long-term accounts payable</td>
<td>225,560,382</td>
<td>2,088,522</td>
</tr>
<tr>
<td>Reserve for prevention of mine pollution</td>
<td>2,405,386,000</td>
<td>22,272,090</td>
</tr>
<tr>
<td>Total long-term liabilities</td>
<td>30,933,159,907</td>
<td>286,418,147</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>497,881,049,238</td>
<td>4,610,089,715</td>
</tr>
</tbody>
</table>

### Capital

<table>
<thead>
<tr>
<th>Description</th>
<th>Yes</th>
<th>U.S. Dollars (Note 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>National government investments</td>
<td>96,239,284,569</td>
<td>891,104,486</td>
</tr>
<tr>
<td>Total capital</td>
<td>96,239,284,569</td>
<td>891,104,486</td>
</tr>
</tbody>
</table>

### II. Capital surplus

<table>
<thead>
<tr>
<th>Description</th>
<th>Yes</th>
<th>U.S. Dollars (Note 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital surplus</td>
<td>(26,570,723)</td>
<td>(246,025)</td>
</tr>
<tr>
<td>Accumulated depreciation charged to capital surplus</td>
<td>(1,105,237,658)</td>
<td>(10,233,682)</td>
</tr>
<tr>
<td>Fund for prevention of mine pollution</td>
<td>4,667,491,317</td>
<td>43,217,512</td>
</tr>
<tr>
<td>Total capital surplus</td>
<td>3,535,882,935</td>
<td>32,737,804</td>
</tr>
</tbody>
</table>

### III. Retained earnings

<table>
<thead>
<tr>
<th>Description</th>
<th>Yes</th>
<th>U.S. Dollars (Note 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accumulated reserve for stockpiling of rare metals</td>
<td>3,971,316</td>
<td>36,771</td>
</tr>
<tr>
<td>Accumulated reserve</td>
<td>234,802,628</td>
<td>2,174,098</td>
</tr>
<tr>
<td>Unappropriated retained earnings (net income for the year: 960,664,198)</td>
<td>960,664,198</td>
<td>8,895,038</td>
</tr>
<tr>
<td>Total retained earnings</td>
<td>11,199,438,142</td>
<td>115,105,308</td>
</tr>
<tr>
<td>Total capital</td>
<td>100,974,045,647</td>
<td>534,948,200</td>
</tr>
<tr>
<td>Total liabilities and capital</td>
<td>2258,935,464,385</td>
<td>5,544,857,515</td>
</tr>
</tbody>
</table>
Statement of Income  
Japan Oil, Gas and Metal National Corporation  
For the year ended March 31, 2005

<table>
<thead>
<tr>
<th></th>
<th>Yen</th>
<th>U.S. dollars (Note 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating expenses</td>
<td>¥15,438,345,247</td>
<td>$142,947,641</td>
</tr>
<tr>
<td>Operating and administrative expenses</td>
<td>¥5,409,637,699</td>
<td>50,089,237</td>
</tr>
<tr>
<td>Depreciation</td>
<td>¥319,635,677</td>
<td>2,993,599</td>
</tr>
<tr>
<td>Accrual for bonuses</td>
<td>¥5,291,284</td>
<td>48,993</td>
</tr>
<tr>
<td>Provision for bad debts</td>
<td>¥21,000,000</td>
<td>194,444</td>
</tr>
<tr>
<td>Expenses for entrusted activities</td>
<td>¥69,062,303,404</td>
<td>639,465,772</td>
</tr>
<tr>
<td>General and administrative expenses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payroll expenses</td>
<td>¥1,044,576,753</td>
<td>9,671,951</td>
</tr>
<tr>
<td>Depreciation</td>
<td>¥13,936,043</td>
<td>128,981</td>
</tr>
<tr>
<td>Accrual for retirement benefits</td>
<td>¥14,516,589</td>
<td>134,412</td>
</tr>
<tr>
<td>Accrual for bonuses</td>
<td>¥2,031,333</td>
<td>18,608</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>¥57,562,759</td>
<td>533,544</td>
</tr>
<tr>
<td>Finance costs:</td>
<td></td>
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</tr>
<tr>
<td>Interest expense</td>
<td>¥2,122,468,484</td>
<td>19,652,485</td>
</tr>
<tr>
<td>Interest expense on bonds</td>
<td>¥738,543,950</td>
<td>6,838,361</td>
</tr>
<tr>
<td>Amortization of discounts on bonds</td>
<td>¥2,883,754</td>
<td>26,719</td>
</tr>
<tr>
<td>Interest on reserve for prevention of mine pollution</td>
<td>¥35,786,768</td>
<td>331,359</td>
</tr>
<tr>
<td>Operating expenses relating to mine pollution prevention activities</td>
<td>¥44,160,960</td>
<td>408,897</td>
</tr>
<tr>
<td>Miscellaneous losses</td>
<td>¥249</td>
<td>2</td>
</tr>
<tr>
<td>Total ordinary expenses</td>
<td>¥94,851,870,053</td>
<td>876,296,204</td>
</tr>
</tbody>
</table>

Ordinary revenues

Revenues from grants for administrative services:  
Operating revenues: 
Interest on loans receivable...  
Revenue from sales of rare metals...  
Guarantee fee income received...  
Revenue from rental of vessels...  
Revenues from other grants received: 
State subsidies...  
Government subsidies...  
Government supplies...  
Subvention...  
Compensation received...  
Revenues from entrusted activities: 
Revenue from entrusted activities from national government...  
Revenue from entrusted activities from local governments...  
Revenue from entrusted activities from others...  
Financial revenues: 
Interest income...  
Interest income on securities...  
Reversal of contra account for administrative services funded by grants...  
Reversal of contra account for assets purchased with grants...  
Miscellaneous income...  
Total ordinary revenues...  
Ordinary profit...  
Extraordinary loss...  
Loss on devaluation of inventories...  
Extraordinary income...  
Reversal of contra account for assets purchased with donations...  
Net income for the year...  
Total income for the year...
Statement of Cash Flows  
Japan Oil, Gas and Metal National Corporation  
For the year ended March 31, 2005

<table>
<thead>
<tr>
<th>Description</th>
<th>¥ (000)</th>
<th>U.S. dollars (Note 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Cash flows provided by operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments for raw materials, goods and services purchased</td>
<td>122,952,902,769</td>
<td>$1,138,452,803</td>
</tr>
<tr>
<td>Payroll expenses</td>
<td>4,347,060,346</td>
<td>(40,250,558)</td>
</tr>
<tr>
<td>Loans receivable made</td>
<td>315,794,490,000</td>
<td>(2,924,023,055)</td>
</tr>
<tr>
<td>Reversal of reserve for prevention of mine pollution</td>
<td>4,796,000</td>
<td>(44,407)</td>
</tr>
<tr>
<td>Expenses related to mine pollution prevention activities</td>
<td>45,094,780</td>
<td>(417,544)</td>
</tr>
<tr>
<td>Other operating expenses paid</td>
<td>4,789,620,667</td>
<td>(443,348,339)</td>
</tr>
<tr>
<td>Rental fees received for leased vessels and facilities</td>
<td>238,784,596</td>
<td>2,210,968</td>
</tr>
<tr>
<td>Guarantee fees received</td>
<td>218,111</td>
<td>2,019</td>
</tr>
<tr>
<td>Reserve for prevention of mine pollution received</td>
<td>46,946,000</td>
<td>434,685</td>
</tr>
<tr>
<td>Grants received for administrative services</td>
<td>40,619,186,000</td>
<td>376,103,574</td>
</tr>
<tr>
<td>Revenues received from entrusted activities</td>
<td>112,864,166,429</td>
<td>1,043,186,726</td>
</tr>
<tr>
<td>Other grants received</td>
<td>4,526,593,329</td>
<td>41,912,901</td>
</tr>
<tr>
<td>Collection of loans receivable</td>
<td>304,752,814,000</td>
<td>2,821,785,314</td>
</tr>
<tr>
<td>Other operating revenues received</td>
<td>1,455,188,453</td>
<td>13,473,967</td>
</tr>
<tr>
<td>Subtotal</td>
<td>16,389,952,353</td>
<td>151,573,447</td>
</tr>
<tr>
<td>Interest received</td>
<td>2,718,394,197</td>
<td>25,170,316</td>
</tr>
<tr>
<td>Interest paid</td>
<td>3,086,504,281</td>
<td>(28,578,743)</td>
</tr>
<tr>
<td>Cash flows provided by operating activities</td>
<td>16,001,822,289</td>
<td>148,185,021</td>
</tr>
<tr>
<td>II. Cash flows used in investing activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchases of time deposits</td>
<td>(124,877,535,653)</td>
<td>(1,196,273,478)</td>
</tr>
<tr>
<td>Proceeds from time deposits upon maturity or cancellation</td>
<td>103,664,475,990</td>
<td>958,656,259</td>
</tr>
<tr>
<td>Purchases of negotiable deposits</td>
<td>(11,270,834,117)</td>
<td>(104,359,575)</td>
</tr>
<tr>
<td>Proceeds from negotiable deposits upon maturity or cancellation</td>
<td>11,370,834,117</td>
<td>105,285,501</td>
</tr>
<tr>
<td>Purchases of securities</td>
<td>(4,616,252,200)</td>
<td>(42,743,075)</td>
</tr>
<tr>
<td>Proceeds from securities upon maturity</td>
<td>2,750,257,734</td>
<td>25,465,349</td>
</tr>
<tr>
<td>Purchases of tangible fixed assets</td>
<td>(785,534,796)</td>
<td>(7,273,470)</td>
</tr>
<tr>
<td>Proceeds from sales of tangible fixed assets</td>
<td>2,885,720,064</td>
<td>26,719,630</td>
</tr>
<tr>
<td>Purchases of intangible fixed assets</td>
<td>(9,100,267)</td>
<td>(84,261)</td>
</tr>
<tr>
<td>Cash flows used in investing activities</td>
<td>(20,887,969,129)</td>
<td>(193,407,121)</td>
</tr>
<tr>
<td>III. Cash flows used in financing activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Redemption of bonds</td>
<td>23,890,000,000</td>
<td>(221,203,703)</td>
</tr>
<tr>
<td>Proceeds from long-term borrowings</td>
<td>4,960,576,259</td>
<td>45,931,261</td>
</tr>
<tr>
<td>Repayment of long-term borrowings</td>
<td>(1,043,142,000)</td>
<td>(9,658,722)</td>
</tr>
<tr>
<td>Funds for prevention of mine pollution received</td>
<td>119,148,000</td>
<td>1,103,222</td>
</tr>
<tr>
<td>Proceeds from national government investments</td>
<td>4,000,000,000</td>
<td>37,037,037</td>
</tr>
<tr>
<td>Repayment of loans payable for funding private-sector stockpiling activities</td>
<td>(285,657,400,000)</td>
<td>(2,644,975,905)</td>
</tr>
<tr>
<td>Proceeds from loans payable for funding private-sector stockpiling activities</td>
<td>314,602,900,000</td>
<td>2,912,899,814</td>
</tr>
<tr>
<td>Repayment of lease obligations</td>
<td>(120,535,266)</td>
<td>(1,116,067)</td>
</tr>
<tr>
<td>Payment upon assumption of a business</td>
<td>(44,022,521,314)</td>
<td>(409,282,604)</td>
</tr>
<tr>
<td>Cash flows used in financing activities</td>
<td>(31,230,974,327)</td>
<td>(289,175,888)</td>
</tr>
<tr>
<td>IV. Effect of exchange rate changes on cash and cash equivalents</td>
<td>520,940</td>
<td>4,823</td>
</tr>
<tr>
<td>V. Net decrease in cash and cash equivalents</td>
<td>(36,116,600,240)</td>
<td>(334,412,965)</td>
</tr>
<tr>
<td>VI. Cash and cash equivalents at beginning of year</td>
<td>41,062,495,997</td>
<td>380,208,296</td>
</tr>
<tr>
<td>VII. Cash and cash equivalents at end of year</td>
<td>$4,945,895,757</td>
<td>$45,795,331</td>
</tr>
</tbody>
</table>

(Note 1)
I. Summary of Significant Accounting Policies

1. Basis of Preparation
The accompanying financial statements of Independent Administrative Institution Japan Oil, Gas and Metal National Corporation ("JOGMEC") consisting of the balance sheet, and the statements of income and cash flows have been prepared in accordance with "Accounting Standards for Independent Administrative Institutions" and accounting principles generally accepted in Japan. These are a portion of the financial statements prepared by JOGMEC as required by Article 38 of the "Law Concerning the General Rules for Independent Administrative Institutions."
The translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation only, at ¥108 = US$1.00, the exchange rate prevailing on March 31, 2005. This translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

2. Revenues From Grants for Administrative Services
Revenues from grants for administrative services are recognized as the related expenses are incurred.

3. Depreciation
   (1) Tangible fixed assets
Depreciation of tangible fixed assets is calculated by the straight-line method. The estimated useful lives of the major fixed assets are summarized as follows:
- Buildings: 2~41 years
- Structures: 2~43 years
- Machinery and equipment: 2~10 years
- Vessels: 4 years
- Vehicles: 2~5 years
- Tools, furniture and fixtures: 2~25 years

(2) Intangible fixed assets
Amortization of intangible fixed assets is calculated by the straight-line method. Amortization of software for internal use is calculated based on an estimated useful life of five years.

4. Allowances
   (1) Allowance for doubtful receivables
The allowance for doubtful receivables is provided at an amount determined based on the historical experience of bad debts with respect to ordinary receivables, plus an estimate of uncollectible amounts determined by reference to specific doubtful receivables from customers which are experiencing financial difficulties.
   (2) Accrued bonuses
An accrual for bonuses is provided for the payment of bonuses to directors and employees at the amount estimated to be incurred except for the portion to be covered by grants for administrative services.
   (3) Allowance for losses on guarantees
Allowance for losses on guarantees is provided for future losses on the execution of a guarantee given and is stated at the amount estimated based on the guarantee’s financial position and the fair value of the assets pledged as collateral, as well as other relevant factors.
   (4) Allowance for restoration costs
Allowance for restoration costs are provided at an estimated amount for costs to be incurred to restore the land leased for vessel mooring facilities to its original state.

5. Allowance for Retirement Benefits
Allowance for retirement benefits is provided at the amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of the balance sheet date except for those costs covered by grants for administrative services.
Actual gain or loss is being amortized by the straight-line method over 8 years, a period which is shorter than the average remaining years of service of the employees, from the year following the year in which the gain or loss is recognized.

Notes to Financial Statements
Japan Oil, Gas and Metal National Corporation
March 31, 2005

Depreciation of certain specific depreciable assets (as defined in "Accounting Standards for Independent Administrative Institutions, No.86") is directly deducted from capital surplus and reported as accumulated depreciation charged to capital surplus.
6. Valuation of Securities
   (1) Held-to-maturity securities
   Held-to-maturity securities are stated at amortized cost calculated by the straight-line method.
   (2) Equity securities issued by subsidiaries and affiliates
   Equity securities issued by subsidiaries and affiliates are stated at cost determined by the moving-average method. Where there has been a permanent decline in the value of such investments, JOGMEC has written them down.

7. Valuation of Inventories
   (1) Work in process
   Work in process is stated at the lower of cost or market, cost being determined by the specific identification method.
   (2) Merchandise and supplies
   The oil and natural gas account is stated at the lower of cost determined by the first-in, first-out method or the last purchase price method.
   The general account for metal mining is stated at the lower of cost or market, cost being determined by the specific identification method.

8. Valuation of Disbursements for Work in Process
   Disbursements for work in process are stated at the lower of cost or market, cost being determined by the specific identification method.

9. Amortization of Discounts on Bonds
   Discounts on bonds are amortized equally over a 10-year period to maturity.

10. Foreign Currency Translation
    Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. The resulting exchange gain or loss is credited or charged to income.

11. Leases
    Noncancelable leases with aggregate lease payments of ¥3 million or more are accounted for either as finance or operating leases; however, the impact of the interest portion included in the lease payments has been omitted from this lease accounting because of its immateriality.
    Noncancelable leases with aggregate lease payments of less than ¥3 million are accounted for as operating leases (whether such leases are classified as operating or finance leases).

12. Consumption Taxes
    Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

II. Notes to Financial Statements

1. Balance Sheet
   March 31, 2005
<table>
<thead>
<tr>
<th></th>
<th>¥4,492,472,464</th>
<th>¥803,115,489</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Estimated amount of retirement benefits to be covered by grants for administrative services</td>
<td>2,704,750,000</td>
<td></td>
</tr>
<tr>
<td>(2) Guarantees given for taxes</td>
<td>23,043,981</td>
<td></td>
</tr>
</tbody>
</table>

2. Leases
   (1) Lease obligations
   March 31, 2005
<table>
<thead>
<tr>
<th></th>
<th>¥117,355,762</th>
<th>$1,096,627</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due within one year from the balance sheet date</td>
<td>108,304,620</td>
<td></td>
</tr>
<tr>
<td>Due after one year from the balance sheet date</td>
<td>1,001,894</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>225,560,382</td>
<td>2,098,522</td>
</tr>
</tbody>
</table>

   The above lease obligations have not been classified and presented by current and noncurrent portion in the balance sheet because of their immateriality.

   (2) Future lease payments for operating lease transactions
   March 31, 2005
<table>
<thead>
<tr>
<th></th>
<th>¥1,599,400</th>
<th>$14,930</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due within one year from the balance sheet date</td>
<td>1,599,400</td>
<td></td>
</tr>
<tr>
<td>Due after one year from the balance sheet date</td>
<td>14,930</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>3,008,800</td>
<td>21,377</td>
</tr>
</tbody>
</table>

   (Note 1)

(1) Reconciliation between accounts reported in the balance sheet and cash and cash equivalents:

<table>
<thead>
<tr>
<th>March 31, 2005</th>
<th>US Dollars</th>
<th>Yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash on hand and in banks</td>
<td>$32,439,697,096</td>
<td>¥3,006,626,627</td>
</tr>
<tr>
<td>Negotiable deposits</td>
<td>(2,108,688,950)</td>
<td>(18,444,444)</td>
</tr>
<tr>
<td>Time deposits</td>
<td>(26,365,601,029)</td>
<td>(244,387,052)</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$6,484,885,767</td>
<td>¥4,789,331</td>
</tr>
</tbody>
</table>

(2) Significant non-cash transactions

<table>
<thead>
<tr>
<th>March 31, 2005</th>
<th>US Dollars</th>
<th>Yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Assets acquired through finance leases Tools, furniture and fixtures</td>
<td>$64,445,788</td>
<td>¥601,349</td>
</tr>
<tr>
<td>(ii) Acquisition of shares of JNOC based on medium-term targets investments in subsidiaries and affiliates</td>
<td>46,302,921,314</td>
<td>409,282,604</td>
</tr>
</tbody>
</table>

III. Actions Resulting in Significant Financial Obligations

Oil and gas stockpiling in accordance with Article 5-1 of the Japan Oil, Gas and Metals National Corporation Law (“Specific Law”).

<table>
<thead>
<tr>
<th>March 31, 2005</th>
<th>US Dollars</th>
<th>Yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract for the construction of storage facilities</td>
<td>$1,055</td>
<td>¥113,987</td>
</tr>
</tbody>
</table>

IV. Definitions of Terminology

“Loans receivable for funding private-sector stockpiling activities” and “Loans payable for funding private-sector stockpiling activities.”

JOGMEC provides loans to crude oil refining companies and oil and gas importers, which are required to maintain certain level of stockpiling to cover consumption for a certain number of days.

The loans receivable are provided to finance the purchase of oil and gas stocks, while the loans payable represent borrowings of the same amount to source these loans. JOGMEC classifies both types of loans as current assets and current liabilities because all related loans receivable and payable are restructured at the end of April every year.

Because these loans are material, they are presented separately in the balance sheet.

V. Significant Subsequent Events

1. On April 1, 2005, the Japan Oil, Gas and Metals National Corporation received the following investments from the Japanese government:

<table>
<thead>
<tr>
<th>Amount</th>
<th>US Dollars</th>
<th>Yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Equity funds for investment programs relating to the exploration for or acquisition of mineral interests in properties held by Japanese companies</td>
<td>$49,657,000,000</td>
<td>¥4,599,787,037</td>
</tr>
<tr>
<td>(2) Trust funds for guarantee programs in accordance with Article 17 of the Japan Oil, Gas and Metals National Corporation Law</td>
<td>$17,101,000,000</td>
<td>¥1,583,425,922</td>
</tr>
</tbody>
</table>

2. On April 1, 2005, in accordance with its medium-term targets, JOGMEC assumed the following obligations as a guarantor of Japan National Oil Corporation (which was dissolved on April 1, 2005).

These guarantee obligations relate to certain oil and natural gas exploration and development projects.

Guarantees granted – US$1,973,828,209.14 and ¥566,600,000 ($5,246,296)
Report of Independent Auditors

Mr. Hidejiro Osawa
President
Independent Administrative Institution
Japan Oil, Gas and Metal National Corporation
June 24, 2005

Ernst & Young ShinNihon

In accordance with Article 39 of “The Law Concerning the General Rules of Independent Administrative Institutions,” we have audited the financial statements consisting of the balance sheet by account, the statements of income, cash flows and execution costs for administrative services by account, the proposal for appropriation of retained earnings or disposition of deficit by account, and the supplementary schedules by account of Independent Administrative Institution Japan Oil, Gas and Metal National Corporation (“JOGMEC”) for the 2004 fiscal year from April 1, 2004 to March 31, 2005. We have also audited the combined financial statements consisting of the combined balance sheet, the combined statements of income, cash flows and the execution costs for administrative services and the combined supplementary schedules as well as the accounting matters stated in the business report and the financial report for each account of JOGMEC for the 2004 fiscal year. The accounting matters which we audited in the business report were derived from the accounting books and records of JOGMEC. These financial statements, the business report and the financial reports are the responsibility of the President of JOGMEC. Our responsibility is to express an opinion independently on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards for independent administrative institutions and auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We plan the audit considering the possibility that errors or illegal acts committed by personnel within the organization of the independent administration institutions may result in material misstatements of the financial statements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the presidents of the independent administrative institutions, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

As a result of our audit, it is our opinion that:

1) the financial statements by account (except for the proposal for appropriation of retained earnings or disposition of deficit) of the Account for Oil and Natural Gas, the Account for Metal Mining Stockpiling, Exploration Loans and Others, the General Account for Metal Mining, the Reserve for Prevention of Mine Pollution Account, the Fund for Prevention of Mine Pollution Account and the Account for Metal Mining Precision Study, as well as the combined financial statements present fairly, in all material respects, the financial position by account and on a combined basis of JOGMEC, and the results of its operations, its cash flows and its execution costs for administrative services by account and on a combined basis in conformity with “Accounting Standards for Independent Administrative Institutions” and accounting principles generally accepted in Japan,
2) the proposal for appropriation of retained earnings or disposition of deficit for each account is presented in accordance with the related regulations,
3) the accounting matters stated in the business report present properly the affairs of JOGMEC, and
4) the financial reports related to each account present properly JOGMEC’s financial affairs in accordance with the budget classification established by the President of JOGMEC.

We have no interest in JOGMEC which should be disclosed in compliance with the Certified Public Accountants Law.

The U.S. dollar amounts in the accompanying financial statements with respect to the year ended March 31, 2005 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.
## Officers

**As of July 27, 2005**

<table>
<thead>
<tr>
<th>Position</th>
<th>Name</th>
<th>Term</th>
<th>Previous History</th>
</tr>
</thead>
<tbody>
<tr>
<td>President</td>
<td>Hidejiro Ohsawa</td>
<td>2004.2.29 – 2008.2.28</td>
<td>Counsellor, Nippon Oil Corporation, Representative Director, Nippon Oil Corporation, President and Representative Director, Nippon Oil Company, Limited (XSE)</td>
</tr>
<tr>
<td>Executive Vice President</td>
<td>Norikazu Matsuda</td>
<td>2004.2.29 – 2008.2.28</td>
<td>President, Metal Mining Agency of Japan, Adviser, Metal Economics Research Institute, Japan, Director, Dowa Mining Co., Ltd.</td>
</tr>
<tr>
<td>Executive Director</td>
<td>Yoshiaki Umemura</td>
<td>2004.7.6 – 2006.2.28</td>
<td>Managing Director, Japan Finance Corporation for Small and Medium Enterprise, Deputy Director General, Office for Industrial Policy Development, Corporation of Japan, Cabinet Office, Government of Japan, Deputy Director General, Minister’s Secretariat, Cabinet Office, Government of Japan</td>
</tr>
<tr>
<td>(Oil &amp; Gas Upstream Investment)</td>
<td>Toshimichi Otsuka</td>
<td>2005.6.23 – 2006.2.28</td>
<td>Group Leader, Oil &amp; Gas Survey and Technology Group, JOGMEC, Director General, Geological Survey Department, Japan National Oil Corporation, Deputy Director General, General Administration Department, Japan National Oil Corporation</td>
</tr>
<tr>
<td>Executive Director</td>
<td>Koichi Sugiyama</td>
<td>2005.6.23 – 2006.2.28</td>
<td>Group Leader, LPG Stockpile Facility Construction Group, JOGMEC, Counselor, Japan National Oil Corporation (in charge of LPG Stockpile), General Manager of Stockpile Operations, Japan National Oil Corporation</td>
</tr>
<tr>
<td>(Oil &amp; Gas Upstream Technology)</td>
<td>Toshio Sakasegawa</td>
<td>2005.4.1 – 2006.2.28</td>
<td>Council, Overseas Mineral Resources Development Co., Ltd., Director, Mineral Resource Survey Department, Metal Mining Agency of Japan, Deputy Director, Technical Development Department, Metal Mining Agency of Japan</td>
</tr>
<tr>
<td>Executive Director</td>
<td>Akihiro Masuda</td>
<td>2004.2.29 – 2006.2.28</td>
<td>Executive Director, Japan National Oil Corporation, Auditor, Japan National Oil Corporation, General Manager of Standard, Agency of Industrial Science and Technology</td>
</tr>
<tr>
<td>(Stockpile)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Executive Director</td>
<td>Kazuo Hanazumi</td>
<td>2005.7.27 – 2006.2.28</td>
<td>President of National Tax College in National Tax Agency, Government of Japan, Deputy Director General of Personnel and Pensions Bureau, Ministry of Internal Affairs and Communications, Government of Japan, Deputy Director General of Ministry of Finance, Government of Japan - in charge of Bureau of Customs and Tariff</td>
</tr>
<tr>
<td>(Mine Pollution Control, Metals Finance &amp; Technology)</td>
<td>Harumasa Nagamune</td>
<td>2004.2.29 – 2006.2.28</td>
<td>Auditor, Japan National Oil Corporation, General Manager of General Administration Department, Tomakomai Eastern Oil Stockpile Co., Ltd., Counselor, Japan National Oil Corporation</td>
</tr>
<tr>
<td>Auditor</td>
<td>Ryoichi Suzuki</td>
<td>2004.2.29 – 2006.2.28</td>
<td>Executive Officer, General Manager of Mineral Resources Division, Sumitomo Metal Mining Co., Ltd., President of SMM America Inc., Sumitomo Metal Mining Co., Ltd., Executive Director, General Manager of Engineering Department, Mineral Resources Division, Sumitomo Metal Mining Co., Ltd.</td>
</tr>
</tbody>
</table>
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Domestic Network

Oil Stockpile Site Management Offices

Tomakomai Site Management Office
308 Aza-Shizukawa, Tomakomi-cho, Hokkaido 059-1363, JAPAN
Tel. +81-144-56-2466 Fax. +81-144-56-1513

Mutsu-Ogawara Site Management Office
525-2 Aza-Futumata, Oaza-Obuchi, Rokka-sho-mura Kamikita-gun, Aomori 039-3212, JAPAN
Tel. +81-175-73-3611 Fax. +81-175-73-3612

Akita Site Management Office
219 Aza-Ashiizawa, Funakawa, Funakawa Minato, Oga-cho, Akita 010-0511, JAPAN
Tel. +81-185-24-0121 Fax. +81-185-24-4555

Kuji Site Management Office
105-2 Ooi-8 Chome, Aza-Irinai, Natsucho, Kuji-shi, Iwate 028-0011, JAPAN
Tel. +81-194-52-2111 Fax. +81-194-52-2116

Fukui Site Management Office
1 Aza-Rinkai, 38 Ishishinbo-cho, Fukui-shi, Fukui 910-3133, JAPAN
Tel. +81-776-85-1229 Fax. +81-776-85-1220

Kikuma Site Management Office
4642-1 Tane, Kikuma-cho, Imabari-shi, Ehime 799-2302, JAPAN
Tel. +81-898-54-2929 Fax. +81-898-54-2930

Shirahama Site Management Office
1-108 Hikib-machi, Wamatsuku-ku, Kitakyushu-shi, Fukuoka 808-0021, JAPAN
Tel. +81-93-761-1411 Fax. +81-93-761-1454

Kamigoto Site Management Office
Onsima, Shinkamigoto-cho, Minamiasa-gun, Nagasaki 857-4145, JAPAN
Tel. +81-956-52-4610 Fax. +81-956-52-4617

Kushikino Site Management Office
1 Seisatsu-cho, Kushikino-cho, Kagoshima 896-0046, JAPAN
Tel. +81-996-33-1182 Fax. +81-996-33-1189

Shibushi Site Management Office
5024-1 Aza-Shiromaki, Kawayahashi, Higashi-Kushiro-cho, Kimosu-ku, Kagoshima 893-1615, JAPAN
Tel. +81-994-63-6993 Fax. +81-994-63-6905

Kashiwazaki Test Field Office
690 Aza-Kosokawacho, Oaza-Hi, Kashiwazaki-cho, Niigata 945-1353, JAPAN
Tel. +81-257-21-5420 Fax. +81-257-21-5443

LPG Stockpile Site Management Offices and Project Management Offices

Kamisu Project Management Office
6225-40 Okunoya, Kamisu-shi, Ibaraki 314-0116, JAPAN
Tel. +81-29-97-3023 Fax. +81-29-97-3021

Nanao Site Management Office
165-1 Minuro-machi, Nanao-shi, Ishikawa 926-0007, JAPAN
Tel. +81-776-78-8797 Fax. +81-776-78-8799

Kurashiki Project Management Office
6-6-5 Minamisato, Kurashiki-shi, Okayama 721-8095, JAPAN
Tel. +81-86-450-3931 Fax. +81-86-450-3932

Namikata Project Management Office
600 Miyazaki Ko, Namikata-cho, Imabari-shi, Ehime 799-2104, JAPAN
Tel. +81-896-36-4051 Fax. +81-896-36-4061

Fukushima Site Management Office
58-2 Shiohamamen, Fukushima-cho, Kitamatsusawa-gun, Nagasaki 848-0043, JAPAN
Tel. +81-956-41-3030 Fax. +81-956-41-3033

Mine Pollution Control Project Support Offices

Hokkaido Mine Pollution Control Project Support Office
30-31 Umemoto-cho, Date-shi, Hokkaido 052-0222, JAPAN
Tel. +81-142-25-1113 Fax. +81-142-25-1259

Tohoku Mine Pollution Control Project Support Office
2-5-17 Matsunami, Yamagata-shi, 990-0023, JAPAN
Tel. +81-23-626-4631 Fax. +81-23-626-4632

Chugoku-Kinki Mine Pollution Control Project Support Office
1310 Omizu-cho, Sanei-ku, Kawasaki-shi, Kanagawa 212-0054, JAPAN
Tel. +81-44-520-8640 Fax. +81-44-520-8730

Chugoku-Kinki Mine Pollution Control Project Support Office
1-5 Tashima Hon-machi, Hitachi-shi, Ibaraki 319-0003, JAPAN
Tel. +81-973-27-6140 Fax. +81-973-27-6141

Matsuo Mine Pollution Control Project Support Office
1-3-1 Kashiwadai, Hachiman-machi, Iwate 028-7303, JAPAN
Tel. +81-195-78-3156 Fax. +81-195-78-3076
ABOUT US
Company Name: Japan Oil, Gas and Metals National Corporation
President: Hidejiro Ohsawa (as of March 31, 2005)
Date of Establishment: February 29, 2004
Equity Capital: 96.2 billion yen (as of March 31, 2005)

Head Office
7F, Muza Kawasaki Central Tower,
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Kanagawa 212-8554, JAPAN
Tel. +81-44-520-8600  Fax. +81-44-520-8710

Technology & Research Center
1-2-2, Hamada, Mihama-ku, Chiba-shi,
Chiba 261-0025, JAPAN
Tel. +81-43-276-9212  Fax. +81-43-276-4061

Metals Technology Center
9-3 Kosakakouzai Furudate, Kosaka-machi, Kazuno-gun,
Akita 017-0202, JAPAN
Tel. +81-186-29-3829  Fax. +81-186-29-3849