

## Consolidated Financial Results for the Three Months Ended June 30, 2012 <under Japanese GAAP>

August 3, 2012

Note: The following report is a summary of the Japanese-language original.

Company name: Japan Petroleum Exploration Co., Ltd.  
 Listing: Tokyo Stock Exchange, First Section  
 Securities code: 1662  
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Scheduled date to file Quarterly Report: August 9, 2012  
 Scheduled date to commence dividend payments: –  
 Presentation of supplementary material on quarterly financial results: Yes  
 Holding of quarterly financial results presentation meeting: None

(Millions of yen with fractional amounts discarded, unless otherwise noted)

### 1. Consolidated financial results for the three months ended June 30, 2012 (April 1, 2012 – June 30, 2012)

#### (1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2012	56,472	7.6	3,642	(22.1)	4,438	(20.4)	3,471	(21.5)
June 30, 2011	52,462	12.8	4,674	(9.7)	5,573	(10.0)	4,422	18.5

Note: Comprehensive income: Three months ended June 30, 2012: -16,064 million yen (– %)  
 Three months ended June 30, 2011: -1,653 million yen (– %)

	Net income per share	Diluted net income per share
Three months ended	Yen	Yen
June 30, 2012	60.74	–
June 30, 2011	77.37	–

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2012	507,049	389,995	74.0
As of March 31, 2012	532,890	406,773	73.7

Reference: Equity As of June 30, 2012: 375,101 million yen As of March 31, 2012: 392,597 million yen

### 2. Cash dividends

	Annual dividends				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2012	–	20.00	–	20.00	40.00
Fiscal year ending March 31, 2013	–				
Fiscal year ending March 31, 2013 (Forecast)		20.00	–	20.00	40.00

Note: Revisions to the forecasts of cash dividends most recently announced: None

3. Consolidated financial forecasts for the fiscal year ending March 31, 2013 (April 1, 2012 – March 31, 2013)  
(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
For the six months ending September 30, 2012	106,210	1.5	4,876	(21.6)	5,076	(35.6)	6,145	(3.0)	107.52
Fiscal year ending March 31, 2013	214,653	(6.9)	10,003	(33.5)	16,819	(24.1)	16,526	(2.9)	289.15

Note: Revisions to the consolidated financial forecasts most recently announced: Yes

\* Notes

(1) Changes in significant subsidiaries during the three months under review (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Application of specific accounting for preparing quarterly consolidated financial statements: Yes

Note: For details, please refer to the section of “(2) Application of specific accounting for preparing quarterly consolidated financial statements” of “2. Matters regarding summary information (notes)” on page 5 of the attached material.

(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections

a. Changes in accounting polices due to revisions to accounting standards and other regulations: Yes

b. Changes in accounting policies due to other reasons: None

c. Changes in accounting estimates: Yes

d. Restatement of prior period financial statements after error corrections: None

Note: Changes regarding change in depreciation method of property, plant and equipment. For details, please refer to the section of “(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections” of “2. Matters regarding summary information (notes)” on page 5 of the attached material.

(4) Number of issued shares (common stock)

a. Total number of issued shares at the end of the period (including treasury stock)

As of June 30, 2012 57,154,776 shares

As of March 31, 2012 57,154,776 shares

b. Number of treasury shares at the end of the period

As of June 30, 2012 2,139 shares

As of March 31, 2012 2,139 shares

c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2012 57,152,637 shares

Three months ended June 30, 2011 57,152,671 shares

\* Indication regarding execution of quarterly review procedures

This quarterly financial results report is not subject to the quarterly review procedures in accordance with the Financial Instruments and Exchange Act. At the time of disclosure of this quarterly financial results report, the quarterly review procedures for the quarterly consolidated financial statements are in progress.

\* Proper use of financial forecasts, and other special matters

The forward-looking statements, including the financial forecasts shown in this document are based on information currently available to the Company and on certain assumptions deemed to be reasonable. As such, they do not constitute guarantees by the Company of future performance. Actual performance and other results may differ materially from these forecasts due to various factors.

For the suppositions that form the assumptions for financial forecasts and cautions concerning the use thereof, please refer to the section of “(3) Qualitative information regarding consolidated financial forecasts” of “1.

Qualitative information regarding settlement of accounts for the three months ended June 30, 2012” on page 5 of the attached material to the quarterly financial results report.

(Method of accessing supplementary material on quarterly financial results)

On August 3, 2012 (Friday), JAPEX plans to post supplementary material on its website.

(Attached Material)

## 1. Qualitative information regarding settlement of accounts for the three months ended June 30, 2012

### (1) Qualitative information regarding consolidated operating results

During the three months ended June 30, 2012, net sales was at ¥56,472 million, an increase of ¥4,010 million (+7.6%) year on year, and gross profit increased by ¥1,809 million (+13.2%) year on year to ¥15,497 million. The factors behind the year-on-year increases in net sales and gross profit were the rise in sales price of bitumen and an increase in sales from transportation of natural gas, among others.

Exploration expenses increased by ¥2,611 million (+166.4%) year on year to ¥4,180 million, due to a considerable increase in domestic and overseas expenditures, and selling, general and administrative expenses increased by ¥229 million (+3.1%) year on year to ¥7,673 million. As a result, despite the increase in gross profit, operating income decreased by ¥1,031 million (-22.1%) to ¥3,642 million because of increases in exploration expenses and other expenses.

Ordinary income amounted to ¥4,438 million, decreasing ¥1,135 million (-20.4%) year on year, due to the decrease in operating income and an increase in equity in losses of affiliates, among others, outweighing positive factors such as an increase in dividends income and decreases in loss on sales of securities and loss on valuation of securities.

Income before income taxes and minority interests was ¥4,206 million, a ¥1,442 million decrease (-25.5%) year on year, due to a decrease in gain on sales of noncurrent assets and an increase in loss on retirement of noncurrent assets. As a result of a decrease in income taxes, net income was ¥3,471 million, a ¥950 million decrease (-21.5%) year on year.

Below is a breakdown of sales.

#### (i) E&P

Net sales from E&P (including liquefied natural gas (LNG) and bitumen) came to ¥44,743 million, an increase of ¥2,009 million (+4.7%) year on year, due mainly to the rise in sales prices of natural gas and bitumen.

#### (ii) Contract Services

Net sales from contract services (involved in drilling and geological surveys) came to ¥1,185 million, an increase of ¥351 million (+42.2%) year on year.

#### (iii) Other Businesses

Net sales from other businesses, such as the sale of oil products, including liquefied petroleum gas (LPG), fuel oil and the like, the transportation of natural gas and oil products on consignment as well as other subcontracted tasks, came to ¥10,543 million, an increase of ¥1,649 million (+18.5%) year on year due mainly to an increase in proceeds from transportation of natural gas on consignment.

### (2) Qualitative information regarding consolidated financial position

At the end of the first quarter, as compared to the end of the previous fiscal year, although current assets increased, total assets decreased by ¥25,840 million to ¥507,049 million due to a decrease in noncurrent assets. The main changes in current assets were an increase in short-term investment securities due to the purchase of Treasury Discount Bills for short-term investment purposes and a decrease in short-term loans receivable based on repo transactions included in the other current assets item. The decrease in noncurrent assets was mainly due to a drop in investment securities following a fall in the stock prices of INPEX CORPORATION and other companies.

Regarding liabilities and net assets, total liabilities decreased by ¥9,062 million from the previous fiscal year-end to ¥117,054 million, mainly due to decreases in deferred tax liabilities as a result of the aforementioned drop in investment securities and in income taxes payable, exceeding an increase in notes and accounts payable-trade. Total net assets decreased by ¥16,778 million to ¥389,995 million as a result of a decrease in valuation difference on available-for-sale securities exceeding increases in retained earnings and foreign currency translation adjustment, among others.

(3) Qualitative information regarding consolidated financial forecasts

We have revised the consolidated financial forecasts for the six months ending September 30, 2012, from the financial forecasts announced on May 11, 2012. We upwardly revised our initial forecast for net sales due to higher sales volume of purchased crude oil from overseas.

The consolidated financial forecasts for the full-year have been left unchanged.

Please refer to the "Notice of Financial Forecast Revision" released on the same day of this report, August 3, 2012.

2. Matters regarding summary information (notes)

(1) Changes in significant subsidiaries during the three months under review

No items to report

(2) Application of specific accounting for preparing quarterly consolidated financial statements

a. Deferral accounting of cost variance

Cost variance arising from seasonal changes in production level is deferred as current assets (other) because such variance is expected to be almost completely eliminated by the end of the cost accounting period.

b. Calculation of taxes

For the taxes, JAPEX and some of its consolidated subsidiaries compute first by reasonably estimating the effective tax rate after applying tax effect accounting against income before income taxes and minority interests for the fiscal year including the three months under review, and next by multiplying the quarterly income before income taxes and minority interests by such estimated effective tax rate. Note that income taxes-deferred is included in income taxes.

(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections

Changes in accounting policies

(Change in depreciation method)

Following the revision of the Corporation Tax Act, JAPEX and its domestic consolidated subsidiaries applied the depreciation method in compliance with the revised Corporation Tax Act to property, plant and equipment acquired on or after April 1, 2012, from the first quarter ended June 30, 2012.

The impact of this change on operating income, ordinary income, and income before income taxes and minority interests for the three months under review was immaterial.

3. Consolidated financial statements  
(1) Consolidated quarterly balance sheets

(Millions of yen)

	As of March 31, 2012	As of June 30, 2012
<b>Assets</b>		
Current assets		
Cash and deposits	29,805	33,389
Notes and accounts receivable-trade	27,392	25,537
Short-term investment securities	51,870	80,115
Merchandise and finished goods	4,407	4,328
Work in process	99	183
Raw materials and supplies	4,952	4,196
Other	46,527	24,665
Allowance for doubtful accounts	(1)	(1)
Total current assets	165,054	172,413
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	42,932	41,994
Machinery, equipment and vehicles, net	56,332	53,932
Other, net	33,594	33,715
Total property, plant and equipment	132,859	129,642
Intangible assets		
Other	7,156	7,158
Total intangible assets	7,156	7,158
Investments and other assets		
Investment securities	192,726	159,616
Other	39,725	42,846
Allowance for doubtful accounts	(38)	(35)
Allowance for overseas investment loss	(4,593)	(4,593)
Total investments and other assets	227,820	197,834
Total noncurrent assets	367,836	334,635
Total assets	532,890	507,049

(Millions of yen)

	As of March 31, 2012	As of June 30, 2012
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	7,251	10,743
Income taxes payable	1,897	539
Provision	216	114
Other	23,611	22,985
<b>Total current liabilities</b>	<b>32,977</b>	<b>34,382</b>
<b>Noncurrent liabilities</b>		
Long-term loans payable	26,198	26,067
Deferred tax liabilities	42,601	33,089
Provision for retirement benefits	7,129	7,043
Other provision	845	778
Asset retirement obligations	9,670	9,266
Other	6,695	6,426
<b>Total noncurrent liabilities</b>	<b>93,140</b>	<b>82,671</b>
<b>Total liabilities</b>	<b>126,117</b>	<b>117,054</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	14,288	14,288
Retained earnings	294,323	296,652
Treasury stock	(10)	(10)
<b>Total shareholders' equity</b>	<b>308,601</b>	<b>310,930</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	89,366	67,910
Deferred gains or losses on hedges	20	67
Foreign currency translation adjustment	(5,391)	(3,807)
<b>Total accumulated other comprehensive income</b>	<b>83,995</b>	<b>64,171</b>
<b>Minority interests</b>	<b>14,176</b>	<b>14,893</b>
<b>Total net assets</b>	<b>406,773</b>	<b>389,995</b>
<b>Total liabilities and net assets</b>	<b>532,890</b>	<b>507,049</b>

(2) Consolidated quarterly statements of income and Consolidated quarterly statements of comprehensive income  
Consolidated quarterly statements of income

	(Millions of yen)	
	Three months ended June 30, 2011 (April 1, 2011 – June 30, 2011)	Three months ended June 30, 2012 (April 1, 2012 – June 30, 2012)
Net sales	52,462	56,472
Cost of sales	38,774	40,975
Gross profit	13,688	15,497
Exploration expenses		
Exploration expenses	1,569	4,180
Total exploration expenses	1,569	4,180
Selling, general and administrative expenses	7,444	7,673
Operating income	4,674	3,642
Non-operating income		
Dividends income	1,128	1,449
Other	1,083	580
Total non-operating income	2,212	2,029
Non-operating expenses		
Loss on sales of securities	304	–
Loss on valuation of securities	289	–
Equity in losses of affiliates	501	903
Other	218	330
Total non-operating expenses	1,313	1,234
Ordinary income	5,573	4,438
Extraordinary income		
Gain on sales of noncurrent assets	138	2
Other	0	–
Total extraordinary income	139	2
Extraordinary loss		
Loss on retirement of noncurrent assets	63	227
Other	0	6
Total extraordinary losses	64	234
Income before income taxes and minority interests	5,648	4,206
Income taxes	1,139	659
Income before minority interests	4,509	3,546
Minority interests in income	86	75
Net income	4,422	3,471



## Consolidated quarterly statements of comprehensive income

(Millions of yen)

	Three months ended June 30, 2011 (April 1, 2011 – June 30, 2011)	Three months ended June 30, 2012 (April 1, 2012 – June 30, 2012)
Income before minority interests	4,509	3,546
Other comprehensive income		
Valuation difference on available-for-sale securities	(7,251)	(21,462)
Deferred gains or losses on hedges	(18)	71
Foreign currency translation adjustment	1,086	1,800
Share of other comprehensive income of associates accounted for using equity method	21	(20)
Total other comprehensive income	(6,162)	(19,610)
Comprehensive income	(1,653)	(16,064)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(1,862)	(16,352)
Comprehensive income attributable to minority interests	208	288

(3) Notes on premise of going concern

No items to report

(4) Notes on significant changes in the amount of shareholders' equity

No items to report

(5) Significant subsequent events

Assignment of working interest pertaining to bitumen of Japan Canada Oil Sands Limited (JACOS) on May 30, 2012 (MST), consolidated subsidiary JACOS assigned a 25% working interest pertaining to bitumen (a type of extra-heavy oil extracted from oil sands) in Liege lease, which was one of the oil sand leases owned by JACOS, to a Canadian petroleum company for CAD32.5 million. As a result, an amount equivalent to the assignment amount will be recorded as extraordinary income in the second quarter ending September 30, 2012.

#### 4. Supplemental information

##### Status of production and sales

###### 1. Production

		Three months ended June 30, 2011 (April 1, 2011 – June 30, 2011)	Three months ended June 30, 2012 (April 1, 2012 – June 30, 2012)	(Reference) Fiscal year ended March 31, 2012 (April 1, 2011 – March 31, 2012)
E&P	Crude oil (kl)	126,589 (671)	123,528 (540)	547,777 (2,527)
	Natural gas (thousand m <sup>3</sup> )	309,413 (2,337)	282,176 (374)	1,288,978 (4,435)
	LNG (t)	10,864	–	22,943
	Bitumen (kl)	93,429 (93,429)	97,157 (97,157)	382,394 (382,394)

- Notes: 1. The figures in parentheses represent overseas production and are included in the total.  
2. Part of the natural gas production volume is used as a feedstock for LNG.  
3. Bitumen is a type of extra-heavy oil extracted from oil sands.

###### 2. Sales

		Three months ended June 30, 2011 (April 1, 2011 – June 30, 2011)		Three months ended June 30, 2012 (April 1, 2012 – June 30, 2012)		(Reference) Fiscal year ended March 31, 2012 (April 1, 2011 – March 31, 2012)	
		Volume	Amount (Millions of yen)	Volume	Amount (Millions of yen)	Volume	Amount (Millions of yen)
E&P	Crude oil (kl)	369,376	22,178	376,555	22,296	1,395,833	80,754
	Natural gas (thousand m <sup>3</sup> )	368,108	15,299	358,369	15,837	1,730,381	74,957
	LNG (t)	47,696	3,199	48,039	3,828	216,211	15,930
	Bitumen (kl)	93,283	2,057	97,196	2,781	382,378	9,137
Subtotal			42,734		44,743		180,779
Contract services			833		1,185		8,360
Other businesses	Oil products /merchandise		8,242		8,623		36,585
	Others		651		1,919		4,912
Subtotal			8,894		10,543		41,497
Total			52,462		56,472		230,638

- Notes: 1. “Oil products/merchandise” includes liquefied petroleum gas (LPG), fuel oil, gas oil and kerosene, and “Others” includes the transportation of natural gas and oil products on consignment as well as other subcontracted tasks.  
2. Monetary amounts in the table do not include consumption taxes.