



October 26, 2012

Note: The following report is an English translation of the Japanese-language original.

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**Notice of Recording of Impairment Loss of Business Assets,
Announcement of Financial Forecast Revision
and Difference between Non-consolidated Forecast and Performance in the Previous Fiscal Year**

Japan Petroleum Exploration Co.,Ltd. (hereinafter “the Company”) has decided at a Board of Directors’ meeting held today, October 26, 2012 to post an impairment loss for business assets at Yufutsu Oil and Gas Field (hereinafter “the Oil and Gas Field”) in Tomakomai City, Hokkaido as an extraordinary loss in the second quarter of the fiscal year ending March 31, 2013. Based on the posting of the impairment loss and recent business performance, the Company hereby revises its consolidated forecast for the six months ended September 30, 2012, announced on August 3, 2012, and its consolidated forecast for the fiscal year ending March 31, 2013, announced on May11, 2012.

The Company also announces the difference between the non-consolidated forecast for the current fiscal year and the performance in the previous fiscal year. Details are as follows:

1. Impairment loss for business assets

(1) Impairment loss in the six months ended September 30, 2012

¥37,031 million

(2) Reason of the impairment loss

The Company has looked into production trends at the Oil and Gas Field and has assessed its production capacity. The Company found that the quantity of water brought forth with oil gas from the wells significantly exceeded its forecast in the winter of the fiscal year 2012. Following the finding, the Company had measured the bottom hole pressure and etc. since June 2012 and reassessed the production capacity. As a result, the Company has reached an conclusion that the production capacity declined considerably, and determined that it needs to revise its forecast of crude oil and natural gas production downward.

The Company calculated cash flows based on the revised production forecast. As a consequence, the Company has decided to reduce the book value of the business assets for production operation at the Oil and Gas Field to the present value of future cash flows under the Accounting Standard for Impairment of Fixed Assets and to post the reduction as an impairment loss in extraordinary loss.

In addition to the supply of natural gas produced from the Oil and Gas Field, the Company has already completed and is now operating its natural gas supply system which is composed of the Yufutsu LNG Receiving Terminal and its domestic vessles. Meanwhile, Hokkaido Gas Co.,Ltd. will start the operation

of the Ishikari LNG Plant in December 2012. Thus the stable supply of natural gas in Hokkaido will not be disrupted due to the said revised production forecast downward.

The Company will maintain and expand the supply of oil and natural gas in Hokkaido by continuing with the long-term, efficient operation of the Oil and Gas Field, promoting exploration and development in the surrounding areas, and further utilizing the Yufutsu LNG Receiving Terminal.

2. Financial forecast revision

(1) Revision to consolidated forecast for the six months ended September 30, 2012

Revision to consolidated forecast for the six months ended September 30, 2012
(April 1, 2012 – September 30, 2012)

(Unit: ¥Million)

	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income per Share
Previous forecast (A)	106,210	4,876	5,076	6,145	¥107.52
Revised forecast (B)	105,959	1,778	3,062	(24,433)	(¥427.51)
Change in amount (B)-(A)	(252)	(3,098)	(2,013)	(30,578)	
Rate of change (%)	(0)	(64)	(40)	—	
(Reference) FY2012 1Q-2Q	104,596	6,219	7,887	6,333	¥110.81

Reason for Revision :

The Company will post part of its expenses for the stable supply of natural gas in Hokkaido during the winter ahead of schedule, which will raise the cost of sales. As a result, operating income and ordinary income will be below the previous forecast for the six months ended September 30, 2012. In addition, because of the posting of the extraordinary loss (impairment loss) described above, the Company has changed its net income forecast from net income of ¥6,145 million to a net loss of ¥24,433 million.

(2) Revision to consolidated forecast for the fiscal year ending March 31, 2013

Revision to consolidated forecast for the fiscal year ending March 31, 2013
(April 1, 2012 – March 31, 2013)

(Unit: ¥Million)

	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income per Share
Previous forecast (A)	214,653	10,003	16,819	16,526	¥289.15
Revised forecast (B)	222,228	10,304	18,855	(11,630)	(¥203.50)
Change in amount (B- A)	7,575	301	2,036	(28,156)	
Rate of change (%)	4	3	12	—	
(Reference) FY2012 Full Year	230,638	15,045	22,159	17,027	¥297.92

Reason for Revision :

Due to the posting of the extraordinary loss (impairment loss) described above, the Company has changed its consolidated net income forecast for the fiscal year ending March 31, 2013, from net income of ¥16,526 million to a net loss of ¥11,630 million.

3. Difference between non-consolidated forecast and performance in the previous fiscal year

Difference between non-consolidated forecast for the fiscal year ended March 31, 2013 and performance in the previous fiscal year

(Unit: ¥Million)

	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income per Share
Performance in fiscal year ended March 31, 2012 (A)	173,832	10,351	18,627	16,423	¥287.36
Forecast for fiscal year ending March 31, 2013 (B)	169,291	8,119	17,836	(10,497)	(¥183.67)
Change in amount (B – A)	(4,541)	(2,233)	(791)	(26,921)	
Rate of change (%)	(3)	(22)	(4)	—	

Reason for Revision :

Due to the posting of the extraordinary loss (impairment loss) described above, the Company forecasts that it will post a non-consolidated net loss of ¥10,497 million in the fiscal year ending March 31, 2013, compared with net income of ¥16,423 million in the previous fiscal year.

(Note) The forward-looking statements in this document include projections based on our assumptions, outlook, and plans as of the date of publication of this document. Actual results may be different from those statements significantly.

Japan Petroleum Exploration Co.,Ltd.

Notice of Financial Forecast Revision (Reference)**【The six months ended September 30,2012】**

(Unit: ¥Million)

	Previous forecast 8/3	Forecast Revision			Change in amount	Rate of change (%)
		Before Impairment loss	Impairment loss	Total		
Net Sales	106,210	105,959	-	105,959	(252)	(0)
Operating Income	4,876	1,778	-	1,778	(3,098)	(64)
Ordinary Income	5,076	3,020	42	3,062	(2,013)	(40)
Extraordinary gain	2,497	2,797	-	2,797	300	
Extraordinary loss	509	539	37,031	37,570	37,061	
Income before income taxes and minority interests	7,064	5,279	(36,989)	(31,711)	(38,774)	-
Income taxes	379	118	(7,891)	(7,773)	(8,152)	
Net income	6,145	4,665	(29,099)	(24,433)	(30,578)	-

【The fiscal year ending March 31, 2013】

	Previous forecast 5/11	Forecast Revision			Change in amount	Rate of change (%)
		Before Impairment loss	Impairment loss	Total		
Net Sales	214,653	222,228	-	222,228	7,575	4
Operating Income	10,003	7,907	2,397	10,304	301	3
Ordinary Income	16,819	16,419	2,436	18,855	2,036	12
Extraordinary gain	2,960	2,961	-	2,961	1	
Extraordinary loss	582	679	37,031	37,711	37,129	
Income before income taxes and minority interests	19,197	18,700	(34,595)	(15,895)	(35,092)	-
Income taxes	1,969	2,224	(7,216)	(4,992)	(6,961)	
Net income	16,526	15,749	(27,380)	(11,630)	(28,156)	-