

Consolidated Financial Results for the Six Months Ended September 30, 2012 <under Japanese GAAP>

November 2, 2012

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

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 Listing: Tokyo Stock Exchange, First Section
 Securities code: 1662
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Scheduled date to file Quarterly Report: November 8, 2012
 Scheduled date to commence dividend payments: December 4, 2012
 Presentation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results presentation meeting: Yes (for analysts and institutional investors)

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

1. Consolidated financial results for the six months ended September 30, 2012 (April 1, 2012 – September 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	%
Six months ended								
September 30, 2012	105,958	1.3	1,778	(71.4)	3,062	(61.2)	(24,433)	–
September 30, 2011	104,596	13.2	6,219	61.7	7,887	60.0	6,333	234.0

Note: Comprehensive income: Six months ended September 30, 2012: -40,803 million yen (– %)
 Six months ended September 30, 2011: -19,152 million yen (– %)

	Net income per share	Diluted net income per share
Six months ended	Yen	Yen
September 30, 2012	(427.51)	–
September 30, 2011	110.81	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2012	480,129	367,298	72.9
As of March 31, 2012	532,890	406,773	73.7

Reference: Equity As of September 30, 2012: 350,052 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	–	20.00	–	–	–
Fiscal year ending March 31, 2013 (Forecasts)	–	–	–	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
Fiscal year ending March 31, 2013	222,228	(3.6)	10,304	(31.5)	18,855	(14.9)	(11,630)	–	(203.50)

Note: Revisions to the consolidated financial forecasts most recently announced: None

* Notes

(1) Changes in significant subsidiaries during the six 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 policies 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 September 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 September 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)

Six months ended September 30, 2012 57,152,637 shares

Six months ended September 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 six months ended September 30, 2012” on page 5 of the attached material to the quarterly financial results report.

(Method of accessing contents of presentation meeting of quarterly financial results)

On November 2, 2012 (Friday), JAPEX plans to hold a presentation meeting for institutional investors and analysts. JAPEX plans to post the material distributed at this presentation meeting on its website promptly after the meeting is held.

(Significant impairment loss on noncurrent assets)

Owing to a decline in production capacity at the Yufutsu Oil and Gas Field in Tomakomai City, Hokkaido, the Company reduced the book value of the business assets for production operation at the Oil and Gas Field to their recoverable value and posted an impairment loss for them. The amount of impairment loss on the relevant assets posted for the six months under review was ¥37,031 million. For the background to the impairment loss and the associated financial forecast revision, please refer to the “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” released on October 26, 2012.

(Attached Material)

1. Qualitative information regarding settlement of accounts for the six months ended September 30, 2012

(1) Qualitative information regarding consolidated operating results

During the six months ended September 30, 2012, net sales was at ¥105,958 million, an increase of ¥1,362 million (+1.3%) year on year. Although a decline in natural gas sales volume had a negative impact, it was outweighed by positive factors including an increase in transportation fee of natural gas. Gross profit decreased by ¥1,700 million (-6.7%) year on year to ¥23,638 million, despite positive factors including the aforementioned increase in transportation fee of natural gas. This primarily reflected a decline in natural gas sales volume and an increase in cost of sales due to a rise in expenses for the stable supply of natural gas in Hokkaido during the winter.

Exploration expenses increased by ¥3,272 million (+80.9%) year on year to ¥7,316 million, due to a considerable increase in domestic and overseas expenditures, and selling, general and administrative expenses decreased by ¥532 million (-3.5%) year on year to ¥14,542 million. As a result, operating income decreased by ¥4,441 million (-71.4%) year on year to ¥1,778 million due to the decline in gross profit and the increase in exploration expenses.

Ordinary income amounted to ¥3,062 million, decreasing ¥4,825 million (-61.2%) 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 a decrease in foreign exchange losses.

Loss before income taxes and minority interests was ¥31,710 million, a ¥39,556 million profit decline year on year. Although a ¥2,495 million gain on transfer of mining rights by assignment of working interest pertaining to bitumen of Japan Canada Oil Sands Limited (JACOS) was recorded in extraordinary income, this was outweighed by other items including the posting under extraordinary loss of a ¥37,031 million impairment loss on business assets for production operation at the Yufutsu Oil and Gas Field in Hokkaido, due to a decline in production capacity at the Oil and Gas Field. Net loss was ¥24,433 million, a profit decline of ¥30,766 million year on year. This reflected a decrease in income taxes mainly due to the recording of deferred tax assets accompanying the aforementioned posting of impairment loss.

Below is a breakdown of sales.

(i) E&P

Net sales from E&P (including liquefied natural gas (LNG) and bitumen) came to ¥83,810 million, a decrease of ¥303 million (-0.4%) year on year. Although there were positive factors including increases in bitumen sales volume and sales prices, as well as a rise in LNG sales prices, these were outweighed by other factors including a decline in natural gas sales volume and a fall in sales prices for purchased crude oil due to a decline in crude oil prices.

(ii) Contract Services

Net sales from contract services (involved in drilling and geological surveys) came to ¥2,447 million, an increase of ¥189 million (+8.4%) 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 fee of natural gas and oil products as well as other subcontracted tasks, came to ¥19,700 million, an increase of ¥1,475 million (+8.1%) year on year due mainly to an increase in transportation fee of natural gas .

(2) Qualitative information regarding consolidated financial position

At the end of the second quarter, as compared to the end of the previous fiscal year, although current assets increased, total assets decreased by ¥52,761 million to ¥480,129 million due to a decrease in noncurrent assets. The main changes in current assets were an increase in cash and deposits, an increase in short-term investment securities due to the purchase of Treasury Discount Bills for short-term investment purposes, an increase in raw materials from the purchase of LNG, 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 decrease in property, plant and equipment from the aforementioned posting of impairment loss on business assets at the Yufutsu Oil and Gas Field in Hokkaido, and 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 ¥13,286 million from the previous fiscal year-end to ¥112,831 million, mainly due to decreases in deferred tax liabilities as a result of the aforementioned drop in investment securities and in long-term loans payable exceeding an increase in notes and accounts payable-trade. Total net assets decreased by ¥39,475 million to ¥367,298 million as a result of a decline in retained earnings resulting from the aforementioned posting of net loss and a decrease in valuation difference on available-for-sale securities exceeding a rise in minority interests from a third-party allocation of new shares by consolidated subsidiary Japex Garraf Ltd., among others.

(3) Qualitative information regarding consolidated financial forecasts

We have not revised the consolidated financial forecasts for the year ending March 31, 2013 from the financial forecasts announced on October 26, 2012.

2. Matters regarding summary information (notes)

(1) Changes in significant subsidiaries during the six 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 liabilities (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 six months under review, and next by multiplying the quarterly income before income taxes and minority interests by such estimated effective tax rate.

However, in cases where the calculation of taxes using such estimated effective tax rate yields a result that is not reasonable to a significant extent, the effective statutory tax rate is used.

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

(Changes in accounting policies for items that are difficult to distinguish from changes in accounting estimates)

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 loss before income taxes and minority interests for the six months under review was immaterial.

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

(Millions of yen)

	As of March 31, 2012	As of September 30, 2012
Assets		
Current assets		
Cash and deposits	29,805	34,722
Notes and accounts receivable-trade	27,392	25,765
Short-term investment securities	51,870	65,599
Merchandise and finished goods	4,407	4,891
Work in process	99	274
Raw materials and supplies	4,952	8,280
Other	46,527	39,323
Allowance for doubtful accounts	(1)	(1)
Total current assets	165,054	178,854
Noncurrent assets		
Property, plant and equipment	132,859	89,808
Intangible assets		
Other	7,156	7,001
Total intangible assets	7,156	7,001
Investments and other assets		
Investment securities	192,726	163,488
Other	39,725	45,603
Allowance for doubtful accounts	(38)	(32)
Allowance for overseas investment loss	(4,593)	(4,595)
Total investments and other assets	227,820	204,464
Total noncurrent assets	367,836	301,274
Total assets	532,890	480,129

(Millions of yen)

	As of March 31, 2012	As of September 30, 2012
Liabilities		
Current liabilities		
Notes and accounts payable-trade	7,251	19,145
Provision	216	129
Other	25,509	20,877
Total current liabilities	32,977	40,153
Noncurrent liabilities		
Long-term loans payable	26,198	22,432
Deferred tax liabilities	42,601	26,838
Provision for retirement benefits	7,129	6,968
Other provision	845	830
Asset retirement obligations	9,670	9,296
Other	6,695	6,310
Total noncurrent liabilities	93,140	72,677
Total liabilities	126,117	112,831
Net assets		
Shareholders' equity		
Capital stock	14,288	14,288
Retained earnings	294,323	268,747
Treasury stock	(10)	(10)
Total shareholders' equity	308,601	283,025
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	89,366	71,599
Deferred gains or losses on hedges	20	662
Foreign currency translation adjustment	(5,391)	(5,234)
Total accumulated other comprehensive income	83,995	67,027
Minority interests	14,176	17,245
Total net assets	406,773	367,298
Total liabilities and net assets	532,890	480,129

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

	(Millions of yen)	
	Six months ended September 30, 2011 (April 1, 2011 – September 30, 2011)	Six months ended September 30, 2012 (April 1, 2012 – September 30, 2012)
Net sales	104,596	105,958
Cost of sales	79,257	82,320
Gross profit	25,338	23,638
Exploration expenses		
Exploration expenses	4,043	7,316
Total exploration expenses	4,043	7,316
Selling, general and administrative expenses	15,075	14,542
Operating income	6,219	1,778
Non-operating income		
Interest income	864	805
Dividends income	1,337	1,442
Other	992	706
Total non-operating income	3,194	2,953
Non-operating expenses		
Equity in losses of affiliates	213	744
Foreign exchange losses	440	357
Other	873	568
Total non-operating expenses	1,526	1,669
Ordinary income	7,887	3,062
Extraordinary income		
Gain on transfer of mining rights	–	2,495
Other	138	301
Total extraordinary income	138	2,796
Extraordinary loss		
Impairment loss	–	37,031
Other	181	538
Total extraordinary losses	181	37,570
Income (loss) before income taxes and minority interests	7,845	(31,710)
Income taxes	1,277	(7,772)
Income (loss) before minority interests	6,568	(23,938)
Minority interests in income	235	495
Net income (loss)	6,333	(24,433)

Consolidated quarterly statements of comprehensive income

(Millions of yen)

	Six months ended September 30, 2011 (April 1, 2011 – September 30, 2011)	Six months ended September 30, 2012 (April 1, 2012 – September 30, 2012)
Income (loss) before minority interests	6,568	(23,938)
Other comprehensive income		
Valuation difference on available-for-sale securities	(26,023)	(17,777)
Deferred gains or losses on hedges	(20)	749
Foreign currency translation adjustment	424	197
Share of other comprehensive income of associates accounted for using equity method	(100)	(34)
Total other comprehensive income	(25,720)	(16,865)
Comprehensive income	(19,152)	(40,803)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(19,370)	(41,401)
Comprehensive income attributable to minority interests	218	598

(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) Other notes

(Significant impairment loss on noncurrent assets)

Owing to a decline in production capacity at the Yufutsu Oil and Gas Field in Tomakomai City, Hokkaido, the Company reduced the book value of the business assets for production operation at the Oil and Gas Field to their recoverable value and posted an impairment loss for them. The amount of impairment loss on the relevant assets posted for the six months under review was ¥37,031 million.

4. Supplemental information

Status of production and sales

1. Production

		Six months ended September 30, 2011 (April 1, 2011 – September 30, 2011)	Six months ended September 30, 2012 (April 1, 2012 – September 30, 2012)	(Reference) Fiscal year ended March 31, 2012 (April 1, 2011 – March 31, 2012)
E&P	Crude oil (kl)	253,572 (1,624)	239,751 (1,134)	547,777 (2,527)
	Natural gas (thousand m ³)	597,324 (3,721)	534,262 (555)	1,288,978 (4,435)
	LNG (t)	19,950	226	22,943
	Bitumen (kl)	176,443 (176,443)	188,486 (188,486)	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

		Six months ended September 30, 2011 (April 1, 2011 – September 30, 2011)		Six months ended September 30, 2012 (April 1, 2012 – September 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)	720,627	42,441	732,685	41,754	1,395,833	80,754
	Natural gas (thousand m ³)	742,266	31,170	685,316	30,054	1,730,381	74,957
	LNG (t)	90,982	6,293	89,062	7,292	216,211	15,930
	Bitumen (kl)	175,429	4,207	187,429	4,708	382,378	9,137
Subtotal			84,113		83,810		180,779
Contract services			2,258		2,447		8,360
Other businesses	Oil products /merchandise		16,610		15,824		36,585
	Others		1,614		3,876		4,912
Subtotal			18,224		19,700		41,497
Total			104,596		105,958		230,638

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