

Consolidated Financial Results for the Nine Months Ended December 31, 2013 <under Japanese GAAP>

February 7, 2014

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: February 12, 2014
 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 nine months ended December 31, 2013

(April 1, 2013 – December 31, 2013)

(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 | % |
| Nine months ended | | | | | | | | |
| December 31, 2013 | 180,259 | 9.6 | 15,977 | 113.7 | 30,030 | 157.9 | 18,161 | – |
| December 31, 2012 | 164,519 | (0.7) | 7,477 | 30.3 | 11,644 | 40.9 | (18,083) | – |

Note: Comprehensive income: Nine months ended December 31, 2013: 29,711 million yen (– %)
 Nine months ended December 31, 2012: -35,467 million yen (– %)

| | Net income per share | Diluted net income per share |
|-------------------|----------------------|------------------------------|
| Nine months ended | Yen | Yen |
| December 31, 2013 | 317.77 | – |
| December 31, 2012 | (316.41) | – |

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio |
|-------------------------|-----------------|-----------------|--------------|
| | Millions of yen | Millions of yen | % |
| As of December 31, 2013 | 645,355 | 462,368 | 63.4 |
| As of March 31, 2013 | 525,172 | 403,625 | 72.8 |

Reference: Equity As of December 31, 2013: 409,020 million yen As of March 31, 2013: 382,441 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, 2013 | – | 20.00 | – | 20.00 | 40.00 |
| Fiscal year ending March 31, 2014 | – | 25.00 | – | | |
| Fiscal year ending March 31, 2014 (Forecasts) | | | | 25.00 | 50.00 |

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

3. Consolidated financial forecasts for the fiscal year ending March 31, 2014 (April 1, 2013 – March 31, 2014)
(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, 2014 | 272,802 | 18.1 | 21,540 | 54.9 | 38,083 | 35.6 | 24,089 | – | 421.49 |

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

* Notes

(1) Changes in significant subsidiaries during the nine 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 4 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: None

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: 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 4 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 December 31, 2013 57,154,776 shares

As of March 31, 2013 57,154,776 shares

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

As of December 31, 2013 2,139 shares

As of March 31, 2013 2,139 shares

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

Nine months ended December 31, 2013 57,152,637 shares

Nine months ended December 31, 2012 57,152,637 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 in accordance with the Financial Instruments and Exchange Act 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) Explanation of consolidated financial forecasts and other forward-looking statements” of “1. Qualitative information regarding settlement of accounts for the nine months ended December 31, 2013” on page 4 of the attached material to the quarterly financial results report.

(Method of accessing supplementary material on quarterly financial results)

On February 7, 2014 (Friday), JAPEX plans to post supplementary material on its website.

(Attached Material)

1. Qualitative information regarding settlement of accounts for the nine months ended December 31, 2013

(1) Explanation of operating results

During the nine months ended December 31, 2013, net sales was at ¥180,259 million, an increase of ¥15,740 million (+9.6%) year on year. This was mainly the result of an increase in sales prices due to the impact of foreign exchange rates, despite negative factors such as sales volume declines for crude oil and natural gas. Gross profit increased by ¥7,653 million (+19.5%) year on year to ¥46,874 million. This was mainly the result of the aforementioned increase in sales prices and a decrease in cost of sales due to decreased depreciation and amortization and decreased variable cost in line with a decline in sales volume of natural gas.

Exploration expenses decreased by ¥1,681 million (-17.9%) year on year to ¥7,692 million, due to a considerable decrease in overseas expenditures, and selling, general and administrative expenses increased by ¥834 million (+3.7%) year on year to ¥23,204 million. As a result, operating income increased by ¥8,500 million (+113.7%) year on year to ¥15,977 million.

Ordinary income amounted to ¥30,030 million, increasing ¥18,385 million (+157.9%) year on year, mainly because of the turnaround from equity in losses of affiliates recorded in the same period of the previous fiscal year to equity in earnings of affiliates and an increase in foreign exchange gains.

Income before income taxes and minority interests was ¥21,978 million, increasing ¥45,042 million year on year mainly as the result of a decrease in impairment loss on business assets for production operation at Yufutsu Oil and Gas Field in Hokkaido, which was recorded under extraordinary loss due to a decline in production capacity at the said Oil and Gas Field. Net income was ¥18,161 million, increasing ¥36,245 million year on year despite an increase in income taxes.

Below is a breakdown of sales.

(i) E&P

Net sales from E&P (including liquefied natural gas (LNG) and bitumen) came to ¥138,978 million, an increase of ¥9,451 million (+7.3%) year on year. This was mainly the result of an increase in net sales of purchased crude oil, particularly Sakhalin crude oil, reflecting an increase in sales prices due to a substantial swing towards yen depreciation in foreign exchange rates, which outweighed sales volume declines for domestically produced crude oil, bitumen and natural gas.

(ii) Contract Services

Net sales from contract services (involved in drilling and geological surveys) came to ¥6,326 million, an increase of ¥2,385 million (+60.5%) 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 as well as other subcontracted tasks, came to ¥34,953 million, an increase of ¥3,903 million (+12.6%) year on year.

(2) Explanation of financial position

At the end of the third quarter, as compared to the end of the previous fiscal year, although current assets decreased, noncurrent assets increased, and total assets increased by ¥120,183 million to ¥645,355 million as a result.

The main factors for change in current assets were a decrease in securities and a decrease in short-term loans receivable based on repo transactions included in other under current assets, despite an increase in cash and deposits.

The main factors for change in noncurrent assets were as follows. In property, plant and equipment, there was the recognition of assets relating to a project for the development and production of shale gas in British Columbia, Canada and an increase in the investments relating to the development of oil sands in the Hangingstone area in Alberta, Canada. In investments and other assets, there was an increase in investment

securities owing to a rise in the stock prices of INPEX CORPORATION and other companies and an increase in equity in earnings of affiliates, and an increase in the investments relating to development of the Garraf oilfield in Iraq.

Regarding liabilities and net assets, total liabilities increased by ¥61,440 million from the previous fiscal year-end to ¥182,987 million, mainly the result of an increase in short-term loans payable, despite decreases in notes and accounts payable-trade and in long-term loans payable. Total net assets increased by ¥58,742 million to ¥462,368 million as a result of increases in valuation difference on available-for-sale securities and in retained earnings.

(3) Explanation of consolidated financial forecasts and other forward-looking statements

JAPEX expects that the consolidated financial forecasts for net sales, operating income, ordinary income and net income for the fiscal year ending March 31, 2014 will be higher compared to the previous consolidated financial forecasts announced on May 10, 2013. The factors contributing to this rise are an increase in sales prices due to an increase in oil prices and the yen depreciation in foreign exchange rates, and an increase in equity in earnings of affiliates, which offset the negative factors such as the change in estimates for asset retirement obligations and the recording of impairment loss.

The latest consolidated financial forecasts have made the following changes in assumptions. The full-year (April 1, 2013 - March 31, 2014) Japan Crude Cocktail (JCC) price has been revised from \$100 per barrel to \$109.93 per barrel and the full-year foreign exchange rate has been revised from ¥90/\$ to 98.43/\$.

Please refer to the “Notice of Financial Forecast Revision and Recording of an Impairment Loss on Business Assets” released on the same day of this report, February 7, 2014.

2. Matters regarding summary information (notes)

(1) Changes in significant subsidiaries during the nine 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) and 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 nine 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 estimates)

In the natural gas supply business, which is JAPEX’s primary business operation, maintaining and ensuring the stable supply of natural gas is of high public interest. Therefore, even after termination of production operation, JAPEX planned to continue to use some assets held for the purpose of producing and selling oil and gas on a permanent basis in order to fulfill its responsibilities as a supplier for users of natural gas by holistically integrating the assets held by the JAPEX Group. However, for certain assets that JAPEX can no longer expect to use following a study into their usability as of the end of the third quarter, the timing of decommissioning and other data can now be estimated. As a consequence, JAPEX has changed its accounting estimates since it is now possible to reasonably estimate asset retirement obligations.

As a result of this change, operating income, ordinary income, and income before income taxes and minority interests for the nine months under review each decreased by ¥2,440 million.

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

(Millions of yen)

| | As of March 31, 2013 | As of December 31, 2013 |
|--|----------------------|-------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 53,870 | 83,034 |
| Notes and accounts receivable-trade | 32,337 | 34,274 |
| Securities | 53,414 | 34,220 |
| Merchandise and finished goods | 4,490 | 4,539 |
| Work in process | 77 | 385 |
| Raw materials and supplies | 7,007 | 4,869 |
| Other | 37,479 | 19,787 |
| Allowance for doubtful accounts | (31) | (38) |
| Total current assets | 188,645 | 181,074 |
| Noncurrent assets | | |
| Property, plant and equipment | | |
| Construction in progress | 2,957 | 89,996 |
| Other, net | 87,725 | 95,072 |
| Total property, plant and equipment | 90,683 | 185,069 |
| Intangible assets | | |
| Other | 10,394 | 10,304 |
| Total intangible assets | 10,394 | 10,304 |
| Investments and other assets | | |
| Investment securities | 177,304 | 196,052 |
| Other | 62,806 | 77,267 |
| Allowance for doubtful accounts | (31) | (39) |
| Allowance for overseas investment loss | (4,630) | (4,372) |
| Total investments and other assets | 235,449 | 268,907 |
| Total noncurrent assets | 336,526 | 464,281 |
| Total assets | 525,172 | 645,355 |

(Millions of yen)

| | As of March 31, 2013 | As of December 31, 2013 |
|---|----------------------|-------------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 18,947 | 16,758 |
| Short-term loans payable | – | 55,402 |
| Provision | 170 | 448 |
| Other | 22,037 | 25,303 |
| Total current liabilities | 41,155 | 97,913 |
| Noncurrent liabilities | | |
| Long-term loans payable | 24,197 | 22,110 |
| Deferred tax liabilities | 31,983 | 35,518 |
| Provision for retirement benefits | 6,938 | 6,433 |
| Other provision | 886 | 891 |
| Asset retirement obligations | 10,858 | 15,192 |
| Other | 5,526 | 4,927 |
| Total noncurrent liabilities | 80,391 | 85,074 |
| Total liabilities | 121,547 | 182,987 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 14,288 | 14,288 |
| Retained earnings | 291,990 | 307,579 |
| Treasury stock | (10) | (10) |
| Total shareholders' equity | 306,268 | 321,857 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 78,310 | 85,656 |
| Deferred gains or losses on hedges | 226 | 78 |
| Foreign currency translation adjustment | (2,362) | 1,427 |
| Total accumulated other comprehensive income | 76,173 | 87,162 |
| Minority interests | 21,183 | 53,347 |
| Total net assets | 403,625 | 462,368 |
| Total liabilities and net assets | 525,172 | 645,355 |

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

| | (Millions of yen) | |
|--|--|--|
| | Nine months ended December 31, 2012 (April 1, 2012 – December 31, 2012) | Nine months ended December 31, 2013 (April 1, 2013 – December 31, 2013) |
| Net sales | 164,519 | 180,259 |
| Cost of sales | 125,298 | 133,385 |
| Gross profit | 39,220 | 46,874 |
| Exploration expenses | | |
| Exploration expenses | 9,374 | 7,841 |
| Exploration subsidies | – | (149) |
| Total exploration expenses | 9,374 | 7,692 |
| Selling, general and administrative expenses | 22,369 | 23,204 |
| Operating income | 7,477 | 15,977 |
| Non-operating income | | |
| Interest income | 1,449 | 1,833 |
| Dividends income | 2,538 | 2,247 |
| Equity in earnings of affiliates | – | 7,396 |
| Other | 1,400 | 3,597 |
| Total non-operating income | 5,388 | 15,074 |
| Non-operating expenses | | |
| Interest expenses | 220 | 560 |
| Equity in losses of affiliates | 533 | – |
| Other | 467 | 461 |
| Total non-operating expenses | 1,221 | 1,021 |
| Ordinary income | 11,644 | 30,030 |
| Extraordinary income | | |
| Subsidy income | 345 | 40 |
| Gain on transfer of mining rights | 2,572 | – |
| Other | 6 | 0 |
| Total extraordinary income | 2,924 | 41 |
| Extraordinary loss | | |
| Impairment loss | 37,031 | 7,983 |
| Other | 601 | 110 |
| Total extraordinary losses | 37,632 | 8,093 |
| Income (loss) before income taxes and minority interests | (23,063) | 21,978 |
| Income taxes | (5,566) | 3,797 |
| Income (loss) before minority interests | (17,497) | 18,180 |
| Minority interests in income | 586 | 19 |
| Net income (loss) | (18,083) | 18,161 |

Consolidated quarterly statements of comprehensive income

(Millions of yen)

| | Nine months ended December 31, 2012 (April 1, 2012 – December 31, 2012) | Nine months ended December 31, 2013 (April 1, 2013 – December 31, 2013) |
|--|--|--|
| Income (loss) before minority interests | (17,497) | 18,180 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (19,070) | 7,343 |
| Deferred gains or losses on hedges | 387 | (160) |
| Foreign currency translation adjustment | 730 | 4,341 |
| Share of other comprehensive income of associates accounted for using equity method | (17) | 5 |
| Total other comprehensive income | (17,969) | 11,530 |
| Comprehensive income | (35,467) | 29,711 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of the parent | (36,200) | 29,150 |
| Comprehensive income attributable to minority interests | 732 | 561 |

(3) Notes to consolidated financial statements

(Notes on premise of going concern)

No items to report

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

No items to report

(Other notes)

(Significant impairment loss on noncurrent assets)

Owing to a re-evaluation of the 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 said Oil and Gas Field to their recoverable value and posted an impairment loss. The amount of impairment loss recorded for the nine months ended December 31, 2013 was ¥7,983 million.

4. Supplemental information

Status of production and sales

1. Production

| | | Nine months ended December 31, 2012 (April 1, 2012 – December 31, 2012) | Nine months ended December 31, 2013 (April 1, 2013 – December 31, 2013) | (Reference) Fiscal year ended March 31, 2013 (April 1, 2012 – March 31, 2013) |
|-----|---|--|--|--|
| E&P | Crude oil (kl) | 361,253 (2,882) | 318,779 (17,441) | 482,306 (5,840) |
| | Natural gas (thousand m ³) | 806,025 (866) | 796,253 (97,460) | 1,080,116 (1,199) |
| | LNG (t) | 226 | 12,235 | 602 |
| | Bitumen (kl) | 259,828 (259,828) | 258,174 (258,174) | 348,948 (348,948) |

- 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

| | | Nine months ended December 31, 2012 (April 1, 2012 – December 31, 2012) | | Nine months ended December 31, 2013 (April 1, 2013 – December 31, 2013) | | (Reference) Fiscal year ended March 31, 2013 (April 1, 2012 – March 31, 2013) | |
|---------------------|---|--|-----------------------------|--|-----------------------------|--|-----------------------------|
| | | Volume | Amount (Millions of yen) | Volume | Amount (Millions of yen) | Volume | Amount (Millions of yen) |
| E&P | Crude oil (kl) | 1,088,919 | 62,563 | 955,164 | 66,389 | 1,335,639 | 78,834 |
| | Natural gas (thousand m ³) | 1,067,339 | 47,377 | 985,960 | 49,760 | 1,455,708 | 69,795 |
| | LNG (t) | 159,964 | 12,922 | 147,954 | 14,551 | 229,242 | 19,098 |
| | Bitumen (kl) | 262,390 | 6,663 | 257,312 | 8,277 | 349,198 | 9,694 |
| Subtotal | | | 129,527 | | 138,978 | | 177,423 |
| Contract services | | | 3,941 | | 6,326 | | 9,674 |
| Other businesses | Oil products /merchandise | | 25,112 | | 29,304 | | 36,034 |
| | Others | | 5,938 | | 5,649 | | 7,953 |
| Subtotal | | | 31,050 | | 34,953 | | 43,988 |
| Total | | | 164,519 | | 180,259 | | 231,086 |

- 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 as well as other subcontracted tasks.
2. Monetary amounts in the table do not include consumption taxes.