

## Consolidated Financial Results for the Three Months Ended June 30, 2016 <under Japanese GAAP>

August 5, 2016

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, 2016  
 Scheduled date to commence dividend payments: To be determined  
 Presentation of supplementary material on quarterly financial results: Yes  
 Holding of quarterly financial results presentation meeting (for institutional investors and analysts): None

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

### 1. Consolidated financial results for the three months ended June 30, 2016 (April 1, 2016 – June 30, 2016)

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

|                    | Net sales       |        | Operating income |        | Ordinary income |        | Profit attributable to owners of parent |        |
|--------------------|-----------------|--------|------------------|--------|-----------------|--------|---|--------|
|                    | Millions of yen | %      | Millions of yen  | %      | Millions of yen | %      | Millions of yen                         | %      |
| Three months ended |                 |        |                  |        |                 |        |   |        |
| June 30, 2016      | 42,096          | (29.9) | (974)            | –      | 3,313           | (60.1) | 1,909                                   | (72.0) |
| June 30, 2015      | 60,035          | (27.0) | 5,362            | (34.1) | 8,300           | (36.2) | 6,825                                   | (31.7) |

Note: Comprehensive income: Three months ended June 30, 2016: (9,838) million yen (– %)  
 Three months ended June 30, 2015: (2,944) million yen (– %)

|                    | Basic earnings per share | Diluted earnings per share |
|--------------------|--------------------------|----------------------------|
|                    | Yen                      | Yen                        |
| Three months ended |                          |                            |
| June 30, 2016      | 33.41                    | –                          |
| June 30, 2015      | 119.43                   | –                          |

#### (2) Consolidated financial position

|                      | Total assets    | Net assets      | Equity ratio |
|----------------------|-----------------|-----------------|--------------|
|                      | Millions of yen | Millions of yen | %            |
| As of June 30, 2016  | 704,133         | 485,379         | 58.4         |
| As of March 31, 2016 | 707,601         | 495,317         | 59.5         |

Reference: Equity As of June 30, 2016: 411,185 million yen As of March 31, 2016: 421,009 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, 2016              | –                | 25.00          | –             | 25.00           | 50.00 |
| Fiscal year ending March 31, 2017             | –                |                |               |                 |       |
| Fiscal year ending March 31, 2017 (Forecasts) |                  | 25.00          | –             | 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, 2017 (April 1, 2016 – March 31, 2017)  
(Percentages indicate year-on-year changes.)

|  | Net sales       |        | Operating income |   | Ordinary income |        | Profit attributable to owners of parent |        | Basic earnings per share |
|--|-----------------|--------|------------------|---|-----------------|--------|---|--------|--------------------------|
|  | Millions of yen | %      | Millions of yen  | % | Millions of yen | %      | Millions of yen                         | %      | Yen                      |
| For the six months ending September 30, 2016 | 90,129          | (27.4) | (3,316)          | – | (466)           | –      | 399                                     | (95.0) | 6.98                     |
| Fiscal year ending March 31, 2017            | 198,057         | (17.6) | (549)            | – | 725             | (84.4) | 1,874                                   | (10.3) | 32.79                    |

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 “(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

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: None

d. Restatement: None

Note: For details, please refer to “(3) Changes in accounting policies, changes in accounting estimates, and restatement” of “2. Matters regarding summary information (notes)” on page 4 of the attached material.

(4) Number of issued shares (common shares)

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

As of June 30, 2016 57,154,776 shares

As of March 31, 2016 57,154,776 shares

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

As of June 30, 2016 2,139 shares

As of March 31, 2016 2,139 shares

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

Three months ended June 30, 2016 57,152,637 shares

Three months ended June 30, 2015 57,152,637 shares

\* Indication regarding execution of quarterly review procedures

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 “(3) Explanation of consolidated financial forecasts and other forward-looking statements” of “1. Qualitative information regarding settlement of accounts for the three months ended June 30, 2016” on page 4 of the attached material to the quarterly financial results report.

(Method of accessing supplementary material on quarterly financial results)

On August 5, 2016 (Friday), JAPEX posts a supplementary material on its website in the same time.

(Attached Material)

## 1. Qualitative information regarding settlement of accounts for the three months ended June 30, 2016

### (1) Explanation of operating results

During the three months ended June 30, 2016, net sales was ¥42,096 million, a decrease of ¥17,938 million (-29.9%) year on year. Gross profit was ¥6,446 million, a decrease of ¥7,543 million (-53.9%) year on year. The main factors behind the year-on-year decreases in net sales and gross profit were falls in sales prices of crude oil and natural gas, and decreases in sales volumes of domestically produced crude oil and domestic natural gas.

Exploration expenses was ¥125 million, a decrease of ¥107 million (-46.3%) year on year. Selling, general and administrative expenses was ¥7,295 million, a decrease of ¥1,099 million (-13.1%) year on year. As a result, operating income deteriorated by ¥6,336 million year on year to an operating loss of ¥974 million (operating income of ¥5,362 million in the same period of the previous fiscal year).

Ordinary income amounted to ¥3,313 million because of turning from foreign exchange losses in the same period of the previous fiscal year to foreign exchange gains. However, the amount of decrease was ¥4,987 million (-60.1%) year on year.

Profit before income taxes decreased by ¥5,229 million (-63.1%) year on year to ¥3,059 million. Profit attributable to owners of parent decreased by ¥4,916 million (-72.0%) year on year to ¥1,909 million.

Below is a breakdown of sales.

#### (i) E&P

Net sales from E&P (including liquefied natural gas (LNG) and bitumen) came to ¥33,431 million, a decrease of ¥13,669 million (-29.0%) year on year. This was mainly the result of fall in sales price and decreases in sales volumes of domestically produced crude oil and domestic natural gas.

#### (ii) Contract Services

Net sales from contract services (drilling and geological surveys, etc.) came to ¥1,131 million, a decrease of ¥1,730 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, etc., as well as other subcontracted tasks, came to ¥7,533 million, a decrease of ¥2,539 million (-25.2%) year on year.

### (2) Explanation of financial position

At the end of the first quarter, total assets decreased by ¥3,468 million to ¥704,133 million as compared to the end of the previous fiscal year. The main factors behind this decrease were a decrease of ¥3,349 million in total current assets partly due to a decrease in securities and a decrease of ¥7,730 million in total investments and other assets partly due to a decrease in investment securities, despite an increase of ¥8,055 million in total property, plant and equipment partly due to an increase in construction in progress.

Total liabilities increased by ¥6,469 million from the previous fiscal year-end to ¥218,753 million. The main factor behind this increase was an increase of ¥6,397 million in total non-current liabilities partly due to an increase in long-term loans payable.

Total net assets decreased by ¥9,937 million from the previous fiscal year-end to ¥485,379 million. The main factor behind this decrease was a decrease of ¥10,698 million in accumulated other comprehensive income due to decreases in foreign currency translation adjustment and valuation difference on available-for-sale securities.

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

The consolidated financial forecasts for the six months ending September 30, 2016 and for the fiscal year ending March 31, 2017 have been revised from the forecasts announced on May 12, 2016.

Please refer to the “Notice of Financial Forecasts Revision” released on August 5, 2016, the same day of this report.

2. Matters regarding summary information (notes)

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

No item 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 profit before income taxes for the fiscal year including the first quarter, and next by multiplying the quarterly profit before income taxes 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

Changes in accounting policies

(Application of Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016)

Following the revision to the Corporation Tax Act, certain domestic consolidated subsidiaries have applied the “Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016” (ASBJ PITF No. 32, June 17, 2016) from the first quarter ended June 30, 2016, and changed the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016 from the declining balance method to the straight line method.

The effect of this on the consolidated financial results for the three months ended June 30, 2016 is immaterial.

(4) Additional information

(Implementation Guidance on Recoverability of Deferred Tax Assets)

The “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016) has been applied from the first quarter ended June 30, 2016.

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

(Millions of yen)

|  | As of March 31, 2016 | As of June 30, 2016 |
|--|----------------------|---------------------|
| <b>Assets</b>                          |                      |                     |
| Current assets                         |                      |                     |
| Cash and deposits                      | 104,359              | 115,693             |
| Notes and accounts receivable - trade  | 24,642               | 20,879              |
| Securities                             | 23,551               | 2,876               |
| Merchandise and finished goods         | 4,414                | 4,547               |
| Work in process                        | 29                   | 163                 |
| Raw materials and supplies             | 4,135                | 4,382               |
| Other                                  | 12,536               | 21,774              |
| Allowance for doubtful accounts        | (30)                 | (27)                |
| Total current assets                   | 173,638              | 170,289             |
| Non-current assets                     |                      |                     |
| Property, plant and equipment          |                      |                     |
| Construction in progress               | 179,420              | 187,404             |
| Other, net                             | 156,797              | 156,869             |
| Total property, plant and equipment    | 336,218              | 344,273             |
| Intangible assets                      |                      |                     |
| Other                                  | 9,698                | 9,254               |
| Total intangible assets                | 9,698                | 9,254               |
| Investments and other assets           |                      |                     |
| Investment securities                  | 135,261              | 129,290             |
| Other                                  | 55,691               | 53,869              |
| Allowance for doubtful accounts        | (58)                 | (58)                |
| Allowance for overseas investment loss | (2,847)              | (2,784)             |
| Total investments and other assets     | 188,046              | 180,316             |
| Total non-current assets               | 533,963              | 533,844             |
| Total assets                           | 707,601              | 704,133             |

(Millions of yen)

|   | As of March 31, 2016 | As of June 30, 2016 |
|---|----------------------|---------------------|
| <b>Liabilities</b>                                    |                      |                     |
| Current liabilities                                   |                      |                     |
| Notes and accounts payable - trade                    | 8,585                | 7,435               |
| Provision   | 68                   | 47                  |
| Other   | 23,636               | 24,879              |
| Total current liabilities                             | 32,290               | 32,361              |
| Non-current liabilities                               |                      |                     |
| Long-term loans payable                               | 130,030              | 138,905             |
| Deferred tax liabilities                              | 24,267               | 22,447              |
| Provision   | 229                  | 447                 |
| Net defined benefit liability                         | 3,574                | 3,431               |
| Asset retirement obligations                          | 17,811               | 17,249              |
| Other   | 4,079                | 3,910               |
| Total non-current liabilities                         | 179,994              | 186,391             |
| Total liabilities                                     | 212,284              | 218,753             |
| Net assets  |                      |                     |
| Shareholders' equity                                  |                      |                     |
| Capital stock   | 14,288               | 14,288              |
| Capital surplus                                       | 157                  | 157                 |
| Retained earnings                                     | 345,674              | 346,548             |
| Treasury shares                                       | (10)                 | (10)                |
| Total shareholders' equity                            | 360,109              | 360,984             |
| Accumulated other comprehensive income                |                      |                     |
| Valuation difference on available-for-sale securities | 50,554               | 45,810              |
| Deferred gains or losses on hedges                    | 3                    | (64)                |
| Foreign currency translation adjustment               | 10,087               | 4,225               |
| Remeasurements of defined benefit plans               | 253                  | 229                 |
| Total accumulated other comprehensive income          | 60,899               | 50,200              |
| Non-controlling interests                             | 74,308               | 74,194              |
| Total net assets                                      | 495,317              | 485,379             |
| Total liabilities and net assets                      | 707,601              | 704,133             |

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

(Millions of yen)

|   | Three months ended<br>June 30, 2015<br>(April 1, 2015 –<br>June 30, 2015) | Three months ended<br>June 30, 2016<br>(April 1, 2016 –<br>June 30, 2016) |
|---|---|---|
| Net sales   | 60,035  | 42,096  |
| Cost of sales   | 46,045  | 35,650  |
| Gross profit  | 13,990  | 6,446   |
| Exploration expenses  |   |   |
| Exploration expenses  | 249   | 135   |
| Exploration subsidies   | (15)  | (10)  |
| Total exploration expenses                                    | 233   | 125   |
| Selling, general and administrative expenses                  | 8,395   | 7,295   |
| Operating income (loss)                                       | 5,362   | (974)   |
| Non-operating income  |   |   |
| Interest income   | 407   | 299   |
| Dividend income   | 1,037   | 1,037   |
| Share of profit of entities accounted for using equity method | 1,849   | –   |
| Foreign exchange gains  | –   | 3,452   |
| Other   | 198   | 216   |
| Total non-operating income                                    | 3,493   | 5,006   |
| Non-operating expenses  |   |   |
| Interest expenses   | 203   | 228   |
| Share of loss of entities accounted for using equity method   | –   | 370   |
| Foreign exchange losses                                       | 251   | –   |
| Other   | 99  | 119   |
| Total non-operating expenses                                  | 555   | 718   |
| Ordinary income   | 8,300   | 3,313   |
| Extraordinary income  |   |   |
| Gain on sales of non-current assets                           | 0   | –   |
| Total extraordinary income                                    | 0   | –   |
| Extraordinary losses  |   |   |
| Loss on retirement of non-current assets                      | 10  | 3   |
| Provision for loss on business liquidation                    | –   | 249   |
| Other   | 1   | –   |
| Total extraordinary losses                                    | 11  | 253   |
| Profit before income taxes                                    | 8,289   | 3,059   |
| Income taxes  | 1,881   | 471   |
| Profit  | 6,407   | 2,588   |
| Profit (loss) attributable to non-controlling interests       | (418)   | 678   |
| Profit attributable to owners of parent                       | 6,825   | 1,909   |

## Consolidated quarterly statement of comprehensive income

(Millions of yen)

|  | Three months ended<br>June 30, 2015<br>(April 1, 2015 –<br>June 30, 2015) | Three months ended<br>June 30, 2016<br>(April 1, 2016 –<br>June 30, 2016) |
|--|---|---|
| Profit   | 6,407   | 2,588   |
| Other comprehensive income   |   |   |
| Valuation difference on available-for-sale securities                                | 5,419   | (4,746)   |
| Deferred gains or losses on hedges   | (6)   | (68)  |
| Foreign currency translation adjustment  | (14,583)  | (6,874)   |
| Remeasurements of defined benefit plans, net of tax                                  | 3   | 35  |
| Share of other comprehensive income of entities<br>accounted for using equity method | (184)   | (772)   |
| Total other comprehensive income   | (9,351)   | (12,426)  |
| Comprehensive income   | (2,944)   | (9,838)   |
| Comprehensive income attributable to   |   |   |
| Comprehensive income attributable to owners of<br>parent                             | 1,991   | (10,028)  |
| Comprehensive income attributable to<br>non-controlling interests                    | (4,935)   | 189   |



(3) Notes to consolidated financial statements

(Notes on premise of going concern)

No item to report.

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

No item to report.

(Changes in the Scope of Consolidation and the Scope of Application of the Equity Method)

Significant changes in the scope of application of the equity method

There have been no significant changes in the scope of application of the equity method. Furthermore, from the first quarter ended June 30, 2016, the results of the subsidiaries and associates of Japan Drilling Co., Ltd. have been included in the calculation when applying the equity method, as their importance has increased.

#### 4. Supplemental information

##### Status of production and sales

###### 1. Production

|     |   | Three months ended<br>June 30, 2015<br>(April 1, 2015 –<br>June 30, 2015) | Three months ended<br>June 30, 2016<br>(April 1, 2016 –<br>June 30, 2016) | (Reference)<br>Fiscal year ended<br>March 31, 2016<br>(April 1, 2015 – March 31, 2016) |
|-----|---|---|---|--|
| E&P | Crude oil (kl)                            | 362,502<br>(268,860)  | 388,459<br>(311,247)  | 1,908,080<br>(1,564,057)   |
|     | Natural gas<br>(thousand m <sup>3</sup> ) | 342,974<br>(125,356)  | 358,243<br>(166,930)  | 1,331,251<br>(507,328)   |
|     | LNG (t)                                   | 5   | 3,699   | 2,202  |
|     | Bitumen (kl)                              | 79,351<br>(79,351)  | 65,396<br>(65,396)  | 306,432<br>(306,432)   |

- 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<br>June 30, 2015<br>(April 1, 2015 –<br>June 30, 2015) |                             | Three months ended<br>June 30, 2016<br>(April 1, 2016 –<br>June 30, 2016) |                             | (Reference)<br>Fiscal year ended<br>March 31, 2016<br>(April 1, 2015 – March 31, 2016) |                             |
|---------------------|---|---|-----------------------------|---|-----------------------------|--|-----------------------------|
|                     |   | Volume  | Amount<br>(Millions of yen) | Volume  | Amount<br>(Millions of yen) | Volume   | Amount<br>(Millions of yen) |
| E&P                 | Crude oil (kl)                            | 525,067   | 23,517                      | 646,504   | 17,896                      | 2,926,653  | 98,023                      |
|                     | Natural gas<br>(thousand m <sup>3</sup> ) | 418,087   | 17,725                      | 436,037   | 12,439                      | 1,780,537  | 68,469                      |
|                     | LNG (t)                                   | 42,315  | 4,554                       | 40,542  | 2,765                       | 208,246  | 17,715                      |
|                     | Bitumen (kl)                              | 77,620  | 1,303                       | 65,280  | 329                         | 306,436  | 4,894                       |
| Subtotal            |   |   | 47,101                      |   | 33,431                      |  | 189,103                     |
| Contract services   |   |   | 2,861                       |   | 1,131                       |  | 9,797                       |
| Other<br>businesses | Oil products<br>/merchandise              |   | 8,073                       |   | 6,370                       |  | 32,609                      |
|                     | Others                                    |   | 2,000                       |   | 1,163                       |  | 8,792                       |
| Subtotal            |   |   | 10,073                      |   | 7,533                       |  | 41,401                      |
| Total               |   |   | 60,035                      |   | 42,096                      |  | 240,302                     |

- 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.