

Consolidated Financial Results for the Nine Months Ended December 31, 2012 <under Japanese GAAP>

February 8, 2013

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
 URL: <http://www.japex.co.jp/>
 President: Osamu Watanabe
 Inquiries: Shoji Mihara, General Manager, Media and Investor Relations Department
 TEL: +81-3-6268-7110 (from overseas)

Scheduled date to file Quarterly Report: February 13, 2013
 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, 2012

(April 1, 2012 – December 31, 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	%
Nine months ended								
December 31, 2012	164,519	(0.7)	7,477	30.3	11,644	40.9	(18,083)	–
December 31, 2011	165,685	14.7	5,740	(6.6)	8,265	(8.8)	6,264	12.8

Note: Comprehensive income: Nine months ended December 31, 2012: -35,467 million yen (– %)
 Nine months ended December 31, 2011: -15,604 million yen (– %)

	Net income per share	Diluted net income per share
Nine months ended	Yen	Yen
December 31, 2012	(316.41)	–
December 31, 2011	109.61	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2012	482,790	372,300	73.3
As of March 31, 2012	532,890	406,773	73.7

Reference: Equity As of December 31, 2012: 354,110 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	228,749	(0.8)	11,925	(20.7)	25,031	13.0	(5,152)	–	(90.15)

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 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 December 31, 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 December 31, 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)

Nine months ended December 31, 2012 57,152,637 shares

Nine months ended December 31, 2011 57,152,663 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 nine months ended December 31, 2012” on page 5 of the attached material to the quarterly financial results report.

(Method of accessing supplementary material on quarterly financial results)

On February 8, 2013 (Friday), JAPEX plans to post supplementary material on its website.

(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 of ¥37,031 million in the six months ended September 30, 2012.

(Attached Material)

1. Qualitative information regarding settlement of accounts for the nine months ended December 31, 2012

(1) Qualitative information regarding consolidated operating results

During the nine months ended December 31, 2012, net sales was at ¥164,519 million, a decrease of ¥1,166 million (-0.7%) year on year. Although an increase in receipt of transportation fee of natural gas had a positive impact, it was outweighed by negative factors including a decline in natural gas sales volume. Gross profit increased by ¥4,122 million (+11.7%) year on year to ¥39,220 million. This primarily reflected the aforementioned increase in receipt of transportation fee of natural gas and a decrease in cost of sales due to decreased depreciation and amortization and decreased variable cost due to a decline in sales volume of natural gas.

Exploration expenses increased by ¥3,449 million (+58.2%) year on year to ¥9,374 million, due to a considerable increase in domestic and overseas expenditures, and selling, general and administrative expenses decreased by ¥1,063 million (-4.5%) year on year to ¥22,369 million. As a result, operating income increased by ¥1,736 million (+30.3%) year on year to ¥7,477 million.

Ordinary income amounted to ¥11,644 million, increasing ¥3,379 million (+40.9%) year on year, due mainly to decreases such as a loss on valuation of securities and a loss on sales of securities included in Others in Non-operating expenses, and the turnaround from foreign exchange losses in the same period of the previous fiscal year to foreign exchange gains.

Loss before income taxes and minority interests was ¥23,063 million, a ¥31,263 million profit decline year on year. Although a ¥2,572 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 in the six months ended September 30, 2012, this was outweighed by other items including the posting under extraordinary loss of a ¥37,031 million impairment loss in the same six-month period, 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 ¥18,083 million, a profit decline of ¥24,348 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 ¥129,527 million, a decrease of ¥3,897 million (-2.9%) year on year. Although there were positive factors including an increase in LNG sales volume and a rise in LNG sales prices, these were outweighed by mainly a decline in natural gas sales volume.

(ii) Contract Services

Net sales from contract services (involved in drilling and geological surveys) came to ¥3,941 million, an increase of ¥459 million (+13.2%) 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 as well as other subcontracted tasks, came to ¥31,050 million, an increase of ¥2,271 million (+7.9%) year on year due mainly to an increase in receipt of transportation fee of natural gas.

(2) Qualitative information regarding consolidated financial position

At the end of the third quarter, as compared to the end of the previous fiscal year, although current assets increased, total assets decreased by ¥50,100 million to ¥482,790 million due to a decrease in noncurrent assets. The main changes in current assets were an increase in cash and deposits, an increase in notes and accounts receivable-trade, 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 ¥15,627 million from the previous fiscal year-end to ¥110,490 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 ¥34,472 million to ¥372,300 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

JAPEX expects that the consolidated financial forecasts for net sales, operating income and ordinary income for Fiscal 2013 (April 1, 2012 - March 31, 2013) will be higher compared to the previous consolidated financial forecasts announced on October 26, 2012, and a smaller net loss is now expected. This is mainly due to an increase in dividends income and a change in the following assumptions based on the most recent Japan Crude Cocktail (JCC) price and the exchange-rate trend. The JCC price has been revised from \$100 per barrel to \$110 per barrel and the foreign exchange rate has been changed from ¥80/\$ to ¥85/\$ for the fourth quarter (January 1, 2013 - March 31, 2013). Please refer to the “Notice of Financial Forecast Revision” released on the same day of this report, February 8, 2013.

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 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 nine months under review was immaterial.

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

(Millions of yen)

	As of March 31, 2012	As of December 31, 2012
Assets		
Current assets		
Cash and deposits	29,805	34,511
Notes and accounts receivable-trade	27,392	32,791
Short-term investment securities	51,870	52,702
Merchandise and finished goods	4,407	4,468
Work in process	99	513
Raw materials and supplies	4,952	5,670
Other	46,527	43,706
Allowance for doubtful accounts	(1)	(2)
Total current assets	165,054	174,362
Noncurrent assets		
Property, plant and equipment	132,859	90,750
Intangible assets		
Other	7,156	9,708
Total intangible assets	7,156	9,708
Investments and other assets		
Investment securities	192,726	162,216
Other	39,725	50,360
Allowance for doubtful accounts	(38)	(32)
Allowance for overseas investment loss	(4,593)	(4,575)
Total investments and other assets	227,820	207,969
Total noncurrent assets	367,836	308,427
Total assets	532,890	482,790

(Millions of yen)

	As of March 31, 2012	As of December 31, 2012
Liabilities		
Current liabilities		
Notes and accounts payable-trade	7,251	13,695
Provision	216	108
Other	25,509	24,471
Total current liabilities	32,977	38,274
Noncurrent liabilities		
Long-term loans payable	26,198	22,494
Deferred tax liabilities	42,601	26,247
Provision for retirement benefits	7,129	6,987
Other provision	845	839
Asset retirement obligations	9,670	9,433
Other	6,695	6,213
Total noncurrent liabilities	93,140	72,215
Total liabilities	126,117	110,490
Net assets		
Shareholders' equity		
Capital stock	14,288	14,288
Retained earnings	294,323	273,953
Treasury stock	(10)	(10)
Total shareholders' equity	308,601	288,231
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	89,366	70,289
Deferred gains or losses on hedges	20	352
Foreign currency translation adjustment	(5,391)	(4,763)
Total accumulated other comprehensive income	83,995	65,879
Minority interests	14,176	18,189
Total net assets	406,773	372,300
Total liabilities and net assets	532,890	482,790

(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, 2011 (April 1, 2011 – December 31, 2011)	Nine months ended December 31, 2012 (April 1, 2012 – December 31, 2012)
Net sales	165,685	164,519
Cost of sales	130,587	125,298
Gross profit	35,098	39,220
Exploration expenses		
Exploration expenses	5,924	9,374
Total exploration expenses	5,924	9,374
Selling, general and administrative expenses	23,433	22,369
Operating income	5,740	7,477
Non-operating income		
Interest income	1,319	1,449
Dividends income	2,370	2,538
Other	1,154	1,400
Total non-operating income	4,845	5,388
Non-operating expenses		
Equity in losses of affiliates	648	533
Other	1,671	687
Total non-operating expenses	2,320	1,221
Ordinary income	8,265	11,644
Extraordinary income		
Gain on transfer of mining rights	–	2,572
Other	140	352
Total extraordinary income	140	2,924
Extraordinary loss		
Impairment loss	–	37,031
Other	206	601
Total extraordinary losses	206	37,632
Income (loss) before income taxes and minority interests	8,199	(23,063)
Income taxes	1,492	(5,566)
Income (loss) before minority interests	6,707	(17,497)
Minority interests in income	442	586
Net income (loss)	6,264	(18,083)

Consolidated quarterly statements of comprehensive income

(Millions of yen)

	Nine months ended December 31, 2011 (April 1, 2011 – December 31, 2011)	Nine months ended December 31, 2012 (April 1, 2012 – December 31, 2012)
Income (loss) before minority interests	6,707	(17,497)
Other comprehensive income		
Valuation difference on available-for-sale securities	(20,079)	(19,070)
Deferred gains or losses on hedges	(17)	387
Foreign currency translation adjustment	(1,993)	730
Share of other comprehensive income of associates accounted for using equity method	(221)	(17)
Total other comprehensive income	(22,311)	(17,969)
Comprehensive income	(15,604)	(35,467)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(15,740)	(36,200)
Comprehensive income attributable to minority interests	136	732

(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 of ¥37,031 million for the six months ended September 30, 2012.

4. Supplemental information

Status of production and sales

1. Production

		Nine months ended December 31, 2011 (April 1, 2011 – December 31, 2011)	Nine months ended December 31, 2012 (April 1, 2012 – December 31, 2012)	(Reference) Fiscal year ended March 31, 2012 (April 1, 2011 – March 31, 2012)
E&P	Crude oil (kl)	396,036 (2,030)	361,253 (2,882)	547,777 (2,527)
	Natural gas (thousand m ³)	930,565 (4,151)	806,025 (866)	1,288,978 (4,435)
	LNG (t)	22,943	226	22,943
	Bitumen (kl)	280,781 (280,781)	259,828 (259,828)	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

		Nine months ended December 31, 2011 (April 1, 2011 – December 31, 2011)		Nine months ended December 31, 2012 (April 1, 2012 – December 31, 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)	1,121,449	64,415	1,088,919	62,563	1,395,833	80,754
	Natural gas (thousand m ³)	1,214,494	52,082	1,067,339	47,377	1,730,381	74,957
	LNG (t)	148,311	10,652	159,964	12,922	216,211	15,930
	Bitumen (kl)	281,029	6,274	262,390	6,663	382,378	9,137
Subtotal			133,424		129,527		180,779
Contract services			3,481		3,941		8,360
Other businesses	Oil products /merchandise		25,995		25,112		36,585
	Others		2,784		5,938		4,912
Subtotal			28,779		31,050		41,497
Total			165,685		164,519		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 as well as other subcontracted tasks.
2. Monetary amounts in the table do not include consumption taxes.