

## Consolidated Financial Results for the Three Months Ended June 30, 2013 <under Japanese GAAP>

August 7, 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/>  
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Scheduled date to file Quarterly Report: August 12, 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 three months ended June 30, 2013

(April 1, 2013 – June 30, 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	%
Three months ended June 30, 2013	60,107	6.4	5,512	51.3	7,853	76.9	5,867	69.0
June 30, 2012	56,472	7.6	3,642	(22.1)	4,438	(20.4)	3,471	(21.5)

Note: Comprehensive income: Three months ended June 30, 2013: -7,142 million yen (- %)  
 Three months ended June 30, 2012: -16,064 million yen (- %)

	Net income per share	Diluted net income per share
Three months ended	Yen	Yen
June 30, 2013	102.66	–
June 30, 2012	60.74	–

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2013	501,792	395,638	74.5
As of March 31, 2013	525,172	403,625	72.8

Reference: Equity As of June 30, 2013: 373,792 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	–				
Fiscal year ending March 31, 2014 (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, 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
For the six months ending September 30, 2013	99,741	(5.9)	9,294	422.6	12,462	306.9	9,677	–	169.31
Fiscal year ending March 31, 2014	232,692	0.7	20,722	49.0	28,783	2.5	21,511	–	376.39

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

\* 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 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: None
- d. Restatement of prior period financial statements after error corrections: None

(4) Number of issued shares (common stock)

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

As of June 30, 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 June 30, 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)
 

Three months ended June 30, 2013	57,152,637 shares
Three months ended June 30, 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 three months ended June 30, 2013” on page 4 of the attached material to the quarterly financial results report.

(Method of accessing supplementary material on quarterly financial results)

On August 7, 2013 (Wednesday), JAPEX plans to post supplementary material on its website.

(Attached Material)

## 1. Qualitative information regarding settlement of accounts for the three months ended June 30, 2013

### (1) Explanation of operating results

During the three months ended June 30, 2013, net sales was at ¥60,107 million, an increase of ¥3,634 million (+6.4%) year on year and gross profit increased by ¥379 million (+2.4%) year on year to ¥15,876 million. The main factor behind the year-on-year increases in net sales and gross profit was an increase in sales prices due to the impact of foreign exchange rates.

Exploration expenses decreased by ¥1,360 million (-32.5%) year on year to ¥2,819 million, due to a considerable decrease in overseas expenditures, and selling, general and administrative expenses decreased by ¥129 million (-1.7%) year on year to ¥7,544 million. As a result, operating income increased by ¥1,869 million (+51.3%) year on year to ¥5,512 million.

Ordinary income amounted to ¥7,853 million, increasing ¥3,414 million (+76.9%) year on year, due mainly to the turnaround from foreign exchange losses in the same period of the previous fiscal year to foreign exchange gains and a decrease in equity in losses of affiliates, which outweighed negative factors such as a decrease in dividends income.

Income before income taxes and minority interests was ¥7,848 million, increasing ¥3,642 million (+86.6%) year on year mainly due to a decrease in loss on retirement of noncurrent assets. Net income was ¥5,867 million, increasing ¥2,395 million (+69.0%) 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 ¥47,714 million, an increase of ¥2,970 million (+6.6%) 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 ¥1,789 million, an increase of ¥604 million (+51.0%) 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 ¥10,603 million, an increase of ¥60 million (+0.6%) year on year.

### (2) Explanation of financial position

At the end of the first quarter, as compared to the end of the previous fiscal year, total assets decreased by ¥23,380 million to ¥501,792 million. This was mainly due to 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 ¥15,393 million from the previous fiscal year-end to ¥106,153 million, mainly due to decreases in notes and accounts payable-trade and in deferred tax liabilities as a result of the aforementioned drop in investment securities. Total net assets decreased by ¥7,986 million to ¥395,638 million as a result of a decrease in valuation difference on available-for-sale securities exceeding increases in retained earnings and foreign currency translation adjustment.

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

The consolidated financial forecasts have been left unchanged from the forecasts for the six months ending September 30, 2013, and the fiscal year ending March 31, 2014, which were announced on May 10, 2013. This is the result of an examination made in consideration of the financial results for the three months ended June 30, 2013.

2. Matters regarding summary information (notes)

(1) Changes in significant subsidiaries during the three 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) 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 three 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. Consolidated financial statements  
(1) Consolidated quarterly balance sheets

(Millions of yen)

	As of March 31, 2013	As of June 30, 2013
Assets		
Current assets		
Cash and deposits	53,870	61,760
Notes and accounts receivable-trade	32,337	29,711
Securities	53,414	56,533
Merchandise and finished goods	4,490	4,467
Work in process	77	273
Raw materials and supplies	7,007	6,849
Other	37,479	23,579
Allowance for doubtful accounts	(31)	(30)
Total current assets	188,645	183,145
Noncurrent assets		
Property, plant and equipment	90,683	91,987
Intangible assets		
Other	10,394	10,418
Total intangible assets	10,394	10,418
Investments and other assets		
Investment securities	177,304	153,543
Other	62,806	67,356
Allowance for doubtful accounts	(31)	(31)
Allowance for overseas investment loss	(4,630)	(4,629)
Total investments and other assets	235,449	216,240
Total noncurrent assets	336,526	318,646
Total assets	525,172	501,792

(Millions of yen)

	As of March 31, 2013	As of June 30, 2013
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	18,947	13,058
Provision	170	238
Other	22,037	21,538
<b>Total current liabilities</b>	<b>41,155</b>	<b>34,835</b>
<b>Noncurrent liabilities</b>		
Long-term loans payable	24,197	22,868
Deferred tax liabilities	31,983	25,006
Provision for retirement benefits	6,938	6,612
Other provision	886	800
Asset retirement obligations	10,858	10,690
Other	5,526	5,338
<b>Total noncurrent liabilities</b>	<b>80,391</b>	<b>71,318</b>
<b>Total liabilities</b>	<b>121,547</b>	<b>106,153</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	14,288	14,288
Retained earnings	291,990	296,714
Treasury stock	(10)	(10)
<b>Total shareholders' equity</b>	<b>306,268</b>	<b>310,992</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	78,310	62,819
Deferred gains or losses on hedges	226	12
Foreign currency translation adjustment	(2,362)	(31)
<b>Total accumulated other comprehensive income</b>	<b>76,173</b>	<b>62,800</b>
<b>Minority interests</b>	<b>21,183</b>	<b>21,846</b>
<b>Total net assets</b>	<b>403,625</b>	<b>395,638</b>
<b>Total liabilities and net assets</b>	<b>525,172</b>	<b>501,792</b>

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

	(Millions of yen)	
	Three months ended June 30, 2012 (April 1, 2012 – June 30, 2012)	Three months ended June 30, 2013 (April 1, 2013 – June 30, 2013)
Net sales	56,472	60,107
Cost of sales	40,975	44,231
Gross profit	15,497	15,876
Exploration expenses	4,180	2,819
Selling, general and administrative expenses	7,673	7,544
Operating income	3,642	5,512
Non-operating income		
Interest income	365	629
Dividends income	1,449	1,165
Foreign exchange gains	–	588
Other	215	246
Total non-operating income	2,029	2,630
Non-operating expenses		
Interest expenses	72	58
Equity in losses of affiliates	903	87
Loss on valuation of derivatives	–	77
Other	257	66
Total non-operating expenses	1,234	289
Ordinary income	4,438	7,853
Extraordinary income		
Gain on sales of noncurrent assets	2	0
Other	–	0
Total extraordinary income	2	0
Extraordinary loss		
Loss on sales of noncurrent assets	–	2
Loss on retirement of noncurrent assets	227	2
Other	6	–
Total extraordinary losses	234	5
Income before income taxes and minority interests	4,206	7,848
Income taxes	659	1,827
Income before minority interests	3,546	6,020
Minority interests in income	75	153
Net income	3,471	5,867

## Consolidated quarterly statements of comprehensive income

(Millions of yen)

	Three months ended June 30, 2012 (April 1, 2012 – June 30, 2012)	Three months ended June 30, 2013 (April 1, 2013 – June 30, 2013)
Income before minority interests	3,546	6,020
Other comprehensive income		
Valuation difference on available-for-sale securities	(21,462)	(15,492)
Deferred gains or losses on hedges	71	(238)
Foreign currency translation adjustment	1,800	2,529
Share of other comprehensive income of associates accounted for using equity method	(20)	38
Total other comprehensive income	(19,610)	(13,163)
Comprehensive income	(16,064)	(7,142)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(16,352)	(7,505)
Comprehensive income attributable to minority interests	288	363



(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

#### 4. Supplemental information

##### Status of production and sales

###### 1. Production

		Three months ended June 30, 2012 (April 1, 2012 – June 30, 2012)	Three months ended June 30, 2013 (April 1, 2013 – June 30, 2013)	(Reference) Fiscal year ended March 31, 2013 (April 1, 2012 – March 31, 2013)
E&P	Crude oil (kl)	123,528 (540)	105,913 (2,620)	482,306 (5,840)
	Natural gas (thousand m <sup>3</sup> )	282,176 (374)	240,786 (754)	1,080,116 (1,199)
	LNG (t)	–	4,389	602
	Bitumen (kl)	97,157 (97,157)	87,785 (87,785)	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

		Three months ended June 30, 2012 (April 1, 2012 – June 30, 2012)		Three months ended June 30, 2013 (April 1, 2013 – June 30, 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)	376,555	22,296	373,042	25,031	1,335,639	78,834
	Natural gas (thousand m <sup>3</sup> )	358,369	15,837	292,993	15,791	1,455,708	69,795
	LNG (t)	48,039	3,828	48,730	4,518	229,242	19,098
	Bitumen (kl)	97,196	2,781	87,804	2,373	349,198	9,694
Subtotal			44,743		47,714		177,423
Contract services			1,185		1,789		9,674
Other businesses	Oil products /merchandise		8,623		8,630		36,034
	Others		1,919		1,973		7,953
Subtotal			10,543		10,603		43,988
Total			56,472		60,107		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.