

Consolidated Financial Results for the Six Months Ended September 30, 2014 <under Japanese GAAP>

November 7, 2014

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 12, 2014
 Scheduled date to commence dividend payments: December 2, 2014
 Presentation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results presentation meeting (for analysts and institutional investors): Yes

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

1. Consolidated financial results for the six months ended September 30, 2014

(April 1, 2014 – September 30, 2014)

(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, 2014	146,850	22.1	15,110	30.9	24,736	24.3	18,873	18.8
September 30, 2013	120,281	13.5	11,543	549.1	19,902	549.9	15,883	–

Note: Comprehensive income: Six months ended September 30, 2014: 30,375 million yen (151.7 %)
 Six months ended September 30, 2013: 12,067 million yen (– %)

	Net income per share	Diluted net income per share
Six months ended	Yen	Yen
September 30, 2014	330.23	–
September 30, 2013	277.91	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2014	696,945	526,345	65.0
As of March 31, 2014	663,038	496,915	63.7

Reference: Equity As of September 30, 2014: 453,010 million yen As of March 31, 2014: 422,336 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, 2014	–	25.00	–	25.00	50.00
Fiscal year ending March 31, 2015	–	25.00	–	–	–
Fiscal year ending March 31, 2015 (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, 2015 (April 1, 2014 – March 31, 2015)
(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, 2015	324,378	17.3	34,681	40.8	48,819	11.2	35,374	21.9	618.95

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

* 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 “(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 September 30, 2014 57,154,776 shares

As of March 31, 2014 57,154,776 shares

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

As of September 30, 2014 2,139 shares

As of March 31, 2014 2,139 shares

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

Six months ended September 30, 2014 57,152,637 shares

Six months ended September 30, 2013 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 six months ended September 30, 2014” on page 3 of the attached material to the quarterly financial results report.

(Method of accessing supplementary material on quarterly financial results)

JAPEX plans to hold a presentation meeting for institutional investors and analysts on November 10, 2014. JAPEX plans to post the material distributed at this presentation meeting on its website promptly after the meeting is held.

(Attached Material)

1. Qualitative information regarding settlement of accounts for the six months ended September 30, 2014

(1) Explanation of operating results

During the six months ended September 30, 2014, net sales was at ¥146,850 million, an increase of ¥26,568 million (+22.1%) year on year. Gross profit increased by ¥2,354 million (+7.3%) year on year to ¥34,515 million. The main factors behind the year-on-year increases in net sales and gross profit were increases in sales volumes of crude oil overseas and natural gas overseas and a rise in sales prices of domestic natural gas.

Although overseas exploration expenses increased, domestic exploration expenses decreased, and as a result exploration expenses decreased by ¥2,463 million (-43.0%) year on year to ¥3,260 million. Selling, general and administrative expenses increased by ¥1,250 million (+8.4%) year on year to ¥16,143 million. As a result, operating income increased by ¥3,567 million (+30.9%) year on year to ¥15,110 million.

Ordinary income amounted to ¥24,736 million, an increase of ¥4,834 million (+24.3%) year on year, mainly because of an increase in share of profit of entities accounted for using equity method.

Income before income taxes and minority interests increased by ¥4,845 million (+24.3%) year on year to ¥24,750 million. After deducting income taxes and minority interests, net income came to ¥18,873 million, an increase of ¥2,990 million (+18.8%) year on year.

Below is a breakdown of sales.

(i) E&P

Net sales from E&P (including liquefied natural gas (LNG) and bitumen) came to ¥120,415 million, an increase of ¥25,801 million (+27.3%) year on year. This was mainly the result of increases in sales volumes of crude oil overseas and natural gas overseas and a rise in sales prices.

(ii) Contract Services

Net sales from contract services (involved in drilling and geological surveys) came to ¥3,250 million, a decrease of ¥754 million (-18.8%) 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 ¥23,184 million, an increase of ¥1,521 million (+7.0%) year on year.

(2) Explanation of financial position

At the end of the second quarter, as compared to the end of the previous fiscal year, total assets increased by ¥33,907 million to ¥696,945 million. The main factor behind this increase was an increase of ¥31,584 million in total property, plant and equipment, including construction in progress, etc.

Total liabilities increased by ¥4,476 million from the previous fiscal year-end to ¥170,599 million. The main factor behind this increase was an increase of ¥4,070 million in total non-current liabilities mostly comprised of an increase in deferred tax liabilities.

Total net assets increased by ¥29,430 million from the previous fiscal year-end to ¥526,345 million. The main factors behind this increase were an increase of ¥18,742 million in retained earnings and an increase of ¥11,932 million in total accumulated other comprehensive income.

(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, 2015 will be higher compared to the previous financial forecasts announced on May 12, 2014. 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 share of

profit of entities accounted for using equity method, which offset the negative factors such as a decrease in sales volume of crude oil.

The latest financial forecasts are based on a Japan Crude Cocktail (JCC) price of \$100 per barrel and an exchange rate of ¥105/\$ for the third quarter period (October 2014 to December 2014) and a JCC price of \$85 per barrel and an exchange rate of ¥105/\$ for the fourth quarter period (January 2015 to March 2015).

Please refer to the “Notice of Financial Forecast Revision” released on the same day of this report, November 7, 2014.

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 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 six months ended September 30, 2014, 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

Changes in accounting policies

(Application of Accounting Standard for Retirement Benefits and its Guidance)

For the “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, May 17, 2012) and the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, May 17, 2012), the Company has applied the provisions set forth in the main clauses of Paragraph 35 of the Accounting Standard for Retirement Benefits and Paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits from the first quarter ended June 30, 2014, and reviewed the determination of retirement benefit obligations and current service cost. Accordingly, the Company changed the method of attributing expected benefit to periods from the straight-line basis to the benefit formula basis as well as amended the calculating method of the discount rate.

Application of the Accounting Standard for Retirement Benefits and its Guidance is in line with the transitional measures provided in Paragraph 37 of the Accounting Standard for Retirement Benefits. In accordance with such measures, the effect of the change in the determination of retirement benefit obligations and current service cost has been added to or deducted from retained earnings as of the beginning of the six months ended September 30, 2014.

As a result of this change, as of the beginning of the six months ended September 30, 2014, net defined benefit liability decreased ¥1,874 million and retained earnings increased ¥1,297 million. In addition, the effect of these changes on operating income, ordinary income and income before income taxes and minority interests for the six months ended September 30, 2014 is immaterial.

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

(Millions of yen)

	As of March 31, 2014	As of September 30, 2014
Assets		
Current assets		
Cash and deposits	81,031	71,776
Notes and accounts receivable - trade	37,222	21,223
Securities	41,203	46,119
Merchandise and finished goods	4,653	4,841
Work in process	128	290
Raw materials and supplies	6,285	8,877
Other	24,731	19,201
Allowance for doubtful accounts	(48)	(40)
Total current assets	195,209	172,289
Non-current assets		
Property, plant and equipment		
Construction in progress	88,541	102,198
Other, net	112,011	129,938
Total property, plant and equipment	200,552	232,137
Intangible assets		
Other	11,365	11,270
Total intangible assets	11,365	11,270
Investments and other assets		
Investment securities	190,765	217,837
Other	69,468	68,287
Allowance for doubtful accounts	(39)	(39)
Allowance for overseas investment loss	(4,284)	(4,838)
Total investments and other assets	255,910	281,247
Total non-current assets	467,828	524,655
Total assets	663,038	696,945

(Millions of yen)

	As of March 31, 2014	As of September 30, 2014
Liabilities		
Current liabilities		
Notes and accounts payable - trade	23,610	6,832
Short-term loans payable	28,169	36,811
Provision	370	558
Other	31,304	39,659
Total current liabilities	83,454	83,861
Non-current liabilities		
Long-term loans payable	21,636	20,874
Deferred tax liabilities	32,509	40,045
Provision	936	924
Net defined benefit liability	6,845	4,561
Asset retirement obligations	16,001	16,057
Other	4,738	4,274
Total non-current liabilities	82,668	86,738
Total liabilities	166,123	170,599
Net assets		
Shareholders' equity		
Capital stock	14,288	14,288
Retained earnings	318,433	337,175
Treasury shares	(10)	(10)
Total shareholders' equity	332,711	351,453
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	84,856	100,345
Deferred gains or losses on hedges	(56)	(43)
Foreign currency translation adjustment	5,166	1,558
Remeasurements of defined benefit plans	(340)	(303)
Total accumulated other comprehensive income	89,624	101,557
Minority interests	74,579	73,335
Total net assets	496,915	526,345
Total liabilities and net assets	663,038	696,945

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

(Millions of yen)

	Six months ended September 30, 2013 (April 1, 2013 – September 30, 2013)	Six months ended September 30, 2014 (April 1, 2014 – September 30, 2014)
Net sales	120,281	146,850
Cost of sales	88,120	112,334
Gross profit	32,161	34,515
Exploration expenses		
Exploration expenses	5,728	3,387
Exploration subsidies	(4)	(126)
Total exploration expenses	5,723	3,260
Selling, general and administrative expenses	14,893	16,143
Operating income	11,543	15,110
Non-operating income		
Interest income	1,209	1,154
Dividend income	1,181	1,104
Share of profit of entities accounted for using equity method	4,041	7,187
Other	2,394	1,204
Total non-operating income	8,826	10,651
Non-operating expenses		
Interest expenses	270	318
Provision for allowance for losses on overseas investments	–	558
Other	197	148
Total non-operating expenses	467	1,026
Ordinary income	19,902	24,736
Extraordinary income		
Subsidy income	40	42
Other	0	0
Total extraordinary income	41	42
Extraordinary losses		
Loss on retirement of non-current assets	35	28
Other	2	–
Total extraordinary losses	38	28
Income before income taxes and minority interests	19,905	24,750
Income taxes	3,983	4,781
Income before minority interests	15,921	19,968
Minority interests in income	38	1,095
Net income	15,883	18,873

Consolidated quarterly statement of comprehensive income

(Millions of yen)

	Six months ended September 30, 2013 (April 1, 2013 – September 30, 2013)	Six months ended September 30, 2014 (April 1, 2014 – September 30, 2014)
Income before minority interests	15,921	19,968
Other comprehensive income		
Valuation difference on available-for-sale securities	(6,852)	15,483
Deferred gains or losses on hedges	(437)	6
Foreign currency translation adjustment	3,459	(5,084)
Remeasurements of defined benefit plans, net of tax	–	37
Share of other comprehensive income of entities accounted for using equity method	(23)	(35)
Total other comprehensive income	(3,854)	10,406
Comprehensive income	12,067	30,375
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	11,745	30,805
Comprehensive income attributable to minority interests	322	(430)

(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

		Six months ended September 30, 2013 (April 1, 2013 – September 30, 2013)	Six months ended September 30, 2014 (April 1, 2014 – September 30, 2014)	(Reference) Fiscal year ended March 31, 2014 (April 1, 2013 – March 31, 2014)
E&P	Crude oil (kl)	209,333 (9,935)	959,072 (759,035)	828,870 (424,040)
	Natural gas (thousand m ³)	504,685 (38,774)	627,616 (194,138)	1,104,533 (170,549)
	LNG (t)	10,803	894	12,235
	Bitumen (kl)	165,551 (165,551)	152,305 (152,305)	344,757 (344,757)

- 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, 2013 (April 1, 2013 – September 30, 2013)		Six months ended September 30, 2014 (April 1, 2014 – September 30, 2014)		(Reference) Fiscal year ended March 31, 2014 (April 1, 2013 – March 31, 2014)	
		Volume	Amount (Millions of yen)	Volume	Amount (Millions of yen)	Volume	Amount (Millions of yen)
E&P	Crude oil (kl)	712,272	48,808	954,605	68,118	1,559,888	108,408
	Natural gas (thousand m ³)	614,873	31,883	775,207	37,458	1,418,963	71,584
	LNG (t)	91,037	8,811	88,749	9,455	268,510	26,202
	Bitumen (kl)	165,479	5,110	152,709	5,382	342,565	10,962
Subtotal			94,614		120,415		217,157
Contract services			4,005		3,250		8,740
Other businesses	Oil products /merchandise		17,813		19,550		42,860
	Others		3,849		3,633		7,830
Subtotal			21,662		23,184		50,691
Total			120,281		146,850		276,588

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