

## Consolidated Financial Results for the Three Months Ended June 30, 2015 <under Japanese GAAP>

August 7, 2015

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 11, 2015  
 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, 2015

(April 1, 2015 – June 30, 2015)

#### (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, 2015	60,035	(27.0)	5,362	(34.1)	8,300	(36.2)	6,825	(31.7)
June 30, 2014	82,259	36.9	8,131	47.5	13,011	65.7	9,987	70.2

Note: Comprehensive income: Three months ended June 30, 2015: (2,944) million yen (– %)  
 Three months ended June 30, 2014: 17,871 million yen (– %)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended		
June 30, 2015	119.43	–
June 30, 2014	174.75	–

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2015	737,969	543,049	62.4
As of March 31, 2015	736,862	540,647	62.5

Reference: Equity As of June 30, 2015: 460,767 million yen As of March 31, 2015: 460,398 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, 2015	–	25.00	–	25.00	50.00
Fiscal year ending March 31, 2016	–				
Fiscal year ending March 31, 2016 (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, 2016 (April 1, 2015 – March 31, 2016)  
(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
For the six months ending September 30, 2015	144,019	(1.9)	3,899	(74.2)	6,523	(73.6)	5,848	(69.0)	102.32
Fiscal year ending March 31, 2016	271,118	(11.1)	9,120	(71.6)	14,012	(74.4)	11,705	(60.4)	204.80

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 “(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, 2015	57,154,776 shares
As of March 31, 2015	57,154,776 shares
- b. Number of treasury shares at the end of the period
 

As of June 30, 2015	2,139 shares
As of March 31, 2015	2,139 shares
- c. Average number of shares during the period (cumulative from the beginning of the fiscal year)
 

Three months ended June 30, 2015	57,152,637 shares
Three months ended June 30, 2014	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, 2015” 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, 2015 (Friday), 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, 2015

### (1) Explanation of operating results

During the three months ended June 30, 2015, net sales was at ¥60,035 million, a decrease of ¥22,223 million (-27.0%) year on year. Gross profit decreased by ¥5,088 million (-26.7%) year on year to ¥13,990 million. The main factors behind the year-on-year decreases in net sales and gross profit were falls in sales prices of domestically produced crude oil, overseas crude oil and natural gas, and decreases in sales volumes of domestically produced crude oil and overseas crude oil.

Exploration expenses decreased by ¥2,225 million (-90.5%) year on year to ¥233 million. This was mainly the result of a considerable decrease in Japan and overseas expenditures. Selling, general and administrative expenses decreased by ¥93 million (-1.1%) year on year to ¥8,395 million. As a result, operating income decreased by ¥2,768 million (-34.1%) year on year to ¥5,362 million.

Ordinary income amounted to ¥8,300 million, a decrease of ¥4,710 million (-36.2%) year on year, mainly because of a decrease in share of profit of entities accounted for using equity method.

Income before income taxes decreased by ¥4,759 million (-36.5%) year on year to ¥8,289 million. Profit attributable to owners of parent came to ¥6,825 million, a decrease of ¥3,161 million (-31.7%) 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 ¥47,101 million, a decrease of ¥22,123 million (-32.0%) year on year. This was mainly the result of fall in sales prices and a decrease in sales volumes of domestically produced crude oil and overseas crude oil.

#### (ii) Contract Services

Net sales from contract services (involved in drilling and geological surveys) came to ¥2,861 million, an increase of ¥1,529 million (+114.8%) 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 ¥10,073 million, a decrease of ¥1,629 million (-13.9%) 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 increased by ¥1,106 million to ¥737,969 million. The main factor behind this increase was an increase of ¥16,401 million in total investments and other assets partly due to an increase in investment securities, despite a decrease of ¥15,361 million in total current assets partly due to a decrease in short-term loans receivable (“other” under current assets).

Total liabilities decreased by ¥1,294 million from the previous fiscal year-end to ¥194,920 million. The main factor behind this decrease was a decrease of ¥25,079 million in total current liabilities partly due to a decrease in current portion of long-term loans payable (“other” under current liabilities), despite an increase of ¥23,785 million in total non-current liabilities partly due to an increase in long-term loans payable.

Total net assets increased by ¥2,401 million from the previous fiscal year-end to ¥543,049 million. The main factor behind this increase was a decrease of ¥5,186 million in total accumulated other comprehensive income partly due to a decrease in foreign currency translation adjustment, despite an increase of ¥5,556 million in total shareholders’ equity partly due to an increase of retained earnings, and an increase of ¥2,031 million in non-controlling interests.

(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, 2015, and for the fiscal year ending March 31, 2016, which were announced on May 12, 2015. This is the result of an examination made in consideration of the financial results for the three months ended June 30, 2015.

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) 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 for the fiscal year including the first quarter, and next by multiplying the quarterly income 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 Accounting Standard for Business Combinations, etc.)

Effective from the first quarter ended June 30, 2015, the Company has applied the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013), the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013), etc. As a result, the method of recording the amount of difference caused by changes in the Company's ownership interests in subsidiaries in the case of subsidiaries under ongoing control of the Company was changed to one in which it is recorded as capital surplus, and the method of recording acquisition-related costs was changed to one in which they are recognized as expenses for the fiscal year in which they are incurred. Furthermore, for business combinations carried out on or after the beginning of the first quarter ended June 30, 2015, the accounting method was changed to one in which the reviewed acquisition cost allocation resulting from the finalization of the provisional accounting treatment is reflected in the quarterly consolidated financial statements for the quarterly period to which the date of business combination belongs. In addition, the presentation method for "Net income" and other related items was changed, and the presentation of "Minority interests" was changed to "Non-controlling interests." To reflect these changes, the Company has reclassified its quarterly and full-year consolidated financial statements for the three months of the previous fiscal year and the previous fiscal year.

Application of the Accounting Standard for Business Combinations, etc. is in line with the transitional measures provided for in paragraph 58-2 (4) of the Accounting Standard for Business Combinations, paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements and paragraph 57-4 (4) of the Accounting Standard for Business Divestitures. The Company is applying the said standard, etc. prospectively from the beginning of the first quarter ended June 30, 2015.

As a result of this change, the effect of these changes on operating income, ordinary income and income before income taxes for the three months ended June 30, 2015 and on capital surplus at the end of the first quarter ended June 30, 2015 is immaterial.

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

(Millions of yen)

	As of March 31, 2015	As of June 30, 2015
<b>Assets</b>		
Current assets		
Cash and deposits	92,956	83,385
Notes and accounts receivable - trade	25,248	18,551
Securities	45,605	58,572
Merchandise and finished goods	4,551	4,458
Work in process	250	404
Raw materials and supplies	7,488	6,189
Other	22,430	11,606
Allowance for doubtful accounts	(38)	(37)
Total current assets	198,492	183,130
Non-current assets		
Property, plant and equipment		
Construction in progress	132,122	134,431
Other, net	157,595	155,276
Total property, plant and equipment	289,718	289,707
Intangible assets		
Other	9,949	10,027
Total intangible assets	9,949	10,027
Investments and other assets		
Investment securities	187,926	196,922
Other	54,140	61,485
Allowance for doubtful accounts	(47)	(47)
Allowance for overseas investment loss	(3,317)	(3,256)
Total investments and other assets	238,701	255,103
Total non-current assets	538,369	554,838
Total assets	736,862	737,969

(Millions of yen)

	As of March 31, 2015	As of June 30, 2015
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	6,728	5,159
Short-term loans payable	50,809	46,622
Provision	311	260
Other	55,019	35,745
Total current liabilities	112,868	87,788
Non-current liabilities		
Long-term loans payable	20,726	43,256
Deferred tax liabilities	36,657	38,911
Provision	1,005	207
Net defined benefit liability	3,534	3,403
Asset retirement obligations	17,475	16,891
Other	3,946	4,461
Total non-current liabilities	83,346	107,131
Total liabilities	196,214	194,920
<b>Net assets</b>		
Shareholders' equity		
Capital stock	14,288	14,288
Capital surplus	–	159
Retained earnings	346,441	351,838
Treasury shares	(10)	(10)
Total shareholders' equity	360,719	366,275
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	86,174	91,596
Deferred gains or losses on hedges	3	(3)
Foreign currency translation adjustment	12,980	2,374
Remeasurements of defined benefit plans	521	524
Total accumulated other comprehensive income	99,678	94,492
Non-controlling interests	80,249	82,281
Total net assets	540,647	543,049
Total liabilities and net assets	736,862	737,969

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

(Millions of yen)

	Three months ended June 30, 2014 (April 1, 2014 – June 30, 2014)	Three months ended June 30, 2015 (April 1, 2015 – June 30, 2015)
Net sales	82,259	60,035
Cost of sales	63,180	46,045
Gross profit	19,078	13,990
Exploration expenses		
Exploration expenses	2,492	249
Exploration subsidies	(34)	(15)
Total exploration expenses	2,458	233
Selling, general and administrative expenses	8,489	8,395
Operating income	8,131	5,362
Non-operating income		
Interest income	579	407
Dividend income	1,037	1,037
Share of profit of entities accounted for using equity method	3,956	1,849
Other	212	198
Total non-operating income	5,786	3,493
Non-operating expenses		
Interest expenses	150	203
Foreign exchange losses	64	251
Provision for allowance for losses on overseas investments	640	–
Other	51	99
Total non-operating expenses	906	555
Ordinary income	13,011	8,300
Extraordinary income		
Subsidy income	42	–
Other	0	0
Total extraordinary income	42	0
Extraordinary losses		
Loss on retirement of non-current assets	4	10
Other	–	1
Total extraordinary losses	4	11
Income before income taxes	13,048	8,289
Income taxes	2,263	1,881
Profit	10,785	6,407
Profit (loss) attributable to non-controlling interests	798	(418)
Profit attributable to owners of parent	9,987	6,825

## Consolidated quarterly statement of comprehensive income

(Millions of yen)

	Three months ended June 30, 2014 (April 1, 2014 – June 30, 2014)	Three months ended June 30, 2015 (April 1, 2015 – June 30, 2015)
Profit	10,785	6,407
Other comprehensive income		
Valuation difference on available-for-sale securities	14,762	5,419
Deferred gains or losses on hedges	65	(6)
Foreign currency translation adjustment	(7,588)	(14,583)
Remeasurements of defined benefit plans, net of tax	32	3
Share of other comprehensive income of entities accounted for using equity method	(187)	(184)
Total other comprehensive income	7,085	(9,351)
Comprehensive income	17,871	(2,944)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	19,430	1,991
Comprehensive income attributable to non-controlling interests	(1,559)	(4,935)



(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, 2014 (April 1, 2014 – June 30, 2014)	Three months ended June 30, 2015 (April 1, 2015 – June 30, 2015)	(Reference) Fiscal year ended March 31, 2015 (April 1, 2014 – March 31, 2015)
E&P	Crude oil (kl)	466,037 (363,367)	362,502 (268,860)	1,990,143 (1,601,853)
	Natural gas (thousand m <sup>3</sup> )	313,916 (89,341)	342,974 (125,356)	1,302,003 (436,841)
	LNG (t)	–	5	1,000
	Bitumen (kl)	83,676 (83,676)	79,351 (79,351)	332,757 (332,757)

- 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

		Three months ended June 30, 2014 (April 1, 2014 – June 30, 2014)		Three months ended June 30, 2015 (April 1, 2015 – June 30, 2015)		(Reference) Fiscal year ended March 31, 2015 (April 1, 2014 – March 31, 2015)	
		Volume	Amount (Millions of yen)	Volume	Amount (Millions of yen)	Volume	Amount (Millions of yen)
E&P	Crude oil (kl)	605,757	42,707	525,067	23,517	2,064,266	121,240
	Natural gas (thousand m <sup>3</sup> )	382,110	18,772	418,087	17,725	1,710,779	83,974
	LNG (t)	46,582	4,948	42,315	4,554	274,044	28,311
	Bitumen (kl)	84,297	2,795	77,620	1,303	332,342	12,105
Subtotal			69,224		47,101		245,631
Contract services			1,332		2,861		10,487
Other businesses	Oil products /merchandise		9,743		8,073		41,040
	Others		1,959		2,000		7,751
Subtotal			11,703		10,073		48,792
Total			82,259		60,035		304,911

- 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.