

Consolidated Financial Results for the Fiscal Year Ended March 31, 2013 <under Japanese GAAP>

May 10, 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 of ordinary general shareholders' meeting: June 25, 2013
 Scheduled date to commence dividend payments: June 26, 2013
 Scheduled date to file Securities Report: June 26, 2013
 Presentation of supplementary material on financial results: Yes
 Holding of 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 fiscal year ended March 31, 2013 (April 1, 2012 – March 31, 2013)

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

Fiscal year ended	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2013	231,086	0.2	13,906	(7.6)	28,082	26.7	(865)	–
March 31, 2012	230,638	15.5	15,045	8.6	22,159	29.4	17,027	70.1

Note: Comprehensive income: FY2013: -6,957 million yen (- %) FY2012: 9,953 million yen (- %)

Fiscal year ended	Net income per share	Diluted net income per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to sales
	Yen	Yen	%	%	%
March 31, 2013	(15.14)	–	(0.2)	5.3	6.0
March 31, 2012	297.92	–	4.4	4.2	6.5

Reference: Equity in earnings (losses) of affiliates: FY2013: 753 million yen FY2012: -408 million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2013	525,172	403,625	72.8	6,691.58
As of March 31, 2012	532,890	406,773	73.7	6,869.27

Reference: Equity As of March 31, 2013: 382,441 million yen As of March 31, 2012: 392,597 million yen

(3) Consolidated cash flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2013	34,254	(14,836)	(7,177)	112,639
March 31, 2012	37,172	(13,950)	9,856	99,803

2. Cash dividends

	Annual dividends					Total annual cash dividends	Dividend payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	First quarter	Second quarter	Third quarter	Fiscal year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2012	–	20.00	–	20.00	40.00	2,286	13.4	0.6
Fiscal year ended March 31, 2013	–	20.00	–	20.00	40.00	2,286	–	0.6
Fiscal year ending March 31, 2014 (Forecast)	–	25.00	–	25.00	50.00		13.3	

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

* Notes

- (1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in the change in scope of consolidation): Yes
Newly included: JAPEX Montney Ltd.
- (2) 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
- (4) Number of issued shares (common stock)
 - a. Total number of issued shares at the end of the period (including treasury stock)
 - As of March 31, 2013 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 March 31, 2013 2,139 shares
 - As of March 31, 2012 2,139 shares
 - c. Average number of shares during the period
 - Fiscal year ended March 31, 2013 57,152,637 shares
 - Fiscal year ended March 31, 2012 57,152,657 shares

Reference: Summary of non-consolidated results

1. Non-consolidated financial results for the fiscal year ended March 31, 2013 (April 1, 2012 – March 31, 2013)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

Fiscal year ended	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2013	174,604	0.4	11,407	10.2	24,364	30.8	(8,721)	–
March 31, 2012	173,832	26.3	10,351	22.7	18,627	83.1	16,423	166.2

Fiscal year ended	Net income per share	Diluted net income per share
	Yen	Yen
March 31, 2013	(152.59)	–
March 31, 2012	287.36	–

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2013	453,406	346,743	76.5	6,066.97
As of March 31, 2012	482,174	368,813	76.5	6,453.14

Reference: Equity As of March 31, 2013: 346,743 million yen As of March 31, 2012: 368,813 million yen

* Indication regarding execution of audit procedures

At the time of disclosure of this financial results report, the audit procedures for the 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 “(1) Analysis of operating results” of “1. Analysis of operating results and financial position” on page 4 of the attached material to the financial results report.

(Method of accessing supplementary material on financial results)

On May 10, 2013 (Friday), JAPEX plans to post supplementary material on its website.

In addition, JAPEX plans to hold a presentation meeting for institutional investors and analysts on May 13, 2013 (Monday). JAPEX plans to post the material distributed at this presentation meeting on its website promptly after the meeting is held.

(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. Analysis of operating results and financial position

(1) Analysis of operating results

In the fiscal year ended March 31, 2013, the Japanese economy showed signs of recovery up to the end of the summer mainly on the back of demand related to reconstruction after the Great East Japan Earthquake. Although the economy subsequently weakened due to declines in exports and production amid a global economic slowdown, signs of a moderate return to recovery were seen at the fiscal year-end.

The Japan Crude Cocktail (JCC) price began the fiscal year at the high level of \$120 per barrel, but fell to the \$100 level in July. Although the price rose again to reach the \$115 level, following that it hovered loosely in the lower \$110 range.

In the currency exchange market, in continuation from the previous fiscal year, the yen started the fiscal year ended March 31, 2013 at the strong level of about ¥80 against the US dollar and continued. In December, however, the yen began to depreciate, and fell to the higher ¥90 range at the fiscal year-end. As a result, the JAPEX Group's crude oil prices in terms of the average for the fiscal year rose slightly compared with the previous fiscal year.

On the other hand, in addition to persistently high demand for liquefied natural gas (LNG) as a fuel for electricity generation following the Great East Japan Earthquake, procuring gas for use in other industrial sectors and for consumer use remained difficult, particularly in terms of pricing, while industry trends in relation to the development of supply infrastructure continued to move forward. As a result, the JAPEX Group faced an uncertain market environment.

Given this environment, the JAPEX Group endeavored to secure production and transportation, and focused on efficient E&P in Japan and overseas toward achieving a stable, long-term supply of energy essential for daily life.

During the fiscal year under review, net sales was at ¥231,086 million, an increase of ¥448 million (+0.2%) year on year, and gross profit was at ¥59,010 million, an increase of ¥2,732 million (+4.9%) year on year. One of the main factors behind the year-on-year increase in profit was an increase in receipt of transportation fee of natural gas.

Exploration expenses increased by ¥5,280 million (+67.6%) year on year to ¥13,086 million. This was the result of increases in overseas expenditures in Canada and Indonesia as well as a considerable increase in expenditures in Japan, mainly for exploration operations in Hokkaido and Niigata Prefecture. On the other hand, selling, general and administrative expenses decreased by ¥1,409 million (-4.2%) year on year to ¥32,017 million. As a result, operating income declined by ¥1,139 million (-7.6%) year on year to ¥13,906 million.

Ordinary income increased ¥5,922 million (+26.7%) year on year to ¥28,082 million, primarily as a result of an increase in dividends income, as well as the respective turnarounds from equity in losses of affiliates and foreign exchange losses in the previous fiscal year to equity in earnings of affiliates and foreign exchange gains.

Loss before income taxes and minority interests was ¥6,439 million, a ¥28,910 million profit decline year on year. Although 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, this was outweighed by other items including the posting under extraordinary loss of impairment loss 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 ¥865 million, a ¥17,892 million profit decline year on year. This was the result of a decline in deferred income taxes mainly due to the recording of deferred tax assets in line with the above-mentioned 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 ¥177,423 million, a decrease of ¥3,356 million (-1.9%) year on year. Although there were positive factors including a rise in natural gas sales prices, 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 ¥9,674 million, an increase of ¥1,314 million (+15.7%) 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 ¥43,988 million, an increase of ¥2,490 million (+6.0%) year on year due mainly to an increase in receipt of transportation fee of natural gas.

Below is a summary of performance by segment.

Effective from the fiscal year under review, "Middle East" is disclosed as a reportable segment.

(1) Japan

Net sales from the Japan segment are mainly composed of E&P (including LNG), contract services, and oil products and the like. During the fiscal year under review, net sales was at ¥221,105 million, a decrease of ¥246 million (-0.1%) year on year. Although an increase in natural gas sale prices, increases in LNG sales volume and sale prices, and an increase in receipt of transportation fee of natural gas had positive impacts, they were outweighed by negative factors including a decline in natural gas sales volume. Segment profit came to ¥26,015 million, a sharp upward turnaround of ¥2,036 million (+8.5%) year on year. Although there were negative factors including an increase in exploration expenses, these were outweighed by the above-mentioned increase in receipt of transportation fee of natural gas, a decline in cost of sales mainly due to decreases in depreciation and amortization and variable costs, and a decline in selling, general and administrative expenses.

(2) North America

Net sales from the North America segment are mainly composed of E&P (including bitumen). During the fiscal year under review, net sales was at ¥9,996 million, an increase of ¥698 million (+7.5%) year on year. Although a decrease in production volumes due to scheduled inspection of bitumen facilities, etc. mainly at JACOS had a negative impact, this was outweighed by positive factors including yen depreciation. There was segment loss of ¥191 million (compared to segment profit of ¥1,244 million in the previous fiscal year) primarily due to an increase in exploration expenses mainly at JACOS.

(3) Middle East

Operations in the Middle East segment are composed of development of the Garraf oilfield in Iraq with the aim of starting commercial production. During the fiscal year under review, there was segment loss of ¥104 million (compared to segment loss of ¥118 million in the previous fiscal year).

Outlook for the fiscal year ending March 31, 2014

Our forecast is based on a JCC price of \$100 per barrel and an exchange rate of ¥90/\$. Actual non-consolidated results for the fiscal year under review came to \$114.67 per barrel and ¥81.71/\$.

Net sales for the fiscal year ending March 31, 2014 is expected to increase by ¥1,606 million (+0.7%) from the fiscal year under review to ¥232,692 million. Although we expect declines in sales volumes and prices for products including domestically produced crude oil and oil products, we expect these to be outweighed by an increase in sales of crude oil from overseas.

Ordinary income is forecast to increase ¥6,815 million (+49.0%) from the fiscal year under review to ¥20,722 million. This is because we expect a decrease in depreciation and amortization resulting from the posting under extraordinary loss of impairment loss on business assets for production operation at the Yufutsu Oil and Gas Field in the fiscal year under review, in addition to a decrease in overseas exploration expenses.

Ordinary income is forecast to increase ¥701 million (+2.5%) from the fiscal year under review to ¥28,783 million, with the smaller increase reflecting an expected decline in dividends income.

Net income is expected to increase ¥22,377 million from the fiscal year under review to ¥21,511 million, mainly because the above-mentioned impairment loss will no longer be a factor.

(2) Analysis of financial position

a. Balance sheet

Total assets at the end of this fiscal year stood at ¥525,172 million, a decrease of ¥7,717 million (-1.4%) year on year. Of this, current assets increased ¥23,591 million (+14.3%) to ¥188,645 million, and noncurrent assets fell ¥31,309 million (-8.5%) to ¥336,526 million.

The main changes in current assets were an increase in cash and deposits, an increase in notes and accounts receivable-trade, an increase in securities for short-term investment, an increase in raw materials and supplies, and a decrease in short-term loans receivable based on repo transactions.

In noncurrent assets, property, plant and equipment decreased by ¥42,175 million (-31.7%), mainly due to the posting of the above-mentioned impairment loss on business assets for production operation at the Yufutsu Oil and Gas Field in Hokkaido. Investments and other assets increased by ¥7,628 million (+3.3%), despite a decrease in investment securities owing to a fall in the stock prices of INPEX CORPORATION and others. This was the result of an increase in long-term loans receivable extended to Kangean Energy Indonesia Ltd. (KEI) and EMP Exploration (Kangean) Ltd. (EMPE), both of which are equity-method affiliates, an increase in deferred tax assets, and an increase in the investments relating to development of the Garraf oilfield in Iraq.

Total year-end liabilities decreased by ¥4,570 million (-3.6%) year on year to ¥121,547 million, despite an increase in notes and accounts payable-trade. This was mainly the result of a reduction in loans payable due to repayment of long-term loans payable and a decline in deferred tax liabilities due to the above-mentioned decrease in investment securities.

Total year-end net assets decreased by ¥3,147 million (-0.8%) year on year to ¥403,625 million, mainly due to declines in retained earnings and valuation difference on available-for-sale securities, despite rises in foreign currency translation adjustment and minority interests from a third-party allocation of new shares by consolidated subsidiary Japex Garraf Ltd.

As a result, the equity ratio at March 31, 2013 was 72.8%.

b. Cash flows

As of March 31, 2013, cash and cash equivalents (hereinafter, "net cash") totaled ¥112,639 million, up ¥12,836 million, compared to the end of the previous fiscal year. Below is a summary of cash flows for each activity.

(Net cash provided by (used in) operating activities)

Net cash provided by operating activities amounted to ¥34,254 million. The main factors were ¥6,439 million in loss before income taxes and minority interests, ¥16,294 million in depreciation and amortization, ¥37,094 million in impairment loss, ¥11,713 million in interest and dividends income, ¥8,957 million difference between notes and accounts payable-trade and notes and accounts receivable-trade, ¥2,829 million in gain on transfer of mining rights, and ¥5,125 million in income taxes paid.

(Net cash provided by (used in) investing activities)

Net cash used in investing activities amounted to ¥14,836 million. This is because the main uses, namely ¥18,124 million for payments into time deposits, ¥10,195 million for purchase of property, plant and equipment, ¥5,623 million for purchase of investment securities, ¥12,061 million for payments of recoverable accounts and ¥4,061 million for payments of loans receivable, exceeded increasing factors such as ¥15,784 million in proceeds from withdrawal of time deposits, ¥3,300 million in proceeds from sales and redemption of securities, ¥2,446 million in proceeds from sales and redemption of investment securities, and ¥12,844 million in interest and dividends income received.

(Net cash provided by (used in) financing activities)

Net cash used in financing activities was ¥7,177 million. This is because the main uses, such as ¥11,141 million for repayment of long-term loans payable and ¥2,286 million for cash dividends paid, exceeded the increasing factors, namely ¥1,875 million in proceeds from long-term loans payable for the procurement of funds to be directed for loans to KEI and EMPE and ¥5,428 million in proceeds from stock issuance to minority shareholders from a third-party allocation of new shares by consolidated subsidiary Japex Garraf Ltd.

Reference: Trend of cash flow indicators

Fiscal years ended March 31	2009	2010	2011	2012	2013
Equity ratio (%)	74.1	75.0	74.7	73.7	72.8
Equity ratio on mark-to-market basis (%)	45.3	52.0	46.1	41.3	40.6
Interest-bearing debt to cash flow ratio (years)	0.8	0.7	0.8	0.9	0.8
Interest coverage ratio (times)	70.7	117.2	170.9	197.6	110.9

Equity ratio: Equity/Total assets

Equity ratio on mark-to-market basis: Total market capitalization/Total assets

Interest-bearing debt to cash flow ratio: Interest-bearing debt/Cash flows

Interest coverage ratio: Cash flow/Interest paid

Notes:

- *1. The above indicators are calculated based on consolidated financial figures.
- *2. Total market capitalization is calculated based on the number of shares outstanding (excluding treasury stock).
- *3. Cash flow here is net cash provided by operating activities.
- *4. Interest-bearing debt is all debt subject to interest payments within liabilities (excluding lease obligations) shown on the consolidated balance sheets.

(3) Fundamental policy on allocation of profits and dividends for this year and next year

JAPEX's basic policy is to sustain stable dividends over the long term. Taking into account the medium and long-term outlook for the business, dividend payments are set based on respect for the return of profits to shareholders. While considering the need to secure new reserves as an energy company that plays a role in providing stable supplies of oil and natural gas, indispensable resources for society, the policy also takes into account the need for retained earnings to finance the replacement of reserves and to upgrade and improve transportation systems, primarily pipelines.

Based on the above policy, an annual dividend of ¥40 per share (¥20 yen per share interim dividend and ¥20 yen per share year-end dividend) is planned for the current fiscal year. With the aim of enhancing returns to shareholders, an annual dividend of ¥50 per share (¥25 yen per share interim dividend and ¥25 yen per share year-end dividend) is planned for the next fiscal year, increasing the annual amount by ¥10 per share.

(4) Risk Factors

Of the risk factors described in the Company's latest Annual Securities Report (submitted on June 27, 2012), in "(1) Business Characteristics, 3. Business Risks, 4. Risk Factors, 2. Operating and Financial Review and Prospects of 1. Overview of JAPEX and Its Subsidiaries," the following matter is described in the note on page 3 of this report as a matter that may have a material impact on investment decisions: in the six months ended September 30, 2012, 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.

2. Business policies

(1) Fundamental business policies

Since its establishment in 1955, JAPEX has pursued its mission of contributing to Japan's energy supplies by securing reserves and expanding production centered on the exploration, development, and sale of oil and natural gas. Guided by this mission, JAPEX has steadily discovered oil and natural gas reserves to result in the business base of today.

In light of its expanding role as a supplier and, consequently, related increases in its responsibility to society with regard to a stable supply, the JAPEX Group is actively focused on constructing a new business model that not only relies on expanding reserves but also upgrading and expanding transportation systems for natural gas and other initiatives. As such, the Group aims to move forward as a company with the competitive capabilities required to respond to changes in its operating environment. The section below outlines the Group's business philosophy in this respect.

Taking on the challenge of new energy value creation and increasing corporate value

- Contribute to the supply of energy through global exploration and production (E&P) activities.
- Contribute to coexistence between the planet and humankind by developing and promoting the use of environment-friendly natural gas.
- Pursue sustainable growth and maximize shareholder value by placing top priority on winning and maintaining the trust of society, customers, shareholders and employees.

(2) Medium- and long-term business strategy and critical issues

The replacement and expansion of reserves, which are depleted by production and sales activities, and the formulation of a supply structure of oil and natural gas that would ensure long-term stability is of paramount importance to JAPEX, a company whose business is centered on exploration, development and sales of these resources. Additionally, with factors such as intensification in the competitive environment for the domestic natural gas business and changes in social conditions marked by an increase in the importance of global warming countermeasures, the business environment encompassing JAPEX is undergoing a rapid transformation. JAPEX, under the policy of its previous mid-term plan, has been working on establishing a clear action plan for the attainment of important business challenges over the long term by setting the following three activities as core business objectives; "Sustaining and increasing reserves through exploration and development," "Strengthening our natural gas integrated operation system" and "Pursuing technological R&D activities and initiatives to address global environmental challenges." Furthermore, on May 2011, JAPEX announced a new medium-term plan that, while continuously positioning the above-mentioned three activities as the three basic policies for the purpose of the Company's business expansion, particularly positions "Sustaining and increasing reserves through exploration and development" (E&P business) as the core for future growth and focuses on shifting investment to overseas in the E&P business.

Details and subsequent progress of the JAPEX Group Medium-Term Business Plan (for fiscal years 2012 to 2016) released on May 13, 2011 may be accessed with the following URLs in our Website.

http://www.japex.co.jp/english/newsrelease/pdf/JAPEX_20110513c.pdf

"Notice of the Medium-Term Business Plan of the JAPEX Group" (English translation of original Japanese text)

http://www.japex.co.jp/english/ir/pdf/library/JAPEX_Presentation_20120514_E.pdf

"Presentation of Consolidated financial results for the fiscal year ended March 31, 2012" (English translation of original Japanese text)

In the new Medium-Term Business Plan, JAPEX, mindful of the growing trend towards unstable energy prices and intensifying competition for the development of global resources, aims to achieve further business growth by conducting overseas E&P investment to expand business opportunities and increase reserves while at the same time ensuring the maximization of the value of existing assets in Japan and overseas.

Below are the policies and goals by each business.

(E&P business)

During the five year period from the beginning of the fiscal year ended March 31, 2012 to the end of the fiscal year ending March 31, 2016, JAPEX will shift investment to overseas in the E&P business, aiming to allocate 60% of the ¥280,000 million total investment budgets (¥170,000 million) to overseas investments. By pursuing this policy, JAPEX will be able to increase its consolidated daily production to 70,000 barrels by the

end of the fiscal year ending March 31, 2016, from the current 40,000 barrels of daily production. In addition, by re-investing the cash flows provided by production, JAPEx aims to expand the proved reserves to 450 million barrels of crude oil equivalent by fiscal year ending March 31, 2021.

(Domestic natural gas business)

Although not quantitative targets have been set for sales volumes, etc, because of the uncertain business environment, JAPEx, aiming to contribute to the continuing and growing use of natural gas, will concentrate its efforts on the generation of new demand, development of infrastructure and facilities and the adjustment of sales prices to appropriate levels.

(Environment and innovative technology projects)

While stepping up efforts in large projects such as for methane hydrate and Carbon dioxide Capture and Storage (CCS), JAPEx will be the pioneering developer in renewable energy and other new fields. JAPEx aims to make those fields a commercial business by the end of the fiscal year ending March 31, 2016.

The JAPEx Group aims to utilize these activities to further strengthen its operating base and enhance its competitiveness as well as bolster operating efficiency. The ultimate goal is to achieve sustainable development and maximize shareholder value.

3. Consolidated financial statements

(1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2012	As of March 31, 2013
Assets		
Current assets		
Cash and deposits	29,805	53,870
Notes and accounts receivable-trade	27,392	32,337
Securities	51,870	53,414
Merchandise and finished goods	4,407	4,490
Work in process	99	77
Raw materials and supplies	4,952	7,007
Deferred tax assets	1,722	1,210
Short-term loans receivable	39,295	31,418
Other	5,509	4,850
Allowance for doubtful accounts	(1)	(31)
Total current assets	165,054	188,645
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	154,526	149,528
Accumulated depreciation	(111,594)	(114,920)
Buildings and structures, net	42,932	34,607
Wells	71,662	71,121
Accumulated depreciation	(62,095)	(65,991)
Wells, net	9,566	5,130
Machinery, equipment and vehicles	133,791	113,055
Accumulated depreciation	(77,458)	(84,066)
Machinery, equipment and vehicles, net	56,332	28,989
Land	15,097	12,175
Construction in progress	708	2,957
Other	19,870	18,932
Accumulated depreciation	(11,649)	(12,109)
Other, net	8,221	6,823
Total property, plant and equipment	132,859	90,683
Intangible assets		
Other	7,156	10,394
Total intangible assets	7,156	10,394
Investments and other assets		
Investment securities	192,726	177,304
Long-term loans receivable	23,407	30,331
Deferred tax assets	878	5,959
Other	15,439	26,515
Allowance for doubtful accounts	(38)	(31)
Allowance for overseas investment loss	(4,593)	(4,630)
Total investments and other assets	227,820	235,449
Total noncurrent assets	367,836	336,526
Total assets	532,890	525,172

(Millions of yen)

	As of March 31, 2012	As of March 31, 2013
Liabilities		
Current liabilities		
Notes and accounts payable-trade	7,251	18,947
Provision for directors' bonuses	94	23
Provision for loss on disaster	115	1
Other	25,516	22,182
Total current liabilities	32,977	41,155
Noncurrent liabilities		
Long-term loans payable	26,198	24,197
Deferred tax liabilities	42,601	31,983
Provision for retirement benefits	7,129	6,938
Provision for directors' retirement benefits	745	802
Asset retirement obligations	9,670	10,858
Other	6,795	5,611
Total noncurrent liabilities	93,140	80,391
Total liabilities	126,117	121,547
Net assets		
Shareholders' equity		
Capital stock	14,288	14,288
Retained earnings	294,323	291,990
Treasury stock	(10)	(10)
Total shareholders' equity	308,601	306,268
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	89,366	78,310
Deferred gains or losses on hedges	20	226
Foreign currency translation adjustment	(5,391)	(2,362)
Total accumulated other comprehensive income	83,995	76,173
Minority interests	14,176	21,183
Total net assets	406,773	403,625
Total liabilities and net assets	532,890	525,172

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

	(Millions of yen)	
	Fiscal year ended March 31, 2012 (April 1, 2011 – March 31, 2012)	Fiscal year ended March 31, 2013 (April 1, 2012– March 31, 2013)
Net sales	230,638	231,086
Cost of sales	174,359	172,075
Gross profit	56,278	59,010
Exploration expenses	7,805	13,086
Selling, general and administrative expenses	33,426	32,017
Operating income	15,045	13,906
Non-operating income		
Interest income	1,368	2,085
Dividends income	5,507	9,628
Gain on sales of securities	881	411
Foreign exchange gains	–	1,534
Other	1,199	1,476
Total non-operating income	8,957	15,135
Non-operating expenses		
Interest expenses	219	275
Loss on sales of securities	407	190
Loss on valuation of securities	360	1
Loss on valuation of derivatives	4	208
Equity in losses of affiliates	408	–
Foreign exchange losses	193	–
Other	249	283
Total non-operating expenses	1,843	958
Ordinary income	22,159	28,082
Extraordinary income		
Gain on sales of noncurrent assets	140	53
Subsidy income	–	345
Gain on transfer of mining rights	–	2,829
Insurance income	620	–
Other	17	12
Total extraordinary income	779	3,240
Extraordinary loss		
Loss on retirement of noncurrent assets	460	667
Impairment loss	–	37,094
Loss on disaster	7	–
Other	0	0
Total extraordinary losses	468	37,762
Income (loss) before income taxes and minority interests	22,471	(6,439)
Income taxes-current	3,709	3,352
Income taxes-deferred	1,037	(10,279)
Total income taxes	4,746	(6,927)
Income before minority interests	17,724	487
Minority interests in income	696	1,352
Net income (loss)	17,027	(865)

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2012 (April 1, 2011 – March 31, 2012)	Fiscal year ended March 31, 2013 (April 1, 2012– March 31, 2013)
Income before minority interests	17,724	487
Other comprehensive income		
Valuation difference on available-for-sale securities	(6,191)	(11,043)
Deferred gains or losses on hedges	(10)	221
Foreign currency translation adjustment	(1,414)	3,389
Share of other comprehensive income of associates accounted for using equity method	(154)	(12)
Total other comprehensive income	(7,770)	(7,444)
Comprehensive income	9,953	(6,957)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	9,455	(8,709)
Comprehensive income attributable to minority interests	497	1,751

(3) Consolidated statements of changes in net assets

(Millions of yen)

	Fiscal year ended March 31, 2012 (April 1, 2011 – March 31, 2012)	Fiscal year ended March 31, 2013 (April 1, 2012– March 31, 2013)
Shareholders' equity		
Capital stock		
Balance at the beginning of current period	14,288	14,288
Balance at the end of current period	14,288	14,288
Retained earnings		
Balance at the beginning of current period	279,582	294,323
Changes of items during the period		
Dividends from surplus	(2,286)	(2,286)
Net income (loss)	17,027	(865)
Change of scope of equity method	–	817
Total changes of items during the period	14,740	(2,333)
Balance at the end of current period	294,323	291,990
Treasury stock		
Balance at the beginning of current period	(10)	(10)
Changes of items during the period		
Purchase of treasury stock	(0)	–
Total changes of items during the period	(0)	–
Balance at the end of current period	(10)	(10)
Total shareholders' equity		
Balance at the beginning of current period	293,861	308,601
Changes of items during the period		
Dividends from surplus	(2,286)	(2,286)
Net income (loss)	17,027	(865)
Change of scope of equity method	–	817
Purchase of treasury stock	(0)	–
Total changes of items during the period	14,740	(2,333)
Balance at the end of current period	308,601	306,268

	(Millions of yen)	
	Fiscal year ended March 31, 2012 (April 1, 2011 – March 31, 2012)	Fiscal year ended March 31, 2013 (April 1, 2012– March 31, 2013)
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the beginning of current period	95,518	89,366
Changes of items during the period		
Net changes of items other than shareholders' equity	(6,152)	(11,056)
Total changes of items during the period	(6,152)	(11,056)
Balance at the end of current period	89,366	78,310
Deferred gains or losses on hedges		
Balance at the beginning of current period	17	20
Changes of items during the period		
Net changes of items other than shareholders' equity	3	206
Total changes of items during the period	3	206
Balance at the end of current period	20	226
Foreign currency translation adjustment		
Balance at the beginning of current period	(3,968)	(5,391)
Changes of items during the period		
Net changes of items other than shareholders' equity	(1,422)	3,028
Total changes of items during the period	(1,422)	3,028
Balance at the end of current period	(5,391)	(2,362)
Total accumulated other comprehensive income		
Balance at the beginning of current period	91,566	83,995
Changes of items during the period		
Net changes of items other than shareholders' equity	(7,571)	(7,822)
Total changes of items during the period	(7,571)	(7,822)
Balance at the end of current period	83,995	76,173
Minority interests		
Balance at the beginning of current period	8,261	14,176
Changes of items during the period		
Net changes of items other than shareholders' equity	5,914	7,007
Total changes of items during the period	5,914	7,007
Balance at the end of current period	14,176	21,183
Total net assets		
Balance at the beginning of current period	393,689	406,773
Changes of items during the period		
Dividends from surplus	(2,286)	(2,286)
Net income (loss)	17,027	(865)
Change of scope of equity method	–	817
Purchase of treasury stock	(0)	–
Net changes of items other than shareholders' equity	(1,656)	(814)
Total changes of items during the period	13,083	(3,147)
Balance at the end of current period	406,773	403,625

(4) Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2012 (April 1, 2011 – March 31, 2012)	Fiscal year ended March 31, 2013 (April 1, 2012– March 31, 2013)
Net cash provided by (used in) operating activities		
Income (loss) before income taxes and minority interests	22,471	(6,439)
Depreciation and amortization	23,902	16,294
Impairment loss	–	37,094
Loss on retirement of property, plant and equipment	457	656
Loss (gain) on valuation of short-term and long term investment securities	360	1
Increase (decrease) in allowance for doubtful accounts	(3)	21
Increase (decrease) in provision for retirement benefits	7	(190)
Increase (decrease) in provision for directors' retirement benefits	99	56
Increase (decrease) in allowance for overseas investment loss	(697)	37
Interest and dividends income	(6,876)	(11,713)
Interest expenses	219	275
Loss (gain) on sales of short-term and long term investment securities	(474)	(220)
Equity in (earnings) losses of affiliates	408	(753)
Gain on transfer of mining rights	–	(2,829)
Decrease (increase) in notes and accounts receivable-trade	(6,236)	(4,744)
Decrease (increase) in inventories	758	(2,115)
Increase (decrease) in notes and accounts payable-trade	3,910	13,701
Increase (decrease) in accrued consumption taxes	74	351
Other, net	848	(104)
Subtotal	39,229	39,380
Income taxes (paid) refund	(2,057)	(5,125)
Net cash provided by (used in) operating activities	37,172	34,254
Net cash provided by (used in) investing activities		
Payments into time deposits	(19,095)	(18,124)
Proceeds from withdrawal of time deposits	19,446	15,784
Purchase of securities	(401)	(801)
Proceeds from sales and redemption of securities	1,900	3,300
Purchase of property, plant and equipment	(11,618)	(10,195)
Proceeds from sales of property, plant and equipment	191	49
Purchase of intangible assets	(217)	(3,852)
Payments for asset retirement obligations	(447)	(72)
Purchase of investment securities	(1,586)	(5,623)
Proceeds from sales and redemption of investment securities	4,194	2,446
Payments of recoverable accounts	(6,406)	(12,061)
Payments of loans receivable	(8,018)	(4,061)
Collection of loans receivable	115	2,574
Interest and dividends income received	7,453	12,844
Proceeds from dividends of residual property	472	111
Proceeds from transfer of mining rights	–	2,829
Other, net	65	17
Net cash provided by (used in) investing activities	(13,950)	(14,836)

	(Millions of yen)	
	Fiscal year ended March 31, 2012 (April 1, 2011 – March 31, 2012)	Fiscal year ended March 31, 2013 (April 1, 2012– March 31, 2013)
Net cash provided by (used in) financing activities		
Proceeds from long-term loans payable	7,895	1,875
Repayment of long-term loans payable	(778)	(11,141)
Purchase of treasury stock	(0)	–
Cash dividends paid	(2,286)	(2,286)
Cash dividends paid to minority shareholders	(265)	(177)
Interest expenses paid	(188)	(308)
Repayments of lease obligations	(270)	(568)
Proceeds from stock issuance to minority shareholders	5,908	5,428
Repayments to minority shareholders	(149)	–
Other, net	(9)	–
Net cash provided by (used in) financing activities	9,856	(7,177)
Effect of exchange rate change on cash and cash equivalents	(101)	596
Net increase (decrease) in cash and cash equivalents	32,976	12,836
Cash and cash equivalents at beginning of period	66,826	99,803
Cash and cash equivalents at end of period	99,803	112,639

4. Others

Status of production and sales

1. Production

		Fiscal year ended March 31, 2012 (April 1, 2011 – March 31, 2012)	Fiscal year ended March 31, 2013 (April 1, 2012 – March 31, 2013)
E&P	Crude oil (kl)	547,777 (2,527)	482,306 (5,840)
	Natural gas (thousand m ³)	1,288,978 (4,435)	1,080,116 (1,199)
	LNG (t)	22,943	602
	Bitumen (kl)	382,394 (382,394)	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

		Fiscal year ended March 31, 2012 (April 1, 2011 – March 31, 2012)		Fiscal year ended March 31, 2013 (April 1, 2012 – March 31, 2013)	
		Volume	Amount (Millions of yen)	Volume	Amount (Millions of yen)
E&P	Crude oil (kl)	1,395,833	80,754	1,335,639	78,834
	Natural gas (thousand m ³)	1,730,381	74,957	1,455,708	69,795
	LNG (t)	216,211	15,930	229,242	19,098
	Bitumen (kl)	382,378	9,137	349,198	9,694
Subtotal			180,779		177,423
Contract services			8,360		9,674
Other businesses	Oil products/merchandise		36,585		36,034
	Others		4,912		7,953
Subtotal			41,497		43,988
Total			230,638		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.