

Consolidated Financial Results for the Three Months Ended June 30, 2014 <under Japanese GAAP>

August 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: August 12, 2014
 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, 2014

(April 1, 2014 – June 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	%
Three months ended June 30, 2014	82,259	36.9	8,131	47.5	13,011	65.7	9,987	70.2
June 30, 2013	60,107	6.4	5,512	51.3	7,853	76.9	5,867	69.0

Note: Comprehensive income: Three months ended June 30, 2014: 17,871 million yen (– %)
 Three months ended June 30, 2013: -7,142 million yen (– %)

	Net income per share	Diluted net income per share
Three months ended	Yen	Yen
June 30, 2014	174.75	–
June 30, 2013	102.66	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2014	675,434	514,127	65.4
As of March 31, 2014	663,038	496,915	63.7

Reference: Equity As of June 30, 2014: 441,635 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	–				
Fiscal year ending March 31, 2015 (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, 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
For the six months ending September 30, 2014	157,514	31.0	14,339	24.2	20,159	1.3	13,597	(14.4)	237.91
Fiscal year ending March 31, 2015	323,633	17.0	33,077	34.3	41,469	(5.5)	27,379	(5.6)	479.04

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, 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 June 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)
Three months ended June 30, 2014 57,152,637 shares
Three months ended June 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 three months ended June 30, 2014” on page 3 of the attached material to the quarterly financial results report.

(Method of accessing supplementary material on quarterly financial results)

On August 7, 2014 (Thursday), 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, 2014

(1) Explanation of operating results

During the three months ended June 30, 2014, net sales was at ¥82,259 million, an increase of ¥22,151 million (+36.9%) year on year. Gross profit increased by ¥3,202 million (+20.2%) year on year to ¥19,078 million. The main factors behind the year-on-year increases in net sales and gross profit were increases in sales volumes of crude oil from 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 ¥361 million (-12.8%) year on year to ¥2,458 million. Selling, general and administrative expenses increased by ¥945 million (+12.5%) year on year to ¥8,489 million. As a result, operating income increased by ¥2,618 million (+47.5%) year on year to ¥8,131 million.

Ordinary income amounted to ¥13,011 million, an increase of ¥5,157 million (+65.7%) 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 ¥5,200 million (+66.3%) year on year to ¥13,048 million. After deducting income taxes and minority interests in income, net income came to ¥9,987 million, an increase of ¥4,120 million (+70.2%) 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 ¥69,224 million, an increase of ¥21,510 million (+45.1%) year on year. This was mainly the result of increases in sales volumes of crude oil from 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 ¥1,332 million, a decrease of ¥457 million (-25.6%) 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 ¥11,703 million, an increase of ¥1,099 million (+10.4%) 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 ¥12,396 million to ¥675,434 million. The main increases were ¥25,653 million in investment securities mainly due to stock price rises and ¥11,062 million in property, plant and equipment, and the main decreases were ¥15,037 million in cash and deposits and ¥11,284 million in other under investments and other assets.

Total liabilities decreased by ¥4,816 million from the previous fiscal year-end to ¥161,306 million. The main increase was ¥7,169 million in deferred tax liabilities and the main decrease was ¥11,055 million in notes and accounts payable - trade.

Total net assets increased by ¥17,212 million from the previous fiscal year-end to ¥514,127 million. The main increases were ¥14,762 million in valuation difference on available-for-sale securities and ¥9,856 million in retained earnings, and the main decreases were ¥5,336 million in foreign currency translation adjustment and ¥2,086 million in minority 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, 2014, and the fiscal year ending March 31, 2015, which were announced on May 12, 2014. This is the result of an examination made in consideration of the financial results for the three months ended June 30, 2014.

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) and current liabilities (other) because such variance is expected to be almost completely eliminated by the end of the cost accounting period.

b. Calculation of taxes

For the taxes, JAPEX and some of its consolidated subsidiaries compute first by reasonably estimating the effective tax rate after applying tax effect accounting against income before income taxes and minority interests for the fiscal year including the first quarter ended June 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 first quarter ended June 30, 2014.

As a result of this change, as of the beginning of the first quarter ended June 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 three months ended June 30, 2014 is immaterial.

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

(Millions of yen)

	As of March 31, 2014	As of June 30, 2014
Assets		
Current assets		
Cash and deposits	81,031	65,994
Notes and accounts receivable - trade	37,222	36,352
Securities	41,203	43,538
Merchandise and finished goods	4,653	4,468
Work in process	128	214
Raw materials and supplies	6,285	10,337
Other	24,731	21,915
Allowance for doubtful accounts	(48)	(45)
Total current assets	195,209	182,774
Non-current assets		
Property, plant and equipment		
Construction in progress	88,541	90,837
Other, net	112,011	120,778
Total property, plant and equipment	200,552	211,615
Intangible assets		
Other	11,365	11,405
Total intangible assets	11,365	11,405
Investments and other assets		
Investment securities	190,765	216,418
Other	69,468	58,184
Allowance for doubtful accounts	(39)	(39)
Allowance for overseas investment loss	(4,284)	(4,924)
Total investments and other assets	255,910	269,639
Total non-current assets	467,828	492,659
Total assets	663,038	675,434

(Millions of yen)

	As of March 31, 2014	As of June 30, 2014
Liabilities		
Current liabilities		
Notes and accounts payable - trade	23,610	12,554
Short-term loans payable	28,169	31,354
Provision	370	337
Other	31,304	32,148
Total current liabilities	83,454	76,396
Non-current liabilities		
Long-term loans payable	21,636	19,483
Deferred tax liabilities	32,509	39,679
Other provision	936	881
Net defined benefit liability	6,845	4,695
Asset retirement obligations	16,001	15,582
Other	4,738	4,588
Total non-current liabilities	82,668	84,910
Total liabilities	166,123	161,306
Net assets		
Shareholders' equity		
Capital stock	14,288	14,288
Retained earnings	318,433	328,289
Treasury shares	(10)	(10)
Total shareholders' equity	332,711	342,567
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	84,856	99,619
Deferred gains or losses on hedges	(56)	(72)
Foreign currency translation adjustment	5,166	(170)
Remeasurements of defined benefit plans	(340)	(307)
Total accumulated other comprehensive income	89,624	99,067
Minority interests	74,579	72,492
Total net assets	496,915	514,127
Total liabilities and net assets	663,038	675,434

(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, 2013 (April 1, 2013 – June 30, 2013)	Three months ended June 30, 2014 (April 1, 2014 – June 30, 2014)
Net sales	60,107	82,259
Cost of sales	44,231	63,180
Gross profit	15,876	19,078
Exploration expenses		
Exploration expenses	2,819	2,492
Exploration subsidies	–	(34)
Total exploration expenses	2,819	2,458
Selling, general and administrative expenses	7,544	8,489
Operating income	5,512	8,131
Non-operating income		
Interest income	629	579
Dividend income	1,165	1,037
Share of profit of entities accounted for using equity method	–	3,956
Foreign exchange gains	588	–
Other	246	212
Total non-operating income	2,630	5,786
Non-operating expenses		
Interest expenses	58	150
Share of loss of entities accounted for using equity method	87	–
Loss on valuation of derivatives	77	0
Provision for allowance for losses on overseas investments	–	640
Other	66	115
Total non-operating expenses	289	906
Ordinary income	7,853	13,011
Extraordinary income		
Gain on sales of non-current assets	0	–
Subsidy income	–	42
Other	0	0
Total extraordinary income	0	42
Extraordinary losses		
Loss on sales of non-current assets	2	–
Loss on retirement of non-current assets	2	4
Total extraordinary losses	5	4
Income before income taxes and minority interests	7,848	13,048
Income taxes	1,827	2,263
Income before minority interests	6,020	10,785
Minority interests in income	153	798
Net income	5,867	9,987

Consolidated quarterly statement of comprehensive income

(Millions of yen)

	Three months ended June 30, 2013 (April 1, 2013 – June 30, 2013)	Three months ended June 30, 2014 (April 1, 2014 – June 30, 2014)
Income before minority interests	6,020	10,785
Other comprehensive income		
Valuation difference on available-for-sale securities	(15,492)	14,762
Deferred gains or losses on hedges	(238)	65
Foreign currency translation adjustment	2,529	(7,588)
Remeasurements of defined benefit plans, net of tax	–	32
Share of other comprehensive income of entities accounted for using equity method	38	(187)
Total other comprehensive income	(13,163)	7,085
Comprehensive income	(7,142)	17,871
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(7,505)	19,430
Comprehensive income attributable to minority interests	363	(1,559)

(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, 2013 (April 1, 2013 – June 30, 2013)	Three months ended June 30, 2014 (April 1, 2014 – June 30, 2014)	(Reference) Fiscal year ended March 31, 2014 (April 1, 2013 – March 31, 2014)
E&P	Crude oil (kl)	105,913 (2,620)	466,037 (363,367)	828,870 (424,040)
	Natural gas (thousand m ³)	240,786 (754)	313,916 (89,341)	1,104,533 (170,549)
	LNG (t)	4,389	–	12,235
	Bitumen (kl)	87,785 (87,785)	83,676 (83,676)	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

		Three months ended June 30, 2013 (April 1, 2013 – June 30, 2013)		Three months ended June 30, 2014 (April 1, 2014 – June 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)	373,042	25,031	605,757	42,707	1,559,888	108,408
	Natural gas (thousand m ³)	292,993	15,791	382,110	18,772	1,418,963	71,584
	LNG (t)	48,730	4,518	46,582	4,948	268,510	26,202
	Bitumen (kl)	87,804	2,373	84,297	2,795	342,565	10,962
Subtotal			47,714		69,224		217,157
Contract services			1,789		1,332		8,740
Other businesses	Oil products /merchandise		8,630		9,743		42,860
	Others		1,973		1,959		7,830
Subtotal			10,603		11,703		50,691
Total			60,107		82,259		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 and oil products as well as other subcontracted tasks.
2. Monetary amounts in the table do not include consumption taxes.