

Consolidated Financial Results for the Six Months Ended September 30, 2010 <under Japanese GAAP>

November 5, 2010

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 11, 2010
 Scheduled date to commence dividend payments: November 26, 2010
 Presentation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results presentation meeting: Yes (for analysts and institutional investors)

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

1. Consolidated financial results for the six months ended September 30, 2010 (April 1, 2010 – September 30, 2010)

(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, 2010	92,369	30.9	3,845	34.3	4,929	(4.9)	1,896	(45.8)
September 30, 2009	70,567	(36.4)	2,864	(77.2)	5,184	(61.1)	3,498	(62.7)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended		
September 30, 2010	33.18	–
September 30, 2009	61.22	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2010	450,039	347,784	75.5	5,946.51
As of March 31, 2010	521,009	398,747	75.0	6,839.05

Reference: Equity As of September 30, 2010: 339,859 million yen As of March 31, 2010: 390,870 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, 2010	–	20.00	–	20.00	40.00
Fiscal year ending March 31, 2011	–	20.00			
Fiscal year ending March 31, 2011 (Forecasts)			–	20.00	40.00

Note: Revisions to the forecasts of cash dividends in the current quarter: None

3. Consolidated financial forecasts for the fiscal year ending March 31, 2011 (April 1, 2010 - March 31, 2011)
(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, 2011	192,319	7.0	8,144	(37.9)	10,454	(55.0)	7,434	(58.6)	130.07

Note: Revisions to the consolidated financial forecasts in the current quarter: Yes

4. Others (For details, please refer to “Other information” on page 4.)

(1) Changes in significant subsidiaries during the current quarter: None

Note: Changes in specified subsidiaries resulting in changes in the scope of consolidation during the current quarter

(2) Application of simplified accounting and specific accounting: Yes

Note: Application of simplified accounting and specific accounting for preparing quarterly consolidated financial statements

(3) Changes in accounting policies and procedures and methods of presentation

a. Changes due to revisions to accounting standards and other regulations: Yes

b. Changes due to other reasons: Yes

Note: Changes in accounting policies and procedures and methods of presentation for preparing quarterly consolidated financial statements stated in the section of “Changes in significant matters forming the basis of preparing the quarterly consolidated financial statements”

(4) Number of issued shares (common stock)

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

As of September 30, 2010	57,154,776 shares
As of March 31, 2010	57,154,776 shares

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

As of September 30, 2010	2,033 shares
As of March 31, 2010	1,961 shares

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

Six months ended September 30, 2010	57,152,769 shares
Six months ended September 30, 2009	57,152,951 shares

* Indication regarding execution of quarterly review procedures

This quarterly financial results report is not subject to the quarterly review procedures in accordance with the Financial Instruments and Exchange Act. At the time of disclosure of this quarterly financial results report, the quarterly review procedures 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. 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 “Qualitative information regarding consolidated financial forecasts” on page 4 of the attached material to the quarterly financial results report.

(Attached Material)

1. Qualitative information regarding consolidated results for the six months ended September 30, 2010

(1) Qualitative information regarding consolidated operating results

During the six months ended September 30, 2010 (from April 1, 2010 to September 30, 2010), net sales was ¥92,369 million, an increase of ¥21,802 million (+30.9%) year on year, and gross profit increased by ¥1,034 million (+4.5%) year on year to ¥24,140 million. The main factors behind the year-on-year increase in net sales include not only an increase in net sales thanks to rise in crude oil and bitumen prices, but also an increase in net sales of oil products, etc. by Japex Energy Co., Ltd., which became a consolidated subsidiary of JAPEX in the third quarter of the previous fiscal year. The main factor behind the year-on-year increase in gross profit is the rise in crude oil and bitumen prices.

Exploration expenses increased by ¥636 million (+11.8%) year on year to ¥6,023 million due to an increase in domestic expenditures, despite a decrease in overseas expenditures, with selling, general and administrative expenses down ¥582 million (-3.9%), and as a result, operating income increased by ¥981 million (+34.3%) year on year to ¥3,845 million.

Ordinary income was ¥4,929 million, a decrease of ¥255 million (-4.9%) year on year due to an increase in loss on valuation of securities and a decrease in other of non-operating income, notwithstanding factors pushing up earnings such as the reversal of provision for overseas investment loss and the lack of provision for cost of abandonment due to the application of the Accounting Standard for Asset Retirement Obligations. The main reasons for the above decrease in other of non-operating income was a decrease in equity in earnings of affiliates and the lack of the receipt of compensation related to indemnity rights and delinquency rights from JJI S&N B.V., an equity-method affiliate, posted in the same period of the previous fiscal year.

Income before income taxes and minority interests was ¥2,514 million, a decrease of ¥2,466 million (-49.5%) year on year due in part to the recording as extraordinary loss of ¥2,339 million of loss on adjustment for changes of accounting standard for asset retirement obligations and net income was ¥1,896 million, a decrease of ¥1,602 million (-45.8%) year on year.

Below is a breakdown of sales.

(i) E&P

Net sales from E&P (including liquefied natural gas (LNG) and bitumen) was ¥71,361 million, an increase of ¥8,116 million (+12.8%) year on year, mainly due to rise in crude oil and bitumen prices.

(ii) Contract services

Net sales from contract services (involved in drilling and geophysical surveys) was ¥2,631 million, an increase of ¥1,248 million (+90.3%) year on year.

(iii) Other businesses

Net sales from other businesses, such as the sale of oil products, including liquefied petroleum gas (LPG) and fuel oil, the transportation of natural gas and oil products on consignment as well as other subcontracted tasks, was ¥18,376 million, an increase of ¥12,437 million (+209.4%) year on year partly because of an increase in net sales of oil products, etc. of Japex Energy Co., Ltd., which became a consolidated subsidiary of JAPEX in the third quarter of the previous fiscal year.

(2) Qualitative information regarding consolidated financial position

At the end of the second quarter, as compared to the end of the previous fiscal year, total assets decreased by ¥70,969 million to ¥450,039 million. This is mainly due to a decrease in investment securities due to the fall in the stock price of INPEX CORPORATION.

Regarding liabilities and net assets, total liabilities was down ¥20,006 million from the previous fiscal year end to ¥102,255 million, with total net assets also down ¥50,962 million to ¥347,784 million, mainly due to the decrease in both deferred tax liabilities and valuation difference on available-for-sale securities brought upon by the aforementioned decrease in investment securities.

(3) Qualitative information regarding consolidated financial forecasts

JAPEX expects that the consolidated financial forecasts for net sales, operating income, ordinary income and net income for Fiscal 2011 (April 1, 2010 - March 31, 2011) will be below expectations compared to the previous consolidated financial forecasts announced on May 14, 2010. This is mainly due to the revision of the foreign exchange rate assumption reflecting the recent trend and the downward revision of the production and sales plans for natural gas and crude oil for the third quarter-fourth quarter period (October 1, 2010 - March 31, 2011). The previous foreign exchange rate assumption announced on May 14, 2010 was ¥90/\$. The revised foreign exchange rate assumption for the third quarter-fourth quarter period (October 1, 2010 - March 31, 2011) is ¥85/\$. Note that the Japan Crude Cocktail (JCC) price assumption for the third quarter-fourth quarter period (October 1, 2010 - March 31, 2011) of \$80 per barrel was not revised. Please refer to the “Notice of Financial Forecast Revision” released on the same day of this report, November 5, 2010

2. Other information

(1) Summary of changes in significant subsidiaries

No items to report

(2) Summary of simplified accounting and specific accounting

a. Deferral accounting of cost variance

Cost variance arising from seasonal changes in production level is deferred as 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 this second quarter, and next by multiplying the quarterly income before income taxes and minority interests by such estimated effective tax rate. Note that income taxes—deferred is included in income taxes.

(3) Summary of changes in accounting policies and procedures and methods of presentation

• Changes in accounting standards

a. Application of accounting standard for asset retirement obligations

Effective from the first quarter of the current fiscal year, JAPEX adopted the “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No. 18, March 31, 2008) and the “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21, March 31, 2008). Accordingly, the provision for cost of abandonment which was previously recorded was transferred to asset retirement obligations.

As a result, operating income decreased by ¥252 million, ordinary income increased by ¥147 million, income before income taxes and minority interests decreased by ¥2,192 million. The change in asset retirement obligations due to the application of this accounting standard and guidance amounted to ¥4,267 million.

b. Application of the “Accounting Standard for Equity Method of Accounting for Investments” and the “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method”

Effective from the first quarter of the current fiscal year, JAPEX adopted the “Accounting Standard for Equity Method of Accounting for Investments” (ASBJ Statement No. 16, March 10, 2008) and the “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method” (ASBJ PITF No. 24, March 10, 2008).

There was no effect from this change on ordinary income or income before income taxes and minority interests.

c. Application of accounting standards for business combinations, etc.

Effective from the first quarter of the current fiscal year, JAPEX adopted the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, December 26, 2008), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, December 26, 2008), the “Partial Amendments to Accounting Standard for Research and Development Costs” (ASBJ Statement No. 23,

December 26, 2008), the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, December 26, 2008), the “Accounting Standard for Equity Method of Accounting for Investments” (ASBJ Statement No. 16, December 26, 2008) and the “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, December 26, 2008).

- d. Change in depreciation method for significant depreciable assets (property, plant and equipment)
Effective from the third quarter of the previous fiscal year, JAPEx changed depreciation method for the assets held for management purposes of the Hokkaido Division Office from the declining-balance method, which was previously applied at the former Sapporo Division Office, to the straight-line method. Accordingly, the depreciation method for that Office’s assets held for management purposes used in the second quarter of the previous fiscal year and this second quarter differs.
The effect of this change on operating income, ordinary income and income before income taxes and minority interests for the second quarter and first six months of the previous fiscal year, where applying the method after the change, is immaterial.

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

(Millions of yen)

	As of September 30, 2010	As of March 31, 2010 (Summary)
Assets		
Current assets		
Cash and deposits	29,676	24,314
Notes and accounts receivable-trade	19,228	19,774
Short-term investment securities	23,458	17,669
Merchandise and finished goods	4,768	4,632
Work in process	451	386
Raw materials and supplies	6,098	5,398
Other	32,102	33,403
Allowance for doubtful accounts	(3)	(10)
Total current assets	115,780	105,569
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	48,809	50,848
Machinery, equipment and vehicles, net	45,179	47,539
Other, net	51,600	46,377
Total property, plant and equipment	145,589	144,765
Intangible assets		
Other	7,341	7,450
Total intangible assets	7,341	7,450
Investments and other assets		
Investment securities	162,971	246,141
Other	23,691	22,921
Allowance for doubtful accounts	(46)	(46)
Allowance for overseas investment loss	(5,288)	(5,793)
Total investments and other assets	181,327	263,223
Total noncurrent assets	334,258	415,439
Total assets	450,039	521,009

(Millions of yen)

	As of September 30, 2010	As of March 31, 2010 (Summary)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	12,311	5,914
Provision	80	138
Other	14,516	15,933
Total current liabilities	26,908	21,986
Noncurrent liabilities		
Long-term loans payable	24,309	24,471
Deferred tax liabilities	32,831	61,386
Provision for retirement benefits	6,744	6,429
Provision for cost of abandonment	–	6,216
Other provision	672	847
Asset retirement obligations	9,740	–
Other	1,047	923
Total noncurrent liabilities	75,346	100,275
Total liabilities	102,255	122,261
Net assets		
Shareholders' equity		
Capital stock	14,288	14,288
Retained earnings	272,611	271,858
Treasury stock	(10)	(10)
Total shareholders' equity	286,889	286,137
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	56,078	106,896
Deferred gains or losses on hedges	(10)	24
Foreign currency translation adjustment	(3,098)	(2,186)
Total valuation and translation adjustments	52,969	104,733
Minority interests	7,925	7,876
Total net assets	347,784	398,747
Total liabilities and net assets	450,039	521,009

(2) Consolidated quarterly statements of income

(Millions of yen)

	Six months ended September 30, 2009 (April 1, 2009 – September 30, 2009)	Six months ended September 30, 2010 (April 1, 2010 – September 30, 2010)
Net sales	70,567	92,369
Cost of sales	47,461	68,228
Gross profit	23,106	24,140
Exploration expenses		
Exploration expenses	5,655	6,112
Exploration subsidies	(268)	(89)
Total exploration expenses	5,386	6,023
Selling, general and administrative expenses	14,855	14,272
Operating income	2,864	3,845
Non-operating income		
Interest income	390	258
Dividends income	1,528	1,509
Other	1,914	768
Total non-operating income	3,833	2,536
Non-operating expenses		
Loss on valuation of securities	79	577
Provision for overseas investment loss	320	–
Provision for cost of abandonment	341	–
Foreign exchange losses	501	602
Other	270	272
Total non-operating expenses	1,513	1,452
Ordinary income	5,184	4,929
Extraordinary income		
Reversal of allowance for doubtful accounts	2	10
Gain on prior period adjustment	147	–
Gain on sales of noncurrent assets	–	6
Other	0	–
Total extraordinary income	149	16
Extraordinary loss		
Loss on retirement of noncurrent assets	122	91
Retirement benefit expenses for prior periods	231	–
Loss on adjustment for changes of accounting standard for asset retirement obligations	–	2,339
Other	–	0
Total extraordinary losses	353	2,431
Income before income taxes and minority interests	4,980	2,514
Income taxes	1,231	243
Income before minority interests	–	2,270
Minority interests in income	250	374
Net income	3,498	1,896

- (3) Notes on premise of going concern
No items to report
- (4) Notes on significant changes in the amount of shareholders' equity
No items to report
- (5) Other notes

Changes in presentation method

(Consolidated quarterly balance sheets)

The “buildings and structures, net” and “machinery, equipment and vehicles, net,” which were included in “property, plant and equipment” of noncurrent assets as of September 30, 2009 are presented separately as of September 30, 2010, because each of them exceeded 10% of the total assets. The “buildings and structure, net” and “machinery, equipment and vehicles, net” included in “property, plant and equipment” of noncurrent assets as of September 30, 2009, amounted to ¥50,319 million and ¥47,252 million, respectively.

(Consolidated quarterly statements of income)

1. The “gain on sales of noncurrent assets,” which was included in “other” of extraordinary income for the six months ended September 30, 2009 is presented separately from the six months ended September 30, 2010, because it exceeded 20% of the total extraordinary income. The “gain on sales of noncurrent assets” included in “other” of extraordinary income for the six months ended September 30, 2009, amounted to ¥0 million.
2. Following the adoption of the “Cabinet Office Ordinance Partially Revising Regulation on Terminology, Forms and Preparation of Financial Statements” (Cabinet Office Ordinance No. 5 of March 24, 2009) based on the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, December 26, 2008), “income before minority interests” is included in the consolidated statements of income for the six months ended September 30, 2010.

4. Supplemental information

Status of production and sales

a. Production

		Six months ended September 30, 2009 (April 1, 2009 – September 30, 2009)	Six months ended September 30, 2010 (April 1, 2010 – September 30, 2010)	(Reference) Fiscal year ended March 31, 2010 (April 1, 2009 – March 31, 2010)
E&P	Crude oil (kl)	282,082 (19,067)	257,055 (3,215)	614,401 (21,556)
	Natural gas (thousand m ³)	546,644 (26,847)	568,580 (6,884)	1,250,630 (48,395)
	LNG (t)	22,360	26,569	57,599
	Bitumen (kl)	188,781 (188,781)	198,302 (198,302)	411,603 (411,603)

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.

b. Sales

		Six months ended September 30, 2009 (April 1, 2009 – September 30, 2009)		Six months ended September 30, 2010 (April 1, 2010 – September 30, 2010)		(Reference) Fiscal year ended March 31, 2010 (April 1, 2009 – March 31, 2010)	
		Volume	Amount (Millions of yen)	Volume	Amount (Millions of yen)	Volume	Amount (Millions of yen)
E&P	Crude oil (kl)	778,978	28,868	748,695	32,730	1,714,012	69,308
	Natural gas (thousand m ³)	643,558	24,924	696,673	27,039	1,499,236	55,593
	LNG (t)	73,202	5,311	91,368	6,079	186,268	12,268
	Bitumen (kl)	188,331	4,140	197,407	5,512	411,394	11,433
Subtotal			63,244		71,361		148,604
Contract services			1,382		2,631		4,859
Other businesses	Oil products		–		14,626		–
	Others		–		3,750		–
Subtotal			5,939		18,376		26,289
Total			70,567		92,369		179,752

Notes: 1. Effective from the three months ended June 30, 2010, JAPEX changed the presentation method of “Other businesses” to disclose its sales amounts breakdown as “Oil products” and “Others,” therefore, sales amounts relating to “Oil products” and “Others” for the six months ended September 30, 2009 and the fiscal year ended March 31, 2010 are omitted.

2. “Oil products” includes liquefied petroleum gas (LPG), fuel oil, diesel oil and kerosene, and “Others” includes the transportation of natural gas and oil products on consignment as well as other subcontracted tasks.

3. Monetary amounts in the table do not include consumption taxes.