

Consolidated Financial Results for the Nine Months Ended December 31, 2010

<under Japanese GAAP>

February 9, 2011

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: February 10, 2011

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 nine months ended December 31, 2010

(April 1, 2010 – December 31, 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	%
Nine months ended								
December 31, 2010	144,508	21.6	6,144	(4.5)	9,059	(9.2)	5,552	(32.7)
December 31, 2009	118,844	(27.9)	6,435	(67.3)	9,974	(49.9)	8,245	(20.9)

	Net income per share	Diluted net income per share
Nine months ended	Yen	Yen
December 31, 2010	97.15	–
December 31, 2009	144.26	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2010	475,877	363,591	74.7	6,221.67
As of March 31, 2010	521,009	398,747	75.0	6,839.05

Reference: Equity As of December 31, 2010: 355,585 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	194,606	8.3	9,396	(28.4)	13,028	(43.9)	9,083	(49.4)	158.93

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: None

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 December 31, 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 December 31, 2010 2,105 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)

Nine months ended December 31, 2010 57,152,757 shares

Nine months ended December 31, 2009 57,152,932 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 nine months ended December 31, 2010

(1) Qualitative information regarding consolidated operating results

During the nine months ended December 31, 2010 (from April 1, 2010 to December 31, 2010), net sales was ¥144,508 million, an increase of ¥25,663 million (+21.6%) year on year, and gross profit decreased by ¥664 million (-1.8%) year on year to ¥36,359 million. The main factors behind the year-on-year increase in net sales include not only an increase in net sales thanks to a rise in crude oil prices, and increases in sales volume and sales prices of natural gas, 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 factors behind the year-on-year decrease in gross profit include higher operating costs, such as depreciation and others, and decreased income as a result of the expiry of the commercial production period of consolidated subsidiary Japex New Nanhai Ltd., which had been producing crude oil in China.

Exploration expenses remained roughly at the same level as in the same period of the previous fiscal year, with an increase of ¥26 million (+0.3%) year on year to ¥8,048 million. Selling, general and administrative expenses decreased by ¥399 million (-1.8%) due to a decrease in goodwill amortization. As a result, operating income decreased by ¥291 million (-4.5%) year on year to ¥6,144 million.

Ordinary income was ¥9,059 million, a decrease of ¥914 million (-9.2%) year on year due to a decrease in other of non-operating income, notwithstanding factors, such as an increase in dividend income and the lack of provision for cost of abandonment due to the application of the Accounting Standard for Asset Retirement Obligations, pushing up earnings. The main reasons for the above decrease in other of non-operating income were a turnaround from equity in earnings of affiliates to equity in losses 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 ¥6,522 million, a decrease of ¥4,355 million (-40.0%) 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 to the posting, in the same period of the previous fiscal year, of gain on change in equity to extraordinary income as a result of the issuance of new shares on the listing of Japan Drilling Co., Ltd., an equity-method affiliate of JAPEX, and net income was ¥5,552 million, a decrease of ¥2,692 million (-32.7%) year on year.

Below is a breakdown of sales.

(i) E&P

Net sales from E&P (including liquefied natural gas (LNG) and bitumen) was ¥111,486 million, an increase of ¥9,430 million (+9.2%) year on year, mainly due to rise in crude oil price and increases in sales volume and sales prices of natural gas.

(ii) Contract services

Net sales from contract services (involved in drilling and geophysical surveys) was ¥4,691 million, an increase of ¥1,606 million (+52.1%) 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 ¥28,330 million, an increase of ¥14,626 million (+106.7%) 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 third quarter, as compared to the end of the previous fiscal year, total assets decreased by ¥45,131 million to ¥475,877 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 ¥9,975 million from the previous fiscal year end to ¥112,286 million, with total net assets also down ¥35,155 million to ¥363,591 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 higher compared to the previous consolidated financial forecasts announced on November 5, 2010. This is mainly due to the revision of the Japan Crude Cocktail (JCC) price and the foreign exchange rate assumptions for the fourth quarter (January 1, 2011 - March 31, 2011), reflecting the recent trend. The previous JCC price and foreign exchange rate assumptions announced on November 5, 2010 were \$80 per barrel and ¥85/\$, respectively. The revised JCC price and foreign exchange rate assumptions for the fourth quarter (January 1, 2011 - March 31, 2011) are \$88.16 per barrel (\$85.00 per barrel for January and \$90 per barrel for February and March) and ¥83/\$, respectively. Please refer to the "Notice of Financial Forecast Revision" released on the same day of this report, February 9, 2011.

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 third 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 ¥376 million, ordinary income increased by ¥221 million, income before income taxes and minority interests decreased by ¥2,117 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).

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

(Millions of yen)

	As of December 31, 2010	As of March 31, 2010 (Summary)
Assets		
Current assets		
Cash and deposits	30,561	24,314
Notes and accounts receivable-trade	25,187	19,774
Short-term investment securities	38,461	17,669
Merchandise and finished goods	4,862	4,632
Work in process	507	386
Raw materials and supplies	4,493	5,398
Other	17,469	33,403
Allowance for doubtful accounts	(4)	(10)
Total current assets	121,540	105,569
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	48,075	50,848
Machinery, equipment and vehicles, net	53,462	47,539
Other, net	41,870	46,377
Total property, plant and equipment	143,408	144,765
Intangible assets		
Other	7,307	7,450
Total intangible assets	7,307	7,450
Investments and other assets		
Investment securities	183,501	246,141
Other	25,458	22,921
Allowance for doubtful accounts	(47)	(46)
Allowance for overseas investment loss	(5,291)	(5,793)
Total investments and other assets	203,620	263,223
Total noncurrent assets	354,337	415,439
Total assets	475,877	521,009

(Millions of yen)

	As of December 31, 2010	As of March 31, 2010 (Summary)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	11,692	5,914
Provision	115	138
Other	16,294	15,933
Total current liabilities	28,102	21,986
Noncurrent liabilities		
Long-term loans payable	24,851	24,471
Deferred tax liabilities	40,893	61,386
Provision for retirement benefits	6,943	6,429
Provision for cost of abandonment	–	6,216
Other provision	679	847
Asset retirement obligations	9,732	–
Other	1,084	923
Total noncurrent liabilities	84,183	100,275
Total liabilities	112,286	122,261
Net assets		
Shareholders' equity		
Capital stock	14,288	14,288
Retained earnings	275,124	271,858
Treasury stock	(10)	(10)
Total shareholders' equity	289,402	286,137
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	70,084	106,896
Deferred gains or losses on hedges	(24)	24
Foreign currency translation adjustment	(3,876)	(2,186)
Total valuation and translation adjustments	66,182	104,733
Minority interests	8,006	7,876
Total net assets	363,591	398,747
Total liabilities and net assets	475,877	521,009

(2) Consolidated quarterly statements of income

(Millions of yen)

	Nine months ended December 31, 2009 (April 1, 2009 – December 31, 2009)	Nine months ended December 31, 2010 (April 1, 2010 – December 31, 2010)
Net sales	118,844	144,508
Cost of sales	81,821	108,149
Gross profit	37,023	36,359
Exploration expenses		
Exploration expenses	8,479	8,253
Exploration subsidies	(458)	(205)
Total exploration expenses	8,021	8,048
Selling, general and administrative expenses	22,566	22,166
Operating income	6,435	6,144
Non-operating income		
Interest income	559	391
Dividends income	2,380	2,583
Other	2,433	1,257
Total non-operating income	5,373	4,232
Non-operating expenses		
Loss on valuation of securities	10	51
Provision for cost of abandonment	525	–
Foreign exchange losses	554	722
Other	745	543
Total non-operating expenses	1,835	1,317
Ordinary income	9,974	9,059
Extraordinary income		
Reversal of allowance for doubtful accounts	–	10
Gain on sales of noncurrent assets	–	6
Gain on change in equity	1,165	–
Other	156	–
Total extraordinary income	1,321	16
Extraordinary loss		
Loss on retirement of noncurrent assets	186	209
Retirement benefit expenses for prior periods	231	–
Loss on adjustment for changes of accounting standard for asset retirement obligations	–	2,339
Other	–	4
Total extraordinary losses	417	2,553
Income before income taxes and minority interests	10,878	6,522
Income taxes	2,050	417
Income before minority interests	–	6,104
Minority interests in income	582	552
Net income	8,245	5,552

- (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 December 31, 2009 are presented separately as of December 31, 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 December 31, 2009, amounted to ¥51,771 million and ¥47,973 million, respectively.

(Consolidated quarterly statements of income)

1. The “reversal of allowance for doubtful accounts” and “gain on sales of noncurrent assets,” which were included in “other” of extraordinary income for the nine months ended December 31, 2009 is presented separately from the nine months ended December 31, 2010, because it exceeded 20% of the total extraordinary income. The “reversal of allowance for doubtful accounts” and “gain on sales of noncurrent assets” included in “other” of extraordinary income for the nine months ended December 31, 2009, amounted to ¥8 million and ¥0 million, respectively.
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 nine months ended December 31, 2010.

4. Supplemental information

Status of production and sales

a. Production

		Nine months ended December 31, 2009 (April 1, 2009 – December 31, 2009)	Nine months ended December 31, 2010 (April 1, 2010 – December 31, 2010)	(Reference) Fiscal year ended March 31, 2010 (April 1, 2009 – March 31, 2010)
E&P	Crude oil (kl)	438,434 (20,078)	402,288 (4,462)	614,401 (21,556)
	Natural gas (thousand m ³)	868,951 (40,392)	896,710 (9,061)	1,250,630 (48,395)
	LNG (t)	38,067	36,269	57,599
	Bitumen (kl)	300,429 (300,429)	302,537 (302,537)	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

		Nine months ended December 31, 2009 (April 1, 2009 – December 31, 2009)		Nine months ended December 31, 2010 (April 1, 2010 – December 31, 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)	1,231,944	47,859	1,189,303	52,047	1,714,012	69,308
	Natural gas (thousand m ³)	1,028,914	38,437	1,092,180	42,144	1,499,236	55,593
	LNG (t)	124,267	8,348	143,471	9,577	186,268	12,268
	Bitumen (kl)	299,940	7,410	302,574	7,716	411,394	11,433
Subtotal			102,056		111,486		148,604
Contract services			3,084		4,691		4,859
Other businesses	Oil products		–		22,886		–
	Others		–		5,444		–
Subtotal			13,703		28,330		26,289
Total			118,844		144,508		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 nine months ended December 31, 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.