

## Consolidated Financial Results for the Six Months Ended September 30, 2011 <under Japanese GAAP>

November 4, 2011

Note: The following report is a summary of the Japanese-language original.

Company name: Japan Petroleum Exploration Co., Ltd.  
 Listing: Tokyo Stock Exchange, First Section  
 Securities code: 1662  
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Scheduled date to file Quarterly Report: November 10, 2011

Scheduled date to commence dividend payments: November 29, 2011

Presentation of supplementary material on quarterly financial results: Yes

Holding of quarterly 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 six months ended September 30, 2011

(April 1, 2011 – September 30, 2011)

#### (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, 2011	104,596	13.2	6,219	61.7	7,887	60.0	6,333	234.0
September 30, 2010	92,369	30.9	3,845	34.3	4,929	(4.9)	1,896	(45.8)

Note: Comprehensive income: Six months ended September 30, 2011: -19,152 million yen (- %)  
 Six months ended September 30, 2010: -49,640 million yen (- %)

	Net income per share		Diluted net income per share	
	Yen		Yen	
Six months ended				
September 30, 2011	110.81		-	
September 30, 2010	33.18		-	

#### (2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of September 30, 2011	492,081		376,087		74.2	
As of March 31, 2011	516,098		393,689		74.7	

Reference: Equity As of September 30, 2011: 364,914 million yen As of March 31, 2011: 385,428 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, 2011	-	20.00	-	20.00	40.00
Fiscal year ending March 31, 2012	-	20.00	-	-	-
Fiscal year ending March 31, 2012 (Forecasts)	-	-	-	20.00	40.00

Note: Revisions to the forecasts of cash dividends most recently announced: None

3. Consolidated financial forecasts for the fiscal year ending March 31, 2012 (April 1, 2011 – March 31, 2012)  
(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, 2012	229,031	14.7	8,365	(39.6)	12,974	(24.2)	10,175	1.6	178.03

Note: Revisions to the consolidated financial forecasts most recently announced: Yes

4. Others

(1) Changes in significant subsidiaries during the six 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 the section of “(2) Application of specific accounting for preparing quarterly consolidated financial statements” of “2. Matters regarding summary information (others)” on page 4 of the attached material.

(3) 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: None

b. Changes in accounting policies due to other reasons: None

c. Changes in accounting estimates: None

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 September 30, 2011 57,154,776 shares

As of March 31, 2011 57,154,776 shares

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

As of September 30, 2011 2,105 shares

As of March 31, 2011 2,105 shares

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

Six months ended September 30, 2011 57,152,671 shares

Six months ended September 30, 2010 57,152,769 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 for the quarterly consolidated financial statements 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 “(3) Qualitative information regarding consolidated financial forecasts” of “1. Qualitative information regarding settlement of accounts for the six months ended September 30, 2011” on page 4 of the attached material to the quarterly financial results report.

(Method of accessing supplementary material on quarterly financial results and contents of presentation meeting of quarterly financial results)

On November 4, 2011 (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 November 7, 2011 (Monday). JAPEX plans to post the material distributed at this presentation meeting on its website promptly after the meeting is held.

(Attached Material)

1. Qualitative information regarding settlement of accounts for the six months ended September 30, 2011

(1) Qualitative information regarding consolidated operating results

During the six months ended September 30, 2011, net sales was at ¥104,596 million, an increase of ¥12,226 million (+13.2%) year on year, and gross profit increased by ¥1,197 million (+5.0%) year on year to ¥25,338 million. The main factors behind the year-on-year increase in net sales and gross profit were the crude oil price remaining high and an increase in sales volume of natural gas among others.

Exploration expenses decreased by ¥1,979 million (-32.9%) year on year to ¥4,043 million, due to a decline in expenditures in Japan, and selling, general and administrative expenses increased by ¥802 million (+5.6%) year on year. As a result, operating income increased, reflecting the increase in gross profit and decrease in exploration expenses, by ¥2,373 million (+61.7%) to ¥6,219 million.

Ordinary income resulted to ¥7,887 million, increasing ¥2,958 million (+60.0%) year on year, due to an increase in gain on sales of securities recorded in the other item of non-operating income and decreases in loss on valuation of securities and in foreign exchange losses, outweighing an increase in loss on sales of securities.

Income before income taxes and minority interests was ¥7,845 million, a ¥5,331 million increase (+212.0%) year on year, due to recording as extraordinary loss of ¥2,339 million of loss on adjustment for changes of accounting standard for asset retirement obligations in the same period of the previous fiscal year. Although income taxes increased, net income increased by ¥4,437 million (+234.0%) year on year to ¥6,333 million.

Below is a breakdown of sales.

(i) E&P

Net sales from E&P (including liquefied natural gas (LNG) and bitumen) came to ¥84,113 million, an increase of ¥12,751 million (+17.9%) year on year. Although the absence of sales of crude oil products bought at Japan Canada Oil Sands Limited (JACOS) had a negative impact, it was outweighed by the highly remaining crude oil price, an increase in sales volume of natural gas and an increase in net sales of crude oil products bought owing to higher sales volume for Sakhalin crude oil.

(ii) Contract Services

Net sales from contract services (involved in drilling and geophysical surveys) came to ¥2,258 million, a decrease of ¥373 million (-14.2%) 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 on consignment as well as other subcontracted tasks, came to ¥18,224 million, a decrease of ¥151 million (-0.8%) year on 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, although current assets increased, total assets decreased by ¥24,016 million to ¥492,081 million due to a decrease in noncurrent assets. The rise in current assets mainly reflected an increase in short-term investment securities such as Treasury Discount Bills and commercial papers, while the decrease in noncurrent assets was mainly due to a decline in the stock price of INPEX CORPORATION and other companies and a drop in investment securities following the sale of available-for-sale securities.

Regarding liabilities and net assets, total liabilities declined ¥6,414 million from the previous fiscal year-end to ¥115,994 million due to a decrease in deferred tax liabilities mainly related to the abovementioned decline in investment securities. Total net assets decreased ¥17,602 million to ¥376,087 million, with an increase in retained earnings and a rise in minority interests from a third-party allocation of new shares by consolidated subsidiary Japex Garraf Ltd. outweighed by a decline in the valuation difference on available-for-sale securities.

## (3) Qualitative information regarding consolidated financial forecasts

JAPEX expects that the consolidated financial forecasts for operating income, ordinary income and net income for Fiscal 2012 (April 1, 2011 - March 31, 2012) will be lower compared to the previous consolidated financial forecasts announced on May 13, 2011. This is mainly due to the downward revision of the production and sales plan of natural gas and crude oil. The previous Japan Crude Cocktail (JCC) price and foreign exchange rate assumptions were \$90 per barrel and ¥85/\$, respectively. Our revised consolidated financial forecasts are based on the revised JCC price and foreign exchange rate assumptions of \$100 per barrel and ¥80/\$, respectively, for the third quarter and beyond (October 1, 2011 - March 31, 2012), reflecting the recent trend of crude oil price and foreign exchange rate. Please refer to the "Notice of Financial Forecast Revision" released on the same day of this report, November 4, 2011.

## 2. Matters regarding summary information (others)

### (1) Changes in significant subsidiaries during the six 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 six months under review, 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. Consolidated financial statements  
 (1) Consolidated quarterly balance sheets

(Millions of yen)

	As of March 31, 2011	As of September 30, 2011
<b>Assets</b>		
Current assets		
Cash and deposits	32,042	29,628
Notes and accounts receivable-trade	21,235	22,688
Short-term investment securities	28,186	72,669
Merchandise and finished goods	4,535	5,124
Work in process	102	219
Raw materials and supplies	5,579	6,586
Other	30,923	8,266
Allowance for doubtful accounts	(1)	(1)
Total current assets	122,604	145,183
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	46,530	44,703
Machinery, equipment and vehicles, net	54,388	54,687
Other, net	39,723	35,179
Total property, plant and equipment	140,642	134,570
Intangible assets		
Other	7,296	7,188
Total intangible assets	7,296	7,188
Investments and other assets		
Investment securities	221,971	176,485
Other	28,916	33,700
Allowance for doubtful accounts	(42)	(44)
Allowance for overseas investment loss	(5,291)	(5,002)
Total investments and other assets	245,554	205,138
Total noncurrent assets	393,493	346,897
Total assets	516,098	492,081

(Millions of yen)

	As of March 31, 2011	As of September 30, 2011
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	5,057	10,722
Provision	1,547	1,063
Other	13,348	13,666
<b>Total current liabilities</b>	<b>19,953</b>	<b>25,451</b>
<b>Noncurrent liabilities</b>		
Long-term loans payable	26,898	28,951
Deferred tax liabilities	56,531	41,868
Provision for retirement benefits	7,121	7,091
Other provision	724	751
Asset retirement obligations	9,524	9,448
Other	1,655	2,432
<b>Total noncurrent liabilities</b>	<b>102,455</b>	<b>90,542</b>
<b>Total liabilities</b>	<b>122,408</b>	<b>115,994</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	14,288	14,288
Retained earnings	279,582	284,773
Treasury stock	(10)	(10)
<b>Total shareholders' equity</b>	<b>293,861</b>	<b>299,051</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	95,518	69,569
Deferred gains or losses on hedges	17	(37)
Foreign currency translation adjustment	(3,968)	(3,668)
<b>Total accumulated other comprehensive income</b>	<b>91,566</b>	<b>65,862</b>
<b>Minority interests</b>	<b>8,261</b>	<b>11,173</b>
<b>Total net assets</b>	<b>393,689</b>	<b>376,087</b>
<b>Total liabilities and net assets</b>	<b>516,098</b>	<b>492,081</b>

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

	(Millions of yen)	
	Six months ended September 30, 2010 (April 1, 2010 – September 30, 2010)	Six months ended September 30, 2011 (April 1, 2011 – September 30, 2011)
Net sales	92,369	104,596
Cost of sales	68,228	79,257
Gross profit	24,140	25,338
Exploration expenses		
Exploration expenses	6,112	4,043
Exploration subsidies	(89)	–
Total exploration expenses	6,023	4,043
Selling, general and administrative expenses	14,272	15,075
Operating income	3,845	6,219
Non-operating income		
Interest income	258	864
Dividends income	1,509	1,337
Other	768	992
Total non-operating income	2,536	3,194
Non-operating expenses		
Loss on sales of securities	0	318
Loss on valuation of securities	577	304
Foreign exchange losses	602	440
Other	272	463
Total non-operating expenses	1,452	1,526
Ordinary income	4,929	7,887
Extraordinary income		
Reversal of allowance for doubtful accounts	10	–
Gain on sales of noncurrent assets	6	138
Total extraordinary income	16	138
Extraordinary loss		
Loss on retirement of noncurrent assets	91	169
Loss on adjustment for changes of accounting standard for asset retirement obligations	2,339	–
Other	0	11
Total extraordinary losses	2,431	181
Income before income taxes and minority interests	2,514	7,845
Income taxes	243	1,277
Income before minority interests	2,270	6,568
Minority interests in income	374	235
Net income	1,896	6,333

Consolidated quarterly statements of comprehensive income

(Millions of yen)

	Six months ended September 30, 2010 (April 1, 2010 – September 30, 2010)	Six months ended September 30, 2011 (April 1, 2011 – September 30, 2011)
Income before minority interests	2,270	6,568
Other comprehensive income		
Valuation difference on available-for-sale securities	(50,849)	(26,023)
Deferred gains or losses on hedges	(34)	(20)
Foreign currency translation adjustment	(807)	424
Share of other comprehensive income of associates accounted for using equity method	(220)	(100)
Total other comprehensive income	(51,911)	(25,720)
Comprehensive income	(49,640)	(19,152)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(49,868)	(19,370)
Comprehensive income attributable to minority interests	227	218



(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

#### 4. Supplemental information

##### Status of production and sales

###### a. Production

		Six months ended September 30, 2010 (April 1, 2010 – September 30, 2010)	Six months ended September 30, 2011 (April 1, 2011 – September 30, 2011)	(Reference) Fiscal year ended March 31, 2011 (April 1, 2010 – March 31, 2011)
E&P	Crude oil (kl)	257,055 (3,215)	253,572 (1,624)	563,374 (5,352)
	Natural gas (thousand m <sup>3</sup> )	568,580 (6,884)	597,324 (3,721)	1,268,801 (10,896)
	LNG (t)	26,569	19,950	44,565
	Bitumen (kl)	198,302 (198,302)	176,443 (176,443)	409,116 (409,116)

- 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, 2010 (April 1, 2010 – September 30, 2010)		Six months ended September 30, 2011 (April 1, 2011 – September 30, 2011)		(Reference) Fiscal year ended March 31, 2011 (April 1, 2010 – March 31, 2011)	
		Volume	Amount (Millions of yen)	Volume	Amount (Millions of yen)	Volume	Amount (Millions of yen)
E&P	Crude oil (kl)	748,695	32,730	720,627	42,441	1,489,705	67,488
	Natural gas (thousand m <sup>3</sup> )	696,673	27,039	742,266	31,170	1,553,770	61,090
	LNG (t)	91,368	6,079	90,982	6,293	209,549	14,100
	Bitumen (kl)	197,407	5,512	175,429	4,207	409,359	10,141
Subtotal			71,361		84,113		152,819
Contract services			2,631		2,258		7,031
Other businesses	Oil products /merchandise		14,626		16,610		32,523
	Others		3,750		1,614		7,278
Subtotal			18,376		18,224		39,801
Total			92,369		104,596		199,651

- Notes: 1. “Oil products/merchandise” 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.  
2. Monetary amounts in the table do not include consumption taxes.