

Consolidated Financial Results for the Nine Months Ended December 31, 2011 <under Japanese GAAP>

February 10, 2012

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: Hajime Kondo, General Manager, Media and Investor Relations Department
 TEL: +81-3-6268-7110 (from overseas)

Scheduled date to file Quarterly Report: February 13, 2012

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, 2011

(April 1, 2011 – December 31, 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	%
Nine months ended								
December 31, 2011	165,685	14.7	5,740	(6.6)	8,265	(8.8)	6,264	12.8
December 31, 2010	144,508	21.6	6,144	(4.5)	9,059	(9.2)	5,552	(32.7)

Note: Comprehensive income: Nine months ended December 31, 2011: -15,604 million yen (– %)
 Nine months ended December 31, 2010: -32,690 million yen (– %)

	Net income per share		Diluted net income per share	
	Yen		Yen	
Nine months ended				
December 31, 2011	109.61		–	
December 31, 2010	97.15		–	

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of December 31, 2011	504,194		378,492		72.9	
As of March 31, 2011	516,098		393,689		74.7	

Reference: Equity As of December 31, 2011: 367,401 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	226,227	13.3	12,214	(11.8)	17,932	4.7	13,805	37.9	241.55

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

4. Others

(1) Changes in significant subsidiaries during the nine 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 December 31, 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 December 31, 2011 2,139 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)

Nine months ended December 31, 2011 57,152,663 shares

Nine months ended December 31, 2010 57,152,757 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 nine months ended December 31, 2011” on page 4 of the attached material to the quarterly financial results report.

(Method of accessing supplementary material on quarterly financial results)

On February 10, 2012 (Friday), JAPEX plans to post supplementary material on its website.

(Attached Material)

1. Qualitative information regarding settlement of accounts for the nine months ended December 31, 2011

(1) Qualitative information regarding consolidated operating results

During the nine months ended December 31, 2011, net sales was at ¥165,685 million, an increase of ¥21,177 million (+14.7%) year on year, and gross profit decreased by ¥1,261 million (-3.5%) year on year to ¥35,098 million. The main factors behind the year-on-year increase in net sales were the crude oil price remaining high and an increase in sales volume of natural gas among others. The main factors in the year-on-year decrease in gross profit included a rise in the purchase price of liquefied natural gas (LNG) caused by the soaring crude oil price, and an increase in expenses involved in handling peak winter demand for natural gas in Hokkaido.

Exploration expenses decreased by ¥2,123 million (-26.4%) year on year to ¥5,924 million, mainly due to a decline in expenditures in Japan, and selling, general and administrative expenses increased by ¥1,266 million (+5.7%) year on year. As a result, operating income decreased by ¥404 million (-6.6%) to ¥5,740 million. This reflected the decrease in gross profit and increase in selling, general and administrative expenses, despite a decrease in exploration expenses.

Ordinary income amounted to ¥8,265 million, decreasing ¥794 million (-8.8%) year on year, due to increases in equity in losses of affiliates, loss on valuation of securities, as well as loss on sales of securities recorded in the other item of non-operating expenses, outweighing positive factors such as an increase in interest income and a decrease in foreign exchange losses.

Income before income taxes and minority interests was ¥8,199 million, a ¥1,676 million increase (+25.7%) 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 ¥712 million (+12.8%) year on year to ¥6,264 million.

Below is a breakdown of sales.

(i) E&P

Net sales from E&P (including liquefied natural gas (LNG) and bitumen) came to ¥133,424 million, an increase of ¥21,938 million (+19.7%) 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 geological surveys) came to ¥3,481 million, a decrease of ¥1,210 million (-25.8%) 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 ¥28,779 million, an increase of ¥448 million (+1.6%) year on 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, although current assets increased, total assets decreased by ¥11,903 million to ¥504,194 million due to a decrease in noncurrent assets. The rise in current assets mainly reflected an increase in short-term investment securities due to purchases including commercial papers for short-term investment purposes, 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 increased ¥3,294 million from the previous fiscal year-end to ¥125,702 million, mainly due to increases in notes and accounts payable-trade and long-term loans payable, despite a decrease in deferred tax liabilities resulting from the abovementioned decline in investment securities. Total net assets decreased ¥15,197 million to ¥378,492 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 higher compared to the previous consolidated financial forecasts announced on November 4, 2011. This is mainly based on consideration of actual results and our revised Japan Crude Cocktail (JCC) price assumption of \$110.12 per barrel from \$100 per barrel; \$110.25 per barrel for the third quarter, \$110 per barrel for the fourth quarter, 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, February 10, 2012.

2. Matters regarding summary information (others)

(1) Changes in significant subsidiaries during the nine 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 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 nine 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 December 31, 2011
Assets		
Current assets		
Cash and deposits	32,042	26,678
Notes and accounts receivable-trade	21,235	29,230
Short-term investment securities	28,186	49,776
Merchandise and finished goods	4,535	4,771
Work in process	102	308
Raw materials and supplies	5,579	7,387
Other	30,923	35,248
Allowance for doubtful accounts	(1)	(1)
Total current assets	122,604	153,400
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	46,530	44,064
Machinery, equipment and vehicles, net	54,388	57,661
Other, net	39,723	34,824
Total property, plant and equipment	140,642	136,551
Intangible assets		
Other	7,296	7,096
Total intangible assets	7,296	7,096
Investments and other assets		
Investment securities	221,971	175,220
Other	28,916	37,164
Allowance for doubtful accounts	(42)	(45)
Allowance for overseas investment loss	(5,291)	(5,194)
Total investments and other assets	245,554	207,146
Total noncurrent assets	393,493	350,793
Total assets	516,098	504,194

(Millions of yen)

	As of March 31, 2011	As of December 31, 2011
Liabilities		
Current liabilities		
Notes and accounts payable-trade	5,057	17,226
Provision	1,547	1,061
Other	13,348	18,696
Total current liabilities	19,953	36,983
Noncurrent liabilities		
Long-term loans payable	26,898	28,870
Deferred tax liabilities	56,531	36,077
Provision for retirement benefits	7,121	7,133
Other provision	724	797
Asset retirement obligations	9,524	9,291
Other	1,655	6,547
Total noncurrent liabilities	102,455	88,718
Total liabilities	122,408	125,702
Net assets		
Shareholders' equity		
Capital stock	14,288	14,288
Retained earnings	279,582	283,561
Treasury stock	(10)	(10)
Total shareholders' equity	293,861	297,839
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	95,518	75,512
Deferred gains or losses on hedges	17	(26)
Foreign currency translation adjustment	(3,968)	(5,924)
Total accumulated other comprehensive income	91,566	69,561
Minority interests	8,261	11,091
Total net assets	393,689	378,492
Total liabilities and net assets	516,098	504,194

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

	(Millions of yen)	
	Nine months ended December 31, 2010 (April 1, 2010 – December 31, 2010)	Nine months ended December 31, 2011 (April 1, 2011 – December 31, 2011)
Net sales	144,508	165,685
Cost of sales	108,149	130,587
Gross profit	36,359	35,098
Exploration expenses		
Exploration expenses	8,253	5,924
Exploration subsidies	(205)	–
Total exploration expenses	8,048	5,924
Selling, general and administrative expenses	22,166	23,433
Operating income	6,144	5,740
Non-operating income		
Interest income	391	1,319
Dividends income	2,583	2,370
Other	1,257	1,154
Total non-operating income	4,232	4,845
Non-operating expenses		
Loss on valuation of securities	51	385
Equity in losses of affiliates	173	648
Foreign exchange losses	722	412
Other	369	873
Total non-operating expenses	1,317	2,320
Ordinary income	9,059	8,265
Extraordinary income		
Reversal of allowance for doubtful accounts	10	–
Gain on sales of noncurrent assets	6	140
Total extraordinary income	16	140
Extraordinary loss		
Loss on retirement of noncurrent assets	209	194
Loss on adjustment for changes of accounting standard for asset retirement obligations	2,339	–
Other	4	11
Total extraordinary losses	2,553	206
Income before income taxes and minority interests	6,522	8,199
Income taxes	417	1,492
Income before minority interests	6,104	6,707
Minority interests in income	552	442
Net income	5,552	6,264

Consolidated quarterly statements of comprehensive income

(Millions of yen)

	Nine months ended December 31, 2010 (April 1, 2010 – December 31, 2010)	Nine months ended December 31, 2011 (April 1, 2011 – December 31, 2011)
Income before minority interests	6,104	6,707
Other comprehensive income		
Valuation difference on available-for-sale securities	(36,873)	(20,079)
Deferred gains or losses on hedges	(49)	(17)
Foreign currency translation adjustment	(1,419)	(1,993)
Share of other comprehensive income of associates accounted for using equity method	(453)	(221)
Total other comprehensive income	(38,795)	(22,311)
Comprehensive income	(32,690)	(15,604)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(32,999)	(15,740)
Comprehensive income attributable to minority interests	308	136

(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

		Nine months ended December 31, 2010 (April 1, 2010 – December 31, 2010)	Nine months ended December 31, 2011 (April 1, 2011 – December 31, 2011)	(Reference) Fiscal year ended March 31, 2011 (April 1, 2010 – March 31, 2011)
E&P	Crude oil (kl)	402,288 (4,462)	396,036 (2,030)	563,374 (5,352)
	Natural gas (thousand m ³)	896,710 (9,061)	930,565 (4,151)	1,268,801 (10,896)
	LNG (t)	36,269	22,943	44,565
	Bitumen (kl)	302,537 (302,537)	280,781 (280,781)	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

		Nine months ended December 31, 2010 (April 1, 2010 – December 31, 2010)		Nine months ended December 31, 2011 (April 1, 2011 – December 31, 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)	1,189,303	52,047	1,121,449	64,415	1,489,705	67,488
	Natural gas (thousand m ³)	1,092,180	42,144	1,214,494	52,082	1,553,770	61,090
	LNG (t)	143,471	9,577	148,311	10,652	209,549	14,100
	Bitumen (kl)	302,574	7,716	281,029	6,274	409,359	10,141
Subtotal			111,486		133,424		152,819
Contract services			4,691		3,481		7,031
Other businesses	Oil products /merchandise		22,886		25,995		32,523
	Others		5,444		2,784		7,278
Subtotal			28,330		28,779		39,801
Total			144,508		165,685		199,651

- 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 on consignment as well as other subcontracted tasks.
2. Monetary amounts in the table do not include consumption taxes.