

Consolidated Financial Results for the Three Months Ended June 30, 2009

August 7, 2009

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 13, 2009
 Scheduled date to commence dividend payments: –

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

1. Consolidated financial results for the three months ended June 30, 2009 (April 1, 2009 – June 30, 2009)

(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, 2009	37,790	(36.1)	2,497	(45.8)	4,679	(15.2)	4,106	(1.8)
June 30, 2008	59,123	–	4,607	–	5,520	–	4,181	–

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended June 30, 2009	71.85	–
June 30, 2008	73.17	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of June 30, 2009	527,604	398,082	74.1	6,844.69
As of March 31, 2009	500,444	378,227	74.1	6,486.85

Reference: Equity As of June 30, 2009: 391,194 million yen As of March 31, 2009: 370,743 million yen

2. Cash dividends

Record date	Cash dividends per share				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2009	–	20.00	–	20.00	40.00
Fiscal year ending March 31, 2010	–				
Fiscal year ending March 31, 2010 (Forecast)		20.00	–	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, 2010 (April 1, 2009 – March 31, 2010)
(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
Six months ending September 30, 2009	69,913	(37.0)	1,334	(89.4)	3,043	(77.2)	2,105	(77.5)	36.83
Fiscal year ending March 31, 2010	153,422	(24.1)	6,454	(67.9)	10,748	(51.9)	7,744	(38.3)	135.50

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

4. Others

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Application of simplified accounting and special accounting for preparing the quarterly consolidated financial statements: Yes

Note: For more details, please refer to the section of “4. Others” of “[Qualitative Information and Financial Statements]” on page 4.

- (3) Changes in accounting policies, procedures, and methods of presentation for preparing the quarterly consolidated financial statements (changes described in the section of “Changes in significant matters forming the basis of preparing the quarterly consolidated financial statements”)
- a. Changes due to revisions to accounting standards and other regulations: Yes
- b. Changes due to other reasons: None

Note: For more details, please refer to the section of “4. Others” of “[Qualitative Information and Financial Statements]” on page 4.

- (4) Number of issued shares (common stock)
- a. Total number of issued shares at the end of the period (including treasury stock)
- As of June 30, 2009 57,154,776 shares
- As of March 31, 2009 57,154,776 shares
- b. Number of treasury shares at the end of the period
- As of June 30, 2009 1,825 shares
- As of March 31, 2009 1,783 shares
- c. Average number of shares during the period (cumulative from the beginning of the fiscal year)
- Three months ended June 30, 2009 57,152,961 shares
- Three months ended June 30, 2008 57,153,339 shares

* Proper use of financial forecasts, and other special matters

Concerning the financial forecasts for the fiscal year ending March 31, 2010, refer to “Notice of Financial Forecast Revision” released today.

The forecast statements shown in this document are based on information that was available at the time of preparation. Actual performance may differ materially from these forecasts due to various factors.

[Qualitative Information and Financial Statements]

1. Qualitative information regarding consolidated operating results

During the three months ended June 30, 2009, net sales was at ¥37,790 million, a decrease of ¥21,333 million (-36.1%) year on year, as gross profit decreased by ¥5,979 million (-32.1%) year on year to ¥12,675 million. This decrease in net sales and gross profit compared to the same period of the previous fiscal year is mainly due to the appreciation of the yen and a drop in crude oil prices.

Exploration expenses decreased by ¥3,296 million (-53.5%) year on year to ¥2,866 million, due to a decline in domestic expenses, and selling, general and administrative expenses also decreased by ¥573 million (-7.3%) year on year to ¥7,310 million, which is a result of a fall in special petroleum gain levy in China. As a result of the above, operating income fell ¥2,109 million (-45.8%) year on year to ¥2,497 million.

Ordinary income was ¥4,679 million, a decrease of ¥840 million (-15.2%) year on year due to a turnaround of foreign exchange losses in the previous fiscal year to gains.

Please note that, because of the increase in the importance of Diamond Gas Netherlands B.V., an affiliate of JAPEX, it is included in the scope of equity-method applicable companies from the three months ended June 30, 2009.

Income before income taxes and minority interests was ¥4,586 million, a decrease of ¥917 million (-16.7%) year on year, and net income was ¥4,106 million, a decrease of ¥75 million (-1.8%) year on year as a result of lower income taxes.

Below is a summary of earnings by business division.

(i) E&P Division

The E&P Division sells crude oil, natural gas, liquefied natural gas (LNG) and bitumen. During the three months ended June 30, 2009, this Division posted net sales of ¥34,681 million, down ¥20,276 million (-36.9%) year on year, due to drops in crude oil and bitumen prices.

(ii) Contract Services Division

The Contract Services Division is primarily involved in drilling and geophysical surveys. During the three months ended June 30, 2009, it recorded net sales of ¥419 million, down ¥84 million (-16.8%) year on year.

(iii) Other Businesses Division

The Other Businesses Division is primarily involved in 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. During the three months ended June 30, 2009, this Division posted net sales of ¥2,689 million, down ¥972 million (-26.6%) year on year.

2. Qualitative information regarding consolidated financial position

Total assets as of June 30, 2009, stood at ¥527,604 million, an increase of ¥27,160 million, from the previous fiscal year end. This is mainly due to an increase in investment securities due to the rise in the stock price of INPEX CORPORATION.

Regarding liabilities and net assets, total liabilities was up ¥7,305 million to ¥129,522 million year on year, with total net assets also up ¥19,854 million to ¥398,082 million, mainly due to the increase in deferred tax liabilities and a greater valuation difference on available-for-sale securities brought upon by the aforementioned increase in investment securities.

3. Qualitative information regarding consolidated financial forecasts

The full-year forecast released on May 14, 2009, has been revised. Please refer to the "Notice of Financial Forecast Revision" released on the same day of this report, August 7, 2009.

4. Others

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation)
No items to report
- (2) Application of simplified accounting and special accounting for preparing the 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, the Company 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 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) Changes in accounting policies, procedures, and methods of presentation for preparing the quarterly consolidated financial statements
 - Changes in accounting standards
Before the change, revenue from construction contracts was recognized on the percent of completion method for long-term, large-scale projects (lasting one year or more and revenue of ¥3.0 billion or more). Other projects were treated on the completed contract method. However, from the first quarter ended June 30, 2009, the “Accounting Standard for Construction Contracts” (ASBJ Statement No. 15, December 27, 2007) and the “Guidance on Accounting Standard for Construction Contracts” (ASBJ Guidance No. 18, December 27, 2007), are adopted and, concerning the completed portion by the end of the first quarter of construction contracts started during same, construction projects for which a certainty of completion is recognized are recorded on the percent of completion method (rate of progress estimated by the cost-ratio method), and all other projects on the completed contract method.

The effect on net sales, operating income, ordinary income and income before income taxes and minority interests as a result of the above is immaterial.

5. Consolidated financial statements

(1) Consolidated balance sheets

	(Millions of yen)	
	As of June 30, 2009	As of March 31, 2009 (Summary)
Assets		
Current assets		
Cash and deposits	24,191	27,702
Notes and accounts receivable-trade	15,053	17,050
Short-term investment securities	12,858	11,510
Merchandise and finished goods	4,432	4,255
Work in process	561	553
Raw materials and supplies	7,627	6,200
Other	32,235	29,859
Allowance for doubtful accounts	(12)	(12)
Total current assets	96,947	97,120
Noncurrent assets		
Property, plant and equipment	142,545	142,767
Intangible assets		
Goodwill	806	1,063
Other	3,295	3,328
Total intangible assets	4,101	4,392
Investments and other assets		
Investment securities	269,604	241,945
Other	20,593	20,091
Allowance for doubtful accounts	(70)	(68)
Allowance for overseas investment loss	(6,118)	(5,803)
Total investments and other assets	284,009	256,164
Total noncurrent assets	430,656	403,324
Total assets	527,604	500,444

(Millions of yen)

	As of June 30, 2009	As of March 31, 2009 (Summary)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	9,266	6,508
Income taxes payable	285	392
Provision	211	282
Other	13,739	16,909
Total current liabilities	23,503	24,093
Noncurrent liabilities		
Long-term loans payable	24,408	25,325
Deferred tax liabilities	68,512	60,108
Provision for retirement benefits	5,960	5,732
Provision for cost of abandonment	5,910	5,725
Other provision	661	694
Other	565	535
Total noncurrent liabilities	106,018	98,123
Total liabilities	129,522	122,216
Net assets		
Shareholders' equity		
Capital stock	14,288	14,288
Retained earnings	259,168	255,499
Treasury stock	(9)	(9)
Total shareholders' equity	273,447	269,778
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	121,174	105,430
Deferred gains or losses on hedges	(2)	(0)
Foreign currency translation adjustment	(3,426)	(4,465)
Total valuation and translation adjustments	117,746	100,964
Minority interests	6,887	7,484
Total net assets	398,082	378,227
Total liabilities and net assets	527,604	500,444

(2) Consolidated statements of income

(Millions of yen)

	Three months ended June 30, 2008 (April 1, 2008 – June 30, 2008)	Three months ended June 30, 2009 (April 1, 2009 – June 30, 2009)
Net sales	59,123	37,790
Cost of sales	40,469	25,115
Gross profit	18,654	12,675
Exploration expenses		
Exploration expenses	7,083	2,892
Exploration subsidies	(920)	(25)
Total exploration expenses	6,162	2,866
Selling, general and administrative expenses	7,883	7,310
Operating income	4,607	2,497
Non-operating income		
Dividends income	1,433	1,527
Equity in earnings of affiliates	637	612
Other	654	708
Total non-operating income	2,725	2,848
Non-operating expenses		
Provision for overseas investment loss	–	315
Provision for cost of abandonment	–	193
Foreign exchange losses	1,021	–
Other	791	157
Total non-operating expenses	1,812	666
Ordinary income	5,520	4,679
Extraordinary income		
Reversal of allowance for doubtful accounts	5	2
Gain on prior period adjustment	–	147
Other	–	0
Total extraordinary income	5	150
Extraordinary loss		
Loss on retirement of noncurrent assets	20	11
Retirement benefit expenses for prior periods	–	231
Total extraordinary losses	20	243
Income before income taxes and minority interests	5,504	4,586
Income taxes	1,275	355
Minority interests in income	47	124
Net income	4,181	4,106

(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

6. Other information

(1) Changes in presentation method

(Quarterly consolidated balance sheets)

The "provision for retirement benefits" and "provision for cost of abandonment," which were included in "provision" of noncurrent liabilities as of June 30, 2008, are presented separately from the first quarter ended June 30, 2009, because they exceeded 1% of the total of liabilities and net assets. The "provision for retirement benefits" and "provision for cost of abandonment" included in "provision" of noncurrent liabilities as of June 30, 2008, amounted to ¥5,427 million and ¥4,139 million, respectively.

(Quarterly consolidated statements of income)

The "provision for overseas investment loss" and "provision for cost of abandonment," which were included in "other" of non-operating expenses for the three months ended June 30, 2008, are presented separately from the three months ended June 30, 2009, because they exceeded 20% of total non-operating expenses. The "provision for overseas investment loss" and "provision for cost of abandonment" included in "other" of non-operating expenses for the three months ended June 30, 2008, amounted to ¥320 million and ¥138 million, respectively.

(2) Status of production and sales

a. Production

Oil and natural gas segment

Division	Product	Three months ended		(Reference) Fiscal year ended March 31, 2009 (April 1, 2008 – March 31, 2009)
		June 30, 2008 (April 1, 2008 – June 30, 2008)	June 30, 2009 (April 1, 2009 – June 30, 2009)	
E&P	Crude oil (kl)	182,381 (41,565)	147,493 (18,027)	748,022 (136,632)
	Natural gas (thousand m ³)	285,962 (13,350)	273,565 (13,254)	1,286,621 (57,843)
	LNG (t)	7,873	11,236	46,796
	Bitumen (kl)	106,430 (106,430)	98,597 (98,597)	416,369 (416,369)

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

Oil and natural gas segment

Division	Product	Three months ended		Three months ended		(Reference)	
		June 30, 2008 (April 1, 2008 – June 30, 2008)		June 30, 2009 (April 1, 2009 – June 30, 2009)		Fiscal year ended March 31, 2009 (April 1, 2008 – March 31, 2009)	
		Volume	Amount (Millions of yen)	Volume	Amount (Millions of yen)	Volume	Amount (Millions of yen)
E&P	Crude oil (kl)	499,414	36,857	458,977	16,348	1,919,959	102,845
	Natural gas (thousand m ³)	325,699	11,505	319,813	13,779	1,485,961	54,126
	LNG (t)	40,787	2,771	38,816	3,035	177,401	13,412
	Bitumen (kl)	106,748	3,822	98,074	1,517	417,423	13,087
	Subtotal		54,957		34,681		183,471
	Contract services		504		419		4,739
	Other businesses		3,661		2,689		13,916
	Total		59,123		37,790		202,127

Notes: 1. Other Businesses Division is primarily involved in 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.

2. Monetary amounts in the table do not include consumption tax.