

Consolidated Financial Results for the Six Months Ended September 30, 2009

November 6, 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: November 12, 2009
 Scheduled date to commence dividend payments: November 27, 2009

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

1. Consolidated financial results for the six months ended September 30, 2009 (April 1, 2009 – September 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	%
Six months ended								
September 30, 2009	70,567	(36.4)	2,864	(77.2)	5,184	(61.1)	3,498	(62.7)
September 30, 2008	110,912	–	12,546	–	13,321	–	9,371	–

	Net income per share	Diluted net income per share
Six months ended	Yen	Yen
September 30, 2009	61.22	–
September 30, 2008	163.96	–

(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, 2009	521,534	397,297	74.8	6,826.65
As of March 31, 2009	500,444	378,227	74.1	6,486.85

Reference: Equity As of September 30, 2009: 390,162 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	–	20.00			
Fiscal year ending March 31, 2010 (Forecast)			–	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
Fiscal year ending March 31, 2010	173,148	(14.3)	7,994	(60.2)	12,534	(43.9)	9,135	(27.3)	159.83

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 September 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 September 30, 2009 1,850 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)

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

Six months ended September 30, 2008 57,153,292 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 six months ended September 30, 2009 (from April 1, 2009 to September 30, 2009), net sales was ¥70,567 million, a decrease of ¥40,345 million (-36.4%) year on year, as gross profit decreased by ¥15,598 million (-40.3%) year on year to ¥23,106 million. The main factors behind the year-on-year falls in both net sales and gross profit include not only the high yen and a drop in crude oil prices, but also decreased income as a result of the expiry of the commercial production period of a consolidated subsidiary Japex New Nanhai Ltd., which had been produced crude oil in China.

Exploration expenses decreased both domestic and overseas by ¥4,719 million (-46.7%) year on year, despite exploratory drilling activities in Libya, to ¥5,386 million. Selling, general and administrative expenses declined by ¥1,196 million (-7.5%) year on year to ¥14,855 million as a result of a fall in special petroleum gain levy in China following the expiry of the commercial production period of Japex New Nanhai Ltd. As a result of the above, operating income dropped by ¥9,681 million (-77.2%) year on year to ¥2,864 million.

Ordinary income was ¥5,184 million, a decrease of ¥8,136 million (-61.1%) year on year due to an increase in other of non-operating income, a decrease in loss on valuation of securities and other factors. The main reason for the above increase in other of non-operating income was the receipt of compensation related to indemnity rights and delinquency rights from JJI S&N B.V., an equity-method affiliate. This delinquency charge was received because JAPEX acted as debt guarantor for the aforementioned company in fiscal 2006.

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 month ended June 30, 2009.

Income before income taxes and minority interests was ¥4,980 million, a decrease of ¥8,274 million (-62.4%) year on year, and net income was ¥3,498 million, a decrease of ¥5,872 million (-62.7%) 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 six months ended September 30, 2009, this Division posted net sales of ¥63,244 million, down ¥38,944 million (-38.1%) year on year, due to drops in crude oil and bitumen prices and the expiry of the commercial production period of Japex New Nanhai Ltd.

(ii) Contract Services Division

The Contract Services Division is primarily involved in drilling and geophysical surveys. During the six months ended September 30, 2009, it recorded net sales of ¥1,382 million, up ¥26 million (+1.9%) 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 six months ended September 30, 2009, this Division posted net sales of ¥5,939 million, down ¥1,426 million (-19.4%) year on year.

2. Qualitative information regarding consolidated financial position

Total assets as of September 30, 2009, stood at ¥521,534 million, an increase of ¥21,089 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 and other companies.

Regarding liabilities and net assets, total liabilities was up ¥2,020 million from the previous fiscal year end to ¥124,236 million, with total net assets also up ¥19,069 million to ¥397,297 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 August 7, 2009, has been revised. Please refer to the “Notice of Financial Forecast Revision” released on the same day of this report, November 6, 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 second 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 second quarter (September 30, 2009) of construction contracts started during the first quarter, construction projects for which the portion of progress is recognized with a certainty 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 September 30, 2009	As of March 31, 2009 (Summary)
Assets		
Current assets		
Cash and deposits	21,984	27,702
Notes and accounts receivable-trade	11,020	17,050
Short-term investment securities	12,724	11,510
Merchandise and finished goods	4,693	4,255
Work in process	713	553
Raw materials and supplies	6,321	6,200
Other	33,237	29,859
Allowance for doubtful accounts	(13)	(12)
Total current assets	90,681	97,120
Noncurrent assets		
Property, plant and equipment	144,474	142,767
Intangible assets		
Other	4,107	4,392
Total intangible assets	4,107	4,392
Investments and other assets		
Investment securities	268,204	241,945
Other	20,248	20,091
Allowance for doubtful accounts	(58)	(68)
Allowance for overseas investment loss	(6,122)	(5,803)
Total investments and other assets	282,271	256,164
Total noncurrent assets	430,853	403,324
Total assets	521,534	500,444

(Millions of yen)

	As of September 30, 2009	As of March 31, 2009 (Summary)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	2,452	6,508
Provision	284	282
Other	16,237	17,302
Total current liabilities	18,974	24,093
Noncurrent liabilities		
Long-term loans payable	23,941	25,325
Deferred tax liabilities	67,830	60,108
Provision for retirement benefits	6,113	5,732
Provision for cost of abandonment	6,049	5,725
Other provision	718	694
Other	608	535
Total noncurrent liabilities	105,262	98,123
Total liabilities	124,236	122,216
Net assets		
Shareholders' equity		
Capital stock	14,288	14,288
Retained earnings	258,561	255,499
Treasury stock	(9)	(9)
Total shareholders' equity	272,840	269,778
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	120,187	105,430
Deferred gains or losses on hedges	(59)	(0)
Foreign currency translation adjustment	(2,805)	(4,465)
Total valuation and translation adjustments	117,322	100,964
Minority interests	7,134	7,484
Total net assets	397,297	378,227
Total liabilities and net assets	521,534	500,444

(2) Consolidated statements of income

	(Millions of yen)	
	Six months ended September 30, 2008 (April 1, 2008 – September 30, 2008)	Six months ended September 30, 2009 (April 1, 2009 – September 30, 2009)
Net sales	110,912	70,567
Cost of sales	72,208	47,461
Gross profit	38,704	23,106
Exploration expenses		
Exploration expenses	11,026	5,655
Exploration subsidies	(920)	(268)
Total exploration expenses	10,106	5,386
Selling, general and administrative expenses	16,051	14,855
Operating income	12,546	2,864
Non-operating income		
Interest income	723	390
Dividends income	1,447	1,528
Other	1,224	1,914
Total non-operating income	3,396	3,833
Non-operating expenses		
Loss on valuation of securities	975	79
Provision for overseas investment loss	–	320
Provision for cost of abandonment	–	341
Foreign exchange losses	639	501
Other	1,005	270
Total non-operating expenses	2,621	1,513
Ordinary income	13,321	5,184
Extraordinary income		
Reversal of allowance for doubtful accounts	5	2
Gain on prior period adjustment	–	147
Other	–	0
Total extraordinary income	5	149
Extraordinary loss		
Loss on retirement of noncurrent assets	70	122
Retirement benefit expenses for prior periods	–	231
Total extraordinary losses	70	353
Income before income taxes and minority interests	13,255	4,980
Income taxes	3,351	1,231
Minority interests in income	532	250
Net income	9,371	3,498

(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 September 30, 2008, are presented separately in the second quarter ended September 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 September 30, 2008, amounted to ¥5,578 million and ¥4,337 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 six months ended September 30, 2008, are presented separately in the six months ended September 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 six months ended September 30, 2008, amounted to ¥72 million and ¥292 million, respectively.

(2) Status of production and sales

a. Production

Oil and natural gas segment

Division	Product	Six months ended September 30, 2008 (April 1, 2008 – September 30, 2008)		Six months ended September 30, 2009 (April 1, 2009 – September 30, 2009)		(Reference) Fiscal year ended March 31, 2009 (April 1, 2008 – March 31, 2009)	
		E&P	Crude oil (kl)	352,974 (76,354)		282,082 (19,067)	
Natural gas (thousand m ³)	569,652 (29,209)			546,644 (26,847)		1,286,621 (57,843)	
LNG (t)	15,921			22,360		46,796	
Bitumen (kl)	204,322 (204,322)			188,781 (188,781)		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.
4. The reason for the year-on-year decline in the production volume of overseas crude oil was the expiry in February 2009 of the commercial production period of consolidated subsidiary Japex New Nanhai Ltd.

b. Sales

Oil and natural gas segment

Division	Product	Six months ended September 30, 2008 (April 1, 2008 – September 30, 2008)		Six months ended September 30, 2009 (April 1, 2009 – September 30, 2009)		(Reference) 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)	822,535	64,167	778,978	28,868
Natural gas (thousand m ³)	647,121		22,906	643,558	24,924	1,485,961	54,126
LNG (t)	79,895		5,615	73,202	5,311	177,401	13,412
Bitumen (kl)	205,685		9,500	188,331	4,140	417,423	13,087
	Subtotal		102,189		63,244		183,471
	Contract services		1,356		1,382		4,739
	Other businesses		7,366		5,939		13,916
	Total		110,912		70,567		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.