Consolidated Financial Results for the Nine Months Ended December 31, 2009

February 9, 2010

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: Shigeyoshi Hasegawa, Manager, Media Relations, Media & Investor Relations Department
TEL: (03) 6268-7110
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(Millions of yen with fractional amounts discarded, unless otherwise noted)

1. Consolidated financial results for the nine months ended December 31, 2009
(April 1, 2009 – December 31, 2009)

(1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
Nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2009	118,844	(27.9)	6,435	(67.3)	9,974	(49.9)	8,245	(20.9)
December 31, 2008	164,912	–	19,704	–	19,898	–	10,420	–

	Net income per share	Diluted net income per share
Nine months ended	Yen	Yen
December 31, 2009	144.26	–
December 31, 2008	182.33	–

(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, 2009	512,976	389,985	74.6	6,691.67
As of March 31, 2009	500,444	378,227	74.1	6,486.85

Reference: Equity As of December 31, 2009: 382,447 million yen As of March 31, 2009: 370,743 million yen

2. Cash dividends

	Cash dividends per share				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Total
	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	177,851	(12.0)	11,192	(44.3)	19,728	(11.8)	15,566	23.9	272.36

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 pages 4-5.

(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: Yes

Note: For more details, please refer to the section of “4. Others” of “[Qualitative Information and Financial Statements]” on pages 4-5.

(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, 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 December 31, 2009	1,961 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)

Nine months ended December 31, 2009	57,152,932 shares
Nine months ended December 31, 2008	57,153,249 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 nine months ended December 31, 2009 (from April 1, 2009 to December 31, 2009), net sales was ¥118,844 million, a decrease of ¥46,067 million (-27.9%) year on year, as gross profit decreased by ¥20,161 million (-35.3%) year on year to ¥37,023 million. The main factors behind the year-on-year falls in both net sales and gross profit include not only drops in crude oil and bitumen prices, but also 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 decreased both domestic and overseas by ¥5,177 million (-39.2%) year on year, despite exploratory drilling activities in Libya, to ¥8,021 million. Selling, general and administrative expenses declined by ¥1,714 million (-7.1%) year on year to ¥22,566 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 ¥13,268 million (-67.3%) year on year to ¥6,435 million.

Ordinary income was ¥9,974 million, a decrease of ¥9,924 million (-49.9%) year on year due to an increase in other of non-operating income and decreases in loss on valuation of securities and foreign exchange losses. The rise in other of non-operating income mainly resulted from a turnaround from equity in losses of affiliates to equity in earnings of affiliates.

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 ¥10,878 million, a decrease of ¥4,603 million (-29.7%) year on year due in part to decreases in a loss on retirement of noncurrent assets and an impairment loss for the Numanohata SK-8D well compared with the corresponding amounts posted in the same period of the previous fiscal year, as well as a gain on change in equity added to extraordinary income, and net income was ¥8,245 million, a decrease of ¥2,175 million (-20.9%) year on year as a result of lower income taxes.

The gain on change in equity occurred as a result of the issuance of new shares after the listing of Japan Drilling Co., Ltd., an equity-method applicable affiliate of JAPEX.

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 nine months ended December 31, 2009, this Division posted net sales of ¥102,056 million, down ¥50,119 million (-32.9%) 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 nine months ended December 31, 2009, it recorded net sales of ¥3,084 million, up ¥1,081 million (+54.0%) year on year due in part to the adoption of the percent of completion method.

(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 nine months ended December 31, 2009, this Division posted net sales of ¥13,703 million, up ¥2,969 million (+27.7%) year on year, partly because Japex Energy Co., Ltd., which is mostly involved in the sale of oil products, became a consolidated subsidiary of the Company.

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 increased by ¥12,532 million to ¥512,976 million as a result of a rise in noncurrent assets that offset a fall in current assets. The increase in noncurrent assets is attributable partly to an increase in property, plant and equipment resulting from drilling two wells at the Yufutsu oil and gas field in Hokkaido and 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 ¥774 million from the previous fiscal year end to ¥122,990 million, with total net assets also up ¥11,757 million to ¥389,985 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 and an increase in retained earnings, offsetting a decrease in long-term loans payable.

3. Qualitative information regarding consolidated financial forecasts

The full-year forecasts released on November 6, 2009, has been revised. Please refer to the "Notice of Financial Forecast Revision" released on the same day of this report, February 9, 2010.

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

(Reference)
Although inapplicable to specified subsidiaries, from the third quarter under review, Japex Energy Co., Ltd. was included in the scope of consolidation due to our acquisition of its shares.

(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 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 third 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

a. Change in accounting standard for construction revenue and cost
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 third quarter (December 31, 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.

b. Change in depreciation method for significant depreciable assets (property, plant and equipment)
Regarding the assets held for management purposes of the Sapporo Division Office of JAPEX, although the declining-balance method was previously applied, the move of the Sapporo Division Office from Sapporo City, Hokkaido to Tomakomai City, Hokkaido on October 26, 2009, and changing its name to the Hokkaido Division Office, and the organizational integration of the administrative division and all production and manufacturing plants for the purpose of strengthening the support framework provided by the former to the latter's operations in the Yufutsu area, which consist of the core activities of the Hokkaido Division Office, resulted in the application of the straight-line method from the third quarter under review in hopes of applying the same depreciation method for the aforementioned assets as the method for the assets held for production and sales purposes of the Hokkaido Division Office. The effect on 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 December 31, 2009	As of March 31, 2009 (Summary)
Assets		
Current assets		
Cash and deposits	22,300	27,702
Notes and accounts receivable-trade	18,345	17,050
Short-term investment securities	12,605	11,510
Merchandise and finished goods	5,884	4,255
Work in process	498	553
Raw materials and supplies	4,950	6,200
Other	28,058	29,859
Allowance for doubtful accounts	(13)	(12)
Total current assets	92,631	97,120
Noncurrent assets		
Property, plant and equipment	149,055	142,767
Intangible assets		
Other	3,905	4,392
Total intangible assets	3,905	4,392
Investments and other assets		
Investment securities	252,622	241,945
Other	20,933	20,091
Allowance for doubtful accounts	(49)	(68)
Allowance for overseas investment loss	(6,122)	(5,803)
Total investments and other assets	267,384	256,164
Total noncurrent assets	420,345	403,324
Total assets	512,976	500,444

(Millions of yen)

	As of December 31, 2009	As of March 31, 2009 (Summary)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	6,290	6,508
Provision	218	282
Other	17,844	17,302
Total current liabilities	24,353	24,093
Noncurrent liabilities		
Long-term loans payable	23,300	25,325
Deferred tax liabilities	61,498	60,108
Provision for retirement benefits	6,337	5,732
Provision for cost of abandonment	6,119	5,725
Other provision	739	694
Other	641	535
Total noncurrent liabilities	98,637	98,123
Total liabilities	122,990	122,216
Net assets		
Shareholders' equity		
Capital stock	14,288	14,288
Retained earnings	262,164	255,499
Treasury stock	(10)	(9)
Total shareholders' equity	276,442	269,778
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	109,195	105,430
Deferred gains or losses on hedges	34	(0)
Foreign currency translation adjustment	(3,225)	(4,465)
Total valuation and translation adjustments	106,004	100,964
Minority interests	7,537	7,484
Total net assets	389,985	378,227
Total liabilities and net assets	512,976	500,444

(2) Consolidated statements of income

(Millions of yen)

	Nine months ended December 31, 2008 (April 1, 2008 – December 31, 2008)	Nine months ended December 31, 2009 (April 1, 2009 – December 31, 2009)
Net sales	164,912	118,844
Cost of sales	107,727	81,821
Gross profit	57,184	37,023
Exploration expenses		
Exploration expenses	14,119	8,479
Exploration subsidies	(920)	(458)
Total exploration expenses	13,199	8,021
Selling, general and administrative expenses	24,280	22,566
Operating income	19,704	6,435
Non-operating income		
Interest income	1,032	559
Dividends income	2,677	2,380
Other	1,237	2,433
Total non-operating income	4,947	5,373
Non-operating expenses		
Loss on valuation of securities	1,783	10
Provision for cost of abandonment	–	525
Foreign exchange losses	1,567	554
Other	1,402	745
Total non-operating expenses	4,753	1,835
Ordinary income	19,898	9,974
Extraordinary income		
Subsidy	191	–
Gain on change in equity	–	1,165
Other	5	156
Total extraordinary income	196	1,321
Extraordinary loss		
Loss on retirement of noncurrent assets	2,343	186
Impairment loss	2,263	–
Retirement benefit expenses for prior periods	–	231
Other	6	–
Total extraordinary losses	4,613	417
Income before income taxes and minority interests	15,481	10,878
Income taxes	3,968	2,050
Minority interests in income	1,091	582
Net income	10,420	8,245

(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 cost of abandonment," which was included in "other provision" of noncurrent liabilities as of December 31, 2008, is presented separately as of December 31, 2009, because it exceeded 1% of the total of liabilities and net assets. The "provision for cost of abandonment" included in "other provision" of noncurrent liabilities as of December 31, 2008, amounted to ¥4,246 million.

(Quarterly consolidated statements of income)

The "provision for cost of abandonment," which was included in "other" of non-operating expenses for the nine months ended December 31, 2008, is presented separately in the nine months ended December 31, 2009, because it exceeded 20% of total non-operating expenses. The "provision for cost of abandonment" included in "other" of non-operating expenses for the nine months ended December 31, 2008, amounted to ¥409 million.

(2) Status of production and sales

a. Production

Oil and natural gas segment

Division	Product	Nine months ended December 31, 2008 (April 1, 2008 – December 31, 2008)	Nine months ended December 31, 2009 (April 1, 2009 – December 31, 2009)	(Reference) Fiscal year ended March 31, 2009 (April 1, 2008 – March 31, 2009)
E&P	Crude oil (kl)	541,046 (107,059)	438,434 (20,078)	748,022 (136,632)
	Natural gas (thousand m^3)	906,328 (44,059)	868,951 (40,392)	1,286,621 (57,843)
	LNG (t)	29,556	38,067	46,796
	Bitumen (kl)	312,186 (312,186)	300,429 (300,429)	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 a consolidated subsidiary Japex New Nanhai Ltd.

b. Sales

Oil and natural gas segment

Division	Product	Nine months ended December 31, 2008 (April 1, 2008 – December 31, 2008)		Nine months ended December 31, 2009 (April 1, 2009 – December 31, 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)	1,407,057	90,843	1,231,944	47,859	1,919,959	102,845
	Natural gas (thousand m^3)	1,030,981	36,966	1,028,914	38,437	1,485,961	54,126
	LNG (t)	128,974	9,389	124,267	8,348	177,401	13,412
	Bitumen (kl)	313,028	14,975	299,940	7,410	417,423	13,087
	Subtotal		152,175		102,056		183,471
Contract services			2,003		3,084		4,739
Other businesses			10,733		13,703		13,916
Total			164,912		118,844		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 taxes.