

Consolidated Financial Results for the Three Months Ended June 30, 2010 <under Japanese GAAP>

August 6, 2010

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 12, 2010
 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 three months ended June 30, 2010 (April 1, 2010 – June 30, 2010)

(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, 2010	46,526	23.1	5,176	107.2	6,194	32.4	3,730	(9.2)
June 30, 2009	37,790	(36.1)	2,497	(45.8)	4,679	(15.2)	4,106	(1.8)

	Net income per share	Diluted net income per share
Three months ended	Yen	Yen
June 30, 2010	65.27	–
June 30, 2009	71.85	–

(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, 2010	471,173	369,278	76.7	6,322.32
As of March 31, 2010	521,009	398,747	75.0	6,839.05

Reference: Equity As of June 30, 2010: 361,337 million yen As of March 31, 2010: 390,870 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, 2010	–	20.00	–	20.00	40.00
Fiscal year ending March 31, 2011	–				
Fiscal year ending March 31, 2011 (Forecasts)		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, 2011 (April 1, 2010 - March 31, 2011)
(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
For the six months ending September 30, 2010	91,123	29.1	4,185	46.1	5,231	0.9	2,143	(38.7)	37.49
Fiscal year ending March 31, 2011	196,891	9.5	13,267	1.1	14,908	(35.8)	10,265	(42.8)	179.60

Note: Revisions to the consolidated financial forecasts in the current quarter: None

4. Others (For details, please refer to "Other Information" on page 4.)

(1) Changes in significant subsidiaries during the current quarter: None

Note: Changes in specified subsidiaries resulting in changes in the scope of consolidation during the current quarter

(2) Application of simplified accounting and specific accounting: Yes

Note: Application of simplified accounting and specific accounting for preparing quarterly consolidated financial statements

(3) Changes in accounting policies and procedures and methods of presentation

a. Changes due to revisions to accounting standards and other regulations: Yes

b. Changes due to other reasons: Yes

Note: Changes in accounting policies and procedures and methods of presentation for preparing quarterly consolidated financial statements stated in the section of "Changes in significant matters forming the basis of preparing the quarterly consolidated financial statements"

(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, 2010	57,154,776 shares
As of March 31, 2010	57,154,776 shares

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

As of June 30, 2010	2,033 shares
As of March 31, 2010	1,961 shares

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

Three months ended June 30, 2010	57,152,796 shares
Three months ended June 30, 2009	57,152,961 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 in accordance with the Financial Instruments and Exchange Act 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 "Qualitative information regarding consolidated financial forecasts" on page 3 of the attached material to the quarterly financial results report.

(Attached Material)

1. Qualitative Information Regarding Consolidated Results for the Three Months Ended June 30, 2010

(1) Qualitative information regarding consolidated operating results

During the three months ended June 30, 2010 (from April 1, 2010 to June 30, 2010), net sales was ¥46,526 million, an increase of ¥8,736 million (+23.1%) year on year, as gross profit increased by ¥2,239 million (+17.7%) year on year to ¥14,914 million. The main factors behind the year-on-year increase in net sales include not only an increase in net sales thanks to rise in bitumen prices, but also an increase in net sales of oil products, etc. by Japex Energy Co., Ltd., which became a consolidated subsidiary of JAPEX in the third quarter of the previous fiscal year. The main factor behind the year-on-year increase in gross profit is the rise in bitumen prices and crude oil prices.

Exploration expenses decreased by ¥463 million (-16.2%) year on year to ¥2,402 million due to a decrease in overseas expenditures, despite an increase in domestic expenditures, with selling, general and administrative expenses up ¥24 million (+0.3%), remaining roughly at the same level, and as a result, operating income increased by ¥2,678 million (+107.2%) year on year to ¥5,176 million.

Ordinary income was ¥6,194 million, an increase of ¥1,514 million (+32.4%) year on year due to an increase in operating income despite decreasing factors such as a decline in equity in earnings of affiliates and an increase in loss on valuation of securities.

Income before income taxes and minority interests was ¥3,816 million, a decrease of ¥770 million (-16.8%) year on year due in part to the recording as extraordinary loss of ¥2,339 million of loss on adjustment for changes of accounting standard for asset retirement obligations and net income was ¥3,730 million, a decrease of ¥375 million (-9.2%) year on year.

Below is a breakdown of sales.

(i) E&P

Net sales from E&P (including liquefied natural gas (LNG) and bitumen) was ¥36,253 million, an increase of ¥1,571 million (+4.5%) year on year, mainly due to rise in bitumen prices.

(ii) Contract services

Net sales from contract services (involved in drilling and geophysical surveys) was ¥1,024 million, an increase of ¥604 million (+144.0%) year on year.

(iii) Other businesses

Net sales from other businesses, such as 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, was ¥9,248 million, an increase of ¥6,559 million (+244.0%) year on year partly because of an increase in net sales of oil products, etc. of Japex Energy Co., Ltd., which became a consolidated subsidiary of JAPEX in the third quarter of the previous fiscal year.

(2) Qualitative information regarding consolidated financial position

At the end of the first quarter, as compared to the end of the previous fiscal year, total assets decreased by ¥49,835 million to ¥471,173 million. This is mainly due to a decrease in investment securities due to the fall in the stock price of INPEX CORPORATION.

Regarding liabilities and net assets, total liabilities was down ¥20,366 million from the previous fiscal year end to ¥101,895 million, with total net assets also down ¥29,468 million to ¥369,278 million, mainly due to the decrease in both deferred tax liabilities and valuation difference on available-for-sale securities brought upon by the aforementioned decrease in investment securities.

(3) Qualitative information regarding consolidated financial forecasts

Regarding consolidated financial forecasts, an examination of the first quarter results revealed that no changes are necessary to the six months and full-year forecasts released on May 14, 2010.

2. Other Information

(1) Summary of changes in significant subsidiaries

No items to report

(2) Summary of simplified accounting and specific accounting

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 this first quarter, 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) Summary of changes in accounting policies and procedures and methods of presentation

• Changes in accounting standards

a. Application of accounting standard for asset retirement obligations

Effective from this first quarter, JAPEX adopted the “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No. 18, March 31, 2008) and the “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21, March 31, 2008). Accordingly, the provision for cost of abandonment which was previously recorded was transferred to asset retirement obligations. As a result, operating income decreased by ¥129 million, ordinary income increased by ¥73 million, income before income taxes and minority interests decreased by ¥2,266 million. The change in asset retirement obligations due to the application of this accounting standard and guidance amounted to ¥4,267 million.

b. Application of the “Accounting Standard for Equity Method of Accounting for Investments” and the “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method”

Effective from this first quarter, JAPEX adopted the “Accounting Standard for Equity Method of Accounting for Investments” (ASBJ Statement No. 16, March 10, 2008) and the “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method” (ASBJ PITF No. 24, March 10, 2008).

There was no effect from this change on ordinary income or income before income taxes and minority interests.

c. Application of accounting standards for business combinations, etc.

Effective from this first quarter, JAPEX adopted the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, December 26, 2008), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, December 26, 2008), the “Partial amendments to Accounting Standard for Research and Development Costs” (ASBJ Statement No. 23, December 26, 2008), the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, December 26, 2008), the “Accounting Standard for Equity Method of Accounting for Investments” (ASBJ Statement No. 16, December 26, 2008) and the “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, December 26, 2008).

d. Change in depreciation method for significant depreciable assets (property, plant and equipment)

Effective from the third quarter of the previous fiscal year, JAPEX changed depreciation method for the assets held for management purposes of the Hokkaido Division Office from the declining-balance method, which was previously applied at the Sapporo Division Office, to the straight-line method. Accordingly, the depreciation method for that Office’s assets held for management purposes used in the first quarter of the previous fiscal year and this first quarter differs.

The effect of this change on operating income, ordinary income and income before income taxes and minority interests for the first quarter of the previous fiscal year, where applying the method after the change, is immaterial.

3. Consolidated financial statements
(1) Consolidated quarterly balance sheets

(Millions of yen)

	As of June 30, 2010	As of March 31, 2010 (Summary)
Assets		
Current assets		
Cash and deposits	28,900	24,314
Notes and accounts receivable-trade	15,101	19,774
Short-term investment securities	21,739	17,669
Merchandise and finished goods	4,684	4,632
Work in process	532	386
Raw materials and supplies	4,524	5,398
Other	29,149	33,403
Allowance for doubtful accounts	(3)	(10)
Total current assets	104,628	105,569
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	50,537	50,848
Other, net	97,911	93,917
Total property, plant and equipment	148,449	144,765
Intangible assets		
Other	7,387	7,450
Total intangible assets	7,387	7,450
Investments and other assets		
Investment securities	193,124	246,141
Other	22,917	22,921
Allowance for doubtful accounts	(46)	(46)
Allowance for overseas investment loss	(5,288)	(5,793)
Total investments and other assets	210,708	263,223
Total noncurrent assets	366,545	415,439
Total assets	471,173	521,009

(Millions of yen)

	As of June 30, 2010	As of March 31, 2010 (Summary)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	4,386	5,914
Income taxes payable	397	2,159
Provision	23	138
Other	11,732	13,773
Total current liabilities	16,539	21,986
Noncurrent liabilities		
Long-term loans payable	24,116	24,471
Deferred tax liabilities	43,176	61,386
Provision for retirement benefits	6,587	6,429
Provision for cost of abandonment	–	6,216
Other provision	621	847
Asset retirement obligations	9,858	–
Other	994	923
Total noncurrent liabilities	85,355	100,275
Total liabilities	101,895	122,261
Net assets		
Shareholders' equity		
Capital stock	14,288	14,288
Retained earnings	274,445	271,858
Treasury stock	(10)	(10)
Total shareholders' equity	288,724	286,137
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	74,230	106,896
Deferred gains or losses on hedges	(53)	24
Foreign currency translation adjustment	(1,563)	(2,186)
Total valuation and translation adjustments	72,613	104,733
Minority interests	7,941	7,876
Total net assets	369,278	398,747
Total liabilities and net assets	471,173	521,009

(2) Consolidated quarterly statements of income

(Millions of yen)

	Three months ended June 30, 2009 (April 1, 2009 – June 30, 2009)	Three months ended June 30, 2010 (April 1, 2010 – June 30, 2010)
Net sales	37,790	46,526
Cost of sales	25,115	31,611
Gross profit	12,675	14,914
Exploration expenses		
Exploration expenses	2,892	2,487
Exploration subsidies	(25)	(84)
Total exploration expenses	2,866	2,402
Selling, general and administrative expenses	7,310	7,335
Operating income	2,497	5,176
Non-operating income		
Dividends income	1,527	1,251
Equity in earnings of affiliates	612	79
Other	708	504
Total non-operating income	2,848	1,834
Non-operating expenses		
Loss on valuation of securities	–	517
Provision for overseas investment loss	315	–
Provision for cost of abandonment	193	–
Other	157	299
Total non-operating expenses	666	817
Ordinary income	4,679	6,194
Extraordinary income		
Reversal of allowance for doubtful accounts	2	9
Gain on prior period adjustment	147	–
Other	0	0
Total extraordinary income	150	10
Extraordinary loss		
Loss on retirement of noncurrent assets	11	48
Retirement benefit expenses for prior periods	231	–
Loss on adjustment for changes of accounting standard for asset retirement obligations	–	2,339
Total extraordinary losses	243	2,387
Income before income taxes and minority interests	4,586	3,816
Income taxes	355	(121)
Income before minority interests	–	3,937
Minority interests in income	124	207
Net income	4,106	3,730

- (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
- (5) Other notes

Changes in presentation method

(Consolidated quarterly balance sheets)

The "buildings and structures, net," which was included in "property, plant and equipment" of noncurrent assets as of June 30, 2009 is presented separately as of June 30, 2010, because it exceeded 10% of the total assets. The "buildings and structure, net" included in "property, plant and equipment" of noncurrent assets as of June 30, 2009, amounted to ¥51,537 million.

(Consolidated quarterly statements of income)

1. The "loss on valuation of securities," which was included in "other" of non-operating expenses for the three months ended June 30, 2009 is presented separately from the three months ended June 30, 2010, because it exceeded 20% of the total non-operating expenses. The "loss on valuation of securities" included in "other" of non-operating expenses for the three months ended June 30, 2009, amounted to ¥0 million.
2. Following the adoption of the "Cabinet Office Ordinance Partially Revising Regulation on Terminology, Forms and Preparation of Financial Statements" (Cabinet Office Ordinance No. 5, March 24, 2009) based on the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, December 26, 2008), "income before minority interests" is included in the consolidated statements of income for the three months ended June 30, 2010.

4. Supplemental Information

Status of production and sales

a. Production

		Three months ended June 30, 2009 (April 1, 2009 – June 30, 2009)	Three months ended June 30, 2010 (April 1, 2010 – June 30, 2010)	(Reference) Fiscal year ended March 31, 2010 (April 1, 2009 – March 31, 2010)
E&P	Crude oil (kl)	147,493 (18,027)	134,244 (1,426)	614,401 (21,556)
	Natural gas (thousand m ³)	273,565 (13,254)	290,364 (3,824)	1,250,630 (48,395)
	LNG (t)	11,236	14,755	57,599
	Bitumen (kl)	98,597 (98,597)	102,045 (102,045)	411,603 (411,603)

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

		Three months ended June 30, 2009 (April 1, 2009 – June 30, 2009)		Three months ended June 30, 2010 (April 1, 2010 – June 30, 2010)		(Reference) Fiscal year ended March 31, 2010 (April 1, 2009 – March 31, 2010)	
		Volume	Amount (Millions of yen)	Volume	Amount (Millions of yen)	Volume	Amount (Millions of yen)
E&P	Crude oil (kl)	458,977	16,348	324,825	15,393	1,714,012	69,308
	Natural gas (thousand m ³)	319,813	13,779	356,459	14,226	1,499,236	55,593
	LNG (t)	38,816	3,035	48,630	3,155	186,268	12,268
	Bitumen (kl)	98,074	1,517	101,901	3,477	411,394	11,433
Subtotal			34,681		36,253		148,604
Contract services			419		1,024		4,859
Other businesses	Oil products		–		7,507		–
	Others		–		1,741		–
Subtotal			2,689		9,248		26,289
Total			37,790		46,526		179,752

Notes: 1. Effective from the three months ended June 30, 2010, JAPEX changed the presentation method of “Other businesses” to disclose its sales amounts breakdown as “Oil products” and “Others,” therefore, sales amounts relating to “Other businesses” for the three months ended June 30, 2009 and the fiscal year ended March 31, 2010 are omitted.

2. “Oil products” 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.

3. Monetary amounts in the table do not include consumption taxes.