

Consolidated Financial Results for the Three Months Ended June 30, 2011 <under Japanese GAAP>

August 5, 2011

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: Kazuyuki Yamatsu, Manager, Media Relations and SR, Media and Investor Relations Department
 TEL: +81-3-6268-7110 (from overseas)

Scheduled date to file Quarterly Report: August 11, 2011

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, 2011

(April 1, 2011 – June 30, 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	%
Three months ended								
June 30, 2011	52,462	12.8	4,674	(9.7)	5,573	(10.0)	4,422	18.5
June 30, 2010	46,526	23.1	5,176	107.2	6,194	32.4	3,730	(9.2)

Note: Comprehensive income: Three months ended June 30, 2011: -1,653 million yen (– %)

Three months ended June 30, 2010: -28,146 million yen (– %)

	Net income per share	Diluted net income per share
Three months ended	Yen	Yen
June 30, 2011	77.37	–
June 30, 2010	65.27	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2011	514,074	393,735	74.4
As of March 31, 2011	516,098	393,689	74.7

Reference: Equity As of June 30, 2011: 382,422 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	–				
Fiscal year ending March 31, 2012 (Forecasts)		20.00	–	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
For the six months ending September 30, 2011	101,256	9.6	5,722	48.8	7,362	49.4	5,459	187.9	95.52
Fiscal year ending March 31, 2012	223,479	11.9	11,757	(15.1)	15,634	(8.7)	11,528	15.2	201.70

Note: Revisions to the consolidated financial forecasts most recently announced: None

4. Others

(1) Changes in significant subsidiaries during the three 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 polices 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 June 30, 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 June 30, 2011	2,105 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)

Three months ended June 30, 2011	57,152,671 shares
Three months ended June 30, 2010	57,152,796 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 three months ended June 30, 2011” on page 4 of the attached material to the quarterly financial results report.

(Method of accessing supplementary material on quarterly financial results)

On August 5, 2011 (Friday), JAPEX plans to post supplementary material on its website.

(Attached Material)

1. Qualitative information regarding settlement of accounts for the three months ended June 30, 2011

(1) Qualitative information regarding consolidated operating results

During the three months ended June 30, 2011, net sales was at ¥52,462 million, an increase of ¥5,935million (+12.8%) year on year, and gross profit decreased by ¥1,226 million (-8.2%) year on year to ¥13,688 million. The main factors behind the year-on-year increase in net sales were the crude oil price remaining high and an increase in net sales of crude oil products bought owing to higher sales volume for Sakhalin crude oil among others. The decline in profits reflected lower prices for bitumen and the impact of the high yen.

Exploration expenses decreased by ¥833 million (-34.7%) year on year to ¥1,569 million, with a decline in expenditures in Japan outweighing an increase in expenditures in Canada. As selling, general and administrative expenses increased by ¥109 million (+1.5%) year on year, it resulted in a decrease in operating income of ¥502 million (-9.7%) to ¥4,674 million.

Ordinary income resulted to ¥5,573 million, declining ¥620 million (-10.0%) year on year, owing to factors such as a switch to equity in losses of affiliates, compared with equity in earnings of affiliates previously.

Income before income taxes and minority interests was ¥5,648 million, a ¥1,831 million increase (+48.0%) 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 ¥691 million (+18.5%) year on year to ¥4,422 million.

Below is a breakdown of sales.

(i) E&P

Net sales from E&P (including liquefied natural gas (LNG) and bitumen) came to ¥42,734 million, an increase of ¥6,481 million (+17.9%) year on year. Although the absence of sales of crude oil products bought at Japan Canada Oil Sands Limited had a negative impact, it was outweighed by the highly remaining crude oil price 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 geophysical surveys) came to ¥833 million, a decrease of ¥190 million (-18.6%) 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 ¥8,894 million, a decrease of ¥354 million (-3.8%) year on 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, although current assets increased, total assets decreased by ¥2,023 million to ¥514,074 million due to a decrease in noncurrent assets. The rise in current assets mainly reflected an increase in the repo transaction balance included in the other current assets item, 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 declined ¥2,069 million from the previous fiscal year-end to ¥120,339 million due to a decrease in deferred tax liabilities mainly related to the abovementioned decline in investment securities. Total net assets increased ¥45 million to ¥393,735 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. outweighing a decline in the valuation difference on available-for-sale 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 13, 2011.

2. Matters regarding summary information (others)

(1) Changes in significant subsidiaries during the three 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 assets (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 three 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 June 30, 2011
Assets		
Current assets		
Cash and deposits	32,042	29,860
Notes and accounts receivable-trade	21,235	18,096
Short-term investment securities	28,186	33,842
Merchandise and finished goods	4,535	4,621
Work in process	102	150
Raw materials and supplies	5,579	4,663
Other	30,923	44,113
Allowance for doubtful accounts	(1)	(2)
Total current assets	122,604	135,346
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	46,530	46,616
Machinery, equipment and vehicles, net	54,388	56,799
Other, net	39,723	36,486
Total property, plant and equipment	140,642	139,902
Intangible assets		
Other	7,296	7,251
Total intangible assets	7,296	7,251
Investments and other assets		
Investment securities	221,971	206,425
Other	28,916	30,178
Allowance for doubtful accounts	(42)	(43)
Allowance for overseas investment loss	(5,291)	(4,986)
Total investments and other assets	245,554	231,574
Total noncurrent assets	393,493	378,728
Total assets	516,098	514,074

(Millions of yen)

	As of March 31, 2011	As of June 30, 2011
Liabilities		
Current liabilities		
Notes and accounts payable-trade	5,057	4,486
Income taxes payable	925	953
Provision	1,547	1,504
Other	12,423	13,508
Total current liabilities	19,953	20,452
Noncurrent liabilities		
Long-term loans payable	26,898	27,893
Deferred tax liabilities	56,531	52,378
Provision for retirement benefits	7,121	7,074
Other provision	724	702
Asset retirement obligations	9,524	9,436
Other	1,655	2,402
Total noncurrent liabilities	102,455	99,886
Total liabilities	122,408	120,339
Net assets		
Shareholders' equity		
Capital stock	14,288	14,288
Retained earnings	279,582	282,861
Treasury stock	(10)	(10)
Total shareholders' equity	293,861	297,140
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	95,518	88,274
Deferred gains or losses on hedges	17	(7)
Foreign currency translation adjustment	(3,968)	(2,984)
Total accumulated other comprehensive income	91,566	85,282
Minority interests	8,261	11,312
Total net assets	393,689	393,735
Total liabilities and net assets	516,098	514,074

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

	(Millions of yen)	
	Three months ended June 30, 2010 (April 1, 2010 – June 30, 2010)	Three months ended June 30, 2011 (April 1, 2011 – June 30, 2011)
Net sales	46,526	52,462
Cost of sales	31,611	38,774
Gross profit	14,914	13,688
Exploration expenses		
Exploration expenses	2,487	1,569
Exploration subsidies	(84)	–
Total exploration expenses	2,402	1,569
Selling, general and administrative expenses	7,335	7,444
Operating income	5,176	4,674
Non-operating income		
Dividends income	1,251	1,128
Equity in earnings of affiliates	79	–
Other	504	1,083
Total non-operating income	1,834	2,212
Non-operating expenses		
Loss on sales of securities	0	304
Loss on valuation of securities	517	289
Equity in losses of affiliates	–	501
Other	299	218
Total non-operating expenses	817	1,313
Ordinary income	6,194	5,573
Extraordinary income		
Reversal of allowance for doubtful accounts	9	–
Gain on sales of noncurrent assets	0	138
Other	–	0
Total extraordinary income	10	139
Extraordinary loss		
Loss on retirement of noncurrent assets	48	63
Loss on adjustment for changes of accounting standard for asset retirement obligations	2,339	–
Other	–	0
Total extraordinary losses	2,387	64
Income before income taxes and minority interests	3,816	5,648
Income taxes	(121)	1,139
Income before minority interests	3,937	4,509
Minority interests in income	207	86
Net income	3,730	4,422

Consolidated quarterly statements of comprehensive income

(Millions of yen)

	Three months ended June 30, 2010 (April 1, 2010 – June 30, 2010)	Three months ended June 30, 2011 (April 1, 2011 – June 30, 2011)
Income before minority interests	3,937	4,509
Other comprehensive income		
Valuation difference on available-for-sale securities	(32,709)	(7,251)
Deferred gains or losses on hedges	(77)	(18)
Foreign currency translation adjustment	707	1,086
Share of other comprehensive income of associates accounted for using equity method	(3)	21
Total other comprehensive income	(32,084)	(6,162)
Comprehensive income	(28,146)	(1,653)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(28,389)	(1,862)
Comprehensive income attributable to minority interests	243	208

- (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

		Three months ended June 30, 2010 (April 1, 2010 – June 30 2010)	Three months ended June 30, 2011 (April 1, 2011 – June 30 2011)	(Reference) Fiscal year ended March 31, 2011 (April 1, 2010 – March 31, 2011)
E&P	Crude oil (kl)	134,244 (1,426)	126,589 (671)	563,374 (5,352)
	Natural gas (thousand m ³)	290,364 (3,824)	309,413 (2,337)	1,268,801 (10,896)
	LNG (t)	14,755	10,864	44,565
	Bitumen (kl)	102,045 (102,045)	93,429 (93,429)	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

		Three months ended June 30, 2010 (April 1, 2010 – June 30, 2010)		Three months ended June 30, 2011 (April 1, 2011 – June 30, 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)	324,825	15,393	369,376	22,178	1,489,705	67,488
	Natural gas (thousand m ³)	356,459	14,226	368,108	15,299	1,553,770	61,090
	LNG (t)	48,630	3,155	47,696	3,199	209,549	14,100
	Bitumen (kl)	101,901	3,477	93,283	2,057	409,359	10,141
Subtotal			36,253		42,734		152,819
Contract services			1,024		833		7,031
Other businesses	Oil products /merchandise		7,507		8,242		32,523
	Others		1,741		651		7,278
Subtotal			9,248		8,894		39,801
Total			46,526		52,462		199,651

- Notes: 1. "Oil products/merchandise" 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.
2. Monetary amounts in the table do not include consumption taxes.