

Consolidated Financial Results for First Quarter of Fiscal Year Ending March 31, 2005

August 13, 2004

Note: The following report is a translation of the Japanese-language original.

Company Name: Japan Petroleum Exploration Co., Ltd.

(Company Code: 1662, First Section, Tokyo Stock Exchange)

(URL: <http://www.japex.co.jp/>)

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1. Notes Relating to Preparation of Quarterly Financial Statements

(1) Use of simplified accounting procedures: Yes

Income taxes are calculated using an estimated annual income tax rate based on the statutory tax rate.

(2) Changes in accounting treatment from the most recent consolidated fiscal year: No

(3) Changes in scope of consolidation and application of equity method: Yes

Consolidated (Added): 1 company; Equity-method (Excluded): 1 company

2. Consolidated Financial Results for First Quarter of Fiscal Year 2005 (April 1, 2004 – June 30, 2004)

(1) Consolidated Operating Results (Amounts less than one million yen have been omitted)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
1Q of FY05	22,996	4.5	1,671	(56.8)	4,262	(14.2)	3,612	12.9
1Q of FY04	22,003	-	3,868	-	4,965	-	3,198	-
(Ref.) FY04	96,713		12,449		14,468		9,960	

	Net Income per Share	Diluted Net Income per Share
	(¥)	(¥)
1Q of FY05	63.20	-
1Q of FY04	55.96	-
(Ref.) FY04	172.76	-

(Notes)

1. Percentage figures for net sales, operating income and other items represent changes compared with the corresponding period of the previous fiscal year.
2. Diluted net income per share is not shown because there are no shares with a dilutive effect.

Qualitative Information Concerning Consolidated Business Performance

In the first quarter ended June 30, 2004, consolidated net sales totaled ¥22,996 million, up 4.5%, from the same period of the previous year. Operating income totaled ¥1,671 million, down 56.8%, from the same period of the previous year. Ordinary income totaled ¥4,262 million, down 14.2%, from the same period of the previous year. Net income totaled ¥3,612 million, up 12.9%, from the same period of the previous year.

Below is a summary of earnings data for each of the Company's business segments by division.

1. Oil and Natural Gas Segment

(a) E&P Division

The E&P division sells crude oil, natural gas and liquefied natural gas (LNG). Net sales totaled ¥17,972 million, down 4.1%, from the same period of the previous year, reflecting lower sales volume for natural gas, in spite of crude oil sales increased due to a sharp rise in crude oil prices.

(b) Contract Services Division

The Contract Services Division accepts orders mainly for drilling projects and geological and geophysical surveys. Net sales totaled ¥1,797 million, up 95.1%, from the same period of the previous fiscal year, reflecting an increase in the volume of contract services orders.

(c) Other Businesses Division

This division mainly includes the manufacturing and trading of products such as LPG and fuel oil, the transmission of third-party gas, and other miscellaneous consignment orders. Net sales totaled ¥2,892 million, up 45.0%, from the same period of the previous fiscal year, reflecting higher orders for third-party gas transmission.

2. Geothermal Energy Segment

Geothermal Energy Division

The Geothermal Energy sells steam used for electric power generation. Net sales totaled ¥334 million, down 3.9%, reflecting lower steam sales volume.

(2) Consolidated Financial Position

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio	Shareholders' Equity Ratio per Share
	(¥ million)	(¥ million)	%	(¥)
June 30, 2004	247,927	197,254	79.6	3,451.26
June 30, 2003	238,850	189,237	79.2	3,310.96
(Ref.) Mar. 31, 2004	246,765	195,715	79.3	3,422.80

(3) Consolidated Cash Flows

	Operating Activities	Investing Activities	Financing Activities	Cash and Cash Equivalents at Period-End
	(¥ million)	(¥ million)	(¥ million)	(¥ million)
1Q of FY05	2,290	(2,520)	(3,422)	24,237
1Q of FY04	5,267	(1,542)	(3,312)	24,278
(Ref.) FY04	21,522	(12,677)	(4,599)	27,851

Qualitative Information Concerning Consolidated Financial Position

Total assets at June 30, 2004 stood at ¥247,927 million, an increase of ¥1,161 million from the previous fiscal year, mainly reflecting Japex New Nanhai Ltd. became a consolidated subsidiary of the Company instead of an affiliate accounted for under the equity method. Shareholders' equity rose ¥1,539 million to ¥197,254 million. Shareholders' equity ratio was 79.6%.

Cash and cash equivalents at June 30, 2004 stood at ¥24,237 million, a decrease of ¥3,613 million from the previous fiscal year.

(Cash Flows from Operating Activities)

Operating activities provided net cash of ¥2,290 million, mainly reflecting income before income taxes and minority interests of ¥4,224 million and income taxes of ¥1,884 million.

(Cash Flows from Investing Activities)

Investing activities used net cash of ¥2,520 million, mainly reflecting outflow was ¥4,865 million for the purchase of property, plant and equipment and inflow was ¥1,830 million for the proceeds from purchase of consolidated subsidiary stock accompanied by changes in scope of consolidation.

(Cash Flows from Financing Activities)

Financing activities used net cash of ¥3,422 million, reflecting mainly outflows of ¥1,905 million for the payment of cash dividends and ¥706 million for the repayment of long-term debt.

3. Consolidated Forecast for Fiscal Year 2005(April 1, 2004 – March 31, 2005)

	Net Sales	Ordinary Income	Net Income
	(¥ million)	(¥ million)	(¥ million)
Interim Period	43,873	5,571	4,865
Fiscal Year-end	84,163	11,313	9,556

Reference :Non-consolidated Forecast for Fiscal Year 2005(April 1, 2004 – March 31, 2005)

	Net Sales	Ordinary Income	Net Income
	(¥ million)	(¥ million)	(¥ million)
Interim Period	40,039	4,247	4,063
Fiscal Year-end	72,809	9,819	8,291

Note: The forecast above was prepared on the basis of information available at the time of the release of this documents. Due to various factors, the actual result may differ from these projections.

Qualitative Information Concerning Forecast

Due to rise crude oil prices and change from part of the international crude oil sales second half of FY05 to the first half of FY05, the Company expects first half net sales to rise ¥6.7billion, or 18.2% to ¥43.8billion compared with consolidated financial results forecast published in the Company's consolidated financial results FY2004 released on May 17, 2004. The Company forecasts ordinary income for first half of ¥5.5 billion, up ¥3billion, or 121.2% and net income for first half of ¥4.8 billion, up ¥1.8 billion, or 59.2%.

The Company does not change full year forecast due to unclear of an outlook of crude oil price.

Below is a revision of original financial results forecasts in the fiscal period ending September 2004(April 1, 2004 – September 30, 2004), which were announced on May 17, 2004.

(1) Consolidated (April 1, 2004 – September 30, 2004)

	Net Sales	Ordinary Income	Net Income
	(¥ million)	(¥ million)	(¥ million)
Previous Forecast (A)	37,100	2,518	3,055
Revised Forecast (B)	43,873	5,571	4,865
Increase (B – A)	6,773	3,053	1,809
Increase Ratio (%)	18.2%	121.2%	59.2%

(2) Non-consolidated (April 1, 2004 – September 30, 2004)

	Net Sales	Ordinary Income	Net Income
	(¥ million)	(¥ million)	(¥ million)
Previous Forecast (A)	33,266	2,458	2,516
Revised Forecast (B)	40,039	4,247	4,063
Increase (B – A)	6,773	1,790	1,546
Increase Ratio (%)	20.3%	72.8%	61.4%

1.Consolidated 1st Quarter Balance Sheet

(¥ million)

Description	1Q of FY05 As of Jun. 30,2004	FY04 As of Mar. 31, 2004	Change	1Q of FY04 As of Jun. 30, 2003
(Assets)				
Current assets				
1. Cash and deposits	22,869	22,201	667	20,263
2. Notes and accounts receivable	9,258	11,430	(2,172)	8,336
3. Marketable securities	6,494	9,854	(3,360)	7,412
4. Inventories	7,662	6,116	1,546	7,436
5. Other current assets	5,888	5,343	544	5,291
Less: Allowance for doubtful receivables	(12)	(13)	1	(37)
Total current assets	52,160	54,932	(2,772)	48,703
Fixed assets				
1. Property, plant and equipment				
(1) Buildings and structures	51,824	53,411	(1,587)	56,263
(2) Machinery and equipment	23,042	23,697	(654)	12,699
(3) Land	12,053	12,051	1	12,011
(4) Other property, plant and equipment	14,810	11,415	3,395	14,722
Total property, plant and equipment	101,731	100,576	1,155	95,697
2. Intangible fixed assets	1,889	819	1,069	604
3. Investments and others				
(1) Investments in securities	84,223	84,771	(547)	86,721
(2) Others	20,032	19,121	910	21,691
Less: Allowance for doubtful receivables	(123)	(123)	0	(139)
Allowance for losses on overseas investments	(11,986)	(13,334)	1,347	(14,428)
Total investments and others	92,146	90,436	1,710	93,844
Total fixed assets	195,767	191,832	3,934	190,146
Total assets	247,927	246,765	1,161	238,850
(Liabilities)				
I Current liabilities				
1. Notes and accounts payable	3,218	2,353	864	2,583
2. Short-term bank loans	-	600	(600)	-
3. Current portion of long-term debt	4,347	2,306	2,041	2,312
4. Other current liabilities	9,798	11,539	(1,740)	7,839
Total current liabilities	17,363	16,798	564	12,734
II Long-term liabilities				
1. Long-term debt	6,256	9,003	(2,747)	10,603
2. Accrued retirement benefits for employees	3,693	3,574	118	3,500
3. Accrued retirement benefits for officers	613	696	(82)	588
4. Accrued estimated cost of abandonment of wells	2,319	2,423	(103)	3,179
5. Accrual for losses on projects	12,029	10,975	1,053	11,512
6. Other long-term liabilities	2,411	2,186	225	2,155
Total long-term liabilities	27,323	28,859	(1,535)	31,539
Total liabilities	44,687	45,658	(970)	44,274
(Minority interests)				
Minority interests in consolidated subsidiaries	5,986	5,392	593	5,339
(Shareholders' equity)				
I Common stock	14,288	14,288	-	14,288
II Retained earnings	182,351	180,826	1,525	174,064
III Unrealized holding gain on securities	3,517	3,412	104	2,893
IV Translation adjustments	(2,900)	(2,810)	(89)	(2,009)
V Treasury stock	(2)	(1)	(1)	-
Total shareholders' equity	197,254	195,715	1,539	189,237
Total liabilities, minority interests and shareholders' equity	247,927	246,765	1,161	238,850

2. Consolidated 1st Quarter Statements of Income

(¥ million)

Description	1Q of FY05	1Q of FY04	Change	FY04
	Apr. – Jun. 2004	Apr. – Jun. 2003		Apr. 03 – Mar. 04
I Net sales	22,996	22,003	992	96,713
II Cost of sales	15,228	13,037	2,190	58,060
Gross profit	7,768	8,966	(1,198)	38,653
III Exploration expenses				
1. Exploration expenses	1,157	358	798	5,888
2. Exploration subsidies	(24)	(1)	(23)	(675)
Total exploration expense	1,133	357	775	5,213
IV Selling, general and administrative expenses	4,963	4,740	223	20,990
Operating income	1,671	3,868	(2,196)	12,449
V Non-operating income				
1. Interest income	279	338	(58)	1,192
2. Dividend income	1,046	897	148	1,298
3. Reversal of allowance for losses on overseas investments	587	2,230	(1,643)	2,705
4. Equity in profit of non-consolidated subsidiaries and affiliates	874	-	874	-
5. Other non-operating income	319	238	81	759
Total non-operating income	3,107	3,705	(597)	5,956
VI Non-operating expenses				
1. Interest expense	73	94	(21)	346
2. Loss on sale of securities	60	-	60	34
3. Devaluation loss on securities	105	-	105	498
4. Equity in losses of non-consolidated subsidiaries and affiliates	-	2,221	(2,221)	2,072
5. Provision for accrued estimated cost of abandonment of wells	35	80	(45)	160
6. Provision for losses on projects	200	93	107	129
7. Other non-operating expenses	40	117	(77)	695
Total non-operating expenses	516	2,607	(2,091)	3,937
Ordinary income	4,262	4,965	(703)	14,468
VII Extraordinary income				
1. Reversal of allowance for doubtful receivables	2	3	(0)	25
VIII Extraordinary losses				
1. Loss on disposal of fixed assets	40	11	28	286
Income before income taxes and minority interests	4,224	4,956	(731)	14,207
Income taxes	554	1,666	(1,111)	3,955
Minority interests	57	91	(33)	291
Net income	3,612	3,198	413	9,960

3. 1st Quarter Consolidated Statements of Cash Flows

(¥ million)

Description	1Q of FY05 Apr. – Jun. 2004	1Q of FY04 Apr. – Jun. 2003	FY04 Apr. 03 – Mar. 04
I Operating activities			
1. Income before income taxes and minority interests	4,224	4,956	14,207
2. Depreciation and amortization	3,160	2,439	11,043
3. Loss on devaluation of marketable securities and investments in securities	105	-	498
4. Increase (decrease) in allowance for doubtful receivables	(1)	11	(27)
5. Increase in provision for accrued retirement benefits for employees	115	223	303
6. Increase (decrease) in provision for accrued retirement benefits for officers	(82)	(10)	97
7. Increase (decrease) in provision for accrued estimated cost of abandonment of wells	(99)	55	(638)
8. Decrease in provision for allowance for losses on overseas investments and accrual for losses on projects	(293)	(2,198)	(3,830)
9. Interest and dividend income	(1,326)	(1,236)	(2,491)
10. Interest expense	73	94	346
11. Gain on redemption and sales of marketable securities and investments in securities	(51)	(135)	(305)
12. Loss on redemption and sales of marketable securities and investments in securities	60	-	34
13. Equity in losses (profits) of non-consolidated subsidiaries and affiliates	(874)	2,221	2,072
14. Decrease in notes and accounts receivable	2,644	3,409	310
15. Decrease (increase) in inventories	(1,546)	1,349	2,669
16. Increase (decrease) in notes and accounts payable	(1,829)	(4,650)	(2,161)
17. Increase (decrease) in consumption tax payable	11	-	(211)
18. Other, net	(116)	(155)	1,408
Subtotal	4,175	6,373	23,326
19. Income taxes (paid) refunded	(1,884)	(1,106)	(1,803)
Net cash provided by operating activities	2,290	5,267	21,522
II Investing activities			
1. Investments in time deposits	(10)	(10)	(335)
2. Proceeds from time deposits	300	-	15
3. Payments for purchase of marketable securities	-	-	(2,998)
4. Proceeds from redemption and sale of marketable securities	819	2,145	7,890
5. Additions to property, plant and equipment	(4,865)	(3,446)	(15,734)
6. Proceeds from sales of property, plant and equipment	116	-	38
7. Additions to intangible fixed assets	(144)	(77)	(423)
8. Payments for purchase of investments in securities	(2,835)	(4,448)	(9,030)
9. Proceeds from redemption and sale of investments in securities	1,068	3,094	5,106
10. Proceeds from purchase of consolidated subsidiary stock accompanied by changes in scope of consolidation	1,830	-	-
11. Increase in loans receivable	(12)	(94)	(89)
12. Decrease in loans receivable	23	18	554
13. Interest and dividends received	1,331	1,199	2,638
14. Other, net	(142)	76	(309)
Net cash used in investing activities	(2,520)	(1,542)	(12,677)
III Financing activities			
1. Decrease in short-term bank loans	(600)	(900)	(300)
2. Repayment of long-term debt	(706)	(708)	(2,315)
3. Purchase of treasury stock	(1)	-	(1)
4. Cash dividends paid	(1,905)	(1,428)	(1,428)
5. Dividends paid to minority shareholders	(192)	(197)	(197)
6. Interest paid	(17)	(78)	(356)
Net cash used in financing activities	(3,422)	(3,312)	(4,599)
IV Effect of exchange rate changes on cash and cash equivalents	39	(0)	(260)
V Increase (decrease) in cash and cash equivalents	(3,613)	411	3,984
VI Cash and cash equivalents at beginning of year	27,851	23,866	23,866
VII Cash and cash equivalents at period-end	24,237	24,278	27,851

4. Status of Production and Sales

1 . Production

(1) Oil and Natural Gas Segment

Division	Product	1Q of FY 2005 Apr. 1 – Jun. 30, 2004	1Q of FY2004 Apr. 1 – Jun. 30, 2003	(Ref.) FY2004 Apr. 1, 2003 – Mar. 31, 2004
E&P	Crude oil	128,791 ^{kl} (1,090)	133,099 ^{kl} (1,101)	574,417 ^{kl} (3,131)
	Natural gas	231,198 ^{thousand m³} (890)	241,485 ^{thousand m³} (1,889)	1,036,120 ^{thousand m³} (7,231)
	L N G	3,141 ^t	-	6,589 ^t
Other Businesses	L P G	2,223 ^t	2,487 ^t	10,811 ^t
	Fuel oil, etc.	11,171 ^{kl}	11,916 ^{kl}	52,393 ^{kl}

(Notes)

1. The figures in parentheses in E&P represent overseas production and are included in the total.
2. Part of the oil production volume is used as a feedstock for LPG, fuel oil and other products.
3. Part of the natural gas production volume is used as a feedstock for LNG, LPG and other energies.

(2) Geothermal Energy Segment

Division	Product	1Q of FY 2005 Apr. 1 – Jun. 30, 2004	1Q of FY2004 Apr. 1 – Jun. 30, 2003	(Ref.) FY 2004 Apr. 1, 2003 – Mar. 31, 2004
Geothermal Energy	Steam	270,687 ^t	285,079 ^t	1,107,443 ^t

2 . Sales

(1) Oil and Natural Gas Segment

Division	Product	1Q of FY2005 Apr. 1 – Jun. 30, 2004		1Q of FY2004 Apr. 1 – Jun. 30, 2004		(Ref.) FY2004 Apr. 1, 2003 - Mar. 31, 2004	
		Volume	Amount	Volume	Amount	Volume	Amount
E&P	Crude Oil	^{kl} 353,464	(¥ million) 8,947	^{kl} 362,856	(¥ million) 7,640	^{kl} 1,528,507	(¥ million) 32,963
	Natural Gas	^{thousand m³} 259,830	^{thousand m³} 8,003	^{thousand m³} 314,508	^{thousand m³} 10,364	^{thousand m³} 1,296,389	^{thousand m³} 42,560
	L N G	^t 20,468	^t 1,021	^t 14,718	^t 735	^t 75,883	^t 3,837
	Subtotal	-	17,972	-	18,740	-	79,361
Contract services		-	1,797	-	921	-	7,049
	小計	-	1,797	-	921	-	7,049
Other Businesses	L P G	^t 6,865	(¥ million) 321	^t 7,040	(¥ million) 374	^t 31,506	(¥ million) 1,514
	Fuel oil, etc	^{kl} 22,278	^{kl} 968	^{kl} 21,320	^{kl} 800	^{kl} 89,090	^{kl} 3,517
	O t h e r s	-	1,602	-	818	-	4,182
	Subtotal	-	2,892	-	1,994	-	9,213
	Total	-	22,662	-	21,656	-	95,624

(2) **Geothermal Energy Segment**

Division	Product	1Q of FY2005 Apr. 1 – Jun. 30, 2004		1Q of FY2004 Apr. 1 – Jun. 30, 2003		(Ref.) FY2004 Apr. 1, 2003 - Mar. 31, 2004	
		Volume	Amount	Volume	Amount	Volume	Amount
Geothermal Energy	Steam	t	(¥ million)	t	(¥ million)	t	(¥ million)
		254,527	334	274,239	347	1,061,336	1,089
	Total	-	334	-	347	-	1,089

(Notes)

1. Others in Other Businesses includes revenue from the transmission of third-party gas through JAPEX's pipeline network and sales commissions.
2. Monetary amounts in the tables do not include consumption tax.