Consolidated Financial Results for the Interim Period Ended September 30, 2006

November 14, 2006

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

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Company Code: 1662
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U.S. GAAP not applied

Stock Listing: Tokyo Stock Exchange
Location of Head Office: Tokyo

1. Consolidated Results for the FY2007 Interim Period (April 1, 2006 – September 30, 2006)

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

	Net Sales		Operating Income		Ordinary Income	
	(¥ million)	%	(¥ million)	%	(¥ million)	%
FY2007 Interim	67,138	13.4	12,528	48.1	15,750	26.4
FY2006 Interim	59,221	27.7	8,461	169.5	12,459	71.6
FY2006 Full Year	138,796		27,018		31,190	

	Net Income		Net Income per Share	Diluted Net Income per Share
	(¥ million)	%	(¥)	(¥)
FY2007 Interim	10,654	18.6	186.42	—
FY2006 Interim	8,983	60.9	157.17	—
FY2006 Full Year	20,216		352.11	—

(Notes)
1. Equity in net income (loss) of non-consolidated subsidiaries and affiliates
   FY2007 Interim: ¥219 million FY2006 Interim: ¥392 million FY2006 Full Year: (¥587 million)
2. Average number of outstanding shares during the period (Consolidated):
   FY2007 Interim: 57,153,686 shares FY2006 Interim: 57,153,779 shares FY2006 Full Year: 57,153,733 shares
3. Changes in accounting methods: No
4. Percentage figures for net sales, operating income and other items represent changes compared with the previous interim.
5. Diluted net income per share is not shown because there are no shares with a dilutive effect.

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	(¥ million)	(¥ million)	%	(¥)
FY2007 Interim	523,442	392,833	73.7	6,746.02
FY2006 Interim	474,697	354,729	74.7	6,206.58
FY2006 Full Year	532,516	386,222	72.5	6,756.00

(Note) Number of shares issued and outstanding (consolidated) at period-end:
FY2007 Interim 57,153,686 shares FY2006 Interim 57,153,686 shares FY2006 Full Year 57,153,686 shares

(3) Consolidated Cash Flows

	Operating Activities	Investing Activities	Financing Activities	Cash and Cash Equivalents at Period-End
	(¥ million)	(¥ million)	(¥ million)	(¥ million)
FY2007 Interim	13,203	(6,423)	(817)	48,996
FY2006 Interim	12,355	(16,033)	(9,444)	21,840
FY2006 Full Year	32,850	(20,063)	(6,088)	43,082

(4) Number of Consolidated Subsidiaries and Affiliates
Consolidated subsidiaries: 19
Non-consolidated subsidiaries accounted for by the equity method: 0
Equity-method affiliates: 7

(5) Changes in Scope of Consolidation and Application of Equity Method
Consolidated subsidiaries (Added): 2 (Excluded): 0
Equity-method affiliates (Added): 0 (Excluded): 0

2. Forecasts for FY2007 (April 1, 2006 – March 31, 2007)

	Net Sales	Ordinary Income	Net Income
	(¥ million)	(¥ million)	(¥ million)
Full Year	157,685	28,830	19,541

(Reference) Estimated net income per share is ¥341.90

Note: The above estimates have been made based on information available as of the date of this release. Actual results may differ from these estimates due to a variety of factors.

Management Policies

1. Fundamental Business Policies

Since its establishment in 1955, Japan Petroleum Exploration Co., Ltd. (JAPEX) has pursued its mission of contributing to Japan's energy supplies by securing reserves and expanding production centered on the exploration, development, and sale of oil and natural gas. Guided by this mission, the Company has steadily discovered oil and natural gas reserves to result in the business base of today.

In light of its expanding role as a supplier and, consequently, related increases in its responsibility to society with regard to a stable supply, the JAPEX Group is actively focused on constructing a new business model that not only relies on expanding reserves but also upgrading and expanding transmission systems for natural gas, and other initiatives. As such, the Group aims to move forward as a company with the competitive capabilities required to respond to changes in its operating environment. The section below outlines the Group's business philosophy in this respect.

Taking on the challenge of new energy value creation and increasing corporate value

- Contribute to the supply of energy through global exploration and production (E&P) activities.
- Contribute to coexistence between the planet and humankind by developing and promoting the use of environment-friendly natural gas.
- Pursue sustainable growth and maximize shareholder value by placing top priority on winning and maintaining the trust of society, customers, shareholders and employees.

2. Fundamental Policy on Dividends

The Company's basic policy is to sustain stable dividends over the long term. Taking into account the medium and long-term outlook for the business, dividend payments are determined based on respect for the return of profits to shareholders. While considering the need to acquire new reserves as an energy company that plays a role in providing stable supplies of oil and natural gas, indispensable resources for society, the policy also takes into account the need for retained earnings to finance the acquisition of new reserves and to upgrade and improve transmission systems, primarily pipelines.

3. Concept and Policies on Lowering an Investment Unit

The Company recognizes that lowering an investment unit promotes the participation of a broader range of investors in the stock market and is an effective measure to improve the liquidity of stocks. In detail, the Company decides whether to lower its investment unit after considering such factors as stock prices, circulation and distribution, and after carefully examining the expenses needed and the effectiveness of lowering its investment unit.

4. Medium-term Business Strategy and Critical Issues

Japan's energy industry is entering an era of full-scale competition, ushered in by rapid deregulation, beginning with revisions to the Gas Business Law and the Electric Utility Law. As such, competition is intensifying almost on a daily basis with the entry of new players into each energy sector.

Specifically, the Gas Business Law was revised in April 2004, thereby further expanding the scope of deregulation. In addition, the Japanese government has introduced the "common carrier" concept in gas transmission. Under this concept, companies, including JAPEX, that possess gas pipelines above a certain capacity are obligated to open their pipelines for third-party access. As a result of these developments, the Company's gas business is facing a major turning point.

In the current environment, natural gas, a major earnings base for the JAPEX Group, is drawing significant attention for its clean energy characteristics. Government efforts to bolster environmental measures to achieve the greenhouse reduction target defined in the Kyoto Protocols, coupled with activities to tackle global warming on the corporate and individual level, are likely to continue to drive demand for natural gas. This presents opportunities for JAPEX to further develop its natural gas business.

Moreover, the mounting concerns over recent escalation in global fuel prices and supply stability, has underscored the importance of exploration and development operations. Based on recognition that oil will continue to play a critical part and the central role as a primary energy source in Japan, JAPEX Group, for its part, will continue to position these activities as key elements of its business base. Accordingly, expanding natural gas sales and maintaining and enlarging reserves of oil and natural gas are critical issues for the Company.

Expanding sales of natural gas and upgrading and expanding the supply system

To cope with the intensifying competitive environment as well as expand sales of environment-friendly natural gas, the Group is working to construct a natural gas business that seamlessly integrates services and facilities, from upstream (E&P) through mid-stream (transmission and storage) to downstream (supply to large users and local distribution companies, or LDCs).

For this reason, we are strengthening efforts to expand sales along the route of existing pipelines by pursuing preparatory construction work on a Shiroishi-Koriyama gas pipeline branching from the Niigata-Sendai gas pipeline (expected to be completed during fiscal 2006), as well as beginning full-scale studies for the construction of a subsea gas pipeline between Sendai and Iwaki. Through projects such as these, the Company is committed to further expansion of the natural gas network.

JAPEX's LNG Satellite System is designed to serve customers in geographic areas not reached by its pipeline network. LNG is loaded onto tanker trucks and railway tank containers and shipped to the Tohoku, Hokuriku, and Kyushu regions to supply natural gas to a broader base of customers. To expand supply to users within Hokkaido by LNG tank containers from its LNG plant in Yufutsu, which is located in the region, JAPEX is taking steps to augment a liquefaction plant scheduled for completion in fiscal 2008.

Through the ongoing development of its gas operations, JAPEX is targeting natural gas sales volume of 1.7 billion m^3 in fiscal 2009. Moreover, leveraging the Group's upstream division uniqueness, JAPEX is upgrading its natural gas transmission and underground storage network organically linking a range of facilities and services in a drive to put gas operations on a more solid footing.

Conducting efficient E&P and securing new reserves

With its business centered on E&P, the JAPEX Group continually works to maintain and expand its reserves, and strives to further expand and upgrade its system for providing stable supplies of oil and natural gas over the long term. Specifically, to significantly expand cost-competitive domestic reserves, a key source of earnings, the Company is conducting exploration, mainly in Niigata, Akita, and Hokkaido prefectures with the aim of adding substantial new gas reserves. It is also conducting exploration aimed at tapping reserves in areas surrounding existing oil and gas fields. In this way, the Company is able to conduct interlocking, tactical exploration that affords greater efficiencies.

Furthermore, recognizing the importance of establishing a stable overseas business base from a long-term viewpoint, the Company will work to increase operating efficiency and carry out exploration in areas identified as key geographies. Specifically, the Company aims to increase the efficiency of operations and development at fields where it currently carries out oil and gas production. Moreover, when developing new business, the Company seeks to acquire the rights to oil and gas fields that already onstream, and fields that have been discovered but remain undeveloped, both of which offer low risk and early returns. At the same time, the Company works for the balanced preservation of exploration assets over long-term operating periods with anticipated relatively high returns. As part of this policy, with Iraq the Company is undertaking technical cooperation with the Ministry of Oil to strengthen relations with the Ministry, and with Libya, where the Company has succeeded in obtaining rights, the Company is promoting exploration activities. Furthermore, the Company is actively continuing to seek other projects.

Addressing environmental issues

JAPEX, as a company that supplies environment-friendly natural gas, feels an obligation to contribute to environmental protection. The Company therefore works to increase internal environmental awareness through ongoing use of internal environment management systems (all company sites have acquired ISO 14001 certification), and to reduce the environmental impact of its business activities. At the same time, JAPEX is contributing to environmental activities on the societal level by participating in and funding afforestation programs in Japan and overseas.

In Japan, emissions rights trading and other new environmental businesses are being steadily generated in an effort to help reduce the nation's greenhouse gas levels. For its part, JAPEX will continue pushing ahead with efforts to promote natural gas use from a variety of angles, and appropriately apply Group technologies in the environment business field. To this end, the Company is proactively taking on R&D themes in new fields such as gas-to-liquids technology, which can be used to extract liquid fuel from methane, the main component of natural gas, and technologies for storing carbon dioxide underground.

The JAPEX Group aims to utilize these activities to further strengthen its operating base and enhance its competitiveness as well as bolster operating efficiency. The ultimate goal is to achieve sustainable development and maximize shareholder value.

5. Relationships With Parent Company and Others
JAPEX has no parent company.

Business Results and Financial Position

1. Business Results
The recovery of the Japanese economy during the interim reporting period continued as improvement in the business sector expanded into the household sector. On the other hand, in the oil industry, exchange rates remained stable while international crude oil prices continued upward, resulting in substantial increase in domestic crude oil prices. Meanwhile, due to acceleration in the pace of deregulation, domestic natural gas prices still remained weak amid escalating competition among energy sectors.

Under these conditions, the JAPEX Group worked to maintain robust pipeline operations with the aim of ensuring stable supplies of affordable and safe energy over the long term. In addition, the Group focused its collective efforts on efficient E&P both in Japan and overseas.

Net sales in the interim reporting period were strong as a result of the increase in crude oil prices, at ¥67,138 million, an increase of ¥7,917 million (+13.4%) year on year.
Operating income was ¥12,528 million, an increase of ¥4,066 million (+48.1%) from the same period of the preceding year.
Ordinary income was ¥15,750 million, an increase of ¥3,291 million (+26.4%) year on year, and net income was ¥10,654 million, an increase of ¥1,671 million (+18.6%) year on year.

The interim dividend for the current fiscal year is ¥20 per share. We anticipate that the annual dividend for the current fiscal year, including the year-end dividend, will be ¥40 per share or the same level as the previous year.

The performance of each of the sectors of our business was as follows:

(A) E&P Division
The E&P Division sells crude oil, natural gas, LNG and bitumen. This division recorded net sales of ¥59,659 million, an increase of ¥9,799 million (+19.7%) from the same period of the previous year, due to increases in net sales of crude oil as a result of the rise in crude oil prices.

(B) Contract Services Division
The Contract Services Division is primarily involved in drilling and geophysical surveys, and recorded net sales of ¥1,013 million in the interim reporting period, a decrease of ¥2,239 million (–68.9%) from the same period of the previous year. This is primarily due to decreases in basic physical exploration contracts from the Japan Oil, Gas and Metals National Corporation (JOGMEC).

(C) Other Businesses
Our Other Businesses Division is primarily involved in the sale of oil products, including liquefied petroleum gas (LPG) and fuel oil, as well as transportation of natural gas and oil products on consignment. Net sales in the interim reporting period were ¥6,465 million, an increase of ¥357 million (+5.9%) from the same period of the preceding year.

2. Financial Position

Status of cash flow during the interim reporting period

During the interim reporting period, cash and cash equivalents (“funds”) increased by ¥5,913 million year on year to ¥48,996 million. Below is a summary of interim cash flows by business activity.

(Cash flow from operating activities)

Net cash provided by operating activities was ¥13,203 million, an increase of 6.9% from the same period of the previous year. The main components were ¥15,690 million in income before income taxes and minority interests, ¥7,080 million in depreciation and amortization, and ¥7,412 million in income taxes.

(Cash flow from investing activities)

Net cash used in investing activities was ¥6,423 million, a decrease of 59.9% from the same period of the previous year. This was primarily due to outlays of ¥10,847 for additions to property, plant and equipment, and ¥3,232 million from the proceeds from redemption and sale of investments in securities.

(Cash flow from financing activities)

Net cash used in financing activities was ¥817 million, a decrease of 91.3% from the same period of the previous year. This was primarily due to ¥2,000 million in proceeds for long-term debt, ¥1,428 million in payment of cash dividends, and ¥1,015 million in payment of dividends to minority shareholders.

The trend of cash flow indicators for the Company is as follows.

	FY ended March 2005		**FY ended March 2006**		**FY ending March 2007**
	Interim	**Year-End**	**Interim**	**Year-End**	**Interim**
Equity ratio (%)	81.6	74.5	74.7	72.5	73.7
Equity ratio on mark-to-market basis (%)	109.3	63.6	73.3	78.9	78.4
Debt repayment period (years)	—	0.7	—	0.5	—
Interest coverage ratio (times)	46.6	86.8	121.9	188.1	420.1

Notes:

Equity ratio: (Net assets – minority interest)/ Total assets

(As for the numbers from FY ended March 2005 to FY ended March 2006, the conventional “shareholders’ equity ratio,” which was calculated by dividing conventional shareholders’ equity by total assets, is shown in the “Equity ratio” column.)

Equity ratio on mark-to-market basis: Total market capitalization/total assets

Debt repayment period: Interest-bearing debt/net cash provided by operating activities

Interest coverage ratio: Net cash provided by operating activities/interest paid

* The above indicators are calculated based on consolidated financial figures.
* Total market capitalization is calculated using the closing stock price at the end of the term multiplied by the number of shares outstanding at the end of the term (excluding treasury stock).
* Net cash flow from operating activities is that shown on the statement of consolidated cash flows. Interest-bearing debt is all debt subject to interest payments within liabilities shown on the consolidated balance sheets. Interest paid is that shown on the consolidated statement of cash flows.

Forecasts for the Full Fiscal Year

The Company’s forecast dated May 15, 2006 for the full fiscal year has been revised in light of recent business developments. Increases are expected in net sales by 27.3%, ordinary income by 15.7%, and net income by 13.3% from the previous forecast.

The previous forecast was based on prices of $60 per barrel for domestic imported crude oil, and an exchange rate of ¥110/$, however, actual results for the interim reporting period came to $65.8 per barrel (weighted average) and ¥115.42/$ (weighted average).

In the revised forecast we anticipate $65 per barrel during the third quarter and $55 per barrel during the fourth quarter and an exchange rate of ¥115/$ for both the third and fourth quarters. We have also incorporated the purchase and sale of crude oil from the Sakhalin 1 project, which will lead to an increase of net sales by ¥33,775 million from the previous forecast to ¥157,685 million. Ordinary income is expected to increase by ¥3,910 million to ¥28,830 million as a result of such factors as an increase in cost of sales for crude oil products, and net income is forecast to increase by ¥2,299 million to ¥19,541 million.

The differences from the forecast announced on May 15, 2006 are as follows.

	Net Sales (¥ million)	Ordinary Income (¥ million)	Net Income (¥ million)
Previously announced forecast (A)	123,910	24,920	17,242
Current revised forecast (B)	157,685	28,830	19,541
Increase/decrease (B-A)	33,775	3,910	2,299
Increase/decrease (%)	27.3	15.7	13.3

Risk Factors

The following are a few of the range of different factors that could potentially impact the operating results of the JAPEX Group. Please be aware that factors with the potential to affect business performance are not limited to those discussed below.

① Risks associated with business operations
The exploration stage of business operations is inherently highly risky. These operations require substantial investments and extended timeframes to conduct activities beginning with initial surveys and including exploration work to the discovery of resources. Furthermore, there are no assurances that oil or gas will be found. Substantial investments are also required to commercialize newly found reserves, as JAPEX must drill development wells and construct production and transmission facilities. Due to these factors, long lead times are typically required from the start of a particular project until an investment can be recovered and earnings generated. During this period, the operating environment can undergo any number of changes that may make it difficult to achieve the original investment goals of the project.

② Factors causing volatility in crude oil sales
JAPEX markets crude oil at international prices. Consequently, the price at which the Company sells crude oil is affected by market trends, such as the level of output set by OPEC and trends in the international balance of supply and demand, as well as fluctuations in exchange rates. To reduce associated risks, the Company engages in crude oil swap transactions, although this approach does not entirely eliminate all associated risks.

③ Factors causing volatility in natural gas sales
Selling prices for natural gas are normally determined based on fixed contracts with customers and denominated in yen. As such, prices are not affected by short-term fluctuations in prices for internationally traded natural gas or exchange rates. However, volumes of gas sales to local distribution companies (LDCs) do exhibit seasonality, that is, lower demand in the summer and higher demand in the winter. In addition, sales volume declines during warm winters. Furthermore, over the longer term, the deregulation of Japan’s energy markets and other factors carries the risk of lower unit selling prices and lower sales volumes of natural gas.

4. Consolidated Interim Financial Statements

(1) Consolidated Interim Balance Sheet

Description	As of Sept. 30, 2005 Amount (¥ million)		As of Sept. 30, 2006 Amount (¥ million)		As of March 31, 2006 Amount (¥ million)	
(Assets)						
I. Current assets						
1. Cash and deposits		20,561		20,559		29,639
2. Notes and accounts receivable		12,632		13,890		18,713
3. Marketable securities		6,141		29,961		15,966
4. Inventories		9,216		12,479		8,794
5. Other current assets		10,566		5,481		5,226
Less: Allowance for doubtful receivables		(15)		(9)		(19)
Total current assets		59,102		82,362		78,321
II. Fixed assets						
1. Property, plant and equipment						
(1) Buildings and structures	44,147		41,112		42,899	
(2) Machinery and equipment	28,307		28,668		28,286	
(3) Land	13,001		13,181		13,131	
(4) Other property, plant and equipment	12,602	98,057	23,180	106,143	16,794	101,112
2. Intangible fixed assets		6,446		6,077		6,333
3. Investments and others						
(1) Investments in securities	306,717		320,668		335,345	
(2) Others	12,616		17,177		20,620	
Less: Allowance for doubtful receivables	(231)		(97)		(120)	
Allowance for losses on overseas investments	(8,012)	311,089	(8,888)	328,859	(9,095)	346,749
Total fixed assets		415,594		441,080		454,195
Total assets		474,697		523,442		532,516

Description	As of Sept. 30, 2005 Amount (¥ million)	As of Sept. 30, 2006 Amount (¥ million)	As of March 31, 2006 Amount (¥ million)
（Liabilities）			
I. Current liabilities			
1. Notes and accounts payable	4,749	6,872	8,195
2. Short-term bank loans	2,773	-	-
3. Current portion of long-term debt	820	972	-
4. Reserve for directors’ bonus	-	47	-
5. Other current liabilities	12,150	14,864	17,366
Total current liabilities	20,493	22,755	25,561
II. Long-term liabilities			
1. Long-term debt	7,000	16,028	15,000
2. Deferred tax liabilities	76,570	82,188	88,556
3. Accrued retirement benefits for employees	4,254	5,056	4,735
4. Accrued retirement benefits for officers	702	577	761
5. Accrued estimated cost of abandonment of wells	2,697	3,176	2,943
6. Accrual for losses on projects	945	716	871
7. Other reserves	124	98	88
8. Other long-term liabilities	12	12	12
Total long-term liabilities	92,307	107,853	112,969
Total liabilities	112,801	130,608	138,531
（Minority interests）			
Minority interests in consolidated subsidiaries	7,166	-	7,762
（Shareholders’ equity）			
I. Common stock	14,288	-	14,288
II. Retained earnings	198,718	-	209,095
III. Unrealized holding gain on securities	141,709	-	161,949
IV. Translation adjustments	16	-	894
V. Treasury stock	(4)	-	(4)
Total shareholders’ equity	354,729	-	386,222
Total liabilities, minority interests and shareholders’ equity	474,697	-	532,516
（Net Assets）			
I. Shareholders’ equity			
1. Capital	-	14,288	-
2. Capital reserves	-	218,228	-
3. Treasury stock	-	(4)	-
Total shareholders’ equity	-	232,512	-
II. Difference on valuation and conversion, etc.			
1. Difference on valuation of other marketable securities	-	152,150	-
2. Deferred gain (loss) on hedging	-	10	-
3. Translation adjustments	-	885	-
Total difference on valuation and conversion, etc.	-	153,047	-
III. Minority interests	-	7,274	-
Total net assets	-	392,833	-
Total liabilities and net assets	-	523,442	-

(2) Consolidated Interim Statement of Income

	Fiscal 2006 1st half		Fiscal 2007 1st half		Fiscal 2006	
Description	Amount (¥ million)		Amount (¥ million)		Amount (¥ million)	
I. Net sales		59,221		67,138		138,796
II. Cost of sales		34,170		37,643		77,433
Gross profit		25,050		29,495		61,362
III. Exploration expenses						
1. Exploration expenses	5,625		3,021		10,800	
2. Exploration subsidies	(796)	4,829	(81)	2,940	(1,122)	9,677
IV. Ⅳ Selling, general and administrative expenses		11,759		14,027		24,666
Operating income		8,461		12,528		27,018
V. Non-operating income						
1. Interest income	641		634		1,367	
2. Dividend income	1,425		2,277		2,548	
3. Equity in profit of non-consolidated subsidiaries and affiliates	392		219		-	
4. Reversal of allowance for losses on overseas investments	299		205		-	
5. Reversal of accrual for losses on projects	740		155		814	
6. Other non-operating income	1,072	4,571	476	3,969	2,496	7,226
VI. Non-operating expenses						
1. Interest expense	73		37		144	
2. Devaluation loss on securities	-		141		93	
3. Provision for accrued estimated cost of abandonment of wells	261		268		522	
4. Loss on foreign exchange conversion	-		136		-	
5. Other non-operating expenses	239	574	163	746	2,293	3,054
Ordinary income		12,459		15,750		31,190
VII. Extraordinary income						
1. Reversal of allowance for doubtful receivables	2	2	5	5	77	77
VIII. Extraordinary losses						
1. Loss on disposal of fixed assets	34	34	65	65	101	101
Income before income taxes and minority interests		12,427		15,690		31,166
Current income taxes	2,918		5,086		8,845	
Deferred income taxes	(36)	2,882	(886)	4,200	448	9,294
Minority interests		561		836		1,655
Net income		8,983		10,654		20,216

(3) Consolidated Interim Statements of Shareholders' Equity and Interim Statement of Changes in Shareholders' Equity, etc.

Consolidated Interim Statements of Shareholders' Equity

	Fiscal 2006 1st half		Fiscal 2006	
Description	Amount (¥ million)		Amount (¥ million)	
(Retained earnings)				
I. Balance at beginning of interim period		191,116		191,116
II. Addition				
1. Net income	8,983	8,983	20,216	20,216
III. Deductions				
1. Cash dividends paid	1,285		2,143	
2. Bonuses to officers	95		95	
(Incl. statutory auditors)	(3)		(3)	
3. Deduction of consolidated subsidiaries	0	1,381	0	2,238
IV. Balance at end of interim period		198,718		209,095

Consolidated Interim Statement of Changes in Shareholders' Equity etc.

Interim Period (from April 1 to September 30, 2006)

(unit: ¥ million)

	Shareholders' Equity				Difference on valuation and conversion etc.				Minority interests	Total net assets
	Capital	Capital reserves	Treasury stock	Total share-holders' equity	Difference on valuation of other marketable securities	Deferred gain (loss) on hedging	Translation adjustments	Total difference on valuation and conversion, etc.		
Balance as of March 31, 2006	14,288	209,095	(4)	223,379	161,949	-	894	162,843	7,762	393,985
Changes during interim period										
Distributions from capital reserve (note)		(1,428)		(1,428)						(1,428)
Directors' bonuses (note)		(92)		(92)						(92)
Net income		10,654		10,654						10,654
Changes during interim period other than shareholders' equity items (net)					(9,798)	10	(8)	(9,796)	(488)	(10,284)
Total changes during interim period	-	9,133	-	9,133	(9,798)	10	(8)	(9,796)	(488)	(1,151)
Balance as of September 30, 2006	14,288	218,228	(4)	232,512	152,150	10	885	153,047	7,274	392,833

(Note) These items represent distribution of earnings resolved at the General Meeting of Shareholders in June 2006.

(4) Consolidated Interim Statements of Cash Flows

Description	Fiscal 2006 1st half Amount (¥ million)	Fiscal 2007 1st half Amount (¥ million)	Fiscal 2006 Amount (¥ million)
I. Operating activities			
1. Interim (current) income before income taxes and minority interests	12,427	15,690	31,166
2. Depreciation and amortization	6,714	7,080	13,951
3. Amortization of goodwill	503	-	946
4. Loss on devaluation of marketable securities and investments in securities	-	491	-
5. Increase (decrease) in allowance for doubtful receivables	17	(33)	(89)
6. Increase in provision for accrued retirement benefits for employees	422	320	903
7. Decrease in provision for accrued retirement benefits for officers	(70)	(184)	(11)
8. Increase (decrease) in provision for accrued estimated cost of abandonment of wells	(16)	227	97
9. Decrease in provision for allowance for losses on overseas investments and accrual for losses on projects	(1,039)	(362)	(30)
10. Interest and dividend income	(2,067)	(2,912)	(3,916)
11. Interest expense	73	37	144
12. Gain on redemption and sales of marketable securities and investments in securities	(346)	(6)	(428)
13. Loss on redemption and sales of marketable securities and investments in securities	16	141	94
14. Equity in losses (gains) of unconsolidated subsidiaries and affiliates	(392)	(219)	587
15. Decrease (increase) in notes and accounts receivable	1,285	4,830	(4,766)
16. Decrease (increase) in inventories	(58)	(3,684)	363
17. Increase (decrease) in notes and accounts payable	2,218	(2,717)	6,260
18. Decrease in consumption tax payable	(640)	(293)	(322)
19. Other, net	(4,065)	642	(2,150)
Subtotal	14,982	19,048	42,799
20. Payment of debt guarantee	(1,984)	-	(7,515)
21. Income from recovery of rights to exercise guaranteed debt	-	1,567	-
22. Income taxes (paid) and recovered	(642)	(7,412)	(2,432)
Net cash provided by operating activities	12,355	13,203	32,850

	Fiscal 2006 1st half	Fiscal 2007 1st half	Fiscal 2006
Description	Amount (¥ million)	Amount (¥ million)	Amount (¥ million)
II. Investing activities			
1. Investments in time deposits	(5)	(311)	(1,302)
2. Proceeds from time deposits	409	933	561
3. Payments for purchase of marketable securities	(5,998)	-	(5,998)
4. Proceeds from redemption and sale of marketable securities	6,518	800	10,536
5. Additions to property, plant and equipment	(11,534)	(10,847)	(21,042)
6. Proceeds from sales of property, plant and equipment	5	-	79
7. Additions to intangible fixed assets	(302)	(632)	(743)
8. Payments for purchase of investments in securities	(7,939)	(3,942)	(11,819)
9. Proceeds from redemption and sale of investments in securities	1,436	3,232	5,792
10. Increase in loans receivable	(3,107)	(133)	(3,128)
11. Decrease in loans receivable	1,856	674	2,353
12. Interest and dividends received	2,168	2,752	4,124
13. Other, net	458	1,050	523
Net cash used in investing activities	(16,033)	(6,423)	(20,063)
III. Financing activities			
1. Decrease in short-term bank loans	2,734	-	(158)
2. Proceeds from long-term debt	-	2,000	8,000
3. Repayment of long-term debt	(8,153)	-	(8,973)
4. Purchase of treasury stock	(0)	-	(0)
5. Cash dividends paid	(1,285)	(1,428)	(2,142)
6. Dividends paid to minority shareholders	(609)	(1,015)	(609)
7. Interest paid	(101)	(31)	(174)
8. Payment of capital reduction for minority interests	(2,029)	(342)	(2,029)
Net cash used in financing activities	(9,444)	(817)	(6,088)
IV. Effect of exchange rate changes on cash and cash equivalents	471	(48)	1,020
V. Increase in cash and cash equivalents	(12,651)	5,913	7,720
VI. Cash and cash equivalents at beginning of the period	34,568	43,082	34,568
VII. Increase in cash and cash equivalents due to merger	-	-	870
VIII. Decrease in cash and cash equivalents due to exclusion of subsidiaries from consolidation	(76)	-	(76)
IX. Cash and cash equivalents at the period-end	21,840	48,996	43,082

5. Status of Production and Sales

1. Production

Oil and Natural Gas Segment

Division	Product	Fiscal 2006 1st half	Fiscal 2007 1st half	Fiscal 2006
Oil and Natural Gas	Crude oil	kl 378,307 (80,960)	kl 361,314 (87,356)	kl 805,612 (164,842)
	Natural gas	thousand m3 577,172 (32,186)	thousand m3 556,619 (30,223)	thousand m3 1,279,066 (62,335)
	LNG	t 11,531	t 10,200	t 25,901
	Bitumen	kl 225,433 (225,433)	kl 229,832 (229,832)	kl 449,785 (449,785)
Other Businesses	LPG	t 5,153	t 4,541	t 10,737
	Fuel oil, etc.	kl 26,233	kl 25,280	kl 55,719

(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.
4. Bitumen is heavy oil extracted from oil sands.

2. Sales

Oil and Natural Gas Segment

Division	Product	Fiscal 2006 1st half		Fiscal 2007 1st half		Fiscal 2006	
		Volume	Amount	Volume	Amount	Volume	Amount
E&P	Crude Oil	kl 687,061	(¥ million) 26,592	kl 700,771	(¥ million) 32,815	kl 1,485,849	(¥ million) 61,185
	Natural Gas	thousand m3 622,473	18,503	thousand m3 614,702	18,893	thousand m3 1,413,717	43,539
	LNG	t 50,587	2,532	t 65,342	3,540	t 124,736	6,252
	Bitumen	kl 226,139	2,231	kl 229,981	4,410	448,951	6,526
	Subtotal	—	49,859	—	59,659	—	117,504
Contract services		—	3,253	—	1,013	—	7,148
	Subtotal	—	3,253	—	1,013	—	7,148
Other Businesses	LPG	t 12,403	(¥ million) 721	t 11,332	(¥ million) 825	t 26,234	(¥ million) 1,755
	Fuel oil, etc	kl 38,358	2,415	kl 41,269	2,648	kl 102,125	5,934
	Others	—	2,971	—	2,990	—	6,453
	Subtotal	—	6,107	—	6,465	—	14,143
	Total	—	59,221	—	67,138	—	138,796

(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 table do not include consumption tax.