

Consolidated Financial Results for the First Quarter Ended June 30, 2007

August 10, 2007

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

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Company Code: 1662

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Stock Listing: Tokyo Stock Exchange

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(Amounts less than one million yen have been omitted)

1. Consolidated Results for the First Quarter of Fiscal 2008 (April 1, 2007 – June 30, 2007)

(1) Consolidated Operating Results

(Percentages indicate changes over the First Quarter in the previous fiscal year.)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
FY2008 First Quarter	43,117	20.1	5,297	(23.1)	9,026	2.6	7,253	22.7
FY2007 First Quarter	35,890	38.2	6,886	118.2	8,799	51.7	5,909	48.7
FY2007 Full Year	170,018	–	29,719	–	34,705	–	20,982	–

	Net Income per Share-Basic	Net Income per Share-Diluted
	Yen	Yen
FY2008 First Quarter	126.91	–
FY2007 First Quarter	103.39	–
FY2007 Full Year	367.12	–

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Million Yen	Million Yen	%	Yen
June 30, 2007	609,791	446,598	71.9	7,672.47
June 30, 2006	532,631	399,267	73.6	6,862.96
March 31, 2007	578,059	418,929	71.0	7,185.80

(3) Consolidated Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at Period-End
	Million Yen	Million Yen	Million Yen	Million Yen
FY2008 First Quarter	3,908	(29,807)	(2,642)	31,756
FY2007 First Quarter	2,325	(4,890)	(406)	40,037
FY2007 Full Year	34,256	(18,140)	917	60,199

2. Cash Dividends

	Cash Dividends per Share
Record-Date	June 30
	Yen
FY2008 First Quarter	–
FY2007 First Quarter	–

3. Consolidated Forecast for Fiscal Year 2008 (April 1, 2007 – March 31, 2008)

(Percentages indicate changes over the same period in the previous fiscal year.)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Yen
FY2008 Interim	89,241	32.9	7,758	(38.1)	12,501	(20.6)	9,158	(14.0)	160.24
FY2008 Full Year	182,343	7.2	14,127	(52.5)	22,177	(36.1)	17,006	(18.9)	297.55

4. Others

(1) Changes in significant subsidiaries during the period (changes in specified subsidiary affecting the scope of consolidation):

No

(2) Use of simplified accounting procedures: Yes

(3) Changes in accounting treatment from the latest consolidated fiscal year: No

Note: For details, please refer to 4. Others, Qualitative Information & Financial Statements, etc. on page 4.

*Disclaimer regarding appropriate use of forecasts and related points of note

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 & Financial Statements, etc.

1. Qualitative Information Concerning Consolidated Business Performance

For the first three months of FY 2008, as compared to the same period of the previous fiscal year, consolidated net sales increased 20.1% to ¥43,117 million, operating income decreased 23.1% to ¥5,927 million, ordinary income increased 2.6% to ¥9,026 million and net income increased 22.7% to ¥7,253 million. Below is a summary of net sales by business division.

(a) E&P Division

The E&P Division sells crude oil, natural gas, liquefied natural gas (LNG) and bitumen. This division posted net sales in the first quarter reporting period of ¥39,382 million, up 22.9% from the same period of the previous fiscal year, on the back of soaring crude oil prices and the higher sales volumes of trading oil such as Sakhalin crude oil (SOKOL crude).

(b) Contract Services Division

The Contract Services Division is primarily involved in drilling and geophysical surveys, and recorded net sales in the first quarter reporting period of ¥315 million, down 43.3% from the same period of the previous year due to a decrease in drilling in the first quarter.

(c) Other Businesses Division

Our Other Business Division is primarily involved in the sale of petroleum products, including liquefied petroleum gas (LPG) and fuel oil, as well as transportation of natural gas and petroleum products on consignment. This division posted net sales in the first quarter reporting period of ¥3,419 million, up 3.7% from the previous year.

2. Qualitative Information Concerning Consolidated Financial Position

For the first three months of FY 2008, as compared to the same period of the previous fiscal year, investment and other assets increased due to an increase in the difference on valuation of investment securities and an increase in investment securities due to the acquisition of Energi Mega Pratama Inc. (EMPI), mentioned below in Cash Flows from Investing Activities. Also plant, property and equipment increased as a result of progress in drilling a production well in Niigata. As a result, fixed assets increased ¥59,676 million to ¥532,583 million. Current assets however decreased by ¥27,944 million to ¥77,207 million. Total assets increased by ¥31,732 million to ¥609,791 million.

With respect to liabilities, current liabilities decreased ¥7,065 million to ¥29,799 due to the payment of accounts payable for the Shiroishi-Koriyama gas pipeline completed in March 2007 and the payment of income tax liabilities etc. Long-term liabilities, however, increased by ¥11,128 million for reasons including an increase of ¥12,340 million in deferred tax liabilities due to an increase in the difference on valuation of investment securities. As a result, total liabilities increased ¥4,062 million to ¥163,192 million. Net assets increased ¥27,669 million to ¥446,598 million.

For status of consolidated cash flow, cash and cash equivalents (“funds”) at the end of the first quarter decreased by ¥28,443 million compared to the end of previous fiscal year to ¥31,756 million.

(Cash Flows from Operating Activities)

Funds provided by operating activities was ¥3,908 million. This is mainly attributable to the result of subtracting the decreases such as ¥3,863 million payment of income taxes from the increases in funds such as from ¥9,024 million of income before income taxes and minority interests.

(Cash Flows from Investing Activities)

Funds used in investing activities was ¥29,807 million. This was mainly due to the payment of ¥19,761 million—arising from the acquisition of investments in securities including the purchase of 25% of the shares of EMPI, who holds interests in the Kangean block in East Java, Indonesia—and the payment of ¥10,960 million for acquisition of property, plant and equipment.

(Cash Flows from Financing Activities)

Funds used in financing activities was ¥2,642 million. This was primarily due to a payment of cash dividends of ¥1,130 million and the repayment of long-term debt of ¥1,139 million.

3. Qualitative Information Concerning Consolidated Forecast

The forecast for the interim and full-year period released on May 14, 2007 has been revised. Please refer to the separate “Notice of Financial Forecast Revision for the Year Ending March 31, 2008” released on the same day of this report, August 10, 2007.

4. Others

(1) Changes in significant subsidiaries during the period (change in specified subsidiary affecting the scope of consolidation):
No

(2) Use of simplified accounting procedures
The simplified accounting method is adopted in part, for applications such as recording the tax expenses—obtained by multiplying the estimated effective tax rate by the income before income taxes and minority interests for the first quarter reporting period—as the income taxes and minority interests.
The simplified accounting method is applied in part to other procedures where the impact on the amount is slight.

(3) Changes in accounting treatment from the latest consolidated fiscal year: No

5. Consolidated Quarterly Financial Statements

(1) Consolidated Balance Sheets for the First Quarter of FY2008

Description	As of June 30, 2006	As of June 30, 2007	As of March 31, 2007
	Amount (¥ million)	Amount (¥ million)	Amount (¥ million)
(Assets)			
I. Current assets			
1. Cash and deposits	22,051	22,732	27,169
2. Notes and accounts receivable	12,287	18,616	24,451
3. Marketable securities	19,792	12,862	32,714
4. Inventories	11,542	12,061	8,683
5. Other current assets	6,014	10,945	12,145
Less: Allowance for doubtful receivables	(13)	(10)	(12)
Total current assets	71,674	77,207	105,152
II. Fixed assets			
1. Property, plant and equipment			
(1) Buildings and structures	41,719	53,637	54,892
(2) Machinery and equipment	28,230	28,338	29,258
(3) Land	13,132	13,164	13,164
(4) Other property, plant and equipment	21,892	23,647	18,192
Total property, plant and equipment	104,975	118,787	115,508
2. Intangible fixed assets	6,262	7,052	7,585
3. Investments and others			
(1) Investments in securities	339,231	396,176	341,162
(2) Others	19,695	19,758	18,081
Less: Allowance for doubtful receivables	(97)	(95)	(95)
Allowance for losses on overseas investments	(9,110)	(9,095)	(9,335)
Total Investments and others	349,718	406,743	349,812
Total fixed assets	460,957	532,583	472,907
Total assets	532,631	609,791	578,059

Description	As of June 30, 2006 Amount (¥ million)	As of June 30, 2007 Amount (¥ million)	As of March 31, 2007 Amount (¥ million)
(Liabilities)			
I. Current liabilities			
1. Notes and accounts payable	4,257	8,668	9,395
2. Current portion of long-term debt	972	2,278	2,278
3. Reserve for directors' bonus	23	26	96
4. Other current liabilities	13,217	18,826	25,094
Total current liabilities	18,470	29,799	36,864
II. Long-term liabilities			
1. Long-term debt	16,028	16,583	17,722
2. Deferred tax liabilities	89,538	106,607	94,267
3. Accrued retirement benefits for employees	4,875	5,512	5,434
4. Accrued retirement benefits for directors	472	389	608
5. Accrued estimated cost of abandonment of wells	3,073	3,597	3,459
6. Accrual for losses on projects	798	527	601
7. Other reserves	93	112	108
8. Other long-term liabilities	12	62	62
Total long-term liabilities	114,893	133,393	122,265
Total liabilities	133,363	163,192	159,130
(Net Assets)			
I. Shareholders' equity			
1. Capital	14,288	14,288	14,288
2. Capital reserves	213,483	233,523	227,413
3. Treasury stock	(4)	(5)	(5)
Total shareholders' equity	227,767	247,806	241,696
II. Difference on valuation and conversion, etc.			
1. Difference on valuation of other marketable securities	163,669	190,187	168,234
2. Deferred gain (loss) on hedging	5	19	55
3. Translation adjustments	801	496	707
Total difference on valuation and conversion, etc.	164,476	190,702	168,997
III. Minority interests	7,023	8,090	8,234
Total net assets	399,267	446,598	418,929
Total liabilities and net assets	532,631	609,791	578,059

(2) Consolidated Statements of Income for the First Quarter of FY2008

	FY2007 First Quarter (Apr. 1, 2006 - Jun. 30, 2006)	FY2008 First Quarter (Apr. 1, 2007 - Jun. 30, 2007)	FY2007 (Apr. 1, 2006 - Mar. 31, 2007)
Description	Amount (¥ million)	Amount (¥ million)	Amount (¥ million)
I. Net sales	35,890	43,117	170,018
II. Cost of sales	20,926	28,095	104,174
Gross profit	14,964	15,022	65,844
III. Exploration expenses			
1. Exploration expenses	1,807	2,917	8,987
2. Exploration subsidies	(10)	-	(809)
Total exploration expenses	1,797	2,917	8,178
IV. Selling, general and administrative expenses	6,280	6,807	27,946
Operating income	6,886	5,297	29,719
V. Non-operating income			
1. Interest income	299	430	1,355
2. Dividend income	1,793	2,268	2,805
3. Equity in profit of non-consolidated subsidiaries and affiliates	1	312	690
4. Reversal of allowance for losses on overseas investments	-	240	-
5. Reversal of accrual for losses on projects	72	74	270
6. Other non-operating income	241	685	1,527
Total non-operating income	2,409	4,012	6,649
VI. Non-operating expenses			
1. Interest expense	8	47	120
2. Provision for accrued estimated cost of abandonment of wells	136	147	569
3. Exchange loss	246	-	-
4. Other non-operating expenses	104	88	973
Total non-operating expenses	495	283	1,663
Ordinary income	8,799	9,026	34,705
VII. Extraordinary income			
1. Reversal of allowance for doubtful receivables	7	6	0
2. Other extraordinary income	-	-	966
Total extraordinary income	7	6	967
VIII. Extraordinary losses			
1. Loss on disposal of fixed assets	4	8	387
2. Other extraordinary losses	-	-	624
Total extraordinary losses	4	8	1,012
Income before income taxes and minority interests	8,803	9,024	34,660
Income taxes	2,549	1,591	11,909
Minority interests	344	179	1,768
Net income	5,909	7,253	20,982

(3) Consolidated Statements of Cash Flows for the First Quarter of FY2008

	FY2007 First Quarter (Apr. 1, 2006 - Jun. 30, 2006)	FY2008 First Quarter (Apr. 1, 2007 - Jun. 30, 2007)	FY2007 (Apr. 1, 2006 - Mar. 31, 2007)
Description	Amount (¥ million)	Amount (¥ million)	Amount (¥ million)
I. Operating activities			
1. Income before income taxes and minority interests	8,803	9,024	34,660
2. Depreciation and amortization	3,508	3,792	14,938
3. Amortization of goodwill	237	257	1,006
4. Decrease in allowance for doubtful receivables	(29)	(1)	(32)
5. Increase in provision for accrued retirement benefits for employees	140	78	699
6. Decrease in provision for accrued retirement benefits for directors	(288)	(219)	(153)
7. Increase in provision for accrued estimated cost of abandonment of wells	132	142	510
8. Decrease in provision for allowance for losses on overseas investments and accrual for losses on projects	(57)	(314)	(29)
9. Interest and dividend income	(2,093)	(2,699)	(4,161)
10. Interest expense	8	47	120
11. Gain on redemption and sales of marketable securities and investments in securities	(1)	(150)	(119)
12. Equity in losses (gains) of unconsolidated subsidiaries and affiliates	(1)	(312)	(690)
13. Decrease (increase) in notes and accounts receivable	6,424	5,819	(5,733)
14. Decrease (increase) in inventories	(2,747)	(3,378)	111
15. Increase (decrease) in notes and accounts payable	(6,126)	(2,576)	3,757
16. Increase (decrease) in consumption tax payable	(165)	222	(550)
17. Other, net	1,526	(2,414)	(851)
Subtotal	9,269	7,318	43,481
18. Collection of claim for indemnity of guaranteed debt implementation	-	453	2,643
19. Income taxes (paid) and recovered	(6,943)	(3,863)	(11,868)
Net cash provided by operating activities	2,325	3,908	34,256

	FY2007 First Quarter (Apr. 1, 2006 - Jun. 30, 2006)	FY2008 First Quarter (Apr. 1, 2007 - Jun. 30, 2007)	FY2007 (Apr. 1, 2006 - Mar. 31, 2007)
Description	Amount (¥ million)	Amount (¥ million)	Amount (¥ million)
II. Investing activities			
1. Proceeds from time deposits	910	545	948
2. Proceeds from redemption and sale of marketable securities	600	400	1,300
3. Additions to property, plant and equipment	(6,483)	(10,960)	(23,485)
4. Proceeds from sales of property, plant and equipment	0	-	28
5. Additions to intangible fixed assets	(335)	(168)	(1,388)
6. Payments for acquisition of investments in securities	(2,479)	(19,761)	(4,950)
7. Proceeds from redemption and sale of investments in securities	765	1,264	7,643
8. Increase in loans receivable	(118)	(4,285)	(165)
9. Decrease in loans receivable	323	92	1,241
10. Interest and dividends received	2,115	2,777	4,283
11. Other, net	(188)	288	(3,596)
Net cash used in investing activities	(4,890)	(29,807)	(18,140)
III. Financing activities			
1. Proceeds from long-term debt	2,000	-	5,000
2. Repayment of long-term debt	-	(1,139)	-
3. Purchase of treasury stock	-	(0)	(0)
4. Cash dividends paid	(1,404)	(1,130)	(2,571)
5. Dividends paid to minority shareholders	(1,015)	(306)	(1,015)
6. Other, net	13	(66)	(495)
Net cash used in financing activities	(406)	(2,642)	917
IV. Effect of exchange rate changes on cash and cash equivalents	73	98	84
V. Increase (decrease) in cash and cash equivalents	(3,045)	(28,443)	17,117
VI. Cash and cash equivalents at beginning of the period	43,082	60,199	43,082
VII. Cash and cash equivalents at the period-end	40,037	31,756	60,199

(4) Status of Production and Sales

① Production

E&P Division

Division	Product	FY2007 First Quarter (Apr. 1, 2006 - Jun. 30, 2006)	FY2008 First Quarter (Apr. 1, 2007 - Jun. 30, 2007)	FY2007 (Apr. 1, 2006 - Mar. 31, 2007)
E&P	Crude oil (kl)	188,758 (48,494)	186,543 (46,546)	791,517 (186,759)
	Natural gas (thousand m ³)	286,418 (14,591)	291,858 (13,800)	1,247,087 (62,705)
	LNG (t)	5,807	5,332	25,584
	Bitumen (kl)	117,702 (117,702)	107,916 (107,916)	447,430 (447,430)

(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 heavy crude oil extracted from oil sands.

② Sales

E&P Division

Division	Product	FY2007 First Quarter (Apr. 1, 2006 - Jun. 30, 2006)		FY2008 First Quarter (Apr. 1, 2007 - Jun. 30, 2007)		FY2007 (Apr. 1, 2006 - Mar. 31, 2007)	
		Volume	Amount (¥ million)	Volume	Amount (¥ million)	Volume	Amount (¥ million)
E&P	Crude Oil (kl)	407,608	19,325	502,816	24,404	1,821,618	84,931
	Natural Gas (thousand m ³)	308,455	9,570	320,728	10,284	1,411,309	44,949
	LNG (t)	33,213	1,747	38,727	2,312	208,384	10,879
	Bitumen (kl)	117,243	1,394	108,056	2,381	444,985	9,777
	Subtotal	—	32,038	—	39,382	—	150,538
Contract Services		—	556	—	315	—	5,383
	Subtotal	—	556	—	315	—	5,383
Other Businesses		—	3,296	—	3,419	—	14,096
	Subtotal	—	3,296	—	3,419	—	14,096
Total		—	35,890	—	43,117	—	170,018

(Notes)

1. 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.
2. Monetary amounts in the table do not include consumption tax.