

Consolidated Financial Results for the Three Months Ended June 30, 2008

August 8, 2008

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

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(Millions of yen with fractional amounts discarded, unless otherwise noted)

1. Consolidated financial results for the three months ended June 30, 2008 (April 1, 2008 - June 30, 2008)

(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	%
For the three months ended								
June 30, 2008	59,123	-	4,607	-	5,520	-	4,181	-
June 30, 2007	43,117	20.1	5,297	(23.1)	9,026	2.6	7,253	22.7

	Net income per share	Diluted net income per share
	Yen	Yen
For the three months ended		
June 30, 2008	73.17	-
June 30, 2007	126.91	-

(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, 2008	684,246	487,707	70.1	8,395.55
As of March 31, 2008	620,946	448,226	70.8	7,696.00

Reference: Equity As of June 30, 2008: 479,833 million yen As of March 31, 2008: 439,852 million yen

2. Cash dividends

Record date	Cash dividends per share				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2008	-	20.00	-	20.00	40.00
Fiscal year ending March 31, 2009	-	-	-	-	40.00
Fiscal year ending March 31, 2009 (Forecast)	-	20.00	-	20.00	

Note: Revision of the forecast in the three months ended June 30, 2008: None

3. Consolidated financial forecasts for the fiscal year ending March 31, 2009 (April 1, 2008 - March 31, 2009)
(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, 2008	113,404	–	11,094	–	12,597	–	8,239	–	144.15
For the Fiscal year ending March 31, 2009	258,054	24.3	27,339	39.3	35,352	29.7	26,383	31.3	461.62

Note: Revision of the forecasts in the three months ended June 30, 2008: Yes

4. Others

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Application of simplified accounting as well as specific accounting for preparing the quarterly consolidated financial statements: Yes

Note: For more details, please refer to the section of “4. Others of [Qualitative Information and Financial Statements]” on page 5.

(3) Changes in accounting policies, procedures, and methods of presentation for preparing the quarterly consolidated financial statements (changes described in the section of “Changes in significant matters forming the basis of preparing the quarterly consolidated financial statements”)

a. Changes due to revisions to accounting standards: Yes

b. Changes due to other reasons: Yes

Note: For more details, please refer to the section of “4. Others of [Qualitative Information and Financial Statements]” on page 5.

(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, 2008 57,154,776 shares

As of March 31, 2008 57,154,776 shares

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

As of June 30, 2008 1,494 shares

As of March 31, 2008 1,407 shares

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

For the three months of the fiscal year ending March 31, 2009 57,153,339 shares

For the three months of the fiscal year ended March 31, 2008 57,153,534 shares

* Proper use of financial forecasts, and other special directions

Concerning the financial forecasts for the fiscal year ending March 31, 2009, refer to “Notice of Financial Forecast Revision for Fiscal Year Ending March 31, 2009” released today.

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 and Financial Statements]

1. Qualitative information regarding consolidated operating results

During the three months ended June 30, 2008, net sales was ¥59,123 million, an increase of ¥16,006 million (+37.1%) year on year.

Gross profit was ¥18,654 million, an increase of ¥3,631 million (+24.2%) year on year reflecting a rise in crude oil and bitumen prices. However, a ¥3,245 million (+111.2%) increase year on year to ¥6,162 million in exploration expenses incurred due to exploratory drilling activity in offshore of Niigata and the Philippines and a 15.8% year-on-year rise in selling, general and administrative expenses resulted in a ¥689 million (-13.0%) decrease in operating income year on year to ¥4,607 million.

Ordinary income was ¥5,520 million, a decrease of ¥3,506 million (-38.8%) year on year due to lower dividend income and the posting of a foreign exchange loss.

Income before income taxes and minority interests dropped ¥3,520 million (-39.0%) to ¥5,504 million with net income standing at ¥4,181 million, a decrease of ¥3,071 million (-42.3%) year on year.

Below is a summary of earnings by business division.

(i) E&P Division

The E&P Division sells crude oil, natural gas, liquefied natural gas (LNG) and bitumen. During the three months ended June 30, 2008, this Division posted net sales of ¥54,957 million, up ¥15,574 million (+39.5%) year on year primarily on the back of soaring crude oil and bitumen prices.

(ii) Contract Services Division

The Contract Services Division is primarily involved in drilling and geophysical surveys. During the three months ended June 30, 2008, it recorded net sales of ¥504 million, up ¥188 million (+59.9%) year on year.

(iii) Other Businesses Division

The Other Businesses Division is primarily involved in 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. During the three months ended June 30, 2008, this Division posted net sales of ¥3,661 million, up ¥242 million (+7.1%) year on year.

2. Qualitative information regarding consolidated financial position

At the end of the first three months, as compared to the end of the previous fiscal year, total assets increased by ¥63,300 million to ¥684,246 million. The main reasons for this were an increase in investments in securities due to the rise in the stock price of INPEX Holdings Inc.

Total liabilities, on the other hand, had also increased by ¥23,818 million to ¥196,538 million due to an increase in deferred tax liabilities as a result of a greater difference on valuation of investment securities, and an increase in long-term debt. Net assets increased ¥39,481 million to ¥487,707 million.

3. Qualitative information regarding consolidated financial forecasts

The full-year forecast released on May 15, 2008 has been revised. Please refer to the "Notice of Financial Forecast Revision for Fiscal Year Ending March 31, 2009" released on the same day of this report, August 8, 2008.

4. Others

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation)

No items to report.

(2) Application of simplified accounting as well as specific accounting for preparing the quarterly consolidated financial statements

a. Deferral accounting of cost variance

Cost variance arising from seasonal changes in production level is deferred as current liabilities (other current liabilities) 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, the Company 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 first three months under review, and next by multiplying the quarterly net income before income taxes and minority interests by such estimated effective tax rate. Note that deferred income taxes is included in income taxes.

(3) Changes in accounting policies, procedures, and methods of presentation for preparing the quarterly consolidated financial statements

a. Commencing with the fiscal year, the “Accounting Standard for Quarterly Financial Reporting” (ASBJ Statement No. 12, March 14, 2007) and the “Guidance on Accounting Standard for Quarterly Financial Reporting” (ASBJ Guidance No. 14, March 14, 2007) are applied. Also, quarterly consolidated financial statements are prepared in accordance with the “Regulation for Quarterly Consolidated Financial Statements.”

b. Commencing with the first three months, the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (PITF Practical Solution No. 18, ASBJ, May 17, 2006) is applied. This change has no impact on operating income, ordinary income and income before income taxes and minority interests.

c. Before the change, the accounting treatment for finance lease transactions not involving the transfer of ownership followed the method similar to that applicable to ordinary operating lease transactions, but the “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13, revised March 30, 2007) and the “Guidance on Accounting Standard for Lease Transactions” (ASBJ Guidance No. 16, revised March 30, 2007) are allowed to be applied from the quarterly consolidated financial statements for the fiscal year beginning April 1, 2008 or later, the Company applies these standard and guidance to all lease transactions beginning on and after aforementioned date, and the accounting treatment for such transactions follows the method similar to that applicable to ordinary purchase and sales transactions. Meanwhile, depreciation of leased assets pertaining to finance lease transactions not involving the transfer of ownership is computed on a straight-line method over the lease period as durable period without residual value.

Also, the accounting treatment for finance lease transactions not involving the transfer of ownership whose transaction commenced before the first fiscal year in which the accounting standard is applied, continuously follows the method similar to that applicable to ordinary operating lease transactions. The impact of this change on operating income, ordinary income and income before income taxes and minority interests is minimal.

5. Consolidated financial statements

(1) Consolidated balance sheets

	(Millions of yen)	
	As of June 30, 2008	As of March 31, 2008 (Summary)
Assets		
Current assets		
Cash and deposits	24,235	27,794
Notes and accounts receivable	25,313	25,865
Marketable securities	23,319	17,724
Merchandise and finished products	4,155	3,921
Work in process	1,278	271
Raw materials and supplies	5,628	6,299
Other current assets	9,845	7,141
Less: Allowance for doubtful receivables	(10)	(10)
Total current assets	93,766	89,008
Fixed assets		
Property, plant and equipment	141,292	141,162
Intangible fixed assets		
Goodwill	1,835	2,092
Others	3,985	4,086
Total intangible fixed assets	5,820	6,179
Investments and others		
Investments in securities	432,712	376,137
Others	18,692	16,177
Less: Allowance for doubtful receivables	(97)	(97)
Less: Allowance for losses on overseas investments	(7,940)	(7,621)
Total investments and others	443,367	384,595
Total fixed assets	590,480	531,937
Total assets	684,246	620,946

(Millions of yen)

	As of June 30, 2008	As of March 31, 2008 (Summary)
Liabilities		
Current liabilities		
Notes and accounts payable	17,652	13,469
Short-term bank loans	50	-
Income taxes payable	1,053	1,414
Provision	445	590
Other current liabilities	19,242	23,382
Total current liabilities	38,444	38,857
Long-term liabilities		
Long-term debt	23,722	21,922
Deferred tax liabilities	123,892	101,477
Provision	10,343	10,349
Other long-term liabilities	136	113
Total long-term liabilities	158,094	133,862
Total liabilities	196,538	172,720
Net assets		
Shareholders' equity		
Capital	14,288	14,288
Retained earnings	248,263	245,225
Treasury stock	(7)	(7)
Total shareholders' equity	262,544	259,506
Difference on valuation and conversion, etc.		
Difference on valuation of other marketable securities	219,353	179,629
Deferred gains (loss) on hedging	(7)	(0)
Translation adjustments	(2,057)	716
Total difference on valuation and conversion, etc.	217,288	180,346
Minority interests	7,874	8,373
Total net assets	487,707	448,226
Total liabilities and net assets	684,246	620,946

(2) Consolidated statement of income

(Millions of yen)

	Three months ended June 30, 2008 (April 1, 2008 - June 30, 2008)
Net sales	59,123
Costs of sales	40,469
Gross profit	18,654
Exploration expenses	
Exploration expenses	7,083
Exploration subsidies	(920)
Total exploration expenses	6,162
Selling, general and administrative expenses	7,883
Operating income	4,607
Non-operating income	
Dividend income	1,433
Equity in profit of non-consolidated subsidiaries and affiliates	637
Other non-operating income	654
Total non-operating income	2,725
Non-operating expenses	
Exchange loss	1,021
Other non-operating expenses	791
Total non-operating expenses	1,812
Ordinary income	5,520
Extraordinary income	
Reversal of allowance for doubtful receivables	5
Total extraordinary income	5
Extraordinary losses	
Loss on disposal of fixed assets	20
Total extraordinary losses	20
Income before income taxes and minority interests	5,504
Income taxes	1,275
Minority interests	47
Net income	4,181

Commencing with the current fiscal year, the “Accounting Standard for Quarterly Financial Reporting” (ASBJ Statement No. 12) and the “Guidance on Accounting Standard for Quarterly Financial Reporting” (ASBJ Guidance No. 14) are applied. Also, quarterly consolidated financial statements are prepared in accordance with the “Regulation for Quarterly Consolidated Financial Statements.”

(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

6. Other information

Status of production and sales

a. Production

Division	Product	Three months ended		Three months ended		(Reference)	
		June 30, 2007 (April 1, 2007 - June 30, 2007)		June 30, 2008 (April 1, 2008 - June 30, 2008)		Fiscal year ended March 31, 2008 (April 1, 2007 - March 31, 2007)	
E&P	Crude oil (kl)	186,543 (46,546)		182,381 (41,565)		761,636 (147,397)	
	Natural gas (thousand m ³)	291,858 (13,800)		285,962 (13,350)		1,288,606 (58,946)	
	LNG (t)	5,332		7,873		33,610	
	Bitumen (kl)	107,916 (107,916)		106,430 (106,430)		410,363 (410,363)	

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.

b. Sales

Division	Product	Three months ended		Three months ended		(Reference)	
		June 30, 2007 (April 1, 2007 - June 30, 2007)		June 30, 2008 (April 1, 2008 - June 30, 2008)		Fiscal year ended March 31, 2008 (April 1, 2007 - March 31, 2007)	
		Volume	Amount	Volume	Amount	Volume	Amount
E&P	Crude oil (kl)	502,816	24,404	499,414	36,857	2,041,192	117,923
	Natural gas (thousand m ³)	320,728	10,284	325,699	11,505	1,486,910	48,982
	LNG (t)	38,727	2,312	40,787	2,771	170,453	10,285
	Bitumen (kl)	108,056	2,381	106,748	3,822	409,743	10,468
	Subtotal		39,382		54,957		187,660
	Contract services		315		504		5,395
	Other businesses		3,419		3,661		14,582
	Total		43,117		59,123		207,638

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.

Reference:
Consolidated financial statements for the three months ended June 30, 2007
(Summary) Consolidated statement of income

(Millions of yen)

	Three months ended June 30, 2007 (April 1, 2007 - June 30, 2007)
Description	Amount
I. Net sales	43,117
II. Cost of sales	28,095
Gross profit	15,022
III. Exploration expenses	2,917
IV. Selling, general and administrative expenses	6,807
Operating income	5,297
V. Non-operating income	
1. Interest income	430
2. Dividend income	2,268
3. Equity in profit of non-consolidated subsidiaries and affiliates	312
4. Reversal of allowance for losses on overseas investments	240
5. Reversal of accrual for losses on projects	74
6. Other non-operating income	685
Total non-operating income	4,012
VI. Non-operating expenses	
1. Interest expense	47
2. Provision for accrued estimated cost of abandonment of wells	147
3. Other non-operating expenses	88
Total non-operating expenses	283
Ordinary income	9,026
VII. Extraordinary income	
1. Reversal of allowance for doubtful receivables	6
Total extraordinary income	6
VIII. Extraordinary losses	
1. Loss on disposal of fixed assets	8
Total extraordinary losses	8
Income before income taxes and minority interests	9,024
Income taxes	1,591
Minority interests	179
Net income	7,253