

## Consolidated Financial Results for the Nine Months Ended December 31, 2008

February 10, 2009

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

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 Listing: Tokyo Stock Exchange, First Section  
 Securities code: 1662  
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(Millions of yen with fractional amounts discarded, unless otherwise noted)

1. Consolidated financial results for the nine months ended December 31, 2008  
 (April 1, 2008 - December 31, 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	%
December 31, 2008	164,912	—	19,704	—	19,898	—	10,420	—
December 31, 2007	141,339	28.6	15,479	(27.1)	22,468	(10.7)	17,381	(6.7)

	Net income per share	Diluted net income per share
Nine months ended	Yen	Yen
December 31, 2008	182.33	—
December 31, 2007	304.12	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2008	505,360	382,473	74.1	6,554.94
As of March 31, 2008	620,946	448,226	70.8	7,696.00

Reference: Equity As of December 31, 2008: 374,634 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	—	20.00	—	—	—
Fiscal year ending March 31, 2009 (Forecast)	—	—	—	20.00	40.00

Note: Revisions to the forecasts of cash dividends in the current quarter: 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
Fiscal year ending March 31, 2009	204,154	(1.7)	19,444	(0.9)	20,497	(24.8)	11,641	(42.1)	203.68

Note: Revisions to the consolidated financial forecasts in the current quarter: 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 and special 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 4.

(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 and other regulations: 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 4.

(4) Number of issued shares (common stock)

a. Total number of issued shares at the end of the period (including treasury stock)

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

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

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

As of December 31, 2008 1,712 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)

Nine months ended December 31, 2008 57,153,249 shares

Nine months ended December 31, 2007 57,153,456 shares

\* Proper use of financial forecasts, and other special matters

1. Concerning the financial forecasts for the fiscal year ending March 31, 2009, refer to “Notice of Financial Forecast Revision” 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.

2. Commencing with the current fiscal year, quarterly consolidated financial statements conform to the “Accounting Standard for Quarterly Financial Reporting” (ASBJ [Accounting Standards Board of Japan] Statement No. 12) and the “Guidance on Accounting Standard for Quarterly Financial Reporting” (ASBJ Guidance No. 14). They are also prepared in accordance with the “Regulation for Quarterly Consolidated Financial Statements.”

## [Qualitative Information and Financial Statements]

### 1. Qualitative information regarding consolidated operating results

During the nine months ended December 31, 2008 (from April 1, 2008 to December 31, 2008), net sales was ¥164,912 million, an increase of ¥23,573 million (+16.7%) year on year.

Gross profit was ¥57,184 million, an increase of ¥12,123 million (+26.9%) year on year reflecting a rise in crude oil and bitumen prices. Although there was a ¥5,439 million (+70.1%) increase year on year to ¥13,199 million in exploration expenses incurred due to seismic survey activities in Niigata Prefecture, Hokkaido and Indonesia as well as exploratory drilling activities at off the coast of Niigata Prefecture, in the Philippines and Akita Prefecture, and a ¥2,459 million (+11.3%) increase year on year in selling, general and administrative expenses to ¥24,280 million, operating income increased year on year by ¥4,224 million (+27.3 %) to ¥19,704 million.

Ordinary income was ¥19,898 million, a decrease of ¥2,569 million (-11.4%) year on year due to the posting of a devaluation loss on securities and a foreign exchange loss, lower dividend income and the equity in loss (previously equity in profit) of non-consolidated subsidiaries and affiliates, among others.

Income before income taxes and minority interests decreased ¥6,199 million year on year (-28.6%) to ¥15,481 million, with net income standing at ¥10,420 million, a decrease of ¥6,960 million (-40.0%) year on year, due in part to the posting of a loss on disposal of fixed assets and an impairment loss as extraordinary losses caused by the abandoning of a portion of the Numanohata SK-8D well due to its inability to produce a commercial quantity. The well was spudded in May 2008 for production drilling at the Yufutsu oil and gas field in Hokkaido.

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 nine months ended December 31, 2008, this Division posted net sales of ¥152,175 million, up ¥23,579 million (+18.3%) year on year primarily on the back of soaring crude oil and bitumen prices in spite of a decrease in the amount of Sakhalin crude oil traded compared to the same period of the previous fiscal year.

#### (ii) Contract Services Division

The Contract Services Division is primarily involved in drilling and geophysical surveys. During the nine months ended December 31, 2008, it recorded net sales of ¥2,003 million, down ¥59 million (-2.9%) 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 nine months ended December 31, 2008, this Division posted net sales of ¥10,733 million, up ¥53 million (+0.5%) year on year.

### 2. Qualitative information regarding consolidated financial position

At the end of the third quarter, as compared to the end of the previous fiscal year, total assets decreased by ¥115,585 million to ¥505,360 million. The main reasons for this were a decrease in investments in securities due to the decline in the stock price of INPEX CORPORATION

Total liabilities, on the other hand, decreased by ¥49,832 million to ¥122,887 million and total net assets decreased ¥65,752 million to ¥382,473 million due to a decrease in deferred tax liabilities and difference on valuation of other marketable securities, respectively, as a result of a decrease in the aforementioned investments in securities.

### 3. Qualitative information regarding consolidated financial forecasts

The full-year forecast released on November 7, 2008 has been revised. Please refer to the “Notice of Financial Forecast Revision” released on the same day of this report, February 10, 2009.

#### 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 and special 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 third quarter 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 current fiscal year, quarterly consolidated financial statements conform to 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). They are also prepared in accordance with the “Regulation for Quarterly Consolidated Financial Statements.”

b. Commencing with the first quarter, consolidated financial statements conform to the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (PITF Practical Solution No. 18, May 17, 2006). This change has no impact on operating income, ordinary income and income before income taxes and minority interests for the nine months ended December 31, 2008.

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, commencing with the first quarter, 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 for the nine months ended December 31, 2008 is minimal.

## 5. Consolidated financial statements

### (1) Consolidated balance sheets

	(Millions of yen)	
	As of December 31, 2008	As of March 31, 2008 (Summary)
Assets		
Current assets		
Cash and deposits	32,017	27,794
Notes and accounts receivable	18,489	25,865
Marketable securities	9,414	17,724
Merchandise and finished products	4,433	3,921
Work in process	1,905	271
Raw materials and supplies	6,217	6,299
Other current assets	21,166	7,141
Less: Allowance for doubtful receivables	(10)	(10)
Total current assets	93,634	89,008
Fixed assets		
Property, plant and equipment	140,567	141,162
Intangible fixed assets		
Others	4,787	6,179
Total intangible fixed assets	4,787	6,179
Investments and others		
Investments in securities	255,941	376,137
Others	18,267	16,177
Less: Allowance for doubtful receivables	(68)	(97)
Less: Allowance for losses on overseas investments	(7,770)	(7,621)
Total investments and others	266,371	384,595
Total fixed assets	411,726	531,937
Total assets	505,360	620,946

(Millions of yen)

	As of December 31, 2008	As of March 31, 2008 (Summary)
Liabilities		
Current liabilities		
Notes and accounts payable	7,762	13,469
Provision	301	590
Other current liabilities	18,361	24,797
Total current liabilities	26,425	38,857
Long-term liabilities		
Long-term debt	23,837	21,922
Deferred tax liabilities	61,482	101,477
Accrued retirement benefits for employees	5,699	5,272
Other reserves	4,975	5,076
Other long-term liabilities	465	113
Total long-term liabilities	96,461	133,862
Total liabilities	122,887	172,720
Net assets		
Shareholders' equity		
Capital	14,288	14,288
Retained earnings	253,359	245,225
Treasury stock	(9)	(7)
Total shareholders' equity	267,639	259,506
Difference on valuation and conversion, etc.		
Difference on valuation of other marketable securities	108,959	179,629
Deferred gains (loss) on hedging	(218)	(0)
Translation adjustments	(1,744)	716
Total difference on valuation and conversion, etc.	106,995	180,346
Minority interests	7,838	8,373
Total net assets	382,473	448,226
Total liabilities and net assets	505,360	620,946

## (2) Consolidated statement of income

	(Millions of yen)
	Nine months ended December 31, 2008 (April 1, 2008 – December 31, 2008)
Net sales	164,912
Costs of sales	107,727
Gross profit	57,184
Exploration expenses	
Exploration expenses	14,119
Exploration subsidies	(920)
Total exploration expenses	13,199
Selling, general and administrative expenses	24,280
Operating income	19,704
Non-operating income	
Interest income	1,032
Dividend income	2,677
Other non-operating income	1,237
Total non-operating income	4,947
Non-operating expenses	
Devaluation loss on securities	1,783
Exchange loss	1,567
Other non-operating expenses	1,402
Total non-operating expenses	4,753
Ordinary income	19,898
Extraordinary income	
Subsidy income	191
Other extraordinary income	5
Total extraordinary income	196
Extraordinary losses	
Loss on disposal of fixed assets	2,343
Impairment loss	2,263
Other extraordinary losses	6
Total extraordinary losses	4,613
Income before income taxes and minority interests	15,481
Income taxes	3,968
Minority interests	1,091
Net income	10,420

Commencing with the current fiscal year, quarterly consolidated financial statements conform to 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). They are also 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



## Reference:

Consolidated financial statements for the nine months ended December 31, 2007  
(Summary) Consolidated statement of income

	First 3Qs ended December 31, 2007 (April 1, 2007 - December 31, 2007)
Description	Amount (¥ million)
I. Net sales	141,339
II. Cost of sales	96,278
Gross profit	45,060
III. Exploration expenses	
1. Exploration expenses	7,822
2. Exploration subsidies	(62)
Total exploration expenses	7,760
IV. Selling, general and administrative expenses	21,820
Operating income	15,479
V. Non-operating income	
1. Interest income	1,149
2. Dividend income	3,419
3. Equity in profit of non-consolidated subsidiaries and affiliates	1,495
4. Reversal of allowance for losses on overseas investments	1,271
5. Reversal of accrual for losses on projects	220
6. Other non-operating income	800
Total non-operating income	8,355
VI. Non-operating expenses	
1. Interest expense	196
2. Loss on sales of securities	174
3. Provision for accrued estimated cost of abandonment of wells	429
4. Exchange loss	315
5. Other non-operating expenses	252
Total non-operating expenses	1,367
Ordinary income	22,468
VII. Extraordinary income	
1. Reversal of allowance for doubtful receivables	4
2. Gain on sales of fixed assets	1
Total extraordinary income	5
VIII. Extraordinary losses	
1. Loss on disposal of fixed assets	116
2. Earthquake disaster recovery expenses	675
3. Other extraordinary losses	0
Total extraordinary losses	792
Income before income taxes and minority interests	21,681
Income taxes	3,648
Minority interests	650
Net income	17,381

## 6. Other information

### Status of production and sales

#### a. Production

Division	Product	First 3Qs ended December 31, 2007 (April 1, 2007 – December 31, 2007)	Nine months ended December 31, 2008 (April 1, 2008 – December 31, 2008)	(Reference) Fiscal year ended March 31, 2008 (April 1, 2007 – March 31, 2008)
		E&P	Crude oil (kl)	536,652 (105,466)
Natural gas (thousand m <sup>3</sup> )	901,681 (44,756)		906,328 (44,059)	1,288,606 (58,946)
LNG (t)	20,698		29,556	33,610
Bitumen (kl)	307,107 (307,107)		312,186 (312,186)	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	First 3Qs ended December 31, 2007 (April 1, 2007 – December 31, 2007)		Nine months ended December 31, 2008 (April 1, 2008 – December 31, 2008)		(Reference) Fiscal year ended March 31, 2008 (April 1, 2007 – March 31, 2008)	
		Volume	Amount (Million of yen)	Volume	Amount (Million of yen)	Volume	Amount (Million of yen)
		E&P	Crude oil (kl)	1,457,589	81,024	1,407,057	90,843
Natural gas (thousand m <sup>3</sup> )	1,020,591		32,726	1,030,981	36,966	1,486,910	48,982
LNG (t)	118,959		7,086	128,974	9,389	170,453	10,285
Bitumen (kl)	307,529		7,757	313,028	14,975	409,743	10,468
Subtotal	—		128,595	—	152,175	—	187,660
Contract services		—	2,062	—	2,003	—	5,395
Other businesses		—	10,680	—	10,733	—	14,582
Total		—	141,339	—	164,912	—	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.