

Consolidated Financial Results for the Interim Period Ended September 30, 2005

November 14, 2005

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

Company Name: Japan Petroleum Exploration Co., Ltd.

Company Code: 1662

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

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Date of the Board of Directors meeting to settle term-end consolidated accounts: November 14, 2005

U.S. GAAP not applied

Stock Listing: Tokyo Stock Exchange

Location of Head Office: Tokyo

1. Consolidated Results for the FY2006 Interim Period (April 1, 2005 – September 30, 2005)

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

	Net Sales		Operating Income		Ordinary Income	
	(¥ million)	%	(¥ million)	%	(¥ million)	%
FY2006 Interim	59,221	27.7	8,461	169.5	12,459	71.6
FY2005 Interim	46,371	9.5	3,139	(44.7)	7,259	1.2
FY2005 Full Year	103,150		12,449		19,001	

	Net Income		Net Income per Share		Diluted Net Income per Share	
	(¥ million)	%	(¥)	(¥)	(¥)	(¥)
FY2006 Interim	8,983	60.9	157.17	-	-	-
FY2005 Interim	5,583	17.3	97.69	-	-	-
FY2005 Full Year	13,234		230.05	-	-	-

(Notes)

- Equity in net income (loss) of non-consolidated subsidiaries and affiliates
FY2006 Interim: ¥392 million FY2005 Interim: ¥997 million FY2005 Full Year: ¥116 million
- Average number of outstanding shares during the period (Consolidated):
FY2006 Interim: 57,153,779 shares FY2005 Interim: 57,154,267 shares FY2005 Full Year: 57,154,118 shares
- Changes in accounting methods: No
- Percentage figures for net sales, operating income and other items represent changes compared with the previous fiscal year.
- Diluted net income per share is not shown because there are no shares with a dilutive effect.

(2) Consolidated Financial Position

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio	Shareholders' Equity per Share
	(¥ million)	(¥ million)	%	(¥)
FY2006 Interim	474,697	354,729	74.7	6,206.58
FY2005 Interim	247,756	202,178	81.6	3,537.42
FY2005 Full Year	393,733	293,152	74.5	5,127.67

(Note) Number of shares issued and outstanding (consolidated) at period end:

FY2006 Interim 57,153,686 shares FY2005 Interim 57,154,063 shares FY2005 Full Year 57,153,822 shares

(3) Consolidated Cash Flows

	Operating Activities	Investing Activities	Financing Activities	Cash and Cash Equivalents at Period-End
	(¥ million)	(¥ million)	(¥ million)	(¥ million)
FY2006 Interim	12,355	(16,033)	(9,444)	21,840
FY2005 Interim	6,874	(1,522)	(4,092)	29,205
FY2005 Full Year	21,936	(15,805)	786	34,568

(4) Number of Consolidated Subsidiaries and Affiliates

Consolidated subsidiaries: 16

Non-consolidated subsidiaries accounted for by the equity method: 1

Equity-method affiliates: 8

(5) Changes in Scope of Consolidation and Application of Equity Method

Consolidated subsidiaries (Added): 0 (Excluded): 1
Equity-method affiliates (Added): 0 (Excluded): 0

2. Forecasts for FY2006 (April 1, 2005 – March 31, 2006)

	Net Sales	Ordinary Income	Net Income
	(¥ million)	(¥ million)	(¥ million)
Full Year	122,224	25,028	16,476

(Reference) Estimated net income per share is ¥ 288.27

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.

II. 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 petroleum and natural gas. Guided by this mission, the Company has steadily discovered petroleum 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, 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 its population 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 set 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 petroleum 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. 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 and other 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 in the wake of enforcement of 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 petroleum 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).

From this perspective, the Company is stepping up efforts to expand sales of natural gas passing through its Yufutsu-Sapporo and Niigata-Sendai pipelines. Simultaneously, it is working to expand and upgrade its transmission network by constructing a new natural gas pipeline, slated for completion in 2006, between the cities of Shiraishi and Koriyama by branching from its Niigata-Sendai pipeline.

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 m³ in fiscal 2008. 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 petroleum 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 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, in uncovering new business, the Company seeks to acquire the rights to oil and gas fields that are already on stream, as well as fields that have been discovered but remain undeveloped, both of which offer relatively low risk and high early returns, with consideration given to the balanced preservation of exploration assets over long-term operating periods. From a part of the Company's move, on Iraq, Japex has stepped into technical cooperation with the Ministry of Oil to establish firm relations with the Ministry and on Libya, the Company has propelled exploration activities in the blocks granted through the tender of October 2005 in Libya. And further, the Company will continue to secure new projects in its target E&P areas.

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, among other actions, 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-liquid 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.

4. Basic Stance and Progress on Strengthening Corporate Governance

(1) Basic stance on corporate governance

The JAPEX Group recognizes the importance of corporate governance in translating efficient management into higher earnings and in ensuring the Company plays a valuable and useful role in society. The Company therefore makes it a top priority to continually reinforce and upgrade its corporate governance systems.

(2) Measures to strengthen corporate governance

① Company organizations

To clarify its business execution framework, JAPEX adopted the executive officer system on June 24, 2005. Accompanying this change, the number of directors was reduced. Both these moves should expedite decision-making by the Board of Directors.

The Board of Directors and corporate auditors (together with the Audit Committee, comprising all the Company's corporate auditors) are responsible for overseeing executive actions carried out by each director. JAPEX therefore employs what is known as the corporate auditor system.

Board of Directors

The Board of Directors meets monthly. In addition to making decisions pertaining to important business and affairs of the corporation, the Board oversees executive actions based on status reports it receives from directors and officers. Also, from the perspective of speeding up decision-making, an Executive Committee, comprising full-time directors that reside in Tokyo, to make decisions regarding items that are not subject to decision by the Board of Directors. It also deliberates on items in support of decision-making by the Board. There are no outside directors on the Board of Directors.

Corporate Auditors and Audit Committee

Corporate auditors attend meetings of the Board of Directors, and full-time corporate auditors also attend meetings of the Executive Committee and other important Company meetings. At the same time, corporate auditors also exchange opinions with Board members with executive functions as part of their oversight function.

The Company has four corporate auditors, one of whom is outside auditors. While each auditor has the authority to conduct audits on an independent basis, general audit policy and the allocation of auditing tasks is decided by the Audit Committee. One staff member, concurrently attached to JAPEX's Internal Auditing Dept., is posted in the office that assists corporate auditors in the execution of their duties.

The Audit Committee receives pre-audit briefings from the independent auditor, as well as details on the specific areas audited upon receipt of the independent auditor's report. As needed, the full-time corporate auditors also receive status reports on the progress of audits by the independent auditor.

Outside auditor has no special conflicts of interests with the Company.

② Internal audits

The Internal Auditing Dept., which is under the direct authority of the Company president, is responsible for monitoring each department and division to ensure compliance with all laws and internal regulations in the course of business operations. One of the three members on staff serves concurrently in the Audit Committee office. Internal audits are conducted based on yearly audit plans, with audit results reported to the president. The Internal Auditing Dept. also provides instruction and advice to departments and divisions as needed.

Internal audit reports submitted to the president are shared with the Audit Committee and the corporate auditors. The Internal Auditing Dept. also provides briefings to full-time corporate auditors regarding the status of audits on a regular basis.

③ IR activities

In addition to implementing corporate governance based on this management structure, the Company conducts investor relations activities, including holding earnings results meetings and posting data on its corporate website, to increase management transparency, with the goal of ensuring optimal business execution in any operating environment.

④Matters regarding the independent auditor

Financial statements for the fiscal year ended March 31, 2006 were audited by Shin Nihon & Co. The names of the certified public accountants (CPAs) responsible for executing audits and those assisting in audit operations are detailed below.

CPAs responsible for audit execution (years of engagement)

Atsuhiro Umesawa (7 years)

Kiomi Horikoshi (1 year)

Staff assisting in audits

5 CPAs and 6 assistants

5. Relationships With Parent Company and Others

JAPEX has no parent company.

III. Business Results and Financial Position

1. Business Results

(1) Overview of the Interim Period

In the first half of fiscal 2006, ended September 30, 2005, the Japanese economy recovered moderately as the recent improvement in the corporate sector spread to the household sector.

Meanwhile, in the petroleum market, international crude oil prices rose steadily, resulting in a sharp rise in prices for domestic crude oil. Meanwhile, due to acceleration in the pace of deregulation, domestic natural gas prices remained still weak for the Company 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.

In the interim period ended September 30, 2005, consolidated net sales totaled ¥59,221 million, up ¥12,849 million, or 27.7%, compared to a year earlier. Driving this growth was higher sales of crude oil on the back of rising prices and other factors.

Operating income totaled ¥8,461 million, up ¥5,322 million, or 169.5%, from the previous interim period, due to also a contribution of consolidated overseas project companies. Ordinary income totaled ¥12,459 million, up ¥5,199 million, or 71.6%, from a year earlier.

As a result, consolidated net income for the interim period totaled ¥8,983 million, up ¥3,399 million, or 60.9%, from the previous year.

Below is a summary of earnings data for each of the Company's business divisions.

(a) E&P Division

The E&P division sells crude oil, natural gas and liquefied natural gas (LNG). Interim net sales totaled ¥49,859 million, up ¥12,718 million, or 34.2%, from a year earlier, primarily reflecting higher sales of crude oil on the back of rising prices and other factors.

(b) Contract Services Division

The Contract Services Division accepts orders mainly for drilling projects and geophysical surveys. Interim net sales totaled ¥3,253 million, up ¥611 million, or 23.2%, from the previous interim period.

(c) Other Businesses Division

This division mainly includes the sale of petroleum products such as LPG and fuel oil, the transmission of third-party gas and petroleum products, and other miscellaneous consignment orders. Interim net sales totaled ¥6,107 million, up ¥193 million, or 3.3% from a year earlier.

(2) Financial Position

Interim Cash Flows

As of September 30, 2005, cash and cash equivalents totaled ¥21,840 million, down ¥12,727 million, or 36.8%, compared to March 31, 2005. Below is a summary of interim cash flows of each activity.

Net cash provided by operating activities was ¥12,355 million, an increase of 79.7%, from the previous year. The main components were ¥12,427 million in income before income taxes and minority interests and ¥6,714 million in depreciation and amortization.

Net cash used in investing activities amounted to ¥16,033 million, an increase of 953.4% from a year earlier. This

was mainly attributable to ¥11,534 million for the acquisition of property, plant and equipment and ¥7,939 million for purchase of investments in securities. (This significant increase from a year earlier was due to 5,103 million in the 1st half of fiscal 2005 in proceeds(*) from purchase of consolidated subsidiary stock accompanied by changes in scope of consolidation, which made net cash used in investing activities reduced.

Note: (*) a net cash inflow arising from the difference between outflows for purchase of shares in Japex New Nanhai Ltd. and Jawa Oil Co., Ltd. and funds held by these companies.)

Net cash used in financing activities was ¥9,444 million, up 130.8% year on year. Main components were cash used for the repayment of long-term debt of ¥8,153 million.

Cash Flow Indicators

	Fiscal 2004		Fiscal 2005		Fiscal 2006
	Interim	Year-End	Interim	Year-End	Interim
Shareholders' equity ratio (%)	79.4	79.3	81.6	74.5	74.7
Shareholders' equity ratio on mark-to-market basis (%)	—	96.4	109.3	63.6	73.3
Debt repayment period (years)	—	0.5	—	0.7	—
Interest coverage ratio (times)	49.7	60.3	46.6	86.8	121.9

Notes:

Shareholders' equity ratio: Shareholders' equity/total assets

Shareholders' 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

* JAPEX listed on the Tokyo Stock Exchange on December 10, 2003.

* The various 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 debt shown on the consolidated balance sheets. Interest paid is that shown on the consolidated statement of cash flows.

(3) Forecasts for the Fiscal Year Ending March 31, 2006

For the fiscal year ending March 31, 2006, the Company expects consolidated net sales to increase ¥19 billion, or 18.5%, from the previous fiscal year, to ¥122.2 billion, based mainly on expected higher crude oil prices and a full year contribution of newly consolidated subsidiaries.

Although JAPEX anticipates increased exploration expenses related to more aggressive exploration activities during the period, backing higher oil prices, the Company is projecting a year-on-year increase in ordinary income of ¥6 billion, or 31.7%, to ¥25 billion. Compared to the previous year, net income is expected to increase by ¥3.2 billion, or 24.5%, to ¥16.4 billion.

The above forecasts assume: 1) prices of US\$58/barrel and US\$50/barrel for imported crude oil for the third and fourth quarters of fiscal 2006, respectively; and 2) an exchange rate of ¥110/US\$ for both the third and fourth quarters in the second half of fiscal 2006.

The following is a comparison of current forecasts with those announced on May 16, 2005.

(Millions of yen)

(Full Year)	Net Sales	Ordinary Income	Net Income
	(¥ million)	(¥ million)	(¥ million)
Previous Forecasts: A	96,897	18,630	13,615
Current Forecasts: B	122,224	25,028	16,476
Change: B – A	25,327	6,398	2,861
Change (%)	26.1%	34.3%	21.0%

A number of risks and uncertainties have the potential to affect JAPEX's business performance, including, but not limited to, the following:

Operational risk

The JAPEX Group's business requires substantial investment over long periods in the exploration stage. However, there is no guarantee that resources will be discovered. As such, the Company's business is high risk by nature. Moreover, even after resources are discovered, heavy investment is still required, including for the drilling of development wells and the construction of related production and transmission facilities. Accordingly, long lead times are typically required from the time of project initiation to investment recovery and contribution to profits. In the meantime, there is a risk that various changes in the operating environment will prevent desired investment objectives from being attained.

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 transaction, although this approach does not entirely eliminate all associated risks.

Factors causing volatility in natural gas sales

Selling prices for natural gas are normally set 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, deregulation of Japan's energy markets carries the risk of lower unit selling prices and lower sales volume for natural gas.

(3) Distribution of Dividends

The Company will pay an interim dividend of ¥15.00 per share in accordance with a decision by the Board of Directors on November 14, 2005.

. Consolidated Interim Financial Statements

1 . Consolidated Interim Balance Sheets

Description	As of Sept. 30, 2005		As of March 31, 2005		Change	As of Sept. 30, 2004	
	Amount (¥ million)		Amount (¥ million)		Amount (¥ million)	Amount (¥ million)	
(Assets)							
Current assets							
1 . Cash and deposits		20,561		32,778			27,716
2 . Notes and accounts receivable		12,632		13,913			9,728
3 . Marketable securities		6,141		6,688			6,095
4 . Inventories		9,216		9,158			9,535
5 . Other current assets		10,566		8,268			6,770
Less: Allowance for doubtful receivables		(15)		(17)			(11)
Total current assets		59,102		70,788	(11,686)		59,836
Fixed assets							
1 . Property, plant and equipment							
(1) Buildings and structures	44,147		46,023			45,993	
(2) Machinery and equipment	28,307		26,320			21,831	
(3) Land	13,001		11,191			11,233	
(4) Other property, plant and equipment	12,602	98,057	11,398	94,933	3,123	14,060	93,119
2 . Intangible fixed assets		6,446		7,004	(557)		1,892
3 . Investments and others							
(1) Investments in securities	306,717		216,467			83,896	
(2) Others	12,616		13,062			20,556	
Less: Allowance for doubtful receivables	(231)		(211)			(184)	
Allowance for losses on overseas investments	(8,012)	311,089	(8,312)	221,005	90,083	(11,360)	92,908
Total fixed assets		415,594		322,944	92,650		187,920
Total assets		474,697		393,733	80,963		247,756
(Liabilities)							
Current liabilities							
1 . Notes and accounts payable		4,749		3,047			2,464
2 . Short-term bank loans		2,773		-			-
3 . Current portion of long-term debt		820		8,973			9,306
4 . Other current liabilities		12,150		17,085			14,207
Total current liabilities		20,493		29,105	(8,611)		25,978
Long-term liabilities							
1 . Long-term debt		7,000		7,000			850
2 . Deferred tax liabilities		76,570		46,213			-
3 . Accrued retirement benefits for employees		4,254		3,831			3,896
4 . Accrued retirement benefits for officers		702		773			679
5 . Accrued estimated cost of abandonment of wells		2,697		2,690			2,492
6 . Accrual for losses on projects		945		1,688			2,635
7 . Other reserves		124		-			58
8 . Other long-term liabilities		12		77			668
Total long-term liabilities		92,307		62,275	30,032		11,281
Total liabilities		112,801		91,380	21,420		37,259
(Minority interests)							
Minority interests in consolidated subsidiaries		7,166		9,199	(2,032)		8,319
(Shareholders' equity)							
Common stock		14,288		14,288	-		14,288
Retained earnings		198,718		191,116	7,602		184,323
Unrealized holding gain on securities		141,709		88,313	53,396		3,865
Translation adjustments		16		(561)	578		(295)
Treasury stock		(4)		(4)	(0)		(3)
Total shareholders' equity		354,729		293,152	61,576		202,178
Total liabilities, minority interests and shareholders' equity		474,697		393,733	80,963		247,756

2 . Consolidated Interim Statements of Income

Description	Fiscal 2006 1 st half		Fiscal 2005 1 st half		Change	Fiscal 2005	
	Amount (¥ million)		Amount (¥ million)		Amount (¥ million)	Amount (¥ million)	
Net sales		59,221		46,371	12,849		103,150
Cost of sales		34,170		30,285	3,885		61,046
Gross profit		25,050		16,086	8,963		42,104
Exploration expenses							
1 . Exploration expenses	5,625		2,908			6,445	
2 . Exploration subsidies	(796)	4,829	(81)	2,826	2,002	(317)	6,127
Selling, general and administrative expenses		11,759		10,120	1,639		21,298
Operating income		8,461		3,139	5,322		14,678
Non-operating income							
1 . Interest income	641		575			1,164	
2 . Dividend income	1,425		1,071			1,669	
3 . Equity in profit of non-consolidated subsidiaries and affiliates	392		997			116	
4 . Reversal of allowance for losses on overseas investments	299		1,213			1,376	
5 . Reversal of accrual for losses on projects	740		419			957	
6 . Other non-operating income	1,072	4,571	533	4,809	(237)	1,127	6,411
Non-operating expenses							
1 . Interest expense	73		141			261	
2 . Devaluation loss on securities	-		95			121	
3 . Provision for accrued estimated cost of abandonment of wells	261		257			513	
4 . Other non-operating expenses	239	574	195	690	(115)	1,191	2,088
Ordinary income		12,459		7,259	5,199		19,001
Extraordinary income							
1 . Reversal of allowance for doubtful receivables	2	2	3	3	(0)	-	-
Extraordinary losses							
1 . Loss on disposal of fixed assets	34		550			665	
2 . Earthquake disaster recovery expense	-	34	-	550	(516)	206	871
Income before income taxes and minority interests		12,427		6,712	5,715		18,129
Current income taxes	2,918		1,912			1,801	
Deferred income taxes	(36)	2,882	(913)	998	1,883	2,469	4,270
Minority interests		561		129	431		624
Net income		8,983		5,583	3,399		13,234

3 . Consolidated Interim Statements of Shareholders' Equity

Description	Fiscal 2006 1 st half		Fiscal 2005 1 st half		Fiscal 2005	
	Amount (¥ million)		Amount (¥ million)		Amount (¥ million)	
(Retained earnings)						
Balance at beginning of year		191,116		180,826		180,826
Add						
1 . Net income	8,983	8,983	5,583	5,583	13,234	13,234
Deduct						
1 . Cash dividends paid	1,285		2,000		2,857	
2 . Bonuses to officers	95		86		86	
(Incl. statutory auditors)	(3)		(3)	2,087	(3)	
3 . Deduct of consolidated subsidiaries	0	1,381	-		-	2,944
Balance at end of year		198,718		184,323		191,116

4 . Consolidated Interim Statements of Cash Flows

	Fiscal 2006 1 st half	Fiscal 2005 1 st half	Change	Fiscal 2005
Description	Amount (¥ million)	Amount (¥ million)	Amount (¥ million)	Amount (¥ million)
Operating activities				
Income before income taxes and minority interests	12,427	6,712		18,129
Depreciation and amortization	6,714	6,817		14,081
Amortization of goodwill	503	-		-
Loss on devaluation of marketable securities and investments in securities	-	95		121
Increase (decrease) in allowance for doubtful receivables	17	58		90
Increase (decrease) in provision for accrued retirement benefits for employees	422	317		244
Increase (decrease) in provision for accrued retirement benefits for officers	(70)	(17)		76
Increase (decrease) in provision for accrued estimated cost of abandonment of wells	(16)	65		(12)
Decrease in provision for allowance for losses on overseas investments and accrual for losses on projects	(1,039)	(1,465)		(2,173)
Interest and dividend income	(2,067)	(1,646)		(2,833)
Interest expense	73	141		261
Gain on redemption and sales of marketable securities and investments in securities	(346)	(58)		(239)
Loss on redemption and sales of marketable securities and investments in securities	16	69		452
Equity in losses (gains) of unconsolidated subsidiaries and affiliates	(392)	(997)		(166)
Decrease (increase) in notes and accounts receivable	1,285	2,295		(1,823)
Decrease (increase) in inventories	(58)	(3,419)		(3,042)
Increase (decrease) in notes and accounts payable	2,218	(1,569)		152
Increase (decrease) in consumption tax payable	(640)	67		783
Other, net	(4,065)	1,345		1,922
Subtotal	14,982	8,813	6,169	26,075
Payment of debt guarantee	(1,984)	-	(1,984)	-
Income taxes paid	(642)	(1,938)	1,296	(4,139)
Net cash provided by operating activities	12,355	6,874	5,480	21,936
Investing activities				
Investments in time deposits	(5)	(40)		(30)
Proceeds from time deposits	409	330		330
Payments for purchase of marketable securities	(5,998)	(100)		(100)
Proceeds from redemption and sale of marketable securities	6,518	1,888		4,220
Additions to property, plant and equipment	(11,534)	(6,839)		(11,978)
Proceeds from sales of property, plant and equipment	5	122		550
Additions to intangible fixed assets	(302)	(216)		(586)
Payments for purchase of investments in securities	(7,939)	(5,687)		(14,588)
Proceeds from redemption and sale of investments in securities	1,436	2,506		7,435
Payments from purchase of consolidated subsidiary stock accompanied by changes in scope of consolidation	-	-		(2,269)
Proceeds from purchase of consolidated subsidiary stock accompanied by changes in scope of consolidation	-	5,103		-
Increase in loans receivable	(3,107)	(152)		(1,127)
Decrease in loans receivable	1,856	33		186
Interest and dividends received	2,168	1,727		2,815
Other, net	458	(197)		(662)
Net cash used in investing activities	(16,033)	(1,522)	14,511	(15,805)
Financing activities				
Increase (decrease) in short-term bank loans	2,734	(600)		(600)
Proceeds of long-term debt	-	-		7,000
Repayment of long-term debt	(8,153)	(1,153)		(2,311)
Acquisition of treasury stock	(0)	(1)		(2)
Cash dividends paid	(1,285)	(1,997)		(2,854)
Dividends paid to minority shareholders	(609)	(192)		(192)
Interest paid	(101)	(147)		(252)
Payment of capital reduction for minority interests	(2,029)	-		-
Net cash used in financing activities	(9,444)	(4,092)	(5,352)	786
Effect of exchange rate changes on cash and cash equivalents	471	93	377	(199)
Increase in cash and cash equivalents	(12,651)	1,354	(14,005)	6,717
Cash and cash equivalents at beginning of the period	34,568	27,851	6,717	27,851
Decrease in cash and cash equivalents accompanied by exclusion of consolidation	(76)	-	(76)	-
Cash and cash equivalents at period-end	21,840	29,205	(7,364)	34,568

.Status of Production and Sales

1 . Production

(1) Oil and Natural Gas Segment

Division	Product	Fiscal 2005 1 st half	Fiscal 2006 1 st half	Fiscal 2005
E&P	C r u d e o i l	255,759 ^{kl} (2,286)	378,307 ^{kl} (80,960)	696,814 ^{kl} (101,436)
	N a t u r a l g a s	477,696 ^{thousand m³} (1,665)	577,172 ^{thousand m³} (32,186)	1,091,902 ^{thousand m³} (2,904)
	L N G	7,253 t	11,531 t	19,771 t
	B i t u m e n	-	225,433 ^{kl} (225,433)	-
Other Businesses	L P G	4,640 t	5,153 t	10,338 t
	F u e l o i l , e t c .	23,010 ^{kl}	26,233 ^{kl}	49,751 ^{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
4. Bitumen is heavy oil extracted from oil sands. .

(2) Geothermal Energy Segment

Division	Product	Fiscal 2005 1 st half	Fiscal 2006 1 st half	Fiscal 2005
Geothermal Energy	S t e a m	552,788 t	-	863,241 t

(Notes)

1. No steam production from the first quarter ended June 30, 2005, reflecting Japex Geothermal Kyushu Ltd. determined to cease the geothermal energy business in the previous fiscal year..

2 . Sales

(1) Oil and Natural Gas Segment

Division	Product	Fiscal 2005 1 st half		Fiscal 2006 1 st half		Fiscal 2005	
		Volume	Amount	Volume	Amount	Volume	Amount
E&P	Crude Oil	kl 693,467	(¥ million) 18,476	kl 687,061	(¥ million) 26,592	kl 1,380,337	(¥ million) 38,211
	Natural Gas	thousand m ³ 552,778	16,568	thousand m ³ 622,473	18,503	thousand m ³ 1,276,887	39,867
	L N G	t 42,448	2,096	t 50,587	2,532	t 98,825	4,888
	Bitumen	kl -	-	kl 226,139	2,231	-	-
Subtotal		-	37,141	-	49,859	-	82,966
Contract services		-	2,641	-	3,253	-	6,987
	Subtotal	-	2,641	-	3,253	-	6,987
Other Businesses	L P G	t 13,795	(¥ million) 669	t 12,403	(¥ million) 721	t 30,781	(¥ million) 1,622
	Fuel oil, etc	kl 43,688	1,950	kl 38,358	2,415	kl 94,430	4,202
	Others	-	3,294	-	2,971	-	6,553
	Subtotal	-	5,914	-	6,107	-	12,378
Total		-	45,697	-	59,221	-	102,332

(2) Geothermal Energy Segment

Division	Product	Fiscal 2005 1 st half		Fiscal 2006 1 st half		Fiscal 2005	
		Volume	Amount	Volume	Amount	Volume	Amount
Geothermal Energy	Steam	t 527,863	(¥ million) 674	t -	t -	t 813,999	(¥ million) 818
Total		-	674	-	-	-	818

(Notes)

- Others in Other Businesses include revenue from the transmission of third-party gas through JAPEX's pipeline network and sales commissions.
- No steam product sales from the first quarter ended June 30, 2005, reflecting Japex Geothermal Kyushu Ltd. determined to cease the geothermal energy business in the previous fiscal year..
- Monetary amounts in the tables do not include consumption tax.