

Consolidated Financial Results for the First Three Quarters Ended December 31, 2006

February 9, 2007

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

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Company Code: 1662

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

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Stock Listing: Tokyo Stock Exchange

Location of Head Office: Tokyo

1. Notes Relating to Preparation of Quarterly Financial Statements

(1) Use of simplified accounting procedures: Yes

Income taxes are calculated using an estimated annual income tax rate based on the statutory tax rate.

(2) Changes in accounting treatment from the most recent consolidated fiscal year: No

(3) Changes in scope of consolidation and application of equity method: Yes

Consolidated (Added): 3 companies

2. Consolidated Results for the First Nine Months of Fiscal 2007 (April 1, 2006 – December 31, 2006)

(1) Consolidated Operating Results

(Amounts less than one million yen have been omitted)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
FY2007 First 3Qs	109,870	18.0	21,226	21.5	25,172	11.1	18,633	27.3
FY2006 First 3Qs	93,129	26.9	17,476	128.4	22,648	83.7	14,632	68.0
(Ref.) FY2006 Full Year	138,796		27,018		31,190		20,216	

	Net Income per Share		Diluted Net Income per Share	
	(¥)	(¥)	(¥)	(¥)
FY2007 First 3Qs	326.02	-	-	-
FY2006 First 3Qs	256.01	-	-	-
(Ref.) FY2006 Full Year	352.11	-	-	-

(Notes)

1. Percentage figures for net sales, operating income and other items represent changes compared with the corresponding period of the previous fiscal year.

2. Diluted net income per share is not shown because there are no shares with a dilutive effect.

Qualitative Information Concerning Consolidated Business Performance

For the first nine months of FY 2007, as compared to the same period of the previous fiscal year ended December 31, 2006, consolidated net sales increased ¥16,741 million, up 18.0%, operating income increased ¥3,749 million, up 21.5%, ordinary income increased ¥2,523 million, up 11.1%, and net income rose ¥4,001 million, up 27.3%.

Below is a summary of operating performance by business division.

Oil and Natural Gas Segment

(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 three quarters reporting period of ¥97,387 million, up 22.8% from the same period of the previous fiscal year, on the back of soaring crude oil prices and higher sales volumes of crude oil.

(b) Contract Services Division

The Contract Services Division is primarily involved in drilling and geophysical surveys, and recorded net sales in the first three quarters reporting period of ¥2,245 million, down 44.8% from the same period of the previous year, due to decrease in government orders for seismic data acquisition and processing.

(c) Other Businesses Division

Our Other Businesses 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.

Net sales in the first three quarters reporting period totaled ¥10,237 million, an increase of 4.9% from the same period of the previous year.

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	(¥ million)	(¥ million)	%	(¥)
Dec. 31, 2006	541,603	408,464	74.0	7,008.13
Dec.31, 2005	538,584	389,666	72.4	6,817.87
(Ref.) Mar. 31, 2006	532,516	386,222	72.5	6,756.00

(Note) "Net Assets," "Equity Ratio" and "Net Assets per Share" in the first three quarters and full year of FY2006 are the figures of previous "Shareholders' Equity," "Shareholders' Equity Ratio," and "Shareholders' Equity per Share."

(3) Consolidated Cash Flows

	Operating Activities	Investing Activities	Financing Activities	Cash and Cash Equivalents at Period-End
	(¥ million)	(¥ million)	(¥ million)	(¥ million)
FY2007 First 3Qs	22,578	(12,880)	(2,034)	50,842
FY2006 First 3Qs	20,396	(17,481)	(2,628)	35,564
(Ref.) FY2006 Full Year	32,850	(20,063)	(6,088)	43,082

Qualitative Information Concerning Consolidated Financial Position

For the consolidated balance sheet for the 3rd quarter of FY2007, as compared to the balance sheet as of March 31, 2006, current assets increased ¥6,969 million due to increase in marketable securities. With respect to fixed assets, while property, plant and equipment increased as a result of progress in construction of the Shiroishi-Koriyama gas pipeline as well as drilling works of production wells, etc., investments in securities decreased due to decrease in difference on valuation of holding securities and decrease in collection of accounts receivable as well. As a result, total assets as of December 31, 2006 were an increase of ¥9,086 million.

With respect to liabilities, current liabilities decreased ¥4,167 million due to decrease in accounts payable. Fixed liabilities declined by ¥1,244 million because of decrease in deferred tax liabilities reflecting decrease in difference on valuation of holding securities. As a result, total liabilities decreased ¥5,392 million. Net assets as of December 31, 2006 stood at ¥408,464 million.

For status of cash flow during the first 3rd quarters reporting period, cash and cash equivalents ("funds") increased by ¥7,759 million year on year to ¥50,842 million.

(Cash Flows from Operating Activities)

Funds provided by operating activities was ¥22,578 million. The main components were ¥26,023 million in income before income taxes and minority interests, ¥10,925 million in depreciation and amortization, and ¥11,134 million in income taxes.

(Cash Flows from Investing Activities)

Funds used in investing activities was ¥12,880 million. This was primarily due to reflecting the balance that deducts outlays of ¥18,169 for acquisition of property, plant and equipment from interest and dividend income of ¥3,356 million.

(Cash Flows from Financing Activities)

Funds used in financing activities was ¥2,034 million. This was primarily due to payment of cash dividends of ¥2,549 million.

3. Consolidated Forecast for Fiscal Year 2007 (April 1, 2006 – March 31, 2007)

	Net Sales	Ordinary Income	Net Income
	(¥ million)	(¥ million)	(¥ million)
FY2007 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.

Qualitative Information Concerning Consolidated Forecast

There is no change to the forecasts for FY2007 released on November 14, 2006.

(Reference) Non-consolidated Forecast for Fiscal Year 2007 (April 1, 2006 – March 31, 2007)

	Net Sales	Ordinary Income	Net Income
	(¥ million)	(¥ million)	(¥ million)
FY2007 Full Year	118,370	19,510	15,095

(Reference) Estimated net income per share is ¥264.12

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.

(Attached material)

- I . Consolidated Quarterly Balance Sheet for the 3rd Quarter of FY2007
- II . Consolidated Statements of Income for the First 3Qs of FY2007
- III . Consolidated Statements of Cash Flows for the First 3Qs of FY2007
- IV Consolidated Statement of Changes in Shareholders' Equity etc. for the First 3Qs Period
- V . Status of Production and Sales

4. Consolidated Quarterly Financial Statements

(1) Consolidated Balance Sheet for the 3rd Quarter of FY2007

Description	As of Dec. 31, 2005 Amount (¥ million)	As of Dec. 31, 2006 Amount (¥ million)	As of March 31, 2006 Amount (¥ million)
(Assets)			
I. Current assets			
1. Cash and deposits	33,677	25,138	29,639
2. Notes and accounts receivable	14,366	13,695	18,713
3. Marketable securities	3,238	29,162	15,966
4. Inventories	9,391	11,187	8,794
5. Other current assets	11,755	6,115	5,226
Less: Allowance for doubtful receivables	(14)	(9)	(19)
Total current assets	72,414	85,291	78,321
II. Fixed assets			
1. Property, plant and equipment			
(1) Buildings and structures	43,730	41,034	42,899
(2) Machinery and equipment	28,979	28,437	28,286
(3) Land	13,087	13,192	13,131
(4) Other property, plant and equipment	16,766	28,491	16,794
Total property, plant and equipment	102,564	111,156	101,112
2. Intangible fixed assets	6,075	5,867	6,333
3. Investments and others			
(1) Investments in securities	353,167	332,288	335,345
(2) Others	12,618	16,001	20,620
Less: Allowance for doubtful receivables	(243)	(97)	(120)
Allowance for losses on overseas investments	(8,012)	(8,903)	(9,095)
Total Investments and others	357,529	339,288	346,749
Total fixed assets	466,170	456,312	454,195
Total assets	538,584	541,603	532,516

Description	As of Dec. 31, 2005 Amount (¥ million)	As of Dec. 31, 2006 Amount (¥ million)	As of March 31, 2006 Amount (¥ million)
(Liabilities)			
I. Current liabilities			
1. Notes and accounts payable	3,084	5,709	8,195
2. Short-term bank loans	2,932	-	-
3. Current portion of long-term debt	414	1,944	-
4. Reserve for directors' bonus	-	70	-
5. Other current liabilities	17,645	13,668	17,366
Total current liabilities	24,076	21,393	25,561
II. Long-term liabilities			
1. Long-term debt	15,000	15,056	15,000
2. Deferred tax liabilities	93,393	86,721	88,556
3. Accrued retirement benefits for employees	4,521	5,237	4,735
4. Accrued retirement benefits for officers	731	615	761
5. Accrued estimated cost of abandonment of wells	2,827	3,334	2,943
6. Accrual for losses on projects	945	664	871
7. Other reserves	83	103	88
8. Other long-term liabilities	12	12	12
Total long-term liabilities	117,516	111,744	112,969
Total liabilities	141,593	133,138	138,531
(Minority interests)			
Minority interests in consolidated subsidiaries	7,324	-	7,762
(Shareholders' equity)			
I. Common stock	14,288	-	14,288
II. Retained earnings	203,510	-	209,095
III. Unrealized holding gain on securities	171,464	-	161,949
IV. Translation adjustments	407	-	894
V. Treasury stock	(4)	-	(4)
Total shareholders' equity	389,666	-	386,222
Total liabilities, minority interests and shareholders' equity	538,584	-	532,516
(Net Assets)			
I. Shareholders' equity			
1. Capital	-	14,288	-
2. Capital reserves	-	225,064	-
3. Treasury stock	-	(4)	-
Total shareholders' equity	-	239,348	-
II. Difference on valuation and conversion, etc.			
1. Difference on valuation of other marketable securities	-	160,072	-
2. Deferred gain (loss) on hedging	-	9	-
3. Translation adjustments	-	1,109	-
Total difference on valuation and conversion, etc.	-	161,192	-
III. Minority interests	-	7,924	-
Total net assets	-	408,464	-
Total liabilities and net assets	-	541,603	-

(2) Consolidated Statements of Income for the First 3Qs of FY2007

Description	FY06 First 3Qs Apr. – Dec. 2005 Amount (¥ million)	FY07 First 3Qs Apr. – Dec. 2006 Amount (¥ million)	FY06 Apr. 05 – Mar. 06 Amount (¥ million)
I. Net sales	93,129	109,870	138,796
II. Cost of sales	51,303	64,025	77,433
Gross profit	41,826	45,845	61,362
III. Exploration expenses			
1. Exploration expenses	7,511	4,403	10,800
2. Exploration subsidies	(1,082)	(337)	(1,122)
Total exploration expenses	6,428	4,066	9,677
IV. Selling, general and administrative expenses	17,921	20,552	24,666
Operating income	17,476	21,226	27,018
V. Non-operating income			
1. Interest income	1,003	1,009	1,367
2. Dividend income	1,605	2,598	2,548
3. Equity in profit of non-consolidated subsidiaries and affiliates	594	308	-
4. Reversal of allowance for losses on overseas investments	299	190	-
5. Reversal of accrual for losses on projects	740	207	814
6. Gain on foreign exchange conversion	697	-	847
7. Other non-operating income	1,079	734	1,648
Total non-operating income	6,020	5,049	7,226
VI. Non-operating expenses			
1. Interest expense	110	101	144
2. Loss on sale of securities	20	141	93
3. Provision for accrued estimated cost of abandonment of wells	370	419	522
4. Other non-operating expenses	347	440	2,293
Total non-operating expenses	848	1,103	3,054
Ordinary income	22,648	25,172	31,190
VII. Extraordinary income			
1. Reversal of allowance for doubtful receivables	2	4	77
2. Gain on distribution of residual property	-	966	-
Total extraordinary income	2	971	77
VIII. Extraordinary losses			
1. Loss on disposal of fixed assets	68	120	101
Total extraordinary losses	68	120	101
Income before income taxes and minority interests	22,582	26,023	31,166
Income taxes	6,798	5,942	9,294
Minority interests	1,151	1,447	1,655
Net income	14,632	18,633	20,216

(3) Consolidated Statements of Cash Flows for the First 3Qs of FY2007

Description	FY06 First 3Qs Apr. – Dec. 2005 Amount (¥ million)	FY07 First 3Qs Apr. – Dec. 2006 Amount (¥ million)	FY06 Apr. 05 – Mar. 06 Amount (¥ million)
I. Operating activities			
1. Income before income taxes and minority interests	22,582	26,023	31,166
2. Depreciation and amortization	10,344	10,925	13,951
3. Amortization of consolidation difference	752	-	946
4. Amortization of goodwill	-	749	-
5. Loss on devaluation of marketable securities and investments in securities	1	6	1
6. Increase (decrease) in allowance for doubtful receivables	28	(33)	(89)
7. Increase in provision for accrued retirement benefits for employees	690	502	903
8. Decrease in provision for accrued retirement benefits for officers	(41)	(146)	(11)
9. Increase in provision for accrued estimated cost of abandonment of wells	88	372	97
10. Decrease in provision for allowance for losses on overseas investments and accrual for losses on projects	(1,039)	(399)	(30)
11. Interest and dividend income	(2,608)	(3,608)	(3,916)
12. Interest expense	110	101	144
13. Gain on redemption and sales of marketable securities and investments in securities	(399)	(7)	(428)
14. Loss on redemption and sales of marketable securities and investments in securities	20	141	94
15. Equity in losses (gains) of unconsolidated subsidiaries and affiliates	(594)	(308)	587
16. Decrease (increase) in notes and accounts receivable	(442)	5,035	(4,766)
17. Decrease (increase) in inventories	(233)	(2,393)	363
18. Increase (decrease) in notes and accounts payable	300	(4,313)	6,260
19. Decrease in consumption tax payable	(480)	(250)	(322)
20. Gain on distribution of residual property	-	(966)	-
21. Other, net	(5,181)	63	(2,151)
Subtotal	23,896	31,492	42,799
22. Payment of debt guarantee	(1,984)	-	(7,515)
23. Income from recovery of rights to exercise guaranteed debt	-	2,220	-
24. Income taxes (paid) and recovered	(1,515)	(11,134)	(2,432)
Net cash provided by operating activities	20,396	22,578	32,850

	FY06 First 3Qs Apr. – Dec. 2005	FY07 First 3Qs Apr. – Dec. 2006	FY06 Apr. 05 – Mar. 06
Description	Amount (¥ million)	Amount (¥ million)	Amount (¥ million)
II. Investing activities			
1. Investments in time deposits	(105)	(2,439)	(1,302)
2. Proceeds from time deposits	455	979	561
3. Payments for purchase of marketable securities	(5,998)	-	(5,998)
4. Proceeds from redemption and sale of marketable securities	10,451	1,000	10,536
5. Additions to property, plant and equipment	(17,134)	(18,169)	(21,042)
6. Proceeds from sales of property, plant and equipment	8	5	79
7. Additions to intangible fixed assets	(486)	(985)	(743)
8. Payments for purchase of investments in securities	(8,277)	(4,684)	(11,819)
9. Proceeds from redemption and sale of investments in securities	2,076	4,772	5,792
10. Increase in loans receivable	(3,119)	(146)	(3,128)
11. Decrease in loans receivable	2,064	981	2,353
12. Interest and dividends received	2,547	3,356	4,124
13. Income from distribution of residual property	-	1,047	-
14. Other, net	35	1,402	523
Net cash used in investing activities	(17,481)	(12,880)	(20,063)
III. Financing activities			
1. Increase (decrease) in short-term bank loans	2,774	(47)	(158)
2. Proceeds from long-term debt	8,000	2,000	8,000
3. Repayment of long-term debt	(8,559)	-	(8,973)
4. Purchase of treasury stock	(0)	-	(0)
5. Cash dividends paid	(2,129)	(2,549)	(2,142)
6. Dividends paid to minority shareholders	(609)	(1,015)	(609)
7. Interest paid	(74)	(80)	(174)
8. Payment of capital reduction for minority interests	(2,029)	(342)	(2,029)
Net cash used in financing activities	(2,628)	(2,034)	(6,088)
IV. Effect of exchange rate changes on cash and cash equivalents	786	96	1,020
V. Increase in cash and cash equivalents	1,072	7,759	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	35,564	50,842	43,082

(4) Consolidated Statement of Changes in Shareholders' Equity etc.
The First 3Qs Period (from April 1 to December 31, 2006)

(unit: ¥ million)

	Shareholders' Equity				Difference on valuation and conversion etc.				Minority interests	Total net assets
	Capital	Capital reserves	Treasury stock	Total shareholders' 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 the first 3Qs period										
Distributions from capital reserve (note)		(2,571)		(2,571)						(2,571)
Directors' bonuses (note)		(92)		(92)						(92)
Net income		18,633		18,633						18,633
Changes during the first 3Qs period other than shareholders' equity items (net)					(1,876)	9	215	(1,651)	162	(1,489)
Total changes during the first 3Qs period	-	15,969	-	15,969	(1,876)	9	215	(1,651)	162	14,479
Balance as of December 31, 2006	14,288	225,064	(4)	239,348	160,072	9	1,109	161,192	7,924	408,464

(5) Status of Production and Sales

1. Production

Oil and Natural Gas Segment

Division	Product	Fiscal 2006 first 3Qs (Apr.1 - Dec.31, 2005)	Fiscal 2007 first 3Qs (Apr.1 - Dec.31, 2006)	Fiscal 2006 (Apr.1 - Mar.31, 2006)
Oil and Natural Gas	Crude oil (kl)	586,415 (123,449)	568,664 (138,945)	805,612 (164,842)
	Natural gas (thousand m3)	902,777 (47,769)	874,186 (45,870)	1,279,066 (62,335)
	LNG (t)	18,729	17,015	25,901
	Bitumen (kl)	339,317 (339,317)	345,142 (345,142)	449,785 (449,785)
Other Businesses	LPG (t)	7,911	7,133	10,737
	Fuel oil, etc. (kl)	40,713	38,478	55,719

(Notes)

1. The figures in parentheses 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 products.
4. Bitumen is heavy crude oil extracted from oil sands.

2. Sales

Oil and Natural Gas Segment

Division	Product	Fiscal 2006 first 3Qs (Apr.1 - Dec.31, 2005)		Fiscal 2007 first 3Qs (Apr.1 - Dec.31, 2006)		Fiscal 2006 (Apr.1 - Mar.31, 2006)	
		Volume	Amount (¥ million)	Volume	Amount (¥ million)	Volume	Amount (¥ million)
Division	Crude Oil (kl)	1,021,993	41,047	1,140,012	53,423	1,485,849	61,185
	Natural Gas (thousand m ³)	974,245	29,284	979,906	30,293	1,413,717	43,539
	LNG (t)	82,308	4,098	104,370	5,728	124,736	6,252
	Bitumen (kl)	338,181	4,868	345,234	7,942	448,951	6,526
Subtotal		—	79,298	—	97,387	—	117,504
Contract Services		—	4,070	—	2,245	—	7,148
	Subtotal	—	4,070	—	2,245	—	7,148
	LPG (t)	18,964	1,175	16,667	1,230	26,234	1,755
	Fuel oil, etc. (kl)	76,388	4,117	69,495	4,500	102,125	5,934
	Others	—	4,467	—	4,507	—	6,453
	Subtotal	—	9,760	—	10,237	—	14,143
Total		—	93,129	—	109,870	—	138,796

(Notes)

1. Others in Other Businesses include revenue from the transportation of third-party gas through JAPEX's pipeline network and sales commissions.
2. Monetary amounts in the table do not include consumption tax.