

Consolidated Financial Results for the First Three Quarters Ended December 31, 2007

February 15, 2008

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

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Company Code: 1662

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(Amounts less than one million yen have been omitted)

1. Consolidated Results for the First Three Quarters of Fiscal 2008 (April 1, 2007 – December 31, 2007)

(1) Consolidated Operating Results (Percentages indicate changes over the First Three Quarters in the previous fiscal year.)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
FY2008 First 3Qs	141,339	28.6	15,479	(27.1)	22,468	(10.7)	17,381	(6.7)
FY2007 First 3Qs	109,870	18.0	21,226	21.5	25,172	11.1	18,633	27.3
FY2007 Full Year	170,018	–	29,719	–	34,705	–	20,982	–

	Net Income per Share-Basic	Net Income per Share-Diluted
	Yen	Yen
FY2008 First 3Qs	304.12	–
FY2007 First 3Qs	326.02	–
FY2007 Full Year	367.12	–

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Million Yen	Million Yen	%	Yen
December 31, 2007	641,905	464,503	71.0	7,975.41
December 31, 2006	541,603	408,464	74.0	7,008.13
March 31, 2007	578,059	418,929	71.0	7,185.80

(3) Consolidated Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at Period-End
	Million Yen	Million Yen	Million Yen	Million Yen
FY2008 First 3Qs	18,775	(41,889)	487	37,522
FY2007 First 3Qs	22,578	(12,880)	(2,034)	50,842
FY2007 Full Year	34,256	(18,140)	917	60,199

2. Cash Dividends

	Cash Dividends per Share
Record-Date	The Third Quarter-End
	Yen
FY2008 3Q	–
FY2007 3Q	–

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

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

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Yen
FY2008 Full Year	206,667	21.6	19,101	(35.7)	28,461	(18.0)	21,503	2.5	376.24

4. Others

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

No

(2) Use of simplified accounting procedures: Yes

(3) Changes in accounting treatment from the latest consolidated fiscal year: Yes

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

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

The forecast statements shown in this document are based on information that was available at the time of preparation. Actual performance may differ materially from these forecasts due to various factors.

Qualitative Information & Financial Statements, etc.

1. Qualitative Information Concerning Consolidated Business Performance

For the first three quarters of FY 2008, as compared to the same period of the previous fiscal year, consolidated net sales increased 28.6% to ¥141,339 million, operating income decreased 27.1% to ¥15,479 million, ordinary income decreased 10.7% to ¥22,468 million and net income decreased 6.7% to ¥17,381 million. Below is a summary of net sales by business division.

(a) E&P Division

The E&P Division sells crude oil, natural gas, liquefied natural gas (LNG) and bitumen. This division posted net sales in the first three quarters reporting period of ¥128,595 million, up 32.0% from the same period of the previous fiscal year, on the back of soaring crude oil prices and the higher volumes of natural gas sales and trading oil purchases such as Sakhalin crude oil (SOKOL crude).

(b) Contract Services Division

The Contract Services Division is primarily involved in drilling and geophysical surveys, and recorded net sales in the first three quarters reporting period of ¥2,062 million, down 8.1% from the same period of the previous year due to a decrease in drilling.

(c) Other Businesses Division

The 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. This division posted net sales in the first three quarters reporting period of ¥10,680 million, up 4.3% from the previous year.

2. Qualitative Information Concerning Consolidated Financial Position

At the end of the third quarter, as compared to the end of the previous fiscal year, total assets had increased by ¥63,846 million to ¥641,905 million. The main reasons for this were: an increase in plant, property and equipment that resulted from progress in drilling a production well and an expansion of production facilities for the Yufutsu oil and gas field in Hokkaido; and an increase in investment securities resulting from the acquisition of shares in Energy Mega Pratama Inc. (EMPI) and the appreciation of held shares such as those of Inpex Holdings Inc. Total liabilities, on the other hand, had also increased up ¥18,271 million to ¥177,401 million. The reasons for this included an increase in deferred tax liabilities due to an increase in the difference on valuation of investment securities, and an increase in long-term debt due to the procurement of funds to invest in EMPI. Net assets increased ¥45,574 million to ¥464,503 million.

For status of consolidated cash flow, cash and cash equivalents (“funds”) at the end of the third quarter decreased by ¥22,677 million compared to the end of previous fiscal year to ¥37,522 million.

(Cash Flows from Operating Activities)

Funds provided by operating activities was ¥18,775 million. This is mainly due to funds provided by income before income taxes and minority interests of ¥21,681 million and depreciation and amortization of ¥11,882 million, and funds used in income taxes paid of ¥7,929 million.

(Cash Flows from Investing Activities)

Funds used in investing activities was ¥41,889 million. This was mainly due to funds used in additions to property, plant and equipment in Japan and Canada of ¥29,879 million, and funds used in payments for acquisition of investments in securities of ¥21,138 million, including the purchase of 25% of the shares of EMPI, who holds interests in the Kangean block in the east of Java island, Indonesia.

(Cash Flows from Financing Activities)

Funds provided by financing activities was ¥487 million. This was mainly due to proceeds from long-term debt of ¥5,454 million for the procurement of the investment funds for EMPI, which exceeded the funds used, such as cash dividends paid and repayment of long-term debt.

3. Qualitative Information Concerning Consolidated Forecast

The forecast for the full-year period released on November 15, 2007 has been revised. Please refer to the separate “Notice of Financial Forecast Revision for Fiscal Year Ending March 31, 2008” released on the same day of this report, February 15, 2008.

4. Others

(1) Changes in significant subsidiaries during the period

(changes in specified subsidiary affecting the scope of consolidation): No

(2) Use of simplified accounting procedures

The simplified accounting method is adopted in part, for applications such as recording the tax expenses obtained by multiplying the estimated effective tax rate by the income before income taxes and minority interests.

(3) Changes in accounting treatment from the most recent consolidated fiscal year:

Changes have been made to the method of depreciation in accordance with revisions made to the Corporation Tax Law. These changes apply to property, plant and equipment acquired by the Company and its Japanese consolidated subsidiaries after April 1, 2007.

The impact of these changes on operating income, ordinary income and income before income taxes and minority interests was slight.

5. Consolidated Quarterly Financial Statements

(1) Consolidated Balance Sheets for the First Three Quarters of FY2008

	As of Dec. 31, 2006	As of Dec. 31, 2007	As of March 31, 2007
Description	Amount (¥ million)	Amount (¥ million)	Amount (¥ million)
(Assets)			
I. Current assets			
1. Cash and deposits	25,138	26,835	27,169
2. Notes and accounts receivable	13,695	23,805	24,451
3. Marketable securities	29,162	12,573	32,714
4. Inventories	11,187	14,658	8,683
5. Other current assets	6,115	8,807	12,145
Less: Allowance for doubtful receivables	(9)	(9)	(12)
Total current assets	85,291	86,671	105,152
II. Fixed assets			
1. Property, plant and equipment			
(1) Buildings and structures	41,034	54,693	54,892
(2) Machinery and equipment	28,437	33,423	29,258
(3) Land	13,192	15,292	13,164
(4) Other property, plant and equipment	28,491	30,298	18,192
Total property, plant and equipment	111,156	133,706	115,508
2. Intangible fixed assets	5,867	6,365	7,585
3. Investments and others			
(1) Investments in securities	332,288	403,914	341,162
(2) Others	16,001	19,408	18,081
Less: Allowance for doubtful receivables	(97)	(97)	(95)
Allowance for losses on overseas investments	(8,903)	(8,063)	(9,335)
Total Investments and others	339,288	415,161	349,812
Total fixed assets	456,312	555,234	472,907
Total assets	541,603	641,905	578,059

	As of Dec. 31, 2006	As of Dec. 31, 2007	As of March 31, 2007
Description	Amount (¥ million)	Amount (¥ million)	Amount (¥ million)
(Liabilities)			
I. Current liabilities			
1. Notes and accounts payable	5,709	14,117	9,395
2. Current portion of long-term debt	1,944	2,278	2,278
3. Reserve for directors' bonus	70	83	96
4. Accrual for losses on disasters	–	531	–
5. Other current liabilities	13,668	18,916	25,094
Total current liabilities	21,393	35,926	36,864
II. Long-term liabilities			
1. Long-term debt	15,056	20,891	17,722
2. Deferred tax liabilities	86,721	110,512	94,267
3. Accrued retirement benefits for employees	5,237	5,167	5,434
4. Accrued retirement benefits for directors	615	475	608
5. Accrued estimated cost of abandonment of wells	3,334	3,855	3,459
6. Accrual for losses on projects	664	381	601
7. Other reserves	103	122	108
8. Other long-term liabilities	12	68	62
Total long-term liabilities	111,744	141,475	122,265
Total liabilities	133,138	177,401	159,130
(Net Assets)			
I. Shareholders' equity			
1. Capital	14,288	14,288	14,288
2. Retained earnings	225,064	242,508	227,413
3. Treasury stock	(4)	(7)	(5)
Total shareholders' equity	239,348	256,790	241,696
II. Difference on valuation and conversion, etc.			
1. Difference on valuation of other marketable securities	160,072	198,414	168,234
2. Deferred gain (loss) on hedging	9	108	55
3. Translation adjustments	1,109	508	707
Total difference on valuation and conversion, etc.	161,192	199,031	168,997
III. Minority interests	7,924	8,682	8,234
Total net assets	408,464	464,503	418,929
Total liabilities and net assets	541,603	641,905	578,059

(2) Consolidated Statements of Income for the First Three Quarters of FY2008

	FY2007 First 3Qs (Apr. 1, 2006 - Dec. 31, 2006)	FY2008 First 3Qs (Apr. 1, 2007 - Dec. 31, 2007)	FY2007 (Apr. 1, 2006 - Mar. 31, 2007)
Description	Amount (¥ million)	Amount (¥ million)	Amount (¥ million)
I. Net sales	109,870	141,339	170,018
II. Cost of sales	64,025	96,278	104,174
Gross profit	45,845	45,060	65,844
III. Exploration expenses			
1. Exploration expenses	4,403	7,822	8,987
2. Exploration subsidies	(337)	(62)	(809)
Total exploration expenses	4,066	7,760	8,178
IV. Selling, general and administrative expenses	20,552	21,820	27,946
Operating income	21,226	15,479	29,719
V. Non-operating income			
1. Interest income	1,009	1,149	1,355
2. Dividend income	2,598	3,419	2,805
3. Equity in profit of non-consolidated subsidiaries and affiliates	308	1,495	690
4. Reversal of allowance for losses on overseas investments	190	1,271	–
5. Reversal of accrual for losses on projects	207	220	270
6. Other non-operating income	734	800	1,527
Total non-operating income	5,049	8,355	6,649
VI. Non-operating expenses			
1. Interest expense	101	196	120
2. Loss on sales of securities	141	174	241
3. Provision for accrued estimated cost of abandonment of wells	419	429	569
4. Exchange loss	28	315	–
5. Other non-operating expenses	412	252	731
Total non-operating expenses	1,103	1,367	1,663
Ordinary income	25,172	22,468	34,705
VII. Extraordinary income			
1. Reversal of allowance for doubtful receivables	4	4	0
2. Gain on sales of fixed assets	–	1	–
3. Gain on distribution of residual property	966	–	966
Total extraordinary income	971	5	967
VIII. Extraordinary losses			
1. Loss on disposal of fixed assets	120	116	387
2. Earthquake disaster recovery expenses	–	675	–
3. Other extraordinary losses	–	0	624
Total extraordinary losses	120	792	1,012
Income before income taxes and minority interests	26,023	21,681	34,660
Income taxes	5,942	3,648	11,909
Minority interests	1,447	650	1,768
Net income	18,633	17,381	20,982

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

	FY2007 First 3Qs (Apr. 1, 2006 - Dec. 31, 2006)	FY2008 First 3Qs (Apr. 1, 2007 - Dec. 31, 2007)	FY2007 (Apr. 1, 2006 - Mar. 31, 2007)
Description	Amount (¥ million)	Amount (¥ million)	Amount (¥ million)
I. Operating activities			
1. Income before income taxes and minority interests	26,023	21,681	34,660
2. Depreciation and amortization	10,925	11,882	14,938
3. Amortization of goodwill	749	772	1,006
4. Loss on devaluation of marketable securities and investments in securities	6	17	54
5. Decrease in allowance for doubtful receivables	(33)	(0)	(32)
6. Increase (decrease) in provision for accrued retirement benefits for employees	502	(266)	699
7. Decrease in provision for accrued retirement benefits for directors	(146)	(132)	(153)
8. Increase in provision for accrued estimated cost of abandonment of wells	372	335	510
9. Decrease in provision for allowance for losses on overseas investments and accrual for losses on projects	(399)	(1,493)	(29)
10. Interest and dividend income	(3,608)	(4,568)	(4,161)
11. Interest expense	101	196	120
12. Gain on redemption and sales of marketable securities and investments in securities	(7)	(206)	(119)
13. Loss on redemption and sales of marketable securities and investments in securities	141	193	241
14. Equity in gains (losses) of non-consolidated subsidiaries and affiliates	(308)	(1,495)	(690)
15. Decrease (increase) in notes and accounts receivable	5,035	879	(5,733)
16. Decrease (increase) in inventories	(2,393)	(5,974)	111
17. Increase (decrease) in notes and accounts payable	(4,313)	3,233	3,757
18. Increase (decrease) in consumption tax payable	(250)	91	(550)
19. Gain on distribution of residual property	(966)	-	(966)
20. Other, net	63	340	(180)
Subtotal	31,492	25,484	43,481
21. Collection of claim for indemnity of guaranteed debt implementation	2,220	1,219	2,643
22. Income taxes paid	(11,134)	(7,929)	(11,868)
Net cash provided by operating activities	22,578	18,775	34,256

	FY2007 First 3Qs (Apr. 1, 2006 - Dec. 31, 2006)	FY2008 First 3Qs (Apr. 1, 2007 - Dec. 31, 2007)	FY2007 (Apr. 1, 2006 - Mar. 31, 2007)
Description	Amount (¥ million)	Amount (¥ million)	Amount (¥ million)
II. Investing activities			
1. Investments in time deposits	(2,439)	(2,681)	(3,334)
2. Proceeds from time deposits	979	4,523	948
3. Proceeds from redemption and sale of marketable securities	1,000	621	1,300
4. Additions to property, plant and equipment	(18,169)	(29,879)	(23,485)
5. Proceeds from sales of property, plant and equipment	5	7	28
6. Additions to intangible fixed assets	(985)	(431)	(1,388)
7. Payments for acquisition of investments in securities	(4,684)	(21,138)	(4,950)
8. Proceeds from redemption and sale of investments in securities	4,772	7,013	7,643
9. Increase in loans receivable	(146)	(6,370)	(165)
10. Decrease in loans receivable	981	263	1,241
11. Interest and dividends received	3,356	4,757	4,283
12. Income from distribution of residual property	1,047	–	1,047
13. Other, net	1,402	1,425	(1,309)
Net cash used in investing activities	(12,880)	(41,889)	(18,140)
III. Financing activities			
1. Increase (decrease) in short-term bank loans	(47)	–	(47)
2. Proceeds from long-term debt	2,000	5,454	5,000
3. Repayment of long-term debt	–	(2,278)	–
4. Purchase of treasury stock	–	(1)	(0)
5. Cash dividends paid	(2,549)	(2,168)	(2,571)
6. Dividends paid to minority shareholders	(1,015)	(306)	(1,015)
7. Interest paid	(80)	(212)	(105)
8. Payment of capital reduction for minority interests	(342)	–	(342)
Net cash provided by (used in) financing activities	(2,034)	487	917
IV. Effect of exchange rate changes on cash and cash equivalents	96	(51)	84
V. Increase (decrease) in cash and cash equivalents	7,759	(22,677)	17,117
VI. Cash and cash equivalents at beginning of the period	43,082	60,199	43,082
VII. Cash and cash equivalents at the period-end	50,842	37,522	60,199

(4) Status of Production and Sales

1. Production E&P Division

Division	Product	FY2007 First 3Qs (Apr. 1, 2006 - Dec. 31, 2006)	FY2008 First 3Qs (Apr. 1, 2007 - Dec. 31, 2007)	FY2007 (Apr. 1, 2006 - Mar. 31, 2007)
E&P	Crude Oil (kl)	568,664 (138,945)	536,652 (105,466)	791,517 (186,759)
	Natural Gas (thousand m ³)	874,186 (45,870)	901,681 (44,756)	1,247,087 (62,705)
	LNG (t)	17,015	20,698	25,584
	Bitumen (kl)	345,142 (345,142)	307,107 (307,107)	447,430 (447,430)

(Notes)

1. The figures in parentheses represent overseas production and are included in the total.
2. Part of the natural gas production volume is used as a feedstock for LNG.
3. Bitumen is heavy crude oil extracted from oil sands.

2. Sales E&P Division

Division	Product	FY2007 First 3Qs (Apr. 1, 2006 - Dec. 31, 2006)		FY2008 First 3Qs (Apr. 1, 2007 - Dec. 31, 2007)		FY2007 (Apr. 1, 2006 - Mar. 31, 2007)	
		Volume	Amount (¥ million)	Volume	Amount (¥ million)	Volume	Amount (¥ million)
E&P	Crude Oil (kl)	1,140,012	53,423	1,457,589	81,024	1,821,618	84,931
	Natural Gas (thousand m ³)	979,906	30,293	1,020,591	32,726	1,411,309	44,949
	LNG (t)	104,370	5,728	118,959	7,086	208,384	10,879
	Bitumen (kl)	345,234	7,942	307,529	7,757	444,985	9,777
	Subtotal		97,387		128,595		150,538
Contract Services			2,245		2,062		5,383
	Subtotal		2,245		2,062		5,383
Other Business			10,237		10,680		14,096
	Subtotal		10,237		10,680		14,096
Total			109,870		141,339		170,018

(Notes)

1. Other Businesses Division is primarily involved in the sale of 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.