

Consolidated Financial Results for First Three Quarters of Fiscal Year Ending March 31, 2004

February 13, 2004

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

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(Company Code: 1662, First Section, Tokyo Stock Exchange)
(URL: <http://www.japex.co.jp/>)

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1. Notes Relating to Preparation of Quarterly Financial Statements

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

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

Consolidated (Added): 1 company; Equity-method (Excluded): 2 companies

2. Consolidated Results for First Three Quarters of Fiscal Year 2004 (April 1, 2003 – December 31, 2003)

(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)	%
3Q FY04	67,079	—	8,593	—	10,102	—	7,123	—
3Q FY03	—	—	—	—	—	—	—	—
(Ref.) FY03	90,683		15,828		12,769		8,828	

	Net Income per Share	Diluted Net Income per Share
	(¥)	(¥)
3Q FY04	124.62	—
3Q FY03	—	—
(Ref.) FY03	153.14	—

(Notes)

- Percentage figures for net sales, operating income and other items represent changes compared with the corresponding period of the previous fiscal year.
- No comparisons are available with the corresponding period of the previous fiscal year because this is the first time that the Company has released quarterly financial results.
- 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	Net Assets per Share
	(¥ million)	(¥ million)	%	(¥)
Dec. 31, 2003	243,095	192,356	79.1	3,365.54
Dec. 31, 2002	—	—	—	—
(Ref.) Mar. 31, 2003	242,455	186,914	77.1	3,268.99

(Note) No comparisons with the corresponding period of the previous fiscal year are available because this is the first time that the Company has released quarterly financial results.

(3) Consolidated Cash Flows

	Operating Activities	Investing Activities	Financing Activities	Period-end Cash and Cash Equivalents
	(¥ million)	(¥ million)	(¥ million)	(¥ million)
3Q FY04	13,596	(5,730)	(4,122)	27,405
3Q FY03	—	—	—	—
(Ref.) FY03	21,619	(11,915)	(7,981)	23,866

(Note) No comparisons with the corresponding period of the previous fiscal year are available because this is the first time that the Company has released quarterly financial results.

3. Forecast for Fiscal Year 2004

There is no change to the earnings forecast announced on December 10, 2003.

Overview of Consolidated Operating Results

I. Overview of Consolidated Operating Results for First Three Quarters of Fiscal Year Ending March 31, 2004

Net sales were ¥67,079 million, ordinary income was ¥10,102 million and net income was ¥7,123 million. During the period under review, the domestic crude oil price remained high, contributing to growth in sales of oil and natural gas. Results by operating segment were as follows:

1. Oil and Natural Gas Segment

(1) E&P Division

The sale of crude oil, natural gas and LNG is the principal activity in this division. Division sales totaled ¥57,344 million on higher sales volumes of oil and natural gas.

(2) Contract Services Division

Drilling, seismic data acquisition and processing are the principal activities in this division.

Division sales totaled ¥2,630 million on an increase in the volume of contract services orders.

(3) Other Businesses Division

This division mainly represents the manufacturing and trading of petroleum products such as LPG and fuel oil, the transmission of third-party gas, and other miscellaneous consignment orders.

Division sales totaled ¥6,071 million on higher sales volumes of petroleum products.

2. Geothermal Energy Segment

Geothermal Energy Business

This division, which sells steam for electric power generation, recorded sales of ¥1,032 million in the period under review.

II. Cash Flows

Cash and cash equivalents at December 31, 2003 stood at ¥27,405 million, ¥3,539 million higher than at March 31, 2003.

(Cash Flows From Operating Activities)

Operating activities provided net cash of ¥13,596 million, mainly reflecting income before income taxes and minority interests of ¥9,918 million and depreciation and amortization of ¥7,548 million.

(Cash Flows From Investing Activities)

Investing activities used net cash of ¥5,730 million. The main outflow was ¥6,363 million for the purchase of property, plant and equipment.

(Cash Flows From Financing Activities)

Financing activities used net cash of ¥4,122 million, reflecting mainly outflows of ¥1,865 million for the repayment of long-term debt and ¥1,428 million for the payment of cash dividends.

2. Consolidated Statements of Income

(¥ million)

Description	First Three Quarters of FY 2004 (Apr. 1, 2003 – Dec. 31, 2003)		FY 2003 (Apr. 1, 2002 – Mar. 31, 2003)	
	Amount	%	Amount	%
I Net sales	67,079	100	90,683	100
II Cost of sales	40,739	60.7	52,288	57.7
Gross profit	26,339	39.3	38,394	42.3
III Exploration expenses				
1. Exploration expenses	3,590		3,695	
2. Exploration subsidies	(483)	3,106	(582)	3,113
IV Selling, general and administrative expenses	14,639	21.9	19,452	21.4
Operating income	8,593	12.8	15,828	17.5
V Non-operating income				
1. Interest income	922		1,454	
2. Dividend income	1,034		1,226	
3. Reversal of allowance for losses on overseas investments	2,531		—	
4. Other non-operating income	514	5,003	725	3,406
VI Non-operating expenses				
1. Interest expense	267		590	
2. Devaluation loss on securities	57		2,236	
3. Equity in losses of unconsolidated subsidiaries and affiliates	2,335		722	
4. Provision for allowance for losses on overseas investments	—		151	
5. Provision for accrued estimated cost of abandonment of wells	70		986	
6. Provision for losses on projects	285		821	
7. Other non-operating expenses	478	3,495	957	6,465
Ordinary income	10,102	15.1	12,769	14.1
VII Extraordinary income				
1. Reversal of allowance for doubtful receivables	24	24	65	65
VIII Extraordinary losses				
1. Loss on disposal of fixed assets	208	208	262	262
Income before income taxes and minority interests	9,918	14.8	12,572	13.9
Current income taxes	2,222		1,654	
Deferred income taxes	332	2,555	1,916	3,571
Minority interests	240	0.4	172	0.2
Net income	7,123	10.6	8,828	9.7

3. Consolidated Statements of Cash Flows

(¥ million)

Description	Period	First Three Quarters of FY 2004 (Apr. 1, 2003 – Dec. 31, 2003)	FY 2003 (Apr. 1, 2002 – Mar. 31, 2003)
		Amount	Amount
I Operating activities			
1. Income before income taxes and minority interests		9,918	12,572
2. Depreciation and amortization		7,548	9,817
3. Loss on devaluation of marketable securities and investments in securities		57	2,236
4. Decrease in allowance for doubtful receivables		(23)	(104)
5. Increase (decrease) in provision for accrued retirement benefits for employees		757	(188)
6. Increase (decrease) in provision for accrued retirement benefits for officers		64	(28)
7. Decrease in provision for accrued estimated cost of abandonment of wells		(555)	(25)
8. Decrease (increase) in provision for allowance for losses on overseas investments and accrual for losses on projects		(3,069)	132
9. Interest and dividend income		(1,957)	(2,681)
10. Interest expense		267	590
11. Gain on redemption and sales of marketable securities and investments in securities		(186)	(108)
12. Loss on redemption and sales of marketable securities and investments in securities		—	295
13. Equity in losses of unconsolidated subsidiaries and affiliates		2,335	722
14. Decrease (increase) in notes and accounts receivable		2,002	(1,172)
15. Decrease (increase) in inventories		735	(2,261)
16. Increase in prepaid expenses		(321)	—
17. Decrease in advances		209	—
18. Increase (decrease) in notes and accounts payable		(2,640)	1,654
19. Increase (decrease) in consumption tax payable		(46)	259
20. Other, net		169	(305)
Subtotal		15,265	21,405
21. Income taxes (paid) refunded		(1,668)	214
Net cash provided by operating activities		13,596	21,619
II Investing activities			
1. Investments in time deposits		(330)	(25)
2. Proceeds from time deposits		—	1,029
3. Payments for purchase of marketable securities		(2,998)	(1,079)
4. Proceeds from redemption and sale of marketable securities		4,444	7,515
5. Additions to property, plant and equipment		(6,363)	(11,908)
6. Proceeds from sales of property, plant and equipment		34	8
7. Additions to intangible fixed assets		(291)	(94)
8. Payments for purchase of investments in securities		(6,264)	(14,434)
9. Proceeds from redemption and sale of investments in securities		4,072	4,773
10. Increase in loans receivable		(527)	(441)
11. Decrease in loans receivable		543	65
12. Increase in money trusts		—	(500)
13. Decrease in money trusts		—	500
14. Interest and dividends received		1,884	2,651
15. Other, net		67	21
Net cash used in investing activities		(5,730)	(11,915)
III Financing activities			
1. Increase (decrease) in short-term bank loans		(375)	650
2. Repayment of long-term debt		(1,865)	(6,377)
3. Purchase of treasury stock		(0)	—
4. Cash dividends paid		(1,428)	(1,428)
5. Dividends paid to minority shareholders		(197)	(197)
6. Interest paid		(255)	(627)
Net cash used in financing activities		(4,122)	(7,981)
IV Effect of exchange rate changes on cash and cash equivalents		(204)	(270)
V Increase in cash and cash equivalents		3,539	1,452
VI Cash and cash equivalents at beginning of year		23,866	22,592
VII Decrease in cash and cash equivalents arising from exclusion from consolidation		—	(179)
VIII Cash and cash equivalents at period-end		27,405	23,866

Status of Production and Sales

1. Production

(1) Oil and Natural Gas Segment

Division	Product	First Three Quarters of FY 2004 (Apr. 1, 2003 – Dec. 31, 2003)	(Ref.) FY2003 (Apr. 1, 2002 – Mar. 31, 2003)
E&P Operations	C r u d e o i l	412,748 ^{kl} (2,358)	510,249 ^{kl} (5,031)
	N a t u r a l g a s	718,599 ^{thousand m³} (5,357)	950,158 ^{thousand m³} (10,506)
	L N G	4,105 ^t	—
Other Businesses	L P G	7,564 ^t	11,231 ^t
	F u e l o i l , e t c .	38,274 ^{kl}	36,655 ^{kl}

(Notes)

1. The figures in parentheses in E&P Operations 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.

(2) Geothermal Energy Segment

Division	Product	First Three Quarters of FY 2004 (Apr. 1, 2003 – Dec. 31, 2003)	(Ref.) FY 2003 (Apr. 1, 2002 – Mar. 31, 2003)
Geothermal Energy Development	S t e a m	848,753 ^t	1,157,389 ^t

2. Sales

(1) Oil and Natural Gas Segment

Division	Product	First Three Quarters of FY 2004 (Apr. 1, 2003 – Dec. 31, 2003)		(Ref.) FY 2003 (Apr. 1, 2002 – Mar. 31, 2003)	
		Volume	Amount	Volume	Amount
E&P Operations	C r u d e o i l	kl 1,162,330	(¥ million) 24,618	kl 1,445,798	(¥ million) 30,743
	N a t u r a l g a s	thousand m ³ 912,817	30,115	thousand m ³ 1,154,764	41,479
	L N G	t 51,697	2,610	t 61,294	3,058
	Subtotal	—	57,344	—	75,281
Contract Services		—	2,630	—	5,815
	Subtotal	—	2,630	—	5,815
Other Businesses	L P G	t 21,624	(¥ million) 1,033	t 36,400	(¥ million) 1,786
	F u e l o i l , e t c .	kl 59,704	2,472	kl 71,518	2,811
	O t h e r s	—	2,565	—	3,793
	Subtotal	—	6,071	—	8,390
	Total	—	66,046	—	89,486

(2) Geothermal Energy Segment

Division	Product	First Three Quarters of FY 2004 (Apr. 1, 2003 – Dec. 31, 2003)		(Ref.) FY 2003 (Apr. 1, 2002 – Mar. 31, 2003)	
		Volume	Amount	Volume	Amount
Geothermal Energy Development	S t e a m	t 813,191	(¥ million) 1,032	t 1,080,685	(¥ million) 1,196
	Total	—	1,032	—	1,196

(Notes)

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