

Consolidated Financial Results for First Quarter Ended June 30, 2005

August 10, 2005

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

Company Name: Japan Petroleum Exploration Co., Ltd.

(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) 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 (Excluded): 1 company

2. Consolidated Financial Results for First Quarter of Fiscal Year 2006 (April 1, 2005 – June 30, 2005)

(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)	%
1Q of FY06	25,963	12.9	3,155	88.8	5,799	36.1	3,973	10.0
1Q of FY05	22,996	4.5	1,671	(56.8)	4,262	(14.2)	3,612	12.9
(Ref.) FY05	103,150		14,678		19,001		13,234	

	Net Income per Share	Diluted Net Income per Share
	(¥)	(¥)
1Q of FY06	69.51	-
1Q of FY05	63.20	-
(Ref.) FY05	230.05	-

(Notes)

- Percentage figures for net sales, operating income and other items represent changes compared with the corresponding period of the previous fiscal year.
- Diluted net income per share is not shown because there are no shares with a dilutive effect.

Qualitative Information Concerning Consolidated Business Performance

In the first quarter ended June 30, 2005, consolidated net sales totaled ¥25,963 million, up 12.9%, from the same period of the previous year. Operating income totaled ¥3,155 million, up 88.8%, from the same period of the previous year. Ordinary income totaled ¥5,799 million, up 36.1%, from the same period of the previous year. Net income totaled ¥3,973 million, up 10.0%, from the same period of the previous year.

Below is a summary of earnings data for each of the Company's business segments by division.

1. Oil and Natural Gas Segment

(a) E&P Division

The E&P division sells crude oil, natural gas and liquefied natural gas (LNG). Net sales totaled ¥22,500 million, up 25.2%, from the same period of the previous year, reflecting a sharp rise in crude oil prices and higher sales volume for natural gas.

(b) Contract Services Division

The Contract Services Division accepts orders mainly for drilling projects and geological and geophysical surveys. Net sales totaled ¥452 million, up 74.8%, from the same period of the previous fiscal year, reflecting a decrease in the volume of contract services orders.

(c) Other Businesses Division

This division mainly includes the manufacturing and trading of products such as LPG and fuel oil, the transmission of

third-party gas, and other miscellaneous consignment orders. Net sales totaled ¥3,010 million, up 4.1%, from the same period of the previous fiscal year, reflecting higher sales volume for products.

Net sales of geothermal energy division decrease ¥334 million, reflecting Japex Geothermal Kyushu Ltd. determined to cease the geothermal energy business in the previous fiscal year.

(2) Consolidated Financial Position

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio	Shareholders' Equity Ratio per Share
	(¥ million)	(¥ million)	%	(¥)
June 30, 2005	409,732	305,264	74.5	5,341.10
June 30, 2004	247,927	197,254	79.6	3,451.26
(Ref.) Mar. 31, 2005	393,733	293,152	74.5	5,127.67

(3) Consolidated Cash Flows

	Operating Activities	Investing Activities	Financing Activities	Cash and Cash Equivalents at Period-End
	(¥ million)	(¥ million)	(¥ million)	(¥ million)
1Q of FY06	7,224	(11,496)	(4,652)	25,813
1Q of FY05	2,290	(2,520)	(3,422)	24,237
(Ref.) FY05	21,936	(15,805)	786	34,568

Qualitative Information Concerning Consolidated Financial Position

Total assets at June 30, 2005 stood at ¥409,732 million, an increase of ¥15,999 million from the previous fiscal year, mainly reflecting an increase in unrealized holding gain on securities due to valuation gains on shares of INPEX. Shareholders' equity rose ¥12,111 million to ¥305,264 million.

Cash and cash equivalents at June 30, 2005 stood at ¥25,813 million, a decrease of ¥8,755 million from the previous fiscal year.

(Cash Flows from Operating Activities)

Operating activities provided net cash of ¥7,224 million, mainly reflecting income before income taxes and minority interests of ¥18,129 million and depreciation and amortization of ¥3,337 million, which outweighed income taxes of ¥1,184 million.

(Cash Flows from Investing Activities)

Investing activities used net cash of ¥11,496 million, mainly reflecting outflow was ¥9,719 million for the purchase of property, plant and equipment.

(Cash Flows from Financing Activities)

Financing activities used net cash of ¥4,652 million, reflecting mainly outflows of ¥2,747 million for the repayment of long-term debt and ¥1,245 million for the payment of cash dividends.

3. Consolidated Forecast for Fiscal Year 2006(April 1, 2005 – March 31, 2006)

	Net Sales	Ordinary Income	Net Income
	(¥ million)	(¥ million)	(¥ million)
Interim Period	55,431	9,970	7,424
Full Year	96,897	18,630	13,615

Difference from previous consolidated interim period forecast (April 1, 2005 – September 30, 2005)

	Net Sales	Ordinary Income	Net Income
	(¥ million)	(¥ million)	(¥ million)
Previous Forecast (A)	44,325	7,352	6,282
Revised Forecast (B)	55,431	9,970	7,424
Increase (B – A)	11,106	2,618	1,142
Increase Ratio (%)	25.0%	35.6%	18.1%

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 Forecast

Mainly due to a rise in crude oil prices and higher sales volume for natural gas, the Company expects first half net sales to rise ¥11.1billion, or 25.0% to ¥55.4billion compared with consolidated financial results forecast published in the Company's consolidated financial results FY2005 released on May 16, 2005. The Company forecasts ordinary income for first half of ¥9.9billion, up ¥2.6billion, or 35.6% and net income for first half of ¥7.4billion, up ¥1.1billion, or 18.1%. These forecasts were formulated on the following assumptions :1) 2nd quarter's price of US\$53/bbl for imported crude oil and 2) 2nd quarter's exchange rate of ¥110/US\$

The Company does not change full year forecast due to unclear of an outlook of crude oil price.

Reference :Non-consolidated Forecast for Fiscal Year 2006(April 1, 2005 – March 31, 2006)

	Net Sales	Ordinary Income	Net Income
	(¥ million)	(¥ million)	(¥ million)
Interim Period	42,119	7,861	6,521
Full Year	76,018	13,303	10,820

Difference from previous non-consolidated interim period forecast (April 1, 2006 – September 30, 2006)

	Net Sales	Ordinary Income	Net Income
	(¥ million)	(¥ million)	(¥ million)
Previous Forecast (A)	35,655	5,536	5,565
Revised Forecast (B)	42,119	7,861	6,521
Increase (B – A)	6,464	2,325	956
Increase Ratio (%)	18.1%	42.0%	17.1%

1.Consolidated 1st Quarter Balance Sheet

(¥ million)	1Q of FY06	FY05	Change	1Q of FY05
Description	As of Jun. 30,2005	As of Mar. 31, 2005		As of Jun. 30, 2004
(Assets)				
Current assets				
1. Cash and deposits	24,181	32,778	(8,597)	22,869
2. Notes and accounts receivable	9,107	13,913	(4,805)	9,258
3. Marketable securities	10,098	6,688	3,410	6,494
4. Inventories	10,109	9,158	950	7,662
5. Other current assets	8,751	8,268	482	5,888
Less: Allowance for doubtful receivables	(14)	(17)	3	(12)
Total current assets	62,233	70,788	(8,555)	52,160
Fixed assets				
1. Property, plant and equipment				
(1) Buildings and structures	45,177	46,023	(845)	51,824
(2) Machinery and equipment	25,735	26,320	(584)	23,042
(3) Land	12,563	11,191	1,371	12,053
(4) Other property, plant and equipment	15,813	11,398	4,415	14,810
Total property, plant and equipment	99,290	94,933	4,356	101,731
2. Intangible fixed assets				
(1) Goodwill	4,830	5,082	(251)	-
(2) Others	1,920	1,922	(1)	1,889
Total intangible fixed assets	6,751	7,004	(253)	1,889
3. Investments and others				
(1) Investments in securities	237,084	216,467	20,616	84,223
(2) Others	12,606	13,062	(455)	20,032
Less: Allowance for doubtful receivables	(224)	(211)	(12)	(123)
Allowance for losses on overseas investments	(8,009)	(8,312)	302	(11,986)
Total investments and others	241,456	221,005	20,451	92,146
Total fixed assets	347,498	322,944	24,554	195,767
Total assets	409,732	393,733	15,999	247,927
(Liabilities)				
I Current liabilities				
1. Notes and accounts payable	2,238	3,047	(808)	3,218
2. Current portion of long-term debt	6,226	8,973	(2,747)	4,347
3. Other current liabilities	19,477	17,085	2,391	9,798
Total current liabilities	27,941	29,105	(1,164)	17,363
II Long-term liabilities				
1. Long-term debt	7,000	7,000	-	6,256
2. Deferred tax liabilities	51,519	46,213	5,306	-
3. Accrued retirement benefits for employees	3,998	3,831	167	3,693
4. Accrued retirement benefits for officers	668	773	(104)	613
5. Accrued estimated cost of abandonment of wells	2,779	2,690	88	2,319
6. Accrual for losses on projects	1,685	1,688	(2)	12,029
7. Other long-term liabilities	80	77	2	2,411
Total long-term liabilities	67,733	62,275	5,458	27,323
Total liabilities	95,675	91,380	4,294	44,687
(Minority interests)				
Minority interests in consolidated subsidiaries	8,792	9,199	(406)	5,986
(Shareholders' equity)				
I Common stock	14,288	14,288	-	14,288
II Retained earnings	193,708	191,116	2,592	182,351
III Unrealized holding gain on securities	97,541	88,313	9,227	3,517
IV Translation adjustments	(269)	(561)	292	(2,900)
V Treasury stock	(4)	(4)	-	(2)
Total shareholders' equity	305,264	293,152	12,111	197,254
Total liabilities, minority interests and shareholders' equity	409,732	393,733	15,999	247,927

2. Consolidated 1st Quarter Statements of Income

(¥ million)	1Q of FY06	1Q of FY05	Change	FY05
Description	Apr. – Jun. 2005	Apr. – Jun. 2004		Apr. 04 – Mar. 05
I Net sales	25,963	22,996	2,967	103,150
II Cost of sales	13,857	15,228	(1,370)	61,046
Gross profit	12,105	7,768	4,337	42,104
III Exploration expenses				
1. Exploration expenses	3,504	1,157	2,346	6,445
2. Exploration subsidies	(485)	(24)	(460)	(317)
Total exploration expense	3,018	1,133	1,885	6,127
IV Selling, general and administrative expenses	5,931	4,963	967	21,298
Operating income	3,155	1,671	1,484	14,678
V Non-operating income				
1. Interest income	321	279	41	1,162
2. Dividend income	1,353	1,046	307	1,669
3. Equity in profit of non-consolidated subsidiaries and affiliates	357	874	(516)	116
4. Reversal of allowance for losses on overseas investments	302	587	(284)	1,376
5. Reversal of accrual for losses on projects	-	-	-	957
6. Other non-operating income	592	319	273	1,127
Total non-operating income	2,928	3,107	(178)	6,411
VI Non-operating expenses				
1. Interest expense	40	73	(32)	261
2. Loss on sale of securities	-	60	(60)	145
3. Loss on redemption of securities	-	-	-	306
4. Devaluation loss on securities	1	105	(103)	121
5. Provision for accrued estimated cost of abandonment of wells	130	35	94	513
6. Provision for losses on projects	-	200	(200)	-
7. Other non-operating expenses	111	40	71	739
Total non-operating expenses	284	516	(231)	2,088
Ordinary income	5,799	4,262	1,537	19,001
VII Extraordinary income				
1. Reversal of allowance for doubtful receivables	2	2	(0)	-
VIII Extraordinary losses				
1. Loss on disposal of fixed assets	14	40	(25)	665
2. Earthquake disaster recovery expense	-	-	-	206
Income before income taxes and minority interests	5,787	4,224	1,562	18,129
Income taxes	1,652	554	1,097	4,270
Minority interests	162	57	104	624
Net income	3,973	3,612	360	13,234

3. 1st Quarter Consolidated Statements of Cash Flows

(¥ million) Description	1Q of FY06 Apr. – Jun. 2005	1Q of FY05 Apr. – Jun. 2004	FY05 Apr. 04 – Mar. 05
I Operating activities			
1. Income before income taxes and minority interests	5,787	4,224	18,129
2. Depreciation and amortization	3,337	3,160	14,081
3. Amortization of goodwill	251	-	-
4. Loss on devaluation of marketable securities and investments in securities	-	105	-
5. Increase (decrease) in allowance for doubtful receivables	8	(1)	90
6. Increase in provision for accrued retirement benefits for employees	167	115	244
7. Increase (decrease) in provision for accrued retirement benefits for officers	(104)	(82)	76
8. Increase (decrease) in provision for accrued estimated cost of abandonment of wells	76	(99)	(12)
9. Decrease in provision for allowance for losses on overseas investments and accrual for losses on projects	(302)	(293)	(2,173)
10. Interest and dividend income	(1,675)	(1,326)	(2,833)
11. Interest expense	40	73	261
12. Gain on redemption and sales of marketable securities and investments in securities	(206)	(51)	(239)
13. Loss on redemption and sales of marketable securities and investments in securities	-	60	452
14. Equity in losses (profits) of non-consolidated subsidiaries and affiliates	(357)	(874)	(116)
15. Decrease in notes and accounts receivable	4,808	2,644	(1,823)
16. Decrease (increase) in inventories	(950)	(1,546)	(3,042)
17. Increase (decrease) in notes and accounts payable	(1,221)	(1,829)	152
18. Increase (decrease) in consumption tax payable	(588)	11	783
19. Other, net	(661)	(166)	1,922
Subtotal	8,408	4,175	26,075
20. Income taxes (paid) refunded	(1,184)	(1,884)	(4,139)
Net cash provided by operating activities	7,224	2,290	21,936
II Investing activities			
1. Investments in time deposits	-	(10)	(30)
2. Proceeds from time deposits	397	300	330
3. Payments for purchase of marketable securities	(5,998)	-	(100)
4. Proceeds from redemption and sale of marketable securities	2,699	819	4,220
5. Additions to property, plant and equipment	(9,719)	(4,865)	(11,978)
6. Proceeds from sales of property, plant and equipment	217	116	550
7. Additions to intangible fixed assets	(192)	(144)	(586)
8. Payments for purchase of investments in securities	(1,441)	(2,835)	(14,588)
9. Proceeds from redemption and sale of investments in securities	787	1,068	7,435
10. Payment for purchase of consolidated subsidiary stock accompanied by changes in scope of consolidation	-	-	(2,269)
11. Proceeds from purchase of consolidated subsidiary stock accompanied by changes in scope of consolidation	-	1,830	-
12. Increase in loans receivable	(409)	(12)	(1,127)
13. Decrease in loans receivable	135	23	186
14. Interest and dividends received	1,548	1,331	2,815
15. Other, net	479	(142)	(662)
Net cash used in investing activities	(11,496)	(2,520)	(15,805)
III Financing activities			
1. Decrease in short-term bank loans	-	(600)	(600)
2. Proceeds from long-term debt	-	-	7,000
3. Repayment of long-term debt	(2,747)	(706)	(2,311)
4. Purchase of treasury stock	-	(1)	(2)
5. Cash dividends paid	(1,245)	(1,905)	(2,854)
6. Dividends paid to minority shareholders	(609)	(192)	(192)
7. Interest paid	(50)	(17)	(252)
Net cash used in financing activities	(4,652)	(3,422)	786
IV Effect of exchange rate changes on cash and cash equivalents	246	39	(199)
V Increase (decrease) in cash and cash equivalents	(8,678)	(3,613)	6,717
VI Cash and cash equivalents at beginning of year	34,568	27,851	27,851
VII Decrease in cash and cash equivalents accompanied by exclusion of consolidation	(76)	-	-
VIII Cash and cash equivalents at period-end	25,813	24,237	34,568

4. Status of Production and Sales

1 . Production

(1) Oil and Natural Gas Segment

Division	Product	1Q of FY 2006 Apr. 1 – Jun. 30, 2005	1Q of FY2005 Apr. 1 – Jun. 30, 2004	(Ref.) FY2005 Apr. 1, 2004 – Mar. 31, 2005
E&P	Crude oil	196,673 ^{kl} (43,525)	128,791 ^{kl} (1,090)	696,814 ^{kl} (101,436)
	Natural gas	292,933 ^{thousand m³} (15,151)	231,198 ^{thousand m³} (890)	1,091,902 ^{thousand m³} (2,904)
	L N G	5,411 t	3,141 t	19,771 t
	Bitumen	106,524 ^{kl} (106,524)	-	-
Other Businesses	L P G	2,680 t	2,223 t	10,338 t
	Fuel oil, etc.	13,826 ^{kl}	11,171 ^{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 a heavy oil extracted from oil sands. .

(2) Geothermal Energy Segment

Division	Product	1Q of FY 2006 Apr. 1 – Jun. 30, 2005	1Q of FY2005 Apr. 1 – Jun. 30, 2004	(Ref.) FY 2005 Apr. 1, 2004 – Mar. 31, 2005
Geothermal Energy	Steam	-	270,687 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	1Q of FY2006 Apr. 1 – Jun. 30, 2005		1Q of FY2005 Apr. 1 – Jun. 30, 2004		(Ref.) FY2005 Apr. 1, 2004 - Mar. 31, 2005	
		Volume	Amount	Volume	Amount	Volume	Amount
E&P	Crude Oil	kl 304,747	(¥ million) 11,040	kl 353,464	(¥ million) 8,947	kl 1,380,337	(¥ million) 38,211
	Natural Gas	thousand m ³ 313,490	9,413	thousand m ³ 259,830	8,003	thousand m ³ 1,276,887	39,867
	L N G	t 24,212	1,210	t 20,468	1,021	t 98,825	4,888
	Bitumen	kl 107,272	836	-	-	-	-
Subtotal		-	22,500	-	17,972	-	82,966
Contract services		-	452	-	1,797	-	6,987
	Subtotal	-	452	-	1,797	-	6,987
Other Businesses	L P G	t 6,458	(¥ million) 370	t 6,865	(¥ million) 321	t 30,781	(¥ million) 1,622
	Fuel oil, etc	kl 19,565	1,181	kl 22,278	968	kl 94,430	4,202
	Others	-	1,459	-	1,602	-	6,553
	Subtotal	-	3,010	-	2,892	-	12,378
Total		-	25,963	-	22,662	-	102,332

(2) Geothermal Energy Segment

Division	Product	1Q of FY2006 Apr. 1 – Jun. 30, 2005		1Q of FY2005 Apr. 1 – Jun. 30, 2004		(Ref.) FY2005 Apr. 1, 2004 - Mar. 31, 2005	
		Volume	Amount	Volume	Amount	Volume	Amount
Geothermal Energy	Steam	t -	(¥ million) -	t 254,527	(¥ million) 334	t 813,999	(¥ million) 818
Total		-	-	-	334	-	818

(Notes)

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