

Consolidated Financial Results for First Quarter Ended June 30, 2006

August 8, 2006

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/>)

President: Yuji Tanahashi

Inquiries: Shigeyoshi Hasegawa, Manager, Media Relations, Media and Investor Relations Department

TEL: (03) 5461-7413

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): 2 companies

2. Consolidated Financial Results for First Quarter of Fiscal Year 2007 (April 1, 2006 – June 30, 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)	%
1Q of FY07	35,890	38.2	6,886	118.2	8,799	51.7	5,909	48.7
1Q of FY06	25,963	12.9	3,155	88.8	5,799	36.1	3,973	10.0
(Ref.) FY06 Full Year	138,796		27,018		31,190		20,216	

	Net Income per Share	Diluted Net Income per Share
	(¥)	(¥)
1Q of FY07	103.39	-
1Q of FY06	69.51	-
(Ref.) FY06 Full Year	352.11	-

(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, 2006, consolidated net sales totaled ¥35,890 million, up 38.2%, from the same period of the previous year. Operating income totaled ¥6,886 million, up 118.2%, from the same period of the previous year. Ordinary income totaled ¥8,799 million, up 51.7%, from the same period of the previous year. Net income totaled ¥5,909 million, up 48.7%, 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 ¥32,038 million, up 42.4%, from the same period of the previous year, reflecting increased sales of crude oil on the back of higher prices.

(b) Contract Services Division

The Contract Services Division accepts orders mainly for drilling projects and geological and geophysical surveys. Net sales totaled ¥556 million, up 22.8%, from the same period of the previous fiscal year, reflecting an increase in the volume of drilling projects.

(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 ¥3,296 million, up 9.5%, from the same period of the previous fiscal year, reflecting higher sales volume for products.

(2) Consolidated Financial Position

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio	Shareholders' Equity per Share
	(¥ million)	(¥ million)	%	(¥)
June 30, 2006	532,631	399,267	73.6	6,862.96
June 30, 2005	409,732	305,264	74.5	5,341.10
(Ref.) Mar. 31, 2006	532,516	386,222	72.5	6,756.00

(3) Consolidated Cash Flows

	Operating Activities	Investing Activities	Financing Activities	Cash and Cash Equivalents at Period-End
	(¥ million)	(¥ million)	(¥ million)	(¥ million)
1Q of FY07	2,325	(4,890)	(406)	40,037
1Q of FY06	7,224	(11,496)	(4,652)	25,813
(Ref.)FY06 Full Year	32,850	(20,063)	(6,088)	43,082

Qualitative Information Concerning Consolidated Financial Position

Property, plant and equipment increased ¥3,862 million, the result mainly of the construction of the Shiroishi-Koriyama pipeline and drilling of production well. Fixed assets increased ¥6,762 million to ¥460,957 million, mainly reflecting an increase in unrealized holding gain on securities. Current assets decreased ¥6,647 million to ¥71,674 million. Total assets at June 30, 2005 stood at ¥532,631 million, an increase of ¥114 million from the previous fiscal year.

Current liabilities decreased ¥7,091 million, mainly reflecting a decrease accounts payable. Long-term liabilities increased ¥1,923 million, mainly reflecting an increase in bank loans of ¥2,000 million. Total liabilities at June 30, 2005 stood at ¥133,363 million, a decrease of ¥5,167 million from the previous fiscal year. Total shareholders' equity and ratio stood at ¥399,267 million and 73.6%, respectively.

As of June 30, 2006, Cash and cash equivalents on a consolidated basis stood at ¥40,037 million, a decrease of ¥3,045 million compared with the end of the previous fiscal year.

(Cash Flows from Operating Activities)

Operating activities provided net cash of ¥2,325 million, mainly reflecting income before income taxes and minority interests of ¥8,803 million, which outweighed income taxes of ¥6,943 million.

(Cash Flows from Investing Activities)

Investing activities used net cash of ¥4,890 million, primarily attributable to cash of ¥6,483 million used for the purchase of property, plant and equipment.

(Cash Flows from Financing Activities)

Financing activities used net cash of ¥406 million, reflecting mainly inflows of ¥2,000 million of proceeds from long-term debt, and outflows of ¥1,404 million for the payment of cash dividends and ¥1,015 million for minoritys' cash dividends paid.

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

	Net Sales	Ordinary Income	Net Income
	(¥ million)	(¥ million)	(¥ million)
Interim Period	66,038	13,784	9,473
Full Year Year-end	123,910	24,920	17,242

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

	Net Sales	Ordinary Income	Net Income
	(¥ million)	(¥ million)	(¥ million)
Previous Forecast (A)	55,216	9,185	6,556
Revised Forecast (B)	66,038	13,784	9,473
Increase (B – A)	10,822	4,599	2,917
Increase Ratio (%)	19.6%	50.1%	44.5%
(Ref.) FY06 Interim	59,221	12,459	8,983

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 of trading oil, the Company expects first half net sales to rise ¥10.8billion, or 19.6% to ¥60.0billion, ordinary income for first half of ¥13.7billion, up ¥4.6billion, or 50.1% and net income for first half of ¥9.4billion, up ¥2.9billion, or 44.5%, compared with consolidated financial results forecast published in the Company's consolidated financial results FY2006 released on May 15, 2006.

These forecasts were formulated on the following assumptions : 2nd quarter's price of US\$68/bbl for imported crude oil and 2nd quarter's exchange rate of ¥115/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 2007(April 1, 2006 – March 31, 2007)

	Net Sales	Ordinary Income	Net Income
	(¥ million)	(¥ million)	(¥ million)
Interim Period	47,050	9,908	8,320
Full Year	98,118	17,790	13,714

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)	43,895	6,196	5,660
Revised Forecast (B)	47,050	9,908	8,320
Increase (B – A)	3,155	3,712	2,660
Increase Ratio (%)	7.2%	59.9%	47.0%
(Ref.) FY06 Interim	42,699	8,996	7,179

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)

A. Status of Production and Sales

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1 . Production

(1) Oil and Natural Gas Segment

Division	Product	1Q of FY 2007 Apr. 1 – Jun. 30, 2006	1Q of FY2006 Apr. 1 – Jun. 30, 2005	(Ref.) FY2006 Apr. 1, 2005 – Mar. 31, 2006
E&P	Crude oil	188,758 ^{kl} (48,494)	196,673 ^{kl} (43,525)	805,612 ^{kl} (164,842)
	Natural gas	286,418 ^{thousand m³} (14,591)	292,933 ^{thousand m³} (15,151)	1,279,066 ^{thousand m³} (62,335)
	L N G	5,807 ^t	5,411 ^t	25,901 ^t
	Bitumen	117,702 ^{kl} (117,702)	106,524 ^{kl} (106,524)	449,785 ^{kl} (449,785)
Other Businesses	L P G	2,504 ^t	2,680 ^t	10,737 ^t
	Fuel oil, etc.	13,252 ^{kl}	13,826 ^{kl}	55,719 ^{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.
4. Bitumen is a heavy oil extracted from oil sands. .

2 . Sales

(1) Oil and Natural Gas Segment

Division	Product	1Q of FY2007 Apr. 1 – Jun. 30, 2006		1Q of FY2006 Apr. 1 – Jun. 30, 2005		(Ref.) FY2006 Apr. 1, 2005 – Mar. 31, 2006	
		Volume	Amount	Volume	Amount	Volume	Amount
E&P	Crude Oil	407,608 ^{kl}	19,325 ^(¥ million)	304,747 ^{kl}	11,040 ^(¥ million)	1,485,849 ^{kl}	61,185 ^(¥ million)
	Natural Gas	308,455 ^{thousand m³}	9,570	313,490 ^{thousand m³}	9,413	1,413,717 ^{thousand m³}	43,539
	L N G	33,213 ^t	1,747	24,212 ^t	1,210	124,736 ^t	6,252
	Bitumen	117,243 ^{kl}	1,394	107,272	836	448,951	6,526
Subtotal		-	32,038	-	22,500	-	117,504
Contract services		-	556	-	452	-	7,148
	Subtotal	-	556	-	452	-	7,148
Other Businesses	L P G	5,900 ^t	427 ^(¥ million)	6,458 ^t	370 ^(¥ million)	26,234 ^t	1,755 ^(¥ million)
	Fuel oil, etc	21,846 ^{kl}	1,327	19,565 ^{kl}	1,181	102,125 ^{kl}	5,934
	Others	-	1,541	-	1,459	-	6,453
Subtotal		-	3,296	-	3,010	-	14,143
Total		-	35,890	-	25,963	-	138,796

(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.