

# Consolidated Financial Results for the Interim Period Ended September 30, 2007

November 15, 2007

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

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Company Code: 1662

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Scheduled date for filing Semi-annual Report: December 20, 2007

Scheduled date for commencement of dividend payment: December 3, 2007

Stock Listing: Tokyo Stock Exchange

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

(Amounts less than one million yen have been omitted)

## 1. Consolidated Results for the Fiscal 2008 Interim Period (April 1, 2007 – September 30, 2007)

### (1) Consolidated Operating Results

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

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
FY2008 Interim	91,360	36.1	9,031	(27.9)	13,825	(12.2)	9,695	(9.0)
FY2007 Interim	67,138	13.4	12,528	48.1	15,750	26.4	10,654	18.6
FY2007 Full Year	170,018		29,719		34,705		20,982	

	Net Income per Share-Basic	Net Income per Share-Diluted
	Yen	Yen
FY2008 Interim	169.64	–
FY2007 Interim	186.42	–
FY2007 Full Year	367.12	–

Note: Equity in net income (loss) of non-consolidated subsidiaries and affiliates:

FY2008 Interim ¥ 935 million FY2007 Interim ¥ 219 million FY2007 Full Year ¥ 690 million

### (2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Million Yen	Million Yen	%	Yen
September 30, 2007	621,109	454,056	71.7	7,796.15
September 30, 2006	523,442	392,833	73.7	6,746.02
March 31, 2007	578,059	418,929	71.0	7,185.80

Note: Equity: FY2008 Interim ¥ 445,576 million FY2007 Interim ¥ 385,559 million FY2007 Full Year ¥ 410,694 million

### (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 Interim	16,936	(34,790)	(2,684)	40,079
FY2007 Interim	13,203	(6,423)	(817)	48,996
FY2007 Full Year	34,256	(18,140)	917	60,199

## 2. Cash Dividends

Record-Date	Cash Dividends per Share		
	Interim	Year-End	Full Year
	Yen	Yen	Yen
FY2007	20.00	20.00	40.00
FY2008	20.00	–	40.00
FY2008 (Forecast)	–	20.00	

## 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	188,524	10.9	16,281	(45.2)	23,798	(31.4)	18,181	(13.3)	318.11

#### 4. Others

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiary affecting the scope of consolidation): No
- (2) Change in accounting policy, procedure, and method of presentation for preparing consolidated interim financial statements (those to be described in the section of the *Change of Significant Accounting Policies on the Preparation of Interim Consolidated Financial Statements*)
- i. Change due to amendment of accounting standard: Yes
- ii. Change due to other reasons: No
- (3) Outstanding shares (common shares)
- i. Shares outstanding at the period-end (including treasury stock)
- |                |                   |                |                   |                  |                   |
|----------------|-------------------|----------------|-------------------|------------------|-------------------|
| FY2008 Interim | 57,154,776 shares | FY2007 Interim | 57,154,776 shares | FY2007 Full Year | 57,154,776 shares |
|----------------|-------------------|----------------|-------------------|------------------|-------------------|
- ii. Treasury stock at the period-end
- |                |              |                |              |                  |              |
|----------------|--------------|----------------|--------------|------------------|--------------|
| FY2008 Interim | 1,352 shares | FY2007 Interim | 1,090 shares | FY2007 Full Year | 1,224 shares |
|----------------|--------------|----------------|--------------|------------------|--------------|

#### Reference: Summary of Non-Consolidated Results

##### 1. Financial Highlights (April 1, 2007 - September 30, 2007)

(1) Non-Consolidated Operating Results (Percentages indicate changes over the interim period in the previous fiscal year.)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
FY2008 Interim	74,478	59.2	8,832	19.1	9,953	(13.9)	7,282	(22.3)
FY2007 Interim	46,790	9.6	7,418	16.1	11,565	28.6	9,369	30.5
FY2007 Full Year	122,129		18,402		23,848		15,645	

	Net Income per Share-Basic
	Yen
FY2008 Interim	127.43
FY2007 Interim	163.94
FY2007 Full Year	273.75

(2) Non-Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Million Yen	Million Yen	%	Yen
September 30, 2007	573,290	416,594	72.7	7,289.05
September 30, 2006	488,529	363,858	74.5	6,366.31
March 31, 2007	530,610	384,989	72.6	6,736.05

Note: Equity: FY2008 Interim ¥ 416,594 million FY2007 Interim ¥ 363,858 million FY2007 Full Year ¥ 384,989 million

##### 2. Non-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
FY2008 Full Year	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Yen
	155,018	26.9	18,404	0.0	19,943	(16.4)	16,309	4.2	285.35

**\* 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.

## **I. Business Results**

### **(1) Analysis of Business Performance**

In the first half of the fiscal year ended September 30, 2007, the Japanese economy continued its moderate recovery thanks to a continuation of improved corporate earnings and capital investment growth as well as a turnaround in consumer spending.

The price of crude oil (including cost, insurance and freight) rose from below the \$60 per barrel level in the beginning of the fiscal year to more than \$70 per barrel in the summer as global demand for crude oil increased. The overall price level of crude oil during the first half of the fiscal year was similar to the same period of the previous fiscal year.

In addition, the crude oil price for the Group rose compared with the same period of the previous fiscal year because the yen continued a moderate devaluation trend against the dollar, and was therefore weaker than the same period of the previous year.

Meanwhile, due to acceleration in the pace of deregulation, domestic natural gas prices still remained weak amid escalating competition among energy sectors.

Under these conditions, the JAPEX Group worked to maintain production operations with the aim of ensuring stable supplies of affordable and safe energy over the long term. In addition, the Group focused its collective efforts on efficient E&P both in Japan and overseas.

Net sales in the first half of the fiscal year were strong at ¥91,360 million, an increase of ¥24,221 million (+36.1%) year on year.

Gross profit decreased year on year by ¥1,115 million (-3.8%) to ¥28,379 million reflecting increased cost of sales caused by the overhaul at an FSO (Floating Storage and Offloading) incurred by consolidated subsidiary, Japex New Nanhai Ltd., and the dissolution of Jawa Oil Co., Ltd.

Operating income decreased by ¥3,496 million (-27.9%) year on year to ¥9,031 million. This was a result of a ¥2,236 million (+76.1%) increase in exploration expenses by the expansion of exploration activities in Libya and Canada and a ¥144 million (+1.0%) increase in selling, general and administrative expenses by the commencement of depreciation of the Shiroishi-Koriyama pipeline whose construction was completed in March 2007.

Ordinary income was ¥13,825 million, a decrease of ¥1,925 million (-12.2%) year on year, which was mainly due to improved investment returns based on the equity method, and net income was ¥9,695 million, a decrease of ¥959 million (-9.0%) year on year.

The performance of each of the sectors of our business was as follows:

#### **(a) E&P Division**

The E&P Division sells crude oil, natural gas, liquefied natural gas (LNG) and bitumen. This division recorded net sales of ¥83,693 million, an increase of ¥24,033 million (+40.3%) from the same period of the previous fiscal year, which was due to increased net sales arising from the higher sales volumes of trading oil such as Sakhalin crude oil (SOKOL crude) and natural gas, and the higher price of crude oil and bitumen.

#### **(b) Contract Services Division**

The Contract Services Division is primarily involved in drilling and geophysical surveys, and recorded net sales of ¥915 million, a decrease of ¥98 million (-9.7%) from the same period of the previous fiscal year, mainly due to decreases in drilling contracts.

#### **(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 half of the fiscal year were ¥6,751 million, an increase of ¥286 million (+4.4%) from the same period of the previous fiscal year.

The full-year forecast released on August 10, 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, November 15, 2007.

## (2) Analysis of Financial Condition

Total assets at the end of this half year period stood at ¥621,109 million, an increase of ¥43,050 million (+7.4%) from the previous fiscal year-end. Of this, current assets decreased ¥25,466 million (-24.2%) to ¥79,685 million, and fixed assets grew ¥68,516 million (+14.5%) to ¥541,423 million.

The primary change in current assets is the ¥20,572 (-62.9%) million decrease in marketable securities due to redemption of commercial paper, etc.

In fixed assets, property, plant and equipment increased ¥9,501 million (+8.2%). This increase was mainly due to an increase in the numbers of production wells in Japan and Canada. Intangible fixed assets declined chiefly due to amortization of goodwill. Investments and others increased by ¥59,884 million (+17.1%), due to acquisition of shares in Energi Mega Pratama Inc. (EMPI) and the rise in the stock price of INPEX Holdings Inc.

Total liabilities rose ¥7,923 million (+5.0%) to ¥167,053 million from the end of the previous fiscal year. This increase which was attributable to the ¥12,110 million (+9.9%) increase in long-term liabilities arising from higher deferred tax liabilities that was due to an increase in the difference on valuation of investment securities, offset the ¥4,187 million (-11.4%) decrease of current liabilities which was mainly due to payment of payables associated with the construction costs for the Shiroishi-Koriyama pipeline.

Total net assets increased ¥35,127 million (+8.4%) to ¥454,056 million from the end of the previous fiscal year, mainly as a result of a rise in unrealized holding gains on securities.

As a result, the equity ratio as of September 30, 2007 was 71.7%.

As of September 30, 2007, cash and cash equivalents totaled ¥40,079 million, down ¥20,120 million, compared to the end of the previous fiscal year. Below is a summary of cash flows of each activity.

### (Cash Flows from Operating Activities)

Funds provided by operating activities was ¥16,936 million, an increase of ¥3,732 million (+28.3%) from the same period of the previous fiscal year. This is mainly attributable to ¥13,239 million in income before income taxes and ¥7,730 million in depreciation and amortization, and ¥4,543 million in income taxes paid.

### (Cash Flows from Investing Activities)

Funds used in investing activities amounted to ¥34,790 million, an increase of ¥28,366 million (+441.6%) from the same period of the previous fiscal year. This was mainly due to the payment of ¥21,923 million for acquisition of property, plant and equipment in Japan and Canada, and the payment of ¥20,552 million arising from the acquisition of investments in securities including the purchase of 25% of the shares of EMPI, who holds interests in the Kangean block in East Java, Indonesia.

### (Cash Flows from Financing Activities)

Funds used in financing activities was ¥2,684 million, an increase of ¥1,866 million (+228.2%) from the same period of the previous fiscal year. This was primarily due to a payment of cash dividends of ¥1,144 million and the repayment of long-term debt of ¥1,139 million.

### Trends of Cash Flow Indicators

Fiscal Years Ended March 31 and Interim Period Ended September 30	2004	2005	2006	2007	2008 Interim
Equity ratio (%)	79.3	74.5	72.5	71.0	71.7
Equity ratio on mark-to-market basis (%)	96.4	63.6	78.9	87.1	78.6
Interest-bearing debt to cash flow ratio (years)	0.5	0.7	0.5	0.6	—
Interest coverage ratio (times)	60.3	86.8	188.1	323.3	181.4

Equity ratio: Equity/total assets

Equity ratio on mark-to-market basis: Total market capitalization/total assets

Interest-bearing debt to cash flow ratio: Interest-bearing debt/cash flows

(The figure for the first half of the fiscal year ending March 2008 is not presented in the table.)

Interest coverage ratio: Cash flows/interest paid

\* The above indicators are calculated based on consolidated financial figures.

\* Total market capitalization is calculated based on the number of shares outstanding (excluding treasury stock).

\* The above calculations use figure of net cash flows from operating activities for the figure of cash flows.

\* Interest-bearing debt is all debt subject to interest payments within liabilities shown on the consolidated balance sheets. Interest paid is that shown on the consolidated statement of cash flows.

### **(3) Fundamental Policy on Allocation of Profits and Dividends for This Year**

The Company's basic policy is to sustain stable dividends over the long term. Taking into account the medium and long-term outlook for the business, dividend payments are set based on respect for the return of profits to shareholders. While considering the need to acquire new reserves as an energy company that plays a role in providing stable supplies of oil and natural gas, indispensable resources for society, the policy also takes into account the need for retained earnings to finance the acquisition of new reserves and to upgrade and improve transportation systems, primarily pipelines.

Based on the above reasoning, an annual dividend of ¥40 per share (a total of ¥20 per share interim dividend and ¥20 per share year-end dividend) is planned for the current year.

### **(4) Risk Factors**

The disclosure of this section is omitted as there is no significant change from the Risk Factors described in the latest Securities Report filed on June 26, 2007.

## **II. Business Policies**

The disclosure of this section is omitted as there is no significant change from Consolidated Financial Results for Fiscal Year Ended March 31, 2007 disclosed on May 14, 2007.

### III. Consolidated Interim Financial Statements

#### (1) Consolidated Interim Balance Sheets

Description	As of Sept. 30, 2006		As of Sept. 30, 2007		As of March 31, 2007		
	Amount (¥ million)	(%)	Amount (¥ million)	(%)	Amount (¥ million)	(%)	
(Assets)							
I. Current assets							
1. Cash and deposits		20,559		23,609		27,169	
2. Notes and accounts receivable		13,890		17,782		24,451	
3. Marketable securities		29,961		12,141		32,714	
4. Inventories		12,479		13,012		8,683	
5. Other current assets		5,481		13,148		12,145	
Less: Allowance for doubtful receivables		(9)		(9)		(12)	
Total current assets		82,362	15.7	79,685	12.8	105,152	18.2
II. Fixed assets							
1. Property, plant and equipment							
(1) Buildings and structures	41,112		54,769		54,892		
(2) Machinery and equipment	28,668		28,001		29,258		
(3) Land	13,181		13,170		13,164		
(4) Other property, plant and equipment	23,180	106,143	29,069	125,010	18,192	115,508	
2. Intangible fixed assets		6,077		6,716		7,585	
3. Investments and others							
(1) Investments in securities	320,668		398,856		341,162		
(2) Others	17,177		19,604		18,081		
Less: Allowance for doubtful receivables	(97)		(97)		(95)		
Allowance for losses on overseas investments	(8,888)	328,859	(8,665)	409,697	(9,335)	349,812	
Total fixed assets		441,080	84.3	541,423	87.2	472,907	81.8
Total assets		523,442	100.0	621,109	100.0	578,059	100.0

Description	As of Sept. 30, 2006		As of Sept. 30, 2007		As of March 31, 2007	
	Amount (¥ million)	(%)	Amount (¥ million)	(%)	Amount (¥ million)	(%)
<b>(Liabilities)</b>						
<b>I. Current liabilities</b>						
1. Notes and accounts payable	6,872		11,820		9,395	
2. Current portion of long-term debt	972		2,278		2,278	
3. Reserve for directors' bonus	47		54		96	
4. Accrual for losses on disaster	—		486		—	
5. Other current liabilities	14,864		18,037		25,094	
Total current liabilities	22,755	4.4	32,677	5.3	36,864	6.4
<b>II. Long-term liabilities</b>						
1. Long-term debt	16,028		16,583		17,722	
2. Deferred tax liabilities	82,188		107,823		94,267	
3. Accrued retirement benefits for employees	5,056		5,073		5,434	
4. Accrued retirement benefits for directors	577		443		608	
5. Accrued estimated cost of abandonment of wells	3,176		3,785		3,459	
6. Accrual for losses on projects	716		479		601	
7. Other reserves	98		117		108	
8. Other long-term liabilities	12		68		62	
Total long-term liabilities	107,853	20.6	134,375	21.6	122,265	21.1
Total liabilities	130,608	25.0	167,053	26.9	159,130	27.5
<b>(Net Assets)</b>						
<b>I. Shareholders' equity</b>						
1. Capital	14,288	2.7	14,288	2.3	14,288	2.5
2. Retained earnings	218,228	41.7	235,965	38.0	227,413	39.3
3. Treasury stock	(4)	(0.0)	(6)	(0.0)	(5)	(0.0)
Total shareholders' equity	232,512	44.4	250,247	40.3	241,696	41.8
<b>II. Difference on valuation and conversion, etc.</b>						
1. Difference on valuation of other marketable securities	152,150	29.0	193,670	31.2	168,234	29.1
2. Deferred gain (loss) on hedging	10	0.0	6	0.0	55	0.0
3. Translation adjustments	885	0.2	1,651	0.2	707	0.1
Total difference on valuation and conversion, etc.	153,047	29.2	195,328	31.4	168,997	29.2
<b>III. Minority interests</b>						
	7,274	1.4	8,479	1.4	8,234	1.5
Total net assets	392,833	75.0	454,056	73.1	418,929	72.5
Total liabilities and net assets	523,442	100.0	621,109	100.0	578,059	100.0



## (2) Consolidated Interim Statements of Income

Description	FY2007 1 <sup>st</sup> half (Apr. 1, 2006 - Sept. 30, 2006)		FY2008 1 <sup>st</sup> half (Apr. 1, 2007 - Sept. 30, 2007)		FY2007 (Apr. 1, 2006 - Mar. 31, 2007)				
	Amount (¥ million)	(%)	Amount (¥ million)	(%)	Amount (¥ million)	(%)			
I. Net sales		67,138	100.0		91,360	100.0		170,018	100.0
II. Cost of sales		37,643	56.1		62,981	68.9		104,174	61.3
Gross profit		29,495	43.9		28,379	31.1		65,844	38.7
III. Exploration expenses									
1. Exploration expenses	3,021			5,176			8,987		
2. Exploration subsidies	(81)	2,940	4.3	—	5,176	5.7	(809)	8,178	4.8
IV. Selling, general and administrative expenses		14,027	20.9		14,171	15.5		27,946	16.4
Operating income		12,528	18.7		9,031	9.9		29,719	17.5
V. Non-operating income									
1. Interest income	634			794			1,355		
2. Dividend income	2,277			2,277			2,805		
3. Equity in profit of non-consolidated subsidiaries and affiliates	219			935			690		
4. Reversal of allowance for losses on overseas investments	205			668			—		
5. Reversal of accrual for losses on projects	155			122			270		
6. Other non-operating income	476	3,969	5.9	709	5,509	6.0	1,527	6,649	3.9
VI. Non-operating expenses									
1. Interest expense	37			99			120		
2. Loss on sales of securities	141			134			241		
3. Provision for accrued estimated cost of abandonment of wells	268			293			569		
4. Exchange loss	136			—			—		
5. Other non-operating expenses	163	746	1.1	188	715	0.8	731	1,663	1.0
Ordinary income		15,750	23.5		13,825	15.1		34,705	20.4
VII. Extraordinary income									
1. Reversal of allowance for doubtful receivables	5			4			0		
2. Other extraordinary income	—	5	0.0	0	5	0.0	966	967	0.6
VIII. Extraordinary losses									
1. Loss on disposal of fixed assets	65			38			387		
2. Earthquake disaster recovery expenses	—			551			—		
3. Other extraordinary losses	—	65	0.1	0	590	0.6	624	1,012	0.6
Income before income taxes and minority interests		15,690	23.4		13,239	14.5		34,660	20.4
Current income taxes	5,086			4,284			9,421		
Deferred income taxes	(886)	4,200	6.3	(1,175)	3,108	3.4	2,487	11,909	7.0
Minority interests		836	1.2		434	0.5		1,768	1.1
Net income		10,654	15.9		9,695	10.6		20,982	12.3

### (3) Consolidated Interim Statement of Changes in Shareholders' Equity, etc.

#### Consolidated Interim Statement of Changes in Shareholders' Equity etc.

Interim Period (April 1, 2006 - September 30, 2006)

(unit: ¥ million)

	Shareholders' equity				Difference on valuation and conversion, etc.				Minority interests	Total net assets
	Capital	Retained earnings	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 interim period										
Distributions from retained earnings (note)		(1,428)		(1,428)						(1,428)
Directors' bonuses (note)		(92)		(92)						(92)
Net income		10,654		10,654						10,654
Changes during interim period other than shareholders' equity items (net)					(9,798)	10	(8)	(9,796)	(488)	(10,284)
Total changes during interim period	—	9,133	—	9,133	(9,798)	10	(8)	(9,796)	(488)	(1,151)
Balance as of September 30, 2006	14,288	218,228	(4)	232,512	152,150	10	885	153,047	7,274	392,833

(Note) These items represent distribution of earnings resolved at the General Meeting of Shareholders in June 2006.

#### Consolidated Interim Statement of Changes in Shareholders' Equity etc.

Interim Period (April 1, 2007 - September 30, 2007)

(unit: ¥ million)

	Shareholders' equity				Difference on valuation and conversion, etc.				Minority interests	Total net assets
	Capital	Retained earnings	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, 2007	14,288	227,413	(5)	241,696	168,234	55	707	168,997	8,234	418,929
Changes during interim period										
Distributions from retained earnings		(1,143)		(1,143)						(1,143)
Net income		9,695		9,695						9,695
Acquisition of treasury stock			(1)	(1)						(1)
Changes during interim period other than shareholders' equity items (net)					25,435	(49)	944	26,331	245	26,576
Total changes during interim period	—	8,552	(1)	8,551	25,435	(49)	944	26,331	245	35,127
Balance as of September 30, 2007	14,288	235,965	(6)	250,247	193,670	6	1,651	195,328	8,479	454,056

Consolidated Statement of Changes in Shareholders' Equity etc.  
Fiscal Year 2006 (April 1, 2006 - March 31, 2007)

(Unit: ¥ million)

	Shareholder's equity				Difference on valuation and conversion, etc.				Minority interests	Total net assets
	Capital	Retained earnings	Treasury stock	Total share holder's equity	Difference on valuation of other marketable securities	Deferred gain (loss) on hedging	Transition 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 Fiscal Year										
Distributions from retained earnings (note)		(1,428)		(1,428)						(1,428)
Distributions from retained earnings		(1,143)		(1,143)						(1,143)
Directors' bonuses (note)		(92)		(92)						(92)
Net income		20,982		20,982						20,982
Acquisition of treasury stock			(0)	(0)						(0)
Changes during Fiscal Year other than shareholders' equity items (net)					6,285	55	(187)	6,154	472	6,626
Total changes during Fiscal Year	—	18,318	(0)	18,317	6,285	55	(187)	6,154	472	24,943
Balance as of March 31, 2007	14,288	227,413	(5)	241,696	168,234	55	707	168,997	8,234	418,929

(Note) These items represent distribution of earnings resolved at the General Meeting of Shareholders in June 2006.

#### (4) Consolidated Interim Statements of Cash Flows

	FY2007 1 <sup>st</sup> half (Apr. 1, 2006 - Sept. 30, 2006)	FY2008 1 <sup>st</sup> half (Apr. 1, 2007 - Sept. 30, 2007)	FY2007 (Apr. 1, 2006 - Mar. 31, 2007)
Description	Amount (¥ million)	Amount (¥ million)	Amount (¥ million)
<b>I. Operating activities</b>			
1. Income before income taxes and minority interests	15,690	13,239	34,660
2. Depreciation and amortization	7,080	7,730	14,938
3. Amortization of goodwill	491	514	1,006
4. Decrease in allowance for doubtful receivables	(33)	(0)	(32)
5. Increase (decrease) in provision for accrued retirement benefits for employees	320	(361)	699
6. Decrease in provision for accrued retirement benefits for directors	(184)	(165)	(153)
7. Increase in provision for accrued estimated cost of abandonment of wells	227	253	510
8. Decrease in provision for allowance for losses on overseas investments and accrual for losses on projects	(362)	(792)	(29)
9. Interest and dividend income	(2,912)	(3,071)	(4,161)
10. Interest expense	37	99	120
11. Gain on redemption and sales of marketable securities and investments in securities	(6)	(167)	(119)
12. Loss on redemption and sales of marketable securities and investments in securities	141	134	241
13. Equity in gains (losses) of non-consolidated subsidiaries and affiliates	(219)	(935)	(690)
14. Decrease (increase) in notes and accounts receivable	4,830	6,923	(5,733)
15. Decrease (increase) in inventories	(3,684)	(4,328)	111
16. Increase (decrease) in notes and accounts payable	(2,717)	1,703	3,757
17. Increase (decrease) in consumption tax payable	(293)	266	(550)
18. Other, net	642	(15)	(1,093)
Subtotal	19,048	21,026	43,481
19. Collection of claim for indemnity of guaranteed debt implementation	1,567	453	2,643
20. Income taxes paid	(7,412)	(4,543)	(11,868)
Net cash provided by operating activities	13,203	16,936	34,256
<b>II. Investing activities</b>			
1. Investments in time deposits	(311)	(255)	(3,334)
2. Proceeds from time deposits	933	3,761	948
3. Proceeds from redemption and sale of marketable securities	800	400	1,300
4. Additions to property, plant and equipment	(10,847)	(21,923)	(23,485)
5. Additions to intangible fixed assets	(632)	(334)	(1,388)
6. Payments for acquisition of investments in securities	(3,942)	(20,552)	(4,950)
7. Proceeds from redemption and sale of investments in securities	3,232	4,689	7,643
8. Increase in loans receivable	(133)	(5,081)	(165)
9. Decrease in loans receivable	674	183	1,241
10. Interest and dividends received	2,752	3,275	4,283
11. Other, net	1,050	1,047	(233)
Net cash used in investing activities	(6,423)	(34,790)	(18,140)

Description	FY2007 1 <sup>st</sup> half (Apr. 1, 2006 - Sept. 30, 2006)	FY2008 1 <sup>st</sup> half (Apr. 1, 2007 - Sept. 30, 2007)	FY2007 (Apr. 1, 2006 - Mar. 31, 2007)
	Amount (¥ million)	Amount (¥ million)	Amount (¥ million)
III. Financing activities			
1. Proceeds from long-term debt	2,000	—	5,000
2. Repayment of long-term debt	—	(1,139)	—
3. Purchase of treasury stock	—	(1)	(0)
4. Cash dividends paid	(1,428)	(1,144)	(2,571)
5. Dividends paid to minority shareholders	(1,015)	(306)	(1,015)
6. Interest paid	(31)	(93)	(105)
7. Payment of capital reduction for minority interests	(342)	—	(342)
8. Other, net	—	—	(47)
Net cash used in financing activities	(817)	(2,684)	917
IV. Effect of exchange rate changes on cash and cash equivalents	(48)	418	84
V. Increase (decrease) in cash and cash equivalents	5,913	(20,120)	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	48,996	40,079	60,199

#### IV. Status of Production and Sales

##### (1) Production

###### E & P Division

Division	Product	FY2007 1 <sup>st</sup> half (Apr. 1, 2006 - Sept. 30, 2006)	FY2008 1 <sup>st</sup> half (Apr. 1, 2007 - Sept. 30, 2007)	FY2007 (Apr. 1, 2006 - Mar. 31, 2007)
E&P	Crude Oil (kl)	361,314 (87,356)	350,295 (81,335)	791,517 (186,759)
	Natural Gas (thousand m <sup>3</sup> )	556,619 (30,223)	564,545 (29,842)	1,247,087 (62,705)
	LNG (t)	10,200	10,988	25,584
	Bitumen (kl)	229,832 (229,832)	194,912 (194,912)	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 1 <sup>st</sup> half (Apr. 1, 2006 - Sept. 30, 2006)		FY2008 1 <sup>st</sup> half (Apr. 1, 2007 - Sept. 30, 2007)		FY2007 (Apr. 1, 2006 - Mar. 31, 2007)	
		Volume	Amount (¥ million)	Volume	Amount (¥ million)	Volume	Amount (¥ million)
E&P	Crude Oil (kl)	700,771	32,815	1,031,766	54,326	1,821,618	84,931
	Natural Gas (thousand m <sup>3</sup> )	614,702	18,893	631,765	20,102	1,411,309	44,949
	LNG (t)	65,342	3,540	74,067	4,413	208,384	10,879
	Bitumen (kl)	229,981	4,410	195,580	4,851	444,985	9,777
	Subtotal		59,659		83,693		150,538
Contract Services			1,013		915		5,383
	Subtotal		1,013		915		5,383
Other Business			6,465		6,751		14,096
	Subtotal		6,465		6,751		14,096
	Total		67,138		91,360		170,018

(Notes)

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