

Consolidated Financial Results for the Six Months Ended September 30, 2008

November 7, 2008

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

Company name: Japan Petroleum Exploration Co., Ltd.
 Listing: Tokyo Stock Exchange, First Section
 Securities code: 1662
 URL: <http://www.japex.co.jp/>
 President: Osamu Watanabe
 Inquiries: Shigeyoshi Hasegawa, Manager, Media Relations, Media and Investor Relations Department
 TEL: (03) 6268-7110

Scheduled date to file Quarterly Report: November 13, 2008
 Scheduled date to commence dividend payments: November 28, 2008

(Millions of yen with fractional amounts discarded, unless otherwise noted)

1. Consolidated financial results for the six months ended September 30, 2008 (April 1, 2008 - September 30, 2008)

(1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2008	110,912	–	12,546	–	13,321	–	9,371	–
September 30, 2007	91,360	36.1	9,031	(27.9)	13,825	(12.2)	9,695	(9.0)

	Net income per share	Diluted net income per share
Six months ended	Yen	Yen
September 30, 2008	163.96	–
September 30, 2007	169.64	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2008	566,812	417,837	72.2	7,163.98
As of March 31, 2008	620,946	448,226	70.8	7,696.00

Reference: Equity As of September 30, 2008: 409,444 million yen As of March 31, 2008: 439,852 million yen

2. Cash dividends

Record date	Cash dividends per share				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2008	–	20.00	–	20.00	40.00
Fiscal year ending March 31, 2009	–	20.00	—	—	40.00
Fiscal year ending March 31, 2009 (Forecast)	—	—	–	20.00	

Note: Revisions to the forecasts of cash dividends in the current quarter: None

3. Consolidated financial forecasts for the fiscal year ending March 31, 2009 (April 1, 2008 - March 31, 2009)
(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2009	219,828	5.9	21,836	11.3	26,539	(2.6)	19,828	(1.3)	346.92

Note: Revisions to the consolidated financial forecasts in the current quarter: Yes

4. Others

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Application of simplified accounting and special accounting for preparing the quarterly consolidated financial statements: Yes

Note: For more details, please refer to the section of “4. Others” of “[Qualitative Information and Financial Statements]” on page 3.

(3) Changes in accounting policies, procedures, and methods of presentation for preparing the quarterly consolidated financial statements (changes described in the section of “Changes in significant matters forming the basis of preparing the quarterly consolidated financial statements”)

a. Changes due to revisions to accounting standards and other regulations: Yes

b. Changes due to other reasons: Yes

Note: For more details, please refer to the section of “4. Others” of “[Qualitative Information and Financial Statements]” on page 3.

(4) Number of issued shares (common stock)

a. Total number of issued shares at the end of the period (including treasury stock)

As of September 30, 2008 57,154,776 shares

As of March 31, 2008 57,154,776 shares

b. Number of treasury shares at the end of the period

As of September 30, 2008 1,575 shares

As of March 31, 2008 1,407 shares

c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2008 57,153,292 shares

Six months ended September 30, 2007 57,153,492 shares

* Proper use of financial forecasts, and other special matters

1. Concerning the financial forecasts for the fiscal year ending March 31, 2009, refer to “Notice of Financial Forecast Revision for Fiscal Year Ending March 31, 2009” released today.

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.

2. Commencing with the current fiscal year, quarterly consolidated financial statements conform to the “Accounting Standard for Quarterly Financial Reporting” (ASBJ [Accounting Standards Board of Japan] Statement No. 12) and the “Guidance on Accounting Standard for Quarterly Financial Reporting” (ASBJ Guidance No. 14). They are also prepared in accordance with the “Regulation for Quarterly Consolidated Financial Statements.”

[Qualitative Information and Financial Statements]

1. Qualitative information regarding consolidated operating results

During the six months ended September 30, 2008 (from April 1, 2008 to September 30, 2008), net sales was ¥110,912 million, an increase of ¥19,551 million (+21.4%) year on year.

Gross profit was ¥38,704 million, an increase of ¥10,324 million (+36.4%) year on year reflecting a rise in crude oil and bitumen prices. Although there was a ¥4,929 million (+95.2%) increase year on year to ¥10,106 million in exploration expenses incurred due to exploratory drilling activities, ongoing since the end of the last fiscal year at three locations at Kita-Kanbara off the coast of Niigata Prefecture as well as in the Philippines, and a ¥1,879 million (+13.3%) increase year on year in selling, general and administrative expenses to ¥16,051 million, operating income increased year on year by ¥3,514 million (+38.9%) to ¥12,546 million.

Ordinary income was ¥13,321 million, a decrease of ¥504 million (-3.6%) year on year due to lower dividend income and the posting of a foreign exchange loss and devaluation loss on securities.

Income before income taxes and minority interests increased ¥15 million (+0.1%) to ¥13,255 million with net income standing at ¥9,371 million, a decrease of ¥324 million (-3.3%) year on year.

Below is a summary of earnings by business division.

(i) E&P Division

The E&P Division sells crude oil, natural gas, liquefied natural gas (LNG) and bitumen. During the six months ended September 30, 2008, this Division posted net sales of ¥102,189 million, up ¥18,496 million (+22.1%) year on year primarily on the back of soaring crude oil and bitumen prices in spite of a decrease in the amount of Sakhalin crude oil traded compared to the same period of the previous fiscal year.

(ii) Contract Services Division

The Contract Services Division is primarily involved in drilling and geophysical surveys. During the six months ended September 30, 2008, it recorded net sales of ¥1,356 million, up ¥441 million (+48.2%) year on year.

(iii) Other Businesses Division

The Other Businesses Division is primarily involved in the sale of oil products, including liquefied petroleum gas (LPG) and fuel oil, the transportation of natural gas and oil products on consignment as well as other subcontracted tasks. During the six months ended September 30, 2008, this Division posted net sales of ¥7,366 million, up ¥614 million (+9.1%) year on year.

2. Qualitative information regarding consolidated financial position

At the end of the second quarter, as compared to the end of the previous fiscal year, total assets decreased by ¥54,134 million to ¥566,812 million. The main reasons for this were a decrease in investments in securities due to the decline in the stock price of INPEX Holdings Inc., now "INPEX CORPORATION" as of October 1, 2008.

Total liabilities, on the other hand, decreased by ¥23,745 million to ¥148,974 million and total net assets decreased ¥30,388 million to ¥417,837 million due to a decrease in deferred tax liabilities and difference on valuation of other marketable securities, respectively, as a result of a decrease in the aforementioned investments in securities.

3. Qualitative information regarding consolidated financial forecasts

The full-year forecast released on August 8, 2008 has been revised. Please refer to the "Notice of Financial Forecast Revision for Fiscal Year Ending March 31, 2009" released on the same day of this report, November 7, 2008.

4. Others

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation)

No items to report.

(2) Application of simplified accounting and special accounting for preparing the quarterly consolidated financial

statements

a. Deferral accounting of cost variance

Cost variance arising from seasonal changes in production level is deferred as current liabilities (other current liabilities) because such variance is expected to be almost completely eliminated by the end of the cost accounting period.

b. Calculation of taxes

For the taxes, the Company and some of its consolidated subsidiaries compute first by reasonably estimating the effective tax rate after applying tax effect accounting against income before income taxes and minority interests for the fiscal year including the second quarter under review, and next by multiplying the quarterly net income before income taxes and minority interests by such estimated effective tax rate. Note that deferred income taxes is included in income taxes.

(3) Changes in accounting policies, procedures, and methods of presentation for preparing the quarterly consolidated financial statements

a. Commencing with the current fiscal year, quarterly consolidated financial statements conform to the “Accounting Standard for Quarterly Financial Reporting” (ASBJ Statement No. 12) and the “Guidance on Accounting Standard for Quarterly Financial Reporting” (ASBJ Guidance No. 14). They are also prepared in accordance with the “Regulation for Quarterly Consolidated Financial Statements.”

b. Commencing with the first quarter, consolidated financial statements conform to the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (PITF Practical Solution No. 18, May 17, 2006). This change has no impact on operating income, ordinary income and income before income taxes and minority interests for the six months ended September 30, 2008.

c. Before the change, the accounting treatment for finance lease transactions not involving the transfer of ownership followed the method similar to that applicable to ordinary operating lease transactions, but the “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13, revised March 30, 2007) and the “Guidance on Accounting Standard for Lease Transactions” (ASBJ Guidance No. 16, revised March 30, 2007) are allowed to be applied from the quarterly consolidated financial statements for the fiscal year beginning April 1, 2008 or later, commencing with the first quarter, the Company applies these standard and guidance to all lease transactions beginning on and after aforementioned date, and the accounting treatment for such transactions follows the method similar to that applicable to ordinary purchase and sales transactions.

Meanwhile, depreciation of leased assets pertaining to finance lease transactions not involving the transfer of ownership is computed on a straight-line method over the lease period as durable period without residual value.

Also, the accounting treatment for finance lease transactions not involving the transfer of ownership whose transaction commenced before the first fiscal year in which the accounting standard is applied, continuously follows the method similar to that applicable to ordinary operating lease transactions. The impact of this change on operating income, ordinary income and income before income taxes and minority interests for the six months ended September 30, 2008 is minimal.

5. Consolidated financial statements

(1) Consolidated balance sheets

	(Millions of yen)	
	As of September 30, 2008	As of March 31, 2008 (Summary)
Assets		
Current assets		
Cash and deposits	30,502	27,794
Notes and accounts receivable	15,693	25,865
Marketable securities	10,238	17,724
Merchandise and finished products	4,243	3,921
Work in process	1,581	271
Raw materials and supplies	7,640	6,299
Other current assets	22,089	7,141
Less: Allowance for doubtful receivables	(8)	(10)
Total current assets	91,981	89,008
Fixed assets		
Property, plant and equipment	145,959	141,162
Intangible fixed assets		
Others	5,416	6,179
Total intangible fixed assets	5,416	6,179
Investments and others		
Investments in securities	311,353	376,137
Others	19,859	16,177
Less: Allowance for doubtful receivables	(67)	(97)
Less: Allowance for losses on overseas investments	(7,691)	(7,621)
Total investments and others	323,455	384,595
Total fixed assets	474,830	531,937
Total assets	566,812	620,946

(Millions of yen)

	As of September 30, 2008	As of March 31, 2008 (Summary)
Liabilities		
Current liabilities		
Notes and accounts payable	11,275	13,469
Provision	467	590
Other current liabilities	20,261	24,797
Total current liabilities	32,004	38,857
Long-term liabilities		
Long-term debt	25,263	21,922
Deferred tax liabilities	80,525	101,477
Provision	10,712	10,349
Other long-term liabilities	467	113
Total long-term liabilities	116,969	133,862
Total liabilities	148,974	172,720
Net assets		
Shareholders' equity		
Capital	14,288	14,288
Retained earnings	253,453	245,225
Treasury stock	(8)	(7)
Total shareholders' equity	267,733	259,506
Difference on valuation and conversion, etc.		
Difference on valuation of other marketable securities	142,839	179,629
Deferred gains (loss) on hedging	(169)	(0)
Translation adjustments	(959)	716
Total difference on valuation and conversion, etc.	141,711	180,346
Minority interests	8,393	8,373
Total net assets	417,837	448,226
Total liabilities and net assets	566,812	620,946

(2) Consolidated statement of income

	(Millions of yen)
	Six months ended September 30, 2008 (April 1, 2008 – September 30, 2008)
Net sales	110,912
Costs of sales	72,208
Gross profit	38,704
Exploration expenses	
Exploration expenses	11,026
Exploration subsidies	(920)
Total exploration expenses	10,106
Selling, general and administrative expenses	16,051
Operating income	12,546
Non-operating income	
Interest income	723
Dividend income	1,447
Other non-operating income	1,224
Total non-operating income	3,396
Non-operating expenses	
Devaluation loss on securities	975
Exchange loss	639
Other non-operating expenses	1,005
Total non-operating expenses	2,621
Ordinary income	13,321
Extraordinary income	
Reversal of allowance for doubtful receivables	5
Total extraordinary income	5
Extraordinary losses	
Loss on disposal of fixed assets	70
Total extraordinary losses	70
Income before income taxes and minority interests	13,255
Income taxes	3,351
Minority interests	532
Net income	9,371

Commencing with the current fiscal year, quarterly consolidated financial statements conform to the “Accounting Standard for Quarterly Financial Reporting” (ASBJ Statement No. 12) and the “Guidance on Accounting Standard for Quarterly Financial Reporting” (ASBJ Guidance No. 14). They are also prepared in accordance with the “Regulation for Quarterly Consolidated Financial Statements.”

(3) Notes on premise of going concern
No items to report

(4) Notes on significant changes in the amount of shareholders’ equity
No items to report

Reference:
Consolidated financial statements for the six months ended September 30, 2007
(Summary) Consolidated interim statement of income

Description	1 st half ended September 30, 2007 (April 1, 2007 - September 30, 2007)		
	Amount (Millions of yen)	(%)	
I. Net sales		91,360	100.0
II. Cost of sales		62,981	68.9
Gross profit		28,379	31.1
III. Exploration expenses		5,176	5.7
IV. Selling, general and administrative expenses		14,171	15.5
Operating income		9,031	9.9
V. Non-operating income			
1. Interest income	794		
2. Dividend income	2,277		
3. Equity in profit of non-consolidated subsidiaries and affiliates	935		
4. Reversal of allowance for losses on overseas investments	668		
5. Reversal of accrual for losses on projects	122		
6. Other non-operating income	709	5,509	6.0
VI. Non-operating expenses			
1. Interest expense	99		
2. Loss on sales of securities	134		
3. Provision for accrued estimated cost of abandonment of wells	293		
4. Other non-operating expenses	188	715	0.8
Ordinary income		13,825	15.1
VII. Extraordinary income			
1. Reversal of allowance for doubtful receivables	4		
2. Other extraordinary income	0	5	0.0
VIII. Extraordinary losses			
1. Loss on disposal of fixed assets	38		
2. Earthquake disaster recovery expenses	551		
3. Other extraordinary losses	0	590	0.6
Income before income taxes and minority interests		13,239	14.5
Current income taxes	4,284		
Deferred income taxes	(1,175)	3,108	3.4
Minority interests		434	0.5
Net income		9,695	10.6

6. Other information

Status of production and sales

a. Production

Division	Product	1 st half ended	Six months ended	(Reference)
		September 30, 2007 (April 1, 2007 – September 30, 2007)	September 30, 2008 (April 1, 2008 – September 30, 2008)	Fiscal year ended March 31, 2008 (April 1, 2007 – March 31, 2008)
E&P	Crude oil (kl)	350,295 (81,335)	352,974 (76,354)	761,636 (147,397)
	Natural gas (thousand m ³)	564,545 (29,842)	569,652 (29,209)	1,288,606 (58,946)
	LNG (t)	10,988	15,921	33,610
	Bitumen (kl)	194,912 (194,912)	204,322 (204,322)	410,363 (410,363)

- 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.

b. Sales

Division	Product	1 st half ended		Six months ended		(Reference)	
		September 30, 2007 (April 1, 2007 – September 30, 2007)		September 30, 2008 (April 1, 2008 – September 30, 2008)		Fiscal year ended March 31, 2008 (April 1, 2007 – March 31, 2008)	
		Volume	Amount (Million of yen)	Volume	Amount (Million of yen)	Volume	Amount (Million of yen)
E&P	Crude oil (kl)	1,031,766	54,326	822,535	64,167	2,041,192	117,923
	Natural gas (thousand m ³)	631,765	20,102	647,121	22,906	1,486,910	48,982
	LNG (t)	74,067	4,413	79,895	5,615	170,453	10,285
	Bitumen (kl)	195,580	4,851	205,685	9,500	409,743	10,468
	Subtotal		83,693		102,189		187,660
	Contract services		915		1,356		5,395
	Other businesses		6,751		7,366		14,582
	Total		91,360		110,912		207,638

- 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.