



Consolidated Financial Results for the Three Months ended June 30, 2006

August 9, 2006

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

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1. Preparation of the Financial Results

Application of simplified accounting method : No

Note: The Company was established as a joint holding company of INPEX CORPORATION and Teikoku Oil Co., Ltd. on April 3, 2006. Since the Company started to compile the consolidated financial results from this period, "any changes in accounting policies from the latest fiscal year" or "any changes in scope of consolidation and equity method of accounting" are not disclosed.

2. Financial and Operating Results for the Three Months ended June 30, 2006 (April 1, 2006 through June 30, 2006)

(1) Consolidated operating results Note: Amounts less than one million yen are rounded off.

	Net sales		Operating income		Ordinary income		Net income	
For the three months ended June 30, 2006	Million yen	%	Million yen	%	Million yen	%	Million yen	%
	223,032	—	130,390	—	132,818	—	25,760	—

	Net income per share—basic	Net income per share—diluted
For the three months ended June 30, 2006	Yen	Yen
	11,025.74	—

- Notes: 1. Since the Company started to compile the consolidated financial results from this period, no consolidated financial results of the corresponding period of the previous year nor percentage changes from the corresponding period of the previous year are disclosed.
2. Average number of shares issued and outstanding in this period (consolidated):
 Three months ended June 30, 2006; 2,336,354 shares

(Qualitative Information on Consolidated Financial Results)

During the three months ended June 30, 2006, consolidated net sales were ¥223,032 million. Consolidated net sales of crude oil were ¥141,316 million. Consolidated net sales of natural gas were ¥75,724 million. The average crude oil price for the three months ended June 30, 2006 was US\$65.78 per bbl. The average yen against the U.S. dollar for the three months ended June 30, 2006 was ¥114.52 per U.S. dollar.

Cost of sales for the three months ended June 30, 2006 was ¥75,356 million. Exploration expenses were ¥5,997 million. Selling, general and administrative expenses were ¥11,287 million. As a result, operating income was ¥130,390 million.

Other income for the three months ended June 30, 2006 was ¥8,637 million. Other expenses were ¥6,209 million. As a result, ordinary income for the three months ended June 30, 2006 was ¥132,818 million.

Income taxes - current for the three months ended June 30, 2006 were ¥107,110 million. Income taxes – deferred for the three months ended June 30, 2006 were ¥ (3,334) million. Minority interests were ¥3,282 million. As a result of above effects, consolidated net income for the three months ended June 30, 2006 was ¥25,760 million.

(2) Consolidated financial position

Note: Amounts less than one million yen are rounded off.

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
As of June 30, 2006	Million yen 1,449,551	Million yen 894,154	% 58.7	Yen 364,230.57

Notes: 1. Since the Company started to compile the consolidated financial position from this period, the consolidated financial position at the end of the previous period is not disclosed.
2. Number of shares at the end of this period (consolidated):
As of June 30, 2006; 2,336,192 shares

(Consolidated cash flows)

Note: Amounts less than one million yen are rounded off.

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents at the end of the period
For the three months ended June 30, 2006	Million yen 66,137	Million yen (46,116)	Million yen (6,727)	Million yen 163,077

Notes: Since the Company started to compile the consolidated cash flows from this period, the consolidated cash flows of the corresponding period of the previous year are not disclosed.

(Qualitative Information on Consolidated Financial Position)

Consolidated total assets were ¥1,449,551 million as of June 30, 2006. Current assets were ¥346,783 million. Fixed assets were ¥1,102,767 million.

Total liabilities were ¥555,396 million and total net assets were ¥894,154 million. Minority interests included in total net assets were ¥43,242 million.

As for cash flows during the three months ended June 30, 2006, net cash provided by operating activities was ¥66,137 million. Net cash used in investing activities was ¥46,116 million. Net cash used in financing activities was ¥6,727 million. After deducting ¥1,359 million for the effect of exchange rate changes on cash and cash equivalents, the net increase in cash and cash equivalents during the three months ended June 30, 2006 amounted to ¥11,934 million. Cash and cash equivalents at the end of the three months ended June 30, 2006 totaled ¥163,077 million by adding ¥11,934 million which was an increase in cash and cash equivalents during the period and ¥151,143 million at beginning of the period.

[Accompanied materials]

1. Condensed Consolidated Balance Sheet
2. Condensed Consolidated Statement of Income
3. Condensed Consolidated Statement of Cash Flows
4. Production, Orders Received and Sales Performance

[Supplemental materials]

1. Condensed Consolidated Balance Sheets of INPEX CORPORATION and Teikoku Oil Co., Ltd.
2. Condensed Consolidated Statements of Income of INPEX CORPORATION and Teikoku Oil Co., Ltd.

[Reference]

Projected Consolidated Operating Results for the year ending March 31, 2007

	Net sales	Ordinary income	Net income	Net income per share
	Million yen	Million yen	Million yen	Yen
Semiannual (April 1, 2006 through September 30, 2006)	467,000	274,000	58,000	24,826.72
Annual (April 1, 2006 through March 31, 2007)	918,000	521,000	118,000	50,509.53

Reference:

1. The projected net income per share for the year ending March 31, 2007 is calculated based on the expected average number of shares outstanding of 2,336,192 at March 31, 2007.

2. The above forecasts are calculated based on the following assumptions:

Crude oil price (Brent)	2 nd Quarter*	US\$ 65.00/bbl (First-Half* US\$ 67.72/bbl)
	Second-Half *	US\$ 57.50/bbl (Full Year* US\$ 62.61/bbl)
Foreign currency exchange rates	2 nd Quarter	¥115/US\$
	Second-Half	¥110/US\$

*2nd Quarter : July 1, 2006- September 30, 2006 First-Half : April 1, 2006-September 30, 2006
Second-Half : October 1, 2006- March 31, 2007 Full Year : April 1, 2006- March 31, 2007

Our crude oil prices are different for each crude oil, and there are also price difference between our crude oil price and price of Brent. Price differential are caused by its quality and its pricing range is not constant due to the market conditions. Most of our crude oil prices are lower than Brent price.

* The aforementioned projections are based on currently available information and contain many uncertainties. Changing business conditions including oil and gas price levels, production and sales plans, projects development schedules, government regulations and financial and tax schemes may cause actual results to differ from the above forecasts.

1. Condensed Consolidated Balance Sheet

(Millions of yen)

Accounts	As of June 30, 2006	
	Amounts	Ratio
		%
(Assets)		
Current assets		
Cash and deposits	155,360	
Accounts receivable-trade	65,587	
Marketable securities	35,334	
Other	90,501	
Total current assets	346,783	23.9
Fixed assets		
Tangible fixed assets	212,471	14.7
Intangible assets	274,022	18.9
Investments and other assets		
Investment securities	325,734	
Recoverable accounts under production sharing	304,323	
Other	40,979	
Less allowance for recoverable accounts under production sharing	(46,534)	
Less allowance for investments in exploration	(8,230)	
Total investments and other assets	616,273	42.5
Total fixed assets	1,102,767	76.1
Total assets	1,449,551	100.0
(Liabilities)		
Current liabilities		
Accounts payable	22,999	
Short-term loans and current portion of long-term debt	26,976	
Income taxes payable	95,114	
Other	90,167	
Total current liabilities	235,257	16.2
Long-term liabilities		
Long-term debt	230,292	
Other	89,846	
Total long-term liabilities	320,138	22.1
Total liabilities	555,396	38.3
(Net assets)		
Shareholders' capital		
Capital stock	30,000	2.1
Additional paid-in capital	415,892	28.7
Retained earnings	430,735	29.7
Treasury stock	(19,865)	(1.4)
Total Shareholders' equity	856,762	59.1
Valuation, translation adjustments and others		
Unrealized holding loss on securities	(6,875)	(0.5)
Translation adjustments	1,026	0.1
Total valuation, translation adjustments and others	(5,849)	(0.4)
Minority interests	43,242	3.0
Total net assets	894,154	61.7
Total liabilities and net assets	1,449,551	100.0

2. Condensed Consolidated Statement of Income

(Millions of yen)

Accounts	For the three months ended June 30, 2006	
	Amounts	Ratio
		%
I Net sales	223,032	100.0
II Cost of sales	75,356	33.8
Gross profit	147,675	66.2
III Exploration expenses	5,997	2.7
IV Selling, general and administrative expenses	11,287	5.0
Operating income	130,390	58.5
V Other income	8,637	3.9
1 Interest income	2,903	
2 Equity in earnings of affiliates	412	
3 Foreign exchange gain	3,002	
4 Other	2,318	
VI Other expenses	6,209	2.8
1 Interest expense	2,733	
2 Provision for allowance for recoverable accounts under production sharing	726	
3 Other	2,750	
Ordinary income	132,818	59.6
Income before income taxes and minority interests	132,818	59.6
Income taxes-current	107,110	48.0
Income taxes-deferred	(3,334)	(1.5)
Minority interests	3,282	1.5
Net income	25,760	11.6

3. Condensed Consolidated Statement of Cash Flows

(Millions of yen)

Accounts	For the three months ended June 30, 2006
	Amounts
Cash flows from operating activities	
Income before income taxes and minority interests	132,818
Depreciation and amortization	6,608
Amortization of goodwill	1,736
Provision for allowance for recoverable accounts under production sharing	1,441
Interest and dividend income	(4,086)
Interest expense	2,733
Foreign exchange gain	(1,649)
Equity in earnings of affiliates	(412)
Accounts receivable	6,016
Recovery of recoverable accounts under production sharing (capital expenditures)	23,362
Recoverable accounts under production sharing (operating expenditures)	(3,988)
Other	(2,696)
Subtotal	161,883
Interest and dividends received	4,039
Interest paid	(1,958)
Income taxes paid	(97,826)
Net cash provided by operating activities	66,137
Cash flows from investing activities	
Proceeds from sales of marketable securities	12,143
Purchase of tangible fixed assets	(10,774)
Proceeds from sales of tangible fixed assets	110
Purchase of investment securities	(26,420)
Proceeds from sales of investment securities	8,523
Investment in recoverable accounts under production sharing (capital expenditures)	(28,484)
Other	(1,214)
Net cash used in investing activities	(46,116)
Cash flows from financing activities	
Proceeds from long-term debt	9,750
Repayment of long-term debt	(4,890)
Cash dividends paid	(10,783)
Stock transfer payment	(867)
Other	62
Net cash used in financing activities	(6,727)
Effect of exchange rate changes on cash and cash equivalents	(1,359)
Net increase in cash and cash equivalents	11,934
Cash and cash equivalents at beginning of the period	151,143
Cash and cash equivalents at end of the period	163,077

4. Production, Orders Received and Sales Performance

(1) Production

The following table shows production by business segment:

Business segment	Category	For the three months ended June 30, 2006
Crude oil and natural gas businesses	Crude oil	Millions of barrels 21 (Thousands of barrels per day) 232
		Billions of cubic feet 85 (Millions of cubic feet per day) 935
	Subtotal	Millions of BOE 35 (Thousands of BOE per day) 388
	Petroleum Products	Thousands of kiloliters 60
	Iodine	Tons 133

- Notes:
1. The amount of LPG produced abroad is included in 'Crude oil'. On the other hand, the amount of LPG produced in the domestic refinery is included in 'Petroleum Products'
 2. A portion of crude oil production volume is consumed as fuel for petroleum products.
 3. The production by the Company's affiliates accounted for by the equity method is included in the figures above. Also the production is a result for the three months ended 30 June regardless of a closing date on the basis of fiscal periods of its subsidiaries or affiliates.
 4. The production volume of crude oil and natural gas under the production sharing contracts entered by INPEX Holdings Group corresponds to the net economic take of our group.
Figures calculated by multiplying the gross production volume by our company's interest share are 27 millions of barrels (291 thousands of barrels per day) of crude oil, 163 billions of cubic feet (1,792 millions of cubic feet per day) of natural gas, and in total 54 millions of BOE (590 thousands of BOE per day).
 5. BOE means barrels of oil equivalent.
 6. Iodine is refined on consignment by another company.
 7. Figures are rounded to nearest whole number.

(2) Orders received

This information is not disclosed since the amount of orders received accounted for a minor portion of total sales. In addition, there is no production for orders received in crude oil and natural gas businesses.

(3) Sales performance

- a) We take back the full amount of crude oil produced under the production sharing contracts, and primarily sell it domestically to Japanese power companies and refining companies. We sell natural gas produced in Indonesia in the form of LNG and LPG to Japanese power companies and urban gas companies through PERTAMINA and also sell a part to customers in South Korea, Taiwan and other countries. We sell natural gas produced in Japan to customers using our pipeline.
- b) The following table shows sales performance by business segment:

(Millions of yen)

Business segment	Category	For the three months ended June 30, 2006
Crude oil and natural gas businesses	Crude Oil	141,316
	Natural Gas	75,724
	Others	5,569
	Subtotal	222,610
Other Businesses		421
Total		223,032

- Notes:
1. LPG is included in natural gas.
 2. The above amounts do not include the related consumption tax.
 3. The Company's subsidiaries of which closing date for fiscal year is December 31 are consolidated their operating result for the three months ended March 31 except those subsidiaries prepared their financial statements for consolidation purpose as of the consolidation closing date. However, the significant effects of the difference in fiscal periods were properly adjusted in consolidation.

1. Condensed Consolidated Balance Sheets of INPEX CORPORATION and Teikoku Oil Co., Ltd.

(Millions of yen)

Accounts	INPEX CORPORATION (Consolidated) As of June 30, 2006	Teikoku Oil Co., Ltd. (Consolidated) As of June 30, 2006
	Amounts	Amounts
(Assets)		
Current assets		
Cash and deposits	139,583	15,303
Accounts receivable-trade	56,060	11,053
Marketable securities	19,986	15,348
Other	90,969	21,783
Total current assets	306,599	63,489
Fixed assets		
Tangible fixed assets	63,810	132,719
Intangible assets	135,565	1,110
Investments and other assets		
Investment securities	225,131	100,603
Recoverable accounts under production sharing	303,414	908
Other	28,871	12,889
Less allowance for recoverable accounts under production sharing	(45,866)	(668)
Less allowance for investments in exploration	(5,297)	(2,804)
Total investments and other assets	506,254	110,929
Total fixed assets	705,630	244,759
Total assets	1,012,229	308,248
(Liabilities)		
Current liabilities		
Accounts payable	20,971	2,463
Short-term loans and current portion of long-term debt	21,102	5,873
Income taxes payable	93,459	1,648
Other	71,694	18,018
Total current liabilities	207,228	28,003
Long-term liabilities		
Long-term debt	198,786	31,505
Other	44,119	41,122
Total long-term liabilities	242,905	72,627
Total liabilities	450,134	100,631
(Net assets)		
Shareholders' capital		
Capital stock	29,460	19,579
Additional paid-in capital	62,402	11,222
Retained earnings	429,388	135,056
Treasury stock	-	-
Total Shareholders' equity	521,251	165,858
Valuation, translation adjustments and others		
Unrealized holding loss on securities	(1,306)	39,217
Translation adjustments	1,045	403
Total valuation, translation adjustments and others	(260)	39,621
Minority interests	41,104	2,138
Total net assets	562,094	207,617
Total liabilities and net assets	1,012,229	308,248

2. Condensed Consolidated Statements of Income of INPEX CORPORATION and Teikoku Oil Co., Ltd.
(Millions of yen)

Accounts	INPEX CORPORATION (Consolidated) For the three months ended June 30, 2006	Teikoku Oil Co., Ltd. (Consolidated) For the three months ended June 30, 2006
	Amounts	Amounts
I Net sales	203,372	24,194
II Cost of sales	67,391	12,489
Gross profit	135,981	11,704
III Exploration expenses	5,948	48
IV Selling, general and administrative expenses	4,395	5,367
Operating income	125,637	6,288
V Other income	7,095	1,756
1 Interest income	2,817	86
2 Equity in earnings of affiliates	329	82
3 Foreign exchange gain	3,045	-
4 Other	901	1,586
VI Other expenses	5,357	625
1 Interest expense	2,531	202
2 Provision for allowance for recoverable accounts under production sharing	603	122
3 Other	2,222	300
Ordinary income	127,375	7,418
Income before income taxes and minority interests	127,375	7,418
Income taxes-current	103,837	3,267
Income taxes-deferred	(4,012)	747
Minority interests	3,190	92
Net income	24,359	3,311