

## Consolidated Financial Results for the year ended March 31, 2006

May 16, 2006

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

Company name	INPEX Holdings Inc. (INPEX CORPORATION)	Stock Exchange on which the Company is listed	Tokyo Stock Exchange
Code number	1605	Location of the head office	Tokyo
(URL <a href="http://www.inpexhd.co.jp/">http://www.inpexhd.co.jp/</a> )			
Representative	Naoki Kuroda, President		
Contact person	Shuhei Miyamoto, General Manager, Corporate Communications Unit. TEL+81-3-5448-0205		

Date of the meeting of the  
Board of Directors for the year  
ended March 31, 2006 financial  
results

May 16, 2006

Prepared in accordance with  
accounting principles generally  
accepted in the United States of  
America

No

Consolidated Financial Results for the year ended March 31, 2006 (April 1, 2005–March 31, 2006)

(1) Consolidated operating results

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

	Net sales		Operating income		Ordinary income	
	Million yen	%	Million yen	%	Million yen	%
For the year ended March 31, 2006	704,234	47.1	426,650	58.8	403,539	56.0
March 31, 2005	478,586	118.7	268,662	186.2	258,631	172.9

	Net income		Net income per share—basic	Net income per share—diluted
	Million yen	%	Yen	Yen
For the year ended March 31, 2006	103,476	35.3	53,814.47	—
March 31, 2005	76,493	119.9	40,255.92	—

	Return on shareholders' equity	Ordinary income as a percentage of total capital	Ordinary income as a percentage of net sales
	%	%	%
For the year ended March 31, 2006	22.6	46.1	57.3
March 31, 2005	22.2	39.7	54.0

- (Notes)
- Equity in earnings (losses) of affiliates: for the year ended March 31, 2006, ¥1,346 million; for the year ended March 31, 2005, (¥1,583) million
  - Average number of shares issued and outstanding during the fiscal year (consolidated): for the year ended March 31, 2006, 1,919,832 shares; for the year ended March 31, 2005, 1,896,412 shares
  - Change in accounting policy: Yes
  - The percentage expressions for net sales, operating income, ordinary income and net income represent the changes from the previous fiscal year.

(2) Consolidated financial position

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

	Total assets	Shareholders' equity	Ratio of shareholders' equity	Net assets per share
	Million yen	Million yen	%	Yen
For the year ended March 31, 2006	972,437	504,998	51.9	262,966.53
March 31, 2005	779,227	411,295	52.8	214,163.98

- (Notes)
- Number of shares issued and outstanding at the end of fiscal year (consolidated): at the year ended March 31, 2006, 1,919,832 shares; at the year ended March 31, 2005, 1,919,832 shares

## (3) Consolidated cash flows

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

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
	Million yen	Million yen	Million yen	Million yen
For the year ended				
March 31, 2006	218,239	(252,399)	14,350	114,967
March 31, 2005	131,206	(119,956)	9,791	128,375

## (4) Scope of consolidation and equity method

Number of consolidated subsidiaries	26 companies
Number of unconsolidated subsidiaries accounted for by the equity method	None
Number of affiliated companies accounted for by the equity method	11 companies

## (5) Changes in scope of consolidation and equity method

	Increase	Decrease
Consolidated subsidiaries	1 company	1 company
Affiliated companies accounted for by the equity method	—	—

## Average number of shares during the fiscal year (after deducting the number of treasury stock)

	For the year ended March 31, 2005	For the year ended March 31, 2006
Common stock	1,896,412 shares	1,919,831 shares
Common stock equivalent share; Special class share	0 shares	1 share

## Number of shares issued and outstanding at the end of fiscal year (after deducting the number of treasury stocks)

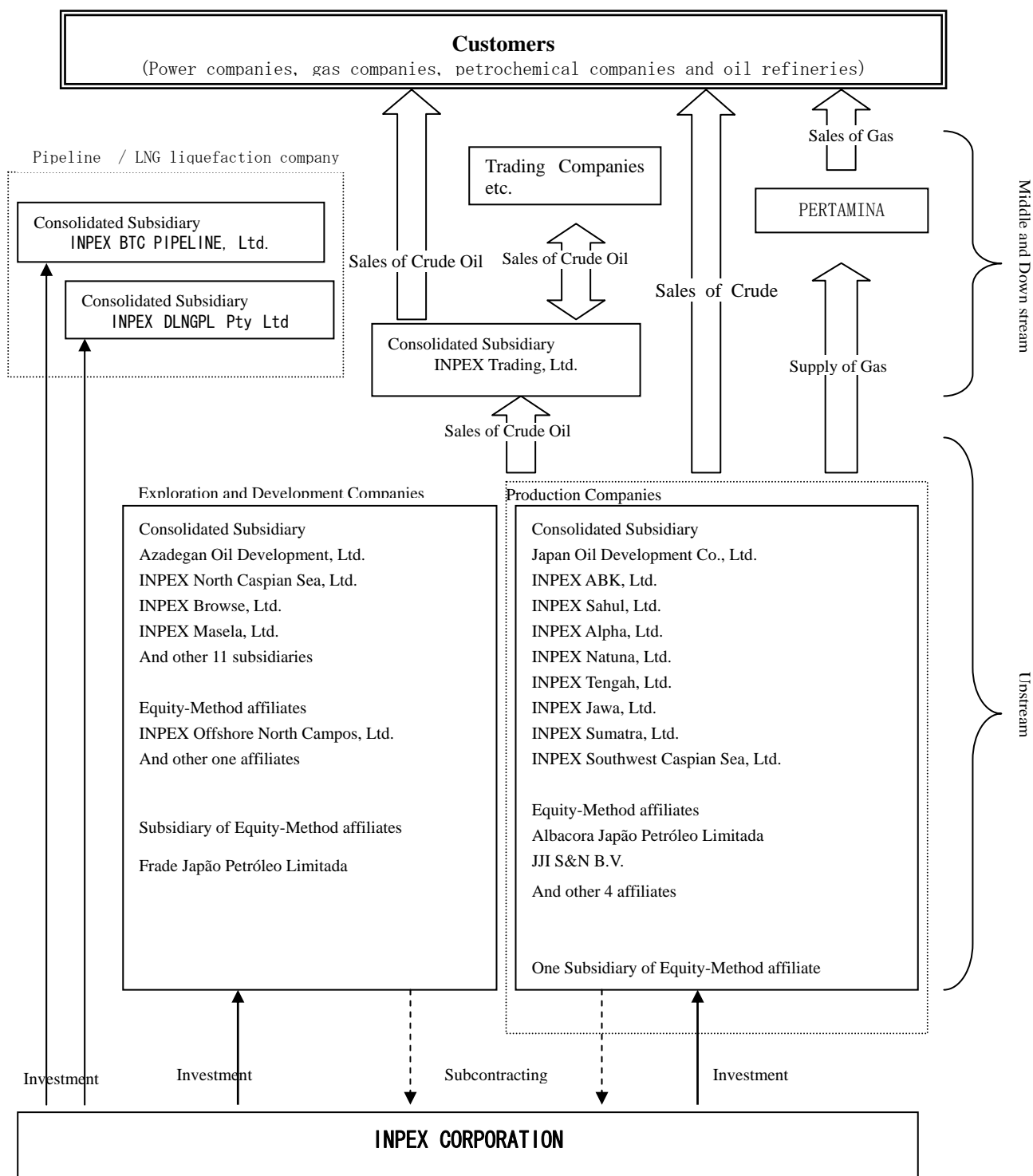
	For the year ended March 31, 2005	For the year ended March 31, 2006
Common stock	1,919,831 shares	1,919,831 shares
Common stock equivalent share; Special class share	1 share	1 share

(Note) Since shareholder of the special class share is entitled to the same rights as that for shareholders of common stock regarding dividends and the distribution of residual property, the special class share is classified as common stock equivalent share.

## I Overview of the INPEX Group

The INPEX Group consists of INPEX CORPORATION, 26 subsidiaries, 11 affiliated companies and their two subsidiaries (as of March 31, 2006). The group primarily engages in the exploration, development, production and sales of crude oil and natural gas in the Republic of Indonesia and the Commonwealth of Australia, as well as in the Middle East, the coastal states around the Caspian Sea and South America. In addition, we provide loans and investments to companies engaged in the aforementioned activities. Our business segment is crude oil and natural-gas-related products.

The following diagram shows our group's business flow.



## **II Results of Operations and Financial Position**

### (1) Results of Operations for the year ended March 31, 2006

In spite of the continued upward trend in crude oil and natural gas prices, the Japanese economy continued to benefit from a modest recovery during the year under review. Supported by global economic growth primarily in the United States and China, exports and capital investment increased and corporate earnings improved. There were signs of a moderate upward trend with increased personal consumption and improved employment rates.

Crude oil prices have a significant impact on the business performance of the INPEX Group. Demand for petroleum increased due to the sustained strength of the US economy, as well as the rapid growth in China and India. Crude oil prices rose due to a change in the fundamentals, notably a decline in production capacity in the OPEC countries. Other factors including increased geopolitical risk and speculative dealing in the oil futures market also played a role. Furthermore, the hurricanes that struck the United States revealed the bottleneck in refining capacity there, with the result that the average price of West Texas Intermediate (WTI) crude oil, which stood at US\$53.25 per bbl in the first quarter of the fiscal year, rose to US\$70.85 at one point on August 30, 2006. Thereafter, the price fell to around US\$56 toward the end of the year, but from January 2006 it trended upward again due to increased geopolitical risk and other factors, and the closing price of near-term futures of WTI remained high at US\$66.63 at the end of the fiscal year. As a consequence, the average sales price of the Company's crude oil for the fiscal year was US\$55.77 per bbl, an increase of US\$15.84, or 39.7%, from the previous fiscal year.

Meanwhile, reflecting the widening gap in interest rates between Japan and the United States due to continuous rises in interest rates in the United States, the exchange rate of the Japanese yen against the U.S. dollar fell gradually from ¥107.41 at the beginning of the fiscal year, exceeding the ¥120 mark in December 2005. Thereafter, the yen rose slightly on speculation of a rate-rise with the end of quantitative easing in Japan, and at the end of the year under review it stood at ¥117.47, or ¥10.06 lower than at the end of the previous year. As a consequence, the average exchange rate for sales of the Company was ¥113.56 per US dollar, which is yen depreciation of ¥6.18 or 5.8% from the previous year.

Until the year ended March 31, 2005, for the purpose of consolidating INPEX Southwest Caspian Sea, Ltd. and INPEX North Caspian Sea, Ltd., the fiscal year of these two subsidiaries, i.e., December 31, was used by the Company. Effective April 1, 2005 the Company began to use their financial statements prepared for consolidation purpose as of March 31, consolidation closing date. It followed that these two subsidiaries had 15 months period, from January 1, 2005 to March 31, 2006. This change was made in order to establish a better presentation of the Company's consolidated financial results, considering the increasing materiality of these two subsidiaries.

In these business circumstances, consolidated net sales for the year ended March 31, 2006, increased ¥225,647 million, or 47.1%, to ¥704,234 million from the previous year. Of this figure, consolidated net sales of crude oil increased ¥169,547 million, or 57.8%, to ¥462,691 million. Consolidated net sales of natural gas increased ¥56,099 million, or 30.3%, to ¥241,543 million. The increase in consolidated net sales of crude oil and natural gas is mainly due to net effect of following factors; while our sales volume of natural gas

decreased 4.5%, our sales volume of crude oil increased 4,641 thousands bbls, or 6.8%, to 72,521 thousands bbls, which reflect an increase in production volume of crude oil at ADMA Block and ACG Oil Fields resulted in the increase of net sales in amount of ¥11.5 billion; and there were positive impact on net sales in amount of ¥175.8 billion due to rising prices of crude oil and natural gas and of ¥38.3 billion due to the depreciation of yen.

Cost of sales increased ¥60,809 million, or 30.9%, to ¥257,903 million from the previous year. This was principally due to an increase in royalty associated with higher sales at the ADMA Block, an increase in investment to development and production at the Offshore Mahakam Block, and an increase in the recovery of the investment associated with higher sales from the ACG Oil field. Exploration expenses increased ¥3,047 million, or 123.2%, to ¥5,521 million due to increased exploration activity at Australia WA-285-P Block (Ichthys). Selling, general and administrative expenses increased ¥3,801 million, or 36.7%, to ¥14,158 million due to an increase in depreciation expenses and an increase in transportation costs at ACG Oil field. As a result, operating income increased ¥157,988 million, or 58.8%, to ¥426,650 million from the previous year.

Other income increased ¥7,533 million, or 159.0%, to ¥12,272 million principally due to an increase in interest income and equity in earnings of affiliates. Other expenses increased ¥20,614 million, or 139.6%, to ¥35,383 million. This was mainly due to an increase in foreign exchange loss by ¥9,558 million, an increase in interest expenses by ¥6,049 million and an increase in provision for allowance for recoverable accounts under production sharing by ¥3,123 million. As a result, ordinary income and income before income taxes and minority interests for the year ended March 31, 2006, increased ¥144,907 million, or 56.0%, to ¥403,539 million from the previous year.

The aggregated amount of income taxes-current and income taxes-deferred increased ¥116,049 million, or 63.6%, to ¥298,656 million from the previous year due to increased sales in the region where high tax burden was imposed. Minority interests were ¥1,406 million. As a result, consolidated net income for the year ended March 31, 2006, increased ¥26,983 million, or 35.3%, to ¥103,476 million from the previous year. Net income per share for the year ended March 31, 2006 increased ¥13,558.55 to ¥53,814.47 from ¥40,255.92 for the previous year.

In addition, the effect of the change in the method of consolidating two consolidated subsidiaries mentioned above was to increase net sales by ¥22,294 million, operating income by ¥9,547 million, ordinary income and income before income taxes and minority interests by ¥9,788 million, and net income by ¥2,885 million for the year ended March 31, 2006 compared with the corresponding amounts which would have been recorded if the previous method had been followed.

With respect to segment information, the oil and natural gas business accounts for more than 90% of the aggregate sales and operating income of all segments. Therefore, business segment information has been omitted.

## (2) Financial Position

Consolidated total assets as of March 31, 2006 increased ¥193,209 million to ¥972,437 million from ¥779,227 million as of March 31, 2005. This increase was mainly due to an increase in investment securities by

¥118,612 million and an increase in recoverable accounts under production sharing at Kashagan Oil field and Offshore Mahakam Block by ¥54,654 million.

Consolidated total liabilities as of March 31, 2006 increased ¥97,188 million to ¥429,836 million from ¥332,648 million as of March 31, 2005. Current liabilities increased ¥56,690 million to ¥179,600 million mainly due to an increase in income taxes payable at overseas. Long-term liabilities increased ¥40,497 million to ¥250,236 million mainly due to borrowings for development of Kashagan Oil field. Minority interests in consolidated subsidiaries increased ¥2,319 million to ¥37,602 million from the end of the previous year.

Shareholders' equity was ¥504,998 million, an increase of ¥93,702 million from the end of the previous year.

As for cash flows for the year ended March 31, 2006, net cash provided by operating activities increased ¥87,032 million to ¥218,239 million, mainly reflecting the rises in prices of crude oil and natural gas. Meanwhile, net cash used in investing activities increased ¥132,443 million to ¥252,399 million, due to acquisition of investment securities and increase in development expenditure for ACG Oil Field and Kashagan Oil Field. Net cash provided by financing activities increased ¥4,559 million to ¥14,350 million. Cash and cash equivalents as of March 31, 2006 totaled ¥114,967 million reflecting above net decrease of ¥13,407 million from ¥128,375 million at the end of the previous fiscal year.

### III Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

(Millions of yen)

Accounts	Note No.	As of March 31, 2005		As of March 31, 2006		Increase/ (decrease) Amounts
		Amounts	Ratio	Amounts	Ratio	
(Assets)			%		%	
Current assets:						
Cash and deposits	*3	136,575		124,367		
Accounts receivable-trade		53,339		60,097		
Marketable securities		18,391		21,518		
Inventories		1,281		3,134		
Deferred tax assets		23		3,448		
Other		28,809		45,007		
Total current assets		238,419	30.6	257,573	26.5	19,154
Fixed assets:						
Tangible fixed assets:	*1					
Buildings and structures		7,769		7,069		
Wells		13,847		14,768		
Machinery, equipment and vehicles		29,883		31,753		
Land		4,001		4,001		
Construction in progress		12,045		7,027		
Other		713		598		
Total tangible fixed assets		68,260	8.8	65,219	6.7	(3,041)
Intangible assets:						
Exploration and development rights		133,105		131,650		
Mining rights		5,381		4,856		
Other		144		250		
Total intangible assets		138,631	17.8	136,757	14.1	(1,874)
Investments and other assets:						
Investment securities	*2,3	118,354		236,967		
Long-term loans receivable		114		1,734		
Recoverable accounts under production sharing		239,618		294,273		
Deferred tax assets		2,207		10,271		
Other	*2	20,900		22,416		
Less allowance for doubtful accounts		(661)		(2,945)		
Less allowance for recoverable accounts under production sharing		(41,518)		(44,547)		
Less allowance for investments in exploration		(5,101)		(5,282)		
Total investments and other assets		333,915	42.8	512,887	52.7	178,971
Total fixed assets		540,807	69.4	714,863	73.5	174,055
Total assets		779,227	100.0	972,437	100.0	193,209

(Millions of yen)

Accounts	Note No.	As of March 31, 2005		As of March 31, 2006		Increase/ (decrease) Amounts
		Amounts	Ratio	Amounts	Ratio	
			%		%	
(Liabilities)						
Current liabilities:						
Accounts payable-trade		20,129		20,159		
Current portion of long-term debt		2,262		13,756		
Income taxes payable		49,938		83,060		
Accounts payable-other		—		51,685		
Other		50,579		10,938		
Total current liabilities		122,910	15.8	179,600	18.5	56,690
Long-term liabilities:						
Long-term debt	*3	175,603		206,537		
Deferred tax liabilities		25,814		22,948		
Accrued employees' retirement benefits		1,503		1,719		
Accrued officers' retirement benefits		594		650		
Liabilities for site restoration and decommissioning costs		—		1,666		
Liabilities for losses on development activities		—		1,981		
Other		6,222		14,732		
Total long-term liabilities		209,738	26.9	250,236	25.7	40,497
Total liabilities		332,648	42.7	429,836	44.2	97,188
(Minority interests)						
Minority interests in consolidated subsidiaries		35,283	4.5	37,602	3.9	2,319
(Shareholders' equity)						
Common stock	*5	29,460	3.8	29,460	3.0	—
Additional paid-in capital		62,402	8.0	62,402	6.4	—
Retained earnings		320,089	41.1	415,734	42.8	95,644
Unrealized holding gain (loss) on securities		374	0.0	(3,716)	(0.4)	(4,091)
Translation adjustments		(1,031)	(0.1)	1,117	0.1	2,148
Treasury stock	*6	(0)	(0.0)	—	—	0
Total shareholders' equity		411,295	52.8	504,998	51.9	93,702
Total liabilities, minority interests and shareholders' equity		779,227	100.0	972,437	100.0	193,209



## 2) Consolidated Statements of Income

(Millions of yen)

Accounts	Note No.	For the year ended March 31, 2005		For the year ended March 31, 2006		Increase/ (decrease) Amounts
		Amounts	Ratio	Amounts	Ratio	
Net sales		478,586	100.0	704,234	100.0	225,647
Cost of sales		197,094	41.2	257,903	36.6	60,809
Gross profit		281,492	58.8	446,330	63.4	164,837
Exploration expenses		2,473	0.5	5,521	0.8	3,047
Selling, general and administrative expenses	*1, 2	10,356	2.2	14,158	2.0	3,801
Operating income		268,662	56.1	426,650	60.6	157,988
Other income						
Interest income		4,060		9,742		
Equity in earnings of affiliates		—		1,346		
Other		678	4,738	1,183	12,272	7,533
Other expenses						
Interest expense		2,983		9,033		
Equity in losses of affiliates		1,583		—		
Provision for allowance for recoverable accounts under production sharing		518		3,642		
Amortization of exploration and development rights		1,606		404		
Provision for site restoration and decommissioning costs		—		1,583		
Provision for losses on development activities		—		1,981		
Provision for doubtful accounts		—		2,311		
Amortization of goodwill		2,783		—		
Foreign exchange loss		2,859		12,417		
Other		2,434	14,769	4,008	35,383	20,614
Ordinary income		258,631	54.0	403,539	57.3	144,907
Income before income taxes and minority interests		258,631	54.0	403,539	57.3	144,907
Income taxes-current		187,405		312,519		
Income taxes-deferred		(4,798)	182,606	(13,862)	298,656	116,049
Minority interests		(468)	(0.1)	1,406	0.2	1,874
Net income		76,493	16.0	103,476	14.7	26,983

## (3) Consolidated Statements of Retained Earnings

(Millions of yen)

Accounts	For the year ended March 31, 2005		For the year ended March 31, 2006		Increase/ (decrease)
	Amounts		Amounts		Amounts
(Additional paid-in capital)					
Balance at beginning of year		—		62,402	62,402
Addition:					
Issuance of new shares due to a share exchange transaction	62,402	62,402	—	—	(62,402)
Balance at end of year		62,402		62,402	—
(Retained earnings)					
Balance at beginning of year		249,628		320,089	70,461
Addition:					
Net income	76,493	76,493	103,476	103,476	26,983
Deduction:					
Cash dividends paid	5,892		7,679		
Directors' bonuses	139		152		
(including statutory auditors)	(11)		(10)		
Retirement of treasury stock	—	6,031	1	7,832	1,800
Balance at end of year		320,089		415,734	95,644

## (4) Consolidated Statements of Cash Flows

(Millions of yen)

Accounts	For the year ended March 31, 2005	For the year ended March 31, 2006	Increase/ (decrease)
	Amounts	Amounts	Amounts
Cash flows from operating activities			
Income before income taxes and minority interests	258,631	403,539	
Depreciation and amortization	12,960	16,065	
(Gain) loss on disposal and sales of tangible fixed assets	(48)	563	
Amortization of goodwill	2,867	—	
Provision for doubtful accounts	479	2,284	
Provision for allowance for recoverable accounts under production sharing	573	3,665	
Provision for accrued retirement benefits	203	271	
Provision for losses on development activities	—	1,981	
Provision for site restoration and decommissioning costs	—	1,583	
Interest and dividend income	(4,203)	(10,035)	
Interest expense	2,983	9,033	
Foreign exchange loss (gain)	(474)	11,030	
Equity in losses (earnings) of affiliates	1,583	(1,346)	
(Gain) loss on sales of investment securities	(0)	140	
Accounts receivable	(20,806)	(6,758)	
Recovery of recoverable accounts under production sharing (capital expenditure)	38,375	62,330	
Recoverable accounts under production sharing (operating expenditures)	(7,721)	(4,868)	
Inventories	(388)	(1,852)	
Accounts payable-trade	7,045	29	
Other receivables	(15,003)	(12,865)	
Accounts payable-other	14,485	19,750	
Long-term accounts payable	1,728	4,603	
Advance received	3,314	(5,493)	
Bonuses to directors and statutory auditors	(142)	(154)	
Other	358	247	
Subtotal	296,802	493,747	196,944
Interest and dividends received	4,831	10,126	
Interest paid	(2,596)	(8,101)	
Income taxes paid	(167,831)	(277,532)	
Net cash provided by operating activities	131,206	218,239	87,032

Accounts	For the year ended March 31, 2005	For the year ended March 31, 2006	Increase/ (decrease)
	Amounts	Amounts	Amounts
Cash flows from investing activities			
Proceeds from sales of marketable securities	18,896	18,300	
Purchase of tangible fixed assets	(11,116)	(9,090)	
Proceeds from sales of tangible fixed assets	352	8	
Purchase of intangible assets	(87)	(165)	
Proceeds from sales of intangible assets	0	0	
Purchase of investment securities	(63,753)	(144,692)	
Proceeds from sales of investment securities	5,042	2,247	
Investment in recoverable accounts under production sharing (capital expenditures)	(65,236)	(109,410)	
Increase in short-term loans receivable	(1)	(4,236)	
Long-term loan made	(11)	(1,645)	
Collection of long-term loans receivable	32	15	
Other	(4,072)	(3,731)	
Net cash used in investing activities	(119,956)	(252,399)	(132,443)
Cash flows from financing activities			
Proceeds from long-term debt	15,611	49,431	
Repayment of long-term debt	(2,282)	(27,230)	
Proceeds from minority interests for additional shares	1,488	1,109	
Cash dividends paid	(5,892)	(7,679)	
Cash dividends paid to minority shareholders	(79)	(79)	
Restricted cash deposited	—	(1,200)	
Proceeds from refund of restricted cash	940	—	
Other	5	(0)	
Net cash provided by financing activities	9,791	14,350	4,559
Effect of exchange rate changes on cash and cash equivalents	(3,142)	6,402	9,545
Net increase (decrease) in cash and cash equivalents	17,898	(13,407)	(31,306)
Cash and cash equivalents at beginning of year	54,582	128,375	73,793
Increase in cash and cash equivalents due to a share exchange transaction	55,894	—	(55,894)
Cash and cash equivalents at end of year	128,375	114,967	(13,407)

Basic of Presenting Consolidated Financial Statements

Description	For the year ended March 31, 2005	For the year ended March 31, 2006
1. Scope of consolidation	<p>No. of consolidated subsidiaries: 26 Major subsidiaries</p> <p>Japan Oil Development Co., Ltd., INPEX Natuna, Ltd., INPEX Alpha, Ltd., INPEX ABK, Ltd., INPEX Sahul, Ltd., INPEX North Caspian Sea, Ltd., INPEX Southwest Caspian Sea, Ltd., INPEX Jawa, Ltd., INPEX Browse, Ltd., INPEX Masela Ltd.</p> <p>During this fiscal year: No. of new companies included in consolidated subsidiaries 1</p> <p>No. of companies excluded from consolidated subsidiaries 2 Details for the above changes: (1) Japan Oil Development Co., Ltd., has been included due to the acquisition of shares through a share exchange transaction.</p> <p>(2) INPEX Rabe Timor Sea, Ltd., and INPEX Northeast Sahara, Ltd., have been excluded due to completion of liquidation.</p> <p>Unconsolidated subsidiary: None</p>	<p>No. of consolidated subsidiaries: 26 Major subsidiaries</p> <p>Japan Oil Development Co., Ltd., INPEX Natuna, Ltd., INPEX Alpha, Ltd., INPEX ABK, Ltd., INPEX Sahul, Ltd., INPEX North Caspian Sea, Ltd., INPEX Southwest Caspian Sea, Ltd., INPEX Jawa, Ltd., INPEX Browse, Ltd., INPEX Masela Ltd.</p> <p>During this fiscal year: No. of new companies included in consolidated subsidiaries 1</p> <p>No. of companies excluded from consolidated subsidiaries 1 Details for the above changes: (1) INPEX Libya, Ltd., has been included due to establishment of the company</p> <p>(2) INPEX South Natuna Ltd., has been excluded due to completion of liquidation.</p> <p>Unconsolidated subsidiary: Same as on the left</p>

Description	For the year ended March 31, 2005	For the year ended March 31, 2006
2. Application of equity method	<p>Unconsolidated subsidiary accounted for by the equity method: None</p> <p>No. of affiliates accounted for by the equity method: 11</p> <p>Major affiliates: MI Berau B.V., ALBACORA JAPAO PETROLEO LTDA, INPEX Offshore North Campos, Ltd., Angola Japan Oil Co., Ltd.</p> <p>During this fiscal year: No. of new companies included in affiliates accounted for by the equity method: 4 No. of companies excluded from affiliates accounted for by the equity method: 1</p> <p>Details for the above changes: (1) BP-Japan Oil Development Company Ltd., which is an affiliate of Japan Oil Development Co., Ltd., has been included due to the acquisition of shares of Japan Oil Development Co., Ltd., through a share exchange transaction.</p> <p>(2) Angola Japan Oil Co., Ltd., AJOCO Exploration Co., Ltd., and AJOCO '91 Exploration Co., Ltd. have been included due to an increase of the shareholding ratio as a result of the acquisition of additional shares.</p> <p>(3) INPEX Northland, Ltd., has been excluded due to completion of liquidation.</p>	<p>Unconsolidated subsidiary accounted for by the equity method: Same as on the left</p> <p>No. of affiliates accounted for by the equity method: 11</p> <p>Major affiliates: MI Berau B.V., ALBACORA JAPAO PETROLEO LTDA, INPEX Offshore North Campos, Ltd., Angola Japan Oil Co., Ltd.</p>

	<p>Procedures for application of the equity method:</p> <p>Regarding affiliates accounted for by the equity method having a different closing date than the consolidated closing date for the year, we used the financial statements of each company. For some companies, however, we used financial statements prepared for consolidation purposes as of the consolidated closing date.</p>	<p>Name of major affiliates not accounted for by the equity method:  <b>JAPAN INTERNATIONAL FINANCE MANAGEMENT (TANGGUH) CORPORATION.</b>  (Reason for not applying the equity method)  The affiliates are not accounted for by the equity method because their total net income (the equity portion) and total retained earnings (the equity portion) do not have significant impact on the consolidated financial statements.</p> <p>Procedures for application of the equity method:</p> <p>Same as on the left</p>
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Description	For the year ended March 31, 2005	For the year ended March 31, 2006																																																																																																																																				
3. 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	<p>Note 1. We used the financial statements of the consolidated subsidiaries as of their closing date for the fiscal year. However, the necessary adjustments have been made to the financial statements of those companies to reflect any significant transactions made between the Company's closing date and those of the consolidated subsidiaries.</p> <p>Note 2. The financial statements are prepared as of the consolidated closing date.</p>	<p>Note 1. Same as on the left</p> <p>Note 2. Same as on the left</p> <p>(Additional information)  Until the year ended March 31, 2005, INPEX Southwest Caspian Sea, Ltd. and INPEX North Caspian Sea, Ltd. were consolidated on the basis of fiscal periods ended December 31, which differ from that of the Company. Commencing in the year ended March 31, 2006, however, due to the increase in their materiality, their financial statements prepared for consolidation purpose as of the consolidation closing date have been used. Accordingly, the consolidated operating results for the year ended March 31, 2006 included operating results for 15 months from January 1, 2005 to March 31, 2006 for those consolidated subsidiaries. The effect of this change on the consolidated statement of operations was to increase net sales by ¥22,294 million, operating income by ¥9,547 million, ordinary income and income before income taxes and minority interests by ¥9,788 million, and net income by ¥2,885 million for the year ended March 31, 2006 compared with the corresponding amounts which would have been recorded if the previous method had been followed.</p>
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Description	For the year ended March 31, 2005	For the year ended March 31, 2006
<p>3) Accounting for deferred assets</p> <p>4) Basis for significant allowances</p>	<p>(2) Intangible assets  Exploration and development rights  Exploration and development rights at the exploration stage are fully amortized in the consolidated fiscal year such rights are acquired and those at the production stage are amortized by the unit-of-production method.  Mining rights  Mining rights are mainly amortized by the unit-of-production method.  Other  Other intangible assets are amortized by the straight-line method at rates based on the useful lives and residual value of the respective assets as prescribed by the corporate tax law. Software for internal use is being amortized over five years.</p> <p>Deferred assets are charged to income as incurred.</p> <p>(1) Allowance for doubtful accounts  The allowance for doubtful accounts is provided at an amount determined based on the historical experience of bad debt with respect to ordinary receivables, plus an estimate of uncollectible amounts determined by reference to specific doubtful receivables from customers which are experiencing financial difficulties.</p> <p>(2) Allowance for recoverable accounts under production sharing  The allowance for recoverable accounts under production sharing is provided for probable losses on investments made during the exploration phase under production sharing contracts arising from the failure to discover commercial oil and gas.</p>	<p>(2) Intangible assets  Exploration and development rights  Same as on the left</p> <p>Mining rights  Same as on the left</p> <p>Other  Same as on the left</p> <p>Same as on the left</p> <p>(1) Allowance for doubtful accounts  Same as on the left</p> <p>(2) Allowance for recoverable accounts under production sharing  Same as on the left</p>

Description	For the year ended March 31, 2005	For the year ended March 31, 2006
	<p>(3) Allowance for investments in exploration The allowance for investments in exploration is provided for future potential losses on investments in exploration companies at an estimated amount based on the net assets of the investees.</p> <p>(4) Accrued employees' retirement benefits Accrued employees' retirement benefits are provided at the amount calculated based on the retirement benefit obligation at the end of the fiscal year.</p> <p>Because the Company and subsidiaries are classified as small enterprises, we employ a simplified method (at the amount which would be required to be paid if all active employees voluntarily terminated their employment as of the balance sheet date) for the calculation of the retirement benefit obligation.</p> <p>(5) Accrued officers' retirement benefits Accrued officers' retirement benefits are stated at the amount which would be required to be paid if all officers voluntarily terminated their services as of the balance sheet date based on their respective internal rules.</p>	<p>(3) Allowance for investments in exploration Same as on the left</p> <p>(4) Accrued employees' retirement benefits Same as on the left</p> <p>(5) Accrued officers' retirement benefits Same as on the left</p> <p>(6) Liabilities for site restoration and decommissioning costs Liabilities for site restoration and decommissioning costs are provided for expected future costs for decommissioning oil and gas production facilities, related pipelines and wells.</p> <p>(7) Liabilities for losses on development activities Liabilities for losses on development activities is provided for provable losses on oil and natural gas development activities individually estimated for each project. The company commenced to record such liabilities from this fiscal year, considering changes in the situation of projects such as delay in development.</p>

Description	For the year ended March 31, 2005	For the year ended March 31, 2006
<p>5) Translation of consolidated subsidiaries' significant assets and liabilities denominated in foreign currencies into yen in preparation of their financial statements</p> <p>6) Accounting for important leases</p> <p>7) Other significant matters for preparation of consolidated financial statements</p>	<p>Monetary assets and liabilities denominated in foreign currencies are translated into yen at the exchange rates prevailing at the balance sheet date. The resulting exchange gain or loss is credited or charged to income.</p> <p>The revenue and expense accounts of the overseas subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date. Except for the components of shareholders' equity, the balance sheet accounts are also translated into yen at the rates of exchange in effect at the balance sheet date. The components of shareholders' equity are translated at their historical exchange rates. Translation adjustments are presented as a component of shareholders' equity and minority interests.</p> <p>Non-cancelable finance leases are primarily accounted for as operating leases except that lease agreements which stipulate the transfer of Ownership of the leased assets to the lessee are accounted for as finance leases.</p> <p>(1) Consumption tax Transactions subject to the consumption tax are recorded at amounts exclusive of the consumption tax.</p> <p>(2) Recoverable accounts under production sharing Cash investments made by the Company during exploration, development and production phases under a production sharing contract are recorded as "Recoverable accounts under production sharing" so long as they are recoverable under the terms of the relevant contract. When the Company receives the natural gas and crude oil in accordance with the contract, an amount corresponding to the purchase costs of the products (i.e., a cost recovery portion of the investments) is released from this account.</p>	<p>Same as on the left</p> <p>Same as on the left</p> <p>(1) Consumption tax Same as on the left</p> <p>(2) Recoverable accounts under production sharing Cash investments made by the Company during exploration, development and production phases under a production sharing contract and a service contract (buyback arrangement) are recorded as "Recoverable accounts under production sharing" so long as they are recoverable under the terms of the relevant contract. When the Company receives the natural gas and crude oil in accordance with the contract, an amount corresponding to the purchase costs of the products (i.e., a cost recovery portion of the investments) is released from this account.</p>
<p>5. Valuation of assets and liabilities of consolidated subsidiaries</p>	<p>The assets and liabilities of consolidated subsidiaries are valued at their fair values. However, those whose valuation difference is not material are valued at their carrying</p>	<p>Same as on the left</p>

Description	For the year ended March 31, 2005	For the year ended March 31, 2006
	amounts.	
6. Amortization of Goodwill	<p>Goodwill is amortized using a straight-line method over the period no more than 20 years.</p> <p>In this fiscal year, the goodwill was fully written off because the analyses of subsequent investment results of goodwill revealed that the goodwill has no future value.</p>	<hr/>
7. Treatment of appropriation of retained earnings	<p>The statements of consolidated retained earnings are based on the distribution of profit finalized during the fiscal year.</p>	Same as on the left
8. Scope of cash and cash equivalents in the consolidated statement of cash flows	<p>Cash (cash and cash equivalents) in the consolidated statement of cash flows consisted of cash on hand, cash in banks which can be withdrawn on demand, and short-term investments with a maturity of three months or less when purchased, which can easily be converted to cash and are subject to little risk of change in value.</p>	Same as on the left

Changes in Basic of Presenting Consolidated Financial Statements

For the year ended March 31, 2005	For the year ended March 31, 2006
	<p>(Accounting Standard for Impairment of Fixed Assets)            Effective the year period ended March 31, 2006, the Company has adopted the “Accounting Standard for Impairment of Fixed Assets” (“Opinion Concerning the Establishment of Accounting Standard for Impairment of Fixed Assets” issued by the Business Accounting Deliberation Council on August 9, 2002) and the “Implementation Guideline on the Accounting Standard for Impairment of Fixed Assets” (“Business Accounting Standard Implementation Guideline No. 6 issued by the Accounting Standards Board on October 31, 2003”).            This change had no effect for this fiscal year ended March 31, 2006.</p> <p>(Liabilities for site restoration and decommissioning costs)            Previously, the cost of decommissioning oil and gas production facilities, related pipelines and wells was recognized as expense on a cash basis. From the current fiscal year, the Company changed its accounting policy to recognize liabilities for the estimated amount of future decommissioning costs because such costs estimated based on the future decommissioning plans are expected to be material. The effect of this change was to decrease ordinary income and income before income taxes and minority interests by ¥1,583 million.            This change was made in second half year of this fiscal year. This was because the decommissioning plan was established in that period.            The effect of this change on consolidated statements of income for the six months ended September 30, 2005 was to decrease ordinary income and income before income taxes and minority interests by ¥1,583 million as compared with the corresponding amounts which would have been recorded if the previous method had been followed.</p>

Changes in Presentation

For the year ended March 31, 2005	For the year ended March 31, 2006
<p>(Consolidated Balance Sheet)</p> <ol style="list-style-type: none"> <li>1. “Construction in progress,” previously included in “Other” fixed assets is separately presented because its amount exceeded 1% of total assets. The amount of “Construction in progress” for the previous fiscal year is ¥2,410 million.</li> <li>2. In accordance with the “Law Partially Amending the Securities and Exchange Law” (2004 Law No. 97), in which pursuant to the provision contained in Article 2, Clause 2 of the Securities and Exchange Law, investments in limited liability partnerships or other similar partnerships are deemed to be securities. Such investments included in “Other” under “Investments and other assets” in previous year have been included in “Investment securities” in this fiscal year. This change resulted in an increase of ¥863 million in “Investment Securities” and a decrease of ¥863 million in “Other” under “Investments and other assets.”</li> </ol>	<p>(Consolidated Balance Sheet)</p> <p>“Account payable-other,” previously included in “Other” shown on current liabilities is separately presented because its amount exceeded 5% of total liabilities, Minority interests, and Shareholders’ equity.</p> <p>The amount of “Account payable-other,” for the previous fiscal year is ¥35,744 million.</p>
	<p>(Consolidated Statement of Income)</p> <p>“Provision for doubtful accounts,” previously included in “Other” shown on other expenses is separately presented because its materiality has increased.</p> <p>The amount of “Provision for allowance for doubtful accounts” for the previous fiscal year is ¥420 million.</p>



Notes

(Consolidated Balance Sheets)

As of March 31, 2005	As of March 31, 2006																						
<p>*1. Accumulated depreciation Accumulated depreciation of tangible fixed assets is ¥221,716 million.</p> <p>*2. The Company has the following investments in subsidiaries and affiliates: Investment securities (equities): ¥18,224 million Other ¥130 million</p> <p>*3. Pledged assets Cash and deposits of ¥8,200 million are pledged as collateral for long-term borrowings of ¥92,596 million and guarantee obligations of ¥8,461 million. In addition, investment securities of ¥2,636 million are pledged as collateral for the BTC pipeline project financing.</p> <p>4. Contingent liabilities The Company and its consolidated subsidiaries are contingently liable as guarantors of indebtedness of the following companies:</p> <table style="width: 100%; margin-left: 40px;"> <thead> <tr> <th></th> <th style="text-align: right;">Millions of yen</th> </tr> </thead> <tbody> <tr> <td>JJI S&amp;N B.V.</td> <td style="text-align: right;">3,757</td> </tr> <tr> <td>Sakhalin Oil and Gas Development Co., Ltd.</td> <td style="text-align: right;">3,746</td> </tr> <tr> <td>ALBACORA JAPAO</td> <td style="text-align: right;">2,858</td> </tr> <tr> <td>PETROLEO LIMITADA</td> <td style="text-align: right;"><u>2,858</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;"><u>10,361</u></td> </tr> </tbody> </table> <p>In addition, INPEX BTC Pipeline, Ltd., a consolidated subsidiary, is contingently liable as guarantor of indebtedness of BTC Pipeline Project Finance in the amount of ¥5,006 million until the BTC Pipeline project completion (guarantee for completion).</p> <p>*5. The total number of the Company's shares issued and outstanding is 1,919,832.75 shares of common stock and one special class share.</p> <p>*6. Treasury stock held by the Company is one share.</p>		Millions of yen	JJI S&N B.V.	3,757	Sakhalin Oil and Gas Development Co., Ltd.	3,746	ALBACORA JAPAO	2,858	PETROLEO LIMITADA	<u>2,858</u>	Total	<u>10,361</u>	<p>*1. Accumulated depreciation Accumulated depreciation of tangible fixed assets is ¥236,061 million.</p> <p>*2. The Company has the following investments in subsidiaries and affiliates: Investment securities (equities): ¥22,608 million Other ¥653 million</p> <p>*3. Pledged assets Cash and deposits of ¥9,400 million are pledged as collateral for long-term borrowings of ¥94,070 million and guarantee obligations of ¥7,663 million. In addition, investment securities of ¥5,102 million are pledged as collateral for the BTC pipeline project financing.</p> <p>4. Contingent liabilities The Company and its consolidated subsidiaries are contingently liable as guarantors of indebtedness of the following companies:</p> <table style="width: 100%; margin-left: 40px;"> <thead> <tr> <th></th> <th style="text-align: right;">Millions of yen</th> </tr> </thead> <tbody> <tr> <td>Sakhalin Oil and Gas Development Co., Ltd.</td> <td style="text-align: right;">6,979</td> </tr> <tr> <td>ALBACORA JAPAO</td> <td style="text-align: right;">2,343</td> </tr> <tr> <td>PETROLEO LIMITADA</td> <td style="text-align: right;"><u>2,343</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;"><u>9,323</u></td> </tr> </tbody> </table> <p>In addition, INPEX BTC Pipeline, Ltd., a consolidated subsidiary, is contingently liable as guarantor of indebtedness of BTC Pipeline Project Finance in the amount of ¥7,206 million until the BTC Pipeline project completion (guarantee for completion).</p> <p>*5. The total number of the Company's shares issued and outstanding is 1,919,831.31 shares of common stock and one special class share.</p> <p>*6. _____</p>		Millions of yen	Sakhalin Oil and Gas Development Co., Ltd.	6,979	ALBACORA JAPAO	2,343	PETROLEO LIMITADA	<u>2,343</u>	Total	<u>9,323</u>
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## (Consolidated Statements of Income)

For the year ended March 31, 2005	For the year ended March 31, 2006
*1. Major accounts included in selling, general and administrative expenses are as follows:	*1. Major accounts included in selling, general and administrative expenses are as follows;
Millions of yen	Millions of yen
Personnel expenses	Personnel expenses
5,041	5,342
(Including provision for accrued officers' retirement benefits	(Including provision for accrued officers' retirement benefits
195)	124)
(Including provision for accrued employees' retirement benefits	(Including provision for accrued employees' retirement benefits
219)	308)
Travel and transportation expenses	Freight expenses
600	2,293
Depreciation expenses	Depreciation expenses
1,638	3,948
*2. Research and development expenses included in general and administrative expenses: ¥53 million	*2. Research and development expenses included in general and administrative expenses: ¥50 million

## (Consolidated Statements of Cash Flows)

For the year ended March 31, 2005	For the year ended March 31, 2006																														
<p>1 Cash and cash equivalents at the end of year are reconciled to the accounts reported in the consolidated balance sheet as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 80%;"></th> <th style="text-align: right; width: 20%;">Millions of yen</th> </tr> </thead> <tbody> <tr> <td>Cash and deposits</td> <td style="text-align: right;">136,575</td> </tr> <tr> <td>Time deposits pledged</td> <td style="text-align: right;"><u>(8,200)</u></td> </tr> <tr> <td>Cash and cash equivalents at the end of year</td> <td style="text-align: right;">128,375</td> </tr> </tbody> </table> <p>2 Condensed financial position of newly consolidated subsidiary as a result of a share exchange transaction.</p> <p>Assets and liabilities at the startup of the consolidation of Japan Oil Development Co., Ltd., which was acquired by a share exchange transaction, are as follows. No expenditures for the share exchange transaction were made.</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 80%;"></th> <th style="text-align: right; width: 20%;">Millions of yen</th> </tr> </thead> <tbody> <tr> <td>Current assets</td> <td style="text-align: right;">79,501</td> </tr> <tr> <td>Fixed assets</td> <td style="text-align: right;"><u>53,682</u></td> </tr> <tr> <td>Total assets</td> <td style="text-align: right;">133,183</td> </tr> <tr> <td>Current liabilities</td> <td style="text-align: right;">46,145</td> </tr> <tr> <td>Fixed liabilities</td> <td style="text-align: right;"><u>24,635</u></td> </tr> <tr> <td>Total liabilities</td> <td style="text-align: right;">70,781</td> </tr> </tbody> </table> <p>3 Significant non-cash transaction Increase in paid-in capital due to the share exchange transaction:</p> <p style="text-align: right;">¥62,402 million</p>		Millions of yen	Cash and deposits	136,575	Time deposits pledged	<u>(8,200)</u>	Cash and cash equivalents at the end of year	128,375		Millions of yen	Current assets	79,501	Fixed assets	<u>53,682</u>	Total assets	133,183	Current liabilities	46,145	Fixed liabilities	<u>24,635</u>	Total liabilities	70,781	<p>1 Cash and cash equivalents at the end of year are reconciled to the accounts reported in the consolidated balance sheet as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 80%;"></th> <th style="text-align: right; width: 20%;">Millions of yen</th> </tr> </thead> <tbody> <tr> <td>Cash and deposits</td> <td style="text-align: right;">124,367</td> </tr> <tr> <td>Time deposits pledged</td> <td style="text-align: right;"><u>(9,400)</u></td> </tr> <tr> <td>Cash and cash equivalents at the end of year</td> <td style="text-align: right;">114,967</td> </tr> </tbody> </table>		Millions of yen	Cash and deposits	124,367	Time deposits pledged	<u>(9,400)</u>	Cash and cash equivalents at the end of year	114,967
	Millions of yen																														
Cash and deposits	136,575																														
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Time deposits pledged	<u>(9,400)</u>																														
Cash and cash equivalents at the end of year	114,967																														

(Leases)

For the year ended March 31, 2005

None

For the year ended March 31, 2006

None

(Securities)

For the year ended March 31, 2005 (April 1, 2004 through March 31, 2005)

1 Other securities with determinable market value as of March 31, 2005

(Millions of yen)

Type of securities	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceed their acquisition costs			
(1) Stocks	287	392	104
(2) Bonds			
National and local government bonds	71,887	72,160	272
Corporate bonds	4,339	4,366	27
Other	—	—	—
(3) Other	500	863	363
Subtotal	77,013	77,782	768
Securities whose acquisition costs exceed their carrying value			
(1) Stocks	—	—	—
(2) Bonds			
National and local government bonds	17,266	17,246	(19)
Corporate bonds	—	—	—
Other	—	—	—
(3) Other	—	—	—
Subtotal	17,266	17,246	(19)
Total	94,280	95,029	749

2 Other securities sold during for the year ended March 31, 2005

(Millions of yen)

Proceeds from sales	Gain on sales	Loss on sales
23,938	0	—

3 Other securities without a determinable market value as of March 31, 2005

(Millions of yen)

Type of securities	Carrying value
Other securities	
Unlisted stocks	23,492
Trust beneficiary certificates	—

Note: An allowance for investments in exploration is provided for investments in exploration companies included in unlisted stocks above at an estimated amount based on the net assets of the investees.

4 The redemption schedule for securities with maturity date classified as other securities as of March 31, 2005

(Millions of yen)

Type of securities	Due in one year	Due after one year through five years	Due after five year through ten years	Due after ten years
(1) Bonds				
National and local government bonds	18,087	33,798	—	37,521
Corporate bonds	303	4,063	—	—
Other	—	—	—	—
(2) Other	—	—	—	—
Total	18,391	37,861	—	37,521

For the year ended March 31, 2006 (April 1, 2005 through March 31, 2006)

1 Other securities with determinable market value as of March 31, 2006

(Millions of yen)

Type of securities	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceed their acquisition costs			
(1) Stocks	19,906	22,187	2,280
(2) Bonds			
National and local government bonds	13,203	13,227	24
Corporate bonds	4,010	4,018	7
Other	—	—	—
(3) Other	500	1,138	638
Subtotal	37,620	40,571	2,951
Securities whose acquisition costs exceed their carrying value			
(1) Stocks	—	—	—
(2) Bonds			
National and local government bonds	173,991	167,777	(6,214)
Corporate bonds	—	—	—
Other	—	—	—
(3) Other	—	—	—
Subtotal	173,991	167,777	(6,214)
Total	211,612	208,349	(3,263)

2 Other securities sold during the year ended March 31, 2006

(Millions of yen)

Proceeds from sales	Gain on sales	Loss on sales
20,547	—	140

3 Other securities without a determinable market value as of March 31, 2006

(Millions of yen)

Type of securities	Carrying value
Other securities	
Unlisted stocks	27,527
Trust beneficiary certificates	—

Note: An allowance for investments in exploration is provided for investments in exploration companies included in unlisted stocks above at an estimated amount based on the net assets of the investees.

4 The redemption schedule for securities with maturity date classified as other securities as of March 31, 2006

(Millions of yen)

Type of securities	Due in one year	Due after one year through five years	Due after five year through ten years	Due after ten years
(1) Bonds				
National and local government bonds	17,500	80,441	1,946	81,117
Corporate bonds	4,018	—	—	—
Other	—	—	—	—
(2) Other	—	—	—	—
Total	21,518	80,441	1,946	81,117

(Derivatives)

For the year ended March 31, 2005	For the year ended March 31, 2006
<hr/>          <hr/>	<p>1. Description of derivative transactions</p> <p>(1) Types and purposes of transactions The Company engages in the following derivative transactions. Foreign currency forwards The Company uses forward foreign exchange contracts to reduce its exposure to foreign currency risk from its assets and liabilities denominated in foreign currencies. The Company does not engage in derivative transactions for trading purposes.</p> <p>(2) Policy on derivative transactions Nominal amounts for transactions are limited to amounts of assets and liabilities at market risk.</p> <p>(3) Description of risks relating to derivative transactions Although there remain the market risk, derivative transactions are used for the purpose of hedging overall market risks on assets and liabilities. As the Company's derivative contract counterparties are all banks with high credit standings, the Company believes that the risk of counterparty default is minimum.</p> <p>(4) Risk management for derivative transactions The execution and control of derivative transactions are based on internal rules. All transactions are reported to director in charge on timely basis and confirmations of transactions are obtained from counterparties on a regular basis.</p> <p>2. Fair value of derivative transactions As for forward foreign exchange contracts, since there are no unsettled contract at the end of year, there is no fair value information to be disclosed.</p>

## (Retirement benefit plan)

For the year ended March 31, 2005	For the year ended March 31, 2006								
<p>1. Outline of retirement benefit plans Lump-sum payment on retirement: Lump-sum retirement plan under the rule of retirement benefits plan is adopted. Welfare Pension Fund: Some of the Company's subsidiaries adopted Tokyo Municipal Oil Business Welfare Pension Fund Plan in addition to the lump-sum retirement payment plans</p>	<p>1. Outline of retirement benefit plans Lump-sum payment on retirement: Same as on the left  Welfare Pension Fund: Same as on the left</p>								
<p>2. Retirement benefit obligations</p> <p style="text-align: right;">Millions of yen</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Retirement benefit obligations</td> <td style="text-align: right;">(1,503)</td> </tr> <tr> <td>Accrued retirement benefits</td> <td style="text-align: right;">(1,503)</td> </tr> </table>	Retirement benefit obligations	(1,503)	Accrued retirement benefits	(1,503)	<p>2. Retirement benefit obligations</p> <p style="text-align: right;">Millions of yen</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Retirement benefit obligations</td> <td style="text-align: right;">(1,719)</td> </tr> <tr> <td>Accrued retirement benefits</td> <td style="text-align: right;">(1,719)</td> </tr> </table>	Retirement benefit obligations	(1,719)	Accrued retirement benefits	(1,719)
Retirement benefit obligations	(1,503)								
Accrued retirement benefits	(1,503)								
Retirement benefit obligations	(1,719)								
Accrued retirement benefits	(1,719)								
<p>Some of the Company's subsidiaries have pension assets of ¥739 million in the Multi-Employer Pension Fund Plan.</p>	<p>Some of the Company's subsidiaries have pension assets of ¥1,046 million in the Multi-Employer Pension Fund Plan.</p>								
<p>3. Retirement benefit expenses</p> <p style="text-align: right;">Millions of yen</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Service cost</td> <td style="text-align: right;">219</td> </tr> <tr> <td>Retirement benefit expenses</td> <td style="text-align: right;">219</td> </tr> </table> <p>Regarding the Multi-Employer Pension Fund Plan to which some of the Company's subsidiaries belong, ¥26 million of contributory payment (excluding contributory payment for employees) is included in service cost.</p>	Service cost	219	Retirement benefit expenses	219	<p>3. Retirement benefit expenses</p> <p style="text-align: right;">Millions of yen</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Service cost</td> <td style="text-align: right;">308</td> </tr> <tr> <td>Retirement benefit expenses</td> <td style="text-align: right;">308</td> </tr> </table> <p>Regarding the Multi-Employer Pension Fund Plan to which some of the Company's subsidiaries belong, ¥31 million of contributory payment (excluding contributory payment for employees) is included in service cost.</p>	Service cost	308	Retirement benefit expenses	308
Service cost	219								
Retirement benefit expenses	219								
Service cost	308								
Retirement benefit expenses	308								
<p>4. Accounting for retirement benefit obligation Simplified method(per the rule of retirement benefit plan)</p>	<p>4. Accounting for retirement benefit obligation Same as on the left</p>								

(Tax Accounting)

(Millions of yen)

For the year ended March 31, 2005	For the year ended March 31, 2006
1. The significant components of deferred tax assets and liabilities are summarized as follows:	1. The significant components of deferred tax assets and liabilities are summarized as follows:
Deferred tax assets:	Deferred tax assets:
Investing in related parties 28,076	Investing in related parties 32,850
Loss on revaluation of land 4,543	Loss on revaluation of land 4,543
Recoverable accounts under production sharing (foreign taxes) 7,123	Recoverable accounts under production sharing (foreign taxes) 10,988
Allowance for investments in exploration 3,276	Allowance for investments in exploration 1,912
Foreign taxes payable 13,037	Foreign taxes payable 23,106
Net operating loss 16,247	Net operating loss 3,621
Accumulated amortization of tangible fixed assets 1,011	Accumulated amortization of tangible fixed assets 1,339
Accrued retirement benefits 726	Accrued retirement benefits 813
Translation differences of asset and liabilities denominated in foreign currencies 6,732	Translation differences of asset and liabilities denominated in foreign currencies 7,263
Other 5,180	Other 3,692
Total gross deferred tax assets 85,956	Total gross deferred tax assets 95,513
Valuation allowance (76,712)	Valuation allowance (79,471)
Total deferred tax assets 9,243	Total deferred tax assets 16,041
Deferred tax liabilities:	Deferred tax liabilities:
Foreign taxes 26,013	Foreign taxes 24,076
Translation differences of asset and liabilities denominated in foreign currencies 5,048	
Other 3,792	Other 3,631
Total deferred tax liabilities 34,855	Total deferred tax liabilities 27,708
Net deferred tax liabilities 25,611	Net deferred tax liabilities 11,666
Net deferred tax liabilities are included in the following accounts on the consolidated balance sheets.	Net deferred tax liabilities are included in the following accounts on the consolidated balance sheets.
Current assets — deferred tax assets 23	Current assets — deferred tax assets 3,448
Fixed assets — deferred tax assets 2,207	Fixed assets — deferred tax assets 10,271
Current liabilities — other (2,028)	Current liabilities — other (2,438)
Long-term liabilities — deferred tax liabilities (25,814)	Long-term liabilities — deferred tax liabilities (22,948)
2. A reconciliation of the difference between the statutory tax rate and the effective tax rates is as follows:	2. A reconciliation of the difference between the statutory tax rate and the effective tax rates is as follows:
	%
Statutory tax rate 36.2	Statutory tax rate 36.2
(Adjustments)	(Adjustments)
Permanently nondeductible expenses such as entertainment expenditures 0.0	Permanently nondeductible expenses such as entertainment expenditures 0.0
Permanent exclusion from gross revenue such as dividends income (0.0)	Permanent exclusion from gross revenue such as dividends income (0.1)
Valuation allowance 3.3	Valuation allowance 3.6
Foreign tax credit (15.3)	Foreign tax credit (16.2)
Foreign taxes 70.4	Foreign taxes 71.7
Equity in earnings of affiliates (0.6)	Equity in earnings of affiliates (0.3)
Adjustment of deducted amounts of foreign taxes (19.4)	Adjustment of deducted amounts of foreign taxes (17.5)
Operating losses used during this fiscal year (4.4)	Operating losses used during this fiscal year (3.5)
Other 0.4	Other 0.1
Effective tax rates 70.6	Effective tax rates 74.0



(Segment Information)

【Business Segment Information】

For the year ended March 31, 2005 (April 1, 2004 through March 31, 2005)

Segment information by business has been omitted because the crude oil and natural gas business accounts for more than 90% of total sales and operating income, as well as more than 90% of total assets.

For the year ended March 31, 2006 (April 1, 2005 through March 31, 2006)

Segment information by business has been omitted because the crude oil and natural gas business accounts for more than 90% of total sales and operating income, as well as more than 90% of total assets.

【Geographical segment information】

For the year ended March 31, 2005 (April 1, 2004 through March 31, 2005)

(Millions of yen)

	Asia-Oceania	NIS	Middle East	Other	Total	Eliminations and other	Consolidated
I Net sales and operating income							
Net sales							
(1) Sales to third parties	287,185	—	191,401	—	478,586	—	478,586
(2) Intercompany sales and transfers between segments	—	20,899	414	—	21,313	(21,313)	—
Total	287,185	20,899	191,815	—	499,900	(21,313)	478,586
Operating expenses	150,824	16,471	63,976	3	231,276	(21,352)	209,924
Operating income (loss)	136,360	4,427	127,839	(3)	268,623	38	268,662
II Assets	236,646	223,532	179,412	4,227	643,819	135,407	779,227

Notes: 1. Countries and areas are segmented based on their geographic proximity and their mutual operating relationships.

2. Major countries and areas that belong to segments other than Japan are as follows:

- (1) Asia-Oceania ··· Indonesia, Australia, East Timor
- (2) NIS ··· Republic of Kazakhstan, Republic of Azerbaijan
- (3) Middle East ··· United Arab Emirates, Islamic Republic of Iran
- (4) Other ··· Republic of Angola, Brazil

3. Unallocated operating expenses included in “Eliminations and other” of ¥114 million under the operating expenses are mainly general administrative expenses including costs for real estate management.

4. Of the figure for assets, ¥135,407 million included in “Eliminations and other” are mainly the parent company’s cash and deposits, securities, investment securities and assets related to administrative departments.

5. Changes in allocation of operating expenses

Operating expenses related to the administrative departments previously included in “Other” segment are included in “Eliminations and other” in this fiscal year as these expenses are for administration expenses for the Grope and unallocatable.

6. Change of classification of region

(1) The Middle East, previously included in the “Other” segment, is separately presented since sales and operating income in the Middle East exceeded 10% of the totals of the consolidated amounts.

(2) Investments in the Company’s subsidiaries and affiliates accounted for by the equity method were previously included in assets of “Asia-Oceania” segments. However, such investments are included in the segment in which the mining operation of each subsidiary and affiliate is located in this fiscal year to improve the usefulness of geographical segment information.

For the year ended March 31, 2006 (April 1, 2005 through March 31, 2006)

(Millions of yen)

	Asia-Oceania	NIS	Middle East	Other	Total	Eliminations and other	Consolidated
I Net sales and operating income							
Net sales							
(1) Sales to third parties	339,523	63,766	300,943	—	704,234	—	704,234
(2) Intercompany sales and transfers between segments	—	—	—	—	—	—	—
Total	339,523	63,766	300,943	—	704,234	—	704,234
Operating expenses	146,746	40,199	90,738	4	277,689	(105)	277,583
Operating income (loss)	192,777	23,567	210,205	(4)	426,545	105	426,650
II Assets	244,574	290,996	239,214	4,743	779,529	192,908	972,437

- Notes:
1. Countries and areas are segmented based on their geographic proximity and their mutual operating relationships.
  2. Major countries and areas that belong to segments other than Japan are as follows:
    - (1) Asia-Oceania ····Indonesia, Australia, East Timor
    - (2) NIS ····Republic of Kazakhstan, Republic of Azerbaijan
    - (3) Middle East ····United Arab Emirates, Islamic Republic of Iran
    - (4) Other ····Republic of Angola, Brazil, Libya
  3. Unallocated operating expenses included in “Eliminations and other” of ¥327 million under the operating expenses are mainly general administrative expenses including costs for real estate management.
  4. Of the figure for assets, ¥192,917 million included in “Elimination and other” are mainly the parent company’s cash and deposits, securities, investment securities and assets related to administrative departments.
  5. The geographical segment information for the Company and its subsidiaries has been reflected in the regions based on the location of operations. Since INPEX Trading, Ltd., a subsidiary of the Company, which is engaged in purchase and sale of crude oil of the Company and consolidated subsidiaries, does not deal in oil productions activities, operating results of INPEX Trading, Ltd. had been reflected in Asia-Oceania segment where substantially all of its oil for trading are provided until the year ended March 31, 2005. Effective April 1, 2005, operating results and assets of INPEX Trading, Ltd. have been reflected in the segments based on the location of the Company and consolidated subsidiaries which INPEX Trading, Ltd. purchase the crude oil, considering the increasing materiality of the transactions outside of Asia-Oceania region.  
As a result, there were no intercompany sales and transfers between segments since all intercompany sales are recorded within the same segment.  
Also, on September 1, 2005, INPEX Trading, Ltd. entered into sales consignment contract with the Company and other consolidated subsidiaries. Accordingly, sales of the Company and other consolidated subsidiaries, which previously had been included in intercompany sales and transfers, have been included in sales to third parties since September 1, 2005.  
If new method which is based on the location of the Company and consolidated subsidiaries had been followed, the geographical segment information for the Company for the year ended March 31, 2005 would have been the following.

For the year ended March 31, 2005 (April 1, 2004 through March 31, 2005)

(Millions of yen)

	Asia-Oceania	NIS	Middle East	Other	Total	Eliminations and other	Consolidated
I Net sales and operating income							
Net sales							
(1) Sales to third parties	268,027	18,730	191,829	—	478,586	—	478,586
(2) Intercompany sales or transfers between segments	—	—	—	—	—	—	—
Total	268,027	18,730	191,829	—	478,586	—	478,586
Operating expenses	131,676	14,302	63,990	3	209,972	(48)	209,924
Operating income	136,350	4,427	127,839	(3)	268,614	48	268,662
II Assets	235,884	223,532	179,412	4,227	643,056	136,170	779,227

【Overseas sales】

For the year ended March 31, 2005 (April 1, 2004 through March 31, 2005)

(Millions of yen)

	Asia	Other	Total
I. Overseas sales	167,741	11,299	179,040
II. Consolidated sales			478,586
III. Overseas sales as a percentage of consolidated sales (%)	35.0	2.4	37.4

- Notes: 1 Countries and areas are segmented based on their geographic proximity.  
 2. Major countries and areas that belong to segments other than Japan are as follows:  
 (1) Asia·····South Korea, Taiwan, Indonesia, Singapore, Thailand, China  
 (2) Other·····Australia  
 3. Overseas sales consisted of export sales of the Company and its domestic consolidated subsidiaries and sales (other than exports to Japan) of its foreign consolidated subsidiaries.

For the year ended March 31, 2006 (April 1, 2005 through March 31, 2006)

(Millions of yen)

	Asia	Other	Total
I. Overseas sales	249,027	45,960	294,987
II. Consolidated sales			704,234
III. Overseas sales as a percentage of consolidated sales (%)	35.4	6.5	41.9

- Notes: 1 Countries and areas are segmented based on their geographic proximity.  
 2. Major countries and areas that belong to segments other than Japan are as follows:  
 (1) Asia·····South Korea, Taiwan, Indonesia, Singapore, Thailand, China, Malaysia  
 (2) Other·····Australia, Italy  
 3. Overseas sales consisted of export sales of the Company and its domestic consolidated subsidiaries and sales (other than exports to Japan) of its foreign consolidated subsidiaries.

【Related Party Transactions】

For the year ended March 31, 2005 (April 1, 2004 through March 31, 2005)

1. The parent company and major corporate shareholders

(Millions of yen)

Attribute	Major shareholder	
Company name	Japan National Oil Corporation (Note 1)	
Location	Chiyoda-ku, Tokyo, Japan	
Investment in capital	1,112,293	
Principal business or profession	Asset administration including establishment of a core company	
Holding (being held) percentage of voting rights, etc.	36.06%	
Relationship with the Company	Directors' position held concurrently	—
	Business relationship	Investment in capital
Description of transactions	Exchange of shares	
Transaction amount	62,402 (Note 2)	
Account item	—	
Year-end balance	—	

Notes: 1. As described in “Significant subsequent events,” Japan National Oil Corporation, a former major shareholder of the Company, was dissolved as of April 1, 2005.

2. A share exchange transaction made Japan Oil Development Co., Ltd., a wholly owned subsidiary. The Company issued 50,744.25 new shares of common stock and exchanged them for 2 shares of Japan Oil Development Co., Ltd.’s common stock held by Japan National Oil Corporation as of May 17, 2004, based on the valuation by a third party, and all the amounts were allocated to Additional paid-in capital.

2. Directors and major individual shareholders: None

3. Subsidiaries: None

4. Fellow subsidiaries: None

For the year ended March 31, 2006 (April 1, 2005 through March 31, 2006)

1. The parent company and major corporate shareholders: None

2. Directors and major individual shareholders: None

3. Subsidiaries: None

4. Fellow subsidiaries: None

## (Per Share Information)

Item	For the year ended March 31, 2005	For the year ended March 31, 2006
Net assets per share	¥214,163.98	¥262,966.53
Net income per share	¥40,255.92	¥53,814.47
	<p>Diluted net income per share is not presented because there are no dilutive potential of shares of common stock such as corporate bonds with warrants.</p> <p>There was a 3-for-1 stock split of common stock on May 18, 2004. Per share information for the previous fiscal year had this stock split been made at the beginning of the previous year is presented as follows.</p> <p>Net assets per share ¥157,275.33 Net income per share ¥19,612.92</p>	<p>Diluted net income per share is not presented because there are no dilutive potential of shares of common stock such as corporate bonds with warrants.</p>

Note: Net income per share is calculated based on the following:

	For the year ended March 31, 2005	For the year ended March 31, 2006
Net income (millions of yen)	76,493	103,476
Amount not attributable to common stockholders (millions of yen)	151	162
(Directors' bonuses as appropriation of profit)	(151)	(162)
Net income attributable to common stockholders (millions of yen)	76,341	103,314
Average number of shares (thousands of shares)	1,896	1,919
Common stock	1,896	1,919
Common stock equivalent share; Special class share	0	0

(Significant subsequent events)

For the year ended March 31, 2005	For the year ended March 31, 2006												
<p>Transfer of shares held by Japan National Oil Corporation</p> <p>Japan National Oil Corporation, the Company's major shareholder and the largest shareholder, was dissolved as of April 1, 2005, pursuant to the "Law on the Abolishment of the Japan National Oil Corporation Law and the Metal Mining Agency of Japan Law" (Item 93, 2002 Law). Accordingly, 692,307.75 shares of common stock and one special class share in the Company held by Japan National Oil Corporation were transferred to the Minister of Economy, Trade and Industry. Shares in our Group companies held by Japan National Oil Corporation and its status in transactions with each Group companies were also transferred to the Minister of Economy, Trade and Industry or an independent administrative corporation; Japan Oil, Gas and Metals National Corporation.</p>	<p>Establishment of the Joint Holdings Company</p> <p>The Company and Teikoku Oil Co., Ltd. had reached agreement on the integration of the two companies, and signed a joint stock transfer agreement on November 5, 2005.</p> <p>After the approval of "Establishment of the Parent Company through a Stock Transfer" at respective extraordinary shareholders' meetings and meeting of the Special Class Share on January 31, 2006, INPEX Holdings Inc." was established as a solo parent company on April 3, 2006. Accordingly, the Company became a wholly owned subsidiary of INPEX Holdings Inc.</p> <p>Overview of a solo parent company as follows</p> <p style="text-align: right;">(As of April 3, 2006)</p> <table border="1" data-bbox="826 855 1385 1178"> <tbody> <tr> <td>Company name</td> <td>INPEX Holdings Inc.</td> </tr> <tr> <td>Company headquarter</td> <td>4-1-18 Ebisu, Shibuya-ku, Tokyo, 150-0013, Japan</td> </tr> <tr> <td>Date of establishment</td> <td>April 3, 2006</td> </tr> <tr> <td>Main business</td> <td>Management and administration of subsidiaries and group companies</td> </tr> <tr> <td>Capital</td> <td>¥30 billion</td> </tr> <tr> <td>Representative Director and President</td> <td>Naoki Kuroda</td> </tr> </tbody> </table>	Company name	INPEX Holdings Inc.	Company headquarter	4-1-18 Ebisu, Shibuya-ku, Tokyo, 150-0013, Japan	Date of establishment	April 3, 2006	Main business	Management and administration of subsidiaries and group companies	Capital	¥30 billion	Representative Director and President	Naoki Kuroda
Company name	INPEX Holdings Inc.												
Company headquarter	4-1-18 Ebisu, Shibuya-ku, Tokyo, 150-0013, Japan												
Date of establishment	April 3, 2006												
Main business	Management and administration of subsidiaries and group companies												
Capital	¥30 billion												
Representative Director and President	Naoki Kuroda												

## IV Production, Orders Received and Sales Performance

### (1) Production

The following table shows production by business segment:

Business segment	Classification	For the year ended March 31, 2005	For the year ended March 31, 2006
Crude oil and natural gas	Crude oil	Millions of barrels 70.3 (Thousands of barrels per day) (192.6)	Millions of barrels 74.7 (Thousands of barrels per day) (204.7)
	Natural gas	BCF 300.6 (Millions of CF per day) (823.5)	BCF 287.6 (Millions of CF per day) (787.8)
	Total	Millions of BOE 120.4 (Thousands of BOE per day) (329.8)	Millions of BOE 122.7 (Thousands of BOE per day) (336.0)

- Notes:
1. The production volume of crude oil includes condensate and LPG.
  2. 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 year ended March 31 regardless of a closing date on the basis of fiscal periods of its subsidiaries or affiliates.
  3. The Production volume of crude oil and natural gas involved in the production sharing contracts entered by the INPEX Group corresponds to the net economic take of our group.
  4. Production of Japan Oil Development Co., Ltd. that merged in May 2004 has been included from April 2004.
  5. We acquired equity interests of Angola Japan Oil Co., Ltd., AJOCO Exploration Co., Ltd. and AJOCO '91 Exploration Co., Ltd. in September 2004, and these three companies have become affiliates accounted for by the equity method. However, their production has been included from April 2004.
  6. BOE means barrels of oil equivalent.

### (2) Orders received

The Company has no production by order.

### (3) Sales performance

- a) We take back substantially all the amount of crude oil produced under production sharing contracts, and primarily sell it domestically to Japanese refining companies. We sell natural gas 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. In addition, we sell natural gas to the Indonesian and other markets.
- b) The following table shows sales performance by business segment:

(Millions of yen)

Business segment	Classification	For the year ended March 31, 2005	For the year ended March 31, 2006	Increase/(Decrease)	
		Amounts	Amounts	Amounts	Ratio (%)
Crude oil and natural gas	Crude oil	293,143	462,691	169,547	57.8
	Natural gas	185,443	241,543	56,099	30.3
	Total	478,586	704,234	225,647	47.1

- Notes:
1. LPG, which uses a natural gas as materials, is included in natural gas.
  2. The above amounts do not include related consumption taxes.
  3. An increase in actual sales is due to a rise in the price of oil and natural gas.
  4. The Company's subsidiaries of which closing date for fiscal year is December 31 are principally consolidated their operating result for the year ended December 31. However, the significant effects of the difference in fiscal periods were properly adjusted in consolidation. For Japan Oil Development Co., Ltd., we consolidated their operating results, prepared for consolidation purposes, for the year ended March 31. Commencing in the year ended March 31, 2006, for INPEX Southwest Caspian Sea, Ltd. and INPEX North Caspian Sea, Ltd., we consolidated their operating results for 15 months period from January 1, 2005 to March 31, 2006.
  5. Sales for major customers and the ratio of such sales to the total sales are as follows:

Customers	For the year ended March 31, 2005		For the year ended March 31, 2006	
	Amounts (Millions of yen)	Ratio (%)	Amounts (Millions of yen)	Ratio (%)
PERTAMINA	188,647	39.4	239,369	34.0
PETRO DIAMOND CO., LTD.	50,054	10.5	68,880	9.8
IDEMITSU KOSAN CO., LTD.	—	—	73,243	10.4

- Note: As the sales for IDEMITSU KOSAN CO., LTD., exceeded 10% of the total sales of the Company for the year ended March 31, 2006, this information is disclosed herein.



## Non-Consolidated Financial Results for the year ended March 31, 2006

May 16, 2006

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

Company name	INPEX Holdings Inc. (INPEX CORPORATION)	Stock Exchange on which the Company is listed	Tokyo Stock Exchange
Code number	1605	Location of the head office	Tokyo
(URL <a href="http://www.inpex.co.jp/">http://www.inpex.co.jp/</a> )			
Representative	Naoki Kuroda, President		
Contact person	Shuhei Miyamoto, General Manager, Corporate Communications Unit. TEL +81-3-5448-0205		
Date of the meeting of the Board of Directors for the year ended March 31, 2006 financial results	May 16, 2006	Paying interim dividend	Yes
Starting date for the dividend payment	June 28, 2006	Date of the Annual Meeting of Shareholders	June 27, 2006
Shares constituting one unit	No		

Financial Results for the year ended March 31, 2006 (April 1, 2005–March 31, 2006)

(1) Operating results

Note: Amounts less than million yen are rounded off.

	Net sales		Operating income		Ordinary income	
	Millions yen	%	Millions yen	%	Millions yen	%
For the year ended						
March 31, 2006	258,154	27.3	160,960	41.7	159,385	41.6
March 31, 2005	202,729	20.5	113,556	22.6	112,584	47.7

	Net income		Net income per share — basic	Net income per share — diluted
	Millions yen	%	Yen	Yen
For the year ended				
March 31, 2006	69,927	37.7	36,372.85	—
March 31, 2005	50,765	79.1	26,717.47	—

	Return on shareholders' equity	Ordinary income as a percentage of total capital	Ordinary income as a percentage of net sales
	%	%	%
For the year ended			
March 31, 2006	17.2	35.8	61.7
March 31, 2005	15.7	31.3	55.5

- (Notes)
1. Average number of shares issued and outstanding during the fiscal year: for the year ended March 31, 2006, 1,919,832 shares; for the year ended March 31, 2005, 1,896,412 shares.
  2. Change in accounting policy: No
  3. The percentage expressions for net sales, operating income, ordinary income and net income represent the changes from the previous fiscal year.

(2) Cash dividends

	Annual cash dividends per share			Total cash dividends paid (annual)	Payout ratio	Cash dividends as a percentage of shareholder's equity
	Interim	Year-end				
	Yen	Yen	Yen	Million yen	%	%
For the year ended						
March 31, 2006	5,500.00	0.00	5,500.00	10,559	15.1	2.4
March 31, 2005	4,000.00	0.00	4,000.00	7,679	15.0	2.0

## (3) Financial position

Note: Amounts less than million yen are rounded off.

	Total assets	Shareholders' equity	Ratio of shareholders' equity	Net assets per share
	Millions of yen	Millions of yen	%	Yen
For the year ended				
March 31, 2006	472,686	437,478	92.6	227,822.09
March 31, 2005	417,978	377,222	90.2	196,436.16

- (Notes)
1. Number of shares issued and outstanding at the end of fiscal year; at the year ended March 31, 2006, 1,919,832 shares; at the year ended March 31, 2005, 1,919,832 shares.
  2. Number of treasury stocks at the end of fiscal year; for the year ended March 31, 2006, - shares; for the year ended March 31, 2005, 1 share.

## Average number of shares during the fiscal year (After deducting the number of treasury stock)

	For the year ended March 31, 2005	For the year ended March 31, 2006
Common stock	1,896,412 shares	1,919,831 shares
Common stock equivalent share; Special class share	0 shares	1 share

## Number of shares issued and outstanding at the end of fiscal year (After deducting the number of treasury stock)

	For the year ended March 31, 2005	For the year ended March 31, 2006
Common stock	1,919,831 shares	1,919,831 shares
Common stock equivalent share; Special class share	1 share	1 share

- (Note) Since shareholder of the special class share is entitled to the same rights as that for shareholders of common stock regarding dividends and the distribution of residual property, the special class share is classified as common stock equivalent share.

Movement in the number of issued shares for the year ended March 31, 2006 is as follows;

Retirement of treasury stocks	(1)Number of retired shares	1.44 shares
(March 31, 2006)	(2)Total acquisition cost	¥1 million

## V Non-consolidated Financial Statements

### (1) Financial Statements

#### 1) Non-consolidated Balance Sheets

(Millions of yen)

Accounts	Note No.	As of March 31, 2005		As of March 31, 2006		Increase/ (decrease) Amounts
		Amounts	Ratio	Amounts	Ratio	
(Assets)			%		%	
Current assets:						
Cash and deposits	*3	24,802		29,556		
Accounts receivable-trade		15,207		11,622		
Marketable securities		18,391		14,530		
Prepaid expenses		77		81		
Deferred tax assets		11		20		
Accounts receivable-other		308		322		
Short-term loans receivable from subsidiaries and affiliates		15,692		5,961		
Other		232		783		
Total current assets		74,722	17.9	62,878	13.3	(11,844)
Fixed assets:						
Tangible fixed assets	*1					
Buildings		5,436		5,170		
Structures		69		63		
Machinery and equipment		0		0		
Vehicles and transportation equipment		27		19		
Tools and fixtures		104		102		
Land		4,001		4,001		
Construction in progress		—		87		
Total tangible fixed assets		9,640	2.3	9,444	2.0	(195)
Intangible assets						
Software		30		152		
Other		5		4		
Total intangible assets		35	0.0	156	0.0	121

Accounts	Note No.	As of March 31, 2005		As of March 31, 2006		Increase/ (decrease)
		Amounts	Ratio	Amounts	Ratio	Amounts
Investments and other assets						
Investment securities		84,179		133,788		
Investments in subsidiaries and affiliates		225,111		242,629		
Investment in capital		0		0		
Investments in capital of subsidiaries and affiliates		194		194		
Long-term loans receivable		44		41		
Long-term loans receivable from employees		2		1		
Long-term loans receivable from subsidiaries and affiliates		17,217		19,990		
Long-term accounts receivable		—		3,353		
Long-term prepaid expenses		36		18		
Deferred tax assets		53		59		
Guarantee deposits		60		58		
Recoverable accounts under production sharing		81,918		92,369		
Other		6,491		1,961		
Less allowance for doubtful accounts		(631)		(3,223)		
Less allowance for investments in exploration		(81,100)		(91,037)		
Total investments and other assets		333,579	79.8	400,207	84.7	66,627
Total fixed assets		343,255	82.1	409,808	86.7	66,553
Total assets		417,978	100.0	472,686	100.0	54,708

(Millions of yen)

Accounts	Note No.	As of March 31, 2005		As of March 31, 2006		Increase/ (decrease) Amounts
		Amounts	Ratio	Amounts	Ratio	
			%		%	
(Liabilities)						
Current liabilities:						
Accounts payable-other		4,706		2,585		
Income taxes payable		12,608		13,831		
Accrued expenses		480		539		
Advance received		4,587		1,972		
Deposits received		84		43		
Total current liabilities		22,467	5.4	18,972	4.0	(3,495)
Long-term liabilities:						
Long-term debt	*3	10,741		—		
Accrued employees' retirement benefits		870		1,025		
Accrued officers' retirement benefits		409		481		
Long-term accounts payable		6,205		14,708		
Other		62		21		
Total long-term liabilities		18,288	4.4	16,236	3.4	(2,052)
Total liabilities		40,755	9.8	35,208	7.4	(5,547)
(Shareholders' equity)						
Common stock	*2	29,460	7.0	29,460	6.2	—
Capital surplus:						
Additional paid-in capital		62,402	14.9	62,402	13.2	—
Retained earnings:						
Legal reserve		7,365		7,365		
Voluntary reserves						
Reserve for loss on overseas investments		491		1,233		
Reserve for dividends		1,500		1,500		
Reserve for foreign exchange fluctuations		1,000		1,000		
General reserve		222,718		259,718		
Unappropriated retained earnings		51,921		76,329		
Total retained earnings		284,996	68.2	347,146	73.5	62,149
Unrealized holding gain (loss) on securities		363	0.1	(1,530)	(0.3)	(1,894)
Treasury stock	*4	(0)	(0.0)	—		0
Total shareholders' equity		377,222	90.2	437,478	92.6	60,255
Total liabilities and shareholders' equity		417,978	100.0	472,686	100.0	54,708

## 2) Non-consolidated Statements of Income

(Millions of yen)

Accounts	Note No	For the year ended March 31, 2005		For the year ended March 31, 2006		Increase/ (decrease)		
		Amounts	Ratio	Amounts	Ratio	Amounts		
Net sales			202,729	100.0		258,154	100.0	55,424
Cost of sales			83,980	41.4		92,131	35.7	8,151
Gross profit			118,749	58.6		166,022	64.3	47,273
Selling, general and administrative expenses	*1							
Selling expense			345			376		
General and administrative expenses	*2	4,848	5,193	2.6	4,685	5,062	2.0	(130)
Operating income			113,556	56.0		160,960	62.3	47,404
Other income	*3							
Interest income			390			1,466		
Interest on securities			256			399		
Dividend income			4,755			4,933		
Guarantee fees			803			936		
Foreign exchange gain			—			3,473		
Other			222	3.1	300	11,511	4.5	5,083
Other expenses								
Interest expense			205			422		
Provision for allowance for investments in exploration			4,595			9,948		
Foreign exchange loss			1,929			—		
Provision for allowance for doubtful account			—			2,591		
Other			669	3.6	124	13,085	5.1	5,686
Ordinary income			112,584	55.5		159,385	61.7	46,801
Income before income taxes			112,584	55.5		159,385	61.7	46,801
Income taxes—current			61,666			89,413		
Income taxes—deferred			152	30.5	44	89,458	34.6	27,639
Net income			50,765	25.0		69,927	27.1	19,162
Retained earnings brought forward from previous year			1,156			6,403		5,246
Retirement of treasury stock			—			1		1
Unappropriated retained earnings at end of year			51,921			76,329		24,408

3) Proposed Appropriation of Unappropriated Retained Earnings

(Millions of yen)

Accounts	For the year ended March 31, 2005 (June 22, 2005)		For the year ended March 31, 2006 (June 27, 2006)		Increase/ (decrease)
	Amounts		Amounts		
Unappropriated retained earnings at end of year		51,921		76,329	24,408
Total		51,921		76,329	24,408
Amounts to be appropriated:					
1. Cash dividends	7,679		10,559		
2. Directors' bonuses	98		98		
(including statutory auditors)	(5)		(5)		
3. Voluntary reserve					
Reserve for loss on overseas investments	741		800		
General reserve	37,000	45,518	40,000	51,457	5,938
Retained earnings carried forward to next year		6,403		24,872	18,469

Note: The date in parentheses represents the date of approval at the general shareholders meeting held last year and the date of a scheduled next general shareholders meeting.

Breakdown of dividends per share

(yen)

	For the year ended March 31, 2005			For the year ended March 31, 2006		
	Annual	Interim	Year-end	Annual	Interim	Year-end
Common shares	4,000.00	0.00	4,000.00	5,500.00	0.00	5,500.00

Significant Accounting Policies

Description	For the year ended March 31, 2005	For the year ended March 31, 2006
<p>1. Valuation method of securities</p>	<p>1) Subsidiaries Securities of Investments in subsidiaries and affiliates are stated at cost determined by the moving average method.</p> <p>2) Other securities a. Securities with a determinable market value Other securities with a determinable market value are stated at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, primarily included directly in shareholders' equity. Cost of securities sold is determined by the moving average method.</p> <p>b. Securities without a determinable market value Other securities without a determinable market value are stated at cost determined by the moving average method.</p>	<p>1) Subsidiaries Same as on the left</p> <p>2) Other securities a. Securities with a determinable market value Same as on the left</p> <p>b. Securities without a determinable market value Same as on the left</p>
<p>2. Depreciation method of significant depreciable assets</p>	<p>(1) Tangible fixed assets Depreciation of tangible fixed assets is determined by the declining-balance method, except for the buildings (excluding facilities annexed) acquired on and after April 1, 1998, on which depreciation is computed by the straight-line method, at rates based on the useful lives and residual value of the respective assets as prescribed by the corporate tax law.</p> <p>(2) Intangible assets Intangible assets are amortized by the straight-line method at rates based on the useful lives and residual value of the respective assets as prescribed by the corporate tax law. Software for internal use is being amortized over five years.</p>	<p>(1) Tangible fixed assets Same as on the left</p> <p>(2) Intangible assets Same as on the left</p>
<p>3. Accounting for deferred assets</p>	<p>Deferred assets are charged to income as incurred.</p>	<p>_____</p>



Description	For the year ended March 31, 2005	For the year ended March 31, 2006
<p>4. Basis for significant allowances</p>	<p>(1) Allowance for doubtful accounts The allowance for doubtful accounts is provided at an amount determined based on the historical experience of bad debt with respect to ordinary receivables, plus an estimate of uncollectible amounts determined by reference to specific doubtful receivables from customers which are experiencing financial difficulties.</p> <p>(2) Allowance for investments in exploration The allowance for investments in exploration is provided for future potential losses on investments in exploration companies at an estimated amount based on the net assets of the investees.</p> <p>(3) Accrued employees' retirement benefits Accrued employees' retirement benefits are provided at the amount calculated based on the retirement benefit obligations at end of the fiscal year. Because the Company is classified as small enterprises, we employ a simplified method (at the amount which would be required to be paid if all active employees voluntarily terminated their employment as of the balance sheet date) for the calculation of the retirement benefit obligations.</p> <p>(4) Accrued officers' retirement benefits Accrued officers' retirement benefits are stated at the amount which would be required to be paid if all officers voluntarily terminated their services as of the balance sheet date based on their respective internal rules.</p>	<p>(1) Allowance for doubtful accounts Same as on the left</p> <p>(2) Allowance for investments in exploration Same as on the left</p> <p>(3) Accrued employee retirement benefits Same as on the left</p> <p>(4) Accrued officers' retirement benefits Same as on the left</p>
<p>5. Translation of assets and liabilities denominated in foreign currencies into yen</p>	<p>Monetary assets and liabilities denominated in foreign currencies are translated into yen at the exchange rates prevailing at the balance sheet date. The resulting exchange gain or loss is credited or charged to income.</p>	<p>Same as on the left</p>

Description	For the year ended March 31, 2005	For the year ended March 31, 2006
<p>6. Other significant matters for preparation of the financial statements</p>	<p>(1) Consumption tax Transactions subject to consumption tax are recorded at amounts exclusive of consumption tax.</p> <p>(2) Recoverable accounts under production sharing Investments made under a production sharing contract are recorded as “Recoverable accounts under production sharing.” When the Company receives the crude oil and natural gas in accordance with the contract, an amount corresponding to the purchase costs of the products is released from this account.</p> <p>From this fiscal year, considering the materiality and the special nature of the account, this explanation is added as additional information.</p>	<p>(1) Consumption tax Same as on the left.</p> <p>(2) Recoverable accounts under production sharing Investments made under a production sharing contract are recorded as “Recoverable accounts under production sharing.” When the Company receives the crude oil and natural gas in accordance with the contract, an amount corresponding to the purchase costs of the products is released from this account.</p>

Changes in Basic of Presenting Financial Statements

For the year ended March 31, 2005	For the year ended March 31, 2006
<hr/>	<p>(Accounting Standard for Impairment of Fixed Assets)                      Effective the year period ended March 31, 2006, the Company has adopted the “Accounting Standard for Impairment of Fixed Assets” (“Opinion Concerning the Establishment of Accounting Standard for Impairment of Fixed Assets” issued by the Business Accounting Deliberation Council on August 9, 2002) and the “Implementation Guideline on the Accounting Standard for Impairment of Fixed Assets” (“Business Accounting Standard Implementation Guideline No. 6 issued by the Accounting Standards Board on October 31, 2003”).</p> <p>This change had no effect for this fiscal year ended March 31, 2006.</p>

Changes in Presentation

For the year ended March 31, 2005	For the year ended March 31, 2006
<p>(Non-consolidated Balance Sheet)</p> <p>In accordance with the “Law Partially Amending the Securities and Exchange Law” (2004 Law No. 97), in which pursuant to the provision contained in Article 2, Clause 2, of the Securities and Exchange Law, investments in limited liability partnerships or other similar partnerships are deemed to be securities. Such investments included in “Other” under “Investments and other assets” in previous year have been included in “Investment securities” in this fiscal year.</p> <p>This change resulted in an increase of ¥863 million in “Investment securities” and a decrease of ¥863 million in “Other” under “Investments and other assets.”</p> <hr/>	<hr/> <p>(Non-consolidated Statement of Income)</p> <p>“Provision for allowance for doubtful accounts,” previously included in “Other” shown on other expenses is separately presented because its materiality has increased.</p> <p>The amount of “Provision for allowance for doubtful accounts” for the previous fiscal year is ¥414 million.</p>

Notes

(Balance Sheets)

As of March 31, 2005	As of March 31, 2006																																		
<p>1. Accumulated depreciation Accumulated depreciation of tangible fixed assets is ¥ 3,070 million</p> <p>2. Authorized number of shares Total number of authorized shares: Common stock 2,356,800 shares Special class share 1 share Current outstanding shares Common stock 1,919,832.75 shares Special class share 1.00 share</p> <p>3. Pledged assets Cash and deposits of ¥8,200 million are pledged as collateral for long-term borrowings of ¥8,592 million and guarantee obligations of ¥92,465 million.</p> <p>*4 Number of treasury shares Common stock 1 share</p> <p>5. Contingent Liabilities The Company is contingently liable as guarantors of indebtedness of the following companies: (millions of yen)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">INPEX Southwest Caspian Sea, Ltd.</td> <td style="text-align: right;">69,358</td> </tr> <tr> <td>INPEX Natuna Ltd.</td> <td style="text-align: right;">17,937</td> </tr> <tr> <td>JJI S&amp;N B.V.</td> <td style="text-align: right;">3,757</td> </tr> <tr> <td>ALBACORA JAPAO PETROLEO LIMITADA</td> <td style="text-align: right;">2,858</td> </tr> <tr> <td>INPEX BTC Pipeline, Ltd.*</td> <td style="text-align: right;">3,061</td> </tr> <tr> <td>Sakhalin Oil and Gas Development Co., Ltd</td> <td style="text-align: right;">3,746</td> </tr> <tr> <td>INPEX ABK Ltd</td> <td style="text-align: right; border-top: 1px solid black;">295</td> </tr> <tr> <td>Total</td> <td style="text-align: right; border-top: 1px solid black;">101,014</td> </tr> </table> <p>*This is a counter-guarantee against the completion guarantee for INPEX BTC Pipeline, Ltd.</p> <p>6. Dividend Restriction The amount provided for under Article 124, Item 3, of the Enforcement Regulations of the Commercial Code is ¥716 million.</p>	INPEX Southwest Caspian Sea, Ltd.	69,358	INPEX Natuna Ltd.	17,937	JJI S&N B.V.	3,757	ALBACORA JAPAO PETROLEO LIMITADA	2,858	INPEX BTC Pipeline, Ltd.*	3,061	Sakhalin Oil and Gas Development Co., Ltd	3,746	INPEX ABK Ltd	295	Total	101,014	<p>1. Accumulated depreciation Accumulated depreciation of tangible fixed assets is ¥ 3,342 million</p> <p>2. Authorized number of shares Total number of authorized shares: Common stock 2,356,798.56 shares Special class share 1.00 share Current outstanding shares Common stock 1,919,831.31 shares Special class share 1.00 share</p> <p>3. Pledged assets Cash and deposits of ¥9,400 million are pledged as collateral for guarantee obligations of ¥101,733 million.</p> <p>*4 _____</p> <p>5. Contingent Liabilities The Company is contingently liable as guarantors of indebtedness of the following companies: (millions of yen)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">INPEX Southwest Caspian Sea, Ltd.</td> <td style="text-align: right;">74,416</td> </tr> <tr> <td>INPEX Trading, Ltd.</td> <td style="text-align: right;">24,449</td> </tr> <tr> <td>INPEX Natuna Ltd.</td> <td style="text-align: right;">10,572</td> </tr> <tr> <td>INPEX North Caspian Sea, Ltd.</td> <td style="text-align: right;">11,001</td> </tr> <tr> <td>Sakhalin Oil and Gas Development Co., Ltd</td> <td style="text-align: right;">6,979</td> </tr> <tr> <td>INPEX BTC Pipeline, Ltd.*</td> <td style="text-align: right;">3,656</td> </tr> <tr> <td>ALBACORA JAPAO PETROLEO LIMITADA</td> <td style="text-align: right;">2,343</td> </tr> <tr> <td>INPEX ABK Ltd</td> <td style="text-align: right; border-top: 1px solid black;">193</td> </tr> <tr> <td>Total</td> <td style="text-align: right; border-top: 1px solid black;">133,613</td> </tr> </table> <p>*This is a counter-guarantee against the completion guarantee for INPEX BTC Pipeline, Ltd.</p> <p>6. _____</p>	INPEX Southwest Caspian Sea, Ltd.	74,416	INPEX Trading, Ltd.	24,449	INPEX Natuna Ltd.	10,572	INPEX North Caspian Sea, Ltd.	11,001	Sakhalin Oil and Gas Development Co., Ltd	6,979	INPEX BTC Pipeline, Ltd.*	3,656	ALBACORA JAPAO PETROLEO LIMITADA	2,343	INPEX ABK Ltd	193	Total	133,613
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## (Statements of Income)

For the year ended March 31, 2005	For the year ended March 31, 2006																																						
<p>*1. Major accounts in selling, general and administrative expenses are as follows: (millions of yen)</p> <table> <tr> <td>Directors' remuneration</td> <td style="text-align: right;">245</td> </tr> <tr> <td>Salaries and bonuses</td> <td style="text-align: right;">2,682</td> </tr> <tr> <td>Welfare and employee benefits</td> <td style="text-align: right;">346</td> </tr> <tr> <td>Provisions for accrued directors' retirement benefits</td> <td style="text-align: right;">96</td> </tr> <tr> <td>Provisions for accrued employees' retirement benefits</td> <td style="text-align: right;">112</td> </tr> <tr> <td>Attorney's fee</td> <td style="text-align: right;">360</td> </tr> <tr> <td>Printing</td> <td style="text-align: right;">295</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">337</td> </tr> <tr> <td>Administrative expenses transferred to other accounts</td> <td style="text-align: right;">(1,884)</td> </tr> </table>	Directors' remuneration	245	Salaries and bonuses	2,682	Welfare and employee benefits	346	Provisions for accrued directors' retirement benefits	96	Provisions for accrued employees' retirement benefits	112	Attorney's fee	360	Printing	295	Depreciation	337	Administrative expenses transferred to other accounts	(1,884)	<p>*1. Major accounts in selling, general and administrative expenses are as follows: (millions of yen)</p> <table> <tr> <td>Directors' remuneration</td> <td style="text-align: right;">271</td> </tr> <tr> <td>Salaries and bonuses</td> <td style="text-align: right;">3,025</td> </tr> <tr> <td>Welfare and employee benefits</td> <td style="text-align: right;">375</td> </tr> <tr> <td>Provisions for accrued directors' retirement benefits</td> <td style="text-align: right;">106</td> </tr> <tr> <td>Provisions for accrued employees' retirement benefits</td> <td style="text-align: right;">162</td> </tr> <tr> <td>Professional fees</td> <td style="text-align: right;">1,191</td> </tr> <tr> <td>Travel and transportation expenses</td> <td style="text-align: right;">304</td> </tr> <tr> <td>Commission expense</td> <td style="text-align: right;">277</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">318</td> </tr> <tr> <td>Administrative expenses transferred to other accounts</td> <td style="text-align: right;">(2,431)</td> </tr> </table>	Directors' remuneration	271	Salaries and bonuses	3,025	Welfare and employee benefits	375	Provisions for accrued directors' retirement benefits	106	Provisions for accrued employees' retirement benefits	162	Professional fees	1,191	Travel and transportation expenses	304	Commission expense	277	Depreciation	318	Administrative expenses transferred to other accounts	(2,431)
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<p>*2. Research and development expenses included in general and administrative expenses: ¥53 million</p>	<p>*2. Research and development expenses included in general and administrative expenses: ¥50 million</p>																																						
<p>*3. Other income arising out of transactions with subsidiaries and affiliates are as follows:</p> <table> <tr> <td>Dividend Income</td> <td style="text-align: right;">¥4,611 million</td> </tr> <tr> <td>Guarantee Fees Received</td> <td style="text-align: right;">¥779 million</td> </tr> </table>	Dividend Income	¥4,611 million	Guarantee Fees Received	¥779 million	<p>*3. Other income arising out of transactions with subsidiaries and affiliates are as follows:</p> <table> <tr> <td>Dividend Income</td> <td style="text-align: right;">¥4,641 million</td> </tr> <tr> <td>Interest Income</td> <td style="text-align: right;">¥1,029 million</td> </tr> <tr> <td>Guarantee Fees Received</td> <td style="text-align: right;">¥886 million</td> </tr> </table>	Dividend Income	¥4,641 million	Interest Income	¥1,029 million	Guarantee Fees Received	¥886 million																												
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(Lease)

For the year ended March 31, 2005

None

For the year ended March 31, 2006

None

(Securities)

For the year ended March 31, 2005

There were no investments in subsidiaries and affiliates with determinable market values.

For the year ended March 31, 2006

There were no investments in subsidiaries and affiliates with determinable market values.

## (Tax Accounting)

As of March 31, 2005		As of March 31, 2006	
1	Significant components of deferred tax assets and deferred tax liabilities are summarized as follows:	1	Significant components of deferred tax assets and deferred tax liabilities are summarized as follows:
	Deferred tax assets: (millions of yen)		Deferred tax assets: (millions of yen)
	Allowance for investments in exploration		Allowance for investments in exploration
	30,795		34,394
	Loss on revaluation of land		Loss on revaluation of land
	4,543		4,543
	Non-deductible accounts payable-other		Non-deductible accounts payable-other
	3,425		5,380
	Unrealized loss on investment securities		Unrealized loss on investment securities
	193		193
	Accrued retirement benefits		Unrealized holding loss on securities
	451		576
	Other		Accrued retirement benefits
	682		545
	Total gross deferred tax assets		Non-deductible allowance for doubtful accounts
	40,092		1,167
	Valuation allowance		Other
	(38,521)		558
	Total deferred tax assets		Total gross deferred tax assets
	1,571		47,359
	Deferred tax liabilities:		Valuation allowance
	Valuation gains and losses on stocks		(45,438)
	10		Total deferred tax assets
	Reserve for losses on overseas investments		1,920
	1,494		Deferred tax liabilities:
	Other		Reserve for losses on overseas investments
	1		1,840
	Total deferred tax liabilities		Other
	1,506		0
	Net deferred tax assets		Total deferred tax liabilities
	65		1,841
			Net deferred tax assets
			79
2.	A reconciliation of the difference between the statutory tax rate and the effective tax rates is as follows:	2.	A reconciliation of the difference between the statutory tax rate and the effective tax rates is as follows:
	Statutory tax rate		Statutory tax rate
	36.2%		36.2%
	(Adjustments)		(Adjustments)
	Permanently non-deductible expenses such as entertainment expenditures		Permanently non-deductible expenses such as entertainment expenditures
	0.0%		0.0%
	Permanently non-taxable income such as dividends income		Permanently non-taxable income such as dividends income
	(1.5%)		(1.0%)
	Foreign tax credits		Foreign tax credits
	(30.3%)		(33.9%)
	Foreign taxes		Foreign taxes
	51.4%		52.4%
	Changes in valuation allowance		Changes in valuation allowance
	(1.1%)		2.7%
	Other		Other
	0.2%		(0.3%)
	Effective tax rate		Effective tax rate
	54.9%		56.1%



## (Per Share Information)

Item	For the year ended March 31, 2005	For the year ended March 31, 2006
Net assets per share	¥196,436.16	¥227,822.09
Earnings per share	¥26,717.47	¥36,372.85
	<p>Diluted net income per share is not presented because there are no dilutive potential of shares of common stock such as corporate bonds with warrants.</p> <p>There was a 3-for-1 stock split of common stock on May 18, 2004. Per share information for the previous fiscal year if this stock split had been made at the beginning of the previous year is presented as follows.</p> <p>Net assets per share ¥152,592.33</p> <p>Earnings per share ¥15,986.65</p>	<p>Diluted net income per share is not presented because there are no dilutive potential of shares of common stock such as corporate bonds with warrants.</p>

Note: Net income per share is calculated based on the following:

	For the year ended March 31, 2005	For the year ended March 31, 2006
Net income (millions of yen)	50,765	69,927
Amount not attributable to common shareholders (millions of yen)	98	98
(Directors' bonuses as appropriation of profit)	(98)	(98)
Net Income attributable to common stockholders (millions of yen)	50,667	69,829
Average number of shares (thousands of shares)	1,896	1,919
Common stock	1,896	1,919
Common stock equivalent share;		
Special class share	0	0

(Significant Subsequent Events)

For the year ended March 31, 2005	For the year ended March 31, 2006												
<p>Transfer of Shares of the Company held by the Japan National Oil Corporation to the Government Japan National Oil Corporation, the Company's major shareholder and the largest shareholder, was dissolved as of April 1, 2005, pursuant to the "Law on the Abolishment of the Japan National Oil Corporation Law and the Metal Mining Agency of Japan Law" (the Item 93, 2002 Law). Accordingly, 692,307.75 shares of common stock and one special class share in the Company held by Japan National Oil Corporation were transferred to the Minister of Economy, Trade and Industry.</p>	<p>Establishment of the Joint Holdings Company</p> <p>The Company and Teikoku Oil Co., Ltd. had reached agreement on the integration of the two companies, and signed a joint stock transfer agreement on November 5, 2005.</p> <p>After the approval of "Establishment of the Parent Company through a Stock Transfer" at respective extraordinary shareholders' meetings and meeting of the Special Class Share on January 31, 2006, INPEX Holdings Inc." was established as a solo parent company on April 3, 2006. Accordingly, the Company became a wholly owned subsidiary of INPEX Holdings Inc.</p> <p>Overview of a solo parent company as follows</p> <p style="text-align: right;">(As of April 3, 2006)</p> <table border="1" data-bbox="847 842 1407 1272"> <tbody> <tr> <td>Company name</td> <td>INPEX Holdings Inc.</td> </tr> <tr> <td>Company headquarter</td> <td>4-1-18 Ebisu, Shibuya-ku, Tokyo, 150-0013, Japan</td> </tr> <tr> <td>Date of establishment</td> <td>April 3, 2006</td> </tr> <tr> <td>Main business</td> <td>Management and administration of subsidiaries and group companies</td> </tr> <tr> <td>Capital</td> <td>¥30 billion</td> </tr> <tr> <td>Representative Director and President</td> <td>Naoki Kuroda</td> </tr> </tbody> </table>	Company name	INPEX Holdings Inc.	Company headquarter	4-1-18 Ebisu, Shibuya-ku, Tokyo, 150-0013, Japan	Date of establishment	April 3, 2006	Main business	Management and administration of subsidiaries and group companies	Capital	¥30 billion	Representative Director and President	Naoki Kuroda
Company name	INPEX Holdings Inc.												
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Date of establishment	April 3, 2006												
Main business	Management and administration of subsidiaries and group companies												
Capital	¥30 billion												
Representative Director and President	Naoki Kuroda												

**VI Change in the directors of the Company**

No relevant matters.