# 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 http://www.inpexhd.co.jp/)

| | |
|---|---|
| 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)
1. 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
2. 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
3. Change in accounting policy: Yes
4. 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)

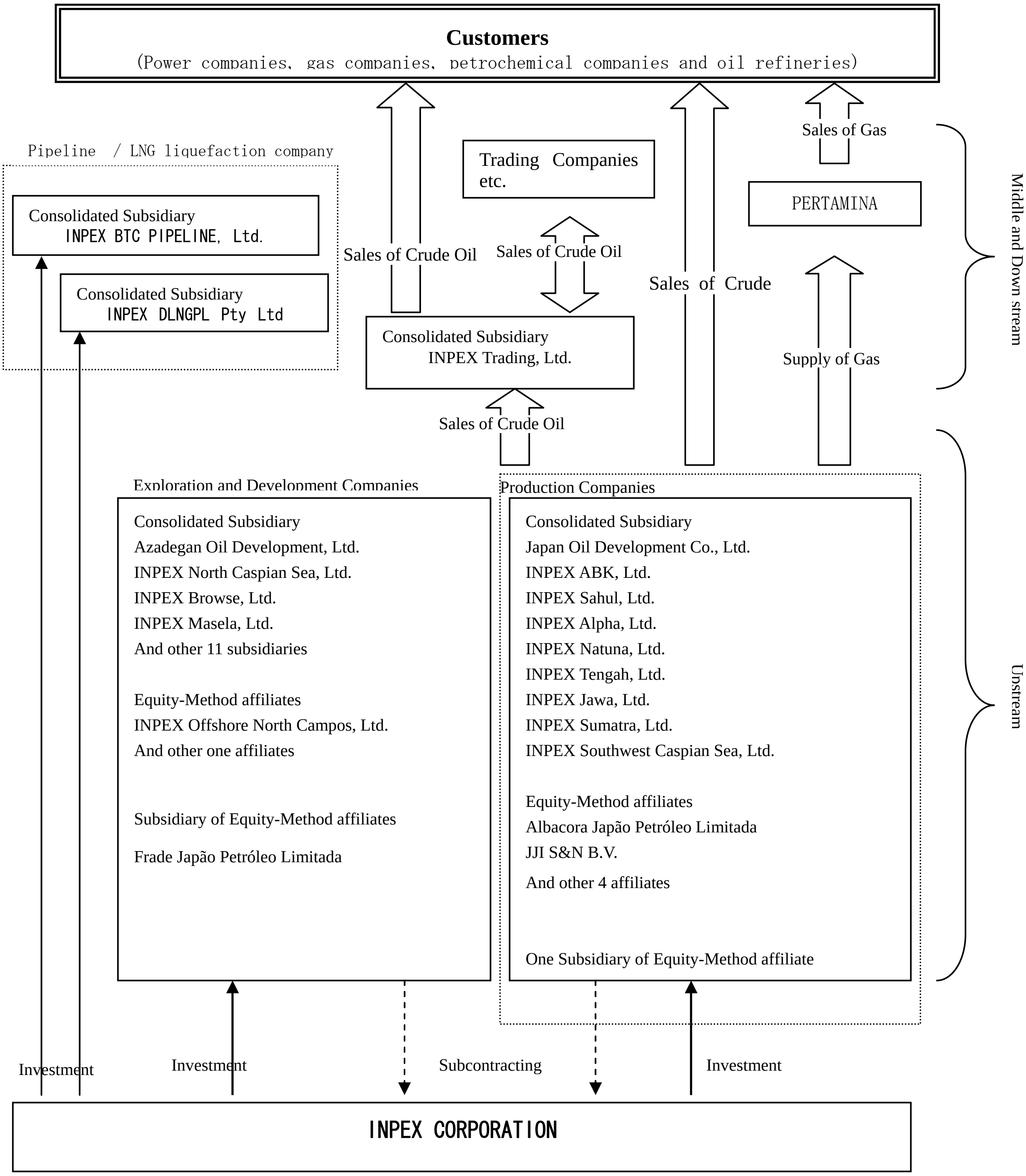
| | For the year ended March 31, 2005 | For the year ended March 31, 2006 |
|---|---|---|
| Common stock | 1,919,831 shares | 1,919,831 shares |
| Common stock equivalent share; Special class share | 1 share | 1 share |

(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, 11affiliated 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 | Ratio | Amounts | Ratio | Amounts |
| | | | % | | % | |
| (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 | Ratio | Amounts | Ratio | Amounts |
| | | | % | | % | |
| (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 | | Ratio | Amounts | | Ratio | Amounts |
| | | | | % | | | % | |
| 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 | 1.0 | 1,183 | 12,272 | 1.7 | 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 | 3.1 | 4,008 | 35,383 | 5.0 | 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 | 38.1 | (13,862) | 298,656 | 42.4 | 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 | No. of consolidated subsidiaries: 26<br>Major subsidiaries<br><br>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.<br><br>During this fiscal year:<br>No. of new companies included in consolidated subsidiaries 1<br><br>No. of companies excluded from consolidated subsidiaries 2<br>Details for the above changes:<br>(1) Japan Oil Development Co., Ltd., has been included due to the acquisition of shares through a share exchange transaction.<br><br>(2) INPEX Rabe Timor Sea, Ltd., and INPEX Northeast Sahara, Ltd., have been excluded due to completion of liquidation.<br><br>Unconsolidated subsidiary:<br>None | No. of consolidated subsidiaries: 26<br>Major subsidiaries<br><br>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.<br><br>During this fiscal year:<br>No. of new companies included in consolidated subsidiaries 1<br><br>No. of companies excluded from consolidated subsidiaries 1<br>Details for the above changes:<br>(1) INPEX Libya, Ltd., has been included due to establishment of the company<br><br>(2) INPEX South Natuna Ltd., has been excluded due to completion of liquidation.<br><br>Unconsolidated subsidiary:<br>Same as on the left |

| Description | For the year ended March 31, 2005 | For the year ended March 31, 2006 |
|---|---|---|
| 2. Application of equity method | Unconsolidated subsidiary accounted for by the equity method:<br>None<br><br>No. of affiliates accounted for by the equity method: 11<br><br>Major affiliates:<br>MI Berau B.V., ALBACORA JAPAO PETROLEO LTDA, INPEX Offshore North Campos, Ltd., Angola Japan Oil Co., Ltd.<br><br>During this fiscal year:<br>No. of new companies included in affiliates accounted for by the equity method: 4<br>No. of companies excluded from affiliates accounted for by the equity method: 1<br><br>Details for the above changes:<br>(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.<br><br>(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.<br><br>(3) INPEX Northland, Ltd., has been excluded due to completion of liquidation. | Unconsolidated subsidiary accounted for by the equity method:<br>Same as on the left<br><br>No. of affiliates accounted for by the equity method: 11<br><br>Major affiliates:<br>MI Berau B.V., ALBACORA JAPAO PETROLEO LTDA, INPEX Offshore North Campos, Ltd., Angola Japan Oil Co., Ltd. |

| | | |
|---|---|---|
| | | Name of major affiliates not accounted for by the equity method:<br>JAPAN INTERNATIONAL FINANCE MANAGEMENT (TANGGUH) CORPORATION.<br>(Reason for not applying the equity method)<br>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. |
| | Procedures for application of the equity method:<br><br>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. | Procedures for application of the equity method:<br><br>Same as on the left |

<table>
<tr><th>Description</th><th>For the year ended March 31, 2005</th><th>For the year ended March 31, 2006</th></tr>
<tr><td>3. Closing dates of consolidated subsidiaries</td><td>Companies for which the closing date for the fiscal year differed from the consolidated closing date are as follows.<br>
<table>
<tr><th>Company</th><th>Closing date</th><th>Note</th></tr>
<tr><td>INPEX ABK, Ltd.</td><td>Dec. 31</td><td>1</td></tr>
<tr><td>INPEX Tengah, Ltd.</td><td>Dec. 31</td><td>1</td></tr>
<tr><td>INPEX East Arguni, Ltd</td><td>Dec. 31</td><td>1</td></tr>
<tr><td>INPEX West Arguni, Ltd.</td><td>Dec. 31</td><td>1</td></tr>
<tr><td>INPEX Browse, Ltd.</td><td>Dec. 31</td><td>1</td></tr>
<tr><td>INPEX Masela, Ltd.</td><td>Dec. 31</td><td>1</td></tr>
<tr><td>INPEX Offshore Northeast Mahakam, Ltd.</td><td>Dec. 31</td><td>1</td></tr>
<tr><td>INPEX Southwest Caspian Sea, Ltd.</td><td>Dec. 31</td><td>1</td></tr>
<tr><td>INPEX South Natuna, Ltd.</td><td>Dec. 31</td><td>1</td></tr>
<tr><td>INPEX Timor Sea, Ltd.</td><td>Dec. 31</td><td>1</td></tr>
<tr><td>INPEX Sahul, Ltd.</td><td>Dec. 31</td><td>1</td></tr>
<tr><td>INPEX Alpha, Ltd.</td><td>Dec. 31</td><td>1</td></tr>
<tr><td>INPEX North Makassar, Ltd.</td><td>Dec. 31</td><td>1</td></tr>
<tr><td>INPEX North Caspian Sea, Ltd.</td><td>Dec. 31</td><td>1</td></tr>
<tr><td>INPEX North Natuna, Ltd.</td><td>Dec. 31</td><td>1</td></tr>
<tr><td>INPEX Offshore North Mahakam, Ltd.</td><td>Dec. 31</td><td>1</td></tr>
<tr><td>INPEX Offshore South Sulawesi, Ltd.</td><td>Dec. 31</td><td>1</td></tr>
<tr><td>Azadegan Petroleum Development, Ltd.</td><td>Dec. 31</td><td>1</td></tr>
<tr><td>Japan Oil Development Co., Ltd.</td><td>Dec. 31</td><td>2</td></tr>
<tr><td>INPEX BTC Pipeline, Ltd.</td><td>Dec. 31</td><td>1</td></tr>
<tr><td>INPEX DLNGPL Pty Ltd.</td><td>Dec. 31</td><td>1</td></tr>
</table></td><td>Companies for which the closing date for the fiscal year differed from the consolidated closing date are as follows.<br>
<table>
<tr><th>Company</th><th>Closing date</th><th>Note</th></tr>
<tr><td>INPEX ABK, Ltd.</td><td>Dec. 31</td><td>1</td></tr>
<tr><td>INPEX Tengah, Ltd.</td><td>Dec. 31</td><td>1</td></tr>
<tr><td>INPEX East Arguni, Ltd</td><td>Dec. 31</td><td>1</td></tr>
<tr><td>INPEX West Arguni, Ltd.</td><td>Dec. 31</td><td>1</td></tr>
<tr><td>INPEX Browse, Ltd.</td><td>Dec. 31</td><td>1</td></tr>
<tr><td>INPEX Masela, Ltd.</td><td>Dec. 31</td><td>1</td></tr>
<tr><td>INPEX Offshore Northeast Mahakam, Ltd.</td><td>Dec. 31</td><td>1</td></tr>
<tr><td>INPEX Southwest Caspian Sea, Ltd.</td><td>Dec. 31</td><td>2</td></tr>
<tr><td>INPEX Timor Sea, Ltd.</td><td>Dec. 31</td><td>1</td></tr>
<tr><td>INPEX Sahul, Ltd.</td><td>Dec. 31</td><td>1</td></tr>
<tr><td>INPEX Alpha, Ltd.</td><td>Dec. 31</td><td>1</td></tr>
<tr><td>INPEX North Makassar, Ltd.</td><td>Dec. 31</td><td>1</td></tr>
<tr><td>INPEX North Caspian Sea, Ltd.</td><td>Dec. 31</td><td>2</td></tr>
<tr><td>INPEX North Natuna, Ltd.</td><td>Dec. 31</td><td>1</td></tr>
<tr><td>INPEX Offshore North Mahakam, Ltd.</td><td>Dec. 31</td><td>1</td></tr>
<tr><td>INPEX Offshore South Sulawesi, Ltd.</td><td>Dec. 31</td><td>1</td></tr>
<tr><td>Azadegan Petroleum Development, Ltd.</td><td>Dec. 31</td><td>1</td></tr>
<tr><td>Japan Oil Development Co., Ltd.</td><td>Dec. 31</td><td>2</td></tr>
<tr><td>INPEX Libya, Ltd.</td><td>Dec. 31</td><td>1</td></tr>
<tr><td>INPEX BTC Pipeline, Ltd.</td><td>Dec. 31</td><td>1</td></tr>
<tr><td>INPEX DLNGPL Pty Ltd.</td><td>Dec. 31</td><td>1</td></tr>
</table></td></tr>
</table>

| | | |
|---|---|---|
| | 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.<br>Note 2. The financial statements are prepared as of the consolidated closing date. | Note 1. Same as on the left<br>Note 2. Same as on the left<br><br>(Additional information)<br>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.<br>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. |

| Description | For the year ended March 31, 2005 | For the year ended March 31, 2006 |
| --- | --- | --- |
| 4. Accounting policies<br>1) Valuation method of significant assets | (1) Securities<br>Other securities<br>With a determinable market value<br>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.<br><br>Without a determinable market value<br>Other securities without a determinable market value are stated at cost determined by the moving-average method.<br><br>(2) Inventories<br>Inventories are stated principally at cost determined by the gross average method. | (1) Securities<br>Other securities<br>With a determinable market value<br>Same as on the left<br><br>Without a determinable market value<br>Same as on the left<br><br>(2) Inventories<br>Same as on the left |
| 2) Depreciation method of significant depreciable assets | (1) Tangible fixed assets<br>Mining facilities<br>Depreciation of mining facilities is mainly computed by the unit-of-production method.<br>Other<br>Depreciation of other tangible fixed assets is determined primarily 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. | (1) Tangible fixed assets<br>Mining facilities<br>Same as on the left<br><br>Other<br>Same as on the left |

| Description | For the year ended March 31, 2005 | For the year ended March 31, 2006 |
|---|---|---|
| | (2) Intangible assets<br>Exploration and development rights<br>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.<br>Mining rights<br>Mining rights are mainly amortized by the unit-of-production method.<br>Other<br>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. | (2) Intangible assets<br>Exploration and development rights<br>Same as on the left<br>Mining rights<br>Same as on the left<br>Other<br>Same as on the left |
| 3) Accounting for deferred assets | Deferred assets are charged to income as incurred. | Same as on the left |
| 4) Basis for significant allowances | (1) Allowance for doubtful accounts<br>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.<br>(2) Allowance for recoverable accounts under production sharing<br>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. | (1) Allowance for doubtful accounts<br>Same as on the left<br>(2) Allowance for recoverable accounts under production sharing<br>Same as on the left |

| Description | For the year ended March 31, 2005 | For the year ended March 31, 2006 |
|---|---|---|
| | (3) Allowance for investments in exploration<br>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.<br>(4) Accrued employees' retirement benefits<br>Accrued employees' retirement benefits are provided at the amount calculated based on the retirement benefit obligation at the end of the fiscal year.<br><br>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.<br>(5) Accrued officers' retirement benefits<br>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. | (3) Allowance for investments in exploration<br>Same as on the left<br><br>(4) Accrued employees' retirement benefits<br>Same as on the left<br><br>(5) Accrued officers' retirement benefits<br>Same as on the left<br><br>(6)Liabilities for site restoration and decommissioning costs<br>Liabilities for site restoration and decommissioning costs are provided for expected future costs for decommissioning oil and gas production facilities, related pipelines and wells.<br><br>(7)Liabilities for losses on development activities<br>Liabilities for losses on development activities is provided for provable losses on oil and natural gas development activities individually estimated for each project.<br>The company commenced to record such liabilities from this fiscal year, considering changes in the situation of projects such as delay in development. |

| Description | For the year ended March 31, 2005 | For the year ended March 31, 2006 |
|---|---|---|
| 5) Translation of consolidated subsidiaries' significant assets and liabilities denominated in foreign currencies into yen in preparation of their financial statements | 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.<br><br>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. | Same as on the left |
| 6) Accounting for important leases | 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. | Same as on the left |
| 7) Other significant matters for preparation of consolidated financial statements | (1) Consumption tax<br>Transactions subject to the consumption tax are recorded at amounts exclusive of the consumption tax.<br>(2) Recoverable accounts under production sharing<br>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. | (1) Consumption tax<br>Same as on the left<br>(2) Recoverable accounts under production sharing<br>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. |
| 5. Valuation of assets and liabilities of consolidated subsidiaries | 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 | Same as on the left |

| Description | For the year ended March 31, 2005 | For the year ended March 31, 2006 |
|---|---|---|
| | amounts. | |
| 6. Amortization of Goodwill | Goodwill is amortized using a straight-line method over the period no more than 20 years.<br>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. | ――――――――――――― |
| 7. Treatment of appropriation of retained earnings | The statements of consolidated retained earnings are based on the distribution of profit finalized during the fiscal year. | Same as on the left |
| 8. Scope of cash and cash equivalents in the consolidated statement of cash flows | 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. | 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 |
|---|---|
| ―――――――――――― | (Accounting Standard for Impairment of Fixed Assets)<br>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”).<br>This change had no effect for this fiscal year ended March 31, 2006.<br><br>(Liabilities for site restoration and decommissioning costs)<br>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.<br>The effect of this change was to decrease ordinary income and income before income taxes and minority interests by ¥1,583 million.<br>This change was made in second half year of this fiscal year. This was because the decommissioning plan was established in that period.<br>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. |

Changes in Presentation

<table>
<tr><th>For the year ended March 31, 2005</th><th>For the year ended March 31, 2006</th></tr>
<tr><td>(Consolidated Balance Sheet)<br>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.<br>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.<br>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.”</td><td>(Consolidated Balance Sheet)<br>“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.<br>The amount of “Account payable-other,” for the previous fiscal year is ¥35,744 million.</td></tr>
<tr><td></td><td>(Consolidated Statement of Income)<br>“Provision for doubtful accounts,” previously included in “Other” shown on other expenses is separately presented because its materiality has increased.<br>The amount of “Provision for allowance for doubtful accounts” for the previous fiscal year is ¥420 million.</td></tr>
</table>

Notes

(Consolidated Balance Sheets)

<table>
<tr><th>As of March 31, 2005</th><th>As of March 31, 2006</th></tr>
<tr><td>*1. Accumulated depreciation<br>Accumulated depreciation of tangible fixed assets is ¥221,716 million.<br>*2. The Company has the following investments in subsidiaries and affiliates:<br>Investment securities (equities): ¥18,224 million<br>Other ¥130 million<br>*3. Pledged assets<br>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.<br><br>4. Contingent liabilities<br>The Company and its consolidated subsidiaries are contingently liable as guarantors of indebtedness of the following companies:<br><br>Millions of yen<br>JJI S&N B.V. 3,757<br>Sakhalin Oil and Gas Development Co., Ltd. 3,746<br>ALBACORA JAPAO PETROLEO LIMITADA 2,858<br>Total 10,361<br><br>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).<br><br>*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.<br>*6. Treasury stock held by the Company is one share.</td>
<td>*1. Accumulated depreciation<br>Accumulated depreciation of tangible fixed assets is ¥236,061 million.<br>*2. The Company has the following investments in subsidiaries and affiliates:<br>Investment securities (equities): ¥22,608 million<br>Other ¥653 million<br>*3. Pledged assets<br>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.<br><br>4. Contingent liabilities<br>The Company and its consolidated subsidiaries are contingently liable as guarantors of indebtedness of the following companies:<br><br>Millions of yen<br>Sakhalin Oil and Gas Development Co., Ltd. 6,979<br>ALBACORA JAPAO PETROLEO LIMITADA 2,343<br>Total 9,323<br><br>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).<br><br>*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.<br>*6. ______</td></tr>
</table>

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

(Consolidated Statements of Cash Flows)

<table>
<tr><th>For the year ended March 31, 2005</th><th>For the year ended March 31, 2006</th></tr>
<tr><td>1 Cash and cash equivalents at the end of year are reconciled to the accounts reported in the consolidated balance sheet as follows:<br><br>Millions of yen<br>Cash and deposits 136,575<br>Time deposits pledged (8,200)<br>Cash and cash equivalents at the end of year 128,375<br><br>2 Condensed financial position of newly consolidated subsidiary as a result of a share exchange transaction.<br><br>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.<br>Millions of yen<br>Current assets 79,501<br>Fixed assets 53,682<br>Total assets 133,183<br>Current liabilities 46,145<br>Fixed liabilities 24,635<br>Total liabilities 70,781<br><br>3 Significant non-cash transaction<br>Increase in paid-in capital due to the share exchange transaction:<br>¥62,402 million</td><td>1 Cash and cash equivalents at the end of year are reconciled to the accounts reported in the consolidated balance sheet as follows:<br><br>Millions of yen<br>Cash and deposits 124,367<br>Time deposits pledged (9,400)<br>Cash and cash equivalents at the end of year 114,967</td></tr>
</table>

(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 |
|---|---|
| ——— | 1. Description of derivative transactions<br><br>(1) Types and purposes of transactions<br>The Company engages in the following derivative transactions.<br>Foreign currency forwards<br>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.<br>(2) Policy on derivative transactions<br>Nominal amounts for transactions are limited to amounts of assets and liabilities at market risk.<br>(3) Description of risks relating to derivative transactions<br>Although there remain the market risk, derivative transactions are used for the purpose of hedging overall market risks on assets and liabilities.<br>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.<br>(4) Risk management for derivative transactions<br>The execution and control of derivative transactions are based on internal rules.<br>All transactions are reported to director in charge on timely basis and confirmations of transactions are obtained from counterparties on a regular basis. |
| ——— | 2. Fair value of derivative transactions<br>As for forward foreign exchange contracts, since there are no unsettled contract at the end of year, there is no fir value information to be disclosed. |

(Retirement benefit plan)

| For the year ended March 31, 2005 | For the year ended March 31, 2006 |
|---|---|
| 1. Outline of retirement benefit plans<br>Lump-sum payment on retirement:<br>Lump-sum retirement plan under the rule of retirement benefits plan is adopted.<br>Welfare Pension Fund:<br>Some of the Company's subsidiaries adopted Tokyo Municipal Oil Business Welfare Pension Fund Plan in addition to the lump-sum retirement payment plans | 1. Outline of retirement benefit plans<br>Lump-sum payment on retirement:<br>Same as on the left<br><br>Welfare Pension Fund:<br>Same as on the left |
| 2. Retirement benefit obligations<br>Millions of yen<br>Retirement benefit obligations (1,503)<br>Accrued retirement benefits (1,503)<br><br>Some of the Company's subsidiaries have pension assets of ¥739 million in the Multi-Employer Pension Fund Plan. | 2. Retirement benefit obligations<br>Millions of yen<br>Retirement benefit obligations (1,719)<br>Accrued retirement benefits (1,719)<br><br>Some of the Company's subsidiaries have pension assets of ¥1,046 million in the Multi-Employer Pension Fund Plan. |
| 3. Retirement benefit expenses<br>Millions of yen<br>Service cost 219<br>Retirement benefit expenses 219<br>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. | 3. Retirement benefit expenses<br>Millions of yen<br>Service cost 308<br>Retirement benefit expenses 308<br>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. |
| 4. Accounting for retirement benefit obligation<br>Simplified method(per the rule of retirement benefit plan) | 4. Accounting for retirement benefit obligation<br>Same as on the left |

(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 |
| | | Non-diductible accounts payable-other | 5,380 |
| 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<br>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<br><br>Net income per share | ¥214,163.98<br><br>¥40,255.92<br><br>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.<br>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.<br><br>Net assets per share ¥157,275.33<br>Net income per share ¥19,612.92 | ¥262,966.53<br><br>¥53,814.47<br><br>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. |

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)

<table>
<tr><th>For the year ended March 31, 2005</th><th>For the year ended March 31, 2006</th></tr>
<tr><td>Transfer of shares held by Japan National Oil Corporation<br>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.</td><td>Establishment of the Joint Holdings Company<br><br>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.<br>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.<br>Overview of a solo parent company as follows<br><br>(As of April 3, 2006)<br><table><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></table></td></tr>
</table>

## 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<br>70.3<br>(Thousands of barrels per day)<br>(192.6) | Millions of barrels<br>74.7<br>(Thousands of barrels per day)<br>(204.7) |
| | Natural gas | BCF<br>300.6<br>(Millions of CF per day)<br>(823.5) | BCF<br>287.6<br>(Millions of CF per day)<br>(787.8) |
| | Total | Millions of BOE<br>120.4<br>(Thousands of BOE per day)<br>(329.8) | Millions of BOE<br>122.7<br>(Thousands of BOE per day)<br>(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 http://www.inpex.co.jp/)

| | | | |
|---|---|---|---|
| Representative | Naoki Kuroda, President | | |
| Contact person | Shuhei Miyamoto, General Manager, Corporate Communications Unit.<br>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 | Interim | Year-end | Total cash dividends paid (annual) | Payout ratio | Cash dividends as a percentage of shareholder's equity |
|---|---|---|---|---|---|---|
| | 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 | Ratio | Amounts | Ratio | Amounts |
| | | | % | | % | |
| (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 Amounts | As of March 31, 2005 Ratio | As of March 31, 2006 Amounts | As of March 31, 2006 Ratio | Increase/ (decrease) Amounts |
|---|---|---|---|---|---|---|
| | | | % | | % | |
| (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 | 6,427 | 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 | 7,399 | 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 | 61,819 | 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)

| | For the year ended March 31, 2005 (June 22, 2005) | | For the year ended March 31, 2006 (June 27, 2006) | | Increase/ (decrease) |
|---|---|---|---|---|---|
| Accounts | Amounts | | 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 |
|---|---|---|
| 1. Valuation method of securities | 1) Subsidiaries<br>Securities of Investments in subsidiaries and affiliates are stated at cost determined by the moving average method.<br><br>2) Other securities<br>a. Securities with a determinable market value<br>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.<br><br>b. Securities without a determinable market value<br>Other securities without a determinable market value are stated at cost determined by the moving average method. | 1) Subsidiaries<br>Same as on the left<br><br>2) Other securities<br>a. Securities with a determinable market value<br>Same as on the left<br><br>b. Securities without a determinable market value<br>Same as on the left |
| 2. Depreciation method of significant depreciable assets | (1) Tangible fixed assets<br>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.<br><br>(2) Intangible assets<br>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.<br>Software for internal use is being amortized over five years. | (1) Tangible fixed assets<br>Same as on the left<br><br>(2) Intangible assets<br>Same as on the left |
| 3. Accounting for deferred assets | Deferred assets are charged to income as incurred. | |

| Description | For the year ended March 31, 2005 | For the year ended March 31, 2006 |
|---|---|---|
| 4. Basis for significant allowances | (1) Allowance for doubtful accounts<br>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.<br>(2) Allowance for investments in exploration<br>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.<br>(3) Accrued employees' retirement benefits<br>Accrued employees' retirement benefits are provided at the amount calculated based on the retirement benefit obligations at end of the fiscal year.<br>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.<br>(4) Accrued officers' retirement benefits<br>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. | (1) Allowance for doubtful accounts<br>Same as on the left<br>(2) Allowance for investments in exploration<br>Same as on the left<br>(3) Accrued employee retirement benefits<br>Same as on the left<br>(4) Accrued officers' retirement benefits<br>Same as on the left |
| 5. Translation of assets and liabilities denominated in foreign currencies into yen | 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. | Same as on the left |

| Description | For the year ended March 31, 2005 | For the year ended March 31, 2006 |
|---|---|---|
| 6. Other significant matters for preparation of the financial statements | (1) Consumption tax<br>Transactions subject to consumption tax are recorded at amounts exclusive of consumption tax.<br><br>(2) Recoverable accounts under production sharing<br>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.<br><br>From this fiscal year, considering the materiality and the special nature of the account, this explanation is added as additional information. | (1) Consumption tax<br>Same as on the left.<br><br>(2)Recoverable accounts under production sharing<br>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. |

Changes in Basic of Presenting Financial Statements

| For the year ended March 31, 2005 | For the year ended March 31, 2006 |
|---|---|
| | (Accounting Standard for Impairment of Fixed Assets)<br>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").<br>This change had no effect for this fiscal year ended March 31, 2006. |

Changes in Presentation

| For the year ended March 31, 2005 | For the year ended March 31, 2006 |
|---|---|
| (Non-consolidated Balance Sheet)<br>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.<br>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.” | ――――― |
| ――――― | (Non-consolidated Statement of Income)<br>“Provision for allowance for doubtful accounts,” previously included in “Other” shown on other expenses is separately presented because its materiality has increased.<br>The amount of “Provision for allowance for doubtful accounts” for the previous fiscal year is ¥414 million. |

Notes

(Balance Sheets)

| As of March 31, 2005 | As of March 31, 2006 |
|---|---|
| 1. Accumulated depreciation<br>Accumulated depreciation of tangible fixed assets is ¥ 3,070 million | 1. Accumulated depreciation<br>Accumulated depreciation of tangible fixed assets is ¥ 3,342 million |
| 2. Authorized number of shares<br>Total number of authorized shares:<br>Common stock 2,356,800 shares<br>Special class share 1 share<br>Current outstanding shares<br>Common stock 1,919,832.75 shares<br>Special class share 1.00 share | 2. Authorized number of shares<br>Total number of authorized shares:<br>Common stock 2,356,798.56 shares<br>Special class share 1.00 share<br>Current outstanding shares<br>Common stock 1,919,831.31 shares<br>Special class share 1.00 share |
| 3. Pledged assets<br>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. | 3. Pledged assets<br>Cash and deposits of ¥9,400 million are pledged as collateral for guarantee obligations of ¥101,733 million. |
| *4 Number of treasury shares<br>Common stock 1 share | *4 ―――― |
| 5. Contingent Liabilities<br>The Company is contingently liable as guarantors of indebtedness of the following companies:<br>(millions of yen)<br>INPEX Southwest Caspian Sea, Ltd. 69,358<br>INPEX Natuna Ltd. 17,937<br>JJI S&N B.V. 3,757<br>ALBACORA JAPAO PETROLEO LIMITADA 2,858<br>INPEX BTC Pipeline, Ltd.* 3,061<br>Sakhalin Oil and Gas Development Co., Ltd 3,746<br>INPEX ABK Ltd 295<br>Total 101,014<br>*This is a counter-guarantee against the completion guarantee for INPEX BTC Pipeline, Ltd. | 5. Contingent Liabilities<br>The Company is contingently liable as guarantors of indebtedness of the following companies:<br>(millions of yen)<br>INPEX Southwest Caspian Sea, Ltd. 74,416<br>INPEX Trading, Ltd. 24,449<br>INPEX Natuna Ltd. 10,572<br>INPEX North Caspian Sea, Ltd. 11,001<br>Sakhalin Oil and Gas Development Co., Ltd 6,979<br>INPEX BTC Pipeline, Ltd.* 3,656<br>ALBACORA JAPAO PETROLEO LIMITADA 2,343<br>INPEX ABK Ltd 193<br>Total 133,613<br>*This is a counter-guarantee against the completion guarantee for INPEX BTC Pipeline, Ltd. |
| 6. Dividend Restriction<br>The amount provided for under Article 124, Item 3, of the Enforcement Regulations of the Commercial Code is ¥716 million. | 6. ―――― |

(Statements of Income)

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

(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 | 30,795 | Allowance for investments in exploration | 34,394 |
| Loss on revaluation of land | 4,543 | Loss on revaluation of land | 4,543 |
| Non-diductible accounts payable-other | 3,425 | Non-diductible accounts payable-other | 5,380 |
| Unrealized loss on investment securities | 193 | Unrealized loss on investment securities | 193 |
| Accrued retirement benefits | 451 | Unrealized holding loss on securities | 576 |
| Other | 682 | Accrued retirement benefits | 545 |
| Total gross deferred tax assets | 40,092 | Non-diductible allowance for doubtful accounts | 1,167 |
| Valuation allowance | (38,521) | Other | 558 |
| Total deferred tax assets | 1,571 | Total gross deferred tax assets | 47,359 |
| Deferred tax liabilities: | | Valuation allowance | (45,438) |
| Valuation gains and losses on stocks | 10 | Total deferred tax assets | 1,920 |
| Reserve for losses on overseas investments | 1,494 | Deferred tax liabilities: | |
| Other | 1 | Reserve for losses on overseas investments | 1,840 |
| Total deferred tax liabilities | 1,506 | Other | 0 |
| Net deferred tax assets | 65 | Total deferred tax liabilities | 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 | 36.2% | Statutory tax rate | 36.2% |
| (Adjustments) | | (Adjustments) | |
| Permanently non-deductible expenses such as entertainment expenditures | 0.0% | Permanently non-deductible expenses such as entertainment expenditures | 0.0% |
| Permanently non-taxable income such as dividends income | (1.5%) | Permanently non-taxable income such as dividends income | (1.0%) |
| Foreign tax credits | (30.3%) | Foreign tax credits | (33.9%) |
| Foreign taxes | 51.4% | Foreign taxes | 52.4% |
| Changes in valuation allowance | (1.1%) | Changes in valuation allowance | 2.7% |
| Other | 0.2% | Other | (0.3%) |
| Effective tax rate | 54.9% | Effective tax rate | 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<br>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.<br>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.<br>Net assets per share ¥152,592.33<br>Earnings per share ¥15,986.65 | ¥36,372.85<br>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. |

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)

<table>
<tr><th>For the year ended March 31, 2005</th><th>For the year ended March 31, 2006</th></tr>
<tr><td>Transfer of Shares of the Company held by the Japan National Oil Corporation to the Government<br>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.</td><td>Establishment of the Joint Holdings Company<br><br>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.<br>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.<br>Overview of a solo parent company as follows<br><br>(As of April 3, 2006)
<table>
<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>
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## VI Change in the directors of the Company

No relevant matters.