



## Consolidated Financial Results for the Six Months ended September 30, 2007

November 9, 2007

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

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 Financial report

(Amounts less than one million yen are rounded off)

### 1. Consolidated Financial Results for the Six Months ended September 30, 2007 (April 1, 2007-September 30, 2007)

#### (1) Consolidated operating results

(The percentage expressions represent the changes from the corresponding period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
For the six months ended September 30, 2007	554,173	10.6	325,966	9.2	321,642	9.4	81,045	25.3
September 30, 2006	500,847	—	298,457	—	294,029	—	64,674	—
For the year ended March 31, 2007	969,712	—	559,077	—	586,262	—	165,091	—

	Net income per share—basic	Net income per share—diluted
	Yen	Yen
For the six months ended September 30, 2007	34,385.24	—
September 30, 2006	27,647.74	—
For the year ended March 31, 2007	70,423.45	—

(Reference): Equity in earnings of affiliates: for the six months ended September 30, 2007, ¥ 1,087 million  
 for the six months ended September 30, 2006, ¥ 778 million  
 for the year ended March 31, 2007, ¥ 1,349 million

#### (2) Consolidated financial position

	Total assets	Net assets	Net assets excluding minority interests as a percentage of total assets	Net assets excluding minority interests per share
	Million yen	Million yen	%	Yen
As of September 30, 2007	1,720,288	1,165,847	64.0	466,950.22
As of September 30, 2006	1,530,943	947,949	58.8	383,912.77
As of March 31, 2007	1,608,106	1,080,016	64.0	436,467.92

(Reference): Net assets excluding minority interests: as of September 30, 2007, ¥ 1,100,466 million  
 as of September 30, 2006, ¥ 900,904 million  
 as of March 31, 2007, ¥ 1,028,894 million

#### (3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of the period
	Million yen	Million yen	Million yen	Million yen
For the six months ended September 30, 2007	171,234	(80,107)	(24,999)	252,103
September 30, 2006	151,444	(77,290)	8,843	235,335
For the year ended March 31, 2007	231,981	(209,243)	13,793	189,416

### 2. Dividends

	Annual cash dividends per share		
	At 1st half end	At fiscal year end	Total
	Yen	Yen	Yen
For the year ended March 31, 2007	—	7,000.00	7,000.00
For the year ending March 31, 2008	3,500.00	—	7,000.00
For the year ending March 31, 2008 (estimated)	—	3,500.00	

3. Estimated Consolidated Operating Results for the year ending March 31, 2008 (April 1, 2007-March 31, 2008)

(The percentage expressions represent the changes from the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
For the year ending March 31, 2008	1,027,000	5.9	557,000	(0.4)	540,000	(7.9)	127,000	(23.1)	53,888.69

4. Others

(1) Significant changes in scope of consolidation : No

(2) Changes in accounting policies

1. Changes due to changes in accounting standard : Yes

2. Other changes : No

[Refer to page 15 “Basic of Presenting Consolidated Financial Statements” for details.]

(3) Number of shares issued (Common stock)

1. Number of shares issued at end of the period (including treasury stocks): as of September 30, 2007; 2,358,410 shares  
as of September 30, 2006; 2,358,410 shares  
as of March 31, 2007; 2,358,410 shares

2. Number of treasury shares at end of the period: as of September 30, 2007; 1,700 shares  
as of September 30, 2006; 11,772 shares  
as of March 31, 2007; 1,089 shares

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.  
Refer to page 35 “Per share information” for the basis of calculation of consolidated net income per share.

(Reference) Non-Consolidated Financial Results

1. Financial results for the six months ended September 30, 2007 (April 1, 2007-September 30, 2007)

(1) Operating results

(The percentage expressions represent the changes from the corresponding period of the previous fiscal year)

	Operating revenues		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
For the six months ended September 30, 2007	8,593	619.6	7,370	—	7,435	—	7,348	—
September 30, 2006	1,194	—	249	—	(5)	—	(18)	—
For the year ended March 31, 2007	32,801	—	30,643	—	30,432	—	30,326	—

	Net income per share—basic
For the six months ended September 30, 2007	Yen 3,117.72
September 30, 2006	(7.67)
For the year ended March 31, 2007	12,862.32

(2) Financial position

	Total assets	Net assets	Net assets as a percentage of total assets	Net assets per share
As of September 30, 2007	Million yen 812,918	Million yen 812,311	99.9 %	Yen 344,680.43
As of September 30, 2006	794,855	792,117	99.7	335,978.92
As of March 31, 2007	822,786	822,153	99.9	348,766.27

(Reference): Net assets: as of September 30, 2007, ¥ 812,311 million  
as of September 30, 2006, ¥ 792,117 million  
as of March 31, 2007, ¥ 822,153 million

\*Explanation regarding the appropriate use of estimated consolidated operating results

The aforementioned forecasts of “3. Estimated Consolidated Operating Results for the year ending March 31, 2008” are based on currently available information and contain many uncertainties. Changing business conditions including oil and gas price levels, production and sales plans, projects development schedules, government regulations, financial conditions and relationship with oil and gas producing countries may cause actual results to differ from the above forecasts. Issues relating to the above forecasts are referred to page 4 of the accompanying materials.

## 1 Results of Operations and Financial Position

### (1) Results for the six months ended September 30, 2007

During the six months ended September 30, 2007, the Japanese economy continued to benefit from a modest recovery supported by increase of the capital investment thanks to the steady corporate earnings and recovery of personal consumption with improvement of the labor market.

Crude oil prices were highly volatile during the early part of the six months ended September 30, 2007 due to geopolitical factors such as the restraint of British soldiers and nuclear issue in Iran, and the tight gasoline supply and demand conditions, the trouble of refining and the increase in crude oil and petroleum products inventory in the United States. In June crude oil prices increased due to the political uncertainty in Nigeria and a decrease of gasoline inventory in the United States and West Texas Intermediate (WTI) crude has reached US\$70 per bbl since August 31, 2006. In the later half of the six months ended September 30, 2007 crude oil price has kept the highest level and WTI recorded historical high of US\$78.21 per bbl on July 31, 2007. In August crude oil price decreased once, however with the arrival of September crude price increase again due to the inventory concern of crude oil and petroleum products caused by hurricane, considerable decrease of crude oil inventory in the United States in addition to the influx of speculative money, and WTI recorded once again historical high of US\$83.32 per bbl on September 20, 2007.

With regards to the foreign exchange market, the U.S. dollar began to trade at the lower end of the 118 yen level and the decline of yen against the U.S. dollar accelerated by what is called yen-carry trades, trading that benefit from the interest-rate spread between U.S. and Japanese currencies, boosting the U.S. dollar to reach the 124 yen level in June after interval of five years. However, since July, affected by the U.S. subprime mortgage crisis which has been causing credit crunch and liquidity scarcity, the yen moved upward against U.S. dollars drastically with dissolution of yen-carry trades and marked below 112 yen level at one time. As a result, the U.S. dollar middle rate (TTM) at the end of the current period came at ¥115.43, appreciated by ¥2.66 from the previous fiscal year end.

In these business circumstances, consolidated net sales for the six months ended September 30, 2007 increased by ¥53,326 million, or 10.6%, to ¥554,173 million from the corresponding period of the previous fiscal year. Net sales of crude oil increased by ¥40,963 million, or 12.9%, to ¥357,715 million, net sales of natural gas increased by ¥13,280 million, or 7.8%, to ¥183,560 million, respectively. Sales volume of crude oil increased by 1,917 Mbbls, or 4.7 %, to 42,971 Mbbls mainly due to increase in production volume at ACG Oil Fields. Sales volume of natural gas increased by 22,358 MMcf, or 12.4%, to 202,083 MMcf. Sales volume of natural gas produced overseas increased by 13,930 MMcf, or 8.7%, to 173,861 MMcf mainly due to initiation of natural gas sales at Venezuela project owing to the effect of agreement and sales volume of natural gas produced domestically increased by 226 MM m<sup>3</sup>, or 42.6%, to 756 MM m<sup>3</sup> (28,222 MMcf) mainly due to increase in sales volume for major clients. The average sales price of crude oil produced overseas increased by US\$2.91 per bbl, or 4.4 %, to US\$69.47 per bbl. Meanwhile, the average sales price of natural gas produced overseas decreased by US\$0.66 per Mcf, or 8.3%, to US\$7.32 per Mcf. The decrease in the average sales price of natural gas produced overseas was mainly due to lower unit price of the Venezuela project, whose sales are recorded from the current period. By the energy policy of government of Venezuela, natural gas produced is supplied at lower price for domestic demand for energy, such as electric power generation. In addition, the average sales price of natural gas produced domestically increased by ¥0.44, or 1.3%, to ¥34.92 per m<sup>3</sup>. The average exchange rate of Japanese yen against U.S. dollar fell for sales ¥3.96, or 3.4%, to ¥119.41 per U.S. dollar from the corresponding period of the previous fiscal year.

The increase of ¥53.3 billion in net sales was derived mainly from the following factors: an increase in sales volume contributed ¥22.2 billion, a increase in unit sales price contributed ¥11.6 billion, and the depreciation of Japanese yen against U.S. dollar contributed ¥16.9 billion. Besides, the initiation of sales at Venezuela project contributed ¥3.5 billion, whereas net sales excluding crude oil and natural gas decreased by ¥0.9 billion.

Cost of sales for the six months ended September 30, 2007 increased by ¥19,326 million, or 11.3%, to ¥189,656 million mainly due to increase in royalty at ADMA Block owing to increase in sales and increase in expenses for development wells at South Natuna See Block B. Exploration expenses decreased by ¥1,049 million, or 11.2%, to ¥8,316 million. Selling, general and administrative expenses increased by ¥7,539 million, or 33.2%, to ¥30,233 million mainly due to increase in transportation cost of crude oil. As a result, operating income increased by ¥27,509 million, or 9.2%, to ¥325,966 million.

Other income increased by ¥10,145 million, or 85.3 %, to ¥22,038 million mainly due to increase in foreign exchange gain and besides, net gain on re-determination of unitized field, which is reflecting to adjustment as a

result of increase in participating rights by reason of re-determination of reserves at Bayu-Undan Field, and net gain on taking effect of exploration and production agreement which reflects adjustment of the effect of joint venture agreement at Venezuela project. Other expenses increased by ¥10,042 million, or 61.5%, to ¥26,363 million mainly due to loss on valuation of investment securities of ¥6,820 million and Provision for allowance for recoverable accounts under production sharing of ¥7,527 million, increased by ¥5,728 million from ¥1,799 million from the corresponding period of the previous fiscal year. As a result, ordinary income increased by ¥27,612 million, or 9.4%, to ¥321,642 million.

Total amount of current income taxes and deferred income taxes increased by ¥8,399 million, or 3.8%, to ¥231,918 million, and minority interests were ¥8,678 million. As a result of above effects, net income for the six months ended September 30, 2007 increased by ¥16,371 million, or 25.3%, to ¥81,045 million from the corresponding period of the previous fiscal year.

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

On a full-year basis, consolidated net sales for the year ending March 31, 2008, are expected to be ¥1,027 billion, consolidated operating income is expected to be ¥557 billion, consolidated ordinary income is expected to be ¥540 billion, net income for the year ending March 31, 2008, is expected to be ¥127 billion taking into consideration the fact of the semi-annual financial results for six months ended September 30, 2007 and delay of exploration investments originally planned in first -half to second-half of the year.

In these estimates, the crude oil price for the second-half period is assumed to be US\$60per barrel (for Brent crude) with the exchange rate of the Japanese yen against the U.S. dollar at ¥115, which are not changed from the previous assumptions for the financial forecast for the year ending March 31, 2008 disclosed on August 9, 2007 because trend of oil price and exchange rate remain fluid.

Differences from the forecasts disclosed on August 9, 2007 are as follows:

	(Millions of yen)			
	Net sales	Operating income	Ordinary income	Net income
Previous Forecasts: A	1,008,000	529,000	519,000	120,000
Revised Forecasts: B	1,027,000	557,000	540,000	127,000
Increase (Decrease): B - A	19,000	28,000	21,000	7,000
Rate of increase (%)	1.9	5.3	4.0	5.8

## (2) Financial Position

Consolidated total assets as of September 30, 2007 increased by ¥112,181 million to ¥1,720,288 million from ¥1,608,106 million as of March 31, 2007. Current assets increased by ¥44,618 million to 518,742 million mainly due to increase in cash and deposits and marketable securities. Fixed assets increased by ¥67,563 million to ¥1,201,545 million mainly due to increase in investment securities and recoverable accounts under production sharing.

Meanwhile, total liabilities increased by ¥26,349 million to ¥554,440 million from ¥528,090 million as of March 31, 2007. Current liabilities increased by ¥25,924 million to ¥292,171 million mainly due to increase in overseas income taxes payable. Long-term liabilities increased by ¥425 million to ¥262,268 million.

Net assets increased by ¥85,831 million, to ¥1,165,847 million. Total shareholders' equity increased by ¥63,855 million, to ¥1,081,358 million, total valuation, translation adjustment and others increased by ¥7,715 million to ¥19,107 million and minority interests increased by ¥14,260 million to ¥65,381 million.

As for cash flows for the six months ended September 30, 2007, net cash provided by operating activities increased by ¥19,789 million to ¥171,234 million from corresponding period of the previous fiscal year. This is mainly due to increase in sales price of crude oil, sales volume of crude oil and natural gas, and besides, the average exchange rate of Japanese yen against U.S. dollar fell for sales during the six months ended for September 30, 2007. Meanwhile, net cash used in investing activities increased by ¥2,817 million to ¥80,107 million mainly due to purchases of investment securities, investment in recoverable accounts under production sharing (capital expenditures) and payments for purchase of tangible fixed assets. Net cash used in financial activities increased by ¥33,842 million (deduction from net cash provided by financial activities ¥8,843 million at the corresponding period of the previous fiscal year) to ¥24,999 million mainly due to repayments of long-term debt. After deducting ¥3,440 million of the effect of exchange rate changes on cash and cash equivalents, the increase in cash and cash equivalents at the end of the six months ended September 30, 2007 amounted to ¥62,686 million. Cash and cash equivalents at the end of the six months ended September 30, 2007 totaled ¥252,103 million reflecting above net increase of ¥62,686 million from ¥189,416 million at the end of the previous fiscal year.

(3) Dividend Policy and dividends for the year ending March 31, 2008

In order to secure a stable supply of petroleum and natural gas resources efficiently, INPEX Holdings Group aims to expand its operating base. To this end, we are reinforcing investments in exploration and development in Japan and overseas, as well as in maintenance and expansion of the supply infrastructure. The robust financial base of INPEX Holdings Group is crucial for maintaining this level of investment. Therefore, our basic policy is to maximize corporate value through ongoing maintenance and enlargement of our reserves and production of petroleum and natural gas by affirmative investments, while paying out cash dividends as direct compensation to shareholders, in light of the medium- to long-term prospects for INPEX Holdings Group.

We decided mid-term dividend to be ¥3,500 per share which is same amount as disclosed on May 11, 2007 based on the policy above. Year-end dividend is planned to be ¥3,500 per share, thus total dividend for the year is expected to be ¥7,000 per share.

As to use of retained earnings, we plan to apply the earnings to investments for the purpose of maintenance and enlargement of our reserves and production of petroleum and natural gas based on the policy described above.

**2. Overview of the INPEX Holdings Group**

Disclosure of Overview of the INPEX Holdings Group omitted since no significant changes in the group from the contents of the recent financial report.

**3. Management Policy**

Disclosure of Management Policy is omitted since no significant changes from the contents of the recent semi-annual financial report.

#### 4 Consolidated Financial Statements

##### (1) Consolidated Balance Sheets

(Millions of yen, %)

Accounts	As of September 30, 2006		As of September 30, 2007 (A)		Fluctuation (A)-(B)	Condensed consolidated balance sheet as of March 31, 2007 (B)	
	Amounts	Ratio	Amounts	Ratio		Amounts	Amounts
(Assets)							
I Current assets							
1 Cash and deposits *2	191,414		231,069		36,791	194,278	
2 Accounts receivable-trade	79,291		91,825		9,870	81,954	
3 Marketable securities	84,778		78,428		22,842	55,586	
4 Inventories	11,936		23,016		9,761	13,254	
5 Other	70,333		94,412		(34,648)	129,061	
Allowance for doubtful accounts	(5)		(10)		1	(11)	
Total current assets	437,749	28.6	518,742	30.2	44,618	474,123	29.5
II Fixed assets							
1 Tangible fixed assets *1,2							
(1) Buildings and structures	82,422		100,317		(2,773)	103,091	
(2) Other	131,722		133,398		17,262	116,136	
Total tangible fixed assets	214,144	14.0	233,716	13.6	14,489	219,227	13.6
2 Intangible assets							
(1) Goodwill	135,582		125,024		(7,081)	132,105	
(2) Exploration and development rights	129,407		123,565		(3,544)	127,110	
(3) Other	6,683		8,444		1,839	6,604	
Total intangible assets	271,674	17.7	257,035	14.9	(8,785)	265,821	16.5
3 Investments and other assets							
(1) Investment securities *2	314,814		389,552		34,701	354,851	
(2) Recoverable accounts under production sharing	308,434		341,659		22,509	319,149	
(3) Other	42,346		53,001		14,733	38,267	
Allowance for doubtful accounts	(2,347)		(1,536)		333	(1,869)	
Allowance for recoverable accounts under production sharing	(47,611)		(59,435)		(8,244)	(51,190)	
Allowance for investments in exploration	(8,260)		(12,446)		(2,172)	(10,273)	
Total investments and other assets	607,375	39.7	710,794	41.3	61,860	648,934	40.4
Total fixed assets	1,093,194	71.4	1,201,545	69.8	67,563	1,133,982	70.5
Total assets	1,530,943	100.0	1,720,288	100.0	112,181	1,608,106	100.0

(Millions of yen, %)

Accounts	As of September 30, 2006		As of September 30, 2007 (A)		Fluctuation (A)-(B)	Condensed consolidated balance sheet as of March 31, 2007 (B)	
	Amounts	Ratio	Amounts	Ratio		Amounts	Amounts
(Liabilities)							
I Current liabilities							
1 Accounts payable-trade	26,964		21,851		57	21,793	
2 Short-term loans *2	28,737		36,945		(13,703)	50,649	
3 Income taxes payable	110,145		106,964		21,821	85,143	
4 Accounts payable-other *2	—		99,493		10,725	88,768	
5 Provision for exploration projects	7,337		6,741		(158)	6,899	
6 Accrued bonuses to officers	51		106		(87)	193	
7 Other *2	86,213		20,069		7,270	12,799	
Total current liabilities	259,449	17.0	292,171	17.0	25,924	266,247	16.5
II Long-term liabilities							
1 Long-term debt *2	237,845		195,584		(2,735)	198,320	
2 Accrued retirement benefits to employees	8,651		8,530		158	8,371	
3 Accrued retirement benefits to officers	1,545		433		(1,278)	1,712	
4 Liabilities for site restoration and decommissioning costs	11,749		11,868		(61)	11,930	
5 Liabilities for losses on development activities	1,962		1,964		(0)	1,964	
6 Accrued special repair and maintenance	169		171		(7)	179	
7 Other *2	61,619		43,715		4,350	39,365	
Total long-term liabilities	323,544	21.1	262,268	15.2	425	261,843	16.3
Total liabilities	582,993	38.1	554,440	32.2	26,349	528,090	32.8
(Net assets)							
I Shareholders' equity							
1 Common stock	30,000	1.9	30,000	1.8	—	30,000	1.9
2 Capital surplus	417,514	27.3	418,492	24.3	1	418,491	26.0
3 Retained earnings	469,703	30.7	634,665	36.9	64,544	570,120	35.5
4 Treasury stock	(10,625)	(0.7)	(1,798)	(0.1)	(690)	(1,108)	(0.1)
Total shareholders' equity	906,592	59.2	1,081,358	62.9	63,855	1,017,503	63.3
II Valuation, translation adjustments and others							
1 Unrealized holding gain (loss) on securities	(6,125)	(0.4)	15,478	0.9	6,130	9,348	0.6
2 Unrealized gain from hedging instruments	28	0.0	14	0.0	(3)	17	0.0
3 Translation adjustments	408	0.0	3,614	0.2	1,588	2,025	0.1
Total valuation, translation adjustments and others	(5,688)	(0.4)	19,107	1.1	7,715	11,391	0.7
III Minority interests	47,045	3.1	65,381	3.8	14,260	51,121	3.2
Total net assets	947,949	61.9	1,165,847	67.8	85,831	1,080,016	67.2
Total liabilities and net assets	1,530,943	100.0	1,720,288	100.0	112,181	1,608,106	100.0



## (2) Consolidated Statements of Income

(Millions of yen, %)

Accounts	For the six months ended September 30, 2006 (A)			For the six months ended September 30, 2007 (B)			Fluctuation (B) - (A)	Condensed consolidated statement of income for the year ended March 31, 2007		
	Amounts		Ratio	Amounts		Ratio		Amounts	Amounts	
I Net sales		500,847	100.0		554,173	100.0	53,326		969,712	100.0
II Cost of sales		170,329	34.0		189,656	34.2	19,326		343,794	35.5
Gross profit		330,517	66.0		364,517	65.8	33,999		625,918	64.5
III Exploration expenses										
1 Exploration expenses	9,429			8,679				17,780		
2 Exploration subsidies	(63)	9,366	1.9	(362)	8,316	1.5	(1,049)	(91)	17,688	1.8
IV Selling, general and administrative expenses *1		22,693	4.5		30,233	5.5	7,539		49,152	5.0
Operating income		298,457	59.6		325,966	58.8	27,509		559,077	57.7
V Other income										
1 Interest income	6,079			5,901				12,843		
2 Dividend income	1,191			1,263				2,291		
3 Equity in earnings of affiliates	778			1,087				1,349		
4 Net gain on re- determination of unitized *2 field	—			3,849				—		
5 Net gain on taking effect of exploration and production *3 agreement	—			3,549				—		
6 Foreign exchange gain	1,473			4,561				5,738		
7 Other	2,369	11,892	2.4	1,826	22,038	4.0	10,145	37,855	60,079	6.1
VI Other expenses										
1 Interest expense	5,906			5,912				12,389		
2 Provision for allowance for recoverable accounts under production sharing	1,799			7,527				6,176		
3 Provision for exploration projects	2,672			687				2,973		
4 Loss on valuation of investment securities	—			6,820				—		
5 Other	5,942	16,320	3.3	5,415	26,363	4.8	10,042	11,355	32,893	3.4
Ordinary income		294,029	58.7		321,642	58.0	27,612		586,262	60.4
Income before income taxes and minority interests		294,029	58.7		321,642	58.0	27,612		586,262	60.4
Income taxes-current	232,297			238,957				432,894		
Income taxes-deferred	(8,778)	223,518	44.6	(7,038)	231,918	41.8	8,399	(19,655)	413,239	42.6
Minority interests		5,835	1.2		8,678	1.6	2,842		7,932	0.8
Net income		64,674	12.9		81,045	14.6	16,371		165,091	17.0

(3) Consolidated Statements of Changes in Net Assets  
For the six months ended September 30, 2006

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2006	—	—	—	—	—
Changes during the period					
Increase (decrease) due to joint stock transfer	30,000	415,892	415,734	(19,641)	841,985
Cash dividends paid			(10,559)		(10,559)
Bonuses to officers			(146)		(146)
Net income			64,674		64,674
Purchase of treasury stock				(1,338)	(1,338)
Disposal of treasury stock		1,622		10,354	11,976
Other changes in items other than those in shareholders' equity (net)					
Total changes during the period	30,000	417,514	469,703	(10,625)	906,592
Balance as of September 30, 2006	30,000	417,514	469,703	(10,625)	906,592

	Valuation, translation adjustments and others				Minority interests	Total net assets
	Unrealized holding gain (loss) on securities	Unrealized gain from hedging instruments	Translation adjustments	Total valuation, translation adjustments and others		
Balance as of March 31, 2006	—	—	—	—	—	—
Changes during the period						
Increase (decrease) due to joint stock transfer	(5,723)		1,117	(4,605)	39,921	877,300
Cash dividends paid						(10,559)
Bonuses to officers						(146)
Net income						64,674
Purchase of treasury stock						(1,338)
Disposal of treasury stock						11,976
Other changes in items other than those in shareholders' equity (net)	(402)	28	(709)	(1,083)	7,124	6,041
Total changes during the period	(6,125)	28	408	(5,688)	47,045	947,949
Balance as of September 30, 2006	(6,125)	28	408	(5,688)	47,045	947,949

For the six months ended September 30, 2007

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2007	30,000	418,491	570,120	(1,108)	1,017,503
Changes during the period					
Cash dividends paid			(16,501)		(16,501)
Net income			81,045		81,045
Purchase of treasury stock				(719)	(719)
Disposal of treasury stock		1		28	29
Other changes in items other than those in shareholders' equity (net)					
Total changes during the period	—	1	64,544	(690)	63,855
Balance as of September 30, 2007	30,000	418,492	634,665	(1,798)	1,081,358

	Valuation, translation adjustments and others				Minority interests	Total net assets
	Unrealized holding gain (loss) on securities	Unrealized gain from hedging instruments	Translation adjustments	Total valuation, translation adjustments and others		
Balance as of March 31, 2007	9,348	17	2,025	11,391	51,121	1,080,016
Changes during the period						
Cash dividends paid						(16,501)
Net income						81,045
Purchase of treasury stock						(719)
Disposal of treasury stock						29
Other changes in items other than those in shareholders' equity (net)	6,130	(3)	1,588	7,715	14,260	21,976
Total changes during the period	6,130	(3)	1,588	7,715	14,260	85,831
Balance as of September 30, 2007	15,478	14	3,614	19,107	65,381	1,165,847

For the year ended March 31, 2007

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2006	—	—	—	—	—
Changes during the period					
Increase (decrease) due to joint stock transfer	30,000	415,892	415,734	(19,641)	841,985
Cash dividends paid			(10,559)		(10,559)
Bonuses to officers			(146)		(146)
Net income			165,091		165,091
Purchase of treasury stock				(1,724)	(1,724)
Disposal of treasury stock		2,598		20,257	22,856
Other changes in items other than those in shareholders' equity (net)					
Total changes during the period	30,000	418,491	570,120	(1,108)	1,017,503
Balance as of March 31, 2007	30,000	418,491	570,120	(1,108)	1,017,503

	Valuation, translation adjustments and others				Minority interests	Total net assets
	Unrealized holding gain (loss) on securities	Unrealized gain from hedging instruments	Translation adjustments	Total valuation, translation adjustments and others		
Balance as of March 31, 2006	—	—	—	—	—	—
Changes during the period						
Increase (decrease) due to joint stock transfer	(5,723)		1,117	(4,605)	39,921	877,300
Cash dividends paid						(10,559)
Bonuses to officers						(146)
Net income						165,091
Purchase of treasury stock						(1,724)
Disposal of treasury stock						22,856
Other changes in items other than those in shareholders' equity (net)	15,071	17	907	15,997	11,200	27,197
Total changes during the period	9,348	17	2,025	11,391	51,121	1,080,016
Balance as of March 31, 2007	9,348	17	2,025	11,391	51,121	1,080,016

Note: Since the Company was established on April 3, 2006 through the stock transfer, cash dividends paid and bonuses to officers above represent amounts which were resolved on June 27, 2006 at the ordinary general meeting of shareholders of INPEX CORPORATION, which became a wholly-owned subsidiary of the Company.

## (4) Consolidated Statements of Cash Flows

(Millions of yen)

Accounts	For the six months ended September 30, 2006	For the six months ended September 30, 2007	Condensed consolidated statement of cash flows for the year ended March 31, 2007
	Amounts	Amounts	Amounts
I Cash flows from operating activities			
Income before income taxes and minority interests	294,029	321,642	586,262
Depreciation and amortization	12,546	17,738	30,599
Amortization of goodwill	3,501	3,236	6,977
Provision for allowance for recoverable accounts under production sharing	2,518	8,197	6,080
Provision for exploration projects	3,504	(189)	3,038
Provision for accrued retirement benefits to employee	1,124	158	845
Provision for site restoration and decommissioning costs	1,041	(65)	1,214
Other provisions	(483)	480	1,376
Interest and dividend income	(7,271)	(7,164)	(15,134)
Interest expense	5,906	5,912	12,389
Foreign exchange gain	(670)	(1,654)	(1,652)
Equity in earnings of affiliates	(778)	(1,087)	(1,349)
Loss on the sales of investment securities	1,604	7	2,613
Loss on the valuation of investment securities	—	6,820	—
Accounts receivable-trade	(7,698)	(9,627)	(10,385)
Recovery of recoverable accounts under production sharing (capital expenditures)	55,848	50,622	105,949
Recoverable accounts under production sharing (operating expenditures)	(13,616)	(14,472)	(18,955)
Inventories	(2,489)	(5,511)	(8,085)
Accounts payable	4,296	105	(879)
Other	3,468	8,024	(37,343)
Subtotal	356,382	383,175	663,561
Interest and dividends received	7,352	7,235	20,559
Interest paid	(5,446)	(5,938)	(11,993)
Income taxes paid	(206,843)	(213,238)	(440,146)
Net cash provided by operating activities	151,444	171,234	231,981

Accounts	For the six months ended September 30, 2006	For the six months ended September 30, 2007	Condensed consolidated statement of cash flows for the year ended March 31, 2007
	Amounts	Amounts	Amounts
<b>II Cash flows from investing activities</b>			
Increase in time deposits	(279)	(2,191)	(17,078)
Decrease in time deposits	1,278	16,804	2,797
Payments for purchases of marketable securities	(149)	(3,993)	(5,140)
Proceeds from sales of marketable securities	13,643	22,156	23,643
Payments for purchases of tangible fixed assets	(17,591)	(25,015)	(37,844)
Proceeds from sales of tangible fixed assets	137	93	955
Payments for purchases of intangible assets	(975)	(732)	(1,778)
Payments for purchases of investment securities	(47,211)	(62,059)	(109,823)
Proceeds from sales of investment securities	26,283	104	43,609
Investment in recoverable accounts under production sharing (capital expenditures)	(55,660)	(58,612)	(111,313)
Decrease (increase) in short-term loans receivable	2,134	10,566	(6,523)
Long-term loans made	(524)	(4,308)	(832)
Collection of long-term loans receivable	529	158	888
Proceeds from transfer of mining rights	—	27,890	6,707
Other	1,095	(968)	2,490
Net cash used in investing activities	(77,290)	(80,107)	(209,243)
<b>III Cash flows from financing activities</b>			
Decrease in short-term loans	(115)	(75)	(120)
Proceeds from long-term debt	16,909	19,262	30,083
Repayments of long-term debt	(7,281)	(30,860)	(38,661)
Proceeds from minority interests for additional shares	1,615	3,930	3,606
Purchase of treasury stock	(857)	(689)	(1,169)
Proceeds from sales of treasury stock	11,549	—	22,397
Cash dividends paid	(10,787)	(16,485)	(10,791)
Dividends paid to minority shareholders	(81)	(81)	(81)
Stock transfer payment	(867)	(0)	(867)
Restricted cash deposit	(1,240)	—	—
Other	—	—	9,400
Net cash (used in) provided by financing activities	8,843	(24,999)	13,793
<b>IV Effect of exchange rate changes on cash and cash equivalents</b>	1,194	(3,440)	1,741
<b>V Net increase in cash and cash equivalents</b>	84,192	62,686	38,273
<b>VI Cash and cash equivalents at beginning of the period</b>	151,143	189,416	151,143
<b>VII Cash and cash equivalents at end of the period</b>	235,335	252,103	189,416

## (5) Basic of Presenting Consolidated Financial Statements

For the six months ended September 30, 2006	For the six months ended September 30, 2007	For the year ended March 31, 2007
<p>1.Scope of consolidation Number of consolidated subsidiaries: 57</p> <p>Names of major subsidiaries; INPEX CORPORATION, Teikoku Oil Co., Ltd., Japan Oil Development Co., Ltd., INPEX Natuna, Ltd., INPEX Sahul, Ltd., Teikoku Oil D.R. Congo, Co., Ltd., INPEX Southwest Caspian Sea, Ltd., INPEX North Caspian Sea, Ltd., INPEX Browse, Ltd., INPEX Masela, Ltd.</p> <p>During this period: Number of new companies included in consolidated subsidiaries: 2</p> <p>Details for the above changes: INPEX Offshore Northeast Java, Ltd., and Teikoku Oil and Gas Venezuela, C. A. have been included due to establishment.</p> <p>Names of major unconsolidated subsidiaries: Sakata Natural Gas, Co., Ltd., Teikoku Oil de Burgos, S.A. de C. V.</p> <p>(Reason for exclusion from consolidation) Those companies are not consolidated because their total assets, total net sales, total net income (the equity portion) and total retained earnings (the equity portion) do not have significant impact on the consolidated financial statements.</p>	<p>1.Scope of consolidation Number of consolidated subsidiaries: 59</p> <p>Names of major subsidiaries; INPEX CORPORATION, Teikoku Oil Co., Ltd., Japan Oil Development Co., Ltd., INPEX Natuna, Ltd., INPEX Sahul, Ltd., Teikoku Oil D.R. Congo, Co., Ltd., INPEX Southwest Caspian Sea, Ltd., INPEX North Caspian Sea, Ltd., INPEX Browse, Ltd., INPEX Masela, Ltd.</p> <p>During this period: Number of new companies included in consolidated subsidiaries: 1 Number of companies excluded from consolidated subsidiaries: 2</p> <p>Details for the above changes: (1) Teikoku Oil Suriname, Co., Ltd. has been included due to establishment. (2) Teikoku Oil Company Panama, S.A. and INPEX Offshore South Sulawesi, Ltd. have been excluded due to completion of liquidation.</p> <p>Names of major unconsolidated subsidiaries: Sakata Natural Gas, Co., Ltd., Teikoku Oil de Burgos, S.A. de C. V.</p> <p>(Reason for exclusion from consolidation) Same as on the left</p>	<p>1.Scope of consolidation Number of consolidated subsidiaries: 60</p> <p>Names of major subsidiaries; INPEX CORPORATION, Teikoku Oil Co., Ltd., Japan Oil Development Co., Ltd., INPEX Natuna, Ltd., INPEX Sahul, Ltd., Teikoku Oil D.R. Congo, Co., Ltd., INPEX Southwest Caspian Sea, Ltd., INPEX North Caspian Sea, Ltd., INPEX Browse, Ltd., INPEX Masela, Ltd.</p> <p>During this period: Number of new companies included in consolidated subsidiaries: 5</p> <p>Details for the above changes: INPEX Offshore Northeast Java, Ltd., Teikoku Oil and Gas Venezuela, C. A., and 3 other companies have been included due to establishment.</p> <p>Names of major unconsolidated subsidiaries: Sakata Natural Gas, Co., Ltd., Teikoku Oil de Burgos, S.A. de C. V.</p> <p>(Reason for exclusion from consolidation) Same as on the left</p>
<p>2. Application of equity method Unconsolidated subsidiary accounted for by the equity method: None</p> <p>Number of affiliates accounted for by the equity method: 13</p> <p>Names of major affiliates: MI Berau B.V., Angola Japan Oil Co., Ltd., Japan Ohanet Oil &amp; Gas Co., Ltd., ALBACORA JAPAO PETROLEO LTDA, INPEX Offshore North Campos, Ltd.</p>	<p>2. Application of equity method Same as on the left</p> <p>Number of affiliates accounted for by the equity method: 13</p> <p>Names of major affiliates: MI Berau B.V., Angola Japan Oil Co., Ltd., Japan Ohanet Oil &amp; Gas Co., Ltd., ALBACORA JAPAO PETROLEO LTDA, INPEX Offshore North Campos, Ltd.</p>	<p>2. Application of equity method Same as on the left</p> <p>Number of affiliates accounted for by the equity method: 13</p> <p>Names of major affiliates: MI Berau B.V., Angola Japan Oil Co., Ltd., Japan Ohanet Oil &amp; Gas Co., Ltd., ALBACORA JAPAO PETROLEO LTDA, INPEX Offshore North Campos, Ltd.</p>

For the six months ended September 30, 2006	For the six months ended September 30, 2007	For the year ended March 31, 2007
<p>Names of major affiliates not accounted for by the equity method: Sakata Natural Gas, Co., Ltd., Teikoku Oil de Burgos, S.A. de C.V., Telnite Co., Ltd., Tangguh project management Co., Ltd.</p> <p>(Reason for not applying the equity method) Subsidiaries and affiliates are not accounted for by the equity method because their total net income (the equity portion) and total retained earnings (the equity portion) do not have significant impact on the consolidated financial statements.</p> <p>Procedures for application of the equity method:</p> <p>Regarding affiliates accounted for by the equity method having a different closing date from the consolidated closing date, the Company used the financial statements of each affiliate prepared as of their closing date. For certain affiliates, however, the Company used financial statements prepared for consolidation purposes as of the consolidated closing date.</p>	<p>Names of major affiliates not accounted for by the equity method: Sakata Natural Gas, Co., Ltd., Teikoku Oil de Burgos, S.A. de C.V., Telnite Co., Ltd., Tangguh project management Co., Ltd.</p> <p>(Reason for not applying the equity method) Same as on the left</p> <p>Procedures for application of the equity method:</p> <p>Same as on the left</p>	<p>Number of new companies included in affiliates accounted for by the equity method: 1 Number of companies excluded from affiliates accounted for by the equity method: 1</p> <p>Details for the above changes: (1) Petroguarico, S.A. has been included due to establishment of the company (2) Dai-ichi Petroleum Development Co., Ltd. has been excluded due to completion of liquidation</p> <p>Names of major affiliates not accounted for by the equity method: Sakata Natural Gas, Co., Ltd., Teikoku Oil de Burgos, S.A. de C.V., Telnite Co., Ltd., Tangguh project management Co., Ltd.</p> <p>(Reason for not applying the equity method) Same as on the left</p> <p>Procedures for application of the equity method:</p> <p>Same as on the left</p>



For the six months ended September 30, 2006	For the six months ended September 30, 2007	For the year ended March 31, 2007
<p>3. Closing dates for the fiscal year of consolidated subsidiaries</p> <p>For the 36 companies for which the closing date differed from the consolidated closing date, including, but not limited to, INPEX Sahul, Ltd., INPEX Browse, Ltd., and INPEX Masela, Ltd. we used the financial statements for the six months ended June 30. However, the necessary adjustments have been made to the financial statements of those companies to reflect any significant transactions made between the Company's closing date and those of the consolidated subsidiaries.</p> <p>For the 11 companies including, but not limited to, Japan Oil Development, Co., Ltd., Teikoku Oil D.R. Congo, Co., Ltd., INPEX Southwest Caspian Sea, Ltd., and INPEX North Caspian Sea, Ltd., we used financial statements for the six months ended the consolidated closing date even though their closing date is June 30.</p>	<p>3. Closing dates for the fiscal year of consolidated subsidiaries</p> <p>For the 39 companies for which the closing date differed from the consolidated closing date, including, but not limited to, INPEX Sahul, Ltd., INPEX Browse, Ltd., and INPEX Masela, Ltd. we used the financial statements for the six months ended June 30. However, the necessary adjustments have been made to the financial statements of those companies to reflect any significant transactions made between the Company's closing date and those of the consolidated subsidiaries.</p> <p>For the 10 companies including, but not limited to, Japan Oil Development, Co., Ltd., Teikoku Oil D.R. Congo, Co., Ltd., INPEX Southwest Caspian Sea, Ltd., and INPEX North Caspian Sea, Ltd., we used financial statements for the six months ended the consolidated closing date even though their closing date is June 30.</p>	<p>3. Closing dates for the fiscal year of consolidated subsidiaries</p> <p>For the 39 companies for which the closing date differed from the consolidated closing date, including, but not limited to, INPEX Sahul, Ltd., INPEX Browse, Ltd., and INPEX Masela, Ltd., we used the financial statements for the year ended December 31. However, the necessary adjustments have been made to the financial statements of those companies to reflect any significant transactions made between the Company's closing date and those of the consolidated subsidiaries.</p> <p>For the 11 companies including, but not limited to, Japan Oil Development, Co., Ltd., Teikoku Oil D.R. Congo, Co., Ltd., INPEX Southwest Caspian Sea, Ltd., and INPEX North Caspian Sea, Ltd., we used financial statements for the year ended the consolidated closing date even though their closing date is December 31.</p>
<p>4. Accounting policies</p> <p>1) Valuation method for significant assets</p> <p>(a) Securities</p> <p>Other securities</p> <p>With a determinable market value</p> <p>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 net assets. Cost of securities sold is determined by the moving-average method.</p> <p>Without a determinable market value</p> <p>Other securities without a determinable market value are stated at cost determined by the moving-average method.</p> <p>(b) Inventories</p> <p>Products</p> <p>Carried mainly at the lower of cost or market, cost being determined by the moving-average method</p> <p>Supplies</p> <p>Carried mainly at cost, determined by the moving-average method</p> <p>Work in process</p> <p>Carried at cost, determined by the individual cost basis</p>	<p>4. Accounting policies</p> <p>1) Valuation method for significant assets</p> <p>(a) Securities</p> <p>Other securities</p> <p>With a determinable market value</p> <p>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, included directly in net assets. Cost of securities sold is determined by the moving-average method.</p> <p>Without a determinable market value</p> <p>Same as on the left</p> <p>(b) Inventories</p> <p>Products</p> <p>Same as on the left</p> <p>Supplies</p> <p>Same as on the left</p> <p>Work in process</p> <p>Same as on the left</p>	<p>4. Accounting policies</p> <p>1) Valuation method for significant assets</p> <p>(a) Securities</p> <p>Other securities</p> <p>With a determinable market value</p> <p>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, included directly in net assets. Cost of securities sold is determined by the moving-average method.</p> <p>Without a determinable market value</p> <p>Same as on the left</p> <p>(b) Inventories</p> <p>Products</p> <p>Same as on the left</p> <p>Supplies</p> <p>Same as on the left</p> <p>Work in process</p> <p>Same as on the left</p>

For the six months ended September 30, 2006	For the six months ended September 30, 2007	For the year ended March 31, 2007
<p>2) Depreciation method of significant depreciable assets</p> <p>(a) Tangible fixed assets Depreciation of mining facilities is mainly computed by the unit-of-production method. For other tangible fixed assets, straight-line method of depreciation is applied. Useful life and residual value are determined as prescribed in the corporate tax law, while wells and certain machinery (offshore platform and related facilities) are depreciated to the expected residual value (zero).</p>	<p>2) Depreciation method of significant depreciable assets</p> <p>(a) Tangible fixed assets Depreciation of mining facilities is mainly computed by the unit-of-production method. For other tangible fixed assets, straight-line method of depreciation is applied. Useful lives of significant fixed assets are as follows: Buildings and structures: 2-60 years Wells: 3 years Machinery, equipment and vehicles: 2-22 years</p> <p>(Change in accounting policy) As for tangible fixed assets acquired on and after April 1, 2007, the Company has changed the depreciation method based on an amendment in corporation tax law. This change does not have significant impact on the consolidated financial statements. (Additional information) As for other tangible fixed assets whose book value reached their residual value, the Company and certain subsidiaries depreciates the residual value equally over 5 years in accordance with the method prescribed in amendment in corporation tax law.</p>	<p>2) Depreciation method of significant depreciable assets</p> <p>(a) Tangible fixed assets Depreciation of mining facilities is mainly computed by the unit-of-production method. For other tangible fixed assets, straight-line method of depreciation is applied. Useful lives of significant fixed assets are as follows: Buildings and structures: 2-60 years Wells: 3 years Machinery, equipment and vehicles: 2-22 years Wells and certain machinery (offshore platform and related facilities) are depreciated to the expected residual value (zero).</p>
<p>(b) Intangible assets Exploration and development rights Exploration and development rights at the exploration stage are fully amortized in the consolidated fiscal year. Such rights which are at the production stage are amortized by the unit-of-production method.</p> <p>Mining rights Mining rights are mainly amortized by the unit-of-production method.</p> <p>Other Other intangible assets are mainly amortized by the straight-line method using the useful lives and residual value of the respective assets as prescribed by the corporate tax law. Software for internal use is being amortized over five years.</p>	<p>(b) Intangible assets Exploration and development rights Same as on the left</p> <p>Mining rights Same as on the left</p> <p>Other Other intangible assets are mainly amortized by the straight-line method. Software for internal use is being amortized over five years.</p>	<p>(b) Intangible assets Exploration and development rights Same as on the left</p> <p>Mining rights Same as on the left</p> <p>Other Same as on the left</p>

For the six months ended September 30, 2006	For the six months ended September 30, 2007	For the year ended March 31, 2007
<p>3) Basis for significant allowances</p> <p>(a) Allowance for doubtful accounts Allowance for doubtful accounts is provided at an amount determined based on the historical experience of bad debt with respect to ordinary receivables, plus an estimate of uncollectible amounts determined by reference to specific doubtful receivables from customers which are experiencing financial difficulties.</p> <p>(b) Allowance for recoverable accounts under production sharing Allowance for recoverable accounts under production sharing is provided for probable losses on specific investments made under production sharing contracts.</p> <p>(c) Allowance for investments in exploration Allowance for investments in exploration is provided for future potential losses on investments in exploration companies at an estimated amount based on the net assets of the investees.</p> <p>(d) Provision for exploration projects Provision for exploration projects is provided for future expenditures of consolidated subsidiaries at exploration stage based on schedule of investments in exploration.</p> <p>(e) Accrued bonuses to officers Accrued bonuses to officers are provided at expected payment amount.</p>	<p>3) Basis for significant allowances</p> <p>(a) Allowance for doubtful accounts Same as on the left</p> <p>(b) Allowance for recoverable accounts under production sharing Same as on the left</p> <p>(c) Allowance for investments in exploration Same as on the left</p> <p>(d) Provision for exploration projects Same as on the left</p> <p>(e) Accrued bonuses to officers Accrued bonuses to officers are provided at expected payment amount incurred for the six months ended September 30, 2007.</p>	<p>3) Basis for significant allowances</p> <p>(a) Allowance for doubtful accounts Same as on the left</p> <p>(b) Allowance for recoverable accounts under production sharing Same as on the left</p> <p>(c) Allowance for investments in exploration Same as on the left</p> <p>(d) Provision for exploration projects Same as on the left</p> <p>(e) Accrued bonuses to officers Accrued bonuses to officers are provided at expected payment amount for the year ended March 31, 2007.</p>

For the six months ended September 30, 2006	For the six months ended September 30, 2007	For the year ended March 31, 2007
<p>(f) Accrued retirement benefits to employees Accrued retirement benefits to employees are provided at the amount calculated based on the expected retirement benefit obligation and the estimated value of pension plan assets at the end of this period. Because certain subsidiaries are classified as small enterprises, we employ a simplified method (at the amount which would be required to be paid as if all active employees voluntarily terminated their employment as of the balance sheet date) for the calculation of the retirement benefit obligation of the subsidiaries.</p> <p>(g) Accrued retirement benefits to officers Accrued retirement benefits to officers are stated at the amount which would be required to be paid as if all officers voluntarily terminated their services as of the balance sheet date based on their respective internal rules.</p> <p>(h) Liabilities for site restoration and decommissioning costs Liabilities for site restoration and decommissioning costs are provided for expected future costs for site restoration and decommissioning.</p> <p>(i) Liabilities for losses on development activities Liabilities for losses on development activities are provided for provable losses on oil and natural gas development activities individually estimated for each project.</p> <p>(j) Accrued special repair and maintenance Accrued special repair and maintenance are provided for planned major repair and maintenance activities on tanks in certain subsidiaries at the amount being accumulated through the next activity.</p>	<p>(f) Accrued retirement benefits to employees Accrued retirement benefits to employees are provided at the amount calculated based on the expected retirement benefit obligation and the estimated value of pension plan assets at the end of this period. Because certain subsidiaries are classified as small enterprises, we employ a simplified method (at the amount which would be required to be paid as if all active employees voluntarily terminated their employment as of the balance sheet date) for the calculation of the retirement benefit obligation of the subsidiaries. Actuarial gains and losses are charged or credited to income as incurred.</p> <p>(g) Accrued retirement benefits to officers Same as on the left</p> <p>(h) Liabilities for site restoration and decommissioning costs Same as on the left</p> <p>(i) Liabilities for losses on development activities Same as on the left</p> <p>(j) Accrued special repair and maintenance Same as on the left</p>	<p>(f) Accrued retirement benefits to employees Accrued retirement benefits to employees are provided at the amount calculated based on the expected retirement benefit obligation and the estimated value of pension plan assets at the end of this period. Because certain subsidiaries are classified as small enterprises, we employ a simplified method (at the amount which would be required to be paid as if all active employees voluntarily terminated their employment as of the balance sheet date) for the calculation of the retirement benefit obligation of the subsidiaries. Actuarial gains and losses are charged or credited to income as incurred.</p> <p>(g) Accrued retirement benefits to officers Same as on the left</p> <p>(h) Liabilities for site restoration and decommissioning costs Same as on the left</p> <p>(i) Liabilities for losses on development activities Same as on the left</p> <p>(j) Accrued special repair and maintenance Same as on the left</p>

For the six months ended September 30, 2006	For the six months ended September 30, 2007	For the year ended March 31, 2007
<p>4) Translation of consolidated subsidiaries' significant assets and liabilities denominated in foreign currencies into yen in preparation of the consolidated financial statements</p> <p>Monetary assets and liabilities denominated in foreign currencies are translated into yen at the exchange rates prevailing at the balance sheet date. The resulting exchange gain or loss is credited or charged to income.</p> <p>The revenue and expense accounts of the overseas subsidiaries are translated into yen at the average rates of exchange during the period. The balance sheet accounts are translated into yen at the rates of exchange in effect at the balance sheet date. Translation adjustments are presented as a component of net assets and minority interests.</p>	<p>4) Translation of consolidated subsidiaries' significant assets and liabilities denominated in foreign currencies into yen in preparation of the consolidated financial statements</p> <p>Same as on the left</p>	<p>4) Translation of consolidated subsidiaries' significant assets and liabilities denominated in foreign currencies into yen in preparation of the consolidated financial statements</p> <p>Same as on the left</p>
<p>5) Accounting for important leases</p> <p>Non-cancelable finance leases are primarily accounted for as operating leases except that lease agreements which stipulate the transfer of ownership of the leased assets to the lessee are accounted for as finance leases.</p>	<p>5) Accounting for important leases</p> <p>Same as on the left</p>	<p>5) Accounting for important leases</p> <p>Same as on the left</p>
<p>6) Accounting for major hedge transactions</p> <p>(a) Hedge accounting</p> <p>Simplified accounting method is applied to interest rate swaps. For certain companies accounted for by equity method, deferred hedge accounting is adopted.</p> <p>(b) Hedging instruments and hedged items</p> <p>Hedge instruments: Interest rate swap transactions Hedged items: Interest payments on borrowings</p> <p>(c) Hedging policy</p> <p>The nominal amount of the derivative transaction is limited to within the scope of actual demand, and the Company does not engage in speculative derivative transactions.</p> <p>(d) Hedge effectiveness assessment method</p> <p>Since simplified accounting method is applied, the Company does not perform hedge effectiveness assessment.</p>	<p>6) Accounting for major hedge transactions</p> <p>(a) Hedge accounting</p> <p>Same as on the left</p> <p>(b) Hedging instruments and hedged items</p> <p>Same as on the left</p> <p>(c) Hedging policy</p> <p>Same as on the left</p> <p>(d) Hedge effectiveness assessment method</p> <p>Same as on the left</p>	<p>6) Accounting for major hedge transactions</p> <p>(a) Hedge accounting</p> <p>Same as on the left</p> <p>(b) Hedging instruments and hedged items</p> <p>Same as on the left</p> <p>(c) Hedging policy</p> <p>Same as on the left</p> <p>(d) Hedge effectiveness assessment method</p> <p>Same as on the left</p>

For the six months ended September 30, 2006	For the six months ended September 30, 2007	For the year ended March 31, 2007
<p>7) Other items important to the preparation of the consolidated financial statements</p> <p>(a) Consumption tax Transactions subject to the consumption tax are recorded at amounts exclusive of the consumption tax.</p> <p>(b) Recoverable accounts under production sharing Cash investments made by the Company during exploration, development and production phases under a production sharing contract are recorded as "Recoverable accounts under production sharing" so long as they are recoverable under the terms of the relevant contract. When the Company receives the natural gas and crude oil in accordance with the contract, an amount corresponding to the purchase costs of the products (i.e., a cost recovery portion of the investments) is released from this account.</p>	<p>7) Other items important to the preparation of the consolidated financial statements</p> <p>(a) Consumption tax Same as on the left</p> <p>(b) Recoverable accounts under production sharing Same as on the left</p>	<p>7) Other items important to the preparation of the consolidated financial statements</p> <p>(a) Consumption tax Same as on the left</p> <p>(b) Recoverable accounts under production sharing Same as on the left</p>
<p>5 Scope of cash and cash equivalents in consolidated statement of cash flow Cash (cash and cash equivalents) in the consolidated statement of cash flow consisted of cash on hand, cash in banks which can be withdrawn on demand, and short-term investments with a maturity of three months or less when purchased which can easily be converted to cash and are subject to little risk of change in value.</p>	<p>5 Scope of cash and cash equivalents in consolidated statement of cash flow Same as on the left</p>	<p>5 Scope of cash and cash equivalents in consolidated statement of cash flow Same as on the left</p>

(Changes in Presentation)

For the year ended March 31, 2007	For the six months ended September 30, 2007
<hr/>	(Consolidated Balance Sheets) “Accounts payable-other”, previously included in “Other” current liabilities is separately presented because its amount exceeded 5% of total liabilities and net assets. The amount of “Accounts payable-other” as of September 30, 2006 is ¥70,548 million.

(6) Notes  
(Consolidated balance sheets)

As of September 30, 2006	As of September 30, 2007		As of March 31, 2007	
*1 Accumulated depreciation Accumulated depreciation of tangible fixed assets is ¥441,328 million.	*1 Accumulated depreciation Accumulated depreciation of tangible fixed assets is ¥435,516 million.		*1 Accumulated depreciation Accumulated depreciation of tangible fixed assets is ¥454,161 million.	
*2. Assets provided as collateral and collateral-backed debt are as follows:	*2. Assets provided as collateral and collateral-backed debt are as follows:		*2. Assets provided as collateral and collateral-backed debt are as follows:	
(Collateralized Assets)      Millions of yen	(Collateralized Assets)      Millions of yen	(Collateralized Assets)      Millions of yen	(Collateralized Assets)      Millions of yen	(Collateralized Assets)      Millions of yen
Cash and deposit      10,640      (—)	Buildings and structures      2,172      (1,666)	Buildings and structures      2,180      (1,652)	Buildings and structures      2,180      (1,652)	Buildings and structures      2,180      (1,652)
Buildings and structures      2,038      (1,490)	Others (tangible fixed assets)      10,680      (9,514)	Others (tangible fixed assets)      10,610      (9,444)	Others (tangible fixed assets)      10,610      (9,444)	Others (tangible fixed assets)      10,610      (9,444)
Others (tangible fixed assets)      6,753      (5,587)	Investment securities      10,078      (—)	Investment securities      9,998      (—)	Investment securities      9,998      (—)	Investment securities      9,998      (—)
Investment securities      9,068      (—)	<u>Total</u> 22,931      (11,181)	<u>Total</u> 22,790      (11,097)	<u>Total</u> 22,790      (11,097)	<u>Total</u> 22,790      (11,097)
<u>Total</u> 28,500      (7,078)				
(Debt Guarantees)      Millions of yen	(Debt Guarantees)      Millions of yen	(Debt Guarantees)      Millions of yen	(Debt Guarantees)      Millions of yen	(Debt Guarantees)      Millions of yen
Short-term loans      80      (—)	Short-term loans      80      (—)	Short-term loans      95      (—)	Short-term loans      95      (—)	Short-term loans      95      (—)
Others (current liabilities)      5,606      (5,277)	Accounts payable-other      5,890      (5,329)	Accounts payable-other      5,480      (4,956)	Accounts payable-other      5,480      (4,956)	Accounts payable-other      5,480      (4,956)
Long-term debt      111,724      (15,460)	Long-term debt      14,339      (13,468)	Long-term debt      15,272      (14,525)	Long-term debt      15,272      (14,525)	Long-term debt      15,272      (14,525)
Others (long-term liabilities)      16      (—)	Others (long-term liabilities)      16      (—)	Others (long-term liabilities)      16      (—)	Others (long-term liabilities)      16      (—)	Others (long-term liabilities)      16      (—)
Guarantee obligations      19,688      (—)	<u>Total</u> 20,327      (18,797)	<u>Total</u> 20,864      (19,481)	<u>Total</u> 20,864      (19,481)	<u>Total</u> 20,864      (19,481)
<u>Total</u> 137,115      (20,737)				
* Amounts in parenthesis ( ) above represent foundation collateral and liabilities. In addition, investment securities of ¥6,959 million are pledged as collateral for the BTC pipeline project financing.	* Amounts in parenthesis ( ) above represent foundation collateral and liabilities. In addition, investment securities of ¥7,459 million are pledged as collateral for the BTC pipeline project financing.		* Amounts in parenthesis ( ) above represent foundation collateral and liabilities. In addition, investment securities of ¥7,208 million are pledged as collateral for the BTC pipeline project financing.	



As of September 30, 2006	As of September 30, 2007	As of March 31, 2007																																																														
<p>3 Contingent liabilities The Company and its consolidated subsidiaries are contingently liable as guarantors of indebtedness of the following companies:</p> <table> <thead> <tr> <th></th> <th>Millions of yen</th> </tr> </thead> <tbody> <tr> <td>Sakhalin Oil and Gas Development Co., Ltd.</td> <td>11,247</td> </tr> <tr> <td>Tangguh Trustee*</td> <td>10,755</td> </tr> <tr> <td>Japan Ohanet Oil &amp; Gas Co., Ltd.</td> <td>2,108</td> </tr> <tr> <td>ALBACORA JAPAO PETROLEO LIMITADA</td> <td>1,959</td> </tr> <tr> <td>Nippon Oil Exploration (Malaysia) Limited.</td> <td>828</td> </tr> <tr> <td>Sakata Natural Gas Co., Ltd.</td> <td>738</td> </tr> <tr> <td>Nippon Oil Exploration (Sarawak) Limited.</td> <td>381</td> </tr> <tr> <td>Employees (housing loans)</td> <td>559</td> </tr> <tr> <td><u>Total</u></td> <td><u>28,577</u></td> </tr> </tbody> </table> <p>*Debt for investment funds of Tangguh LNG project through MI Berau B. V.</p> <p>In addition, INPEX BTC Pipeline, Ltd., a consolidated subsidiary, is contingently liable as guarantor of indebtedness of BTC Pipeline Project Finance in the amount of ¥7,053 million until BTC Pipeline project completion (guarantee for completion).</p>		Millions of yen	Sakhalin Oil and Gas Development Co., Ltd.	11,247	Tangguh Trustee*	10,755	Japan Ohanet Oil & Gas Co., Ltd.	2,108	ALBACORA JAPAO PETROLEO LIMITADA	1,959	Nippon Oil Exploration (Malaysia) Limited.	828	Sakata Natural Gas Co., Ltd.	738	Nippon Oil Exploration (Sarawak) Limited.	381	Employees (housing loans)	559	<u>Total</u>	<u>28,577</u>	<p>3 Contingent liabilities The Company and its consolidated subsidiaries are contingently liable as guarantors of indebtedness of the following companies:</p> <table> <thead> <tr> <th></th> <th>Millions of yen</th> </tr> </thead> <tbody> <tr> <td>Tangguh Trustee*</td> <td>16,397</td> </tr> <tr> <td>Sakhalin Oil and Gas Development Co., Ltd.</td> <td>10,616</td> </tr> <tr> <td>Japan Ohanet Oil &amp; Gas Co., Ltd.</td> <td>1,376</td> </tr> <tr> <td>INPEX Offshore North Campos, Ltd.</td> <td>1,317</td> </tr> <tr> <td>ALBACORA JAPAO PETROLEO LIMITADA</td> <td>1,149</td> </tr> <tr> <td>Sakata Natural Gas Co., Ltd.</td> <td>894</td> </tr> <tr> <td>Nippon Oil Exploration (Malaysia) Limited.</td> <td>695</td> </tr> <tr> <td>Nippon Oil Exploration (Sarawak) Limited.</td> <td>186</td> </tr> <tr> <td>Employees (housing loans)</td> <td>512</td> </tr> <tr> <td><u>Total</u></td> <td><u>33,147</u></td> </tr> </tbody> </table> <p>*Debt for investment funds of Tangguh LNG project through MI Berau B. V.</p> <p>In addition, INPEX BTC Pipeline, Ltd., a consolidated subsidiary, is contingently liable as guarantor of indebtedness of BTC Pipeline Project Finance in the amount of ¥7,411 million until BTC Pipeline project completion (guarantee for completion).</p>		Millions of yen	Tangguh Trustee*	16,397	Sakhalin Oil and Gas Development Co., Ltd.	10,616	Japan Ohanet Oil & Gas Co., Ltd.	1,376	INPEX Offshore North Campos, Ltd.	1,317	ALBACORA JAPAO PETROLEO LIMITADA	1,149	Sakata Natural Gas Co., Ltd.	894	Nippon Oil Exploration (Malaysia) Limited.	695	Nippon Oil Exploration (Sarawak) Limited.	186	Employees (housing loans)	512	<u>Total</u>	<u>33,147</u>	<p>3 Contingent liabilities The Company and its consolidated subsidiaries are contingently liable as guarantors of indebtedness of the following companies:</p> <table> <thead> <tr> <th></th> <th>Millions of yen</th> </tr> </thead> <tbody> <tr> <td>Tangguh Trustee*</td> <td>13,729</td> </tr> <tr> <td>Sakhalin Oil and Gas Development Co., Ltd.</td> <td>11,845</td> </tr> <tr> <td>Japan Ohanet Oil &amp; Gas Co., Ltd.</td> <td>1,759</td> </tr> <tr> <td>ALBACORA JAPAO PETROLEO LIMITADA</td> <td>1,569</td> </tr> <tr> <td>Sakata Natural Gas Co., Ltd.</td> <td>1,013</td> </tr> <tr> <td>Nippon Oil Exploration (Malaysia) Limited.</td> <td>770</td> </tr> <tr> <td>Nippon Oil Exploration (Sarawak) Limited.</td> <td>286</td> </tr> <tr> <td>Employees (housing loans)</td> <td>537</td> </tr> <tr> <td><u>Total</u></td> <td><u>31,511</u></td> </tr> </tbody> </table> <p>*Debt for investment funds of Tangguh LNG project through MI Berau B. V.</p> <p>In addition, INPEX BTC Pipeline, Ltd., a consolidated subsidiary, is contingently liable as guarantor of indebtedness of BTC Pipeline Project Finance in the amount of ¥7,252 million until BTC Pipeline project completion (guarantee for completion).</p>		Millions of yen	Tangguh Trustee*	13,729	Sakhalin Oil and Gas Development Co., Ltd.	11,845	Japan Ohanet Oil & Gas Co., Ltd.	1,759	ALBACORA JAPAO PETROLEO LIMITADA	1,569	Sakata Natural Gas Co., Ltd.	1,013	Nippon Oil Exploration (Malaysia) Limited.	770	Nippon Oil Exploration (Sarawak) Limited.	286	Employees (housing loans)	537	<u>Total</u>	<u>31,511</u>
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## (Consolidated statements of income)

For the six months ended September 30, 2006	For the six months ended September 30, 2007	For the year ended March 31, 2007
*1. Major accounts included in selling, general and administrative expenses are as follows:	*1. Major accounts included in selling, general and administrative expenses are as follows:	*1. Major accounts included in selling, general and administrative expenses are as follows:
Millions of yen	Millions of yen	Millions of yen
Personnel expenses 5,510	Personnel expenses 6,168	Personnel expenses 11,082
(Including provision for accrued retirement benefits to officers 181)	(Including provision for accrued retirement benefits to officers 168)	(Including provision for accrued retirement benefits to officers 339)
(Including provision for accrued retirement benefits to employees 260)	(Including provision for accrued retirement benefits to employees 259)	(Including provision for accrued retirement benefits to employees 451)
(Including provision for accrued bonuses to officers 51)	(Including provision for accrued bonuses to officers 106)	(Including provision for accrued bonuses to officers 193)
Freight expenses 3,146	Freight expenses 7,512	Freight expenses 8,671
Depreciation expenses 5,769	Depreciation expenses 7,415	Depreciation expenses 12,867
Amortization of goodwill 3,501	Amortization of goodwill 3,236	Amortization of goodwill 6,977
_____	*2. Net gain on re-determination of unitized field The Company re-determined reserves at a certain unitized field and agreed with other third parties to change the Company's participating interest percentage retroactively. As a consequence, the Company recognizes its revenue and expenditure occurred in the past and records the net gain.	_____
_____	*3. Net gain on taking effect of exploration and production agreement Upon taking effect of exploration and production agreement, the Company retroactively adjusts its revenue and expenditure occurred in the past and records the net gain.	_____

(Consolidated statements of changes in net assets)

For the six months ended September 30, 2006

1. Type and number of shares issued and outstanding and treasury stock (Shares)

	Balance as of March 31, 2006	Increase	Decrease	Balance as of September 30, 2006
Number of shares				
Common stock	—	2,358,409	—	2,358,409
Special class share	—	1	—	1
Total	—	2,358,410	—	2,358,410
Treasury stock				
Common stock	—	23,274	11,502	11,772
Total	—	23,274	11,502	11,772

Notes 1: Increase in common stock by 2,358,409 shares and special class by 1 share are due to the establishment of the Company through stock transfers.

2: Increase in treasury stock of common stock by 23,274 shares is due to increase in consolidated subsidiary's stock through stock transfer by 22,001 shares and purchase of 1,272 odd lot shares.

3: Decrease in treasury stock of common stock by 11,502 shares is due to sales of consolidated subsidiary's common stocks of 11,000 shares and sales of 502 odd lot shares.

2. Share subscription rights

None

3. Dividends

Cash dividends paid

Resolution	Type of share	Cash dividends paid (Millions of yen)	Dividends per share (Yen)	Entitlement date	Effective date
Ordinary general meeting of shareholders held on June 27, 2006	Common stock	10,559	5,500	March 31, 2006	June 27, 2006
	Special class share	0	5,500	March 31, 2006	June 27, 2006

Note: Since the Company was established on April 3, 2006 through the stock transfer, cash dividends paid above represent amounts which were resolved on June 27, 2006 at ordinary general shareholders' meeting of INPEX CORPORATION, which became a wholly-owned subsidiary of the Company.

For the six months ended September 30, 2007

1. Type and number of shares issued and outstanding and treasury stock (Shares)

	Balance as of March 31, 2007	Increase	Decrease	Balance as of September 30, 2007
<b>Number of shares</b>				
Common stock	2,358,409	—	—	2,358,409
Special class share	1	—	—	1
Total	2,358,410	—	—	2,358,410
<b>Treasury stock</b>				
Common stock	1,089	638	27	1,700
Total	1,089	638	27	1,700

Notes 1: Increase in treasury stock of common stock is due to purchase of 638 odd lot shares.

2: Decrease in treasury stock of common stock is due to sales of 27 odd lot shares.

2. Share subscription rights

None

3. Dividends

(1) Cash dividends paid

Resolution	Type of share	Cash dividends paid (Millions of yen)	Dividends per share (Yen)	Entitlement date	Effective date
Ordinary general meeting of shareholders held on June 26, 2007	Common stock	16,501	7,000	March 31, 2007	June 27, 2007
	Special class share	0	7,000	March 31, 2007	June 27, 2007

(2) Dividends, of which the entitlement date was in the six months ended September 30, 2007 and whose effective date will be in the subsequent period

Resolution	Type of share	Source of dividends	Cash dividends paid (Millions of yen)	Dividends per share (Yen)	Entitlement date	Effective date
Board of directors' meeting held on November 9, 2007	Common stock	Retained earnings	8,248	3,500	September 30, 2007	December 5, 2007
	Special class share	Retained earnings	0	3,500	September 30, 2007	December 5, 2007

For the year ended March 31, 2007

1. Type and number of shares issued and outstanding and treasury stock (Shares)

	Balance as of March 31, 2006	Increase	Decrease	Balance as of March 31, 2007
<b>Number of shares</b>				
Common stock	—	2,358,409	—	2,358,409
Special class share	—	1	—	1
Total	—	2,358,410	—	2,358,410
<b>Treasury stock</b>				
Common stock	—	23,672	22,582	1,089
Total	—	23,672	22,582	1,089

Notes 1: Increase in common stock by 2,358,409 shares and special class by 1 share are due to the establishment of the Company through stock transfers.

2: Increase in treasury stock of common stock by 23,672 shares is due to increase in consolidated subsidiaries' stock through stock transfer by 22,001 shares and purchase of 1,670 odd lot shares.

3: Decrease in treasury stock of common stock by 22,582 shares is due to decrease in sales of consolidated subsidiary's common stocks of 22,001 shares and decrease in sales of 581 odd lot shares.

2. Share subscription rights

None

3. Dividends

(1) Cash dividends paid

Resolution	Type of share	Cash dividends paid (Millions of yen)	Dividends per share (Yen)	Entitlement date	Effective date
Ordinary general meeting of shareholders held on June 27, 2006	Common stock	10,559	5,500	March 31, 2006	June 27, 2006
	Special class share	0	5,500	March 31, 2006	June 27, 2006

Note: Since the Company was established on April 3, 2006 through the stock transfer, cash dividends paid above represent amounts which were resolved on June 27, 2006 at ordinary general shareholders' meeting of INPEX CORPORATION, which became a wholly-owned subsidiary of the Company.

(2) Dividends, of which the entitlement date was in the year ended March 31, 2007, and whose effective date will be in the next fiscal year

Resolution	Type of share	Source of dividends	Cash dividends paid (Millions of yen)	Dividends per share (Yen)	Entitlement date	Effective date
Ordinary general meeting of shareholders held on June 26, 2007	Common stock	Retained earnings	16,501	7,000	March 31, 2007	June 27, 2007
	Special class share	Retained earnings	0	7,000	March 31, 2007	June 27, 2007

## (Consolidated statements of cash flows)

For the six months ended September 30, 2006	For the six months ended September 30, 2007	For the year ended March 31, 2007
Cash and cash equivalents at the end of the period are reconciled to the account reported in the consolidated balance sheet as follows:	Cash and cash equivalents at the end of the period are reconciled to the account reported in the consolidated balance sheet as follows:	Cash and cash equivalents at the end of the period are reconciled to the account reported in the consolidated balance sheet as follows:
Millions of yen	Millions of yen	Millions of yen
Cash and deposits	Cash and deposits	Cash and deposits
191,414	231,069	194,278
Time deposits pledged	Time deposits for more than three months and others	Time deposits for more than three months and others
(10,640)	(2,220)	(16,827)
Time deposits for more than three months and others	Marketable securities (commercial paper)	Marketable securities (commercial paper)
(575)	16,682	6,893
Marketable securities (commercial paper, others)	Marketable securities (MMF)	Marketable securities (MMF, others)
53,136	2,074	2,074
Other current assets (short-term bonds with repurchase agreements, othes)	Marketable securities (certificate of deposit)	Other current assets (short-term bonds with repurchase agreements, others)
1,999	1,000	2,997
Cash and cash equivalents	Other current assets (short-term bonds with repurchase agreements)	Cash and cash equivalents
235,335	3,496	189,416
	Cash and cash equivalents	
	252,103	

(Segment information)

1. Business segment information

For the six months ended September 30, 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.

For the six months ended September 30, 2007

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.

For the year ended March 31, 2007

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.

## 2. Geographical segment information

For the six months ended September 30, 2006

(Millions of yen)

	Japan	Asia - Oceania	NIS	Middle East - Africa	Americas	Total	Eliminations and other	Consolidated
Net sales and operating income								
Net sales								
(1) Sales to third parties	33,559	196,631	62,496	208,158	—	500,847	—	500,847
(2) Intercompany sales and transfers between segments	—	—	—	—	—	—	—	—
Total	33,559	196,631	62,496	208,158	—	500,847	—	500,847
Operating expenses	25,725	73,239	38,853	61,045	274	199,138	3,251	202,390
Operating income (loss)	7,834	123,391	23,643	147,113	(274)	301,708	(3,251)	298,457

- Notes:
- Countries and areas are segmented based on their geographic proximity and their mutual operational relationships.
  - Major countries and areas that belong to segments other than Japan are as follows:
    - Asia - Oceania·····Indonesia, Australia, East Timor, Vietnam
    - NIS·····Azerbaijan, Kazakhstan
    - Middle East - Africa···UAE, D.R. Congo, Iran, Libya, Egypt, Algeria
    - Americas·····Venezuela, Ecuador, USA
  - Unallocated operating expenses included in “Eliminations and other” of ¥4,776 million under the operating expenses are mainly amortization of goodwill and general administrative expenses.

For the six months ended September 30, 2007

(Millions of yen)

	Japan	Asia - Oceania	NIS	Middle East - Africa	Americas	Total	Eliminations and other	Consolidated
Net sales and operating income								
Net sales								
(1) Sales to third parties	41,823	203,726	81,384	223,073	4,165	554,173	—	554,173
(2) Intercompany sales and transfers between segments	—	—	—	—	—	—	—	—
Total	41,823	203,726	81,384	223,073	4,165	554,173	—	554,173
Operating expenses	29,593	80,006	45,893	67,269	2,265	225,028	3,178	228,206
Operating income	12,230	123,720	35,490	155,804	1,899	329,145	(3,178)	325,966

- Notes:
- Countries and areas are segmented based on their geographic proximity and their mutual operational relationships.
  - Major countries and areas that belong to segments other than Japan are as follows:
    - Asia - Oceania·····Indonesia, Australia, East Timor, Vietnam
    - NIS·····Azerbaijan, Kazakhstan
    - Middle East - Africa···UAE, D.R. Congo, Iran, Libya, Egypt, Algeria
    - Americas·····Venezuela, Ecuador, USA
  - Unallocated operating expenses included in “Eliminations and other” of ¥4,758 million under the operating expenses are mainly amortization of goodwill and general administrative expenses.



For the year ended March 31, 2007 (April 1, 2006 through March 31, 2007)

(Millions of yen)

	Japan	Asia - Oceania	NIS	Middle East - Africa	Americas	Total	Eliminations and other	Consolidated
Net sales and operating income								
Net sales								
(1) Sales to third parties	77,322	387,542	118,617	386,009	220	969,712	—	969,712
(2) Intercompany sales and transfers between segments	0	—	—	—	—	0	(0)	—
Total	77,322	387,542	118,617	386,009	220	969,713	(0)	969,712
Operating expenses	54,306	145,637	82,995	119,282	1,659	403,882	6,753	410,635
Operating income (loss)	23,016	241,905	35,621	266,726	(1,438)	565,831	(6,753)	559,077

- Notes:
1. Countries and areas are segmented based on their geographic proximity and their mutual operational relationships.
  2. Major countries and areas that belong to segments other than Japan are as follows:
    - (1) Asia - Oceania·····Indonesia, Australia, East Timor, Vietnam
    - (2) NIS·····Azerbaijan, Kazakhstan
    - (3) Middle East - Africa···UAE, D.R. Congo, Iran, Libya, Egypt, Algeria
    - (4) Americas·····Venezuela, Ecuador, USA
  3. Unallocated operating expenses included in "Eliminations and other" of ¥9,793 million under the operating expenses are mainly amortization of goodwill and general administrative expenses.

### 3. Overseas sales

For the six months ended September 30, 2006

	Asia - Oceania	Other	Total
I. Overseas sales (Millions of yen)	163,939	22,783	186,722
II. Consolidated sales (Millions of yen)			500,847
III. Overseas sales as a percentage of consolidated sales (%)	32.7	4.6	37.3

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

For the six months ended September 30, 2007

	Asia - Oceania	Other	Total
I. Overseas sales (Millions of yen)	176,817	41,814	218,632
II. Consolidated sales (Millions of yen)			554,173
III. Overseas sales as a percentage of consolidated sales (%)	31.9	7.6	39.5

- Notes:
- Countries and areas are segmented based on their geographic proximity.
  - Major countries and areas that belong to segments other than Japan are as follows:
    - Asia-Oceania.....South Korea, Taiwan, Indonesia, Singapore, Thailand, China, Philippines, Australia, India
    - Other.....USA, Italy, Chile
  - Overseas sales consist of export sales of the Company and its domestic consolidated companies and sales (other than exports to Japan) of its foreign consolidated subsidiaries. Overseas sales are totaled up based on final destination.

For the year ended March 31, 2007

	Asia - Oceania	Other	Total
I. Overseas sales (Millions of yen)	319,548	53,556	373,104
II. Consolidated sales (Millions of yen)			969,712
III. Overseas sales as a percentage of consolidated sales (%)	33.0	5.5	38.5

- Notes:
- Countries and areas are segmented based on their geographic proximity.
  - Major countries and areas that belong to segments other than Japan are as follows:
    - Asia-Oceania.....South Korea, Taiwan, Indonesia, Singapore, Thailand, China, Malaysia, Philippines, Australia
    - Other.....USA, Italy
  - Overseas sales consist of export sales of the Company and its domestic consolidated companies and sales (other than exports to Japan) of its foreign consolidated subsidiaries. Overseas sales are totaled up based on final destination.

(Per share information)

For the six months ended September 30, 2006	For the six months ended September 30, 2007	For the year ended March 31, 2007
Net assets excluding minority interests per share ¥383,912.77	Net assets excluding minority interests per share ¥466,950.22	Net assets excluding minority interests per share ¥436,467.92
Net income per share ¥27,647.74	Net income per share ¥34,385.24	Net income per share ¥70,423.45

Notes: 1. Diluted net income per share is not presented because there are no dilutive potential of shares of common stock.  
2. Net income per share is calculated based on the following:

	For the six months ended September 30, 2006	For the six months ended September 30, 2007	For the year ended March 31, 2007
Net income (Millions of yen)	64,674	81,045	165,091
Amount not attributable to common stockholders (Millions of yen)	—	—	—
Net income attributable to common stockholders (Millions of yen)	64,674	81,045	165,091
Average number of shares (shares)	2,339,237	2,356,997	2,344,269
Common stock	2,339,236	2,356,996	2,344,268
Common stock equivalent share; Special class share	1	1	1

Note: Since a 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.

(Significant subsequent events)

For the six months ended September 30, 2006	For the six months ended September 30, 2007	For the year ended March 31, 2007
<p>1. Transfer of interest by INPEX Browse, Ltd. INPEX Browse, Ltd., a consolidated subsidiary of the Company, transferred on August 28, 2006 its 24% of participating interest in WA-285-P in the State of Western Australia in the Commonwealth of Australia in which INPEX Browse, Ltd. is pursuing exploration activities (100% participating interest), to TOTAL E&amp;P Australia. This transfer of the participating interest has become effective on November 24, 2006 upon the approval of the Australian government. As a result of this transfer of the participating interest, the ordinary income and income before income taxes and minority interests for the year ending March 31, 2007 are estimated to increase by ¥33.0 billion.</p> <p>2. Transfer of interest on Azadegan oil field in the Islamic Republic of Iran After September 30, 2006, Azadegan Petroleum Development, Ltd., a consolidated subsidiary of the Company, which holds 75% participating interest in Azadegan oil field has agreed with National Iranian Oil Company (NIOC, oil company run by the Iranian government) and Naftiran Intertrade Co., Ltd. (NICO, subsidiary of NIOC) on the following basic terms and conditions and in process of discussion for further details:</p> <p>(1) Azadegan Petroleum Development, Ltd. and NICO continue to contribute to the development of the Azadegan oil field as contractors based on the service contract (buyback contract).</p> <p>(2) Azadegan Petroleum Development, Ltd. will hold 10% of participating interest, and transfer the rest of its participating interest (65%) to NICO.</p> <p>(3) NICO becomes a operator based on the change of the participating interest share. This transfer would not have significant impact on the consolidated statement of income for the year ending March 31, 2007.</p>	<p>No relevant matters</p>	<p>No relevant matters</p>

(Omissions of disclosure)

With respect to information for leases, securities, derivatives and business integration, respective disclosure has been omitted because it does not have significant impact on the consolidated financial statements.

**5 Non-consolidated financial statements**

(1) Non-consolidated balance sheets

(Millions of yen, %)

Accounts	As of September 30, 2006		As of September 30, 2007 (A)		Fluctuation (A)-(B)	Condensed balance sheet as of March 31, 2007 (B)	
	Amounts	Ratio	Amounts	Ratio		Amounts	Ratio
(Assets)							
I Current assets							
1 Cash and deposits	452		2,141		(13,730)	15,871	
2 Marketable securities	—		9,987		8,991	995	
3 Other	5		1,513		(4,535)	6,049	
Total current assets	458	0.1	13,642	1.7	(9,274)	22,917	2.8
II Fixed assets							
1 Tangible fixed assets	—	—	105	0.0	83	22	0.0
2 Intangible assets	—	—	824	0.1	312	511	0.1
3 Investments and other assets							
(1) Investment securities	—		3,972		(989)	4,962	
(2) Investments in stock of subsidiaries and affiliates	793,906		793,906		—	793,906	
(3) Other	491		466		0	466	
Total investments and other assets	794,397	99.9	798,345	98.2	(989)	799,335	97.1
Total fixed assets	794,397	99.9	799,275	98.3	(593)	799,868	97.2
Total assets	794,855	100.0	812,918	100.0	(9,868)	822,786	100.0

(Millions of yen, %)

Accounts	As of September 30, 2006		As of September 30, 2007 (A)		Fluctuation (A)-(B)	Condensed balance sheet as of March 31, 2007 (B)	
	Amounts	Ratio	Amounts	Ratio		Amounts	Ratio
(Liabilities)							
I Current liabilities							
1 Short-term loans	2,400		—		—	—	
2 Accrued bonuses to officers	27		55		(54)	110	
3 Other	251		383		(17)	401	
Total current liabilities	2,679	0.3	439	0.1	(71)	511	0.1
II Long-term liabilities							
1 Accrued retirement benefits to officers	59		163		45	117	
2 Other	—		3		0	2	
Total long-term liabilities	59	0.0	166	0.0	45	120	0.0
Total liabilities	2,738	0.3	606	0.1	(26)	632	0.1
(Net assets)							
I Shareholders' equity							
1 Common stock	30,000	3.8	30,000	3.7	—	30,000	3.6
2 Capital surplus							
(1) Capital reserve	762,992		762,992		—	762,992	
(2) Other capital surplus	—		1		1	—	
Total capital surplus	762,992	96.0	762,993	93.8	1	762,992	92.7
3 Retained earnings							
(1) Other retained earnings							
Unappropriated retained earnings	(71)		21,112		(9,152)	30,265	
Total retained earnings	(71)	(0.0)	21,112	2.6	(9,152)	30,265	3.7
4 Treasury stock	(803)	(0.1)	(1,798)	(0.2)	(690)	(1,108)	(0.1)
Total shareholders' equity	792,117	99.7	812,307	99.9	(9,841)	822,149	99.9
II Valuation, translation adjustments and others							
1 Unrealized holding gain on securities	—		3		(0)	4	
Total valuation, translation adjustments and others	—	—	3	0.0	(0)	4	0.0
Total net assets	792,117	99.7	812,311	99.9	(9,842)	822,153	99.9
Total liabilities and net assets	794,855	100.0	812,918	100.0	(9,868)	822,786	100.0

## (2) Non-consolidated statements of operations

(Millions of yen, %)

Accounts	For the six months ended September 30, 2006 (A)		For the six months ended September 30, 2007 (B)		Fluctuation (B) - (A)	Condensed statement of income for the year ended March 31, 2007				
	Amounts	Ratio	Amounts	Ratio		Amounts	Amounts	Ratio		
I Operating revenues		1,194	100.0		8,593	100.0	7,399		32,801	100.0
II General and administrative expenses		944	79.1		1,223	14.2	279		2,157	6.6
Operating income		249	20.9		7,370	85.8	7,120		30,643	93.4
III Other income		0	0.0		66	0.7	66		47	0.2
IV Other expenses		255	21.4		1	0.0	(254)		258	0.8
Ordinary income (loss)		(5)	(0.5)		7,435	86.5	7,441		30,432	92.8
Income (loss) before income taxes		(5)	(0.5)		7,435	86.5	7,441		30,432	92.8
Income taxes-current	40			76				132		
Income taxes-deferred	(28)	12	(1.0)	10	87	1.0	74	(26)	106	0.3
Net income (loss)		(18)	(1.5)		7,348	85.5	7,366		30,326	92.5



## (3) Non-consolidated statements of changes in net assets

For the six months ended September 30, 2006

(Millions of yen)

	Shareholders' equity					Total net assets	
	Common stock	Capital surplus		Retained earnings	Treasury stock		Total shareholders' equity
		Capital reserve	Other retained earnings				
			Unappropriated retained earnings				
Balance at end of prior fiscal year	—	—	—	—	—	—	
Changes during the period							
Establishment of the Company through the stock transfer	30,000	762,992			792,992	792,992	
Net loss			(18)		(18)	(18)	
Purchase of treasury stock				(1,338)	(1,338)	(1,338)	
Disposal of treasury stock			(53)	534	481	481	
Total changes during the period	30,000	762,992	(71)	(803)	792,117	792,117	
Balance at September 30, 2006	30,000	762,992	(71)	(803)	792,117	792,117	

For the six months ended September 30, 2007

(Millions of yen)

	Shareholders' equity						Valuation, translation adjustments and others	Total net assets	
	Common stock	Capital surplus			Retained earnings	Treasury stock	Total shareholders' equity		Unrealized holding gain (loss) on securities
		Capital reserve	Other capital surplus	Total capital reserve	Other retained earnings				
					Unappropriated retained earnings				
Balance as of March 31, 2007	30,000	762,992	—	762,992	30,265	(1,108)	822,149	4	822,153
Changes during the period									
Dividends from retained earnings					(16,501)		(16,501)		(16,501)
Net income					7,348		7,348		7,348
Purchase of treasury stock						(719)	(719)		(719)
Disposal of treasury stock			1	1		28	29		29
Other changes in items other than those in shareholders' equity (net)								(0)	(0)
Total changes during the period	—	—	1	1	(9,152)	(690)	(9,841)	(0)	(9,842)
Balance as of September 30, 2007	30,000	762,992	1	762,993	21,112	(1,798)	812,307	3	812,311

For the year ended March 31, 2007

(Millions of yen)

	Shareholders' equity					Valuation, translation adjustments and others	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized holding gain on securities	
		Capital reserve	Other retained earnings Unappropriated retained earnings				
Balance at end of prior fiscal year	—	—	—	—	—	—	—
Changes during the period							
Establishment of the Company through the stock transfer	30,000	762,992			792,992		792,992
Net income			30,326		30,326		30,326
Purchase of treasury stock				(1,724)	(1,724)		(1,724)
Disposal of treasury stock			(61)	616	555		555
Other changes in items other than those in shareholders' equity (net)						4	4
Total changes during the period	30,000	762,992	30,265	(1,108)	822,149	4	822,153
Balance as of March 31, 2007	30,000	762,992	30,265	(1,108)	822,149	4	822,153

## 6 Others

### (1) Production, orders received and sales performance

#### 1) Actual production

The following table shows actual production by business segment during each period:

Business segment	Category	For the six months ended September 30, 2006	For the six months ended September 30, 2007	(Reference) For the year ended March 31, 2007
Crude oil and natural gas	Crude oil	43 MMbbls (237 Mbbls per day)	45 MMbbls (248 Mbbls per day)	89 MMbbls (243 Mbbls per day)
	Natural gas	182 Bcf (997 MMcf per day)	201 Bcf (1,099 MMcf per day)	384 Bcf (1,051 MMcf per day)
	Subtotal	74 MMboe (403 Mboe per day)	79 MMboe (431 Mboe per day)	152 MMboe (418 Mboe per day)
	Petroleum products	133 Mkl (836 Mbbls)	112 Mkl (707 Mbbls)	243 Mkl (1,531 Mbbls)
	Iodine	257 tons	229 tons	534 tons
	Electric power generation	— millions kWh	55 millions kWh	— millions kWh

- Notes:
1. The volume of LPG produced overseas is included in 'Crude oil.' On the other hand, the amount of LPG produced in the domestic refinery is included in 'Petroleum Products.'
  2. A portion of crude oil production volume is consumed as material for petroleum products.
  3. A portion of crude oil and natural gas production volume is consumed as fuel to generate electricity.
  4. The production by the Company's affiliates accounted for by the equity method is included in the figures above. Also the production volume is a result for the six months ended September 30 (for the year ended March 31, 2007) regardless of a closing date on the basis of fiscal periods of its subsidiaries or affiliates.
  5. The production volume of crude oil and natural gas under the production sharing contracts entered by INPEX Holdings Group corresponds to the net economic take of our group.  
Figures calculated by multiplying the gross production volume by our company's interest share are 54 MMbbls (297 Mbbls per day) of crude oil, 340 Bcf (1,857 MMcf per day) of natural gas, and in total 111 MMboe (607 Mboe per day).
  6. Boe means barrels of oil equivalent.
  7. The volume of petroleum products is converted to bbl in parenthesis. Applied coefficient is 6.29 bbls per kl.
  8. Iodine is refined on consignment by another company.
  9. Figures are rounded to nearest whole number.

#### 2) Orders received

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

3) Actual sales

- a) In principle, we take back the full amount of crude oil allocated to us under production sharing contracts and produced under concession agreements, and primarily sell it to Japanese refineries. We sell natural gas produced in Indonesia in the form of LNG to Japanese power companies and city gas companies through PERTAMINA and also sell a part to customers in South Korea, Taiwan and other countries. In addition, we sell natural gas produced in Japan to customers using our pipeline.
- b) Sales by business segment during each period were as follows:

(Millions of yen)

Business segment	Category	For the six months ended September 30, 2006		For the six months ended September 30, 2007		(Reference) For the year ended March 31, 2007	
		Crude oil and natural gas	Crude Oil	41,054 Mbbls	316,751	42,971 Mbbls	357,715
Natural Gas	179,724 MMcf		170,279	202,083 MMcf	183,560	366,080 MMcf	332,937
	LPG: 718 Mbbls			LPG: 755 Mbbls		LPG: 1,351 Mbbls	
Others	12,894		11,939		25,782		
Subtotal	499,925		553,215		966,119		
Other	921		958		3,593		
Total		500,847		554,173		969,712	

- Notes: 1. The above amounts do not include the related consumption tax.
2. The Company's subsidiaries of which closing date for fiscal year is December 31 are principally consolidated their operating results for the six months ended June 30, 2007 except those subsidiaries prepared their financial statement for consolidation purpose as of the consolidation closing date. However, the significant effects of the difference in fiscal periods were properly adjusted in consolidation.
3. Sales volumes are rounded to nearest whole number.
4. Sales for major customers and sales as a percentage of total net sales are as follows:

Customers	For the six months ended September 30, 2006		For the six months ended September 30, 2007		For the year ended March 31, 2007	
	Amount (Millions of yen)	Ratio (%)	Amounts (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Ratio (%)
PERTAMINA	146,695	29.3	145,559	26.3	276,121	28.5
JAPAN ENERGY CORPORATION	—	—	56,834	10.3	—	—

## (2) Consolidated Statements of Income of INPEX CORPORATION (Condensed)

(Millions of yen)

Accounts	For the six months ended September 30, 2006	For the six months ended September 30, 2007	Fluctuation (B)-(A)
	(A)	(B)	(B)-(A)
	Amounts	Amounts	Amounts
I Net sales	457,769	498,422	40,652
II Cost of sales	152,490	171,221	18,731
Gross profit	305,279	327,200	21,921
III Exploration expenses	9,126	3,888	(5,237)
IV Selling, general and administrative expenses	9,047	15,354	6,307
Operating income	287,106	307,957	20,851
V Other income	11,370	16,176	4,805
1 Interest income	5,847	5,490	(356)
2 Equity in earnings of affiliates	603	493	(110)
3 Net gain on re-determination of unitized field	—	3,849	3,849
4 Foreign exchange gain	1,418	4,788	3,370
5 Other	3,500	1,554	(1,946)
VI Other expenses	12,691	17,691	4,999
1 Interest expense	5,485	5,432	(52)
2 Provision for allowance for recoverable accounts under production sharing	1,510	6,697	5,187
3 Other	5,695	5,561	(134)
Ordinary income	285,784	306,441	20,657
Income before income taxes and minority interests	285,784	306,441	20,657
Income taxes-current	223,442	228,824	5,382
Income taxes-deferred	(8,467)	(4,060)	4,407
Minority interests	5,673	7,407	1,733
Net income	65,137	74,270	9,133

## (3) Consolidated Statements of Income of Teikoku Oil Co., Ltd. (Condensed)

(Millions of yen)

Accounts	For the six months ended September 30, 2006 (A)	For the six months ended September 30, 2007 (B)	Fluctuation (B)-(A)
	Amounts	Amounts	Amounts
I Net sales	53,435	75,454	22,018
II Cost of sales	28,176	38,140	9,963
Gross profit	25,259	37,314	12,055
III Exploration expenses	239	4,427	4,187
IV Selling, general and administrative expenses	10,456	11,633	1,177
Operating income	14,563	21,252	6,689
V Other income	2,497	6,444	3,947
1 Interest income	234	378	143
2 Equity in earnings of affiliates	174	593	419
3 Net gain on taking effect of exploration and production agreement	—	3,549	3,549
4 Foreign exchange gain	54	—	(54)
5 Other	2,032	1,923	(109)
VI Other expenses	3,378	2,095	(1,282)
1 Interest expense	420	495	75
2 Provision for allowance for recoverable accounts under production sharing	289	830	541
3 Foreign exchange loss	—	227	227
4 Other	2,668	542	(2,125)
Ordinary income	13,681	25,602	11,920
Income before income taxes and minority interests	13,681	25,602	11,920
Income taxes-current	8,868	10,055	1,187
Income taxes-deferred	(231)	(493)	(262)
Minority interests	162	1,271	1,108
Net income	4,882	14,768	9,886