INPEX


2005

INPEX CORPORATION

Annual Report 2005

Year ended March 31, 2005


Profile

We are the leading upstream oil and gas company in Japan, engaged for almost the past four decades in the exploration, development and production of crude oil and natural gas outside Japan. Since our foundation in 1966, we have steadily and actively engaged in exploration and development in many promising regions around the world: Indonesia and Australia, as our core areas, as well as the Caspian Sea, the Middle East and South America. Based on production and reserve amounts, we are the largest upstream oil and gas company in Japan. As of March 31, 2005, our total net proved reserves based on the SEC standard were approximately 1,545 MMboe, and for the fiscal year ended March 31, 2005 our net production was 330 Mboe per day.

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FORWARD-LOOKING STATEMENTS:

This annual report includes forward-looking information that reflects the Company's plans and expectations. Such forward-looking information is based on the current assumptions and beliefs of the Company in light of the information currently available to it, and involves known and unknown risks, uncertainties, and other factors. Such risks, uncertainties and other factors may cause the Company's actual results, performance, achievements or financial position to be materially different from any future results, performance, achievements or financial position expressed or implied by such forward-looking information. Such risks and uncertainties include, without limitations, fluctuations in the following:

- the price of and demand for crude oil and natural gas;
- exchange rates; and
- the costs associated with exploration, development, production and other related expenses.

The Company undertakes no obligation to publicly update or revise any information in this annual report (including forward-looking information).

Financial Highlights

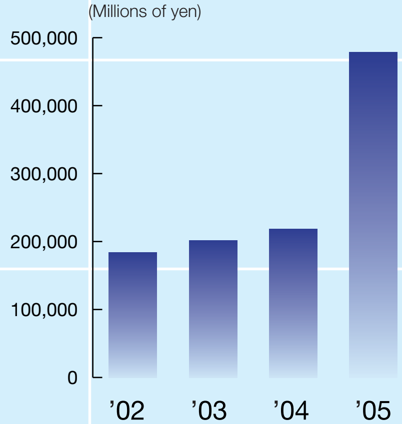
INPEX CORPORATION and Subsidiaries
For the years ended March 31, 2002, 2003, 2004 and 2005

Years ended March 31,	2002	2003	2004	Millions of yen 2005	Thousands of U.S. dollars[3] 2005
Net sales	¥ 184,204	¥ 201,533	¥218,831	**¥478,587**	**$4,455,703**
Operating income	97,049	97,270	93,876	**268,663**	**2,501,285**
Net income	27,606	27,912	34,782	**76,494**	**712,168**
Cash flows from operating activities	51,827	51,282	44,464	**131,207**	**1,221,553**
Total assets (at period end)	287,649	338,747	525,298	**779,228**	**7,254,706**
Long-term debt (at period end)	31,024	46,865	169,307	**175,604**	**1,634,894**
Net debt (at period end) [1]	(104,900)	(109,691)	42,297	**(52,482)**	**(488,614)**
Shareholders' equity (at period end)	230,825	253,570	278,114	**411,296**	**3,829,215**
				Yen	U.S. dollars[3]
Net income per share	¥46,852.92	¥47,178.51	¥58,838.76	**¥40,255.92**	**$374.79**
Net income per share[2]	15,617.64	15,726.17	19,612.92	**–**	**–**
Cash dividends per share	10,000	10,000	10,000	**4,000**	**37.24**
Cash dividends per share[2]	3,333	3,333	3,333	**–**	**–**

Notes: (1) Net debt = Interest-bearing debt – Cash and cash equivalents – Restricted cash – Other debt securities with determinable market value
(2) We made a three-for-one stock split of our common stock effective May 18, 2004. The figures are the amounts after the stock split.
(3) The translations of yen amounts into U.S. dollar amounts have been made at the rate of ¥107.41=US$1.00, the approximate exchange rate on March 31, 2005

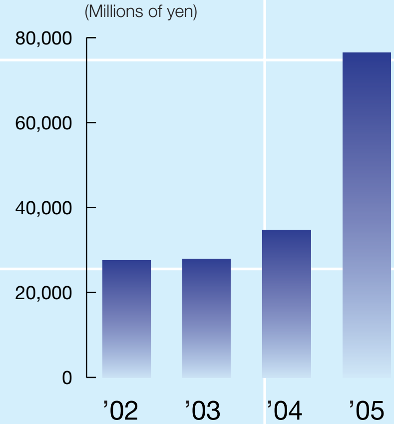
Net sales

(Millions of yen)



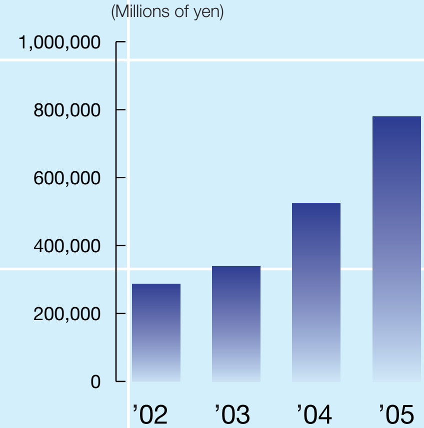
Net income

(Millions of yen)



Total assets

(Millions of yen)



Operating Highlights

INPEX CORPORATION and Subsidiaries
For the years ended March 31, 2002, 2003, 2004 and 2005

The following table sets forth the operating highlights of the INPEX Group (including our subsidiaries and equity method affiliates) for the years ended March 31, 2002, 2003, 2004 and 2005.

Year ended March 31,	2002	2003	2004	2005
Net proved reserves (end of period)[1]:				
Crude oil, Condensate and LPG (MMbbls)	199.9	166.4	359.5	**919.0**
Gas (Bcf)	3,555.2	3,367.4	3,703.5	**3,756.5**
Total (MMboe)	792	728	977	**1,545**
Net production[1]:				
Crude oil, Condensate and LPG (Mbbls/day)	61.0	52.0	59.8	**192.6**
Gas (Mcf/day)	652,109.6	704,630.1	814,547.9	**823,462.3**
Total (Mboe/day)	169.7	169.5	195.5	**329.8**
Average expenses per boe produced (US$)[2]:				
Production[3]	3.7	4.4	4.8	**7.0**
General and Administrative	0.6	0.7	0.7	**0.7**
Costs incurred (millions of yen)[4]:				
Acquisition	1,777	7,893	167,792	**52,124**
Exploration	12,383	18,030	25,296	**4,220**
Development	38,151	67,161	92,348	**113,406**
Total	52,311	93,084	285,436	**169,750**
Reserves to production ratio (Years):				
Proved reserves as of the end of the fiscal year / Production in the fiscal year	12.8	11.8	13.7	**12.8**
Proved reserves + Probable reserves, as of the fiscal year-end / Production in the fiscal year			35.3	**29.7**
Standardized measure of discounted future net cash flows (millions of yen)[1][5]:		498,225	615,827	**873,197**
Reserve replacement ratio (3-year average as %)[6]:			170	**397**
Finding and development cost per boe (3-year average in US$)[2][7]:			12.1	**4.9**
Net probable reserves (end of period)[1]:				
Crude oil, Condensate and LPG (MMbbls)			903.7	**1,510.9**
Gas (Bcf)			3,834.0	**3,085.3**
Total (MMboe)			1,542.7	**2,025.1**

Notes: (1) See "Reserves and Production"
(2) Converted into U.S. dollars using the average exchange rate for the respective fiscal year. ¥125.64, ¥121.10, ¥112.94 and ¥107.28=US$1.00 were the respective exchange rates for the years ended March 31, 2002, 2003, 2004 and 2005. Excluding our proportional interest of our equity method affiliates except JODCO's equity method affiliate.
(3) Operating expenses plus royalties due others.
(4) Excluding our proportional interest of our equity method affiliates except JODCO's equity method affiliate.
(5) Converted into U.S. dollars using respective exchange rates of ¥120.20, ¥105.63 and ¥107.41=US$1.00 as of the end of March 31, 2003, 2004 and 2005
(6) Reserve replacement ratio=Proved reserves increase including acquisition/Production
(7) The sum of total costs incurred, including our proportional interest of our equity method affiliates, for exploration and development of oil and gas fields and total costs incurred for acquisitions divided by the sum of proved reserve extensions, acquisitions and revisions.

A Message from Management

Naoki Kuroda President **Kunihiko Matsuo** Chairman

In opening, we would like to take this opportunity to thank all our shareholders and other investors for their understanding and support during the past year.

The mission of INPEX CORPORATION is to secure a stable and efficient supply of oil and natural gas for Japan, a nation poor in energy resources. INPEX was established in 1966 as a pioneering Japanese company to promote the development of oil resources in an international context. Over the course of our history, we have overcome many difficulties, and since 1970, we have discovered a number of large oil and gas fields in Indonesia. Thanks to the solid financial foundation secured through those discoveries, we have been diversifying the geographical scope of our activities in the midst of major shifts in the business environment surrounding oil—the two oil crises of the 1970s, the first Gulf War, and the collapse of the Soviet Union. As a result, we have steadily and actively engaged in exploration and development in many promising regions around the world: Indonesia and Australia, as our core areas, as well as the Caspian Sea, the Middle East and South America.

With respect to environmental issues, INPEX has been focusing more of its efforts on the development of natural gas, primarily because natural gas is increasingly recognized as a cleaner energy resource both at home and abroad. Illustrating this approach is the fact that we are now the largest supplier of natural gas to the Bontang LNG Plant in Indonesia, one of the largest facilities of its kind in the world. In that capacity, we are responsible for more than 25% of all the LNG exported to Japan from Indonesia, a major supplier of LNG to Japan. We are also involved in natural gas exports via pipeline from the West Natuna Sea in Indonesia to Singapore and Malaysia, and we are participating in two LNG projects: Bayu-Undan, located in the Timor Sea Joint Petroleum Development Area, and Tangguh in Indonesia. In addition to these gas exports, we supply natural gas to the domestic markets of Indonesia and Australia.

INPEX also focuses its efforts on the projects where we take an operatorship. As an operator with a 100% working interest, INPEX has succeeded in exploration activities in the Masela Block in Indonesia and WA-285-P in Australia and made promising discoveries of natural gas and condensate fields, Abadi and Ichthys respectively. In Iran, we are conducting appraisal and development operations as an operator in the Azadegan Oil Field. We have been building our experience and enhancing our capabilities as an operator through our engagement in these projects.

In partnership with prominent western oil companies, we have discovered crude oil in the Kashagan structure in the Caspian Sea, Kazakhstan. This structure is considered to have the great potential to be one of the leading super giant oil fields in the world. In Azerbaijan, we acquired working interests in the ACG (Azeri, Chirag and Gunashli) Oil Fields in the Caspian Sea, which is greatly expanding the scale of production and furthermore, we are participating in the BTC (Baku-Tbilisi-Ceyhan) Oil Pipeline Project, which will serve as the main link in securing a shipping route for the crude oil to be produced in this region. Through those involvements, INPEX is actively working to strengthen its position throughout the Caspian Sea. In February 2004, we entered into a service contract as an operator with a 75% working interest for the integrated appraisal and development operations of the giant Azadegan Oil Field in the Islamic Republic of Iran. Then in May 2004, INPEX acquired all the shares in Japan Oil Development Co., Ltd., which holds working interests and is involved in the development of large oil fields offshore Abu Dhabi, the United Arab Emirates. These steps have resulted in a larger and more balanced asset portfolio.

As projected by the Agency for Natural Resources and Energy in its Outlook for Domestic and World Energy Demand/Supply, we believe oil and gas will continue to serve as the dominant energy sources in the 21st century. It is also forecasted that the need to secure a stable supply, especially to Asia, will become more acute on account of this area's remarkable rise in demand, and accordingly, its rapid increase in dependency on Middle East sources.

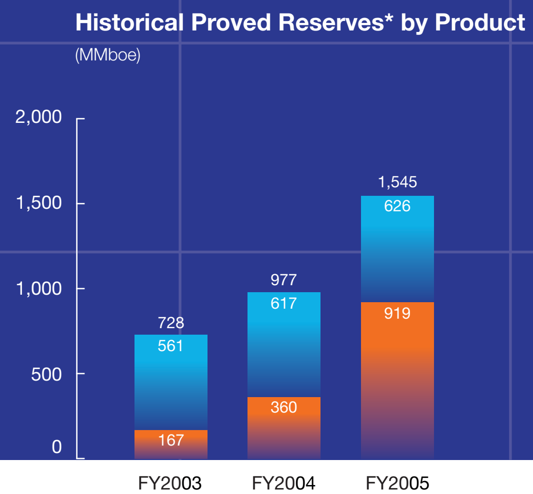
On November 17, 2004, INPEX listed on the First Section of the Tokyo Stock Exchange. As a designated national flag company with advantageous access to desirable projects through diplomacy of energy resources by the Japanese Government, INPEX is working to ensure the stable and efficient supply of energy to Japan. Our overarching goal is to maximize corporate value by conducting our operations in an efficient and highly transparent manner based on a long-range business strategy.

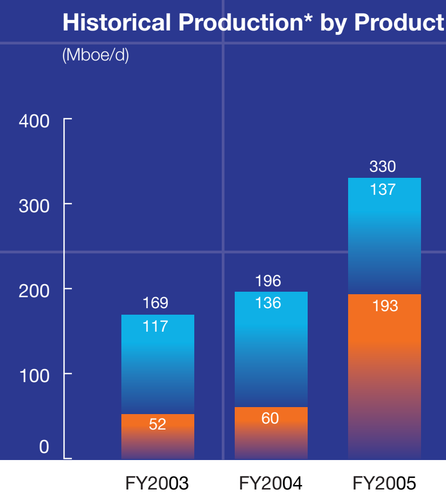
Naoki Kuroda President

K. Matsuo

Kunihiko Matsuo Chairman

The Ambition to ***Grow***





Oil/Condensate/LPG Natural Gas

Note:
* In accordance with SEC regulations. Proved reserve amounts as of the end of March 2003, 2004 and 2005 are based on the reserve report by DeGolyer and MacNaughton. Amounts attributable to the equity method affiliates are included.

[*Our* **Strengths**]

Large proved reserve base with interests in both mature fields and development projects with future potential.

Our extensive and geographically diverse proved reserves support our stable and growing production. Based on independent evaluation of proved reserves carried out in accordance with SEC regulations by DeGolyer and MacNaughton, independent petroleum engineering consultants, as of March 31, 2005, our proved reserves were verified at approximately 1,545 MMboe, 34% of which were proved undeveloped reserves. In addition, in accordance with Society of Petroleum Engineers (SPE) and World Petroleum Congress (WPC) standards, DeGolyer and MacNaughton verified that we had net probable reserves of approximately 2,025 MMboe as of March 31, 2005.

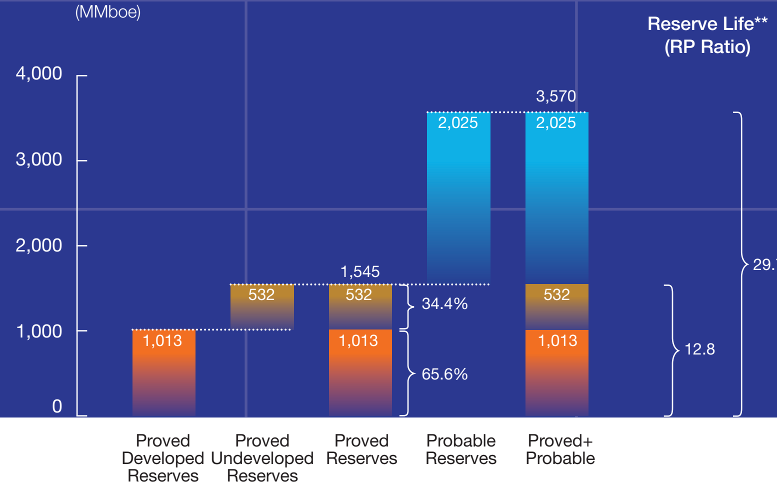
Our reserves consist of interests in a mix of mature legacy fields, such as the Offshore Mahakam Block in Indonesia and the Abu Dhabi Marine Concession area, and acquisitions, such as our interest in the ACG Oil Fields in the Caspian Sea. In addition, we are involved in a number of promising oil and gas development projects, including the North Caspian Sea Project in Kazakhstan, the Tangguh LNG Project in Indonesia and the Azadegan Oil Field in Iran. Our reserves are, in many cases, jointly developed and produced with leading global oil and gas companies including the “super major” and “major” oil and gas companies, as well as state-owned oil and gas companies.

Based on our net proved reserves as of March 31, 2005 and combined production amounts for the period from April 1, 2004 to March 31, 2005, we had a reserve-to-production ratio of approximately 13 years. Based on our net proved plus probable reserves as of March 31, 2005, that ratio would increase to 30 years.

High growth potential in medium- and long-term production through development of proved undeveloped and probable reserves.

In addition to current production projects, we expect to steadily increase our production volume over the medium- and long-term by developing promising projects with net proved undeveloped and probable reserves such as those below:

Upside Potential through Probable Reserves*



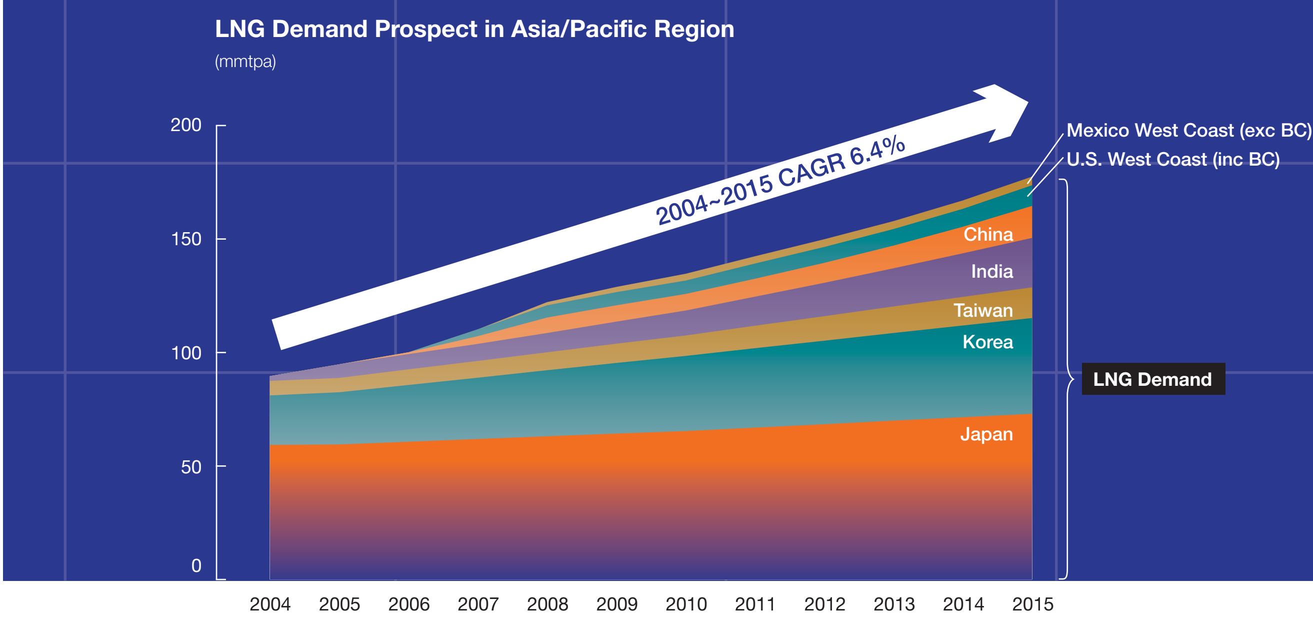
Notes:
* Probable reserve amount as of the end of March 2005 is based on the reserve report by DeGolyer and MacNaughton in accordance with SPE/WPC regulation. Amounts attributable to the equity method affiliates are included.
** Reserve Life = Proved (& Probable) Reserves as of the end of March 2005/Production in FY2005 (RP Ratio: Reserve Production Ratio).

- Phase 2 of the development of ACG Oil Fields is under way and with the start-up of the BTC Oil Pipeline, this project is expected to increase production in stages, aiming to reach a production level of 1 million barrels per day in 2009;
- Development of the Kashagan Oil Field in the Caspian Sea, which is scheduled to commence production in 2008;
- Development of the Belanak Field in the South Natuna Sea Block B, Indonesia, which commenced oil production in December 2004 with subsequent gas and LPG development plans expected in 2005 and 2006;
- Development of the Berau Block in Indonesia, which is scheduled to commence production of natural gas to be processed at the Tangguh LNG Plant in 2008; and
- Stage one of the developments of the Azadegan Oil Field in Iran where commencement of oil production is expected by 2008.

Strategic participation in gas projects that benefit from growing LNG demand in the Asia-Pacific region

We are strategically participating in the natural gas projects to benefit from increasing demand for LNG in the Asia-Pacific region, including Japan, South Korea, Taiwan, China and the west coast of the United States. LNG is becoming an increasingly important energy source for countries in this region because, compared with other energy alternatives, LNG is a cleaner source of primary energy. Our natural gas projects located in the Asia-Pacific region, include:

- Offshore Mahakam Block that supplies natural gas to the Bontang LNG Plant in East Kalimantan, Indonesia, which is one of the largest LNG plants in the world in terms of annual LNG production capacity. Our partners and we have been investing to expand natural gas production in Mahakam and the surrounding fields in order to capitalize on the increasing demand for LNG in the Asia-Pacific region;
- The joint development of the Bayu-Undan Field in the Timor Sea Joint Petroleum Development Area and the related construction of LNG plants and undersea pipeline, which is scheduled to commence LNG production in 2006;

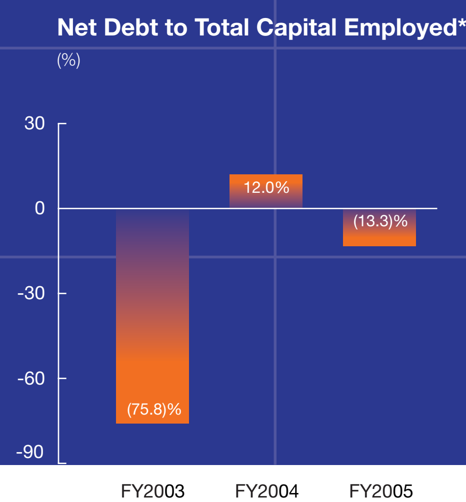


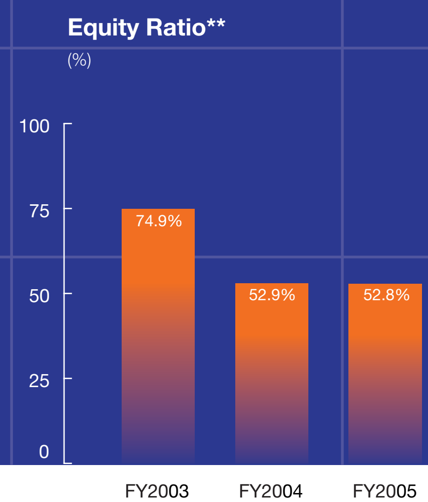
Source: Wood Mackenzie

- The joint development of the gas fields in the Berau-Bintuni Bay region of Papua, Indonesia and our investment in the Tangguh LNG Project in Indonesia, which is scheduled to start LNG production from 2008.
- The promising gas and condensate discovery in the Masela Block (Abadi) in Indonesia and in the WA-285-P (Ichthys) in Western Australia, where we act as the operator. We are currently conducting feasibility and marketing studies for the commercial production of LNG or GTL (gas to liquid) and DME (dimethyl ether) as well as gas supply to the domestic market.

Successful track record of reserve expansion

Our recent acquisitions have focused on strategic, long-term development projects that will offset expected production declines in some of our mature producing assets. These acquisitions include an interest in the Berau Block, the principal block in the Tangguh LNG Project acquired in October 2001, an interest in the ACG Oil Fields in the offshore south Caspian Sea area of Azerbaijan acquired in April 2003, an interest in the Abu Dhabi Marine Concession area through the acquisition of all JODCO shares in May 2004, and our participation as an operator in the development of the Azadegan Oil Field in Iran from February 2004. As a result of these acquisitions and participation, our three-year average reserve replacement ratio for the year ended March 31, 2005 was 397%.





Notes:
* Net Debt/(Net Debt + Minority Interests + Shareholders' Equity)
Net Debt = Interest-bearing Debt – Cash and Cash Equivalents – Restricted Cash – Other Debt Securities with Determinable Market Value
** Equity Ratio = Shareholders' Equity/Total Assets

Sound financial base and access to additional capital resources

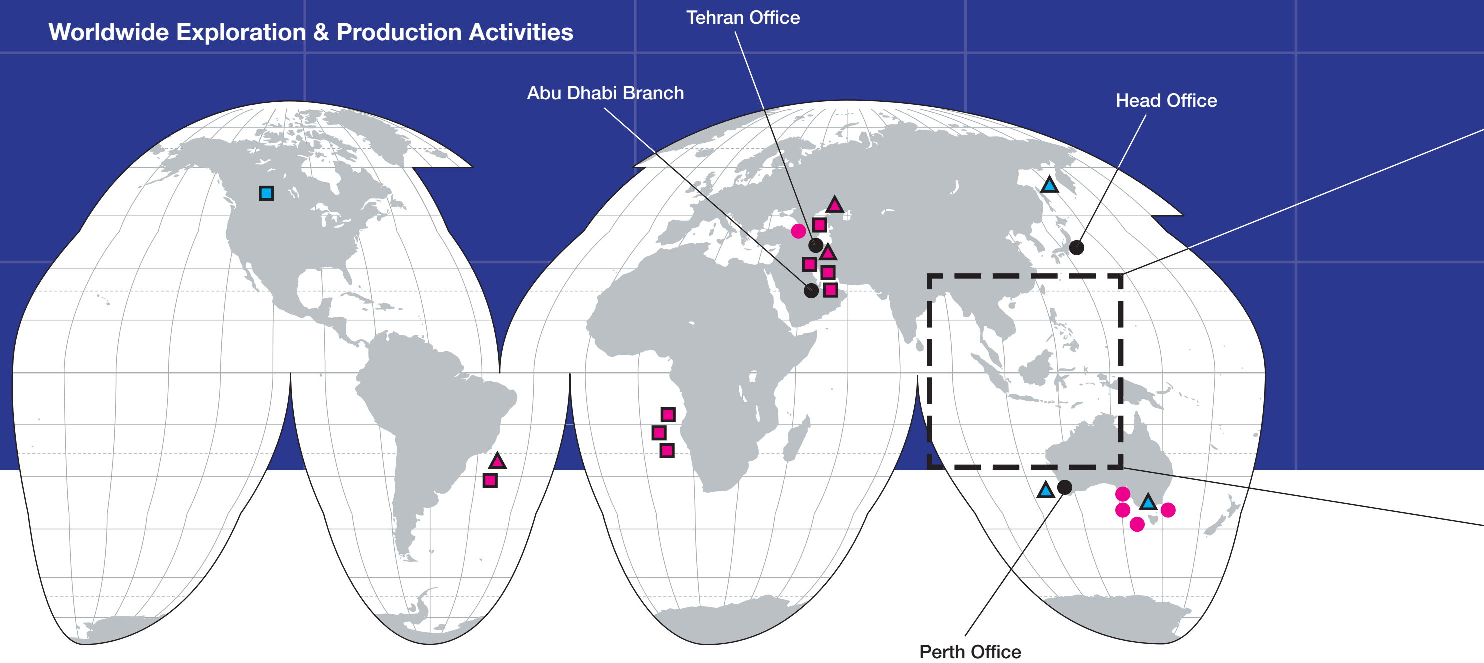
Our future growth and capital needs will be supported by our sound capital structure and our significant liquidity. We also expect to continue to have access to financial assistance from Japanese governmental agencies. Our financial strength is supported by the following:

- Our sound capital structure. We believe we have a strong financial position to fund the increasing future expenditures needed to support our sustainable growth. As of March 31, 2005, we had a net debt to total capital employed of minus 13.3%. Net debt is interest-bearing debt less cash and cash equivalents, restricted cash and other debt securities with determinable market value.
- Our significant liquidity. Our policy is to maintain sufficient cash at all times to enable us to make necessary and appropriate investments for existing and new crude oil and natural gas projects in a timely manner. As of March 31, 2005, we had ¥128.4 billion yen in cash and cash equivalents and ¥93.8 billion in other debt securities with determinable market value.

Taking advantage of our designation as the national flag company in the upstream oil and gas industry

As the national flag company designated by the Japanese government, we expect to benefit through diplomacy of energy resources by the Japanese government. Accordingly, we expect to have access to opportunities of new and promising exploration, development and production projects, that contribute to securing a stable and efficient supply of energy to Japan.

Worldwide Exploration & Production Activities



[*Our* ***Strategy***]

The basic strategy of our business is to secure the reserves of crude oil and natural gas, and to develop, produce and sell these resources in generating stable profits and sustaining the growth in corporate value.

Increase production through the development of our large existing reserves base

We are actively participating in major projects such as Kashagan, ACG, Azadegan and Tangguh and our proved undeveloped reserves give us the opportunity to achieve substantial production growth even without further discoveries of new reserves. Moreover, we have upside potential through probable reserves and we expect to expand our production volume and proved reserves considerably in the medium to long term by developing our existing reserve portfolio.

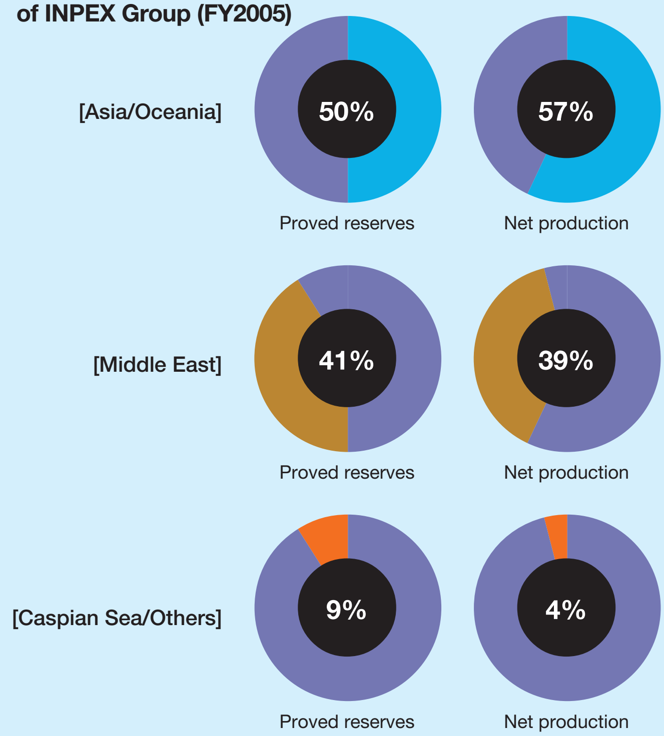
Leverage our historical working relationships with major international oil and gas companies to expand our operations worldwide

Through our long-term involvement in international projects, we have established positive working relationships with oil producing nations and leading oil and gas companies, including national oil companies in host countries. By capitalizing on these existing relationships, we pursue participation in new promising projects, helping us to capture long-term growth opportunities for our reserves and production levels.

Achieve well-balanced asset portfolio

We have been diversifying business opportunities in promising regions around the world and acquired high-quality assets, including ACG, Kashagan and JODCO's assets in the Abu Dhabi Marine Concession area. While focusing on Indonesia and Australia as our core area and continuing our active involvement in the Caspian Sea area and the Middle East, we are seeking to achieve further geographic diversification of our assets through participation in new projects in other areas such as Africa and South America in the near term, and Russia, particularly Far East and East Siberia in the medium and long term. In addition to regional diversification, we consider various factors to achieve a well-balanced portfolio such as balancing our products among oil and natural gas, balancing our assets among exploration, development and production stages, diversification of contractual arrangements comprising production sharing contracts, concession agreements and service contracts, and assuming oil and gas operatorships.

Distribution Chart of Proved Reserves and Net Production of INPEX Group (FY2005)



Enhance activities and capabilities as an operator

While we intend to continue acquiring attractive nonoperator working interests in selected projects, we are also pursuing opportunities to act as operator in order to have more control over our investments. We have gained operating expertise by working closely over the year with other leading international oil and gas companies. Furthermore, the acquisition of JODCO brings us valuable technical know-how and experienced staff in the fields of petroleum development and facility engineering. We are currently the operator of the Masela Block (Abadi) in Indonesia and the WA-285-P (Ichthys) in Australia as well as the Azadegan Oil Field in Iran. We are confident that we will be able to operate these projects appropriately and efficiently, and thereby expect that we will be able to strengthen our competitiveness in the acquisition of new promising projects around the world.

Capitalize on the growing demand for LNG in the Asia-Pacific region through the development of natural gas projects

Increasing demand for LNG in Japan, other countries in Asia and the West Coast of the United States provides us with a favorable environment to increase our natural gas production. In the Asia Pacific region, we have been participating in gas projects that can enjoy the benefits of the growing demand for LNG including Mahakam, Tangguh and Bayu-Undan, and are also engaged in Masela (Abadi) and WA-285-P (Ichthys) as an operator. We intend to leverage our experience and relationships in these projects to further extend our involvement in the globalization of the future LNG market.

Promote an efficient and transparent business culture that focuses on maximizing corporate value and return on investment

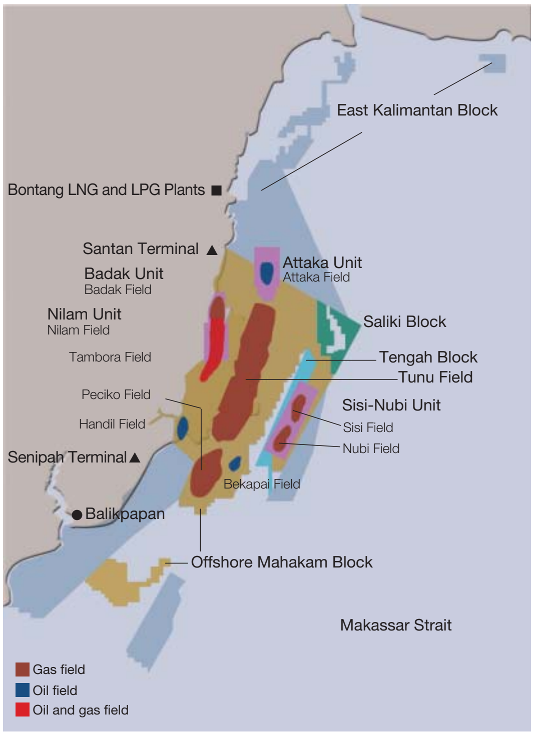
For the year ended March 31, 2005, our ROE was 22.2% and net ROACE was 20.2%. Both ROE and net ROACE surpassed 20% owing to a substantial increase in net income for FY2005. We continuously intend to improve our earning power and corporate value through the realization of returns on current development projects, continued focus on cost reductions and continuous portfolio review.

Global Business Activities

Indonesia

Indonesia represents one of our Core Areas and the foundation of INPEX's business activities. INPEX has conducted successful projects in offshore East Kalimantan, as well as in the Natuna Sea and in the offshore Java and Sumatra regions. We also have promising assets such as the Masela Block where natural gas and condensate have been discovered, and the Tangguh LNG Project, which is expected to become a new major LNG base in Indonesia.

Offshore Mahakam Block and Attaka Unit, East Kalimantan (INPEX CORPORATION)



In October 1966 we entered into a Production Sharing Contract (PSC) with the Indonesian government and acquired a 100% working interest. This contract covers operations in the Offshore Mahakam Block and Attaka Unit.

In April 1970, INPEX established the Attaka Unit with Unocal, each holding a 50% interest. Soon after, the Attaka Field was discovered, with production of crude oil and natural gas beginning in 1972. INPEX farmed out 50% of our working interest in the Offshore Mahakam Block to TOTAL in July 1970. This venture resulted in the successive discoveries of the Bekapai Field, Handil Field, Tambora Field, Tunu Field and Peciko Field, all of which are still producing crude oil and natural gas today.

Once produced, crude oil and condensate are shipped by tanker from the Santan and Senipah terminals mainly to refineries and power companies in Japan. Natural gas is mainly transported to the Bontang LNG and LPG Plants and then shipped to Japan and other countries.

In January 1991, the PSC was extended 20 years through 2017. With this extension, the related blocks will continue to play a central role in INPEX Group operations. INPEX together with the partner is working to obtain a further extension of the PSC beyond 2017.

Contract Area	Venture Company (est.)	Interest Owned
Offshore Mahakam	INPEX CORPORATION	INPEX 50%/TOTAL 50%
Attaka Unit	(February 21, 1966)	INPEX 50%/Unocal 50%

Contributing to the Supply of Natural Gas

In August 1977, construction of the first and second gas liquefaction trains in Bontang, East Kalimantan were completed, and then they began receiving supplies of natural gas produced in the East Kalimantan region. Rapidly increasing demand for LNG as a clean energy source has fueled growth at Bontang, which has become a world leading LNG production plant. This plant has eight trains with an annual production of approximately 21 million tons of LNG and approximately 1 million tons of LPG. INPEX is the largest supplier of natural gas to Bontang, fulfilling its key role as a supplier of clean energy resources.

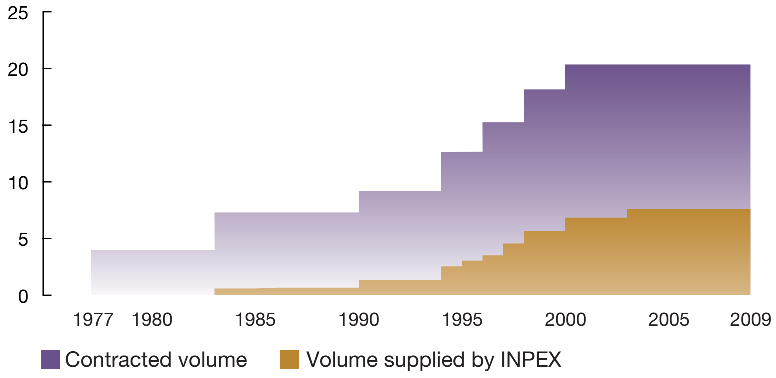
INPEX is also heavily involved in financing activities. The company is the largest investor in finance companies created for the purpose of securing construction capital for the liquefaction plants at Bontang.

The Offshore Mahakam Block has sufficient reserves for natural gas supply to the Bontang LNG Plant for the term of the current PSC.

Bontang LNG Plant, East Kalimantan

LNG Production Volume (Historical and Projected) at Bontang LNG Plant

(Units: million tons)



Handil Central Processing Area

South Natuna Sea Block B (INPEX Natuna, Ltd.)

In July 1977, we participated in the South Natuna Sea Block B, where the Udang Oil Field had already been discovered.

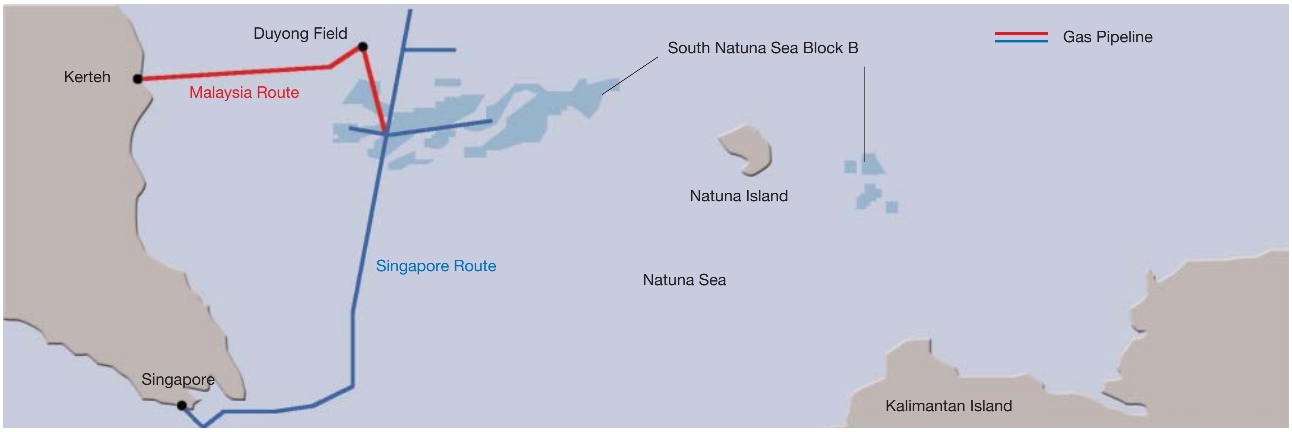
Subsequent to our participation in the block, several new fields were discovered in this block, including the Ikan Pari Field, the Belida Field and the Sembilang Field. All crude oil produced from these fields is shipped out from a sea terminal.

In January 1999, a sales agreement was concluded to deliver gas from this block and the neighboring Natuna Sea Block A and Kakap Block to Singapore, through the first Indonesian subsea pipeline connecting foreign markets. Supply began in 2001, and the following year saw new gas sales to Malaysia from this block. On the strength of these developments, the PSC for this block was extended through 2028.

Production of crude oil and condensate in the Belanak Field began in December 2004. The natural gas production from the field is scheduled to begin in 2005 and LPG production in 2006.

Belida A Platform, South Natuna Sea Block B

Contract Area	Venture Company (est.)	Interest Owned
South Natuna Sea Block B	INPEX Natuna, Ltd. (September 1, 1978)	INPEX Natuna 35%/ConocoPhillips 40%/ChevronTexaco 25%



Offshore Northwest Java Block (INPEX Jawa, Ltd.)

In October 1986, INPEX acquired a 7.5% working interest in the Offshore Northwest Java Block. Since starting production in the Ardjuna Field in 1971, we have sequentially discovered and developed new oil and gas structures, with production getting under way in the Arimbi Field in 1976 and the Northwest Corner Field and Bima Field in 1986.

The crude oil produced from the Ardjuna Field and others is shipped from a sea terminal, and the natural gas is supplied to PLN (Indonesian national power company) and PGN (Indonesian national gas company).

Contract Area	Venture Company (est.)	Interest Owned
Offshore Northwest Java	INPEX Jawa, Ltd. (November 10, 1986)	INPEX Jawa 7.25%/BP 46%/CNOOC 36.72%/three others 10.03%

Offshore Southeast Sumatra Block (INPEX Sumatra, Ltd.)

In October 1986, INPEX acquired an interest in the Offshore Southeast Sumatra Block at the same time as the acquisition of the Offshore Northwest Java Block interest.

Subsequent to INPEX's involvement, new discoveries were made at the Intan and Widuri fields in this block, both of which are currently producing oil. The crude oil produced from the block is shipped via sea terminal. In December 2004, project partners concluded the gas sales agreement with PLN to supply natural gas from 2006 to 2018. The natural gas will be produced mainly from gas fields in the Zelda and Banuwati areas and supplied to the Cilegon Power Plant of PLN in West Java by a subsea pipeline.

Contract Area	Venture Company (est.)	Interest Owned
Offshore Southeast Sumatra	INPEX Sumatra, Ltd. (February 15, 1991)	INPEX Sumatra 13.07%/CNOOC 65.54%/five others 21.39%

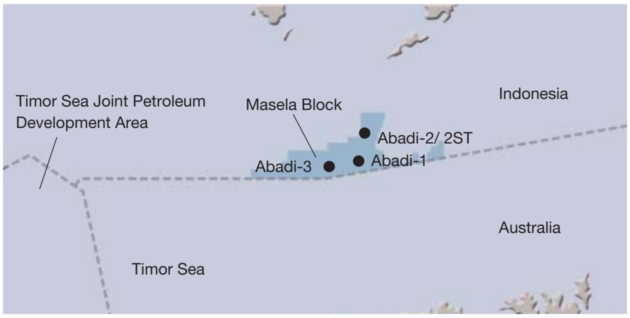
Abadi-1 DST, Masela Block

Masela Block, Timor Sea (INPEX Masela, Ltd.)

In November 1998, we won an open bid for and acquired a 100% working interest as an operator in the Masela Block in the Timor Sea.

In December 2000, INPEX discovered a large-scale gas structure, Abadi, by drilling an exploration well in the Masela Block. This represented the first discovery of natural gas in the Indonesian Timor Sea. In 2002, two appraisal wells delivered results that far exceeded expectations. Additional appraisal wells are planned to be drilled in 2006 to evaluate the reserves and we are presently engaged in preparing for development and future commercialization, including the development of LNG as well as new technologies in GTL and DME production.

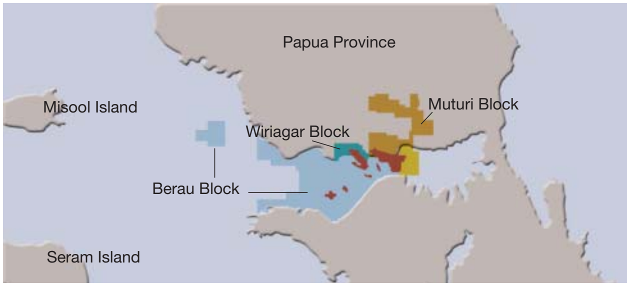
INPEX, working as a 100% operator in the WA-285-P (Ichthys), offshore Western Australia, discovered a considerable volume of gas and condensate reserves. We intend to evolve into a production operator through the commercialization of both of these blocks.



Contract Area	Venture Company (est.)	Interest Owned
Masela	INPEX Masela, Ltd. (December 2, 1998)	INPEX Masela 100%

Berau Block, Papua Province Tangguh LNG Project (MI Berau B.V.)

In October 2001, INPEX participated in the development of the Berau Block in Indonesia, a principal block in the Tangguh LNG Project through joint investment in MI Berau B.V. MI Berau holds a 16.3% working interest in the Tangguh Unit, an authorized area between the Berau Block, the adjoining Wiriagar Block, and the Muturi Block. Long-term sales agreements to supply LNG for China, Korea and North America have already been concluded and currently the Tangguh LNG Project partners are conducting drilling of production wells and construction of liquefaction plants for the start up of LNG production around 2008.



Contract Area	Venture Company (est.)	Interest Owned
Berau	MI Berau B.V. (August 14, 2001)	MI Berau B.V. 22.856%/BP 48%/Nippon Oil 17.144%/ Kanematsu 12.0%
(Tangguh Unit)		MI Berau B.V. 16.3%/BP 37.2%/CNOOC 12.5%/others 34%

Drilling Rig, Timor Sea

Expansion of Exploration Activities

INPEX is strategically strengthening exploration activities to further bolster our status in Indonesia, an INPEX Core Area. Our aggressive effort in line with this policy led to successful exploration in the Masela Block. In this region, we are also continuing to make efforts to increase new assets that lead directly to be commercialized.

Contract Area	Venture Company (est.)	Interest Owned
Saliki, Offshore East Kalimantan	INPEX Offshore Northeast Mahakam, Ltd. (June 11, 1997)	INPEX Offshore Northeast Mahakam 50%/ TOTAL 50%
East Kalimantan, Offshore East Kalimantan (producing block)	INPEX Offshore North Mahakam, Ltd. (November 6, 2002)	INPEX Offshore North Mahakam 7.5%/ Unocal 92.5%

Santan LPG Storage Facility

Australia and Joint Petroleum Development Area (JPDA)

Together with Indonesia, this region represents another INPEX Core Area. INPEX Alpha, Ltd. has been very active in this area, with successes in offshore Western Australia. Together with our involvement in the Bayu-Undan LNG Project in the Joint Petroleum Development Area (JPDA), we intend to increase our assets in this area, pursuing a policy of proactive exploration in the region. We have also succeeded in discovering promising natural gas and condensate fields, working as an operator in the WA-285-P, offshore Western Australia.

1. Projects in Australia

WA-10-L and others, Offshore Western Australia (INPEX Alpha, Ltd.)

In February 1989, INPEX acquired a working interest in the WA-210-P in offshore Western Australia. As a result of subsequent exploration activities, the Griffin fields were discovered, and a production license (WA-10-L) was granted by the Australian government for four blocks. Commercial production from these blocks started in January 1994. The crude oil produced is processed and stored at the Griffin Venture, a floating production storage unit, and then shipped for sale. Natural gas is also processed at the Griffin Venture and is transported through a 70 kilometer underwater pipeline which connects to the mainland's trunk pipeline.

Griffin Venture

In July 1994, INPEX acquired participating interests in the WA-155-P (Part II) and the WA-12-L and in July 1999, we acquired an interest in the WA-155-P (Part I). The Vincent and Ravensworth discoveries were made in this permit, with development and verification activities currently under way.

Contract Area	Venture Company (est.)	Interest Owned
WA-10-L	INPEX Alpha, Ltd. (February 17, 1989)	INPEX Alpha 20%/BHPBP 45%/ExxonMobil 35%
WA-155-P (Part I)		INPEX Alpha 28.5%/BHPBP 39.999%/Apache 31.501%
WA-155-P (Part II)		INPEX Alpha 18.67%/Apache 81.33%
WA-12-L		INPEX Alpha 18.67%/ExxonMobil 81.33%

Drilling Rig, WA-285-P

Expansion of Exploration Activities

INPEX Alpha, Ltd. has a total of eight projects in Australia, including four projects in offshore Western Australia and four projects in Victoria and Offshore Tasmania. These activities are part of our overall goal to increase our assets in Australia, one of the Core Areas for INPEX.

Region	Contract Area	Interest Owned
Bass Strait, Victoria	VIC/P42	INPEX Alpha 50%/Bass Strait Oil 50%
Offshore Portland, Victoria	VIC/P51	INPEX Alpha 20%/Santos 55%/Mitwell 25%
	VIC/P52	INPEX Alpha 33.33%/Santos 33.33%/Unocal 33.33%
Northwest Ocean, Tasmania	T/33P	INPEX Alpha 20%/Santos 80%

WA-285-P, Offshore Western Australia (INPEX Browse, Ltd.)

In August 1998, INPEX won an open bid for and acquired a 100% working interest as an operator in the WA-285-P, offshore Western Australia.

We have pursued exploration activities as a 100% operator, resulting in the discovery of an extremely promising gas and condensate structure, Ichthys, during 2000. A total of 6 exploratory wells were drilled from 2000 to 2004 and all the wells resulted in the discovery of gas and condensate.

A development scheme is in the planning stages, looking toward not only production of LNG but also new technologies associated with GTL and DME, as well as possibilities for domestic supply.

Operation in Offshore Western Australia

Contract Area	Venture Company (est.)	Interest Owned
WA-285-P	INPEX Browse, Ltd. (September 1, 1998)	INPEX Browse 100%

2. Projects in the Timor Sea Joint Petroleum Development Area (JPDA)

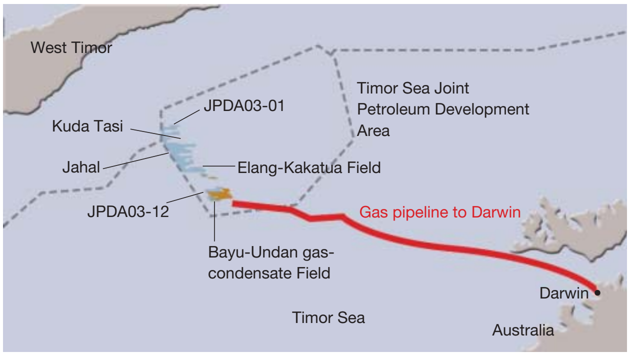


Image of Offshore Production Facility, Bayu-Undan

JPDA03-12 Timor Sea Joint Petroleum Development Area (INPEX Sahul, Ltd.)

In April 1993, INPEX acquired a working interest in the JPDA03-12 Contract Area, located in the Timor Sea Joint Petroleum Development Area which is an area jointly administered by the government of Australia and East Timor.

The exploration operations in this contract area resulted in the discovery of oil and gas in the Elang, Kakatua, Kakatua North, Bayu-Undan and Hingkip structures. Production began in the Elang-Kakatua Field in July 1999, and in the Kakatua and Kakatua North fields in the following month.

The Undan gas-condensate Field was discovered in the JPDA03-12 in 1995 immediately after the Bayu Field was discovered in the JPDA03-13 in 1995, which is located directly east of JPDA03-12. Both the JPDA03-12 and JPDA03-13 partners determined that the Bayu and Undan fields are a common gas-condensate accumulation and straddle both contract areas.

In 1999, the unit operating agreement and the unitization agreement were entered into between the JPDA03-12 and JPDA03-13 partners to establish the Bayu-Undan Unit for the purpose of carrying out the development and production of the Bayu-Undan gas-condensate Field.

Production of condensate and LPG began in 2004 and LNG production for delivery to Japan is scheduled from 2006. For INPEX, the Bayu-Undan Project will stand alongside the LNG projects of Bontang and Tangguh in Indonesia in terms of scale and importance.

In connection with this LNG project, INPEX established INPEX DLNGPL Pty Ltd for the purpose of investing in an undersea pipeline to Darwin, Australia, and in a venture carrying out the construction and operation of an LNG plant in the suburbs of Darwin.

Contract Area	Venture Company (est.)	Interest Owned
JPDA03-12	INPEX Sahul, Ltd. (March 30, 1993)	INPEX Sahul 19.07%/ConocoPhillips 46.71%/Santos 19.27%/Petroz 14.95%
(Bayu-Undan Unit)		INPEX Sahul 10.53%/ConocoPhillips 48.47%/Santos 10.64%/Petroz 8.25%/EniAgip 12.04%/ Tokyo Timor Sea Resources (Tokyo Electric/Tokyo Gas) 10.08%
Undersea pipeline project connecting the Bayu-Undan gas-condensate Field with Darwin	INPEX DLNGPL Pty Ltd (March 19, 2003)	INPEX DLNGPL Pty 10.53%/ConocoPhillips 48.47%/Santos 10.64%/Petroz 8.25%/EniAgip 12.04%/Tokyo Electric 6.72%/Tokyo Gas 3.36%
Construction and operation of an LNG plant in Darwin		

JPDA03-01 Timor Sea Joint Petroleum Development Area (INPEX Timor Sea, Ltd.)

INPEX acquired an interest in the JPDA03-01 in the Timor Sea JPDA in October 1991. As a result of subsequent exploration activities in the block, crude oil was discovered in three structures, Jahal, Klill and Kuda Tasi. Work is now under way to examine the feasibility of moving to the development phase.

Contract Area	Venture Company (est.)	Interest Owned
JPDA03-01	INPEX Timor Sea, Ltd. (November 25, 1991)	INPEX Timor Sea 35%/Woodside 40%/Santos 25%

Caspian Sea Area

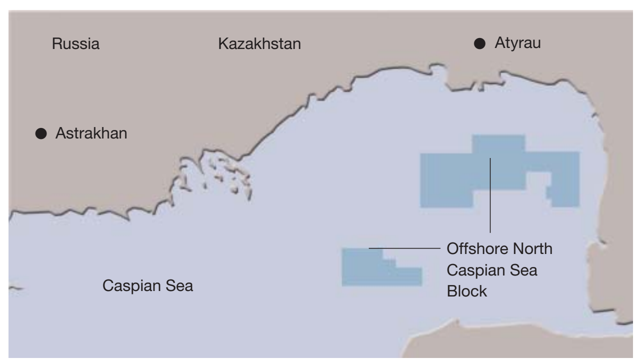
In 1998, INPEX made its appearance in the Caspian Sea, successfully discovering the Kashagan Oil Field, a giant oil field in the North Caspian Sea. In 2003, we acquired the interests in the ACG Oil Field, a giant oil-producing field in the South Caspian Sea. We are also participating in the BTC Pipeline, which serves as an important transport facility for both the Kashagan Oil Field and the ACG Oil Fields.

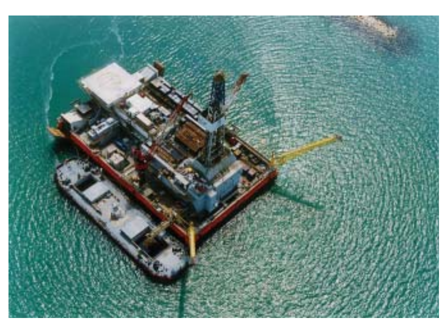
INPEX's activities in the Caspian Sea area will serve to expand our business. These projects will contribute to our corporate strategy of creating a balanced regional asset portfolio across the globe.

Offshore North Caspian Sea Block, Republic of Kazakhstan (INPEX North Caspian Sea, Ltd.)

In September 1998, INPEX concluded an Assignment and Assumption agreement with the Kazakhstan government and KazakhOil. Under the terms of this agreement, a working interest in the attractive Offshore North Caspian Sea Block was acquired.

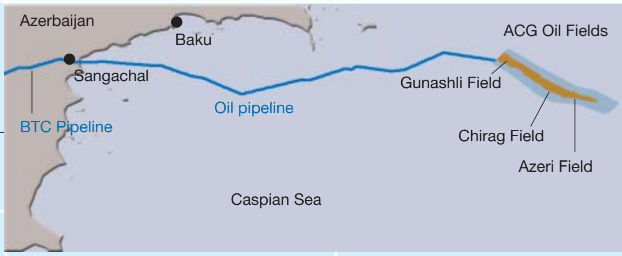
The block contains regions encapsulating five giant structures. The September 1999 drilling of the first exploration well, Kashagan East 1 in the Kashagan Structure, the largest of the five structures and located in the eastern part of the block, resulted in the discovery of oil. This event represented the first discovery in the Kazakhstan controlled area of the Caspian Sea. The Kashagan Oil Field is considered to have the great potential to be one of the leading super giant oil fields in the world. In addition to the Kashagan Oil Field, hydrocarbon reserves were confirmed in four other structures, the Kalamkas, Kashagan Southwest, Aktote and Kairan. Currently, development of the Kashagan Oil Field is under way and crude oil production is scheduled to commence in 2008.

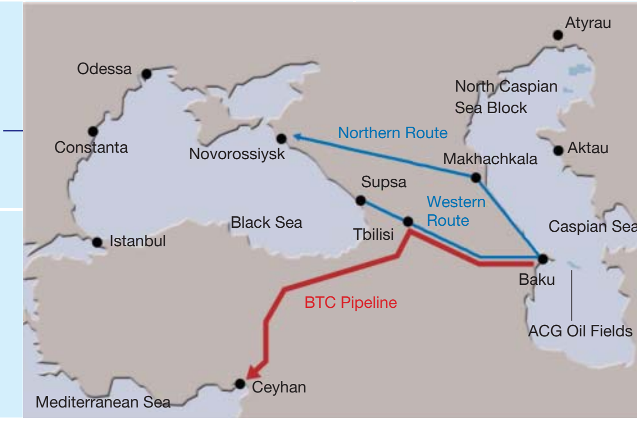




Operation in Offshore North Caspian Sea

Contract Area	Venture Company (est.)	Interest Owned
Offshore North Caspian Sea	INPEX North Caspian Sea, Ltd. (August 6, 1998)	INPEX North Caspian Sea 8.33%/EniAgip 18.52%/ExxonMobil 18.52%/ Shell 18.52%/TOTAL 18.52%/ConocoPhillips 9.26%/KMG 8.33%





ACG Oil Fields, Caspian Sea, Republic of Azerbaijan (INPEX Southwest Caspian Sea, Ltd.)

In December 2002, we entered into an agreement to purchase a 10% working interest in the Azeri-Chirag-Gunashli fields, known as the ACG Oil Fields, located in the South Caspian Sea area of the Republic of Azerbaijan. In April 2003, with the consent of SOCAR, the Azerbaijan national oil company, and the other ACG partners, the 10% interest in the ACG Oil Fields were transferred to us. We are a member of The Azerbaijan International Operating Company (AIOC), a joint operating company formed by the ten participating companies to oversee the operations of the ACG Oil Fields. BP has assumed operatorship of the ACG Oil Fields.

Crude oil production began at the Chirag Field in 1997 and at the central Azeri Field in 2005 and current production from these fields is approximately 270,000 barrels per day. This project is expected to increase production in stages, aiming to reach a production level of 1 million barrels per day by 2009. The crude oil from these fields is currently being transported along a route running from Baku to Supsa on the Black Sea (Western Route). However, once construction of the BTC Pipeline has been completed, oil will mainly be transported via this route to the Mediterranean Sea.

Contract Area	Venture Company (est.)	Interest Owned
ACG Oil Fields	INPEX Southwest Caspian Sea, Ltd. (January 29, 1999)	INPEX Southwest Caspian Sea 10%/BP 34.14%/Unocal 10.28%/SOCAR 10%/ Statoil 8.56%/ExxonMobil 8%/Itochu 3.92%/three others 15.1%

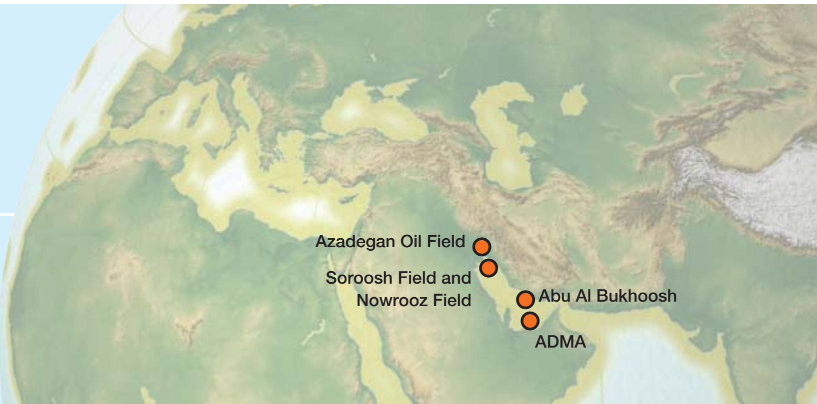
BTC Pipeline (INPEX BTC Pipeline, Ltd.)

In September 2002, we acquired a 2.5% interest in the 1,760 km BTC Pipeline project in order to secure promising means of transporting crude oil produced by our projects in the Caspian Sea from Baku (Azerbaijan) to Ceyhan (Turkey) on the Mediterranean Sea via Tbilisi (Georgia). The multinational consortium formed by 11 companies is carrying out the construction and operation of the BTC Pipeline project.

The construction of the pipeline began in 2003 and is expected to be completed and ready to export oil produced from the ACG Oil Fields during 2005. Upon completion, the pipeline is expected to have the capacity to transport 1 million barrels of oil per day.

Project	Venture Company (est.)	Interest Owned
BTC Pipeline	INPEX BTC Pipeline, Ltd. (October 16, 2002)	INPEX BTC Pipeline 2.5%/BP 30.1%/SOCAR 25%/Unocal 8.9%/ Statoil 8.71%/TPAO 6.53%/EniAgip 5%/TOTAL 5%/Itochu 3.4%/ ConocoPhillips 2.5%/Amerada Hess 2.36%

Middle East



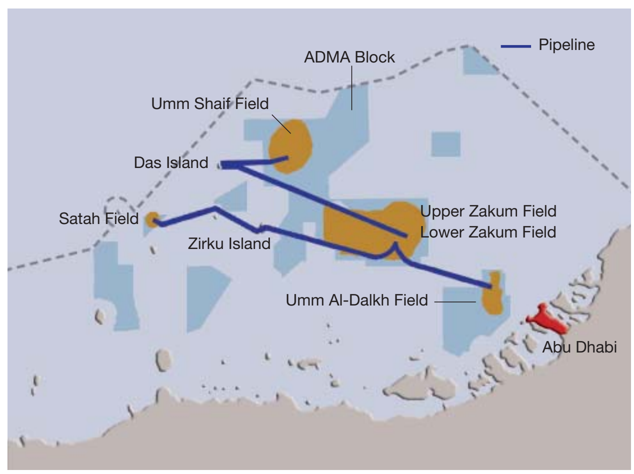
INPEX has working interests in the ADMA Block and the ABK Block offshore Abu Dhabi and produces crude oil from a total of six fields. In Iran, INPEX is acting as operator in appraisal and development operations in the Azadegan Oil Field. As with the Caspian Sea and South America, INPEX has designated the Middle East as one of our essential Target Areas, worthy of our continued development efforts.

ADMA Block, United Arab Emirates (Japan Oil Development Co., Ltd. (JODCO))

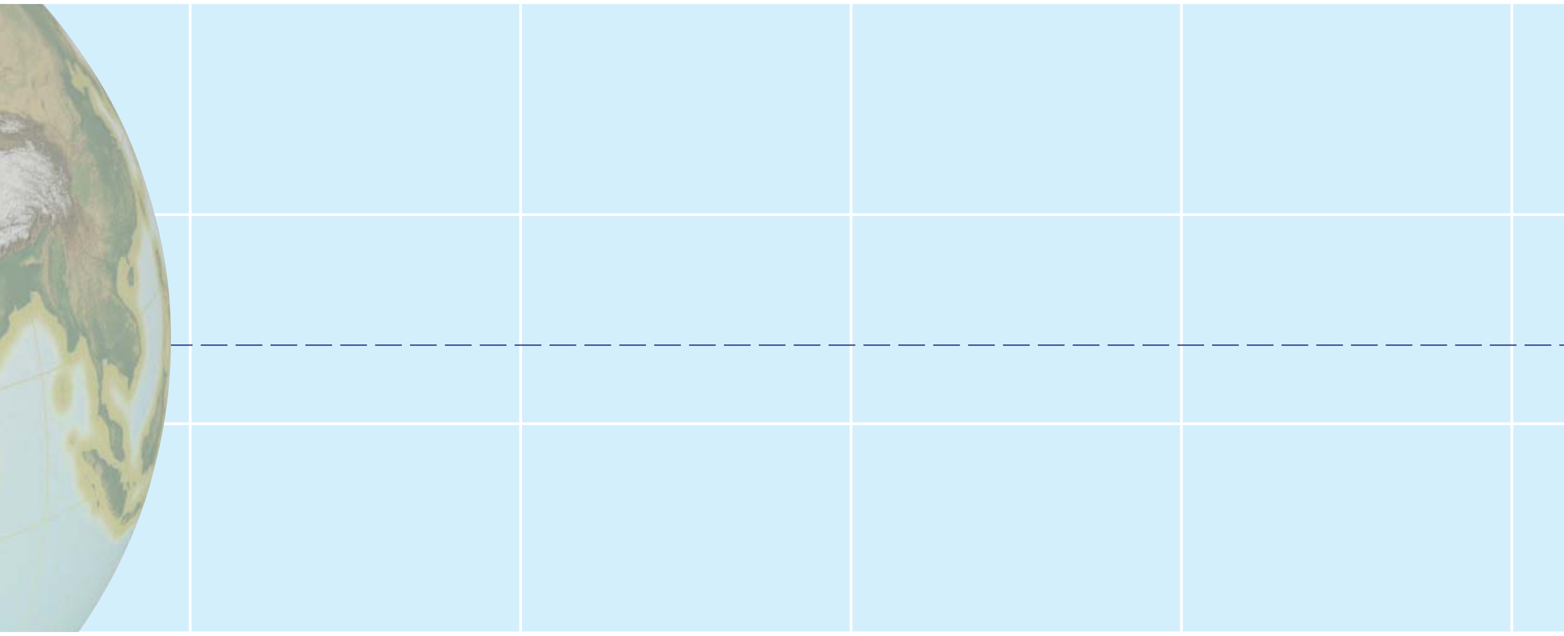
In May 2004, INPEX made Japan Oil Development Co., Ltd. (JODCO) a wholly owned subsidiary by acquiring, through a share exchange, all the shares in the company held by JNOC.

JODCO was established in 1973 and currently produces crude oil from five fields in the ADMA Block, located in the Abu Dhabi Marine Concession Area offshore Abu Dhabi, the United Arab Emirates. Production in the Upper Zakum Field, the area's largest oil field, began in 1982, and in the Umm Al-Dalkh and Satah fields, in which JODCO took part in operations, in 1985 and 1987, respectively. Production has continued steadily since. Crude oil production also continues at two existing fields: the Umm Shaif and Lower Zakum fields. Production at these locations began in 1962 and 1967, respectively. Crude oil is transported by subsea pipeline to the islands of either Das or Zirku, and then shipped.

These five fields are operated by local operating venture companies. JODCO continuously sends a number of its personnel, primarily engineers, to those companies.



Contract Area	Venture Company (est.)	Interest Owned
Umm Shaif Field/Lower Zakum Field	Japan Oil Development Co., Ltd.	JODCO 12%/ADNOC 60%/BP 14.67%/TOTAL 13.33%
Upper Zakum Field/Umm Al-Dalkh Field	(February 22, 1973)	JODCO 12%/ADNOC 88%
Satah Field		JODCO 40%/ADNOC 60%

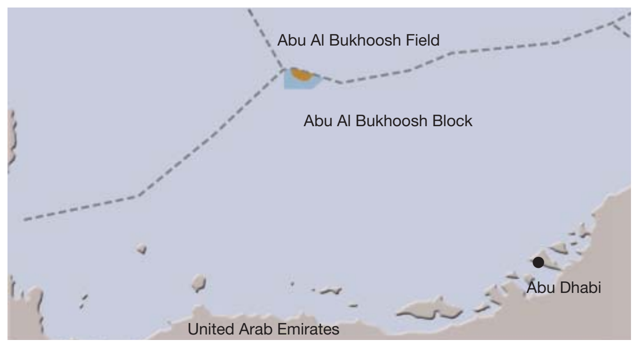


Abu Al Bukhoosh Block, United Arab Emirates (INPEX ABK, Ltd.)

In January 1996, we acquired a 25% working interest in the concession agreement covering the Abu Al Bukhoosh Block offshore Abu Dhabi.

This project is the first for INPEX in the Middle East oil-producing block, serving as a beachhead for additional projects in the future.

Crude oil from the Abu Al Bukhoosh Field is sent by pipeline to Das Island, where it is blended with crude oil from the Umm Shaif Field, and then shipped on as Umm Shaif Crude.



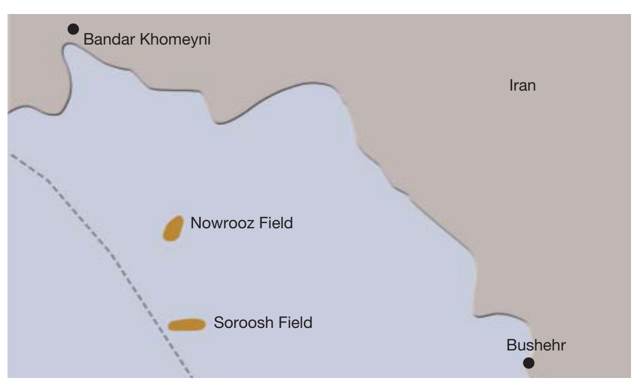
Contract Area	Venture Company (est.)	Interest Owned
Abu Al Bukhoosh Block	INPEX ABK, Ltd. (February 29, 1996)	INPEX ABK 25%/TOTAL 75%

Soroosh Field and Nowrooz Field, Islamic Republic of Iran (JJI S&N B.V.)

In January 2003, JAPEX and INPEX participated in the development project of the Soroosh and Nowrooz fields through joint investment in JJI S&N, which holds a 20% working interest in the project.

Shell conducts development operations as the operator based on a service contract (a so-called “buyback” contract) which was entered into in 1999 with National Iranian Oil Company (NIOC).

Drilling development wells and constructing offshore production facilities for full-scale production have been completed and currently the preparation for transfer of the operation to NIOC is under way.



Contract Area	Venture Company (est.)	Interest Owned
Soroosh Field and Nowrooz Field	JJI S&N B.V. (October 3, 2002)	JJI S&N 20%/Shell 70%/OIEC 10%

Azadegan Oil Field, Islamic Republic of Iran (Azadegan Petroleum Development, Ltd.)

In February 2004, INPEX entered into a service contract (a so-called "buyback contract") with Iran's National Iranian Oil Company (NIOC) and its subsidiary, Naftiran Intertrade Co. Ltd. (NICO) for the integrated appraisal and development operations of the Azadegan Oil Field in the Islamic Republic of Iran.

Under this agreement, INPEX holds a 75% working interest as an operator in the project to develop the oil field, with NICO holding the remaining 25%. Under the current plan, two development stages are contemplated, where the second stage is optional. In the first stage, oil production from the field is scheduled to reach 150,000 bbls per day. In the optional second stage, the production level is expected to increase by a further 110,000 bbls per day.

Our engagement as an appraisal and production operator is expected to enhance both our technological capabilities and presence as an international oil and gas development company.

Contract Area	Venture Company (est.)	Interest Owned
Azadegan Oil Field	Azadegan Petroleum Development, Ltd. (February 18, 2004)	Azadegan Petroleum Development 75%/NICO 25%

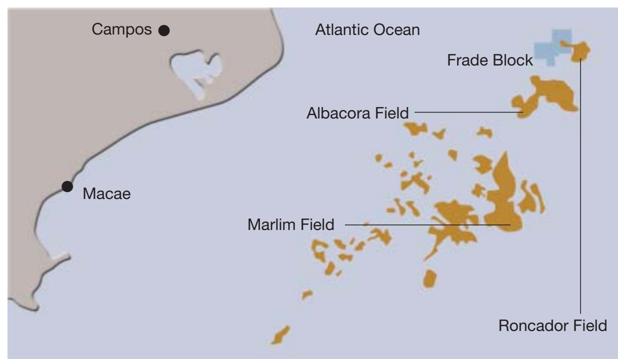
South America

In Brazil, INPEX has signed a Master Agreement with respect to the expansion of oil production in the Albacora Field Concession. We are also engaged in oil field development in the Frade Block, offshore North Campos. We expect further business development in this area.

Frade Block Offshore North Campos, Brazil (Frade Japão Petróleo Limitada (FJPL)/INPEX Offshore North Campos, Ltd.)

In July 1999, through Frade Japão Petróleo Limitada (FJPL), a Brazilian entity, established jointly with Sojitz Corporation, we acquired a 12.75% working interest (which subsequently increased to 15%) in the Frade Block. FJPL is a subsidiary of INPEX Offshore North Campos, Ltd., which is a joint venture with Sojitz.

The Frade Block consists of a discovered portion with confirmed crude oil reserves and an undeveloped oil accumulation in the northern Campos Basin, Brazil's largest oil-producing region. ChevronTexaco is the operator and the development activities are under way toward the commencement of oil production in 2008.



Contract Area	Venture Company (est.)	Interest Owned
Frade Block	FJPL (July 8, 1999) / INPEX Offshore North Campos, Ltd. (October 12, 2000)	FJPL 15%/ Petrobras 42.5%/ChevronTexaco 42.5%

Albacora Field, Offshore North Campos, Brazil (Albacora Japão Petróleo Limitada (AJPL))

In November 2000, INPEX and Sojitz entered into a master agreement for the Albacora Field Phase II Development Project with Petrobras, the Brazilian national oil company.

Under this agreement, Albacora Japão Petróleo Limitada (AJPL), a Brazilian entity established jointly with Sojitz, agreed to provide to Petrobras the exclusive right to possess and use the assets in connection with the Albacora Field Phase II Development Project and in return has been granted the oil allotments for nine years.

It is our belief that INPEX's participation in this second project in Brazil will give us more opportunities for involvement in new projects by building a stronger cooperative relationship with Petrobras. Furthermore, through periodic dialogue with Petrobras, we hope that we will be able to share expertise on deepwater exploration and development technologies, skills in which Petrobras has a world-class reputation.

Contract Area	Venture Company (est.)
Albacora Field	Albacora Japão Petróleo Limitada (AJPL) (December 23, 1998)

Corporate Governance

INPEX contributes to ensuring a stable and efficient supply of energy to Japan, a social responsibility it takes very seriously. Within this context, INPEX recognizes that enhancing corporate governance is an important management imperative.

Company Organizations

Management Bodies

Directors and Board of Directors

At INPEX, representative directors and other directors who act as executive officers carry out business operations. The execution of these business operations is overseen by the Board of Directors, which also discusses and decides on important business affairs. Meetings of the Board are convened once a month and at other times as necessary. The Board is made up of 18 directors, 5 of whom are outside directors. Each of these five outside directors serve concurrently as directors of Japan Petroleum Exploration Co., Ltd., Mitsubishi Corporation, Mitsui Oil Exploration Co., Ltd., Marubeni Corporation and Sumitomo Corporation, which are corporate shareholders of INPEX. As business experts with extensive knowledge and experience in INPEX's business fields, these outside directors are asked to express opinions on management of essential INPEX businesses that contribute to its development from both specialist and objective perspectives. The business fields of the previously mentioned corporate shareholders include overseas upstream businesses. Therefore they might compete against the INPEX Group occasionally. For this reason, INPEX recognizes the need to abide by special corporate governance measures with respect to the possibility of conflicts of interest. To this end, each of INPEX's directors, including outside directors, is required to sign a written undertaking to comply with the Japanese Commercial Code relating to such matters as non-competition practices, proper treatment for transactions giving rise to a conflict of interest and unauthorized information disclosure. This reflects the importance of precisely carrying out their duties as directors with a high level of awareness of such matters.

Executive Committee

Made up of managing directors and above, the Executive Committee was established in April 2002 to expedite decision-making. In principle, the Committee is convened every week, and at other times as necessary, to decide on matters that do not require a resolution of the Board and to conduct discussions that facilitate Board decisions. In addition to the aforementioned members of the Committee, executive directors and standing statutory auditors, as well as representatives of departments related to resolutions and reports being discussed also attend these meetings.

Statutory Auditors and Board of Statutory Auditors

INPEX employs the statutory auditor system. Statutory auditors attend important meetings such as the Board of Directors and Executive Committee. In addition, they conduct interviews with departments as necessary and audit the execution of duties of directors with regard to the company's overall business affairs and individual projects based on reports from relevant departments and other information. Furthermore, statutory auditors receive reports related to every audit from the independent auditors and internal audit reports from the Internal Audit Department. The Board of Statutory Auditors, which consists of all statutory auditors, determines auditing policy, formulates audit plans and receives reports on the status of audits and other matters from statutory auditors. To bolster the audit system, the number of statutory auditors was increased from three to four in June 2002. The result is that there are now three outside statutory auditors (one standing and two part-time) and one other statutory auditor (standing). Moreover, since June 2003, the Board of Statutory Auditors has convened every month instead of every three months as before. One of the three outside statutory auditors serves concurrently as a director of Japan Petroleum Exploration Co., Ltd., one of the Company's shareholders. None of the three outside statutory auditors has any interest in the Company.

Internal Audit

The Internal Audit Department was established as an organization independent from business departments and reports directly to the president, to ensure the appropriateness and efficiency of business activities. As a body cutting across the INPEX Group, the Internal Audit Department evaluates the internal control systems of the group, including overseas offices. It also examines and evaluates the status of management bodies, the efficiency of business operations and other matters, pinpointing problem areas, making necessary reports and conducting follow-up audits to confirm the status of improvements. The activities of the Internal Audit Department thus contribute to the proper management of the INPEX Group.

Accounting Audit

Ernst & Young ShinNihon conducts the accounting audit of the Company and the audit is fully pursuant to the Commercial Code and the Securities and Exchange Law. The names and service years of the Certified Public Accountants who carried out the audit and the number of Certified Public Accountants who assisted in the audit for the fiscal year under review are as follows:

The name (service years) of the Certified Public Accountants who carried out the audit:

Hitoshi Terao (18 years) and Hiroaki Kosugi (–)

The number of Certified Public Accountants assisting the audit:

Certified Public Accountants: 11   Junior accountants: 16

Note: Ernst & Young ShinNihon had voluntarily adopted the auditor-rotating system before the startup of restrictions per the Certified Public Accountants Law and the implementation of voluntarily restrictions by the Japanese Institute of Certified Public Accountants. The rotating of auditors to carry out the audit of the Company is scheduled before the restricted period when each auditor can be engaged in the duty specified by both of the aforementioned restrictions.

Classes of Share and Corporate Governance

The company's Articles of Incorporation stipulate that certain major corporate decisions require a resolution by the holder of the special class share, in addition to the approval of the ordinary general meeting of shareholders or Board of Directors. The one special class share was issued on November 17, 2004, and was held by Japan National Oil Corporation (JNOC). However, the corporation was dissolved on April 1, 2005, and the special class share was transferred to the Minister of Economy, Trade and Industry.

Major corporate decisions include "the appointment and removal of directors," "the disposal of material assets," "material amendments to the Articles of Incorporation," "mergers, share exchanges or share transfers," "capital reductions" and "dissolution." Among these decisions a resolution of a meeting of the special class shareholder is required for any appointment or removal of directors and any merger, share exchange or share transfer, provided 20% or more of the voting rights attached to shares of common stock are held by a single non-public entity or a single non-public entity and its joint shareholders.

The Minister of Economy, Trade and Industry has established guidelines for the exercise of the special class share's veto rights (with respect to decisions not approved by a meeting of the special class shareholder). The Minister of Economy, Trade and Industry may veto any one of the aforementioned major corporate decisions only to the extent that it determines a proposed action or transaction (1) will likely result in INPEX being managed in a manner inconsistent with its goal of securing a stable and efficient energy supply for Japan as a national flag company; (2) will likely adversely affect the goal of efficiently securing a stable and efficient energy supply for Japan as a national flag company; or (3) may affect the exercise of voting rights of the special class share.

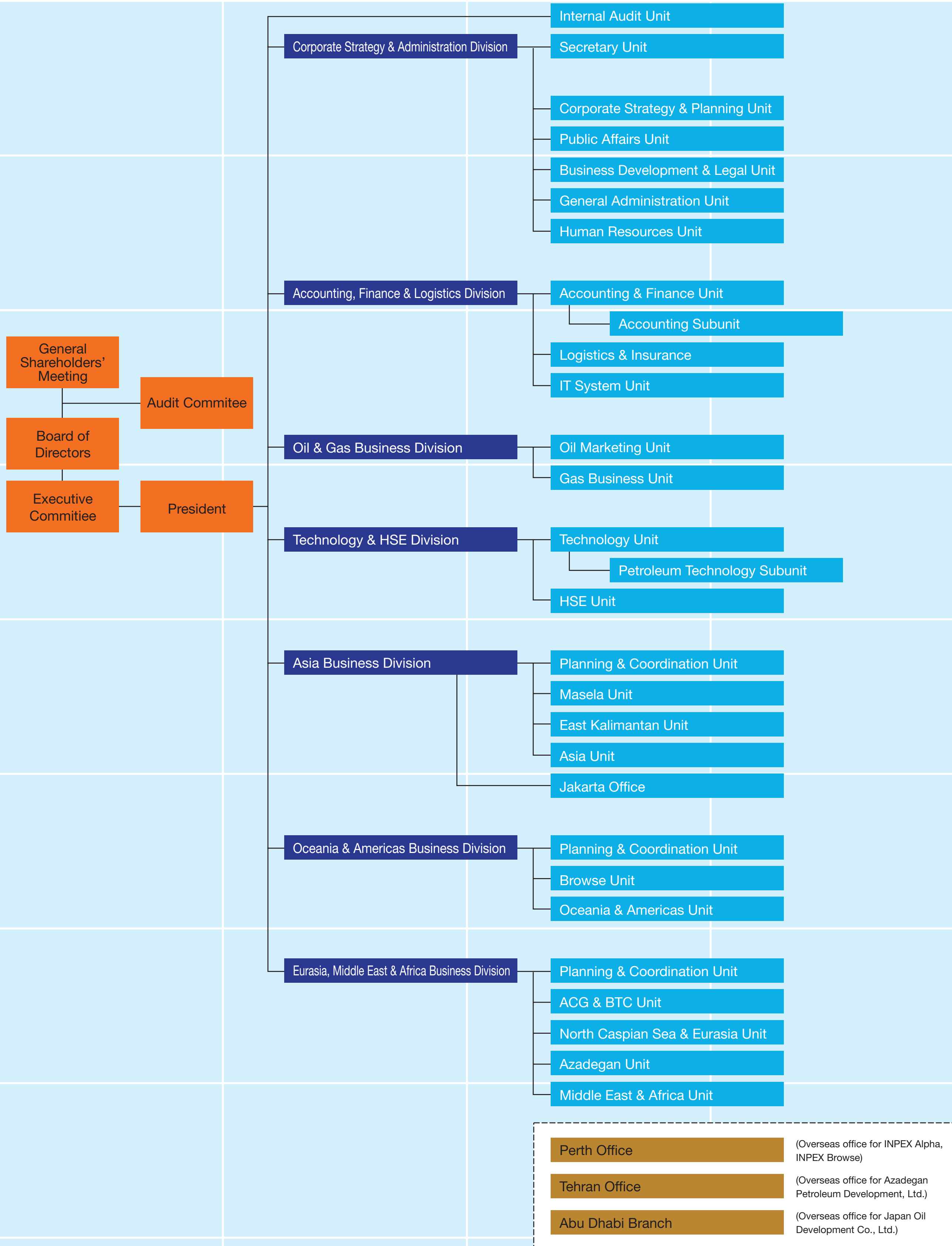
The exercise of veto rights by the special class share is thus restricted. With the existence of this class of share, however, INPEX can minimize the risk of losing management control to foreign-owned concerns and an unsolicited takeover for speculative reasons. Moreover, because the scope of the veto is limited and guidelines have been set for the exercise of veto rights, the special class share is an absolute minimum necessary measure that is highly transparent and does not unjustly impinge on INPEX's ability to operate with flexibility and efficiency.

Risk Management and Corporate Ethics

INPEX recognizes that two factors are vital to increase corporate value amid drastic changes in its operating environment: forestalling and mitigating losses by properly managing risk inherit in its business operations; and maintaining and strengthening trust with customers, investors and other parties. A wide range of risk factors could affect corporate value. With respect to risks associated with management decisions such as management strategy, related departments analyze and examine issues, receiving advice from attorneys of law and other outside specialists as necessary. Materially important projects are decided on by the Board of Directors after first being discussed by the Executive Committee and other managerial bodies. Subsequent changes in matters related to these projects are then closely monitored.

The INPEX Group has formulated a set of Business Principles that embody the basic policies of its corporate activities. These principles encompass corporate goals; code of conduct; corporate growth; ethics; health, safety and environment; and contributions to society. The INPEX Group believes that by strictly adhering to these principles it can maintain and increase the trust and credibility of the company in the eyes of shareholders, employees, business partners and international society—a vital element of continuous corporate development. The company's commitment to this approach is unwavering.

Headquarters Organization Chart



Financial Section

Contents

Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

For the year ended March 31, 2005, we had net sales of ¥478.6 billion and net income of ¥76.5 billion. Net sales of crude oil and natural gas amounted to ¥293.2 billion and ¥185.4 billion, respectively. Based on both production and reserves, we are the largest upstream oil and gas company in Japan. As of March 31, 2005, our total net proved reserves were approximately 1,545 MMboe, and for the year ended March 31, 2005, our net annual production was 329.8 Mboe per day.

Net proved reserves were comprised of 919.0 MMbbls of crude oil, condensate and LPG, and 3,756.5 Bcf of natural gas as of March 31, 2005. Approximately 34.4% of such reserves were classified as net proved undeveloped reserves. Net production for the year ended March 31, 2005 averaged 192.6 Mbbls per day of crude oil, condensate and LPG, and 823.5 MMcf per day of natural gas.

We engage primarily in the exploration, development and production of natural gas and crude oil in Asia and Oceania, the Middle East, the Caspian Sea and other areas. Currently, most of our natural gas production takes place in Indonesia. We supply the natural gas we produce in Indonesia to PERTAMINA, an Indonesian oil and gas company, which in turn sells most of the natural gas to power and gas companies and others in Japan, Korea and Taiwan. We sell substantially all of our crude oil production to electric power companies, oil refinery companies and others in Japan.

The reserves of some of the projects in our core areas, Asia and Oceania, that are currently producing are expected to decline over the next ten to fifteen years. In order to address such future reduction of reserves, we have been actively seeking new prospective oil and gas projects to replace and supplement reserves. In our core areas, we have discovered natural gas and condensate in the course of our acting as operator in the Masela Block (Abadi) in Indonesia and the WA-285-P (Ichthys) in Australia, which we hope to bring to successful development and production. In the Middle East, we entered into a service contract with NIOC, Iran's national oil company, for the development of the Azadegan Oil Field in February 2004. In the Caspian Sea, we also acquired Offshore North Caspian Sea Block centered on Kashagan Oil Field in Kazakhstan in 1998, and ACG Oil Fields in Azerbaijan in 2002. If these projects start full-scale production, our crude oil production will further increase.

As we invest in new projects, we are seeking to diversify in our business operations in five principal ways, which we expect will materially affect our future results of operations and financial condition:

- We are diversifying our areas of production to reduce the relative concentration of our crude oil and natural gas production assets.
- In the past, a substantial portion of our production volume and reserves were natural gas, as opposed to crude oil, in particular natural gas produced in the Mahakam Block in Indonesia. There are material differences between crude oil and natural gas in terms of susceptibility to market price fluctuations, the time necessary to recover costs, the manner in which they are sold, the average duration of the sales arrangements and the infrastructure required for transportation. We are focusing on participating in more new projects for crude oil, such as those in the Caspian Sea, as well as those in the Middle East through the acquisition of the right to develop the Azadegan Oil Field in Iran and the acquisition of JODCO, for the purpose of achieving a better balance between crude oil and natural gas.
- Historically, we have participated in most projects as a non-operator. We are now seeking opportunities to act as a project operator. Already, we are acting as the operator in exploration and appraisal projects in the Masela Block (Abadi) in Indonesia and the WA-285-P (Ichthys) in Australia. Also, we were appointed as the operator to develop the Azadegan Oil Field in Iran.
- We are diversifying the mix of our working interests in the exploration, development and production phases. Crude oil and natural gas exploration and development require substantial expenditures and investments, with high risks of failure. We have been seeking to acquire working interests in projects that are already in the production phase in addition to those under development, which would provide additional operating cash flow to fund our exploration and development activities.
- We are diversifying the types of arrangements for exploration, development and production, into which we enter. In the past, a substantial portion of our activities was conducted under production sharing contracts (PSCs), and to a lesser extent, concession agreements. But the portion of concession agreements in our projects has increased through the acquisition of JODCO. With respect to the Azadegan Oil Field, we have a service contract (buy-back arrangement) with the Iranian government.

Factors Affecting Our Results of Operations

A number of factors affect our results of operations. They include:

- crude oil prices and natural gas prices;
- our crude oil and natural gas production volumes;
- level of exploration activities;
- fluctuation in the exchange rate between the U.S. dollar and Japanese yen;
- fluctuation in interest rates; and
- corporate taxes imposed on us outside Japan.

Crude Oil and Natural Gas Prices

While we negotiate sales prices for crude oil and condensate with customers, those prices generally take into account official prices, which are determined by governmental authorities in the relevant oil producing regions, which fluctuate generally in line with the fluctuation in international crude oil prices. Sales contracts for crude oil are generally one-year contracts but also include spot contracts. In both cases, sales prices are those at the time of sale and thus fluctuate.

For our natural gas, which is currently mostly produced in Indonesia, the selling price is determined based on the Indonesian Crude Price, or ICP, pursuant to each sales contract. Sales contracts for natural gas are long-term contracts, typically lasting over 10 years. Generally, natural gas sales prices move in conjunction with crude oil prices.

As mentioned above, we are exposed to fluctuations in prices of crude oil and natural gas, which are determined by reference to international market prices. International oil and gas prices are volatile and are influenced by global as well as regional supply and demand conditions. This volatility has a significant effect on our net sales and net income.

The effect of price changes on our sales and net income is highly complex. For example:

- natural gas sales prices move together with crude oil prices; however, movements in sales prices of natural gas are not directly proportional to those of crude oil prices; and
- since sales and net income are determined by the prices as of the dates on which sales are recorded, the actual transaction price does not match the average price of the period.

Our Crude Oil and Natural Gas Production Volumes

Our crude oil and natural gas production volumes depend primarily on the level of the proved and developed reserves in the projects in which we participate, and market demand for crude oil and natural gas. The level of proved and developed reserves is affected by such factors as speed at which successful exploration and development moves to production and speed at which we produce crude oil and natural gas, the extent to which we acquire additional producing reserves, our own as well as our partners' expertise in recovery from reserves, and expiration and extension of the terms of the contracts under which we produce crude oil and natural gas.

Level of Exploration Activities

Due to our policy of expensing exploration costs or, in the case of production sharing contracts, providing a full allowance for recoverable costs incurred in the exploration phase, an increase in our level of participation in exploration phase projects has a more immediate negative impact on our results of operations than would be the case were such costs accounted for using the successful efforts or full cost method of accounting under U.S. GAAP.

Fluctuation in the Exchange Rate Between the U.S. Dollar and Japanese Yen

Because our sales of crude oil and natural gas, most of our expenses and a substantial portion of our debt are denominated in U.S. dollars, our net income, which is denominated in Japanese yen, is affected by fluctuations in the exchange rate between these currencies. Appreciation of the Japanese yen against the U.S. dollar negatively impacts our sales and related earnings, while a depreciation of the Japanese yen against the U.S. dollar will have the opposite effect. However, as a substantial portion of our long-term debt is denominated in U.S. dollars, revaluation of such long-term debt at the end of each period results in a foreign exchange gain if the Japanese yen appreciates against the U.S. dollar, while a depreciation of the Japanese yen against the U.S. dollar will have an opposite effect. As a result, those positive and negative effects cancel out each other.

Fluctuation in interest rates

We fund certain exploration and development projects with long-term loans. A substantial portion of our long-term debt has floating interest rates that are determined by reference to the 6-month London Interbank Offered Rate in U.S. dollars. Accordingly, we are exposed to fluctuation in interest rates in U.S. dollars.

Corporate Taxes Imposed on Us Outside Japan

We conduct all of our operations outside Japan, and most of the corporate taxes we pay are those paid overseas. With respect to our overseas taxes, expenses we incur in Japan are not deductible in general. Such domestic expenses include those relating to administrative expenses at our headquarters, foreign exchange losses and the provision of various types of allowances. When such domestic expenses increase, pre-tax income in our consolidated statement of income decreases, but corporate taxes we pay overseas do not decrease, thereby increasing our effective tax rate.

Indonesia imposes corporate taxes on oil and gas operations on a PSC basis and does not permit the aggregating of expenses from different PSCs for tax purposes. Thus, even if our exploration activities in Indonesia expand and related expenses increase with respect to one PSC, we cannot deduct such expenses from taxable income attributable to another PSC in that country.

In the United Arab Emirates, a substantial portion of our crude oil production is subject to a fixed margin regime, limiting our sensitivity to changes in oil prices. In addition, corporate tax rates and others applicable to another substantial portion of our crude oil production at the ADMA Block in the Upper Zakum Field are changed from 2004 and result in that portion becoming subject to a fixed margin regime from 2006.

Our Method of Accounting for Types of Arrangements

Currently, we have mainly entered into two types of arrangements in connection with these activities: PSCs and concession agreements. For the year ended March 31, 2004, approximately 90% of our net sales were attributable to sales under PSCs, but for the year ended March 31, 2005, approximately 60% of our net sales were attributable to sales under PSCs and approximately 40% were under concession agreements in light of our acquisition of JODCO.

Production Sharing Contracts

Cost Recovery and Production Sharing

The allocation of crude oil and natural gas production among the host country's government (or government entity) and contractors (including ourselves) must first be determined under PSCs.

Different PSCs provide for different formulas for allocating oil and gas production among the host country's government and contractors. The following discussion is based on one type of PSC arrangement that applies to projects in Indonesia. Under that type of PSC, at the end of each fiscal year, total production for that year is allocated to:

(1) "first tranche petroleum," which is a prescribed portion of total production and which is allocated between the host country's government and the contractors pursuant to prescribed percentages;

(2) "cost recovery portion," which is the oil and gas equivalent, determined based upon the current unit price of crude oil and natural gas, of (i) non-capital expenditures incurred for production during the current period and (ii) scheduled depreciation of the capital expenditures for the current period, as calculated under the PSC, and which is allocated only to the contractors; because the oil and gas equivalent is determined based upon the current unit price, as the unit price of crude oil and natural gas increases, the volume of oil and gas comprising the "cost recovery portion" decreases while that of the "equity portion" (explained below) increases; and if the actual production for the year is not enough to cover the entire quantity of the oil and gas equivalent so calculated, the "cost recovery portion" will be reduced to the extent it is covered by the actual production and the quantity not so covered is carried forward to the succeeding year in accordance with the relevant PSC; and

(3) "equity portion," which represents the residual amount and which is allocated between the host country's government and the contractors pursuant to prescribed percentages.

For purposes of our income statement, we record:

- as net sales, our share of total sales relating to crude oil and natural gas production that is allocated to contractors, and
- as cost of sales, a portion of "Recoverable account under production sharing" that is recovered through the allocation of our share of the "cost recovery portion."

Recoverable Costs under PSCs

Exploration Costs

Our share of all recoverable exploration costs incurred under the terms of the relevant PSC is capitalized under "Recoverable accounts under production sharing."

Development Costs

We record our share of all recoverable expenditures under the terms of the relevant PSC under "Recoverable accounts under production sharing."

Production Costs

During the production phase, operating costs incurred for production are initially included under "Recoverable accounts under production sharing" if such costs are recoverable under the relevant PSC.

General and Administrative Expenses

General and administrative expenses are recorded under "Recoverable accounts under production sharing" if such expenses are recoverable under the relevant PSC.

Non-recoverable Costs under PSCs

Acquisition Costs

For projects under PSCs which are entirely in the exploration phase, we expense costs relating to the acquisition of rights to explore, develop and produce, or "Exploration and development rights," as they are incurred. When we acquire rights to projects which are already in the development or production phase, we record the acquisition expenditures or costs under "Exploration and development rights" in our consolidated balance sheets, which is amortized under the unit-of-production method. Generally, cost recovery provisions under PSCs do not cover such expenditures or costs.

Interest on Loans

We expense interest on loans we obtain for PSC projects.

Concession Agreements

Acquisition Costs

We account for acquisition costs related to projects under concession agreements, or "Mining rights," in the same manner as those related to projects under PSCs, as described above.

Exploration Costs

Our share of costs incurred for exploration is expensed as incurred.

Development Costs

Our share of costs related to mining facilities is capitalized under "Tangible fixed assets" in our balance sheets. We depreciate the tangible fixed assets primarily under the unit-of-production method during our production. Such depreciation expenses constitute cost of sales.

Production Costs

During the production phase, our share of operating costs is included in cost of sales.

General and Administrative Expenses

Our share of general and administrative expenses is expensed as incurred.

Critical Accounting Policies and Estimates

We prepare our consolidated financial statements in conformity with Japanese GAAP. The preparation of these financial statements requires the use of estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates, judgments and assumptions.

An accounting estimate in our consolidated financial statements is a critical accounting estimate if it requires us to make assumptions about matters that are highly uncertain at the time the accounting estimate is made, and if the presentation of our financial condition or results of operations are materially affected either by different estimates that we reasonably could have used in the current period, or by changes in the accounting estimates that are reasonably likely to occur from period to period. We have identified the following critical accounting estimates with respect to our financial presentation:

Allowance for Recoverable Accounts under Production Sharing

We capitalize expenditures made during the exploration, development and production phases under PSCs as "Recoverable accounts under production sharing," if they are recoverable under the relevant PSC. During the exploration phase prior to obtaining governmental approval for development, in light of the significant uncertainty involved in the exploration activities for such projects, a reserve in equal amounts to exploration costs is provided for as "Allowance for recoverable accounts under production sharing," which is a reserve account for potential losses from unsuccessful exploration. Once governmental approval for development of a field in a contract area is received, reserves for exploration costs incurred thereafter in the same contract area are not provided. Generally, this allowance continues to remain unchanged in our balance sheet until the allowance balance exceeds the remaining balance of exploration cost previously capitalized during the exploration phase under "Recoverable accounts under production sharing," at which point the excess of the allowance balance is reversed to income in our income statement.

Unit-of-production method

Mining facilities, mining rights and exploration and development rights when such rights are acquired during the production phase are amortized by the unit-of-production method. The unit-of-production method requires a significant estimate as to the proved reserve quantities. While we believe that our proved reserve estimates are appropriate, changes in the estimates of the proved reserves may significantly affect future results of operations.

Allowance for Investments in Exploration Companies

We have made investments in companies that are engaged in oil and gas activities, and have provided an allowance for probable losses on such investments at an estimated amount based on the net assets of the investees. While we believe that the assessment and estimates are reasonable, future changes in the actual production volume, prices and foreign exchange rates may affect future recoverability of the investments.

Deferred Tax Assets

We record deferred tax assets for temporary differences (including net operating loss carry-forwards) arising mainly from write-down of investments in related parties and revaluation of land. Valuation allowances are provided when we believe that it is more likely than not that assets will not be realized. Also, we take into account the effect of foreign tax credits in the calculation of valuation allowance. Realization of deferred tax assets is principally dependent on our generating sufficient taxable income based on available evidence. If future taxable income is lower than expected due to market conditions, foreign exchange rates or poor operating results, adjustments may be required.

Retirement Benefits for Employees

The Japanese accounting standard "Accounting for Retirement Benefits" requires the recognition of retirement costs and related liabilities based on the actuarially determined present value of retirement benefit obligations by the projected unit credit method. However, a company is permitted to use a simplified method to account for its retirement costs and related liabilities if the number of its employees is less than 300. We do not have any retirement benefit plan that individually covers more than 300 employees. Because of this, we use the simplified method and provide an accrual for retirement benefits at the amount which would be required to be paid to all active employees as if they voluntarily terminated their employment as of the balance sheet date. Accordingly, if our retirement costs and related liabilities had been recognized based on the actuarially determined present value of the retirement benefit obligations by the projected unit credit method, different retirement costs and liabilities would have been reported.

Historical Results of Operations

The following table shows certain consolidated income statement data derived from our audited consolidated financial statements:

(Millions of yen, except percentages)

Year ended March 31,	2004		2005	
Net sales	¥218,831	100.0%	**¥478,587**	**100.0%**
Cost of sales	105,759	48.3	**197,094**	**41.2**
Gross profit	113,072	51.7	**281,493**	**58.8**
Exploration expenses	11,552	5.3	**2,474**	**0.5**
Selling, general and administrative expenses	5,314	2.4	**8,718**	**1.8**
Depreciation and amortization	2,330	1.1	**1,638**	**0.4**
Operating income	93,876	42.9	**268,663**	**56.1**
Other income:				
Interest income	1,575	0.7	**4,060**	**0.9**
Foreign exchange gain	10,761	4.9	**–**	**–**
Gain on sales of mining rights	1,497	0.7	**–**	**–**
Equity in earnings of affiliates	453	0.2	**–**	**–**
Other	1,217	0.6	**678**	**0.1**
	15,503	7.1	**4,738**	**1.0**
Other expenses:				
Interest expense	1,817	0.8	**2,984**	**0.6**
Equity in losses of affiliates	–	–	**1,583**	**0.3**
Provision for allowance for recoverable accounts under production sharing	10,057	4.6	**518**	**0.1**
Amortization of exploration and development rights	746	0.4	**1,607**	**0.3**
Amortization of goodwill	–	–	**2,784**	**0.6**
Foreign exchange loss	–	–	**2,859**	**0.6**
Other	1,986	0.9	**2,434**	**0.6**
	14,606	6.7	**14,769**	**3.1**
Income before income taxes and minority interests	94,773	43.3	**258,632**	**54.0**
Income taxes	60,318	27.6	**182,607**	**38.1**
Minority interests	(327)	(0.2)	**(469)**	**(0.1)**
Net income	¥ 34,782	15.9%	**¥ 76,494**	**16.0%**

Net Sales

Net sales increased ¥259.8 billion, or 118.7%, to ¥478.6 billion for the year ended March 31, 2005 from ¥218.8 billion for the year ended March 31, 2004.

Net sales of crude oil for the year ended March 31, 2005 amounted to ¥293.2 billion, an increase of ¥224.4 billion, or 326.2%, from ¥68.8 billion for the year ended March 31, 2004. Although the average exchange rate for the Company's crude oil sales during the year ended March 31, 2005 was ¥107.40 per U.S. dollar, a ¥5.74 per U.S. dollar, or 5.1% yen appreciation against the U.S. dollar, net sales of crude oil increased since the increase in sales volume was 230.2% and the Company's average sales price of crude oil for the year ended March 31, 2005 was US$39.93 per barrel, a $10.90 or 37.5% increase over the previous year.

Sales volume of crude oil for the year ended March 31, 2005 was 67.9 MMbbls, an increase of 47.3 MMbbls, or 230.2% from the previous year. This increase was due to the acquisition of Japan Oil Development Co., Ltd., where the business results of the ADMA Block were included in the consolidated financial results in the year ended March 31, 2005, an increase in sales from the ACG Oil Field and initiation of production at the Bayu-Undan Gas Condensate Field and Belanak Oil and Gas Field.

Natural gas sales increased ¥35.4 billion, or 23.6%, to ¥185.4 billion for the year ended March 31, 2005 from ¥150.0 billion for the year ended March 31, 2004. Despite the negative effect of a 5.0% yen appreciation, net sales of natural gas increased since (i) the average sales price of natural gas also increased US$1.14, or 26.6%, to US$5.42 per thousand cubic feet for the year ended March 31, 2005 from US$4.28 per thousand cubic feet for the year ended March 31, 2004 with the increase of the crude oil price and (ii) the sales volume of natural gas increased 4.9 billion cubic feet, or 1.7%, to 300.4 billion cubic feet for the year ended March 31, 2005 from 295.5 billion cubic feet for the year ended March 31, 2004 with the increase of sales from the South Natuna Sea Block B.

Cost of Sales

Cost of sales increased ¥91.3 billion, or 86.4%, to ¥197.1 billion for the year ended March 31, 2005 from ¥105.8 billion for the year ended March 31, 2004.

This was primarily due to additional costs of oil and gas sales from fields including the ADMA Block, which were accounted for oil and gas sales from the year ended March 31, 2005, increased natural gas-related expenses from investments to expand production capacity at the Offshore Mahakam Block, and a rise in the recovery of operating expenses associated with higher sales from the ACG Oil Field.

Exploration Expenses

Exploration expenses decreased by ¥9.1 billion, or 78.6%, to ¥2.5 billion for the year ended March 31, 2005 from ¥11.6 billion for the year ended March 31, 2004. This was primarily due to large-scale drilling of exploratory wells conducted in the WA-285P (Ichthys) Block in Australia during the year ended March 31, 2004.

Selling, General and Administrative Expenses

Selling, general and administrative expenses reflected the acquisition of Japan Oil Development Co., Ltd., and increased personnel expenses due to business expansion. As a result, selling, general and administrative expenses increased ¥3.4 billion, or 64.1%, to ¥8.7 billion for the year ended March 31, 2004 from ¥5.3 billion for the year ended March 31, 2004.

Depreciation and Amortization

Depreciation and amortization decreased by ¥0.7 billion, or 29.7%, to ¥1.6 billion for the year ended March 31, 2005 from ¥2.3 billion for the year ended March 31, 2004.

The decrease in depreciation and amortization is mainly due to the fact that exploration and development rights recorded in connection with our acquisition of INPEX Jawa were fully amortized for ¥1.1 billion in the year ended March 31, 2004, whereas amortization of exploration and development rights which belong to INPEX Southwest Caspian Sea, Ltd. for the year ended March 31, 2005 increased only ¥0.4 billion over the previous year.

Under our accounting for PSCs, capitalized costs included in "Recoverable accounts under production sharing" are reflected in cost of goods sold at the time of recovery, and thus we do not have a substantial amount of depreciation or amortization of fixed assets.

Other Income

Other income decreased ¥10.8 billion, or 69.4%, to ¥4.7 billion for the year ended March 31, 2005 from ¥15.5 billion for the year ended March 31, 2004.

This decrease was primarily due to a reversal in foreign exchange from a gain of ¥10.8 billion in the year ended March 31, 2004 to a loss of ¥2.9 billion in the year ended March 31, 2005.

Other Expenses
Other expenses were stable at ¥14.8 billion. Factors contributing to stability in other expenses included a foreign exchange loss of ¥2.9 billion, amortization of goodwill of ¥2.8 billion, a reversal in equity in earnings of affiliates from ¥0.5 billion in the previous year to losses of ¥1.6 billion in the year ended March 31, 2005, and an increase in interest expense of ¥1.2 billion. These were offset by a reduction of ¥9.6 billion to ¥0.5 billion for the year ended March 31, 2005 from ¥10.1 billion for the year ended March 31, 2004 in the provision for allowance for recoverable accounts under production sharing.

Income Taxes
Income taxes for the year ended March 31, 2005 increased ¥122.3 billion, or 202.7%, to ¥182.6 billion from ¥60.3 billion for the year ended March 31, 2004. This increase was primarily due to an increase in payments of foreign taxes in connection with our acquisition of Japan Oil Development Co., Ltd.

The effective income tax rate for the year ended March 31, 2005 was 71% compared to 64% for the year ended March 31, 2004.

As explained in "Factors Affecting Our Results of Operations—Corporate Taxes Imposed on Us Outside Japan," the fact that most of the corporate taxes we pay are those paid overseas and administrative expenses we incur in Japan are not deductible for such taxes results in a high effective income tax rate.

Minority Interests
Minority interests for the year ended March 31, 2005 reflected a net loss of ¥0.5 billion, which is fairly consistent with a net loss of ¥0.3 billion for the year ended March 31, 2004.

Net Income
As a result of the foregoing factors, net income increased ¥41.7 billion, or 119.9%, to ¥76.5 billion for the year ended March 31, 2005 from ¥34.8 billion for the year ended March 31, 2004.

Investments and Fundings

Our Investments for Crude Oil and Natural Gas Projects
In order to maintain stable earnings, we need to continuously explore for new reserves of crude oil and natural gas, develop, produce and distribute.

The following information, which includes the breakdown of our investments among exploration expenditures, development expenditures and operating expenses, has been prepared based on available data in the reports provided by operators. The definition of each item is as follows:

- Exploration expenditures include exploration drilling and geological and geophysical studies. If the project (contract area) is entirely in the exploration phase, general and administrative costs, such as personnel costs, office running costs in the country where the relevant project is conducted, are included in this category.
- Development expenditures include development drilling and production facilities.
- Operating expenses include well operations, transportation, maintenance, and supervision of production activities. General and administrative expenses in the project (contract area) where there is a producing field and/or a field of which governmental approval for development has been received.

Our definition of exploration and development expenditures and the basis of preparation of the following table are different from those required under Statement of Financial Accounting Standard No. 69, "Disclosure about Oil and Gas Producing Activities," or SFAS 69. Such differences include, but are not limited to, the following:

- Our expenditures reflected in the table are on a cash-call basis as to joint ventures for PSCs where we are not an operator, while SFAS 69 requires that expenditures be recorded on an accrual basis.
- We prepared the table based on definitions in the reports from operators. These definitions may not be consistent with that of SFAS 69.
- SFAS 69 requires that general and administrative costs which are not directly related to exploration and development activities be excluded from exploration and development expenditures. However, general and administrative costs are not necessarily excluded from those expenditures.

The table below shows our expenditures for the years ended March 31, 2004 and 2005:

				(Millions of yen, except percentages)
Year ended March 31,	2004		2005	
Exploration	¥ 25,296	16.3%	¥ 4,220	2.4%
Development	92,348	59.4	113,406	65.7
Subtotal	117,644	75.7	117,626	68.1
Operating expenses	37,685	24.3	55,009	31.9
Total	¥155,329	100.0%	¥172,635	100.0%

The table below shows our exploration and development expenditures for the years ended March 31, 2004 and 2005 by geographical region:

				(Millions of yen, except percentages)
Year ended March 31,	2004		2005	
Asia and Oceania	¥ 85,286	72.5%	¥ 66,643	56.6%
Middle East	1,106	0.9	8,543	7.3
Caspian Sea area and others	31,252	26.6	42,440	36.1
Total	¥117,644	100.0%	¥117,626	100.0%

The table below shows our operating expenses for the years ended March 31, 2004 and 2005 by geographical region:

				(Millions of yen, except percentages)
Year ended March 31,	2004		2005	
Asia and Oceania	¥34,391	91.3%	¥42,975	78.1%
Middle East	2,019	5.3	10,710	19.5
Caspian Sea area and others	1,275	3.4	1,324	2.4
Total	¥37,685	100.0%	¥55,009	100.0%

Our expenditures increased by ¥17.3 billion, or 11.1%, to ¥172.6 billion in the year ended March 31, 2005 from ¥155.3 billion in the year ended March 31, 2004. This was primarily due to an increase in development and operating expenditures at ADMA. In addition, exploration expenditures decreased and development expenditures increased at the Kashagan Oil Field with development approval by the government of Kazakhstan. Also, development expenditures increased at the ACG Oil Field. Whereas, exploration expenditures decreased since exploratory drilling activities did not take place at the WA-285-P (Ichthys) Block in Australia during the year ended March 31, 2005.

Our Expenditures for Acquisitions of Crude Oil and Natural Gas Projects

The table below shows our expenditures for acquisitions of oil and gas properties for the years ended March 31, 2004 and 2005 by geographical region. Expenditures for acquisitions include the acquisition costs of mining rights, exploration and development rights, and signing bonuses as well as the acquired recoverable accounts under production sharing due to acquisition.

				(Millions of yen, except percentages)
Year ended March 31,	2004		2005	
Asia and Oceania	¥ 3,252	2.0%	¥ 716	1.4%
Middle East	44	0.0	50,517	96.9
Caspian Sea area and others	164,496	98.0	891	1.7
Total	¥167,792	100.0%	¥52,124	100.0%

Our expenditures for acquisitions decreased by ¥115.7 billion to ¥52.1 billion for the year ended March 31, 2005 from ¥167.8 billion for the year ended March 31, 2004. This was primarily due to the acquisition of the ACG Oil Fields in the year ended March 31, 2004. Whereas, our expenditures increased in the year ended March 31, 2005 in the Middle East, reflecting our acquisition of the ADMA Block.

Analysis of Recoverable Accounts under Production Sharing

With respect to projects under PSCs, our share of costs arising during the exploration, development and production phases are capitalized under "Recoverable accounts under production sharing." The following table shows changes in the balance of "Recoverable accounts under production sharing" during the years ended March 31, 2004 and 2005:

	(Millions of yen)	
	Year ended March 31,	
Recoverable accounts under production sharing	2004	2005
Balance at beginning of period	¥136,441	**¥208,768**
Add: Exploration costs	13,743	**1,743**
Development costs	84,848	**101,416**
Operating expenses	34,242	**41,909**
Other	30,692	**–**
Less: Cost recovery—capital expenditures	21,744	**38,375**
Cost recovery—non-capital expenditures	60,008	**72,111**
Other	9,446	**3,731**
Balance at end of period	¥208,768	**¥239,619**
Allowance for recoverable accounts under production sharing at end of period	¥ (44,676)	**¥ (41,518)**

"Cost recovery—non-capital expenditures" are generally larger than "operating expenses" because some of the exploration costs and development costs that are recoverable in the fiscal year when such costs are incurred are included in addition to operating expenses.

Compared with the year ended March 31, 2004, exploration costs for the year ended March 31, 2005 decreased due to (i) the Kazakhstan government's approval of the development plan for the Kashagan Oil Field in the North Caspian Sea in February 2004 and (ii) dissolution of PSCs at the Donggala Block in Indonesia.

Development costs increased reflecting the development plan for the Kashagan Oil Field as mentioned above, and the fact that they now included development costs relating to our project at the ACG Oil Fields despite a decrease of development costs with the initiation of production at the Belanak Oil and Gas Field in the South Natuna Sea Block B.

Operating expenses increased due to increases at the Mahakam contract area, and reflecting the acquisition of equity interests in the Northwest Java and Southeast Sumatra Block in March 2004.

Cost recovery during the year ended March 31, 2005 occurred primarily at the Mahakam contract area, South Natuna Sea Block B and the ACG Oil Fields. The increase in cost recovery from the previous year reflected increased cost recovery from the South Natuna Sea Block B and increased expenditures for production expansion of natural gas in the Mahakam contract area.

Most of the reductions under "Less: Other" in the year ended March 31, 2004 related to reductions in the balance of recoverable accounts under production sharing with respect to fields being closed.

Liquidity and Our Funding Sources

Our policy is to maintain sufficient cash at hand at any given time to fund expenditures for existing and new crude oil and natural gas projects in a timely manner. For this purpose, our cash management policy is to invest excess cash in low-risk and liquid financial instruments, such as Japanese government bonds.

Our primary sources of funding are cash generated by operation and many other sources. We fund oil and gas projects which are in the exploration phase with funds generated by operations and equity investments from JOGMEC, and projects which are in the development phase with funds generated by operations and/or long-term loans. We finance our acquisitions of working interests in oil and gas projects with funds generated by operations as well as equity investments from JOGMEC and/or long-term loans. JBIC and Japanese commercial banks have been providing such long-term loans. Currently, the Japanese commercial banks that provide loans to us are Mizuho Corporate Bank, Ltd. and The Bank of Tokyo-Mitsubishi, Ltd. The aggregate outstanding principal amount of our long-term debt was ¥177.9 billion as of March 31, 2005. JOGMEC has guaranteed ¥60.8 billion of that aggregate principal amount.

We are required to maintain for JBIC cash collateral generally equivalent to six months' debt service in a reserve account. The balance of that reserve account was ¥8.2 billion as of March 31, 2005.

Maturities of Long-term Debt

The following table summarizes the maturities of our outstanding long-term debt as of March 31, 2005:

(Millions of yen and U.S. dollars)

	Long-term debt denominated in		
Year ending March 31,	U.S. dollars	Yen	Total yen equivalent
2006	$ 21.1	¥ –	¥ 2,263
2007	36.1	–	3,874
2008	204.1	–	21,444
2009	219.5	–	23,101
2010 and thereafter	981.0	24,695	127,185
Total	$1,461.8	¥24,695	¥177,867

Historical Cash Flows

The following table summarizes our historical cash flows for the years ended March 31, 2004 and 2005:

		(Millions of yen)
Year ended March 31,	2004	**2005**
Net cash provided by operating activities	¥ 44,464	**¥ 131,207**
Net cash used in investing activities	(218,121)	**(119,956)**
Net cash provided by financing activities	151,120	**9,791**
Cash and cash equivalents at end of year	54,582	**128,375**

Cash Provided by Operating Activities

Cash provided by operating activities increased ¥86.7 billion to ¥131.2 billion for the year ended March 31, 2005 from ¥44.5 billion for the year ended March 31, 2004. This increase was primarily due to increased net sales volume and the rise in crude oil and natural gas price.

Cash Used in Investing Activities

Cash used in investing activities decreased ¥98.1 billion to ¥120.0 billion for the year ended March 31, 2005 from ¥218.1 billion for the year ended March 31, 2004. This decrease was primarily due to significant expenditures for our acquisition of the ACG Oil Fields in the year ended March 31, 2004.

Cash Provided by Financing Activities

Cash provided by financing activities decreased ¥141.3 billion to ¥9.8 billion for the year ended March 31, 2005 from ¥151.1 billion for the year ended March 31, 2004. This decrease was primarily due to significant long-term borrowing from JBIC and minority investments for acquisition of rights in the ACG Oil Fields in the year ended March 31, 2004.

Consolidated Balance Sheets

INPEX CORPORATION and Subsidiaries
As of March 31, 2004 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 3)
ASSETS	2004	2005	2005
Current assets:			
Cash and cash equivalents	¥ 54,582	¥ 128,375	$ 1,195,187
Accounts receivable—trade	19,265	53,339	496,592
Marketable securities (Note 4)	18,979	18,391	171,222
Inventories	893	1,282	11,936
Deferred tax assets (Note 6)	43	23	214
Other current assets (Note 5)	13,212	37,010	344,568
Less allowance for doubtful accounts	(22)	–	–
	106,952	238,420	2,219,719
Tangible fixed assets:			
Buildings and structures	9,160	21,670	201,750
Wells	8,508	98,942	921,162
Machinery, equipment, and vehicles	15,896	153,318	1,427,409
Land	4,002	4,002	37,259
Other	20,722	12,046	112,150
	58,288	289,978	2,699,730
Less accumulated depreciation and amortization	(23,146)	(221,717)	(2,064,212)
	35,142	68,261	635,518
Intangible assets:			
Exploration and development rights	134,367	133,106	1,239,232
Mining rights	651	5,381	50,098
Goodwill	2,868	–	–
Other	23	144	1,341
	137,909	138,631	1,290,671
Investments and other assets:			
Recoverable accounts under production sharing	208,768	239,619	2,230,882
Less allowance for recoverable accounts under production sharing	(44,676)	(41,518)	(386,538)
	164,092	198,101	1,844,344
Investment securities (Notes 4 and 5)	79,371	118,355	1,101,899
Long-term loans receivable	52	114	1,061
Deferred tax assets (Note 6)	4,205	2,208	20,557
Other investments	3,615	20,901	194,591
Less allowance for doubtful accounts	(330)	(661)	(6,154)
Less allowance for investments in exploration	(5,710)	(5,102)	(47,500)
	245,295	333,916	3,108,798
Total assets	¥525,298	¥ 779,228	$ 7,254,706

See accompanying notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 2004	Millions of yen 2005	Thousands of U.S. dollars (Note 3) 2005
Current liabilities:			
Accounts payable	¥ 3,273	¥ 20,130	$ 187,413
Current portion of long-term debt (Note 5)	118	2,263	21,069
Income taxes payable (Note 6)	8,372	49,938	464,929
Other current liabilities	17,132	50,579	470,896
	28,895	122,910	1,144,307
Long-term liabilities:			
Long-term debt (Note 5)	169,307	175,604	1,634,894
Deferred tax liabilities (Note 6)	10,314	25,815	240,341
Accrued employees' retirement benefits	784	1,504	14,002
Accrued officers' retirement benefits	512	594	5,530
Other	4,493	6,222	57,928
	185,410	209,739	1,952,695
Total liabilities	214,305	332,649	3,097,002
Minority interests in consolidated subsidiaries	32,879	35,283	328,489
Shareholders' equity (Notes 7 and 15)**:**			
Capital stock:	29,460	29,460	274,276
Authorized: 2004 — 600,000 shares			
2005 — 2,356,801 shares			
Issued: 2004 — 589,200 shares			
2005 — 1,919,833.75 shares			
Additional paid-in capital	–	62,403	580,979
Retained earnings	249,628	320,090	2,980,076
Unrealized holding gain on securities	154	375	3,492
Translation adjustments	(1,128)	(1,031)	(9,599)
Less: Treasury stock: 2005 — 1 share	–	(1)	(9)
Total shareholders' equity	278,114	411,296	3,829,215
Contingent liabilities (Note 12)			
Total liabilities and shareholders' equity	¥525,298	¥779,228	$7,254,706

Consolidated Statements of Income

INPEX CORPORATION and Subsidiaries
For the years ended March 31, 2003, 2004 and 2005

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2003	2004	2005	2005
Net sales	¥201,533	¥218,831	¥478,587	$4,455,703
Cost of sales	95,997	105,759	197,094	1,834,969
Gross profit	105,536	113,072	281,493	2,620,734
Exploration expenses	2,478	11,552	2,474	23,033
Selling, general and administrative expenses (Notes 9 and 10)	5,336	5,314	8,718	81,166
Depreciation and amortization	452	2,330	1,638	15,250
Operating income	97,270	93,876	268,663	2,501,285
Other income:				
Interest income	1,310	1,575	4,060	37,799
Foreign exchange gain	–	10,761	–	–
Gain on sales of mining rights	272	1,497	–	–
Equity in earnings of affiliates	–	453	–	–
Other	702	1,217	678	6,312
	2,284	15,503	4,738	44,111
Other expenses:				
Interest expense	689	1,817	2,984	27,781
Loss on devaluation of investment securities	26	–	–	–
Equity in losses of affiliates	1,503	–	1,583	14,738
Provision for allowance for recoverable accounts under production sharing	16,234	10,057	518	4,823
Amortization of exploration and development rights	5,945	746	1,607	14,961
Amortization of goodwill	–	–	2,784	25,919
Foreign exchange loss	2,538	–	2,859	26,618
Other	2,568	1,986	2,434	22,661
	29,503	14,606	14,769	137,501
Income before income taxes and minority interests	70,051	94,773	258,632	2,407,895
Income taxes (Note 6):				
Current	51,143	55,081	187,405	1,744,763
Deferred	810	5,237	(4,798)	(44,670)
	51,953	60,318	182,607	1,700,093
Minority interests	(9,814)	(327)	(469)	(4,366)
Net income (Note 8)	¥ 27,912	¥ 34,782	¥ 76,494	$ 712,168

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

INPEX CORPORATION and Subsidiaries
For the years ended March 31, 2003, 2004 and 2005

							Millions of yen
	Capital stock	Additional paid-in capital	Retained earnings	Unrealized holding gain (loss) on securities	Translation adjustments	Treasury stock	Total shareholders' equity
Balance at March 31, 2002	¥ 29,460	¥ –	¥198,957	¥730	¥ 1,678	¥ –	¥230,825
Net income	–	–	27,912	–	–	–	27,912
Cash dividends paid	–	–	(5,892)	–	–	–	(5,892)
Bonuses to directors and statutory auditors	–	–	(124)	–	–	–	(124)
Unrealized holding loss on securities	–	–	–	(320)	–	–	(320)
Translation adjustments	–	–	–	–	1,169	–	1,169
Balance at March 31, 2003	29,460	–	220,853	410	2,847	–	253,570
Net income	–	–	34,782	–	–	–	34,782
Cash dividends paid	–	–	(5,892)	–	–	–	(5,892)
Bonuses to directors and statutory auditors	–	–	(115)	–	–	–	(115)
Unrealized holding loss on securities	–	–	–	(256)	–	–	(256)
Translation adjustments	–	–	–	–	(3,975)	–	(3,975)
Balance at March 31, 2004	29,460	–	249,628	154	(1,128)	–	278,114
Purchase of treasury stock	–	–	–	–	–	(1)	(1)
Increase due to share exchange transaction	–	62,403	–	–	–	–	62,403
Net income	–	–	76,494	–	–	–	76,494
Cash dividends paid	–	–	(5,892)	–	–	–	(5,892)
Bonuses to directors and statutory auditors	–	–	(140)	–	–	–	(140)
Unrealized holding gain on securities	–	–	–	221	–	–	221
Translation adjustments	–	–	–	–	97	–	97
Balance at March 31, 2005	¥ 29,460	¥62,403	¥320,090	¥375	¥(1,031)	¥(1)	¥411,296

							Thousands of U.S. dollars (Note 3)
	Capital stock	Additional paid-in capital	Retained earnings	Unrealized holding gain (loss) on securities	Translation adjustments	Treasury stock	Total shareholders' equity
Balance at March 31, 2004	$274,276	$ –	$2,324,067	$1,434	$(10,502)	$ –	$2,589,275
Purchase of treasury stock	–	–	–	–	–	(9)	(9)
Increase due to share exchange transaction	–	580,979	–	–	–	–	580,979
Net income	–	–	712,168	–	–	–	712,168
Cash dividends paid	–	–	(54,855)	–	–	–	(54,855)
Bonuses to directors and statutory auditors	–	–	(1,304)	–	–	–	(1,304)
Unrealized holding gain on securities	–	–	–	2,058	–	–	2,058
Translation adjustments	–	–	–	–	903	–	903
Balance at March 31, 2005	$274,276	$580,979	$2,980,076	$3,492	$ (9,599)	$(9)	$3,829,215

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

INPEX CORPORATION and Subsidiaries
For the years ended March 31, 2003, 2004 and 2005

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2003	2004	2005	2005
Cash flows from operating activities:				
Income before income taxes and minority interests	¥ 70,051	¥ 94,773	¥ 258,632	$ 2,407,895
Depreciation and amortization	2,464	4,049	12,960	120,659
Amortization of goodwill	169	169	2,868	26,702
Provision for allowance for doubtful accounts	14	123	480	4,469
Provision for allowance for recoverable accounts under production sharing	16,356	11,284	573	5,335
(Reversal of) provision for accrued retirement benefits	163	(141)	204	1,899
Interest and dividend income	(1,405)	(1,711)	(4,204)	(39,140)
Interest expense	690	1,816	2,984	27,781
Foreign exchange (gain) loss	1,977	(11,980)	(474)	(4,413)
Equity in (earnings) losses of affiliates	1,503	(452)	1,583	14,738
Gain on sales of mining rights	–	(1,497)	–	–
Accounts receivable	(2,259)	(2,521)	(20,807)	(193,716)
Recovery of recoverable accounts under production sharing (capital expenditures)	14,212	21,744	38,375	357,276
Recoverable accounts under production sharing (operating expenditures)	(14,685)	(13,828)	(7,721)	(71,883)
Inventories	(567)	480	(389)	(3,622)
Accounts payable	(459)	(266)	7,045	65,590
Other receivables	(1,555)	(389)	(15,004)	(139,689)
Accrued expenses	1,829	541	14,486	134,866
Long-term accrued expenses	1,410	(741)	1,728	16,088
Advance payments received	4,795	(2,160)	3,315	30,863
Bonuses to directors and statutory auditors	(124)	(114)	(142)	(1,322)
Other	1,689	(831)	311	2,896
Subtotal	96,268	98,348	296,803	2,763,272
Interest and dividends received	2,397	2,471	4,832	44,986
Interest paid	(718)	(1,322)	(2,596)	(24,169)
Income taxes paid	(46,665)	(55,033)	(167,832)	(1,562,536)
Net cash provided by operating activities	51,282	44,464	131,207	1,221,553
Cash flows from investing activities:				
Purchases of marketable securities	(2,424)	–	–	–
Proceeds from sales of marketable securities	38,691	20,707	18,896	175,924
Purchases of tangible fixed assets	(8,916)	(8,920)	(11,117)	(103,501)
Proceeds from sales of tangible fixed assets	237	22	352	3,277
Purchases of investment securities	(59,676)	(19,661)	(63,754)	(593,558)
Proceeds from sales of investment securities	29,864	3,685	5,043	46,951
Investment in recoverable accounts under production sharing	(39,412)	(58,997)	(65,236)	(607,355)
Additional acquisition of shares of consolidated subsidiary	–	(633)	–	–
Purchase of mining rights (Note 13)	–	(163,511)	–	–
Proceeds from sales of mining rights (Note 13)	–	3,052	–	–
Proceeds from purchase of subsidiaries' stock resulting in changes in the scope of consolidation (Note 13)	–	3,992	–	–
Other	1,103	2,143	(4,140)	(38,543)
Net cash used in investing activities	(40,533)	(218,121)	(119,956)	(1,116,805)
Cash flows from financing activities:				
Proceeds from long-term debt	17,381	136,028	15,611	145,340
Repayment of long-term debt	(148)	(195)	(2,282)	(21,246)
Proceeds from minority interests for additional shares	9,901	30,320	1,488	13,853
Cash dividends paid	(5,892)	(5,892)	(5,892)	(54,855)
Cash dividends paid to minority shareholders	–	–	(79)	(735)
Restricted cash deposited	–	(9,140)	–	–
Proceeds from refund of restricted cash	–	–	940	8,752
Other	(4)	(1)	5	47
Net cash provided by financing activities	21,238	151,120	9,791	91,156
Effect of exchange rate changes on cash and cash equivalents	(3,348)	(1,295)	(3,143)	(29,262)
Net increase (decrease) in cash and cash equivalents	28,639	(23,832)	17,899	166,642
Cash and cash equivalents at beginning of year	49,775	78,414	54,582	508,165
Increase in cash and cash equivalents due to a share exchange transaction (Note 13)	–	–	55,894	520,380
Cash and cash equivalents at end of year	¥ 78,414	¥ 54,582	¥ 128,375	$ 1,195,187

See accompanying notes to consolidated financial statements.

1. BASIS OF PRESENTATION

INPEX CORPORATION (the "Company") is primarily engaged in the exploration, development and production of natural gas and crude oil.

The Company and its domestic subsidiaries maintain their accounting records and prepare their financial statements in accordance with accounting principles generally accepted in Japan, and its overseas subsidiaries maintain their books of account in conformity with those of their countries of domicile. The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Japan, which may differ in certain material respects from accounting principles generally accepted in the United States of America, and are compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan.

Certain amounts in the consolidated financial statements for the years ended March 31, 2003 and 2004 have been reclassified to conform to the 2005 presentation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of consolidation and accounting for investments in affiliates

The accompanying consolidated financial statements include the accounts of the Company and companies controlled directly or indirectly by the Company. Companies over which the Company exercises significant influence in terms of their operating and financial policies are included in the consolidated financial statements on an equity basis. All significant intercompany balances and transactions are eliminated in consolidation.

Most of the Company's subsidiaries are consolidated on the basis of fiscal periods ending December 31, which differ from that of the Company; however, the significant effect of the difference in fiscal periods has been properly adjusted in consolidation.

The excess of cost over underlying net assets at fair value as of their dates of acquisition is amortized over a period of less than 20 years on a straight-line basis. In the year ended March 31, 2005, the goodwill previously recorded was fully written off because the analysis of subsequent investment results of goodwill revealed that the goodwill has no future value.

(b) Cash equivalents

All highly liquid investments with a maturity of three months or less when purchased are considered cash equivalents.

(c) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into yen at the exchange rates prevailing at the balance sheet date. All revenues and expenses associated with foreign currencies are translated at the rates of exchange prevailing when such transactions were made. The resulting exchange gain or loss is credited or charged to income.

The revenue and expense accounts of the overseas subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date. Except for the components of shareholders' equity, the balance sheet accounts are also translated into yen at the rates of exchange in effect at the balance sheet date. The components of shareholders' equity are translated at their historical exchange rates. Translation adjustments are presented as components of shareholders' equity and minority interests in the accompanying consolidated financial statements.

(d) Securities

In general, securities are classified into three categories: trading, held-to-maturity or other securities. Securities held by the Company and its subsidiaries are all classified as other securities. Other securities with a determinable market value are mainly stated at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in shareholders' equity. Other securities without a determinable market value are stated at cost. Cost of securities sold is determined by the moving average method.

(e) Inventories

Inventories are mainly stated at cost determined by the average method.

(f) Allowance for doubtful accounts

The allowance for doubtful receivables 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.

(g) Recoverable accounts under production sharing and related allowance

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.

Because these investments are recoverable only where commercial oil or gas is discovered, an allowance for recoverable accounts under production sharing is provided for probable losses on investments made during the exploration phase under production sharing contracts arising from the failure to discover commercial oil and gas. This allowance is stated at an amount based on an assessment of the recoverability of the investment in each respective project.

(h) Allowance for investments in exploration

The allowance for investments in exploration is provided for future potential losses on investments in exploration companies at an estimated amount based on the net assets of the investees.

(i) Tangible fixed assets

Depreciation of mining facilities is mainly computed by the unit-of-production method.

Depreciation of other tangible fixed assets is determined primarily by the declining-balance method, except for the buildings acquired on and after April 1, 1998, on which depreciation is computed by the straight-line method, at rates based on the estimated useful lives of the respective assets.

(j) Intangible fixed assets

Exploration and development rights at the exploration stage are fully amortized in the year such rights are acquired and those at the production stage are amortized by the unit-of-production method.

Mining rights are amortized by the unit-of-production method.

Capitalized computer software costs are being amortized over a period of five years.

Other intangible fixed assets are amortized by the straight-line method.

(k) Accrued retirement benefits

The Company and most of its subsidiaries have defined benefit plans, i.e., lump-sum payment plans and/or multi-employer pension fund plans, covering substantially all employees, the amounts of which are determined by reference to their basic rates of pay, length of service, and the conditions under which termination occurs.

Accrued retirement benefits for employees are provided at the amount which would be required to be paid if all active employees voluntarily terminated their employment as of the balance sheet date.

In addition, directors and statutory auditors of the Company and certain consolidated subsidiaries are customarily entitled to lump-sum payments under their respective unfunded retirement benefits plans. The provision for retirement benefits for these officers has been made at an estimated amount.

(l) Leases

Non-cancelable 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.

(m) Research and development expenses and advertising costs

Research and development expenses are charged to income as incurred.

(n) Income taxes

Deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of the assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(o) Appropriation of retained earnings

Under the Commercial Code of Japan, the appropriation of retained earnings with respect to a given financial period is made by resolution of the shareholders at a general meeting to be held subsequent to the close of such financial period. The accounts for that period do not, therefore, reflect such appropriations. See Note 15.

(p) Recent accounting pronouncements

A new Japanese accounting standard “Impairment of Fixed Assets” was issued in August 2002 that is effective for fiscal years beginning on or after April 1, 2005. The new standard requires that tangible and intangible fixed assets be carried at cost less depreciation, and be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Companies would be required to recognize an impairment loss in their income statement if certain indicators of asset impairment exist and the book value of an asset exceeds the undiscounted sum of future cash flows of the asset. The Company believes that the new accounting standard on impairment of fixed assets will not have a material impact on their financial condition or results of operations under the current guidelines.

3. U.S. DOLLAR AMOUNTS

The translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation only, at ¥107.41 = U.S. $1.00, the approximate rate of exchange in effect on March 31, 2005. This translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

4. SECURITIES

a) Information regarding other securities with determinable market value as of March 31, 2004 and 2005 is as follows:

	Millions of yen		
March 31, 2004	Acquisition cost	Carrying value	Gross unrealized gains (losses)
Securities whose fair value exceeds their acquisition cost:			
Stock	¥ 210	¥ 282	¥ 72
Debt securities	35,950	36,076	126
Subtotal	36,160	36,358	198
Securities whose acquisition cost exceeds their fair value:			
Stock	77	70	(7)
Debt securities	27,363	27,330	(33)
Subtotal	27,440	27,400	(40)
Total	¥63,600	¥63,758	¥158

	Millions of yen			Thousands of U.S. dollars		
March 31, 2005	Acquisition cost	Carrying value	Gross unrealized gains (losses)	Acquisition cost	Carrying value	Gross unrealized gains (losses)
Securities whose fair value exceeds their acquisition cost:						
Stock	¥ 287	¥ 392	¥105	$ 2,672	$ 3,649	$ 977
Debt securities	76,227	76,527	300	709,683	712,476	2,793
Other	500	863	363	4,655	8,035	3,380
Subtotal	77,014	77,782	768	717,010	724,160	7,150
Securities whose acquisition cost exceeds their fair value:						
Stock	–	–	–	–	–	–
Debt securities	17,266	17,247	(19)	160,748	160,571	(177)
Subtotal	17,266	17,247	(19)	160,748	160,571	(177)
Total	¥94,280	¥95,029	¥749	$877,758	$884,731	$6,973

b) Information regarding sales of securities classified as other securities for the years ended March 31, 2003, 2004 and 2005 is as follows:

			Millions of yen	Thousands of U.S. dollars
Year ended March 31,	2003	2004	2005	2005
Proceeds from sales	¥68,555	¥24,391	¥23,939	$222,875
Gain on sales	259	63	–	–
Loss on sales	65	–	–	–

c) The components of other securities without a determinable market value at March 31, 2004 and 2005 are summarized as follows:

		Millions of yen	Thousands of U.S. dollars
March 31,	2004	2005	2005
Other securities:			
Unlisted securities (*)	¥17,402	¥23,493	$218,723
Trust beneficiary certificates	3,509	–	–
Total	¥20,911	¥23,493	$218,723

(*) An allowance is provided for investments in exploration companies at an estimated amount based on the financial position of the investees.

d) The redemption schedule for securities with maturity dates classified as other securities at March 31, 2005 is as follows:

	Millions of yen				Thousands of U.S. dollars			
March 31, 2005	1 year or less	More than 1 year but less than 5 years	More than 5 years but less than 10 years	More than 10 years	1 year or less	More than 1 year but less than 5 years	More than 5 years but less than 10 years	More than 10 years
Debt securities:								
Public bonds	¥18,088	¥33,798	¥–	¥37,521	$168,401	$314,663	$–	$349,325
Corporate bonds	303	4,063	–	–	2,821	37,827	–	–
Total	¥18,391	¥37,861	¥–	¥37,521	$171,222	$352,490	$–	$349,325

5. LONG-TERM DEBT

Long-term debt at March 31, 2004 and 2005 consisted of the following:

		Millions of yen	Thousands of U.S. dollars
March 31,	2004	2005	2005
Loans from banks and others, at interest rates ranging from 1.414% to 4.200%, due through 2016:	¥169,425	¥177,867	$1,655,963
Less: Current portion	118	2,263	21,069
	¥169,307	¥175,604	$1,634,894

Assets pledged at March 31, 2004 and 2005 were as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	2004	2005	2005
Other current assets (restricted cash)	¥ 9,140	**¥ 8,200**	**$ 76,343**
Investment securities	2,722	**2,636**	**24,541**
Total	¥11,862	**¥10,836**	**$100,884**

The above assets were pledged against the following liabilities:

	Millions of yen		Thousands of U.S. dollars
March 31,	2004	2005	2005
Long-term debt	¥83,090	**¥92,597**	**$862,089**
Guarantee obligation	7,264	**8,462**	**78,782**

The aggregate annual maturities of long-term borrowings subsequent to March 31, 2005 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2006	¥ 2,263	$ 21,069
2007	3,874	36,067
2008	21,444	199,646
2009	23,101	215,073
2010	18,537	172,582
2011 and thereafter	108,648	1,011,526
Total	¥177,867	$1,655,963

6. INCOME TAXES

The Company and its domestic consolidated subsidiaries are subject to a number of taxes based on income which, in the aggregate, resulted in a statutory tax rate of approximately 36.2% in 2003, 2004 and 2005.

The effective tax rates reflected in the consolidated statements of income for the years ended March 31, 2003, 2004 and 2005 differ from the statutory tax rate for the following reasons:

Year ended March 31,	2003	2004	2005
Statutory tax rate	36.2%	36.2%	**36.2%**
Effect of:			
Permanent differences	0.1	0.1	**–**
Change in valuation allowance	6.3	0.7	**3.3**
Foreign tax credits	(40.5)	(29.5)	**(15.3)**
Foreign taxes	68.9	54.0	**70.4**
Equity in earnings of affiliates	0.7	(0.6)	**(0.6)**
Adjustment of deducted amounts of foreign taxes	–	–	**(19.4)**
Operating losses used during this fiscal year	–	–	**(4.4)**
Other	2.5	2.7	**0.4**
Effective tax rates	74.2%	63.6%	**70.6%**

The significant components of deferred tax assets and liabilities at March 31, 2004 and 2005 were as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	2004	2005	2005
Deferred tax assets:			
Investments in related parties	¥ 29,259	¥ 28,077	$ 261,400
Loss on revaluation of land	4,547	4,543	42,296
Recoverable accounts under production sharing (Foreign taxes)	6,778	7,123	66,316
Allowance for investments in exploration	2,558	3,277	30,509
Foreign taxes payable	–	13,038	121,385
Allowance for recoverable accounts under production sharing	670	–	–
Net operating loss	4,757	16,248	151,271
Accumulated amortization of tangible fixed assets	–	1,012	9,422
Accumulated amortization of development costs	545	–	–
Accrued retirement benefits	402	726	6,759
Translation differences of asset and liabilities denominated in foreign currencies	–	6,732	62,676
Other	4,603	5,180	48,227
Total gross deferred tax assets	54,119	85,956	800,261
Valuation allowance	(45,177)	(76,712)	(714,198)
Total deferred tax assets	8,942	9,244	86,063
Deferred tax liabilities:			
Foreign taxes	9,881	26,014	242,193
Translation differences of asset and liabilities denominated in foreign currencies	–	5,049	47,007
Other	5,427	3,792	35,304
Total deferred tax liabilities	15,308	34,855	324,504
Net deferred tax liabilities	¥ 6,366	¥ 25,611	$ 238,441

7. SHAREHOLDERS' EQUITY

As of March 31, 2005, the total number of the Company's shares issued consisted of 1,919,832.75 shares of common stock and one special class share. The special class share has no voting rights at the common shareholders' meeting, but the ownership of the special class share give its holder a veto right over the following major corporate actions and transactions by imposing the requirement to obtain a class vote:

- Appointment and removal of directors
- Disposition of all or part of the material assets
- Amendments to the Articles of Incorporation with respect to (i) the purpose of the Company's business and (ii) the granting of voting rights to the Company's shares other than common stock
- Mergers, share exchange or share transfer
- Capital reduction
- Dissolution

The special class share will be redeemed upon request by the relevant special class shareholder.

In accordance with the Commercial Code of Japan (the "Code"), the Company has provided a legal reserve, which is included in retained earnings. The Code provides that an amount equal to at least 10% of the amount to be disbursed as distributions of earnings be appropriated to the legal reserve until the total of such reserve and the additional paid-in capital account equals 25% of the common stock account. The legal reserve amounted to ¥7,365 million and ¥7,365 million ($68,569 thousand), respectively, at March 31, 2004 and 2005.

The Code provides that neither additional paid-in capital nor the legal reserve is available for dividends, but both may be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to common stock by resolution of the Board of Directors. The Code also provides that if the total amount of additional paid-in capital and the legal reserve exceeds 25% of the amount of common stock, the excess may be distributed to the shareholders either as a return of capital or as dividends, subject to the approval of the shareholders.

8. AMOUNTS PER SHARE

Year ended March 31,	2003	2004	2005	2005
	Yen			U.S. dollars
Net income	¥ 47,178.51	¥ 58,838.76	**¥ 40,255.92**	**$ 374.79**
Cash dividends	10,000.00	10,000.00	**4,000.00**	**37.24**
Net assets	430,169.19	471,826.00	**214,163.98**	**1,993.89**

Net income per share is computed based on the net income available for distribution to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year.

Cash dividends per share represent the cash dividends declared as applicable to the respective years.

Amounts per share of net assets are computed based on the net assets available for distribution to the shareholders and the number of shares of common stock outstanding at the year-end.

The Company made a three-for-one stock split of the Company's common stock effective May 18, 2004 that resulted in an increase of 1,279,888.50 shares of the Company's common stock.

Had this stock split been made as of April 1, 2002, amounts per share information for the years ended March 31, 2003 and 2004 would have been as follows:

Year ended March 31,	2003	2004
	Yen	
Net income	¥ 15,726.17	¥ 19,612.92
Cash dividends	3,333.33	3,333.33
Net assets	143,389.73	157,275.33

9. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses included in selling, general and administrative expenses amounted to ¥64 million, ¥56 million and ¥53 million ($493 thousand) for the years ended March 31, 2003, 2004 and 2005, respectively.

10. RETIREMENT BENEFIT EXPENSES

Retirement benefit expenses for employees amounted to ¥155 million, ¥103 million and ¥220 million ($2,048 thousand) for the years ended March 31, 2003, 2004 and 2005, respectively.

11. LEASES

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets at March 31, 2004 and 2005, which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

March 31,	2004	2005	2005
	Millions of yen		Thousands of U.S. dollars
Acquisition costs of leased property	¥19	**¥–**	**$–**
Accumulated depreciation	19	**–**	**–**
Net carrying amount	¥ –	**¥–**	**$–**

Lease payments relating to finance leases accounted for as operating leases amounted to ¥8 million, ¥1 million and nil for the years ended March 31, 2003, 2004 and 2005, respectively.

There are no future minimum lease payments subsequent to March 31, 2004 relating to finance leases accounted for as operating leases.

12. CONTINGENT LIABILITIES

At March 31, 2005, the Company and its consolidated subsidiaries were contingently liable as guarantors of indebtedness of unconsolidated subsidiaries and affiliates in the aggregate amount of ¥10,362 million ($96,471 thousand).

In addition, INPEX BTC Pipeline, LTD, a consolidated subsidiary, was contingently liable as guarantor of indebtedness of BTC Pipeline Project Finance in the amount of ¥5,006 million ($46,606 thousand) at March 31, 2005.

13. SUPPLEMENTARY CASH FLOW INFORMATION

a) Following are the assets and liabilities of INPEX Jawa and its subsidiary which became consolidated subsidiaries during the year ended March 31, 2004 following the acquisition of their stock:

March 31, 2004	Millions of yen
Current assets	¥ 13,916
Long-term assets	2,539
Current liabilities	(34)
Minority interests	(2,526)
Minority interests in consolidated subsidiaries	(5,126)
Purchase of stock	8,769
Cash and cash equivalents held by subsidiaries	(12,761)
Net proceeds	¥ 3,992

b) Summary of the increase in assets and liabilities following the acquisition of interests by INPEX Southwest Caspian Sea, Ltd. during the year ended March 31, 2004 is as follows:

March 31, 2004	Millions of yen
Current assets	¥ 5
Long-term liabilities	164,494
Current liabilities	(988)
Purchase of mining rights	¥(163,511)

c) Summary of the decrease in assets and liabilities following the sales of interests by INPEX Sahul, Ltd. during the year ended March 31, 2004 is as follows:

March 31, 2004	Millions of yen
Current assets	¥ 21
Long-term liabilities	1,737
Current liabilities	(203)
Net assets of business sold	1,555
Gain on sales of mining rights	1,497
Proceeds from sales of mining rights	¥3,052

d) Following are the assets and liabilities of Japan Oil Development Co., Ltd. which became a consolidated subsidiary during the year ended March 31, 2005 due to a share exchange transaction:

March 31, 2005	Millions of yen	Thousands of U.S. dollars
Current assets	**¥ 79,502**	**$ 740,173**
Long-term assets	**53,682**	**499,786**
Total assets	**133,184**	**1,239,959**
Current liabilities	**46,146**	**429,625**
Long-term liabilities	**24,635**	**229,355**
Total liabilities	**¥ 70,781**	**$ 658,980**

e) Significant non-cash transaction: Increase in paid-in capital in the amount of ¥62,403 million ($ 580,979 thousand) due to the share exchange transaction.

14. SEGMENT INFORMATION

The Company and its subsidiaries are primarily engaged in the joint exploration, development and production of natural gas and crude oil in Indonesia, Oceania, the Middle East, the Caspian Sea and certain other areas. As net sales, operating income and total assets of the oil and natural gas business constituted more than 90% of the consolidated totals for the years ended March 31, 2003, 2004 and 2005, the disclosure of business segment information has been omitted.

The geographical segment information for the Company and its subsidiaries for the years ended March 31, 2003, 2004 and 2005 is summarized as follows:

	Millions of yen				
Year ended March 31, 2003	Asia-Oceania (a)	Other (b)	Total	Eliminations	Consolidated
Sales to third parties	¥196,986	¥4,547	¥201,533	¥ –	¥201,533
Intergroup sales and transfers	–	–	–	–	–
Total sales	196,986	4,547	201,533	–	201,533
Operating expenses	100,733	3,654	104,387	(124)	104,263
Operating income	¥ 96,253	¥ 893	¥ 97,146	¥ 124	¥ 97,270
Total assets	¥176,650	¥8,789	¥185,439	¥153,308	¥338,747

(a) Asia-Oceania: Indonesia, Australia, East Timor
(b) Other: UAE

	Millions of yen					
Year ended March 31, 2004	Asia-Oceania (a)	NIS (b)	Other (c)	Total	Eliminations	Consolidated
Sales to third parties	¥211,422	¥ –	¥ 7,409	¥218,831	¥ –	¥218,831
Intergroup sales and transfers	–	6,506	–	6,506	(6,506)	–
Total sales	211,422	6,506	7,409	225,337	(6,506)	218,831
Operating expenses	121,426	4,754	5,440	131,620	(6,665)	124,955
Operating income	¥ 89,996	¥ 1,752	¥ 1,969	¥ 93,717	¥ 159	¥ 93,876
Total assets	¥214,325	¥191,697	¥ 6,412	¥412,434	¥112,864	¥525,298

(a) Asia-Oceania: Indonesia, Australia, East Timor
(b) NIS: Kazakhstan, Azerbaijan
(c) Other: UAE, Iran

	Millions of yen						
Year ended March 31, 2005	Asia-Oceania (a)	NIS (b)	Middle East (c)	Other (d)	Total	Eliminations	Consolidated
Sales to third parties	**¥287,185**	**¥ –**	**¥191,402**	**¥ –**	**¥478,587**	**¥ –**	**¥478,587**
Intergroup sales and transfers	**–**	**20,900**	**414**	**–**	**21,314**	**(21,314)**	**–**
Total sales	**287,185**	**20,900**	**191,816**	**–**	**499,901**	**(21,314)**	**478,587**
Operating expenses	**150,825**	**16,472**	**63,977**	**3**	**231,277**	**(21,353)**	**209,924**
Operating income	**¥136,360**	**¥ 4,428**	**¥127,839**	**¥ (3)**	**¥268,624**	**¥ 39**	**¥268,663**
Total assets	**¥236,647**	**¥223,532**	**¥179,413**	**¥4,228**	**¥643,820**	**¥135,408**	**¥779,228**

(a) Asia-Oceania: Indonesia, Australia, East Timor
(b) NIS: Kazakhstan, Azerbaijan
(c) Middle East: UAE, Iran
(d) Other: Angola, Brazil

Year ended March 31, 2005	Asia-Oceania (a)	NIS (b)	Middle East (c)	Other (d)	Total	Eliminations	Consolidated
							Thousands of U.S. dollars
Sales to third parties	$2,673,727	$ –	$1,781,976	$ –	$4,455,703	$ –	$4,455,703
Intergroup sales and transfers	–	194,582	3,854	–	198,436	(198,436)	–
Total sales	2,673,727	194,582	1,785,830	–	4,654,139	(198,436)	4,455,703
Operating expenses	1,404,199	153,356	595,634	28	2,153,217	(198,799)	1,954,418
Operating income	$1,269,528	$ 41,226	$1,190,196	$ (28)	$2,500,922	$ 363	$2,501,285
Total assets	$2,203,212	$2,081,110	$1,670,357	$39,362	$5,994,041	$1,260,665	$7,254,706

(a) Asia-Oceania: Indonesia, Australia, East Timor
(b) NIS: Kazakhstan, Azerbaijan
(c) Middle East: UAE, Iran
(d) Other: Angola, Brazil

Overseas sales

Overseas sales, which include sales (other than exports to Japan) of its overseas subsidiaries, for the years ended March 31, 2003, 2004 and 2005 are summarized as follows:

Year ended March 31, 2003	Asia (a)	Other (b)	Total
			Millions of yen
Overseas sales	¥57,418	¥5,737	¥ 63,155
Consolidated net sales			201,533
Overseas sales as a percentage of consolidated net sales	28.5%	2.8%	31.3%

(a) Asia: Korea, Taiwan, Indonesia, Singapore
(b) Other: Australia

Year ended March 31, 2004	Asia (a)	Other (b)	Total
			Millions of yen
Overseas sales	¥58,089	¥6,257	¥ 64,346
Consolidated net sales			218,831
Overseas sales as a percentage of consolidated net sales	26.5%	2.9%	29.4%

(a) Asia: Korea, Taiwan, Indonesia, Singapore
(b) Other: Australia

Year ended March 31, 2005	Asia (a)	Other (b)	Total	Asia (a)	Other (b)	Total
			Millions of yen			Thousands of U.S. dollars
Overseas sales	¥167,741	¥11,299	¥ 179,040	$1,561,689	$105,195	$1,666,884
Consolidated net sales			478,587			4,455,703
Overseas sales as a percentage of consolidated net sales	35.0%	2.4%	37.4%	35.0%	2.4%	37.4%

(a) Asia: Korea, Taiwan, Indonesia, Singapore, Thailand, China
(b) Other: Australia

15. SUBSEQUENT EVENTS

(a) Japan National Oil Corporation, the Company's major shareholder and the largest shareholder, was dissolved as of April 1, 2005, pursuant to the "Law on the Abolishment of the Japan National Oil Corporation Law and the Metal Mining Agency of Japan Law" (the Item 93, 2002 Law). Accordingly, 692,307.75 shares of common stock and one special class share in the Company held by Japan National Oil Corporation were transferred to the Minister of Economy, Trade and Industry. Shares in the Company's group companies held by Japan National Oil Corporation and its status in transactions with each Group company were also transferred to the Minister of Economy, Trade and Industry or an independent administrative corporation; Japan Oil, Gas and Metals National Corporation.

(b) The following appropriations of retained earnings of the Company, which have not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2005, were approved at a general meeting of the shareholders held on June 22, 2005.

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥4,000.00 = $37.24 per share)	¥7,679	$71,492
Bonuses to directors and statutory auditors	98	912

ERNST & YOUNG SHINNIHON

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Report of Independent Auditors

The Board of Directors and Shareholders
INPEX CORPORATION

We have audited the accompanying consolidated balance sheets of INPEX CORPORATION and subsidiaries as of March 31, 2004 and 2005, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2005, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of INPEX CORPORATION and subsidiaries at March 31, 2004 and 2005, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2005 in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2005 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

Ernst & Young ShinNihon

Tokyo, Japan
June 22, 2005

A MEMBER OF ERNST & YOUNG GLOBAL

Reserves and Production

1. Oil and Gas Reserves

General

Our crude oil and natural gas reserve estimates have been extracted without material adjustments from the reserve report dated May 25, 2005 prepared by DeGolyer and MacNaughton, independent petroleum engineering consultants, which contains their evaluation of (i) both proved and probable reserves as of March 31, 2005 as well as (ii) proved reserves as of March 31, 2003 and 2004 and is based upon their authority as experts with respect to such matters.

DeGolyer and MacNaughton conducted their review of our fields using the standards applied by the SEC with respect to our estimates of proved reserves, and the standards applied by SPE/WPC with respect to our estimates of probable reserves. SPE/WPC standards differ in various material respects from standards applied by the SEC.

Proved reserves are those estimated quantities which geological and engineering data demonstrate with reasonable certainty to be recoverable in the future years from known reservoirs under existing economic and operating conditions as of the date the estimate is made. Proved developed reserves are those reserves which can be expected to be recovered through existing wells with existing equipment and operating methods. Proved undeveloped reserves are those reserves which are expected to be recovered from new wells on undrilled acreage or from existing wells where a relatively major expenditure is required for recompletion.

There is greater risk that the probable reserve estimates will not actually be recovered. Probable reserves are reserves susceptible of being proved that are based on reasonable evidence of producible hydrocarbons within the limits of a structure or reservoir above known or inferred fluid contacts but are defined to a lesser degree of certainty because of more limited well control and/or the lack of definitive production tests. Since our proved reserve figures included in this report were prepared under SEC standards, some reserves which might otherwise be classified as proved under SPE/WPC standards are included in probable reserves.

Estimation and evaluation of proved and probable reserves naturally involve multiple uncertainties. The accuracy of any reserves evaluation depends on the quality of available information and engineering and geological interpretation. Based on the results of drilling, testing and production after the report date of the estimates prepared by DeGolyer and MacNaughton, reserves may be significantly restated upwards or downwards. Changes in the price of crude oil and natural gas may also affect our proved and probable reserve estimates as well as estimates of our discounted future net cash flows because these reserves are evaluated, and the discounted future net cash flows are estimated, based on prices and costs as of the date of the evaluation.

Proved Reserves

The table below sets forth information about our net proved reserves of crude oil, condensate and LPG, and natural gas as of respective fiscal year-ends, for the most recent four years.

Proved reserves of the INPEX Group (including our subsidiaries and affiliates) as of March 31, 2005 are 919.0 MMbbls of crude oil, condensate and LPG, and 3,756.5 Bcf of natural gas.

	Asia and Oceania		Middle East		Caspian Sea area		Subtotal		Interest in reserves held by equity method affiliates		Total	
	Oil (MMbbls)	Gas (Bcf)	Oil (MMbbls)	Gas (Bcf)	Oil (MMbbls)	Gas (Bcf)	Oil (MMbbls)	Gas (Bcf)	Oil (MMbbls)	Gas (Bcf)	Oil (MMbbls)	Gas (Bcf)
Proved Developed and Undeveloped Reserves												
Reserves as of March 31, 2002	175.9	3,548.8	16.8	–	–	–	192.7	3,548.8	7.2	6.5	199.9	3,555.2
Extensions and discoveries	–	–	–	–	–	–	–	–	–	–	–	–
Acquisition and sales	–	–	–	–	–	–	–	–	2.9	–	2.9	–
Revisions of previous estimates	(16.6)	70.0	–	–	–	–	(16.6)	70.0	(0.8)	(0.6)	(17.4)	69.4
Interim production	(16.4)	(255.6)	(1.6)	–	–	–	(17.9)	(255.6)	(1.1)	(1.6)	(19.0)	(257.2)
Reserves as of March 31, 2003	143.0	3,363.1	15.3	–	–	–	158.2	3,363.1	8.2	4.3	166.4	3,367.4
Reserves as of March 31, 2003	143.0	3,363.1	15.3	–	–	–	158.2	3,363.1	8.2	4.3	166.4	3,367.4
Extensions and discoveries	32.0	177.7	–	–	–	–	32.0	177.7	–	–	32.0	177.7
Acquisition and sales	12.7	34.1	–	–	177.9	–	190.6	34.1	(2.2)	(24.6)	188.4	9.5
Revisions of previous estimates	(4.4)	424.2	0.2	–	1.6	–	(2.6)	424.2	(2.9)	22.0	(5.5)	446.2
Interim production	(15.4)	(295.6)	(1.7)	–	(3.7)	–	(20.8)	(295.6)	(1.0)	(1.7)	(21.8)	(297.3)
Reserves as of March 31, 2004	167.8	3,703.5	13.8	–	175.8[1]	–	357.4	3,703.5	2.1	–	359.5	3,703.5
Reserves as of March 31, 2004	167.8	3,703.5	13.8	–	175.8[1]	–	357.4	3,703.5	2.1	–	359.5	3,703.5
Extensions and discoveries	–	31.7	–	–	–	–	–	31.7	1.8	449.6	1.8	481.3
Acquisition and sales	–	–	361.1	–	–	–	361.1	–	308.3	–	669.4	–
Revisions of previous estimates	(0.6)	(127.7)	(0.3)	–	(40.2)	–	(41.1)	(127.7)	(0.4)	–	(41.4)	(127.7)
Interim production	(18.9)	(300.6)	(26.3)	–	(4.4)	–	(49.6)	(300.6)	(20.6)	–	(70.2)	(300.6)
Reserves as of March 31, 2005	148.4	3,307.0	348.3	–	131.2[1]	–	627.9	3,307.0	291.2	449.6	919.0	3,756.5
Proved Developed Reserves												
As of March 31, 2005	91.5	1,560.3	347.1	–	25.2[1]	–	463.8	1,560.3	289.4	–	753.2	1,560.3

Note: (1) Includes reserves attributable to a consolidated subsidiary in which there is a 49% minority interest.

Standardized Measure of Discounted Future Net Cash Flows and Changes Relating to Proved Oil and Gas Reserves

The standardized measure of discounted future net cash flows and changes relating to proved oil and gas reserves have been extracted without material adjustments from the reserve report dated May 25, 2005 prepared by DeGolyer and MacNaughton, independent petroleum engineering consultants. In calculating the standardized measure of discounted future net cash flows, year-end constant price and cost assumptions were applied to our estimated annual future production from proved reserves to determine future cash inflows. Future development costs are estimated based upon constant price assumptions and assume the continuation of existing economic, operating, and regulatory conditions. Future income taxes are calculated by applying the year-end statutory rate to estimated future pre-tax cash flows after provision for the tax cost of the oil and natural gas properties based upon existing laws and regulations. The discount was computed by application of a 10% discount factor to the estimated future net cash flows.

We believe that this information does not represent the fair market value of the oil and natural gas reserves or the present value of estimated cash flows since no economic value is attributed to potential reserves, the use of a 10% discount rate is arbitrary, and prices change constantly from year-end levels. We use the exchange rates of ¥105.63 and ¥107.41=US$1.00 as of March 31, 2004 and 2005, respectively.

				(Millions of yen)
Year ended March 31, 2004	Total	Asia and Oceania	Middle East	Caspian Sea area and others
Future cash inflows	2,825,423	2,214,915	54,623	555,885
Future production and development costs	(878,801)	(695,001)	(29,210)	(154,590)
Future income tax expenses	(784,076)	(668,008)	(23,208)	(92,860)
Future net cash flows	1,162,546	851,906	2,205	308,435
10% annual discount for estimated timing of cash flows	(551,371)	(394,243)	(725)	(156,403)
Standardized measure of discounted future net cash flows	611,175	457,663	1,480	152,032(1)
Share of equity method investees' standardized measure of discounted future net cash flows	4,652	–	4,652	–

Note: (1) Includes ¥152,032 million attributable to a consolidated subsidiary in which there is a 49% minority interest.

				(Millions of yen)
Year ended March 31, 2005	Total	Asia and Oceania	Middle East	Caspian Sea area and others
Future cash inflows	5,100,161	2,618,749	1,766,276	715,136
Future production and development costs	(1,655,890)	(899,958)	(575,188)	(180,744)
Future income tax expenses	(1,961,637)	(755,382)	(1,083,213)	(123,042)
Future net cash flows	1,482,634	963,409	107,875	411,350
10% annual discount for estimated timing of cash flows	(645,170)	(413,660)	(50,866)	(180,644)
Standardized measure of discounted future net cash flows	837,464	549,749	57,009	230,706(1)
Share of equity method investees' standardized measure of discounted future net cash flows	35,733	17,267	17,754	712

Note: (1) Includes ¥230,706 million attributable to a consolidated subsidiary in which there is a 49% minority interest.

(Millions of yen)

Year ended March 31, 2005	Total	Asia and Oceania	Middle East	Caspian Sea area and others
Standardized measure, beginning of period	611,175	457,663	1,480	152,032
Changes resulting from:				
Sales and transfers of oil and gas produced, net of production costs	(179,889)	(125,105)	(44,531)	(10,253)
Net change in prices, and production costs	746,272	325,658	219,801	200,813
Changes in estimated development costs	(72,938)	(64,656)	(5,955)	(2,327)
Extensions, discoveries and improved recovery	403	403	–	–
Revisions of previous quantity estimates	(181,019)	(78,457)	16,307	(118,869)
Purchases of minerals in Place	44,306	–	44,306	–
Accretion of discount	146,728	82,095	42,395	22,238
Net change in income taxes	(311,170)	(76,310)	(213,354)	(21,506)
Other	33,596	28,458	(3,440)	8,578
Standardized measure, end of period	837,464	549,749	57,009	230,706

Probable Reserves as of March 31, 2005

Probable reserves of the INPEX Group (including our subsidiaries and affiliates) as of March 31, 2005 are 1,510.9 MMbbls of crude oil, condensate and LPG, and 3,085.3 Bcf of natural gas.

March 31, 2005	Asia and Oceania	Middle East	Caspian Sea area and others	Subtotal	Interest in reserves held by equity method affiliates	Total
Crude oil, condensate, and LPG (MMbbls)	103.9	437.1	542.1	1,083.1	427.8	1,510.9
Natural gas (Bcf)	2,719.9	–	221.4	2,941.3	144.0	3,085.3

2. Oil and Gas Production

The following table sets forth, in each of the principal geographical areas for the periods ended March 31, 2003, 2004 and 2005, our average net daily crude oil and natural gas production and average net daily total production. The proportional interests in production by our equity method affiliates are not broken down by geographical regions.

	Year ended March 31,		
	2003	2004	**2005**
Crude Oil Production (Mbbls per day)			
Asia and Oceania	44.8	42.3	**51.5**
Middle East	4.2	4.7	**72.2**
Caspian Sea area	–	10.1	**12.1**
Subtotal	49.0	57.0	**135.8**
Our proportional interest in production by equity method affiliates	3.0	2.7	**56.8**
Total	52.0	59.8	**192.6**
Annual production (MMbbls)	19.0	21.8	**70.3**
Natural Gas Production (MMcf per day)			
Asia and Oceania	700.3	809.9	**823.5**
Middle East	–	–	**–**
Caspian Sea area	–	–	**–**
Subtotal	700.3	809.9	**823.5**
Our proportional interest in production by equity method affiliates	4.4	4.6	**–**
Total	704.6	814.5	**823.5**
Annual production (Bcf)	257.2	297.3	**300.6**
Total Production (Mboe per day)			
Asia and Oceania	161.5	177.3	**188.8**
Middle East	4.2	4.7	**72.2**
Caspian Sea area	–	10.1	**12.1**
Subtotal	165.8	192.0	**273.0**
Our proportional interest in production by equity method affiliates	3.7	3.5	**56.8**
Total	169.5	195.5	**329.8**
Annual production (MMboe)	61.9	71.4	**120.4**

Notes: (1) 'Crude Oil' includes condensate and LPG.
(2) JODCO's net production includes royalties.

Subsidiaries and Affiliates

As of March 31, 2005

Consolidated Subsidiaries

Company Name	Location	Main business	Issued capital (Thousands)	Voting rights held by us (%)
Japan Oil Development Co., Ltd.	Japan	Exploration, development, production and sales of oil in ADMA Block, United Arab Emirates	¥18,800,000	100.00
INPEX Natuna, Ltd.	Japan	Exploration, development, production and sales of oil and natural gas in South Natuna Sea Block B, Indonesia	¥5,000,000	100.00
INPEX Trading, Ltd.	Japan	Sales, agency, and brokerage in connection with crude oil and market research and sales planning in connection with oil and natural gas sales	¥50,000	100.00
INPEX Jawa, Ltd.	Japan	Exploration, development, production and sales of oil and natural gas in Offshore Northwest Java Block, Indonesia	¥4,804,000	83.50
INPEX Sumatra, Ltd.	Japan	Exploration, development, production and sales of oil and natural gas in Offshore Southeast Sumatra Block, Indonesia	¥400,000	100.00
INPEX Services, Ltd.	Japan	Management of owned properties and facilities	¥65,000	100.00
INPEX Tengah, Ltd.	Japan	Exploration, development, production and sales of natural gas in Tengah Block in Offshore East Kalimantan, Indonesia	¥1,020,000	100.00
INPEX Alpha, Ltd.	Japan	Exploration, development, production and sales of oil and natural gas in WA-10-L Block, Australia	¥3,814,000	100.00
INPEX Sahul, Ltd.	Japan	Exploration, development, production and sales of oil and natural gas in JPDA03-12 Block in Joint Petroleum Development Area of Australia and East Timor	¥4,600,000	100.00
INPEX ABK, Ltd.	Japan	Exploration, development, production and sales of oil in Abu Al Bukhoosh Block, United Arab Emirates	¥2,500,000	95.00
INPEX Offshore Northeast Mahakam, Ltd.	Japan	Exploration of oil and natural gas in Saliki Block in Offshore East Kalimantan, Indonesia	¥943,000	100.00
INPEX North Caspian Sea, Ltd.	Japan	Exploration and development of oil and natural gas in Offshore North Caspian Sea Block, Kazakhstan	¥45,500,000	45.00
INPEX Browse, Ltd.	Japan	Exploration and development of oil and natural gas in WA-285-P Block in Offshore West Australia, Australia	¥18,950,000	100.00
INPEX Masela, Ltd.	Japan	Exploration and development of oil and natural gas in Masela Block, Indonesia	¥13,263,000	50.00
INPEX East Arguni, Ltd.	Japan	Being dissolved	¥268,000	100.00
INPEX West Arguni, Ltd.	Japan	Being dissolved	¥577,000	100.00
INPEX South Natuna, Ltd.	Japan	Being dissolved	¥520,000	100.00
INPEX Southwest Caspian Sea, Ltd.	Japan	Exploration, development, production and sales of oil in ACG Oil Fields, Azerbaijan	¥53,594,000	51.00
INPEX North Natuna, Ltd.	Japan	Being dissolved	¥1,020,000	100.00
INPEX North Makassar, Ltd.	Japan	Being dissolved	¥3,243,000	54.18
INPEX BTC Pipeline, Ltd.	Cayman Islands	Investment in pipeline construction companies	US$33,300	100.00

Company Name	Location	Main business	Issued capital (Thousands)	Voting rights held by us (%)
INPEX Offshore North Mahakam, Ltd.	Japan	Exploration of oil and natural gas in East Kalimantan Block in Offshore East Kalimantan, Indonesia	¥3,300,000	100.00
INPEX Offshore South Sulawesi Ltd.	Japan	Being dissolved	¥1,345,000	100.00
INPEX DLNGPL Pty Ltd	Australia	Investment in pipeline construction companies and operation of pipeline businesses	A$63,240	100.00
INPEX Timor Sea, Ltd.	Japan	Exploration and development of oil and natural gas in JPDA03-01 Block in Joint Petroleum Development Area of Australia and East Timor	¥2,275,000	100.00
Azadegan Petroleum Development, Ltd.	Japan	Appraisal and development of Azadegan Oil Field, Iran	¥10,000	100.00

Affiliates Under Equity Method

Company Name	Location	Main business	Issued capital (Thousands)	Voting rights held by us (%)
BP-Japan Oil Development Company Ltd.	U.K.	Financing for oil exploration and development projects conducted by Abu Dhabi Marine Areas Ltd.	£322	45.00
Angola Japan Oil Co., Ltd.	Japan	Exploration, development, production and sales of oil in Offshore 3/80 Block, Angola	¥10,500,000	19.60
AJOCO Exploration Co., Ltd.	Japan	Exploration, development, production and sales of oil in Offshore 3/85 Block, Angola	¥6,400,000	25.00
AJOCO'91 Exploration Co., Ltd.	Japan	Exploration, development, production and sales of oil in Offshore 3/91 Block, Angola	¥2,996,000	25.00
Bontang Train G Project Finance, Ltd.	Japan	Financing for construction of LNG production facility in Bongtang Area in East Kalimantan, Indonesia	¥50,000	40.00
Bontang LNG Train H Investment, Ltd.	Japan	Financing for construction of LNG production facility in Bongtang Area in East Kalimantan, Indonesia	¥50,000	40.00
Albacora Japão Petróleo Limitada	Brazil	Lease of production facilities in Albacora Block in Offshore North Campos, Brazil	Reals 6,525	50.00
Frade Japão Petróleo Limitada	Brazil	Exploration of oil and natural gas in Frade Block in Offshore North Campos, Brazil	Reals 98,309	0.0003
Project Finance BLRE, Ltd.	Japan	Financing for repayment of LNG production facility in Bontang Area in East Kalimantan, Indonesia	¥20,000	30.00
INPEX Offshore North Campos, Ltd.	Japan	Financing for oil and natural gas exploration and development projects conducted by Frade Japão Petróleo Limitada	¥6,152,000	37.50
MI Berau B.V.	Netherlands	Exploration, development, production and sales of natural gas in Berau Block in Papua, Indonesia	Euro 648,538	44.00
JJI S&N B.V.	Netherlands	Development and production of oil and natural gas in Offshore Soroosh Field, Iran	Euro 36,383	25.00

Other Investments

As of March 31, 2005

Company Name	Location	Capital	INPEX Investment	Main Business
Canada Oil Sands Co., Ltd.	Japan	¥36,483 million	¥1,015 million	Exploration, development and production of oil sand in Athabasca Block, Canada
Indonesia Nippon Oil Corporation, Ltd.	Japan	¥13,814 million	¥2,393 million	Financing for exploration and development in PERTAMINA Unit, Indonesia
Burma Petroleum Development Co., Ltd.	Japan	¥346 million	¥15 million	Financing for exploration in Offshore Martaban, Myanmar
Japex New Nanhai Ltd.	Japan	¥3,100 million	¥93 million	Exploration, development, production and sales of oil in 16/06 Block in the Pearl River Mouth Basin, China
New Huanan Oil Development Co., Ltd.	Japan	¥3,000 million	¥60 million	Exploration, development, production and sales of oil in 16/06 Block in the Pearl River Mouth Basin, China
Jawa Oil Co., Ltd.	Japan	¥6,200 million	¥744 million	Exploration, development, production and sales of oil in RDL Oil Field, Indonesia
Sakhalin Oil and Gas Development Co., Ltd.	Japan	¥22,592 million	¥973 million	Exploration and development of oil and natural gas in three fields (Odoptu, Chayvo, Arkutun-Dagi) in Offshore Sakhalin Island, Russia.
Wandoo Oil Development Co., Ltd.	Japan	¥3,000 million	¥450 million	Exploration, development, production and sales of oil and natural gas in WA-14-L, WA-256-P, WA-286-P, WA-325-P, WA-226-P, T/18P and T/L1 Block in Offshore Dampier, West Australia, Australia

Corporate Data

Corporate Name: INPEX CORPORATION

Established: February 1966

Capital: ¥29.46 billion (As of March 31, 2005)

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Board of Directors:

Chairman	**Kunihiko Matsuo**
President	**Naoki Kuroda**
Executive Senior Vice President	**Katsujiro Kida**
Executive Senior Vice President	**Mutsuhisa Fujii**
Managing Director	**Kazuhisa Konoma**
Managing Director	**Seiji Yui**
Managing Director	**Noboru Tezuka**
Managing Director	**Kunio Kanamori**
Director	**Michio Hikari**
Director	**Sadafumi Tanigawa**
Director	**Shunichiro Sugaya**
Director	**Seiya Ito**
Director	**Wataru Tanaka**
Director (Outside Director)	**Kazuo Wakasugi**
Director (Outside Director)	**Hisanori Yoshimura**
Director (Outside Director)	**Junji Sato**
Director (Outside Director)	**Kazuo Ogawa**
Director (Outside Director)	**Michihisa Shinagawa**
Auditor	**Nobuo Kawa**
Auditor	**Shigeru Watanabe**
Auditor (Outside Auditor)	**Tadaaki Tokunaga**
Auditor (Outside Auditor)	**Ryoichi Ono**

Stock Information

(As of March 31, 2005)

[Share Data]

[Authorized Shares]

2,356,800 common shares

1 special class share

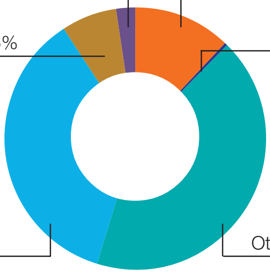
[Number of Shareholders/Issued and Outstanding Shares]

Common shares: 21,809 shareholders/1,919,832.75 shares

Special class shares: 1 shareholder/1 share

Note: INPEX CORPORATION issued one special class share to Japan National Oil Corporation (JNOC) on November 17, 2004. With the dissolution of JNOC on April 1, 2005, this special class share was transferred to the Minister of Economy, Trade and Industry effective from the date of JNOC's dissolution. The Company's Articles of Incorporation state that resolutions regarding certain major corporate decisions approved by the ordinary general meeting of shareholders and the Board of Directors also require a resolution approved by a meeting of the special class shareholder.

[Shareholding by Shareholder Type*1]



Notes: 1. Shareholding ratios are for all issued and outstanding shares
2. Following the dissolution of Japan National Oil Corporation (JNOC) on April 1, 2005, all shares held by JNOC were transferred to the Minister of Economy, Trade and Industry effective from the date of JNOC's dissolution.
3. Excludes one special class share.

[Major Shareholders (Common Shares)]

Name	Number of Shares	Holding (%)
Japan National Oil Corporation (Minister of Economy, Trade and Industry)(1)	692,307.75	36.06
Japan Petroleum Exploration Co., Ltd.	248,174.56	12.93
Mitsubishi Corporation	189,594	9.88
Mitsui Oil Exploration Co., Ltd.	176,760	9.21
The Master Trust Bank of Japan, Ltd. (Trust Account)	55,419	2.89
Japan Trustee Services Bank, Ltd. (Trust Account)	51,910	2.70
Marubeni Corporation	46,446	2.42
Sumitomo Corporation	46,446	2.42
JFE Steel Corporation	44,190	2.30
Dai-ichi Oil Development Co., Ltd.	23,455.44	1.22

Note: (1) Following the dissolution of JNOC on April 1, 2005, all shares held by JNOC were transferred to the Minister of Economy, Trade and Industry effective from the date of JNOC's dissolution.

INPEX

Printed in Japan on recycled paper.