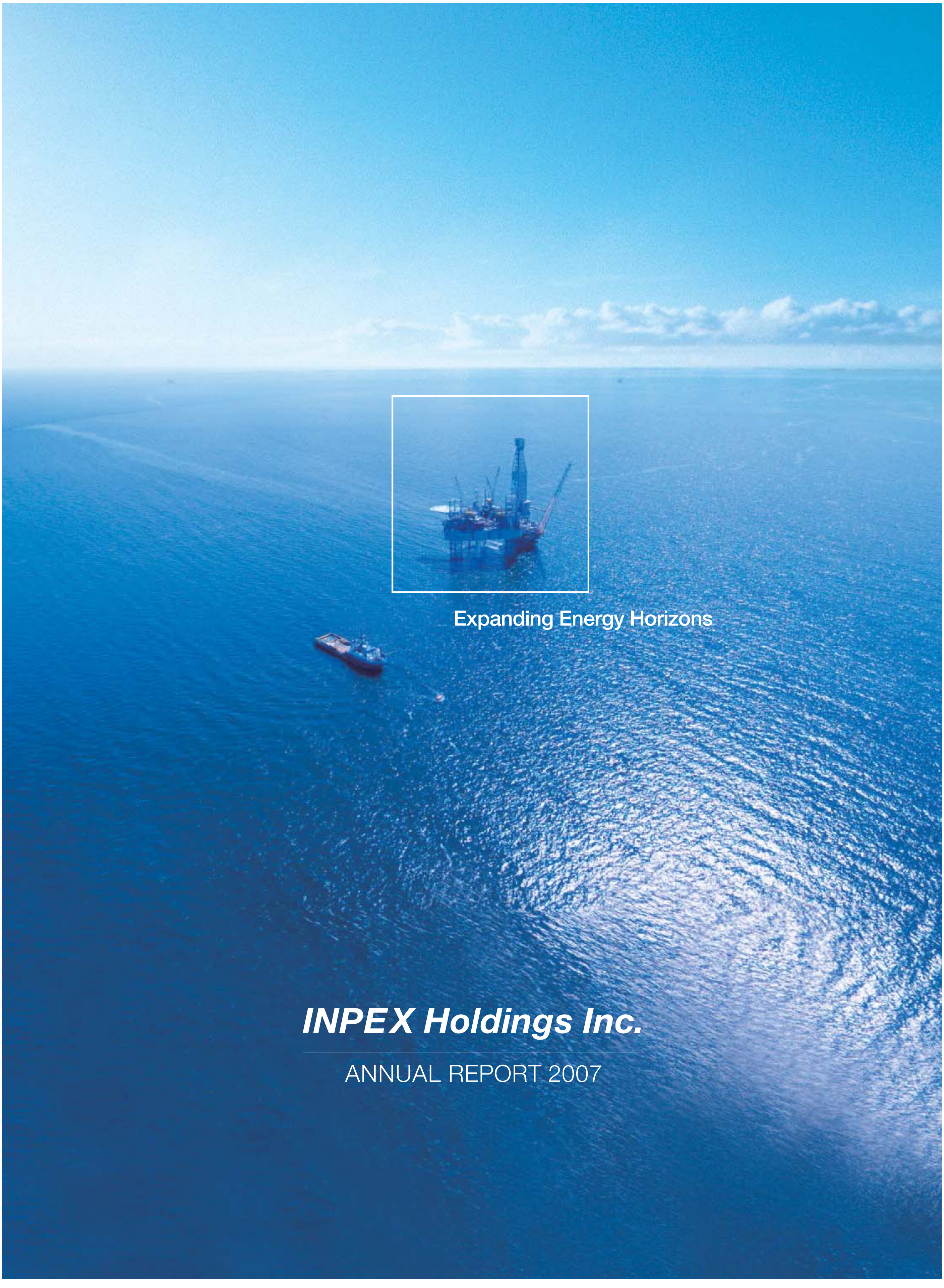

Expanding Energy Horizons

INPEX Holdings Inc.

ANNUAL REPORT 2007

A Growing Presence Worldwide

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Caspian Sea Area

- Kazakhstan: Offshore North Caspian Sea Block (Kashagan Oil Field and Others)
- Azerbaijan: ACG Oil Fields
- Azerbaijan-Georgia-Turkey: BTC Pipeline

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Middle East

- United Arab Emirates: ADMA Block
- Iran: Azadegan Oil Field

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Africa

- Offshore Democratic Republic of Congo
- Egypt: West Bakr Block
- Algeria: El Ouar I/II Blocks
- Algeria: Ohanet Block

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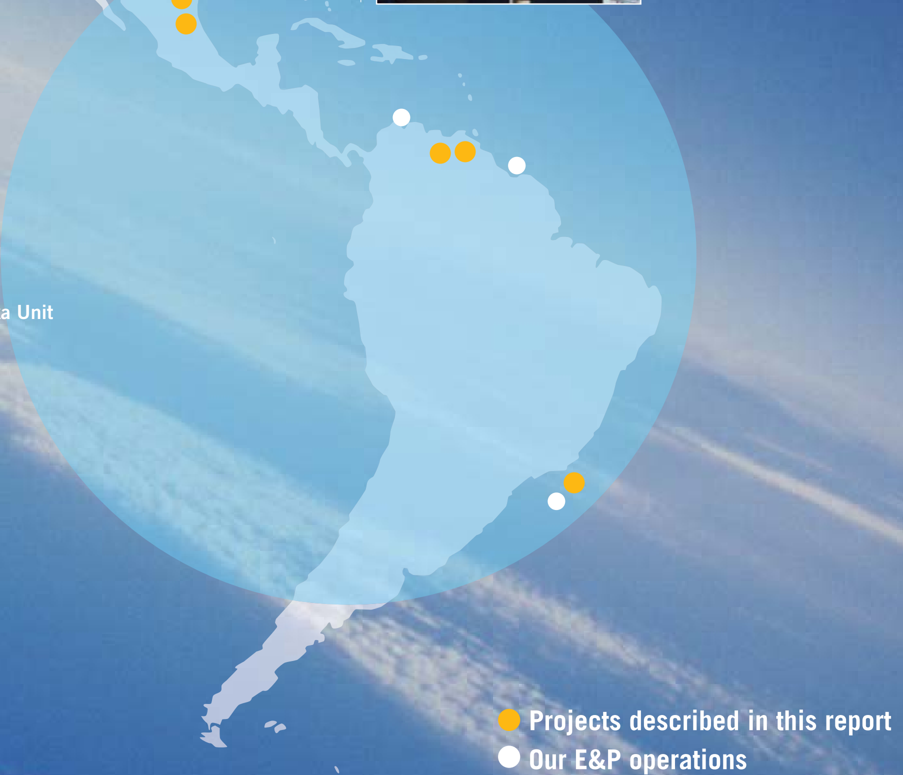
Australia and the Timor Sea Joint Petroleum Development Area (JPDA)

- Australia: WA-10-L (Griffin Fields) and Others
- Australia: WA-285-P (Ichthys)
- JPDA03-12, Bayu-Undan Project

INPEX Holdings Inc. is a joint holding company established on April 3, 2006 through the business integration of INPEX CORPORATION, a leading Japanese E&P company, and Teikoku Oil Co., Ltd., a pioneer of E&P in Japan.

The integration has enabled INPEX Holdings to achieve a well-balanced asset portfolio, the strengthened presence as a global E&P company and enhanced capabilities as an operator. INPEX Holdings is now Japan's largest E&P company in terms of production and reserve volume.



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Japan

- Minami-Nagaoka Gas Field and Domestic Natural Gas Business

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Indonesia

- Offshore Mahakam Block and Attaka Unit
- South Natuna Sea Block B
- Masela Block (Abadi)
- Berau Block, Tangguh LNG Project

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Americas

- Venezuela: Copa Macoya and Guarico Oriental Blocks
- Brazil: Frade Block
- Mexico: Cuervito and Fronterizo Blocks
- United States: Ship Shoal 72, Main Pass 117/118 and West Cameron 401/402

Strengthening Our Position

Production Growth Rate

6.2%

Net production for the year ended March 31, 2007, was 418 MBOED, an increase of 10.6% compared with the previous year. By production increase mainly from ACG Oil Fields, we are envisaging a production growth rate of 6.2% over the next two years.

67 Projects in 25 Countries

With business operations covering 67 projects in 25 countries, we boast a balanced portfolio in terms of activity area, type of contracts, operating stages and the proportion of crude oil to natural gas.

Reserve Replacement Ratio (RRR)

293%

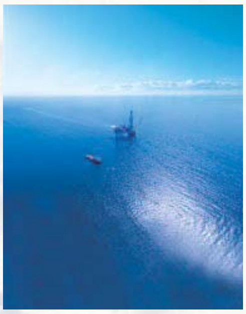
With our success in exploration, development and asset acquisition, our three-year average RRR, indicating the increase of proved reserves, stood at 293%, an excellent result in comparison with other oil companies.

Proved Reserves

1,770 MMBOE

We have the largest proved reserves among Japanese companies, and our net probable reserves amount to 1,959 MMBOE, exceeding our net proved reserves. The reserve-production ratio for the proved reserves equates to 11.6 years, or 24.5 years when adding probable reserves. From this, we expect steady increases of production volume and proved reserves over the medium to long term.

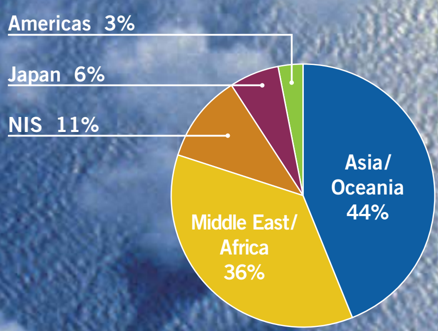
Note: MBOED: thousands of barrels of oil equivalent per day
MMBOE: millions of barrels of oil equivalent
Net production volume and proved reserves are calculated based on U.S. Security and Exchange Commission (SEC) rules.



JACK-UP DRILLING RIG
(OFFSHORE MAHAKAM BLOCK, INDONESIA)

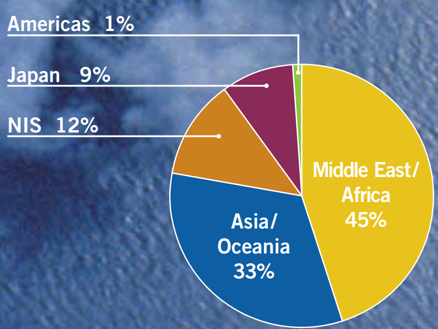
Contents

Net Production



Total: 418 MBOED

Proved Reserves



Total: 1,770 MMBOE

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 Holdings Inc.

INPEX Holdings Inc. and Consolidated Subsidiaries
For the year ended March 31, 2007

Year ended March 31,	Millions of yen 2007	Thousands of U.S. dollars (2) 2007
Net sales	¥ 969,713	$ 8,211,644
Operating income	559,077	4,734,330
Net income	165,092	1,398,018
Cash flows from operating activities	231,982	1,964,451
Total assets (at period end)	1,608,107	13,617,639
Interest-bearing debt (at period end)	248,969	2,108,299
Net debt (at period end) (1)	(169,667)	(1,436,760)
Net assets (at period end)	1,080,016	9,145,703
	Yen	U.S. dollars
Net income per share	¥70,423.45	$ 596.35
Cash dividends per share	7,000	59.28

Notes: (1) Net debt = Interest-bearing debt – Cash and cash equivalents – Restricted cash – Other debt securities with determinable market value.
(2) The translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation only, at ¥118.09=US$1.00, the approximate rate of exchange in effect on March 31, 2007.

INPEX CORPORATION

INPEX CORPORATION and Subsidiaries
For the years ended March 31, 2003, 2004, 2005 and 2006

Years ended March 31,	2003	2004	2005	2006
				Millions of yen
Net sales	¥ 201,533	¥ 218,831	¥ 478,587	¥ 704,235
Operating income	97,270	93,876	268,663	426,651
Net income	27,912	34,782	76,494	103,477
Cash flows from operating activities	51,282	44,464	131,207	218,240
Total assets (at period end)	338,747	525,298	779,228	972,438
Interest-bearing debt (at period end)	46,997	169,425	177,867	220,293
Net debt (at period end)(1)	(109,691)	42,297	(52,482)	(89,097)
Net assets (at period end)	253,570	278,114	411,296	504,998
				Yen
Net income per share	¥47,178.51	¥58,838.76	¥40,255.92	¥53,814.47
Net income per share(2)	15,726.17	19,612.92	—	—
Cash dividends per share	10,000	10,000	4,000	5,500
Cash dividends per share(2)	3,333	3,333	—	—

Teikoku Oil Co., Ltd.

Teikoku Oil Co., Ltd. and Consolidated Subsidiaries
For the years ended December 31, 2003, 2004, 2005, and for the three months ended March 31, 2006

	2003(3)	2004(3)	2005(3)	2006(4)
				Millions of yen
Net sales	¥ 78,498	¥ 84,032	¥100,716	¥ 27,718
Operating income	8,739	13,533	21,077	9,470
Net income	6,796	9,276	15,485	6,484
Cash flows from operating activities	19,955	19,225	15,118	9,872
Total assets (at period end)	226,280	240,513	293,767	308,659
Interest-bearing debt (at period end)	21,737	17,936	29,022	35,968
Net debt (at period end)(1)	(8,267)	(8,828)	(2,019)	(5,387)
Net assets (at period end)	156,463	165,936	197,216	205,256
				Yen
Net income per share	¥ 22.09	¥ 30.22	¥ 50.61	¥ 21.28
Cash dividends per share(5)	6.0	7.5	9.0	3.0

Notes: (1) Net debt = Interest-bearing debt – Cash and cash equivalents – Restricted cash – Other debt securities with determinable market value
(2) INPEX CORPORATION made a three-for-one stock split of common stock effective May 18, 2004. The figures are the amounts after the stock split.
(3) Until December 31, 2005, the fiscal year-end of Teikoku Oil Co., Ltd. was December 31.
(4) Teikoku Oil Co., Ltd. had changed its fiscal period end from December 31, to March 31. The figures represent respective amounts as of and for the three months ended March 31, 2006.
(5) Shareholders and registered pledges listed or recorded in the final shareholders' register of Teikoku Oil Co., Ltd. on the day before the stock transfer date had received stock transfer payments for each common share in Teikoku Oil Co., Ltd. in place of dividends for the three months ended March 31, 2006.

Operating Highlights

INPEX Holdings Inc.

Years ended March 31	2007
Net proved reserves (End of period)(1):	
Crude oil, condensate and LPG (MMbbls)	**1,139**
Gas (Bcf)	**3,782**
Total (MMboe)	**1,770**
Net production(1):	
Crude oil, condensate and LPG (Mbbls/day)	**242.5**
Gas (MMcf/day)	**1,051.1**
Total (Mboe/day)	**417.7**
Average expenses per boe produced (US$)(2):	
Production(3)	**8.5**
General and administrative	**1.7**
Costs incurred (Millions of yen)(4):	
Acquisition	**1,144**
Exploration	**30,544**
Development	**185,957**
Total	**217,646**
Reserves to production ratio (Years):	
Proved reserves as of the end of the fiscal year / Production in the fiscal year	**11.6**
Proved reserves + Probable reserves, as of the fiscal year-end / Production in the fiscal year	**24.5**
Standardized measure of discounted future net cash flows from proved reserves (Millions of yen)(1)(5):	**1,347,128**
Reserve replacement ratio (3-year average as %)(6):	**293**
Finding and development cost per boe (3-year average in US$)(2)(7):	**6.9**
Net probable reserves (End of period)(1):	
Crude oil, condensate and LPG (MMbbls)	**1,610**
Gas (Bcf)	**2,095**
Total (MMboe)	**1,959**

Notes: (1) See item on page 77 regarding "Oil and Natural Gas Reserves and Production Volume." Its proved reserves and production volume are calculated in accordance with U.S. Security Exchange Commission (SEC) rules.
(2) Figures are translated into U.S. dollars based on the average exchange rate of the fiscal year ended March 31, 2007, which was ¥116.62 per U.S. dollar. Figures exclude all equity-method affiliates except those of Japan Oil Development Co., Ltd. (JODCO).
(3) Operating expenses plus royalties due others.
(4) Excluding our proportional interest of equity-method affiliates except JODCO's equity-method affiliate.
(5) The exchange rate as of March 31, 2007 was the telegraphic transfer middle (TTM) rate of ¥118.09 per U.S. dollar.
(6) Reserve replacement ratio = Proved reserves increase including acquisition/production
(7) The sum of total costs incurred, 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.

INPEX CORPORATION/Teikoku Oil Co., Ltd.

	INPEX CORPORATION			Teikoku Oil Co., Ltd.
	Year ended March 31,			Year ended December 31,
	2004	2005	2006	2005
Net proved reserves (End of period)(1):				
Crude oil, condensate and LPG (MMbbls)	359	919	1,054	36
Gas (Bcf)	3,704	3,757	3,103	1,006
Total (MMboe)	977	1,545	1,571	204
Net production(1):				
Crude oil, condensate and LPG (Mbbls/day)	59.8	192.6	204.7	15.3
Gas (MMcf/day)	814.5	823.5	787.8	169.0
Total (Mboe/day)	195.5	329.8	336.0	43.5
Average expenses per boe produced (US$)(2):				
Production(3)	4.8	7.0	8.3	7.6
General and administrative	0.7	0.7	0.8	6.9
Costs incurred (Millions of yen)(4):				
Acquisition	167,792	52,124	405	—
Exploration	25,296	4,220	8,369	4,098
Development	92,348	113,406	167,611	6,543
Total	285,436	169,750	176,385	10,641
Reserves to production ratio (Years):				
Proved reserves as of the end of the fiscal year / Production in the fiscal year	13.7	12.8	12.8	12.8
Proved reserves + Probable reserves, as of the fiscal year-end / Production in the fiscal year	35.3	29.7	27.7	16.2
Standardized measure of discounted future net cash flows from proved reserves (Millions of yen)(1)(5):	615,827	873,197	1,055,733	264,446
Reserve replacement ratio (3-year average as %)(6):	170	397	368	—
Finding and development cost per boe (3-year average in US$)(2)(7):	12.1	4.9	4.9	—
Net probable reserves (End of period)(1):				
Crude oil, condensate and LPG (MMbbls)	904	1,511	1,481	12
Gas (Bcf)	3,834	3,085	2,074	250
Total (MMboe)	1,543	2,025	1,827	54

Notes: (1) See item on page 77 regarding "Oil and Natural Gas Reserves and Production Volume." Teikoku Oil's reserve volume is as of March 31, 2006 and its proved reserves and production volume are calculated in accordance with U.S. Security Exchange Commission (SEC) rules.
(2) Figures are translated into U.S. dollars based on the average exchange rate of the relevant fiscal year. In the fiscal years ended March 31, 2004, 2005 and 2006, the average exchange rates were ¥112.94, ¥107.28 and ¥113.17, respectively. In the fiscal period ended December 31, 2005, the average exchange rate was ¥110.12. Figures exclude all equity-method affiliates except those of JODCO.
(3) Operating expenses plus royalties due others.
(4) Excluding our proportional interest of equity-method affiliates except JODCO's equity-method affiliate.
(5) The exchange rates as of March 31, 2004, 2005 and 2006 were the TTM rates of ¥105.63, ¥107.41 and ¥117.47 per U.S. dollar, respectively .
(6) Reserve replacement ratio = Proved reserves increase including acquisition/production
(7) The sum of total costs incurred, 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.

An Interview with the President

INPEX Holdings will secure a stable and efficient supply of oil and natural gas, reap the benefits of business integration and move steadily forward in every one of its projects. Through these efforts, we seek to enhance corporate value, and thereby gain and maintain shareholder support, while fulfilling our obligations to the national economy.

Naoki Kuroda
President & CEO

Question 1

The fiscal year ended March 31, 2007 represents the first post-integration business period. Could you give us a brief overview of business performance during that period?

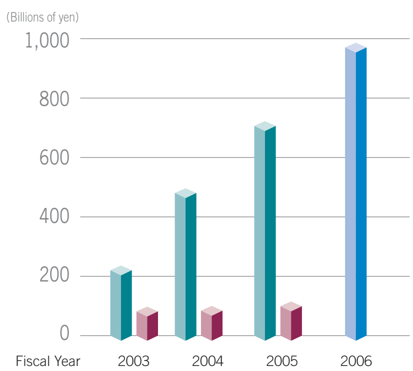
A: INPEX Holdings was established in April 2006 with the integration of INPEX CORPORATION and Teikoku Oil Co., Ltd. In our first business period following the integration, on the back of increased sales and rising crude oil and natural gas prices coupled with a depreciation of the yen, INPEX Holdings' consolidated net sales amounted to ¥969.7 billion, including ¥607.4 billion in crude oil sales and ¥332.9 billion in natural gas sales.

Exploration expenses, primarily for exploration activities in Oceania, came in at ¥17.7 billion, selling, general and administrative expenses and depreciation expenses totaled ¥49.2 billion and operating income was ¥559.1 billion.

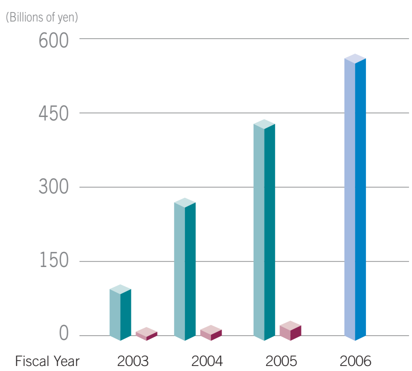
Net income before income taxes and minority interests and net income were ¥586.2 billion and ¥165.1 billion, respectively, due to the booking of ¥33.5 billion in transfer income from the partial transfer of interests in the WA-285-P (Ichthys) Block in offshore Western Australia.

In the fiscal year ended March 31, 2007, INPEX CORPORATION and Teikoku Oil Co., Ltd. both enjoyed record-breaking sales and showed strong earnings growth.

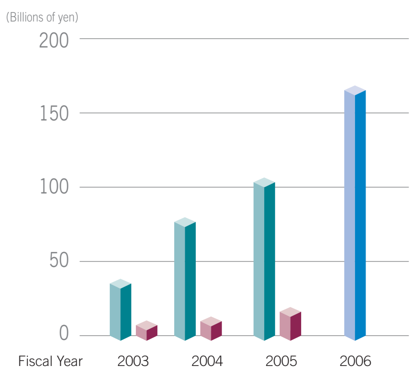
Net Sales



Operating Income



Net Income



INPEX Group Teikoku Oil Group INPEX Holdings Group



Question 2 What results were achieved in the period under review and what progress has been made with the integration?

A: The two companies, which had been doing business in different regions, were integrated, and our competitive position improved as a result of the excellent portfolio balance that resulted from the highly complementary nature of the companies' regional coverage. The integration also further expanded our presence in global markets and strengthened our project management capabilities by enabling us to combine management know-how and technological expertise.

With the transition to an operating holding company—which will come with the final stage of the business integration, the merger of the current joint holding company, INPEX CORPORATION and Teikoku Oil Co., Ltd.—scheduled for October 2008 looming into view, we have been working hard to achieve mutual understanding and share intelligence at the management and working levels. As a result, during this initial fiscal year preparations for the transition moved smoothly ahead as we strengthened the management capabilities and competitive position of the newly integrated company and developed a shared awareness and values while working toward the early realization of integration synergies.

Specifically, leveraging the strengths of both companies, we established the basic framework for a new organization that emphasizes speed and efficiency. By implementing an employee attitude survey, we took steps to foster a corporate culture that is harmonious and appealing to the workforce, and developed a basic framework for personnel and wage systems. We also began building a system of internal controls to comply with the Japanese version of the Sarbanes-Oxley (SOX) Act, which is scheduled to take effect in April 2008, and began the preliminary design of a new information system. At the same time, we created a stronger information disclosure system to serve as a foundation for the operating holding company.

Through these efforts, we will aim to achieve integrated decision-making under efficiency-oriented investment and management strategies rather than waiting to complete business integration by shifting to an operating holding company. Simultaneously, we will leverage the expertise of both companies' specialists to organize joint teams for each project, joining forces in the development of the Ichthys Project and the acquisition of new oil and gas assets.

Question 3

Business integration progressed favorably in the initial fiscal year. Tell us about your medium- to long-term growth strategy.

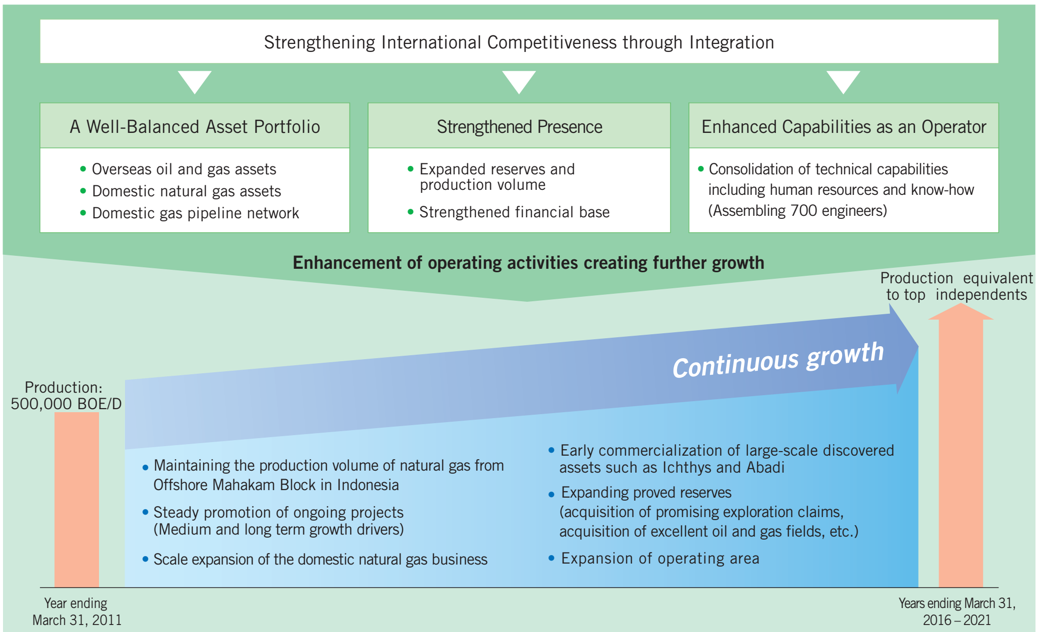
A: The foundation of our business is securing our oil and natural gas reserves, ensuring stable earnings through development, production and sales and sustaining the growth of corporate value.

Because reserves decline as a result of production activities, it is essential that INPEX secure additional reserves by discovering new resources or by acquiring assets in order to secure and maintain stable earnings over the medium to long term.

To secure working interests for the exploration, development and production of high-quality crude oil and natural gas resources throughout the world, aggressive business development that leads to promising business opportunities is essential. Last year's business integration gave us an even stronger foundation for achieving such expansion.

Our goal is to increase our net production volume to a level of equivalent to a leading global independents by maximizing these integration effects to achieve the early commercial production of the large-scale discovered fields and by increasing investments for aggressive acquisition of high-quality oil and gas assets. We are taking an aggressive approach to business development so that we can further improve corporate value and sustain growth over the medium to long term.

Basic Growth Strategy



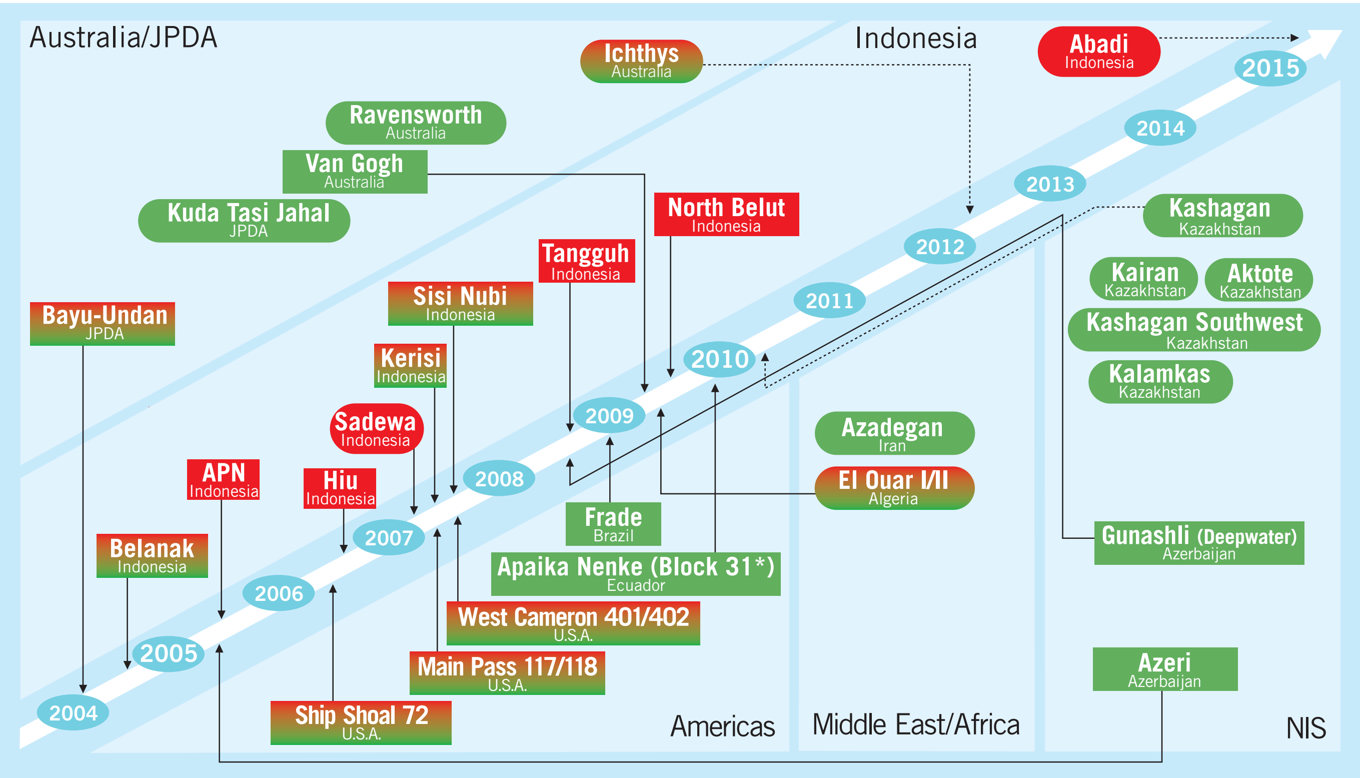
Question 4

Could you tell us what progress you have made in major large-scale projects, particularly the Ichthys Project?

A: The Ichthys gas condensate field (WA-285-P Block in Australia) is a groundbreaking project in that it is the first in which a Japanese company has been involved as an operator in every phase from the exploration and development of the field to LNG production and sales. We have positioned this project as one of our core assets that will support long-term business growth. We are now vigorously engaging in the preparation for the commercialization of the project with the goal of starting LNG production in 2012. We started drilling an additional exploratory well to uncover further reserve volume from April 2007 and have been carrying out aggressive marketing efforts. In the first phase, we are targeting an annual LNG production and sales volume of 7.6 million tons, but plan to consider increases in production and sales volumes after taking into account future trends in LNG demand and the supply capacity of the Ichthys field.

After Ichthys, our next major project with promising commercial potential is the Abadi Gas Field (the Masela Block in Indonesia). In May 2007, we started appraisal well drilling to evaluate the extent of the gas reserve. In conjunction with this, we are formulating

Production Start-Up Schedule for Oil and Gas Fields in Which The INPEX Group Participates



Production/Development Phase | Development Plan Under Consideration | Gas | Oil/Condensate

* In a governmental approval process for interests transfer

development scenarios for this gas field and conducting marketing activities with the goal of starting up this LNG project at an annual production scale of between 3.5 million to 5.0 million tons.

In addition, there are two major oil field development projects on the coast of the Caspian Sea that we view as medium- to long-term growth drivers. We are expanding crude oil production volume at the ACG Oil Fields in Azerbaijan and expect to achieve production in excess of 1 million barrels per day by 2009. At the Kashagan Oil Field in Kazakhstan, we are now in the midst of the first phase of development and are planning for peak crude oil production of over 1.2 million barrels per day.

At the offshore Mahakam Block in Indonesia, a profit center for the INPEX Group, we are carrying out ongoing gas field development in order to maintain a stable gas supply to the Botang LNG Plant.

Finally, thanks to access to abundant reserves and large markets, the domestic natural gas business based on the Minami-Nagaoka Gas Field, Japan’s largest, has become a stable earnings source for INPEX. We are further developing infrastructure, including a pipeline, while also developing the northern part of the Minami-Nagaoka Gas Field.

Question 5 | In closing, what message do you have for shareholders?

A: As we begin our second year of business as an integrated company, we are taking steps to maintain and expand reserves and production volume by achieving business integration synergies. In parallel, we are steadily moving forward with each project, optimally distributing business resources and maintaining a sound financial position. In the medium to long term, we are working to ensure stable earnings and enhance long-term corporate value.

In addition, as we fulfill our corporate social responsibilities we continue to strengthen corporate governance, promote rigorous compliance and fully ensure safety management in operations. At the same time, our business activities are carried out with full consideration for development in harmony with the environment and local communities.

I respectfully thank our shareholders and ask for their continued understanding and support for the new INPEX Group.

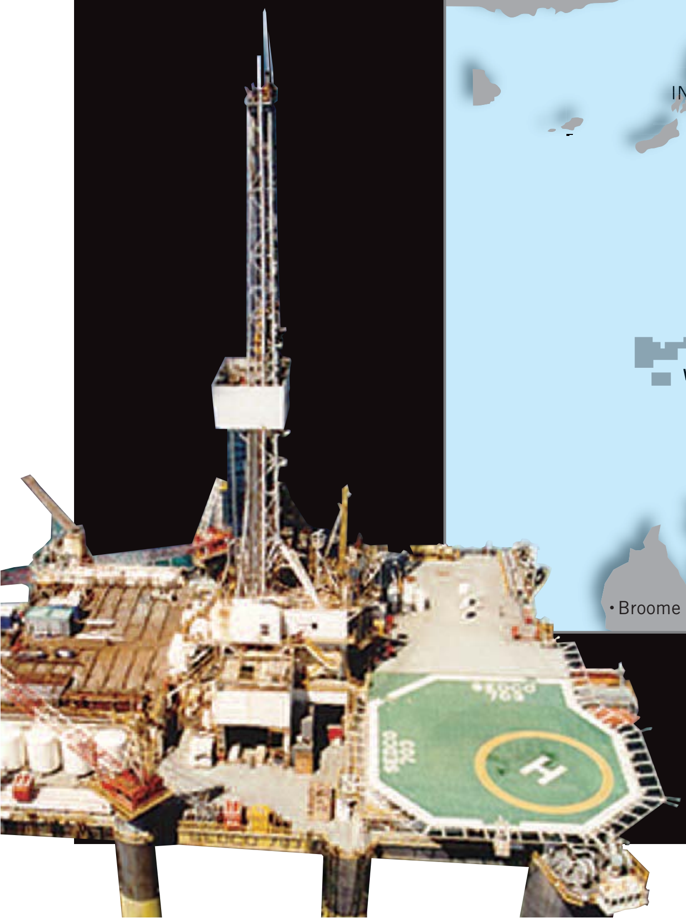
Special Feature—The Ichthys Project

INPEX has been engaged in exploration as an operator in the WA-285-P Block located in offshore Western Australia since 1998. As a result, a large-scale natural gas and condensate field, Ichthys* was discovered in 2000. Between 2000 and 2004, the total of six exploratory wells were drilled with successful discoveries of natural gas and condensate in all of the wells. The reserve volume is estimated to be at least 9.5 trillion cubic feet of natural gas and 300 million barrels of condensate and LPG and, based on the current LNG annual production plan of 7.6 million tons, the expected reserve production ratio for Ichthys is over 30 years. We place special emphasis on the development of this large-scale project that will form a future pillar of the Group's operations.

*Ichthys: A Greek scientific name for Paleozoic fish. All of the wells in WA-285-P are named for the largest size of ichthyolite in the Devonian period, the so-called "the fish era".

Location of Ichthys Field

Lying about 200km off the coast of Western Australia, the Ichthys field is located in Browse Basin, offshore of the northwestern continental shelf, approximately 450km north of Broome in northwestern Australia, and 850km west of Darwin. The block covers 3,041km^2 and the water depth ranges from 90m to 340m.



1998

Commenced Exploration in WA-285-P Block in Western Australia

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

2000–2001

Discovered Large-Scale Ichthys Gas and Condensate Structure

In its first drilling campaign, carried out from 2000 through 2001, INPEX drilled three exploratory wells—Dinichthys-1, Gorgonichthys-1 and Titanichthys-1—all of which revealed gas and condensate. This discovery confirmed that Ichthys possesses a large-scale gas and condensate structure.

2003–2004

Confirmed Gas and Condensate Reservoirs in Entire Ichthys Structure

In the second drilling campaign, carried out from 2003 through 2004, additional three exploratory wells—Ichthys-1A, Ichthys Deep-1 and Ichthys-2A—were drilled in the Ichthys structure. This drilling campaign resulted in the discovery of gas and condensate reservoirs distributed over the entire structure.

During this period, the Australian Petroleum Production & Exploration Association (APPEA) granted INPEX COPORATION the APPEA Safety Award in both 2003 and 2004 in recognition of the Company's safe operations in the second drilling campaign. This marked the first time for a Japanese company to win an APPEA award.

Development Time Frame (Planned)

Development Stage	Commencement	Completion
Development Concept Study	2006 1Q	2007 1Q
Pre-FEED*	2007 2Q	2007 4Q
FEED*	2007 4Q	2008 4Q
Final Investment Decision	2008 4Q	
Development (drilling, construction, etc.)	From 2008 4Q	
Production	From 2012	

FEED* (Front End Engineering Design): Basic Design
* Table shows calendar years

2006–2007

Toward Commercialization of Ichthys Project

In 2006, the project showed steady progress toward commercialization by commencing environmental assessment and certification as a major promotion project from the Australian government. In addition, the Company started drilling new exploratory wells, Dinichthys North-1, in the Ichthys structure in April 2007, with the expectation of an increase in gas reserve volume.

Environmental Referrals

In May 2006, the formal environmental approval process for LNG, condensate and LPG production was commenced with the submission of environmental referral documents to the Commonwealth Department of Environment and Heritage in Canberra and the Environmental Protection Authority in Perth, Western Australia.

As the first step in the formal environmental approval process, the Company submitted application forms that stipulate the development plan of this project and environment-related information to each authority. In accordance with these documents, the Commonwealth and Western Australia State governments will have discussions with other relevant organizations to produce guidelines for an environmental impact assessment. The Company will abide by these guidelines when undertaking an assessment and make reports to both the Commonwealth and Western Australia State governments. The entire process from submitting documentation to gaining approval from both governments will take approximately two years. During the process, the Company will promote engineering works and the acquisition of approvals for LNG, condensate and LPG production required to gear up for full-fledged development.

Awarded Major Project Facilitation Status from Commonwealth Government

The development of gas and condensate at the Ichthys Field has been regarded as a project that will contribute to long-term Australian economic prosperity. To that end, the Ichthys Project was granted Major Project Facilitation status from the Australian Minister for Industry, Tourism and Resources. This status will enable the Company to receive Commonwealth government support for the smooth acquisition of the approvals necessary for the promotion of projects from the Commonwealth, State and related local authorities.

2012

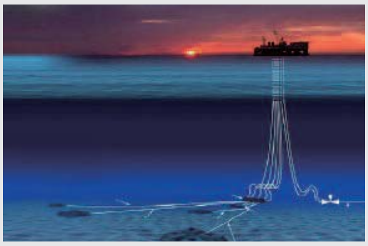
Toward Commercial Production

Approach to Commencement of LNG Production

Natural gas produced from the Ichthys Field will be liquefied and shipped as LNG. Given this, the Company is implementing development studies targeting production commencement in 2012, while carrying out comprehensive marketing activities.

Initially, the production and sales volumes are expected to reach approximately 7.6 million tons of LNG per annum and 100,000 barrels of condensate and LPG per day. Depending on the future LNG market and the supply capacity of the Ichthys Field, the Company will examine the possibility of increasing production.

Development Concept of the Ichthys Field

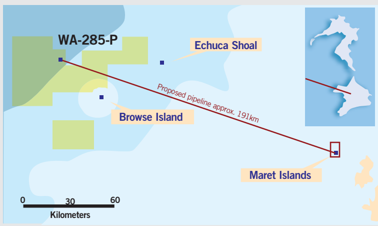


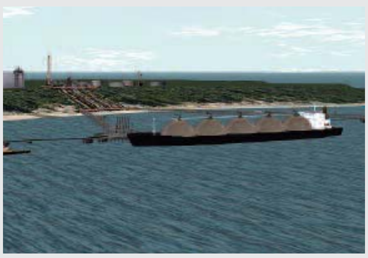
←Offshore Production Facility (artist's conception)

A floating production facility (Semi-sub type) will be installed in the middle of Ichthys Field at a water depth of approximately 250m. The gas, produced from nine or ten Drilling Centers, will be sent to the floating production facility through pipeline.

Pipeline Route Plan→

Gas/Condensate will be gathered at and processed on the floating production facility and transported through subsea pipelines to the Maret Islands, offshore Kimberley, Western Australia, located 191 km from the Ichthys Field.





←Onshore Facility (artist's conception)

On the Maret Islands, natural gas will be refined and liquefied by cooling down to minus 162 degrees Celsius at the onshore LNG plant. Currently the Company expects to produce approximately 7.6 million tons of LNG per year. The Company also plans to produce both LPG and Condensate.

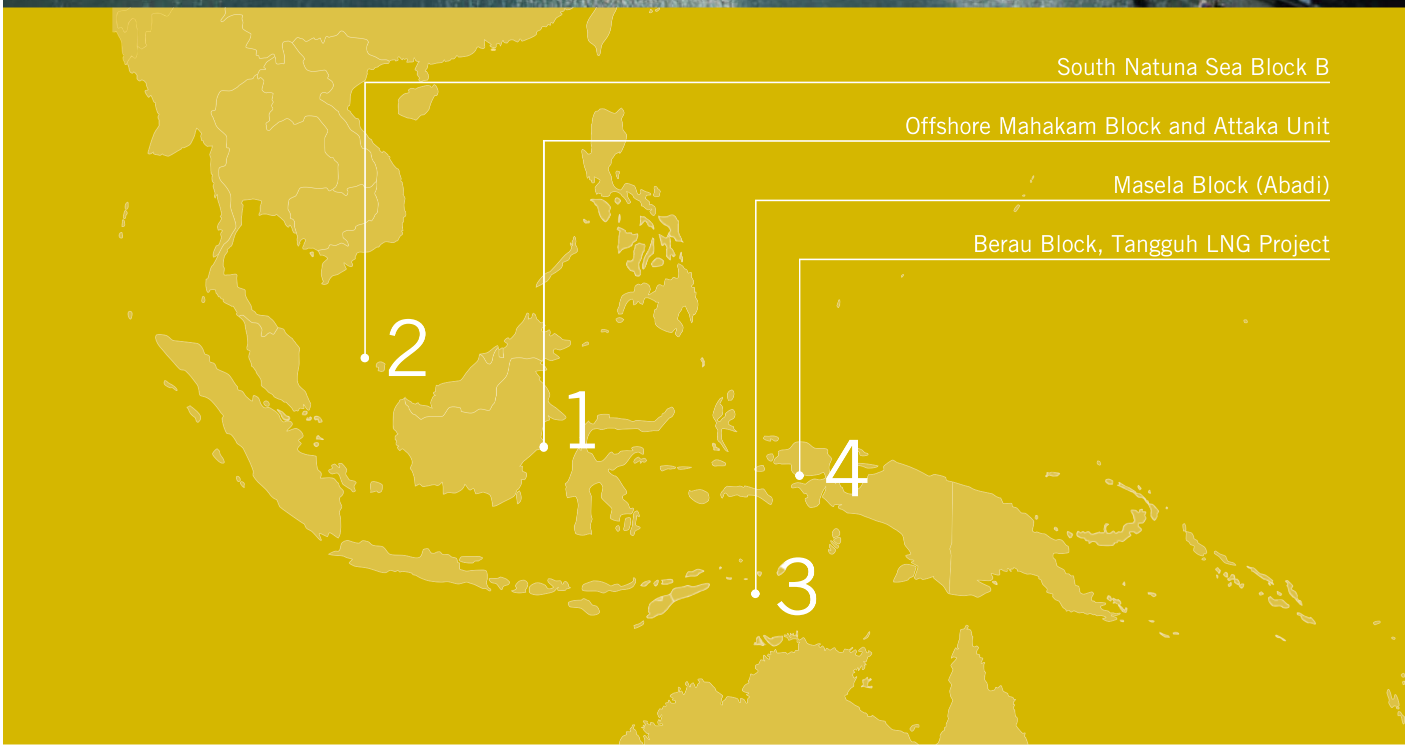
To tackle the Greenhouse issues, INPEX is considering afforestation program to offset CO_2 that will be produced with natural gas.

The Maret Islands, located 35km offshore Western Australia and 191km away from the Ichthys gas and condensate Field, are an ideal location for constructing an LNG plant.

Global Business Activities

Indonesia

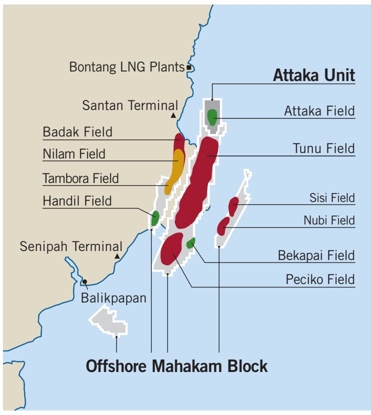
Production facilities (Offshore Mahakam Block)



Offshore Mahakam Block and Attaka Unit

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

*Operator



Gas field
Oil field
Oil and gas field

In October 1966, INPEX CORPORATION entered into a production sharing contract (PSC) with the Indonesian government and acquired a 100% working interest in the Offshore Mahakam Block. The Attaka Unit was established in April 1970, by the unitization of parts of adjoining blocks owned by INPEX and Unocal (now Chevron). Both Companies hold an equal 50% interest in the unit. Soon after this, the Attaka Field was discovered and the production of crude oil and natural gas commenced in 1972. INPEX farmed out 50% of its working interest in the Offshore Mahakam Block to TOTAL in July 1970. This venture resulted in the successive discoveries of the Bekapai, Handil, Tambora, Tunu and Peciko Fields, all of which continue to produce crude oil and natural gas.

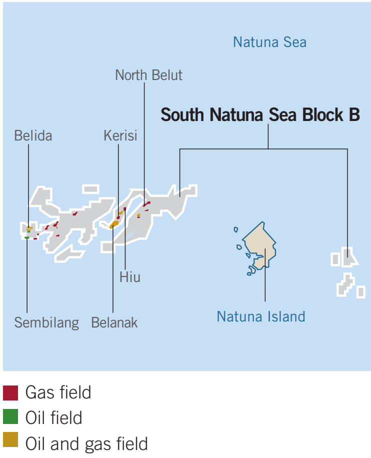
Once produced, crude oil and condensate are shipped by tanker from the Santan and Senipah terminals, mainly to petroleum refineries and power companies in Japan. Natural gas is mainly supplied to the Bontang LNG Plant, one of the largest facilities of its kind in the world, and shipped to Japan and other countries.

The PSC was extended 20 years through 2017, continuing the Mahakam Block's role as a key profit center in the Group's business.

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% Chevron 25%

*Operator



In July 1977, INPEX CORPORATION acquired a 17.5% working interest in the South Natuna Sea Block B, which includes the Udang Oil Field and Belanak Oil and Gas Field. In January 1994, INPEX acquired an additional interest in the block for a total of 35%.

Subsequent to INPEX participation, several new fields were discovered in Block B, including the Hiu, Ikan Pari, Belida, Sembilang, Kerisi, and North Belut Fields, contributing to crude oil production that has continued since 1979. In January 1999, a sales agreement was concluded to deliver gas to Singapore—from Block B, the neighboring Natuna Sea Block A and Kakap Block—through the first Indonesian subsea pipeline connecting foreign markets.

This pipeline commenced operations in 2001, and the following year saw new gas sales to Malaysia from Block B. Owing to these achievements, the PSC covering Block B was extended through 2028.

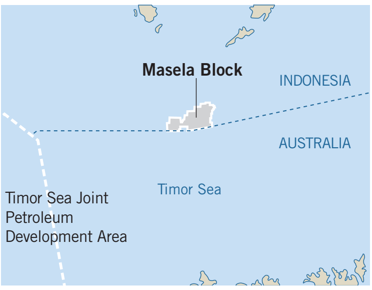
In the Belanak Field, where production operations are orchestrated through the world-class Belanak FPSO (Floating Production, Storage and Offloading) system, crude oil and condensate production began in December 2004 and was followed by LPG production in April 2007.

INPEX continues to engage in development work related to the planned commencement of production in the Kerisi Field in 2007 and the North Belut Field in 2009.

Masela Block (Abadi)

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

*Operator



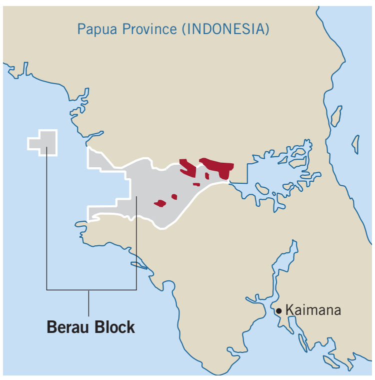
In November 1998, INPEX CORPORATION won an open bid for and acquired a 100% working interest in the Masela Block. Pursuing exploration activities as an operator, INPEX discovered the large-scale Abadi gas structure during the drilling of the first exploration well in the block in 2000. This represented the first discovery of natural gas in the Indonesian Timor Sea. Subsequently, two appraisal wells drilled in 2002 confirmed the expanse of the Abadi structure, further raising expectations of a substantial volume of gas and condensate reserves.

INPEX will evaluate the reserves by drilling four additional appraisal wells from May 2007. Simultaneously, INPEX is devoting itself to development studies for future commercialization involving LNG production.

Berau Block, Tangguh LNG Project

Contract Area	Venture Company (est.)	Interest Owned
Berau	MI Berau B.V. (August 14, 2001)	MI Berau B.V. 22.856% BP* 48.0% Nippon Oil Exploration (Berau) 17.144% KG Breau 12.0%
Tangguh Unit		MI Berau 16.3% BP* 37.16% CNOOC 16.96% Nippon Oil Exploration (Berau) 12.23% KG Berau 10.0% LNG Japan 7.35%

*Operator



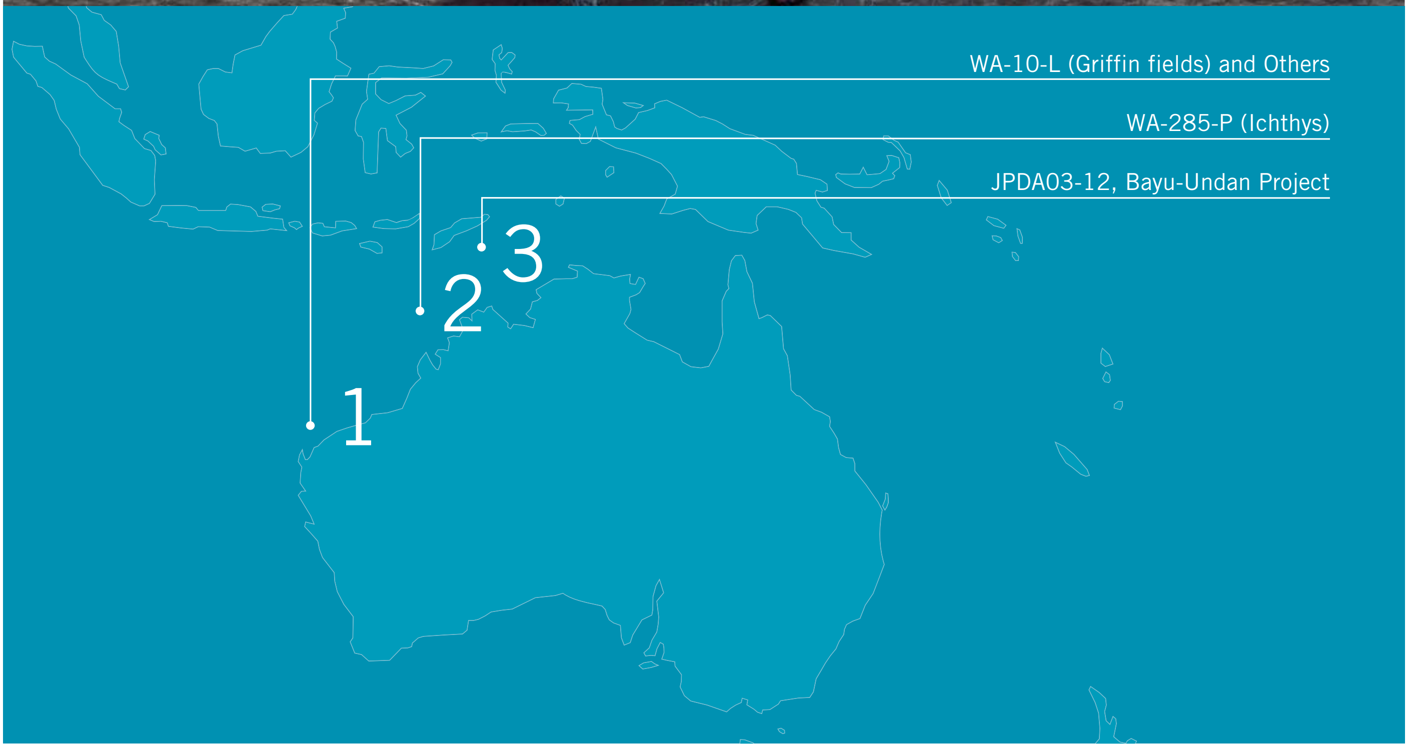
Gas field

In October 2001, MI Berau B.V., a joint venture established by INPEX CORPORATION (44%) and Mitsubishi Corporation (56%), acquired an approximate 22.9% interest in the Berau Block, a hub in the Tangguh LNG Project. MI Berau holds a 16.3% working interest in the Tangguh Unit, a unitized area between the Berau Block, the adjoining Wiriagar Block and the Muturi Block.

Long-term sales agreements have been concluded, stipulating a total annual supply of 7.6 million tons of LNG to China, South Korea and North America. In March 2005, the Indonesian government approved a development plan for the Tangguh LNG Project and extended the PSC through 2035. Partners in the Project are drilling production wells and constructing LNG plants with production due to come on stream in late 2008.

Australia and the Timor Sea Joint Petroleum Development Area (JPDA)

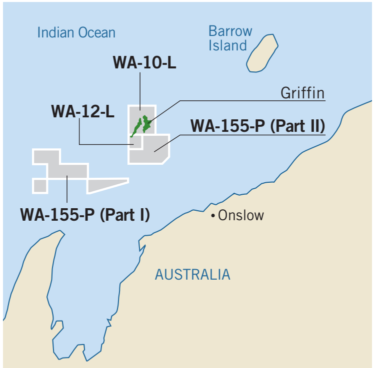
LNG shipping berth (Bayu-Undan Project)



WA-10-L (Griffin fields) and Others

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 (Deep)		INPEX Alpha 18.67% ExxonMobil* 81.33%

*Operator



Oil field

In February 1989, INPEX CORPORATION acquired a 20% working interest in WA-210-P in offshore Western Australia. As a result of subsequent exploration activities, the Griffin Fields were discovered and a production license for four blocks in WA-10-L was granted by the Australian government. Commercial production from these blocks commenced in January 1994. The crude oil produced is processed and stored on the *Griffin Venture*, an FPSO vessel, and then shipped for sale.

Natural gas, which is also processed on the *Griffin Venture*, is transported for sale through a 70-kilometer subsea pipeline connected to an onshore trunk pipeline. In the area surrounding WA-10-L, INPEX acquired working interests in WA-155-P (Part II) and WA-12-L (Deep) in July 1994 and in WA-155-P (Part I) in July 1999. The Van Gogh and Ravensworth Fields were discovered in WA-155-P (Part I); crude oil production is scheduled to commence at the Van Gogh Field in April 2009 and feasibility studies for commercial development are currently under way in the Ravensworth Field.

WA-285-P (Ichthys)

Contract Area	Venture Company (est.)	Interest Owned
WA-285-P	INPEX Browse, Ltd. (September 1, 1998)	INPEX Browse* 76% TOTAL 24%

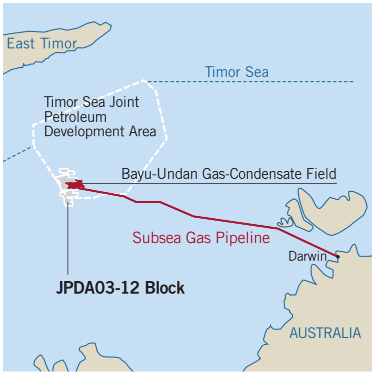
*Operator

After winning an open bid in August 1998, INPEX CORPORATION acquired a working interest in WA-285-P in offshore Western Australia. Pursuing exploration activities as an operator, INPEX discovered the highly promising Ichthys gas and condensate field in 2000. All six exploratory wells that have successfully discovered natural gas and condensate have demonstrated sufficient reserves for a large-scale gas and condensate project. We started drilling an additional exploration well in April 2007 and are expecting to discover additional gas reserves. At the same time, INPEX is vigorously engaging in feasibility studies, including engineering work, field data collection and environmental impact assessments, as well as gas marketing for commercial LNG production. INPEX initially plans to produce and sell 7.6 million tons of LNG per year from 2012. In addition to LNG, a peak rate of 100,000 barrels per day of condensate and LPG will be produced. We will consider LNG production expansion depending on the Ichthys Field's supply capacity and the market situation.

JPDA03-12, Bayu-Undan Project

Contract Area	Venture Company (est.)	Interest Owned
JPDA03-12	INPEX Sahul, Ltd. (March 30, 1993)	INPEX Sahul 19.0712244% ConocoPhillips* 46.7144238% Santos 19.2663518% Petroz 14.948%
Bayu-Undan Unit		INPEX Sahul 10.527682% ConocoPhillips* 48.466865% Eni 12.038906% Santos 10.635396% Tokyo Timor Sea Resources (Tokyo Electric/Tokyo Gas) 10.079568% Petroz 8.251583%

*Operator



■ Gas field

In April 1993, INPEX CORPORATION acquired a working interest in JPDA03-12, located in the Timor Sea Joint Petroleum Development Area (JPDA).

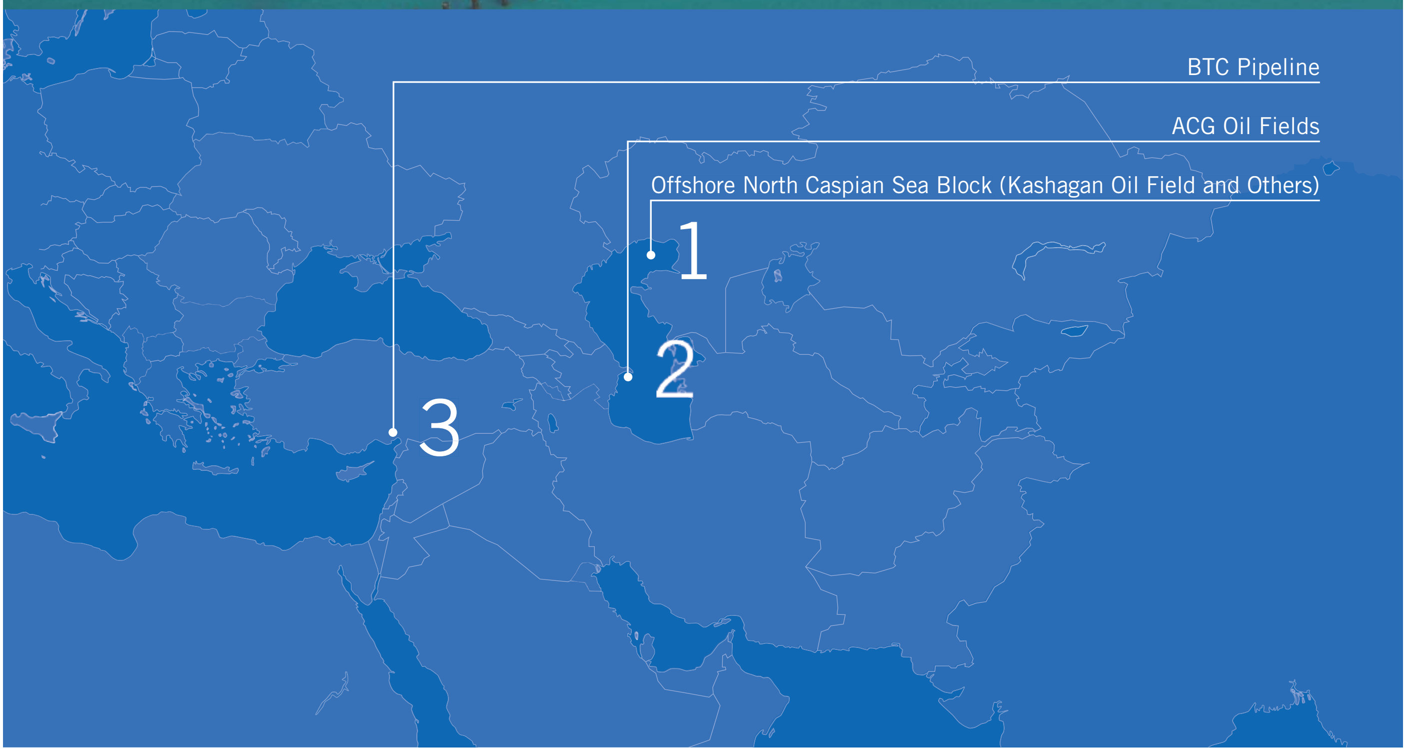
The exploration in the contract area resulted in the discovery of oil and gas in the Elang, Kakatua, Kakatua North, Bayu-Undan and Hingkip structures. Production began in Elang in July 1999 and in Kakatua and Kakatua North the following month.

In 1999, the Bayu-Undan Unit was established between JPDA03-12 and JPDA03-13 to carry out the development of and commence production at the Bayu-Undan gas-condensate field, which straddles both contract areas.

Production of condensate and LPG commenced at the Bayu-Undan Project in 2004. As for natural gas production, LNG sales agreements stipulating a total supply of three million tons annually were concluded with Tokyo Electric Power Co., Inc. and Tokyo Gas Co., Ltd. in August 2005, and commercial LNG production commenced in February 2006.

Caspian Sea Area

Offshore production facilities (Kashagan Oil Field)



Offshore North Caspian Sea Block (Kashagan Oil Field and Others)

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% Eni* 18.52% ExxonMobil 18.52% Shell 18.52% TOTAL 18.52% ConocoPhillips 9.26% KMG 8.33%

*Operator

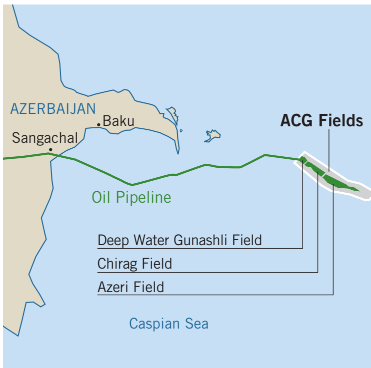
In September 1998, INPEX CORPORATION acquired an approximate 7.14% working interest in the Offshore North Caspian Sea Block that lies within the Republic of Kazakhstan's territorial waters. In September 2001, INPEX acquired additional working interests, totaling approximately 8.33%.

The Kashagan Oil Field was discovered during the first exploratory drillings in September 1999, representing the first discovery in the Kazakhstan-controlled area of the Caspian Sea. The Kashagan Oil Field is considered to have great potential and is expected to become one of the largest fields ever discovered in the history of oil exploration. The first phase of the development is currently under way and the production level is expected to reach a peak rate of over 1.2 million barrels per day. In addition to the Kashagan Oil Field, hydrocarbon reserves have been confirmed in four other structures: Kalamkas, Kashagan Southwest, Aktote and Kairan. INPEX aims to increase production volume from the Offshore North Caspian Sea Block through appraisal work for the existing structures along with the development of the Kashagan Oil Field.

ACG Oil Fields

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% Chevron 10.28% SOCAR 10% Statoil 8.56% ExxonMobil 8% TPAO 6.75% Devon Energy 5.63% Itochu 3.92% Hess 2.72%

*Operator



■ Oil field

In April 2003, INPEX CORPORATION acquired a 10% working interest in the Azeri-Chirag-Gunashli Fields, known as the ACG Oil Fields, located in the Republic of Azerbaijan-controlled area of the South Caspian Sea. Crude oil production began in the Chirag Field in 1997, in the Central Azeri and West Azeri Fields in 2005 and in the East Azeri Field in 2006.

Currently, INPEX is engaged in development work in the Deep Water Gunashli Field with the aim of starting production in 2008. Crude oil production will reach a combined peak of one million barrels per day in 2009 in the entire block.

The crude oil from these fields is being transported to Supsa on the Black Sea coast, then along a route running from Baku in Azerbaijan to Ceyhan on Turkey's Mediterranean coast, via the mainstay BTC Pipeline that commenced operations in June 2006.

BTC Pipeline

Contract Area	Venture Company (est.)	Interest Owned
BTC Pipeline	INPEX BTC Pipeline, Ltd. (October 16, 2002)	INPEX BTC Pipeline 2.5% BP* 30.1% SOCAR 25% Chevron 8.9% Statoil 8.71% TPAO 6.53% Eni 5% TOTAL 5% Itochu 3.4% ConocoPhillips 2.5% Hess 2.36%

*Operator

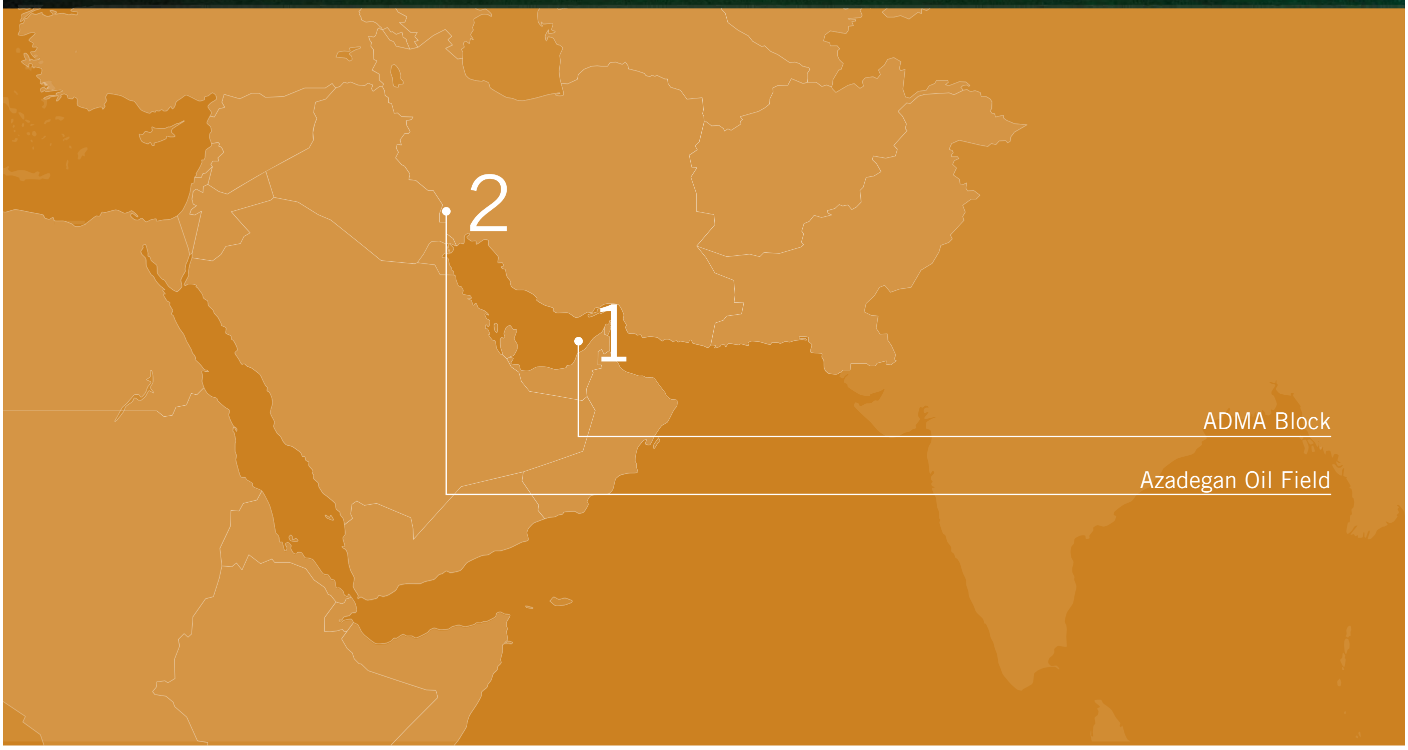
In September 2002, INPEX CORPORATION acquired a 2.5% interest in the BTC Pipeline Project.

The 1,770-kilometer BTC Pipeline, which stretches from Baku in Azerbaijan to Ceyhan on Turkey's Mediterranean coast, via Tbilisi, Georgia, and has a transport capacity of one million barrels per day. The BTC Pipeline commenced full-fledged operations in June 2006. Initially the BTC Pipeline was constructed to transport crude oil produced in the ACG Oil Fields in Azerbaijan. Now the partners have basically agreed to also transport crude oil produced in the Kashagan Oil Field in Kazakhstan. Given this, the transport capacity of the BTC Pipeline will be increased to 1.6 million barrels per day. The Ceyhan marine terminal has seven one-million barrel-capacity crude oil storage tanks and a two-kilometer-long jetty capable of docking two 300,000-ton tankers at the same time.

INPEX is participating in the development of the ACG Oil Fields in Azerbaijan and the Kashagan Oil Field in Kazakhstan, both of which rank among the world's major oil fields. The completion of the BTC Pipeline enables direct shipments by large-scale vessels from the Mediterranean Sea, thereby avoiding the Turkish straits, which are particularly prone to shipping traffic congestion. This represents a major contribution to the transport of the ever-growing production of crude oil in Azerbaijan and Kazakhstan.

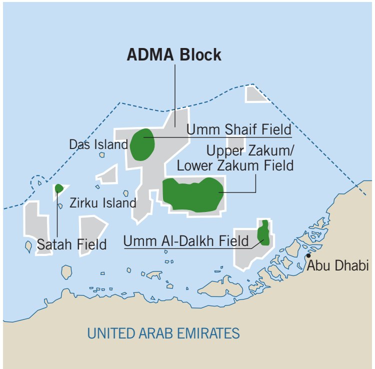
Middle East

Zirku Island (ADMA Block)



ADMA Block

Contract Area	Venture Company (est.)	Interest Owned
Umm Shaif Field/Lower Zakum Field	Japan Oil Development Co., Ltd. (February 22, 1973)	JODCO 12% ADNOC 60% BP 14.67% TOTAL 13.33%
Upper Zakum Field		JODCO 12% ADNOC 60% ExxonMobil 28%
Umm Al-Dalkh Field		JODCO 12% ADNOC 88%
Satah Field		JODCO 40% ADNOC 60%



■ Oil field

In May 2004, INPEX CORPORATION made Japan Oil Development Co., Ltd. (JODCO) a wholly owned subsidiary by acquiring all the shares held by the Japan National Oil Corporation through a share exchange. JODCO was established in 1973 and currently produces crude oil from five fields in the ADMA Block, located in offshore Abu Dhabi, the United Arab Emirates. Production commenced in the Upper Zakum Field, the area's largest oil field, in 1982, and in the Umm Al-Dalkh and Satah Fields, in which JODCO directly took part in development operations, in 1985 and 1987, respectively. These fields have since maintained steady production levels. Crude oil production has also continued at two existing fields, the Umm Shaif and Lower Zakum, since 1962 and 1967, respectively. The crude oil is transported by subsea pipeline to the islands of either Das or Zirku for onward shipment.

These five fields are operated by the local operating venture companies, ADMA-OPCO and ZADCO. JODCO regularly sends a number of its personnel, primarily engineers, to these companies.

Azadegan Oil Field

Contract Area	Venture Company (est.)	Interest Owned
Azadegan Oil Field	Azadegan Petroleum Development, Ltd. (February 18, 2004)	Azadegan Petroleum Development 10% NICO* 90%

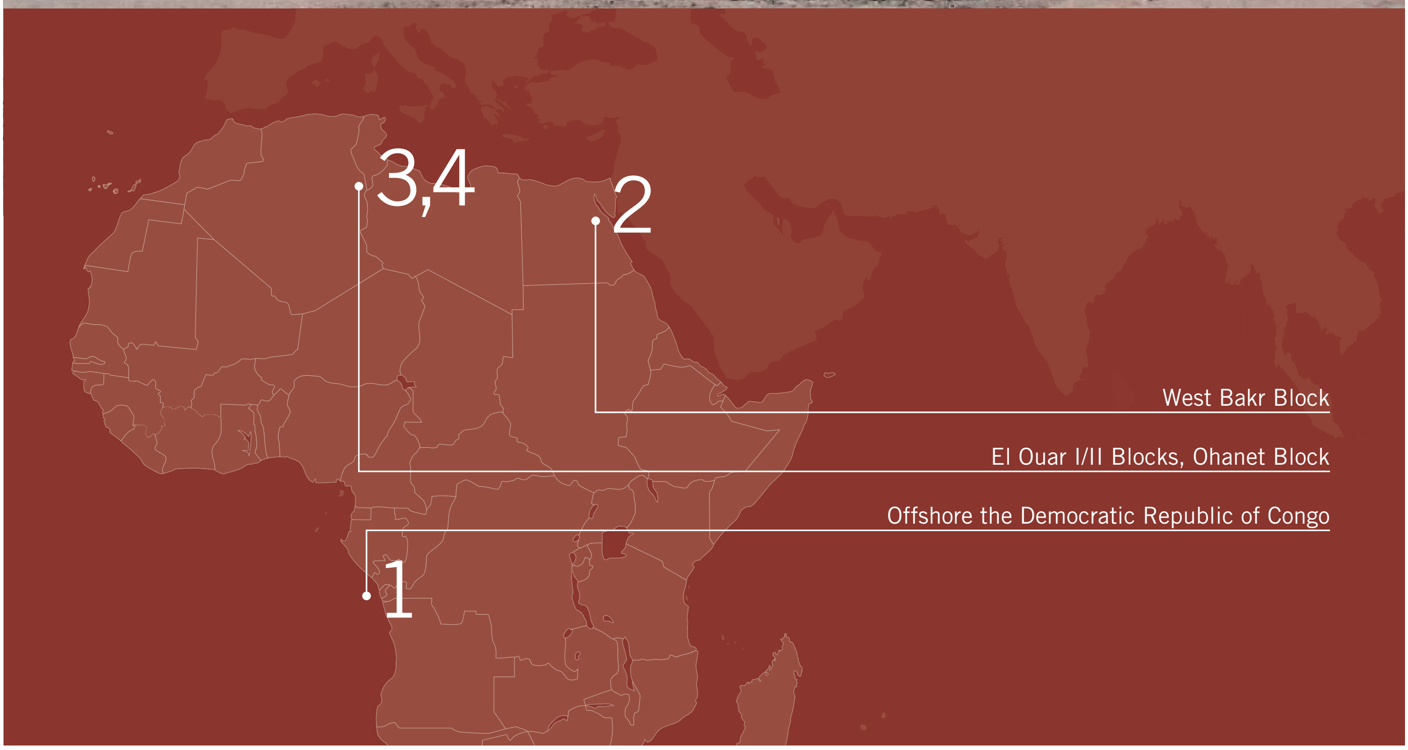
*Operator

■ Oil field

In February 2004, INPEX CORPORATION entered into a service contract (a so-called "buyback contract") with the National Iranian Oil Company (NIOC) for the integrated appraisal and development of operations in the Azadegan Oil Field in the Islamic Republic of Iran and acquired a 75% working interest. In October 2006, INPEX entered into a basic agreement to assign its 65% working interest to Naftiran Intertrade (NICO), an NIOC subsidiary, and simultaneously delegated its responsibility as an operator. Under the current plan, oil production from the field is scheduled to reach 150,000 barrels per day in the first stage. In the optional second stage, the production level is expected to increase to 260,000 barrels per day.

Africa

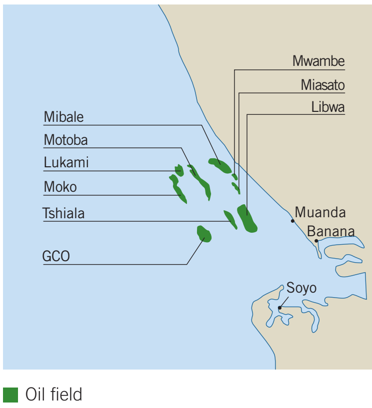
Crude oil production well (West Bakr Block)



Offshore Democratic Republic of Congo

Contract Area	Venture Company (est.)	Interest Owned
Offshore Democratic Republic of Congo	Teikoku Oil (D.R. Congo) Co., Ltd. (August 1, 1970)	Teikoku Oil (D.R. Congo) 32.28% Perenco* 50% Chevron 17.72%

*Operator



In July 1970, Teikoku Oil acquired a 17.03% working interest and participated in oil exploration and development in the offshore Democratic Republic of Congo. An additional interest was acquired in July 1972, increasing current Teikoku Oil's share to 32.28%.

The GCO Field was discovered in 1971, and oil production commenced in 1975. Including the GCO Field, 11 oil fields have been discovered, and cumulative production volume in this block has exceeded 200 million barrels.

In May 1995, the contract at the Offshore Congo Block was extended to 2023, and the Company continues stable production at the existing oil field.

West Bakr Block

Contract Area	Venture Company (est.)	Interest Owned
West Bakr	The Egyptian Petroleum Development Co., Ltd. (EPEDECO) (July 17, 1970)	EPEDECO* 100%

*Operator

In June 1975, The Egyptian Petroleum Development Co., Ltd. (EPEDECO), a joint venture established by Teikoku Oil, Mitsui and others, acquired a 100% working interest in the West Bakr Block, located in a desert region on the west bank of Egypt's Gulf of Suez, and conducted exploration activities as an operator of the project. As a result, three oil fields were discovered and commercial production has continued since 1980. In addition, a new oil field was discovered through additional exploration work conducted from 1989, with commercial production commencing in 1990. In July 2005, the contract term was extended through 2020. The Company maintains stable production operations in existing oil fields while pursuing possibilities for increased production through additional exploration activities.

El Ouar I/II Blocks

Contract Area	Venture Company (est.)	Interest Owned
El Ouar I	Teikoku Oil Algeria Co., Ltd. (December 21, 2001)	Teikoku Oil Algeria 10.29% Sonatrach* 67.33% Eni 22.38%
El Ouar II		Teikoku Oil Algeria 10.29% Sonatrach* 67.33% Eni 22.38%

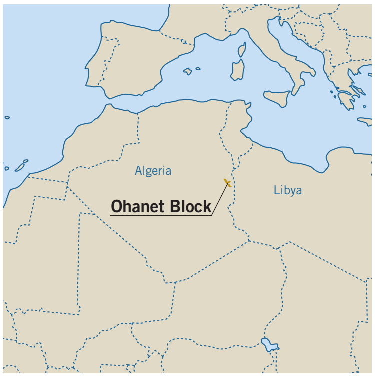
*Operator

In November 2001, Teikoku Oil acquired a 10.29% working interest in the El Ouar I/II Blocks, located in onshore eastern Algeria. The drilling of exploration wells confirmed the existence of natural gas and condensate in El Ouar I in 1997, and in El Ouar II in 2001. Feasibility studies for the commercial development of natural gas are currently under way.

Ohanet Block

Contract Area	Venture Company (est.)	Interest Owned
Ohanet	Japan Ohanet Oil & Gas Co., Ltd. (JOOG) (March 15, 2001)	JOOG 30% BHPP* 45% Woodside 15% Petrofac 10%

*Operator

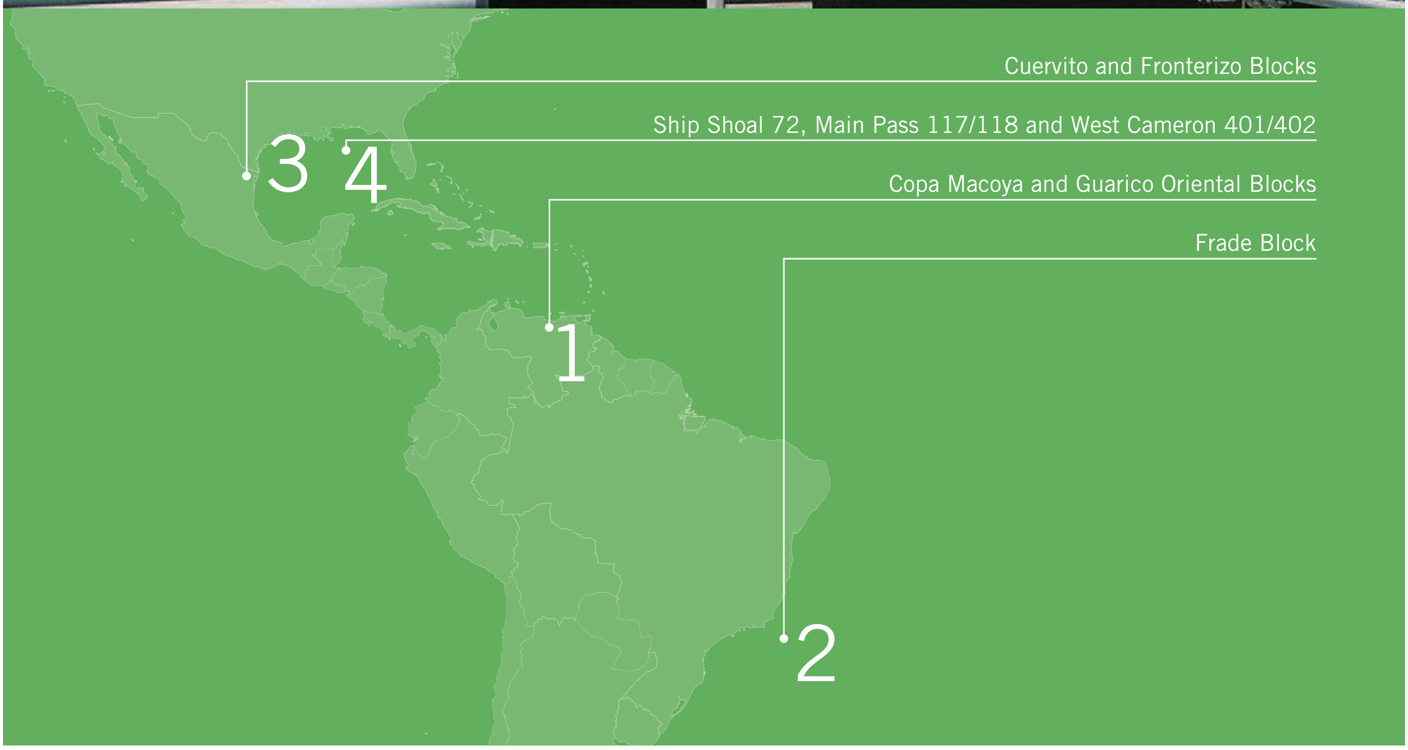


■ Oil and gas field

In January 2001, Japan Ohanet Oil & Gas Co., Ltd. (JOOG), a joint venture company with Itochu Oil Exploration Co., Ltd., acquired a 30% working interest in the Ohanet Block in southeast onshore Algeria. Based on a risk service contract, this gas field development project commenced production of natural gas, condensate and LPG in October 2003. This is the first large-scale gas development project involving a Japanese enterprise in Algeria, which boasts one of the largest natural gas reserves in the world.

Americas

Gas processing plant (Copa Macoya Gas Field)



Copa Macoya and Guarico Oriental Blocks

Contract Area	Venture Company (est.)	Interest Owned
Copa Macoya	Teikoku Oil and Gas Venezuela, C.A. (June 7, 2006)	Teikoku Oil and Gas Venezuela 70% PDVSA 30%
Guarico Oriental		Teikoku Oil and Gas Venezuela 30% PDVSA 70%

*Operator

Teikoku Oil participated in the bidding rounds and was awarded a 100% working interest in a central onshore area, the East Guarico Block, in July 1992, and the Sanvi-Guere Unit in November 1993. The Company took part in the reactivation of crude oil and natural gas fields, exploration and development activities as an operator under an operating service agreement (OSA).

In 2006, the Venezuelan government changed its policy to revise the existing OSAs to joint venture agreements. Based on the new policy, Teikoku Oil established gas and crude oil venture companies jointly with Petróleos de Venezuela, S.A. (PDVSA), the Venezuelan national petroleum company, and continued the gas business in the Copa Macoya Block and the crude oil business in the Guarico Oriental Block from April 1, 2006. With the shift to joint venture agreements, the contract periods of the two blocks were extended to 2026.

Frade Block

Contract Area	Venture Company (est.)	Interest Owned
Frade Block	Frade Japão Petróleo Limitada (FJPL) (July 5, 1999)	FJPL 18.2609% Chevron* 51.7391% Petrobras 30%

*Operator

In July 1999, Frade Japão Petróleo Limitada (FJPL), a joint venture established by INPEX CORPORATION and Sojitz Corporation, acquired a 12.75% working interest in the Frade Block in Brazil's offshore Northern Campos Basin. In July 2001, FJPL increased its working interest to 15%, and in June 2006, FJPL's total working interest rose to approximately 18.3% in accordance with contractual agreements.

The Frade Oil Field was already discovered in 1986 and the reserves volume was evaluated by two appraisal wells in 2001, immediately after INPEX's participation in the block.

In June 2006, the final investment decision was made for the development of the Frade Oil Field, and INPEX is engaging in development and pursuing commercial production in 2009. This project will realize the first ever crude oil production in Brazil by a Japanese enterprise.

Cuervito and Fronterizo Blocks

Contract Area	Venture Company (est.)	Interest Owned
Cuervito	Teikoku Oil de Burgos, S.A. de C.V. (September 9, 2003)	Teikoku Oil de Burgos 40% Petrobras* 45% Diavaz 15%
Fronterizo		Teikoku Oil de Burgos 40% Petrobras* 45% Diavaz 15%

*Operator

In October 2003, Teikoku Oil won an open bid for and acquired a 40% working interest in the Cuervito Block in the Burgos Basin in northeastern Mexico. The following month, Teikoku Oil also acquired a 40% working interest in the adjacent Fronterizo Block. This natural gas development project fosters the redevelopment of gas fields and production operations, based on a multiple service contract. This project represents the first involvement by a Japanese enterprise in an oil and natural gas development project in Mexico.

Ship Shoal 72, Main Pass 117/118 and West Cameron 401/402

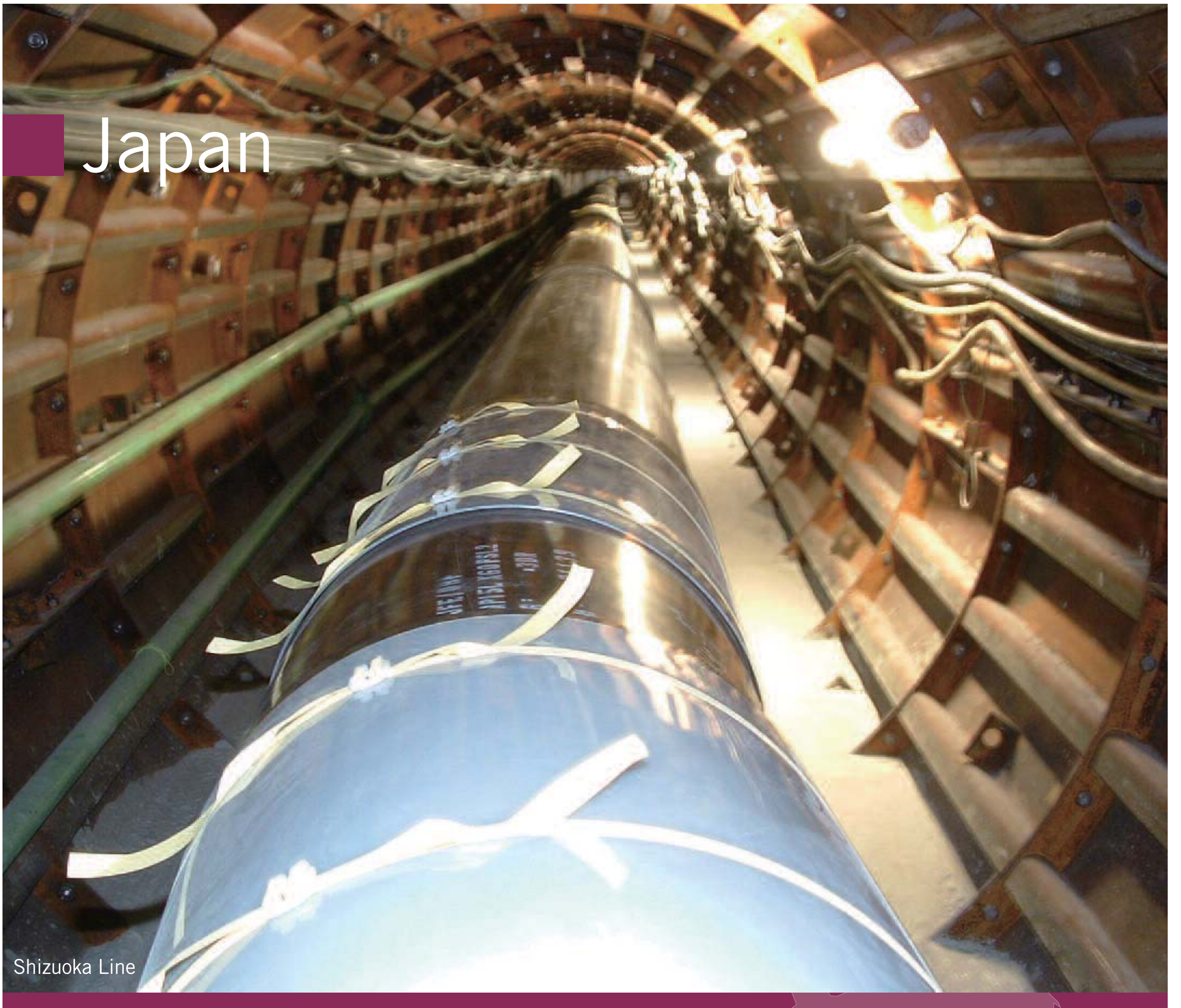
Contract Area	Venture Company (est.)	Interest Owned
Ship Shoal 72	Teikoku Oil (North America) Co., Ltd. (May 30, 2003)	Teikoku Oil (North America) 25% PetroQuest* 50.5% Other 24.5%
Main Pass 117/118		Teikoku Oil (North America) 10% Hunt* 50% Other 40%
West Cameron 401		Teikoku Oil (North America) 25% PetroQuest* 38% Other 37%
West Cameron 402		Teikoku Oil (North America) 25% PetroQuest* 25% Other 50%

*Operator

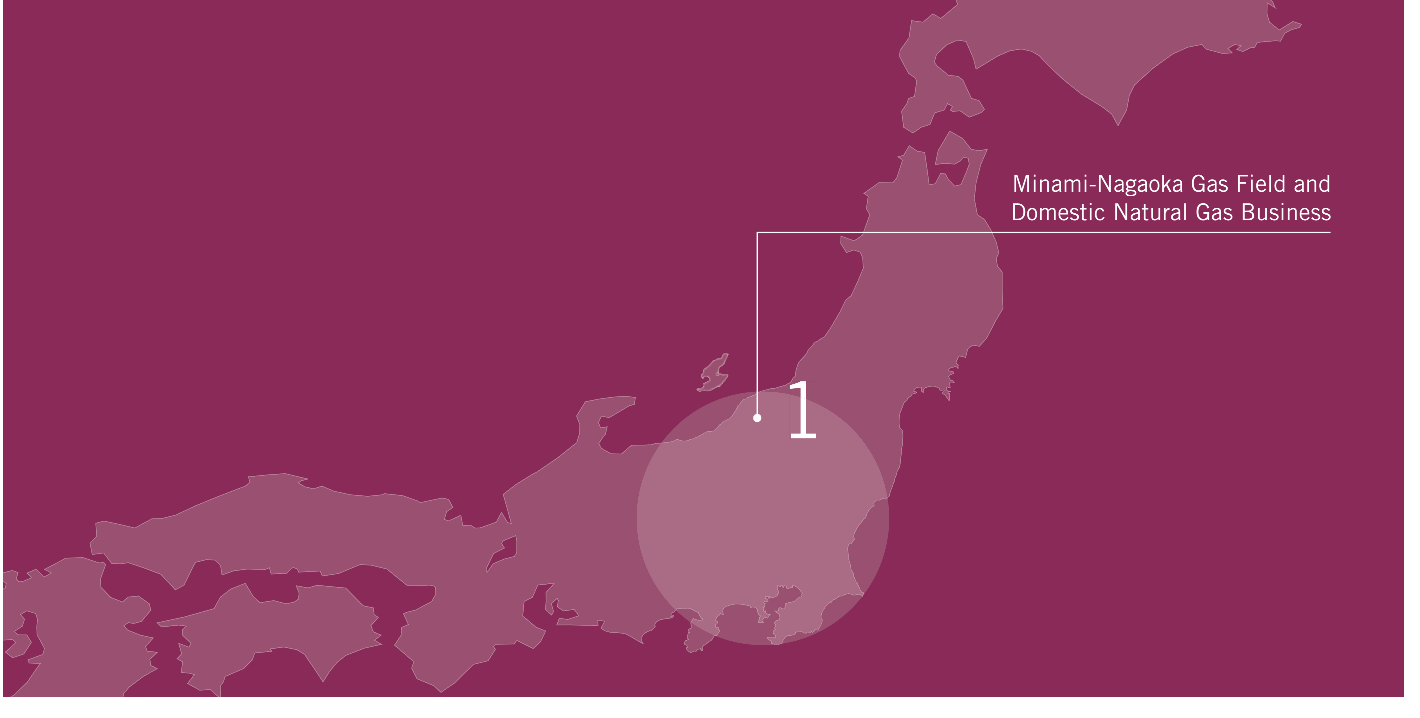
Teikoku Oil participated in oil and gas field development projects in the shallow waters of the Gulf of Mexico in April 2006. In July of the same year, Teikoku Oil commenced the production of oil and gas in Ship Shoal 72. Following this achievement, production was also commenced at Main Pass 118, and Teikoku Oil is currently involved in the development of West Cameron 401/402.

To enhance its business portfolio in the area, Teikoku Oil will strive to pursue new promising projects while continuing its efforts to maintain and expand ongoing projects in the current contracted areas.

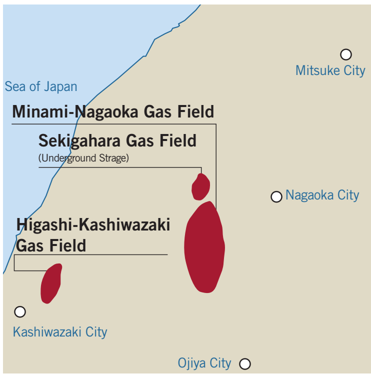
Japan



Shizuoka Line



Minami-Nagaoka Gas Field and Domestic Natural Gas Business



Gas field

Domestic Pipeline Network

With a ratio of reserves to production (R/P) of around 20 years—even though over 20 years have passed since the commencement of production in 1984—the Minami-Nagaoka Gas Field, which was discovered in 1979, is the largest gas field in Japan. Produced and processed natural gas, which is transported through a 1,300km trunk pipeline network that stretches across the Kanto-Koshinetsu region surrounding the Tokyo metropolitan area, is supplied to city gas companies and industrial customers along the pipeline network.

In recent years, the demand for natural gas has grown substantially in Japan because it is cleaner and more environmentally friendly compared with other fuels and competing fuel prices have soared. Teikoku Oil's sales volume for last year was double that of 1996 due to the expanding supply area through aggressive pipeline development in new areas, and the company's sales volume for this year is expected to increase 40% year over year.

Teikoku Oil is vigorously reinforcing production facilities in addition to enhancing pipeline transport capacity with the aim of shoring up growth. Furthermore, we started preparations to build an LNG import terminal in Joetsu City, Niigata Prefecture. We will expand our gas business, forcusing on the establishment of a "natural gas value chain" that organically connects the domestic infrastructure with our group's overseas natural gas assets prospectively.

Corporate Governance

INPEX Holdings recognizes the importance of improving the efficiency and soundness of its management and enforcing compliance in order to continue increasing corporate value and maintain the trust of its stakeholders including shareholders and society at large, and will continue to reinforce corporate governance.

Corporate Governance Structure

Directors and Board of Directors' Meeting

The Board of Directors of INPEX Holdings (the "Company") is composed of 16 members, four of whom are outside directors. The Board of Directors meets once a month and when necessary to discuss and make decisions regarding important operational matters and oversees the execution of directors' operations.

The four outside directors ("interlocking directors") have many years of management know-how and experience in the Company's business and are able to offer objective, professional advice regarding operations. For this reason, they were asked to join the Board of Directors to contribute to the development of the Company's business. The four interlocking directors concurrently serve as directors or advisors of Japan Petroleum Exploration Co., Ltd., Mitsubishi Corporation, Mitsui Oil Exploration Co., Ltd. and Nippon Oil Corporation ("shareholder corporations"), respectively.

At the same time, however, the shareholder corporations are involved in businesses that overlap with those of the Company. The Company therefore recognizes that it must pay particular attention to corporate governance to avoid conflicts of interest in connection with competition and other matters.

To this end, all Company directors, including the interlocking directors, are required to sign a written undertaking to carry out their duties as officers of the Company appropriately and with the highest regard for the importance of such matters as their obligations in connection with non-competitive practices under the Japanese Companies Act, the proper manner for dealing with conflict of interest, and confidentiality.

Executive Committee

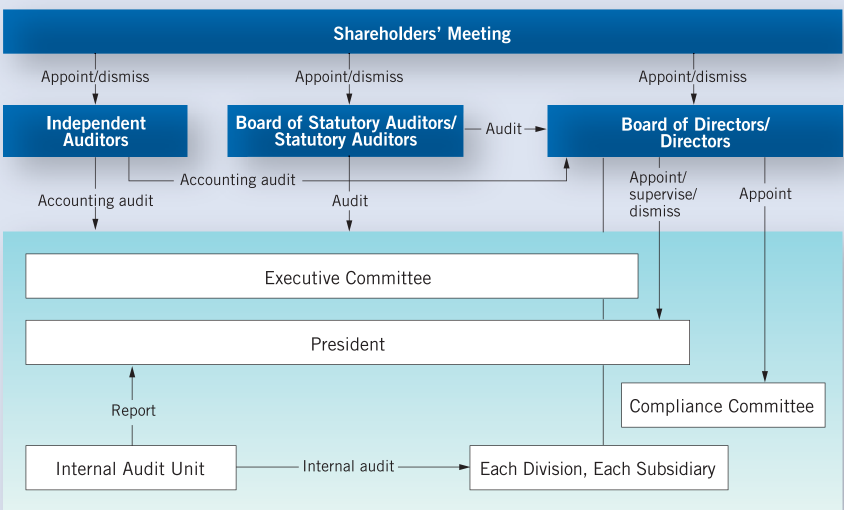
The Executive Committee has been established to speed up decision-making and resolve matters that do not require a decision by the Board of Directors, and to conduct discussions that facilitate the Board's decisions by conducting meetings on a weekly and an as-needed basis.

Statutory Auditors and Board of Statutory Auditors

The Company employs a statutory auditor system. The Board of Auditors is composed of five members, including three from outside the Company, who attend meetings of the Board of Directors and the Executive Committee, conduct interviews with departments as necessary and audit the business execution of directors with regard to overall operations and individual projects based on reports from relevant departments and other information. The Board of Auditors also receives reports related to audits from the independent auditors and internal audit reports from the Internal Audit Unit on a regular and an as-needed basis. Furthermore, statutory auditors attend meetings between the Board of Auditors and independent auditors at the Group's core businesses, INPEX CORPORATION and Teikoku Oil Co., Ltd., when necessary.

The three outside auditors have many years of experience and extensive knowledge in the Company's sphere of operations and finance, and leverage that knowledge in the auditing of the Company. Two of the three outside auditors concurrently serve as directors of Japan Petroleum Exploration Co., Ltd.

Corporate Governance System



and Marubeni Corporation and are involved in businesses that overlap with those of the Company.

Internal Audit

Composed of six full-time members, the Internal Audit Unit was established as an internal audit division independent from business departments and directly responsible to the president, to ensure the appropriateness and efficiency of business activities. The Internal Audit Unit evaluates internal control systems on a Group-wide basis. It 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 Internal Audit Unit also contributes to proper operational management by exchanging opinions with independent and statutory auditors as necessary.

Accounting Audit

The Company receives accounting audits from Ernst & Young ShinNihon in accordance with the Companies Act and the Securities Exchange Law. Certified Public Accountants (CPAs) and assistants for audits during the fiscal year under review are described as follows.

Names of CPAs:
　Atsuhiro Umezawa, Kenji Endo and Yusuke Kosugi
Accounting audit members:
　Seven CPAs and 14 assistant CPAs

Internal Control System

System to Ensure that Directors and Employees Conduct Business in Compliance with Laws and Regulations as well as with the Company's Articles of Incorporation

In order to ensure that directors and employees conduct business in compliance with laws and regulations as well as with the Company's Articles of Incorporation, the Company has formulated a corporate social responsibility policy and is building a structure to make sure that all concerned thoroughly abide by its contents.

To this end, the Company has appointed a representative director with compliance responsibilities. Simultaneously, the Company established a Compliance Committee chaired by the officer responsible to ensure that directors and employees remain in compliance with laws and regulations as well as the Company's Articles of Incorporation in the execution of their business duties. Furthermore, the Company set up an internal notification system with the responsible in-house departments and an outside specialist (lawyer) as points of contact.

In order to maintain an effective compliance system and related in-house rules, the Company also makes timely improvements by implementing inspections and evaluations of these systems through audits carried out by the Internal Audit Unit, which reports directly to the president.

System for Administration and Storage of Information Regarding Execution of Directors' Business Duties

In accordance with laws and regulations, the Company's Articles of Incorporation and in-house rules, directors administer and store documents as well as information regarding the execution of their business duties.

Management System for Losses and Other Risks

To deal with all risks relating to the Group's business activities, the Company has designated a division to support risk management conducted by directors and formulated a basic risk management policy. In concert with these initiatives, the Company has established a group-wide risk management system, which is handled in liaison with other Group companies based on the Group Management Regulations.

With regard to the management of risks relating to everyday business operations, the Company makes timely improvements by implementing inspections and evaluations of these systems through audits carried out by the Internal Audit Unit.

System to Ensure the Efficient Execution of Directors' Business Duties

To ensure efficient business execution, directors engage in business operations with particular attention to the following:

a. Holding executive committee composed of full-time directors on a weekly and an as-needed basis in a timely manner, and to perform their duties promptly and appropriately.
b. For everyday business duties, responsibility is delegated in accordance with rules governing job demarcation and administrative authority, those responsible at each level performing their duties in a prompt manner.

System to Ensure Appropriate Business Conduct in a Business Group Composed of the Company and Its Subsidiaries

In accordance with the Group Management Regulations, the Company entered into a business management agreement with its core subsidiaries, INPEX CORPORATION and Teikoku Oil Co., Ltd. Important matters concerning the two companies are reported on and approved at the Company's Board of Directors' meetings as well as at management committees. In addition, the Company has established subsidiary business management standards to act as basic criteria in the management of each company's subsidiaries.

The Company and its Group companies coordinate risk management, compliance control measures and internal audits.

Matters Concerning Auditor-Approved Employees Appointed to Assist Auditors' Duties

A Company employee concurrently serves as an auditor's assistant. The assistant concerned is engaged in business in accordance with auditors' instructions.

Matters Concerning the Impartiality of the Employee Mentioned in Preceding Clause

Any changes in personnel involving the auditors' assistant are discussed with auditors.

System for Directors and Employees to Report to Auditors, Other Systems for Reporting to Auditors

Directors and employees report and provide information to auditors for matters stipulated in law, matters that may cause significant impact on the Company and its Group companies, and other matters that are judged as necessary to be reported in relation to the execution of auditors' business duties.

Auditors shall always obtain job-related information by attending the Board of Directors' meetings and other important in-house meetings as well as receiving in-house approval documents.

System to Ensure Efficient Audit Implementation

Upon the implementation of audits, the Company ensures close coordination with outside specialists including lawyers, CPAs and certified tax accountants.

In addition, the Company is in close liaison with the internal audit system to enhance audit efficiency by receiving reports as required.

Special Class Share

The Company's Articles of Incorporation stipulate that certain major corporate decisions require a resolution by the holder of a special class share in addition to the approval of the shareholders' meeting or Board of Directors. The Special class share is issued to the Minister of Economy, Trade and Industry.

Major corporate decisions include the appointment and removal of directors, the disposition of material assets, amendments to the Articles of Incorporation, mergers, share exchanges or share transfers, capital reductions and dissolutions. Director appointments or removals, mergers, share exchanges or share transfers require a resolution by the holder of special class share, provided 20 percent 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 announced in his 74th bulletin dated April 3, 2006, the establishment of guidelines for the exercise of special class shareholders' veto rights (with respect to decisions not approved by a resolution 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 Holdings being managed in a manner inconsistent with its goal of securing a stable energy supply for Japan as a national flag company; (2) will likely adversely affect the goal of efficiently securing a stable energy supply for Japan as a national flag company; or (3) may affect the exercise of voting rights of special class shareholders.

The exercise of veto rights by special class shareholders is, therefore, restricted. With the existence of this class of share, however, the Company 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 the Company's ability to operate with flexibility and efficiency.

Risk Management and Corporate Ethics

The Company 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 inherent in its business operations; and maintaining and strengthening trust with customers, investors and other parties. As such, the Company will strive on an ongoing basis to enhance its risk management.

Compliance is also a vital element of continuous corporate development. The Company will methodically develop its compliance system to ensure strict observance of laws, regulations and corporate ethics.

Information Disclosure

The Compay seeks to improve management transparency and accountability by disclosing information in a timely fashion through IR activities directed at shareholders and investors, the shareholders' meeting, its Web site, public relations activities and in other ways, and will constantly strive to enhance these efforts.

Director Compensation

In the fiscal year ended March 31, 2007, the Company's compensation to directors and auditors were as follows:

¥609 million for 15 directors (including ¥12 million for three outside directors)
¥46 million for five auditors (including ¥14 million for three outside auditors)

Notes:
(1) The amount of compensation for directors does not include the portion of salaries for those who concurrently serve as ordinary employees.
(2) The total compensation includes a ¥110 million bonus (¥104 million for directors and ¥5 million for auditors) approved at the first Ordinary General Meeting of Shareholders held on June 26, 2007 as well as an allowance for directors' retirement benefits.
(3) Compensation was not paid to one of the 16 directors as of the end of Fiscal 2006.
(4) The number of auditors include outside auditor Nobuo Kawa who retired as of June 27, 2006.

Auditor Compensation

In fiscal 2006, INPEX Holdings' compensation to Ernst & Young ShinNihon was as follows:

Compensation based on Article 2, Paragraph 1 of the Certified Public Accountant Law (Act No. 103 of 1948): ¥32 million
Other compensation: ¥5 million

Note: Other compensation includes advisory services for the establishment of an internal control system for financial reporting.

Regular Number of Directors

The Company's Articles of Incorporation stipulate that the number of directors shall be up to 16.

Conditions for Appointment and Removal of Directors

The Company's Articles of Incorporation stipulate that the appointment of directors shall be approved by a majority of the voting rights with the presence of shareholders representing at least one third of all shareholders.

The Articles of Incorporation also stipulate that the appointment and removal of directors requires approval from a General Meeting of Special Class Shareholders in addition to that from an ordinary General Meeting of Shareholders. For details, please refer to the preceding clause, "Special Class Share."

Matters Arising from the General Meeting of Shareholders Resolved at Board of Directors' Meetings

In accordance with Article 165, Paragraph 2 of the Companies Act, the Company may acquire its own shares by resolution of the board of directors in pursuit of flexible implementation of future capital policy.

Furthermore, in order for directors and statutory auditors to fulfill the roles expected of them and in accordance with Article 426, Paragraph 1 of the Companies Act, the Company may, within the limits of laws and ordinances, exempt directors and statutory auditors (including a person who was a director and a statutory auditor in the Company) from liability, by resolution of the board of directors.

For the purpose of implementing flexible profit return to shareholders, the Company may make cash distribution (here and hereinafter, "interim dividends") to the shareholders or pledge right holders registered or recorded in the final shareholders' register, and the holders of fractional shares registered or recorded in the register of fractional shares as of September 30 of each year in accordance with Article 454, Paragraph 5 of the Companies Act.

Mission, Corporate Social Responsibility Policy & Health, Safety and Environment Policy

Mission

The mission of the INPEX Holdings Group is to provide a stable and efficient supply of energy to our customers by exploring and developing oil and natural gas resources throughout the world. Through its business, INPEX Holdings aims to become an integrated energy company, which contributes to the community and makes it more livable and prosperous.

Corporate Social Responsibility Policy

The INPEX Holdings Group conducts our business efficiently and proactively with a long-term perspective. Guided by the leadership of top management, we are committed to fulfilling our corporate social responsibilities. Our key principles include:

1. Deliver energy in a safe, efficient and reliable manner.
2. Comply with laws, rules and regulations and adhere to ethical business conduct.
3. Communicate timely and openly with shareholders, employees, customers, business partners and other stakeholders.
4. Value the individuality of our employees, secure a safe, healthy and worker-friendly environment, and provide opportunities for career development.
5. Recognize our responsibility to help preserve the environment and contribute to sustainable development.
6. Contribute to the development of our host countries and communities based on the understanding of cultural diversity.

Health, Safety and Environment (HSE) Policy

The INPEX Holdings Group is a global, independent energy company and its vision is to provide a stable and efficient supply of energy to customers. We recognize our responsibility to sustainable development and, in this regard, we aim to protect the health and safety of all those associated with our business activities and to minimize adverse impacts on the environment.

To accomplish this, we will:

- Comply with all applicable HSE laws and regulations, and apply our standards where laws and regulations do not exist or are considered insufficient.
- Implement and maintain HSE management systems, and perform regular audits of legal compliance and progress of our HSE activities to achieve continuous improvement in our HSE performance.
- Identify and assess health and safety hazards and eliminate or, if not possible, reduce risks to as low as reasonably practicable to prevent incidents.
- Conduct environmental assessments and promote efficient energy consumption to reduce adverse environmental impact.
- Maintain and regularly test emergency plans to ensure a quick and effective response in the event of emergencies.
- Provide resources that will enable our employees to meet HSE objectives and targets.
- Provide training in HSE activities and safe driving to ensure all employees are aware of their responsibilities and accountabilities in these areas.
- Require contractors to manage HSE in accordance with this Policy, and to achieve agreed HSE targets.
- Communicate openly on HSE activities with stakeholders.

CSR Activities in Local Communities

In the course of its global business development, INPEX Holdings will respect the culture and tradition of each country and region in pursuit of prosperous coexistence with each project's local society.

Mangrove Forestation Project in Abu Dhabi

INPEX CORPORATION's subsidiary Japan Oil Development Co., Ltd. has been jointly engaged with the EAD[*1] in the Mangrove Forestation Project in Abu Dhabi City and Zirku Island since 1999. This project, which serves to promote greening by planting mangroves in the desert, ranked sixth out of 62 candidate companies in an environmental safety contest hosted by ADNOC[*2] and received recognition for its outstanding environmental activities.

This project has evolved into the Agro-Fish Project that combines mangrove forestation and aquafarming to create an ecosystem. Mangrove leaves that fall onto the surface of the water decompose into organic matter to improve the environment in which fish can grow and develop, while fish excretions function as fertilizer to help mangroves grow. This cycle will create a coastal ecosystem to turn the desert green. As a result, fish and prawns will be safely raised in Abu Dhabi, bringing a growing expectation that the vast coastal desert region can be effectively utilized for the development of aquafarming.

*1 EAD: The Environment Abu Dhabi that promotes environmental survey and preservation
*2 ADNOC: Abu Dhabi National Oil Company


Mangrove forestation


Planted mangroves


Donation of and installation support for personal computers

Cooperation with mural painting project

Social Contribution in Venezuela

Teikoku Oil has engaged in exploration and development in the area around La Pasca City in Venezuela since 1993. From an early stage, Teikoku Oil was aware of the importance of making social contributions to local communities and, therefore, has continued its social contribution activities by conducting health examinations for local residents, repairing school buildings and offering equipment to local projects.

In fiscal 2006, Teikoku Oil implemented the following CSR projects based on the revenues from a crude oil production business, a social contribution plan created by the local government, as well as opinions from local communities:

1. Participated in an education program established by the Venezuelan government to improve local residents' IT knowledge
2. Made contributions to festivals that pass on traditional folk dances to children
3. Conducted joint research with local medical institutions into prostate cancer, which is often caused by local dietary habits
4. Provided maintenance services for the electricity network in local areas
5. Established and donated accommodation facilities to La Pasca City to make it easier for pregnant women to visit the city for medical care
6. Cooperated in a mural painting project to beautify school facilities in La Pasca City

Supporting Activities for Indonesian Students

In March 1981, INPEX CORPORATION established the INPEX Scholarship Foundation to foster educational and academic development in Indonesia and Japan, as well as contribute to better understanding, friendship and goodwill between the two countries. The principal activity of this institution is to invite Indonesian natural science graduates from Indonesian universities to attend master's courses in Japan as scholarship students. The majority of these scholarship students are civil servants (national university lecturers, research workers at national laboratories and employees of state-run companies and government agencies), who are expected to return to their posts after the period of study and to contribute to the development of industry in Indonesia. Simultaneously, INPEX offers support to young Japanese researchers wishing to study sociology and social anthropology in Indonesia. The cumulative number of scholarship students by fiscal 2006 was 127.


Cultural exchange with Indonesian students

In addition to the above-mentioned activities, the INPEX Holdings Group and its partner companies across the world engage in a variety of social contribution activities. For details, please refer to the INPEX Holdings Group's *CSR Report 2007*.

Management Team

Representative Director
Masatoshi Sugioka

Representative Director and Chairman
Kunihiko Matsuo

Representative Director and President
Naoki Kuroda

Director and Chief Operating Officer, Administration Division
Hisatake Matsuno

Director and Chief Operating Officer, Corporate Strategy & Planning Division
Katsujiro Kida

Director and Chief Operating Officer, Accounting, Finance, & IT System Division
Mutsuhisa Fujii

Director and Chief Operating Officer, Technology Division
Takeshi Maki

Director and Deputy Chief Operating Officer, Technology Division
Kyosuke Furukawa

Director and Deputy Chief Operating Officer, Corporate Strategy & Planning Division/ Technology Division
Seiji Yui

Director and Deputy Chief Operating Officer, Corporate Strategy & Planning Division/ Technology Division
Masaharu Sano

Director and Assistant Chief Operating Officer, Corporate Strategy & Planning Division/ Technology Division
Akinori Sakamoto

Director and Assistant Chief Operating Officer, Corporate Strategy & Planning Division
Seiya Ito

Statutory Auditor
Shigeru Hayashi

Statutory Auditor
Haruhito Totsune

Statutory Auditor
Shigeru Watanabe

Directors (Adjunct) **Kazuo Wakasugi Hisanori Yoshimura Yoshiyuki Kagawa Shigeo Hirai**

Statutory Auditors (Adjunct) **Hiroshi Sato Koichi Mochizuki**

Financial Section

Contents

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

INPEX Holdings Inc. was established on April 3, 2006 as a joint holding company with two wholly owned subsidiaries, INPEX CORPORATION and Teikoku Oil Co., Ltd.. No comparative financial results for previous fiscal years have been provided as the Company started to compile consolidated financial results from the fiscal year ended March 31, 2007.

Overview

During this fiscal year under review, the overall Japanese economy showed a steady recovering trend, underpinned by strong global economic growth that was primarily driven by buoyant conditions in the United States and China. This favorable situation boosted exports and capital investment in Japan. As a result, Japanese corporate earnings enjoyed solid growth, which prompted improvements in consumer spending and in the labor market.

An important factor affecting our group business performance, global crude oil prices, initially gathered momentum in the first half of the fiscal year. They remained high until summer due to an increase in demand for heating oil during the winter period in the United States. As the year proceeded, other events also caused prices to move upwards. There was strong demand for oil from fast-growing emerging economies, including China and India. Increasing uncertainty over the situation in the Middle East and the large volume of speculative funds that flowed into the oil markets during this period resulted in the price of WTI (West Texas Intermediate) smashing its previous all-time high and reaching the US$78.40 per bbl mark in July, 2006. However, oil prices began to fall in September, 2006 in the wake of rapidly diminishing concerns over the tight supply situation, reflecting several factors including a slowdown in U.S. demand resulting from the soaring oil prices. The damage from hurricanes in the United States was far less than anticipated; this fact also serving to allay concerns about oil supplies. WTI dropped sharply to US$55 per bbl by November, 2006 before recovering to the US$60 per bbl level by the end of 2006, supported by a reduction in supply following OPEC's decision to cut supply and other factors. Crude oil prices fell temporarily in January, 2007 because of the mild winter but rebounded after cold snaps in February and heightened international tensions. Consequently, WTI crude closed at US$65.87 at the end of the fiscal year. Meanwhile, domestic crude oil and petroleum prices followed a similar pattern to global price movements, the Group recording an average sales price for crude oil for the fiscal year of US$62.16 per bbl.

With regard to foreign exchange markets, which also have a large impact on our business performance, the U.S. dollar began to trade at the upper end of the ¥117 range for the year. The currency then began to depreciate sharply following a special statement issued at the G7 meeting held in Washington D.C. in April, 2006. Member countries agreed to embark on correcting global imbalances, namely disproportions in international income and expenditure as well as the U.S. current account deficit. The U.S. dollar continued to decline against the yen, falling below the ¥110 level at one time in May, 2006. With rising market expectations of a U.S. Federal Reserve Board interest rate hike, however, the currency moved upward against the yen. This trend was accelerated by so-called "yen carry trades," trading that benefits from interest rates spread between U.S. and Japan, boosting the U.S. dollar to the ¥122 level in January, 2007. Following that, the U.S. dollar lost momentum again and slipped to the lower end of the ¥115 level before edging up to nearly the same level as that at the beginning of the year. As a result, the U.S. dollar middle rate (TTM) at the end of the fiscal year came in at ¥118.09, down ¥0.62 from the end of the previous fiscal year. The U.S. dollar average exchange rate for Group sales was ¥116.90.

For the year ended March 31, 2007, the Group recorded net sales of ¥969.7 billion and net income of ¥165.1 billion. Net sales of crude oil and natural gas amounted to ¥607.4 billion and ¥332.9 billion, respectively.

As of March 31, 2007, our total net proved reserves were 1,770 MMboe, and for the year ended March 31, 2007, our net annual production was 418 Mboe per day. Net proved reserves comprised 1,139 MMbbls of crude oil, condensate and LPG, and 3,782 Bcf (billion cubic feet) of natural gas as of March 31, 2007. Net proved undeveloped reserves accounted for 27.4% of net proved reserves. Net production for the year ended March 31, 2007 averaged 243 Mbbls per day of crude oil, condensate and LPG, and 1,051 MMcf per day of natural gas.

Our Method of Accounting for Types of Arrangements

Most of our group's net sales and income come from its crude oil and natural gas business. Currently, we have mainly entered into two types of arrangements in connection with our oil and gas business: production sharing contracts (PSCs) and concession agreements which include domestic mining rights and overseas permits, licenses or lease agreements.

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, for which the Company concludes many agreements. Under this 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 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 and is allocated between the host country's government and the contractors pursuant to prescribed percentages.

For purposes of our statements of income, we record:

- as net sales, our share of total sales relating to crude oil and natural gas production that are allocated to contractors, and
- as cost of sales, a portion of "Recoverable accounts 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.

Administrative Expenses

Administrative expenses are recorded under "Recoverable accounts under production sharing" if such expenses are recoverable under the relevant PSC. As explained above under "Cost Recovery and Production Sharing," such expenses are recovered as capital or non-capital expenditures.

Non-recoverable Costs under PSCs

Acquisition Costs
For projects under PSCs that are entirely in the exploration phase, we expense costs relating to the acquisition of rights, or “Exploration and development rights,” as amortization of exploration and development rights of other expenses when 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 are amortized under the unit-of-production method and accounted for depreciation and amortization. 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 the balance sheets. We depreciate overseas tangible fixed assets primarily under the unit-of-production method and domestic tangible fixed assets primarily under the straight-line 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.

Administrative Expenses
Our share of 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. 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. 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.” In light of the uncertainly, a reserve is provided for probable losses on development activities individually estimated for each project as “Allowance for recoverable accounts under production sharing.” While we believe that the assessment and estimates are reasonable, future changes in the actual situation of projects may affect future results of operations.

Unit-of-Production Method

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

Liabilities for Site Restoration and Decommissioning Costs

We recognize liabilities for the expected amount of future decommissioning costs based on the future decommissioning plan. While we believe that the assessment and estimates are reasonable, future changes in the decommissioning plan may affect future results of operations.

Liabilities for Losses on Development Activities

We recognize liabilities for the amount of provable losses on oil and natural gas development activities which are estimated individually for each project, such as delays in development. While we believe that the assessment and estimates are reasonable, future changes in the actual situation of projects may 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 results of operations.

Deferred Tax Assets

We record deferred tax assets for temporary differences (including net operating loss carry-forwards) arising mainly from the write-down of investments in related parties and foreign tax payable. 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 allowances. 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 to Employees

Our group recognizes the accrued retirement benefits to employees at the present value of the future obligations at the end of this period and related periodic benefit cost which have occurred during this period. To determine the accrued retirement benefits and periodic benefit cost, our group uses assumptions, including discount rate, resignation rate, rate of compensation increase, the expected return on plan assets.

Differences between actual results and those assumptions or differences arising from changes in the assumptions may generate actuarial gains and losses, and the future results of operations may be affected. Any actuarial gains and losses are charged or credited to income during the period when they are generated.

Since certain subsidiaries are classified as small enterprises under Japanese “accounting standards of retirement benefit” because an individual retirement benefit plan covers less than 300 people, we employ a simplified method (at the amount which would be required to be paid if all active employees are voluntarily terminated their employment as of the balance sheet date) for the calculation of the retirement benefit obligations of the subsidiaries.

Result of Operation

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

(Millions of yen, except percentages)

Year ended March 31,	2007	
Net sales	¥969,713	100.0%
Cost of sales	343,795	35.5
Gross profit	625,918	64.5
Exploration expenses	17,689	1.8
Selling, general and administrative expenses	36,285	3.7
Depreciation and amortization	12,867	1.3
Operating income	559,077	57.7
Other income:		
Interest income	12,843	1.3
Gain on transfer of mining rights	33,534	3.4
Foreign exchange gain	5,738	0.6
Other	7,965	0.8
	60,080	6.1
Other expenses:		
Interest expense	12,389	1.3
Provision for allowance for recoverable accounts under production sharing	6,176	0.6
Provision for exploration projects	2,973	0.3
Other	11,356	1.2
	32,894	3.4
Income before income taxes and minority interests	586,263	60.4
Income taxes	413,239	42.6
Minority interests	7,932	0.8
Net income	¥165,092	17.0%

Net Sales

Net sales were ¥969.7 billion for the year ended March 31, 2007 reflecting higher price of oil and natural gas, an increase in oil and gas sales volume and depreciation of the average exchange yen rate for the year. Net sales of crude oil and natural gas business were ¥966.1 billion. Of this figure, net sales of crude oil were ¥607.4 billion, net sales of natural gas were ¥332.9 billion and net sales of other oil and gas business, such as petroleum products, were ¥25.8 billion for the year ended March 31, 2007.

Sales volume of crude oil was 83,276 thousands barrels, mainly due to an increase in production volume of crude oil at the ACG Oil Fields and ADMA Block. Sales volume of natural gas was 366 Bcf, mainly due to an increase in the supply volume of raw gas for LNG plant at the Offshore Mahakam Block and the sales volume of domestic natural gas.

The average overseas sales price of crude oil for the year ended March 31, 2007, was US$62.16 per bbl and the average overseas sales price of natural gas was US$7.51 per thousand cubic feet. The average exchange rate for the Group’s sales was ¥116.90 per U.S. dollar.

Cost of Sales

Cost of sales was ¥343.8 billion for the year ended March 31, 2007. Of this figure, cost of sales from crude oil was ¥237.1 billion, from natural gas ¥86.0 billion.

Exploration Expenses

Exploration expenses were ¥17.7 billion for the year ended March 31, 2007 primarily due to active exploration in the Asia and Oceania areas.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were ¥36.3 billion mainly due to personnel expenses and freight expenses. Of this figure, amortization of goodwill under business integration and so forth totaled ¥7.0 billion.

Depreciation and Amortization

Depreciation and amortization for the year ended March 31, 2007, amounted to ¥12.9 billion.

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 the Company does not have a substantial amount of fixed asset depreciation or amortization.

Other Income

Other income was ¥60.1 billion for the year ended March 31, 2007. This was mainly due to the transfer of a part of interest in the WA-285-P in offshore Western Australia of ¥33.5 billion, interest income of ¥12.8 billion and foreign exchange gain of ¥5.7 billion.

Other Expenses

Other expenses were ¥32.9 billion for the year ended March 31, 2007. This was mainly due to interest expenses of ¥12.4 billion, provision for allowance for recoverable accounts under production sharing of ¥6.2 billion and provision for exploration projects of ¥3.0 billion.

Income Taxes

Income taxes for the year ended March 31, 2007, were ¥413.2 billion due to increased sales in a region where a high tax burden was imposed. The effective income tax rate for the year ended March 31, 2007, was 70%.

As explained in “Factors Affecting Our Results of Operations—Corporate Taxes Imposed on Us Outside Japan,” the fact that most of the Company’s corporate taxes are paid overseas, where certain regions impose high corporate taxes, and expenses incurred 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, 2007 were ¥7.9 billion.

Net Income

As a result of the foregoing factors, net income was ¥165.1 billion for the year ended March 31, 2007.

Investment and Funding

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.

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, administrative costs, such as personnel costs and office operations 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, maintenance, and supervision of production activities. Administrative expenses in the project (contract area) where there is a producing field and/or a development field, are included in this category.

Our definition of exploration and development expenditures and the basis of preparation of the following table are different from those required under the Statement of Financial Accounting Standard No. 69, "Disclosures 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 administrative costs not directly related to exploration and development activities be excluded from exploration and development expenditures. However, administrative costs are not necessarily excluded from those expenditures.

The table below shows our expenditures for the year ended March 31, 2007:

(Millions of yen, except percentages)

Year ended March 31,	2007	
Exploration	¥ 30,544	10.5%
Development	185,957	63.8
Subtotal	216,501	74.3
Operating expenses	74,952	25.7
Total	¥291,453	100.0%

The table below shows our exploration and development expenditures for the year ended March 31, 2007 by geographical region:

(Millions of yen, except percentages)

Year ended March 31,	2007	
Japan	¥ 11,318	5.2%
Asia & Oceania	112,434	51.9
NIS	70,679	32.7
Middle East & Africa	19,208	8.9
Americas	2,862	1.3
Total	¥216,501	100.0%

The table below shows our operating expenses for the year ended March 31, 2007 by geographical region:

Year ended March 31,	(Millions of yen, except percentages) 2007	
Japan	¥ 8,978	12.0%
Asia & Oceania	43,126	57.5
NIS	4,760	6.4
Middle East & Africa	18,018	24.0
Americas	70	0.1
Total	¥74,952	100.0%

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 year ended March 31, 2007 by geographical region. Expenditures for acquisitions include the acquisition cost of mining rights, exploration and development rights, and signing bonuses, as well as the acquired tangible fixed assets and recoverable accounts under production sharing due to acquisitions.

Year ended March 31,	(Millions of yen, except percentages) 2007	
Asia & Oceania	¥ 509	44.5%
Middle East & Africa	635	55.5%
Total	¥1,144	100.0%

Our expenditures for acquisitions were ¥1.1 billion for the year ended March 31, 2007.

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 year ended March 31, 2007:

	(Millions of yen)
Year ended March 31,	2007
Balance at beginning of period	¥295,076
Add: Exploration costs	9,792
Development costs	160,114
Operating expenses	46,683
Other	17
Less: Cost recovery—capital expenditures	105,950
Cost recovery—non-capital expenditures	86,320
Other	262
Balance at end of period	319,150
Allowance for recoverable accounts under production sharing at end of period	¥ (51,191)

"Cost recovery—non-capital expenditures" are generally higher 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.

Exploration costs for the year ended March 31, 2007 were primarily due to the explorations at the Offshore Mahakam Block, Masela Block and Kashagan Oil Field.

Development costs for the year ended March 31, 2007 were primarily due to the development expenditures at the Offshore Mahakam Block, ACG Oil Fields and Kashagan Oil Field.

Operating expenses for the year ended March 31, 2007 were primarily due to the operation expenses at the Offshore Mahakam Block.

"Add: Other" for the year ended March 31, 2007 consisted of amount resulted from currency translations of foreign subsidiaries which are calculated at the rate of balance sheet date.

Cost recovery during the year ended March 31, 2007 primarily consisted of cost recovery at the Offshore Mahakam Block, ACG Oil Fields and South Natuna Sea Block B.

A substantial portion of the amount under "Less: Other" for the year ended March 31, 2007 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 on hand at any given time to fund expenditures for existing and new crude oil and natural gas projects in a timely manner and to provide for any steep decline of oil and gas prices. For this purpose, our cash management policy is to invest excess cash in low-risk and liquid financial instruments. It is our strategy to improve capital efficiency in the long term by business expansion while maintaining a sound financial position with sufficient cash on hand.

Our primary sources of funding are cash on hand and many other sources. We fund oil and gas exploration projects with cash on hand and equity financing; and oil and gas development projects, construction or expansion of domestic pipeline and other supply infrastructure with cash on hand and/or long-term loans. The Japan Bank for International Cooperation (JBIC) and Japanese commercial banks have been providing long-term loans for oil and gas development activity. Certain aggregate outstanding principal amounts of our long-term debt have been guaranteed by Japan Oil, Gas and Metals National Corporation (JOGMEC). Development Bank of Japan and Japanese commercial banks have been providing long-term loans for construction or expansion of domestic pipeline.

We are considering to diversify financing sources in the future using non-recourse project financing, arrangement, issuance of bonds and equity financing.

Maturities of Long-term Debt

The following table summarizes the maturities of our outstanding long-term debt as of March 31, 2007:

(Millions of yen and U.S. dollars)

	Long-term debt denominated in		
Years ending March 31,	U.S. dollars	Yen	Total yen equivalent
2008	$ 376.1	¥ 5,859	¥ 50,274
2009	130.0	4,839	20,191
2010	130.0	4,562	19,914
2011	130.0	4,480	19,831
2012	125.0	4,057	18,818
2013 and thereafter	756.2	30,262	119,566
Total	$ 1,647.3	¥ 54,059	¥ 248,594

Historical Cash Flows

The following table summarizes our historical cash flows for the year ended March 31, 2007:

(Millions of yen)

Year ended March 31,	**2007**
Net cash provided by operating activities	**¥ 231,982**
Net cash used in investing activities	**(209,243)**
Net cash provided by financing activities	**13,794**
Cash and cash equivalents at end of period	**189,417**

Cash Provided by Operating Activities

Cash provided by operating activities were ¥232.0 billion for the year ended March 31, 2007. This was primarily due to an increase of net income after payments of income taxes and recovery of recoverable accounts under production sharing (capital expenditures). Meanwhile, increase in recoverable accounts under production sharing (operating expenditures) represents investment in recoverable accounts under production sharing (operating expenditures), net of recovery of recoverable amounts under production sharing (operating expenditures).

Cash Used in Investing Activities

Cash used in investing activities were ¥209.2 billion for the year ended March 31, 2007. This was mainly due to investment in recoverable accounts under production sharing (capital expenditures), purchase of investment securities and purchase of tangible fixed assets.

Cash Provided by Financing Activities

Cash provided by financing activities were ¥13.8 billion for the year ended March 31, 2007. This was primarily due to proceeds from sales of treasury stock.

Factors Affecting Our Results of Operations

A number of factors affect our results of operations, including the following:

- crude oil and natural gas prices;
- our crude oil and natural gas sales volumes;
- level of exploration activities;
- fluctuation in exchange rates 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 their respective 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. Typically, natural gas sales prices move in conjunction with crude oil prices; however, movements in sales prices of natural gas are not directly proportional to those of crude oil prices.

Most of our sales contract with domestic customers of natural gas sales are made and entered into by fixed sales prices for the fiscal year taking into consideration the price of competing energy such as LNG.

As mentioned above, we are exposed to fluctuations in prices of crude oil and overseas 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.

Our Crude Oil and Natural Gas Sales Volumes

Our crude oil and natural gas sales volumes depend primarily on the production level. As described above in “Our Method of Accounting for Types of Arrangements, ” our sales volumes under production sharing contracts depend on not only production levels, but also on the price of crude oil and natural gas, cost recovery and equity portion.

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 if such costs were accounted for using the successful efforts or full cost method of accounting under U.S. GAAP.

Fluctuation in Exchange Rates 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. Depreciation of the Japanese yen against the U.S. dollar positively impacts our sales and related earnings, while a appreciation of the Japanese yen against the U.S. dollar has 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 loss if the Japanese yen depreciates against the U.S. dollar, while a appreciation of the Japanese yen against the U.S. dollar has opposite effect. As a result, these positive and negative effects cancel out each other to the certain extend.

Fluctuation in Interest Rates

We fund certain 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 six-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 mostly operations outside Japan, and most of corporate taxes are paid overseas. With respect to the overseas taxes, expenses incurred 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 recorded in our consolidated statement of income decreases, but the 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.

Consolidated Financial Forecasts for the Year Ending March 31, 2008

For the year ending March 31, 2008, consolidated net sales are expected to be ¥1,008.0 billion, an increase of ¥38.3 billion, or 3.9%, operating income are expected to be ¥529.0 billion, a decrease of ¥30.1 billion, or 5.4%, ordinary income are expected to be ¥519.0 billion, a decrease of ¥67.3 billion, or 11.5%, and net income are expected to ¥120.0 billion, a decrease of ¥45.1 billion, or 27.3%, compared with those for the year ended March 31, 2007. The increases in sales are expected to mainly reflect anticipated increases in sales volume. On the other hand, the decrease in income are expected to mainly reflect anticipated increase in investment for exploration project and the gain recognized on the transfer of a part of interest in the WA-285-P in offshore Western Australia during the year ended March 31, 2007.

Average oil price of Brent crude was US$68.7 per bbl and average exchange rate of the Japanese yen against the U.S. dollar was ¥120.8 for the three months ended June 30, 2007. In these estimates which we announced on August 9, 2007, the oil price of Brent crude was assumed to be US$70.0 per bbl for the three months ending September 30, 2007 and US$60.0 per bbl for the six months ending March 31, 2008 with the exchange rate of the Japanese yen against the U.S. dollar at ¥115 for the nine months ending March 31, 2008 in the light of the result for the three months ended June 30, 2007.

Consolidated Balance Sheet

INPEX Holdings Inc. and Consolidated Subsidiaries
As of March 31, 2007

	Millions of yen	Thousands of U.S. dollars (Note 3)
ASSETS	2007	2007
Current assets:		
Cash and cash equivalents	¥ 189,417	$ 1,604,005
Accounts receivable—trade	81,955	694,005
Marketable securities (Note 4)	46,618	394,767
Inventories	13,255	112,245
Deferred tax assets (Note 6)	17,242	146,007
Accounts receivable—other	81,689	691,752
Other	43,960	372,259
Less allowance for doubtful accounts	(12)	(102)
	474,124	4,014,938
Tangible fixed assets:		
Buildings and structures	185,484	1,570,700
Wells	173,245	1,467,059
Machinery, equipment and vehicles	252,832	2,141,011
Land	28,310	239,732
Construction in progress	24,730	209,417
Other	8,787	74,410
	673,388	5,702,329
Less accumulated depreciation and amortization	(454,161)	(3,845,889)
	219,227	1,856,440
Intangible assets:		
Goodwill (Note 12)	132,106	1,118,689
Exploration and development rights	127,110	1,076,382
Mining rights	4,365	36,963
Other	2,241	18,978
	265,822	2,251,012
Investments and other assets:		
Recoverable accounts under production sharing	319,150	2,702,599
Less allowance for recoverable accounts under production sharing	(51,191)	(433,491)
	267,959	2,269,108
Investment securities (Notes 4 and 5)	354,851	3,004,920
Long-term loans receivable	3,389	28,698
Other investments	34,879	295,359
Less allowance for doubtful accounts	(1,870)	(15,835)
Less allowance for investments in exploration	(10,274)	(87,001)
	648,934	5,495,249
Total assets	¥1,608,107	$13,617,639

Refer to accompanying notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of yen 2007	Thousands of U.S. dollars (Note 3) 2007
Current liabilities:		
Accounts payable—trade	¥ 21,794	$ 184,554
Short-term borrowings and current portion of long-term debt (Note 5)	50,649	428,902
Income taxes payable (Note 6)	85,143	721,001
Accounts payable—other	88,768	751,698
Provision for exploration projects	6,900	58,430
Accrued bonuses to officers	194	1,643
Other	12,800	108,391
	266,248	2,254,619
Long-term liabilities:		
Long-term debt (Note 5)	198,320	1,679,397
Deferred tax liabilities (Note 6)	38,995	330,214
Accrued retirement benefits to employees	8,371	70,887
Accrued retirement benefits to officers	1,712	14,497
Liabilities for site restoration and decommissioning costs	11,930	101,025
Liabilities for losses on development activities	1,965	16,640
Accrued special repair and maintenance	179	1,516
Other	371	3,141
	261,843	2,217,317
Total liabilities	528,091	4,471,936
Net assets (Note 7)**:**		
Common stock:	30,000	254,044
Authorized: 9,000,001.00 shares		
Issued and outstanding: 2,358,410.13 shares		
Capital surplus	418,491	3,543,831
Retained earnings	570,120	4,827,843
Less: Treasury stock: 1,089.63 shares	(1,108)	(9,383)
Total shareholders'equity	1,017,503	8,616,335
Unrealized holding gain on securities	9,349	79,169
Unrealized gain from hedging instruments	18	152
Translation adjustments	2,025	17,148
Total valuation, translation adjustments and others	11,392	96,469
Minority interests	51,121	432,899
Total net assets	1,080,016	9,145,703
Contingent liabilities (Note 15)		
Total liabilities and net assets	¥1,608,107	$13,617,639

Consolidated Statement of Income

INPEX Holdings Inc. and Consolidated Subsidiaries
For the year ended March 31, 2007

	Millions of yen	Thousands of U.S. dollars (Note 3)
	2007	2007
Net sales	¥969,713	$8,211,644
Cost of sales	343,795	2,911,297
Gross profit	625,918	5,300,347
Exploration expenses	17,781	150,571
Exploration subsidies	(92)	(779)
Selling, general and administrative expenses (Notes 10, 11 and 12)	36,285	307,266
Depreciation and amortization	12,867	108,959
Operating income	559,077	4,734,330
Other income:		
Interest income	12,843	108,756
Dividend income	2,292	19,409
Equity in earnings of affiliates	1,350	11,432
Gain on transfer of mining rights	33,534	283,970
Foreign exchange gain	5,738	48,590
Other	4,323	36,607
	60,080	508,764
Other expenses:		
Interest expense	12,389	104,912
Provision for allowance for recoverable accounts under production sharing	6,176	52,299
Provision for exploration projects	2,973	25,176
Other	11,356	96,163
	32,894	278,550
Income before income taxes and minority interests	586,263	4,964,544
Income taxes (Note 6):		
Current	432,894	3,665,798
Deferred	(19,655)	(166,441)
	413,239	3,499,357
Minority interests	7,932	67,169
Net income (Note 8)	¥165,092	$1,398,018

Refer to accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

INPEX Holdings Inc. and Consolidated Subsidiaries
For the year ended March 31, 2007

Millions of yen

	Balance as of March 31, 2006	Increase (decrease) due to joint stock transfer	Cash dividends paid	Bonuses to officers	Net income	Purchase of treasury stock	Disposal treasury stock	Net changes in items other than those in shareholders' equity	Total changes during the period	Balance as of March 31, 2007
Common stock	¥ —	¥ 30,000	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 30,000	¥ 30,000
Capital surplus	—	415,892	—	—	—	—	2,599	—	418,491	418,491
Retained earnings	—	415,734	(10,559)	(147)	165,092	—	—	—	570,120	570,120
Treasury stock	—	(19,641)	—	—	—	(1,725)	20,258	—	(1,108)	(1,108)
Total shareholders' equity	—	841,985	(10,559)	(147)	165,092	(1,725)	22,857	—	1,017,503	1,017,503
Unrealized holding gain (loss) on securities	—	(5,723)	—	—	—	—	—	15,072	9,349	9,349
Unrealized gain from hedging instruments	—	—	—	—	—	—	—	18	18	18
Translation adjustments	—	1,117	—	—	—	—	—	908	2,025	2,025
Total valuation, translation adjustments and others	—	(4,606)	—	—	—	—	—	15,998	11,392	11,392
Minority interests	—	39,921	—	—	—	—	—	11,200	51,121	51,121
Total net assets	¥ —	¥877,300	¥(10,559)	¥(147)	¥165,092	¥(1,725)	¥22,857	¥27,198	¥1,080,016	¥1,080,016

Thousands of U.S. dollars (Note 3)

	Balance as of March 31, 2006	Increase (decrease) due to joint stock transfer	Cash dividends paid	Bonuses to officers	Net income	Purchase of treasury stock	Disposal treasury stock	Net changes in items other than those in shareholders' equity	Total changes during the period	Balance as of March 31, 2007
Common stock	$ —	$ 254,044	$ —	$ —	$ —	$ —	$ —	$ —	$ 254,044	$ 254,044
Capital surplus	—	3,521,822	—	—	—	—	22,009	—	3,543,831	3,543,831
Retained earnings	—	3,520,484	(89,415)	(1,244)	1,398,018	—	—	—	4,827,843	4,827,843
Treasury stock	—	(166,322)	—	—	—	(14,608)	171,547	—	(9,383)	(9,383)
Total shareholders' equity	—	7,130,028	(89,415)	(1,244)	1,398,018	(14,608)	193,556	—	8,616,335	8,616,335
Unrealized holding gain (loss) on securities	—	(48,463)	—	—	—	—	—	127,632	79,169	79,169
Unrealized gain from hedging instruments	—	—	—	—	—	—	—	152	152	152
Translation adjustments	—	9,459	—	—	—	—	—	7,689	17,148	17,148
Total valuation, translation adjustments and others	—	(39,004)	—	—	—	—	—	135,473	96,469	96,469
Minority interests	—	338,056	—	—	—	—	—	94,843	432,899	432,899
Total net assets	$ —	$7,429,080	$(89,415)	$(1,244)	$1,398,018	$(14,608)	$193,556	$230,316	$9,145,703	$9,145,703

Refer to accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

INPEX Holdings Inc. and Consolidated Subsidiaries
For the year ended March 31, 2007

	Millions of yen	Thousands of U.S. dollars (Note 3)
	2007	2007
Cash flows from operating activities:		
Income before income taxes and minority interests	¥586,263	$4,964,544
Depreciation and amortization	30,599	259,116
Amortization of goodwill	6,978	59,091
Provision for allowance for recoverable accounts under production sharing	6,081	51,495
Provision for exploration projects	3,038	25,726
Provision for accrued retirement benefits to employees	845	7,156
Provision for site restoration and decommissioning costs	1,215	10,289
Other provisions	1,377	11,661
Interest and dividend income	(15,135)	(128,165)
Interest expense	12,389	104,911
Foreign exchange gain	(1,653)	(13,998)
Equity in earnings of affiliates	(1,350)	(11,432)
Gain on transfer of mining rights	(33,534)	(283,970)
Loss on the sale of investment securities	2,613	22,127
Accounts receivable—trade	(10,385)	(87,941)
Recovery of recoverable accounts under production sharing (capital expenditure)	105,950	897,197
Recoverable accounts under production sharing (operating expenditures)	(18,955)	(160,513)
Inventories	(8,086)	(68,473)
Accounts payable—trade	(879)	(7,444)
Other	(3,810)	(32,264)
Subtotal	663,561	5,619,113
Interest and dividends received	20,560	174,104
Interest paid	(11,993)	(101,558)
Income taxes paid	(440,146)	(3,727,208)
Net cash provided by operating activities	231,982	1,964,451
Cash flows from investing activities		
Increase in time deposits	(17,078)	(144,619)
Decrease in time deposits	2,798	23,694
Purchase of marketable securities	(5,141)	(43,535)
Proceeds from sales of marketable securities	23,643	200,212
Purchase of tangible fixed assets	(37,845)	(320,476)
Proceeds from sales of tangible fixed assets	955	8,087
Purchase of intangible assets	(1,778)	(15,056)
Purchase of investment securities	(109,823)	(929,994)
Proceeds from sales of investment securities	43,609	369,286
Investment in recoverable accounts under production sharing (capital expenditures)	(111,314)	(942,620)
Increase in short-term loans receivable	(6,524)	(55,246)
Long-term loans made	(832)	(7,045)
Collection of long-term loans receivable	889	7,528
Proceeds from transfer of mining rights	6,707	56,796
Other	2,491	21,094
Net cash used in investing activities	(209,243)	(1,771,894)
Cash flows from financing activities		
Decrease in short-term loans	(120)	(1,016)
Proceeds from long-term debt	30,083	254,746
Repayment of long-term debt	(38,662)	(327,394)
Proceeds from minority interests for additional shares	3,606	30,536
Purchase of treasury stock	(1,170)	(9,908)
Proceeds from sales of treasury stock	22,397	189,660
Cash dividends paid	(10,791)	(91,379)
Dividends paid to minority shareholders	(81)	(686)
Stock transfer payment	(868)	(7,350)
Restricted cash deposit	9,400	79,600
Net cash provided by financing activities	13,794	116,809
Effect of exchange rate changes on cash and cash equivalents	1,741	14,743
Net increase in cash and cash equivalents	38,274	324,109
Cash and cash equivalents at beginning of the period	151,143	1,279,896
Cash and cash equivalents at end of the period	¥189,417	$1,604,005

Refer to accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

INPEX Holdings Inc. and Consolidated Subsidiaries

1 BASIS OF PRESENTATION

INPEX Holdings Inc. (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.

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.

For the 39 companies for which the closing date differed from the consolidated closing date, including but not limited to, INPEX Sahul, Ltd., INPEX Browse, Ltd., and INPEX Masela, Ltd., the financial statements for the year ended December 31 were used. However, the necessary adjustments have been made to the financial statements of those companies to reflect any significant transactions made between the Company's closing date and those of the consolidated subsidiaries.

For the 11 companies, including but not limited to Japan Oil Development, Co., Ltd., Teikoku Oil D.R. Congo, Co., Ltd., INPEX Southwest Caspian Sea, Ltd., and INPEX North Caspian Sea, Ltd., the financial statements for the year ended on the consolidated closing date were used, even though their closing date is December 31.

The excess of cost over underlying net assets excluding minority interests at fair value as of their dates of acquisition is accounted for as goodwill and amortized over 20 years on a straight-line method.

(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 average rates of exchange during the period. Except for the components of net assets excluding minority interests, the balance sheet accounts are translated into yen at the rates of exchange in effect at the balance sheet date. The components of net assets excluding minority interests are translated at their historical exchange rates. Differences arising from the translation are presented as translation adjustments 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 net assets. Other securities without a determinable market value are stated at cost. Cost of securities sold is determined by the moving average method.

(e) Inventories

Products are carried mainly at the lower of cost or market, cost being determined mainly by the moving-average method. Other inventories are carried at cost, cost being determined by the moving-average method, except for construction projects in progress which are carried at cost, cost being determined by the individual cost basis.

(f) Allowance for doubtful accounts

The allowance for doubtful accounts is provided at an amount determined based on the historical experience of bad debt with respect to ordinary receivables, plus an estimate of uncollectible amounts determined by reference to specific doubtful receivables from customers which are experiencing financial difficulties.

(g) Recoverable accounts under production sharing and related allowance

Cash investments made by the Company during exploration, development and production project under a production sharing contract and a service contract (buyback arrangement) are recorded as "Recoverable accounts under production sharing" so long as they are recoverable under the terms of the relevant contract. When the Company receives natural gas and crude oil in accordance with the relevant 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 stage under production sharing contracts arising from the failure to discover commercial oil and gas. In light of this uncertainty, an allowance for recoverable accounts under production sharing is provided for probable losses on development investment individually estimated for each 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) Provision for exploration projects

Provision for exploration projects is provided for future expenditures of consolidated subsidiaries at the exploration stage based on a schedule of investments in exploration.

(j) Accrued bonuses to officers

Accrued bonuses to officers are provided at the expected payment amount for the year ended March 31, 2007.

(k) Tangible fixed assets

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

For other tangible fixed assets, the straight-line method of depreciation is applied. The useful lives of fixed assets are based on the estimated useful lives of the respective assets.

(l) Intangible 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 mainly by the unit-of-production method.

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

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

(m) Accrued retirement benefits to employees

Accrued retirement benefits to employees are provided at the amount calculated based on the expected retirement benefit obligation and the fair value of pension plan assets at the end of this period. Because certain subsidiaries are classified as small enterprises, we employ a simplified method (at the amount which would be required to be paid if all active employees voluntarily terminated their employment as of the balance sheet date) for the calculation of the retirement benefit obligation of the subsidiaries.

Actuarial gains and losses are charged or credited to income as incurred.

(n) Accrued retirement benefits to officers

Accrued retirement benefits to officers are stated at the amount which would be required to be paid if all officers terminated their services as of the balance sheet date, based on the relevant internal rules.

(o) Liabilities for site restoration and decommissioning costs

Liabilities for site restoration and decommissioning costs are provided for expected future costs for site restoration and decommissioning.

(p) Liabilities for losses on development activities

Liabilities for losses on development activities are provided for provable losses on oil and natural gas development activities individually estimated for each project.

(q) Accrued special repair and maintenance

Accrued special repair and maintenance are provided for planned major repair and maintenance activities on tanks in certain subsidiaries at amounts accumulated through the next activity.

(r) Leases

Noncancelable 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.

(s) Hedge accounting

The simplified accounting method is applied to interest rate swaps. For certain equity accounted companies, deferred hedge accounting is adopted. In addition, the nominal amount of the derivative transaction is limited to within the scope of actual demand, and the Company does not engage in speculative derivative transactions.

(t) Research and development expenses

Research and development expenses are charged to income as incurred.

(u) 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.

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 ¥118.09=US$1.00, the approximate rate of exchange in effect on March 31, 2007. 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, 2007 is as follows:

	Millions of yen			Thousands of U.S. dollars		
March 31, 2007	Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities with fair values exceeding their acquisition cost:						
Stock	¥ 81,806	¥101,216	¥19,410	$ 692,743	$ 857,109	$164,366
Bonds:						
Public bonds	61,212	61,272	60	518,350	518,858	508
Corporate bonds	325	345	20	2,752	2,922	170
Other debt securities	408	411	3	3,455	3,480	25
Others	501	502	1	4,243	4,251	8
Subtotal	144,252	163,746	19,494	1,221,543	1,386,620	165,077
Securities with acquisition costs exceeding their fair value:						
Stock	24,626	19,938	(4,688)	208,536	168,838	(39,698)
Bonds:						
Public bonds	152,827	150,215	(2,612)	1,294,157	1,272,038	(22,119)
Other debt securities	150	150	(0)	1,270	1,270	(0)
Subtotal	177,603	170,303	(7,300)	1,503,963	1,442,146	(61,817)
Total	¥321,855	¥334,049	¥12,194	$2,725,506	$2,828,766	$103,260

b) Information regarding sales of securities classified as other securities for the year ended March 31, 2007 is as follows:

	Millions of yen	Thousands of U.S. dollars
Year ended March 31,	2007	2007
Proceeds from sales	¥67,260	$569,566
Loss on sales	¥ 2,610	$ 22,102

c) Components of other securities without a determinable market value as of March 31, 2007 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Year ended March 31,	2007	2007
Other securities:		
Unlisted securities*	¥38,274	$324,109
Total	¥38,274	$324,109

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

d) Redemption schedule for securities with maturity dates classified as other securities as of March 31, 2007 is as follows:

	Millions of yen				Thousands of U.S. dollars			
March 31, 2007	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	¥47,311	¥122,770	¥3,863	¥37,543	$400,635	$1,039,631	$32,712	$317,919
Corporate bonds	—	345	—	—	—	2,922	—	—
Other	150	375	35	—	1,270	3,175	297	—
Total	¥47,461	¥123,490	¥3,898	¥37,543	$401,905	$1,045,728	$33,009	$317,919

5 SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings as of March 31, 2007 are as follows:

	Millions of yen	Thousands of U.S. dollars
March 31,	2007	2007
Short-term borrowings from banks and others, at interest rates ranging from 0.930% to 1.625%	¥375	$3,176
Total	¥375	$3,176

Long-term debt as of March 31, 2007 consist of the following:

	Millions of yen	Thousands of U.S. dollars
March 31,	2007	2007
Loans from banks and others, at interest rates ranging from 1.000% to 6.340%, due through 2019:	¥248,594	$2,105,123
Less: Current portion	50,274	425,726
Total	¥198,320	$1,679,397

Assets pledged as of March 31, 2007 are as follows:

	Millions of yen	Thousands of U.S. dollars
March 31,	2007	2007
Buildings and structures	¥ 2,181	$ 18,469
Machinery, equipments and vehicles	8,748	74,079
Land	1,826	15,463
Investment securities	9,999	84,672
Other	36	305
Total	¥22,790	$192,988

The above assets were pledged against the following liabilities:

	Millions of yen	Thousands of U.S. dollars
March 31,	2007	2007
Short-term loans	¥ 95	$ 805
Accounts payable—other	5,480	46,405
Long-term debt	15,272	129,325
Other	17	144
Total	¥20,864	$176,679

In addition, investment securities of ¥7,209 million ($61,047 thousand) are pledged as collateral for the BTC Pipeline Project Finance.

The aggregate annual maturities of long-term debt subsequent to March 31, 2007 are summarized as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2008	¥ 50,274	$ 425,726
2009	20,191	170,980
2010	19,914	168,634
2011	19,831	167,931
2012	18,818	159,353
2013 and thereafter	119,566	1,012,499
Total	¥248,594	$2,105,123

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 40.7% in 2007.

The effective tax rate reflected in the consolidated statements of income for the year ended March 31, 2007 differs from the statutory tax rate for the following reasons:

Year ended March 31,	**2007**
Statutory tax rate	**40.7%**
Effect of:	
Permanently non-taxable income such as dividends income	**(0.3)**
Valuation allowance	**(0.1)**
Foreign taxes	**68.0**
Foreign tax credits	**(18.4)**
Adjustment of deducted amounts of foreign taxes	**(15.9)**
Equity in earnings of affiliates	**(0.1)**
Amortization of goodwill	**0.5**
Differences of effective tax rates applied to income of foreign subsidiaries	**(4.6)**
Other	**0.7**
Effective tax rate	**70.5%**

The significant components of deferred tax assets and liabilities as of March 31, 2007 are as follows:

	Millions of yen	Thousands of U.S. dollars
March 31,	2007	2007
Deferred tax assets:		
Investments in related parties	¥ 42,305	$ 358,244
Loss on revaluation of land	4,543	38,470
Non-deductible accounts payable—other	5,499	46,566
Recoverable accounts under production sharing (foreign taxes)	3,482	29,486
Allowance for investments in exploration	3,223	27,293
Foreign taxes payable	31,375	265,687
Net operating loss	10,499	88,907
Accumulated depreciation	3,542	29,994
Accrued retirement benefits	3,883	32,882
Translation differences of asset and liabilities denominated in foreign currencies	1,395	11,813
Liabilities for site restoration and decommissioning costs	2,091	17,707
Other	8,458	71,623
Total gross deferred tax assets	120,295	1,018,672
Valuation allowance	(91,186)	(772,174)
Total deferred tax assets	29,109	246,498
Deferred tax liabilities:		
Foreign taxes	7,371	62,418
Translation differences due to an application of purchase accounting method	29,945	253,578
Reserve for exploration	5,479	46,397
Unrealized holding gain on securities	2,969	25,142
Other	7,178	60,784
Total deferred tax liabilities	52,942	448,319
Net deferred tax liabilities	¥ 23,833	$ 201,821

7 NET ASSETS

As of March 31, 2007, the total number of the Company's shares issued consisted of 2,358,409.13 shares of common stock and 1 special class share. The special class share has no voting rights at the common shareholders' meeting, but the ownership of the special class share gives its holder a right of veto over certain important matters by imposing the requirement to obtain a class vote. However, requirements stipulated in the Articles of Incorporation need to be met in cases involving the appointment or removal of directors, the disposition of important assets or the exercise of the veto;

- Appointment and removal of directors
- Disposition of all or part of the material assets
- Amendments to the Article 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 exchanges or share transfers
- Capital reduction
- Dissolution

The special class shareholder may request the Company to acquire the special class share. Besides, the Company may also acquire the special class share by the resolution of meeting of Board of Directors in case of that special class share is transferred to a non-public subject.

The new Corporate Law of Japan (the "Law"), which superseded most of the provisions of the Commercial Code of Japan, went into effect on May 1, 2006. The Law provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than capital reserve) and retained earnings (other than legal reserve) be transferred to the capital reserve and the legal reserve respectively until the total of capital reserve and the legal reserve equals 25% of the common stock account.

Such distribution can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met, but neither the capital reserve nor the legal reserve is available for distributions.

8 AMOUNTS PER SHARE

	Yen	U.S. dollars
Year ended March 31,	**2007**	**2007**
Net income	**¥ 70,423.45**	**$ 596.35**
Cash dividends	**7,000.00**	**59.28**
Net assets	**436,467.92**	**3,696.06**

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

Cash dividends per share represent the cash dividends proposed by the Board of Directors together with the interim cash dividends paid.

Net assets per share are computed based on the net assets excluding minority interests and the number of common stock outstanding at the year end.

9 DERIVATIVES

(a) Hedging instruments and hedged items

The Company has entered into interest rate swap transactions in order to reduce its exposure to interest rate fluctuations.

(b) Hedging policies

The nominal amount of the derivative transaction is limited to within the scope of actual demand, and the Company does not engage in speculative derivative transactions.

(c) Credit risk

The Company is exposed to credit risk in the event of nonperformance by the counterparties to those derivative transactions, but any such risk would not be material because the Company enters into transactions only with financial institutions or trading companies with high credit ratings.

(d) Risk management

The execution and control of derivative transactions are based on internal rules. All transactions are reported to the director in charge on a timely basis and transaction confirmations obtained from counterparties on a regular basis.

(e) Fair value of derivatives

No derivatives positions remained outstanding as of March 31, 2007.

10 RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses included in selling, general and administrative expenses amounted to ¥301 million ($2,549 thousand) for the year ended March 31, 2007.

11 RETIREMENT BENEFITS

1. Retirement benefit obligation as of March 31, 2007 is as follows:

Year ended March 31,	Millions of yen 2007	Thousands of U.S. dollars 2007
Retirement benefit obligation	¥(15,707)	$(133,009)
Plan assets at fair value	7,336	62,122
Unfunded retirement benefit obligation	(8,371)	(70,887)
Unrecognized actuarial gain or loss	—	—
Accrued retirement benefits to employees	¥ (8,371)	$ (70,887)

Some of the Company's subsidiaries have pension assets of ¥1,634 million ($13,837 thousand) in the Multi-Employer Pension Fund Plan.

2. Retirement benefit expenses for the year ended March 31, 2007 are as follows:

Year ended March 31,	Millions of yen 2007	Thousands of U.S. dollars 2007
Service cost	¥ 912	$ 7,723
Interest cost	273	2,312
Expected return on plan assets	(106)	(898)
Amortization of actuarial gain or loss	(145)	(1,228)
Retirement benefit expenses	¥ 934	$ 7,909

3. The assumptions used in accounting for the above plans are as follows:

Year ended March 31,	2007
Discount rate	2.0%
Expected return on plan assets	1.5%
Period for amortization of actuarial gain or loss	Amortized as incurred

12 GOODWILL

The changes in the carrying amount of goodwill for the year ended March 31, 2007 are as follows:

Year ended March 31,	Millions of yen 2007	Thousands of U.S. dollars 2007
Goodwill acquired during the year	¥139,084	$1,177,780
Amortization of goodwill	6,978	59,091
Balance at end of year	¥132,106	$1,118,689

Goodwill acquired during the year ended March 31, 2007 mainly consisted of goodwill related to the business integration.

13 BUSINESS INTEGRATION

The Company has been established as the joint holding company that owns INPEX CORPORATION (hereafter "INPEX") and Teikoku Oil Co., Ltd., (hereafter "Teikoku") as wholly owned subsidiaries, according to business integration by stock transfer on April 3, 2006. The purchase accounting method was applied for this transaction. INPEX was treated as the acquiring company and Teikoku as the acquired company based on the ratio of voting rights.

1. Name and main business of acquired company

(a) Name of acquired company
Teikoku Oil Co., Ltd.

(b) Main business of acquired company
Exploration, development, production and distribution of crude oil and natural gas

(c) Major purpose of integration
To establish a firm position in the global market, by establishing a well-balanced asset portfolio, reinforcing a solid financial base, and concentrating technological capabilities for resource development

(d) Date of integration
April 3, 2006

(e) Legal formalities of business integration
Establishment of a joint holding company through a stock transfer

(f) Name after integration
INPEX Holdings Inc.

(g) Acquired ratio of the voting rights
100%

2. Period of acquired company's financial results included in the consolidated financial statements
From April 1, 2006 to March 31, 2007

3. Acquisition cost and details of acquired company
Acquisition cost of acquired company is ¥355,756 million ($3,012,584 thousand). Acquisition cost consists of the fair value of acquiring company's stock in amount of ¥354,897 million ($3,005,310 thousand) that deemed to be issued to acquired company's shareholders and expenses of the acquisition in amount of ¥859 million ($7,274 thousand).

4. Stock transfer ratio for the acquisition and other related information

(a) Stock transfer ratio

	INPEX	Teikoku
Stock transfer ratio	1	0.00144

(b) Calculation of the stock transfer ratio
INPEX appointed J.P. Morgan Securities Asia Pte. Limited and Teikoku appointed Goldman Sachs (Japan) Ltd. as their financial advisors in relation to this transaction. The financial advisors analyzed the share price movements of the both companies, discounted cash flow (DCF) / net asset value (NAV) analysis and contribution analysis etc. in considering the stock transfer ratio. The stock transfer ratio was determined through discussion and negotiation by both companies taking into consideration the analysis and advice of their financial advisors and other various factors.

(c) Share allocation and estimated value
Based on the above stock transfer ratio, 438,577.82 shares were allotted to Teikoku's shareholders since 0.00144 share of the Company's common share was allotted in exchange for one (1) share of Teikoku's common share. Because the Company's stock did not exist on the date of public announcement on the stock transfer agreement, the Company's stock was valuated at ¥809,200, which represents the average stock price of the acquiring company for the 5 days before the commencing date when main terms and conditions of business integration were agreed upon and announced to the public.

5. Goodwill

(a) Amount of goodwill
¥139,059 million ($1,177,568 thousand)

(b) Reason for goodwill revealed
The investment balance between the acquisition cost of the acquired company and the amount distributed to identifiable assets and liabilities revealed by the overall value was valuated mining rights, production assets, development and operating technology, sales-use assets such as pipelines network, buyers, suppliers, and other factors totally.

(c) Method and period of amortization
Straight-line method over 20 years

6. Acquired assets and liabilities on the date of integration

	Millions of yen	Thousands of U.S. dollars
Current assets	**¥ 65,864**	**$ 557,744**
Fixed assets	**397,886**	**3,369,346**
Total assets	**463,750**	**3,927,090**
Current liabilities	**28,157**	**238,437**
Long-term liabilities	**77,519**	**656,440**
Total liabilities	**105,676**	**894,877**
(Reference); Minority interests	**¥ 2,318**	**$ 19,629**

14 LEASES

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets as of March 31, 2007, 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.

	Millions of yen	Thousands of U.S. dollars
As of March 31,	**2007**	**2007**
Acquisition costs of leased property	**¥955**	**$8,087**
Accumulated depreciation	**518**	**4,386**
Net book value	**¥437**	**$3,701**

Lease payments relating to finance leases accounted for as operating leases amounted to ¥182 million ($1,541 thousand), which were equal to the depreciation expense of the leased assets computed by the straight-line method over the lease terms, for the year ended March 31, 2007.

Future minimum lease payments (including the interest portion) subsequent to March 31, 2007 for finance lease transactions accounted for as operating leases are summarized as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2008	¥165	$1,397
2009 and thereafter	272	2,304
Total	¥437	$3,701

15 CONTINGENT LIABILITIES

As of March 31, 2007, the Company and its consolidated subsidiaries were contingently liable as guarantors of indebtedness of affiliates in the aggregate amount of ¥31,511 million ($266,839 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 ¥7,252 million ($60,880 thousand) as of December 31, 2006.

16 SEGMENT INFORMATION

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 year ended March 31, 2007, the disclosure of business segment information has been omitted.

The geographical segment information for the Company and its subsidiaries for the year ended March 31, 2007 is summarized as follows:

Millions of yen

Year ended March 31, 2007	Japan	Asia & Oceania (a)	NIS (b)	Middle East & Africa (c)	Americas (d)	Total	Eliminations	Consolidated
Sales to third parties	¥ 77,322	¥387,543	¥118,618	¥ 386,009	¥ 221	¥ 969,713	¥ —	¥ 969,713
Intercompany sales and transfers between segments	0	—	—	—	—	0	(0)	—
Total sales	77,322	387,543	118,618	386,009	221	969,713	(0)	969,713
Operating expenses	54,306	145,638	82,996	119,282	1,660	403,882	6,754	410,636
Operating income	23,016	241,905	35,622	266,727	(1,439)	565,831	(6,754)	559,077
Total assets	¥197,405	¥322,116	¥320,574	¥254,072	¥17,776	¥1,111,943	¥496,164	¥1,608,107

(a) Asia & Oceania: Indonesia, Australia, East Timor, Vietnam
(b) Newly Independent States (NIS): Azerbaijan, Kazakhstan
(c) Middle East & Africa: UAE, D.R.Congo, Iran, Libya, Egypt, Algeria
(d) Americas: Venezuela, Ecuador, USA

Thousands of dollars

Year ended March 31, 2007	Japan	Asia & Oceania (a)	NIS (b)	Middle East & Africa (c)	Americas (d)	Total	Eliminations	Consolidated
Sales to third parties	$ 654,772	$3,281,760	$1,004,471	$3,268,770	$ 1,871	$8,211,644	$ —	$ 8,211,644
Intercompany sales and transfers between segments	0	—	—	—	—	0	(0)	—
Total sales	654,772	3,281,760	1,004,471	3,268,770	1,871	8,211,644	(0)	8,211,644
Operating expenses	459,870	1,233,280	702,820	1,010,094	14,057	3,420,121	57,193	3,477,314
Operating income	194,902	2,048,480	301,651	2,258,676	(12,186)	4,791,523	(57,193)	4,734,330
Total assets	$1,671,649	$2,727,716	$2,714,658	$2,151,512	$150,529	$9,416,064	$4,201,575	$13,617,639

(a) Asia & Oceania: Indonesia, Australia, East Timor, Vietnam
(b) NIS: Azerbaijan, Kazakhstan
(c) Middle East & Africa: UAE, D.R.Congo, Iran, Libya, Egypt, Algeria
(d) Americas: Venezuela, Ecuador, USA

The geographical segment information for the Company and its subsidiaries has been reflected in the regions based on the location of operations.

Overseas sales

Overseas sales, which include sales (other than exports to Japan) of its overseas subsidiaries, for the year ended March 31, 2007 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars		
Year ended March 31, 2007	Asia & Oceania (a)	Other (b)	Total	Asia & Oceania (a)	Other (b)	Total
Overseas sales	¥319,548	¥53,557	¥373,105	$2,705,970	$453,527	$3,159,497
Consolidated net sales			969,713			8,211,644
Overseas sales as a percentage of consolidated net sales	33.0%	5.5%	38.5%	33.0%	5.5%	38.5%

(a) Asia & Oceania: South Korea, Taiwan, Indonesia, Singapore, Thailand, China, Malaysia, Philippines, Australia
(b) Other: USA, Italy

Report of Independent Auditors

ERNST & YOUNG SHINNIHON

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Report of Independent Auditors

The Board of Directors
INPEX Holdings Inc.

We have audited the accompanying consolidated balance sheet of INPEX Holdings Inc. and consolidated subsidiaries as of March 31, 2007, and the related consolidated statements of income, changes in net assets, and cash flows for the year then ended, 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 audit 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 audit provides 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 Holdings Inc. and consolidated subsidiaries at March 31, 2007, and the consolidated results of their operations and their cash flows for the year then ended 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, 2007 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 26, 2007

Operating Data and Corporate Information

Contents

Oil and Gas Reserves and Production Volume

1 Oil and Gas Reserves

Definition of Proved Reserves and Probable Reserves

INPEX Holdings commissioned DeGolyer and MacNaughton, an independent petroleum engineering consultant in the United States, to assess major proved reserves of our group. The definition of proved reserves evaluated by DeGolyer and MacNaughton is based on the U.S. Securities and Exchange Commission's Regulation S-X, Rule 4-10, which is widely known among U.S. investors. Proved oil and gas reserves are estimated quantities that geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, as of the date such an estimate is made.

According to SEC Standards, proved reserves are classified into two categories: "Proved developed reserves" can be expected to be recovered through existing wells with existing equipment and operating methods and "proved undeveloped reserves" can be expected to be recovered from new wells on undrilled acreage or from existing wells where a relatively major expenditure is required for recompletion. To be defined as "proved reserves" assumes the existence of a market and economic means of recovery, process and shipment, or the certainty to gain such means in the short term. This definition is widely regarded as being conservative. Nevertheless, the strictness of the definition does not imply any guarantee of the production of total reserves during a future production period.

In addition to the assessment of proved reserves based on SEC Standards, INPEX Holdings also commissioned DeGolyer and MacNaughton to assess its probable reserves based on guidelines established by the Society of Petroleum Engineers (SPE) and the World Petroleum Congress (WPC). Probable reserves, as defined by the SPE and WPC, are reserves outside proved reserves that are more likely than not to be recoverable based on analyses of geological and engineering data. In this context, when probabilistic methods are employed, there should be at least a 50% probability that the quantities actually recovered will equal or exceed the sum of estimated proved and probable reserves. The difference between this definition and the definition of proved reserves based on SEC standards is the degree of certainty that oil and gas can be recovered as of the date such an estimate is made. Probable reserves can be upgraded to proved reserves after the addition of new technical data, under different economical conditions, and with advances in operational conditions. Nevertheless probable reserves offer no guarantee of the production of total reserves during a future production period with same certainty as proved reserves.

A reserve evaluation is depends on the available geological and engineering data from oil and gas reservoirs, maturity of development plan, economic conditions, etc. as of the d such an estimate is made. Based on newly available with progress of productions and operations, reserves may be revised in the future. As a result, there is a possibility that reserves will be restated upwards or downwards. As to the reserves under Production Sharing Contract, not only production but also oil and gas prices, investments and cost recoveries and remuneration fees may affect the economic take under the contract. This may lead reserves to increase or decrease. In 2007, the SPE and WPC together with the American Association of Petroleum Geologists (AAPG) and Society of Petroleum Evaluation Engineers (SPEE) modified the definition of reserve, and have been explaining the modified contents and guidelines to oil companies and engineering companies. If the engineering consultant that assesses our reserves applies the new guidelines in the future, our probable reserves could be changed. In this manner, various data, assumptions and changes of definition may make reserves fluctuate.

Proved Reserves

The following tables list the proved reserves of crude oil, condensate, LPG and natural gas of our major subsidiaries and equity method affiliates. Disclosure items of proved reserves are based on the U.S. Statement of Financial Accounting Standards No. 69. INPEX Holdings was established on April 3, 2006. Therefore, the reserves as of March 31, 2006 in the following table "INPEX Holdings Group" assume that integration of INPEX and Teikoku Oil took place in the year ended March 31, 2006. The reserves before the establishment are listed by each group, "INPEX Group" and "Teikoku Oil Group," (In the subsequent tables we use the former regional segments).

Our proved reserves as of March 31, 2007 were 1,139.42 million barrels for crude oil, condensate and LPG, 3,781.8 billion cubic feet for natural gas and 1,769.73 million BOE (Barrels of Oil Equivalent) in total.

INPEX Holdings Group

	Japan		Asia/Oceania		NIS		Middle East/ Africa		Americas		Subtotal		Interest in Reserves Held by Equity-Method Affiliates		Total	
	Crude oil (MMbbls)	Gas (Bcf)	Crude oil (MMbbls)	Gas (Bcf)	Crude oil (MMbbls)	Gas (Bcf)	Crude oil (MMbbls)	Gas (Bcf)	Crude oil (MMbbls)	Gas (Bcf)	Crude oil (MMbbls)	Gas (Bcf)	Crude oil (MMbbls)	Gas (Bcf)	Crude oil (MMbbls)	Gas (Bcf)
Proved developed and undeveloped reserves																
As of March 31, 2006	**22**	**886**	**105**	**2,655**	**116**	**—**	**542**	**—**	**—**	**120**	**785**	**3,662**	**305**	**447**	**1,090**	**4,109**
Extensions and discoveries	**—**	**—**	**—**	**—**	**99**	**—**	**—**	**—**	**—**	**—**	**99**	**—**	**8**	**1**	**107**	**1**
Acquisitions and sales	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Revisions of previous estimates	**0**	**1**	**16**	**58**	**5**	**—**	**11**	**—**	**—**	**(6)**	**32**	**53**	**(2)**	**(2)**	**30**	**51**
Interim production	**(1)**	**(42)**	**(15)**	**(315)**	**(18)**	**—**	**(30)**	**—**	**—**	**(21)**	**(63)**	**(378)**	**(24)**	**—**	**(88)**	**(378)**
As of March 31, 2007	**21**	**845**	**106**	**2,398**	**203**	**—**	**523**	**—**	**—**	**93**	**853**	**3,336**	**286**	**446**	**1,139**	**3,782**
Proved developed reserves																
As of March 31, 2007	**20**	**783**	**65**	**1,270**	**46**	**—**	**522**	**—**	**—**	**81**	**653**	**2,134**	**277**	**—**	**929**	**2,134**

Notes: 1. Reserves of the following blocks and fields include minority interests.
Asia/Oceania: Offshore Northwest Java (16.5%), Offshore Southeast Sumatra (16.5%)
NIS: ACG (49%), Kashagan (55%)
Middle East/Africa: Abu Al Bukhoosh (5%), West Bakr (47.3%)
2. MMbbls: Millions of barrels
3. Bcf: Billions of cubic feet
4. Crude oil includes condensate and LPG

INPEX Group

	Asia/Oceania		Middle East		Caspian Sea Area/ Others		Subtotal		Interest in Reserves Held by Equity-Method Affiliates		Total	
	Crude oil (MMbbls)	Gas (Bcf)	Crude oil (MMbbls)	Gas (Bcf)	Crude oil (MMbbls)	Gas (Bcf)	Crude oil (MMbbls)	Gas (Bcf)	Crude oil (MMbbls)	Gas (Bcf)	Crude oil (MMbbls)	Gas (Bcf)
Proved developed and undeveloped reserves												
As of March 31, 2003	143	3,363	15	—	—	—	158	3,363	8	4	166	3,367
Extensions and discoveries	32	178	—	—	—	—	32	178	—	—	32	178
Acquisitions and sales	13	34	—	—	178	—	191	34	(2)	(25)	188	9
Revisions of previous estimates	(4)	424	0	—	2	—	(3)	424	(3)	22	(6)	446
Interim production	(15)	(296)	(2)	—	(4)	—	(21)	(296)	(1)	(2)	(22)	(297)
As of March 31, 2004	168	3,704	14	—	176 *1	—	357	3,704	2	—	359	3,704
As of March 31, 2004	168	3,704	14	—	176 *1	—	357	3,704	2	—	359	3,704
Extensions and discoveries	—	32	—	—	—	—	—	32	2	450	2	481
Acquisitions and sales	—	—	361	—	—	—	361	—	308	—	669	—
Revisions of previous estimates	(1)	(128)	(0)	—	(40)	—	(41)	(128)	(0)	—	(41)	(128)
Interim production	(19)	(301)	(26)	—	(4)	—	(50)	(301)	(21)	—	(70)	(301)
As of March 31, 2005	148	3,307	348	—	131 *1	—	628	3,307	291	450	919	3,757
As of March 31, 2005	148	3,307	348	—	131 *1	—	628	3,307	291	450	919	3,757
Extensions and discoveries	—	—	—	—	—	—	—	—	—	—	—	—
Acquisitions and sales	—	—	—	—	—	—	—	—	—	—	—	—
Revisions of previous estimates	(27)	(364)	206	—	(5)	—	174	(364)	36	(2)	210	(366)
Interim production	(16)	(288)	(27)	—	(10)	—	(53)	(288)	(22)	—	(75)	(288)
As of March 31, 2006	105	2,655	528	—	116 *1	—	749	2,655	305	447	1,054	3,103
Proved developed reserves												
As of March 31, 2006	66	1,448	527	—	44	—	637	1,448	303	—	940	1,448

Teikoku Oil Group

	Asia/Oceania		Middle East		Caspian Sea Area/ Others		Subtotal		Interest in Reserves Held by Equity-Method Affiliates		Total	
	Crude oil (MMbbls)	Gas (Bcf)	Crude oil (MMbbls)	Gas (Bcf)	Crude oil (MMbbls)	Gas (Bcf)	Crude oil (MMbbls)	Gas (Bcf)	Crude oil (MMbbls)	Gas (Bcf)	Crude oil (MMbbls)	Gas (Bcf)
Proved developed and undeveloped reserves												
As of March 31, 2006	22	886	—	—	14	120	36	1,006	—	—	36	1,006
Proved developed reserves												
As of March 31, 2006	21	825	—	—	14	108	35	933	—	—	35	933

Notes: 1. Includes reserves attributable to a consolidated subsidiary in which there is a 49% minority interest.
2. MMbbls: Millions of barrels
3. Bcf: Billions of cubic feet
4. Crude oil includes condensate and LPG
5. Asia/Oceania in the table "Teikoku Oil Group" includes Japan.

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

In calculating the standardized measure of discounted future net cash flows, year-end constant price and cost assumptions are 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 pretax cash flows after provision for taxes on cost of the oil and natural gas properties based upon existing laws and regulations. The discount is 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. Disclosure items are based on the U.S. Statement of Financial Accounting Standards No. 69. INPEX Holdings was established on April 3, 2006. Therefore, the figures as of March 31, 2006 in the following tables assume that integration of INPEX and Teikoku Oil took place in the year ended March 31, 2006. We use the exchange rates of ¥117.47 and ¥118.09 to US$1.00 as of March 31, 2006 and 2007, respectively.

INPEX Holdings Group

As of March 31, 2006 — Millions of yen

Consolidated subsidiaries	Total	Japan	Asia/ Oceania	NIS	Middle East/ Africa	Americas
Future cash inflows	8,160,104	848,888	2,767,694	823,434	3,690,970	29,118
Future production and development costs	(2,349,264)	(164,669)	(870,423)	(170,871)	(1,128,440)	(14,861)
Future income tax expenses	(3,508,793)	(109,778)	(841,928)	(148,720)	(2,404,197)	(4,170)
Future net cash flows	2,302,047	574,441	1,055,343	503,843	158,333	10,087
10% annual discount for estimated timing of cash flows	(1,031,132)	(326,735)	(415,410)	(197,603)	(88,529)	(2,855)
Standardized measure of discounted future net cash flows	1,270,915	247,706	639,933	306,240	69,804	7,232
Share of equity method investees' standardized measure of discounted future net cash flows	49,263	—	25,619	—	23,644	—

Note: Reserves of the following blocks and fields include minority interests.
Asia/Oceania: Offshore Northwest Java (16.5%), Offshore Southeast Sumatra (16.5%)
NIS: ACG (49%)
Middle East/Africa: Abu Al Bukhoosh (5%), West Bakr (54.27%)

As of March 31, 2007 — Millions of yen

Consolidated subsidiaries	Total	Japan	Asia/ Oceania	NIS	Middle East/ Africa	Americas
Future cash inflows	**8,540,286**	**814,449**	**2,645,392**	**1,444,902**	**3,612,733**	**22,810**
Future production and development costs	**(2,586,449)**	**(143,763)**	**(863,273)**	**(425,072)**	**(1,141,377)**	**(12,964)**
Future income tax expenses	**(3,430,774)**	**(121,435)**	**(765,801)**	**(232,138)**	**(2,308,577)**	**(2,823)**
Future net cash flows	**2,523,063**	**549,251**	**1,016,318**	**787,692**	**162,779**	**7,023**
10% annual discount for estimated timing of cash flows	**(1,239,469)**	**(305,507)**	**(386,207)**	**(450,200)**	**(95,905)**	**(1,650)**
Standardized measure of discounted future net cash flows	**1,283,594**	**243,744**	**630,111**	**337,492**	**66,874**	**5,373**
Share of equity method investees' standardized measure of discounted future net cash flows	**63,534**	**—**	**37,916**	**—**	**22,981**	**2,637**

Note: Reserves of the following blocks and fields include minority interests.
Asia/Oceania: Offshore Northwest Java (16.5%), Offshore Southeast Sumatra (16.5%)
NIS: ACG (49%), Kashagan (55%)
Middle East/Africa: Abu Al Bukhoosh (5%), West Bakr (47.3%)

Millions of yen

Consolidated subsidiaries	Total	Japan	Asia/ Oceania	NIS	Middle East/ Africa	Americas
Standardized measure, beginning of period As of April 1, 2006	**1,270,915**	**247,706**	**639,933**	**306,240**	**69,804**	**7,232**
Changes resulting from:						
Sales and transfers of oil and produced, net of production costs	**49,262**	**(6,439)**	**39,664**	**11,075**	**4,250**	**712**
Net change in prices, and production costs	**276,809**	**28,601**	**112,953**	**37,547**	**96,717**	**991**
Development cost incurred	**142,896**	**6,394**	**94,382**	**29,699**	**10,664**	**1,757**
Changes in estimated development costs	**(78,604)**	**(15,702)**	**(25,211)**	**(16,033)**	**(18,852)**	**(2,806)**
Revisions of previous quantity estimates	**(571,647)**	**(34,545)**	**(281,095)**	**(98,701)**	**(154,175)**	**(3,131)**
Accretion of discount	**5,355**	**38,855**	**(58,980)**	**10,897**	**14,094**	**489**
Net change in income taxes	**101,795**	**2,868**	**53,660**	**5,630**	**40,344**	**(707)**
Extentions, discoveries and improved recoveries	**53,809**	**—**	**—**	**53,809**	**—**	**—**
Other	**33,004**	**(23,994)**	**54,805**	**(2,671)**	**4,028**	**836**
Standardized measure, end of period As of March 31 2007	**1,283,594**	**243,744**	**630,111**	**337,492**	**66,874**	**5,373**

Note: Reserves of the following blocks and fields include minority interests.
Asia/Oceania: Offshore Northwest Java (16.5%), Offshore Southeast Sumatra (16.5%)
NIS: ACG (49%), Kashagan (55%)
Middle East/Africa: Abu Al Bukhoosh (5%), West Baker (47.3%)

Probable Reserves

The following tables list the probable reserves of crude oil, condensate, LPG and natural gas of our major subsidiaries and equity method affiliates. The reserves before the establishment are listed by each group, “INPEX Group” and “Teikoku Oil Group”. (in these tables we use the former regional segments).

Our probable reserves as of March 31, 2007 were 1,609.54 million barrels for crude oil, condensate and LPG, 2,095.0 billion cubic feet for natural gas and 1,958.72 million BOE (Barrels of Oil Equivalent) in total.

INPEX Holdings Group

As of March 31, 2007	Japan	Asia/ Oceania	NIS	Middle East/ Africa	Americas	Subtotal	Interest in Reserves Held by Equity-Method Affiliates	Total
Crude oil, condensate and LPG (MMbbls)	**5**	**62**	**323**	**494**	**—**	**883**	**726**	**1,610**
Natural gas (Bcf)	**196**	**1,573**	**114**	**—**	**70**	**1,953**	**142**	**2,095**

INPEX Group

As of March 31, 2006	Asia/ Oceania	Middle East	Caspian Sea Area/ Others	Subtotal	Interest in Reserves Held by Equity-Method Affiliates	Total
Crude oil, condensate and LPG (MMbbls)	67	495	462	1,025	456	1,481
Natural gas (Bcf)	1,810	—	123	1,932	142	2,074

Teikoku Oil Group

As of March 31, 2006	Asia/ Oceania	Middle East	Caspian Sea Area/ Others	Subtotal	Interest in Reserves Held by Equity-Method Affiliates	Total
Crude oil, condensate and LPG (MMbbls)	5	—	7	12	—	12
Natural gas (Bcf)	184	—	66	250	—	250

Notes: 1. MMbbls: Millions of barrels
2. Bcf: Billions of cubic feet
3. Asia/Oceania in the table “Teikoku Oil Group” includes Japan.

2 Oil and Gas Production

The following tables list average daily productions for crude oil, natural gas, and the total of crude oil and natural gas by region. The proportional interests in production by our equity-method affiliates are not broken down by geographical regions. INPEX Holdings was established on April 3, 2006. Therefore, the figures for the year ended March 31, 2006 in the following table "INPEX Holdings Group" assume that integration of INPEX and Teikoku Oil took place in the year ended March 31, 2006. The productions before the establishment are listed by each group, "INPEX Group" and "Teikoku Oil Group," (In the subsequent t tables we use the former regional segments).

Our productions for the year ended March 31, 2007 were 243 thousand barrels per day for crude oil, condensate and LPG, 1,051 million cubic feet per day for natural gas and 418 thousand BOE (Barrels of Oil Equivalent) per day in total.

INPEX Holdings Group

Fiscal year ended March 31	2006	**2007**
Crude oil (Thousands of barrels per day):		
Japan	3.2	**3.9**
Asia/Oceania	44.7	**40.4**
NIS	27.1	**47.9**
Middle East/Africa	79.6	**82.3**
Americas	2.2	**0.1**
Subtotal	156.8	**174.7**
Proportional interest in production by equity-method affiliates	61.2	**67.8**
Total	218.0	**242.5**
Annual production (Millions of barrels)	79.6	**88.5**
Natural gas (Millions of cubic feet per day):		
Japan	96.7	**127.8**
Asia/Oceania	787.8	**865.8**
NIS	—	**—**
Middle East/Africa	—	**—**
Americas	76.6	**57.5**
Subtotal	961.2	**1,051.1**
Proportional interest in production by equity-method affiliates	—	**—**
Total	961.2	**1,051.1**
Annual production (Billions of cubic feet)	350.8	**383.6**
Crude oil and natural gas (Thousands of barrels of oil equivalent per day):		
Japan	19.3	**25.2**
Asia/Oceania	176.1	**184.7**
NIS	27.1	**47.9**
Middle East/Africa	79.6	**82.3**
Americas	14.9	**9.7**
Subtotal	317.0	**349.8**
Proportional interest in production by equity-method affiliates	61.2	**67.8**
Total	378.2	**417.7**
Annual production (Millions of barrels of oil equivalent)	138.0	**152.5**

Note: Crude oil includes condensate and LPG.

INPEX Group

Fiscal year ended March 31	2004	2005	2006
Crude oil (Thousands of barrels per day)			
Asia/Oceania	42.3	51.5	44.7
Middle East	4.7	72.2	72.7
Caspian Sea Area/Others	10.1	12.1	27.1
Subtotal	57.0	135.8	144.5
Proportional interest in production by equity-method affiliates	2.7	56.8	60.2
Total	59.8	192.6	204.7
Annual production (Millions of barrels)	21.8	70.3	74.7
Natural gas (Millions of cubic feet per day)			
Asia/Oceania	809.9	823.5	787.8
Middle East	—	—	—
Caspian Sea Area/Others	—	—	—
Subtotal	809.9	823.5	787.8
Proportional interest in production by equity-method affiliates	4.6	—	—
Total	814.5	823.5	787.8
Annual production (Billions of cubic feet)	297.3	300.6	287.6
Crude oil and natural gas (Thousands of barrels of oil equivalent per day)			
Asia/Oceania	177.3	188.8	176.1
Middle East	4.7	72.2	72.7
Caspian Sea Area/Others	10.1	12.1	27.1
Subtotal	192.0	273.0	275.8
Proportional interest in production by equity-method affiliates	3.5	56.8	60.2
Total	195.5	329.8	336.0
Annual production (Millions of barrels of oil equivalent)	71.4	120.4	122.7

Note: Crude oil includes condensate and LPG.

Teikoku Oil Group

Fiscal year ended December 31	2004	2005
Crude oil (Thousands of barrels per day)		
Asia/Oceania	3.0	3.2
Middle East	—	—
Caspian Sea Area/Others	11.0	10.5
Subtotal	14.0	13.7
Proportional interest in production by equity-method affiliates	1.3	1.6
Total	15.3	15.3
Annual production (Millions of barrels)	5.6	5.6
Natural gas (Millions of cubic feet per day)		
Asia/Oceania	90.8	97.8
Middle East	—	—
Caspian Sea Area/Others	69.2	71.2
Subtotal	160.0	169.0
Proportional interest in production by equity-method affiliates	—	—
Total	160.0	169.0
Annual production (Billions of cubic feet)	58.4	61.7
Crude oil and natural gas (Thousands of barrels of oil equivalent per day)		
Asia/Oceania	18.1	19.5
Middle East	—	—
Caspian Sea Area/Others	22.5	22.4
Subtotal	40.7	41.8
Proportional interest in production by equity-method affiliates	1.3	1.6
Total	42.0	43.5
Annual production (Millions of barrels of oil equivalent)	15.3	15.9

Notes: 1. Crude oil includes condensate and LPG.
2. Asia/Oceania in the table "Teikoku Oil Group" includes Japan.

Subsidiaries and Affiliates

As of March 31, 2007

Consolidated Subsidiaries

Company Name	Issued Capital (thousands)	Voting Rights Held by Us (%)	Main Business
INPEX CORPORATION	¥29,460,000	100.00%	Exploration, development, production and sales of oil and natural gas overseas, primarily in Indonesia
Teikoku Oil Co., Ltd.	¥19,579,010	100.00%	Exploration, development, production and sales of oil and natural gas in Japan and overseas
Japan Oil Development Co., Ltd.	¥18,800,000	100.00%	Exploration, development, production and sales of oil in ADMA Block, United Arab Emirates
INPEX Natuna, Ltd.	¥5,000,000	100.00%	Exploration, development, production and sales of oil and natural gas in South Natuna Sea Block B, Indonesia
INPEX Alpha, Ltd.	¥3,814,000	100.00%	Exploration, development, production and sales of oil and natural gas in WA-10-L Block, Australia
INPEX Sahul, Ltd.	¥4,600,000	100.00%	Exploration, development, production and sales of oil and natural gas in JPDA03-12 Block in the Timor Sea JPDA
INPEX Jawa, Ltd.	¥4,804,000	83.50%	Exploration, development, production and sales of oil and natural gas in Offshore Northwest Java Block, Indonesia
INPEX Sumatra, Ltd.	¥400,000	100.00%	Exploration, development, production and sales of oil and natural gas in Offshore Southeast Sumatra Block, Indonesia
INPEX ABK, Ltd.	¥2,500,000	95.00%	Exploration, development, production and sales of oil in Abu Al Bukhoosh Block, United Arab Emirates
INPEX Southwest Caspian Sea, Ltd.	¥53,594,000	51.00%	Exploration, development, production and sales of oil in ACG Oil Fields, Azerbaijan
INPEX Tengah, Ltd.	¥1,020,000	100.00%	Exploration, development and sales of oil and natural gas in Tengah Block in Offshore East Kalimantan, Indonesia
INPEX Browse, Ltd.	¥27,190,000	100.00%	Exploration of oil and natural gas in WA-285-P Block, Australia
INPEX Masela, Ltd.	¥15,813,000	51.22%	Exploration of oil and natural gas in Masela Block, Indonesia
INPEX North Caspian Sea, Ltd.	¥49,280,000	45.00%	Exploration and development of oil and natural gas in Offshore North Caspian Sea Block, Kazakhstan
Azadegan Petroleum Development, Ltd.	¥9,550,000	100.00%	Appraisal and development of Azadegan Oil Field, Iran
INPEX Timor Sea, Ltd.	¥3,347,000	100.00%	Exploration of oil and natural gas in JPDA06-105 Block in the Timor Sea JPDA
INPEX Offshore Northeast Mahakam, Ltd.	¥973,000	100.00%	Exploration of oil and natural gas in Saliki Block in Offshore East Kalimantan, Indonesia
INPEX Offshore North Mahakam, Ltd.	¥3,675,000	100.00%	Exploration of oil and natural gas in East Kalimantan Block in Offshore East Kalimantan, Indonesia
INPEX Libya, Ltd.	¥930,000	100.00%	Exploration of oil and natural gas in the 42-2&4 and 13-3&4 Blocks in the Great Socialist People's Libyan Arab Jamahiriya
INPEX Trading, Ltd.	¥50,000	100.00%	Sales, agency, and brokerage of crude oil and market research and sales planning in connection with oil and natural gas sales
INPEX Services, Ltd.	¥65,000	100.00%	Management of owned properties and facilities
INPEX BTC Pipeline, Ltd.	US$63,800	100.00%	Investment in pipeline construction and management companies
INPEX DLNGPL Pty Ltd.	A$86,135	100.00%	Investment in LNG plant operating company and operation of pipeline businesses
Teikoku Oil (Venezuela) Co., Ltd.	¥100,000	100.00%	Reactivation of oil and gas fields, exploration and development of new fields based on joint venture agreement in the Guarico Oriental area, the Bolivarian Republic of Venezuela
Teikoku Oil Libya UK LTD	US$21,855	100.00%	Exploration of oil in the western onshore of the Great Socialist People's Libyan Arab Jamahiriya

Company Name	Issued Capital (thousands)	Voting Rights Held by Us (%)	Main Business
Teikoku Oil (North America) CO.,Ltd.	US$16,533	100.00%	Exploration, development and production of oil in the United States of America
Teikoku Oil SCT Exploration B.V.	€ 14,900	100.00%	Being dissolved
Teikoku Oil Suez SEJ Co., Ltd.	¥838,000	100.00%	Being dissolved
Teikoku Oil Algeria Co., Ltd.	¥708,500	100.00%	Exploration and development of oil and natural gas in the eastern onshore of the People's Democratic Republic of Algeria
Teikoku Oil (Con Son) Co., Ltd.	¥545,000	100.00%	Exploration of oil in the southern offshore of the Socialist Republic of Vietnam
Teikoku Oil Suez SOB Co., Ltd.	¥251,000	100.00%	Exploration of oil in the Gulf of Suez, the Arab Republic of Egypt
Teiseki Drilling Co., Ltd.	¥100,000	100.00%	Geothermal production wells, crust activity observation wells, wells for hot springs, civil engineering
Teiseki Real Estate Co., Ltd.	¥100,000	100.00%	Real estate rental, management and insurance agency services
Teiseki Pipeline Co., Ltd.	¥100,000	100.00%	Natural gas transportation, pipeline operation, maintenance and management
Teiseki Propane Co., Ltd.	¥80,000	100.00%	Sales of LPG and petroleum products
Teiseki Topping Plant Co., Ltd.	¥70,000	100.00%	Petroleum refining related production, storage and shipment of petroleum products
Teikoku Oil Nile NQR Co., Ltd.	¥191,500	100.00%	Exploration of oil in the Western Desert of the Arab Republic of Egypt
Teikoku Oil (D.R. Congo) Co., Ltd.	¥10,000	100.00%	Exploration, development, production and sales of oil in the Democratic Republic of the Congo
Offshore Iwaki Petroleum Co., Ltd.	¥10,000	100.00%	Development, production and sales of oil and natural gas in the offshore Iwaki, Fukushima Prefecture, Japan
Teikoku Oil Ecuador	US$35	100.00%	Exploration, development, production and sales of oil in the eastern onshore of the Republic of Ecuador
Saitama Gas Co., Ltd.	¥60,000	62.00%	City gas sales
The Egyptian Petroleum Development Co., Ltd.	¥10,722,000	52.70%	Exploration, development, production and sales of oil in the West Bakr Block of the Arab Republic of Egypt
Teiseki Transport System Co., Ltd.	¥10,000	100.00%	Equipment and materials shipping, transport and sales of petrochemical products
Daiichi Warehouse Co., Ltd.	¥100,000	94.00%	Warehousing services
Other 16 subsidiaries			

Equity Method Affiliates

Company Name	Issued Capital (thousands)	Voting Rights Held by Us (%)	Main Business
Albacora Japão Petróleo Limitada	R$6,525	50.00%	Lease of production facilities in Albacora Block in Offshore North Campos, Brazil
MI Berau B.V.	€ 656,279	44.00%	Exploration and development of natural gas in Berau Block, Indonesia
INPEX Offshore North Campos, Ltd.	¥6,852,000	37.50%	Financing for oil and natural gas exploration and development projects conducted by Frade Japão Petróleo Limitada
Angola Japan Oil Co., Ltd.	¥8,000,000	19.60%	Exploration, development, production and sales of oil in Offshore 3/05 Block, Angola
JJI S&N B.V.	€36,883	25.00%	Development and production of oil in Offshore Soroosh and Nowrooz Fields, Iran
Japan Ohanet Oil & Gas Co., Ltd.	¥6,400,000	15.00%	Development and production of natural gas in the southeastern onshore of the People's Democratic Republic of Algeria
Other seven equity method affiliates			

Stock Information

(As of March 31, 2007)

■ Share Data

Authorized Shares

9,000,000 common shares

1 special class share

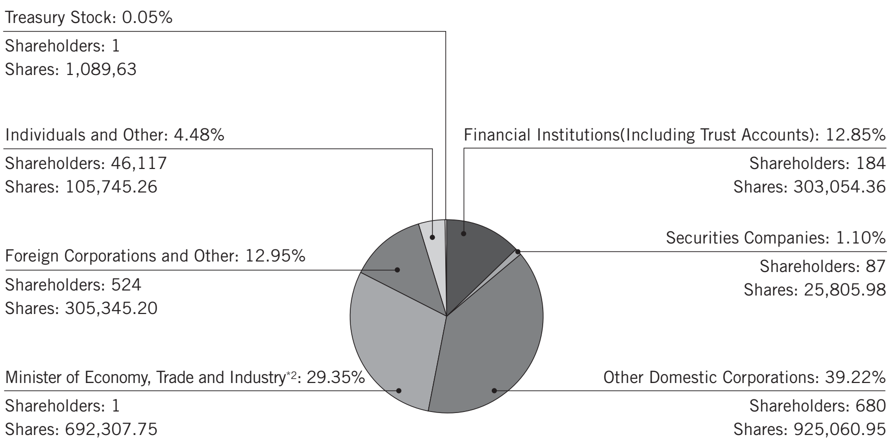
Total number of issuable stock shares

Common shares:......................47,594 shareholders...2,358,409.13 shares

Special class share*: ....1 shareholder (Minister of Economy, Trade and Industry) ....1 share

Note: 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 shareholders' meeting or Board of Directors.

■ Shareholding by Shareholder Type*1



Notes: 1. Shareholding ratios are for all issued and outstanding shares
2. Excludes one special class share

■ Major Shareholders (Common Shares)

Name	Number of Shares	Holding (%)
Minister of Economy, Trade and Industry	692,307.75	29.35
Japan Petroleum Exploration Co., Ltd.	267,232.68	11.33
Mitsubishi Corporation	193,460.40	8.20
Mitsui Oil Exploration Co., Ltd.	176,760.00	7.49
Nippon Oil Corporation	111,920.06	4.75
The Master Trust Bank of Japan, Ltd. (Trust Account)	64,549.00	2.74
Japan Trustee Services Bank, Ltd. (Trust Account)	59,165.00	2.51
Marubeni Corporation	46,446.00	1.97
Sumitomo Corporation	24,458.00	1.04
Trust & Custody Services Bank, Ltd. (Trust B Account)	23,366.00	0.99

Corporate Data

(As of March 31, 2007)

■ Company Name
INPEX Holdings Inc.

■ Established
April 3, 2006

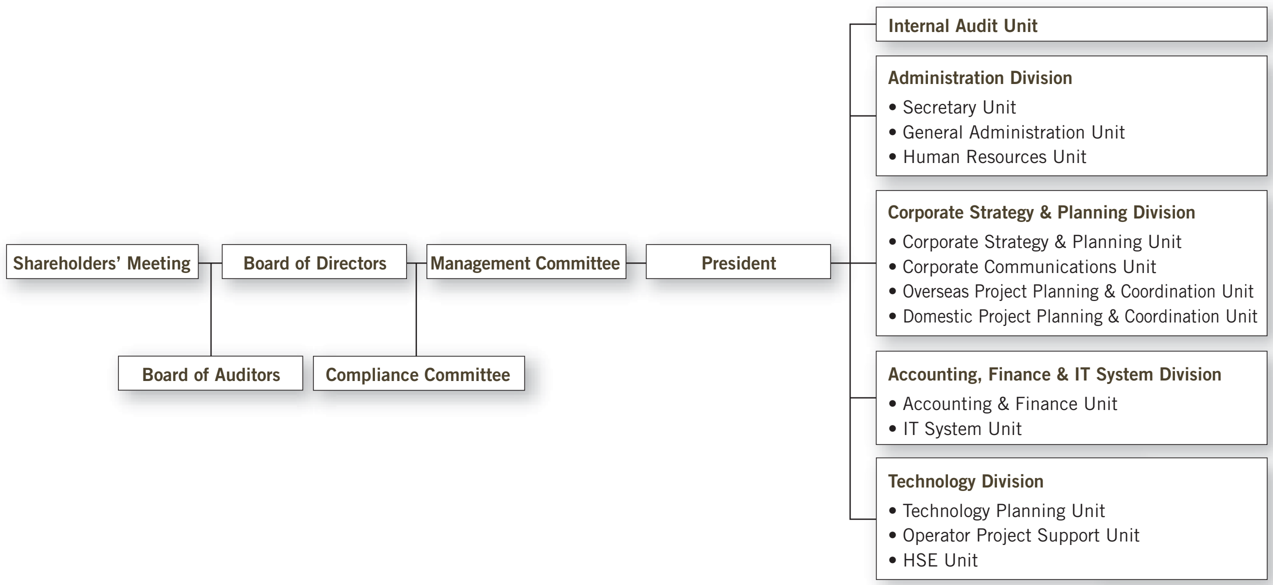
■ Capital
¥30 billion

■ Company Headquarters
Ebisu Neonato, 4-1-18, Ebisu, Shibuya-ku,
Tokyo 150-0013, Japan

■ Number of Employees (Consolidated)
1,672

■ Main Business
Management of subsidiaries and group companies engaged in surveys, exploration, development and production of oil, natural gas and other energy resources.

■ Organization Chart



■ Homepage
The Company's Web site provides investors with the most up-to-date IR information, including financial statements.

http://www.inpexhd.co.jp/english/index.html

■ Inquiry
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