INPEX
INPEX CORPORATION

Consolidated Financial Results for the year ended March 31, 2010

May 12, 2010

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

Company name	: **INPEX CORPORATION**	Stock Exchange on which the Company is listed	: Tokyo Stock Exchange
Code number	: 1605	URL	http://www.inpex.co.jp/
Representative	: Naoki Kuroda, President		
Contact person	: Kazuhiko Itano, General Manager, Corporate Communications Unit TEL+81-3-5572-0233		
Scheduled date of ordinary general meeting of shareholders	: June 23, 2010	Scheduled date of payment of cash dividends: June 24, 2010	
Scheduled date of filing Financial report	: June 24, 2010		

(Amounts less than one million yen are rounded off)

1. Consolidated Financial Results for the year ended March 31, 2010 (April 1, 2009-March 31, 2010)
   (1) Consolidated operating results

(Figures in % represent the changes from the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income	
For the year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2010	840,427	(21.9)	461,667	(30.4)	442,027	(28.3)	107,210	(26.1)
March 31, 2009	1,076,164	(10.5)	663,266	(7.1)	616,166	(10.2)	145,062	(16.3)

	Net income per share—basic	Net income per share—diluted	Net income as a percentage of net assets excluding minority interests	Ordinary income as a percentage of total assets	Operating income as a percentage of net sales
For the year ended	Yen	Yen	%	%	%
March 31, 2010	45,553.56	—	8.1	23.4	54.9
March 31, 2009	61,601.60	—	11.9	34.5	61.6

(Reference): Equity in earnings (losses) of affiliates: for the year ended March 31, 2010, ¥ (1,919)million
for the year ended March 31, 2009, ¥ 946 million

(2) Consolidated financial position

	Total assets	Net assets	Net assets excluding minority interests as a percentage of total assets	Net assets excluding minority interests per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2010	2,013,778	1,490,603	68.9	589,548.88
As of March 31, 2009	1,768,044	1,362,060	71.9	540,100.10

(Reference): Net assets excluding minority interests: As of March 31, 2010, ¥ 1,387,499 million
As of March 31, 2009, ¥ 1,271,122 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of the period
For the year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2010	241,372	(251,812)	68,937	216,395
March 31, 2009	230,352	(240,167)	(46,090)	162,844

2. Dividends

	Cash dividends per share					Total cash dividends (Annual)	Payout ratio (Consolidated)	Cash dividends as a percentage of net assets (Consolidated)
	At 1st quarter end	At 2nd quarter end	At 3rd quarter end	At fiscal year end	Total			
For the year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
March 31, 2009	—	4,000.00	—	4,000.00	8,000.00	18,834	13.0	1.6
March 31, 2010	—	2,500.00	—	3,000.00	5,500.00	12,944	12.1	1.0
For the year ending March 31, 2011 (estimated)	—	3,000.00	—	3,000.00	6,000.00		13.8	

3. Forecasted Consolidated Operating Results for the year ending March 31, 2011 (April 1, 2010-March 31, 2011)

(Figures in % represent the changes from the corresponding period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
For the six months ending September 30, 2010	428,000	9.0	219,000	8.3	213,000	10.2	48,000	0.7	20,395.21
For the year ending March 31, 2011	863,000	2.7	451,000	(2.3)	433,000	(2.0)	102,000	(4.9)	43,339.82

4. Others

(1) Significant changes in scope of consolidation : None

(2) Changes in accounting principles, procedures, presentations, etc., pertaining to preparation of consolidated financial statements (those to be stated as "Changes to the Basis of Presenting Consolidated Financial Statements"):

1. Changes due to changes in accounting standard : None
2. Other changes : None

(3) Number of shares issued (Common stock)

1. Number of shares issued at the end of the period (including treasury stocks): as of March 31, 2010; 2,358,410 shares
as of March 31, 2009; 2,358,410 shares
2. Number of treasury shares at the end of the period: as of March 31, 2010: 4,916 shares
as of March 31, 2009; 4,916 shares

Note: Since shareholder of the special class share is entitled to the same rights as that for shareholders of common stock regarding dividends and the distribution of residual property, the special class share is classified as common stock equivalent share.
Refer to page 39 " Per share information" for the basis of calculation of consolidated net income per share.

(Reference) Non-Consolidated Financial Results

1. Financial results for the year ended March 31, 2010 (April 1, 2009-March 31, 2010)

(1) Operating results

(Figures in % represent the changes from the previous fiscal year)

	Operating revenues		Operating income		Ordinary income		Net income	
For the year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2010	347,770	112.7	182,269	103.9	184,913	135.2	96,461	(70.2)
March 31, 2009	163,502	788.9	89,389	472.1	78,623	399.6	323,672	—

	Net income per share—basic	Net income per share—diluted
For the year ended	Yen	Yen
March 31, 2010	40,986.63	—
March 31, 2009	137,449.27	—

(2) Financial position

	Total assets	Net assets	Net assets as a percentage of total assets	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2010	1,329,869	1,208,024	90.8	513,289.83
As of March 31, 2009	1,201,667	1,108,485	92.2	470,995.47

(Reference): Net assets: as of March 31, 2010, ¥ 1,208,024 million
as of March 31, 2009, ¥ 1,108,485 million

Explanation regarding the appropriate use of estimated consolidated financial results

The aforementioned forecasts "3. Forecasted Consolidated Operating Results for the year ending March 31, 2011" are based on currently available information and contain many uncertainties. The final results might be significantly different from the aforementioned forecasts due to change in business conditions including oil and gas price levels, production and sales plans, project development schedules, government regulations and financial and tax schemes. For further information, please refer on page 3 to 4.

1 Results of Operations and Financial Position

(1) Results for the year ended March 31, 2010

During this fiscal year, Japanese economy showed the sign to recover from severe conditions caused by worldwide recession, yen appreciation to US dollar and so on having its roots in the global financial crisis. However, the Japanese economy has been dependent on the exports to meet demand increase in the Asian region and the economic stimulus plans, and has not shown self-sustaining recovery in the situation of severe employment conditions and low level of business earnings.

Under such business environment, global crude oil prices, an important factor that affects our group's businesses, where WTI started from US$48.39 per bbl, and continued to climb up US$70 per bbl range by the end of June due to prospects for early recovery of world economy, following upward adjustment in oil demand forecast and political uncertainty in some oil producing countries in Africa etc. The oil prices remained the high US$70 per bbl range but sometimes climbed up to the US$80 range following steady recovery of the US economy after late July and by escalation of international tensions on nuclear issues to the end of December. After turn of the year, the price remained in the US$80 per bbl range in the context of cold weather in Europe and US as well as steady stock prices in US and weaker dollar, and closed at US$83.76 per bbl at the fiscal year end. Meanwhile, domestic crude oil and petroleum products prices followed a similar pattern of global oil price movements. Reflecting these situation, our group's average sales price for crude oil for the fiscal year was at US$68.40 per bbl which is US$14.30 lower compared with the previous year.

The foreign exchange market, another important factor that affects our group's businesses, began to trade at the ¥98 level to the U.S. dollar. Depreciation of the yen once proceeded to the ¥101 level in the beginning of April, however, the yen appreciated back against the U.S. dollar in connection with the appreciation of relatively high-interest currency, owing to the rise of market's risk orientation from the filing of Chapter 11 bankruptcy in the U.S. by a major U.S. automobile company and the stress test to financial institutions by FRB.

Since then, the yen continued to appreciate to over ¥90 against the U.S. dollar reflecting a statement by a government official from a newly formed Japanese administration in September that could be interpreted as supporting the yen appreciation. In such market tones, with a revival of aversion of risk assets owing to a concern regarding debt repayment by a real estate company in Middle East, the yen appreciated to ¥84.82 against the U.S. dollar, which had not been recorded since 1995. However, the yen appreciation gradually eased off from December due to an additional financial mitigation policy by the Bank of Japan and a statement by the Japanese government official making pledges to temper yen appreciation, which has led the yen to depreciate back against the U.S. dollar. As a result, TTM closed at ¥93.04 against the U.S. dollar which turned out to be ¥5.22 higher than that of the fiscal year end of March 31, 2009. The average exchange rate of the Japanese yen on consolidated net sales appreciated by ¥10.31, or 10.0%, to ¥92.64 per the U.S. dollar from the previous fiscal year.

Consolidated net sales for the year ended March 31, 2010 decreased by ¥235,737 million, or 21.9%, to ¥840,427 million from the previous fiscal year due to decrease in sales price of crude oil and overseas natural gas, and appreciation of Japanese yen against U.S. dollar despite positive effect of increase in sales volume. Net sales of crude oil decreased by ¥163,431 million, or 25.1%, to ¥486,920 million, and net sales of natural gas decreased by ¥71,854 million, or 18.0%, to ¥326,412 million. Sales volume of crude oil increased by 668 Mbbls, or 0.9 %, to 76,095 Mbbls due to increase in sales volume at ACG Oil Fields and Offshore Mahakam Block despite decrease in sales volume at ADMA Block. Sales volume of natural gas increased by 15,609 MMcf, or 3.9%, to 416,684 MMcf. Sales volume of natural gas produced overseas increased by 14,778 MMcf, or 4.3%, to 355,225 MMcf due to increase in sales volume in Offshore Mahakam Block, and sales volume of natural gas produced domestically increased by 22 MM ㎥, or 1.4%, to 1,647 MM ㎥ (61,459 MMcf). The average sales price of crude oil produced overseas decreased by US$14.30 per bbl, or 17.3 %, to US$68.40 per bbl. Meanwhile, the average sales price of natural gas produced overseas decreased by US$1.79 per Mcf, or 19.4%, to US$7.43 per Mcf. In addition, the average sales price of natural gas produced domestically increased by ¥1.02, or 2.7%, to ¥38.41 per ㎥.

The decrease of ¥235.7 billion in net sales was derived mainly from the following factors: an increase in sales volume adversely affected ¥29.8 billion, a decrease in unit sales price affected ¥182.0 billion, the appreciation of Japanese yen against U.S. dollar for sales affected ¥83.0 billion and net sales excluding crude oil and natural gas decreased ¥0.4 billion.

Cost of sales for the year ended March 31, 2010 decreased by ¥20,870 million, or 6.5%, to ¥298,167 million due mainly to a decrease in royalty at ADMA Block owing to a decrease in sales. Exploration expenses decreased by ¥10,271 million, or 39.5%, to ¥15,710 million, and selling, general and administrative expenses decreased by ¥2,997 million, or 4.4%, to ¥64,880 million. As a result, operating income decreased by ¥201,598 million, or 30.4%, to ¥461,667 million.

Other income decreased by ¥10,561 million, or 33.0 %, to ¥21,473 million due to a decrease in interest income and dividend income. Other expenses decreased by ¥38,020 million, or 48.0%, to ¥41,113 million due mainly to a decrease in loss on valuation of investment securities. As a result, ordinary income decreased by ¥174,139 million, or 28.3%, to ¥442,027 million.

Total amount of current income taxes and deferred income taxes decreased by ¥145,252 million, or 30.9%, to ¥325,125 million, and minority interests were ¥9,691 million. As a result of above effects, net income for the year ended March 31, 2010 decreased by ¥37,852 million, or 26.1%, to ¥107,210 million from the previous fiscal year.

Further, non-consolidated financial results for the year ended March 2009 were based on the joint holding company's one from April 1 to September 30, 2008 and the operating company's one from October 1, 2008 to March 31, 2009, and is not compared with non-consolidated financial results for the year ended March 2010 since the Company recorded a ¥266,950 million "Gain on extinguishment of tie-in shares" as Extraordinary income due to the merger.

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

On a next fiscal year outlook, consolidated net sales for the six months ending September 30, 2010 are expected to be ¥428,000 million, to increase 9.0% compared with the six months ended September 30, 2009, and net sales for the year ending March 31, 2011 are expected to be ¥863,000 million, to increase 2.7% compared with the year ended March 31, 2010.

Operating income for the six months ending September 30, 2010 are expected to be ¥219,000 million, to increase 8.3% compared with the six months ended September 30, 2009, and operating income for the year ending March 31, 2011 is expected to be ¥451,000 million, to decrease 2.3% compared with the year ended March 31, 2010.

Ordinary income for the six months ending September 30, 2010 are expected to be ¥213,000 million, to increase 10.2% compared with the six months ended September 30, 2009, and ordinary income for the year ending March 31, 2011 is expected to be ¥433,000 million, to decrease 2.0% compared with the year ended March 31, 2010. Net income for the six months ending September 30, 2010 is expected to be ¥48,000 million, to increase 0.7% compared with the six months ended September 30, 2009, and net income for the year ending March 31, 2011 is expected to be ¥102,000 million, to decrease 4.9% compared with the year ended March 31, 2010.

Net sales for the year ending March 31, 2011 are expected to increase due to forecasted the increase in crude oil price compared with this fiscal year, whereas net income for the year ending March 31, 2011 is expected to decrease due to an increase in cost of sales and exploration expenses.

In these estimates, the crude oil price is assumed to be US$77.5 per barrel (for Brent crude) with the exchange rate of the Japanese yen against the U.S. dollar at ¥90 through the year ending March 31, 2011.

(2) Financial position

Consolidated total assets as of March 31, 2010 increased by ¥245,733 million to ¥2,013,778 million from ¥1,768,044 million as of March 31, 2009. Current assets increased by ¥81,744 million to ¥492,854 million due to increase in accounts receivable-trade and marketable securities and others. Fixed assets increased by ¥163,989 million to ¥1,520,923 million due mainly to an increase in tangible fixed assets, recoverable accounts under production sharing and investment securities.

Meanwhile, total liabilities increased by ¥117,190 million to ¥523,175 million from ¥405,984 million as of March 31, 2009. Current liabilities increased by ¥21,845 million to ¥227,905 million due to an increase in income taxes payable and accounts payable-other despite repayments of short-term debt. Long-term liabilities increased by ¥95,344 million to ¥295,269 million due to an increase in long-term debt.

Net assets increased by ¥128,542 million, to ¥1,490,603 million. Total shareholders’ equity increased by ¥91,912 million, to ¥1,379,974 million, total valuation, translation adjustment and others increased by ¥24,465 million to ¥ 7,525 million and minority interests increased by ¥12,165 million to ¥103,103 million.

As for cash flows for the year ended March 31, 2010, net cash provided by operating activities increased by ¥11,020 million to ¥241,372 million from the previous fiscal year due to a decrease in income taxes despite a decrease in income before income taxes and minority interests due to a decrease in unit sales price of crude oil and overseas natural gas, and appreciation of the yen against the U.S. dollar. Meanwhile, net cash used in investing activities increased by ¥11,644 million to ¥251,812 million due to a decrease in proceeds from sales of marketable securities and investment securities despite a decrease in investment in recoverable accounts under production sharing (capital expenditures). Net cash provided by financial activities increased by ¥115,027 million to ¥68,937 million deducting ¥46,090 million used in financial activities for the previous fiscal year, due mainly to proceeds of long-term debt. After deducting ¥4,947 million of the effect of exchange rate changes on cash and cash equivalents, the increase in cash and cash equivalents at the end of the year ended March 31, 2010 amounted to ¥53,550 million. Cash and cash equivalents at the end of the year ended March 31, 2010 totaled ¥216,395 million reflecting above the net increase of ¥53,550 million from ¥162,844 million at the end of the previous fiscal year.

(3) Dividend policy and dividends for the year ended March 31, 2010 and for the year ending March 31, 2011

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

We decided year-end dividend to be ¥3,000 per share for the year ended March 31, 2010 based on the policy above. With the mid-term dividend of ¥2,500 per share, thus total dividend for the year is to be ¥5,500 per share.

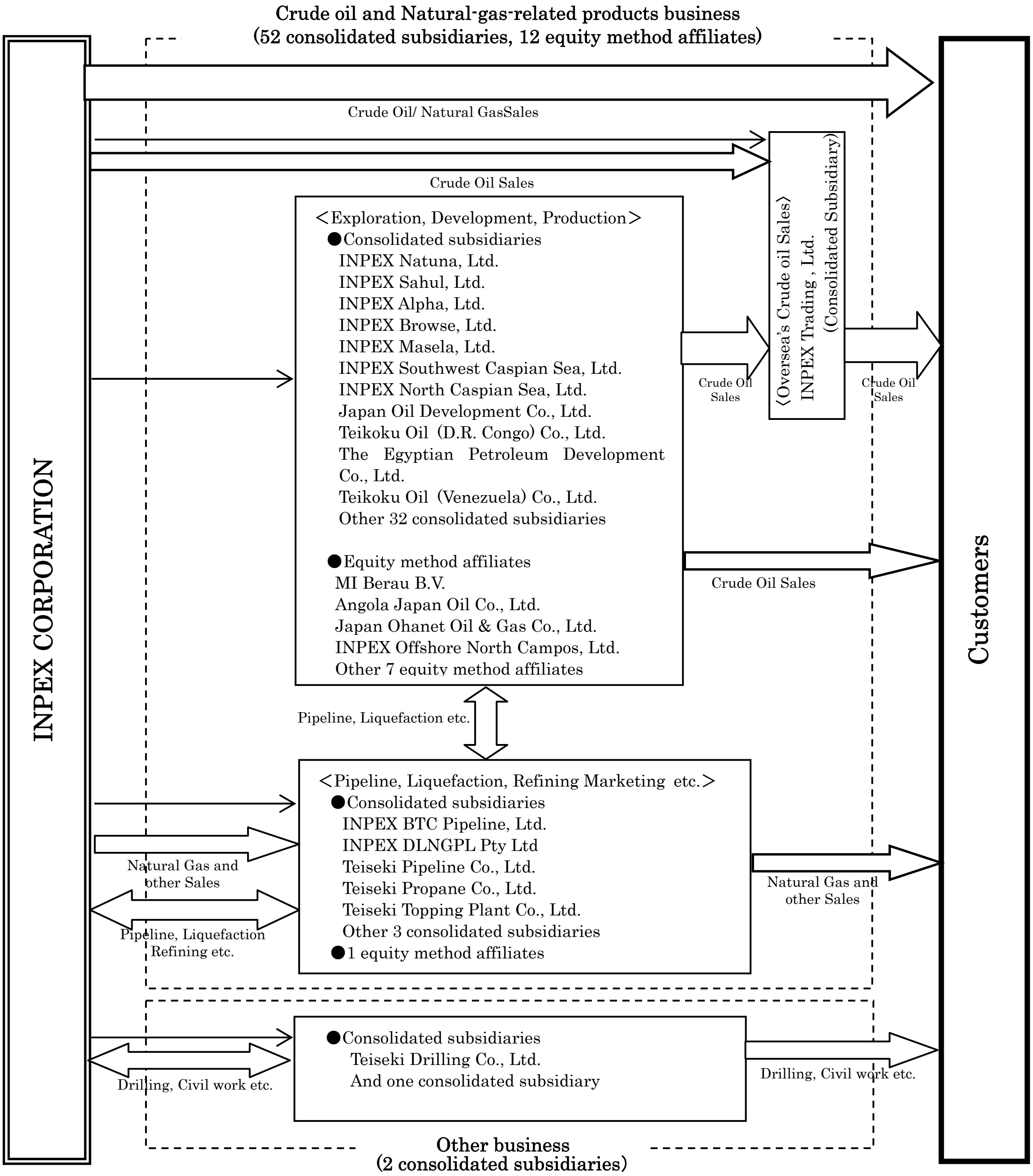
We plan a mid-term dividend to be ¥3,000 per share and a year-end dividend to be ¥3,000 per share for the year ending March 31, 2011, and thus a total dividend for the year is to be ¥6,000 per share.

As to the use of retained earnings, we plan to apply the earnings to investments for the purpose of maintenance and enlargement of our reserves and production of oil and natural gas.

2. Overview of the INPEX CORPORATION Group

The INPEX CORPORATION Group consists of INPEX CORPORATION, 65 subsidiaries (including 54 consolidated subsidiaries), 19 affiliates (including 12 equity method affiliates) and their two subsidiaries (as of March 31, 2010). The group primarily engages in the exploration, development, production and sales of crude oil and natural gas in Japan as well as in the Asia, Oceania, Middle East, the coastal states around the Caspian Sea and Latin America, Africa. In addition, we provide loans and investments to companies engaged in the aforementioned activities. Our business segments are crude oil and natural-gas-related products and other business.

The following diagram shows our group's business flow.



Note：1 symbol "→" indicates capital investment (including indirect holdings)
2 symbol "⇒" indicates products and service flow

3. Management Policy

1. Management Strategy

In pursuit of development of petroleum and natural gas which is the fundamental business of the Company, we seek to improve the productivity and profitability of our existing oil and gas fields in Japan and overseas. At the same time, we are working steadily and proactively to commercialize undeveloped oil and gas projects, especially our operator projects. Furthermore, to ensure sustainable growth from the medium to long-term perspective, we are leveraging to maximize our substantially strengthened ability to obtain upstream interests as a consequence of the business integration by building a more balanced asset portfolio, further strengthening our solid financial base, and mobilizing our practical operational and technical capabilities. By maintaining and increasing our reserves and production of petroleum and natural gas, we will endeavor to secure stable profits over the medium to long term and to achieve enhanced corporate value over time.

2. Mid-to Long Term Management Key Initiatives

The key management initiatives for the Company in developing petroleum and natural gas resources are achieving sustainable growth by maintaining and expanding reserves through reinvesting the cash flow obtained from existing oil and gas fields. By combining overseas projects that promise high growth potential due to expansion of reserves with domestic projects without the attendant country risk and foreign currency risk, we are seeking qualitative improvements in our asset portfolio. At the same time, by leveraging our business resources more effectively through an organic linkage of our overseas assets and domestic infrastructure, we aim to further enhance corporate value.

As our immediate business challenges, we will continue to move forward with exploration and development in new and existing projects such as the Masela Block (Abadi) gas project in Indonesia and the WA-285-P (Ichthys) gas and condensate project in Australia, the Abu Dhabi offshore oil fields in the UAE and Kashagan and ACG fields in the Caspian Sea. Domestically, we are working to increase the scale of our natural gas business permanently by optimal application from natural gas assets in overseas to domestic supply infrastructure including the planed LNG receiving terminal in the Naoetsu Port. Since we anticipate continuous substantial investment in order to achieve the growth strategy of the Company, we must take all possible measures to raise the capital required.

We will undertake operations according to the following policies in order to implement the business strategy of the Company.

(1) Achieve Well Balanced Asset Portfolio

① Regional Diversification

Through business integration, the operating area of the Company has diversified to include Asia, Oceania, the Middle East, the Caspian Sea, Central and South America, and Africa, besides Japan, and the regional balance of our asset portfolio has improved significantly. However, we recognize the need to reduce our dependence on specific regions from the viewpoint of country and operating risks, and we will continue to be proactive in considering investment in other new promising areas.

② Output ratio between Crude Oil and Gas

According to the outputs by products, the share of crude oil is more than 50% while the share of natural gas is less than 50%.

As crude oil is a rather sensitive commodity, the selling price is easily influenced by the condition of the market.

However the customers are not fixed in long terms, and the amount of the investment for production and transportation facilities is small in comparison with that of natural gas. Furthermore, the time required for the development stage is relatively short so that the company can gain profit comparatively quickly after the oil fields are discovered.

Commercial production of natural gas requires substantial investments and a long lead time of preparation for constructing liquefaction plants and pipelines. Since the buyer also must make large investments in LNG receiving facilities, stable and long-term sales contracts are essential. With an assurance of long term LNG supply to the customers, relatively stable profitability is remained while it is sensitive to oil price fluctuation.

Regarding acquisition of new projects, we focus on a balance between crude oil and natural gas to ensure efficient investment with a view to long-term cash flow.

③ Balancing the Project Phases among Exploration, Development and Production

Because crude oil and gas reserves are limited, we continuously seek to acquire new reserves in order to ensure stable profitability. Therefore, we reinvest in exploration to discover new reserves while maintaining our cash flow from production. Projects must be carried out continuously in order to allocate and balance our assets among exploration, development and production stages. To achieve this balance, we invest in exploration and undeveloped oil and gas assets.

④ Enhance Activities and Capabilities as an Operator

In acting as an operator, we face managerial issues such as the difficulty in securing manpower and the heavy burden of financing. However, involvement as an operator also increases our opportunities to obtain new working interests by improving our technological capabilities and winning recognition from oil and gas producing countries and international oil companies. The Company is pursuing opportunities to act as operator with the substantially enhanced technological capabilities resulting from business integration, while addressing the effective utilization of management resources.

⑤ Balancing Contractual Arrangements

We intend to diversify the risk of oil price volatility by balancing contractual arrangements among production sharing contracts, or concession contracts, for which profit is linked to the price of oil, with service contracts, such as buyback or fixed margin contracts, for which profitability is less influenced by oil prices and amounts are fixed.

(2) Investments through Acquisition relative to the Expiration of Working Interests

The production sharing contract for the offshore Mahakam area, which is the Company's major gas production project, expires in 2017. Although we will negotiate to extend the contract, production is expected to decline in the long term as the remaining reserves decline even if the contract is renewed. We intend to maintain and increase production beyond 2017 by acquiring working interests from other companies or participating in new projects or taking over companies that have substantial production and stable cash flow.

(3) Enlarging the Company's Business Domain through Organic Linkage of Domestic and Foreign Assets

The Company aims to expand operations in the domestic natural gas market, which represents a stable base of earnings that is expected to grow. As well as building a natural gas pipeline network to supply the promising market in the Kanto-Koshinetsu region, we plan to expand production in the key Minami Nagaoka gas field. We also own promising undeveloped assets, primarily natural gas, in Indonesia and Australia, and to ensure their long-term growth, we will consider the possibilities of gas business integration that organically links these overseas gas assets with our domestic infrastructure (gas supply chain), in aggressive pursuit of an enlarged business domain.

(4) Strengthening Relationships with Leading Domestic and International Oil and Gas Companies

Developing petroleum and gas involves considerable risks. Large-scale projects in particular require huge investments, presenting an insuperable obstacle for a single company. Typically, several companies form a consortium to share the risk, and this is the case internationally too. The Company plans to expand its business and to diversify risks by increasing opportunities to participate in projects through enhanced cooperation with the major international oil companies, the national oil companies in oil and gas producing countries as well as leading private oil resource developers, trading companies and other energy-related companies.

(5) Promote an Efficient and Transparent Corporate Management

The Company bears the heavy responsibility of assuring a stable supply of energy to Japan in an efficient manner. Consequently, we recognize not only that our corporate social responsibility is increasing but also that it is essential that we exercise sensitivity in conducting business in communities in Japan and around the world. Therefore, we intend to manage our business efficiently and transparently in line with global standards.

(6) Environmental Efforts

Environmental issues, particularly global warming, are a matter of worldwide concern. We make every effort to minimize the effects on surrounding areas when we explore, develop, produce and sell energy resources. Also we are working to reduce our greenhouse gas emission reduction unit, reduce emissions of chemical substances, suppress emissions into the atmosphere and river systems, and to take measures to prevent soil pollution and reduce waste. Combustion of natural gas involves relatively small emissions of CO2 and NOx compared with combustion of other fossil fuels. Positioning natural gas as our core business, we intend to further promote the use of this clean fuel.

(7) Development of New Business

Our mid-to-long term goal is to live with global community and to contribute to the sustainable social development by growing ourselves to be an energy company, who is capable of supplying varieties of environmentally friendly energies in addition to oil and natural gas. In particular, we pursue opportunities to participate in new business or develop new business for new energy such as GTL (Gas to Liquids) and DME (Dimethyl Ether) that are produced as oil substitutes by reforming natural gas at a normal temperature, renewable energy such as solar photovoltaic and power generation, wind power or geothermal power generation and biomass fuel etc. and technologies for expansion of access to renewable energy including reserve cell and fuel battery.

In order to supply energy in a stable and efficient manner and thereby contribute to the good of society, the Company aims to maintain and expand its reserves and production by rapidly achieving synergy through business integration between INPEX and Teikoku Oil. We will seek to allocate our business resources optimally and maintain the soundness of our financial position with a view to securing steady growth.

In addition, to fulfill our corporate social responsibility, we will strengthen corporate governance and compliance, and carry out strict safety management throughout our operations. Recognizing our obligation to protect the environment and to become an integral part of the communities where we operate, we aim to improve our corporate value over the long term.

4 Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

Accounts	As of March 31, 2009	As of March 31, 2010
(Assets)		
Current assets		
Cash and deposits	117,393	119,809
Accounts receivable-trade	73,540	88,364
Marketable securities	149,507	213,040
Inventories	*1 18,205	*1 12,322
Deferred tax assets	6,144	5,355
Accounts receivable-other	37,871	43,160
Other	8,474	10,824
Allowance for doubtful accounts	(28)	(22)
Total current assets	411,110	492,854
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	101,732	127,599
Wells, net	22,008	18,193
Machinery, equipment and vehicles, net	47,352	45,728
Land	20,752	20,789
Construction in progress	76,818	91,447
Other, net	28,971	54,335
Total tangible fixed assets	*2,4,5,6 297,635	*2,4,5 358,094
Intangible assets		
Goodwill	114,883	108,122
Exploration and development rights	115,566	107,856
Mining rights	18,592	18,154
Other	4,638	5,070
Total intangible assets	*5 253,680	*5 239,205
Investments and other assets		
Investment securities	*3,4 344,698	*3,4 403,978
Long-term loans receivable	14,195	18,641
Recoverable accounts under production sharing	453,922	514,645
Deferred tax assets	26,140	24,563
Other	*3 65,926	*3,4 72,576
Allowance for doubtful accounts	(528)	(640)
Allowance for recoverable accounts under production sharing	(87,828)	(94,891)
Allowance for investments in exploration	(10,907)	(15,248)
Total investments and other assets	805,618	923,624
Total fixed assets	1,356,934	1,520,923
Total assets	1,768,044	2,013,778

(Millions of yen)

Accounts	As of March 31, 2009	As of March 31, 2010
(Liabilities)		
Current liabilities		
Accounts payable-trade	11,873	16,601
Short-term loans	*4 27,816	*4 4,872
Income taxes payable	70,419	86,534
Accounts payable-other	*4 65,440	*4 81,211
Provision for exploration projects	7,948	15,324
Accrued bonuses to officers	134	132
Other	22,427	23,228
Total current liabilities	206,059	227,905
Long-term liabilities		
Long-term debt	*4 136,430	*4 235,510
Deferred tax liabilities	28,171	27,139
Accrued retirement benefits to employees	8,545	7,585
Liabilities for site restoration and decommissioning costs	14,192	14,257
Liabilities for losses on development activities	1,964	1,964
Accrued special repair and maintenance	404	442
Other	*4 10,216	*4 8,369
Total long-term liabilities	199,924	295,269
Total liabilities	405,984	523,175
(Net assets)		
Shareholders' equity		
Common stock	30,000	30,000
Capital surplus	418,477	418,477
Retained earnings	844,832	936,744
Treasury stock	(5,248)	(5,248)
Total shareholders' equity	1,288,062	1,379,974
Valuation, translation adjustments and others		
Unrealized holding gain (loss) on securities	(6,817)	12,351
Unrealized loss from hedging instruments	(0)	—
Translation adjustments	(10,121)	(4,826)
Total valuation, translation adjustments and others	(16,939)	7,525
Minority interests	90,938	103,103
Total net assets	1,362,060	1,490,603
Total liabilities and net assets	1,768,044	2,013,778

(2) Consolidated Statements of Income

(Millions of yen)

Accounts	For the year ended March 31, 2009	For the year ended March 31, 2010
Net sales	1,076,164	840,427
Cost of sales	319,038	298,167
Gross profit	757,126	542,259
Exploration expenses	25,982	15,710
Selling, general and administrative expenses	*1,2 67,877	*1,2 64,880
Operating income	663,266	461,667
Other income		
Interest income	9,535	4,353
Dividend income	12,338	9,476
Equity in earnings of affiliates	946	—
Other	9,214	7,643
Total other income	32,034	21,473
Other expenses		
Interest expense	3,934	1,274
Equity in losses of affiliates	—	1,919
Provision for allowance for recoverable accounts under production sharing	16,642	6,028
Provision for exploration projects	3,386	8,594
Provision for investments in exploration	—	5,408
Loss on valuation of investment securities	31,798	—
Foreign exchange loss	14,570	13,263
Other	8,801	4,624
Total other expenses	79,134	41,113
Ordinary income	616,166	442,027
Income before income taxes and minority interests	616,166	442,027
Income taxes-current	488,262	322,993
Income taxes-deferred	(17,883)	2,132
Total income taxes	470,378	325,125
Minority interests	725	9,691
Net income	145,062	107,210

(3) Consolidated Statements of Changes in Net Assets

(Millions of yen)

Accounts	For the year ended March 31, 2009	For the year ended March 31, 2010
Shareholders' equity		
Common stock		
Balance at beginning of the period	30,000	30,000
Balance at end of the period	30,000	30,000
Capital surplus		
Balance at beginning of the period	418,493	418,477
Changes during the period		
Disposal of treasury stock	(15)	—
Total changes during the period	(15)	—
Balance at end of the period	418,477	418,477
Retained earnings		
Balance at beginning of the period	718,616	844,832
Changes during the period		
Cash dividends paid	(18,846)	(15,297)
Net income	145,062	107,210
Total changes during the period	126,216	91,912
Balance at end of the period	844,832	936,744
Treasury stock		
Balance at beginning of the period	(2,215)	(5,248)
Changes during the period		
Purchase of treasury stock	(3,563)	—
Disposal of treasury stock	530	—
Total changes during the period	(3,032)	—
Balance at end of the period	(5,248)	(5,248)
Total shareholders' equity		
Balance at beginning of the period	1,164,894	1,288,062
Changes during the period		
Cash dividends paid	(18,846)	(15,297)
Net income	145,062	107,210
Purchase of treasury stock	(3,563)	—
Disposal of treasury stock	514	—
Total changes during the period	123,167	91,912
Balance at end of the period	1,288,062	1,379,974

(Millions of yen)

Accounts	For the year ended March 31, 2009	For the year ended March 31, 2010
Valuation, translation adjustments and others		
Unrealized holding gain (loss) on securities		
Balance at beginning of the period	(7,468)	(6,817)
Changes during the period		
Other changes in items other than those in shareholders' equity, net	650	19,169
Total changes during the period	650	19,169
Balance at end of the period	(6,817)	12,351
Unrealized gain (loss) from hedging instruments		
Balance at beginning of the period	3	(0)
Changes during the period		
Other changes in items other than those in shareholders' equity, net	(4)	0
Total changes during the period	(4)	0
Balance at end of the period	(0)	—
Translation adjustments		
Balance at beginning of the period	(60)	(10,121)
Changes during the period		
Other changes in items other than those in shareholders' equity, net	(10,061)	5,295
Total changes during the period	(10,061)	5,295
Balance at end of the period	(10,121)	(4,826)
Total valuation, translation adjustments and others		
Balance at beginning of the period	(7,524)	(16,939)
Changes during the period		
Other changes in items other than those in shareholders' equity, net	(9,415)	24,465
Total changes during the period	(9,415)	24,465
Balance at end of the period	(16,939)	7,525
Minority interests		
Balance at beginning of the period	81,442	90,938
Changes during the period		
Other changes in items other than those in shareholders' equity, net	9,496	12,165
Total changes during the period	9,496	12,165
Balance at end of the period	90,938	103,103
Total net assets		
Balance at beginning of the period	1,238,812	1,362,060
Changes during the period		
Cash dividends paid	(18,846)	(15,297)
Net income	145,062	107,210
Purchase of treasury stock	(3,563)	—
Disposal of treasury stock	514	—
Other changes in items other than those in shareholders' equity, net	80	36,630
Total changes during the period	123,248	128,542
Balance at end of the period	1,362,060	1,490,603

(4) Consolidated Statements of Cash Flows

(Millions of yen)

Accounts	For the year ended March 31, 2009	For the year ended March 31, 2010
Cash flows from operating activities		
Income before income taxes and minority interests	616,166	442,027
Depreciation and amortization	42,966	40,354
Amortization of goodwill	6,760	6,759
Provision for allowance for recoverable accounts under production sharing	20,310	7,430
Provision for exploration projects	(2,319)	7,360
Provision for accrued retirement benefits to employee	(96)	(902)
Provision for site restoration and decommissioning costs	1,597	59
Other provisions	3,468	4,484
Interest and dividend income	(21,873)	(13,829)
Interest expense	3,934	1,274
Foreign exchange loss	10,086	2,379
Equity in (earnings) losses of affiliates	(946)	1,919
Gain on the sales of investment securities	(81)	—
Loss on the valuation of investment securities	31,798	—
Recovery of recoverable accounts under production sharing (capital expenditures)	45,724	45,653
Recoverable accounts under production sharing (operating expenditures)	(27,020)	(14,996)
Accounts receivable-trade	44,199	(14,638)
Inventories	2,347	5,844
Accounts payable-trade	(9,824)	4,718
Accounts receivable-other	27,557	(9,670)
Accounts payable-other	(47,812)	13,669
Advances received	4,229	(1,120)
Other	(6,489)	3,357
Subtotal	744,683	532,135
Interest and dividends received	21,257	16,169
Interest paid	(4,800)	(1,734)
Income taxes paid	(530,789)	(305,198)
Net cash provided by operating activities	230,352	241,372

(Millions of yen)

Accounts	For the year ended March 31, 2009	For the year ended March 31, 2010
Cash flows from investing activities		
Increase in time deposits	(6,463)	(9,925)
Decrease in time deposits	4,497	8,430
Payments for purchases of tangible fixed assets	(88,611)	(87,549)
Proceeds from sales of tangible fixed assets	246	86
Payments for purchases of intangible assets	(2,864)	(991)
Payments for purchases of marketable securities	(19,082)	—
Proceeds from sales of marketable securities	111,451	101,320
Payments for purchases of investment securities	(137,447)	(156,264)
Proceeds from sales of investment securities	16,530	—
Investment in recoverable accounts under production sharing (capital expenditures)	(108,294)	(91,650)
Decrease in short-term loans receivable	70	77
Long-term loans made	(5,895)	(7,521)
Collection of long-term loans receivable	762	34
Other	(5,068)	(7,860)
Net cash used in investing activities	(240,167)	(251,812)
Cash flows from financing activities		
Increase (decrease) in short-term loans	20,933	(20,121)
Proceeds from long-term debt	12,040	108,062
Repayments of long-term debt	(66,364)	(5,283)
Proceeds from minority interests for additional shares	9,369	4,704
Purchase of treasury stock	(3,048)	—
Cash dividends paid	(18,833)	(15,306)
Dividends paid to minority shareholders	(81)	(2,972)
Other	(106)	(145)
Net cash provided by (used in) financing activities	(46,090)	68,937
Effect of exchange rate changes on cash and cash equivalents	(3,519)	(4,947)
Net increase (decrease) in cash and cash equivalents	(59,425)	53,550
Cash and cash equivalents at beginning of the period	222,269	162,844
Cash and cash equivalents at end of the period	*1 162,844	*1 216,395

(5) Conditions or events that indicate there could be substantial doubt about the Company's ability to continue as a going concern

None

(6) Basis of Presenting Consolidated Financial Statements

For the year ended March 31, 2009	For the year ended March 31, 2010
1.Scope of consolidation Number of consolidated subsidiaries: 54 Names of major subsidiaries; Japan Oil Development Co., Ltd., INPEX Natuna, Ltd., INPEX Sahul, Ltd., Teikoku Oil D.R. Congo, Co., Ltd., INPEX Southwest Caspian Sea, Ltd., INPEX North Caspian Sea, Ltd., INPEX Browse, Ltd., INPEX Masela, Ltd. During this period: Number of new companies included in consolidated subsidiaries: 2 Number of companies excluded from consolidated subsidiaries: 8 Details for the above changes: (1) INPEX Petroleo Santos Ltda. and INPEX Seram,Ltd. have been included due to establishment of the companies. (2) INPEX CORPORATION and Teikoku Oil Co., Ltd. have been excluded due to merger. (3) TEIKOKU OIL SUEZ SEJ CO.,Ltd., Teikoku Oil Algeria Co,Ltd., Teikoku Gas Venezuela C. A., INPEX North Makassar, Ltd., INPEX North Natuna,Ltd., and Teikoku Oil SCT Exploration B.V. have been excluded due to completion of liquidation. Names of major unconsolidated subsidiaries: Sakata Natural Gas, Co., Ltd., Teikoku Oil de Burgos, S.A. de C. V., TELNITE CO.,LTD. (Reason for exclusion from consolidation) Those companies are not consolidated because their total assets, total net sales, total net income (the equity portion) and total retained earnings (the equity portion) do not have significant impact on the consolidated financial statements.	1.Scope of consolidation Number of consolidated subsidiaries: 54 Names of major subsidiaries; Japan Oil Development Co., Ltd., INPEX Natuna, Ltd., INPEX Sahul, Ltd., Teikoku Oil D.R. Congo, Co., Ltd., INPEX Southwest Caspian Sea, Ltd., INPEX North Caspian Sea, Ltd., INPEX Browse, Ltd., INPEX Masela, Ltd. During this period: Number of new companies included in consolidated subsidiaries: 1 Number of companies excluded from consolidated subsidiaries: 1 Details for the above changes: (1) INPEX Offshore Northeast Brazil has been included due to establishment of the company. (2) Daiichi Warehouse Co., Ltd. has been excluded due to share transfer. Names of major unconsolidated subsidiaries: Sakata Natural Gas, Co., Ltd., Teikoku Oil de Burgos, S.A. de C. V., TELNITE CO.,LTD. (Reason for exclusion from consolidation) Same as on the left
2. Application of equity method Unconsolidated subsidiary accounted for by the equity method: None Number of affiliates accounted for by the equity method: 13 Names of major affiliates: MI Berau B.V., Angola Japan Oil Co., Ltd., Japan Ohanet Oil & Gas Co., Ltd., ALBACORA JAPAO PETROLEO LTDA, INPEX Offshore North Campos, Ltd.	2. Application of equity method Same as on the left Number of affiliates accounted for by the equity method: 12 Names of major affiliates: MI Berau B.V., Angola Japan Oil Co., Ltd., Japan Ohanet Oil & Gas Co., Ltd., ALBACORA JAPAO PETROLEO LTDA, INPEX Offshore North Campos, Ltd.

For the year ended March 31, 2009	For the year ended March 31, 2010
During this fiscal year: Number of companies excluded from affiliates accounted for by the equity method: 1 Detail for the above change: BONTANG TRAIN-G PROJECT FINANCE CO., LTD. has been excluded due to completion of liquidation. Names of major affiliates not accounted for by the equity method: Sakata Natural Gas, Co., Ltd., Teikoku Oil de Burgos, S.A. de C.V., Telnite Co., Ltd., Tangguh project management Co., Ltd. (Reason for not applying the equity method) Subsidiaries and affiliates are not accounted for by the equity method because their total net income (the equity portion) and total retained earnings (the equity portion) do not have significant impact on the consolidated financial statements. Procedures for application of the equity method: Regarding affiliates accounted for by the equity method having a different closing date from the consolidated closing date, the Company used the financial statements of each affiliate prepared as of their closing date. For certain affiliates, however, the Company used financial statements prepared for consolidation purposes as of the consolidated closing date.	During this fiscal year: Number of companies excluded from affiliates accounted for by the equity method: 1 Detail for the above change: Project Finance BLRE, Ltd. has been excluded due to completion of liquidation. Names of major affiliates not accounted for by the equity method: Sakata Natural Gas, Co., Ltd., Teikoku Oil de Burgos, S.A. de C.V., Telnite Co., Ltd., Tangguh project management Co., Ltd. (Reason for not applying the equity method) Same as on the left Procedures for application of the equity method: Same as on the left

<table>
<tr><th>For the year ended
March 31, 2009</th><th>For the year ended
March 31, 2010</th></tr>
<tr><td>3. Closing dates for the fiscal year of consolidated subsidiaries

For the 36 companies for which the closing date differed from the consolidated closing date, including, but not limited to, INPEX Sahul, Ltd. and INPEX Masela, Ltd., the Company used the financial statements for the year ended December 31. However, the necessary adjustments have been made to the financial statements of those companies to reflect any significant transactions made between the Company's closing date and those of the consolidated subsidiaries.
For the 10 companies including, but not limited, Japan Oil Development, Co., Ltd., Teikoku Oil D.R. Congo, Co., Ltd., INPEX Southwest Caspian Sea, Ltd., and INPEX North Caspian Sea, Ltd., we used financial statements for the year ended the consolidated closing date even though their closing date is December 31.</td><td>3. Closing dates for the fiscal year of consolidated subsidiaries

For the 35 companies for which the closing date differ from the consolidated closing date, including, but not limited to, INPEX Sahul, Ltd. and INPEX Masela, Ltd., the Company uses the financial statements for the year ended December 31. However, the necessary adjustments have been made to the financial statements of those companies to reflect any significant transactions made between the Company's closing date and those of the consolidated subsidiaries.
For the 10 companies including, but not limited, Japan Oil Development, Co., Ltd., Teikoku Oil D.R. Congo, Co., Ltd., INPEX Southwest Caspian Sea, Ltd., and INPEX North Caspian Sea, Ltd., we use financial statements for the year ended the consolidated closing date even though their closing date is December 31.

(Additional information)
Teiseki Real Estate Co., Ltd. has changed the closing date from December 31 to March 31, since this fiscal year.
Accordingly, the consolidated operating results for the year ended March 31, 2010 included operating results for 15 months from January 1, 2009 to March 31, 2010.
The effect of this change does not have a significant impact on the consolidated financial statements.</td></tr>
<tr><td>4. Accounting policies
1) Valuation method for significant assets
(a) Securities
Other securities
With a determinable market value
Other securities with a determinable market value are stated at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Cost of securities sold is determined by the moving-average method.

Without a determinable market value
Other securities without a determinable market value are stated at cost determined by the moving-average method.</td><td>4. Accounting policies
1) Valuation method for significant assets
(a) Securities
Other securities
With a determinable market value
Same as on the left

Without a determinable market value
Same as on the left</td></tr>
</table>

For the year ended March 31, 2009	For the year ended March 31, 2010
(b) Inventories Overseas inventories Carried mainly at cost, determined by the average cost method (balance sheet value is carried at the lower of cost or market) Domestic inventories Carried mainly at cost, determined by the moving-average method (balance sheet value is carried at the lower of cost or market) (Change in accounting policy) Effective the fiscal year ended March 31, 2009, the Company applies "Accounting Standard for Measurement of Inventories" (ASBJ Statement No.9, issued on July 5, 2006). This does not have significant impact on the consolidated financial statements.	(b) Inventories Overseas inventories Carried mainly at cost, determined by the average cost method (balance sheet value is carried at the lower of cost or market) Domestic inventories Carried mainly at cost, determined by the moving-average method (balance sheet value is carried at the lower of cost or market)
2) Depreciation method of significant depreciable assets (a) Tangible fixed assets (except leased assets) Depreciation of mining facilities is mainly computed by the unit-of-production method. For other tangible fixed assets, straight-line method of depreciation is applied. Useful lives of significant fixed assets are as follows: Buildings and structures: 2-60 years Wells: 3 years Machinery, equipment and vehicles: 2-22 years	2) Depreciation method of significant depreciable assets (a) Tangible fixed assets (except leased assets) Same as on the left
(b) Intangible assets (except leased assets) Exploration and development rights Exploration and development rights at the exploration stage are fully amortized in the consolidated fiscal year. Such rights which are at the production stage are amortized by the unit-of-production method. Mining rights Mining rights are mainly amortized by the unit-of-production method. Other Other intangible assets are mainly amortized by the straight-line method. Software for internal use is being amortized over five years.	(b) Intangible assets (except leased assets) Exploration and development rights Same as on the left Mining rights Same as on the left Other Same as on the left
(c) Leased assets Leased assets for financing lease transactions whose ownership are not to be transferred: Depreciation of leased assets are calculated based on the straight-line method over the lease period assuming no residual value.	(c) Leased assets Leased assets for financing lease transactions whose ownership are not to be transferred: Same as on the left

For the year ended March 31, 2009	For the year ended March 31, 2010
3) Basis for significant allowances (a) Allowance for doubtful accounts Allowance for doubtful accounts is provided at an amount determined based on the historical experience of bad debt with respect to ordinary receivables, plus an estimate of uncollectible amounts determined by reference to specific doubtful receivables from customers which are experiencing financial difficulties.	3) Basis for significant allowances (a) Allowance for doubtful accounts Same as on the left
(b) Allowance for recoverable accounts under production sharing Allowance for recoverable accounts under production sharing is provided for probable losses on specific investments made under production sharing contracts.	(b) Allowance for recoverable accounts under production sharing Same as on the left
(c) Allowance for investments in exploration Allowance for investments in exploration is provided for future potential losses on investments in exploration companies at an estimated amount based on the net assets of the investees.	(c) Allowance for investments in exploration Same as on the left
(d) Provision for exploration projects Provision for exploration projects is provided for future expenditures of consolidated subsidiaries at exploration stage based on schedule of investments in exploration.	(d) Provision for exploration projects Same as on the left
(e) Accrued bonuses to officers Accrued bonuses to officers are provided at expected payment amount for the year ended March 31, 2009.	(e) Accrued bonuses to officers Accrued bonuses to officers are provided at expected payment amount for the year ended March 31, 2010.
(f) Accrued retirement benefits to employees Accrued retirement benefits to employees are provided at the amount calculated based on the expected retirement benefit obligation and the estimated value of pension plan assets at the end of this period. Because certain subsidiaries are classified as small enterprises, we employ a simplified method (at the amount which would be required to be paid 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.	(f) Accrued retirement benefits to employees Accrued retirement benefits to employees are provided at the amount calculated based on the expected retirement benefit obligation and the estimated value of pension plan assets at the end of this period. Because certain subsidiaries are classified as small enterprises, we employ a simplified method (at the amount which would be required to be paid 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.
(g) Accrued retirement benefits to officers ――――――― (Additional Information) Until the previous fiscal year, retirement benefits to officers had been accrued at the amount which would have been required to be paid as if all officers voluntarily terminated their services as of the balance sheet date based on their respective internal rules. However, in this fiscal year, the Company abolished its retirement benefit program to officers and makes a payment at their retirements, which is based on the amount to be paid at the point of abolishment. Accrued retirement benefits to officers up to point of abolishment are reversed and unpaid amounts is recorded in Other long-term liabilities.	

For the year ended March 31, 2009	For the year ended March 31, 2010
(h) Liabilities for site restoration and decommissioning costs Liabilities for site restoration and decommissioning costs are provided for expected future costs for site restoration and decommissioning.	(g) Liabilities for site restoration and decommissioning costs Same as on the left
(i) Liabilities for losses on development activities Liabilities for losses on development activities are provided for provable losses on oil and natural gas development activities individually estimated for each project.	(h) Liabilities for losses on development activities Same as on the left
(j) Accrued special repair and maintenance Accrued special repair and maintenance are provided for planned major repair and maintenance activities on tanks in certain subsidiaries at the amount being accumulated through the next activity.	(i) Accrued special repair and maintenance Same as on the left
4) Translation of consolidated subsidiaries' significant assets and liabilities denominated in foreign currencies into yen in preparation of the consolidated financial statements Monetary assets and liabilities denominated in foreign currencies are translated into yen at the exchange rates prevailing at the balance sheet date. The resulting exchange gain or loss is credited or charged to income. The revenue and expense accounts of the overseas subsidiaries are translated into yen at the average rates of exchange during the period. The balance sheet accounts are translated into yen at the rates of exchange in effect at the balance sheet date. Translation differences are presented as a component of translation adjustments and minority interests.	4) Translation of consolidated subsidiaries' significant assets and liabilities denominated in foreign currencies into yen in preparation of the consolidated financial statements Same as on the left
5) Accounting for major hedge transactions (a) Hedge accounting Simplified accounting method is applied to interest rate swaps. For certain equity accounted companies, deferred hedge accounting is adopted. (b) Hedging instruments and hedged items Hedge instruments: Interest rate swap transactions Hedged items: Interest payments on borrowings (c) Hedging policy 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. (d) Hedge effectiveness assessment method Since simplified accounting method is applied, the Company does not perform hedge effectiveness assessment.	5) Accounting for major hedge transactions (a) Hedge accounting Simplified accounting method is applied to interest rate swaps. (b) Hedging instruments and hedged items Same as on the left (c) Hedging policy Same as on the left (d) Hedge effectiveness assessment method Same as on the left

For the year ended March 31, 2009	For the year ended March 31, 2010
6) Other items important to the preparation of the consolidated financial statements (a) Consumption tax Transactions subject to the consumption tax are recorded at amounts exclusive of the consumption tax. (b) Recoverable accounts under production sharing Cash investments made by the Company during exploration, development and production phases under a production sharing contract and a service contract (buyback arrangement) are recorded as "Recoverable accounts under production sharing" so long as they are recoverable under the terms of the relevant contract. When the Company receives the natural gas and crude oil in accordance with the contract, an amount corresponding to the purchase costs of the products (i.e., a cost recovery portion of the investments) is released from this account.	6) Other items important to the preparation of the consolidated financial statements (a) Consumption tax Same as on the left (b) Recoverable accounts under production sharing Same as on the left
5. Valuation of assets and liabilities of consolidated subsidiaries The assets and liabilities of consolidated subsidiaries are valued at their fair values. However, those whose valuation difference is not material are valued at their carrying amounts.	5. Valuation of assets and liabilities of consolidated subsidiaries Same as on the left
6. Amortization of Goodwill Goodwill is amortized using a straight-line method over 20 years.	6. Amortization of Goodwill Same as on the left
7. Scope of cash and cash equivalents in consolidated statement of cash flow Cash (cash and cash equivalents) in the consolidated statement of cash flow consisted of cash on hand, cash in banks which can be withdrawn on demand, and short-term investments with a maturity of three months or less when purchased which can easily be converted to cash and are subject to little risk of change in value.	7. Scope of cash and cash equivalents in consolidated statement of cash flow Same as on the left

(7) Changes in the Basis of Presenting Consolidated Financial Statements

For the year ended March 31, 2009	For the year ended March 31, 2010
(Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements) Effective the fiscal year ended March 31, 2009, the Company applies "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ Practical Issues Task Force No.18, May 17, 2006). This does not have significant impact on the consolidated financial statements. (Accounting Standard for Lease Transactions) Effective the fiscal year ended March 31, 2009, the Company applies "Accounting Standard for Lease Transactions" (ASBJ Statement No.13, revised on March 30, 2007) and "Guidance on Accounting Standards for Lease Transactions" (ASBJ Guidance No.16, revised on March 30, 2007) for the lease transactions, entered into a contract on and after April 1, 2008, other than the lease transactions which deem to transfer ownership of the leased assets to the lessee. This does not have significant impact on the consolidated financial statements.	

(Changes in the Presentation)

For the year ended March 31, 2009	For the year ended March 31, 2010
―――――――――――	(Consolidated Statements of Income) “Loss on valuation of investment securities”, previously presented separately in other expenses, is included in “Other” since its amount is below 10% of total other expenses. The amount of “Loss on valuation of investment securities” for the year ended March 31, 2010 is ¥14 million. “Provision for investments in exploration”, previously included in “Other” in other expenses, is separately presented in other expenses since its amount exceeded 10% of total other expenses. The amount of “Provision for investments in exploration” for the year ended March 31, 2009 is ¥3,631 million. (Consolidated Cash Flows) “Loss (gain) on valuation of investment securities ”, previously presented separately in cash flows from operating activities, is included in “Other” due to decrease in its materiality. The amount of “Loss (gain) on valuation of investment securities” for the year ended March 31,2010 is ¥14 million.

(8) Notes to consolidated financial statements
(Consolidated balance sheets)

As of March 31, 2009	As of March 31, 2010
*1 Major accounts included in inventories are as follows: Millions of yen Merchandise and finished goods 10,703 Work in process 211 Raw materials and supplies 7,290	*1 Major accounts included in inventories are as follows: Millions of yen Merchandise and finished goods 3,923 Work in process 127 Raw materials and supplies 8,271
*2 Accumulated depreciation Accumulated depreciation of tangible fixed assets is ¥475,999 million.	*2 Accumulated depreciation Accumulated depreciation of tangible fixed assets is ¥505,499 million.
*3 The Company has the following investments in subsidiaries and affiliates: Investment securities (equities) : ¥39,163 million Other (investments and other assets) : ¥699 million	*3 The Company has the following investments in subsidiaries and affiliates: Investment securities (equities) : ¥ 36,713 million Other (investments and other assets) : ¥ 128 million
*4 Assets provided as collateral and collateral-backed debt are as follows:	*4 Assets provided as collateral and collateral-backed debt are as follows:

As of March 31, 2009

(Collateralized Assets) Millions of yen

Buildings and structures	2,614	(2,173)
Wells	6,919	(6,919)
Machinery, equipments and vehicles	9,390	(9,390)
Land	1,826	(660)
Others (tangible fixed assets)	0	(0)
Investment securities	7,860	(−)
Total	28,611	(19,143)

(Secured debt)

Short-term loans	145	(−)
Accounts payable-other	5,264	(4,779)
Long-term debt	11,499	(10,297)
Others (long-term liabilities)	16	(—)
Total	16,925	(15,076)

Amounts in parenthesis () above represent foundation collateral and liabilities.
In addition, investment securities of ¥5,507 million are pledged as collateral for the BTC pipeline project financing.

As of March 31, 2010

(Collateralized Assets) Millions of yen

Buildings and structures	2,239	(2,239)
Wells	3,444	(3,444)
Machinery, equipments and vehicles	9,512	(9,512)
Land	660	(660)
Others (tangible fixed assets)	0	(0)
Investment securities	9,385	(—)
Others (investments and other assets)	246	(—)
Total	25,487	(15,856)

(Secured debt)

Short-term loans	2,130	(2,114)
Accounts payable-other	5,496	(5,001)
Long-term debt	6,153	(6,069)
Others (long-term liabilities)	16	(—)
Total	13,797	(13,184)

Amounts in parenthesis () above represent foundation collateral and liabilities.
In addition, investment securities of ¥5,571 million are pledged as collateral for the BTC pipeline project financing.

As of March 31, 2009	As of March 31, 2010
*5 Accumulated advanced depreciation deducted from acquisition costs of fixed assets related to contribution and others was ¥1,374 million for building and structures, ¥291 million for machinery, equipment and vehicles, and ¥1 million for others (intangible assets).	*5 Accumulated advanced depreciation deducted from acquisition costs of fixed assets related to contribution and others was ¥1,374 million for building and structures, ¥276 million for machinery, equipment and vehicles, and ¥1 million for others (intangible assets).
*6 Accumulated advanced depreciation deducted from acquisition costs of tangible fixed assets related to application of land expropriation law was ¥4 million for land.	

As of March 31, 2009	As of March 31, 2010
7 Contingent liabilities The Company and its consolidated subsidiaries are contingently liable as guarantors of indebtedness of the following companies: Millions of yen Tangguh Trustee* 18,076 Sakhalin Oil and Gas Development Co., Ltd. 4,626 Fujian Tranche * 4,041 INPEX Offshore North Campos, Ltd. 3,296 Sakata Natural Gas Co., Ltd. 537 Japan Ohanet Oil & Gas Co., Ltd. 290 Employees (housing loans) 365 Total 31,234 *Debt for investment funds of Tangguh LNG project through MI Berau B. V. and MI Berau Japan Ltd.	6 Contingent liabilities The Company and its consolidated subsidiaries are contingently liable as guarantors of indebtedness of the following companies: Millions of yen Tangguh Trustee* 17,971 Fujian Tranche * 6,402 INPEX Offshore North Campos, Ltd. 3,290 Sakhalin Oil and Gas Development Co., Ltd. 3,213 Sakata Natural Gas Co., Ltd. 305 Employees (housing loans) 319 Total 31,502 *Debt for investment funds of Tangguh LNG project through MI Berau B. V. and MI Berau Japan Ltd.

(Consolidated statements of income)

For the year ended March 31, 2009	For the year ended March 31, 2010
*1. Major accounts included in selling, general and administrative expenses are as follows: Millions of yen Personnel expenses 13,582 (Including provision for accrued retirement benefits to officers 66) (Including provision for accrued retirement benefits to employees 1,056) (Including provision for accrued bonuses to officers 150) Taxes 9,412 Freight expenses 6,590 Depreciation expenses 17,194 Amortization of goodwill 6,760 *2. Research and development expenses included in general and administrative expenses: ¥642 million	*1. Major accounts included in selling, general and administrative expenses are as follows: Millions of yen Personnel expenses 13,645 (Including provision for accrued retirement benefits to employees 358) (Including provision for accrued bonuses to officers 140) Taxes 4,485 Freight expenses 8,733 Depreciation expenses 20,011 Amortization of goodwill 6,759 *2. Research and development expenses included in general and administrative expenses: ¥ 470 million

(Consolidated statements of changes in net assets)

For the year ended March 31, 2009

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

	Balance as of March 31, 2008	Increase	Decrease	Balance as of March 31, 2009
Number of shares				
Common stock	2,358,409	—	0	2,358,409
Special class share	1	—	—	1
Total	2,358,410	—	0	2,358,410
Treasury stock				
Common stock	2,047	3,340	471	4,916
Total	2,047	3,340	471	4,916

Notes 1: Decrease in common stock is due to extinguishment of fractional part in treasury stock in accordance with abolition of fractional share system.

2: Increased in treasury stock of common stock by 3,340 is due to purchase of odd lot shares and others.

3: Decrease in treasury stock of common stock is due to sales of 471 odd lot shares.

2. Share subscription rights

None

3. Dividends

(1) Cash dividends paid

Resolution	Type of share	Cash dividends paid (Millions of yen)	Dividends per share (Yen)	Entitlement date	Effective date
Ordinary general meeting of shareholders June 25, 2008	Common stock	9,425	4,000	March 31, 2008	June 26, 2008
	Special class share	0	4,000	March 31, 2008	June 26, 2008
Board of directors' meeting November 11, 2008	Common stock	9,420	4,000	September 30, 2008	December 19, 2008
	Special class share	0	4,000	September 30, 2008	December 19, 2008

(2) Dividends, of which the entitlement date was in the year ended March 31, 2009, and whose effective date will be in the next fiscal year

Resolution	Type of share	Source of dividends	Cash dividends paid (Millions of yen)	Dividends per share (Yen)	Entitlement date	Effective date
Ordinary general meeting of shareholders June 25, 2009	Common stock	Retained earnings	9,413	4,000	March 31, 2009	June 26, 2009
	Special class share	Retained earnings	0	4,000	March 31, 2009	June 26, 2009

For the year ended March 31, 2010

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

	Balance as of March 31, 2009	Increase	Decrease	Balance as of March 31, 2010
Number of shares				
Common stock	2,358,409	—	—	2,358,409
Special class share	1	—	—	1
Total	2,358,410	—	—	2,358,410
Treasury stock				
Common stock	4,916	—	—	4,916
Total	4,916	—	—	4,916

2. Share subscription rights
None

3. Dividends
(1) Cash dividends paid

Resolution	Type of share	Cash dividends paid (Millions of yen)	Dividends per share (Yen)	Entitlement date	Effective date
Ordinary general meeting of shareholders June 25, 2009	Common stock	9,413	4,000	March 31, 2009	June 26, 2009
	Special class share	0	4,000	March 31, 2009	June 26, 2009
Board of directors' meeting November 4, 2009	Common stock	5,883	2,500	September 30, 2009	December 1, 2009
	Special class share	0	2,500	September 30, 2009	December 1, 2009

(2) Dividends, of which the entitlement date was in the year ended March 31, 2010, and whose effective date will be in the next fiscal year

Resolution	Type of share	Source of dividends	Cash dividends paid (Millions of yen)	Dividends per share (Yen)	Entitlement date	Effective date
Ordinary general meeting of shareholders June 23, 2010	Common stock	Retained earnings	7,060	3,000	March 31, 2010	June 24, 2010
	Special class share	Retained earnings	0	3,000	March 31, 2010	June 24, 2010

(Consolidated statements of cash flows)

For the year ended March 31, 2009	For the year ended March 31, 2010
*1 Cash and cash equivalents at the end of the period are reconciled to the account reported in the consolidated balance sheet as follows:	*1 Cash and cash equivalents at the end of the period are reconciled to the account reported in the consolidated balance sheet as follows:

For the year ended March 31, 2009

	Millions of yen
Cash and deposits	117,393
Time deposits for more than three months and others	(2,513)
Marketable securities (commercial paper)	38,994
Marketable securities (financial bill)	4,999
Marketable securities (MMF)	1,969
Marketable securities (certificate of deposit)	2,000
Cash and cash equivalents	162,844

For the year ended March 31, 2010

	Millions of yen
Cash and deposits	119,809
Time deposits for more than three months and others	(3,786)
Marketable securities (commercial paper)	68,477
Marketable securities (financial bill and others)	19,801
Marketable securities (MMF and others)	9,742
Marketable securities (certificate of deposit)	2,350
Cash and cash equivalents	216,395

(Segment information)

1. Business segment information

For the year ended March 31, 2009

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

For the year ended March 31, 2010

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

2. Geographical segment information

For the year ended March 31, 2009 (April 1, 2008 through March 31, 2009)

(Millions of yen)

	Japan	Asia - Oceania	Eurasia (Europe - NIS)	Middle East - Africa	Americas	Total	Eliminations and other	Consolidated
I Net sales and operating income Net sales (1) Sales to third parties	93,423	435,824	73,687	463,150	10,079	1,076,164	—	1,076,164
(2) Intercompany sales and transfers between segments	—	—	—	—	—	—	—	—
Total	93,423	435,824	73,687	463,150	10,079	1,076,164	—	1,076,164
Operating expenses	59,540	150,415	39,222	144,459	11,419	405,058	7,839	412,898
Operating income (loss)	33,882	285,408	34,464	318,691	(1,340)	671,106	(7,839)	663,266
II Assets	208,326	409,558	365,913	189,270	85,168	1,258,236	509,808	1,768,044

Notes: 1. Countries and areas are segmented based on their geographic proximity and their mutual operational relationships.
2. Major countries and areas that belong to segments other than Japan are as follows:
(1) Asia - Oceania・・・・・・・・・・Indonesia, Australia, East Timor, Vietnam
(2) Eurasia (Europe - NIS)・・・Azerbaijan, Kazakhstan, UK
(3) Middle East - Africa・・・・・UAE, D.R. Congo, Iran, Libya, Egypt, Algeria, Angola
(4) Americas・・・・・・・・・・・・・・Venezuela, Ecuador, USA, Canada, Surinam, Brazil
3. Unallocated operating expenses included in “Eliminations and other” of ¥11,129 million under the operating expenses are mainly amortization of goodwill and general administrative expenses.
4. Of the figure for assets, ¥513,129 million included in “Eliminations and other” are mainly goodwill, cash and deposit, marketable securities and investment securities concerned with the administrative divisions.

For the year ended March 31, 2010 (April 1, 2009 through March 31, 2010)

(Millions of yen)

	Japan	Asia - Oceania	Eurasia (Europe - NIS)	Middle East - Africa	Americas	Total	Eliminations and other	Consolidated
I Net sales and operating income Net sales (1) Sales to third parties	93,958	352,383	73,574	303,818	16,692	840,427	—	840,427
(2) Intercompany sales and transfers between segments	—	—	—	—	—	—	—	—
Total	93,958	352,383	73,574	303,818	16,692	840,427	—	840,427
Operating expenses	61,404	161,313	33,805	98,246	15,663	370,433	8,325	378,759
Operating income	32,554	191,069	39,769	205,571	1,028	469,993	(8,325)	461,667
II Assets	240,879	451,167	446,848	229,842	85,241	1,453,980	559,797	2,013,778

Notes: 1. Countries and areas are segmented based on their geographic proximity and their mutual operational relationships.
2. Major countries and areas that belong to segments other than Japan are as follows:
(1) Asia - Oceania・・・・・・・・・・Indonesia, Australia, East Timor, Vietnam
(2) Eurasia (Europe - NIS)・・・Azerbaijan, Kazakhstan, UK
(3) Middle East - Africa・・・・・UAE, D.R. Congo, Iran, Libya, Egypt, Algeria, Angola
(4) Americas・・・・・・・・・・・・・・Venezuela, Ecuador, USA, Canada, Surinam, Brazil
3. Unallocated operating expenses included in “Eliminations and other” of ¥8,766 million under the operating expenses are mainly amortization of goodwill and general administrative expenses.
4. Of the figure for assets, ¥562,927 million included in “Eliminations and other” are mainly goodwill, cash and deposit, marketable securities and investment securities concerned with the administrative divisions.

3. Overseas sales

For the year ended March 31, 2009

	Asia - Oceania	Other	Total
I. Overseas sales (Millions of yen)	371,102	46,280	417,383
II. Consolidated sales (Millions of yen)			1,076,164
III. Overseas sales as a percentage of consolidated sales (%)	34.5	4.3	38.8

Notes:
1. Countries and areas are segmented based on their geographic proximity.
2. Major countries and areas that belong to segments other than Japan are as follows:
   (1) Asia-Oceania・・・・・・・・・South Korea, Taiwan, Indonesia, Singapore, Thailand, China, Philippines, Australia
   (2) Other・・・・・・・・・・・・・・・USA
3. Overseas sales represent sales to countries and regions outside of Japan, which is determined based upon the final destination.

For the year ended March 31, 2010

	Asia - Oceania	Other	Total
I. Overseas sales (Millions of yen)	271,231	53,424	324,656
II. Consolidated sales (Millions of yen)			840,427
III. Overseas sales as a percentage of consolidated sales (%)	32.3	6.3	38.6

Notes:
1. Countries and areas are segmented based on their geographic proximity.
2. Major countries and areas that belong to segments other than Japan are as follows:
   (1) Asia-Oceania・・・・・・・・・South Korea, Taiwan, Indonesia, Singapore, Thailand, Philippines, Australia
   (2) Other・・・・・・・・・・・・・・・USA, Italy
3. Overseas sales represent sales to countries and regions outside of Japan, which is determined based upon the final destination.

(Financial Instruments)

For the year ended March 31, 2010

(Supplementary information)

Beginning from the year ended March 31, 2010, the Company adopted the Accounting Standard for Financial Instruments (ASBJ Statement No.10 issued on March 10, 2008) and the Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No.19 issued on March 10, 2008).

1. Status of financial instruments

(1) Policy regarding financial instruments

The Company raises funds for oil and gas exploration, development and production, construction or expansion of domestic pipelines and LNG receiving terminal primarily from cash flow on hand and from bank loans. Oil and gas development projects are primarily funded from long-term loans that the Company has secured from the Japan Bank of International Co-operation and Japanese commercial banks. Japan Oil, Gas and Metals National Corporation have provided guarantees for the principal on certain outstanding amounts of the Company's long-term loans. The Development Bank of Japan and Japanese commercial banks have been providing long-term loans for the construction or expansion of domestic pipelines and LNG receiving terminal. The Company generally borrows with variable interest rates, while some loans are with fixed interest rate depending on the nature of each project. Regarding the financing policy, the Company manages funds mainly from cash on hand and government bonds, which are considered of low-risk and high-liquidity. The Company does not engage in speculative derivative transactions to prevent risks hereinafter described below.

(2) Details of financial instruments, associated risk and risk management

(Credit risks related to trade receivables)

Trade receivables —accounts receivable-trade and accounts receivable-other — are comprised mainly from sales of oil and natural gas. Main trading partners are national oil companies, major oil companies and others. In line with criteria for trading and credit exposure management, the Company properly analyzes the status of trading partners for early detection and reduction of default risks.

(Market price fluctuation risk related to securities)

For marketable securities and investment securities exposed to market price fluctuation risk, analysis of market values is regularly reported to the Management Committee. For stocks, the Company holds the shares of trading partners and others to establish close and smooth relationship for the purpose of medium- to long-term stable business. Of these shares, the Company partially holds for the purpose of investment. As for bonds, the Company mainly holds government bonds with short-term maturities to reduce market price fluctuation risk.

(Interest rate fluctuation risk related to short-term loans and long-term debt)

Loans are mainly for fund for oil and natural gas exploration projects and construction or expansion of domestic pipelines and LNG receiving terminal and others. The borrowing period is determined considering financial prospects of the project and useful lives of facilities. Loans with variable interest rates are exposed to interest rate fluctuation risk, however, the Company leverages in line with the above policy. Loans with fixed interest rate include fixed interest expenses under special treatment of interest rate swaps.

(Exchange rates fluctuation risk related to assets and liabilities in foreign currencies)

As the most of the Company's business consists of overseas business, the Company is exposed to exchange fluctuation risk due to a large portion of monetary assets and liabilities held in foreign currencies such as cash and deposits, accounts receivables and loans required in overseas projects. As a result of fiscal year-end conversion, yen appreciation causes foreign exchange loss on assets and foreign exchange gain on liabilities while yen depreciation causes foreign exchange gain on assets and foreign exchange loss on liabilities. For this reason, foreign exchange gain and loss are offset and maintains the position between assets and liabilities in foreign currencies. At present, the Company is in the position of incurring foreign exchange loss when foreign exchange rate proceeds to yen appreciation. The Company timely converts to the yen to avoid excess holding of foreign currency deposits on hand as well as engages in hedge transactions, based on the Company policy, partly using foreign currency forward exchange contracts as necessary for expected foreign currency trading.

(Management of derivative transactions)

For the above derivative transactions such as interest rate swap transactions and forward exchange contracts, the Company follows derivative transactions management outline. Further, the Company only transacts with financial institutions with high credit ratings to reduce credit risks for the use of derivatives.

(Management of the liquidity risk related to financing)

The finance unit controls cash management based on monthly financing plan prepared by each project division and secure sufficient liquidity on hand to be prepared for liquidity risks.

(3) Supplementary explanation of items related to the market value of financial instruments

For nominal amounts and others regarding derivative transactions on "2. Fair value of financial instruments", its amounts do not indicate market risks related to derivative transactions.

2. Fair value of financial instruments

Carrying value on the consolidated balance sheet as of March 31, 2010, fair value and their unrealized loss are as shown below. Items for which is extremely difficult to determine market value are not included in the following table (Please refer to Note 2).

(Millions of yen)

	Carrying value	Fair value	Unrealized loss
(1) Cash and deposits	119,809	119,809	—
(2) Accounts receivable-trade	88,364	88,364	—
(3) Marketable securities and investment securities	544,681	544,681	—
Total assets	752,855	752,855	—
(1) Short-term loans	4,872	4,935	62
(2) Long-term debt	235,510	237,023	1,512
Total liabilities	240,383	241,958	1,575
Derivatives	—	—	—

Note 1: Methods of calculating of the fair value of financial instruments

Assets

(1) Cash and deposits, and (2) Accounts receivable-trade

Since these items are settled in a short period of time and their fair values are almost the same as their carrying values, the relevant carrying values are used.

(3) Marketable securities and investment securities

The fair value of shares are determined by the market prices of exchanges, and the fair value for bonds are determined by market prices of exchanges or the prices presented by financial institutions. For further information on investment securities of each holding purpose, please refer to "Securities" section of the notes to financial statements.

Liabilities

(1) Short-term loans

The fair value of current portion of long-term debt included in short-term loans, is calculated by the same method as (2) Long-term debt. For the other short-term loans, the relevant carrying value is used since these items are settled in a short periods of time and its market value is almost the same as the carrying value.

(2) Long-term debt

The fair value of long-term debt is calculated by applying a discount rate to the total of principal and interest. The discount rate is based on the assumed interest rate if a similar new loan is entered into.

Derivatives

Please refer to "Derivative transactions" section of notes to financial statements.

Note 2: Financial instruments for which it is extremely difficult to determine market value

(Millions of yen)

	Carrying value
Unlisted securities	30,623
Preferred securities	5,000
Stocks of subsidiaries and affiliates	36,713

These financial instruments are assumed to have no market value and require excessive costs to estimate future cash flows. Accordingly, these financial instruments are not included in "Assets (3) Marketable securities and investment securities" as it is to be financial instruments for which are extremely difficult to determine fair value. For shares of exploration companies among unlisted securities and stocks of subsidiaries and affiliates, the allowance is provided for investments in exploration at an estimated amount based on the financial position of the investees.

Note 3: Redemption schedule for monetary assets securities with maturity dates subsequent to March 31, 2010 is as follows

(Millions of yen)

	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
Cash and deposits	119,809	—	—	—
Accounts receivable-trade	88,364	—	—	—
Marketable securities and investment securities				
Other securities	202,654	210,545	37,000	6,500
Total	410,828	210,545	37,000	6,500

Note 4: Maturities for long-term loans payable and leased liabilities subsequent to March 31, 2010 is as follows

(Millions of yen)

	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
Long-term debt	4,712	15,894	139,779	79,836
Lease obligations	88	128	1	—
Total	4,801	16,022	139,781	79,836

(Securities)

For the year ended March 31, 2009

1 Other securities with determinable market value as of March 31, 2009

(Millions of yen)

Type of securities	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceed their acquisition cost			
(1) Stocks	431	506	75
(2) Bonds			
Public bonds	284,598	286,759	2,161
Corporate bonds	—	—	—
Other	23,994	23,997	2
(3) Other	68	75	6
Subtotal	309,091	311,338	2,246
Securities whose acquisition costs exceed their carrying value			
(1) Stocks	55,298	49,466	(5,831)
(2) Bonds			
Public bonds	43,723	40,883	(2,839)
Corporate bonds	—	—	—
Other	15,415	15,352	(62)
(3) Other	5,856	5,856	—
Subtotal	120,293	111,558	(8,734)
Total	429,385	422,897	(6,487)

Note: The Company recognized an impairment of ¥31,798 million on stocks in other securities with determinable market value for the year ended March 31, 2009. Furthermore, securities with the market value dropped by more than 30 % in comparison to acquisition cost are treated as impaired unless the clear possibility of recovery exists.

2 Other securities sold during the year ended March 31, 2009

(Millions of yen)

Proceeds from sales	Gains on sales	Loss on sales
376,389	107	0

Note: Proceeds from sales include redemption and cancellation of bonds, MMF, and others.

3 Other securities without a determinable market value as of March 31, 2009

(Millions of yen)

Type of securities	Carrying value
Other securities	
Beneficiary securities of bond investment trust	1,969
Certificate of deposit	2,000
Unlisted securities	28,176

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

4 Redemption schedule for securities with maturity date classified as other securities as of March 31, 2009

(Millions of yen)

Type of securities	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) Bonds				
Public bonds	106,218	180,541	20,058	20,825
Corporate bonds	—	—	—	—
Other	39,320	29	—	—
(2) Other	2,000	—	—	—
Total	147,538	180,570	20,058	20,825

For the year ended March 31, 2010

1 Other securities as of March 31, 2010

(Millions of yen)

Type of securities	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceed their acquisition costs			
(1) Stocks	28,825	43,779	14,954
(2) Bonds			
Public bonds	275,323	276,952	1,628
Corporate bonds	—	—	—
Other	18,562	18,801	239
(3) Other	6,732	8,721	1,989
Subtotal	329,443	348,255	18,811
Securities whose acquisition costs exceed their carrying value			
(1) Stocks	26,872	22,395	(4,477)
(2) Bonds			
Public bonds	104,506	102,922	(1,584)
Corporate bonds	—	—	—
Other	59,025	59,016	(9)
(3) Other	12,111	12,092	(18)
Subtotal	202,516	196,426	(6,090)
Total	531,959	544,681	12,721

2 Other securities sold during the year ended March 31, 2010

(Millions of yen)

Type of securities	Proceeds from sales	Gain on sales	Loss on sales
(1) Stocks	—	—	—
(2) Bonds			
Public bonds	107,500	—	—
Corporate bonds	—	—	—
Other	266,653	—	—
(3) Other	31,130	—	—
Total	405,283	—	—

Note: Proceeds from sales include redemption and cancellation of bonds, MMF, and others.

(Derivatives Transactions)
For the year ended March 31, 2010

1 Derivatives not subject to hedge accounting
None
2 Derivatives subject to hedge accounting
(1) Derivatives related to interest rate

(Millions of yen)

Hedge accounting method	Type of derivatives	Principal items hedged	Contract amounts	Due after one year	Fair value
Special treatment of interest rate swaps	Interest rate swaps payment fixed, receipt fluctuated	Long-term debt	10,340	8,300	(*)

(*) Fair value of derivatives for which special treatment of interest rate swaps is applied is included to the fair value of long-term debt since it is a part of the long-term debt.

(Per share information)

For the year ended March 31, 2009		For the year ended March 31, 2010	
Net assets excluding minority interests per share	¥540,100.10	Net assets excluding minority interests per share	¥589,548.88
Net income per share	¥61,601.60	Net income per share	¥45,553.56

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

	For the year ended March 31, 2009	For the year ended March 31, 2010
Net income (Millions of yen)	145,062	107,210
Amount not attributable to common stockholders (Millions of yen)	—	—
Net income attributable to common stockholders (Millions of yen)	145,062	107,210
Average number of shares (shares)	2,354,852	2,353,494
Common stock	2,354,851	2,353.493
Common stock equivalent share; Special class share	1	1

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

(Significant subsequent events)

None

(Omissions of disclosure)

With respect to information for leases, related party transactions, tax accounting, and retirement benefits plan respective disclosure has been omitted because it does not have significant impact on the consolidated financial statements.

5 Non-consolidated Financial Statements

(1) Non-consolidated balance sheets

(Millions of yen)

Accounts	As of March 31, 2009	As of March 31, 2010
(Assets)		
Current assets		
Cash and deposits	30,067	23,039
Accounts receivable-trade	19,875	27,130
Marketable securities	119,174	103,670
Finished goods	3,327	2,673
Work in process and partly-finished construction	79	112
Raw materials and supplies	2,512	2,531
Advance payments-trade	124	53
Prepaid expenses	230	647
Short-term loans receivable to subsidiaries and affiliates	49,711	35,893
Accounts receivable-other	13,353	13,614
Other	5,499	2,735
Allowance for doubtful accounts	(48)	(20)
Total current assets	243,908	212,083
Fixed assets		
Tangible fixed assets		
Buildings, net	9,426	9,687
Structures, net	85,544	111,519
Wells, net	8,156	4,530
Machinery and equipment, net	22,827	24,494
Vehicles, net	22	24
Tools, furniture and fixtures, net	771	791
Land	15,140	16,375
Leased assets, net	207	163
Construction in progress	29,021	35,301
Total tangible fixed assets	171,117	202,888
Intangible assets		
Goodwill	118,200	111,247
Mining right	0	0
Software	2,888	2,705
Other	1,056	1,883
Total intangible assets	122,144	115,836
Investments and other assets		
Investment securities	212,190	289,868
Investments in stock of subsidiaries and affiliates	413,878	460,949
Investments in capital	0	0
Investments in capital of subsidiaries and affiliates	194	0
Long-term loans receivable	28	20
Long-term loans receivable from employees	56	37
Long-term loans receivable from subsidiaries and affiliates	43,473	65,893
Long-term prepaid expenses	17	15
Real estate for investment, net	12,202	13,350
Recoverable accounts under production sharing	136,795	136,964

(Millions of yen)

Accounts	As of March 31, 2009	As of March 31, 2010
Other	10,004	14,543
Allowance for doubtful accounts	(526)	(492)
Allowance for recoverable accounts under production sharing	(957)	(554)
Allowance for investments in explora-	(162,862)	(181,534)
Total investments and other assets	664,496	799,062
Total fixed assets	957,759	1,117,786
Total assets	1,201,667	1,329,869

(Millions of yen)

Accounts	As of March 31, 2009	As of March 31, 2010
(Liabilities)		
Current liabilities		
Accounts payable-trade	1,691	2,831
Current portion of long-term loans payable	4,210	4,210
Lease obligations	84	70
Accounts payable-other	21,338	26,568
Accrued expenses	2,101	2,279
Income taxes payable	26,730	24,614
Deferred tax liabilities	207	423
Advances received	131	1,611
Deposits payable	806	628
Accrued bonuses to officers	113	110
Other	84	53
Total current liabilities	57,498	63,402
Long-term liabilities		
Long-term loans payable	18,123	43,313
Lease obligations	121	90
Deferred tax liabilities	6,203	4,203
Accrued retirement benefits to employees	7,990	7,075
Liabilities for site restoration and decommissioning costs	228	631
Provision for loss on business of subsidiaries and affiliates	1,830	2,014
Other	1,184	1,113
Total long-term liabilities	35,683	58,442
Total liabilities	93,182	121,845
(Net assets)		
Shareholders' equity		
Common stock	30,000	30,000
Capital surplus		
Capital reserve	762,992	762,992
Total capital surplus	762,992	762,992
Retained earnings		
Other retained earnings		
Mine prospecting reserve	4,112	7,741
Unappropriated retained earnings	321,793	399,328
Total retained earnings	325,905	407,069
Treasury stock	(5,248)	(5,248)
Total shareholders' equity	1,113,649	1,194,813
Valuation, translation adjustments and others		
Unrealized holding gain on securities	(5,164)	13,210
Total valuation, translation adjustments and others	(5,164)	13,210
Total net assets	1,108,485	1,208,024
Total liabilities and net assets	1,201,667	1,329,869

(2) Non-consolidated statements of income

(Millions of yen)

Accounts	For the year ended March 31, 2009	For the year ended March 31, 2010
Operating revenues		
Net sales	151,451	347,770
Dividends income	9,433	-
Management consulting fee income	2,617	-
Total operating revenue	163,502	347,770
Cost of sales	50,021	127,635
Gross profit	113,481	220,134
Exploration expenses	1,467	2,996
Selling, general and administrative expenses	22,624	34,868
Operating income	89,389	182,269
Other income		
Interest income	1,585	2,188
Interest income-securities	1,115	1,722
Dividends income	28,559	32,682
Other	2,497	3,829
Total other income	33,758	40,423
Other expenses		
Interest expense	174	604
Provision of allowance for investment loss in exploration	4,816	20,161
Loss on valuation of investment securities	26,700	-
Foreign exchange losses	12,017	15,756
Other	815	1,256
Total other expenses	44,524	37,779
Ordinary income	78,623	184,913
Extraordinary income		
Gain on extinguishment of tie-in shares	266,950	-
Total extraordinary income	266,950	-
Income before income taxes	345,574	184,913
Income taxes-current	36,479	90,221
Income taxes-deferred	(14,578)	(1,769)
Total income taxes	21,901	88,451
Net income	323,672	96,461

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

(Millions of yen)

Accounts	For the year ended March 31, 2009	For the year ended March 31, 2010
Shareholders' equity		
Common stock		
Balance at the beginning of the period	30,000	30,000
Balance at the end of the period	30,000	30,000
Capital surplus		
Legal capital surplus		
Balance at the beginning of the period	762,992	762,992
Balance at the end of the period	762,992	762,992
Other capital surplus		
Balance at the beginning of the period	2	-
Changes during the period		
Disposal of treasury stock	(2)	-
Total changes during the period	(2)	-
Balance at the end of the period	-	-
Total capital surplus		
Balance at the beginning of the period	762,994	762,992
Changes during the period		
Disposal of treasury stock	(2)	-
Total changes during the period	(2)	-
Balance at the end of the period	762,992	762,992
Retained earnings		
Other retained earnings		
Mine prospecting reserve		
Balance at the beginning of the period	-	4,112
Changes during the period		
Provision of mine prospecting reserve	4,112	7,741
Reversal of mine prospecting reserve	-	(4,112)
Total changes during the period	4,112	3,629
Balance at the end of the period	4,112	7,741
Retained earnings brought forward		
Balance at the beginning of the period	21,092	321,793
Changes during the period		
Provision of mine prospecting reserve	(4,112)	(7,741)
Reversal of mine prospecting reserve	-	4,112
Dividends from surplus	(18,846)	(15,297)
Net income	323,672	96,461
Disposal of treasury stock	(13)	-
Total changes during the period	300,700	77,535
Balance at the end of the period	321,793	399,328

(Millions of yen)

Accounts	For the year ended March 31, 2009	For the year ended March 31, 2010
Total retained earnings		
Balance at the beginning of the period	21,092	325,905
Changes during the period		
Provision of mine prospecting reserve	-	-
Reversal of mine prospecting reserve	-	-
Dividends from surplus	(18,846)	(15,297)
Net income	323,672	96,461
Disposal of treasury stock	(13)	-
Total changes during the period	304,812	81,164
Balance at the end of the period	325,905	407,069
Treasury stock		
Balance at the beginning of the period	(2,215)	(5,248)
Changes during the period		
Purchase of treasury stock	(3,563)	-
Disposal of treasury stock	530	-
Total changes during the period	(3,032)	-
Balance at the end of the period	(5,248)	(5,248)
Total shareholders’ equity		
Balance at the beginning of the period	811,872	1,113,649
Changes during the period		
Cash dividends paid	(18,846)	(15,297)
Net income	323,672	96,461
Purchase of treasury stock	(3,563)	-
Disposal of treasury stock	514	-
Total changes during the period	301,777	81,164
Balance at the end of the period	1,113,649	1,194,813

(Millions of yen)

Accounts	For the year ended March 31, 2009	For the year ended March 31, 2010
Valuation, translation adjustments and others		
Unrealized holding gain (loss) on securities		
Balance at the beginning of the period	16	(5,164)
Changes during the period		
Other changes in items other than those in shareholders' equity (net)	(5,181)	18,375
Total changes during the period	(5,181)	18,375
Balance at the end of the period	(5,164)	13,210
Total valuation and translation adjustments		
Balance at the beginning of the period	16	(5,164)
Changes during the period		
Other changes in items other than those in shareholders' equity (net)	(5,181)	18,375
Total changes during the period	(5,181)	18,375
Balance at the end of the period	(5,164)	13,210
Total net assets		
Balance at the beginning of the period	811,888	1,108,485
Changes during the period		
Cash dividends paid	(18,846)	(15,297)
Net income	323,672	96,461
Purchase of treasury stock	(3,563)	-
Disposal of treasury stock	514	-
Other changes in items other than those in shareholders' equity (net)	(5,181)	18,375
Total changes during the period	296,596	99,539
Balance at the end of the period	1,108,485	1,208,024

(4) Conditions or events that indicate there could be substantial doubt about the Company's ability to continue as a going concern

None

6 Other

(1) Changes in directors and statutory auditors of the Company

Not applicable for the current fiscal year. Information will be disclosed promptly at the point of which disclose is required.

(2) Production, orders received and sales performance

1) Actual production

The following table shows actual production by business segment:

Business segment	Category	For the year ended March 31, 2009	For the year ended March 31, 2010
Crude oil and natural gas	Crude oil	81 MMbbls (223 Mbbls per day)	80MMbbls (218 Mbbls per day)
	Natural gas	398 Bcf (1,090 MMcf per day)	410 Bcf (1,123 MMcf per day)
	Subtotal	148 MMboe (405 Mboe per day)	148 MMboe (405 Mboe per day)
	Petroleum products	236 Mkl (1,484 Mbbls)	240 Mkl (1,512 Mbbls)
	Iodine	496 tons	453 tons
	Electric power generation	109 millions kWh	137 millions kWh

Notes:

1. The volume of LPG produced overseas is included in 'Crude oil.' On the other hand, the volume of LPG produced in the domestic refinery is included in 'Petroleum Products.'
2. A portion of crude oil production volume is consumed as material for petroleum products.
3. A portion of crude oil and natural gas production volume is consumed as fuel to generate electricity.
4. The production by the Company's affiliates accounted for by the equity method is included in the figures above. Also the production volume is a result for the year ended March 31 regardless of a closing date of fiscal periods of its subsidiaries or affiliates.
5. The production volume of crude oil and natural gas under the production sharing contracts entered into by INPEX Group corresponds to the net economic take of the group.
   Figures calculated by multiplying the gross production volume by the Company's interest share are 122 MMbbls (335 Mbbls per day) of crude oil, 550 Bcf (1,507 MMcf per day) of natural gas, and in total 214 MMboe (586 Mboe per day). For calculating the gas production based on interest share, 100% of the gas production volume measured at wellhead (separator gas) had been used until the year ended March 31, 2009. However, from the year ended March 31, 2010, the Company applies marketable gas volume basically adjusted for delivery specifications, excluding own fuel consumption, re-injection, losses as flare, diffusion, process loss and inert gas generated at plant etc.
6. Boe stands for barrels of oil equivalent.
7. The volume of petroleum products is converted to bbl in parenthesis. Applied coefficient is 6.29 bbls per kl.
8. Iodine is refined by other company on consignment.
9. Figures are rounded to the nearest whole number.

2) Orders received

Disclosure on this information is omitted because the amount of orders received is accounted for a minor portion of total sales. In addition, there is no production for orders received in crude oil and natural gas business.

3) Actual sales

a) The Company takes back the full amount of crude oil produced overseas allocated to us under production sharing contracts and produced under concession agreements, and sell it to domestic and foreign customers. The Company sells natural gas produced in Indonesia in the form of LNG to Japanese power companies, city gas companies and customers in South Korea, Taiwan and other countries through PERTAMINA. In addition, the Company sells natural gas produced in Japan to customers using our pipeline.

b) Sales by business segment during each period were as follows:

(Millions of yen)

<table>
<tr><th>Business segment</th><th>Category</th><th colspan="2">For the year ended March 31, 2009</th><th colspan="2">For the year ended March 31, 2010</th></tr>
<tr><td rowspan="5">Crude oil and natural gas</td><td>Crude Oil</td><td>75,427 Mbbls</td><td>650,352</td><td>76,095 Mbbls</td><td>486,920</td></tr>
<tr><td rowspan="2">Natural Gas</td><td>401,076 MMcf</td><td rowspan="2">398,266</td><td>416,684 MMcf</td><td rowspan="2">326,412</td></tr>
<tr><td>LPG: 2,067 Mbbls</td><td>LPG: 3,377 Mbbls</td></tr>
<tr><td>Others</td><td colspan="2">25,693</td><td colspan="2">24,507</td></tr>
<tr><td>Subtotal</td><td colspan="2">1,074,312</td><td colspan="2">837,840</td></tr>
<tr><td>Other</td><td></td><td colspan="2">1,852</td><td colspan="2">2,586</td></tr>
<tr><td colspan="2">Total</td><td colspan="2">1,076,164</td><td colspan="2">840,427</td></tr>
</table>

Notes:
1. The above amounts do not include the related consumption tax.
2. The Companys' subsidiaries of which closing date for fiscal year is December 31 are principally consolidated their operating results for the year ended December 31 except those subsidiaries prepared their financial statement for consolidation purpose as of the consolidation closing date. However, the significant effects of the difference in fiscal periods were properly adjusted in consolidation.
3. Sales volumes are rounded to nearest whole number.
4. Sales for major customers and sales as a percentage of total net sales are as follows. Sales amount of PERTAMINA consists mostly of natural gas and over half of them are sold to Japanese customers in the form of LNG.

<table>
<tr><th rowspan="2">Customer</th><th colspan="2">For the year ended March 31, 2009</th><th colspan="2">For the year ended March 31, 2010</th></tr>
<tr><th>Amount (Millions of yen)</th><th>Ratio (%)</th><th>Amount (Millions of yen)</th><th>Ratio (%)</th></tr>
<tr><td>PERTAMINA</td><td>315,889</td><td>29.4</td><td>240,137</td><td>28.6</td></tr>
</table>