INPEX TEISEKI

Consolidated Financial Results for the year ended March 31, 2008

May 14, 2008

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

Company name	: **INPEX Holdings Inc.**	Stock Exchange on which the Company is listed	: Tokyo Stock Exchange
Code number	: 1605	URL	http://www.inpexhd.co.jp/
Representative	: Naoki Kuroda, President		
Contact person	: Shuhei Miyamoto, General Manager, Corporate Communications Unit TEL+81-3-5448-0205		
Scheduled date of ordinary general meeting of shareholders	: June 25, 2008	Scheduled date of payment of cash dividends: June 26, 2008	
Scheduled date of filing Financial report	: June 26, 2008		

(Amounts less than one million yen are rounded off)

1. Consolidated Financial Results for the year ended March 31, 2008 (April 1, 2007-March 31, 2008)

(1) Consolidated operating results

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

	Net sales		Operating income		Ordinary income		Net income	
For the year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2008	1,202,965	24.1	714,211	27.7	685,799	17.0	173,245	4.9
March 31, 2007	969,712	—	559,077	—	586,262	—	165,091	—

	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, 2008	73,510.14	—	15.8	40.2	59.4
March 31, 2007	70,423.45	—	17.7	38.8	57.7

(Reference): Equity in earnings of affiliates: for the year ended March 31, 2008, ¥ 1,764 million
for the year ended March 31, 2007, ¥ 1,349 million

(2) Consolidated financial position

	Total assets	Net assets	Net assets excluding minority interests as a percentage of total assets	Net assets excluding minority interests per share
	Million yen	Million yen	%	Yen
As of March 31, 2008	1,807,900	1,238,812	64.0	491,168.09
As of March 31, 2007	1,608,106	1,080,016	64.0	436,467.92

(Reference): Net assets excluding minority interests: as of March 31, 2008, ¥ 1,157,370 million
as of March 31, 2007, ¥ 1,028,894 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of the period
For the year ended	Million yen	Million yen	Million yen	Million yen
March 31, 2008	363,994	(261,766)	(45,228)	222,269
March 31, 2007	231,981	(209,243)	13,793	189,416

2. Dividends

	Annual cash dividends per share			Total cash dividends (Annual)	Payout ratio (Consolidated)	Cash dividends as a percentage of net assets (Consolidated)
	At 1st half end	At fiscal year end	Total			
For the year ended	Yen	Yen	Yen	Million yen	%	%
March 31, 2007	—	7,000.00	7,000.00	16,501	9.9	1.8
March 31, 2008	3,500.00	4,000.00	7,500.00	17,673	10.2	1.6
For the year ending March 31, 2009 (estimated)	4,000.00	4,000.00	8,000.00	—	15.7	—

3. Estimated Consolidated Operating Results for the year ending March 31, 2009 (April 1, 2008-March 31, 2009)

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

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
For the six months ending September 30, 2008	541,000	(2.4)	320,000	(1.8)	302,000	(6.1)	56,000	(30.9)	23,765.44
For the year ending March 31, 2009	1,040,000	(13.5)	616,000	(13.8)	589,000	(14.1)	120,000	(30.7)	50,925.94

4. Others

(1) Significant changes in scope of consolidation : No

(2) Changes in accounting policies

1. Changes due to changes in accounting standard : Yes
2. Other changes : No

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

(3) Number of shares issued (Common stock)

1. Number of shares issued at the end of the period (including treasury stocks): as of March 31, 2008; 2,358,410 shares
as of March 31, 2007; 2,358,410 shares
2. Number of treasury shares at the end of the period: as of March 31, 2008: 2,047 shares
as of March 31, 2007; 1,089 shares

Note: Since shareholder of the special class share is entitled to the same rights as that for shareholders of common stock regarding dividends and the distribution of residual property, the special class share is classified as common stock equivalent share.
Refer to page 32 " 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, 2008 (April 1, 2007-March 31, 2008)

(1) Operating results

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

	Operating revenues		Operating income		Ordinary income		Net income	
For the year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2008	18,394	(43.9)	15,624	(49.0)	15,738	(48.3)	15,576	(48.6)
March 31, 2007	32,801	—	30,643	—	30,432	—	30,326	—

	Net income per share—basic	Net income per share—diluted
For the year ended	Yen	Yen
March 31, 2008	6,609.38	—
March 31, 2007	12,862.32	—

(2) Financial position

	Total assets	Net assets	Net assets as a percentage of total assets	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2008	812,565	811,888	99.9	344,551.68
As of March 31, 2007	822,786	822,153	99.9	348,766.27

(Reference): Net assets: as of March 31, 2008, ¥ 811,888 million
as of March 31, 2007, ¥ 822,153 million

*Explanation regarding the appropriate use of estimated consolidated operating results

The aforementioned forecasts of " 3. Estimated Consolidated Operating Results for the year ending March 31, 2009" are based on currently available information and contain many uncertainties. Changing business conditions including oil and gas price levels, production and sales plans, projects development schedules, government regulations, and financial and tax schemes may cause actual results to differ from the above forecasts. Issues relating to the above forecasts are referred to page 3 of the accompanying materials.

1 Results of Operations and Financial Position

(1) Results for the year ended March 31, 2008

During this fiscal year, the overall Japanese economy has shown a steady recovery, bolstered by strong global economic growth, driven by buoyant economies in the United States and China. However, outlook of Japanese economy has greater uncertainty by slowdown of the U.S. economy stemming from the so-called sub-prime loan issue, soaring natural resources prices and appreciation of the yen.

Under the business environment, global crude oil prices, an important factor that affects our group's businesses, underwent a year of great change throughout the fiscal year, where WTI (West Texas Intermediate) rose by US$35.64 per bbl. WTI price stored at US$65.94 per bbl in April, then the price firming up due to political uncertainty in Nigeria and low-level gasoline stock. From September to December, the price continuously increased due to geopolitical risks such as strengthening of U.S. sanction to Iran, influx of speculative money in the future oil market due to concern of weak dollar and inflation stemming from the sub-prime loan issue, and then WTI exceeded US$100 per bbl ceiling. After the price setting a record high of US$111.80 per bbl in March, the price dropped forward the end of the month and closed at US$101.58 per bbl at the fiscal year end. Meanwhile, domestic crude oil and petroleum products prices followed a similar pattern of global price movements.

The foreign exchange market, an important factor that also affects our group's businesses, began to trade at the lower end of the 118 yen level and hovered around the lower end of the 120 yen. From early July, due to the sub-prime loan issue becoming surface, dollar dropped against yen associated with U.S. stock market dropping in value. Amid the concerns of U.S. economy may go recession, continuous interest rate reduction by FRB caused to close interest spread between U.S. and Japan, and the exchange rate touched 95 yen at one point. Until the fiscal year end, the exchange rate rebound slightly for stronger dollar and as a result TTM closed at 100.20 yen which was 17.89 yen appreciation compared to the fiscal year end of March 31, 2007.

Consolidated net sales for the year ended March 31, 2008 increased by ¥233,252 million, or 24.1%, to ¥1,202,965 million from the previous fiscal year due to increase in sales prices and sales volume of crude oil and natural gas, despite negative effect of appreciation of Japanese yen against U.S. dollar. Net sales of crude oil increased by ¥176,064 million, or 29.0%, to ¥783,465 million, and net sales of natural gas increased by ¥58,153 million, or 17.5%, to ¥391,090 million. Sales volume of crude oil increased by 2,440 Mbbls, or 2.9 %, to 85,716 Mbbls mainly due to increase in production volume at ACG Oil Fields. Sales volume of natural gas increased by 36,001 MMcf, or 9.8%, to 402,081 MMcf. Sales volume of natural gas produced overseas increased by 21,650 MMcf, or 6.8%, to 340,235 MMcf mainly due to initiation of natural gas sales at Venezuela, and sales volume of natural gas produced domestically increased by 385 MM ㎥, or 30.2%, to 1,657 MM ㎥ (61,846 MMcf) mainly due to increase in sales volume for major clients. The average sales price of crude oil produced overseas increased by US$17.91 per bbl, or 28.8 %, to US$80.07 per bbl. Meanwhile, the average sales price of natural gas produced overseas increased by US$0.75 per Mcf, or 10.0%, to US$8.26 per Mcf. The less increase in the average sales price of natural gas produced overseas relative to crude oil was mainly due to lower unit price of the Venezuela project whose sales are recorded since the current period. By the energy policy of government of Venezuela, natural gas produced is supplied at lower price for domestic demand for energy. In addition, the average sales price of natural gas produced domestically increased by ¥0.74, or 2.1%, to ¥35.70 per ㎥. The average exchange rate of Japanese yen against U.S. dollar appreciated for sales ¥3.19, or 2.7%, to ¥113.71 per U.S. dollar from the previous fiscal year.

The increase of ¥233.2 billion in net sales was derived mainly from the following factors: an increase in sales volume contributed ¥48.6 billion and an increase in unit sales price contributed ¥216.6 billion, whereas appreciation of Japanese yen against U.S. dollar for sales adversely affected ¥31.0 billion and net sales excluding crude oil and natural gas decreased by ¥0.9 billion.

Cost of sales for the year ended March 31, 2008 increased by ¥46,759 million, or 13.6%, to ¥390,554 million mainly due to increase in royalty at ADMA Block owing to increase in sales and increase in expenses for development wells at South Natuna See Block B and Offshore Mahakam Block. Exploration expenses increased by ¥16,406 million, or 92.7%, to ¥34,095 million. Selling, general and administrative expenses increased by ¥14,952 million, or 30.4%, to ¥64,104 million mainly due to increase in transportation cost of crude oil and depreciation expenses. As a result, operating income increased by ¥155,133 million, or 27.7%, to ¥714,211 million.

Other income decreased by ¥26,989 million, or 44.9 %, to ¥33,089 million due to absence of gain on transfer of mining rights which recorded in previous fiscal year. Other expenses increased by ¥28,607 million, or 87.0%, to ¥61,501 million mainly due to loss on valuation of investment securities and increase in provision for allowance for recoverable accounts under production sharing due to increase in exploration activities at Masela Block. As a result, ordinary income increased by ¥99,536 million, or 17.0%, to ¥685,799 million.

Total amount of current income taxes and deferred income taxes increased by ¥78,110 million, or 18.9%, to ¥491,349 million, and minority interests were ¥21,204 million. As a result of above effects, net income for the year ended March 31, 2008 increased by ¥8,154 million, or 4.9%, to ¥173,245 million from the previous fiscal year.

With respect to segment information, the oil and natural gas business combined accounts for more than 90% of the aggregate sales, 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, 2008 are expected to be ¥541.0 billion, to decrease ¥13.1 billion (2.4%) compared with for the six months ended September 30, 2007, net sales for the year ending March 31, 2009 are expected to be ¥1,040 billion, to decrease ¥162.9 billion (13.5%) compared with for the year ended March 31, 2008.

Operating income for the six months ending September 30, 2008 are expected to be ¥320.0 billion, to decrease ¥5.9 billion (1.8%) compared with for the six months ended September 30, 2007, operating income for the year ending March 31, 2009 are expected to be ¥616.0 billion to decrease ¥98.2 billion (13.8%) compared with for the year ended March 31, 2008.

Ordinary income for the six months ending September 30, 2008 are expected to be ¥302.0 billion, to decrease ¥19.6 billion (6.1%) compared with for the six months ended September 30, 2007, ordinary income for the year ending March 31, 2009 are expected to be ¥589.0 billion, to decrease ¥96.7 billion (14.1%) compared with for the year ended March 31, 2008, and net income for the six months ending September 30, 2008 are expected to be ¥56.0 billion, to decrease ¥25.0 billion (30.9%) compared with for the six months ended September 30, 2007, net income for the year ending March 31, 2009 are expected to be ¥120.0 billion, to decrease

¥53.2 billion (30.7%) compared with for the year ended March 31, 2008.

The reason both sales and income will decrease is mainly due to expecting the rise in the exchange rate of the Japanese yen against the U.S. dollar compared with this fiscal year.

In these estimates, the crude oil price for the first-half period is assumed to be US$90 per barrel (for Brent crude) and the crude oil price for the second-half period is assumed to be US$ 80 per barrel (for Brent crude) with the exchange rate of the Japanese yen against the U.S. dollar at ¥100 through the year ending March 31, 2009.

(2) Financial Position

Consolidated total assets as of March 31, 2008 increased by ¥199,793 million to ¥1,807,900 million from ¥1,608,106 million as of March 31, 2007. Current assets increased by ¥90,986 million to ¥565,110 million mainly due to increase in cash and deposits, accounts payable-trade and marketable securities. Fixed assets increased by ¥108,807 million to ¥1,242,789 million mainly due to increase in tangible fixed assets and recoverable accounts under production sharing.

Meanwhile, total liabilities increased by ¥40,997 million to ¥569,088 million from ¥528,090 million as of March 31, 2007. Current liabilities increased by ¥59,038 million to ¥325,285 million mainly due to increase in overseas income taxes payable. Long-term liabilities decreased by ¥18,040 million to ¥243,802 million mainly due to decrease in long-term debt.

Net assets increased by ¥158,796 million, to ¥1,238,812 million. Total shareholders' equity increased by ¥147,391 million, to ¥1,164,894 million, total valuation, translation adjustment and others decreased by ¥18,915 million to ¥ (7,524) million and minority interests increased by ¥30,320 million to ¥81,442 million.

As for cash flows for the year ended March 31, 2008, net cash provided by operating activities increased by ¥132,012 million to ¥363,994 million from the previous fiscal year mainly due to increase in sales price and sales volume of crude oil and natural gas. Meanwhile, net cash used in investing activities increased by ¥52,523 million to ¥261,766 million mainly due to purchases of investment securities, investment in recoverable accounts under production sharing (capital expenditures) and payments for purchase of tangible fixed assets. Net cash used in financial activities increased by ¥45,228 million (deduction from net cash provided by financial activities ¥13,793 million at the previous fiscal year) to ¥59,022 million mainly due to repayments of long-term debt. After deducting ¥24,147 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, 2008 amounted to ¥32,853 million. Cash and cash equivalents at the end of the year ended March 31, 2008 totaled ¥222,269 million reflecting above net increase of ¥32,853 million from ¥189,416 million at the end of the previous fiscal year.

(3) Dividend Policy and dividends for the year ended March 31, 2008 and for the year ending March 31, 2009

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

We decided year-end dividend to be ¥4,000 per share for the year ended March 31, 2008 based on the policy above. With the mid-term dividend of ¥3,500 per share, thus total dividend for the year is to be ¥7,500 per share

We plan mid-term dividend to be ¥4,000 per share and year-end dividend to be ¥4,000 for the year ending March 31, 2009, and total dividend for the year is to be ¥8,000 per share.

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

2. Overview of the INPEX Holdings Group

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

3. Management Policy

1. Management Strategy

On April 3, 2006, INPEX CORPORATION and Teikoku Oil Co., Ltd. integrated their businesses, and established a joint holding company, INPEX Holdings Inc. (the Company). INPEX CORPORATION and Teikoku Oil Co., Ltd. are wholly-owned subsidiaries of the Company. Our Board of Directors Meeting held on April 28, 2008 decided to undertake an absorption merger with its wholly owned and consolidated subsidiaries, INPEX CORPORATION and Teikoku Oil Co., Ltd., with October 1, 2008 as the merger date, and the Company executed an Absorption Merger Agreement with INPEX CORPORATION and Teikoku Oil Co., Ltd on the same day.

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, particularly our operator projects. Furthermore, to ensure sustainable growth from the medium- to long-term perspective, we are leveraging to the maximum 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. Medium-to Long Term Management Key Initiatives

The key management initiatives for the Company in developing petroleum and natural gas resources is 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.

With the tougher conditions associated with acquiring resources overseas, we continuously effort to ensuring long-term growth through the business integration.

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 Balance between Crude Oil and Gas

In terms of output by products, the share of crude oil is about 60% compared with about 40% for natural gas as a result of business integration.

Since crude oil is a commodity highly sensitive to various factors, the selling price fluctuates in the marketplace. On the other hand, the term of sales contract with customers are for a short period(one year), the required investment for production and transportation facilities is relatively small and the development period is comparatively short compared with the natural gas projects. Accordingly, profitability can be achieved comparatively soon after discovery in the case of oil fields.

Commercial production of natural gas requires substantial investments and a long lead time of preparation for constructing liquefaction plants and pipelines. Because 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, profitability can be maintained.

Regarding a new project, 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 technical capabilities and winning recognition from oil and gas producing countries and international oil campaniles. The Company is pursuing opportunities to act as operator with the substantially enhanced technical 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 obtaining 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, 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 diversify risk by increasing opportunities for participation in projects through enhanced cooperation with the major international oil companies, the national oil companies of oil and gas producing countries and 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 CO_2 and NO_x 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

New technologies such as GTL (Gas to Liquids) and DME (Dimethyl Ether) produce synthesizing liquid fuel as oil substitute form by reforming natural gas at normal temperature. Their environmental benefits have attracted attention because the GTL products contain almost no pollutants. As the Company has large reserves of natural gas, we are participating in R&D projects for GTL and DME. Introduction of these new technologies is considered in our plans to develop a new gas fields.

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, 2007 (A)		As of March 31, 2008 (B)		Fluctuation (B)-(A)
	Amounts	Ratio	Amounts	Ratio	Amounts
(Assets)					
Ⅰ Current assets					
1 Cash and deposits	194,278		204,596		
2 Accounts receivable-trade	81,954		120,948		
3 Marketable securities	55,586		115,730		
4 Inventories	13,254		19,716		
5 Deferred tax assets	17,242		11,236		
6 Accounts receivable-other	81,688		83,436		
7 Other	30,129		9,504		
Allowance for doubtful accounts	(11)		(58)		
Total current assets	474,123	29.5	565,110	31.3	90,986
Ⅱ Fixed assets					
1 Tangible fixed assets *1,3,4,5					
(1) Buildings and structures	103,091		112,291		
(2) Wells	17,597		19,893		
(3) Machinery, equipment and vehicles	44,356		49,001		
(4) Land	28,310		28,386		
(5) Construction in progress	22,505		28,720		
(6) Other	3,366		16,187		
Total tangible fixed assets	219,227	13.6	254,481	14.0	35,253
2 Intangible assets *4					
(1) Goodwill	132,105		121,644		
(2) Exploration and development rights	127,110		120,176		
(3) Mining rights	4,364		18,843		
(4) Other	2,240		4,815		
Total intangible assets	265,821	16.5	265,480	14.7	(340)
3 Investments and other assets					
(1) Investment securities *2,3	354,851		360,726		
(2) Long-term loans receivable	3,388		9,361		
(3) Recoverable accounts under production sharing	319,149		383,162		
(4) Deferred tax assets	—		20,618		
(5) Other *2	34,879		31,279		
Allowance for doubtful accounts	(1,869)		(911)		
Allowance for recoverable accounts under production sharing	(51,190)		(71,445)		
Allowance for investments in exploration	(10,273)		(9,963)		
Total investments and other assets	648,934	40.4	722,827	40.0	73,893
Total fixed assets	1,133,982	70.5	1,242,789	68.7	108,807
Total assets	1,608,106	100.0	1,807,900	100.0	199,793

(Millions of yen, %)

Accounts	As of March 31, 2007 (A)		As of March 31, 2008 (B)		Fluctuation (B)-(A)
	Amounts	Ratio	Amounts	Ratio	Amounts
(Liabilities)					
Ⅰ Current liabilities					
1 Accounts payable-trade	21,793		22,582		
2 Short-term loans *3	50,649		19,274		
3 Income taxes payable	85,143		131,523		
4 Accounts payable-other *3	88,768		111,505		
5 Provision for exploration projects	6,899		10,786		
6 Accrued bonuses to officers	193		208		
7 Other	12,799		29,404		
Total current liabilities	266,247	16.5	325,285	18.0	59,038
Ⅱ Long-term liabilities					
1 Long-term debt *3	198,320		174,813		
2 Deferred tax liabilities	38,994		44,296		
3 Accrued retirement benefits to employees	8,371		8,645		
4 Accrued retirement benefits to officers	1,712		475		
5 Liabilities for site restoration and decommissioning costs	11,930		12,728		
6 Liabilities for losses on development activities	1,964		1,964		
7 Accrued special repair and maintenance	179		229		
8 Other *3	370		649		
Total long-term liabilities	261,843	16.3	243,802	13.5	(18,040)
Total liabilities	528,090	32.8	569,088	31.5	40,997
(Net assets)					
Ⅰ Shareholders' equity					
1 Common stock	30,000	1.9	30,000	1.7	—
2 Capital surplus	418,491	26.0	418,493	23.1	2
3 Retained earnings	570,120	35.5	718,616	39.7	148,496
4 Treasury stock	(1,108)	(0.1)	(2,215)	(0.1)	(1,106)
Total shareholders' equity	1,017,503	63.3	1,164,894	64.4	147,391
Ⅱ Valuation, translation adjustments and others					
1 Unrealized holding gain (loss) on securities	9,348	0.6	(7,468)	(0.4)	(16,816)
2 Unrealized gain from hedging instruments	17	0.0	3	0.0	(14)
3 Translation adjustments	2,025	0.1	(60)	(0.0)	(2,085)
Total valuation, translation adjustments and others	11,391	0.7	(7,524)	(0.4)	(18,915)
Ⅲ Minority interests	51,121	3.2	81,442	4.5	30,320
Total net assets	1,080,016	67.2	1,238,812	68.5	158,796
Total liabilities and net assets	1,608,106	100.0	1,807,900	100.0	199,793

(2) Consolidated Statements of Income

(Millions of yen, %)

Accounts		For the year ended March 31, 2007 (A)			For the year ended March 31, 2008 (B)			Fluctuation (B) - (A)
		Amounts		Ratio	Amounts		Ratio	Amounts
Ⅰ Net sales			969,712	100.0		1,202,965	100.0	233,252
Ⅱ Cost of sales			343,794	35.5		390,554	32.5	46,759
Gross profit			625,918	64.5		812,410	67.5	186,492
Ⅲ Exploration expenses								
1 Exploration expenses		17,780			34,457			
2 Exploration subsidies		(91)	17,688	1.8	(362)	34,095	2.8	16,406
Ⅳ Selling, general and administrative expenses	*1,2		49,152	5.0		64,104	5.3	14,952
Operating income			559,077	57.7		714,211	59.4	155,133
Ⅴ Other income								
1 Interest income		12,843			10,984			
2 Dividend income		2,291			5,439			
3 Equity in earnings of affiliates		1,349			1,764			
4 Gain on transfer of mining rights		33,533			—			
5 Net gain on re-determination of unitized field	*3	—			4,005			
6 Net gain on taking effect of exploration and production agreement	*4	—			3,481			
7 Foreign exchange gain		5,738			2,747			
8 Other		4,322	60,079	6.1	4,666	33,089	2.7	(26,989)
Ⅵ Other expenses								
1 Interest expense		12,389			10,887			
2 Provision for allowance for recoverable accounts under production sharing		6,176			20,586			
3 Provision for exploration projects		2,973			3,104			
4 Loss on valuation of investment securities		—			21,349			
5 Other		11,355	32,893	3.4	5,572	61,501	5.1	28,607
Ordinary income			586,262	60.4		685,799	57.0	99,536
Income before income taxes and minority interests			586,262	60.4		685,799	57.0	99,536
Income taxes-current		432,894			496,852			
Income taxes-deferred		(19,655)	413,239	42.6	(5,502)	491,349	40.8	78,110
Minority interests			7,932	0.8		21,204	1.8	13,272
Net income			165,091	17.0		173,245	14.4	8,154

(3) Consolidated Statements of Changes in Net Assets

For the year ended March 31, 2007

(Millions of yen)

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

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

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

For the year ended March 31, 2008

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2007	30,000	418,491	570,120	(1,108)	1,017,503
Changes during the period					
Cash dividends paid			(24,749)		(24,749)
Net income			173,245		173,245
Purchase of treasury stock				(1,159)	(1,159)
Disposal of treasury stock		2		52	54
Changes in items other than those in shareholders' equity (net)					
Total changes during the period	—	2	148,496	(1,106)	147,391
Balance as of March 31, 2008	30,000	418,493	718,616	(2,215)	1,164,894

	Valuation, translation adjustments and others				Minority interests	Total net assets
	Unrealized holding gain (loss) on securities	Unrealized gain from hedging instruments	Translation adjustments	Total valuation, translation adjustments and others		
Balance as of March 31, 2007	9,348	17	2,025	11,391	51,121	1,080,016
Changes during the period						
Cash dividends paid						(24,749)
Net income						173,245
Purchase of treasury stock						(1,159)
Disposal of treasury stock						54
Changes in items other than those in shareholders' equity (net)	(16,816)	(14)	(2,085)	(18,915)	30,320	11,404
Total changes during the period	(16,816)	(14)	(2,085)	(18,915)	30,320	158,796
Balance as of March 31, 2008	(7,468)	3	(60)	(7,524)	81,442	1,238,812

(4) Consolidated Statements of Cash Flows

(Millions of yen)

Accounts	For the year ended March 31, 2007 (A)	For the year ended March 31, 2008 (B)	Fluctuation (B)-(A)
	Amounts	Amounts	Amounts
Ⅰ Cash flows from operating activities			
Income before income taxes and minority interests	586,262	685,799	
Depreciation and amortization	30,599	36,181	
Amortization of goodwill	6,977	6,616	
Provision for allowance for recoverable accounts under production sharing	6,080	21,206	
Provision for exploration projects	3,038	3,937	
Provision for accrued retirement benefits to employee	845	275	
Provision for site restoration and decommissioning costs	1,214	815	
Other provisions	1,376	(2,376)	
Interest and dividend income	(15,134)	(16,423)	
Interest expense	12,389	10,887	
Foreign exchange loss (gain)	(1,652)	1,035	
Equity in earnings of affiliates	(1,349)	(1,764)	
Gain on transfer of mining rights	(33,533)	—	
Loss on the sales of investment securities	2,613	15	
Loss on the valuation of investment securities	—	21,349	
Accounts receivable-trade	(10,385)	(39,392)	
Recovery of recoverable accounts under production sharing (capital expenditures)	105,949	92,147	
Recoverable accounts under production sharing (operating expenditures)	(18,955)	(26,052)	
Inventories	(8,085)	(2,274)	
Accounts payable-trade	(879)	481	
Accounts receivable-other	—	(16,985)	
Accounts payable-other	—	21,809	
Advances received	—	10,351	
Other	(3,810)	7,156	
Subtotal	663,561	814,795	151,233
Interest and dividends received	20,559	17,514	
Interest paid	(11,993)	(11,507)	
Income taxes paid	(440,146)	(456,806)	
Net cash provided by operating activities	231,981	363,994	132,012

(Millions of yen)

Accounts	For the year ended March 31, 2007 (A)	For the year ended March 31, 2008 (B)	Fluctuation (B)-(A)
	Amounts	Amounts	Amounts
Ⅱ Cash flows from investing activities			
Increase in time deposits	(17,078)	(2,764)	
Decrease in time deposits	2,797	18,996	
Payments for purchases of marketable securities	(5,140)	(39,948)	
Proceeds from sales of marketable securities	23,643	51,494	
Payments for purchases of tangible fixed assets	(37,844)	(59,465)	
Proceeds from sales of tangible fixed assets	955	182	
Payments for purchases of intangible assets	(1,778)	(2,012)	
Payments for purchases of investment securities	(109,823)	(112,378)	
Proceeds from sales of investment securities	43,609	104	
Investment in recoverable accounts under production sharing (capital expenditures)	(111,313)	(131,059)	
Decrease (increase) in short-term loans receivable	(6,523)	10,534	
Long-term loans made	(832)	(7,452)	
Collection of long-term loans receivable	888	526	
Payments for purchase of mining rights	—	(15,886)	
Proceeds from transfer of mining rights	6,707	27,890	
Other	2,490	(529)	
Net cash used in investing activities	(209,243)	(261,766)	(52,523)
Ⅲ Cash flows from financing activities			
Decrease in short-term loans	(120)	(50)	
Proceeds from long-term debt	30,083	40,784	
Repayments of long-term debt	(38,661)	(67,745)	
Proceeds from minority interests for additional shares	3,606	8,344	
Purchase of treasury stock	(1,169)	(1,104)	
Proceeds from sales of treasury stock	22,397	—	
Cash dividends paid	(10,791)	(24,718)	
Dividends paid to minority shareholders	(81)	(737)	
Stock transfer payment	(867)	(0)	
Restricted cash deposit	9,400	—	
Net cash (used in) provided by financing activities	13,793	(45,228)	(59,022)
Ⅳ Effect of exchange rate changes on cash and cash equivalents	1,741	(24,147)	(25,888)
Ⅴ Net increase in cash and cash equivalents	38,273	32,853	(5,420)
Ⅵ Cash and cash equivalents at beginning of the period	151,143	189,416	38,273
Ⅶ Cash and cash equivalents at end of the period *1	189,416	222,269	32,853

(5) Basic of Presenting Consolidated Financial Statements

For the year ended March 31, 2007	For the year ended March 31, 2008
1.Scope of consolidation Number of consolidated subsidiaries: 60 Names of major subsidiaries; INPEX CORPORATION, Teikoku Oil Co., Ltd., Japan Oil Development Co., Ltd., INPEX Natuna, Ltd., INPEX Sahul, Ltd., Teikoku Oil D.R. Congo, Co., Ltd., INPEX Southwest Caspian Sea, Ltd., INPEX North Caspian Sea, Ltd., INPEX Browse, Ltd., INPEX Masela, Ltd. During this period: Number of new companies included in consolidated subsidiaries: 5 Details for the above changes: INPEX Offshore Northeast Java, Ltd., Teikoku Oil and Gas Venezuela, C. A., and 3 other companies have been included due to establishment of the companies. Names of major unconsolidated subsidiaries: Sakata Natural Gas, Co., Ltd., Teikoku Oil de Burgos, S.A. de C. V. (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: 60 Names of major subsidiaries; INPEX CORPORATION, Teikoku Oil Co., Ltd., Japan Oil Development Co., Ltd., INPEX Natuna, Ltd., INPEX Sahul, Ltd., Teikoku Oil D.R. Congo, Co., Ltd., INPEX Southwest Caspian Sea, Ltd., INPEX North Caspian Sea, Ltd., INPEX Browse, Ltd., INPEX Masela, Ltd. During this period: Number of new companies included in consolidated subsidiaries: 3 Number of companies excluded from consolidated subsidiaries: 3 Details for the above changes: (1) Teikoku Oil Suriname, Co., Ltd., Teikoku Oil Cabinda Co., Ltd., and INPEX UK Ltd. have been included due to establishment of the companies. (2) Teikoku Oil Company Panama, S.A., INPEX Offshore South Sulawesi, Ltd., and Teikoku Oil Venezuela, 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. (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. During this fiscal year: Number of new companies included in affiliates accounted for by the equity method: 1 Number of companies excluded from affiliates accounted for by the equity method: 1 Details for the above changes: (1) Petroguarico, S.A. has been included due to establishment of the company. (2) Dai-ichi Petroleum Development Co., Ltd. has been excluded due to completion of liquidation.	2. Application of equity method Same as on the left Number of affiliates accounted for by the equity method: 14 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. During this fiscal year: Number of new companies included in affiliates accounted for by the equity method: 1 Detail for the above change: MI Berau Japan Ltd. has been included due to subscription to capital.

For the year ended March 31, 2007	For the year ended March 31, 2008
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.	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.	(Reason for not applying the equity method) Same as on the left
Procedures for application of the equity method:	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.	Same as on the left

For the year ended March 31, 2007	For the year ended March 31, 2008
3. Closing dates for the fiscal year of consolidated subsidiaries For the 39 companies for which the closing date differed from the consolidated closing date, including, but not limited to, INPEX Sahul, Ltd., INPEX Browse, Ltd., and INPEX Masela, Ltd., we used the financial statements for the year ended December 31. However, the necessary adjustments have been made to the financial statements of those companies to reflect any significant transactions made between the Company's closing date and those of the consolidated subsidiaries. For the 11 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.	3. Closing dates for the fiscal year of consolidated subsidiaries For the 40 companies for which the closing date differed from the consolidated closing date, including, but not limited to, INPEX Sahul, Ltd. and INPEX Masela, Ltd., we used the financial statements for the year ended December 31. However, the necessary adjustments have been made to the financial statements of those companies to reflect any significant transactions made between the Company's closing date and those of the consolidated subsidiaries. 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. (Additional information) Until the year ended March 31, 2007, INPEX Browse, Ltd. had been consolidated on the basis of fiscal period ended December 31, which differs from that of the Company. Effective the year ended March 31, 2008, its financial statements prepared for consolidation purpose as of the consolidation closing date has been used due to increase in its materiality. Accordingly, the consolidated operating results for the year ended March 31, 2008 included operating results for 15 months from January 1, 2007 to March 31, 2008. The effect of this change does not have a significant impact on the consolidated financial statements.
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. (b) Inventories Products Carried mainly at the lower of cost or market, cost being determined by the moving-average method Supplies Carried mainly at cost, determined by the moving-average method Work in process Carried at cost, determined by the individual cost basis	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 (b) Inventories Products Same as on the left Supplies Same as on the left Work in process Same as on the left

For the year ended March 31, 2007	For the year ended March 31, 2008
2) Depreciation method of significant depreciable assets (a) Tangible fixed assets Depreciation of mining facilities is mainly computed by the unit-of-production method. For other tangible fixed assets, straight-line method of depreciation is applied. Useful lives of significant fixed assets are as follows: Buildings and structures: 2-60 years Wells: 3 years Machinery, equipment and vehicles: 2-22 years Wells and certain machinery (offshore platform and related facilities) are depreciated to the expected residual value (zero).	2) Depreciation method of significant depreciable assets (a) Tangible fixed assets Depreciation of mining facilities is mainly computed by the unit-of-production method. For other tangible fixed assets, straight-line method of depreciation is applied. Useful lives of significant fixed assets are as follows: Buildings and structures: 2-60 years Wells: 3 years Machinery, equipment and vehicles: 2-22 years (Changes in accounting policy) As for tangible fixed assets acquired on and after April 1, 2007, the Company and certain subsidiaries have changed the depreciation method based on an amendment in corporation tax law. This change does not have significant impact on the consolidated financial statements. (Additional information) As for other tangible fixed assets whose book value reached their residual value, the Company and certain subsidiaries depreciates the residual value equally over 5 years in accordance with the method prescribed in amendment in corporation tax law. This change does not have significant impact on the consolidated financial statements.
(b) Intangible assets Exploration and development rights Exploration and development rights at the exploration stage are fully amortized in the consolidated fiscal year. Such rights which are at the production stage are amortized by the unit-of-production method. 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 Exploration and development rights Same as on the left Mining rights Same as on the left Other Same as on the left
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

For the year ended March 31, 2007	For the year ended March 31, 2008
(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, 2007.	(e) Accrued bonuses to officers Accrued bonuses to officers are provided at expected payment amount for the year ended March 31, 2008.
(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 Same as on the left
(g) Accrued retirement benefits to officers Accrued retirement benefits to officers are stated at the amount which would be required to be paid as if all officers voluntarily terminated their services as of the balance sheet date based on their respective internal rules.	(g) Accrued retirement benefits to officers Same as on the left
(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.	(h) 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.	(i) 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.	(j) Accrued special repair and maintenance Same as on the left

For the year ended March 31, 2007	For the year ended March 31, 2008
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 important leases Non-cancelable finance leases are primarily accounted for as operating leases except that lease agreements which stipulate the transfer of ownership of the leased assets to the lessee are accounted for as finance leases.	5) Accounting for important leases Same as on the left
6) 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.	6) Accounting for major hedge transactions (a) Hedge accounting Same as on the left (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, 2007	For the year ended March 31, 2008
7) 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. 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.	7) 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 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

(Changes in Presentation)

For the year ended March 31, 2007	For the year ended March 31, 2008
―	(Consolidated Balance Sheets) “Deferred tax assets”, previously included in “Other” investments and other assets is separately presented because its amount exceeded 1% of total assets. The amount of “Deferred tax assets” as of March 31, 2007 is ¥2,405 million. (Consolidated Cash Flows) “Accounts receivable-other”, “Accounts payable-other” and “Advances received” previously included in “Other” cash flows from operating activities are separately presented due to increase in their materiality. The amount of “Accounts receivable-other” is ¥(6,617) million, “Accounts payable-other” is ¥24,210 million and “Advances received” is ¥(2,650) million for the year ended March 31, 2007, respectively.

(6) Notes
(Consolidated balance sheets)

As of March 31, 2007

*1 Accumulated depreciation
Accumulated depreciation of tangible fixed assets is ¥454,161 million.

*2 The Company has the following investments in subsidiaries and affiliates:

Investment securities (equities)	: ¥29,084 million
Other (investments and other assets)	: ¥924 million

*3. Assets provided as collateral and collateral-backed debt are as follows:

(Collateralized Assets)		Millions of yen
Buildings and structures	2,180	(1,652)
Wells	36	(36)
Machinery, equipments and vehicles	8,748	(8,748)
Land	1,826	(660)
Others (tangible fixed assets)	0	(0)
Investment securities	9,998	(－)
Total	22,790	(11,097)

(Secured debt)		
Short-term loans	95	(－)
Accounts payable-other	5,480	(4,956)
Long-term debt	15,272	(14,525)
Others (long-term liabilities)	16	(－)
Total	20,864	(19,481)

* Amounts in parenthesis () above represent foundation collateral and liabilities.
In addition, investment securities of ¥7,208 million are pledged as collateral for the BTC pipeline project financing.

*4 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 tangible fixed assets related to gain on insurance policies was ¥2 million for others (tangible fixed assets).

As of March 31, 2008

*1 Accumulated depreciation
Accumulated depreciation of tangible fixed assets is ¥447,121 million.

*2 The Company has the following investments in subsidiaries and affiliates:

Investment securities (equities)	: ¥36,583 million
Other (investments and other assets)	: ¥1,124 million

*3. Assets provided as collateral and collateral-backed debt are as follows:

(Collateralized Assets)		Millions of yen
Buildings and structures	2,446	(1,962)
Wells	3,166	(3,166)
Machinery, equipments and vehicles	10,058	(10,058)
Land	1,826	(660)
Others (tangible fixed assets)	0	(0)
Investment securities	6,512	(－)
Total	24,010	(15,848)

(Secured debt)		
Short-term loans	95	(－)
Accounts payable-other	3,723	(3,207)
Long-term debt	13,218	(12,411)
Others (long-term liabilities)	16	(－)
Total	17,054	(15,618)

* Amounts in parenthesis () above represent foundation collateral and liabilities.
In addition, investment securities of ¥6,907 million are pledged as collateral for the BTC pipeline project financing.

*4 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 ―――――――――――――

As of March 31, 2007	As of March 31, 2008
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* 13,729 Sakhalin Oil and Gas Development Co., Ltd. 11,845 Japan Ohanet Oil & Gas Co., Ltd. 1,759 ALBACORA JAPAO PETROLEO LIMITADA 1,569 Sakata Natural Gas Co., Ltd. 1,013 Nippon Oil Exploration (Malaysia) Limited. 770 Nippon Oil Exploration (Sarawak) Limited. 286 Employees (housing loans) 537 Total 31,511 *Debt for investment funds of Tangguh LNG project through MI Berau B. V. In addition, INPEX BTC Pipeline, Ltd., a consolidated subsidiary, is contingently liable as guarantor of indebtedness of BTC Pipeline Project Finance in the amount of ¥7,252 million until BTC Pipeline project completion (guarantee for completion).	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* 17,487 Sakhalin Oil and Gas Development Co., Ltd. 5,990 INPEX Offshore North Campos, Ltd. 1,780 Japan Ohanet Oil & Gas Co., Ltd. 897 Sakata Natural Gas Co., Ltd. 775 ALBACORA JAPAO PETROLEO LIMITADA 664 Nippon Oil Exploration (Malaysia) Limited. 553 Fujian Tranche * 397 Nippon Oil Exploration (Sarawak) Limited. 81 Employees (housing loans) 449 Total 29,077 *Debt for investment funds of Tangguh LNG project through MI Berau B. V. and MI Berau Japan Ltd. In addition, INPEX BTC Pipeline, Ltd., a consolidated subsidiary, is contingently liable for next scheduled payment, which is ¥340 million as of the balance sheet date, as the guarantor of indebtedness of BTC Pipeline Project Finance under certain conditions.

(Consolidated statements of income)

For the year ended March 31, 2007	For the year ended March 31, 2008
*1. Major accounts included in selling, general and administrative expenses are as follows: Millions of yen Personnel expenses 11,082 (Including provision for accrued retirement benefits to officers 339) (Including provision for accrued retirement benefits to employees 451) (Including provision for accrued bonuses to officers 193) Freight expenses 8,671 Depreciation expenses 12,867 Amortization of goodwill 6,977	*1. Major accounts included in selling, general and administrative expenses are as follows: Millions of yen Personnel expenses 12,433 (Including provision for accrued retirement benefits to officers 216) (Including provision for accrued retirement benefits to employees 650) (Including provision for accrued bonuses to officers 208) Freight expenses 15,041 Depreciation expenses 15,825 Amortization of goodwill 6,616
*2. Research and development expenses included in general and administrative expenses: ¥300 million	*2. Research and development expenses included in general and administrative expenses: ¥2,228 million
―――――――	*3. Net gain on re-determination of unitized field The Company re-determined reserves at a certain unitized field and agreed with other third parties to change the Companys' participating interest percentage retroactively. As a consequence, the Company recognizes its revenue and expenditure occurred in the past and records the net gain.
―――――――	*4. Net gain on taking effect of exploration and production agreement Upon taking effect of exploration and production agreement, the Company retroactively adjusts its revenue and expenditure occurred in the past and records the net gain.

(Consolidated statements of changes in net assets)

For the year ended March 31, 2007

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

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

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

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

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

2. Share subscription rights

None

3. Dividends

(1) Cash dividends paid

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

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

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

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

For the year ended March 31, 2008

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

	Balance as of March 31, 2007	Increase	Decrease	Balance as of March 31, 2008
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	1,089	1,007	49	2,047
Total	1,089	1,007	49	2,047

Notes 2: Increase in treasury stock of common stock is due to purchase of 1,007 odd lot shares.
3: Decrease in treasury stock of common stock is due to sales of 49 odd lot shares.

2. Share subscription rights
None

3. Dividends
(1) Cash dividends paid

Resolution	Type of share	Cash dividends paid (Millions of yen)	Dividends per share (Yen)	Entitlement date	Effective date
Ordinary general meeting of shareholders held on June 26, 2007	Common stock	16,501	7,000	March 31, 2007	June 27, 2007
	Special class share	0	7,000	March 31, 2007	June 27, 2007
Board of directors' meeting held on November 9, 2007	Common stock	8,248	3,500	September 30, 2007	December 5, 2007
	Special class share	0	3,500	September 30, 2007	December 5, 2007

(2) Dividends, of which the entitlement date was in the year ended March 31, 2008, and whose effective date will be in the next fiscal year

Resolution	Type of share	Source of dividends	Cash dividends paid (Millions of yen)	Dividends per share (Yen)	Entitlement date	Effective date
Ordinary general meeting of shareholders held on June 25, 2008	Common stock	Retained earnings	9,425	4,000	March 31, 2008	June 26, 2008
	Special class share	Retained earnings	0	4,000	March 31, 2008	June 26, 2008

(Consolidated statements of cash flows)

For the year ended March 31, 2007

*1 Cash and cash equivalents at the end of the period are reconciled to the account reported in the consolidated balance sheet as follows:

	Millions of yen
Cash and deposits	194,278
Time deposits for more than three months and others	(16,827)
Marketable securities (commercial paper)	6,893
Marketable securities (MMF, others)	2,074
Other current assets (short-term bonds with repurchase agreements, others)	2,997
Cash and cash equivalents	189,416

For the year ended March 31, 2008

*1 Cash and cash equivalents at the end of the period are reconciled to the account reported in the consolidated balance sheet as follows:

	Millions of yen
Cash and deposits	204,596
Time deposits for more than three months and others	(592)
Marketable securities (commercial paper)	14,589
Marketable securities (MMF)	1,676
Marketable securities (certificate of deposit)	2,000
Cash and cash equivalents	222,269

(Segment information)

1. Business segment information

For the year ended March 31, 2007

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

For the year ended March 31, 2008

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, 2007 (April 1, 2006 through March 31, 2007)

(Millions of yen)

	Japan	Asia - Oceania	NIS	Middle East - Africa	Americas	Total	Eliminations and other	Consolidated
I Net sales and operating income								
Net sales								
(1) Sales to third parties	77,322	387,542	118,617	386,009	220	969,712	—	969,712
(2) Intercompany sales and transfers between segments	0	—	—	—	—	0	(0)	—
Total	77,322	387,542	118,617	386,009	220	969,713	(0)	969,712
Operating expenses	54,306	145,637	82,995	119,282	1,659	403,882	6,753	410,635
Operating income (loss)	23,016	241,905	35,621	266,726	(1,438)	565,831	(6,753)	559,077
II Assets	197,404	322,115	320,574	254,071	17,775	1,111,942	496,163	1,608,106

Notes: 1. Countries and areas are segmented based on their geographic proximity and their mutual operational relationships.

2. Major countries and areas that belong to segments other than Japan are as follows:

(1) Asia - Oceania・・・・・・・・Indonesia, Australia, East Timor, Vietnam

(2) NIS・・・・・・・・・・・・・・・・Azerbaijan, Kazakhstan

(3) Middle East - Africa・・・UAE, D.R. Congo, Iran, Libya, Egypt, Algeria

(4) Americas・・・・・・・・・・・・Venezuela, Ecuador, USA

3. Unallocated operating expenses included in “Eliminations and other” of ¥9,793 million under the operating expenses are mainly amortization of goodwill and general administrative expenses.

4. Of the figure for assets, ¥496,371 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, 2008 (April 1, 2007 through March 31, 2008)

(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	93,882	452,542	183,878	464,522	8,139	1,202,965	—	1,202,965
(2) Intercompany sales and transfers between segments	—	—	—	—	—	—	—	—
Total	93,882	452,542	183,878	464,522	8,139	1,202,965	—	1,202,965
Operating expenses	61,950	165,836	97,842	140,492	16,101	482,223	6,530	488,754
Operating income (loss)	31,932	286,705	86,035	324,030	(7,961)	720,741	(6,530)	714,211
II Assets	212,305	360,298	363,183	299,563	60,656	1,296,006	511,893	1,807,900

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, Suriname

3. Unallocated operating expenses included in “Eliminations and other” of ¥10,345 million under the operating expenses are mainly amortization of goodwill and general administrative expenses.

4. Of the figure for assets, ¥515,849 million included in “Eliminations and other” are mainly goodwill, cash and deposit, marketable securities and investment securities concerned with the administrative divisions.

5. Change of classification of region

While the classification of region until the previous fiscal year had been “Japan”, “Asia - Oceania”, “NIS”, “Middle East - Africa” and “Americas”, the “NIS” was changed to “Eurasia (Europe - NIS)” due to acquisition of interest in UK project during the year ended March 31, 2008.

3. Overseas sales

For the year ended March 31, 2007

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

Notes:
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, Malaysia, Philippines, Australia
   (2) Other・・・・・・・・・・・・・・・・USA, Italy
3. Overseas sales consist of export sales of the Company and its domestic consolidated companies and sales (other than exports to Japan) of its foreign consolidated subsidiaries.

For the year ended March 31, 2008

	Asia - Oceania	Other	Total
I. Overseas sales (Millions of yen)	381,146	84,470	465,617
II. Consolidated sales (Millions of yen)			1,202,965
III. Overseas sales as a percentage of consolidated sales (%)	31.7	7.0	38.7

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, Malaysia, Philippines, Australia
   (2) Other・・・・・・・・・・・・・・・・USA, Italy
3. Overseas sales consist of export sales of the Company and its domestic consolidated companies and sales (other than exports to Japan) of its foreign consolidated subsidiaries.

(Per share information)

For the year ended March 31, 2007		For the year ended March 31, 2008	
Net assets excluding minority interests per share	¥436,467.92	Net assets excluding minority interests per share	¥491,168.09
Net income per share	¥70,423.45	Net income per share	¥73,510.14

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, 2007	For the year ended March 31, 2008
Net income (Millions of yen)	165,091	173,245
Amount not attributable to common stockholders (Millions of yen)	—	—
Net income attributable to common stockholders (Millions of yen)	165,091	173,245
Average number of shares (shares)	2,344,269	2,356,759
Common stock	2,344,268	2,356,758
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)

No relevant matters

(Omissions of disclosure)

With respect to information for leases, related party transactions, tax accounting, securities, derivatives 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, 2007 (A)		As of March 31, 2008 (B)		Fluctuation (B)-(A)
	Amounts	Ratio	Amounts	Ratio	Amounts
(Assets)					
Ⅰ Current assets					
1 Cash and deposits	15,871		722		
2 Marketable securities	995		7,994		
3 Prepaid expenses	0		136		
4 Deferred tax assets	26		33		
5 Accounts receivable-other	5,994		3,253		
6 Other	28		3		
Total current assets	22,917	2.8	12,142	1.5	(10,774)
Ⅱ Fixed assets					
1 Tangible fixed assets					
(1) Tools and fixtures	2		33		
(2) Construction in progress	19		427		
Total tangible fixed assets	22	0.0	461	0.0	439
2 Intangible assets					
(1) Software	511		1,499		
Total intangible assets	511	0.1	1,499	0.2	988
3 Investments and other assets					
(1) Investment securities	4,962		2,999		
(2) Investments in stock of subsidiaries and affiliates	793,906		793,906		
(3) Other	466		1,556		
Total investments and other assets	799,335	97.1	798,461	98.3	(873)
Total fixed assets	799,868	97.2	800,422	98.5	553
Total assets	822,786	100.0	812,565	100.0	(10,220)

(Millions of yen, %)

Accounts	As of March 31, 2007 (A)		As of March 31, 2008 (B)		Fluctuation (B)-(A)
	Amounts	Ratio	Amounts	Ratio	Amounts
(Liabilities)					
Ⅰ Current liabilities					
1 Accounts payable-other	223		203		
2 Accrued expenses	59		42		
3 Income taxes payable	84		44		
4 Deposits payable	34		34		
5 Accrued bonuses to officers	110		113		
Total current liabilities	511	0.1	439	0.1	(72)
Ⅱ Long-term liabilities					
1 Deferred tax liabilities	2		10		
2 Accrued retirement benefits to officers	117		227		
Total long-term liabilities	120	0.0	237	0.0	116
Total liabilities	632	0.1	676	0.1	44
(Net assets)					
Ⅰ Shareholders' equity					
1 Common stock	30,000	3.6	30,000	3.7	—
2 Capital surplus					
(1) Capital reserve	762,992		762,992		
(2) Other capital surplus	—		2		
Total capital surplus	762,992	92.7	762,994	93.9	2
3 Retained earnings					
(1) Other retained earnings					
Unappropriated retained earnings	30,265		21,092		
Total retained earnings	30,265	3.7	21,092	2.6	(9,173)
4 Treasury stock	(1,108)	(0.1)	(2,215)	(0.3)	(1,106)
Total shareholders' equity	822,149	99.9	811,872	99.9	(10,277)
Ⅱ Valuation, translation adjustments and others					
1 Unrealized holding gain on securities	4	0.0	16	0.0	12
Total valuation, translation adjustments and others	4	0.0	16	0.0	12
Total net assets	822,153	99.9	811,888	99.9	(10,265)
Total liabilities and net assets	822,786	100.0	812,565	100.0	(10,220)

(2) Non-consolidated statements of income

(Millions of yen, %)

Accounts	For the year ended March 31, 2007 (A)			For the year ended March 31, 2008 (B)			Fluctuation (B) - (A)
	Amounts		Ratio	Amounts		Ratio	Amounts
Ⅰ Operating revenues							
1 Dividends income	30,393			15,624			
2 Management consulting fee income	2,407	32,801	100.0	2,769	18,394	100.0	(14,407)
Ⅱ General and administrative expenses		2,157	6.6		2,769	15.1	611
Operating income		30,643	93.4		15,624	84.9	(15,019)
Ⅲ Other income							
1 Interest income	28			24			
2 Interest income-securities	18			73			
3 Interest on refund of income taxes and other	—			17			
4 Other	0	47	0.2	0	115	0.7	67
Ⅳ Other expenses							
1 Interest expense	4			—			
2 Amortization of start-up costs	249			—			
3 Commissions	3			1			
4 Other	0	258	0.8	0	1	0.0	(257)
Ordinary income		30,432	92.8		15,738	85.6	(14,694)
Income before income taxes		30,432	92.8		15,738	85.6	(14,694)
Income taxes—current	132			169			
Income taxes—deferred	(26)	106	0.3	(8)	161	0.9	55
Net income		30,326	92.5		15,576	84.7	(14,750)

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

For the year ended March 31, 2007

(Millions of yen)

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

For the year ended March 31, 2008

(Millions of yen)

	Shareholders' equity							Valuation, translation adjustments and others	Total net assets
	Common stock	Capital surplus			Retained earnings	Treasury stock	Total shareholders' equity	Unrealized holding gain on securities	
		Capital reserve	Other capital surplus	Total capital surplus	Other retained earnings: Unappropriated retained earnings				
Balance as of March 31, 2007	30,000	762,992	—	762,992	30,265	(1,108)	822,149	4	822,153
Changes during the period									
Cash dividend paid					(24,749)		(24,749)		(24,749)
Net income					15,576		15,576		15,576
Purchase of treasury stock						(1,159)	(1,159)		(1,159)
Disposal of treasury stock			2	2		52	54		54
Other changes in items other than those in shareholders' equity (net)								12	12
Total changes during the period	—	—	2	2	(9,173)	(1,106)	(10,277)	12	(10,265)
Balance as of March 31, 2008	30,000	762,992	2	762,994	21,092	(2,215)	811,872	16	811,888

(Significant subsequent events)

For the year ended March 31, 2007	For the year ended March 31, 2008
―――――――	Merger with subsidiaries 1. Purpose of merger The Company was established as a joint holding company through stock transfer by INPEX CORPORATION and Teikoku Oil Co., Ltd. on April 3, 2006. The Company decided to merge with INPEX CORPORATION and Teikoku Oil Co., Ltd. as of October 1, 2008 to achieve more efficient and proactive management. 2. Summary of merger (1) Merger schedule Board of directors meeting to approve the merger agreement: April 28, 2008 Signing of the merger agreement: April 28, 2008 Merger date (effective date): October 1, 2008 (2) Merger method The merger will be an absorption merger, with the Company as a surviving company and INPEX CORPORATION and Teikoku Oil Co., Ltd. as non-surviving companies. INPEX CORPORATION and Teikoku Oil Co., Ltd. will be liquidated as of the effective merger date above. The merger does not involve any issuance of new shares, other increase in capital or payments derived from merger since the Company will merge with wholly-owned subsidiaries. (3) Succession of the assets of the non-surviving companies The Company, as the surviving company, will succeed to the whole assets, liabilities, rights and obligations of the non-surviving companies as of the merger date. 3. Main businesses, financial positions and financial results of predecessor companies

(1) Trade name	INPEX CORPORATION (Non-surviving company) (For the year ended March 31, 2008)	Teikoku Oil Co., Ltd. (Non-surviving company) (For the year ended March 31, 2008)
(2) Main business	Exploration, development, production, distribution of crude oil, natural gas and other energy resources and investment in such company	Exploration, development, production, distribution of crude oil, natural gas and investment in such company
(3) Headquarters	4-1-18 Ebisu, Shibuya-ku, Tokyo, Japan	1-31-10, Hatagaya, Shibuya-ku, Tokyo, Japan
(4) Net sales	¥344,136 million	¥121,531 million
(5) Net income	¥151,005 million	¥29,062 million
(6) Common stock	¥29,460 million	¥19,579 million
(7) Net assets	¥634,423 million	¥218,810 million
(8) Total assets	¥661,515 million	¥293,399 million

6 Others

(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 during each period:

Business segment	Category	For the year ended March 31, 2007	For the year ended March 31, 2008
Crude oil and natural gas	Crude oil	89 MMbbls (243 Mbbls per day)	88 MMbbls (242 Mbbls per day)
	Natural gas	384 Bcf (1,051 MMcf per day)	398 Bcf (1,089 MMcf per day)
	Subtotal	152 MMboe (418 Mboe per day)	155 MMboe (423 Mboe per day)
	Petroleum products	243 Mkl (1,531 Mbbls)	232 Mkl (1,458 Mbbls)
	Iodine	534 tons	490 tons
	Electric power generation	— millions kWh	106 millions kWh

Notes:
1. The volume of LPG produced overseas is included in 'Crude oil.' On the other hand, the amount of LPG produced in the domestic refinery is included in 'Petroleum Products.'
2. A portion of crude oil production volume is consumed as material for petroleum products.
3. A portion of crude oil and natural gas production volume is consumed as fuel to generate electricity.
4. The production by the Company's affiliates accounted for by the equity method is included in the figures above. Also the production volume is a result for the year ended March 31 regardless of a closing date on the basis of fiscal periods of its subsidiaries or affiliates.
5. The production volume of crude oil and natural gas under the production sharing contracts entered by INPEX Holdings Group corresponds to the net economic take of our group.
   Figures calculated by multiplying the gross production volume by our company's interest share are 110 MMbbls (300 Mbbls per day) of crude oil, 696 Bcf (1,902 MMcf per day) of natural gas, and in total 226 MMboe (617 Mboe per day).
6. Boe means barrels of oil equivalent.
7. The volume of petroleum products is converted to bbl in parenthesis. Applied coefficient is 6.29 bbls per kl.
8. Iodine is refined on consignment by another company.
9. Figures are rounded to nearest whole number.

2) Orders received

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

3) Actual sales

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

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

(Millions of yen)

Business segment	Category	For the year ended March 31, 2007		For the year ended March 31, 2008	
Crude oil and natural gas	Crude Oil	83,276 Mbbls	607,400	85,716 Mbbls	783,465
	Natural Gas	366,080 MMcf	332,937	402,081 MMcf	391,090
		LPG: 1,351 Mbbls		LPG: 1,549 Mbbls	
	Others		25,782		26,479
	Subtotal		966,119		1,201,035
Other			3,593		1,929
Total			969,712		1,202,965

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:

Customer	For the year ended March 31, 2007		For the year ended March 31, 2008	
	Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Ratio (%)
PERTAMINA	276,121	28.5	309,750	25.7

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

(Millions of yen)

Accounts	For the year ended March 31, 2007 (A)	For the year ended March 31, 2008 (B)	Fluctuation (B)-(A)
	Amounts	Amounts	Amounts
Ⅰ Net sales	877,322	1,082,541	205,219
Ⅱ Cost of sales	306,600	349,878	43,277
Gross profit	570,721	732,662	161,941
Ⅲ Exploration expenses	14,794	27,824	13,029
Ⅳ Selling, general and administrative expenses	21,810	31,918	10,108
Operating income	534,116	672,920	138,803
Ⅴ Other income	58,239	24,907	(33,331)
1 Interest income	12,196	10,165	(2,031)
2 Equity in earnings of affiliates	977	898	(79)
3 Gain on transfer of mining rights	33,533	—	(33,533)
4 Net gain on re-determination of unitized field	—	4,005	4,005
5 Foreign exchange gain	5,674	3,953	(1,720)
6 Other	5,857	5,884	27
Ⅵ Other expenses	25,898	35,804	9,905
1 Interest expense	11,559	9,959	(1,600)
2 Provision for allowance for recoverable accounts under production sharing	4,775	18,893	14,118
3 Provision for exploration projects	1,975	1,913	(61)
4 Other	7,587	5,037	(2,550)
Ordinary income	566,457	662,023	95,566
Income before income taxes and minority interests	566,457	662,023	95,566
Income taxes-current	418,169	476,354	58,185
Income taxes-deferred	(19,230)	3,370	22,601
Minority interests	7,580	19,348	11,767
Net income	159,938	162,950	3,011

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

(Millions of yen)

Accounts	For the year ended March 31, 2007 (A)	For the year ended March 31, 2008 (B)	Fluctuation (B)-(A)
	Amounts	Amounts	Amounts
Ⅰ Net sales	114,867	153,028	38,161
Ⅱ Cost of sales	59,627	73,153	13,526
Gross profit	55,240	79,874	24,634
Ⅲ Exploration expenses	2,894	6,271	3,376
Ⅳ Selling, general and administrative expenses	20,800	25,441	4,641
Operating income	31,545	48,162	16,616
Ⅴ Other income	4,747	10,197	5,449
1 Interest income	611	753	141
2 Equity in earnings of affiliates	372	866	494
3 Net gain on taking effect of exploration and production agreement	—	3,481	3,481
4 Foreign exchange gain	64	—	(64)
5 Other	3,699	5,095	1,396
Ⅵ Other expenses	6,619	5,989	(630)
1 Interest expense	836	960	123
2 Provision for allowance for recoverable accounts under production sharing	1,401	1,692	291
3 Provision for exploration projects	997	1,190	192
4 Foreign exchange loss	—	1,206	1,206
5 Other	3,384	938	(2,445)
Ordinary income	29,673	52,370	22,697
Ⅶ Special income	653	3	(649)
Ⅷ Special loss	—	882	882
Income before income taxes and minority interests	30,326	51,491	21,164
Income taxes-current	14,688	20,327	5,639
Income taxes-deferred	(162)	(1,347)	(1,184)
Minority interests	351	1,856	1,504
Net income	15,449	30,654	15,205