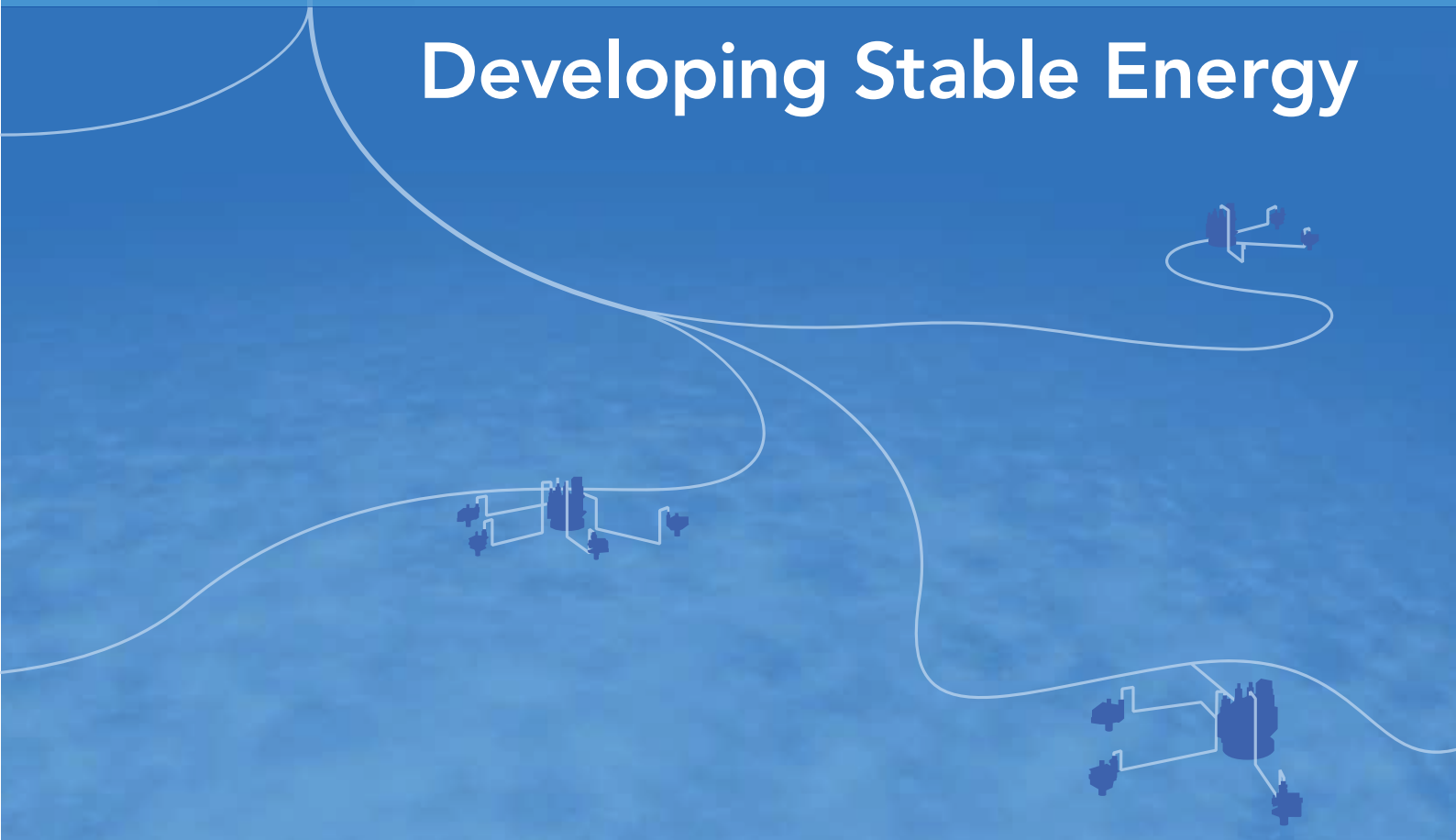
INPEX
Energy for a bright future

INPEX CORPORATION

Annual Report 2012

Year ended March 31, 2012

Developing Stable Energy



Please simply click numbers to jump.

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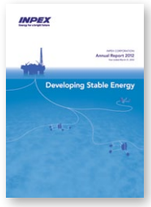
About the Cover

The cover depicts development at our Ichthys LNG Project in Australia. This project is expected to produce 8.4 million tons per year of LNG, which will contribute significantly to energy supply stability to Japan.



▶ See **p. 45–** for the Special Report: Ichthys LNG Project.

INPEX

Energy for a bright future

Developing Stable Energy

Our mission is to contribute to the creation of affluent societies by realizing a stable and efficient supply of energy.

INPEX CORPORATION currently conducts 74 oil and gas projects in 27 countries, making us Japan's largest oil and gas exploration and production (E&P) company. We are engaged in exploration, development and production activities around the globe and have the largest oil and gas reserves and production volume of any Japanese E&P company, ranking among the mid-tier global E&P companies just after the oil majors.

Annual Report 2012 takes "Developing Stable Energy" (the efforts of INPEX to secure a stable energy supply) as its central theme, and provides a comprehensive overview of our operations that spans our corporate mission, business environment and summaries of our large-scale LNG projects (including Ichthys and Abadi), as well as covering the Medium- to Long-Term Vision of INPEX established in May of this year.

Our shares are listed on the First Section of the Tokyo Stock Exchange (Code: 1605) and are included in the Nikkei average (the Nikkei 225).

Abbreviations

bbl	Barrels of oil	**boe**	Barrels of oil equivalent
Mbbl	Thousand barrels	**Mboe**	Thousand barrels of oil equivalent
MMbbl	Million barrels	**MMboe**	Million barrels of oil equivalent
Mbbld	Thousand barrels per day	**Mboed**	Thousand barrels of oil equivalent per day
MMcf	Million cubic feet		
MMcf/d	Million cubic feet per day		

See p. 96 for the notes concerning indicators related to finance, accounting, reserves and production.
See pp. 142–143 for the Oil and Gas Glossary.

To Our Readers

Our Annual Report is intended to provide a detailed understanding of INPEX's management and business to all of our stakeholders, including shareholders, investors, business partners, communities and employees.

For more information, please refer to the following publications offered in conjunction with Annual Report 2012.

Fact Book 2012
A compilation of financial and important management data
(Published in August 2012)

Sustainability Report 2012
INPEX's social responsibility and environmental philosophy, and our efforts in those areas
(Published in September 2012)

MEDIUM- TO LONG-TERM VISION OF INPEX
Our growth targets and the important initiatives we are taking to achieve them
(Published in May 2012)

INPEX IR Web site
▶ **inpex.co.jp/english/ir/**

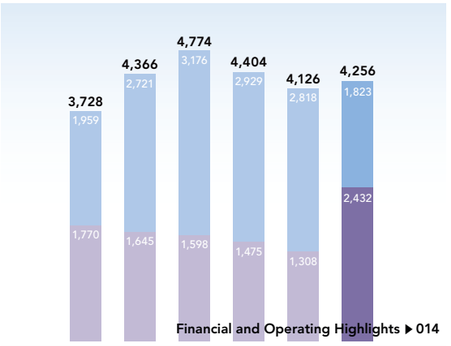
INPEX Annual Report site
▶ **inpex.co.jp/en/annualreport**

FORWARD-LOOKING STATEMENTS
This annual report includes forward-looking information that reflects the Company's plans and expectations. Such forward-looking information is based on the current assumptions and beliefs of the Company in light of the information currently available to it, and involves known and unknown risks, uncertainties and other factors. Such risks, uncertainties and other factors may cause the Company's actual results, performance, achievements or financial position to be materially different from any future results, performance, achievements or financial position expressed or implied by such forward-looking information. Such risks and uncertainties include, without limitations, fluctuations in the following:
- the price of and demand for crude oil and natural gas;
- exchange rates; and
- the costs associated with exploration, development, production and other related expenses.

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

NOTES REGARDING FIGURES
Financial figures in this annual report have been basically rounded to the nearest unit (millions, billions, etc.) for convenience. The "Project Overview by Region" section (starting on p. 58) basically describes the operating situation as of June 30, 2012. Figures in parentheses denote negative amounts.

Annual Report 2012 Contents



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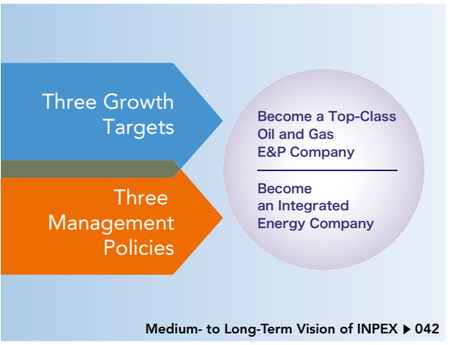
Message from the President ▶ 022



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Long-Term Growth in Global Energy Demand

Global energy demand is expected to further grow in conjunction with the economic development of emerging economies. As resource competition becomes more intense, securing and providing stable supplies of energy will become increasingly important.

Our oil and gas reserves and production volume are the largest among Japanese E&P companies,

contributing to the stable and efficient supply of energy

Our reserves (proved + probable) stood at approximately 4.26 billion boe as of March 31, 2012, and net production for the year ended March 31, 2012, was approximately 426 Mboed. These figures are the largest of any Japanese E&P company, and internationally INPEX ranks among the mid-tier global E&P companies, just after the oil majors.

Net production volume

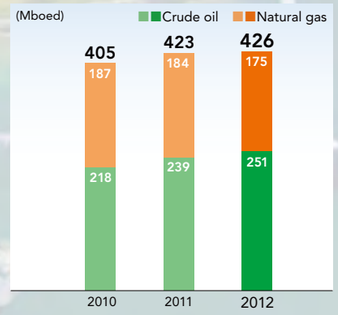

Photo: Bontang LNG Plant, Indonesia

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Focusing on a "Shift to Natural Gas" and "Renewable Energy"

Japan is being forced to revise its energy policy in the wake of its nuclear power plant problems, and both natural gas and renewable energy are in focus because of their importance in achieving an optimal mix of energy resources in terms of safety and environmental impact.

Making Progress in Two Large-Scale LNG Projects

Ichthys (Australia) and Abadi (Indonesia), large-scale gas fields currently operated by INPEX, will produce more than 10% of Japan's annual LNG import volume in total and will form an important source for meeting expanding energy demand.

INPEX will also use the technologies it has cultivated in oil and gas exploration and drilling in its initiatives to commercialize renewable geothermal energy.

Ichthys and Abadi LNG projects

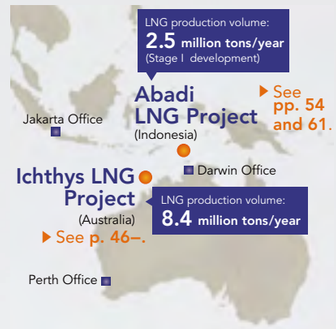

Photo: Drilling rig in offshore Western Australia

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Dynamic Changes in the Energy Development Industry

An issue faced by the energy development industry is how to continuously make large-scale investments over the long term while minimizing various risks.

Conducting 74 projects in 27 countries for a balanced portfolio

INPEX conducts 74 projects in 27 countries, mainly in Asia and Oceania. We avoid an excessive presence in any specific region and seek to maintain a balanced asset portfolio.

Number of overseas projects (As of June 30, 2012)

▶ See pp. 56–57.

Photo: Kashagan oil field, Kazakhstan

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Consolidated net sales
¥1,186.7 billion

Consolidated net income
¥194.0 billion

Consolidated net sales for the year ended March 31, 2012, increased 25.8% to ¥1,186.7 billion and consolidated net income increased 50.7% to ¥194.0 billion due to the rise in oil and gas prices. Cash dividends per share were ¥7,000, an increase of ¥1,000 over the previous fiscal year.

Performance and Cash Dividends for the past three years

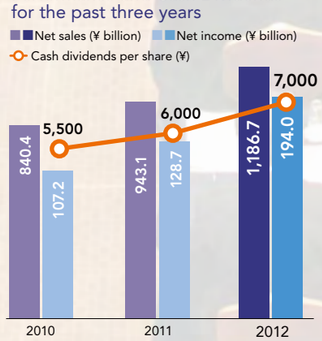

Photo: Financial results presentation for the six months ended September 30, 2011 (held in November 2011)

Achieve net production volume of 1 MMboed by the early 2020s

Three targets for sustainable growth to achieve by the early 2020s were established in May 2012 as the Medium- to Long-Term Vision of INPEX.

▶ See pp. 42–43.

Three Growth Targets

1 Continuous Enhancement of Our E&P Activities
Achieve net production volume of 1 MMboed by the early 2020s

2 Strengthening Our Gas Supply Chain
Achieve domestic gas supply volume of 2.5 billion m³/year by the early 2020s (3.0 billion m³/year in the long term)

3 Reinforcement of Our Renewable Energy Initiatives
Promote efforts to commercialize renewable energies and reinforce R&D activities for the next generation

Photo: Minami-Nagaoka gas field (gas test)

Responsible Management

INPEX conducts strong CSR management including the corporate governance necessary to become a leading oil and gas E&P company. INPEX has endorsed the UN Global Compact, will establish an Advisory Board and has taken other effective measures to ensure responsible management.

▶ See **p. 75–** for our CSR.
▶ See **p. 85–** for our corporate governance.

Photo: Blaydin Point, Northern Territory, Australia (Ichthys LNG Project)

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Performance / Message

E&P Series 1
Core samples

Financial and Operating Highlights

INPEX CORPORATION and Consolidated Subsidiaries
As of or years ended March 31
Please refer to p. 96 for notes of major indices.

	2007	2008	2009	2010	2011	2012	2012 (U.S. dollars)
Results of Operations							
Net sales (Millions of yen / Thousands of U.S. dollars)	¥ 969,713	¥ 1,202,965	¥ 1,076,165	¥ 840,427	¥ 943,080	¥ 1,186,732	$ 14,447,675
Gross profit (Millions of yen / Thousands of U.S. dollars)	625,918	812,411	757,127	542,259	608,247	791,289	9,633,419
Operating income (Millions of yen / Thousands of U.S. dollars)	559,077	714,211	663,267	461,668	529,743	709,358	8,635,963
Net income (Millions of yen / Thousands of U.S. dollars)	165,092	173,246	145,063	107,210	128,699	194,001	2,361,833
EBIDAX (Earnings before interest, depreciation and amortization and exploration) (Millions of yen / Thousands of U.S. dollars)	321,790	382,654	275,871	242,543	274,931	362,597	4,414,378
Financial Position							
Total assets (Millions of yen / Thousands of U.S. dollars)	¥ 1,608,107	¥ 1,807,901	¥ 1,768,045	¥ 2,013,778	¥ 2,680,380	¥ 3,066,398	$ 37,331,361
Net assets excluding minority interests (Millions of yen / Thousands of U.S. dollars)	1,028,895	1,157,371	1,271,123	1,387,500	1,996,890	2,179,252	26,530,947
Net debt (Millions of yen / Thousands of U.S. dollars)	(169,667)	(328,353)	(324,109)	(349,211)	(688,807)	(874,116)	(10,641,782)
Cash Flows							
Cash flows from operating activities (Millions of yen / Thousands of U.S. dollars)	¥ 231,982	¥ 363,995	¥ 230,352	¥ 241,373	¥ 274,094	¥ 320,692	$ 3,904,212
Cash flows from investing activities (Millions of yen / Thousands of U.S. dollars)	(209,243)	(261,767)	(240,168)	(251,812)	(844,511)	(280,864)	(3,419,333)
Cash flows from financing activities (Millions of yen / Thousands of U.S. dollars)	13,794	(45,228)	(46,090)	68,937	548,057	29,294	356,635
Cash and cash equivalents at end of the year (Millions of yen / Thousands of U.S. dollars)	189,417	222,270	162,845	216,395	182,025	249,233	3,034,247
Per Share Data							
Earnings per share (EPS) (Yen / U.S. dollars)	¥ 70,423.45	¥ 73,510.14	¥ 61,601.60	¥ 45,553.56	¥ 40,832.40	¥ 53,137.93	$ 646.92
Net assets per share (Yen / U.S. dollars)	436,467.92	491,168.09	540,100.10	589,548.88	546,958.90	596,908.99	7,266.97
Cash dividends per share (Yen / U.S. dollars)	7,000.00	7,500.00	8,000.00	5,500.00	6,000.00	7,000.00	85.22
Payout ratio (%)	9.9%	10.2%	13.0%	12.1%	14.7%	13.2%	13.2%
Financial Indices							
Net debt / Net total capital employed (%)	(18.6)%	(36.1)%	(31.2)%	(30.6)%	(48.9)%	(60.7)%	(60.7)%
Equity ratio (%)	64.0%	64.0 %	71.9%	68.9%	74.5%	71.1%	71.1%
Return on equity (ROE) (%)	17.7%	15.8 %	11.9%	8.1%	7.6%	9.3%	9.3%
Net return on average capital employed (Net ROACE) (%)	20.4%	21.4 %	14.6%	10.5%	10.8%	16.0%	16.0%
Stock Indices							
Stock price (Yen / U.S. dollars)	¥ 1,020,000	¥ 1,110,000	¥ 683,000	¥ 686,000	¥ 631,000	¥ 559,000	$ 6,805
Market capitalization (Billions of yen / Millions of U.S. dollars)	2,405.6	2,617.8	1,610.8	1,617.9	2,306.8	2,043.6	2,487.9
Price earnings ratio (PER) (Times)	14.5	15.1	11.1	15.1	15.5	10.5	10.5
Price book-value ratio (PBR) (Times)	2.3	2.3	1.3	1.2	1.2	0.9	0.9
Operating Data							
Net proved reserves (MMboe)	1,770	1,645	1,598	1,475	1,308	2,432	2,432
Net production (Mboed)	418	423	405	405	423	426	426
Exploration and development expenditures (Millions of yen / Thousands of U.S. dollars)	217,646	315,684	294,364	235,721	248,005	243,531	2,964,828

The translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation only, at ¥82.14 = U.S.$1.00, the approximate rate of exchange in effect on March 31, 2012.

Net Income

¥194.0 billion ↑

(Up ¥65.3 billion, 50.7% year-on-year)

Despite a decrease in sales volume of natural gas and the effects of yen appreciation, net income increased 50.7% year-on-year to ¥194.0 billion owing to an increase in net sales of ¥243.6 billion due to oil and gas price increases.

Net Income Analysis

Cash Flows

(Cash and cash equivalents at end of the year)

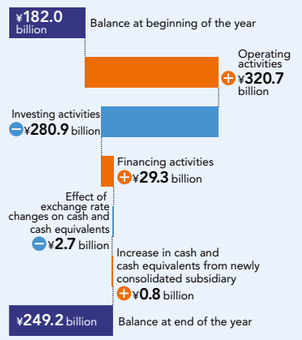
¥249.2 billion ↑

(Up ¥67.2 billion, 36.9% year-on-year)

Net cash provided by operating activities for the year ended March 31, 2012, totaled ¥320.7 billion, an increase of ¥46.6 billion year-on-year due to the increase in income before income taxes and minority interests caused by the rise in oil and gas prices.

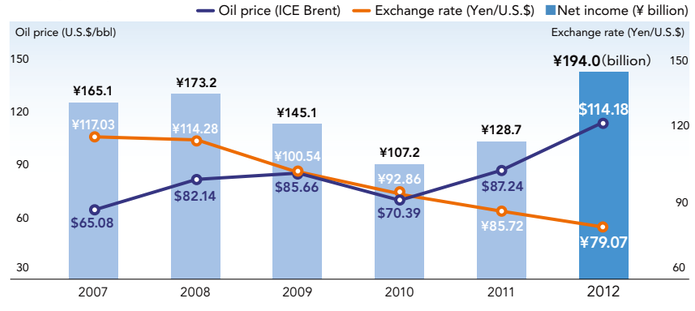
Reflecting net cash used in investing activities of ¥280.9 billion and net cash provided by financing activities of ¥29.3 billion in addition to the amount above, cash and cash equivalents at end of the year increased ¥67.2 billion to ¥249.2 billion.

Cash Flows Analysis



Oil price / Exchange rate / INPEX share price

Average oil price / Average exchange rate / Net income



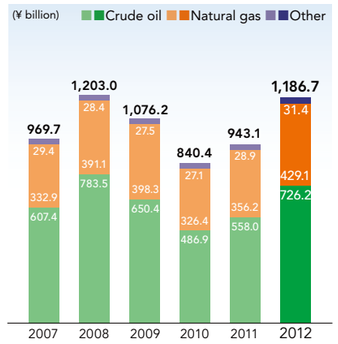
Financial and Operating Highlights (Graphs)

INPEX CORPORATION and Consolidated Subsidiaries
As of or years ended March 31
Please refer to p. 96 for notes of major indices.

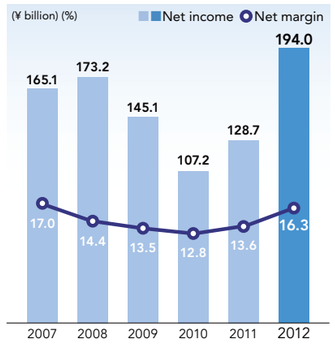
Profitability Indices

▶ See **p. 8** of Fact Book 2012 for more about profitability indices.

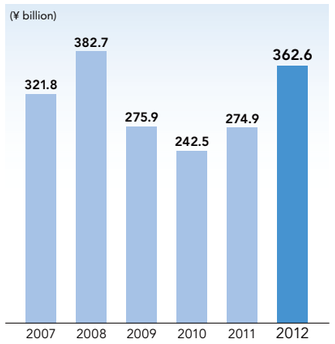
Net sales (by product)



Net income, Net margin



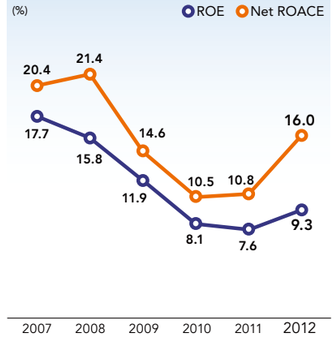
EBIDAX (Earnings before interest, depreciation and amortization and exploration)



Efficiency Indices

▶ See **p. 9** of Fact Book 2012 for more about efficiency indices.

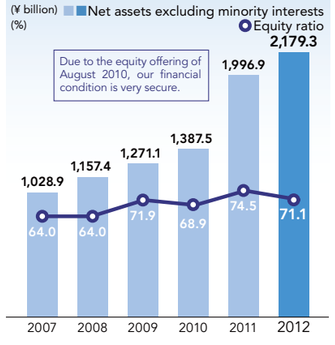
Return on equity (ROE), Net ROACE



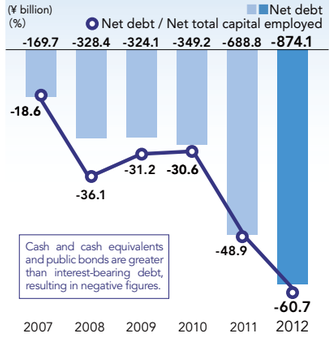
Stability Indices

▶ See **p. 11** of Fact Book 2012 for more about stability indices.

Net assets excluding minority interests, Equity ratio



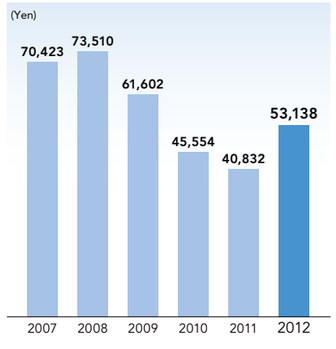
Net debt, Net debt / Net total capital employed



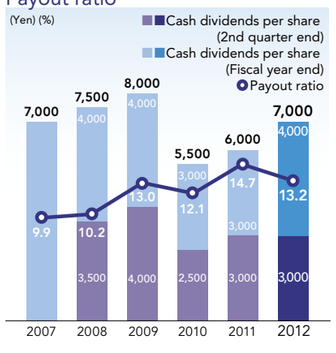
Performance Indices

▶ See **p. 12** of Fact Book 2012 for more about performance indices.

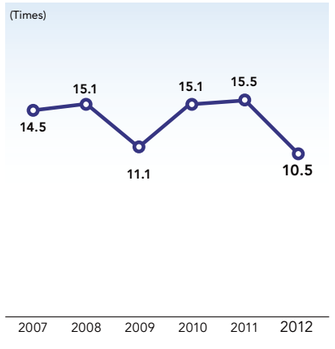
Earnings per share (EPS)



Cash dividends per share, Payout ratio



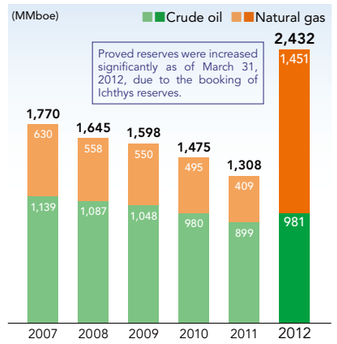
Price earnings ratio (PER)



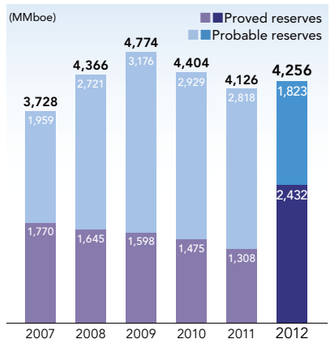
Reserve/Production Indices

▶ See **p. 13** of Fact Book 2012 for more about reserve/production indices.

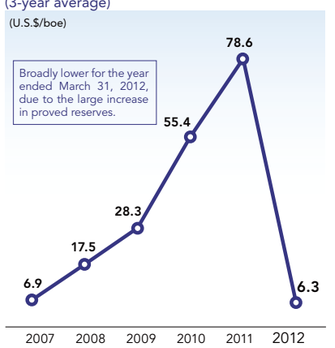
Net proved reserves (by product)



Net proved and probable reserves

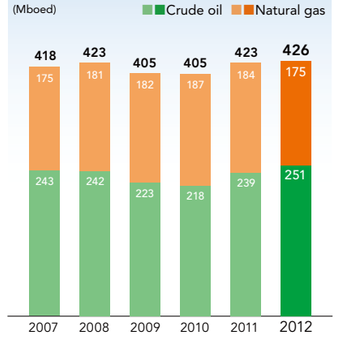


Finding and development cost per boe (3-year average)

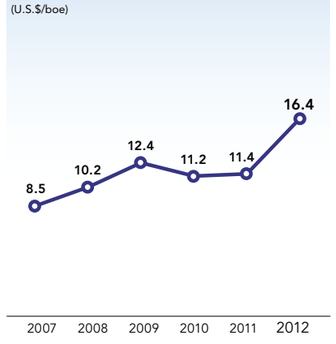


Finding and development cost per boe (3-year average) = The sum of total costs incurred, for exploration and development of oil and gas fields and total costs incurred for acquisitions divided by the sum of proved reserve extensions, acquisitions and revisions.

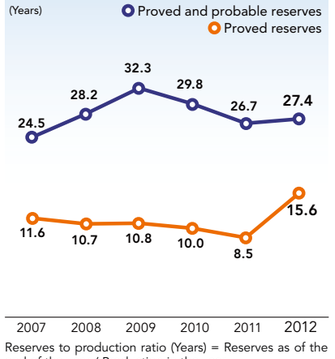
Net production (by product)



Average expenses per boe produced

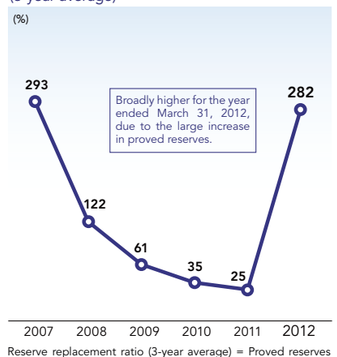


Reserves to production ratio



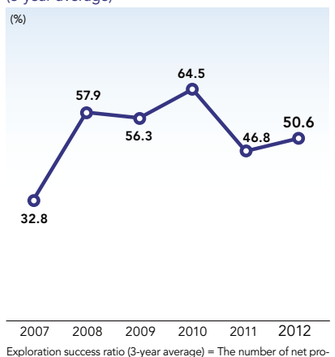
Reserves to production ratio (Years) = Reserves as of the end of the year / Production in the year

Reserve replacement ratio (3-year average)



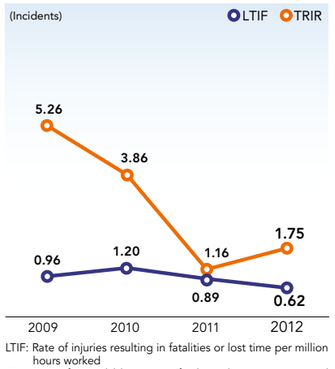
Reserve replacement ratio (3-year average) = Proved reserves increase including acquisition / production

Exploration success ratio (3-year average)



Exploration success ratio (3-year average) = The number of net productive exploratory wells drilled / The number of net exploratory wells drilled. (An exploratory well is a well drilled to find a new field, to find a new reservoir in a field previously found to be productive of oil or gas in another reservoir or to extend the limits of a known reservoir.)

LTIF, TRIR



LTIF: Rate of injuries resulting in fatalities or lost time per million hours worked
TRIR: Rate of recordable injuries (fatalities, lost time, restricted workdays, and medical treatment) per million hours worked

Major Business Topics

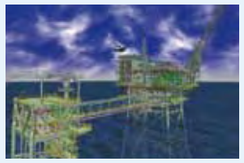
In production / Under development / Preparation for development / Under exploration / Other

2011

June 2011, Indonesia

FID on the Ruby Gas Field

INPEX decided to transition the Ruby Gas Field of the Sebuku Block in Indonesia to the development phase, with a view to commencing production in the second half of 2013.



Offshore production facility at the Ruby Gas Field (image)

July 2011, Indonesia

Decision to transfer a part of the interest in the Abadi LNG Project

INPEX selected Shell as a strategic partner in development studies and made the decision to transfer 30% of the participating interest in the Abadi LNG Project to a subsidiary of Shell.

▶ See pp. 54 and 61.

Floating LNG at Abadi (image)

October 2011, Timor Sea Joint Petroleum Development Area (JPDA)

First oil production at the Kitan Oil Field

Production commenced at the Kitan Oil Field (JPDA06-105 block) on October 10. The oil produced is processed and shipped via a floating production, storage and offloading (FPSO) system. We expect production of around 40 Mbbld (peak rate).

▶ See p. 62.

Production test at the Kitan Oil Field

November 2011, Canada

Participation in a shale gas project

INPEX agreed in principle to acquire a 40% participating interest in the shale gas projects in the Horn River, Cordova and Liard basins in the northwest corner of British Columbia of Canada from Nexen Inc.

▶ See p. 69.

Development site of shale gas

May 2011, Japan

Decision to construct the Toyama Line

INPEX decided to construct a natural gas trunk pipeline (the Toyama Line) from Itoigawa City, Niigata Prefecture, to Toyama City, Toyama Prefecture. It will become operational at the end of 2014.

▶ See p. 72.

Toyama Line (under construction)

June 2011, Japan

Commencement of joint geothermal studies

INPEX joined with Idemitsu in conducting geothermal energy development studies in the Amemasudake area (Akaigawa and Sapporo, Hokkaido Prefecture) and the Oyasu area (Yuzawa, Akita Prefecture).

▶ See p. 74.

Geothermal power generation research areas

November 2011, Indonesia

Acquisition of the Babar Selaru Block

INPEX acquired a 100% participating interest in the Babar Selaru Block, in the eastern part of Indonesia through an open bid, and is conducting exploration activities of the block as the operator.

Location map of block

January 2012, Malaysia

Acquisition of Sabah deepwater blocks

INPEX acquired a 75% participating interest in the deepwater Block S located offshore Sabah, and also acquired a 37.5% participating interest in the deepwater Block R located southwest of the same area. INPEX is conducting exploration of Block S as the operator.

Location map of block

2012

January 2012, Australia

FID on the Ichthys LNG Project

INPEX made the FID on the Ichthys LNG Project on January 13, 2012, and commenced development as an operator.

▶ See p. 46–.

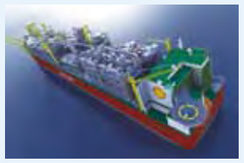
Ceremony of the FID

March 2012, Australia

Acquired interest in the Prelude FLNG Project

INPEX entered into an agreement with Shell for the acquisition of a 17.5% participating interest in the Prelude FLNG Project, which is under development in the WA-44-L Block offshore Western Australia. Shell made the FID on Prelude, which will be the world's first FLNG project, in May 2011. The start of production is targeted at around 10 years from when the Prelude gas field was first discovered in early 2007.

▶ See pp. 54 and 62.

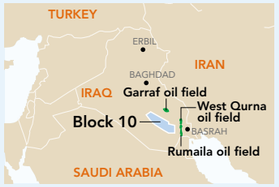


FLNG vessel (image)

May 2012, Iraq

Awarded onshore Exploration Block 10

INPEX was successful in the fourth Petroleum Licensing Round in Iraq and won the onshore Exploration Block 10 jointly with a subsidiary of LUKOIL, a Russian oil company. The block is in an area containing some of the world's leading oil fields, and has great potential. Exploration, including the drilling of exploratory wells and seismic surveys, is planned.

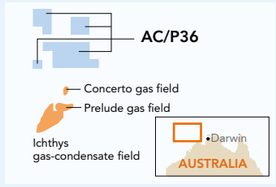


Location map of block

June 2012, Australia

Acquisition of interest in exploration block AC/P36

INPEX has acquired a 50% participating interest, together with operatorship, in exploration block AC/P36 offshore Western Australia from Murphy Oil Corporation of the United States. Several large gas-condensate fields, including Ichthys, have been discovered and developed in the vicinity of AC/P36, and exploration, including the drilling of exploratory wells, will continue.



Location map of block

Business highlights

(April 2011–June 2012)

Project acquired and participated in

- November 2011, Indonesia **Babar Selaru Block**
- November 2011, Canada **Shale gas project**
- January 2012, Malaysia **Sabah deepwater blocks**
- March 2012, Australia **Prelude FLNG Project**
- May 2012, Iraq **Exploration Block 10**
- June 2012, Australia **Exploration block AC/P36**

Transition to development / Production startup

- June 2011, Indonesia **Ruby Gas Field transition to development phase**
- October 2011, JPDA **Kitan Oil Field production startup**

Major plans for the year ending March 31, 2013

(large-scale projects)

- **Ichthys LNG Project**
  Mainly detailed engineering work and procurement for each facility
- **Abadi LNG Project**
  Planned startup of front-end engineering and design (FEED) in the second half of 2012
- **Kashagan**
  Production startup planned at the end of 2012

Greetings from the Representative Directors

Masatoshi Sugioka
Vice Chairman

Naoki Kuroda
Chairman

Toshiaki Kitamura
President & CEO

We continue to improve corporate value by providing stable and efficient supplies of oil and natural gas.

We would like to begin by thanking everyone for their understanding and support of our business.

INPEX is currently moving forward with more than 70 oil and gas projects worldwide. We are the largest Japanese E&P company in terms of reserves and production volume, and we have grown to rank globally among the mid-tier oil and gas E&P companies. We made an FID on the Ichthys LNG Project in Australia this January, and by continuing to achieve success in such large-scale LNG projects, INPEX will make even greater strides toward our goal of growing into an integrated energy company.

The business environment surrounding oil and gas E&P continues to be characterized by dynamic changes. Amid continuing increases in global energy demand, especially among the emerging economies, and intensifying competition, there is even more demand for efforts to develop unconventional resources, as well as for better operational safety and care for the environment, which are important premises of energy development. There has also been a growing movement in Japan toward reviewing the energy supply sources in the aftermath of the last year's earthquake.

Given the business environment, we have chosen the theme of this Annual Report 2012: "Developing Stable Energy" (the efforts of INPEX to secure a stable energy supply). This year's report covers items such as our mission, business environment, project overviews and the Medium- to Long-Term Vision we established this May. Within this report, you will find detailed explanations that give the specifics of our efforts to provide energy supply stability, the importance of which has been reconfirmed by the disaster.

We at INPEX are united in achieving sustained growth in our corporate value so as to meet the expectations of all our stakeholders, including shareholders. We would like to request your continued support and understanding of our efforts.

July 2012

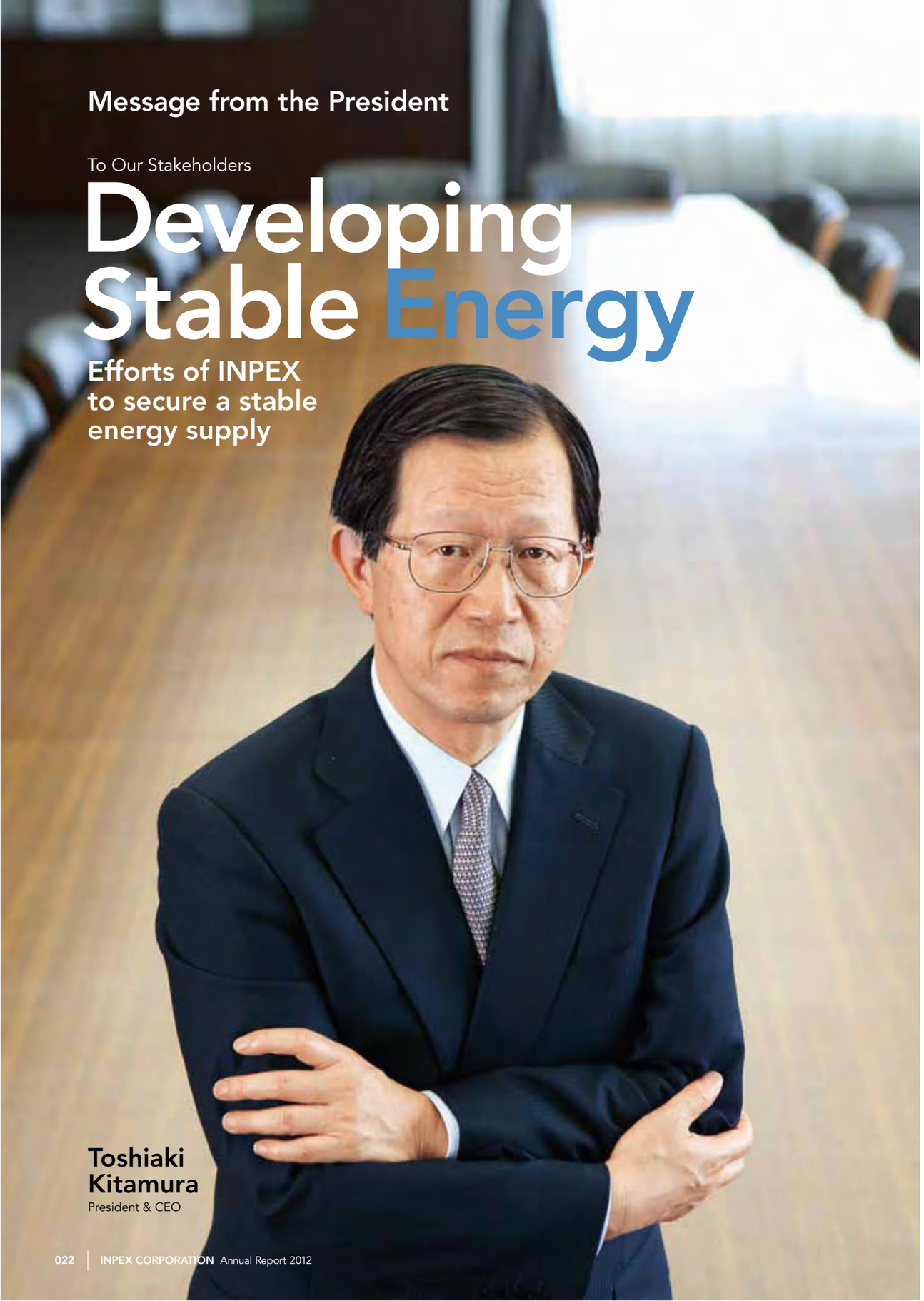
Chairman	Vice Chairman	President & CEO
Naoki Kuroda	Masatoshi Sugioka	Toshiaki Kitamura
黒田直樹	杉岡雅俊	北村俊昭

Message from the President

To Our Stakeholders

Developing Stable Energy

Efforts of INPEX to secure a stable energy supply



Toshiaki Kitamura
President & CEO

In addition to having achieved higher sales and income in the year ended March 31, 2012, we made great progress in our projects, including our large-scale LNG projects. I hereby present to our stakeholders my review of the past year, reporting on such topics as the business environment surrounding our company, the progress we have made in our projects and the Medium- to Long-Term Vision of INPEX we have established as a foundation for further growth.

1. The Year in Review

This was a year in which the business environment surrounding energy changed greatly as the global economy became increasingly unstable. The importance of energy supply stability in Japan was reconfirmed in the aftermath of last year's earthquake, and we at INPEX have become even more aware of our role and importance as Japan's leading oil and gas E&P company.

Performance Overview

INPEX's performance for the year ended March 31, 2012, was buoyed by the ongoing rise in crude oil prices, with consolidated net sales for the year up 25.8% to ¥1,186.7 billion and consolidated net income up 50.7% to ¥194.0 billion. Cash dividends per share for the year were ¥7,000, a ¥1,000 increase over the previous year.

Proved reserves increased 86% year-on-year to 2.43 billion boe mainly due to the upgrading of reserves in Ichthys from probable to proved, with the RRR (Reserves Replacement Ratio, three-year average) at 282%, a top-class level within the industry. Net production volume was also fairly strong at 426 Mboed.

We also continued to vigorously address safety measures. There were no major accidents at any of our projects, and we reached our HSE numerical targets (LTIF and TRIR) for the year ended March 31, 2012, which in terms of absolute figures is comparable with the average of industry peers.

The State of Energy

The energy business environment has changed dramatically over the past year given such concerns as fierce resource competition and responses to environmental regulations.

At the global level, political risk came to the fore especially in the Middle East due to heightened political and religious tensions, resulting in sharply higher crude prices. Nonetheless, from the early spring of 2012 the European sovereign debt crisis led to growing uncertainty about the world economy that superseded political risks and caused crude prices to fall.

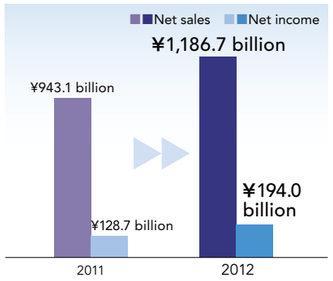
Against this backdrop, global energy demand is expected to increase over the medium to long term, especially in the newly emerging economies such as China and India. At the same time, crude oil and natural gas are produced only in certain regions, and new exploration and development projects tend to be deepwater blocks or other technically difficult areas. Also, more resource-rich countries are taking a hard stance regarding the opening of new blocks, making competition with emerging economies even more fierce.

The world is paying close attention to unconventional sources, such as the North American shale gas and shale oil that are causing major changes at least to the energy supply structure of the United States, with the effect on global energy supplies also requiring attention. Although some are of the opinion that supplies will loosen up, those of us on the front lines have the impression that severe competition for unconventional resources has begun, so we cannot be too optimistic.

Japan has had lively discussions and debates about revising policies on nuclear power since the nuclear plant accident that followed last year's earthquake, with all nuclear plants in Japan temporarily shut down in May of this year. We currently see a trend toward LNG-driven thermal generation in the near term, but maintaining a stable supply of energy as a substitute for nuclear will become an issue over the medium to long term, so the optimal "best mix" of energy sources is being studied.

Although the unprecedented disaster of the Great East Japan Earthquake is already a year in the past, the road to recovery stretches before us. However, the mission of INPEX is to secure stable energy supplies to Japan and prepare for any supply chain contingencies.

Net sales / Net income

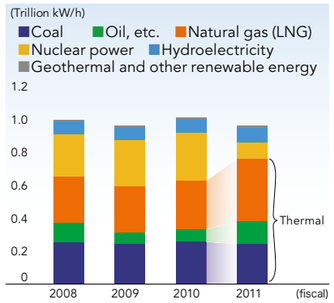


Proved reserves
2.43 billion boe

Net production volume
426 Mboed

▶ See **pp. 14–17** for the Financial and Operating Highlights.

Domestic electricity generated by power source



Electricity generated by power source in fiscal 2011 (Federation of Electric Power Companies of Japan)

Renewed Awareness of Our Role

As an energy developer mainly focused on oil and gas, the INPEX mission is to provide a stable, efficient supply of energy to Japan, which has few energy resources. The most secure way for Japan to ensure a stable supply of energy is without question for Japanese companies to develop resources themselves—what we call "independent development." Everyone at INPEX, including myself, became particularly aware after the disaster of the importance of "independent development" and our social mission in that regard.

INPEX has projects under way in more than 20 countries, and in January 2012 we made an FID on the Ichthys LNG Project and have begun development work that will lead to Ichthys providing around 10% of Japan's annual LNG imports.

Independent Development

"Independent development" means oil and gas development undertaken by Japanese companies; the acquisition of long-term extraction rights or their equivalent in oil-producing countries; conducting oil and gas E&P; and receiving an allotment of the oil and gas produced. Independent development secures better long-term supply stability than purchasing contracts usually do and can play an important role in providing supply stability during emergencies.

This large-scale LNG project, which will contribute greatly to the independent development, marks the first time that a Japanese E&P company will function as an operator. An operator takes responsibility for all decisions and negotiations involved in the development process, from exploration through production and including cost and schedule controls, making it substantially different from a non-operator. Therefore, our successful performance as an operator, especially of a large-scale project that may take more than 10 years until production start-up, will lead to greater international confidence in INPEX as a developer, providing opportunities for us to participate in many other projects; this, in turn, will lead to more chances to acquire new interests. I refer to this as the **"virtuous cycle of growth,"** and success in Ichthys will begin the process of such a cycle. We will put our all into succeeding in Ichthys, and it is my fondest hope that by achieving stronger international relationships of trust with oil-producing countries and other partners we can ensure and provide stable supplies of resources as well as sustainable growth as a company.

I believe top management plays basically a two-part role in achieving stable, efficient energy supplies and sustainable corporate growth. One is to allocate and operate management resources efficiently and effectively toward the steady realization of project success. The other is to maximize opportunities to acquire advantageous interests for our company while minimizing risk in an environment marked by fierce resource competition and an unstable and complex international situation. In May of this year, we established **the Medium- to Long-Term Vision of INPEX**, which outlines our management policies and clarifies our goals and means for achieving greater results through fulfilling the roles I've described. The content of the Medium- to Long-Term Vision is provided below, but essentially it establishes our growth targets for sustainable growth over the medium to long term, the main efforts over the next five years until the start-up of Ichthys, and the growth targets for the approximately 10-year period after the start-up of Ichthys. Also covered in the vision are our efforts for stronger corporate governance and promotion of CSR, which are required in strengthening INPEX as a global company.

2. The Energy Development Environment

The business environment surrounding energy is changing rapidly due to increasingly fierce competition for resources and geopolitical risk, as well as responses to environmental regulations. Next, I will address two items that got a lot of attention—the shift to natural gas and renewable energy.

Shift to Natural Gas

I believe that the "best mix" of energy sources must take into account stable supplies, efficiency and environmental impact. Natural gas meets those criteria, which is why it is currently gaining attention. Natural gas is superior to oil and coal in terms of price and environmental impact, and the expectations for natural gas are high as Japan continues debating energy policy in the wake of the nuclear accident.

Although the discussion about energy policy in Japan, including whether to restart the nuclear plants, is ongoing, I think the major trend is toward achieving a balance of the following four items: ❶ energy conservation, ❷ fossil fuels (coal, oil and gas), ❸ renewable energy (with the exception of nuclear) and ❹ restarting the nuclear plants if safety can be assured. Although restarting the nuclear plants is under discussion, ①–③ are already under way, and within fossil fuels the comparatively low environmental impact of natural gas makes its role certain to increase significantly.

Natural gas produced in North America is gaining particular attention as expectations grow for gas. Due to a decrease in demand from mild winters in the United States and the increased output of shale gas, natural gas prices in the United States dropped significantly. Some believe the price is low compared to the spot price for LNG to Japan and East Asia, even when liquefaction and transport costs are added in, so the shipment of North American natural gas to Japan is being considered. However, there are environmental concerns involving the extraction of shale gas and issues such as the ability to guarantee supplies over the long term if U.S. demand increases, conformity with U.S. energy policy, the existence of a sufficient infrastructure for conversion to LNG for export, and the operational capabilities and stability of the many small to mid-sized companies. As these discussions were unfolding, INPEX acquired shale gas interests in Canada in November 2011 as part of our global gas portfolio. Although infrastructure improvement is the primary issue before us, we chose Canada because the government there takes a more aggressive approach toward LNG exports than the U.S. government. We will proceed to acquire participating interests that contribute to stable supplies of natural gas, and while expanding our global natural gas portfolio with a focus on LNG, we are also giving consideration to North American natural gas, mainly shale gas.

Renewable Energy

Renewable energy, including solar, wind and geothermal power, which is environment-friendly and results in almost no CO_2 emissions, is gaining more and more attention.

Looking 30 to 50 years in the future, INPEX has determined that efforts in the field of renewable energy are necessary. We are considering various means of commercializing renewable energy and are putting our strongest efforts into **geothermal**. A company within our group, Teiseki Drilling Co., Ltd., has drilled the most geothermal exploratory and development wells in Japan. Drilling for geothermal wells uses the same technology as that for oil and gas so this is a strong point for INPEX.

Japan has the third greatest potential in the world for geothermal energy sources after Indonesia and the United States, but most Japanese geothermal resources are located in national parks and hot spring areas, so environmental regulations and gaining the understanding of local communities must be considered in proceeding with development. In June 2011, we began participating with Idemitsu Kosan Co., Ltd., in joint geothermal development in areas in Hokkaido and Akita prefectures, where we conducted basic studies. INPEX will continue to find ways to overcome the difficulties associated with geothermal and pursue the possibilities for geothermal and other renewables in Japan and overseas including Indonesia where we have a strong base.

▶ See **p. 74** for Geothermal Power.

3. Commencing Development Work at the Ichthys LNG Project

Production volume from Ichthys

LNG 8.4 million tons/year

LPG 1.6 million tons/year

Condensate 100 Mbbld (peak rate)

Ichthys LNG Project

▶ See p. 46–.

Having made the FID on the US$34 billion Ichthys LNG Project in Australia in January 2012, development work on this project is progressing. Ichthys will contribute greatly to providing a stable supply of energy to Japan.

Significance of Ichthys

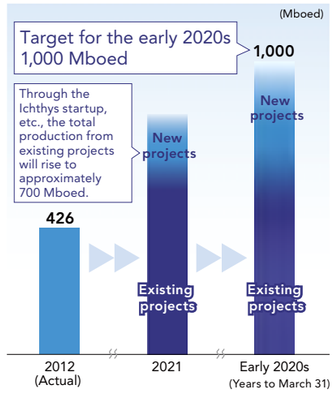
The FID on the Ichthys LNG project was made in January 2012, and development work has commenced. US$34 billion is to be invested in the construction of facilities that will produce 8.4 million tons of LNG per year and other products, with production planned to start by the end of 2016. In addition to producing about 10% of Japan's annual LNG import volume, Ichthys will produce condensate and LPG. Once operations are under way, this project will contribute greatly to providing a stable supply of energy to Japan.

Moreover, INPEX retains approximately 70% participating interest in this project and is the project operator. This is the first time that a Japanese E&P company is assuming the role of operator in a large-scale LNG project, a fact with great significance in the history of Japan's energy development.

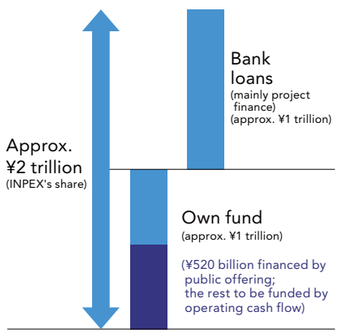
Through the commencement of production at Ichthys, INPEX's current net production of approximately 400 Mboed is expected to increase to 700 Mboed for the year ending March 31, 2021, for existing projects alone, approaching the target for the early 2020s of 1 MMboed. This will also bring INPEX close to our aim of establishing a firm position as a global E&P company that ranks just after the oil majors.

The Ichthys LNG Project is also of great significance to Australia. The construction of the LNG plant, in particular, is expected to provide great economic benefit to Darwin and the Northern Territory, mainly in the form of employment, making it welcome at the community and commonwealth. On my visit to the Northern Territory, I noticed how the local media treated the project as a major news item for several days and was impressed by the strong local interest in Ichthys.

Long-term forecast for net production



Funding for the Ichthys LNG Project



Confidence in Commencement of Production at Ichthys

The Ichthys LNG Project is the first time any Japanese company, including INPEX, has been the operator of a large-scale project, so naturally there are risks associated with the project. In addition to the usual risk analysis, during the study phase for this project we thoroughly examined other such projects that preceded it. We conducted case studies of other past large-scale LNG projects that had actually undergone schedule delays or cost overruns and took those into consideration in carefully coordinating with construction contractors and thoroughly completing technical design specifications before the bidding stage. As a result, we are able to broadly reduce the cost overrun risk by, for example, establishing lump-sum contracts for 75% of the project cost.

We also conducted a serious study of **funding for the Ichthys LNG Project**. INPEX's share of the project costs is to be approximately ¥2 trillion. Of this, we are looking to U.S. dollar-denominated bank loans for about half (or ¥1 trillion), mainly through project finance. In our negotiations so far, banks in Japan, Australia and elsewhere have taken a positive stance toward participation, and currently we are not concerned about the effects of the European sovereign debt crisis. Although the remaining half will come out of INPEX's own funds, approximately ¥520 billion consists of the proceeds from the equity offering in 2010, with the remainder sufficiently covered by operating cash flow.

Moreover, we have a more than 40-year cooperative relationship with project partner TOTAL of France, an oil major with rich, worldwide experience as an LNG project operator. INPEX will accumulate experience and know-how through our partnership with TOTAL.

Commitment to Success

The FID on Ichthys means we are making an unwavering commitment, to such a degree that we can be said to be staking the future of the company on this project, but in the final analysis that decision is merely another milestone in the process of the overall project. Ichthys has left the planning stage and is now at the starting line, from which we are embarking on the actual construction of one of the world's largest LNG production facilities. I believe that the **"INPEX WAY"** has received good marks internationally for the steady progress we made in arriving at our FID on Ichthys, in particular, our careful coordination and specification based on thorough study as well as trust building with local communities through the communication that I described above. I also believe that the global oil industry has come to look at INPEX differently since we made the FID. We will do everything in our power to complete the project and achieve success with it following the schedule and estimated project costs, in the knowledge that we must do so to meet the expectations of our stakeholders and prove the true worth of our company.

> "We will do **everything in our power to complete the project and achieve success with it following the schedule and estimated project costs.**"

4. Future Growth Topics

At the Abadi LNG Project (Indonesia), which is also a large-scale LNG project following Ichthys, we are proceeding with preparations to begin front-end engineering and design (FEED) works which we plan to start in the second half of this year. In March 2012, INPEX decided to acquire a participating interest in Prelude (Australia), which is the world's first FLNG project for which an FID was announced.

Abadi and Prelude

Having been granted approval by the Indonesian Government for the Plan of Development (POD) for the Abadi Project in December 2010, INPEX, as the operator in that project, will proceed with preparations to begin FEED work in the latter half of this year. The POD of the Abadi Project is based on the "floating LNG" (a floating offshore facility where natural gas is processed, liquefied, stored and offloaded) concept. A floating LNG eliminates the need for some conventional equipment, such as pipelines, and therefore requires less initial investment and minimizes environmental impact. In the course of moving toward full-scale development of the Abadi, INPEX invited oil major Shell to join us in Abadi as a strategic partner in July 2011. Although a number of companies had expressed an interest in joining the Abadi LNG Project, and many E&P companies, including oil majors, had applied for participation, we chose Shell. Shell's FLNG know-how and experience in LNG projects have been a major force propelling the steady progress of the Abadi.

INPEX began participating in the Prelude FLNG Project offshore Western Australia, for which Shell is the operator. This is also an FLNG project, similar to Abadi, and the FID was made in May 2011 as the world's first FLNG project. Participating in the Prelude FLNG Project, our sixth LNG project will strengthen the INPEX LNG portfolio, helping us accumulate FLNG experience and know-how, and we expect business synergies to be created with the Abadi LNG Project.

Main Topics for the Year Ended March 31, 2012

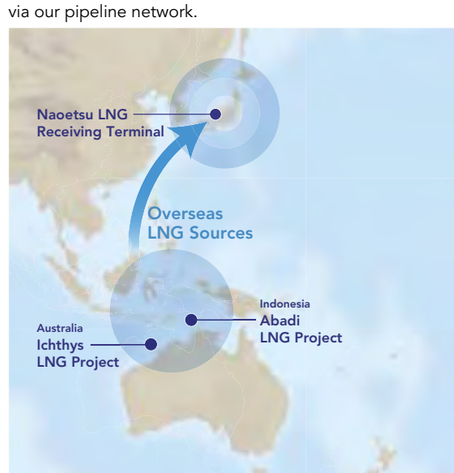
On the domestic front, we made progress in building our **gas supply chain**. Progress in construction of the Naoetsu LNG Receiving Terminal was marked by the completion of installation of roofs over the LNG tanks in September 2011, and work is proceeding on schedule for the planned commencement of operations in early 2014. We also made the decision in May 2011 to construct a natural gas pipeline (the Toyama Line) to supply gas to the Hokuriku region. Construction of the Toyama Line began in May 2012, with supply through that line scheduled to commence at the end of 2014.

Abadi LNG Project

▶ See pp. 54 and 61.

INPEX's gas supply chain

INPEX delivers LNG from overseas to LNG receiving terminals in Japan, from which domestic natural gas users are supplied via our pipeline network.

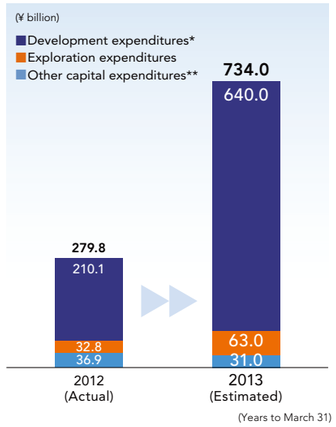


▶ See p. 73 for the Gas Supply Chain.

As described above, our efforts to tap unconventional resources of gas include the decision in November 2011 to acquire shale gas interests. We acquired a 40% interest in a shale gas project in Canada with the goal of eventually achieving production in the range of 200 Mboed. We are also considering the possibility of exporting LNG to Japan. Shale gas is found not only in North America but also in Asia and Europe, so we would like to gain know-how in shale gas development through our aforementioned interest in this project and subsequently look into shale gas development in other regions.

Other projects also progressed: the commencement of production in the Kitan Oil Field (JPDA) in October 2011, whereas the Ruby Gas Field in the Sebuku Block (Indonesia) and the Coniston Unit (Australia) transitioned to development work in June and December, respectively. Meanwhile, among the exploration blocks with the operatorship, in November 2011 we acquired a participating interest in the Babar Selaru Block offshore Indonesia, whereas in December we acquired interests in blocks located offshore Sabah, Malaysia, and AC/P36 offshore Western Australia. Although these are comparatively small-scale projects, they are expected to be of value in the expansion of INPEX's reserves.

Investment results and plan for the year ending March 31, 2013



* Development expenditures include Ichthys downstream
** Mainly investment in the Naoetsu LNG Receiving Terminal, pipeline facilities in Japan, etc.

Main Forecasts for the Year Ending March 31, 2013

Work on our projects will proceed for the year ending March 31, 2013, as we continue on our path toward growth. Full-scale development work will be under way at the Ichthys LNG Project during the years ending March 31, 2013 to 2014 as we conduct detailed design and procurement work concerning all of its facilities. We plan to commence FEED work at the Abadi LNG Project in the latter half of this year, as described above. Our development expenditures during the year under review increased significantly to ¥640 billion compared with the previous year due to the transition to development at Ichthys. We will focus on exploration works to secure new reserves, with planned exploration expenditures of ¥63 billion for the current year. At the end of May, we placed a successful bid for an onshore exploration block in Iraq. Iraq is a major oil producer that possesses some of the world's leading oil reserves, and INPEX has for many years sought participation in that country's development. We have already joined with a strong partner in development and production in Iraq, and the potential of this exploration project is gaining attention.

We therefore will continue to make steady progress this year in expanding our production and reserves through the aforementioned projects.

5. Medium- to Long-Term Vision and Actions

Growth target to achieve by the early 2020s in the Medium- to Long-Term Vision

1 Achieve net production volume of **1 MMboed**

2 Achieve domestic gas supply volume of **2.5 billion m³/year**

3 Promote efforts of **renewable energy** for next generation

▶ See **pp. 42–43** for the Medium- to Long-Term Vision of INPEX.

In May of this year, we established the Medium- to Long-Term Vision of INPEX, which sets out the growth targets for sustainable development over the medium to long term, as well as key initiatives to be taken to achieve those targets over the next five years. Below, I provide a detailed description of that vision.

Background of Establishment of the Medium- to Long-Term Vision: Conformity with Our Mission

INPEX's goal is to provide the stable and efficient supply of energy through its core oil and gas E&P business worldwide to become an integrated energy company that contributes to creating affluent societies. Our mission as stated above has formed the basis of our growth since business integration in 2008 into a mid-tier oil and gas E&P company that conducts projects in every region of the world, with production volume and reserves ranking just after the oil majors.

Nonetheless, development under favorable conditions has become increasingly difficult, and we have had no major oil or gas field discoveries since Abadi in 2000. In addition, after going through the process of reaching the FID on Ichthys there have been many specific inquiries, from both within and outside the company, concerning the important actions leading up to the commencement of production of Ichthys, as well as concerning the growth targets over the 10-year period after the production start-up. Therefore, we timed the release of our Medium- to Long-Term Vision to follow the FID on Ichthys, so as to clarify our targets and the direction we must take to achieve sustainable growth. In addition to the future aspects of INPEX, we clearly state how we will allocate management resources such as people, goods and equipment, and financial resources.

Details of the Vision: Funding and Efficient Organizational Structure

Three growth targets have been set in the Vision.

The first is to achieve net production volume of 1 MMboed by the early 2020s, which will be necessary to place INPEX among the top-class of international oil and gas E&P companies.

The second is to strengthen the gas supply chain to achieve domestic gas supply volume of 2.5 billion m³/year by the early 2020s.

The third is to promote our efforts in the area of renewable energy, with an eye toward next-generation growth.

Achieving these growth targets means engaging in structural improvements such as securing and cultivating human resources and establishing a more efficient organization. Also, we must realize returns to shareholders and efficient management worthy of a top class E&P company as we engage in the proactive investment necessary for growth. Moreover, we will promote our CSR and strengthen corporate governance with the goal of achieving responsible management as a global corporation.

Details of the Medium- to Long-Term Vision can be found on pages 42–43 of this Annual Report and in the related booklet. Next, I would like to explain the **funding** and **effective organization** that are vital to achieving the goals of the vision.

Funding

Achieving net production of 1 MMboed means investing ¥3.5 trillion over the five-year period from the year ending March 31, 2013 through March 31, 2017. Of this, the amount of development expenditures in existing projects, including that in Ichthys of approximately ¥2 trillion, is more than ¥3 trillion, with approximately ¥300 billion for exploration expenditures.

Furthermore, investment during the 10-year period following the start of production at Ichthys is expected to be more than ¥6 trillion; ¥5 trillion of that will be for development expenditures, with the remaining ¥1 trillion for exploration. Exploration expenditures of ¥1 trillion over a 10-year period mean annual investment on a scale of ¥100 billion per year, which globally is a scale of investment on a par with the majors. Our aim is for these exploration expenditures to lead to the discovery of large-scale projects that will result in the organic growth of the company.

This investment plan is in line with the plan announced in 2010 calling for investment of ¥4 trillion over the seven-year period from the year ended March 31, 2011 through the year ending March 31, 2017. Cumulative exploration and development expenditures for the years ended March 31, 2011 to 2012 were approximately ¥500 billion, with the remaining investment of ¥3.5 trillion over the five-year period beginning with the current year ending March 31, 2013 to be taken from the ¥4 trillion investment undertaken over the prior two years.

Other than available cash on hand (approximately ¥1.4 trillion as of March 31, 2012), the ¥3.5 trillion in investment funding can be covered by bank loans and future operating cash flow without difficulty, so we do not foresee resorting to other means of financing such as public offerings. Also, the more than ¥6 trillion in investment during the 10-year period following the start-up of production at Ichthys is also foreseen to be sufficiently covered by bank loans, as well as stable and massive cash flow over the long term from that project.

INPEX's long-term credit rating is good, with Standard & Poor's giving us an "A" rating. The targets for our long-term financial condition are "an equity ratio of 50% or higher" and "a net debt to net total capital employed ratio of 20% or less."

The basic policy of return for shareholders is not changed in this Vision: Aggressively reinvest cash flows from Ichthys and other projects to sustainably enhance our corporate value while balancing it with direct returns to shareholders including a dividend payment. We strive for an appropriate level of return for shareholders befitting the top-class international oil and gas E&P companies.

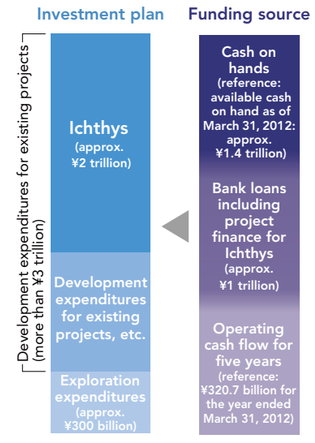
Establishing an Efficient Organization, and Securing and Cultivating Human Resources

We established the New Ventures Division within our organizational structure in June of this year to engage in the acquisition of new interests and superior assets that will support our future growth, as well as to decisively strengthen our corporate M&A response and other functions. We are aware that overseas E&P companies have organizations consisting of technical and financial professionals who specialize in acquiring new projects, so we have also put in place a structure that will allow us to respond promptly to investment opportunities.

We will continue to focus on securing and cultivating human resources capable of playing an active role in the global arena. Although INPEX has 2,146 employees (as of March 31, 2012), we are expanding our ranks of technical and clerical staff in accordance with the growth of our projects, especially Ichthys, so that in three years that number will have reached approximately 3,200.

Both of our large-scale LNG projects, Ichthys and Abadi, were discovered at the exploration stage, and the people who created those opportunities were the technical staff working at that time. This led us to secure and cultivate the human resources necessary for INPEX as an operator, and in addition we will work to actively secure and deploy personnel with diverse skills and experience in Japan and overseas. We will also train our human resources so they can play an active role in the international arena and adapt to changes in the environment. In this way, we will succeed in building a structure for global development through a number of operator projects.

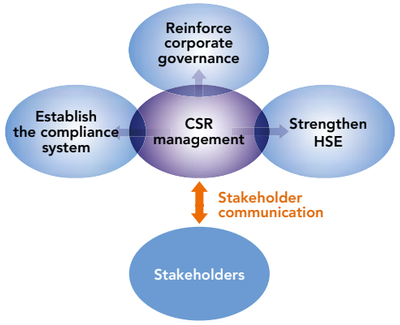
¥3.5 trillion to be invested over the next 5 years
(Years to March 31, 2013–2017)



Investment during the 10 years following the production startup of Ichthys to reach more than ¥6 trillion

6. Responsible Management as a Global Corporation

Initiatives for CSR management



▶ See **p. 76–** for Corporate Social Responsibility.

Initiatives for reinforcing corporate governance (Announced in May 2012)

1. **Shorten Directors' terms of office and Executive Directors' terms of office**
   (from two years to one year)
2. **Additional appointment of an Outside Director**
   (from four directors to five directors)
3. **Establishment of Advisory Board**
   (tentative name) (to be established by the end of 2012)
4. **Establishment of a guideline for the purchase of Company shares by Directors and Executive Officers**

▶ See **p. 86–** for Corporate Governance.

We at INPEX are aware of the social responsibility inherent in our mission of providing stable and efficient energy supplies, and as a company that operates globally we strive to coexist with and advance the international community in our management.

Strengthening CSR and Governance

INPEX endorsed the UN Global Compact in December 2011, clarifying our intention to do our best to gain the trust of the global community. Another CSR measure we undertook was the **establishment of the CSR Committee** in April 2012, with myself as the Chairman of the committee. We did so in recognition of the need to enhance our CSR awareness companywide and develop measures to grow as an excellent global company.

INPEX's operational base is mainly overseas, along with about 40% of our shareholders are foreign corporations, which means that the majority of our stakeholders are overseas. In operating overseas, it is necessary to build appropriate relationships with a variety of entities, such as governments, local communities and NGOs. Oil and gas E&P companies, in particular, must make forthright efforts to cultivate relationships of trust with local communities and show concern for the environment. Along with what is expected from the global community as a corporate citizen, I would like INPEX employees in Japan and overseas to think about how and what they will contribute to society and the environment.

Responsible management as a global company is indispensible to enhancing INPEX's reputation and corporate value. We announced **initiatives to reinforce corporate governance** in May of this year, including shortening the directors' terms of office from two years to one, increasing the number of outside directors and establishing an Advisory Board (tentative name; committee to be established within the year) composed of outside experts. We will continue to work to construct a governance structure appropriate to a company acting on the global stage.

Conclusion

Although INPEX has secured a position as a leading oil and gas E&P company in Japan, we are not generally well-known as a global company. Also, our current market value does not reflect the company's own awareness of our corporate value. I believe that one reason for this is insufficient communication with our shareholders. Thus, we will seek more thorough dialogue with our shareholders to clarify and better explain our growth potential, goals, project progress, etc.

The management and employees of INPEX have developed a strong sense of awareness and pride concerning our role in providing a stable supply of energy since last year's disaster. Our goal is to make steady progress in fulfilling our social mission of "providing stable and efficient energy supplies" as Japan's largest oil and gas E&P company and thereby further enhance our value as a company serving an essential role in the global community. As President & CEO, I am strongly committed to realizing this mission.

Thank you for taking the time to read this. I will do my best again this year to lead the company toward our goals and once more kindly request the continued support and understanding of all our stakeholders as we forge ahead.

July 2012

President & CEO
Toshiaki Kitamura
北村 俊昭

▷ BACK TO CONTENTS

2

Market Trend and Management Policy

E&P Series ❷
Geologist's hammer

Profile and History

Our company was founded in October 2008 through the business integration of INPEX CORPORATION and Teikoku Oil Co., Ltd. Utilizing several decades of performance in developing oil and natural gas fields and the experience gained through 74 projects in 27 countries (as of June 30, 2012), we are actively promoting exploration, development and production of oil and natural gas.

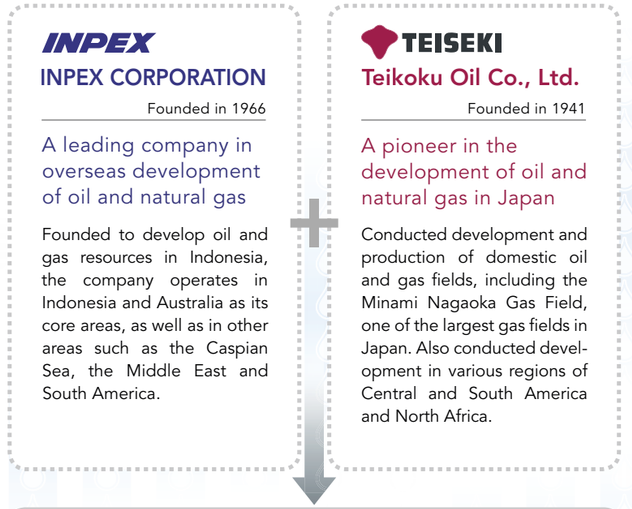
Our Mission

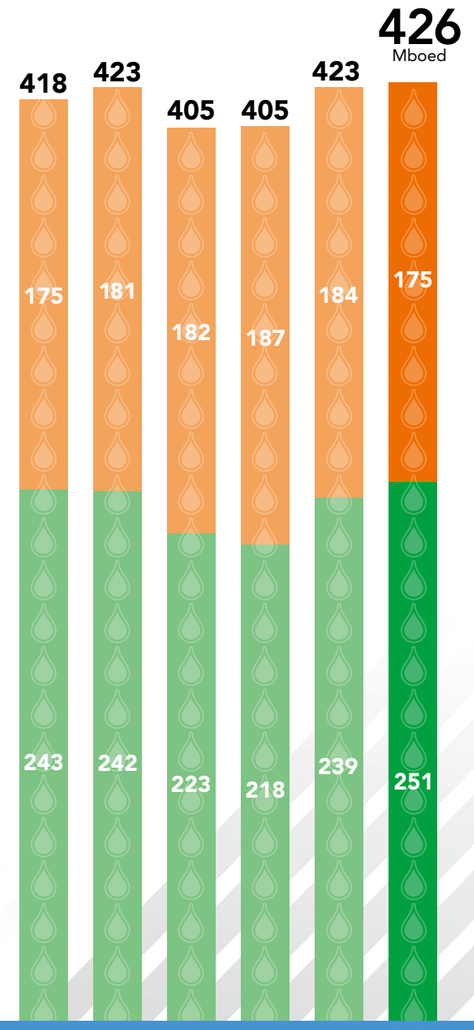
The mission of the INPEX is to provide a stable and efficient supply of energy to customers by exploring and developing oil and natural gas resources both domestically and throughout the world. Through its business, we aim to become an integrated energy company, which contributes to our community and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

Our Vision

1. We position ourselves to become a top-class international oil and gas exploration and production company through sustainable growth in the oil and gas development business.
2. With natural gas as the core of our business, we will grow into an integrated energy company by making contributions to a stable energy supply to broader communities.
3. We will continue to play a significant role in boosting the capability of supplying energy to Japan while contributing to the global economic growth and social development.

Through these efforts, we intend to further advance our reputation among our shareholders and more broadly our stakeholders as a company serving an essential role in the global community.





History

1940– | 1960– | 1970– | 1980– | 1990– | 2000–

1941
Teikoku Oil Co., Ltd., is founded
as a semi-governmental company to unify the existing Japanese oil exploration companies at that time. (Becomes a private company in 1950.)

1962
Japan's first long-distance natural gas pipeline between Tokyo and Niigata Prefecture (Tokyo Line) is completed.

1966
North Sumatra Offshore Petroleum Exploration Co., Ltd. (precursor to INPEX CORPORATION), is founded
as a corporation promoting the independent development of overseas oil resources in accordance with a contract signed with PERMINA (now PERTAMINA).

1970
Attaka Oil Field is discovered in Offshore Mahakam (Indonesia).

1973
Japan Oil Development Co., Ltd. (JODCO), is founded. Acquires interests in the ADMA Block located offshore Abu Dhabi in UAE.

1975
Corporate name is changed to Indonesia Petroleum, Ltd.

1979
The Minami Nagaoka Gas Field with Japan's largest reserve of natural gas is discovered in Niigata Prefecture.

1984
Production at Minami Nagaoka Gas Field begins with completion of the Koshijihara Gas Plant.

1992
Becomes the first Japanese company to participate in an oil development project in Venezuela.

1998
Acquires interests in the Offshore North Caspian Sea Contract Area, Kazakhstan; Permit WA-285-P, offshore Australia; and the Masela Block, Indonesia.

2000
Discovers the Kashagan, Ichthys and Abadi fields.

2001
Changes corporate name to INPEX CORPORATION.

2004
Acquires Japan Oil Development Co., Ltd. (JODCO). Lists on the First Section of the Tokyo Stock Exchange.

2005
Production starts in the ACG Oil Field in Azerbaijan.

2006
Business integration

The joint holding company INPEX Holdings Inc., is founded by INPEX CORPORATION and Teikoku Oil Co., Ltd.

2008
INPEX CORPORATION is founded
INPEX CORPORATION is founded through a merger of INPEX, Teikoku Oil and INPEX Holdings. The company headquarters is moved to Akasaka, Tokyo.

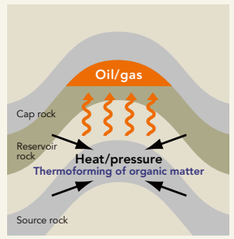
January 2012
Final Investment Decision on the Ichthys LNG Project

■ Teikoku Oil Co., Ltd.
■ INPEX CORPORATION
■ INPEX CORPORATION

Oil and Gas Development Business

The business activities of the oil industry can be envisioned as the flow of a river. The upstream consists of the development and production of oil and natural gas. The midstream is where products are transported. The downstream refers to refining and sales. Our mainstay business is to handle operations in the upstream including the discovery, drilling, collecting and selling of crude oil and natural gas, both of which exist underground. As shown in the business flow below, upstream business activities can be further classified into the acquisition of blocks, exploration, appraisal, development, and production and sales.

What is oil and natural gas?



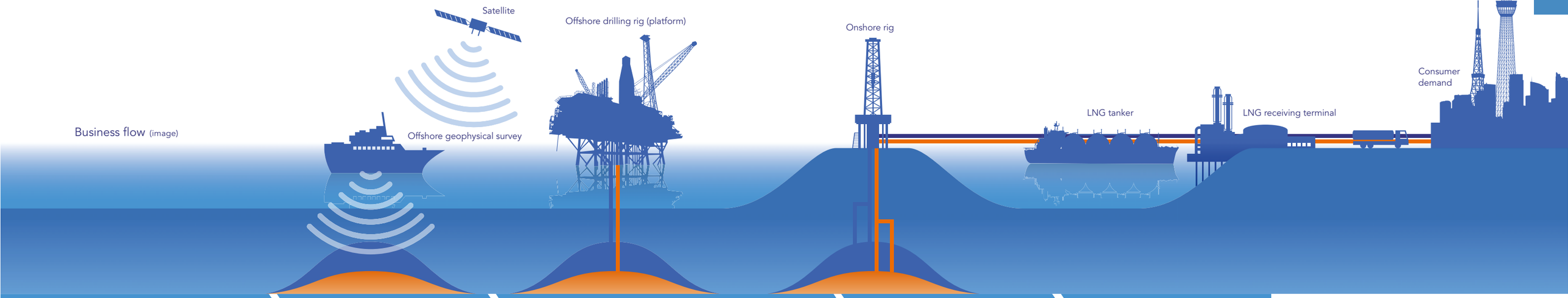
Both oil and natural gas are types of organic matter (hydrocarbons) formed from a combination of carbon and hydrogen. Oil is a chemical compound in which large numbers of carbon molecules and hydrogen molecules are joined together. Under normal conditions (one atmosphere, which is about 15 pounds per square inch; conditions suitable for human life), oil is a liquid. Conversely, natural gas is a gas under normal conditions. Although there are differences between the properties of liquid and gas, both burn well.

The oil and gas generated deep underground have a lighter specific gravity than the water and soil in geological layers and therefore rise upward over a period of many years. However, when contacting high-density geological layers through which they cannot pass, the oil and gas stop rising and form an oil field or a gas field.

Depending on the excavation site, crude oil and natural gas exhibit a variety of differences in terms of color (from colorless and transparent to black), specific gravity, viscosity and amount of impurities.

Samples of crude oil and condensate

Business flow (image)



STEP 1

Acquisition of Blocks

We collect extensive information on laws and country risks related to areas in which oil and natural gas are expected to exist. We then apply and bid for mining rights and/or exploration and development rights and **enter into a contract** for exploration and development.

Signing ceremony of contract

Time period (image)	Around 1 year
Investment amount (image)	¥100 million–¥1 billion
Number of INPEX projects (As of June 30, 2012)	—

STEP 2

Exploration

In addition to terrestrial geological surveys, we utilize **geophysical surveys** conducted through satellite images and seismic waves in order to assess the potential subsurface accumulations of oil and natural gas. Furthermore, we drill exploratory wells in order to confirm the presence of oil and gas fields.

Geophysical surveys

Time period (image)	2–5 years
Investment amount (image)	~¥10 billion
Number of INPEX projects (As of June 30, 2012)	Under exploration projects: 27 Discovered/Preparation for development: 7

STEP 3

Appraisal

Once the presence of oil and natural gas has been confirmed, **we drill an appraisal well** to assess the extent of the oil and gas fields and to evaluate the amount of reserves. In addition, we make comprehensive judgments regarding the commercial viability of the fields such as examining profitability.

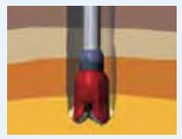
Drilling of appraisal wells

Time period (image)	2–5 years
Investment amount (image)	¥100 billion ~ trillions
Number of INPEX projects (As of June 30, 2012)	Under development: 6

STEP 4

Development

We drill production wells for the production of oil and natural gas. We also construct gas processing facilities and a transport pipeline, which are necessary for production and shipping.



Drilling of production wells

Time period (image)	10–20 years
Investment amount (image)	—
Number of INPEX projects (As of June 30, 2012)	In production: 32

STEP 5

Production and Sales

We perform production and operation management such as refining/treatment to create products from the oil and natural gas excavated from the production wells. We also engage in marketing and sales for the produced crude oil, condensate, LPG, natural gas and LNG.

LNG tanker

Uses of oil and gas

Electrical power
- Oil thermal power
- Gas thermal power

Gas
- City gas
- LPG

Petroleum products
- Plastics
- Resin compounds

Transport
- Automobiles
- Ships
- Airplanes

Exploration and development expenditures and number of projects

The Company's exploration and development expenditures (for the year ending March 31, 2013) and number of projects (as of June 30, 2012) are shown below. Development projects require comparatively larger investments than exploration projects.

Business Model of Oil and Gas E&P

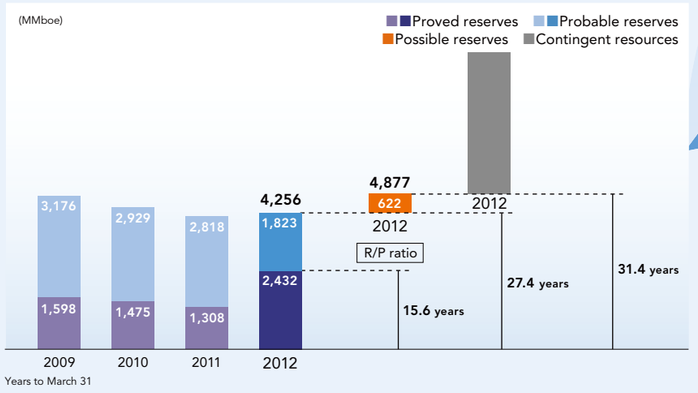
The key management initiatives in developing oil and natural gas resources are ensuring stable production and supply. An E&P company seeks to achieve sustainable growth by which the cash flow obtained from the production of oil and gas is reinvested toward the acquisition of new reserves and put to work for oil and gas discovery and development, which in turn leads to further production revenues.

Increasing Reserves

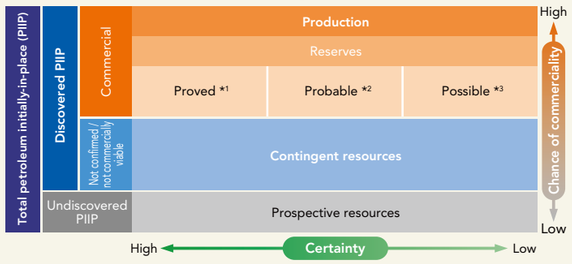
Our reserves as of March 31, 2012, consisted of approximately 2.4 billion boe of proved reserves, approximately 1.8 billion boe of probable reserves and approximately 600 MMboe of possible reserves. The proved reserves give us a reserves-to-production ratio (R/P ratio) of 15.6 years. Adding the probable reserves increases the R/P ratio to 27.4 years.

We also have an abundance of contingent resources. We expect to continue increasing proved and probable reserves over the medium to long term through new projects and by raising the recoverability rate on existing oil and gas fields.

Our Reserves



Classification of Reserves (image)



*1 **Proved reserves:** The amount of oil from known reservoirs for which commercial recovery from a certain date forward is judged as being possible with reasonable certainty. When probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will meet or exceed the estimated amount of proved reserves.

*2 **Probable reserves:** Additional reserves which have a lower certainty than proved reserves and a higher possibility of recovery than possible reserves. When probabilistic methods are used, there should be at least a 50% probability that the quantities actually recovered will meet or exceed the sum of estimated proved reserves and probable reserves.

*3 **Possible reserves:** Additional reserves which have a lower certainty than probable reserves. When probabilistic methods are used, there should be at least a 10% probability that the quantities actually recovered will meet or exceed the total sum of estimated proved reserves, probable reserves and possible reserves.

Prepared by INPEX based on material provided by Japan Oil, Gas and Metals National Corporation (JOGMEC)

Probable and possible reserves, as well as contingent resources, are upgraded to proved reserves through development, with proved reserves becoming a source of revenue through production.

Production volume is sold and realized as revenue. That revenue is then invested in further resource development.

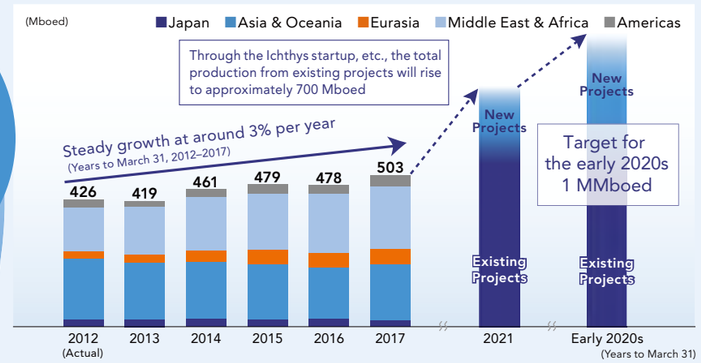
Reserves are maintained and increased through exploration and development investment.

Production Growth

Our net production volume for the year ended March 31, 2012, was 251 Mbbld of crude oil and 928 MMcf/d (175 Mboed) of natural gas. For the year ending March 31, 2013, a decrease in production from existing fields is forecast to result in a slight year-on-year decrease of 419 Mboed.

Regarding medium- to long-term forecasts for net production volume, by the year ending March 31, 2017, we expect to reach a level of 500 Mboed due to an increase in production at the ADMA Block, the startup of the Kashagan Project and an increase in the production of shale gas project in Canada. After the startup of the Ichthys LNG Project, production at existing projects for the year ending March 31, 2021, will have reached around 700 Mboed. We intend to reach 1 MMboed in the early 2020s by increasing production at new projects through our medium- to long-term growth investment initiatives.

Medium- to Long-Term Forecasts for Net Production of INPEX



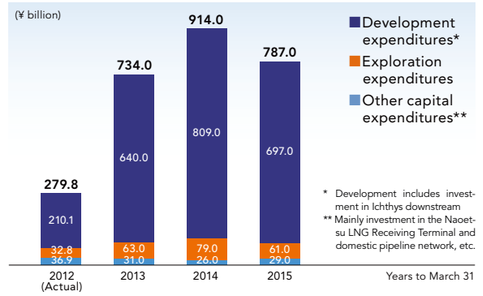
Aggressive Exploration and Development Investment

We will achieve our growth targets by actively investing in exploration to maintain and expand reserves, as well as developing the reserves we hold to produce oil and natural gas. As described in the Medium- to Long-Term Vision (▶ pp. 42–43), ¥3.5 trillion will be invested over five years, whereas the expected amount of investment during the 10-year period following the production startup at Ichthys is more than ¥6 trillion. Investment in existing projects for which investment plans have been fixed has been estimated (as of May 11, 2012) to run at a level of approximately ¥2.4 trillion over the next three years, with development expenditures in projects such as Ichthys expected to increase. Exploration expenditures are also forecast to be around ¥60 billion–¥80 billion per year.

¥3.5 trillion to be invested over the next **5 years** in major projects including Ichthys

Investment during the **10 years** following the start of Ichthys to reach more than **¥6 trillion**

Investment Results and Investment Plan for the Next Three Years



* Development includes investment in Ichthys downstream
** Mainly investment in the Naoetsu LNG Receiving Terminal and domestic pipeline network, etc.

Market Environment and Forecast

Global energy demand is expected to increase as emerging economies grow. Especially demand for natural gas is expected to be higher than oil, coal and other energies.

Global Energy Demand Forecast

Global energy demand

Global energy demand is expected to grow, especially in emerging economies such as China and India. The International Energy Agency (IEA) forecasts that global energy demand in 2035 will be 35% higher than it was in 2010, under a scenario in which oil and natural gas will account for approximately half of the world's primary energy demand.

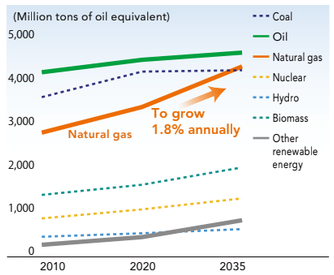
Natural gas

Demand for natural gas is expected to be high, especially in emerging Asian economies such as China. Amid an overall surge in energy demand, natural gas demand is expected to grow 1.8% annually and by 2035 is expected to exceed coal to reach over 25% of total demand. The use of unconventional sources of natural gas, such as shale, will also increase, with unconventional sources supplying around 30% of total natural gas demand by 2035.

Renewable energy

In contrast to fossil fuels, which are limited resources, energy sources such as solar, hydro, biomass and geothermal are gaining attention because they are renewable energy sources that can be reused in the short term and, moreover, produce few CO_2 emissions. Although demand for hydro and biomass is expected to remain more or less flat through 2035, demand for other renewable energy sources is expected to increase slightly (2010: 1% → 2035: 4%).

Global Primary Energy Demand by Fuel Source



The Global Energy Demand Forecast above and attached graphs are in reference to and/or taken from the IEA "Golden Rules Case" (May 2012).

Oil and Gas Development Business Environment

E&P companies are being forced to turn to frontier regions, where development poses difficulties, to secure new oil and gas interests due to the rise of factors such as resource nationalism. Competition for securing interests is intensifying, and as economic conditions become tougher E&P companies will increasingly seek to secure resources through ties with governments and other companies. In addition to acquiring interests by strengthening relationships with resource-rich countries, they will acquire assets to improve and expand the scale of their portfolios. E&P companies will also engage in other efforts for dynamic growth, such as corporate M&A activities that contribute to the acquisition of human resources, technologies and information.

Fewer new participation opportunities for E&P companies due to rising resource nationalism

Turning to the frontier regions for development
Areas that are difficult geographically
Areas that pose technical difficulties
Areas where geopolitical issues pose development risks

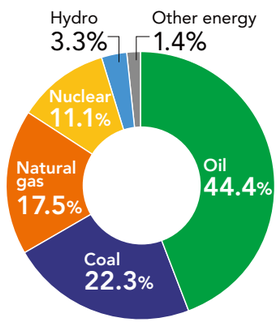
Fierce competition for interests

Domestic Oil and Gas Demand

The demand for oil has been decreasing in Japan recently, but oil is broadly used as a source of heat and power, as well as in the production of materials, and even now accounts for more than 40% of Japan's primary energy demand.

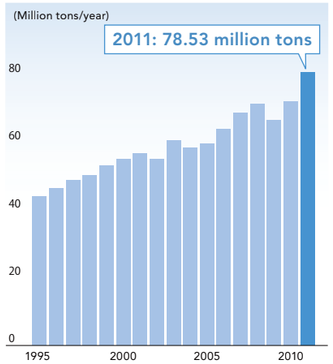
The share of LNG used for thermal power generation in Japan has risen in the wake of the shutdowns of nuclear power plants after the Great East Japan Earthquake, with demand for LNG growing. LNG import volume increased 12% from the previous year reaching an all-time peak of 78.53 million tons in 2011 and is expected to further increase in 2012 due to the nuclear plant shutdowns. LNG demand is also expected to continue to increase in the medium term as Japan proceeds to revise its energy policies.

Japan's Primary Energy Supply (2010)



From "Energy & Economic Statistics in Japan 2012"

LNG import trend in Japan



Ministry of Finance trade statistics

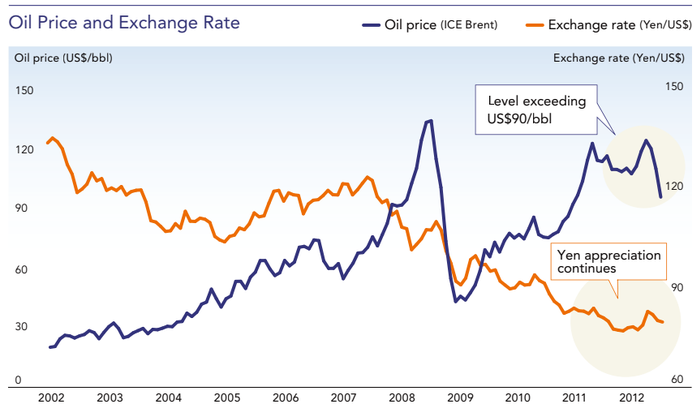
Crude Oil Price and Exchange Rate

Crude oil price fluctuations exceed supply-demand balance
Strong yen persists

The oil and natural gas business is greatly affected by changes in crude oil prices and exchange rates. As a result of investment from the financial markets, the propensity for fluctuation in crude oil prices exceeds the level of change that the supply-demand balance (fundamentals) would normally dictate. Currently, even though recovery of demand is uncertain due to a stagnant economy, Brent crude is above US$90/bbl (April–June 2012 average: US$108.90/bbl), with further price increases possible.

The average exchange rate for the year ended March 31, 2012, was around ¥79 = US$1. Yen appreciation continued with an average exchange rate of ¥80.2 = US$1 during April–June 2012.

Oil Price and Exchange Rate



Effect on Our Performance

The sensitivity index for oil prices and exchange rates when forecasting consolidated net income for the year ending March 31, 2013, has been calculated at approximately ¥1.8 billion in the event of fluctuations of US$1/bbl and approximately ¥2.2 billion in the event of exchange rate fluctuations of ¥1/US$1.

Fluctuation of Consolidated Net Income for the Year Ending March 31, 2013 (pro forma calculation)	
Crude oil price increase (decrease) by US$1/bbl	**+¥1.8 billion** (–¥1.8 billion) (annual)
Depreciation (Appreciation) of ¥1/US$1 in the exchange rate:	**+¥2.2 billion** (–¥2.2 billion) (annual)

The actual impact will depend on changes in production volume, capital expenditures and recovery costs, and the degree of impact may not be strictly dependent on the absolute level of oil prices or the exchange rate.

Characteristics and Risks Associated with the Oil and Gas E&P Business

The characteristics of the oil and gas development business and its associated risks, which could have a significant impact on performance, are described at right. Exploration costs are expensed or set aside as an allowance to provide for potential losses from unsuccessful exploration.

▶ See p. 130– for Business Risks (1. Characteristics of and risks associated with the oil and gas development business).

1. Risk of failure in exploration, development or production

2. Possibility of changes in reserve estimates

3. Highly capital intensive and funds cannot be recovered for a long time

4. Human resources retention and funding borne by operator in the course of running the project

5. Joint business among multiple partners for the purpose of dispersion of risk and financial burden

6. Disaster and accident risks

INPEX's Characteristics and Comparison with Peers

We put our strengths and characteristics to use in continuously expanding our E&P business. By reaching 1 MMboed in the early 2020s, we can establish a firm position as a global E&P company, ranking just after the oil majors.

INPEX Strengths and Characteristics

Strong reserve / Resource base

Proved and probable reserves of
4.26 billion boe

Reserves and resources, which are the source of corporate value, are the critical factor in the oil and gas E&P business. INPEX has the largest proved reserves of any Japanese company in the sector. Our net proved and probable reserves total 4.26 billion boe. Our reserves-to-production ratio is 15.6 years for proved reserves and 27.4 years if probable reserves are added. Beyond our probable reserves, we have an abundance of possible reserves and contingent resources. We expect to continue increasing proved and probable reserves over the medium to long term.

▶ See **p. 36**.

Large-scale LNG project operator in core areas

Ichthys (Australia) **Abadi** (Indonesia)

INPEX is in the process of developing two of the world's leading-scale LNG projects at Ichthys in Australia and Abadi in Indonesia. We are the first Japanese company to develop such large-scale projects as an operator. The expected production volume from both projects is vast, equaling more than 10% of Japan's current LNG annual import volume. We are focusing on these priority projects, which will increase the corporate value of our company.

▶ See **pp. 46–54**.

Gas supply chain

Domestic natural gas pipeline network **1,400** km

INPEX owns a domestic natural gas pipeline network stretching approximately 1,400 km that connects domestic and overseas gas assets to the Japanese gas market. We plan to add value by establishing a gas supply chain through linkage between this network and our major LNG projects. We are currently proceeding with work on the Naoetsu (Niigata) LNG Receiving Terminal, with the terminal scheduled to enter operation in early 2014. Construction of the Toyama Line (Toyama Prefecture) is also under way, with supplies slated to commence around the end of 2014.

▶ See **p. 73**.

Strong financial position

Equity ratio: **71.7**%
Net debt/Net total capital employed: **-60.7**%

A strong, healthy balance sheet and plentiful cash reserves are essential for oil and gas E&P companies. This reflects both the high degree of risk associated with these activities and the need to have sufficient funds on hand to take advantage of major investment opportunities quickly as they arise. As a result of a public offering held in August 2010, our company has secured a strong financial position. As of March 31, 2012, our company had an equity ratio of 71.1% and a ratio of net debt to net total capital employed of –60.7%. (Cash and cash equivalents and public bonds were greater than interest-bearing debt.) Compared to the oil majors and other global peers, this represents a sound level of financial strength.

▶ See **p. 44**.

Comparison with Other E&P Companies

Oil companies that conduct upstream activities can be divided into three categories: 1) national oil companies of governments in oil-producing countries that possess oil and natural gas assets, 2) major international oil companies known as the "oil majors" and 3) companies that specialize in upstream activities and are second in scale to the oil majors. Currently, our company's net production volume is 426 Mboed (for the year ended March 31, 2012) and our proved reserves are 2.43 billion boe (as of March 31, 2012). This places us among the mid-tier global E&P companies. By reaching 1 MMboed in the early 2020s, we can establish a firm position among the top-tier group.

As of March 31, 2012, our reserve replacement ratio, the reserves-to-production ratio and finding and development cost were superior to those of the oil majors and other global E&P companies.

▶ See **the right page**.

Oil companies throughout the world

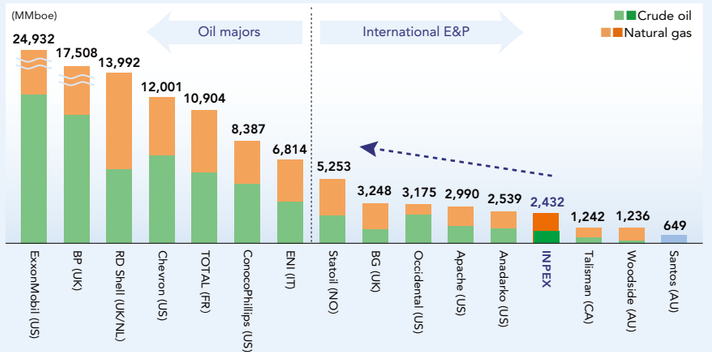
National oil companies	Oil majors	E&P companies
Saudi Aramco, CNPC, etc.	ExxonMobil, BP, Shell, TOTAL, etc.	INPEX, BG, Apache, etc.

Comparison in Reserves and Net Production

(Most recent publicly available information)

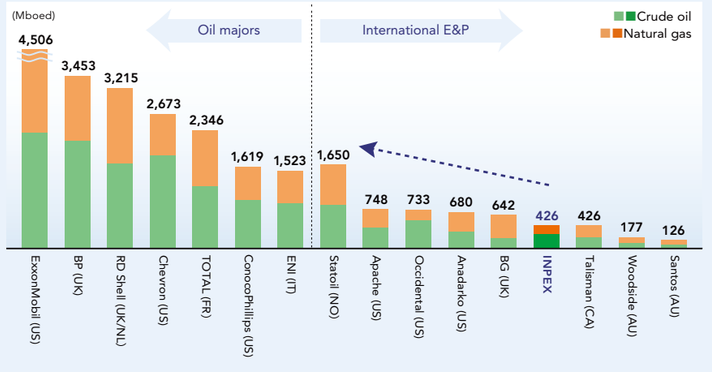
Proved Reserves

(As of December 31, 2011, for peers; as of March 31, 2012, for INPEX)
The figure for Santos only indicates the total of crude oil and natural gas.

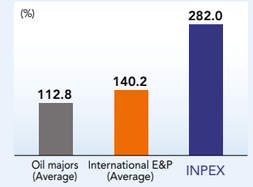


Net Production

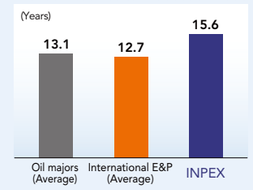
(For the year ended December 31, 2011, for peers; for the year ended March 31, 2012, for INPEX)



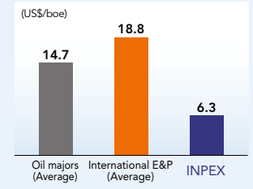
Reserve Replacement Ratio
(3-year average)



Proved Reserves to Production Ratio



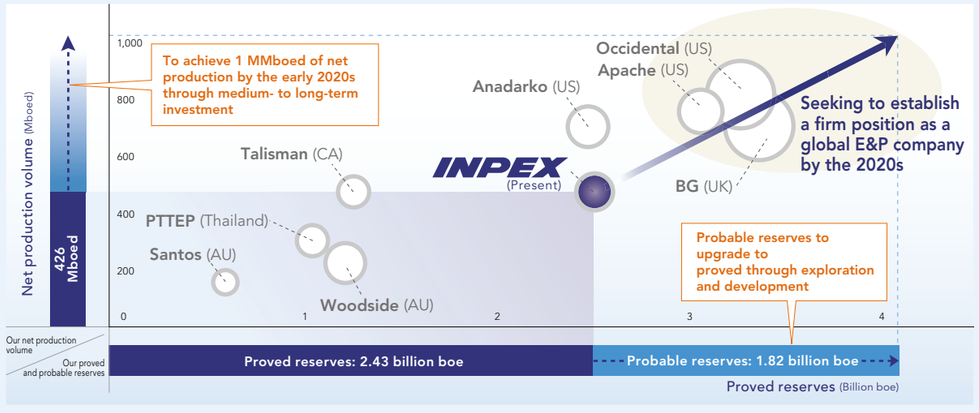
Finding & Development Cost
(3-year average)



Average of oil majors:
BP, Chevron, ConocoPhillips, ENI, ExxonMobil, TOTAL, Shell
Average of international E&P for which information is available:
Anadarko, Apache, BG, Occidental, Santos, Statoil, Talisman, Woodside

Proved Reserves, Net Production Volume and the Market Value of the Major E&P Players

Proved reserves and production volume indicated in this chart are from documents disclosed by the major E&P companies in fiscal 2011.
The size of the circle shows the market value of each company as of March 31, 2012.



Medium- to Long-Term Vision of INPEX

The global energy business environment is changing rapidly and becoming more complex, making steady management over the medium to long term more important than ever. We drew up the "MEDIUM- TO LONG-TERM VISION OF INPEX: Ichthys and our growth beyond" in May 2012, having made the FID on the Ichthys LNG Project in January of this year. The Vision clarifies the growth targets we have set for achieving sustainable development over the medium to long term and the key initiatives we will make during the five years until the start of production at Ichthys to hit those targets.

INPEX's Growth History and Medium- to Long-Term Vision

Since completing the business integration in October 2008, INPEX has been conducting a variety of projects throughout the world, steadily expanding our production and reserves and building up Japan's gas supply infrastructure. We drew up the Medium- to Long-Term Vision in May 2012, having made the FID (Final Investment Decision) on Ichthys the previous January.

October 2008
Complete business integration of INPEX CORPORATION and Teikoku Oil Co., Ltd.

- Preparations for the development of Ichthys and Abadi
- Steady increases in production and reserves
- Establishment of our gas supply chain

January 2012
FID on the Ichthys LNG Project

May 2012
Establishment of Medium- to Long-Term Vision of INPEX

- Medium- to long-term growth targets, and key initiatives over the next five years
- Improving and strengthening our management base

2020s
Become a top-class international oil and gas E&P company and an integrated energy company

Three Growth Targets

We have set three growth targets necessary for sustainable growth, and will conduct key initiatives over the next five years to achieve them.

	Key Initiatives for the First Five Years	Target for the 2020s
1. Continuous Enhancement of Our E&P Activities	▮ Ensure a successful start-up of Ichthys and Abadi, and expand our business synergies ▮ Double our exploration expenditures from the current level, for a total of around ¥300 billion over five years (expanding to more than ¥1 trillion over 10 years after the Ichthys start-up) ▮ Substantially boost exploration and development activities in core regions (Southeast Asia and Oceania centered on Indonesia and Australia) and promising areas, and develop unconventional resources ▮ Aggressively acquire new assets and pursue corporate M&A opportunities	**Achieve net production volume of 1 MMboed by the early 2020s**
2. Strengthening Our Gas Supply Chain	▮ Complete the Naoetsu LNG Receiving Terminal and the Natural Gas Trunk Pipeline (Toyama Line) ▮ Increase our ability to cope with a fluctuating supply/demand balance by our enhanced marketing functions and having our own fleet of tankers ▮ Enhance gas supply security, cooperating with gas and electric power companies ▮ Consider the possibility of our involvement in LNG-fired power generation, from the energy policy perspective	**Achieve domestic gas supply volume of 2.5 billion m³/year by the early 2020s** (3.0 billion m³/year in the long term)
3. Reinforcement of Our Renewable Energy Initiatives	▮ Promote the commercialization of geothermal power generation ▮ Promote R&D initiatives such as the CO_2 recycling technology	**Promote efforts to commercialize renewable energies and reinforce R&D activities** for the next generation

Three Management Policies

We are positioning ourselves to become a top-class international oil and gas E&P company and are improving and strengthening our management base to evolve into an integrated energy company.

1. Securing / Developing Human Resources and Building an Efficient Organizational Structure	▮ Establish a department for new project development and reinforce coordination among the head office, the regional project divisions and the overseas offices ▮ Utilize overseas offices proactively to collect new project information, to promote discussions on new projects and marketing activities	▮ Recruit and utilize personnel in and outside of Japan to develop global professionals ▮ Establish an efficient business execution system to facilitate decision making
2. Investment for Growth and Return for Shareholders	▮ Secure funds (¥3.5 trillion over five years, more than ¥6 trillion over 10 years after the Ichthys start–up, including exploration expenditures) for medium- to long-term investment from our project cash flows and loans ▮ Maintain financial strengths, targeting "an equity ratio of 50% or higher" and "a net debt to net total capital employed ratio of 20% or less"	▮ Realize a return for shareholders and management efficiency befitting top-class international oil and gas E&P companies
3. Responsible Management as a Global Company	▮ Reinforce CSR management continuously by establishing a company-wide CSR promoting system including the CSR Committee ▮ Implement specific measures starting from 2012 to continuously reinforce corporate governance from a global perspective	▮ Promote continuous improvements in corporate compliance and HSE initiatives ▮ Build trust-based working relationships with stakeholders through interactive communications

Become a Top-Class International Oil and Gas E&P Company

Become an Integrated Energy Company with natural gas as the core

MEDIUM- TO LONG-TERM VISION OF INPEX:
Ichthys and our growth beyond

For details, please refer to the booklet entitled "MEDIUM- TO LONG-TERM VISION OF INPEX: Ichthys and our growth beyond," or refer to the following Web site:

▶ inpex.co.jp/en/vision

Investment Plans and Financial Strategies

To achieve the growth targets in the Medium- to Long-Term Vision, ¥3.5 trillion will be invested over the next five years (from the years ending March 31, 2013 to 2017), whereas investment during the 10-year period following production startup at Ichthys is forecast to amount to more than ¥6 trillion. In addition to funds on hand, investment funding can be covered by bank loans and future operating cash flow while maintaining financial soundness.

Future Investment

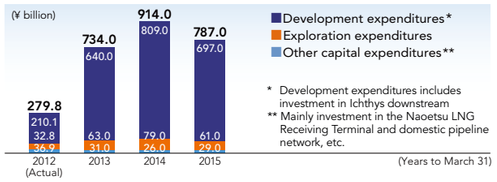
¥3.5 trillion to be invested over the next **5 years** in major projects including Ichthys

(including exploration expenditures around **¥300 billion**)

Investment during **the 10 years** following the start of Ichthys to reach **more than ¥6 trillion**

(including exploration expenditures of more than **¥1.0 trillion**)

Investment Results and Investment Plan for the Next Three Years

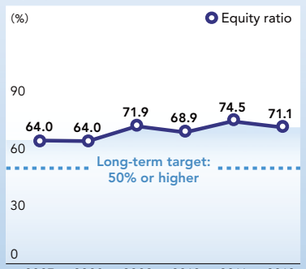


Funding Source

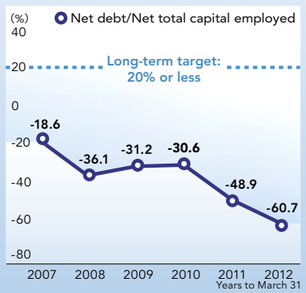
Own Funds	▮(Approximately ¥1.4 trillion of cash available on hands (As of March 31, 2012))
Cash Flows	▮Future operating cash flows obtained per year (Reference: ¥320.7 billion for the year ended March 31, 2012)
Bank Loans	▮Lending from JBIC ▮Guarantee from JOGMEC ▮Project finance

Maintain Financial Strengths

Equity Ratio



Net Debt / Net Total Capital Employed



Credit rating information (As of June 30, 2012)

Long-term credit ratings	Standard & Poor's	A (negative)
	Rating and Investment Information	AA- (stable)
Short-term credit ratings	Standard & Poor's	A-1

In addition to making steady progress at existing projects such as Ichthys and Abadi, we must invest in new exploration and development that will increase our reserves and production to achieve 1 MMboed of net production in the early 2020s.

Investment Plan for the Next Three Years

During the three-year period beginning from the year ending March 31, 2013 to 2015, we plan to invest approximately ¥2.4 trillion in existing projects, with development expenditures in projects such as Ichthys in particular expected to increase. Exploration expenditures are also forecast to be around ¥60 billion–¥80 billion per year.

Medium- to Long-Term Investment

A total of ¥3.5 trillion will be invested over the next five years (from the year ending March 31, 2013 to 2017), mainly in existing projects such as Ichthys. We will double our exploration expenditures from the current level for a total of around ¥300 billion over five years, averaging around ¥60 billion per year. We will also aggressively acquire new assets and pursue corporate M&A opportunities.

Investment during the 10-year period following the start of production at Ichthys will total more than ¥6 trillion (more than ¥1 trillion for exploration).

Funding

In addition to using cash (For reference: cash available on hands was approximately ¥1.4 trillion as of March 31, 2012), investment funding can be secured from the operating cash flow of projects and bank loans. We will maintain a sound financial standing by keeping to our long-term financial targets of **"equity ratio: 50% or higher" and "net debt to net total capital employed: 20% or less."**

▶ See **p. 29** for more about funding in the Message from the President.

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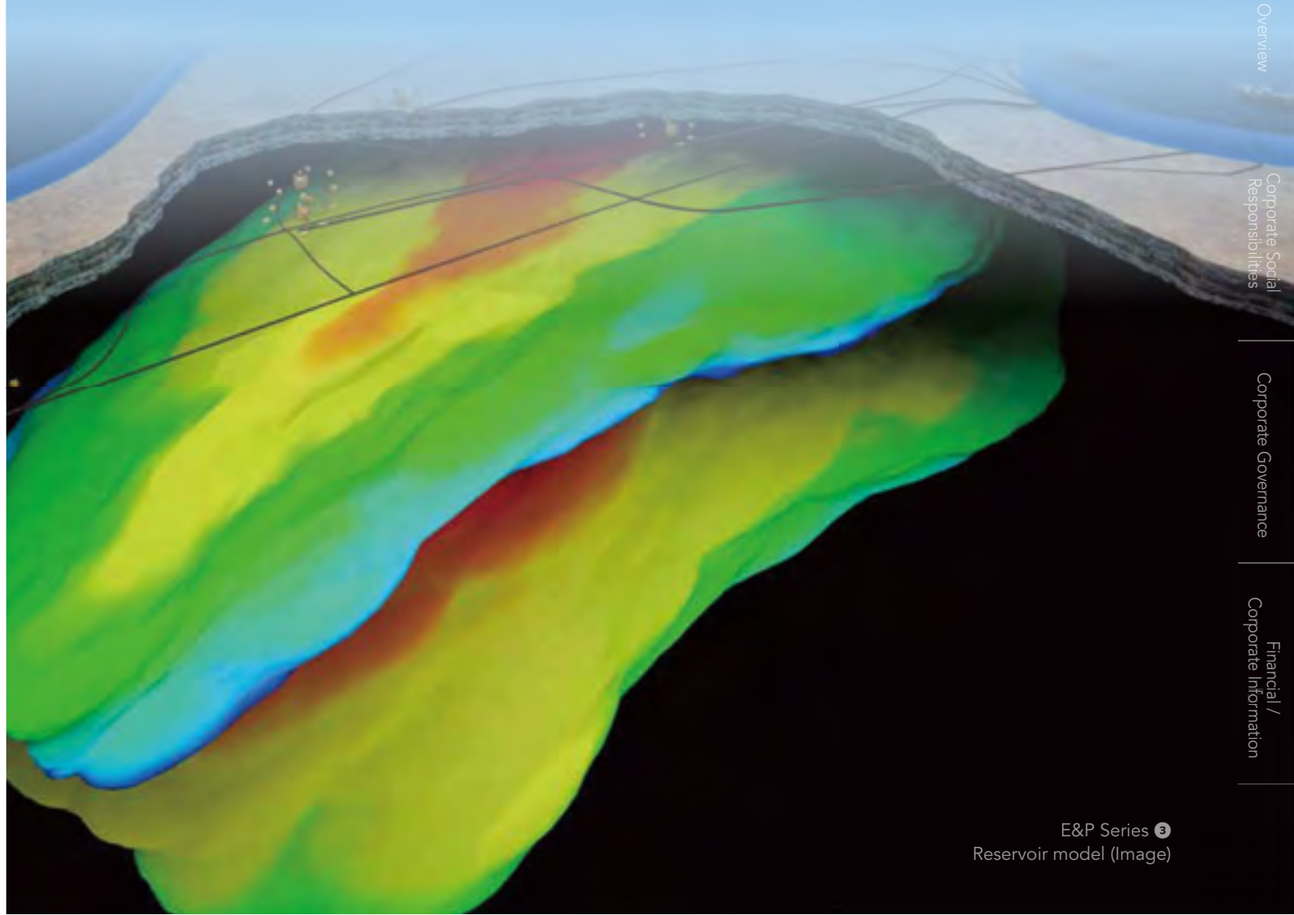
3

Special Report: Ichthys LNG Project



E&P Series ❸
Reservoir model (Image)

Ichthys LNG Project

Project Development Concept (image)

Offshore Production Facilities

A Subsea Production System (SPS) enables commingling of individual well flows, prior to distribution to the Central Processing Facility (CPF) via production flowlines and production risers. The CPF separates the gas and the liquids, including a large portion of the condensate. This condensate is exported to a floating production, storage and offloading (FPSO) facility, from which it is transferred to tankers for delivery to market. The gas is transported from the CPF through a gas export pipeline to the onshore LNG plant.

Onshore Facilities

These are composed of the LNG plant and onshore storage facilities. The planned site for these facilities is Blaydin Point, which is across the harbor from Darwin City.

Offtake Tanker

Floating Production, Storage and Offloading (FPSO)
The FPSO receives condensate from the CPF and handles storage (capacity of 1.2 MMbbl) and shipments (85 Mbbld, peak rate). Some of the natural gas is re-pressurized and sent back to the CPF.

Central Processing Facility (CPF)
Processes the product received via the flexible risers from the production wells, separating it into gas and condensate.

Flexible Risers
Flexible risers are used to transfer well flow from the SPS to the CPF.

Gas Liquefaction Plant
The gas liquefaction plant will extract condensate and LPG from the natural gas pumped via the pipeline. Using two trains, the liquefaction plant will then cool the remaining natural gas to –162˚C to form LNG. It will handle shipments of approximately 8.4 million tons per year of LNG, 1.6 million tons per year of LPG and 15 Mbbld (peak rate) of condensate.

Condensate

Natural gas
(re-pressurized and sent back to the CPF)

Product

Natural gas

Natural gas

Product

Gas Export Pipeline

This is a 42" wide pipeline connecting the CPF with the onshore LNG plant. The pipeline route takes it as deep as 250 m, and to a length of approximately 889 km.

Flowlines

Product

Production Manifold
A system for connecting a number of production wells on the sea floor.

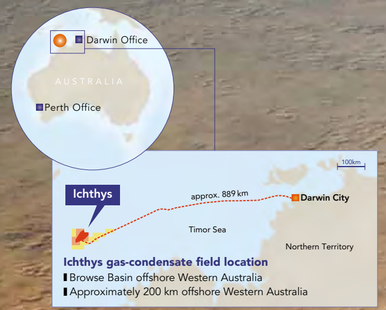
Subsea Production System (SPS)

Production Wells
50 gas wells.

Permit area
- WA-50-L/51-L: 1,079 km²
- WA-285-P: 995 km²

- Block water depth: 170 m–340 m
- Offshore production facility depth: approx. 250 m

Reservoirs
These consist of the Brewster Member and the Plover formation at a depth between 3,900 m–4,600 m.



Ichthys gas-condensate field location
- Browse Basin offshore Western Australia
- Approximately 200 km offshore Western Australia

Ichthys PROJECT

The Ichthys LNG Project is one of two large-scale LNG projects operated by INPEX. As an operator, we are engaging in development, production and sales activities in the Ichthys gas-condensate field, which is located about 200 km offshore Western Australia.

Having made the FID in January of this year, we have transitioned to the development phase encompassing detailed design work, procurement and facility construction, with the production start targeted by the end of 2016.

Groundbreaking ceremony of the LNG plant at Darwin (May 18, 2012)
Left: INPEX Chairman Naoki Kuroda
Center left: Australian Prime Minister Julia Gillard
Center right: Northern Territory Chief Minister Paul Henderson
Right: TOTAL E&P Australia Managing Director Mike Sangster

Outline of Ichthys LNG Project

Production volume	LNG	8.4 million tons/year
	LPG	1.6 million tons/year
	Condensate	approx. 100 Mbbld (peak rate)
FID	January 13, 2012	
Production start target	By the end of 2016	
Interest owned (As of July 31, 2012)	INPEX	66.070% (Operator)
	TOTAL	30.000%*
	Tokyo Gas	1.575%
	Osaka Gas	1.200%
	Chubu Electric	0.735%**
	Toho Gas	0.420%
Project status	Under development	

* Of the 30%, 6% is subject to the approval of the Australian government.
** Subject to the approval of the Australian government

Ichthys LNG Project

The Ichthys LNG Project,
which will produce the equivalent of approximately 10% of Japan's annual LNG import volume, is finally entering the development phase.

Drilling rig at offshore Western Australia

The name "Ichthys," which means "fish" in ancient Greek, is derived from the many fossilized fish that were discovered in onshore areas in close proximity to the block.

Ichthys LNG Project

Project Overview

The Ichthys LNG Project is a large-scale LNG project operated by INPEX, in which development is conducted jointly with oil major TOTAL of France and other companies. Plans for Ichthys call for the production of natural gas from the Ichthys gas-condensate field and subsequent shipments of LNG, LPG and condensate by the end of 2016. Ichthys will operate on an enormous scale, producing 8.4 million tons of LNG per year. That is the equivalent of about 10% of Japan's annual LNG import volume, so Ichthys will be significant from the perspective of contributing to Japan's energy supply stability. We have already secured LNG sales and purchase agreements (SPAs) for all expected production of LNG, with approximately 70% of the LNG to be delivered from 2017 mainly to utility companies in Japan. LPG and condensate are planned to be sold to the Asia-Pacific region, where the energy demand is expected to grow.

INPEX acquired an exploration permit for a block offshore Western Australia in an open bid conducted in August 1998 and subsequently made the discoveries that would lead to the Ichthys LNG Project. During the approximately 10 years that followed, we conducted two drilling campaigns during which a total of eight exploratory wells were drilled, confirming the presence of gas and condensate sufficient for commercial development. FEED works for both onshore and offshore facilities began in 2009. Along with the FEED works, we went about obtaining government approvals, concluding LNG SPAs and satisfying other conditions, and having done so made the FID on the Ichthys LNG Project on January 13, 2012. The contractors for construction of the onshore and offshore facilities have been selected based on their performance record and reliability. We will conduct detailed design and procurement work concerning each facility through 2013, and from 2014 through 2015 we will drill production wells and construct the facilities. We will commence production by the end of 2016 after conducting the commissioning.

A production period of 40 years is planned for Ichthys, during which we expect to maintain an annual production level of 8.4 million tons per year of LNG for about 20 years.

Out of the US$34 billion investment, INPEX's share will be financed through a combination of its own funds and bank loans, mainly project finance. Ichthys will produce a large volume of condensate in comparison to other LNG projects, making recoupment of the investment easy to achieve in the near term and ensuring sufficient economics for this project.

Final investment decision (FID) (January 13, 2012)

Central processing facility (CPF) (image)

Environmental Impact Survey and Contribution to Regional Communities

Multiyear environmental impact surveys were conducted concerning the Ichthys project, including the offshore production facilities, the gas export pipeline and the onshore LNG plant. The survey results were submitted for public review, and after taking into consideration the opinions of a variety of stakeholders we applied for and received the environmental approvals necessary to go forward with the project.

In proceeding with the Ichthys LNG Project, INPEX places great importance on communication with local communities and building a relationship of mutual understanding with the people of the surrounding project area. We are doing our utmost to be considered a trusted corporate citizen. Our efforts include providing training opportunities for young people, including local indigenous people, by funding the construction of the Larrakia Trade Training Centre, which opened in Darwin in April 2011. We then proceeded in April 2012 to provide the funds that will underpin Charles Darwin University's North Australian Centre for Oil and Gas, which will help grow a sustainable workforce to further develop the oil and gas industry.

As the operator of Ichthys, we are committed to providing social, economic and cultural support for the sustainable development of the region and the creation of the workforce necessary to it.

Reforestation assessment project in Western Australia

Larrakia Trade Training Centre

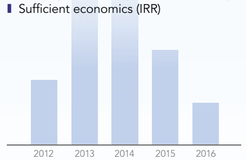
Key Features of the Ichthys LNG Project

Project progress (at the time of the FID)

- Obtained major government approvals
- Secured reliable EPC contractors
- Concluded SPAs for entire LNG production
- Confirmed lenders' intention for financing
- Adjustments of the schedule announced in May 2010 provided further accuracy and confidence of the engineering and cost estimates, and enhanced relations with the local community
- Lump-sum contracts account for the majority of overall EPC contracts (about 75%)

Development Cost (CAPEX) and Economics

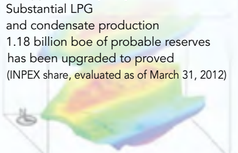
- CAPEX: US$34 billion
- Stable and massive free cash flow for a long period after production start-up
- Sufficient economics (IRR)



Estimated yearly investment (image)

Substantial Reserves and Production

- 40-year project life
- LNG production of 8.4 million tons/year for approximately 20 years
- Substantial LPG and condensate production
- 1.18 billion boe of probable reserves has been upgraded to proved (INPEX share, evaluated as of March 31, 2012)



Brewster and Plover Formations (images)

Strength of the Project

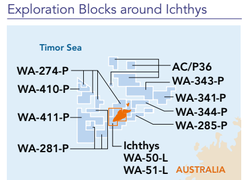
- INPEX's experience in the Asia-Oceania region
- Good coordination and relationships with joint venture partners (including TOTAL)

Participating projects

LNG Project in Australia

- Low country risk
- Support from Australian and Northern Territory governments
- Good relations with local communities

Already Participating in High-Potential Exploration Blocks around Ichthys

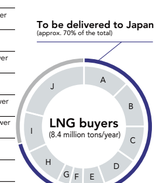


Exploration blocks around Ichthys in which INPEX participates

Approximately 70% of the LNG to be Delivered to Japan

(Million tons/year)

A	Tokyo Electric Power	1.05
B	Tokyo Gas	1.05
C	Kansai Electric Power	0.80
D	Osaka Gas	0.80
E	Chubu Electric Power	0.49
F	Kyushu Electric Power	0.30
G	Toho Gas	0.28
H	INPEX	0.90
I	TOTAL (France)	0.90
J	CPC (Taiwan)	1.75



For the Success of the Ichthys LNG Project

Seiya Ito

Director,
Managing Executive Officer,
Senior Vice President of
Ichthys Project Division

The Ichthys LNG Project has now entered the development phase, with the FID having been made in January of this year. Ichthys is gaining the world's attention as the first major LNG project undertaken with a Japanese company as the operator. Operating from our bases in Perth and Darwin in Australia, with the cooperation of our partners, including TOTAL of France, our LNG customers, the Australian authorities and the EPC contractors, as well as everyone in the local communities, we shall move forward with safe, efficient development toward our goal of commencing production by the end of 2016.

Ichthys PROJECT

Development Story

Taking the Challenge of Operatorship Because We Believe in the Potential of Ichthys

The Ichthys LNG Project, for which the FID was made in January 2012, is entering the development phase and moving ever closer to the start of production. Commercial production is expected to continue for 40 years at Ichthys, which means about 60 years for this major project when counted from 1998, the year INPEX acquired the block. The entire process, from exploration through production, makes for a grand story.

Geologists sense the Ichthys potential

Indonesia Petroleum Ltd., a predecessor of INPEX, was established in the mid-1960s to develop Indonesia's oil resources. The company expanded its operations into neighboring Australia in the latter half of the 1980s and worked together with large, local E&P companies on a number of oil and gas exploration and development projects. By the latter half of the 1990s, we had already acquired a decade of experience working in Australia. We had by then participated in a number of offshore projects as a joint venture partner, building up an accumulation of knowledge, experience and results. After studying the data obtained over these years of operation in the region, our geologists determined that there existed great potential reserves of oil and gas in the offshore Browse Basin in Australia.

Geologists at work

Study in suburban Darwin

Taking up the challenge of operatorship with the Ichthys discovery

This block was offered in an open bid in March 1997 by the government, and we began further studies after acquiring geophysical survey data in addition to the study results already in hand. After the geologists accumulated more data and determined those blocks with potential, INPEX's top management made the decision to take up the challenge of an operator project in Australia in the hope of achieving future growth. This led to a successful bid for an exploration permit for WA-285-P in August 1998 as an operator.

There were initially some voices of doubt about the potential of this block, therefore no oil and gas companies including oil majors or local companies participated as joint venture partners. Nonetheless, INPEX pressed on alone with exploration, and in 2000, gas condensate was discovered in the first exploratory well. Further assessments made it clear that spread out under that block was an enormous quantity of gas condensate, so the block was given the name "Ichthys gas-condensate field." Afterward, assessments of Ichthys continued steadily, and it turned out the geologists' feeling about the block was correct.

Darwin selected as the LNG plant site

Initially, a location in the Maret Islands, which are small, uninhabited islands with no airfield near Ichthys off the Kimberly coast, was considered as the prime candidate for the LNG plant site in our gas-condensate field development plan. However, the idea of building the LNG plant in the Maret Islands was dropped when authorities decided on a policy of concentrating a number of LNG plant construction projects planned for Western Australia to a single location.

Darwin, the main city in Northern Australia, was also a candidate, and because that city had for some time welcomed the construction of an onshore LNG plant we finally selected Darwin as the plant site.

Although we looked into the possibility of a fixed platform for an offshore processing facility, we selected a semi-submersible processing facility after conducting a comprehensive analysis taking into consideration factors such as technical advantages, operational stability, scheduling and cost.

Offshore drilling rig

Project moves into development phase

Students and INPEX Chairman Kuroda at the Larrakia Trade Training Centre

The building of good relations with the authorities, as well as with local communities, is indispensible to successful project progress. The decision to build the plant in Darwin received the full support of the government. We have worked with the government in contributing to the local community by funding the construction of the Larrakia Trade Training Centre for providing vocational training opportunities to young people, including indigenous people.

Also, we have completed the FEED work, which was started in 2009, for the onshore and offshore production facilities including one of the world's largest offshore production facilities, as well as an approximately 889-km pipeline and an onshore LNG plant with 8.4 million tons of LNG per year. In tandem with the FEED work, we also went about obtaining government approvals, concluding long-term LNG sales and purchase agreements with customers such as utility companies, calculating capital expenditures and examining profitability. After making all the necessary preparations to move forward with the project, we made the FID on January 13, 2012, marking a major project milestone and making the transition to the development phase.

We will continue making steady progress toward our goal of commencing production by the end of 2016.

Project History

1998

Participated in an open bid, permit acquired

- Submitted a bid for WA-285-P in an open bid process conducted by the Australian Federal Government in March 1997; a permit was acquired in August 1998

2000–2001

First drilling campaign

- Confirmed the presence of gas and condensate in all three exploratory wells
- Acquired, processed and interpreted 3-D seismic data

2003–2004

Second drilling campaign

- Drilled three exploratory wells to verify reserves; confirmed the areal extension of the reservoir and the presence of gas and condensate

2007–2008

Appraisal of recoverable reserves

- Confirmed the extension of the Ichthys gas-condensate pool through further drilling of two wells
- Selected Darwin for an LNG plant site

2009–2011

Preparation for development

- Started FEED activities for the onshore LNG plant, the offshore production facilities and the pipeline in 2009
- Invitation to tender (ITT) for the CPF issued in November 2010
- Preparatory work for the EPC procurement phase of the onshore LNG plant began in December 2010
- Engineering work for the onshore LNG plant completed in March 2011

Government approvals

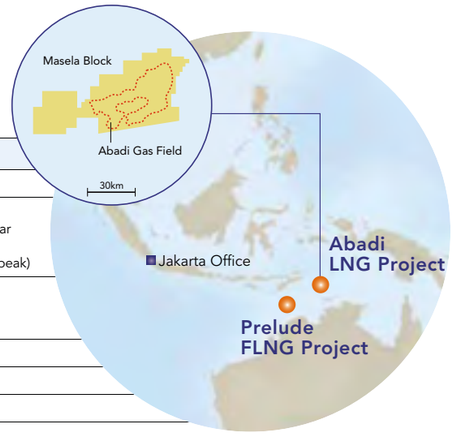
- Public review of EIS during the period July–September 2010
- EIS supplement taking public review into consideration submitted to government in April 2011
- Environmental approval received from the government of the Northern Territories in May 2011 and from the Australian Federal Government in June 2011

From 2012 onward:

- January 2012: Final Investment Decision (FID) made
- March 2012: Production licenses granted by Australian government
- May 2012: Groundbreaking Ceremony of the onshore LNG plant in Darwin
- Planned production startup by the end of 2016

Large-Scale LNG Projects Following Ichthys

Our LNG projects, employing the world's first floating LNG technology, are driven by our strategic partnership with Shell.



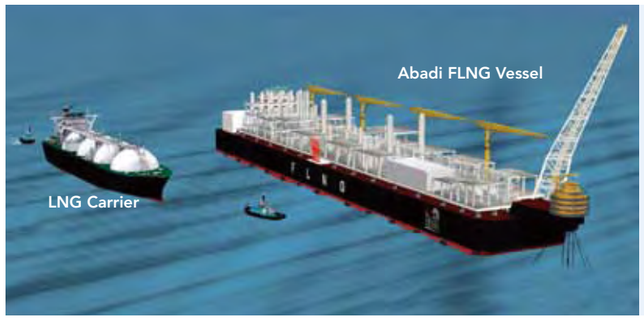
	Abadi	Prelude
Country	Indonesia	Australia
Production volume (expected)	(Stage-I development) LNG: 2.5 million tons/year Condensate: Approximately 8.4 Mbbld	LNG: 3.6 million tons/year LPG: Approximately 400 thousand tons/year (at peak) Condensate: Approximately 36 Mbbld (at peak)
Interest owned	Stage-I INPEX 60%, Shell 30%, PT Energi Mega Persada 10%	INPEX 17.5%, Shell 72.5%, KOGAS 10%
Operator	INPEX	Shell
Development method	FLNG	FLNG
Project status	Preparation for development	Under development

Abadi LNG Project

The Abadi gas field is located in the Arafura Sea in Indonesian territorial waters and is a large gas field with an area of more than 1,000 km^2. INPEX has been the operator of the Abadi LNG Project since the exploration stage and is currently conducting FEED preparations. The Indonesian Government granted approval in December 2010 to the plan of development for Stage-I (POD-1) for an FLNG with a capacity of 2.5 million tons per year of LNG. In December 2011, INPEX invited Shell onboard as our strategic partner in the project, in exchange for which we transferred to Shell 30% of the participating interest in Abadi.

We are gaining technical support and bringing in FLNG experts from Shell, and currently our goal is to commence FEED in the latter half of 2012.

Abadi means "eternal" in Bahasa Indonesia. The name was assigned in the hopes of "burning forever."



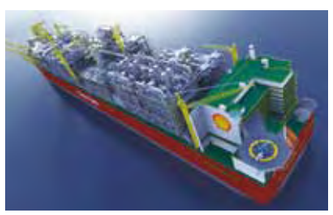
What is a "floating LNG"?

A floating LNG is created by installing an LNG plant on a large vessel. This new method allows for natural gas to be processed into liquid at that plant and then directly offloaded to an LNG carrier. A number of oil and gas companies, including oil majors and engineering companies, are looking into the commercial use of such FLNGs or are preparing to construct them.

A floating LNG eliminates the need for some conventional facilities, such as pipelines, and therefore requires less initial investment and minimizes the environmental impact.

Prelude FLNG Project

In June 2012, INPEX participated in the Prelude FLNG Project being operated by Shell, then acquired a 17.5% participating interest. Prelude is under development in offshore Western Australia. The Prelude FLNG Project will produce 3.6 million tons per year of LNG, along with 400 thousand tons per year (at peak) of LPG (liquefied petroleum gas) and approximately 36 Mbbld of condensate (at peak). Shell made the FID on the project in May 2011, and development works are ongoing. Our participation in the Prelude is significant in terms of expanding our global relationship with Shell, enhancing our LNG portfolio and improving FLNG know-how and experience, which we can put to use at the Abadi LNG Project.



Prelude FLNG vessel

▷ BACK TO CONTENTS

4

Project Overview

E&P Series 4
Drill bit

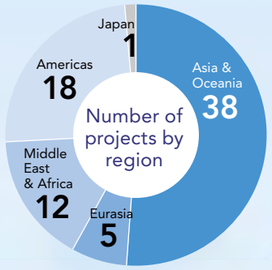
Project Overview

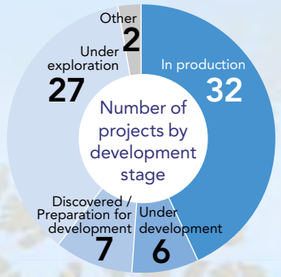
27 Countries 74 Projects

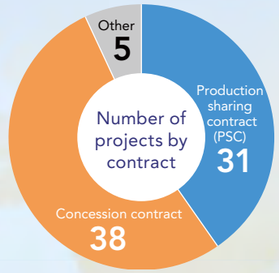
(As of June 30, 2012)

We seek to achieve a well-balanced portfolio through a combination of different projects with dispersed risks, by resource (crude oil and natural gas), by stage (exploration, development and production), by contract, etc.

INPEX Project Portfolio







Eurasia ▸P. 63

Number of countries	**4**
Number of projects	**5**
In production	2
Under development	1
Under exploration	1
Other	1

Middle East & Africa ▸P. 66

Number of countries	**8**
Number of projects	**12**
In production	6
Discovered / Preparation for development	1
Under exploration	5

Japan ▸P. 71

Asia & Oceania ▸P. 58

Number of countries	**7**
Number of projects	**38**
In production	12
Under development	4
Discovered / Preparation for development	4
Under exploration	17
Other	1

Americas ▸P. 68

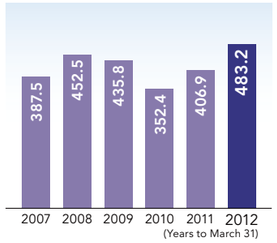
Number of countries	**7**
Number of projects	**18**
In production	11
Under development	1
Discovered / Preparation for development	2
Under exploration	4

Project Overview by Region

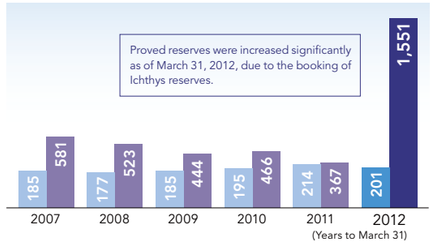
Asia & Oceania

Regarding the performance in Asia and Oceania for the year ended March 31, 2012, net sales increased 18.8% to ¥483.2 billion and operating income increased 27.0% to ¥299.6 billion due to increases in sales prices of crude oil and gas despite a decrease in sales volume and yen appreciation. Net production was 201 Mboed, while proved reserves reached 1,551 MMboe due to the booking of the Ichthys reserves.

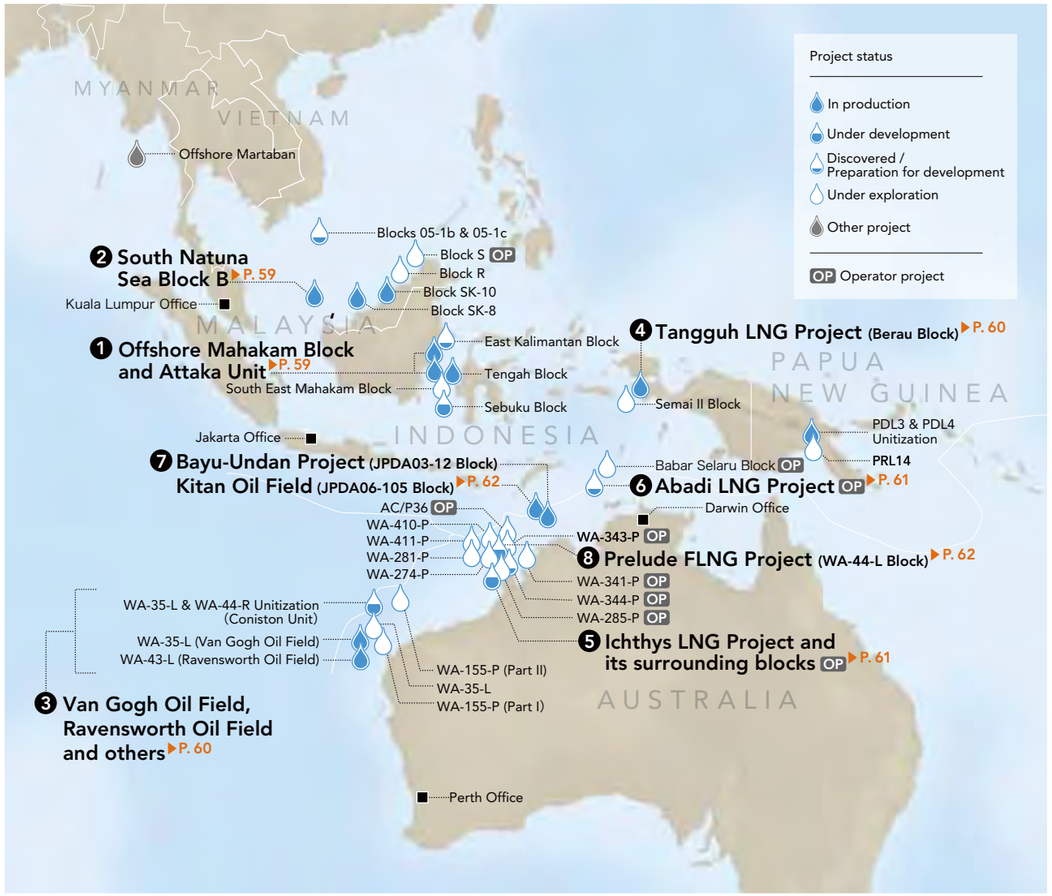
■■Net sales by region (¥ billion)



■■Net production by region (Mboed)
■■Proved reserves by region (MMboe)



Number of countries	7
Number of projects	38
In production	12
Under development	4
Discovered/ Preparation for development	4
Under exploration	17
Other	1




Offshore Mahakam Block (production facility)


Offshore Mahakam Block (shipping terminal)

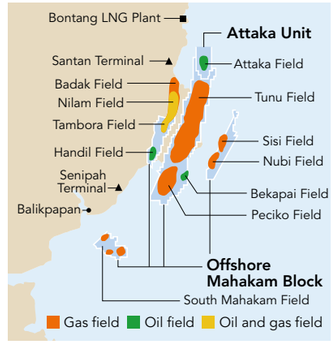

South Natuna Sea Block B (FPSO)

1. Offshore Mahakam Block and Attaka Unit

Contract area (block)	Project status (production on the basis of all fields and average rate of FY2011)	Venture company (established)	Interest owned (*Operator)
Offshore Mahakam	In production (Crude oil: 67 Mbbld; Natural gas: 2,150 MMcf/d; LPG: 0.5 Mbbld)	INPEX CORPORATION (February 21, 1966)	INPEX 50% TOTAL* 50%
Attaka Unit			INPEX 50% Chevron* 50%

INPEX entered into a production sharing contract (PSC) with the Indonesian Government in October 1966, at that time acquiring a 100% participating interest in the Offshore Mahakam Block. The Attaka Unit was established in April 1970 through the unitization of part of the adjacent blocks owned by INPEX and Unocal (now Chevron), with each company taking a 50% interest. Production of crude oil and natural gas began in 1972. INPEX farmed out a 50% participating interest in the Offshore Mahakam Block to CFP (now TOTAL) in July 1970. This venture subsequently made a series of discoveries in the Bekapai (oil), Handil (oil), Tambora (oil and gas), Tunu (gas), Peciko (gas), Sisi and Nubi (gas) fields, each of which has continued to produce crude oil and natural gas. The crude oil and condensate produced from these fields are shipped mainly to oil refineries and power companies in Japan by tanker from the Santan and Senipah terminals. Most of the natural gas is supplied to the Bontang LNG Plant, then shipped as LNG to Japan and elsewhere.

The Offshore Mahakam Block will continue to be a key profit center for INPEX. In addition, together with TOTAL (the operator), we have been engaged in negotiations with the Indonesian authorities to secure a contract extension beyond 2018 with respect to the Offshore Mahakam Block.

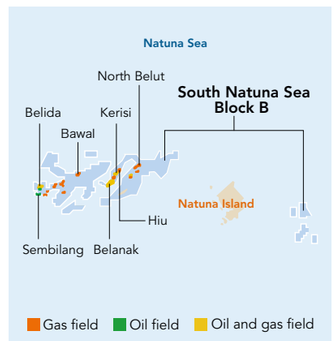


2. South Natuna Sea Block B

Contract area (block)	Project status (production on the basis of all fields and average rate of FY2011)	Venture company (established)	Interest owned (*Operator)
South Natuna Sea B	In production (Crude oil: 52 Mbbld; Natural gas: 365 MMcf/d; LPG: 5 Mbbld)	INPEX Natuna, Ltd. (September 1, 1978)	INPEX Natuna 35% ConocoPhillips* 40% Chevron 25%

In July 1977, INPEX acquired a 17.5% participating interest in the South Natuna Sea Block B. Later, in January 1994, INPEX increased its total participating interest in the block to 35% with the purchase of an additional 17.5% interest. Crude oil production began in 1979, and supplies of natural gas to Singapore via Indonesia's first international pipeline commenced in 2001. Additional deliveries of natural gas from this pipeline to Malaysia started in 2002. These supply milestones contributed to the extension of the PSC covering the block until 2028.

Production operations in the Belanak oil and gas field, which is part of South Natuna, utilize a world-class floating production, storage and offloading (FPSO) system. Production of crude oil and condensate began in December 2004, with LPG production commencing in April 2007. The Hiu and Kerisi fields came onstream in 2006 and 2007, respectively. Gas production commenced at the North Belut Field in November 2009 and at the Bawal Gas Field in July 2012.




Tangguh (shipping terminal)


Ichthys LNG Project (CPF) (image)

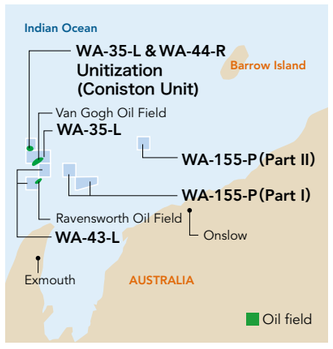

Ichthys LNG Project (onshore facility at Darwin) (image)

3. Van Gogh Oil Field, Ravensworth Oil Field and others

Contract area (block)	Project status (production on the basis of all fields and average rate of FY2011)	Venture company (established)	Interest owned (*Operator **Australian government approval in process) (As of June 30, 2012)
WA-35-L (Van Gogh Oil Field)	In production (Crude oil: 20 Mbbld)	INPEX Alpha, Ltd. (February 17, 1989)	INPEX Alpha 47.499% Apache* 52.501%
WA-43-L (Ravensworth Oil Field)	In production (Crude oil: 30 Mbbld)		INPEX Alpha 28.5% BHPBP* 39.999% Apache 31.501%
WA-35-L, WA-44-R Unitization area (Coniston Unit)	Under development		INPEX Alpha 47.499%** Apache* 52.501%**
WA-35-L (excluding Van Gogh Oil Field)	Under exploration		INPEX Alpha 47.499% Apache* 52.501%
WA-155-P (Part II)			INPEX Alpha 18.67% Apache* 81.33%
WA-155-P (Part I)			INPEX Alpha 28.5% BHPBP* 39.999% Apache 31.501%

INPEX acquired participating interests in WA-155-P (Part I) in July 1999, after which the Van Gogh and Ravensworth oil fields were discovered. The Australian Government granted production licenses (WA-35-L and WA-43-L) for those two blocks, in which oil production commenced in February and August of 2010, respectively.

The decision to develop the Coniston Unit, which saddles WA-35-L and WA-44-R, was made in December 2011, and work targeting the commencement of production in the fourth quarter of the year ending March 2013 is under way. Average crude oil production for the first year of operation of the Coniston Unit is expected to be 21.5 Mbbld.

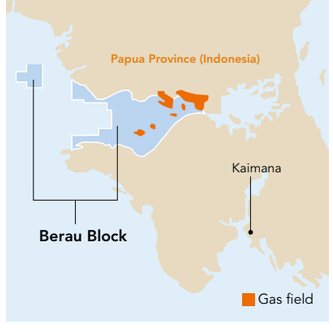


4. Tangguh LNG Project (Berau Block)

Contract area (block)	Project status (production on the basis of all fields and average rate of FY2011)	Venture company (established)	Interest owned (*Operator)
Berau	In production (Crude oil: 6 Mbbld, Natural gas: 945 MMcf/d)	MI Berau B.V. (August 14, 2001)	MI Berau 22.856% BP* 48.0% Nippon Oil Exploration (Berau) 17.144% KG Berau 12.0%
Tangguh Unit			MI Berau 16.3% BP* 37.16% CNOOC 13.9% Nippon Oil Exploration (Berau) 12.23% KG Berau, KG Wiriagar 10.0% LNG Japan 7.35% Talisman 3.06%

MI Berau B.V., a joint venture established by INPEX (44%) and Mitsubishi Corporation (56%), acquired in October 2001 an interest of around 22.9% in the Berau Block. MI Berau owns a 16.3% participating interest (including an interest held by INPEX of about 7.17%) in the Tangguh LNG Project, which has been set among the parties of the Berau Block and the adjoining Wiriagar and Muturi blocks. MI Berau Japan Ltd., a joint venture between INPEX (44%) and Mitsubishi Corporation (56%), also acquired approximately 16.5% of the issued and outstanding shares of KG Berau Petroleum Ltd. in October 2007, bringing INPEX's total interest in the project up to approximately 7.79%.

In March 2005, the Indonesian Government approved a development plan for the Tangguh LNG Project and an extension of the PSC until 2035. Development was then conducted, leading to shipments of LNG in July 2009.




Ichthys LNG Project (offshore drilling rig)


Ichthys LNG Project (study at Darwin)


Abadi LNG Project (exploration well)

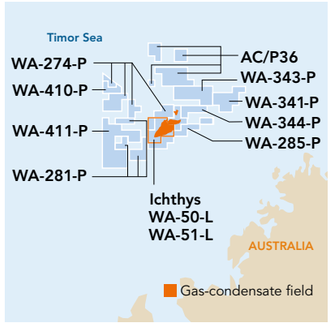
5. Ichthys LNG Project and its surrounding blocks

▸ See pp. 46–53.

Contract area (block)	Project status	Venture company (established)	Interest owned (*Operator, **Of the 30%, 6% is subject to the approval of the Australian government, *** Subject to the approval of the Australian Government) (As of July 31, 2012)
WA-50-L	Under development	INPEX Ichthys Pty Ltd (April 5, 2011)	INPEX Browse* 66.070% TOTAL 30.000%** Tokyo Gas 1.575% Osaka Gas 1.200% Chubu Electric Power 0.735%*** Toho Gas 0.420%
WA-51-L		INPEX Browse, Ltd. (September 1, 1998)	
WA-285-P	Under exploration		INPEX Browse 20% Chevron 50% Santos* 30%
WA-274-P			INPEX Browse 20.0000% Santos* 47.8306% Chevron 24.8300% Beach 7.3394%
WA-281-P			
WA-341-P			INPEX Browse* 60% TOTAL 40%
WA-343-P			
WA-344-P	Discovered		
WA-410-P	Under exploration		INPEX Browse 20% Santos* 30% Chevron 50%
WA-411-P			INPEX Browse 26.6064% Santos* 63.6299% Beach 9.7637%
AC/P36			INPEX Browse* 50%*** Murphy 50%

INPEX acquired a participating interest in WA-285-P offshore Western Australia through an open bid in August 1998. In 2000, after conducting exploration activities as an operator, INPEX discovered the high-potential Ichthys gas-condensate field. Eight exploratory wells drilled by INPEX confirmed the presence of sufficient reserves for a large-scale LNG project. Later, in September 2008, a site in Darwin was selected for construction of an onshore LNG plant. FEED work on this plant began in January 2009, after which in April of the same year FEED work also commenced on offshore production facilities. Having made the FID on the Ichthys LNG Project in January 2012, development is now under way, with commencement of production planned by the end of 2016.

INPEX also retains interests in nine blocks surrounding the Ichthys gas-condensate field. Exploration activities are ongoing. Any discoveries of major oil or gas reserves in these blocks could considerably increase the potential of the Ichthys field benefiting from synergistic effects.



6. Abadi LNG Project

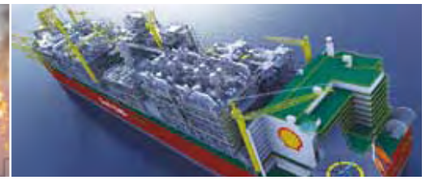
▸ See p. 54.

Contract area (block)	Project status	Venture company (established)	Interest owned (*Operator)
Masela	Preparation for development	INPEX Masela, Ltd. (December 2, 1998)	INPEX Masela* 60% Shell 30% PT Energi Mega Persada 10%

INPEX acquired a 100% participating interest in the Masela Block in November 1998 through an open bid conducted by the Indonesian Government. INPEX proceeded with exploratory activity as the operator, and an exploratory well drilled in 2000 discovered the Abadi Gas Field. Subsequently, six appraisal wells were drilled (two in 2002 and four in 2007–2008), all of which confirmed the presence of gas and condensate column. The Indonesian Government granted its approval to the plan of development for Stage-I (POD-1) for a "floating LNG" with a capacity of 2.5 million tons per year of LNG in December 2010. INPEX is currently conducting preparations for FEED with a view to starting it in the latter half of 2012. We are studying the possibilities for further development exploiting its reserves and plan to begin drilling two or three appraisal wells and one exploration well in the second quarter of 2013.


Bayu-Undan Project (Darwin LNG)


Kitan Oil Field (production test)

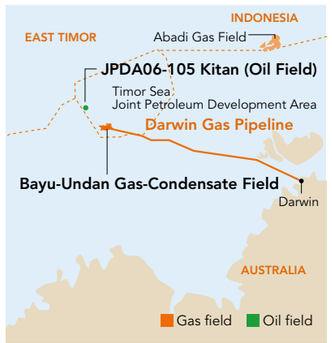

Prelude FLNG Project (FLNG vessel)

7. Bayu-Undan Project (JPDA03-12 Block) and Kitan Oil Field (JPDA06-105 Block)

Contract area (block)	Project status (production on the basis of all fields and average rate of FY2011)	Venture company (established)	Interest owned (*Operator)
JPDA03-12	In production (Crude oil: 56 Mbbld / Natural gas: 530 MMcf/d / LPG: 33 Mbbld)	INPEX Sahul, Ltd. (March 30, 1993)	INPEX Sahul 19.2458049% ConocoPhillips* 61.3114766% Santos 19.4427185%
Bayu-Undan Unit			INPEX Sahul 11.378120% ConocoPhillips* 56.943372% Eni 10.985973% Santos 11.494535% Tokyo Timor Sea Resources (TEPCO/Tokyo Gas) 9.198000%
JPDA06-105 (Kitan Oil Field)	In production (Crude oil: 19 Mbbld)	INPEX Timor Sea, Ltd. (November 25, 1991)	INPEX Timor Sea 35% Eni* 40% Talisman 25%

In April 1993, INPEX acquired a participating interest in JPDA03-12, a contract area located in the Timor Sea JPDA. Exploration within this contract area resulted in the discovery of oil and gas fields. Of these, studies revealed that the Undan structure and the Bayu structure in the adjacent JPDA03-13 contract area were a single structure. The interest holders unitized both contract areas in 1999, allowing joint development of the Bayu-Undan Gas-Condensate Field to proceed. The commercial production and shipment of condensate and LPG started in 2004, and LNG in February 2006.

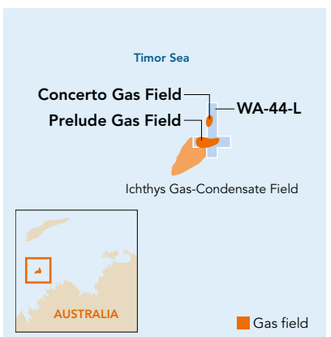
The presence of oil was confirmed through exploration drilling of the Kitan-1 and Kitan-2 wells in March 2008 in the JPDA06-105 contract area, which INPEX acquired in January 1992. Thereafter, we obtained approval for the final development plan from the Timor Sea JPDA authorities in April 2010. After development works, the production at the Kitan Oil Field commenced in October 2011.



8. Prelude FLNG Project (WA-44-L Block)

Contract area (block)	Project status	Venture company (established)	Interest owned (*Operator)
WA-44-L	Under development	INPEX Oil & Gas Australia Pty Ltd (February 28, 2012)	INPEX Oil & Gas Australia Pty Ltd 17.5% Shell* 72.5% KOGAS 10.0%

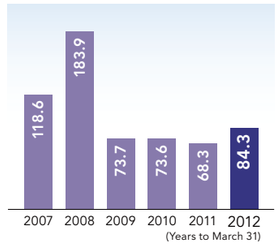
In June 2012, we acquired from Shell a 17.5% participating interest in the Prelude FLNG Project, which is under development in offshore Western Australia. The Prelude FLNG Project consists of the Prelude and Concerto gas fields and will produce 3.6 million tons per year of LNG, 400 thousand tons per year of LPG at peak and approximately 36 Mbbld of condensate at peak. Shell made the FID on the Prelude FLNG Project, which will be the world's first FLNG project, in May 2011. Development of the Prelude FLNG Project is currently under way, with the start of production targeted at around 10 years from when the Prelude Gas Field was first discovered in early 2007.



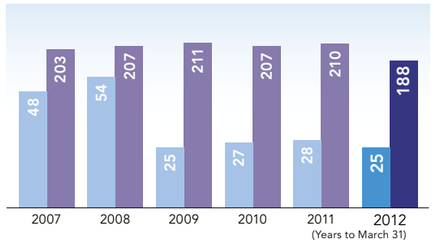
Eurasia

Regarding the performance in Eurasia for the year ended March 31, 2012, net sales increased 23.4% to ¥84.3 billion and operating income increased 29.1% to ¥47.1 billion due to the increase in the crude oil price despite yen appreciation. Net production was 25 Mboed, whereas proved reserves were 188 MMboe.

■■ Net sales by region (¥ billion)



■■ Net production by region (Mboed)
■■ Proved reserves by region (MMboe)



Number of countries	4
Number of projects	5
In production	2
Under development	1
Under exploration	1
Other	1

Kashagan Oil Field (artificial island)

Kashagan Oil Field (onshore facility)

Kashagan Oil Field (offshore facility)

1. Offshore North Caspian Sea Contract Area (Kashagan Oil Field and others)

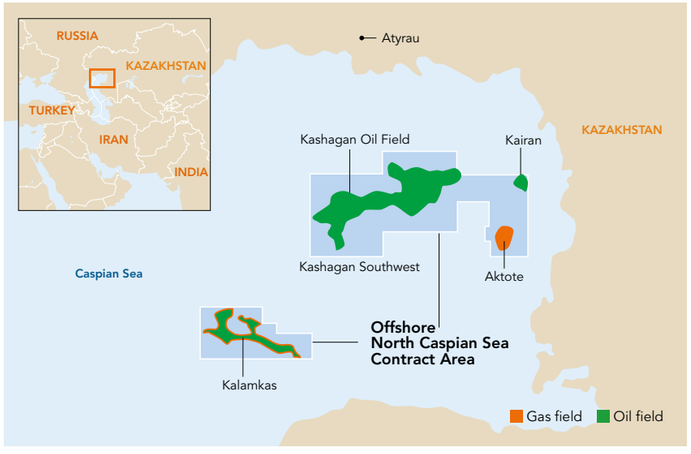
Contract area (block)	**Project status**	**Venture company** (established)	**Interest owned**
Offshore North Caspian Sea	Under development	INPEX North Caspian Sea, Ltd. (August 6, 1998)	INPEX North Caspian Sea 7.56% Eni 16.81% ExxonMobil 16.81% KMG 16.81% Shell 16.81% TOTAL 16.81% ConocoPhillips 8.40%

The Offshore North Caspian Sea Contract Area consists of two blocks, the eastern block (around 4,300 km²) and the western block (around 1,275 km²), with a combined total area of around 5,575 km². Of these, the Kashagan Oil Field lies in the eastern block, approximately 75 km southeast of the city of Atyrau in Kazakhstan, at 3–5 meters deep in the Caspian Sea. In September 1998, INPEX acquired a participating interest in the Offshore North Caspian Sea Contract Area in Kazakhstan's territorial waters and now holds a 7.56% interest.

The Kashagan Oil Field was discovered during the first exploratory drillings in the block in September 1999. The presence of oil was confirmed in 2000, and a commercial discovery declaration was made in 2002. The Kashagan Oil Field was the first ever discovered in the Caspian off of Kazakhstan and constitutes a prominent, major field discovery in the annals of oil exploration. Phased development of this field is planned, with the Phase 1 experimental program currently under way until production begins by the end of 2012.

The joint venture partners agreed in October 2008 with the Kazakhstan authorities to develop the Kashagan field, upon which a new joint operating company, North Caspian Operating Company, was established and assumed the role of the former operator, Agip KCO, in January 2009.

Besides the Kashagan field, hydrocarbon reserves were also confirmed in four other structures: Kalamkas, Kashagan Southwest, Aktote and Kairan. Appraisal of these structures is continuing in parallel with the development of the main Kashagan field with a view to expanding the total production of the contract area.



ACG Oil Field (production facility)

BTC Pipeline Project (Terminal)

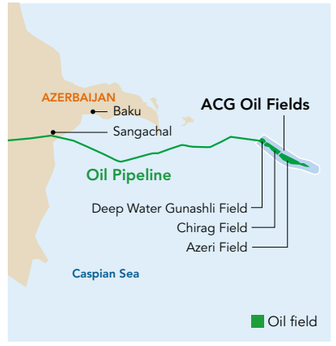
2. ACG Oil Fields

Contract area (block)	**Project status** (production on the basis of all fields and average rate of FY2011)	**Venture company** (established)	**Interest owned** (*Operator)
ACG (Azeri, Chirag, Gunashli)	In production (Crude oil: 699 Mbbld)	INPEX Southwest Caspian Sea, Ltd. (January 29, 1999)	INPEX Southwest Caspian Sea 10.96% BP* 37.43% Chevron 11.27% SOCAR 10.00% Statoil 8.56% ExxonMobil 8.00% TPAO 6.75% Itochu 4.30% Hess 2.72%

INPEX acquired a 10% participating interest of the Azeri-Chirag-Gunashli (ACG) Oil Fields in a region of the south Caspian Sea in Azerbaijan in April 2003. In August 2010, INPEX purchased an additional interest (0.9644%) that increased its participating interest to 10.9644%.

Oil production started in the Chirag Field and has since expanded to include the Central Azeri Field (February 2005), the West Azeri Field (December 2005) and the East Azeri Field (October 2006). The Deep Water Gunashli Field came on stream in April 2008. In March 2010, the development at the Chirag and deepwater portion of the Gunashli Field was sanctioned as an investment in the Chirag Oil Project. Development is now under way with commencement of production planned by December 2013.

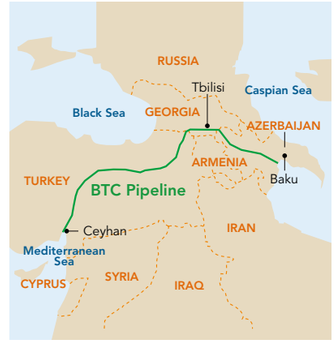
Most of the crude oil produced at the ACG Oil Fields is transported from Baku, Azerbaijan, to Ceyhan, Turkey, via Georgia for shipment from the Mediterranean coast through the BTC pipeline.



3. BTC Pipeline Project

Contract area (block)	**Venture company** (established)	**Interest owned** (*Operator)
BTC Pipeline	INPEX BTC Pipeline, Ltd. (October 16, 2002)	INPEX BTC Pipeline 2.5% BP* 30.1% SOCAR 25% Chevron 8.9% Statoil 8.71% TPAO 6.53% Eni 5% TOTAL 5% Itochu 3.4% ConocoPhillips 2.5% Hess 2.36%

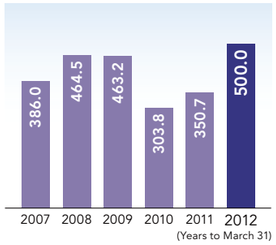
INPEX acquired a 2.5% interest in the BTC Pipeline Project in October 2002. The 1,770-km BTC pipeline stretches from Baku in Azerbaijan to Ceyhan on Turkey's Mediterranean coast through Tbilisi, Georgia. Full-scale operation commenced in June 2006. Although the pipeline was originally built to transport crude oil produced in the ACG Oil Fields in Azerbaijan, its capacity was expanded to 1.2 MMbbld so that it can also accommodate future oil output from the Kashagan Oil Field in Kazakhstan and so on.



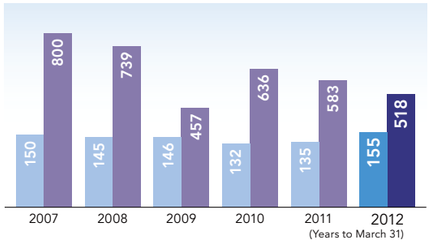
Middle East & Africa

Regarding the performance in Middle East and Africa for the year ended March 31, 2012, net sales increased 42.6% to ¥500.0 billion and operating income rose 45.7% to ¥354.1 billion due to increases in sales volume and the sales price of crude oil, despite yen appreciation. Net production was 155 Mboed, whereas proved reserves were 518 MMboe.

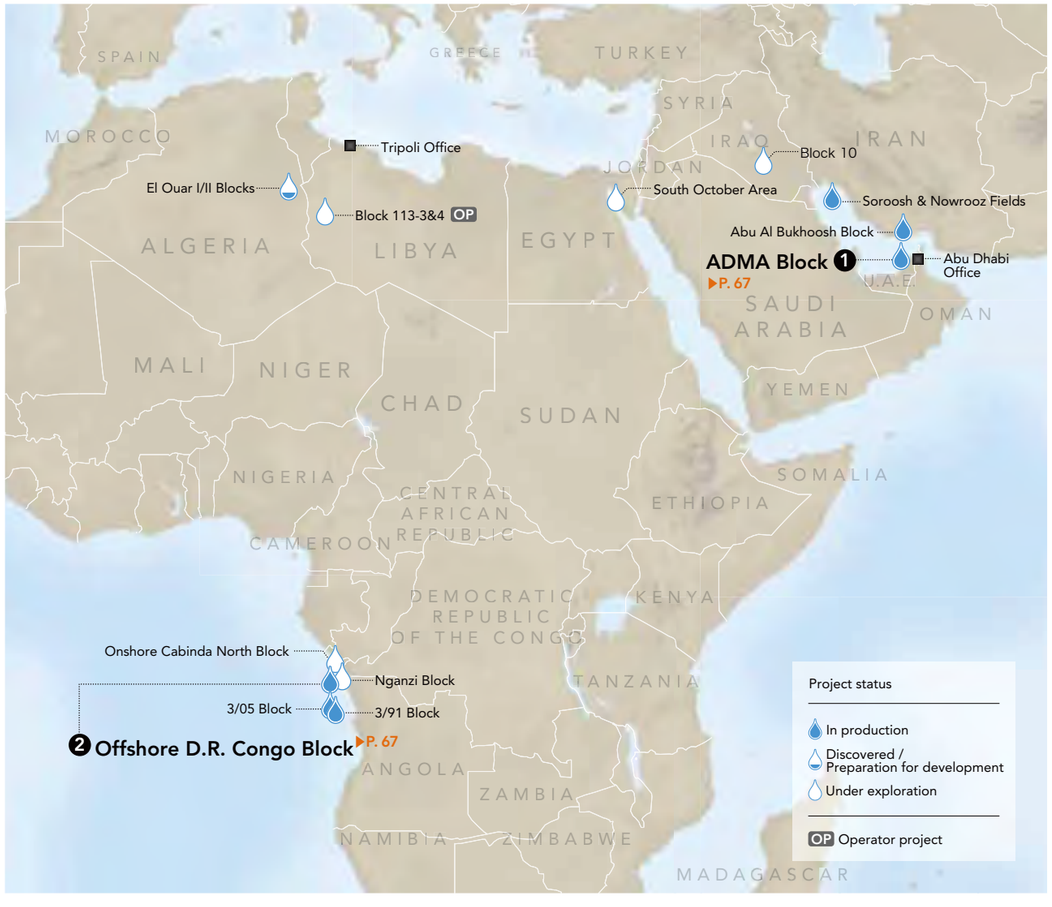
■■Net sales by region (¥ billion)



■■Net production by region (Mboed)
■■Proved reserves by region (MMboe)



Number of countries	8
Number of projects	12
In production	6
Discovered/ Preparation for development	1
Under exploration	5



ADMA Block (Zirku Island, UAE)

ADMA Block (Upper Zakum Oil Field)

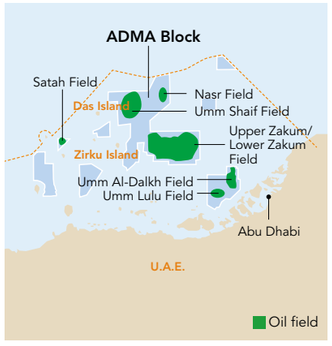
Offshore D.R. Congo Block (production facility)

1. ADMA Block

Contract area (block)	**Project status**	**Venture company** (established)	**Interest owned**
Umm Shaif, Lower Zakum Field	In production	Japan Oil Development Co., Ltd. (JODCO) (February 22, 1973)	JODCO 12% ADNOC 60% BP 14.67% TOTAL 13.33%
Upper Zakum Field			JODCO 12% ADNOC 60% ExxonMobil 28%
Umm Al-Dalkh Field			JODCO 12% ADNOC 88%
Satah Field			JODCO 40% ADNOC 60%
Nasr Field	Preparation for development		JODCO 12% ADNOC 60% BP 14.67% TOTAL 13.33%
Umm Lulu Field			

In May 2004, INPEX made Japan Oil Development Co., Ltd. (JODCO), a wholly owned subsidiary by acquiring all of the JODCO shares held by Japan National Oil Corporation through a share exchange. JODCO owns an interest in the ADMA Block located offshore Abu Dhabi in the United Arab Emirates. Oil production currently spans five fields in the block. Production started from the Upper Zakum Oil Field (the largest in the block) in 1982, followed by the Umm Al-Dalkh Oil Field in 1985 and the Satah Oil Field in 1987, and production has been steady since. The Umm Shaif and the Lower Zakum oil fields have also been producing crude oil steadily since 1962 and 1967, respectively. The oil produced from these fields is transported by subsea pipelines to the islands of Das and Zirku for shipment.

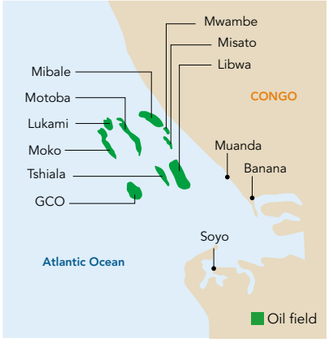
A number of development projects are currently under way to maintain and expand oil output, such as redevelopment preparation for the Upper Zakum Field involving the use of artificial islands, as well as preparation for development of the Umm Lulu and Nasr fields.



2. Offshore D.R. Congo Block

Contract area (block)	**Project status** (production on the basis of all fields and average rate of FY2011)	**Venture company** (established)	**Interest owned** (*Operator)
Offshore D.R. Congo Block	In production (Crude oil: 14 Mbbld)	Teikoku Oil (D.R. Congo) Co., Ltd. (August 1, 1970)	Teikoku Oil (D.R. Congo) 32.28% Perenco* 50% Chevron 17.72%

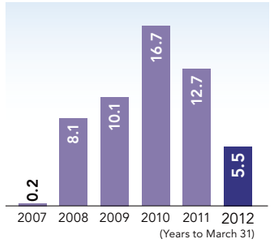
INPEX has participated in oil exploration and development projects offshore the Democratic Republic of the Congo (DRC) since July 1970. Oil production commenced in 1975 from the GCO Oil Field, which was discovered in 1971. Including GCO, 11 oil fields have been discovered. The contract covering this block was extended until 2023 in May 1995, and production levels from existing fields remain stable.



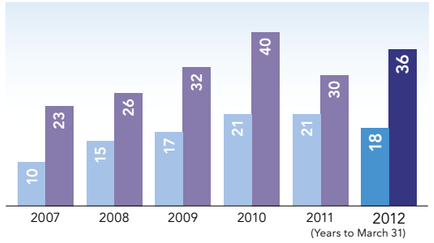
Americas

Regarding the performance in Americas for the year ended March 31, 2012, net sales decreased 56.4% to ¥5.5 billion due to a decrease in the sales volume of crude oil and operating loss of ¥5.5 billion was posted (81.8% higher than the previous year) due to the higher exploration expenses. Net production was 18 Mboed, whereas proved reserves were 36 MMboe.

■■Net sales by region (¥ billion)



■■Net production by region (Mboed)
■■Proved reserves by region (MMboe)



Number of countries	7
Number of projects	18
In production	11
Under development	1
Discovered/ Preparation for development	2
Under exploration	4


Joslyn (Lease Block)


Shale Gas Project (drilling)

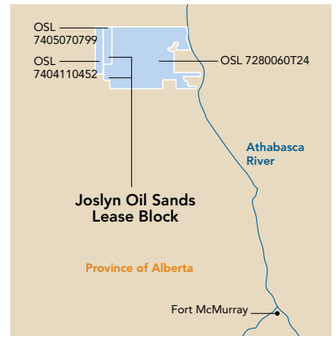

Shale Gas Project (fracking operations)

1. Joslyn Oil Sands Project

Contract area (block)	**Project status**	**Venture company** (established)	**Interest owned** (*Operator)
OSL 7280060T24 OSL 7405070799 OSL 7404110452	Discovered / Preparation for development	INPEX Canada, Ltd. (November 28, 2006)	INPEX Canada 10% TOTAL* 38.25% Suncor 36.75% Occidental 15%

In November 2007, INPEX acquired a 10% interest in the Joslyn Oil Sands Upstream Project in Alberta, Canada. The Joslyn project plans to conduct a multiphase mining development, with a production plan of 100 Mbbld by the late 2010s as Stage I development. We are conducting preparation work on making a development plan toward a decision to develop.

In regard to the oil sand upgrader (synthetic crude oil manufacturing) project in which we are participating, alternatives to the plant planned by TOTAL in Edmonton are under consideration.

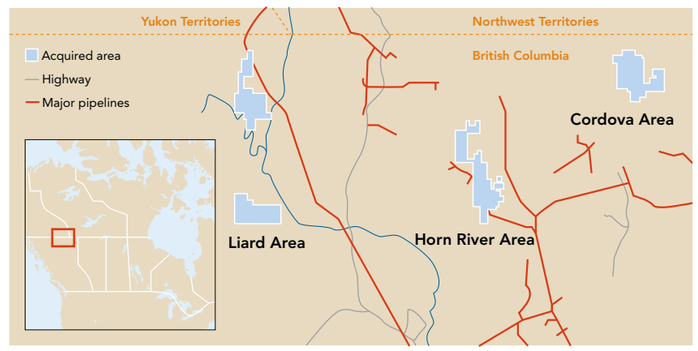


2. Shale Gas Project in Canada

Contract area (block)	**Project status**	**Venture company** (established)	**Interest owned** (*Operator)
Horn River, Cordova and Liard areas	Under development (partly in production)	INPEX Gas British Columbia Ltd. (November 28, 2011)	INPEX Gas British Columbia 40% NEXEN* 60%

In November 2011, INPEX agreed in principle to acquire a 40% participating interest in the shale gas projects in the Horn River, Cordova and Liard basins from Nexen Inc. These are INPEX's first shale gas development and production projects.

The shale gas projects in the Horn River, Cordova and Liard basins contain discovered and undeveloped shale gas, with a total block area for all three of approximately 1,200 km². We will proceed with full-scale development and are aiming for combined production at the Horn River and Cordova projects of a maximum of 1,250 MMcf/d (approximately 200 Mboed).




Cuervito, Mexico


Copa Macoya Block (gas plant)

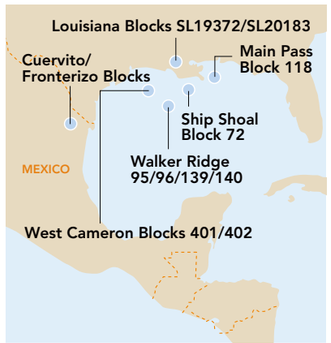

Copa Macoya Block (gas plant)

3. Gulf of Mexico and surrounding blocks (U.S. and Mexico)

Contract area (block)	Project status (production on the basis of all fields and average rate of FY2011)	Venture company (established)	Interest owned (*Operator)
Ship Shoal Block 72	In production (Crude oil: 1 Mbbld, Natural gas: 15 MMcf/d)	Teikoku Oil (North America) Co., Ltd. (May 30, 2003)	Teikoku Oil (North America) 25% PetroQuest* 42.5% Other 32.5%
West Cameron Blocks 401/402			Teikoku Oil (North America) 25% PetroQuest* 38% Other 37%
Main Pass Block 118			Teikoku Oil (North America) 16.66667% Dynamic Offshore* 50% Other 33.33333%
Louisiana Block SL19372			Teikoku Oil (North America) 17.5% PetroQuest* 38.5% Other 44%
Louisiana Block SL20183			Teikoku Oil (North America) 25% PetroQuest* 55% Other 20%
Walker Ridge 95/96/139/140	Under exploration	INPEX Gulf of Mexico Co., Ltd. (April 28, 2010)	INPEX Gulf of Mexico 15% Shell* 70% Other 15%

INPEX has participated in oil and gas development projects in the shallow waters of the U.S. Gulf of Mexico since April 2006. Following production startup from Ship Shoal Block 72 in July 2006, the Main Pass 118, West Cameron 401/402 and Louisiana SL19372/SL20183 blocks started production. We participated in the deepwater exploration blocks of Walker Ridge 95/96/139/140 in the Gulf of Mexico in February 2011.

INPEX's affiliate, Teikoku Oil de Burgos S.A. de C.V. (TOB), has participated in gas development and production operations in the Cuervito and Fronterizo blocks located in the Burgos basin of Mexico since 2004. This project has been conducted under a multiple service contract with PEMEX, and TOB holds 40% of the participating interest of this project.



4. Copa Macoya and Guarico Oriental Blocks

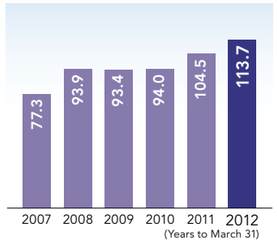
Contract area (block)	Project status (production on the basis of all fields and average rate of FY2011)	Venture company (established)	Interest owned (*Operator)
Copa Macoya	In production (Crude oil: 1 Mbbld, Natural gas: 70 MMcf/d)	Teikoku Oil and Gas Venezuela, C.A. (June 7, 2006)	Teikoku Oil and Gas Venezuela* 70% PDVSA 30%
Guarico Oriental			Teikoku Oil and Gas Venezuela 30% PDVSA 70%

INPEX was awarded a 100% participating interest in a central onshore area, the East Guarico Block in Venezuela, in July 1992. INPEX participated in oil and natural gas field rehabilitation and exploration and development activities as an operator. The existing operational service agreements were changed to joint venture agreements in 2006 after a change of policy by the Venezuelan Government. Based on the new policy, INPEX established gas and crude oil venture companies jointly with Petroleos de Venezuela, S.A. (PDVSA), the Venezuelan national petroleum company, and from April 1, 2006, continued the gas business in the Copa Macoya Block and the crude oil business in the Guarico Oriental Block. The new joint venture agreement also features contract extensions until 2026 for both blocks.

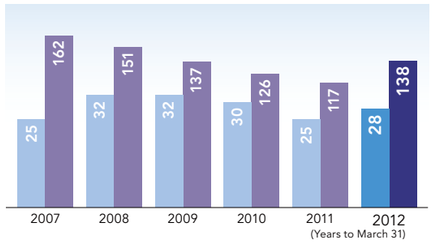
Japan

Regarding the performance in Japan for the year ended March 31, 2012, net sales increased 8.7% to ¥113.7 billion due to the higher sales volume and a rise in the sales price of natural gas. Operating income fell 5.2% to ¥24.6 billion due to the higher net purchases of natural gas. Net production was 28 Mboed, whereas proved reserves were 138 MMboe.

■■ Net sales by region (¥ billion)

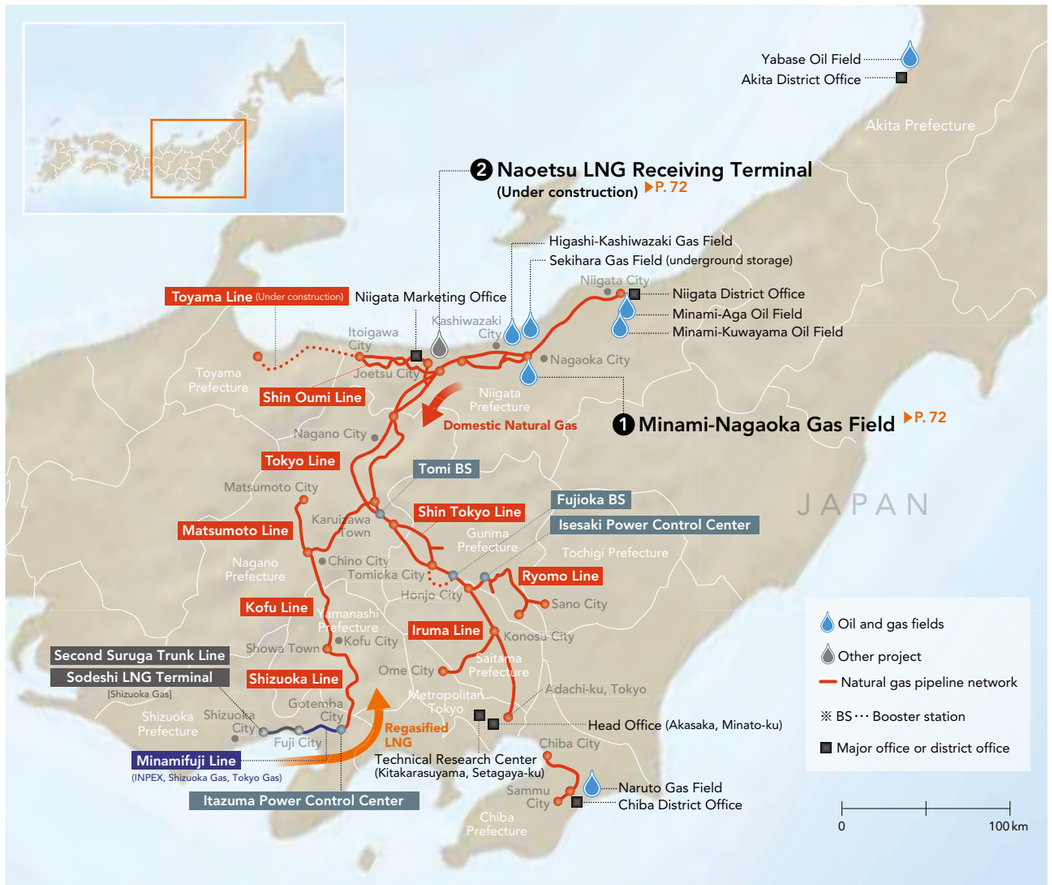


■■ Net production by region (Mboed)
■■ Proved reserves by region (MMboe)



Oil and gas fields in Japan (in operation)

- Yabase Oil Field (Akita Prefecture)
- Matsuzaki Gas Field (Niigata Prefecture)
- Minami-Aga Oil Field (Niigata Prefecture)
- Minami-Kuwayama Oil Field (Niigata Prefecture)
- Minami-Nagaoka Gas Field (Niigata Prefecture)
- Higashi-Kashiwazaki Gas Field (Niigata Prefecture)
- Sekihara Gas Field (underground storage) (Niigata Prefecture)
- Naruto Gas Field (Chiba Prefecture)




Oyazawa Plant (Nagaoka City, Niigata Prefecture)


Yabase Oil Field (Akita City, Akita Prefecture)


Natural gas pipeline


Naoetsu LNG Receiving Terminal

1. Minami-Nagaoka Gas Field and the domestic natural gas business

Production and Sales of Domestic Natural Gas	
Producing: Total oil and gas fields (FY2011 average)	Natural gas: Approx. 3.4 MM m^3/d Crude oil and condensate: Approx. 4 Mbbld
Natural gas sales (FY2011)	Approx. 1.76 billion m^3

Discovered in 1979 and in production since 1984, Minami-Nagaoka is one of the largest gas fields in Japan. After processing, the natural gas is transported through a 1,400-km trunk pipeline network stretching across the Kanto and Koshinetsu regions that surround the greater Tokyo metropolitan area and delivered to city gas companies and industrial customers along this network.

INPEX has experienced substantial sales growth in recent years due to sharp rises in the prices of competing fuels, as well as the highly environmentally friendly attributes of natural gas. The medium- to long-term projection is for annual sales demand of 2.5 billion m^3 by the early 2020s and in the 3.0 billion m^3 range over the long term, reflecting further capacity increases for our core Shin Tokyo Line and development of the Toyama Line (extending from Itoigawa City, Niigata Prefecture, to Toyama City, Toyama Prefecture), construction of which began in April 2012.

Supply capacity and reliability have been enhanced through the reinforcement of pipeline network expansion and the introduction of LNG from Shizuoka Gas Co., Ltd., in 2010. INPEX decided to build an LNG receiving terminal at Naoetsu, Joetsu City, in Niigata Prefecture, which is slated to start in the beginning of 2014.

INPEX also produces natural gas dissolved in water at the Naruto Gas Field in Chiba Prefecture. Natural gas dissolved in water is contained in underground "brine water." We pump up the brine water, extract natural gas and supply the gas to surrounding areas. The brine water also contains high levels of iodine. We export the iodine to Europe, the United States and elsewhere.

Minami-Nagaoka and nearby gas fields

2. Construction of the Naoetsu LNG Receiving Terminal

Naoetsu LNG Receiving Terminal Overview	
Location:	12 Yachiho, Joetsu City, Niigata Prefecture
Lot area:	Approx. 25 ha
Gas production capacity:	7.5 MM m^3/d (LNG 240 tons/hour)
LNG tank:	180 thousand kl × 2 (upgrade possible)
LNG receiving capacity:	Approx. 1.5 million tons/year
Operational start target:	Beginning of 2014


Naoetsu LNG Receiving Terminal (artist's rendering)

We expect domestic demand for natural gas to rise steadily and continue to be firm due to factors such as the shift to natural gas from oil as consciousness about the environment and energy conservation increases, as well as rising oil prices. To ensure stable supply to the domestic natural gas market over the long term, INPEX has been engaged in constructing an LNG receiving terminal in Joetsu City (the port of Naoetsu) in Niigata Prefecture since 2009. The operational startup is planned for the beginning of 2014. Afterward, we plan to receive LNG from our overseas projects at the Naoetsu terminal, and by combining that supply with existing domestic supplies from Minami-Nagaoka and other fields we will be able to enhance the capacity and stability of our supply structure.

Gas Supply Chain

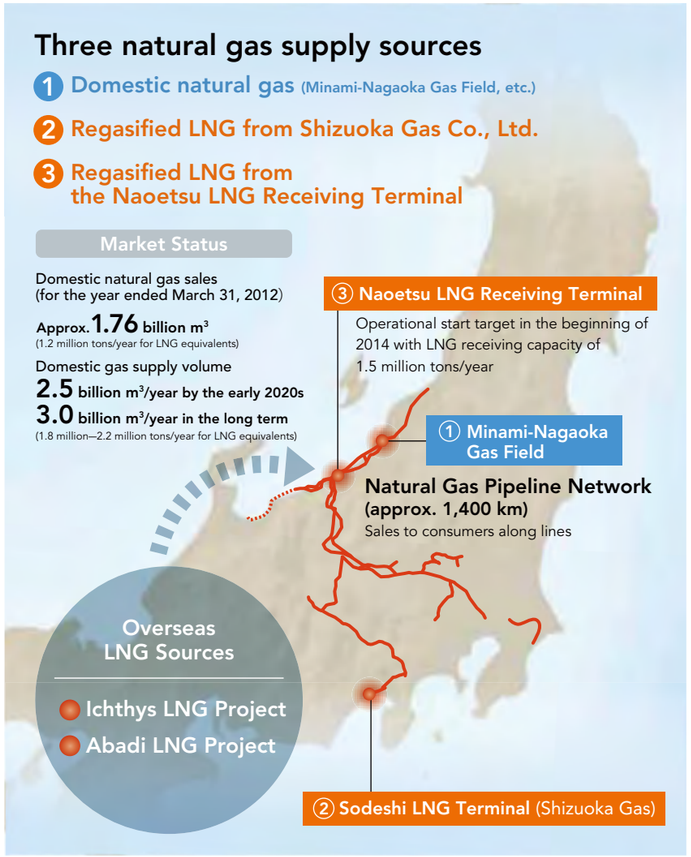
Constructing the Naoetsu LNG Receiving Terminal and expanding regional pipeline networks brings us closer to achieving the second growth target of the Medium- to Long-Term Vision, which is to strengthen the gas supply chain. To that end, we are also engaging in the global development of our gas business.

We will establish a gas supply chain by organically connecting the overseas LNG with the domestic natural gas infrastructure to meet the natural gas demand in Japan, which is expected to continue to be firm. What this means is that we will receive supplies of LNG from overseas sources, such as Ichthys and Abadi, at our Naoetsu LNG Receiving Terminal, and employ the pipeline network to supply natural gas to all of our customers. This will enable us to flexibly combine three supply sources–

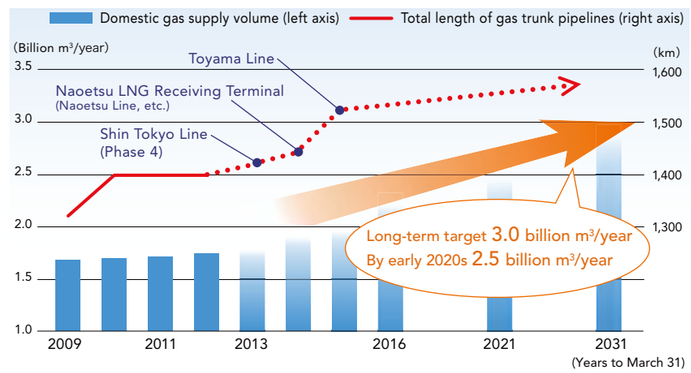
1) domestic natural gas,
2) regasified LNG from Shizuoka Gas Co., Ltd., and
3) regasified LNG received at Naoetsu.

We believe that this will result in improved supply capacity and enhanced supply stability, allowing us to meet future demand increases.

Until now, there had been no company in Japan equipped with a complete natural gas infrastructure, from development and production through liquefaction, transport and regasification, and supply. Building a total gas supply chain covering upstream and downstream processes is one of the benefits of business integration, and it will be our base of support in strengthening emergency backup measures for gas supply by enhancing cooperation with gas and electric power companies and expanding the pipeline network, as well as building the global LNG portfolio. Through these activities, we will work toward developing an energy business suitable to the coming era of natural gas use.



Long-term outlook for the annual gas supply volume in Japan



Geothermal Power

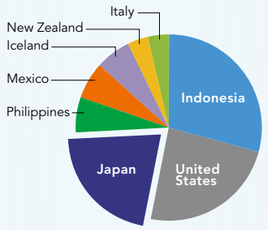
With the goal of becoming an integrated energy company that contributes to the global community, INPEX promotes efforts to commercialize renewable energies and reinforce R&D activities for the next generation. We are particularly engaged in researching the commercialization of geothermal power generation.

Geothermal power generation involves using the heat energy of volcanic magma to create steam for use in generating power. Japan ranks third in the world in potential geothermal power resources, and this makes geothermal a precious renewable energy source for Japan, which has scarce energy resources. Geothermal is also gaining attention as a green energy source because its low carbon emissions are easy on the planet.

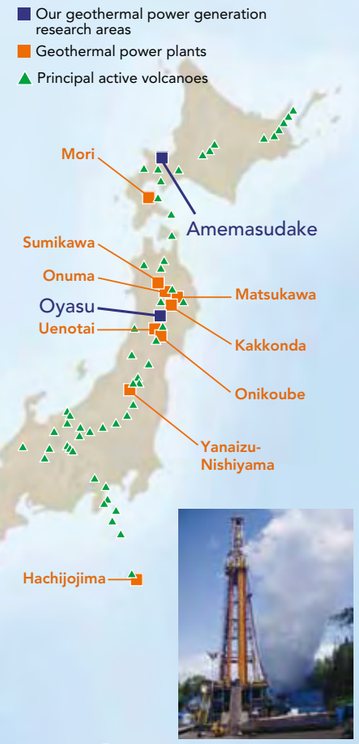
From June 2011, INPEX, together with Idemitsu Kosan Co., Ltd., has been conducting geothermal studies in Hokkaido (Sapporo, Amemasudake region) and Akita Prefecture (Yuzawa City, Oyasu). Underground temperatures of 200°C and above had already been confirmed at both locations, and more in-depth studies are to be conducted in 2012 by, for example, drilling exploration wells at each location. Geothermal development activities use the same well-drilling technologies as those for oil and gas development, and we will put our technical skills to use in conducting further geothermal studies in both regions, with an eye toward commercialization.

Major Global Sources of Geothermal Energy (Top 8 countries)

Being a land of volcanoes, Japan has the world's third-largest source of geothermal energy, following Indonesia and the United States (equivalent to approximately 20 million kilowatts as of 2008).



Current Situation of Geothermal Power Generation in Japan

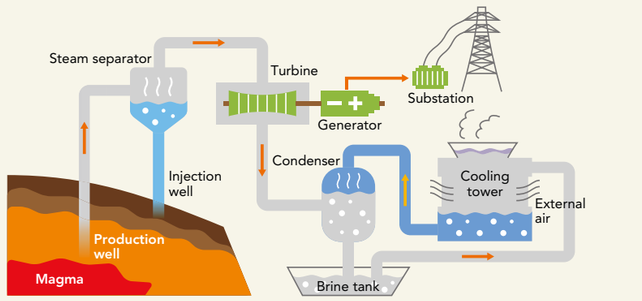


Source: National Institute of Advanced Industrial Science and Technology

Fumarolic testing at a geothermal well (Teiseki Drilling Co., Ltd.)

Mechanism of Geothermal Power Generation

Current geothermal power plants in Japan adopt the flash steam system, which withdraws rainwater and other groundwater heated with geothermal energy in underground reservoirs, separates steam from this geothermal fluid and uses the steam only for driving turbines while returning the fluid underground.



Source: Agency for Natural Resources and Energy, Ministry of Economy, Trade and Industry

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5

Corporate Social Responsibilities (CSR)

E&P Series Series 5
「Drill rig」

Corporate Social Responsibility

INPEX takes an active approach to Corporate Social Responsibility (CSR) based on our recognition that CSR is inextricably linked to our business operations. We seek to meet our social responsibilities, which increase as our business grows, and contribute to building a sustainable society through the stable and efficient supply of energy.

For further details on our activities, please refer to Sustainability Report 2012.
▶ **inpex.co.jp/english/csr**

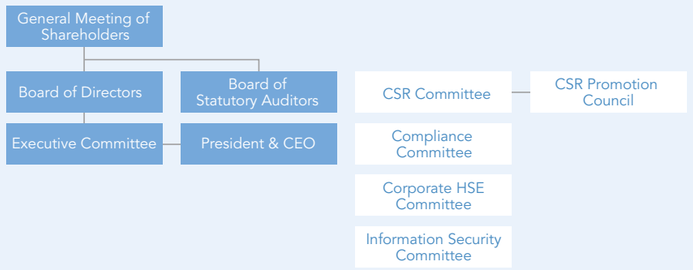
Strengthening Our CSR Efforts

The following are the major steps taken in 2012 to strengthen our CSR.

1. Promoting CSR Management: Establishment of the CSR Committee

We established the CSR Committee, which is chaired by the President & CEO in April 2012 with the goal of promoting systematic CSR companywide. The Committee deliberates basic policies on a variety of CSR-related activities. In addition, the CSR Promotion Council, which is comprised of members from various divisions, has been organized at the working level in each division to serve as a sub-organization under the CSR Committee for the promotion of CSR efforts coordinated between the executives and each workplace, of which awareness is shared at all levels of the INPEX Group.

CSR Promotion Structure



2. Establishment of Key CSR Subjects

The INPEX Group collected, organized and classified opinions of people within the Company concerning what our main CSR efforts should be henceforth, using the seven core themes listed in ISO26000* as a reference. Of these, we selected five that have a large impact on both the INPEX Group and its stakeholders, and which therefore we believe currently require strengthening our efforts.

Key CSR Subjects

Compliance	Comply with laws and social norms (including human rights)
HSE initiatives	Practice safety and environmental protection in operations
Community contribution	Build trust and contribute to local communities (including education)
Greenhouse gas countermeasures	Address climate change
Employee development	Develop and utilize human resources as a global company

*The seven core themes of ISO26000 (International Standard for guidance on social responsibility for organizations):
organizational governance, human rights, labor practices, the environment, fair operating practices, consumer issues, and community involvement and development

3. Endorsement of the UN Global Compact

INPEX endorsed the UN Global Compact in December 2011. The UN Global Compact was launched by the UN Headquarters in 2000 as an initiative for corporations and other entities to voluntarily commit to 10 universally accepted principles of four fields of human rights, labor, environment and anti-corruption, so as to act as good corporate citizens and contribute to the sustainable development of the international community. As a globally active corporation, INPEX will conduct business in accordance with the 10 principles of the Global Compact and will actively seek to inform stakeholders within and outside the company of our activities.

THE GLOBAL COMPACT
WE SUPPORT

Basic HSE Policy

INPEX engages in HSE (Health, Safety and Environment) activities based on an integrated HSE Management System to coordinate our efforts in those areas.

HSE Management System

Outline of the HSE Management System and Its Operational Structure

Our HSE Management System encompasses a document architecture that includes ❶ the HSE Policy, ❷ the HSE Management System Manual, ❸ corporate HSE procedures and guidelines, ❹ an organizational structure comprising the HSE committees and ❺ the HSE objectives and programs devised each fiscal year. The system is implemented by the Headquarters HSE Unit, the Corporate HSE Committees that implement group-wide HSE initiatives and the HSE Committees within the Operational Organizations (the Headquarters and organizations executing operator projects).

HSE Audits

We conduct HSE audits of Corporate (e.g., Headquarters) and Operational Organizations to continually improve our HSE performance. HSE audits cover each organization's HSE management system, its operations and all related HSE activities. The focus categories for the HSE audits are set each year. For the year ended March 31, 2012, we newly added the "Effectiveness Assessment of Emergency Response" as a key parameter and audited the Ichthys LNG and Abadi LNG projects.

HSE Training and HSE Communication

We conducted the HSE Cultural Maturity Survey for the year ended March 31, 2012 to examine our internal HSE structure and employee consciousness about HSE. For the year ending March 31, 2013, we have established two important targets: "Improve company-wide HSE competence" and "Strengthen HSE communication." At our headquarters, we conduct HSE training programs every year, with a total of 625 trainees logging a total of 357 hours in 27 subjects for the year ended March 31, 2012. For the year ending March 31, 2013, in addition to specialized area training for young engineers, we are also planning to conduct more comprehensive HSE on-the-job training (OJT).

We held the HSE Annual Meeting to report to executives concerning the status of HSE and issues involving HSE execution, as well as the HSE Managers Meeting to deepen discussions of HSE efforts at the Operational Organization level. Both meetings have been held annually since the year ended March 31, 2009. In this way, we seek to improve HSE consciousness and enliven internal communication.

Initiatives for Promoting and Implementing the HSE Management System

Message from the Director in Charge of HSE

Masatoshi Sugioka
Vice Chairman, in charge of HSE

One aspect of CSR activities on which we focus in particular is HSE. INPEX's mission is "to contribute to the creation of affluent societies by realizing stable and efficient supplies of energy," so it is imperative that we maintain thorough safety and environmental preservation controls, as well as build and nurture a relationship of trust with communities within and outside Japan. The demands of society, as well as our environmental response, are changing day by day according to the state of society, and it is important to us that what does not change is our record of safety and environmental preservation and coexistence and coprosperity with the communities where we operate.

HSE Meeting

OJT at the Nagaoka Field

HSE Initiatives in Projects
The Ichthys LNG Project

Our HSE system at the Ichthys LNG Project, which is in the development stage, makes safety our top operational priority.

We incorporate the lessons learned from the 2009 Montara Oil Field (Australia) and 2010 Gulf of Mexico oil spills in putting together the environmental and accident response plans at each project facility. We participate in efforts with other oil companies operating in Australia during accidents and other emergencies to prevent problems.

Safety Management

We identify and evaluate latent risks, taking all necessary measures for their minimization.
Our HSE Management System provides the foundation for thoroughly safe operations.

Risk Management

Business Continuity Plan (BCP)

Our Business Continuity Plan (BCP) prepares us for the smooth continuity of operations during emergency conditions without interrupting key headquarter functions. It has been compiled as an earthquake response manual that stipulates ❶ the basic BCP policy, ❷ the BCP for continuation of our key headquarter operations and ❸ an earthquake response manual to transit to a BCP system.

We renewed the BCP Manual in June 2011, drawing on our experiences in the Great East Japan Earthquake. The BCP Manual exhaustively covers measures to be taken in the event of a major earthquake centered directly under Tokyo, stipulating every step from the first response measures through transition to the BCP structure. Responses to outbreaks of new strains of influenza are also included in the BCP, with a response manual that is distributed to all employees to cope with an operational disruption caused by an outbreak.

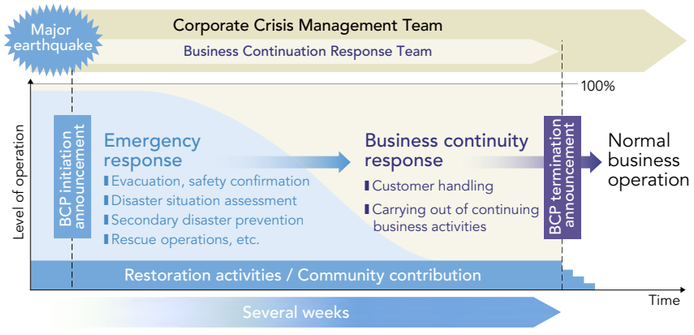
Climate Change Risk

Among the risks to the INPEX Group imposed by climate change are damage to production facilities or pipelines from climatic events, water shortages at operational sites, the impact on operations of rising water levels and regulations on greenhouse gas emissions. We take all of these risks under consideration in implementing projects. For example, we have designed offshore facilities for the Ichthys LNG Project in Australia that can withstand major cyclones, and we have taken a rise in sea levels in consideration in placing our facilities there. The offshore facilities at the Abadi LNG Project also incorporate cyclone-proof design.

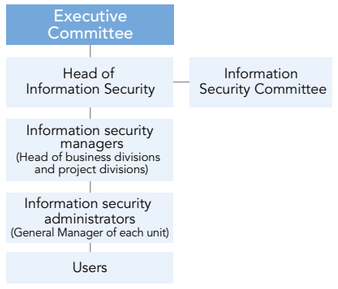
Information Security Measures

INPEX has established a Basic Policy for Information Security, and through the work of the Information Security Committee we have instituted a set of information security–related regulations, as well as an information security control structure. In addition to putting in place security measures to guard confidential information, we seek to improve consciousness about information security through employee training.

Emergency Response System and Business Continuation Response Level of Operation



Information Security Management System



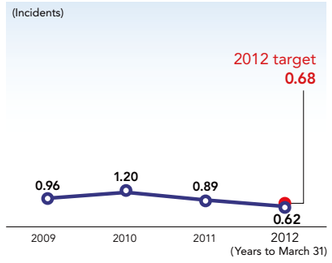
Measures Against Serious Accidents

Accident Frequency Occurrence Targets

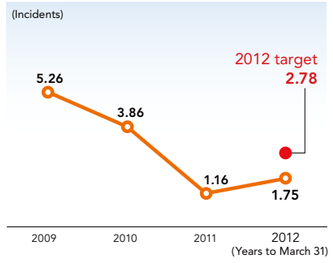
We promote HSE efforts at all Operational Organizations with the goal of "zero accidents" and conduct safety activities to reduce the number that do occur.

We set companywide Accident Frequency Occurrence Targets every year and engage in efforts to reduce accident frequency. For the year ended March 31, 2012, we set a target value for LTIF (rate of injuries resulting in fatalities or lost time per million hours worked) of 0.68 and achieved 0.62, and a TRIR (rate of recordable injuries (fatalities, lost time, restricted workdays and medical treatment) per million hours worked) of 2.78 and achieved 1.75, for success in both categories.

LTIF



TRIR



Serious Accident Prevention Measures

Our measures to prevent serious accidents include risk evaluations that begin by identifying the hazards at each Operational Organization, studying measures to minimize risk and bringing those together. We also conduct regular HSE Reviews to confirm the HSE efforts at each project, with eight such reviews conducted at various projects for the year ended March 31, 2012. We also publish a monthly journal, *Safety Highlights*, which provides numerical values for the latest accidents and covers associated topics. The aim of this journal is to share information about accident prevention with employees.

Accident Prevention Together with Contractors

In accordance with the Corporate Procedure for Contractors' HSE Management, we are promoting HSE management initiatives for companies that are contracted to conduct operations at all Operational Organizations in Japan and overseas. For example, each contractor is requested to include the HSE management methods and past accident record in the proposal documents, and after the contractors have been selected we continue to strengthen HSE communications through process meetings, operational procedure briefings and pre-work meetings. We also confirm the level of achievement of contractor HSE management through HSE audits.

Accident Response

The Operational Organizations and the headquarters' corporate departments mount a coordinated response in the event of a serious accident or other emergency. As prescribed in the Corporate Emergency Response Procedures and the Corporate Emergency Response Manual, if the emergency status exceeds a specific level, a Corporate Crisis Management Team is formed to work together with the Operational Organization Emergency Response Team established at the site where the emergency has occurred to conduct an emergency response, including arranging for medical care.

After an accident has occurred, a report is composed that summarizes the incident, its causes and recurrence prevention measures. The report is then disseminated throughout the Operational Organizations, with the goal of companywide recurrence prevention.

Monthly journal, *Safety Highlights*

Operational procedure briefing

The Corporate Crisis Management Team engages in discussion

Project Safety Management: The Ichthys LNG Project

Risk management standards and accident prevention targets have been established at the Ichthys LNG Project based on the HSE Management System, which is in accordance with INPEX rules and Australian government regulations.

We conduct internal audits of local offices during the construction of plants and other facilities to maintain safety. We place safety engineers in each facility design department, which brings about thoroughly safety-aware design by providing extensive support for the safety management aspects.

During our detailed engineering work, we establish design safety cases as part of the serious accident risk management and safety maintenance process. We also work at the early stages with the Australian government to ensure that the design of each important facility meets stringent Australian safety requirements.

Ichthys LNG Project HSE Forum

Environmental Response

Efforts to reduce environmental impact are under way at each project.

Global Warming Mitigation

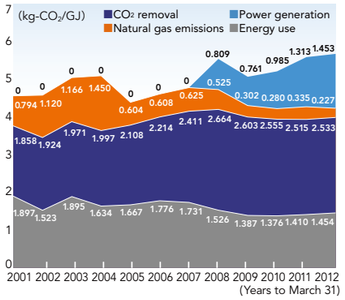
We are working to prevent global warming through our HSE Management System.

The main sources of greenhouse gas (GHG) emissions in INPEX's operations are ① energy used in operations of the oil and gas business, ② dissipation of CO_2 separated from natural gas, ③ CO_2 emissions resulting from the emission of natural gas and ④ CO_2 from electrical power generation, and we are responding to each. For example, we are dealing with ③ (natural gas emissions) through the staged introduction of equipment at sites to curb the temporary dissipation of small amounts of natural gas that occurs for operational reasons.

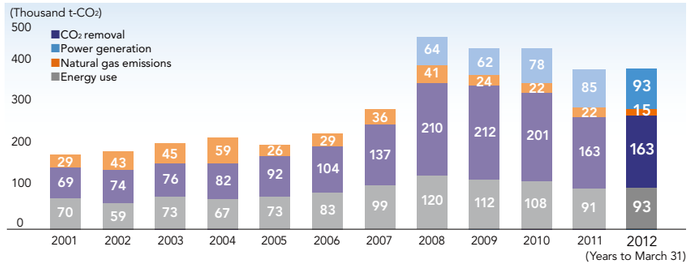
We control greenhouse gas emissions from our business in Japan as required under the Energy Conservation Law (Law Concerning the Rational Use of Energy) and the Global Warming Law (Law Concerning the Promotion of Measures to Cope with Global Warming). Emissions from our business in Japan rose by 5% year-on-year for the year ended March 31, 2012, because construction of the LNG receiving terminal approached peak activity levels during the year and emission volumes for our overall business increased as a result of the increase in power generation caused by the power shortages.

We set up an in-house working group concerning the control of greenhouse gas emissions in Japan and overseas in 2011, in anticipation of the start of full-scale operations at our overseas projects.

GHG Emissions per Unit of Production (Japan)



Total GHG Emissions (Japan)



Biodiversity at Our Projects

Naoetsu LNG Receiving Terminal

The construction of our Naoetsu LNG Receiving Terminal includes plans for the greening of 25% of the total area of the site in accordance with the law. Our basic policy is to plant local varieties of vegetation and manage the cultivation of green spaces according to climate requirements and positioning. We also make efforts to maintain the ecosystem by seeking to keep the difference in temperature between the discharged seawater used in regasification and the ambient seawater to -4°C or less.

Greening of operational sites

Ichthys LNG Project

The development work for the Ichthys LNG Project is being conducted according to a plan that takes the ecosystem into consideration. We are taking care to minimize the impact on the dolphin and dugong populations of Darwin Harbor by using a special cutter to dredge the shipping channel rather than blasting.

Darwin harbor dolphin

Abu Dhabi Project

Responding to a request from the Abu Dhabi Environment Agency to cooperate in efforts to restore coral reefs that are bleaching in the Arabian Gulf, INPEX took part in a joint coral restoration study in the Arabian Sea off Abu Dhabi for a two-year period starting March 2010. We are currently looking into the next phase of activities based on the results of coral spawning season studies, etc.

Coral reef restoration study

Reducing Environmental Impact

Preventing Air Pollution

We monitor atmospheric emissions of SOx, NOx and VOCs (volatile organic compounds) at our Operational Organizations both within and outside Japan, and work to reduce them. The VOCs emitted in our operations include substances such as benzene, toluene and xylene (BTX) contained in fossil fuels such as crude oil and natural gas, and n-Hexane, which are emitted mainly through natural gas emission, losses from oil storage tanks and losses when loading trucks or shipping in tankers. INPEX achieved a 21% year-on-year reduction in VOC emissions for the year ended March 31, 2012, due to a reduction of losses from storage tanks at the Kubiki Refinery, and facilities improvements, such as the installation of VOC removal equipment at the Niigata Sekihara Plant.

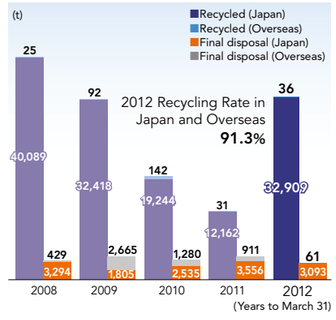
Preventing Water Pollution

Each of our Operational Organizations manages effluent in accordance with the environmental laws of their respective countries. We separate and extract groundwater from the oil and natural gas that is produced, but the extracted groundwater must also be treated for residual oil. The effluent from each of our production facilities is released into bodies of water after processing to bring residual oil concentrations to values lower than those required under the emission standards of the respective country.

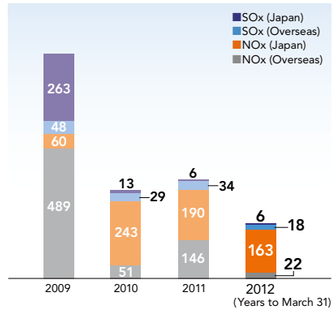
Waste Management

Most of the industrial waste generated in our operations consists of drill cuttings and sludge from the oil and gas well-digging and production, as well as from construction waste generated at LNG receiving terminal sites. Of the industrial waste we produce in Japan, more than 90% is recycled by our contractors, with the sludge from drilling treated through a waste mud treatment device and reused. Construction waste increased for the year ended March 31, 2012, due to increased building of LNG receiving terminals and natural gas pipelines, but more than 90% of it was recycled.

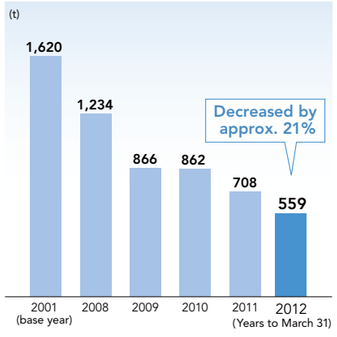
Industrial Waste Material from Operations



Emissions of NOx and SOx



VOC Emissions (Japan)



Developing Environmental Impact Reduction Technologies

- Efforts toward practical application of Japanese GTL (gas-go-liquid) technology
- Joint research on CO_2 EOR at offshore Abu Dhabi
- Reducing CO_2 emissions through photocatalytic reaction
- Advancing research into CO_2 capture and storage (CCS)
- Methane production technology research for a sustainable carbon-cycle system

Fighting Climate Change

Fighting Climate Change

Although we are focused on developing and supplying natural gas, which of the fossil fuels has the least environmental impact, we are also making efforts to develop a variety of renewable energy sources. In addition, we are engaging in greenhouse gas offset efforts.

Reforestation Project in Australia

INPEX launched our pilot forestation project in Australia in 2008 as a CO_2 offset measure, planting 1.4 million eucalyptus saplings on 645 ha of land in the southwest of Western Australia. Over the next 50 years, the trees are expected to absorb around 450,000 tons of CO_2. This project was launched to offset the CO_2 emitted from the Ichthys LNG Project, in response to an Australian government greenhouse gas offset program.

Eucalyptus trees grow at an Australian plantation

Contributing to Local Communities

We strive to coexist with local communities in conducting our oil and gas development through active community contribution efforts.

Community Contribution Efforts in Japan

Restoration of Areas Affected by the Great East Japan Earthquake

We have been conducting volunteer efforts to restore areas hit by the Great East Japan Earthquake since June 2011. Efforts in Rikuzentakata City in Iwate Prefecture are focused on clearing rubble, grass cutting and cleaning works. Meanwhile, our efforts in Niigata Prefecture are focused on snow removal and support for dealing with water damage from heavy rains. A total of 445 INPEX employees had participated in 41 such efforts as of May 2012.

Contributing to Local Communities

Forest Management Support Program

INPEX participates in the forest management support program backed by Niigata Prefecture. We have planted local tree species in a 0.8-ha area adjacent to the Minami Nagaoka Gas Field. This effort had been conducted three times through autumn 2011, with approximately 250 participants, including employees and their families, as well as local citizens. For the year ended March 31, 2012, we worked to save saplings that had been knocked over in the snow and planted a total of 260 trees of 13 types, mainly broad-leaved trees and fruit-yielding trees such as persimmon and chestnut.

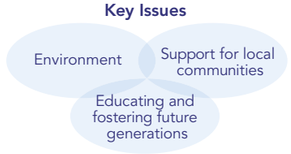
Supporting and Participating in Community Events

We actively support and participate in a variety of community events in Japan. INPEX sponsors the fireworks celebration of the Nagaoka Festival in Nagaoka City, Niigata Prefecture. In Kashiwazaki City, Niigata Prefecture, we support the Road / Relay Marathon, as well as the Gion Kashiwazaki Festival. INPEX hopes to promote understanding in local communities of our business through our support and participation in such events.

Basic Policy for Building Trust with and Contributing to Local Communities

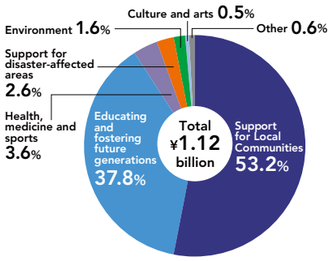
As a global energy supplier, INPEX must respond to the demands of society and gain its trust. To do so, we contribute to the realization of a sustainable society by engaging in dialog with stakeholders to participate effectively in the resolution of societal issues and community development.

Key Issues



CSR Expenditure by Issue

(For the year ended March 31, 2012)



Niigata Prefecture

Forest Management Support Program

Approximately 250 participants, including employees and their families, as well as local citizens, participate in the Forestation Management Support Program.

Snow Removal Volunteers

Niigata Prefecture experiences heavy snowfalls, and we conduct volunteer snow removal in Kashiwazaki City and Nagaoka City.

Iwate Prefecture

Post-Earthquake Restoration Volunteers

Volunteer efforts in Rikuzentakata City in Iwate Prefecture are focused on clearing rubble, grass cutting and cleaning works.

Community Contribution Efforts Overseas

We try to contribute to the development of the local communities in which we operate through activities with our operatorship at the core.

D.R. Congo

Support for Electrification

We placed gas equipment at the facilities in Muanda City in 2011 and ran a cable to a nearby power plant.

Azerbaijan and Georgia

Support for Microfinance

We support microfinance and technological development for Azerbaijan and Georgia in the BTC Pipeline Project through the European Bank for Reconstruction and Development (EBRD).

Indonesia

Support for Improving the Education Environment

In 2011, we provided computers and language labs to high schools in the vicinity of the Mahakam operational area, and conducted English language and other skill training for teachers, with the goal of improving the educational level.

Venezuela

Port Dredging

We dredged the harbor at Zazarida, which is the main fishing port in the vicinity of our exploration project. The dredging removed sand buildup, allowing fishing vessels to use the port.

Before and after dredging

Abu Dhabi

Inviting Students from the UAE to Japan for Training

We have been conducting study programs in oil development technology for UAE students since 1993. At the request of the UAE, on the 20th anniversary of this program for the year ending March 31, 2013, for the first time all of the students participating were female.

East Timor

Heliport Construction

Through the Bayu-Undan Project, we cooperated with the East Timor government in an infrastructure project to build a heliport in Dili, the capital city.

Australia

Support for Establishment of Research Centre for Oil and Gas

As part of the Ichthys LNG Project, INPEX provided A$3 million for the establishment of the Charles Darwin University's North Australian Centre for Oil and Gas. The Centre will provide leading oil and gas technology education, as well as high-quality training, and will help to create a workforce to support the growing energy sector in the Northern Territory.

Sponsorship of a Local Football Club

INPEX contributes to local education and next-generation development through our sponsorship of the NT Thunder, a Northern Territory Australian Rules Football club, of which 70% of the members are indigenous.

▶ For details, please visit our Web site. **inpex.co.jp/english/csr**

Fair Trading / Human Resources Development

We are building a human management resources system that will contribute to our continuous growth, while conducting fair and honest trading with our business partners.

Fair Trading

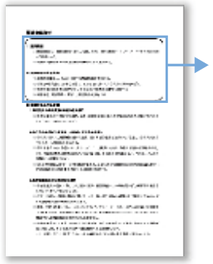
Fair Trade with Business Partners

We strive to procure goods from suppliers in a transparent, fair and responsible manner. We have established the Guidelines for Fair Business Conduct with Suppliers and Contractors, and make sure employees are well-versed in them.

We comply with the laws in every country in which we conduct projects and make particularly strong efforts to prevent corruption and ensure transparency in our materials procurement. For example, in the Ichthys LNG Project we came to an agreement with the Northern Territory and Australian governments on an Industry Participation Plan, based on which we pledge to offer fair, responsible and sufficient opportunities for Australian companies in bidding and procurement.

We will also reinforce human rights in light of our CSR perspective when procuring materials during large-scale overseas projects. Although our overseas project operations are unlikely to engage in child or forced labor, we will further enforce our human rights policy where we operate in line with our Corporate Social Responsibility Policy and the 10 principles of the UN Global Compact.

Guidelines for Fair Business Conduct with Suppliers and Contractors



I. Scope

(1) Procurement activities are activities related to contracts for purchasing (purchases, and services and construction using materials and equipment), borrowing (renting and leasing of materials) and other related activities.
(2) These guidelines apply to all employees engaged in procurement activities in the logistics division.

II. Basic Guidelines for Procurement Activities

(1) Ensure transparency and realize fair and open procurement activities.
(2) Strive to create a symbiotic relationship with suppliers based on mutual trust and equal standing.
(3) Comply with and implement applicable laws and the INPEX Corporate Social Responsibility Policy.
(4) Conduct procurement activities with consideration of their effects on resource protection and environmental conservation.

Human Resources Development

Human Resource Development and Utilization

We provide a range of level-based employee training programs based on personnel requirements, anticipated future role and the required capabilities of each employee's categorization. We also provide a range of programs to rapidly develop employees who can thrive in an international business environment, including overseas language study, training at overseas sites and study at specialized overseas training facilities.

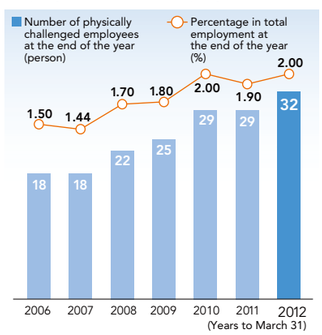
Diversity Management

We do not discriminate based on philosophy, culture, nationality, creed, race, sex or age in our hiring of talented employees, and seek to place and compensate our employees suitably. INPEX hires and trains the personnel necessary to the advancement of our business without regard for nationality and employs highly specialized non-Japanese employees. Our overseas offices are hiring local employees in areas where we anticipate full-scale development and production at our large projects. Maintaining competitive working conditions and fair compensation keeps our local employees highly motivated and improves our employee retention rates.

Employing the Physically Challenged

We actively hire the physically challenged, taking into account matters such as work content and workplace environment. As of March 31, 2012, there were 32 physically challenged employees at INPEX, a hiring rate of 2%, and we will continue to make efforts to increase this rate.

Percentage of Physically Challenged Employees in Total Employment



Number of Employees (Consolidated)

As of March 31, 2012

Category	Male		Female		Short-term employees*	Total
By region		Managerial staff thereof		Managerial staff thereof		
Japan	1,361	467	193	5	315	1,554
Asia & Oceania	301	128	130	6	429	431
Eurasia	7	5	2	0	3	9
Middle East & Africa	41	16	6	0	15	47
North & Central America	8	4	2	0	4	10
South America	70	11	25	1	22	95
Number of Employees	1,788	631	358	12	788	2,146

* Contract employees, fixed-term employees, temporary employees, etc.

Staff Turnover Rate* (Unconsolidated)

(For the year ended March 31, 2012)

0.77% *Excludes retirees

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6

Corporate Governance

E&P Series 6
Natural gas pipeline

Corporate Governance

Our company is working to achieve the sustained strengthening of corporate governance in order to continue to exist as a corporation that is trusted by our shareholders, other stakeholders and all of society, as well as to conduct responsible management as a global company.

(The information below was current as of the end of June 2012, unless otherwise stated.)

Initiatives for Reinforcing Corporate Governance (2012)

We have decided to implement and review the following initiatives to reinforce corporate governance in 2012.

1. Shorten the directors' terms of office and executive officers' terms of office (from two years to one year)

To adapt to changes in the global business environment and to clarify the responsibilities of management from the viewpoint of reinforcing corporate governance, directors' terms of office have been shortened to one year from the current two years. The same is applicable to executive officers' terms of office.

2. Additional appointment of an outside director (from four directors to five directors)

By appointing an additional outside director, the number of outside directors has been increased from the present four to five.

3. Establishment of the Advisory Board (tentative name)

To increase the corporate value and reinforce corporate governance, an advisory board will be established by the end of the year. The Advisory Board (tentative name) will be a consultative body to the Board of Directors and will consist of Japanese and international experts. Through the Advisory Board, we will seek varied and objective advice on important tasks related to our businesses.

4. Establishment of a guideline for the purchase of shares of INPEX by the directors and executive officers

A guideline for the purchase of shares of INPEX by the directors (excluding outside directors) and executive officers was introduced and applied in July 2012 to allow them to proactively enhance the corporate value from a medium- to long-term perspective. The directors and executive officers purchase shares of INPEX every month according to the number of shares set forth in the guideline from their monthly compensation, and they hold their INPEX shares until leaving their respective offices.

Changes to Strengthen Corporate Governance

2006	▮Established the Compliance Committee
2007	▮Established the Information Security Committee
2008	▮Established the Corporate HSE Committee ▮Implemented the Executive Officer System
2009	▮Strengthened the Support to the Statutory Auditors (two members, one of which is a management position, are assigned to concurrently serve as ancillary staff)
2012	▮Established the CSR Committee ▮Shortened the directors' and executive officers' terms of office (from two years to one year) ▮Appointed an additional outside director (from four directors to five directors) ▮Established a guideline for the purchase of shares of INPEX by the directors and executive officers ▮Registered nine outside directors / statutory auditors as independent as stipulated by the Tokyo Stock Exchange

Management System

Our Company's Management System

[1] Directors and Board of Directors

Regarding deliberation and decision making related to conducting important business in the development of oil and natural gas, INPEX appoints outside directors in addition to knowledgeable directors from within our company. This ensures the validity of decision making through a rational, efficient and objective perspective.

Our Board of Directors consists of 16 directors, five of which are outside directors. In addition to a monthly meeting, the Board of Directors meets as necessary in order to discuss and determine the execution of important matters. The board also supervises the execution of duties by directors. In addition, the term of office for directors has been shortened to one year to enable faster response to changes in the global management environment and further clarify management responsibilities.

Each outside director also serves in a senior position such as a director of other companies that conduct business in the same field as us. Therefore, our Board of Directors collects written pledges from all directors including outside directors. This is done to ensure conformance with the Companies Act when taking a proper response toward noncompetition, the prevention of information leakage and the implementation of appropriate measures toward transactions with a potential conflict of interest.

Overview of the Corporate Governance System

▮**Organizational structure** ..... Company with statutory auditors
▮**Percentage of shares held by foreigners** (as of March 31, 2012) 41.0%
▮**Directors**
Number of directors as stipulated by the Articles of Incorporation ..... up to 16
Number of directors (number of outside directors) 16 (5)
Term ..... 1 year
▮**Statutory auditors**
Number of statutory auditors as stipulated by the Articles of Incorporation ..... up to 5
Number of statutory auditors (number of outside auditors) 5 (4)
Term ..... 4 years
▮**Number of independent directors and auditors** ..... 9 (5 outside directors, 4 outside auditors)
▮**Rights plan and other measures to protect against a takeover** ..... None
▮**Other** ..... Issuance of a special-class share to the Minister of Economy, Trade and Industry

[2] Executive Committee and Executive Officer System

From the perspective of increasing the speed of decision making related to the execution of business, we have established an Executive Committee with attendance by full-time directors and managing executive officers. The meetings are held weekly and as necessary. At the Executive Committee, flexible decision making is conducted for resolutions not affiliated with the Board of Directors, and deliberation is held to contribute to decision making by the Board of Directors.

We implemented an Executive Officer System in order to respond accurately and quickly to a rapidly changing management environment and the expansion of our business activities. The Executive Officer System seeks to clarify the execution of business and strengthen a flexible and efficient management system. Furthermore, the term of office for executive officers is set to one year, the same as for directors.

[3] Board of Statutory Auditors and Statutory Auditors

INPEX has adopted a statutory auditor system. The Board of Statutory Auditors is composed of five members, including four outside auditors.

In addition to attending meetings of the Board of Directors and the Executive Committee, the statutory auditors review the execution of business duties by directors through reports given by and hearings for related departments. Furthermore, the statutory auditors receive reports from the independent auditors regarding audits held six times per year and as necessary. They also conduct regular meetings (five or six times per year and as necessary) with the internal audit department (Internal Audit Unit) to receive reports regarding internal audits and the evaluation of internal controls.

To strengthen the function of the statutory auditors and ensure viable corporate governance, we are working to enhance ancillary staff for the statutory auditors and form partnerships through periodic meetings between the statutory auditors, the Internal Audit Unit and the independent auditors. Moreover, we have constructed a system to strengthen the monitoring function through periodic meetings with the representative directors and directors.

[4] Accounting Audit and Auditor Compensation

In accordance with the Companies Act and the Financial Instruments and Exchange Act, we accept accounting audits from Ernst & Young ShinNihon LLC. The amount of compensation paid to the CPAs is determined in total based on the audit plan and the number of auditing dates, after obtaining approval from the Board of Auditors.

Compensation Paid to the CPAs and Related Parties (Year ended March 31, 2012)

Name of the CPA firm	Ernst & Young ShinNihon LLC
Names of the CPAs	Kenji Endo, Kazuhiko Umemura, Satoshi Takahashi
Accounting audit members	15 CPAs and 31 others
Compensation for auditing services	¥202 million (INPEX: ¥130 million; Consolidated subsidiaries: ¥72 million)
Compensation for non-auditing services	¥29 million (INPEX: ¥18 million; Consolidated subsidiaries: ¥11 million)

Corporate Governance Framework

Outside Directors: Independence and Reason for Appointment

[1] Outside Directors

Regarding the appointment of outside directors, we place importance on evaluation for the validity of business decisions and consideration of their efficacy, professionalism and objectiveness in the oversight function in addition to the perspective of independence.

Our company's five outside director (▶ See pp. 88 and 94.) possess broad knowledge and many years of experience as managers and in fields such as the resource / energy industry, finance and legal matters. Also, four of the outside directors are shareholders of our company and serve as directors and an advisor of companies that conduct business in the same field as us. Therefore, we recognize the importance of paying special attention to the possibility of competition and other conflicts of interest. In response, we collect written pledges from outside directors in order to ensure conformance with the Companies Act when taking a proper response toward noncompetition, the prevention of information leakage and the implementation of appropriate measures toward transactions with a potential conflict of interest. These written pledges are the same as those submitted by internal appointees.

[2] Outside Auditors

When appointing outside auditors, we believe that it is important to comprehensively consider factors such as independence, efficacy in the oversight function and professionalism.

Four of the five auditors are outside auditors (▶ See **the table at right and p. 94.**) who possess rich knowledge and experience in our company's business, as well as in fields such as finance and accounting and utilize these qualities when performing auditing activities for our company. Two of the outside auditors operate businesses in the same field as our company. One of those two auditors also holds the position of director at Japan Petroleum Exploration Co., Ltd. (JAPEX), a shareholder in our company.

All of our company's outside directors (5) and outside auditors (4) satisfy the requirements* for independent directors and are therefore designated as independent directors.

*It has been confirmed that the outside directors / auditors do not fall under the conditions stipulated in the Ordinance for Enforcement of the Securities Listings Regulations, Article 211, Item 4, Sub-Item 5, and Article 226, Item 4, Sub-Item 5. Furthermore, it has been confirmed that there is no risk of a conflict of interest with ordinary shareholders.

Director Compensation

In the business of developing oil and natural gas, a long period of time is required from starting business until the recovery of investment. Therefore, we believe that it is inappropriate to reflect short-term performance in director compensation.

Compensation for directors consists of monthly compensation (basic compensation), which is issued based on the business duties for each director position, and a bonus based on company performance. Compensation is decided by the Board of Directors. Similarly, compensation for the statutory auditors consists of monthly compensation (basic compensation) and a bonus, decided through consultation with the statutory auditors.

The table on the right shows the amount of compensation for directors and statutory auditors for the year ended March 31, 2012. From July 2012, we established and applied guidelines for the purchase of INPEX shares by the directors (excluding outside directors) and executive officers. From the perspective of encouraging directors and executive officers to work for continuing long-term improvement in the corporate value, a certain amount of monthly compensation is withheld every month to purchase INPEX shares. These INPEX shares are held until the respective directors and executive officers leave their offices.

Outside Directors / Outside Auditors: Concurrently Held Positions and Reason for Appointment

	Name	Independent director*	Significant concurrently held positions	Reason for appointment	Attendance at board meetings
Outside directors	Kazuo Wakasugi	✓	Counsellor for Japan Petroleum Exploration Co., Ltd., a shareholder in our company	To utilize in our company's management his rich experience and broad knowledge as a business executive	Board of Directors meetings 17/17
	Yoshiyuki Kagawa	✓	Senior Advisor of Mitsui Oil Exploration Co., Ltd., a shareholder in our company	To utilize in our company's management his rich experience and broad knowledge as a business executive	Board of Directors meetings 14/17
	Seiji Kato	✓	Corporate Adviser of Mitsubishi Corporation, a shareholder in our company	To utilize in our company's management his rich experience and broad knowledge in the resources/ energy industry	Board of Directors meetings 17/17
	Rentaro Tonoike	✓	Director, Senior Vice President and Executive Officer of JX Holdings, Inc., a shareholder in our company	To utilize in our company's management his rich experience and broad knowledge in the resources / energy industry	(New appointment)
	Yasuhiko Okada	✓	Partner of Kitahama Partners	Possesses extensive experience and knowledge in finance as well as professional knowledge and experience as an attorney, in addition to management experience in financial institutions as the Director of The Rokinren Bank	(New appointment)
Outside auditors	Haruhito Totsune	✓	—	Possesses rich knowledge and experience in financial fields	Board of Directors meetings 16/17 Board of Auditors meetings 14/14
	Koji Sumiya	✓	—	To utilize in our company's auditing procedures his knowledge of finance	Board of Directors meetings 17/17 Board of Auditors meetings 14/14
	Hiroshi Sato	✓	Executive Vice President and Executive Officer of Japan Petroleum Exploration Co., Ltd., a shareholder in our company	To utilize in our company's auditing procedures his rich experience and broad knowledge in the resources/ energy industry, as well as his accounting-related knowledge	Board of Directors meetings 15/17 Board of Auditors meetings 13/14
	Masaru Funai	✓	Senior Consultant of Marubeni Corporation	To utilize in our company's auditing procedures his rich experience and broad knowledge in the resources/ energy industry, as well as his accounting-related knowledge	Board of Directors meetings 17/17 Board of Auditors meetings 14/14

*The Tokyo Stock Exchange requires listed companies to appoint independent directors. All of our company's outside directors and outside auditors are registered as independent directors.

Compensation Paid to Directors and Auditors (Year ended March 31, 2012)

Director classification	Total amount of compensation paid (¥ million)	Total amount of compensation paid by type of compensation (¥ million)		Number of directors eligible for basic compensation (person)
		Basic compensation	Bonus	
Directors (excluding outside directors)	512	414	98	12
Statutory Auditors (excluding outside auditors)	27	25	2	2
Outside Directors	74	65	9	7

Notes:
1. The Company does not maintain a stock option plan. **2.** The Company does not maintain an accrued retirement benefits plan. **3.** The total amount of compensation paid includes a provision to accrued bonuses to directors for the year ended March 31, 2012. **4.** The number of directors eligible for compensation includes one director who retired by resignation and one statutory auditor who retired by termination during this term from the Company effective June 28, 2011, at our 5th Ordinary General Meeting of Shareholders. **5.** Compensation was not paid to one of the 15 directors as of March 31, 2012.

Internal Control Systems

Our company has developed an internal control system and has established a system for the appropriate and efficient performance of company affairs.

An overview of these systems is as follows.

Compliance by Directors and Employees

- A Corporate Social Responsibility Policy shall be established in order to ensure compliance by Directors and employees.
- A Representative Director shall be elected to be the Director in charge of compliance, and the Company shall establish a Compliance Committee chaired by that Director.
- The Company shall establish an internal notification system with related departments and an external expert (lawyer) as providers of consultation services.
- To ensure effective compliance systems and relevant internal rules, the Company shall verify and evaluate them and make the necessary improvements through audits carried out by the internal audit department (Internal Audit Unit), which reports directly to the President & CEO.
- The Company shall develop and manage a system to ensure the accuracy and reliability of financial reporting while evaluating its effectiveness.

Storage and Management of Information Related to the Execution of Duties by Directors

- In accordance with applicable laws, regulations, the Articles of Incorporation and internal rules, an information security system shall be established for information related to the execution of duties under the jurisdiction of Directors. Through this system, such information is appropriately stored and managed.

Rules and Other Systems for Risk Management

- To manage all types of risks related to our business activities, Directors shall identify, analyze and evaluate risks through close cooperation with related departments.
- Based on the internal rules on group management, the Directors shall manage group-wide risk.
- The management of risks related to the daily operations shall be reviewed, assessed and revised by the Internal Audit Unit, related departments and / or external experts.

Efficiency of Duties for Directors

- To establish a system that enables the efficient performance of duties, major corporate decisions shall be addressed promptly and properly through Executive Committee meetings, which are held weekly and as necessary.
- The person in charge at each level shall perform his / her daily duties promptly through delegation of authority based on internal rules such as job demarcation and administrative authority.

Proper Operation of the INPEX Group

- Subsidiaries shall conduct a group management contract and shall be required to report to the Company on important matters. The Company shall issue approvals regarding such reports.
- Based on the internal rules on group management, a partnership shall be conducted for the risk management, compliance management and internal auditing of subsidiaries.

Employees to Assist Statutory Auditors

- Two employees shall be assigned to concurrently assist with the Statutory Auditors' duties.
- These assistants shall execute their duties under the instruction of the Statutory Auditors.

Independence of Employees to Assist Statutory Auditors

- Any changes in personnel of the Statutory Auditors' assistants shall be discussed with the Statutory Auditors.

Reporting to Statutory Auditors

- Directors and employees shall report and provide information to the Statutory Auditors for matters provided by laws and regulations and matters that might have a significant impact on the Company.
- The Statutory Auditors shall always have the right to obtain business information by attending the Board of Directors' meetings and other important internal meetings, as well as receiving internal approval documents.

Ensuring the Effectiveness of Audits by Statutory Auditors

- When conducting audits, the Company shall ensure close cooperation with external experts such as lawyers, certified public accountants and certified tax accountants.
- To improve the effectiveness of audits, the Statutory Auditors shall cooperate with the Internal Audit Unit and shall receive regularly reports.

Special-Class Share

According to the stipulations of the Articles of Incorporation, INPEX issues a special-class share to the Minister of Economy, Trade and Industry. This share possesses influence on certain major corporate decisions. The special-class share does not possess voting rights at shareholders' meetings. However, it is possible for the holder of the special-class share to exercise veto rights for certain major corporate decisions. For our company, the issuance of the special-class share to the Minister of Economy, Trade and Industry is an effective countermeasure to prevent outside control over the business of our company or against hostile takeovers for speculative purposes. Furthermore, we expect positive results in terms of external negotiation and credits as a leading oil and gas E&P contributing to the stable and efficient supply of energy in Japan.

▶ See **pp. 136–137** for Business Risks (8. Special-Class Share).

Stock Data

Authorized Shares:
9,000,000 common shares
1 special-class share

Total Number of Shareholders and Issued Shares
Common shares:
38,335 shareholders / 3,655,809 shares
Special-class share:
1 shareholder (Minister of Economy, Trade and Industry) / 1 share

Compliance / Disclosure

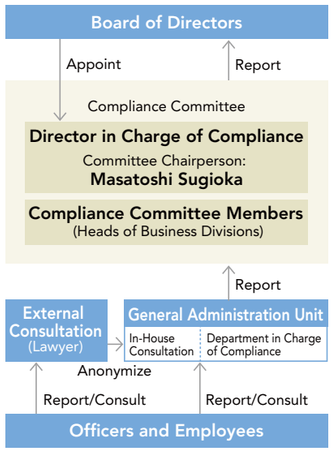
Compliance

To conduct integrated actions throughout our entire company, we established the Compliance Committee. Our company's Vice Chairman (director in charge of compliance) serves as the chairperson of the committee. The committee works together with the Statutory Auditors, the Board of Statutory Auditors, the Independent Auditors and the Internal Audit Unit, which is the internal audit department. Through this cooperation, the committee proposes / implements compliance measures, monitors the status of implementation and holds activities to increase compliance awareness. Moreover, the committee receives reports on violations and implements stoppage recommendations and other responses to investigated violations. The committee also formulates measures to prevent the reoccurrence of violations.

In addition, an internal notification system was established in April 2006 in accordance with the Whistleblower Protection Act. The system is available for use by the directors and employees of our company. Anonymous reporting is possible and whistleblowers are thoroughly protected to ensure that they are not subject to unfair treatment.

As a form of compliance education, we distribute a compliance manual and compliance Q&A. The goal of these materials is to have each employee implement compliance activities. In December 2010, we established a Web site dedicated to compliance on our company's intranet. Also, beginning from the same month, we issued the monthly *Compliance Journal* to our employees in order to enhance the sharing of compliance information. To heighten awareness toward compliance, we held compliance training for both middle management and general employees from December 2011 to March 2012. The training for middle management was conducted through an e-learning program, whereas the group training for general employees was taught by a lawyer who supervises the outside contact point of the helpline for all domestic and international offices. This training focused on everyday compliance issues. We will continue to enhance compliance in the workplace for the year ending March 31, 2013. For example, to develop a global compliance system, we will implement a compliance supervisor system for each workplace with a designated employee in charge of compliance promotion, as well as to address anti-bribery policy.

Compliance Framework (Internal notification system)



English Japanese

Compliance manuals Compliance Q&A

Compliance Journal

Compliance training held in Kashiwazaki

Disclosure

1. To invigorate the general meeting of shareholders and promote effective voting

	Supplementary explanation
Early delivery of convocation notices for the general meeting of shareholders	At the 6th Ordinary General Meeting of Shareholders held on June 26, 2012, we sent convocation notices on June 4, which was more than three weeks before the date of the meeting.
Use of voting rights through the Internet	We implemented the use of voting rights via the Internet. We also adopted a platform for the electronic use of voting rights.
Other	The convocation notice and other related documentation are available in both Japanese and English on our company's Web site and TDnet. On the day of the shareholders' meeting, we used videos and a slide show to explain our business before opening the meeting.

The 6th Ordinary General Meeting of Shareholders (held June 26, 2012)

2. Enhancing IR Activities

	Supplementary explanation	Explanation by representative: Yes / No
Regular IR presentations for individual investors	We participate in events such as IR fairs for individual investors and meetings in venues such as branches of brokerage firms. For the year ended March 31, 2012, we held 12 meetings in 10 cities throughout Japan. The meetings were attended by more than 950 individual investors.	Yes
Regular IR presentations for analysts and institutional investors	We hold biannual meetings on financial results for analysts and institutional investors. The President & CEO and the director in charge of finance and accounting explain our financial details and business forecast to approximately 200 analysts and institutional investors. Video archives of the meetings are made available on the same day on our company's Web site. An English translation is included in the transmission. In addition, in January 2012, we held an investor briefing session for analysts and institutional investors regarding the Ichthys LNG Project.	Yes
IR meetings	We held more than 400 IR meetings with analysts and institutional investors for the year ended March 31, 2012. Meetings included overseas IR road shows, conferences and one-on-one meetings.	Yes
IR materials available on Web site	Our Web site (IR section) features financial reports, stock information, presentation materials, videos and brochures for individual investors. ▶ **inpex.co.jp/english/ir**	Yes

Investor briefing (Ichthys LNG Project, held January 2012)

IR presentation for individual investors (held August 2011)

IR fair for individual investors (held August 2011)

3. Disclosure Policies

To achieve the appropriate disclosure of information, we have established internal regulations for corporate information disclosure and defined the process for collecting, managing, transmitting and disclosing information throughout our company. Please refer to our company's Web site (▶ **inpex.co.jp/en/ir/policy**) for further details on disclosure policies based on the aforementioned regulations.

4. IR Activities

Representative directors and responsible directors, as well as six dedicated staff members, conduct proactive IR activities for domestic and overseas investors.

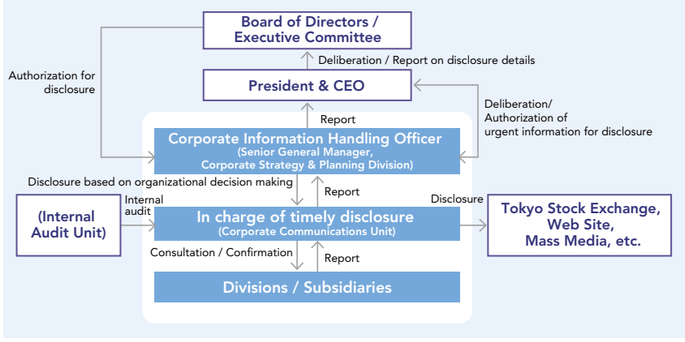
For any questions regarding IR information, please contact the Investor Relations Group.

Corporate Strategy & Planning Division
Corporate Communications Unit, Investor Relations Group

- Tel: **+81-3-5572-0234**
- IR Web site: **inpex.co.jp/english/ir**
- For inquiries and to request information via the Internet: **inpex.co.jp/en/ir/inquiries**

IR Calendar

Internal System for Timely Disclosure



Board of Directors, Auditors and Executive Officers

(As of June 27, 2012)

Naoki Kuroda
Chairman

April 1963	Joined Ministry of International Trade and Industry (currently Ministry of Economy, Trade and Industry)
June 1992	Director-General for the Agency of Natural Resources and Energy
August 1993	Advisor to Bank of Tokyo Ltd. / Advisor to Mitsui Marine Insurance, Ltd. (currently Bank of Tokyo-Mitsubishi UFJ, Ltd. / Mitsui Sumitomo Insurance Co., Ltd.)
August 1995	Advisor to Sumitomo Corporation
June 1996	Managing Executive Director of Sumitomo Corporation
June 1999	Director of Indonesia Petroleum, Ltd. (INPEX Corporation)
April 2001	Representative Director, Executive Vice President of Sumitomo Corporation
August 2004	Senior Advisor to Sumitomo Corporation
September 2004	Representative Director, Executive Senior Vice President of INPEX Corporation
June 2005	Representative Director, President of INPEX Corporation
April 2006	Representative Director, President of INPEX Holdings Inc. (currently the Company)
June 2010	Representative Director, Chairman of the Company (incumbent)

Masatoshi Sugioka
Vice Chairman

April 1968	Joined Teikoku Oil Co., Ltd.
April 1994	General Manager of Engineering Department of Teikoku Oil Co., Ltd.
March 1995	Senior General Manager of Teikoku Oil Co., Ltd.
March 1996	Director of Teikoku Oil Co., Ltd.
March 1999	Managing Director of Teikoku Oil Co., Ltd.
March 2002	Senior Managing Director of Teikoku Oil Co., Ltd.
March 2005	Representative Director, President of Teikoku Oil Co., Ltd.
April 2006	Representative Director of INPEX Holdings Inc. (currently the Company)
October 2008	Representative Director, Chief Technical Executive, HSE and Compliance of the Company
June 2010	Representative Director, Vice Chairman, Chief Technical Executive, in charge of HSE and Compliance of the Company (incumbent)

Toshiaki Kitamura
President & CEO

April 1972	Joined Ministry of International Trade and Industry (currently Ministry of Economy, Trade and Industry)
July 2002	Director-General for Trade and Economic Cooperation Bureau, Ministry of Economy, Trade and Industry
July 2003	Director-General for Manufacturing Industries Bureau, Ministry of Economy, Trade and Industry
June 2004	Director-General for Trade Policy Bureau, Ministry of Economy, Trade and Industry
July 2006	Vice-Minister for International Affairs, Ministry of Economy, Trade and Industry
November 2007	Adviser to Tokio Marine & Nichido Fire Insurance Co., Ltd.
April 2008	Visiting Professor of Waseda University Graduate School
August 2009	Executive Vice President of the Company
June 2010	Representative Director, President & CEO of the Company (incumbent)

Directors and Auditors

Chairman	Naoki Kuroda		C
Vice Chairman	Masatoshi Sugioka		C G ⚠
President & CEO	Toshiaki Kitamura	(1)	C
Director	Seiji Yui	(1)	C G ⚠ ◆
Director	Masaharu Sano	(1)	G ⚠ ◆
Director	Shunichiro Sugaya	(1)	G ⚠
Director	Masahiro Murayama	(1)	G ◆
Director	Seiya Ito	(1)	G ⚠
Director	Wataru Tanaka	(1)	C G ⚠ ◆
Director	Takahiko Ikeda	(1)	G ⚠
Director	Yoshikazu Kurasawa*	(1)	G ⚠
Director (Outside)	Kazuo Wakasugi	(2) (4)	
Director (Outside)	Yoshiyuki Kagawa	(2) (4)	
Director (Outside)	Seiji Kato	(2) (4)	
Director (Outside)	Rentaro Tonoike*	(2) (4)	
Director (Outside)	Yasuhiko Okada*	(2) (4)	
Statutory Auditor	Yoshitsugu Takai		
Statutory Auditor (Outside)	Haruhito Totsune	(3) (4)	
Statutory Auditor (Outside)	Koji Sumiya	(3) (4)	
Statutory Auditor (Outside)	Hiroshi Sato	(3) (4)	
Statutory Auditor (Outside)	Masaru Funai	(3) (4)	

* Newly Appointed Directors / Statutory Auditors
(1) Concurrently hold the position of executive officer
(2) Outside directors as defined in Article 2, Item 15, of the Companies Act
(3) Outside auditors as defined in Article 2, Item 16, of the Companies Act
(4) Independent directors / auditors as defined in Article 436, Item 2, Sub-Item 1, of the Securities Listings Regulations for the Tokyo Stock Exchange

Symbols: Member of in-house committee
C: CSR Committee
G: Compliance Committee
⚠: Corporate HSE Committee
◆: Information Security Committee

Executive Officers

President & CEO	Toshiaki Kitamura	C
Senior Managing Executive Officer	Seiji Yui	Senior Vice President of Corporate Strategy & Planning Division C G ⚠ ◆
Senior Managing Executive Officer	Masaharu Sano	Senior Vice President of Technical Division G ◆
Managing Executive Officer	Shunichiro Sugaya	Senior Vice President of Masela Project Division G ⚠
Managing Executive Officer	Masahiro Murayama	Senior Vice President of Finance & Accounting Division G ◆
Managing Executive Officer	Seiya Ito	Senior Vice President of Ichthys Project Division G ⚠
Managing Executive Officer	Wataru Tanaka	Senior Vice President of General Administration Division C G ⚠ ◆
Managing Executive Officer	Takahiko Ikeda	Senior Vice President of Domestic Division G ⚠
Managing Executive Officer	Yoshikazu Kurasawa	Senior Vice President of New Ventures Division G ⚠ ◆
Managing Executive Officer	Sadafumi Tanigawa	Senior Vice President of Oil & Gas Business Division 1 C
Managing Executive Officer	Kasaburo Tamura	Senior Vice President of Oil & Gas Business Division 2 C
Managing Executive Officer	Akinori Sakamoto	Senior Vice President of Pipeline Construction Division, Senior Vice President of LNG Receiving Terminal Construction Division G ⚠
Managing Executive Officer	Kazuo Yamamoto	Senior Vice President of Logistics & IMT Division G ◆
Managing Executive Officer	Shuhei Miyamoto	Senior Vice President of America & Africa Project Division G ⚠
Managing Executive Officer	Kenji Kawano	Senior Vice President of Asia, Oceania & Offshore Japan Project Division G ⚠
Managing Executive Officer	Yasuhisa Kanehara	Senior Vice President of Eurasia & Middle East Project Division Senior Vice President of Abu Dhabi Project Division G ⚠
Managing Executive Officer	Kazuhiko Itano	Vice President of Corporate Strategy & Planning Division C
Executive Officer	Noboru Himata	Vice President of Finance & Accounting Division General Manager of Finance Unit
Executive Officer	Takashi Kubo	Vice President of Logistics & IMT Division General Manager of Logistics & Insurance Unit
Executive Officer	Toshihiko Fukasawa	Vice President of Domestic Division General Manager of Planning & Coordination Administration Unit
Executive Officer	Hirohisa Ota	Vice President of Masela Division, General Manager of Technical Unit
Executive Officer	Yoshinori Yamamoto	Vice President of Oil & Gas Business Division 2 General Manager of Gas Marketing Unit General Manager of Oil Marketing & Power Business Unit
Executive Officer	Hajime Kawai	Vice President of Masela Division Vice President of Strategy & Condition, Jakarta Office
Executive Officer	Atsushi Sakamoto	Vice President of Ichthys Project Division Project Director of Onshore Technical Coordination, Perth Office
Executive Officer	Arihiro Kezuka	Vice President of Ichthys Project Division, General Manager of Technical Unit
Executive Officer	Kimiya Hirayama	Vice President of Domestic Division General Manager of Niigata District Office, General Manager of Production Unit
Executive Officer	Nobuharu Sase	Vice President of Oil & Gas Business Division 1 General Manager of Oil Marketing Unit
Executive Officer	Shigeharu Yajima	Vice President of Oil & Gas Business Division 1 General Manager of Gas Business Unit
Executive Officer	Tetsuro Tochikawa	Vice President of Eurasia & Middle East Project Division General Manager of Middle East Unit
Executive Officer	Yoshiro Ishii	Vice President of Corporate Strategy & Planning Division General Manager of New Business Planning Unit
Executive Officer	Toshiya Oshita	Vice President of Technical Division, General Manager of Technical Resources Unit General Manager of Tripoli Office, Teikoku Oil Libya UK LTD
Executive Officer	Kimihisa Kittaka	Vice President of Corporate Strategy & Planning Division General Manager of Corporate Strategy & Planning Unit General Manager of Corporate Communication Unit
Executive Officer	Hideki Iwashita	Vice President of Ichthys Project Division Director of Commercial Coordination, Perth Office, Ichthys Project Division

Seiji Yui
Director, Senior Managing Executive Officer

Masaharu Sano
Director, Senior Managing Executive Officer

Shunichiro Sugaya
Director, Managing Executive Officer

Masahiro Murayama
Director, Managing Executive Officer

Seiya Ito
Director, Managing Executive Officer

Wataru Tanaka
Director, Managing Executive Officer

Takahiko Ikeda
Director, Managing Executive Officer

Yoshikazu Kurasawa
Director, Managing Executive Officer

Seiji Yui

April 1975	Joined Indonesia Petroleum, Ltd. (INPEX Corporation)
September 1999	General Manager of Jakarta Office of INPEX Corporation
June 2000	Director, General Manager of Jakarta Office of INPEX Corporation
March 2003	Director, Coordinator of Exploration Department 1 and Exploration Department 2 of INPEX Corporation
June 2003	Managing Director of INPEX Corporation
April 2004	Managing Director of Japan Oil Development Co., Ltd.
March 2006	Representative Director, Managing Director of Japan Oil Development Co., Ltd.
April 2006	Director, Deputy Senior General Manager of Corporate Strategy & Planning Division and Technology Division of INPEX Holdings Inc. (currently the Company)
March 2007	Managing Director, Senior General Manager of Technology and HSE Division, in charge of Oceania & America projects of INPEX Holdings Inc.
June 2007	Managing Director, Senior General Manager of Technology and HSE Division and Oceania & America Project Division of INPEX Holdings Inc.
October 2008	Director, Senior Managing Executive Officer, Senior Vice President of Asia & Australasia of the Company
June 2012	Director, Senior Managing Executive Officer, Senior Vice President of Corporate Strategy & Planning Division of the Company (incumbent)

Masaharu Sano

April 1974	Joined Teikoku Oil Co., Ltd.
April 2000	General Manager of Technical Planning Department of Teikoku Oil Co., Ltd.
March 2001	Senior General Manager of Teikoku Oil Co., Ltd.
March 2001	General Manager of New Ventures Department, International Projects Division of Teikoku Oil Co., Ltd.
March 2002	Director, General Manager of New Ventures Department, International Projects Division of Teikoku Oil Co., Ltd.
March 2005	Managing Director, President of International Projects Division / Domestic Offshore Division of Teikoku Oil Co., Ltd.
April 2006	Director, Deputy Senior General Manager of Corporate Strategy & Planning Division / Technology Division of INPEX Holdings Inc. (currently the Company)
October 2008	Director, Senior Managing Executive Officer, Senior Vice President of The Americas & Africa Project Division of the Company
June 2012	Director, Senior Managing Executive Officer, Senior Vice President of Technical Division of the Company (incumbent)

Shunichiro Sugaya

April 1976	Joined Indonesia Petroleum, Ltd. (INPEX Corporation)
April 1997	General Manager of Development Department of Indonesia Petroleum, Ltd.
June 2001	Director, General Manager of Development Department of INPEX Corporation
June 2002	Director, Coordinator in charge of Development Department of INPEX Corporation
September 2005	Director, Senior General Manager of Asia Project Division, Assistant Senior General Manager of Technology and HSE Division and Coordinator in charge of Asia region / technology and HSE of INPEX Corporation
June 2007	Managing Director, Senior General Manager of Asia Project Division of INPEX Corporation
October 2008	Director, Managing Executive Officer, Senior Vice President of Masela Project of the Company (incumbent)

Masahiro Murayama

April 1976	Joined The Industrial Bank of Japan, Ltd. (currently Mizuho Corporate Bank, Ltd., etc.)
June 1999	General Manager of Financial Institutions Banking Division No. 2 of The Industrial Bank of Japan, Ltd.
June 2001	General Manager of Corporate Banking Department No. 2 of The Industrial Bank of Japan, Ltd.
April 2002	General Manager of Corporate Banking Division No. 9 of Head Office of Mizuho Corporate Bank, Ltd.
December 2002	General Manager of Syndicated Finance Structuring Division No. 1 of Mizuho Corporate Bank, Ltd.
October 2003	General Manager of Syndicated Finance Distribution Division No. 1 of Mizuho Corporate Bank, Ltd.
April 2004	Executive Officer, General Manager of Syndicated Finance Distribution Division No. 1 of Mizuho Corporate Bank, Ltd.
October 2004	Executive Officer, General Manager of Loan Trading Division of Mizuho Corporate Bank, Ltd.
April 2005	Managing Executive Officer, in charge of corporate banking of Mizuho Corporate Bank, Ltd.
April 2008	Director, Deputy President of Mizuho Securities Co., Ltd.
April 2009	Council of Mizuho Securities Co., Ltd.
May 2009	Advisor to the Company
June 2009	Director, Managing Executive Officer, Senior Vice President of Finance & Accounting of the Company (incumbent)

Seiya Ito

April 1977	Joined Indonesia Petroleum, Ltd. (INPEX Corporation)
April 2002	General Manager of Corporate Planning & Management Department of INPEX Corporation
June 2003	Director, General Manager of Corporate Planning & Management Department of INPEX Corporation
November 2004	Director, General Manager of Corporate Planning & Management Department and Public Affairs Department of INPEX Corporation
September 2005	Director, Assistant Senior General Manager of Corporate Strategy & Administration Division, General Manager of Corporate Strategy & Planning Unit and Public Affairs Unit of INPEX Corporation
April 2006	Director, Assistant Senior General Manager of Corporate Strategy & Administration Division, General Manager of Corporate Strategy & Planning Unit of INPEX Corporation
April 2006	Director, Assistant Senior General Manager of Corporate Strategy & Planning Division of INPEX Holdings Inc. (currently the Company)
July 2006	Director, Deputy Senior General Manager of Oceania & America Project Division of INPEX Corporation
October 2008	Director, Managing Executive Officer, Senior Vice President of Ichthys Project of the Company (incumbent)

Wataru Tanaka

April 1977	Joined Indonesia Petroleum, Ltd. (INPEX Corporation)
June 2000	General Manager of Planning & New Ventures Department of INPEX Corporation
June 2003	Director, General Manager of Planning & New Ventures Department of INPEX Corporation
June 2004	Director, Coordinator in charge of the Middle East and Caspian Sea regions of INPEX Corporation
October 2004	Director, Deputy General Manager of Tehran Office of INPEX Corporation
February 2007	Director, Coordinator in charge of Middle East projects of INPEX Corporation
April 2007	Director, Assistant Senior General Manager of General Administration and Corporate Planning Division of INPEX Corporation
October 2008	Managing Executive Officer, Deputy Senior General Manager of General Administration Division of the Company
June 2009	Director, Managing Executive Officer, Senior Vice President of General Administration of the Company
June 2011	Director, Managing Executive Officer, Senior Vice President of General Administration, Corporate Strategy & Planning of the Company
June 2012	Director, Managing Executive Officer, Senior Vice President of General Administration Division of the Company (incumbent)

Takahiko Ikeda

April 1978	Joined Teikoku Oil Co., Ltd.
March 2002	General Manager of Production Department, Domestic Operating Division of Teikoku Oil Co., Ltd.
March 2004	Senior General Manager of Teikoku Oil Co., Ltd.
March 2005	Director of Teikoku Oil Co., Ltd.
April 2006	General Manager of Domestic Project Planning and Administration Unit, Corporate Strategy & Administration Division of INPEX Holdings Inc. (currently the Company)
June 2007	Managing Director, President of Domestic Operation Division and General Manager of Niigata District Department of Teikoku Oil Co., Ltd.
October 2008	Director, Managing Executive Officer, Senior Vice President of Domestic Projects of the Company (incumbent)

Yoshikazu Kurasawa

April 1982	Joined Japan National Oil Corporation
February 2004	Deputy General Manager of Planning & New Ventures Department of INPEX Corporation
April 2005	General Manager of Planning & New Ventures Department of INPEX Corporation
September 2005	General Manager of Business Development and Legal Unit, General Administration & Corporate Planning Division of INPEX Corporation
April 2006	General Manager of Overseas Project Planning and Administration Unit, Corporate Strategy & Administration Division of INPEX Holdings Inc. (currently the Company)
June 2007	Executive Officer, General Manager of Business Development and Legal Unit, General Administration & Corporate Planning Division of INPEX Corporation
October 2008	Executive Officer, Assistant Senior General Manager of Corporate Strategy & Planning, General Manager of Business Development and Legal Unit of the Company
June 2011	Managing Executive Officer, Vice President of Corporate Strategy & Planning of the Company
June 2012	Director, Managing Executive Officer, Senior Vice President of New Ventures Division of the Company (incumbent)

Kazuo Wakasugi
Director (Outside)

Yoshiyuki Kagawa
Director (Outside)

Seiji Kato
Director (Outside)

Rentaro Tonoike
Director (Outside)

Yasuhiko Okada
Director (Outside)

Kazuo Wakasugi

April 1953	Joined Ministry of International Trade and Industry (currently Ministry of Economy, Trade and Industry)
June 1984	Vice-Minister for International Affairs, Ministry of International Trade and Industry
September 1986	Advisor to Long-Term Credit Bank of Japan, Ltd. (currently Shinsei Bank, Ltd.)
June 1993	Representative Director, Executive Vice President of Mitsubishi Electric Corporation
May 1995	Advisor to Japan Petroleum Exploration Co., Ltd. ("JAPEX")
June 1995	Representative Director, President of JAPEX
June 1996	Director of Indonesia Petroleum, Ltd. (INPEX Corporation)
June 2001	Representative Director, Chairman of JAPEX
April 2006	Director of INPEX Holdings Inc. (currently the Company) (incumbent)
May 2007	Counsellor for JAPEX (incumbent)

Yoshiyuki Kagawa

April 1970	Joined Mitsui & Co., Ltd.
September 2001	Director of Mitsui Oil Exploration Co., Ltd.
October 2001	Chief Operating Officer of Energy Business Unit, Energy Group of Mitsui & Co., Ltd.
April 2002	Managing Officer, Chief Operating Officer of Energy Business Unit, Energy Group of Mitsui & Co., Ltd.
April 2003	Executive Managing Officer, Chief Operating Officer of Energy Business Unit of Mitsui & Co., Ltd.
April 2005	Representative Director, Executive Vice President of Mitsui Oil Exploration Co., Ltd.
June 2005	Representative Director, President, CEO of Mitsui Oil Exploration Co., Ltd. (incumbent)
June 2006	CCO of Mitsui Oil Exploration Co., Ltd.
June 2007	Director of INPEX Holdings Inc. (currently the Company) (incumbent)

Seiji Kato

April 1971	Joined Mitsubishi Corporation
July 1997	General Manager of LNG Business Department A of Mitsubishi Corporation
April 2003	Senior Vice President, Division COO of Natural Gas Business Division of Mitsubishi Corporation
April 2006	Senior Vice President, Division COO of Natural Gas Business Division B of Mitsubishi Corporation
April 2007	Executive Vice President, Group COO of Energy Business Group of Mitsubishi Corporation
April 2008	Executive Vice President, Group CEO of Energy Business Group of Mitsubishi Corporation
June 2010	Director of the Company (incumbent)
June 2011	Corporate Adviser of Mitsubishi Corporation (incumbent)

Rentaro Tonoike

April 1978	Joined Nippon Mining Co., Ltd.
April 2000	General Manager of Planning & Coordination Dept., Metal Division of Nippon Mining & Metals Co., Ltd.
October 2003	General Manager (Group Companies Coordination) of Planning & Coordination Dept. of Nippon Mining & Metals Co., Ltd.
April 2006	Executive Officer, General Manager (Planning & Coordination) of Planning & Coordination Dept. of Nippon Mining & Metals Co., Ltd.
April 2008	Executive Officer, General Manager (Planning & Coordination) of Planning & Coordination Dept.; General Manager of Coordination Dept., Metals Group; General Manager of Planning Dept., Copper Division, Metals Group of Nippon Mining & Metals Co., Ltd.
April 2009	Executive Officer, General Manager (Planning & Coordination) of Planning & Coordination Dept.; General Manager of Coordination Dept., Metals Group; General Manager on Special Assignment, Copper Division, Metals Group of Nippon Mining & Metals Co., Ltd.
April 2010	Executive Officer, General Manager of Corporate Planning Department 1 of JX Holdings, Inc.
June 2012	Director of the Company (incumbent)
June 2012	Director, Senior Vice President and Executive Officer responsible for Corporate Planning Department 1 of JX Holdings, Inc. (incumbent)

Yasuhiko Okada

April 1966	Joined Ministry of Finance
July 1994	Director-General for the Tokyo Regional Taxation Bureau
May 1995	Secretary-General of Executive Bureau, Securities and Exchange Surveillance Commission
July 1999	Administrative Vice-Minister of Environment Agency (currently Ministry of the Environment)
June 2003	President of National Association of Labour Banks; President of The Rokinren Bank
January 2012	Attorney at Law admitted to practice in Japan; Partner of Kitahama Partners (Tokyo Office) (incumbent)
June 2012	Director of the Company (incumbent)

Yoshitsugu Takai
Statutory Auditor

Haruhito Totsune
Statutory Auditor (Outside)

Koji Sumiya
Statutory Auditor (Outside)

Hiroshi Sato
Statutory Auditor (Outside)

Masaru Funai
Statutory Auditor (Outside)

Yoshitsugu Takai

April 1974	Joined Teikoku Oil Co., Ltd.
March 1999	General Manager, Corporate Management Department and LNG Project Department of Teikoku Oil Co., Ltd.
March 2001	Senior General Manager, Corporate Management Department and LNG Project Department of Teikoku Oil Co., Ltd.
March 2002	Director, General Manager, Accounting & Finance Department of Teikoku Oil Co., Ltd.
March 2005	Managing Director of Teikoku Oil Co., Ltd.
October 2008	Senior Vice President, Logistics & IMT of the Company (incumbent)
June 2011	Statutory Auditor of the Company (incumbent)

Haruhito Totsune

July 1969	Joined Ministry of Finance
July 1995	Deputy Director-General of Financial Bureau
July 1997	Director General of Japan Mint
July 1998	Senior Executive Director of Japan Finance Corporation for Small and Medium Enterprise
August 2004	Corporate Advisor of KPMG AZSA & Co. (currently KPMG AZSA LLC)
June 2006	Statutory Auditor of INPEX Corporation
June 2007	Statutory Auditor of INPEX Holdings Inc. (currently the Company) (incumbent)

Koji Sumiya

April 1976	Joined The Export-Import Bank of Japan
April 2001	Director General, International Finance Department I of Japan Bank for International Cooperation
April 2002	Director General, Policy Planning and Coordination Department of Japan Bank for International Cooperation
October 2005	Resident Executive Director, Osaka Branch of Japan Bank for International Cooperation
October 2007	Senior Executive Director of Japan Bank for International Cooperation
October 2008	Managing Executive Officer of Japan Bank for International Cooperation, Japan Finance Corporation
May 2010	Retired from Japan Bank for International Cooperation, Japan Finance Corporation
June 2010	Statutory Auditor of the Company (incumbent)

Hiroshi Sato

April 1970	Joined Japan Petroleum Exploration Co., Ltd. (JAPEX)
June 1999	General Manager of Finance and Accounting Department of JAPEX
June 2002	Director, General Manager of Finance and Accounting Department of JAPEX
June 2005	Managing Executive Officer of JAPEX
April 2006	Statutory Auditor (part-time) of INPEX Holdings Inc. (currently The Company) (incumbent)
June 2006	Managing Director & Executive Officer of JAPEX
June 2007	Senior Managing Director & Executive Officer of JAPEX
June 2010	Executive Vice President & Executive Officer of JAPEX (incumbent)

Masaru Funai

April 1972	Joined Marubeni Corporation
April 1998	General Manager, Corporate Planning & Coordination Department of Marubeni Corporation
April 2000	Executive Vice President and CFO of Marubeni America Corporation
April 2001	Executive Vice President, CFO and CAO of Marubeni America Corporation
April 2002	General Manager, Risk Management Department of Marubeni Corporation
April 2003	Corporate Vice President, General Manager, Corporate Planning & Coordination Department of Marubeni Corporation
April 2005	Corporate Senior Vice President, CIO, Executive Corporate Officer, Human Resources Department, Information Strategy Department and Risk Management Department of Marubeni Corporation
June 2005	Corporate Senior Vice President, Member of the Board, CIO, Executive Corporate Officer, Human Resources Department, Information Strategy Department and Risk Management Department of Marubeni Corporation
April 2007	Corporate Executive Vice President, Member of the Board, Executive Corporate Officer, General Affairs Department, Human Resources Department, Risk Management Department and Legal Department of Marubeni Corporation
April 2009	Senior Executive Vice President, Member of the Board, CIO, Chief Operating Officer, Information Strategy Department, Corporate Accounting Department, Business Accounting Department-I, Business Accounting Department-II, Business Accounting Department-III and Finance Department, Senior Operating Officer, Audit Department, Chief Operating Officer, Investor Relations of Marubeni Corporation
April 2010	Senior Executive Vice President, Member of the Board, Senior Operating Officer, Audit Department of Marubeni Corporation
June 2010	Statutory Auditor (part-time) of the Company (incumbent)
April 2011	Senior Consultant of Marubeni Corporation (incumbent)

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Financial / Corporate Information

E&P Series 7
Crude / condensate samples

Message from the Senior Vice President, Finance & Accounting Division


Masahiro Murayama
Director and Senior Vice President, Finance & Accounting Division

In presenting the financial data in the Annual Report 2012, I would like to explain our basic approach to setting the Company's financial strategies. In securing the large amounts of capital necessary for oil and gas development, our fundamental approach is to use cash on hand, operating cash flows and bank loans. When doing so, we aim to maintain a sound financial condition by targeting an equity ratio of 50% or higher and a net debt to net total capital employed ratio of 20% or less. As of March 31, 2012, INPEX had an equity ratio of 71.1% and a net debt to net total capital employed ratio of -60.7%, putting us well within our targeted range. Also, although the financial balance will worsen because debt for capital investment in the Ichthys LNG Project will increase, we believe we will be able to keep us almost within the targeted range even when production commences on the project. Although the Medium- to Long-Term Vision announced this May calls for investment of ¥3.5 trillion during the 5-year period beginning in the current fiscal year, and more than ¥6 trillion in investment during the subsequent 10-year period, the necessary funds for that investment are to be raised through cash on hand, future operating cash flows and external loans.

Notes

* EBIDAX = Net income + Minority interests + Deferred tax + (1 – Tax rate) × (Interest expense – Interest income) + Exchange profit and loss + Depreciation and amortization + Amortization of goodwill + Recovery of recoverable accounts under production sharing (capital expenditures) + Exploration expenses + Provision for exploration projects + Provision for allowance for recoverable accounts under production sharing

* Net assets excluding minority interests = Net assets – Minority interests

* Equity ratio = Net assets excluding minority interests / Total assets

* Net debt = Interest-bearing debt – Cash and cash equivalents – Time deposits – Certificate of deposits – Public bonds and corporate bonds and other debt securities with determinable value

* Net debt / Net total capital employed = Net debt / (Net assets + Net debt)

* D/E ratio = Interest-bearing debt / (Net assets – Minority interests)

* ROE = Net income / Average of net assets excluding minority interests at the beginning and end of the year

* Net ROACE = (Net income + Minority interests + (Interest expense – Interest income) × (1 – Tax rate)) / (Average of sum of net assets and net debt at the beginning and end of the year)

* The reserves cover most of INPEX group projects including the equity-method affiliates. The reserves from March 31, 2007 to March 31 2010 were evaluated by DeGolyer & MacNaughton, and from March 31, 2011, the reserves of projects which are expected to be invested a large amount and affect the Company's future result materially are evaluated by DeGolyer & MacNaughton, and the others are done internally.
The proved reserves are evaluated in accordance with SEC regulations.
The probable reserves are sum of proved reserves and probable reserves evaluated in accordance with SPE/WPC/AAPG/SPEE guideline Petroleum Resources Management System 2007(PRMS) approved in March 2007 after deduction of proved reserves evaluated in accordance with SEC regulations.
Probable reserves as of March 31, 2007 are evaluated in accordance with the guideline established by SPE and WPC (1997 SPE/WPC).
The probable reserves include reserves of bitumen.
Possible reserves are evaluated in accordance with PRMS.
Possible reserves also include reserves of bitumen.

* Production volumes are calculated in accordance with SEC regulations and include the equity method affiliates. The production volume of crude oil and natural gas under the production sharing contracts entered into by INPEX corresponds to the net economic take of our group.
Calculation of the conversion factor from gas to oil equivalent was altered from the year ended March 31, 2012.

* Exploration and development expenditures = Exploration expenditures + Development expenditures + Acquisition costs
Exploration and development expenditures include the Group's share of investment in Ichthys downstream entity (Ichthys LNG Pty Ltd(an equity-method affiliate)).

11-Year Financial Information

Figures given for the years ended on or before March 31, 2006 represent INPEX Corporation and its subsidiaries/Teikoku Oil Co., Ltd. and its subsidiaries; figures given for the years ended on or after March 31, 2007 represent INPEX Corporation (post integration) and its subsidiaries.

As of or years ended March 31,		2002/3
(Results of operations)		2001/12
Net sales	*INPEX*	¥ 184,203
	Teikoku Oil	75,767
Cost of sales	*INPEX*	79,120
	Teikoku Oil	45,036
Gross profit	*INPEX*	105,083
	Teikoku Oil	30,730
Operating income	*INPEX*	97,049
	Teikoku Oil	11,864
Income before income taxes and minority interests	*INPEX*	76,855
	Teikoku Oil	7,799
Net income	*INPEX*	27,605
	Teikoku Oil	5,704
(Financial position)		
Current assets	*INPEX*	99,096
	Teikoku Oil	59,894
Tangible fixed assets	*INPEX*	23,444
	Teikoku Oil	96,403
Intangible assets	*INPEX*	4,233
	Teikoku Oil	841
Investments and other assets	*INPEX*	160,874
	Teikoku Oil	45,229
Total assets	*INPEX*	287,649
	Teikoku Oil	202,369
Current liabilities	*INPEX*	17,730
	Teikoku Oil	24,074
Long-term liabilities	*INPEX*	38,317
	Teikoku Oil	41,232
Net assets*	*INPEX*	231,600
	Teikoku Oil	137,061
(Cash flows)		
Cash flows from operating activities	*INPEX*	51,830
	Teikoku Oil	15,971
Cash flows from investing activities	*INPEX*	(39,626)
	Teikoku Oil	(19,666)
Cash flows from financing activities	*INPEX*	9,443
	Teikoku Oil	6,238
Cash and cash equivalents at end of the year	*INPEX*	49,775
	Teikoku Oil	¥ 34,001
(Per share data)		
Earnings per share (EPS) (Yen)	*INPEX*	¥15,617.64*
	Teikoku Oil	18.63
Net assets per share (Yen)	*INPEX*	130,586.85*
	Teikoku Oil	438.79
Cash dividends per share (Yen)	*INPEX*	3,333*
	Teikoku Oil	¥ 7.00
(Financial indicators)		
Net debt / Net total capital employed (%)	*INPEX*	(82.8)%
	Teikoku Oil	(15.0)
Equity ratio (%)	*INPEX*	80.2
	Teikoku Oil	66.4
D/E ratio (%)	*INPEX*	13.5
	Teikoku Oil	17.5%

* The amount of Net assets as of the years ended on or before March 31, 2006 is retroactively adjusted in accordance with "Accounting Standard for Presentation of Net Assets in Balance Sheet" (ASBJ Statement No.5).

* Retroactively adjusted for a three-for-one stock split in May 2004

Notes: 1 INPEX Holdings Inc. was established on April 3, 2006 through a stock transfer between INPEX CORPORATION and Teikoku Oil CO., LTD., and merged with these subsidiaries and changed the corporate name to INPEX CORPORATION on October 1, 2008.
2 INPEX Corporation settles accounts in March; Teikoku Oil Co., Ltd. settled accounts in December up to the period ended December 31, 2005.
3 Due to a change of the accounting period, amounts of consolidated financial statement of Teikoku Oil Co., Ltd. of the period ended March 31, 2006 reflect the three-month period from January 1, 2006 to March 31, 2006. Per share data and Financial indicators for the period are not listed here.
4 In consolidated financial statements of INPEX Corporation and Teikoku Oil Co., Ltd. announced for the periods ended on or before March 31, 2006, amounts of less than 1 million yen are rounded down, while amounts are basically rounded to the nearest million.

Millions of yen

2003/3	2004/3	2005/3	2006/3		2007/3	2008/3	2009/3	2010/3	2011/3	2012/3
2002/12	2003/12	2004/12	2005/12	2006/3						
								INPEX		
¥ 201,533	¥ 218,831	¥ 478,586	¥ 704,234		¥ 969,713	¥1,202,965	¥1,076,165	¥ 840,427	¥ 943,080	¥1,186,732
73,630	78,498	84,032	100,716	27,718						
95,997	105,758	197,094	257,903		343,795	390,554	319,038	298,168	334,833	395,443
44,931	47,062	48,455	55,473	12,807						
105,536	113,072	281,492	446,330		625,918	812,411	757,127	542,259	608,247	791,289
28,699	31,436	35,576	45,243	14,910						
97,270	93,876	268,662	426,650		559,077	714,211	663,267	461,668	529,743	709,358
7,296	8,739	13,533	21,077	9,470						
70,050	94,773	258,631	403,539		586,263	685,800	616,167	442,027	508,587	767,039
7,491	11,044	16,676	26,122	10,216						
27,911	34,781	76,493	103,476		165,092	173,246	145,063	107,210	128,699	194,001
5,233	6,796	9,276	15,485	6,484						
								INPEX		
119,076	106,952	238,419	257,573		474,124	565,111	411,110	492,855	492,932	908,702
47,585	50,166	45,658	58,586	65,864						
29,869	35,141	68,260	65,219		219,227	254,481	297,636	358,094	379,862	383,698
110,416	103,668	114,220	125,418	126,497						
3,885	137,908	138,631	136,757		265,822	265,481	253,681	239,205	249,111	233,318
796	754	776	811	1,028						
185,914	245,295	333,915	512,887		648,934	722,828	805,618	923,624	1,558,475	1,540,680
45,188	71,691	79,858	108,949	115,268						
338,747	525,298	779,227	972,437		1,608,107	1,807,901	1,768,045	2,013,778	2,680,380	3,066,398
203,986	226,280	240,513	293,767	308,659						
27,275	28,894	122,910	179,600		266,248	325,286	206,059	227,905	254,729	367,844
23,882	20,661	27,439	28,998	28,156						
57,007	185,410	209,738	250,236		261,843	243,802	199,925	295,270	328,268	384,361
41,342	46,101	44,986	65,230	72,927						
254,463	310,991	446,578	542,600		1,080,016	1,238,813	1,362,061	1,490,603	2,097,383	2,314,193
138,760	159,516	168,086	199,536	207,574						
								INPEX		
51,282	44,464	131,206	218,239		231,982	363,995	230,352	241,373	274,094	320,692
15,004	19,955	19,225	15,118	9,872						
(40,533)	(218,121)	(119,956)	(252,399)		(209,243)	(261,767)	(240,168)	(251,812)	(844,511)	(280,864)
(27,166)	(8,284)	(20,018)	(20,287)	(4,705)						
21,237	151,120	9,791	14,350		13,794	(45,228)	(46,090)	68,937	548,057	29,294
(407)	(5,914)	(5,824)	7,845	5,480						
78,414	54,582	128,375	114,967		¥ 189,417	¥ 222,270	¥ 162,845	¥ 216,395	¥ 182,025	¥ 249,233
¥ 23,020	¥ 28,789	¥ 22,234	¥ 25,545	¥ 36,175						
								INPEX		
¥15,726.17*	¥19,612.92*	¥40,255.92	¥ 53,814.47		¥70,423.45	¥73,510.14	¥61,601.60	¥45,553.56	¥40,832.40	¥53,137.93
17.11	22.09	30.22	50.61	—						
143,389.73*	157,275.33*	214,163.98	262,966.53		436,467.92	491,168.09	540,100.10	589,548.88	546,958.90	596,908.99
444.90	512.18	543.62	646.90	—						
3,333*	3,333*	4,000	5,500		¥ 7,000.00	¥ 7,500.00	¥ 8,000.00	¥ 5,500.00	¥ 6,000.00	¥ 7,000.00
¥ 6.00	¥ 6.00	¥ 7.50	¥ 9.00	¥ —						
								INPEX		
(75.8)%	12.0%	(13.3)%	(19.6)%		(18.6)%	(36.1)%	(31.2)%	(30.6)%	(48.9)%	(60.7)%
(2.3)	(9.1)	(5.5)	(1.0)	—						
74.9	52.9	52.8	51.9		64.0	64.0	71.9	68.9	74.5	71.1
66.6	69.1	69.0	67.1	—						
18.5	60.9	43.2	43.6		24.2%	16.8%	12.9%	17.3%	13.7%	14.6%
18.8%	13.9%	10.8%	14.7%	—%						

Background Information

Oil and Gas Accounting Policies and Treatment

ACCOUNTING METHODS FOR TYPES OF AGREEMENTS

The oil and gas business generates the bulk of consolidated net sales revenues for INPEX CORPORATION and its consolidated subsidiaries (the "Group"). Two types of agreement govern the Group's oil and gas operations. These are production sharing contracts (the "PSCs") and concession agreements. The latter category also includes domestic mining rights, as well as overseas permits, licenses and lease agreements.

1. Production sharing contracts

Production sharing agreements are agreements by which one or several oil and gas development companies serve as contractors that undertake at their own expense exploration and development work on behalf of the governments of oil-producing countries or national oil companies and receive production from the projects as cost recovery and compensation.

Cost recovery and production sharing

The PSCs determine the allocation of oil and gas production among the host country's government (or related entity) and the contractors such as the Group. The allocation formula generally differs according to the terms of the individual PSC. The overview below is specific to one type of PSC typical of many oil and gas projects in Indonesia, a country with which the Group has concluded numerous PSCs.

Under this type of arrangement, the total production in any given year or other accounting period is allocated at the end of the period between three portions.

(1) **"First tranche petroleum":** This is a prescribed portion of total production allocated between the host country's government and the contractors in line with agreed percentages.

(2) **"Cost recovery portion":** This is the oil and gas equivalent of a) non-capital production-related expenditures incurred in that period, plus b) the scheduled depreciation expenses in that period for capital expenditures, as calculated under the PSC. The equivalents are determined based on the current unit prices of crude oil and natural gas and allocated between the contractors alone. The quantity of oil and gas in the "cost recovery portion" decreases as unit prices increase, whereas that of the "equity portion" (explained below) rises. If the actual production for the period is insufficient to cover the quantity of oil and gas equivalent calculated for the cost recovery portion, the latter is capped at actual production and any surplus amount is carried forward to the following period, as stipulated in the PSC.

(3) **"Equity portion":** This is any residual production that is left after the first two portions have been allocated. It is allocated between the host country's government and the contractors based on agreed percentages.

Calculation of items in the income statement based on the above PSC-related considerations is as follows:

- The Group records as net sales its share of total sales relating to the oil and gas production that is allocated to contractors under the PSCs.
- The Group books as cost of sales the portion of "Recoverable accounts under production sharing" that is recovered through the allocation of its share of the "cost recovery portion."

Recoverable costs under the PSCs

Exploration costs
The share of recoverable exploration costs incurred by the Group under the terms of the relevant PSC is capitalized within "Recoverable accounts under production sharing."

Development costs
The share of all development costs incurred by the Group that is recoverable under the terms of the relevant PSC is recorded within "Recoverable accounts under production sharing."

Production costs
Any operating costs incurred during the production phase that are recoverable under the relevant PSC are initially recorded within "Recoverable accounts under production sharing."

Administrative expenses
Any administrative expenses that are recoverable under the relevant PSC are recorded within "Recoverable accounts under production sharing."

Interest on loans
Any interest expense that is recoverable under the relevant PSC is recorded within "Recoverable accounts under production sharing."

As discussed above, in "Cost recovery and production sharing," these costs are recovered either as capital or operating expenditures.

Non-recoverable costs under the PSCs

Acquisition costs
Costs relating to the acquisition of rights (recorded as intangible assets under "Exploration and development rights") for any projects governed by the PSCs that are entirely in the exploration phase are expensed as incurred and amortized. Expenditures or costs relating to the acquisition of rights to projects already in the development or production phase are capitalized within "Exploration and development rights" and amortized based on the units-of-production method. These amortization costs are recorded within "Depreciation and amortization." Cost recovery provisions in the PSCs do not generally cover these expenditures.

2. Concession agreements

A concession agreement is an agreement or authorization (including mining rights awarded in Japan, as well as overseas permits, licenses and lease agreements) by which a government entity or a national oil company of the country directly awards mining rights to an oil company. The oil company makes its own investment in exploration and development and has the right of disposition of the oil and gas it extracts. Revenues are returned to the host country in the form of royalties, taxes, etc., on sales.

Acquisition costs
Costs relating to the acquisition of rights (recorded as intangible assets under "Mining rights") for projects governed by concession agreements are treated in the same way as projects governed by the PSCs, as described above.

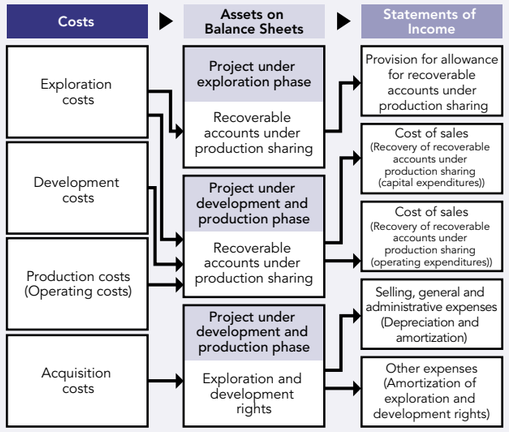
Exploration costs
The Group's share of exploration costs is expensed as incurred.

Development costs
The Group's share of any development costs related to mining facilities is capitalized within tangible fixed assets. The depreciation of tangible fixed assets that are governed by concession agreements is computed primarily using the units-of-production method for mining assets located outside Japan and the straight-line method for domestic facilities. These depreciation expenses are recorded within the cost of sales.

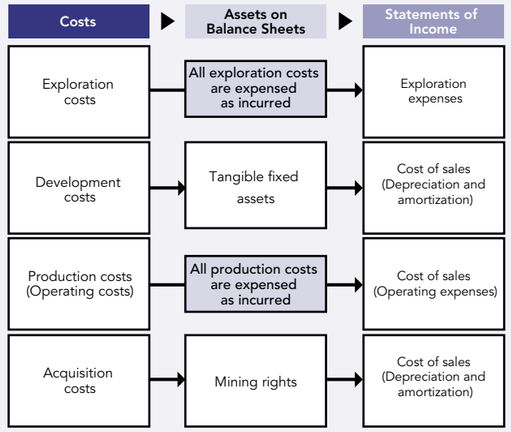
Production costs
The Group's share of operating costs that are incurred during the production phase is recorded within the cost of sales.

Administrative expenses
The Group's share of administrative expenses is expensed as incurred.

Production sharing contracts



Concession agreements



CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Group's consolidated financial statements are prepared in conformity with Japanese GAAP. The preparation of these financial statements requires the application of estimates, judgments and assumptions that affect the reported values of assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses for the reporting period. Actual results may differ from the previously estimated or assumed values.

Accounting estimates pursuant to the preparation of the consolidated financial statements are deemed critical if the degree of uncertainty associated with such estimates is high, or if rational changes to such estimates could exert a material impact on financial condition or operating results. Critical accounting policies and estimates relating to financial presentation are outlined below.

— Allowance for recoverable accounts under production sharing

Any expenditures made during the exploration, development and production phases of projects governed by the PSCs are capitalized within "Recoverable accounts under production sharing" if they are recoverable under the relevant PSC. A

reserve equal to exploration costs is recorded within "Allowance for recoverable accounts under production sharing" to provide for potential losses from unsuccessful exploration. This reserve typically remains unchanged on the balance sheet until it exceeds the residual balance of exploration costs that had previously been capitalized within "Recoverable accounts under production sharing" during the exploration phase. Reflecting the uncertainty associated with oil and gas projects, a reserve is recorded within "Allowance for recoverable accounts under production sharing" to provide for probable losses on development activities, as individually estimated for each project. While assessments and accounting estimates are made on a reasonable basis, actual operating results can change depending on project status.

— Units-of-production method
Overseas mining facilities, mining rights and exploration and development rights that are acquired during the development and production phase are mainly depreciated or amortized based on the units-of-production method. This approach requires the estimation of reserves. While the Group believes that the assessment of reserves is done in an appropriate manner, any changes in these estimates could significantly affect future operating results.

— Asset retirement obligations
Asset retirement obligations are recorded by a reasonable estimate of retirement costs incurred upon termination of the operation with respect to oil and gas production facilities in case that the Group is obliged to retire such facilities by oil and gas contracts or laws and regulations with the countries in which the Group operates or has working interests. While the Group believes that such estimates of the present value of retirement costs are reasonable, changes to estimates of the present value of retirement costs could significantly affect future operating results.

— Allowance for investments in exploration companies
A reserve is recorded to provide for probable losses on investments made by the Group in entities engaged in oil and gas activities, as estimated based on the net assets of such entities. While the Group believes that the assessments and estimates relating to such investments are reasonable, changes in actual production volumes, prices or foreign exchange rates could significantly affect future operating results.

— Provision for exploration projects
A provision for exploration projects is provided for future expenditures of consolidated subsidiaries at the exploration stage based on a schedule of investments in exploration. While the Group believes that assessments relating to the schedule of investments are reasonable, changes to the schedule could significantly affect future operating results.

— Deferred tax assets
Deferred tax assets reflect temporary differences (including net operating loss carry-forwards) arising mainly from the write-down of investments in related parties, foreign taxes payable and excess of tax allowable depreciation. Valuation allowances are provided once it is judged that the non-realization of deferred tax assets has become the more probable outcome. The effect of foreign tax credits is taken into account in the calculation of such valuation allowances. Realization of deferred tax assets is principally dependent on the generation of sufficient taxable income, based on the available information. Adjustments to deferred tax assets could be required if future taxable income was lower than expected due to market conditions, foreign exchange rate fluctuations or poor operating performance.

— Retirement benefits to employees
Accrued retirement benefits to employees are recognized as of the net present value of future obligations as of the end of the accounting period, taking into account any periodic benefit costs that have arisen during the period. The determination of retirement benefits and periodic benefit costs is based on various actuarial assumptions, including the discount rate, employee turnover and retirement rates, remuneration growth rates, and the expected return on pension plan assets. Future operating results could be significantly affected by deviation between the base assumptions and actual results or revision of such assumptions were to generate actuarial gains or losses.

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

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

BUSINESS ENVIRONMENT

During the year ended March 31, 2012, while the Japanese economy was in difficult circumstances by the effects of the Great East Japan Earthquake that occurred in March 2011, it remained unclear outlook due to the protracted appreciation of the Japanese yen against the U.S. dollar and the European debt crisis, despite a recovery trend of production activity and individual consumption in Japan.

Under such business environment, Brent crude oil, an important indicator of the global crude oil prices that affect the Group's businesses, started from US$118.70 per bbl and was on a downward trend behind concerns of a downturn in the global economy and the European debt crisis which led to US$99.79 at the beginning of October. However, the oil price turned upward trend and came up to US$115.00 in November after EU officials agreed on a solution to the Greece debt problem. Then the price went down to US$103.35 in mid-December due to reactivation of European debt crisis, instead it climbed up against a background of rising tension of nuclear development in Iran and closed at US$122.88 per bbl for the year ended March 31, 2012. Meanwhile, domestic crude oil and petroleum product prices followed a similar pattern of the global oil price movements. Reflecting these situations, the Group's average sales price of crude oil for the year ended March 31, 2012 was US$112.97 per bbl which was US$28.63 higher than that for the year ended March 31, 2011.

The foreign exchange market, another important factor that affects the Group's businesses, began trading at the middle of the ¥83 level to the U.S. dollar. The yen depreciation went to ¥85.53 in early April based on the assumption that the second round of U.S. quantitative easing would be completed as planned in June and that Japanese exporting companies would refrain from buying yen due to the earthquake. However, the yen was on a strong note over ¥80 to the U.S. dollar since there was expansion of pessimistic views on the future of the U.S. economy and the major perspective of that the United States was delaying the start of tightening its monetary policy. Steady yen appreciation continued afterward, and the yen hit a historical high of ¥75.32 at the end of October as a pessimistic view of the economic outlook for the United States and Europe became widespread. Following that, the yen appreciation appeared to pause after the Bank of Japan implemented its largest-ever currency intervention on a scale of ¥9 trillion. Toward the fiscal year end, the yen depreciated again as the Japanese balance of trade worsened and interest rates in the United States turned upward, and as a result, TTM closed at ¥82.14 to the U.S. dollar which turned out to be ¥1.01 higher than that for the year ended March 31, 2011. Reflecting these situations, the Group's average sales exchange rate for the year ended March 31, 2012 was ¥79.13 to the U.S. dollar which was ¥6.53 higher than that for the year ended March 31, 2011.

PERFORMANCE OVERVIEW

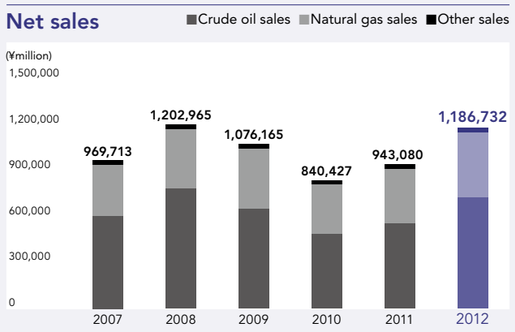
Net sales
Despite a decrease in natural gas sales volumes and the pressure on sales caused by the appreciation of the average exchange rate of the yen against the U.S. dollar during the year, consolidated net sales for the year ended March 31, 2012, increased by ¥243.6 billion, or 25.8%, to ¥1,186.7 billion from ¥943.1 billion for the year ended March 31, 2011, due to the rise in oil and gas prices.

Compared with the year ended March 31, 2011, net sales of crude oil increased by ¥168.3 billion, or 30.2%, to ¥726.2 billion from ¥557.9 billion, and net sales of natural gas increased by ¥72.9 billion, or 20.4%, to ¥429.1 billion from ¥356.2 billion. Net sales excluding crude oil and natural gas increased by ¥2.5 billion, or 8.7%, to ¥31.4 billion from ¥28.9 billion.

Crude oil sales volume increased by 4,087 thousand barrels, or 5.3%, to 80,738 thousand barrels compared with the year ended March 31, 2011. This was mainly due to an increase in sales volume in the ADMA Block. Sales volumes of natural gas decreased by 43 billion cubic feet (Bcf), or 10.9%, to 358 Bcf compared with the year ended March 31, 2011. Of this, sales of overseas natural gas decreased by 45 Bcf, or 13.3%, to 292 Bcf compared with the year ended March 31, 2011, mainly due to a decrease in sales volume in the Offshore Mahakam Block. Sales of domestic natural gas increased by 36 million m^3, or 2.1%, to 1,758 million m^3 (equivalent to 66 Bcf) compared with the year ended March 31, 2011. The average sales price of overseas crude oil was US$112.97/bbl, an increase of US$28.63, or 33.9%, compared with the year ended March 31, 2011. The average sales price of overseas natural gas was US$14.12 per thousand cubic feet (Mcf), an increase of US$5.02, or 55.2%, compared with the year ended March 31, 2011. The average sales price of domestic natural gas was ¥44.56/m^3, an increase of ¥2.83/m^3, or 6.8%, compared with the year ended March 31, 2011.

The increase of ¥243.6 billion in net sales was mainly derived from the following factors: the decrease in sales volumes pushing sales down of ¥4.4 billion, an increase in average unit sales prices contributing ¥334.0 billion to the increase, the appreciation of the Japanese yen against the U.S. dollar pushing sales down of ¥88.5 billion and an increase in net sales excluding crude oil and natural gas of ¥2.5 billion.

Net sales



Years ended March 31,	(Millions of yen, %) 2011	2012	Change	Ratio
Net sales:	¥943,080	¥1,186,732	¥243,652	25.8%
Crude oil	557,911	726,223	168,312	30.2
Natural gas	356,247	429,065	72,818	20.4
Other	28,922	31,444	2,522	8.7
Cost of sales	334,833	395,443	60,610	18.1
Gross profit	608,247	791,289	183,042	30.1
Exploration expenses	12,000	11,747	(253)	(2.1)
Selling, general and administrative expenses	44,254	48,286	4,032	9.1
Depreciation and amortization	22,250	21,898	(352)	(1.6)
Operating income	529,743	709,358	179,615	33.9
Other income:	31,176	102,082	70,906	227.4
Interest income	4,110	4,400	290	7.1
Dividend income	5,722	6,993	1,271	22.2
Equity in earnings of affiliates	4,934	6,638	1,704	34.5
Gain on transfer of mining rights	7,334	70,260	62,926	858.0
Other	9,076	13,791	4,715	52.0
Other expenses:	52,332	44,401	(7,931)	(15.2)
Interest expense	1,074	1,228	154	14.3
Provision for allowance for recoverable accounts under production sharing	11,481	14,816	3,335	29.0
Provision for exploration projects	3,082	519	(2,563)	(83.2)
Loss on adjustment for changes of accounting standard for asset retirement obligations	1,555	—	(1,555)	(100.0)
Foreign exchange loss	11,540	14,641	3,101	26.9
Loss on business withdrawal	—	5,370	5,370	—
Other	23,600	7,827	(15,773)	(66.8)
Income before income taxes and minority interests	508,587	767,039	258,452	50.8
Income taxes	368,697	536,934	168,237	45.6
Income before minority interests	139,890	230,105	90,215	64.5
Minority interests	11,191	36,104	24,913	222.6
Net income	¥128,699	¥ 194,001	¥ 65,302	50.7%

Cost of sales
Cost of sales for the year ended March 31, 2012, increased by ¥60.6 billion, or 18.1%, to ¥395.4 billion from ¥334.8 billion for the year ended March 31, 2011. This was mainly due to an increase in royalty associated with an increase in sales from the ADMA Block.

Exploration expenses
Despite an increase in exploration expenses in the Americas and others, such as Brazil, exploration expenses for the year ended March 31, 2012, decreased by ¥0.3 billion, or 2.1%, to ¥11.7 billion from ¥12.0 billion for the year ended March 31, 2011 due to decreased exploration activities in Asia and Oceania and other areas.

Selling, general and administrative expenses
Despite a decrease in transport costs for ACG crude oil associated with a decrease in the sales volume, selling, general and administrative expenses for the year ended March 31, 2012, increased by ¥4.0 billion, or 9.1%, to ¥48.3 billion from ¥44.3 billion for the year ended March 31, 2011 due to an increase in taxes levied by East Timor in connection with the Bayu-Undan Project as the oil price increased and an increase in personnel expenses.

Depreciation and amortization
Depreciation and amortization for the year ended March 31, 2012, decreased by ¥0.4 billion, or 1.6%, to ¥21.9 billion, from ¥22.3 billion for the year ended March 31, 2011 due to a decrease in the depreciation of exploration and development rights and others for the ACG oil fields associated with a decrease in production volume. The Group records depreciation costs for production facilities that are covered by concession agreements as cost of sales. In addition, under its accounting treatment of the PSCs, the Group records capital expenditures as "Recoverable accounts under production sharing" instead of capitalizing these costs within tangible fixed assets and depreciating them. Costs that are recovered in any given year based on the terms of the PSCs are included in the cost of sales.

Operating income
As a result of the above, operating income for the year ended March 31, 2012, increased by ¥179.7 billion, or 33.9%, to ¥709.4 billion from ¥529.7 billion for the year ended March 31, 2011.

Other income
Other income for the year ended March 31, 2012, increased by ¥70.9 billion, or 227.4%, to ¥102.1 billion from ¥31.2 billion for the year ended March 31, 2011. This was mainly due to an increase in gain on transfer of mining rights.

Other expenses
Other expenses for the year ended March 31, 2012, decreased by ¥7.9 billion, or 15.2%, to ¥44.4 billion from ¥52.3 billion for the year ended March 31, 2011. This was mainly due to a decrease in the provision of allowance for doubtful accounts.

Income taxes
Total current income taxes and deferred income taxes for the year ended March 31, 2012, increased by ¥168.2 billion, or 45.6%, to ¥536.9 billion from ¥368.7 billion for the year ended March 31, 2011. This was mainly due to an increase in taxes paid overseas associated with the rise in overseas sales. The Group pays the majority of its taxes outside Japan. In addition to the high corporate tax rates imposed in a number of regions, the Group is generally unable to deduct expenses incurred in Japan for such taxes. Despite the positive effects attributable to the application of the foreign tax credit system, this situation has resulted in a high effective income tax rate of 70.0% in the year under review.

Minority interests
Minority interests for the year ended March 31, 2012, increased by ¥24.9 billion, or 222.6%, to ¥36.1 billion from ¥11.2 billion for the year ended March 31, 2011.

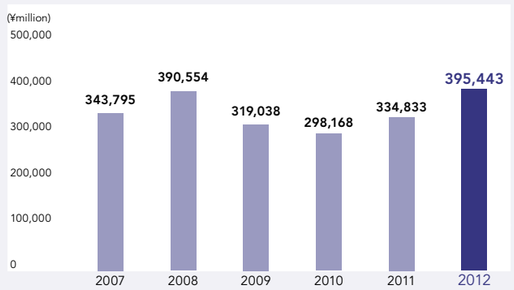
Net income
As a result of the above, net income for the year ended March 31, 2012, increased by ¥65.3 billion, or 50.7%, to ¥194.0 billion from ¥128.7 billion for the year ended March 31, 2011.

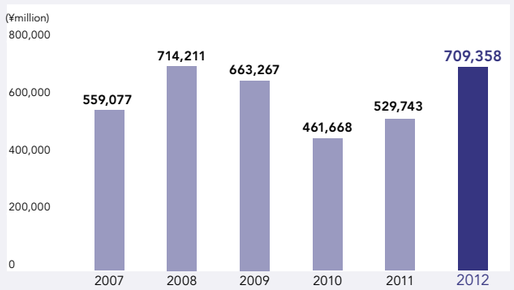
FINANCIAL POSITION

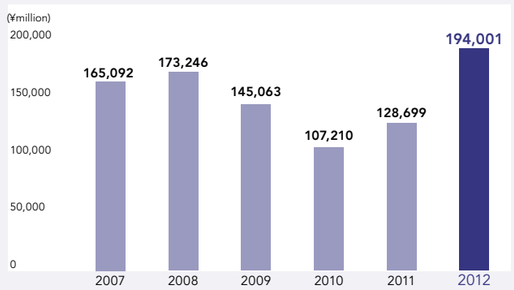
Total assets as of March 31, 2012, increased by ¥386.0 billion, or 14.4%, to ¥3,066.4 billion from ¥2,680.4 billion as of March 31, 2011. Current assets increased by ¥415.8 billion, or 84.3%, to ¥908.7 billion from ¥492.9 billion due to an increase in marketable securities, time deposits, and others. Despite an increase in recoverable accounts under production sharing, fixed assets decreased by ¥29.7 billion, or 1.4%, to ¥2,157.7 billion from ¥2,187.4 billion as of March 31, 2011, due to a decrease in investment securities.

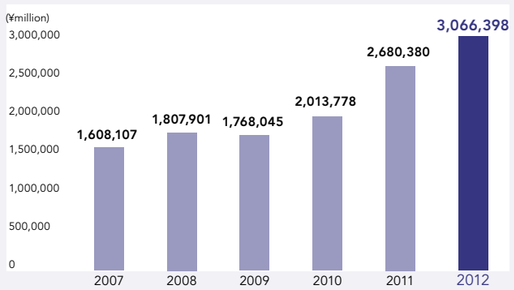
Meanwhile, total liabilities, increased by ¥169.2 billion, or 29.0%, to ¥752.2 billion from ¥583.0 billion as of March 31, 2011. Current liabilities increased by ¥113.1 billion, or 44.4%, to ¥367.8 billion from ¥254.7 billion as of March 31, 2011, due to an increase in accounts payable—other and income taxes payable. Long-term liabilities increased by ¥56.1 billion, or 17.1%, to ¥384.4 billion from ¥328.3 billion due to an increase in long-term debt and others.

Net assets increased by ¥216.8 billion, or 10.3%, to ¥2,314.2 billion from ¥2,097.4 billion as of March 31, 2011. Total shareholders' equity increased by ¥172.1 billion, or 8.6%, to ¥2,184.4 billion from ¥2,012.3 billion as of March 31, 2011. Total accumulated other comprehensive income increased by ¥10.3 billion, or 66.7%, to a loss of ¥5.1 billion from a loss of ¥15.4 billion as of March 31, 2011, and minority interests increased by ¥34.4 billion, or 34.3%, to ¥134.9 billion, from ¥100.5 billion as of March 31, 2011.

Cost of sales


Operating income


Net income


Total assets


INVESTMENTS AND FUNDING

— Investments in upstream oil and gas projects

Continuous exploration for new reserves of oil and natural gas is essential to the Group's earnings stability. The information in this section on upstream oil and gas investments is based on the data reported by project operators relating to exploration expenditures, development expenditures and operating expenses. The Group's expenditure categories are defined as follows:

- Exploration expenditures include the costs of exploratory drilling and any geological or geophysical studies. The costs of local personnel and office operations and related administrative expenses are also included in this category if a project (or contract area) is in the exploration phase.
- Development expenditures include the costs of development drilling and any production facilities.
- Operating expenses include the costs of well operations, maintenance and the supervision of production activities. This category also includes the administrative expenses for the project (or contract area) if it contains a field in active production and/or development.

- Discrepancies exist between the standards stipulated in U.S. FASB Accounting Standards Codification Topic 932, "Extractive Industries—Oil and Gas (Topic 932)" and both the Group's definitions of exploration and development expenditures and the standards used in preparing the following tables. The following is a list, which is not limited to, of discrepancies between the Group's accounting policies and Topic 932.
- Group expenditures relating to the PSC-governed joint ventures where the Group is not the operator are disclosed on a cash basis, rather than an accrual basis as required by Topic 932.
- The tables below have been prepared based on the cost definitions used by operators in their reporting, which may not be consistent with Topic 932.
- Topic 932 requires that administrative costs not directly related to exploration and development activities be excluded from exploration and development expenditures, while such administrative costs are not necessarily excluded from those expenditures under the Group's accounting policies.

The table below shows the Group's exploration and development costs and other expenditures (excluding capitalized interest costs and asset retirement costs corresponding to asset retirement obligations capitalized under fixed assets) by segment for the years ended March 31, 2011 and 2012:

(Millions of yen)

Year ended March 31, 2011	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Total
INPEX CORPORATION and Consolidated Subsidiaries						
Exploration	¥ 727	¥ 18,847	¥ 517	¥ 3,965	¥ 8,474	¥ 32,530
Development	3,741	97,080	64,108	19,830	2,270	187,029
Subtotal*1	4,468	115,927	64,625	23,795	10,744	219,559
Equity-method Affiliates						
Exploration	—	—	—	355	296	651
Development	—	385	—	650	2,068	3,103
Subtotal	—	385	—	1,005	2,364	3,754
Other capital expenditures*2	21,225	—	—	9	—	21,234
Total	¥25,693	¥116,312	¥64,625	¥24,809	¥13,108	¥244,547

*1 Figures include an equity-method affiliate of Japan Oil Development Co., Ltd. (JODCO).
*2 Other capital expenditures include mainly the construction costs of domestic pipelines for sales of natural gas and the Naoetsu LNG Receiving Terminal.

(Millions of yen)

Year ended March 31, 2012	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Total
INPEX CORPORATION and Consolidated Subsidiaries						
Exploration	¥ 31	¥ 15,700	¥ 1,094	¥ 1,074	¥14,915	¥ 32,814
Development	1,021	90,878	59,662	18,249	2,922	172,732
Subtotal*1	1,052	106,578	60,756	19,323	17,837	205,546
Equity-method Affiliates						
Exploration	—	—	—	38	—	38
Development	—	327	—	225	1,768	2,320
Subtotal	—	327	—	263	1,768	2,358
Other capital expenditures*2	35,895	38,403	3	5	—	74,306
Total*3	¥36,947	¥145,308	¥60,759	¥19,591	¥19,605	¥282,210

*1 Figures include an equity-method affiliate of Japan Oil Development Co., Ltd. (JODCO).
*2 Other capital expenditures include the construction costs of domestic pipelines for sales of natural gas and the Naoetsu LNG Receiving Terminal, and the Group's share of investment in Ichthys downstream entity (Ichthys LNG Pty Ltd (an equity-method affiliate)).
*3 The amount capitalized for the asset retirement cost corresponding to asset retirement obligations for the year ended March 31, 2012, is ¥471 million.

Total investments for the year ended March 31, 2012, increased by ¥37.7 billion, or 15.4% to ¥282.2 billion (including ¥2.4 billion to exploration and development by equity-method affiliates) from ¥244.5 billion for the year ended March 31, 2011. This was mainly due to an increase in development expenditures for the Ichthys Project (including the downstream business) and other capital expenditures in the Japan region, despite a decrease in development expenditures for JPDA06-105 (Kitan Oil Field) in the Asia and Oceania region.

The table below shows the Group's operating expenses by segment for the years ended March 31, 2011 and 2012:

(Millions of yen, %)

Year ended March 31, 2011		
Japan	¥ 8,534	10.5%
Asia & Oceania	44,911	55.3
Eurasia (Europe & NIS)	4,409	5.4
Middle East & Africa	20,084	24.7
Americas	3,332	4.1
Total	¥81,270	100.0%

(Millions of yen, %)

Year ended March 31, 2012		
INPEX CORPORATION and Consolidated Subsidiaries		
Japan	¥ 9,071	10.1%
Asia & Oceania	50,886	56.7
Eurasia (Europe & NIS)	6,901	7.7
Middle East & Africa	22,396	25.0
Americas	417	0.5
Total	89,671	100.0
Equity-method Affiliates		
Asia & Oceania	312	4.2
Middle East & Africa	1,533	20.5
Americas	5,639	75.3
Total	¥ 7,484	100.0%

— Expenditures for acquisitions of upstream oil and gas projects

The table below shows the Group's expenditures for acquisitions of upstream oil and gas projects by segment for the years ended March 31, 2011 and 2012. Expenditures in this category include the costs of acquiring mining rights, exploration and development rights, signing bonuses and any tangible fixed assets or recoverable accounts under production sharing gained through the acquisition of interest in upstream oil and gas projects.

(Millions of yen, %)

Years ended March 31,	2011		2012	
INPEX CORPORATION and Consolidated Subsidiaries				
Asia & Oceania	¥ —	—%	¥ —	—%
Eurasia (Europe & NIS)	28,446	100.0	601	100.0
Middle East & Africa	—	—	—	—
Americas	—	—	—	—
Total	28,446	100.0	601	100.0
Equity-method Affiliates				
Asia & Oceania	—	—	—	—
Middle East & Africa	—	—	—	—
Americas	—	—	—	—
Total	¥ —	—%	¥ —	—%

Total expenditures on acquisitions of upstream oil and gas projects for the year ended March 31, 2012, decreased by ¥27.8 billion to ¥0.6 billion from ¥28.4 billion for the year ended March 31, 2011 due to a decrease in outlays in the Eurasia region.

— Analysis of recoverable accounts under production sharing

For upstream projects governed by the PSCs, the Group's share of costs arising during the exploration, development and production phases is capitalized under "Recoverable accounts under production sharing." The following table shows the changes in the balance of "Recoverable accounts under production sharing" during the years ended March 31, 2011 and 2012:

	(Millions of yen)	
Years ended March 31,	2011	2012
Balance at beginning of the year	¥514,646	¥ 534,331
Add: Exploration costs	23,990	25,320
Development costs	120,997	123,762
Operating expenses	43,819	50,055
Other	2,820	4,501
Less: Cost recovery—capital expenditures	50,817	53,543
Cost recovery—operating expenditures	95,665	98,870
Other	25,459	17,238
Balance at end of the year	534,331	568,318
Allowance for recoverable accounts under production sharing at end of the year	¥ (96,880)	¥(100,671)

The amount posted as "cost recovery—operating expenditures" in recoverable accounts under production sharing is greater than that posted as operating expenses. Along with operating expenses, this is because a portion of the exploration and development costs, which are incurred and recoverable within the year, is included in the "cost recovery—operating expenditures" account.

Exploration costs for the year ended March 31, 2012, increased compared with the year ended March 31, 2011. This was mainly due to an increase in exploration expenditures in Suriname Offshore Block 31.

Development costs for the year ended March 31, 2012, increased compared with the year ended March 31, 2011. This was mainly due to increases in development expenditures in the South Natuna Sea Block B and the Offshore Mahakam Block, despite a decrease in those in the Kashagan Oil Field.

Operating expenses for the year ended March 31, 2012, increased compared with the year ended March 31, 2011, mainly due to an increase in operating expenses in the Offshore Mahakam Block.

Cost recovery for the year ended March 31, 2012, increased compared with the year ended March 31, 2011. This was mainly due to increases in cost recovery in the Offshore Mahakam Block and the ACG Oil Fields.

In addition, other deduction was mainly due to the elimination of recoverable accounts under production sharing related to the transfer of mining rights.

The allowance for recoverable accounts under production sharing as of March 31, 2012, increased compared with the year as of March 31, 2011. This was largely due to additional allowance provisions in connection with an increase in recoverable accounts under production sharing with respect to exploration expenditures in the Suriname Offshore Block 31.

— Funding sources and liquidity

Oil and gas exploration and development projects, as well as the construction and expansion of pipelines, LNG receiving terminals and other supply infrastructure, require significant funding. The Group relies on cash flow derived from internal reserves, together with external sources, to procure funds. The Group's basic policy is to utilize internal cash flow and external equity financing to fund exploration projects and to utilize internal cash flow and external loans to fund development projects, pipeline construction and the LNG receiving terminal. The Group currently receives joint financing from the Japan Bank for International Cooperation and Japanese commercial banks. The Japan Oil, Gas and Metals National Corporation (JOGMEC) guarantee system covers this joint financing. In addition, the Development Bank of Japan and various Japanese commercial banks provide loans for the construction and expansion of domestic pipelines and LNG receiving terminals. The Group is in negotiations with financial institutions for the funding of the Ichthys Project through project finance.

The Group's basic liquidity policy is to maintain sufficient cash on hand at all times to fund expenditures for existing and new oil and gas projects in a timely manner, while also keeping a cushion of liquidity to provide for steep falls in oil and gas prices. In line with this policy, excess cash reserves are invested in low-risk, highly liquid financial instruments. The Group's strategy is to improve capital efficiency over the long term through business expansion while continuing to maintain a sound financial position with sufficient liquidity.

— Maturities of long-term debt

The aggregate annual maturities of long-term debt subsequent to March 31, 2012 are summarized as follows:

	(Millions of U.S. dollars and Millions of yen)		
	Long-term debt denominated in		
Years ending March 31,	U.S. dollars	Yen	Total yen equivalent
2013	$ —	¥ 4,682	¥ 4,682
2014	—	3,776	3,776
2015	—	5,630	5,630
2016	—	6,988	6,988
2017	—	31,434	31,434
2018 and thereafter	2,775.7	38,149	266,145
Total	$2,775.7	¥90,659	¥318,655

— Cash flows

Cash flows for the years ended March 31, 2011 and 2012 are summarized as follows:

	(Millions of yen)	
Years ended March 31,	2011	2012
Net cash provided by operating activities	¥ 274,094	¥ 320,692
Net cash used in investing activities	(844,511)	(280,864)
Net cash provided by financing activities	548,057	29,294
Cash and cash equivalents at end of the year	¥ 182,025	¥ 249,233

Net cash provided by operating activities

Net cash provided by operating activities for the year ended March 31, 2012, was ¥320.7 billion, an increase of ¥46.6 billion from ¥274.1 billion for the year ended March 31, 2011. This was due to an increase in income before income taxes and minority interests caused by an increase in the unit sales prices for crude oil and natural gas, despite an increase of the amount of income taxes paid.

Net cash used in investing activities

Net cash used in investing activities for the year ended March 31, 2012, was ¥280.9 billion, a decrease of ¥563.6 billion from ¥844.5 billion for the year ended March 31, 2011. This was mainly due to a decrease in payments for purchase of marketable securities and an increase in proceeds from transfer of mining rights.

Net cash provided by financing activities

Net cash provided by financing activities for the year ended March 31, 2012, was ¥29.3 billion, a decrease of ¥518.8 billion from ¥548.1 billion for the year ended March 31, 2011. This was due to proceeds from the issuance of common stock recorded for the year ended March 31, 2011.

CONSOLIDATED FINANCIAL FORECASTS FOR THE YEAR ENDING MARCH 31, 2013 (Announced on August 3, 2012)

Consolidated net sales for the year ending March 31, 2013, are expected to decrease by ¥97.7 billion, or 8.2%, to ¥1,089.0 billion compared with the year ended March 31, 2012. Operating income for the year ending March 31, 2013, is expected to decrease by ¥122.4 billion, or 17.2%, to ¥587.0 billion compared with the year ended March 31, 2012. Income before income taxes and minority interests are expected to decrease by ¥160.0 billion, or 20.9%, to ¥607.0 billion compared with the year ended March 31, 2012. Net income is expected to decrease by ¥26.0 billion, or 13.4%, to ¥168.0 billion.

Net sales for the year ending March 31, 2013 are expected to decrease due to the forecasted decrease in crude oil price compared with the year ended March 31, 2012, and operating income, income before income taxes and minority interests and net income for the year ending March 31, 2013 are also expected to decrease.

The aforementioned forecasts are based on an average oil price of US$102.2/bbl for the Brent crude oil and an average exchange rate of ¥80.0 against the U.S. dollar for the year ending March 31, 2013.

Consolidated Balance Sheets

INPEX CORPORATION and Consolidated Subsidiaries
As of March 31, 2011 and 2012

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2012	2012
Current assets:			
Cash and cash equivalents	¥ 182,025	¥ 249,233	$ 3,034,247
Time deposits	266	84,665	1,030,740
Accounts receivable—trade (Note 4)	95,391	119,460	1,454,346
Marketable securities (Notes 4 and 5)	137,270	341,387	4,156,160
Inventories	12,138	11,977	145,812
Deferred tax assets (Note 7)	9,451	18,693	227,575
Accounts receivable—other (Note 4)	57,033	71,912	875,481
Other	12,500	24,388	296,908
Less allowance for doubtful accounts	(13,142)	(13,013)	(158,425)
	492,932	908,702	11,062,844
Tangible fixed assets:			
Buildings and structures (Note 6)	233,270	233,523	2,842,987
Wells (Note 6)	224,676	237,363	2,889,737
Machinery, equipment and vehicles (Note 6)	270,759	277,572	3,379,255
Land (Note 6)	20,708	20,070	244,339
Construction in progress	75,078	167,779	2,042,598
Other	86,148	14,695	178,902
	910,639	951,002	11,577,818
Less accumulated depreciation and amortization	(530,777)	(567,304)	(6,906,550)
	379,862	383,698	4,671,268
Intangible assets:			
Goodwill (Note 16)	101,362	94,602	1,151,717
Exploration and development rights	125,229	118,007	1,436,657
Mining rights	17,554	16,492	200,779
Other	4,966	4,217	51,339
	249,111	233,318	2,840,492
Investments and other assets:			
Recoverable accounts under production sharing	534,331	568,318	6,918,895
Less allowance for recoverable accounts under production sharing	(96,880)	(100,671)	(1,225,603)
	437,451	467,647	5,693,292
Investment securities (Notes 4,5 and 6)	975,541	886,222	10,789,165
Long-term loans receivable	13,979	48,110	585,707
Deferred tax assets (Note 7)	27,214	30,555	371,987
Other investments (Note 6)	118,341	115,142	1,401,778
Less allowance for doubtful accounts	(270)	(716)	(8,717)
Less allowance for investments in exploration	(13,781)	(6,280)	(76,455)
	1,558,475	1,540,680	18,756,757
Total assets	¥2,680,380	¥3,066,398	$37,331,361

See accompanying notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2012	2012
Current liabilities:			
Accounts payable—trade	¥ 23,441	¥ 30,228	$ 368,006
Short-term borrowings and current portion of long-term debt (Notes 4,6 and 12)	4,441	4,802	58,461
Income taxes payable (Note 7)	113,102	139,145	1,693,998
Accounts payable—other (Note 6)	83,309	133,153	1,621,050
Provision for exploration projects	9,537	5,551	67,580
Accrued bonuses to officers	128	128	1,558
Asset retirement obligations (Note 15)	3,687	3,338	40,638
Other (Note 7)	17,084	51,499	626,966
	254,729	367,844	4,478,257
Long-term liabilities:			
Long-term debt (Notes 4,6,11 and 12)	268,706	313,973	3,822,413
Deferred tax liabilities (Note 7)	36,518	43,178	525,664
Accrued retirement benefits to employees (Note 14)	6,979	6,341	77,197
Accrued special repair and maintenance	443	368	4,480
Asset retirement obligations (Note 15)	8,966	9,804	119,357
Other (Note 6)	6,656	10,697	130,229
	328,268	384,361	4,679,340
Total liabilities	582,997	752,205	9,157,597
Net assets (Notes 9 and 10)**:**			
Common stock:	290,810	290,810	3,540,419
Authorized: 2011 — 9,000,001 shares 2012 — 9,000,001 shares Issued: 2011 — 3,655,810 shares 2012 — 3,655,810 shares			
Capital surplus	679,288	679,288	8,269,880
Retained earnings	1,047,431	1,219,527	14,846,932
Less: Treasury stock: 2011 — 4,916 shares 2012 — 4,916 shares	(5,248)	(5,248)	(63,891)
Total shareholders' equity	2,012,281	2,184,377	26,593,340
Unrealized holding gain on securities	1,456	6,953	84,648
Unrealized gain from hedging instruments (Note 11)	—	4,118	50,134
Translation adjustments	(16,847)	(16,196)	(197,175)
Total accumulated other comprehensive income	(15,391)	(5,125)	(62,393)
Minority interests	100,493	134,941	1,642,817
Total net assets	2,097,383	2,314,193	28,173,764
Contingent liabilities (Note 18)			
Total liabilities and net assets	¥2,680,380	¥3,066,398	$37,331,361

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

INPEX CORPORATION and Consolidated Subsidiaries
For the years ended March 31, 2011 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2012	2012
Net sales	¥943,080	¥1,186,732	$14,447,675
Cost of sales	334,833	395,443	4,814,256
Gross profit	608,247	791,289	9,633,419
Exploration expenses	12,000	11,747	143,012
Selling, general and administrative expenses (Notes 13, 14 and 16)	44,254	48,286	587,850
Depreciation and amortization	22,250	21,898	266,594
Operating income	529,743	709,358	8,635,963
Other income:			
Interest income	4,110	4,400	53,567
Dividend income	5,722	6,993	85,135
Equity in earnings of affiliates	4,934	6,638	80,813
Gain on transfer of mining rights	7,334	70,260	855,369
Other	9,076	13,791	167,897
	31,176	102,082	1,242,781
Other expenses:			
Interest expense	1,074	1,228	14,950
Provision for allowance for recoverable accounts under production sharing	11,481	14,816	180,375
Provision for exploration projects	3,082	519	6,319
Loss on adjustment for changes of accounting standard for asset retirement obligations (Note 15)	1,555	—	—
Foreign exchange loss	11,540	14,641	178,244
Loss on business withdrawal	—	5,370	65,376
Other	23,600	7,827	95,289
	52,332	44,401	540,553
Income before income taxes and minority interests	508,587	767,039	9,338,191
Income taxes (Note 7):			
Current	367,083	543,157	6,612,576
Deferred	1,614	(6,223)	(75,761)
	368,697	536,934	6,536,815
Income before minority interests	139,890	230,105	2,801,376
Minority interests	11,191	36,104	439,543
Net income (Note 10)	¥128,699	¥ 194,001	$ 2,361,833

Consolidated Statements of Comprehensive Income

INPEX CORPORATION and Consolidated Subsidiaries
For the years ended March 31, 2011 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2012	2012
Income before minority interests	¥139,890	¥230,105	$2,801,376
Other comprehensive income			
Unrealized holding gain (loss) on securities	(10,951)	5,499	66,947
Unrealized gain from hedging instruments	—	4,118	50,134
Translation adjustments	(11,516)	2,082	25,347
Share of other comprehensive income of associates accounted for by the equity method	(2,717)	(1,134)	(13,806)
Total other comprehensive income (Note 8)	(25,184)	10,565	128,622
Comprehensive income (Note 8)	114,706	240,670	2,929,998
Total comprehensive income attributable to:			
Shareholders of INPEX CORPORATION	105,783	204,268	2,486,828
Minority interests	¥ 8,923	¥ 36,402	$ 443,170

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

INPEX CORPORATION and Consolidated Subsidiaries

	Millions of yen						
For the year ended March 31, 2011	Balance as of April 1, 2010	Issuance of new shares	Cash dividends paid	Net income	Net changes in items other than those in shareholders' equity	Total changes during the period	Balance as of March 31, 2011
Common stock	¥ 30,000	¥260,810	¥ —	¥ —	¥ —	¥260,810	¥ 290,810
Capital surplus	418,478	260,810	—	—	—	260,810	679,288
Retained earnings	936,745	—	(18,013)	128,699	—	110,686	1,047,431
Treasury stock	(5,248)	—	—	—	—	—	(5,248)
Total shareholders' equity	1,379,975	521,620	(18,013)	128,699	—	632,306	2,012,281
Unrealized holding gain on securities	12,351	—	—	—	(10,895)	(10,895)	1,456
Translation adjustments	(4,826)	—	—	—	(12,021)	(12,021)	(16,847)
Total accumulated other comprehensive income	7,525	—	—	—	(22,916)	(22,916)	(15,391)
Minority interests	103,103	—	—	—	(2,610)	(2,610)	100,493
Total net assets	¥1,490,603	¥521,620	¥(18,013)	¥128,699	¥(25,526)	¥606,780	¥2,097,383

	Millions of yen					
For the year ended March 31, 2012	Balance as of April 1, 2011	Cash dividends paid	Net income	Net changes in items other than those in shareholders' equity	Total changes during the period	Balance as of March 31, 2012
Common stock	¥ 290,810	¥ —	¥ —	¥ —	¥ —	¥ 290,810
Capital surplus	679,288	—	—	—	—	679,288
Retained earnings	1,047,431	(21,905)	194,001	—	172,096	1,219,527
Treasury stock	(5,248)	—	—	—	—	(5,248)
Total shareholders' equity	2,012,281	(21,905)	194,001	—	172,096	2,184,377
Unrealized holding gain on securities	1,456	—	—	5,497	5,497	6,953
Unrealized gain from hedging instruments	—	—	—	4,118	4,118	4,118
Translation adjustments	(16,847)	—	—	651	651	(16,196)
Total accumulated other comprehensive income	(15,391)	—	—	10,266	10,266	(5,125)
Minority interests	100,493	—	—	34,448	34,448	134,941
Total net assets	¥2,097,383	¥(21,905)	¥194,001	¥44,714	¥216,810	¥2,314,193

	Thousands of U.S. dollars (Note 3)					
For the year ended March 31, 2012	Balance as of April 1, 2011	Cash dividends paid	Net income	Net changes in items other than those in shareholders' equity	Total changes during the period	Balance as of March 31, 2012
Common stock	$ 3,540,419	$ —	$ —	$ —	$ —	$ 3,540,419
Capital surplus	8,269,880	—	—	—	—	8,269,880
Retained earnings	12,751,777	(266,678)	2,361,833	—	2,095,155	14,846,932
Treasury stock	(63,891)	—	—	—	—	(63,891)
Total shareholders' equity	24,498,185	(266,678)	2,361,833	—	2,095,155	26,593,340
Unrealized holding gain on securities	17,726	—	—	66,922	66,922	84,648
Unrealized gain from hedging instruments	—	—	—	50,134	50,134	50,134
Translation adjustments	(205,101)	—	—	7,926	7,926	(197,175)
Total accumulated other comprehensive income	(187,375)	—	—	124,982	124,982	(62,393)
Minority interests	1,223,436	—	—	419,381	419,381	1,642,817
Total net assets	$25,534,246	$(266,678)	$2,361,833	$544,363	$2,639,518	$28,173,764

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

INPEX CORPORATION and Consolidated Subsidiaries
For the years ended March 31, 2011 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2012	2012
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 508,587	¥ 767,039	$ 9,338,191
Depreciation and amortization	54,245	48,026	584,685
Amortization of goodwill	6,760	6,760	82,298
Loss on adjustment for changes of accounting standard for asset retirement obligations	1,555	—	—
Provision for allowance for recoverable accounts under production sharing	15,320	18,991	231,203
Provision for exploration projects	(5,442)	(3,916)	(47,675)
Provision for accrued retirement benefits to employees	(593)	(637)	(7,755)
Other provisions	11,463	(26)	(317)
Interest and dividend income	(9,832)	(11,393)	(138,702)
Interest expense	1,074	1,228	14,950
Foreign exchange loss (gain)	(3,015)	5,334	64,938
Equity in (earnings) losses of affiliates	(4,934)	(6,638)	(80,813)
Gain on transfer of mining rights	(7,334)	(70,260)	(855,369)
Recovery of recoverable accounts under production sharing (capital expenditures)	50,817	53,543	651,850
Recoverable accounts under production sharing (operating expenditures)	(17,369)	(21,041)	(256,160)
Accounts receivable—trade	(11,376)	(23,816)	(289,944)
Inventories	(223)	195	2,374
Accounts payable—trade	7,278	6,562	79,888
Accounts receivable—other	7,694	(19,774)	(240,735)
Accounts payable—other	9,699	40,943	498,454
Advances received	(2,490)	23,891	290,857
Other	(595)	370	4,505
Subtotal	611,289	815,381	9,926,723
Interest and dividends received	13,079	16,997	206,927
Interest paid	(748)	(943)	(11,481)
Income taxes paid	(349,526)	(510,743)	(6,217,957)
Net cash provided by operating activities	274,094	320,692	3,904,212
Cash flows from investing activities:			
Payments for time deposits	(493)	(88,771)	(1,080,728)
Proceeds from time deposits	3,849	6,065	73,837
Payments for long-term deposits	(53,500)	—	—
Payments for purchases of tangible fixed assets	(84,236)	(68,317)	(831,714)
Proceeds from sales of tangible fixed assets	1,072	315	3,835
Payments for purchases of intangible assets	(2,535)	(1,368)	(16,655)
Payments for purchases of marketable securities	(11,731)	(4,090)	(49,793)
Proceeds from sales and redemptions of marketable securities	112,000	136,614	1,663,185
Payments for purchases of investment securities	(724,635)	(238,568)	(2,904,407)
Proceeds from sales and redemptions of investment securities	10,847	20,672	251,668
Investment in recoverable accounts under production sharing (capital expenditures)	(77,865)	(82,916)	(1,009,447)
Decrease in short-term loans receivable	1,570	3,759	45,763
Long-term loans made	(1,134)	(38,094)	(463,769)
Collection of long-term loans receivable	567	3,600	43,827
Payments for purchase of mining rights	(28,045)	—	—
Proceeds from transfer of mining rights	7,334	71,487	870,307
Other	2,424	(1,252)	(15,242)
Net cash used in investing activities	(844,511)	(280,864)	(3,419,333)
Cash flows from financing activities			
Proceeds from issuance of common stock	521,620	—	—
Decrease in short-term loans	—	(40)	(487)
Proceeds from long-term debt	56,285	50,913	619,832
Repayment of long-term debt	(4,713)	(4,317)	(52,557)
Proceeds from minority interests for additional shares	6,418	9,723	118,371
Cash dividends paid	(18,010)	(21,922)	(266,886)
Dividends paid to minority shareholders	(13,450)	(4,992)	(60,774)
Other	(93)	(71)	(864)
Net cash provided by financing activities	548,057	29,294	356,635
Effect of exchange rate changes on cash and cash equivalents	(12,015)	(2,664)	(32,432)
Net increase (decrease) in cash and cash equivalents	(34,375)	66,458	809,082
Cash and cash equivalents at beginning of the year	216,395	182,025	2,216,034
Increase in cash and cash equivalents from newly consolidated subsidiary	5	750	9,131
Cash and cash equivalents at end of the year	¥ 182,025	¥ 249,233	$ 3,034,247

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

INPEX CORPORATION and Consolidated Subsidiaries

1. BASIS OF PRESENTATION

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

The Company and its domestic subsidiaries maintain their accounting records and prepare their financial statements in accordance with accounting principles generally accepted in Japan.

The accompanying consolidated financial statements have been prepared by using the accounts of foreign consolidated subsidiaries prepared in accordance with International Financial Reporting Standards, or IFRS or the accounting principles generally accepted in the United States, or U.S. GAAP as adjusted for certain items.

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Japan, which may differ in certain material respects from IFRS or U.S. GAAP, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

The Company has made certain reclassifications of the previous years' consolidated financial statements to conform to the presentation used for the year ended March 31, 2012.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The accompanying consolidated financial statements include the accounts of the Company and companies controlled directly or indirectly by the Company. Companies over which the Company exercises significant influence in terms of their operating and financial policies are included in the consolidated financial statements on an equity basis. All significant intercompany balances and transactions are eliminated in consolidation. Further, because certain companies do not have a significant impact on the consolidated financial statements, these are not consolidated or accounted for by the equity method.

For the 42 companies for which the closing date differed from the consolidated closing date, including but not limited to, INPEX Sahul, Ltd. and INPEX Masela, Ltd., the financial statements for the year ended December 31 were used. However, the necessary adjustments have been made to the financial statements of those companies to reflect any significant transactions made between the Company's closing date and that of the consolidated subsidiaries. For the 11 companies, including but not limited to, Japan Oil Development, Co., Ltd., INPEX Southwest Caspian Sea, Ltd., INPEX North Caspian Sea Ltd., INPEX Holdings Australia Pty Ltd, and INPEX Ichthys Pty Ltd, the financial statements for the year ended on the consolidated closing date were used, even though their closing date is December 31.

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

(b) Cash equivalents

All highly liquid investments with a maturity of three months or less when purchased are considered cash equivalents, including short-term time deposits with original maturities of three months or less.

(c) Foreign currency translation

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

The assets and liability accounts of overseas subsidiaries are translated into yen at the exchange rates prevailing at the balance sheet date. The revenue and expense accounts of the overseas subsidiaries are translated into yen at the average rates of exchange during the period. The components of net assets excluding minority interests are translated at their historical exchange rates. The differences arising from the translation are presented as translation adjustments and minority interests in the accompanying consolidated financial statements.

(d) Securities

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

(e) Derivatives

Derivatives are stated at fair value.

(f) Inventories

Overseas inventories are carried mainly at cost, determined by the average cost method (balance sheet value is carried at the lower of cost or market). Domestic inventories are carried mainly at cost, determined by the moving-average method (balance sheet value is carried at the lower of cost or market).

(g) Allowance for doubtful accounts

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

(h) Recoverable accounts under production sharing and related allowance

Cash investments made by the Company during an exploration, development and production project under a production sharing contract are recorded as "Recoverable accounts under production sharing" so long as they are recoverable under the terms of the relevant contract. When the Company receives crude oil and natural gas in accordance with the relevant contract, an amount corresponding to the purchase costs of the products (i.e., a cost recovery portion of the investments) is released from this account.

Because these investments are recoverable only where commercial oil or gas is discovered, an allowance for recoverable accounts under production sharing is provided for probable losses on investments made during the exploration stage under production sharing contracts arising from the failure to discover commercial oil and gas. In light of this uncertainty, an allowance for recoverable accounts under production sharing is provided for probable losses on development investment individually estimated for each project.

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

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

(k) Accrued bonuses to officers
Accrued bonuses to officers are provided at the expected payment amount for the fiscal year.

(l) Tangible fixed assets (except leased assets)
Depreciation of overseas mining facilities is mainly computed by the unit-of-production method.

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

(m) Intangible assets (except leased assets)
Exploration and development rights at the exploration stage are fully amortized in the year such rights are acquired, and those at the production stage are amortized by the unit-of-production method.

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

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

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

(n) Leased assets
Leased assets are amortized by the straight-line method over the lease period assuming no residual value.

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

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

(p) Asset retirement obligations
Asset retirement obligations are provided by a reasonable estimate of retirement costs incurred upon termination of the operation with respect to oil and gas production facilities in case that the Company is obliged to retire such facilities by oil and gas contracts or laws and regulations with the countries in which the Company operates or has working interests.

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

(r) Hedge accounting
The deferred hedge accounting method is used to process hedging transactions. The special treatment is applied to interest rate swaps. In addition, the nominal amount of the derivative transaction is limited to the scope of actual demand, and the Company does not engage in speculative derivative transactions.

(s) Research and development expenses
Research and development expenses are charged to income as incurred.

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

(u) Adoption of new accounting standard
Effective the fiscal year ended March 31, 2012, for the accounting changes made on or after April 1, 2011, and corrections of the prior period errors, the Company applies "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No.24, issued on December 4, 2009) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No.24, issued on December 4, 2009).

3. U.S. DOLLAR AMOUNTS

The translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation only, at ¥82.14=US$1.00, the approximate rate of exchange in effect on March 31, 2012. This translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

4. STATUS OF FINANCIAL INSTRUMENTS

(a) Policy regarding financial instruments
The Company raises funds for oil and gas development and production, construction or expansion of pipelines and LNG receiving terminal primarily from cash flow on hand and from bank loans. Oil and gas development projects are primarily funded from long-term loans that the Company has secured from the Japan Bank of International Cooperation and Japanese commercial banks. Japan Oil, Gas and Metals National Corporation has provided guarantees for the principal on certain outstanding amounts of the Company's long-term loans. The Development Bank of Japan and Japanese commercial banks have provided long-term loans for the construction or expansion of domestic pipelines and LNG receiving terminal. The Company generally borrows with variable interest rates, while some loans are with a fixed interest rate depending on the nature of each project.

Regarding the financing policy, the Company manages funds mainly from deposits and government bonds, which are considered to be of low-risk and high-liquidity. The Company limits the use of derivative transactions for managing risks of forecasted transactions and portfolio assets, and does not engage in speculative derivative transactions.

(b) Details of financial instruments, associated risk and risk management
(Credit risks related to trade receivables)
Trade receivables such as accounts receivable—trade and accounts receivable—other are comprised mainly from sales of crude oil and natural gas. Main trading partners are national oil companies, major oil companies and others. In line with the criteria for trading and credit exposure management, the Company properly analyzes the status of trading partners for early detection and reduction of default risks.

(Market price fluctuation risk related to securities)
For marketable securities and investment securities exposed to market price fluctuation risk, analysis of market values is regularly reported to the Executive Committee. For shares of stock, the Company holds shares of trading partners and others to establish close and smooth relationships for the purposes of maintaining a medium- to long-term stable business. Of these shares, the Company holds a part of these shares for the purpose of investment. As for bonds, the Company mainly holds bonds with short-term maturities by considering medium- to long-term cash outflow forecast and market price fluctuation risk.

(Interest rate fluctuation risk related to short-term loans and long-term debt)
Loans are mainly used to fund oil and gas development projects and construction or expansion of domestic pipelines and LNG receiving terminal and others. The borrowing period is determined considering the financial prospects of the project and useful lives of the facilities. Loans with variable interest rates are exposed to interest rate fluctuation risk, however, the Company analyzes the impact of interest rate fluctuation at the time of borrowing and once a year, and leverages fixed-rate-loans or makes interest rate swaps as necessary.

(Exchange rates fluctuation risk related to assets and liabilities in foreign currencies)
As most of the Company's business consists of its overseas business, the Company is exposed to exchange fluctuation risk due to a large portion of monetary assets and liabilities held in foreign currencies such as cash and deposits, accounts receivables and loans required in overseas projects. As a result of fiscal year-end conversion, yen appreciation causes a foreign exchange loss on assets and a foreign exchange gain on liabilities while yen depreciation causes a foreign exchange gain on assets and a foreign exchange loss on liabilities. For this reason, foreign exchange gains and losses are largely offset and the position between assets and liabilities in foreign currencies is maintained. At present, the Company is in the position of incurring foreign exchange loss when foreign exchange rate proceeds to yen appreciation. The Company manages assets in foreign currencies to avoid excess holding of them in comparison with liabilities in foreign currencies. Regarding those planned expenditures in foreign currencies mainly for Ichthys project, the Company manages exchange fluctuation risk through derivative transactions such as foreign exchange forwards, currency swap transactions and others as necessary.

(Management of derivative transactions)
For the above derivative transactions, the Company follows its derivative transactions management outline. For derivative transactions exposed to market price fluctuation, market values of these derivatives are regularly reported to the Executive Committee, and the Company only transacts with financial institutions with high credit ratings to reduce counterparty risks for the use of derivatives.

(Management of the liquidity risk related to financing)
The finance unit controls cash management based on a monthly financing plan prepared by each project division and secures sufficient liquidity on hand to be prepared for liquidity risks.

5. SECURITIES

(a) Information regarding other securities as of March 31, 2011 and 2012 is as follows:

	Millions of yen		
March 31, 2011	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities with carrying values exceeding their acquisition costs:			
Stock	¥ 42,521	¥ 49,877	¥ 7,356
Bonds:			
Public bonds	336,349	336,983	634
Corporate bonds	8,500	8,503	3
Other	6,733	7,694	961
Subtotal	394,103	403,057	8,954
Securities with acquisition costs exceeding their carrying values:			
Stock	10,535	8,664	(1,871)
Bonds:			
Public bonds	374,128	372,900	(1,228)
Corporate bonds	28,509	28,334	(175)
Other debt securities	33,868	32,942	(926)
Other	198,255	195,213	(3,042)
Subtotal	645,295	638,053	(7,242)
Total	¥1,039,398	¥1,041,110	¥ 1,712

	Millions of yen			Thousands of U.S. dollars		
March 31, 2012	Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities with carrying values exceeding their acquisition costs:						
Stock	¥ 4,499	¥ 9,318	¥ 4,819	$ 54,772	$ 113,440	$ 58,668
Bonds:						
Public bonds	726,075	727,734	1,659	8,839,482	8,859,679	20,197
Corporate bonds	23,500	23,589	89	286,097	287,181	1,084
Other debt securities	25,396	25,503	107	309,179	310,482	1,303
Other	204,862	209,855	4,993	2,494,059	2,554,845	60,786
Subtotal	984,332	995,999	11,667	11,983,589	12,125,627	142,038
Securities with acquisition costs exceeding their carrying values:						
Stock	47,939	44,103	(3,836)	583,626	536,925	(46,701)
Bonds:						
Public bonds	30,190	29,950	(240)	367,543	364,621	(2,922)
Corporate bonds	40,000	39,779	(221)	486,973	484,283	(2,690)
Other debt securities	8,385	8,348	(37)	102,082	101,631	(451)
Other	4,338	4,335	(3)	52,812	52,776	(36)
Subtotal	130,852	126,515	(4,337)	1,593,036	1,540,236	(52,800)
Total	¥1,115,184	¥1,122,514	¥ 7,330	$13,576,625	$13,665,863	$ 89,238

(b) Information regarding sales of securities classified as other securities for the years ended March 31, 2011 and 2012 is as follows:

	Millions of yen		
Year ended March 31, 2011	Proceeds from sales	Gain on sales	Loss on sales
Stock	¥ 767	¥138	¥ 55
Bonds:			
Public bonds	10,080	—	385
Total	¥10,847	¥138	¥440

	Millions of yen			Thousands of U.S. dollars		
Year ended March 31, 2012	Proceeds from sales	Gain on sales	Loss on sales	Proceeds from sales	Gain on sales	Loss on sales
Bonds:						
Public bonds	¥41,395	¥82	¥—	$503,957	$998	$—
Total	¥41,395	¥82	¥—	$503,957	$998	$—

(c) Components of securities for which it is extremely difficult to determine fair value as of March 31, 2011 and 2012 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	2011	2012	2012
Other securities:			
Unlisted securities	¥27,819	¥ 28,395	$ 345,690
Preferred securities	5,000	5,000	60,872
Stocks of subsidiaries and affiliates	38,882	71,700	872,900
Total	¥71,701	¥105,095	$1,279,462

These securities are not included in (a) as they are assumed to have no market value and it is extremely difficult to determine their fair value. For shares of exploration companies among unlisted securities and stocks of subsidiaries and affiliates, an allowance is provided for investments in exploration at an estimated amount based on the financial position of the investees.

(d) Redemption schedule for securities with maturity dates classified as other securities as of March 31, 2012 is as follows:

	Millions of yen				Thousands of U.S. dollars			
March 31, 2012	1 year or less	More than 1 year but less than 5 years	More than 5 years but less than10 years	More than 10 years	1 year or less	More than 1 year but less than 5 years	More than 5 years but less than 10 years	More than 10 years
Bonds:								
Public bonds	¥335,500	¥375,000	¥39,500	¥—	$4,084,490	$4,565,376	$480,886	$—
Corporate bonds	—	63,500	—	—	—	773,070	—	—
Other debt securities	—	33,186	—	—	—	404,018	—	—
Other	4,090	198,100	—	—	49,793	2,411,736	—	—
Total	¥339,590	¥669,786	¥39,500	¥—	$4,134,283	$8,154,200	$480,886	$—

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings as of March 31, 2011 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	2011	2012	2012
Short-term borrowings from banks and others (Interest rates ranging from 1.037% to 1.325% and from 0.970% to 1.325% at March 31, 2011 and 2012)	¥160	¥120	$1,461
Total	¥160	¥120	$1,461

Long-term debt as of March 31, 2011 and 2012 is as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	2011	2012	2012
Loans from banks and others, due through 2025 (Interest rates ranging from 0.776% to 2.700% and from 0.700% to 2.700% at March 31, 2011 and 2012)	¥272,987	¥318,655	$3,879,413
Less: Current portion	4,281	4,682	57,000
	¥268,706	¥313,973	$3,822,413

Assets pledged as of March 31, 2011 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	2011	2012	2012
Buildings and structures	¥ 2,141	¥ 2,251	$ 27,405
Wells	4,774	2,737	33,321
Machinery, equipment and vehicles	9,049	9,190	111,882
Land	660	—	—
Investment securities	8,237	7,633	92,927
Other	239	231	2,812
Total	¥25,100	¥22,042	$268,347

The above assets were pledged against the following liabilities:

	Millions of yen		Thousands of U.S. dollars
March 31,	2011	2012	2012
Short-term borrowings	¥ 2,130	¥1,589	$ 19,345
Accounts payable—other	3,993	5,090	61,968
Long-term debt	4,023	2,434	29,632
Other	17	17	207
Total	¥10,163	¥9,130	$111,152

In addition, investment securities of ¥4,928 million as of March 31, 2011 and ¥4,704 million ($57,268 thousand) as of March 31, 2012 are pledged as collateral for the BTC Pipeline Project Finance.

The aggregate annual maturities of long-term debt subsequent to March 31, 2012 are summarized as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2013	¥ 4,682	$ 57,000
2014	3,776	45,970
2015	5,630	68,542
2016	6,988	85,074
2017	31,434	382,688
2018 and thereafter	266,145	3,240,139
Total	¥318,655	$3,879,413

7. INCOME TAXES

The Company and its domestic consolidated subsidiaries are subject to a number of taxes based on income which, in the aggregate, resulted in a statutory tax rate of approximately 36.2% for the fiscal years ended March 31, 2011 and 2012.

The effective tax rates reflected in the consolidated statements of income for the fiscal years ended March 31, 2011 and 2012 differ from the statutory tax rate for the following reasons:

Years ended March 31,	2011	2012
Statutory tax rate	36.2%	36.2%
Effect of:		
Permanently non-taxable expenses such as entertainment expenses	0.1	0.3
Permanently non-taxable income such as dividends income	(0.8)	(0.6)
Valuation allowance	2.4	5.7
Foreign taxes	68.9	61.8
Foreign tax credits	(18.8)	(23.1)
Adjustment of deducted amounts of foreign taxes	(14.0)	(8.2)
Net operating losses utilized	(0.8)	—
Equity in (earnings) losses of affiliates	(0.4)	(0.3)
Amortization of goodwill	0.5	0.3
Differences of effective tax rates applied to tax effect accounting	(0.3)	(1.6)
Other	(0.5)	(0.5)
Effective tax rates	72.5%	70.0%

The significant components of deferred tax assets and liabilities as of March 31, 2011 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	2011	2012	2012
Deferred tax assets:			
Investments in related parties	¥ 64,881	¥ 58,624	$ 713,708
Loss on revaluation of land	4,855	3,959	48,198
Loss on valuation of investment securities	6,091	3,889	47,346
Recoverable accounts under production sharing (foreign taxes)	4,565	5,258	64,013
Allowance for recoverable accounts under production sharing	—	20,438	248,819
Allowance for investments in exploration	6,528	2,928	35,646
Foreign taxes payable	37,415	35,612	433,553
Net operating loss carry forward	25,287	39,042	475,310
Accumulated depreciation	36,444	37,777	459,910
Accrued retirement benefits	2,565	1,989	24,215
Translation differences of assets and liabilities denominated in foreign currencies	1,000	1,704	20,745
Asset retirement obligations	4,570	4,239	51,607
Exploration expenses	7,780	9,520	115,900
Allowance for doubtful accounts	5,159	4,940	60,141
Other	11,914	14,475	176,224
Total gross deferred tax assets	219,054	244,394	2,975,335
Valuation allowance	(153,220)	(174,115)	(2,119,735)
Total deferred tax assets	65,834	70,279	855,600
Deferred tax liabilities:			
Foreign taxes	32,883	30,164	367,227
Translation differences of assets and liabilities denominated in foreign currencies	15,937	16,326	198,758
Reserve for overseas investment loss	6,541	5,070	61,724
Translation differences due to an application of purchase accounting method	2,429	1,694	20,623
Reserve for exploration	5,958	7,910	96,299
Unrealized holding gain on securities	435	283	3,445
Unrealized gain from hedging instruments	—	2,352	28,634
Other	3,260	4,660	56,733
Total deferred tax liabilities	67,443	68,459	833,443
Net deferred tax assets (liabilities)	¥ (1,609)	¥ 1,820	$ 22,157

8. COMPREHENSIVE INCOME

The reclassification adjustments and tax effects allocated to each component of other comprehensive income for the year ended March 31, 2012 are as follows:

	Millions of yen	Thousands of U.S. dollars
Year ended March 31,	2012	2012
Unrealized holding gain on securities		
Amount recognized during this period	¥ 5,082	$ 61,870
Reclassification adjustment	539	6,562
Before income tax effect	5,621	68,432
Amount of income tax effect	(122)	(1,485)
	5,499	66,947
Unrealized gain from hedging instruments		
Amount recognized during this period	6,456	78,598
Amount of income tax effect	(2,338)	(28,464)
	4,118	50,134
Translation adjustments		
Amount recognized during this period	2,082	25,347
Share of other comprehensive income of associates accounted for by the equity-method		
Amount recognized during this period	(1,134)	(13,806)
Total other comprehensive income	¥10,565	$128,622

9. NET ASSETS

As of March 31, 2012, the total number of the Company's shares issued consisted of 3,655,809 shares of common stock and 1 special class share.

The special class share has no voting rights at the common shareholders' meeting, but the ownership of the special class share gives its holder a right of veto over certain important matters by imposing the requirement to obtain a class vote. However, requirements stipulated in the Articles of Incorporation need to be met in cases involving the appointment or removal of directors, the disposition of important assets or the exercise of the veto over;

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

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

Under the Companies Act of Japan, 10% of the amount to be distributed as dividends from capital surplus (other than capital reserve) and retained earnings (other than legal reserve) should be transferred to capital reserve and legal reserve, respectively, up to the point where total amount of capital reserve and the legal reserve equals 25% of the common stock account.

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

10. AMOUNTS PER SHARE

	Yen		U.S. dollars
Years ended March 31,	2011	2012	2012
Net income	¥ 40,832.40	¥ 53,137.93	$ 646.92
Cash dividends	6,000.00	7,000.00	85.22
Net assets	¥546,958.90	¥596,908.99	$7,266.97

Net income per share is computed based on the net income available for distribution to shareholders of common stock and the average number of shares of common stock outstanding during the year.
Cash dividends per share represent the cash dividends proposed by the Board of Directors together with the interim cash dividends paid.
Net assets per share are computed based on the net assets excluding minority interests and the number of common stock outstanding at the year end.

11. DERIVATIVE TRANSACTIONS

(a) Derivatives not subject to hedge accounting

Contract amounts, fair value and valuation gain (loss) regarding derivatives not subject to hedge accounting as of March 31, 2011 and 2012 are as follows:

There is no derivative not subject to hedge accounting as of March 31, 2011.

	Millions of yen			
March 31, 2012	Contract amounts	Due after one year	Fair value	Valuation gain
Currency swap transactions	¥31,996	¥—	¥883	¥883

	Thousands of U.S. dollars			
March 31, 2012	Contract amounts	Due after one year	Fair value	Valuation gain
Currency swap transactions	$389,530	$—	$10,750	$10,750

* Fair value is calculated based on the price obtained from the counterparty financial institutions.

(b) Derivatives subject to hedge accounting

Contract amounts and fair value regarding derivatives subject to hedge accounting as of March 31, 2011 and 2012 are as follows:

		Millions of yen		
March 31, 2011	Principal items hedged	Contract amounts	Due after one year	Fair value
Interest rate swaps:				
Payment fixed, receipt fluctuated (Special treatment)	Long-term debt	¥8,300	¥6,240	*2

		Millions of yen		
March 31, 2012	Principal items hedged	Contract amounts	Due after one year	Fair value
Foreign exchange forwards *[1]:				
Buy (USD) (Deferred hedge accounting)	Forecasted transactions in foreign currencies	¥108,578	¥ —	¥6,456
Interest rate swaps:				
Payment fixed, receipt fluctuated (Special treatment)	Long-term debt	¥ 6,240	¥4,820	*2

		Thousands of U.S. dollars		
March 31, 2012	Principal items hedged	Contract amounts	Due after one year	Fair value
Foreign exchange forwards *[1]:				
Buy (USD) (Deferred hedge accounting)	Forecasted transactions in foreign currencies	$1,321,865	$ —	$78,598
Interest rate swaps:				
Payment fixed, receipt fluctuated (Special treatment)	Long-term debt	$ 75,968	$58,680	*2

*1 Fair value is calculated based on the price obtained from the counterparty financial institutions.
*2 Fair value of derivatives for which special treatment of interest rate swaps is applied is included in the estimated fair value of the long-term debt as disclosed in Note 12. (a) since the interest swap is processed together with long-term debt subject to hedging.

12. OTHER FINANCIAL INSTRUMENTS

(a) The carrying value and estimated fair value of financial instruments excluding securities and investment securities which are disclosed in Note 5.(a) and derivatives which are disclosed in Note 11 as of March 31, 2011 and 2012 are as shown below. The following summary also excludes cash and cash equivalents, time deposits and accounts receivable-trade for which fair values approximate their carrying amounts.

	Millions of yen				Thousands of U.S. dollars	
	2011		2012		2012	
March 31,	Carrying value	Estimated fair value	Carrying value	Estimated fair value	Carrying value	Estimated fair value
Short-term borrowings and current portion of long-term debt	¥ 4,441	¥ 4,484	¥ 4,802	¥ 4,830	$ 58,461	$ 58,802
Long-term debt	¥268,706	¥270,572	¥313,973	¥316,131	$3,822,413	$3,848,685

(b) For other financial instruments, computation methods of estimated fair value are as shown below.

Short-term borrowings and current portion of long-term debt

The estimated fair value of current portion of long-term debt is calculated by the same method as long-term debt. For short-term borrowings, the relevant carrying value is used since these items are settled in a short periods of time and its fair value is almost the same as the carrying value.

Long-term debt

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

13. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses included in selling, general and administrative expenses amounted to ¥449 million and ¥402 million ($4,894 thousand) for the years ended March 31, 2011 and 2012, respectively.

14. RETIREMENT BENEFITS

(a) Retirement benefit obligations as of March 31, 2011 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	2011	2012	2012
Retirement benefit obligations	¥(15,593)	¥(15,881)	$(193,340)
Plan assets at fair value	8,614	9,540	116,143
Unfunded retirement benefit obligation	(6,979)	(6,341)	(77,197)
Unrecognized actuarial gain or loss	—	—	—
Accrued retirement benefits to employees	¥ (6,979)	¥ (6,341)	$ (77,197)

(b) Retirement benefit expenses for the years ended March 31, 2011 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
Years ended March 31,	2011	2012	2012
Service cost	¥ 830	¥ 792	$ 9,642
Interest cost	288	294	3,579
Expected return on plan assets	(152)	(170)	(2,070)
Amortization of actuarial gain or loss	134	(205)	(2,496)
Other*	—	238	2,898
Retirement benefit expenses	¥1,100	¥ 949	$11,553

*"Other" consists of the amount of contribution to defined contribution plan.

(c) The assumptions used in accounting for the above plans are as follows:

Years ended March 31,	2011	2012
Discount rate	2.0%	2.0%
Expected return rate on plan assets	2.0%	2.0%
Period for amortization of actuarial gain or loss	Amortized as incurred	Amortized as incurred

15. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended March 31, 2011 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
Years ended March 31,	2011	2012	2012
Balance at beginning of the year *1	¥16,564	¥12,653	$154,042
New obligations	1,281	434	5,284
Accretion expenses	714	322	3,920
Obligations settled	(5,320)	(265)	(3,226)
Other *2	(586)	(2)	(25)
Balance at end of the year	¥12,653	¥13,142	$159,995

*1 The balance at beginning of the year for the year ended March 31, 2011 indicates obligations occurred by applying "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18 issued on March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21 issued on March 31, 2008) .

*2 "Other" mainly includes the changes in foreign currency exchange rates and revision in estimates.

16. GOODWILL

The changes in the carrying amount of goodwill for the years ended March 31, 2011 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
Years ended March 31,	2011	2012	2012
Balance at beginning of the year	¥108,123	¥101,362	$1,234,015
Goodwill acquired during the year	(1)	—	—
Amortization of goodwill	(6,760)	(6,760)	(82,298)
Balance at end of the year	¥101,362	¥ 94,602	$1,151,717

17. LEASES

Future minimum lease payments subsequent to March 31, 2012 for operating lease transactions are summarized as follows:

(a) As lessee

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2013	¥ 3,626	$ 44,144
2014 and thereafter	14,447	175,883
Total	¥18,073	$220,027

(b) As lessor

Years ending March 31,	Millions of yen	Thousands of U.S dollars
2013	¥ 78	$ 950
2014 and thereafter	169	2,057
Total	¥247	$3,007

18. CONTINGENT LIABILITIES

As of March 31, 2012, the Company and its consolidated subsidiaries were contingently liable as guarantors of indebtedness of affiliates in the aggregate amount of ¥31,075 million ($378,318 thousand).

19. SUPPLEMENTARY CASH FLOW INFORMATION
(Significant non-cash transactions)

Assets and liabilities which the Company has transferred to Ichthys LNG Pty Ltd, a jointly controlled entity, by the contribution in kind are as follows:

Year ended March 31, 2012	Millions of yen	Thousands of U.S dollars
Current assets	¥ 534	$ 6,501
Fixed assets	34,218	416,582
Total assets	34,752	423,083
Current liabilities	478	5,819
Total liabilities	¥ 478	$ 5,819

20. SEGMENT INFORMATION

Segment information for the years ended March 31, 2011 and 2012

Overview of reportable segments

The reportable segments for the Group's oil and gas development activities are components of individual mining area and others for which separate financial information is available in order to make the Group management decisions by the Board of Directors. Since the Group operates oil and gas businesses globally, the Group's reportable segments are the mining areas and others by geographical region, categorized by "Japan", "Asia & Oceania" (mainly Indonesia, Australia and East Timor), "Eurasia (Europe & NIS)" (mainly Azerbaijan), "Middle East & Africa" (mainly UAE) and "Americas."

The Company produces oil and gas in each segment. In addition, the Company conducts marketing activities for petroleum products and others in "Japan" segment.

Basis of measurement for sales, income (loss), assets and other items by reportable segment

Accounting policies for the reportable segments are substantially the same as those described in "Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES."

Information on sales and income (loss), assets and other items by reportable segment

	Millions of yen							
Year ended March 31, 2011	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Total	Adjustments (a)	Consolidated (b)
Sales to third parties	¥104,525	¥406,828	¥ 68,319	¥350,735	¥12,673	¥ 943,080	¥ —	¥ 943,080
Total sales	104,525	406,828	68,319	350,735	12,673	943,080	—	943,080
Segment income (loss)	25,959	235,814	36,461	243,113	(3,035)	538,312	(8,569)	529,743
Segment assets	240,239	432,323	503,471	245,865	68,023	1,489,921	1,190,459	2,680,380
Other items								
Depreciation and amortization	18,457	17,469	9,013	5,112	2,914	52,965	1,280	54,245
Amortization of goodwill	(1)	—	—	—	(192)	(193)	6,953	6,760
Investment to associates accounted for by the equity method	—	20,067	—	7,084	5,120	32,271	—	32,271
Increase of tangible fixed assets and intangible assets	¥ 25,697	¥ 45,974	¥ 28,362	¥ 10,838	¥2,929	¥ 113,800	¥ 566	¥ 114,366

	Millions of yen							
Year ended March 31, 2012	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Total	Adjustments (a)	Consolidated (b)
Sales to third parties	¥113,662	¥483,187	¥ 84,325	¥500,033	¥ 5,525	¥1,186,732	¥ —	¥1,186,732
Total sales	113,662	483,187	84,325	500,033	5,525	1,186,732	—	1,186,732
Segment income (loss)	24,607	299,599	47,076	354,136	(5,518)	719,900	(10,542)	709,358
Segment assets	260,596	445,735	515,537	198,987	67,929	1,488,784	1,577,614	3,066,398
Other items								
Depreciation and amortization	18,485	12,775	8,503	6,550	374	46,687	1,339	48,026
Amortization of goodwill	—	—	—	—	(193)	(193)	6,953	6,760
Investment to associates accounted for by the equity method	—	49,156	—	6,860	9,606	65,622	—	65,622
Increase of tangible fixed assets and intangible assets	¥ 35,954	¥ 27,146	¥ 519	¥ 10,388	¥ 2,956	¥ 76,963	¥ 2,106	¥ 79,069

Year ended March 31, 2012	Thousands of U.S. dollars							
	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Total	Adjustments (a)	Consolidated (b)
Sales to third parties	$1,383,760	$5,882,481	$1,026,601	$6,087,570	$ 67,263	$14,447,675	$ —	$14,447,675
Total sales	1,383,760	5,882,481	1,026,601	6,087,570	67,263	14,447,675	—	14,447,675
Segment income (loss)	299,574	3,647,419	573,119	4,311,371	(67,178)	8,764,305	(128,342)	8,635,963
Segment assets	3,172,583	5,426,528	6,276,321	2,422,535	826,990	18,124,957	19,206,404	37,331,361
Other items								
Depreciation and amortization	225,043	155,527	103,518	79,742	4,553	568,383	16,302	584,685
Amortization of goodwill	—	—	—	—	(2,350)	(2,350)	84,648	82,298
Investment to associates accounted for by the equity method	—	598,441	—	83,516	116,947	798,904	—	798,904
Increase of tangible fixed assets and intangible assets	$ 437,716	$ 330,485	$ 6,318	$ 126,467	$ 35,987	$ 936,973	$ 25,640	$ 962,613

(a) Adjustments include elimination of inter-segment transactions and corporate incomes, expenses and assets that are not allocated to a reportable segment.

(b) Segment income is reconciled with operating income on the consolidated statements of income.

Products and service information:

Sales to third parties

Year ended March 31,	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Crude oil	¥557,911	¥ 726,223	$ 8,841,283
Natural gas (excluding LPG)	334,650	404,735	4,927,380
LPG	21,597	24,330	296,202
Other	28,922	31,444	382,810
Total	¥943,080	¥1,186,732	$14,447,675

Geographical information:

Sales

Year ended March 31, 2011	Millions of yen
Japan	¥573,132
Asia & Oceania	346,717
Other	23,231
Total	¥943,080

Year ended March 31, 2012	Millions of yen	Thousands of U.S. dollars
Japan	¥ 591,215	$ 7,197,650
Asia & Oceania (excluding Singapore)	420,184	5,115,462
Singapore	135,759	1,652,776
Other	39,574	481,787
Total	¥1,186,732	$14,447,675

* Sales by geographical area is determined based upon the final destination and customer.

Tangible fixed assets

As of March 31, 2011	Millions of yen
Japan	¥211,088
Australia	96,500
Other	72,274
Total	¥379,862

As of March 31, 2012	Millions of yen	Thousands of U.S. dollars
Japan	¥229,889	$2,798,746
Australia	77,981	949,367
Other	75,828	923,155
Total	¥383,698	$4,671,268

Information by major customer:
Sales from a single group of external customers amount to ¥ 254,542 million arising from sales by the Asia & Oceania segment for the year ended March 31, 2011.

Sales from a single group of external customers amount to ¥ 245,942 million ($ 2,994,181 thousand) arising from sales by the Asia & Oceania segment for the year ended March 31, 2012.

21. RELATED PARTY TRANSACTIONS

There is no related party transaction for the year ended March 31, 2011.

There are the following related party transactions for the year ended March 31, 2012:

Affiliated company

Name of related party	Location	Capital investment (Thousands of U.S. dollars)	Nature of operations	Voting interest	Description of the business relationship	Transaction detail	Amounts	
							Millions of yen	Thousands of U.S. dollars
Ichthys LNG Pty Ltd	Western Australia, Australia	$482,700	Transportation, liquefaction and sales of oil and natural gas through pipeline in WA-37-R block in offshore Western Australia, Australia *3	Indirectly 76.00%	Serve the officer concurrently, capital subscription	Contribution in kind *1		
						Total inherited assets	¥34,752	$423,083
						Total inherited liabilities	478	5,819
						Loans of funds *2	¥38,062	$463,380

*1 The detail of the contribution in kind is disclosed in Note 22.
*2 The Company determines the interest rate based on its market interest rates upon loans of funds in a reasonable and appropriate manner.
*3 Upon the grant of production license, WA-37-R has been registered as WA-50-L.

22. BUSINESS COMBINATION

Business combination for the year ended March 31, 2012

1. Transaction under common control
Summary of the transaction
(a) Names and nature of business of parties to the business combination

Names of parties to the business combination : INPEX Browse, Ltd., INPEX Holdings Australia Pty Ltd, INPEX Ichthys Pty Ltd and INPEX Operations Australia Pty Ltd
Nature of business : Exploration and development of oil and natural gas in WA-37-R block* in offshore Western Australia, Australia

(b) Date of the business combination

July 1, 2011

(c) Legal form of the business combination

INPEX Browse, Ltd. made a contribution in kind to INPEX Holdings Australia Pty Ltd. Meanwhile INPEX Holdings Australia Pty Ltd made a contribution in kind to INPEX Ichthys Pty Ltd and INPEX Operations Australia Pty Ltd.

(d) Names of the combined entities

INPEX Holdings Australia Pty Ltd, INPEX Ichthys Pty Ltd and INPEX Operations Australia Pty Ltd

(e) Summary of the transaction including its purpose

The Company's subsidiary INPEX Browse Ltd., which has been acting as an operator of the Ichthys Project in WA-37-R block* in offshore Western Australia, Australia, undertook a business restructure that required the transfer of the company's assets to newly established Australian companies for the purpose of efficient financing and operation of the project.

Summary of the accounting treatment adopted

The transaction was treated as a business combination among entities under common control based on "Accounting Standard for Business Combinations" (ASBJ Statement No. 21 issued on December 26, 2008), and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10 issued on December 26, 2008).
* Upon the grant of production license, WA-37-R was registered as WA-50-L.

2. Formation of jointly controlled company
Summary of the transaction
(a) Names and nature of business of parties to the business combination

Names of parties to the business combination : INPEX Holdings Australia Pty Ltd and Ichthys LNG Pty Ltd
Nature of business : Transportation, liquefaction and sales of oil and natural gas through pipeline in WA-37-R block* in offshore Western Australia, Australia

(b) Date of the business combination

July 1, 2011

(c) Legal form of the business combination

INPEX Holdings Australia Pty Ltd made a contribution in kind to Ichthys LNG Pty Ltd.

(d) Name of the combined entity

Ichthys LNG Pty Ltd

(e) Summary of the transaction including its purpose

The Company's subsidiary INPEX Browse Ltd., which has been acting as an operator of the Ichthys project in WA-37-R block* in offshore Western Australia, Australia, undertook a business restructure that required the transfer of the company's assets to newly established Australian companies for efficient financing and operation of the project.

(f) Reason that the business combination was formed as a jointly controlled company

INPEX Holdings Australia Pty Ltd and TOTAL E&P Holding Ichthys entered into the shareholders agreement under which both parties would jointly control Ichthys LNG Pty Ltd, and there is no specific fact that indicates other controlling relationships. Therefore the business combination is considered to be a formation of a jointly controlled company.

Summary of the accounting treatment adopted

The transaction was treated as formation of jointly controlled company based on "Accounting Standard for Business Combinations" (ASBJ Statement No. 21 issued on December 26, 2008), and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10 issued on December 26, 2008).
* Upon the grant of production license, WA-37-R was registered as WA-50-L.

Independent Auditor's Report

ERNST & YOUNG

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Independent Auditor's Report

The Board of Directors
INPEX CORPORATION

We have audited the accompanying consolidated financial statements of INPEX CORPORATION and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2012, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of INPEX CORPORATION and its consolidated subsidiaries as at March 31, 2012, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 3.

Ernst & Young ShinNihon LLC

June 26, 2012
Tokyo, Japan

Subsidiaries and Affiliates

As of March 31, 2012

Consolidated Subsidiaries

Company name	Issued capital* (Millions of yen)	Voting rights held by us (%)	Main business
INPEX Natuna, Ltd.	5,000	100.00%	Exploration, development, production and sales of oil and natural gas in the South Natuna Sea Block B, Indonesia
INPEX Sahul, Ltd.	4,600	100.00%	Exploration, development, production and sales of oil and natural gas in the JPDA03-12 Block and Bayu-Undan gas-condensate field in the Timor Sea JPDA
INPEX Alpha, Ltd.	8,014	100.00%	Exploration, development, production and sales of oil and natural gas in the WA-35-L Block and others, Australia
INPEX Tengah, Ltd.	1,020	100.00%	Exploration, development, production and sales of oil and natural gas in the Tengah Block in Offshore East Kalimantan, Indonesia
INPEX Browse, Ltd.	163,690	100.00%	Exploration and development of oil and natural gas in the WA-285-P Block and others, Australia
INPEX Ichthys Pty Ltd	802,688 (Thousands of U.S. dollars)	100.00%	Exploration and development of oil and natural gas in the Ichthys gas-condensate field in the WA-50-L Block and others, Australia
INPEX Masela, Ltd.	33,348	51.93%	Exploration and development of oil and natural gas in the Masela Block in the Arafura Sea, Indonesia
INPEX Offshore Northeast Mahakam, Ltd.	3,875	100.00%	Exploration of oil and natural gas in the East Kalimantan Block in Offshore East Kalimantan, Indonesia
INPEX South Makassar, Ltd.	1,097	100.00%	Exploration and development of oil and natural gas in the Sebuku Block in the south of the Offshore Mahakam Block, Indonesia
INPEX Timor Sea, Ltd.	6,712	100.00%	Exploration, development, production and sales of oil and natural gas in the JPDA06-105 Block in the Timor Sea JPDA
INPEX Southwest Caspian Sea, Ltd.	53,594	51.00%	Exploration, development, production and sales of oil in the ACG Oil Fields, Azerbaijan
INPEX North Caspian Sea, Ltd.	50,680	45.00%	Exploration and development of oil in the Offshore North Caspian Sea Block, Kazakhstan
Japan Oil Development Co., Ltd.	18,800	100.00%	Exploration, development, production and sales of oil in the ADMA Block, United Arab Emirates
INPEX ABK, Ltd.	2,500	100.00%	Exploration, development, production and sales of oil in the Abu Al Bukhoosh Block, United Arab Emirates
Teikoku Oil (D.R. Congo) Co., Ltd.	10	100.00%	Exploration, development, production and sales of oil in the Offshore D.R. Congo Block
Teikoku Oil Algeria Co., Ltd.	708	100.00%	Exploration and development of oil in the eastern onshore, Algeria
INPEX Libya, Ltd.	4,905	100.00%	Exploration of oil and natural gas in the 113-3&4 and 113-3&4 Blocks, Libya
Teikoku Oil (Venezuela) Co., Ltd.	100	100.00%	Exploration, development, production and sales of oil and natural gas in the Copa Macoya / Guarico Oriental Blocks, Venezuela
Teikoku Oil (North America) Co., Ltd.	16,593 (Thousands of U.S. dollars)	100.00%	Exploration, development, production and sales of oil in the United States
INPEX Canada, Ltd.	18,520	100.00%	Exploration and development of oil and natural gas including oil sands in Canada
TEIKOKU OIL (SURINAME) CO., LTD.	5,157	55.62%	Exploration of oil in the Northern offshore, Suriname
Teiseki Pipeline Co., Ltd.	100	100.00%	Natural gas transportation, pipeline operation, maintenance and management
INPEX DLNGPL Pty Ltd	86,135 (Thousands of AUS dollars)	100.00%	Investment in Darwin LNG Pty Ltd., which constructs and operates the undersea pipeline and LNG plant connecting Bayu Undan Gas/Condensate Field and Darwin (Australia)
INPEX BTC Pipeline, Ltd.	63,800 (Thousands of U.S. dollars)	100.00%	Investment in the pipeline construction and management business that connects Baku (Azerbaijan), Tbilisi (Georgia) and Ceyhan (Turkey)
Teiseki Topping Plant Co., Ltd.	70	100.00%	Refining domestic crude oil, storage and shipment of petroleum products
INPEX Trading, Ltd.	50	100.00%	Sales, agency and brokerage of crude oil and market research and sales planning in connection with oil and natural gas sales
Teiseki Propane Co., Ltd.	80	100.00%	Sales of LPG and petroleum products
Saitama Gas Co., Ltd.	60	62.67%	City gas sales
Teiseki Transport System Co., Ltd.	10	100.00%	Transport by motor trucks and sales of petrochemical products

30 other subsidiaries

Equity-Method Affiliates

Company name	Issued capital* (Millions of yen)	Voting rights held by us (%)	Main business
MI Berau B.V.	656,279 (Thousands of euros)	44.00%	Exploration, development, production and sales of natural gas in the Berau Block and the Tangguh LNG Project, Indonesia
Ichthys LNG Pty Ltd	482,700 (Thousands of U.S. dollars)	76.00%	Engaged in laying the undersea pipeline from the Ichthys gas-condensate field to the Darwin Onshore LNG Plant and building the LNG plant, Australia
Angola Japan Oil Co., Ltd.	8,000	19.60%	Development and production of oil in the Offshore 3/05 Block, Angola
Japan Ohanet Oil & Gas Co., Ltd.	6,400	15.00%	Development and production of natural gas in the southeastern onshore, Algeria
INPEX Offshore North Campos, Ltd.	6,852	37.50%	Financing for oil and natural gas exploration and development projects in the Frade Block in Offshore North Campos, Brazil

8 other equity-method affiliates

Subsidiaries of Equity-Method Affiliates

Company name	Issued capital*	Voting rights held by us (%)	Main business
Frade Japão Petróleo Limitada	103,051 (Thousands of reais)	0.00%	Exploration, development, production and sales of oil and natural gas in the Frade Block in Offshore North Campos, Brazil

2 other subsidiaries of equity-method affiliates

* Rounding off fractions less than the unit.

Business Risks

The following is a discussion on key items that can be considered potential risk factors relating to the business of INPEX CORPORATION, its subsidiaries and affiliates (the "Group"). From the standpoint of information disclosure to investors and shareholders, we proactively disclose matters that are not necessarily the business risks but that can be considered to have important effects on the investment decisions of investors. The following discussion does not completely cover all business risks relating to the Group's businesses.

Unless stated otherwise, forward-looking statements in the discussion are the judgment of the Group as of June 27, 2012 and are subject to change after such date due to various factors, including changes in social and economic circumstances.

1. CHARACTERISTICS OF AND RISKS ASSOCIATED WITH THE OIL AND NATURAL GAS DEVELOPMENT BUSINESS

(1) Risk of failure in exploration, development or production

Payment of compensation is ordinarily necessary to acquire participating interests. Also, surveying and exploratory drilling expenses (exploration expenses) become necessary at the time of exploration activities for the purpose of discovering resources. When resources are discovered, it is necessary to further invest in substantial development expenses according to various conditions, including the size of the recoverable reserves, development costs and details of agreements with oil-producing countries (including gas-producing countries; hereinafter the same shall apply).

There is, however, no guarantee of discovering resources on a scale that makes development and production feasible. The probability of such discoveries is considerably low despite various technological advances in recent years, and even when resources are discovered the scale of the reserves does not necessarily make commercial production feasible. For this reason, the Group conservatively recognizes expenses related to exploration investment in our consolidated financial statements. The Group maintains financial soundness by booking 100% as expenses in the case of concession agreements (including mining rights awarded in Japan as well as permits, licenses and leases awarded overseas) and by booking 100% of exploration project investment as allowances in the case of production sharing agreements. In addition, if there are impossibilities of recovery of investment in a development project, we also book the corresponding amount of investment in the development project as allowances while considering the recovery possibility of each project.

To increase recoverable reserve and production volumes, the Group plans to always take an interest in promising properties and plans to continue exploration investment. At the same time, we plan to invest in development projects, including the acquisition of interests in discovered undeveloped fields and producing fields, so as to maintain an overall balance between assets at the exploration, development, and production stages.

Although exploration and development (including the acquisition of interests) are necessary to secure the reserves essential to the Group's future sustainable business development, each type of investment involves technological and economic risks, and failed exploration or development could have an adverse effect on the results of the Group's operations.

(2) Crude oil, condensate, LPG and natural gas reserves

1) Proved reserves

INPEX CORPORATION (the "Company") commissioned DeGolyer and MacNaughton, an independent petroleum engineering consultant in the United States, to assess the main proved reserves of the Group of which projects with a significant amount of future development investment might materially affect future performance. An assessment of other projects was undertaken by the Company. The definition of proved reserves is based on the U.S. Securities and Exchange Commission's (SEC) Regulation S-X, Rule 4-10(a), which is widely known among U.S. investors. Regardless of whether the deterministic approach or probabilistic approach is used in evaluation, proved oil and gas reserves are estimated quantities that geological and engineering data demonstrate with reasonable certainty to be recoverable from known reservoirs under existing economic and operating conditions, from the date of evaluation through to the expiration date of the agreement granting operating rights (or in the event of evidence with a reasonable certainty of agreement, extension through to the expiration of the projected extension period). For definition as "proved reserves," operators must have a reasonable degree of certainty that the recovery of hydrocarbons has commenced or that the project will commence within an acceptable period of time. This definition is widely regarded as being conservative. Nevertheless, the strictness of the definition does not imply any guarantee of the production of total reserves during a future production period.

For further details on proved reserves of crude oil, condensate, LPG and natural gas held by the Group, including affiliates accounted for under the equity method, please see the section "Oil and Gas Reserves and Production Volume" on P. 138.

2) Probable reserves and possible reserves

In addition to the assessment of proved reserves based on the SEC standards, the Company commissioned DeGolyer and MacNaughton to assess its probable reserves and the possible reserves of which projects with a significant amount of future development investment might materially affect the future performance, similar to proved reserves. An assessment of other projects was undertaken by the Company, based on the Petroleum Resources Management System 2007 (PRMS) published by four organizations: the Society of Petroleum Engineers (SPE), the World Petroleum Congress (WPC), the American Association of Petroleum Geologists (AAPG), and the Society of Petroleum Evaluation Engineers (SPEE). Probable reserves, as defined by PRMS guidelines established by the four organizations, are reserves of oil and gas volumes outside proved reserves that are less likely to be recovered than proved reserves but more certain to be recovered than possible reserves based on analyses of geological and engineering data. In this context, when probabilistic methods are employed, there should be at least a 50% probability that the quantities actually recovered will equal or exceed the sum of estimated proved and probable reserves. In addition, possible reserves are also defined in accordance with PRMS guidelines as reserves of oil and gas volumes which are not categorized as proved reserves or probable reserves and which are less likely to be recovered than probable reserves based on analyses of geological and engineering data. In this case, it is unlikely that the actual quantity of oil and gas recovered will exceed the sum of proved reserves, probable reserves and possible reserves. Furthermore, when probabilistic methods are employed to calculate possible reserves, there should be at least a 10% probability that the quantities recovered will equal or exceed the sum of proved reserves, probable reserves and possible reserves. Probable reserves and possible reserves can be upgraded to proved reserves after the addition of new technical data or when uncertainty has been reduced due to clarification of economic conditions or operational conditions. Nevertheless, probable reserves and possible reserves do not offer a guarantee of the production of total reserves during a future production period with the same certainty as proved reserves.

For further details on probable reserves and possible reserves of crude oil, condensate, LPG and natural gas held by the Group, including affiliates accounted for under the equity method, please see the section "Oil and Gas Reserves and Production Volume" on P. 138.

3) Possibility of changes in reserves

A reserve evaluation depends on the available geological and engineering data from oil and gas reservoirs, the maturity of development plans and a considerable number of assumptions, factors and variables including economic conditions as of the date such an estimate is made. Reserves may be revised in the future on the basis of geological and engineering data as well as development plans and information relating to changes in economic and other conditions made newly available through progress in production and operations. As a result, there is a possibility that reserves will be restated upwards or downwards. As to the reserves under a PSC, not only production, but also oil and gas prices, investments, recovery of investments due to contractual conditions and remuneration fees may affect the economic entitlement. This may cause reserves to increase or decrease. In this way, the assessed value of reserves could fluctuate because of various data, assumptions and changes of definition.

(3) In the oil and natural gas development business the period from exploration to sales is highly capital intensive and funds cannot be recovered for a long time

Considerable time and expense is required for exploration activities. Even when promising resources are discovered through exploration, substantial expenses including production facility construction costs, and an extended period of time, are necessary at the development stage leading up to production. For this reason, a long period of 10 years or more is required from the time of exploration and development investment until the recovery of funds through production and sales. In particular, the development of the Ichthys and the Abadi, large-scale LNG projects, being pursued by the Company requires a very large amount of investment, and the financing of these projects could be impacted by changes in the economic and financial environment. Following the discovery of resources, a delay in the development schedule or the loss of the economic viability of the properties during the development process leading up to production and the commencement of sales could have an adverse effect on the Group's operational results. Such delays or losses may occur due to changes in the business environment including a delay in the acquisition or modification of government approvals, the occurrence of unanticipated problems related to geological conditions, fluctuations in the price of oil or gas, fluctuations in foreign exchange rates, or escalating prices of equipment and materials. In the case of LNG projects, such delays or losses may occur due to an inability to complete such procedural requirements as FID owing to the lack of any long-term contractual agreement with prospective purchasers with respect to production.

(4) Operatorship

In the oil and natural gas development business, companies frequently form business partnerships for the purpose of the dispersion of risk and financial burden. In such partnerships, one of the companies becomes the operator, which performs the actual work and bears the responsibility for operations on behalf of the partners. The companies other than the operator, as non-operators, participate in the business by providing a predetermined amount of funds and either carefully examining the exploration and development plan devised and implemented by the operator, or participating in some operations.

The integration of INPEX CORPORATION and Teikoku Oil Co., Ltd., was completed on October 1, 2008. The resultant company possesses abundant operational capabilities thanks to the amalgamation of the former two companies' know-how based on extensive operation experience in exploration, development and production both within Japan and overseas as well as their high level proprietary technologies.

The Group intends to actively pursue operator projects focusing on the two large-scale LNG Ichthys and Abadi projects taking into consideration the effective application of business resources as well as the balance between operator and non-operator projects, based on the Group's technical capability, which has been considerably enhanced by the above-stated business integration. Although the Company lacks operator experience in LNG development projects, it has significant expertise as an operator in the development and production of crude oil and natural gas both in Japan and overseas as well as a wealth of know-how and knowledge accumulated over many years as a participant in LNG and other projects in such countries as Indonesia and Australia. In addition, we believe that by utilizing the services of specialized subcontractors and highly experienced external consultants, a practice similar to foreign oil companies including the majors, it will be possible to execute business appropriately as an operator.

Engaging in project coordination as an operator will contribute to the expansion of opportunities of block and acreage acquisition through enhancement of technological capabilities and greater presence in oil-producing countries and the industry. At the same time, there exist risks such as constraints on the recruitment of personnel who have specialized operational skills and an increase in financial burden. Inability to adequately cope with such risks could have an adverse effect on the Group's results of operations.

(5) Project partners

In the oil and natural gas development business, as previously

mentioned, several companies often engage in joint business for the purpose of dispersion of risk and financial burden. In such cases, the partners generally enter into a joint operating agreement among themselves to decide on the decision-making procedure for execution of the joint business, or to decide on an operator that conducts business on their behalf. A company that is a partner in one property in which the Group is engaged in joint business may become a competitor in the acquisition of other participating interests, even though the relationship with the partner may be good.

In undertaking the joint business, participants in principle bear a financial burden in proportion to their interest share. Any inability by a joint business partner to fulfill this financial burden may adversely affect the project.

(6) Disaster and accident risks

Oil and natural gas development entails the risk that operational accidents and disasters may occur in the process of exploration, development, production and transportation. Should such an accident, disaster or other such incident occur, there is the risk that costs will be incurred, excluding compensation covered by insurance, due to facility damage, as well as the risk of a major accident or disaster involving loss of life. In addition, a cost burden for recovery or opportunity loss from the interruption of operations could occur. For the domestic natural gas business, the Company has continued to procure as source gas natural gas regasified from imported LNG since January 2010 to supplement its traditional supplies of natural gas produced in Japan. An inability to procure natural gas regasified from imported LNG due to an accident, disaster or incident at city gas companies that supply the source of purchases may interfere with the Company's ability to supply to its customers. This could in turn have an adverse effect on the Company's domestic natural gas business.

With regard to environmental problems, there is a possibility of soil contamination, air pollution, and freshwater and seawater pollution. The Group has established a "Health, Safety and Environment Policy," and as a matter of course abides by the environmental laws, regulations, and standards of the countries in which we operate and give due consideration to the environment in the conduct of business, based on our independent guidelines. Nevertheless, in the event of an operating accident or disaster that for some reason exerts an impact on the environment, a response or necessary cost burden for recovery or loss from the interruption of operations could occur. Furthermore, in the event of changes to or the strengthening of the environmental laws, regulations, and standards (including support measures for the promotion of new, renewable energies) of the countries in which we operate, it may be necessary for the Group to devise additional measures, and an associated cost burden could occur.

Although the Group maintains accident insurance in the natural conduct of its operations, should such an accident or disaster be attributable to willful misconduct or negligence on the part of the Group, the occurrence of a cost burden could have an adverse effect on financial results. Also, such accident or trouble would result in receiving administrative punishment or result in damage to the Group's credibility and reputation as an oil and natural gas development company, and could therefore have an adverse effect on future business activities.

In November 2011, an oil sheen was discovered spreading in the vicinity of the Frade oil field, in which an approximately 18.3% interest is held by Frade Japão Petróleo Limitada ("FJPL"), which is a subsidiary of INPEX Offshore North Campos, Ltd. (which is an equity-method affiliate of INPEX CORPORATION and in which INPEX CORPORATION holds a 37.5% interest). According to Chevron Brasil Upstream Frade Ltda. ("Chevron"), the operator of the Frade oil field, the application of Chevron's emergency response plan led to the responsible well being brought under control within four days from the sheen's discovery and successfully plugged and abandoned(by operations to fill the well with cement and close it off). While Chevron has continued to monitor the subsequent state of oil seepage, the well closure has succeeded in largely resolving the oil seepage and not one drop of oil reached the beaches and there was no impact on marine life.

In March 2012 Chevron also identified a small, new oil seepage emanating from a location different from the November 2011 oil seep and quickly took measures to place containment devices on the source. According to Chevron the volume of oil released in the seep detected in March 2012 has been about one barrel. Chevron and its partner companies including FJPL also requested a temporary suspension of production in the Frade oil field as a precautionary measure while Chevron conducts a comprehensive technical analysis of the cause of this new seep and additional studies on the geological structure of the field, and production has been suspended since March 16, 2012.

Relevant Brazilian agencies have filed multiple lawsuits and other notices with Chevron, the operator of the field, and other companies requesting compensation of damages and a suspension in operations and other measures in connection with the oil seeps in November 2011 and March 2012. Among them, Brazil's Federal Prosecution Service filed lawsuits against Chevron and other companies demanding damages in the amount of 20 billion real (about 8 hundred billion yen at 1 real being about 40 yen) for each of the incidents in November 2011 and March 2012, but Chevron has publicly announced its opinion that Chevron is not aware of any basis for damages to be awarded in any civil lawsuits. The INPEX Group (including FJPL) is not a direct party to any of these suits or other actions, but if Chevron is made to pay damages, settlement money, or bear any other financial burden as a result of these suits or actions it is possible that FJPL will be required to bear a financial burden equivalent to the portion of interest held by FJPL in the Frade oil field in accordance with the Joint Operating Agreement. In addition, if a suspension of operations is granted as a result of a lawsuit, it is possible that losses will be incurred due to a long-term suspension of operations. As of the date of this document, the scope of each relevant party's responsibility remains unclear and the impact of the oil sheen incidents on the results of operations of INPEX group cannot be reasonably estimated. As of the date of this document, we are not aware of the existence of any lawsuit concerning the oil sheen incidents that involves the INPEX group (including FJPL) as a direct party. However, if legal proceedings such as civil, criminal, or administrative proceedings are brought by Brazilian government agencies, individuals, or any other body against the INPEX group, it is possible that INPEX group will incur losses and/or that operations of the INPEX Group in Brazil will be affected.

2. EFFECTS OF FLUCTUATIONS IN CRUDE OIL PRICES, NATURAL GAS PRICES, FOREIGN EXCHANGE AND INTEREST RATES ON FINANCIAL RESULTS

(1) Effects of fluctuations in crude oil prices and natural gas prices on financial results

A large percentage of crude oil prices and natural gas prices in overseas businesses are determined by international market conditions. In addition, those prices fluctuate significantly in response to the influence of a variety of factors including global or local supply and demand as well as trends and conditions in the global economy and financial markets. The vast majority of these factors are beyond the control of the Company. In this regard, INPEX is not in a position to accurately predict movements in future crude oil and natural gas prices. The Group's sales and profits are subject to the effects of such price fluctuations. Such effects are highly complex and are caused by the following factors.

1) Although a majority of natural gas selling prices in overseas businesses are linked to crude oil prices, they are not in direct proportion to crude oil prices.
2) Because sales and profits are determined on the basis of crude oil prices and natural gas prices at the time sales are booked, actual crude oil transaction prices and the average oil price during the accounting period do not necessarily correspond.

For the domestic natural gas businesses, the Company has continued to purchase as source gas natural gas regasified from imported LNG as a raw material in addition to natural gas produced in Japan since January 2010. The price of the Company's natural gas sold in Japan is comprised of a fixed price portion as well as a portion that reflects fluctuations in the price of imported LNG. In addition to the direct impact of trends in the market prices of LNG and competing energy sources on that portion that reflects fluctuations in the price of imported LNG, contract negotiations held each fiscal year with end purchasers could have an indirect effect on the fixed price portion.

(2) The effect of fluctuations in exchange rates on financial results

As most of the Group's business consists of E&P conducted overseas, associated revenues (sales) and expenditures (costs) are denominated in foreign currencies (primarily in U.S. dollars), and profit and loss is subject to the effects of the foreign exchange market. In the event of appreciation in the value of the yen, yen-denominated sales and profits decrease. Conversely, in the event of depreciation in the value of the yen, yen-denominated sales and profits increase.

On the other hand, when borrowing necessary funds, the Company borrows in foreign currencies. In the event of appreciation in the value of the yen, a foreign exchange gain on foreign-currency denominated borrowings is recorded as a result of fiscal year-end conversion; in the event of depreciation in the value of the yen, a foreign exchange loss is incurred. For this reason, the exchange risk associated with the above business is diminished and the impact of fluctuations in exchange rates on profit and loss tends to be mitigated. Moreover, although the Company is taking measures to reduce a portion of the risks associated with movements in foreign currency exchange rates, these measures by no means cover all possible risks. As a result, the impact of fluctuations in foreign currency exchange rates cannot be completely eliminated.

(3) The effect of fluctuations in interest rates on financial results

The Group raises some of the funds necessary for exploration and development operations through borrowing. Much of these borrowings are with variable-rates, long term borrowings based on the U.S. dollar six-month LIBOR rate. Accordingly, the Company's profits are subject to the influence of fluctuations in U.S. dollar interest rates. Furthermore, although the Group has devised methods to reduce a portion of interest rate risk, these methods do not cover all risks of interest rate fluctuation incurred by our Group and do not entirely remove the effect of fluctuations in interest rates.

3. OVERSEAS BUSINESS ACTIVITIES AND COUNTRY RISK

The Group engages in a large number of oil and natural gas development projects overseas. Because the Group's business activities, including the acquisition of participating interests, are conducted on the basis of contracts with the governments of oil-producing countries and other entities, steps taken by oil-producing countries to further tighten controls applicable to home country natural resources, suspension of operation due to conflicts and other factors, and other such changes in the political, economic, and social circumstances in such oil-producing countries or neighboring countries (including government involvement, stage of economic development, economic growth rate, capital reinvestment, resource allocation, restriction of economic activities by global community, government control of foreign exchange or foreign remittances, and the balance of international payments), the application of OPEC production ceilings in OPEC member countries and changes in the legal system and taxation system of those countries (including the establishment or abolition of laws or regulations and changes in their interpretation or enforcement) could have a significant impact on the Group's business or results unless the impact is compensated by insurance.

Additionally, against the background of rising development costs and other changes in the business environment, the progress of oil and gas projects, and the need to address environmental issues, the governments of oil-producing countries may seek to renegotiate the fiscal conditions including conditions of existing oil contracts related to participating interests. In the event that the fiscal conditions of contracts were to be renegotiated, this could have an adverse effect on the Group's business performance.

4. DEPENDENCE ON SPECIFIC GEOGRAPHICAL AREAS OR PROPERTIES

(1) Production volume

The Group engages in stable production of crude oil and natural gas in the Offshore Mahakam Block (Indonesia), the ADMA Block (United Arab Emirates), the Minami Nagaoka Gas Field (Japan) and so on. Through a process of business integration, the Group had established a wide ranging, diversified yet balanced portfolio that encompassed the Asia-Oceania regions (particularly Japan, Indonesia, and Australia), the Middle East and Africa, Eurasia including Caspian Sea area and the Americas. For the year ended March 31, 2012 however, the Asia and Oceania regions accounted for about 47% of the Group's production volume, and the Middle East and Africa accounted for about 36% making up the vast majority of the Group's operations.

Looking ahead, the Group will endeavor to further enhance the balance of its asset portfolio on a regional basis. However, the Group currently relies heavily on specific geographical areas and properties for its production volume, and the occurrence in these properties of an operational problem or difficulty could have an adverse effect on the Group's operational results.

(2) Contract expiration dates in principal business areas

Expiration dates are customarily stipulated in the agreements related to participating interests, which are prerequisites for the Group's overseas business activities. Although March 30, 1997 was the initial contract expiration date in the production sharing agreement for the Offshore Mahakam Block of Indonesia, the Group's principal geographical business area, an extension was approved in 1991, and the current expiration date is December 31, 2017. On the basis of the concession agreement for the ADMA Block, the concession expiration date is March 8, 2018. (However, the expiration date for the Upper Zakum Oil Field has been extended to March 8, 2026.) Although the Group plans to make efforts together with partners to further extend these agreements, inability to re-extend the agreements or unfavorable contract terms and conditions at the time of re-extension could have an adverse effect on the Group's results. Even should the agreements be re-extended, we anticipate that remaining recoverable reserves may decrease at the time of re-extension. Although the Group is striving to acquire interests that can substitute these properties, failure to acquire participating interests in oil and gas fields to fully substitute for these properties could have an adverse effect on the Group's results. In addition, the period for exploration in oil and gas fields currently under exploration is fixed by contracts, and in the case of fields where oil and/or gas reserves are found that are deemed to be commercialized, and the Company is unable to decide on the transition to the development stage by the expiration of the current contract, efforts will be made through negotiations with the government of the oil- or gas-producing country in question to have the periods extended. However, there remains the possibility that such negotiations may not be successfully concluded, in which event the Company would be forced to withdraw from operations in the oil or gas field concerned. Also, as a rule, when there has been a major breach of contract on the part of one party, it is customary for the other party to have the right to cancel the agreement before the expiration date. The agreements for properties in these principal geographical business areas contain similar provisions. The Group has never experienced early cancellation of an agreement due to breach of contract, and we do not anticipate such an occurrence in the future. Nevertheless, a major breach of contract on the part of a party to an agreement could result in cancellation of an agreement before the expiration date.

And in the overseas natural gas development and production activities, in many cases we are selling and supplying gas based on long-term sales and supply contracts in which expiration dates are stipulated. We plan to make efforts with partners to extend or re-extend the expiration date before the deadline stipulated in these contracts. Nevertheless, inability to extend the contracts, or the occurrence of cases in which extension is made but sales and supply volumes are reduced, could have an adverse effect on the Group's business or results.

5. PRODUCTION SHARING AGREEMENTS

(1) Details of production sharing agreements

The Group has entered into production sharing agreements with countries including Indonesia and Caspian Sea area, and therefore holds numerous participating interests in those regions.

Production sharing agreements are agreements by which one or several oil and natural gas development companies serve as contractors that undertake at their own expense exploration and development work on behalf of the governments of oil-producing countries or national oil companies and receive production from the projects as cost recovery and compensation. That is to say, when exploration and development work results in the production of oil or natural gas, the contractors recover the exploration and development costs they incurred by means of a share in the production. The remaining production (crude oil and gas) is shared among the oil-producing country or national oil company and the contractors according to fixed allocation ratios. (The contactors' share of production after cost recovery is called "profit oil and gas." In the case of natural gas, sales are conducted by Indonesia and the contractors receive cost recovery and profit gas in the form of cash.) On the other hand, in cases when exploration fails and expected production is not realized, the contractors are not to recover their invested funds.

(2) Accounting treatment of production sharing agreements

When a company in the Group owns participating interests under production sharing agreements, as mentioned above, in the role of contractor it invests technology and funds in the exploration and development of the property, recovers the invested costs from the production produced, and receives a share of the remaining production after recovery of invested costs as compensation.

Costs invested on the basis of production sharing agreements are recorded on the balance sheet as assets for which future recovery is anticipated under the item "Recoverable accounts under production sharing." After the start of production, recovered costs on the basis of those agreements are deducted from this balance sheet item.

As production received under production sharing agreements is divided into the cost recovery portion and the compensation portion, the method of calculating cost of sales is also distinctive. That is to say, the full amount of production received is temporarily charged to cost of sales as the cost of received production, and subsequently the amount of the compensation portion is calculated and this amount is booked as an adjustment item to cost of sales ("Free of charge production allocated"). Consequently, only the cost recovery portion of production after deduction of the compensation portion is booked as cost of sales.

6. RELATIONSHIP WITH THE JAPANESE GOVERNMENT

(1) The Company's relationship with the Japanese government

Although the government of Japan (the Minister of Economy, Trade and Industry) holds 18.94% of the Company's common shares issued and a special-class share as of June 27, 2012, the Company autonomously exercises business judgment as a private corporation. There is no relationship of control, such as through the dispatch of officers or other means between the Company and the Japanese government. Moreover, we believe that no such relationship will develop in the future. Furthermore, there is no concurrent posting or secondment to the Company of officers or employees from the Japanese government.

(2) Ownership and sale of the Company's shares by the Japanese government (the Minister of Economy, Trade and Industry)

The Ministry of Economy, Trade and Industry (METI) holds 18.94% of the Company's common shares issued. METI succeeded to the shares that had been held by Japan National Oil Corporation (JNOC) following the dissolution of JNOC on April 1, 2005. With regard to the liquidation and disposition of the oil and gas upstream assets owned by JNOC, the Policy Regarding the Disposal of Oil and Gas Development-Related Assets Held by Japan National Oil Corporation (hereinafter, the "Report") was announced on March 18, 2003 by the Japan National Oil Corporation Asset Evaluation and Liquidation Deliberation Subcommittee of the Advisory Committee on Energy and Natural Resources, an advisory body of the Ministry of Economy, Trade and Industry. The Report describes the importance of appropriate timing in selling the shares on the market, taking into consideration enterprise value growth. In addition, METI may, in accordance with the Supplementary Provision Article 13 (1) 2 of the "Special Measures Act for Reconstruction Finance Keeping After the Great East Japan Earthquake" ("the Reconstruction Finance Keeping Act" (provisional translation, the same shall apply hereinafter)) enacted December 2, 2011, sell off the Company's shares in Japan or overseas after examining the possibility of disposal of the said shares based on a review of the holdings from the perspective of energy policy. This could have an impact on the market price of the Company's shares.

METI also holds one share of the Company's special-class share. As the holder of a special-class share, METI possesses veto rights over certain resolutions of the Company's general shareholders' meetings and meetings of the Board of Directors. For details on the special-class share, please refer to "8. SPECIAL-CLASS SHARE" below.

7. TREATMENT OF SHARES OF THE GROUP'S PROJECT COMPANY OWNED BY JAPANESE GOVERNMENT AND JOGMEC

(1) Treatment of shares of the Group's project company previously owned by Japan National Oil Corporation (JNOC)

In the aforementioned Report, INPEX CORPORATION (prior to the integration with Teikoku Oil; reorganized on October 1, 2008) was identified as a company that should comprise part of a core company, and is expected to play a role in efficient realization of a stable supply of energy for Japan through the involvement by a national flagship company. In response to the Report, the Company (also, the Group since our acquirement of Teikoku Oil on October 1, 2008) has sought to promote efficient realization of a stable supply of energy for Japan while taking advantage of synergy with the efforts of active resource diplomacy on the part of the Japanese government, and has aimed to maximize shareholder value by engaging in highly transparent and efficient business operations.

As a result, with regard to the integration by means of transfer of shares held by JNOC proposed in the Report, INPEX CORPORATION and JNOC concluded the Basic Agreement Concerning the Integration of Assets Held by JNOC into INPEX CORPORATION of February 5, 2004 (hereinafter the "Basic Agreement") and a memorandum of understanding related to Basic Agreement (hereinafter "MOU"). On March 29, 2004, INPEX CORPORATION and JNOC entered into related contracts including the Basic Contract Concerning the Integration of Assets Held by JNOC into INPEX CORPORATION (hereinafter the "Basic Contract"), achieving the agreement on the details including the treatment of the project companies subject to the integration and shareholding ratios.

In 2004 INPEX CORPORATION accomplished the integration of Japan Oil Development Co., Ltd. (JODCO), INPEX Java Ltd. (disposal was completed on September 30, 2010) and INPEX ABK, Ltd. which are three of four companies covered by the Basic Agreement. Although INPEX Southwest Caspian Sea Ltd. (hereinafter "INPEX Southwest Caspian") would become a wholly owned subsidiary of INPEX CORPORATION by means of a share exchange and the procedures were undertaken, the share exchange contract was invalidated owing to failure to accomplish the terms and conditions of the share exchange contract and the planned share exchange was cancelled. Following the dissolution of JNOC on April 1, 2005, the Minister of Economy, Trade and Industry succeeded to the INPEX Southwest Caspian shares held by JNOC. The Company continues to study the possibility to acquire the shares. However, the METI's future treatment of these shares is undecided and, depending on the result of review in accordance with the Reconstruction Finance Keeping Act, acquisition of INPEX Southwest Caspian shares could be unavailable.

The treatment of Sakhalin Oil and Gas Development Co., Ltd. (hereinafter "SODECO"), INPEX Offshore North Campos, Ltd., INPEX North Makassar, Ltd. (liquidation proceedings completed on December 19, 2008), INPEX Masela, Ltd., and INPEX North Caspian Sea, Ltd. was agreed between INPEX CORPORATION and JNOC in the MOU of February 5, 2004. Regarding the treatment of shares of SODECO, refer to the section "(2) Treatment of the shares of Sakhalin Oil and Gas Development (SODECO) owned by the Japanese government" below. With regard to the transfer to INPEX CORPORATION of the shares in the above project companies other than SODECO, it was decided that the shares are to be transferred for cash compensation as soon as prerequisites such as the consent of the oil-producing country and joint venture partners and the possibility of appropriate asset evaluations are in place. However, the transfer of shares held by JNOC in the above companies has not been decided and the shares in the above project companies were succeeded to by the Japan Oil Gas and Metals National Corporation (hereinafter "JOGMEC") on the dissolution of JNOC on April 1, 2005, except shares related to INPEX North Makassar, Ltd., to which the Minister of Economy, Trade and Industry succeeded. JOGMEC states in its "medium-term objective" and "medium-term plan" that the shares succeeded to from JNOC will be disposed of at an appropriate time and in an appropriate manner, but the timing and manner of the disposal for the shares held by JOGMEC have not been decided, and it is possible that the Company will be unable to acquire the shares.

(2) Treatment of the shares of Sakhalin Oil and Gas Development (SODECO) owned by the Japanese government

The Japanese government (the Minister of Economy, Trade and Industry) owns 50% of the shares of SODECO. SODECO was established in 1995 to engage in an oil and natural gas exploration and development project located on the northeast continental shelf off Sakhalin Island. SODECO owns a 30.0% interest in the Sakhalin-1 Project, of which ExxonMobil of the United States is the operator. In October 2005, Phase 1 of this project started with the goal of advanced production of oil and natural gas. Furthermore, there is a plan for additional development operations (Phase 2) for the purpose of the full-scale production of natural gas. The Company holds 5.74% of SODECO shares issued and outstanding.

In the previously mentioned Report, SODECO, along with INPEX CORPORATION and JODCO, has been identified as a company that should comprise part of a core company in Japan's oil and natural gas upstream industry in the future.

In accordance with the Report, it is assumed that private-sector shareholders, including INPEX CORPORATION, will acquire shares of SODECO issued and outstanding to which the Minister of Economy, Trade and Industry succeeded and that were previously held by JNOC (50.0%). The Company plans to hold a maximum of 33% of the SODECO shares to become its largest shareholder. In the event that the consent of SODECO's joint-venture partners, the relevant Russian government entity, or other parties is necessary for the acquisition of the shares, obtaining the consent is a prerequisite for acquisition. In addition, it will be necessary to reach agreement on the shareholder composition for SODECO, the share transfer price, and other matters.

In the event that the additional acquisition of the SODECO shares is realized, the Group will hold a substantial ownership interest in oil and natural gas assets in Russia, as well as in Asia and Oceania, the Middle East, Caspian Sea area, and other regions, and we expect the acquisition to contribute to the achievement of a more balanced overseas asset portfolio for the Group.

However, at this time it is undecided whether agreement concerning acquisition of the shares with the Minister of Economy, Trade and Industry will be reached as anticipated and will be realized. Also, even in the event that the acquisition is realized, the conditions and time of acquisition are undecided and, depending on the result of review in accordance with the Reconstruction Finance Keeping Act, the acquisition by the Company could be unavailable.

8. SPECIAL-CLASS SHARE

(1) Overview of the classified share

1) Reason for the introduction

The Company was established as the holding company through a stock transfer between INPEX CORPORATION and Teikoku Oil Co., Ltd. on April 3, 2006. Along with this, a classified share originally issued by INPEX CORPORATION (prior to the merger) was transferred and at the same time the Company issued a classified share with the same effect (hereinafter the "special-class share") to the Minister of Economy, Trade and Industry. The classified share originally issued by INPEX CORPORATION was the minimally required and a highly transparent measure to eliminate the possibility of management control by foreign capital while not unreasonably impeding the efficiency and flexibility of management based on the concept in the Report discussed in the above section 7. "TREATMENT OF SHARES OF THE GROUP'S PROJECT COMPANY OWNED BY JAPANESE GOVERNMENT AND JOGMEC." INPEX CORPORATION is identified as a company that should comprise part of a core company for Japan's oil and gas upstream industry and is expected to play a role in efficient realization of a stable supply of energy for Japan as a national flagship company. On the basis of the concept of the Report, the Company issued the special-class share because it can be considered an effective means of preventing risks such as a speculative hostile takeover.

2) Shareholders' meeting resolutions, dividends, distribution of residual assets, and redemption

Unless otherwise provided by laws or ordinances, the special-class share does not have any voting rights at the Company's general shareholders' meetings. The holder of the special-class share will receive the same amount of dividends, interim dividends, and distributions of residual assets as a holder of common stock. The special-class share will be redeemed by resolution of the Board of Directors of the Company if the holder of the special-class share requests redemption or if the special-class share is transferred to a party other than the government of Japan or an independent administrative body that is fully funded by the government of Japan.

3) Veto rights in the Articles of Incorporation

The Articles of Incorporation of the Company provide that an approval resolution of the meeting of the holder of the special-class share is necessary in addition to resolutions of the Company's general shareholders' meetings and resolutions of meetings of the Board of Directors for the decisions on certain important matters such as the appointment or removal of Directors, disposition of material assets, changes to the Articles of Incorporation, business integration, capital reduction or company dissolution in connection with the business of the Company. Accordingly, the Minister of Economy, Trade and Industry, as the holder of the special-class share, has veto rights over these important matters.

4) Criteria for the exercise of veto rights provided in the guidelines

Guidelines concerning the exercise of the veto rights have been established in a Ministry of Economy, Trade and Industry Notice (No. 220, 2008) (hereinafter the "Notice"). The guidelines stipulate the exercise of veto rights only in the following specific cases.

- When resolutions pertaining to appointment or removal of Directors and integration are not voted down and it is judged that the probability is high that the Company will engage in management inconsistent with the role that a core company should perform for efficient realization of a stable supply of energy to Japan.
- When resolutions pertaining to disposition of material assets are not voted down and the objects of disposition are oil and natural gas exploration or production rights or rights similar thereto or shares or ownership interest in the Company's subsidiary whose principal assets are said rights and it is judged that the probability is high that the Company will engage in management inconsistent with the role that a core company should perform for efficient realization of a stable supply of energy to Japan.
- When resolutions pertaining to amendments to the Company's Articles of Incorporation relating to changes in the Company's business objectives, capital reduction, or dissolution are not voted down and it is judged that the probability is high that the Company will engage in management inconsistent with the role that a core company should perform for efficient realization of a stable supply of energy to Japan.
- When resolutions pertaining to amendments to the Articles of Incorporation granting voting rights to any shares other than the common shares of the Company are not voted down and could have an effect on the exercise of the voting rights of the special-class share.

It is provided that the above guidelines shall not be limited in the event that the Notice is changed in the light of energy policy.

(2) Risk in connection with the special-class share

Although the special-class share was issued as a minimally required measure to eliminate the possibility of management controlled by foreign capital while not unreasonably impeding the efficiency and flexibility of management, anticipated risks in connection with the special-class share include the following.

1) Possibility of conflict of interest between national policy and the Company and its common shareholders

It is conceivable that the Minister of Economy, Trade and Industry could exercise the veto rights in accordance with the above guidelines provided in the Notice. As the guidelines have been provided from the standpoint of efficient realization of a stable supply of energy to Japan, it is possible that the exercise of the veto rights by the Minister of Economy, Trade and Industry could conflict with the interest of other shareholders who hold the Company's common shares. Also, it is possible that the above guidelines could be changed in the light of energy policy.

2) Impact of the exercise of veto rights on the price of shares of common stock

As mentioned above, as the holder of the special-class share has the veto rights over certain important matters in connection with the business of the Company, the actual exercise of the veto rights over a certain matter could have an impact on the price of the Company's shares of common stock.

3) Impact on the Company's degree of freedom in business and business judgment

As the Minister of Economy, Trade and Industry holds the special-class share with the previously mentioned veto rights, the Company needs a resolution of the meeting of the holder of the special-class share concerning the above matters. For this reason, the Company's degree of freedom in management in those matters could be restricted by the judgment of the Minister of Economy, Trade and Industry. Also, attendant on the need for a resolution of the meeting of the holder of the special-class share concerning the above matters, a certain period of time is required for procedures such as the convening and holding of meetings and resolutions and for the processing of formal objections, if necessary.

9. CONCURRENTLY SERVING OUTSIDE DIRECTORS

The Board of Directors of the Company is composed of 16 members, five of whom are outside directors.

The four outside directors have many years of management experience in the Company's business and are able to offer objective, professional advice regarding operations. For this reason, they were asked to join the Board of Directors to contribute to the development of the Company's business.

The four outside directors concurrently serve as directors or advisers of Japan Petroleum Exploration Co., Ltd., Mitsubishi Corporation, Mitsui Oil Exploration Co., Ltd. and JX Holdings, Inc. (hereinafter "shareholder corporations"), respectively.

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

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

Oil and Gas Reserves and Production Volume

1. OIL AND GAS RESERVES

Proved reserves

The following tables list the proved reserves of crude oil, condensate, LPG and natural gas of our company, our consolidated subsidiaries and equity-method affiliates on main projects. Disclosure details applicable to proved reserves are presented in accordance with the rules and regulations stipulated by the U.S. Financial Accounting Standards Board, and are reported in accordance with the Accounting Standard Codification Topic 932 "Extractive activities —Oil and Gas."

Our proved reserves as of March 31, 2012 were 981.31 MMbbl for crude oil, condensate and LPG, 7,793.0 billion cubic feet for natural gas and 2,432.47 MMboe in total.

	Japan		Asia & Oceania		Eurasia (Europe & NIS)		Middle East & Africa		Americas		Total	
	Crude oil (MMbbl)	Gas (Bcf)	Crude oil (MMbbl)	Gas (Bcf)	Crude oil (MMbbl)	Gas (Bcf)	Crude oil (MMbbl)	Gas (Bcf)	Crude oil (MMbbl)	Gas (Bcf)	Crude oil (MMbbl)	Gas (Bcf)
Proved developed and undeveloped reserves												
INPEX CORPORATION and Consolidated Subsidiaries												
As of March 31, 2010	16	656	111	1,649	207	—	433	—	4	190	771	2,495
Extensions and discoveries	—	—	—	—	—	—	—	—	—	—	—	—
Acquisitions and sales	—	—	(6)	(37)	7	—	—	—	(3)	—	(2)	(37)
Revisions of previous estimates	0	—	4	(100)	6	—	(3)	—	0	2	8	(98)
Interim production	(1)	(46)	(24)	(305)	(10)	—	(27)	—	(1)	(30)	(63)	(380)
As of March 31, 2011	15	611	85	1,208	210	—	404	—	0	162	715	1,980
Equity-method affiliates												
As of March 31, 2010	—	—	1	475	—	—	203	—	4	0	209	475
Extensions and discoveries	—	—	—	—	—	—	—	—	—	—	—	—
Acquisitions and sales	—	—	—	—	—	—	0	—	—	—	0	—
Revisions of previous estimates	—	—	0	16	—	—	(1)	—	0	0	(1)	16
Interim production	—	—	(0)	(20)	—	—	(23)	—	(2)	(0)	(24)	(21)
As of March 31, 2011	—	—	2	470	—	—	179	—	3	0	184	471
As of March 31, 2011	15	611	87	1,678	210	—	583	—	3	162	899	2,451
INPEX CORPORATION and Consolidated Subsidiaries												
Extensions and discoveries	—	—	190	5,364	—	—	—	—	—	—	190	5,364
Acquisitions and sales	—	—	—	—	—	—	(2)	—	—	—	(2)	—
Revisions of previous estimates	2	87	2	181	(13)	—	1	—	0	59	(7)	327
Interim production	(1)	(47)	(23)	(243)	(9)	—	(31)	—	(0)	(26)	(64)	(316)
As of March 31, 2012	16	651	255	6,509	188	—	371	—	0	195	831	7,354
Equity-method affiliates												
As of March 31, 2011	—	—	2	470	—	—	179	—	3	0	184	471
Extensions and discoveries	—	—	—	—	—	—	—	—	—	—	—	—
Acquisitions and sales	—	—	—	—	—	—	—	—	—	—	—	—
Revisions of previous estimates	—	—	1	(9)	—	—	(7)	—	(0)	0	(6)	(9)
Interim production	—	—	(0)	(22)	—	—	(26)	—	(2)	(0)	(27)	(23)
As of March 31, 2012	—	—	2	439	—	—	147	—	1	0	150	439
Proved developed and undeveloped reserves												
As of March 31, 2012	16	651	257	6,947	188	—	518	—	1	195	981	7,793
Proved developed reserves												
INPEX CORPORATION and Consolidated Subsidiaries												
As of March 31, 2012	16	651	48	776	37	—	371	—	0	87	473	1,514
Equity-method affiliates												
As of March 31, 2012	—	—	2	413	—	—	147	—	1	0	150	413
Proved undeveloped reserves												
INPEX CORPORATION and Consolidated Subsidiaries												
As of March 31, 2012	—	—	207	5,732	152	—	—	—	—	108	358	5,840
Equity-method affiliates												
As of March 31, 2012	—	—	0	25	—	—	—	—	—	—	0	25

Note 1. Based on SEC disclosure standards, INPEX discloses proved reserves in all countries representing 15% or more of its proved reserves. As of March 31, 2012, INPEX held proved reserves in Australia of approximately 196.5 MMbbl for crude oil and approximately 5,338.9 billion cubic feet for natural gas, for a total of 1,191.63 MMboe.
2. Proved reserves (as of March 31,2012) of the following blocks and fields include minority interests.
Eurasia (Europe & NIS): ACG (49%), Kashagan (55%), Americas: Copa Macoya (30%)
3. MMbbl: Million barrels
4. Bcf: Billions of cubic feet
5. Crude oil includes condensate and LPG

Standardized measure of discounted future net cash flows and changes relating to proved oil and gas reserves

Disclosure details for the standardized measure of discounted future net cash flows relating to proved reserves and movements during the fiscal year under review are presented in accordance with the rules and regulations stipulated by the U.S. Financial Accounting Standards Board, and are reported in accordance with the Accounting Standard Codification Topic 932 "Extractive activities—Oil and Gas."

In calculating the standardized measure of discounted future net cash flows, the period average of oil and gas prices at the first day of each month is applied to the estimated annual future production from proved reserves to determine future cash inflows. Future development costs are estimated based upon constant oil price assumptions and assume the continuation of existing economic, operating, and regulatory conditions. Future income taxes are calculated by applying the period-end statutory rate to estimated future pretax cash flows after provision for taxes on the cost of oil and natural gas properties based upon existing laws and regulations. The discount is computed by applying a 10% discount factor to the estimated future net cash flows.

We use the exchange rates of ¥83.15 and ¥82.14 to US$1.00 as of March 31, 2011 and 2012, respectively.

These figures are calculated in accordance with the rules set forth by the U.S. Financial Accounting Standards Board. Because no economic value is attributed to potential reserves, a uniform discount rate of 10% is applied, and the price of oil is subject to constant fluctuation, these figures do not represent the fair market value of reserves of crude oil, condensate, LPG and natural gas, or of the present value of the cash flows.

	Millions of yen					
March 31, 2011	Total	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas
INPEX CORPORATION and Consolidated Subsidiaries						
Future cash inflows	¥ 6,350,230	¥ 539,869	¥1,590,216	¥1,383,629	¥ 2,806,307	¥ 30,209
Future production and development costs	(1,913,933)	(117,393)	(449,736)	(494,241)	(833,128)	(19,434)
Future income tax expenses	(2,686,247)	(139,424)	(478,851)	(179,337)	(1,886,511)	(2,125)
Future net cash flows	1,750,050	283,052	661,630	710,051	86,667	8,650
10% annual discount for estimated timing of cash flows	(749,379)	(128,557)	(174,490)	(394,948)	(49,389)	(1,994)
Standardized measure of discounted future net cash flows	1,000,671	154,495	487,140	315,103	37,278	6,656
Equity-method affiliates						
Future cash inflows	1,397,434	—	101,144	—	1,276,469	19,821
Future production and development costs	(448,355)	—	(49,888)	—	(390,130)	(8,338)
Future income tax expenses	(866,698)	—	(15,943)	—	(847,664)	(3,091)
Future net cash flows	82,381	—	35,314	—	38,676	8,392
10% annual discount for estimated timing of cash flows	(33,395)	—	(15,436)	—	(17,282)	(677)
Share of equity-method investees' standardized measure of discounted future net cash flows	48,986	—	19,878	—	21,393	7,715
Total consolidated and equity-method affiliates in standardized measure of discounted future net cash flows	¥ 1,049,657	¥ 154,495	¥ 507,017	¥ 315,103	¥ 58,671	¥ 14,370

Note: Reserves of the following blocks and fields include minority interests.
Eurasia (Europe & NIS): ACG (49%), Kashagan (55%)
Middle East & Africa: West Bakr (47.3%)
Americas: Copa Macoya (30%)

	Millions of yen					
March 31, 2012	Total	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas
INPEX CORPORATION and Consolidated Subsidiaries						
Future cash inflows	¥12,233,012	¥ 841,649	¥ 6,370,993	¥1,585,214	¥ 3,399,632	¥ 35,524
Future production and development costs	(3,931,090)	(161,211)	(2,427,986)	(378,658)	(940,940)	(22,295)
Future income tax expenses	(4,804,117)	(242,127)	(1,921,324)	(267,983)	(2,370,085)	(2,597)
Future net cash flows	3,497,805	438,311	2,021,683	938,573	88,606	10,632
10% annual discount for estimated timing of cash flows	(2,253,957)	(219,401)	(1,445,374)	(538,165)	(47,863)	(3,153)
Standardized measure of discounted future net cash flows	1,243,848	218,910	576,308	400,408	40,743	7,478
Equity-method affiliates						
Future cash inflows	1,495,119	—	105,683	—	1,379,368	10,069
Future production and development costs	(456,429)	—	(56,512)	—	(394,701)	(5,216)
Future income tax expenses	(954,555)	—	(20,714)	—	(932,820)	(1,021)
Future net cash flows	84,136	—	28,457	—	51,846	3,832
10% annual discount for estimated timing of cash flows	(29,669)	—	(11,663)	—	(17,761)	(246)
Share of equity-method investees' standardized measure of discounted future net cash flows	54,466	—	16,794	—	34,086	3,586
Total consolidated and equity-method affiliates in standardized measure of discounted future net cash flows	¥ 1,298,314	¥ 218,910	¥ 593,103	¥ 400,408	¥ 74,829	¥ 11,065

Note: Reserves of the following blocks and fields include minority interests.
Eurasia (Europe & NIS): ACG (49%), Kashagan (55%)
Americas: Copa Macoya (30%)

	Millions of yen						
	Total	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Equity-method affiliates
INPEX CORPORATION and Consolidated Subsidiaries							
Standardized measure, beginning of period As of April 1, 2011	¥1,049,657	¥154,495	¥ 487,140	¥ 315,103	¥ 37,278	¥ 6,656	¥ 48,986
Changes resulting from:							
Sales and transfers of oil and gas produced, net of production costs	(648,701)	(32,415)	(270,764)	(61,107)	(144,052)	(2,498)	(137,864)
Net change in prices, and production costs	874,831	108,573	(12,363)	179,668	370,315	(2,130)	230,767
Development cost incurred	115,751	836	30,591	59,592	14,074	108	10,550
Changes in estimated development costs	(116,174)	2,649	(123,979)	16,381	(3,522)	(2,129)	(5,573)
Revisions of previous quantity estimates	177,545	11,602	323,612	(115,612)	(2,592)	7,315	(46,780)
Accretion of discount	89,588	13,717	35,257	32,490	3,716	468	3,940
Net change in income taxes	(323,253)	(38,653)	16,145	(22,266)	(229,239)	(275)	(48,964)
Extensions, discoveries and improved recoveries	91,841	—	96,623	—	(4,782)	—	—
Other	(12,771)	(1,894)	(5,953)	(3,840)	(453)	(36)	(595)
Standardized measure, end of the period As of March 31, 2012	¥1,298,314	¥218,910	¥ 576,308	¥ 400,408	¥ 40,743	¥ 7,478	¥ 54,466

Notes: 1. Reserves of the following blocks and fields include minority interests.
Eurasia (Europe & NIS): ACG (49%), Kashagan (55%)
Middle East & Africa: West Bakr (47.3%)
Americas: Copa Macoya (30%)
2. Extensions, discoveries and improved recoveries includes acquisition and sales.

Probable reserves and possible reserves

The following tables list the probable and possible reserves of crude oil, condensate, LPG and natural gas of our company, our consolidated subsidiaries and equity-method affiliates on main project. Our probable reserves as of March 31, 2012 were 734.36 MMbbl for crude oil, condensate and LPG, 6,038.5 billion cubic feet for natural gas and 1,823.08 MMboe in total. In addition, the Group's possible reserves as of March 31, 2012 were 114.84 MMbbl for crude oil, condensate and LPG, 2,692.3 billion cubic feet for natural gas and 621.65 MMboe in total.

March 31, 2012	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Subtotal	Interest in reserves held by equity-method affiliates	Total
Probable reserves								
Crude oil, condensate and LPG (MMbbl)	3	155	347	102	86	693	41	734
Natural gas (Bcf)	114	5,748	—	—	87	5,949	89	6,038

March 31, 2012	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Subtotal	Interest in reserves held by equity-method affiliates	Total
Possible reserves								
Crude oil, condensate and LPG (MMbbl)	—	98	2	5	3	108	6	115
Natural gas (Bcf)	—	2,653	—	—	38	2,691	2	2,692

Notes: 1. MMbbl: Million barrels
2. Bcf: Billions of cubic feet
3. Bitumen reserve volumes are included in the net probable reserves of crude oil, condensate and LPG for the Americas.

2. OIL AND GAS PRODUCTION

The following tables list average daily production for crude oil, natural gas, and the total of crude oil and natural gas by region. The proportional interests in production by our equity-method affiliates are not broken down by geographical regions.

Our production for the year ended March 31, 2012 was 251.2 Mbbld for crude oil, condensate and LPG, 927.7 MMcf/d for natural gas and 426.2 Mboed in total. Our method for calculating the conversion of natural gas volumes to barrels of oil equivalent (boe) has been altered effective the same fiscal year.

Years ended March 31,	2007	2008	2009	2010	2011	2012
Crude oil, condensate and LPG (Mbbld):						
Japan	3.9	4.9	4.9	4.5	3.9	3.8
Asia & Oceania	40.4	36.5	44.7	47.7	65.1	62.5
Eurasia (Europe & NIS)	47.9	54.5	24.8	26.9	27.9	25.0
Middle East & Africa	82.3	80.7	81.0	73.3	73.0	84.3
Americas	0.1	0.4	2.7	5.5	2.3	0.1
Subtotal	174.7	177.0	158.1	158.0	172.2	175.7
Proportional interest in production by equity-method affiliates	67.8	64.6	65.1	60.4	67.4	75.4
Total	242.5	241.5	223.2	218.3	239.6	251.2
Annual production (MMbbl)	88.5	88.4	81.5	79.7	87.5	91.9
Natural gas (MMcf/d):						
Japan	127.8	161.5	164.9	155.1	128.7	127.6
Asia & Oceania	865.8	845.7	842.8	880.5	836.0	665.0
Eurasia (Europe & NIS)	—	—	—	—	—	0.0
Middle East & Africa	—	—	—	—	—	0.0
Americas	57.5	81.6	82.3	86.9	81.1	72.4
Subtotal	1,051.1	1,088.8	1,090.0	1,122.6	1,045.9	865.0
Proportional interest in production by equity-method affiliates		—		—	56.6	62.7
Total	1,051.1	1,088.8	1,090.0	1,122.6	1,102.5	927.7
Annual production (Billions of cubic feet)	383.6	398.5	397.8	409.7	402.4	339.5
Crude oil and natural gas (Mboed):						
Japan	25.2	31.9	32.4	30.4	25.3	27.7
Asia & Oceania	184.7	177.4	185.1	194.5	204.4	189.5
Eurasia (Europe & NIS)	47.9	54.5	24.8	26.9	27.9	25.0
Middle East & Africa	82.3	80.7	81.0	73.3	73.0	84.3
Americas	9.7	14.0	16.4	20.0	15.8	13.1
Subtotal	349.8	358.4	339.7	345.1	346.5	339.7
Proportional interest in production by equity-method affiliates	67.8	64.6	65.1	60.4	76.8	86.5
Total	417.7	423.0	404.9	405.4	423.3	426.2
Annual production (MMboe)	152.5	154.8	147.8	148.0	154.5	156.0

Oil and Gas Glossary

Barrel
In the case of oil, 1 barrel is equal to 42 gallons (approx. 159 liters).

Brent crude
A type of crude oil that holds a major position in the market for crude oil prices. Brent crude is a light oil with low sulfur content and is mainly extracted from the Brent oil field located in the North Sea of the United Kingdom.

Concession contract
A contract that directly grants mining rights (including mining rights in Japan and permits, licenses and leases in other countries) to oil companies through a contract or approval from the government of oil-producing countries or from national oil companies. The oil company itself makes the investment and holds the right for disposition for the acquired oil and gas. Oil-producing countries receive taxes or royalties from sales.

▶ See **pp. 98–99** for Accounting Methods for Types of Agreements.

Condensate
Generally, a type of crude oil extracted as a liquid from gas fields. Liquid (oil) that exists as a gas underground but that condenses when extracted to the surface is referred to as condensate oil or simply as condensate.

Core
Cylinder rock samples extracted from underground geological formations in wells during various types of exploratory drilling. Normally, the samples are extracted by core drilling.

▶ See **page 13** for a photo of cores.

Exploratory wells
A well drilled to search for still unknown oil fields. Drilling wells to confirm the dimensions of a new oil field and to acquire an overall image of an oil field is a part of exploration, and wells for this purpose are referred to as exploratory wells.

Floating LNG
A floating LNG is created by installing an LNG plant on a large vessel. This development method allows for natural gas to be processed into liquid at that plant and then directly offloaded to an LNG carrier.

▶ See **page 54** for What is a "floating LNG"?

FPSO
FPSO refers to a floating production, storage and offloading system where refined crude oil and condensate are stored in tanks within a vessel. From here, the vessel offloads oil directly to tankers.

International Energy Agency (IEA)
An autonomous organization comprised of the main oil-consuming countries established in 1974 under the OECD for collective action on energy.

LNG (Liquefied Natural Gas)
After removing impurities such as moisture, sulfur compounds and carbon dioxide from natural gas with a chief constituent of methane, the gas is liquefied by cooling to ultra-low temperatures (-162° Celsius). This process compresses the volume of the gas to 1/600, thus making it possible to transport large quantities in a single shipment.

LPG (Liquefied Petroleum Gas)
LPG is an oil product that is a mixture of hydrocarbon gases with a carbon number of 3 or 4, for example, propane, propylene, butane, butylene or a mixture of these as main constituents. Although LPG is a gas at ambient temperature and normal pressure, it is liquefied through exposure to low pressures or temperatures (cooling).

Lump-sum contract
A contract agreeing upon and approving a fixed total for construction and work. It is distinguished from a cost-plus-fee contract, which promises in advance the payment of a certain fee added to a certain amount of actual incurred expenses.

Oil majors
Oil majors are also known as major international oil companies. ExxonMobil (US), Royal Dutch Shell (UK/Netherlands), BP (UK), Chevron (US) and TOTAL (France) are well-known as the five oil majors. Each of these companies possesses an integrated system including departments for conducting both upstream and downstream business.

Oil sands
Sandstone beds that contain an extremely viscous tar-like crude oil that has no fluidity in its initial state. This is as opposed to conventional crude oil, which can be easily pumped upward using a well. Depending on the level of viscosity, crude oil extracted from oil sand is referred to as bitumen or extra heavy crude oil.

▶ See **page 69** for the Joslyn Oil Sands Project.

Operator
In the case of multiple parties to a contract regarding blocks of oil/gas and associated E&P work, a joint operating agreement is entered into between the parties and it is necessary to achieve agreement on the rights and obligations for all items required when conducting operations. At that time, the party responsible for the execution and management of the operations is referred to as the operator. In contrast, parties other than the operator are referred to as non-operators.

Primary energy
Energy recovered directly from nature such as coal, oil, natural gas, fuelwood, hydroelectricity, nuclear power, wind power, current power, geothermal and solar energy.

Probable reserves (our company)
The definition of probable reserves is in accordance with regulations (2007 PRMS) formulated by the Society of Petroleum Engineers (SPE) through support from the World Petroleum Council (WPC), the American Association of Petroleum Geologists (AAPG) and the Society of Petroleum Evaluation Engineers (SPEE). The rule defines probable reserves as the estimated quantities of crude oil and natural gas that can be added to proved reserves and commercially collected based on geological and engineering data.

▶ See **page 36** for Classification of reserves (image).

Production sharing contract (PSC)
A contract in which one or more companies involved in the development of oil and natural gas acts as a contractor and undertakes operations for exploration and development on behalf of the governments of oil-producing countries or national oil companies. The contractor is responsible for the costs associated with the operations. Corresponding amounts for cost recovery and compensation are received from production by a contractor.

▶ See **pp. 98–99** for Accounting Methods for Types of Agreements.

Proved reserves
The definition of proved reserves is in accordance with SEC Regulation S-X Rule 4-10 (a), a rule that is well-known among investors in the United States. The rule defines proved reserves as the estimated quantities of crude oil and natural gas that can, with reasonable certainty and under current economic and operating conditions, be collected from a given date forward based on geological and engineering data.

▶ See **page 36** for Classification of reserves (image).

Renewable energy
A collective term used for energy acquired from within natural phenomena replenished repeatedly on earth such as solar, wind, hydro, oceans and biomass, as opposed to fossil fuels such as coal and oil, which are forecast to run out in the future. There is no fear of renewable energy running out, and it does not generate air pollution. Technology to use renewable energy as an energy source is undergoing development.

Reserves-to-production ratio
The reserves-to-production ratio (R/P ratio) is calculated by subtracting the production for a given year from the reserves at the end of that year. The resulting figure is applied to that particular oil field or region and shows how many years production can be continued if annual production continues at the amount for that year.

Rig
Machinery for drilling a well that is used to search for and produce oil and natural gas.

▶ See **page 75** for a photo of drilling rigs.

Royalty
Royalty refers to a specific share of production reserved by the owner of underground minerals (e.g., a state or a municipality) when granting mining rights, without taking responsibility for production costs. In some cases, the share increases according to increases in production. Royalties may be paid in kind or in cash.

Secondary energy
Electric power, city gas, coke, etc., which are acquired by converting and processing primary energy sources, are referred to as secondary energy.

Shale gas
Shale gas is a kind of natural gas that is considered to be an unconventional natural gas. It refers to gas that is found in hard shale beds and not in the usual gas fields of conventional natural gas. It is necessary to excavate the horizontal wells, using the hydraulic fracturing method to create a crack in the shale bed so that the gas can be extracted. In recent years, due to advancements in these gas mining technologies, the production of shale gas is making great strides, particularly in North America.

Unconventional natural gas
Natural gas not produced from regular oil and gas fields. Includes gas (tight gas sands, coal bed methane, biomass gas and shale gas) that has already undergone partial commercial production and gas (e.g., methane hydrate and deep gas) expected to undergo future commercial production.

Editor's Note

We would like to thank our readers for the advice and many useful comments we received concerning Annual Report 2011. We sought to take readers' opinions into consideration in making both qualitative and quantitative improvements to this year's report, Annual Report 2012, and have done our best to offer a wealth of information in a manner that is easy to understand. We would like to encourage readers to give particular attention to sections that have been entirely rewritten for this year's edition, such as the "Message from the President" (**p. 22–**) and the "Ichthys LNG project" (**p. 45–**), for which we received assistance from the relevant departments.

Corporate Strategy & Planning Division
Corporate Communications Unit
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Projects

ESG (Environment / Social / Governance)

Unit Conversion

Crude oil	Natural gas	Sale gas	LPG	LNG
1 kl ≒ 6.29 barrels	1 cf ≒ 1,000 Btu*	1m³ ≒ 37.32 cf	1 ton ≒ 10.5 barrels (crude oil)	1 ton ≒ 8.8 barrels (crude oil) ≒ 1,400 m³ (natural gas) ≒ 53 million Btu*
1 ton ≒ 7.4 barrels	1 billion m³ ≒ 700,000 tons (LNG)			
1 barrel ≒ 6,000 cf (natural gas)	100 million cf/day ≒ 700,000 tons/year (LNG)			
100,000 barrels/day ≒ 4 million tons/year (LNG)	1 trillion cf ≒ 1 million tons × 20 years (LNG) (20 million tons)			

*British thermal unit
Note: Unit-equivalent figures are estimates. Conversion figures used for production and reserves in this Annual Report may be different from the above conversion figures. We do not guarantee those figures' accuracy as applied to dealing or verification.

Corporate Information

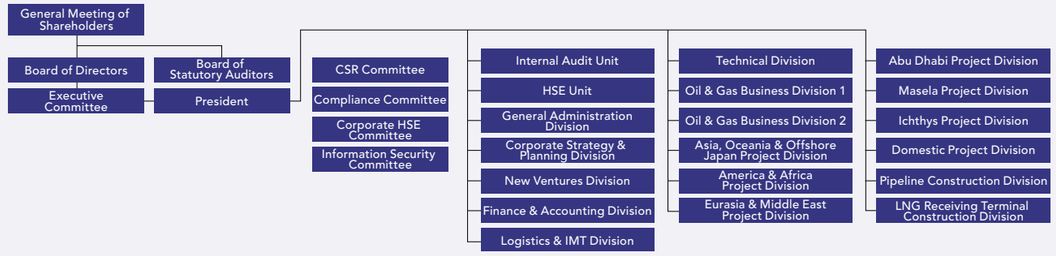
(As of March 31, 2012)

Corporate Data

Company Name INPEX CORPORATION
Established April 3, 2006
Capital ¥290,809,835,000
Company Headquarters
Akasaka Biz Tower, 5-3-1 Akasaka, Minato-ku, Tokyo 107-6332, Japan

Number of Employees (Consolidated) 2,146
Main Business Research, exploration, development, production and sales of oil, natural gas and other mineral resources, other related businesses and investment and lending to companies engaged in these activities.

Organization Chart (As of June 30, 2012)



Stock Data

Authorized Shares: 9,000,000 common shares
1 special-class share

Total Number of Shareholders and Issued Shares
Common shares: 38,335 shareholders / 3,655,809 shares
Special-class share*: 1 shareholder (Minister of Economy, Trade and Industry) / 1 share

* The Company's Articles of Incorporation stipulate that certain major corporate decisions require a resolution by the holder of the special-class share in addition to the approval of the shareholders' meetings or Board of Directors.

Major Shareholders (Common Shares)

Name	Number of shares	Percentage of total shares* (%)
Minister of Economy, Trade and Industry	692,307	18.9
Japan Petroleum Exploration Co., Ltd.	267,233	7.3
Mitsui Oil Exploration Co., Ltd.	164,760	4.5
Japan Trustee Services Bank, Ltd. (Trust Account)	138,627	3.8
Mitsubishi Corporation	134,500	3.7
The Chase Manhattan Bank, N. A. London S.L. Omnibus Account	117,846	3.2
JX Holdings, Inc.	109,527	3.0
The Master Trust Bank of Japan, Ltd. (Trust Account)	108,455	3.0
JP Morgan Chase Bank 380055	104,860	2.9
State Street Bank and Trust Company	69,983	1.9

* Percentage of total shares are for all issued and outstanding shares.

Shareholding by Shareholder Type

Shareholder type	Number of shareholders	Number of shares	Percentage of total shares*1 (%)
Financial Institutions (Including Trust Accounts)	114	547,264	15.0
Securities Companies	70	50,263	1.4
Other Domestic Corporations	429	757,412	20.7
Minister of Economy, Trade and Industry*2	1	692,307	18.9
Foreign Corporations and Other	669	1,496,698	41.0
Individuals and Other	37,052	106,949	2.9
Treasury Stock	1	4,916	0.1

*1 Percentage of total shares are for all issued and outstanding shares.
*2 Excludes one special-class share.

Home Page

The Company's Web site provides investors with the most up-to-date IR information, including financial statements.
▶ **inpex.co.jp/english**

Inquiries

For IR inquiries, as well as to offer comments and opinions about this report, please contact below.
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INPEX CORPORATION

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Developing Stable Energy