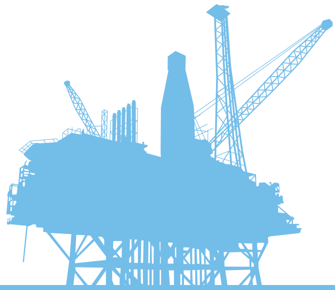
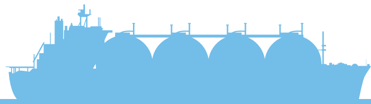
INPEX
INPEX CORPORATION

Annual Report 2011
Year ended March 31, 2011

A Firm Commitment to Sustainable Energy

INPEX CORPORATION

We continue to contribute to the creation of affluent societies by realizing stable and efficient supplies of energy.

INPEX CORPORATION currently conducts 71 oil and gas projects in 26 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 global independent upstream companies that follow after the oil majors.

INPEX CORPORATION will continue to engage actively in oil and gas exploration, development and production projects, including large LNG projects, with the goal of achieving sustained growth in our corporate value as we steadily progress toward realizing a stable and efficient supply of energy.

The theme for this Annual Report 2011, upon consideration of our current business environment and progress in our projects, is "A Firm Commitment to Sustainable Energy" (meaning a firm commitment to achieving a stable and efficient energy supply and to the projects that support it).

We will focus on this theme in explaining the INPEX Group's (hereafter referred to as "INPEX," We" or "the Company") corporate and operating information to our stakeholders.

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).

Shortcuts

- Performance pp. 12–15, p. 22
- Business Overview pp. 28–29
- Market Environment pp. 30–31
- Strengths and Strategies pp. 32–33
- Two Large-Scale LNG Projects pp. 40–45

In conjunction with the Annual Report 2011, please refer to the Fact Book 2011 for detailed quantitative data.

DISCLAIMER

Information contained in this Annual Report is not an offer or a solicitation of an offer to buy or sell securities. You are requested to make investment decisions using your own judgment. Although the Company has made sufficient effort to ensure the accuracy of information provided herein, the Company assumes no responsibility for any damages or liabilities including, but not limited to, those due to incorrect information or any other reason.

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. 46) basically describes the operating situation as of June 30, 2011.

Figures in parentheses denote negative amounts.

Contents

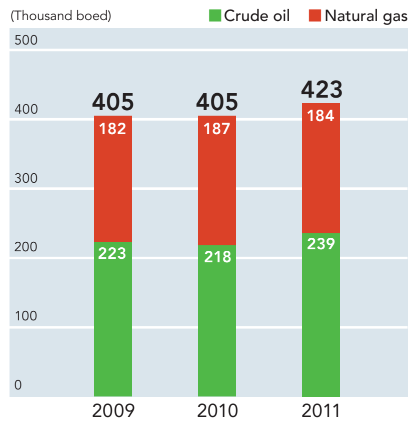
No.1

Our oil and gas reserves and production volume are the largest among Japanese E&P companies. We aim to establish a firm position as a global independent upstream company, ranking after the oil majors.

Photo: Bontang LNG Plant, Indonesia

Our reserves (proved and probable) stood at approximately 4.13 billion barrels of oil equivalent (boe) as of March 31, 2011, and production for the year ended March 31, 2011, was approximately 423 thousand barrels of oil equivalent per day (boed). These figures make our oil and gas reserves and production volumes the largest of any Japanese E&P company. Internationally, the Company ranks among the mid-tier global independent upstream companies, after the oil majors. We will maintain and expand our reserves and production volumes by commercializing our large LNG projects and acquiring new interests. Our goal is to continue to expand so as to establish a firm position among the top group of independent upstream companies.

Net production volume



For details, please refer to pp. 36–37.

71 Projects in 26 Countries

We seek to disperse business risk by creating a well-balanced asset portfolio.

Photo: Kashagan Oil Field, Kazakhstan

We avoid excessive dependence on certain regions from the viewpoint of country and operating risks, and seek to achieve a well-balanced portfolio through a combination of different projects, by resource (crude oil and natural gas), by stage (exploration, development and production), by contract, etc. As of June 30, 2011, in addition to Japan, we are engaged in 71 projects in 26 countries in Asia, Oceania, the Middle East, Africa, Eurasia and the Americas.

Number of overseas projects
(As of June 30, 2011)

Eurasia
5
Projects
Asia & Oceania
34
Projects
Middle East & Africa
13
Projects
Americas
18
Projects

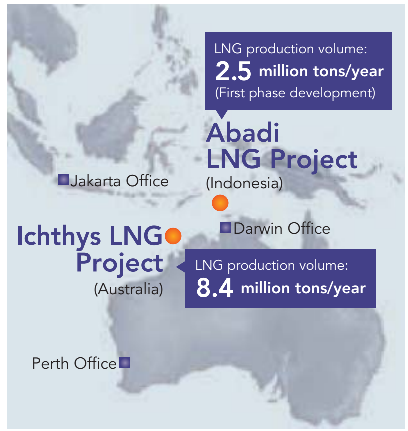
For details, please refer to pp. 38–39.

Two Large-Scale LNG Projects

We are engaged in two large-scale LNG projects that should contribute to our corporate growth.

We discovered two large gas fields, Ichthys (Australia) and Abadi (Indonesia), in 2000. The final investment decision (FID) for Ichthys is scheduled for Q4 2011, with production scheduled to begin in Q4 2016. Abadi is under preparation for development according to the floating LNG concept. The production volume of these projects will be on a massive scale — equivalent to 15% or more of Japan's current LNG annual import volume.
We are proceeding aggressively to commercialize both projects with the goal of achieving further corporate growth.

Ichthys and Abadi LNG Projects



For details, please refer to pp. 40–45.

Photo: Ichthys LNG Project, Australia

Consolidated net sales:
¥943.1 billion

Consolidated net income:
¥128.7 billion

Despite the appreciation of the Japanese yen during the year, consolidated net sales for the year ended March 31, 2011, were up 12.2% to ¥943.1 billion and consolidated net income was up 20.0% to ¥128.7 billion due to the increase in sales prices of oil and natural gas.

Net sales / Net income (consolidated)

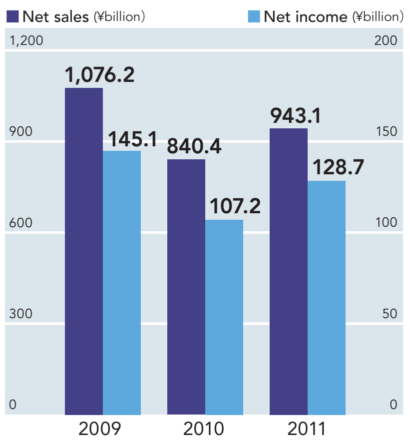
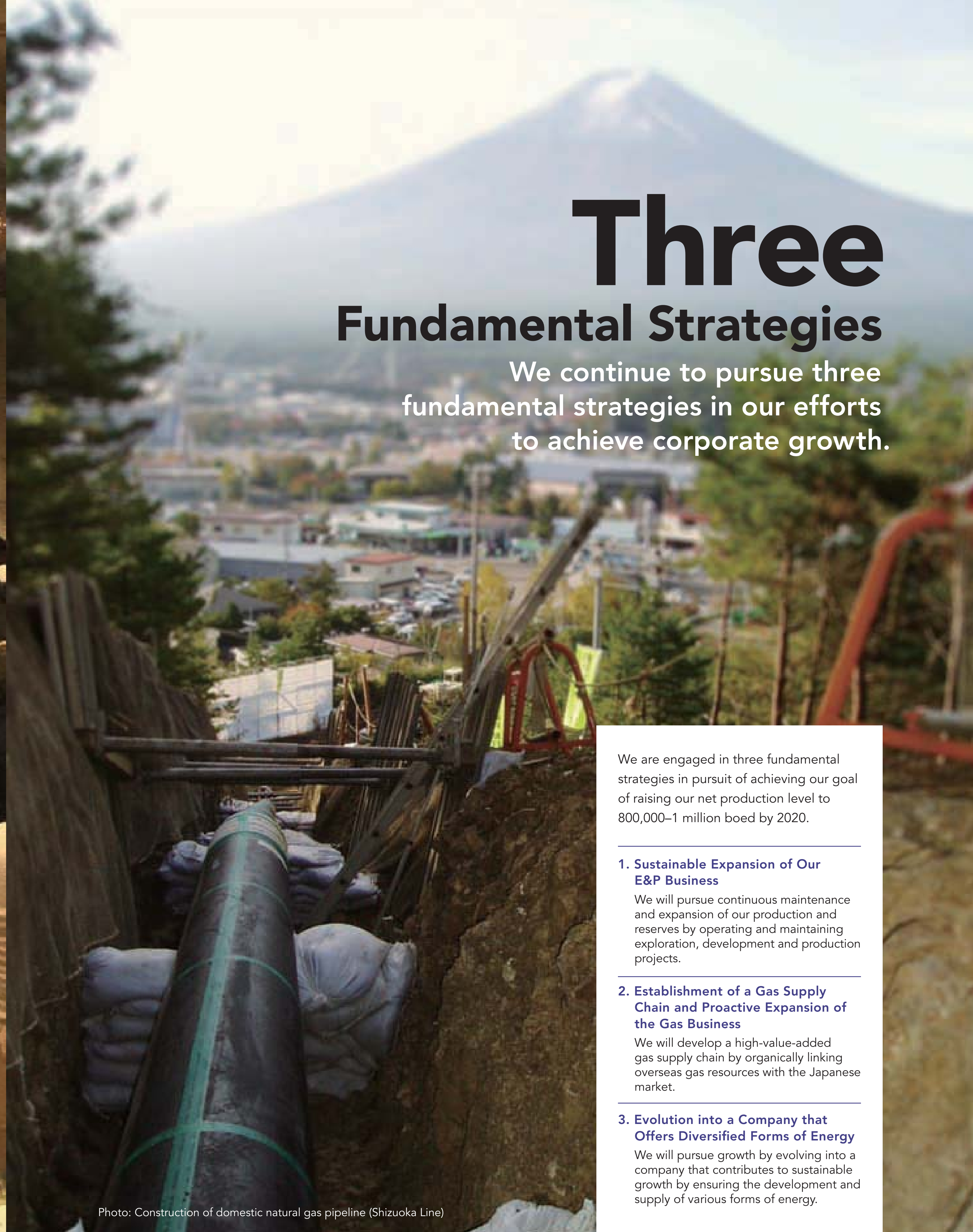


Photo: Financial results presentation for the year ended March 31, 2011 (held on May 12, 2011)

For details, please refer to pp. 12–14.



Three
Fundamental Strategies

We continue to pursue three fundamental strategies in our efforts to achieve corporate growth.

We are engaged in three fundamental strategies in pursuit of achieving our goal of raising our net production level to 800,000–1 million boed by 2020.

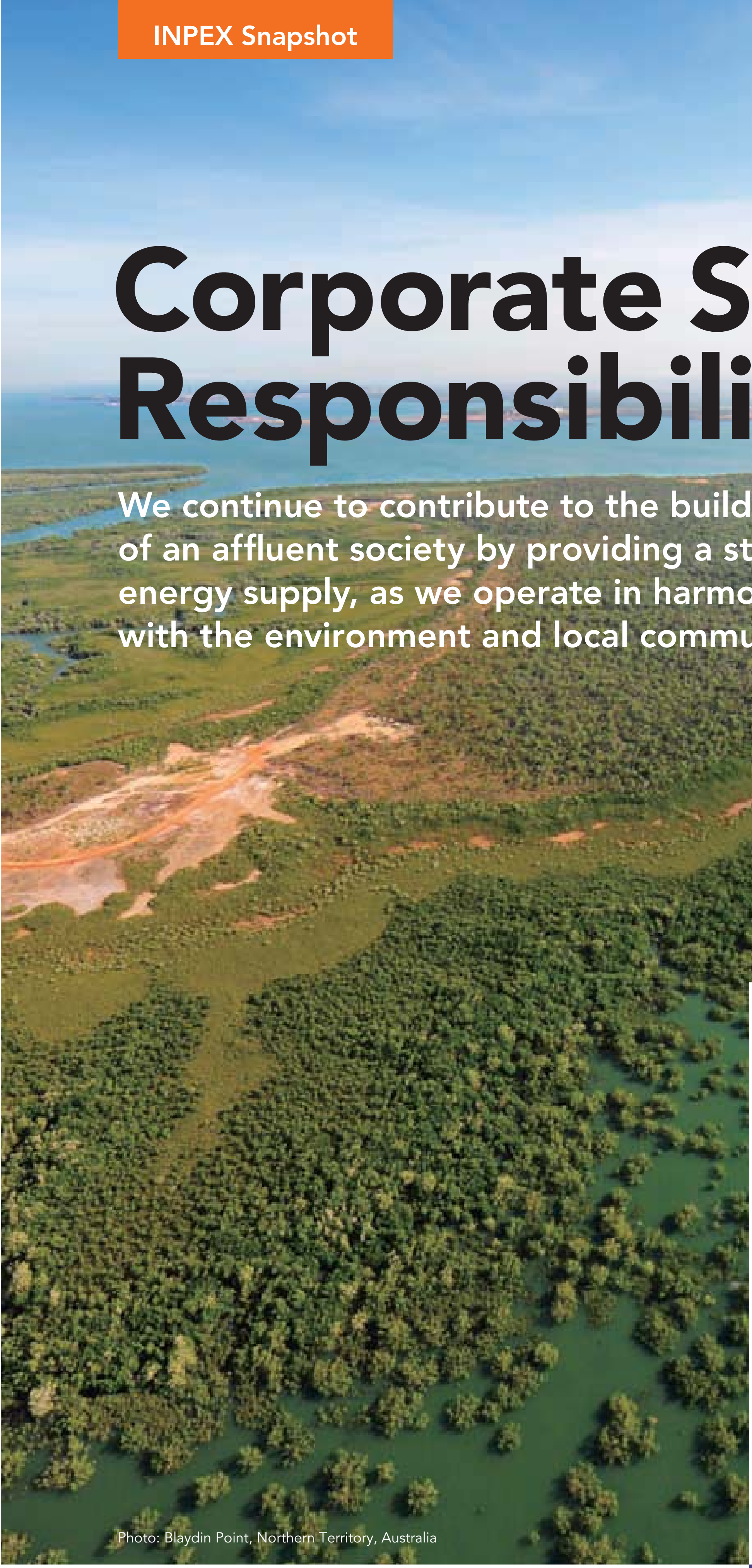
1. Sustainable Expansion of Our E&P Business
We will pursue continuous maintenance and expansion of our production and reserves by operating and maintaining exploration, development and production projects.

2. Establishment of a Gas Supply Chain and Proactive Expansion of the Gas Business
We will develop a high-value-added gas supply chain by organically linking overseas gas resources with the Japanese market.

3. Evolution into a Company that Offers Diversified Forms of Energy
We will pursue growth by evolving into a company that contributes to sustainable growth by ensuring the development and supply of various forms of energy.

Photo: Construction of domestic natural gas pipeline (Shizuoka Line)

For details, please refer to pp. 32–33.



Corporate Social Responsibility

We continue to contribute to the building of an affluent society by providing a stable energy supply, as we operate in harmony with the environment and local communities.

We have created and continue to maintain our own comprehensive HSE (Health/Safety/Environment) Management System. We also seek coexistence with the local communities in which we operate by contributing to their development, and we continue to enhance our corporate governance so as to achieve more sound and efficient management.

For details, please refer to pp. 64–73.

Photo: Blaydin Point, Northern Territory, Australia

Ichthys LNG Project, at offshore rig

1 Performance / Message

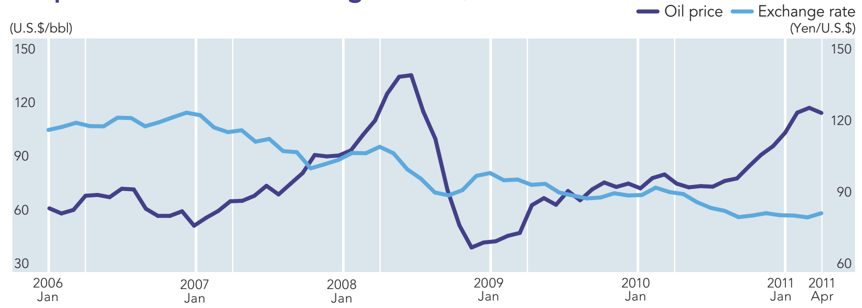
Financial and Operating Highlights

INPEX CORPORATION and Consolidated Subsidiaries

Years ended March 31,	2007	2008	2009	2010	2011	2011 (U.S. dollars)
Results of Operations						
Net sales (Millions of yen / Thousands of U.S. dollars *1)	¥ 969,713	¥ 1,202,965	¥ 1,076,165	¥ 840,427	¥ 943,080	$ 11,341,912
Gross profit (Millions of yen / Thousands of U.S. dollars *1)	625,918	812,411	757,127	542,259	608,247	7,315,057
Operating income (Millions of yen / Thousands of U.S. dollars *1)	559,077	714,211	663,267	461,668	529,743	6,370,932
Net income (Millions of yen / Thousands of U.S. dollars *1)	165,092	173,246	145,063	107,210	128,699	1,547,793
EBIDAX (Earnings before interest, depreciation and amortization and exploration) *2 (Millions of yen / Thousands of U.S. dollars *1)	321,790	382,654	275,871	242,543	274,931	3,306,446
Financial Position						
Total assets (Millions of yen / Thousands of U.S. dollars *1)	¥ 1,608,107	¥ 1,807,901	¥ 1,768,045	¥ 2,013,778	¥ 2,680,380	$ 32,235,478
Net assets excluding minority interests *3 (Millions of yen / Thousands of U.S. dollars *1)	1,028,895	1,157,371	1,271,123	1,387,500	1,996,890	24,015,515
Net debt *4 (Millions of yen / Thousands of U.S. dollars *1)	(169,667)	(328,353)	(324,109)	(349,211)	(688,807)	(8,283,909)
Cash Flows						
Cash flows from operating activities (Millions of yen / Thousands of U.S. dollars *1)	¥ 231,982	¥ 363,995	¥ 230,352	¥ 241,373	¥ 274,094	$ 3,296,380
Cash flows from investing activities (Millions of yen / Thousands of U.S. dollars *1)	(209,243)	(261,767)	(240,168)	(251,812)	(844,511)	(10,156,476)
Cash flows from financing activities (Millions of yen / Thousands of U.S. dollars *1)	13,794	(45,228)	(46,090)	68,937	548,057	6,591,185
Cash and cash equivalents at end of the year (Millions of yen / Thousands of U.S. dollars *1)	189,417	222,270	162,845	216,395	182,025	2,189,116
Per Share Data						
Earnings per share (EPS) (Yen / U.S. dollars *1)	¥ 70,423.45	¥ 73,510.14	¥ 61,601.60	¥ 45,553.56	¥ 40,832.40	$ 491.07
Net assets per share (Yen / U.S. dollars *1)	436,467.92	491,168.09	540,100.10	589,548.88	546,958.90	6,577.98
Cash dividends per share (Yen / U.S. dollars *1)	7,000.00	7,500.00	8,000.00	5,500.00	6,000.00	72.16
Payout ratio (%)	9.9%	10.2%	13.0%	12.1%	14.7%	14.7%
Financial Indices						
Net debt / Net total capital employed (%) *5	(18.6)%	(36.1)%	(31.2)%	(30.6)%	(48.9)%	(48.9)%
Equity ratio (%) *6	64.0%	64.0 %	71.9%	68.9%	74.5%	74.5%
Return on equity (ROE) (%) *7	17.7%	15.8 %	11.9%	8.1%	7.6%	7.6%
Net return on average capital employed (Net ROACE) (%) *8	20.4%	21.4 %	14.6%	10.5%	10.8%	10.8%
Stock Indices						
Stock price (Yen / U.S. dollars *1)	¥ 1,020,000	¥ 1,110,000	¥ 683,000	¥ 686,000	¥ 631,000	$ 7,589
Market capitalization (Billions of yen / Millions of U.S. dollars *1)	2,405.6	2,617.8	1,610.8	1,617.9	2,306.8	27,743
Price earnings ratio (PER) (Times)	14.5	15.1	11.1	15.1	15.5	15.5
Price book-value ratio (PBR) (Times)	2.3	2.3	1.3	1.2	1.2	1.2
Operating Data						
Net proved reserves (Million boe) *9	1,770	1,645	1,598	1,475	1,308	1,308
Net production (Thousand boed) *10	418	423	405	405	423	423
Exploration and development expenditures (Millions of yen / Thousands of U.S. dollars*1) *11	217,646	315,684	294,364	235,721	248,005	2,982,622

*1 The translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation only, at ¥83.15 = U.S.$1.00, the approximate rate of exchange in effect on March 31, 2011.
*2 EBIDAX = Net income + Minority interests + Deferred tax + (1 – Tax rate) x (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
*3 Net assets excluding minority interests = Net assets – Minority interests
*4 Net debt = Interest-bearing debt – Cash and cash equivalents – Time deposits – Public and corporate bonds and other debt securities with determinable value
*5 Net debt / Net total capital employed = Net debt / (Net assets + Net debt)
*6 Equity ratio = Net assets excluding minority interests / Total assets
*7 ROE = Net income / Average of net assets excluding minority interests at the beginning and end of the year
*8 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)
*9 The proved reserves are evaluated in accordance with SEC regulations. The reserves cover most of INPEX Group projects including equity method affiliates. The reserves of the projects which are expected to be invested a large amount and affect the company future result materially are evaluated by DeGolyer & MacNaughton, and the others are done internally.
*10 Production volumes = Production volumes are calculated in accordance with SEC regulations. 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.
*11 Exploration and development expenditures = Exploration expenditures + Development expenditures + Acquisition costs

Oil price (ICE Brent) and exchange rate (Japanese yen against U.S. dollar)



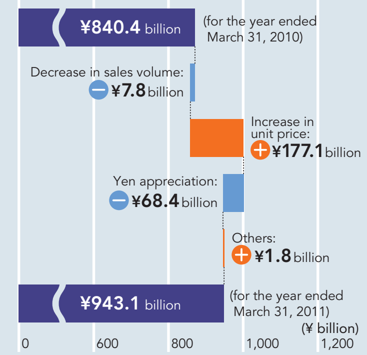
Net Sales

¥943.1 billion

(Up ¥102.7 billion, 12.2% year on year)

Despite a decrease in sales volume of natural gas and the effects of yen appreciation, net sales increased 12.2% year on year, due to oil and gas price increases.

Net sales analysis



Net Income

¥128.7 billion

(Up ¥21.5 billion, 20.0% year on year)

The 20.0% year-on-year increase was due mainly to the rise in net sales.

Net income analysis

- Increase in net sales: ¥102.7 billion
- Decrease in exploration expenses and allowance for exploration: ¥3.8 billion
- Increase in cost of sales: ¥36.6 billion
- Increase in income taxes : ¥43.6 billion
- Others: ¥4.8 billion

Cash Dividends

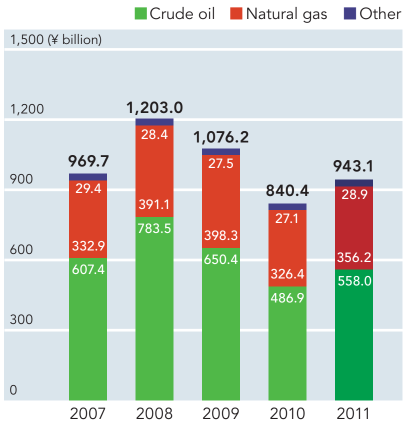
¥6,000 per share

(Increased ¥500 per share year on year)

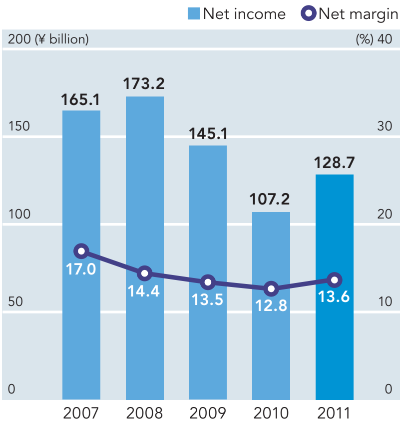
Including the midterm dividend of ¥3,000 per share, the total cash dividends for the year were ¥6,000 per share (a year-on-year increase of ¥500).

Financial and Operating Highlights (Graphs)

Net sales (by product)

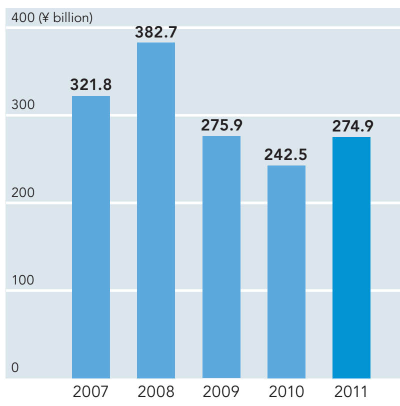


Net income, Net margin

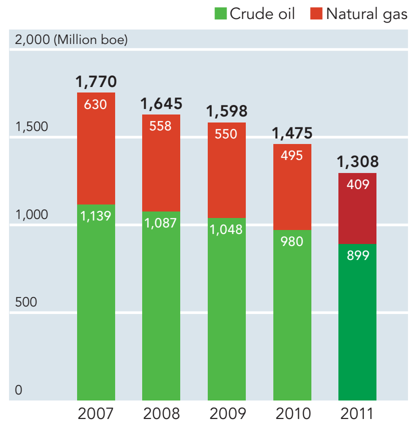


EBIDAX *1

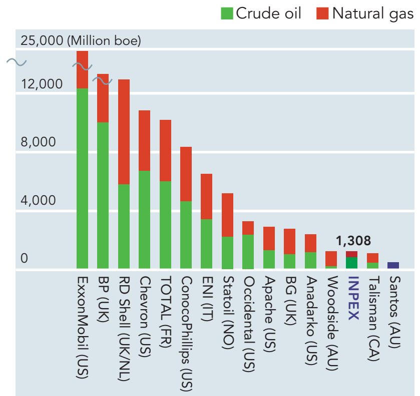
(Earnings before interest, depreciation and amortization and exploration)



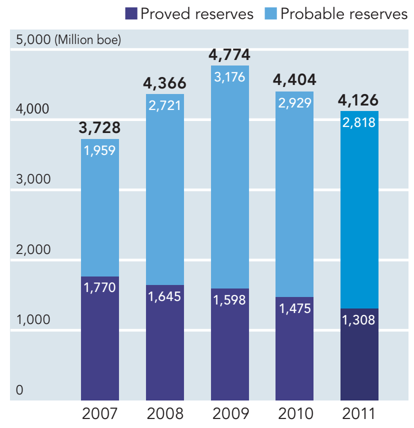
Net proved reserves (by product) *8



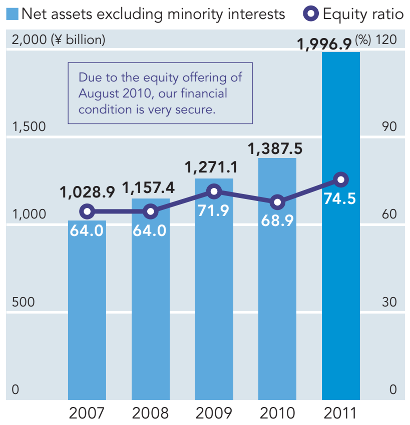
Comparison with global E&P companies in proved reserves *9



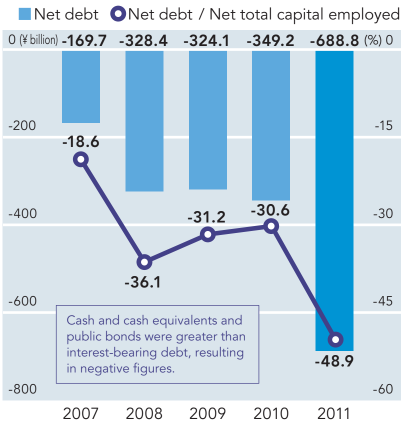
Net proved and probable reserves *10



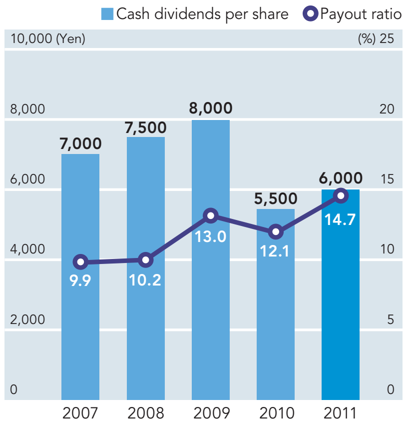
Net assets excluding minority interests *2, Equity ratio *3



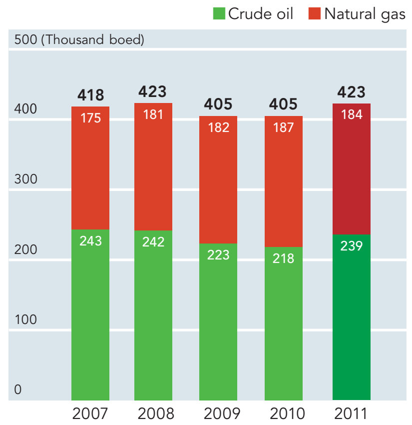
Net debt *4, Net debt / Net total capital employed *5



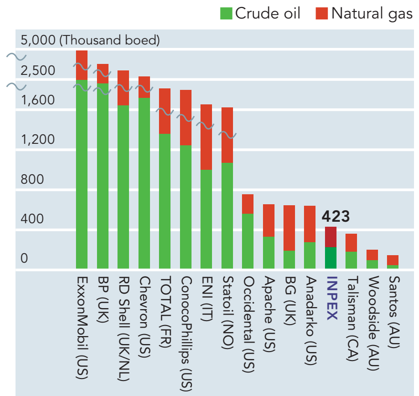
Cash dividends per share, Payout ratio



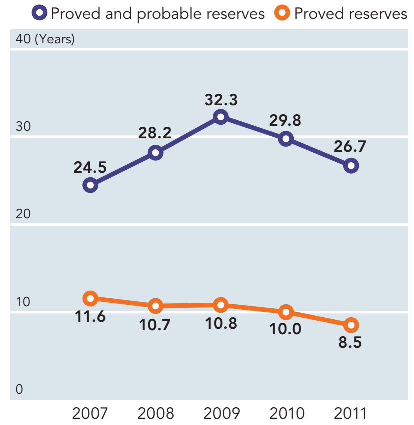
Net production (by product) *11



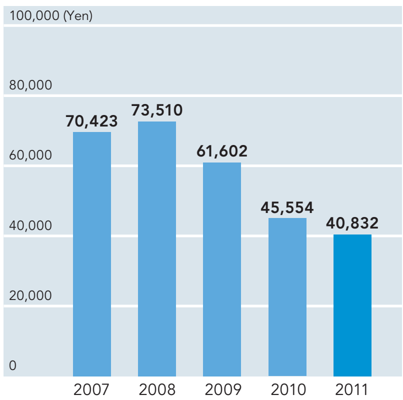
Comparison with global E&P companies in production volume *12



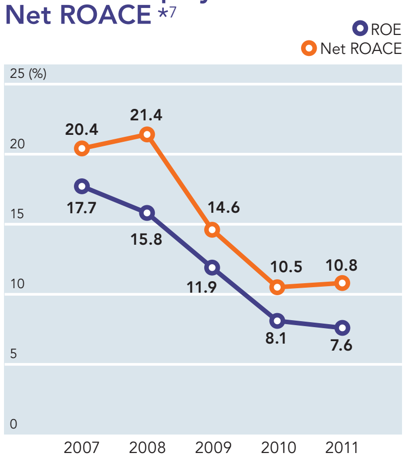
Reserves to production ratio *13



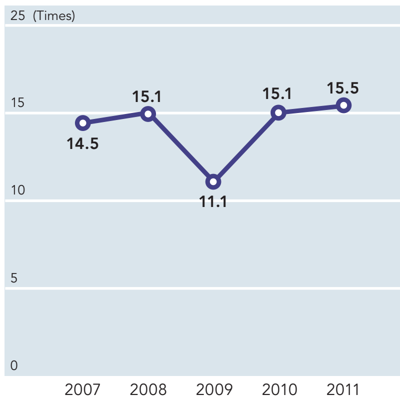
Earnings per share (EPS)



Return on equity (ROE) *6
Net ROACE *7

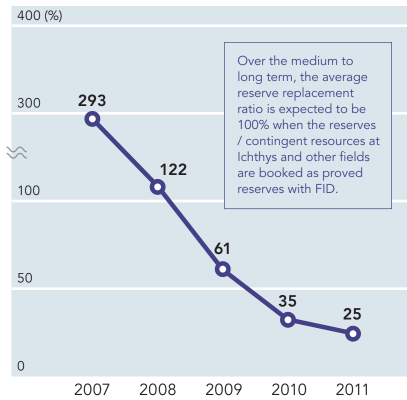


Price earnings ratio (PER)



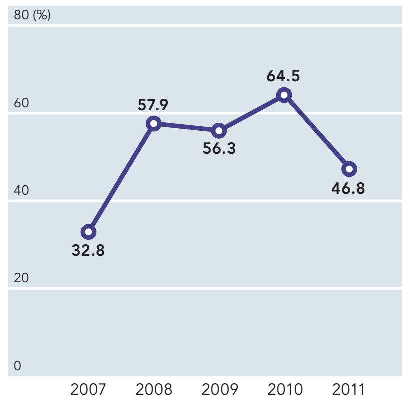
Reserve replacement ratio

(3-year average) *14

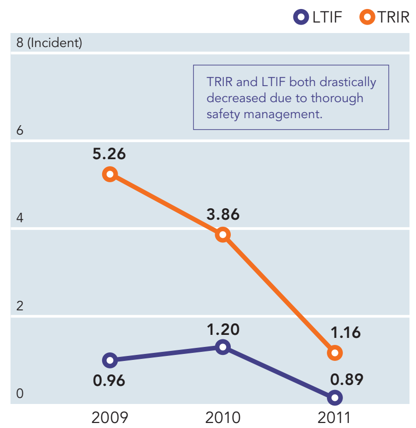


Exploration success ratio

(3-year average) *15



LTIF, TRIR *16



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*6 ROE = Net income / Average of net assets excluding minority interests at the beginning and end of the year
*7 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)
*8 The proved reserves are evaluated in accordance with SEC regulations. The reserves cover most of INPEX group projects including equity method affiliates. The reserves of the projects which are expected to be invested a large amount and affect the company future result materially are evaluated by DeGolyer & MacNaughton, and the others are done internally.
*9 Reserves Data as of December 31, 2010, except for INPEX (as of March 31, 2011) in accordance with SEC regulations. The reserves cover most of INPEX Group projects including equity method affiliates. The reserves of the projects which are expected to be invested a large amount and affect the company future result materially are evaluated by DeGolyer & MacNaughton, and the others are done internally. Oil reserves include bitumen and synthetic oil. Government-owned companies are not included. Santos does not disclose proved reserves by products.
*10 Probable reserves as of March 31, 2008, 2009, 2010 and 2011 are calculated in accordance with SPE/WPC/AAPG/SPEE guideline (SPE – PRMS) approved in March 2007. The volumes are sum of proved reserves and probable reserves by SPE – PRMS after deduction of proved reserves by SEC regulations. Probable reserves as of March 31, 2007 are calculated in accordance with the guideline established by SPE and WPC (1997 SPE/WPC). The volumes are sum of proved reserves and probable reserves by 1997 SPE/WPC after deduction of proved reserves by SEC regulations. The proved reserves are evaluated in accordance with SEC regulations. The reserves cover most of INPEX group projects including equity method affiliates. The reserves of the projects which are expected to be invested a large amount and affect the company future result materially are evaluated by DeGolyer & MacNaughton, and the others are done internally. Reserve volumes of Joslyn oil sand project (mining) as of March 31, 2008 are based on the evaluation by RYDER SCOTT.
*11 Production volumes are calculated in accordance with SEC regulations. 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.
*12 Production data for the year ended December 31, 2010, except for INPEX (for the year ended March 31, 2011). Production figures are in accordance with SEC regulations. Amounts attributable to the equity method are included. Government-owned companies are not included. Oil production includes bitumen and synthetic oil.
*13 Reserves to production ratio (Years) = Reserves as of the end of the year / Production in the year
*14 Reserve replacement ratio (3-year average) = Proved reserves increase including acquisition / production
*15 Exploration success ratio (3-year average) = The number of net productive exploratory wells drilled / The number of net exploratory wells drilled
Exploratory well : 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.
*16 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

Greetings from the Representative Directors

Masatoshi Sugioka
Vice Chairman

Naoki Kuroda
Chairman

Toshiaki Kitamura
President & CEO

We aim for sustained growth in corporate value by providing stable and efficient energy supplies.

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

INPEX made a new start through a business integration on October 1, 2008, which has made our management structure more efficient and proactive. We continue to be Japan's leading oil and natural gas E&P company and are pushing forward with our exploration, development and production activities both in Japan and around the world.

In addition to instability in crude prices and the foreign exchange rate, the E&P business has been experiencing great changes marked by intensifying competition for resources, increased geopolitical risk and a rise in nationalism in oil-producing countries. This is occurring at a time when global energy demand is expected to increase due to economic growth, especially in the emerging economies. Amid this business environment, strong growth in demand for natural gas, in particular, is forecast both in Japan and worldwide.

We view the contribution to providing a stable and efficient supply of energy as our social mission and aim to maintain and expand our reserves and production in the medium to long term. We will continue to do everything in our power to realize steady growth in our corporate value, so as to meet the expectations of our stakeholders including our shareholders.

On behalf of everyone at INPEX we would like to extend our sincere condolences to all those affected by the Great East Japan Earthquake, which occurred on March 11, 2011.

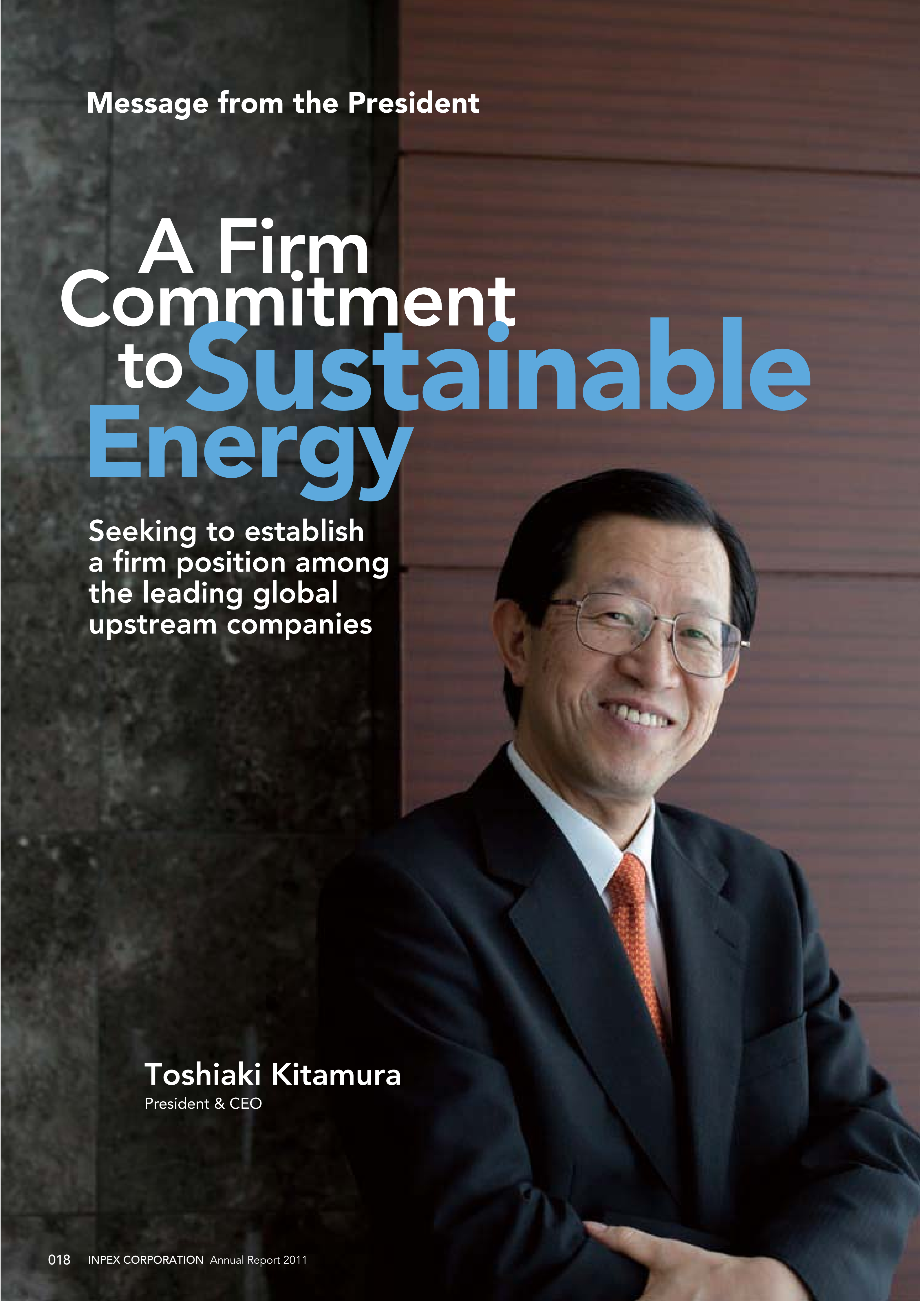
We look forward to your continued support and understanding.

July 2011

Naoki Kuroda
Chairman

Masatoshi Sugioka
Vice Chairman

Toshiaki Kitamura
President & CEO



Message from the President

A Firm Commitment to Sustainable Energy

Seeking to establish a firm position among the leading global upstream companies

Toshiaki Kitamura
President & CEO

To Our Stakeholders

During the year ended March 31, 2011, we continued to achieve solid performance and provide a stable dividend as in the previous year. In addition, we made steady progress in developing a number of projects, most notably our large-scale liquefied natural gas (LNG) projects, to help reach our future growth targets. I hereby present to our stakeholders my review of the first year since my appointment as President, reporting on such topics as the business environment surrounding our company and the progress we have made in our projects.

1. Looking Back over My First Year as President – The Role of the President

Since being appointed President in June of last year, I have been at the helm of the company as we have steadily reached one milestone after another in pursuit of our project targets.

The role of the President is to ensure the effective and efficient allocation of resources and operate the company efficiently as it steadily progresses toward the full realization of its projects. I believe that, in particular, this means placing the right people in the right jobs and establishing financing plans, and I am pleased to be able to report to our stakeholders some definite results in that regard.

Another important role of the President is to maximize our opportunities to acquire quality interests while minimizing risks amid harsh competition for resources in a complex and ever-changing international arena. Such a situation requires **developing and promoting international relationships based on mutual trust with the oil-producing countries and our partners.** An oil-producing country entrusts its precious oil and gas resources to an E&P company, and whether that company succeeds in development is extremely important to the economic development of that country. INPEX has demonstrated reliance and trust as a company based in Japan, and has proven results as we continue to move forward with projects in more than 20 countries worldwide. I believe that these factors have been enhancing mutual trust with the oil-producing countries and our partners at the international level.

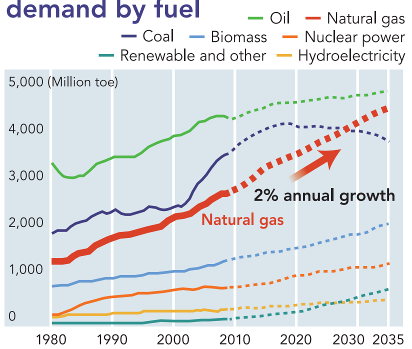
As I look back over the past year, in the course of face-to-face discussions with the leaders of oil-producing countries and the top management of the oil majors, I get the sense that our international relationships based on mutual trust and our international presence are reaching a much higher level with the progress of our large-scale LNG projects — Ichthys and Abadi. Although it has been a year since we faced the difficult decision such as withdrawal from the Azadegan Oil Field in Iran, we have increased the trust of oil-producing countries and our partners by producing steady results on a daily basis, and this has brought us more opportunities to acquire quality interests. I have developed an increasing awareness of our successful growth story over the past year.

> **"One role of the President is to maximize opportunities to acquire quality interests while minimizing risks. This requires the developing and promoting of international relationships based on mutual trust."**

2. The Business Environment Surrounding Oil and Gas Development

"In achieving an optimal mix of energy sources, the most important factor is **security**, followed by **supply stability, economic rationality and environmental considerations.** Natural gas takes on ever more importance as the **natural gas shift** proceeds."

World primary energy demand by fuel



Source: IEA, June 2011

A catastrophic earthquake struck Japan in March of this year, causing many casualties. On behalf of INPEX, I would like to express our sympathies to those affected and our desire for a speedy recovery.

Since the earthquake, I have become even more aware of the importance of our company's role in providing a stable and efficient supply of energy. During the oil crisis in the 1970s in Japan, I witnessed the disturbance to the lives of people caused by the energy shortage. Looking back on my firsthand experiences during that oil crisis and the recent earthquake, it is my belief that in achieving an optimal mix of energy sources, the most important factor is security, followed by supply stability, economic rationality and environmental considerations. In reviewing the optimal mix of energy sources after the impact of the earthquake, it is clear that the comparative importance of renewable energy sources such as solar power will increase in the long term, but in the short to medium term fossil fuels, such as oil, coal and natural gas, will continue to play a major role, in particular, natural gas due to environmental considerations.

Global energy demand is expected to continue to be firm as economic growth, especially among the emerging economies, proceeds apace. Demand for natural gas, in particular, is expected to grow broadly due to its superiority over oil and coal in terms of price and environmental considerations. It is expected to grow at a rate of 2% annually from 2010 through 2035, accounting for 25% or more of total global primary energy demand in 2035 (according to the International Energy Agency (IEA) outlook). Japan and other countries are currently reviewing their medium- to long-term energy policies due to matters such as the impact of the recent earthquake and climate change, and I believe that we will see **the shift to natural gas** accelerate.

As part of this shift to natural gas, the development of "shale gas," an unconventional natural gas source, is progressing in North America. The main supply of natural gas in Asia is in the form of LNG. This differs from the mainly pipeline-based supply that is the focus of the supply system in North America and Europe, so I believe at this time that the rapid development of shale gas will have no direct impact on the LNG projects being developed by INPEX.

In addition to reconsideration of the optimal energy mix, the stable and efficient supply of energy will take on increasing importance in light of factors such as resource nationalism (as seen in some oil-producing countries) and intensifying competition for resources by emerging economies, primarily China. As a natural gas supplier in Japan, we have been supplying domestically produced natural gas to the Japanese market for decades. Henceforth, in addition to the gas supplies from overseas projects operated by INPEX, we intend to enhance our provision of stable and efficient supplies of energy and continue to expand our presence not only in Japan but also in the global natural gas market.

pp. 30–31
for more about Market Environment

3. Management Strategies for This Business Environment

INPEX is currently a mid-tier global independent upstream company, with production volume and reserves ranking after the oil majors. **Our goal is to continue to enhance our corporate value, with our long-term goal being to achieve net production volume of 800,000–1 million barrels of oil equivalent per day (boed) by 2020.** We also aim to establish a firm position among the top group of global independent upstream companies with well-balanced assets, finances and human resources.

We have been pursuing three medium- to long-term strategies to achieve our growth targets.

1. Sustainable Expansion of Our E&P Business

Get existing projects such as Ichthys and Abadi up and running, and continue to add to production by discovering new oil and gas fields through exploration and by acquiring interests in existing oil and gas fields.

2. Establishment of a Gas Supply Chain and Proactive Expansion of Gas Business

Build the Naoetsu LNG Receiving Terminal, further expand the approximately 1,400-km trunk natural gas pipeline network connecting the Kanto and Koshinetsu regions in Japan and combine overseas LNG projects with domestic gas to establish a stable supply network.

3. Evolution into a Company that Offers Diversified Forms of Energy

Look to the future by commercializing new forms of energy, including unconventional sources such as shale gas, gas-to-liquids (GTLs) and geothermal power generation.

pp. 32–33
for more about Management Strategies

"**Achieve net production volume of 800,000–1 million boed by 2020** and establish a firm position in the top group of global independent upstream companies with the right balance of assets, finances and human resources."

We must not be optimistic about the path to achieve our goals. In real terms, it will require measures to deal with the upside risk in development costs associated with a rise in materials prices, as well as overcoming the increasingly high technological hurdles associated with new exploration and development projects in polar regions or deep water. Also, as the April 2010 oil spill in the Gulf of Mexico demonstrated, we must work even harder to establish accident and disaster response measures, maintain safety operations and minimize environmental impact. The appropriate and timely response to country risk, such as political instability in the Middle East and North Africa, is also important.

I believe we can overcome these issues one by one by fully employing our characteristic strengths, such as our experience, our solid financial basis and the technical capabilities we have amassed at every stage of our exploration, development and production efforts.

We are strengthening our safety management by establishing ties with our partners and by putting our experience as an operator to use. We are also striving to cultivate personnel who can operate successfully in the global arena by actively dispatching younger employees to overseas sites, where they can accumulate experience and technical skills. Such efforts serve to help us enhance our presence as a global independent upstream company.

Gulf of Mexico Oil Spill

An explosion at an oil rig operated in the Gulf of Mexico offshore the coast of Louisiana caused a rupture in a well pipe, resulting in an enormous outflow of crude to the Gulf of Mexico.

4. Results for the Past Year and Our Business Activities

Consolidated net sales
¥943.1 billion
up 12.2% (year on year)

Consolidated net income
¥128.7 billion
up 20.0% (year on year)


Ichthys LNG Project


Abadi LNG Project

pp. 40–43 for more about the Ichthys LNG Project
pp. 44–45 for more about the Abadi LNG Project

Although there were negative factors affecting our performance in the year ended March 31, 2011, such as lower natural gas sales volumes and yen appreciation, consolidated net sales were up 12.2% to ¥943.1 billion and consolidated net income was up 20.0% to ¥128.7 billion due to the increase in crude oil prices and the concomitant rise in gas prices.

We made steady progress over the past year in our Ichthys and Abadi LNG Projects, into which we have focused considerable effort. For the Ichthys Project, we reached one milestone after another in approaching the final investment decision (FID), which is planned for Q4 2011. The engineering portion of the front-end engineering and design (FEED) work for the production facilities, which started in 2009, is nearly complete, and we are currently selecting contractors for the engineering, procurement and construction (EPC) phase. Administrative procedures for the construction of the LNG production facilities are under way, and our LNG marketing activities led us to reach basic agreements with a number of LNG buyers in June of this year. Also, we have made active efforts to contribute to local communities, one example of which was the opening of a trade training center for local youths in April of this year.

At the Abadi Project, we have been engaged in preparatory steps for FEED work, as well as environmental and social impact assessments, since obtaining approval for the plan of development (POD) from the Indonesian Government in December of last year. We are examining development of this project based on the "floating LNG" concept. In the course of moving toward full-scale development, we looked into forming a strategic partnership with a company with experience and proven results in the LNG business and large-scale offshore development. As a result, INPEX chose to invite Shell, an oil major, and signed an agreement with it for the transfer of a portion of our participating interest.

Insofar as other projects, we have transitioned to development activities in the Kitan oil field in the Timor Sea, acquired a participating interest in the Sebuku Block near the Offshore Mahakam Block and acquired an additional interest in the ACG project in Azerbaijan. Our exploration projects include the acquisition in February of this year of new deepwater exploration blocks in the U.S. Gulf of Mexico — a first for our company — and the discovery of oil and gas at an offshore exploratory well in Vietnam, also in February.

The earthquake that occurred in March caused no major damage to our main domestic facilities or natural gas pipeline network. The earthquake spurred us to proceed with some necessary improvements, such as drafting an additional business continuity plan (BCP) aimed at preserving important headquarters functions when a major earthquake occurs.

5. Investment Plans and Financial Strategies

p. 34 for more about our Investment Plans and Financial Strategies

We will make continuous investments based on our **plan to invest approximately ¥4 trillion over the seven-year period beginning with the year ended March 31, 2011,** so as to reach our goal of net production volume of 800,000–1 million boed by 2020. During the year ended March 31, 2011, we invested more than ¥240 billion in exploration and development, etc. During the three-year period beginning from the year ending March 31, 2012, we plan to invest approximately ¥1.8 trillion or less.

A solid financial strategy is vital to the steady investment of such a large sum. Taking into consideration our company's target indicators for financial soundness (an equity ratio of 50% or more and a net debt to net total capital employed ratio of 20% or less), the following items are assumed as funding sources for the planned investment of approximately ¥4 trillion:

1. Public offering
2. Cash or future operating cash flow
3. Bank loans, including project financing

We have already conducted a public offering in August 2010 that raised approximately ¥520 billion. As a result, our financial condition at the end of March 2011 was unquestionably sound compared to the other main upstream independents. (As of March 31, 2011, our equity ratio was 74.5% with a net debt to net total capital employed ratio of –48.9%.)

The capital increase through a public offering has provided support for our sound financial condition, and we foresee being able to maintain this sound financial condition until 2017, which we believe will be the year in which our net debt associated with increased bank loans peaks. We believe this puts us in a favorable position to proceed with future financing procurement.

Although the public offering diluted our shares, we expect to double our current net production volume by 2020 by commercializing projects such as Ichthys and Abadi. We therefore foresee earnings that will surpass the effects of the share dilution.

> "To invest approximately ¥4 trillion steadily over the seven-year period beginning with the year ended March 31, 2011, we increased capital through a public offering in August 2010."

6. Message to Our Stakeholders

"I shall continue to lead INPEX firmly and steadily, keeping in mind the expectations and stern guidance of our stakeholders as **we pursue further growth as a global company.**"

We are aware of our social responsibility to provide a stable and efficient supply of energy, and as a global independent upstream company we strive to take coexistence with and the development of the international community into consideration in conducting our business. We are aware that our presence as a global upstream company is not enough, so we believe it is necessary to strive to engage in meaningful communication with all of our stakeholders so as to inform them of our company's growth potential and the progress of our projects in ways that are easy to understand, so as to be properly appreciated as a company. Fortunately, I had many opportunities in the past year to exchange opinions with our stakeholders including shareholders through our IR and other activities. The expectations and serious suggestions received from our shareholders made me re-acknowledge my desire to lead our company firmly and steadily as President of INPEX. In the current year as well, I encourage our stakeholders to voice opinions directly at our General Shareholders' Meeting or through our IR activities. It is my hope that we can increase our mutual communications.

We paid a dividend of ¥6,000 per share during the year ended March 31, 2011 (full year), a year-on-year increase of ¥500, so as to return profits to our shareholders. For the past several years, our payout ratio has been 10%–15%, but we are currently at a stage where we are allocating our retained earnings toward attaining our medium-term targets, so we are not setting a numerical target for a performance-based payout ratio. I believe that once our growth pace reaches cruising speed through the commercialization of the Ichthys and Abadi projects we will review our policy on returns to shareholders.

We expect the year ending March 31, 2012, to be a period of great progress toward reaching our future growth targets including the Ichthys Project where FID is planned. As President, I pledge to lead the company firmly and steadily so as to realize our projects and achieve our growth targets, which will enhance our corporate and shareholder value.

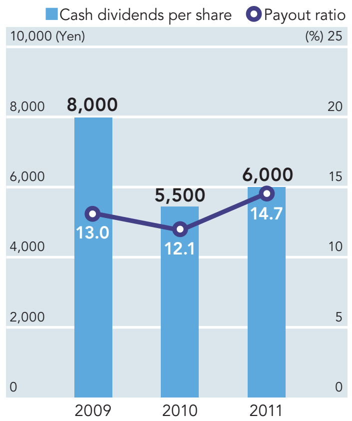
I would like to close by thanking our shareholders and all other stakeholders for support and understanding.

Sincerely,

Toshiaki Kitamura
President & CEO

July 2011

Cash dividends per share, Payout ratio



Geological survey

Business Overview

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 71 projects in 26 countries (as of June 30, 2011), we are actively promoting the exploration, development and production of oil and natural gas.

INPEX

INPEX CORPORATION — Founded in 1966

A leading company in overseas development of oil and natural gas

Founded to develop oil resources in Indonesia, the company operates in Indonesia and Australia as its core areas, as well as in other areas such as the Caspian Sea, the Middle East and South America.

TEISEKI

Teikoku Oil Co., Ltd. — Founded in 1941

A pioneer in the development of oil and natural gas in Japan

Has conducted development and production of domestic oil and gas fields, including the Minami Nagaoka Gas Field, one of the largest gas fields in Japan. Also has conducted development in various regions of Central and South America and North Africa.

INPEX

INPEX CORPORATION

October 2008 / Full integration between three companies:
INPEX Holdings Inc., INPEX CORPORATION and Teikoku Oil Co., Ltd.

Mission and Vision

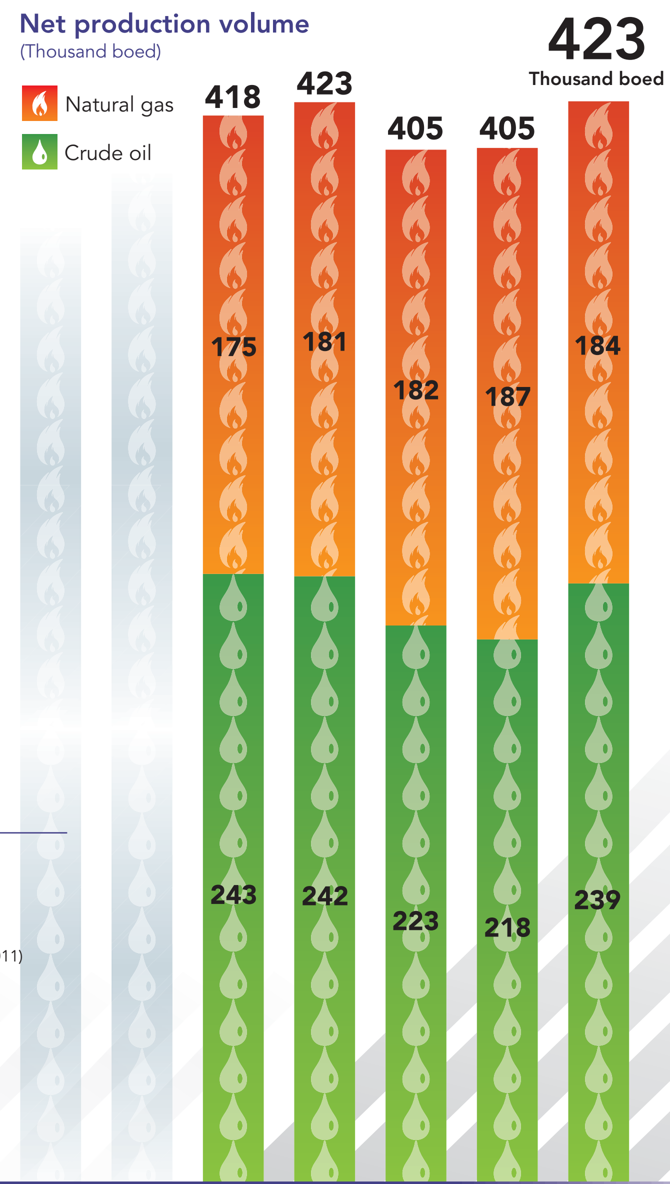
The mission of the INPEX is to provide a stable and efficient supply of energy to customers by exploring and developing oil and natural gas resources both domestically and throughout the world. Through its business, we aim to become an integrated energy company, which contributes to our community and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

Business Overview

INPEX is a corporate group formed by 62 subsidiaries (53 consolidated subsidiaries),19 affiliates (12 equity-method affiliates) and three subsidiaries of affiliates (as of March 31, 2011). Our main business activities are the exploration, development, production and sale of oil and natural gas both domestically and throughout the world in areas such as Asia, Oceania, Eurasia (Europe-NIS), the Middle East, Africa and the Americas. We also invest in companies conducting such activities.

Profile

- Number of projects / Number of countries: 26 countries, 71 projects
- Consolidated net sales: ¥943.1 billion (for the year ended March 31, 2011)
- Common stock: ¥290,809,835 thousand
- Consolidated total assets: ¥2,680.4 billion (as of March 31, 2011)
- Consolidated number of employees: 1,854 (as of March 31, 2011)



Business Overview

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 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 Block, 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
Acquisition of Japan Oil Development Co., Ltd. (JODCO).
Listing on the First Section of the Tokyo Stock Exchange.

2005
Exploration rights in the East China Sea are granted.

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.

2006
The Australian Federal Government grants Major Project Facilitation (MPF) status to the Ichthys LNG Project.

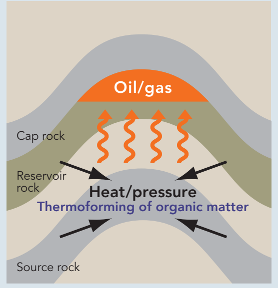
2008
INPEX CORPORATION is founded.
INPEX CORPORATION is founded through a merger of INPEX, Teikoku Oil and INPEX Holdings. The company headquarters is moved to Akasaka, Tokyo.

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

Oil and Natural Gas 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 discovery, drilling, collecting and selling crude oil and natural gas, which exists underground. As shown in the business flow below, business activities in the upstream can be further classified into the acquisition of blocks, exploration, appraisal, development and production and sales.

What is oil and natural gas?



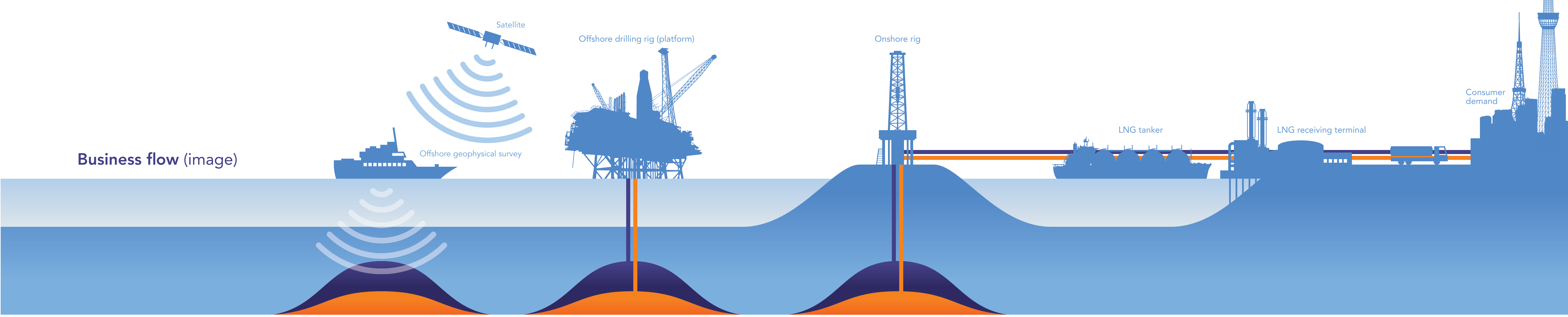
Both oil and natural gas are types of organic matter (hydrocarbons) formed from a combination of carbon and hydrogen. Oil is a chemical compound in which large numbers of carbon molecules and hydrogen molecules are joined together. Under normal conditions (one atmosphere, which is about 15 pounds per 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 entered into a contract for exploration and development.

Contracts with government of oil-producing countries

Contracts can mainly be divided into concession agreements and production sharing contracts. Both contracts normally contain a commitment for required exploration work in order to locate oil and natural gas.

STEP 2

Exploration

In addition to terrestrial geological surveys, we utilize geophysical surveys conducted through aerial photographs, 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

We investigate underground tectonics such as the hardness and concentration of rocks that form the layers of geophysical exploration.

STEP 3

Appraisal

Once the presence of oil and natural gas has been confirmed through exploration activities, we drill an appraisal well to assess the extent of the oil and gas fields. We conduct a production test and evaluate the amount of reserves. In addition, we make comprehensive judgments regarding the commercial viability of the fields. For example, we examine profitability and create development plans.

Production test

Oil or natural gas is produced in a test to confirm if there is a sufficient amount for commercialization.

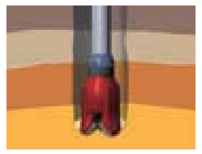
STEP 4

Development

We drill production wells for the production of oil and natural gas. We also construct processing facilities to separate oil and gas, and remove impurities and production, and shipping facilities such as a pipeline to transport oil and gas.

Drilling of production wells

We drill a well deep into the ground while joining individual pipes of about 10 meters in length. The tip of the pipe is equipped with a special drill known as a "bit." The bit drills through hard rock and digs into the ground.



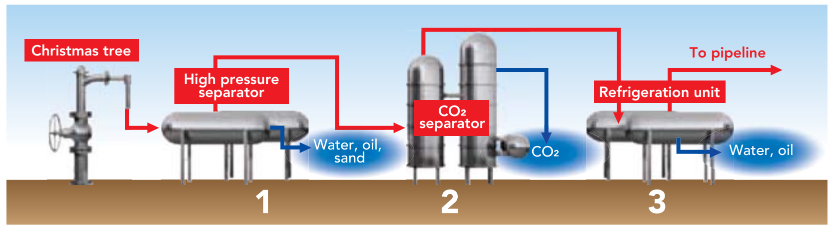
STEP 5

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 perform marketing and sales for the produced crude oil, condensate, LPG, natural gas and LNG.

Refining/treatment of natural gas

After separating oil and removing impurities (e.g., carbon gas, hydrogen), we ship natural gas that can be used as a product.



Investment for further exploration, purchase of assets, etc.

(Expansion of reserves and production volume)

Market Environment and Forecasts

Global energy demand is forecast to increase even more, particularly in emerging economies. Natural gas is attracting particular attention as an important fossil fuel that provides energy with a low environmental impact. Accordingly, demand is expected to rise more quickly than that for other forms of fuel, such as coal and oil. Meanwhile, crude oil price stands at a high level, and appreciation of the yen continues.

Outlook for Global Energy Demand

Global energy demand is forecast to increase even more, particularly in emerging economies.

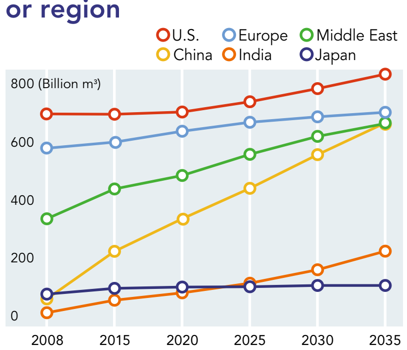
Greater energy demand in the world is expected especially in emerging economies such as China and India. According to the World Energy Outlook announced by the International Energy Agency (IEA) in June 2011, it is predicted that global energy demand in 2035 will increase by approximately 1.4 times compared to 2008 and that oil and natural gas will account for more than half of all energy sources.

The shift to natural gas is becoming more prominent.

Higher demand for natural gas is expected, particularly in emerging economies such as China. Although total energy demand is predicted to increase 1.2% annually until 2035, a 2% annual increase is also forecast for natural gas. The ratio of natural gas within total energy demand is forecast to overtake coal by 2030 and to increase to more than 25% by 2035 (IEA Outlook).

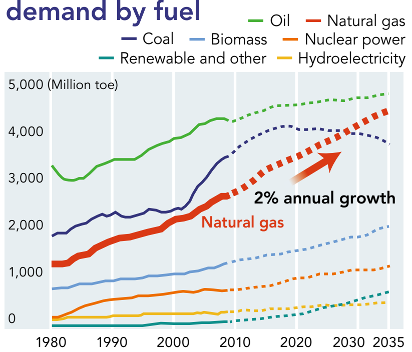
Other factors significantly contributing to increased demand for natural gas include alternative demand from other energy sources such as nuclear power, changes in policy concerning climate change such as the suppression of carbon dioxide emissions and rising crude oil prices, which lead to the selection of reasonably priced natural gas (i.e., the shift to natural gas).

Natural gas demand by country or region



Source: IEA, June 2011

World primary energy demand by fuel



Source: IEA, June 2011

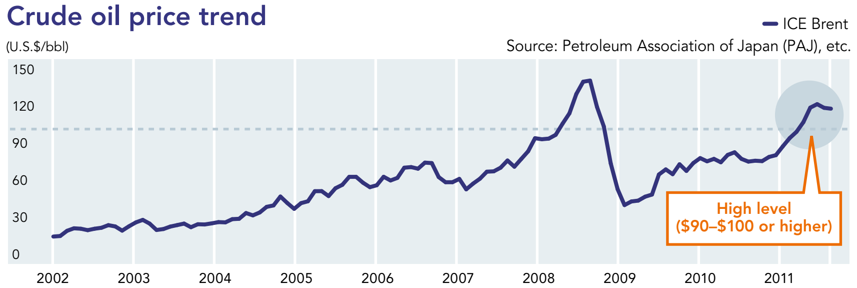
Crude Oil Prices and Exchange Rates

Crude oil price stands at a high level, and appreciation of the yen continues.

The oil and natural gas business is greatly affected by changes in crude oil prices and exchange rates. As a result of continued 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 the recovery of demand is uncertain due to a stagnant economy. The price of Brent crude is projected to reach high levels that exceed $90–$100 per barrel. There is the possibility of further price increases in the future. The average exchange rate for the year ended March 31, 2011, was in the range of ¥85 to $1. Moreover, yen appreciation continued with an average exchange rate of ¥81 to $1 during April-June, 2011.

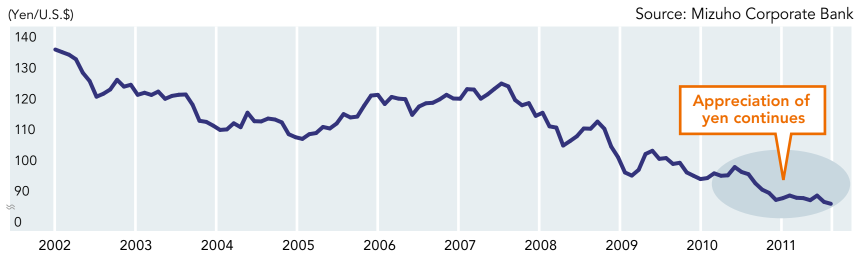
Crude oil price trend

Source: Petroleum Association of Japan (PAJ), etc.



Exchange rate trend (Japanese yen against U.S. dollar)

Source: Mizuho Corporate Bank



Effect on Our Performance

The sensitivity index for oil prices and exchange rates when forecasting consolidated net income for the year ending March 31, 2012 has been calculated at approximately ¥2.0 billion in the event of fluctuations of $1 per barrel of crude oil and approximately ¥2.4 billion in the event of exchange rate fluctuations of ¥1/$1.

Fluctuation of consolidated net income for the year ending March 31, 2012:	
Crude oil prices increase (decrease) by $1/bbl:	**+¥2.0 billion** (–¥2.0 billion)
Depreciation (Appreciation) of ¥1/$1 in the exchange rate:	**+¥2.4 billion** (–¥2.4 billion)

Note:
These are trial calculations of the impact on term net profits in the year ending March 31, 2012, in the event of a price fluctuation of $1 per barrel in crude oil (Brent) or in the event of exchange rate fluctuations of ¥1/$1. Actual impact will depend on changes in production volume, capital expenditures and recovery costs, and the amount of impact may not be strictly dependent upon the absolute level of oil prices or the exchange rate.

Comparison with Major Independent Upstream Companies

INPEX is among the mid-tier global independent upstream companies, just behind the oil majors, and we aim to establish a firm position in the top group of global upstream 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 423 thousand barrels of oil equivalent per day (boed; for the year ended March 31, 2011) and our proved reserves are 1.31 billion boe (as of March 31, 2011). This places us among the mid-tier global independent upstream companies.

Through final investment decisions (FIDs) and the commercialization of large-scale LNG projects, we will seek to increase our proved reserves and net production, then to establish a firm position as a global independent upstream company by 2020.

Oil companies throughout the world

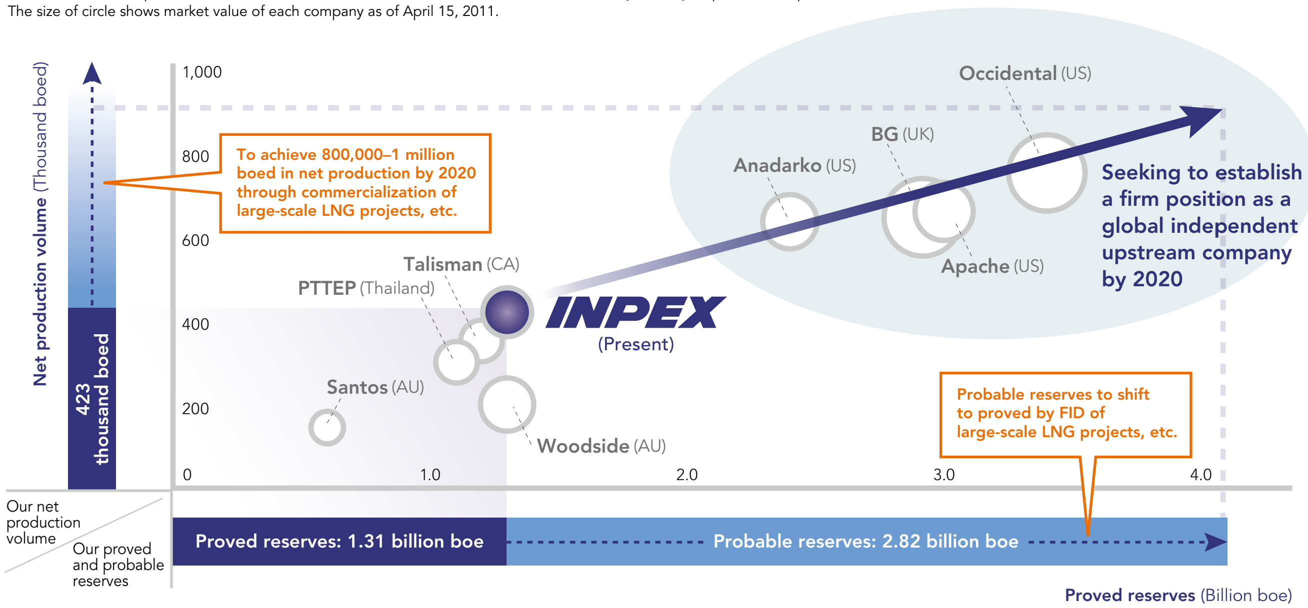
National oil companies
Saudi Aramco, CNPC, Petrobras, etc.

Oil majors
ExxonMobil, BP, Shell, TOTAL, etc.

Global independent upstream companies
INPEX, Apache, BG, etc.

Proved reserves, net production volume and the market value of the major upstream players

Proved reserves and production volume indicated in this chart are from documents disclosed by the major upstream companies.
The size of circle shows market value of each company as of April 15, 2011.



Strengths and Strategies

INPEX seeks to improve sustainable corporate value while fulfilling our social responsibility to supply energy stably and efficiently. We will enhance our four strengths and advance our business based on three medium- to long-term fundamental strategies. By 2020, our goal is to increase our net production volume to 800,000–1 million boed and establish a firm position as a global independent E&P company following the oil majors.
While the upstream business is our core business, we will establish a gas supply chain and intend to evolve into a company that supplies diversified energy.

INPEX's Four Strengths

1. Strong Reserve / Resource Base

Reserves and resources, which are the source of corporate value, are the critical factor in the oil and natural gas E&P business. INPEX has the largest proved and probable reserves of 4.13 billion boe of any Japanese company. Our reserves-to-production ratio is 8.5 years for proved reserves, 26.7 years if probable reserves are added. Beyond our probable reserves, we also have an abundance of possible reserves and contingent resources. We expect to continue increasing proved and probable reserves over the medium to long term.

p. 36 for details.

2. A Large-scale LNG Project Operator

INPEX is in the process of developing two of the world-leading in 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, being equivalent to more than 15% of Japan's current LNG annual import volume. We are focusing on these priority projects, which contribute to the stable supply of LNG and increase the corporate value of our company.

pp. 40–45 for details.

3. Gas Supply Chain

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. Specifically, our construction of Naoetsu LNG Receiving Terminal which commenced in July 2009, is moving right along with the terminal scheduled to enter operation in 2014.

p. 62 for details.

4. Strong Financial Position

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, 2011, our company had an equity ratio of 74.5% and the ratio of net debt to net total capital employed was –48.9%. (Cash and cash equivalents and public bonds were greater than interest-bearing debt) Compared with the oil majors and other international peers, this represents a sound level of financial strength.

p. 34 for details.

Three Medium- to Long-Term Fundamental Strategies

By implementing three medium- to long-term fundamental strategies while utilizing our four strengths, our company seeks to achieve a firm position among the global independent E&P companies by increasing our production volume to 800,000–1 million boed. While the upstream business is our core business, we will establish a gas supply chain and intend to evolve into a company that supplies diversified energy.

[Fundamental strategy 1] Sustainable Growth of E&P Activities

We give top priority to the large-scale LNG projects in Ichthys and Abadi, as well as to other existing large-scale projects. For new projects, we conduct exploration activities mainly in focused regions that are predicted to have large reserves. We also seek to acquire assets both directly and/or indirectly through M&A activity.

We are also working to acquire promising interests by developing unconventional hydrocarbon resources such as oil sands and enhancing advanced technology for oil recovery techniques. For existing projects which have entered the later production phase and their profitability is expected to decline, we will improve our asset portfolio quality by selling off, etc., and expand our balanced portfolio.

[Fundamental strategy 2] Establishment of a Gas Supply Chain and Proactive Expansion of the Gas Business

To respond to the domestic demand for natural gas, we construct an LNG receiving terminal that organically links domestic/overseas natural gas resources to the domestic market. We will also work to expand our existing pipeline network.

Furthermore, to expand our domestic gas business, we will develop new gas demand and seek cooperation with domestic gas energy companies. Moreover, we will consider participating in overseas LNG receiving terminal and transportation activities required for the domestic/overseas gas trading business.

[Fundamental strategy 3] Evolution into a Company that Offers Diversified Forms of Energy

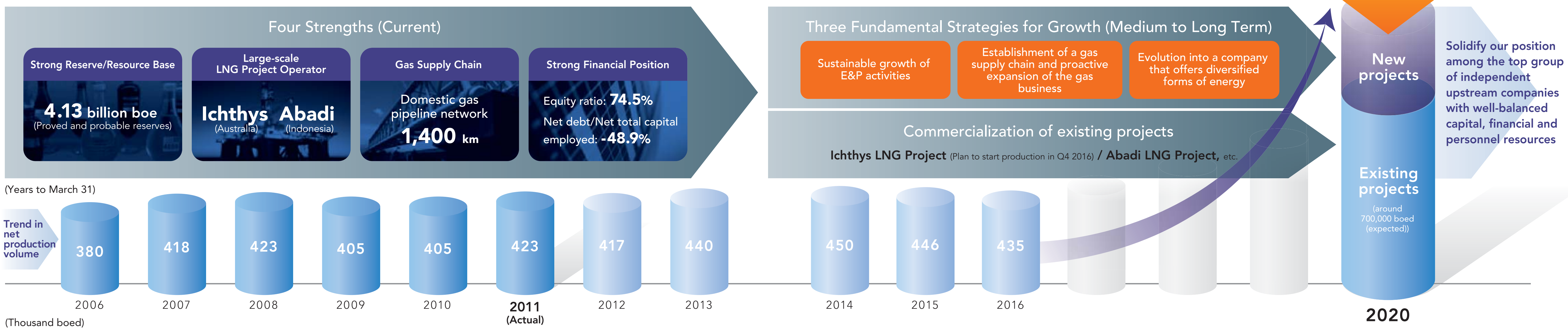
We seek to create new added value by developing and supplying a variety of energy forms that include the reduction of environmental impact and renewable energy.

In terms of environmental issues, we actively work to enhance energy efficiency and reduce carbon dioxide emissions by employing methods such as CCS (carbon dioxide capture and storage).

In the field of renewable energy, we will utilize alliances and business partnerships with domestic/global energy companies in order to develop forward-looking technologies in such areas as gas-to-liquids (GTLs). Furthermore, from a medium- to long-term perspective, we will seek business participation in renewable energy including solar power generation, geothermal power and storage batteries.

Through our four strengths and three fundamental strategies, we will seek to reach net production of 800,000–1 million boed by 2020.

Our Strengths and Medium- to Long-Term Strategies to Expand Net Production Volume



(Thousand boed)

Note: The forecasts for net production for the years ending March 31, 2012 to 2016, are premised upon the same oil price (Brent crude at $95/barrel) as that used in forecasting the results for that year.
The production volume of crude oil and natural gas under the production sharing contracts entered into by the INPEX Group corresponds to the net economic take of our group.

Investment Plans and Financial Strategies

To ensure further growth, we plan to invest approximately ¥4 trillion over seven years from the year ended March 31, 2011, to the year ending March 31, 2017. While achieving financial stability, we will make appropriate investments through optimal funding sources.

Our company's objective for corporate growth is to raise production to 800,000–1 million boed by 2020. To achieve this goal, it is necessary to invest in existing projects such as the Ichthys and Abadi Projects, as well as new projects which will increase our reserves in the future.

In our investment plan, approximately ¥4 trillion will be required for development and exploration activities including the Ichthys Project during the seven-year period from the year ended March 31, 2011 to the year ending March 31, 2017.

It is important for us to maintain a strong balance sheet and achieve financial stability in order to make continuous investments in potential projects while also maintaining the funding capability to ensure necessary investments for our major LNG projects. To achieve financial stability, we set a long-term target for financial leverage, that is, an equity ratio of 50% or higher and a net debt to net total capital employed ratio of 20% or less.

To implement our ¥4 trillion investment plan, while considering the financial target, we envisage the following three funding sources:
1) proceeds from a public offering,
2) cash and other liquid investments on hand and
3) bank loans including project financing.

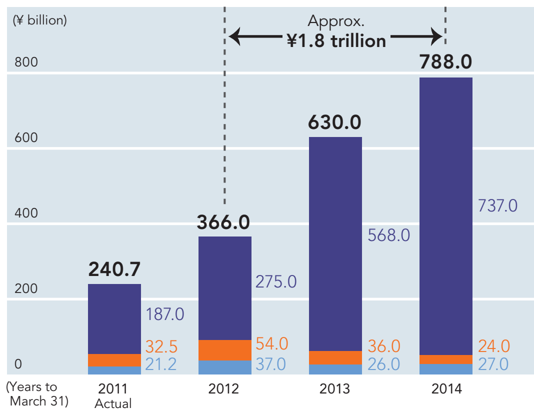
We completed a public offering in August 2010 and succeeded in raising approximately ¥520 billion. Now we plan to procure funding through bank loans including project finance taking into account our financial target, on a financial base that has been further strengthened by the public offering.

Investment plan and funding sources of approx. ¥4 trillion

Equity	Cash Flow	Bank Loans
Proceeds from public offering (approx. ¥520 billion) (in August 2010)	Operating cash flow Cash and cash equivalents on hand	Lending from JBIC Guarantee from JOGMEC Project finance

Maintain strong financial position

- Maintain financial strength even at the peak in borrowing
  Maintain funding capability to ensure necessary investments
- Long–term financial target
  ▶Equity ratio : 50% or higher
  ▶Net debt/Net total capital employed: 20% or less



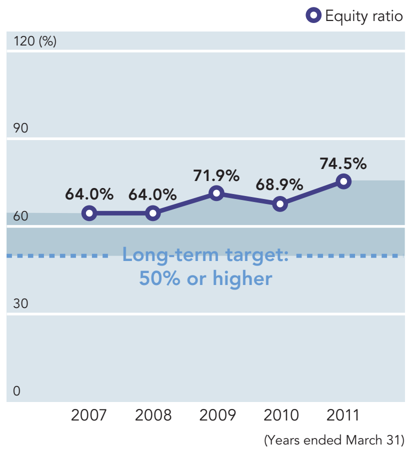
Investment Plan

From the year ended March 31, 2011 to the year ending March 31, 2017.
Approx. ¥4 trillion
April 2011- March 2014:
Approx. ¥1.8 trillion

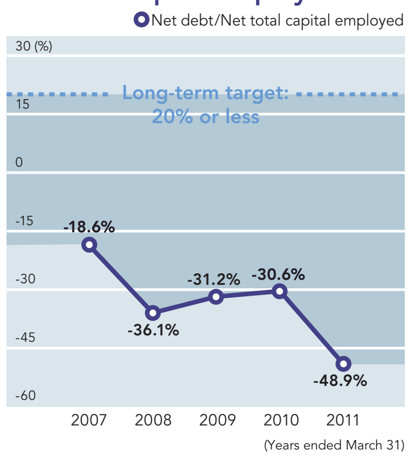
- Development expenditures
- Exploration expenditures
- Other expenditures*

* Mainly for the Naoetsu LNG Receiving Terminal and domestic pipeline and related facilities

Equity ratio



Net debt/ Net total capital employed



Credit rating information (As of June 30, 2011)

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

Crew at ADMA Block, UAE

Project Overview

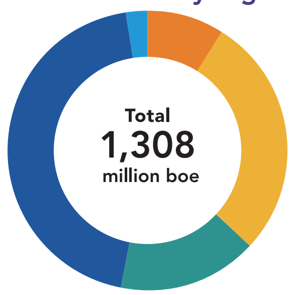
Reserves, Production and Investment Plan

Reserves

Our reserves as of March 31, 2011, consisted of approximately 1.3 billion barrels of oil equivalent (boe) of proved reserves, approximately 2.8 billion boe of probable reserves and approximately 600 million boe of possible reserves. These proved reserves give us a reserve to production ratio (R/P ratio) of 8.5 years. Adding the probable reserves increases the R/P ratio to 26.7 years.

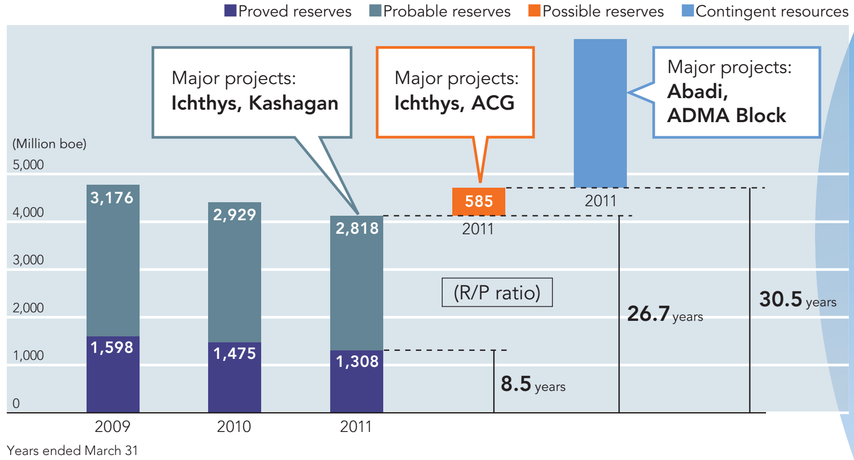
We also have an abundance of contingent resources. We also expect to continue increasing proved and probable reserves over the medium to long term through new projects and by raising the recoverability rate on existing oil and gas fields.

Proved reserves by region

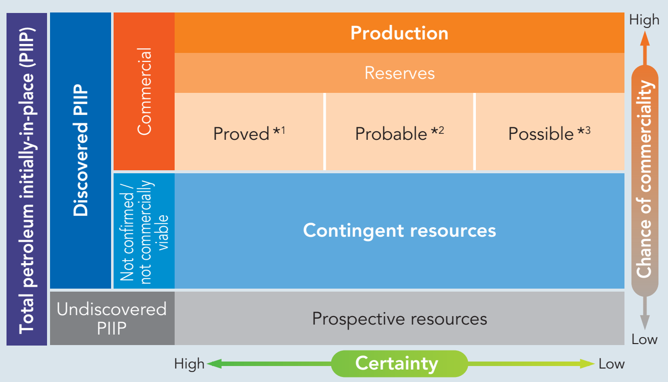


	(Million boe)	(%)
Japan	117	9
Asia & Oceania	367	28
Eurasia	210	16
Middle East & Africa	583	45
Americas	30	2

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

Expansion of reserves

Reserves are a source of corporate value. The probable/possible reserves and contingent resources will be upgraded to proved reserves through development. Through production activities, these proved reserves will become the earnings source of our company.

Expansion of production volume

Production volume is directly linked to sales that result in income for our company. That income serves as an investment resource for subsequent development.

Expansion of investment for exploration and development

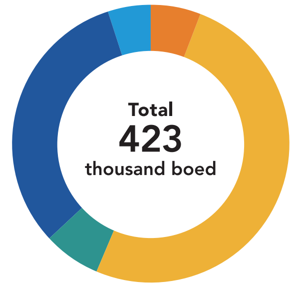
We continuously invest in exploration and development to maintain and expand reserves.

Production Volume

Our net production volume for the year ended March 31, 2011, was 239 thousand barrels per day of crude oil and 1,102 million cubic feet per day of natural gas. Combining crude oil and natural gas gives us production of 423 thousand barrels of oil equivalent per day (boed).

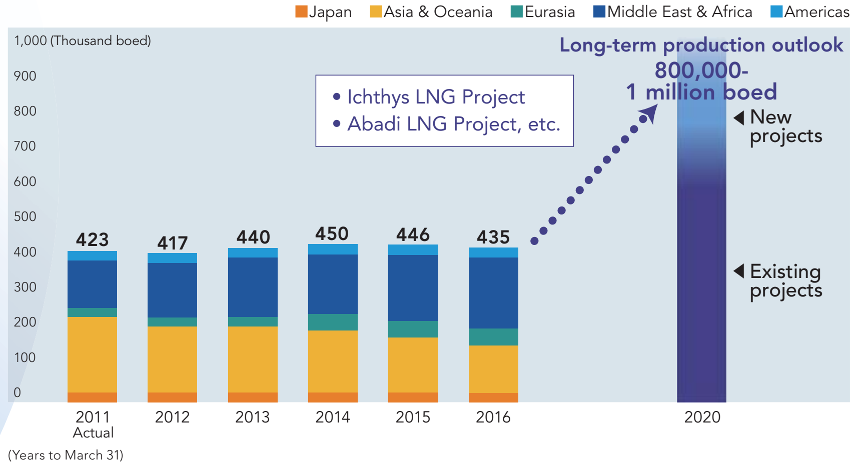
Regarding medium- to long-term forecasts for our net production volume, the existing projects, including Ichthys and Abadi, will support the production volume of our assets contributing to a rise in production to approximately 700 thousand boed. Furthermore, we expect our production to increase to 800,000–1 million boed by 2020 through aggressive exploration together with acquisitions of new oil and gas fields.

Net production volume by region



	(Thousand boed)	(%)
Japan	25	6
Asia & Oceania	214	50
Eurasia	28	7
Middle East & Africa	135	32
Americas	21	5

Long-term production outlook

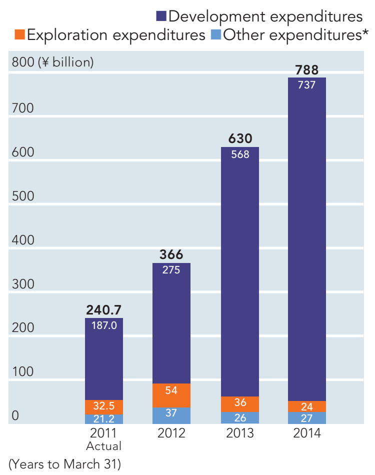


Notes: The forecasts for net production for the years ending March 31, 2012 to 2016, are premised on the same oil price (Brent crude at $95 / barrel) as that used in forecasting the results for that year.
The production volume of crude oil and natural gas under the production sharing contracts entered into by the INPEX Group corresponds to the net economic take of our group.

Investment Plan

To maintain and expand our reserves, we are actively conducting exploration investment, as well as investment in development to produce crude oil and natural gas from reserves in our possession. We have invested more than ¥800 billion during the past three years. Based on our investment plan of approximately ¥4 trillion over the next seven years period from the year ended March 31, 2011 to the year ending March 31, 2017, we will continue to actively invest in exploration and development. The investment amount over the next three years will be approximately ¥1.8 trillion or less. In particular, we predict increased investment for development of the Ichthys Project and other projects that will contribute to the dramatic growth of our company.

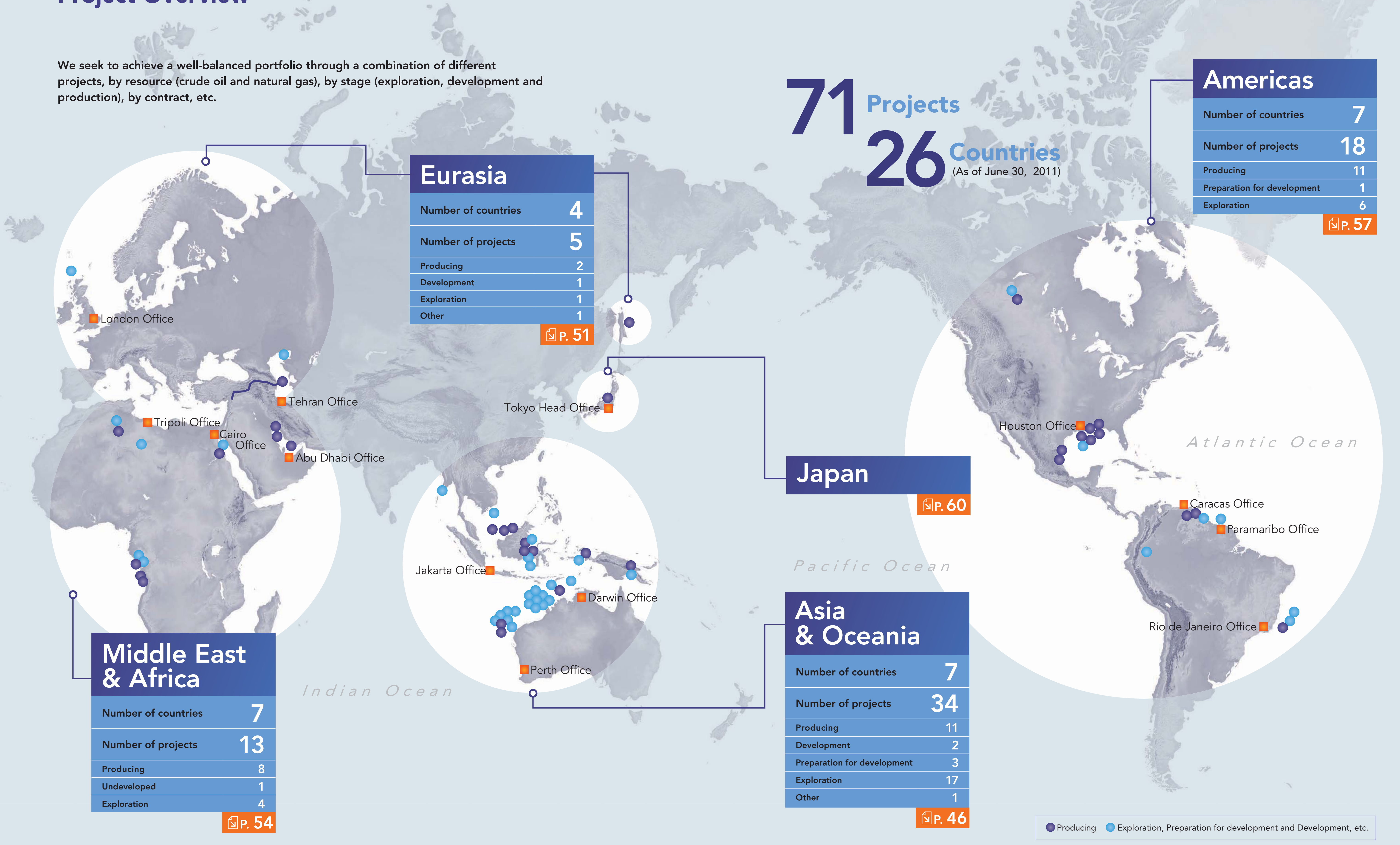
Investment (Results and plan)



* Mainly for the Naoetsu LNG Receiving Terminal and domestic pipeline and related facilities

Project Overview

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



71 Projects
26 Countries (As of June 30, 2011)

Eurasia

Number of countries	4
Number of projects	5
Producing	2
Development	1
Exploration	1
Other	1

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Japan

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Middle East & Africa

Number of countries	7
Number of projects	13
Producing	8
Undeveloped	1
Exploration	4

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Asia & Oceania

Number of countries	7
Number of projects	34
Producing	11
Development	2
Preparation for development	3
Exploration	17
Other	1

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Americas

Number of countries	7
Number of projects	18
Producing	11
Preparation for development	1
Exploration	6

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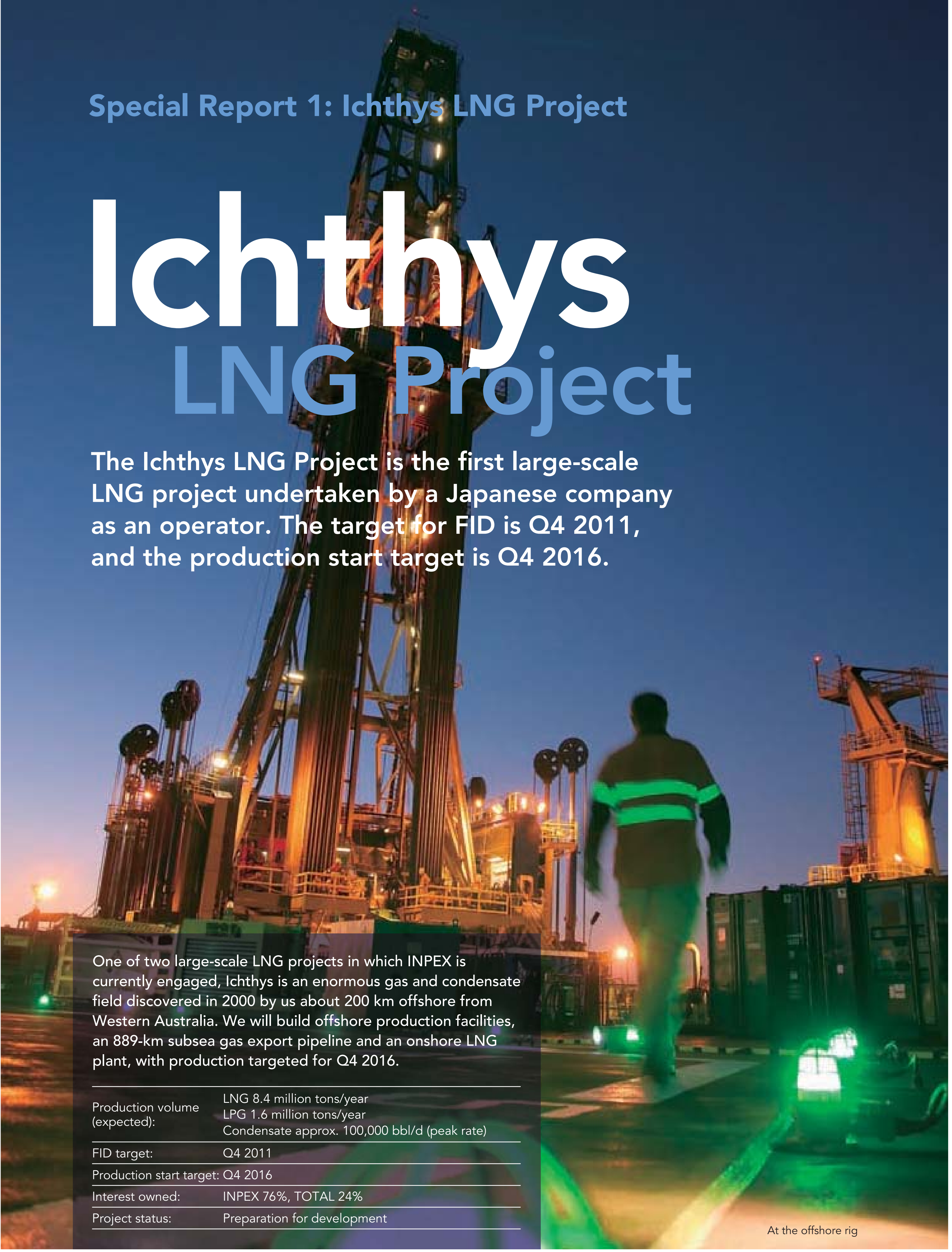
Special Report 1: Ichthys LNG Project

Ichthys LNG Project

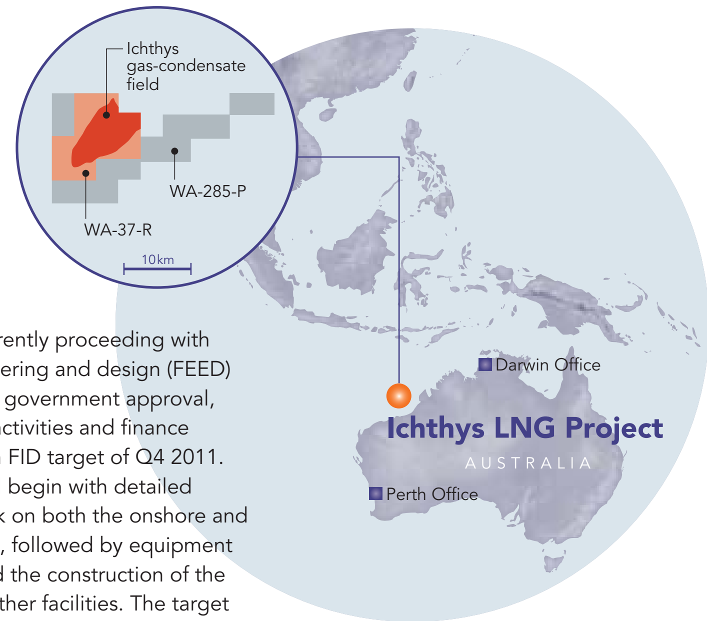


The Ichthys LNG Project is the first large-scale LNG project undertaken by a Japanese company as an operator. The target for FID is Q4 2011, and the production start target is Q4 2016.

One of two large-scale LNG projects in which INPEX is currently engaged, Ichthys is an enormous gas and condensate field discovered in 2000 by us about 200 km offshore from Western Australia. We will build offshore production facilities, an 889-km subsea gas export pipeline and an onshore LNG plant, with production targeted for Q4 2016.

Production volume (expected):	LNG 8.4 million tons/year LPG 1.6 million tons/year Condensate approx. 100,000 bbl/d (peak rate)
FID target:	Q4 2011
Production start target:	Q4 2016
Interest owned:	INPEX 76%, TOTAL 24%
Project status:	Preparation for development

At the offshore rig



Project History

INPEX participated in an open bid conducted by the Australian Federal Government for the WA- 285-P block, which is located off the coast of Western Australia about 200 km from the Kimberley region. In August 1998 we acquired the exploration permit for this block. In the first drilling campaign, three exploratory wells were drilled and discovered the presence of gas and condensate from March 2000. We then conducted a 3-D seismic survey. A second drilling campaign began in 2003, and three exploratory wells were drilled that resulted in confirmation of the extent of gas and condensate. Further wells were drilled beginning in 2007. Through these endeavors, we confirmed sufficient recoverable reserves of gas and condensate for commercial development.

We are currently proceeding with front-end engineering and design (FEED) activity, securing government approval, LNG marketing activities and finance activities, with an FID target of Q4 2011. After FID, we will begin with detailed engineering work on both the onshore and offshore facilities, followed by equipment procurement and the construction of the LNG plant and other facilities. The target date for production startup is Q4 2016.

In August 2006, INPEX was granted Major Project Facilitation status for the Ichthys Project by the Federal Minister for Industry, Tourism and Resources. This status recognizes the fact that this project would contribute to the long-term economic development of Australia.

Ichthys PROJECT

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.

Environmental Impact Survey and Contribution to Regional Communities

INPEX is working closely with the Australian Federal and Northern Territory Governments and other Australian stakeholders, as well as people associated with the project, to ensure that the Ichthys Project proceeds as planned.

About the Environmental Impact Survey

INPEX is conducting an environmental impact survey in accordance with guidelines established by the Australian Federal and Northern Territory Governments to assess the impact of aspects of the Ichthys Project. These included the environmental impacts of the offshore processing and production facilities, the subsea pipeline and the planned LNG plant (near Darwin in Australia's Northern Territory). We submitted a draft Environmental Impact Statement (EIS) summarizing these activities to both governments in April 2010. This report was submitted for public review during the period July–September 2010, and the opinions of a variety of stakeholders were taken, focusing on those in the Darwin area where the LNG plant will be built. By June 2011, INPEX had been granted environmental approval for the Ichthys Project from the ministers of the Australian Federal and Northern Territory environmental agencies based on the EIS.

Support for Local Communities

In proceeding with the Ichthys Project, INPEX places great importance on communications with local communities and building a relationship of mutual understanding with the indigenous people of the project area. INPEX seeks to be considered as a trusted corporate citizen, and therefore we do our utmost to deepen communications with people in local communities.

In the case of the Ichthys Project, our efforts include providing vocational training opportunities for young people, such as local indigenous peoples, through the donation of approximately AUD2 million for the construction of the Larrakia Trade Training Centre. The goal of the school, which opened in April 2011, is to enable students to earn qualifications that will help them develop their careers, and currently 300 students are enrolled to learn professional skills. In addition, INPEX donated to those affected by the Queensland floods.

Environmental Assessment Report
Please refer details on : http://www.inpex.com.au/

Larrakia Trade Training Centre

Students and INPEX Chairman Kuroda at the Larrakia Trade Training Centre

Special Report 1: Ichthys LNG Project

Ichthys PROJECT

Project Development Concept

Offshore Production Facilities

These are composed of a central processing facility (CPF) for the separation of natural gas and condensate and a floating production storage and offloading (FPSO) vessel for the storage and offloading of condensate.

■Condensate: 85 thousand bbl/d (peak rate)

FPSO

The FPSO receives condensate from the CPF and handles storage (storage capacity 1.2 million barrels) and shipments (85,000 bbl/d peak). Some of the natural gas is re-pressurized and sent back to the CPF.

CPF

Processes the product received via the flexible risers from the development wells, separating it into gas and condensate.

Flexible Risers

These are pipes for transporting product from the seabed to the CPF.

Development Well

Flowline

Drill Center

This equipment is placed on the seabed for direct connection to a number of development wells.

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.

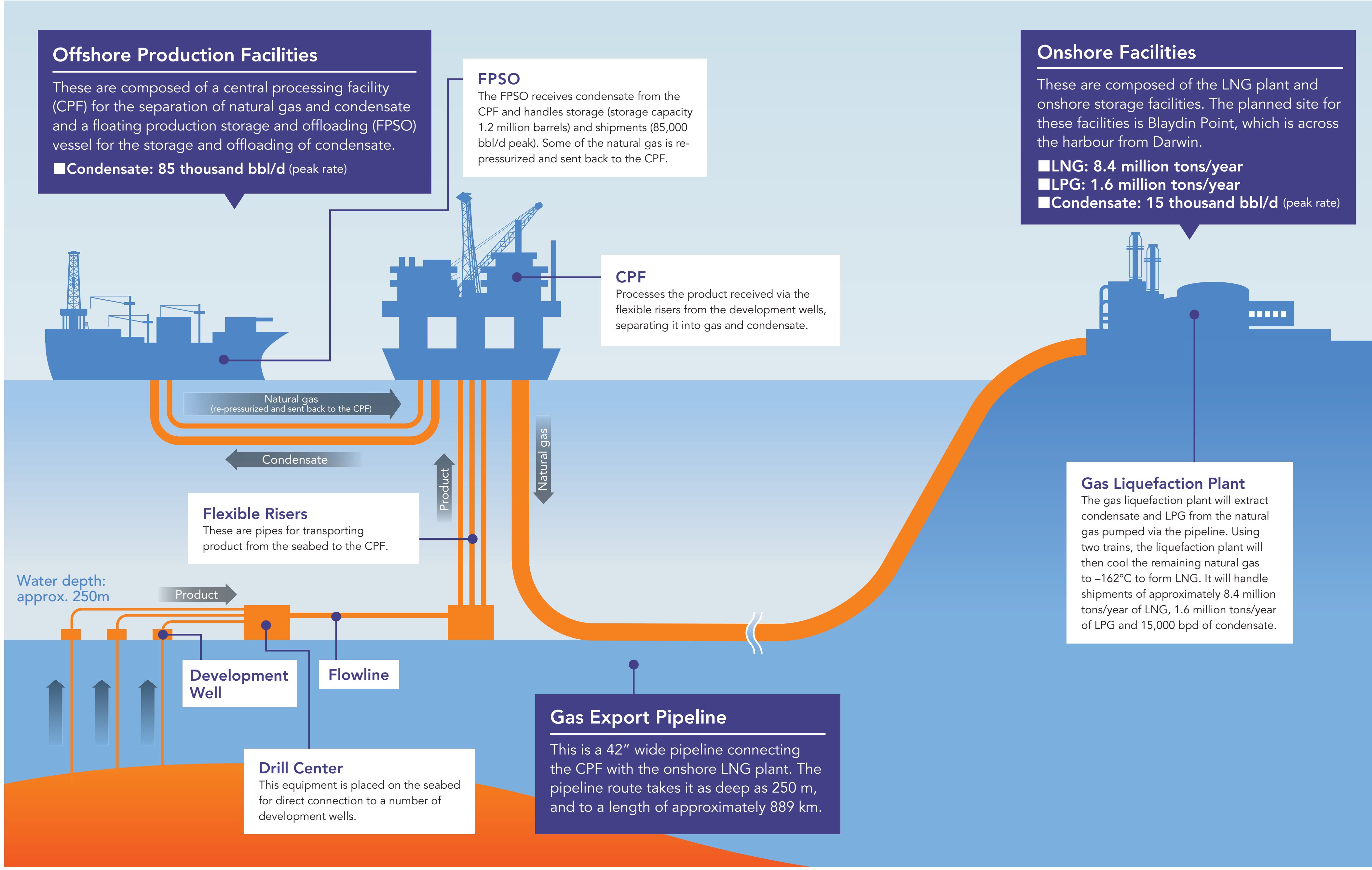
Onshore Facilities

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

■LNG: 8.4 million tons/year
■LPG: 1.6 million tons/year
■Condensate: 15 thousand bbl/d (peak rate)

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/year of LNG, 1.6 million tons/year of LPG and 15,000 bpd of condensate.



Outline of Development Concept

Production volume:	LNG: 8.4 million tons/year Condensate: 100 thousand bbl/d (peak rate) LPG: 1.6 million tons/year
Subsea development wells:	30 wells at Brewster, 20 wells at Plover
Reservoir depth:	Approx. 3,900 m - 4,600 m
Subsea production facility:	Flowline, flexible riser, etc.
Offshore production facility:	CPF + FPSO
Gas export pipeline:	42” subsea pipeline (approx. 889 km)
Darwin onshore facilities:	Produce, store and ship LNG, LPG and condensate
Onshore storage tank capacity:	LNG Tank : 2 × 165,000 m³ C3 Tank : 1 × 85,000 m³ C4 Tank : 1 × 60,000 m³ Condensate Tank : 2 × 60,000 m³

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; a permit was acquired

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

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 LNG plant completed in March 2011 / Preparatory work underway / Major engineering work in process at off-shore facilities

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
- Field development plan and production license application submitted to the government in April 2011

Future Milestone

- Q4 2011: Final investment decision (FID)
- Q4 2016: Production start

Project Overview

Abadi production test

Special Report 2: Abadi LNG Project

Abadi LNG Project

LNG project employing the world's first floating LNG technology Full-scale progress through a strategic partnership

The Abadi gas field is located in the Arafura Sea in Indonesian territorial waters, approximately 2,600 km east of Jakarta, the capital of Indonesia. The field is classified as a giant gas field with an area of more than 1,000 km². Development based on the "floating LNG" concept is being studied, and we are currently preparing for Front-End Engineering and Design (FEED) and related preparatory development work.

Production volume (expected):	LNG 2.5 million tons/year (First phase development) Condensate approx. 8,400 bbl/d
Interest owned*:	INPEX 60% Shell 30% PT Energi Mega Persada 10%
Project status:	Preparation for development

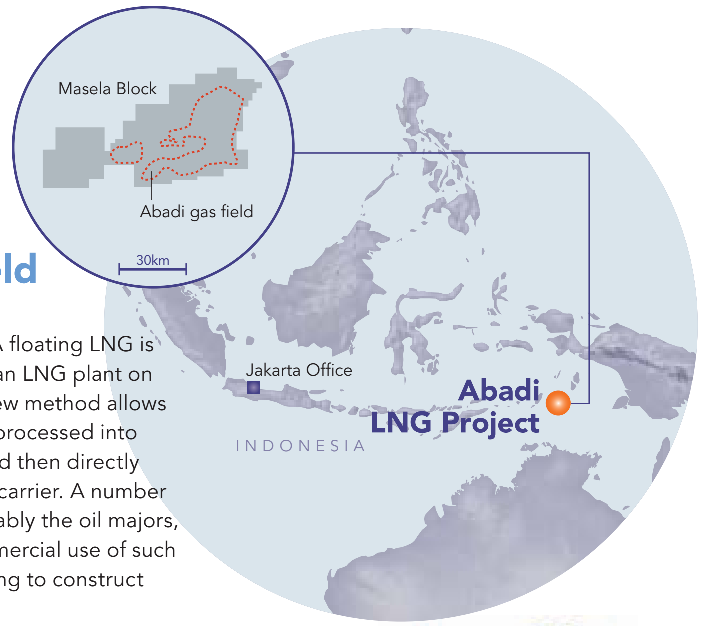
*In July 2011, INPEX signed an agreement with Shell for transfer of a 30% participating interest. The transaction is subject to the satisfaction of certain conditions such as the approval of the Indonesian Government.

Project History

INPEX acquired a 100% participating interest in the Masela block in November 1998 through a public tender conducted by the Indonesian Government. INPEX proceeded with the exploratory activity as the operator, and an exploratory well drilled in 2000 discovered the Abadi gas field. This marked the first discovery of oil and natural gas in the Arafura Sea, Indonesia. Subsequently, six appraisal wells were drilled (two in 2002 and four more in 2007-2008) so as to gain a more accurate estimate of the reserves. All of the wells confirmed the presence of a sufficient gas and condensate column.

In parallel with these activities, concept selection studies of development options were carried out. We submitted a plan of development (POD) based on our studies in September 2008, and subsequently received approval in principle for it from the Indonesian Government. Afterward, taking into consideration a third-party evaluation of the POD implemented by the Government, it was determined that phased development of the Abadi gas field would be appropriate, with the first phase consisting of development as a "floating LNG" with a capacity of 2.5 million tons/year of LNG. The Indonesian Government granted its approval to the plan of development (POD-1) in December 2010. INPEX is currently conducting preparations for FEED and Environmental and Social Impact Assessment (AMDAL) procedures, and we are continuing to make preparations for development.

In the course of moving toward full-scale development, we had been looking into forming a strategic partnership with a company with experience and proven results in the LNG business and large-scale offshore development, which could contribute to the success of this project. As a result, INPEX chose to invite Royal Dutch Shell onboard as our strategic partner in the Abadi Project, and signed an agreement with the subsidiary of Shell to transfer part of our participating interest (30%) in July 2011.



Development of the Abadi Gas Field

Production of the Abadi Project

Planned production at Abadi is 2.5 million tons/year of LNG and 8,400 bbl/d of condensate.

This scale of production was approved for Phase 1 development by the Indonesian Government in December 2010. Phase 1 development is planned for the Northern area of the block where reserves are concentrated. A feasibility study for further development is continuously being conducted based on gas reserves.

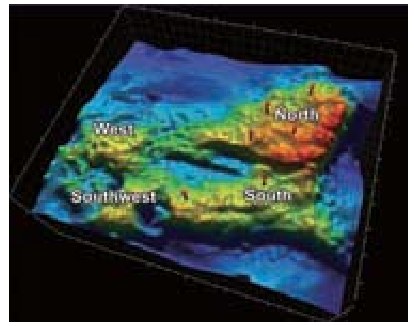
Floating LNG Technology

The plan of development for 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 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 companies, notably the oil majors, are looking into commercial use of such FLNGs or are preparing to construct them.

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

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

Image of Abadi FLNG



Structure of the Abadi gas field

Contribution to Regional Community

As part of our efforts to contribute to local communities, INPEX donated 2,000 books, etc., to a local library in Saumlaki city in Maluku, one of the candidate locations for the Abadi Project logistics base, in 2010, at the local community's request. From April 2011, INPEX and Pattimura University are carrying out an empowerment program for the seaweed farmers in Selaru Island in Maluku.

Our other activities in Indonesia include donations to relief efforts after the West Sumatra Earthquake and our ongoing support of exchange students through the INPEX Scholarship Foundation. In addition, we work to improve the understanding of the contributions of the Abadi Project to Indonesia by participating in conferences and exhibitions throughout the country.

Donation to local library in Saumlaki City

Project History

1997–2000	2001–2002	2003–2007	2007–2008	2010	Future Milestone
Participated in an open bid, permit acquired ▶ Submitted a bid for the Masela block at a public tender conducted by the Indonesian Government; A production-sharing contract (PSC) for the block was concluded ▶ Conducted a seismic survey; Confirmed the presence of gas and condensate by drilling an exploratory well	**Drilled appraisal wells** ▶ Drilled the Abadi-2 and Abadi-3 appraisal wells over a period of about seven months beginning in March 2002 to appraise the extent of the structure	**Reserves confirmation** ▶ Conducted a reserves evaluation and concept selection studies of development options ▶ Drilled four additional appraisal wells from May 2007. Confirmed the extension of gas and condensate pools	**Studies of floating LNG** ▶ Conducted pre-FEED work for a floating LNG ▶ Submitted a POD to the Indonesian Government in September 2008	**Government approval of the POD-1** ▶ Transfer of a 10% participating interest to PT Energi Mega Persada ▶ Approval of POD-1 was granted by the Indonesian Government	▶ FEED ▶ AMDAL (Environmental and Social Impact Assessment) ▶ FID ▶ Production start

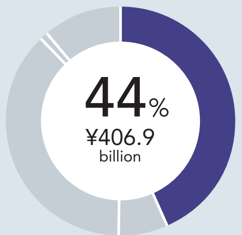
Project Overview

Project Overview by Region

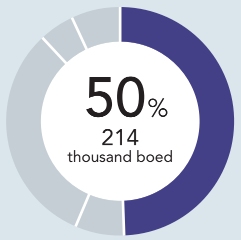
Asia & Oceania

Net sales increased 15.5% to ¥406.9 billion, and operating income increased 23.4% to ¥235.8 billion, due to increases in sales prices of crude oil and gas, and a rise in the sales volume of crude oil, despite yen appreciation.

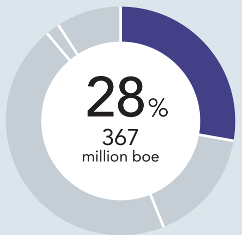
Net sales by region



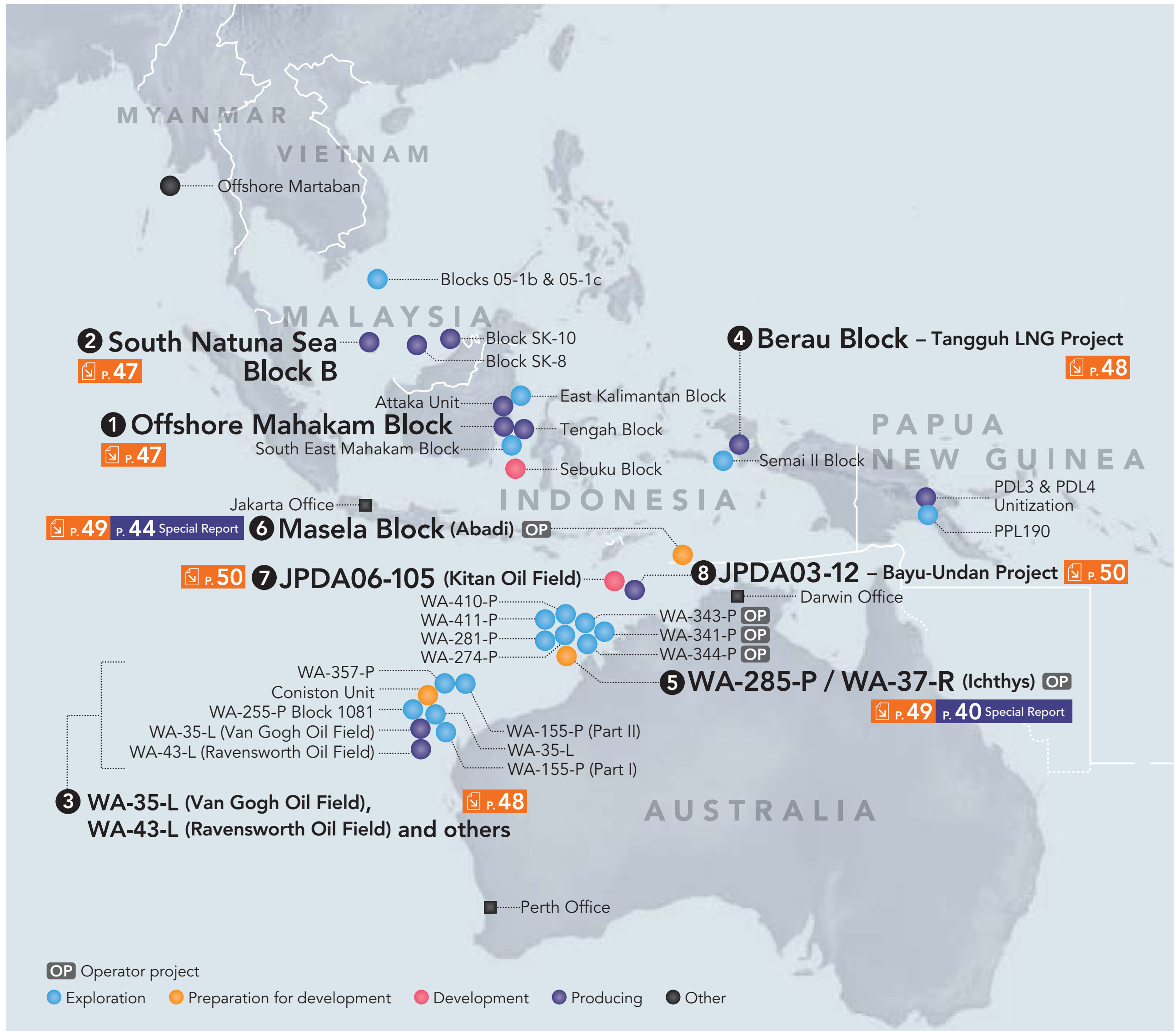
Net production by region



Proved reserves by region



Number of countries	7
Number of projects	34
Producing	11
Development	2
Preparation for development	3
Exploration	17
Other	1




Mahakam, Indonesia


Geological survey (in Indonesia)

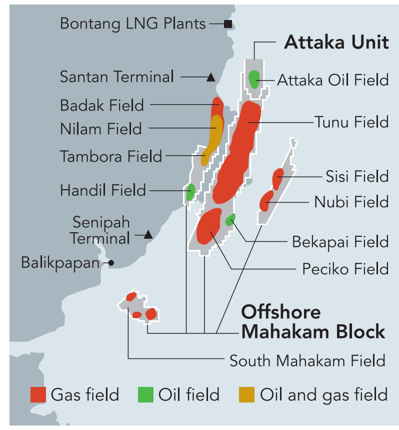

Mahakam Delta

1. Offshore Mahakam Block and Attaka Unit

Contract area (block)	Project status (production on the basis of all fields and average rate of FY2010)	Venture company (established)	Interest owned (*operator)
Offshore Mahakam	Producing (Crude oil: 91 thousand bbl/d Natural gas: 2,026 million cf/d)	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% working 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. The Attaka field was subsequently discovered, and production of crude oil and natural gas began in 1972. INPEX farmed out a 50% working 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, all of which have 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 Bontang, one of the largest liquefaction plants in the world before being shipped as LNG to Japan and elsewhere.

An extension through the end of 2017 for each of these two blocks underpins the overall Mahakam block's role as a key profit center for INPEX. In addition, negotiations are under way with the Indonesian authorities to secure a contract extension beyond 2018 with respect to the Offshore Mahakam Block.



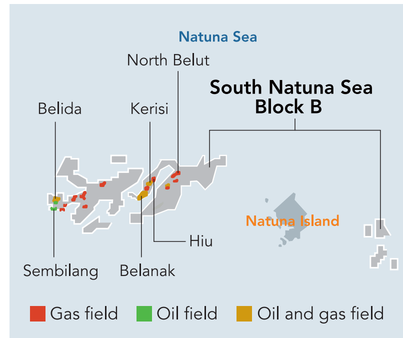
2. South Natuna Sea Block B

Contract area (block)	Project status (production on the basis of all fields and average rate of FY2010)	Venture company (established)	Interest owned (*operator)
South Natuna Sea B	Producing (Crude oil: 56 thousand bbl/d Natural gas: 376 million cf/d LPG: 12 thousand bbl/d)	INPEX Natuna, Ltd. (September 1, 1978)	INPEX Natuna 35% ConocoPhillips* 40% Chevron 25%

In July 1977, INPEX acquired a 17.5% working interest in the South Natuna Sea Block B. Later, in January 1994, INPEX increased its total working interest in the block to 35% with the purchase of an additional 17.5% interest. The following fields were subsequently discovered within the block: Belanak (oil and gas), Hiu (gas), North Belut (gas), Belida (oil), Sembilang (oil) and Kerisi (oil and gas).

Crude oil production has continued since 1979. A sales agreement to deliver natural gas to Singapore via Indonesia's first international pipeline was concluded in January 1999. The pipeline started supplying gas from the block, as well as the two adjacent blocks of Natuna Sea Block A and Kakap Block, in 2001. Additional deliveries of natural gas from this pipeline to Malaysia started in 2002. These supply milestones have contributed to the extension of the PSC covering the block until 2028.

Production operations in the Belanak field utilize a world-class FPSO system. Production of crude oil and condensate began in December 2004 and of LPG in April 2007. The Hiu and Kerisi fields came on stream in 2006 and 2007, respectively. Gas production commenced at the North Belut field in November 2009.



Project Overview

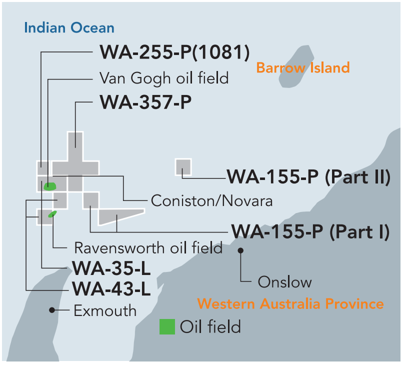
3. WA-35-L (Van Gogh Oil Field), WA-43-L (Ravensworth Oil Field) and others

Contract area (block)	Project status (production on the basis of all fields and average rate of FY2010)	Venture company (established)	Interest owned (*operator)
WA-35-L (Van Gogh oil field)	Producing (Crude oil: 30 thousand bbl/d)	INPEX Alpha, Ltd. (February 17, 1989)	INPEX Alpha 47.499% Apache* 52.501%
WA-43-L (Ravensworth oil field)	Producing (Crude oil: 16 thousand bbl/d)		INPEX Alpha 28.5% BHPBP* 39.999% Apache 31.501%
Coniston Unit (WA-35-L, WA-255-P unitization area)	Preparation for development		INPEX Alpha 41.32913% Apache* 45.67587% Woodside 13.0000%
WA-255-P Block 1081	Exploration		INPEX Alpha 23.7495% Apache* 26.2505% Woodside 50.0000%
WA-35-L (excluding Van Gogh oil field)			INPEX Alpha 47.499% Apache* 52.501%
WA-357-P			INPEX Alpha 35% Apache* 65%
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 31.50%

INPEX has acquired working interests in offshore Western Australia, such as WA-155-P (Part II) and WA-12-L (deep) in July 1994, WA-155--P (Part I) in July 1999, WA-357-P in July 2006, and one block in WA-255-P in March 2009.

The Van Gogh and Ravensworth oil fields were discovered in WA-155-P (Part I). Production licenses were then obtained for WA-35-L and WA-43-L, and oil production commenced in February and August 2010, respectively.

Preparation for development work is also under way at the Coniston/Novara, which spans WA-35-L and WA-255-P.

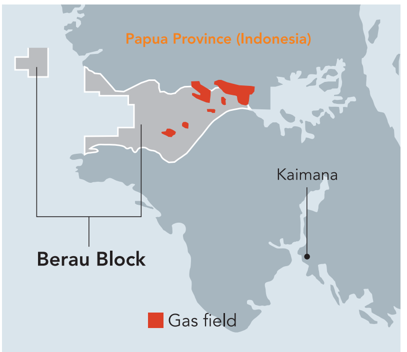


4. Berau Block, Tangguh LNG Project

Contract area (block)	Project status (production on the basis of all fields and average rate of FY2010)	Venture company (established)	Interest owned (*operator)
Berau	Producing (Crude oil: 5 thousand bbl/d Natural gas: 799 million cf/d)	MI Berau B.V. (August 14, 2001)	MI Berau 22.856% BP* 48.0% Nippon Oil Exploration (Berau) 17.144% KG Breau 12.0%
Tangguh Unit			MI Berau 16.3% BP* 37.16% CNOOC 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 an interest of around 22.9% in the Berau Block, a hub within the Tangguh LNG Project, in October 2001. MI Berau owns a 16.3% working interest (including an actual interest held by INPEX of about 7.17%) in the Tangguh Unit, which is a unitized area spanning the Berau Block and the adjoining Wiriagar and Muturi blocks. MI Berau Japan Ltd., a second joint venture between INPEX (44%) and Mitsubishi Corporation (56%), also acquired 16.5% of the issued and outstanding shares of KG Berau Petroleum Ltd. in October 2007, bringing INPEX's total interest in the project to 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. Subsequently, development work such as the drilling of production wells and construction of an LNG plant was conducted over a period of four years. The first cargo of LNG was shipped in July 2009.



5. WA-37-R (Ichthys) and its Surrounding Blocks

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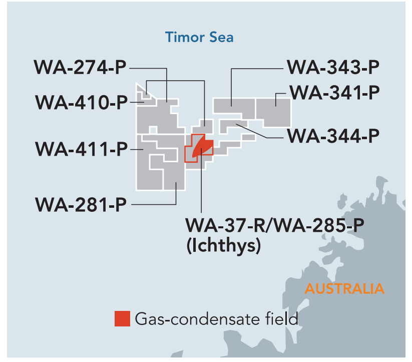
Contract area (block)	Project status	Venture company (established)	Interest owned (*operator)
WA-37-R	Preparation for development	INPEX Ichthys Pty Ltd (April 5, 2011)	INPEX Ichthys Pty Ltd* 76% TOTAL 24%
WA-285-P	Exploration	INPEX Browse, Ltd. (September 1, 1998)	INPEX Browse* 76% TOTAL 24%
WA-274-P			INPEX Browse 20% Chevron 50% Santos* 30%
WA-281-P			INPEX Browse 20.0000% Santos* 47.8306% Chevron 24.8300% Beach 7.3394%
WA-341-P			INPEX Browse* 60% TOTAL 40%
WA-343-P			
WA-344-P			
WA-410-P			INPEX Browse 20% Santos* 30% Chevron 50%
WA-411-P			INPEX Browse 26.6064% Santos* 63.6299% Beach 9.7637%

INPEX acquired a working interest in WA-285-P offshore Western Australia after winning an open bid in August 1998. In 2000, after pursuing exploration activities as an operator, INPEX discovered the Ichthys gas-condensate field.

Eight exploratory wells drilled by INPEX confirmed the presence of sufficient reserves for a large-scale project in the Ichthys gas-condensate field. Later, in September 2008, a site in Darwin was selected for construction of an LNG plant. FEED work on this plant began in January 2009. In April of the same year, an office was established in Darwin and FEED work also commenced on offshore production facilities at that time. The EPC tender for the CPF was issued in November 2010, with preparatory work for the procurement phase of the LNG plant beginning in December of the same year. In addition, work concerning production licenses and financing is ongoing with the target for FID scheduled in Q4 2011, and for commercial production in Q4 2016.

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



6. Masela Block (Abadi)

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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% *In July 2011, INPEX signed an agreement with Shell for transfer of a 30% participating interest. The transaction is subject to the satisfaction of certain conditions such as the approval of the Indonesian Government.

INPEX acquired a 100% participating interest in the Masela Block in November 1998 through a public tender conducted by the Indonesian Government. The Abadi-1 exploratory well was drilled in 2000 and confirmed the presence of gas and condensate. This marked the first discovery of crude oil and natural gas in the Arafura Sea, Indonesia. Subsequently six appraisal wells were drilled by 2008 (two in 2002 and four more in 2007-2008), and gas and condensate were successfully confirmed in all of the wells. In September 2008, based on the results of Pre-FEED of a floating LNG, a development plan was submitted to the Indonesian Government and approval in principle was granted. After a third-party evaluation, approval for the plan of development (POD-1) was granted in December 2010 for commencement of LNG production of 2.5 million tons/year. Currently, various preparatory measures, including Front-End Engineering and Design (FEED) and Environmental and Social Impact Assessment (AMDAL), are underway in the lead-up to development of the Abadi gas field.


Ichthys LNG Project, Australia


Blaydin Point in Northern Territory, Australia

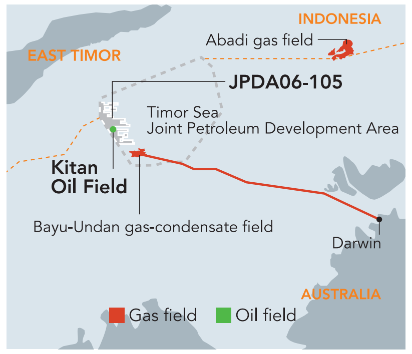

JPDA (Kitan Oil Field)

7. JPDA06-105 (Kitan Oil Field)

Contract area (block)	Project status	Venture company (established)	Interest owned (*operator)
JPDA06-105	Development	INPEX Timor Sea, Ltd. (November 25, 1991)	INPEX Timor Sea 35% Eni* 40% Talisman 25%

INPEX acquired an interest in JPDA06-105 in January 1992, a contract area located within the Timor Sea Joint Petroleum Development Area (JPDA). Oil in the Jahal structure and the Kuda Tasi structure was discovered in 1996 and 2001, respectively, through exploration works.

Oil was found in March 2008 by the Kitan-1 exploratory well, and the presence of a commercial oil accumulation was confirmed by the Kitan-2 appraisal well drilled subsequently. In line with the provisions of the PSC, INPEX made a declaration in April 2008 to the authorities that an oil field of commercial scale had been found at Kitan. Thereafter, INPEX acquired approval for the final development plan from the relevant authority in April 2010. Currently, development work is under way at the Kitan Oil Field with a target production startup in the second half of 2011.

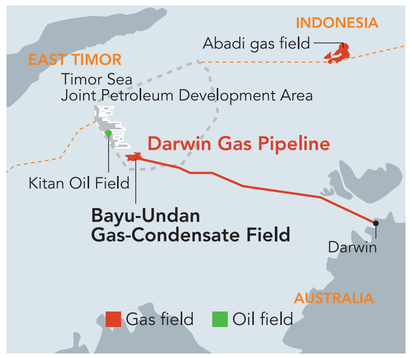


8. JPDA03-12 – Bayu-Undan Project

Contract area (block)	Project status (production on the basis of all fields and average rate of FY2010)	Venture company (established)	Interest owned (*operator)
JPDA03-12	Producing (Crude oil: 54 thousand bbl/d LPG: 32 thousand bbl/d Natural gas: 502 million cf/d)	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%

In April 1993, INPEX acquired a working 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 in the Elang, Kakatua, Kakatua North and Undan structures.

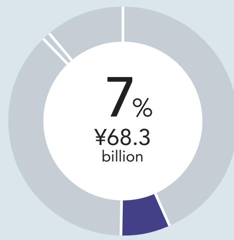
Oil production in the Elang, Kakatua and Kakatua North oil fields began in 1998 but ceased in 2007 due to natural depletion. Geological studies revealed that the Undan structure and the Bayu structure in the adjacent JPDA03-13 contract area were a single body. Final agreement on unitization was reached in 1999 between interest holders of both contract areas, allowing joint development of the Bayu-Undan gas and condensate field to proceed. The commercial production of condensate and LPG from the project commenced in 2004. An LNG sales agreement was concluded with Tokyo Electric Power Co., Inc., and Tokyo Gas Co., Ltd., in August 2005 stipulating a total annual supply of 3 million tons. The gas is transported through a 500-km undersea pipeline to an LNG plant built in Darwin in Australia's Northern Territory. LNG shipments from the plant commenced in February 2006.



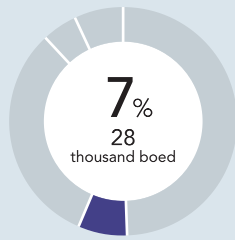
Eurasia

Net sales decreased 7.1% to ¥68.3 billion, and operating income fell 8.3% to ¥36.4 billion, due to a decrease in the sales volume of crude oil and yen appreciation, despite an increase in the sales price of crude oil.

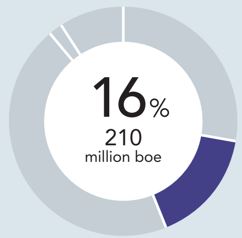
Net sales by region



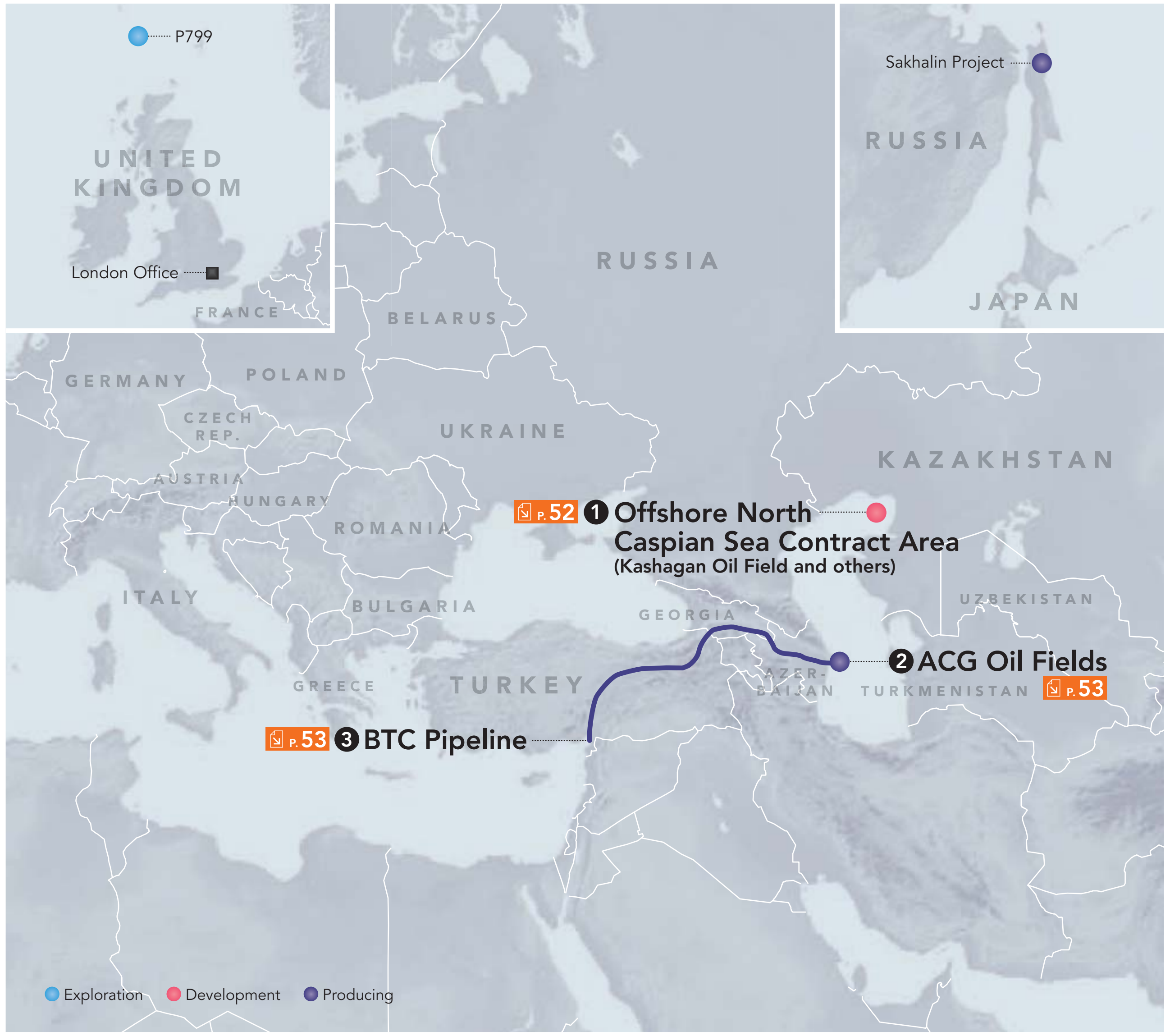
Net production by region



Proved reserves by region



Number of countries	4
Number of projects	5
Producing	2
Development	1
Exploration	1
Other	1



Project Overview

Kashagan Oil Field
(onshore production facility)

Kashagan Oil Field (site crew)

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	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 (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 Kazakhstan city of Atyrau, at 3–5 meters deep in the Caspian Sea.

In September 1998, INPEX acquired a working interest in the Offshore North Caspian Sea Contract Area inside Kazakhstan's territorial waters. Today, INPEX holds a 7.56% interest.

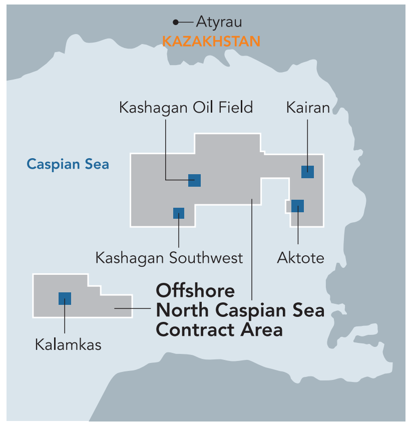
The Kashagan Oil Field was discovered during the first exploratory drillings in the block in September 1999. The first discovery in the Kazakhstan-controlled part of the Caspian Sea, the Kashagan field is among the largest finds in the history of oil exploration.

A phased development of this field is planned, with the Phase 1 experimental program now under way.

The co-ventures agreed in October 2008 with the Kazakhstan authority to develop the Kashagan field, upon which the co-ventures established a new joint operating company, North Caspian Operating Company, which assumed the role of the former operator, Agip KCO, in January 2009. The production start is targeted for the end of 2012, with development under way currently.

Besides the Kashagan field, hydrocarbon reserves have also been confirmed in the four other structures of 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.

Development of the Kashagan field is subject to strict environmental conditions. The international consortium of developers represents the highest level of technology and know-how, and work is being carried out with close consideration of the surrounding environment, and it is hoped that the development will lead to increased oil export revenues for Kazakhstan, the creation of employment opportunities in that country and the improvement of the economic situation for its people.



ACG Oil Field

BTC Pipeline (Ceyhan Terminal)

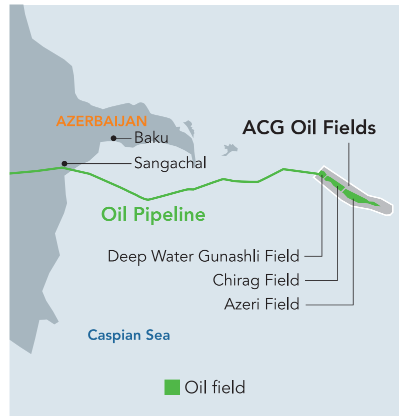
2. ACG Oil Fields

Contract area (block)	Project status (production on the basis of all fields and average rate of FY2010)	Venture company (established)	Interest owned (*operator)
ACG (Azeri, Chirag, Gunashli)	Producing (Crude oil: 821 thousand bbl/d)	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% working interest in the Azeri-Chirag-Gunashli (ACG) oil fields in April 2003. The fields are located in a region of the South Caspian Sea controlled by the Republic of Azerbaijan. In August 2010, INPEX purchased an additional interest (0.9644%) that increased its working 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. The New Chirag Oil Project (COP) was sanctioned in March 2010. The COP is the additional investment for the development of Chirag and the deep-water portion, including the shallow layer, of the Gunashli fields. Operations are under way so as to increase oil output from the ACG fields.

Most of the crude oil produced by the ACG fields is being transported from Baku, Azerbaijan, to Ceyhan, Turkey via Georgia for shipment from the Mediterranean coast using the BTC pipeline, a major oil transportation system that began full-scale operations in June 2006.

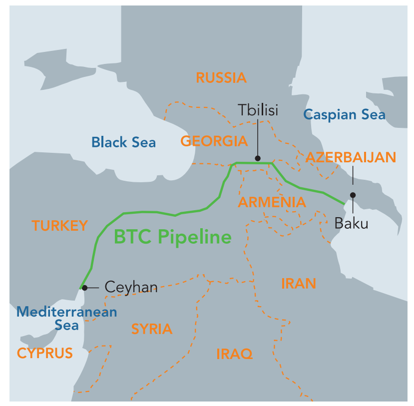


3. BTC Pipeline

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.

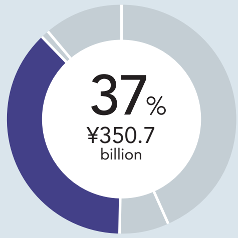
The 1,770-km BTC pipeline stretches from the Baku, Azerbaijan to Ceyhan on Turkey's Mediterranean coast through Tbilisi, Georgia. Commencing full-scale operation in June 2006, the pipeline was originally built to transport crude oil produced in the ACG oil fields in Azerbaijan. The pipeline's capacity was expanded up to 1.2 million bbl/d so that it can also accommodate future oil output from the Kashagan Oil Field in Kazakhstan.



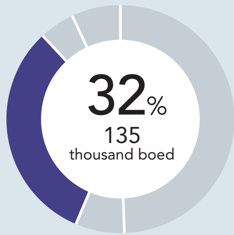
Middle East & Africa

Net sales increased 15.4% to ¥350.7 billion, and operating income rose 18.3% to ¥243.1 billion, due to an increase in sales volume and the sales price of crude oil, despite yen appreciation.

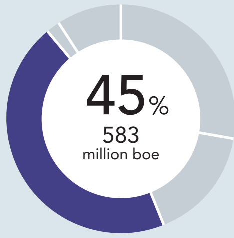
Net sales by region



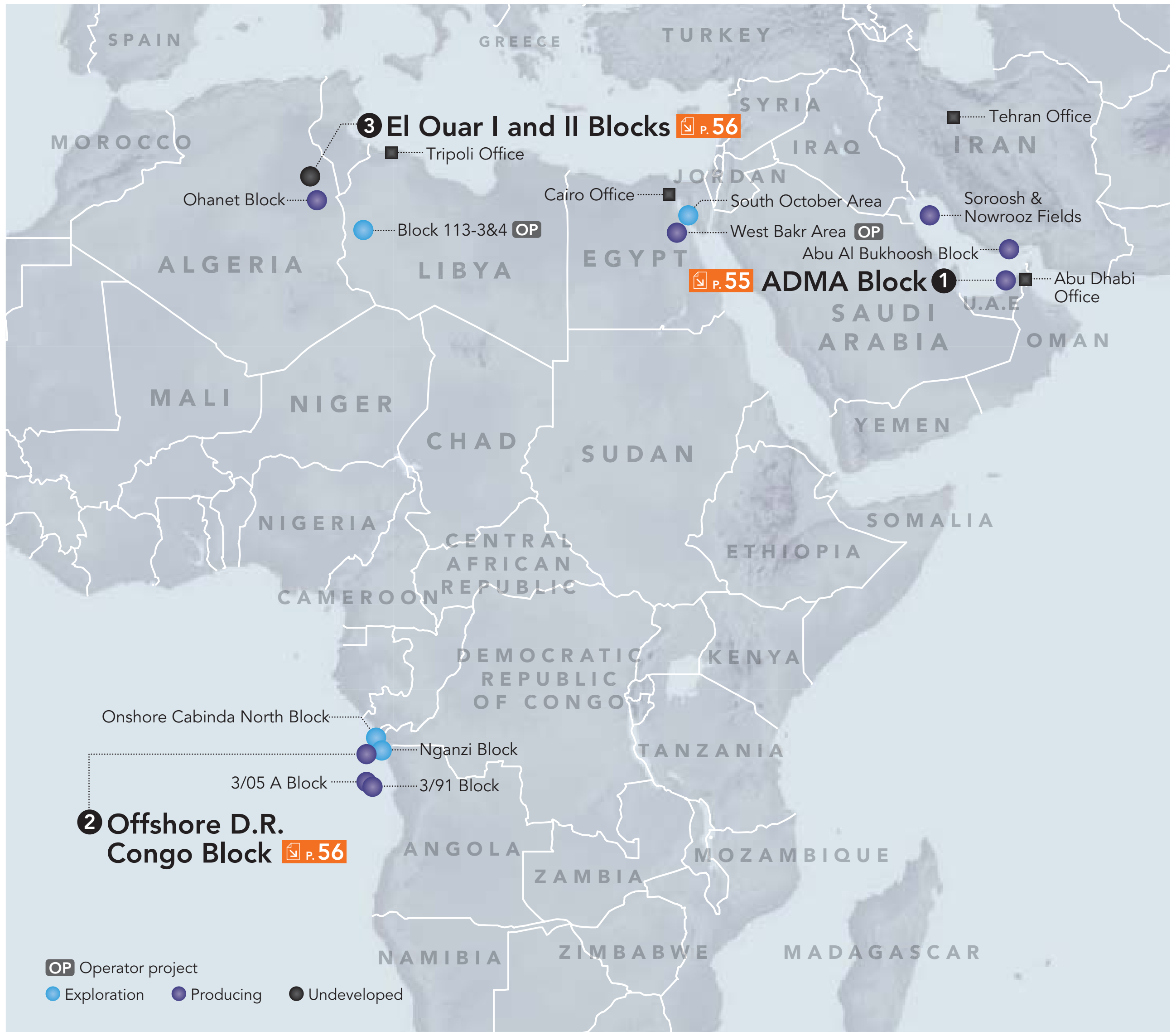
Net production by region

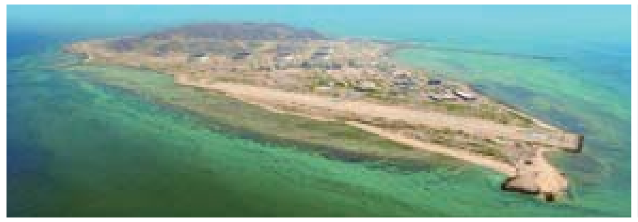


Proved reserves by region



Number of countries	7
Number of projects	13
Producing	8
Preparation for development	1
Exploration	4





ADMA Block, Zirku Island, UAE

ADMA Block, Upper Zakum Field

Tea ceremony in Abu Dhabi

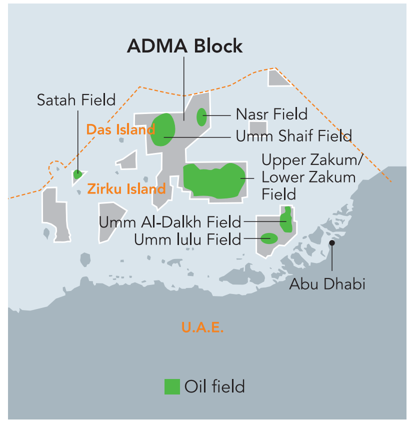
1. ADMA Block

Contract area (block)	Project status	Venture company (established)	Interest owned
Umm Shaif, Lower Zakum Field	Producing	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. Established in 1973, 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 (UZ) Oil Field (the largest in the block) in 1982, followed by the Umm Al-Dalkh (UA) Oil Field in 1985 and the Satah (ST) Oil Field in 1987. JODCO has been involved in the development of these fields. The Umm Shaif (US) and the Lower Zakum (LZ) 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 (from US and LZ) and Zirku (from UZ, UA and ST) for shipment.

A number of development projects are currently under way to maintain and expand oil output from the ADMA Block, including plans to develop promising untapped structures in the block, the construction of new gas injection facilities for the Umm Shaif field and redevelopment plans for the Upper Zakum field that involve the use of artificial islands.

The operation and development of these fields is undertaken by ADMA-OPCO and ZADCO, the two local operating companies for which the shares are owned by JODCO, Abu Dhabi National Oil Company (ADNOC) and other participating oil companies. Through JODCO, INPEX continues to dispatch engineers and other personnel to both of these operating companies.




Offshore Congo Block


Offshore Congo Block

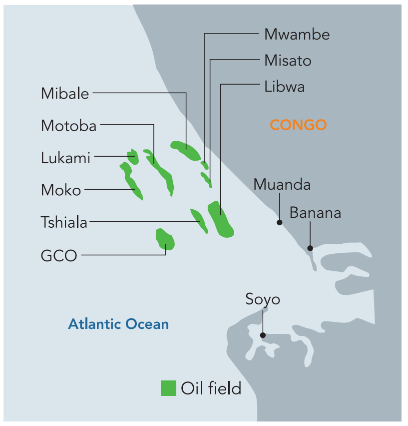

Offshore Congo Block

2. Offshore D.R. Congo Block

Contract area (block)	**Project status** (production on the basis of all fields and average rate of FY2010)	**Venture company** (established)	**Interest owned** (*operator)
Offshore D.R. Congo Block	Producing (Crude oil: 14 thousand bbl/d)	Teikoku Oil (D.R. Congo) Co., Ltd. (August 1, 1970)	Teikoku Oil (D.R. Congo) 32.28% Perenco* 50% Chevron 17.72%

INPEX acquired a 17.03% working interest in July 1970 in an offshore area in the country now known as the Democratic Republic of the Congo (DRC) and has been participating in oil exploration and development in this region. An additional interest was acquired in July 1972, increasing its participating interest to the current share of 32.28%.

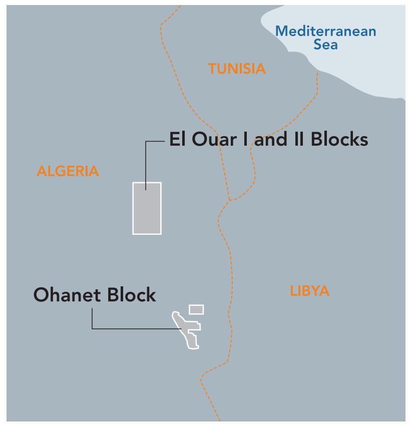
Oil production commenced in 1975 from the GCO Oil Field, which was discovered in 1971. Including GCO, 11 oil fields have been discovered in the Offshore DRC Block. The contract covering this block was extended until 2023 in May 1995, and production levels from existing fields remain stable.



3. El Ouar I/II Blocks

Contract area (block)	**Project status**	**Venture company** (established)	**Interest owned** (*operator)
El Ouar I and II Blocks	Undeveloped	Teikoku Oil Algeria Co., Ltd. (December 21, 2001)	Teikoku Oil Algeria 10.29% Sonatrach 67.33% Eni* 22.38%

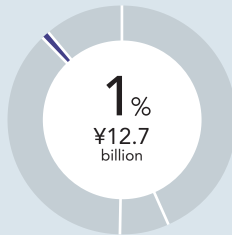
In November 2001, INPEX acquired a 10.29% working interest in the El Ouar I and II onshore blocks located in eastern Algeria. Exploratory drilling in 1997 and the subsequent drilling of appraisal wells confirmed the presence of natural gas, condensate and crude oil in the El Ouar I Block. Natural gas and condensate were also found in the El Ouar II Block in exploratory drilling in 2001. Joint development studies of these blocks and surrounding fields are currently ongoing.



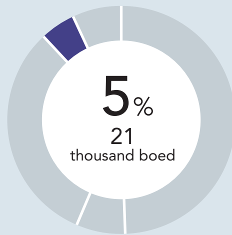
Americas

Net sales decreased 24.1% to ¥12.7 billion, due to a decrease in the sales volume of crude oil, and the operating loss was ¥3.0 billion (compared with operating income of ¥1.0 billion in the previous year), due to higher exploration expenses.

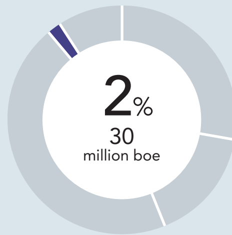
Net sales by region



Net production by region



Proved reserves by region



Number of countries	7
Number of projects	18
Producing	11
Preparation for development	1
Exploration	6


Joslyn Block, Canada


Copa Macoya Block, Venezuela

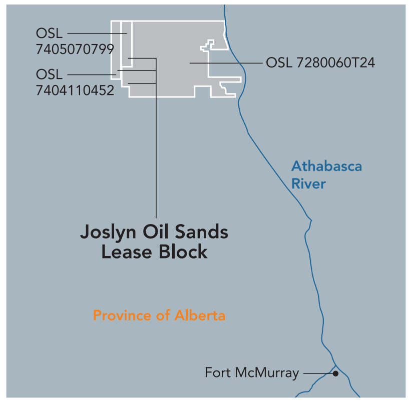

Copa Macoya Block, Venezuela

1. Joslyn Oil Sands Project

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

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 100,000 bbl/d by the second half of 2010 as Phase 1 development. The development framework is currently under investigation.

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



2. Copa Macoya and Guarico Oriental Blocks

Contract area (block)	Project status (production on the basis of all fields and average rate of FY2010)	Venture company (established)	Interest owned
Copa Macoya	Producing (Crude oil: 1 thousand bbl/d, Natural gas: 78 million cf/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% working 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 under the operating service agreement (OSA) terms.

The existing OSAs 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 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.


Brazil (Frade Block)

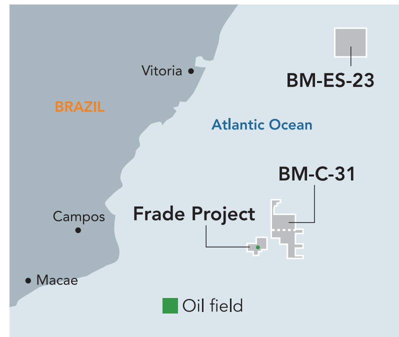

Mexico (Cuervito)

3. Brazil (Frade Block and others)

Contract area (block)	Project status (production on the basis of all fields and average rate of FY2010)	Venture company (established)	Interest owned (*operator)
Frade Project	Producing (Crude oil: 62 thousand bbl/d, Natural gas: 12 million cf/d)	Frade Japão Petróleo Limitada (FJPL) (July 5, 1999)	Frade Japão Petróleo 18.2609% Chevron* 51.7391% Petrobras 30%
BM-C-31	Exploration	INPEX Petróleo Santos Ltda. (January 19, 2007)	INPEX Petróleo Santos 20% Petrobras* 60% Shell 20%
BM-ES-23			INPEX Petróleo Santos 15% Petrobras* 65% Shell 20%

Frade Japão Petróleo Limitada (FJPL), a joint venture established by INPEX and Sojitz Corporation, acquired a 12.75% working interest in the Frade Block in Brazil's offshore Northern Campos basin in July 1999, and acquired an additional 2.25% in July 2001. As a result of the change in interest ownership due to arrangements determined under contract, FJPL's working interest amounted to 18.3% in June 2006.

After its initial discovery in 1986, the reserves of the Frade Oil Field were first estimated in 2001 with the drilling of two appraisal wells after FJPL acquired a participating interest in the block. A final investment decision to develop Frade was made in June 2006 after subsequent feasibility studies. Commercial production started in June 2009, marking the first crude oil to be produced in Brazil by an enterprise with a significant Japanese equity interest.



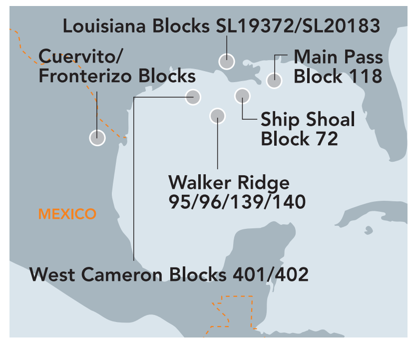
4. Gulf of Mexico Projects (U.S. and Mexico)

Contract area (block)	Project status (production on the basis of all fields and average rate of FY2010)	Venture company (established)	Interest owned (*operator)
Ship Shoal Block 72	Producing (Crude oil: 1 thousand bbl/d, Natural gas: 19 million cf/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% XTO* 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	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 72 in July 2006, Main Pass 118, West Cameron 401/402, Louisiana SL19372 and SL20183 started production.

We participated in deepwater exploration blocks of Walker Ridge 95/96/139/140 in the Gulf of Mexico in February 2011.

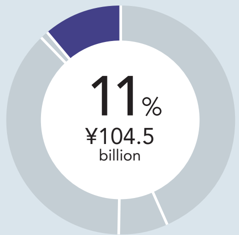
INPEX's affiliate, Teikoku Oil de Burgos S.A. de C.V., has participated in gas development and production operations in the Cuervito and Fronterizo blocks located in the Burgos basin of Mexico since 2004. This project has been conducted under the multiple service contract with PEMEX, and INPEX's affiliate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



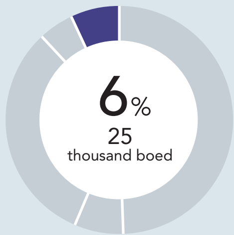
Japan

Net income increased 11.2% to ¥104.5 billion, due to higher sales volume and a rise in the sales price of natural gas. Operating income fell 20.3% to ¥26.0 billion, due to higher net purchases of natural gas.

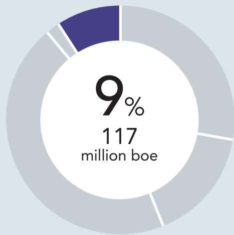
Net sales by region

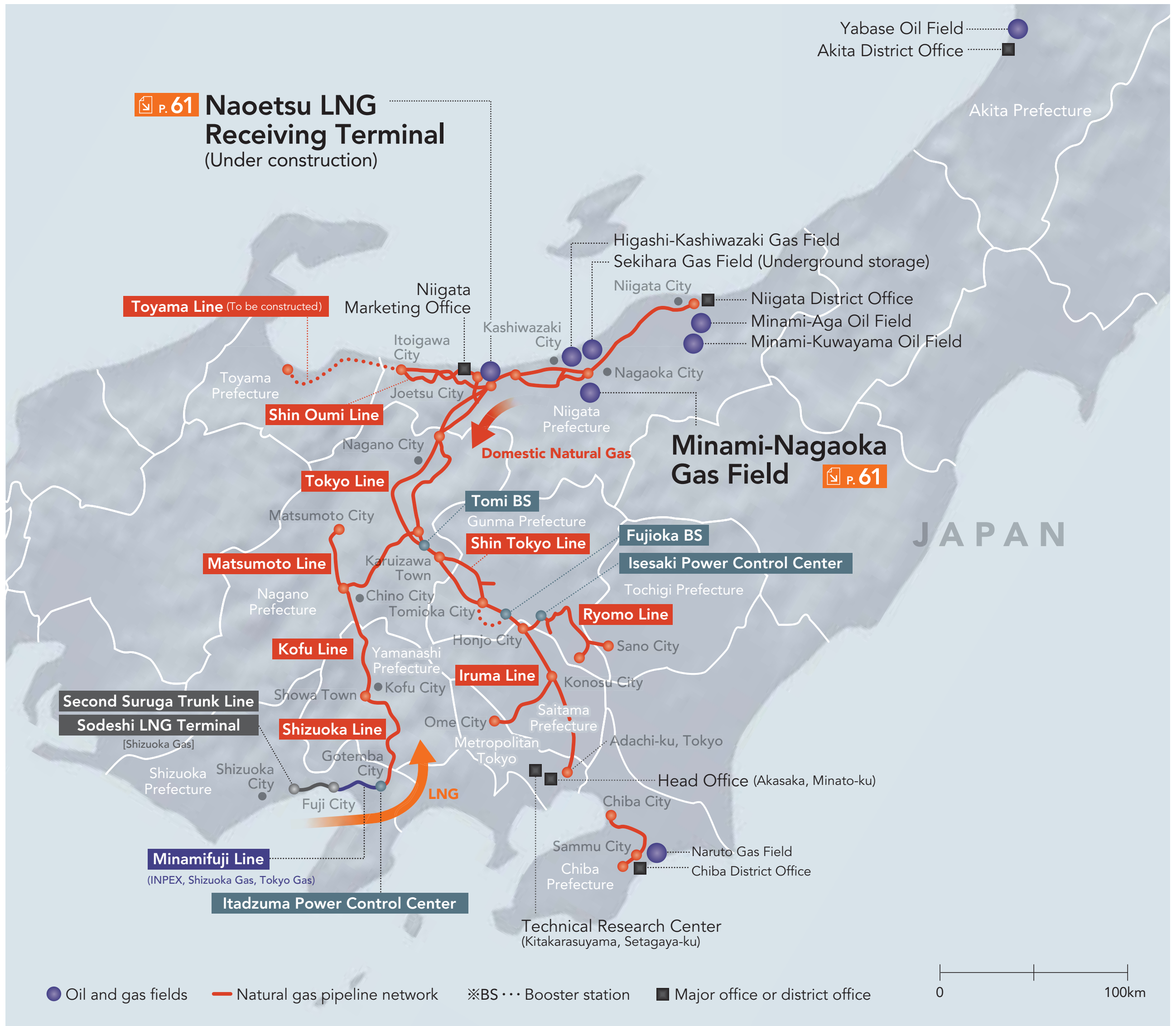


Net production by region



Proved reserves by region






Natural gas test in Japan


Oyazawa Plant (Nagaoka City, Niigata Prefecture)


Drilling crew in Japan


Yabase Oil Field in Akita Prefecture

Minami-Nagaoka Gas Field and the Domestic Natural Gas Business

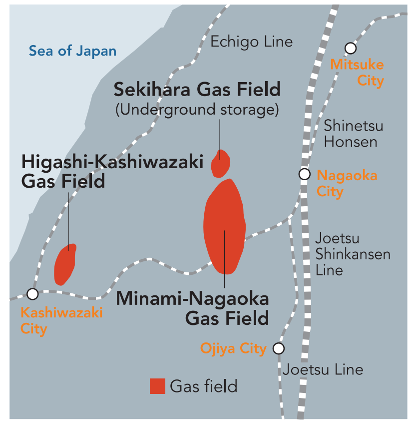
Domestic Natural Gas Overview	
Producing: Total oil and gas fields (FY 2010 average)	Natural gas: Approx. 3.4 million m^3/d Crude oil and condensate: Approx. 4 thousand bbl/d
Natural gas sales (FY 2010)	Approx. 1.72 billion m^3

Discovered in 1979 and in production since 1984, Minami-Nagaoka is one of the largest gas fields in Japan. Even after more than 25 years of continuous output, Minami-Nagaoka still accounts for approximately 40% of Japan's total natural gas production. After being processed, 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 over 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 in annual demand to the 2.5 to 3.0 billion m^3 range, reflecting further active expansion of the supply network into new regions such as Toyama region where we decided to construct Toyama Line (extending from Itoigawa City, Niigata Prefecture to Toyama City, Toyama Prefecture) in May 2011.

Supply capacity and reliability have been dramatically enhanced through dynamic reinforcement of production facilities, pipeline network expansion and the introduction of LNG from Shizuoka Gas Co., Ltd. in 2010. To boost the overall scale of this business, INPEX has decided to build an LNG receiving terminal at Naoetsu, Joetsu City in Niigata Prefecture on the Japan Sea coast. The operational start target is in 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 refine and export the iodine to Europe, the U.S. and elsewhere.

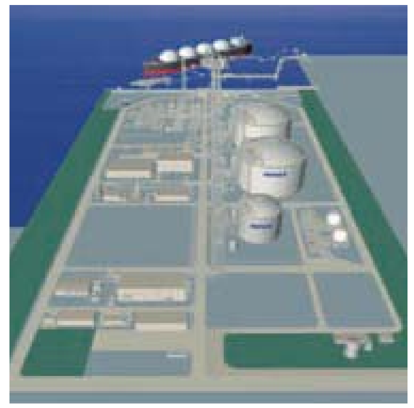


Minami-Nagaoka and nearby gas fields

Construction of Naoetsu LNG Receiving Terminal

Naoetsu LNG Receiving Terminal Overview	
Location:	12 Yachiho, Joetsu City, Niigata Prefecture
Lot area:	Approx. 25 ha
Gas production capacity:	750 million m^3/day (LNG 240 tons/hour)
LNG tank:	180 thousand kl × 2 (upgrade possible)
Operational start target:	in 2014

We expect domestic demand for natural gas to rise steadily and continue to be firm due to factors such as the switch to natural gas from oil as consciousness about the environment and energy conservation increases, higher oil prices. To ensure stable supply to the domestic natural gas market over the medium to long term, INPEX has been engaged in constructing an LNG receiving terminal in Joetsu City (the port of Naoetsu) in Niigata Prefecture on the Japan Sea coast since 2009. The target operational start-up date is in 2014. Afterwards, 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.


Naoetsu LNG Receiving Terminal (Artist's rendering)

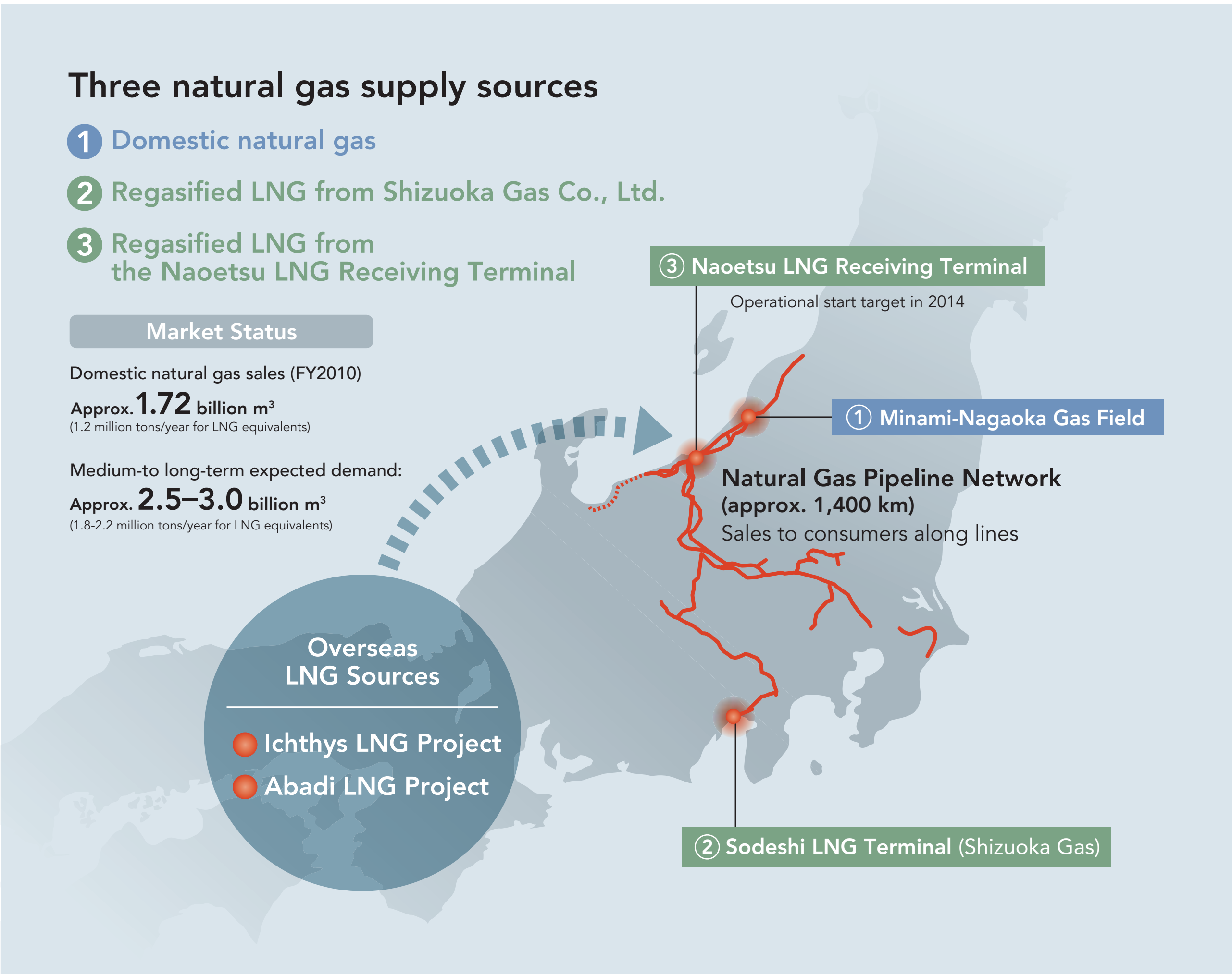
Construction at the Naoetsu LNG Receiving Terminal


Inspecting for leaks at a valve station

Gas Supply Chain

We will establish a gas supply chain by organically connecting the overseas LNG with the domestic natural gas infrastructure, so as to meet 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. (which we began receiving in January 2010), 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 developing an energy business suitable to the coming era of natural gas use.




Recovery and protection of mangrove forests in Indonesia

4 Corporate Responsibility and Management

Corporate Social Responsibility

INPEX actively implements corporate social responsibility (CSR) activities based on the recognition that CSR is inextricably linked to our business operations. We fulfill the social responsibility that grows together with the expansion of our business and contribute to building a sustainable society through the stable supply of energy.

1. HSE (Health, Safety and Environment) Basic Policies

INPEX continually improves and enhances our labor health and safety and environmental preservation under our in-house HSE Management System, which coordinates our health, safety and environmental practices.

For details, refer to the CSR Report 2011 pp. 20–23

For further details on our activities, please refer to the CSR Report 2011.
http://www.inpex.co.jp/english/csr

Overview of the HSE Management System

INPEX has a unique HSE Management System that is based on the guidelines of ISO9000, ISO14001, the occupational Health and Safety Management System (OHSAS18001, OSHMS) and the International Association of Oil & Gas Producers (OGP).

The HSE Management System encompasses a document architecture that includes the HSE Policy, which declares our company's basic policies for environmental preservation and ensuring operating safety; the HSE Management System Manual; and sets of Corporate HSE Procedures and Guidelines. The organizational structure comprises HSE Committees established at headquarters and in the Operational Organizations. The HSE Objectives and action plans for the HSE Programs are devised each year. The effectiveness of the HSE Management System is heightened through HSE reviews during the design stage and by HSE audits for the A-PDCA (Access-Plan-Do-Check-Act) management cycle, which begins by risk assessment.

Philosophy of CSR and HSE Activities

We place particular focus on HSE activities, which are a part of our CSR initiatives. The mission of the INPEX Group is to provide a stable and efficient supply of energy to customers so as to contribute to the community and make it more livable and prosperous. To fulfill our mission, it is essential that we conduct thorough safe management and environmental preservation and that we build a trusting relationship with both domestic and overseas customers. Requests from society and measures toward the environment change every day according to conditions in global society. However, we view operational safe management, environmental preservation and coexistence/mutual prosperity with the community as essential and continuing activities.

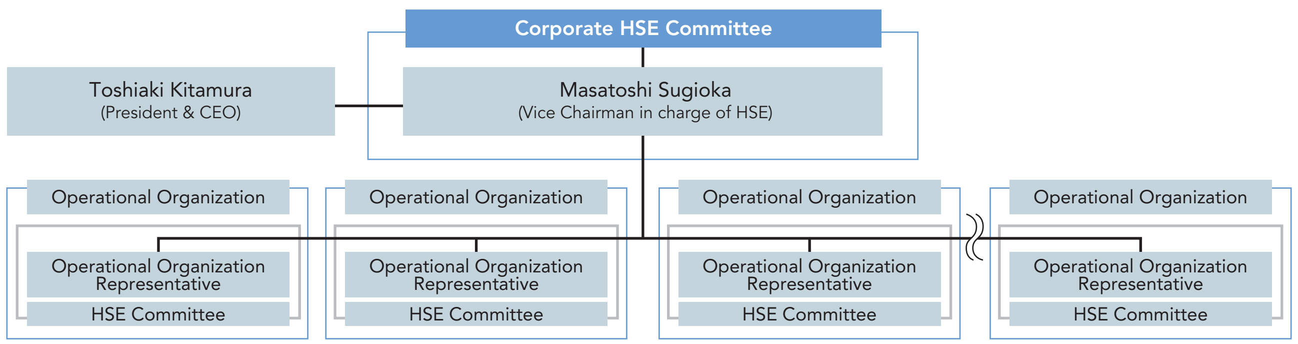
Initiatives for Promoting and Implementing the HSE Management System

The HSE Management System is implemented by the HSE Unit at headquarters. When necessary, implementation is performed by the HSE Groups organized for our Operational Organizations.* To promote systematic and Group-wide HSE initiatives, we established the Corporate HSE Committee. Together with the HSE Committees in each Operational Organization, the committee deliberates and follows up on the HSE Activity Plans and the Corporate HSE Procedures, and conducts a review for fostering the HSE culture.

We held eight Corporate HSE Committee meetings during the year ended March 31, 2011. Discussion was held regarding the content and record of the HSE objectives and programs, as well as the results of the HSE audit. Furthermore, the HSE Units and the HSE Groups have been working on further improvement of HSE activities by hiring HSE specialists and conducting employee training through OJT (on-the-job training).

* Operational Organization: Department in charge of operator projects

Framework for implementing the HSE Management System



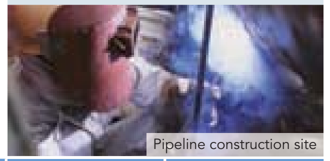
2. Environmental Impact of Our Business

INPEX monitors how business activities in each process affect the natural environment and tackles the reduction of any adverse impact by reducing emissions of VOCs (Volatile Organic Compounds), PRTR (Pollution Release and Transfer Register) substances, etc.

For details, refer to the CSR Report 2011 pp. 26–27

Business processes and emission amounts for main substances

	Exploration, Development and Construction		Production and Power Generation		Refining, Transportation and Sales	
	Domestic/overseas exploration and development operations, construction of domestic LNG receiving terminal, etc.		Production of crude oil and natural gas, power generation using natural gas and condensate, etc.		Refining of crude oil, transportation via natural gas pipelines, refining/sales of iodine, etc.	
	Year ended March 31, 2010	Year ended March 31, 2011	Year ended March 31, 2010	Year ended March 31, 2011	Year ended March 31, 2010	Year ended March 31, 2011
GHGs (greenhouse gases) (t)	24,605	22,280	388,495	348,695	26,342	21,530
PRTR substances (t)	0	0	12	11	8	23
VOCs (t)	1	3	448	343	433	386


Pipeline construction site


Koshijihara Power Plant


Pipeline truss bridge

Note: Data on the output of PRTR substances was collected only from our operations in Japan.

3. Environmental Technologies

INPEX contributes to reduced environmental impact through technology for underground/ocean storage of CO_2 and through R&D for technology that uses CO_2 and water as materials for generating methane.

For details, refer to the CSR Report 2011 pp. 32–33

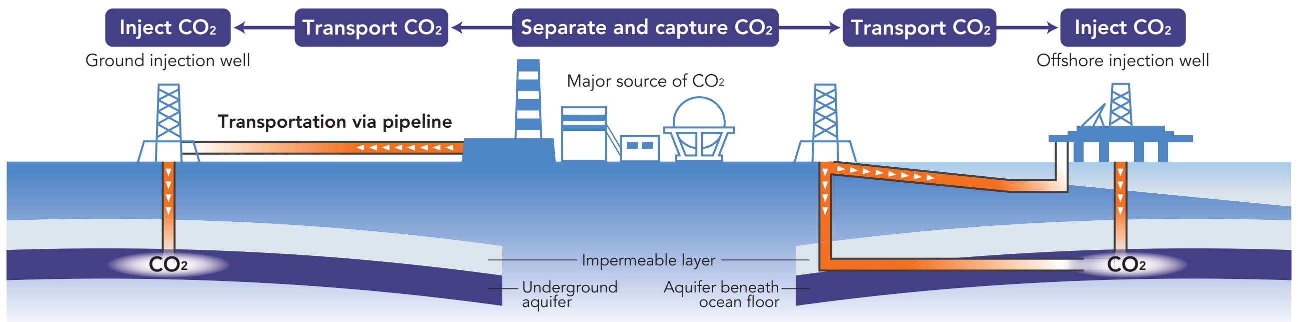
Methane Generated by Photocatalytic Reactions

As a technological development for the efficient usage of CO_2, we are currently performing research and development for photocatalytic reactions, which generate methane from CO_2 and water. We have already achieved research results of generating methane and a by-product of a high-value-added organic material. We are working to realize future practical application of this research as an effective technology for reducing CO_2 emissions.

Research for Carbon Dioxide Capture and Storage (CCS)

INPEX is active in CCS technology, which separates, captures and stores CO_2 underground. We conduct various surveys and research jointly with Japan CCS Co., Ltd., in cooperation with industry, government and academia to spread the CCS technology and respond to global warming.

Conceptual diagram of CCS



4. Operational Safety

INPEX promotes thorough operational safety in order to ensure the stable production and supply of oil and natural gas. In addition to implementing safety activities in accordance with the country of operation and operating conditions, each Operational Organization works to perform accident prevention together with contractors and to reduce environmental impact.

Ensuring Operational Safety

For details, refer to the CSR Report 2011 pp. 38–41

Every year, we set numerical targets for safety management by referring to safety data owned (assessed) by the OGP. In response to the oil spill incident at another company's project that occurred in the Gulf of Mexico, we have revised our safety management policy, including HSE review for our operator projects. The Operational Organizations in Japan work to strengthen construction inspections and ensure thorough safety management in conformance with the HSE plans. Through such activities, the Operational Organizations achieved significant reductions in work-related accidents and disasters. The Overseas Operational Organizations conduct safety actions in accordance with each operation.

In case of an operation-related emergency, the Corporate Crisis Management Team will respond. When the Great East Japan Earthquake occurred in March 2011, the Team took action to check the damage within the first two days. We also revised our Business Continuity Plan (BCP) assuming the Tokyo metropolitan area as the epicenter of an earthquake based on the experience of this disaster.

Discussion among members of the Corporate Crisis Management Team after the Great East Japan Earthquake

Number of work-related accidents per year

		Fatal incident	Lost time injury*1	Restricted workday injury*2	Medical treatment injury*3
Year ended March 31, 2009	Company	0	3	1	7
	Contractor	2	4	5	23
	Overall	2	7	6	30
Year ended March 31, 2010	Company	0	0	1	3
	Contractor	0	9	3	13
	Overall	0	9	4	16
Year ended March 31, 2011	Company	0	2	0	2
	Contractor	0	3	0	2
	Overall	0	5	0	4

*1. Incident involving a nonfatal injury that results in at least one day off work *2. Incident involving a nonfatal injury that results in restricted duties *3. Incident involving a nonfatal injury that requires treatment by a medical professional

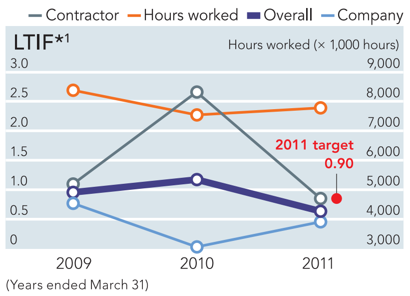
Safety Management by Contractors

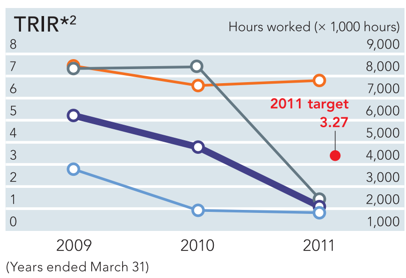
INPEX promotes all contractors having an understanding of our HSE Policy, and we work closely with them in an effort to prevent work-related incidents and reduce environmental impact.

Operational Organizations both domestic and overseas have translated the Corporate HSE Procedure for Contractors' HSE Management into their own Contractors' HSE Management Manual that meets regional requirements and the specific needs of particular projects.

Furthermore, we are working to conduct even safer onsite construction by strengthening HSE-related communications through process meetings with contractors and through pre-work meetings. Safe management by contractors is a priority objective of our company and one that shall be improved further in the future.

Accident Frequency by Year





*1. Lost time injury frequency (LTIF): Rate of injuries resulting in fatalities or lost time per million hours worked
*2. Total recordable injury rate (TRIR): Rate of recordable injuries (fatalities, lost time, restricted workdays and medical treatment) per million hours worked

Note: Targets for LTIF and TRIR are calculated annually by considering a reduction rate that is applied to the target for the previous year.

Marine Blowouts and Related Responses

In April 2010, an oil drilling rig exploded and caught fire at another company's well drilling site in the U.S. Gulf of Mexico. Eleven people were killed and large quantities of leaked crude oil gushed into the Gulf of Mexico. The flow of crude oil was stopped approximately three months after the accident. Related government agencies in the United States are still investigating the causes of the accident.

While monitoring the progress of that investigation, we are reviewing and implementing reforms for the methodology of selecting drilling contractors, the form of HSE Management, the design standards for drilling wells, the policy documentation for drilling wells and the content of our prevention/response plan for oil leaks. An assessment of response conditions at major oil companies issued by the OGP is also used to formulate reforms. Through these actions, we are working to prevent marine blowouts.

5. Community Support

In addition to actively communicating in the communities where our projects are operated, INPEX conducts numerous activities for contributing to the sustainable development of communities while also seeking harmony with local society.

For details, refer to the CSR Report 2011 pp. 48–51

Overseas Community Support Activities

■ Repaired Elementary School Facilities in Venezuela

In 2010, Gas Guarico, S.A., which is capitalized and operated by INPEX, received a request from local citizens regarding renovating an elementary school. Based on their requests, we have refurbished the classrooms, kitchen facilities and playgrounds, as well as installed new water supply facilities and flush toilets, at three schools including San Antonio Elementary School, which is located close to the gas fields.

■ Exhibited in the Abu Dhabi International Hunting and Equestrian Exhibition

Since 2004, we have been exhibiting every year in the UAE Abu Dhabi International Hunting and Equestrian Exhibition. In 2010, our booth introduced traditional Japanese culture by featuring Japanese falconry and sword-making. Visitors to our booth were served green tea.

■ Supporting Project for Greenhouse Agriculture in Regions with Pipelines

We support greenhouse agriculture in villages in Azerbaijan, a region through which the BTC pipeline passes. In addition to installing greenhouses and providing crop seeds, we conduct education and training for the villagers.

Students and teachers from San Antonio Elementary School

Participating in the Abu Dhabi International Hunting and Equestrian Exhibition

A representative from the BTC pipeline instructs a local worker

Domestic Community Support Activities

■ Reforestation Support Project

INPEX participates in the Reforestation Support Project conducted by Niigata Prefecture. In the project, not well-kept lands are provided free-of-charge by landowners. We then raise trees that are ideal for that region. Activities held in the autumn of 2010 and the spring of 2011 featured participation from approximately 160 volunteers, including INPEX employees and their families, as well as local citizens. We planted 300 trees including beech and oak, held eco-workshops and provided assistance to seedlings that had been knocked over by snow. In the autumn of 2011, we planted walnut trees in addition to other trees that had been planted in the past.

■ Support Activities for Local Communities

We actively participate in and cooperate with a variety of events held in the local communities where we operate our business.

Every year, we support the Nagaoka Festival Fireworks Show held in Nagaoka City, Niigata Prefecture, which is where our main domestic production base is located. Also in Niigata Prefecture, our employees volunteer to support a local marathon in Kashiwazaki City and participate in the Gion Kashiwazaki Festival. More than 100 representatives of our company participated as dancers in the Gion Kashiwazaki Folk Parade and the Niigata Festival Giant Folk Parade held in the summer of 2010. We also participated in the 65th National Sports Festival in Chiba Prefecture.

Reforestation support project

Gion Kashiwazaki Festival

6. Development of Human Resources

Training of global professionals

INPEX hires and trains the necessary personnel regardless of nationality. Employees of various nationalities work at our Tokyo headquarters and our overseas offices. Furthermore, for overseas operator projects, local employees are directly hired and trained.

For details, refer to the CSR Report 2011 pp. 42–45

Leveraging Global Human Resources

■ Actions in Ichthys, Australia

At our domestic and overseas Australian offices, we employ more than 400 workers including Australians, British, French and Japanese. Workers are involved in projects such as the Ichthys LNG Project. In Australia, we recruit staff in accordance with Australian employment guidelines to provide equal opportunity employment. Beginning from 2010, we launched the INPEX@heart program in order to create a comfortable working environment. In March 2011, in conjunction with Harmony Week in Australia, we held workshops and social gatherings in our offices as part of the INPEX@heart program. Through such activities, we seek to create a workplace environment and team atmosphere that fosters equality among workers of different races and nationalities.

■ Actions in Abadi, Indonesia

As part of the Abadi Project in Indonesia, 176 employees from seven countries work at our Jakarta Office. The majority of employees are Indonesian (103) or Japanese (52). As work proceeds in the future, we forecast that even more global professionals will work at the Jakarta Office. In March 2011, we established a Code of Conduct that applies to all personnel working at the office. This code is intended to ensure respect and the continuity of a safe and harmonious workplace environment that is based on the principles of integrity, trust and fairness. Senior management from the office explained the Code of Conduct to local employees, and actions are being taken to ensure that the code is firmly instilled among the staff.

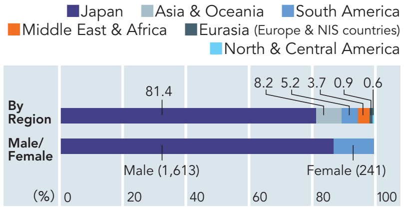
INPEX@heart Program (Australia)


Briefing session on the Code of Conduct (Indonesia)

Employee Statistics

As of March 31, 2011, the INPEX Group employed a total of 1,854 persons (consolidated) consisting of 1,613 males and 241 females. We also hire an average of 774 temporary employees, including local contract employees, domestic part-time staff, non-full-time contract staff and temporary stuff. The number of employees from outside Japan accounts for slightly less than 20%.

Employee Breakdown (Consolidated)



Recovery Support for Disaster-Affected Areas of the Great East Japan Earthquake

Support for Affected Areas

To contribute to the recovery of disaster-affected areas, we have made financial donations through the Japanese Red Cross Society, provided relief aid including oil products such as gasoline, and additionally supplied crude oil/LNG in order to deal with the shortage of electricity.

Volunteer Activity in Affected Areas

INPEX supports employees who volunteer to assist with efforts to recover from the recent earthquake. We provide them with accommodation, transportation fare and expenses, as well as the tools to perform recovery work, as well as providing volunteer leave. In July 2011, 31 employees from the Tokyo head office participated in such activity as removing rubble and debris, cleaning up farms and mowing grass in the city of Rikuzentakata, Iwate Prefecture.


Volunteer Activity in Rikuzentakata City

Corporate Governance

To raise the corporate value and to continue to exist as a company that is trusted by stakeholders such as shareholders and all of society, we recognize the importance of thoroughly implementing compliance and improving the efficiency and transparency of management, and we are working to enhance corporate governance.

(The information below is current as of the end of June 2011, unless otherwise stated.)

1. 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 the 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 15 directors, four 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.

Furthermore, 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 the duty of noncompetition, the prevention of information leakage and the implementation of appropriate measures toward transactions with a potential conflict of interest.

[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.

Moreover, we implemented an Executive Officer System from October 2008 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 a system for the execution of business and strengthen a flexible and efficient management system.

[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 or 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 to 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.

Overview of the corporate governance system

■Organizational structure .... Company with statutory auditors

■Percentage of shares held by foreigners (as of March 31, 2011) 40.2%

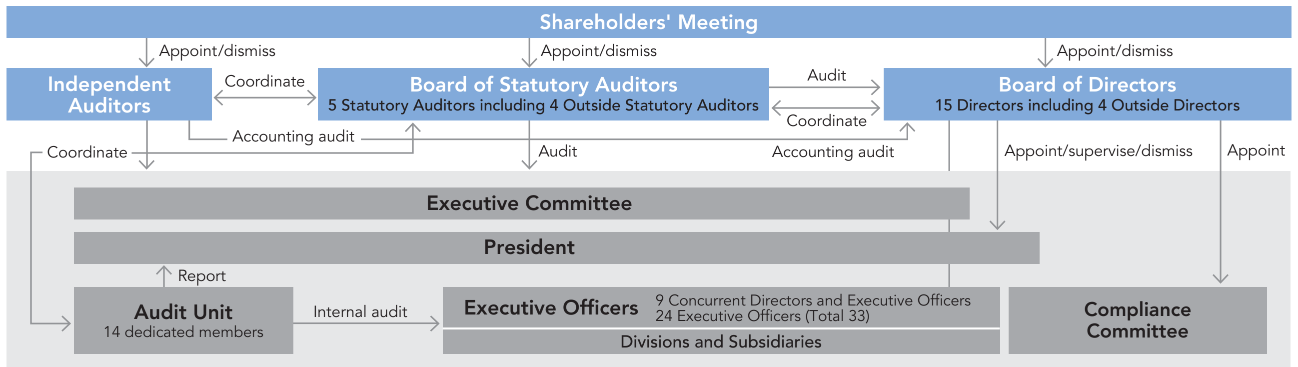
■Directors
Number of directors as stipulated by the Articles of Incorporation......................16
Number of directors (number of outside directors)....................15 (4)
Term.. 2 years

■Statutory auditors
Number of statutory auditors as stipulated by the Articles of Incorporation........................5
Number of statutory auditors (number of outside auditors)......................5 (4)
Term... 4 years

■Rights plan and other measures to protect against acquisition...................None

■Other ....Issuance of a special-class share to the Minister of Economy, Trade and Industry

Corporate governance framework



[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, 2011)

Name of the CPA firm:	Ernst & Young ShinNihon LLC
Names of the CPAs:	Kenji Endo, Yusuke Kosugi, Satoshi Takahashi
Accounting audit members:	12 CPAs, 12 assistant CPAs and 16 others
Compensation for auditing services:	INPEX: ¥137 million; Consolidated subsidiaries: ¥80 million
Compensation for non-auditing services:	INPEX: ¥39 million; Consolidated subsidiaries: ¥6 million

2. Independence of Outside Directors and Director Compensation

[1] Independence of Outside Directors/Outside Auditors

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.

Each of our company's four outside directors possesses a broad range of knowledge and many years of experience in the energy industry. Also, these directors are shareholders of our company and serve as directors and an advisor of companies that conduct business in the same field as we do. 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 the duty of noncompetition, the prevention of information leakage and the implementation of appropriate measures towards transactions with a conflict of interest. These written pledges are the same as those submitted by internal appointees.

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

The four outside auditors form a majority on the Board of Statutory Auditors with a total of five members. The outside auditors possess rich knowledge and experience in our company's business, as well as in fields such as finance and accounting. The statutory auditors utilize these qualities when performing auditing activities for our company. One of the outside auditors also serves as a director at Japan Petroleum Exploration Co., Ltd. (JAPEX), a corporation that owns stock in our company. JAPEX conducts business in the same fields as the business of our group. Listed companies are required to appoint an independent executive in order to protect general shareholders. Our company has appointed the outside auditor Haruhito Totsune as an independent director required by the Tokyo Stock Exchange, Inc. from the perspective of the protection of investors.

[2] 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 below shows the amount of compensation for directors and statutory auditors for the year ended March 2011. Note that the retirement benefits plan was abolished in 2008 as a result of a revision in the form of the director compensation system.

Attendance at board meetings
(Year ended March 31, 2011)

	Name	Attendance times
Outside directors	Kazuo Wakasugi	Board of Directors meetings 17/17
	Yoshiyuki Kagawa	Board of Directors meetings 13/17
	Seiji Kato	Board of Directors meetings 11/14
	Shigeo Hirai	Board of Directors meetings 14/17
Outside auditors	Haruhito Totsune	Board of Directors meetings 15/17 Board of Auditors meetings 15/15
	Koji Sumiya	Board of Directors meetings 14/14 Board of Auditors meetings 11/11
	Hiroshi Sato	Board of Directors meetings 16/17 Board of Auditors meetings 14/15
	Masaru Funai	Board of Directors meetings 12/14 Board of Auditors meetings 11/11

Compensation paid to directors and auditors
(Year ended March 31, 2011)

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
		Basic compensation	Bonus	
Directors (excluding outside directors)	546	448	98	14
Statutory Auditors (excluding outside auditors	33	31	2	2
Outside Directors	68	58	9	9

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, 2011. **4.** The number of directors eligible for compensation includes three directors including one outside director who retired by termination during this term and two statutory auditors including one outside auditor who retired by resignation from the Company effective June 23, 2010 at our 4th ordinary General Meeting of Shareholders. **5.** Compensation was not paid to one of the 16 directors as of March 31, 2011.

3. Internal Control and Compliance System

[1] Internal Control Systems

For proper and efficient company operations and to prevent the occurrence and expansion of losses, INPEX conducts appropriate business management by our Board of Directors and Executive Committee, and develops internal rules such as our Articles of Incorporation, job demarcation, administrative authority and group companies management. We also created our Corporate Social Responsibility Policy, developed a system for its adherence and thorough implementation, and developed a compliance system, internal notification system, risk management system and internal audits.

In accordance with the Internal Controls Reporting System (enacted April 2008) stipulated by the Financial Instruments and Exchange Act, we formed a special evaluation team within the Internal Audit Unit and evaluate the maintenance and operation of internal controls related to financial reporting for our company and the group companies. As the result of evaluations performed at the end of March 2011, we have judged that internal controls associated with financial reporting are functioning effectively. In June 2011, details of the evaluation were submitted to regulatory agencies in the form of a report on internal controls. Furthermore, our internal controls report received an unqualified opinion of appropriateness from its independent auditors.

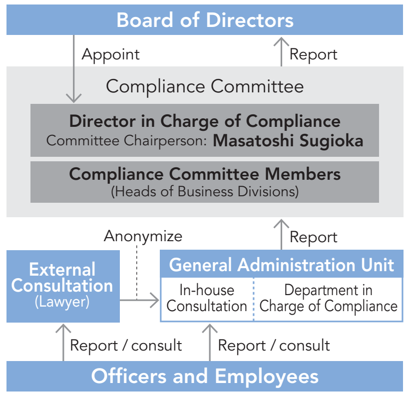
[2] Actions for Improving the Efficacy of Compliance

To conduct integrated actions throughout our entire company, we established a Compliance Committee in April 2006. Our company's Vice Chairman serves as the chairperson (director in charge of compliance) 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.

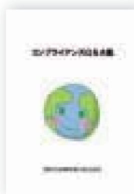
As a form of compliance education, we distribute a compliance manual and compliance Q&A. The goal of these materials is to have each employee implement compliance activities. Furthermore, we conducted domestic compliance training seminars and programs a total of 66 times from March to July of 2010. The training was based on results of a compliance questionnaire distributed in December 2009 to all directors and employees of our company. At the training, an explanation was given for the themes and suggested reforms ascertained through the questionnaire. The training also sought to reconfirm fundamental compliance concepts, increase awareness mainly toward information security and provide education on human rights related to various forms of harassment. In addition, we established a compliance committee Web site on our company intranet in December 2010, and we began publishing a monthly internal newsletter titled *Compliance Journal*. Through all these measures, we are working to increase the level of awareness toward compliance.

Compliance framework
(Internal notification system)



English
Japanese

Compliance manuals



Compliance Q&A

Compliance Journal

4. A 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 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.

(For details, please refer to the section titled "Special-Class Share" on pages 95-96.)

5. Disclosure

To improve the transparency of management and the accountability of managers, we conduct timely, appropriate and fair disclosure of information through our Web site, public relations activities and IR activities toward shareholders and investors.

1. For invigorating the general meeting of shareholders and promoting effective voting

	Supplementary explanation
Early delivery of convocation notices for the general meeting of shareholders	At the 5th Ordinary General Meeting of Shareholders held on June 28, 2011, we sent convocation notices on June 10, which was earlier than the period stipulated by law.
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 (summary) on our company's Web site. On the day of the shareholders' meeting we used videos and a slide show to explain our business prior to opening the meeting.


The 5th Ordinary General Meeting of Shareholders (held June 28, 2011)


IR fair for individual investors (held March 2011)

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, 2011, we held 13 meetings in six cities throughout Japan. The meetings were attended by more than 1,500 individual investors.	Yes
Regular IR presentations for analysts and institutional investors	We hold biannual meetings on financial results for analysts and institutional investors. Our president and director in charge of finance & accounting explain our financial details and business forecast to approximately 200 analysts and institutional investors. Video archives of the meeting are made available on the same day on our company's Web site. An English translation is included in the transmission. Furthermore, we held two onsite tours (domestic and overseas) for analysts and institutional investors in the year under review.	Yes
IR meetings	We held more than 500 IR meetings with analysts and institutional investors in the year under review. 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. http://www.inpex.co.jp/english/ir/	


IR meeting for individual investors in Nagoya (held October 2010)


IR Web site

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. A summary of disclosure and other policies based on the aforementioned regulations is listed below. Please refer to our company's Web site (http://www.inpex.co.jp/english/ir/policy.html) for further details.

1. Basic Policy

Our basic approach is to disclose the information that our shareholders and investors need in a timely, appropriate and fair manner in order for them to make decisions concerning investment in our securities. We also actively engage in public relations activities to foster a deeper understanding among all stakeholders concerning our business activities.

2. Internal System for Timely Disclosure

We have appointed the Senior General Manager, Corporate Strategy & Planning Division, as Corporate Information Handling Officer responsible for the timely disclosure of our corporate information. In addition, we have established Corporate Communications Unit, as the Unit in charge of practical matters for the timely disclosure of our corporate information.

Senior General Manager, Corporate Strategy & Planning Division, and the Corporate Communications Unit conduct exhaustive compilation of information for disclosures (information on decisions made by the Company, occurrence of material facts, and business results, etc.), and in accordance with the internal rules, the Corporate Communications Unit in principle conducts its disclosure upon authorization made by the board of directors and by the management committee concerning other information. In addition, we maintain comprehensive control of all important internal information and prevent any insider trading in line with the internal rules against insider trading.

The following chart shows our internal system for timely disclosure of our company information.

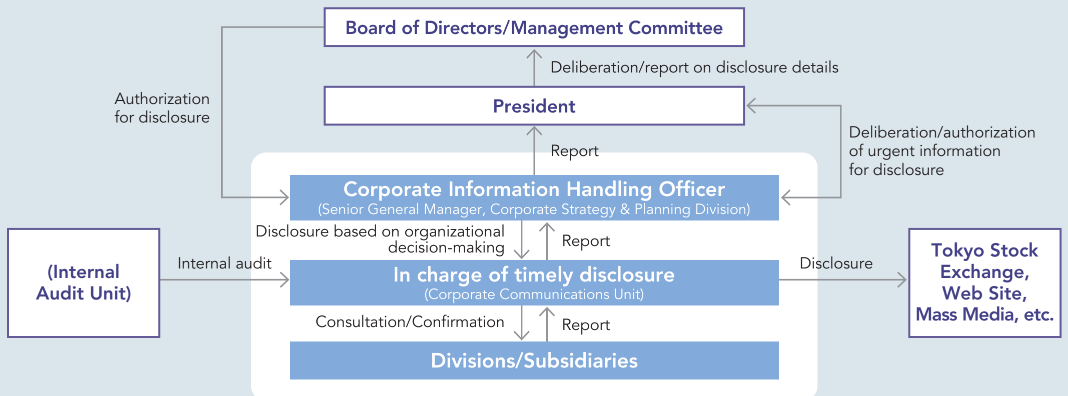
3. Quiet Period

The two weeks prior to the announcement of business results (including quarterly reports) are deemed as the "quiet period," in order to prevent information leaks and to maintain disclosure fairness. During this quiet period, we will refrain from commenting on and answering inquiries related to business results. However, should it prove necessary to substantially revise forecasts during the quiet period, this information will be appropriately released.

4. IR Activities

Representative directors and responsible directors as well as dedicated staff members conduct proactive IR activities for investors. For any questions regarding financial reporting or other IR information, please contact Investor Relations Group indicated below.

Internal system for timely disclosure



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

Tel.: +81-3-5572-0234 IR Web site: http://www.inpex.co.jp/english/ir/

Inquiries via the Internet: http://www.inpex.co.jp/english/ir/inquiries.html

Board of Directors, Auditors and Executive Officers

(As of June 30, 2011)

Directors and Auditors

Chairman	Naoki Kuroda
Vice Chairman	Masatoshi Sugioka
President & CEO	Toshiaki Kitamura
Director	Seiji Yui
Director	Masaharu Sano
Director	Noboru Tezuka
Director	Shunichiro Sugaya
Director	Masahiro Murayama
Director	Seiya Ito
Director	Wataru Tanaka
Director	Takahiko Ikeda

Director (Adjunct)	Kazuo Wakasugi
Director (Adjunct)	Yoshiyuki Kagawa
Director (Adjunct)	Seiji Kato
Director (Adjunct)	Shigeo Hirai
Statutory Auditor	Yoshitsugu Takai
Statutory Auditor	Haruhito Totsune
Statutory Auditor	Koji Sumiya
Statutory Auditor (Adjunct)	Hiroshi Sato
Statutory Auditor (Adjunct)	Masaru Funai

Notes:
1. Directors Kazuo Wakasugi, Yoshiyuki Kagawa, Seiji Kato and Shigeo Hirai are Outside Directors as stipulated in Article 2, Paragraph 15 of the Companies Act.
2. Statutory Auditors Haruhito Totsune, Koji Sumiya, Hiroshi Sato and Masaru Funai are Outside Statutory Auditors as stipulated in Article 2, Paragraph 16 of the Companies Act.

Naoki Kuroda
Chairman

Masatoshi Sugioka
Vice Chairman
Chief Technical Executive, HSE and Compliance

Toshiaki Kitamura
President & CEO

Seiji Yui
Director,
Senior Vice President, Asia & Australasia

Masaharu Sano
Director,
Senior Vice President, The Americas & Africa

Noboru Tezuka
Director,
Senior Vice President, Eurasia & the Middle East, Abu Dhabi Project

Shunichiro Sugaya
Director,
Senior Vice President, Masela Project

Masahiro Murayama
Director,
Senior Vice President, Finance & Accounting

Seiya Ito
Director,
Senior Vice President, Ichthys Project

Wataru Tanaka
Director,
Senior Vice President, General Administration, Corporate Strategy & Planning

Takahiko Ikeda
Director,
Senior Vice President, Domestic Projects

Yoshitsugu Takai
Statutory Auditor

Haruhito Totsune
Statutory Auditor

Koji Sumiya
Statutory Auditor

Executive Officers

Toshiaki Kitamura*
Seiji Yui*
Masaharu Sano*
Noboru Tezuka*
Kunio Kanamori
Shunichiro Sugaya*
Masahiro Murayama*
Seiya Ito*
Wataru Tanaka*
Takahiko Ikeda*
Sadafumi Tanigawa
Kasaburo Tamura
Akinori Sakamoto
Kazuo Yamamoto
Kazuhiko Itano
Shuhei Miyamoto
Yoshikazu Kurasawa
Noboru Himata
Takashi Kubo
Kenji Kawano
Yasuhisa Kanehara
Toshihiko Fukasawa
Hirohisa Ota
Yoshinori Yamamoto
Hajime Kawai
Atsushi Sakamoto
Arihiro Kezuka
Kimiya Hirayama
Nobuharu Sase
Shigeharu Yajima
Tetsuro Tochikawa
Yoshiro Ishii
Toshiya Oshita

*Member of the Board

Samples of crude oil and condensate

5

Financial / Corporate Information

Five-Year Financial Information

INPEX CORPORATION and Consolidated Subsidiaries
For the years ended March 31, 2007, 2008, 2009, 2010 and 2011

	Millions of yen				
As of or years ended March 31,	2007	2008	2009	2010	2011
(Results of operations)					
Net sales:	¥ 969,713	¥1,202,965	¥1,076,165	¥ 840,427	¥ 943,080
Crude oil	607,401	783,465	650,352	486,921	557,911
Natural gas	332,937	391,091	398,267	326,412	356,247
Other	29,375	28,409	27,546	27,094	28,922
Cost of sales	343,795	390,554	319,038	298,168	334,833
Gross profit	625,918	812,411	757,127	542,259	608,247
Exploration expenses	17,689	34,095	25,982	15,711	12,000
Selling, general and administrative expenses	36,285	48,346	50,683	44,869	44,254
Depreciation and amortization	12,867	15,759	17,195	20,011	22,250
Operating income	559,077	714,211	663,267	461,668	529,743
Other income	60,080	33,090	32,035	21,473	31,176
Other expenses	32,894	61,501	79,135	41,114	52,332
Income before income taxes and minority interests	586,263	685,800	616,167	442,027	508,587
Income taxes	413,239	491,349	470,378	325,126	368,697
Minority interests	7,932	21,205	726	9,691	11,191
Net income	165,092	173,246	145,063	107,210	128,699
(Financial position)					
Current assets	474,124	565,111	411,110	492,855	492,932
Tangible fixed assets	219,227	254,481	297,636	358,094	379,862
Intangible assets	265,822	265,481	253,681	239,205	249,111
Investments and other assets	648,934	722,828	805,618	923,624	1,558,475
Total assets	1,608,107	1,807,901	1,768,045	2,013,778	2,680,380
Current liabilities	266,248	325,286	206,059	227,905	254,729
Long-term liabilities	261,843	243,802	199,925	295,270	328,268
Total net assets	1,080,016	1,238,813	1,326,061	1,490,603	2,097,383
(Cash flows)					
Cash flows from operating activities	231,982	363,995	230,352	241,373	274,094
Cash flows from investing activities	(209,243)	(261,767)	(240,168)	(251,812)	(844,511)
Cash flows from financing activities	13,794	(45,228)	(46,090)	68,937	548,057
Cash and cash equivalents at end of the year	¥ 189,417	¥ 222,270	¥ 162,845	¥ 216,395	¥ 182,025
(Per share data)					
Earnings per share (EPS) (Yen)	¥ 70,423.45	¥ 73,510.14	¥ 61,601.60	¥ 45,553.56	¥ 40,832.40
Net assets per share (Yen)	436,467.92	491,168.09	540,100.10	589,548.88	546,958.90
Cash dividends per share (Yen)	¥ 7,000.00	¥ 7,500.00	¥ 8,000.00	¥ 5,500.00	¥ 6,000.00
(Financial indicators)					
Net debt / Net total capital employed (%)*1,2	(18.6)%	(36.1)%	(31.2)%	(30.6)%	(48.9)%
Equity ratio (%)*3	64.0	64.0	71.9	68.9	74.5
D/E ratio (%)*4	24.2 %	16.8 %	12.9 %	17.3 %	13.7 %

*1 Net debt = Interest-bearing debt – Cash and cash equivalents – Time deposits – Public bonds and corporate bonds and other debt securities with determinable value
*2 Net debt / Net total capital employed = Net debt / (Net assets + Net debt)
*3 Equity ratio = (Net assets – Minority interests) / Total assets
*4 D/E ratio = Interest-bearing debt / (Net assets – Minority interests)

Background Information

Oil and Gas Accounting Policies and Treatment

ACCOUNTING METHODS FOR TYPES OF AGREEMENTS

The oil and natural 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 natural 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 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.

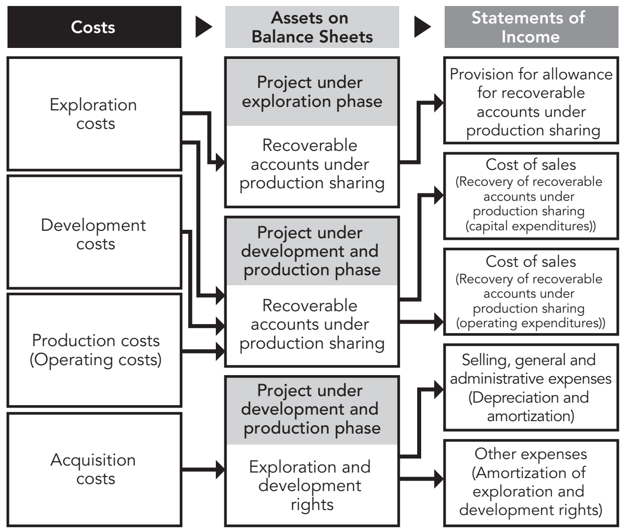
Exploration costs
The Group's share of exploration costs is expensed as incurred.

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.

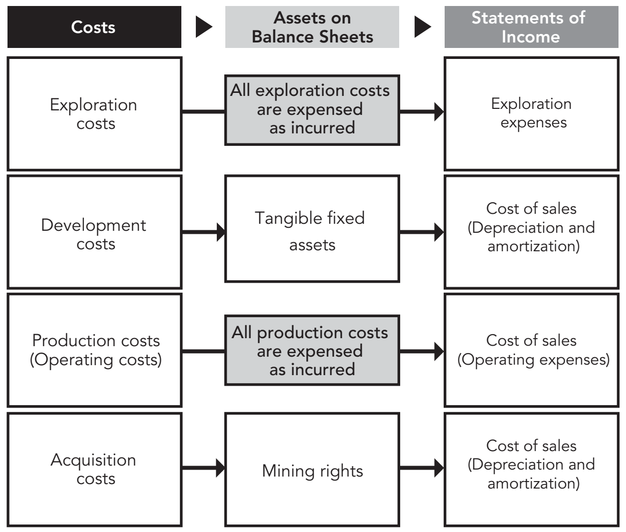
Production costs
The Group's share of operating costs that are incurred during the production phase is recorded within the cost of sales.

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

While the Japanese economy was headed toward a self sustaining recovery during the year ended March 31, 2011, with improvements in business earnings and a capital spending and steady export performance, the recovery was hindered in the middle of the year due to a slow-down of the export growth and other factors. Moreover, the Great East Japan Earthquake in March 2011 triggered further concerns about the economic prospect. Amid this business environment, the global crude oil price that significantly affects the Group's businesses, measured by the closing price of WTI delivery, an important indicator for crude oil price, started from US$84.87/bbl in the year. Although the price had dropped below US$70/bbl at the end of May 2010 due to credit uncertainty in Europe triggered by the financial crisis in Greece, the prices turned into upward since then. Prices rose from summer 2010 to US$90/bbl around due to increasing in oil supply uncertainty caused by hurricane on the U.S. coast and strengthening of U.S. economic indicators. After the turn of the year, prices continued to rise due to growing tensions in North Africa and the Middle East from mid-February 2011, which results in exceeding US$100/bbl in early March and closing at US$106.72/bbl at the end of the year. Meanwhile, domestic crude oil and petroleum products prices followed a pattern similar to global oil price movements. Reflecting this situation, our Group's average crude oil selling price for the year ended March 31, 2011 was US$84.34/bbl, which was US$15.94 higher than that for the previous year.

The foreign exchange market, another important factor that significantly affects the Group businesses, started at an exchange rate of ¥93 level against the U.S. dollar at the beginning of the year, with the yen continuing to appreciate. Under increasing hesitancy in U.S. economic indicators from June 2010, the Federal Open Market Committee (FOMC) released a statement that the U.S. economy was in a recession and the Federal Reserve Chairman Ben Bernanke warned that the U.S. economic outlook remains "unusually uncertain." This economic situation resulted in the increasing expectation on market of monetary easing, leading both U.S. long- and short-term interest rates to lower and the yen to trend upward against the U.S. dollar. In late October 2010, the exchange rate had exceeded ¥81 against the U.S. dollar, despite Bank of Japan intervention in September 2010. Once the FOMC announced a second round of quantitative easing in November 2010, excessive market expectations for further monetary easing were reduced and caused a lull in yen appreciation. After the Great East Japan Earthquake in March 2011, however, the yen sharply appreciated, as the dollar plunged to a postwar record low of ¥76.25 on speculation that Japanese companies would sell foreign assets to raise capital. The yen returned to the ¥80 level to the U.S. dollar level after joint G-7 intervention, with the TTM closing at ¥83.15 against the U.S. dollar, ¥9.89 higher than that at the close of the previous year ended March 31, 2010. As a result, the average yen exchange rate for the Group's sales appreciated to ¥85.66 against the U.S. dollar, a gain of ¥6.98, or 7.5% compared with the previous year.

PERFORMANCE OVERVIEW

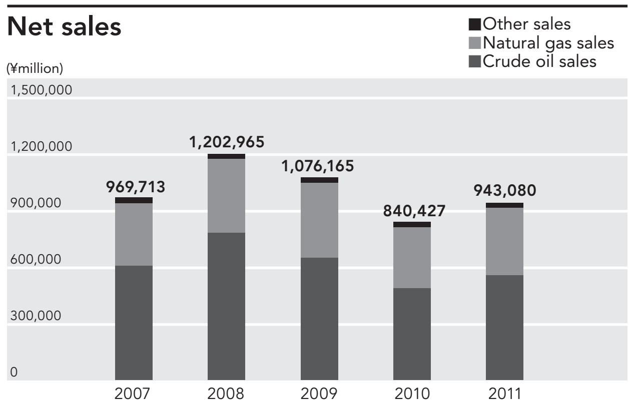
Net sales

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, 2011 increased ¥102.7 billion or 12.2% to ¥943.1 billion, from ¥840.4 billion for the year ended March 31, 2010, due to the rise in oil and gas prices. Compared with the previous year, net sales of crude oil increased ¥71.0 billion, or 14.6%, to ¥557.9 billion from ¥486.9 billion, and net sales of natural gas increased ¥29.8 billion, or 9.1%, to ¥356.2 billion from ¥326.4 billion. Net sales excluding crude oil and natural gas increased ¥1.8 billion, or 6.7%, to ¥28.9 billion from ¥27.1 billion.

Crude oil sales volume increased 556 thousand barrels or 0.7% to 76,651 thousand barrels compared with the previous year. This increase was mainly due to the commencement of production in the Van Gogh field, in spite of a decrease in sales volumes from the ACG oil fields. Sales volumes of natural gas decreased 18 billion cubic feet (Bcf), or 4.2%, to 401 Bcf. Of this, sales of overseas natural gas declined 18 Bcf, or 5.1%, to 337 Bcf, mainly due to a decrease in the volume of sales from the Offshore Mahakam Block. Sales of domestic natural gas rose 15 million m^3, or 0.9%, to 1,722 million m^3 (equivalent to 64 Bcf). The average sales price of crude oil produced overseas was US$84.34/bbl, an increase of US$15.94, or 23.3%, compared with the previous year. The average sales price of overseas natural gas was US$9.10 per thousand cubic feet (Mcf), an increase of US$1.67, or 22.5% compared with the previous year. The average sales price of natural gas produced in Japan was ¥41.73/m^3, an increase of ¥4.68/m^3, or 12.6% compared with the previous year.

An analysis of the factors contributing to the year-on-year increase of ¥102.7 billion in net sales shows that the decrease in sales volumes caused a reduction of ¥7.8 billion, with the rise in average unit prices contributing ¥177.1 billion to the increase, the stronger yen pushing sales down of ¥68.4 billion, and the increase in net sales excluding crude oil and natural gas of ¥1.8 billion.

Net sales



Years ended March 31,	2010	2011	Change	Ratio
	(Millions of yen, %)			
Net sales:	¥840,427	¥943,080	¥102,653	12.2%
Crude oil	486,921	557,911	70,990	14.6
Natural gas	326,412	356,247	29,835	9.1
Other	27,094	28,922	1,828	6.7
Cost of sales	298,168	334,833	36,665	12.3
Gross profit	542,259	608,247	65,988	12.2
Exploration expenses	15,711	12,000	(3,711)	(23.6)
Selling, general and administrative expenses	44,869	44,254	(615)	(1.4)
Depreciation and amortization	20,011	22,250	2,239	11.2
Operating income	461,668	529,743	68,075	14.7
Other income:	21,473	31,176	9,703	45.2
Interest income	4,354	4,110	(244)	(5.6)
Dividend income	9,476	5,722	(3,754)	(39.6)
Equity in earnings of affiliates	—	4,934	4,934	—
Gain on change in equity	—	3,644	3,644	—
Gain on transfer of mining rights	—	7,334	7,334	—
Other	7,643	5,432	(2,211)	(28.9)
Other expenses:	41,114	52,332	11,218	27.3
Interest expense	1,275	1,074	(201)	(15.8)
Equity in losses of affiliates	1,920	—	(1,920)	(100.0)
Provision for allowance for doubtful accounts	—	9,133	9,133	—
Provision for allowance for recoverable accounts under production sharing	6,028	11,481	5,453	90.5
Provision for exploration projects	8,595	3,082	(5,513)	(64.1)
Provision for investments in exploration	5,408	—	(5,408)	(100.0)
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	1,555	1,555	—
Foreign exchange loss	13,264	11,540	(1,724)	(13.0)
Other	4,624	14,467	9,843	212.9
Income before income taxes and minority interests	442,027	508,587	66,560	15.1
Income taxes	325,126	368,697	43,571	13.4
Income before minority interests	—	139,890	—	—
Minority interests	9,691	11,191	1,500	15.5
Net income	¥107,210	¥128,699	¥21,489	20.0%

Cost of sales

The cost of sales for the year ended March 31, 2011 increased ¥36.6 billion, or 12.3%, to ¥334.8 billion from ¥298.2 billion in the previous fiscal year. This was mainly due to an increase in the net purchase of natural gas in Japan and an increase in depreciation owing to the commencement of production in the Van Gogh field.

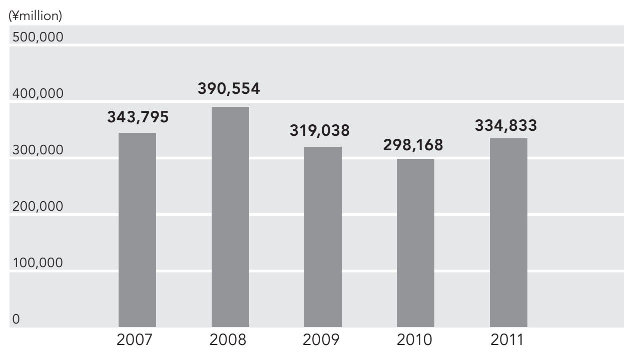
Exploration expenses

Exploration expenses for the year ended March 31, 2011 decreased ¥3.7 billion, or 23.6%, to ¥12.0 billion from ¥15.7 billion in the previous fiscal year, as exploration activities decreased in regions other than the Americas (especially Brazil).

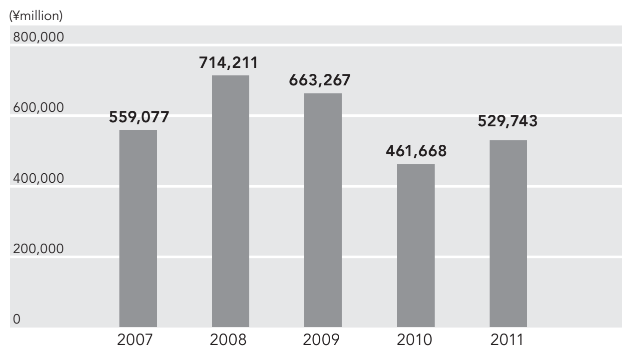
Selling, general and administrative expenses

Selling, general and administrative expenses decreased ¥0.6 billion, or 1.4%, to ¥44.3 billion for the year ended March 31,

Cost of sales



Operating income



2011, from ¥44.9 billion in the previous year. This was due to a decrease in transport costs for ACG crude oil associated with a decrease in the sales volume, despite an increase in taxes levied by East Timor in connection with the Bayu-Undan Project as increased the oil price.

Depreciation and amortization
Depreciation and amortization increased ¥2.3 billion, or 11.2%, to ¥22.3 billion for the year ended March 31, 2011, from ¥20.0 billion in the previous year. This increase was mainly due to an increase in the depreciation of exploration and development rights for the ACG oil fields, as well as increased depreciation in relation to domestic pipelines. The Group records depreciation costs for production facilities that are covered by concession agreements as the 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 in the year ended March 31, 2011 increased ¥68.0 billion, or 14.7%, to ¥529.7 billion from ¥461.7 billion in the previous year.

Other income
Other income for the year ended March 31, 2011 increased ¥9.7 billion, or 45.2%, to ¥31.2 billion from ¥21.5 billion in the previous year. This increase was mainly attributable to gain on transfer of mining rights and an increase in equity in earnings of affiliates.

Other expenses
Other expenses for the year ended March 31, 2011 increased ¥11.2 billion, or 27.3%, to ¥52.3 billion from ¥41.1 billion in the previous year. This was mainly due to an increase in the provision for allowance for doubtful accounts pertaining to the withdrawal from the Azadegan oil field in Iran and the provision for allowance for recoverable accounts under production sharing.

Income taxes
Total current income taxes and deferred income taxes in the year ended March 31, 2011 increased ¥43.6 billion, or 13.4%, to ¥368.7 billion from ¥325.1 billion in the previous year. This was mainly attributable to the increase in taxes paid overseas due to 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 72.5% in the year under review.

Minority interests
Minority interests in the year ended March 31, 2011 increased ¥1.5 billion, or 15.5%, to ¥11.2 billion from ¥9.7 billion in the previous year.

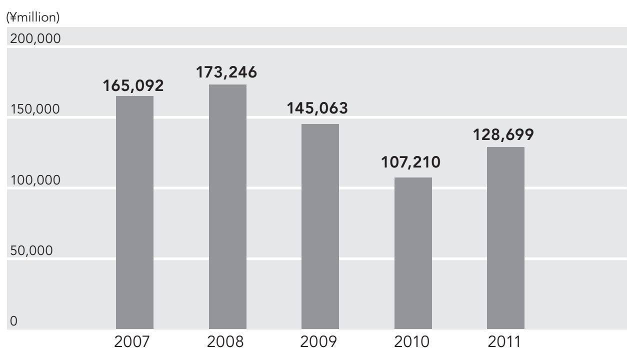
Net income
As a result of the above, net income for the year ended March 31, 2011 increased ¥21.5 billion, or 20.0%, to ¥128.7 billion from ¥107.2 billion in the previous year.

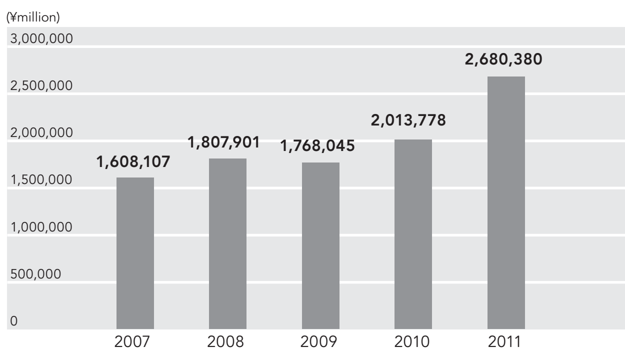
FINANCIAL POSITION

Total assets as of March 31, 2011 increased ¥666.6 billion, or 33.1%, to ¥2,680.4 billion, from ¥2,013.8 billion as of March 31, 2010. Current assets remained flat at ¥492.9 billion due to a decrease in cash and cash equivalents and others, despite an increase in accounts receivable—trade and others. Fixed assets increased ¥666.5 billion, or 43.8% to ¥2,187.4 billion from ¥1,520.9 billion as of March 31, 2010, mainly due to an increase in investment securities, tangible fixed assets and recoverable accounts under production sharing.

Meanwhile, total liabilities as of March 31, 2011 increased ¥59.8 billion or 11.4% to ¥583.0 billion from ¥523.2 billion as of March 31, 2010. Current liabilities increased ¥26.8 billion, or 11.8%, to ¥254.7 billion from ¥227.9 billion as of March 31, 2010, due to an increase in income taxes payable and asset retirement obligations. Long-term liabilities increased ¥33.0 billion, or 11.2%, to ¥328.3 billion from ¥295.3 billion due to an increase in long-term debt and others.

Net assets increased ¥606.8 billion, or 40.7%, to ¥2,097.4 billion as of March 31, 2011 from ¥1,490.6 billion as of March 31, 2010. Total shareholders' equity increased ¥632.3 billion, or 45.8%, to ¥2,012.3 billion from ¥1,380.0 billion as of March 31, 2010, as common stock increased ¥260.8 billion and the capital surplus increased ¥260.8 billion due to the issuance of new shares. Total accumulated other comprehensive income decreased ¥22.9 billion from March 31, 2010, to a loss of ¥15.4 billion from ¥7.5 billion, and minority interests decreased ¥2.6 billion, or 2.5%, to ¥100.5 billion as of March 31, 2011, from ¥103.1 billion as of March 31, 2010.

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.
- Other expenditures include the costs of constructing pipelines for domestic natural gas and Naoetsu LNG receiving terminal.
- 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 interests costs) by segment for the years ended March 31, 2010 and 2011:

(Millions of yen)

Year ended March 31, 2010	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Total
INPEX CORPORATION and Consolidated Subsidiaries						
Exploration	¥ 2,997	¥ 19,386	¥ 2,032	¥ 6,379	¥2,201	¥ 32,995
Development	4,572	108,276	66,042	18,563	4,582	202,035
Subtotal*	7,569	127,662	68,074	24,942	6,783	235,030
Other expenditures	46,678	18	—	1	—	46,697
Total	54,247	127,680	68,074	24,943	6,783	281,727
Equity-method Affiliates						
Exploration	—	—	—	481	—	481
Development	—	1,219	—	1,422	4,350	6,991
Total	¥ —	¥ 1,219	¥ —	¥ 1,903	¥4,350	¥ 7,472

* Figures include equity-method affiliate of Japan Oil Development Co., Ltd. (JODCO).

Year ended March 31, 2011	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Total
	(Millions of yen)					
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*	4,468	115,927	64,625	23,795	10,744	219,559
Other expenditures	21,225	—	—	9	—	21,234
Total	25,693	115,927	64,625	23,804	10,744	240,793
Equity-method Affiliates						
Exploration	—	—	—	355	296	651
Development	—	385	—	650	2,068	3,103
Total	¥ —	¥ 385	¥ —	¥ 1,005	¥ 2,364	¥ 3,754

* Figures include equity-method affiliate of Japan Oil Development Co., Ltd. (JODCO).

Total expenditures for the year ended March 31, 2011 amounted to ¥240.8 billion. This represented a year-on-year decrease of ¥40.9 billion, or 14.5%, compared with the ¥281.7 billion in the previous year. This was mainly due to the decline in development expenditures relating to the South Natuna Sea Block B and the Offshore Mahakam Block in the Asia and Oceania region, as well as a decrease of other expenditures in the Japan region.

The table below shows the Group's operating expenses by segment for the years ended March 31, 2010 and 2011:

Years ended March 31,	2010		2011	
	(Millions of yen, %)			
Japan	¥ 9,324	10.2%	¥ 8,534	10.5%
Asia & Oceania	48,888	53.3	44,911	55.3
Eurasia (Europe & NIS)	7,099	7.7	4,409	5.4
Middle East & Africa	21,192	23.1	20,084	24.7
Americas	5,189	5.7	3,332	4.1
Total	¥91,692	100.0%	¥81,270	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, 2010 and 2011. 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.

Years ended March 31,	2010		2011	
	(Millions of yen, %)			
INPEX CORPORATION and Consolidated Subsidiaries				
Asia & Oceania	¥292	42.2%	¥ —	—%
Eurasia (Europe & NIS)	—	—	28,446	100.0
Middle East & Africa	384	55.6	—	—
Americas	15	2.2	—	—
Total	691	100.0	28,446	100.0
Equity-method Affiliates				
Asia & Oceania	—	—	—	—
Middle East & Africa	—	—	—	—
Americas	—	—	—	—
Total	¥ —	—%	¥ —	—%

Total expenditures on acquisitions of upstream oil and gas projects in the year ended March 31, 2011 increased ¥27.7 billion to ¥28.4 billion, from ¥0.7 billion in the previous year due to increase 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, 2010 and 2011:

Years ended March 31,	2010	2011
	(Millions of yen)	
Balance at beginning of the year	¥453,922	¥514,646
Add: Exploration costs	10,085	23,990
Development costs	146,028	120,997
Operating expenses	54,938	43,819
Other	2,671	2,820
Less: Cost recovery—capital expenditures	45,653	50,817
Cost recovery—operating expenditures	107,075	95,665
Other	270	25,459
Balance at end of the year	514,646	534,331
Allowance for recoverable accounts under production sharing at end of the year	¥ (94,892)	¥ (96,880)

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, 2011, increased compared with the previous year. This was mainly due to the increase in exploration expenditures in Indonesia.

Development costs for the year ended March 31, 2011, decreased compared with the previous year. This was mainly due to the decreases in development expenditures in the South Natuna Sea Block B and the Offshore Mahakam Block, despite an increase in those for the ACG oil fields.

Operating expenses for the year ended March 31, 2011, decreased compared with the previous year due to the decrease in operating expenses for the Offshore Mahakam Block.

Cost recovery for the year ended March 31, 2011, decreased compared with the previous year. This was mainly due to the decrease in cost recovery in the the South Natuna Sea Block B.

In addition, other deductions to recoverable accounts under production sharing were due to the elimination of recoverable accounts related to block withdrawal.

The allowance for recoverable accounts under production sharing as of the end of the year ended March 31, 2011, was higher than the allowance as of the end of the previous fiscal year. This was largely due to additional allowance provisions in connection with the increase in recoverable accounts under production sharing with respect to exploration expenditures in Indonesia.

— Funding sources and liquidity

Oil and natural gas exploration and development projects as well as the construction and expansion of domestic 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; ¥520.0 billion was raised through an equity offering conducted for the year ended March 31, 2011. We are also looking into funding 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 natural 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, 2011 are summarized as follows:

	(Millions of U.S. dollars and yen)		
	Long-term debt denominated in		
Years ending March 31,	U.S. dollars	Yen	Total yen equivalent
2012	$ —	¥ 4,281	¥ 4,281
2013	—	4,662	4,662
2014	—	3,757	3,757
2015	—	5,609	5,609
2016	—	5,128	5,128
2017 and thereafter	2,286.8	59,405	249,550
Total	$2,286.8	¥82,842	¥272,987

— Cash flows

Cash flows for the years ended March 31, 2010 and 2011 are summarized as follows:

	(Millions of yen)	
Years ended March 31,	2010	2011
Net cash provided by operating activities	¥ 241,373	¥ 274,094
Net cash used in investing activities	(251,812)	(844,511)
Net cash provided by financing activities	68,937	548,057
Cash and cash equivalents at end of the year	¥ 216,395	¥ 182,025

Net cash provided by operating activities

Net cash provided by operating activities in the year ended March 31, 2011, totaled ¥274.1 billion, an increase of ¥32.7 billion from the figure for the previous year of ¥241.4 billion. This was due to the increase in net income before income taxes and minority interests caused by the rise in the unit prices for crude oil and natural gas.

Net cash used in investing activities

Net cash used in investing activities in the year ended March 31, 2011 increased ¥592.7 billion to ¥844.5 billion from ¥251.8 billion in the previous year. This was mainly due to an increase in payments for purchases of investment securities despite a decrease in investment in recoverable accounts under production sharing (capital expenditures).

Net cash provided by financing activities

Net cash provided by financing activities in the year ended March 31, 2011, was ¥548.1 billion, an increase of ¥479.2 billion from ¥68.9 billion posted for the previous year. This primarily reflects proceeds from issuance of common stock.

CONSOLIDATED FINANCIAL FORECASTS FOR THE YEAR ENDING MARCH 2012 (Announced on August 3, 2011)

Consolidated net sales for the year ending March 31, 2012, are forecast to increase ¥114.9 billion, or 12.2%, to ¥1,058.0 billion. Operating income for the year is expected to increase ¥67.3 billion, or 12.7%, to ¥597.0 billion with net income before corporate income taxes and minority interests forecast to rise ¥76.4 billion, or 15.0%, to ¥585.0 billion. Net income is anticipated to rise ¥11.3 billion, or 8.8%, to ¥140.0 billion.

Net sales are expected to grow as expected oil price to be higher than the previous year. Accordingly, operating income, income before income taxes and minority interests, and net income are also expected to increase.

The aforementioned forecasts are based on an average oil price of US$100.5/bbl for the Brent crude benchmark and an average exchange rate of ¥80.4 against the U.S. dollar for the year ending March 31, 2012.

Business Risks

The following is a discussion on key items that can be considered potential risk factors relating to the business of INPEX CORPORATION and its consolidated subsidiaries (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 business.

Unless stated otherwise, forward-looking statements in the discussion are the judgment of the Group as of June 29, 2011 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 GAS DEVELOPMENT BUSINESS

(1) Risk of failure in exploration, development or production

Payment of compensation is ordinarily necessary to acquire blocks and acreages. 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, maintaining financial soundness by booking 100% as expenses in consolidated financial statements 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 development investment in a project, we also book the corresponding amount of development expenses as allowances in accordance with the circumstances of each project.

To increase recoverable reserve and production volumes, the Group always takes interest in promising properties and plans to continue exploration investment. At the same time, we 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 investment could have an adverse effect on the results of the Group's operations.

(2) 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 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 Regulation S-X, Rule 4-10(a), which is widely known among U.S. investors. Notwithstanding the use in evaluation of either the deterministic or probabilistic approaches, 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. 97.

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. 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 the four organizations, are reserves 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. In specific terms, possible reserves are a part of those reserves not categorized as proved reserves or probable reserves. Possible reserves refer to oil and gas volumes that 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 can be upgraded to proved reserves after the addition of new technical data, under different economic conditions, and with advances in operational conditions. Nevertheless, probable 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 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. 97.

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 and cost recoveries as well as remuneration fees may affect the economic entitlement. This may cause reserves to increase or decrease. In this way, 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, in the development process leading up to production and the commencement of sales, the occurrence of events such as a delay in the acquisition of government approvals or a delay in the development schedule or the loss of the economic viability of the properties due to factors such as unanticipated problems related to geological conditions or fluctuations in the price of oil or gas, fluctuations in foreign exchange rates, or other changes in the business environment, including escalating prices of equipment and materials, or in the case of LNG projects, an inability to complete such procedural requirements as FID owing to the lack of any long-term contractual agreement with prospective purchases with respect to production, could have an adverse affect on the Group's operational results.

(4) Operatorship

In the oil and 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' extensive experience and know-how 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 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 blocks and acreages, 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 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 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 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 affect 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 gas development company, and could therefore have an adverse affect on future business activities.

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

Crude oil prices and a large percentage of 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 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 affect 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 months LIBOR rate. Accordingly, the Company's profits are subject to the influence of fluctuations in U.S. dollar interest rates.

3. OVERSEAS BUSINESS ACTIVITIES AND COUNTRY RISK

The Group engages in a large number of oil and gas development projects overseas. Because the Group's business activities, including the acquisition of blocks and acreages, 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 by conflicts and other factors, 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 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 blocks and acreages. 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 Americans. As of fiscal 2010, however, the Asia and Oceania regions accounted for about 50% of the Group's production volume, and the Middle East and Africa accounted for about 32% 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 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) Principal business areas and contract expiration dates

Expiration dates are customarily stipulated in the agreements related to blocks and acreages, 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 reextended, 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 properties to fully substitute for these properties could have an adverse effect on the Group's results.

In addition, in the event that 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 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. 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.

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. That is to say, when exploration and development work results in the production of oil or 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 gas in Indonesia, as sales are conducted by Indonesia, 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 balance sheet 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 29, 2011, 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 Japanese government (the Minister of Economy, Trade and Industry) holds 18.94% of the shares of the common stock issued by the Company. For this reason, it is possible that in the future the Minister of Economy, Trade and Industry, in accordance with the purport of the after-mentioned Report, may sell off the Company's shares in Japan or overseas. This could have an impact on the market price of the Company's shares.

The Minister of Economy, Trade and Industry holds one share of the Company's special-class share. The Minister of Economy, Trade and Industry, as the holder of the special-class share, has 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 section 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 owned by Japan National Oil Corporation (JNOC)

With regard to the liquidation and disposition of the oil and gas upstream assets owned by JNOC, which was dissolved on April 1, 2005, the Policies 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.

In the 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 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 future treatment of these shares is undecided and acquisition of INPEX Southwest Caspian shares could be unavailable.

The treatment of Sakhalin Oil and Gas Development Co., Ltd. (here in after "SODECO"), INPEX Offshore North Campos, Ltd., INPEX North Makassar, Ltd. (liquidation proceedings completed on December 19, 2009), 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 shares of Sakhalin Oil and Gas Development 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 in an appropriate manner, but the timing and manners of the disposal 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% shares of SODECO. SODECO was established in 1995 to engage in an oil and 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. This project started production in October 2005. 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 a 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 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 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 the acquisition by the Company could be unavailable.

8. SPECIAL-CLASS SHARE

(1) Overview of the special-class 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. 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 gas exploration or production rights or rights similar thereto or shares or ownership interest in the Company' 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

As of June 29, 2011, the Board of Directors of the Company is composed of 15 members, four 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. ("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 outside directors, are required to sign a written undertaking to carry out their duties as officers of the Company appropriately and with the highest regard for the importance of such matters as their obligations in connection with 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 project. 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, 2011 were 899.16 million barrels for crude oil, condensate and LPG, 2,451.0 billion cubic feet for natural gas and 1,307.67 million boe (Barrels of Oil Equivalent) in total.

	Japan		Asia & Oceania		Eurasia (Europe & NIS)		Middle East & Africa		Americas		Total	
	Crude oil (MMbbls)	Gas (Bcf)	Crude oil (MMbbls)	Gas (Bcf)	Crude oil (MMbbls)	Gas (Bcf)	Crude oil (MMbbls)	Gas (Bcf)	Crude oil (MMbbls)	Gas (Bcf)	Crude oil (MMbbls)	Gas (Bcf)
Proved developed and undeveloped reserves												
INPEX CORPORATION and Consolidated Subsidiaries												
As of March 31, 2009	18	713	124	1,923	211	—	457	—	5	159	815	2,795
Extensions and discoveries	—	—	5	—	—	—	—	—	—	—	5	—
Acquisitions and sales	—	—	—	—	—	—	—	—	—	—	—	—
Revisions of previous estimates	0	0	(1)	45	6	—	3	—	1	62	9	107
Interim production	(1)	(57)	(17)	(319)	(10)	—	(27)	—	(2)	(32)	(57)	(408)
As of March 31, 2010	16	656	111	1,649	207	—	433	—	4	190	771	2,495
Equity-method Affiliates												
As of March 31, 2009	—	—	2	505	—	—	226	—	6	1	233	505
Extensions and discoveries	—	—	—	—	—	—	—	—	—	—	—	—
Acquisitions and sales	—	—	—	—	—	—	—	—	—	—	—	—
Revisions of previous estimates	—	—	(0)	(30)	—	—	(2)	—	(1)	(0)	(2)	(30)
Interim production	—	—	(0)	—	—	—	(21)	—	(1)	(0)	(22)	(0)
As of March 31, 2010	—	—	1	475	—	—	203	—	4	0	209	475
As of March 31, 2010	16	656	112	2,124	207	—	636	—	8	190	980	2,970
INPEX CORPORATION and Consolidated Subsidiaries												
As of March 31, 2010	16	656	111	1,649	207	—	433	—	4	190	771	2495
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
Proved developed and undeveloped reserves												
As of March 31, 2011	15	611	87	1,678	210	—	583	—	3	162	899	2,451
Proved developed reserves												
INPEX CORPORATION and Consolidated Subsidiaries												
As of March 31, 2011	15	611	69	986	35	—	404	—	0	161	523	1,757
Equity-method Affiliates												
As of March 31, 2011	—	—	2	470	—	—	179	—	2	0	183	471
Proved undeveloped reserves												
INPEX CORPORATION and Consolidated Subsidiaries												
As of March 31, 2011	—	—	16	222	176	—	—	—	0	1	192	223
Equity-method Affiliates												
As of March 31, 2011	—	—	—	—	—	—	—	—	1	0	1	0

Note 1. As of March 31, 2011, INPEX held proved reserves in Indonesia of approximately 51.0 million barrels for crude oil and around 1,544.0 billion cubic feet for natural gas for a total of about 308.5 million boe (Barrels of Oil Equivalent).
2. Proved Reserves (as of March 31,2011)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%)
3. MMbbls: Millions of 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 as well as period-end costs are applied to the estimated annual future production from proved reserves to determine future cash inflows.

Future development costs are estimated based upon constant price assumptions and assume the continuation of existing economic, operating, and regulatory conditions. Future income taxes are calculated by applying the 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 believe that this information does not represent the fair market value of the oil and natural gas reserves or the present value of estimated cash flows since no economic value is attributed to potential reserves, the use of a 10% discount rate is arbitrary, and prices change constantly.

We use the exchange rates of ¥93.04 and ¥83.15 to US$1.00 as of March 31, 2010 and 2011, respectively.

Millions of Yen

March 31, 2010	Total	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas
INPEX CORPORATION and Consolidated Subsidiaries						
Future cash inflows	¥ 6,194,451	¥ 495,648	¥1,707,919	¥1,150,581	¥ 2,781,641	¥ 58,663
Future production and development costs	(2,159,840)	(128,497)	(648,877)	(485,115)	(870,046)	(27,306)
Future income tax expenses	(2,548,220)	(117,201)	(449,341)	(149,413)	(1,820,429)	(11,837)
Future net cash flows	1,486,391	249,950	609,701	516,053	91,166	19,520
10% annual discount for estimated timing of cash flows	(709,314)	(121,312)	(189,090)	(337,759)	(56,669)	(4,483)
Standardized measure of discounted future net cash flows	777,077	128,638	420,611	178,294	34,497	15,037
Equity-method Affiliates						
Future cash inflows	1,439,084	—	83,504	—	1,329,955	25,625
Future production and development costs	(509,279)	—	(29,380)	—	(464,240)	(15,659)
Future income tax expenses	(856,117)	—	(19,192)	—	(835,636)	(1,289)
Future net cash flows	73,688	—	34,932	—	30,079	8,677
10% annual discount for estimated timing of cash flows	(37,025)	—	(18,384)	—	(16,900)	(1,740)
Share of equity method investees' standardized measure of discounted future net cash flows	36,663	—	16,548	—	13,179	6,937
Total consolidated and equity-method affiliates in Standardized measure of discounted future net cash flows	¥ 813,740	¥ 128,638	¥ 437,159	¥ 178,294	¥ 47,676	¥ 21,974

Notes: 1. Reserves of the following blocks and fields include minority interests.
Asia & Oceania: Offshore Northwest Java (16.5%), Offshore Southeast Sumatra (16.5%)
Eurasia (Europe & NIS): ACG (49%), Kashagan (55%)
Middle East & Africa: Abu Al Bukhoosh (5%), West Bakr (47.3%)
Americas: Copa Macoya (30%)

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

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%)

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, 2010	¥ 813,740	¥128,638	¥ 420,611	¥178,294	¥ 34,497	¥15,037	¥ 36,663
Changes resulting from:							
Sales and transfers of oil and produced, net of production costs	(508,519)	(19,129)	(208,617)	(48,858)	(124,814)	(3,314)	(103,787)
Net change in prices, and production costs	797,080	59,277	299,991	107,142	179,087	(2,782)	154,364
Development cost incurred	134,197	1,721	63,518	51,787	8,690	63	8,418
Changes in estimated development costs	(27,919)	(150)	780	(27,861)	6,911	142	(7,741)
Revisions of previous quantity estimates	62,352	6,043	(16,484)	56,464	4,590	1,615	10,124
Accretion of discount	63,903	10,478	29,153	17,841	2,729	511	3,191
Net change in income taxes	(200,877)	(18,722)	(50,824)	(14,988)	(70,871)	2,676	(48,148)
Extensions, discoveries and improved recoveries	2,146	—	(6,198)	14,190	—	(5,846)	—
Other	(86,445)	(13,661)	(44,791)	(18,908)	(3,541)	(1,446)	(4,098)
Standardized measure, end of the period As of March 31, 2011	¥1,049,657	¥154,495	¥ 487,140	¥315,103	¥ 37,278	¥ 6,656	¥ 48,986

Notes: 1. Reserves of the following blocks and fields include minority interests.
Asia & Oceania: Offshore Northwest Java (16.5%), Offshore Southeast Sumatra (16.5%)
Eurasia (Europe & NIS): ACG (49%), Kashagan (55%)
Middle East & Africa: Abu Al Bukhoosh (5%), 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, 2011 were 1,392.85 million barrels for crude oil, condensate and LPG, 8,553.7 billion cubic feet for natural gas and 2,818.47 million boe in total. In addition, the Group's possible reserves as of March 31, 2011 were 218.91 million barrels for crude oil, condensate and LPG, 2,196.3 billion cubic feet for natural gas and 584.96 million boe in total.

March 31, 2011	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 (MMbbls)	4	629	540	114	72	1,358	35	1,393
Natural gas (Bcf)	133	8,224	—	—	104	8,461	93	8,554

Note 1: Bitumen reserve volumes are included in the net probable reserves of crude oil, condensate and LPG for the Americas.

March 31, 2011	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 (MMbbls)	5	163	27	9	9	212	7	219
Natural gas (Bcf)	169	2,007	—	—	18	2,195	2	2,196

Notes: 1. MMbbls: Millions of barrels
2. Bcf: Billions of cubic feet

2. OIL AND GAS PRODUCTION

The following tables list average daily productions for crude oil, natural gas, and the total of crude oil and natural gas by region. The proportional interests in production by our equity-method affiliates are not broken down by geographical regions. Our productions for the year ended March 31, 2011 were 239.6 thousand barrels per day for crude oil, condensate and LPG, 1,102.5 million cubic feet per day for natural gas and 423.3 thousand boe (Barrels of Oil Equivalent) per day in total.

Years ended March 31,	2007	2008	2009	2010	2011
Crude oil, condensate and LPG (Thousands of barrels per day):					
Japan	3.9	4.9	4.9	4.5	3.9
Asia & Oceania	40.4	36.5	44.7	47.7	65.1
Eurasia (Europe & NIS)	47.9	54.5	24.8	26.9	27.9
Middle East & Africa	82.3	80.7	81.0	73.3	73.0
Americas	0.1	0.4	2.7	5.5	2.3
Subtotal	174.7	177.0	158.1	158.0	172.2
Proportional interest in production by equity-method affiliates	67.8	64.6	65.1	60.4	67.4
Total	242.5	241.5	223.2	218.3	239.6
Annual production (MMbbl)	88.5	88.4	81.5	79.7	87.5
Natural gas (Millions of cubic feet per day):					
Japan	127.8	161.5	164.9	155.1	128.7
Asia & Oceania	865.8	845.7	842.8	880.5	836.0
Eurasia (Europe & NIS)	—	—	—	—	—
Middle East & Africa	—	—	—	—	—
Americas	57.5	81.6	82.3	86.9	81.1
Subtotal	1,051.1	1,088.8	1,090.0	1,122.6	1,045,9
Proportional interest in production by equity-method affiliates		—		—	56.6
Total	1,051.1	1,088.8	1,090.0	1,122.6	1,102.5
Annual production (MMbbl)	383.6	398.5	397.8	409.7	402.4
Crude oil and natural gas (Thousands of barrels of equivalent per day):					
Japan	25.2	31.9	32.4	30.4	25.3
Asia & Oceania	184.7	177.4	185.1	194.5	204.4
Eurasia (Europe & NIS)	47.9	54.5	24.8	26.9	27.9
Middle East & Africa	82.3	80.7	81.0	73.3	73.0
Americas	9.7	14.0	16.4	20.0	15.8
Subtotal	349.8	358.4	339.7	345.1	346.5
Proportional interest in production by equity-method affiliates	67.8	64.6	65.1	60.4	76.8
Total	417.7	423.0	404.9	405.4	423.3
Annual production (MMbbl)	152.5	154.8	147.8	148.0	154.5

Consolidated Balance Sheets

INPEX CORPORATION and Consolidated Subsidiaries
As of March 31, 2010 and 2011

ASSETS	Millions of yen 2010	Millions of yen 2011	Thousands of U.S. dollars (Note 3) 2011
Current assets:			
Cash and cash equivalents	¥ 216,395	¥ 182,025	$ 2,189,116
Accounts receivable—trade	88,364	95,391	1,147,216
Marketable securities (Note 5)	112,669	137,270	1,650,872
Inventories	12,322	12,138	145,977
Deferred tax assets (Note 7)	5,356	9,451	113,662
Accounts receivable—other	43,161	57,033	685,905
Other	14,611	12,766	153,530
Less allowance for doubtful accounts	(23)	(13,142)	(158,052)
	492,855	492,932	5,928,226
Tangible fixed assets:			
Buildings and structures (Note 6)	231,681	233,270	2,805,412
Wells (Note 6)	203,056	224,676	2,702,057
Machinery, equipment and vehicles (Note 6)	255,846	270,759	3,256,272
Land (Note 6)	20,790	20,708	249,044
Construction in progress	91,447	75,078	902,922
Other	60,774	86,148	1,036,055
	863,594	910,639	10,951,762
Less accumulated depreciation and amortization	(505,500)	(530,777)	(6,383,367)
	358,094	379,862	4,568,395
Intangible assets:			
Goodwill (Note 16)	108,123	101,362	1,219,026
Exploration and development rights	107,857	125,229	1,506,061
Mining rights	18,155	17,554	211,113
Other	5,070	4,966	59,723
	239,205	249,111	2,995,923
Investments and other assets:			
Recoverable accounts under production sharing	514,646	534,331	6,426,109
Less allowance for recoverable accounts under production sharing	(94,892)	(96,880)	(1,165,123)
	419,754	437,451	5,260,986
Investment securities (Notes 5 and 6)	403,978	975,541	11,732,303
Long-term loans receivable	18,641	13,979	168,118
Deferred tax assets (Note 7)	24,563	27,214	327,288
Other investments (Note 6)	72,577	118,341	1,423,223
Less allowance for doubtful accounts	(641)	(270)	(3,247)
Less allowance for investments in exploration	(15,248)	(13,781)	(165,737)
	923,624	1,558,475	18,742,934
Total assets	¥2,013,778	¥2,680,380	$32,235,478

See accompanying notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of yen 2010	Millions of yen 2011	Thousands of U.S. dollars (Note 3) 2011
Current liabilities:			
Accounts payable—trade	¥ 16,602	¥ 23,441	$ 281,912
Short-term borrowings and current portion of long-term debt (Notes 6 and 12)	4,872	4,441	53,410
Income taxes payable (Note 7)	86,535	113,102	1,360,217
Accounts payable—other (Note 6)	81,211	83,309	1,001,912
Provision for exploration projects	15,324	9,537	114,696
Accrued bonuses to officers	132	128	1,539
Asset retirement obligations (Note 15)	—	3,687	44,342
Other (Note 7)	23,229	17,084	205,460
	227,905	254,729	3,063,488
Long-term liabilities:			
Long-term debt (Notes 6 and 12)	235,511	268,706	3,231,581
Deferred tax liabilities (Note 7)	27,139	36,518	439,182
Accrued retirement benefits to employees (Note 14)	7,586	6,979	83,933
Liabilities for site restoration and decommissioning costs	14,258	—	—
Liabilities for losses on development activities	1,965	—	—
Accrued special repair and maintenance	442	443	5,328
Asset retirement obligations (Note 15)	—	8,966	107,829
Other (Note 6)	8,369	6,656	80,048
	295,270	328,268	3,947,901
Total liabilities	523,175	582,997	7,011,389
Net assets (Note 9):			
Common stock: Authorized: 2010 — 9,000,001 shares 2011 — 9,000,001 shares Issued: 2010 — 2,358,410 shares 2011 — 3,655,810 shares	30,000	290,810	3,497,415
Capital surplus	418,478	679,288	8,169,429
Retained earnings	936,745	1,047,431	12,596,885
Less: Treasury stock: 2010 — 4,916 shares 2011 — 4,916 shares	(5,248)	(5,248)	(63,115)
Total shareholders' equity	1,379,975	2,012,281	24,200,614
Unrealized holding gain on securities	12,351	1,456	17,511
Translation adjustments	(4,826)	(16,847)	(202,610)
Total accumulated other comprehensive income	7,525	(15,391)	(185,099)
Minority interests	103,103	100,493	1,208,574
Total net assets	1,490,603	2,097,383	25,224,089
Contingent liabilities (Note 18)			
Total liabilities and net assets	¥2,013,778	¥2,680,380	$32,235,478

Financial / Corporate Information

Consolidated Statements of Income

INPEX CORPORATION and Consolidated Subsidiaries
For the years ended March 31, 2009, 2010 and 2011

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2009	2010	2011	2011
Net sales	¥1,076,165	¥840,427	¥943,080	$11,341,912
Cost of sales	319,038	298,168	334,833	4,026,855
Gross profit	757,127	542,259	608,247	7,315,057
Exploration expenses	25,982	15,711	12,000	144,317
Selling, general and administrative expenses (Notes 13, 14 and 16)	50,683	44,869	44,254	532,219
Depreciation and amortization	17,195	20,011	22,250	267,589
Operating income	663,267	461,668	529,743	6,370,932
Other income:				
Interest income	9,536	4,354	4,110	49,429
Dividend income	12,338	9,476	5,722	68,815
Equity in earnings of affiliates	946	—	4,934	59,339
Gain on change in equity	—	—	3,644	43,824
Gain on transfer of mining rights	—	—	7,334	88,202
Other	9,215	7,643	5,432	65,328
	32,035	21,473	31,176	374,937
Other expenses:				
Interest expense	3,934	1,275	1,074	12,916
Equity in losses of affiliates	—	1,920	—	—
Provision for allowance for doubtful accounts	—	—	9,133	109,838
Provision for allowance for recoverable accounts under production sharing	16,643	6,028	11,481	138,076
Provision for exploration projects	3,387	8,595	3,082	37,066
Provision for investments in exploration	—	5,408	—	—
Loss on valuation of investment securities	31,799	—	—	—
Loss on adjustment for changes of accounting standard for asset retirement obligations (Note 15)	—	—	1,555	18,701
Foreign exchange loss	14,571	13,264	11,540	138,785
Other	8,801	4,624	14,467	173,987
	79,135	41,114	52,332	629,369
Income before income taxes and minority interests	616,167	442,027	508,587	6,116,500
Income taxes (Note 7):				
Current	488,262	322,993	367,083	4,414,708
Deferred	(17,884)	2,133	1,614	19,411
	470,378	325,126	368,697	4,434,119
Income before minority interests	—	—	139,890	1,682,381
Minority interests	726	9,691	11,191	134,588
Net income (Note 10)	¥ 145,063	¥107,210	¥128,699	$ 1,547,793

Consolidated Statement of Comprehensive Income

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

	Millions of yen	Thousands of U.S. dollars (Note 3)
	2011	2011
Income before minority interests	¥139,890	$1,682,381
Other comprehensive income		
Unrealized holding loss on securities	(10,951)	(131,702)
Translation adjustments	(11,516)	(138,496)
Share of other comprehensive income of associates accounted for by the equity method	(2,717)	(32,676)
Total other comprehensive income (Note 8)	(25,184)	(302,874)
Comprehensive income (Note 8)	114,706	1,379,507
Total comprehensive income attributable to:		
Shareholders of INPEX CORPORATION	105,783	1,272,195
Minority interests	¥ 8,923	$ 107,312

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, 2009	Balance as of March 31, 2008	Cash dividends paid	Net income	Purchase of treasury stock	Disposal treasury stock	Net changes in items other than those in shareholders' equity	Total changes during the period	Balance as of March 31, 2009
Common stock	¥ 30,000	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 30,000
Capital surplus	418,494	—	—	—	(16)	—	(16)	418,478
Retained earnings	718,616	(18,846)	145,063	—	—	—	126,217	844,833
Treasury stock	(2,215)	—	—	(3,563)	530	—	(3,033)	(5,248)
Total shareholders' equity	1,164,895	(18,846)	145,063	(3,563)	514	—	123,168	1,288,063
Unrealized holding gain (loss) on securities	(7,468)	—	—	—	—	650	650	(6,818)
Unrealized gain (loss) from hedging instruments	4	—	—	—	—	(5)	(5)	(1)
Translation adjustments	(60)	—	—	—	—	(10,061)	(10,061)	(10,121)
Total valuation, translation adjustments and others	(7,524)	—	—	—	—	(9,416)	(9,416)	(16,940)
Minority interests	81,442	—	—	—	—	9,496	9,496	90,938
Total net assets	¥1,238,813	¥(18,846)	¥145,063	¥(3,563)	¥514	¥ 80	¥123,248	¥1,362,061

Millions of yen

For the year ended March 31, 2010	Balance as of March 31, 2009	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, 2010
Common stock	¥ 30,000	¥ —	¥ —	¥ —	¥ —	¥ 30,000
Capital surplus	418,478	—	—	—	—	418,478
Retained earnings	844,833	(15,298)	107,210	—	91,912	936,745
Treasury stock	(5,248)	—	—	—	—	(5,248)
Total shareholders' equity	1,288,063	(15,298)	107,210	—	91,912	1,379,975
Unrealized holding gain (loss) on securities	(6,818)	—	—	19,169	19,169	12,351
Unrealized gain (loss) from hedging instruments	(1)	—	—	1	1	—
Translation adjustments	(10,121)	—	—	5,295	5,295	(4,826)
Total valuation, translation adjustments and others	(16,940)	—	—	24,465	24,465	7,525
Minority interests	90,938	—	—	12,165	12,165	103,103
Total net assets	¥1,362,061	¥(15,298)	¥107,210	¥36,630	¥128,542	¥1,490,603

Millions of yen

For the year ended March 31, 2011	Balance as of March 31, 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 (loss) 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

Thousands of U.S. dollars (Note 3)

	Balance as of March 31, 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	$ 360,794	$3,136,621	$ —	$ —	$ —	$3,136,621	$ 3,497,415
Capital surplus	5,032,808	3,136,621	—	—	—	3,136,621	8,169,429
Retained earnings	11,265,725	—	(216,633)	1,547,793	—	1,331,160	12,596,885
Treasury stock	(63,115)	—	—	—	—	—	(63,115)
Total shareholders' equity	16,596,212	6,273,242	(216,633)	1,547,793	—	7,604,402	24,200,614
Unrealized holding gain (loss) on securities	148,539	—	—	—	(131,028)	(131,028)	17,511
Translation adjustments	(58,040)	—	—	—	(144,570)	(144,570)	(202,610)
Total accumulated other comprehensive income	90,499	—	—	—	(275,598)	(275,598)	(185,099)
Minority interests	1,239,964	—	—	—	(31,390)	(31,390)	1,208,574
Total net assets	$17,926,675	$6,273,242	$(216,633)	$1,547,793	$(306,988)	$7,297,414	$25,224,089

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

INPEX CORPORATION and Consolidated Subsidiaries
For the years ended March 31, 2009, 2010 and 2011

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2009	2010	2011	2011
Cash flows from operating activities:				
Income before income taxes and minority interests	¥ 616,167	¥ 442,027	¥ 508,587	$ 6,116,500
Depreciation and amortization	42,967	40,354	54,245	652,375
Amortization of goodwill	6,760	6,759	6,760	81,299
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	—	1,555	18,701
Provision for allowance for doubtful accounts	—	—	12,925	155,442
Provision for allowance for recoverable accounts under production sharing	20,310	7,431	15,320	184,245
Provision for exploration projects	(2,320)	7,361	(5,442)	(65,448)
Provision for accrued retirement benefits to employees	(97)	(902)	(593)	(7,132)
Provision for site restoration and decommissioning costs	1,598	60	—	—
Other provisions	3,468	4,484	(1,462)	(17,583)
Interest and dividend income	(21,874)	(13,830)	(9,832)	(118,244)
Interest expense	3,934	1,275	1,074	12,916
Foreign exchange loss (gain)	10,087	2,380	(3,015)	(36,260)
Equity in (earnings) losses of affiliates	(947)	1,920	(4,934)	(59,339)
Gain on transfer of mining rights	—	—	(7,334)	(88,202)
Gain on the sales of investment securities	(81)	—	—	—
Loss on the valuation of investment securities	31,799	—	—	—
Recovery of recoverable accounts under production sharing (capital expenditures)	45,725	45,653	50,817	611,149
Recoverable accounts under production sharing (operating expenditures)	(27,020)	(14,996)	(17,369)	(208,887)
Accounts receivable—trade	44,200	(14,639)	(11,376)	(136,813)
Inventories	2,348	5,844	(223)	(2,682)
Accounts payable—trade	(9,825)	4,719	7,278	87,529
Accounts receivable—other	27,558	(9,671)	7,694	92,532
Accounts payable—other	(47,813)	13,670	9,699	116,645
Advances received	4,229	(1,120)	(2,490)	(29,946)
Other	(6,489)	3,357	(595)	(7,155)
Subtotal	744,684	532,136	611,289	7,351,642
Interest and dividends received	21,258	16,170	13,079	157,294
Interest paid	(4,801)	(1,734)	(748)	(8,996)
Income taxes paid	(530,789)	(305,199)	(349,526)	(4,203,560)
Net cash provided by operating activities	230,352	241,373	274,094	3,296,380
Cash flows from investing activities:				
Payments for time deposits	(6,464)	(9,925)	(493)	(5,929)
Proceeds from time deposits	4,498	8,430	3,849	46,290
Payments for long-term deposits	—	—	(53,500)	(643,415)
Payments for purchases of tangible fixed assets	(88,611)	(87,549)	(84,236)	(1,013,061)
Proceeds from sales of tangible fixed assets	246	86	1,072	12,892
Payments for purchases of intangible assets	(2,865)	(991)	(2,535)	(30,487)
Payments for purchases of marketable securities	(19,082)	—	(11,731)	(141,082)
Proceeds from sales and redemptions of marketable securities	111,451	101,321	112,000	1,346,963
Payments for purchases of investment securities	(137,447)	(156,264)	(724,635)	(8,714,793)
Proceeds from sales and redemptions of investment securities	16,531	—	10,847	130,451
Investment in recoverable accounts under production sharing (capital expenditures)	(108,294)	(91,650)	(77,865)	(936,440)
Decrease in short-term loans receivable	71	77	1,570	18,882
Long-term loans made	(5,896)	(7,521)	(1,134)	(13,638)
Collection of long-term loans receivable	762	34	567	6,819
Payments for purchase of mining rights	—	—	(28,045)	(337,282)
Proceeds from transfer of mining rights	—	—	7,334	88,202
Other	(5,068)	(7,860)	2,424	29,152
Net cash used in investing activities	(240,168)	(251,812)	(844,511)	(10,156,476)
Cash flows from financing activities:				
Proceeds from issuance of common stock	—	—	521,620	6,273,242
Increase (decrease) in short-term loans	20,934	(20,121)	—	—
Proceeds from long-term debt	12,041	108,063	56,285	676,909
Repayment of long-term debt	(66,365)	(5,284)	(4,713)	(56,681)
Proceeds from minority interests for additional shares	9,370	4,704	6,418	77,186
Purchases of treasury stock	(3,049)	—	—	—
Cash dividends paid	(18,833)	(15,306)	(18,010)	(216,597)
Dividends paid to minority shareholders	(82)	(2,973)	(13,450)	(161,756)
Other	(106)	(146)	(93)	(1,118)
Net cash provided by (used in) financing activities	(46,090)	68,937	548,057	6,591,185
Effect of exchange rate changes on cash and cash equivalents	(3,519)	(4,948)	(12,015)	(144,498)
Net increase (decrease) in cash and cash equivalents	(59,425)	53,550	(34,375)	(413,409)
Cash and cash equivalents at beginning of the year	222,270	162,845	216,395	2,602,465
Increase in cash and cash equivalents from newly consolidated subsidiary	—	—	5	60
Cash and cash equivalents at end of the year	¥ 162,845	¥ 216,395	¥ 182,025	$ 2,189,116

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 natural gas and crude oil.

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

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.

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 39 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 those of the consolidated subsidiaries.

For the 8 companies, including but not limited to, Japan Oil Development, Co., Ltd., Teikoku Oil D.R. Congo, Co., Ltd., INPEX Southwest Caspian Sea, Ltd., and INPEX North Caspian Sea, Ltd., the financial statements for the year ended on the consolidated closing date were used, even though their closing date is December 31.

Teiseki Real Estate Co., Ltd., changed the closing date from December 31 to March 31, since the year ended March 31, 2010. Accordingly, the consolidated operating results for the year ended March 31, 2010 included operating results for 15 months from January 1, 2009 to March 31, 2010. The effect of this change does not have a significant impact on the consolidated financial statements. On April 1, 2010, Teiseki Real Estate Co., Ltd. merged with INPEX Service Ltd. which had been the Company's consolidated subsidiary and was renamed INPEX Business Service Ltd..

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

(b) Cash equivalents

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

(c) Foreign currency translation

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

The 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) 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).

(f) Allowance for doubtful accounts

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

(g) 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 natural gas and crude oil in accordance with the relevant contract, an amount corresponding to the purchase costs of the products (i.e., a cost recovery portion of the investments) is released from this account.

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

(h) Allowance for investments in exploration

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

(i) Provision for exploration projects

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

(j) Accrued bonuses to officers

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

(k) 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.

(l) 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.

(m) Leased assets

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

(n) 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.

(o) 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.

(p) 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.

(q) Hedge accounting

The simplified accounting method 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.

(r) Research and development expenses

Research and development expenses are charged to income as incurred.

(s) 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.

(t) Adoption of new accounting standard

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

Effective the fiscal year ended March 31, 2011, the Company applies "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18, issued on March 31, 2008) and the "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21 issued on March 31, 2008). Pursuant to these standards, the Company has reversed liabilities for site restoration and decommissioning costs which had been recorded as a provision for future costs expected to incur in accordance with the schedule for site restoration and decommissioning. As a result, operating income decreased by ¥141 million ($1,696 thousand) and income before income taxes and minority interests decreased by ¥1,046 million ($12,580 thousand), respectively.

Effective the fiscal year ended March 31, 2011, the Company applies "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16, issued on March 10, 2008) and the "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" (ASBJ PITF No. 24, issued on March 10, 2008). There is no impact on the consolidated financial statements as a result of this change.

Effective the fiscal year ended March 31 2011, based on the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, issued on December 26, 2008), the Company applies "Cabinet Office Ordinance Partially Revising Regulation for Terminology, Forms and Preparation of Financial Statements" (Cabinet Office Ordinance No.5, issued on March 24, 2009). As a result, "Income before minority interests" is included in the consolidated financial statement for the year ended March 31, 2011.

Effective the fiscal year ended March 31, 2011, the Company applies "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No.25, issued on June 30, 2010). The amount of "Total valuation, translation adjustments and others" as of March 31, 2010 on balance sheet is presented as "Total accumulated other comprehensive income."

However, the amount of "Total accumulated other comprehensive income" for the year ended March 31, 2010 is shown as "Total valuation, translation adjustments and others".

Effective the fiscal year ended March 31, 2011, the Company applies "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No.17, issued on March 27, 2009) and the "Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No.20, issued on March 21, 2008).

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 ¥83.15=US$1.00, the approximate rate of exchange in effect on March 31, 2011. 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 exploration, development and production, construction or expansion of domestic pipelines and LNG receiving terminal primarily from cash flow on hand and from bank loans. Oil and gas development projects are primarily funded from long-term loans that the Company has secured from the Japan Bank of International 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 financing policy, the Company manages funds mainly from cash on hand and government bonds, which are considered to be of low-risk and high-liquidity. The Company does not engage in speculative derivative transactions. However, the Company uses derivative transactions to prevent risks hereinafter described below.

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

(Credit risks related to trade receivables)

Trade receivables—accounts receivable-trade and accounts receivable-other—are comprised mainly from sales of oil and natural gas. Main trading partners are national oil companies, major oil companies and others. In line with 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 Management 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 government bonds with short-term maturities to reduce market price fluctuation risk.

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

Loans are mainly used to fund oil and natural gas exploration projects and the 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 leverages in line with the above policy. Loans with fixed interest rates include fixed interest expenses under special treatment of interest rate swaps.

(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 losses when the foreign exchange rate results in yen appreciation. The Company timely converts to yen to avoid excess holding of foreign currency deposits on hand and engages in hedging transactions, based on the Company policy, partly using foreign currency forward exchange contracts as necessary for expected foreign currency trading.

(Management of derivative transactions)

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

(Management of the liquidity risk related to financing)

The finance unit controls cash management based on 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, 2010 and 2011 is as follows:

	Millions of yen		
March 31, 2010	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities with fair values exceeding their acquisition cost:			
Stock	¥ 28,825	¥ 43,779	¥14,954
Bonds:			
Public bonds	266,324	267,953	1,629
Others	6,733	8,722	1,989
Subtotal	301,882	320,454	18,572
Securities with acquisition costs exceeding their fair value:			
Stock	26,873	22,396	(4,477)
Bonds:			
Public bonds	103,007	101,423	(1,584)
Other debt securities	40	37	(3)
Subtotal	129,920	123,856	(6,064)
Total	¥431,802	¥444,310	¥12,508

	Millions of yen			Thousands of U.S. dollars		
March 31, 2011	Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities with fair values exceeding their acquisition cost:						
Stock	¥ 42,521	¥ 49,877	¥ 7,356	$ 511,377	$ 599,844	$ 88,467
Bonds:						
Public bonds	336,349	336,983	634	4,045,087	4,052,712	7,625
Corporate bonds	8,500	8,503	3	102,225	102,261	36
Others	6,733	7,694	961	80,974	92,531	11,557
Subtotal	394,103	403,057	8,954	4,739,663	4,847,348	107,685
Securities with acquisition costs exceeding their fair value:						
Stock	10,535	8,664	(1,871)	126,699	104,197	(22,502)
Bonds:						
Public bonds	374,128	372,900	(1,228)	4,499,435	4,484,666	(14,769)
Corporate bonds	28,509	28,334	(175)	342,862	340,758	(2,104)
Other debt securities	33,868	32,942	(926)	407,312	396,176	(11,136)
Others	198,255	195,213	(3,042)	2,384,306	2,347,721	(36,585)
Subtotal	645,295	638,053	(7,242)	7,760,614	7,673,518	(87,096)
Total	¥1,039,398	¥1,041,110	¥ 1,712	$12,500,277	$12,520,866	$ 20,589

(b) Information regarding sales of securities classified as other securities for the years ended March 31, 2009, 2010 and 2011 is as follows:

	Millions of yen
Year ended March 31,	2009
Proceeds from sales	¥ 127,974
Gain on sales	107
Loss on sales	¥ —

	Millions of yen						Thousands of U.S. dollars		
	2010			2011			2011		
Years ended March 31,	Proceeds from sales	Gain on sales	Loss on sales	Proceeds from sales	Gain on sales	Loss on sales	Proceeds from sales	Gain on sales	Loss on sales
Stock	¥ —	¥—	¥—	¥ 767	¥138	¥ 55	$ 9,224	$1,660	$ 662
Bonds:									
Public bonds	101,000	—	—	10,080	—	385	121,227	—	4,630
Other debt securities	321	—	—	—	—	—	—	—	—
Total	¥101,321	¥—	¥—	¥10,847	¥138	¥440	$130,451	$1,660	$5,292

Redemption and cancellation of bonds and others, which were previously included in sales proceeds are excluded from the proceeds from the year ended March 31, 2011.

There were no proceeds from sales of other securities exclude redemption and cancellation of bonds and others for the year ended March 31, 2010.

(c) Components of securities for which it is extremely difficult to determine fair value as of March 31, 2010 and 2011 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	2010	2011	2011
Other securities:			
Unlisted securities	¥30,623	¥27,819	$334,564
Preferred securities	5,000	5,000	60,132
Stocks of subsidiaries and affiliates	36,714	38,882	467,613
Total	¥72,337	¥71,701	$862,309

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, 2011 is as follows:

	Millions of yen				Thousands of U.S. dollars			
March 31, 2011	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 than10 years	More than 10 years
Bonds:								
Public bonds	¥133,000	¥526,500	¥41,500	¥—	$1,599,519	$6,331,930	$499,098	$—
Corporate bonds	3,500	33,500	—	—	42,093	402,886	—	—
Other debt securities	—	33,445	—	—	—	402,225	—	—
Others	—	198,146	—	—	—	2,382,995	—	—
Total	¥136,500	¥791,591	¥41,500	¥—	$1,641,612	$9,520,036	$499,098	$—

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings as of March 31, 2010 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	2010	2011	2011
Short-term borrowings from banks and others (Interest rates ranging from 1.215% to 1.325% and from 1.037% to 1.325% at March 31, 2010 and 2011)	¥160	¥160	$1,924
Total	¥160	¥160	$1,924

Long-term debt as of March 31, 2010 and 2011 is as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	2010	2011	2011
Loans from banks and others, due through 2025 (Interest rates ranging from 0.473% to 2.700% and from 0.776% to 2.700% at March 31, 2010 and 2011)	¥ 240,223	¥272,987	$3,283,067
Less: Current portion	4,712	4,281	51,486
	¥ 235,511	¥268,706	$3,231,581

Assets pledged as of March 31, 2010 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	2010	2011	2011
Buildings and structures	¥ 2,240	¥ 2,141	$ 25,749
Wells	3,445	4,774	57,414
Machinery, equipment and vehicles	9,512	9,049	108,827
Land	660	660	7,938
Investment securities	9,385	8,237	99,062
Other	246	239	2,874
Total	¥25,488	¥25,100	$301,864

The above assets were pledged against the following liabilities:

	Millions of yen		Thousands of U.S. dollars
March 31,	2010	2011	2011
Short-term loans	¥ 2,130	¥ 2,130	$ 25,616
Accounts payable—other	5,497	3,993	48,022
Long-term debt	6,153	4,023	48,382
Other	17	17	205
Total	¥13,797	¥10,163	$122,225

In addition, investment securities of ¥5,572 million as of March 31, 2010 and ¥4,928 million ($59,272 thousand) as of March 31, 2011 are pledged as collateral for the BTC Pipeline Project Finance.

The aggregate annual maturities of long-term debt subsequent to March 31, 2011 are summarized as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2012	¥ 4,281	$ 51,486
2013	4,662	56,067
2014	3,757	45,183
2015	5,609	67,456
2016	5,128	61,672
2017 and thereafter	249,550	3,001,203
Total	¥272,987	$3,283,067

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, 2009, 2010 and 2011.

The effective tax rates reflected in the consolidated statements of income for the fiscal years ended March 31, 2009, 2010 and 2011 differ from the statutory tax rate for the following reasons:

Years ended March 31,	2009	2010	2011
Statutory tax rate	36.2%	36.2%	36.2%
Effect of:			
Permanently non-taxable expenses such as entertainment expenses	—	—	0.1
Permanently non-taxable income such as dividends income	(1.4)	(1.5)	(0.8)
Valuation allowance	2.6	0.7	2.4
Foreign taxes	75.6	69.9	68.9
Foreign tax credits	(18.4)	(20.1)	(18.8)
Adjustment of deducted amounts of foreign taxes	(18.1)	(14.2)	(14.0)
Net operating losses utilized	—	(1.8)	(0.8)
Equity in (earnings) losses of affiliates	(0.1)	0.2	(0.4)
Amortization of goodwill	0.4	0.6	0.5
Differences of effective tax rates applied to tax effect accounting	—	2.8	(0.3)
Other	(0.5)	0.8	(0.5)
Effective tax rates	76.3%	73.6%	72.5%

The significant components of deferred tax assets and liabilities as of March 31, 2010 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	2010	2011	2011
Deferred tax assets:			
Investments in related parties	¥ 62,493	¥ 64,881	$ 780,289
Loss on revaluation of land	4,854	4,855	58,388
Loss on valuation of investment securities	11,348	6,091	73,253
Recoverable accounts under production sharing (foreign taxes)	4,389	4,565	54,901
Allowance for investments in exploration	6,721	6,528	78,509
Foreign taxes payable	21,846	37,415	449,970
Net operating loss	12,964	25,287	304,113
Accumulated depreciation	24,787	36,444	438,292
Accrued retirement benefits	2,773	2,565	30,848
Translation differences of assets and liabilities denominated in foreign currencies	111	1,000	12,026
Liabilities for site restoration and decommissioning costs	3,912	—	—
Asset retirement obligations	—	4,570	54,961
Exploration expenses	5,781	7,780	93,566
Allowance for doubtful accounts	—	5,159	62,045
Other	10,438	11,914	143,283
Total gross deferred tax assets	172,417	219,054	2,634,444
Valuation allowance	(138,382)	(153,220)	(1,842,694)
Total deferred tax assets	34,035	65,834	791,750
Deferred tax liabilities:			
Foreign taxes	7,558	32,883	395,466
Translation differences of assets and liabilities denominated in foreign currencies	8,801	15,937	191,666
Reserve for overseas investment loss	7,098	6,541	78,665
Translation differences due to an application of purchase accounting method	2,894	2,429	29,212
Reserve for exploration	4,499	5,958	71,654
Unrealized holding gain on securities	390	435	5,231
Other	2,788	3,260	39,206
Total deferred tax liabilities	34,028	67,443	811,100
Net deferred tax assets	¥ 7	¥ (1,609)	$ (19,350)

8. COMPREHENSIVE INCOME

Comprehensive income and other comprehensive income for the year ended March 31, 2010 are as follows:

(a) Comprehensive income

Year ended March 31, 2010	Millions of yen
Comprehensive income attributable to shareholders of INPEX CORPORATION	¥131,675
Comprehensive income attributable to minority interests	11,431
Total	¥143,106

(b) Other comprehensive income

Year ended March 31, 2010	Millions of yen
Unrealized holding gain on securities	¥19,171
Translation adjustments	6,807
Share of other comprehensive income of associates accounted for by the equity method	227
Total	¥26,205

9. NET ASSETS

As of March 31, 2011, the total number of the Company's shares issued consisted of 3,655,809 shares of common stock and 1 special class share. A number of common stock increased by 1,297,400 shares from as of March 31, 2010 due to the offering new shares by 1,216,000 shares and the third-party allotment by 81,400 shares, respectively.

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,	2009	2010	2011	2011
Net income	¥ 61,601.60	¥ 45,553.56	¥ 40,832.40	$ 491.07
Cash dividends	8,000.00	5,500.00	6,000.00	72.16
Net assets	¥540,100.10	¥589,548.88	¥546,958.90	$6,577.98

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. DERIVATIVES

Fair value of derivatives

The special treatment of interest rate swaps and hedge accounting is applied to all derivative transactions as of March 31, 2010 and 2011. Fair values of derivatives are included in the estimated fair value of the long-term debt, as disclosed in Note 12.(a), since they are accounted for as a part of long-term debt.

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, 2010 and 2011 are as shown below. The following summary also excludes cash and cash equivalents and accounts receivable-trade for which fair values approximate their carrying amounts.

	Millions of yen				Thousands of U.S. dollars	
	2010		2011		2011	
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	¥ 4,872	¥ 4,935	¥ 4,441	¥ 4,484	$ 53,410	$ 53,927
Long-term debt	¥235,511	¥237,024	¥268,706	¥270,572	$3,231,581	$3,254,023

(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 ¥643 million, ¥470 million and ¥449 million ($5,400 thousand) for the years ended March 31, 2009, 2010 and 2011, respectively.

14. RETIREMENT BENEFITS

(a) Retirement benefit obligations as of March 31, 2010 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	2010	2011	2011
Retirement benefit obligations	¥(15,379)	¥(15,593)	$(187,529)
Plan assets at fair value	7,793	8,614	103,596
Unfunded retirement benefit obligation	(7,586)	(6,979)	(83,933)
Unrecognized actuarial gain or loss	—	—	—
Accrued retirement benefits to employees	¥ (7,586)	¥ (6,979)	$ (83,933)

(b) Retirement benefit expenses for the years ended March 31, 2009, 2010 and 2011 are as follows:

	Millions of yen			Thousands of U.S. dollars
Years ended March 31,	2009	2010	2011	2011
Service cost	¥1,001	¥ 803	¥ 830	$ 9,982
Interest cost	282	284	288	3,464
Expected return on plan assets	(86)	(33)	(152)	(1,828)
Amortization of actuarial gain or loss	462	(310)	134	1,611
Retirement benefit expenses	¥1,659	¥ 744	¥1,100	$13,229

Except for the above retirement benefits expenses, in accordance with the change of retirement benefit plan resulting from the merger of the Company with non-surviving companies, past service gain amounting to ¥644 million was credited to other income (other) during the year ended March 31, 2009.

(c) The assumptions used in accounting for the above plans are as follows:

Years ended March 31,	2009	2010	2011
Discount rate	2.0%	2.0%	2.0%
Expected return on plan assets	0.5%	0.5%	2.0%
Period for amortization of actuarial gain or loss	Amortized as incurred	Amortized as incurred	Amortized as incurred
Period for amortization of past service cost	Amortized as incurred	—	—

15. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the year ended March 31, 2011 are as follows:

	Millions of yen	Thousands of U.S. dollars
Year ended March 31,	2011	2011
Balance at beginning of the year (a)	¥ 16,564	$199,206
New obligations	1,281	15,406
Accretion	714	8,587
Spending on existing obligations	(5,320)	(63,981)
Other (b)	(586)	(7,047)
Balance at end of the year	¥ 12,653	$152,171

(a) The balance at beginning of the year 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) at the beginning of the year ended March 31, 2011.
(b) "Other" mainly includes the changes in foreign currency exchange rates.

16. GOODWILL

The changes in the carrying amount of goodwill for the years ended March 31, 2009, 2010 and 2011 are as follows:

	Millions of yen			Thousands of U.S. dollars
Years ended March 31,	2009	2010	2011	2011
Balance at beginning of the year	¥ 121,644	¥ 114,884	¥108,123	$1,300,337
Goodwill acquired during the year	—	(2)	(1)	(12)
Amortization of goodwill	(6,760)	(6,759)	(6,760)	(81,299)
Balance at end of the year	¥ 114,884	¥ 108,123	¥101,362	$1,219,026

17. LEASES

Future minimum lease payments subsequent to March 31, 2011 for operating lease transactions are summarized as follows:

(a) As lessee

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2012	¥ 3,476	$ 41,804
2013 and thereafter	13,589	163,428
Total	¥17,065	$205,232

(b) As lessor

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2012	¥ 79	$ 950
2013 and thereafter	249	2,995
Total	¥328	$3,945

18. CONTINGENT LIABILITIES

As of March 31, 2011, the Company and its consolidated subsidiaries were contingently liable as guarantors of indebtedness of affiliates in the aggregate amount of ¥28,070 million ($337,583 thousand).

19. SEGMENT INFORMATION

Segment information for the years ended March 31, 2009 and 2010

Business segment information

As net sales, operating income and total assets of the oil and natural gas business constituted more than 90% of the consolidated totals for the years ended March 31, 2009 and 2010, the disclosure of business segment information has been omitted.

Geographical segment information

The geographical segment information for the Company and its subsidiaries for the years ended March 31, 2009 and 2010 is summarized as follows:

	Millions of yen							
Year ended March 31, 2009	Japan	Asia & Oceania (a)	Eurasia (Europe & NIS) (b)	Middle East & Africa (c)	Americas (d)	Total	Eliminations	Consolidated
Sales to third parties	¥ 93,423	¥435,824	¥ 73,688	¥463,151	¥10,079	¥1,076,165	¥ —	¥1,076,165
Total sales	93,423	435,824	73,688	463,151	10,079	1,076,165	—	1,076,165
Operating expenses	59,540	150,416	39,223	144,460	11,419	405,058	7,840	412,898
Operating income (loss)	33,883	285,408	34,465	318,691	(1,340)	671,107	(7,840)	663,267
Total assets	¥208,326	¥409,558	¥365,914	¥189,270	¥85,169	¥1,258,237	¥509,808	¥1,768,045

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

	Millions of yen							
Year ended March 31, 2010	Japan	Asia & Oceania (a)	Eurasia (Europe & NIS) (b)	Middle East & Africa (c)	Americas (d)	Total	Eliminations	Consolidated
Sales to third parties	¥ 93,959	¥352,383	¥ 73,574	¥303,819	¥16,692	¥ 840,427	¥ —	¥ 840,427
Total sales	93,959	352,383	73,574	303,819	16,692	840,427	—	840,427
Operating expenses	61,404	161,313	33,805	98,247	15,664	370,433	8,326	378,759
Operating income	32,555	191,070	39,769	205,572	1,028	469,994	(8,326)	461,668
Total assets	¥240,879	¥451,167	¥446,849	¥229,843	¥85,242	¥1,453,980	¥559,798	¥2,013,778

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

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

Overseas sales

Overseas sales, which include sales (other than exports to Japan) of its overseas subsidiaries, for the years ended March 31, 2009 and 2010 are summarized as follows:

	Millions of yen		
Year ended March 31, 2009	Asia & Oceania (a)	Other (b)	Total
Overseas sales	¥371,102	¥46,281	¥417,383
Consolidated net sales			1,076,165
Overseas sales as a percentage of consolidated net sales	34.5%	4.3%	38.8%

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

	Millions of yen		
Year ended March 31, 2010	Asia & Oceania (a)	Other (b)	Total
Overseas sales	¥271,231	¥53,425	¥324,656
Consolidated net sales			840,427
Overseas sales as a percentage of consolidated net sales	32.3%	6.3%	38.6%

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

Segment information for the year ended March 31, 2011

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 natural 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

	Reportable segments							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

	Reportable segments							Thousands of U.S. dollars
Year ended March 31, 2011	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Total	Adjustments (a)	Consolidated (b)
Sales to third parties	$1,257,065	$4,892,700	$ 821,636	$4,218,100	$152,411	$11,341,912	$ —	$11,341,912
Total sales	1,257,065	4,892,700	821,636	4,218,100	152,411	11,341,912	—	11,341,912
Segment income (loss)	312,195	2,836,007	438,497	2,923,788	(36,500)	6,473,987	(103,055)	6,370,932
Segment assets	2,889,224	5,199,315	6,054,973	2,956,885	818,076	17,918,473	14,317,005	32,235,478
Other items								
Depreciation and amortization	221,972	210,090	108,395	61,479	35,045	636,981	15,394	652,375
Amortization of goodwill	(12)	—	—	—	(2,309)	(2,321)	83,620	81,299
Investment to associates accounted for by the equity method	—	241,335	—	85,195	61,576	388,106	—	388,106
Increase of tangible fixed assets and intangible assets	$ 309,044	$ 552,904	$ 341,094	$ 130,343	$ 35,226	$ 1,368,611	$ 6,807	$ 1,375,418

(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

Year ended March 31,	Millions of yen 2011	Thousands of U.S. dollars 2011
Crude oil	¥557,911	$ 6,709,693
Natural gas (excluding LPG)	334,650	4,024,654
LPG	21,597	259,736
Other	28,922	347,829
Total	¥943,080	$11,341,912

Geographical information:

Sales

Year ended March 31,	Millions of yen 2011	Thousands of U.S. dollars 2011
Japan	¥573,132	$ 6,892,748
Asia & Oceania	346,717	4,169,777
Others	23,231	279,387
Total	¥943,080	$11,341,912

Tangible fixed assets

As of March 31,	Millions of yen 2011	Thousands of U.S. dollars 2011
Japan	¥211,088	$2,538,641
Australia	96,500	1,160,553
Others	72,274	869,200
Total	¥379,862	$4,568,394

Information by major customer:
Sales from a single group of external customers amounted to ¥254,542 million ($3,061,239 thousand) arising from sales by the Asia & Oceania segment for the year ended March 31, 2011.

20. RELATED PARTY TRANSACTIONS

There was the following related party transaction for the year ended March 31, 2009:

Affiliated company

Name of related party	Location	Capital investment	Nature of operations	Voting interest	Description of the business relationship	Transaction detail	Amounts
MI Berau B.V.	Amsterdam, Netherlands	€ 656,279 thousand	Exploration and development of natural gas in Berau Block conducted in West Papua province, Indonesia and Tangguh LNG Project	Directly 44.00%	Serve the officer concurrently, capital subscription	Guarantee for debt in U.S. dollars *	¥ 20,380 million

* The Company guarantees financial institution loans to finance developments of the LNG projects. The guaranteed amounts above is as of March 31, 2009.

There was the following related party transaction for the year ended March 31, 2010 :

Affiliated company

Name of related party	Location	Capital investment	Nature of operations	Voting interest	Description of the business relationship	Transaction detail	Amounts
MI Berau B.V.	Amsterdam, Netherlands	€ 656,279 thousand	Exploration, development, production and sales of natural gas in Berau Block conducted in West Papua province, Indonesia and Tangguh LNG Project	Directly 44.00%	Serve the officer concurrently, capital subscription	Guarantee for debt in U.S. dollars *	¥ 22,459 million

* The Company guarantees financial institution loans to finance developments of the LNG projects. The guaranteed amounts above is as of March 31, 2010.

There were no related party transactions for the year ended March 31, 2011.

Report of Independent Auditors

ERNST & YOUNG

Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.
2-2-3, Uchisaiwai-cho,
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Report of Independent Auditors

The Board of Directors
INPEX CORPORATION

We have audited the accompanying consolidated balance sheets of INPEX CORPORATION and consolidated subsidiaries as of March 31, 2011 and 2010, the related consolidated statements of income, changes in net assets, and cash flows for each of the three years in the period ended March 31, 2011, and consolidated statement of comprehensive income for the year ended March 31, 2011, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of INPEX CORPORATION and consolidated subsidiaries at March 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2011 in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3.

Ernst & Young ShinNihon LLC

June 28, 2011

Subsidiaries and Affiliates

As of March 31, 2011

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 South Natuna Sea Block B, Indonesia
INPEX Sahul, Ltd.	4,600	100.00%	Exploration, development, production and sales of oil and natural gas in 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 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 Tengah Block in Offshore East Kalimantan, Indonesia
INPEX Browse, Ltd.	67,690	100.00%	Exploration and development of oil and natural gas in WA-37-R Block and others, Australia
INPEX Masela, Ltd.	33,348	51.93%	Exploration and development of oil and natural gas in Masela Block in the Arafura Sea, Indonesia
INPEX Offshore Northeast Mahakam, Ltd.	3,875	100.00%	Exploration of oil and natural gas in 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 Sebuku Block in the south of the Offshore Mahakam Block, Indonesia
INPEX Timor Sea, Ltd.	6,712	100.00%	Exploration and development of oil and natural gas in 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 ACG Oil Fields, Azerbaijan
INPEX North Caspian Sea, Ltd.	50,580	45.00%	Exploration and development of oil in Offshore North Caspian Sea Block, Kazakhstan
Japan Oil Development Co., Ltd.	18,800	100.00%	Exploration, development, production and sales of oil in ADMA Block, United Arab Emirates
INPEX ABK, Ltd.	2,500	100.00%	Exploration, development, production and sales of oil in 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 Offshore D. R. Congo Block
The Egyptian Petroleum Development Co., Ltd.	10,722	52.70%	Exploration, development, production and sales of oil in the West Bakr Block, Egypt
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 42-2&4 and 113-3&4 Blocks, Libya
Teikoku Oil Libya UK LTD	67,055 (Thousands of U.S. dollars)	100.00%	Exploration of oil in the 81-2 and 82-3 Blocks, Libya
Teikoku Oil (Venezuela) Co., Ltd.	100	100.00%	Reactivation of oil and gas fields, exploration, development, production and sales of oil in the Guarico Oriental area, 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.	17,160	100.00%	Exploration and development of oil and natural gas including oil sands in Canada

Company name	Issued capital* (Millions of yen)	Voting rights held by us (%)	Main business
TEIKOKU OIL (SURINAME) CO., LTD.	2,657	60.92%	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., that constructs and operates the under sea 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 pipeline construction and management business which 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

23 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 Berau Block and Tanggu LNG Project, Indonesia
Angola Japan Oil Co., Ltd.	8,000	19.60%	Development and production of oil in 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 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 Frade Block in Offshore North Campos, Brazil

2 other subsidiaries of equity-method affiliates

* Rounding off fractions less than the unit.

Financial / Corporate Information

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 investment and holds the right for disposition for the acquired oil and gas. Oil-producing countries receive taxes or royalties from sales.

■ 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.

■ International Energy Agency (IEA)
A joint action agency for energy, the IEA is composed of the major oil-consuming countries. The agency was founded in 1974 as an independent organization affiliated with the OECD. The agency has 28 member countries.

■ LNG (Liquefied Natural Gas)
LNG stands for liquid 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 stands for liquid petroleum gas, 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).

■ Oil majors
Oil majors are also known as major international oil companies. ExxonMobil (U.S.), Royal Dutch Shell (U.K./Netherlands), BP (U.K.), Chevron (U.S.) and TOTAL (France) are famous 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 which 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.

■ 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.

■ 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.

■ 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.

■ Proved reserves
The definition of proved reserves is in accordance with SEC Regulation S-X Rule 4-10, 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.

■ 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.

■ 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.

■ Shale gas
A type of unconventional natural gas that is contained in mudstone. It is referred to as shale gas because it is contained in shale within the mudstone. Shale is particularly hard and tends to peel into flakes.

Unit Conversion

Crude oil
1 kl ≒ 6.29 barrels
1 ton ≒ 7.4 barrels
1 barrel ≒ 6,000cf (natural gas)
100,000 barrels/day ≒ 4 million tons/year (LNG)

Natural gas
1 cf ≒ 1,000 Btu*
1 billion m^3 ≒ 700,000 tons (LNG)
100 million cf/day ≒ 700,000 tons/year (LNG)
1 trillion cf ≒ 1 million tons×20 years (LNG)
(20 million tons)

Sale gas
1 m^3 ≒ 37.32 cf

LPG
1 ton ≒ 10.5 barrels (crude oil)

LNG
1 ton ≒ 8.8 barrels (crude oil)
≒ 1,400 m^3 (natural gas)
≒ 53 million Btu*

*British thermal unit

Note: Unit-equivalent figures are estimates. We cannot guarantee those figures' accuracy as applied to dealing or verification.

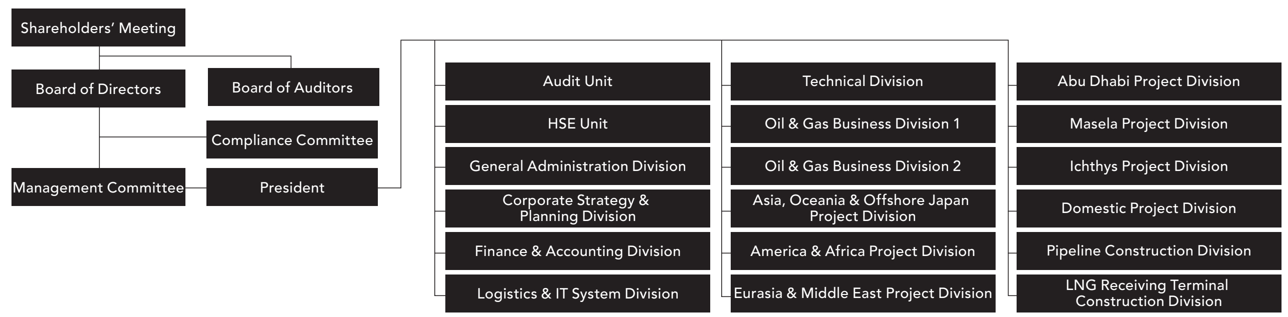
Corporate Information
(As of March 31, 2011)

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) 1,854
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, 2011)



Stock Data

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

Total Number of Shareholders and Issued Shares
Common shares: 38,753 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.	176,760	4.8
Mitsubishi Corporation	134,500	3.7
JX Holdings, Inc.	134,432	3.7
The Master Trust Bank of Japan, Ltd. (Trust Account)	130,362	3.6
Japan Trustee Services Bank, Ltd. (Trust Account)	124,404	3.4
State Street Bank and Trust Company	99,989	2.7
JP Morgan Chase Bank 380055	95,239	2.6
State Street Bank and Trust Company 505223	59,362	1.6

* 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)	112	529,646	14.5
Securities Companies	47	25,738	0.7
Other Domestic Corporations	430	826,752	22.6
Minister of Economy, Trade and Industry*2	1	692,307	18.9
Foreign Corporations and Other	673	1,468,447	40.2
Individuals and Other	37,489	108,003	3.0
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.
http://www.inpex.co.jp/

Inquiries
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