INPEX
Energy for a bright future

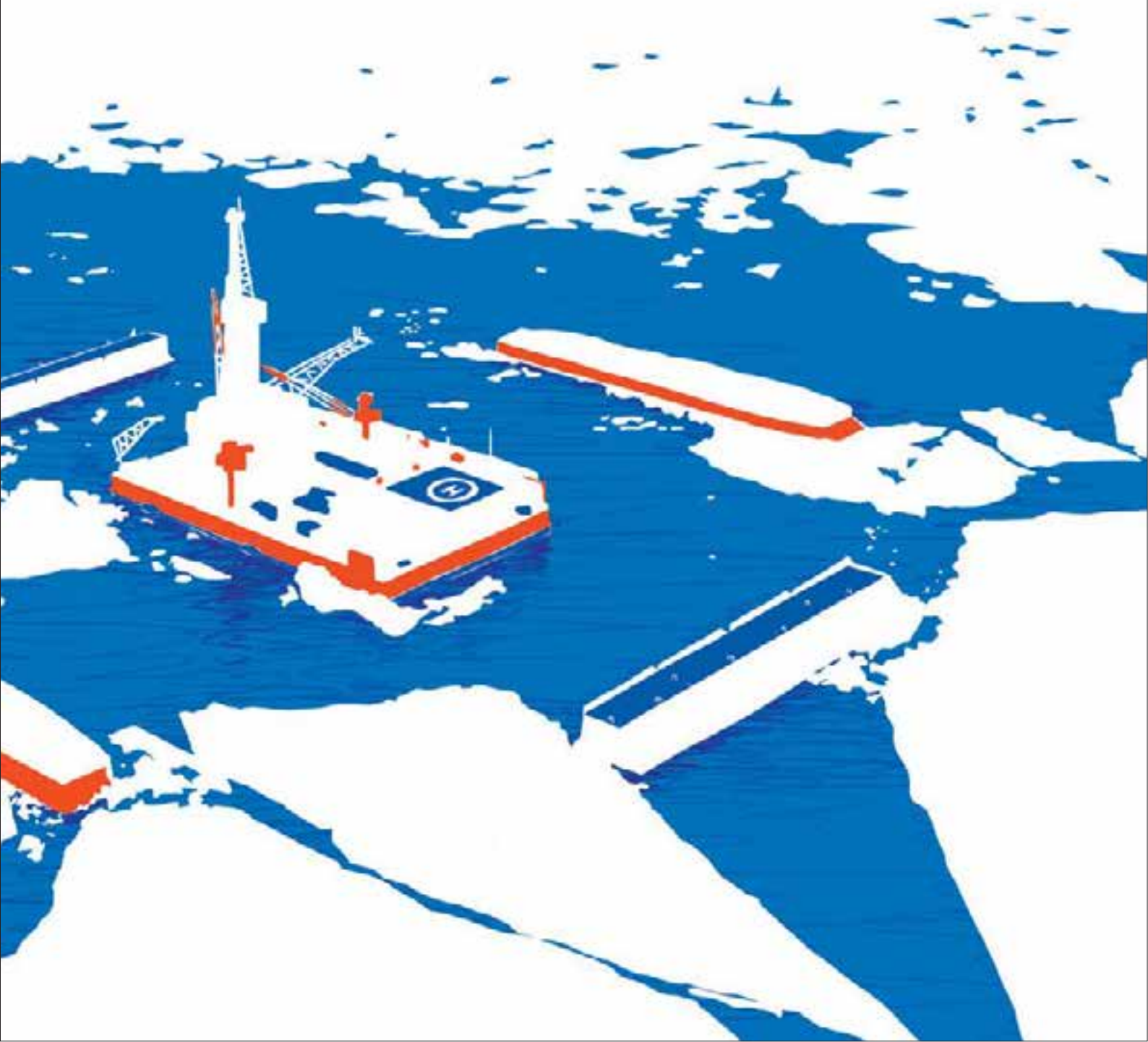
INPEX CORPORATION

Annual Report 2013

Year ended March 31, 2013

Growth Explorer

Reliable Energy Contributor



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. 60) basically describes the operating situation as of June 30, 2013. Figures in parentheses denote negative amounts.

About the cover

The Kashagan Oil Field, Kazakhstan, where production is scheduled to commence during the fiscal year ending March 31, 2014 (please refer to p. 65).

Annual Report 2013 in 1 minute

▸ Contents: p. 12

INPEX CORPORATION

About Us

Major Player in Japan

Developer of oil and natural gas

Major E&P Company in Japan

Abundant reserves and production volumes

Our Mission

To ensure a stable and efficient supply of energy

In Australia and Indonesia

Promoting large-scale LNG projects

▸ Ichthys LNG Project: pp. 48–55

Net Production Volume by the First Half of the 2020s

Targeting 1 million boed

▸ Medium- to Long-Term Vision: pp. 40–41

Major Results for the Year Ended March 31, 2013

Reserves and Production Volumes

Reserve volume
4.09 billion boe (proved + probable)

Production volume
408 thousand boed

Performance and Cash Dividends

Net sales
¥1,216.5 billion

Net income
¥183.0 billion

Cash dividends per share
¥7,000 per share (annual)

Sustainable Expansion of Upstream Businesses

Acquisition of development and production projects

(Lucius Project in the United States; Angola)

The Ichthys LNG Project continued progress in development operations

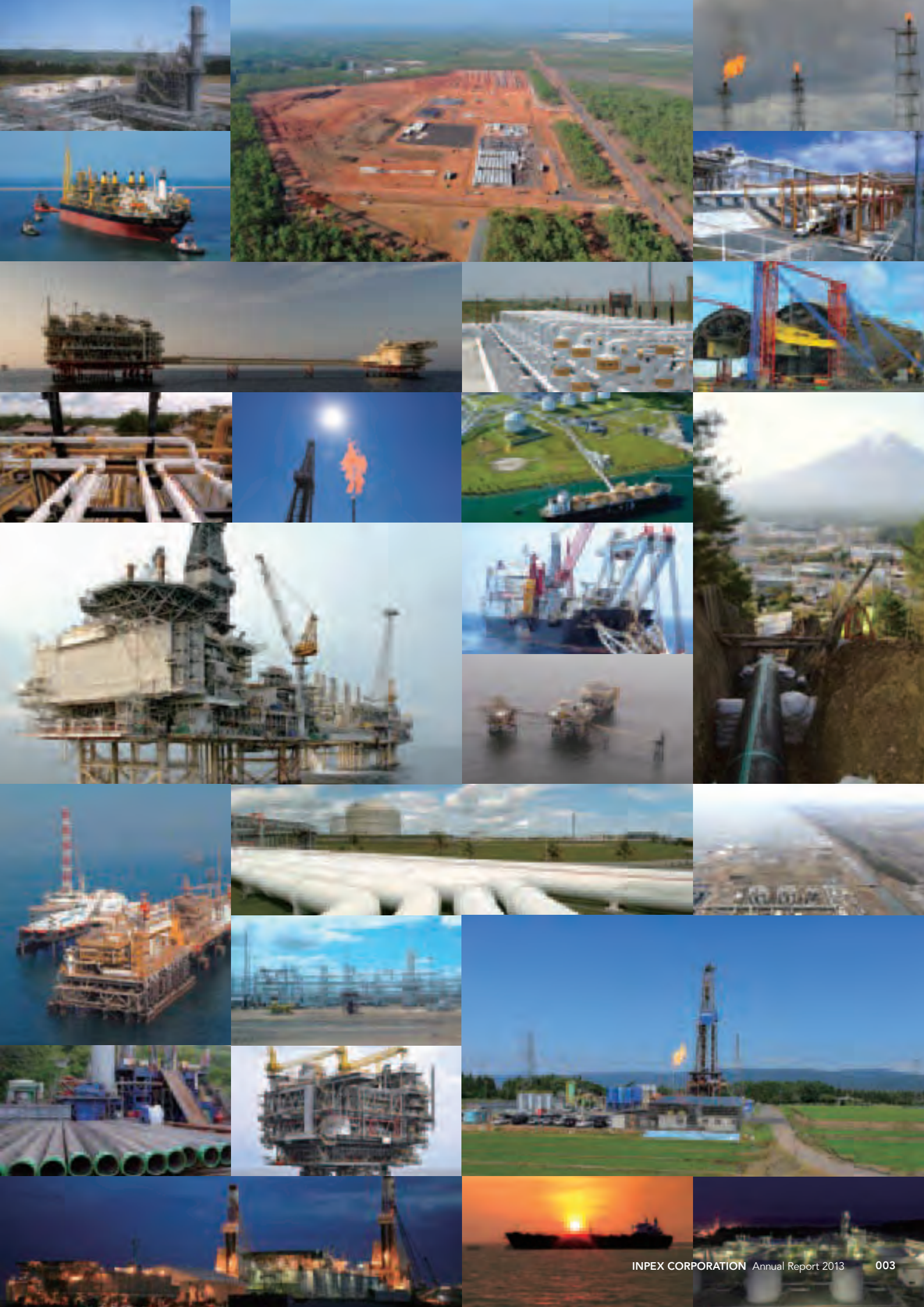
The Abadi LNG Project commenced FEED works

Conducting 80 projects in 29 countries around the world

including Australia, Indonesia and Canada

INPEX conducts oil and natural gas projects worldwide focusing mainly on the Asia and Oceania regions.

(The number of countries and projects is current as of June 30, 2013)



4.0 billion boe and

Kashagan Oil Field, Kazakhstan

400 thousand boed

INPEX is the largest company in its field in Japan boasting reserve volumes (proved + probable) of 4.09 billion boe and a production volume of 408 thousand boed for the year ended March 31, 2013. The Company is looking to achieve a production scale of 1 million boed by the early 2020s.

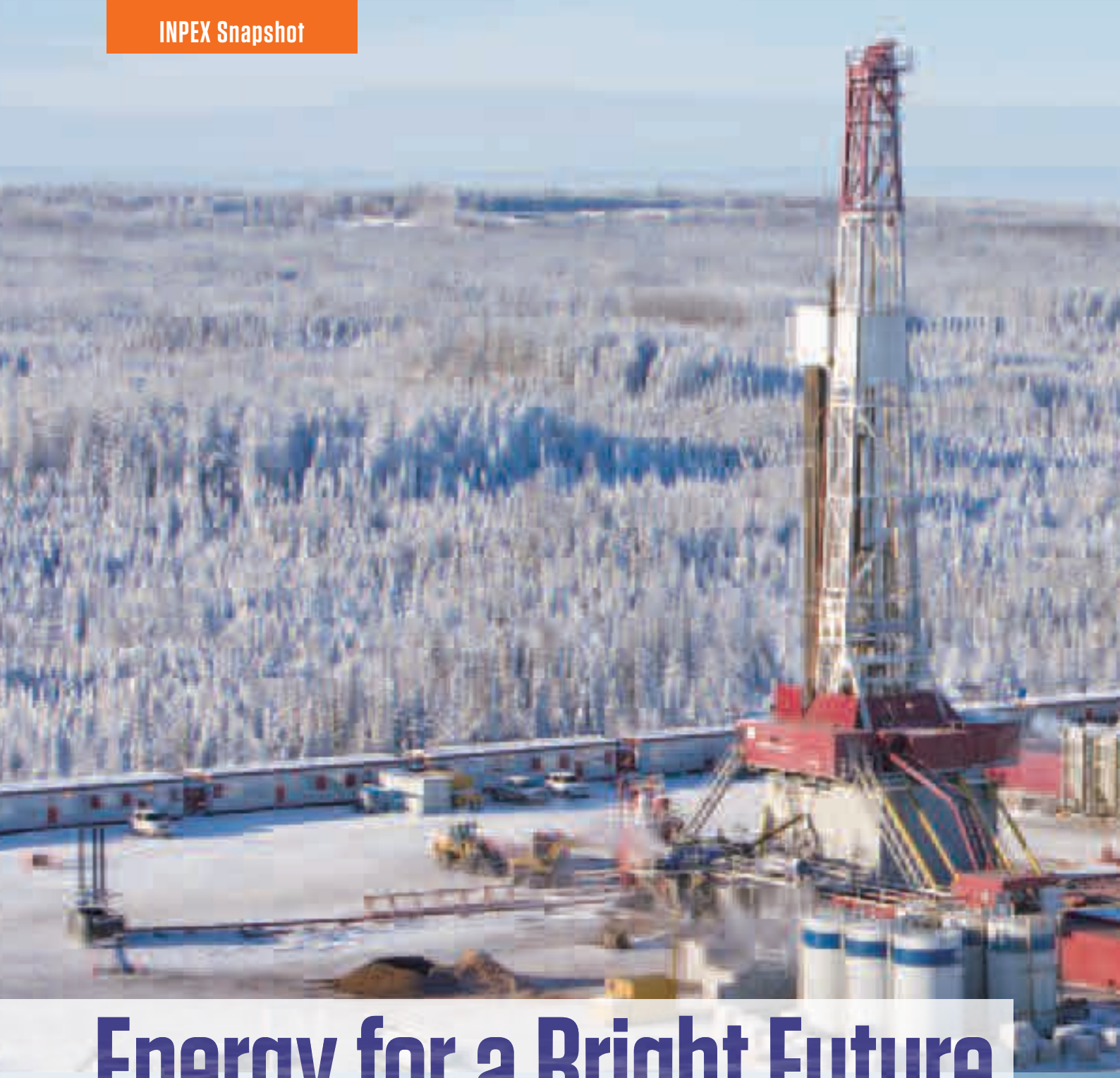
ACG Oil Field, Azerbaijan

On Track On Budget

Development operations are progressing smoothly at the Ichthys LNG Project in Australia.

The dredging vessel Athena

Dredging work at Darwin



Energy for a Bright Future

Leveraging its proven operating track record of more than 70 years in Japan, INPEX is promoting various projects worldwide.

2013 in the world

Shale Gas Project, Canada
(Horn River)

1940s in Japan

Yabase Oil Field, Akita Prefecture
(photograph from the 1940s)

Transporting Energy to Japan

**More than half of the crude oil / natural gas produced by the Company overseas is transported to Japan.
The natural gas produced in Japan is supplied to the Kanto and Koshinetsu regions surrounding the Tokyo metropolitan area using the Company's 1,400-km pipeline network.**

Natural gas pipeline in Japan

The Naoetsu LNG Terminal
currently under construction

Annual Report 2013 Contents

HIGHLIGHTS 1

Financial and Operating Highlights

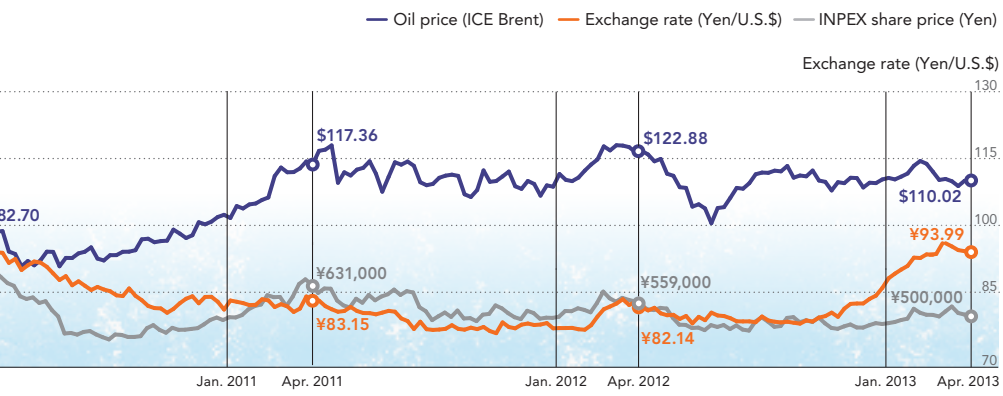
As of or years ended March 31
Please refer to p. 97 for notes of major indices.

	2007	2008	2009	2010
Results of Operations (Millions of yen / Thousands of U.S. dollars)				
Net sales	¥ 969,713	¥ 1,202,965	¥ 1,076,165	¥ 840,427
Gross profit	625,918	812,411	757,127	542,259
Operating income	559,077	714,211	663,267	461,668
Net income	165,092	173,246	145,063	107,210
EBIDAX (Earnings before interest, depreciation and amortization, and exploration)	321,790	382,654	275,871	242,543
Financial Position (Millions of yen / Thousands of U.S. dollars)				
Total assets	¥ 1,608,107	¥ 1,807,901	¥ 1,768,045	¥ 2,013,778
Net assets excluding minority interests	1,028,895	1,157,371	1,271,123	1,387,500
Net debt	(169,667)	(328,353)	(324,109)	(349,211)
Cash Flows (Millions of yen / Thousands of U.S. dollars)				
Cash flows from operating activities	¥ 231,982	¥ 363,995	¥ 230,352	¥ 241,373
Cash flows from investing activities	(209,243)	(261,767)	(240,168)	(251,812)
Cash flows from financing activities	13,794	(45,228)	(46,090)	68,937
Cash and cash equivalents at end of the year	189,417	222,270	162,845	216,395
Per Share Data (Yen / U.S. dollars)				
Earnings per share (EPS)	¥ 70,423.45	¥ 73,510.14	¥ 61,601.60	¥ 45,553.56
Net assets per share	436,467.92	491,168.09	540,100.10	589,548.88
Cash dividends per share	7,000.00	7,500.00	8,000.00	5,500.00
Payout ratio (%)	9.9%	10.2%	13.0%	12.1%
Financial Indices (%)				
Net debt / Net total capital employed	(18.6)%	(36.1)%	(31.2)%	(30.6)%
Equity ratio	64.0%	64.0 %	71.9%	68.9%
Return on equity (ROE)	17.7%	15.8 %	11.9%	8.1%
Net return on average capital employed (Net ROACE)	20.4%	21.4 %	14.6%	10.5%
Stock Indices				
Stock price (Yen / U.S. dollars)	¥ 1,020,000	¥ 1,110,000	¥ 683,000	¥ 686,000
Market capitalization (Billions of yen / Millions of U.S. dollars)	2,405.6	2,617.8	1,610.8	1,617.9
Price earnings ratio (PER) (Times)	14.5	15.1	11.1	15.1
Price book-value ratio (PBR) (Times)	2.3	2.3	1.3	1.2
Operating Data				
Net proved reserves (Million boe)	1,770	1,645	1,598	1,475
Net production (Thousand boed)	418	423	405	405
Exploration and development expenditures (Millions of yen / Thousands of U.S. dollars)	217,646	315,684	294,364	235,721

Oil price / Exchange rate / INPEX share price

2011	2012	2013	2013 (U.S. dollars)*
¥ 943,080	¥ 1,186,732	¥ 1,216,533	$ 12,943,217
608,247	791,289	790,207	8,407,352
529,743	709,358	693,448	7,377,891
128,699	194,001	182,962	1,946,611
274,931	362,597	350,905	3,733,429
¥ 2,680,380	¥ 3,066,398	¥ 3,616,159	$ 38,473,870
1,996,890	2,179,252	2,481,293	26,399,543
(688,807)	(874,116)	(815,308)	(8,674,412)
¥ 274,094	¥ 320,692	¥ 252,347	$ 2,684,828
(844,511)	(280,864)	(489,870)	(5,211,937)
548,057	29,294	137,069	1,458,336
182,025	249,233	199,859	2,126,386
¥ 40,832.40	¥ 53,137.93	¥ 50,114.22	$ 533.19
546,958.90	596,908.99	679,639.63	7,230.98
6,000.00	7,000.00	7,000.00	74.48
14.7%	13.2%	14.0%	14.0%
(48.9)%	(60.7)%	(43.9)%	(43.9)%
74.5%	71.1%	68.6%	68.6%
7.6%	9.3%	7.9%	7.9%
10.8%	16.0%	11.2%	11.2%
¥ 631,000	¥ 559,000	¥ 500,000	$ 5,320
2,306.8	2,043.6	1,827.9	19,448
15.5	10.5	10.0	10.0
1.2	0.9	0.7	0.7
1,308	2,432	2,188	2,188
423	426	408	408
248,005	243,531	807,988	8,596,532

* The translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation only, at ¥93.99 = U.S.$1.00, the approximate rate of exchange in effect as of March 31, 2013.



Net Income for the year ended March 31, 2013

¥183.0 billion

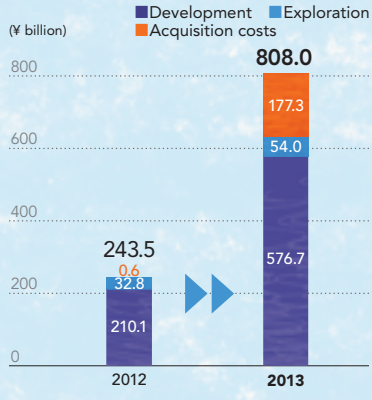
Net sales increased by ¥29.8 billion compared with the previous fiscal year. In addition, the gain on transfer of the Ichthys LNG Project equity interest was recognized.

Net Income Analysis

Exploration and Development Expenditures for the year ended March 31, 2013

¥808.0 billion

Exploration and development expenditures increased substantially compared with the previous fiscal year due mainly to the increase in development expenditures in connection with the transition to the Ichthys development phase for the year under review, and the acquisition of interests in such large-scale projects as shale gas projects in Canada and Prelude FLNG Project in Australia.



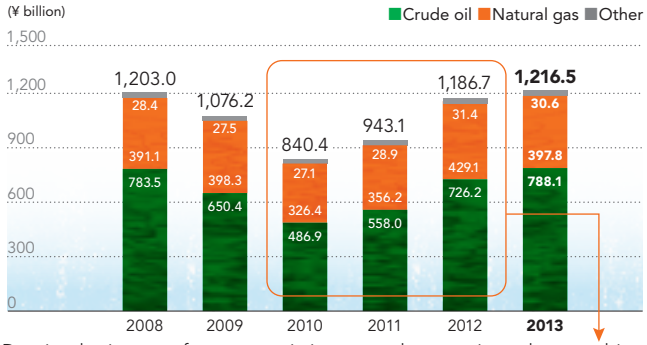
Financial and Operating Highlights (Graphs)

As of or years ended March 31
Please refer to p. 97 for notes of major indices.

Profitability Indices

See p. 8 of Fact Book 2013 for more about profitability indices.

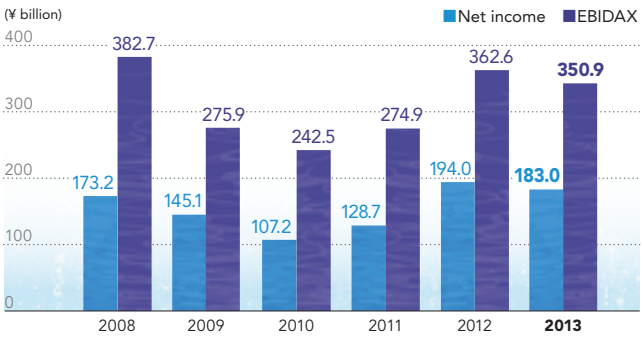
Net Sales (by product)



Despite the impact of yen appreciation, net sales experienced a sound increase owing mainly to firm trends in crude oil prices between the period from the year ended March 31, 2010, to the year ended March 31, 2012.

Net Income, EBIDAX

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

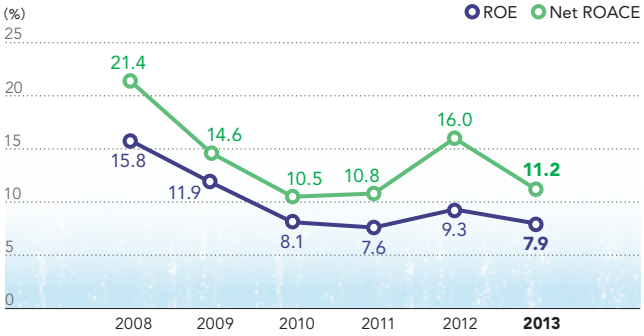


EBIDAX is an index that is commonly used by resource development companies. It is a measure of profit before interest payments, depreciation and amortization as well as exploration expenses. EBIDAX provides an indication of the level of profit generated without the impact of accounting treatment applied by individual companies.

Efficiency Indices

See p. 9 of Fact Book 2013 for more about efficiency indices.

Return on Equity (ROE), Net ROACE

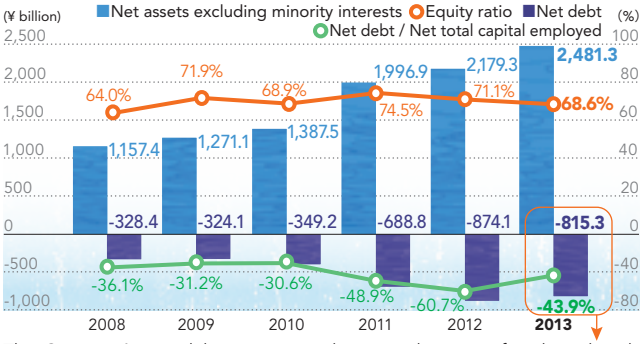


Net ROACE is an indicator that is commonly used by resource development companies. Net ROACE is a profit ratio which includes net debt with the sum of net assets. With the Company's negative net debt position, net ROACE is higher than ROE.

Stability Indices

See p. 11 of Fact Book 2013 for more about stability indices.

Net Assets Excluding Minority Interests, Equity Ratio, Net Debt, Net Debt / Net Total Capital Employed

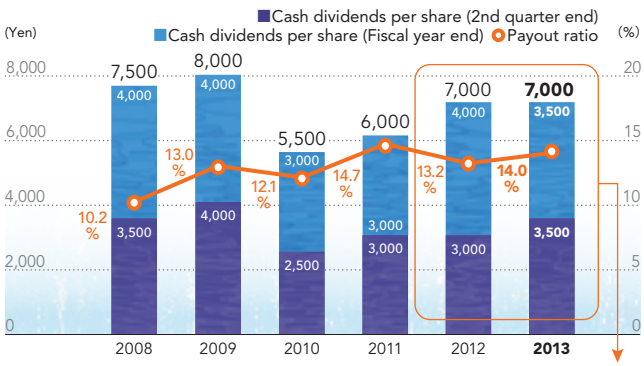


The Company's net debt is negative because the sum of cash and cash equivalents and public bonds is greater than the sum of interest-bearing debt. INPEX continues to maintain financial strengths.

Performance Indices

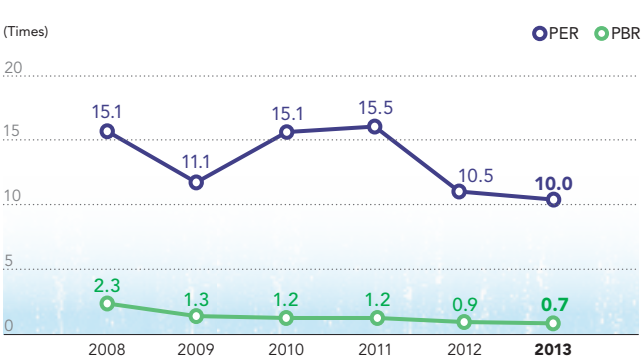
See p. 12 of Fact Book 2013 for more about performance indices.

Cash Dividends per Share, Payout Ratio



The Company, which is currently in a growth investment phase, is placing the emphasis on balancing the needs to expand medium- to long-term earnings with ensuring appropriate returns to shareholders.

Price Earnings Ratio (PER), Price Book-Value Ratio (PBR)

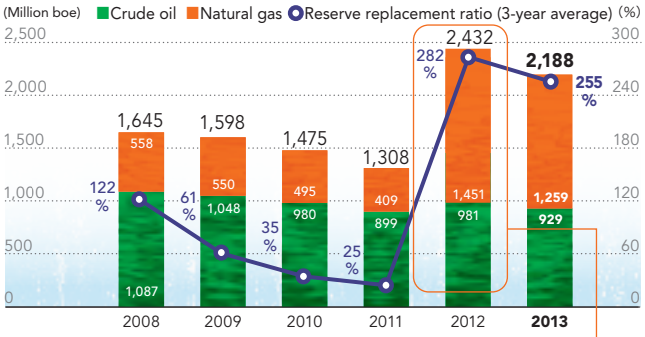


Despite the Company's steady performance and stable cash dividend payment record, PER and PBR remained entrenched at a low level. This trend can be seen in other mining- and oil-related stocks listed in Japan.

Reserve/Production Indices

See p. 13 of Fact Book 2013 for more about reserve/production indices.

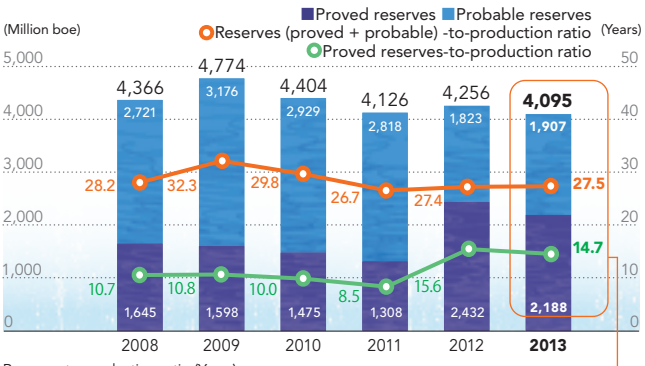
Net Proved Reserves (by product), Reserve Replacement Ratio (3-year average)



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

The Final Investment Decision (FID) for the Ichthys LNG Project was made in January 2012 and the reserve evaluation at 1.18 billion boe was upgraded to net proved reserves.

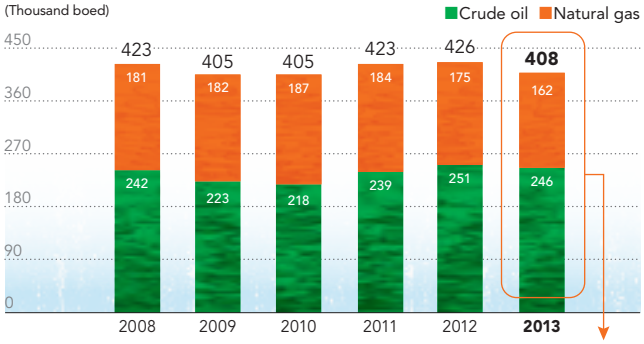
Net Proved and Probable Reserves, Reserves-to-Production Ratio



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

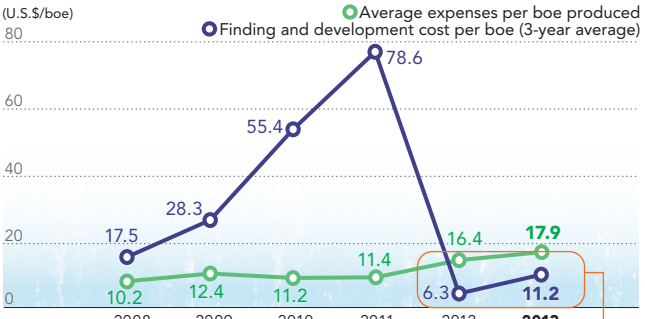
The reserves-to-production ratio measures the current number of production volume years of reserve volumes held. As of March 31, 2013, the Company's reserves-to-production ratio was 14.7 years for net proved reserves and 27.5 years on the basis of proved and possible reserves.

Net Production (by product)



For the year ended March 31, 2013, crude oil production volume in the Middle East and Africa regions increased, mainly in the ADMA Block. On the other hand, there were signs of a decrease in natural gas production volume for the same period owing mainly to natural decline at the Offshore Mahakam Block.

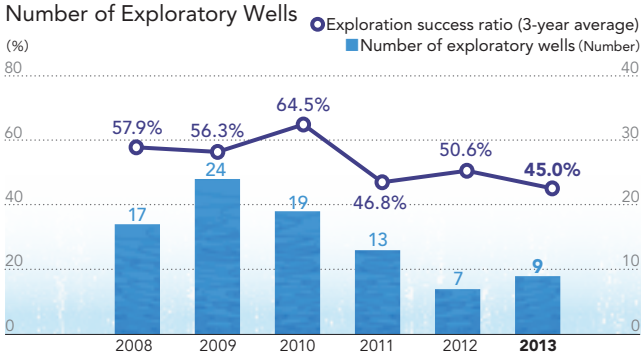
Average Expenses per BOE Produced, Finding and Development Cost per BOE (3-year average)



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

Finding and development cost per boe is improving significantly following the upgrade of the Ichthys net probable reserves to net proved reserves.

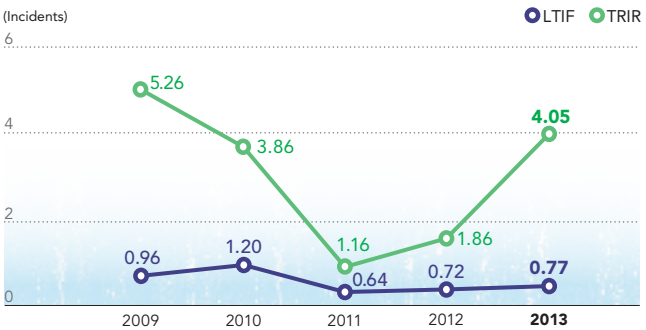
Exploration Success Ratio (3-year average), Number of Exploratory Wells



Exploration success ratio (3-year average) = The number of net productive exploratory wells drilled / The number of net exploratory wells drilled. (An exploratory well is a well drilled to find a new field, to find a new reservoir in a field previously found to be productive of oil or gas in another reservoir or to extend the limits of a known reservoir.) The number of wells represents the completion of drilling operations for the subject year. However, data for the year ended March 31, 2013 included operations currently in progress.

The number of exploratory wells is expected to increase from the year ending March 31, 2014 on the back of vigorous exploration investment.

LTIF, TRIR



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

Business Topics

1 Acquisition of Production and Development Assets

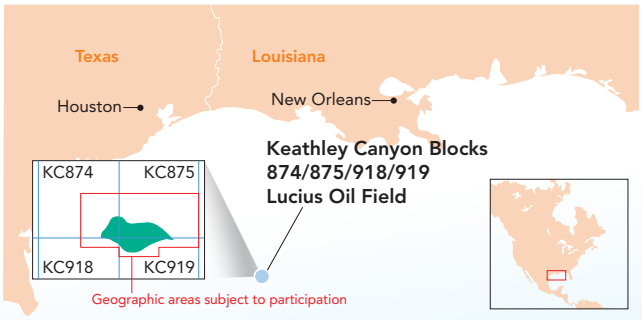
August 2012 **Participation in Offshore Angola Block 14**

INPEX reached an agreement with TOTAL S.A. to acquire a 9.99% interest in Block 14 offshore the Republic of Angola. Located approximately 100 kilometers offshore, Block 14 is currently producing crude oil in three development areas, and there are other discovered undeveloped areas. Further exploration and development of the discovered undeveloped areas of the block will be conducted.

Marine production facilities at Angola Block 14

August 2012 **Acquisition of interest in the Lucius Oil Field in the U.S. Gulf of Mexico**

INPEX agreed to acquire a 7.2% participating interest in the Lucius project, which includes portions of Keathley Canyon Blocks 874, 875, 918 and 919 in the U.S. Gulf of Mexico. The Lucius project has been in the development phase since December 2011, and the first production of crude oil and natural gas is expected to start in the latter half of 2014.



Construction work on production facilities for the Lucius project

2 Acquisition of New Exploration Projects

From April 1, 2012, through June 30, 2013,
INPEX acquired a total of nine new exploration projects.

October 2012: **United Kingdom**

INPEX was awarded new exploration blocks in the 27th Seaward Licensing Round

INPEX was successful in the 27th Seaward Licensing Round in the United Kingdom, and was awarded offshore exploration blocks jointly with Centrica (U.K.) and Statoil (Norway). Exploration work will be conducted.

May 2013: **Uruguay, South America**

Acquisition of interest in offshore exploration block

INPEX agreed to acquire a partial interest in exploration Area 15 offshore Uruguay from Tullow Oil (U.K.), an independent E&P company. Exploration activities including 3D seismic data acquisition work have been ongoing in the block since December 2012.

April 2013: **Mozambique, Africa**

Participation in offshore exploration project

INPEX agreed to acquire a partial interest in the exploration block Area 2 & 5 offshore Mozambique from Statoil (Norway). Two exploratory wells are planned during 2013.

3 Progress on Development Work for the Ichthys LNG Project in Australia

December 2012 **Project finance arrangements signed**
INPEX finalized arrangements for US$20 billion in project finance loans for the Ichthys LNG Project, including those with eight export credit agencies and 24 commercial banks from Japan and abroad.

January 2013 **First steel cutting ceremony for offshore CPF**
The first steel cutting ceremony was held at Geoje in South Korea for the construction of the offshore central processing facility (CPF) for the Ichthys LNG Project.

February 2013 **Completion of insurance arrangements for construction of facilities**
INPEX completed insurance arrangements providing coverage for project facilities related to the Ichthys LNG Project during the construction period (through the end of 2016).

June 2013 **Construction begins on FPSO facility**
A ceremony was held for the first steel cutting for the hull of a Floating Production, Storage and Offloading (FPSO) facility in Okpo, South Korea. With fabrication of the hull under way, construction work on all of the Ichthys LNG Project's major offshore facilities has been commenced.


Ribbon-cutting and first steel-cutting ceremony for the FPSO facility

See the Special Feature on pp. 48–55 for more details about progress being made on the Ichthys LNG Project.

4 Progress on the Abadi LNG Project in Indonesia

November 2012 **Start of FEED work for subsea production facilities**
Front-End Engineering and Design (FEED) work for subsea production facilities was commenced that will transport natural gas and condensate from the Abadi gas field to the Floating LNG (FLNG) plant.

January 2013 **Start of FEED work for FLNG facilities**
FEED work for Floating LNG (FLNG) facilities was commenced that refine, liquefy, store and offload natural gas and condensate produced from the Abadi gas field.

May 2012: Iraq
INPEX was awarded onshore exploration Block 10
INPEX was successful in the fourth Petroleum Licensing Round in Iraq, and was awarded the onshore exploration Block 10 jointly with LUKOIL (Russia). In November 2012, a service agreement related to the block was signed. Exploration work will be conducted accordingly.

March 2013: Indonesia
INPEX was awarded West Sebuku Block in South Makassar
INPEX was successful with Mubadala Petroleum (United Arab Emirates) in the 2012 Petroleum Licensing Round in Indonesia and was awarded the West Sebuku Block in South Makassar. Exploration work will be conducted.

April 2013: Timor Sea Joint Petroleum Development Area
INPEX signed a contract for the JPDA 11-106 Block
A new production sharing contract was signed with the relevant authorities upon expiry of the exploratory phase under the contract for the JPDA 11-106 contract area in the exploration area around the Kitan Oil Field in the Timor Sea Joint Petroleum Development Area. INPEX will continue with exploration and development of the area.

November 2012: India
Acquisition of interest in exploration block in the Bay of Bengal
INPEX agreed to acquire a partial interest in the offshore exploration block KG-DWN-2004/6 from Oil and Natural Gas Corporation Limited, India's national E&P company. Exploration work has already begun in the block, and exploratory wells are currently being drilled.

June 2012: Australia
Acquisition of interest in exploration Block AC/P36
INPEX acquired an interest in the exploration Block AC/P36 offshore Western Australia. As an operator, INPEX will conduct exploration work, including drilling of exploratory wells.

June 2013: Australia
INPEX was awarded exploration Block WA-494-P offshore Western Australia
As an operator, INPEX was awarded a 100% interest in exploration Block WA-494-P offshore Western Australia. Large-scale gas-condensate fields have been discovered and are under development, such as the Ichthys and Prelude gas fields adjacent to the block.

5 Major Corporate Topics

October 2012 **Establishment of the INPEX Advisory Committee**

The INPEX Advisory Committee was established as a part of measures to enhance corporate governance. INPEX plans to hold INPEX Advisory Committee meetings twice a year, attended by four Japanese and international experts who will offer their advice on various issues including domestic and international politics and economy, the energy situation, and corporate social responsibility.

The INPEX Advisory Committee

April 2013 **Construction completed on INPEX Mega Solar Joetsu**

INPEX completed construction on the INPEX Mega Solar Joetsu solar power generation plant in Joetsu, Niigata. Installed on the site of our subsidiary, the solar panels began generating power in March 2013 with a maximum output of two megawatts.

Ceremony to commemorate the completion of INPEX Mega Solar Joetsu

Reorganizations

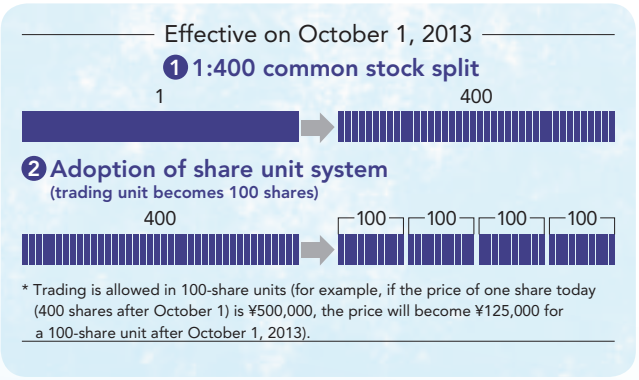
In May 2012, INPEX established the New Ventures Division for the enhancement of planning functions for basic policies and investment strategies related to the development of new overseas projects. In June 2013, INPEX established the Gas Supply & Infrastructure Division for the integrated management of gas supply chain facilities in Japan, including the Naoetsu LNG Terminal to be completed shortly. INPEX also reorganized overseas business divisions and units to promptly deal with the increasing number of overseas upstream projects.

May 2013 **Acquisition of A1 credit rating from Moody's**

INPEX obtained from the U.S. credit rating agency Moody's a new long-term issuer rating of A1 with a "stable" outlook.

May 2013 **Announcement of stock split and reduction in investment unit**

INPEX decided to conduct a 1:400 common stock split effective on October 1, 2013, and to adopt a share unit system with 100 shares defined as a single investment unit. As a result of these initiatives, the investment unit amount of the Company's shares will be one quarter of what it was before the stock split and adoption of the share unit system, making it easier for individual investors to acquire shares of the Company's stock.



* Trading is allowed in 100-share units (for example, if the price of one share today (400 shares after October 1) is ¥500,000, the price will become ¥125,000 for a 100-share unit after October 1, 2013).

Electric power conservation and volunteer work

INPEX is working to reduce electricity consumption at its business sites in Japan. During the summer of 2012, we were able to cut electricity consumption by as much as 40% compared with the 2010 level. INPEX employees have volunteered in areas affected by the Great East Japan Earthquake, with a combined total of 524 employees volunteering since the natural disaster. For the year ended March 31, 2013, 214 employees volunteered.

Volunteer work

MANAGEMENT MESSAGE 2

Greetings from the Representative Directors

Naoki Kuroda
Chairman

Masatoshi Sugioka
Vice Chairman

Toshiaki Kitamura
President & CEO

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

INPEX CORPORATION is currently moving forward with 80 oil and gas projects in 29 countries around the world. We are the largest Japanese E&P company in terms of reserves and production volume, and we have grown to rank globally among the mid-tier oil and gas E&P companies. Our mission is to contribute to the creation of affluent societies by realizing a stable and efficient supply of oil and gas. By continuing to achieve success in such large-scale oil and gas projects as the Ichthys LNG Project in Australia, INPEX will make even greater strides toward our goal of growing and evolving into an integrated energy company.

Stable Supply of Energy × Sustainable Growth in Corporate Value

The business environment in energy markets is in a constant state of evolutionary change. As demand for energy continues to strengthen around the globe, companies are competing ever more aggressively to acquire limited conventional oil and gas resources. Meanwhile, it is necessary to take measured responses to unstable oil and gas prices as well as fluctuations in foreign currency markets, while diligently engaging in safety management and available conservation.

We have chosen **"Growth Explorer, Reliable Energy Contributor"** as the theme of this Annual Report for 2013, which covers the business activities and major projects we have undertaken over the past year.

INPEX is committed to achieving sustained growth in our corporate value so as to meet the expectations of our shareholders and all other stakeholders. We hope to receive your continued support and understanding as we undertake these endeavors.

July 2013

Naoki Kuroda
Chairman

Masatoshi Sugioka
Vice Chairman

Toshiaki Kitamura
President & CEO

Growth Explorer, Reliable Energy Contributor

Toshiaki Kitamura
President & CEO

To Our Stakeholders

For the year ended March 31, 2013, we took steady strides toward developing the Ichthys LNG Project, a central growth driver, and saw progress at every stage of business development, including the successive acquisition of upstream interests. Consolidated net income totaled ¥183.0 billion, exceeding our initial forecast. In the Message from the President section of the Annual Report 2013, I cover in detail the topics that matter the most to our shareholders and investors.

The Year in Review

Q. Please describe the Company's performance last year, financial forecasts for this year, and cash dividend plans.

A. INPEX recorded consolidated net income of ¥183.0 billion for the year ended March 31, 2013, partially reflecting gain on transfer of interests of the Ichthys. Assuming zero gains on the transfer of interests going forward, financial forecasts are for net income of ¥142.0 billion for the year ending March 31, 2014. Nevertheless, the Company plans to slightly increase cash dividends per share.

Consolidated net income of ¥183.0 billion for the year ended March 31, 2013, exceeded our initial forecast at the beginning of the year. The value of our interests in the Ichthys LNG Project contributed to earnings for the year ended March 31, 2013, as net income included approximately ¥50.0 billion in gains on the transfer of interests to LNG buyers/partner in the Ichthys LNG Project. Moreover, INPEX decided to distribute an annual cash dividend of ¥7,000 per share.

As announced on August 2, 2013, we forecast negligible growth in net sales for the year ending March 31, 2014, and we expect net income of ¥142.0 billion on account of the disappearance of the aforementioned one off gains on the transfer of interests in the Ichthys LNG Project. INPEX plans to pay a slightly higher annual cash dividend of ¥7,200 per share for the year ending March 31, 2014 (calculated prior to the planned stock split). INPEX emphasizes a balanced approach to shareholder returns and profit growth over the longer term, because the Company is at the stage where it is investing in growth mainly by developing two world-scale LNG projects, Ichthys and Abadi.

Q. With business development advancing steadily and earnings and dividends doing well, what is your take on the Company's share price?

A. Our share price is also affected by macroeconomic factors to a certain degree, and we are focusing on steadily achieving milestones in the Ichthys LNG Project and other promising projects in order to be given fair assessment by the market.

Factors relaxing the balance of supply and demand have given rise to expectations for a fall in energy prices. These factors include projections for an increase in the supply of energy based on expectations for higher production of shale gas in North America, as well as opinions that energy demand may be weaker than the outlook for emerging countries. I believe factors such as these have applied downward pressure to the share prices of all resource-related companies around the world, including our own. Taking a closer look at each individual stock, however, we can see that the market has reacted positively to companies that have promising development and production projects compelling stories, and companies with compelling stories such as production starting on major LNG projects. The share prices of companies that fit this description have remained strong.

Our compelling story begins with the start of production at the large-scale Kashagan oil field (Kazakhstan) during the year ending March 31, 2014, and full-term contributions from production at the Angola Block 14 area, in which we acquired an interest last year. In addition, INPEX plans to commence production at the Lucius oil field in the Gulf of Mexico in the latter half of 2014. The most compelling part of our story is the smooth and steady progress being made to move development forward on the Ichthys LNG Project in Australia toward the launch of production. We expect the market to recognize this steady progress in a timely fashion going forward. As we progress through each chapter of our compelling story, we expect our share price to be reassessed at an appropriate level.

Q. What are your thoughts on stock splits and lowering the minimum investment unit?

A. Conditions are now conducive to setting a share price threshold that would facilitate investing.

On October 1, 2013, INPEX plans a 1:400 stock split for shares of common stock. At the same time, the Company will adopt the share unit system and set its basic investment unit at 100 shares of common stock. As a result, investors will be able to buy and sell one investment unit at one-quarter of the current share price. INPEX has received comments in the past, especially by individual investors, that its minimum investment unit in common stock was too high. By making it easier for investors to invest in the Company's stock, INPEX believes liquidity in its shares will increase and lead to a fairer evaluation of its share price.

Management in Review: Progress on Major Projects

Q. What is the level of production at the Mahakam Project in Indonesia?

A. Under the project, measures were implemented to slow diminishing production, and they worked.

The Mahakam Project is a main source of earnings for INPEX until production commences at the Ichthys Project. The Mahakam Project has been producing oil and gas for more than four decades, and production volume began to diminish in 2011. In addition to this natural decline, technical problems for the year ended March 31, 2012, resulted in a drop of about 20% in production volume compared with the previous year. Under the project, measures were implemented, including additional development, to counter this decline. These measures were successful in effectively slowing the decrease in production from autumn 2012. We expect the rate of decline in production to stay at a moderate level going forward.

Q. Can you give us a progress report on the Ichthys LNG Project in Australia?

A. INPEX has finalized a project financing agreement to secure funding. Development is on schedule, and costs are in line with initial projections.

The Ichthys LNG Project is a crucial medium- to long-term growth driver for INPEX. More than 10 years have passed since the discovery of gas and condensate in 2000, during which we have carefully moved ahead with preparations for development. In January 2012, INPEX made the Final Investment Decision (FID) for the project. In December 2012, INPEX took a major leap forward on fund procurement, reaching a project financing agreement for US$20 billion, one of the largest such agreements in the world, for the development of the Ichthys Project. INPEX has worked long and hard collaborating with the banking group that signed the agreement, composed of eight export credit agencies and 24 commercial banks, and the fact that we reached an agreement without incident underlines the confidence placed in the project by the financial professionals.

Development work is on schedule and on budget according to initial projections, and I believe the next three or so years before production starts will be a time that tests the mettle of INPEX as an operator. With a great sense of urgency and responsibility, our employees are unifying as one to take on the challenges that each day brings.

Q. How is progress on the Abadi LNG Project?

A. For the previous year, INPEX started front-end engineering and design (FEED) work on the project, placing orders with two groups in a bid to foster competition and maintain quality.

The Abadi LNG Project is a large project on par with the Ichthys LNG Project. We have been making steady progress on the Abadi LNG Project, starting up FEED work on facilities from November 2012 through January 2013. For FEED work on FLNG facilities, INPEX placed orders with two groups, one led by JGC Corporation and the other by Saipem S.p.A. (Italy), to foster a competitive environment and improve work quality to the greatest extent possible. In 2011, INPEX welcomed oil major Shell as a strategic partner in the Abadi LNG Project, and this successful partnership has been a major force propelling progress on various fronts, including FEED work.

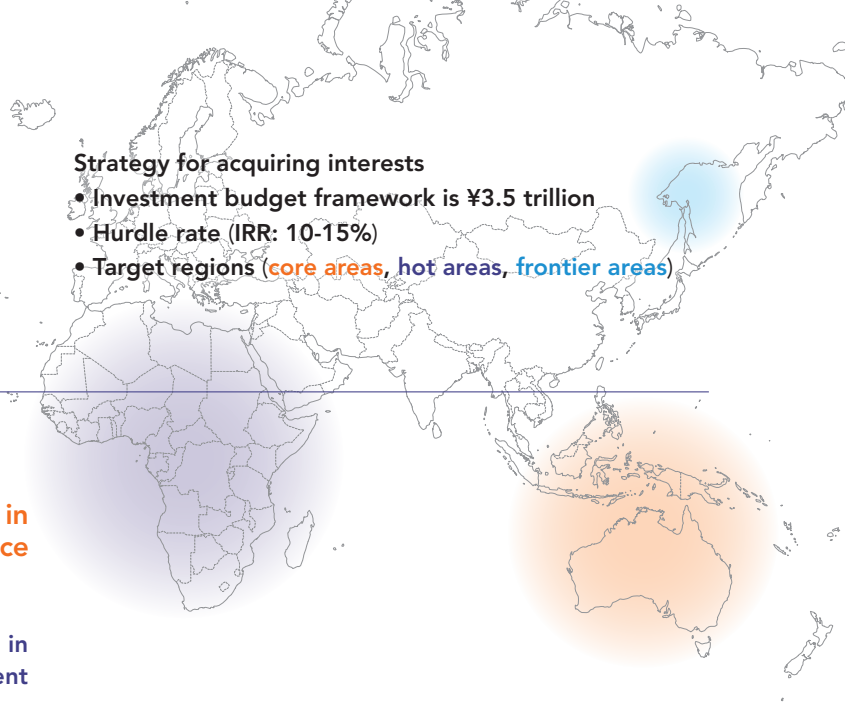
> "Development work is on schedule and on budget according to initial projections, and I think the next three or so years before production starts will be a time that tests the mettle of INPEX as an operator."

The Medium- to Long-Term Vision of INPEX

Q. Please describe in detail the progress made for the first year of the Medium- to Long-Term Vision of INPEX.

A. I would characterize the first year as a "jump-start" as the Company spared no effort working toward the growth targets of the vision. In particular, we took bold steps forward in upstream businesses.

The year ended March 31, 2013, was the first year of the Medium- to Long-Term Vision of INPEX, which takes a look at where we want to be in five and 15 years. We got off to a **"jump-start" during the year**, making progress in all areas covered by the vision. We made concerted efforts toward attaining our first growth target, the continuous enhancement of our E&P activities, by acquiring more than 10 upstream interests in the 14 months since the vision was unveiled (in May 2012). The second growth target is strengthening our gas supply chain. On this front, construction on the Naoetsu LNG Terminal in Niigata Prefecture is on schedule, and we have entered the final adjustment stage prior to initiating operations. We also concluded contracts for two new vessels in June 2013. One vessel will service the offtake and delivery of LNG for Naoetsu LNG Terminal. Another vessel will be operated as a time charter. The third growth target under the vision is reinforcement of our renewable energy initiatives. We built a mega solar power plant on our idle land at the site of an old oil refinery in Niigata Prefecture and began generating electricity there in March 2013. At our geothermal energy projects under way in Hokkaido and Akita prefectures, we completed first-stage geological surveys and are drilling three exploration wells as part of second-stage activities in the year ending March 31, 2014.



Q. Why was INPEX able to acquire interests in so many upstream assets in the short space of a year?

A. One major reason is the greater trust placed in INPEX internationally as it began development work on the Ichthys LNG Project.

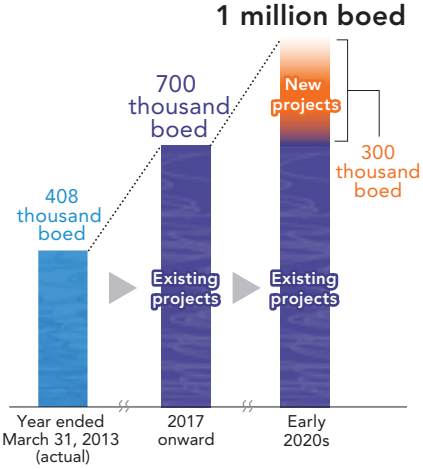
Of the more than 1,000 E&P companies around the world, there are only 10 or so companies with sufficient finances and technologies to warrant the trust placed in an LNG operator. Since INPEX is the LNG operator responsible for the Ichthys Project, on which development work has only just begun, a greater degree of trust has been earned on the international stage. And we are receiving increased number of partnership proposals from oil companies around the world. This is the main reason why we have been able to acquire interests in so many excellent projects.

Q. Please talk about the strategies management when deciding whether to acquire an interest.

A. Assuming the interests align with our growth strategy, we base our evaluation on financial analysis, economic viability, regional characteristics, and other criteria.

INPEX has a medium- to long-term target for net production volume of 1 million boed by the early 2020s. Based on existing projects alone, we estimate production volume will increase to 700 thousand boed from 2017 onward, indicating that we need to make up the remaining 300 thousand boed through the acquisition of new interests. Assuming the interests align with this medium- to long-term growth strategy, we have set a hurdle rate that targets an internal rate of return (IRR) of 15% within an investment budget framework of ¥3.5 trillion, and if an interest has a strategic premium, we would accept a minimum IRR of 10%. INPEX also considers regional characteristics. INPEX categorizes the strategic areas that it targets as core areas, hot (promising) areas, and frontier areas. Core areas center on Indonesia and Australia, mainstay regions where the Company has accumulated know-how and extensive experience over the years. When obtaining an interest in core areas, INPEX can expect synergies by using facilities that are already in place there. Hot areas are regions with strong potential reserves of oil and gas, such as Africa, Brazil and the Gulf of Mexico, but entry costs are so high that a careful examination of economic viability and finances are essential. Frontier areas are unexplored regions such as the Russian Far East, the Arctic Ocean and South America. From a long-term perspective these areas hold future potential, and projects mainly consist of exploratory activities.

Medium- to long-term production volume targets



"Of the more than 1,000 E&P companies around the world, there are only 10 or so companies that are LNG operators. While it is still in the development stage, INPEX is the LNG operator responsible for the Ichthys Project, raising the Company's visibility on the international stage."

The Business Environment for Energy Development

Q. What is your view of macroeconomic conditions in relation to natural gas in Asia?

A. We project robust demand for natural gas over the medium to long term. We think there are potential to supply for this growing market, but see high hurdles that must be overcome before full-fledged supply operations can begin.

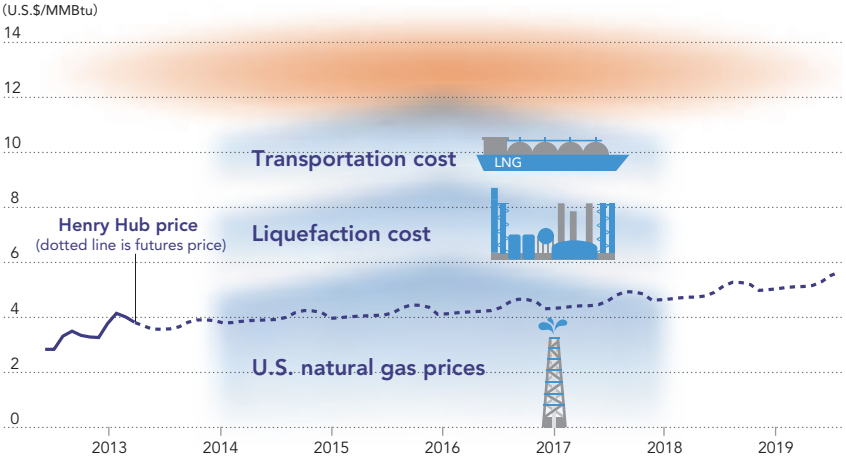
With regard to macroeconomic conditions, over the short term we anticipate higher natural gas production volumes in the United States, which means the LNG that had been destined for the United States is now available for other markets. Over the medium to long term, we expect three potential supply sources to fulfill growing demand for LNG in Asia, especially India, China and the ASEAN countries. One potential supply source is new LNG supplies from existing producer countries such as Australia, and another potential source is LNG supplies from new regions such as Mozambique. The third potential source is LNG made from shale gas in North America. However, the majority of these supply sources have not reached FID status yet. As such, I believe there are considerable hurdles that need to be overcome to start as development projects. before full-scale supply from them can begin.

Q. Regarding these hurdles that must be cleared, what impact will the so-called "shale gas revolution" have on existing LNG projects?

A. There are hurdles to making LNG from shale gas. We take a conservative view due to the challenges involved in expanding the production of shale gas and turning it into LNG for mass export from the United States. We also do not expect prices to be much different compared with a regular LNG project.

We often hear talk about the so-called "revolution" in shale gas in North America, but we think a bit of caution is warranted with regard to the feasibility of ramping up production and turning the shale gas into LNG for mass export. There are critics warning about the impact LNG exports will have on the industry in the United States, and the amount of shale gas that can be exported as LNG to Japan and Asia is unknown. Natural gas prices in the United States rose temporarily above US$4 per million Btu entering 2013, and futures prices for five years out, when exports to Asia would presumably begin, are above US$5 per million Btu. Adding to this the cost of liquefaction and transportation, which we estimate totals about US$7 per million Btu, there is little difference in the price of shale gas LNG and that from a regular LNG project linked to the price of crude oil. In this light, shale gas would not replace existing LNG projects. We think that only the best individual projects will be competitive and prosper.

Outlook for the price of shale gas produced in the United States and turned into LNG for export to Asia



Q. What are considered to be the attributes of a quality LNG project with supply capacity?

A. The most important attribute is a project that can realistically create a stable supply of LNG from a geographical characteristic view.

Launching an LNG project requires a massive investment. To procure funds for these investments, we must gain the trust of financial institutions and win the confidence of LNG buyers to reach long-term LNG sales contracts with them. Until there is a clear path to collecting a return on the investment, the project stays on the drawing board. East Asian countries, including Japan, depend almost entirely on LNG for their natural gas imports, an important geographical characteristic to consider. For countries like these that have no viable alternative to LNG, the focus is on price fairness and the probability that a project can stably supply LNG. We think an important attribute of a quality project is it being able to earn the trust of LNG buyers in terms of supply stability.

"Our focus is on price fairness and the probability that a project can stably supply LNG."

Q. The terrorist incident in Algeria in January 2013 is still a fresh memory. What is the Company's approach to country risk?

A. In the energy development business, it is difficult to completely eliminate country risk. We frequently reevaluate security risk while incorporating the opinions of local staff and the resident officer.

The heart-wrenching terrorist incident symbolizes the various risks involved in the energy development business in different regions around the world. While carrying out our mission of developing natural resources, we must continually deal with country risk. In its biannual review of security risk, INPEX incorporates the opinions of local staff and resident officers that know the region best, and spares no effort to ensure the safety of all staff working on a project.

Q. Attention has focused on domestic energy resources from the viewpoint of supply stability. Are there potential oil and natural gas resources in Japan?

A. For the past two years, INPEX has scoured promising areas in Japan. From 2013, INPEX is starting exploration work in specific areas.

Although limited in volume, there are still some promising areas in Japan. The development of energy resources in Japan has the advantage of not having any of the foreign currency and country risk that comes with overseas projects. INPEX has spent the last two years looking to all over Japan for promising areas. Based on these results, we are finally starting exploration work in specific areas in 2013.

Backed by more than 70 years of operational experience in the development of oil and natural gas in Japan, INPEX's domestic business division is the largest in Japan. INPEX will continue to develop oil and natural gas resources in Japan, leveraging its technical capabilities, financial position and experience.

Our Relationship with Stakeholders

Q. Please describe the Company's relationship with stakeholders—shareholders and investors in particular.

A. INPEX aims to further enhance its ongoing communication with shareholders and investors.

The oil and natural gas business is exposed to considerable risks and operates on extremely long timelines. For this reason, it is imperative that projects are promoted with business partners that share the same values and have mutual trust and respect for one another. With this kind of relationship, it becomes possible to deal head on with problems in lockstep with business partners. Like these business partners, we hope to build long-term relationships of trust with our shareholders and investors.

As the Company has expanded operations in recent years, so too has the amount of information that should be shared between management, shareholders and investors. In these circumstances, we think it is important to follow a process where management respectfully discloses the Company's conditions to its shareholders and investors, engages in a candid discussion with its shareholders and investors and listens sincerely to their opinions, and reflects these opinions in management. I attend results briefings twice a year and an IR presentation for individual investors at least once a year. Moreover, I travel overseas to meet with institutional investors twice a year. This is just an example of how important I think direct communication is. For the year ending March 31, 2014, we will proactively disclose information and engage in discussions with our shareholders and investors.

"We hope to build long-term relationships of trust with our shareholders and investors. We will continue to emphasize ongoing communication."

Outlook

Q. How are you going to lead the Company for the year ending March 31, 2014?

A. We aim to take bold strides forward as a company this year, building up our portfolio of quality projects.

Building on the "jump-start" we had for the year ended March 31, 2013, we want this year to be one of bold strides forward for the entire company as a number of projects come on stream, including the Kashagan oil field that is slated to start production, and the Angola Block 14 area that will have a full-year contribution to production. We went over our earnings forecasts and dividend plans at the start of this interview. Development work on the Ichthys LNG Project is in its second year, putting it at the central stage of its development, and we will continue to make safe and steady progress according to schedule. While firmly pushing these existing projects forward, there is also the possibility that we could see major results from exploratory projects in which we acquired an interest.

In last year's annual report, I said that INPEX would gain trustworthiness from an international perspective as it accumulates experience in the Ichthys LNG Project and other projects, and that this would lead to more opportunities to form partnerships in a wider selection of projects. With the shift to development operations at the Ichthys LNG Project, opportunities for INPEX to participate in projects have in fact increased dramatically. Since energy development projects are "living things," a promising area that will suddenly come to the scene must be pursued. On the other hand, it is also necessary to make steady progress on basic work. We are committed to steadily advancing the development of the Ichthys LNG Project and other projects while building up our portfolio of quality projects. We strive for sustainable growth as a company by applying a stronger spin to the virtuous cycle of growth.

July 2013

President & CEO
Toshiaki Kitamura
北村 俊昭

MARKET TREND AND MANAGEMENT POLICY 3

Business Model and Strengths

In its oil and gas development business, INPEX employs a business model that focuses on stable production and supply as well as the reinvestment of cash flows obtained from production activities toward the acquisition of new reserves and the discovery and development of oil and gas which contribute to further production revenues. This cycle is the wellspring for sustainable growth as a company.

Production Growth

Large-scale LNG project operator

Ichthys　　Abadi

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

Strong reserve / Resource base

Proved and probable reserves of 4.09 billion boe

Reserves and resources, which are the source of corporate value, are the critical factor in the oil and gas E&P business. INPEX has the largest proved reserves in Japanese companies in the sector. Our net proved and probable reserves total 4.09 billion boe. Our reserves-to-production ratio is 14.7 years for proved reserves and 27.5 years if probable reserves are added. Beyond our probable reserves, we have an abundance of possible reserves and contingent resources. We expect to continue increasing proved and probable reserves over the medium to long term.

Increasing Reserves

Gas supply chain

Domestic natural gas pipeline network
1,400km

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

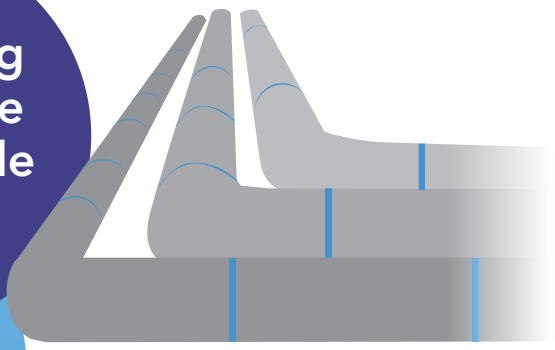
Strong financial position

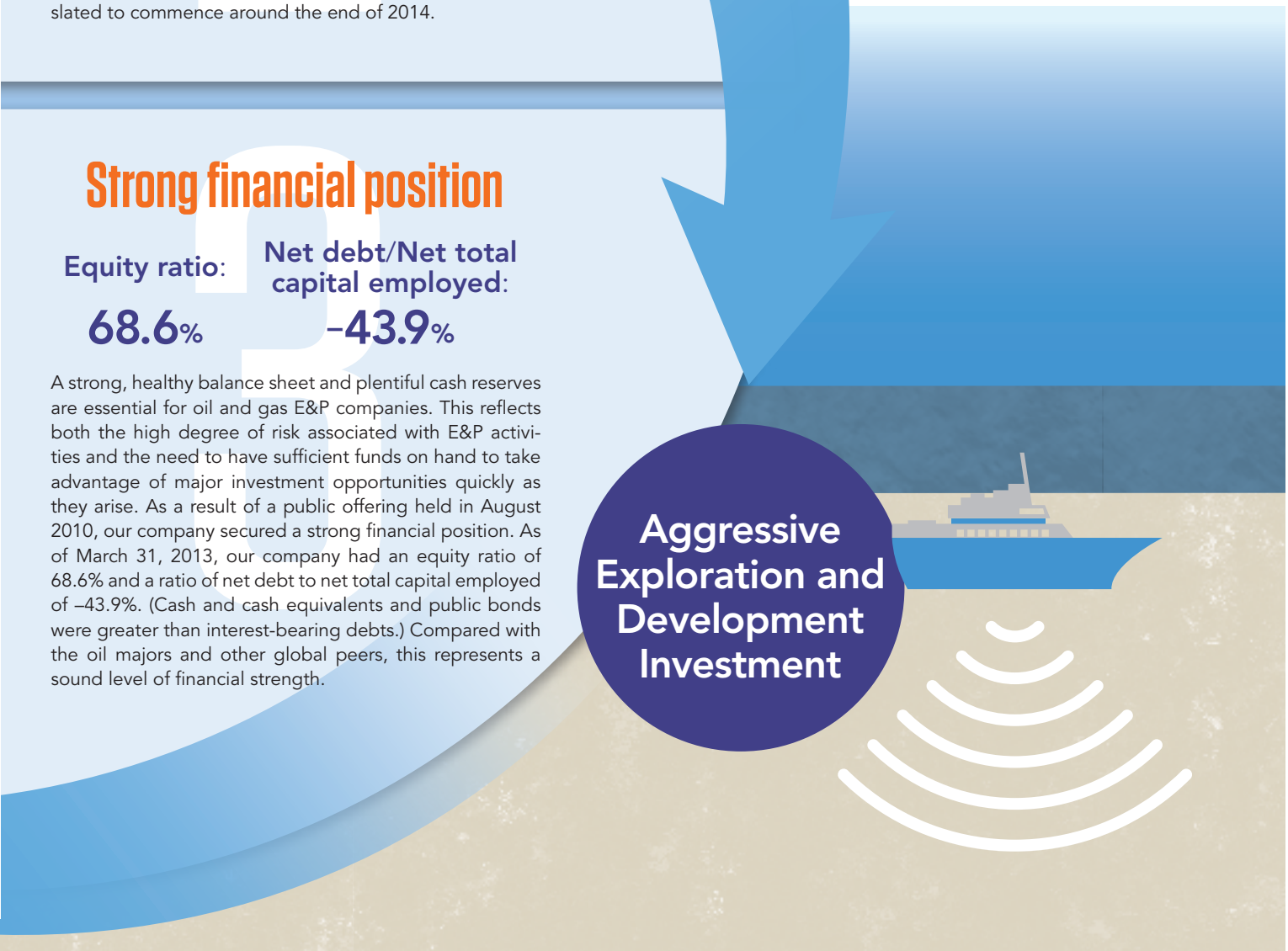
Equity ratio:
68.6%

Net debt/Net total capital employed:
–43.9%

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 E&P 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 secured a strong financial position. As of March 31, 2013, our company had an equity ratio of 68.6% and a ratio of net debt to net total capital employed of –43.9%. (Cash and cash equivalents and public bonds were greater than interest-bearing debts.) Compared with the oil majors and other global peers, this represents a sound level of financial strength.

Accounting of Revenue Attributable to Sales





Aggressive Exploration and Development Investment

The Structure and Mechanism of Oil and Natural Gas Exploration and Development

Acquisition of Blocks

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

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

Signing ceremony of contract

INPEX participates in

80 projects across 29 countries

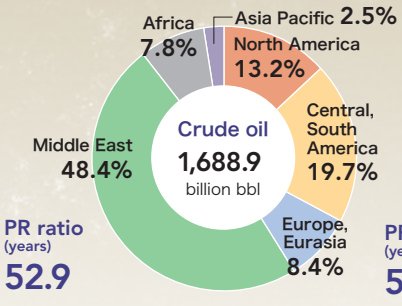
worldwide as of June 30, 2013.

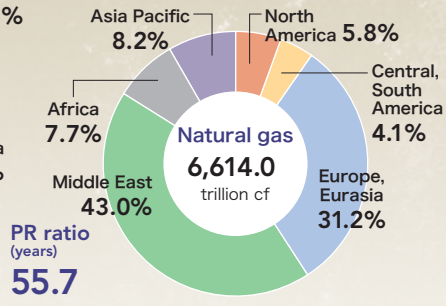
Global Reserves and Reserves-to-Production Ratio

(As of December 31, 2012)

Global proved reserves of oil and natural gas total around 1.7 trillion bbl and 6,600 trillion cf, respectively. By region, the Middle East accounts for the largest portion. In specific terms, Central and South America as well as North America have vast proved reserves of oil while Europe and Eurasia boast large proved reserves of natural gas.

Proved reserves by region and reserves-to-production ratio (PR ratio)





Source: BP Statistical Review of World Energy 2013

Exploration

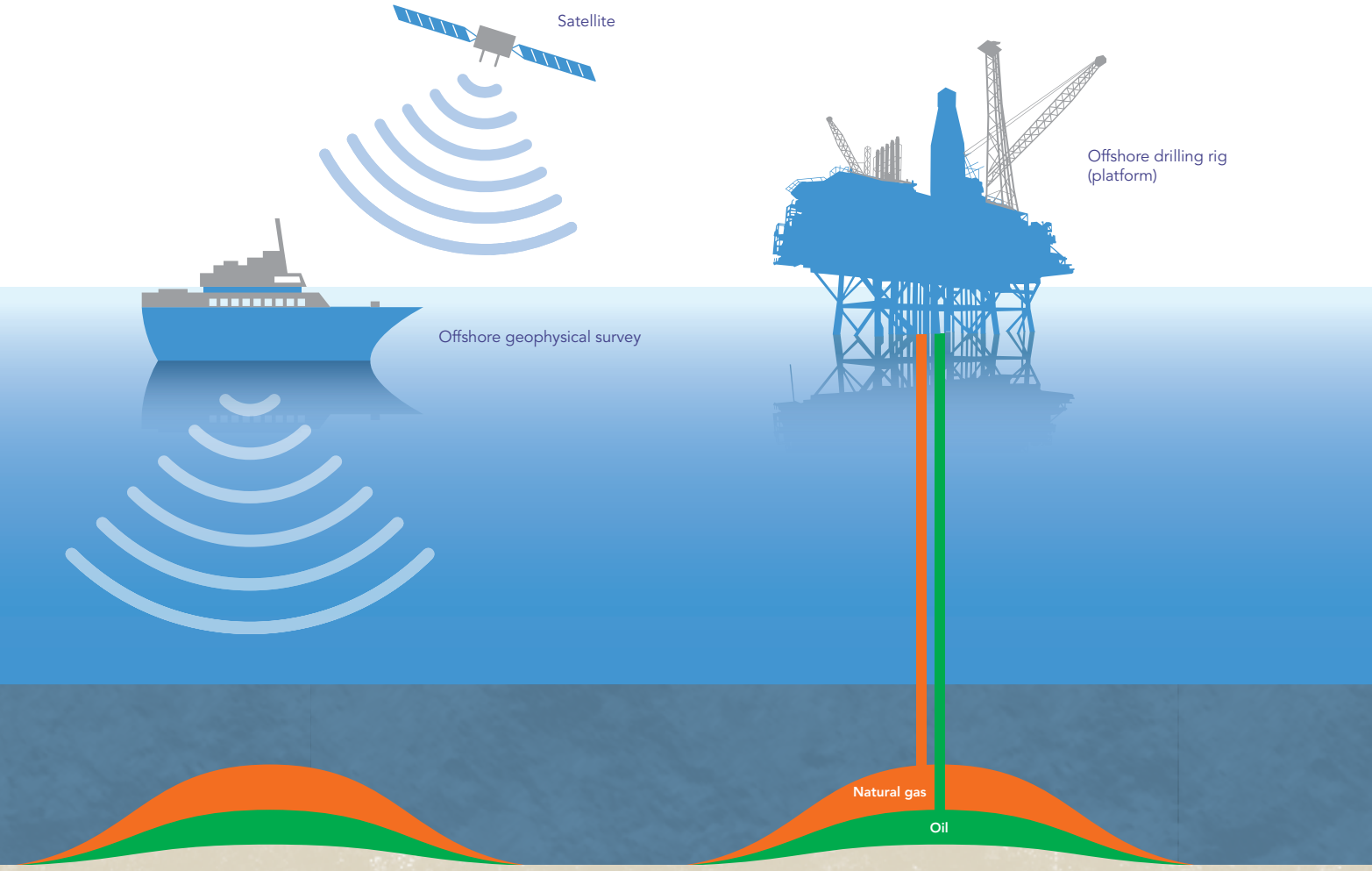
In addition to geological surveys, we utilize geophysical surveys conducted through satellite images and seismic waves in order to assess the potential subsurface accumulations of oil and natural gas. Furthermore, we drill exploratory wells in order to confirm the presence of oil and gas.

Geophysical surveys

Appraisal

Once the presence of oil and natural gas has been confirmed, we drill appraisal wells to assess the extent of the oil and gas fields and to evaluate the amount of reserves. In addition, we make comprehensive judgments regarding the commercial viability of the fields.

Drilling of appraisal wells

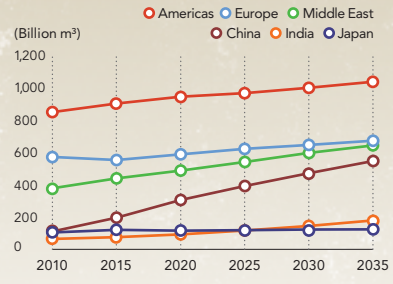


Global Energy Demand

Looking at global primary energy consumption, oil and natural gas account for more than half of the world's primary energy demand.

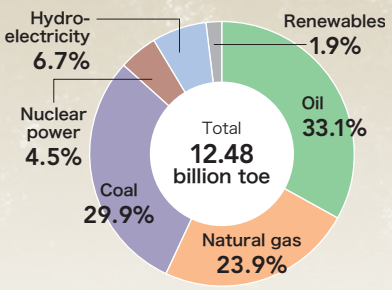
From a global perspective, demand for energy is forecast to increase even further in such developing countries as China and India. Natural gas in particular is expected to witness substantial growth in demand especially in major regions.

Natural gas demand by country or region



Source: IEA World Energy Outlook 2012 in the New Policies Scenario

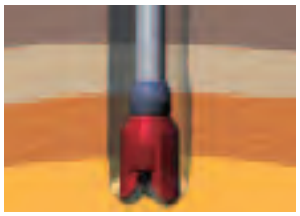
World primary energy consumption 2012



Source: BP Statistical Review of World Energy 2013

Development

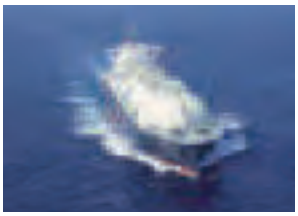
We drill production wells for the production of oil and natural gas. We also construct separators, gas processing facilities and a transport pipeline, which are necessary for production and shipping.



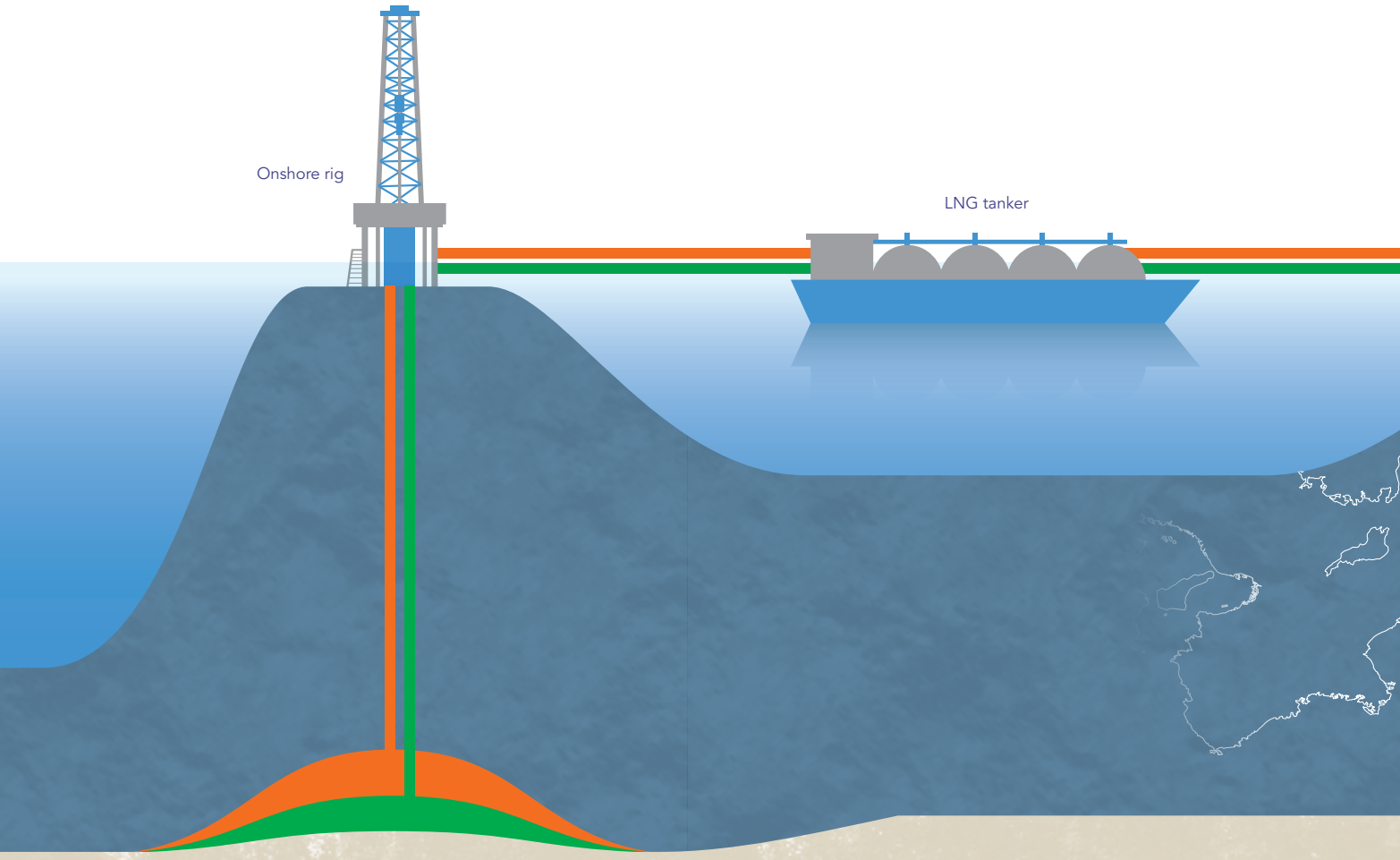
Drilling of production wells

Production and Sales

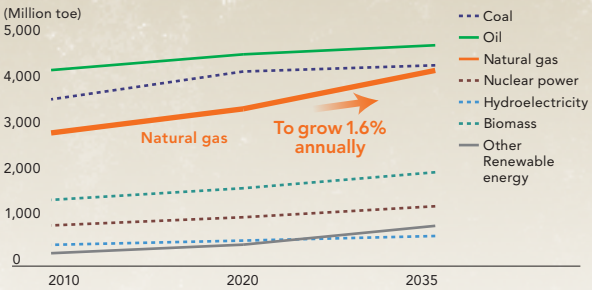
We perform production and operation management such as refining/treatment to create products from the oil and natural gas recovered from the production wells. We also engage in marketing and sales for the produced crude oil, condensate, LPG, natural gas and LNG.



LNG tanker

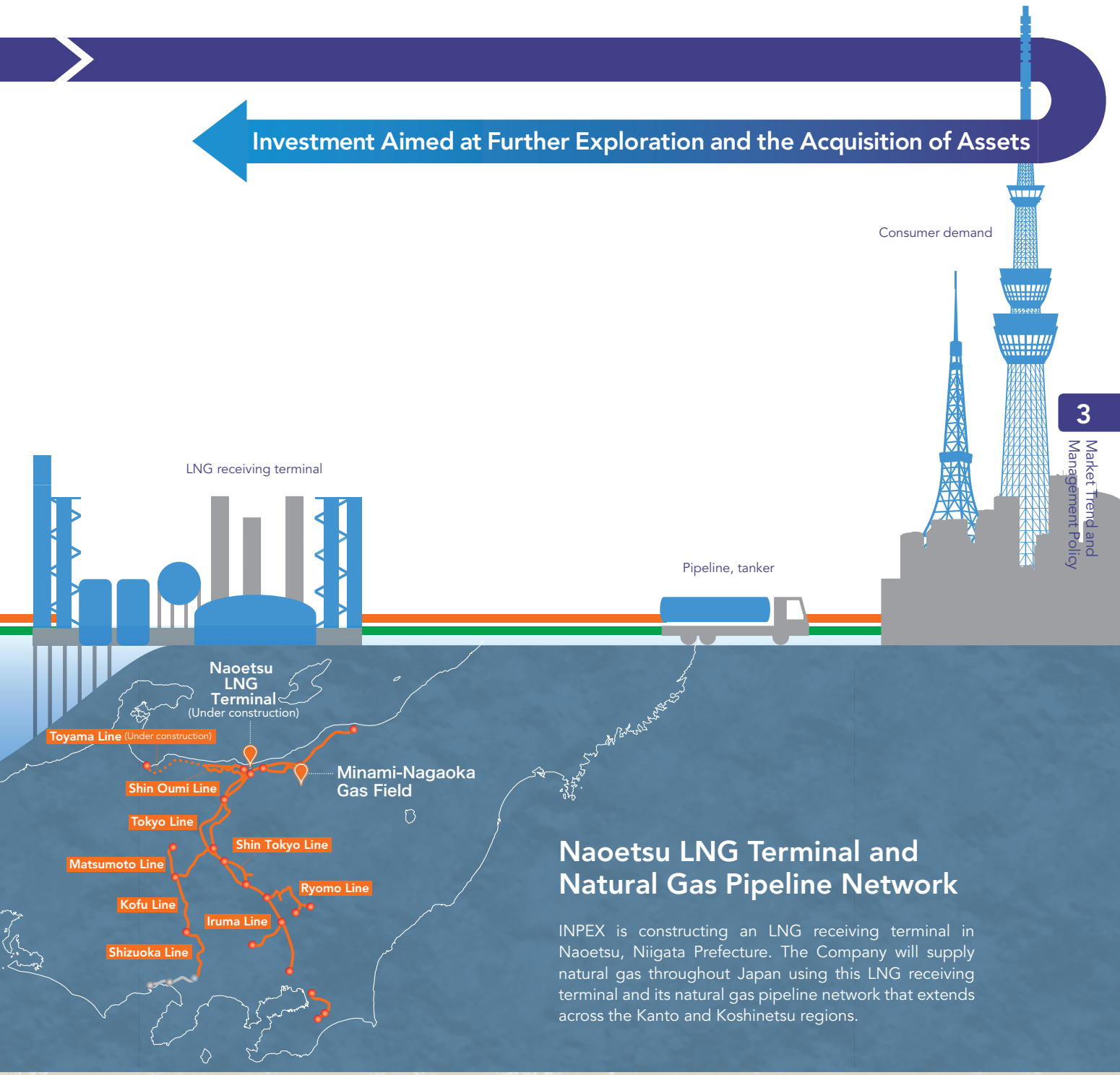


World primary energy demand by fuel



Source: IEA World Energy Outlook 2012 in the New Policies Scenario

Natural gas is forecast to experience high demand growth. Amid an upswing in overall energy demand, the annual natural gas growth rate is projected at 1.6% from 2010 to 2035. Expectations are that demand for natural gas will approach demand for coal in 2035. In contrast to fossil fuels, which are limited resources, solar, hydro, biomass, geothermal, and similar energy sources are gaining attention because they are renewable energy sources that can be reused in the short term and, moreover, produce less CO_2 emissions. Although demand for hydro and biomass energy as a ratio of overall energy demand is expected to remain more or less flat through to 2035, demand for other renewable energy sources is expected to increase (2010: 1% → 2035: 4%).



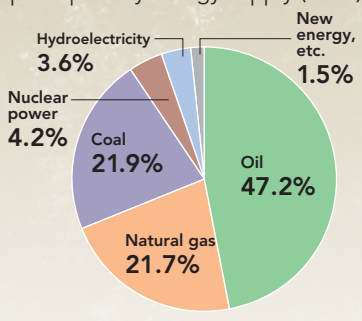
Naoetsu LNG Terminal and Natural Gas Pipeline Network

INPEX is constructing an LNG receiving terminal in Naoetsu, Niigata Prefecture. The Company will supply natural gas throughout Japan using this LNG receiving terminal and its natural gas pipeline network that extends across the Kanto and Koshinetsu regions.

Oil and Natural Gas Demand in Japan

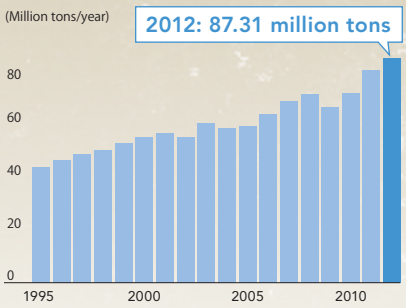
The demand for oil has been decreasing in Japan recently, but oil is broadly used as a source of heat and power, as well as in the production of materials, and even now accounts for more than 40% of Japan's primary energy demand. The share of LNG used for thermal power generation in Japan has risen in the wake of the shutdowns of nuclear power plants after the Great East Japan Earthquake, with demand for LNG growing. LNG import volume increased more than 10% from the previous year reaching an all-time peak of 87.31 million tons in 2012.

Japan's primary energy supply (2011)



Source: Energy & Economic Statistics in Japan 2013

LNG import trend in Japan



Source: Ministry of Finance trade statistics

The Medium- to Long-Term Vision of INPEX and Investment Plans

In May 2012, INPEX drew up its Medium- to Long-Term Vision of INPEX to clarify the Company's growth targets over the medium to long term and the key initiatives the Company will take through the year ending March 31, 2017, to achieve these targets. Over the five-year period from the year ended March 31, 2013 to the year ending March 31, 2017, INPEX plans to invest a total amount of ¥3.5 trillion. In addition to funds on hand, investment funding will be covered by future operating cash flows as well as bank loans while taking into consideration the Company's financial soundness.

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

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

▸ **inpex.co.jp/en/vision**

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

1 Continuous Enhancement of E&P Activities

Achieve net production volume of

1 million boed

by the early 2020s

Three Growth Targets

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

Three Management Policies

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

1 Securing / Developing Human Resources and Building an Efficient Organizational Structure

Recruit and utilize personnel in and outside of Japan to develop global professionals

Establish an efficient business execution system to facilitate decision making

Maintain Financial Strengths

Financial performance and target

- As of March 31, 2013: **69%**
- Net debt/Net total capital employed: **20%** or less
- Equity ratio: **50%** or higher
- As of March 31, 2013: **-44%**

Funding Source

Own Funds
Approximately ¥1.5 trillion of cash available on hand (As of March 31, 2013)

Cash Flows
Future operating cash flows obtained per year

Bank Loans
- Lending from JBIC
- Guarantee from JOGMEC
- Project finance

Become an **Integrated Energy Company** with natural gas as the core

2 Strengthening Gas Supply Chain

Achieve domestic gas supply volume of

2.5 billion m³/year

by the early 2020s

(3.0 billion m³/year in the long term)

3 Reinforcement of Renewable Energy Initiatives

Promote efforts to commercialize renewable energies and reinforce R&D activities

for the next generation

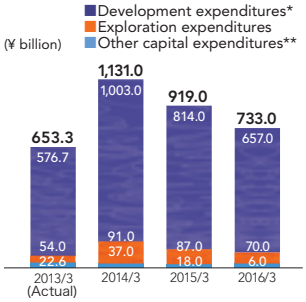
2 Investment for Growth and Return for Shareholders

Future Investment

¥3.5 trillion
to be invested over
5 years
from the year ended March 31, 2013 to March 31, 2017 in major projects including Ichthys

Including exploration expenditures of around ¥300 billion

Investment results and investment plan for the next three years



* Development expenditures include investment in Ichthys downstream

** Mainly investment in the Naoetsu LNG Terminal and the domestic pipeline network, etc.

3 Responsible Management as a Global Company

Promote continuous improvements in corporate compliance and HSE initiatives

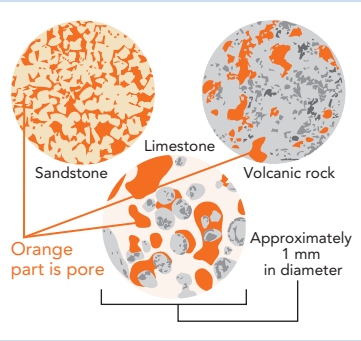
Build trust-based working relationships with stakeholders through interactive communications

Column #1

Where does crude oil and natural gas come from?

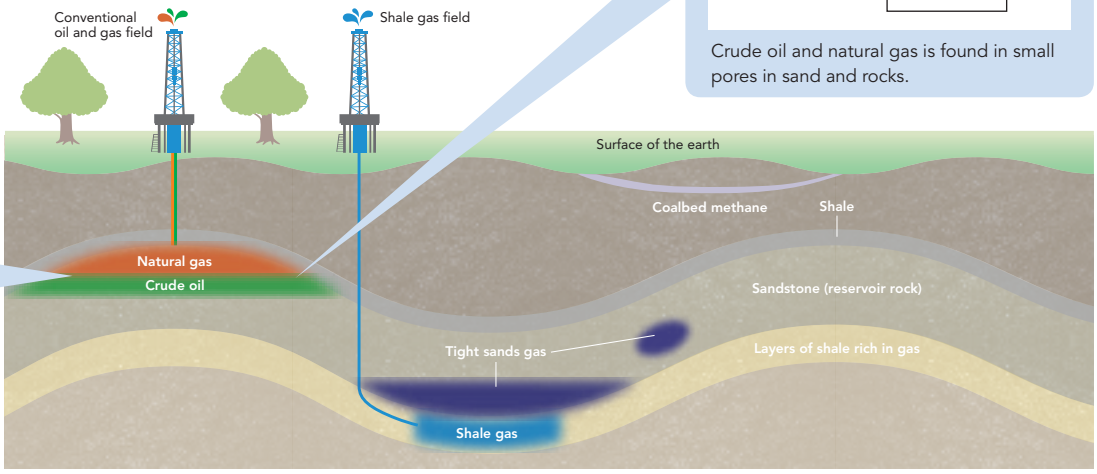
Crude oil and natural gas are thought to originate from organic matter, such as the remains of once-living organisms that accumulated at the bottom of seas and lakes, and then subjected to extreme heat and pressure underground. Crude oil and natural gas that have formed deep underground are lighter than the dirt and water in the earth, allowing them to gradually rise to the surface over a very long period of time. If the crude oil and natural gas encounters highly dense geological formations on the way to the surface, however, it is blocked and forms deposits that become oil and gas fields.

Shale gas differs from conventional natural gas in that it is trapped within layers of hard shale formations. Shale gas is recovered by drilling horizontal wells into these formations and applying hydraulic fracturing to crack the layers of shale to release the trapped gas.



Crude oil and natural gas is found in small pores in sand and rocks.

The color, specific gravity and viscosity of crude oil and natural gas differ greatly depending on the location of the well.

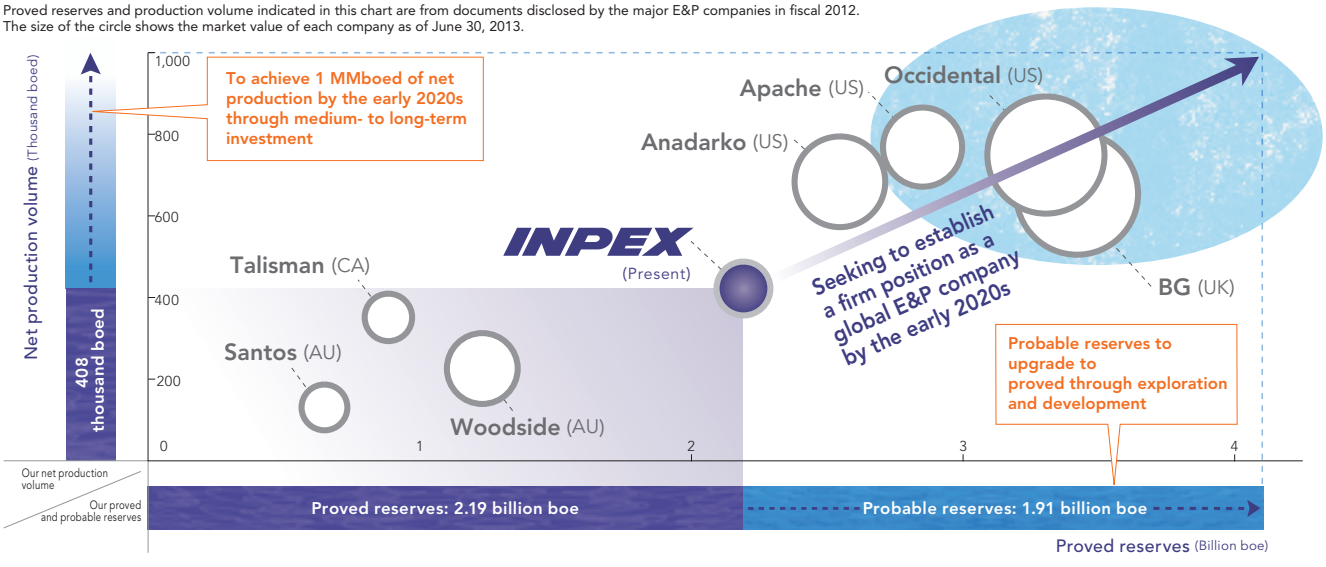


INPEX's position among global E&P companies

INPEX is currently positioned as a mid-tier player among the global E&P companies. However, INPEX aims to join the leading group of global E&P companies in the early 2020s after the commencement of production at the Ichthys LNG Project in Australia. The chart below compares the proved reserves, net production volume and market capitalization of major E&P companies.

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

Proved reserves and production volume indicated in this chart are from documents disclosed by the major E&P companies in fiscal 2012.
The size of the circle shows the market value of each company as of June 30, 2013.



SPECIAL REPORT 4

Contributing to Future Supplies of Energy to Japan

Japan's low energy self-sufficiency rate demands stable and efficient supplies of energy, and in recent years environment-friendly, clean energy with low CO_2 emissions has been needed more than ever. Through these Special Report pages of Annual Report 2013, we would like to provide more details: in Special Report 1 on the potential of unconventional resources and renewable energy and INPEX's activities, all of which are attracting attention and in Special Report 2 on the progress of the Ichthys LNG Project, by which the Company will contribute greatly to the supply of energy to Japan.

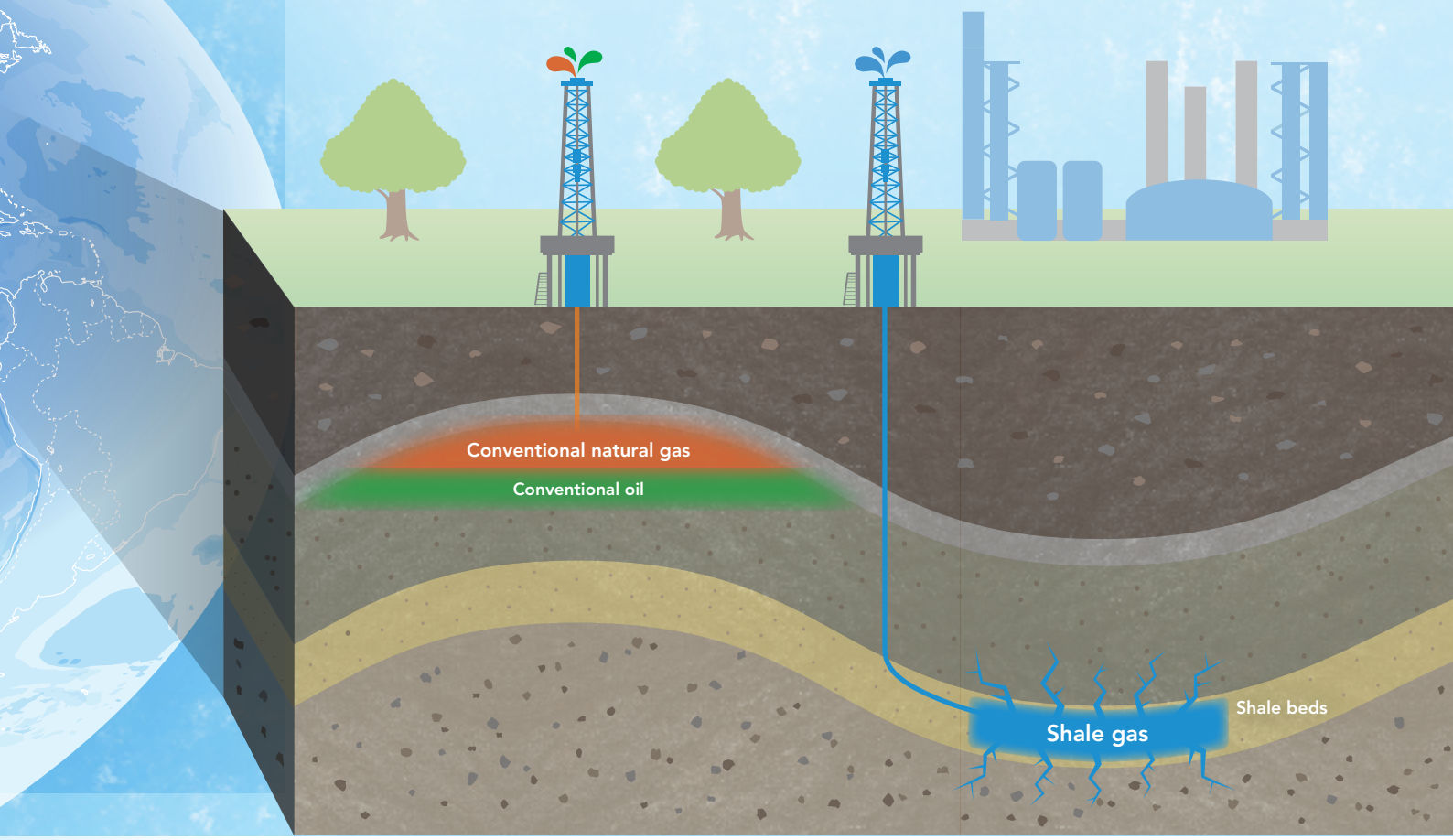
#1 Shale Gas

One kind of unconventional natural gas, shale gas is the name given to the gas found in underground shale beds. Involving the drilling of a well horizontally into the shale beds, the production volume of shale gas is making great strides due to established gas recovering technologies that artificially create a crack so that the gas can be extracted. The development potential of shale gas is attracting attention throughout the world, particularly in North America.

There are, however, points to bear in mind in the development of shale gas. These include the impact on the environment at the time of development and the mounting costs of development in comparison with conventional gas fields. Furthermore, shale gas must be liquefied prior to being brought to Japan from overseas, which requires transportation costs in addition to liquefaction and transportation infrastructure and export licenses from the gas-producing country.

As part of its global gas portfolio, INPEX has participated in a shale gas project in Canada since 2011. Although there are issues with Canada such as infrastructure, the country offers advantages that include substantial reserves, a government that takes a more aggressive approach toward LNG exports, and its relatively proximity to Japan after LNG conversion. INPEX expects this shale gas project to become a new supply source of LNG for Japan and is looking into the possibilities of LNG conversion while making progress with studies.

Shale gas project in Canada (Horn River area)



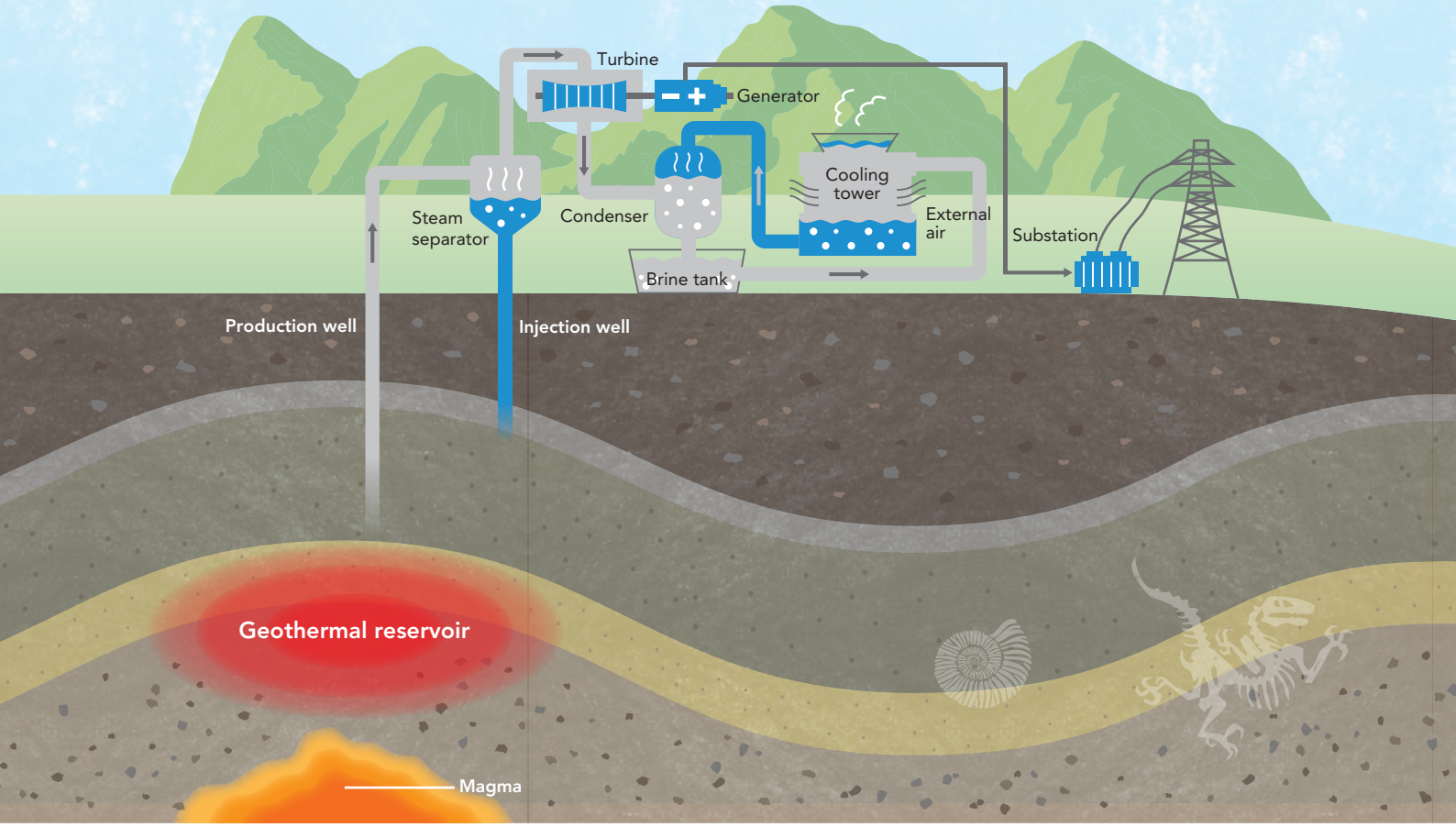
#2 Geothermal Power Generation

Geothermal power generation involves using the heat energy of volcanic magma to create steam, which turns turbines, and to thus generate power. Geothermal is also gaining attention as a precious clean energy source because of its low CO_2 emissions during power generation and its ability to generate power stably without climate or seasonal effects compared to the other types of renewable energy.

A land of volcanoes, Japan is said to have appreciable geothermal energy supplies of approximately 20 million kilowatts (kW), the world's third-largest source after Indonesia and the United States. However, the total amount of power generated by the geothermal power plants in operation in Japan is only around the 0.5 million kW unit level. Furthermore, as many of the areas with geothermal potential are located in national parks and hot spring areas, geothermal development requires paying heed to such aspects as environmental regulations and gaining the understanding of local communities.

Since 2011, INPEX has been participating in joint studies into geothermal development in both Akita and Hokkaido prefectures. The Company is conducting a large number of drilling operations, including the drilling of both exploratory and production wells for geothermal power generation. The Company subsidiary Teiseki Drilling Co., Ltd., conducted the drilling of the first geothermal power production well in Japan. The technologies needed for geothermal development activities, which include looking for underground sources and the drilling of wells, are the same as those utilized for oil and natural gas development; INPEX is also able to leverage its technological strengths and experience. In the years to come, INPEX will be exploring the possibilities of geothermal power development not only in Japan but also in the Company's core areas overseas, including Indonesia, which possesses the world's largest source of geothermal energy.

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



#3 Mega Solar

In photovoltaic power generation, large-scale systems with an electric generating capacity of 1 megawatt (MW) or more are called Mega Solar facilities. Since the Great East Japan Earthquake, expectations have been growing that photovoltaic power generation will help toward dispelling anxieties about power supply shortages. The construction of Mega Solar facilities comprising ranks of many photovoltaic panels over a wide area is being promoted in several areas throughout Japan.

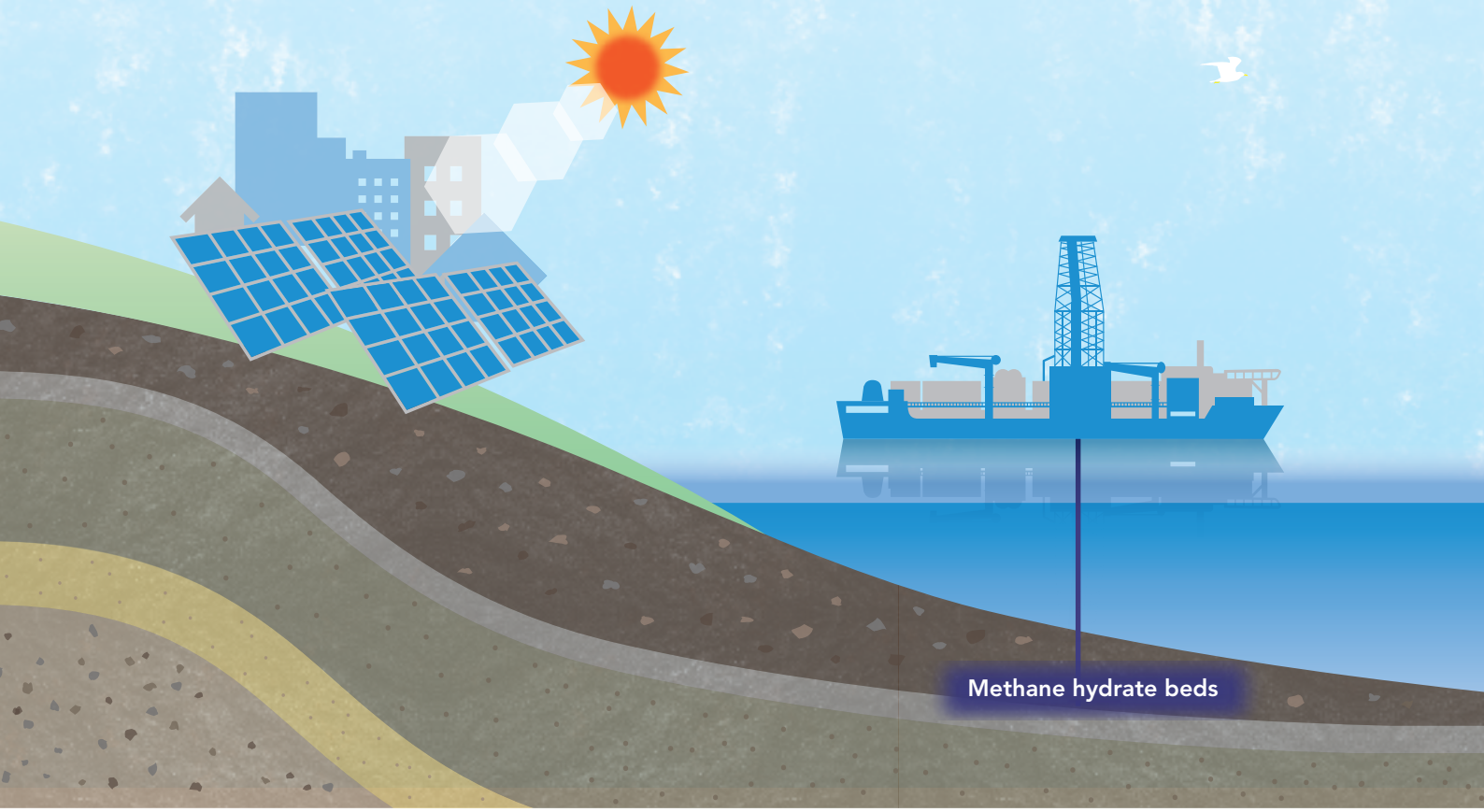
INPEX Mega Solar Joetsu—in the city of Joetsu, Niigata Prefecture—that has a maximum electric generating capacity of 2 MW. The Company's first photovoltaic power generating system, INPEX Mega Solar Joetsu's photovoltaic panels were installed on the site of the Company's old refinery. Power generation operations started in March 2013.

INPEX Mega Solar Joetsu

#4 Methane Hydrate

Another kind of unconventional natural gas, methane hydrate has a solid crystalline structure of water in which methane molecules are trapped, giving rise to the name "combustible ice." As methane hydrate is stable in low-temperature and high-pressure environments, sources are found under the permafrost layer onshore, and at depths of more than 500 meters offshore. The presence of methane hydrate in Japan and in the seas surrounding Japan is being confirmed, and the substance is expected to be one of the country's future gas sources. However, due to the technical challenges involved in extraction from low-temperature and high-pressure strata, it will reportedly be some time before economically justifiable development technology is established.

Combustible ice



Ichthys PROJECT

Progress Status

**Under development by the Company,
the Ichthys LNG Project is a large-scale project to produce
approximately 10% of Japan's annual LNG import volume.
Work has been proceeding smoothly
since the Final Investment Decision (FID) in January 2012.
The work carried out in 2012 centered on
the detailed engineering of facilities and procurement.
From early 2013, we started construction of the offshore production
facilities and the main modules of the onshore gas liquefaction plant, and
procurement as well as construction work will be finally in full progress.
Contributing to future supplies of the world's energy to Japan–
through these Special Report pages of Annual Report 2013,
we would like to provide more details about the progress of
work realizing the Ichthys LNG Project and the work in each area.**

Project Timeline

1998

Participated in open bid, permit acquired

- Submitted bid in open bid process conducted by the Australian Federal Government in March; permit for Block WA-285-P acquired in August of the same year

2000 | 2004

- Undertook first drilling campaign, confirmed presence of gas and condensate in all three exploratory wells
- Conducted 3-D seismic survey
- Undertook second drilling campaign, confirmed areal extension of reservoir and presence of gas and condensate by drilling three exploratory wells

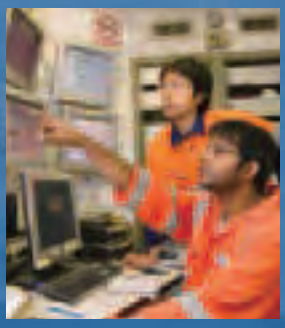
2007 | 2008

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

2009 | 2011

Preparation for development

- 2009: Started front-end engineering and design (FEED) activities
- July–September 2010: Public review of Environmental Impact Statement (EIS) conducted
- May 2011: Pipeline license acquired
- 2011: Environmental approval received from Northern Territory government (May) and from Australian Federal Government (June)
- December 2011 to January 2012: LNG sales and purchase agreements (SPAs) were signed with eight LNG buyers covering entire production volume of 8.4 million tons completed



2012

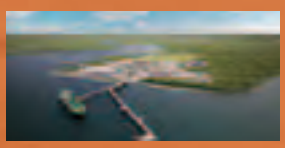
- January: Final Investment Decision (FID) made, start of detailed engineering and procurement
- March: Production licenses granted
- May: Groundbreaking ceremony at gas liquefaction plant (Darwin)
- December: Project finance agreement signed

2013

- January: Steel cutting ceremony for Central Processing Facility (CPF)
- February: Insurance arrangements for major facilities during construction period concluded
- June: Contracts for the building and ownership of new LNG vessels related to LNG transportation and of fixed-term ship charters concluded
- June: Steel cutting ceremony for floating production storage and offloading (FPSO) facility
- Construction of offshore facilities and onshore gas liquefaction modules
- Construction of piers, tanks, etc. at onshore facility

2014 | 2016

- Drilling of production wells
- Transportation and onsite installation of facilities
- Commissioning
- Production startup by the end of 2016



Offshore Production Facilities

Offshore production facilities comprise: a Subsea Production System (SPS), which includes the well heads that will carry out production from the production wells on the sea floor: umbilicals, risers and flow-lines (URF) that transport the product; the Central Processing Facility (CPF) that processes the product received via the flexible risers from the production wells, separating it into gas and condensate; and the floating production storage and offloading (FPSO) system that stores and ships condensate. The Company started construction work on these facilities in 2013.

- Started construction work of main facilities (CPF, FPSO) in 2013
- Production well drilling scheduled to commence in 2014

Steel cutting ceremony for CPF (Geoje, South Korea)
January 2013, at the Samsung Heavy Industries shipyard. Measuring around 150 meters by 110 meters and with a displacement of 140,000 tons, this semi-submersible production facility is the largest of its kind in the world.

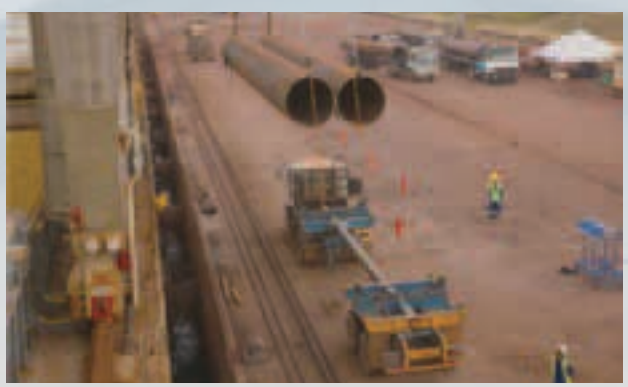
Floating Production, Storage and Offloading (FPSO)

Central Processing Facility (CPF)

Gas Export Pipeline

The approximately 900-km-long gas export pipeline will run from the offshore CPF to the onshore gas liquefaction plant at Darwin. The 42-inch diameter pipe will pass along the sea floor at a depth of around 250 meters. The detailed engineering of the gas export pipeline and the manufacture of its steel pipes are already completed. Following coating work, the laying of the steel pipes will commence in 2014.

- Manufacture of steel pipes for the approximately 900-km pipeline completed
- Following coating of the steel pipes, pipe-laying to commence in 2014



Onshore Facilities

Comprising a gas liquefaction plant, storage facilities such as tanks as well as shipping piers, onshore facilities are under construction at Blaydin Point, which is across the harbor from the city of Darwin in Australia's Northern Territory. For this purpose, we are firstly advancing work on the preparation of the plant site and dredging work in the Port of Darwin. Use of the workforce Accommodation Village has already commenced, and 3,500 rooms will be completed in 2014.

- Construction commenced in various locations of the world in 2013
- 3,500-room workforce Accommodation Village scheduled for completion in 2014

Site of onshore gas liquefaction plant
Aerial view of the plant site. The engineering, procurement and construction (EPC) contract work for the onshore LNG plant is being carried out by a Japan-U.S. joint venture, comprising JGC Corporation and Chiyoda Corporation from Japan and U.S.-based KBR, Inc.

Steel cutting ceremony for FPSO (Okpo, South Korea)
June 2013, at Daewoo Shipbuilding & Marine Engineering's shipyard. A steel cutting ceremony was held to celebrate the start of construction work.

Site for flexible riser manufacturing
February 2013, Technip S.A.'s Le Trait plant. In the manufacturing process for the hoses that will transport product from the sea floor to the CPF, a steel catenary wire is wound into the hose to increase its strength.

Onshore gas liquefaction plant

(Far left, left)
Unloading of steel pipes for use on pipeline
Photos showing the unloading of steel pipes that have been transported to Kuantan in Malaysia for coating work. The pipes manufactured in Germany and Japan are undergoing coating work in Indonesia and Malaysia.

Dredging work in the Port of Darwin
To secure the route to be taken by tankers and other vessels, a dredger is deepening the sea floor in the area around the construction site in the bay. The photo shows the dredger Athena.

Workforce Accommodation Village
Aerial view of the workforce Accommodation Village. The white buildings are the workforce Accommodation Village dormitories that extend to 1,000 rooms.

Project Bases Span the Globe

Detailed engineering and construction for the Ichthys Project is being undertaken by highly reliable EPC contractors all over the world. Facilities constructed in several parts of the world are ultimately transported and installed at the Ichthys LNG Project sites.

1

Australia (Darwin)

LNG Plant Construction, Building of Workforce Accommodation Village, Detailed Engineering Work in the Port of Darwin

In Darwin, onshore LNG plant construction work is being carried out by a Japan-U.S. joint venture, comprising JGC Corporation and Chiyoda Corporation from Japan and U.S.-based KBR, Inc. A Dutch company, Van Oord Dredging & Marine Contractors BV, is advancing the dredging work in the Port of Darwin.

Image of the completed LNG plant (left) and a photo of the dredging operations in the Port of Darwin.

2

Australia (Perth)

Project Management, Detailed Engineering Work of GEP

Perth is responsible for the overall management of the project. Here, the branch office of Saipem S.p.A. is undertaking detailed engineering of gas export pipeline design work.

Engineers discuss the laying of the pipeline, which will be approximately 900-km long, from the Ichthys gas-condensate field to Darwin.

3

United Kingdom (Aberdeen)

Detailed Engineering Work of Subsea Production System (SPS)

In the United Kingdom, GE Oil & Gas is undertaking the detailed engineering, procurement and manufacture of the SPS.

GE Oil & Gas is also manufacturing and testing the system's 42-inch connector parts at its plant in Norway. These will be used on the equipment that connects the flexible risers from the CPF to the 42-inch pipes leading to Darwin.

4

The Netherlands (Leiden)

Detailed Engineering Work of URF

In the Netherlands, McDermott and its subcontractor, Heerema Marine Contractors B.V., are carrying out detailed URF* design work.

* The abbreviation for umbilicals, risers and flowlines, the equipment that connects the well heads to the offshore CPF.

Artist's impressions of the URF and CPF

5

Germany (Mühlheim)
Kashima, Kimitsu

Manufacture of Steel Pipes for Pipeline

The steel pipes for the GEP are being manufactured in Germany and Japan. Manufactured pipes are transported to Malaysia and Indonesia for coating.

Sections of the 42-inch diameter steel pipes that have been transported to Malaysia for coating

6

Monaco

Detailed Engineering of FPSO Turret

The detailed engineering work of the turret—installed in the FPSO to moor the FPSO in a fixed position and to connect the flexible risers to the FPSO—is being undertaken at the Monaco office of SBM Offshore N.V.

Image of the FPSO after completion. The overall length of the FPSO is approximately 330 m.

7

Malaysia (Kuala Lumpur)

Detailed Engineering Work for FPSO's Topside

The detailed engineering of the FPSO's topside—the oil or gas production facilities installed on a ship's deck—and of the FPSO's turret is being carried out in Kuala Lumpur, Malaysia, by Daewoo Shipbuilding & Marine Engineering and SBM Offshore N.V., respectively.

Image of the FPSO's topside after completion

8

Singapore

Detailed Engineering of Instrumentation and Controls, Construction of FPSO Turret

In Singapore, Yokogawa Electric Corporation is carrying out the detailed engineering of instrumentation and controls, and SBM Offshore N.V. is constructing the FPSO turret.

The FPSO turret steel cutting ceremony held in January 2013 (Singapore)

11

United States (Houston)

Detailed Engineering Work of CPF Topside

The detailed engineering of the CPF's topside—installed oil or gas production facilities—is being undertaken in Houston by Mustang Engineering L.P. (a Samsung Heavy Industries subcontractor).

Image of the CPF after completion

10

Yokohama Australia (Perth, Brisbane)

Detailed Engineering Work of LNG Plant

The detailed engineering work on the main facilities for the onshore gas liquefaction plant is being carried out at Yokohama in Japan and at Perth and Brisbane in Australia.

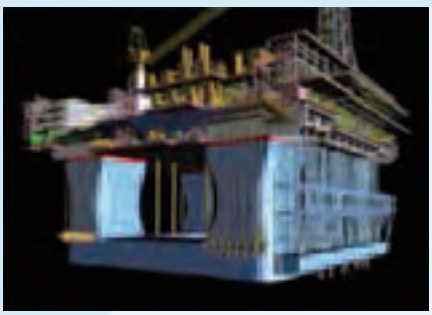
Final checks of the detailed engineering are carried out at the Yokohama engineering office.

9

South Korea (Geoje, Okpo)

Detailed Engineering and Construction Work for CPF and FPSO Hulls

The detailed engineering of and construction work for the hulls of the CPF and FPSO is being carried out in South Korea by Samsung Heavy Industries and Daewoo Shipbuilding & Marine Engineering, respectively.



An artist's impression of the CPF's hull after completion. When installed at the facility, the CPF will measure 150 m by 110 m and be the largest semi-submersible production facility in the world.

Ichthys LNG Project
Characteristics and Strengths

The characteristics and strengths of the Ichthys LNG Project that set it apart from other LNG projects include its substantial condensate and LPG, which raises economic efficiency; good coordination and relationship with TOTAL of France, which has a wealth of project experience; and reduced risk of cost overruns due to a high ratio of lump-sum contracts. Furthermore, for the year ended March 31, 2013, INPEX ensured funding by signing project financing agreements and completed the arrangement of damage insurance cover for the related facilities, the construction of which has just started. By means of its fully prepared systems, INPEX will continue to work toward the start of production by the end of 2016.

Substantial Condensate and LPG

In addition to the 8.4 million tons of LNG per year, the production volume of the project calls for a maximum of 100,000 barrels of condensate a day and 1.6 million tons of LPG per year.

Ratio of Lump-Sum Contracts: Approximately 75%

Approximately 75% of the amounts contracted with the EPC contractors are lump-sum contracts, which are serving to reduce the risk of cost overruns.

Cooperation with Oil Major

Development work is being advanced with oil major TOTAL, which has a vast amount of experience in LNG projects.

Sales of Entire LNG Production Volume Completed

The signing of sales and purchase agreements covering the entire production volume was completed before the Final Investment Decision (FID).

Painstaking Pre-Development Preparation

Having extended the front-end engineering and design (FEED) activities by one year, sufficient engineering work has been undertaken and raised the accuracy of the cost estimates.

Secure Funding

In December 2012, the Company signed project financing arrangements for US$20 billion, thereby concluding its funding.

Contracts with Reliable EPC Contractors

The Company secured highly reliable EPC contractors with track records in LNG projects.

Insurance Arrangements for Facilities during Construction Period Completed

In February 2013, INPEX completed insurance arrangements related to the construction periods of the project's onshore and offshore facilities.

Response to Risk of Cost Overruns, Schedule Delays

Ichthys Q&A

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

Q.1 How many people are engaged in the framework for advancing the development work?

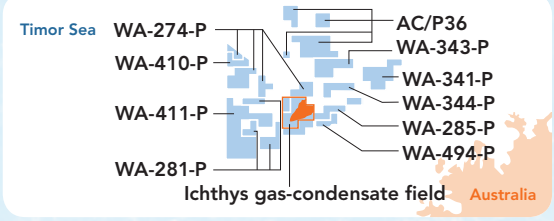
A.1 Excluding the EPC contractors, there are **1,400 people on the Ichthys LNG Project overall, of whom 40 are seconded from the oil major TOTAL** (as of June 30, 2013). Through the course of development work it is expected that this will increase up to a maximum of around 1,700 for the overall project.

Q.2 How do you go about managing the operations of each base, which span the world?

A.2 For the Ichthys LNG Project, we have assigned a person in charge at each base. In addition to carrying out detailed operations management, we ascertain and manage the overall project operations from Perth on the basis of regular operational reports from each base. **In addition, a Technical Directorate and a Project Coordination control overall operations in a cross-organizational manner.**

Q.3 Please tell us about the project's upside potential.

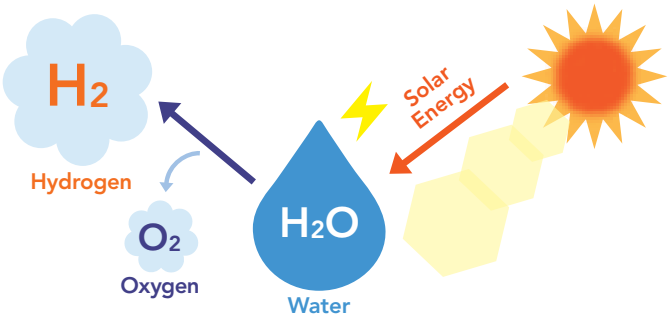
A.3 The area around the giant Ichthys gas-condensate field has high exploration potential. **INPEX retains interests in a total of 10 blocks surrounding the Ichthys field, six as an operator and four as a non-operator,** and finds have already been made in three of them. We will continue our exploration and assessment activities in the surrounding exploration blocks in the years to come with a view to the joint development of Ichthys.



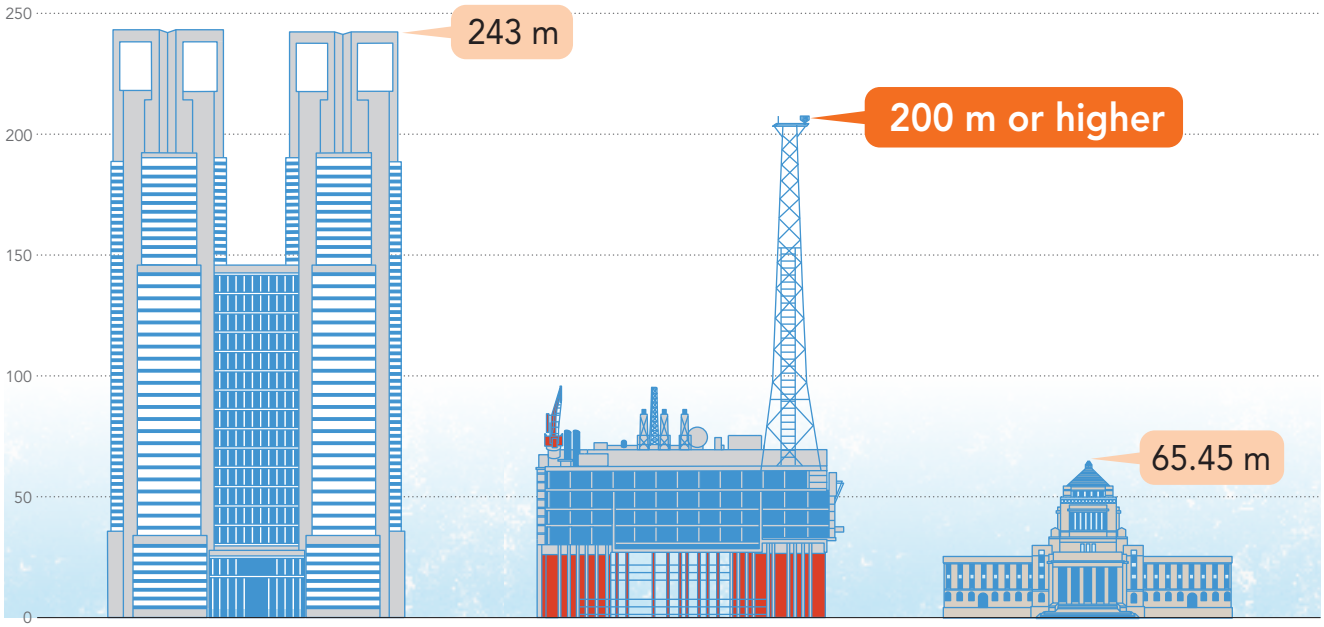
Column #2

What is the ultimate renewable energy?

The development of various forms of renewable energy has been attracting increasing interest in recent years. Regarded as the ultimate renewable energy, there are high hopes for **hydrogen**, which only produces water at the time of combustion. At the present time, however, hydrogen is manufactured as a raw material using exhaustible resources such as oil. Research is therefore being conducted into a revolutionary manufacturing method where solar energy is used instead of oil to break down water and obtain hydrogen.

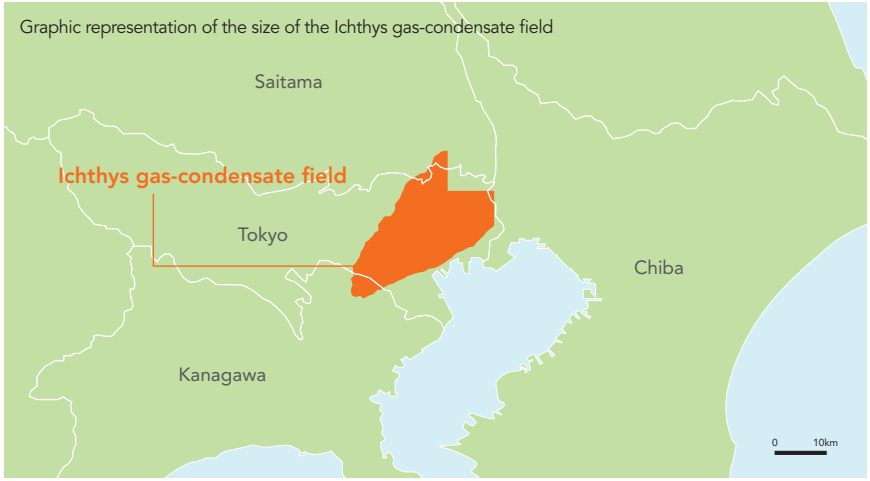


Size of the Ichthys LNG Project



Producing 8.4 million tons of LNG per year, the Ichthys project requires a large-scale production facility. Designed to produce and process gas extracted from subsurface, the floating production facility known as the Central Processing Facility (CPF) is **more than 200 meters high**, making it the largest offshore facility in the world.

An extremely large gas-condensate field, **Ichthys covers an area of approximately 600 km² and is around 40 km along its longest axis and more than 15 km along its shortest**. The graphic to the right shows the area of the gas reservoirs superimposed on a map of Tokyo.



PROJECT OVERVIEW 5

Project (Segment) Overview

Asia & Oceania

▸ p.60

Number of countries

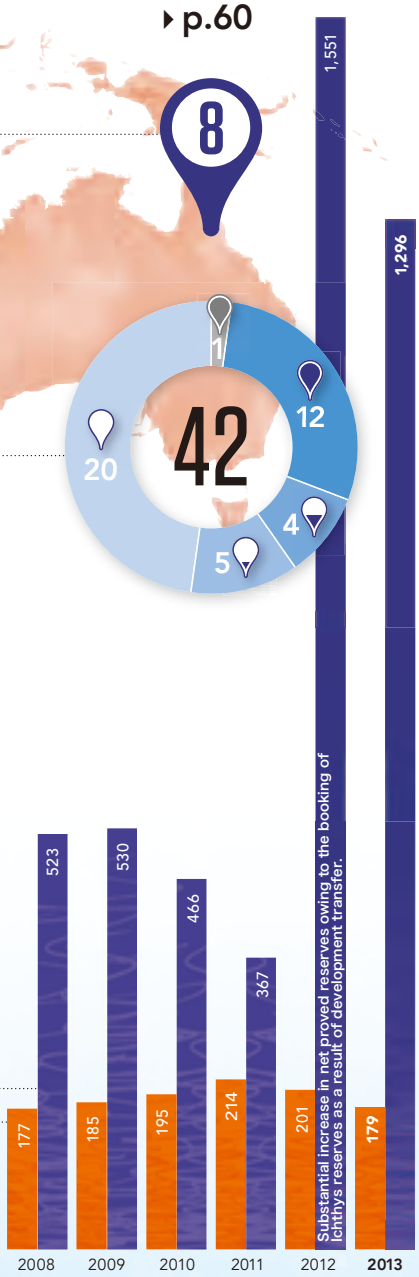
8

Number of projects

- In production
- Under development
- Discovered / Preparation for development
- Under exploration
- Other project

Production / Reserves

■ Proved reserves (million boe)
■ Net production (thousand boed)



Project Summary

In the core Asia and Oceania region, INPEX is engaged in activities in the **Offshore Mahakam Block**, which is contributing significantly to earnings, and the large-scale **Ichthys and Abadi LNG projects**, where development as well as preparation for development are ongoing. At the same time, the Company is actively advancing multiple small and medium-sized production projects.

Upside Potential

Exploration prospects number up to a maximum of 20 in this region. Of this total, 10 projects are in close proximity to the **Ichthys gas and condensate fields.** In addition, interests are maintained in exploration blocks near the **Offshore Mahakam Block and in the frontier areas of the Bay of Bengal in India.**

Eurasia

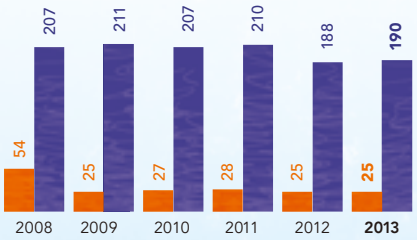
▸ p.64

Number of countries

4

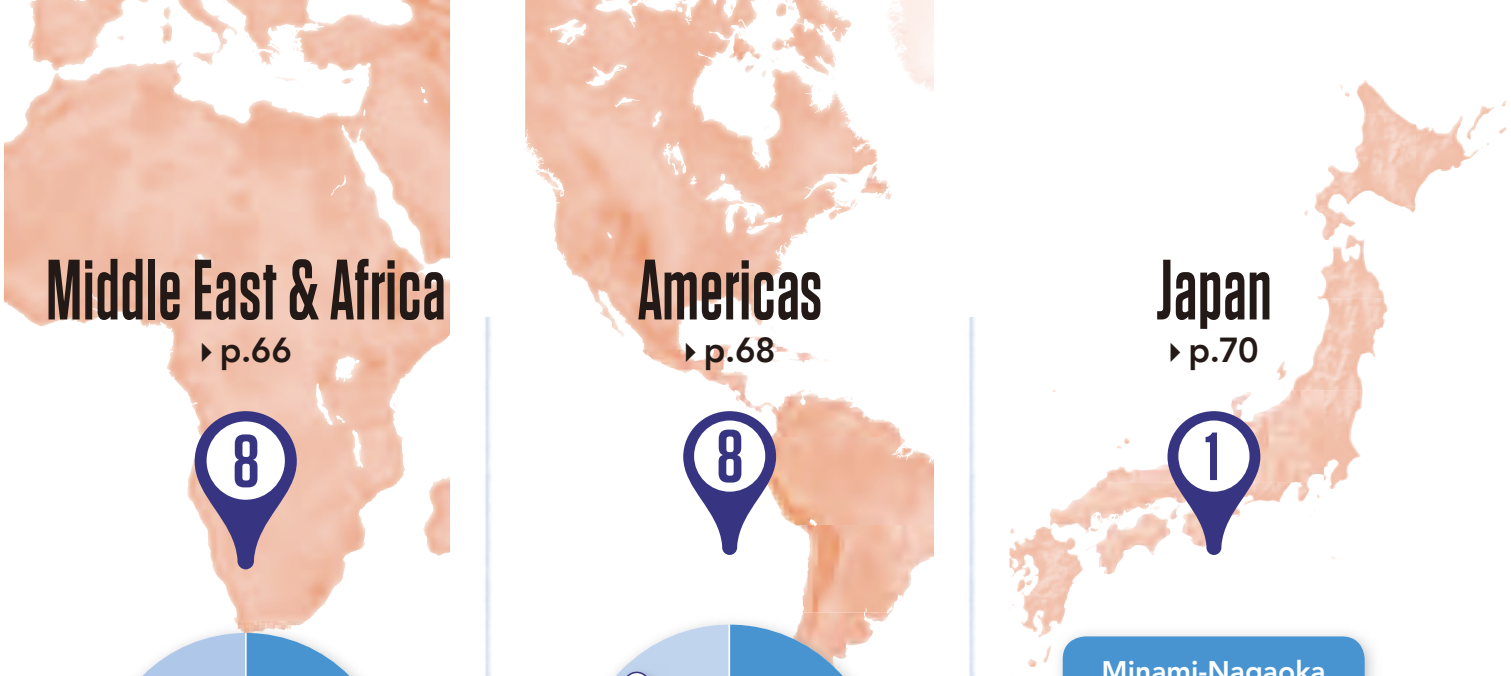
Number of projects

Production / Reserves



The Company's activities in this region revolve mainly around the **ACG Projects** in Azerbaijan and the **Kashagan Project** in Kazakhstan, a large-scale oil project. With the commencement of production at the Kashagan Project, production volumes in the Eurasia region are expected to increase going forward.

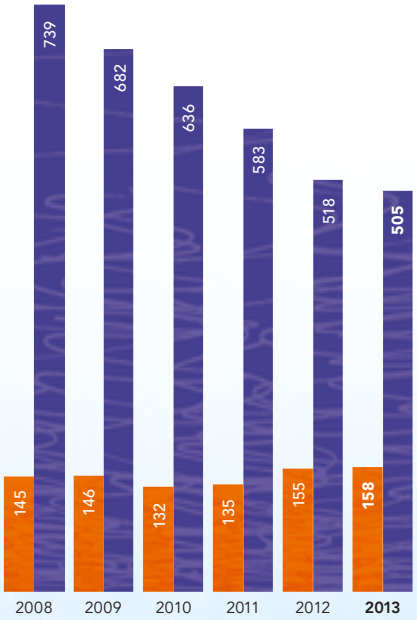
Two exploration potentials were added to the portfolio during the year ended March 31, 2013. INPEX was awarded **offshore exploration blocks located northwest of Shetland Island in the United Kingdom** in October 2012. The Company also concluded a Cooperation Agreement with Rosneft regarding **the exploration blocks in the Sea of Okhotsk, Russia** in May 2013.



Middle East & Africa

▸ p.66

8



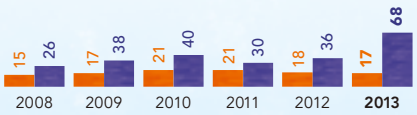
The Middle East and Africa region accounts for more than 60% of INPEX's net oil production volume. From both the Company's reserves and net production volume perspectives, the mainstay **ADMA Block in Abu Dhabi in the United Arab Emirates** contributes substantially. In Africa, the acquisition of a project in **Angola Block 14** during the year ended March 31, 2013 is also expected to bolster reserves and production volumes.

Building its portfolio in the Middle East, INPEX was awarded **an onshore exploration block in Iraq** in May 2012. Plans are in place to commence exploration activities going forward. In April 2013, the Company took steps to participate in **an exploration block in offshore Mozambique, East Africa.** Moreover, exploration potential exists within **Angola Block 14.**

Americas

▸ p.68

8



The Company's track record as a development operator in **Venezuela** spans more than 20 years. In addition to its development and preparation for development activities in **the Joslyn oil sands** and **shale gas projects in Canada,** INPEX participates in such projects as **the Lucius oil field in the deepwater Gulf of Mexico** in August 2012.

Additional exploration and development projects with potential include the shale gas project in **Canada and the offshore exploration project in the frontier area of Uruguay, South America.** Moreover, considerable interest is being directed toward **the succession of pre-salt (deepwater oil fields) discoveries in offshore locations in Brazil.**

Japan

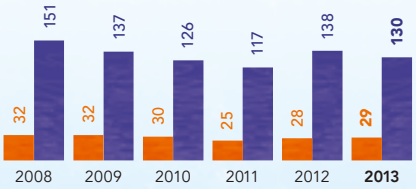
▸ p.70

1

Minami-Nagaoka Gas Field

Naoetsu LNG Terminal

Natural gas pipeline (Approx. 1,400 km) etc.



INPEX is active in the **Minami-Nagaoka Gas Field in Niigata Prefecture,** one of the largest of its kind in Japan. At the same time, the Company operates **a domestic trunk pipeline of approximately 1,400 km.** With **the Naoetsu LNG Terminal** scheduled to come online from 2014, INPEX is positioned to put in place a comprehensive gas supply chain.

INPEX has placed considerable weight on **surveying new oil and natural gas resources** both on- and offshore Japan for many years. The Company has conducted comprehensive evaluation work over the past two years. In addition to identifying promising areas, INPEX has also established an exploration policy going forward. Looking ahead, the Company will engage in specific exploration work based on its past findings and policy.

Project (Segment) Overview by Region

Asia & Oceania

Regarding the performance in Asia and Oceania for the year ended March 31, 2013, net sales increased by 0.4% to ¥485.3 billion. Despite decreases in sales volume and prices of natural gas, this result was largely attributable to an increase in crude oil sales volume and yen depreciation. From a profit perspective, operating income decreased by 6.0% to ¥281.6 billion owing mainly to an increase in depreciation.

Q. Please tell us about production trends at the Offshore Mahakam Block.

A. In addition to the natural decline in production, volumes contracted due to production impediments caused by such factors as sand at production wells. In response, steps were taken to drill new production wells and to implement various initiatives including measures to counteract sand problems. Thanks to these countermeasures the drop in production bottomed out around autumn 2012 and is currently showing signs of recovery.


Offshore Mahakam Block production facility

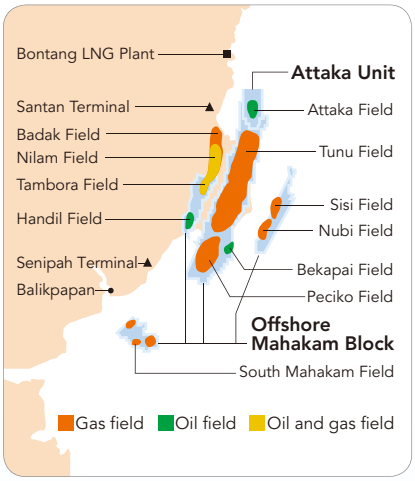
Asia & Oceania Q&A

1. Offshore Mahakam Block and Attaka Unit

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


Shipping terminal

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



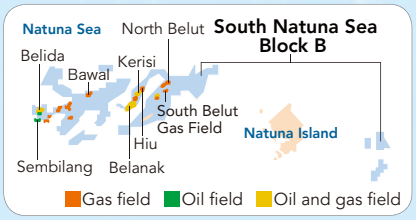
Contract area (block)	Project status (production on the basis of all fields and average rate of FY2012)	Venture company (established)	Interest owned (*Operator)
Offshore Mahakam	In production (Crude oil: 72 Mbbld; Natural gas: 1,393 MMcf/d; LPG: 12 Mbbld)	INPEX CORPORATION (February 21, 1966)	INPEX 50% TOTAL* 50%
Attaka Unit			INPEX 50% Chevron* 50%

2. South Natuna Sea Block B

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


FPSO vessel

Production operations in the Belanak oil and gas field, which is part of South Natuna, utilize a world-class floating production, storage and offloading (FPSO) system. Production of crude oil and condensate began in December 2004, with LPG production commencing in April 2007. At this same block, production began at the Hiu Gas, Kerisi Oil and Gas, and North Belut Gas fields from 2006 as well as the Bawal Gas Field in July 2012. In addition, a number of development projects are currently under way to maintain and expand output. This includes preparation for development at the South Belut Gas Field.

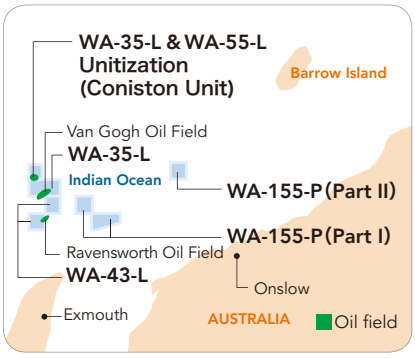


Contract area (block)	Project status (production on the basis of all fields and average rate of FY2012)	Venture company (established)	Interest owned (*Operator)
South Natuna Sea B	In production (Crude oil: 40 Mbbld; Natural gas: 374 MMcf/d; LPG: 15 Mbbld)	INPEX Natuna, Ltd. (September 1, 1978)	INPEX Natuna 35% ConocoPhillips* 40% Chevron 25%

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

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

The decision to develop the Coniston Unit, which saddles WA-35-L and WA-55-L, was made in December 2011, and work targeting the commencement of production in 2014 is under way. Average crude oil production for the first year of operation of the Coniston Unit is expected to be 21.5 thousand barrels per day.

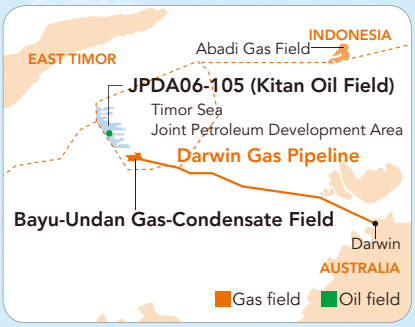



Van Gogh FPSO

Contract area (block)	Project status (production on the basis of all fields and average rate of FY2012)	Venture company (established)	Interest owned (*Operator)
WA-35-L (Van Gogh Oil Field)	In production (Crude oil: 16 Mbbld)	INPEX Alpha, Ltd. (February 17, 1989)	INPEX Alpha 47.499% Apache* 52.501%
WA-43-L (Ravensworth Oil Field)	In production (Crude oil: 16 Mbbld)		INPEX Alpha 28.5% BHPBP* 39.999% Apache 31.501%
WA-35-L & WA-55-L Unitization area(Coniston Unit)	Under development		INPEX Alpha 47.499% Apache* 52.501%
WA-35-L (excluding Van Gogh Oil Field)	Under exploration		INPEX Alpha 47.499% Apache* 52.501%
WA-155-P (Part II)			INPEX Alpha 18.670% Apache* 40.665% OMV 27.110% Tap 13.555%
WA-155-P (Part I)			INPEX Alpha 28.5% BHPBP* 39.999% Apache 31.501%

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

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



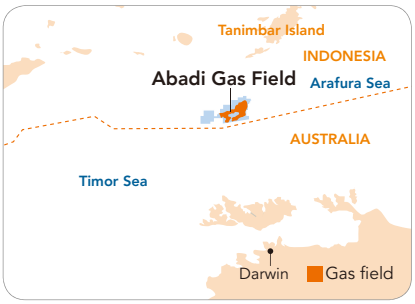
The presence of oil was confirmed through exploration drilling of the Kitan-1 and Kitan-2 wells in March 2008 in the JPDA06-105 contract area, which INPEX acquired in January 1992. Thereafter, we obtained approval for the final development plan from the Timor Sea JPDA authorities in April 2010. After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


Darwin LNG

Contract area (block)	Project status (production on the basis of all fields and average rate of FY2012)	Venture company (established)	Interest owned (*Operator)
JPDA03-12	In production (Crude oil: 48 Mbbld, Natural gas: 501 MMcf/d, LPG: 29 Mbbld)	INPEX Sahul, Ltd. (March 30, 1993)	INPEX Sahul 19.2458049% ConocoPhillips* 61.3114766% Santos 19.4427185%
Bayu-Undan Unit			INPEX Sahul 11.378120% ConocoPhillips* 56.943372% Eni 10.985973% Santos 11.494535% Tokyo Timor Sea Resources (TEPCO/Tokyo Gas) 9.198000%
JPDA06-105 (Kitan Oil Field)	In production (Crude oil: 32 Mbbld)	INPEX Timor Sea, Ltd. (November 25, 1991)	INPEX Timor Sea 35% Eni* 40% Talisman 25%

5. Abadi LNG Project

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



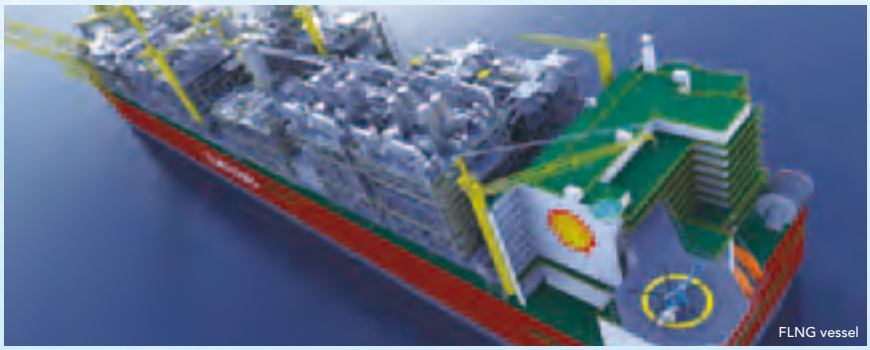

Drilling rig

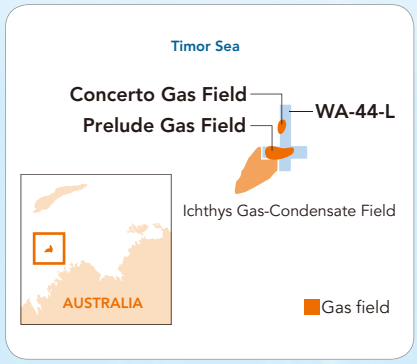

Floating LNG

Contract area (block)	**Project status**	**Venture company** (established)	**Interest owned** (*Operator)
Masela	Preparation for development	INPEX Masela, Ltd. (December 2, 1998)	INPEX Masela* 65% Shell 35%

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

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


FLNG vessel



Contract area(block)	**Project status**	**Venture company** (established)	**Interest owned** (*Operator)
WA-44-L	Under development	INPEX Oil & Gas Australia Pty Ltd (February 28, 2012)	INPEX Oil & Gas Australia 17.5% Shell* 67.5% KOGAS 10.0% CPC 5.0%

Eurasia

Regarding the performance in Eurasia for the year ended March 31, 2013, net sales increased by 1.4% to ¥85.5 billion due to yen depreciation despite a decrease in the sales price of crude oil. Operating income decreased by 11.3% to ¥41.8 billion mainly due to an increase in administrative expenses.

Eurasia Q&A

Q. What do you see as the potential for new oil and gas fields in Russia?

A. In May 2013, INPEX signed a Cooperation Agreement with Rosneft in connection with the exploration and development of blocks in a frontier area to the north of the Okhotsk Sea. INPEX has accordingly secured the exclusive right to negotiate final agreements with regard to exploration and development activities in the blocks. Recognizing the vast reserves of oil and gas in and around Russia, this initiative is expected to help develop the Company's business over the medium to long term.

Agreement signing ceremony

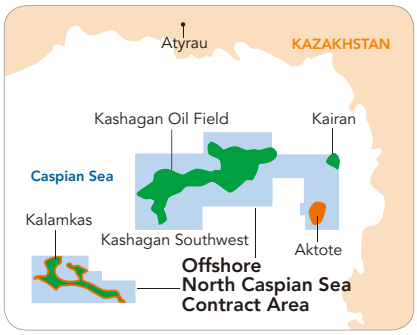
1. Offshore North Caspian Sea Contract Area (Kashagan Oil Field and others)

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

Phased development of the Kashagan Oil Field is planned, with the Phase 1 experimental program currently under way. Production is scheduled to commence in the third quarter of 2013 (as of June 30, 2013).

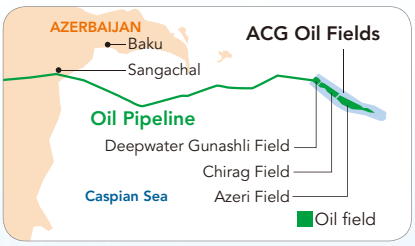
Besides the Kashagan field, hydrocarbon reserves were also confirmed in four other structures: Kalamkas, Aktote, Kairan, Kashagan Southwest. Appraisal of these structures is continuing in parallel with the development of the main Kashagan field with a view to expanding the total production of the contract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


Onshore facility



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

2. ACG Oil Fields



INPEX acquired a participating interest of the Azeri-Chirag-Gunashli (ACG) Oil Fields in a region of the south Caspian Sea in Azerbaijan in April 2003. The Company's current participating interest has increased to 10.9644%.

At the ACG Oil Fields, oil is being produced at the Chirag Field, the Central Azeri Field, the West Azeri Field, the East Azeri Field, and the Deepwater Gunashli Field. In March 2010, the decision was made to transition the Chirag Oil Project to a development phase. Operations are currently in progress with the commencement of production planned at the end of 2013.

Contract area (block)	**Project status** (production on the basis of all fields and average rate of FY2012)	**Venture company** (established)	**Interest owned** (*Operator)
ACG (Azeri, Chirag, Gunashli)	In production (Crude oil: 652 Mbbld)	INPEX Southwest Caspian Sea, Ltd. (January 29, 1999)	INPEX Southwest Caspian Sea 10.96% BP* 35.78% Chevron 11.27% SOCAR 11.65% Statoil 8.56% ExxonMobil 8.00% TPAO 6.75% Itochu 4.30% ONGC 2.72%

3. BTC Pipeline Project

The 1,770-km BTC pipeline stretches from Baku in Azerbaijan to Ceyhan on Turkey's Mediterranean coast through Tbilisi, Georgia. Full-scale operation commenced in June 2006. Total transportation capacity stands at 1.2 million barrels per day. While mainly transporting crude oil produced in the ACG Oil Fields in Azerbaijan, the pipeline also transports crude oil produced in other areas including Turkmenistan and Kazakhstan.

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% Azerbaijan (BTC) Limited 25% Chevron 8.9% Statoil 8.71% TPAO 6.53% Eni 5% TOTAL 5% Itochu 3.4% ConocoPhillips 2.5% ONGC 2.36%

Middle East & Africa

Regarding the performance in the Middle East and Africa for the year ended March 31, 2013, it was impacted by a decrease in the sales price of crude oil, an increase in the sales volume of crude oil, and yen depreciation. As a result, net sales increased by 4.2% to ¥520.8 billion and operating income increased by 0.9% to ¥357.3 billion.

Middle East & Africa Q&A

Q. Which exploration project is attracting your attention in the Middle East and Africa region?

A. We are particularly excited by the potential of exploration projects in Iraq. In May 2012, INPEX put forward the successful bid for the onshore Exploration Block 10 in Iraq with a partner. In addition, we participated in an exploration project in an area in Mozambique in April 2013, where large-scale reserves of natural gas have been discovered.

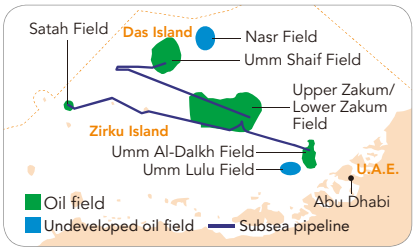
A view of the Block 10 surface in Iraq

1. ADMA Block


The ADMA Block (Upper Zakum Oil Field)

In May 2004, INPEX made Japan Oil Development Co., Ltd. (JODCO), a wholly owned subsidiary by acquiring all of the JODCO shares held by Japan National Oil Corporation through a share exchange. JODCO owns an interest in the ADMA Block located offshore Abu Dhabi in the United Arab Emirates. Oil production currently spans five fields in the block.

In addition, a number of development projects are currently under way to maintain and expand oil output, such as redevelopment of the Upper Zakum Field involving the use of artificial islands, as well as phase 1 development and other work with the aim of engaging in early production at the Umm Lulu and Nasr fields.



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

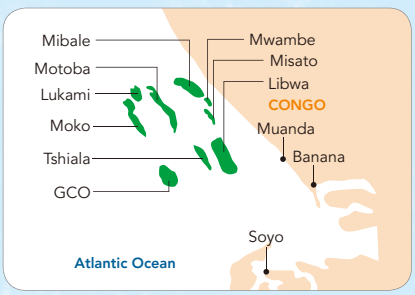
2. Offshore Angola Block 14

Participating through a joint venture company with TOTAL S.A., INPEX acquired a 9.99% indirect interest in the oil producing Angola Block 14 in February 2013. Block 14 is located approximately 100 km offshore from Cabinda, Angola. It is an oil-producing block that includes discovered undeveloped fields. Crude oil is currently being produced from three development areas. Through exploration activities as well as the development of discovered undeveloped fields, this block is expected to help boost overall value.


Production facility

Contract area (block)	**Project status** (production on the basis of all fields and average rate of FY2012)	**Venture company** (established)	**Interest owned** (*Operator)
Offshore Angola Block 14	In production (Crude oil: 148 Mbbld)	Angola Block 14 B.V. (April 19, 2012)	Angola Block 14 B.V. 20% (including 9.99% of INPEX's interest) Chevron* 31% Sonangol 20% Eni 20% Galp 9%

3. Offshore D.R. Congo Block

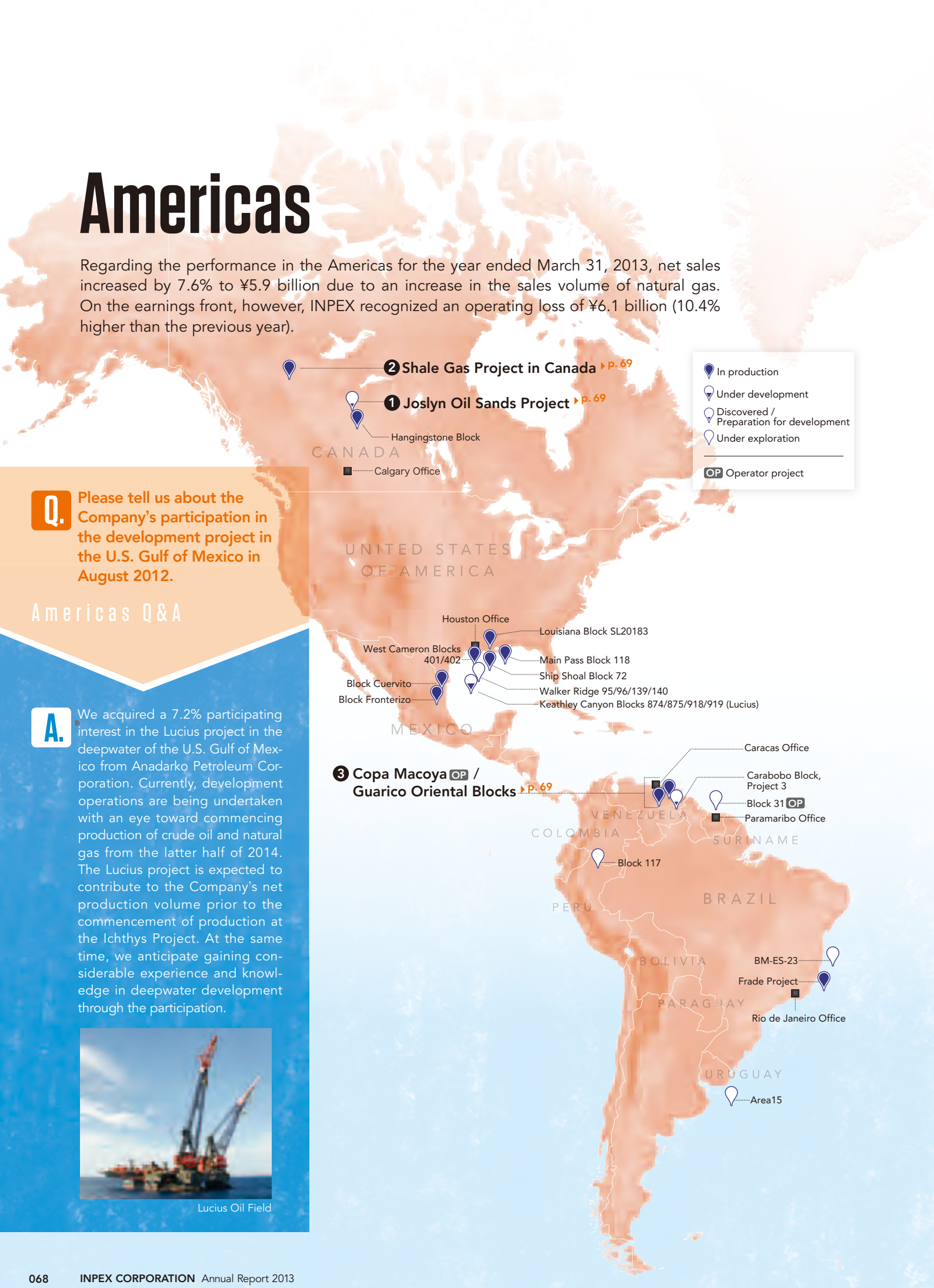


INPEX has participated in oil exploration and development projects offshore the Democratic Republic of the Congo (DRC) since July 1970. Oil production commenced in 1975 from the GCO Oil Field, which was discovered in 1971. Including GCO, 11 oil fields have been discovered. The contract covering this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

Contract area (block)	**Project status** (production on the basis of all fields and average rate of FY2012)	**Venture company** (established)	**Interest owned** (*Operator)
Offshore D.R. Congo Block	In production (Crude oil: 14 Mbbld)	Teikoku Oil (D.R. Congo) Co., Ltd. (August 1, 1970)	Teikoku Oil (D.R. Congo) 32.28% Perenco* 50% Chevron 17.72%

Americas

Regarding the performance in the Americas for the year ended March 31, 2013, net sales increased by 7.6% to ¥5.9 billion due to an increase in the sales volume of natural gas. On the earnings front, however, INPEX recognized an operating loss of ¥6.1 billion (10.4% higher than the previous year).



Americas Q&A

Q. Please tell us about the Company's participation in the development project in the U.S. Gulf of Mexico in August 2012.

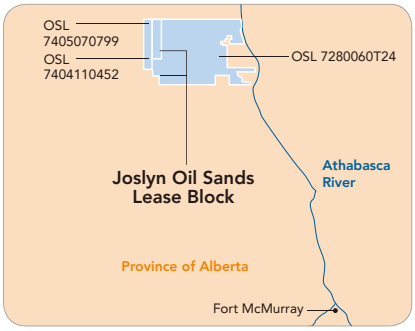
A. We acquired a 7.2% participating interest in the Lucius project in the deepwater of the U.S. Gulf of Mexico from Anadarko Petroleum Corporation. Currently, development operations are being undertaken with an eye toward commencing production of crude oil and natural gas from the latter half of 2014. The Lucius project is expected to contribute to the Company's net production volume prior to the commencement of production at the Ichthys Project. At the same time, we anticipate gaining considerable experience and knowledge in deepwater development through the participation.

Lucius Oil Field

1. Joslyn Oil Sands Project

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 thousand barrels per day by the late 2010s as part of the Stage I development. Currently, we are taking preliminary steps to consider a development plan.

Despite the decision by TOTAL to suspend the oil sand upgrader (synthetic crude oil manufacturing) project in which we are participating, measures going forward are currently under consideration.

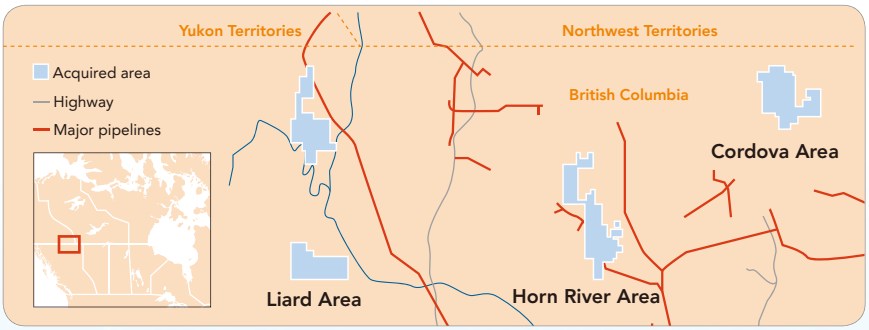


Contract area (block)	**Project status**	**Venture company** (established)	**Interest owned** (*Operator)
OSL 7280060T24	Discovered / Preparation for development	INPEX Canada, Ltd. (November 28, 2006)	INPEX Canada 10% TOTAL* 38.25% Suncor 36.75% Occidental 15%
OSL 7405070799			
OSL 7404110452			

2. Shale Gas Project in Canada

In August 2012, INPEX acquired a 40% participating interest in the shale gas projects in the Horn River, Cordova and Liard basins from Nexen Inc.

The shale gas projects in the Horn River, Cordova and Liard basins contain discovered and undeveloped shale gas. We will proceed with full-scale development and are aiming for combined production at the Horn River and Cordova projects of a maximum of 1,250 millions of cubic feet per day (approximately 200 thousand boed). The shale gas that is produced will be converted into LNG with studies currently under way to consider commercialization through exports from the Canadian west coast.

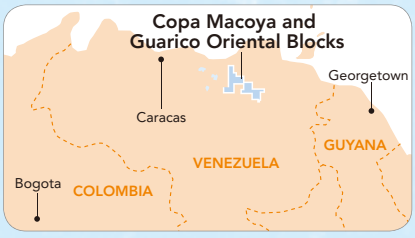



Onsite drilling

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

3. Copa Macoya and Guarico Oriental Blocks

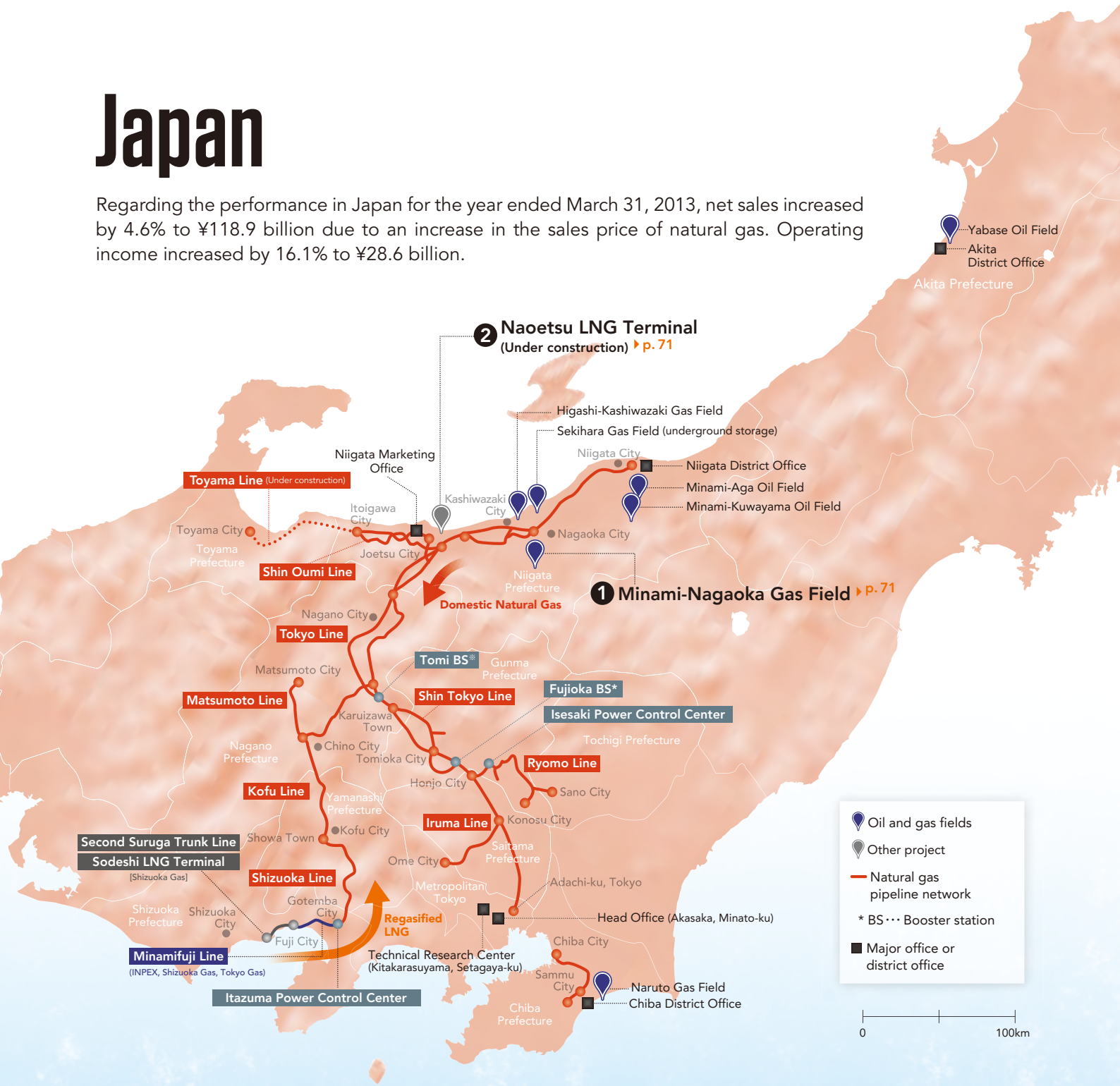
INPEX was awarded a 100% participating interest in a central onshore area, the East Guarico Block in Venezuela, in July 1992. INPEX participated in oil and natural gas field rehabilitation, exploration and development activities as an operator. Thereafter, the existing operational service agreements were changed to joint venture agreements in 2006. Around the same time, the East Guarico Block was newly reconfigured into a gas business in the Copa Macoya Block and a crude oil business in the Guarico Oriental Block. In addition, the agreement period of both agreements was extended to 2026 as a result of the change to joint venture agreements.



Contract area (block)	**Project status** (production on the basis of all fields and average rate of FY2012)	**Venture company** (established)	**Interest owned** (*Operator)
Copa Macoya	In production (Crude oil: 1 Mbbld, Natural gas: 64 MMcf/d)	Teikoku Oil and Gas Venezuela, C.A. (June 7, 2006)	Teikoku Oil and Gas Venezuela* 70% PDVSA Gas 30%
Guarico Oriental			Teikoku Oil and Gas Venezuela 30% PDVSA CVP* 70%

Japan

Regarding the performance in Japan for the year ended March 31, 2013, net sales increased by 4.6% to ¥118.9 billion due to an increase in the sales price of natural gas. Operating income increased by 16.1% to ¥28.6 billion.

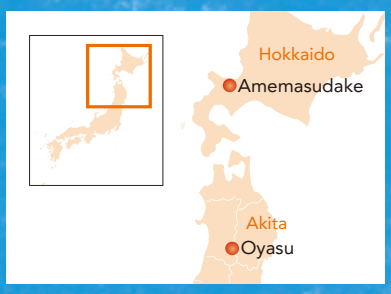


Q. What progress have you made in your ongoing geothermal power development endeavors in Japan?

Japan Q&A

A.

We continue to carry out joint studies for the development of geothermal power in Hokkaido and Akita prefectures, which began in 2011. Geological ground surveys have already been completed in both prefectures confirming the presence of underground temperatures of 200°C and above, a necessary requirement for geothermal power generation. Plans are in place to drill exploration wells during 2013 and to push forward studies in earnest.



Geothermal power generation research areas

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

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

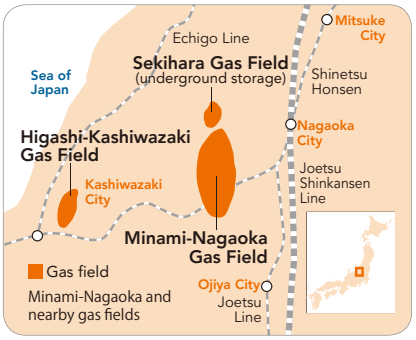
INPEX has experienced substantial sales growth in recent years due to sharp rises in the prices of competing fuels, as well as the highly environmentally friendly attributes of natural gas. The target is for medium- to long-term annual sales of 2.5 billion m^3 by the early 2020s and in the 3.0 billion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

In order to support this growth, supply capacity and reliability have been enhanced through the introduction of LNG from Shizuoka Gas Co., Ltd., in 2010. INPEX decided to build an LNG terminal at Naoetsu, Joetsu City, in Niigata Prefecture, which is slated to start in the beginning of 2014.

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

Production and Sales of Domestic Natural Gas	
Producing: Total oil and gas fields (FY2012 average)	Natural gas: Approx. 134 MMcf Crude oil and condensate: Approx. 4 Mbbld
Natural gas sales (FY2012)	Approx. 1.75 billion m^3


The natural gas pipeline that crosses Shibumi river in Niigata



2. Construction of the Naoetsu LNG Terminal

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

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


The Naoetsu LNG Terminal currently under construction (April 2013)

Gas Supply Chain

We will establish a gas supply chain by organically connecting overseas LNG with the domestic natural gas infrastructure to meet the natural gas demand in Japan, which is expected to remain firm.

By flexibly combining the three gas supply chain sources of

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

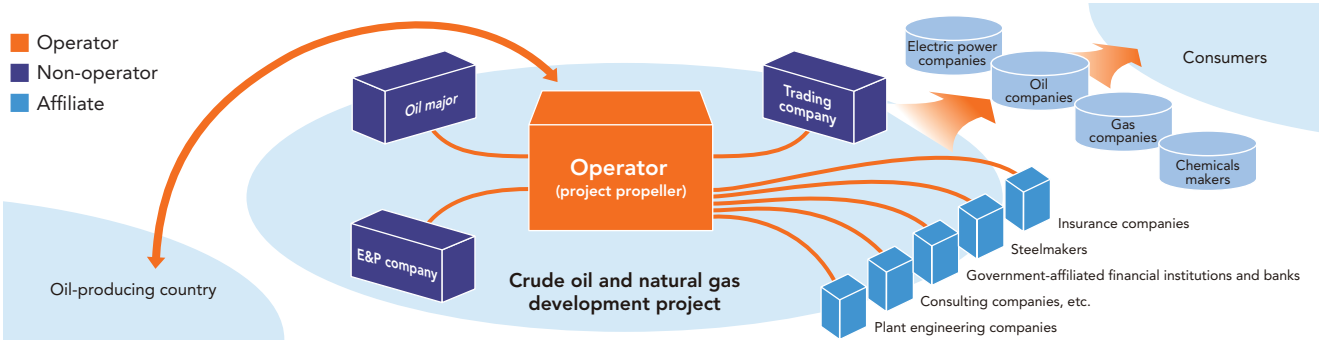
we are confident in our ability to improve supply capacity and enhance supply stability, allowing us to meet future demand increases.

Building a total gas supply chain covering upstream and downstream processes will be our base of support in strengthening emergency backup measures for the supply of gas by enhancing cooperation with gas and electric power companies and expanding the pipeline network, as well as building the global LNG portfolio. Through these activities, we will work toward developing an energy business that uses natural gas.

Column #3

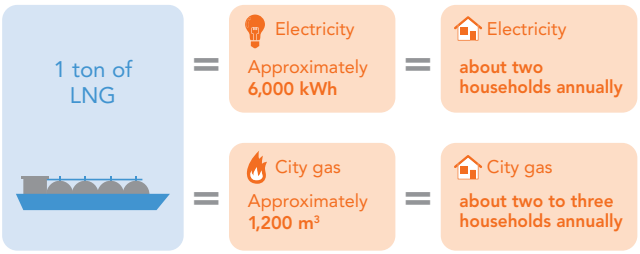
What it means to take on the challenge of a project operator

In the crude oil and natural gas business, it is common for several companies to form a partnership, instead of one company taking sole responsibility, for the purpose of splitting up the massive amount of operating capital required and distributing risk in the event no discoveries of crude oil or natural gas are made. Among the partner companies that form the coalition, the one company that acts as the lead representative of the project is called the operator. Being the operator entails leading the other partners, negotiating with the oil-producing country, and closely managing contractors and other affiliates in order to successfully develop the crude oil and natural gas project into a business. For this reason, the operator is viewed as the true developer of the crude oil and natural gas project. Contrary to a non-operator, which mainly provides funding, an operator that leads a project to success is often presented with opportunities to participate in many other high-quality projects; in other words, it sees more opportunities to acquire new interests.



What is 1 ton of LNG?

In Japan, liquefied natural gas (LNG) is primarily used two ways: as a fuel to generate electricity and as city gas. The energy produced by one ton of LNG differs based on assumptions used, but as a fuel burned to generate electricity, one ton of LNG can produce 6,000 kWh in a conventional power generation turbine. This is equivalent to the amount of electricity used by about two households in one year. In terms of city gas, one ton of LNG can produce 1,200 cubic meters of city gas, which is enough to supply two to three households for a year.



What are the chances of finding crude oil and natural gas?

Generally speaking, the odds of discovering sufficient quantities of crude oil and natural gas after drilling a well are low. In the test wells it drilled between the fiscal years ended March 2011 and March 2013, INPEX's success rate was 45.0% (3-year average). However, this figure includes additionally drilled wells in geographical formations where crude oil and natural gas had already been discovered. Accordingly, this figure tends to be higher than the success rate for wells drilled in so-called wildcat territory—unproven, unexplored geographical formations. Prior to drilling a well, a survey of geological features is conducted, as is a seismic survey for minerals, based upon which drilling sites are screened for the most promising geological structures to improve the odds of making a discovery.


Drill bit

ENVIRONMENT, SOCIETY AND GOVERNANCE 6

Corporate Social Responsibility – to Remain Essential for Society

INPEX aspires to be essential for society by contributing to economic growth and social advancement through its business operations, and be given even higher ratings from the society. The section on the environment, society and governance in Annual Report 2013 describes mainly the substance of our CSR activities and our approaches to enhance corporate governance in the year ended March 31, 2013.

Environment, Society and Governance Summary – actual data for FY2012

Environment pp. 76–78

Highlights in FY 2012 in the Environmental Aspect

Share of total waste occupied by the subtotal recycled (both inside and outside Japan)
85.2%

Emissions into water areas
1,655,758 m³

Volume of water sources used
1,749,451 m³

Breakdown of GHG emissions by type

Unit: (CO_2 : tons, CH_4 & N_2O: tons-CO_2)

Type	2011	2012	2013
CO_2	346,357	355,601	501,536
CH_4	13,428	8,161	10,516
N_2O	21	114	894

Receipt of Third-Party Environment-Related Verification

Receipt of verification by Bureau Veritas Japan Co., Ltd., in connection with disclosure of data for environmental performance

Society pp. 79–81

Highlights in FY2012 in the Social Aspect (figures in parentheses indicate percentages of respective totals)

Expenditures on activities for social contribution..... **¥1.81 billion**

Number of women in management positions..... **20 (2.8%)**

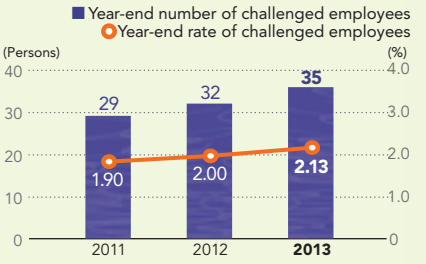
Number of foreign nationals in management positions..... **108 (15.4%)**

Number of employees who quit..... **17 (1.3%)**

Awarded Kurumin Mark

(a certification provided by the Ministry of Health, Labor and Welfare in recognition of company efforts to support child rearing by employees)

Trend of employment of the challenged



Corporate Governance pp. 82–89

Highlights in FY2012 in the Social Aspect

Holding of meetings of the INPEX Advisory Committee

October 1, 2012
Announcement of institution of the INPEX Advisory Committee

December 18, 2012
The first meeting of the INPEX Advisory Committee

June 6, 2013
The second meeting of the INPEX Advisory Committee

Profile of the Corporate Governance System

Organizational structure
company with statutory auditors

Number of directors
16 (including 5 outside directors) / term of 1 year

Number of statutory auditors
5 (including 4 outside auditors) / term of 4 years

Number of independent directors and auditors
9 (consisting of 5 outside directors and 4 outside auditors)

Abolishment of the Bonus Compensation Component for Outside Directors and Auditors

In an effort to further bolster corporate governance, INPEX has consolidated outside director and outside statutory auditor compensation into a single fixed amount while abolishing the bonus component effective from the year ending March 31, 2014.

Five Key CSR Subjects

On our current CSR agenda, we are emphasizing approaches to five key issues which have a significant impact on both INPEX and our stakeholders, and which require reinforcement of activities for the time being.

Compliance
Comply with laws and social norms (including consideration for human rights)

HSE initiatives
Practice safety and environmental protection in operations

Greenhouse gas countermeasures
Address climate change

Community contribution
Build trust with and contribute to local communities (including education)

Employee development
Develop and utilize human resources as a global company

Sustainability Report 2013

For more detailed information on activities in these areas, please see Sustainability Report 2013 and our CSR Web site.

▸ inpex.co.jp/english/csr

Ichthys Project Approaches ▸ p. 78

Dredging vessel

In consideration of the impact on dolphins etc., we are performing dredging work in the Port of Darwin without underwater blasting.

Activities on Community Contribution ▸ p. 80

Tuition assistance at an orphanage in the Democratic Republic of the Congo

Of the total expenditure of about ¥1.8 billion on activities for community contribution in fiscal 2012, about 70% was spent on support for education.

Enhancing IR Activities ▸ p. 89

IR presentation for individual investors (September 2012 in Osaka)

In FY2012, we held a total of nine IR presentations for individual investors.

- Suppliers / Business partners
- Shareholders / Investors
- Customers
- Employees
- Local communities / NGOs & NPOs
- Oil / gas-producing countries

- •Operation reflecting concern for climate change
- •Development and supply of diverse energy for response to climate change
- •Full communication with stakeholders in operation area
- •Respect for culture and conventions in operation area
- •Contribution to social advancement in operation area
- •Responsible management as a global company
- •Observance of the requirements of compliance
- •Enhancing IR activities

Building a sustainable society & continuously creating corporate value

HSE Management

Outline of the HSE Management System and Its Operational Structure

INPEX has prepared an HSE Management System encompassing approaches to health, safety, and environment with consideration of the standards under ISO 9000 and ISO 14001 as well as management systems for labor safety and health, and the guidelines of the International Association of Oil & Gas Producers (OGP). It is likewise promoting the improvement and refinement of this system on an ongoing basis. The system consists of the HSE Policy, the HSE Management System Manual, Corporate HSE procedures and guidelines, an organizational structure comprising the HSE Committees, and the HSE objectives and programs devised each fiscal year. As for methodology, the A-PDCA cycle* beginning with risk assessment is performed to assure execution of the HSE Management System.

* Access-Plan-Do-Check-Act: In this case, "Access" refers to risk management and determination of legal and other requirements; "Plan", to the preparation of HSE plans and emergency response plans; "Do" and "Check", to the collection and analysis of HSE-related data and HSE audits; and "Act", to management reviews.

HSE Auditing and Management Review

For ongoing improvement of HSE performance, we implement HSE audits on the Corporate*2 and Operational Organizations. These audits cover the HSE Management System, its operation, and all related HSE activities. They set priorities that are the subject of work for improvement at each site.

In fiscal 2012, HSE audits were carried out at locations including the Copa Macoya block.

*2 Corporate: the framework (organizational and functional) encompassing the whole company in the HSE Management System

Initiatives for Promoting and Implementing the HSE Management System

Priorities of HSE Audits

- Structure of the HSE Management System
- Degree of adequacy of the A-PDCA cycle
- Efficacy of HSE objectives
- State of improvement on items indicated in the last audit
- Management of contractors
- Assessment of efficacy of response to emergencies

HSE Communication

We are striving to enhance in-house communication to improve HSE awareness. In fiscal 2008, we began holding HSE Annual Meeting composed of representatives from Operational Organizations in Japan and other countries. We also hold HSE Managers Meeting, which is for the personnel assigned to HSE in each Operational Organization.

To bolster communication with HSE units and overseas business divisions, we regularly hold HSE Liaison Meetings for a sharing of information on the details of HSE Management Systems and activities.

An HSE audit at the Copa Macoya project

An HSE Annual Meeting

Message from the Director in Charge of HSE

Masatoshi Sugioka,
Vice Chairman, in charge of HSE

INPEX formulated HSE Policy in 2006 and the HSE Management System Manual in 2007. On this basis, it has prepared manuals and guidelines related to labor safety and health, and environmental preservation. These approaches to HSE over the past few years are behind the deepening in-house penetration of the HSE culture and trend of improvement in actual data for HSE activities, but there remain shortcomings as compared to the HSE activities of other companies in our industry around the world. To raise our HSE level even higher, we intend to take vigorous action in areas indicated in the second HSE medium-term plan for three years from April 2013, such as HSE audits, HSE risk management, process safety management, and prevention of major accidents.

Breeding of an HSE Culture and HSE Education

To foster the growth of an HSE culture, we conducted a survey aimed at determining its degree of maturation in fiscal 2011. Based on the findings, we posted a higher level of HSE capacity company-wide and reinforcement of HSE communication as HSE objectives in fiscal 2012, and launched activities to attain them.

To help the HSE culture reach maturity and to impart HSE-related knowledge and capabilities, we hold annual programs of HSE education in correspondence with levels of HSE skills and training rules. In fiscal 2012, we likewise staged HSE seminars for younger engineers.

An HSE program

HSE Awards

To enhance HSE awareness and better the HSE record throughout the Company, we present HSE awards for outstanding HSE activities. In fiscal 2012, we handed out HSE awards to four project teams including contractors. One of them was given an award for completing a drilling campaign that lasted more than 240 days in the Suriname Project in South America with zero lost-time injuries (LTI).

Onsite in the Suriname Project

Approaches to Prevent Major Accidents

Campaign to Spread Knowledge of the Seven INPEX Safety Rules

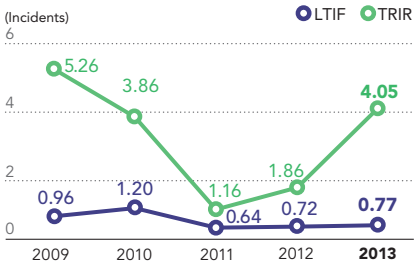
For increased attention to safety, we conducted a campaign to publicize the seven INPEX safety rules in step with Japan's National Mine Safety Week in July 2013. In this campaign, we held meetings to describe the seven rules to our employees and representatives of contractors, put up posters with pictorial symbols to prompt awareness of safety, and distributed related novelty goods.

Toward Reduction of Accidents

All of our operational entities are promoting HSE campaigns aimed at "Zero Accidents" and safety activities to reduce the number of accident occurrences.

On the corporate level, every year, we post target indicators for occurrence of accidents and engage in activities to reduce occurrences. In fiscal 2012, we set a target value for LTIF (rate of injuries resulting in fatalities or lost time per million hours worked) of 0.77, and a TRIR (rate of recordable injuries (fatalities, lost time, restricted workdays and medical treatment) per million hours worked) of 4.05.

Frequency of accident occurrence (LTIF、TRIR)



Environmental Action

Measures for Prevention of Global Warming

Methane, the main constituent of natural gas, is a type of greenhouse gas (GHG); its greenhouse effect is 21 times as great as that of CO_2. In the oil and natural gas business, there are some cases in which there is no choice but to temporarily release methane into the atmosphere. INPEX makes efforts to curtail the amount of methane emissions, and is steadily installing grand flare*1 systems at all sites to hold down emission levels when releases are unavoidable.

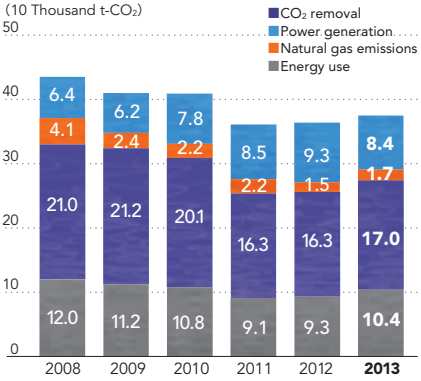
Major Sources of GHG Emissions

1. Use of energy in oil and natural gas businesses
2. Release of CO_2 separated and removed from natural gas
3. CO_2 derived from diffusion of natural gas
4. CO_2 derived from use of energy in power generation businesses

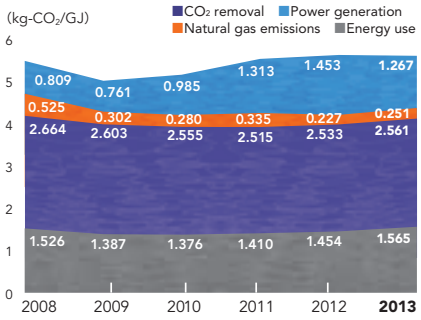
*1 Grand flare: Equipment that incinerates excess hydrocarbon gas produced by crude oil drilling facilities, gas processing facilities and oil refineries instead of simply dissipating the gas as is. Shaped to combust flames within an upper chimney-like furnace, thereby resulting in no night-time illumination, noise pollution or effects on the surrounding environment.

A grand flare system at the facility for collection of newly extracted oil at the Akita District Office

Total GHG emissions (Japan)



GHG emissions per unit of production (Japan)

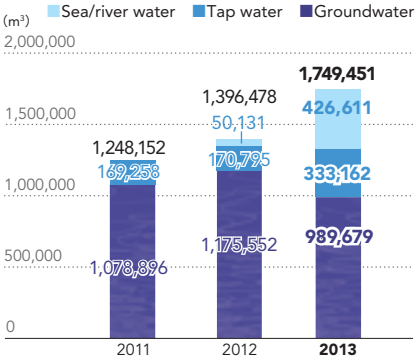


Reduction of Water Use and Approaches to Prevent Water Pollution

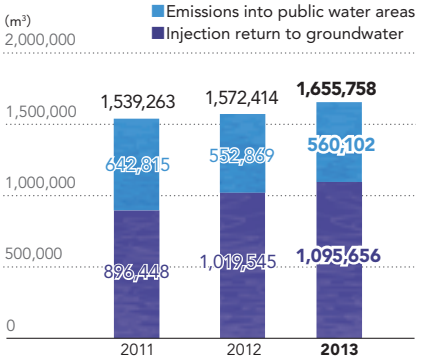
All our Operational Organizations observe the environmental laws and regulations in the host country in managing wastewater. The crude oil and natural gas which we produce sometimes contain groundwater. We separate and collect this water at the production facilities. We treat the water to remove any residual oil, etc.

In our production facilities in Japan, we handle wastewater in conformance with the related standards. For example, in disposing well water, we release it into rivers only after reducing concentrations of boron, nitrogen compounds, or other substances to levels that meet the wastewater standards in relevant regulations, by putting it through shaft wastewater treatment facilities. At offshore rig platforms and during the construction of LNG receiving terminals, seawater used for cooling is released back into the sea. In these releases, we make advance confirmations of temperature differences between the used water and the sea as well as of water quality, to curb any impact on the ecosystem in the sea to a minimum.

Volume of water resources used



Emissions into water areas



Protection of Biodiversity in a Project

Monitoring coral reefs in the Port of Darwin

In dredging works in the Port of Darwin, Australia, we perform most of the work during the rainy season, when the water of the Port is turbid, in order to curtail any impact on the surrounding environment to a minimum. We are also taking measurements of the influence of deposits from the dredging works through an environmental monitoring program. In these ways, we are striving to protect the ecosystem in the Port of Darwin and peripheral areas.

Human Rights, Human Resources and Diversity

Respect for Human Rights

In the pursuit of its business in oil and natural gas development around the world, INPEX follows all sorts of international standards regarding human rights and the social standards in the regions of operation. More specifically, we observe international standards including the Universal Declaration of Human Rights (UDHR) and the International Labor Standards of the International Labor Organization (ILO) as well as the 10 principles of the United Nations Global Compact based on the UDHR.

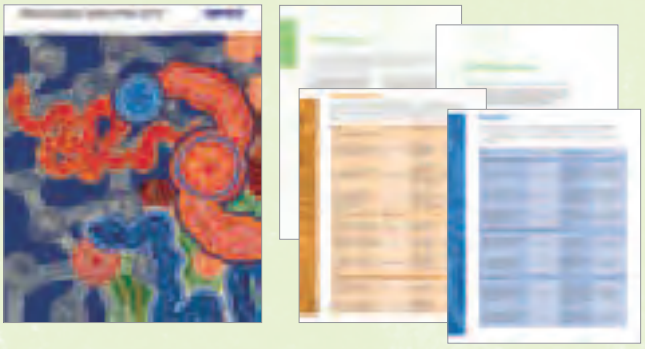
In our operator projects, we work to identify the risks by assessing impact in the environmental and social aspects, including the human rights dimension, that the project activities could possibly have on the region of operation, and emphasize dialogue with local governments, residents, and other stakeholders.

Dialogue with local residents (Indonesia)

Concern for Indigenous People in Projects

In the Northern Territory of Australia, where the Ichthys LNG Project is moving ahead, Indigenous (aboriginal) people make up about 40% of the Territory population. We are running the project while taking full consideration for the indigenous people.

INPEX signed a memorandum with representatives of the Larrakia people, who are the historical owners of land and water areas in the Darwin vicinity, and have built relations with them grounded in cooperation and mutual respect. In May 2013, we released the Reconciliation Action Plan (RAP), a new plan revolving around the three priority themes of relations, respect, and opportunity. We have therefore presented our commitment to the local community and our activity plans in the form of a public document.



Reconciliation Action Plan (RAP) – Cooperation Activities with Indigenous People
The circles in the middle of the cover design stand for resource development and the energy supplied from it.

Development and Use of Human Resources

In fiscal 2012, we formulated the INPEX HR VISION in our desire to promote various personnel initiatives from a global perspective and build organizations that will be internationally competitive. In accordance with the Vision, we are providing training based on personnel models, roles, and capabilities required in each type of job (clerical, technical, etc.) in the context of programs for human resource development. Furthermore, to help them function in global projects, we dispatch personnel to other countries, to take part in foreign language classes, training at overseas offices, and programs at specialized training institutes.

Scene at an in-house training

Promotion of Diversity

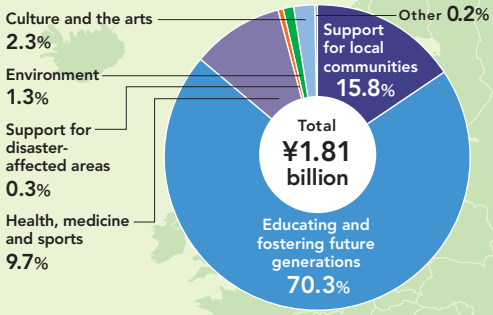
Awarded Kurumin Mark

In August 2012, INPEX was awarded the Kurumin Mark, a certification provided by the Ministry of Health, Labor and Welfare indicating satisfaction of the standards based on the Law for Measures to Support the Development of the Next Generation. We were given the award in recognition of our achievements in preparing and implementing our general employer action plan (which sets forth approaches to assist employees in raising children and still keep their jobs), and attaining the targets contained therein.

Activities of Community Contribution

In all the countries and regions in which it does business, INPEX engages in communication with governments, local residents, NGOs, and other parties, in order to comprehend their wants and needs, and to take requisite action in response. We endeavor to develop business in ways that assist social advancement in the regions of operation while respecting the culture and conventions there.

CSR expenditures by issue
(for the year ended March 31, 2013)



Azerbaijan, Georgia, and Turkey

Project for Support of Agriculture in Local Communities

In the Azeri–Chirag–Guneshli (ACG) and Baku-Tbilisi-Ceyhan pipeline project, supporting programs are ongoing in order to support agriculture in Azerbaijan. We have spent a total of about US$1 million for provision of greenhouses, bees, beehives, and related equipment, and are also offering education and training programs to farmers.


A beekeeper receiving support

Congo

Contribution in Muanda

In the city of Muanda in the Democratic Republic of the Congo, INPEX is engaged in activities for contribution to community development in the fields of health and medical care, education, and infrastructural conditioning.


An orphanage in Muanda

Abu Dhabi, UAE

Abu Dhabi International Hunting and Equestrian Exhibition

Every year since 2004, INPEX has set up a booth in the Abu Dhabi International Hunting and Equestrian Exhibition (ADIHEX). The booth introduces Japan's medieval falconry culture and other elements of traditional culture such as samurai swords and the tea ceremony.


People at the INPEX booth

Angola

Contribution in Cabinda Province

In the Angola province of Cabinda, we are promoting activities for contribution to the local community. These activities include the outlay of funds for construction of medical centers and related facilities, and their outfitting with medical apparatus, pharmaceuticals, furniture, and other items.


A local facility

Malaysia

Acceptance of Technical Trainees

In the context of an offshore project in Sabah, Malaysia, INPEX is providing opportunities for technical training through acceptance of young oil technicians in a program of on-the-job training (OJT) held at our Kuala Lumpur Office.


A geological technician receiving OJT

Indonesia

Support for Improvement of the Educational Environment

In connection with the Mahakam Block, INPEX is conducting a program to support education in the province of East Kalimantan. In 2012, we set about improving the environment of education by building new and remodeling old school facilities, with a view to raising the level of education for students.


A local school building

East Timor

Construction of Greenhouses for Cultivation of Vegetables and Support for Agricultural Training

INPEX contributed to construct large greenhouses for crop farming in the suburbs of Dili, the capital city of East Timor. We have provided technical support to train local farmers in hydroponic growing methods. We hope this initiative will provide local farmers with a stable income and improve agricultural productivity.

Inside a greenhouse for vegetable cultivation

Niigata Prefecture

Naoetsu LNG Terminal: Event for Painting on the Inside of an LNG Tank

In May 2012, shortly before the closure of the mouth of an LNG tank, INPEX staged an event in which it invited a total of 66 students and 11 teachers from two nearby elementary schools to paint pictures on the inside of the tank.

Painting on the inside of an LNG tank

Tokyo (Head Office)

Donation of "Secrets of Natural Gas Development," a Popular Educational Materials Series

INPEX assisted the composition, production of illustrations, and overall editing work in preparation of "Secrets of Natural Gas Development" in the "Better Understanding through Comic Books,"* a popular educational series published by Gakken Publishing Co., Ltd. This title was donated to some 23,500 elementary schools and 3,000 libraries nationwide.

* Both tentative translations of titles available only in Japanese.

The cover of "Secrets of Natural Gas Development" in the "Better Understanding through Comic Books" series

Indonesia

Planting mangrove trees

In the Mahakam Block, a program for planting one million mangrove trees was launched in cooperation with residents in the Mahakam river delta area. In 2012, we assisted the planting of about 1.6 million mangrove seedlings.

Planting mangrove trees

Australia

Support for establishment of a research center

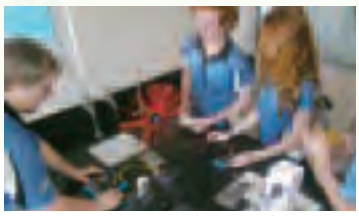
INPEX provided a sum of A$3 million for establishment of the North Australian Centre for Oil and Gas in Charles Darwin University. The Centre opened its doors in 2012 and is offering students programs of education and training related to oil and natural gas.

Scene at the ceremony of donation

Australia

Support for a Program of Scientific Learning

In connection with the Ichthys LNG Project, we are providing students of three schools in the Northern Territory with opportunities to participate in the Science and Technology Education Leveraging Relevance (STELR) project, which is aimed at reinforcing education in science and mathematics.



A class in the program for scientific learning

Corporate Governance

INPEX works diligently to continuously strengthen its corporate governance activities as a part of efforts to engage in responsible management as a global company.

(The information presented in this section was current as of June 26, 2013, unless otherwise stated.)

Overview of the Corporate Governance Structure and Changes Implemented to Strengthen that Structure

Overview of the Corporate Governance Structure

Organizational structure
Company with statutory auditors

Directors
Number of directors as stipulated by the Articles of Incorporation: up to 16
Number of directors (number of outside directors): 16 (5)
Term: 1 year

Statutory auditors
Number of statutory auditors as stipulated by the Articles of Incorporation: up to 5
Number of statutory auditors (number of outside auditors): 5 (4)
Term: 4 years

Number of independent directors and auditors: 9 (5 outside directors, 4 outside auditors)

Rights plan and other measures to protect against a takeover: None

Other: Issuance of Class A Stock to the Minister of Economy, Trade and Industry

Changes Implemented to Strengthen the Corporate Governance Structure

	Strengthened the supervisory and audit functions	Undertook steps to address management issues	Addressed issues relating to compensation
2006		Established the Compliance Committee	
2007		Established the Information Security Committee	
2008	Implemented the Executive Officer System	Established the Corporate HSE Committee	
2009	Strengthened the Support to the statutory auditors (two members, one of which is a management position, are assigned to concurrently serve as ancillary staff)		
≀			
2012 ≀ 2013	Shortened the directors' and executive officers' terms of office (from two years to one year) Appointed an additional outside director (from four directors to five directors) Registered nine outside directors / statutory auditors as independent as stipulated by the Tokyo Stock Exchange Established the Advisory Committee	Established the CSR Committee Established the Medium- to Long-Term Vision of INPEX	Established guidelines for the purchase of shares of INPEX Consolidated outside director and statutory auditor compensation into a single fixed amount while abolishing the bonus component

Establishment of the Advisory Committee

The Advisory Committee comprising eminent persons both from Japan and overseas was established on October 1, 2012 to enhance the Company's value and further bolster corporate governance. The role of the Advisory Committee is to provide objective recommendations and advice that incorporate a wide range of opinions and perspectives on important matters relating to the Company's business and management including political and economic conditions in Japan and overseas, circumstances surrounding energy, and CSR. The Advisory Committee is generally scheduled to meet twice each year. The first meeting was held in December 2012 and the second meeting in June 2013.

Issues discussed during the first meeting of the Advisory Committee on December 18, 2012

- Operating conditions in the United States (energy policies in the United States and the impact of the shale gas revolution in the United States on international politics and economic conditions)

Issues discussed during the second meeting of the Advisory Committee on June 6, 2013

- The impact of ongoing shale gas and oil development in the United States on such issues as the structure of energy supply and demand as well as prices
- The impact on international conditions attributable to such factors as changes in energy supply and demand in the United States
- Changes in global country risks owing to such factors as forecasts of conditions in the Middle East
- The promotion of CSR management as a global company

Advisory Committee members in attendance (front row from the left)

Dr. Masayuki Yamauchi
Professor Emeritus, The University of Tokyo

Dr. Tsutomu Toichi
Advisor, The Institute of Energy Economics, Japan

Ms. Kaori Kuroda
Executive Director, CSO Network Foundation

Dr. Kent Eyring Calder
Director, the Edwin O. Reischauer Center for East Asian Studies; Professor, Johns Hopkins University

Participants from INPEX (back row from the left)

Seiji Yui
Director, Senior Managing Executive Officer

Toshiaki Kitamura
President & CEO

Naoki Kuroda
Chairman

Masatoshi Sugioka
Vice Chairman

The Company's Management Structure

[1] Directors and the Board of Directors

Directors with a wide range of knowledge appointed from within the Company, deliberate on and determine important matters relating to the conduct of business in conjunction with outside directors. In this manner, INPEX ensures that decisions are made in a rational, effective, and objective manner.

The Company's Board of Directors comprises 16 members, five of whom are outside directors. In addition to a monthly meeting, the Board of Directors meets as necessary in order to discuss and determine the execution of important matters. The Board also supervises the execution of duties by directors. In addition, the term of office for directors has been set at one year to enable a faster response to changes in the Company's operating environment and to further clarify management responsibilities.

[2] Executive Committee and Executive Officer System

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

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

[3] Director Compensation

In the business of developing oil and natural gas, a considerable amount of time is required between the launch of a business venture and any investment recovery. Accordingly, INPEX does not consider it appropriate to reflect short-term performance in directors' compensation. Compensation for directors consists of monthly compensation (basic compensation), which is paid based on the duties of each director, and a bonus based on the Company's performance. Compensation is determined by the Board of Directors. Similarly, compensation paid to statutory auditors consists of monthly compensation (basic compensation) and a bonus, which is determined through consultation between statutory auditors.

The table at the bottom left of the page shows the amount of compensation paid to directors and statutory auditors for the year ended March 31, 2013. From the current period, the bonus component paid to outside directors and statutory auditors has been abolished. Outside directors and statutory auditors are now paid a consolidated fixed compensation amount only. This takes into account efforts to further bolster corporate governance.

[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 Directors and Auditors (Year ended March 31, 2013)

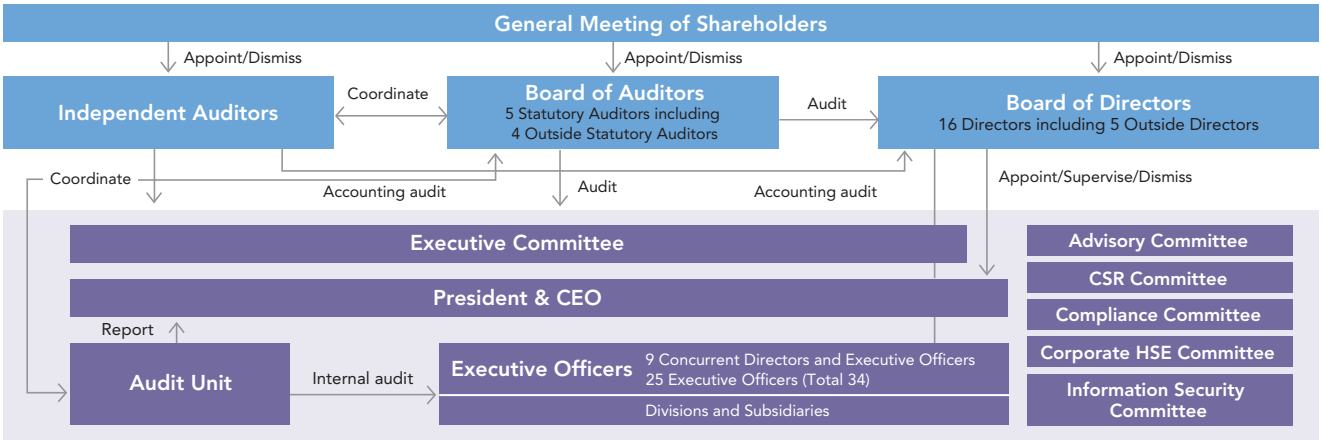
Director classification	Total amount of compensation paid (¥ million)	Total amount of compensation paid by type of compensation (¥ million)		Number of directors eligible for basic compensation (person)
		Basic compensation	Bonus	
Directors (excluding outside directors)	500	403	97	12
Statutory Auditors (excluding outside auditors)	27	25	2	1
Outside Directors	79	69	10	10

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, 2013.
4. The number of directors eligible for compensation includes two directors (including one outside director) who retired due to the expiration of their terms effective from the Board of Directors' meeting held on June 26, 2012 following the close of the Company's 6th ordinary General Meeting of Shareholders.
5. In addition to the amounts of compensation paid presented in the table, an amount totaling ¥2 million was paid by a subsidiary company as director compensation to an outside director of the Company for the year ended March 31, 2013.

Compensation Paid to the CPAs and Related Parties (Year ended March 31, 2013)

Name of the CPA firm	Ernst & Young ShinNihon LLC
Names of the CPAs	Kazuhiko Umemura, Satoshi Takahashi
Accounting audit members	19 CPAs and 29 others
Compensation for auditing services	¥199 million (INPEX: ¥134 million; Consolidated subsidiaries: ¥65 million)
Compensation for non-auditing services	¥35 million (INPEX: ¥23 million; Consolidated subsidiaries: ¥12 million)

Corporate Governance Framework



Outside Directors: Independence and Reason for Appointment

[1] Outside Directors

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

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

[2] Outside Auditors

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

Four of the five auditors are outside auditors who possess rich knowledge and experience in our company's business, as well as in fields such as finance and accounting and utilize these qualities when performing auditing activities for our company. One of those auditors also holds the position of director at Japan Petroleum Exploration Co., Ltd. (JAPEX), a company that engages in the same type of business as the Company.

[3] Independence of Outside Directors

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

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

[4] Board of Auditors and Statutory Auditors

INPEX has adopted a statutory auditor system. The Board of 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 meet on a regular and as needed basis with the Independent Auditors, and receive reports from the Independent

Outside Directors

Kazuo Wakasugi
Director (Outside)

Yoshiyuki Kagawa
Director (Outside)

Seiji Kato
Director (Outside)

Rentaro Tonoike
Director (Outside)

Yasuhiko Okada
Director (Outside)

Kazuo Wakasugi

April 1953	Joined Ministry of International Trade and Industry (currently Ministry of Economy, Trade and Industry)
June 1984	Vice-Minister for International Affairs, Ministry of International Trade and Industry
September 1986	Advisor to Long-Term Credit Bank of Japan, Ltd. (currently Shinsei Bank, Ltd.)
June 1993	Representative Director, Executive Vice President of Mitsubishi Electric Corporation
May 1995	Advisor to Japan Petroleum Exploration Co., Ltd. ("JAPEX")
June 1995	Representative Director, President of JAPEX
June 1996	Director of Indonesia Petroleum, Ltd. (INPEX Corporation)
June 2001	Representative Director, Chairman of JAPEX
April 2006	Director of INPEX Holdings Inc. (currently the Company) (incumbent)
May 2007	Counsellor of JAPEX
June 2013	Corporate Advisor of JAPEX (incumbent)

Yoshiyuki Kagawa

April 1970	Joined Mitsui & Co., Ltd.
September 2001	Director of Mitsui Oil Exploration Co., Ltd.
October 2001	Chief Operating Officer of Energy Business Unit, Energy Group of Mitsui & Co., Ltd.
April 2002	Managing Officer, Chief Operating Officer of Energy Business Unit, Energy Group of Mitsui & Co., Ltd.
April 2003	Executive Managing Officer, Chief Operating Officer of Energy Business Unit of Mitsui & Co., Ltd.
April 2005	Representative Director, Executive Vice President of Mitsui Oil Exploration Co., Ltd.
June 2005	Representative Director, President, CEO of Mitsui Oil Exploration Co., Ltd.
June 2006	Representative Director, President, CEO and CCO of Mitsui Oil Exploration Co., Ltd.
June 2007	Director of INPEX Holdings Inc. (currently the Company) (incumbent)
June 2012	Senior Adviser of Mitsui Oil Exploration Co., Ltd. (incumbent)

Seiji Kato

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

Rentaro Tonoike

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

Yasuhiko Okada

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

Auditors regarding audits. They also conduct regular meetings with the internal audit department (Audit Unit) to receive reports regarding internal audits and the evaluation of internal controls.

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

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

	Name	Independent director	Significant concurrently held positions	Reason for appointment	Attendance at board meetings
Outside directors	Kazuo Wakasugi	✓	Corporate Advisor for Japan Petroleum Exploration Co., Ltd., a shareholder in our company	To utilize in our company's management his rich experience and broad knowledge as a business executive	Board of Directors meetings 15/16
	Yoshiyuki Kagawa	✓	Senior Advisor of Mitsui Oil Exploration Co., Ltd., a shareholder in our company	To utilize in our company's management his rich experience and broad knowledge as a business executive	Board of Directors meetings 15/16
	Seiji Kato	✓	Corporate Advisor of Mitsubishi Corporation, a shareholder in our company	To utilize in our company's management his rich experience and broad knowledge in the resources/energy industry	Board of Directors meetings 16/16
	Rentaro Tonoike	✓	Director, Senior Vice President and Executive Officer of JX Holdings, Inc., a shareholder in our company	To utilize in our company's management his rich experience and broad knowledge in the resources / energy industry	Board of Directors meetings 12/12
	Yasuhiko Okada	✓	Partner of Kitahama Partners	Possesses extensive experience and knowledge in finance as well as professional knowledge and experience as an attorney, in addition to management experience in financial institutions	Board of Directors meetings 12/12
Outside auditors	Haruhito Totsune	✓	—	Possesses rich knowledge and experience in financial fields	Board of Directors meetings 15/16 Board of Auditors meetings 14/15
	Koji Sumiya	✓	—	To utilize in our company's auditing procedures his knowledge of finance	Board of Directors meetings 16/16 Board of Auditors meetings 15/15
	Hiroshi Sato	✓	Executive Vice President and Executive Officer of Japan Petroleum Exploration Co., Ltd., a shareholder in our company	To utilize in our company's auditing procedures his rich experience and broad knowledge in the resources/energy industry, as well as his accounting-related knowledge	Board of Directors meetings 13/16 Board of Auditors meetings 12/15
	Masaru Funai	✓	Former Senior Consultant of Marubeni Corporation	To utilize in our company's auditing procedures his rich experience and broad knowledge in the resources/energy industry, as well as his accounting-related knowledge	Board of Directors meetings 16/16 Board of Auditors meetings 15/15

Statutory Auditors

Yoshitsugu Takai
Statutory Auditor

Haruhito Totsune
Statutory Auditor (Outside)

Koji Sumiya
Statutory Auditor (Outside)

Hiroshi Sato
Statutory Auditor (Outside)

Masaru Funai
Statutory Auditor (Outside)

Yoshitsugu Takai

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

Haruhito Totsune

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

Koji Sumiya

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

Hiroshi Sato

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

Masaru Funai

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

Internal Control Systems / Risk Management

Internal Control Systems

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

An overview of these systems is as follows.

Compliance by Directors and Employees

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

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

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

Rules and Other Systems for Risk Management

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

Efficiency of Duties for Directors

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

Proper Operation of the INPEX Group

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

Employees to Assist Statutory Auditors

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

Independence of Employees to Assist Statutory Auditors

- Any changes in personnel of the statutory auditors' assistants shall be discussed with the statutory auditors.

Reporting to Statutory Auditors

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

Ensuring the Effectiveness of Audits by Statutory Auditors

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

Class A Stock

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

▸ See **pp. 138–139** for Business Risks (8. Class A Stock).

Stock Data (As of March 31, 2013)

Authorized Shares

Common Stock: 9,000,000 common shares
(After stock split on Oct. 1, 2013: 3,600,000,000 shares)

Class A Stock: 1 Class A Stock

Total Number of Shareholders and Issued Shares

Common Stock:
40,610 shareholders / 3,655,809 shares
(After stock split on Oct. 1, 2013: 1,462,323,600 shares)

Class A Stock: 1 shareholder (Minister of Economy, Trade and Industry) / 1 share

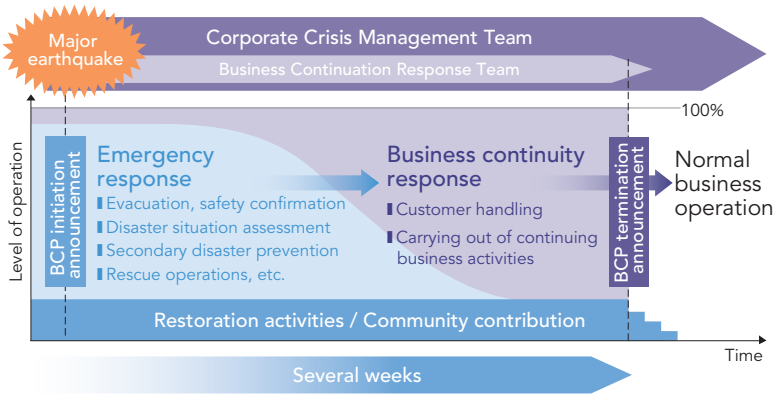
Overview of Risk Management

Business Continuity Plan (BCP)

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

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

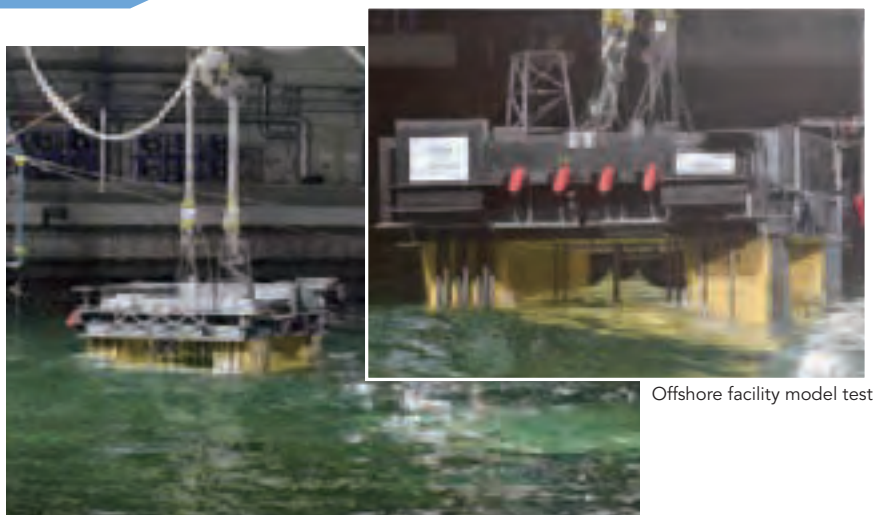
Emergency Response System and Business Continuation Response Level of Operation



The Corporate Crisis Management Team engages in discussion

Addressing Climate Change Risk

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

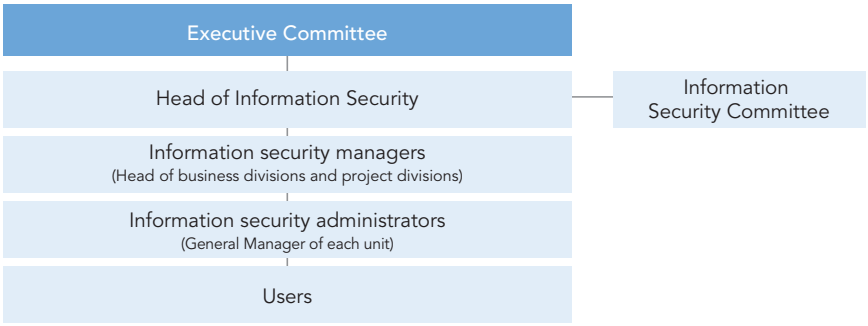


Offshore facility model test

Information Security Measures

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

Information Security Management System



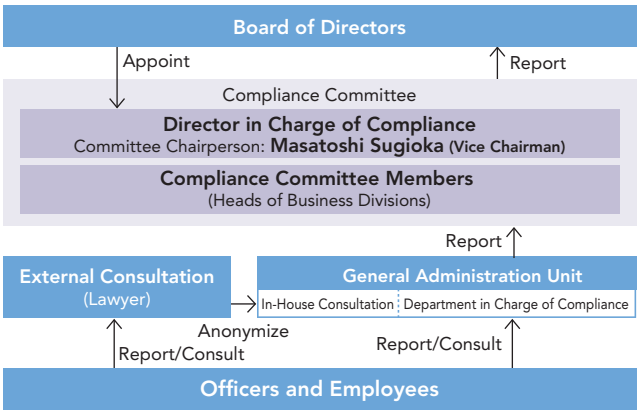
Compliance / Disclosure

Compliance Initiatives

[1] Compliance Committee

To conduct integrated actions throughout our entire company, we established the Compliance Committee. Our company's Vice Chairman (director in charge of compliance) serves as the chairperson of the committee. The committee works together with the statutory auditors, the Board of Auditors, the Independent Auditors and the Audit Unit, which is the internal audit department. Through this cooperation, the committee proposes / implements compliance measures, formulates measures to prevent the reoccurrence of violations.

Compliance Framework (Internal notification system)

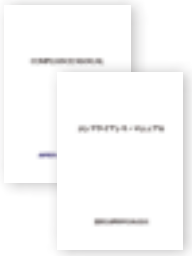


[2] Internal Notification System

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. There were four reports received during the year ended March 31, 2013.

[3] Compliance Education

The Company distributes a compliance manual and compliance Q&A to each and every employee. At the same time, a designated compliance home page has been established on the intranet. Moreover, the *Compliance Journal* is issued and posted each month. To heighten awareness toward compliance, the Company also conducts level-based (middle management and general employees) compliance training as well as e-learning programs. Furthermore, lawyers serve as lecturers at group training sessions.



Compliance manuals

Compliance Q&A

Compliance Journal

[4] Anti-Corruption Initiatives

Endorsement of the UN Global Compact

INPEX endorsed the UN Global Compact in December 2011. Having endorsed the Compact, the Company agrees to commit to 10 universally accepted principles across the four fields of human rights, labor, the environment, and anti-corruption. In this manner, INPEX is working to contribute to the sustainable development of the international community.

Increasing the awareness of directors and employees toward anti-corruption

The Company's Code of Conduct outlines the need for directors and employees to adhere strictly to the related laws and regulations as they relate to the prevention of bribery and corrupt practices in each country. In addition, INPEX is currently preparing specific guidelines in connection with the prevention of corruption. Based on these guidelines, the Company will continue to bolster its global anti-corruption structure and systems.

Participating in EITI

INPEX has been a participant in the Extractive Industries Transparency Initiative (EITI) from October 2012. EITI is a global initiative that aims to implement good governance and promote economic development throughout resource-rich countries by eradicating political corruption and poverty through the clarification of the flow of funds from resource exploration industries to the governments of resource producing countries. As of May 2013, 40 resource producing countries, numerous supporting countries including Japan, and a substantial number of companies and NGOs were participants.

▸ EITI's Web site
www.eitransparency.org

The exhibition booth at EITI's annual meeting

Compliance training

Disclosure Structure and IR Activities

[1] Disclosure Structure

INPEX has put in place internal regulations to ensure the proper disclosure of corporate information. These regulations define the processes for collecting, managing, transmitting, and disclosing information.

▸ Please refer to the Company's Web site for details: URL: **inpex.co.jp/en/ir/policy**

Representative directors and responsible directors as well as six dedicated staff conduct proactive IR activities for shareholders and investors in Japan and overseas. For any questions regarding IR information, please contact the Investor Relations Group (TEL.: +81-3-5572-0234). Inquiries may also be directed through the Company's Web site. For inquiries and to request information via the Internet: URL: inpex.co.jp/en/ir/inquiries

[2] Shareholder and Investor Contact (IR activities)

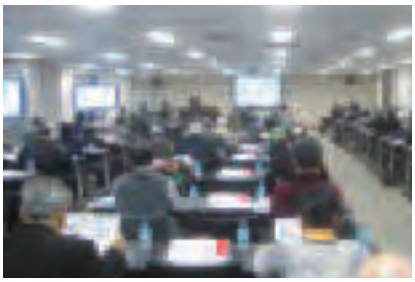
1. To invigorate the general meeting of shareholders and promote effective voting

	Supplementary explanation
Early delivery of convocation notices for the general meeting of shareholders	At the 7th Ordinary General Meeting of Shareholders held on June 25, 2013, we sent convocation notices on June 3, which was more than three weeks before the date of the meeting.
Use of voting rights through the Internet	We implemented the use of voting rights via the Internet. We also adopted a platform for the electronic use of voting rights.
Other	The convocation notice and other related documentation are available in both Japanese and English on our company's Web site and TDnet. On the day of the shareholders' meeting, we used videos and a slide show to explain our business before opening the meeting.

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, 2013, we held 9 meetings in 8 cities throughout Japan. The meetings were attended by more than 750 individual investors.	Yes
Regular IR presentations for analysts and institutional investors	We hold biannual meetings on financial results for analysts and institutional investors. The President & CEO and the director in charge of finance and accounting explain our financial details and business forecast to approximately 200 analysts and institutional investors. Video archives of the meetings are made available on the same day on our company's Web site. An English translation is included in the transmission.	Yes
IR meetings	We held more than 400 IR meetings with analysts and institutional investors for the year ended March 31, 2013. Meetings included overseas IR road shows, conferences and one-on-one meetings.	Yes
IR materials available on Web site	Our Web site (IR section) features financial reports, stock information, presentation materials, videos and brochures for individual investors. ▸ **inpex.co.jp/english/ir**	Yes

7th Ordinary General Meeting of Shareholders (June 25, 2013)



IR presentation for individual investors (presented by Toshiaki Kitamura, President & CEO in January 2013)

IR presentation for individual investors (presented by Masatoshi Sugioka, Vice Chairman in February 2013)

The Company's booth at the IR fair for individual investors (February 2013)

Overseas site tour for analysts (December 2012)

Board of Directors (As of June 26, 2013)

Shunichiro Sugaya
Director,
Managing
Executive Officer

Masahiro Murayama
Director,
Managing
Executive Officer

Seiya Ito
Director,
Managing
Executive Officer

Wataru Tanaka
Director,
Managing
Executive Officer

Takahiko Ikeda
Director,
Managing
Executive Officer

Yoshikazu Kurasawa
Director,
Managing
Executive Officer

Naoki Kuroda Chairman

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

Masatoshi Sugioka Vice Chairman

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

Toshiaki Kitamura President & CEO

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

Seiji Yui Director, Senior Managing Executive Officer

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

Masaharu Sano Director, Senior Managing Executive Officer

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

Shunichiro Sugaya Director, Managing Executive Officer

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

Masahiro Murayama Director, Managing Executive Officer

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

Seiya Ito Director, Managing Executive Officer

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

Wataru Tanaka Director, Managing Executive Officer

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

Takahiko Ikeda Director, Managing Executive Officer

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

Yoshikazu Kurasawa Director, Managing Executive Officer

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

Directors and Auditors

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

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

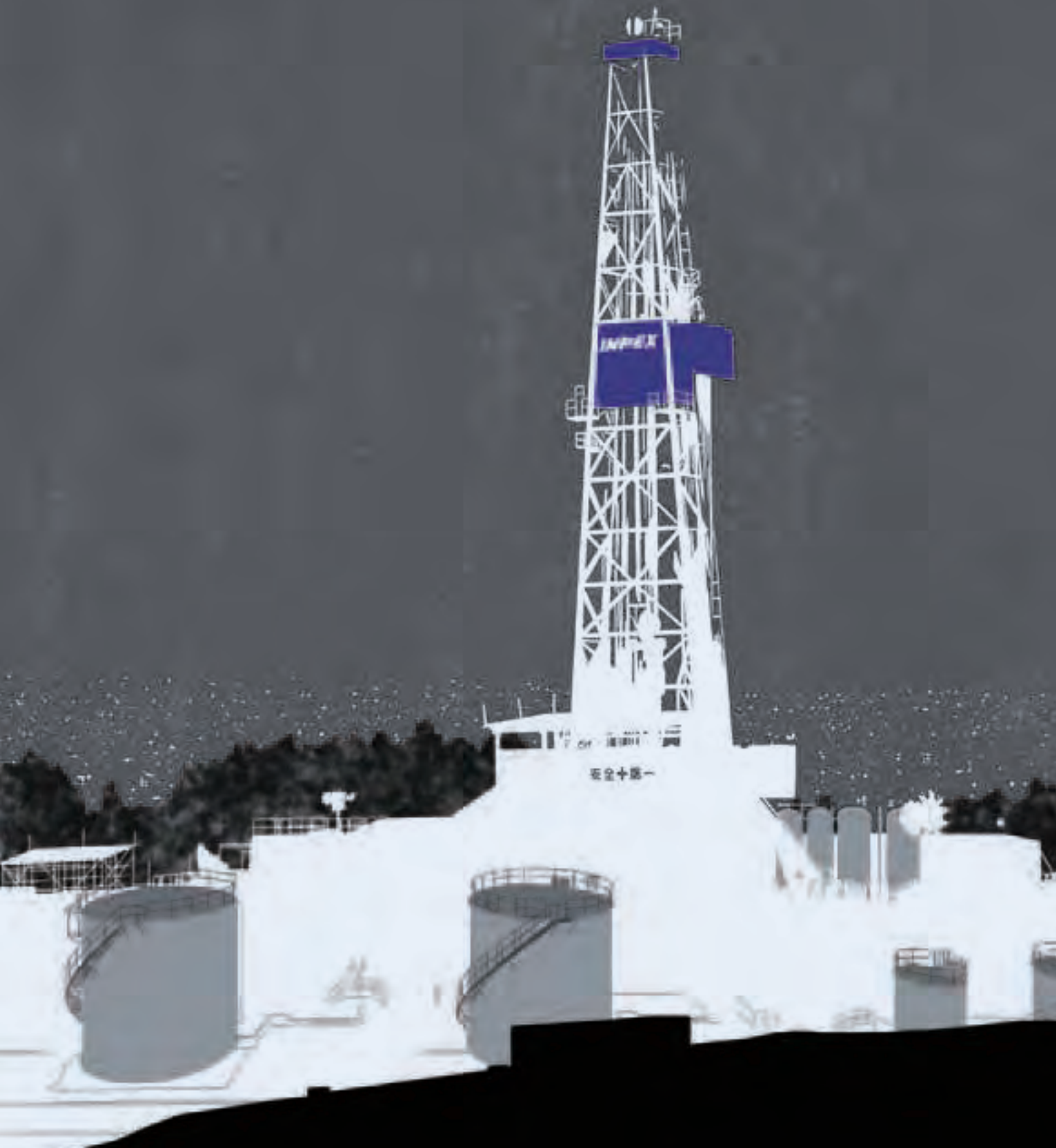
Executive Officers

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

Internal Committees

	Objectives	Established	Number of Committee Meetings Held during the Year Ended March 31, 2013
Advisory Committee	The INPEX Advisory Committee is made of up key figures from Japan and overseas. The Committee provides the Company with advice and recommendations on a host of business-related issues and has been established to further enhance corporate value and corporate governance.	Oct. 2012	1
CSR Committee	The CSR Committee is charged with the responsibility of systematically promoting and continuously strengthening CSR activities Companywide.	Apr. 2012	5
Compliance Committee	The Compliance Committee is charged with the responsibility of fostering greater awareness toward compliance within the Company and strengthening corporate ethics and behavior.	Apr. 2006	6
Corporate HSE Committee	The Corporate HSE Committee promotes HSE (health, safety and environment) activities on a Group-wide basis in accordance with the HSE Management System.	Oct. 2007	9
Information Security Committee	The Company's Information Security Committee evaluates and determines a variety of measures that are considered essential to the maintenance, management, and strengthening of information security.	Nov. 2007	3

FINANCIAL / CORPORATE INFORMATION 7



Message from the Senior Vice President, Finance & Accounting Division

I would like to take this opportunity to provide an overview of the Group's business results highlights and financial position, for the year ended March 31, 2013 as well as details of its investment plans and funding.

Business Results Highlights for the Year Ended March 31, 2013

Consolidated net sales for the year ended March 31, 2013 resulted ¥1,216.5 billion increased by 2.5% and consolidated net income resulted ¥183.0 billion decreased by 5.7% from the previous fiscal year. Despite this decrease, the Group recognized one-off gain on transfer of the Ichthys interest of approximately ¥50.0 billion, in similar fashion to the gain on transfer of the Masela interest recognized in the year ended March 31, 2012. As a result, INPEX maintained a high level of income.

The substantial depreciation of the yen against the U.S. dollar toward the end of the year ended March 31, 2013 had a positive effect on the Group's results, such as pushing net sales up by ¥47.2 billion. On the other hand, foreign exchange loss occurred on foreign-currency denominated loans of ¥30.1 billion as other expenses. Meanwhile, the Group recognized foreign exchange gain on foreign-currency denominated bonds attributable to yen depreciation, which is not reflected in the statement of income, but as unrealized holding gain on securities in net assets. The risks associated with the Group's foreign-currency denominated transactions are considered to be in effect offset by efforts to balance its foreign-currency denominated assets and liabilities.

Financial Position

Consolidated total assets as of March 31, 2013 increased by ¥549.8 billion to ¥3,616.2 billion from the previous fiscal year mainly due to the development investment in the Ichthys Project, and the acquisition of interests in the shale gas projects in Canada and the Prelude FLNG Project in Australia. The Group relies mainly on operating cash flows and external loans to procure funds for these investments. At the same time, the available cash on hand as of March 31, 2013 was approximately ¥1,500.0 billion and secured for those investments planned in the "Medium- to Long-Term Vision of INPEX." Recognizing that its investments are generally in U.S. dollars, the vast majority of available cash on hand is in effect denominated in U.S. dollars.

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

Consolidated net assets as of March 31, 2013 increased by ¥356.8 billion to ¥2,671.0 billion. In addition to the increase in retained earnings of ¥155.6 billion attributable to net income for the period, the increase in net assets largely reflected the impact of yen depreciation on unrealized gain from hedging instruments and translation adjustments, which rose ¥118.7 billion. The increases in unrealized gain from hedging instruments and translation adjustments were derived from foreign exchange gain by yen depreciation, resulting from the foreign exchange forward contracts and capital investments in the overseas subsidiaries under yen appreciation situation.

Yen depreciation contributed to improve the Group's financial condition. Its equity ratio which resulted 68.6% as of March 31, 2013 remained substantially higher than our long-term financial target of 50%. Moreover, net assets per share also increased by 13.9% from the previous fiscal year.

Investment Plans and Funding

"Medium- to Long-Term Vision of INPEX" issued in May 2012 expresses ¥3.5 trillion investment plans over the 5 years period from the year ended March 31, 2013 to the year ending March 31, 2017. In accordance with the plans, INPEX is continuing to engage in exploration and development investments toward future growth. In light of the recent trend of yen depreciation, INPEX has revised its medium- to long-term assumption of exchange rate from ¥80 in May 2012 to ¥95 to the U.S. dollar. As a result, the investment amount on yen basis has fluctuated upward. For the sake of investments denominated in U.S. dollars, the Group plans to procure the required funds mainly through U.S. dollar based external loans including project finance as well as U.S. dollar based operating cash flows. As previously mentioned, the vast majority of available cash on hand is denominated in U.S. dollars. The current amount held is sufficient to meet the Group's needs for U.S. dollar based exploration and development investments in the next four years. Taking this into consideration, INPEX is not required to incur additional debt as a result of yen depreciation and accordingly does not contemplate the need for further financing.

The Group will make efforts to manage its balance sheet while taking care of financial condition to maintain the long-term financial targets of "an equity ratio of 50% or more" and "a net debt to net total capital employed ratio of 20% or less".

▸ **For details regarding the Group's investment plans and funding please refer to the "The Medium- to Long-Term Vision of INPEX and Investment Plans" section of the report on pp. 40 and 41.**

Notes

* EBIDAX = Net income + Minority interests + Deferred tax + (1 – Tax rate) × (Interest expense – Interest income) + Exchange profit and loss + Depreciation and amortization + Amortization of goodwill + Recovery of recoverable accounts under production sharing (capital expenditures) + Exploration expenses + Provision for exploration projects + Provision for allowance for recoverable accounts under production sharing
* Net assets excluding minority interests = Net assets – Minority interests
* Equity ratio = Net assets excluding minority interests / Total assets
* Net debt = Interest-bearing debt – Cash and cash equivalents – Time deposits – Certificate of deposits – Public bonds and corporate bonds and other debt securities with determinable value – Long-term time deposits
* Net debt / Net total capital employed = Net debt / (Net assets + Net debt)
* D/E ratio = Interest-bearing debt / (Net assets – Minority interests)
* ROE = Net income / Average of net assets excluding minority interests at the beginning and end of the year
* Net ROACE = (Net income + Minority interests + (Interest expense – Interest income) × (1 – Tax rate)) / Average of sum of net assets and net debt at the beginning and end of the year
* The reserves cover most of INPEX group projects including the equity-method affiliates. The reserves from March 31, 2007 to March 31 2010 were evaluated by DeGolyer & MacNaughton, and from March 31, 2011, the reserves of projects which are expected to be invested a large amount and affect the Group's future result materially are evaluated by DeGolyer & MacNaughton, and the others are done internally.
  The proved reserves are evaluated in accordance with SEC regulations.
  The probable reserves are sum of proved reserves and probable reserves evaluated in accordance with SPE/WPC/AAPG/SPEE guideline Petroleum Resources Management System 2007(PRMS) approved in March 2007 after deduction of proved reserves evaluated in accordance with SEC regulations.The probable reserves include reserves of bitumen. Probable reserves as of March 31, 2007 are evaluated in accordance with the guideline established by SPE and WPC (1997 SPE/WPC).
  Possible reserves are evaluated in accordance with PRMS. Possible reserves also include reserves of bitumen.
* Production volumes are calculated in accordance with SEC regulations and include the equity-method affiliates. The production volume of crude oil and natural gas under the production sharing contracts entered into by the Group corresponds to the net economic take of the Group.
  Calculation of the conversion factor from gas to oil equivalent was altered from the year ended March 31, 2012.
* Exploration and development expenditures = Exploration expenditures + Development expenditures + Acquisition costs
  Exploration and development expenditures include the Group's share of investment in the Ichthys downstream entity (Ichthys LNG Pty Ltd, an equity-method affiliate) from the year ended March 31, 2012.

Notes: 1 INPEX Holdings Inc. was established on April 3, 2006 through a stock transfer between INPEX CORPORATION and Teikoku Oil Co., Ltd. and merged with these subsidiaries and changed the corporate name to INPEX CORPORATION on October 1, 2008.

2 INPEX Corporation settles accounts in March; Teikoku Oil Co., Ltd. settled accounts in December up to the period ended December 31, 2005.

3 Due to a change of the accounting period, amounts of consolidated financial statement of Teikoku Oil Co., Ltd. of the period ended March 31, 2006 reflect the three-month period from January 1, 2006 to March 31, 2006. Per share data and Financial indicators for the period are not listed here.

4 In consolidated financial statements of INPEX Corporation and Teikoku Oil Co., Ltd. announced for the periods ended on or before March 31, 2006, amounts of less than 1 million yen are rounded down, while amounts are basically rounded to the nearest million.

12-Year Financial Information

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

As of or years ended March 31, (Results of operations)		Millions of yen			
		2002/3 2001/12	2003/3 2002/12	2004/3 2003/12	2005/3 2004/12
Net sales	*INPEX*	¥ 184,203	¥ 201,533	¥ 218,831	¥ 478,586
	Teikoku Oil	75,767	73,630	78,498	84,032
Cost of sales	*INPEX*	79,120	95,997	105,758	197,094
	Teikoku Oil	45,036	44,931	47,062	48,455
Gross profit	*INPEX*	105,083	105,536	113,072	281,492
	Teikoku Oil	30,730	28,699	31,436	35,576
Operating income	*INPEX*	97,049	97,270	93,876	268,662
	Teikoku Oil	11,864	7,296	8,739	13,533
Income before income taxes and minority interests	*INPEX*	76,855	70,050	94,773	258,631
	Teikoku Oil	7,799	7,491	11,044	16,676
Net income	*INPEX*	27,605	27,911	34,781	76,493
	Teikoku Oil	¥ 5,704	¥ 5,233	¥ 6,796	¥ 9,276
(Financial position)					
Current assets	*INPEX*	¥ 99,096	¥ 119,076	¥ 106,952	¥ 238,419
	Teikoku Oil	59,894	47,585	50,166	45,658
Tangible fixed assets	*INPEX*	23,444	29,869	35,141	68,260
	Teikoku Oil	96,403	110,416	103,668	114,220
Intangible assets	*INPEX*	4,233	3,885	137,908	138,631
	Teikoku Oil	841	796	754	776
Investments and other assets	*INPEX*	160,874	185,914	245,295	333,915
	Teikoku Oil	45,229	45,188	71,691	79,858
Total assets	*INPEX*	287,649	338,747	525,298	779,227
	Teikoku Oil	202,369	203,986	226,280	240,513
Current liabilities	*INPEX*	17,730	27,275	28,894	122,910
	Teikoku Oil	24,074	23,882	20,661	27,439
Long-term liabilities	*INPEX*	38,317	57,007	185,410	209,738
	Teikoku Oil	41,232	41,342	46,101	44,986
Net assets*	*INPEX*	231,600	254,463	310,991	446,578
	Teikoku Oil	¥ 137,061	¥ 138,760	¥ 159,516	¥ 168,086
(Cash flows)					
Cash flows from operating activities	*INPEX*	¥ 51,830	¥ 51,282	¥ 44,464	¥ 131,206
	Teikoku Oil	15,971	15,004	19,955	19,225
Cash flows from investing activities	*INPEX*	(39,626)	(40,533)	(218,121)	(119,956)
	Teikoku Oil	(19,666)	(27,166)	(8,284)	(20,018)
Cash flows from financing activities	*INPEX*	9,443	21,237	151,120	9,791
	Teikoku Oil	6,238	(407)	(5,914)	(5,824)
Cash and cash equivalents at end of the year	*INPEX*	49,775	78,414	54,582	128,375
	Teikoku Oil	¥ 34,001	¥ 23,020	¥ 28,789	¥ 22,234
(Per share data)					
Earnings per share (EPS) (Yen)	*INPEX*	¥15,617.64*	¥15,726.17*	¥19,612.92*	¥40,255.92
	Teikoku Oil	18.63	17.11	22.09	30.22
Net assets per share (Yen)	*INPEX*	130,586.85*	143,389.73*	157,275.33*	214,163.98
	Teikoku Oil	438.79	444.90	512.18	543.62
Cash dividends per share (Yen)	*INPEX*	3,333*	3,333*	3,333*	4,000
	Teikoku Oil	¥ 7.00	¥ 6.00	¥ 6.00	¥ 7.50
(Financial indicators)					
Net debt / Net total capital employed (%)	*INPEX*	(82.8)%	(75.8)%	12.0%	(13.3)%
	Teikoku Oil	(15.0)	(2.3)	(9.1)	(5.5)
Equity ratio (%)	*INPEX*	80.2	74.9	52.9	52.8
	Teikoku Oil	66.4	66.6	69.1	69.0
D/E ratio (%)	*INPEX*	13.5	18.5	60.9	43.2
	Teikoku Oil	17.5%	18.8%	13.9%	10.8%

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

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

Millions of yen

2006/3 2005/12	2006/3	2007/3	2008/3	2009/3	2010/3	2011/3	2012/3	2013/3
				INPEX				
¥ 704,234	100,716	27,718	¥ 969,713	¥ 1,202,965	¥ 1,076,165	¥ 840,427	¥ 943,080	¥ 1,186,732	¥ 1,216,533
257,903	55,473	12,807	343,795	390,554	319,038	298,168	334,833	395,443	426,326
446,330	45,243	14,910	625,918	812,411	757,127	542,259	608,247	791,289	790,207
426,650	21,077	9,470	559,077	714,211	663,267	461,668	529,743	709,358	693,448
403,539	26,122	10,216	586,263	685,800	616,167	442,027	508,587	767,039	718,146
103,476	¥ 15,485	¥ 6,484	¥ 165,092	¥ 173,246	¥ 145,063	¥ 107,210	¥ 128,699	¥ 194,001	¥ 182,962
				INPEX				
¥ 257,573	58,586	65,864	¥ 474,124	¥ 565,111	¥ 411,110	¥ 492,855	¥ 492,932	¥ 908,702	¥ 1,106,504
65,219	125,418	126,497	219,227	254,481	297,636	358,094	379,862	383,698	584,541
136,757	811	1,028	265,822	265,481	253,681	239,205	249,111	233,318	380,156
512,887	108,949	115,268	648,934	722,828	805,618	923,624	1,558,475	1,540,680	1,544,958
972,437	293,767	308,659	1,608,107	1,807,901	1,768,045	2,013,778	2,680,380	3,066,398	3,616,159
179,600	28,998	28,156	266,248	325,286	206,059	227,905	254,729	367,844	414,977
250,236	65,230	72,927	261,843	243,802	199,925	295,270	328,268	384,361	530,198
542,600	¥199,536	¥207,574	¥ 1,080,016	¥ 1,238,813	¥ 1,362,061	¥ 1,490,603	¥ 2,097,383	¥ 2,314,193	¥ 2,670,984
				INPEX				
¥ 218,239	15,118	9,872	¥ 231,982	¥ 363,995	¥ 230,352	¥ 241,373	¥ 274,094	¥ 320,692	¥ 252,347
(252,399)	(20,287)	(4,705)	(209,243)	(261,767)	(240,168)	(251,812)	(844,511)	(280,864)	(489,870)
14,350	7,845	5,480	13,794	(45,228)	(46,090)	68,937	548,057	29,294	137,069
114,967	¥ 25,545	¥ 36,175	¥ 189,417	¥ 222,270	¥ 162,845	¥ 216,395	¥ 182,025	¥ 249,233	¥ 199,859
				INPEX				
¥ 53,814.47	50.61	—	¥ 70,423.45	¥ 73,510.14	¥ 61,601.60	¥ 45,553.56	¥ 40,832.40	¥ 53,137.93	¥ 50,114.22
262,966.53	646.90	—	436,467.92	491,168.09	540,100.10	589,548.88	546,958.90	596,908.99	679,639.63
5,500	¥ 9.00	¥ —	¥ 7,000.00	¥ 7,500.00	¥ 8,000.00	¥ 5,500.00	¥ 6,000.00	¥ 7,000.00	¥ 7,000.00
				INPEX				
(19.6)%	(1.0)	—	(18.6)%	(36.1)%	(31.2)%	(30.6)%	(48.9)%	(60.7)%	(43.9)%
51.9	67.1	—	64.0	64.0	71.9	68.9	74.5	71.1	68.6
43.6	14.7%	—%	24.2%	16.8%	12.9%	17.3%	13.7%	14.6%	19.2%

Background Information

Oil and Gas Accounting Policies and Treatment

ACCOUNTING METHODS FOR TYPES OF AGREEMENTS

The oil and gas business generates the bulk of consolidated net sales revenues for INPEX CORPORATION and its consolidated subsidiaries (the "Group"). Two types of agreements govern the Group's oil and gas operations. One is production sharing contracts (the "PSCs") and the other is 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 contract is an agreement by which one or several oil and gas development companies serve as contractors that undertake at their own expense exploration and development work on behalf of the governments of oil-producing countries or national oil companies and receive production from the projects as cost recovery and compensation.

Cost recovery and production sharing

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

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

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

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

If the actual production for the period is insufficient to cover the quantity of oil and gas equivalent calculated for the cost recovery portion, the latter is capped at actual production and any surplus amount is carried forward to the following period, as stipulated in the PSC.

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

The 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 unit-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

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.

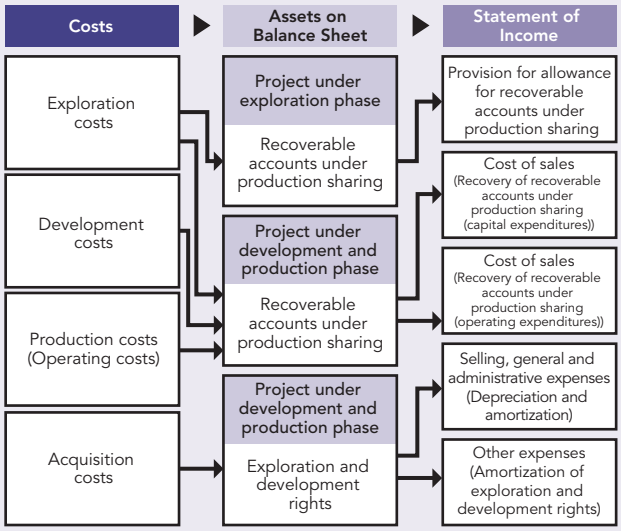
Exploration costs
The Group's share of exploration costs is expensed as incurred.

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 unit-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.

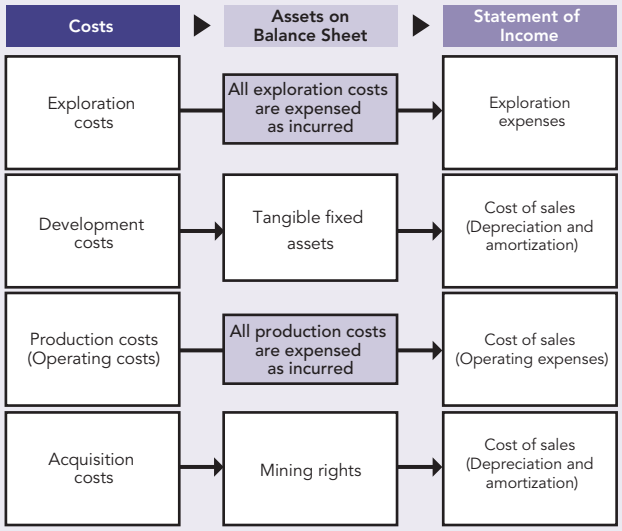
Production costs
The Group's share of operating costs that are incurred during the production phase is recorded within the cost of sales.

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 the financial condition or operating results. Critical accounting policies and estimates relating to the 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 previously had 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. Although assessments and accounting estimates are made on a reasonable basis, actual operating results can change depending on the project status.

— Unit-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 unit-of-production method. This approach requires the estimation of reserves. Although 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 within the countries in which the Group operates or has working interests. Although 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. Although 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. Although 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 exploration expenditures, 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. The 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

Retirement benefit obligation to employees are recognized at 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 calculation of retirement benefit obligations and retirement benefit expenses 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 the revision of such assumptions which were to generate actuarial gains or losses.

— Goodwill

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

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

BUSINESS ENVIRONMENT

During the year ended March 31, 2013, the Japanese economy showed a gradual recovery owing to the reconstruction demand from the Great East Japan Earthquake. Although the economy weakened owing to the slowdown of the global economy stemming from the European debt crisis in the second half of the fiscal year towards its end, there is a growing expectation for an economic upturn from the effect of the new government's economic and monetary policies.

Under such business environment, Brent crude oil price, a typical indicator of international crude oil prices which significantly affect the Group's business, started the year ended March 31, 2013, at US$125.43 per barrel but fell to US$89.23 per barrel in late June due to mounting crude oil inventories worldwide and the European debt crisis. However, after EU leaders agreed on a solution for the debt crisis, an upward trend began and the price reached US$116.90 per barrel in mid-August, remaining at around US$110 per barrel until the end of 2012. As economic indicators in the United States and Europe were strong from the beginning of 2013, the Brent crude oil price went up to US$118.90 per barrel in early February but began to decline from the concerns of a recurrence of the European debt crisis and closed at US$110.02 per barrel for the year ended March 31, 2013. Meanwhile, domestic prices of crude oil and petroleum products tracked movement in the international crude oil prices. Reflecting these circumstances, the Group's average sales price of crude oil for the year ended March 31, 2013, was US$110.11 per barrel, which was US$2.86 lower than that for the year ended March 31, 2012.

The foreign exchange market, another important factor that affects the business of the Group, began the year ended March 31, 2013, with the yen trading at around ¥83 to the U.S. dollar. Yen appreciation continued steadily against the U.S. dollar early in the fiscal year ended March 31, 2013, to the ¥77 level in mid-September while the U.S. economy showed a decelerating recovery and concerns about sovereign and the financial institutions arose in Europe. However, the yen depreciated sharply to the U.S. dollar beginning of December 2012, around the time of the Japanese Lower House election, in line with expectations for the new administration's economic policy and additional monetary easing measures by the Bank of Japan, as well as increased yen selling reflecting trends in Japan's actual trade deficit. Since the beginning of the year, the yen continued to depreciate to the U.S. dollar supported by the expectation of monetary easing related to the appointment of a new governor of the Bank of Japan and the U.S. dollar appearing to appreciate against major currencies, reflecting discussions that the end of quantitative easing began partly against the background of a steady recovery of the U.S. economy.

In March 2013, the yen temporarily dropped to the range of ¥96 to the U.S. dollar, which was the lowest level in three and half years and, as a result, the TTM closed at ¥93.99 to the U.S. dollar on March 31, 2013, which was ¥11.85 lower than that on March 31, 2012. Reflecting these situations, the average sales exchange rate for the Group for the year ended March 31, 2013, was ¥82.68 to the U.S. dollar, which was ¥3.55 lower than that for the year ended March 31, 2012.

PERFORMANCE OVERVIEW

Net sales

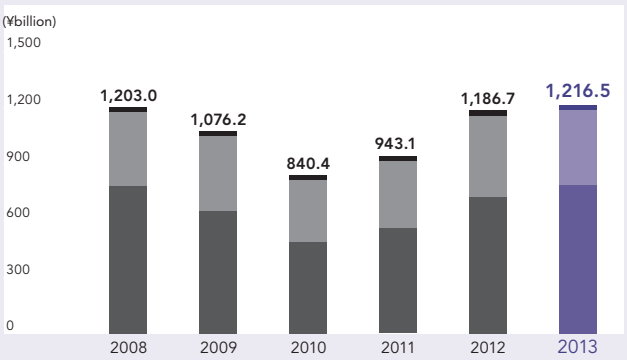
Consolidated net sales for the year ended March 31, 2013, increased by ¥29.8 billion, or 2.5%, to ¥1,216.5 billion from ¥1,186.7 billion for the year ended March 31, 2012, due to an increase in sales volume of crude oil and the positive effect of the depreciation of the yen against the U.S. dollar, despite a decrease in the sales prices of crude oil and natural gas.

Compared with the year ended March 31, 2012, net sales of crude oil increased by ¥61.9 billion, or 8.5%, to ¥788.1 billion from ¥726.2 billion, and net sales of natural gas decreased by ¥31.3 billion, or 7.3%, to ¥397.8 billion from ¥429.1 billion. Net sales excluding crude oil and natural gas decreased by ¥0.8 billion, or 2.6%, to ¥30.6 billion from ¥31.4 billion.

Crude oil sales volume increased by 5,452 thousand barrels, or 6.8%, to 86,189 thousand barrels compared with the year ended March 31, 2012. This was mainly due to an increase in sales volume in the Kitan Oil Field and the ADMA Block. The sales volume of natural gas decreased by 39 billion cubic feet (Bcf), or 10.9%, to 319 Bcf compared with the year ended March 31, 2012. Of this, the sales volume of overseas natural gas decreased by 39 Bcf, or 13.2%, to 253 Bcf compared with the year ended March 31, 2012, mainly due to a decrease in sales volume in the Offshore Mahakam Block. The sales volume of domestic natural gas decreased by 5 million m^3, or 0.3%, to 1,753 million m^3 (equivalent to 65 Bcf) compared with the year ended March 31, 2012. The average sales price of overseas crude oil was US$110.11 per barrel, a decrease of US$2.86, or 2.5%, compared with the year ended March 31, 2012. The average sales price of overseas natural gas was US$13.43 per thousand cubic feet (Mcf), a decrease of US$0.69, or 4.9%, compared with the year ended March 31, 2012. The average sales price of domestic natural gas was ¥47.02 per m^3, an increase of ¥2.46 per m^3, or 5.5%, compared with the year ended March 31, 2012.

The increase of ¥29.8 billion in net sales was mainly derived from the following factors: the increase in sales volume contributing ¥7.6 billion to the increase, a decrease in

Net sales



Years ended March 31	(Millions of yen, %) 2012	2013	Change	Ratio
Net sales:	¥1,186,732	¥1,216,533	¥ 29,801	2.5%
Crude oil	726,223	788,135	61,912	8.5
Natural gas	429,065	397,766	(31,299)	(7.3)
Other	31,444	30,632	(812)	(2.6)
Cost of sales	395,443	426,326	30,883	7.8
Gross profit	791,289	790,207	(1,082)	(0.1)
Exploration expenses	11,747	20,125	8,378	71.3
Selling, general and administrative expenses	48,286	53,734	5,448	11.3
Depreciation and amortization	21,898	22,900	1,002	4.6
Operating income	709,358	693,448	(15,910)	(2.2)
Other income:	102,082	98,666	(3,416)	(3.3)
Interest income	4,400	8,735	4,335	98.5
Dividend income	6,993	7,832	839	12.0
Gain on sales of investment securities	48	25,449	25,401	—
Equity in earnings of affiliates	6,638	—	(6,638)	(100.0)
Gain on transfer of mining rights	70,260	50,173	(20,087)	(28.6)
Other	13,743	6,477	(7,266)	(52.9)
Other expenses:	44,401	73,968	29,567	66.6
Interest expense	1,228	1,518	290	23.6
Equity in losses of affiliates	—	1,042	1,042	—
Provision for allowance for recoverable accounts under production sharing	14,816	15,131	315	2.1
Provision for exploration projects	519	12,452	11,933	—
Foreign exchange loss	14,641	30,056	15,415	105.3
Other	13,197	13,769	572	4.3
Income before income taxes and minority interests	767,039	718,146	(48,893)	(6.4)
Income taxes	536,934	529,275	(7,659)	(1.4)
Income before minority interests	230,105	188,871	(41,234)	(17.9)
Minority interests	36,104	5,909	(30,195)	(83.6)
Net income	¥ 194,001	¥ 182,962	¥(11,039)	(5.7)%

average unit sales prices pushing sales down ¥24.2 billion, the depreciation of the yen against the U.S. dollar contributing ¥47.2 billion to the increase and a decrease in net sales excluding crude oil and natural gas of ¥0.8 billion.

Cost of sales

Cost of sales for the year ended March 31, 2013, increased by ¥30.9 billion, or 7.8%, to ¥426.3 billion from ¥395.4 billion for the year ended March 31, 2012. This was mainly due to an increase in royalties in the ADMA Block owing to an increase in sales, an increase in depreciation and amortization in the Kitan Oil Field and the trend of yen depreciation.

Exploration expenses

Despite a decrease in exploration expenses in the Americas and others, exploration expenses for the year ended March 31, 2013, increased by ¥8.4 billion, or 71.3%, to ¥20.1 billion from ¥11.7 billion for the year ended March 31, 2012, due to increased exploration activities in the Middle East & Africa and other areas.

Selling, general and administrative expenses

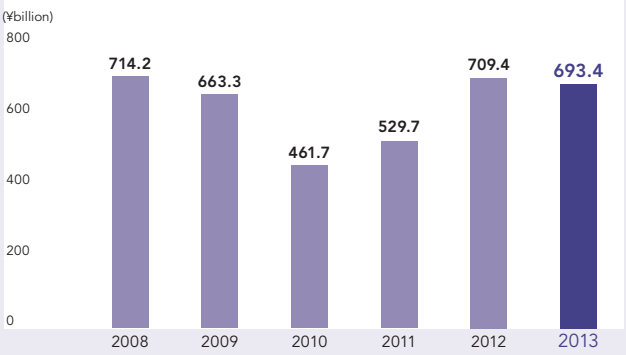
Selling, general and administrative expenses for the year ended March 31, 2013, increased by ¥5.4 billion, or 11.3%, to ¥53.7 billion from ¥48.3 billion for the year ended March 31, 2012. This was mainly due to an increase in personnel expenses, an occurrence of transport costs for shale gas in Canada and an increase in transport costs for ACG crude oil.

Depreciation and amortization

Depreciation and amortization for the year ended March 31,

Cost of sales

Operating income



2013, increased by ¥1.0 billion, or 4.6%, to ¥22.9 billion from ¥21.9 billion for the year ended March 31, 2012, due to an increase in the depreciation of exploration and development rights for the ACG Oil Fields and others. The Group records depreciation costs for production facilities that are covered by concession agreements as cost of sales. In addition, under its accounting treatment of the PSCs, the Group records capital expenditures as "Recoverable accounts under production sharing" instead of capitalizing these costs within tangible fixed assets and depreciating them. Costs that are recovered in any given year based on the terms of the PSCs are included in the cost of sales.

Operating income
As a result of the above, operating income for the year ended March 31, 2013, decreased by ¥16.0 billion, or 2.2%, to ¥693.4 billion from ¥709.4 billion for the year ended March 31, 2012.

Other income
Despite an increase in gain on sales of investment securities, other income for the year ended March 31, 2013, decreased by ¥3.4 billion, or 3.3%, to ¥98.7 billion from ¥102.1 billion for the year ended March 31, 2012, due to a decrease in gain on transfer of mining rights and others.

Other expenses
Other expenses for the year ended March 31, 2013, increased by ¥29.6 billion, or 66.6%, to ¥74.0 billion from ¥44.4 billion for the year ended March 31, 2012. This was mainly due to an increase in provision for exploration projects owing to an increase of exploration activities in Asia and an increase in foreign exchange loss.

Income taxes
Total current income taxes and deferred income taxes for the year ended March 31, 2013, decreased by ¥7.6 billion, or 1.4%, to ¥529.3 billion from ¥536.9 billion for the year ended March 31, 2012. 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 resulted in a high effective income tax rate of 73.7% in the year under review.

Minority interests
Minority interests for the year ended March 31, 2013, decreased by ¥30.2 billion, or 83.6%, to ¥5.9 billion from ¥36.1 billion for the year ended March 31, 2012.

Net income
As a result of the above, net income for the year ended March 31, 2013, decreased by ¥11.0 billion, or 5.7%, to ¥183.0 billion from ¥194.0 billion for the year ended March 31, 2012.

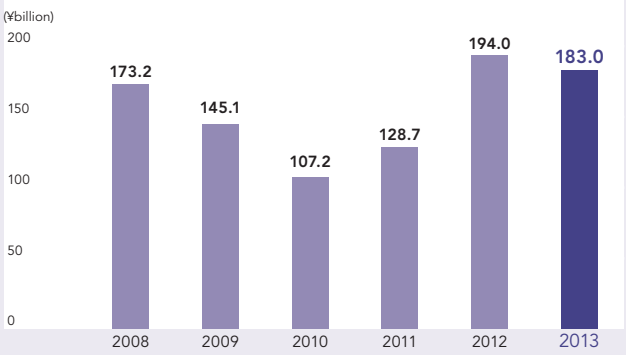
FINANCIAL POSITION

Total assets as of March 31, 2013, increased by ¥549.8 billion, or 17.9%, to ¥3,616.2 billion from ¥3,066.4 billion as of March 31, 2012. Current assets increased by ¥197.8 billion, or 21.8%, to ¥1,106.5 billion from ¥908.7 billion due to an increase in time deposits and others. Fixed assets increased by ¥352.0 billion, or 16.3%, to ¥2,509.7 billion from ¥2,157.7 billion as of March 31, 2012, due to an increase in construction in progress, mining rights, long-term time deposits and others.

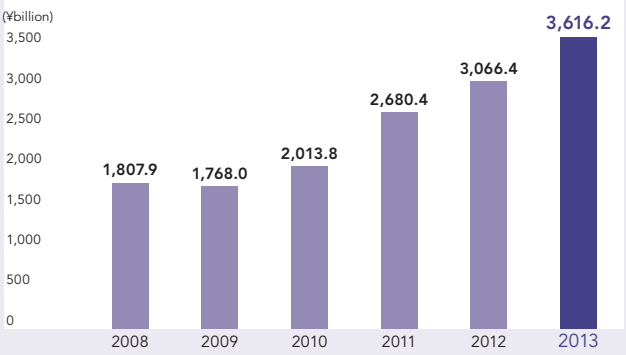
Meanwhile, total liabilities increased by ¥193.0 billion, or 25.7%, to ¥945.2 billion from ¥752.2 billion as of March 31, 2012. Current liabilities increased by ¥47.2 billion, or 12.8%, to ¥415.0 billion from ¥367.8 billion as of March 31, 2012, due to an increase in income taxes payable and provision for exploration projects. Long-term liabilities increased by ¥145.8 billion, or 37.9%, to ¥530.2 billion from ¥384.4 billion as of March 31, 2012, due to an increase in long-term debt and others.

Net assets increased by ¥356.8 billion, or 15.4%, to ¥2,671.0 billion from ¥2,314.2 billion as of March 31, 2012. Total shareholders' equity increased by ¥155.6 billion, or 7.1%, to ¥2,340.0 billion from ¥2,184.4 billion as of March 31, 2012. Total accumulated other comprehensive income increased by ¥146.4 billion to ¥141.3 billion from a loss of ¥5.1 billion as of March 31, 2012, and minority interests increased by ¥54.8 billion, or 40.6%, to ¥189.7 billion from ¥134.9 billion as of March 31, 2012.

Net income



Total assets



INVESTMENT AND FUNDING

— Investments in upstream oil and gas projects

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

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

- Discrepancies exist between the standards stipulated in U.S. FASB Accounting Standards Codification Topic 932, "Extractive Industries—Oil and Gas (Topic 932)," and both the Group's definitions of exploration and development expenditures and the standards used in preparing the following tables. The following is a partial list of the 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, whereas such administrative costs are not necessarily excluded from those expenditures under the Group's accounting policies.

The table below shows the Group's exploration and development costs and other expenditures (excluding capitalized interest costs and asset retirement costs corresponding to asset retirement obligations capitalized under fixed assets) by segment for the years ended March 31, 2012 and 2013:

(Millions of yen)

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

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

(Millions of yen)

Year ended March 31, 2013	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Total
INPEX CORPORATION and Consolidated Subsidiaries						
Exploration	¥ 62	¥ 32,599	¥ 231	¥12,515	¥ 8,577	¥ 53,984
Development	2,145	198,700	52,163	29,515	11,964	294,487
Subtotal*1	2,207	231,299	52,394	42,030	20,541	348,471
Equity-method affiliates						
Exploration	—	—	—	8	—	8
Development	—	397	—	298	878	1,573
Subtotal	—	397	—	306	878	1,581
Other capital expenditures*2	22,324	282,374	—	79	13	304,790
Total*3	¥24,531	¥514,070	¥52,394	¥42,415	¥21,432	¥654,842

*1 Figures include an equity-method affiliate of Japan Oil Development Co., Ltd. (JODCO).
*2 Other capital expenditures include the construction costs of domestic pipelines for sales of natural gas and the Naoetsu LNG Receiving Terminal, and the Group's share of investment in the Ichthys downstream entity (Ichthys LNG Pty Ltd, an equity-method affiliate).
*3 The amount capitalized for the asset retirement costs corresponding to asset retirement obligations for the year ended March 31, 2013, was ¥2,708 million.

Total investments for the year ended March 31, 2013, increased by ¥372.6 billion, or 132.0%, to ¥654.8 billion (including ¥1.6 billion for exploration and development by equity-method affiliates) from ¥282.2 billion for the year ended March 31, 2012. This was mainly due to an increase in development expenditures for the Ichthys Project (including the downstream business) and WA-44-L (the Prelude FLNG Project) in the Asia & Oceania region.

The table below shows the Group's operating expenses by segment for the years ended March 31, 2012 and 2013.

(Millions of yen, %)

Years ended March 31,	2012		2013	
INPEX CORPORATION and Consolidated Subsidiaries				
Japan	¥ 9,071	10.1%	¥ 9,491	9.1%
Asia & Oceania	50,886	56.7	63,851	61.2
Eurasia (Europe & NIS)	6,901	7.7	7,152	6.8
Middle East & Africa	22,396	25.0	23,055	22.1
Americas	417	0.5	868	0.8
Subtotal	89,671	100.0	104,417	100.0
Equity-method affiliates				
Asia & Oceania	312	4.2	525	13.1
Middle East & Africa	1,533	20.5	1,724	43.2
Americas	5,639	75.3	1,746	43.7
Subtotal	7,484	100.0	3,995	100.0
Total	¥97,155	—%	¥108,412	—%

— 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, 2012 and 2013. Expenditures in this category include the costs of acquiring mining rights, exploration and development rights, signing bonuses and any tangible fixed assets or recoverable accounts under production sharing gained through the acquisition of interest in upstream oil and gas projects.

(Millions of yen, %)

Years ended March 31,	2012		2013	
INPEX CORPORATION and Consolidated Subsidiaries				
Asia & Oceania	¥ —	—%	¥ 82,219	46.4%
Eurasia (Europe & NIS)	601	100.0	1,024	0.6
Middle East & Africa	—	—	—	—
Americas	—	—	94,088	53.0
Subtotal	601	100.0	177,331	100.0
Equity-method affiliates				
Asia & Oceania	—	—	—	—
Middle East & Africa	—	—	42,228	100.0
Americas	—	—	—	—
Subtotal	—	—	42,228	100.0
Total	¥601	—%	¥219,559	—%

Total expenditures on acquisitions of upstream oil and gas projects for the year ended March 31, 2013, increased by ¥219.0 billion to ¥219.6 billion (including ¥42.2 billion for acquisitions of projects by equity-method affiliates) from ¥0.6 billion for the year ended March 31, 2012, due to acquisitions of projects in the Asia & Oceania, Middle East & Africa, and Americas regions.

— 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, 2012 and 2013.

	(Millions of yen)	
Years ended March 31,	2012	2013
Balance at beginning of the year	¥ 534,331	¥ 568,318
Add: Exploration costs	25,320	22,044
Development costs	123,762	130,998
Operating expenses	50,055	53,919
Other	4,501	5,102
Less: Cost recovery—capital expenditures	53,543	54,087
Cost recovery—operating expenditures	98,870	107,938
Other	17,238	27,790
Balance at end of the year	568,318	590,566
Allowance for recoverable accounts under production sharing at end of the year	¥(100,671)	¥(112,871)

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, 2013, decreased compared with the year ended March 31, 2012. This was mainly due to a decrease in exploration expenditures in the Americas region.

Development costs for the year ended March 31, 2013, increased compared with the year ended March 31, 2012. This was mainly due to increases in development expenditures in the Offshore Mahakam Block, the South Natuna Sea Block B and the ACG Oil Fields, despite a decrease in those in the Kashagan Oil Field.

Operating expenses for the year ended March 31, 2013, increased compared with the year ended March 31, 2012, mainly due to an increase in operating expenses in the Offshore Mahakam Block.

Cost recovery for the year ended March 31, 2013, increased compared with the year ended March 31, 2012. This was mainly due to increases in cost recovery in the Offshore Mahakam Block and the ACG Oil Fields, despite a decrease in cost recovery in the South Natuna Sea Block B.

In addition, other deduction was mainly due to the decrease in recoverable accounts under production sharing related to the transfer to other accounts.

The allowance for recoverable accounts under production sharing as of March 31, 2013, increased compared with March 31, 2012. This was mainly due to additional allowance provisions in connection with an increase in recoverable accounts under production sharing with respect to exploration expenditures in the Asia region.

— Funding sources and liquidity

Oil and gas exploration and development projects, as well as the construction and expansion of pipelines, LNG receiving terminal 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 loans from the Japan Bank for International Cooperation, Japanese commercial banks and others. The Japan Oil, Gas and Metals National Corporation (JOGMEC) guarantee system covers these loans. 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 terminal.

The Ichthys downstream entity (Ichthys LNG Pty Ltd, an equity-method affiliate), as the borrower, began utilizing external loans from 8 export credit agencies and 24 commercial banks for project financing during the year ended March 31, 2013.

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

— Maturities of long-term debt

The aggregate annual maturities of long-term debt subsequent to March 31, 2013, are summarized as follows:

	(Millions of U.S. dollars and Millions of yen)		
	Long-term debt denominated in		
Years ending March 31,	U.S. dollars	Yen	Total yen equivalent
2014	$ 38.5	¥ 3,776	¥ 7,391
2015	116.2	5,630	16,547
2016	154.6	7,788	22,321
2017	258.6	32,674	56,981
2018	258.6	7,722	32,029
2019 and thereafter	3,211.4	37,187	339,031
Total	$4,037.9	¥94,777	¥474,300

— Cash flows

Cash flows for the years ended March 31, 2012 and 2013, are summarized as follows:

	(Millions of yen)	
Years ended March 31,	2012	2013
Net cash provided by operating activities	¥320,692	¥252,347
Net cash used in investing activities	(280,864)	(489,870)
Net cash provided by financing activities	29,294	137,069
Cash and cash equivalents at end of the year	¥249,233	¥199,859

Net cash provided by operating activities

Net cash provided by operating activities for the year ended March 31, 2013, was ¥252.3 billion, a decrease of ¥68.4 billion from ¥320.7 billion for the year ended March 31, 2012. This was mainly due to a decrease in income before income taxes and minority interests caused by a decrease in the unit sales prices for crude oil and natural gas and others, in addition to an increase in income taxes paid.

Net cash used in investing activities

Net cash used in investing activities for the year ended March 31, 2013, was ¥489.9 billion, an increase of ¥209.0 billion from ¥280.9 billion for the year ended March 31, 2012. This was mainly due to payments for long-term time deposits and payments for purchase of mining rights recorded for the year ended March 31, 2013.

Net cash provided by financing activities

Net cash provided by financing activities for the year ended March 31, 2013, was ¥137.1 billion, an increase of ¥107.8 billion from ¥29.3 billion for the year ended March 31, 2012. This was mainly due to increases in proceeds from long-term debt and proceeds from minority interests for additional shares.

CONSOLIDATED FINANCIAL FORECAST FOR THE YEAR ENDING MARCH 31, 2014 (Announced on August 2, 2013)

Consolidated net sales for the year ending March 31, 2014, are expected to increase by ¥5.5 billion, or 0.4%, to ¥1,222.0 billion compared with the year ended March 31, 2013. Operating income for the year ending March 31, 2014, is expected to decrease by ¥78.4 billion, or 11.3%, to ¥615.0 billion compared with the year ended March 31, 2013. Income before income taxes and minority interests are expected to decrease by ¥81.1 billion, or 11.3%, to ¥637.0 billion compared with the year ended March 31, 2013. Net income is expected to decrease by ¥41.0 billion, or 22.4%, to ¥142.0 billion compared with the year ended March 31, 2013.

Net sales for the year ending March 31, 2014, are expected to stay at the same level due to a positive effect from depreciation of the yen against the U.S. dollar despite the forecasted decline of the crude oil price compared with the year ended March 31, 2013. On the other hand, operating income, income before income taxes and minority interests, and net income for the year ending March 31, 2014 are expected to decrease due to the absence of one-off gain on transfer of interests in the Ichthys Project, an increase in cost of sales and others.

The aforementioned forecasts are based on an average oil price of US$100.8 per barrel for Brent crude oil and an average exchange rate of ¥95.9 to the U.S. dollar for the year ending March 31, 2014.

Consolidated Balance Sheet

INPEX CORPORATION and Consolidated Subsidiaries
As of March 31, 2013

ASSETS	Millions of yen 2012	Millions of yen 2013	Thousands of U.S. dollars (Note 3) 2013
Current assets:			
Cash and cash equivalents	¥ 249,233	¥ 199,859	$ 2,126,386
Time deposits (Note 12)	84,665	284,469	3,026,588
Accounts receivable—trade (Note 4)	119,460	117,412	1,249,197
Marketable securities (Notes 4 and 5)	341,387	281,129	2,991,052
Inventories	11,977	15,409	163,943
Deferred tax assets (Note 7)	18,693	10,111	107,575
Accounts receivable—other (Note 4)	71,912	94,333	1,003,649
Other	24,388	118,701	1,262,911
Less allowance for doubtful accounts	(13,013)	(14,919)	(158,729)
	908,702	1,106,504	11,772,572
Tangible fixed assets:			
Buildings and structures (Note 6)	233,523	240,218	2,555,782
Wells (Note 6)	237,363	247,173	2,629,780
Machinery, equipment and vehicles (Note 6)	277,572	305,836	3,253,921
Land	20,070	19,560	208,107
Construction in progress	167,779	359,430	3,824,130
Other	14,695	19,067	202,862
	951,002	1,191,284	12,674,582
Less accumulated depreciation and amortization	(567,304)	(606,743)	(6,455,399)
	383,698	584,541	6,219,183
Intangible assets:			
Goodwill (Note 16)	94,602	87,841	934,578
Exploration and development rights	118,007	118,869	1,264,699
Mining rights	16,492	167,179	1,778,689
Other	4,217	6,267	66,677
	233,318	380,156	4,044,643
Investments and other assets:			
Recoverable accounts under production sharing	568,318	590,566	6,283,285
Less allowance for recoverable accounts under production sharing	(100,671)	(112,871)	(1,200,883)
	467,647	477,695	5,082,402
Investment securities (Notes 4, 5 and 6)	886,222	673,129	7,161,709
Long-term loans receivable	48,110	7,264	77,285
Deferred tax assets (Note 7)	30,555	40,076	426,386
Long-term time deposits (Note 12)	55,000	287,273	3,056,421
Other investments (Note 6)	60,142	65,434	696,180
Less allowance for doubtful accounts	(716)	(794)	(8,448)
Less allowance for investments in exploration	(6,280)	(5,119)	(54,463)
	1,540,680	1,544,958	16,437,472
Total assets	¥3,066,398	¥3,616,159	$38,473,870

See accompanying notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of yen 2012	Millions of yen 2013	Thousands of U.S. dollars (Note 3) 2013
Current liabilities:			
Accounts payable—trade	¥ 30,228	¥ 41,402	$ 440,494
Short-term borrowings and current portion of long-term debt (Notes 4, 6 and 12)	4,802	8,561	91,084
Income taxes payable (Note 7)	139,145	152,681	1,624,439
Accounts payable—other (Note 6)	133,153	133,233	1,417,523
Provision for exploration projects	5,551	26,857	285,743
Accrued bonuses to officers	128	127	1,351
Asset retirement obligations (Note 15)	3,338	3,813	40,568
Other (Note 7)	51,499	48,303	513,917
	367,844	414,977	4,415,119
Long-term liabilities:			
Long-term debt (Notes 4, 6, 11 and 12)	313,973	466,909	4,967,645
Deferred tax liabilities (Note 7)	43,178	34,988	372,252
Accrued retirement benefits to employees (Note 14)	6,341	8,580	91,286
Provision for loss on business	—	3,705	39,419
Accrued special repair and maintenance	368	278	2,958
Asset retirement obligations (Note 15)	9,804	13,582	144,505
Other (Note 6)	10,697	2,156	22,939
	384,361	530,198	5,641,004
Total liabilities	752,205	945,175	10,056,123
Net assets (Notes 9 and 10):			
Common stock: Authorized: 2012 — 9,000,001 shares 2013 — 9,000,001 shares Issued: 2012 — 3,655,810 shares 2013 — 3,655,810 shares	290,810	290,810	3,094,053
Capital surplus	679,288	679,288	7,227,237
Retained earnings	1,219,527	1,375,107	14,630,354
Less: Treasury stock: 2012 — 4,916 shares 2013 — 4,916 shares	(5,248)	(5,248)	(55,836)
Total shareholders' equity	2,184,377	2,339,957	24,895,808
Unrealized holding gain on securities	6,953	34,742	369,635
Unrealized gain from hedging instruments (Note 11)	4,118	16,244	172,827
Translation adjustments	(16,196)	90,350	961,273
Total accumulated other comprehensive income	(5,125)	141,336	1,503,735
Minority interests	134,941	189,691	2,018,204
Total net assets	2,314,193	2,670,984	28,417,747
Contingent liabilities (Note 18)			
Total liabilities and net assets	¥3,066,398	¥3,616,159	$38,473,870

Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Consolidated Statement of Income

INPEX CORPORATION and Consolidated Subsidiaries
For the year ended March 31, 2013

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2013	2013
Net sales	¥1,186,732	¥1,216,533	$12,943,217
Cost of sales	395,443	426,326	4,535,865
Gross profit	791,289	790,207	8,407,352
Exploration expenses	11,747	20,125	214,119
Selling, general and administrative expenses (Notes 13, 14 and 16)	48,286	53,734	571,699
Depreciation and amortization	21,898	22,900	243,643
Operating income	709,358	693,448	7,377,891
Other income:			
Interest income	4,400	8,735	92,935
Dividend income	6,993	7,832	83,328
Gain on sales of investment securities	48	25,449	270,763
Equity in earnings of affiliates	6,638	—	—
Gain on transfer of mining rights	70,260	50,173	533,812
Other	13,743	6,477	68,912
	102,082	98,666	1,049,750
Other expenses:			
Interest expense	1,228	1,518	16,151
Equity in losses of affiliates	—	1,042	11,086
Provision for allowance for recoverable accounts under production sharing	14,816	15,131	160,985
Provision for exploration projects	519	12,452	132,482
Foreign exchange loss	14,641	30,056	319,779
Other	13,197	13,769	146,494
	44,401	73,968	786,977
Income before income taxes and minority interests	767,039	718,146	7,640,664
Income taxes (Note 7):			
Current	543,157	539,208	5,736,866
Deferred	(6,223)	(9,933)	(105,682)
	536,934	529,275	5,631,184
Income before minority interests	230,105	188,871	2,009,480
Minority interests	36,104	5,909	62,869
Net income (Note 10)	¥ 194,001	¥ 182,962	$ 1,946,611

Consolidated Statement of Comprehensive Income

INPEX CORPORATION and Consolidated Subsidiaries
For the year ended March 31, 2013

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2013	2013
Income before minority interests	¥230,105	¥188,871	$2,009,480
Other comprehensive income			
Unrealized holding gain on securities	5,499	27,787	295,638
Unrealized gain from hedging instruments	4,118	16,769	178,412
Translation adjustments	2,082	105,692	1,124,502
Share of other comprehensive income of affiliates accounted for by the equity-method	(1,134)	(1,577)	(16,778)
Total other comprehensive income (Note 8)	10,565	148,671	1,581,774
Comprehensive income (Note 8)	240,670	337,542	3,591,254
Total comprehensive income attributable to:			
Shareholders of INPEX CORPORATION	204,268	329,422	3,504,862
Minority interests	¥ 36,402	¥ 8,120	$ 86,392

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

INPEX CORPORATION and Consolidated Subsidiaries

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

For the year ended March 31, 2013	Millions of yen					
	Balance as of April 1, 2012	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, 2013
Common stock	¥ 290,810	¥ —	¥ —	¥ —	¥ —	¥ 290,810
Capital surplus	679,288	—	—	—	—	679,288
Retained earnings	1,219,527	(27,382)	182,962	—	155,580	1,375,107
Treasury stock	(5,248)	—	—	—	—	(5,248)
Total shareholders' equity	2,184,377	(27,382)	182,962	—	155,580	2,339,957
Unrealized holding gain on securities	6,953	—	—	27,789	27,789	34,742
Unrealized gain from hedging instruments	4,118	—	—	12,126	12,126	16,244
Translation adjustments	(16,196)	—	—	106,546	106,546	90,350
Total accumulated other comprehensive income	(5,125)	—	—	146,461	146,461	141,336
Minority interests	134,941	—	—	54,750	54,750	189,691
Total net assets	¥2,314,193	¥(27,382)	¥182,962	¥201,211	¥356,791	¥2,670,984

For the year ended March 31, 2013	Thousands of U.S. dollars (Note 3)					
	Balance as of April 1, 2012	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, 2013
Common stock	$ 3,094,053	$ —	$ —	$ —	$ —	$ 3,094,053
Capital surplus	7,227,237	—	—	—	—	7,227,237
Retained earnings	12,975,072	(291,329)	1,946,611	—	1,655,282	14,630,354
Treasury stock	(55,836)	—	—	—	—	(55,836)
Total shareholders' equity	23,240,526	(291,329)	1,946,611	—	1,655,282	24,895,808
Unrealized holding gain on securities	73,976	—	—	295,659	295,659	369,635
Unrealized gain from hedging instruments	43,813	—	—	129,014	129,014	172,827
Translation adjustments	(172,316)	—	—	1,133,589	1,133,589	961,273
Total accumulated other comprehensive income	(54,527)	—	—	1,558,262	1,558,262	1,503,735
Minority interests	1,435,695	—	—	582,509	582,509	2,018,204
Total net assets	$24,621,694	$(291,329)	$1,946,611	$2,140,771	$3,796,053	$28,417,747

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

INPEX CORPORATION and Consolidated Subsidiaries
For the year ended March 31, 2013

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2013	2013
Cash flows from operating activities:			
Income before income taxes and minority interests	¥767,039	¥718,146	$7,640,664
Depreciation and amortization	48,026	51,916	552,357
Amortization of goodwill	6,760	6,761	71,933
Provision for allowance for recoverable accounts under production sharing	18,991	16,354	173,997
Provision for exploration projects	(3,916)	21,132	224,832
Provision for accrued retirement benefits to employees	(637)	2,285	24,311
Other provisions	(26)	5,547	59,017
Interest and dividend income	(11,393)	(16,567)	(176,263)
Interest expense	1,228	1,518	16,151
Foreign exchange loss (gain)	5,334	16,330	173,742
Equity in (earnings) losses of affiliates	(6,638)	1,041	11,076
Gain on transfer of mining rights	(70,260)	(50,173)	(533,812)
Loss (gain) on sales of investment securities	(48)	(25,449)	(270,763)
Recovery of recoverable accounts under production sharing (capital expenditures)	53,543	54,087	575,455
Recoverable accounts under production sharing (operating expenditures)	(21,041)	(21,079)	(224,269)
Accounts receivable—trade	(23,816)	2,795	29,737
Inventories	195	(3,232)	(34,387)
Accounts payable—trade	6,562	11,030	117,353
Accounts receivable—other	(19,774)	4,910	52,240
Accounts payable—other	40,943	(900)	(9,575)
Advances received	23,891	(24,636)	(262,113)
Other	418	3,091	32,886
Subtotal	815,381	774,907	8,244,569
Interest and dividends received	16,997	19,652	209,086
Interest paid	(943)	(1,344)	(14,300)
Income taxes paid	(510,743)	(540,868)	(5,754,527)
Net cash provided by operating activities	320,692	252,347	2,684,828
Cash flows from investing activities			
Payments for time deposits	(88,771)	(299,460)	(3,186,084)
Proceeds from time deposits	6,065	134,162	1,427,407
Payments for long-term time deposits	—	(252,082)	(2,682,009)
Proceeds from long-term time deposits	—	5,000	53,197
Payments for purchases of tangible fixed assets	(68,317)	(189,153)	(2,012,480)
Proceeds from sales of tangible fixed assets	315	116	1,234
Payments for purchases of intangible assets	(1,368)	(4,256)	(45,281)
Payments for purchases of marketable securities	(4,090)	(17,710)	(188,424)
Proceeds from sales and redemptions of marketable securities	136,614	366,633	3,900,766
Payments for purchases of investment securities	(238,568)	(90,831)	(966,390)
Proceeds from sales and redemptions of investment securities	20,672	70,902	754,357
Investment in recoverable accounts under production sharing (capital expenditures)	(82,916)	(82,696)	(879,838)
Decrease (increase) in short-term loans receivable	3,759	(85)	(904)
Long-term loans made	(38,094)	(141,222)	(1,502,522)
Collection of long-term loans receivable	3,600	119,238	1,268,624
Payments for purchase of mining rights	—	(176,232)	(1,875,008)
Proceeds from transfer of mining rights	71,487	56,800	604,320
Other	(1,252)	11,006	117,098
Net cash used in investing activities	(280,864)	(489,870)	(5,211,937)
Cash flows from financing activities			
Increase (decrease) in short-term loans	(40)	991	10,544
Proceeds from long-term debt	50,913	121,572	1,293,457
Repayment of long-term debt	(4,317)	(4,682)	(49,814)
Proceeds from minority interests for additional shares	9,723	55,852	594,233
Cash dividends paid	(21,922)	(27,385)	(291,361)
Dividends paid to minority shareholders	(4,992)	(4,992)	(53,112)
Other	(71)	(4,287)	(45,611)
Net cash provided by financing activities	29,294	137,069	1,458,336
Effect of exchange rate changes on cash and cash equivalents	(2,664)	51,498	547,909
Net increase (decrease) in cash and cash equivalents	66,458	(48,956)	(520,864)
Cash and cash equivalents at beginning of the year	182,025	249,233	2,651,697
Increase in cash and cash equivalents from newly consolidated subsidiary	750	440	4,681
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	(858)	(9,128)
Cash and cash equivalents at end of the year	¥249,233	¥199,859	$2,126,386

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

INPEX CORPORATION and Consolidated Subsidiaries

1. BASIS OF PRESENTATION

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

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

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

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

The Company has made certain reclassifications of the previous years' consolidated financial statements to conform to the presentation used for the year ended March 31, 2013.

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, certain companies that do not have significant impact on the consolidated financial statements, are not consolidated or accounted for by the equity-method.

For the 43 companies for which the closing date differed from the consolidated closing date, including but not limited to, INPEX Sahul, Ltd. and INPEX Masela, Ltd., the financial statements for the year ended December 31 were used. However, the necessary adjustments have been made to the financial statements of those companies to reflect any significant transactions made between the Company's closing date and that of the consolidated subsidiaries. For the 11 companies, including but not limited to, Japan Oil Development, Co., Ltd., INPEX Southwest Caspian Sea, Ltd., INPEX North Caspian Sea, Ltd., INPEX Holdings Australia Pty Ltd, and INPEX Ichthys Pty Ltd, the financial statements for the year ended on the consolidated closing date were used, even though their closing date is December 31.

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

(b) Cash equivalents

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

(c) Foreign currency translation

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

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

(d) Securities

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

(e) Derivatives

Derivatives are stated at fair value.

(f) Inventories

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

(g) Allowance for doubtful accounts

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

(h) Recoverable accounts under production sharing and related allowance

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

Because these investments are recoverable only where commercial

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

(i) Allowance for investments in exploration

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

(j) 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.

(k) 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.

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

Capitalized computer software costs are amortized by the straight-line method over a period of five years.

(l) Leased assets

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

(m) 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.

(n) Accrued bonuses to officers

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

(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 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, the simplified method (the amount which would be required to be paid if all active employees voluntarily terminated their employment as of the balance sheet date) is applied for the calculation of the retirement benefit obligation of the subsidiaries.

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

(q) Provision for loss on business

Provision for loss on business is provided for future potential losses on oil and gas development, production and sales business individually estimated for each project.

(r) 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.

(s) Hedge accounting

The deferred hedge accounting method is used for hedging transactions. The allocation method is applied to foreign exchange forwards that meet certain criteria. The special treatment is applied to the interest rate swaps that meet certain criteria. In addition, derivative transactions are limited to the scope of actual demand, and the Company does not engage in speculative derivative transactions.

(t) Research and development expenses

Research and development expenses are charged to income as incurred.

(u) Income taxes

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

(v) Standards issued but not effective

- "Accounting Standard for Retirement Benefits" (ASBJ Statement No.26, issued on May 17, 2012)
- "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25, issued on May 17, 2012)

(Overview)

Revisions apply mainly to the accounting treatments of unrecognized actuarial gains and losses as well as unrecognized prior service costs, the calculation methods for retirement benefit obligations as well as service costs, and broaden disclosures taking into consideration improvements to financial reporting and international trends.

(Scheduled Effective Date)

The revised accounting standard and guidance are scheduled to take effect from the end of the fiscal year ending March 31, 2014. However, the revisions to the calculation method for retirement benefit obligations and service costs will be applied from the beginning of the fiscal year ending March 31, 2015.

(The impact of the adoption of the revised accounting standard and guidance)

The impact of the adoption of revised accounting standard and guidance on consolidated financial statements are now under evaluation.

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 ¥93.99=US$1.00, the approximate exchange rate in effect as of March 31, 2013. This translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

4. STATUS OF FINANCIAL INSTRUMENTS

(a) Policy regarding financial instruments

The Company raises funds for oil and gas development and production, construction or expansion of pipelines and LNG receiving terminal primarily from cash flow on hand and from bank loans. Oil and gas development projects are primarily funded from long-term loans that the Company has secured from the Japan Bank for International Cooperation, Japanese commercial banks and others. 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 loans with variable interest rates, while some loans are with a fixed interest rate depending on the nature of each project.

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

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

(Credit risk related to trade receivables)

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

(Market price fluctuation risk related to securities)

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

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

Loans are mainly used to fund oil and gas development projects and construction or expansion of domestic pipelines and LNG receiving terminal and others. The borrowing period is determined considering the financial prospects of the project and useful lives of the facilities. Loans with variable interest rates are exposed to interest rate fluctuation risk, however, the Company analyzes the impact of interest rate fluctuation at the time of borrowing and on an annual basis, and leverages fixed-rate-loans or interest rate swaps as necessary.

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

As most of the Company's business is conducted overseas, the Company is exposed to exchange rate 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, the Company endeavours to reduce exchange rate fluctuation risk by maintaining the position between assets and liabilities in foreign currencies. In addition to planned expenditures in foreign currencies on the Ichthys Project and others, the Company manages exchange rate fluctuation risk through derivative transactions such as foreign exchange forwards and others as necessary.

(Management of derivative transactions)

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

(Management of liquidity risk related to financing)

The finance and accounting division controls cash management based on a monthly financing plan prepared by each project division and secures sufficient liquidity on hand to prepare for liquidity risk.

5. SECURITIES

(a) Information regarding other securities as of March 31, 2012 and 2013 is as follows:

	Millions of yen		
March 31, 2012	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities with carrying values exceeding their acquisition costs:			
Stock	¥ 4,499	¥ 9,318	¥ 4,819
Bonds:			
Public bonds	726,075	727,734	1,659
Corporate bonds	23,500	23,589	89
Other debt securities	25,396	25,503	107
Other	204,862	209,855	4,993
Subtotal	984,332	995,999	11,667
Securities with acquisition costs exceeding their carrying values:			
Stock	47,939	44,103	(3,836)
Bonds:			
Public bonds	30,190	29,950	(240)
Corporate bonds	40,000	39,779	(221)
Other debt securities	8,385	8,348	(37)
Other	4,338	4,335	(3)
Subtotal	130,852	126,515	(4,337)
Total	¥1,115,184	¥1,122,514	¥ 7,330

	Millions of yen			Thousands of U.S. dollars		
March 31, 2013	Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities with carrying values exceeding their acquisition costs:						
Stock	¥ 11,937	¥ 21,926	¥ 9,989	$ 127,003	$ 233,280	$106,277
Bonds:						
Public bonds	356,284	357,528	1,244	3,790,658	3,803,894	13,236
Corporate bonds	60,050	60,152	102	638,898	639,983	1,085
Other debt securities	33,648	37,549	3,901	357,996	399,500	41,504
Other	205,185	228,948	23,763	2,183,051	2,435,876	252,825
Subtotal	667,104	706,103	38,999	7,097,606	7,512,533	414,927
Securities with acquisition costs exceeding their carrying values:						
Stock	40,451	37,824	(2,627)	430,376	402,426	(27,950)
Bonds:						
Public bonds	29,137	28,982	(155)	310,001	308,352	(1,649)
Corporate bonds	35,000	34,966	(34)	372,380	372,018	(362)
Subtotal	104,588	101,772	(2,816)	1,112,757	1,082,796	(29,961)
Total	¥771,692	¥807,875	¥36,183	$8,210,363	$8,595,329	$384,966

(b) Information regarding sales of securities classified as other securities for the years ended March 31, 2012 and 2013 is as follows:

	Millions of yen		
Year ended March 31, 2012	Proceeds from sales	Gain on sales	Loss on sales
Bonds:			
Public bonds	¥41,395	¥82	¥—
Total	¥41,395	¥82	¥—

	Millions of yen			Thousands of U.S. dollars		
Year ended March 31, 2013	Proceeds from sales	Gain on sales	Loss on sales	Proceeds from sales	Gain on sales	Loss on sales
Bonds:						
Public bonds	¥121,781	¥187	¥—	$1,295,680	$1,990	$—
Total	¥121,781	¥187	¥—	$1,295,680	$1,990	$—

(c) Components of securities for which it is extremely difficult to determine fair value as of March 31, 2012 and 2013 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	2012	2013	2013
Other securities:			
Unlisted securities	¥ 28,395	¥ 30,728	$ 326,929
Preferred securities	5,000	5,000	53,197
Stocks of subsidiaries and affiliates	71,700	110,655	1,177,306
Total	¥105,095	¥146,383	$1,557,432

These securities are not included in (a) as they have no quoted market prices 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 for investments in exploration is provided 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, 2013 is as follows:

	Millions of yen				Thousands of U.S. dollars			
March 31, 2013	1 year or less	More than 1 year but less than 5 years	More than 5 years but less than10 years	More than 10 years	1 year or less	More than 1 year but less than 5 years	More than 5 years but less than 10 years	More than 10 years
Bonds:								
Public bonds	¥167,000	¥185,000	¥31,500	¥—	$1,776,785	$1,968,294	$335,142	$—
Corporate bonds	33,500	61,500	—	—	356,421	654,325	—	—
Other debt securities	8,500	28,197	—	—	90,435	300,000	—	—
Other	66,000	132,100	—	—	702,202	1,405,469	—	—
Total	¥275,000	¥406,797	¥31,500	¥—	$2,925,843	$4,328,088	$335,142	$—

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings as of March 31, 2012 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	2012	2013	2013
Short-term borrowings from banks and others (Interest rates ranging from 0.970% to 1.325% and from 0.950% to 2.174% at March 31, 2012 and 2013)	¥120	¥1,170	$12,448
Total	¥120	¥1,170	$12,448

Long-term debt as of March 31, 2012 and 2013 is as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	2012	2013	2013
Loans from banks and others, due through 2028 (Interest rates ranging from 0.700% to 2.700% and from 0.509% to 2.700% at March 31, 2012 and 2013)	¥318,655	¥474,300	$5,046,281
Less: Current portion	4,682	7,391	78,636
	¥313,973	¥466,909	$4,967,645

Assets pledged as of March 31, 2012 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	2012	2013	2013
Buildings and structures	¥ 2,251	¥ 2,091	$ 22,247
Wells	2,737	1,214	12,916
Machinery, equipment and vehicles	9,190	8,974	95,478
Investment securities	7,633	7,395	78,679
Other	231	227	2,415
Total	¥22,042	¥19,901	$211,735

The above assets were pledged against the following liabilities:

	Millions of yen		Thousands of U.S. dollars
March 31,	2012	2013	2013
Short-term borrowings	¥1,589	¥ 997	$10,607
Accounts payable—other	5,090	5,119	54,463
Long-term debt	2,434	1,437	15,289
Other	17	17	181
Total	¥9,130	¥7,570	$80,540

In addition, assets pledged as collateral for the Ichthys LNG Project Finance and the BTC Pipeline Project Finance are as follows:

Ichthys LNG Project Finance

	Millions of yen		Thousands of U.S. dollars
March 31,	2012	2013	2013
Cash and cash equivalents	¥—	¥ 3,602	$ 38,323
Accounts receivable—other	—	160	1,702
Other (Current assets)	—	64,631	687,637
Land	—	133	1,415
Construction in progress	—	172,378	1,834,004
Investment securities	—	15,758	167,656
Total	¥—	¥256,662	$2,730,737

BTC Pipeline Project Finance

	Millions of yen		Thousands of U.S. dollars
March 31,	2012	2013	2013
Investment securities	¥4,704	¥5,240	$55,751

The aggregate annual maturities of long-term debt subsequent to March 31, 2013 are summarized as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2014	¥ 7,391	$ 78,636
2015	16,547	176,051
2016	22,321	237,483
2017	56,981	606,245
2018	32,029	340,770
2019 and thereafter	339,031	3,607,096
Total	¥474,300	$5,046,281

7. INCOME TAXES

The Company and its domestic consolidated subsidiaries are subject to corporate taxes and other which, in the aggregate, resulted in a statutory tax rate of approximately 36.2% and 33.3% for the years ended March 31, 2012 and 2013, respectively.

The effective tax rates reflected in the consolidated statement of income for the fiscal years ended March 31, 2012 and 2013 differ from the statutory tax rate for the following reasons:

Years ended March 31,	2012	2013
Statutory tax rate	36.2%	33.3%
Effect of:		
Permanently non-taxable expenses such as entertainment expenses	0.3	0.6
Permanently non-taxable income such as dividends income	(0.6)	(0.7)
Valuation allowance	5.7	2.6
Foreign taxes	61.8	69.3
Foreign tax credits	(23.1)	(22.1)
Adjustment of deducted amounts of foreign taxes	(8.2)	(10.7)
Amortization of goodwill	0.3	0.3
Differences of effective tax rates applied to tax effect accounting	(1.6)	(0.2)
Other	(0.8)	1.3
Effective tax rates	70.0%	73.7%

The significant components of deferred tax assets and liabilities as of March 31, 2012 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	2012	2013	2013
Deferred tax assets:			
Exploration expenditures	¥ 88,582	¥ 90,332	$ 961,081
Loss on revaluation of land	3,959	3,959	42,122
Loss on valuation of investment securities	3,889	3,205	34,100
Recoverable accounts under production sharing (foreign taxes)	5,258	6,992	74,391
Allowance for investments in exploration	2,928	2,579	27,439
Foreign taxes payable	35,612	33,288	354,165
Net operating loss carry forward	39,042	46,021	489,637
Accumulated depreciation	37,777	43,238	460,028
Accrued retirement benefits	1,989	2,659	28,290
Provision for loss on business	—	1,140	12,129
Translation differences of assets and liabilities denominated in foreign currencies	1,704	795	8,458
Asset retirement obligations	4,239	5,574	59,304
Allowance for doubtful accounts	4,940	5,974	63,560
Other	14,475	17,683	188,137
Total gross deferred tax assets	244,394	263,439	2,802,841
Valuation allowance	(174,115)	(195,665)	(2,081,764)
Total deferred tax assets	70,279	67,774	721,077
Deferred tax liabilities:			
Foreign taxes	30,164	27,048	287,775
Translation differences of assets and liabilities denominated in foreign currencies	16,326	3,551	37,781
Reserve for overseas investment loss	5,070	5,377	57,208
Translation differences due to an application of purchase accounting method	1,694	1,759	18,715
Reserve for exploration	7,910	11,274	119,949
Unrealized holding gain on securities	283	1,424	15,151
Unrealized gain from hedging instruments	2,352	10,442	111,097
Other	4,660	4,780	50,856
Total deferred tax liabilities	68,459	65,655	698,532
Net deferred tax assets	¥ 1,820	¥ 2,119	$ 22,545

8. COMPREHENSIVE INCOME

Amount of reclassification adjustments and income tax effects allocated to each component of other comprehensive income for the years ended March 31, 2012 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
Years ended March 31,	2012	2013	2013
Unrealized holding gain on securities			
Amount recognized during the period	¥ 5,082	¥ 29,075	$ 309,341
Amount of reclassification adjustments	539	(138)	(1,468)
Before income tax effect adjustment	5,621	28,937	307,873
Amount of income tax effect	(122)	(1,150)	(12,235)
	5,499	27,787	295,638
Unrealized gain from hedging instruments			
Amount recognized during the period	6,456	24,873	264,634
Amount of income tax effect	(2,338)	(8,104)	(86,222)
	4,118	16,769	178,412
Translation adjustments			
Amount recognized during the period	2,082	105,692	1,124,502
Share of other comprehensive income of affiliates accounted for by the equity-method			
Amount recognized during the period	(1,134)	(1,964)	(20,896)
Adjustment for acquisition cost of assets	—	387	4,118
	(1,134)	(1,577)	(16,778)
Total other comprehensive income	¥10,565	¥148,671	$1,581,774

9. NET ASSETS

As of March 31, 2013, the total number of the Company's shares issued consisted of 3,655,809 shares of common stock and 1 Class A Stock.

Class A Stock has no voting rights at the common shareholders' meeting, but the ownership of Class A Stock gives its holder a right of veto over certain important matters described below. However, requirements stipulated in the Articles of Incorporation need to be met in cases involving the exercise of the veto over the appointment or removal of directors, the disposition of material assets or business integration;

- Appointment and removal of directors
- Disposition of 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
- Business integration
- Capital reduction
- Dissolution

Class A Stock shareholder may request the Company to acquire Class A Stock. Besides, the Company may also acquire Class A Stock by a resolution of the meeting of the Board of Directors in case where Class A Stock is transferred to a non-public entity.

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) shall be transferred to capital reserve and legal reserve, respectively, up to the point where the total amount of capital reserve and legal reserve equals 25% of the common stock account.

Distuributions can be made at any time by a resolution of the meeting of shareholders, or 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,	2012	2013	2013
Net income per share	¥ 53,137.93	¥ 50,114.22	$ 533.19
Cash dividends per share	7,000.00	7,000.00	74.48
Net assets per share	¥596,908.99	¥679,639.63	$7,230.98

Diluted net income per share is not presented because there are no dilutive potential of shares of common stock.

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

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

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

11. DERIVATIVE TRANSACTIONS

(a) Derivatives not subject to hedge accounting

Contract amounts, fair value and valuation gain (loss) regarding derivatives not subject to hedge accounting as of March 31, 2012 and 2013 are as follows:

	Millions of yen			
March 31, 2012	Contract amounts	Due after one year	Fair value	Valuation gain
Currency swap transactions	¥31,996	¥—	¥883	¥883

* Fair value is the price obtained from the counterparty financial institutions.

There is no derivative not subject to hedge accounting as of March 31, 2013.

(b) Derivatives subject to hedge accounting

Contract amounts and fair value regarding derivatives subject to hedge accounting as of March 31, 2012 and 2013 are as follows:

		Millions of yen		
March 31, 2012	Principal items hedged	Contract amounts	Due after one year	Fair value
Foreign exchange forwards *1:				
Buy (USD) (Deferred hedge accounting)	Forecasted transactions in foreign currencies	¥108,578	¥ —	¥6,456
Interest rate swaps:				
Payment fixed, receipt fluctuated (Special treatment)	Long-term debt	¥ 6,240	¥4,820	*2

		Millions of yen		
March 31, 2013	Principal items hedged	Contract amounts	Due after one year	Fair value
Foreign exchange forwards *1:				
Buy (USD) (Deferred hedge accounting)	Forecasted transactions in foreign currencies	¥157,614	¥ —	¥31,329
Interest rate swaps:				
Payment fixed, receipt fluctuated (Special treatment)	Long-term debt	¥ 4,820	¥4,760	*2

		Thousands of U.S. dollars		
March 31, 2013	Principal items hedged	Contract amounts	Due after one year	Fair value
Foreign exchange forwards *1:				
Buy (USD) (Deferred hedge accounting)	Forecasted transactions in foreign currencies	$1,676,923	$ —	$333,323
Interest rate swaps:				
Payment fixed, receipt fluctuated (Special treatment)	Long-term debt	$ 51,282	$50,644	*2

*1 Fair value is the price obtained from the counterparty financial institutions.

*2 Fair value of derivatives for which special treatment of interest rate swaps is applied is included in the estimated fair value of the long-term debt as disclosed in Note 12. (a) since the interest rate swap is treated together with long-term debt subject to hedging.

12. OTHER FINANCIAL INSTRUMENTS

(a) The carrying value and estimated fair value of financial instruments excluding marketable securities and investment securities which are disclosed in Note 5.(a) and derivatives which are disclosed in Note 11 as of March 31, 2012 and 2013 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	
March 31, 2012	Carrying value	Estimated fair value
Short-term borrowings and current portion of long-term debt	¥ 4,802	¥ 4,830
Long-term debt	¥313,973	¥316,131

	Millions of yen		Thousands of U.S. dollars	
March 31, 2013	Carrying value	Estimated fair value	Carrying value	Estimated fair value
Time deposits	¥284,469	¥284,502	$3,026,588	$3,026,939
Long-term time deposits	287,273	289,007	3,056,421	3,074,870
Short-term borrowings and current portion of long-term debt	8,561	8,507	91,084	90,510
Long-term debt	¥466,909	¥456,404	$4,967,645	$4,855,878

(b) For other financial instruments, computation methods of estimated fair value are as shown below.

Time deposits

The fair value of the current portion of long-term time deposits included in time deposits is calculated by the same method as long-term time deposits. For other time deposits, the relevant carrying value is used since the item is settled in a short period of time and its market value is almost the same as the carrying value.

Long-term time deposits

The fair value of long-term time deposits 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 deposit is entered into.

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 ¥402 million and ¥99 million ($1,053 thousand) for the years ended March 31, 2012 and 2013, respectively.

14. RETIREMENT BENEFITS

(a) Retirement benefit obligations as of March 31, 2012 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	2012	2013	2013
Retirement benefit obligations	¥(15,881)	¥(19,388)	$(206,277)
Plan assets at fair value	9,540	10,808	114,991
Unfunded retirement benefit obligation	(6,341)	(8,580)	(91,286)
Unrecognized actuarial gain or loss	—	—	—
Accrued retirement benefits to employees	¥ (6,341)	¥ (8,580)	$ (91,286)

(b) Retirement benefit expenses for the years ended March 31, 2012 and 2013 are as follows:

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Service cost	¥792	¥ 877	$ 9,331
Interest cost	294	301	3,202
Expected return on plan assets	(170)	(235)	(2,500)
Amortization of actuarial gain or loss	(205)	2,211	23,524
Other*	238	473	5,032
Retirement benefit expenses	¥949	¥3,627	$38,589

*"Other" consists of the amount of contribution to defined contribution plan.

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

Years ended March 31,	2012	2013
Discount rate	2.0%	1.0%
Expected return rate on plan assets	2.0%	2.5%
Period for amortization of actuarial gain or loss	Amortized as incurred	Amortized as incurred

15. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended March 31, 2012 and 2013 are as follows:

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Balance at beginning of the year	¥12,653	¥13,142	$139,823
New obligations	434	711	7,565
Accretion expenses	322	429	4,564
Obligations settled	(265)	(359)	(3,819)
Change in estimates *1	322	1,997	21,247
Other *2	(324)	1,475	15,693
Balance at end of the year	¥13,142	¥17,395	$185,073

*1 "Change in estimates" for the year ended March 31, 2013 mainly reflects increasing site restoration and decommissioning costs of certain subsidiaries which became evident in the year ended March 31, 2013.

*2 "Other" mainly includes the change due to foreign exchange rates fluctuation.

16. GOODWILL

The changes in the carrying amount of goodwill for the years ended March 31, 2012 and 2013 are as follows:

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Balance at beginning of the year	¥101,362	¥94,602	$1,006,511
Goodwill acquired during the year	—	—	—
Amortization of goodwill	(6,760)	(6,761)	(71,933)
Balance at end of the year	¥ 94,602	¥87,841	$ 934,578

17. LEASES

Future minimum lease payments subsequent to March 31, 2013 for operating lease transactions are summarized as follows:

(a) As lessee

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2014	¥ 2,873	$ 30,567
2015 and thereafter	7,291	77,572
Total	¥10,164	$108,139

(b) As lessor

Years ending March 31,	Millions of yen	Thousands of U.S dollars
2014	¥102	$1,085
2015 and thereafter	374	3,979
Total	¥476	$5,064

18. CONTINGENT LIABILITIES

As of March 31, 2013, the Company and its consolidated subsidiaries were contingently liable as guarantors of indebtedness of affiliates in the aggregate amount of ¥26,529 million ($282,253 thousand).

In addition, the Company guarantees for derivative transactions utilized to hedge exchange rate fluctuation risk regarding payments of development costs for the Ichthys LNG Project. The relevant loss on valuation as of March 31, 2013, was ¥4,873 million ($51,846 thousand).

In connection with the Ichthys LNG Project Finance, the Company and other project participants provide lenders with a guarantee of liabilities during the construction phase based on each participating interest. The portion guaranteed by the Company as of March 31, 2013, was ¥128,864 million ($1,371,039 thousand).

19. SEGMENT INFORMATION

Segment information for the years ended March 31, 2012 and 2013

Overview of reportable segments

The reportable segments of the Group's oil and gas development activities are composed of individual mining area and others for which separate financial information is available in order for the Board of Directors to make Group management decisions. Since the Group operates oil and gas businesses globally, the Group's reportable segments are the mining areas and others by geographical region, categorized in "Japan", "Asia & Oceania" (mainly Indonesia, Australia and East Timor), "Eurasia (Europe & NIS)" (mainly Azerbaijan), "Middle East & Africa" (mainly UAE) and "Americas."

The Company produces oil and gas in each segment. In addition, the Company conducts marketing activities for petroleum products and others in "Japan" segment.

Basis of measurement for sales, income (loss), assets and other items by reportable segment

Accounting policies for the reportable segments are substantially the same as those described in "Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES."

Information on sales and income (loss), assets and other items by reportable segment

	Millions of yen							
Year ended March 31, 2012	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Total	Adjustments *1	Consolidated *2
Sales to third parties	¥113,662	¥483,187	¥ 84,325	¥500,033	¥ 5,525	¥1,186,732	¥ —	¥1,186,732
Total sales	113,662	483,187	84,325	500,033	5,525	1,186,732	—	1,186,732
Segment income (loss)	24,607	299,599	47,076	354,136	(5,518)	719,900	(10,542)	709,358
Segment assets	260,596	445,735	515,537	198,987	67,929	1,488,784	1,577,614	3,066,398
Other items								
Depreciation and amortization	18,485	12,775	8,503	6,550	374	46,687	1,339	48,026
Amortization of goodwill	—	—	—	—	(193)	(193)	6,953	6,760
Investment to affiliates accounted for by the equity-method	—	49,156	—	6,860	9,606	65,622	—	65,622
Increase of tangible fixed assets and intangible assets	¥ 35,954	¥ 27,146	¥ 519	¥ 10,388	¥ 2,956	¥ 76,963	¥ 2,106	¥ 79,069

Year ended March 31, 2013	Millions of yen							
	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Total	Adjustments *1	Consolidated *2
Sales to third parties	¥118,937	¥485,275	¥ 85,541	¥520,835	¥ 5,945	¥1,216,533	¥ —	¥1,216,533
Total sales	118,937	485,275	85,541	520,835	5,945	1,216,533	—	1,216,533
Segment income (loss)	28,568	281,623	41,752	357,343	(6,089)	703,197	(9,749)	693,448
Segment assets	265,467	690,763	526,519	266,649	188,209	1,937,607	1,678,552	3,616,159
Other items								
Depreciation and amortization	17,603	17,033	9,066	5,850	1,012	50,564	1,352	51,916
Amortization of goodwill	—	—	—	—	(192)	(192)	6,953	6,761
Investment to affiliates accounted for by the equity-method	1,857	46,818	—	53,243	4,159	106,077	—	106,077
Increase of tangible fixed assets and intangible assets	¥ 24,656	¥203,853	¥ 1,024	¥ 20,595	¥108,373	¥ 358,501	¥ 1,486	¥ 359,987

Year ended March 31, 2013	Thousands of U.S. dollars							
	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Total	Adjustments *1	Consolidated *2
Sales to third parties	$1,265,422	$5,163,049	$ 910,108	$5,541,387	$ 63,251	$12,943,217	$ —	$12,943,217
Total sales	1,265,422	5,163,049	910,108	5,541,387	63,251	12,943,217	—	12,943,217
Segment income (loss)	303,947	2,996,308	444,217	3,801,926	(64,783)	7,481,615	(103,724)	7,377,891
Segment assets	2,824,418	7,349,324	5,601,862	2,836,993	2,002,437	20,615,034	17,858,836	38,473,870
Other items								
Depreciation and amortization	187,286	181,221	96,457	62,241	10,767	537,972	14,385	552,357
Amortization of goodwill	—	—	—	—	(2,043)	(2,043)	73,976	71,933
Investment to affiliates accounted for by the equity-method	19,758	498,117	—	566,475	44,249	1,128,599	—	1,128,599
Increase of tangible fixed assets and intangible assets	$ 262,326	$2,168,879	$ 10,895	$ 219,119	$1,153,027	$ 3,814,246	$ 15,810	$ 3,830,056

*1 Adjustments include elimination of inter-segment transactions and corporate incomes, expenses and assets that are not allocated to a reportable segment.

*2 Segment income is reconciled with operating income on the consolidated statement of income.

Products and service information:

Sales to third parties

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Crude oil	¥ 726,223	¥ 788,135	$ 8,385,307
Natural gas (excluding LPG)	404,735	370,528	3,942,206
LPG	24,330	27,238	289,797
Other	31,444	30,632	325,907
Total	¥1,186,732	¥1,216,533	$12,943,217

Geographical information:

Sales

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Japan	¥ 591,215	¥ 634,788	$ 6,753,782
Asia & Oceania (excluding Singapore)	420,184	421,505	4,484,573
Singapore	135,759	142,748	1,518,757
Other	39,574	17,492	186,105
Total	¥1,186,732	¥1,216,533	$12,943,217

Tangible fixed assets

March 31,	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Japan	¥229,889	¥235,674	$2,507,437
Australia	77,981	227,358	2,418,959
Other	75,828	121,509	1,292,787
Total	¥383,698	¥584,541	$6,219,183

Information by major customer:

Sales to major customers

	Millions of yen		Thousands of U.S. dollars	
Years ended March 31,	2012	2013	2013	Segment
PERTAMINA	¥245,942	¥206,282	$2,194,723	Asia & Oceania
Idemitsu Kosan Co., Ltd.	¥103,631	¥132,908	$1,414,065	Middle East & Africa

20. RELATED PARTY TRANSACTIONS

There are the following related party transactions for the year ended March 31, 2012:

Affiliated company

Name of related party	Location	Capital investment	Nature of operations	Voting interest	Description of the business relationship	Transaction detail	Amounts
							Millions of yen
Ichthys LNG Pty Ltd	Western Australia, Australia	$482,700 thousand	Transportation, liquefaction and sales of oil and natural gas through pipeline in WA-37-R block in offshore Western Australia*2	Indirectly 76.00%	Serve the officer concurrently, capital subscription	Contribution in kind	
						Total inherited assets	¥34,752
						Total inherited liabilities	478
						Loans of funds *1	¥38,062

*1 The Company determines the interest rate on loans of funds based on market interest rates in a reasonable and appropriate manner.
*2 Upon the grant of production license, WA-37-R was registered as WA-50-L.

There are the following related party transactions for the year ended March 31, 2013:

Affiliated company

Name of related party	Location	Capital investment	Nature of operations	Voting interest	Description of the business relationship	Transaction detail	Amounts		Title of account	Amounts	
							Millions of yen	Thousands of U.S. dollars		Millions of yen	Thousands of U.S. dollars
Ichthys LNG Pty Ltd	Western Australia, Australia	$482,700 thousand	Transportation, liquefaction and sales of oil and natural gas through pipeline in WA-50-L block in offshore Western Australia	Indirectly 66.07%	Serve the officer concurrently, capital subscription	Loans of funds*	¥141,153	$1,501,787	Short-term loans receivable	¥58,700	$624,535
						Collection of loans*	119,139	1,267,571			
						Debt guarantee	128,864	1,371,039	—	—	—
Angola Block 14 B.V.	Hague, Netherlands	€18 thousand	Exploration, development, production and sales of oil in Block 14 in offshore Republic of Angola	Indirectly 49.99%	Capital subscription	Subscription for new shares	¥ 37,621	$ 400,266	—	¥ —	$ —

* The Company determines the interest rate on loans of funds based on market interest rates in a reasonable and appropriate manner.

Note related to the parent company or significant affiliated companies

The significant affiliated company for the year ended March 31, 2013 is Ichthys LNG Pty Ltd. The summary of its financial information is as follows:

	Millions of yen	Thousands of U.S. dollars
Total current assets	¥ 47,429	$ 504,618
Total fixed assets	550,378	5,855,708
Total current liabilities	227,942	2,425,173
Total long-term liabilities	336,847	3,583,860
Total net assets	33,019	351,303
Net sales	—	—
Net loss before income taxes	1,511	16,076
Net loss	¥ 694	$ 7,384

Note: Ichthys LNG Pty Ltd has qualified as a significant affiliated company from the year ended March 31, 2013, due to an increase in its materiality.

21. Subsequent Events

Stock Split and Adoption of Share Unit System

The Company resolved to conduct a stock split of common stock and to adopt a share unit system for common stock and Class A Stock of the Company at the Board of Directors meeting held on May 10, 2013, at the 7th ordinary general meeting of shareholders and necessary class shareholders meeting held on June 25, 2013.

(a) Purpose of the stock split and adoption of the share unit system

The Company resolved to conduct a stock split at a ratio of 400 shares per common stock for the purpose of increasing the number of the Company's investors by reducing the investment unit of shares of the Company considering the general price level for investment units of companies listed on the First Section of the Tokyo Stock Exchange. This measure is aimed at improving the investment environment for a variety of investors, including individual investors, to facilitate their investments in the Company's stock.

In addition, in accordance with the guidelines indicated in "Action Plan for Consolidating Trading Units" issued by the Japanese stock exchanges, the Company intends to adopt a share unit system under which the number of shares constituting one share trading unit will be 100 shares. With these initiatives implemented, the amount per investment unit of the Company's shares will be one quarter (1/4) of that prior to the stock split and adoption of the share unit system.

Meanwhile, no stock split will be implemented for Class A Stock (unlisted), and the share unit will be one share per unit.

(b) Outline of the stock split
(Method of stock split)

With Monday, September 30, 2013, as the record date, shares of common stock held by shareholders registered or recorded in the final shareholders' register on the same date will be split at a ratio of 400 shares per common stock.

(Number of shares to be increased through the stock split)

Total number of shares issued before the stock split:	
Common stock	3,655,809
Class A Stock	1
Total	3,655,810
Number of shares to be increased through the stock split:	
Common stock	1,458,667,791
Total number of shares to be issued after the stock split:	
Common stock	1,462,323,600
Class A Stock	1
Total	1,462,323,601
Total number of shares authorized for issuance after the stock split:	
Common stock	3,600,000,000
Class A Stock	1
Total	3,600,000,001

(Schedule of the stock split)

Public notice of the record date: Friday, September 13, 2013
Record date: Monday, September 30, 2013
Effective date: Tuesday, October 1, 2013

(c) Adoption of the share unit system
(Number of share unit to be newly established)

A share unit system will be adopted as of the effective date in "(b) Outline of the stock split" above, according to which the share unit number for common stock will be 100 shares and that for Class A Stock will be one share.

(Schedule for the new establishment)

Effective date: Tuesday, October 1, 2013
Note: The trading unit of the Company's common stock on the Tokyo Stock Exchange will be changed from one share to 100 shares as of Thursday, September 26, 2013.

(d) Other information

Per share information based on the assumption that the stock split was conducted on April 1, 2011, is as follows:

	Yen		U.S. dollars
Years ended March 31,	2012	2013	2013
Net assets	¥1,492.27	¥1,699.10	$18.08
Net income	¥ 132.84	¥ 125.29	$ 1.33

Note: Diluted net income per share is not presented because there are no dilutive potential of shares of common stock.

Independent Auditor's Report

ERNST & YOUNG

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Independent Auditor's Report

The Board of Directors
INPEX CORPORATION

We have audited the accompanying consolidated financial statements of INPEX CORPORATION and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2013, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of INPEX CORPORATION and its consolidated subsidiaries as at March 31, 2013, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 3.

Ernst & Young ShinNihon LLC

June 25, 2013
Tokyo, Japan

Subsidiaries and Affiliates

As of March 31, 2013

Consolidated Subsidiaries

Company name	Issued capital* (Millions of yen)	Voting rights held by us (%)	Main business
INPEX Natuna, Ltd.	5,000	100.00%	Exploration, development, production and sales of oil and natural gas in the South Natuna Sea Block B, Indonesia
INPEX Sahul, Ltd.	4,600	100.00%	Exploration, development, production and sales of oil and natural gas in the JPDA03-12 Block and Bayu-Undan gas-condensate field in the Timor Sea JPDA
INPEX Alpha, Ltd.	8,014	100.00%	Exploration, development, production and sales of oil and natural gas in the WA-35-L Block and others, Australia
INPEX Tengah, Ltd.	1,020	100.00%	Exploration, development, production and sales of oil and natural gas in the Tengah Block in Offshore East Kalimantan, Indonesia
INPEX Browse, Ltd.	305,690	100.00%	Exploration and development of oil and natural gas in the WA-285-P Block and others, Australia
INPEX Ichthys Pty Ltd	802,688 (Thousands of U.S. dollars)	100.00%	Exploration and development of oil and natural gas in the Ichthys gas-condensate field in the WA-50-L Block and others, Australia
INPEX Masela, Ltd.	33,348	51.93%	Exploration and development of oil and natural gas in the Masela Block in the Arafura Sea, Indonesia
INPEX Offshore North Mahakam, Ltd.	3,875	100.00%	Exploration of oil and natural gas in the East Kalimantan Block in Offshore East Kalimantan, Indonesia
INPEX South Makassar, Ltd.	1,097	100.00%	Exploration and development of oil and natural gas in the Sebuku Block in the Makassar Strait, Indonesia
INPEX Timor Sea, Ltd.	6,712	100.00%	Exploration, development, production and sales of oil and natural gas in the JPDA06-105 Block in the Timor Sea JPDA
INPEX Oil & Gas Australia Pty Ltd	400,000 (Thousands of U.S. dollars)	100.00%	Exploration and development of oil and natural gas in the Prelude gas field (WA-44-L) and others, Australia
INPEX Babar Selaru, Ltd.	1,107	51.02%	Exploration of oil and natural gas in the Babar Selaru Block, Offshore Indonesia
INPEX Offshore North West Sabah, Ltd.	2,045	100.00%	Exploration of oil and natural gas in the deepwater Block S located offshore Sabah, Malaysia
INPEX Southwest Caspian Sea, Ltd.	53,594	51.00%	Exploration, development, production and sales of oil in the ACG Oil Fields, Azerbaijan
INPEX North Caspian Sea, Ltd.	50,680	45.00%	Exploration and development of oil in the Offshore North Caspian Sea Block, Kazakhstan
Japan Oil Development Co., Ltd.	18,800	100.00%	Exploration, development, production and sales of oil in the ADMA Block in Offshore Abu Dhabi, United Arab Emirates
INPEX ABK, Ltd.	2,500	100.00%	Exploration, development, production and sales of oil in the Abu Al Bukhoosh Block in Offshore Abu Dhabi, United Arab Emirates
Teikoku Oil (D.R. Congo) Co., Ltd.	10	100.00%	Exploration, development, production and sales of oil in the Offshore D.R. Congo Block
Teikoku Oil (Algeria) Co., Ltd.	708	100.00%	Exploration and development of oil and natural gas in the El Ouar I/II Blocks, Algeria
INPEX Angola Block 14 Ltd.	475,600 (Thousands of U.S. dollars)	100.00%	Investment in oil exploration, development, production and sales in Block 14, Offshore Angola
Teikoku Oil (Venezuela) Co., Ltd.	100	100.00%	Financing for oil and natural gas exploration, development, production and sales in the Copa Macoya / Guarico Oriental Blocks, Venezuela
Teikoku Oil (North America) Co., Ltd.	18,253 (Thousands of U.S. dollars)	100.00%	Exploration, development, production and sales of oil in the United States
INPEX Canada, Ltd.	19,645	100.00%	Exploration and development of oil including oil sands in Canada

Company name	Issued capital* (Millions of yen)	Voting rights held by us (%)	Main business
Teikoku Oil (Suriname) Co., Ltd.	7,257	56.78%	Exploration of oil in the Offshore Block 31, Suriname
INPEX Gas British Columbia Ltd.	1,043,488 (Thousands Canadian dollars)	45.09%	Exploration, development, production and sales of natural gas in the shale gas blocks of Horn River, Cordova and Liard basins in British Columbia, Canada
Teiseki Pipeline Co., Ltd.	100	100.00%	Natural gas transportation, pipeline operation, maintenance and management
INPEX DLNGPL Pty Ltd	86,135 (Thousands of AUS dollars)	100.00%	Investment in Darwin LNG Pty Ltd, which constructs and operates the undersea pipeline and LNG plant connecting Bayu Undan Gas/Condensate Field and Darwin (Australia)
INPEX BTC Pipeline, Ltd.	63,800 (Thousands of U.S. dollars)	100.00%	Investment in the pipeline construction and management business that connects Baku (Azerbaijan), Tbilisi (Georgia) and Ceyhan (Turkey)
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
Saitama Gas Co., Ltd.	60	62.67%	City gas sales

31 other subsidiaries

Equity-Method Affiliates

Company name	Issued capital* (Millions of yen)	Voting rights held by us (%)	Main business
MI Berau B.V.	656,279 (Thousands of euros)	44.00%	Exploration, development, production and sales of natural gas in the Berau Block and the Tangguh LNG Project, West Papua province, Indonesia
Ichthys LNG Pty Ltd	482,700 (Thousands of U.S. dollars)	66.07%	Engaged in laying the undersea pipeline from the Ichthys gas-condensate field to the Darwin Onshore LNG Plant and building the LNG plant, Australia
Angola Japan Oil Co., Ltd.	8,000	19.60%	Development, production and sales of oil in the Offshore 3/05 Block, Angola
INPEX Offshore North Campos, Ltd.	6,852	37.50%	Financing for oil and natural gas exploration, development, production and sales in the Frade Block in Offshore North Campos, Brazil
Angola Block 14 B.V.	18 (Thousands of euros)	49.99%	Exploration, development, production and sales of oil in Block 14, Offshore Angola

10 other equity-method affiliates

Subsidiaries of Equity-Method Affiliates

Company name	Issued capital*	Voting rights held by us (%)	Main business
Frade Japão Petróleo Limitada	103,051 (Thousands of reais)	0.00%	Exploration, development, production and sales of oil and natural gas in the Frade Block in Offshore North Campos, Brazil

2 other subsidiaries of equity-method affiliates

* Rounding off fractions less than the unit.

Business Risks

The following is a discussion on key items that can be considered potential risk factors relating to the business of INPEX CORPORATION, its subsidiaries and affiliates (the "Group"). From the standpoint of information disclosure to investors and shareholders, we proactively disclose matters that are not necessarily the business risks but that can be considered to have important effects on the investment decisions of investors. The following discussion does not completely cover all business risks relating to the Group's businesses.

Unless stated otherwise, forward-looking statements in the discussion are the judgment of the Group as of June 26, 2013 and are subject to change after such date due to various factors, including changes in social and economic circumstances.

1. CHARACTERISTICS OF AND RISKS ASSOCIATED WITH THE OIL AND NATURAL GAS DEVELOPMENT BUSINESS

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

Payment of compensation is ordinarily necessary to acquire participating interests. Also, surveying and exploratory drilling expenses (exploration expenses) become necessary at the time of exploration activities for the purpose of discovering resources. When resources are discovered, it is necessary to further invest in substantial development expenses according to various conditions, including the size of the recoverable reserves, development costs and details of agreements with oil-producing countries (including gas-producing countries; hereinafter the same shall apply).

There is, however, no guarantee of discovering resources on a scale that makes development and production feasible. The probability of such discoveries is considerably low despite various technological advances in recent years, and even when resources are discovered the scale of the reserves does not necessarily make commercial production feasible. For this reason, the Group conservatively recognizes expenses related to exploration investment in our consolidated financial statements. The Group maintains financial soundness by booking 100% as expenses in the case of concession agreements (including mining rights awarded in Japan as well as permits, licenses and leases awarded overseas) and by booking 100% of exploration project investment as allowances in the case of production sharing agreements. In addition, if there are impossibilities of recovery of investment in a development project, we also book the corresponding amount of investment in the development project as allowances while considering the recovery possibility of each project.

To increase recoverable reserve and production volumes, the Group plans to always take an interest in promising properties and plans to continue exploration investment. At the same time, we plan to invest in development projects, including the acquisition of interests in discovered undeveloped fields and producing fields, so as to maintain an overall balance between assets at the exploration, development, and production stages.

Although exploration and development (including the acquisition of interests) are necessary to secure the reserves essential to the Group's future sustainable business development, each type of investment involves technological and economic risks, and failed exploration or development could have an adverse effect on the results of the Group's operations.

(2) Crude oil, condensate, LPG and natural gas reserves

1) Proved reserves

INPEX CORPORATION (the "Company") commissioned DeGolyer and MacNaughton, an independent petroleum engineering consultant in the United States, to assess the main proved reserves of the Group of which projects with a significant amount of future development investment might materially affect future performance. An assessment of other projects was undertaken by the Company. The definition of proved reserves is based on the U.S. Securities and Exchange Commission's (SEC) Regulation S-X, Rule 4-10(a), which is widely known among U.S. investors. Regardless of whether the deterministic approach or probabilistic approach is used in evaluation, proved oil and gas reserves are estimated quantities that geological and engineering data demonstrate with reasonable certainty to be recoverable from known reservoirs under existing economic and operating conditions, from the date of evaluation through to the expiration date of the agreement granting operating rights (or in the event of evidence with a reasonable certainty of agreement, extension through to the expiration of the projected extension period). For definition as "proved reserves," operators must have a reasonable degree of certainty that the recovery of hydrocarbons has commenced or that the project will commence within an acceptable period of time. This definition is widely regarded as being conservative. Nevertheless, the strictness of the definition does not imply any guarantee of the production of total reserves during a future production period.

For further details on proved reserves of crude oil, condensate, LPG and natural gas held by the Group, including affiliates accounted for under the equity method, please see the section "Oil and Gas Reserves and Production Volume" on P. 140.

2) Probable reserves and possible reserves

In addition to the assessment of proved reserves based on the SEC standards, the Company commissioned DeGolyer and MacNaughton to assess its probable reserves and the possible reserves of which projects with a significant amount of future development investment might materially affect the future performance, similar to proved reserves. An assessment of other projects was undertaken by the Company, based on the Petroleum Resources Management System 2007 (PRMS) published by four organizations: the Society of Petroleum Engineers (SPE), the World Petroleum Congress (WPC), the American Association of Petroleum Geologists (AAPG), and the Society of Petroleum Evaluation Engineers (SPEE). Probable reserves, as defined by PRMS guidelines established by the four organizations, are reserves of oil and gas volumes outside proved reserves that are less likely to be recovered than proved reserves but more certain to be recovered than possible reserves based on analyses of geological and engineering data. In this context, when probabilistic methods are employed, there should be at least a 50% probability that the quantities actually recovered will equal or exceed the sum of estimated proved and probable reserves. In addition, possible reserves are also defined in accordance with PRMS guidelines as reserves of oil

and gas volumes which are not categorized as proved reserves or probable reserves and which are less likely to be recovered than probable reserves based on analyses of geological and engineering data. In this case, it is unlikely that the actual quantity of oil and gas recovered will exceed the sum of proved reserves, probable reserves and possible reserves. Furthermore, when probabilistic methods are employed to calculate possible reserves, there should be at least a 10% probability that the quantities recovered will equal or exceed the sum of proved reserves, probable reserves and possible reserves. Probable reserves and possible reserves can be upgraded to proved reserves after the addition of new technical data or when uncertainty has been reduced due to clarification of economic conditions or operational conditions. Nevertheless, probable reserves and possible reserves do not offer a guarantee of the production of total reserves during a future production period with the same certainty as proved reserves.

For further details on probable reserves and possible reserves of crude oil, condensate, LPG and natural gas held by the Group, including affiliates accounted for under the equity method, please see the section "Oil and Gas Reserves and Production Volume" on P. 140.

3) Possibility of changes in reserves

A reserve evaluation depends on the available geological and engineering data from oil and gas reservoirs, the maturity of development plans and a considerable number of assumptions, factors and variables including economic conditions as of the date such an estimate is made. Reserves may be revised in the future on the basis of geological and engineering data as well as development plans and information relating to changes in economic and other conditions made newly available through progress in production and operations. As a result, there is a possibility that reserves will be restated upwards or downwards. As to the reserves under a PSC, not only production, but also oil and gas prices, investments, recovery of investments due to contractual conditions and remuneration fees may affect the economic entitlement. This may cause reserves to increase or decrease. In this way, the assessed value of reserves could fluctuate because of various data, assumptions and changes of definition.

(3) In the oil and natural gas development business the period from exploration to sales is highly capital intensive and funds cannot be recovered for a long time

Considerable time and expense is required for exploration activities. Even when promising resources are discovered through exploration, substantial expenses including production facility construction costs, and an extended period of time, are necessary at the development stage leading up to production. For this reason, a long period of 10 years or more is required from the time of exploration and development investment until the recovery of funds through production and sales. In particular, the development of the Ichthys and the Abadi, large-scale LNG projects, being pursued by the Company requires a very large amount of investment, and the financing of these projects could be impacted by changes in the economic and financial environment. Following the discovery of resources, a delay in the development schedule or the loss of the economic viability of the properties during the development process leading up to production and the commencement of sales could have an adverse effect on the Group's operational results. Such delays or losses may occur due to changes in the business environment including a delay in the acquisition or modification of government approvals, the occurrence of unanticipated problems related to geological conditions, fluctuations in the price of oil or gas, fluctuations in foreign exchange rates, or escalating prices of equipment and materials. In the case of LNG projects, such delays or losses may occur due to an inability to complete such procedural requirements as FID owing to the lack of any long-term contractual agreement with prospective purchasers with respect to production.

(4) Operatorship

In the oil and natural gas development business, companies frequently form business partnerships for the purpose of the dispersion of risk and financial burden. In such partnerships, one of the companies becomes the operator, which performs the actual work and bears the responsibility for operations on behalf of the partners. The companies other than the operator, as non-operators, participate in the business by providing a predetermined amount of funds and either carefully examining the exploration and development plan devised and implemented by the operator, or participating in some operations.

The integration of INPEX CORPORATION and Teikoku Oil Co., Ltd., was completed on October 1, 2008. The resultant company possesses abundant operational capabilities thanks to the amalgamation of the former two companies' know-how based on extensive operation experience in exploration, development and production both within Japan and overseas as well as their high level proprietary technologies.

The Group intends to actively pursue operator projects focusing on the two large-scale LNG Ichthys and Abadi projects taking into consideration the effective application of business resources as well as the balance between operator and non-operator projects, based on the Group's technical capability, which has been considerably enhanced by the above-stated business integration. Although the Company lacks operator experience in LNG development projects, it has significant expertise as an operator in the development and production of crude oil and natural gas both in Japan and overseas as well as a wealth of know-how and knowledge accumulated over many years as a participant in LNG and other projects in such countries as Indonesia and Australia. In addition, we believe that by utilizing the services of specialized subcontractors and highly experienced external consultants, a practice similar to foreign oil companies including the majors, it will be possible to execute business appropriately as an operator.

Engaging in project coordination as an operator will contribute to the expansion of opportunities of block and acreage acquisition through enhancement of technical capabilities and greater presence in oil-producing countries and the industry. At the same time, there exist risks such as constraints on the recruitment of personnel who have specialized operational skills and an increase in financial burden. Inability to adequately cope with such risks could have an adverse effect on the Group's results of operations.

(5) Project partners

In the oil and natural gas development business, as previously mentioned, several companies often engage in joint business for the purpose of dispersion of risk and financial burden. In such cases, the partners generally enter into a joint operating agreement among themselves to decide on the decision-making procedure for execution of the joint business, or to decide on an operator that conducts business on their behalf. A company

that is a partner in one property in which the Group is engaged in joint business may become a competitor in the acquisition of other participating interests, even though the relationship with the partner may be good.

In undertaking the joint business, participants in principle bear a financial burden in proportion to their interest share. Any inability by a joint business partner to fulfill this financial burden may adversely affect the project.

(6) Disaster and accident risks

Oil and natural gas development entails the risk that operational accidents and disasters may occur in the process of exploration, development, production and transportation. Should such an accident, disaster or other such incident occur, there is the risk that costs will be incurred, excluding compensation covered by insurance, due to facility damage, as well as the risk of a major accident or disaster involving loss of life. In addition, a cost burden for recovery or opportunity loss from the interruption of operations could occur. For the domestic natural gas business, the Company has continued to procure as source gas natural gas regasified from imported LNG since January 2010. Furthermore, the Company will take steps to procure imported LNG as source gas in connection with its Naoetsu Receiving Terminal from September 2013. An inability to procure natural gas regasified from imported LNG and other imported gas as source gas due to troubles concerning suppliers or the Company's Naoetsu Receiving Terminal may interfere with the Company's ability to supply to its customers. This could in turn have an adverse effect on the Company's domestic natural gas business.

With regard to environmental problems, there is a possibility of soil contamination, air pollution, and freshwater and seawater pollution. The Group has established a "Health, Safety and Environment Policy," and as a matter of course abides by the environmental laws, regulations, and standards of the countries in which we operate and give due consideration to the environment in the conduct of business, based on our independent guidelines. Nevertheless, in the event of an operating accident or disaster that for some reason exerts an impact on the environment, a response or necessary cost burden for recovery or loss from the interruption of operations could occur. Furthermore, in the event of changes to or the strengthening of the environmental laws, regulations, and standards (including support measures for the promotion of new, renewable energies) of the countries in which we operate, it may be necessary for the Group to devise additional measures, and an associated cost burden could occur.

Although the Group maintains accident insurance in the natural conduct of its operations, should such an accident or disaster be attributable to willful misconduct or negligence on the part of the Group, the occurrence of a cost burden could have an adverse effect on financial results. Also, such accident or trouble would result in receiving administrative punishment or result in damage to the Group's credibility and reputation as an oil and natural gas development company, and could therefore have an adverse effect on future business activities.

In November 2011, an oil sheen was discovered spreading in the vicinity of the Frade oil field, in which an approximately 18.3% interest is held by Frade Japão Petróleo Limitada ("FJPL"), which is a subsidiary of INPEX Offshore North Campos, Ltd. (which is an equity-method affiliate of INPEX CORPORATION and in which INPEX CORPORATION holds a 37.5% interest). According to Chevron Brasil Upstream Frade Ltda. ("Chevron"), the operator of the Frade oil field, the application of Chevron's emergency response plan led to the responsible well being brought under control within four days from the sheen's discovery and successfully plugged and abandoned(by operations to fill the well with cement and close it off). While Chevron has continued to monitor the subsequent state of oil seepage, the well closure has succeeded in largely resolving the oil seepage and not one drop of oil reached the beaches and there was no impact on marine life.

In March 2012 Chevron also identified a small, new oil seepage emanating from a location different from the November 2011 oil seep and quickly took measures to place containment devices on the source. According to Chevron the volume of oil released in the seep detected in March 2012 has been about one barrel. Chevron and its partner companies including FJPL had requested a temporary suspension of production in the Frade oil field. Production had once been suspended since March 16, 2012 but production resumed on April 30, 2013 upon approval of the relevant Brazilian agencies.

Relevant Brazilian agencies have filed multiple lawsuits against, and other notices with, Chevron, the operator of the field, and other companies requesting compensation for damages and a suspension in operations and other measures in connection with the oil seeps in November 2011 and March 2012. As to some of them, discussions are being held for concrete resolution with the Brazilian agencies, although their ultimate outcomes remain unknown. On the other hand, among those that are being contested are lawsuits filed by Brazil's Federal Prosecution Service against Chevron and other companies demanding damages in the amount of 20 billion real (about 8 hundred billion yen at the rate of one real to about 40 yen) for each of the incidents in November 2011 and March 2012, but Chevron has publicly announced its opinion that Chevron is not aware of any basis for damages to be awarded in any civil lawsuit. The INPEX group (including FJPL) is not a direct party to any of these suits or other actions, but if Chevron is made to pay damages or settlement money, or bear any other financial burden as a result of these suits or actions, it is possible that FJPL will be required to bear a financial burden equivalent to the portion of interest held by FJPL in the Frade oil field in accordance with the Joint Operating Agreement. While a lawsuit filed by Brazil's Federal Prosecution Service seeking a suspension of operations had been partially granted by a court, after submission by Chevron of counterarguments contesting the judgment, the lawsuit seeking the suspension of operations was dismissed. As Brazil's Federal Prosecution Service filed an appeal against this judgment, if the appeal is ultimately upheld by the higher court, it is possible that losses will be incurred due to a long-term suspension of operations. As of the date of this document, the scope of each relevant party's responsibility remains unclear and the monetary impact of these oil sheen incidents on the results of operations of the INPEX group has not been fixed yet. As of the date of this document, we are not aware of the existence of any lawsuit concerning the oil sheen incidents that involves the INPEX group (including FJPL) as a direct party. However, if legal proceedings such as civil, criminal, or administrative proceedings are brought by Brazilian government agencies, individuals, or any other body against the INPEX group, it is possible that the INPEX group will incur losses and/or that the operations of the INPEX group in Brazil will be affected.

2. EFFECTS OF FLUCTUATIONS IN CRUDE OIL PRICES, NATURAL GAS PRICES, FOREIGN EXCHANGE AND INTEREST RATES ON FINANCIAL RESULTS

(1) Effects of fluctuations in crude oil prices and natural gas prices on financial results

A large percentage of crude oil prices and natural gas prices in overseas businesses are determined by international market conditions. In addition, those prices fluctuate significantly in response to the influence of a variety of factors including global or local supply and demand as well as trends and conditions in the global economy and financial markets. The vast majority of these factors are beyond the control of the Company. In this regard, INPEX is not in a position to accurately predict movements in future crude oil and natural gas prices. The Group's sales and profits are subject to the effects of such price fluctuations. Such effects are highly complex and are caused by the following factors.

1) Although a majority of natural gas selling prices in overseas businesses are linked to crude oil prices, they are not in direct proportion to crude oil prices.
2) Because sales and profits are determined on the basis of crude oil prices and natural gas prices at the time sales are booked, actual crude oil transaction prices and the average oil price during the accounting period do not necessarily correspond.

For the domestic natural gas businesses, the Company has continued to purchase as source gas natural gas regasified from imported LNG as a raw material in addition to natural gas produced in Japan since January 2010. The price of the Company's natural gas sold in Japan is comprised of a fixed price portion as well as a portion that reflects fluctuations in the price of imported LNG. In addition to the direct impact of trends in the market prices of LNG and competing energy sources on that portion that reflects fluctuations in the price of imported LNG, contract negotiations held each fiscal year with end purchasers could have an indirect effect on the fixed price portion.

(2) The effect of fluctuations in exchange rates on financial results

As most of the Group's business consists of E&P conducted overseas, associated revenues (sales) and expenditures (costs) are denominated in foreign currencies (primarily in U.S. dollars), and profit and loss is subject to the effects of the foreign exchange market. In the event of appreciation in the value of the yen, yen-denominated sales and profits decrease. Conversely, in the event of depreciation in the value of the yen, yen-denominated sales and profits increase.

On the other hand, when borrowing necessary funds, the Company borrows in foreign currencies. In the event of appreciation in the value of the yen, a foreign exchange gain on foreign-currency denominated borrowings is recorded as a result of fiscal year-end conversion; in the event of depreciation in the value of the yen, a foreign exchange loss is incurred. For this reason, the exchange risk associated with the above business is diminished and the impact of fluctuations in exchange rates on profit and loss tends to be mitigated. Moreover, although the Company is taking measures to reduce a portion of the risks associated with movements in foreign currency exchange rates, these measures by no means cover all possible risks. As a result, the impact of fluctuations in foreign currency exchange rates cannot be completely eliminated.

(3) The effect of fluctuations in interest rates on financial results

The Group raises some of the funds necessary for exploration and development operations through borrowing. Much of these borrowings are with variable-rates, long term borrowings based on the U.S. dollar six-month LIBOR rate. Accordingly, the Company's profits are subject to the influence of fluctuations in U.S. dollar interest rates. Furthermore, although the Group has devised methods to reduce a portion of interest rate risk, these methods do not cover all risks of interest rate fluctuation incurred by our Group and do not entirely remove the effect of fluctuations in interest rates.

3. OVERSEAS BUSINESS ACTIVITIES AND COUNTRY RISK

The Group engages in a large number of oil and natural gas development projects overseas. Because the Group's business activities, including the acquisition of participating interests, are conducted on the basis of contracts with the governments of oil-producing countries and other entities, steps taken by oil-producing countries to further tighten controls applicable to home country natural resources, suspension of operation due to conflicts and other factors, and other such changes in the political, economic, and social circumstances in such oil-producing countries or neighboring countries (including government involvement, stage of economic development, economic growth rate, capital reinvestment, resource allocation, restriction of economic activities by global community, government control of foreign exchange or foreign remittances, and the balance of international payments), the application of OPEC production ceilings in OPEC member countries and changes in the legal system and taxation system of those countries (including the establishment or abolition of laws or regulations and changes in their interpretation or enforcement) could have a significant impact on the Group's business or results unless the impact is compensated by insurance.

Additionally, against the background of rising development costs and other changes in the business environment, the progress of oil and gas projects, and the need to address environmental issues, the governments of oil-producing countries may seek to renegotiate the fiscal conditions including conditions of existing oil contracts related to participating interests. In the event that the fiscal conditions of contracts were to be renegotiated, this could have an adverse effect on the Group's business performance.

4. DEPENDENCE ON SPECIFIC GEOGRAPHICAL AREAS OR PROPERTIES

(1) Production volume

The Group engages in stable production of crude oil and natural gas in the Offshore Mahakam Block (Indonesia), the ADMA Block (United Arab Emirates), the Minami Nagaoka Gas Field (Japan) and so on. Through a process of business integration, the Group had established a wide ranging, diversified yet balanced portfolio that encompassed the Asia-Oceania regions (particularly Japan, Indonesia, and Australia), the Middle East and Africa, Eurasia including Caspian Sea area and the Americas. For the year ended March 31, 2013 however, the Asia and Oceania regions accounted for about 44% of the Group's production volume, and the Middle East and Africa accounted for about 39% making up the vast majority of the Group's operations.

Looking ahead, the Group will endeavor to further enhance the balance of its asset portfolio on a regional basis. However, the Group currently relies heavily on specific geographical areas and properties for its production volume, and the occurrence in these properties of an operational problem or difficulty could have an adverse effect on the Group's operational results.

(2) Contract expiration dates in principal business areas

Expiration dates are customarily stipulated in the agreements related to participating interests, which are prerequisites for the Group's overseas business activities. Although March 30, 1997 was the initial contract expiration date in the production sharing agreement for the Offshore Mahakam Block of Indonesia, the Group's principal geographical business area, an extension was approved in 1991, and the current expiration date is December 31, 2017. On the basis of the concession agreement for the ADMA Block, the concession expiration date is March 8, 2018. (However, the expiration date for the Upper Zakum Oil Field has been extended to March 8, 2026.) Although the Group plans to make efforts together with partners to further extend these agreements, inability to re-extend the agreements or unfavorable contract terms and conditions at the time of re-extension could have an adverse effect on the Group's results. Even should the agreements be re-extended, we anticipate that remaining recoverable reserves may decrease at the time of re-extension. Although the Group is striving to acquire interests that can substitute these properties, failure to acquire participating interests in oil and gas fields to fully substitute for these properties could have an adverse effect on the Group's results. In addition, the period for exploration in oil and gas fields currently under exploration is fixed by contracts, and in the case of fields where oil and/or gas reserves are found that are deemed to be commercialized, and the Company is unable to decide on the transition to the development stage by the expiration of the current contract, efforts will be made through negotiations with the government of the oil- or gas-producing country in question to have the periods extended. However, there remains the possibility that such negotiations may not be successfully concluded, in which event the Company would be forced to withdraw from operations in the oil or gas field concerned. Also, as a rule, when there has been a major breach of contract on the part of one party, it is customary for the other party to have the right to cancel the agreement before the expiration date. The agreements for properties in these principal geographical business areas contain similar provisions. The Group has never experienced early cancellation of an agreement due to breach of contract, and we do not anticipate such an occurrence in the future. Nevertheless, a major breach of contract on the part of a party to an agreement could result in cancellation of an agreement before the expiration date.

And in the overseas natural gas development and production activities, in many cases we are selling and supplying gas based on long-term sales and supply contracts in which expiration dates are stipulated. We plan to make efforts with partners to extend or re-extend the expiration date before the deadline stipulated in these contracts. Nevertheless, inability to extend the contracts, or the occurrence of cases in which extension is made but sales and supply volumes are reduced, could have an adverse effect on the Group's business or results.

5. PRODUCTION SHARING AGREEMENTS

(1) Details of production sharing agreements

The Group has entered into production sharing agreements with countries including Indonesia and Caspian Sea area, and therefore holds numerous participating interests in those regions.

Production sharing agreements are agreements by which one or several oil and natural gas development companies serve as contractors that undertake at their own expense exploration and development work on behalf of the governments of oil-producing countries or national oil companies and receive production from the projects as cost recovery and compensation. That is to say, when exploration and development work results in the production of oil or natural gas, the contractors recover the exploration and development costs they incurred by means of a share in the production. The remaining production (crude oil and gas) is shared among the oil-producing country or national oil company and the contractors according to fixed allocation ratios. (The contactors' share of production after cost recovery is called "profit oil and gas." In the case of natural gas, sales are conducted by Indonesia and the contractors receive cost recovery and profit gas in the form of cash.) On the other hand, in cases when exploration fails and expected production is not realized, the contractors are not to recover their invested funds.

(2) Accounting treatment of production sharing agreements

When a company in the Group owns participating interests under production sharing agreements, as mentioned above, in the role of contractor it invests technology and funds in the exploration and development of the property, recovers the invested costs from the production produced, and receives a share of the remaining production after recovery of invested costs as compensation.

Costs invested on the basis of production sharing agreements are recorded on the balance sheet as assets for which future recovery is anticipated under the item "Recoverable accounts under production sharing." After the start of production, recovered costs on the basis of those agreements are deducted from this balance sheet item.

As production received under production sharing agreements is divided into the cost recovery portion and the

compensation portion, the method of calculating cost of sales is also distinctive. That is to say, the full amount of production received is temporarily charged to cost of sales as the cost of received production, and subsequently the amount of the compensation portion is calculated and this amount is booked as an adjustment item to cost of sales ("Free of charge production allocated"). Consequently, only the cost recovery portion of production after deduction of the compensation portion is booked as cost of sales.

6. RELATIONSHIP WITH THE JAPANESE GOVERNMENT

(1) The Company's relationship with the Japanese government

Although the government of Japan (the Minister of Economy, Trade and Industry) holds 18.94% of the Company's common shares issued and a Class A Stock as of June 26, 2013, the Company autonomously exercises business judgment as a private corporation. There is no relationship of control, such as through the dispatch of officers or other means between the Company and the Japanese government. Moreover, we believe that no such relationship will develop in the future. Furthermore, there is no concurrent posting or secondment to the Company of officers or employees from the Japanese government.

(2) Ownership and sale of the Company's shares by the Japanese government (the Minister of Economy, Trade and Industry)

The Ministry of Economy, Trade and Industry (METI) holds 18.94% of the Company's common shares issued. METI succeeded to the shares that had been held by Japan National Oil Corporation (JNOC) following the dissolution of JNOC on April 1, 2005. With regard to the liquidation and disposition of the oil and gas upstream assets owned by JNOC, the Policy Regarding the Disposal of Oil and Gas Development-Related Assets Held by Japan National Oil Corporation (hereinafter, the "Report") was announced on March 18, 2003 by the Japan National Oil Corporation Asset Evaluation and Liquidation Deliberation Subcommittee of the Advisory Committee on Energy and Natural Resources, an advisory body of the Ministry of Economy, Trade and Industry. The Report describes the importance of appropriate timing in selling the shares on the market, taking into consideration enterprise value growth. In addition, METI may, in accordance with the Supplementary Provision Article 13 (1) 2 of the "Special Measures Act for Reconstruction Finance Keeping After the Great East Japan Earthquake" ("the Reconstruction Finance Keeping Act" (provisional translation, the same shall apply hereinafter)) enacted December 2, 2011, sell off the Company's shares in Japan or overseas after examining the possibility of disposal of the said shares based on a review of the holdings from the perspective of energy policy. This could have an impact on the market price of the Company's shares.

METI also holds one share of the Company's Class A Stock. As the holder of a Class A Stock, METI possesses veto rights over certain resolutions of the Company's general shareholders' meetings and meetings of the Board of Directors. For details on the Class A Stock, please refer to "8. CLASS A STOCK" below.

7. TREATMENT OF SHARES OF THE GROUP'S PROJECT COMPANY OWNED BY JAPANESE GOVERNMENT AND JOGMEC

(1) Treatment of shares of the Group's project company previously owned by Japan National Oil Corporation (JNOC)

In the aforementioned Report, INPEX CORPORATION (prior to the integration with Teikoku Oil; reorganized on October 1, 2008) was identified as a company that should comprise part of a core company, and is expected to play a role in efficient realization of a stable supply of energy for Japan through the involvement by a national flagship company. In response to the Report, the Company (also, the Group since our acquirement of Teikoku Oil on October 1, 2008) has sought to promote efficient realization of a stable supply of energy for Japan while taking advantage of synergy with the efforts of active resource diplomacy on the part of the Japanese government, and has aimed to maximize shareholder value by engaging in highly transparent and efficient business operations.

As a result, with regard to the integration by means of transfer of shares held by JNOC proposed in the Report, INPEX CORPORATION and JNOC concluded the Basic Agreement Concerning the Integration of Assets Held by JNOC into INPEX CORPORATION of February 5, 2004 (hereinafter the "Basic Agreement") and a memorandum of understanding related to Basic Agreement (hereinafter "MOU"). On March 29, 2004, INPEX CORPORATION and JNOC entered into related contracts including the Basic Contract Concerning the Integration of Assets Held by JNOC into INPEX CORPORATION (hereinafter the "Basic Contract"), achieving the agreement on the details including the treatment of the project companies subject to the integration and shareholding ratios.

In 2004 INPEX CORPORATION accomplished the integration of Japan Oil Development Co., Ltd. (JODCO), INPEX Java Ltd. (disposal was completed on September 30, 2010) and INPEX ABK, Ltd. which are three of four companies covered by the Basic Agreement. Although INPEX Southwest Caspian Sea Ltd. (hereinafter "INPEX Southwest Caspian") would become a wholly owned subsidiary of INPEX CORPORATION by means of a share exchange and the procedures were undertaken, the share exchange contract was invalidated owing to failure to accomplish the terms and conditions of the share exchange contract and the planned share exchange was cancelled. Following the dissolution of JNOC on April 1, 2005, the Minister of Economy, Trade and Industry succeeded to the INPEX Southwest Caspian shares held by JNOC. The Company continues to study the possibility to acquire the shares. However, the METI's future treatment of these shares is undecided and, depending on the result of review in accordance with the Reconstruction Finance Keeping Act, acquisition of INPEX Southwest Caspian shares could be unavailable.

The treatment of Sakhalin Oil and Gas Development Co., Ltd. (hereinafter "SODECO"), INPEX Offshore North Campos, Ltd., INPEX North Makassar, Ltd. (liquidation proceedings completed on December 19, 2008), INPEX Masela, Ltd., and INPEX North Caspian Sea, Ltd. was agreed between INPEX CORPORATION and JNOC in the MOU of February 5, 2004. Regarding the treatment of shares of SODECO, refer to the section "(2) Treatment of the shares of Sakhalin Oil and Gas Development (SODECO) owned by the Japanese government" below. With regard to the transfer to INPEX CORPORATION of the shares in the above project companies other than SODECO, it was decided that the shares are to be transferred for cash compensation as soon as prerequisites such as the consent of the oil-producing country and joint venture partners and the possibility of appropriate asset evaluations are in place. However, the transfer of shares held by JNOC in the above companies has not been decided and the shares in the above project companies were succeeded to by the Japan Oil Gas and Metals National Corporation (hereinafter "JOGMEC") on the dissolution of JNOC on April 1, 2005, except shares related to INPEX North Makassar, Ltd., to which the Minister of Economy, Trade and Industry succeeded. JOGMEC states in its "medium-term objective" and "medium-term plan" that the shares succeeded to from JNOC will be disposed of at an appropriate time and in an appropriate manner, but the timing and manner of the disposal for the shares held by JOGMEC have not been decided, and it is possible that the Company will be unable to acquire the shares.

(2) Treatment of the shares of Sakhalin Oil and Gas Development (SODECO) owned by the Japanese government

The Japanese government (the Minister of Economy, Trade and Industry) owns 50% of the shares of SODECO. SODECO was established in 1995 to engage in an oil and natural gas exploration and development project located on the northeast continental shelf off Sakhalin Island. SODECO owns a 30.0% interest in the Sakhalin-1 Project, of which ExxonMobil of the United States is the operator. In October 2005, Phase 1 of this project started with the goal of advanced production of oil and natural gas. Furthermore, there is a plan for additional development operations (Phase 2) for the purpose of the full-scale production of natural gas. The Company holds 5.74% of SODECO shares issued and outstanding.

In the previously mentioned Report, SODECO, along with INPEX CORPORATION and JODCO, has been identified as a company that should comprise part of a core company in Japan's oil and natural gas upstream industry in the future.

In accordance with the Report, it is assumed that private-sector shareholders, including INPEX CORPORATION, will acquire shares of SODECO issued and outstanding to which the Minister of Economy, Trade and Industry succeeded and that were previously held by JNOC (50.0%). The Company plans to hold a maximum of 33% of the SODECO shares to become its largest shareholder. In the event that the consent of SODECO's joint-venture partners, the relevant Russian government entity, or other parties is necessary for the acquisition of the shares, obtaining the consent is a prerequisite for acquisition. In addition, it will be necessary to reach agreement on the shareholder composition for SODECO, the share transfer price, and other matters.

In the event that the additional acquisition of the SODECO shares is realized, the Group will hold a substantial ownership interest in oil and natural gas assets in Russia, as well as in Asia and Oceania, the Middle East, Caspian Sea area, and other regions, and we expect the acquisition to contribute to the achievement of a more balanced overseas asset portfolio for the Group.

However, at this time it is undecided whether agreement concerning acquisition of the shares with the Minister of Economy, Trade and Industry will be reached as anticipated and will be realized. Also, even in the event that the acquisition is realized, the conditions and time of acquisition are undecided and, depending on the result of review in accordance with the Reconstruction Finance Keeping Act, the acquisition by the Company could be unavailable.

8. CLASS A STOCK

(1) Overview of the classified share

1) Reason for the introduction

The Company was established as the holding company through a stock transfer between INPEX CORPORATION and Teikoku Oil Co., Ltd. on April 3, 2006. Along with this, a classified share originally issued by INPEX CORPORATION (prior to the merger) was transferred and at the same time the Company issued a classified share with the same effect (hereinafter the "Class A Stock") to the Minister of Economy, Trade and Industry. The classified share originally issued by INPEX CORPORATION was the minimally required and a highly transparent measure to eliminate the possibility of management control by foreign capital while not unreasonably impeding the efficiency and flexibility of management based on the concept in the Report discussed in the above section 7. "TREATMENT OF SHARES OF THE GROUP'S PROJECT COMPANY OWNED BY JAPANESE GOVERNMENT AND JOGMEC." INPEX CORPORATION is identified as a company that should comprise part of a core company for Japan's oil and gas upstream industry and is expected to play a role in efficient realization of a stable supply of energy for Japan as a national flagship company. On the basis of the concept of the Report, the Company issued the Class A Stock 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 Class A Stock does not have any voting rights at the Company's general shareholders' meetings. The holder of the Class A Stock will receive the same amount of dividends, interim dividends, and distributions of residual assets as a holder of common stock. The Class A Stock will be redeemed by resolution of the Board of Directors of the Company if the holder of the Class A Stock requests redemption or if the Class A Stock 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 Class A Stock 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 Class A Stock, has veto rights over these important matters.

4) Criteria for the exercise of veto rights provided in the guidelines

Guidelines concerning the exercise of the veto rights have been established in a Ministry of Economy, Trade and Industry Notice (No. 220, 2008) (hereinafter the "Notice"). The guidelines stipulate the exercise of veto rights only in the following specific cases.

- When resolutions pertaining to appointment or removal of Directors and integration are not voted down and it is judged that the probability is high that the Company will engage in management inconsistent with the role that a core company should perform for efficient realization of a stable supply of energy to Japan.
- When resolutions pertaining to disposition of material assets are not voted down and the objects of disposition are oil and natural gas exploration or production rights or rights similar thereto or shares or ownership interest in the Company's subsidiary whose principal assets are said rights and it is judged that the probability is high that the Company will engage in management inconsistent with the role that a core company should perform for efficient realization of a stable supply of energy to Japan.
- When resolutions pertaining to amendments to the Company's Articles of Incorporation relating to changes in the Company's business objectives, capital reduction, or dissolution are not voted down and it is judged that the probability is high that the Company will engage in management inconsistent with the role that a core company should perform for efficient realization of a stable supply of energy to Japan.
- When resolutions pertaining to amendments to the Articles of Incorporation granting voting rights to any shares other than the common shares of the Company are not voted down and could have an effect on the exercise of the voting rights of the Class A Stock.

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 Class A Stock

Although the Class A Stock 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 Class A Stock 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 Class A Stock 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 Class A Stock with the previously mentioned veto rights, the Company needs a resolution of the meeting of the holder of the Class A Stock 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 Class A Stock concerning the above matters, a certain period of time is required for procedures such as the convening and holding of meetings and resolutions and for the processing of formal objections, if necessary.

9. CONCURRENTLY SERVING OUTSIDE DIRECTORS

The Board of Directors of the Company is composed of 16 members, five of whom are outside directors.

The four outside directors have many years of management experience in the Company's business and are able to offer objective, professional advice regarding operations. For this reason, they were asked to join the Board of Directors to contribute to the development of the Company's business.

The four outside directors concurrently serve as directors or advisers of Japan Petroleum Exploration Co., Ltd., Mitsubishi Corporation, Mitsui Oil Exploration Co., Ltd. and JX Holdings, Inc. (hereinafter "shareholder corporations"), respectively.

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

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

Oil and Gas Reserves and Production Volume

1. OIL AND GAS RESERVES

Proved reserves

The following tables list the proved reserves of crude oil, condensate, LPG and natural gas of our company, our consolidated subsidiaries and equity-method affiliates on main projects. Disclosure details applicable to proved reserves are presented in accordance with the rules and regulations stipulated by the U.S. Financial Accounting Standards Board, and are reported in accordance with the Accounting Standard Codification Topic 932 "Extractive activities —Oil and Gas."

Our proved reserves as of March 31, 2013 were 929.38 million barrels for crude oil, condensate and LPG, 6,768.5 billions of cubic feet for natural gas and 2,188.43 million boe in total.

	Japan		Asia & Oceania		Eurasia (Europe & NIS)		Middle East & Africa		Americas		Total	
	Crude oil (MMbbl)	Gas (Bcf)	Crude oil (MMbbl)	Gas (Bcf)	Crude oil (MMbbl)	Gas (Bcf)	Crude oil (MMbbl)	Gas (Bcf)	Crude oil (MMbbl)	Gas (Bcf)	Crude oil (MMbbl)	Gas (Bcf)
Proved developed and undeveloped reserves												
INPEX CORPORATION and Consolidated Subsidiaries												
As of March 31, 2011	15	611	85	1,208	210	—	404	—	0	162	715	1,980
Extensions and discoveries	—	—	190	5,364	—	—	—	—	—	—	190	5,364
Acquisitions and sales	—	—	—	—	—	—	(2)	—	—	—	(2)	—
Revisions of previous estimates	2	87	2	181	(13)	—	1	—	0	59	(7)	327
Interim production	(1)	(47)	(23)	(243)	(9)	—	(31)	—	(0)	(26)	(64)	(316)
As of March 31, 2012	16	651	255	6,509	188	—	371	—	0	195	831	7,354
Equity-method affiliates												
As of March 31, 2011	—	—	2	470	—	—	179	—	3	0	184	471
Extensions and discoveries	—	—	—	—	—	—	—	—	—	—	—	—
Acquisitions and sales	—	—	—	—	—	—	—	—	—	—	—	—
Revisions of previous estimates	—	—	1	(9)	—	—	(7)	—	(0)	0	(6)	(9)
Interim production	—	—	(0)	(22)	—	—	(26)	—	(2)	(0)	(27)	(23)
As of March 31, 2012	—	—	2	439	—	—	147	—	1	0	150	439
Proved developed and undeveloped reserves												
As of March 31, 2012	16	651	257	6,947	188	—	518	—	1	195	981	7,793
INPEX CORPORATION and Consolidated Subsidiaries												
As of March 31, 2012	16	651	255	6,509	188	—	371	—	0	195	831	7,354
Extensions and discoveries	—	—	—	—	—	—	—	—	—	63	—	63
Acquisitions and sales	—	—	(24)	(698)	—	—	—	—	9	7	(15)	(691)
Revisions of previous estimates	0	7	(1)	(92)	4	42	23	—	(0)	55	26	12
Interim production	(1)	(49)	(21)	(212)	(9)	—	(31)	—	(0)	(24)	(63)	(284)
As of March 31, 2013	15	609	208	5,507	183	42	363	—	9	296	779	6,454
Equity-method affiliates												
As of March 31, 2012	—	—	2	439	—	—	147	—	1	0	150	439
Extensions and discoveries	—	—	0	11	—	—	—	—	—	—	0	11
Acquisitions and sales	—	—	—	—	—	—	10	—	—	—	10	—
Revisions of previous estimates	—	—	0	(116)	—	—	12	—	5	0	17	(116)
Interim production	—	—	(0)	(19)	—	—	(27)	—	—	—	(27)	(19)
As of March 31, 2013	—	—	3	314	—	—	142	—	6	0	151	315
Proved developed and undeveloped reserves												
As of March 31, 2013	15	609	211	5,821	183	42	505	—	15	297	929	6,768
Proved developed reserves												
INPEX CORPORATION and Consolidated Subsidiaries												
As of March 31, 2013	15	609	32	604	36	—	306	—	—	162	390	1,375
Equity-method affiliates												
As of March 31, 2013	—	—	3	267	—	—	126	—	6	0	135	267
Proved undeveloped reserves												
INPEX CORPORATION and Consolidated Subsidiaries												
As of March 31, 2013	—	—	176	4,904	147	42	57	—	9	134	389	5,079
Equity-method affiliates												
As of March 31, 2013	—	—	(0)	47	—	—	16	—	—	—	16	47

Note 1. Based on SEC disclosure standards, INPEX discloses proved reserves in all countries representing 15% or more of its proved reserves. As of March 31, 2013, INPEX held proved reserves in Australia of approximately 170.5 million barrels for crude oil and approximately 4,641.4 billions of cubic feet for natural gas, for a total of 1,035.61 million boe.

2. Proved reserves (as of March 31,2013) of the following blocks and fields include minority interests.
Eurasia (Europe & NIS): ACG (49%), Kashagan (55%), Americas: Copa Macoya (30%), Horn River Area (54.91%)

3. MMbbl: Million barrels

4. Bcf: Billions of cubic feet

5. Crude oil includes condensate and LPG

Standardized measure of discounted future net cash flows and changes relating to proved oil and gas reserves for the year ended March 31, 2013

Disclosure details for the standardized measure of discounted future net cash flows relating to proved reserves and movements for the year ended March 31, 2013 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 inflows, the period average of oil and gas prices at the first day of each month is applied to the estimated annual future production from proved reserves to determine future cash inflows. Future development costs are estimated based upon constant oil price assumptions and assume the continuation of existing economic, operating, and regulatory conditions. Future income taxes are calculated by applying the period-end statutory rate to estimated future pretax cash flows after provision for taxes on the cost of oil and natural gas properties based upon existing laws and regulations. The discount is computed by applying a 10% discount factor to the estimated future net cash flows.

We use the exchange rates of ¥82.14 and ¥93.99 to US$1.00 as of March 31, 2012 and 2013, respectively.

These figures are calculated in accordance with the rules set forth by the U.S. Financial Accounting Standards Board. Because no economic value is attributed to potential reserves, a uniform discount rate of 10% is applied, and the price of oil is subject to constant fluctuation, these figures do not represent the fair market value of reserves of crude oil, condensate, LPG and natural gas, or of the present value of the cash flows.

	Millions of yen					
March 31, 2012	Total	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas
INPEX CORPORATION and Consolidated Subsidiaries						
Future cash inflows	¥12,233,012	¥ 841,649	¥ 6,370,993	¥1,585,214	¥ 3,399,632	¥ 35,524
Future production and development costs	(3,931,090)	(161,211)	(2,427,986)	(378,658)	(940,940)	(22,295)
Future income tax expenses	(4,804,117)	(242,127)	(1,921,324)	(267,983)	(2,370,085)	(2,597)
Future net cash flows	3,497,805	438,311	2,021,683	938,573	88,606	10,632
10% annual discount for estimated timing of cash flows	(2,253,957)	(219,401)	(1,445,374)	(538,165)	(47,863)	(3,153)
Standardized measure of discounted future net cash flows	1,243,848	218,910	576,308	400,408	40,743	7,478
Equity-method affiliates						
Future cash inflows	1,495,119	—	105,683	—	1,379,368	10,069
Future production and development costs	(456,429)	—	(56,512)	—	(394,701)	(5,216)
Future income tax expenses	(954,555)	—	(20,714)	—	(932,820)	(1,021)
Future net cash flows	84,136	—	28,457	—	51,846	3,832
10% annual discount for estimated timing of cash flows	(29,669)	—	(11,663)	—	(17,761)	(246)
Share of equity-method investees' standardized measure of discounted future net cash flows	54,466	—	16,794	—	34,086	3,586
Total consolidated and equity-method affiliates in standardized measure of discounted future net cash flows	¥ 1,298,314	¥ 218,910	¥ 593,103	¥ 400,408	¥ 74,829	¥ 11,065

Note: Reserves of the following blocks and fields include minority interests.
Eurasia (Europe & NIS): ACG (49%), Kashagan (55%)/Americas: Copa Macoya (30%)

	Millions of yen					
March 31, 2013	Total	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas
INPEX CORPORATION and Consolidated Subsidiaries						
Future cash inflows	¥12,788,034	¥960,873	¥6,238,258	¥1,702,492	¥3,736,754	¥149,658
Future production and development costs	(4,119,855)	(176,309)	(2,242,999)	(438,236)	(1,188,643)	(73,669)
Future income tax expenses	(5,057,270)	(277,685)	(2,078,271)	(265,673)	(2,417,554)	(18,087)
Future net cash flows	3,610,909	506,879	1,916,987	998,583	130,557	57,903
10% annual discount for estimated timing of cash flows	(2,264,436)	(244,270)	(1,369,592)	(545,223)	(80,178)	(25,172)
Standardized measure of discounted future net cash flows	1,346,473	262,609	547,396	453,359	50,379	32,731
Equity-method affiliates						
Future cash inflows	1,696,889	—	168,545	—	1,470,807	57,537
Future production and development costs	(566,833)	—	(76,271)	—	(446,072)	(44,490)
Future income tax expenses	(974,897)	—	(47,627)	—	(925,608)	(1,662)
Future net cash flows	155,159	—	44,647	—	99,127	11,385
10% annual discount for estimated timing of cash flows	(63,444)	—	(31,381)	—	(28,798)	(3,265)
Share of equity-method investees' standardized measure of discounted future net cash flows	91,715	—	13,266	—	70,330	8,119
Total consolidated and equity-method affiliates in standardized measure of discounted future net cash flows	¥ 1,438,188	¥262,609	¥ 560,661	¥ 453,359	¥ 120,708	¥ 40,850

Note: Reserves of the following blocks and fields include minority interests.
Eurasia (Europe & NIS): ACG (49%), Kashagan (55%)/Americas: Copa Macoya (30%), Horn River Area (54.91%)

	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, 2012	¥1,298,314	¥218,910	¥576,308	¥400,408	¥40,743	¥7,478	¥54,466
Changes resulting from:							
Sales and transfers of oil and gas produced, net of production costs	(904,376)	(51,736)	(350,624)	(79,754)	(219,353)	(2,909)	(200,000)
Net change in prices, and production costs	41,698	28,997	182,985	(40,912)	(94,700)	(633)	(34,040)
Development cost incurred	292,003	1,439	200,104	58,771	18,513	2,193	10,984
Changes in estimated development costs	(113,146)	77	(11,257)	(26,155)	(74,590)	(2,047)	827
Revisions of previous quantity estimates	(58,467)	6,794	(290,058)	11,846	134,603	3,592	74,757
Accretion of discount	146,696	21,769	67,945	46,600	4,552	848	4,982
Net change in income taxes	494,588	4,778	88,362	24,740	234,733	(827)	142,803
Extensions, discoveries and improved recoveries	53,039	—	—	—	—	23,962	29,077
Other	187,837	31,581	83,630	57,816	5,878	1,075	7,858
Standardized measure, end of the period As of March 31, 2013	¥1,438,188	¥262,609	¥547,396	¥453,359	¥50,379	¥32,731	¥91,715

Notes: 1. Reserves of the following blocks and fields include minority interests.
Eurasia (Europe & NIS): ACG (49%), Kashagan (55%)/Americas: Copa Macoya (30%), Horn River Area (54.91%)
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 projects. Our probable reserves as of March 31, 2013 were 768.74 million barrels for crude oil, condensate and LPG, 6,275.0 billions of cubic feet for natural gas and 1,906.60 million boe in total. In addition, the Group's possible reserves as of March 31, 2013 were 120.40 million barrels for crude oil, condensate and LPG, 2,556.2 billions of cubic feet for natural gas and 604.44 million boe in total.

March 31, 2013	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Subtotal	Interest in reserves held by equity-method affiliates	Total
Probable reserves								
Crude oil, condensate and LPG (MMbbl)	9	185	347	85	94	720	49	769
Natural gas (Bcf)	360	5,723	87	—	24	6,194	81	6,275

March 31, 2013	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Subtotal	Interest in reserves held by equity-method affiliates	Total
Possible reserves								
Crude oil, condensate and LPG (MMbbl)	2	88	3	2	11	106	14	120
Natural gas (Bcf)	64	2,381	—	—	38	2,483	73	2,556

Notes: 1. MMbbl: Million barrels
2. Bcf: Billions of cubic feet
3. Bitumen reserve volumes are included in the net probable and possible reserves of crude oil, condensate and LPG for the Americas.

2. OIL AND GAS PRODUCTION

The following tables list average daily production for crude oil, natural gas, and the total of crude oil and natural gas by region. The proportional interests in production by our equity-method affiliates are not broken down by geographical regions.

Our production for the year ended March 31, 2013 was 245.9 thousand barrels per day for crude oil, condensate and LPG, 863.4 millions of cubic feet per day for natural gas and 407.8 thousand boed in total. Our method for calculating the conversion of natural gas volumes to barrels of oil equivalent (boe) has been altered effective the previous fiscal year.

Years ended March 31,	2008	2009	2010	2011	2012	2013
Crude oil, condensate and LPG (Mbbld):						
Japan	4.9	4.9	4.5	3.9	3.8	3.9
Asia & Oceania	36.5	44.7	47.7	65.1	62.5	58.0
Eurasia (Europe & NIS)	54.5	24.8	26.9	27.9	25.0	25.1
Middle East & Africa	80.7	81.0	73.3	73.0	84.3	84.4
Americas	0.4	2.7	5.5	2.3	0.1	0.1
Subtotal	177.0	158.1	158.0	172.2	175.7	171.5
Proportional interest in production by equity-method affiliates	64.6	65.1	60.4	67.4	75.4	74.4
Total	241.5	223.2	218.3	239.6	251.2	245.9
Annual production (MMbbl)	88.4	81.5	79.7	87.5	91.9	89.8
Natural gas (MMcf/d):						
Japan	161.5	164.9	155.1	128.7	127.6	133.7
Asia & Oceania	845.7	842.8	880.5	836.0	665.0	586.4
Eurasia (Europe & NIS)	—	—	—	—	—	—
Middle East & Africa	—	—	—	—	—	—
Americas	81.6	82.3	86.9	81.1	72.4	90.9
Subtotal	1,088.8	1,090.0	1,122.6	1,045.9	865.0	811.0
Proportional interest in production by equity-method affiliates	—	—	—	56.6	62.7	52.4
Total	1,088.8	1,090.0	1,122.6	1,102.5	927.7	863.4
Annual production (Billions of cubic feet)	398.5	397.8	409.7	402.4	339.5	315.1
Crude oil and natural gas (Mboed):						
Japan	31.9	32.4	30.4	25.3	27.7	29.0
Asia & Oceania	177.4	185.1	194.5	204.4	189.5	169.4
Eurasia (Europe & NIS)	54.5	24.8	26.9	27.9	25.0	25.1
Middle East & Africa	80.7	81.0	73.3	73.0	84.3	84.4
Americas	14.0	16.4	20.0	15.8	13.1	16.2
Subtotal	358.4	339.7	345.1	346.5	339.7	324.0
Proportional interest in production by equity-method affiliates	64.6	65.1	60.4	76.8	86.5	83.8
Total	423.0	404.9	405.4	423.3	426.2	407.8
Annual production (MMboe)	154.8	147.8	148.0	154.5	156.0	148.8

Oil and Gas Glossary

Barrel
In the case of oil, 1 barrel is equal to 42 gallons (approx. 159 liters).

Barrel of Oil Equivalent
Barrel of oil equivalent (BOE) is mainly used to convert a cubic volume of natural gas (i.e., cubic feet) into a cubic volume (i.e., a barrel) of crude oil. It is a standard unit of thermal energy based on the energy released in the combustion of one barrel of crude oil.

Brent crude
A type of crude oil that holds a major position in the market for crude oil prices. Brent crude is a light oil with low sulfur content and is mainly extracted from the Brent oil field located in the North Sea of the United Kingdom.

Concession contract
A contract that directly grants mining rights (including mining rights in Japan and permits, licenses and leases in other countries) to oil companies through a contract or approval from the government of oil-producing countries or from national oil companies. The oil company itself makes the investment and holds the right for disposition for the acquired oil and gas. Oil-producing countries receive taxes or royalties from sales.

▸ See **pp. 100–101** for Accounting Methods for Types of Agreements.

Condensate
Generally, a type of crude oil extracted as a liquid from gas fields. Liquid (oil) that exists as a gas underground but that condenses when extracted to the surface is referred to as condensate oil or simply as condensate.

Core
Cylinder rock samples extracted from underground geological formations in wells during various types of exploratory drilling. Normally, the samples are extracted by core drilling.

EPC Contractor
The oil and gas exploration and development business involves the participation of a number of contractors, such as drilling contractors and geophysical exploration subcontractors. Of these, an engineering, procurement and construction (EPC) contractor is in charge of engineering, procurement and construction work.

Exploratory wells
A well drilled to search for still unknown oil fields. Drilling wells to confirm the dimensions of a new oil field and to acquire an overall image of an oil field is a part of exploration, and wells for this purpose are referred to as exploratory wells.

FEED
FEED is an acronym for Front End Engineering Design. FEED work is done prior to engineering, procurement and construction (EPC) work. FEED work involves field studies and budgeting, including technical issue identification and cost outlines, upon which bidding for EPC work is based.

Floating LNG
A floating LNG is created by installing an LNG plant on a large vessel. This development method allows for natural gas to be processed into liquid at that plant and then directly offloaded to an LNG carrier.

FPSO
FPSO refers to a floating production, storage and offloading system where refined crude oil and condensate are stored in tanks within a vessel. From here, the vessel offloads oil directly to tankers.

International Energy Agency (IEA)
An autonomous organization comprised of the main oil-consuming countries established in 1974 under the OECD for collective action on energy.

LNG (Liquefied Natural Gas)
After removing impurities such as moisture, sulfur compounds and carbon dioxide from natural gas with a chief constituent of methane, the gas is liquefied by cooling to ultra-low temperatures (-162˚ Celsius). This process compresses the volume of the gas to 1/600, thus making it possible to transport large quantities in a single shipment.

LPG (Liquefied Petroleum Gas)
LPG is an oil product that is a mixture of hydrocarbon gases with a carbon number of 3 or 4, for example, propane, propylene, butane, butylene or a mixture of these as main constituents. Although LPG is a gas at ambient temperature and normal pressure, it is liquefied through exposure to low pressures or temperatures (cooling).

Lump-sum contract
A contract agreeing upon and approving a fixed total for construction and work. It is distinguished from a cost-plus-fee contract, which promises in advance the payment of a certain fee added to a certain amount of actual incurred expenses.

Methane Hydrate
As one type of unconventional gas, methane hydrate is a solid crystalline structure in which methane molecules are trapped within a latticework formed by the hydrogen bonding of water molecules. Methane hydrate is stable under low-temperature, high-pressure conditions, so it can be found within the permafrost layer in Siberia, Canada and Alaska, as well as in the ocean at depths of 500 meters or more.

Net Production Volume
Net production volume is the net economical portion of total production volume. Specifically, it is the volume of oil and natural gas that can be sold after deducting portions allocated to the governments of oil-producing countries in accordance with production sharing agreements, and portions allocated to interest owners in accordance with concession agreements.

Oil majors
Oil majors are also known as major international oil companies. ExxonMobil (US), Royal Dutch Shell (UK/Netherlands), BP (UK), Chevron (US) and TOTAL (France) are well-known as the five oil majors. Each of these companies possesses an integrated system including departments for conducting both upstream and downstream business.

Oil sands
Sandstone beds that contain an extremely viscous tar-like crude oil that has no fluidity in its initial state. This is as opposed to conventional crude oil, which can be easily pumped upward using a well. Depending on the level of viscosity, crude oil extracted from oil sand is referred to as bitumen or extra heavy crude oil.

See **page 69** for the Joslyn Oil Sands Project.

Operator
In the case of multiple parties to a contract regarding blocks of oil/gas and associated E&P work, a joint operating agreement is entered into between the parties and it is necessary to achieve agreement on the rights and obligations for all items required when conducting operations. At that time, the party responsible for the execution and management of the operations is referred to as the operator. In contrast, parties other than the operator are referred to as non-operators.

Primary energy
Energy recovered directly from nature such as coal, oil, natural gas, fuelwood, hydroelectricity, nuclear power, wind power, current power, geothermal and solar energy.

Probable reserves (our company)
The definition of probable reserves is in accordance with regulations (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.

See **pp. 100–101** for Accounting Methods for Types of Agreements.

Proved reserves
The definition of proved reserves is in accordance with SEC Regulation S-X Rule 4-10 (a), a rule that is well known among investors in the United States. The rule defines proved reserves as the estimated quantities of crude oil and natural gas that can, with reasonable certainty and under current economic and operating conditions, be collected from a given date forward based on geological and engineering data.

Renewable energy
A collective term used for energy acquired from within natural phenomena replenished repeatedly on earth such as solar, wind, hydro, oceans and biomass, as opposed to fossil fuels such as coal and oil, which are forecast to run out in the future. There is no fear of renewable energy running out, and it does not generate air pollution. Technology to use renewable energy as an energy source is undergoing development.

Reserves-to-production ratio
The reserves-to-production ratio (R/P ratio) is calculated by subtracting the production for a given year from the reserves at the end of that year. The resulting figure is applied to that particular oil field or region and shows how many years production can be continued if annual production continues at the amount for that year.

Rig
Machinery for drilling a well that is used to search for and produce oil and natural gas.

Royalty
Royalty refers to a specific share of production reserved by the owner of underground minerals (e.g., a state or a municipality) when granting mining rights, without taking responsibility for production costs. In some cases, the share increases according to increases in production. Royalties may be paid in kind or in cash.

Secondary energy
Electric power, city gas, coke, etc., which are acquired by converting and processing primary energy sources, are referred to as secondary energy.

Shale gas
Shale gas is a kind of natural gas that is considered to be an unconventional natural gas. It refers to gas that is found in hard shale beds and not in the usual gas fields of conventional natural gas. It is necessary to excavate the horizontal wells, using the hydraulic fracturing method to create a crack in the shale bed so that the gas can be extracted. In recent years, due to advancements in these gas mining technologies, the production of shale gas is making great strides, particularly in North America.

Unconventional natural gas
Natural gas not produced from regular oil and gas fields. Includes gas (tight gas sands, coal bed methane, biomass gas and shale gas) that has already undergone partial commercial production and gas (e.g., methane hydrate and deep gas) expected to undergo future commercial production.

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Non-Financial Information

Projects

ESG (Environment / Social / Governance)

Unit Conversion

Crude oil	Natural gas	Sale gas	LPG	LNG
1 kl ≒ 6.29 barrels	1 cf ≒ 1,000 Btu*	1m³ ≒ 37.32 cf	1 ton ≒ 10.5 barrels (crude oil)	1 ton ≒ 8.8 barrels (crude oil) ≒ 1,400 m³ (natural gas) ≒ 53 million Btu*
1 ton ≒ 7.4 barrels	1 billion m³ ≒ 700,000 tons (LNG)			
1 barrel ≒ 6,000 cf (natural gas)	100 million cf/day ≒ 700,000 tons/year (LNG)			
100,000 barrels/day ≒ 4 million tons/year (LNG)	1 trillion cf ≒ 1 million tons × 20 years (LNG) (20 million tons)			

*British thermal unit
Note: Unit-equivalent figures are estimates. Conversion figures used for production and reserves in this Annual Report may be different from the above conversion figures. We do not guarantee those figures' accuracy as applied to dealing or verification.

Corporate Information

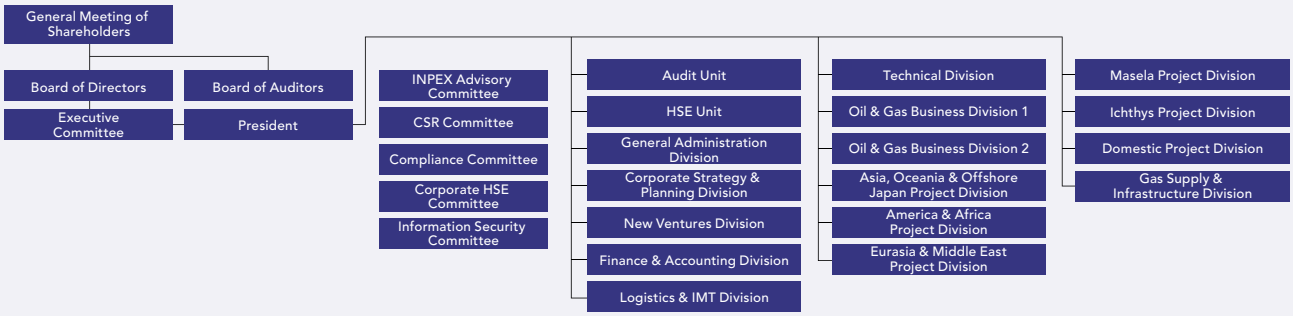
(As of March 31, 2013)

Corporate Data

Company Name INPEX CORPORATION
Established April 3, 2006
Capital ¥290,809,835,000
Company Headquarters
Akasaka Biz Tower, 5-3-1 Akasaka, Minato-ku, Tokyo 107-6332, Japan

Number of Employees (Consolidated) 2,455
Main Business Research, exploration, development, production and sales of oil, natural gas and other mineral resources, other related businesses and investment and lending to the companies engaged in these activities, etc.

Organization Chart (As of June 30, 2013)



Stock Data

Authorized Shares: 9,000,000 common stocks*1
1 Class A Stock

Total Number of Shareholders and Issued Shares
Common Stocks: 40,609 shareholders / 3,655,809 shares*1
Class A Stock*2: 1 shareholder (Minister of Economy, Trade and Industry) / 1 share

*1 Scheduled to implement a stock split at a rate of 1:400 of common stock at the effective date of October 1, 2013.
*2 The Company's Articles of Incorporation stipulate that certain major corporate decisions require a resolution by the holder of the Class A Stock in addition to the approval of the shareholders' meetings or Board of Directors.

Major Shareholders (Common Stocks)

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.	150,760	4.1
The Chase Manhattan Bank, N.A. London Secs Lending Omnibus Account	149,800	4.1
Japan Trustee Services Bank, Ltd. (Trust Account)	131,960	3.6
Mitsubishi Corporation	114,500	3.1
The Master Trust Bank of Japan, Ltd. (Trust Account)	113,748	3.1
JX Holdings, Inc.	109,527	3.0
CBNY - Orbis Funds	78,166	2.1
JP Morgan Chase Bank 380055	76,155	2.1

* 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)	113	559,217	15.3
Securities Companies	60	34,534	1.0
Other Domestic Corporations	450	719,794	19.7
Minister of Economy, Trade and Industry*2	1	692,307	18.9
Foreign Corporations and Other	653	1,529,380	41.8
Individuals and Other	39,331	115,661	3.2
Treasury Stock	1	4,916	0.1

*1 Percentage of total shares are for all issued and outstanding shares.
*2 Excludes one Class A Stock

Home Page

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

▸ **inpex.co.jp/english**

Inquiries

For IR inquiries, as well as to offer comments and opinions about this report, please contact below.
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