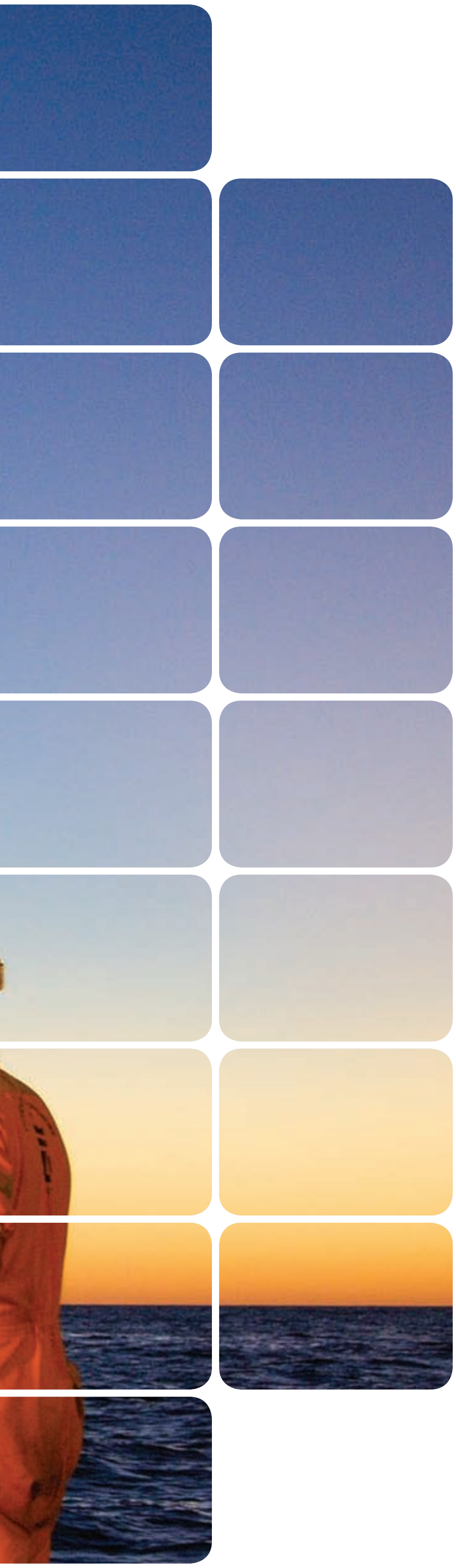
Annual Report 2010

Photo:
Rig in the WA-344-P, offshore Western Australia

INPEX CORPORATION



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 rounded to the nearest unit (millions, billions, etc.) for purposes of convenience.
The "Business Activities" section (from p. 22 onward) describes the operating situation as of August 31, 2010.

Financial Highlights

INPEX CORPORATION and Consolidated Subsidiaries
Years ended March 31

	Millions of yen	Millions of yen	Thousands of U.S. dollars*7
	2009	2010	2010
Net sales	¥1,076,165	840,427	$9,032,964
Operating income	663,267	461,668	4,962,038
Net income	145,063	107,210	1,152,300
Cash flows from operating activities	230,352	241,373	2,594,293
ROE*1 (%)	11.9	8.1	8.1
Net ROACE*2 (%)	14.6	10.5	10.5
Payout ratio (%)	13.0	12.1	12.1
Total assets	1,768,045	2,013,778	21,644,218
Net debt (at period end)*3, 6	(324,109)	(349,211)	(3,753,343)
Equity ratio*4 (%)	71.9	68.9	68.9
Net debt/Total capital employed*5, 6 (%)	(31.2)	(30.6)	(30.6)
	Yen	Yen	U.S. dollars*7
Per share data:			
Net income	61,601.60	45,553.56	489.61
Cash dividends	8,000.00	5,500.00	59.11
	Yen	Yen	
Share price	683,000	686,000	—
	Billions of yen	Billions of yen	Millions of U.S. dollars*7
Market capitalization	1,610.8	1,617.9	17,389

Notes:
*1 ROE = Net income / Average of net assets excluding minority interests at the beginning and end of the fiscal year
*2 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 fiscal year)
*3 Net debt = Interest-bearing debt – Cash and cash equivalents – Time deposits – Public bonds and corporate bonds and other debt securities with determinable value
*4 Equity ratio = (Net assets – Minority interests) / Total assets
*5 Net debt / Total capital employed = Net debt / (Net assets + Net debt)
*6 Figures in parentheses denote negative amounts.
*7 The translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation only, at ¥93.04 = US$1.00, the approximate rate of exchange in effect on March 31, 2010.

INPEX Outline

Our Vision

- We aim to raise the level of daily production to between 800,000 and one million barrels (crude oil equivalent) by 2020, and as a member of a leading independent group, establish a robust position as an upstream, or semi-major company.. 20
- Abadi project (production start in 2016) 16
- Ichthys project (production start in 2016) 16
- Kashagan oil field (production start in 2012) 12

Business Environment

- As a major source of energy, oil and natural gas account for around 60% of Japan's primary demand. Of this total, almost all is brought in from overseas.
- Operating conditions in the oil and natural gas business are projected to remain harsh. In addition to the instability that continues to characterize oil prices as well as foreign currency exchange markets, both economic and financial conditions particularly in leading industrialized countries are becoming increasingly uncertain. This difficult climate is exacerbated by the growing nationalistic attitude toward resources adopted by oil producing countries and intense competition with developing countries.
- Exacerbating this extremely harsh environment, economic issues increasingly pose challenges to exploration and production (E&P) projects. At the same time, environmental conservation concerns are placing increased burdens on development work schedules and costs.

Social Function

- Against the backdrop of an adverse operating climate, the INPEX Group (hereinafter "INPEX") actively engages in oil and natural gas exploration, development and production. As Japan's largest oil and natural gas E&P company operating in both the domestic and overseas markets, we aspire to be in an equal position among the world's leading oil and gas companies, boasting international competitive advantage in the E&P field.
- INPEX is committed to fulfilling its social function and mission of providing a stable and efficient supply of energy. At the same time, we are dedicated to realizing sustained growth in our corporate value by maintaining and expanding our reserves and production volumes over the medium to long terms.

INPEX Outline

Our Business

Step 1 Acquisition


- Advance surveys of target areas
- Bidding/Contract negotiations for participating interests
- Acquisition of exploration/development licenses, etc.

Step 2 Exploration


- Geological/geophysical surveys (subsurface/seismic/subsea)
- Drilling of exploratory wells[*1]
- Production tests; discovery of oil and gas

Step 3 Evaluation


- Drilling of appraisal wells[*2]
- Estimation of reserve volumes
- Feasibility study/making a development plan

Step 4 Development


- Drilling of production wells[*3]
- Construction of production/logistics infrastructure (pipelines)
- Production start-up

Step 5 Production/sales


- Production and operation management
- Marketing and sales (crude oil/condensate/LPG/natural gas/LNG, etc.)

Investment in Further Exploration and Asset Acquisition

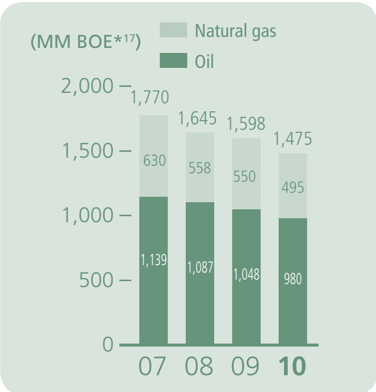
(to expand reserve and production volumes)

Notes:
1. Wells drilled to test for the presence of oil/gas
2. Wells drilled to investigate the extent of oil/gas
3. Wells drilled to produce crude oil and natural gas

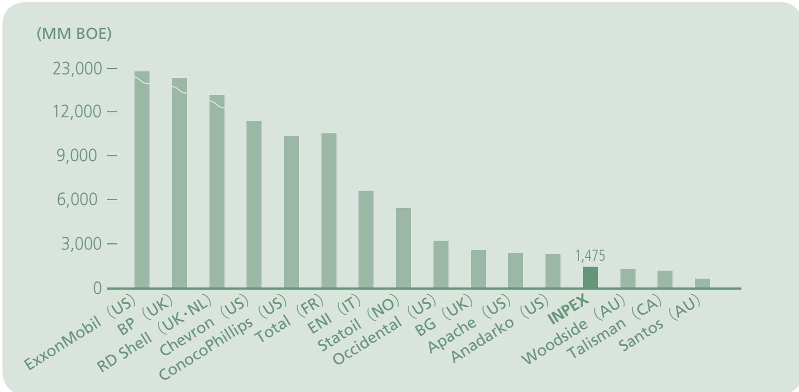
INPEX Outline

Our Performance

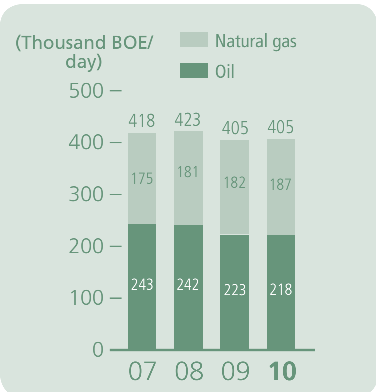
Net proved reserves[*1]
(by product)



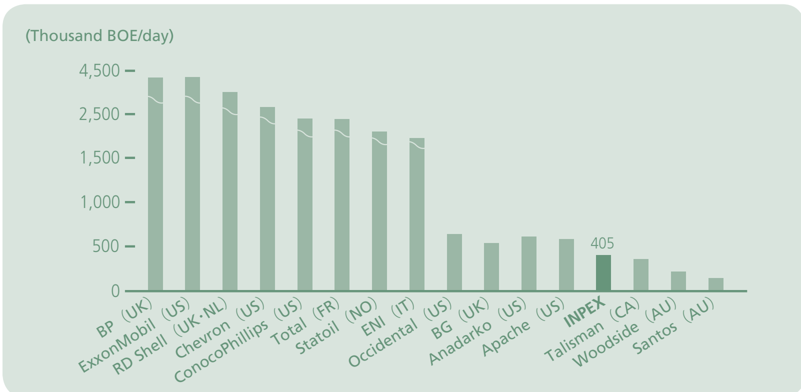
Proved reserves in comparison with competitor companies[*2]
(Oil•Natural gas)



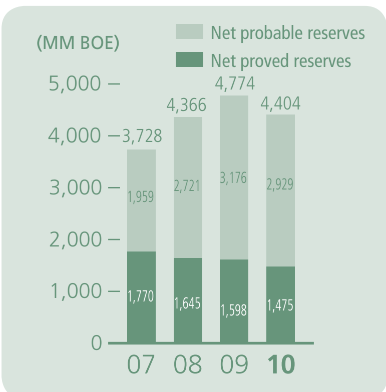
Net production volumes[*3]
(by product)



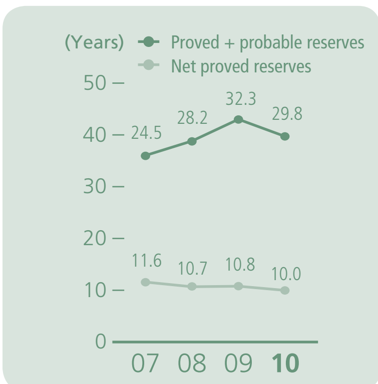
Production volumes in comparison with competitor companies[*4]
(Oil•Natural gas)



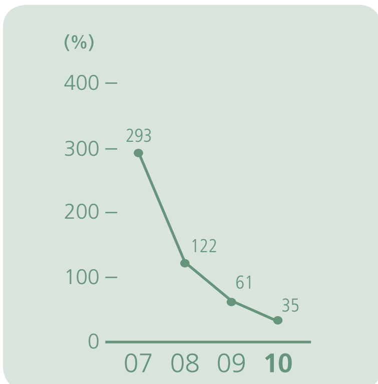
Net proved reserves, Net probable reserves[*5]



Reserve to production ratio[*6]



Reserve replacement ratio
(3-year average)[*7]



*1 Proved reserves are calculated in accordance with U.S. Security Exchange Commission (SEC) rules. Proved reserve volumes are based on the reserves report by DeGolyer and MacNaughton.

*2 Reserves Data as of December 31, 2009, except for INPEX (as of March 31, 2010) in accordance with SEC regulations. Assets DeGolyer and MacNaughton did not evaluate are not included. Proved reserve volumes are based on the reserves report by DeGolyer and MacNaughton applying SEC regulations and amounts attributable to the equity method affiliates are included. Government — owned companies are not included. Oil reserves include bitumen and synthetic oil.

*3 Production volumes are calculated in accordance with SEC. The production volume of crude oil and natural gas under the production sharing contracts entered into by INPEX corresponds to the net economic take of our group.

*4 Production data for the year ended December 31, 2009, except for INPEX (for the year ended March 31, 2010). Production figures are in accordance with SEC rules. Amounts attributable to the equity method are included. Government – owned companies are not included. Oil production include bitumen and synthetic oil.

*5 Probable reserves as of March 31, 2008, 2009 and 2010 are calculated in accordance with SPE/WPC/AAPG/SPEE guideline (SPE – PRMS) approved in March 2007. The volumes are sum of proved reserves and probable reserves by SPE – PRMS after deduction of proved reserves by SEC rules. Probable reserves as of March 31, 2007 are based on guideline established by SPE and WPC (1997 SPE/WPC). Proved reserves are calculated in accordance with SEC rules. Proved and probable reserves are based on the reserves report by DeGolyer and MacNaughton. Reserve volumes of Joslyn oil sand project (mining) as of March 31, 2008 are based on the evaluation by RYDER SCOTT.

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

*7 Reserve replacement ratio = Proved reserves increase including acquisition / production

*8 Net margin = Net income / Net sales

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

*10 Equity ratio = (Net assets – Minority interests) / Total assets

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

*12 Net debt / Total capital employed = Net debt / (Net assets + Net debt)

*13 Payout Ratio = Annual Dividends per Share / EPS

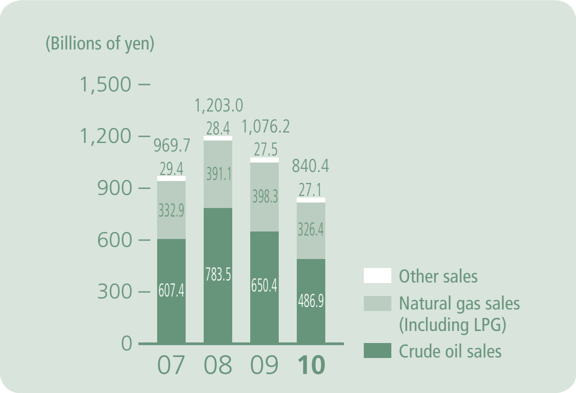
*14 EPS = Net Income/Average number of shares issued during the year

*15 PER = Stock price (end of fiscal year) / EPS

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

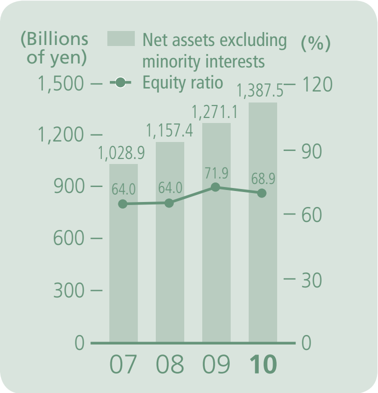
*17 BOE = Barrels of Oil Equivalent

Net sales (by product)

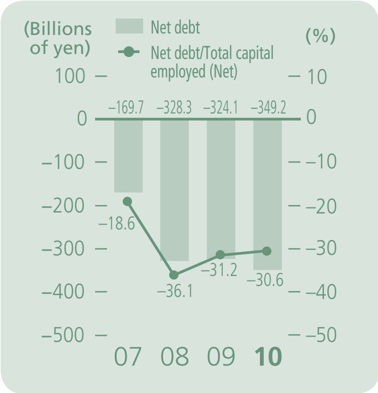


Net Income, Net margin*8

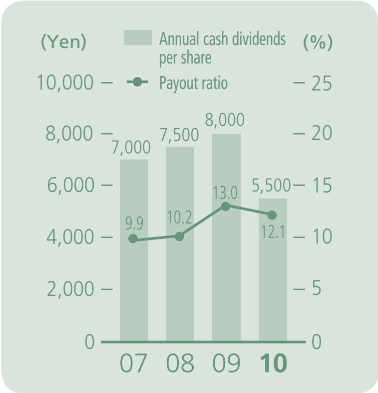
Net assets excluding minority interests*9, Equity ratio*10



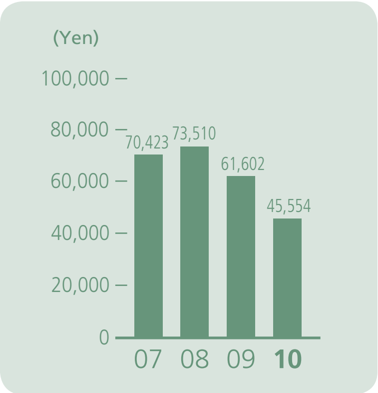
Net debt*11, Net debt/ Total capital employed (Net)*12



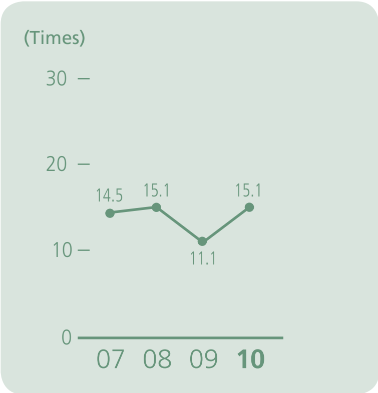
Annual cash dividends per share, Payout ratio*13



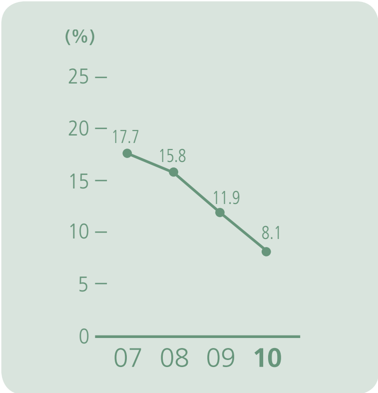
Earnings per share (EPS)*14



Price earnings ratio (PER)*15



Return on equity (ROE)*16



INPEX Direction

President's Letter

At a meeting of the Company's Board of Directors following the Ordinary General Meeting of Shareholders held on June 23, 2010, I was appointed President and Representative Director of INPEX CORPORATION.

In delivering an overview of business conditions and INPEX's performance in fiscal 2009, the fiscal year ended March 31, 2010, I would like to take this opportunity to outline the Company's policy initiatives for the future and my views toward management going forward.

Reflecting on the two years since business integration

It is now almost two years since we completed our business integration in October 2008. Looking at the Company, I have a real sense that we are witnessing the very best in synergy benefits and continue to mature into a leading Japanese oil and natural gas E&P company. Through business integration, we have also experienced marked improvements in our upstream business presence, financial strength and technical capabilities. The positive effects are particularly evident in the progress of individual projects. Discussions with government officials of oil-producing nations as well as major international oil companies are cause of additional comfort and confidence. We are being increasingly recognized for our vast potential, and on the back of wide-ranging as well as high acclaim, are attracting attention as a project partner of preferred choice and a company distinguished by our development capabilities and reliability.

Under these circumstances, and following closely on the heels of the majors, we aim to transform ourselves into a global independent upstream, or semi-major company and to expand production volume at our oil and natural gas projects to 800,000 to 1 million barrels (crude oil equivalent) by 2020. From head office corporate departments to domestic and overseas development and production sites, these goals are commonly shared by each and every INPEX employee. As individual employees go about their assigned duties and tasks, I can truly sense the energy, enthusiasm and dedication to achieving established goals.

My role

I recognize that my task, as President, is to overview business management as a whole and step-by-step, project-by-project to resolutely lead the Company forward in efforts to realize its objectives.

Currently, we are pushing ahead with several important developments including the Ichthys project in Australia, the Abadi project in Indonesia and the Kashagan project located in the north of the Caspian Sea, Kazakhstan. The role of top management in each of these mainstay endeavors is to ensure the effective and efficient allocation of resources. In this regard, I am cognizant that one of the key tasks in my first year as President is to assign the right people in the right jobs while securing a robust financial base.

Amid a business environment in which competition is becoming increasingly intense, it is imperative that we remain acutely attuned to market conditions and that we swiftly grasp every possible opportunity to acquire quality interests and development rights. Furthermore, in engaging in business activities of a long-term nature, I acknowledge the importance of face-to-face communication with stakeholders. In my role as President, I am therefore fully aware of my responsibilities toward promoting deeper ties with all interested parties and to foster relationships based on mutual trust.

Fiscal 2009 results and a report on the status of key projects

The Company's performance in the fiscal year ended March 31, 2010 was again substantially affected by market conditions. Compared with the previous fiscal year, the average price of crude oil declined 18% while the value of the yen appreciated 10%. Against this backdrop, INPEX recorded net sales of ¥840.4 billion and net income of ¥107.2 billion. This effectively represented a significant 20 to 30% year-on-year drop in revenues and earnings. Turning to the Company's oil and gas reserve volumes, the source of its overall value and worth, INPEX experienced only nominal growth on the back of new oil and gas field development, while buffeted by a decrease in production during the fiscal year under review. Thus, the total of proved and probable reserves contracted approximately 8% compared with the previous fiscal year of 4.4 billion barrels oil equivalent (BOE). From a net production volume perspective, identified by the Company as a long-term growth target, there were some production start-ups at new oil and gas fields including Frade, Van Gogh and Tangguh, but mainly due to the impact of the OPEC production cut in ADMA, the net production equivalent stood at 405,000 BOE per day, essentially the same level as the previous fiscal year.

Reflecting on the Company's performance in upstream businesses, and in taking into account the severe impacts of market and foreign currency exchange rate fluctuation, I am again convinced of the critical need to ramp up both net production and reserve volumes.

On an individual project basis, INPEX embarked on heavy oil development in Venezuela and deep water exploration in Brazil during the fiscal year. At the same time, the Company continued to make positive strides in preliminary work associated with both the Ichthys and Abadi LNG projects. On the domestic front, and as a part of our second of three core strategies for growth to establish a gas supply chain, we continued to witness steady progress in the construction of the Naoetsu LNG receiving terminal. In the field of new energy development, INPEX decided to make an equity investment in ELIIY Power Co., Ltd., a company engaged in the mass production of high-capacity lithium-ion batteries, and also in the DB Masdar Clean Tech Fund, L.P., a Fund primarily focused on private equity investment in clean and renewable energy companies.

Looking ahead

Building on the momentum provided by economic growth in developing countries such as China and India, I expect global energy demand to expand over the medium to long term. All is not, however, smooth sailing. I anticipate that our operating environment will remain harsh moving forward. This is largely attributable to the instability of crude oil prices and foreign currency exchange rates, growing uncertainty surrounding the future of economic and financial conditions mainly in developed countries, the upswing in resource nationalism exhibited by oil-producing nations and increasingly intense competition with newly developing countries with respect to the acquisition of resources. In addition, the incidence of new deep water and polar region exploration and development projects are increasing significantly lifting the bar in terms of funding and technological requirements. At the same time, accidents such as the oil spill Gulf of Mexico in illustrate the growing need for improved safety, health and environmental measures.

While the attributes required in a business environment of this type are wide-ranging and diverse, I am convinced that the confidence and reliability generated by financial strength and technical capabilities are exceedingly important. From an oil-producing country perspective, the focus is naturally on identifying the most capable development company. Other upstream companies, on the other hand, place the most emphasis on locating best-fit development partners. It is therefore imperative that we take into close consideration these perspectives and strive to meet the strict criteria put forward.

With approximately 60% of its employees boasting an impressive technical background, INPEX offers world-class technological capabilities. The Company also maintains a wealth of onsite facilities situated in various locations including Japan, Indonesia, Australia and the UAE that consistently boost technical prowess. Harnessing this competitive advantage, INPEX will work resolutely to accumulate a robust track record, enhance its international standing and presence and expand the scope and scale of business opportunities.

In specific terms, the Company has earmarked approximately ¥4 trillion in development investment over the next seven years focusing largely on the Ichthys LNG project. In this manner, every effort will be made to realize our mid- to long-term growth scenario. Following a public offering as well as a third-party allotment, INPEX newly issued approximately 1.3 million shares, raising approximately ¥520 billion in August 2010. While the Company has significantly enhanced the soundness and flexibility of its financial position through this increase in capital, plans are also in place to build on this improved platform to procure additional funds through debt finance. In crystallizing these endeavors, we will secure the necessary ¥4 trillion in investment to ensure the commercial viability of such mainstay developments as the Ichthys LNG project. This will help secure sustainable growth in both the Company's corporate and shareholder value. With a strong resolve, I

am committed to fulfilling my responsibilities as President of INPEX and to addressing the expectations of all stakeholders, including new shareholders.

Having successfully completed our business integration, we look to the many challenges that lie ahead as we strive to take the next significant leap forward. Working in unison, each and every employee will utilize every ounce of their energy and expertise to achieve a set of commonly shared goals. As President, I too will exert every effort to leading the Company to more robust and sound heights.

Toshiaki Kitamura
President and Representative Director
August 2010

Details regarding the increase in capital through a public offering:

Overview of the issue of new shares between July and August 2010 as a part of the increase in capital through a public offering

Offer price	Per share	¥417,100
Issue price	Per share	¥402,050
Increase in the number of shares by way of an offering of new shares	Common share	1,297,400 shares
Total number of issued shares after the offering of new shares	Common share	3,655,809 shares
	Special class share	1 shares
Total		3,655,810 shares
Total issue price		¥521,619,670,000

INPEX Direction

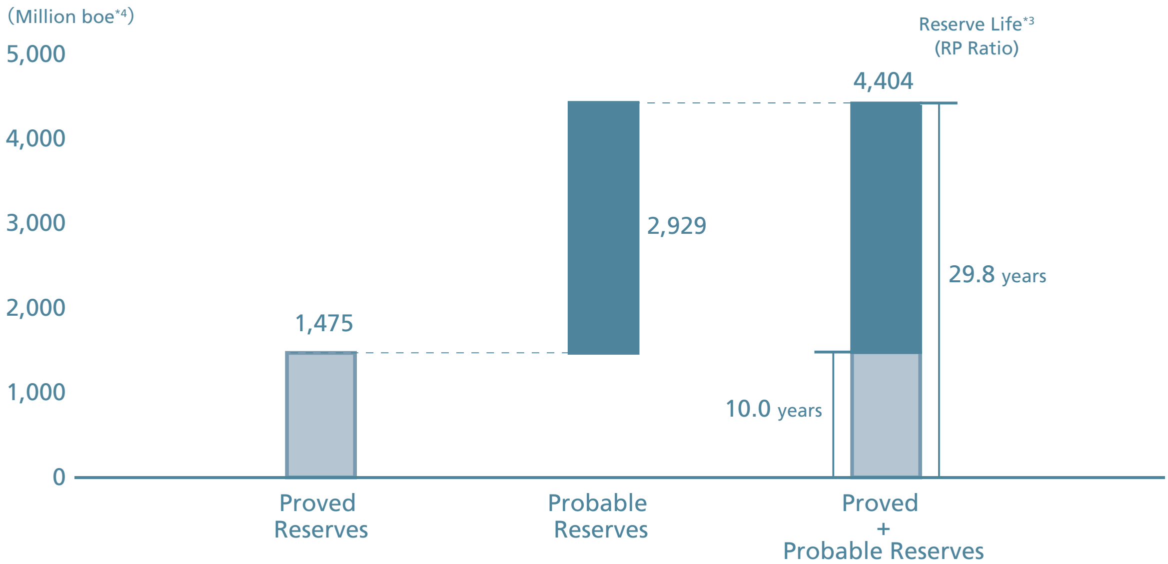
Mid-to-Long-Term Strategy & Our Strengths

We are following a mid-to-long-term business strategy to realize our vision of fulfilling a social mission and increasing corporate value sustainably. The critical business resources that underpin this strategy are a unique set of strengths of INPEX, such as abundant reserves.

By enhancing unique strengths through the business integration,*1 we will raise our market competitiveness based on global scale and strengthen our business base further.

*1 In October 2008, having completed a 30-month integration process that started in 2006, INPEX Holdings Inc. absorbed the former INPEX CORPORATION and Teikoku Oil Co., Ltd. and made a fresh start as the new INPEX CORPORATION. Having consolidated head office functions and fully integrated both organizations, INPEX has secured a more efficient and flexible management structure.

Strong reserve base*2



*2 Proved reserve volumes are based on the reserves report by DeGolyer and MacNaughton applying SEC regulations. Probable and possible reserve volumes are based on the reserves report by DeGolyer and MacNaughton applying SPE/WPC/AAPG/SPEE guideline (SPE - PRMS) approved in March 2007. Contingent resources, which are expected in addition to our proved, probable and possible reserves, are evaluated by INPEX. Volumes attributable to the equity method affiliates are included.

*3 Reserve Life = Proved (+Probable) Reserves as of March 31, 2010 / Production for the year ended March 31, 2010 (RP Ratio: Reserve Production Ratio)

*4 Barrels of Oil Equivalent

Our Strengths

1. Strong reserve/resource base*1

Reserves and resources, which are the source of corporate value, are the critical factor in oil and natural gas upstream business. With a total of 77 E&P projects in 27 countries (as of August 30, 2010) around the world, INPEX has the largest proved reserves among any Japanese companies in the sector. Our net proved and probable reserves total 4,404 million boe*2. Our reserves-to-production ratio is 10.0 years for proved reserves, 29.8 years if net probable reserves are added. Beyond our probable reserves, we also have an abundance of possible reserves and contingent resources. We expect to continue increasing proved and probable reserves over the mid–to-long-term.

2. A large-scale LNG project operator

INPEX is in the process of developing two of the world's largest LNG projects at Ichthys in Australia and Abadi in Indonesia. We are the first Japanese company to develop such large LNG projects as an operator. The projected scale of the LNG produced by both projects is vast, being equivalent to around 20% of Japan's current LNG annual import volume.

3. Gas supply chain

INPEX owns a domestic natural gas pipeline network stretching approximately 1,400 km that connects local and overseas gas assets to the Japanese gas market. Going forward, we plan to enhance the added value by establishing gas supply chain through linkage between this network and our major overseas LNG projects. Specifically, in July 2009, we started the construction of a new LNG receiving terminal at Naoetsu that is scheduled to enter operation in 2014.

4. Strong financial position

Strong, healthy balance sheet and plentiful cash reserves are essential for oil and gas E&P companies. This reflects both the high degree of risk associated with these activities and the need to have sufficient funds at hand to take advantage of major investment opportunities quickly as they arise. As of the end of March 2010, INPEX had an equity ratio of 68.9%. Compared with the majors and other international peers, this represents a high level of financial strength. In addition, our cash, bank deposits, government bonds and other highly liquid instruments exceeded the liabilities. The ratio of net debt to total capital employed*3, which is an indicator of financial soundness, was –30.6% at that date. This ratio also shows our strong financial position.

*1 Please see *2 of Page 10
*2 Please see *4 of Page 10
*3 Net debt/total capital employed = Net debt / (Net assets + Net Debt)

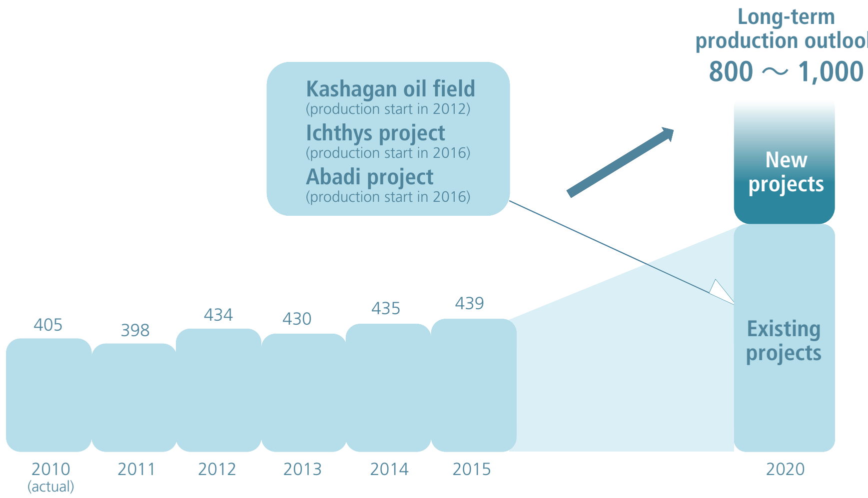
INPEX Direction

Mid-to-Long-Term Strategy & Our Strengths

Harnessing its wealth of inherent strengths including a well-balanced asset portfolio attributable to business integration, INPEX continues to pursue three fundamental strategies in its efforts to achieve established growth goals.

Objectives for Corporate Growth

Long-term projections of net production
(Thousand boe/d)



- We aim to raise the daily production level up to 800,000 to 1 million barrels (crude oil equivalent) by 2020, and establish a firm position as a global independent upstream company.*1
- During the period from April 1, 2010 to March 31, 2017, we currently expect aggregate expenditure and investments for new and existing projects of approximately ¥4 trillion, the majority of which will be used for the three major projects.
- We aim to maintain RRR*2 over 100% over the mid-to-long-term.
- While the upstream business is our core business, we will establish a gas supply chain, and will evolve into a company that supplies diversified energies.
- We will maintain financial health, empower corporate vitality, and enhance corporate value.

*1 Independents are oil and gas E&P companies with smaller operation scales, following the Majors.
*2 The reserve replacement ratio (RRR) is an indicator measuring growth in reserves. It is calculated by dividing the increase in proved reserves by total production for that accounting period (expressed as a percentage).

Three Fundamental Strategies 1 Sustainable Expansion of Our Upstream Business

- **INPEX will continue to pursue the ongoing maintenance and enlargement of its production and reserve volumes in an effort to ensure the stable supply of energy.**
- **We will enhance the overall capabilities necessary for conducting an upstream business including intelligence, financial strength, technical prowess and the ability to access new opportunities by carrying out existing exploration, development and production projects.**

First and foremost, we will launch the large-scale Ichthys LNG and Abadi LNG operator projects. To this end, we will enhance the engineering capabilities critical to the success of both operator projects including such core technologies employed for offshore development as subsea completion. Recognizing the need to procure substantial funds for the ongoing development of each project, we will also pay close attention to ensuring financial health while considering an optimal financing strategy.

Second, we will seek out and acquire new opportunities as part of efforts to secure certain reserve volumes and earnings in the post Ichthys and Abadi period. On the understanding that management resources for the foreseeable future will be channeled toward existing large-scale projects, we will adopt an approach toward the implementation of action plans focusing on projects in regions with high levels of potential. With respect to the acquisition of interests, we will endeavor to upgrade and expand assets over the mid-to-long-term. To this end we will engage actively in the direct acquisition of rights, cast a keen eye over international as well as domestic M&A and assess such purchase methods as the exchange of shares while taking into consideration efforts to secure an optimal balance between exploration projects. In addition, with an eye to the development of unconventional hydrocarbon resources such as oil sand, we will develop comprehensively advanced technologies encompassing cutting-edge oil recovery techniques for existing oil and gas fields and the technology to produce heavy oil in order to obtain promising interests.

In parallel with efforts to acquire new interests, we will move flexibly to improve our asset portfolio quality and balance by selling off existing projects where profitability is expected to decline due largely to the expected growing cost for abandonment in the late production phase.

Three Fundamental Strategies 2 Establishment of a Gas Supply Chain and Proactive Expansion of the Gas Business

In pursuit of the diversification and expansion of our gas business, we will establish a gas supply chain by organically connecting domestic and overseas gas sources with our mother market in Japan. This will entail the construction of an LNG receiving terminal and extension of existing pipeline networks.

Commensurating with the expansion in our domestic gas business, we started the supply of regasified LNG from Shizuoka Gas Co., Ltd. from January 2010. We are now supplying both domestic and imported LNG into our pipeline network in an effort to further fortify its stable supply structure. We have also introduced a new gas pricing formula in agreement with customers and relevant authorities.

With the projected start up in 2014 of the Naoetsu LNG receiving terminal, we aim to establish a gas supply chain that connects overseas LNG projects with the domestic gas market by bringing LNG produced in the Ichthys and Abadi fields to Naoetsu. Buoyed by ample supply capacity of regasified overseas LNG at the Naoetsu LNG receiving terminal after 2014, we will promote gas sales in such new locations as the Hokuriku region as well as surrounding areas along our existing pipeline network.

In complementing each of the aforementioned initiatives, we will pursue appropriate strategic cooperation with domestic energy companies with the aim of generating mutual benefits with respect to gas supply infrastructure and gas trading.

Positioning the domestic gas supply chain as a stepping-stone, we will endeavor to further expand our gas business on a global basis by participating in activities with LNG receiving terminals overseas and LNG shipping operations essential to the gas trading business both in Japan and internationally. In undertaking these activities, we will pay close attention to the balance between economic gain and future potential.

Three Fundamental Strategies 3 Evolution into a Company that Offers Diversified Forms of Energy

We will evolve into a company that offers diversified forms of energy by expanding the means and methods of energy supply. In this context of ensuring the development and supply of diversified forms of energy, we will at the same time promote harmonious coexistence with local and global communities while contributing to the sustainable development of society.

INPEX will concentrate on enhancing the energy efficiency of upstream projects and undertake to reduce carbon dioxide emissions by employing CCS (Carbon Dioxide Capture and Storage).

In addition, we will seek over the mid-to-long-term to uncover opportunities for business participation in wide ranging business fields. These include new energies that employ forward-looking technologies in such areas as gas-to-liquids (GTLs) and dimethyl ether (DME) and renewable energy sources including solar light, solar power generation, wind and geothermal power, storage batteries, hydrogen and biomass fuels. To this end, we will utilize networking activities, alliances and business partnerships with various national oil companies (NOCs) from oil and gas producing countries as well as international oil companies (IOCs) all of whom are aiming to become comprehensive energy suppliers.

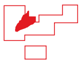
INPEX Direction

Two Major Projects

Major Driving Force

Ichthys Project

Ichthys Project



Project History

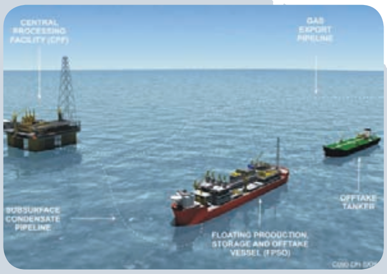
INPEX participated in an open bid conducted by the Australian federal government in March 1998 for the WA-285-P block, which is located off the coast of Western Australia about 200km from the Kimberley region. In August 1998, we acquired the exploration permit for this block. In the first drilling campaign, which took about one year from March 2000, three exploratory wells all confirmed the presence of gas and condensate. Thereafter, from May 2001, INPEX gathered, processed and interpreted 3D seismic data. A second drilling campaign began in June 2003 and three exploratory wells were drilled. Through these endeavors, we discovered the Ichthys gas-condensate field. The name" Ichthys," which means" fish" in ancient Greek, is derived from the many fossilized fish that had been discovered in onshore areas in close proximity to the block.

A further two wells were drilled from April 2007 to confirm the extent of gas-condensate reserves. Drawing on an in-depth evaluation of the cumulative data and results from INPEX's eight wells, recoverable reserves are currently estimated at 12.8 trillion cubic feet (Tcf) of gas and 527 million barrels of condensate.

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

The Status of Development Progress

In proceeding with front-end engineering and design (FEED) for the Ichthys project, care and consideration with respect to the adequacy of technology and costs is currently being undertaken as a part of the development process. At the same time, INPEX submitted a Preliminary Field Development Plan (PFDP) to the Australian federal government and the government of Western Australia in March 2010 to secure the necessary Production Licenses. Furthermore, an Environmental Impact Statement (EIS) was lodged with the Australian federal government and the government of the Northern Territory to obtain environmental approval for the project in April 2010. Most recently in July 2010, public review of the aforementioned EIS began. As a part of its LNG marketing activities, INPEX is currently in discussion with potential buyers in order to secure purchasing commitments. In this regard, plans are in place to make the FID in 2011 with its project partner Total of France. The post-FID phase will begin with detailed design work on both the onshore and offshore facilities, followed by equipment procurement and the construction of the LNG plant and other facilities. The target date for production start-up is 2016.



An Outline of the Project Development Concept

Production volume (projected):

LNG — approximately 8.4 million tons per year; Condensate — approximately 100,000 barrels per day (peak rate); LPG — approximately 1.6 million tons per year

Offshore production facilities:

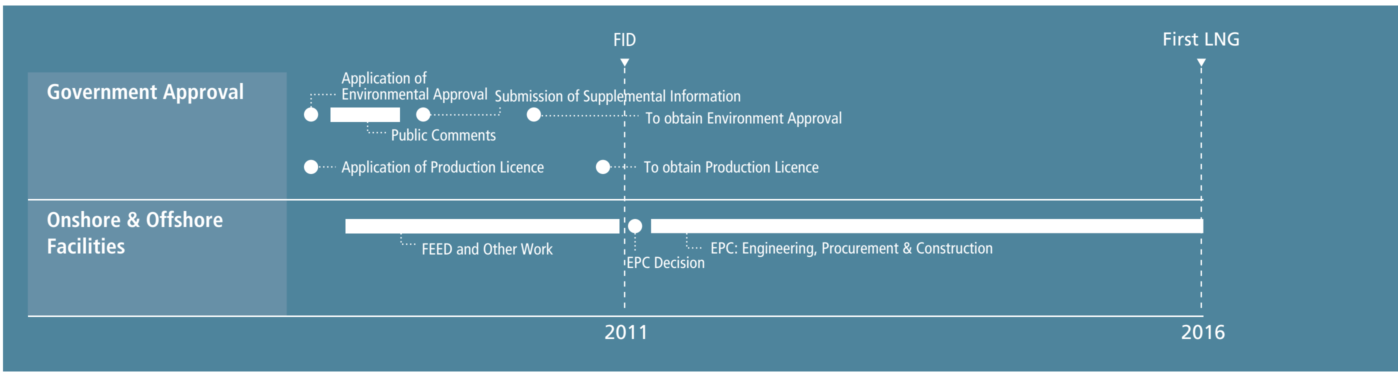
Due to the large scale of projected gas and condensate production, the central processing facility (CPF) employed to process the gas and condensate is one of the largest of its kind in the world. In addition, the Floating Production, Storage and Offloading (FPSO) facility to handle storage and shipment of condensate is also of significant scale with an oil storage capacity of up to 1.2 million barrels.

Gas export pipeline:

The gas will be pumped to an onshore LNG plant in Darwin via a pipeline that will be one of the longest such pipelines in the world. In addition to confirming such aspects as the trouble-free transportation of gas, ample verification has been obtained with respect to the viability of pipeline laying and construction.

Onshore production facilities:

The onshore production facility at Darwin will first extract condensate and LPG from the natural gas pumped via the pipeline. Using two trains, the liquefaction plant will then cool the gas to -162°C to form LNG. Plans call for storing the LNG, LPG and condensate at the onshore facility prior to shipment. The planned construction site is considered an ideal location. It is situated away from Darwin's city center, separated by the bay and boasts relatively easy access to the city's airport.



INPEX Direction

Two Major Projects

Major Driving Force

Abadi Project

Project History

In October 1997, INPEX submitted a bid for the Masela block at a public tender conducted by the Indonesian government. A production sharing contract (PSC) for the block was concluded in November 1998.

A series of 2D seismic survey was conducted in the block from February to March 1999. The Abadi-1 exploration well was drilled from October to December 2000, and confirmed the presence of gas and condensate.

Following the success of the first exploration well, a new series of 3D seismic survey was conducted to cover the discovered structure of Abadi from July to September 2001. The Abadi-2 and Abadi-3 wells were drilled in 2002 to appraise the extent of the gas-condensate reservoir discovered in Abadi-1. The drilling results indicated that the overall size of the structure was larger than initially projected.

Reserves evaluation and concept selection studies of development options were carried out from 2003 to 2007. From May 2007 to June 2008, the second appraisal drilling campaign was carried out to narrow the range of reserves estimates. All of the 4 wells confirmed the gas column enabling INPEX to substantially upgrade estimates of the field's reserves.

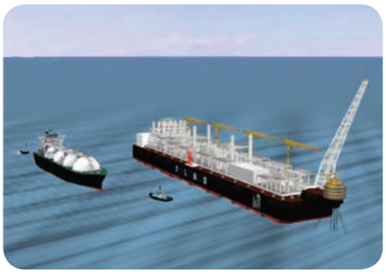
From September 2007 to November 2008, Pre-FEED work was conducted in connection with a Floating LNG (a floating offshore facility where natural gas is processed, liquefied and stored for offloading) and subsea facilities.

INPEX received approval in principle from the Indonesian government to its plan of development (POD) submitted in September 2008. A third-party evaluation on the POD is currently being conducted by the Indonesian government. Upon the outcome of this evaluation as well as our updating works, FEED and its related preparatory development works will commence shortly.

The Status of Development Progress

For initial development of the Abadi field, INPEX plans to conduct FEED works on the FLNG and subsea production facilities and LNG marketing activities for FID (Final Investment Decision) in due course.

An environmental and social impact assessment including AMDAL have commenced. More recently in November 2009, INPEX signed an agreement with PT EMP Energi Indonesia to transfer a 10% participating interest in the project.



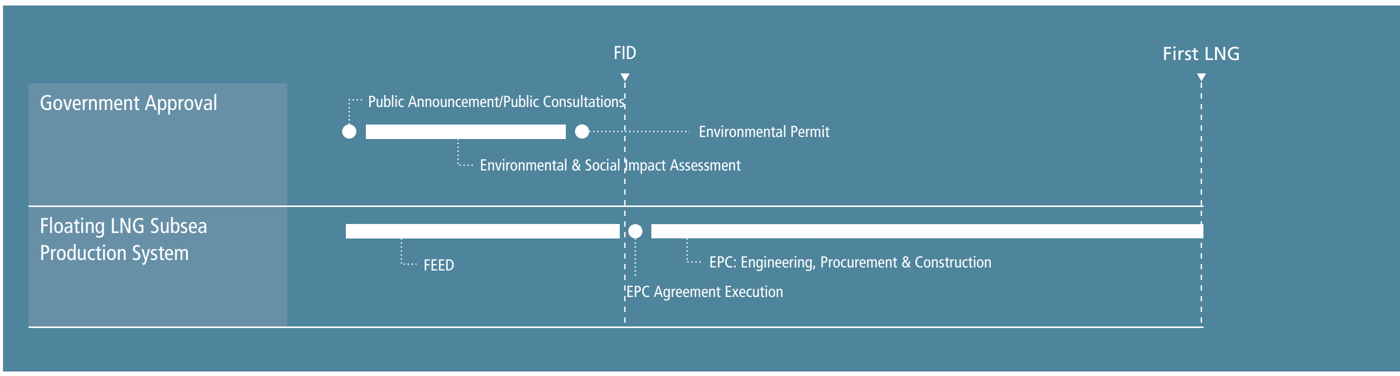
An Outline of the Project Development Concept

Geography:

The Abadi field is situated in the Indonesian territory of the Arafura Sea, approximately 2,600km east of Jakarta. The field is classified as a giant gas-condensate field with more than 1,000 sq-km in its areal extent. Its reservoir is sandstone of Plover Formation of which depth ranges from 3,700m to 3,900m subsea. Tanimbar Islands are located 150km to the northeast of the block as the nearest land area. Timor Trough straddles between the field and the islands, where water depth varies from 1,500m to 2,300m.

Overview of the Plan of Development (POD)

The POD approved in principle by the Indonesian government, involves the" Floating LNG (FLNG)" concept, which has yet to be realized anywhere in the world, in combination with subsea production facilities. This initial development is planned for the northern part of the field where most of the reserves are concentrated and the water depth ranges 500m to 800m. Under the POD, it is expected to produce 4.5 million tons per annum of LNG and 13 thousand barrels per day of condensate.



INPEX Operation

Business Location

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Eurasia
(Europe & NIS)

55 | Sakhalin Project (Russia)
56 | P799 (U.K.)
57 | Offshore North Caspian Sea Block (Kashagan Oil Field and Others) (Kazakhstan)
58 | ACG Oil Fields (Azerbaijan)
59 | BTC Pipeline Project (Azerbaijan·Georgia·Turkey)

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Japan

★1 | Minami-Nagaoka Gas Field and Domestic Natural Gas Pipeline Network Business (Japan)

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Middle East & Africa

36 | Azadegan Oil Field (Iran)
37 | Soroosh & Nowrooz Fields (Iran)
38 | ADMA Block (UAE)
39 | Abu Al Bukhoosh Block (UAE)
40 | Ohanet Block (Algeria)
41 | El Ouar I and II Blocks (Algeria)
★42 | Block 81-2 (Libya)
★43 | Block 82-3 (Libya)
44 | Block 42-2&4 (Libya)
★45 | Block 113-3&4 (Libya)
★46 | West Bakr Area (Egypt)
47 | South October Area (Egypt)
48 | Offshore D.R. Congo Block (Congo)
49 | Nganzi Block (Congo)
50 | 3/05 Block (Angola)
51 | 3/85 Block (Angola)
52 | 3/91 Block (Angola)
53 | 3/05A Block (Angola)
54 | Onshore Cabinda North Block (Angola)

★INPEX operated projects

77 projects encompassing 27 countries

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Asia & Oceania

2 Offshore Martaban (Myanmar)
3 Blocks 05-1b and 05-1c (Vietnam)
4 Block SK-8 (Malaysia)
5 Block SK-10 (Malaysia)
6 Offshore Mahakam Block (Indonesia)
7 Attaka Unit (Indonesia)
8 South Natuna Sea Block B (Indonesia)
9 Offshore Northwest Java Block (Indonesia)
10 Tengah Block (Indonesia)
11 Offshore Southeast Sumatra Block (Indonesia)
12 Berau Block, Tangguh LNG Project (Indonesia)
★13 Masela Block (Abadi) (Indonesia)
14 East Kalimantan Block (Indonesia)
15 South East Mahakam Block (Indonesia)
16 Semai II Block (Indonesia)
17 Bayu-Undan Project (JPDA)
18 JPDA06-105 (JPDA)
19 PDL3 & PDL4 Unitization (Papua New Guinea)
20 PPL190 (Papua New Guinea)
21 WA-35-L (Van Gogh Oil Field) (Australia)
22 WA-35-L (Australia)
23 WA-155-P (Part I) / WA-43-L (Australia)
24 WA-155-P (Part II) (Australia)
25 WA-255-P Block 1081 (Australia)
26 WA-12-L (Australia)
27 WA-357-P (Australia)
★28 WA-285-P / WA-37-R (Ichthys) (Australia)
29 WA-274-P (Australia)
30 WA-281-P (Australia)
31 WA-410-P (Australia)
32 WA-411-P (Australia)
★33 WA-341-P (Australia)
★34 WA-343-P (Australia)
★35 WA-344-P (Australia)

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Americas

60 Joslyn Oil Sands Project (Canada)
61 Athabasca Block (Canada)
62 Ship Shoal Block 72 (U.S.A.)
63 Main Pass Blocks 118 (U.S.A.)
64 West Cameron Blocks 401 and 402 (U.S.A.)
65 Louisiana Block SL19372 (U.S.A.)
66 Block Cuervito (Mexico)
67 Block Fronterizo (Mexico)
68 Guarico Oriental Block (Venezuela)
★69 Copa Macoya Block (Venezuela)
★70 Moruy Block (Venezuela)
71 Carabobo Block, Project 3 (Venezuela)
★72 Block 31 (Surinam)
73 Block 18 (Ecuador)
74 Block 117 (Peru)
75 Frade Project (Brazil)
76 BM-C-31 (Brazil)
77 BM-ES-23 (Brazil)

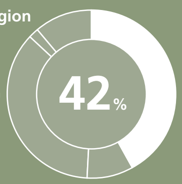
INPEX Operation
Business Activities

Asia & Oceania

Results for the fiscal year ended March 31, 2010 in Asia and Oceania were mixed. In the fiscal year, sales volumes of crude oil and natural gas increased. Net sales in this region decreased 19.1% compared with the previous fiscal year to ¥352.3 billion owing to the drop in crude oil and gas prices as well as the effects of appreciation in the value of the yen. From a profit perspective, operating income fell 33.1% year on year to ¥191.0 billion.

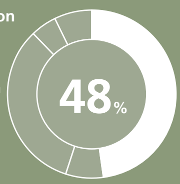
Net sales by region

¥352.3billion

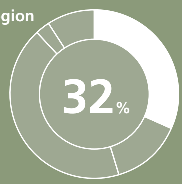


Net production by region

195thousand boe/d*1



Net reserves by region (proved)



*1 Thousands of barrels of oil equivalent per day

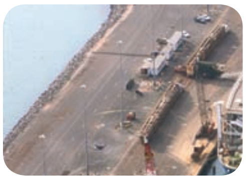
INPEX is currently involved in a total of 34 projects across seven countries in the Asia and Oceania region. Principal projects include the Offshore Mahakam and Abadi Project in Indonesia and the Ichthys project in Australia.

Main Projects

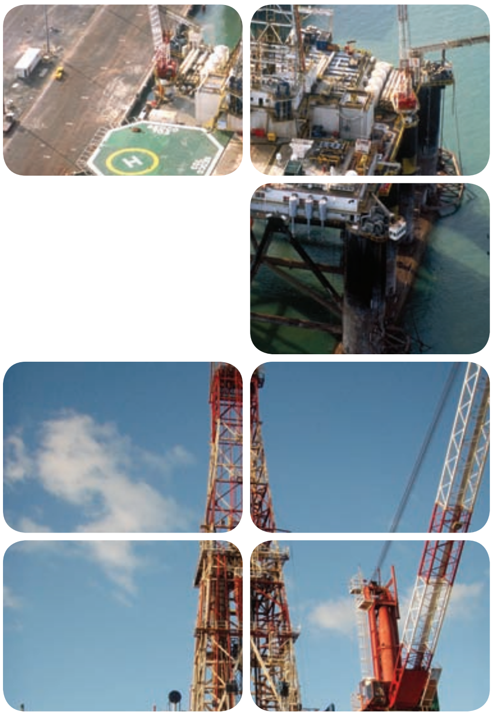
	Contract Area	Venture Company	Interest Owned
1	Offshore Mahakam	INPEX CORPORATION (Est. February 21, 1966)	INPEX CORPORATION 50% TOTAL* 50%
	Attaka Unit		INPEX CORPORATION 50% Chevron* 50%
2	South Natuna Sea Block B	INPEX Natuna, Ltd. (Est. September 1, 1978)	INPEX Natuna 35% ConocoPhillips* 40% Chevron 25%
3	Masela	INPEX Masela, Ltd. (Est. December 2, 1998)	INPEX Masela* 90% ※ In November 2009, INPEX signed an agreement with PT EMP Energi Indonesia to transfer a 10% participating interest. The transaction is subject to certain conditions precedent.
4	Berau	MI Berau B.V. (Est. August 14, 2001)	MI Berau 22.856% BP* 48.0% Nippon Oil Exploration (Berau) 17.144% KG Breau 12.0%
	Tangguh Unit		MI Berau 16.3% BP* 37.16% CNOOC 13.9% Nippon Oil Exploration (Berau) 12.23% KG Berau, KG Wiriagar 10.0% LNG Japan 7.35% Talisman 3.06%
5	WA-37-R, WA-285-P	INPEX Browse, Ltd. (Est. September 1, 1998)	INPEX Browse* 76% TOTAL 24%
	WA-274-P		INPEX Browse 20% Chevron 50% Santos* 30%
	WA-281-P		INPEX Browse 20.0000% Santos* 47.8306% Chevron 24.8300% Beach 7.3394%
	WA-341-P		INPEX Browse* 60% TOTAL 40%
	WA-343-P		INPEX Browse* 60% TOTAL 40%
	WA-344-P		INPEX Browse* 60% TOTAL 40%
	WA-410-P		INPEX Browse 20% Santos* 30% Chevron 50%
	WA-411-P		INPEX Browse 26.6064% Santos* 63.6299% Beach 9.7637%
6	WA-12-L (Deep)	INPEX Alpha, Ltd. (Est. February 17, 1989)	INPEX Alpha 18.67% ExxonMobil* 81.33%
	WA-155-P (Part I)		INPEX Alpha 28.5% BHPBP* 39.999% Apache 31.501%
	WA-43-L		INPEX Alpha 28.5% BHPBP* 39.999% Apache 31.501%
	Van Gogh Defined Area		INPEX Alpha 47.499% Apache* 52.501%
	WA-155-P (Part II)		INPEX Alpha 18.67% Apache* 81.33%
	WA-357-P		INPEX Alpha 35% Apache* 65%
	WA-35-L (Excluding Van Gogh Defined Area)		INPEX Alpha 47.499% Apache* 52.501%
	WA-255-P Block 1081		INPEX Alpha 23.7495% Apache* 26.2505% Woodside 50.0000%
7	JPDA06-105	INPEX Timor Sea, Ltd. (Est. November 25, 1991)	INPEX Timor Sea 35% Eni* 40% Talisman 25%
8	JPDA03-12	INPEX Sahul, Ltd. (Est. March 30, 1993)	INPEX Sahul 19.0712244% ConocoPhillips* 61.6624238% Santos 19.2663518%
	Bayu-Undan Unit		INPEX Sahul 11.274908% ConocoPhillips* 57.150852% Eni 10.985973% Santos 11.390267% Tokyo Timor Sea Resources (Tokyo Electric/Tokyo Gas) 9.198000%

*Operator

Bontang LNG Plants



WA-37-R Block (Ichthys)



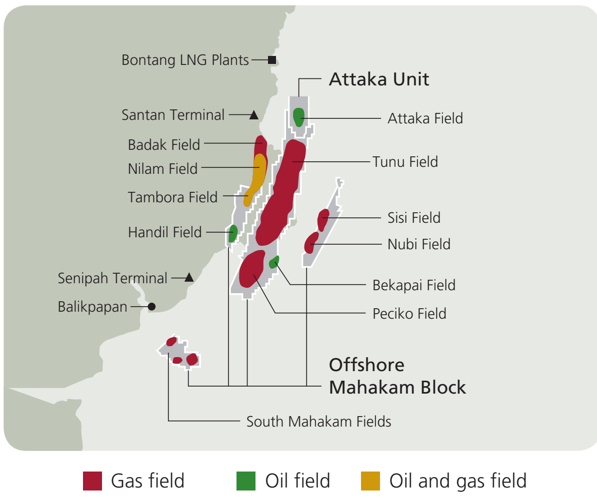
Masela Block (Abadi)

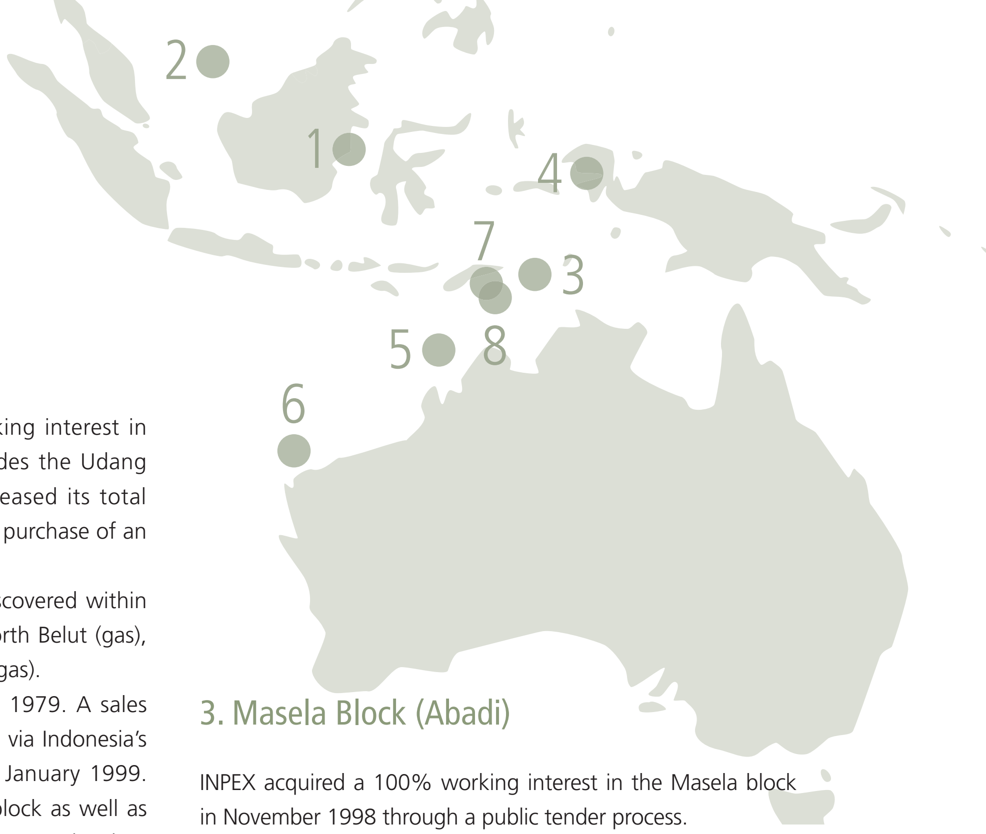
1. Offshore Mahakam Block and Attaka Unit

INPEX entered into a production sharing contract (PSC) with the Indonesian government in October 1966, at that time acquiring a 100% working interest in the Offshore Mahakam block. The Attaka Unit was established in April 1970 through unitization of part of adjacent blocks owned by INPEX and Unocal (now Chevron), with each company taking a 50% interest. The Attaka field was subsequently discovered, and production of crude oil and natural gas began in 1972. INPEX farmed out a 50% working interest in the Offshore Mahakam block to CFP (now TOTAL) in July 1970. This venture subsequently made a series of discoveries in the Bekapai (oil), Handil (oil), Tambora (oil and gas), Tunu (gas), Peciko (gas), Sisi and Nubi (gas) fields, all of which have continued to produce crude oil and natural gas.

The crude oil and condensate produced from these fields are shipped mainly to oil refineries and power companies in Japan by tanker from the Santan and Senipah terminals. Most of the natural gas is supplied to Bontang, one of the largest liquefaction plants in the world before being shipped as LNG to Japan, etc.

A 20-year extension through to the end of 2017 for each of these two blocks underpins the overall Mahakam block's role as a key profit center for INPEX. In addition, negotiations are underway with the Indonesian authorities to secure a further contract extension beyond 2018 with respect to the Offshore Mahakam Block.





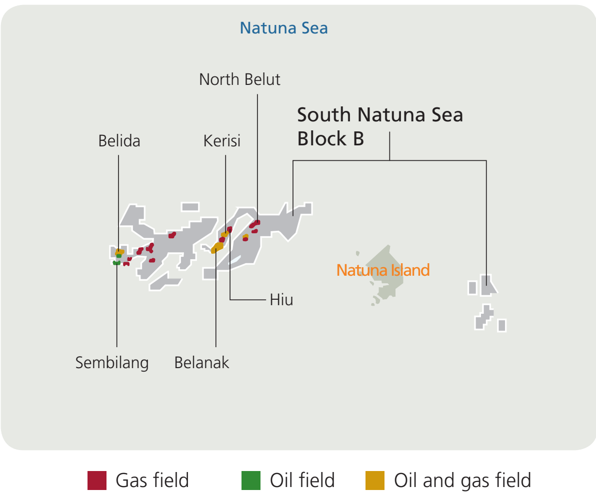
2. South Natuna Sea Block B

In July 1977, INPEX acquired a 17.5% working interest in the South Natuna Sea block B, which includes the Udang oil field. Later, in January 1994, INPEX increased its total working interest in the block to 35% with the purchase of an additional 17.5% interest.

The following fields were subsequently discovered within the block: Belanak (oil and gas), Hiu (gas), North Belut (gas), Belida (oil), Sembilang (oil), and Kerisi (oil and gas).

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

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



3. Masela Block (Abadi)

INPEX acquired a 100% working interest in the Masela block in November 1998 through a public tender process.

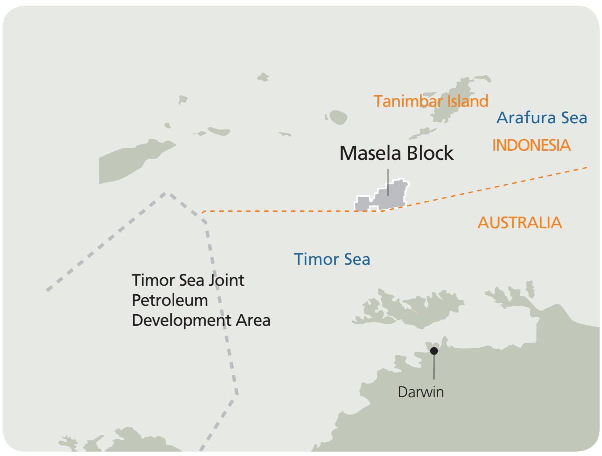
The Abadi-1 exploration well was drilled from October to December 2000, and confirmed the presence of gas and condensate. This marked the first discovery of crude oil and natural gas in the Indonesian Arafura Sea.

The Abadi-2 and Abadi-3 wells were drilled in 2002 to appraise the extent of the gas-condensate reservoir discovered in Abadi-1. The drilling results indicated that the overall size of the structure was larger than initially projected.

From May 2007 to June 2008, the second appraisal drilling campaign was carried out to narrow the range of reserves estimates. All of the 4 wells confirmed the gas column enabling INPEX to substantially upgrade estimates of the field's reserves.

From September 2007 to November 2008, Pre-FEED work was conducted in connection with a Floating LNG (a floating offshore facility where natural gas is processed, liquefied and stored for offloading) and subsea facilities.

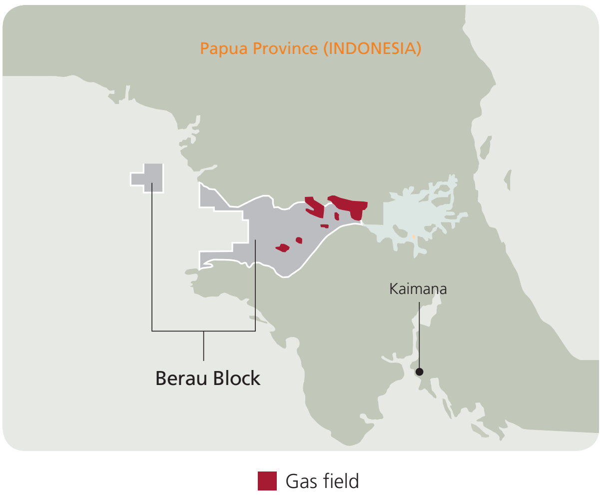
INPEX received approval in principle from the Indonesian government to its plan of development (POD) submitted in September 2008. A third-party evaluation on the POD is currently being conducted by the Indonesian government. At the same time, a variety of preparatory steps including FEED work as well as environmental and social impact assessment are underway in the lead-up to development of the Abadi field.



4. Berau Block, Tangguh LNG Project

MI Berau B.V., a joint venture established by INPEX (44%) and Mitsubishi Corporation (56%), acquired in October 2001 an interest of around 22.9% in the Berau block, a hub within the Tangguh LNG Project. MI Berau owns a 16.3% working interest (including an actual interest held by INPEX of about 7.17%) in the Tangguh Unit, which is a unitized area spanning the Berau block and the adjoining Wiriagar and Muturi blocks. MI Berau Japan Ltd., a second joint venture between INPEX (44%) and Mitsubishi Corporation (56%), also acquired approximately 16.5% of the issued and outstanding shares of KG Berau Petroleum Ltd. in October 2007, bringing INPEX's total interest in the project up to approximately 7.79%.

In March 2005, the Indonesian government approved a development plan for the Tangguh LNG Project and an extension of the PSC until 2035. Subsequently, development work such as the drilling of production wells and construction of an LNG plant was conducted over a period of four years. The first cargo of LNG was shipped in July 2009. LNG of 7.6 million tons per annum has been supplied to buyers in China, South Korea and North America with whom long-term sales agreements have been concluded.

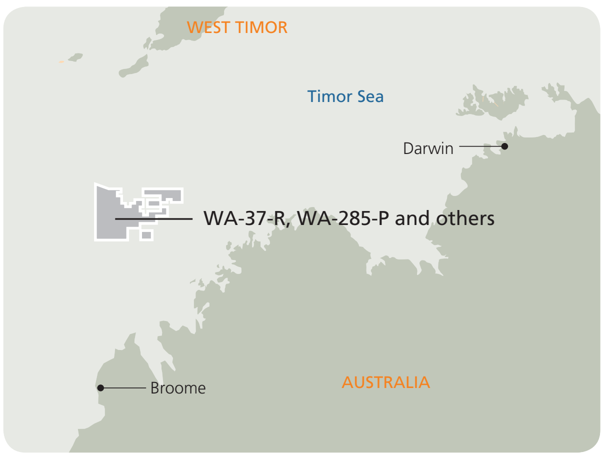


5. WA-37-R (Ichthys) and its Surrounding Blocks

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

Eight exploratory wells drilled by INPEX confirmed the presence of sufficient reserves for a large-scale gas and condensate project. Later in September 2008, a site in Darwin was selected for construction of an LNG plant. FEED work on this plant then began in January 2009. In April of the same year, an office was established in Darwin. FEED work also commenced on offshore production facilities at that time. A retention lease (WA-37-R) was granted for the block covering the Ichthys gas and condensate field in September 2009. Thereafter, a Preliminary Field Development Plan (PFDP) was submitted to authorities in March 2010 and procedural steps initiated to acquire a production license. Most recently in July 2010, public review of the Company's Environmental Impact Statement (EIS) began. Through these and other measures, INPEX is actively driving the project forward. Commercial production of LNG, condensate and LPG is scheduled to commence in 2016. Current projections are for annual output of roughly 8.4 million tons of LNG and 1.6 million tons of LPG. INPEX plans to consider expanding LNG and LPG production further depending on reserve capacity and market conditions. Peak production is estimated at 100,000 bpd for condensate.

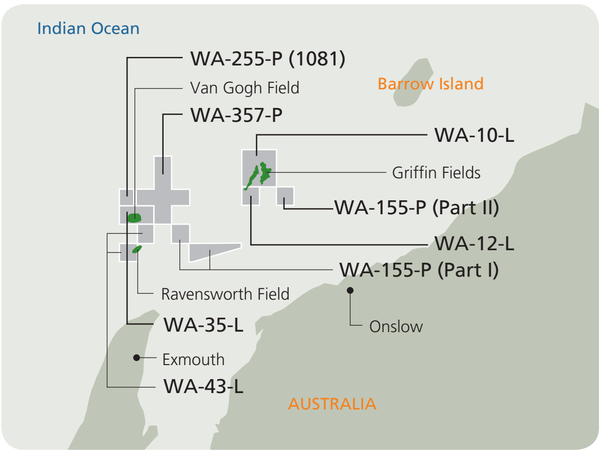
INPEX has also acquired interests in seven blocks surrounding WA-285-P (namely WA-274-P, WA-281-P, WA-341-P, WA-343-P, WA-344-P, WA-410-P and WA-411-P). Exploration activities are ongoing: any discoveries of major oil or gas reserves in these blocks could considerably augment the potential of the Ichthys field benefitting from synergy effects.



6. WA-35-L (Van Gogh Oil Field), WA-43-1 (Ravensworth Oil Field) and Others

INPEX acquired a 20% working interest in the WA-210-P offshore Western Australia in February 1989. Subsequent exploration activities resulted in the discovery of the Griffin oil fields. The Australian government granted a production license (WA-10-L) for the contract area covering four blocks that include the fields. Commercial crude oil and natural gas production from the fields commenced in January 1994, but ceased in October 2009 due to natural depletion.

INPEX acquired working interests in WA-155-P (Part II) and WA-12-L (Deep) offshore Western Australia in July 1994, WA-155-P (Part I) in July 1999, WA-357-P in July 2006 and in a block of WA-255-P in March 2009. The Van Gogh and Ravensworth oil fields were discovered in WA-155-P (Part I). It was agreed among the partners to develop the Van Gogh field in April 2007. The Australian government granted a production license (WA-35-L) for the two blocks which includes the Van Gogh field in the WA-35-L contract area in October 2008. Oil production commenced in February 2010. A final investment decision was taken to develop the Ravensworth field in November 2007, and a production license (WA-43-L) acquired in November 2009. Development is currently proceeding toward a scheduled production start-up in the second half of 2010.

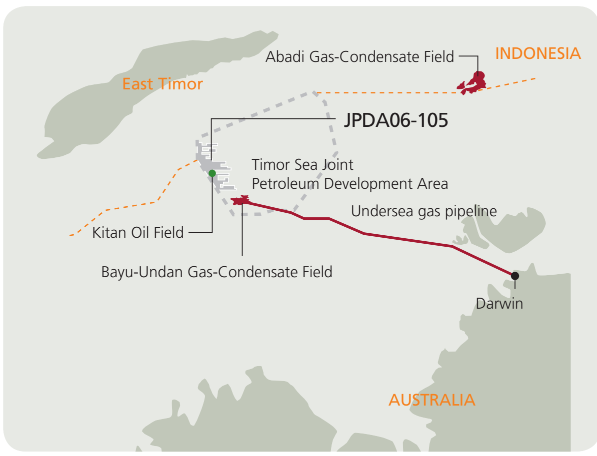


Oil field

7. JPDA06-105 (Kitan Oil Field)

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

Oil was found in March 2008 by the Kitan-1 exploration well and the presence of a commercial oil accumulation was confirmed by the Kitan-2 appraisal well drilled subsequently. In line with the provisions of the PSC, INPEX made a declaration in April 2008 to the Timor Sea Designated Authority (TSDA), currently Autoridade Nacional do Petróleo (ANP) for the JPDA that an oil field of commercial scale had been found at Kitan. Thereafter, INPEX acquired approval to the Final Development Plan from the relevant authority in April 2010. Currently, development work is underway at the Kitan oil field with a target production start-up in the second half of 2011.



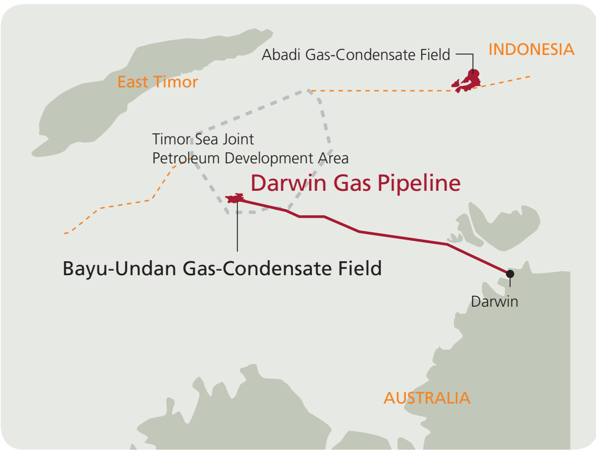
Gas field Oil field

8. JPDA03-12, Bayu-Undan Project

In April 1993, INPEX acquired a working interest in JPDA03-12, a contract area located in the Timor Sea JPDA. Exploration within this contract area resulted in the discovery of oil and gas in the Elang, Kakatua, Kakatua North and Undan structures.

Oil production in the Elang, Kakatua and Kakatua North oil fields began in 1998, but ceased in 2007 due to natural depletion.

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



Gas field

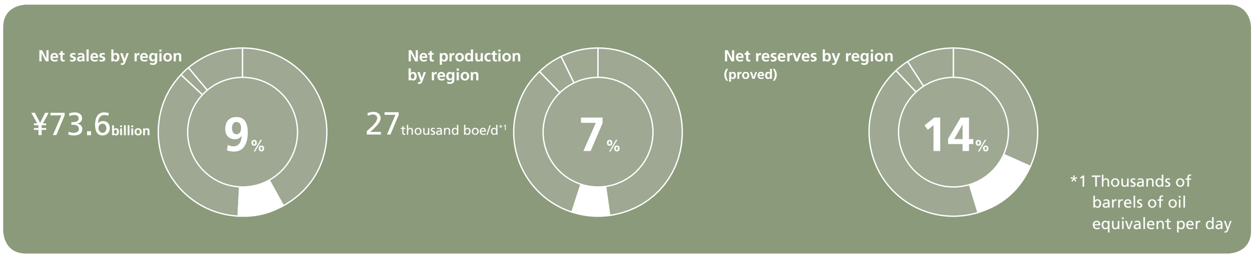
Mahakam Block

JPDA03-12 Block

INPEX Operation
Business Activities

Eurasia

In the fiscal year ended March 31, 2010, sales volumes of crude oil from the ACG oil field were up. Buffeted by the drop in oil prices and an increasingly strong yen, net sales edged down 0.2% compared with the previous fiscal year to ¥73.5 billion in the Eurasia region. Operating income, on the other hand, climbed 15.4% year on year to ¥39.7 billion due largely to reductions in the cost recovery portions at the ACG oil fields.



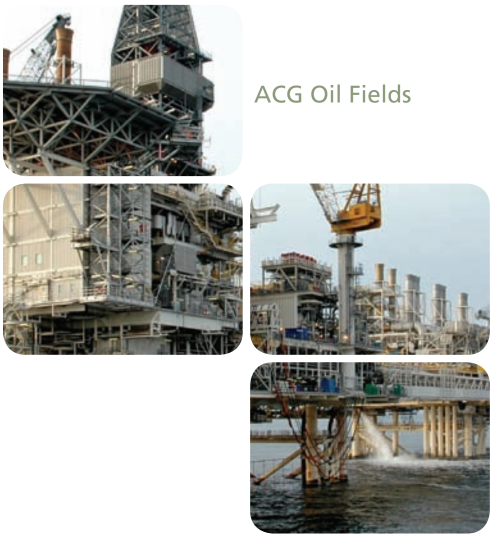
Together with the Offshore North Caspian Sea block in Kazakhstan and the ACG block in Azerbaijan, INPEX currently operates five projects in four countries in the Eurasia region which includes Europe and the New Independent States.

Main Projects

Contract Area	Venture Company	Interest Owned
1 Offshore North Caspian Sea	INPEX North Caspian Sea, Ltd. (Est. 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 (Azeri, Chirag, Gunashli)	INPEX Southwest Caspian Sea, Ltd. (Est. January 29, 1999)	INPEX Southwest Caspian Sea 10.96% BP* 37.43% Chevron 11.27% SOCAR 10.00% Statoil 8.56% ExxonMobil 8.00% TPAO 6.75% Itochu 4.30% Hess 2.72%
3 BTC Pipeline	INPEX BTC Pipeline, Ltd. (Est. October 16, 2002)	INPEX BTC Pipeline 2.5% BP* 30.1% SOCAR 25% Chevron 8.9% Statoil 8.71% TPAO 6.53% Eni 5% TOTAL 5% Itochu 3.4% ConocoPhillips 2.5% Hess 2.36%

*Operator

Offshore North Caspian Sea Block (Kashagan Oil Field)



ACG Oil Fields

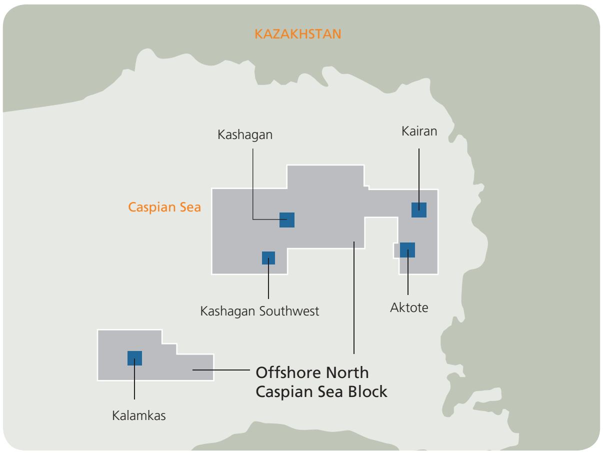
BTC Pipeline

1. Offshore North Caspian Sea Block (including Kashagan Oil Field)

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

The Kashagan oil field was discovered during the first exploratory drillings in the block in September 1999. The first discovery in the Kazakhstan-controlled part of the Caspian Sea, the Kashagan field is among the largest finds in the history of oil exploration. A phased development of this super-giant field is planned, with the Phase 1 experimental program now underway. Target peak production for the fully developed field is 1.5 million bpd.

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



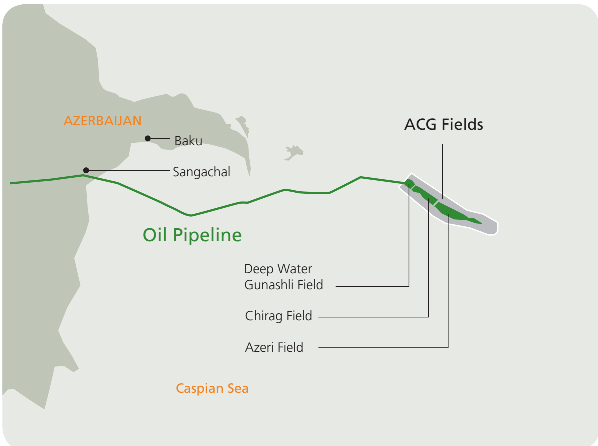
2. ACG Oil Fields

INPEX acquired a 10% working interest in the Azeri-Chirag-Gunashli (ACG) oil fields in April 2003. The fields are located in a region of the South Caspian Sea controlled by the Republic of Azerbaijan.

Oil production started in the Chirag field and has since expanded to include the Central Azeri field (February 2005), the West Azeri field (December 2005) and the East Azeri field (October 2006). The Deep Water Gunashli field came on-stream in April 2008. New Chirag Oil Project (COP) was sanctioned in March 2010. The COP is the additional investment for the development of Chirag and deepwater portion of the Gunashili fields. Operations continues to increase oil output from the ACG fields to the 1.0 million bpd mark.

In August 2010, INPEX purchased an additional interest (0.9644%) which increased its working interest to 10.9644%.

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



Oil field

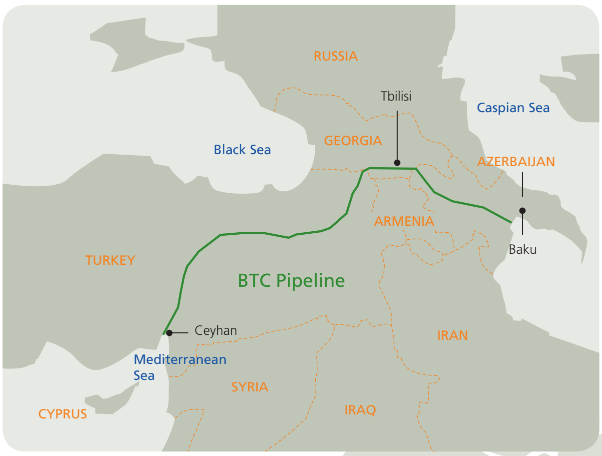
3. BTC Pipeline

INPEX acquired a 2.5% interest in the BTC pipeline project in October 2002.

The 1,770-kilometer BTC pipeline stretches from the Azeri capital of Baku to Ceyhan on Turkey's Mediterranean coast through Tbilisi, Georgia. The original transport capacity of the route is 1.0 million bpd. Commencing full-scale operation in June 2006, the pipeline was originally built to transport crude oil produced in the AGC oil fields in Azerbaijan. The pipeline's capacity is planned to expand up to 1.2 million bpd so that it can also accommodate future oil output from the Kashagan oil field in Kazakhstan.

The Ceyhan marine terminal has seven crude oil storage tanks with capacity of 1 million barrels and a jetty with 2,000 meters long where two 300,000-ton tankers can dock at the same time.

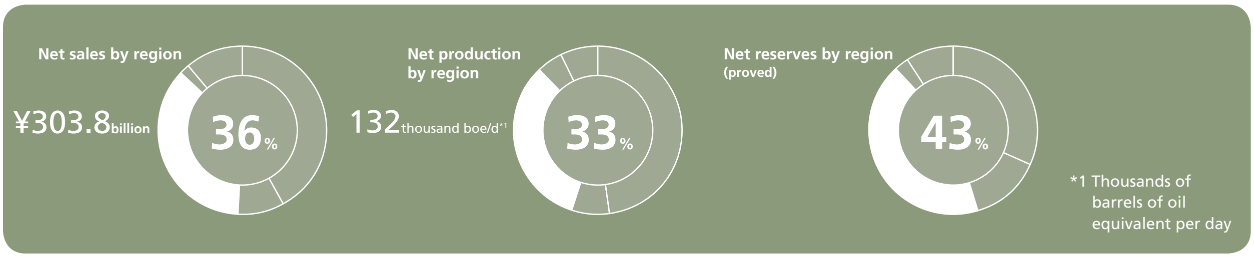
INPEX has been participating in the development of the ACG fields in Azerbaijan and the Kashagan field in Kazakhstan, both of which rank among the world's limited number of super-giant oil fields. Completion of the BTC pipeline has enabled direct shipment of oil from these fields by supertanker from a Mediterranean port without passing through the congested shipping lanes of Turkey's Bosporus straits. The BTC pipeline is expected to play a major role in transporting the crude oil produced in the ACG and Kashagan fields as their output grows.



INPEX Operation
Business Activities

Middle East & Africa

Net sales in the Middle East and Africa for the fiscal year under review totaled ¥303.8 billion, a decrease of 34.4% compared with the previous fiscal year. This was primarily attributable to lower oil prices, a drop in crude oil sales volumes at the ADMA block and the impact of appreciation in the value of the yen. On a year-on-year basis, operating income declined 35.5% to ¥205.5 billion.

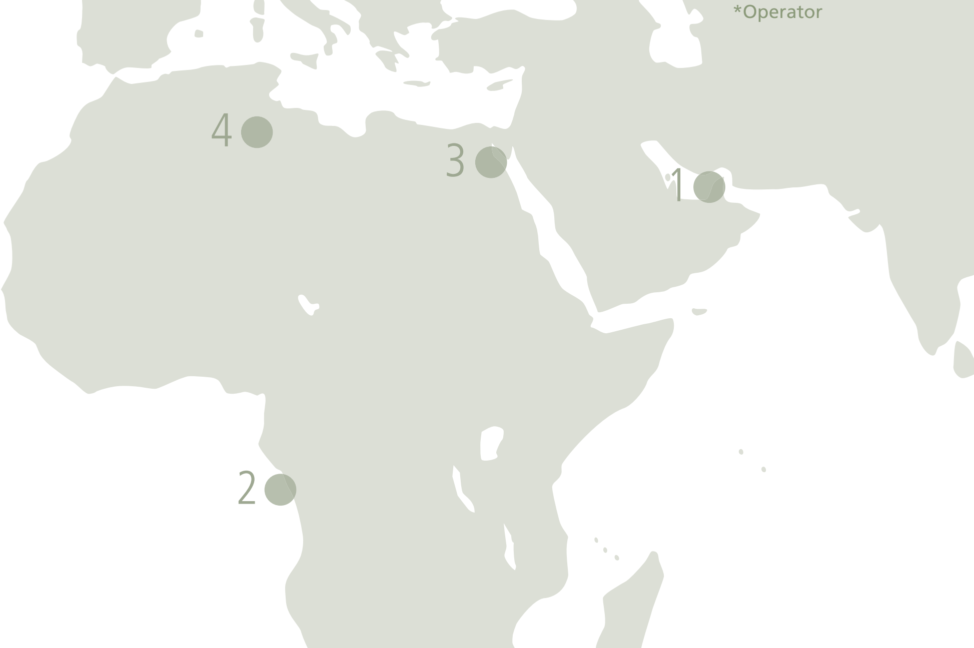


INPEX is engaged in 19 projects in seven countries throughout the Middle East and Africa including the ADMA block in the United Arab Emirates.

Main Projects

	Contract Area	Venture Company	Interest Owned
1	Umm Shaif Field/Lower Zakum Field	Japan Oil Development Co., Ltd. (JODCO) (Est. 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%
2	Offshore Democratic Republic of the Congo	Teikoku Oil (D.R. Congo) Co., Ltd. (Est. August 1, 1970)	Teikoku Oil (D.R. Congo) 32.28% Perenco* 50% Chevron 17.72%
3	West Bakr	The Egyptian Petroleum Development Co., Ltd. (EPEDECO) (Est. July 17, 1970)	EPEDECO* 100%
4	El Ouar I/II	Teikoku Oil Algeria Co., Ltd. (Est. December 21, 2001)	Teikoku Oil Algeria 10.29% Sonatrach 67.33% Eni* 22.38%

*Operator

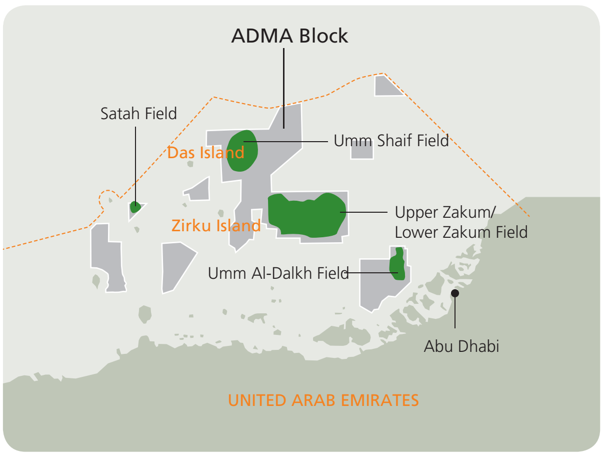


1. ADMA Block

In May 2004, INPEX made Japan Oil Development Co., Ltd. (JODCO) a wholly owned subsidiary by acquiring all of the JODCO shares held by Japan National Oil Corporation through a share exchange. Established in 1973, JODCO owns an interest in the ADMA block located offshore Abu Dhabi in the United Arab Emirates. Oil production currently spans five fields in the block. Production started from the Upper Zakum (UZ) oil field (the largest in the block) in 1982, followed by the Umm Al-Dalkh (UA) oil field in 1985 and the Satah (ST) oil field in 1987. JODCO has been involved in the development of these fields. The Umm Shaif (US) and the Lower Zakum (LZ) oil fields have also been producing crude oil steadily since 1962 and 1967, respectively. The oil produced from these fields is transported by subsea pipelines to the islands of Das (from US & LZ) and Zirku (from UZ, UA & ST) for shipment onward.

A number of development projects are currently underway to maintain and expand oil output from the ADMA block, including plans to develop promising untapped structures in the block; construction of new gas injection facilities for the Umm Shaif field; installation of additional gas treatment facilities for the Lower Zakum field; and redevelopment plans for the Upper Zakum field that involves the use of artificial islands.

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

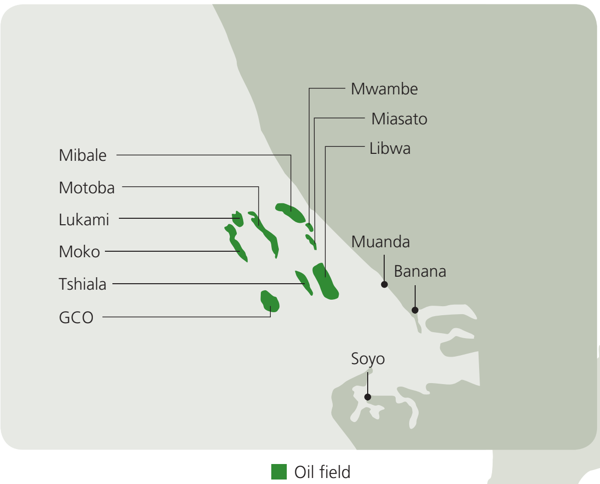


Oil field

2. Offshore Democratic Republic of the Congo

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

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



3. West Bakr Block

The Egyptian Petroleum Development Co., Ltd. (EPEDECO), a joint venture established by a consortium including INPEX and Mitsui & Co., acquired a 100% working interest in the West Bakr block in June 1975. EPEDECO as operator conducted exploration activities within the block, which is located in a desert region in Egypt on the west bank of the Gulf of Suez. Three oil fields were discovered and oil production commenced in 1980.

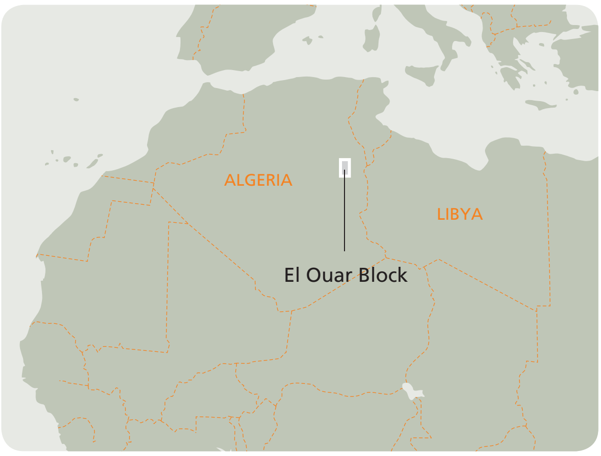
Furthermore, new oil fields were successfully discovered following addition exploration activities in 1989 with production commencing from 1990.

The contract covering the West Bakr block was extended until 2020 in July 2005. Production levels from the existing fields remain stable. EPEDECO is looking to increase production through further exploration activities.

El Ouar I/II Blocks

4. El Ouar I/II Blocks

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



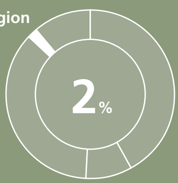
INPEX Operation
Business Activities

Americas

In the Americas, INPEX experienced a surge in sales volumes of crude oil during the fiscal year ended March 31, 2010. As a result, net sales jumped 65.6% compared with the previous fiscal year to ¥16.6 billion. Operating income totaled ¥1.0 billion compared with the operating loss of ¥1.3 billion incurred in the previous fiscal year.

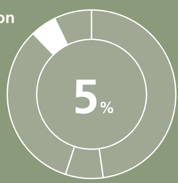
Net sales by region

¥16.6billion

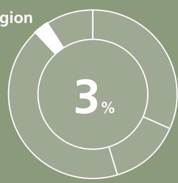


Net production by region

21 thousand boe/d*1



Net reserves by region (proved)



*1 Thousands of barrels of oil equivalent per day

Operations in the Americas encompass 18 projects in eight countries. Major projects include the Joslyn Oil Sands project in Canada and the Frade oil field development project in Brazil.

Main Projects

Contract Area		Venture Company	Interest Owned
1	OSL 7280060T24	INPEX Canada, Ltd. (Est. November 28, 2006)	INPEX Canada 10% TOTAL* 75% Occidental 15%
	OSL 7405070799		
	OSL 7404110452		
2	Copa Macoya	Teikoku Oil and Gas Venezuela, C.A. (Est. June 7, 2006)	Teikoku Oil and Gas Venezuela 70% PDVSA 30%
	Guarico Oriental		Teikoku Oil and Gas Venezuela 30% PDVSA 70%
3	Frade Block	Frade Japão Petróleo Limitada (FJPL) (Est. July 5, 1999)	FJPL 18.2609% Chevron* 51.7391% Petrobras 30%
4	Ship Shoal 72	Teikoku Oil (North America) Co., Ltd. (Est. May 30, 2003)	Teikoku Oil (North America) 25% PetroQuest* 50.5% Other 24.5%
	Main Pass 118		Teikoku Oil (North America) 10% XTO* 50% Other 40%
	West Cameron 401		Teikoku Oil (North America) 25% PetroQuest* 38% Other 37%
	West Cameron 402		Teikoku Oil (North America) 25% PetroQuest* 25% Other 50%
	Louisiana SL19372		Teikoku Oil (North America) 18.75% PetroQuest* 41.25% Other 40%
5	Block Cuervito	Teikoku Oil de Burgos, S.A.de C.V. (Est. September 9, 2003)	Teikoku Oil de Burgos 40% *Petrobras 45% Diavaz 15%
	Block Fronterizo		

*Operator

1. Joslyn Oil Sands Project

In November 2007, INPEX acquired a 10% interest in the Joslyn Oil Sands Upstream Project in Alberta, Canada.

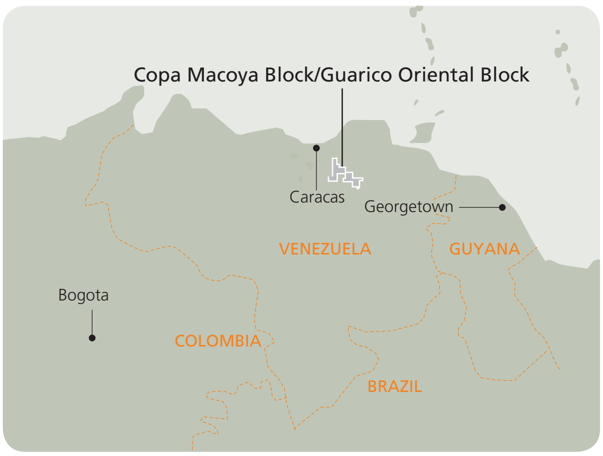
The Joslyn project plans to conduct a multi-phase mine development which is expected to produce 100,000 barrels of bitumen per day as Phase-1 development in Joslyn North Mine. The development framework is under investigation and the project start-up is expected to be in the next decade.

Along with acquiring an interest in the Oil Sands Upstream Project, INPEX acquired the right to participate in the Upgrader project planned by TOTAL in Edmonton, Alberta. This project plans to construct a new upgrader that anticipates a capacity of 130,000 barrels of synthetic crude oil as Phase-1 development.

2. Copa Macoya and Guarico Oriental Blocks

INPEX was awarded a 100% working interest in a central onshore area, the East Guarico block, Venezuela in July 1992. INPEX participated in oil and natural gas field rehabilitation, exploration and development activities as an operator under the operating service agreement (OSA) terms.

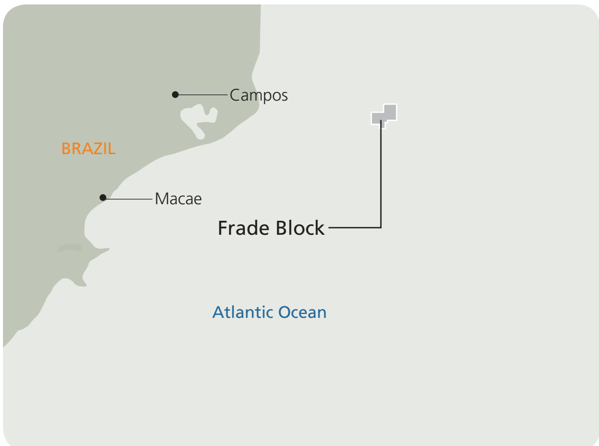
The existing OSAs were changed to joint venture agreements in 2006 after a change of policy by the Venezuelan government. Based on the new policy, INPEX established gas and crude oil venture companies jointly with Petroleos de Venezuela, S.A. (PDVSA), the Venezuelan national petroleum company, and from April 2006 continued the gas business in the Copa Macoya block and the crude oil business in the Guarico Oriental block (which replaced the East Guarico block). The new joint venture agreement also features contract extensions until 2026 for each of the two blocks.



3. Frade Block

Frade Japão Petróleo Limitada (FJPL), a joint venture established by INPEX and Sojitz Corporation, acquired a 12.75% working interest in the Frade block in Brazil's offshore Northern Campos basin in July 1999. FJPL increased its working interest to 15% in July 2001. As a result of the change in interest ownership due to arrangements determined under contract, FJPL's working interest amounted to approximately 18.3% in June 2006.

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

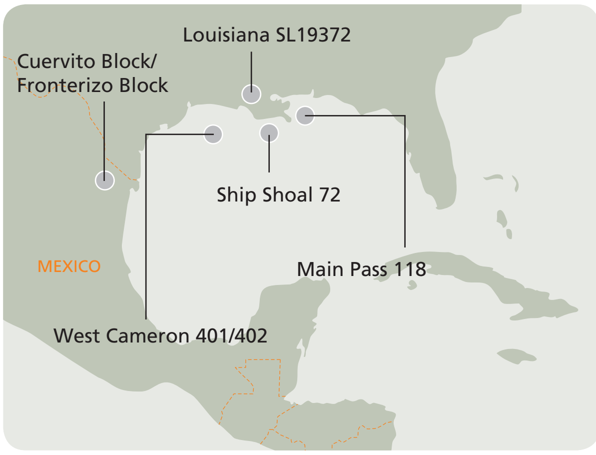


4. U.S. Gulf of Mexico Projects

INPEX has participated in oil and gas development projects in the shallow waters of the U.S. Gulf of Mexico since April 2006. Following production startup from Ship Shoal 72 in July 2006, Main Pass 118 started production in April 2007, and West Cameron 401/402 and Louisiana SL19372 started production in 2008.

5. Cuervito and Fronterizo Blocks

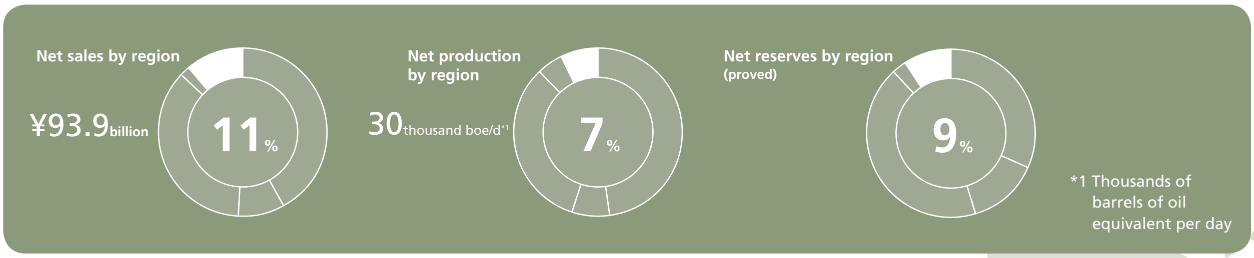
INPEX's affiliate, Teikoku Oil de Burgos S.A. de C.V. has participated in gas development and production operations in the Cuervito and Fronterizo Blocks located in the Burgos basin, Mexico since 2004. This project has been conducted under the Multiple Service Contract with PEMEX and INPEX's affiliate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



INPEX Operation
Business Activities

Japan

In the fiscal year ended March 31, 2010, net sales in Japan edged up 0.6% compared with the previous fiscal year to ¥93.9 billion. While sales of crude oil and petroleum products declined, this was offset by an increase in natural gas sales. Operating income contracted 3.9% year on year to ¥32.5 billion. This largely reflected an increase in the balance of products purchased.



In its domestic operations, INPEX places considerable weight on exploration, development and production activities in Niigata Prefecture. In the fiscal year under review, the Company undertook the drilling of additional production wells aimed at boosting production capacity at the Minami-Nagaoka gas field, the largest gas field in Japan.

In addition, the Company has commenced introduction of imported LNG. We are now supplying both domestic and imported LNG into our pipeline network in an effort to further fortify its stable supply structure. At the same time, INPEX is promoting the construction of its own LNG receiving terminal with the aim of building a gas supply chain.

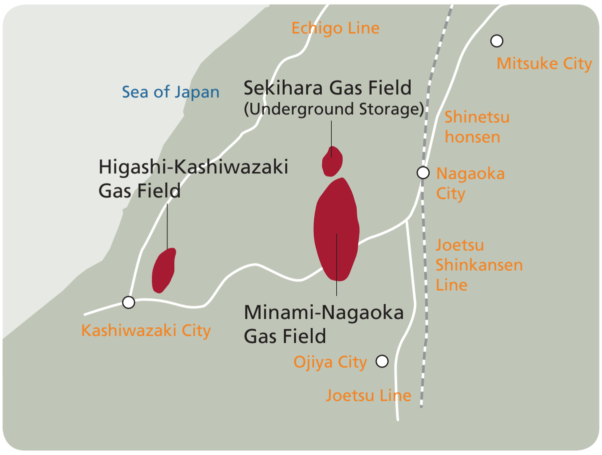
Minami-Nagaoka Gas Field and the Domestic Natural Gas Business

Discovered in 1979 and in production since 1984, Minami-Nagaoka is the largest gas field in Japan and accounts for approximately 40% of the Japan's total natural gas production. After being processed, the natural gas is transported through a 1,400-km trunk pipeline network stretching across the Kanto and Koshinetsu regions that surround the greater Tokyo metropolitan area, and delivered to city gas companies and industrial customers along this network.

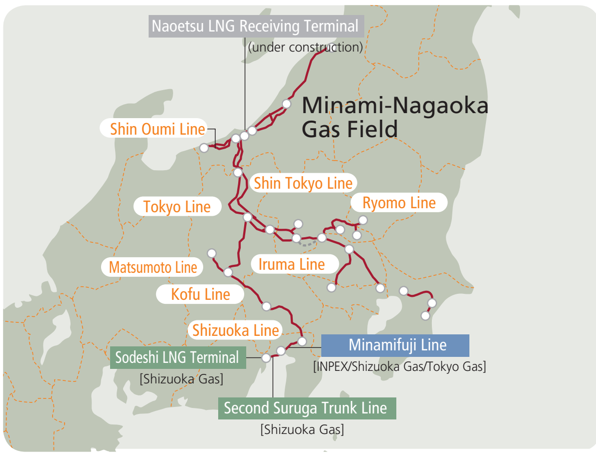
In the context of its natural gas domestic pipeline, INPEX has experienced substantial sales growth over recent years. This is against the backdrop of the sharp upswing in competing fuel prices as well as the high eco-friendly attributes inherent in natural gas compared with other fossil fuel energy sources. The medium- to long-term projection is for further growth in annual demand to the 2.5 to 3.0 billion m3 range, reflecting further active expansion of the supply network into new regions.

Supply capacity and reliability has been dramatically enhanced through dynamic reinforcement of production facilities, pipeline network expansion and the introduction of LNG from Shizuoka Gas Co., Ltd. from 2010. To boost the overall scale of this business, INPEX has decided to build an LNG receiving terminal at Naoetsu, Joetsu City in Niigata Prefecture on the Japan Sea coast. The target operational start-up date is 2014. In constructing the Naoetsu LNG receiving terminal, INPEX plans to build a gas supply chain that in the future will link the Group's overseas projects to the domestic gas market. This in turn is expected to help secure continuous growth in the domestic natural gas business.

INPEX also produces natural gas dissolved in water. Natural gas dissolved in water is contained in underground "brine water." We pump up the brine water, extract natural gas and supply the gas to surrounding areas. The brine water also contains high levels of iodine. We refine and export all the iodine.



■ Gas field



Domestic pipeline network

INPEX Sustainability

Corporate Social Responsibility

INPEX carries out E&P business around the world with commitment to the protection and preservation of environment and to the safety and well-being of our employees. To turn this commitment into action, we have implemented our own HSE (Health, Safety and Environment) Management System as a guiding framework for undertaking a series of initiatives.

In order to develop energy resources efficiently in different parts of the world, we must have a dialogue with those who live in the regions in which we operate, and solicit their understanding and support. We make a positive contribution to their community, such as promoting mutual understanding through intercultural exchange, multifaceted support for social and economic development, community-oriented corporate citizenship activities, and transmission of information to promote understanding of business activities.

Overview of HSE Management System

A stable supply of energy can be disrupted for any number of reasons. Of most concern to us is the risk of incidents that not only could interrupt the energy supply, but also could cause environmental pollution, jeopardizing our business continuity. Given the inseparable relationship between environmental protection and disaster prevention, INPEX constantly engages in the improvement and enhancement of its health and safety programs as well as environmental protection activities under its "HSE Management System," which enables us to continuously enhance our HSE performance.

This system is comprised of document structure, as specified in documents that include the Health, Safety and Environment Policy, the HSE Management System Manual and other procedures and guidelines for HSE, the HSE Committee structure established at both the Head Office and business office levels, and objectives regarding HSE and action plans renewed every fiscal year.

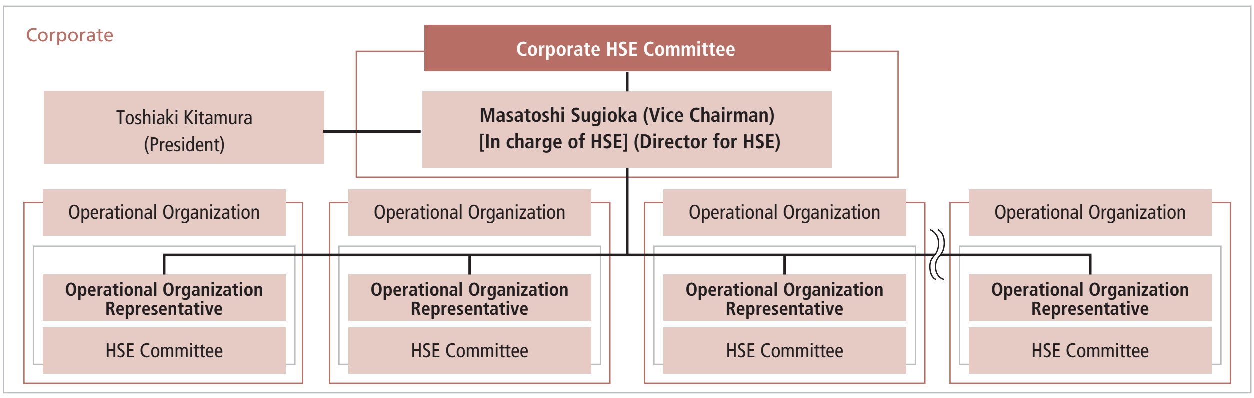
Implementation Framework for the Group's HSE Management System

The implementation framework for INPEX's HSE Management System is comprised of a Head Office HSE Unit supported by operational organizations responsible for operator projects that are established as required. At the same time, and with the aim of promoting HSE activities on a systematic Group-wide basis, we established the Corporate HSE Committee, which is tasked to formulate the HSE Management System. Manual, procedures and objective for the INPEX Group. During fiscal 2009, 10 Corporate HSE Committee meetings were held. In addition to discussing and approving HSE-related procedures, the Committee took steps to consider HSE activity plans, securing management methods as well as implementation plans for and the results of HSE awareness surveys. Each Operational Organization charged with the responsibility of implementing HSE activities at the frontline also establishes its own HSE committee to discuss and approve HSE documentation, consider HSE activity plans and pursue initiatives aimed at raising HSE awareness.

Furthermore, it is stipulated that an HSE Meeting attended by Head Office management as well as the top executive from each Operational Organization or an HSE Managers Meeting attended by managers of each Operational Organization is held once a year. The third HSE Meeting was held in February 2010. Participating responsible personnel from each domestic and overseas Operational Organization undertook to report on the status of HSE management systems and issues arising from its implementation. Taking into consideration the details of each report and with the opportunity to exchange opinions with management, participants were left with a renewed sense of the difficulties involved in promoting HSE. This third meeting confirmed the critical need to implement specific measures on a priority basis aimed at for example securing qualified and capable human resources.

Operator: a company that takes primary responsibility for the management of exploration, development and production work in a block.

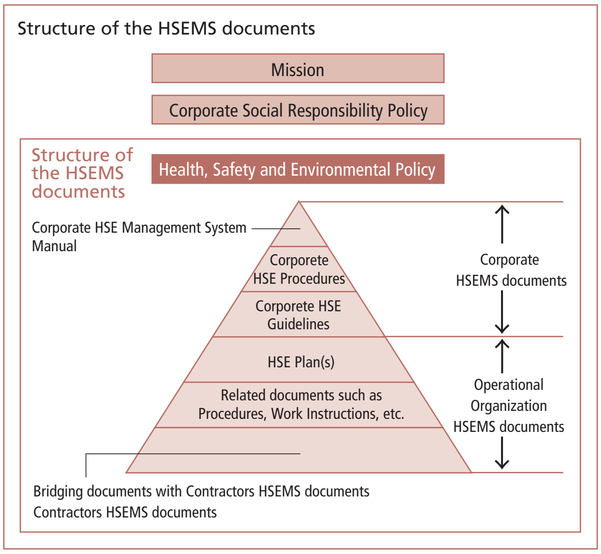
HSE management system implementation framework



Management Structure of the Group's HSE Management System

The ideals and principles of INPEX's Mission and Corporate Social Responsibility Policy cover a variety of aspects. In relation to environmental protection and safety, INPEX formulated its Health, Safety and Environment Policy. Furthermore, steps were taken to establish document architecture for the Group's HSE Management System to serve as a foundation for systematic and steady implementation. Under the guidance of this architecture, we established a corporate-level HSE Management System Manual, procedures and plans. From fiscal 2009, INPEX has initiated a system under which it continuously formulates procedures and guidelines to complement the aforementioned HSE Management System Manual, procedures and plans. In addition, each Operational Organization prepares such related documents as procedures and plans in accordance with the corporate-level HSE Management System Manual and associated documentation. Through these means every effort is being made to establish and strengthen the HSE Management System for each project.

In fiscal 2009, procedures that had remained at the planning stage were completed in full. Currently, INPEX is working to compile the HSE guidelines that support these procedures.



Contributing to Local Communities

INPEX continues to implement a large number of projects that contribute to the sustainable development.

Education-Related Support in the UAE

At the request of Crown Prince Mohammed bin Zayed al-Nahayan of Abu Dhabi, the capital of the United Arab Emirates (UAE), and with the support of the government of Japan, the Japanese school in Abu Dhabi, which includes a kindergarten, has accepted two young UAE children each year since the end of 2004. As of May 2010, there are nine UAE children attending the school. INPEX employees are involved locally in the school's management as members of the board. In collaboration with other companies in Japan, INPEX also provides support through the dispatch of Japanese teachers, who help to educate these UAE children in the Japanese language and mathematics as they progress from kindergarten to elementary school. Our hope is that these pupils will in the future serve as a bridge that links the UAE with Japan.


The Japanese school in Abu Dhabi

Supporting the Indigenous People of Australia

Through INPEX Browse, Ltd., the Group is providing support to the Djarindjin Aboriginal Corporation, which owns and operates the Djarindjin-Lombadina Airport, 185 kilometers north of Broome in the Kimberley region, Western Australia. To date, INPEX has contributed to the major upgrade of the airport, including resealing the airstrip, expanding fuel facilities with the addition of three fuel tanks and installing two shelter facilities as well as an automated weather station. These efforts have served to generate and expand local employment providing considerable support to the local community. In addition, the automated weather station transmits data to the Australian Meteorological Office at regular intervals of 30 minutes. This is of substantial assistance in ensuring air safety across the skies of the Kimberley region.


Signing ceremony for the business support agreement

Environment-Related Support in Venezuela

INPEX is planning to conduct a large-scale dredging operation of the Zazarida Harbor located near the Moruy II block in Venezuela through PT Moruy II, its partially owned company. As a part of this endeavor, we undertook a cleanup of the Chuadi creek, which borders the harbor between November 2009 and January 2010. In addition to employing more than 50 residents from the local community, we undertook a host of initiatives including the collection of refuse from the creek, the distribution of rubbish bins and the installation of rubbish disposal warning notices. At the same time, we held seminars on the handling and disposal of waste. The core dredging work, which began in May 2010 is scheduled to end in December 2010 and involves the construction of a canal and dikes.


A waste disposal seminar

Activities Aimed at Promoting Safety

Both at the Head Office and Operational Organization levels, the INPEX Group is committed to ensuring complete safety in its operations. To this end, we implement a wide range of initiatives.

In the context of safety management, implementation procedure documentation based on HSE procedures as well as procedures relating to such key issues as the soundness of facilities, risk assessment, security and health management is prepared in line with the actual condition and situation of each operational organization. Running in concert with existing safety activities, each individual operational organization pursues activities in tune with these new procedures.

Measures against Environmental Incidents

Continuing on from fiscal 2008, the incidence of small-scale crude oil leakages was high throughout fiscal 2009. This was mainly attributable to the corrosion of pipelines servicing the West Bakr Oil Field in Egypt. This incidence was particularly prevalent in November with leakage coming to 22 barrels.

In addition to implementing onsite emergency measures as specified under the HSE Management System, we took steps to progressively replace corroded pipelines. All of the leaked oil was recovered and converted to asphalt, and is currently being applied in trials for reuse as pavements. Furthermore, we took steps to strengthen the areas around each pipeline, to investigate the causes of corrosion and to modify the materials used in the manufacture of pipelines. Complementing these and other initiatives, we introduced the use of corrosion inhibitors, and continue to give careful thought to preventive measures including the removal from pipelines of such solid materials as sludge.

Upgrading Contractors' HSE Management

At the INPEX Group, we require all our contractors to have a full understanding of our HSE Policy as they go about their assigned duties; working in unison with contractors, we strive to prevent work-related incidents and reduce environmental loads. Each Operational Organization, whether in Japan or overseas, is translating the Corporate HSE Procedure for Contractors' HSE Management into its own Contractors' HSE Management Manual that meets regional requirements and specific needs of individual projects. In addition, in the case of a contractor competitive bid, we evaluate not only each contractor's engineering expertise and cost estimate, but also its HSE competence to select a contractor that excels in this area. Furthermore, we monitor and evaluate each contractor's HSE performance against agreed-upon criteria during the course of contract work, and ask them to improve performance as necessary. In fiscal 2009, we commenced steps to prepare the Guidelines for HSE Requirements for Contractors—a set of more practical guidelines that are derived from the Corporate HSE Procedure for Contractors' HSE Management.

Activities Aimed at Raising HSE Awareness

In an effort to raise HSE awareness, management calls on domestic operating sites and conducts HSE briefing meetings. Working to assess the level HSE awareness within the Group's overall corporate culture, steps are taken to implement and assess the results of HSE awareness surveys. With the aim of improving the Group's performance in the areas of health and safety, INPEX also collects and evaluates work safety performance data. At the same time, and as a member of the International Association of Oil and Gas Producers (OGP), we conduct benchmarking with other participating companies. Furthermore, we are currently considering the numerical targets to be established from fiscal 2010. In the event of an incident, INPEX is committed to reporting in full the details and cause following appropriate investigation. Consideration and disclosure will also naturally be given to preventive measures.

Activities Aimed at Preventing Incidents due to Human Error: Near-miss Prevention Activities

Operational Organizations in Japan have commenced near-miss activities which involve strict adherence to the prediction of hazards and risks as well as "pointing and naming" and "calling out" activities. In this context, we have put together a proprietary "near-miss map," which illustrates at a glance the risk factors associated with operations. Every effort is made to share in the recognition of safety risks during meetings held prior to the commencement of operations as well as to harness risk prediction activities.

Fiscal 2009 was a period during which incidents and near-misses due to human error were particularly pronounced. INPEX is taking steps to launch new initiatives aimed at preventing unsafe situations and conditions and by association incidents across its entire organization. Providing further insights, we are inviting external experts to lecture on such topics as human factor engineering.

Near-miss activities: Employees are encouraged to record small incidents that do not involve human and material damage, but scare or startle them at project sites to share their experiences with fellow workers so as to prevent a small incident from becoming a serious one.

A safety consultative meeting in connection with construction work for the Naoetsu LNG receiving terminal

Treating an oil leak in Egypt

Board of Directors

(Back row)
⑭ ⑫ ⑩ ⑨ ⑪ ⑬ ⑮
(Center row)
⑦ ⑤ ④ ⑥ ⑧
(Front row)
② ① ③

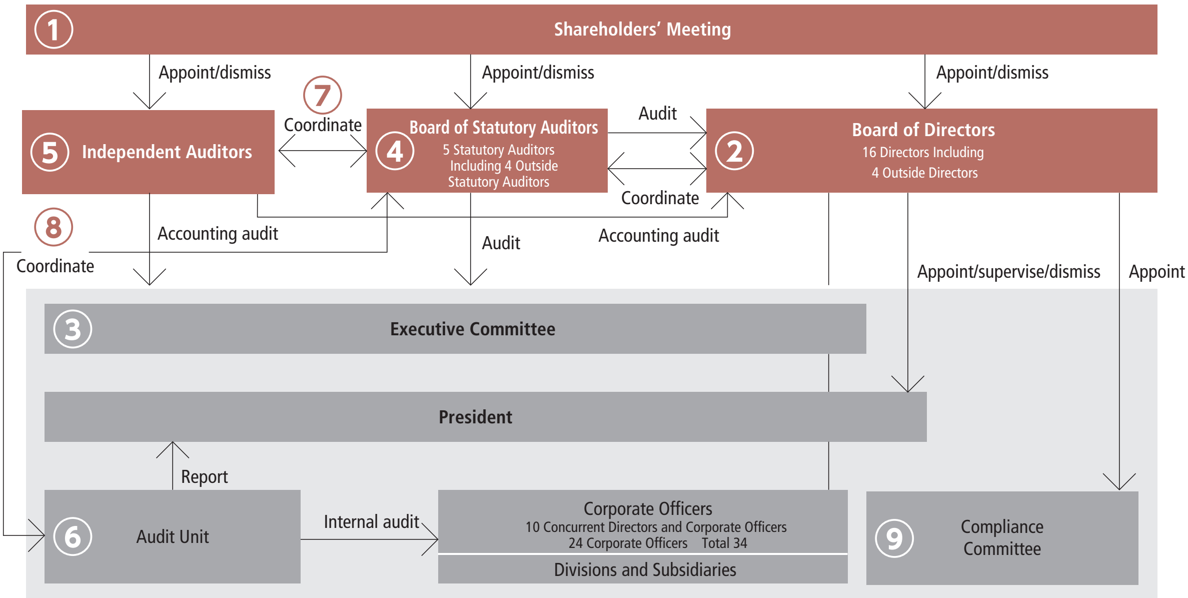
1	Representative Director, Chairman	Naoki Kuroda
2	Representative Director, Vice Chairman	Masatoshi Sugioka
3	Representative Director, President	Toshiaki Kitamura
4	Director, Executive Vice President	Katsujiro Kida
5	Director	Seiji Yui
6	Director	Masaharu Sano
7	Director	Noboru Tezuka
8	Director	Shunichiro Sugaya
9	Director	Masahiro Murayama
10	Director	Seiya Ito
11	Director	Wataru Tanaka
12	Director	Takahiko Ikeda
13	Statutory Auditor	Shigeru Hayashi
14	Statutory Auditor	Haruhito Totsune
15	Statutory Auditor	Koji Sumiya
	Director (Adjunct)	Kazuo Wakasugi
	Director (Adjunct)	Yoshiyuki Kagawa
	Director (Adjunct)	Seiji Kato
	Director (Adjunct)	Shigeo Hirai
	Statutory Auditor (Adjunct)	Hiroshi Sato
	Statutory Auditor (Adjunct)	Masaru Funai

INPEX Sustainability

Corporate Governance

INPEX recognizes the importance of improving the efficiency and soundness of its management while enforcing compliance in order to continue to increase corporate value and maintain the trust of its stakeholders including shareholders and society at large. In this context, INPEX will continue to reinforce its corporate governance.

The following contents are based on conditions as of June 30, 2010, unless otherwise stated.



① Shareholders' Meeting

The Company's Ordinary General Meeting of Shareholders is held in June each year. This meeting is well attended and INPEX obtains the wide-ranging opinions of shareholders. In order to enhance the convenience of foreign shareholders, convocation and resolution notices in English are posted on the Company's website. In addition, INPEX introduced an electronic platform for the exercise of voting rights for Company's fourth Ordinary General Meeting of Shareholders held on June 23, 2010. Shareholders are also able to exercise their voting rights via the Internet.

② Directors, Board of Directors' Meeting and Outside Directors

The Board of Directors of INPEX meet once a month and when necessary to discuss and make decisions regarding important matters and oversee the execution of directors' operations. When deliberating on and determining important matters relating to the oil and natural gas E&P, the expertise and experience of directors, who have for the most part spent their entire careers with the Company, as well as directors appointed from outside the Company with significant knowledge and insight are taken fully into consideration. In this manner, steps are taken to ensure a reasonable and efficient decision-making process while at the same time securing objectivity and balance.

The appointment of outside directors reflects the Company's recognition considering the commitment to independence, as efforts to enhance the validity of business decisions and to secure efficacy, professionalism and objectivity in the oversight function. The Board of Directors is therefore comprised of 12 internal appointees with a comprehensive understanding of the business of the Company and four outside appointees. The appointment of outside directors is ratified at relevant shareholders meetings based on the perceived level of contribution to the Company's business development. Each of the four outside directors is well versed in matters relating to the energy industry as well as extensive and wide-ranging management experience and insight.

At the same time, the four outside directors concurrently serve as directors of or advisors to several of the Company's shareholder corporations which are involved in businesses that overlap with those of the Company. Accordingly, INPEX recognizes that it must pay particular attention to corporate governance to avoid conflicts of interest in connection with competition and other matters. To this end, all Company directors, including the outside directors, are required to sign a written undertaking to carry out their duties as directors of the Company appropriately and with the highest regard for the importance of such matters as their obligations in connection with non-competitive practices under the Japanese Companies Act, the proper manner for dealing with conflicts of interest, and confidentiality. As a result, INPEX is confident that decisions are made by the Board of Directors in a reasonable, effective, objective and appropriate manner.

③ Executive Committee and Executive Officer System

The Executive Committee has been established to speed up decision-making and resolve matters that do not require a decision by the Board of Directors, and to conduct discussions that facilitate the Board's decisions by conducting meetings. The

Executive Committee meets once a week and when necessary. In addition, with the aim of responding more appropriately and rapidly to the fast-changing business environment and expanding businesses, the Executive Officer System has been introduced since October 1, 2008 to clarify the executive function and to implement an increasingly flexible and efficient management system.

4 Statutory Auditors, Board of Statutory Auditors and Outside Auditors

The Company employs a statutory auditor system. The Board of Auditors is composed of five members, including four from outside the Company. Three of the four outside auditors concurrently serve as officers of the Ministry of Finance, a financial institution and the finance department of a company that is involved in businesses that overlap with those of the INPEX Group. Accordingly, each has extensive knowledge and experience in the Company's business as well as such fields as finance and accounting. This knowledge and experience is being effectively applied in the audit of the Company's business.

The statutory auditors attend meetings of the Board of Directors and the Executive Committee, conduct interviews with divisions and units as necessary read reports from relevant divisions and units and other information in order to audit the business execution of directors with regard to overall operations and individual projects. The statutory auditors also receive reports related to regular and special audits from the independent auditors and regular reports from the Internal Audit Unit on the status of internal audits.

In addition to objectivity and independence, the Company recognizes the importance of such factors as efficacy and professionalism in the auditing function. In this regard, the appointment of outside auditors is undertaken based on comprehensive considerations. In this context, INPEX is confident that its outside auditors are more than capable of fulfilling their anticipated roles.

In addition to augmenting ancillary staff, INPEX promotes regular meetings between auditors and the Internal Audit Unit as well as independent auditors in efforts to strengthen the functions of auditors and to secure the efficacy of corporate governance. Complementing these initiatives aimed at bolstering collaboration, auditors hold periodic meetings with representative directors and directors to reinforce for monitoring function.

5 Accounting Audit and Auditor Compensation

The Company receives accounting audits from Ernst & Young ShinNihon LLC in accordance with the Companies Act and the Financial Instruments and Exchange Act. Certified Public Accountants (CPAs) and assistants for audits during the fiscal year under review are described as follows.

- Names of CPAs:
  Kenji Endo, Yusuke Kosugi, Takeshi Nakano, Satoshi Takahashi
- Accounting audit members:
  12 CPAs, 10 assistant CPAs and 16 others

Details of compensation paid to CPAs and related parties are presented as follows.

【Fiscal year ended March 31, 2010】

- Compensation for auditing services
  The Company: ¥141 million; Consolidated subsidiaries: ¥57 million
- Compensation for non-auditing services
  The Company: ¥4 million; Consolidated subsidiaries: ¥4 million

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.

6 Internal Audit

The Internal Audit Unit has been established as an internal audit department independent from business divisions and units and directly responsible to the president, to ensure the appropriateness and efficiency of business activities. The Internal Audit Unit (with 12 full-time members as of March 31, 2010) examines and evaluates the status of management bodies, the efficiency of business operations and other matters, pinpointing problem areas, making necessary reports and conducting follow-up audits to confirm the status of improvements. The Internal Audit Unit also contributes to proper operational management by exchanging opinions with independent and statutory auditors as necessary.

7 The Status of Coordination between Statutory Auditors and Independent Auditors

Statutory auditors meet with independent auditors six times each year and on additional occasions as needed. Independent auditors provide statutory auditors with reports related to regular and special audits, the results of quarterly financial settlement and the status of interim internal control audits. At the same time, opportunities are provided for a full exchange of audit-related views and opinions. Through these means, INPEX makes every effort to ensure the collection and collation of wide-ranging information for the statutory auditors with respect to the Company's status and standing.

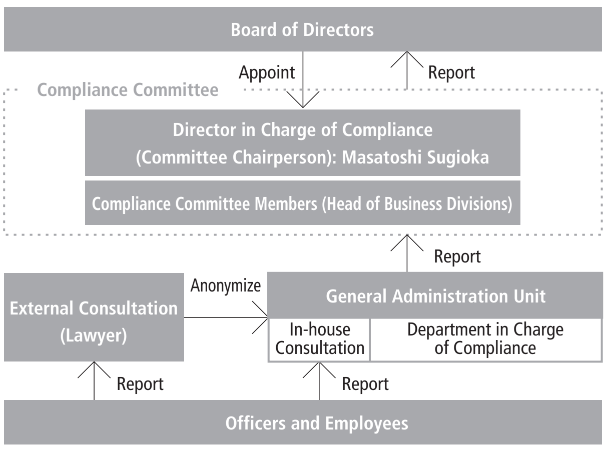
8 The Status of Coordination between Statutory Auditors and the Internal Audit Unit

Statutory auditors receive regular reports from the Internal Audit Unit on the status of internal audits. Contact is effectively maintained with the Internal Audit Unit on a daily basis. In an effort to formalize the process and procedures for reporting details of internal audits conducted by the Internal Audit Unit as well as the status of internal control, fixed and regular meetings are held between statutory auditors and the Internal Audit Unit three to four times each year.

9 Compliance Committee

Chaired by the representative director as the officer responsible for compliance, INPEX established the Compliance Committee, which is tasked with reviewing the Group's basic policy and issues concerning compliance, as well as monitoring and managing the implementation of compliance practices, so as to ensure consistency in compliance throughout the Group. The Commit-

Compliance System



INPEX Sustainability

tee works with statutory auditors, the Board of Statutory Auditors, independent auditors and the Internal Audit Unit to: (1) develop and implement compliance programs; (2) monitor their implementation; (3) raise employees' awareness of compliance policy and procedures; (4) receive reports on and investigate cases of noncompliance; (5) issue warnings and take measures to end any noncompliant conduct; and (6) establish measures to prevent recurrence of noncompliant conduct.

In addition, steps have been taken to compile compliance manuals on important matters that need to be addressed, such as the handling of company information and assets, fair trade practices as well as safe and secure workplace environments. These manuals are distributed to all directors and employees. Every effort is made to ensure complete and thorough awareness.

Compliance manuals

Compliance Q&A

In December 2009, a compliance awareness survey was conducted covering all of the Group's directors and employees including temporary and part-time staff. Taking the results of this survey into consideration, INPEX began implementing a series of compliance training seminars and programs from March 2010 with the aim of further enhancing compliance awareness and understanding.

Compliance training

Basic Stance toward Internal Control Systems

a) System to Ensure that Directors and Employees Conduct Business in Compliance with Laws and Regulations as well as the Company's Articles of Incorporation

In order to ensure that directors and employees conduct business in compliance with laws and regulations as well as the Company's Articles of Incorporation, INPEX has formulated a corporate social responsibility policy and is building a structure to make sure that all concerned thoroughly abide by its contents.

To this end, the Company has appointed a representative director with compliance responsibilities. Simultaneously, INPEX established a Compliance Committee chaired by the officer responsible to ensure that directors and employees remain in compliance with laws and regulations as well as the Company's Articles of Incorporation in the execution of their business duties. Furthermore, the Company set up an internal notification system with the responsible in-house department and an outside specialist (lawyer) as points of contact.

In order to maintain an effective compliance system and related in-house rules, the Company also makes timely improvements by implementing inspections and evaluations of these systems through audits carried out by the Internal Audit Unit, which reports directly to the president.

Furthermore, we established the necessary system that is capable of securing the accuracy and reliability of financial reports. This system is appropriately managed with steps taken to consistently evaluate its effectiveness.

b) System for the Administration and Storage of Information Regarding the Execution of Directors' Business Duties

In accordance with laws and regulations, the Company's Articles of Incorporation and in-house rules, directors administer and store documents as well as information regarding the execution of their business duties.

c) Management System for Losses and Other Risks

To deal with all risks relating to the Group's business activities, the Company has designated a division to support risk management conducted by directors and formulated a basic risk management policy. In concert with these initiatives, the Company has established a Group-wide risk management system, which is handled in liaison with other Group companies based on the Group Management Regulations.

With regard to the management of risks relating to daily business operations, the Company makes timely improvements by implementing inspections and evaluations of these systems through audits carried out by the Internal Audit Unit.

d) System to Ensure the Efficient Execution of Directors' Business Duties

To ensure efficient business execution, directors engage in business operations with particular attention to the following:

i. Holding of meetings of the Executive Committee, composed of fulltime directors, on a weekly and an as-needed basis in a timely manner, to ensure that duties are performed promptly and appropriately.

ii. For daily business duties, responsibility is delegated in accordance with rules governing job demarcation and administrative authority, those responsible at each level performing their duties in a prompt manner.

e) System to Ensure Appropriate Business Conduct in a Business Group Composed of the Company and Its Subsidiaries

In accordance with the Group Management Regulations, the Company entered into a Group Management Contract with its subsidiaries. Under this contract, the Company requires that each subsidiary's important matters be reported to and approved by the Company.

For risk management, compliance management and internal auditing, the Company also pursues closer collaboration with subsidiaries based on the Group Management Contract.

f) Matters Concerning Auditor-approved Employees Appointed to Assist Auditors' Duties

Two designated Company employees one of which is in the manegerial position concurrently serve as auditors' assistants. The assistants concerned are engaged in business in accordance with auditors' instructions.

g) Matters Concerning the Impartiality of Employees Mentioned in the Preceding Clause

Any changes in personnel involving auditors' assistants are discussed with auditors.

h) System for Directors and Employees to Report to Auditors, Other Systems for Reporting to Auditors

Directors and employees report and provide information to auditors for matters stipulated in law, matters that may cause significant impact on the Company and its Group companies, and other matters that are judged as necessary to be reported in relation to the execution of auditors' business duties.

Auditors shall always obtain information on business execution by attending the Board of Directors' meetings and other important in-house meetings as well as receiving in-house approval documents.

i) System to Ensure Efficient Audit Implementation

Upon the implementation of audits, the Company ensures close coordination with outside specialists including lawyers, CPAs and certified tax accountants.

In addition, the Company is in close liaison with the Internal Audit Unit to enhance audit efficiency by receiving reports on a regular basis.

INPEX established the Internal Control Promotion Committee and continues to work diligently toward the establishment and development of an appropriate internal control structure and system in accordance with the internal control reporting system mandated under the Financial Instruments and Exchange Act. As the product of a merger between companies, INPEX has since October 2008 worked diligently to develop entity-wide, process-level and IT internal controls and to determine the scope and processes subject to internal control assessment. As we uncover through assessment deficiencies in our internal control structure and systems, we will take immediate steps to improve and rectify. As a result, management had assessed that the Company's internal controls over its financial reporting functioned effectively as of March 31, 2010. These assessment were compiled in an internal control report and submitted to the Kanto Finance Bureau a branch office of the local Ministry of Finance. In addition, the Company has received an unqualified clean opinion with respect to the aforementioned internal control report from its independent auditors. Looking ahead, INPEX will continue to develop and evaluate the operations and management of its internal control structure and systems as a part of efforts to ensure the reliability of its financial reporting.

Furthermore, the INPEX Group takes a firm stance to ensure that there is no connection whatsoever with antisocial forces that threaten the order and safety of civil society. At the same time, the Company endeavors to collect and collate information from relevant government agencies, industry associations and local companies, coordinate closely with the relevant law enforcement authorities as well as legal specialists and adopt a resolute attitude toward any unreasonable demands made by antisocial forces.

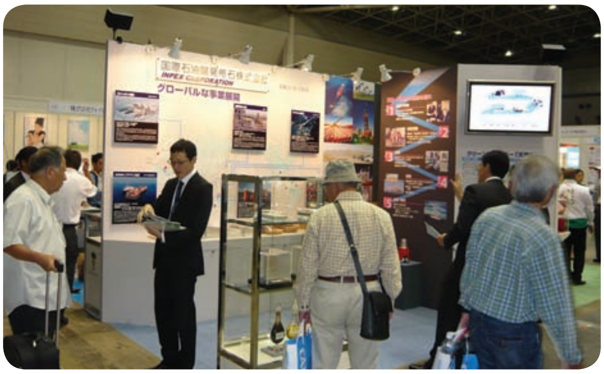
This stance is clearly stipulated in the Group's compliance and related manuals together with details of specific response measures. Complementing these manuals, INPEX also has in place relevant education and training programs.

■ Information Disclosure

The Company seeks to improve management transparency and accountability by disclosing information in a timely manner through IR activities directed at shareholders and investors, the shareholders' meeting, Website, public relations activities and in other ways, and will constantly strive to enhance these efforts.

In terms of its internal system, the Company reinforces the information disclosure system by establishing rules for corporate information disclosure that systematically outline a timely disclosure process, while setting up a manual for the information management, transmission and disclosure processes for the entire Group.

Results briefing for analysis



IR exhibition

■ Measures for Ensuring Information Security

INPEX has formulated the Basic Policy on Information Security as a binding framework for ensuring consistent information security practices throughout the organization. Under this basic policy, we have established an information security management system and implemented a range of security measures.

When, in October 2008, a set of procedures for information security was put in place, the Information Security Committee became operational. The committee is responsible for defining information security standards, including Standards for Managing Company Information, Standards for Using Internal Information Systems and Standards for Responding to Information Security Breaches, and for developing and implementing information security measures. It also ensures that our employees have a greater awareness of information security in an effort to foster a corporate culture that embraces the concept of protecting the integrity of our information assets.

■ The Rationale for Adopting the Structure and System as It Currently Stands

INPEX is a company that engages in the development of oil and natural gas on the world stage. In this context, the Company is afforded numerous opportunities to pursue important negotiations with oil-producing countries, national petroleum companies and major international oil companies. Accordingly, INPEX recognizes the need for directors with a long-standing career within the Company well-versed in the industry's business and its operations. In addition, INPEX is fully aware of the need not only for knowledgeable directors of long-standing, but also directors with the relevant expertise and experience appointed from outside the Company. With this balance, INPEX is better positioned to deliberate on and make decisions about important business operations relating to the development of oil and natural gas. The appointment of outside directors also enhances the legitimacy, efficiency and objectivity of the decision-making process.

The appointment of outside directors reflects the Company's recognition of and commitment to independence as well as efforts to enhance the validity of business decisions and to secure efficacy, professionalism and objectivity in the oversight function. The Board of Directors is therefore comprised of 12 internal appointees with a comprehensive understanding of the business of the Company and four outside appointees. The appointment of outside directors is ratified at relevant shareholders meetings based on the perceived level of contribution to the Company's business development. Each of the four outside directors is well versed in matters relating to the energy industry as well as extensive and wide-ranging management experience and insight. On this basis, the Company's directors are expected to more than sufficiently fulfill their appointed roles.

INPEX maintains a Board of Statutory Auditors comprised of five members, the majority of whom are appointed from outside the Company. Every effort is made to ensure the independence and efficacy of statutory auditors. INPEX strives diligently to strengthen the audit function, augment the number and quality of ancillary staff and to increase collaboration between the Board of Statutory Auditors and the Internal Audit Unit as well as independent auditors.

From a compliance perspective, INPEX has appointed a representative director with compliance responsibilities. Simultaneously, the Company established a Compliance Committee chaired by the director responsible. Furthermore, INPEX set up an internal notification system with the responsible in-house divisions and units and an outside specialist (lawyer) as points of contact.

Moreover, Corporate Health, Safety and Environment (HSE) meetings provide the forum to upgrade and expand dialogue between labor and management.

Through all of aforementioned multifaceted initiatives, INPEX strives to ensure that its corporate governance structure and systems function appropriately. At the same time, we recognize there remains ample room for further improvement.

Director Compensation

In the fiscal year ended March 31, 2010, the Company's compensation to directors and statutory auditors was as follows:

a) The Amount of Compensation Paid by Director Classification; the Amount of Compensation Paid by Type of Compensation; the Number of Directors Eligible for Compensation

Director Classification	Total Amount of Compensation Paid (Millions of Yen)	Total Amount of Compensation Paid by Type of Compensation (Millions of Yen)		The Number of Directors Eligible for Compensation
		Basic Compensation	Bonus	
Directors (excluding outside directors)	565	467	98	14
Statutory Auditors (excluding outside auditors)	54	50	4	2
Outside Directors	47	40	7	6

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 officers for the fiscal year ended March 31, 2010.
4. The number of directors eligible for compensation includes two directors who retired from the Company effective June 25, 2009.
5. Compensation was not paid to one of the 16 directors as of March 31, 2010.

b) The Total Amount of Consolidated Compensation Paid to each Individual Director

As there are no directors for whom the total amount of consolidated compensation exceeds ¥100 million, this information is not provided.

c) Important Items Included in Ordinary Employee Bonuses of Directors who Concurrently Serve as Ordinary Employees

The Company does not pay ordinary employee bonuses to directors who concurrently serve as ordinary employees.

d) Policy Concerning the Determination of the Amount of Compensation Paid to Directors

Compensation paid to directors is determined by the Board of Directors. Compensation paid to directors is comprised of a base monthly compensation amount and a bonus. The base monthly compensation amount is based on the status of each individual director as well as the nature and details of duties. The bonus components is based on the Company's business results, performance and related factors. Compensation paid to statutory auditors is comprised of a base monthly compensation amount and a bonus, which are determined through deliberations among statutory auditors.

Special-Class Share

The Company's Articles of Incorporation stipulate that certain major corporate decisions require a resolution by the holder of a special-class share in addition to the approval of shareholders' meetings or the Board of Directors. The special-class share is issued to the Minister of Economy, Trade and Industry. The special-class share does not have voting rights at shareholders' meetings of the Company unless otherwise stipulated by law.

The major corporate decisions include the appointment or removal of directors, disposal of the entire or part of important assets, amendments to the Articles of Incorporation, mergers, share exchanges or share transfers, capital reductions and dissolutions. Director appointments or removals, mergers, share exchanges or share transfers require a resolution by the holder of the special-class share, provided a 20 percent or more of the voting rights attached to shares of common stock is held by a single non-public entity or a single non-public entity and its joint shareholders.

The Minister of Economy, Trade and Industry announced the establishment of guidelines for the exercise of the special-class shareholder's veto rights (with respect to decisions not approved by a resolution of the special-class shareholder) in a Notice (No. 74, April 3, 2006). The Minister of Economy, Trade and Industry may veto any one of the aforementioned major corporate decisions only to the extent that it determines a proposed action or transaction (1) will likely result in the Company being managed in a manner inconsistent with its goal of securing a stable supply of energy to Japan as a flagship company; (2) will likely adversely affect the goal of efficiently securing a stable supply of energy to Japan as a flagship company; or (3) may affect the exercise of voting rights of the special-class shareholder. These guidelines were once again announced in a Ministry of Economy, Trade and Industry Notice (No. 220, October 9, 2008) due to a partial revision of the Company's Article of Incorporation on October 1, 2008, which involved the name change of the Company.

The Company believes that the ownership of the special-class share by the Minister of Economy, Trade and Industry would be effective as a countermeasure to prevent control over the business of the Company or against hostile takeovers for speculation purposes. In addition, the Company, as a national flagship company, expects that the ownership of the special-class share of the Minister of Economy, Trade and Industry will play a key role in efficiently realizing a stable supply of energy to Japan, while bringing the Company positive results in terms of international negotiations and credits. These were the major purposes of the Company's issuance of the special-class share. Moreover, because the scope of the special-class shareholder's veto rights is limited and the guidelines have been set for the exercise of veto rights, the special-class share is an absolute minimum necessary measure that is highly transparent and does not unjustly impinge on the Company's ability to operate with flexibility and efficiency.

Financial Section

Background Information
Oil and Gas Accounting Policies and Treatment

ACCOUNTING METHODS FOR TYPES OF AGREEMENTS

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

— Production sharing contracts

Cost recovery and production sharing

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

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

(1) "First tranche petroleum"

This is a prescribed portion of total production allocated between the host country's government and the contractors in line with agreed percentages.

(2) "Cost recovery portion"

This is the oil and gas equivalent of (a) non-capital production-related expenditures incurred in that period, plus (b) the scheduled depreciation expenses in that period for capital expenditures, as calculated under the PSC. The equivalents are determined based upon 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, while that of the "equity portion" (explained below) rises. If the actual production for the period is insufficient to cover the quantity of oil and gas equivalent calculated for the cost recovery portion, the latter is capped at actual production and any surplus amount is carried forward to the following period, as stipulated in the PSC.

(3) "Equity portion"

This is any residual production that is left after the first two portions have been allocated. It is allocated between the host country's government and the contractors based on agreed percentages.

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

— The Group records as net sales its share of total sales relating to the oil and gas production that is allocated to contractors under 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 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 expense

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

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

Non-recoverable costs under PSCs

Acquisition costs

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

— Concession agreements

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 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. Depreciation of tangible fixed assets that are governed by concession agreements is computed primarily using the units-of-production method for mining assets located outside Japan and the straight-line method for domestic facilities. These depreciation expenses are recorded within the cost of sales.

Production costs

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

Administrative expenses

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

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

— Allowance for recoverable accounts under production sharing

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

— Units-of-production method

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

— Liabilities for site restoration and decommissioning costs

Liabilities for future expected decommissioning costs are recognized based on decommissioning plans. While the Group believes that assessments of such costs produce reasonable estimates, any changes to decommissioning plans could significantly affect future operating results.

— Liabilities for losses on development activities

Liabilities relating to probable losses on oil and gas development activities that are caused by delays or other factors are recognized and estimated on an individual project basis. While the Group believes that assessments of such liabilities produce reasonable estimates, any changes in the status of projects 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 other companies engaged in oil and gas activities, as estimated based on the net assets of such companies. While the Group believes that the assessments and estimates relating to such investments are reasonable, changes in actual production volumes, prices or foreign exchange rates could significantly affect future operating results.

— Provision for exploration projects

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

— Deferred tax assets

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

— Retirement benefits to employees

Accrued retirement benefits to employees are recognized 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 determination of retirement benefits and periodic benefit costs is based on various actuarial assumptions, including the discount rate, employee turnover and retirement rates, remuneration growth rates, and the expected return on pension plan assets. Future operating results could be significantly affected if any deviation between the base assumptions and actual results or revision of such assumptions were to generate actuarial gains or losses. Actuarial gains and losses are charged or credited to income as incurred.

— Goodwill

The excess of cost over underlying net assets excluding minority interests at fair value as of the dates of investment in subsidiary companies and equity-method affiliates 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

Following a prolonged slump due to the U.S. financial crisis in 2008, which triggered a recession of global proportions, and difficult operating conditions owing to such factors as appreciation in the value of the yen, the Japanese economy showed concrete signs of a turnaround in the second half of the year ended March 31, 2010 on the back of an upswing in export activity, reflecting increased demand particularly in Asia, and initiatives implemented by various governments to stimulate the economy. Despite favorable conditions, however, economic conditions in Japan are yet to experience a full-fledged self-sustaining recovery. Employment markets continue to confront serious conditions and earnings in the corporate sector remain weak.

International crude oil prices as measured by the closing spot market price of West Texas Intermediate (WTI) exert a significant influence on the operating results of the Group. Against the backdrop of the aforementioned business environment, the WTI benchmark stood at US$48.39 per bbl at the beginning of the period, climbing steadily to the US$70 per bbl range by the end of June. This was attributable to a variety of factors including prospects of an early recovery in the global economy, which triggered upward adjustments in oil demand forecasts, and political disquiet surrounding certain oil producing countries in Africa. Thereafter, oil prices continued to hover around the high US$70 per bbl range with a brief period during which the WTI benchmark rose above US$80 per bbl. This largely reflected the steady recovery in the US economy after late July and an escalation in international tensions with respect to nuclear issues through to the end of December. Following the turn of the year, oil prices remained entrenched in the US$80 per bbl range. With cold weather conditions throughout Europe and America, firm stock prices in the U.S. and a progressive decline in the value of the dollar, oil prices closed at US$83.76 as of the fiscal year-end. Turning to the domestic market, the prices of crude oil and petroleum products in Japan generally followed international benchmark fluctuations. As a result, the Group's average sales price for crude oil for the year ended March 31, 2010 was US$68.40 per bbl, US$14.30 per bbl lower compared with the previous year.

Movements in foreign currency exchange markets also have a significant influence on the Group's performance. At the start of the fiscal year under review, the value of the yen to the US dollar hovered around the ¥98 level. While the yen's value then depreciated to the ¥101 range in early April, it again strengthened amid upswings in the values of currencies that offered relatively high interest rates. This was attributable to a build up in market risks reflecting the filing for Chapter 11 bankruptcy by a major US automobile manufacturer and the safe completion of stress tests by US financial institutions supervised by the Federal Reserve Board. Following the statement in September by a government official of Japan's newly inaugurated administration suggesting support for the yen's appreciation, values climbed to over ¥90 against the US dollar. This trend was boosted by concerns surrounding the ability of a real estate company in the Middle East to meet its debts, which refueled the aversion toward risk assets. As a result, the yen climbed to ¥84.82 to the US dollar in November, a level that had not been recorded since 1995. Toward the end of the year and into the fourth quarter, the yen's appreciation steadily eased. This was largely the work of additional credit relaxation initiatives implemented by the Bank of Japan and the effects of a statement by a Japanese government official pledging to temper further appreciation. As a result, the value of the yen weakened. The closing USD-JPY rate at the end of the fiscal year on a Telegraphic Transfer Middle (TTM) rate basis was ¥93.04 to the US dollar, representing a net increase of ¥5.22 compared with the previous year. The average yen exchange rate for the Group's sales during the fiscal year ended March 31, 2010 was ¥92.64 to the US dollar. This equated to an appreciation in the yen's value against the US dollar of ¥10.31, or 10.0%, year on year.

OPERATING RESULTS

Years ended March 31,	2009	**2010**	Change	Percentage change
	(Millions of yen, except percentages)			
Net sales:	¥1,076,165	**¥840,427**	**¥(235,738)**	**(21.9)%**
Crude oil	650,352	**486,921**	**(163,431)**	**(25.1)**
Natural gas	398,267	**326,412**	**(71,855)**	**(18.0)**
Other	27,546	**27,094**	**(452)**	**(1.6)**
Cost of sales	319,038	**298,168**	**(20,870)**	**(6.5)**
Gross profit	757,127	**542,259**	**(214,868)**	**(28.4)**
Exploration expenses	25,982	**15,711**	**(10,271)**	**(39.5)**
Selling, general and administrative expenses	50,683	**44,869**	**(5,814)**	**(11.5)**
Depreciation and amortization	17,195	**20,011**	**2,816**	**16.4**
Operating income	663,267	**461,668**	**(201,599)**	**(30.4)**
Other income:	32,035	**21,473**	**(10,562)**	**(33.0)**
Interest income	9,536	**4,354**	**(5,182)**	**(54.3)**
Dividend income	12,338	**9,476**	**(2,862)**	**(23.2)**
Equity in earnings of affiliates	946	**—**	**(946)**	**(100.0)**
Other	9,215	**7,643**	**(1,572)**	**(17.1)**
Other expenses:	79,135	**41,114**	**(38,021)**	**(48.0)**
Interest expense	3,934	**1,275**	**(2,659)**	**(67.6)**
Equity in losses of affiliates	—	**1,920**	**1,920**	**—**
Provision for allowance for recoverable accounts under production sharing	16,643	**6,028**	**(10,615)**	**(63.8)**
Provision for exploration projects	3,387	**8,595**	**5,208**	**153.8**
Provision for investments in exploration	—	**5,408**	**5,408**	**—**
Loss on valuation of investment securities	31,799	**—**	**(31,799)**	**(100.0)**
Foreign exchange loss	14,571	**13,264**	**(1,307)**	**(9.0)**
Other	8,801	**4,624**	**(4,177)**	**(47.5)**
Income before income taxes and minority interests	616,167	**442,027**	**(174,140)**	**(28.3)**
Income taxes	470,378	**325,126**	**(145,252)**	**(30.9)**
Minority interests	726	**9,691**	**8,965**	**—**
Net income	¥ 145,063	**¥107,210**	**¥(37,853)**	**(26.1)%**

Net sales

Consolidated net sales for the year ended March 31, 2010 decreased by ¥235.8 billion, or 21.9%, from ¥1,076.2 billion in the year ended March 31, 2009 to ¥840.4 billion. Although an increase in sales volumes inflated revenues, this decrease was mainly attributable to the drop in crude oil and overseas gas sales prices as well as appreciation in the average yen exchange rate against the US dollar for the period under review. On a year-on-year basis, net sales of crude oil declined by ¥163.5 billion, or 25.1%, from ¥650.4 billion to ¥486.9 billion; net sales of natural gas contracted by ¥71.9 billion, or 18.0%, from ¥398.3 billion to ¥326.4 billion; and sales revenue from other sources edged down by ¥0.4 billion, or 1.6%, from ¥27.5 billion to ¥27.1 billion.

On a year-on-year basis, sales of crude oil in volume terms were slightly higher, edging up by 668 thousand bbl, or 0.9%, to 76,095 thousand bbl. Despite a downturn in sales volumes at the ADMA block, this was principally due to increased sales volumes from the ACG oil fields and Offshore Mahakam block. Sales volumes of natural gas were up by 16 billion cubic feet (Bcf), or 3.9%, to 417 Bcf. At 355 Bcf, sales of natural gas produced overseas were 15 Bcf, or 4.3%, higher than in the previous year. Sales of domestically produced natural gas also rose by 22 million m^3, or 1.4%, to 1,647 million m^3 (equivalent to 61 Bcf). The average sales price of crude oil produced overseas was US$68.40 per bbl, a decrease of US$14.30 per bbl, or 17.3%, compared with the previous year. The average sales price of natural gas produced overseas was US$7.43 per thousand cubic feet (Mcf), which represented a year-on-year decline of US$1.79 per Mcf, or 19.4%. On the domestic front, the average sales price of natural gas produced in Japan was ¥38.41 per m^3, up by ¥1.02 per m^3, or 2.7%, compared with the year ended March 31, 2009.

Analyzing the factors contributing to the year-on-year fall of ¥235.8 billion in net sales, higher sales volumes contributed to an increase in sales of ¥29.8 billion, while the drop in average unit prices, the yen's stronger average exchange rate and other factors pushed down sales by ¥182.1 billion, ¥83.1 billion and ¥0.4 billion, respectively, compared with the previous year.

Cost of sales

For the fiscal year under review, the cost of sales declined by ¥20.8 billion, or 6.5%, from ¥319.0 billion in the year ended March 31, 2009 to ¥298.2 billion. This largely reflected the decrease in royalties from the ADMA block owing to the drop in sales.

Exploration expenses

From ¥26.0 billion in the previous year, exploration expenses fell by ¥10.3 billion, or 39.5%, year on year to ¥15.7 billion. This was mainly attributable to the drop in expenses for the Ichthys and surrounding blocks.

Selling, general and administrative expenses

Selling, general and administrative (SG&A) expenses were 11.5% lower compared with the previous year, decreasing by ¥5.8 billion from ¥50.7 billion to ¥44.9 billion. During the fiscal year under review, the increase in transport costs for crude oil from the ACG fields due to higher sales volumes was more than offset by the drop in crude oil prices reflecting lower taxes levied by east Timor associated with the Bayu-Undan project.

Depreciation and amortization

Depreciation and amortization expense increased by ¥2.8 billion, or 16.4%, from ¥17.2 billion in the year ended March 31, 2009 to ¥20.0 billion in the fiscal year under review. This largely reflected amortization applicable to exploration and development rights held by INPEX Southwest Caspian Sea Ltd. on the back of increased sales volumes and higher depreciation costs for domestic gas pipelines for sale. The Group records depreciation costs for production facilities that are covered by concession agreements within the cost of sales. In addition, under its accounting treatment of PSCs, the Group records capital expenditures within "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 PSCs are included in the cost of sales.

Operating income

Taking into account all of the aforementioned factors, operating income for the year ended March 31, 2010 declined by ¥201.6 billion, from ¥663.3 billion to ¥461.7 billion. This equated to a fall of 30.4% in year-on-year terms.

Other income

Other income dropped by ¥10.5 billion, or 33.0%, from ¥32.0 billion to ¥21.5 billion. This was mainly attributable to the decrease in interest and dividend income received.

Other expenses

Other expenses fell from ¥79.1 billion in the year ended March 31, 2009 to ¥41.1 billion in the fiscal year under review. This represented a year-on-year decrease of ¥38.0 billion, or 48.0%. The principal reason for this decline was the significant drop in loss on valuation of investment securities.

Income taxes

Income taxes contracted by ¥145.3 billion, or 30.9%, from ¥470.4 billion to ¥325.1 billion. This largely reflected the decline in overseas income taxes paid due to the drop in net sales. The Group pays the majority of its taxes outside Japan. In addition to the high corporate tax rates imposed in a number of regions, the Group is generally unable to deduct expenses incurred in Japan for such taxes. Despite the positive effects attributable to application of the foreign tax credit system, this has resulted in a high effective income tax rate of 73.6% in the fiscal year under review.

Minority interests

Minority interests increased by ¥9.0 billion from ¥0.7 billion in the previous year to ¥9.7 billion in the year ended March 31, 2010. This largely was the result of the decline in exploration investment in the Masela block and the increase in net income of INPEX Southwest Caspian Sea Ltd.

Net income

Based on the aforementioned, net income for the fiscal year under review amounted to ¥107.2 billion. On a year-on-year basis, net income therefore declined ¥37.9 billion, or 26.1%, from ¥145.1 billion recorded in the previous year.

INVESTMENTS AND FUNDING

— Investments in upstream oil and gas projects

Continuous exploration for new reserves of crude oil and natural gas is an essential part of maintaining and growing the Group's earnings.

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. Categories of expenditure 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 entirely 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.
- These definitions of exploration and development expenditures and the basis of preparation for the following tables differ from the stipulations of the Statement of Financial Accounting Standard Codification Topic 932, "Extractive Industries — Oil and Gas." (Topic 932). The following is a list of discrepancies between the accounting policies adopted by the Group and Topic 932. This list is not exhaustive.
- Group expenditures relating to PSC-governed joint ventures where the Group is not the operator are disclosed on a cash basis, rather than an accruals 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.
- Project-related administrative costs are not necessarily excluded from these expenditures, whereas Topic 932 requires that administrative costs not directly related to exploration and development activities be excluded from exploration and development expenditures.

Expenditures (excluding amounts equivalent to interest) for the years ended March 31, 2009 and 2010 are shown in the following table:

For the year ended March 31, 2009

(Millions of yen)

	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Total
Consolidated subsidiaries						
Exploration	¥ 3,408	¥ 33,207	¥ 1,909	¥ 4,340	¥ 5,789	¥ 48,653
Development	4,731	137,662	58,280	28,533	6,100	235,306
Subtotal * **	8,139	170,869	60,189	32,873	11,889	283,959
Other expenditures	23,886	—	—	5	—	23,891
Total	32,025	170,869	60,189	32,878	11,889	307,850
Equity-method affiliate exploration and development expenditures	¥ —	¥ 7,522	¥ —	¥ 1,193	¥ 7,619	¥ 16,334

* Figures include equity-method affiliates of Japan Oil Development Co., Ltd. (JODCO).
**Figures included an amount equivalent to interest of ¥1,647 million.

For the year ended March 31, 2010

(Millions of yen)

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

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

The aggregate total of expenditures for the year ended March 31, 2010 amounted to ¥281.7 billion. This represented a year-on-year decrease of ¥26.2 billion, or 8.5%, compared with the ¥307.9 billion recorded in the previous year. This is mainly attributable to the decline in development expenditures relating to the Van Gogh oil field and Offshore Mahakam block primarily in the Asia and Oceania region.

Operating expenses by geographical region for the years ended March 31, 2009 and 2010 are shown in the following table:

(Millions of yen, except percentages)

Years ended March 31,	2009		**2010**	
Japan	¥ 9,659	10.3%	**¥ 9,324**	**10.2%**
Asia & Oceania	47,209	50.3	**48,888**	**53.3**
Eurasia (Europe & NIS)	7,799	8.3	**7,099**	**7.7**
Middle East & Africa	25,903	27.6	**21,192**	**23.1**
Americas	3,263	3.5	**5,189**	**5.7**
Total	93,833	100.0	**91,692**	**100.0**

— Upstream oil and gas project acquisitions

Consolidated expenditures on acquisitions of upstream oil and gas projects by geographical region for the years ended March 31, 2009 and 2010 are shown in the table below. Expenditures in this category include the costs of acquiring mining rights, exploration and development rights, signing bonuses, as well as any related tangible fixed assets or recoverable accounts under production sharing that are also acquired in the process.

(Millions of yen, except percentages)

Years ended March 31,	2009		**2010**	
Consolidated subsidiaries				
Asia & Oceania	¥ 441	4.2%	**¥292**	**42.2%**
Middle East & Africa	43	0.4	**384**	**55.6**
Americas	9,921	95.4	**15**	**2.2**
Total	10,405	100.0	**691**	**100.0**
Equity-method affiliates				
Asia & Oceania	—	—	**—**	**—**
Middle East & Africa	—	—	**—**	**—**
Americas	—	—	**—**	**—**
Total	¥—	—%	**¥—**	**—%**

Total expenditures on acquisitions of upstream oil and gas projects in the year ended March 2010 amounted to ¥0.7 billion, declined by ¥9.7 billion from the previous year's figure of ¥10.4 billion. This mainly reflected a lower figure for acquisitions in the Americas.

— Analysis of recoverable accounts under production sharing

For upstream projects governed by PSCs, the Group's share of costs arising during the exploration, development and production phases is capitalized within "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, 2009 and 2010:

(Millions of yen)

Years ended March 31,	2009	**2010**
Balance at beginning of period	¥383,163	**¥453,922**
Add: Exploration costs	23,643	**10,085**
Development costs	160,589	**146,028**
Operating expenses	55,930	**54,938**
Other	—	**2,671**
Less: Cost recovery—capital expenditures	45,725	**45,653**
Cost recovery—non-capital expenditures	104,848	**107,075**
Other	18,830	**270**
Balance at end of period	453,922	**514,646**
Allowance for recoverable accounts under production sharing at end of period	¥ (87,829)	**¥ (94,892)**

Taking into consideration their recoverability in the fiscal year in which they are incurred, a portion of exploration and development costs are included in the "cost recovery – noncapital expenditures" recoverable amount in addition to operating expenses.

Exploration costs for the year ended March 31, 2010 declined compared with the year ended March 31, 2009. This was due mainly to the year-on-year decrease in exploration expenditures relating to the Masela block.

Development costs contracted on a year-on-year basis for the fiscal year under review. Although development expenditures for the Kashagan oil field increased, this contraction in development costs primarily reflects the year-on-year drop in development expenditures applicable to the Offshore Mahakam block and ACG oil fields.

Taking into consideration the South Natuna Sea Block B and other factors, operating expenses for the year ended March 31, 2010 declined on a year-on-year basis.

Cost recovery in the fiscal year under review increased compared with the previous year. This was mainly attributable to the upswing in cost recovery applicable to the South Natuna Sea Block B.

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

The allowance for recoverable accounts under production sharing as of the end of the fiscal year under review was higher than the allowance as of March 31, 2009. This largely reflected additional allowance provisions in connection with the increase in recoverable accounts under production sharing with respect to exploration expenditures in Libya.

— Funding sources and liquidity

Oil and natural gas exploration and development projects as well as the construction and expansion of domestic LNG receiving terminal, pipelines and other supply infrastructure require substantial amounts of funds. In the procurement of funds, the Group generally relies on cash flow together with external sources. Basically, exploration projects are mainly funded using cash flow and external equity financing while development projects and the construction of pipelines and LNG receiving terminal are primarily funded from cash flow and loans. In specific terms, the Group currently receives joint-financing from the Japan Bank for International Cooperation and Japanese commercial banks. The Japan Oil, Gas and Metals National Corporation (JOGMEC) has provided guarantees for the principal on certain outstanding amounts of this joint-financing. In addition, the Development Bank of Japan and various Japanese commercial banks provide loans for the construction and expansion of domestic pipelines and LNG receiving terminal. Going forward, the Group is looking to optimize its funding capabilities and methods. In order to diversify the funding required for its projects, the Group will take into consideration such sources as non-recourse financing, loan arrangements and equity financing.

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

— Maturities of long-term debt

The composition of the Group's long-term debt by maturity as of March 31 2010 is summarized in the following table:

	(U.S. dollars and Millions of yen)		
	Long-term debt denominated in		
Years ending March 31,	U.S. dollars	Yen	Total yen equivalent
2011	$ —	¥ 4,712	¥ 4,712
2012	—	4,279	4,279
2013	—	4,258	4,258
2014	—	3,753	3,753
2015	—	3,604	3,604
2016 and thereafter	1,785.5	53,490	219,617
Total	$1,785.5	¥74,096	¥240,223

— Cash flows

Cash flows for the years ended March 31, 2009 and 2010 are summarized in the following table:

Years ended March 31,	(Millions of yen) 2009	**2010**
Net cash provided by operating activities	¥ 230,352	**¥ 241,373**
Net cash used in investing activities	(240,168)	**(251,812)**
Net cash provided by (used in) financing activities	(46,090)	**68,937**
Cash and cash equivalents at end of the period	¥ 162,845	**¥ 216,395**

Net cash provided by operating activities

Net cash provided by operating activities in the year ended March 31, 2010 totaled ¥241.4 billion. This was ¥11.0 billion more than the ¥230.4 billion of positive cash flow generated in the previous year. While income before income taxes and minority interests declined due mainly to the decrease in the unit sales prices of crude oil and overseas natural gas as well as appreciation of the average value of the yen against the US dollar for the period, this was largely attributable to the drop in income taxes paid.

Net cash used in investing activities

Net cash used in investing activities in the fiscal year under review amounted to ¥251.8 billion. This represented a ¥11.6 billion increase in cash outflow compared with the negative cash flow figure of ¥240.2 billion for the previous year. During the year ended March 31, 2010, despite a decrease in investment in recoverable accounts under production sharing (capital expenditures), this was more than offset by the decrease in proceeds from sales of marketable securities and investment securities.

Net cash provided by (used in) financing activities

Net cash provided by financing activities in the year ended March 31, 2010 was ¥68.9 billion. This was a ¥115.0 billion turnaround from the ¥46.1 billion net cash used in financing activities in the previous year. This primarily reflects the cash inflow of proceeds from long-term debt.

ADOPTION OF NEW ACCOUNTING STANDARD

On March 31, 2008, the ASBJ published a new accounting standard for asset retirement obligations, "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 21). This standard is effective for fiscal years beginning on or after April 1, 2010.

Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. It is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation becomes available.

Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability, and is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

CONSOLIDATED FINANCIAL FORECASTS FOR YEAR ENDING MARCH 2011

Consolidated net sales are forecasted to increase ¥22.6 billion, or 2.7%, year on year to ¥863.0 billion in the year ending March 31, 2011. Operating income, ordinary income and net income are expected to fall ¥10.6 billion, or 2.3%, ¥9.0 billion, or 2.0% and ¥5.2 billion, or 4.9%, respectively, on a year-on-year basis, to ¥451.0 billion, ¥433.0 billion and ¥102.0 billion, respectively.

The year increase in net sales for the year ending March 31, 2011 assumes a higher year-on-year average oil price. From a profit perspective, net income is projected to fall due mainly to the forecast increase in cost of sales and exploration expenses as well as other factors.

The aforementioned forecasts are based on an average oil price of US$77.5 per bbl for the Brent crude benchmark and an average value for the yen of ¥90 against the US dollar for the year ending March 31, 2011.

Consolidated Balance Sheets

INPEX CORPORATION and Consolidated Subsidiaries
As of March 31, 2009 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 3)
ASSETS	2009	**2010**	**2010**
Current assets:			
Cash and cash equivalents	¥ 162,845	**¥ 216,395**	**$ 2,325,828**
Accounts receivable—trade	73,540	**88,364**	**949,742**
Marketable securities (Note 5)	101,544	**112,669**	**1,210,974**
Inventories	18,205	**12,322**	**132,438**
Deferred tax assets (Note 7)	6,145	**5,356**	**57,567**
Accounts receivable— other	37,871	**43,161**	**463,897**
Other	10,988	**14,611**	**157,039**
Less allowance for doubtful accounts	(28)	**(23)**	**(247)**
	411,110	**492,855**	**5,297,238**
Tangible fixed assets:			
Buildings and structures (Note 6)	196,639	**231,681**	**2,490,123**
Wells (Note 6)	194,623	**203,056**	**2,182,459**
Machinery, equipment and vehicles (Note 6)	249,292	**255,846**	**2,749,850**
Land (Note 6)	20,752	**20,790**	**223,452**
Construction in progress	76,819	**91,447**	**982,878**
Other	35,511	**60,774**	**653,203**
	773,636	**863,594**	**9,281,965**
Less accumulated depreciation and amortization	(476,000)	**(505,500)**	**(5,433,147)**
	297,636	**358,094**	**3,848,818**
Intangible assets:			
Goodwill (Note 14)	114,884	**108,123**	**1,162,113**
Exploration and development rights	115,566	**107,857**	**1,159,254**
Mining rights	18,593	**18,155**	**195,131**
Other	4,638	**5,070**	**54,493**
	253,681	**239,205**	**2,570,991**
Investments and other assets:			
Recoverable accounts under production sharing	453,922	**514,646**	**5,531,449**
Less allowance for recoverable accounts under production sharing	(87,829)	**(94,892)**	**(1,019,905)**
	366,093	**419,754**	**4,511,544**
Investment securities (Notes 5 and 6)	344,699	**403,978**	**4,341,982**
Long-term loans receivable	14,195	**18,641**	**200,355**
Deferred tax assets (Note 7)	26,141	**24,563**	**264,005**
Other investments (Note 6)	65,926	**72,577**	**780,062**
Less allowance for doubtful accounts	(529)	**(641)**	**(6,890)**
Less allowance for investments in exploration	(10,907)	**(15,248)**	**(163,887)**
	805,618	**923,624**	**9,927,171**
Total assets	¥1,768,045	**¥2,013,778**	**$21,644,218**

Refer to accompanying notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of yen 2009	Millions of yen 2010	Thousands of U.S. dollars (Note 3) 2010
Current liabilities:			
Accounts payable—trade	¥ 11,873	**¥ 16,602**	**$ 178,439**
Short-term borrowings and current portion of long-term debt (Notes 6 and 11)	27,816	**4,872**	**52,365**
Income taxes payable (Note 7)	70,419	**86,535**	**930,084**
Accounts payable—other (Note 6)	65,441	**81,211**	**872,861**
Provision for exploration projects	7,948	**15,324**	**164,703**
Accrued bonuses to officers	135	**132**	**1,419**
Other	22,427	**23,229**	**249,667**
	206,059	**227,905**	**2,449,538**
Long-term liabilities:			
Long-term debt (Notes 6 and 11)	136,430	**235,511**	**2,531,288**
Deferred tax liabilities (Note 7)	28,171	**27,139**	**291,692**
Accrued retirement benefits to employees (Note 13)	8,546	**7,586**	**81,535**
Liabilities for site restoration and decommissioning costs	14,192	**14,258**	**153,246**
Liabilities for losses on development activities	1,965	**1,965**	**21,120**
Accrued special repair and maintenance	404	**442**	**4,751**
Other (Note 6)	10,217	**8,369**	**89,950**
	199,925	**295,270**	**3,173,582**
Total liabilities	405,984	**523,175**	**5,623,120**
Net assets (Note 8)**:**			
Common stock:	30,000	**30,000**	**322,442**
Authorized: 2009—9,000,001.00 shares			
2010—9,000,001.00 shares			
Issued: 2009—2,358,410.00 shares			
2010—2,358,410.00 shares			
Capital surplus	418,478	**418,478**	**4,497,829**
Retained earnings	844,833	**936,745**	**10,068,196**
Less: Treasury stock: 2009—4,916.00 shares	(5,248)	**(5,248)**	**(56,406)**
2010—4,916.00 shares			
Total shareholders' equity	1,288,063	**1,379,975**	**14,832,061**
Unrealized holding gain (loss) on securities	(6,818)	**12,351**	**132,749**
Unrealized loss from hedging instruments	(1)	**—**	**—**
Translation adjustments	(10,121)	**(4,826)**	**(51,870)**
Total valuation, translation adjustments and others	(16,940)	**7,525**	**80,879**
Minority interests	90,938	**103,103**	**1,108,158**
Total net assets	1,362,061	**1,490,603**	**16,021,098**
Contingent liabilities (Note 16)			
Total liabilities and net assets	¥1,768,045	**¥2,013,778**	**$21,644,218**

Consolidated Statements of Income

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

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2008	2009	**2010**	**2010**
Net sales	¥1,202,965	¥1,076,165	**¥840,427**	**$9,032,964**
Cost of sales	390,554	319,038	**298,168**	**3,204,729**
Gross profit	812,411	757,127	**542,259**	**5,828,235**
Exploration expenses	34,458	25,982	**15,711**	**168,863**
Exploration subsidies	(363)	—	—	—
Selling, general and administrative expenses (Notes 12, 13 and 14)	48,346	50,683	**44,869**	**482,255**
Depreciation and amortization	15,759	17,195	**20,011**	**215,079**
Operating income	714,211	663,267	**461,668**	**4,962,038**
Other income:				
Interest income	10,984	9,536	**4,354**	**46,797**
Dividend income	5,440	12,338	**9,476**	**101,849**
Equity in earnings of affiliates	1,765	946	—	—
Net gain on re-determination of unitized field	4,005	—	—	—
Net gain on taking effect of exploration and production agreement	3,482	—	—	—
Foreign exchange gain	2,747	—	—	—
Other	4,667	9,215	**7,643**	**82,147**
	33,090	32,035	**21,473**	**230,793**
Other expenses:				
Interest expense	10,888	3,934	**1,275**	**13,704**
Equity in losses of affiliates	—	—	**1,920**	**20,636**
Provision for allowance for recoverable accounts under production sharing	20,587	16,643	**6,028**	**64,789**
Provision for exploration projects	3,104	3,387	**8,595**	**92,380**
Provision for investments in exploration	—	—	**5,408**	**58,126**
Loss on valuation of investment securities	21,350	31,799	—	—
Foreign exchange loss	—	14,571	**13,264**	**142,562**
Other	5,572	8,801	**4,624**	**49,699**
	61,501	79,135	**41,114**	**441,896**
Income before income taxes and minority interests	685,800	616,167	**442,027**	**4,750,935**
Income taxes (Note 7):				
Current	496,852	488,262	**322,993**	**3,471,550**
Deferred	(5,503)	(17,884)	**2,133**	**22,925**
	491,349	470,378	**325,126**	**3,494,475**
Minority interests	21,205	726	**9,691**	**104,160**
Net income (Note 9)	¥ 173,246	¥ 145,063	**¥ 107,210**	**$ 1,152,300**

Refer to accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

INPEX CORPORATION and Consolidated Subsidiaries

For the year ended March 31, 2008 — Millions of yen

	Balance as of March 31, 2007	Cash dividends paid	Net income	Purchase of treasury stock	Disposal treasury stock	Net changes in items other than those in shareholders' equity	Total changes during the period	Balance as of March 31, 2008
Common stock	¥ 30,000	¥ —	¥ —	¥ —	¥—	¥ —	¥ —	¥ 30,000
Capital surplus	418,491	—	—	—	3	—	3	418,494
Retained earnings	570,120	(24,750)	173,246	—	—	—	148,496	718,616
Treasury stock	(1,108)	—	—	(1,160)	53	—	(1,107)	(2,215)
Total shareholders' equity	1,017,503	(24,750)	173,246	(1,160)	56	—	147,392	1,164,895
Unrealized holding gain (loss) on securities	9,349	—	—	—	—	(16,817)	(16,817)	(7,468)
Unrealized gain (loss) from hedging instruments	18	—	—	—	—	(14)	(14)	4
Translation adjustments	2,025	—	—	—	—	(2,085)	(2,085)	(60)
Total valuation, translation adjustments and others	11,392	—	—	—	—	(18,916)	(18,916)	(7,524)
Minority interests	51,121	—	—	—	—	30,321	30,321	81,442
Total net assets	¥1,080,016	¥(24,750)	¥173,246	¥(1,160)	¥56	¥11,405	¥158,797	¥1,238,813

For the year ended March 31, 2009 — Millions of yen

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

For the year ended March 31, 2010 — Millions of yen

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

Thousands of U.S. dollars (Note 3)

	Balance as of March 31, 2009	Cash dividends paid	Net income	Net changes in items other than those in shareholders' equity	Total changes during the period	Balance as of March 31, 2010
Common stock	**$ 322,442**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 322,442**
Capital surplus	**4,497,829**	**—**	**—**	**—**	**—**	**4,497,829**
Retained earnings	**9,080,320**	**(164,424)**	**1,152,300**	**—**	**987,876**	**10,068,196**
Treasury stock	**(56,406)**	**—**	**—**	**—**	**—**	**(56,406)**
Total shareholders' equity	**13,844,185**	**(164,424)**	**1,152,300**	**—**	**987,876**	**14,832,061**
Unrealized holding gain (loss) on securities	**(73,280)**	**—**	**—**	**206,029**	**206,029**	**132,749**
Unrealized gain (loss) from hedging instruments	**(11)**	**—**	**—**	**11**	**11**	**—**
Translation adjustments	**(108,781)**	**—**	**—**	**56,911**	**56,911**	**(51,870)**
Total valuation, translation adjustments and others	**(182,072)**	**—**	**—**	**262,951**	**262,951**	**80,879**
Minority interests	**977,408**	**—**	**—**	**130,750**	**130,750**	**1,108,158**
Total net assets	**$14,639,521**	**$(164,424)**	**$1,152,300**	**$393,701**	**$1,381,577**	**$16,021,098**

Refer to accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

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

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2008	2009	**2010**	**2010**
Cash flows from operating activities:				
Income before income taxes and minority interests	¥ 685,800	¥ 616,167	**¥ 442,027**	**$ 4,750,935**
Depreciation and amortization	36,181	42,967	**40,354**	**433,727**
Amortization of goodwill	6,617	6,760	**6,759**	**72,646**
Provision for allowance for recoverable accounts under production sharing	21,207	20,310	**7,431**	**79,869**
Provision for exploration projects	3,937	(2,320)	**7,361**	**79,117**
Provision for accrued retirement benefits to employees	276	(97)	**(902)**	**(9,695)**
Provision for site restoration and decommissioning costs	815	1,598	**60**	**645**
Other provisions	(2,377)	3,468	**4,484**	**48,194**
Interest and dividend income	(16,424)	(21,874)	**(13,830)**	**(148,646)**
Interest expense	10,888	3,934	**1,275**	**13,704**
Foreign exchange loss	1,036	10,087	**2,380**	**25,580**
Equity in (earnings) losses of affiliates	(1,765)	(947)	**1,920**	**20,636**
Loss (gain) on the sales of investment securities	15	(81)	**—**	**—**
Loss on the valuation of investment securities	21,350	31,799	**—**	**—**
Accounts receivable—trade	(39,393)	44,200	**(14,639)**	**(157,341)**
Recovery of recoverable accounts under production sharing (capital expenditures)	92,147	45,725	**45,653**	**490,682**
Recoverable accounts under production sharing (operating expenditures)	(26,052)	(27,020)	**(14,996)**	**(161,178)**
Inventories	(2,275)	2,348	**5,844**	**62,812**
Accounts payable—trade	481	(9,825)	**4,719**	**50,720**
Accounts receivable—other	(16,986)	27,558	**(9,671)**	**(103,944)**
Accounts payable—other	21,809	(47,813)	**13,670**	**146,926**
Advances received	10,352	4,229	**(1,120)**	**(12,038)**
Other	7,156	(6,489)	**3,357**	**36,082**
Subtotal	814,795	744,684	**532,136**	**5,719,433**
Interest and dividends received	17,515	21,258	**16,170**	**173,796**
Interest paid	(11,508)	(4,801)	**(1,734)**	**(18,637)**
Income taxes paid	(456,807)	(530,789)	**(305,199)**	**(3,280,299)**
Net cash provided by operating activities	363,995	230,352	**241,373**	**2,594,293**
Cash flows from investing activities				
Increase in time deposits	(2,765)	(6,464)	**(9,925)**	**(106,675)**
Decrease in time deposits	18,997	4,498	**8,430**	**90,606**
Payments for purchases of marketable securities	(39,949)	(19,082)	**—**	**—**
Proceeds from sales of marketable securities	51,495	111,451	**101,321**	**1,089,005**
Payments for purchases of tangible fixed assets	(59,465)	(88,611)	**(87,549)**	**(940,982)**
Proceeds from sales of tangible fixed assets	183	246	**86**	**924**
Payments for purchases of intangible assets	(2,012)	(2,865)	**(991)**	**(10,651)**
Payments for purchases of investment securities	(112,378)	(137,447)	**(156,264)**	**(1,679,536)**
Proceeds from sales of investment securities	105	16,531	**—**	**—**
Investment in recoverable accounts under production sharing (capital expenditures)	(131,060)	(108,294)	**(91,650)**	**(985,060)**
Decrease in short-term loans receivable	10,534	71	**77**	**828**
Long-term loans made	(7,453)	(5,896)	**(7,521)**	**(80,836)**
Collection of long-term loans receivable	527	762	**34**	**365**
Payments for purchase of mining rights	(15,887)	—	**—**	**—**
Proceeds from transfer of mining rights	27,891	—	**—**	**—**
Other	(530)	(5,068)	**(7,860)**	**(84,480)**
Net cash used in investing activities	(261,767)	(240,168)	**(251,812)**	**(2,706,492)**
Cash flows from financing activities				
Increase (decrease) in short-term loans	(50)	20,934	**(20,121)**	**(216,262)**
Proceeds from long-term debt	40,785	12,041	**108,063**	**1,161,468**
Repayment of long-term debt	(67,745)	(66,365)	**(5,284)**	**(56,793)**
Proceeds from minority interests for additional shares	8,344	9,370	**4,704**	**50,559**
Purchases of treasury stock	(1,105)	(3,049)	**—**	**—**
Cash dividends paid	(24,719)	(18,833)	**(15,306)**	**(164,510)**
Dividends paid to minority shareholders	(737)	(82)	**(2,973)**	**(31,954)**
Stock transfer payment	(1)	—	**—**	**—**
Other	—	(106)	**(146)**	**(1,569)**
Net cash provided by (used in) financing activities	(45,228)	(46,090)	**68,937**	**740,939**
Effect of exchange rate changes on cash and cash equivalents	(24,147)	(3,519)	**(4,948)**	**(53,181)**
Net increase (decrease) in cash and cash equivalents	32,853	(59,425)	**53,550**	**575,559**
Cash and cash equivalents at beginning of the period	189,417	222,270	**162,845**	**1,750,269**
Cash and cash equivalents at end of the period	¥ 222,270	¥ 162,845	**¥ 216,395**	**$ 2,325,828**

Refer to accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

INPEX CORPORATION and Consolidated Subsidiaries

1. BASIS OF PRESENTATION

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

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

Until the year ended March 31, 2008, the accompanying consolidated financial statements had been prepared by using the accounts of foreign consolidated subsidiaries prepared in accordance with accounting principles generally accepted in their countries of domicile.

Effective the year ended March 31, 2009, as described in Note 2. (u), the Company applies "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ PITF No. 18, issued on May 17, 2006). In accordance with PITF No. 18, the accompanying consolidated financial statements for the year ended March 31, 2009 have been prepared by using the accounts of foreign consolidated subsidiaries prepared in accordance with International Financial Reporting Standards, or IFRS or the accounting principles generally accepted in the United States, or U.S. GAAP as adjusted for certain items.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

For the 35 companies for which the closing date differed from the consolidated closing date, including but not limited to, INPEX Sahul, Ltd. and INPEX Masela, Ltd., the financial statements for the year ended December 31 were used. However, the necessary adjustments have been made to the financial statements of those companies to reflect any significant transactions made between the Company's closing date and those of the consolidated subsidiaries.

For the 10 companies, including but not limited to, Japan Oil Development, Co., Ltd., Teikoku Oil D.R. Congo, Co., Ltd., INPEX Southwest Caspian Sea, Ltd., and INPEX North Caspian Sea, Ltd., the financial statements for the year ended on the consolidated closing date were used, even though their closing date is December 31.

Until the year ended March 31, 2007, INPEX Browse, Ltd. had been consolidated on the basis of fiscal periods ended December 31, which differs from that of the Company. Effective the year ended March 31, 2008, its financial statements prepared for consolidation purposes as of the consolidation closing date have been used due to increase in its materiality. Accordingly, the consolidated operating results for the year ended March 31, 2008 included operating results for 15 months from January 1, 2007 to March 31, 2008. The effect of this change does not have a significant impact on the consolidated financial statements.

Teiseki Real Estate Co., Ltd. has changed the closing date from December 31 to March 31, since the year ended March 31, 2010. Accordingly, the consolidated operating results for the year ended March 31, 2010 included operating results for 15 months from January 1, 2009 to March 31, 2010. The effect of this change does not have a significant impact on the consolidated financial statements.

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

(b) Cash equivalents

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

(c) Foreign currency translation

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

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

(d) Securities

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

(e) Inventories

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

(f) Allowance for doubtful accounts

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

(g) Recoverable accounts under production sharing and related allowance

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

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

(h) Allowance for investments in exploration

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

(i) Provision for exploration projects

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

(j) Accrued bonuses to officers

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

(k) Tangible fixed assets (except leased assets)

Depreciation of overseas mining facilities is mainly computed by the unit-of-production method.

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

(l) Intangible assets (except leased assets)

Exploration and development rights at the exploration stage are fully amortized in the year such rights are acquired, and those at the production stage are amortized by the unit-of-production method.

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

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

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

(m) Leased assets

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

(n) Accrued retirement benefits to employees

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

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

(o) Liabilities for site restoration and decommissioning costs

Liabilities for site restoration and decommissioning costs are provided for expected future costs for site restoration and decommissioning.

(p) Liabilities for losses on development activities

Liabilities for losses on development activities are provided for probable losses on oil and natural gas development activities individually estimated for each project.

(q) Accrued special repair and maintenance

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

(r) Hedge accounting

The simplified accounting method is applied to interest rate swaps. In addition, the nominal amount of the derivative transaction is limited to the scope of actual demand, and the Company does not engage in speculative derivative transactions.

(s) Research and development expenses

Research and development expenses are charged to income as incurred.

(t) Income taxes

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

(u) Adoption of new accounting standard

Effective the fiscal year ended March 31, 2009, the Company applies "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ Practical Issues Task Force No.18, issued on May 17, 2006). This does not have a significant impact on the consolidated financial statements.

Effective the fiscal year ended March 31, 2009, the Company applies "Accounting Standard for Lease Transactions" (ASBJ Statement No.13, revised on March 30, 2007) and "Guidance on Accounting Standard for Lease Transactions"(ASBJ Guidance No.16, revised on March 30, 2007) for lease transactions entered into a contract on and after April 1, 2008, other than lease transactions which are deemed to transfer ownership of the leased assets to the lessee. This does not have a significant impact on the consolidated financial statements.

Effective the fiscal year ended March 31, 2009, the Company applies "Accounting Standard for Measurement of Inventories" (ASBJ Statement No.9, issued on July 5, 2006). This does not have a significant impact on the consolidated financial statements.

Effective the fiscal year ended March 31, 2009, the Company applies "Accounting Standard for Related Party Disclosures" (ASBJ Statement No.11, issued on October 17, 2006) and "Guidance on Accounting Standard for Related Party Disclosures" (ASBJ Guidance No. 13, issued on October 17, 2006).

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

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 ¥93.04=US$1.00, the approximate rate of exchange in effect on March 31, 2010. This translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

4. STATUS OF FINANCIAL INSTRUMENTS

(a) Policy regarding financial instruments

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

Regarding financing policy, the Company manages funds mainly from cash on hand and government bonds, which are considered to be of low-risk and high-liquidity. The Company does not engage in speculative derivative transactions. However, the Company uses derivative transactions to prevent risks hereinafter described below.

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

(Credit risks related to trade receivables)

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

(Market price fluctuation risk related to securities)

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

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

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

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

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

(Management of derivative transactions)

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

(Management of the liquidity risk related to financing)

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

5. SECURITIES

a) Information regarding other securities with determinable market value as of March 31, 2009 is as follows:

	Millions of yen		
March 31, 2009	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities with fair values exceeding their acquisition cost:			
Stock	¥ 431	¥ 507	¥ 76
Bonds:			
Public bonds	279,599	281,760	2,161
Others	68	75	7
Subtotal	280,098	282,342	2,244
Securities with acquisition costs exceeding their fair value:			
Stock	55,298	49,466	(5,832)
Bonds:			
Public bonds	43,723	40,883	(2,840)
Other debt securities	417	355	(62)
Others	5,857	5,857	—
Subtotal	105,295	96,561	(8,734)
Total	¥385,393	¥378,903	¥ (6,490)

Information regarding other securities as of March 31, 2010 is as follows:

	Millions of yen			Thousands of U.S. dollars		
March 31, 2010	Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities with fair values exceeding their acquisition cost:						
Stock	**¥ 28,825**	**¥ 43,779**	**¥14,954**	**$309,813**	**$470,540**	**$160,727**
Bonds:						
Public bonds	**266,324**	**267,953**	**1,629**	**2,862,468**	**2,879,976**	**17,508**
Others	**6,733**	**8,722**	**1,989**	**72,366**	**93,744**	**21,378**
Subtotal	**301,882**	**320,454**	**18,572**	**3,244,647**	**3,444,260**	**199,613**
Securities with acquisition costs exceeding their fair value:						
Stock	**26,873**	**22,396**	**(4,477)**	**288,833**	**240,714**	**(48,119)**
Bonds:						
Public bonds	**103,007**	**101,423**	**(1,584)**	**1,107,126**	**1,090,101**	**(17,025)**
Other debt securities	**40**	**37**	**(3)**	**430**	**398**	**(32)**
Subtotal	**129,920**	**123,856**	**(6,064)**	**1,396,389**	**1,331,213**	**(65,176)**
Total	**¥431,802**	**¥444,310**	**¥12,508**	**$4,641,036**	**$4,775,473**	**$134,437**

b) Information regarding sales of securities classified as other securities for the years ended March 31, 2008, 2009 and 2010 is as follows:

	Millions of yen	
Years ended March 31,	2008	2009
Proceeds from sales	¥51,580	¥127,974
Gain on sales	—	107
Loss on sales	¥ 16	¥ —

	Millions of yen			Thousands of U.S. dollars		
Year ended March 31, 2010	Proceeds from sales	Gain on sales	Loss on sales	Proceeds from sales	Gain on sales	Loss on sales
Bonds:						
Public bonds	**¥101,000**	**¥—**	**¥—**	**$1,085,555**	**$—**	**$—**
Other debt securities	**321**	**—**	**—**	**3,450**	**—**	**—**
Total	**¥101,321**	**¥—**	**¥—**	**$1,089,005**	**$—**	**$—**

c) Components of other securities without a determinable market value as of March 31, 2009 are summarized as follows:

	Millions of yen
March 31,	2009
Other securities:	
Unlisted securities*	¥28,176
Total	¥28,176

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

Components of securities for which it is extremely difficult to determine market value as of March 31, 2010 are summarized as follows:

March 31,	Millions of yen 2010	Thousands of U.S. dollars 2010
Other securities:		
Unlisted securities	**¥30,623**	**$329,138**
Preferred securities	**5,000**	**53,740**
Stocks of subsidiaries and affiliates	**36,714**	**394,605**
Total	**¥72,337**	**$777,483**

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

d) Redemption schedule for securities with maturity dates classified as other securities as of March 31, 2010 is as follows:

	Millions of yen				Thousands of U.S. dollars			
March 31, 2010	1 year or less	More than 1 year but less than 5 years	More than 5 years but less than 10 years	More than 10 years	1 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
Debt securities:								
Public bonds	**¥112,000**	**¥210,500**	**¥37,000**	**¥6,500**	**$1,203,783**	**$2,262,468**	**$397,678**	**$69,862**
Other debt securities	**—**	**45**	**—**	**—**	**—**	**483**	**—**	**—**
Total	**¥112,000**	**¥210,545**	**¥37,000**	**¥6,500**	**$1,203,783**	**$2,262,951**	**$397,678**	**$69,862**

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings as of March 31, 2009 and 2010 are as follows:

March 31,	Millions of yen 2009	2010	Thousands of U.S. dollars 2010
Short-term borrowings from banks and others (Interest rates ranging from 1.325% to 2.150% and from 1.215% to 1.325% at March 31, 2009 and 2010)	¥22,782	**¥160**	**$1,720**
Total	¥22,782	**¥160**	**$1,720**

Long-term debt as of March 31, 2009 and 2010 are as follows:

March 31,	Millions of yen 2009	2010	Thousands of U.S. dollars 2010
Loans from banks and others, due through 2024 (Interest rates ranging from 1.100% to 3.240% and from 0.473% to 2,700% at March 31, 2009 and 2010)	¥141,464	**¥240,223**	**$2,581,933**
Less: Current portion	5,034	**4,712**	**50,645**
	¥136,430	**¥235,511**	**$2,531,288**

Assets pledged as of March 31, 2009 and 2010 are as follows:

March 31,	Millions of yen 2009	Millions of yen 2010	Thousands of U.S. dollars 2010
Buildings and structures	¥ 2,615	**¥ 2,240**	**$ 24,076**
Wells	6,919	**3,445**	**37,027**
Machinery, equipments and vehicles	9,391	**9,512**	**102,236**
Land	1,826	**660**	**7,094**
Investment securities	7,861	**9,385**	**100,870**
Other	—	**246**	**2,644**
Total	¥28,612	**¥25,488**	**$273,947**

The above assets were pledged against the following liabilities:

March 31,	Millions of yen 2009	Millions of yen 2010	Thousands of U.S. dollars 2010
Short-term loans	¥ 145	**¥ 2,130**	**$ 22,893**
Accounts payable—other	5,264	**5,497**	**59,082**
Long-term debt	11,500	**6,153**	**66,133**
Other	17	**17**	**183**
Total	¥16,926	**¥13,797**	**$148,291**

In addition, investment securities of ¥5,508 million as of March 31, 2009 and ¥5,572 million ($59,888 thousand) as of March 31, 2010 are pledged as collateral for the BTC Pipeline Project Finance.

The aggregate annual maturities of long-term debt subsequent to March 31, 2010 are summarized as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2011	¥ 4,712	$ 50,645
2012	4,279	45,991
2013	4,258	45,765
2014	3,753	40,338
2015	3,604	38,736
2016 and thereafter	219,617	2,360,458
Total	¥240,223	$2,581,933

7. INCOME TAXES

The Company and its domestic consolidated subsidiaries are subject to a number of taxes based on income which, in the aggregate, resulted in a statutory tax rate of approximately 40.7%, 36.2% and 36.2% for the fiscal years ended March 31, 2008, 2009 and 2010, respectively.

The effective tax rates reflected in the consolidated statements of income for the years ended March 31, 2008, 2009 and 2010 differ from the statutory tax rate for the following reasons:

Years ended March 31,	2008	2009	**2010**
Statutory tax rate	40.7%	36.2%	**36.2%**
Effect of:			
Permanently non-taxable income such as dividends income	(0.7)	(1.4)	**(1.5)**
Valuation allowance	0.2	2.6	**0.7**
Foreign taxes	70.5	75.6	**69.9**
Foreign tax credits	(19.1)	(18.4)	**(20.1)**
Adjustment of deducted amounts of foreign taxes	(11.3)	(18.1)	**(14.2)**
Net operating losses utilized	(0.9)	—	**(1.8)**
Equity in (earnings) losses of affiliates	(0.1)	(0.1)	**0.2**
Amortization of goodwill	0.4	0.4	**0.6**
Differences of effective tax rates applied to income of foreign subsidiaries	(4.7)	—	**—**
Differences of effective tax rates applied to tax effect accounting	(4.2)	—	**2.8**
Other	0.8	(0.5)	**0.8**
Effective tax rate	71.6%	76.3%	**73.6%**

The significant components of deferred tax assets and liabilities as of March 31, 2009 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	2009	**2010**	**2010**
Deferred tax assets:			
Investments in related parties	¥ 57,315	**¥ 62,493**	**$ 671,679**
Loss on revaluation of land	4,839	**4,854**	**52,171**
Loss on valuation of investment securities	11,726	**11,348**	**121,969**
Recoverable accounts under production sharing (foreign taxes)	6,379	**4,389**	**47,173**
Allowance for investments in exploration	5,236	**6,721**	**72,238**
Foreign taxes payable	19,063	**21,846**	**234,802**
Net operating loss	19,112	**12,964**	**139,338**
Accumulated depreciation	22,950	**24,787**	**266,412**
Accrued retirement benefits	3,092	**2,773**	**29,804**
Translation differences of assets and liabilities denominated in foreign currencies	597	**111**	**1,193**
Liabilities for site restoration and decommissioning costs	2,937	**3,912**	**42,047**
Exploration expenses	—	**5,781**	**62,135**
Other	8,200	**10,438**	**112,188**
Total gross deferred tax assets	161,446	**172,417**	**1,853,149**
Valuation allowance	(128,233)	**(138,382)**	**(1,487,339)**
Total deferred tax assets	33,213	**34,035**	**365,810**
Deferred tax liabilities:			
Foreign taxes	9,853	**7,558**	**81,234**
Reserve for overseas investment loss	6,950	**7,098**	**76,290**
Translation differences due to an application of purchase accounting method	3,884	**2,894**	**31,105**
Reserve for exploration	757	**4,499**	**48,355**
Unrealized holding gain on securities	66	**390**	**4,192**
Translation differences of assets and liabilities denominated in foreign currencies	7,540	**8,801**	**94,594**
Other	2,339	**2,788**	**29,965**
Total deferred tax liabilities	31,389	**34,028**	**365,735**
Net deferred tax assets	¥ 1,824	**¥ 7**	**$ 75**

8. NET ASSETS

As of March 31, 2010, the total number of the Company's shares issued consisted of 2,358,409 shares of common stock and 1 special class share. The special class share has no voting rights at the common shareholders' meeting, but the ownership of the special class share gives its holder a right of veto over certain important matters by imposing the requirement to obtain a class vote. However, requirements stipulated in the Articles of Incorporation need to be met in cases involving the appointment or removal of directors, the disposition of important assets or the exercise of the veto over;

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

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

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

Such distribution can be made at any time by a resolution of the shareholders, or by the Board of Directors if certain conditions are met, but neither capital reserve nor legal reserve is available for distributions.

9. AMOUNTS PER SHARE

	Yen			U.S. dollars
Years ended March 31,	2008	2009	**2010**	**2010**
Net income	¥ 73,510.14	¥ 61,601.60	**¥ 45,553.56**	**$ 489.61**
Cash dividends	7,500.00	8,000.00	**5,500.00**	**59.11**
Net assets	¥491,168.09	¥540,100.10	**¥589,548.88**	**$6,336.51**

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.

10. DERIVATIVES

Fair value of derivatives

No derivatives as of March 31, 2009 are disclosed because hedge accounting is applied for all derivatives.

The special treatment of interest rate swaps and hedge accounting is applied to all derivative transactions as of March 31, 2010. Fair values of derivatives are included in the estimated fair value of the long-term debt, as disclosed in Note 11 a), since they are accounted for as a part of long-term debt.

11. OTHER FINANCIAL INSTRUMENTS

a) The carrying values and estimated fair values of financial instruments excluding securities and investment securities which are disclosed in Note 5.a) and derivatives which are disclosed in Note 10 as of March 31, 2010 are as shown below. The following summary also excludes cash and cash equivalents and accounts receivable-trade for which fair values approximate their carrying amounts.

	Millions of yen		Thousands of U.S. dollars	
March 31, 2010	Carrying value	Estimated fair value	Carrying value	Estimated fair value
Short-term borrowings and current portion of long-term debt	**¥ 4,872**	**¥ 4,935**	**$ 52,365**	**$ 53,042**
Long-term debt	**¥235,511**	**¥237,024**	**$2,531,288**	**$2,547,550**

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

Short-term borrowings and current portion of long-term debt

The 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 market value is almost the same as the carrying value.

Long-term debt

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

12. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses included in selling, general and administrative expenses amounted to ¥2,229 million, ¥643 million and ¥470 million ($5,052 thousand) for the years ended March 31, 2008, 2009 and 2010, respectively.

13. RETIREMENT BENEFITS

1. Retirement benefit obligations as of March 31, 2009 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	2009	**2010**	**2010**
Retirement benefit obligations	¥(15,231)	**¥(15,379)**	**$(165,295)**
Plan assets at fair value	6,685	**7,793**	**83,760**
Unfunded retirement benefit obligation	(8,546)	**(7,586)**	**(81,535)**
Unrecognized actuarial gain or loss	—	**—**	**—**
Accrued retirement benefits to employees	¥ (8,546)	**¥ (7,586)**	**$ (81,535)**

2. Retirement benefit expenses for the years ended March 31, 2008, 2009 and 2010 are as follows:

	Millions of yen			Thousands of U.S. dollars
Years ended March 31,	2008	2009	**2010**	**2010**
Service cost	¥ 846	¥1,001	**¥ 803**	**$ 8,631**
Interest cost	274	282	**284**	**3,053**
Expected return on plan assets	(108)	(86)	**(33)**	**(355)**
Amortization of actuarial gain or loss	153	462	**(310)**	**(3,332)**
Retirement benefit expenses	¥1,165	¥1,659	**¥ 744**	**$ 7,997**

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

3. The assumptions used in accounting for the above plans are as follows:

Years ended March 31,	2008	2009	**2010**
Discount rate	2.0%	2.0%	**2.0%**
Expected return on plan assets	1.5%	0.5%	**0.5%**
Period for amortization of actuarial gain or loss	Amortized as incurred	Amortized as incurred	**Amortized as incurred**
Period for amortization of past service cost	—	Amortized as incurred	**—**

14. GOODWILL

The changes in the carrying amount of goodwill for the years ended March 31, 2008, 2009 and 2010 are as follows:

	Millions of yen			Thousands of U.S. dollars
Years ended March 31,	2008	2009	**2010**	**2010**
Balance at beginning of year	¥132,106	¥121,644	**¥114,884**	**$1,234,781**
Goodwill acquired during the year	(3,845)	—	**(2)**	**(22)**
Amortization of goodwill	(6,617)	(6,760)	**(6,759)**	**(72,646)**
Balance at end of year	¥121,644	¥114,884	**¥108,123**	**$1,162,113**

Negative goodwill acquired during the year ended March 31, 2008 consisted of negative goodwill related to the taking effect of an exploration and production agreement in Venezuela.

15. LEASES

Future minimum lease payments subsequent to March 31, 2010 for operating lease transactions are summarized as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2011	¥ 2,077	$ 22,324
2012 and thereafter	8,012	86,113
Total	¥10,089	$108,437

16. CONTINGENT LIABILITIES

As of March 31, 2010, the Company and its consolidated subsidiaries were contingently liable as guarantors of indebtedness of affiliates in the aggregate amount of ¥31,502 million ($338,586 thousand).

17. SEGMENT INFORMATION

Business segment information

As net sales, operating income and total assets of the oil and natural gas business constituted more than 90% of the consolidated totals for the years ended March 31, 2008, 2009 and 2010, the disclosure of business segment information has been omitted.

Geographical segment information

The geographical segment information for the Company and its subsidiaries for the years ended March 31, 2008, 2009 and 2010 is summarized as follows:

	Millions of yen							
Year ended March 31, 2008	Japan	Asia & Oceania (a)	Eurasia (Europe & NIS) (b)	Middle East & Africa (c)	Americas (d)	Total	Eliminations	Consolidated
Sales to third parties	¥ 93,882	¥452,542	¥183,879	¥464,523	¥ 8,139	¥1,202,965	¥ —	¥1,202,965
Total sales	93,882	452,542	183,879	464,523	8,139	1,202,965	—	1,202,965
Operating expenses	61,950	165,837	97,843	140,492	16,101	482,223	6,531	488,754
Operating income (loss)	31,932	286,705	86,036	324,031	(7,962)	720,742	(6,531)	714,211
Total assets	¥212,306	¥360,298	¥363,184	¥299,563	¥60,656	¥1,296,007	¥511,894	¥1,807,901

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

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

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

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

Year ended March 31, 2010	Japan	Asia & Oceania (a)	Eurasia (Europe & NIS) (b)	Middle East & Africa (c)	Americas (d)	Total	Eliminations	Consolidated
	Thousands of U.S. dollars							
Sales to third parties	$1,009,877	$3,787,436	$ 790,778	$3,265,466	$179,407	$ 9,032,964	$ —	$ 9,032,964
Total sales	1,009,877	3,787,436	790,778	3,265,466	179,407	9,032,964	—	9,032,964
Operating expenses	659,974	1,733,803	363,338	1,055,965	168,358	3,981,438	89,488	4,070,926
Operating income	349,903	2,053,633	427,440	2,209,501	11,049	5,051,526	(89,488)	4,962,038
Total assets	$2,588,983	$4,849,172	$4,802,762	$2,470,368	$916,187	$15,627,472	$6,016,746	$21,644,218

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

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

Overseas sales

Overseas sales, which include sales (other than exports to Japan) of its overseas subsidiaries, for the years ended March 31, 2008, 2009 and 2010 are summarized as follows:

Year ended March 31, 2008	Asia & Oceania (a)	Other (b)	Total
	Millions of yen		
Overseas sales	¥381,147	¥84,470	¥ 465,617
Consolidated net sales			1,202,965
Overseas sales as a percentage of consolidated net sales	31.7%	7.0%	38.7%

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

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

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

	Millions of yen			Thousands of U.S. dollars		
Year ended March 31, 2010	Asia & Oceania (a)	Other (b)	Total	Asia & Oceania (a)	Other (b)	Total
Overseas sales	**¥271,231**	**¥53,425**	**¥324,656**	**$2,915,209**	**$574,215**	**$3,489,424**
Consolidated net sales			**840,427**			**9,032,964**
Overseas sales as a percentage of consolidated net sales	**32.3%**	**6.3%**	**38.6%**	**32.3%**	**6.3%**	**38.6%**

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

18. RELATED PARTY TRANSACTIONS

There were no related party transactions for the year ended March 31, 2008.

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

Affiliated Company

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

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

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

Affiliated Company

Name of related party	Location	Capial investment	Nature of operations	Voting interest	Description of the business relationship	Transaction detail	Amounts
MI Berau B.V.	Amsterdam, Netherlands	€656,279 thousand	Exploration, development, production and sales of natural gas in Berau Block conducted in West Papua province, Indonesia and Tangguh LNG Project	Directly 44.00%	Serve the officer concurrently, capital subscription	Guarantee for debt in U.S. dollars*	¥22,459 million $241,397 thousand

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

Report of Independent Auditors

ERNST & YOUNG

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Report of Independent Auditors

The Board of Directors
INPEX CORPORATION

We have audited the accompanying consolidated balance sheets of INPEX CORPORATION and consolidated subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of income, changes in net assets, and cash flows for each of the three years in the period ended March 31, 2010, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of INPEX CORPORATION and consolidated subsidiaries at March 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2010 in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2010 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3.

Ernst & Young ShinNihon LLC

June 23, 2010

Additional Information

Business Risks

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

Unless stated otherwise, forward-looking statements in the discussion are the judgment of the Group as of August 11, 2010 and are subject to change after such date due to various factors, including changes in social and economic circumstances.

1. Characteristics of and Risks Associated with the Oil and Gas Development Business

(1) Risk of Failure in Exploration, Development, or Production

Payment of compensation is ordinarily necessary to acquire blocks and acreages. Also, surveying and exploratory drilling expenses (exploration expenses) become necessary at the time of exploration activities for the purpose of discovering resources. When resources are discovered, it is necessary to further invest in substantial development expenses according to various conditions, including the size of the recoverable reserves, development costs and details of agreements with oil-producing countries (including gas-producing countries; hereinafter the same shall apply).

There is, however, no guarantee of discovering resources on a scale that makes development and production feasible. The probability of such discoveries is considerably low despite various technological advances in recent years, and even when resources are discovered the scale of the reserves does not necessarily make commercial production feasible. For this reason, the Group conservatively recognizes expenses related to exploration investment, maintaining financial soundness by booking 100% as expenses in consolidated financial statements in the case of concession agreements (including mining rights awarded in Japan as well as permits, licenses and leases awarded overseas) and by booking 100% of exploration project investment as allowances in the case of production sharing agreements. In addition, if there are impossibilities of recovery of development investment in a project, we also book the corresponding amount of development expenses as allowances in accordance with the circumstances of each project.

To increase recoverable reserve and production volumes, the Group always takes interest in promising properties and plans to continue exploration investment. At the same time, we invest in development projects, including the acquisition of interests in discovered undeveloped fields and producing fields, so as to maintain an overall balance between assets at the exploration, development, and production stages.

Although exploration and development (including the acquisition of interests) are necessary to secure the reserves essential to the Group’s future sustainable business development, each type of investment involves technological and economic risks, and failed exploration or development investment could have an adverse affect on the results of the Group’s operations.

(2) Oil, Condensate, LPG and Natural Gas Reserves

① Proved Reserves

INPEX CORPORATION (“the Company”) commissioned DeGolyer and MacNaughton, an independent petroleum engineering consultant in the United States, to assess proved reserves of the Group. The definition of proved reserves evaluated by DeGolyer and MacNaughton is based on the U.S. Securities and Exchange Commission’s Regulation S-X, Rule 4-10(a), which is widely known among U.S. investors. Notwithstanding the use in evaluation of either the deterministic or probabilistic approaches, proved oil and gas reserves are estimated quantities that geological and engineering data demonstrate with reasonable certainty to be recoverable from known reservoirs under existing economic and operating conditions, from the date of evaluation through to the expiration date of the agreement granting operating rights (or in the event of evidence with a reasonable certainty of agreement extension through to the expiration of the projected extension period). For definition as “proved reserves,” operators must have a reasonable degree of certainty that the recovery of hydrocarbons has commenced or that the project will commence within an acceptable period of time. This definition is widely regarded as being conservative. Nevertheless, the strictness of the definition does not imply any guarantee of the production of total reserves during a future production period.

For further details on proved reserves of crude oil, condensate, LPG and natural gas held by the Group, including affiliates accounted for under the equity method, please see the section "Crude Oil and Natural Gas Reserves" on P92.

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 possible reserves based on the Petroleum Resources Management System 2007 (PRMS) published by four organizations: the Society of Petroleum Engineers (SPE), the World Petroleum Congress (WPC), the American Association of Petroleum Geologists (AAPG), and the Society of Petroleum Evaluation Engineers (SPEE). Probable reserves, as defined by the four organizations, are reserves outside proved reserves that are less likely to be recovered than proved reserves but more certain to be recovered than possible reserves based on analyses of geological and engineering data. In this context, when probabilistic methods are employed, there should be at least a 50% probability that the quantities actually recovered will equal or exceed the sum of estimated proved and probable reserves. In addition, possible reserves are also defined in accordance with PRMS guidelines. In specific terms, possible reserves are a part of those reserves not categorized as proved reserves or probable reserves. Possible reserves refer to oil and gas volumes that are less likely to be recovered than probable reserves based on analyses of geological and engineering data. In this case, it is unlikely that the actual quantity of oil and gas recovered will exceed the sum of proved reserves, probable reserves and possible reserves. Possible reserves accordingly accommodate scenarios where estimates are high. Furthermore, when probabilistic methods are employed to calculate possible reserves, there should be at least a 10% probability that the quantities recovered will equal or exceed the sum of proved reserves, probable reserves and possible reserves. Probable reserves can be upgraded to proved reserves after the addition of new technical data, under different economic conditions, and with advances in operational conditions. Nevertheless, probable reserves do not offer a guarantee of the production of total reserves during a future production period with the same certainty as proved reserves.

For further details on probable reserves of crude oil, condensate, LPG and natural gas held by the Group, including affiliates accounted for under the equity method, please see the section "Crude Oil and Natural Gas Reserves" on P92.

③ Possibility of Changes in Reserves

A reserve evaluation depends on the available geological and engineering data from oil and gas reservoirs, the maturity of development plans and a considerable number of assumptions, factors and variables including economic conditions as of the date such an estimate is made. Reserves may be revised in the future on the basis of geological and engineering data as well as development plans and information relating to changes in economic and other conditions made newly available through progress in production and operations. As a result, there is a possibility that reserves will be restated upwards or downwards. As to the reserves under a PSC, not only production, but also oil and gas prices, investments and cost recoveries as well as remuneration fees may affect the economic entitlement. This may cause reserves to increase or decrease. In this way, reserves could fluctuate because of various data, assumptions and changes of definition.

(3) In the Oil and Natural Gas Development Business the Period from Exploration to Sales is Highly Capital Intensive and Funds Cannot be Recovered for a Long Time

Considerable time and expense is required for exploration activities. Even when promising resources are discovered through exploration, substantial expenses including production facility construction costs, and an extended period of time, are necessary at the development stage leading up to production. For this reason, a long period of 10 years or more is required from the time of exploration and development investment until the recovery of funds through production and sales. In particular, the development of the Ichthys and the Abadi, large-scale LNG projects, being pursued by the Company requires a very large amount of investment, and the financing of these projects could be impacted by changes in the economic and financial environment. Following the discovery of resources, in the development process leading up to production and the commencement of sales, the occurrence of events such as a delay in the acquisition of government approvals or a delay in the development schedule or the loss of the economic viability of the properties due to factors such as unanticipated problems related to geological conditions or fluctuations in the price of oil or gas, fluctuations in foreign exchange rates, or other changes in the business environment, including escalating prices of equipment and materials, or in the case of LNG projects, an inability to complete such procedural requirements as FID owing to the lack of any long-term contractual agreement with prospective purchases with respect to production, could have an adverse affect on the Group's operational results.

(4) Operatorship

In the oil and gas development business, companies frequently form business partnerships for the purpose of the dispersion of risk and financial burden. In such partnerships, one of the companies becomes the operator, which performs the actual work and bears the responsibility for operations on behalf of the partners. The companies other than the operator, as non-operators, participate in the business by providing a predetermined amount of funds and either carefully examining the exploration and development plan devised and implemented by the operator, or participating in some operations.

The Company was a holding company jointly established by INPEX CORPORATION and Teikoku Oil Co., Ltd on April 3, 2006 through a transfer of stocks. The two companies were fully absorbed by and integrated into the holding company on October 1, 2008. The resultant company possesses abundant operational capabilities thanks to the amalgamation of the former two companies' extensive experience and knowhow 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. While the Company lacks operator experience in LNG development projects, it has significant expertise as an operator in the development and production of crude oil and natural gas both in Japan and overseas as well as a wealth of know-how and knowledge accumulated over many years as a participant in LNG and other projects in such countries as Indonesia and Australia. In addition, we believe that by utilizing the services of specialized subcontractors and highly experienced external consultants, a practice similar to foreign oil companies including the majors, it will be possible to execute business appropriately as an operator.

Engaging in project coordination as an operator will contribute to the expansion of opportunities of block and acreage acquisition through enhancement of technological capabilities and greater presence in oil-producing countries and the industry. At the same time, there exist risks such as constraints on the recruitment of personnel who have specialized operational skills and an increase in financial burden. Inability to adequately cope with such risks could have an adverse affect on the Group's results of operations.

(5) Project Partners

In the oil and gas development business, as previously mentioned, several companies often engage in joint business for the purpose of dispersion of risk and financial burden. In such cases, the partners generally enter into a joint operating agreement among themselves to decide on the decision-making procedure for execution of the joint business, or to decide on an operator that conducts business on their behalf. A company that is a partner in one property in which the Group is engaged in joint business may become a competitor in the acquisition of other blocks and acreages, even though the relationship with the partner may be good.

In undertaking the joint business, participants in principle bear a financial burden in proportion to their interest share. Any inability by a joint business partner to fulfill this financial burden may adversely affect the project.

(6) Disaster and Accident Risks

Oil and gas development entails the risk that operational accidents and disasters may occur in the process of exploration, development, production and transportation. Should such an accident, disaster or other such incident occur, there is the risk that costs will be incurred, excluding compensation covered by insurance, due to facility damage, as well as the risk of a major accident involving loss of life. In addition, a cost burden for recovery or opportunity loss from the interruption of operations could occur. For the domestic natural gas business, the Company has continued to procure natural gas regasified from imported LNG since January 2010 to supplement its traditional supplies of natural gas produced in Japan. An inability to procure natural gas regasified from imported LNG due to an accident, disaster or incident at city gas companies that supply the source of purchases may interfere with the Company's ability to supply to its customers. This could in turn have an adverse affect 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, alternative and other energies) of the countries in which we operate, it may be necessary for the Group to devise additional measures, and an associated cost burden could occur.

Although the Group maintains accident insurance in the natural conduct of its operations, should such an accident or disaster be attributable to willful misconduct or negligence on the part of the Group, the occurrence of a cost burden could have an adverse affect on financial results. Also, such accident or trouble would result in receiving administrative punishment or result in damage to the Group's credibility and reputation as an oil and gas development company, and could therefore have an adverse affect on future business activities.

2. Effects of Fluctuations in Crude Oil Prices, Natural Gas Prices, Foreign Exchange and Interest Rates on Financial Results

(1) Effects of Fluctuations in Crude Oil Prices and Natural Gas Prices on Financial Results

Crude oil prices and a large percentage of natural gas prices in overseas businesses are determined by international market conditions. In addition, those prices fluctuate significantly in response to the influence of a variety of factors including global or local supply and demand as well as trends and conditions in the global economy and financial markets. The vast majority of these factors are beyond the control of the Company. In this regard, INPEX is not in a position to accurately predict movements in future crude oil and natural gas prices. The Group's sales and profits are subject to the effects of such price fluctuations. Such effects are highly complex and are caused by the following factors.

① Although a majority of natural gas selling prices in overseas businesses are linked to crude oil prices, they are not in direct proportion to crude oil prices.

② Because sales and profits are determined on the basis of crude oil prices and natural gas prices at the time sales are booked, actual crude oil transaction prices and the average oil price during the accounting period do not necessarily correspond.

For the domestic natural gas businesses, the Company has continued to purchase natural gas regasified from imported LNG as a raw material in addition to natural gas produced in Japan since January 2010. The price of the Company's natural gas sold in Japan is comprised of a fixed price portion as well as a portion that reflects fluctuations in the price of imported LNG. In addition to the direct impact of trends in the market prices of LNG and competing energy sources on that portion that reflects fluctuations in the price of imported LNG, contract negotiations held each fiscal year with end purchasers could have an indirect affect on the fixed price portion.

(2) The Effect of Fluctuations in Exchange Rates on Financial Results

As most of the Group's business consists of E&P conducted overseas, associated revenues (sales) and expenditures (costs) are denominated in foreign currencies (primarily in U.S. dollars), and profit and loss is subject to the effects of the foreign exchange market. In the event of appreciation in the value of the yen, yen-denominated sales and profits decrease. Conversely, in the event of depreciation in the value of the yen, yen-denominated sales and profits increase.

On the other hand, when borrowing necessary funds, the Company borrows in foreign currencies. In the event of appreciation in the value of the yen, a foreign exchange gain on foreign-currency denominated borrowings is recorded as a result of fiscal year-end conversion; in the event of depreciation in the value of the yen, a foreign exchange loss is incurred. For this reason, the exchange risk associated with the above business is diminished and the impact of fluctuations in exchange rates on profit and loss tends to be mitigated. Moreover, while the Company is taking measures to reduce a portion of the risks associated with movements in foreign currency exchange rates these measures by no means cover all possible risks. As a result, the impact of fluctuations in foreign currency exchange rates cannot be completely eliminated.

(3) The Effect of Fluctuations in Interest Rates on Financial Results

The Group raises some of the funds necessary for exploration and development operations through borrowing. Much of these borrowings are with variable-rates, long-term borrowings based on the U.S. dollar six months LIBOR rate. Accordingly, the Company's profits are subject to the influence of fluctuations in U.S. dollar interest rates.

3. Overseas Business Activities and Country Risk

The Group engages in a large number of oil and gas development projects overseas. Because the Group's business activities, including the acquisition of blocks and acreages, are conducted on the basis of contracts with the governments of oil-producing countries and other entities, steps taken by oil-producing countries to further tighten controls applicable to home country natural resources, 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, government control of foreign exchange or foreign remittances, and the balance of international payments), the application of OPEC production ceilings in OPEC member countries and changes in the legal system of those countries (including the establishment or abolition of laws or regulations and changes in their interpretation or enforcement) could have a significant impact on the Group's business or results unless the impact is compensated by insurance.

Additionally, against the background of rising development costs and other changes in the business environment, the progress of oil and gas projects, and the need to address environmental issues, the governments of oil-producing countries may seek to renegotiate the fiscal conditions including conditions of existing oil contracts related to blocks and acreages. In the event that the fiscal conditions of contracts were to be renegotiated, this could have an adverse effect on the Group's business performance.

4. Dependence on Specific Geographical Areas or Properties

(1) Production Volume

The Group engages in stable production of crude oil and natural gas in the Offshore Mahakam Block (Indonesia), the ADMA Block (United Arab Emirates), the Minami Nagaoka Gas Field (Japan) and so on. Through a process of business integration, the Group had established a wide-ranging, diversified yet balanced portfolio that encompassed the Asia-Oceania regions (particularly Japan, Indonesia, and Australia), the Middle East, the Caspian Sea area, Central and South America and Africa. As of fiscal 2009, however, the Asia and Oceania regions including Japan, the Group's core geographical business area, accounted for about 55% of the Group's production volume, and the Middle East accounted for about 30% making up the vast majority of the Group's operations. Looking ahead, the Group will endeavor to further enhance the balanced of its asset portfolio on a geographic and regional basis.

However, the Group relies heavily on specific geographical areas and properties for its production volume, and the occurrence in these properties of an operational problem or difficulty could have an adverse affect on the Group's operational results.

(2) Principal Business Areas and Contract Expiration Dates

Expiration dates are customarily stipulated in the agreements related to blocks and acreages, which are prerequisites for the Group's overseas business activities. Although March 30, 1997 was the initial contract expiration date in the production sharing agreement for the Offshore Mahakam Block of Indonesia, the Group's principal geographical business area, an extension was approved in 1991, and the current expiration date is December 31, 2017. On the basis of the concession agreement for the ADMA Block, the concession expiration date is March 8, 2018. (However, the expiration date for the Upper Zakum Oil Field has been extended to March 8, 2026.) Although the Group plans to make efforts together with partners to further extend these agreements, inability to re-extend the agreements or unfavorable contract terms and conditions at the time of re-extension could have an adverse effect on the Group's results. Even should the agreements be 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 properties to fully substitute for these properties could have an adverse affect on the Group's results.

In addition, in the event that the period for exploration in oil and gas fields currently under exploration is fixed by contracts, and in the case of fields where oil and/or gas reserves are found that are deemed to be commercialized, and the Company is unable to decide on the transition to the development stage by the expiration of the current contract, efforts will be made through negotiations with the government of the oil- or gas-producing country in question to have the periods extended. However, there remains the possibility that such negotiations may not be successfully concluded, in which event the Company would be forced to withdraw from operations in the oil or gas field concerned. Also, as a rule, when there has been a major breach of contract on the part of one party, it is customary for the other party to have the right to cancel the agreement before the expiration date. The agreements for properties in these principal geographical business areas contain similar provisions. The Group has never experienced early cancellation of an agreement due to breach of contract, and we do not anticipate such an occurrence in the future. Nevertheless, a major breach of contract on the part of a party to an agreement could result in cancellation of an agreement before the expiration date. And in the overseas gas development and production activities, in many cases we are selling and supplying gas based on long-term sales and supply contracts in which expiration dates are stipulated. We plan to make efforts with partners to extend or re-extend the expiration date. Nevertheless, inability to extend the contracts, or the occurrence of cases in which extension is made but sales and supply volumes are reduced, could have an adverse effect on the Group's business or results.

5. Production Sharing Agreements

(1) Details of Production Sharing Agreements

The Group has entered into production sharing agreements with countries including Indonesia and Caspian Sea area. In the case of Indonesia, where the Group has, in many cases, entered into production sharing agreements with Pertamina, a company that holds mining rights, the Group has acquired rights to explore and develop oil and gas in those properties. Owing to the enactment of a new law that went into effect on November 23, 2001, Pertamina's exclusive ownership of blocks was rescinded, and it was decided that agreements would be concluded with BPMIGAS, which is an enforcement body that supervises and regulates oil and gas upstream operations and is a government organization directly under the control of the president of Indonesia. We are engaged in procedures to convert existing agreements so as to make BPMIGAS the Indonesian party to the agreements.

Production sharing agreements are agreements by which one or several oil and gas development companies serve as contractors that undertake at their own expense exploration and development work on behalf of the governments of oil-producing countries or national oil companies and receive production from the projects as cost recovery and compensation. That is to say, when exploration and development work results in the production of oil or gas, the contractors recover the exploration and development costs they incurred by means of a share in the production. The remaining production (crude oil and gas) is shared among the oil-producing country or national oil company and the contractors according to fixed allocation ratios. (The contactors' share of production after cost recovery is called "profit oil and gas." In the case of gas in Indonesia, as sales are conducted by Indonesia, the contractors receive cost recovery and profit gas in the form of cash.) On the other hand, in cases when exploration fails and expected production is not realized, the contractors are not to recover their invested funds.

(2) Accounting Treatment of Production Sharing Agreements

When a company in the Group owns participating interests under production sharing agreements, as mentioned above, in the role of contractor it invests technology and funds in the exploration and development of the property, recovers the invested costs from the production produced, and receives a share of the remaining production after recovery of invested costs as compensation.

Costs invested on the basis of production sharing agreements are recorded on the balance sheet as assets for which future recovery is anticipated under the balance sheet item "Recoverable accounts under production sharing." After the start of production, recovered costs on the basis of those agreements are deducted from this balance sheet item.

As production received under production sharing agreements is divided into the cost recovery portion and the compensation portion, the method of calculating cost of sales is also distinctive. That is to say, the full amount of production received is temporarily charged to cost of sales as the cost of received production, and subsequently the amount of the compensation portion is calculated and this amount is booked as an adjustment item to cost of sales ("Free of charge production allocated"). Consequently, only the cost recovery portion of production after deduction of the compensation portion is booked as cost of sales.

6. Azadegan Oil Field Development Project

(1) Overview of the Azadegan Oil Field Development Project

On February 18, 2004, the Company signed a service contract with the National Iranian Oil Company and its subsidiary Naftiran Intertrade Co. Ltd. (NICO) for the appraisal and development operations of the Azadegan Oil Field in Iran. The contract went into effect on March 14, 2004. The Azadegan Oil Field, located about 80 kilometers south of Ahvaz, the capital of Khuzestan Province in Iran, was discovered in 1999.

The Company's current participating interest in the project is 10%. At this time, we are holding talks with the government of Iran regarding the future development of this project. In the event that the two sides fail to reach an agreement on the development, thereby raising the possibility of a basic change in the way project development is conducted, potential exists for the project not to proceed as planned and for difficulties to arise with respect to the recovery of investment.

(2) Influence of UN Security Council Resolutions with regard to sanctions against Iran

The United Nations Security Council in December 2006 passed a resolution imposing sanctions against Iran, including actions to personnel, funds, or materiels to Iran mainly related to its nuclear weapon development program. In March 2007 and again in March 2008 the Council passed resolutions expanding the scope of these sanctions, and in September 2008 the Council once again passed a resolution seeking observation of the previous resolutions by the United Nations Security Council and response to requests issued by the Board of Directors of the International Atomic Energy Agency (IAEA). Furthermore, a resolution was passed imposing new sanctions in June 2010.

(3) Influence of Moves to strengthen sanctions against Iran originating in the U.S. Iran Sanctions Act of 1996

The Iran Sanctions Act 1996 (formerly The Iran and Libya Sanctions Act 1996) is a law of the United States enacted for the purpose of deterring the acquisition of weapons of mass destruction and support for international terrorism on the part of Iran. The law stipulates that three or more of the nine sanctions below be applied to any person, without distinction between U.S. and non-U.S. entities, who has made an investment of U.S.$20 million or more in any twelve-month period and who the president of the United States determines has directly and significantly contributed to the development of oil resources in Iran. (Sanctions six to eight were added following the signing into law on July 1, 2010 of certain revisions to the Act. Prior to these revisions the law stipulated that two or more of the six sanctions, sanction one to five and nine, below be applied.)

①The prohibition of export assistance to any sanctioned person from the Export-Import Bank of the United States
②The prohibition of the issuance of export licenses to any sanctioned person by the U.S. government
③The prohibition of loans of U.S.$10 million or more in any twelve month period to any sanctioned person by U.S. financial institutions
④If a sanctioned person is a financial institution, the prohibition of designation as a primary dealer of U.S. government bonds
⑤The prohibition of procurement of goods or services from any sanctioned person on the part of the U.S. government
⑥Prohibitions in transactions in foreign exchange by the entity
⑦Prohibition on any credit or payments between the entity and any U.S. financial institution
⑧Prohibition of the sanctioned entity from acquiring, holding, or trading any U.S.-based property
⑨The restrictions of import from any sanctioned person on the basis of the International Emergency Economic Powers Act of the United States

Sanctions under this law have never been applied to any non-U.S. oil company that has investments in oil resource development projects in Iran. Also, although extraterritorial applications of the laws of one country on other countries are not internationally recognized, it is not possible at this time to predict whether in the future the U.S. government will apply the act to the business activities of the Azadegan Oil Field Development Project. In the event that the U.S. government decides to apply sanctions with respect to the project's business activities under the Act, this could have an indirect adverse impact on the Company's involvement in the Azadegan Oil Field Development Project or other projects.

Additionally, sanctions to the aforementioned imposed at the federal level have been enacted by the state legislatures in the U.S. The legislatures of some states, such as Florida and Louisiana, have established state laws to promote or mandate curbs on possession and divestment of the shares of companies doing business in Iran by state-owned public pension funds and similar entities.

7. 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 19.37% of the Company's common shares issued and a special-class share as of August 11, 2010, the Company autonomously exercises business judgment as a private corporation. There is no relationship of control, such as through the dispatch of officers or other means between the Company and the Japanese government. Moreover, we believe that no such relationship will develop in the future. Furthermore, there is no concurrent posting or secondment to the Company of officers or employees from the Japanese government.

(2) Ownership and Sale of the Company's Shares by the Japanese Government (the Minister of Economy, Trade and Industry)

The Japanese government (the Minister of Economy, Trade and Industry) holds 19.37% of the shares of the common stock issued by the Company. For this reason, it is possible that in the future the Minister of Economy, Trade and Industry, in accordance with the purport of the after-mentioned Report, may sell off the Company's shares in Japan or overseas. This could have an impact on the market price of the Company's shares.

The Minister of Economy, Trade and Industry holds one share of the Company's special-class share. The Minister of Economy, Trade and Industry, as the holder of the special-class share, has veto rights over certain resolutions of the Company's general shareholders' meetings and meetings of the Board of Directors. For details on the special-class share, please refer to section 9 "Special-Class Share" below.

8. Treatment of shares of the Group' project company owned by Japanese government and JOGMEC

(1) Treatment of shares of the Group' project company owned by Japan National Oil Corporation (JNOC)

With regard to the liquidation and disposition of the oil and gas upstream assets owned by JNOC, which was dissolved on April 1, 2005, the Policies Regarding the Disposal of Oil and Gas Development- Related Assets Held by Japan National Oil Corporation (hereinafter the "Report") was announced on March 18, 2003 by the Japan National Oil Corporation Asset Evaluation and Liquidation Deliberation Subcommittee of the Advisory Committee on Energy and Natural Resources, an advisory body of the Ministry of Economy, Trade and Industry.

In the Report, INPEX CORPORATION (prior to the integration with Teikoku Oil; reorganized on October 1, 2008) was identified as a company that should comprise part of a core company, and is expected to play a role in efficient realization of a stable supply of energy for Japan through the involvement by a national flagship company. In response to the Report, the Company has sought to promote efficient realization of a stable supply of energy for Japan while taking advantage of synergy with the efforts of active resource diplomacy on the part of the Japanese government, and has aimed to maximize shareholder value by engaging in highly transparent and efficient business operations.

As a result, with regard to the integration by means of transfer of shares held by JNOC proposed in the Report, INPEX CORPORATION and JNOC concluded the Basic Agreement Concerning the Integration of Assets Held by JNOC into INPEX CORPORATION of February 5, 2004 (hereinafter the "Basic Agreement") and a memorandum of understanding related to Basic Agreement (hereinafter "MOU"). On March 29, 2004, INPEX CORPORATION and JNOC entered into related contracts including the Basic Contract Concerning the Integration of Assets Held by JNOC into INPEX CORPORATION (hereinafter the "Basic Contract"), achieving the agreement on the details including the treatment of the project companies subject to the integration and shareholding ratios.

In 2004 INPEX CORPORATION accomplished the integration of Japan Oil Development Co., Ltd. (JODCO), INPEX Java Ltd. and INPEX ABK, Ltd. which are three of four companies covered by the Basic Agreement. Although INPEX Southwest Caspian Sea Ltd. (hereinafter "INPEX Southwest Caspian") would become a wholly-owned subsidiary of INPEX CORPORATION by means of a share exchange and the procedures were undertaken, the share exchange contract was invalidated owing to failure to accomplish the terms and conditions of the share exchange contract and the planned share exchange was cancelled. Following the dissolution of JNOC on April 1, 2005, the Minister of Economy, Trade and Industry succeeded to the INPEX Southwest Caspian shares held by JNOC. The Company continues to study the possibility to acquire the shares. However, the future treatment of these shares is undecided and acquisition of INPEX Southwest Caspian shares could be unavailable.

The treatment of Sakhalin Oil and Gas Development Co., Ltd. (hereinafter "SODECO"), INPEX Offshore North Campos, Ltd., INPEX North Makassar, Ltd. (liquidation proceedings completed on December 19, 2009), INPEX Masela, Ltd., and INPEX North Caspian Sea, Ltd. was agreed between INPEX CORPORATION and JNOC in the MOU of February 5, 2004. Regarding the treatment of shares of SODECO, refer to the section "(2) Treatment of shares of Sakhalin Oil and Gas Development owned by the Japanese government" below. With regard to the transfer to INPEX CORPORATION of the shares in the above project companies other than SODECO, it was decided that the shares are to be transferred for cash compensation as soon as prerequisites such as the consent of the oil-producing country and joint venture partners and the possibility of appropriate asset evaluations are in place. However, the transfer of shares held by JNOC in the above companies has not been decided and the shares in the above project companies were succeeded to by the Japan Oil Gas and Metals National Corporation (hereinafter "JOGMEC") on the dissolution of JNOC on April 1, 2005, except shares related to INPEX North Makassar, Ltd., to which the Minister of Economy, Trade and Industry succeeded. JOGMEC states in its "medium-term objective" and "medium-term plan" that the shares succeeded to from JNOC will be disposed of in an appropriate manner, but the timing and manners of the disposal have not been decided, and it is possible that the Company will be unable to acquire the shares.

(2) Treatment of the shares of Sakhalin Oil and Gas Development owned by the Japanese government

The Japanese government (the Minister of Economy, Trade and Industry) owns 50% shares of SODECO. SODECO was established in 1995 to engage in an oil and gas exploration and development project located on the northeast continental shelf off Sakhalin Island. SODECO owns a 30.0% interest in the Sakhalin-1 Project, of which ExxonMobil of the Unites States is the operator. This project started production in October 2005. Furthermore, there is a plan for additional development operations (Phase 2) for the purpose of the full-scale production of natural gas. The Company holds a 5.74% of SODECO shares issued and outstanding.

In the previously mentioned Report, SODECO, along with INPEX CORPORATION and JODCO, has been identified as a company that should comprise part of a core company in Japan's oil and gas upstream industry in the future.

In accordance with the Report, it is assumed that private-sector shareholders, including INPEX CORPORATION, will acquire shares of SODECO issued and outstanding to which the Minister of Economy, Trade and Industry succeeded and that were previously held by JNOC (50.0%). The Company plans to hold a maximum of 33% of the SODECO shares to become its largest shareholder. In the event that the consent of SODECO's joint-venture partners, the relevant Russian government entity, or other parties is necessary for the acquisition of the shares, obtaining the consent is a prerequisite for acquisition. In addition, it will be necessary to reach agreement on the shareholder composition for SODECO, the share transfer price, and other matters.

In the event that the additional acquisition of the SODECO shares is realized, the Group will hold a substantial ownership interest in oil and gas assets in Russia, as well as in Asia and Oceania, the Middle East, Caspian Sea area, and other regions, and we expect the acquisition to contribute to the achievement of a more balanced overseas asset portfolio for the Group.

However, at this time it is undecided whether agreement concerning acquisition of the shares with the Minister of Economy, Trade and Industry will be reached as anticipated and will be realized. Also, even in the event that the acquisition is realized, the conditions and time of acquisition are undecided and the acquisition by the Company could be unavailable.

9. Special-Class Share

(1) Overview of the Special-Class Share

① Reason for the Introduction

The Company was established as the holding company through a stock transfer between INPEX CORPORATION and Teikoku Oil Co., Ltd. on April 3, 2006. Along with this, a classified share originally issued by INPEX CORPORATION (prior to the merger) was transferred and at the same time the Company issued a classified share with the same effect (hereinafter the "special-class share") to the Minister of Economy, Trade and Industry. The classified share originally issued by INPEX CORPORATION was the minimally required and a highly transparent measure to eliminate the possibility of management control by foreign capital while not unreasonably impeding the efficiency and flexibility of management based on the concept in the Report discussed in the above section 8. INPEX CORPORATION is identified as a company that should comprise part of a core company for Japan's oil and gas upstream industry and is expected to play a role in efficient realization of a stable supply of energy for Japan as a national flagship company. On the basis of the concept of the Report, the Company issued the special-class share because it can be considered an effective means of preventing risks such as a speculative hostile takeover.

② Shareholders' Meeting Resolutions, Dividends, Distribution of Residual Assets, and Redemption

Unless otherwise provided by laws or ordinances, the special-class share does not have any voting rights at the Company's general shareholders' meetings. The holder of the special-class share will receive the same amount of dividends, interim dividends, and distributions of residual assets as a holder of common stock. The special-class share will be redeemed by resolution of the Board of Directors of the Company if the holder of the special-class share requests redemption or if the special-class share is transferred to a party other than the government of Japan or an independent administrative body that is fully funded by the government of Japan.

③ Veto Rights in the Articles of Incorporation

The Articles of Incorporation of the Company provide that an approval resolution of the meeting of the holder of the special-class share is necessary in addition to resolutions of the Company's general shareholders' meetings and resolutions of meetings of the Board of Directors for the decision on certain important matters such as the appointment or removal of Directors, disposition of material assets, changes to the Articles of Incorporation, capital reduction or company dissolution in connection with the business of the Company. Accordingly, the Minister of Economy, Trade and Industry, as the holder of the special-class share, has veto rights over these important matters.

④ Criteria for the Exercise of Veto Rights Provided in the Guidelines

Guidelines concerning the exercise of the veto rights have been established in a Ministry of Economy, Trade and Industry Notice (No. 220, 2008) (hereinafter the "Notice"). The guidelines stipulate the exercise of veto rights only in the following specific cases.

・When resolutions pertaining to appointment or removal of Directors and Integration are not voted down and it is judged that the probability is high that the Company will engage in management inconsistent with the role that a core company should perform for efficient realization of a stable supply of energy to Japan.

・When resolutions pertaining to disposition of material assets are not voted down and the objects of disposition are oil and gas exploration or production rights or rights similar thereto or shares or ownership interest in the Company' subsidiary whose principal assets are said rights and it is judged that the probability is high that the

Company will engage in management inconsistent with the role that a core company should perform for efficient realization of a stable supply of energy to Japan.

- When resolutions pertaining to amendments to the Company's Articles of Incorporation relating to changes in the Company's business objectives, capital reduction, or dissolution are not voted down and it is judged that the probability is high that the Company will engage in management inconsistent with the role that a core company should perform for efficient realization of a stable supply of energy to Japan.
- When resolutions pertaining to amendments to the Articles of Incorporation granting voting rights to any shares other than the common shares of the Company are not voted down and could have an effect on the exercise of the voting rights of the special-class share.

It is provided that the above guidelines shall not be limited in the event that the Notice is changed in the light of energy policy.

(2) Risk in Connection with the Special-Class Share

Although the special-class share was issued as a minimally required measure to eliminate the possibility of management controlled by foreign capital while not unreasonably impeding the efficiency and flexibility of management, anticipated risks in connection with the special-class share include the following.

① Possibility of Conflict of Interest between National Policy and the Company and Its Common Shareholders

It is conceivable that the Minister of Economy, Trade and Industry could exercise the veto rights in accordance with the above guidelines provided in the Notice. As the guidelines have been provided from the standpoint of efficient realization of a stable supply of energy to Japan, it is possible that the exercise of the veto rights by the Minister of Economy, Trade and Industry could conflict with the interest of other shareholders who hold the Company's common shares. Also, it is possible that the above guidelines could be changed in the light of energy policy.

② Impact of the Exercise of Veto Rights on the Price of Shares of Common Stock

As mentioned above, as the holder of the special-class share has the veto rights over certain important matters in connection with the business of the Company, the actual exercise of the veto rights over a certain matter could have an impact on the price of the Company's shares of common stock.

③ Impact on the Company's Degree of Freedom in Business and Business Judgment

As the Minister of Economy, Trade and Industry holds the special-class share with the previously mentioned veto rights, the Company needs a resolution of the meeting of the older of the special-class share concerning the above matters. For this reason, the Company's degree of freedom in management in those matters could be restricted by the judgment of the Minister of Economy, Trade and Industry. Also, attendant on the need for a resolution of the meeting of the holder of the special-class share concerning the above matters, a certain period of time is required for procedures such as the convening and holding of meetings and resolutions and for the processing of formal objections, if necessary.

10. Concurrently Serving Outside Directors

As of June 30, 2010, the Board of Directors of the Company is composed of 16 members, four of whom are outside directors.

The four outside directors have many years of management experience in the Company's business and are able to offer objective, professional advice regarding operations. For this reason, they were asked to join the Board of Directors to contribute to the development of the Company's business. The four outside directors concurrently serve as directors or advisors of Japan Petroleum Exploration Co., Ltd., Mitsubishi Corporation, Mitsui Oil Exploration Co., Ltd. and JX Holdings, Inc. ("shareholder corporations"), respectively.

At the same time, however, the shareholder corporations are involved in businesses that overlap with those of the Company or its holding company. The Company therefore recognizes that it must pay particular attention to corporate governance to avoid conflicts of interest in connection with competition and other matters.

To this end, all Company directors, including the outside directors, are required to sign a written undertaking to carry out their duties as officers of the Company appropriately and with the highest regard for the importance of such matters as their obligations in connection with non-competitive 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 major subsidiaries and equity method affiliates. Disclosure details applicable to proved reserves are presented in accordance with the rules and regulations stipulated by the U.S. Financial Accounting Standards Board. Movements in proved reserves between March 31, 2008 and March 31, 2009 are reported in accordance with the U.S. Statement of Financial Accounting Standards No. 69. Movements in proved reserves between March 31, 2009 and March 31, 2010 are reported in accordance with the Accounting Standard Codification Topic 932 "Extractive activities — Oil and Gas."

Our proved reserves as of March 31, 2010 were 980.0 million barrels for crude oil, condensate and LPG, 2,970.1 billion cubic feet for natural gas and 1,475.0 million boe (Barrels of Oil Equivalent) in total.

	Japan		Asia & Oceania		Eurasia (Europe & NIS)		Middle East & Africa		Americas		Subtotal		Interest in Reserves Held by Equity-Method Affiliates		Total	
	Crude oil (MMbbls)	Gas (Bcf)	Crude oil (MMbbls)	Gas (Bcf)	Crude oil (MMbbls)	Gas (Bcf)	Crude oil (MMbbls)	Gas (Bcf)	Crude oil (MMbbls)	Gas (Bcf)	Crude oil (MMbbls)	Gas (Bcf)	Crude oil (MMbbls)	Gas (Bcf)	Crude oil (MMbbls)	Gas (Bcf)
Proved developed and undeveloped reserves																
As of March 31, 2008	20	786	112	2,014	207	—	489	—	1	106	829	2,905	259	440	1,088	3,346
Extensions and discoveries	—	—	0	—	—	—	—	—	—	—	—	—	(2)	—	(1)	—
Acquisitions and sales	—	—	—	—	(12)	—	—	—	6	5	(6)	5	—	—	(6)	5
Revisions of previous estimates	(0)	(14)	28	217	25	—	(3)	—	(1)	78	49	281	(1)	65	48	346
Interim production	(1)	(60)	(16)	(307)	(9)	—	(30)	—	(1)	(30)	(57)	(397)	(23)	—	(81)	(397)
As of March 31, 2009	18	713	124	1,923	211	—	457	—	5	159	815	2,795	233	505	1,048	3,300
Consolidated subsidiaries																
As of March 31, 2009	18	713	124	1,923	211	—	457	—	5	159					815	2,795
Extensions and discoveries	—	—	5	—	—	—	—	—	—	—					5	—
Acquisitions and sales	—	—	—	—	—	—	—	—	—	—					—	—
Revisions of previous estimates	0	0	(1)	45	6	—	3	—	1	62					9	107
Interim production	(1)	(57)	(17)	(319)	(10)	—	(27)	—	(2)	(32)					(57)	(408)
As of March 31, 2010	16	656	111	1,649	207	—	433	—	4	190					771	2,495
Equity method affiliates																
As of March 31, 2009	—	—	2	505	—	—	226	—	6	1					233	505
Extensions and discoveries	—	—	—	—	—	—	—	—	—	—					—	—
Acquisitions and sales	—	—	—	—	—	—	—	—	—	—					—	—
Revisions of previous estimates	—	—	(0)	(30)	—	—	(2)	—	(1)	(0)					(2)	(30)
Interim production	—	—	(0)	—	—	—	(21)	—	(1)	(0)					(22)	(0)
As of March 31, 2010	—	—	1	475	—	—	203	—	4	0					209	475
Proved developed and undeveloped reserves																
As of March 31, 2010	**16**	**656**	**112**	**2,124**	**207**	**—**	**636**	**—**	**8**	**190**					**980**	**2,970**

Proved developed reserves												
Consolidated subsidiaries												
As of March 31, 2010	**16**	**656**	**79**	**1,212**	**36**	**—**	**433**	**—**	**4**	**190**	**568**	**2,058**
Equity method affiliates												
As of March 31, 2010	**—**	**—**	**1**	**314**	**—**	**—**	**203**	**—**	**3**	**0**	**207**	**314**
Proved undeveloped reserves												
Consolidated subsidiaries												
As of March 31, 2010	**—**	**—**	**31**	**437**	**172**	**—**	**—**	**—**	**0**	**—**	**203**	**437**
Equity method affiliates												
As of March 31, 2010	**—**	**—**	**0**	**161**	**—**	**—**	**—**	**—**	**1**	**0**	**2**	**161**

Note 1. As of March 31, 2010, INPEX held proved reserves in Indonesia of approximately 75.0 million barrels for crude oil and around 1,973.0 billion cubic feet for natural gas for a total of about 404.0 million boe (Barrels of Oil Equivalent).
2. Reserves of the following blocks and fields include minority interests.
Asia & Oceania: Offshore Northwest Java (16.5%), Offshore Southeast Sumatra (16.5%)
Eurasia (Europe & NIS): ACG (49%), Kashagan (55%)
Middle East & Africa: Abu Al Bukhoosh (5%), West Bakr (47.3%)
Americas: Copa Macoya (30%)
3. MMbbls: Millions of barrels
4. Bcf: Billions of cubic feet
5. Crude oil includes condensate and LPG

Standardized Measure of Discounted Future Net Cash Flows and Changes Relating to Proved Oil and Gas Reserves

Disclosure details for the standardized measure of discounted future net cash flows relating to proved reserves and movements during the fiscal year under review are presented in accordance with the rules and regulations stipulated by the U.S. Financial Accounting Standards Board. Movements between March 31, 2008 and March 31, 2009 are reported in accordance with the U.S. Statement of Financial Accounting Standards No. 69. Movements between March 31, 2009 and March 31, 2010 are reported in accordance with the Accounting Standard Codification Topic 932 "Extractive activities — Oil and Gas."

In calculating the standardized measure of discounted future net cash flows, period-end oil and gas prices and costs are applied as of March 31, 2009, and the period average of oil and gas prices at the first day of each month as well as period-end costs are applied as of March 31, 2010, to the estimated annual future production from proved reserves to determine future cash inflows. Future development costs are estimated based upon constant price assumptions and assume the continuation of existing economic, operating, and regulatory conditions. Future income taxes are calculated by applying the period-end statutory rate to estimated future pretax cash flows after provision for taxes on the cost of oil and natural gas properties based upon existing laws and regulations. The discount is computed by applying a 10% discount factor to the estimated future net cash flows.

We believe that this information does not represent the fair market value of the oil and natural gas reserves or the present value of estimated cash flows since no economic value is attributed to potential reserves, the use of a 10% discount rate is arbitrary, and prices change constantly. We use the exchange rates of ¥98.26 and ¥93.04 to US$1.00 as of March 31, 2009 and 2010, respectively.

As of March 31, 2009	Millions of yen					
	Total	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas
Consolidated subsidiaries						
Future cash inflows	5,089,166	666,124	1,547,449	788,338	2,034,401	52,854
Future production and development costs	(2,179,952)	(141,203)	(706,891)	(425,575)	(876,844)	(29,439)
Future income tax expenses	(1,704,618)	(169,144)	(341,036)	(89,052)	(1,098,893)	(6,493)
Future net cash flows	1,204,596	355,777	499,522	273,711	58,664	16,922
10% annual discount for estimated timing of cash flows	(617,598)	(178,323)	(172,777)	(214,198)	(48,704)	(3,596)
Standardized measure of discounted future net cash flows	586,998	177,454	326,745	59,513	9,960	13,326
Share of equity method investees' standardized measure of discounted future net cash flows	26,275	—	12,888	—	13,476	(89)

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

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

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

	Millions of yen						
	Total	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Share of equity method investees' standardized measure
Consolidated subsidiaries							
Standardized measure, beginning of period As of April 1, 2009	613,273	177,454	326,745	59,513	9,960	13,326	26,275
Changes resulting from:							
Sales and transfers of oil and produced, net of production costs	(477,438)	(37,617)	(201,573)	(27,132)	(98,361)	(6,986)	(105,769)
Net change in prices, and production costs	1,257,233	(70,134)	331,816	185,126	460,172	8,309	341,944
Development cost incurred	127,421	3,114	86,032	13,568	13,132	465	11,109
Changes in estimated development costs	(61,607)	(3,552)	(11,651)	(47,379)	1,322	(537)	189
Revisions of previous quantity estimates	71,242	(1,055)	36,272	18,028	26,364	3,395	(11,761)
Accretion of discount	187,995	24,938	52,928	10,177	56,680	1,506	41,765
Net change in income taxes	(753,861)	20,376	(95,799)	(27,639)	(431,991)	(4,313)	(214,494)
Extentions, discoveries and improved recoveries	465	—	465	—	—	—	—
Other	(150,983)	15,114	(104,624)	(5,968)	(2,781)	(128)	(52,595)
Standardized measure, end of period As of March 31, 2010	813,740	128,638	420,611	178,294	34,497	15,037	36,663

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

Probable Reserves and Possible Reserves

The following tables list the probable and possible reserves of crude oil, condensate, LPG and natural gas of our major subsidiaries and equity method affiliates.

Our probable reserves as of March 31, 2010 were 1,475.9 million barrels for crude oil, condensate and LPG, 8,716.3 billion cubic feet for natural gas and 2,928.7 million boe (Barrels of Oil Equivalent) in total. In addition, the Group's possible reserves as of March 31, 2010 were 313.8 million barrels for crude oil, condensate and LPG, 2,316.2 billion cubic feet for natural gas and 699.8 million boe (Barrels of Oil Equivalent) in total.

As of March 31, 2010	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Subtotal	Interest in Reserves Held by Equity-Method Affiliates	Total
Probable reserves								
Crude oil, condensate and LPG (MMbbls)	3	645	598	121	68	1,434	42	1,476
Natural gas (Bcf)	133	8,377	—	—	104	8,614	102	8,716

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

As of March 31, 2010	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Subtotal	Interest in Reserves Held by Equity-Method Affiliates	Total
Possible reserves								
Crude oil, condensate and LPG (MMbbls)	4	183	110	10	0	308	6	314
Natural gas (Bcf)	169	2,126	—	—	18	2,314	2	2,316

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

2. Oil and Gas Production

The following tables list average daily productions for crude oil, natural gas, and the total of crude oil and natural gas by region. The proportional interests in production by our equity-method affiliates are not broken down by geographical regions.

Our productions for the year ended March 31, 2010 were 218 thousand barrels per day for crude oil, condensate and LPG, 1,123 million cubic feet per day for natural gas and 405 thousand boe (Barrels of Oil Equivalent) per day in total.

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

Subsidiaries and Affiliates

As of March 31, 2010

Consolidated Subsidiaries

Company Name	Issued Capital* (Millions of yen)	Voting Rights Held by Us (%)	Main Business
INPEX Natuna, Ltd.	5,000	100.00%	Exploration, development, production and sales of oil and natural gas in South Natuna Sea Block B, Indonesia
INPEX Sahul, Ltd.	4,600	100.00%	Exploration, development, production and sales of oil and natural gas in JPDA03-12 Block and Bayu-Undan gas-condensate field in the timor Sea JPDA
INPEX Alpha, Ltd.	8,014	100.00%	Exploration, development, production and sales of oil and natural gas in WA-35-L Block and others, Australia
INPEX Jawa, Ltd.	4,804	83.50%	Exploration, development, production and sales of oil and natural gas in Off-shore Northwest Java Block, Indonesia
INPEX Sumatra, Ltd.	400	100.00%	Exploration, development, production and sales of oil and natural gas in Off-shore Southeast Sumatra Block, Indonesia
INPEX Tengah, Ltd.	1,020	100.00%	Exploration, development, production and sales of oil and natural gas in tengah Block in Offshore East Kalimantan, Indonesia
INPEX Browse, Ltd.	53,690	100.00%	Exploration and development of oil and natural gas in WA-37-R Block and others, Australia
INPEX Masela, Ltd.	33,348	51.93%	Exploration and development of oil and natural gas in Masela Block in the Arafura Sea, Indonesia
INPEX Offshore Northeast Mahakam, Ltd.	3,875	100.00%	Exploration of oil and natural gas in East Kalimantan Block in Offshore East Kalimantan, Indonesia
INPEX Timor Sea, Ltd.	5,597	100.00%	Exploration and development of oil and natural gas in JPDA06-105 Block in the timor Sea JPDA
INPEX Southwest Caspian Sea, Ltd.	53,594	51.00%	Exploration, development, production and sales of oil in ACG Oil Fields, Azerbaijan
INPEX North Caspian Sea, Ltd.	50,580	45.00%	Exploration and development of oil in Offshore North Caspian Sea Block, Kazakhstan
Japan Oil Development Co., Ltd.	18,800	100.00%	Exploration, development, production and sales of oil in ADMA Block, United Arab Emirates
INPEX ABK, Ltd.	2,500	95.00%	Exploration, development, production and sales of oil in Abu Al Bukhoosh Block, United Arab Emirates
Teikoku Oil (D.R. Congo) Co., Ltd.	10	100.00%	Exploration, development, production and sales of oil in Offshore D. R. Congo Block
The Egyptian Petroleum Development Co., Ltd.	10,722	52.70%	Exploration, development, production and sales of oil in the West Bakr Block, Egypt
Azadegan Petroleum Development, Ltd.	10,075	100.00%	Appraisal and development of Azadegan Oil Field, Iran
Teikoku Oil Algeria Co., Ltd.	708	100.00%	Exploration and development of oil in the eastern onshore, Algeria
INPEX Libya, Ltd.	4,680	100.00%	Exploration of oil and natural gas in the 42-2&4 and 113-3&4 Blocks, Libya
Teikoku Oil Libya UK LTD	63,855 (Thousands of U.S. dollars)	100.00%	Exploration of oil in the 81-2 and 82-3 Blocks, Libya
Teikoku Oil (Venezuela) Co., Ltd.	100	100.00%	Reactivation of oil and gas fields, exploration, development, production and sales of oil in the Guarico Oriental area, Venezuela
Teikoku Oil Ecuador	35 (Thousands of U.S. dollars)	100.00%	Exploration, development, production and sales of oil in the Block 18, Ecuador
Teikoku Oil (North America) Co., Ltd.	16,593 (Thousands of U.S. dollars)	100.00%	Exploration, development, production and sales of oil in the United States of America
INPEX Canada, Ltd.	16,660	100.00%	Exploration and development of oil and natural gas including oil sands in Canada
TEIKOKU OIL (SURINAME) CO., LTD.	1,357	54.79%	Exploration of oil in the Northern offshore, Suriname

Company Name	Issued Capital* (Millions of yen)	Voting Rights Held by Us (%)	Main Business
Teiseki Pipeline Co., Ltd.	100	100.00%	Natural gas transportation, pipeline operation, maintenance and management
INPEX DLNGPL Pty Ltd	86,135 (Thousands of AUS dollars)	100.00%	Investment in Darwin LNG Pty Ltd., that constructs and operates the under sea pipeline and LNG plant connecting Bayu Undan Gas/Condensate Field and Darwin (Australia)
INPEX BTC Pipeline, Ltd.	63,800 (Thousands of U.S. dollars)	100.00%	Investment in pipeline construction and management business which connects Baku (Azerbaijan), tbilisi (Georgia) and Ceyhan (turkey)
Teiseki Topping Plant Co., Ltd.	70	100.00%	Refining domestic crude oil, storage and shipment of petroleum products
INPEX Trading, Ltd.	50	100.00%	Sales, agency, and brokerage of crude oil and market research and sales plan-ning in connection with oil and natural gas sales
Teiseki Propane Co., Ltd.	80	100.00%	Sales of LPG and petroleum products
Saitama Gas Co., Ltd.	60	62.50%	City gas sales
Teiseki Transport System Co., Ltd.	10	100.00%	Transport by motor trucks and sales of petrochemical products

Other 21 subsidiaries

Equity Method Affiliates

Company Name	Issued Capital* (Millions of yen)	Voting Rights Held by Us (%)	Main Business
MI Berau B.V.	656,279 (Thousands of euros)	44.00%	Exploration, development, production and sales of natural gas in Berau Block and tanggu LNG Project, Indonesia
JJI S&N B.V.	36,883 (Thousands of euros)	25.00%	Development and production of oil in Soroosh and Nowrooz Fields, Iran
Angola Japan Oil Co., Ltd.	8,000	19.60%	Development and production of oil in Offshore 3/05 Block, Angola
Japan Ohanet Oil & Gas Co., Ltd.	6,400	15.00%	Development and production of natural gas in the southeastern onshore, Algeria
INPEX Offshore North Campos, Ltd.	6,852	37.50%	Financing for oil and natural gas exploration and development projects in Frade Block in Offshore North Campos, Brazil

Other 7 equity method affiliates

Subsidiaries of Equity Method Affiliates

Company Name	Issued Capital* (Millions of yen)	Voting Rights Held by Us (%)	Main Business
Frade Japão Petróleo Limitada	103,051 (Thousands of reis)	0.00%	Exploration, development, production and sales of oil and natural gas in Frade Block in Offshore North Campos, Brazil

Other one subsidiary of equity method affiliates

* Rounding off fractions less than the unit.

Stock Data

(As of March 31, 2010)

Share Data

Authorized Shares

9,000,000 common shares

1 special class share

Total Number of Shareholders and Issued Shares

Common shares:..... 26,330 shareholders .... 2,358,409 shares (As of August 31, 2010: 3,655,809 shares)

Special class share*: 1 shareholder (Minister of Economy, Trade and Industry) .....1 share

* The Company's Articles of Incorporation stipulate that certain major corporate decisions require a resolution by the holder of the special class share in addition to the approval of the shareholders' meetings or Board of Directors.

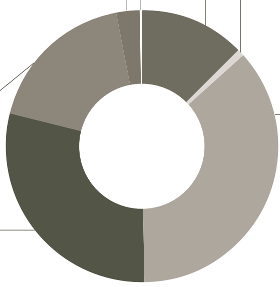
Shareholding by Shareholder Type*1

Treasury Stock: 0.2%
Shareholders: 1
Shares: 4,916

Individuals and Other: 2.8%
Shareholders: 25,271
Shares: 65,843

Foreign Corporations and Other: 17.9%
Shareholders: 570
Shares: 421,436

Minister of Economy, Trade and Industry*2: 29.4%
Shareholders: 1
Shares: 692,307



Financial Institutions (Including Trust Accounts): 12.6%
Shareholders: 119
Shares: 298,645

Securities Companies: 0.7%
Shareholders: 72
Shares: 16,678

Other Domestic Corporations: 36.4%
Shareholders: 296
Shares: 858,584

*1 Shareholding ratios are for all issued and outstanding shares

*2 Excludes one special class share

Major Shareholders (Common Shares)

Name	Number of Shares	Holding (%)*
Minister of Economy, Trade and Industry	692,307	29.4
Japan Petroleum Exploration Co., Ltd.	267,233	11.3
Mitsui Oil Exploration Co., Ltd.	176,760	7.5
Mitsubishi Corporation	170,110	7.2
Nippon Oil Corporation	111,920	4.7
The Master Trust Bank of Japan, Ltd. (Trust Account)	61,947	2.6
Japan Trustee Services Bank, Ltd. (Trust Account)	57,851	2.5
Marubeni Corporation	46,446	2.0
State Street Bank and Trust Company 505223	26,894	1.1
Sumitomo Mitsui Banking Corporation	23,129	1.0

* Shareholding ratios are for all issued and outstanding shares

Corporate Data

(As of March 31, 2010)

Company Name

INPEX CORPORATION

Established

April 3, 2006

Capital

¥30 billion
(As of September 30, 2010: ¥290,809,835,000)

Company Headquarters

Akasaka Biz Tower 5-3-1 Akasaka, Minato-ku,
Tokyo 107-6332, Japan

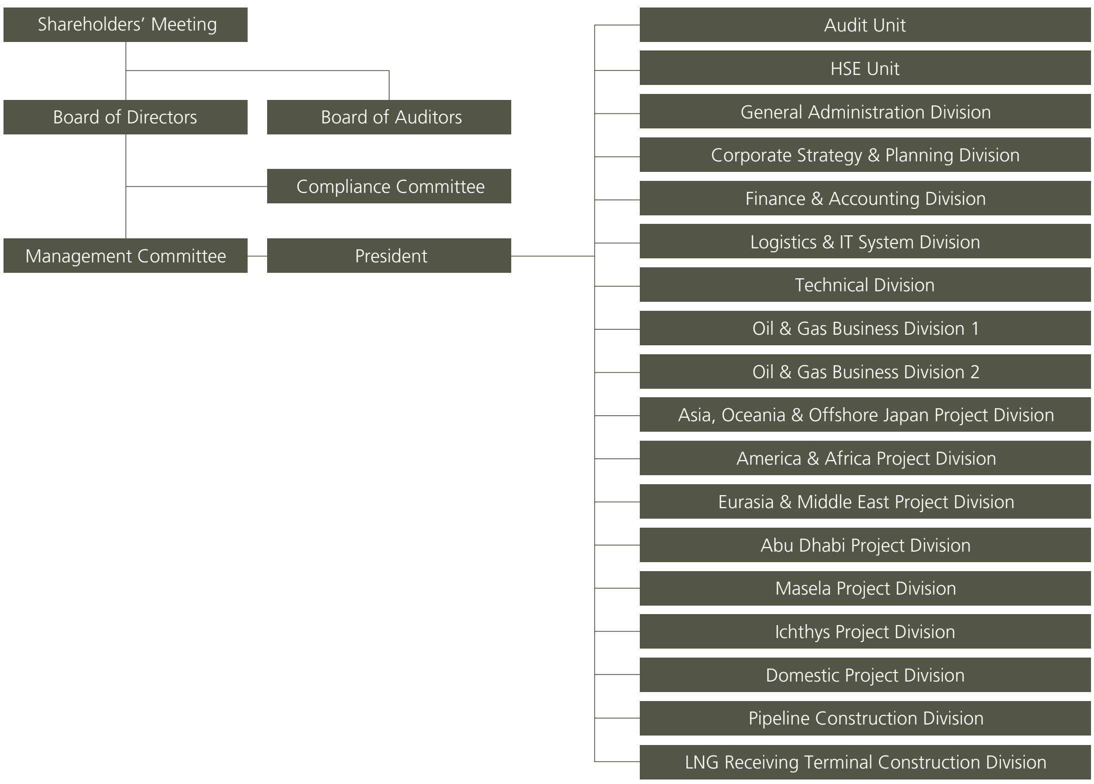
Number of Employees (Consolidated)

1,870

Main Business

Research, exploration, development, production and sales of oil, natural gas and other mineral resources, other related businesses and investment and lending to companies engaged in these activities.

Organization Chart



Homepage

The Company's Web site provides investors with the most up-to-date IR information, including financial statements.

http://www.inpex.co.jp/

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