INPEX CORPORATION

Annual Report 2009

Financial Highlights

INPEX CORPORATION and Consolidated Subsidiaries
Years ended March 31

	Millions of yen			Thousands of U.S. dollars*7
	2007	2008	2009	2009
Net sales	¥ 969,713	¥1,202,965	¥1,076,165	$10,952,219
Operating income	559,077	714,211	663,267	6,750,122
Net income	165,092	173,246	145,063	1,476,318
Cash flows from operating activities	231,982	363,995	230,352	2,344,311
ROE*1 (%)	17.7	15.8	11.9	—
Net ROACE*2 (%)	20.4	21.4	14.6	—
Payout ratio (%)	9.9	10.2	13.0	—
Total assets	1,608,107	1,807,901	1,768,045	17,993,538
Net debt (at period end)*3, 6	(169,667)	(328,353)	(324,109)	(3,298,484)
Equity ratio*4 (%)	64.0	64.0	71.9	—
Net debt/Total capital employed*5, 6 (%)	(18.6)	(36.1)	(31.2)	—

	Yen			U.S. dollars*7
Per share data:				
Net income	70,423.45	73,510.14	61,601.60	626.92
Cash dividends	7,000.00	7,500.00	8,000.00	81.42

	Yen			
Share price	1,020,000	1,110,000	683,000	—

	Billions of yen			Millions of U.S. dollars*7
Market capitalization	2,405.6	2,617.8	1,610.8	16,393

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 ¥98.26 = US$1.00, the approximate rate of exchange in effect on March 31, 2009.

Contents

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. 30 onward) describes the operating situation as of June 30, 2009. Information relating to subsequent progress on projects is accurate at the time of report publication.

Our Vision

As a primary energy accounting for about 60% of domestic primary energy demand, oil and natural gas are an essential part of life in Japan. Since the natural resources and the production volume are so limited in Japan, almost all of oil and natural gas are imported from overseas.

Circumstances in the international upstream oil and gas business have become increasingly severer: slowdown in global energy demand due to the worldwide economic downturn, rapidly and drastically fluctuating oil and gas prices, intense competition for resources from a long term perspective, mainly, among international oil and gas companies and state enterprises of China and India, technical and economic challenges for exploration and production (E&P) projects, and escalated costs and increased risks of schedule delay associated with environmental protections.

In these sever business environments, the INPEX Group (hereinafter "INPEX") aspires to promote oil and gas exploration, development and production aggressively as the largest Japanese oil and gas company involved in the global E&P business, to be a highly competitive oil and natural gas E&P company. We are committed to fulfilling our social mission of providing a stable and efficient supply of energy, while seeking to create sustained growth in corporate value by maintaining and expanding our reserves and production volumes over the mid-to-long term.

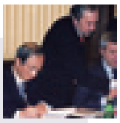
Our Business

INPEX's business is the upstream business ranging from the acquisition of oil and natural gas blocks to exploration, development, production, and the sale of products. As of the end of June 2009, we are involved in a total of 74 upstream projects located in 26 countries around the world. INPEX is engaged in supplying energy on a global scale.

Investment in further exploration and asset acquisitions

(to expand reserve and production volumes)

Step 1 Acquisition

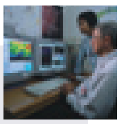


- Advance surveys of target areas
- Bidding/contract negotiations for participating interest
- Acquisition of exploration/development licenses, etc.

Step 2 Exploration

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

Step 3 Evaluation

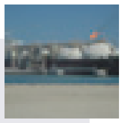


- Drilling of appraisal wells
- Estimation of reserve volumes
- Feasibility study/making a development plan

Step 4 Development

- Drilling of production wells
- 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.)

Maintain/ expand reserve and production volumes

Investment in exploration*

(Billions of yen)

09 (actual)	59.1
10	45.0
11	39.0
12	44.0

(Years ending March 31)

Investment in development

(Billions of yen)

09 (actual)	235.3
10	273.0
11	374.0
12	529.0

(Years ending March 31)

*Including acquisition costs

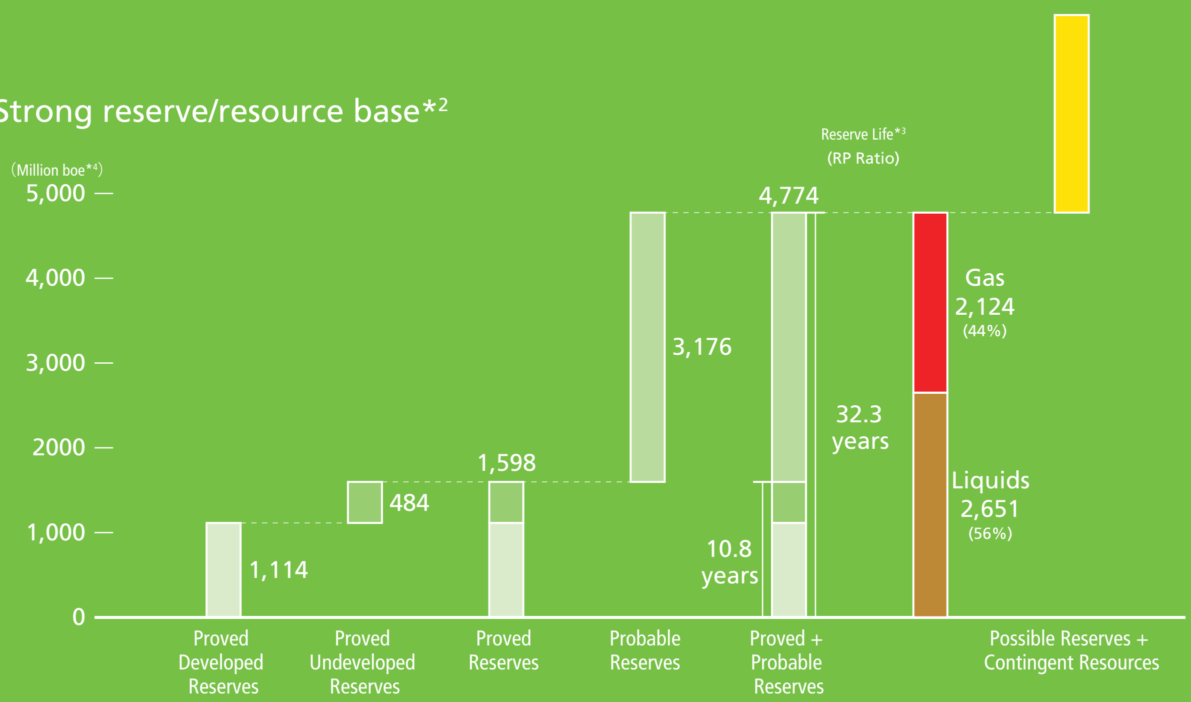
Our Strengths

At INPEX, 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 and resources.

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

*1 In October 2008, having completed a 30-month integration process that started in 2006, INPEX Holdings Inc. absorbed 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/resource 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, 2009 / Production for the year ended March 31, 2009 (RP Ratio: Reserve Production Ratio)

*4 Barrels of Oil Equivalent

1. Strong reserve/resource base*1

Reserves and resources which are source of corporate value are the critical factor in oil and natural gas upstream business. With a total of 74 E&P projects in 26 countries around the world, INPEX has the largest proved reserves among any Japanese companies in the sector. Our net proved and probable reserves total 4,774 million boe*2. Our reserves-to-production ratio is 10.8 years for proved reserves, 32.3 years if net probable reserves are added. Beyond our probable reserves, also having an abundance of possible and contingent resources. we expect to continue increasing reserves over the mid–to-long term.

2. A large-scale LNG project as an 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 import volume. We are focusing on these two projects as the most important ones, which contribute to a stable supply of LNG and growth of our corporate value. We achieved daily production*3 of 405 thousand boe*2 in the year ended March 2009. Once these two LNG projects come on stream, we expect this figure to climb to 700 thousand boe*2. By aggressively ramping up our E&P activities, we are targeting daily production levels in the range of 800–1,000 thousand boe*2 around the end of the coming decade.

3. Gas supply chain

INPEX owns a domestic pipeline network stretching approximately 1,400 km that connects the natural gas resources both in Japan and overseas 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 2009, INPEX had an equity ratio of 71.9%. 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 our liabilities. The ratio of net debt to total capital employed*4, which is an indicator of financial soundness, was –31.2% at that date. This ratio also shows our strong financial position.

*1 Please see *2 of Page 4
*2 Please see *4 of Page 4
*3 In accordance with the rules of Securities and Exchange Commission of the United States
*4 Net debt/total capital employed = Net debt / (Net assets + Net Debt)

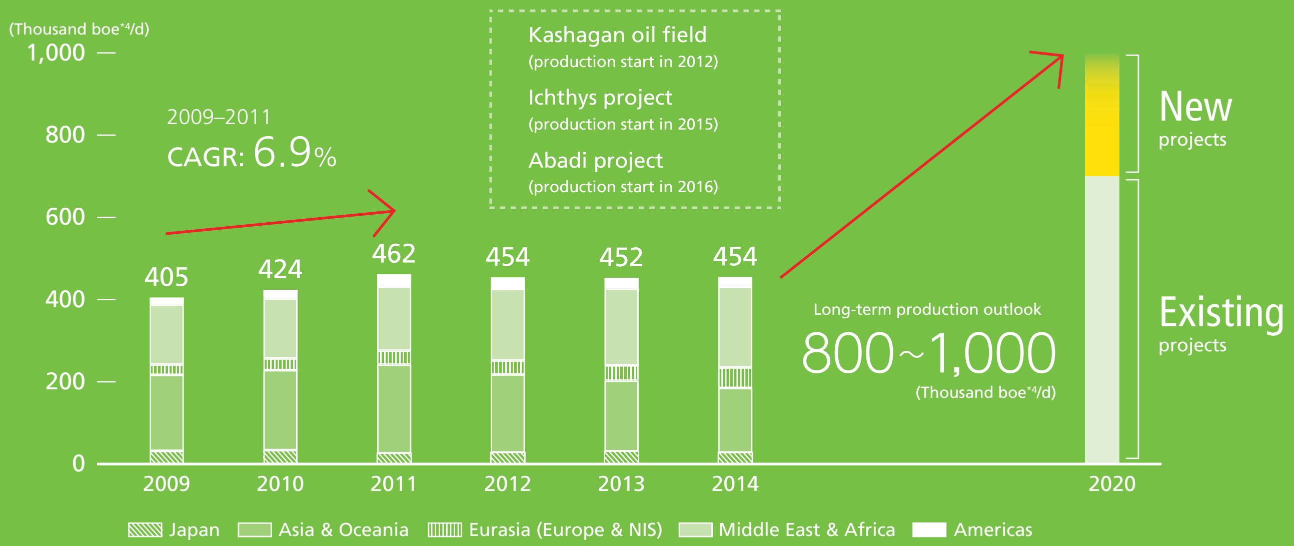
Our Strategy

Long-term Goals

- 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
- We aim to maintain RRR*2 to be over 100% in mid-to-long term.
- While the upstream business being 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).

Long-term projections of net production*3



(For the years ended March 31)

Note: Net production calculated using assumed oil price of US$52.5/bbl for the year ended March 31, 2010 and US$60 thereafter.

*3 In accordance with the rules of Securities and Exchange Commission of the United States
*4 Barrels of 0il Equivalent

Three Fundamental Strategies

Based on a well-balanced asset portfolio, further strengthened operational and technical capabilities and the reinforced management, all of which have been formed as a result of the business integration, INPEX pursues the following three strategies:

1. Sustainable expansion of our upstream business

With a mission to provide a stable supply of energies, INPEX will enhance our over-all capabilities required for conducting the upstream business such as financial strength, technical capability, intelligence, ability to access to new opportunities and operational capability, through carrying out existing exploration, development and producing projects. We will also undertake new projects proactively, and will seek to maintain and raise the level of our own production and reserve volumes in a sustainable manner.

2. Establishment of a gas supply chain and proactive expansion of the gas business

In pursuit of diversification and expansion of our gas business, INPEX will establish a gas supply chain by organically connecting domestic and overseas gas sources with our mother market (Japanese market) through constructing a LNG receiving terminal and extending pipeline networks.

3. Evolvement into a company that offers diversified forms of energy

INPEX will evolve into a company that offers diversified forms of energy by exerting all of our efforts onto enlarging the energy supply basis, co-existing harmoniously with local and global communities, and contributing to sustainable advancement of our society.

To Our Stakeholders

Review of the Year Ended March 2009

A sure and steady advance into the future

Looking back on the year ended March 2009, our business environment worsened substantially in the second half of the year amid sharp economic downturn on a global scale. In particular, we saw a substantial drop in crude oil prices, which exert a significant impact on our performance. Also, in the currency markets, the appreciation of yen continued.

We were fortunate in that the deterioration in economic conditions did not coincide with the timing when huge investment were required for INPEX. Unlike other companies, we did not have to postpone any investment or delay any operating plans. We stay on course and are making steady progress in realizing our business strategy for the mid-to-long term.

Compared with the previous year, our sales and profits were down slightly in the year ended March 2009. Yet, despite the severer business environment, we believe that the management concept we established remains the right one. We intend to continue executing a business strategy that adopts a mid-to-long term perspective. We remain convinced that we can deliver sustainable growth in corporate value by continuing to focus on implementing each of our long-term projects steadily and surely while building a solid earnings structure.

Going forward, while there remains little prospect of a full economic recovery in the short term, we will try to improve our financial performance by seeking further reductions in costs.

Major E&P Projects

Expectation-building results

Our key priorities are to establish the two large-scale LNG projects at Ichthys and Abadi that lie at the core of our mid-to-long term business strategy. In the year ended March 2009, our progress on the Ichthys project included the selection in September 2008 of a site for the onshore liquefaction plant in Darwin, Australia. FEED (Front-End Engineering Design) work has now begun. We have taken the first important step for the production start targeted in 2015. At the Abadi field in Indonesia, we submitted a plan of development to the Indonesian government in September 2008 and obtained approval for the project in January 2009. We also think that we made a good start for the production start for the Abadi targeted in 2016.

In the other new large-scale project for INPEX in Kazakhstan, the Kashagan oil field located in the north of the Caspian Sea, after about a year of negotiations with the Kazakh government concerning costs, schedules and other aspects of the development plan, we finally concluded an agreement in October 2008. Development work is now underway for the target production start in the end of 2012.

It was difficult to handle the business environment in the year, but, as outlined above, we were able to resolve various issues that are critical to the success of our mid-to-long term business strategy. I believe that we made solid and steady progress in line with the established schedule.

Our 10-Year Vision for INPEX

A three-pronged strategy

In terms of the outlook for business environment, while the economic downturn is depressing energy demand in the short term, we see demand growing over the mid-to-long term with the economic development of emerging countries. At the same time, however, we recognize that circumstances are likely to become increasingly severer within the international upstream industry such as an intense competition for resources, mainly, among international oil and gas companies and state enterprises of China and others.

Under such environment, we believe that it is important for INPEX to establish a strong position as a highly competitive international upstream company. For this reason, we are pursuing a basic three-pronged strategy to increase our net daily production to 800–1,000 thousand boe by 2020.

First, we aim to achieve sustainable growth of an upstream business. Besides maintaining and expanding existing projects in production, we are also making steady progress in large-scale development projects such as Ichthys and Abadi. In parallel with this, we are also actively engaged in the exploration projects.

The second element of our strategy is the active expansion of our natural gas business through establishing a gas supply chain in Japan while we expect the growth in domestic gas demand. Specifically, we are looking to leverage our domestic pipeline network and connect our overseas LNG projects such as Ichthys and Abadi to the Japanese gas market to create our own

To Our Stakeholders

gas supply chain. This will require the construction of an LNG receiving terminal in Japan. In August 2008, we made a final investment decision to build such a terminal at the harbor of Naoetsu in Niigata Prefecture. Construction work is underway to target an operational start-up in 2014.

Thirdly, we are also engaged in the development and supply of new energy sources in order to become a more diversified energy company over the longer term. Over the mid-to-long term we pursue commercialization and various opportunities of future-oriented alternative and renewable energies based on networking with affiliated companies as well as alliances and business tie-ups.

Business Resources

A future-oriented global approach

In order to execute our mid-to-long term growth strategy, it is important to reinforce management resources such as human resources and technology, which underpin this business strategy.

In the area of human resources, promoting large-scale operator projects, such as Ichthys and Abadi, requires technical and managerial expertise in various fields to be of international standards, such as offshore development, floating oil production facilities, pipeline construction, LNG plant construction/operation. We are taking a progressive approach to secure adequate human resources by outsourcing and mid-career recruiting. We are also actively working on human resource development by adopting an OJT in the field operation in Japan and overseas, and programs that support to accumulate technological know-how and expertise.

On the technical side, we will strive to enhance the level of technology in developing and operating large-scale projects and development of non-conventional hydrocarbon resources. We will also enhance technological capability, so that we can make technical proposals and suggestions to producing countries to facilitate the acreage and blocks awarded. Our group has been working on developing technologies for conventional hydrocarbon resources, such as development of super giant carbonate oil field, application of techniques for improved oil recovery (IOR) or enhanced oil recovery (EOR), underground storage of natural gas, treatment technology for oil and natural gas containing CO_2, and H_2S, GTL (gas to liquid) technology, transformational technology creating methane from carbon dioxide using bacteria, and CCS (carbon dioxide capture and storage) technology .

Strategic Investment:

Corporate growth and shareholder compensation

In the next three years, we plan to invest 1,400 billion yen for exploration and development in our existing projects. After that, we are going to begin our full-scale investments in Ichthys and Abadi. As investment for development on large-scale projects is planned toward mid 2010s, we will seek a flexible and stable financing through a combination of internal and external funds.

For external funds, the primary importance is to secure funds from reliable financial institutions, such as governmental finance institutions and commercial banks. Moreover, we will take all possible measures to ensure an optimal financing structure to maintain the soundness of the balance sheet, taking the future business environment into consideration.

We have been targeting the following financial indicators: equity ratio of 50% or higher, debt/total capital employed ratio of 30% or less. As borrowing increases these indices may not be maintained for a short period. However, after production start-up of large-scale projects in mid 2010s they will be secured in the mid-to-long term.

Our basic policy for shareholder compensation is: to achieve harmony, in light of the mid-to-long term prospects, between the maximization of corporate value through ongoing maintenance and enlargement of our reserve and production volumes of oil and gas with aggressive investment in exploration and development in Japan and overseas and direct returns through the payment of cash dividends to shareholders.

As INPEX Group is on a growing stage in a medium term and therefore huge amounts of funding will be required, our financial basis must be secured. We recognize the necessity to further consider our shareholder compensation policy when large-scale projects start commercial production and enter a period of stability.

In Closing

A management's appreciation

There is a wide variety of opinion on oil and gas topics such as global warming, but to my mind, I do not believe that the world would be able to satisfy its energy needs for the foreseeable future without the oil and natural gas resources.

As the largest Japanese oil and gas company, we view a stable energy supply as our social mission to develop numerous projects around the world. By expanding our operations further in the future, we hope to fulfill this mission to an even greater degree.

In that context, I have felt that the whole company has been going well toward our goals in the last few years. I, on behalf of the management, would like to thank everyone who has contributed. Going forward, I hope that all of the employees sharing this sense and we continue to make steady progress amid today's sever economic environment.

August 2009

Naoki Kuroda
Representative Director, President
INPEX CORPORATION

Strategic Focus

*FEED: Front-End Engineering Design

Exploration history

INPEX participated in an open bidding 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, INPEX acquired the exploration permit for this block. In the first drilling campaign, which took about one year since March 2000, three exploratory wells were drilled. The presence of gas and condensate was confirmed in each of them. Starting in May 2001, INPEX gathered, processed and interpreted 3D seismic data. A second drilling campaign began in June 2003 and three exploratory wells were drilled. In the result of that, INPEX 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 the vicinity of the block.

Further two wells were drilled from April 2007 to confirm the extent of the gas-condensate reserves. After in-depth evaluation, including the results from these INPEX’s 8 wells, recoverable reserves from the field 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.

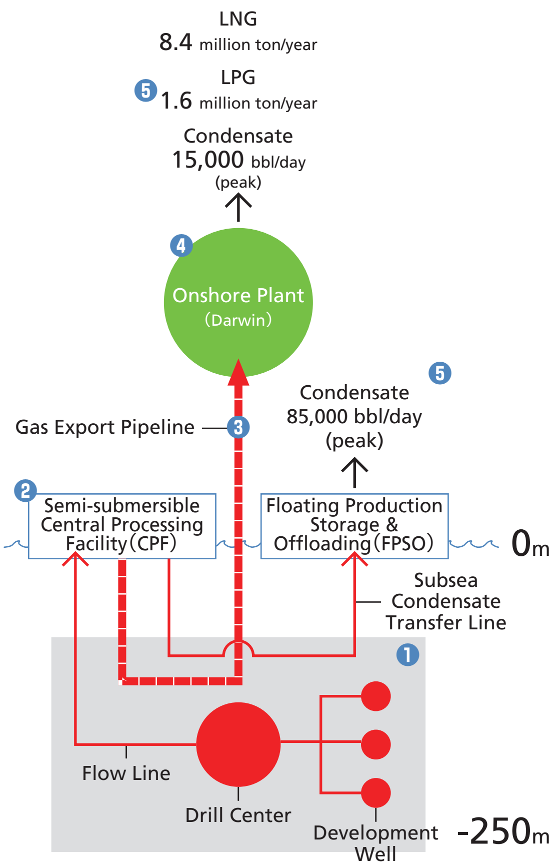
Future plans and timeline

While FEED is proceeding for the Ichthys project, INPEX has submitted an Environmental Impact Statement (EIS) to the Australian federal government and the government of the Northern Territory to obtain environmental approval for the project. INPEX also plans to submit a Field Development Plan (FDP) to the Australian federal government and the government of the state of Western Australia in due course to secure the necessary production licenses. Both the environmental approval and the production licenses are expected before the Final Investment Decision (FID) is made on the project.

LNG marketing activities are also ongoing to secure purchasing commitments for the output of the Ichthys field. Once the necessary conditions such as technical, regulatory, financial and commercial are all met, INPEX plans to make FID with the 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 2015.

Development concept overview

FEED was launched in 2009 for the onshore liquefaction plant and offshore production facilities, based on the development concept as outlined below. INPEX is working to realize the Ichthys project as quickly as possible while seeking the understanding and cooperation of authorities in Australia (principally the federal government, the government of the state of Western Australia and the government of the Northern Territory) and all other parties associated with the project.



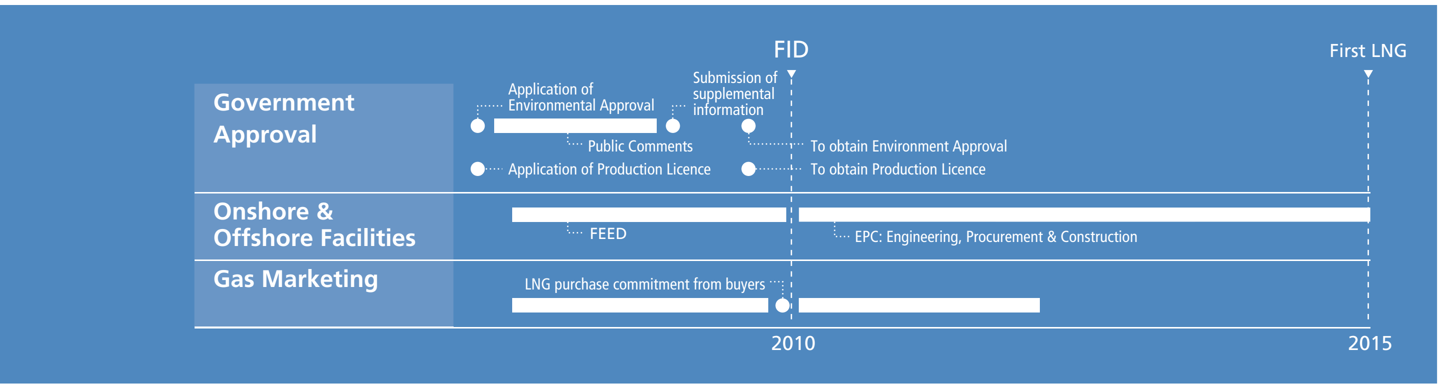
1. Subsea production facilities will be established at a water depth of around 250m. Development wells will be located adjacent to the subsea drill center and connected by flowlines to a central processing facility (CPF).

2. Offshore production facilities will consist of the floating CPF for processing the gas and condensate together with a Floating Production, Storage and Offloading (FPSO) facility to handle storage and shipment of condensate. Plans call for extracting most of the condensate using the CPF and loading it directly from the FPSO to oceangoing tankers for shipment.
   Due to the large scale of projected gas and condensate production, the CPF will be one of the largest of its kind in the world. The FPSO will also be large, with an oil storage capacity of up to 1.2 million barrels. FEED work has now commenced after all the technical requirements and design features were fully evaluated carefully in advance.

3. The gas will be pumped from the CPF to an onshore LNG plant in Darwin via a 42-inch subsea pipeline of approximately 885km in length. This will be one of the longest such pipelines in the world. A feasibility study on the laying of this pipeline has been conducted, with positive results.

4. 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.
   A planned site in Darwin for the construction of the onshore LNG plant was selected in September 2008. The site has an ideal location. It is situated close to the bay, away from the residential parts of Darwin, and also boasts relatively easy access to the city's airport.

5. The plateau production rate from the Ichthys gas-condensate field is forecasted to be approximately 8.4 million tons of LNG and 1.6 million tons of LPG per annum, as well as approximately 100 thousand bpd of condensate at the peak.



Strategic Focus

Outline of Two Major Projects and their Progress

2. Abadi Project

Status overview: In preparation for FEED work, having secured approval for the plan of development from the Indonesian government

Exploration history

In October 1997, based on the preliminary evaluation study, INPEX submitted a bid for the Masela block at a public tender conducted by the Indonesian government. A PSC for the block was concluded in November 1998.

A series of 2D seismic exploration data was recorded for the block in February 1999. The Abadi-1 exploration well was drilled in October 2000, confirming the presence of gas and condensate. Calendar year 2000 was an extremely fortunate one for INPEX, because both the Ichthys and Abadi fields were discovered during that year.

In July 2001, a new series of 3D seismic exploration data was recorded for the discovered structure of Abadi. Over a period of about seven months from March 2002, the Abadi-2 and Abadi-3 appraisal wells were drilled to survey the extent of the structure. The extent of gas-condensate reservoirs was confirmed, indicating that the overall size of the structure was larger than initially projected.

Reserves evaluation and selection of development options were conducted between 2003 and 2007. Over a period of about 14 months from May 2007, further four appraisal wells were drilled with the aim of enhancing the accuracy of reserve estimates. The presence of gas and condensate was confirmed from each of these wells, enabling INPEX to upgrade estimates of the field's reserves substantially.

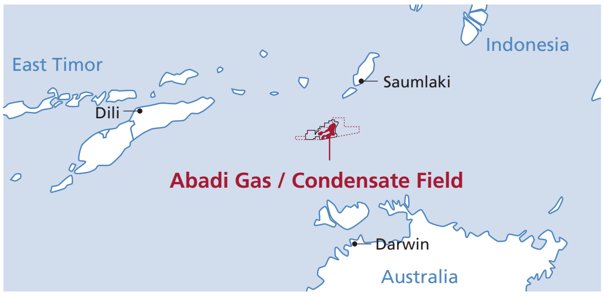
Future plans and timeline

With the aim of production start in 2016, INPEX will conduct FEED work on the floating LNG and subsea production systems required for FID .

Environmental and social approval for the project from the Indonesian government is required prior to FID. LNG marketing activities are scheduled to proceed in parallel with FEED.

Overviews of Abadi gas-condensate field and plan of development

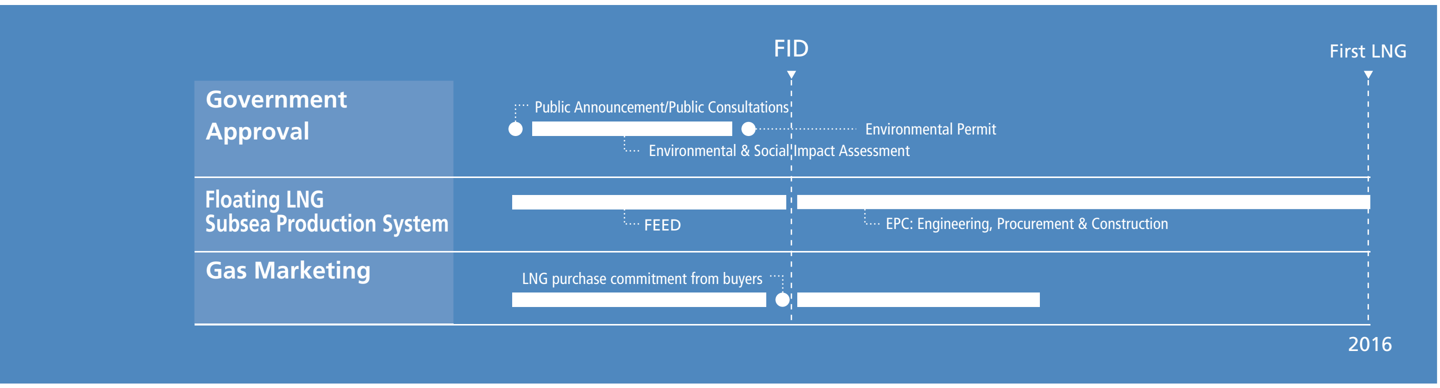
INPEX submitted the plan of development (POD) for the Abadi gas-condensate field to the Indonesian government in September 2008. Approval for this plan has since been obtained. Preparations are currently proceeding steadily to get the FEED started.



The Abadi field is situated in the Indonesian Arafura Sea at water depths in the 400–800m range. The field is huge: the reservoir storing the gas range in depth from 3,700m to 3,900m, and the total area of this reservoir is more than 1,000 sq. km. The field is located approximately 2,600km from the Indonesian capital Jakarta. The nearest land to the block is the Tanimbar Islands, which are located approximately 150km to the northeast. Between the Abadi field and these islands lies the Timor trough, where the seafloor varies from 1,500m to 2,300m in depth. The major challenge for INPEX is how to develop this remote deepwater gas field with promising reserves.

The plan of development to which the Indonesian government has given approval involves the “Floating LNG” (FLNG) concept. Initial development will be focused on the northern part of the field, where most of the reserves are concentrated. Since the sheer depth of the waters in the Masela block makes it unfeasible to use submersible production facilities, INPEX plans to develop the field using a combination of subsea and floating production facilities. This will be one of the largest FPSO for LNG in the world of its kind to produce, store and ship the LNG. Under the FLNG concept, the FPSO will also be able to store and ship condensate that is produced along with the natural gas. The field is expected to produce 4.5 million tons per annum of LNG (over 30 years) and 13 thousand bpd of condensate.

The FLNG concept has not yet been realized in the world. The pre-FEED analysis of the FLNG development was done between September 2007 and November 2008. Based on this work, INPEX thinks that FLNG is technically feasible for the Abadi gas field.



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 the end of June, 2009 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.

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 investment and development investment 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 our 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, which is widely known among U.S. investors. Proved oil and gas reserves are estimated quantities that geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, as of the date such an estimate is made. According to the SEC standards, proved reserves are classified into two categories: "Proved developed reserves" can be expected to be recovered through existing wells with existing equipment and operating methods, and "proved undeveloped reserves" can be expected to be recovered from new wells on undrilled acreage or from existing wells where a relatively major expenditure is required for recompletion. For definition as "proved reserves" we assume the existence of a market and economic means of recovery, process and shipment, or the certainty of gaining such means in the short term. 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 under the equity method, please see the section "Crude Oil and Natural Gas Reserves" on P90.

② Probable 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 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. The difference between this definition and the definition of proved reserves based on the SEC standards is the degree of certainty that oil and gas can be recovered as of the date such an estimate is made. 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 under the equity method, please see the section "Crude Oil and Natural Gas Reserves" on P90.

③ Possibility of Change in Reserves

A reserve evaluation depends on the available geological and engineering data from oil and gas reservoirs, the maturity of development plans, economic conditions, etc. as of the date such an estimate is made. Reserves may be revised in the future on the basis of data 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 Production Sharing Contract, not only production, but also oil and gas prices, investments and cost recoveries, and remuneration fees may affect the economic entitlement. This may cause reserves to increase or decrease. In this way, the reserves could fluctuate because of various data, assumptions and changes of definition.

(3) 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 ten 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 delay of 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, could have an adverse affect on the Group's operational results.

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(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 stock transfer. 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 know-how in exploration, development, and production both within Japan and overseas, as well as their high-level proprietary technologies.

The Group intends to execute operator projects taking into consideration of our business resources and 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. We believe that by utilizing the services of specialized contractors 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 blocks and acreages acquisition through enhancement of technological capabilities and greater presence in oil-producing countries and the industry. At the same time, however, there exist risks such as constraints on the recruitment of personnel who have specialized operational skills, and a relative 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.

At times, joint operating agreements contain preemption right provisions. When a joint operating agreement contains such a provision, in the event that the owner of a working interest attempts to transfer its working interest to a third party, the partners may claim the right to purchase the working interest on the same terms and conditions as those agreed with the third party. Furthermore, although preemption right provisions customarily apply primarily to the direct transfer of working interests, in certain cases the provisions are also contained in joint operating agreements, stipulating that the issuance or transfer of shares in the owner of the working interest or its parent company (including parent company of the parent company, same meaning below) triggers preemption rights. With respect to the joint operating agreements with preemption right provisions to which the Group is a party, we think that there are no transactions in which we are involved for which the preemption rights of partners are exercisable. It is possible, however, that in cases where we acquire a partner's working interest, shares of common stock of a project company that directly holds a working interest, or shares of common stock of its parent company, or where shares of common stock of such project company through which we hold a working interest or shares of common stock of its parent company are transferred or issued to a third party, or in cases of company reorganization, other partners may claim that they are entitled to exercise preemption rights with respect to that working interest. Should partners prevail in such a claim, we may not be able to acquire the working interest as planned or, in the case of a transfer or issue of shares of common stock of a project company through which we hold a working interest or shares of common stock of its parent company, the project company may be forced to transfer the working interest to those partners.

(6) Disaster and Accident Risks

Oil and gas development business entails the risk that operational accidents, disasters may occur in the process of exploration, development, production, transportation. Should such an accident, disaster and other such incident occur, risks are not limited to the occurrence of costs, excluding compensation covered by insurance, due to facility damage, but include 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.

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 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 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 we maintain accident insurance covering the 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, and those prices fluctuate significantly in response to the influence of global or local supply and demand. 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.

①Although 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.

②Because 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 majority of selling prices are decided on a full-year basis through contracts with the users, but in the event that market prices of competing forms of fuel such as LNG fluctuate sharply, the selling price of natural gas that is domestically produced may be affected. From January 2010, the Company plans to sell natural gas regasified from imported LNG in addition to natural gas produced in Japan. Therefore, we plan to introduce a new gas pricing system linked to the price of imported LNG, on the basis of the percentage of the total gas sales accounted for by imported gas As a result, the selling price of the Company's natural gas in the domestic market will be directly affected to a certain extent by changes in crude oil prices and in the price of imported LNG, which is linked to the price of crude oil.

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

As the most of Group's business consists of overseas E&P business conducted overseas, associated revenues (sales) and expenditures (cost) are denominated in foreign currencies, and profit and loss is subject to the effects of the foreign exchange market. At times of the yen appreciation, yen-denominated sales and profits decrease. Conversely, at times of the yen depreciation, yen-denominated sales and profits increase.

On the other hand, when borrowing necessary funds, the Company borrows in foreign currencies. At times of the yen appreciation, a foreign exchange gain on foreign-currency denominated borrowings is incurred as a result of fiscal year-end conversion; at times of the yen depreciation, 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.

(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, 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

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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. The Asia and Oceania regions including Japan, the Group's core geographical business area, accounted for about 54% of the Group's production volume, and the Middle East accounted for about 36%.

As a result of the business integration, the Company's operational areas comprise a very wide range, encompassing the Asia-Oceania regions (particularly Japan, Indonesia, and Australia), the Middle East, the Caspian Sea area, Central and South America, and Africa. In this way, the merger has resulted in the realization of a more geographically balanced global portfolio. We will plan to form a further well-balanced asset portfolio further in the future.

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 originally held a 75% participating interest in this development project, but in October 2006, the Company reduced its interest to 10% due to constraints in financing for huge development costs.

In view of the difficult economic environment surrounding the project, we are currently 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 placing a basic change in the way of development of the project, it would not go as planned or would be difficult to recover the 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).

(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 two or more of the six sanctions below be applied to any person, without

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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 development of oil resources in Iran.

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

⑥The 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 in Iran. Also, although extraterritorial application of the laws of a country on other countries is 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 Azadegan Oil Field Development Project. In the event that the U.S. government decided to apply sanctions under the act to this project, this could have an indirect adverse impact on the Company's involvement in the Azadegan Oil Field Development Project or other projects.

A number of legislative bills have recently been submitted to House and Senate in the United States Congress with the aim of strengthening the above-described sanctions against Iran. In the event that one or more of such bills were to become law, depending on their provisions, this could have an indirect adverse effect on the Company's involvement in the Azadegan Oil Field Development Project or other projects.

Additionally, similar sanctions 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 common shares of the Company's stock (29.35% of common shares issued) and a special-class share as of 30 June, 2009, the Company autonomously exercises business judgment as a private corporation, and there is no control relationship 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 29.35% 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 in an additional offering or by other means. 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, refer to the 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., 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.

Business Risks

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

10 Concurrently Serving Outside Directors

As of June 30, 2009, 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 Nippon Oil Corporation ("shareholder corporations"), respectively.

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

To this end, all Company directors, including the outside directors, are required to sign a written undertaking to carry out their duties as officers of the Company appropriately and with the highest regard for the importance of such matters as their obligations in connection with non-competitive practices under the Japanese Companies Act, the proper manner for dealing with conflict of interest, and confidentiality.

Business Location

Eurasia
(Europe & NIS)

Page 37

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

Japan

Page 46

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

Middle East & Africa

Page 40

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

*Our E&P operations

Asia & Oceania

Page 30

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

Americas

Page 43

59 Guarico Oriental Block (Venezuela)
60 Moruy Ⅱ Block (Venezuela)
*61 Copa Macoya Block (Venezuela)
62 Block 18 (Ecuador)
63 Block Cuervito (Mexico)
64 Block Fronterizo (Mexico)
*65 Block 31 (Surinam)
66 Frade Project (Brazil)
67 Albacora Project (Brazil)
68 BM-C-31 (Brazil)
69 Ship Shoal Block 72 (U.S.A.)
70 West Cameron Blocks 401 and 402 (U.S.A.)
71 Main Pass Blocks 118 (U.S.A.)
72 Louisiana Block SL19372 (U.S.A.)
73 Joslyn Oil Sands Project (Canada)
74 Athabasca Block (Canada)

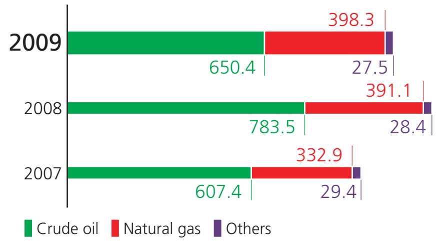
Business Performance

Years ended March 31	2007	2008	2009
Net proved reserves (End of period)*1:			
Crude oil, condensate and LPG (MMbbls)	1,139	1,088	**1,048**
Natural gas (Bcf)	3,782	3,346	**3,300**
Total (MMboe)	1,770	1,645	**1,598**
Net production*1:			
Crude oil, condensate and LPG (Thousand bbls/day)	242.5	241.5	**223.2**
Natural gas (MMcf/day)	1,051.1	1,088.8	**1,090.0**
Total (Thousand boe/day)	417.7	423.0	**404.9**
Average expenses per boe produced (US$)*2:			
Production*3	8.5	10.2	**12.4**
General and administrative	1.7	1.6	**2.5**
Costs incurred (Millions of yen)*4:			
Acquisition	1,144	17,980	**10,405**
Exploration	30,544	64,746	**48,653**
Development	185,957	232,958	**235,306**
Total	217,646	315,684	**294,364**
Reserves to production ratio (Years):			
Proved reserves as of the end of the fiscal year/Production in the fiscal year	11.6	10.7	**10.8**
Proved reserves + Probable reserves, as of the end of the fiscal year/ Production in the fiscal year	24.5	28.2	**32.3**
Standardized measure of discounted future net cash flows from proved reserves (Millions of yen)*1*5:	1,347,128	1,701,806	**613,273**
Reserve replacement ratio (3-year average as %)*6:	293	122	**61**
Finding and development cost per boe (3-year average in US$)*2*7:	6.9	17.5	**28.3**
Net probable reserves (End of period)*1:			
Crude oil, condensate and LPG (MMbbls)	1,610	1,274	**1,603**
Natural gas (Bcf)	2,095	8,682	**9,442**
Total (MMboe)	1,959	2,721	**3,176**

*1 See item on page 90 regarding "Oil and Natural Gas Reserves and Production Volume." Proved reserves and production volume are calculated in accordance with U.S. Security Exchange Commission (SEC) rules.
*2 Figures are translated into U.S. dollars based on the average exchange rate of ¥116.62 per U.S. dollar for the year ended March 31, 2007, ¥113.61 per U.S. dollar for the year ended March 31, 2008, and ¥100.85 per U.S. dollar for the year ended March 31, 2009. Figures exclude all equity-method affiliates except those of Japan Oil Development Co., Ltd. (JODCO).
*3 Operating expenses plus royalties due others.
*4 Excluding our proportional interest of equity-method affiliates except JODCO's equity-method affiliate.
*5 The exchange rate was the telegraphic transfer middle (TTM) rate of ¥118.09 per U.S. dollar as of March 31, 2007, ¥100.20 per U.S. dollar as of March 31, 2008, and ¥98.26 per U.S. dollar as of March 31, 2009.
*6 Reserve replacement ratio = Proved reserves increase including acquisition / production
*7 The sum of total costs incurred, for exploration and development of oil and gas fields and total costs incurred for acquisitions divided by the sum of proved reserve extensions, acquisitions and revisions.

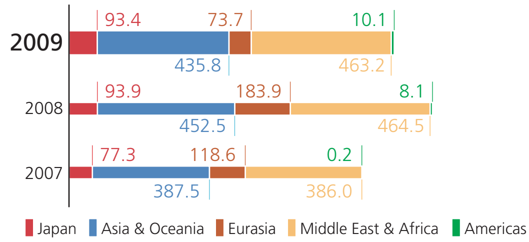
Net sales by product

For the year ended March 31, 2009 1,076.2 billions of yen



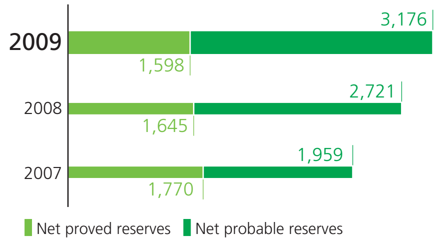
Net sales by region

For the year ended March 31, 2009 1,076.2 billions of yen



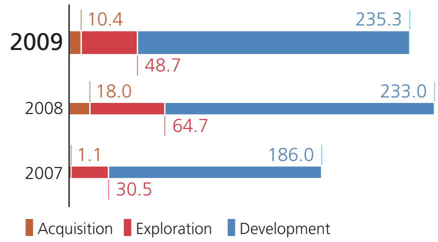
Net proved reserves and net probable reserves

As of March 31, 2009 4,774 million boe*



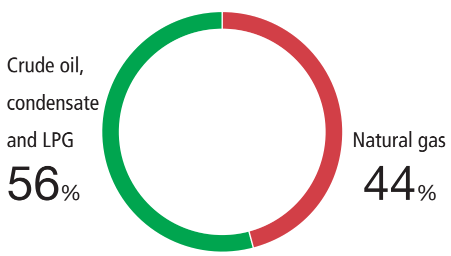
Exploration and development cost

For the year ended March 31, 2009 294.4 billions of yen



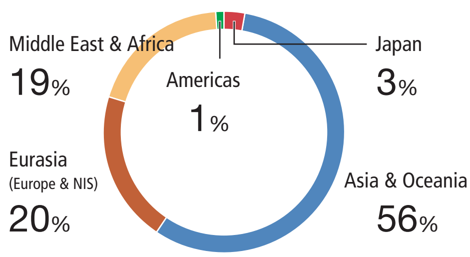
Net proved reserves and net probable reserves (by product)

As of March 31, 2009 4,774 million boe*



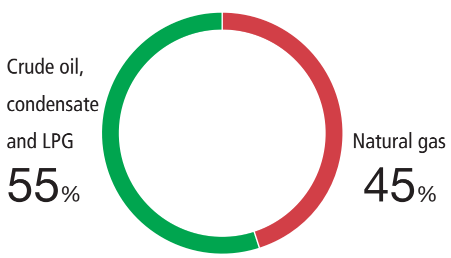
Net proved reserves and net probable reserves (by region)

As of March 31, 2009 4,774 million boe*



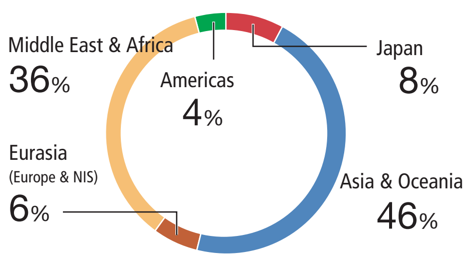
Net production (by product)

For the year ended March 31, 2009 404.9 million boe*/d



Net production (by product)

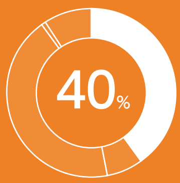
For the year ended March 31, 2009 404.9 million boe*/d



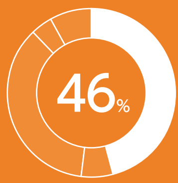
*Barrels of Oil Equivalent

Business Activities — Asia & Oceania

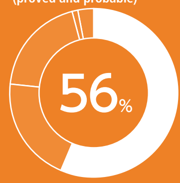
Net sales by region ¥435.8 billion



Net production by region 185 thousand boe/d*1



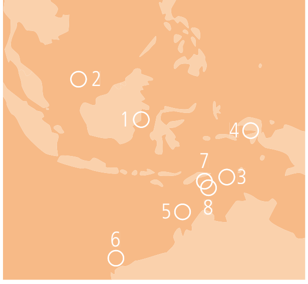
Net reserves by region (proved and probable) 2,689 MMboe*2



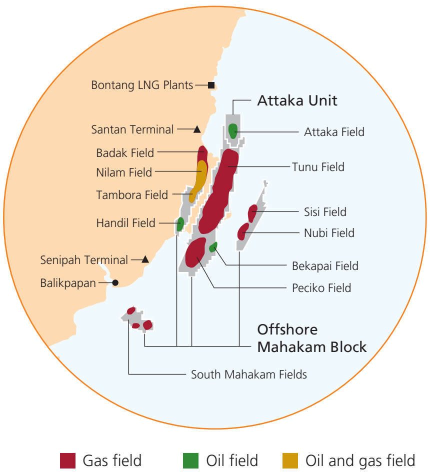
*1 Thousands of barrels of oil equivalent per day
*2 Millions of barrels of oil equivalent

	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* 100%
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-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% 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-10-L	INPEX Alpha, Ltd. (Est. February 17, 1989)	INPEX Alpha 20% BHPBP* 45% ExxonMobil 35%
	WA-12-L (Deep)		INPEX Alpha 18.67% ExxonMobil* 81.33%
	WA-155-P (Part I)		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



Asia & Oceania



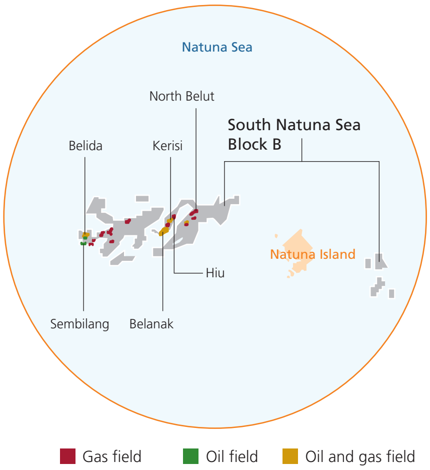
1 Offshore Mahakam Block and Attaka Unit

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 is shipped mainly to oil refineries and power utilities 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 to the PSC lasting until 2017 underpins the Mahakam block's role as a key profit center for INPEX. Negotiations are underway with the Indonesian authorities to secure a further contract extension beyond 2017.

Asia & Oceania



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.

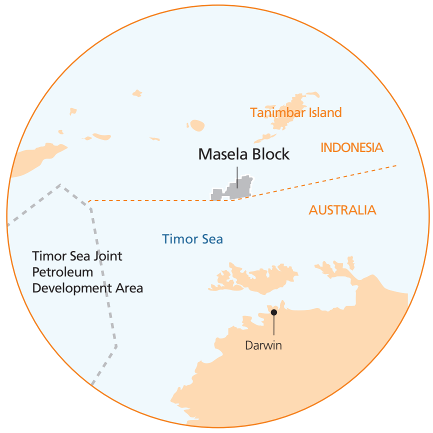
The following fields were subsequently discovered within the block: Belanak (oil and gas), Hiu (gas), North Belut (gas), Belida (oil), Sembilang (oil), and Kerisi (oil and gas).

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.

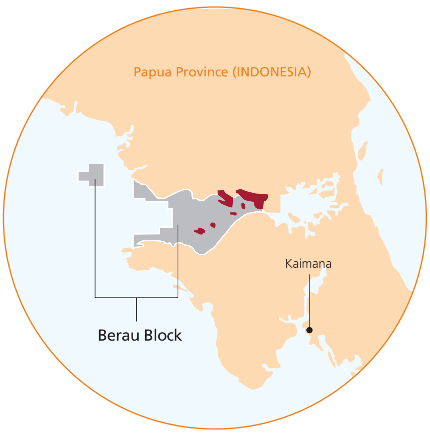
Production operations in the Belanak field utilize a world-class FPSO (Floating Production, Storage and Offloading) system. Production of crude oil and condensate began in December 2004 and of LPG in April 2007. The Hiu and Kerisi fields came on-stream in 2006 and 2007, respectively. Development of the North Belut field is underway for production due to commence in the third quarter of 2009.

3 Masela Block (Abadi)

INPEX acquired a 100% working interest in the Masela block in November 1998 through an open bidding process. The Abadi gas-condensate field was discovered during the drilling of the first exploration well in the block in 2000. This marked the first discovery of hydrocarbon (crude oil and natural gas) in the Indonesian Arafura Sea. Two appraisal wells were drilled in 2002 to confirm the extent of the gas structure. Subsequently, reserve evaluation and studies for selection of development scenario were conducted. Further four appraisal wells were drilled between May 2007 and July 2008 to enhance the accuracy of reserve estimates and confirm the extent of the Abadi field. Pre-FEED (Front End Engineering Design) work on a Floating LNG was also conducted in parallel. Utilizing the resulting data, INPEX submitted a development proposal in September 2008 to the Indonesian government based on the concept of a Floating LNG for natural gas liquefaction within the Abadi field. The proposed plan of development (POD) was approved in principle by the government. FEED work and environmental and social impact assessment will be in process for development of Abadi field.



4 Berau Block, Tangguh LNG Project



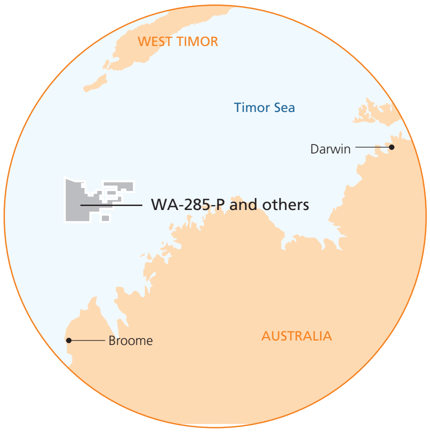
Gas field

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 Corp. (56%), also acquired approximately 16.5% of KG Berau Petroleum Ltd. shares 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 works such as drilling production wells and construction of LNG plant were conducted for four years. The first cargo of LNG was shipped in July 2009. LNG of 7.45 million tons per annum has been supplied to buyers in China, South Korea and North America which long-term sales agreements have been concluded with.

Asia & Oceania

5 WA-285-P (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.

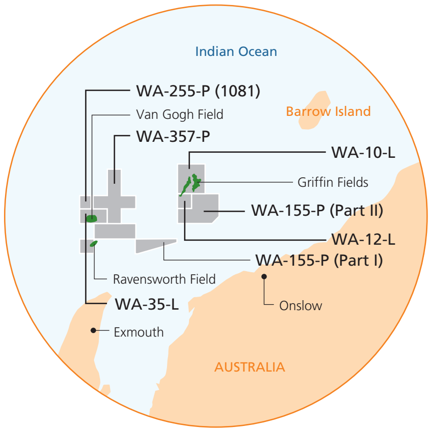
The eight exploratory wells drilled by INPEX to date confirm the presence of sufficient reserves for a large-scale gas and condensate project. Engineering work and feasibility studies, field data collection and environmental impact assessment are all ongoing, and INPEX is also undertaking gas marketing activities for commercial LNG production. A site in Darwin was selected for construction of an LNG plant in September 2008, and FEED work on this plant began in January 2009. Having established an office in Darwin in April 2009 and commenced the basic design work on the offshore production facilities, INPEX is actively focused on driving the project forward. Commercial production of LNG, condensate and LPG is scheduled to commence in 2015. Current projections are for initial annual output of roughly 8.4 million tons of LNG and 1.6 million tons of LPG. INPEX plans to consider expanding future LNG and LPG production further depending on reserve capacity and market conditions. Peak production is estimated at 100,000 bpd of 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.

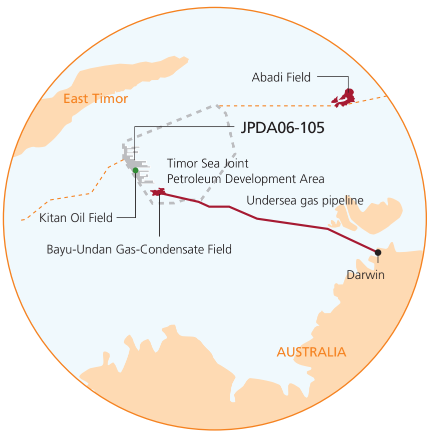
6 WA-10-L (Griffin Oil Fields), WA-35-L (Van Gogh Oil Field), WA-155-P (Part I) Block (Ravensworth Oil Field) and Others

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.

INPEX later acquired working interests for areas around the WA-10-L. These comprised interests in the WA-155-P (Part II) and the WA-12-L (Deep) in July 1994, in the WA-155-P (Part I) in July 1999, in the WA-357-P in July 2006, and in a block of the WA-255-P in March 2009. The Van Gogh and Ravensworth oil fields were discovered in the 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. Development work is underway with a target production start-up in the final quarter of 2009. A final investment decision was taken to develop the Ravensworth field in November 2007, and development is proceeding toward a scheduled production start-up in mid-2010.



Oil field



Gas field Oil field

7 JPDA06-105 (Kitan Oil Field)

INPEX acquired an interest in January 1992 in JPDA06-105, 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 by 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. The TSDA approved the Kitan oil field as a development area in May 2008. The development plan for the Kitan field is currently being under review by the joint venture partners and the Authority; a final investment decision on its development is expected in the second half of 2009.

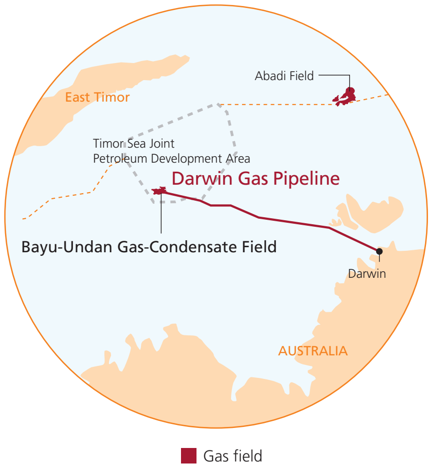
Asia & Oceania

8 JPDA03-12, Bayu-Undan Project

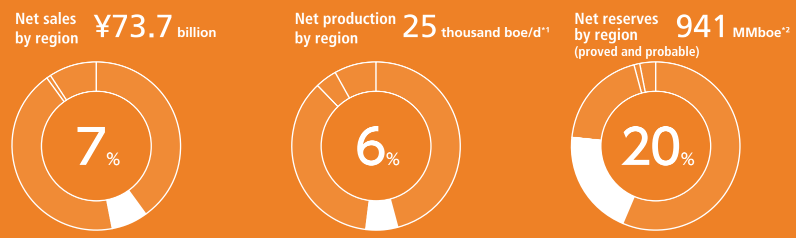
In April 1993, INPEX acquired a working interest in the JPDA03-12, a contract area located in the Timor Sea Joint Petroleum Development Area (JPDA). Exploration within this contract area resulted in the discovery of oil and gas in the Elang, Kakatua, Kakatua North and Undan structures.

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. 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.



Business Activities — Eurasia



*1 Thousands of barrels of oil equivalent per day
*2 Millions of barrels of oil equivalent

	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 10.00% BP* 34.14% Chevron 10.28% SOCAR 10.00% StatoilHydro 8.56% ExxonMobil 8.00% TPAO 6.75% Devon Energy 5.63% Itochu 3.92% 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% StatoilHydro 8.71% TPAO 6.53% Eni 5% TOTAL 5% Itochu 3.4% ConocoPhillips 2.5% Hess 2.36%

*Operator

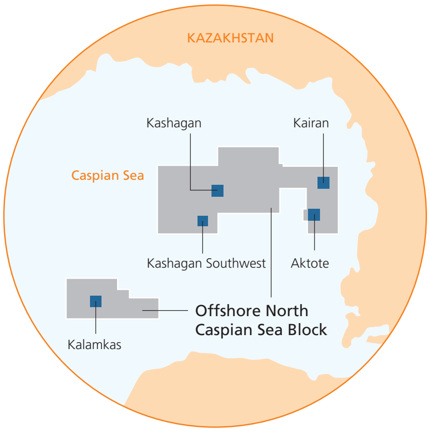
Eurasia

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

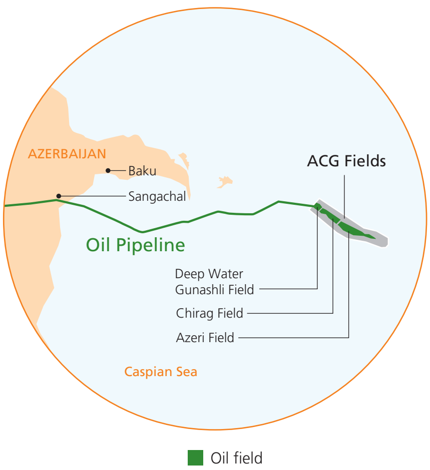
In September 1998, INPEX acquired a working interest in the Offshore North Caspian Sea block inside Kazakhstan's territorial waters. Today INPEX holds an approximately 7.56% interest.

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. Operations continues to increase oil output from the ACG fields to the 1.0 million bpd mark.

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.

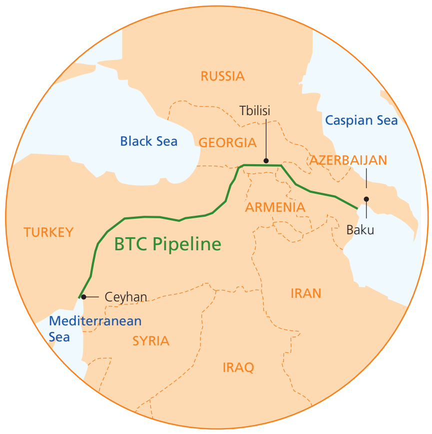
3 BTC Pipeline

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.

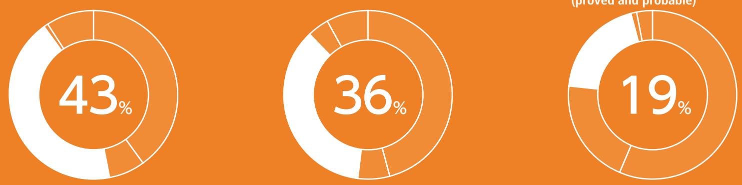
The Ceyhan marine terminal has seven crude oil strage tanks with capacity of 1 million barrels and a jetty with 2,000 meters long where two 300,000-ton tankers can dock at the same time.

INPEX is 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.



Business Activities — Middle East & Africa

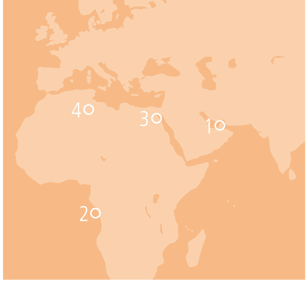
Net sales by region ¥463.2 billion | Net production by region 146 thousand boe/d*1 | Net reserves by region (proved and probable) 913 MMboe*2



*1 Thousands of barrels of oil equivalent per day
*2 Millions of barrels of oil equivalent

	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



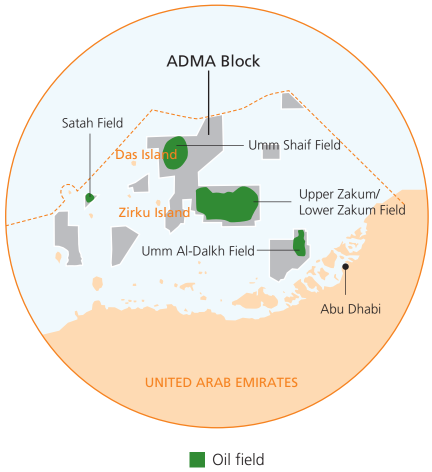
Middle East & Africa

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.

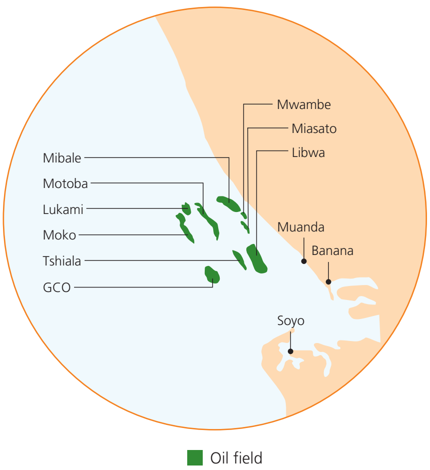
Operation and development of these fields is undertaken by ADMA-OPCO and ZADCO, the two local operating companies whose shares are owned by JODCO, Abu Dhabi National Oil Company (ADNOC) and other participating oil companies. Through JODCO, INPEX continues to assign engineers and other personnel to both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

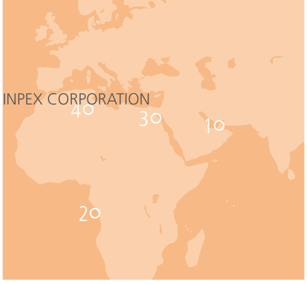


2 Offshore Democratic Republic of the Congo

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.





Middle East & Africa

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.

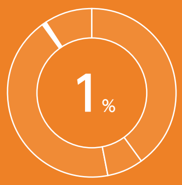
The contract covering the West Bakr block was extended until 2020 in July 2005. Production levels from the existing fields remain stable. EPEDECO is looking to increase production through further exploration activities.

4 El Ouar I/II Blocks

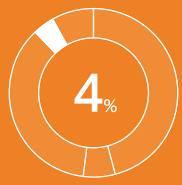
In November 2001, INPEX acquired a 10.29% working interest in the El Ouar I and II onshore blocks located in eastern Algeria. Exploratory drilling in 1997 and the subsequent drilling of appraisal wells confirmed the presence of natural gas, condensate and crude oil in the El Ouar I block. Natural gas 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.

Business Activities — Americas

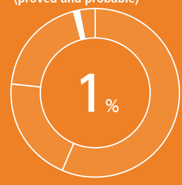
Net sales by region ¥10.1 billion



Net production by region 17 thousand boe/d*1



Net reserves by region (proved and probable) 69 MMboe*2



*1 Thousands of barrels of oil equivalent per day
*2 Millions of barrels of oil equivalent

	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%

*Operator

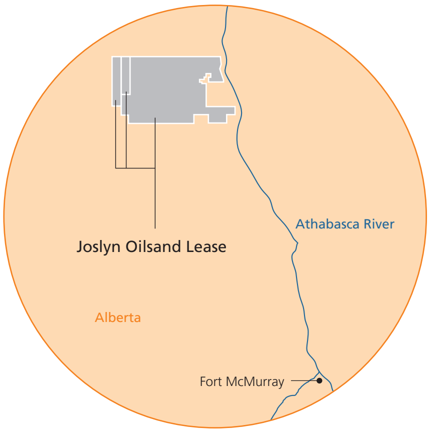
Americas

1 Joslyn Oil Sands Project

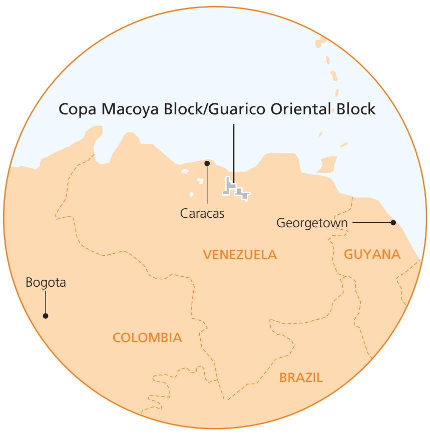
In November 2007, INPEX acquired a 10% interest in the Joslyn Oil Sands Upstream Project in Alberta, Canada.

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.

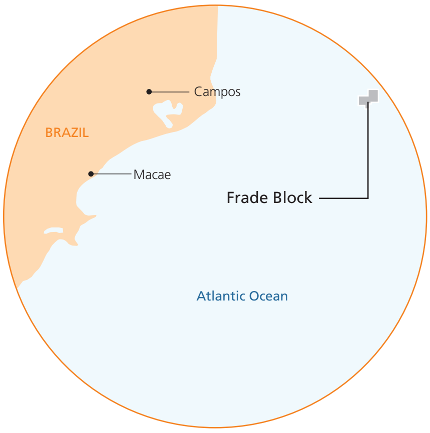


2 Copa Macoya and Guarico Oriental Blocks



INPEX was awarded a 100% working interest in a central onshore area, the East Guarico block, 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.



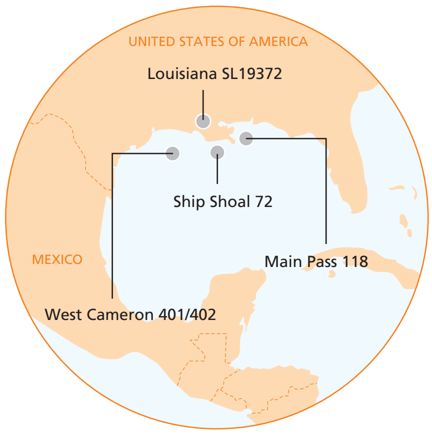
3 Frade Block

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. FJPL's working interest rose further in June 2006 in line with contractual agreements, to approximately 18.3%.

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.

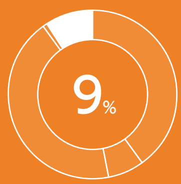
4 Ship Shoal 72, Main Pass 118, West Cameron 401/402, Louisiana SL19372 Blocks

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.

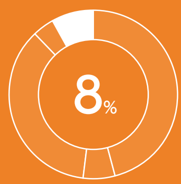


Business Activities — Japan

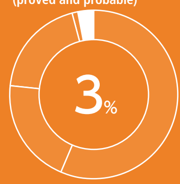
Net sales by region ¥93.4 billion



Net production by region 32 thousand boe/d*1



Net reserves by region (proved and probable) 162 MMboe*2



*1 Thousands of barrels of oil equivalent per day
*2 Millions of barrels of oil equivalent

Japan

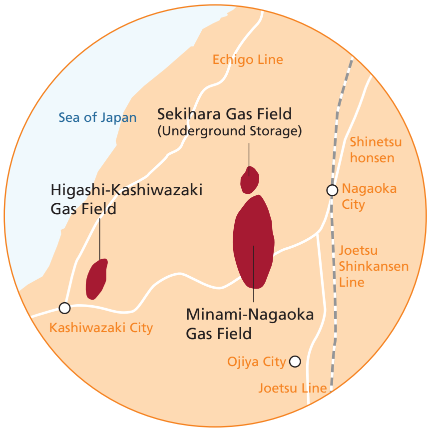
Minami-Nagaoka Gas Field and Domestic Natural Gas Business

Discovered in 1979 and in production since 1984, Minami-Nagaoka is the largest gas field in Japan and accounts for nearly 50% of the country's total natural gas production. After being processed, the natural gas is transported along 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.

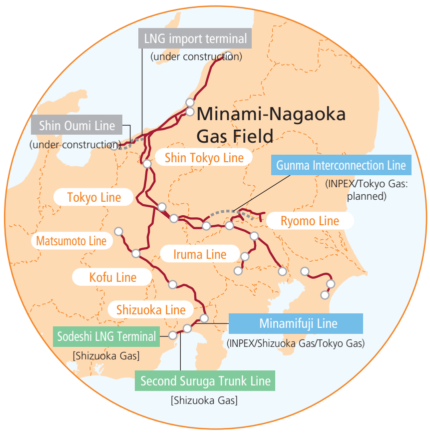
In recent years, demand for natural gas has grown substantially in Japan as prices of competing fuels have soared. The clean and eco-friendly profile of natural gas has also encouraged its increased use. The medium-to-long-term projection is for further growth in annual demand to the 2–3 billion m^3 range, reflecting further active expansion of the supply network into new regions.

Supply capacity and reliability will be dramatically enhanced through dynamic reinforcement of production facilities coupled with expansion of pipeline network. To boost the overall scale of this business, INPEX has decided to build an LNG receiving terminal at Joetsu in Niigata Prefecture on the Japan Sea coast. The target operational start-up date is 2014. Constructing this terminal will enable INPEX to connect overseas gas assets to the domestic Japanese natural gas market to establish an integrated gas supply chain. Prior to the completion of the receiving terminal at Joetsu, INPEX will start to receive LNG from Shizuoka Gas Co., Ltd. in 2010.

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



Gas field



Domestic pipeline network

Mission & Corporate Social Responsibility Policy

Mission

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

Corporate Social Responsibility Policy

The INPEX Group conducts our business efficiently and proactively with a long-term perspective. Guided by the leadership of top management, we are committed to fulfilling our corporate social responsibilities. Our key principles include.

1. Deliver energy in a stable and efficient manner.
2. Comply with laws, rules and regulations and adhere to ethical business conduct.
3. Communicate timely and openly with shareholders, employees, customers, business partners and other stakeholders.
4. Value the individuality of our employees, secure a safe, healthy and worker-friendly environment, and provide opportunities for career development.
5. Recognize our responsibility to help preserve the environment and contribute to sustainable development.
6. Contribute to the development of our host countries and communities based on the understanding of cultural diversity.

Corporate Governance

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

The following contents are based on conditions as of June 30, 2009, unless otherwise stated.

1. Corporate Organization Overview

a) Directors and Board of Directors' Meeting

As of March 31, 2009, the Board of Directors of INPEX is composed of 16 members, four of whom are outside directors. The Board of Directors meets once a month and when necessary to discuss and make decisions regarding important operational matters and oversees the execution of directors' operations.

The four outside directors have many years of management know-how and 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 Nippon Oil Corporation ("shareholder corporations"), respectively.

At the same time, however, the shareholder corporations are involved in businesses that overlap with those of the Company. The Company therefore recognizes that it must pay particular attention to corporate governance to avoid conflicts of interest in connection with competition and other matters. To this end, all Company directors, including the outside directors, are required to sign a written undertaking to carry out their duties as officers of the Company appropriately and with the highest regard for the importance of such matters as their obligations in connection with non-competitive practices under the Japanese Companies Act, the proper manner for dealing with conflict of interest, and confidentiality.

b) Management Committee and Executive Officer System

The Management 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 on a weekly and an as-needed basis. In addition, with the aim of responding more appropriately and rapidly to the fast-changing business environment and expanding businesses, the Executive Officer System was introduced on October 1, 2008 to implement an increasingly flexible and efficient management system.

c) Statutory Auditors and Board of Statutory Auditors

The Company employs a statutory auditor system. As of March 31, 2009, the Board of Auditors is composed of five members, including three from outside the Company.

The statutory auditors attend meetings of the Board of Directors and the Management Committee, conduct interviews with divisions and units as necessary and audit the business execution of directors with regard to overall operations and individual projects based on reports from relevant divisions and units and other information. 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.

The outside auditors have much of know-how and experience in the Company's business and finances, and utilize them in the audit work. Two of the three outside auditors concurrently serve as directors of Japan Petroleum Exploration Co., Ltd. and Marubeni Corporation and are involved in businesses that overlap with those of the Company.

d) Internal Audit

The Internal Audit Unit was 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 nine full-time members) 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.

e) Accounting Audit

The Company receives accounting audits from Ernst & Young ShinNihon LLC in accordance with the Companies Act and the Financial Instruments and Exchange Law. 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:
  Four CPAs, 12 assistant CPAs and 14 others
  Ernst & Young ShinNihon LLC changed its Japanese corporate name on July 1, 2008, reflecting the change in its classification.

Corporate Governance

2. Internal Control System

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

In order to ensure that directors and employees conduct business in compliance with laws and regulations as well as with the Company's Articles of Incorporation, the Company 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, the Company established a Compliance Committee chaired by the director 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 divisions and units 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, in its efforts to secure the accuracy and reliability of its financial reports, the Company has taken steps to establish and utilize the requisite system. Ongoing efficacy is maintained through system evaluation.

b) System for Administration and Storage of Information Regarding 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 the Management Committee, composed of fulltime directors, on a weekly and an as-needed basis in a timely manner, and performing their duties 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, and require each subsidiary's important matters 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

A designated company employee concurrently serves as an auditor's assistant. The assistant concerned is engaged in business in accordance with auditors' instructions.

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

Any changes in personnel involving the auditors' assistant 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 system to enhance audit efficiency by receiving reports as required.

3. 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 the shareholders' meetings or 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 the shareholders' meetings of the Company unless otherwise stipulated by law.

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 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 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 of 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.

4. Risk Management and Corporate Ethics

The Company recognizes that two factors are vital for increasing corporate value amid drastic changes in its operating environment: forestalling losses by properly managing risk inherent in business operations; and maintaining and strengthening trust with customers, investors and other parties. As such, the Company will strive to enhance its risk management on an ongoing basis.

Compliance is also a vital element of continuous corporate development. The Company has methodically developed its compliance system to ensure strict observance of laws, regulations and corporate ethics.

5. Information Disclosure

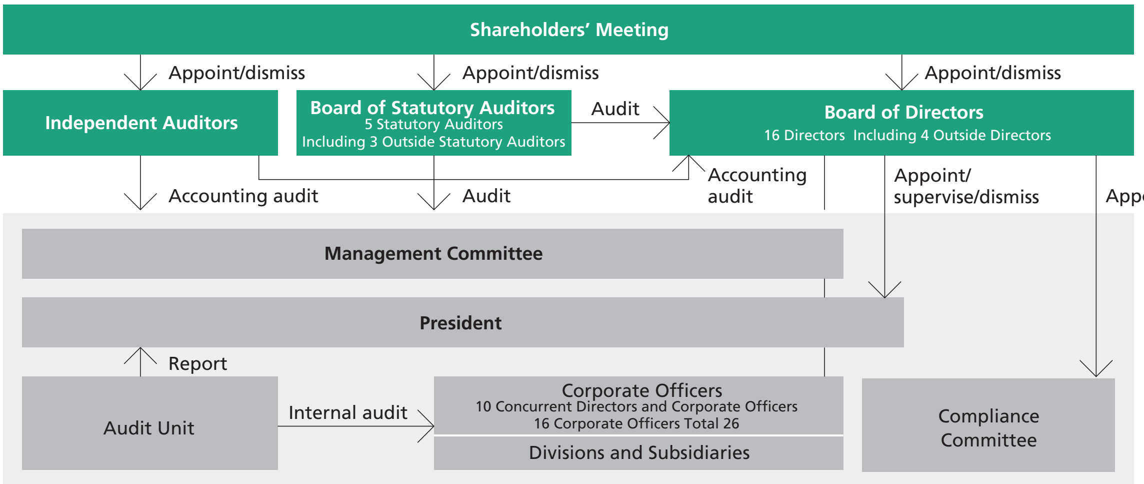
The Company seeks to improve management transparency and accountability by disclosing information in a timely manner through IR activities directed at shareholders and investors, the shareholders' meeting, Web site, public relations activities and in other ways, and will constantly strive to enhance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

In terms of 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.

Corporate Governance

6. Corporate Governance Structure

A diagram of the Company's corporate governance structure is as follows.



7. Director Compensation

In the year ended March 31, 2009, the Company's compensation to directors and auditors was as follows:

¥593 million for 18 directors (including ¥12 million for 3 outside directors)
¥90 million for 6 auditors (including ¥35 million for 4 outside auditors)

Notes: (1) The amount of compensation for directors includes no portion of salaries for those who concurrently serve as ordinary employees. However, there was no payment of salaries to directors for concurrent service as ordinary employees during the year ended March 2009.

(2) The total compensation includes a ¥113 million bonus (¥104 million for directors and ¥9 million for auditors) approved at the third Ordinary General Meeting of Shareholders held on June 25, 2009 as well as provision for accrued retirement benefits to officers. The Company abolished the system of accrued retirement benefits to officers at the end of the second Ordinary General Meeting of Shareholders held on June 25, 2008. Therefore, the fiscal 2009 provision for accrued retirement benefits to officers figure included in total director compensation is for the period from April 2008 to June 25, 2008.

(3) The number of eligible directors includes three directors retired on September 30, 2008 due to the expiration of their term of office as well as one outside auditor who resigned at the end of the second Ordinary General Meeting of Shareholders.

(4) Compensation was not paid to one of the 16 directors as of the end of March 31, 2009.

(5) In addition to the aforementioned compensation, the amount of directors' compensation for outside directors from the Company's subsidiaries during the fiscal year was ¥5 million.

8. Regular Number of Directors

The Company's Articles of Incorporation stipulate that the number of directors shall be up to 16.

9. Conditions for Appointment and Removal of Directors

The Company's Articles of Incorporation stipulate that the appointment of directors shall be approved by a majority of the voting rights with the presence of shareholders representing at least one third of all shareholders. The Articles of Incorporation also stipulate that the appointment of directors shall not be determined by a cumulative vote.

The Articles of Incorporation also stipulate that the appointment or removal of directors requires approval from a General Meeting of Special-Class Shareholder in addition to that from an ordinary General Meeting of Shareholders. For details, please refer to the preceding clause, "3 Special-Class Share."

10. Matters Arising from the General Meeting of Shareholders and Resolved at Board of Directors' Meetings

In accordance with Article 165, Paragraph 2 of the Companies Act, the Company may acquire its own shares by market transactions by resolution of the board of directors in pursuit of flexible implementation of capital policy in the future.

Furthermore, in order for directors and statutory auditors to fulfill the roles expected of them and in accordance with Article 426, Paragraph 1 of the Companies Act, the Company may, within the limits of laws and ordinances, exempt directors and statutory auditors (including a person who was a director and a person who was a statutory auditor in the Company) from liability, by resolution of the board of directors.

For the purpose of implementing flexible profit return to shareholders, the Company may make cash distribution to the shareholders or pledge right holders registered or recorded in the final shareholders' register as of September 30 of each year in accordance with Article 454, Paragraph 5 of the Companies Act.

Auditor Compensation

1. Compensation to Certified Public Accountants (CPAs)

(Millions of yen)

	For the year ended March 31, 2008		For the year ended March 31, 2009	
	Compensation for auditing services	Compensation for non-auditing services	Compensation for auditing services	Compensation for non-auditing services
The Company	-	-	173	14
Consolidated subsidiary	-	-	52	0
Total	-	-	225	15

(1) Other Important Compensation

The Company's consolidated subsidiary, INPEX Browse, Ltd., pays compensation for the auditing of its branch offices to Ernst & Young, which belongs to the same network as the Company's auditing firm. In addition, INPEX DLNGPL Pty Ltd. and other overseas consolidated subsidiaries of the Company pay compensation to Ernst & Young for local statutory audits.

(2) CPAs Non-Auditing Services to the Company

Non-auditing services for which the company pays compensation to the CPAs primarily consist of advisory services related to the establishment of an internal control system for financial reporting.

(3) Determination of Auditor Compensation

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.

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 HSE Management System

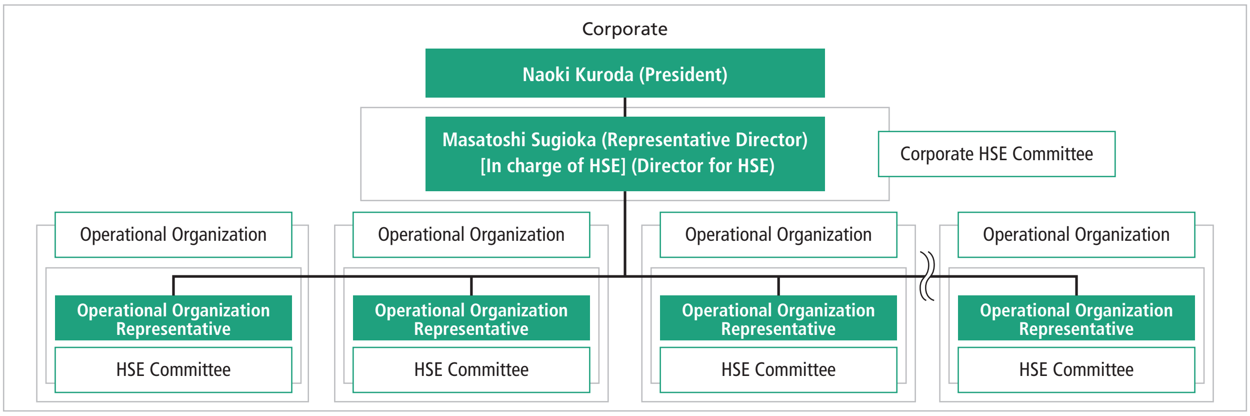
In conjunction with the launch of a new company in October 2008, INPEX established an HSE Unit at its Head Office, while setting up an HSE Group in organizations responsible for operator projects upon necessity.

At the same time, to promote systematic group-wide HSE initiatives, we established the Corporate HSE Committee, which task is to formulate HSE Management System Manual and procedures, and objectives for INPEX Group. During the year ended March 2009, 10 Corporate HSE Committee meetings were held to discuss and approve 18 HSE-related procedures.

Under the Group's HSE Management System, a business unit that is in charge of an operator project is called an Operational Organization. Each Operational Organization is in a position to implement HSE activities at each operational front, and has its own HSE Committee, which is responsible for promoting HSE activities in accordance with the HSE Policy for the project that the Organization undertakes inside and outside Japan.

Furthermore, Head Office management as well as responsible personnel in each Operational Organization worked diligently to raise the HSE awareness of staff and to facilitate knowledge sharing. In addition, aiming to thoroughly inform all relevant parties of the major objectives of the Corporate HSE at each office, we held an HSE personnel meeting in February 2009 as a follow up to the meeting held in 2008. In March 2009, the second Annual HSE Meeting was convened with the participation of representatives from Operational Organizations in Egypt, Indonesia, Australia, Venezuela, Surinam and Japan.

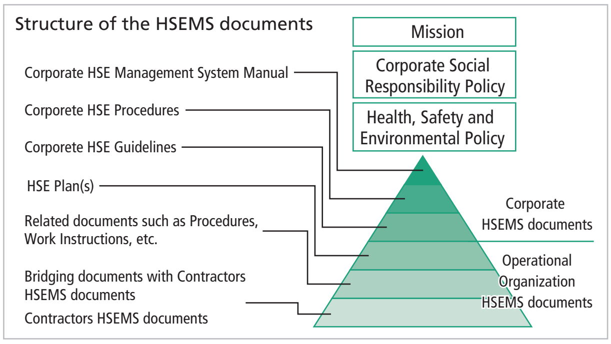
HSE management system implementation framework



Management Structure of HSE Management System

Ideals and principles of INPEX's Mission and Corporate Social Responsibility Policy cover a variety of aspects. In relation to these objectives, INPEX set up the Health, Safety and Environment Policy. Together with this, we established corporate-level HSE Management Manual and procedures as a foundation of management system to achieve our goals in a systematic and steady manner. Furthermore, each Operational Organization prepares related documents such as procedures and plans in accordance with the aforementioned Manual and procedures. Under the PDCA cycle-based management system regulated by these documents, Corporate and Operational Organizations are making group-wide efforts to ensure health, safety and environmental protection.

HSE-related documents published by March 31, 2009 are as follows.



Contributing to Local Communities

Promoting mutual understanding through intercultural exchang

In November 2008, in response to a request from His Highness Crown Prince of Abu Dhabi, INPEX supported the Japanese Tea ceremony held by the Urasenke. The significance and history of the tea ceremony and the benefits of tea drinking are explained to His Highness, other dignitaries and local university students. A demonstration was also organized to provide a glimpse into this aspect of Japanese culture. As a result, plans have been made to build a teahouse in Abu Dhabi and to establish a dispatch program to enable students to visit Japan to learn more about the Urasenke tradition of tea. These intercultural exchanges are expected to strengthen ties between the two countries.

His Highness Crown Prince of Abu Dhabi, other dignitaries and local university students are introduced to the Japanese tea ceremony, a symbol of Japanese culture.

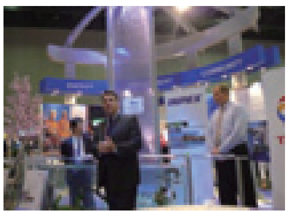
Multifaceted support for social and economic development

Gas Guarico, S.A., a joint venture for gas development undertaken in Venezuela, in which INPEX has a 70% equity stake, is working to raise living standards in the region and support local industrial development. In 2007 the company offered to help the local municipalities in the construction of a water-supply system from a lake to the local town for drinking and irrigation purposes. Once completed, this project is expected to make a major contribution to the community. Plans have now received approval from both the central and the local government, and preparations are ongoing to commence construction in 2009.

A program in Venezuela to supply fresh water for drinking and irrigation will help to raise living standards and support local industrial development.

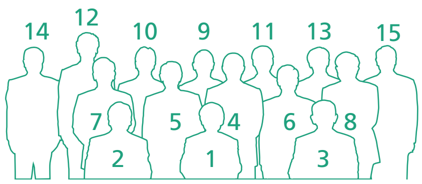
Community-oriented corporate citizenship activities

INPEX was a participant and exhibitor at the annual conference organized by the Australian Petroleum Production & Exploration Association (APPEA) in Darwin, Australia in May–June 2009. Highlighting the themes of "Energy" "Employment" and "Community," the INPEX stand promoted the message of coexistence with the community of Darwin, which is selected as the site for a natural gas liquefaction facility for the Ichthys project. We also organized workshops for local high school students to introduce the oil and gas E&P industry and related employment opportunities.



INPEX sent the message "coexistence" with the Ichthys project at the APPEA conference in Darwin, Australia, which is the planned construction site of a liquefaction plant.

Board of Directors



1	Representative Director, Chairman	Kunihiko Matsuo
2	Representative Director	Masatoshi Sugioka
3	Representative Director, President	Naoki Kuroda
4	Director	Katsujiro Kida
5	Director	Seiji Yui
6	Director	Kunio Kanamori
7	Director	Masaharu Sano
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	Shigeru Watanabe
	Director (Adjunct)	Kazuo Wakasugi
	Director (Adjunct)	Hisanori Yoshimura
	Director (Adjunct)	Yoshiyuki Kagawa
	Director (Adjunct)	Shigeo Hirai
	Statutory Auditor (Adjunct)	Hiroshi Sato
	Statutory Auditor (Adjunct)	Fumiya Kokubu

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 expenditures 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 provable 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.

— 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 prior service costs were to arise due to changes in the system of retirement benefits, or if any deviation between the base assumptions and actual results or revision of such assumptions were to generate actuarial gains or losses.

Since certain subsidiaries are classified as small enterprises in line with the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 14) as published by the Accounting Standards Board of Japan (ASBJ), a simplified approach is employed to calculate the retirement benefit obligations for these subsidiaries (since the individual retirement benefit plans for these companies cover less than 300 people). The simplified approach calculates the overall retirement benefit obligation assuming that all active employees voluntarily terminated their employment as of the balance sheet date.

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

BUSINESS ENVIRONMENT

The Japanese economy deteriorated rapidly in the second half of the year ended March 2009 due to the impact of a stronger yen and a sharp slowdown worldwide caused by the global financial crisis that had originated in the US subprime loan market. Corporate earnings and exports both declined, leading to harsher employment conditions.

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. After trading at the beginning of April 2008 at US$100.98 per bbl, the WTI benchmark rose steadily before setting an all-time record of US$147.27 per bbl in July 2008. The main factors pushing up the oil price remained the growth in demand for oil in China, India and other developing countries, the perceived geopolitical risk associated with major oil-producing nations, and an influx of speculative capital into oil futures markets. However, with demand in rapid decline as the global economy tipped into recession, the price of WTI fell back to 4.5-year lows of under US$40 per bbl in December 2008. The price remained within the US$30–55 per bbl range during the first quarter of 2009, closing at US$49.66 per bbl at the end of March 2009. Prices of crude oil and petroleum products in Japan generally followed international benchmark fluctuations.

Movements in currency markets also have a significant influence on Group performance. The yen began the fiscal year ended March 2009 trading at close to ¥100 to the US dollar. Amid forecasts that monetary policy worldwide would remain tight due to extremely high commodity prices, the yen remained susceptible to selling pressure as the effects of the credit crunch caused by the problems in the US subprime loan market began to ease somewhat. By August 2008, the yen had weakened to close to the ¥110 level against the US dollar. Selling pressure tapered off abruptly as the United States and other major economies entered a sharp downturn and commodity prices fell. The collapse of leading US financial institutions in September 2008 precipitated a financial crisis, which in turn caused a flight from risky assets and sharp cuts in interest rates worldwide. The yen appreciated rapidly against all other major currencies, soaring to the ¥87.0–87.5 range against the US dollar by the end of 2008. The flight from risky assets corrected slightly during the remainder of the fiscal year under review, and the yen was in a downward trend at the end of March 2009. The closing USD-JPY rate at the year-end on a Telegraphic Transfer Middle (TTM) basis was ¥98.26, representing a net increase in the yen's value against the US dollar of ¥1.94 since the previous year-end.

OPERATING RESULTS

(Millions of yen, except percentages)

Years ended March 31,	2008	**2009**	Change	Percentage change
Net sales:	¥1,202,965	**¥1,076,165**	**¥(126,800)**	**(10.5)%**
Crude oil	783,465	**650,352**	**(133,113)**	**(17.0)**
Natural gas	391,091	**398,267**	**7,176**	**1.8**
Other	28,409	**27,546**	**(863)**	**(3.0)**
Cost of sales	390,554	**319,038**	**(71,516)**	**(18.3)**
Gross profit	812,411	**757,127**	**(55,284)**	**(6.8)**
Exploration expenses	34,095	**25,982**	**(8,113)**	**(23.8)**
Selling, general and administrative expenses	48,346	**50,683**	**2,337**	**4.8**
Depreciation and amortization	15,759	**17,195**	**1,436**	**9.1**
Operating income	714,211	**663,267**	**(50,944)**	**(7.1)**
Other income:	33,090	**32,035**	**(1,055)**	**(3.2)**
Interest income	10,984	**9,536**	**(1,448)**	**(13.2)**
Dividend income	5,440	**12,338**	**6,898**	**126.8**
Net gain on redetermination of unitized field	4,005	—	**(4,005)**	**(100.0)**
Net gain on taking effect of exploration and production agreement	3,482	—	**(3,482)**	**(100.0)**
Foreign exchange gain	2,747	—	**(2,747)**	**(100.0)**
Other	6,432	**10,161**	**3,729**	**58.0**
Other expenses:	61,501	**79,135**	**17,634**	**28.7**
Interest expense	10,888	**3,934**	**(6,954)**	**(63.9)**
Provision for allowance for recoverable accounts under production sharing	20,587	**16,643**	**(3,944)**	**(19.2)**
Provision for exploration projects	3,104	**3,387**	**283**	**9.1**
Loss on valuation of investment securities	21,350	**31,799**	**10,449**	**48.9**
Foreign exchange loss	—	**14,571**	**14,571**	**—**
Other	5,572	**8,801**	**3,229**	**57.9**
Income before income taxes and minority interests	685,800	**616,167**	**(69,633)**	**(10.2)**
Income taxes	491,349	**470,378**	**(20,971)**	**(4.3)**
Minority interests	21,205	**726**	**(20,479)**	**(96.6)**
Net income	¥ 173,246	**¥ 145,063**	**¥ (28,183)**	**(16.3)%**

Net sales

Consolidated net sales in the year ended March 2009 decreased by ¥126.8 billion from ¥1,203.0 billion to ¥1,076.2 billion, representing a decline of 10.5% compared with the previous year. Although the higher prices for oil and gas inflated sales revenue, this was more than offset by the appreciation in the yen's average exchange rate during the year coupled with lower crude oil sales volumes. Net sales of crude oil declined by ¥133.1 billion, or 17.0%, from ¥783.5 billion to ¥650.4 billion. Net sales of natural gas grew by ¥7.2 billion, or 1.8%, from ¥391.1 billion to ¥398.3 billion. Sales revenue from other sources declined by ¥0.9 billion, or 3.0%, from ¥28.4 billion to ¥27.5 billion.

Sales of crude oil in volume terms dropped by 10,288 thousand bbl, or 12.0%, in year-on-year terms during the year ended March 2009, to 75,427 thousand bbl. This was principally due to lower sales volumes from ACG oil fields. Sales of natural gas declined by 1 billion cubic feet (Bcf), or 0.3%, to 401 Bcf. At 340 Bcf, sales of natural gas produced overseas were 0.2 Bcf, or 0.1%, higher than in the previous year. Sales of domestically produced natural gas declined by 33 million m^3, or 2.0%, to 1,625 million m^3 (equivalent to 61 Bcf).

The average price of crude oil produced overseas was US$82.70 per bbl, an increase of US$2.63 per bbl, or 3.3%, compared with the previous year. The average price of natural gas produced overseas was US$9.22 per thousand cubic feet (Mcf), which represented a year-on-year increase of US$0.96, or 11.6%. Hence, natural gas increased more in price than crude oil during the year ended March 2009. This mainly reflected the fact that the price of LNG produced at the Bontang facility in Indonesia, which accounts for the majority of the Group's natural gas produced overseas, is calculated based on the oil price in the preceding month. For this reason, the impact of the drop in oil prices in the second half of the year on natural gas prices was delayed by one month. The average price of domestically produced natural gas was ¥37.39 per cubic meter, a year-on-year increase of ¥1.69, or 4.7%. The average yen exchange rate for the Group's sales during the year ended March 2009 was ¥102.95 against the US dollar. This equated to an appreciation in the yen's value against the US dollar relative to the previous year of ¥10.76, or 9.5%.

Analyzing the factors contributing to the year-on-year fall of ¥126.8 billion in net sales, lower sales volumes were responsible for a drop in sales of ¥91.0 billion, and the increase in average unit prices pushed up sales by ¥67.8 billion. The yen's stronger average exchange rate had a negative impact on sales of ¥102.8 billion, while other factors depressed sales by ¥0.8 billion.

Cost of sales

The cost of sales declined by ¥71.6 billion, or 18.3%, from ¥390.6 billion to ¥319.0 billion. This mainly reflected reductions in the cost recovery portions at ACG oil fields and the Offshore Mahakam block.

Exploration expenses

Exploration costs rose in Australia for the Ichthys and surrounding blocks, but were lower in other regions. Total exploration expenses fell by ¥8.1 billion, or 23.8%, from ¥34.1 billion to ¥26.0 billion.

Selling, general and administrative expenses

Selling, general and administrative (SG&A) expenses were 4.8% higher than in the previous year, rising by ¥2.4 billion from ¥48.3 billion to ¥50.7 billion. Higher taxes levied by East Timor associated with the Bayu-Undan project and increases in labor costs outweighed savings in transport costs for crude oil from ACG fields due to lower sales volumes.

Depreciation and amortization

Depreciation and amortization expense increased by ¥1.4 billion, or 9.1%, from ¥15.8 billion to ¥17.2 billion. This mainly reflected higher depreciation costs for domestic gas pipelines. 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" rather than 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 within the cost of sales.

Operating income

Reflecting the above, operating income declined by ¥50.9 billion, from ¥714.2 billion to ¥663.3 billion. This equated to a fall of 7.1% in year-on-year terms.

Other income

Other income declined by ¥1.1 billion, or 3.2%, to ¥32.0 billion (compared with ¥33.1 billion in the year ended March 2008). This was primarily due to the absence of factors that had inflated this item in the year ended March 2008, specifically the net gain on re-determination of unitized field relating to the Bayu-Undan gas-condensate field and the net gain on taking effect of exploration and production agreement in connection with a project in Venezuela. Dividend income received on the Group's investments was higher than in the previous year.

Other expenses

Other expenses increased by ¥17.6 billion, or 28.7%, to ¥79.1 billion (from ¥61.5 billion in the year ended March 2008). This was primarily due to foreign exchange losses caused by a rise in the average value of the yen on currency markets during the year under review. The Group also recorded a higher loss on valuation of investment securities due to falls in share prices.

Income taxes

Income taxes declined by ¥20.9 billion, or 4.3%, from ¥491.3 billion to ¥470.4 billion. The Group pays the majority of these 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 76.3% in the fiscal year under review).

Minority interests

Minority interests fell by ¥20.5 billion, or 96.6%, from ¥21.2 billion to ¥0.7 billion. This mainly reflected a drop in profits earned from ACG oil fields due to lower sales volumes.

Net income

Net income for the year ended March 2009 fell by ¥28.1 billion, from ¥173.2 billion to ¥145.1 billion. This represented a year-on-year decline of 16.3%.

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 Statement of Financial Accounting Standard No. 69, "Disclosures about Oil and Gas Producing Activities" (SFAS 69) in at least the following respects:

- 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 SFAS 69.
- The tables below have been prepared based on the cost definitions used by operators in their reporting, which may not be consistent with SFAS 69.
- Project-related administrative costs are not necessarily excluded from these expenditures, whereas SFAS 69 requires that administrative costs not directly related to exploration and development activities be excluded from exploration and development expenditures.

Expenditures for the years ended March 31, 2008 and 2009 are shown in the following table:

(Millions of yen, except percentages)

Years ended March 31,	2008		**2009**	
Exploration	¥ 64,746	16.8%	**¥ 48,653**	**12.9%**
Development	232,958	60.3	**235,306**	**62.3**
Subtotal	297,704	77.1	**283,959**	**75.2**
Operating expenses	88,270	22.9	**93,833**	**24.8**
Total	¥385,974	100.0%	**¥377,792**	**100.0%**

Exploration and development expenditures by geographical region for the years ended March 31, 2008 and 2009 are shown in the following table:

(Millions of yen, except percentages)

Years ended March 31,	2008		**2009**	
Japan	¥ 12,836	4.3%	**¥ 8,139**	**2.9%**
Asia & Oceania	169,924	57.1	**170,869**	**60.2**
Eurasia (Europe & NIS)	77,442	26.0	**60,189**	**21.2**
Middle East & Africa	24,345	8.2	**32,873**	**11.5**
Americas	13,157	4.4	**11,889**	**4.2**
Total	¥297,704	100.0%	**¥283,959**	**100.0%**

Operating expenses by geographical region for the years ended March 31, 2008 and 2009 are shown in the following table:

(Millions of yen, except percentages)

Years ended March 31,	2008		2009	
Japan	¥ 9,294	10.5%	**¥ 9,659**	**10.3%**
Asia & Oceania	47,992	54.4	**47,209**	**50.3**
Eurasia (Europe & NIS)	6,755	7.7	**7,799**	**8.3**
Middle East & Africa	21,994	24.9	**25,903**	**27.6**
Americas	2,235	2.5	**3,263**	**3.5**
Total	¥88,270	100.0%	**¥93,833**	**100.0%**

Total exploration expenditures, development expenditures and operating expenses in the year ended March 2009 were ¥377.8 billion. This was ¥8.2 billion, or 2.1%, lower than the equivalent figure for the previous year of ¥386.0 billion. Lower investments in exploration were partially offset by increased investment in development activities and higher operating expenses.

— 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, 2008 and 2009 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,	2008		2009	
Asia & Oceania	¥ 1,029	5.7%	**¥ 441**	**4.2%**
Middle East & Africa	1,058	5.9	**43**	**0.4**
Americas	15,893	88.4	**9,921**	**95.4**
Total	¥17,980	100.0%	**¥10,405**	**100.0%**

Total expenditures on acquisitions of upstream oil and gas projects in the year ended March 2009 amounted to ¥10.4 billion, declining by ¥7.6 billion from the previous year's figure of ¥18.0 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, 2008 and 2009:

(Millions of yen)

Years ended March 31,	2008	2009
Balance at beginning of period	¥319,150	**¥383,163**
Add: Exploration costs	27,460	**23,643**
Development costs	183,002	**160,589**
Operating expenses	52,698	**55,930**
Less: Cost recovery—capital expenditures	92,147	**45,725**
Cost recovery—non-capital expenditures	106,048	**104,848**
Other	952	**18,830**
Balance at end of period	383,163	**453,922**
Allowance for recoverable accounts under production sharing at end of period	¥ (71,445)	**¥ (87,829)**

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 – non-capital expenditures" recoverable amount in addition to operating expenses.

Exploration costs were lower during the year ended March 2009 than in the previous year. This was mainly due to lower investment in exploration within the Masela block.

Development costs were lower during the year ended March 2009 than in the previous year. This was mainly due to reduced investment in the development of ACG oil fields.

Operating expenses rose in year-on-year terms during the year ended March 2009, reflecting an increase in costs due to the Offshore Mahakam block.

Cost recovery for capital expenditures was substantially lower than in the year ended March 2008, mainly due to lower cost recovery at ACG oil fields.

Other deductions to recoverable accounts under production sharing were due to the elimination of related recoverable accounts on block withdrawal and the transfer of mining rights.

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, 2008. This largely reflected additional allowance provisions in connection with the increase in recoverable accounts under production sharing with respect to exploration investments in the Masela block.

— Funding sources and liquidity

The Group maintains access to a wide range of funding sources. Oil and gas exploration projects are mainly funded using cash flow and equity financing, Japan Oil, Gas and Metals National Corporation and other partners. Oil and gas development projects and construction or expansion of domestic pipelines and other supply infrastructure are primarily funded from cash flow and from long-term loans that the Group has secured from the Japan Bank of International Cooperation and Japanese commercial banks. Japan Oil, Gas and Metals National Corporation have provided guarantees for the principal on certain outstanding amounts of the Group's long-term debt. The Development Bank of Japan and various Japanese commercial banks have been providing long-term loans for the construction or expansion of domestic pipelines. Going forward, the Group is looking at more diversified funding of projects, including sources such as non-recourse financing, loan arrangement, bond issuance 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 2009 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
2010	$ 0.0	¥ 5,034	¥ 5,034
2011	0.0	4,924	4,924
2012	0.0	4,425	4,425
2013	0.0	3,957	3,957
2014	0.0	1,929	1,929
2015 and thereafter	927.7	30,039	121,195
Total	$927.7	¥50,308	¥141,464

— Cash flows

Cash flows for the years ended March 31, 2008 and 2009 are summarized in the following table:

	(Millions of yen)	
Years ended March 31,	2008	**2009**
Net cash provided by operating activities	¥ 363,995	**¥ 230,352**
Net cash used in investing activities	(261,767)	**(240,168)**
Net cash used in financing activities	(45,228)	**(46,090)**
Cash and cash equivalents at end of period	¥ 222,270	**¥ 162,845**

Cash flows due to operating activities

Cash provided by operating activities in the year ended March 2009 totaled ¥230.4 billion. This was ¥133.6 billion less than the ¥364.0 billion of positive cash flow generated in the previous year. In addition to a decline in income before income taxes and minority interests, this reflected a substantial fall in cash received due to the recovery of recoverable accounts under production sharing (capital expenditures) for ACG oil fields. Another factor was the payment of income taxes applicable to the previous fiscal year in the fiscal year under review owing to delays in the collection of taxes when compared to the recognition of profit for accounting purposes.

Cash flows due to investing activities

Cash used in investing activities in the year ended March 2009 amounted to ¥240.2 billion. This represented a ¥21.6 billion fall in cash outflow compared with the negative cash flow figure of ¥261.8 billion for the previous year. The cash received due to the proceeds from sales of marketable securities and other factors more than offset increased purchases of tangible fixed assets.

Cash flows due to financing activities

Cash used in financing activities in the year ended March 2009 amounted to ¥46.1 billion. This represented a ¥0.9 billion gain in cash outflow compared with the negative cash flow figure of ¥45.2 billion for the previous year. The main factor was the repayment of long-term debt.

CONSOLIDATED FINANCIAL FORECASTS FOR YEAR ENDING MARCH 2010

Consolidated net sales are forecast to decline 33.1% to ¥720 billion in the year ending March 2010. Operating income, ordinary income and net income are expected to fall 52.4%, 52.0% and 61.4%, respectively, to ¥316 billion, ¥296 billion and ¥56 billion, compared with those for the year ended March 2009. These forecasts, which were announced on August 5th, 2009, assume a lower average oil price (of US$57.0 per bbl for the Brent crude benchmark) and a stronger average value for the yen (of ¥95.6 against the US dollar) than in the year ended March 2009, among other factors.

Consolidated Balance Sheets

INPEX CORPORATION and Consolidated Subsidiaries
As of March 31, 2008 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 3)
ASSETS	2008	**2009**	**2009**
Current assets:			
Cash and cash equivalents	¥ 222,270	**¥ 162,845**	**$ 1,657,287**
Accounts receivable—trade	120,949	**73,540**	**748,423**
Marketable securities (Note 4)	97,465	**101,544**	**1,033,421**
Inventories	19,717	**18,205**	**185,274**
Deferred tax assets (Note 6)	11,236	**6,145**	**62,538**
Accounts receivable— other	83,436	**37,871**	**385,416**
Other	10,097	**10,988**	**111,826**
Less allowance for doubtful accounts	(59)	**(28)**	**(285)**
	565,111	**411,110**	**4,183,900**
Tangible fixed assets:			
Buildings and structures (Note 5)	201,864	**196,639**	**2,001,211**
Wells (Note 5)	180,609	**194,623**	**1,980,694**
Machinery, equipment and vehicles (Note 5)	240,041	**249,292**	**2,537,065**
Land (Note 5)	28,387	**20,752**	**211,195**
Construction in progress	28,721	**76,819**	**781,793**
Other	21,981	**35,511**	**361,398**
	701,603	**773,636**	**7,873,356**
Less accumulated depreciation and amortization	(447,122)	**(476,000)**	**(4,844,290)**
	254,481	**297,636**	**3,029,066**
Intangible assets:			
Goodwill (Note 12)	121,644	**114,884**	**1,169,184**
Exploration and development rights	120,177	**115,566**	**1,176,125**
Mining rights	18,844	**18,593**	**189,222**
Other	4,816	**4,638**	**47,201**
	265,481	**253,681**	**2,581,732**
Investments and other assets:			
Recoverable accounts under production sharing	383,163	**453,922**	**4,619,601**
Less allowance for recoverable accounts under production sharing	(71,445)	**(87,829)**	**(893,843)**
	311,718	**366,093**	**3,725,758**
Investment securities (Notes 4 and 5)	360,727	**344,699**	**3,508,030**
Long-term loans receivable	9,361	**14,195**	**144,464**
Deferred tax assets (Note 6)	20,618	**26,141**	**266,039**
Other investments	31,279	**65,926**	**670,934**
Less allowance for doubtful accounts	(912)	**(529)**	**(5,384)**
Less allowance for investments in exploration	(9,963)	**(10,907)**	**(111,001)**
	722,828	**805,618**	**8,198,840**
Total assets	¥1,807,901	**¥1,768,045**	**$17,993,538**

Refer to accompanying notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of yen 2008	Millions of yen 2009	Thousands of U.S. dollars (Note 3) 2009
Current liabilities:			
Accounts payable—trade	¥ 22,582	**¥ 11,873**	**$ 120,833**
Short-term borrowings and current portion of long-term debt (Note 5)	19,275	**27,816**	**283,086**
Income taxes payable (Note 6)	131,524	**70,419**	**716,660**
Accounts payable—other (Note 5)	111,506	**65,441**	**665,998**
Provision for exploration projects	10,786	**7,948**	**80,887**
Accrued bonuses to officers	209	**135**	**1,374**
Other	29,404	**22,427**	**228,241**
	325,286	**206,059**	**2,097,079**
Long-term liabilities:			
Long-term debt (Note 5)	174,813	**136,430**	**1,388,459**
Deferred tax liabilities (Note 6)	44,296	**28,171**	**286,699**
Accrued retirement benefits to employees	8,645	**8,546**	**86,973**
Accrued retirement benefits to officers	475	**—**	**—**
Liabilities for site restoration and decommissioning costs	12,728	**14,192**	**144,433**
Liabilities for losses on development activities	1,965	**1,965**	**19,998**
Accrued special repair and maintenance	230	**404**	**4,112**
Other (Note 5)	650	**10,217**	**103,979**
	243,802	**199,925**	**2,034,653**
Total liabilities	569,088	**405,984**	**4,131,732**
Net assets (Note 7)**:**			
Common stock:	30,000	**30,000**	**305,313**
Authorized: 2008—9,000,001.00 shares			
2009—9,000,001.00 shares			
Issued and outstanding: 2008—2,358,410.13 shares			
2009—2,358,410.00 shares			
Capital surplus	418,494	**418,478**	**4,258,884**
Retained earnings	718,616	**844,833**	**8,597,934**
Less: Treasury stock: 2008—2,047.10 shares	(2,215)	**(5,248)**	**(53,409)**
2009—4,916.00 shares			
Total shareholders' equity	1,164,895	**1,288,063**	**13,108,722**
Unrealized holding gain (loss) on securities	(7,468)	**(6,818)**	**(69,387)**
Unrealized gain (loss) from hedging instruments	4	**(1)**	**(10)**
Translation adjustments	(60)	**(10,121)**	**(103,003)**
Total valuation, translation adjustments and others	(7,524)	**(16,940)**	**(172,400)**
Minority interests	81,442	**90,938**	**925,484**
Total net assets	1,238,813	**1,362,061**	**13,861,806**
Contingent liabilities (Note 14)			
Total liabilities and net assets	¥1,807,901	**¥1,768,045**	**$17,993,538**

Consolidated Statements of Income

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

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2007	2008	**2009**	**2009**
Net sales	¥969,713	¥1,202,965	**¥1,076,165**	**$10,952,219**
Cost of sales	343,795	390,554	**319,038**	**3,246,876**
Gross profit	625,918	812,411	**757,127**	**7,705,343**
Exploration expenses	17,781	34,458	**25,982**	**264,421**
Exploration subsidies	(92)	(363)	**—**	**—**
Selling, general and administrative expenses (Notes 10, 11 and 12)	36,285	48,346	**50,683**	**515,805**
Depreciation and amortization	12,867	15,759	**17,195**	**174,995**
Operating income	559,077	714,211	**663,267**	**6,750,122**
Other income:				
Interest income	12,843	10,984	**9,536**	**97,048**
Dividend income	2,292	5,440	**12,338**	**125,565**
Equity in earnings of affiliates	1,350	1,765	**946**	**9,628**
Gain on transfer of mining rights	33,534	—	**—**	**—**
Net gain on re-determination of unitized field	—	4,005	**—**	**—**
Net gain on taking effect of exploration and production agreement	—	3,482	**—**	**—**
Foreign exchange gain	5,738	2,747	**—**	**—**
Other	4,323	4,667	**9,215**	**93,782**
	60,080	33,090	**32,035**	**326,023**
Other expenses:				
Interest expense	12,389	10,888	**3,934**	**40,037**
Provision for allowance for recoverable accounts under production sharing	6,176	20,587	**16,643**	**169,377**
Provision for exploration projects	2,973	3,104	**3,387**	**34,470**
Loss on valuation of investment securities	—	21,350	**31,799**	**323,621**
Foreign exchange loss	—	—	**14,571**	**148,290**
Other	11,356	5,572	**8,801**	**89,568**
	32,894	61,501	**79,135**	**805,363**
Income before income taxes and minority interests	586,263	685,800	**616,167**	**6,270,782**
Income taxes (Note 6):				
Current	432,894	496,852	**488,262**	**4,969,082**
Deferred	(19,655)	(5,503)	**(17,884)**	**(182,007)**
	413,239	491,349	**470,378**	**4,787,075**
Minority interests	7,932	21,205	**726**	**7,389**
Net income (Note 8)	¥165,092	¥ 173,246	**¥ 145,063**	**$ 1,476,318**

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, 2007 — Millions of yen

	Balance as of March 31, 2006	Increase (decrease) due to joint stock transfer	Cash dividends paid	Bonuses to officers	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, 2007
Common stock	¥—	¥ 30,000	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 30,000	¥ 30,000
Capital surplus	—	415,892	—	—	—	—	2,599	—	418,491	418,491
Retained earnings	—	415,734	(10,559)	(147)	165,092	—	—	—	570,120	570,120
Treasury stock	—	(19,641)	—	—	—	(1,725)	20,258	—	(1,108)	(1,108)
Total shareholders' equity	—	841,985	(10,559)	(147)	165,092	(1,725)	22,857	—	1,017,503	1,017,503
Unrealized holding gain (loss) on securities	—	(5,723)	—	—	—	—	—	15,072	9,349	9,349
Unrealized gain (loss) from hedging instruments	—	—	—	—	—	—	—	18	18	18
Translation adjustments	—	1,117	—	—	—	—	—	908	2,025	2,025
Total valuation, translation adjustments and others	—	(4,606)	—	—	—	—	—	15,998	11,392	11,392
Minority interests	—	39,921	—	—	—	—	—	11,200	51,121	51,121
Total net assets	¥—	¥877,300	¥(10,559)	¥(147)	¥165,092	¥(1,725)	¥22,857	¥27,198	¥1,080,016	¥1,080,016

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**

Thousands of U.S. dollars (Note 3)

	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	**$ 305,313**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 305,313**
Capital surplus	**4,259,047**	**—**	**—**	**—**	**(163)**	**—**	**(163)**	**4,258,884**
Retained earnings	**7,313,413**	**(191,797)**	**1,476,318**	**—**	**—**	**—**	**1,284,521**	**8,597,934**
Treasury stock	**(22,542)**	**—**	**—**	**(36,261)**	**5,394**	**—**	**(30,867)**	**(53,409)**
Total shareholders' equity	**11,855,231**	**(191,797)**	**1,476,318**	**(36,261)**	**5,231**	**—**	**1,253,491**	**13,108,722**
Unrealized holding gain (loss) on securities	**(76,002)**	**—**	**—**	**—**	**—**	**6,615**	**6,615**	**(69,387)**
Unrealized gain (loss) from hedging instruments	**41**	**—**	**—**	**—**	**—**	**(51)**	**(51)**	**(10)**
Translation adjustments	**(611)**	**—**	**—**	**—**	**—**	**(102,392)**	**(102,392)**	**(103,003)**
Total valuation, translation adjustments and others	**(76,572)**	**—**	**—**	**—**	**—**	**(95,828)**	**(95,828)**	**(172,400)**
Minority interests	**828,842**	**—**	**—**	**—**	**—**	**96,642**	**96,642**	**925,484**
Total net assets	**$12,607,501**	**$(191,797)**	**$1,476,318**	**$(36,261)**	**$5,231**	**$ 814**	**$1,254,305**	**$13,861,806**

Refer to accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

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

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2007	2008	**2009**	**2009**
Cash flows from operating activities:				
Income before income taxes and minority interests	¥ 586,263	¥ 685,800	**¥ 616,167**	**$ 6,270,782**
Depreciation and amortization	30,599	36,181	**42,967**	**437,279**
Amortization of goodwill	6,978	6,617	**6,760**	**68,797**
Provision for allowance for recoverable accounts under production sharing	6,081	21,207	**20,310**	**206,696**
Provision for exploration projects	3,038	3,937	**(2,320)**	**(23,611)**
Provision for accrued retirement benefits to employees	845	276	**(97)**	**(987)**
Provision for site restoration and decommissioning costs	1,215	815	**1,598**	**16,263**
Other provisions	1,377	(2,377)	**3,468**	**35,294**
Interest and dividend income	(15,135)	(16,424)	**(21,874)**	**(222,613)**
Interest expense	12,389	10,888	**3,934**	**40,037**
Foreign exchange loss (gain)	(1,653)	1,036	**10,087**	**102,656**
Equity in earnings of affiliates	(1,350)	(1,765)	**(947)**	**(9,638)**
Gain on transfer of mining rights	(33,534)	—	**—**	**—**
Loss (gain) on the sales of investment securities	2,613	15	**(81)**	**(824)**
Loss on the valuation of investment securities	—	21,350	**31,799**	**323,621**
Accounts receivable—trade	(10,385)	(39,393)	**44,200**	**449,827**
Recovery of recoverable accounts under production sharing (capital expenditures)	105,950	92,147	**45,725**	**465,347**
Recoverable accounts under production sharing (operating expenditures)	(18,955)	(26,052)	**(27,020)**	**(274,985)**
Inventories	(8,086)	(2,275)	**2,348**	**23,896**
Accounts payable—trade	(879)	481	**(9,825)**	**(99,990)**
Accounts receivable-other	—	(16,986)	**27,558**	**280,460**
Accounts payable-other	—	21,809	**(47,813)**	**(486,597)**
Advances received	—	10,352	**4,229**	**43,039**
Other	(3,810)	7,156	**(6,489)**	**(66,039)**
Subtotal	663,561	814,795	**744,684**	**7,578,710**
Interest and dividends received	20,560	17,515	**21,258**	**216,344**
Interest paid	(11,993)	(11,508)	**(4,801)**	**(48,860)**
Income taxes paid	(440,146)	(456,807)	**(530,789)**	**(5,401,883)**
Net cash provided by operating activities	231,982	363,995	**230,352**	**2,344,311**
Cash flows from investing activities				
Increase in time deposits	(17,078)	(2,765)	**(6,464)**	**(65,785)**
Decrease in time deposits	2,798	18,997	**4,498**	**45,776**
Purchase of marketable securities	(5,141)	(39,949)	**(19,082)**	**(194,199)**
Proceeds from sales of marketable securities	23,643	51,495	**111,451**	**1,134,246**
Purchase of tangible fixed assets	(37,845)	(59,465)	**(88,611)**	**(901,801)**
Proceeds from sales of tangible fixed assets	955	183	**246**	**2,504**
Purchase of intangible assets	(1,778)	(2,012)	**(2,865)**	**(29,157)**
Purchase of investment securities	(109,823)	(112,378)	**(137,447)**	**(1,398,809)**
Proceeds from sales of investment securities	43,609	105	**16,531**	**168,237**
Investment in recoverable accounts under production sharing (capital expenditures)	(111,314)	(131,060)	**(108,294)**	**(1,102,117)**
Decrease (increase) in short-term loans receivable	(6,524)	10,534	**71**	**723**
Long-term loans made	(832)	(7,453)	**(5,896)**	**(60,004)**
Collection of long-term loans receivable	889	527	**762**	**7,755**
Payments for purchase of mining rights	—	(15,887)	**—**	**—**
Proceeds from transfer of mining rights	6,707	27,891	**—**	**—**
Other	2,491	(530)	**(5,068)**	**(51,578)**
Net cash used in investing activities	(209,243)	(261,767)	**(240,168)**	**(2,444,209)**
Cash flows from financing activities				
Increase (decrease) in short-term loans	(120)	(50)	**20,934**	**213,047**
Proceeds from long-term debt	30,083	40,785	**12,041**	**122,542**
Repayment of long-term debt	(38,662)	(67,745)	**(66,365)**	**(675,402)**
Proceeds from minority interests for additional shares	3,606	8,344	**9,370**	**95,359**
Purchase of treasury stock	(1,170)	(1,105)	**(3,049)**	**(31,030)**
Proceeds from sales of treasury stock	22,397	—	**—**	**—**
Cash dividends paid	(10,791)	(24,719)	**(18,833)**	**(191,665)**
Dividends paid to minority shareholders	(81)	(737)	**(82)**	**(834)**
Stock transfer payment	(868)	(1)	**—**	**—**
Other	9,400	—	**(106)**	**(1,079)**
Net cash provided by (used in) financing activities	13,794	(45,228)	**(46,090)**	**(469,062)**
Effect of exchange rate changes on cash and cash equivalents	1,741	(24,147)	**(3,519)**	**(35,813)**
Net increase (decrease) in cash and cash equivalents	38,274	32,853	**(59,425)**	**(604,773)**
Cash and cash equivalents at beginning of the period	151,143	189,417	**222,270**	**2,262,060**
Cash and cash equivalents at end of the period	¥ 189,417	¥ 222,270	**¥ 162,845**	**$ 1,657,287**

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 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(w), the Company applies "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ PIFT 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 the accounting principles generally accepted in the United States 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 accounting principles generally accepted in the United States of America, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law 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.

For the 36 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 purpose 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.

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) Business Combination

INPEX Holdings Inc. was established as a joint holding company through stock transfer by INPEX CORPORATION and Teikoku Oil Co., Ltd. on April 3, 2006. The Company, INPEX Holdings Inc. as a surviving company, merged with INPEX CORPORATION and Teikoku Oil Co., Ltd. on October 1, 2008 to achieve more efficient and proactive management and changed the trade name to INPEX CORPORATION.

The transaction was treated as a business combination among entities under common control based on "Accounting Standard for Business Combinations" (issued by the Business Accounting Council on October 31, 2003) and "Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, issued on November 15, 2007).

(c) Cash equivalents

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

(d) 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 revenue and expense accounts of the overseas subsidiaries are translated into yen at the average rates of exchange during the period. Except for the components of net assets excluding minority interests, the balance sheet accounts are translated into yen at the rates of exchange in effect at the balance sheet date. The components of net assets excluding minority interests are translated at their historical exchange rates. Differences arising from the translation are presented as translation adjustments and minority interests in the accompanying consolidated financial statements.

(e) 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.

(f) Inventories

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

(g) Allowance for doubtful accounts

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

(h) Recoverable accounts under production sharing and related allowance

Cash investments made by the Company during 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.

(i) Allowance for investments in exploration

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

(j) Provision for exploration projects

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

(k) Accrued bonuses to officers

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

(l) Tangible fixed assets (except leased assets)

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

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

(m) Intangible assets (except leased assets)

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

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

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

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

(n) Leased assets

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

(o) Accrued retirement benefits to employees

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

Past service cost and actuarial gains and losses are charged or credited to income as incurred.

(p) Accrued retirement benefits to officers

Until the year ended March 31, 2008, retirement benefits to officers had been accrued at the amount which would have been required to be paid as if all officers voluntarily terminated their services as of the balance sheet date based on their respective internal rules. However, during the year ended March 31, 2009, the Company abolished its retirement benefit program to officers and makes a payment at their retirements, which is based on the amount to be paid at the point of abolishment. Accrued retirement benefits to officers up to point of abolishment are reversed and unpaid amounts is recorded in other long term liabilities.

(q) 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.

(r) Liabilities for losses on development activities

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

(s) 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.

(t) Hedge accounting

The simplified accounting method is applied to interest rate swaps. For certain equity accounted companies, deferred hedge accounting is adopted. In addition, the nominal amount of the derivative transaction is limited to within the scope of actual demand, and the Company does not engage in speculative derivative transactions.

(u) Research and development expenses

Research and development expenses are charged to income as incurred.

(v) 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.

(w) Adoption of new accounting standard

Effective the fiscal year ended March 31, 2008, as for tangible fixed assets acquired on or after April 1, 2007, the Company and certain subsidiaries have changed the depreciation method based on an amendment in corporate tax law. As for other tangible fixed assets whose book value reached their residual value, the Company and certain subsidiaries depreciate the residual value equally over 5 years in accordance with the method prescribed in amendment in corporate tax law. These changes do not have significant impact on the consolidated financial statements.

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 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). This does not have 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 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).

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 ¥98.26=US$1.00, the approximate rate of exchange in effect on March 31, 2009. 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. SECURITIES

a) Information regarding other securities with determinable market value as of March 31, 2008 and 2009 is as follows:

	Millions of yen		
March 31, 2008	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities with fair values exceeding their acquisition cost:			
Stock	¥ 4,768	¥ 5,388	¥ 620
Bonds:			
Public bonds	241,843	243,098	1,255
Other debt securities	36	38	2
Others	501	505	4
Subtotal	247,148	249,029	1,881
Securities with fair values exceeding their acquisition cost:			
Stock	76,515	70,427	(6,088)
Bonds:			
Public bonds	58,897	55,809	(3,088)
Corporate bonds	325	301	(24)
Other debt securities	373	334	(39)
Others	9,228	7,422	(1,806)
Subtotal	145,338	134,293	(11,045)
Total	¥392,486	¥383,322	¥ (9,164)

March 31, 2009	Millions of yen Acquisition cost	Carrying value	Unrealized gain (loss)	Thousands of U.S. dollars Acquisition cost	Carrying value	Unrealized gain (loss)
Securities with fair values exceeding their acquisition cost:						
Stock	**¥ 431**	**¥ 507**	**¥ 76**	**$ 4,386**	**$ 5,160**	**$ 774**
Bonds:						
Public bonds	**279,599**	**281,760**	**2,161**	**2,845,502**	**2,867,494**	**21,992**
Others	**68**	**75**	**7**	**692**	**763**	**71**
Subtotal	**280,098**	**282,342**	**2,244**	**2,850,580**	**2,873,417**	**22,837**
Securities with acquisition costs exceeding their fair value:						
Stock	**55,298**	**49,466**	**(5,832)**	**562,772**	**503,419**	**(59,353)**
Bonds:						
Public bonds	**43,723**	**40,883**	**(2,840)**	**444,973**	**416,070**	**(28,903)**
Other debt securities	**417**	**355**	**(62)**	**4,244**	**3,613**	**(631)**
Others	**5,857**	**5,857**	**—**	**59,607**	**59,607**	**—**
Subtotal	**105,295**	**96,561**	**(8,734)**	**1,071,596**	**982,709**	**(88,887)**
Total	**¥385,393**	**¥378,903**	**¥(6,490)**	**$3,922,176**	**$3,856,126**	**$(66,050)**

b) Information regarding sales of securities classified as other securities for the years ended March 31, 2007, 2008 and 2009 is as follows:

Years ended March 31,	Millions of yen 2007	2008	2009	Thousands of U.S. dollars 2009
Proceeds from sales	¥67,260	¥51,580	**¥127,974**	**$1,302,402**
Gain on sales	—	—	**107**	**1,089**
Loss on sales	¥ 2,610	¥ 16	**¥ —**	**$ —**

c) Components of other securities without a determinable market value as of March 31, 2008 and 2009 are summarized as follows:

Years ended March 31,	Millions of yen 2008	2009	Thousands of U.S. dollars 2009
Other securities:			
Unlisted securities*	¥38,286	**¥28,176**	**$286,749**
Total	¥38,286	**¥28,176**	**$286,749**

*An allowance is provided for investments in exploration companies 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, 2009 is as follows:

March 31, 2009	Millions of yen: 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	Thousands of U.S. dollars: 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	**¥101,218**	**¥180,542**	**¥20,058**	**¥20,825**	**$1,030,104**	**$1,837,391**	**$204,132**	**$211,938**
Other	**326**	**29**	**—**	**—**	**3,318**	**295**	**—**	**—**
Total	**¥101,544**	**¥180,571**	**¥20,258**	**¥20,825**	**$1,033,422**	**$1,837,686**	**$204,132**	**$211,938**

5. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings as of March 31, 2008 and 2009 are as follows:

March 31,	Millions of yen 2008	2009	Thousands of U.S. dollars 2009
Short-term borrowings from banks and others (Interest rates ranging from 1.240% to 1.875% and from 1.325% to 2.150% at March 31, 2008 and 2009)	¥325	**¥22,782**	**$231,855**
Total	¥325	**¥22,782**	**$231,855**

Long-term debt as of March 31, 2008 and 2009 are as follows:

March 31,	Millions of yen 2008	2009	Thousands of U.S. dollars 2009
Loans from banks and others, due through 2023 (Interest rates ranging from 1.000% to 5.800% and from 1.100% to 3.240% at March 31, 2008 and 2009)	¥193,763	**¥141,464**	**$1,439,690**
Less: Current portion	18,950	**5,034**	**51,231**
	¥174,813	**¥136,430**	**$1,388,459**

Assets pledged as of March 31, 2008 and 2009 are as follows:

March 31,	Millions of yen 2008	2009	Thousands of U.S. dollars 2009
Buildings and structures	¥ 2,447	**¥ 2,615**	**$ 26,613**
Wells	3,166	**6,919**	**70,415**
Machinery, equipments and vehicles	10,059	**9,391**	**95,573**
Land	1,826	**1,826**	**18,584**
Investment securities	6,513	**7,861**	**80,002**
Total	¥24,011	**¥28,612**	**$291,187**

The above assets were pledged against the following liabilities:

March 31,	Millions of yen 2008	Millions of yen 2009	Thousands of U.S. dollars 2009
Short-term loans	¥ 95	**¥ 145**	**$ 1,476**
Accounts payable—other	3,724	**5,264**	**53,572**
Long-term debt	13,218	**11,500**	**117,036**
Other	17	**17**	**173**
Total	¥17,054	**¥16,926**	**$172,257**

In addition, investment securities of ¥6,908 million as of March 31, 2008 and ¥ 5,508 million ($ 56,055 thousand) as of March 31, 2009 are pledged as collateral for the BTC Pipeline Project Finance.

The aggregate annual maturities of long-term debt subsequent to March 31, 2009 are summarized as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2010	¥ 5,034	$ 51,231
2011	4,924	50,112
2012	4,426	45,044
2013	3,956	40,261
2014	1,929	19,632
2015 and thereafter	121,195	1,233,411
Total	¥141,464	$1,439,691

6. 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% in 2007, 40.7% in 2008 and 36.2% in 2009.

The effective tax rates reflected in the consolidated statements of income for the years ended March 31, 2007, 2008 and 2009 differ from the statutory tax rate for the following reasons:

Years ended March 31,	2007	2008	2009
Statutory tax rate	40.7%	40.7%	**36.2%**
Effect of:			
Permanently non-taxable income such as dividends income	(0.3)	(0.7)	**(1.4)**
Valuation allowance	(0.1)	0.2	**2.6**
Foreign taxes	68.0	70.5	**75.6**
Foreign tax credits	(18.4)	(19.1)	**(18.4)**
Adjustment of deducted amounts of foreign taxes	(15.9)	(11.3)	**(18.1)**
Net operating losses utilized	—	(0.9)	**—**
Equity in earnings of affiliates	(0.1)	(0.1)	**(0.1)**
Amortization of goodwill	0.5	0.4	**0.4**
Differences of effective tax rates applied to income of foreign subsidiaries	(4.6)	(4.7)	**—**
Differences of effective tax rates applied to tax effect accounting	—	(4.2)	**—**
Other	0.7	0.8	**(0.5)**
Effective tax rate	70.5%	71.6%	**76.3%**

The significant components of deferred tax assets and liabilities as of March 31, 2008 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	2008	2009	2009
Deferred tax assets:			
Investments in related parties	¥ 53,308	¥ 57,315	$ 583,299
Loss on revaluation of land	4,543	4,839	49,247
Non-deductible accounts payable—other	—	11,726	119,336
Recoverable accounts under production sharing (foreign taxes)	11,881	6,379	64,920
Allowance for investments in exploration	3,122	5,236	53,287
Foreign taxes payable	11,326	19,063	194,006
Net operating loss	6,071	19,112	194,504
Accumulated depreciation	14,990	22,950	233,564
Accrued retirement benefits	3,772	3,092	31,468
Translation differences of asset and liabilities denominated in foreign currencies	1,004	597	6,076
Liabilities for site restoration and decommissioning costs	2,256	2,937	29,890
Unrealized holding loss on securities	3,058	—	—
Other	8,472	8,200	83,452
Total gross deferred tax assets	123,803	161,446	1,643,049
Valuation allowance	(77,114)	(128,233)	(1,305,038)
Total deferred tax assets	46,689	33,213	338,011
Deferred tax liabilities:			
Foreign taxes	15,595	9,853	100,275
Reserve for overseas investment loss	—	6,950	70,731
Translation differences due to an application of purchase accounting method	22,526	3,884	39,528
Reserve for exploration	5,235	757	7,704
Unrealized holding gain on securities	—	66	671
Translation differences of asset and liabilities denominated in foreign currencies	9,676	7,540	76,735
Other	7,487	2,339	23,804
Total deferred tax liabilities	60,519	31,389	319,448
Net deferred tax assets (liabilities)	¥ (13,830)	¥ 1,824	$ 18,563

7. NET ASSETS

As of March 31, 2009, 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;

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

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

The Corporate Law of Japan provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than capital reserve) and retained earnings (other than legal reserve) be transferred to the capital reserve and the legal reserve respectively until the total of capital reserve and the legal reserve equals 25% of the common stock account.

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

8. AMOUNTS PER SHARE

	Yen			U.S. dollars
Years ended March 31,	2007	2008	**2009**	**2009**
Net income	¥ 70,423.45	¥ 73,510.14	**¥ 61,601.60**	**$ 626.92**
Cash dividends	7,000.00	7,500.00	**8,000.00**	**81.42**
Net assets	¥436,467.92	¥491,168.09	**¥540,100.10**	**$5,496.64**

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.

9. DERIVATIVES

(a) Hedging instruments and hedged items

The Company has entered into interest rate swap transactions in order to reduce its exposure to interest rate fluctuations.

(b) Hedging policies

The nominal amount of the derivative transaction is limited to within the scope of actual demand, and the Company does not engage in speculative derivative transactions.

(c) Credit risk

The Company is exposed to credit risk in the event of non-performance by the counterparties to those derivative transactions, but any such risk would not be material because the Company enters into transactions only with financial institutions or trading companies with high credit ratings.

(d) Risk management

The execution and control of derivative transactions are based on internal rules. All transactions are reported to the director in charge on a timely basis and transaction confirmations obtained from counterparties on a regular basis.

(e) Fair value of derivatives

No derivatives are disclosed because hedge accounting is applied for all derivative transactions.

10. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses included in selling, general and administrative expenses amounted to ¥301 million, ¥2,229 million and ¥643 million ($6,544 thousand) for the years ended March 31, 2007, 2008 and 2009 respectively.

11. RETIREMENT BENEFITS

1. Retirement benefit obligation as of March 31, 2008 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	2008	**2009**	**2009**
Retirement benefit obligation	¥(15,750)	**¥(15,231)**	**$(155,007)**
Plan assets at fair value	7,105	**6,685**	**68,034**
Unfunded retirement benefit obligation	(8,645)	**(8,546)**	**(86,973)**
Unrecognized actuarial gain or loss	—	**—**	**—**
Accrued retirement benefits to employees	¥ (8,645)	**¥ (8,546)**	**$ (86,973)**

2. Retirement benefit expenses for the years ended March 31, 2007, 2008 and 2009 are as follows:

	Millions of yen			Thousands of U.S. dollars
Years ended March 31,	2007	2008	**2009**	**2009**
Service cost	¥ 912	¥ 846	**¥1,001**	**$10,187**
Interest cost	273	274	**282**	**2,870**
Expected return on plan assets	(106)	(108)	**(86)**	**(875)**
Amortization of actuarial gain or loss	(145)	153	**462**	**4,702**
Retirement benefit expenses	¥ 934	¥1,165	**¥1,659**	**$16,884**

Except above retirement benefits expenses, in accordance with the change of retirement benefit plan as the Company merged with non - surviving companies, past service gain amounted to ¥644 million ($6,554 thousand) are 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,	2007	2008	**2009**
Discount rate	2.0%	2.0%	**2.0%**
Expected return on plan assets	1.5%	1.5%	**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**

12. GOODWILL

The changes in the carrying amount of goodwill for the years ended March 31, 2007, 2008 and 2009 are as follows:

	Millions of yen			Thousands of U.S. dollars
Years ended March 31,	2007	2008	**2009**	**2009**
Balance at beginning of year	¥ —	¥132,106	**¥121,644**	**$1,237,981**
Goodwill acquired during the year	139,084	(3,845)	**—**	**—**
Amortization of goodwill	(6,978)	(6,617)	**(6,760)**	**(68,797)**
Balance at end of year	¥132,106	¥121,644	**¥114,884**	**$1,169,184**

Goodwill acquired during the year ended March 31, 2007 mainly consisted of goodwill related to the business integration.

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

13. LEASES

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets prior to the initial year of application of new accounting standards as of March 31, 2008, which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases accounted for as operating leases.

	Millions of yen
March 31,	2008
Acquisition costs of leased property	¥961
Accumulated depreciation	614
Net book value	¥347

Lease payments relating to finance leases accounted for as operating leases amounted to ¥182 million for the year ended March 31, 2007 and ¥174 million for the year ended March 31, 2008, which were substantially equal to the depreciation expense of the leased assets computed by the straight-line method over the lease terms.

Future minimum lease payments subsequent to March 31, 2009 for operating lease transactions are summarized as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2010	¥1,827	$18,594
2011 and thereafter	6,740	68,594
Total	¥8,567	$87,188

14. CONTINGENT LIABILITIES

As of March 31, 2009, the Company and its consolidated subsidiaries were contingently liable as guarantors of indebtedness of affiliates in the aggregate amount of ¥31,235 million ($317,881 thousand).

15. 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, 2007, 2008 and 2009, 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, 2007, 2008 and 2009 is summarized as follows:

	Millions of yen							
Year ended March 31, 2007	Japan	Asia & Oceania (a)	NIS (b)	Middle East & Africa (c)	Americas (d)	Total	Eliminations	Consolidated
Sales to third parties	¥ 77,322	¥387,543	¥118,618	¥386,009	¥ 221	¥ 969,713	¥ —	¥ 969,713
Total sales	77,322	387,543	118,618	386,009	221	969,713	—	969,713
Operating expenses	54,306	145,638	82,996	119,282	1,660	403,882	6,754	410,636
Operating income (loss)	23,016	241,905	35,622	266,727	(1,439)	565,831	(6,754)	559,077
Total assets	¥197,405	¥322,116	¥320,574	¥254,072	¥17,776	¥1,111,943	¥496,164	¥1,608,107

(a) Asia & Oceania: Indonesia, Australia, East Timor, Vietnam
(b) Newly Independent States (NIS): Azerbaijan, Kazakhstan
(c) Middle East & Africa: UAE, D.R.Congo, Iran, Libya, Egypt, Algeria
(d) Americas: Venezuela, Ecuador, USA

Year ended March 31, 2008	Japan	Asia & Oceania (a)	Eurasia (Europe & NIS) (b)	Middle East & Africa (c)	Americas (d)	Total	Eliminations	Consolidated
	Millions of yen							
Sales to third parties	¥ 93,882	¥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, Suriname

While the classification of region until the year ended March 31, 2007 had been "Japan," "Asia & Oceania," "NIS," "Middle East & Africa," and "Americas," the "NIS" was changed to "Eurasia (Europe & NIS)" due to acquisition of interest in UK project during the year ended March 31, 2008.

Year ended March 31, 2009	Japan	Asia & Oceania (a)	Eurasia (Europe & NIS) (b)	Middle East & Africa (c)	Americas (d)	Total	Eliminations	Consolidated
	Millions of yen							
Sales to third parties	**¥93,423**	**¥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**

Year ended March 31, 2009	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	**$950,774**	**$4,435,416**	**$749,929**	**$4,713,525**	**$102,575**	**$10,952,219**	**$ —**	**$10,952,219**
Total sales	**950,774**	**4,435,416**	**749,929**	**4,713,525**	**102,575**	**10,952,219**	**—**	**10,952,219**
Operating expenses	**605,944**	**1,530,796**	**399,176**	**1,470,181**	**116,212**	**4,122,309**	**79,788**	**4,202,097**
Operating income (loss)	**344,830**	**2,904,620**	**350,753**	**3,243,344**	**(13,637)**	**6,829,910**	**(79,788)**	**6,750,122**
Total assets	**$2,120,151**	**$4,168,105**	**$3,723,936**	**$1,926,216**	**$866,772**	**$12,805,180**	**$5,188,358**	**$17,993,538**

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

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

Overseas sales

Overseas sales, which include sales (other than exports to Japan) of its overseas subsidiaries, for the years ended March 31, 2007, 2008 and 2009 are summarized as follows:

	Millions of yen		
Year ended March 31, 2007	Asia & Oceania (a)	Other (b)	Total
Overseas sales	¥319,548	¥53,557	¥373,105
Consolidated net sales			969,713
Overseas sales as a percentage of consolidated net sales	33.0%	5.5%	38.5%

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

	Millions of yen		
Year ended March 31, 2008	Asia & Oceania (a)	Other (b)	Total
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

	Millions of yen			Thousands of U.S. dollars		
Year ended March 31, 2009	Asia & Oceania (a)	Other (b)	Total	Asia & Oceania (a)	Other (b)	Total
Overseas sales	**¥371,102**	**¥46,281**	**¥ 417,383**	**$3,776,735**	**$471,006**	**$ 4,247,741**
Consolidated net sales			**1,076,165**			**10,952,219**
Overseas sales as a percentage of consolidated net sales	**34.5%**	**4.3%**	**38.8%**	**34.5%**	**4.3%**	**38.8%**

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

16. RELATED PARTY TRANSACTIONS

There were no related party transactions for the years ended March 31, 2007 and 2008.

Related party transactions for the year ended March 31, 2009 is as follow:

Transactions with 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 (Note)	¥20,380 million $207,409 thousand

(Note) The Company guarantees the financial institution loans to finance the development of the LNG project. The guaranteed amounts above is as of March 31, 2009.

Report of Independent Auditors

ERNST & YOUNG

Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.
2-2-3, Uchisaiwai-cho,
Chiyoda-ku, Tokyo, Japan 100-0011

Tel : +81 3 3503 1100
Fax: +81 3 3503 1197

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, 2009 and 2008, 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, 2009, 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, 2009 and 2008, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2009 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, 2009 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.

June 25, 2009

Ernst & Young ShinNihon LLC

Operating Data and Corporate Information

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 items of proved reserves are based on the U.S. Statement of Financial Accounting Standards No. 69.

Our proved reserves as of March 31, 2009 were 1,047.92 million barrels for crude oil, condensate and LPG, 3,300.5 billion cubic feet for natural gas and 1,598 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, 2007	21	845	106	2,398	203	—	523	—	—	93	853	3,336	286	446	1,139	3,782
Extensions and discoveries	—	—	20	—	29	—	—	—	1	—	50	—	—	—	50	—
Acquisitions and sales	—	—	0	1	—	—	—	—	—	40	0	41	0	3	0	44
Revisions of previous estimates	0	(0)	(0)	(77)	(5)	—	(5)	—	—	1	(10)	(75)	(4)	(8)	(14)	(83)
Interim production	(1)	(59)	(13)	(309)	(20)	—	(30)	—	(0)	(29)	(64)	(397)	(23)	—	(88)	(397)
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**
Proved developed reserves																
As of March 31, 2009	**17**	**668**	**75**	**989**	**38**	—	**454**	—	**5**	**142**	**589**	**1,799**	**226**	—	**814**	**1,799**

Notes: 1. Reserves of the following blocks and fields include minority interests.
Asia & Oceania: Offshore Northwest Java (16.5%), Offshore Southeast Sumatra (16.5%)
Eurasia (Europe & NIS): ACG (49%), Kashagan (55%)
Middle East & Africa: Abu Al Bukhoosh (5%), West Bakr (47.3%)
Americas: Copa Macoya (30%)
2. MMbbls: Millions of barrels
3. Bcf: Billions of cubic feet
4. Crude oil includes condensate and LPG

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

In calculating the standardized measure of discounted future net cash flows, year-end constant price and cost assumptions are applied to our 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 year-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 application of 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 from year-end levels. Disclosure items are based on the U.S. Statement of Financial Accounting Standards No. 69. We use the exchange rates of ¥100.20 and ¥98.26 to US$1.00 as of March 31, 2008 and 2009, respectively.

Millions of yen

As of March 31, 2008	Total	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas
Consolidated subsidiaries						
Future cash inflows	10,784,073	879,942	3,055,125	2,030,128	4,792,848	26,030
Future production and development costs	(2,693,818)	(153,954)	(751,518)	(487,550)	(1,279,902)	(20,894)
Future income tax expenses	(4,882,340)	(145,218)	(1,011,368)	(384,543)	(3,339,299)	(1,912)
Future net cash flows	3,207,915	580,770	1,292,239	1,158,035	173,647	3,224
10% annual discount for estimated timing of cash flows	(1,583,464)	(310,255)	(423,485)	(765,939)	(82,604)	(1,181)
Standardized measure of discounted future net cash flows	1,624,451	270,515	868,754	392,036	91,043	2,043
Share of equity method investees' standardized measure of discounted future net cash flows	77,355	—	43,219	—	18,680	15,456

Notes: 1. Reserves of the following blocks and fields include minority interests.
Asia & Oceania: Offshore Northwest Java (16.5%), Offshore Southeast Sumatra (16.5%)
Eurasia (Europe & NIS): ACG (49%), Kashagan (55%)
Middle East & Africa: Abu Al Bukhoosh (5%), West Bakr (47.3%)
Americas: Copa Macoya (30%)
2. The geographical segment "NIS" will be changed to "Eurasia (Europe & NIS)" from March 31, 2008.

Millions of yen

As of March 31, 2009	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: 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
Standardized measure, beginning of period As of April 1, 2008	1,624,451	270,515	868,754	392,096	91,043	2,043
Changes resulting from:						
Sales and transfers of oil and produced, net of production costs	(812,293)	(50,382)	(428,573)	(113,727)	(217,340)	(2,271)
Net change in prices, and production costs	(2,324,615)	(77,468)	(815,640)	(407,345)	(1,024,751)	589
Development cost incurred	146,809	7,611	82,634	45,102	9,333	2,129
Changes in estimated development costs	(143,921)	6,760	(63,952)	(26,211)	(61,675)	1,157
Revisions of previous quantity estimates	136,571	(6,536)	100,001	46,208	(8,001)	4,899
Accretion of discount	358,052	32,784	146,413	45,171	133,321	363
Net change in income taxes	1,510,591	(15,202)	459,898	57,027	1,011,337	(2,469)
Extentions, discoveries and improved recoveries	6,488	—	—	—	—	6,488
Other	84,865	9,372	(22,790)	21,192	76,693	398
Standardized measure, end of period As of March 31, 2009	586,998	177,454	326,745	59,513	9,960	13,326

Note: 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

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

Our probable reserves as of March 31, 2009 were 1,627.7 million barrels for crude oil, condensate and LPG, 9,442 billion cubic feet for natural gas and 3,176.44 million boe (Barrels of Oil Equivalent) in total.

As of March 31, 2009	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Subtotal	Interest in Reserves Held by Equity-Method Affiliates	Total
Crude oil, condensate and LPG (MMbbls)	3	626	730	127	1	1,487	116	1,603
Natural gas (Bcf)	133	9,092	—	—	108	9,333	109	9,442

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. The Company was established on April 3, 2006. Therefore, the figures for the year ended March 31, 2006 in the following table assume that integration of INPEX and Teikoku Oil took place in the year ended March 31, 2006.

Our productions for the year ended March 31, 2009 were 223 thousand barrels per day for crude oil, condensate and LPG, 1,090 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	2006	2007	2008	**2009**
Crude oil, condensate and LPG (Thousands of barrels per day)**:**				
Japan	3.2	3.9	4.9	4.9
Asia & Oceania	44.7	40.4	36.5	44.7
Eurasia (Europe & NIS)	27.1	47.9	54.5	24.8
Middle East & Africa	79.6	82.3	80.7	81.0
Americas	2.2	0.1	0.4	2.7
Subtotal	156.8	174.7	177.0	158.1
Proportional interest in production by equity-method affiliates	61.2	67.8	64.6	65.1
Total	218.0	242.5	241.5	223.2
Annual production (Millions of barrels)	79.6	88.5	88.4	81.5
Natural gas (Millions of cubic feet per day)**:**				
Japan	96.7	127.8	161.5	164.9
Asia & Oceania	787.8	865.8	845.7	842.8
Eurasia (Europe & NIS)	—	—	—	—
Middle East & Africa	—	—	—	—
Americas	76.6	57.5	81.6	82.3
Subtotal	961.2	1,051.1	1,088.8	1,090.0
Proportional interest in production by equity-method affiliates	—	—	—	—
Total	961.2	1,051.1	1,088.8	1,090.0
Annual production (Billions of cubic feet)	350.8	383.6	398.5	397.8
Crude oil and natural gas (Thousands of barrels of oil equivalent per day)**:**				
Japan	19.3	25.2	31.9	32.4
Asia & Oceania	176.1	184.7	177.4	185.1
Eurasia (Europe & NIS)	27.1	47.9	54.5	24.8
Middle East & Africa	79.6	82.3	80.7	81.0
Americas	14.9	9.7	14.0	16.4
Subtotal	317.0	349.8	358.4	339.7
Proportional interest in production by equity-method affiliates	61.2	67.8	64.6	65.1
Total	378.2	417.7	423.0	404.9
Annual production (Millions of barrels of oil equivalent)	138.0	152.5	154.8	147.8

Subsidiaries and Affiliates

As of March 31, 2009

Consolidated Subsidiaries

Company Name	Issued Capital* (Millions of yen)	Voting Rights Held by Us (%)	Main Business
Japan Oil Development Co., Ltd.	18,800	100.00%	Exploration, development, production and sales of oil in ADMA Block, United Arab Emirates
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 Alpha, Ltd.	6,554	100.00%	Exploration, development, production and sales of oil and natural gas in WA-10-L Block and others, Australia
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 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 ABK, Ltd.	2,500	95.00%	Exploration, development, production and sales of oil in Abu Al Bukhoosh Block, United Arab Emirates
INPEX Southwest Caspian Sea, Ltd.	53,594	51.00%	Exploration, development, production and sales of oil in ACG Oil Fields, Azerbaijan
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.	40,190	100.00%	Exploration and development of oil and natural gas in WA-285-P Block and others, Australia
INPEX Masela, Ltd.	30,263	50.84%	Exploration and development of oil and natural gas in Masela Block in the timor Sea, Indonesia
INPEX North Caspian Sea, Ltd.	50,480	45.00%	Exploration and development of oil in Offshore North Caspian Sea Block, Kazakhstan
Azadegan Petroleum Development, Ltd.	9,975	100.00%	Appraisal and development of Azadegan Oil Field, Iran
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 Offshore Northeast Mahakam, Ltd.	3,875	100.00%	Exploration of oil and natural gas in East Kalimantan Block in Offshore East Kalimantan, Indonesia
INPEX Libya, Ltd.	2,780	100.00%	Exploration of oil and natural gas in the 42-2&4 and 113-3&4 Blocks, Libya
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
INPEX Canada, Ltd.	16,000	100.00%	Exploration, development, production and sales of oil and natural gas including oil sands in Canada
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)
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)
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 Libya UK LTD	48,855 (Thousands of U.S. dollars)	100.00%	Exploration and development of oil in the 81-2 and 82-3 Blocks, Libya
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
Teikoku Oil Algeria Co., Ltd.	708	100.00%	Exploration and development of oil in the eastern onshore, Algeria

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
Teiseki Propane Co., Ltd.	80	100.00%	Sales of LPG and petroleum products
Teiseki Topping Plant Co., Ltd.	70	100.00%	Refining domestic crude oil, storage and shipment of petroleum products
Teikoku Oil (D.R. Congo) Co., Ltd.	10	100.00%	Exploration, development, production and sales of oil in Offshore D. R. Congo Block
Teikoku Oil Ecuador	35 (Thousands of U.S. dollars)	100.00%	Exploration, development, production and sales of oil in the Block 18, Ecuador
Saitama Gas Co., Ltd.	60	62.00%	City gas sales
TEIKOKU OIL (SURINAME) CO., LTD.	1,357	54.79%	Exploration of oil in the Northern offshore, Suriname
The Egyptian Petroleum Development Co., Ltd.	10,722	52.70%	Exploration, development, production and sales of oil in the West Bakr Block, Egypt
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
Albacora Japão Petróleo Limitada	6,525 (Thousands of reis)	50.00%	Lease of production facilities in Albacora Oil Field in Offshore North Campos, Brazil
MI Berau B.V.	656,279 (Thousands of euros)	44.00%	Exploration and development of natural gas in Berau Block and tanggu LNG Project, Indonesia
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
Angola Japan Oil Co., Ltd.	8,000	19.60%	Exploration, development, production and sales of oil in Offshore 3/05 Block, Angola
JJI S&N B.V.	36,883 (Thousands of euros)	25.00%	Development and production of oil in Soroosh and Nowrooz Fields, Iran
Japan Ohanet Oil & Gas Co., Ltd.	6,400	15.00%	Development and production of natural gas in the southeastern onshore, Algeria

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 and development 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 Information

(As of March 31, 2009)

Share Data

Authorized Shares

9,000,000 common shares

1 special class share

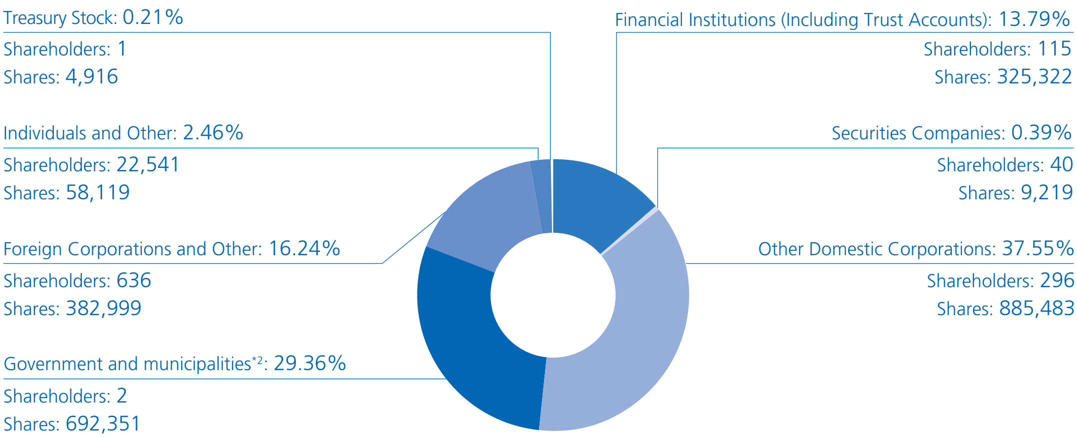
Total Number of Shareholders and Issued Shares

Common shares: .... 23,631 shareholders .... 2,358,409 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



*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	29.35
Japan Petroleum Exploration Co., Ltd.	267,233	11.33
Mitsubishi Corporation	193,460	8.20
Mitsui Oil Exploration Co., Ltd.	176,760	7.49
Nippon Oil Corporation	111,920	4.75
Japan Trustee Services Bank, Ltd. (Trust Account)	66,659	2.83
The Master Trust Bank of Japan, Ltd. (Trust Account)	65,562	2.78
Japan Trustee Services Bank, Ltd. (Trust Account 4G)	63,482	2.69
Marubeni Corporation	46,446	1.97
Sumitomo Mitsui Banking Corporation	23,129	0.98

Corporate Data

Company Name
INPEX CORPORATION

Established
April 3, 2006

Capital (As of March 31, 2009)
¥30 billion

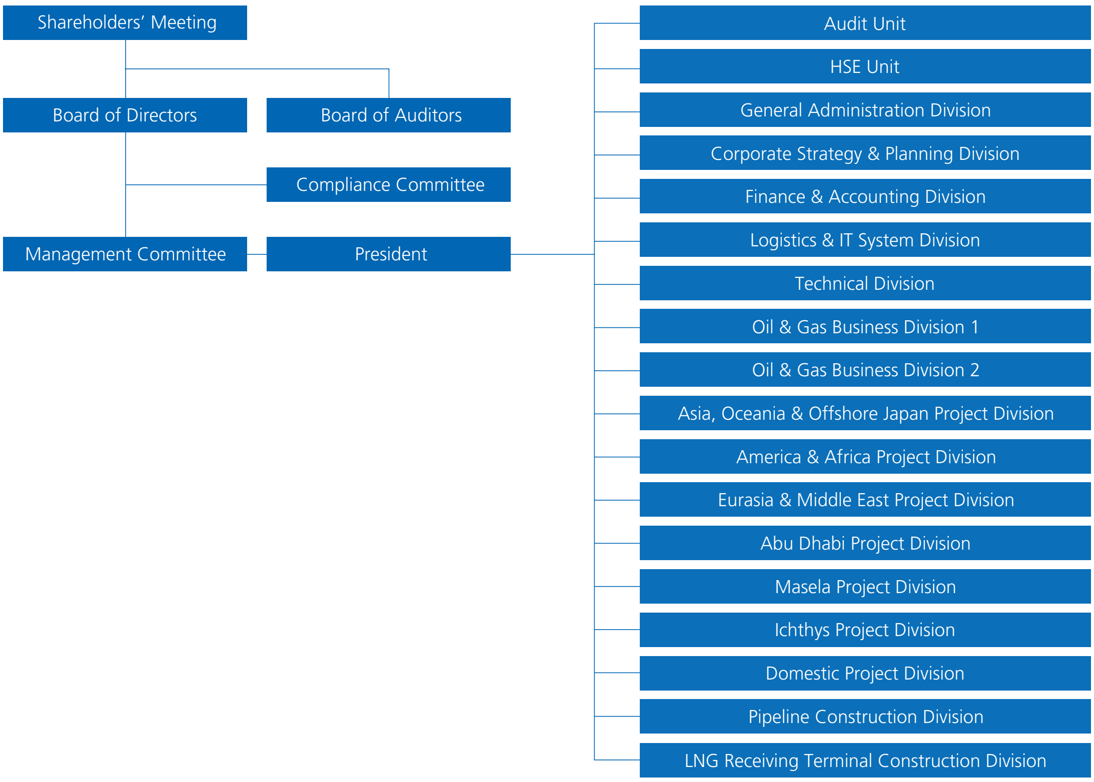
Company Headquarters
Akasaka Biz Tower 5-3-1 Akasaka, Minato-ku,
Tokyo 107-6332, Japan

Number of Employees (Consolidated)
(As of March 31, 2009)

1,814

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

Organization Chart



(As of June 30, 2009)

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

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

Inquiries
Please contact us at:
INPEX CORPORATION
Corporate Strategy & Planning Division
Corporate Communications Unit
Investor Relations Group
Phone: +81-3-5572-0234
Facsimile: +81-3-5572-0235

INPEX CORPORATION

Akasaka Biz Tower 5-3-1 Akasaka, Minato-ku,
Tokyo 107-6332, Japan
Phone: +81-3-5572-0200
http://www.inpex.co.jp/

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

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