Geological survey

2

Business Overview

Profile and History

Our company was founded in October 2008 through the business integration of INPEX CORPORATION and Teikoku Oil Co., Ltd. Utilizing several decades of performance in developing oil and natural gas fields and the experience gained through 71 projects in 26 countries (as of June 30, 2011), we are actively promoting the exploration, development and production of oil and natural gas.

INPEX

INPEX CORPORATION Founded in 1966

A leading company in overseas development of oil and natural gas

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

+

TEISEKI

Teikoku Oil Co., Ltd. Founded in 1941

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

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

INPEX

INPEX CORPORATION

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

Mission and Vision

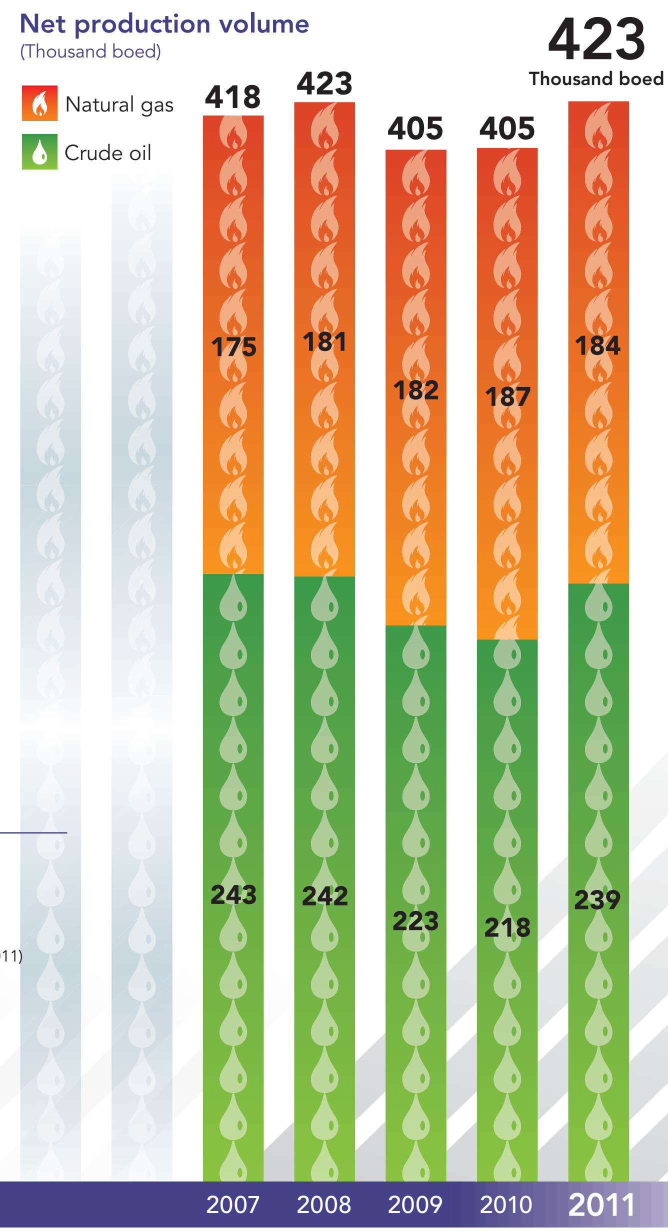
The mission of the INPEX is to provide a stable and efficient supply of energy to customers by exploring and developing oil and natural gas resources both domestically and throughout the world. Through its business, we aim to become an integrated energy company, which contributes to our community and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

Business Overview

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

Profile

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



History

1940 | 1960 | 1970 | 1980 | 1990 | 2000

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

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

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

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

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

1975
Corporate name is changed to Indonesia Petroleum, Ltd.

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

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

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

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

2000
Discovers the Kashagan, Ichthys and Abadi fields.

2001
Changes corporate name to INPEX CORPORATION.

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

2005
Exploration rights in the East China Sea are granted.

2005
Production starts in the ACG Oil Field in Azerbaijan.

2006
Business integration

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

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

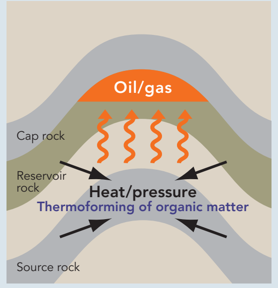
2008
INPEX CORPORATION is founded.
INPEX CORPORATION is founded through a merger of INPEX, Teikoku Oil and INPEX Holdings. The company headquarters is moved to Akasaka, Tokyo.

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

Oil and Natural Gas Business

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

What is oil and natural gas?



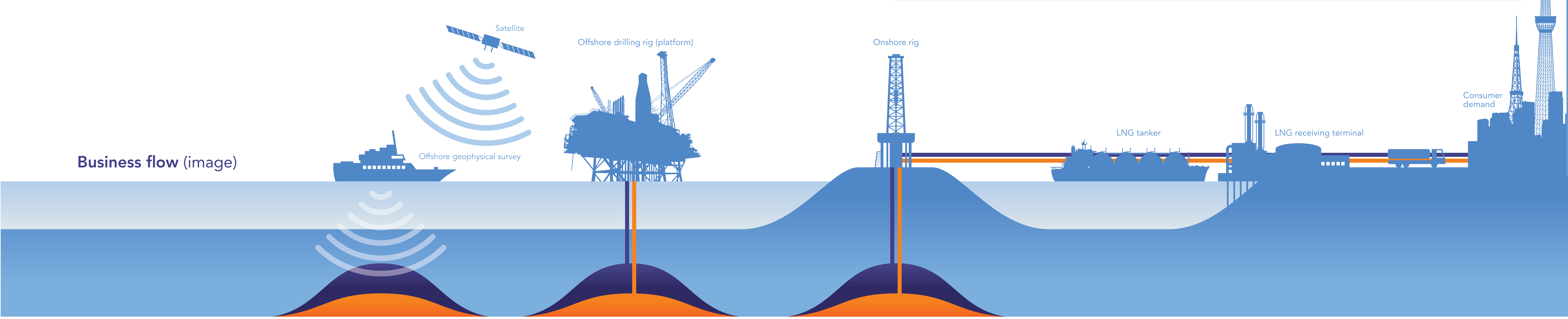
Both oil and natural gas are types of organic matter (hydrocarbons) formed from a combination of carbon and hydrogen. Oil is a chemical compound in which large numbers of carbon molecules and hydrogen molecules are joined together. Under normal conditions (one atmosphere, which is about 15 pounds per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

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

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

Samples of crude oil and condensate

Business flow (image)



Business Overview

STEP 1

Acquisition of Blocks

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

Contracts with government of oil-producing countries

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

STEP 2

Exploration

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

Geophysical surveys

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

STEP 3

Appraisal

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

Production test

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

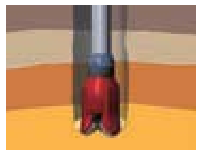
STEP 4

Development

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

Drilling of production wells

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



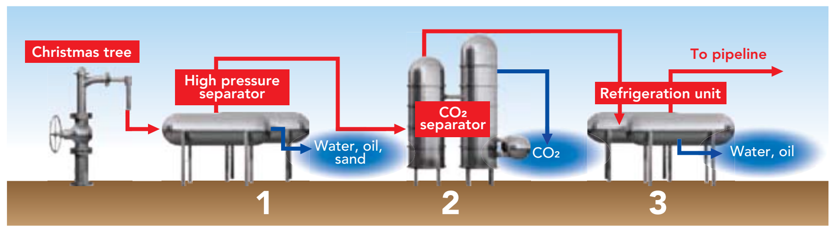
STEP 5

Production and Sales

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

Refining/treatment of natural gas

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



Investment for further exploration, purchase of assets, etc.

(Expansion of reserves and production volume)

Market Environment and Forecasts

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

Outlook for Global Energy Demand

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

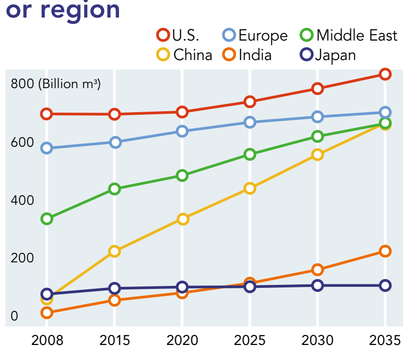
Greater energy demand in the world is expected especially in emerging economies such as China and India. According to the World Energy Outlook announced by the International Energy Agency (IEA) in June 2011, it is predicted that global energy demand in 2035 will increase by approximately 1.4 times compared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

The shift to natural gas is becoming more prominent.

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

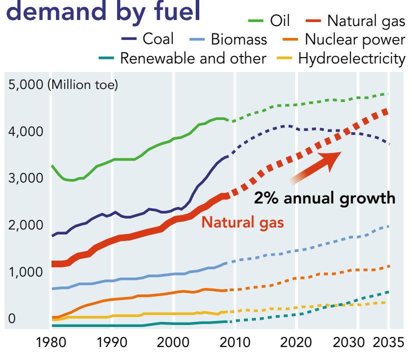
Other factors significantly contributing to increased demand for natural gas include alternative demand from other energy sources such as nuclear power, changes in policy concerning climate change such as the suppression of carbon dioxide emissions and rising crude oil prices, which lead to the selection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

Natural gas demand by country or region



Source: IEA, June 2011

World primary energy demand by fuel



Source: IEA, June 2011

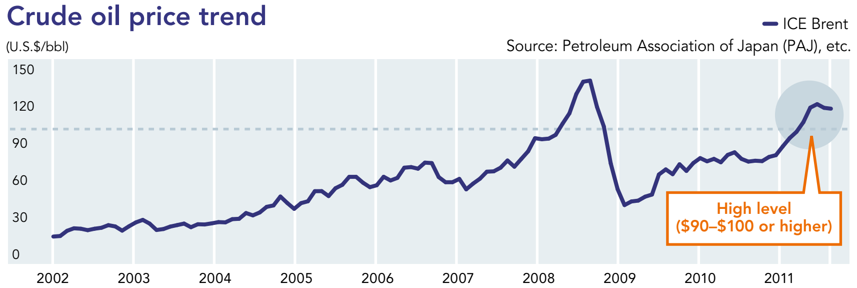
Crude Oil Prices and Exchange Rates

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

The oil and natural gas business is greatly affected by changes in crude oil prices and exchange rates. As a result of continued investment from the financial markets, the propensity for fluctuation in crude oil prices exceeds the level of change that the supply-demand balance (fundamentals) would normally dictate. Currently, even the recovery of demand is uncertain due to a stagnant economy. The price of Brent crude is projected to reach high levels that exceed $90–$100 per barrel. There is the possibility of further price increases in the future. The average exchange rate for the year ended March 31, 2011, was in the range of ¥85 to $1. Moreover, yen appreciation continued with an average exchange rate of ¥81 to $1 during April-June, 2011.

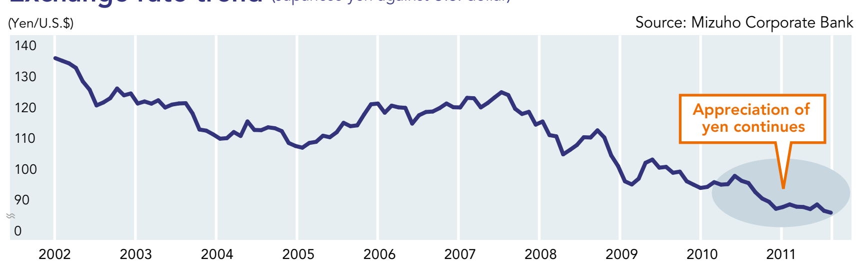
Crude oil price trend

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



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

Source: Mizuho Corporate Bank



Effect on Our Performance

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

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

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

Comparison with Major Independent Upstream Companies

INPEX is among the mid-tier global independent upstream companies, just behind the oil majors, and we aim to establish a firm position in the top group of global upstream companies.

Oil companies that conduct upstream activities can be divided into three categories: 1) national oil companies of governments in oil-producing countries that possess oil and natural gas assets, 2) major international oil companies known as the "oil majors" and 3) companies that specialize in upstream activities and are second in scale to the oil majors.

Currently, our company's net production volume is 423 thousand barrels of oil equivalent per day (boed; for the year ended March 31, 2011) and our proved reserves are 1.31 billion boe (as of March 31, 2011). This places us among the mid-tier global independent upstream companies.

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

Oil companies throughout the world

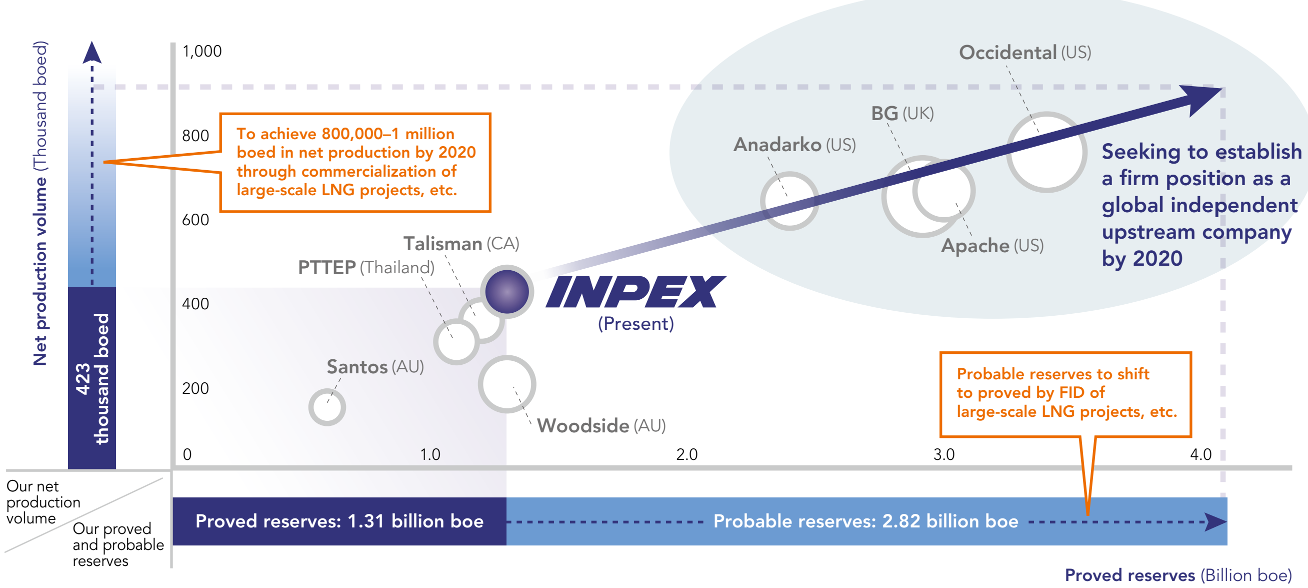
National oil companies
Saudi Aramco, CNPC, Petrobras, etc.

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

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

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

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



Strengths and Strategies

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

INPEX's Four Strengths

1. Strong Reserve / Resource Base

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

p. 36 for details.

2. A Large-scale LNG Project Operator

INPEX is in the process of developing two of the world-leading in scale LNG projects at Ichthys in Australia and Abadi in Indonesia. We are the first Japanese company to develop such large-scale projects as an operator. The expected production volume from both projects is vast, being equivalent to more than 15% of Japan's current LNG annual import volume. We are focusing on these priority projects, which contribute to the stable supply of LNG and increase the corporate value of our company.

pp. 40–45 for details.

3. Gas Supply Chain

INPEX owns a domestic natural gas pipeline network stretching approximately 1,400 km that connects domestic and overseas gas assets to the Japanese gas market. We plan to add value by establishing a gas supply chain through linkage between this network and our major LNG projects. Specifically, our construction of Naoetsu LNG Receiving Terminal which commenced in July 2009, is moving right along with the terminal scheduled to enter operation in 2014.

p. 62 for details.

4. Strong Financial Position

A strong, healthy balance sheet and plentiful cash reserves are essential for oil and gas E&P companies. This reflects both the high degree of risk associated with these activities and the need to have sufficient funds on hand to take advantage of major investment opportunities quickly as they arise. As a result of a public offering held in August 2010, our company has secured a strong financial position. As of March 31, 2011, our company had an equity ratio of 74.5% and the ratio of net debt to net total capital employed was –48.9%. (Cash and cash equivalents and public bonds were greater than interest-bearing debt) Compared with the oil majors and other international peers, this represents a sound level of financial strength.

p. 34 for details.

Three Medium- to Long-Term Fundamental Strategies

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

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

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

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

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

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

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

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

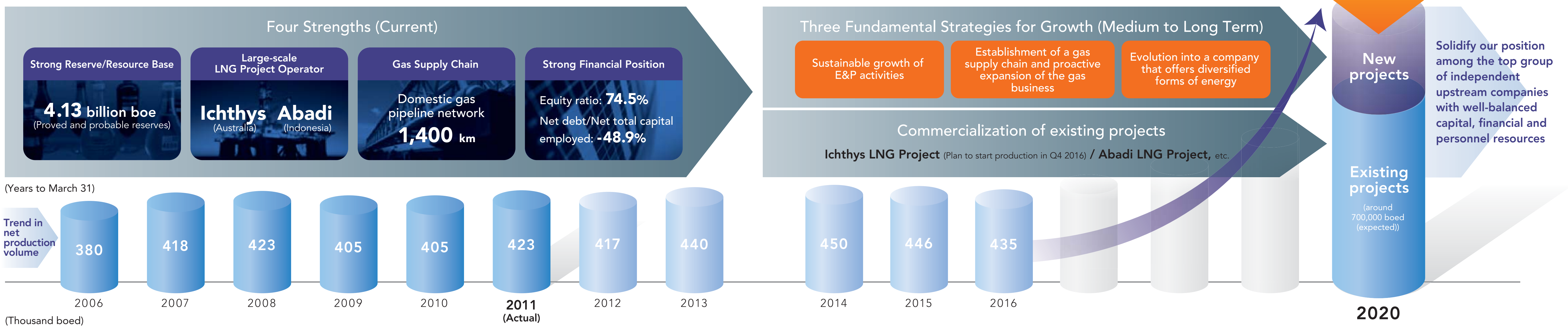
We seek to create new added value by developing and supplying a variety of energy forms that include the reduction of environmental impact and renewable energy.

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

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

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

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



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

Investment Plans and Financial Strategies

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

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

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

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

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

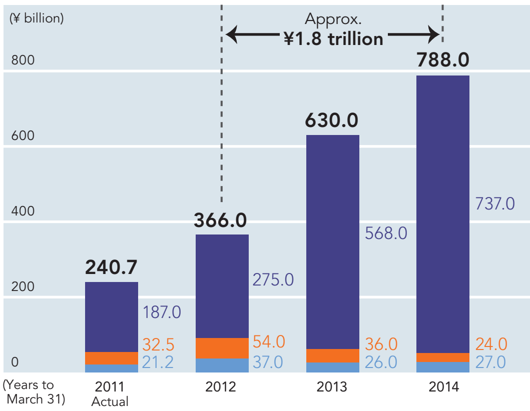
We completed a public offering in August 2010 and succeeded in raising approximately ¥520 billion. Now we plan to procure funding through bank loans including project finance taking into account our financial target, on a financial base that has been further strengthened by the public offering.

Investment plan and funding sources of approx. ¥4 trillion

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

Maintain strong financial position

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



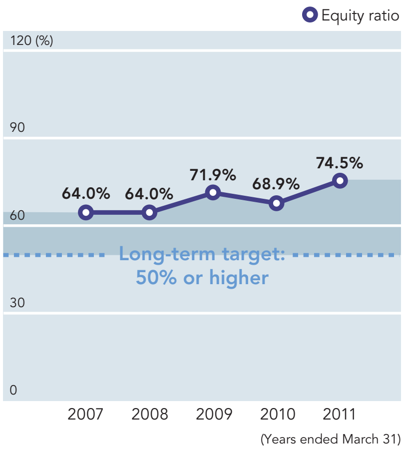
Investment Plan

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

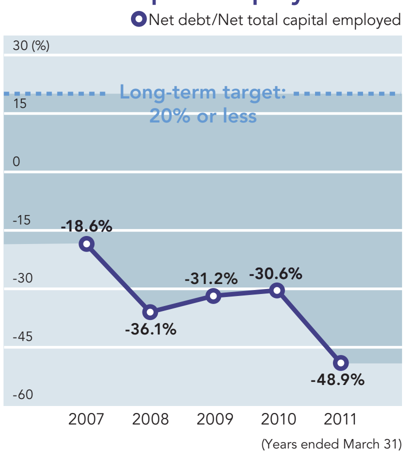
- Development expenditures
- Exploration expenditures
- Other expenditures*

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

Equity ratio



Net debt / Net total capital employed



Credit rating information (As of June 30, 2011)

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