Samples of crude oil and condensate

5

Financial / Corporate Information

Five-Year Financial Information

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

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

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

Background Information

Oil and Gas Accounting Policies and Treatment

ACCOUNTING METHODS FOR TYPES OF AGREEMENTS

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

1. Production sharing contracts

Production sharing agreements are agreements by which one or several oil and gas development companies serve as contractors that undertake at their own expense exploration and development work on behalf of the governments of oil-producing countries or national oil companies and receive production from the projects as cost recovery and compensation.

Cost recovery and production sharing

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

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

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

(2) "Cost recovery portion": This is the oil and gas equivalent of a) non-capital production-related expenditures incurred in that period, plus b) the scheduled depreciation expenses in that period for capital expenditures, as calculated under the PSC. The equivalents are determined based on the current unit prices of oil and natural gas and allocated between the contractors alone. The quantity of oil and gas in the "cost recovery portion" decreases as unit prices increase, whereas that of the "equity portion" (explained below) rises. If the actual production for the period is insufficient to cover the quantity of oil and gas equivalent calculated for the cost recovery portion, the latter is capped at actual production and any surplus amount is carried forward to the following period, as stipulated in the PSC.

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

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

- The Group records as net sales its share of total sales relating to the oil and gas production that is allocated to contractors under the PSCs.
- The Group books as cost of sales the portion of "Recoverable accounts under production sharing" that is recovered through the allocation of its share of the "cost recovery portion."

Recoverable costs under the PSCs

Exploration costs
The share of recoverable exploration costs incurred by the Group under the terms of the relevant PSC is capitalized within "Recoverable accounts under production sharing."

Development costs
The share of all development costs incurred by the Group that is recoverable under the terms of the relevant PSC is recorded within "Recoverable accounts under production sharing."

Production costs
Any operating costs incurred during the production phase that are recoverable under the relevant PSC are initially recorded within "Recoverable accounts under production sharing."

Administrative expenses
Any administrative expenses that are recoverable under the relevant PSC are recorded within "Recoverable accounts under production sharing."

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

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

Non-recoverable costs under the PSCs

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

2. Concession agreements

A concession agreement is an agreement or authorization (including mining rights awarded in Japan, as well as overseas permits, licenses and lease agreements) by which a government entity or a national oil company of the country directly awards mining rights to an oil company. The oil company makes its own investment in exploration and development and has the right of disposition of the oil and gas it extracts. Revenues are returned to the host country in the form of royalties, taxes, etc., on sales.

Acquisition costs
Costs relating to the acquisition of rights (recorded as intangible assets under "Mining rights") for projects governed by concession agreements are treated in the same way as projects governed by the PSCs, as described above.

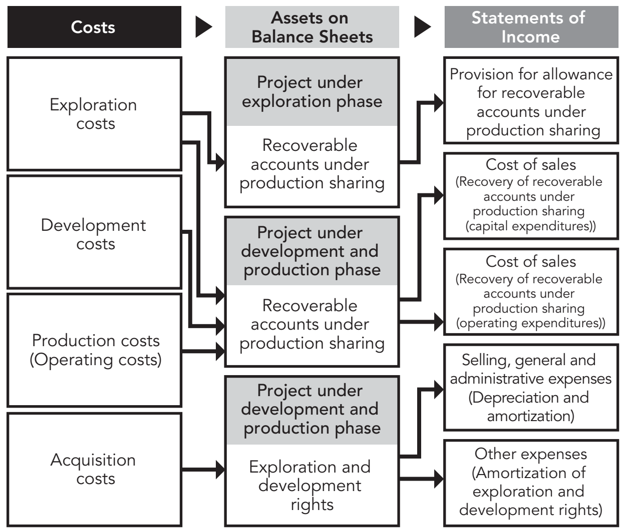
Exploration costs
The Group's share of exploration costs is expensed as incurred.

Development costs
The Group's share of any development costs related to mining facilities is capitalized within tangible fixed assets. The depreciation of tangible fixed assets that are governed by concession agreements is computed primarily using the units-of-production method for mining assets located outside Japan and the straight-line method for domestic facilities. These depreciation expenses are recorded within the cost of sales.

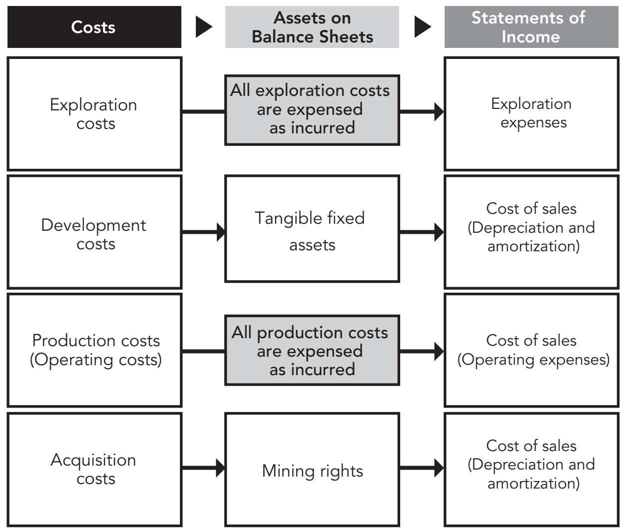
Production costs
The Group's share of operating costs that are incurred during the production phase is recorded within the cost of sales.

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

Production sharing contracts



Concession agreements



CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

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

— Allowance for recoverable accounts under production sharing

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

— Units-of-production method

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

— Asset retirement obligations

Asset retirement obligations are recorded by a reasonable estimate of retirement costs incurred upon termination of the operation with respect to oil and gas production facilities in case that the Group is obliged to retire such facilities by oil and gas contracts or laws and regulations with the countries in which the Group operates or has working interests. While the Group believes that such estimates of the present value of retirement costs are reasonable, changes to estimates of the present value of retirement costs could significantly affect future operating results.

— Allowance for investments in exploration companies

A reserve is recorded to provide for probable losses on investments made by the Group in entities engaged in oil and gas activities, as estimated based on the net assets of such entities. While the Group believes that the assessments and estimates relating to such investments are reasonable, changes in actual production volumes, prices or foreign exchange rates could significantly affect future operating results.

— Provision for exploration projects

A provision for exploration projects is provided for future expenditures of consolidated subsidiaries at the exploration stage based on a schedule of investments in exploration. While the Group believes that assessments relating to the schedule of investments are reasonable, changes to the schedule could significantly affect future operating results.

— Deferred tax assets

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

— Retirement benefits to employees

Accrued retirement benefits to employees are recognized as of the net present value of future obligations as of the end of the accounting period, taking into account any periodic benefit costs that have arisen during the period. The determination of retirement benefits and periodic benefit costs is based on various actuarial assumptions, including the discount rate, employee turnover and retirement rates, remuneration growth rates, and the expected return on pension plan assets. Future operating results could be significantly affected by deviation between the base assumptions and actual results or revision of such assumptions were to generate actuarial gains or losses.

— Goodwill

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

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

BUSINESS ENVIRONMENT

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

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

PERFORMANCE OVERVIEW

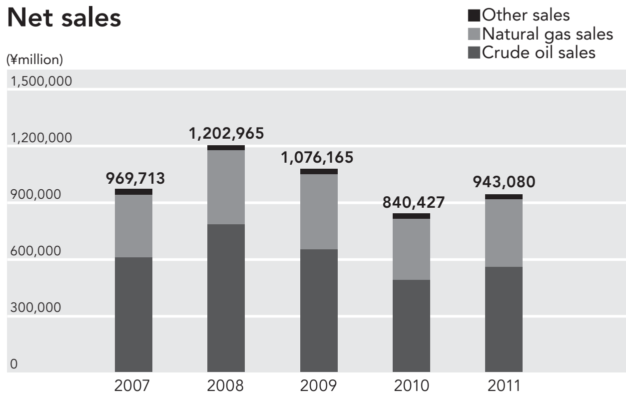
Net sales

Despite a decrease in natural gas sales volumes and the pressure on sales caused by the appreciation of the average exchange rate of the yen against the U.S. dollar during the year, consolidated net sales for the year ended March 31, 2011 increased ¥102.7 billion or 12.2% to ¥943.1 billion, from ¥840.4 billion for the year ended March 31, 2010, due to the rise in oil and gas prices. Compared with the previous year, net sales of crude oil increased ¥71.0 billion, or 14.6%, to ¥557.9 billion from ¥486.9 billion, and net sales of natural gas increased ¥29.8 billion, or 9.1%, to ¥356.2 billion from ¥326.4 billion. Net sales excluding crude oil and natural gas increased ¥1.8 billion, or 6.7%, to ¥28.9 billion from ¥27.1 billion.

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

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

Net sales

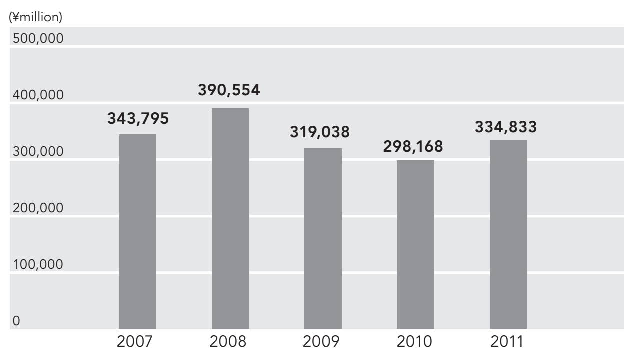


Years ended March 31,	2010	2011	Change	Ratio
	(Millions of yen, %)			
Net sales:	¥840,427	¥943,080	¥102,653	12.2%
Crude oil	486,921	557,911	70,990	14.6
Natural gas	326,412	356,247	29,835	9.1
Other	27,094	28,922	1,828	6.7
Cost of sales	298,168	334,833	36,665	12.3
Gross profit	542,259	608,247	65,988	12.2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

Cost of sales

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

Cost of sales



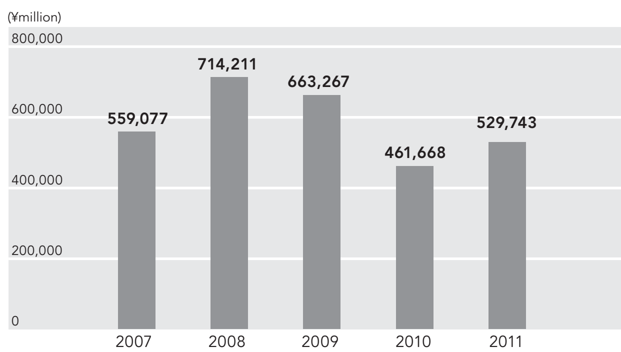
Exploration expenses

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

Selling, general and administrative expenses

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

Operating income



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

Depreciation and amortization
Depreciation and amortization increased ¥2.3 billion, or 11.2%, to ¥22.3 billion for the year ended March 31, 2011, from ¥20.0 billion in the previous year. This increase was mainly due to an increase in the depreciation of exploration and development rights for the ACG oil fields, as well as increased depreciation in relation to domestic pipelines. The Group records depreciation costs for production facilities that are covered by concession agreements as the cost of sales. In addition, under its accounting treatment of the PSCs, the Group records capital expenditures as "Recoverable accounts under production sharing" instead of capitalizing these costs within tangible fixed assets and depreciating them. Costs that are recovered in any given year based on the terms of the PSCs are included in the cost of sales.

Operating income
As a result of the above, operating income in the year ended March 31, 2011 increased ¥68.0 billion, or 14.7%, to ¥529.7 billion from ¥461.7 billion in the previous year.

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

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

Income taxes
Total current income taxes and deferred income taxes in the year ended March 31, 2011 increased ¥43.6 billion, or 13.4%, to ¥368.7 billion from ¥325.1 billion in the previous year. This was mainly attributable to the increase in taxes paid overseas due to the rise in overseas sales. The Group pays the majority of its taxes outside Japan. In addition to the high corporate tax rates imposed in a number of regions, the Group is generally unable to deduct expenses incurred in Japan for such taxes. Despite the positive effects attributable to the application of the foreign tax credit system, this situation has resulted in a high effective income tax rate of 72.5% in the year under review.

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

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

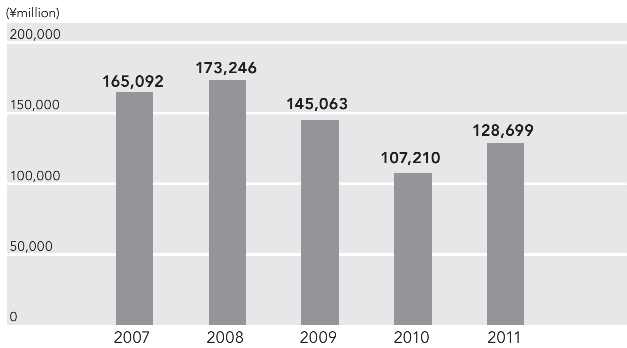
FINANCIAL POSITION

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

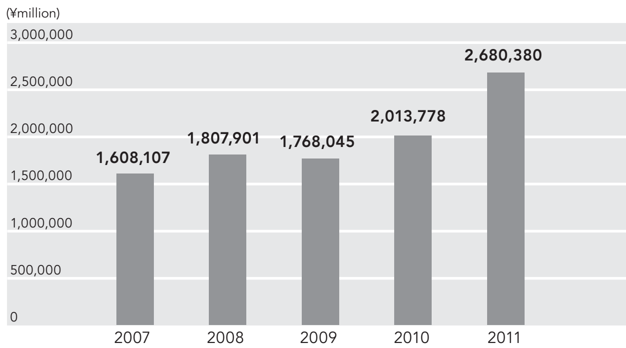
Meanwhile, total liabilities as of March 31, 2011 increased ¥59.8 billion or 11.4% to ¥583.0 billion from ¥523.2 billion as of March 31, 2010. Current liabilities increased ¥26.8 billion, or 11.8%, to ¥254.7 billion from ¥227.9 billion as of March 31, 2010, due to an increase in income taxes payable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

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

Net income



Total assets



INVESTMENTS AND FUNDING

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

- Exploration expenditures include the costs of exploratory drilling and any geological or geophysical studies. The costs of local personnel and office operations and related administrative expenses are also included in this category if a project (or contract area) is in the exploration phase.
- Development expenditures include the costs of development drilling and any production facilities.
- Other expenditures include the costs of constructing pipelines for domestic natural gas and Naoetsu LNG receiving terminal.
- Operating expenses include the costs of well operations, maintenance and the supervision of production activities. This category also includes the administrative expenses for the project (or contract area) if it contains a field in active production and/or development.
- Discrepancies exist between the standards stipulated in U.S. FASB Accounting Standards Codification Topic 932, "Extractive Industries—Oil and Gas (Topic 932)" and both the Group's definitions of exploration and development expenditures and the standards used in preparing the following tables. The following is a list, which is not limited to, of discrepancies between the Group's accounting policies and Topic 932.
  - Group expenditures relating to the PSC-governed joint ventures where the Group is not the operator are disclosed on a cash basis, rather than an accrual basis as required by Topic 932.
  - The tables below have been prepared based on the cost definitions used by operators in their reporting, which may not be consistent with Topic 932.
  - Topic 932 requires that administrative costs not directly related to exploration and development activities be excluded from exploration and development expenditures, while such administrative costs are not necessarily excluded from those expenditures under the Group's accounting policies.

The table below shows the Group's exploration and development costs and other expenditures (excluding capitalized interests costs) by segment for the years ended March 31, 2010 and 2011:

(Millions of yen)

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

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

Year ended March 31, 2011	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Total
	(Millions of yen)					
INPEX CORPORATION and Consolidated Subsidiaries						
Exploration	¥ 727	¥ 18,847	¥ 517	¥ 3,965	¥ 8,474	¥ 32,530
Development	3,741	97,080	64,108	19,830	2,270	187,029
Subtotal*	4,468	115,927	64,625	23,795	10,744	219,559
Other expenditures	21,225	—	—	9	—	21,234
Total	25,693	115,927	64,625	23,804	10,744	240,793
Equity-method Affiliates						
Exploration	—	—	—	355	296	651
Development	—	385	—	650	2,068	3,103
Total	¥ —	¥ 385	¥ —	¥ 1,005	¥ 2,364	¥ 3,754

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

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

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

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

— Expenditures for acquisitions of upstream oil and gas projects

The table below shows the Group's expenditures for acquisitions of upstream oil and gas projects by segment for the years ended March 31, 2010 and 2011. Expenditures in this category include the costs of acquiring mining rights, exploration and development rights, signing bonuses and any tangible fixed assets or recoverable accounts under production sharing gained through the acquisition of interest in upstream oil and gas projects.

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

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

— Analysis of recoverable accounts under production sharing

For upstream projects governed by the PSCs, the Group's share of costs arising during the exploration, development and production phases is capitalized under "Recoverable accounts under production sharing." The following table shows the changes in the balance of "Recoverable accounts under production sharing" during the years ended March 31, 2010 and 2011:

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

The amount posted as "cost recovery—operating expenditures" in recoverable accounts under production sharing is greater than that posted as operating expenses. Along with operating expenses, this is because a portion of the exploration and development costs, which are incurred and recoverable within the year, is included in the "cost recovery—operating expenditures" account.

Exploration costs for the year ended March 31, 2011, increased compared with the previous year. This was mainly due to the increase in exploration expenditures in Indonesia.

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

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

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

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

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

— Funding sources and liquidity

Oil and natural gas exploration and development projects as well as the construction and expansion of domestic pipelines, LNG receiving terminals and other supply infrastructure, require significant funding. The Group relies on cash flow derived from internal reserves, together with external sources, to procure funds. The Group's basic policy is to utilize internal cash flow and external equity financing to fund exploration projects and to utilize internal cash flow and external loans to fund development projects, pipeline construction and the LNG receiving terminal. The Group currently receives joint financing from the Japan Bank for International Cooperation and Japanese commercial banks. The Japan Oil, Gas and Metals National Corporation (JOGMEC) guarantee system covers this joint financing. In addition, the Development Bank of Japan and various Japanese commercial banks provide loans for the construction and expansion of domestic pipelines and LNG receiving terminals; ¥520.0 billion was raised through an equity offering conducted for the year ended March 31, 2011. We are also looking into funding the Ichthys Project through project finance.

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

— Maturities of long-term debt

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

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

— Cash flows

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

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

Net cash provided by operating activities

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

Net cash used in investing activities

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

Net cash provided by financing activities

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

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

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

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

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

Business Risks

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

Unless stated otherwise, forward-looking statements in the discussion are the judgment of the Group as of June 29, 2011 and are subject to change after such date due to various factors, including changes in social and economic circumstances.

1. CHARACTERISTICS OF AND RISKS ASSOCIATED WITH THE OIL AND GAS DEVELOPMENT BUSINESS

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

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

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

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

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

(2) Oil, condensate, LPG and natural gas reserves

1) Proved reserves

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

For further details on proved reserves of crude oil, condensate, LPG and natural gas held by the Group, including affiliates accounted for under the equity method, please see the section "Oil and Gas Reserves and Production Volume" on P. 97.

2) Probable reserves and possible reserves

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

For further details on probable reserves of crude oil, condensate, LPG and natural gas held by the Group, including affiliates accounted for under the equity method, please see the section "Oil and Gas Reserves and Production Volume" on P. 97.

3) Possibility of changes in reserves

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

(3) In the oil and natural gas development business the period from exploration to sales is highly capital intensive and funds cannot be recovered for a long time

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

(4) Operatorship

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

The integration of INPEX CORPORATION and Teikoku Oil Co., Ltd., was completed on October 1, 2008. The resultant company possesses abundant operational capabilities thanks to the amalgamation of the former two companies' extensive experience and know-how in exploration, development and production both within Japan and overseas as well as their high-level proprietary technologies.

The Group intends to actively pursue operator projects focusing on the two large-scale LNG Ichthys and Abadi projects taking into consideration the effective application of business resources as well as the balance between operator and non-operator projects, based on the Group's technical capability, which has been considerably enhanced by the above-stated business integration. Although the Company lacks operator experience in LNG development projects, it has significant expertise as an operator in the development and production of crude oil and natural gas both in Japan and overseas as well as a wealth of know-how and knowledge accumulated over many years as a participant in LNG and other projects in such countries as Indonesia and Australia. In addition, we believe that by utilizing the services of specialized subcontractors and highly experienced external consultants, a practice similar to foreign oil companies including the majors, it will be possible to execute business appropriately as an operator.

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

(5) Project partners

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

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

(6) Disaster and accident risks

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

With regard to environmental problems, there is a possibility of soil contamination, air pollution, and freshwater and seawater pollution. The Group has established a "Health, Safety and Environment Policy," and as a matter of course abides by the environmental laws, regulations, and standards of the countries in which we operate and give due consideration to the environment in the conduct of business, based on our independent guidelines. Nevertheless, in the event of an operating accident or disaster that for some reason exerts an impact on the environment, a response or necessary cost burden for recovery or loss from the interruption of operations could occur. Furthermore, in the event of changes to or the strengthening of the environmental laws, regulations, and standards (including support measures for the promotion of new, renewable energies) of the countries in which we operate, it may be necessary for the Group to devise additional measures, and an associated cost burden could occur.

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

2. EFFECTS OF FLUCTUATIONS IN CRUDE OIL PRICES, NATURAL GAS PRICES, FOREIGN EXCHANGE AND INTEREST RATES ON FINANCIAL RESULTS

(1) Effects of fluctuations in crude oil prices and natural gas prices on financial results

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

1) Although a majority of natural gas selling prices in overseas businesses are linked to crude oil prices, they are not in direct proportion to crude oil prices.
2) Because sales and profits are determined on the basis of crude oil prices and natural gas prices at the time sales are booked, actual crude oil transaction prices and the average oil price during the accounting period do not necessarily correspond.

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

(2) The effect of fluctuations in exchange rates on financial results

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

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

(3) The effect of fluctuations in interest rates on financial results

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

3. OVERSEAS BUSINESS ACTIVITIES AND COUNTRY RISK

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

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

4. DEPENDENCE ON SPECIFIC GEOGRAPHICAL AREAS OR PROPERTIES

(1) Production volume

The Group engages in stable production of crude oil and natural gas in the Offshore Mahakam Block (Indonesia), the ADMA Block (United Arab Emirates), the Minami Nagaoka Gas Field (Japan) and so on. Through a process of business integration, the Group had established a wide ranging, diversified yet balanced portfolio that encompassed the Asia-Oceania regions (particularly Japan, Indonesia, and Australia), the Middle East and Africa, Eurasia including Caspian Sea area and the Americans. As of fiscal 2010, however, the Asia and Oceania regions accounted for about 50% of the Group's production volume, and the Middle East and Africa accounted for about 32% making up the vast majority of the Group's operations. Looking ahead, the Group will endeavor to further enhance the balance of its asset portfolio on a regional basis.

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

(2) Principal business areas and contract expiration dates

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

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

5. PRODUCTION SHARING AGREEMENTS

(1) Details of production sharing agreements

The Group has entered into production sharing agreements with countries including Indonesia and Caspian Sea area.

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

(2) Accounting treatment of production sharing agreements

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

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

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

6. RELATIONSHIP WITH THE JAPANESE GOVERNMENT

(1) The Company's relationship with the Japanese government

Although the government of Japan (the Minister of Economy, Trade and Industry) holds 18.94% of the Company's common shares issued and a special-class share as of June 29, 2011, the Company autonomously exercises business judgment as a private corporation. There is no relationship of control, such as through the dispatch of officers or other means between the Company and the Japanese government. Moreover, we believe that no such relationship will develop in the future. Furthermore, there is no concurrent posting or secondment to the Company of officers or employees from the Japanese government.

(2) Ownership and sale of the Company's shares by the Japanese government (the Minister of Economy, Trade and Industry)

The Japanese government (the Minister of Economy, Trade and Industry) holds 18.94% of the shares of the common stock issued by the Company. For this reason, it is possible that in the future the Minister of Economy, Trade and Industry, in accordance with the purport of the after-mentioned Report, may sell off the Company's shares in Japan or overseas. This could have an impact on the market price of the Company's shares.

The Minister of Economy, Trade and Industry holds one share of the Company's special-class share. The Minister of Economy, Trade and Industry, as the holder of the special-class share, has veto rights over certain resolutions of the Company's general shareholders' meetings and meetings of the Board of Directors. For details on the special-class share, please refer to section 8 "Special-Class Share" below.

7. TREATMENT OF SHARES OF THE GROUP'S PROJECT COMPANY OWNED BY JAPANESE GOVERNMENT AND JOGMEC

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

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

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

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

In 2004 INPEX CORPORATION accomplished the integration of Japan Oil Development Co., Ltd. (JODCO), INPEX Java Ltd. (disposal was completed on September 30, 2010) and INPEX ABK, Ltd. which are three of four companies covered by the Basic Agreement. Although INPEX Southwest Caspian Sea Ltd. (hereinafter"INPEX Southwest Caspian") would become a wholly owned subsidiary of INPEX CORPORATION by means of a share exchange and the procedures were undertaken, the share exchange contract was invalidated owing to failure to accomplish the terms and conditions of the share exchange contract and the planned share exchange was cancelled. Following the dissolution of JNOC on April 1, 2005, the Minister of Economy, Trade and Industry succeeded to the INPEX Southwest Caspian shares held by JNOC. The Company continues to study the possibility to acquire the shares. However, the future treatment of these shares is undecided and acquisition of INPEX Southwest Caspian shares could be unavailable.

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

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

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

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

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

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

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

8. SPECIAL-CLASS SHARE

(1) Overview of the special-class share

1) Reason for the introduction

The Company was established as the holding company through a stock transfer between INPEX CORPORATION and Teikoku Oil Co., Ltd. on April 3, 2006. Along with this, a classified share originally issued by INPEX CORPORATION (prior to the merger) was transferred and at the same time the Company issued a classified share with the same effect (hereinafter the "special-class share") to the Minister of Economy, Trade and Industry. The classified share originally issued by INPEX CORPORATION was the minimally required and a highly transparent measure to eliminate the possibility of management control by foreign capital while not unreasonably impeding the efficiency and flexibility of management based on the concept in the Report discussed in the above section 7. INPEX CORPORATION is identified as a company that should comprise part of a core company for Japan's oil and gas upstream industry and is expected to play a role in efficient realization of a stable supply of energy for Japan as a national flagship company. On the basis of the concept of the Report, the Company issued the special-class share because it can be considered an effective means of preventing risks such as a speculative hostile takeover.

2) Shareholders' meeting resolutions, dividends, distribution of residual assets, and redemption

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

3) Veto rights in the Articles of Incorporation

The Articles of Incorporation of the Company provide that an approval resolution of the meeting of the holder of the special-class share is necessary in addition to resolutions of the Company's general shareholders' meetings and resolutions of meetings of the Board of Directors for the decisions on certain important matters such as the appointment or removal of Directors, disposition of material assets, changes to the Articles of Incorporation, business integration, capital reduction or company dissolution in connection with the business of the

Company. Accordingly, the Minister of Economy, Trade and Industry, as the holder of the special-class share, has veto rights over these important matters.

4) Criteria for the exercise of veto rights provided in the guidelines

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

- When resolutions pertaining to appointment or removal of Directors and Integration are not voted down and it is judged that the probability is high that the Company will engage in management inconsistent with the role that a core company should perform for efficient realization of a stable supply of energy to Japan.
- When resolutions pertaining to disposition of material assets are not voted down and the objects of disposition are oil and gas exploration or production rights or rights similar thereto or shares or ownership interest in the Company' subsidiary whose principal assets are said rights and it is judged that the probability is high that the Company will engage in management inconsistent with the role that a core company should perform for efficient realization of a stable supply of energy to Japan.
- When resolutions pertaining to amendments to the Company's Articles of Incorporation relating to changes in the Company's business objectives, capital reduction, or dissolution are not voted down and it is judged that the probability is high that the Company will engage in management inconsistent with the role that a core company should perform for efficient realization of a stable supply of energy to Japan.
- When resolutions pertaining to amendments to the Articles of Incorporation granting voting rights to any shares other than the common shares of the Company are not voted down and could have an effect on the exercise of the voting rights of the special-class share.

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

(2) Risk in connection with the special-class share

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

1) Possibility of conflict of interest between national policy and the Company and its common shareholders

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

2) Impact of the exercise of veto rights on the price of shares of common stock

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

3) Impact on the Company's degree of freedom in business and business judgment

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

9. CONCURRENTLY SERVING OUTSIDE DIRECTORS

As of June 29, 2011, the Board of Directors of the Company is composed of 15 members, four of whom are outside directors.

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

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

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

Oil and Gas Reserves and Production Volume

1. OIL AND GAS RESERVES

Proved reserves

The following tables list the proved reserves of crude oil,condensate, LPG and natural gas of our company, our consolidated subsidiaries and equity method affiliates on main project. Disclosure details applicable to proved reserves are presented in accordance with the rules and regulations stipulated by the U.S. Financial Accounting Standards Board, and are reported in accordance with the Accounting Standard Codification Topic 932 "Extractive activities —Oil and Gas." Our proved reserves as of March 31, 2011 were 899.16 million barrels for crude oil, condensate and LPG, 2,451.0 billion cubic feet for natural gas and 1,307.67 million boe (Barrels of Oil Equivalent) in total.

	Japan		Asia & Oceania		Eurasia (Europe & NIS)		Middle East & Africa		Americas		Total	
	Crude oil (MMbbls)	Gas (Bcf)	Crude oil (MMbbls)	Gas (Bcf)	Crude oil (MMbbls)	Gas (Bcf)	Crude oil (MMbbls)	Gas (Bcf)	Crude oil (MMbbls)	Gas (Bcf)	Crude oil (MMbbls)	Gas (Bcf)
Proved developed and undeveloped reserves												
INPEX CORPORATION and Consolidated Subsidiaries												
As of March 31, 2009	18	713	124	1,923	211	—	457	—	5	159	815	2,795
Extensions and discoveries	—	—	5	—	—	—	—	—	—	—	5	—
Acquisitions and sales	—	—	—	—	—	—	—	—	—	—	—	—
Revisions of previous estimates	0	0	(1)	45	6	—	3	—	1	62	9	107
Interim production	(1)	(57)	(17)	(319)	(10)	—	(27)	—	(2)	(32)	(57)	(408)
As of March 31, 2010	16	656	111	1,649	207	—	433	—	4	190	771	2,495
Equity-method Affiliates												
As of March 31, 2009	—	—	2	505	—	—	226	—	6	1	233	505
Extensions and discoveries	—	—	—	—	—	—	—	—	—	—	—	—
Acquisitions and sales	—	—	—	—	—	—	—	—	—	—	—	—
Revisions of previous estimates	—	—	(0)	(30)	—	—	(2)	—	(1)	(0)	(2)	(30)
Interim production	—	—	(0)	—	—	—	(21)	—	(1)	(0)	(22)	(0)
As of March 31, 2010	—	—	1	475	—	—	203	—	4	0	209	475
As of March 31, 2010	16	656	112	2,124	207	—	636	—	8	190	980	2,970
INPEX CORPORATION and Consolidated Subsidiaries												
As of March 31, 2010	16	656	111	1,649	207	—	433	—	4	190	771	2495
Extensions and discoveries	—	—	—	—	—	—	—	—	—	—	—	—
Acquisitions and sales	—	—	(6)	(37)	7	—	—	—	(3)	—	(2)	(37)
Revisions of previous estimates	0	—	4	(100)	6	—	(3)	—	0	2	8	(98)
Interim production	(1)	(46)	(24)	(305)	(10)	—	(27)	—	(1)	(30)	(63)	(380)
As of March 31, 2011	15	611	85	1,208	210	—	404	—	0	162	715	1,980
Equity-method Affiliates												
As of March 31, 2010	—	—	1	475	—	—	203	—	4	0	209	475
Extensions and discoveries	—	—	—	—	—	—	—	—	—	—	—	—
Acquisitions and sales	—	—	—	—	—	—	0	—	—	—	0	—
Revisions of previous estimates	—	—	0	16	—	—	(1)	—	0	0	(1)	16
Interim production	—	—	(0)	(20)	—	—	(23)	—	(2)	(0)	(24)	(21)
As of March 31, 2011	—	—	2	470	—	—	179	—	3	0	184	471
Proved developed and undeveloped reserves												
As of March 31, 2011	15	611	87	1,678	210	—	583	—	3	162	899	2,451
Proved developed reserves												
INPEX CORPORATION and Consolidated Subsidiaries												
As of March 31, 2011	15	611	69	986	35	—	404	—	0	161	523	1,757
Equity-method Affiliates												
As of March 31, 2011	—	—	2	470	—	—	179	—	2	0	183	471
Proved undeveloped reserves												
INPEX CORPORATION and Consolidated Subsidiaries												
As of March 31, 2011	—	—	16	222	176	—	—	—	0	1	192	223
Equity-method Affiliates												
As of March 31, 2011	—	—	—	—	—	—	—	—	1	0	1	0

Note 1. As of March 31, 2011, INPEX held proved reserves in Indonesia of approximately 51.0 million barrels for crude oil and around 1,544.0 billion cubic feet for natural gas for a total of about 308.5 million boe (Barrels of Oil Equivalent).
2. Proved Reserves (as of March 31,2011)of the following blocks and fields include minority interests.
Eurasia (Europe & NIS): ACG (49%), Kashagan (55%),Middle East & Africa: West Bakr (47.3%), Americas: Copa Macoya (30%)
3. MMbbls: Millions of barrels
4. Bcf: Billions of cubic feet
5. Crude oil includes condensate and LPG

Standardized measure of discounted future net cash flows and changes relating to proved oil and gas reserves

Disclosure details for the standardized measure of discounted future net cash flows relating to proved reserves and movements during the fiscal year under review are presented in accordance with the rules and regulations stipulated by the U.S. Financial Accounting Standards Board, and are reported in accordance with the Accounting Standard Codification Topic 932 "Extractive activities —Oil and Gas."

In calculating the standardized measure of discounted future net cash flows, the period average of oil and gas prices at the first day of each month as well as period-end costs are applied to the estimated annual future production from proved reserves to determine future cash inflows.

Future development costs are estimated based upon constant price assumptions and assume the continuation of existing economic, operating, and regulatory conditions. Future income taxes are calculated by applying the period-end statutory rate to estimated future pretax cash flows after provision for taxes on the cost of oil and natural gas properties based upon existing laws and regulations. The discount is computed by applying a 10% discount factor to the estimated future net cash flows.

We believe that this information does not represent the fair market value of the oil and natural gas reserves or the present value of estimated cash flows since no economic value is attributed to potential reserves, the use of a 10% discount rate is arbitrary, and prices change constantly.

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

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

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

March 31, 2011	Millions of Yen Total	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas
INPEX CORPORATION and Consolidated Subsidiaries						
Future cash inflows	¥ 6,350,230	¥ 539,869	¥1,590,216	¥1,383,629	¥ 2,806,307	¥ 30,209
Future production and development costs	(1,913,933)	(117,393)	(449,736)	(494,241)	(833,128)	(19,434)
Future income tax expenses	(2,686,247)	(139,424)	(478,851)	(179,337)	(1,886,511)	(2,125)
Future net cash flows	1,750,050	283,052	661,630	710,051	86,667	8,650
10% annual discount for estimated timing of cash flows	(749,379)	(128,557)	(174,490)	(394,948)	(49,389)	(1,994)
Standardized measure of discounted future net cash flows	1,000,671	154,495	487,140	315,103	37,278	6,656
Equity-method Affiliates						
Future cash inflows	1,397,434	-	101,144	-	1,276,469	19,821
Future production and development costs	(448,355)	-	(49,888)	-	(390,130)	(8,338)
Future income tax expenses	(866,698)	-	(15,943)	-	(847,664)	(3,091)
Future net cash flows	82,381	-	35,314	-	38,676	8,392
10% annual discount for estimated timing of cash flows	(33,395)	-	(15,436)	-	(17,282)	(677)
Share of equity method investees' standardized measure of discounted future net cash flows	48,986	-	19,878	-	21,393	7,715
Total consolidated and equity-method affiliates in Standardized measure of discounted future net cash flows	¥ 1,049,657	¥ 154,495	¥ 507,017	¥ 315,103	¥ 58,671	¥ 14,370

Notes: 1 Reserves of the following blocks and fields include minority interests.
Eurasia (Europe & NIS): ACG (49%), Kashagan (55%)
Middle East & Africa: West Bakr (47.3%)
Americas: Copa Macoya (30%)

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

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

Probable reserves and possible reserves

The following tables list the probable and possible reserves of crude oil, condensate, LPG and natural gas of our company ,our consolidated subsidiaries and equity method affiliates on main project. Our probable reserves as of March 31, 2011 were 1,392.85 million barrels for crude oil, condensate and LPG, 8,553.7 billion cubic feet for natural gas and 2,818.47 million boe in total. In addition, the Group's possible reserves as of March 31, 2011 were 218.91 million barrels for crude oil, condensate and LPG, 2,196.3 billion cubic feet for natural gas and 584.96 million boe in total.

March 31, 2011	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Subtotal	Interest in Reserves Held by Equity-Method Affiliates	Total
Probable reserves								
Crude oil, condensate and LPG (MMbbls)	4	629	540	114	72	1,358	35	1,393
Natural gas (Bcf)	133	8,224	—	—	104	8,461	93	8,554

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

March 31, 2011	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Subtotal	Interest in Reserves Held by Equity-Method Affiliates	Total
Possible reserves								
Crude oil, condensate and LPG (MMbbls)	5	163	27	9	9	212	7	219
Natural gas (Bcf)	169	2,007	—	—	18	2,195	2	2,196

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

2. OIL AND GAS PRODUCTION

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

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

Consolidated Balance Sheets

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

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

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Income and Consolidated Statement of Comprehensive Income

Consolidated Statements of Income

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

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

Consolidated Statement of Comprehensive Income

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

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

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

INPEX CORPORATION and Consolidated Subsidiaries

Millions of yen

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

Millions of yen

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

Millions of yen

For the year ended March 31, 2011	Balance as of March 31, 2010	Issuance of new shares	Cash dividends paid	Net income	Net changes in items other than those in shareholders' equity	Total changes during the period	Balance as of March 31, 2011
Common stock	¥ 30,000	¥260,810	¥ —	¥ —	¥ —	¥260,810	¥ 290,810
Capital surplus	418,478	260,810	—	—	—	260,810	679,288
Retained earnings	936,745	—	(18,013)	128,699	—	110,686	1,047,431
Treasury stock	(5,248)	—	—	—	—	—	(5,248)
Total shareholders' equity	1,379,975	521,620	(18,013)	128,699	—	632,306	2,012,281
Unrealized holding gain (loss) on securities	12,351	—	—	—	(10,895)	(10,895)	1,456
Translation adjustments	(4,826)	—	—	—	(12,021)	(12,021)	(16,847)
Total accumulated other comprehensive income	7,525	—	—	—	(22,916)	(22,916)	(15,391)
Minority interests	103,103	—	—	—	(2,610)	(2,610)	100,493
Total net assets	¥1,490,603	¥521,620	¥(18,013)	¥128,699	¥(25,526)	¥606,780	¥2,097,383

Thousands of U.S. dollars (Note 3)

	Balance as of March 31, 2010	Issuance of new shares	Cash dividends paid	Net income	Net changes in items other than those in shareholders' equity	Total changes during the period	Balance as of March 31, 2011
Common stock	$ 360,794	$3,136,621	$ —	$ —	$ —	$3,136,621	$ 3,497,415
Capital surplus	5,032,808	3,136,621	—	—	—	3,136,621	8,169,429
Retained earnings	11,265,725	—	(216,633)	1,547,793	—	1,331,160	12,596,885
Treasury stock	(63,115)	—	—	—	—	—	(63,115)
Total shareholders' equity	16,596,212	6,273,242	(216,633)	1,547,793	—	7,604,402	24,200,614
Unrealized holding gain (loss) on securities	148,539	—	—	—	(131,028)	(131,028)	17,511
Translation adjustments	(58,040)	—	—	—	(144,570)	(144,570)	(202,610)
Total accumulated other comprehensive income	90,499	—	—	—	(275,598)	(275,598)	(185,099)
Minority interests	1,239,964	—	—	—	(31,390)	(31,390)	1,208,574
Total net assets	$17,926,675	$6,273,242	$(216,633)	$1,547,793	$(306,988)	$7,297,414	$25,224,089

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

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

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

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

INPEX CORPORATION and Consolidated Subsidiaries

1. BASIS OF PRESENTATION

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

For the 39 companies for which the closing date differed from the consolidated closing date, including but not limited to, INPEX Sahul, Ltd. and INPEX Masela, Ltd., the financial statements for the year ended December 31 were used. However, the necessary adjustments have been made to the financial statements of those companies to reflect any significant transactions made between the Company's closing date and those of the consolidated subsidiaries.

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

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

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

(b) Cash equivalents

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

(c) Foreign currency translation

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

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

(d) Securities

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

(e) Inventories

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

(f) Allowance for doubtful accounts

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

(g) Recoverable accounts under production sharing and related allowance

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

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

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

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

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

(k) Tangible fixed assets (except leased assets)
Depreciation of overseas mining facilities is mainly computed by the unit-of-production method.

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

(l) Intangible assets (except leased assets)
Exploration and development rights at the exploration stage are fully amortized in the year such rights are acquired, and those at the production stage are amortized by the unit-of-production method.

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

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

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

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

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

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

(o) Asset retirement obligations
Asset retirement obligations are provided by a reasonable estimate of retirement costs incurred upon termination of the operation with respect to oil and gas production facilities in case that the Company is obliged to retire such facilities by oil and gas contracts or laws and regulations with the countries in which the Company operates or has working interests.

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

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

(r) Research and development expenses
Research and development expenses are charged to income as incurred.

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

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

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

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

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

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

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

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

3. U.S. DOLLAR AMOUNTS
The translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation only, at ¥83.15=US$1.00, the approximate rate of exchange in effect on March 31, 2011. This translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

4. STATUS OF FINANCIAL INSTRUMENTS

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

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

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

(Credit risks related to trade receivables)

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

(Market price fluctuation risk related to securities)

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

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

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

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

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

(Management of derivative transactions)

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

(Management of the liquidity risk related to financing)

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

5. SECURITIES

(a) Information regarding other securities as of March 31, 2010 and 2011 is as follows:

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

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

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

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

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

Redemption and cancellation of bonds and others, which were previously included in sales proceeds are excluded from the proceeds from the year ended March 31, 2011.
There were no proceeds from sales of other securities exclude redemption and cancellation of bonds and others for the year ended March 31, 2010.

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

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

These securities are not included in (a) as they are assumed to have no market value and it is extremely difficult to determine their fair value. For shares of exploration companies among unlisted securities and stocks of subsidiaries and affiliates, an allowance is provided for investments in exploration at an estimated amount based on the financial position of the investees.

(d) Redemption schedule for securities with maturity dates classified as other securities as of March 31, 2011 is as follows:

	Millions of yen				Thousands of U.S. dollars			
March 31, 2011	1 year or less	More than 1 year but less than 5 years	More than 5 years but less than10 years	More than 10 years	1 year or less	More than 1 year but less than 5 years	More than 5 years but less than10 years	More than 10 years
Bonds:								
Public bonds	¥133,000	¥526,500	¥41,500	¥—	$1,599,519	$6,331,930	$499,098	$—
Corporate bonds	3,500	33,500	—	—	42,093	402,886	—	—
Other debt securities	—	33,445	—	—	—	402,225	—	—
Others	—	198,146	—	—	—	2,382,995	—	—
Total	¥136,500	¥791,591	¥41,500	¥—	$1,641,612	$9,520,036	$499,098	$—

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

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

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

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

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

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

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

The above assets were pledged against the following liabilities:

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

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

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

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

7. INCOME TAXES

The Company and its domestic consolidated subsidiaries are subject to a number of taxes based on income which, in the aggregate, resulted in a statutory tax rate of approximately 36.2% for the fiscal years ended March 31, 2009, 2010 and 2011.

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

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

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

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

8. COMPREHENSIVE INCOME

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

(a) Comprehensive income

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

(b) Other comprehensive income

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

9. NET ASSETS

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

The special class share has no voting rights at the common shareholders' meeting, but the ownership of the special class share gives its holder a right of veto over certain important matters by imposing the requirement to obtain a class vote. However, requirements stipulated in the Articles of Incorporation need to be met in cases involving the appointment or removal of directors, the disposition of important assets or the exercise of the veto over;

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

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

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

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

10. AMOUNTS PER SHARE

	Yen			U.S. dollars
Years ended March 31,	2009	2010	2011	2011
Net income	¥ 61,601.60	¥ 45,553.56	¥ 40,832.40	$ 491.07
Cash dividends	8,000.00	5,500.00	6,000.00	72.16
Net assets	¥540,100.10	¥589,548.88	¥546,958.90	$6,577.98

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

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

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

11. DERIVATIVES

Fair value of derivatives

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

12. OTHER FINANCIAL INSTRUMENTS

(a) The carrying value and estimated fair value of financial instruments excluding securities and investment securities which are disclosed in Note 5.(a) and derivatives which are disclosed in Note 11 as of March 31, 2010 and 2011 are as shown below. The following summary also excludes cash and cash equivalents and accounts receivable-trade for which fair values approximate their carrying amounts.

	Millions of yen				Thousands of U.S. dollars	
	2010		2011		2011	
March 31,	Carrying value	Estimated fair value	Carrying value	Estimated fair value	Carrying value	Estimated fair value
Short-term borrowings and current portion of long-term debt	¥ 4,872	¥ 4,935	¥ 4,441	¥ 4,484	$ 53,410	$ 53,927
Long-term debt	¥235,511	¥237,024	¥268,706	¥270,572	$3,231,581	$3,254,023

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

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

The estimated fair value of current portion of long-term debt is calculated by the same method as long-term debt. For short-term borrowings, the relevant carrying value is used since these items are settled in a short periods of time and its fair value is almost the same as the carrying value.

Long-term debt

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

13. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses included in selling, general and administrative expenses amounted to ¥643 million, ¥470 million and ¥449 million ($5,400 thousand) for the years ended March 31, 2009, 2010 and 2011, respectively.

14. RETIREMENT BENEFITS

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

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

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

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

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

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

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

15. ASSET RETIREMENT OBLIGATIONS

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

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

(a) The balance at beginning of the year indicates obligations occurred by applying “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No. 18 issued on March 31, 2008) and “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21 issued on March 31, 2008) at the beginning of the year ended March 31, 2011.
(b) "Other" mainly includes the changes in foreign currency exchange rates.

16. GOODWILL

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

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

17. LEASES

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

(a) As lessee

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

(b) As lessor

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

18. CONTINGENT LIABILITIES

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

19. SEGMENT INFORMATION

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

Business segment information

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

Geographical segment information

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

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

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

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

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

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

Overseas sales

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

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

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

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

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

Segment information for the year ended March 31, 2011

Overview of reportable segments

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

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

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

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

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

	Reportable segments							Millions of yen
Year ended March 31, 2011	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Total	Adjustments (a)	Consolidated (b)
Sales to third parties	¥104,525	¥406,828	¥ 68,319	¥350,735	¥12,673	¥ 943,080	¥ —	¥ 943,080
Total sales	104,525	406,828	68,319	350,735	12,673	943,080	—	943,080
Segment income (loss)	25,959	235,814	36,461	243,113	(3,035)	538,312	(8,569)	529,743
Segment assets	240,239	432,323	503,471	245,865	68,023	1,489,921	1,190,459	2,680,380
Other items								
Depreciation and amortization	18,457	17,469	9,013	5,112	2,914	52,965	1,280	54,245
Amortization of goodwill	(1)	—	—	—	(192)	(193)	6,953	6,760
Investment to associates accounted for by the equity method	—	20,067	—	7,084	5,120	32,271	—	32,271
Increase of tangible fixed assets and intangible assets	¥ 25,697	¥ 45,974	¥ 28,362	¥ 10,838	¥2,929	¥ 113,800	¥ 566	¥ 114,366

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

(a) Adjustments include elimination of inter-segment transactions and corporate incomes, expenses and assets that are not allocated to a reportable segment.
(b) Segment income is reconciled with operating income on the consolidated statements of income.

Products and service information:

Sales

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

Geographical information:

Sales

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

Tangible fixed assets

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

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

20. RELATED PARTY TRANSACTIONS

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

Affiliated company

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

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

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

Affiliated company

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

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

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

Report of Independent Auditors

ERNST & YOUNG

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Report of Independent Auditors

The Board of Directors
INPEX CORPORATION

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

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

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

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

Ernst & Young ShinNihon LLC

June 28, 2011