

Message from the President

To Our Stakeholders

Developing Stable Energy

Efforts of INPEX to secure a stable energy supply



Toshiaki Kitamura
President & CEO

In addition to having achieved higher sales and income in the year ended March 31, 2012, we made great progress in our projects, including our large-scale LNG projects. I hereby present to our stakeholders my review of the past year, reporting on such topics as the business environment surrounding our company, the progress we have made in our projects and the Medium- to Long-Term Vision of INPEX we have established as a foundation for further growth.

1. The Year in Review

This was a year in which the business environment surrounding energy changed greatly as the global economy became increasingly unstable. The importance of energy supply stability in Japan was reconfirmed in the aftermath of last year's earthquake, and we at INPEX have become even more aware of our role and importance as Japan's leading oil and gas E&P company.

Performance Overview

INPEX's performance for the year ended March 31, 2012, was buoyed by the ongoing rise in crude oil prices, with consolidated net sales for the year up 25.8% to ¥1,186.7 billion and consolidated net income up 50.7% to ¥194.0 billion. Cash dividends per share for the year were ¥7,000, a ¥1,000 increase over the previous year.

Proved reserves increased 86% year-on-year to 2.43 billion boe mainly due to the upgrading of reserves in Ichthys from probable to proved, with the RRR (Reserves Replacement Ratio, three-year average) at 282%, a top-class level within the industry. Net production volume was also fairly strong at 426 Mboed.

We also continued to vigorously address safety measures. There were no major accidents at any of our projects, and we reached our HSE numerical targets (LTIF and TRIR) for the year ended March 31, 2012, which in terms of absolute figures is comparable with the average of industry peers.

The State of Energy

The energy business environment has changed dramatically over the past year given such concerns as fierce resource competition and responses to environmental regulations.

At the global level, political risk came to the fore especially in the Middle East due to heightened politi-

cal and religious tensions, resulting in sharply higher crude prices. Nonetheless, from the early spring of 2012 the European sovereign debt crisis led to growing uncertainty about the world economy that superseded political risks and caused crude prices to fall.

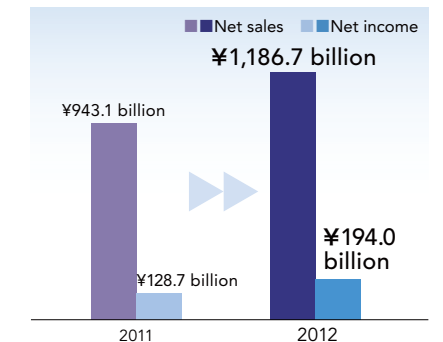
Against this backdrop, global energy demand is expected to increase over the medium to long term, especially in the newly emerging economies such as China and India. At the same time, crude oil and natural gas are produced only in certain regions, and new exploration and development projects tend to be deepwater blocks or other technically difficult areas. Also, more resource-rich countries are taking a hard stance regarding the opening of new blocks, making competition with emerging economies even more fierce.

The world is paying close attention to unconventional sources, such as the North American shale gas and shale oil that are causing major changes at least to the energy supply structure of the United States, with the effect on global energy supplies also requiring attention. Although some are of the opinion that supplies will loosen up, those of us on the front lines have the impression that severe competition for unconventional resources has begun, so we cannot be too optimistic.

Japan has had lively discussions and debates about revising policies on nuclear power since the nuclear plant accident that followed last year's earthquake, with all nuclear plants in Japan temporarily shut down in May of this year. We currently see a trend toward LNG-driven thermal generation in the near term, but maintaining a stable supply of energy as a substitute for nuclear will become an issue over the medium to long term, so the optimal "best mix" of energy sources is being studied.

Although the unprecedented disaster of the Great East Japan Earthquake is already a year in the past, the road to recovery stretches before us. However, the mission of INPEX is to secure stable energy supplies to Japan and prepare for any supply chain contingencies.

Net sales / Net income

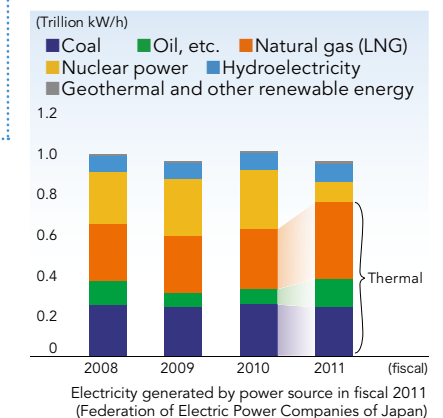


Proved reserves
2.43 billion boe

Net production volume
426 Mboed

▶ See pp. 14–17 for the Financial and Operating Highlights.

Domestic electricity generated by power source



Renewed Awareness of Our Role

As an energy developer mainly focused on oil and gas, the INPEX mission is to provide a stable, efficient supply of energy to Japan, which has few energy resources. The most secure way for Japan to ensure a stable supply of energy is without question for Japanese companies to develop resources themselves—what we call “independent development.” Everyone at INPEX, including myself, became particularly aware after the disaster of the importance of “independent development” and our social mission in that regard.

INPEX has projects under way in more than 20 countries, and in January 2012 we made an FID on the Ichthys LNG Project and have begun development work that will lead to Ichthys providing around 10% of Japan’s annual LNG imports.

Independent Development

“Independent development” means oil and gas development undertaken by Japanese companies; the acquisition of long-term extraction rights or their equivalent in oil-producing countries; conducting oil and gas E&P; and receiving an allotment of the oil and gas produced. Independent development secures better long-term supply stability than purchasing contracts usually do and can play an important role in providing supply stability during emergencies.

This large-scale LNG project, which will contribute greatly to the independent development, marks the first time that a Japanese E&P company will function as an operator. An operator takes responsibility for all decisions and negotiations involved in the development process, from exploration through production and including cost and schedule controls, making it substantially different from a non-operator. Therefore, our successful performance as an operator, especially of a large-scale project that may take more than 10 years until production start-up, will lead to greater international confidence in INPEX as a developer, providing opportunities for us to participate in many other projects; this, in turn, will lead to more chances to acquire new interests. I refer to this as the **“virtuous cycle of growth,”** and success in Ichthys will begin the process of such a cycle. We will put our all into succeeding in Ichthys, and it is my fondest hope that by achieving stronger international relationships of trust with oil-producing countries and other partners we can ensure and provide stable supplies of resources as well as sustainable growth as a company.

I believe top management plays basically a two-part role in achieving stable, efficient energy supplies and sustainable corporate growth. One is to allocate and operate management resources efficiently and effectively toward the steady realization of project success. The other is to maximize opportunities to acquire advantageous interests for our company while minimizing risk in an environment marked by fierce resource competition and an unstable and complex international situation. In May of this year, we established **the Medium- to Long-Term Vision of INPEX**, which outlines our management policies and clarifies our goals and means for achieving greater results through fulfilling the roles I’ve described. The content of the Medium- to Long-Term Vision is provided below, but essentially it establishes our growth targets for sustainable growth over the medium to long term, the main efforts over the next five years until the start-up of Ichthys, and the growth targets for the approximately 10-year period after the start-up of Ichthys. Also covered in the vision are our efforts for stronger corporate governance and promotion of CSR, which are required in strengthening INPEX as a global company.

“Our successful performance as an operator will lead to greater international confidence, providing opportunities for us to participate in many other projects; this, in turn, will lead to more chances to acquire new interests. I refer to this as the ‘virtuous cycle of growth.’”



2. The Energy Development Environment

The business environment surrounding energy is changing rapidly due to increasingly fierce competition for resources and geopolitical risk, as well as responses to environmental regulations. Next, I will address two items that got a lot of attention—the shift to natural gas and renewable energy.

Shift to Natural Gas

I believe that the “best mix” of energy sources must take into account stable supplies, efficiency and environmental impact. Natural gas meets those criteria, which is why it is currently gaining attention. Natural gas is superior to oil and coal in terms of price and environmental impact, and the expectations for natural gas are high as Japan continues debating energy policy in the wake of the nuclear accident.

Although the discussion about energy policy in Japan, including whether to restart the nuclear plants, is ongoing, I think the major trend is toward achieving a balance of the following four items: ① energy conservation, ② fossil fuels (coal, oil and gas), ③ renewable energy (with the exception of nuclear) and ④ restarting the nuclear plants if safety can be assured. Although restarting the nuclear plants is under discussion, ①–③ are already under way, and within fossil fuels the comparatively low environmental impact of natural gas makes its role certain to increase significantly.

Natural gas produced in North America is gaining particular attention as expectations grow for gas. Due to a decrease in demand from mild winters in the United States and the increased output of shale gas, natural gas prices in the United States dropped significantly. Some believe the price is low compared to the spot price for LNG to Japan and East Asia, even when liquefaction and transport costs are added in, so the shipment of North American natural gas to Japan is being considered. However, there are environmental concerns involving the extraction of shale gas and issues such as the ability to guarantee supplies over the long term if U.S. demand increases, conformity with U.S. energy policy, the existence of a sufficient infrastructure for conversion to LNG for export, and the operational capabilities and stability of the many small to mid-sized compa-

nies. As these discussions were unfolding, INPEX acquired shale gas interests in Canada in November 2011 as part of our global gas portfolio. Although infrastructure improvement is the primary issue before us, we chose Canada because the government there takes a more aggressive approach toward LNG exports than the U.S. government. We will proceed to acquire participating interests that contribute to stable supplies of natural gas, and while expanding our global natural gas portfolio with a focus on LNG, we are also giving consideration to North American natural gas, mainly shale gas.

Renewable Energy

Renewable energy, including solar, wind and geothermal power, which is environment-friendly and results in almost no CO₂ emissions, is gaining more and more attention.

Looking 30 to 50 years in the future, INPEX has determined that efforts in the field of renewable energy are necessary. We are considering various means of commercializing renewable energy and are putting our strongest efforts into **geothermal**. A company within our group, Teiseki Drilling Co., Ltd., has drilled the most geothermal exploratory and development wells in Japan. Drilling for geothermal wells uses the same technology as that for oil and gas so this is a strong point for INPEX.

Japan has the third greatest potential in the world for geothermal energy sources after Indonesia and the United States, but most Japanese geothermal resources are located in national parks and hot spring areas, so environmental regulations and gaining the understanding of local communities must be considered in proceeding with development. In June 2011, we began participating with Idemitsu Kosan Co., Ltd., in joint geothermal development in areas in Hokkaido and Akita prefectures, where we conducted basic studies. INPEX will continue to find ways to overcome the difficulties associated with geothermal and pursue the possibilities for geothermal and other renewables in Japan and overseas including Indonesia where we have a strong base.

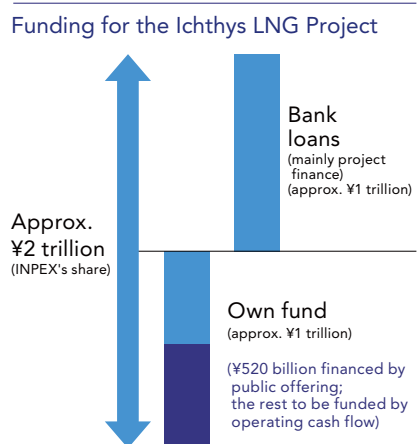
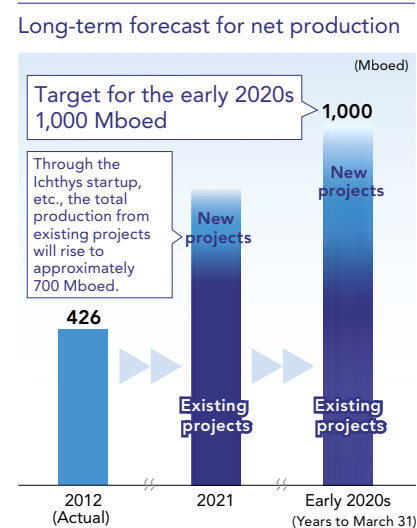
▶ See p. 74 for Geothermal Power.

3. Commencing Development Work at the Ichthys LNG Project

Production volume from Ichthys
LNG 8.4 million tons/year
LPG 1.6 million tons/year
Condensate 100 Mbbl/d
(peak rate)



Ichthys LNG Project
 ▶ See p. 46-



Having made the FID on the US\$34 billion Ichthys LNG Project in Australia in January 2012, development work on this project is progressing. Ichthys will contribute greatly to providing a stable supply of energy to Japan.

Significance of Ichthys

The FID on the Ichthys LNG project was made in January 2012, and development work has commenced. US\$34 billion is to be invested in the construction of facilities that will produce 8.4 million tons of LNG per year and other products, with production planned to start by the end of 2016. In addition to producing about 10% of Japan's annual LNG import volume, Ichthys will produce condensate and LPG. Once operations are under way, this project will contribute greatly to providing a stable supply of energy to Japan.

Moreover, INPEX retains approximately 70% participating interest in this project and is the project operator. This is the first time that a Japanese E&P company is assuming the role of operator in a large-scale LNG project, a fact with great significance in the history of Japan's energy development.

Through the commencement of production at Ichthys, INPEX's current net production of approximately 400 Mboed is expected to increase to 700 Mboed for the year ending March 31, 2021, for existing projects alone, approaching the target for the early 2020s of 1 MMboed. This will also bring INPEX close to our aim of establishing a firm position as a global E&P company that ranks just after the oil majors.

The Ichthys LNG Project is also of great significance to Australia. The construction of the LNG plant, in particular, is expected to provide great economic benefit to Darwin and the Northern Territory, mainly in the form of employment, making it welcome at the community and commonwealth. On my visit to the Northern Territory, I noticed how the local media treated the project as a major news item for several days and was impressed by the strong local interest in Ichthys.

Confidence in Commencement of Production at Ichthys

The Ichthys LNG Project is the first time any Japanese company, including INPEX, has been the operator of a large-scale project, so naturally there are risks associated with the project. In addition to the usual risk analysis, during the study phase for this project we thoroughly examined other such projects that preceded it. We conducted case studies of other past large-scale LNG projects that had actually undergone schedule delays or cost overruns and took those into consideration in carefully coordinating with construction contractors and thoroughly completing technical design specifications before the bidding stage. As a result, we are able to broadly reduce the cost overrun risk by, for example, establishing lump-sum contracts for 75% of the project cost.

We also conducted a serious study of funding for the Ichthys LNG Project. INPEX's share of the project costs is to be approximately ¥2 trillion. Of this, we are looking to U.S. dollar-denominated bank loans for about half (or ¥1 trillion), mainly through project finance. In our negotiations so far, banks in Japan, Australia and elsewhere have taken a positive stance toward participation, and currently we are not concerned about the effects of the European sovereign debt crisis. Although the remaining half will come out of INPEX's own funds, approximately ¥520 billion consists of the proceeds from the equity offering in 2010, with the remainder sufficiently covered by operating cash flow.

Moreover, we have a more than 40-year cooperative relationship with project partner TOTAL of France, an oil major with rich, worldwide experience as an LNG project operator. INPEX will accumulate experience and know-how through our partnership with TOTAL.

Commitment to Success

The FID on Ichthys means we are making an unwavering commitment, to such a degree that we can be said to be staking the future of the company on this project, but in the final analysis that decision is merely another milestone in the process of the overall project. Ichthys has left the planning stage and is now at the starting line, from which we are embarking on the actual construction of one of the world's largest LNG production facilities. I believe that the "INPEX WAY" has

received good marks internationally for the steady progress we made in arriving at our FID on Ichthys, in particular, our careful coordination and specification based on thorough study as well as trust building with local communities through the communication that I described above. I also believe that the global oil industry has come to look at INPEX differently since we made the FID. We will do everything in our power to complete the project and achieve success with it following the schedule and estimated project costs, in the knowledge that we must do so to meet the expectations of our stakeholders and prove the true worth of our company.



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4. Future Growth Topics

At the Abadi LNG Project (Indonesia), which is also a large-scale LNG project following Ichthys, we are proceeding with preparations to begin front-end engineering and design (FEED) works which we plan to start in the second half of this year. In March 2012, INPEX decided to acquire a participating interest in Prelude (Australia), which is the world's first FLNG project for which an FID was announced.

Abadi and Prelude

Having been granted approval by the Indonesian Government for the Plan of Development (POD) for the Abadi Project in December 2010, INPEX, as the operator in that project, will proceed with preparations to begin FEED work in the latter half of this year. The POD of the Abadi Project is based on the "floating LNG" (a floating offshore facility where natural gas is processed, liquefied, stored and offloaded) concept. A floating LNG eliminates the need for some conventional equipment, such as pipelines, and therefore requires less initial investment and minimizes environmental impact. In the course of moving toward full-scale development of the Abadi, INPEX invited oil major Shell to join us in Abadi as a strategic partner in July 2011. Although a number of companies had expressed an interest in joining the Abadi LNG Project, and many E&P companies, including oil

majors, had applied for participation, we chose Shell. Shell's FLNG know-how and experience in LNG projects have been a major force propelling the steady progress of the Abadi.

INPEX began participating in the Prelude FLNG Project offshore Western Australia, for which Shell is the operator. This is also an FLNG project, similar to Abadi, and the FID was made in May 2011 as the world's first FLNG project. Participating in the Prelude FLNG Project, our sixth LNG project will strengthen the INPEX LNG portfolio, helping us accumulate FLNG experience and know-how, and we expect business synergies to be created with the Abadi LNG Project.

Main Topics for the Year Ended March 31, 2012

On the domestic front, we made progress in building our gas supply chain. Progress in construction of the Naoetsu LNG Receiving Terminal was marked by the completion of installation of roofs over the LNG tanks in September 2011, and work is proceeding on schedule for the planned commencement of operations in early 2014. We also made the decision in May 2011 to construct a natural gas pipeline (the Toyama Line) to supply gas to the Hokuriku region. Construction of the Toyama Line began in May 2012, with supply through that line scheduled to commence at the end of 2014.



Abadi LNG Project
 ▶ See pp. 54 and 61.

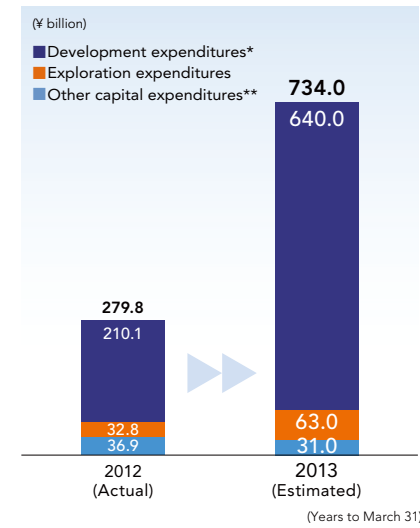
INPEX's gas supply chain INPEX delivers LNG from overseas to LNG receiving terminals in Japan, from which domestic natural gas users are supplied via our pipeline network.



▶ See p. 73 for the Gas Supply Chain.

As described above, our efforts to tap unconventional resources of gas include the decision in November 2011 to acquire shale gas interests. We acquired a 40% interest in a shale gas project in Canada with the goal of eventually achieving production in the range of 200 Mboed. We are also consider-

Investment results and plan for the year ending March 31, 2013



* Development expenditures include Ichthys downstream
 ** Mainly investment in the Naoetsu LNG Receiving Terminal, pipeline facilities in Japan, etc.

ing the possibility of exporting LNG to Japan. Shale gas is found not only in North America but also in Asia and Europe, so we would like to gain know-how in shale gas development through our aforementioned interest in this project and subsequently look into shale gas development in other regions.

Other projects also progressed: the commencement of production in the Kitan Oil Field (JPDA) in October 2011, whereas the Ruby Gas Field in the Sebuk Block (Indonesia) and the Coniston Unit (Australia) transitioned to development work in June and December, respectively. Meanwhile, among the exploration blocks with the operatorship, in November 2011 we acquired a participating interest in the Babar Selaru Block offshore Indonesia, whereas in December we acquired interests in blocks located offshore Sabah, Malaysia, and AC/P36 offshore Western Australia. Although these are comparatively small-scale projects, they are expected to be of value in the expansion of INPEX's reserves.

Main Forecasts for the Year Ending March 31, 2013

Work on our projects will proceed for the year ending March 31, 2013, as we

continue on our path toward growth. Full-scale development work will be under way at the Ichthys LNG Project during the years ending March 31, 2013 to 2014 as we conduct detailed design and procurement work concerning all of its facilities. We plan to commence FEED work at the Abadi LNG Project in the latter half of this year, as described above. Our development expenditures during the year under review increased significantly to ¥640 billion compared with the previous year due to the transition to development at Ichthys. We will focus on exploration works to secure new reserves, with planned exploration expenditures of ¥63 billion for the current year. At the end of May, we placed a successful bid for an onshore exploration block in Iraq. Iraq is a major oil producer that possesses some of the world's leading oil reserves, and INPEX has for many years sought participation in that country's development. We have already joined with a strong partner in development and production in Iraq, and the potential of this exploration project is gaining attention.

We therefore will continue to make steady progress this year in expanding our production and reserves through the aforementioned projects.

Details of the Vision: Funding and Efficient Organizational Structure

Three growth targets have been set in the Vision.

The first is to achieve net production volume of 1 MMboed by the early 2020s, which will be necessary to place INPEX among the top-class of international oil and gas E&P companies.

The second is to strengthen the gas supply chain to achieve domestic gas supply volume of 2.5 billion m³/year by the early 2020s.

The third is to promote our efforts in the area of renewable energy, with an eye toward next-generation growth.

Achieving these growth targets means engaging in structural improvements such as securing and cultivating human resources and establishing a more efficient organization. Also, we must realize returns to shareholders and efficient management worthy of a top class E&P company as we engage in the proactive investment necessary for growth. Moreover, we will promote our CSR and strengthen corporate governance with the goal of achieving responsible management as a global corporation.

Details of the Medium- to Long-Term Vision can be found on pages 42-43 of this Annual Report and in the related booklet. Next, I would like to explain the **funding** and **effective organization** that are vital to achieving the goals of the vision.

Funding

Achieving net production of 1 MMboed means investing ¥3.5 trillion over the five-year period from the year ending March 31, 2013 through March 31, 2017. Of this, the amount of development expenditures in existing projects, including that in Ichthys of approximately ¥2 trillion, is more than ¥3 trillion, with approximately ¥300 billion for exploration expenditures.

Furthermore, investment during the 10-year period following the start of production at Ichthys is expected to be more than ¥6 trillion; ¥5 trillion of that will be for development expenditures, with the remaining ¥1 trillion for exploration. Exploration expenditures of ¥1 trillion over a 10-year period mean annual investment on a scale of ¥100 billion per year, which globally is a scale of investment on a par with the majors. Our aim is for these exploration expenditures to lead to the discovery of large-scale projects that will result in the organic growth of the company.

This investment plan is in line with the plan announced in 2010 calling for investment of ¥4 trillion over the seven-year period from the year ended March 31, 2011 through the year ending March 31, 2017. Cumulative exploration and development expenditures for the years ended March 31, 2011 to 2012 were approximately ¥500 billion, with the remaining investment of ¥3.5 trillion over the five-year period beginning with the current year ending March 31, 2013 to be taken from the ¥4 trillion investment undertaken over the prior two years.

Other than available cash on hand (approximately ¥1.4 trillion as of March 31, 2012), the ¥3.5 trillion in investment funding can be covered by bank loans and future operating cash flow without difficulty, so we do not foresee resorting to other means of financing such as public offerings. Also, the more than ¥6 trillion in investment during the 10-year period following the start-up of production at Ichthys is also foreseen to be sufficiently covered by bank loans, as well as stable and massive cash flow over the long term from that project.

INPEX's long-term credit rating is good, with Standard & Poor's giving us an "A" rating. The targets for our long-term financial condition are "an equity ratio of 50% or higher" and "a net debt to net total capital employed ratio of 20% or less."

The basic policy of return for shareholders is not changed in this Vision: Aggressively reinvest cash flows from Ichthys and other projects to sustainably enhance our corporate value while balancing it with direct returns to shareholders including a dividend payment. We strive for an appropriate level of return for shareholders befitting the top-class international oil and gas E&P companies.

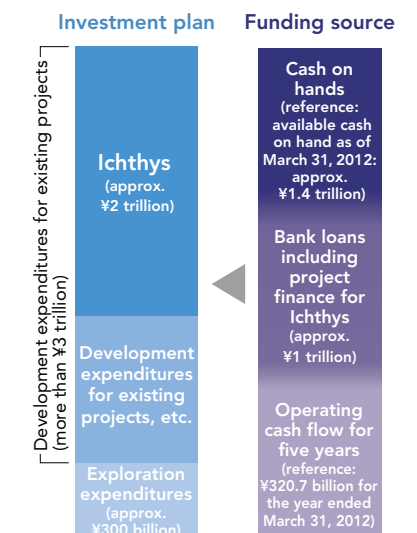
Establishing an Efficient Organization, and Securing and Cultivating Human Resources

We established the New Ventures Division within our organizational structure in June of this year to engage in the acquisition of new interests and superior assets that will support our future growth, as well as to decisively strengthen our corporate M&A response and other functions. We are aware that overseas E&P companies have organizations consisting of technical and financial professionals who specialize in acquiring new projects, so we have also put in place a structure that will allow us to respond promptly to investment opportunities.

We will continue to focus on securing and cultivating human resources capable of playing an active role in the global arena. Although INPEX has 2,146 employees (as of March 31, 2012), we are expanding our ranks of technical and clerical staff in accordance with the growth of our projects, especially Ichthys, so that in three years that number will have reached approximately 3,200.

Both of our large-scale LNG projects, Ichthys and Abadi, were discovered at the exploration stage, and the people who created those opportunities were the technical staff working at that time. This led us to secure and cultivate the human resources necessary for INPEX as an operator, and in addition we will work to actively secure and deploy personnel with diverse skills and experience in Japan and overseas. We will also train our human resources so they can play an active role in the international arena and adapt to changes in the environment. In this way, we will succeed in building a structure for global development through a number of operator projects.

¥3.5 trillion to be invested over the next 5 years
 (Years to March 31, 2013-2017)



Investment during the 10 years following the production startup of Ichthys to reach more than ¥6 trillion

5. Medium- to Long-Term Vision and Actions

Growth target to achieve by the early 2020s in the Medium- to Long-Term Vision

- 1 Achieve net production volume of 1 MMboed**
- 2 Achieve domestic gas supply volume of 2.5 billion m³/year**
- 3 Promote efforts of renewable energy for next generation**

▶ See pp. 42-43 for the Medium- to Long-Term Vision of INPEX.

In May of this year, we established the Medium- to Long-Term Vision of INPEX, which sets out the growth targets for sustainable development over the medium to long term, as well as key initiatives to be taken to achieve those targets over the next five years. Below, I provide a detailed description of that vision.

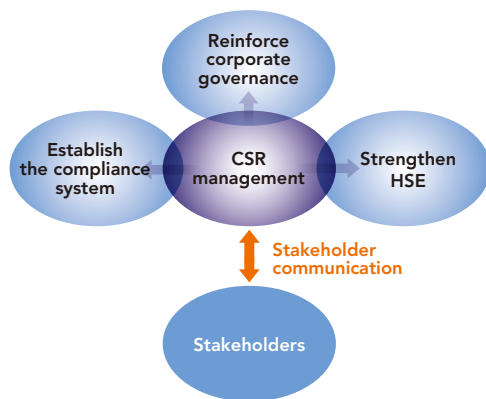
Background of Establishment of the Medium- to Long-Term Vision: Conformity with Our Mission

INPEX's goal is to provide the stable and efficient supply of energy through its core oil and gas E&P business worldwide to become an integrated energy company that contributes to creating affluent societies. Our mission as stated above has formed the basis of our growth since business integration in 2008 into a mid-tier oil and gas E&P company that conducts projects in every region of the world, with production volume and reserves ranking just after the oil majors.

Nonetheless, development under favorable conditions has become increasingly difficult, and we have had no major oil or gas field discoveries since Abadi in 2000. In addition, after going through the process of reaching the FID on Ichthys there have been many specific inquiries, from both within and outside the company, concerning the important actions leading up to the commencement of production of Ichthys, as well as concerning the growth targets over the 10-year period after the production start-up. Therefore, we timed the release of our Medium- to Long-Term Vision to follow the FID on Ichthys, so as to clarify our targets and the direction we must take to achieve sustainable growth. In addition to the future aspects of INPEX, we clearly state how we will allocate management resources such as people, goods and equipment, and financial resources.

6. Responsible Management as a Global Corporation

Initiatives for CSR management



▶ See p. 76– for Corporate Social Responsibility.

Initiatives for reinforcing corporate governance (Announced in May 2012)

1. Shorten Directors' terms of office and Executive Directors' terms of office (from two years to one year)
2. Additional appointment of an Outside Director (from four directors to five directors)
3. Establishment of Advisory Board (tentative name) (to be established by the end of 2012)
4. Establishment of a guideline for the purchase of Company shares by Directors and Executive Officers

▶ See p. 86– for Corporate Governance.

We at INPEX are aware of the social responsibility inherent in our mission of providing stable and efficient energy supplies, and as a company that operates globally we strive to coexist with and advance the international community in our management.

Strengthening CSR and Governance

INPEX endorsed the UN Global Compact in December 2011, clarifying our intention to do our best to gain the trust of the global community. Another CSR measure we undertook was the **establishment of the CSR Committee** in April 2012, with myself as the Chairman of the committee. We did so in recognition of the need to enhance our CSR awareness companywide and develop measures to grow as an excellent global company.

INPEX's operational base is mainly overseas, along with about 40% of our shareholders are foreign corporations, which means that the majority of our stakeholders are overseas. In operating overseas, it is necessary to build appropriate relationships with a variety of entities, such as governments, local communities and NGOs. Oil and gas E&P companies, in particular, must make forthright efforts to cultivate relationships of trust with local communities and show concern for the environment. Along with what is expected from the global community as a corporate citizen, I would like INPEX employees in Japan and overseas to think about how and what they will contribute to society and the environment.

Responsible management as a global company is indispensable to enhancing INPEX's reputation and corporate value. We announced **initiatives to reinforce corporate governance** in May of this year, including shortening the directors' terms of office from two years to one, increasing the number of outside directors and establishing an Advisory Board (tentative name; committee to be established within the year) composed of outside experts. We will continue to work to construct a governance structure appropriate to a company acting on the global stage.

Conclusion

Although INPEX has secured a position as a leading oil and gas E&P company in Japan, we are not generally well-known as a global company. Also, our current market value does not reflect the company's own awareness of our corporate value. I believe that one reason for this is insufficient communication with our shareholders. Thus, we will seek more thorough dialogue with our shareholders to clarify and better explain our growth potential, goals, project progress, etc.

The management and employees of INPEX have developed a strong sense of awareness and pride concerning our role in providing a stable supply of energy since last year's disaster. Our goal is to make steady progress in fulfilling our social mission of "providing stable and efficient energy supplies" as Japan's largest oil and gas E&P company and thereby further enhance our value as a company serving an essential role in the global community. As President & CEO, I am strongly committed to realizing this mission.

Thank you for taking the time to read this. I will do my best again this year to lead the company toward our goals and once more kindly request the continued support and understanding of all our stakeholders as we forge ahead.

July 2012

President & CEO
Toshiaki Kitamura

北村 俊昭