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Market Trend and Management Policy

Special Report: Ichthys LNG Project

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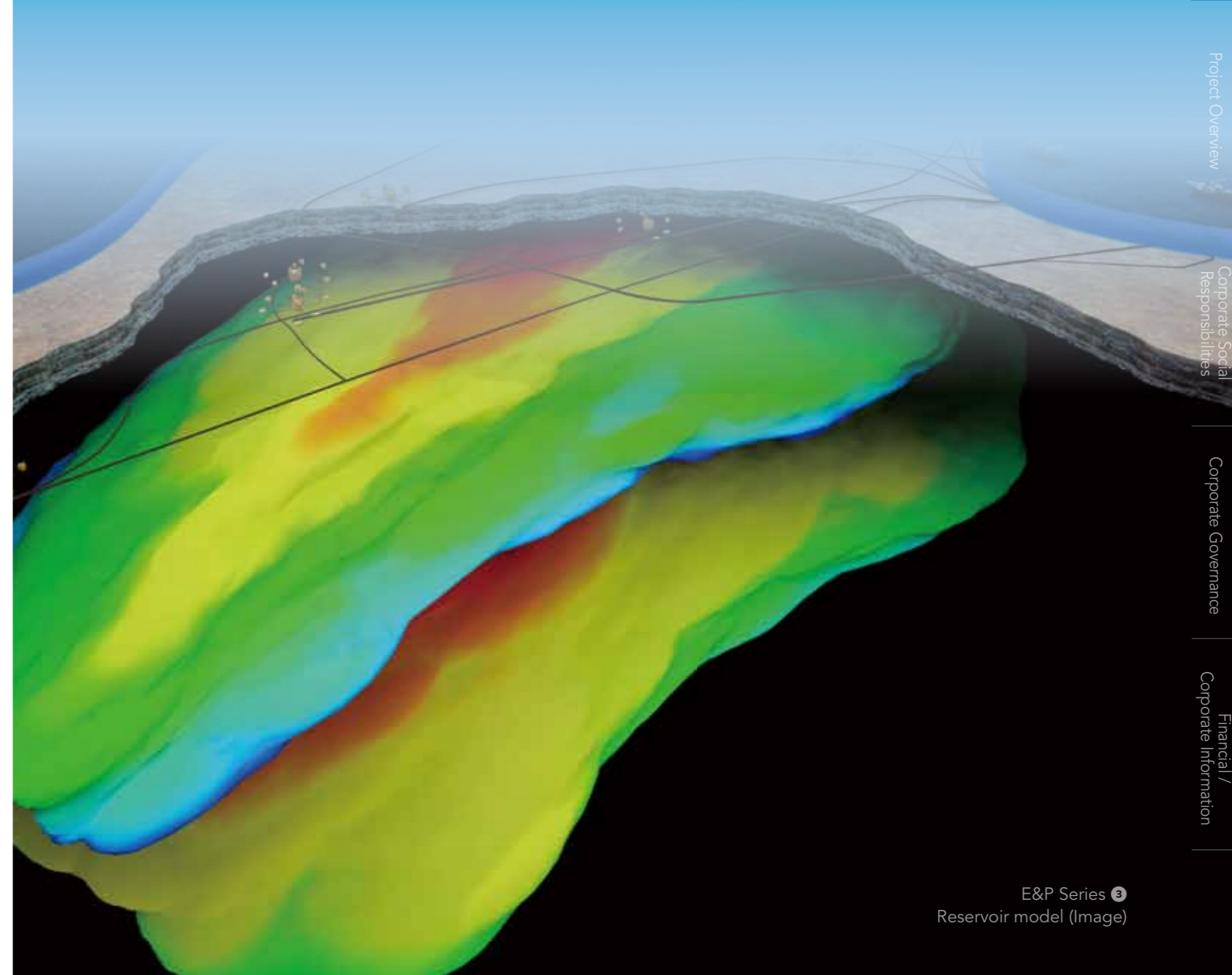
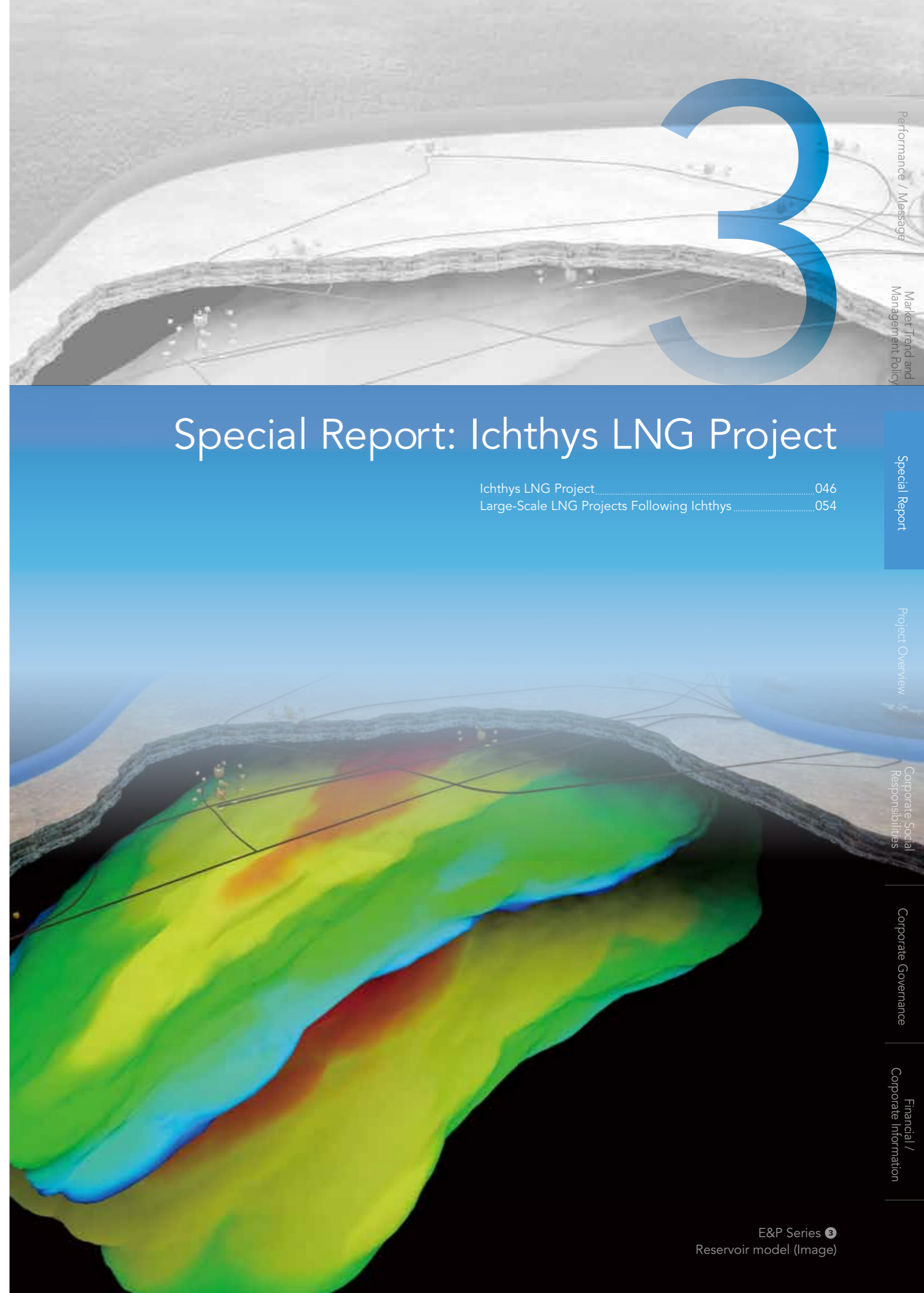
Special Report

Project Overview

Corporate Social Responsibilities

Corporate Governance

Financial / Corporate Information



Ichthys LNG Project

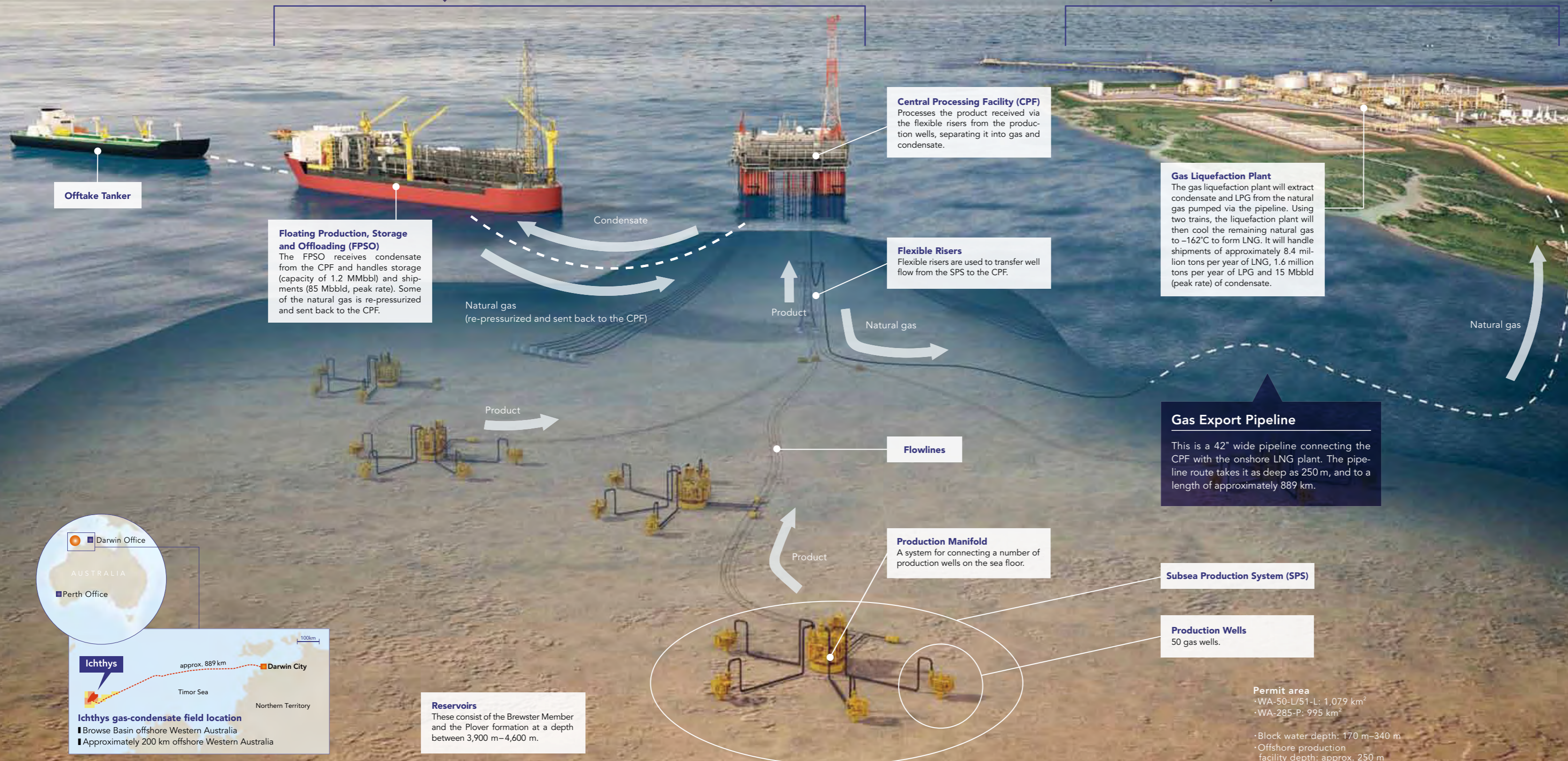
Project Development Concept (image)

Offshore Production Facilities

A Subsea Production System (SPS) enables commingling of individual well flows, prior to distribution to the Central Processing Facility (CPF) via production flowlines and production risers. The CPF separates the gas and the liquids, including a large portion of the condensate. This condensate is exported to a floating production, storage and offloading (FPSO) facility, from which it is transferred to tankers for delivery to market. The gas is transported from the CPF through a gas export pipeline to the onshore LNG plant.

Onshore Facilities

These are composed of the LNG plant and onshore storage facilities. The planned site for these facilities is Blaydin Point, which is across the harbor from Darwin City.



The Ichthys LNG Project is one of two large-scale LNG projects operated by INPEX. As an operator, we are engaging in development, production and sales activities in the Ichthys gas-condensate field, which is located about 200 km offshore Western Australia.

Having made the FID in January of this year, we have transitioned to the development phase encompassing detailed design work, procurement and facility construction, with the production start targeted by the end of 2016.



Groundbreaking ceremony of the LNG plant at Darwin (May 18, 2012)
Left: INPEX Chairman Naoki Kuroda
Center left: Australian Prime Minister Julia Gillard
Center right: Northern Territory Chief Minister Paul Henderson
Right: TOTAL E&P Australia Managing Director Mike Sangster

Outline of Ichthys LNG Project

Production volume	LNG	8.4 million tons/year
	LPG	1.6 million tons/year
	Condensate	approx. 100 Mbbl/d (peak rate)
FID	January 13, 2012	
Production start target	By the end of 2016	
Interest owned (As of July 31, 2012)	INPEX	66.070% (Operator)
	TOTAL	30.000%*
	Tokyo Gas	1.575%
	Osaka Gas	1.200%
	Chubu Electric	0.735%**
	Toho Gas	0.420%
Project status	Under development	

* Of the 30%, 6% is subject to the approval of the Australian government.
** Subject to the approval of the Australian government

Ichthys LNG Project



The Ichthys LNG Project, which will produce the equivalent of approximately 10% of Japan's annual LNG import volume, is finally entering the development phase.



Drilling rig at offshore Western Australia

The name "Ichthys," which means "fish" in ancient Greek, is derived from the many fossilized fish that were discovered in onshore areas in close proximity to the block.

Ichthys LNG Project

Project Overview

The Ichthys LNG Project is a large-scale LNG project operated by INPEX, in which development is conducted jointly with oil major TOTAL of France and other companies. Plans for Ichthys call for the production of natural gas from the Ichthys gas-condensate field and subsequent shipments of LNG, LPG and condensate by the end of 2016. Ichthys will operate on an enormous scale, producing 8.4 million tons of LNG per year. That is the equivalent of about 10% of Japan's annual LNG import volume, so Ichthys will be significant from the perspective of contributing to Japan's energy supply stability. We have already secured LNG sales and purchase agreements (SPAs) for all expected production of LNG, with approximately 70% of the LNG to be delivered from 2017 mainly to utility companies in Japan. LPG and condensate are planned to be sold to the Asia-Pacific region, where the energy demand is expected to grow.

INPEX acquired an exploration permit for a block offshore Western Australia in an open bid conducted in August 1998 and subsequently made the discoveries that would lead to the

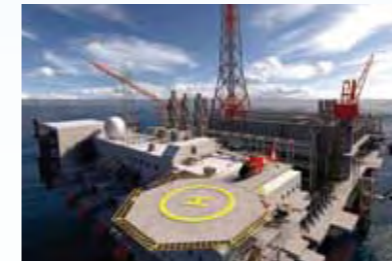
Ichthys LNG Project. During the approximately 10 years that followed, we conducted two drilling campaigns during which a total of eight exploratory wells were drilled, confirming the presence of gas and condensate sufficient for commercial development. FEED works for both onshore and offshore facilities began in 2009. Along with the FEED works, we went about obtaining government approvals, concluding LNG SPAs and satisfying other conditions, and having done so made the FID on the Ichthys LNG Project on January 13, 2012. The contractors for construction of the onshore and offshore facilities have been selected based on their performance record and reliability. We will conduct detailed design and procurement work concerning each facility through 2013, and from 2014 through 2015 we will drill production wells and construct the facilities. We will commence production by the end of 2016 after conducting the commissioning.

A production period of 40 years is planned for Ichthys, during which we expect to maintain an annual production level of 8.4 million tons per year of LNG for about 20 years.

Out of the US\$34 billion investment, INPEX's share will be financed through a combination of its own funds and bank loans, mainly project finance. Ichthys will produce a large volume of condensate in comparison to other LNG projects, making recoupment of the investment easy to achieve in the near term and ensuring sufficient economics for this project.



Final investment decision (FID) (January 13, 2012)



Central processing facility (CPF) (image)

Environmental Impact Survey and Contribution to Regional Communities

Multiyear environmental impact surveys were conducted concerning the Ichthys project, including the offshore production facilities, the gas export pipeline and the onshore LNG plant. The survey results were submitted for public review, and after taking into consideration the opinions of a variety of stakeholders we applied for and received the environmental approvals necessary to go forward with the project.

In proceeding with the Ichthys LNG Project, INPEX places great importance on communication with local communities and building a relationship of mutual understanding with the people of the surrounding project area. We are doing our utmost to be

considered a trusted corporate citizen. Our efforts include providing training opportunities for young people, including local indigenous people, by funding the construction of the Larrakia Trade Training Centre, which opened in Darwin in April 2011. We then proceeded in April 2012 to provide the funds that will underpin Charles Darwin University's North Australian Centre for Oil and Gas, which will help grow a sustainable workforce to further develop the oil and gas industry.

As the operator of Ichthys, we are committed to providing social, economic and cultural support for the sustainable development of the region and the creation of the workforce necessary to it.



Reforestation assessment project in Western Australia



Larrakia Trade Training Centre

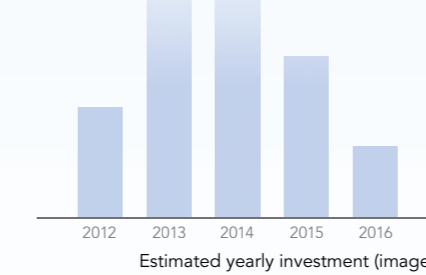
Key Features of the Ichthys LNG Project

Project progress (at the time of the FID)

- Obtained major government approvals
- Secured reliable EPC contractors
- Concluded SPAs for entire LNG production
- Confirmed lenders' intention for financing
- Adjustments of the schedule announced in May 2010 provided further accuracy and confidence of the engineering and cost estimates, and enhanced relations with the local community
- Lump-sum contracts account for the majority of overall EPC contracts (about 75%)

Development Cost (CAPEX) and Economics

- CAPEX: US\$34 billion
- Stable and massive free cash flow for a long period after production start-up
- Sufficient economics (IRR)



Substantial Reserves and Production

- 40-year project life
- LNG production of 8.4 million tons/year for approximately 20 years
- Substantial LPG and condensate production
- 1.18 billion boe of probable reserves has been upgraded to proved (INPEX share, evaluated as of March 31, 2012)



Strength of the Project

- INPEX's experience in the Asia-Oceania region
- Good coordination and relationships with joint venture partners (including TOTAL)



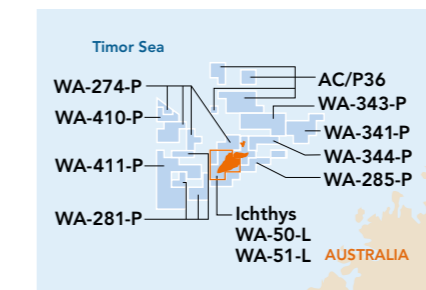
Participating projects

LNG Project in Australia

- Low country risk
- Support from Australian and Northern Territory governments
- Good relations with local communities

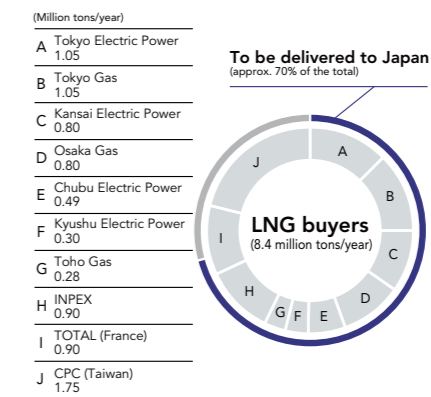


Already Participating in High-Potential Exploration Blocks around Ichthys



Exploration blocks around Ichthys in which INPEX participates

Approximately 70% of the LNG to be Delivered to Japan



For the Success of the Ichthys LNG Project

Seiya Ito

Director, Managing Executive Officer, Senior Vice President of Ichthys Project Division

The Ichthys LNG Project has now entered the development phase, with the FID having been made in January of this year. Ichthys is gaining the world's attention as the first major LNG project undertaken with a Japanese company as the operator. Operating from our bases in Perth and Darwin in Australia, with the cooperation of our partners, including TOTAL of France, our LNG customers, the Australian authorities and the EPC contractors, as well as everyone in the local communities, we shall move forward with safe, efficient development toward our goal of commencing production by the end of 2016.

Development Story

Taking the Challenge of Operatorship Because We Believe in the Potential of Ichthys

The Ichthys LNG Project, for which the FID was made in January 2012, is entering the development phase and moving ever closer to the start of production. Commercial production is expected to continue for 40 years at Ichthys, which means about 60 years for this major project when counted from 1998, the year INPEX acquired the block. The entire process, from exploration through production, makes for a grand story.

Geologists sense the Ichthys potential

Indonesia Petroleum Ltd., a predecessor of INPEX, was established in the mid-1960s to develop Indonesia's oil resources. The company expanded its operations into neighboring Australia in the latter half of the 1980s and worked together with large, local E&P companies on a number of oil and gas exploration and development projects. By the latter half of the 1990s, we had already acquired a decade of experience work-

ing in Australia. We had by then participated in a number of offshore projects as a joint venture partner, building up an accumulation of knowledge, experience and results. After studying the data obtained over these years of operation in the region, our geologists determined that there existed great potential reserves of oil and gas in the offshore Browse Basin in Australia.



Geologists at work



Study in suburban Darwin

Taking up the challenge of operatorship with the Ichthys discovery

This block was offered in an open bid in March 1997 by the government, and we began further studies after acquiring geophysical survey data in addition to the study results already in hand. After the geologists accumulated more data and determined those blocks with potential, INPEX's top management made the decision to take up the challenge of an operator project in Australia in the hope of achieving future growth. This led to a successful bid for an exploration permit for WA-285-P in August 1998 as an operator.

There were initially some voices of doubt about the potential of this block, therefore no oil and gas companies including oil majors or local companies participated as joint venture partners. Nonetheless, INPEX pressed on alone with exploration, and in 2000, gas condensate was discovered in the first exploratory well. Further assessments made it clear that spread out under that block was an enormous quantity of gas condensate, so the block was given the name "Ichthys gas-condensate field." Afterward, assessments of Ichthys continued steadily, and it turned out the geologists' feeling about the block was correct.

Darwin selected as the LNG plant site

Initially, a location in the Maret Islands, which are small, uninhabited islands with no airfield near Ichthys off the Kimberly coast, was considered as the prime candidate for the LNG plant site in our gas-condensate field development plan. However, the idea of building the LNG plant in the Maret Islands was dropped when authorities decided on a policy of concentrating a number of LNG plant construction projects planned for Western Australia to a single location.

Darwin, the main city in Northern Australia, was also a candidate, and because that city had for some time welcomed the construction of an onshore LNG plant we finally selected Darwin as the plant site.

Although we looked into the possibility of a fixed platform for an offshore processing facility, we selected a semi-submersible processing facility after conducting a comprehensive analysis taking into consideration factors such as technical advantages, operational stability, scheduling and cost.



Offshore drilling rig

Project moves into development phase



Students and INPEX Chairman Kuroda at the Larrakia Trade Training Centre

The building of good relations with the authorities, as well as with local communities, is indispensable to successful project progress. The decision to build the plant in Darwin received the full support of the government. We have worked with the government in contributing to the local community by funding the construction of the Larrakia Trade Training Centre for providing vocational training opportunities to young people, including indigenous people.

Also, we have completed the FEED work, which was started in 2009, for the onshore and offshore production facilities including one of the world's largest offshore production facilities, as well as an approximately 889-km pipeline and

an onshore LNG plant with 8.4 million tons of LNG per year. In tandem with the FEED work, we also went about obtaining government approvals, concluding long-term LNG sales and purchase agreements with customers such as utility companies, calculating capital expenditures and examining profitability. After making all the necessary preparations to move forward with the project, we made the FID on January 13, 2012, marking a major project milestone and making the transition to the development phase.

We will continue making steady progress toward our goal of commencing production by the end of 2016.

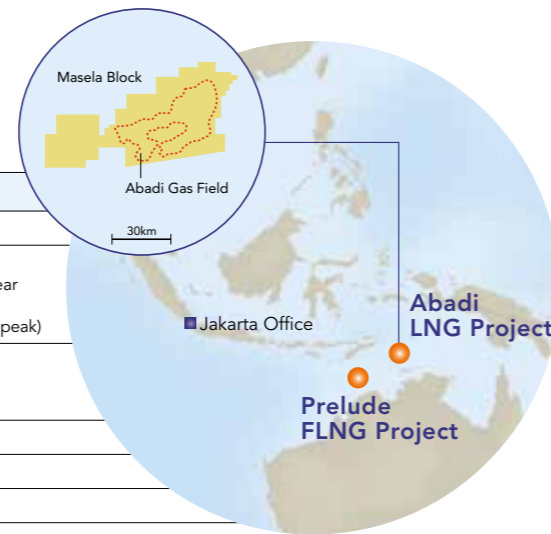
Project History

1998	2000–2001	2003–2004	2007–2008	2009–2011	From 2012 onward:
<p>Participated in an open bid, permit acquired</p> <ul style="list-style-type: none"> Submitted a bid for WA-285-P in an open bid process conducted by the Australian Federal Government in March 1997; a permit was acquired in August 1998 	<p>First drilling campaign</p> <ul style="list-style-type: none"> Confirmed the presence of gas and condensate in all three exploratory wells Acquired, processed and interpreted 3-D seismic data 	<p>Second drilling campaign</p> <ul style="list-style-type: none"> Drilled three exploratory wells to verify reserves; confirmed the areal extension of the reservoir and the presence of gas and condensate 	<p>Appraisal of recoverable reserves</p> <ul style="list-style-type: none"> Confirmed the extension of the Ichthys gas-condensate pool through further drilling of two wells Selected Darwin for an LNG plant site 	<p>Preparation for development</p> <ul style="list-style-type: none"> Started FEED activities for the onshore LNG plant, the offshore production facilities and the pipeline in 2009 Invitation to tender (ITT) for the CPF issued in November 2010 Preparatory work for the EPC procurement phase of the onshore LNG plant began in December 2010 Engineering work for the onshore LNG plant completed in March 2011 	<p>Government approvals</p> <ul style="list-style-type: none"> Public review of EIS during the period July–September 2010 EIS supplement taking public review into consideration submitted to government in April 2011 Environmental approval received from the government of the Northern Territories in May 2011 and from the Australian Federal Government in June 2011
<p>From 2012 onward:</p> <ul style="list-style-type: none"> January 2012: Final Investment Decision (FID) made March 2012: Production licenses granted by Australian government May 2012: Groundbreaking Ceremony of the onshore LNG plant in Darwin Planned production startup by the end of 2016 					

Large-Scale LNG Projects Following Ichthys

Our LNG projects, employing the world's first floating LNG technology, are driven by our strategic partnership with Shell.

	Abadi	Prelude
Country	Indonesia	Australia
Production volume (expected)	(Stage-I development) LNG: 2.5 million tons/year Condensate: Approximately 8.4 Mbbl/d	LNG: 3.6 million tons/year LPG: Approximately 400 thousand tons/year (at peak) Condensate: Approximately 36 Mbbl/d (at peak)
Interest owned	Stage-I INPEX 60%, Shell 30%, PT Energi Mega Persada 10%	INPEX 17.5%, Shell 72.5%, KOGAS 10%
Operator	INPEX	Shell
Development method	FLNG	FLNG
Project status	Preparation for development	Under development



Abadi LNG Project

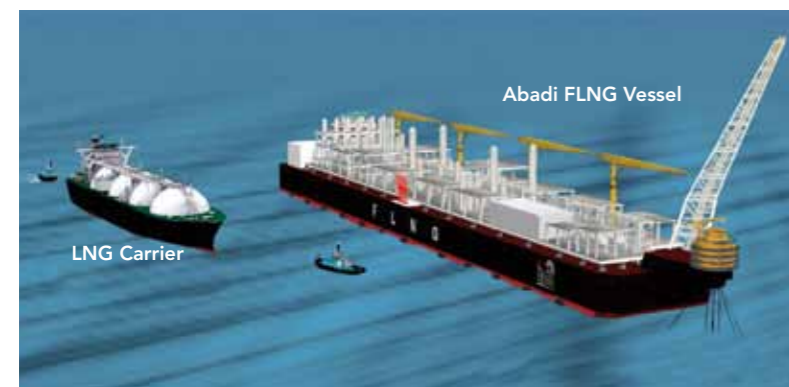
The Abadi gas field is located in the Arapura Sea in Indonesian territorial waters and is a large gas field with an area of more than 1,000 km². INPEX has been the operator of the Abadi LNG Project since the exploration stage and is currently conducting FEED preparations. The Indonesian Government granted approval in December 2010 to the plan of development for Stage-I (POD-1) for

an FLNG with a capacity of 2.5 million tons per year of LNG. In December 2011, INPEX invited Shell onboard as our strategic partner in the project, in exchange for which we transferred to Shell 30% of the participating interest in Abadi.

We are gaining technical support and bringing in FLNG experts from Shell, and currently our goal is to commence FEED in the latter half of 2012.



Abadi means "eternal" in Bahasa Indonesia. The name was assigned in the hopes of "burning forever."



What is a "floating LNG"?

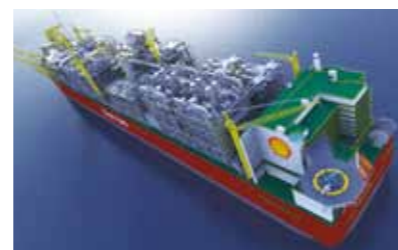
A floating LNG is created by installing an LNG plant on a large vessel. This new method allows for natural gas to be processed into liquid at that plant and then directly offloaded to an LNG carrier. A number of oil and gas companies, including oil majors and engineering companies, are looking into the commercial use of such FLNGs or are preparing to construct them.

A floating LNG eliminates the need for some conventional facilities, such as pipelines, and therefore requires less initial investment and minimizes the environmental impact.

Prelude FLNG Project

In June 2012, INPEX participated in the Prelude FLNG Project being operated by Shell, then acquired a 17.5% participating interest. Prelude is under development in offshore Western Australia. The Prelude FLNG Project will produce 3.6 million tons per year of LNG, along with 400 thousand tons per year (at peak) of LPG (liquefied petroleum gas)

and approximately 36 Mbbl/d of condensate (at peak). Shell made the FID on the project in May 2011, and development works are ongoing. Our participation in the Prelude is significant in terms of expanding our global relationship with Shell, enhancing our LNG portfolio and improving FLNG know-how and experience, which we can put to use at the Abadi LNG Project.



Prelude FLNG vessel