

Message from the

Looking Back at the Past Year

For the fiscal year ended March 31, 2015, net sales and net income decreased 12.2% and 57.6% year on year to ¥1,171.2 billion and ¥77.8 billion, respectively. Given the harsh market environment exacerbated by factors such as the drop in crude oil prices averaging approximately 20% in the fiscal year, impairment losses were incurred on certain projects and INPEX reported a downturn in revenue and earnings. Judging by the trends in oil prices, the Company recognizes that the future remains uncertain. INPEX is therefore currently adopting measures designed to minimize the impact to our earnings to the extent possible.

In the fiscal year ended March 2015, net production volume, which is a key pillar supporting the Company's earnings, was essentially unchanged year on year at 408 thousand BOED. Proved reserves, which represent a source of future earnings, stood at approximately 2.43 billion BOE at the end of March 2015.

Turning briefly to the status of the Company's major projects, development work at the Ichthys LNG Project in Australia is now at its peak, and the project has surpassed the 70% progress rate. Preparations for development work to expand the scale of production have commenced at the Abadi LNG Project in Indonesia following the confirmation of a greater volume of natural gas reserves. In April 2015, INPEX announced that it acquired a 5% participating interest in the ADCO Onshore Concession in Abu Dhabi, U.A.E. This concession makes up one of the world's largest deposits of oil and currently produces approximately 1.6 million bbl/d. As a result, we anticipate this project will contribute significantly to maintaining and expanding the Company's proved reserves and net production volume.

Toshiaki Kitamura

President & CEO



President

Update on the Ichthys LNG Project

The Ichthys LNG Project in Australia, which is the first large-scale LNG project to be operated by a Japanese company, is paramount to the Company's future growth. Following the final investment decision (FID) made in January 2012, development work has proceeded and the project reached its halfway mark in mid-2014. Currently, the progress rate is more than 70% and is steadily taking shape toward first production. In terms of the status of offshore facilities, construction of the central processing facility (CPF) and the floating

production storage and offloading (FPSO) facility has progressed. As for onshore facilities, the first of over 200 prefabricated modules (large-scale components that make up facilities) currently under construction at yards in China, the Philippines and Thailand was delivered last year, and steady progress is being made with respect to transportation, delivery and installation work. Concrete steps are also being taken at the onshore LNG plant to construct storage tanks for LNG, LPG and condensate, as well as power generation and module offload-



Steady progress in construction of the onshore LNG plant

ing facilities. As for the 889-km pipeline that will link the Ichthys gas-condensate field located offshore Western Australia to the onshore LNG plant in Darwin, Northern Territory, the shallow water pipelay in Darwin Harbour was completed in November 2014 and the deepwater pipelay has been ongoing since February 2015. Development well drilling work also began in February 2015 for the eventual recovery of products from the gas-condensate field. Having personally conducted site inspections on several occasions in the past year and witnessing the progress on the construction of the offshore facilities, pipeline and onshore LNG plant, I was filled with great excitement and anticipation. I will collaborate with all involved parties to ensure further progress on development work in the year ending March 31, 2016, putting safety as our first and foremost priority.

In tandem with development work on the Ichthys LNG Project, INPEX is conducting exploration work in a bid to locate and secure new gas

reserves across several exploration blocks in the area surrounding the Ichthys gas-condensate field. During the fiscal year ended March 2015, the Company acquired two additional exploration blocks (WA-513-P and WA-514-P) bringing the total number of owned exploration blocks in the surrounding area to 13. We intend to further strengthen our initiatives in these exploration blocks with the expectation of tapping the synergies created with the Ichthys LNG Project.



Conceptual image of the completed onshore LNG plant

Advancing Preparation Work for the Development at the Abadi LNG Project

The Abadi LNG Project is another large-scale LNG project in which INPEX as Operator is undertaking preparation work for the development of a giant gas field offshore Indonesia. The company aiming to deploy a floating LNG (FLNG) facility that processes, liquefies, stores and offloads natural gas with an annual LNG processing capacity of 2.5 million tons as the first stage of development, based on a plan of development for the Abadi Gas Field approved by the Government of Indonesia, as a result of evaluations of three appraisal wells drilled between 2013 and 2014, a substantially greater volume of natural gas reserves was confirmed. Taking this finding into consideration, INPEX is studying ways to optimize development plans centered on a large-scale FLNG, and is currently in discussions with the Indonesian government alongside partner Shell.



Drillship deployed in the Abadi LNG Project

Acquisition of Onshore Concession in Abu Dhabi

In 2014, we announced the extension of the concession agreement for the Upper Zakum Oil Field offshore Abu Dhabi in the U.A.E. In 2015, INPEX has again been successful in achieving notable results in the region, with the acquisition of a participating interest in the ADCO Onshore Concession. The ADCO Onshore Concession is one of the world's largest oil fields and is made up of 11 fields currently in production and four that remain undeveloped. The Company has acquired a 5% participating interest based on a 40-year agreement effective January 2015. While production currently stands at 1.6 million BOD, INPEX plans to proceed with development work aimed at increasing oil production to 1.8 million BOD by 2017.

The company's acquisition of a participating interest in one of the world's largest oil fields is likely the result of the value placed by local government authorities and stakeholders on INPEX's track record in oil development and production operations as well as technological contributions

in Abu Dhabi that span over 40 years. In addition to its oil development business, INPEX is also involved in social contribution activities in Abu Dhabi in areas such as human resources development.

It is most rewarding to witness how these steadfast initiatives have driven the growth of the Company, significantly contributing to the long-term, stable supply of energy to Japan.



Oil terminal

Strengthening the Natural Gas Business in Japan

The Naoetsu LNG Terminal completed in Niigata Prefecture in December 2013 had received a total of six LNG vessels as of July 2015 and is operating smoothly. In 2014, INPEX also began upgrading facilities at its Koshijihara Plant also in Niigata Prefecture. The Koshijihara Plant refines and processes natural gas produced from the Minami-Nagaoka Gas Field, which the Company is developing as Operator. The upgrades are expected to enhance the rate of natural gas and condensate recovery at the field, increase the volume of recoverable reserves by approximately 20% and extend the production life span of the Minami-Nagaoka Gas Field by nearly 20 years beyond current estimates. This initiative at one of Japan's largest natural gas fields will help promote the efficient and effective use of Japan's energy resources, and allow the Company to deliver a stable supply of energy while securing a steady source of earnings.



Drilling work at the Minami-Nagaoka Gas Field (Nagaoka City, Niigata Prefecture)

Addressing the Fall in Crude Oil Prices

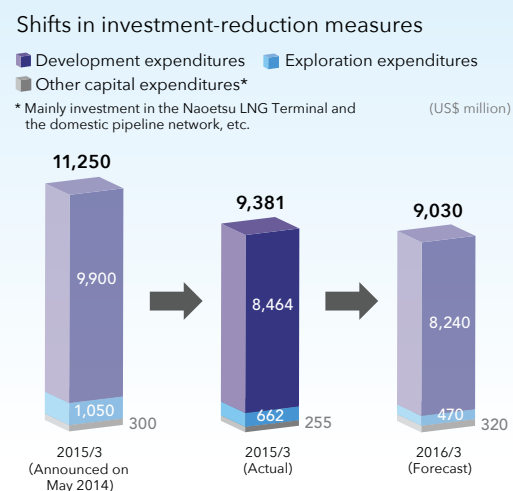
Crude oil prices, which hovered above the US\$100 per barrel mark in mid-2014, plunged dramatically toward the beginning of the new year falling temporarily below US\$50. Oil prices are expected to converge to a new equilibrium point over the medium to long term, INPEX recognizes the critical need to factor in a prolonged period of low oil prices when implementing countermeasures to manage risk. In response to the drop in oil prices, the Company is evaluating the importance level of individual projects while adopting a comprehensive approach toward determining investment priorities. Specifically, we will resolve to proceed with investments and projects that have been identified as essential in accordance with original plans. For all other projects, we will make every effort to reduce investments and curtail costs to minimize the impact of oil prices on our performance. To elaborate, INPEX pursues the following three policy measures.

- ① **We will continue to push forward with the Ichthys LNG Project and other important development projects that serve as key growth drivers.**
- ② **During the year ended March 31, 2015, we took steps to curtail development and exploration costs considering the drop of oil price. In particular, regarding exploration projects, we conducted investment reduction by reviewing the schedules and cost structures.**
- ③ **We will continue to focus on enhancing the operational efficiency of projects throughout the year ending March 31, 2016, while cutting back on related expenditures.**

As part of our efforts to curtail the costs identified in the second policy measure above, we reduced our initial development investment plan by about 15% from approximately US\$9.9 billion to around US\$8.5 billion. In terms of exploration investment plans, INPEX adjusted drilling schedules taking into account the upswing in drilling costs associated with the rise in crude oil prices, while postponing operations at certain exploration wells and other initiatives including the transfer of certain participating interests. Through these initiatives, we streamlined our initial investment plan from about US\$1.1 billion to around US\$0.7 billion in the year ended March 31, 2015,

a reduction of approximately 37%. In the year ending March 31, 2016, INPEX will continue its cost cutting initiatives. Plans are in place to reduce the total amount of investment by approximately US\$0.4 billion compared with the fiscal year ended March 2015, from around US\$9.4 billion to roughly US\$9.0 billion.

In assessing the outlook for oil prices over the medium to long term, it is imperative that we shift away from the US\$100 per barrel mind-set that persisted over the past several years. From the perspective of the Company's business development activities, it is equally important that we put in place a robust financial scheme capable of carrying out the necessary business activities even in an environment of persistently low oil prices. It goes without saying that energy is an essential resource for both the economy and society at large irrespective of short-term fluctuations in demand. At the same time, there is no denying the importance of the long-term and stable development of energy and its efficient consumption not only to Japan but also to the rest of the world. I am therefore convinced more than ever that the mission of the Company is to actively pursue the development of energy to fulfill its responsibility to society while securing sustainable growth. Despite a persistently difficult operating environment, INPEX is unified in its commitment to undertake whatever measures are necessary to carry out its mission and tasks.



Outlook

Financial forecasts for the year ending March 31, 2016 announced in August 2015 are based on the assumption that crude oil prices (full year average) will fall more than US\$20 compared to the fiscal year ended March 2015. Taking this and other assumptions into account, net income attributable to INPEX is projected to decrease by 10% year-on-year, to ¥70.0 billion. Consolidated net sales, on the other hand, are expected to slightly increase year-on-year, to ¥1,181.0 billion spurred by revenue generated from the ADCO Concession and other factors.

Net production volume in the current period is forecast to rise around 25% compared with the fiscal year ended March 2015 to 512 thousand BOED, due mainly to the addition of production from the ADCO Concession. This will be the first time for the Company to exceed 500 thousand BOED since its public listing. While the startup of the Ichthys LNG Project and other factors are expected to lift the net production volume of existing projects to around the 700 thousand BOED level, this forecast increase to over 500 thousand BOED prior to the startup of the Ichthys LNG Project is highly significant. Moreover, the volume of proved reserves and the reserve replacement ratio (RRR), which is the amount of proved reserves added to a company's reserve base during a given period relative to the amount of oil and gas produced, are projected to increase substantially as of the end of March 2016 owing mainly to production from the ADCO Concession.

In terms of the Company's shareholder return policy, INPEX is implementing a balanced approach between investments and the payment of dividends. In the lead-up to production at the Ichthys LNG Project, cash flows derived from producing projects are being channeled into reinvestments. In this context, the focus of our activities is directed toward investment. As a result, we plan to pay an annual dividend of ¥18.0 per share for the year ending March 31, 2016, unchanged from the fiscal year ended March 2015. However,

after production begins at the Ichthys LNG Project, we would like to provide returns to shareholders considering the levels of top-class international oil and gas E&P companies.

Looking back once again on the year ended March 31, 2015, I personally visited the sites of a number of projects with a view to promoting each project while exchanging opinions with the government authorities of each country and project partners. At the same time, I placed considerable emphasis on building and maintaining strong ties of mutual trust with all stakeholders including institutional investors through direct communication. As was earlier stated, crude oil prices plummeted dramatically from the second half of the fiscal year ended March 2015, and as a result, we took steps to reduce costs. In the fiscal year ending March 31, 2016, the INPEX Group will continue to work in unison to push forward its various business activities and make every effort to address and overcome a harsh operating environment while clearly defining critical investments and projects the Group needs to pursue, as well as investment and cost-reduction priorities.

In addition to securing the stable and efficient supply of energy on an ongoing basis, the Company will work diligently to enhance its competitiveness as an international oil and gas E&P company and ensure sustainable growth in both shareholder and corporate value. As we work to achieve these goals, we would greatly appreciate your continued understanding and support.

August 2015

President & CEO
Toshiaki Kitamura

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