

History of company's predecessors and moves toward company integration

Profound changes in the oil exploration project landscape in Japan and overseas

From the end of the 1990s, major petroleum companies (“Oil Majors”) outside Japan began a series of restructurings through mergers and acquisitions, leaving five key players in the industry—ExxonMobil, Chevron, BP, Royal Dutch Shell and Total. Exploration opportunities that could be developed at low cost became few and far between, and it became necessary for oil companies to boldly pursue and challenge frontier, ultra-deep and so-called unconventional development projects in order to secure new reserves. Taking on such projects required advanced technical capabilities as well as significant financial resources. Meanwhile, the economies of China and other emerging countries of Asia were growing rapidly, which created a continually expanding demand for oil and gas and the beginnings of international competition for resources.

In Japan, on the other hand, an accumulation of bad debts from overseas oil exploration projects resulted in upheaval within the Japan National Oil Corporation (JNOC) in June 1998. This caused a ripple effect that attracted criticism from all quarters, including the National Diet, about the public corporation’s management and accounting procedures, project assessment and management capabilities, and information disclosure, etc. In response, the JNOC Reconstruction Committee was established. Based on the committee’s report a number of companies involved in national projects, including Arctic Petroleum Corporation of Japan and Japan China Oil Development Corp., were dissolved. In August 2000, the Ministry of Economy, Trade and Industry Petroleum Council Basic Policy Subcommittee published an interim report promoting oil and gas development projects led by the private sector while proposing targeted political support to develop a necessary core industry group to take on this role. With moves to reform special corporations being a key part of administrative and financial reforms of the Koizumi Administration, which came to power in April 2001, cabinet decided in December 2001 to abolish JNOC. In July 2002, it established the Act Concerning the Abolishment of the Japan National Oil Act and the Metal Mining Agency of Japan Act, and the Act on the Japan Oil, Gas and Metals National Corporation, Independent Administrative Agency, which was established as the special purpose vehicle.

In the midst of this upheaval both inside and outside the oil exploration environment, the former INPEX and Teikoku Oil were continually searching for ways to enhance their corporate infrastructure and achieve sustainable growth.

Two sets of hopes

In joint projects with major petroleum companies and others, the former INPEX held good resources in oil and gas fields in East Kalimantan. It also participated in an international consortium that would go on to discover and develop the vast Kashagan Oil Field in Kazakhstan, and conducted other successful businesses to expand its area of operation. However, with little experience as an operator, its greatest wish was to move into this area to achieve even greater growth.

The company faced a turning point. With its untiring efforts finally bearing fruit, in its role as exploration operator in 2000, the company discovered the Ichthys Gas-Condensate Field in its WA-285-P concession off the coast of West Australia, and the Abadi Gas Field in its Masela concession in Indonesia. Full development of these two gas-condensate fields by itself was expected to guarantee great progress for INPEX. However, because the former INPEX was operating many different non-operator projects with limited personnel, and was involved in other projects in Abu Dhabi offshore oil fields, the Kashagan Oil Field and elsewhere, it found itself too short of human and financial resources to manage development and production of this new large project as an operator.

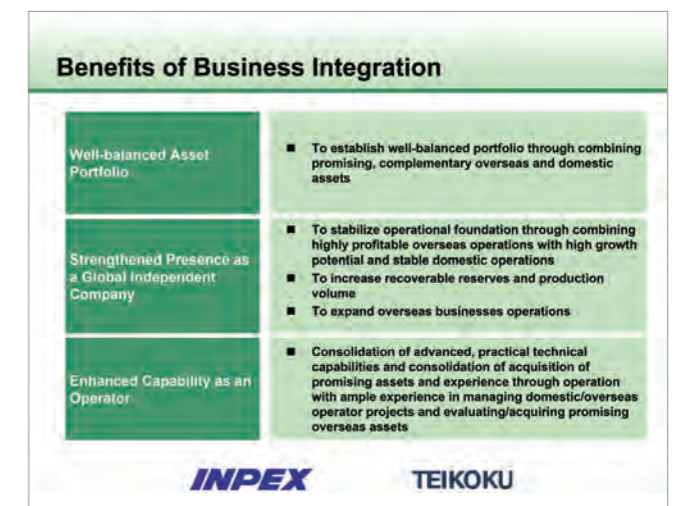
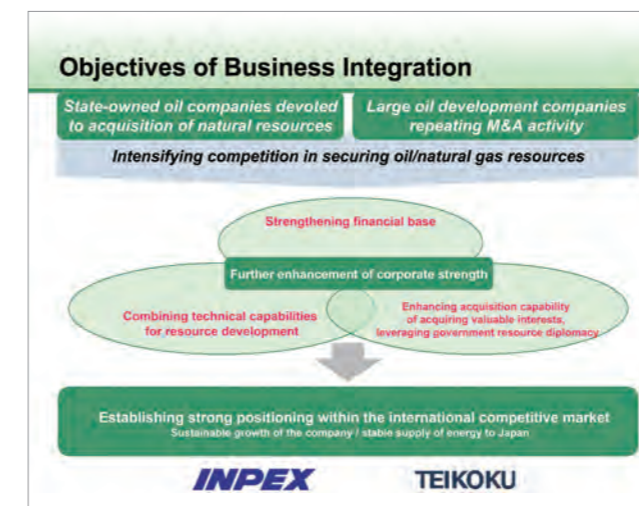
It was about this time that Teikoku Oil itself faced the urgent challenge of having to secure new oil and gas reserves as part of efforts to build up its gas business infrastructure domestically. Because there are only limited areas showing promise in Japan, the company was busy selecting core areas in Latin America and North Africa for growing its exploration and development business overseas. As resource competition heated

up though, it found itself limited in what it could achieve alone.

Former INPEX and Teikoku Oil make stealthy moves toward business integration

Since about 2004, when the former INPEX listed publicly, Kunihiko Matsuo, President and CEO of the former INPEX, and Akira Isono, President and CEO of Teikoku Oil, frequently chatted at monthly meetings of the Japan Petroleum Development Association. With Mr. Matsuo being appointed as Chairman of the Association in September 2003, and Mr. Isono being appointed as its Policy Promotion Committee Chairman in July 2004, the pair needed to discuss lots of matters in their positions directing the future of the industry, so it was only natural that they ended up in serious discussions of the future. As international resource competition started to intensify, they focused their attention on understanding how to overcome this problem and survive.

At this point, the topic of a business integration between the former INPEX and Teikoku Oil came up. As each one learned more about the condition and value of the other’s company, they started to feel that each company would complement the other. On the one hand, the former INPEX held good assets in many locations, from Asia and Oceania to the Middle East and Eurasia, and had acquired considerable knowledge and experience through working relationships with Oil Majors and the various national oil companies of oil-producing countries. And on the other hand, Teikoku Oil had experience working as an operator in Japan and overseas, and had engineers



with the know-how to put this into practice. Both companies were also financially sound, and together could create an ideal balanced portfolio without any duplication of operations across their core overseas regions.

They felt that, in addition to being able to act as operator for development and production of the Ichthys and Abadi fields, combining the strengths of these two companies would result in a powerful oil exploration and production company with the ability to meet international competition on an equal standing in terms of technologies and finances. Also, they anticipated that connecting LNG from Ichthys and other fields to the domestic pipeline network in Japan would realize a gas supply chain model capable of integrated management and operation, from gas production through to sales. They were confident that a marriage of the two companies would create synergies that were greater than the sum of the two.

At the same time, they were confident that joining forces would give the two companies the strength to achieve sustainable growth while also making a significant contribution to the important mission of creating a stable energy supply for Japan into the future.

Teikoku Oil also had the DNA to back Mr. Isono's decision. In the past, Teikoku Oil employed many engineers in the restoration and management of oil fields in Southeast Asia, with that DNA remaining part of the company even today. While it is mainly focused on domestic business these days, it has always maintained a strong desire to become involved some time in projects overseas.

In December 2004, Mr. Matsuo and Mr. Isono agreed to begin concrete negotiations toward a business integration.

Integration proceeds under utmost secrecy

With the agreement of both presidents, the two companies embarked on top secret preparations for concrete negotiations.

In January 2005, representatives from both companies secretly met outside the companies to start practical discussions. Preparations for the integration covered a lot of ground, but one of the more critical tasks was evaluating the business assets of each company. Reserving a room adjoining the president's office under another project name, the document collection work proceeded in a nighttime library after confirming employees had gone home for the day. The asset evaluations proceeded under the strictest care, with efforts including always changing the location for discussions between representatives

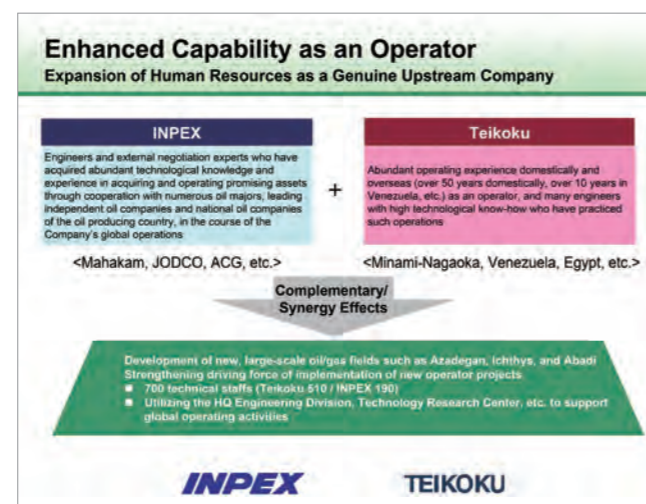
from each company and meetings with advisors, and utilizing the chat function of Skype for internal meetings.

In this way, preparations made steady progress until the end of October 2005 when, just prior to the business integration announcement, the companies began briefing shareholders and other stakeholders. As explained above, they felt the decision would be supported because it was clear that a union between the two companies would generate great strength, but a range of circumstances meant that they could not proceed easily. While senior management of both companies were explaining the integration to stakeholders, Extraordinary Meetings of the Board of Directors of both companies were held on November 5, 2005. The business integration was decided and announced on the same day.

However just after the announcement, Nippon Oil



Press conference discussing the business integration
From left: Then President Naoki Kuroda and Chairman Kunihiko Matsuo, INPEX CORPORATION
Then Chairman Akira Isono and President Masatoshi Sugioka, Teikoku Oil Co., Ltd.



Corporation (currently JXTG Nippon Oil & Energy Corporation), the largest shareholder of Teikoku Oil, expressed a cautious stance toward the integration and the former INPEX was dragged into discussions. The discussions among Nippon Oil Corporation, that was considering a business integration covering upstream, midstream and downstream processes, and Teikoku Oil, that was focused only on upstream business, and the former INPEX continued for more than a month. Finally, in mid-December, the issue was resolved by agreeing to consider collaborations on new oil exploration and production projects when it was considered to be beneficial, while at the same time respecting the autonomy of each company's management.

Fusion of two companies establishes INPEX Holdings, Inc.

Approval was obtained at the January 2006 Extraordinary General Meeting of Shareholders and Class Meeting of Shareholders, and then the two companies jointly established INPEX Holdings, Inc. in April 2006, with capital of ¥30 billion and Naoki Kuroda as President & CEO. Establishment of the holding company was just the first step in the process, with the second step being a merger of INPEX Holdings, the former INPEX and Teikoku Oil, and the final objective being a full integration.

"I want us all to work together to leverage the good parts of INPEX's and Teikoku Oil's company cultures, to fix the parts that need fixing, to change the parts that need changing, and to become a great group company with a new company culture. I want us to develop an attitude that enables positive communication between each other, that enables us to perform our duties through teamwork, and that enables us to move forward as a single outward-looking team," said Mr. Kuroda to employees of both companies.

To achieve a successful merger of the companies, not only was the unwavering resolve of senior management required, but the persistent effort of everyone from executives to frontline employees was also required. Above all, although the merger was a mutual collaboration to operate oil exploration projects, not only were the company histories, corporate cultures and employee makeups significantly different, but the former INPEX had just added many new employees, immediately prior to listing on the stock exchange, through transfers from Japan Oil Development Co., Ltd. when it was integrated and from JNOC. Entrusted by Mr. Matsuo and Mr. Isono with steering the merger, Mr. Kuroda identified the urgent challenges

within this environment of boosting morale in light of difficult targets, and cultivating a sense of unity within the company. While enforcing the basic policy of no staff reductions through retrenchments, he launched the company-wide efforts toward integration.

When INPEX Holdings was established, efforts were made to actively achieve mutual understanding and information sharing with both management and employees, at the same time as integrating systems and structures while INPEX Holdings employees took on duties from both the former INPEX and Teikoku Oil. In addition, steady efforts were made to convey the significance of the business integration, which was to become an internationally competitive growth company, to everyone, including employees in the field. This also included improving morale when faced with this objective, and cultivating uniform values and awareness. Care was also taken



Listing notice and commemorative shield for INPEX Holdings, Inc. Listed on the First Section of the Tokyo Stock Exchange on April 3, 2006



Mining-mura kara no Tabi-dachi (New Beginnings from a Mining Village) publication produced to promote mutual understanding between former INPEX, Teikoku Oil and Japan Oil Development

to obtain the understanding and cooperation of labor unions at each company.

Preparations required a range of practical work including designing structures and systems, building human resources systems, complying with the Japanese SOX Act, and developing internal control systems. In May 2006, the company's Mission and CSR Principles were established as policies for implementing the management vision after full integration, and as CSR initiatives for the whole Group. Then in June 2006, the Health, Safety and Environmental Policy was established in accordance with the Mission and CSR Principles as a basic philosophy. This basic policy was also passed on to the new company after the full integration.

With the addition of Teikoku Oil technical experts through the business integration, there are now 700 experts across the whole Group. Forming mixed teams, they have also started working on new exploration projects in Libya and Brazil.

In April 2007, INPEX Holdings accepted its first intake of new employees to lead the company into the future.

Full integration begins a new journey

In August 2006, Akasaka Biz Tower was selected to house the new post-integration entity. Then in April 2008, the former INPEX and Teikoku Oil entered into an agreement to merge with INPEX Holdings as of October 1, 2008. Approval for the merger was obtained at INPEX Holdings' June 2008 Annual General Meeting of Shareholders and Class Meeting of Shareholders, where it was also decided to name the new company INPEX CORPORATION (INPEX).

Then finally the day arrived. After four years in the making, on October 1, 2008, an international company was born with the ability to meet international resource competition on an equal standing. With involvement in 72 projects in 26 different countries worldwide, it had a tremendous balanced portfolio of project regions, contract types, work stages (exploration, development and production), and oil and gas with proved reserves and provable reserves of 1.645 billion BOE and 2.721 billion BOE respectively as of March 31, 2008.

INPEX established three fundamental strategies: (1) Sustainable expansion of the upstream business, (2) Establishment of a gas supply chain and proactive expansion of the gas business, and (3) Evolvement into a company that offers diversified forms of energy. It aims to raise the daily net production level



Head Office located within Akasaka Biz Tower in Minato-ku, Tokyo

up to 800,000 to 1 million barrels by 2020, and to establish a firm position as an upstream company with global competitiveness. As a company with a mission to provide a stable supply of energy to Japan, INPEX has begun a new journey into the future.

A look back on our business integration

Naoki Kuroda, Senior Corporate Advisor

It is now 10 years since our merger in 2008, and I believe that the integration of the two companies has proceeded very well with many positive outcomes. This is due to the understanding and cooperation of all directors and employees, and I would like to extend my appreciation to all.

I was appointed as the president of the former INPEX in 2005 at a time when confidential discussions concerning the integration were taking place. A year later, I became the president of INPEX Holdings and, eventually, the president of the newly established INPEX CORPORATION following the merger in 2008.

The few years following the integration were a particularly challenging period for INPEX as several key projects poised to shape the future of the company, including the Ichthys and Abadi LNG Projects as well as the Azadegan Project in Iran, were in critical stages of development at a time when the company was undergoing multiple organizational restructurings.

Prior to the merger, the former INPEX consisted of about 400 employees, a size not nearly sufficient to effectively execute such mega projects as operator.

Although we could expect to tap into the resources of joint venture partners for each project, as well as other external resources available in the market, it was crucial for us to establish our own groundwork and capabilities as operator. For this reason, I believe the merger was an essential step for us to expand and transition from an exploration company into a world-class E&P company capable of spearheading exploration, development and production operations.

Ten years after the merger, the Ichthys LNG Project commenced production in 2018. The current business environment surrounding our industry is certainly not easy, but I look forward to seeing INPEX continue to grow and prosper.



10 years from the merger

Masatoshi Sugioka, Senior Corporate Advisor

Looking back over the 10 years since the merger, my heart is filled with emotion as I recall the constant challenges we faced on a daily basis. There was a genuine excitement emanating throughout the company as we all, in our individual capacities, pursued our common goal of growing into a globally competitive operator leveraging the combined strengths and capabilities from the integrated company.



This past decade has been an opportunity for INPEX to devote itself to learning from the world and to give rein to grow further. As a result, we have scored numerous operational achievements both large and small, from the world class Ichthys LNG Project to

the mature oil fields in Japan. These achievements, regardless of size and scope, today have come to embody INPEX and all that it represents.

I am truly grateful for all the hard work put in by our directors and employees until now, and would like to extend to them my sincere gratitude.

INPEX has built a solid framework as a global E&P company during the last 10 years, but there remains a lot more to be done. The exploration, development and production of oil and gas is by nature a global endeavor, and for us to advocate our rightful position as a global player in the industry, we must face the challenges involved in applying the mechanisms we have nurtured on a global scale, not limited to technical fields but in all disciplines. These are common challenges that were also faced by our E&P industry peers in their own times.

Let us take this opportunity to celebrate the successful commencement of production at the Ichthys LNG Project, which lays the groundwork for the future growth of our company while coinciding with our 10th anniversary. Furthermore, let us consider Ichthys as a springboard for our further growth and success as a global company.