

**[Translation for Reference Purposes Only]**

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Securities Code 1605  
June 4, 2012

**To Those Shareholders with Voting Rights**

Toshiaki Kitamura  
President and Representative Director  
INPEX CORPORATION  
5-3-1 Akasaka, Minato-ku, Tokyo

**NOTICE OF THE 6<sup>th</sup> ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders,

You are cordially invited to attend the 6<sup>th</sup> Ordinary General Meeting of INPEX CORPORATION (hereinafter “Company”) to be held as described below.

In the event you are not able to attend, you may exercise your voting rights by either of the following two methods. It is requested that you review the Reference Documents for the General Meeting of Shareholders (Pages 5-18) before exercising your voting rights.

[Voting in writing]

Please indicate your votes for or against each of the proposals on the enclosed Voting Rights Exercise Form, and return the form for arrival by the close of business (5:25 p.m.) of Monday, June 25, 2012.

[Voting by electromagnetic means (the Internet, etc.)]

Please carefully read the “Guide to Voting by Electromagnetic Means (the Internet, etc.)” (Page 3) and enter your votes for or against each of the proposals by the close of business (5:25 p.m.) of Monday, June 25, 2012.

- 1. Date and Time:** Tuesday, June 26, 2012 at 10:00 a.m.
- 2. Place:** Ascot Hall, B2F, South Wing, Hotel Okura, Tokyo  
2-10-4 Toranomon, Minato-ku, Tokyo
- 3. Agenda of the Meeting:**
  - Matters to be reported:**
    1. Business Report, Consolidated Financial Statements for the 6<sup>th</sup> Fiscal Year (from April 1, 2011 to March 31, 2012) and results of audits by the Accounting Auditor and the Board of Statutory Auditors of the Consolidated Financial Statements
    2. Non-Consolidated Financial Statements for the 6<sup>th</sup> Fiscal Year (from April 1, 2011 to March 31, 2012)

**Proposals to be resolved:**

- Proposal No. 1:** Appropriation of Surplus
- Proposal No. 2:** Partial Amendments to the Articles of Incorporation
- Proposal No. 3:** Election of Sixteen Directors
- Proposal No. 4:** Payment of Bonuses to Directors and Statutory Auditors

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**4. Decisions Concerning Convocation**

- (1) Should you choose to exercise your voting rights via a proxy, you may designate a shareholder other than yourself, who is entitled to vote with respect to the Company, as your proxy. It should be noted, however, that it will be necessary to submit a document certifying said individual's proxy.
- (2) In the event of diverse exercise of voting rights, it is requested that you notify the Company in writing to that effect, together with the reasons therefor, by no later than three days before the General Meeting of Shareholders.
- (3) When you exercise your voting rights both by the Voting Rights Exercise Form and via the Internet, etc., the voting right exercised via the Internet, etc. shall be deemed and treated as valid vote. When you exercise your voting rights twice or more via the Internet, etc., the voting right exercised last shall be deemed and treated as valid vote.

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- Those attending the General Meeting of Shareholders are requested to submit the enclosed Voting Rights Exercise Form at the reception desk.
  - In the event the Business Report, Consolidated Financial Statements, Non-consolidated Financial Statements or Reference Documents for the General Meeting of Shareholders require modification, the contents as modified will be posted on the Company's website (<http://www.inpex.co.jp/>).

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**Exercising Voting Rights by Electromagnetic Means (e.g., via the Internet)**

When exercising voting rights for this General Meeting of Shareholders by electromagnetic means (e.g., via the Internet), please be aware of the following:

**Exercising Your Voting Rights via the Internet**

**1. Items Required to be Agreed on for the Exercise of Voting Rights via the Internet**

When exercising voting rights for this Ordinary General Meeting of Shareholders via the Internet, please be aware of the following:

- (1) You may exercise your voting rights via the Internet only through the website for exercising voting rights specified by the Company (see “Specific Procedures to Exercise Your Voting Rights via the Internet” (1) below).
- (2) When exercising your voting rights via the Internet, the “Code for the Exercise of Voting Rights” and the “Password” described in the enclosed Voting Form are required.
- (3) The “Password” and the “Code for the Exercise Your Voting Rights” sent to a shareholder shall be valid for this Ordinary General Meeting of Shareholders only. A new password and code will be issued for the next general meeting of shareholders.
- (4) If you exercise your voting rights twice, in writing and via the Internet, we will only accept the exercise of your voting rights via the Internet as effective.
- (5) If you exercise your voting rights more than once via the Internet, we will only accept the last exercise of your voting rights as effective.
- (6) The cost of Internet access (access fees to providers, telecommunications fees, etc.) shall be borne by the shareholders.

**2. Specific Procedures to Exercise Your Voting Rights via the Internet**

- (1) Access the website for exercising voting rights specified by the Company (<http://www.it-soukai.com/> or <https://daiko.mizuho-fb.co.jp/>). Please note that you will not be able to access the above URL between 3:00 a.m. and 5:00 a.m.
- (2) Enter the “Code for the Exercise of Voting Rights” and the “Password” described in the enclosed Voting Form and click on the “Log-in” button.
- (3) Exercise your voting rights by following the directions on the screen.

**3. System Requirements**

Personal Computer	Windows® computer (PDA, cellular phones and gaming devices cannot be used.)
Browser	Microsoft® Internet Explorer 5.5 or higher
Internet Environment	Internet access such as through a contract with an Internet service provider
Monitor Resolution	1024×768 pixels or higher is recommended.

\*Microsoft and Windows are registered trademarks or trademarks of Microsoft Corporation in the United States and other countries.

**4. Securities**

You may exercise your voting rights safely due to the encryption technology (SSL128bit) used to protect your voting information from being tampered with or wiretapped.

In addition, the “Code for the Exercise of Voting Rights” and the “Password” described in the Voting Form are very important to authenticate shareholders, so please ensure that you do not disclose them to other people. Please note that the Company does not make any inquiries regarding your “Password.”

**5. Inquiries**

In case you need instructions for how to operate your personal computer in order to exercise your voting rights via the Internet, please contact the following support desk:

Internet Help Dial: Stock Transfer Agency Department, Mizuho Trust & Banking Co., Ltd. Telephone: 0120-768-524 (toll-free) Operating Hours: 9:00 a.m. to 9:00 p.m. (excluding Saturdays, Sundays and national holidays)
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**(For Institutional Investors)**

Institutional investors may use “Voting Rights Electronic Exercise Platform” operated by ICJ Co., Ltd., if application is made in advance, as a means of exercising voting rights by electromagnetic means.

- END -

## Initiatives for Reinforcing Corporate Governance

The Company has strived to provide a stable and efficient supply of energy as its prime mission, and has been actively engaged in reinforcing corporate governance to ensure responsible management as a global company. At this time, it has decided to implement the following specific measures in order to continuously reinforce corporate governance.

### 1. Shorten Directors' terms of office and Executive Officers' terms of office

In order to adapt to changes in the business environment and to clarify the responsibility of the management from the viewpoint of reinforcing corporate governance, Directors' terms of office will be shortened to one year from the current two years. In addition, the same is applicable to Executive Officers' terms of office.

=>The proposal for shortening Directors' terms of office is made in the item "Proposal No. 2: Partial Amendments to the Articles of Incorporation" to be resolved at this Ordinary General Meeting of Shareholders. In addition, the shorten Executive Officers' terms of office will be determined at the Board of Directors meeting upon the approval of the "Proposal No. 2: Partial Amendments to the Articles of Incorporation" at this Ordinary General Meeting of Shareholders.

### 2. Additional appointment of an Outside Director

By appointing an additional Outside Director, the number of Outside Directors will increase from the present four to five.

=>The proposal for additional appointment of Outside Director was made and included in the item "Proposal No. 3: Election of Sixteen Directors" to be resolved at this Ordinary General Meeting of Shareholders.

### 3. Establishment of Advisory Board (tentative name)

For increasing corporate value and reinforcing corporate governance, an advisory board will be established by the end of this year. The Advisory Board (tentative name) will be a consultative body to the Board of Directors, and will consist of Japanese and international experts. Through the Advisory Board, will seek for various and objective advice on important tasks of our businesses.

### 4. Establishment of a guideline for the purchase of the shares of the Company by Directors and Executive Officers

A Guideline for the purchase of the share of the Company by Directors and Executive Officers will be introduced (applicable in July 2012) to allow them to proactively enhance corporate value in terms of medium- to long-term aspects. Directors and Executive Officers will purchase the shares of the Company every month according to the numbers of the shares as set forth in the guideline from their monthly compensation, and they will hold their shares of the Company until leaving their offices.

## Reference Documents for the General Meeting of Shareholders

### Proposals and references

#### Proposal No. 1: Appropriation of Surplus

It is proposed that surplus be appropriated as indicated below.

#### Matters Concerning Year-End Dividend

The basic policy of the Company is, in light of the medium- to long-term prospects, to harmonize such factors as paying out cash dividends as direct compensation to shareholders and maximizing corporate value through the ongoing maintenance and enlargement of its reserves and production volumes of oil and gas through exploration and development in Japan and overseas, as well as aggressive investment primarily for the establishment and improvement of the distribution infrastructure.

Based on this basic policy, it is proposed that the year-end dividend for 6<sup>th</sup> fiscal year be as follows.

- 1) Type of dividend property  
Cash
- 2) Matters concerning allotment of property to be distributed and total amount

Amount per common share	4,000 yen
Amount per Special-Class share	4,000 yen
Total amount of dividend	14,603,576,000 yen
- 3) Effective date of distribution of surplus  
June 27, 2012

This results in an annual dividend increase of 1,000 yen per share from the previous fiscal year, to 7,000 yen per share (total amount of 25,556,258,000 yen), including an interim dividend of 3,000 yen per share (total amount of 10,952,682,000 yen) already paid.

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**Proposal No. 2: Partial Amendments to the Articles of Incorporation**

1. Reason for the Proposal

In order to adapt to changes in the business environment and clarify the responsibility of the management from the viewpoint of reinforcing corporate governance, a necessary change shall be made to the Articles of Incorporation to shorten Directors' terms of office to one year from the current two years.

In addition, this Amendment will take effect at the conclusion of this Ordinary General Meeting of Shareholders.

2. Details of the Proposed Amendments

Proposed amendments are as follows.

(Underlined parts are amended.)

Existing Articles of Incorporation	Proposed Amendments
<p>(Term of Office of Directors)</p> <p>Article 30. The term of office of directors shall expire at the conclusion of the ordinary general meeting of shareholders associated with the final business year ending within <u>2 (two) years</u> after their election, <u>provided that the term of office of directors elected to fill vacancies or to increase the number of members shall be same as the remaining term of the other directors then in office.</u></p>	<p>(Term of Office of Directors)</p> <p>Article 30. The term of office of Directors shall expire at the conclusion of the ordinary general meeting of shareholders associated with the final business year ending within <u>1 (one) year</u> after their election.</p>

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**Proposal No. 3: Election of Sixteen Directors**

As the term of office of all fifteen Directors will expire at the conclusion of this Ordinary General Meeting of Shareholders, the election of sixteen Directors is proposed. Meanwhile, in order to reinforce corporate governance system, the number of the candidates for Outside Directors is increased by one to a total of five.

The candidates for Directors are as follows:

No.	Name (Date of birth)	Career summary, position and significant concurrently-held positions	Number of shares of the Company held
1	Naoki Kuroda (December 18, 1940)	<p>April 1963      Joined Ministry of International Trade and Industry (currently Ministry of Economy, Trade and Industry)</p> <p>June 1992      Director-General for the Agency of Natural Resources and Energy</p> <p>August 1993    Advisor to the Bank of Tokyo Ltd. / Advisor to the Mitsui Marine Insurance, Ltd. (currently Bank of Tokyo-Mitsubishi UFJ, Ltd. / Mitsui Sumitomo Insurance Co., Ltd.)</p> <p>August 1995    Advisor to Sumitomo Corporation</p> <p>June 1996      Managing Executive Director of Sumitomo Corporation</p> <p>June 1999      Director of Indonesia Petroleum, Ltd. (INPEX Corporation)</p> <p>April 2001      Representative Director, Executive Vice President of Sumitomo Corporation</p> <p>August 2004    Senior Advisor to Sumitomo Corporation</p> <p>September 2004 Representative Director, Executive Senior Vice President of INPEX Corporation</p> <p>June 2005      Representative Director, President of INPEX Corporation</p> <p>April 2006      Representative Director, President of INPEX Holdings Inc. (currently the Company)</p> <p>June 2010      Representative Director, Chairman, the Company (incumbent)</p>	Common shares: 52 shares

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No.	Name (Date of birth)	Career summary, position and significant concurrently-held positions	Number of shares of the Company held
2	Masatoshi Sugioka (January 1, 1945)	<p>April 1968    Joined Teikoku Oil Co., Ltd.</p> <p>April 1994    General Manager of Engineering Department of Teikoku Oil Co., Ltd.</p> <p>March 1995    Senior General Manager of Teikoku Oil Co., Ltd.</p> <p>March 1996    Director of Teikoku Oil Co., Ltd.</p> <p>March 1999    Managing Director of Teikoku Oil Co., Ltd.</p> <p>March 2002    Senior Managing Director of Teikoku Oil Co., Ltd.</p> <p>March 2005    Representative Director, President of Teikoku Oil Co., Ltd.</p> <p>April 2006    Representative Director of INPEX Holdings Inc. (currently the Company)</p> <p>October 2008    Representative Director, Chief Technical Executive, HSE and Compliance of the Company</p> <p>June 2010    Representative Director, Vice Chairman, Chief Technical Executive, in charge of HSE and Compliance of the Company (incumbent)</p>	Common shares: 59 shares
3	Toshiaki Kitamura (November 15, 1948)	<p>April 1972    Joined Ministry of International Trade and Industry (currently Ministry of Economy, Trade and Industry)</p> <p>July 2002    Director-General, Trade and Economic Cooperation Bureau, Ministry of Economy, Trade and Industry</p> <p>July 2003    Director-General, Manufacturing Industries Bureau, Ministry of Economy, Trade and Industry</p> <p>June 2004    Director-General, Trade Policy Bureau, Ministry of Economy, Trade and Industry</p> <p>July 2006    Vice-Minister for International Affairs, Ministry of Economy, Trade and Industry</p> <p>November 2007    Adviser to Tokio Marine &amp; Nichido Fire Insurance Co., Ltd.</p> <p>April 2008    Visiting Professor of Waseda University Graduate School</p> <p>August 2009    Executive Vice President of the Company</p> <p>June 2010    Representative Director, President &amp; CEO of the Company (incumbent)</p>	Common shares: 27 shares

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No.	Name (Date of birth)	Career summary, position and significant concurrently-held positions	Number of shares of the Company held
4	Seiji Yui (March 17, 1949)	<p>April 1975      Joined Indonesia Petroleum, Ltd. (INPEX Corporation)</p> <p>September 1999      General Manager of Jakarta Office, INPEX Corporation</p> <p>June 2000      Director, General Manager of Jakarta Office, INPEX Corporation</p> <p>March 2003      Director, Coordinator of Exploration Department 1 and Exploration Department 2, INPEX Corporation</p> <p>June 2003      Managing Director of INPEX Corporation</p> <p>April 2004      Managing Director of Japan Oil Development Co., Ltd.</p> <p>March 2006      Representative Director, Managing Director of Japan Oil Development Co., Ltd.</p> <p>April 2006      Director, Deputy Senior General Manager of Corporate Strategy &amp; Planning Division and Technology Division of INPEX Holdings Inc. (currently the Company)</p> <p>March 2007      Managing Director, Senior General Manager of Technology and HSE Division, in charge of Oceania &amp; America projects of INPEX Holdings Inc.</p> <p>June 2007      Managing Director, Senior General Manager of Technology and HSE Division and Oceania &amp; America Project Division of INPEX Holdings Inc.</p> <p>October 2008      Director, Senior Managing Executive Officer, Senior Vice President of Asia &amp; Australasia of the Company (incumbent)</p>	Common shares: 31 shares
5	Masaharu Sano (April 17, 1951)	<p>April 1974      Joined Teikoku Oil Co., Ltd.</p> <p>April 2000      General Manager of Technical Planning Department of Teikoku Oil Co., Ltd.</p> <p>March 2001      Senior General Manager of Teikoku Oil Co., Ltd.</p> <p>March 2001      General Manager of New Ventures Department, International Projects Division of Teikoku Oil Co., Ltd.</p> <p>March 2002      Director, General Manager of New Ventures Department, International Projects Division of Teikoku Oil Co., Ltd.</p> <p>March 2005      Managing Director, President of International Projects Division / Domestic Offshore Division of Teikoku Oil Co., Ltd.</p> <p>April 2006      Director, Deputy Senior General Manager of Corporate Strategy &amp; Planning Division / Technology Division of INPEX Holdings Inc. (currently the Company)</p> <p>October 2008      Director, Senior Managing Executive Officer, Senior Vice President of The Americas &amp; Africa of the Company (incumbent)</p>	Common shares: 36 shares

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No.	Name (Date of birth)	Career summary, position and significant concurrently-held positions	Number of shares of the Company held
6	Shunichiro Sugaya (November 27, 1952)	<p>April 1976      Joined Indonesia Petroleum, Ltd. (INPEX Corporation)</p> <p>April 1997      General Manager of Development Department of Indonesia Petroleum, Ltd.</p> <p>June 2001      Director, General Manager of Development Department of INPEX Corporation</p> <p>June 2002      Director, Coordinator in charge of Development Department of INPEX Corporation</p> <p>September 2005      Director, Senior General Manager of Asia Project Division, Assistant Senior General Manager of Technology and HSE Division and Coordinator in charge of Asia region / technology and HSE of INPEX Corporation</p> <p>June 2007      Managing Director, Senior General Manager of Asia Project Division, INPEX Corporation</p> <p>October 2008      Director, Managing Executive Officer, Senior Vice President of Masela Project of the Company (incumbent)</p>	Common shares: 25 shares
7	Masahiro Murayama (July 16, 1953)	<p>April 1976      Joined The Industrial Bank of Japan, Ltd. (currently Mizuho Corporate Bank, Ltd., etc.)</p> <p>June 1999      General Manager, Financial Institutions Banking Division No. 2, The Industrial Bank of Japan, Ltd.</p> <p>June 2001      General Manager, Corporate Banking Department No. 2, The Industrial Bank of Japan, Ltd.</p> <p>April 2002      General Manager, Corporate Banking Division No. 9 of Head Office, Mizuho Corporate Bank, Ltd.</p> <p>December 2002      General Manager, Syndicated Finance Structuring Division No. 1, Mizuho Corporate Bank, Ltd.</p> <p>October 2003      General Manager, Syndicated Finance Distribution Division No. 1, Mizuho Corporate Bank, Ltd.</p> <p>April 2004      Executive Officer, General Manager of Syndicated Finance Distribution Division No. 1, Mizuho Corporate Bank, Ltd.</p> <p>October 2004      Executive Officer, General Manager of Loan Trading Division, Mizuho Corporate Bank, Ltd.</p> <p>April 2005      Managing Executive Officer, in charge of corporate banking, Mizuho Corporate Bank, Ltd.</p> <p>April 2008      Director, Deputy President of Mizuho Securities Co., Ltd.</p> <p>April 2009      Council of Mizuho Securities Co., Ltd.</p> <p>May 2009      Advisor to the Company</p> <p>June 2009      Director, Managing Executive Officer, Senior Vice President of Finance &amp; Accounting of the Company (incumbent)</p>	Common shares: 18 shares

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No.	Name (Date of birth)	Career summary, position and significant concurrently-held positions	Number of shares of the Company held
8	Seiya Ito (September 14, 1954)	<p>April 1977     Joined Indonesia Petroleum, Ltd. (INPEX Corporation)</p> <p>April 2002     General Manager of Corporate Planning &amp; Management Department of INPEX Corporation</p> <p>June 2003     Director, General Manager of Corporate Planning &amp; Management Department of INPEX Corporation</p> <p>November 2004     Director, General Manager of Corporate Planning &amp; Management Department and Public Affairs Department of INPEX Corporation</p> <p>September 2005     Director, Assistant Senior General Manager of Corporate Strategy &amp; Administration Division, General Manager of Corporate Strategy &amp; Planning Unit and Public Affairs Unit of INPEX Corporation</p> <p>April 2006     Director, Assistant Senior General Manager of Corporate Strategy &amp; Administration Division, General Manager of Corporate Strategy &amp; Planning Unit of INPEX Corporation</p> <p>April 2006     Director, Assistant Senior General Manager of Corporate Strategy &amp; Planning Division of INPEX Holdings Inc. (currently the Company)</p> <p>July 2006     Director, Deputy Senior General Manager of Oceania &amp; America Project Division of INPEX Corporation</p> <p>October 2008     Director, Managing Executive Officer, Senior Vice President of Ichthys Project of the Company (incumbent)</p>	Common shares: 23 shares
9	Wataru Tanaka (May 25, 1953)	<p>April 1977     Joined Indonesia Petroleum, Ltd. (INPEX Corporation)</p> <p>June 2000     General Manager of Planning &amp; New Ventures Department of INPEX Corporation</p> <p>June 2003     Director, General Manager of Planning &amp; New Ventures Department of INPEX Corporation</p> <p>June 2004     Director, Coordinator in charge of the Middle East and Caspian Sea regions of INPEX Corporation</p> <p>October 2004     Director, Deputy General Manager of Tehran Office of INPEX Corporation</p> <p>February 2007     Director, Coordinator in charge of Middle East projects of INPEX Corporation</p> <p>April 2007     Director, Assistant Senior General Manager of General Administration and Corporate Planning Division of INPEX Corporation</p> <p>October 2008     Managing Executive Officer, Deputy Senior General Manager of General Administration Division of the Company</p> <p>June 2009     Director, Managing Executive Officer, Senior Vice President of General Administration of the Company</p> <p>June 2011     Director, Managing Executive Officer, Senior Vice President of General Administration, Corporate Strategy &amp; Planning of the Company (incumbent)</p>	Common shares: 36 shares

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No.	Name (Date of birth)	Career summary, position and significant concurrently-held positions	Number of shares of the Company held
10	Takahiko Ikeda (January 18, 1955)	<p>April 1978      Joined Teikoku Oil Co., Ltd.</p> <p>March 2002    General Manager of Production Department, Domestic Operating Division of Teikoku Oil Co., Ltd.</p> <p>March 2004    Senior General Manager of Teikoku Oil Co., Ltd.</p> <p>March 2005    Director of Teikoku Oil Co., Ltd.</p> <p>April 2006     General Manager of Domestic Project Planning and Administration Unit of Corporate Strategy &amp; Administration Division of INPEX Holdings Inc. (currently the Company)</p> <p>June 2007     Managing Director, President of Domestic Operation Division and General Manager of Niigata District Department of Teikoku Oil Co., Ltd.</p> <p>October 2008   Director, Managing Executive Officer, Senior Vice President of Domestic Projects of the Company (incumbent)</p>	Common shares: 35 shares
11	Yoshikazu Kurasawa (February 15, 1956)	<p>April 1982      Joined Japan National Oil Corporation</p> <p>February 2004   Deputy General Manager of Planning &amp; New Ventures Department of INPEX Corporation</p> <p>April 2005      General Manager of Planning &amp; New Ventures Department of INPEX Corporation</p> <p>September 2005 General Manager of Business Development and Legal Unit, General Administration &amp; Corporate Planning Division of INPEX Corporation</p> <p>April 2006      General Manager of Overseas Project Planning and Administration Unit of Corporate Strategy &amp; Administration Division of INPEX Holdings Inc. (currently the Company)</p> <p>June 2007      Executive Officer, General Manager of Business Development and Legal Unit, General Administration &amp; Corporate Planning Division of INPEX Corporation</p> <p>October 2008   Executive Officer, Assistant Senior General Manager of Corporate Strategy &amp; Planning, General Manager of Business Development and Legal Unit of the Company</p> <p>June 2011      Managing Executive Officer, Vice President of Corporate Strategy &amp; Planning of the Company (incumbent)</p>	Common shares: 11 shares

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No.	Name (Date of birth)	Career summary, position and significant concurrently-held positions	Number of shares of the Company held
12	Kazuo Wakasugi (March 22, 1931)	<p>April 1953      Joined Ministry of International Trade and Industry (currently Ministry of Economy, Trade and Industry)</p> <p>June 1984      Vice-Minister for International Affairs, Ministry of International Trade and Industry</p> <p>September 1986      Advisor to Long-Term Credit Bank of Japan, Ltd. (currently Shinsei Bank, Ltd.)</p> <p>June 1993      Representative Director, Executive Vice President of Mitsubishi Electric Corporation</p> <p>May 1995      Advisor to Japan Petroleum Exploration Co., Ltd. (“JAPEX”)</p> <p>June 1995      Representative Director, President of JAPEX</p> <p>June 1996      Director of Indonesia Petroleum, Ltd. (INPEX Corporation)</p> <p>June 2001      Representative Director, Chairman of JAPEX</p> <p>April 2006      Director of INPEX Holdings Inc. (currently the Company) (incumbent)</p> <p>May 2007      Counsellor for JAPEX (incumbent)</p>	Common shares: 0 shares
13	Yoshiyuki Kagawa (November 22, 1946)	<p>April 1970      Joined Mitsui &amp; Co., Ltd.</p> <p>September 2001      Director of Mitsui Oil Exploration Co., Ltd.</p> <p>October 2001      Chief Operating Officer of Energy Business Unit of Energy Group, Mitsui &amp; Co., Ltd.</p> <p>April 2002      Managing Officer, Chief Operating Officer of Energy Business Unit of Energy Group, Mitsui &amp; Co., Ltd.</p> <p>April 2003      Executive Managing Officer, Chief Operating Officer of Energy Business Unit, Mitsui &amp; Co., Ltd.</p> <p>April 2005      Representative Director, Executive Vice President, Mitsui Oil Exploration Co., Ltd.</p> <p>June 2005      Representative Director, President, CEO, Mitsui Oil Exploration Co., Ltd. (incumbent)</p> <p>June 2006      CCO, Mitsui Oil Exploration Co., Ltd.</p> <p>June 2007      Director of INPEX Holdings Inc. (currently the Company) (incumbent)</p>	Common shares: 0 shares
14	Seiji Kato (August 3, 1948)	<p>April 1971      Joined Mitsubishi Corporation</p> <p>July 1997      General Manager of LNG Business Department A, Mitsubishi Corporation</p> <p>April 2003      Senior Vice President, Division COO of Natural Gas Business Division, Mitsubishi Corporation</p> <p>April 2006      Senior Vice President, Division COO of Natural Gas Business Division B, Mitsubishi Corporation</p> <p>April 2007      Executive Vice President, Group COO of Energy Business Group, Mitsubishi Corporation</p> <p>April 2008      Executive Vice President, Group CEO of Energy Business Group, Mitsubishi Corporation (incumbent)</p> <p>June 2010      Director of the Company (incumbent)</p> <p>June 2011      Corporate Adviser of Mitsubishi Corporation (incumbent)</p>	Common shares: 0 shares

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No.	Name (Date of birth)	Career summary, position and significant concurrently-held positions	Number of shares of the Company held
15	Rentaro Tonoike (September 6, 1953)	<p>April 1978      Joined Nippon Mining Co., Ltd.</p> <p>April 2000      General Manager, Planning &amp; Coordination Dept., Metal Division of Nippon Mining &amp; Metals Co., Ltd.</p> <p>October 2003    General Manager (Group Companies Coordination), Planning &amp; Coordination Dept. of Nippon Mining &amp; Metals Co., Ltd.</p> <p>April 2006      Executive Officer, General Manager (Planning &amp; Coordination), Planning &amp; Coordination Dept. of Nippon Mining &amp; Metals Co., Ltd.</p> <p>April 2008      Executive Officer, General Manager (Planning &amp; Coordination), Planning &amp; Coordination Dept.; General Manager of Coordination Dept., Metals Group; General Manager, Planning Dept., Copper Division, Metals Group of Nippon Mining &amp; Metals Co., Ltd.</p> <p>April 2009      Executive Officer, General Manager (Planning &amp; Coordination), Planning &amp; Coordination Dept.; General Manager, Coordination Dept., Metals Group; General Manager on Special Assignment, Copper Division, Metals Group of Nippon Mining &amp; Metals Co., Ltd.</p> <p>April 2010      Executive Officer, General Manager, Corporate Planning Dept.1 of JX Holdings, Inc.</p>	Common shares: 0 shares
16	Yasuhiko Okada (June 1, 1943)	<p>April 1966      Joined Ministry of Finance</p> <p>July 1994      Director-General, the Tokyo Regional Taxation Bureau</p> <p>May 1995      Secretary-General of Executive Bureau, Securities and Exchange Surveillance Commission</p> <p>July 1999      Administrative Vice-Minister, Environment Agency (currently Ministry of the Environment)</p> <p>June 2003      President, National Association of Labour Banks; President, The Rokinren Bank</p> <p>January 2012    Attorney at Law admitted to practice in Japan; Partner, Kitahama Partners (Tokyo Office) (incumbent)</p>	Common shares: 0 shares

Notes: 1. Significant concurrently-held positions

Significant concurrently-held positions of prospective Directors are as below.

Prospective Directors Naoki Kuroda, Masatoshi Sugioka, and Toshiaki Kitamura have significant concurrently-held positions in the Company's subsidiaries, all of which have been established as legal entities for acquiring participating interest in blocks and promoting projects.

Naoki Kuroda: Representative Director

INPEX Natuna Ltd., INPEX Masela, Ltd., INPEX Browse, Ltd., INPEX Sahul, Ltd.,  
INPEX North Caspian Sea, Ltd., INPEX Southwest Caspian Sea, Ltd.

Masatoshi Sugioka: Representative Director

INPEX Natuna Ltd., INPEX Masela, Ltd., INPEX Browse, Ltd., INPEX Sahul, Ltd.,  
INPEX North Caspian Sea, Ltd., INPEX Southwest Caspian Sea, Ltd.

Toshiaki Kitamura: Representative Director, President

INPEX Natuna Ltd., INPEX Masela, Ltd., INPEX Browse, Ltd., INPEX Sahul, Ltd.,  
INPEX North Caspian Sea, Ltd., INPEX Southwest Caspian Sea, Ltd.

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Kazuo Wakasugi: Counsellor  
Japan Petroleum Exploration Co., Ltd.  
Yoshiyuki Kagawa: Representative Director, President, CEO  
Mitsui Oil Exploration Co., Ltd.  
Seiji Kato: Corporate Advisor  
Mitsubishi Corporation  
Rentaro Tonoike: Executive Officer, General Manager of Corporate Planning Dept.1  
JX Holdings, Inc.  
Yasuhiko Okada: Partner  
Kitahama Partners

2. Prospective Directors' special interests in the Company

- (1) Yoshiyuki Kagawa concurrently serves as Representative Director, President and Chief Executive Officer of Mitsui Oil Exploration Co., Ltd. Some of this company's businesses belong to the same categories as those of the Company.
- (2) Rentaro Tonoike concurrently holds the position of Executive Officer of JX Holdings, Inc. Some of this company's businesses belong to the same categories as those of the Company.
- (3) There are no special interests between other candidates and the Company.

3. Items related to the candidates for Outside Directors

Prospective Directors Kazuo Wakasugi, Yoshiyuki Kagawa, Seiji Kato, Rentaro Tonoike and Yasuhiko Okada are candidates for Outside Directors as stipulated in Article 2, paragraph 3, item 7 of the Ordinance for Enforcement of the Companies Act. Each candidate will be notified as Independent Officer as defined by the Tokyo Stock Exchange, Inc.

Candidate No. 12 Kazuo Wakasugi (reappointment)

(1) Reasons for nominating for Outside Director and term of office as Outside Director of the Company

Kazuo Wakasugi is nominated as Outside Director of the Company and his election is requested so that his extensive experience and wide-ranging insight as a business executive, can be utilized in management of the Company. His term of office as Outside Director of the Company is six years.

(2) Relationships between the Company and any companies in which the candidate holds significant concurrently-held positions

Japan Petroleum Exploration Co., Ltd. is a major shareholder of the Company. Some of its businesses belong to the same categories as those of the Company.

The INPEX Group has had transactions related to natural gas, etc., with the Japan Petroleum Exploration Group, and the INPEX Group's sales to the Japan Petroleum Exploration Group in this fiscal year are less than 0.1% of the Company's consolidated net sales for the same period. Meanwhile, the INPEX Group's purchase from the Japan Petroleum Exploration Group in this fiscal year is less than 1.0% of the Company's consolidated cost of sales for the same period.

(3) Activities for the Board of Directors

He attended all of the 17 Board of Directors meetings during this fiscal year, and appropriately made necessary comments during deliberations of proposals, etc., based on his viewpoint as an experienced business executive.

Candidate No. 13 Yoshiyuki Kagawa (reappointment)

(1) Reasons for nominating for Outside Director and term of office as Outside Director of the Company

Yoshiyuki Kagawa is nominated as Outside Director of the Company and his election is requested so that his extensive experience and wide-ranging insight as a business executive, can be utilized in management of the Company. His term of office as Outside Director of the Company is five years by the time of the closing of this Ordinary General Meeting of Shareholders.

(2) Relationships between the Company and any companies in which the candidate holds significant concurrently-held positions

Mitsui Oil Exploration Co., Ltd. is a major shareholder of the Company. Some of its businesses belong to the same categories as those of the Company.

The INPEX Group has no business transactions with the Mitsui Oil Exploration Group.

**[Translation for Reference Purposes Only]**

(3) Activities for the Board of Directors

He attended 14 of the 17 Board of Directors meetings during this fiscal year, and appropriately made necessary comments during deliberations of proposals, etc., based on his viewpoint as an experienced business executive.

Candidate No. 14 Seiji Kato (reappointment)

(1) Reasons for nominating for Outside Director and term of office as Outside Director of the Company

Seiji Kato is nominated as Outside Director of the Company and his election is requested so that his extensive experience and wide-ranging insight cultivated in the resource/energy industry can be utilized in management of the Company. His term of office as Outside Director of the Company is two years by the time of the closing of this Ordinary General Meeting of Shareholders.

(2) Relationships between the Company and any companies in which the candidate holds significant concurrently-held positions

Mitsubishi Corporation is a major shareholder of the Company. Some of its businesses belong to the same categories as those of the Company.

The INPEX Group has had transactions related to crude oil, etc., with the Mitsubishi Corporation Group, and the INPEX Group's sales to the Mitsubishi Corporation Group in this fiscal year are less than 2.5% of the Company's consolidated net sales for the same period. Meanwhile, the INPEX Group made no purchase from the Mitsubishi Corporation Group in this fiscal year.

(3) Activities for the Board of Directors

He attended all of the 17 Board of Directors meetings during the period, and appropriately made necessary comments during deliberations of proposals, etc., based on his many years of experience and knowledge in this field.

Candidate No. 15 Rentaro Tonoike (new appointment)

(1) Reasons for nominating for Outside Director and term of office as Outside Director of the Company

Rentaro Tonoike is nominated as Outside Director of the Company and his election is requested so that his extensive experience and wide-ranging insight cultivated in the resource/energy industry can be utilized in management of the Company. He will be newly appointed upon the election.

(2) Relationships between the Company and any companies in which the candidate holds significant concurrently-held positions

JX Holdings, Inc. is a major shareholder of the Company. Some of its businesses belong to the same categories as those of the INPEX Group.

The INPEX Group has had transactions related to crude oil sales, etc., with JX Holdings Group and the INPEX Group's sales to JX Holdings Group in this fiscal year are less than 7.5% of the Company's consolidated net sales for the same period. Meanwhile, the INPEX Group's purchase from JX Holdings Group in this fiscal year is less than 0.5% of the company's consolidated cost of sales for the same period.

(3) Activities for the Board of Directors

Rentaro Tonoike will be newly appointed upon the election.

Candidate No. 16 Yasuhiko Okada (new appointment)

(1) Reasons for nominating for Outside Director and term of office as Outside Director of the Company

Although Yasuhiko Okada has no experience in being directly involved in corporate management, he is nominated as Outside Director of the Company and his election is requested, as his extensive experience and knowledge in finance as well as his professional knowledge and experience as an attorney, in addition to management experience in financial institutions as the Director of The Rokinren Bank, are expected to be fully utilized in the execution of his duties as Outside Director.

He will be newly appointed upon the election.

(2) Relationships between the Company and any companies in which the candidate holds significant concurrently-held positions

There is no business relationship between the INPEX Group and the Kitahama Partners.

(3) Activities for the Board of Directors

Yasuhiko Okada will be newly appointed upon the election.

4. In addition to common shares, the Company has issued one special-class shares, which is held by the Minister of Economy, Trade and Industry.

**[Translation for Reference Purposes Only]**

5. As regards the resolution on “Proposal No. 3: Election of Sixteen Directors”, pursuant to Article 12, Paragraph 1 of the Articles of Incorporation of the Company, in the event at least 20% of the total voting rights of shareholders relating to common shares of the Company are held by a Single Shareholder of common shares of the Company other than a public entity, or by such Single Shareholder and its Co-holder, at the time of the adoption of a resolution by this General Meeting of Shareholders, the resolution of a general meeting of Special-Class shareholders will be required in addition to the resolution of this Ordinary General Meeting of Shareholders. Although the Company determined that a general meeting of Special-Class shareholders should not be required as of the date this notice was posted, a resolution by a general meeting of Special-Class shareholders may be required depending on such factors as subsequent findings. Further, pursuant to Article 28, Paragraph 4 of the Articles of Incorporation of the Company, a Special-Class shareholder may file an objection within two weeks from the date of the adoption of the resolution by this Ordinary General Meeting of Shareholders, stating that a general meeting of Special-Class shareholders should be held.

**[Translation for Reference Purposes Only]**

**Proposal No. 4: Payment of Bonuses to Directors and Statutory Auditors**

In consideration of such factors as the business results of the period under review, it is proposed that a total of 101,200,000 yen (of which 3,000,000 yen are for three Outside Directors) be paid to the fourteen incumbent Directors as of March 31, 2012 and a total of 9,200,000 yen be paid to the five incumbent Statutory Auditors as of March 31, 2012 as bonuses.

It is also proposed that the amount to be paid to each person be entrusted to the Board of Directors as to the Directors and to the consultation of Statutory Auditors as to the Statutory Auditors.

## [Translation for Reference Purposes Only]

(Attachment)

### **Business Report**

(April 1, 2011 to March 31, 2012)

#### **I. Present State of the Corporate Group**

##### **1. Progress and Results of Operations**

During this fiscal year, while Japanese economy was in difficult circumstances by the effect of the Great East Japan Earthquake which occurred in March 2011, it remained unclear outlook due to the protracted appreciation of Japanese yen against the U.S. dollar and European debt crisis, despite recovery trend of productive activity and individual consumption in Japan.

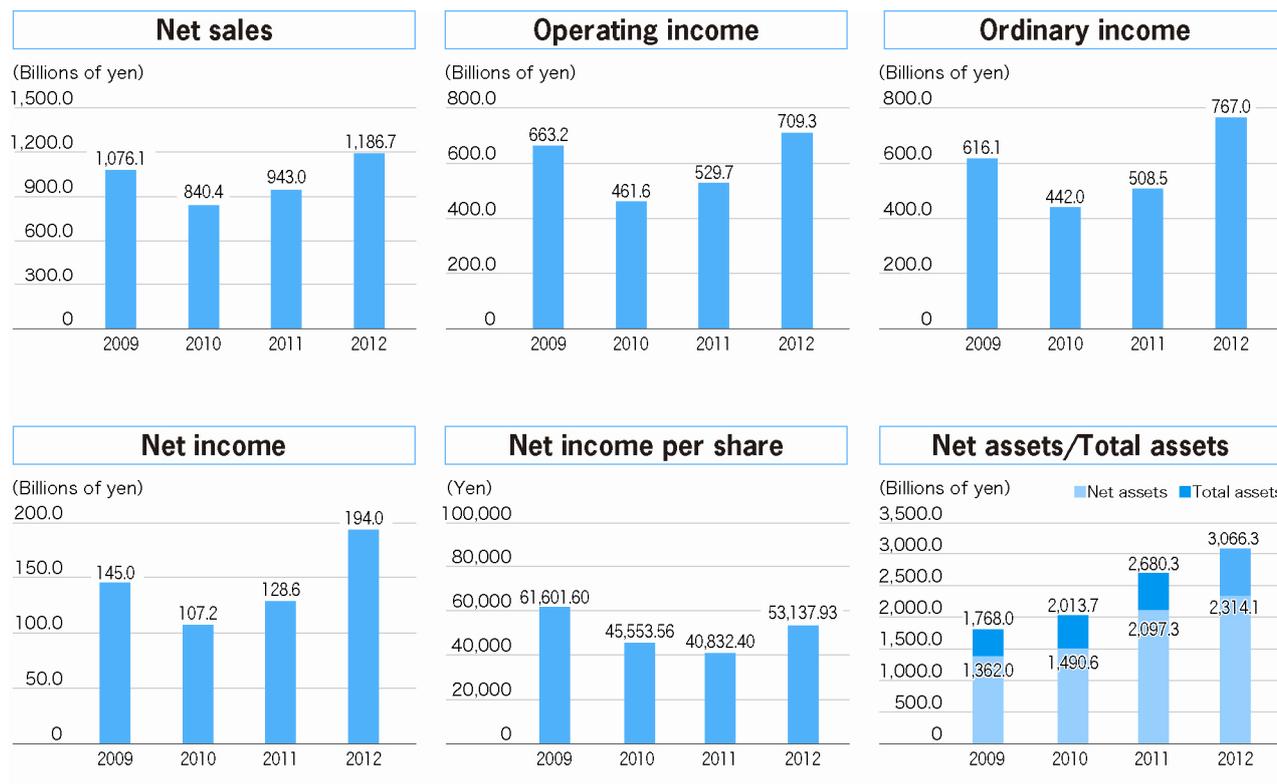
Under such business environment, Brent crude oil, an important indicator of global crude oil prices that affect our group's businesses, started from US\$118.70 per bbl and was on a downward trend behind a concern of downturn in global economy and European debt crisis which led to US\$99.79 at the beginning of October. However, the oil prices turned upward trend and came up to US\$115.00 in November since E.U. officials agreed on a solution for the Greece debt problem. Then the prices went down to US\$103.35 in mid-December due to reactivation of European debt crisis, instead they climbed up against a background of rising tension of nuclear development in Iran and closed at US\$122.88 per bbl at this fiscal year end. Meanwhile, domestic crude oil and petroleum products prices followed a similar pattern of global oil price movements. Reflecting these situations, our group's average sales price for crude oil for this fiscal year was at US\$112.97 per bbl which is US\$28.63 higher compared with the previous year.

The foreign exchange market, another important factor that affects our group's businesses, began to trade at the middle of ¥83 level to the U.S. dollar. Then the steady yen appreciation continued afterwards and yen hit historical high of ¥75.32 at the end of October as a pessimistic view of the economic outlook for the U.S. and Europe became widespread. Following that, the yen appreciation appeared to be pausing after the Bank of Japan implemented its largest-ever currency intervention. Towards this fiscal year end, yen depreciated again since Japanese balance of trade became worse and interest rate of the U.S. turned to upward, and as a result, TTM closed at ¥82.14 to the U.S. dollar which turned out to be ¥1.01 higher than that of the fiscal year end of March 31, 2011. Reflecting these situations, our group's average sales exchange rate for this fiscal year was ¥79.13 to the U.S. dollar which was ¥6.53 higher compared with the previous year.

Consolidated net sales for the year ended March 31, 2012 increased by ¥243.6 billion, or 25.8%, to ¥1,186.7 billion from the previous fiscal year due to an increase in sales price of crude oil and natural gas, despite a decrease in sales volume of natural gas and a negative effect of appreciation of Japanese yen against the U.S. dollar. Net sales of crude oil increased by ¥168.3 billion, or 30.2%, to ¥726.2 billion, and net sales of natural gas increased by ¥72.8 billion, or 20.4%, to ¥429.0 billion. The increase of ¥243.6 billion in net sales was mainly derived from the following factors: a decrease in sales volume pushing sales down of ¥4.4 billion, an increase in unit sales price contributing ¥334.0 billion to the increase, the appreciation of Japanese yen against the U.S. dollar pushing sales down of ¥88.4 billion, and an increase in net sales excluding crude oil and natural gas of ¥2.5 billion. Cost of sales for the year ended March 31, 2012 increased by ¥60.6 billion, or 18.1%, to ¥395.4 billion due mainly to an increase in royalty in the ADMA Block owing to an increase in sales. Exploration expenses decreased by ¥0.2 billion, or 2.1%, to ¥11.7 billion, and selling, general and administrative expenses increased by ¥3.6 billion, or 5.5%, to ¥70.1 billion. As a result, operating income increased by ¥179.6 billion, or 33.9%, to ¥709.3 billion. Other income increased by ¥70.9 billion, or 227.4%, to ¥102.0 billion due to an increase in gain on transfer of mining rights. Other expenses decreased by ¥7.9 billion, or 15.2%, to ¥44.4 billion due to a decrease in provision for allowance for doubtful accounts. As a result, ordinary income increased by ¥258.4 billion, or 50.8%, to ¥767.0 billion. Total amount of current income taxes and deferred income taxes increased by ¥168.2 billion, or 45.6%, to ¥536.9 billion. As a result of the above effects, net income for the year ended March 31, 2012 increased by ¥65.3 billion, or 50.7%, to ¥194.0 billion from the previous fiscal year.

[Translation for Reference Purposes Only]

Years ended March 31



**[Translation for Reference Purposes Only]**

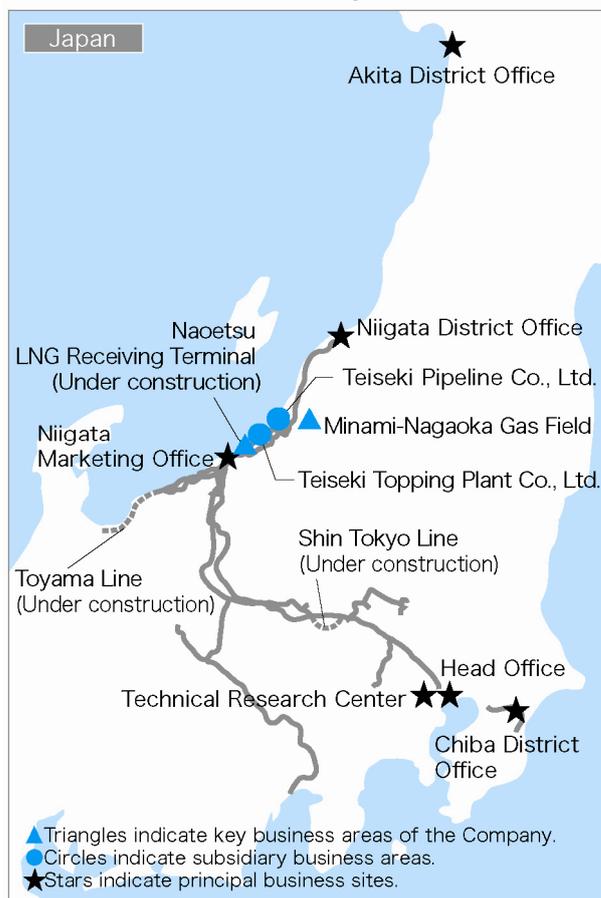
The following is a summary of the INPEX Group’s key business operations.

**(1) Japan**

Domestically, the Company continued steady production mainly at the Minami Nagaoka Gas Field in Niigata Prefecture. In addition, to ensure that the Company has sufficient natural gas supply capacity over the medium- to long-term, the Company continued with construction of an LNG receiving terminal in the Naoetsu Port of Joetsu City, with a view to commencing operation in 2014. To improve its natural gas supply infrastructure, the Company is also undertaking construction of stage 4 of the extension to the Shin Tokyo Line in order to expand the supply capacity of the Company’s pipeline network, which stretches across the Kanto-Koshishinetsu region. Moreover, the Company started construction work to lay a pipeline (the Toyama Line) between Itoigawa City in Niigata Prefecture and Toyama City, in order to fulfill expectations for the promotion of natural gas usage in the Hokuriku region, which hitherto has not had a trunk pipeline for natural gas.

Regarding the performance of the INPEX Group's business in Japan, the INPEX Group recorded net sales of ¥113.6 billion (increased by 8.7% from the previous fiscal year) due to an increase in sales volume and sales price of natural gas, and operating income of ¥24.6 billion (decreased by 5.2% from the previous fiscal year) following an increase in net purchase of natural gas.

**Domestic Facilities and Project Sites**



## [Translation for Reference Purposes Only]

### (2) Asia and Oceania

In Indonesia, the Company continued steady production at its directly-owned Offshore Mahakam Block and Attaka Unit. During this fiscal year, as well as drilling additional development wells in existing oil and gas fields to maintain the Company's production capacity, in the Offshore Mahakam Block the Company is conducting phase 1 and 2 of a development project in the South Mahakam Gas Fields. Furthermore, to establish new LNG customers, the Company is planning to start supplying LNG to the West Java LNG Terminal of PT Nusantara Regas (a joint venture by the government-owned oil company PERTAMINA and PGN, a gas company in the country) in the second quarter of 2012.

Furthermore, INPEX Masela, Ltd. (subsidiary) is conducting preparations for development as the operator of the Abadi gas field in the Masela Block of the Arafura Sea, Indonesia. Based on the plan of Stage-1 Development, which was approved by the Indonesian government in December 2010, the Company is currently continuing preparations for the front-end engineering and design (FEED) toward development using the Floating LNG (FLNG: a floating offshore facility where natural gas is processed, liquefied, stored and offloaded) concept. In addition, in December 2011, INPEX Masela, Ltd. completed procedures for transferring a 30% of the participating interest in block it owned to a subsidiary of Royal Dutch Shell plc, and continues functioning as the operator with an interest share at 60%.

Similarly in Indonesia, INPEX Natuna, Ltd. (subsidiary) continues steady production at existing oil and gas fields in the South Natuna Sea Block B. Repairs to the LPG floating production, storage and offloading (FPSO), whose operation had been suspended since the previous fiscal year, were completed in November, and the Company resumed LPG production and offloading in December.

Additionally, INPEX South Makassar, Ltd. (subsidiary) decided in June to move the Ruby Gas Field of the Sebuku Block in the south Makassar Strait of Indonesia to the development phase. Development work of the Ruby Gas Field is currently underway with a view to commencing production in the third quarter of 2013. The Company is also participating in the Tangguh LNG Project through MI Berau B.V. (affiliate), which owns interests in the Berau Block in the West Papua province of Indonesia. Under this project, gas production and LNG offloading are continuing steadily.

Furthermore, in November the Company acquired 100% participating interest in the Babar Selaru Block, in the eastern ocean of Indonesia, via INPEX Babar Selaru, Ltd. (subsidiary). The Company is currently conducting exploration of the block as the operator.

In Malaysia, the Company in January acquired a 75% participating interest in the deepwater Block S located offshore Sabah, Malaysia, via INPEX Offshore North West Sabah, Ltd. (subsidiary). Under this new project, the Company is currently conducting exploration of the block as the operator. The Company at the same time also acquired 37.5% participating interest in the deepwater Block R in the same area via INPEX Offshore South West Sabah, Ltd. (subsidiary).

In Australia, the Final Investment Decision (FID) was made in January of this year for the development of the Ichthys Gas-Condensate Field located offshore Western Australia (Ichthys LNG Project), for which INPEX Browse, Ltd. (subsidiary) has been acting as the operator. It has been decided that full-scale development work will be undertaken henceforth with an aim of commencing production within 2016. In addition, to ensure efficient funding and operation, etc. for the development of the said gas field, the Company also undertook creation of new companies in Australia and restructuring of its Group companies in the country, which involved transfer of assets. The newly established companies in Australia will be the operating bodies for the Ichthys LNG Project going forward. With regard to LNG produced from the Ichthys Project, LNG sales agreements were concluded predominantly with electric power companies, gas companies, etc. in Japan, and 70% of planned annual production of LNG will be exported to Japan. Concerning participating interest in the Ichthys LNG Project, the Company has agreed to transfer its 1.575% interest to Tokyo Gas Co., Ltd., 1.2% interest to Osaka Gas Co., Ltd., and 0.42% to Toho Gas Co., Ltd. These transfers of participating interest will take effect upon fulfillment of certain conditions precedent under the transfer agreements, including approval from the Australian government. In addition to the above, in exploration permits including the WA-285-P, evaluation of the remaining exploration potential continues to be carried out.

INPEX Alpha, Ltd. (subsidiary) temporarily suspended production in the Van Gogh Oil Field offshore Western Australia in order to make repairs to FPSO but elsewhere production remains stable. Production is also proceeding smoothly in the Ravensworth Oil Field. Further, regarding the Coniston Oil Field near the Van Gogh Oil Field, the FID was made in December, and development work is underway aiming to start production in the 4th quarter of 2013.

In addition, as a new project in Australia, the Company has agreed with a subsidiary of Royal Dutch Shell plc to acquire from the said Shell subsidiary 17.5% of participating interest in the Prelude FLNG Project, which is under development in the WA-44-L Block offshore Western Australia. In March, INPEX Oil & Gas Australia Pty Ltd (subsidiary) concluded a participating interest transfer agreement with the said Shell subsidiary.

Regarding INPEX Sahul, Ltd. (subsidiary), which has an interest in the Bayu-Undan Gas-Condensate Field

**[Translation for Reference Purposes Only]**

in the Timor Sea Joint Petroleum Development Area (JPDA), which lies between Australia and East Timor, production continues to proceed steadily, with gas being supplied to an onshore LNG plant in Darwin, Australia which is partly owned by INPEX DLNGPL Pty Ltd., before being transported to Japan.

INPEX Timor Sea, Ltd. (subsidiary), which has an interest in the JPDA06-105 Block, also in the Timor Sea JPDA, started production at the Kitan Oil Field in October.

In Asia and Oceania, the INPEX Group recorded net sales of ¥483.1 billion (increased by 18.8% from the previous fiscal year) due to an increase in sales price of crude oil and natural gas, despite a decrease in sales volume of crude oil and natural gas, and the yen appreciation, and operating income of ¥299.5 billion (increased by 27.0% from the previous fiscal year).

**Overseas Facilities and Project Sites**



[Translation for Reference Purposes Only]

**(3) Eurasia (Europe and NIS)**

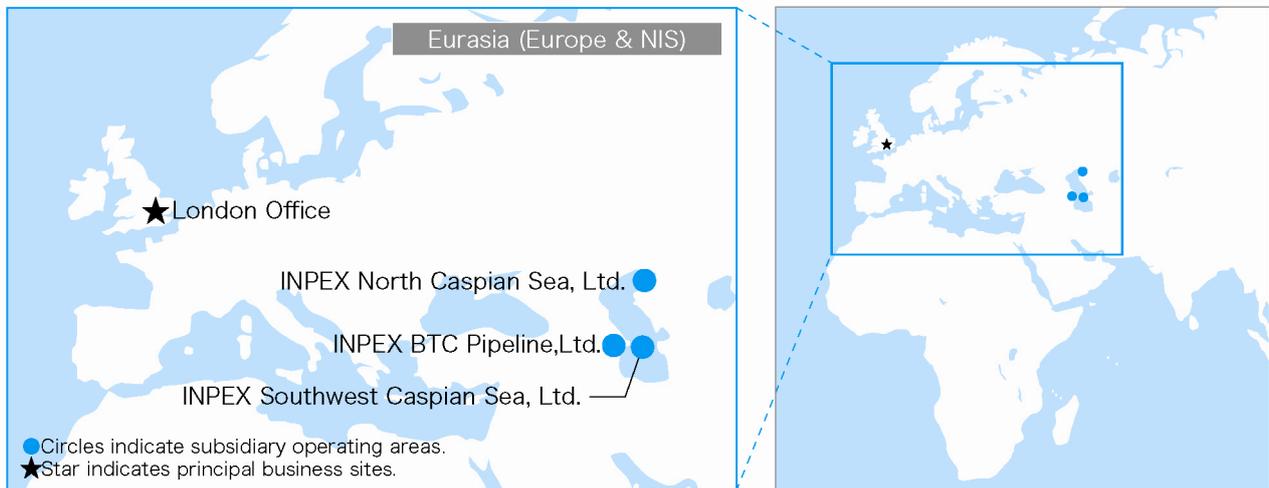
Regarding the region surrounding the Caspian Sea, in Kazakhstan in the Offshore North Caspian Sea Contract Area, in which INPEX North Caspian Sea, Ltd. (subsidiary) participates, development work is progressing based on the revised field development plan for the Kashagan Oil Field, which was approved by the Kazakhstan government in October 2008. In addition, the Company is continuing to assess the Kalamkas, Aktote, Kairan, and Kashagan Southwest structures, where exploratory well drilling has confirmed the presence of hydrocarbon.

In Azerbaijan, crude oil is being produced in the Azeri-Chirag-Gunashli (ACG) oil fields, and INPEX Southwest Caspian Sea, Ltd. (subsidiary) is participating in this project. Furthermore, a large-scale additional development operation in the western part of the Chirag Oil Field is underway aiming to begin production at the end of 2013.

INPEX BTC Pipeline, Ltd. (subsidiary) is involved in the BTC Pipeline project to secure transportation route for the crude oil produced in the Offshore North Caspian Sea Contract Area and the ACG oil fields. The Pipeline, which connects the Caspian and Mediterranean seas by traveling from Baku, Azerbaijan to Ceyhan, Turkey via Tbilisi, Georgia, is currently in smooth operation without major issues.

In Eurasia (Europe and NIS), the INPEX Group recorded net sales of ¥84.3 billion (increased by 23.4% from the previous fiscal year) due to an increase in sales price of crude oil, despite the yen appreciation, and operating income of ¥47.0 billion (increased by 29.1% from the previous fiscal year).

**Overseas Facilities and Project Sites**



## [Translation for Reference Purposes Only]

### (4) Middle East and Africa

Japan Oil Development Co., Ltd. (subsidiary), which has oil concessions pertaining to major oil fields offshore Abu Dhabi in the United Arab Emirates, is steadily producing crude oil from the Upper Zakum (UZ), Umm Al-Dalkh (UA), Satah (ST), Umm Shaif (US), and Lower Zakum (LZ) oil fields in the ADMA Block. Amongst various production and maintenance activities, key operations during this fiscal year were continued drilling of production and water injection wells, horizontalization of existing wells and water injection activities. In 3 of the above 5 oil fields: UZ, UA, and LZ oil fields, redevelopment plans are being considered to boost the production. In particular for the UZ field, preceding an agreement on the redevelopment plan, the construction of artificial islands was agreed and commenced. As for the ST field, a redevelopment plan has been agreed, and development work is already underway. Of the underdeveloped fields in the ADMA Block, namely the Umm Lulu and Nasr fields, Phase 1 of the development work, the early production phase has been agreed and is already ongoing, while the plan for the full development phase is under consideration. In the Abu Al Bukhoosh Block, also offshore Abu Dhabi, where INPEX ABK, Ltd. (subsidiary) owns a part of the concessions, crude oil is being produced. To maintain the production levels, drilling of production wells, horizontalization and work over of existing wells, production facilities upgrade and other related activities have been carried out during this year.

Regarding Africa, in the Democratic Republic of Congo, stable production of crude oil is continuing in the Offshore D. R. Congo Block, where Teikoku Oil (D.R. Congo) Co., Ltd. (subsidiary) participates in operations. In Egypt, in December the Egyptian Petroleum Development Co., Ltd. (subsidiary) finished selling off all of its participating interests in the West Bakr Block in the desert in the eastern part of the country, where it had been producing crude oil as an operator. Meanwhile, in Algeria, the Company had been producing condensate and LPG in the Ohanet Block in the eastern part of the country, in which Japan Ohanet Oil & Gas Co., Ltd. (affiliate) participates in operations, but withdrew from the operation upon expiration of the contract in October.

In Libya, INPEX Libya, Ltd. (subsidiary) had been conducting exploratory work as an operator in the onshore 113-3&4 Blocks. In February 2011, however, it suspended operations due to the deteriorating security conditions in the country. Currently, the Company is collecting related information to explore the possibility of future resumption of the exploratory work.

In the Middle East and Africa, the INPEX Group recorded net sales of ¥500.0 billion (increased by 42.6% from the previous fiscal year) due to an increase in sales volume and sales price of crude oil, despite the yen appreciation, and operating income of ¥354.1 billion (increased by 45.7% from the previous fiscal year).

### Overseas Facilities and Project Sites



[Translation for Reference Purposes Only]

(5) Americas

In Brazil, INPEX Offshore North Campos, Ltd. (affiliate) had been producing crude oil and gas through a Brazilian company, Frade Japão Petróleo Limitada, which is participating in a project to develop the Frade Oil Field. Though the oil sheen problem that took place in the oil field in November was nearly solved, a new small oil seep was found in March. Accordingly, production at the said oil field is temporarily suspended as a precautionary measure while a comprehensive technical study is being conducted to investigate the cause of the problem and better understand the geological features of the area.

In Venezuela, Teikoku Oil (Venezuela) Co., Ltd. (subsidiary), through a local joint venture established pursuant to an agreement with Petroleos de Venezuela S. A. (PDVSA), is engaged in reestablishing operations and conducting new exploratory projects and development work on an onshore oil and gas field. Production of natural gas in the Copa Macoya Block and crude oil in the Guarico Oriental Block is also proceeding smoothly. Furthermore, in the Carabobo Block, Project 3, in the onshore Carabobo region lying in the Orinoco Oil Belt, a consortium comprising the Company, Chevron, Mitsubishi Corporation and another company has established a joint venture with PDVSA and is preparing to perform development work there.

In Suriname, Teikoku Oil (Suriname) Co., Ltd. (subsidiary) is conducting exploratory well drilling in the offshore Block 31 as an operator.

In Canada, INPEX Canada, Ltd. (subsidiary), which is involved in the Joslyn Oil Sands Upstream Project in Alberta, is currently assessing and studying development potential with a view to commencing production through large-scale open-cut mining development sometime between 2014 and 2017. In addition, through INPEX Gas British Columbia Ltd. (subsidiary), the Company in November reached a basic agreement with Nexen Inc. to acquire a 40% participating interest in the shale gas projects in the Horn River, Cordova and Liard basins in British Columbia. This is the first case for the Company to participate in a shale gas development and production project.

In the United States, Teikoku Oil (North America) Co., Ltd. (subsidiary), is continuing steady production of crude oil and natural gas through its participation in a joint development project of oil and gas fields in the Gulf of Mexico and in the state of Louisiana.

In the Americas, the INPEX Group recorded net sales of ¥5.5 billion (decreased by 56.4% from the previous fiscal year) due to a decrease in sales volume of crude oil, and operating loss of ¥5.5 billion (increased by 81.8% from the previous fiscal year) following an increase in exploration expenses.

**Overseas Facilities and Project Sites**



**[Translation for Reference Purposes Only]**

**The following information concerns production and sales by the INPEX Group's main business divisions for the year ended March 31, 2012.**

**(1) Production**

The following table shows actual production of crude oil, natural gas, etc. by the INPEX Group for the year ended March 31, 2012.

Category	For the year ended March 31, 2012	Changes from the previous fiscal year (%)
Crude oil	92 MMbbls (251 Mbbls per day)	5.1
Natural gas	340 Bcf (928 MMcf per day)	(15.6)
Subtotal	156 MMboe (426 Mboe per day)	(4.8)
Petroleum products	244 Mkl (1,537 Mbbls)	1.9
Iodine	443 tons	5.9
Electric power generation	203 million kWh	12.9

Notes:

1. The production volume of crude oil and natural gas under the production sharing contracts entered into by the INPEX Group corresponds to the net economic take of the INPEX group. Figures calculated by multiplying the gross production volume by the INPEX Group's interest share are 128 MMbbls (350 Mbbls per day) of crude oil, 495 Bcf (1,352 MMcf per day) of natural gas, and in total 222 MMboe (606 Mboe per day).
2. The volume of LPG produced overseas is included in 'Crude oil.' On the other hand, the volume of LPG produced in the domestic refinery is included in 'Petroleum products.'
3. A portion of crude oil production volume is consumed as material for petroleum products.
4. A portion of crude oil and natural gas production volume is consumed as fuel to generate electricity.
5. The production by the Company's affiliates accounted for by the equity method is included in the figures above. Also the production volume is a result for the years ended March 31 regardless of a closing date of fiscal periods of its subsidiaries or affiliates.
6. Boe means barrels of oil equivalent.
7. The volume of petroleum products is converted to bbl in parentheses. Applied coefficient is 6.29 bbls per kl.
8. Iodine is refined by another company on consignment.
9. Figures are rounded to the first decimal place.
10. From the year ended March 31, 2012, the calculation method for natural gas to crude oil conversion has been changed and this has been reflected in the figures for production volume and change from the previous fiscal year of natural gas and crude oil recorded in the subtotal. Further, applying the revised calculation method to the subtotal for the year ended March 31, 2011 shows production volume at 164 MMboe (449 Mboe per day).

**[Translation for Reference Purposes Only]**

**(2) Sales**

The INPEX Group sells the allocated volume of crude oil produced overseas to Japanese customers such as refinery companies and foreign customers. Natural gas produced in Indonesia is sold to Japanese power companies and city gas companies, Korean and Taiwanese customers and others mainly in the form of LNG. The majority is sold through PERTAMINA. In addition, the INPEX Group sells natural gas produced in Japan to customers such as Japanese city gas companies through our pipelines.

The following table shows sales for the year ended March 31, 2012.

(Billions of yen)

Segment	Category	For the year ended March 31, 2012		Changes from the previous fiscal year (%)	
		Sales volume	Net sales	Sales volume	Net sales
Japan	Crude oil	138 Mbbls	1.3	(11.2)	7.1
	Natural gas (excluding LPG)	65,602 MMcf	78.3	2.1	9.0
	LPG	223 Mbbls	2.5	(2.6)	1.7
	Other		31.4		8.7
	Subtotal		113.6		8.7
Asia & Oceania	Crude oil	15,355 Mbbls	140.1	(14.7)	6.8
	Natural gas (excluding LPG)	264,617 MMcf	321.2	(13.7)	25.2
	LPG	3,213 Mbbls	21.7	(1.4)	14.1
	Subtotal		483.1		18.8
Eurasia (Europe & NIS)	Crude oil	9,107 Mbbls	84.3	0.6	23.4
Middle East & Africa	Crude oil	56,084 Mbbls	500.0	15.9	42.6
Americas	Crude oil	53 Mbbls	0.4	(94.9)	(93.8)
	Natural gas (excluding LPG)	27,382MMcf	5.1	(9.7)	(17.8)
	Subtotal		5.5		(56.4)
Total	Crude oil	80,738 Mbbls	726.2	5.3	30.2
	Natural gas (excluding LPG)	357,601 MMcf	404.7	(10.9)	20.9
	LPG	3,436Mbbls	24.3	(1.5)	12.7
	Other		31.4		8.7
	Total		1,186.7		25.8

Notes:

1. The above amounts do not include the related consumption tax.
2. The Company's subsidiaries of which closing date for fiscal year is December 31 are principally consolidated their operating results for the year ended December 31 except those subsidiaries prepared their financial statements for consolidation purpose as of the consolidation closing date. However, the significant effects of the difference in fiscal periods were properly adjusted in consolidation.
3. Sales volumes are rounded to the nearest whole number.
4. The principal items under "Other" are sales of petroleum products and iodine.

## [Translation for Reference Purposes Only]

### 2. Investments

The Company investments during this fiscal year totaled ¥279.8 billion. They comprise exploration expenditures of ¥32.8 billion, and investments of ¥247.0 billion including oil and natural gas development expenditures on production facilities, other capital expenditures on constructing facilities for the sales of natural gas and others.

The above development expenditures include ¥133.0 billion corresponding to the amount of development expenditures capitalized within “Recoverable accounts under production sharing” under the production sharing contracts and other expenditures.

The above development expenditures also include the Company's portion of investments in major affiliates accounted for by the equity method such as Ichthys LNG Pty Ltd.

### 3. Funding

During this fiscal year, the Company utilized internal cash flow and external loans of ¥50.9 billion from Japanese commercial banks such as Mizuho Corporate Bank and the Japan Bank for International Cooperation to raise funds for oil and natural gas development expenditures for production facilities, other capital expenditures for constructing facilities for the sales of natural gas, expenditures for acquisitions of interests in upstream projects and others. Most of the money raised comprises the ¥38.7 billion for development in the Offshore North Caspian Sea Contract Area. In addition, the Company utilized internal cash flow and external equity financing of ¥9.7 billion from the Japan Oil, Gas and Metals National Corporation and others to fund exploration projects.

### 4. Management Initiatives

The key management initiatives for the Company in developing oil and natural gas resources are to produce oil and natural gas in a stable manner ensuring safety and taking care of the environment communities, and achieving sustainable growth by maintaining and expanding reserves through reinvesting the cash flow obtained from existing oil and gas fields. The INPEX Group strives to ensure HSE management and preservation of the environment, formulating the safety-conscious and environmental sound system or framework across the INPEX Group based on internationally recognized standards. By combining overseas projects that promise high growth potential arising from expansion of reserves with domestic projects that are without country risks and foreign exchange risks, we are seeking qualitative improvements in our asset portfolio. At the same time, by leveraging our business resources more effectively through an organic linkage of our overseas assets and domestic infrastructure, we aim to further enhance our corporate value.

As our immediate business challenges, we recognize the importance of steady development activities of the two large scale LNG projects in Australia (Ichthys) and Indonesia (Abadi), stable production activities under the existing producing projects including Mahakam in Indonesia, ADMA Block offshore Abu Dhabi and ACG oil fields in Azerbaijan, proactive exploration activities for acquiring new oil and gas reserves, and pursuit of opportunities to acquire good projects. In our domestic gas business, we consider that the sustainable growth of natural gas business is important to respond to growing social requirements for expanding natural gas use. To meet such requirements, we have been enhancing domestic gas infrastructure including construction of the Naoetsu LNG Receiving Terminal, expansion of the Shin Tokyo Line and construction of the Toyama Line, and we have been developing the Gas Supply Chain which optimizes usage of overseas natural gas assets and domestic gas supply infrastructure.

To overcome the challenges above and to ensure sustainable growth of our corporate value, we will prepare organization qualifying for global companies including establishing a new department to pursue new opportunities more actively by further strengthen our corporate governance, upgrade and expand development plan of human resources, and strive to maintain financial soundness.

Our policy of business operation and approach to address the challenges are as follows;

#### (1) Achieve a Well Balanced Asset Portfolio

##### - Regional Diversification

The operating area and asset portfolio of the Company has diversified to not only Japan, Asia, and Oceania where we have a wealth of experience and assets, but also the Middle East, the Caspian Sea, Central and South America, and Africa and so on. We will proactively continue to invest in Asia, Oceania and other regions taking the regional balance into consideration.

##### - Output Ratio between Crude Oil and Gas

According to the outputs by products, the share of crude oil is just under 60% while the share of natural gas is just over 40%.

Crude oil is utilized all over the world as an easily handled fuel with various uses as well as its ease of transportation and storage. As crude oil is a rather sensitive commodity, the sales prices are often influenced

## [Translation for Reference Purposes Only]

by the conditions of the market. However, the customers are not fixed in a long term, and the amount of the investment for production and transportation facilities is small in comparison with that of natural gas. Furthermore, the time required for the development stage is relatively short so that the company can gain profit comparatively quickly once the oil fields are discovered.

Natural gas is the most environmentally friendly fuel among fossil energies and its utilization is expected to be promoted as a quick effective measure against global warming. Commercial production of natural gas requires substantial investment and a long lead time of preparation for constructing liquefaction plants or pipelines. Since the buyer also must make large investment in LNG receiving facilities, stable and long-term sales contracts are essential. With an assurance of long term LNG supply to the customers, a relatively stable profitability is achieved while it is sensitive to oil price fluctuations.

Regarding acquisition of new projects, we focus on a balance between crude oil and natural gas production to ensure efficient investment with a view to long-term cash flow.

### - Balancing the Project Phases among Exploration, Development and Production

Because crude oil and gas reserves are limited, we continuously seek to acquire new reserves in order to ensure stable profitability. Therefore, we reinvest in exploration to discover new reserves while maintaining our cash flow from production. Projects must be carried out continuously in order to allocate and balance our assets among exploration, development and production stages. To achieve this balance, we invest in exploration, producing and undeveloped oil and gas assets.

### - Balancing Contractual Arrangements

We intend to diversify the risk of oil price volatility by balancing contractual arrangements among production sharing contracts, or concession contracts, for which profit is linked to the price of oil, with service contracts or fixed margin contracts, for which profitability is less influenced by oil prices and amounts are fixed.

## **(2) Investments through Acquisition relative to the Expiration of Working Interests**

The production sharing contract for the offshore Mahakam area, which is the Company's major gas production project, expires in 2017. Although we will negotiate to extend the contract, production is expected to decline in the long term as the remaining reserves decline even if the contract is renewed. We intend to maintain and increase production beyond 2017 by acquiring working interests from other companies or participating in new projects or taking over companies that have substantial production and stable cash flow.

## **(3) Enhance Activities and Capabilities as Operator**

In acting as operator, we face managerial issues such as the difficulty in securing manpower and the heavy burden of financing. However, involvement as operator also increases our opportunities to obtain new working interests by improving our technological capabilities and winning recognition from oil and gas producing countries and international oil companies. The Company is pursuing opportunities to act as operator with enhanced technological capabilities resulting from business integration while addressing the effective utilization of management resources.

## **(4) Strengthening Relationships with Leading Domestic and International Oil and Gas Companies**

Developing petroleum and gas involves considerable risks. Large-scale projects in particular require huge investment, presenting an insuperable obstacle for a single company. Companies form a consortium to share the risk, and this is an international practice too. The Company plans to expand its business and to diversify risks by increasing opportunities to participate in projects through enhanced cooperation with major international oil companies, national oil companies in oil and gas producing countries as well as leading private oil resource developers, trading companies and other energy-related companies.

## **(5) Enlarging the Company's Business Domain through Organic Linkage of Domestic and Foreign Assets**

The Company aims to expand operations in the domestic natural gas market, which represents a stable base of earnings that is expected to grow. As well as building a natural gas pipeline network to supply the promising market in the Kanto-Koshinetsu region, we plan to strengthen production system in the key Minami Nagaoka gas field. We also own promising undeveloped assets, primarily natural gas, in Indonesia and Australia to ensure their long-term growth. We will consider the possibilities of gas business integration that organically links these overseas gas assets with our domestic infrastructure (gas supply chain), as an aggressive pursuit of the enlarged business domain.

## **(6) Promote an Efficient and Transparent Corporate Management**

The Company, as a global one, bears the heavy responsibility of assuring a stable supply of energy to Japan in an efficient manner. Consequently, we recognize not only that our corporate social responsibility is increasing but also that it is essential that we exercise sensitivity in conducting business in communities in Japan and around the world. Therefore, we have reinforced CSR management including setting up the CSR committee, and will also continuously strengthen our corporate governance through measures aiming for the election of independent outside auditors, shortening directors' terms of office, establishing a management advisory committee, etc.

**[Translation for Reference Purposes Only]**

**(7) Health, Safety and Environmental Efforts**

The Company has organized integrated HSE (Health, Safety and Environment) management system in line with international standards and has been trying hard to secure the safety and health of people concerned in our business and the environment. The Company places prevention of incident as the top priority and positively address to improve required documents including manuals and to develop skills through personnel training and education for emergency situation. As for environmental issues, particularly global warming, we make every effort to minimize the effects on surrounding areas when we explore, develop, produce and sell energy resources. Also we are working to effectively manage greenhouse gas emission, reduce emissions of chemical substances, suppress emissions into the atmosphere and river systems, prevent soil pollution, reduce waste and conserve biological diversity.

**(8) Development of New Business**

The Company is positioned for “Evolution into a company that offers diversified forms of energy” as one of our medium-to long-term strategies and is doing business based on the strategy. Our main goal is to live with the global community and to contribute to the sustainable social development by growing ourselves to be an energy company, who is capable of supplying a variety of environmentally friendly energies in addition to oil and natural gas. We are challenging to develop new business areas in cooperation with domestic and international companies, universities and others. In particular, we pursue opportunities to participate in new business or develop new business for renewable energy such as solar photovoltaic and solar power generation, wind power or geothermal power generation and biomass fuel etc. and comprehensive energy utilization technologies for expansion of access to renewable energy including reserve cell and fuel battery.

In order to supply energy in a stable and efficient manner and thereby contribute to the good of society, the Company aims to maintain and expand its reserves and production and will seek to allocate our business resources optimally and maintain the soundness of our financial position with a view to securing steady growth.

In addition, to fulfill our corporate social responsibility, we will strengthen corporate governance and compliance, and carry out strict safety management throughout our operations. Recognizing our obligation to protect the environment and to become an integral part of the communities where we operate, we aim to improve our corporate value over the long term.

We therefore kindly request the continued support and understanding of our shareholders.

[Translation for Reference Purposes Only]

5. Assets and Profit/Loss

Years ended March 31

Category	3rd Fiscal Year 2009	4th Fiscal Year 2010	5th Fiscal Year 2011	6th Fiscal Year (This fiscal year) 2012
Net sales (Billions of yen)	1,076.1	840.4	943.0	1,186.7
Ordinary income (Billions of yen)	616.1	442.0	508.5	767.0
Net income (Billions of yen)	145.0	107.2	128.6	194.0
Net income per share (Yen)	61,601.60	45,553.56	40,832.40	53,137.93
Net assets (Billions of yen)	1,362.0	1,490.6	2,097.3	2,314.1
Total assets (Billions of yen)	1,768.0	2,013.7	2,680.3	3,066.3

Note:

Amounts under ¥ 0.1 billion are discarded. Net income per share figures are rounded off to two decimal places.

[Translation for Reference Purposes Only]

**6. Important Subsidiaries Etc.**

**(1) Important Subsidiaries**

At the end of this fiscal year, the Company had 70 subsidiaries (as defined under Article 2, Item 3 of the Companies Act). During this fiscal year, 9 new subsidiaries were established and one subsidiary was liquidated. The operations of the Company's subsidiaries are generally administered by the Company through concurrent posts and the secondment of directors and employees. Details of important subsidiaries are shown in the table below.

Business area	Company name	Issued capital (Millions of yen)	Ownership (%)	Main business
Japan	Teiseki Pipeline Co., Ltd.	100	100.00	Natural gas transportation, pipeline operation, maintenance and management under contract from the Company
	Teiseki Topping Plant Co., Ltd.	70	100.00	Refining of domestic crude oil and storage and unloading/loading of petroleum products etc. under contract from the Company
Indonesia	INPEX Natuna, Ltd.	5,000	100.00	Exploration, development, production, and sale of oil and natural gas in the South Natuna Sea Block B in the Republic of Indonesia
	INPEX Tengah, Ltd.	1,020	100.00	Exploration, development, production, and sale of oil and natural gas in the Tengah Block in the Offshore Mahakam in the Republic of Indonesia
	INPEX Masela, Ltd.	33,348	51.93	Exploration and development of oil and natural gas in the Masela Block in the Arafura Sea in the Republic of Indonesia
	INPEX Offshore Northeast Mahakam, Ltd.	3,875	100.00	Exploration of oil and natural gas in the East Kalimantan Block in offshore East Kalimantan in the Republic of Indonesia
	INPEX South Makassar, Ltd.	1,097	100.00	Exploration and development of oil and natural gas in the Sebuku Block in the Offshore South Makassar in the Republic of Indonesia
	INPEX Babar Selaru, Ltd.	275	72.96	Exploration of oil and natural gas in the Babar Selaru Block in the Eastern Offshore in the Republic of Indonesia
Malaysia	INPEX Offshore North West Sabah, Ltd.	230	100.00	Exploration of oil and natural gas in the deepwater Block S in the Offshore Sabah in Malaysia

**[Translation for Reference Purposes Only]**

Business area	Company name	Issued capital (Millions of yen)	Ownership (%)	Main business
Australia	INPEX Alpha, Ltd.	8,014	100.00	Exploration, development, production, and sale of oil and natural gas in the Commonwealth of Australia
	INPEX Oil & Gas Australia Pty Ltd	0 (US\$100)	100.00	Exploration and development of oil and natural gas in the Commonwealth of Australia
	INPEX Browse, Ltd.	163,690	100.00 (0.10)	Financing for subsidiaries in Australia to promote the Ichthys LNG project and its development in the Commonwealth of Australia
Australia/JPDA	INPEX DLNGPL Pty Ltd	7,354 (A\$86,135 thousand)	100.00	Investment in Darwin LNG Pty Ltd., which is engaged in laying an undersea gas pipeline between Bayu-Unden Gas-Condensate Field and the LNG plant in Darwin, Australia, and manages the construction of the LNG plant.
JPDA	INPEX Sahul, Ltd.	4,600	100.00	Exploration, development, production, and sale of oil and natural gas in the Bayu-Undan Gas-Condensate Field
	INPEX Timor Sea, Ltd.	6,712	100.00	Exploration, development, production, and sale of oil in the JPDA06-105 Block, which includes the Kitan Oil Field

Notes:

1. JPDA: Joint Petroleum Development Area (located in the Timor Sea between Australia and East Timor)
2. Foreign-currency-denominated capital amounts were converted into yen using the exchange rate at fiscal year end.
3. Figures in parentheses in the column for the percentage stake held by the Company is the portion of the stake accounted for by indirect stakes

[Translation for Reference Purposes Only]

Business area	Company name	Issued capital (Millions of yen)	Ownership (%)	Main business
Region surrounding the Caspian Sea	INPEX North Caspian Sea, Ltd.	50,680	45.00	Exploration and development of oil in the Offshore North Caspian Sea Contract Area in the Republic of Kazakhstan
	INPEX Southwest Caspian Sea, Ltd.	53,594	51.00	Exploration, development, production, and sale of oil in the ACG Oil Fields in the Republic of Azerbaijan
	INPEX BTC Pipeline, Ltd.	5,240 (US\$63,800 thousand)	100.00	Investment in a project to construct and operate an oil pipeline between Baku in the Republic of Azerbaijan, Tbilisi in Georgia, and Ceyhan in the Republic of Turkey
Middle East	Japan Oil Development Co., Ltd.	18,800	100.00	Exploration, development, production, and sale of oil in the ADMA Block in offshore Abu Dhabi in the United Arab Emirates
	INPEX ABK, Ltd.	2,500	100.00	Exploration, development, production, and sale of oil in the Abu Al Bukhoosh Block in offshore Abu Dhabi in the United Arab Emirates
Africa	INPEX Libya, Ltd.	4,905	100.00	Exploration of oil and natural gas in the 113-3&4 Blocks in Libya
	Teikoku Oil Algeria Co., Ltd.	708	100.00	Exploration and development of oil in El Ouar I/II Blocks in People's Republic of Algeria
	Teikoku Oil (D.R. Congo) Co., Ltd.	10	100.00	Exploration, development, production, and sale of oil in the Offshore D.R. Congo Block
South America	Teikoku Oil (Venezuela) Co., Ltd.	100	100.00	Exploration, development, production, and sale of oil and natural gas in the Copa Macoya Block and the Guarico Oriental Block in the Bolivarian Republic of Venezuela
	Teikoku Oil (Suriname) Co., Ltd.	5,157	55.62	Exploration of oil in the offshore Block 31 in the Republic of Suriname

Note:

Foreign-currency-denominated capital amounts were converted into yen using the exchange rate at fiscal year end.

**[Translation for Reference Purposes Only]**

Business area	Company name	Issued capital (Millions of yen)	Ownership (%)	Main business
North America	INPEX Canada, Ltd.	18,520	100.00	Exploration and development of oil and natural gas including oil sands in Canada
	INPEX Gas British Columbia Ltd.	2,068 (CA\$25,100 thousand)	81.82	Exploration, development, production, and sale of oil and natural gas in Canada
	Teikoku Oil (North America) Co., Ltd.	1,362 (US\$16,593 thousand)	100.00	Exploration, development, production, and sale of oil in the United States of America
				42 other affiliates

Note:

Foreign-currency-denominated capital amounts were converted into yen using the exchange rate at fiscal year end.

**[Translation for Reference Purposes Only]**

**(2) Important Affiliates**

At the end of this fiscal year, the Company had 20 affiliates (as defined under Article 2, Paragraph 3, Item 18 of the Ordinance on Accounting of Companies). During this fiscal year, 2 new affiliates were established and one affiliate was transferred through share transfers. Details of important affiliates are shown in the table below.

Business area	Company name	Issued capital (Millions of yen)	Ownership (%)	Main business
Indonesia	MI Berau B.V.	72,000 (€656,279 thousand)	44.00	Exploration, development, production, and sale of natural gas in Berau Block and Tangguh LNG Project in West Papua province in the Republic of Indonesia
Angola	Angola Japan Oil Co., Ltd.	8,000	19.60	Development and production of oil in the Offshore 3/05 Block in the Republic of Angola
Brazil	INPEX Offshore North Campos, Ltd.	6,852	37.50	Financing for oil and natural gas exploration and development projects in the Frade Block in the Federative Republic of Brazil
				17 other affiliates

Note:

Foreign-currency-denominated capital amounts were converted into yen using the exchange rate at fiscal year end.

**[Translation for Reference Purposes Only]**

**7. Primary Business**

Exploration, development, production, sale and purchase of oil, natural gas, and other mineral resources

**8. Principal Business Sites**

Corporate Network	
Head Office	: 5-3-1, Akasaka, Minato-ku, Tokyo
Technical Research Center	: Setagaya-ku, Tokyo
Niigata Marketing Office	: Joetsu City
Akita District Office	: Akita City
Chiba District Office	: Sammu City
Niigata District Office	: Niigata City
Jakarta Office	: Indonesia
Perth Office	: Australia
Caracas Office	: Venezuela
Houston Office	: The United States of America
Rio de Janeiro Office	: Brazil
London Office	: The United Kingdom
Subsidiaries	
Japan Oil Development Co., Ltd	
Head Office	: 5-3-1, Akasaka, Minato-ku, Tokyo
Abu Dhabi Branch	: United Arab Emirates
INPEX Browse, Ltd.	
Head Office	: 5-3-1, Akasaka, Minato-ku, Tokyo
Perth Office / Darwin Office	: Australia
INPEX Sahul, Ltd., INPEX Alpha, Ltd., etc.	
Head Office	: 5-3-1, Akasaka, Minato-ku, Tokyo
Perth Office	: Australia
INPEX Libya, Ltd.	
Head Office	: 5-3-1, Akasaka, Minato-ku, Tokyo
Tripoli Office	: Libya
INPEX Offshore North West Sabah, Ltd.	
Head Office	: 5-3-1, Akasaka, Minato-ku, Tokyo
Kuala Lumpur Office	: Malaysia

**[Translation for Reference Purposes Only]**

**9. Employees**

Number of employees	Year-on-year change
2,146 (784)	+292

Notes:

1. The number of employees shown above excludes the INPEX Group (The Company and its consolidated subsidiaries) employees seconded to other companies outside the INPEX Group, but includes non- INPEX Group employees working temporarily at companies within the INPEX Group.
2. The figure in parentheses is the average number of temporary employees during this fiscal year and is indicated separately. It includes local contract employees working under contracts on overseas development projects and domestic contract employees, non-regular contract staff and temporary staff, etc. who are employed in operations relating to oil and natural gas in Japan.

**10. Primary Lenders**

Lender	Outstanding borrowings (Billions of yen)
Japan Bank for International Cooperation	110.2
Mizuho Corporate Bank, Ltd.	70.9
Development Bank of Japan Inc.	45.9
Bank of Tokyo-Mitsubishi UFJ, Ltd.	38.6
Sumitomo Mitsui Banking Corporation	26.5
Minister of Economy, Trade and Industry	24.9

Note:

Borrowings from the Minister of Economy, Trade and Industry are the result of loans to a subsidiary from the former Japan National Oil Corporation. Ownership of these loans was transferred to the Minister when the corporation was dissolved.

[Translation for Reference Purposes Only]

**II. Items Related to Shares**

<b>1. Total Number of Shares Authorized to be Issued</b>	(Common Shares) 9,000,000 (Special-Class Share) 1
<b>2. Type and Total Number of Issued Shares</b>	(Common Shares) 3,655,809 (Including 4,916 Treasury Shares) (Special-Class Share) 1
<b>3. Number of Shareholders</b>	(Common Shares) 38,335 (Special-Class Share) 1

**4. Major Shareholders**

Name	Number of Shares			Shareholding Ratio (%)
	Common Shares	Special-Class Share	Total Shares	
Minister of Economy, Trade and Industry	692,307	1	692,308	18.96
Japan Petroleum Exploration Co., Ltd.	267,233	—	267,233	7.32
Mitsui Oil Exploration Co., Ltd.	164,760	—	164,760	4.51
Japan Trustee Services Bank, Ltd. (Trust Account)	138,627	—	138,627	3.80
Mitsubishi Corporation	134,500	—	134,500	3.68
The Chase Manhattan Bank, N.A. London S.L. Omnibus Account	117,846	—	117,846	3.23
JX Holdings, Inc.	109,527	—	109,527	3.00
The Master Trust Bank of Japan, Ltd. (Trust Account)	108,455	—	108,455	2.97
JP Morgan Chase Bank 380055	104,860	—	104,860	2.87
State Street Bank and Trust Company	69,983	—	69,983	1.92

Notes:

1. The company shares owned by Japan Trustee Services Bank, Ltd. (Trust Account) and The Master Trust Bank of Japan, Ltd. (Trust Account) are shares related to trust operation.
2. The shareholding ratio is calculated after subtracting the treasury shares (4,916 shares).
3. The shareholding ratio is rounded to the nearest whole number.

[Translation for Reference Purposes Only]

**III. Items Related to Stock Acquisition Rights**

None

**IV. Items Related to Officers and Statutory Auditors**

**1. Members of the Board and Statutory Auditors**

Name	Company Position & Responsibility	Significant Concurrently-Held Positions
Naoki Kuroda	Representative Director, Chairman	Representative Director: INPEX Natuna Ltd. INPEX Masela, Ltd. INPEX Browse, Ltd. INPEX Sahul, Ltd. INPEX North Caspian Sea, Ltd. INPEX Southwest Caspian Sea, Ltd.
Masatoshi Sugioka	Representative Director, Vice Chairman Chief Technical Executive HSE and Compliance	Representative Director: INPEX Natuna Ltd. INPEX Masela, Ltd. INPEX Browse, Ltd. INPEX Sahul, Ltd. INPEX North Caspian Sea, Ltd. INPEX Southwest Caspian Sea, Ltd.
Toshiaki Kitamura	Representative Director, President & CEO	Representative Director, President: INPEX Natuna Ltd. INPEX Masela, Ltd. INPEX Browse, Ltd. INPEX Sahul, Ltd. INPEX North Caspian Sea, Ltd. INPEX Southwest Caspian Sea, Ltd.
Seiji Yui	Director, Senior Managing Executive Officer Senior Vice President, Asia, Oceania & Offshore Japan Project Division	
Masaharu Sano	Director, Senior Managing Executive Officer Senior Vice President, America & Africa Project Division	
Noboru Tezuka	Director, Senior Managing Executive Officer Senior Vice President, Eurasia & Middle East Project Division Senior Vice President, Abu Dhabi Project Division	
Shunichiro Sugaya	Director, Managing Executive Officer Senior Vice President, Masela Project Division	
Masahiro Murayama	Director, Managing Executive Officer Senior Vice President, Finance & Accounting Division	

**[Translation for Reference Purposes Only]**

Name	Company Position & Responsibility	Significant Concurrently-Held Positions
Seiya Ito	Director, Managing Executive Officer Senior Vice President, Ichthys Project Division	
Wataru Tanaka	Director, Managing Executive Officer Senior Vice President, General Administration Division, Corporate Strategy & Planning Division	
Takahiko Ikeda	Director, Managing Executive Officer Senior Vice President, Domestic Project Division	
Kazuo Wakasugi	Director	Counsellor for Japan Petroleum Exploration Co., Ltd.
Yoshiyuki Kagawa	Director	Representative Director, President, CEO of Mitsui Oil Exploration Co., Ltd.
Seiji Kato	Director	Corporate Advisor of Mitsubishi Corporation
Shigeo Hirai	Director	Director, Executive Vice President of JX Holdings, Inc.
Yoshitsugu Takai	Statutory Auditor	
Haruhito Totsune	Statutory Auditor	
Koji Sumiya	Statutory Auditor	
Hiroshi Sato	Statutory Auditor (part time)	Executive Vice President & Executive Officer of Japan Petroleum Exploration Co., Ltd.
Masaru Funai	Statutory Auditor (part time)	Special Advisor of Marubeni Corporation

Notes:

1. Directors Kazuo Wakasugi, Yoshiyuki Kagawa, Seiji Kato, and Shigeo Hirai are Outside Directors as stipulated in Article 2, Item 15 of the Companies Act.
2. Statutory Auditor Yoshitsugu Takai was elected and assumed his position at the 5th Ordinary General Meeting of Shareholders held on June 28, 2011.
3. The following individuals are the Directors transferred during this fiscal year. The words in parentheses indicate the individual's position and responsibility prior to being transferred.  
As of June 28, 2011 Noboru Tezuka: Director, Senior Managing Executive Officer, Senior Vice President of Eurasia & Middle East Project Division, Senior Vice President, Abu Dhabi Project Division (Director, Senior Managing Executive Officer, Senior Vice President of Eurasia & Middle East Project Division)  
Wataru Tanaka: Director, Managing Executive Officer Senior Vice President, General Administration Division, Corporate Strategy & Planning Division (Director, Managing Executive Officer, Senior Vice President of General Administration Division)
4. Statutory Auditors Haruhito Totsune, Koji Sumiya, Hiroshi Sato and Masaru Funai are Outside Statutory Auditors as stipulated in Article 2, Item 16 of the Companies Act.
5. Statutory Auditor Haruhito Totsune was reported as an Independent Officer to the Tokyo Stock Exchange, Inc.
6. Statutory Auditor Haruhito Totsune possesses extensive knowledge of financial matters, etc.
7. Statutory Auditor Koji Sumiya possesses extensive knowledge of finance, etc.
8. Statutory Auditor Hiroshi Sato has extensive experience with accounting operations, and possesses extensive knowledge of financial matters and accounting.
9. Statutory Auditor Masaru Funai possesses extensive knowledge of financial matters, accounting, etc.
10. Directors and Statutory Auditors who retired during this fiscal year

**[Translation for Reference Purposes Only]**

Name	Positions and Responsibilities at the Company at the Time of Retirement	Date of Retirement	Reason for Retirement
Katsujiro Kida	Director, Senior Executive Vice President, Senior Vice President, Corporate Strategy & Planning Division, Senior Vice President, Abu Dhabi Project Division	June 28, 2011	Resigned
Shigeru Hayashi	Statutory Auditor	June 28, 2011	Expiration of Term

**2. Compensation for Directors and Statutory Auditors during this fiscal year**

15 Directors: ¥524 million (Including 3 Outside Directors: ¥12 million)

6 Statutory Auditors: ¥90 million (Including 4 Outside Statutory Auditors: ¥62 million)

Notes:

- Salaries for Directors who are also employees are not included in the above compensation amount. Moreover, during this fiscal year, Directors did not receive salaries as employees.
- Compensation includes provision for accrued bonuses to officers during this fiscal year.
- The number of persons who received compensation includes one Director who retired and one Statutory Auditor who had resigned due to the expiration of his term at the time of the closing of the 5<sup>th</sup> Ordinary General Meeting of Shareholders.
- Compensation was not provided to one of the Directors as of the end of this fiscal year.

**3. Items Related to Outside Directors and Statutory Auditors**

(1) Director Kazuo Wakasugi

- A. Relationships between the Company and any companies in which the director holds significant concurrently-held positions

Japan Petroleum Exploration Co., Ltd. is a major shareholder of the Company. Some of its businesses belong to the same categories as those of the Company.

The INPEX Group has had transactions related to natural gas, etc., with the Japan Petroleum Exploration Group, and the INPEX Group's sales to the Japan Petroleum Exploration Group in this fiscal year are less than 0.1% of the Company's consolidated net sales for the same period. Meanwhile, the INPEX Group's purchase from the Japan Petroleum Exploration Group in this fiscal year is less than 1.0% of the Company's consolidated cost of sales for the same period.

- B. Major activities

He attended all of the 17 Board of Directors meetings during this fiscal year, and appropriately made necessary comments during deliberations of proposals, etc., based on his viewpoint as an experienced business executive.

(2) Director Yoshiyuki Kagawa

- A. Relationships between the Company and any companies in which the director holds significant concurrently-held positions

Mitsui Oil Exploration Co., Ltd. is a major shareholder of the Company. Some of its businesses belong to the same categories as those of the Company.

The INPEX Group has no business transactions with the Mitsui Oil Exploration Group.

- B. Major activities

He attended 14 of the 17 Board of Directors meetings during this fiscal year, and appropriately made necessary comments during deliberations of proposals, etc., based on his viewpoint as an experienced business executive.

**[Translation for Reference Purposes Only]**

(3) Director Seiji Kato

A. Relationships between the Company and any companies in which the director holds significant concurrently-held positions

Mitsubishi Corporation is a major shareholder of the Company. Some of its businesses belong to the same categories as those of the Company.

The INPEX Group has had transactions related to crude oil, etc., with the Mitsubishi Corporation Group, and the INPEX Group's sales to the Mitsubishi Corporation Group in this fiscal year are less than 2.5% of the Company's consolidated net sales for the same period. Meanwhile, the INPEX Group made no purchase from the Mitsubishi Corporation Group in this fiscal year.

B. Major activities

He attended all of the 17 Board of Directors meetings during the period, and appropriately made necessary comments during deliberations of proposals, etc., based on his many years of experience and knowledge in this field.

(4) Director Shigeo Hirai

A. Relationships between the Company and any companies in which the director holds significant concurrently-held positions

JX Holdings, Inc. is a major shareholder of the Company. Some of its businesses belong to the same categories as those of the INPEX Group.

The INPEX Group has had transactions related to crude oil, etc., with the JX Holdings Group, and the INPEX Group's sales to the JX Holdings Group in this fiscal year are less than 7.5% of the Company's consolidated net sales for the same period. Meanwhile, the INPEX Group's purchase from the JX Holdings Group in this fiscal year is less than 0.5% of the Company's consolidated cost of sales for the same period.

B. Major activities

He attended 12 of the 17 Board of Directors meetings during the period, and appropriately made necessary comments during deliberations of proposals, etc., based on his many years of experience and knowledge in this field.

(5) Statutory Auditor Haruhito Totsune

A. Relationships between the Company and any companies in which the auditor holds significant concurrently-held positions

None

B. Major activities

He attended 16 of the 17 Board of Directors meetings and attended all of the 14 Board of Statutory Auditors meetings during this fiscal year, and made necessary comments during deliberations of proposals, etc., based on his knowledge related to financial matters, etc.

(6) Statutory Auditor Koji Sumiya

A. Relationships between the Company and any companies in which the auditor holds significant concurrently-held positions

None

B. Major activities

He attended all of the 17 Board of Directors meetings as well as all of the 14 Board of Statutory Auditors meetings during this fiscal year on June 23, 2010, and made necessary comments during deliberations of proposals, etc., based on his knowledge related to finance, etc.

(7) Statutory Auditor Hiroshi Sato

A. Relationships between the Company and any companies in which the auditor holds significant concurrently-held positions

Japan Petroleum Exploration Co., Ltd. is a major shareholder of the Company. Some of its businesses belong to the same categories as those of the Company.

The INPEX Group has had transactions related to natural gas, etc., with the Japan Petroleum Exploration Group, and the INPEX Group's sales to the Japan Petroleum Exploration Group in this fiscal year are less than 0.1% of the Company's consolidated net sales for the same period. Meanwhile, the INPEX Group's purchase from the Japan Petroleum Exploration Group in this fiscal year is less than 1.0% of the Company's consolidated cost of sales for the same period.

**[Translation for Reference Purposes Only]**

B. Major activities

He attended 15 of the 17 Board of Directors meetings and attended 13 of the 14 Board of Statutory Auditors meetings held during this fiscal year, and appropriately made necessary comments during deliberations of proposals, etc., based on his many years of experience and knowledge in this field.

(8) Statutory Auditor Masaru Funai

A. Relationships between the Company and any companies in which the auditor holds significant concurrently-held positions

Some of the businesses of the Marubeni Corporation belong to the same categories as those of the Company.

The INPEX Group has had transactions related to petroleum products, etc., with the Marubeni Corporation Group, and the INPEX Group's sales to the Marubeni Corporation Group in this fiscal year are less than 0.5% of the Company's consolidated net sales for the same period. Meanwhile, the INPEX Group's purchase from the Marubeni Corporation Group in this fiscal year is less than 0.5% of the Company's consolidated cost of sales for the same period.

B. Major activities

He attended all of the 17 Board of Directors meetings as well as all of the 14 Board of Statutory Auditors meetings during this fiscal year, and appropriately made necessary comments during deliberations of proposals, etc., based on his abundant international experience and knowledge related to the field.

**[Translation for Reference Purposes Only]**

**V. Items Related to Accounting Auditors**

**1. Name of Accounting Auditor**

Ernst & Young ShinNihon LLC

**2. Amount of Compensation for Accounting Auditors**

(1) Amount of Compensation, etc., for Accounting Auditors during this fiscal year

¥127 million

(2) Total amount of money and other financial benefits paid by the Company and its subsidiaries

¥232 million

Notes:

1. Under the audit agreement between the Company and the Accounting Auditors, compensation for audits based on the Companies Act and compensation for audits based on the Financial Instruments and Exchange Act are not distinguished, and such amounts are effectively indistinguishable. Therefore, the amounts noted above include the total amount of compensation.
2. Teikoku Oil (D.R. Congo) Co., Ltd. and other subsidiaries of the Company were audited by auditing firms other than our Accounting Auditors.

**3. Contents of Non-Audit Operations**

The Company has paid compensation for advisory services related to International Financial Reporting Standards (IFRS).

**4. Policy for Determination of Dismissal or Non-Reappointment of Accounting Auditors**

At the Company, the Board of Statutory Auditors shall determine the dismissal of the Accounting Auditors according to Article 340 of the Companies Act. In addition, in the event it is determined necessary including any situation in which the Accounting Auditors are unable to perform their duties appropriately, the Company shall, upon the consent of or a request from the Board of Statutory Auditors, propose the dismissal or non-reappointment of the Accounting Auditors at the General Meeting of Shareholders.

**[Translation for Reference Purposes Only]**

**VI. Systems and Policies of the Company**

**1. Systems for Ensuring that the Execution of the Duties by Directors Complies with Laws and Regulations and the Articles of Incorporation of the Company, and Other Systems for Ensuring the Properness of Operations**

The following is a summary of the resolutions of the Company regarding the “Development of the Systems for Ensuring the Properness of Operations as a Stock Company (Internal Control Systems)”.

**(1) Systems to Ensure that Directors and Employees Execute their Duties in Compliance with Laws and Regulations and the Articles of Incorporation**

In order to ensure that Directors and employees execute their duties in compliance with applicable laws and regulations and the Articles of Incorporation, the Company shall develop a Corporate Social Responsibility Policy and a system to ensure they strictly comply with the Policy.

The Representative Director shall be elected to be the Director in charge of compliance, and the Company shall establish a Compliance Committee chaired by that Director to ensure that Directors and employees comply with applicable laws and regulations and the Articles of Incorporation in executing their duties. Furthermore, the Company shall establish an internal notification system with related departments and an external expert (lawyer) as providers of consultation services.

In order to ensure effective compliance systems and relevant internal rules, the Company shall also verify and evaluate them and make the necessary improvements through audits carried out by the internal audit department (Internal Audit Unit) which reports directly to the President & CEO.

Furthermore, the Company shall develop a system to ensure the accuracy and reliability of financial reporting, and manage them properly while evaluating their effectiveness.

**(2) Systems for the Storage and Management of Information Related to the Execution of Duties by Directors**

In accordance with applicable laws, regulations, the Articles of Incorporation and internal rules, Directors shall develop a system for information security administration, store and manage documents and other information related to the execution of their duties.

**(3) Rules and Other Systems for Risk Management**

To manage all types of risks related to the INPEX Group’s business activities, Directors shall cooperate closely with the related departments to identify, analyze and evaluate the risks, and manage them in accordance with internal rules and guidelines. Additionally, based on the internal rules on group management, Director shall manage group-wide risk by cooperating with each Group company.

Directors shall also verify and evaluate the management of risks related to the daily operations and carry out a constant review of the management in response to the changes in business environment through audits carried out by the Internal Audit Unit, related departments and an external expert.

**(4) Systems to Ensure the Efficient Execution of Duties by Directors**

In order to ensure that the systems to execute Directors’ duties efficiently are in place, Directors shall manage business operations with particular attention to the following:

- 1) With regard to certain major corporate decisions, the Executive Committee meeting with attendance by full-time Directors and Managing Executive Officers shall be held weekly and as necessary to ensure that the duties are executed promptly and properly.
- 2) With regard to the execution of daily duties, the authority of President & CEO shall be delegated in accordance with internal rules such as job demarcation and administrative authority, and the person in charge at each level shall execute its duties promptly.

**(5) Systems to Ensure the Proper Operations of the INPEX Group**

In accordance with the internal rules on group management, the Company entered into group management contracts with its subsidiaries, under which the Company requires that important matters of each subsidiary be reported to and approved by the Company.

With regard to the risk management, compliance management and internal auditing at its subsidiaries, the Company shall cooperate with each subsidiary based on the internal rules on group management.

**(6) Matters Regarding Employees in Cases Where a Statutory Auditor Requests the Assignment of Employees to Assist Its Duties**

Two employees shall be assigned to concurrently serve as assistants to the Statutory Auditor’s duties. These assistants shall execute their duties under the instruction of Statutory Auditor’s.

**(7) Matters Regarding the Independence of Employees from Directors Mentioned in the Preceding Clause**

Any changes in personnel of the Statutory Auditors’ assistants shall be discussed with Statutory Auditors.

## [Translation for Reference Purposes Only]

### **(8) Systems for Reporting to Statutory Auditors by Directors and Employees and Other Systems for Reporting to Statutory Auditors**

Directors and employees shall report and provide information to Statutory Auditors for matters provided by laws and regulations, matters that may have a significant impact on the Company and its Group companies, and other matters necessary for Statutory Auditors to execute their duties.

Statutory Auditors shall always have the right to obtain business information by attending the Board of Directors' meetings and other important internal meetings as well as receiving internal approval documents.

### **(9) Other Systems to Ensure Effective Audits by Statutory Auditors**

When conducting audits, the Company shall ensure close cooperation with external experts such as lawyers, certified public accountants and certified tax accountants.

The Company shall also ensure close cooperation with the Internal Audit Unit and improve effectiveness of the audits by receiving regularly reports and so on.

## **2. Basic Policy Regarding Control of the Company**

### **(1) Contents of Basic Policy**

The INPEX Group shall make maximum use of its well-balanced asset portfolio, its presence as a leading international mid-tier company, and its technological capabilities as an operator of high standards to achieve early commercial production of large-scale oil and gas fields that have already been found. At the same time, as a core company in Japan with international competitiveness, the INPEX Group will strive to proactively expand its business aiming to further improve its corporate value through expanding investments to acquire high-quality oil and gas fields.

### **(2) Efforts for Effective Utilization of Resources and for Preventing Inappropriate Control**

While further enhancing its financial strength, and aiming to expand its operating base in order to secure a stable and efficient supply of oil and natural gas resources, the INPEX Group will invest aggressively into exploration and development activities as well as the maintenance and expansion of its supply infrastructure. The Company shall harmonize the improvement of corporate value by maintaining and expanding its reserves and production of oil and natural gas through these activities, and returning profits directly to its shareholders through the payment of dividends with a medium- to long-term perspective.

In order to eliminate the possibility of speculative takeovers or the possibility of management control by a foreign capital, the Company has issued a special-class share to the Minister of Economy, Trade and Industry. The special-class share includes the right to exercise its voting rights in accordance with the guidelines set forth in the Ministry of Economy, Trade and Industry Notice (No. 220, 2008) in the meetings of the holder of the special-class share which shall be held when certain requirements are met to make decisions on i) the appointment or removal of Directors; ii) the disposition of all or a portion of material assets; iii) the amendment to the Articles of Incorporation relating to the Company's business objectives and granting voting rights to any shares other than the common shares of the Company (excluding voting rights in the meetings of the holder of the special-class share which is already granted to the special-class share); iv) business integration; v) capital reduction and vi) company dissolution.

According to the guidelines, a resolution regarding to the aforementioned i) and iv) shall be vetoed only "when it is judged there is a high probability that the management of the Company will be engaged inconsistent with its role to provide a stable supply of energy to Japan in an efficient manner as a core company", and a resolution to change the Articles of Incorporation related to granting voting rights to any shares other than the common shares of the Company (excluding voting rights in the meetings of the holder of the special-class share which is already granted to the special-class shares) in the aforementioned iii) shall be vetoed only "when there is a possibility that it may have an effect on the exercise of the voting rights of the special-class shares" and the aforementioned ii) and amendment to the Articles of Incorporation related to the Company's business objectives in the aforementioned iii), and resolutions related to v) and vi) shall be vetoed only "when it is judged there is a high probability that it may adversely affect its role to provide a stable supply of energy to Japan in an efficient manner as a core company".

In addition, the Articles of Incorporation of the Company's subsidiaries stipulate that, upon disposing material assets, a resolution of a general meeting of shareholders of the subsidiary is required when it corresponds to a "disposition of all or a portion of material assets" in the aforementioned ii). In this case, a resolution of the meeting of the holders of the special-class share is required in addition to the resolution of the Board of Directors of the Company.

**[Translation for Reference Purposes Only]**

**(3) Decisions of Board of Directors' Meeting for the Efforts in the Above-Mentioned (2)**

The efforts set forth in the above-mentioned (2) are aiming to ensure stable profitability of the Company and to continuously improve the Company's corporate value in the medium- to long-term, and are in accordance with the basic policy set forth in the above-mentioned (1).

Since the scope of the veto right of the special-class share in the above-mentioned (2) is limited, and the veto rights shall be exercised in accordance with the guidelines in the Ministry of Economy, Trade and Industry Notice (No. 220, 2008), the Company believes that this is a minimum required and a highly transparent measure that does not unreasonably impede efficiency and flexibility of management, and that it does not have the purpose of maintaining the positions of its executive officers or impairing the common interests of the Company's shareholders.

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Note: Fractions less than the indicated units are truncated for amounts shown in the business report except for amounts with other notes.

[Translation for Reference Purposes Only]

## Consolidated Balance Sheet

Unit: millions of yen (Amounts truncated to millions of yen)

Accounts	As of March 31, 2012	Accounts	As of March 31, 2012
<b>(Assets)</b>		<b>(Liabilities)</b>	
<b>Current assets</b>	<b>908,702</b>	<b>Current liabilities</b>	<b>367,843</b>
Cash and deposits	275,903	Accounts payable-trade	30,228
Accounts receivable-trade	119,459	Short-term loans	4,801
Marketable securities	399,382	Income taxes payable	139,144
Inventories	11,977	Accounts payable-other	133,153
Deferred tax assets	18,692	Provision for exploration projects	5,551
Accounts receivable-other	71,911	Accrued bonuses to officers	128
Other	24,388	Asset retirement obligations	3,337
Allowance for doubtful accounts	(13,013)	Other	51,498
<b>Fixed assets</b>	<b>2,157,695</b>	<b>Long-term liabilities</b>	<b>384,361</b>
<b>Tangible fixed assets</b>	<b>383,697</b>	Long-term debt	313,972
Buildings and structures	107,300	Deferred tax liabilities	43,178
Wells	26,827	Accrued retirement benefits to employees	6,340
Machinery, equipment and vehicles	54,462	Accrued special repair and maintenance	367
Land	20,070	Asset retirement obligations	9,804
Construction in progress	167,779	Other	10,697
Other	7,257		
<b>Intangible assets</b>	<b>233,317</b>	<b>Total liabilities</b>	<b>752,204</b>
Goodwill	94,601	<b>(Net assets)</b>	
Exploration and development rights	118,007	<b>Shareholders' equity</b>	<b>2,184,375</b>
Mining rights	16,492	<b>Common stock</b>	<b>290,809</b>
Other	4,216	<b>Capital surplus</b>	<b>679,287</b>
<b>Investments and other assets</b>	<b>1,540,679</b>	<b>Retained earnings</b>	<b>1,219,526</b>
Investment securities	886,222	<b>Treasury stock</b>	<b>(5,248)</b>
Long-term loans receivable	48,109	<b>Accumulated other comprehensive income</b>	<b>(5,124)</b>
Recoverable accounts under production sharing	568,318	<b>Unrealized holding gain on securities</b>	<b>6,952</b>
Deferred tax assets	30,554	<b>Unrealized gain from hedging instruments</b>	<b>4,118</b>
Other	115,141	<b>Translation adjustments</b>	<b>(16,195)</b>
Allowance for doubtful accounts	(715)	<b>Minority interests</b>	<b>134,941</b>
Allowance for recoverable accounts under production sharing	(100,671)		
Allowance for investments in exploration	(6,280)	<b>Total net assets</b>	<b>2,314,193</b>
<b>Total assets</b>	<b>3,066,397</b>	<b>Total liabilities and net assets</b>	<b>3,066,397</b>

[Translation for Reference Purposes Only]

## Consolidated Statement of Income

Unit: millions of yen (Amounts truncated to millions of yen)

Accounts	For the year ended March 31, 2012	
<b>Net sales</b>		1,186,731
<b>Cost of sales</b>		395,442
<b>Gross profit</b>		<b>791,288</b>
<b>Exploration expenses</b>		11,747
<b>Selling, general and administrative expenses</b>		70,184
<b>Operating income</b>		<b>709,357</b>
<b>Other income</b>		
Interest income	4,399	
Dividend income	6,993	
Equity in earnings of affiliates	6,638	
Gain on transfer of mining rights	70,260	
Other	13,790	102,082
<b>Other expenses</b>		
Interest expense	1,227	
Provision for allowance for recoverable accounts under production sharing	14,816	
Provision for exploration projects	518	
Foreign exchange loss	14,640	
Loss on business withdrawal	5,370	
Other	7,827	44,400
<b>Ordinary income</b>		<b>767,038</b>
<b>Income before income taxes and minority interests</b>		<b>767,038</b>
Income taxes-current	543,156	
Income taxes-deferred	(6,223)	536,933
<b>Income before minority interests</b>		<b>230,105</b>
Minority interests		36,104
<b>Net income</b>		<b>194,000</b>

[Translation for Reference Purposes Only]

## Consolidated Statement of Changes in Net Assets

(For the year ended March 31, 2012)

Unit: millions of yen (Amounts truncated to millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2011	290,809	679,287	1,047,431	(5,248)	2,012,280
Changes during the period					
Cash dividends paid			(21,905)		(21,905)
Net income			194,000		194,000
Other changes in items other than those in shareholders' equity, net					
Total changes during the period	—	—	172,095	—	172,095
Balance as of March 31, 2012	290,809	679,287	1,219,526	(5,248)	2,184,375

	Accumulated other comprehensive income				Minority interests	Total net assets
	Unrealized holding gain on securities	Unrealized gain from hedging instruments	Translation adjustments	Total accumulated other comprehensive income		
Balance as of April 1, 2011	1,455	—	(16,847)	(15,391)	100,493	2,097,382
Changes during the period						
Cash dividends paid						(21,905)
Net income						194,000
Other changes in items other than those in shareholders' equity, net	5,497	4,118	651	10,266	34,448	44,714
Total changes during the period	5,497	4,118	651	10,266	34,448	216,810
Balance as of March 31, 2012	6,952	4,118	(16,195)	(5,124)	134,941	2,314,193

[Translation for Reference Purposes Only]

**Notes to Consolidated Financial Statements**

[Basis of Presenting Consolidated Financial Statements, etc.]

1. Scope of consolidation

(1) Number of consolidated subsidiaries and names of major non-consolidated subsidiaries

Number of consolidated subsidiaries: 59

Names of major subsidiaries:

Japan Oil Development Co., Ltd., INPEX Alpha, Ltd., INPEX Natuna, Ltd., INPEX Sahul, Ltd., INPEX Southwest Caspian Sea, Ltd., INPEX North Caspian Sea, Ltd., INPEX Browse, Ltd., INPEX Holdings Australia Pty Ltd, INPEX Ichthys Pty Ltd and INPEX Masela, Ltd.

During this period:

Number of companies newly included in the scope of consolidation: 7

Number of companies excluded from the scope of consolidation: 1

Details for the above changes:

(a) INPEX Holdings Australia Pty Ltd, INPEX Ichthys Pty Ltd, INPEX Operations Australia Pty Ltd, INPEX Babar Selaru, Ltd., INPEX Offshore North West Sabah, Ltd. and INPEX Offshore South West Sabah, Ltd. have been newly included due to establishment of the companies.

(b) INPEX Australia Pty Ltd has been newly included due to increase in materiality of the company.

(c) INPEX Offshore Northeast Jawa, Ltd. has been excluded due to completion of liquidation.

(2) Names of major non-consolidated subsidiaries

Names of major non-consolidated subsidiaries:

Sakata Natural Gas, Co., Ltd., Teikoku Oil de Burgos, S.A. de C.V. and TELNITE CO., LTD.

Reason for exclusion from the scope of consolidation

These companies are not consolidated because their total assets, total net sales, total net income (the equity portion) and total retained earnings (the equity portion) do not have significant impact on the consolidated financial statements.

(3) Name of an entity that is not accounted for as our subsidiary even though the Company owns the majority vote

Name of an entity that is not accounted for as our subsidiary even though the Company owns the majority vote:

Ichthys LNG Pty Ltd

Reason for not accounted for as our subsidiary

The Company owns the majority vote of Ichthys LNG Pty Ltd through INPEX Holdings Australia Pty Ltd. However, since both parties' affirmative votes are required for important resolutions based on the shareholders agreement between INPEX Holdings Australia Pty Ltd and TOTAL E&P Holding Ichthys, Ichthys LNG Pty Ltd is considered to be an affiliate accounted for by the equity method.

2. Application of equity method

(1) Number of non-consolidated subsidiaries and affiliates accounted for by the equity method and names of major non-consolidated subsidiaries and affiliates accounted for by the equity method

Number of non-consolidated subsidiaries accounted for by the equity method: None

Number of affiliates accounted for by the equity method: 13

Names of major affiliates accounted for by the equity method:

MI Berau B.V., INPEX Offshore North Campos, Ltd., Angola Japan Oil Co., Ltd. and Ichthys LNG Pty Ltd

During this period:

Number of companies newly included as affiliates accounted for by the equity method: 1

Details for the above change:

Ichthys LNG Pty Ltd has been newly included due to establishment of the company.

(2) Names of non-consolidated subsidiaries and affiliates not accounted for by the equity method

Names of major non-consolidated subsidiaries and affiliates not accounted for by the equity method:

Sakata Natural Gas, Co., Ltd., Teikoku Oil de Burgos, S.A. de C.V., TELNITE CO., LTD. and Tangguh project management Co., Ltd.

Reason for not applying the equity method

These subsidiaries and affiliates are not accounted for by the equity method because their total net income (the equity portion) and total retained earnings (the equity portion) do not have significant impact on the consolidated financial statements.

## [Translation for Reference Purposes Only]

### (3) Procedures for application of the equity method

Regarding affiliates accounted for by the equity method having a different closing date from the consolidated closing date, the Company used the financial statements of each affiliate prepared as of its closing date. For certain affiliates, however, the Company used financial statements prepared for consolidation purposes as of the consolidated closing date.

### 3. Closing dates for the fiscal year of consolidated subsidiaries

For the 42 companies for which the closing dates differ from the consolidated closing date, including, but not limited to, INPEX Sahul, Ltd. and INPEX Masela, Ltd., the Company uses the financial statements for the year ended December 31. However, the necessary adjustments have been made to the financial statements of those companies to reflect any significant transactions made between the Company's closing date and those of the consolidated subsidiaries. For the 11 companies including, but not limited to, Japan Oil Development, Co., Ltd., INPEX Southwest Caspian Sea, Ltd., INPEX North Caspian Sea, Ltd., INPEX Holdings Australia Pty Ltd and INPEX Ichthys Pty Ltd, we use their financial statements for the year ended on the consolidated closing date even though their closing date is December 31.

### 4. Accounting policies

#### (1) Valuation method for significant assets

##### (a) Securities

###### Other securities

###### With a determinable market value

Other securities with a determinable market value are stated at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Cost of securities sold is determined by the moving-average method.

###### Without a determinable market value

Other securities without a determinable market value are stated at cost determined by the moving-average method.

##### (b) Derivatives

###### Fair value

##### (c) Inventories

###### Overseas inventories

Carried mainly at cost, determined by the average cost method (balance sheet value is carried at the lower of cost or market)

###### Domestic inventories

Carried mainly at cost, determined by the moving-average method (balance sheet value is carried at the lower of cost or market)

#### (2) Depreciation method of significant depreciable assets

##### (a) Tangible fixed assets (except leased assets)

Depreciation of mining facilities is mainly computed by the unit-of-production method. For other tangible fixed assets, straight-line method of depreciation is applied. Useful lives of significant fixed assets are as follows:

Buildings and structures	2-60 years
Wells	3 years
Machinery, equipment and vehicles	2-22 years

##### (b) Intangible assets (except leased assets)

###### Exploration and development rights

Exploration and development rights at the exploration stage are fully amortized in the consolidated fiscal year. Such rights which are at the production stage are amortized by the unit-of-production method.

###### Mining rights

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

###### Other

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

Software for internal use is amortized over 5 years.

##### (c) Leased assets

Leased assets for financing lease transactions whose ownership are not to be transferred:

Depreciation of these assets is calculated based on the straight-line method over the lease period assuming no residual value.

## [Translation for Reference Purposes Only]

- (3) Basis for significant allowances
- (a) Allowance for doubtful accounts  
Allowance for doubtful accounts is provided at an amount determined based on the historical experience of bad debt with respect to ordinary receivables, plus an estimate of uncollectible amounts determined by reference to specific doubtful receivables from customers which are experiencing financial difficulties.
  - (b) Allowance for recoverable accounts under production sharing  
Allowance for recoverable accounts under production sharing is provided for probable losses on specific investments made under production sharing contracts.
  - (c) Allowance for investments in exploration  
Allowance for investments in exploration is provided for future potential losses on investments in exploration companies at an estimated amount based on the net assets of the investees.
  - (d) Provision for exploration projects  
Provision for exploration projects is provided for future expenditures of consolidated subsidiaries at exploration stage based on schedule of investments in exploration.
  - (e) Accrued bonuses to officers  
Accrued bonuses to officers are provided at expected payment amount for the year ended March 31, 2012.
  - (f) Accrued retirement benefits to employees  
Accrued retirement benefits to employees are provided at the amount calculated based on the expected retirement benefit obligation and the estimated value of pension plan assets at the end of this period. Because certain subsidiaries are classified as small enterprises, we employ a simplified method (at the amount which would be required to be paid if all active employees voluntarily terminated their employment as of the balance sheet date) for the calculation of the retirement benefit obligation of the subsidiaries. Actuarial gains and losses are charged or credited to income as incurred.
  - (g) Accrued special repair and maintenance  
Accrued special repair and maintenance are provided for planned major repair and maintenance activities on tanks in certain subsidiaries at the amount being accumulated through the next activity.
- (4) Other basis of presenting consolidated financial statements
- (a) Translation of consolidated subsidiaries' significant assets and liabilities denominated in foreign currencies into yen in preparation of the consolidated financial statements  
Monetary assets and liabilities denominated in foreign currencies are translated into yen at the exchange rates prevailing at the balance sheet date. The resulting exchange gain or loss is credited or charged to income. The revenue and expense accounts of the overseas subsidiaries are translated into yen at the average rates of exchange during the period. The balance sheet accounts are translated into yen at the rates of exchange in effect at the balance sheet date. Translation differences are presented as a component of translation adjustments and minority interests.
  - (b) Accounting for major hedge transactions
    - 1) Hedge accounting  
The deferred hedge accounting method is used to process hedging transactions. Simplified accounting method is applied to interest rate swaps.
    - 2) Hedging instruments and hedged items  
(Foreign currency)  
Hedging instruments: Foreign exchange forward transactions  
Hedged items: Forecasted transactions in foreign currencies  
(Interest rate)  
Hedging instruments: Interest rate swap transactions  
Hedged items: Interest payments on borrowings
    - 3) Hedging policy  
The nominal amount of the derivative transaction is limited to within the scope of actual demand, and the Company does not engage in speculative derivative transactions.
    - 4) Hedge effectiveness assessment method  
The Company does not perform hedge effectiveness assessment of foreign exchange forward transactions since the main conditions match with forecasted transactions in foreign currencies. The Company does not perform hedge effectiveness assessment since simplified accounting method is applied.
  - (c) Amortization of Goodwill  
Goodwill is amortized by the straight-line method over 20 years.

## [Translation for Reference Purposes Only]

(d) Consumption tax

Transactions subject to the consumption tax are recorded at amounts exclusive of the consumption tax.

(e) Recoverable accounts under production sharing

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

### [Changes in the Presentation]

#### (Consolidated Statement of Income)

“Gain on change in equity”, previously presented separately in other income, is included in “Other” since it has become less significant. The amount of “Gain on change in equity” for the year ended March 31, 2012 is ¥6,685 million.

“Provision for allowance for doubtful accounts”, previously presented separately in other expenses, is included in “Other” since it has become less significant. The amount of “Provision for allowance for doubtful accounts” for the year ended March 31, 2012 is ¥374 million.

### [Additional Information]

For the accounting changes and error corrections made after the beginning of the year ended March 31, 2012, the Company applies “Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Statement No.24 December 4, 2009) and “Guidance on Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Guidance No.24 December 4, 2009).

### [Notes to Consolidated Balance Sheet]

1. Assets provided as collateral and collateral-backed debt are as follows:

(Collateralized assets)		Millions of yen
Buildings and structures	2,250	(2,250)
Wells	2,737	(2,737)
Machinery, equipment and vehicles	9,190	(9,190)
Other (tangible fixed assets)	0	(0)
Investment securities	7,632	(—)
Other (investments and other assets)	231	(—)
Total	22,041	(14,177)

(Secured debt)		Millions of yen
Short-term loans	1,588	(1,572)
Accounts payable-other	5,090	(4,783)
Long-term debt	2,434	(2,383)
Others (long-term liabilities)	16	(—)
Total	9,129	(8,738)

Amounts in parentheses ( ) above represent foundation collateral and liabilities.

In addition, investment securities of ¥4,703 million are pledged as collateral for the BTC pipeline project financing.

2. Accumulated depreciation

Accumulated depreciation of tangible fixed assets is ¥567,304 million.

**[Translation for Reference Purposes Only]**

3. Contingent liabilities

The Company and its consolidated subsidiaries are contingently liable as guarantors of indebtedness of the following companies:

	Millions of yen
Tanggung Trustee*	14,510
Ichthys LNG Pty Ltd	5,190
Fujian Tranche*	5,143
Sakhalin Oil and Gas Development Co., Ltd.	3,866
INPEX Offshore North Campos, Ltd.	2,151
Employees (housing loans)	212
<b>Total</b>	<b>31,074</b>

\*Debt for investment funds of Tangguh LNG project through MI Berau B.V. and MI Berau Japan Ltd.

[Notes to Consolidated Statement of Changes in Net Assets]

1. Type and number of shares issued and treasury stock

	Balance as of April 1, 2011	Increase	Decrease	Balance as of March 31, 2012
(Shares)				
Number of shares				
Common stock	3,655,809	—	—	3,655,809
Special class share	1	—	—	1
<b>Total</b>	<b>3,655,810</b>	<b>—</b>	<b>—</b>	<b>3,655,810</b>
Treasury stock				
Common stock	4,916	—	—	4,916
<b>Total</b>	<b>4,916</b>	<b>—</b>	<b>—</b>	<b>4,916</b>

2. Dividends

(1) Cash dividends paid

Resolution	Type of share	Cash dividends paid (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary general meeting of shareholders: June 28, 2011	Common stock	10,952	3,000	March 31, 2011	June 29, 2011
	Special class share	0	3,000	March 31, 2011	June 29, 2011
Board of directors' meeting: November 4, 2011	Common stock	10,952	3,000	September 30, 2011	December 1, 2011
	Special class share	0	3,000	September 30, 2011	December 1, 2011

(2) Dividends, whose record date was in the year ended March 31, 2012, and whose effective date will be in the next fiscal year

Resolution	Type of share	Source of dividends	Cash dividends paid (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary general meeting of shareholders: June 26, 2012	Common stock	Retained earnings	14,603	4,000	March 31, 2012	June 27, 2012
	Special class share	Retained earnings	0	4,000	March 31, 2012	June 27, 2012

## [Translation for Reference Purposes Only]

[Notes to Financial Instruments]

### 1. Status of financial instruments

The Company raises funds for oil and gas development and production, construction or expansion of domestic pipelines and LNG receiving terminal primarily from cash flow on hand and from bank loans.

In line with the criteria for trading and credit exposure management, the Company properly analyzes the credit status of trading partners and reduction of default risks related to accounts receivable-trade of its clients. For marketable securities and investment securities exposed to market price fluctuation risk, analysis of market values is regularly reported to the Management Committee.

Although the Company generally borrows with variable interest rates, some loans are with fixed interest rates including interest rate swap transactions depending on the nature of each project. For exchange rate fluctuation risk related to assets and liabilities denominated in foreign currencies, the Company maintains the position between assets and liabilities in foreign currencies, and manages exchange fluctuation risk through derivative transactions such as foreign exchange forward transactions, currency swaps and others, as necessary, based on the Company's policy. For derivative transactions, the Company follows internal rules.

### 2. Fair value of financial instruments

Carrying value on the consolidated balance sheet as of March 31, 2012, fair value and the difference between them are as shown below.

(Millions of yen)			
	Carrying value	Fair value	Difference
(1) Cash and deposits	275,903	275,903	—
(2) Accounts receivable-trade	119,459	119,459	—
(3) Marketable securities and investment securities	1,180,509	1,180,509	—
Total assets	1,575,872	1,575,872	—
(1) Short-term loans	4,801	4,830	28
(2) Long-term debt	313,972	316,131	2,158
Total liabilities	318,774	320,961	2,186
Derivatives*	7,338	7,338	—

\*Net claims and debts arising from derivative transactions are presented on a net basis. In case the total amount is a debt amount, the above figure is negative.

Note 1: Methods of calculating of the fair value of financial instruments

#### Assets

##### (1) Cash and deposits, and (2) Accounts receivable-trade

Since these items are settled in a short period of time and their fair values are almost the same as their carrying values, the relevant carrying values are used.

##### (3) Marketable securities and investment securities

The fair value of shares is determined by the market prices of exchanges, and the fair value of bonds is determined by the market prices of exchanges or the prices presented by financial institutions.

#### Liabilities

##### (1) Short-term loans

The fair value of current portion of long-term debt included in short-term loans, is calculated by the same method as (2) Long-term debt. For the other short-term loans, the relevant carrying value is used since this item is settled in a short period of time and its market value is almost the same as the carrying value.

##### (2) Long-term debt

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

#### Derivatives

The fair value of derivatives is calculated based on the price obtained from the counterparty financial institutions.

The fair value of derivatives to which a special treatment of interest rate swap transactions is applied is included in the fair value of long-term debt, since it is a part of the long-term debt (refer to Liabilities (2) above).

## [Translation for Reference Purposes Only]

Note 2: Unlisted securities (carrying value on the consolidated balance sheet: ¥28,395 million), preferred securities (carrying value on the consolidated balance sheet: ¥5,000 million), and stocks of subsidiaries and affiliates (carrying value on the consolidated balance sheet: ¥71,700 million) are assumed to have no market values and it is extremely difficult to determine their fair value. Accordingly, these financial instruments are not included in “Assets (3) Marketable securities and investment securities.” For shares of exploration companies among unlisted securities and stocks of subsidiaries and affiliates, the allowance is provided for investments in exploration at an estimated amount based on the financial position of the investees.

### [Notes to Per Share Information]

1. Net assets excluding minority interests per share ¥596,908.99
2. Net income per share ¥53,137.93

### [Notes to Business Combination]

#### 1. Transaction under common control

##### (1) Summary of the transaction

###### (a) Names and nature of business of parties to the business combination

Names of parties to the business combination : INPEX Browse, Ltd., INPEX Holdings Australia Pty Ltd, INPEX Ichthys Pty Ltd and INPEX Operations Australia Pty Ltd

Nature of business : Exploration and development of oil and natural gas in WA-37-R block(\*) in offshore Western Australia

###### (b) Date of the business combination

July 1, 2011

###### (c) Legal form of the business combination

INPEX Browse, Ltd. made a contribution in kind to INPEX Holdings Australia Pty Ltd. Meanwhile INPEX Holdings

Australia Pty Ltd made a contribution in kind to INPEX Ichthys Pty Ltd and INPEX Operations Australia Pty Ltd.

###### (d) Names of the combined entities

INPEX Holdings Australia Pty Ltd, INPEX Ichthys Pty Ltd and INPEX Operations Australia Pty Ltd

###### (e) Summary of the transaction including its purpose

The Company's affiliate INPEX Browse Ltd., which has been acting as an operator of the Ichthys project in WA-37-R block(\*) in offshore Western Australia, undertook a legal restructure that required the transfer of the company's assets to newly established Australian companies for the purpose of efficient financing and operation of the project.

##### (2) Summary of the accounting treatment adopted

The transaction was treated as a business combination among entities under common control based on “Accounting

Standard for Business Combinations” (ASBJ Statement No. 21 issued on December 26, 2008), and “Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10 issued on December 26, 2008).

(\*) Upon the grant of production license, WA-37-R was registered as WA-50-L.

#### 2. Formation of jointly controlled company

##### (1) Summary of the transaction

###### (a) Names and nature of business of parties to the business combination

Names of parties to the business combination : INPEX Holdings Australia Pty Ltd and Ichthys LNG Pty Ltd

Nature of business : Transportation, liquefaction and sales of oil and natural gas through pipeline in WA-37-R block(\*) in offshore Western Australia

###### (b) Date of the business combination

July 1, 2011

###### (c) Legal form of the business combination

INPEX Holdings Australia Pty Ltd made a contribution in kind to Ichthys LNG Pty Ltd.

###### (d) Name of the combined entity

Ichthys LNG Pty Ltd

###### (e) Summary of the transaction including its purpose

The Company's affiliate INPEX Browse Ltd., which has been acting as an operator of the Ichthys project in WA-37-R block(\*) in offshore Western Australia, undertook a legal restructure that required the transfer of the company's assets to newly established Australian companies for efficient financing and operation of the project.

**[Translation for Reference Purposes Only]**

(f) Reason that the business combination was formed as a jointly controlled company  
INPEX Holdings Australia Pty Ltd and TOTAL E&P Holding Ichthys entered into the shareholders agreement under which both parties would jointly control Ichthys LNG Pty Ltd, and there is no specific fact that indicates other controlling relationships. Therefore the business combination is considered to be a formation of a jointly controlled company.

(2) Summary of the accounting treatment adopted

The transaction was treated as formation of jointly controlled company based on “Accounting Standard for Business

Combinations” (ASBJ Statement No. 21 issued on December 26, 2008), and “Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10 issued on December 26, 2008).

(\*) Upon the grant of production license, WA-37-R was registered as WA-50-L.

[Translation for Reference Purposes Only]

## Non-Consolidated Balance Sheet

Unit: millions of yen (Amounts truncated to millions of yen)

Accounts	As of March, 31, 2012	Accounts	As of March, 31, 2012
<b>(Assets)</b>		<b>(Liabilities)</b>	
<b>Current assets</b>	<b>685,608</b>	<b>Current liabilities</b>	<b>505,283</b>
Cash and deposits	244,066	Accounts payable-trade	4,594
Accounts receivable-trade	28,586	Current portion of debt	4,218
Marketable securities	364,134	Lease obligations	35
Finished goods	2,491	Accounts payable-other	53,449
Work in process and partly-finished construction	58	Accrued expenses	2,650
Raw materials and supplies	2,220	Income taxes payable	21,374
Advance payments-trade	12	Deferred tax liabilities	124
Prepaid expenses	582	Advances received	1,855
Other	43,756	Deposits payable	394
Allowance for doubtful accounts	(300)	Deposits received from subsidiaries and affiliates	409,454
		Accrued bonuses to officers	110
<b>Fixed assets</b>	<b>1,854,915</b>	Asset retirement obligations	564
<b>Tangible fixed assets</b>	<b>227,447</b>	Other	6,456
Buildings	9,801		
Structures	92,127	<b>Long-term liabilities</b>	<b>86,449</b>
Wells	3,193	Long-term debt	60,664
Machinery and equipment	27,556	Lease obligations	63
Vehicles	41	Deferred tax liabilities	4,212
Tools, furniture and fixtures	844	Accrued retirement benefits to employees	5,871
Land	16,394	Provision for loss on business of subsidiaries and affiliates	11,982
Leased assets	100	Asset retirement obligations	2,662
Construction in progress	77,386	Other	992
		<b>Total liabilities</b>	<b>591,733</b>
<b>Intangible assets</b>	<b>101,342</b>	<b>(Net assets)</b>	
Goodwill	97,341	<b>Shareholders' equity</b>	<b>1,941,592</b>
Mining right	0	<b>Common stock</b>	<b>290,809</b>
Software	2,217	<b>Capital surplus</b>	<b>1,023,802</b>
Other	1,783	Capital reserve	1,023,802
		<b>Retained earnings</b>	<b>632,227</b>
<b>Investments and other assets</b>	<b>1,526,126</b>	Other retained earnings	632,227
Investment securities	771,790	Reserve for overseas investment loss	40,869
Investments in stock of subsidiaries and affiliates	685,012	Mine prospecting reserve	9,291
Investments in capital	0	Unappropriated retained earnings	582,067
Investments in capital of subsidiaries and affiliates	0	<b>Treasury stock</b>	<b>(5,248)</b>
Long-term loans receivable	6	<b>Valuation, translation adjustments and others</b>	<b>7,198</b>
Long-term loans receivable from employees	24	<b>Unrealized holding gain on securities</b>	<b>7,198</b>
Long-term loans receivable from subsidiaries and affiliates	72,840		
Long-term prepaid expenses	12		
Long-term deposits	55,000		
Recoverable accounts under production sharing	114,040		
Other	19,484		
Allowance for doubtful accounts	(104)		
Allowance for recoverable accounts under production sharing	(295)		
Allowance for investments in exploration	(191,687)		
<b>Total assets</b>	<b>2,540,523</b>	<b>Total net assets</b>	<b>1,948,790</b>
		<b>Total liabilities and net assets</b>	<b>2,540,523</b>

[Translation for Reference Purposes Only]

## Non-Consolidated Statement of Income

Unit: millions of yen (Amounts truncated to millions of yen)

Accounts	For the year ended March 31, 2012	
<b>Net sales</b>		452,228
<b>Cost of sales</b>		177,065
<b>Gross profit</b>		<b>275,162</b>
<b>Exploration expenses</b>		30
<b>Selling, general and administrative expenses</b>		41,479
<b>Operating income</b>		<b>233,652</b>
<b>Other income</b>		
Interest income	1,892	
Interest income on securities	2,689	
Dividend income	57,343	
Other	4,162	66,087
<b>Other expenses</b>		
Interest expense	989	
Provision of allowance for investment loss in exploration	12,713	
Provision for loss on business of subsidiaries and affiliates	7,680	
Foreign exchange loss	10,009	
Other	2,214	33,608
<b>Ordinary income</b>		<b>266,131</b>
<b>Income before income taxes</b>		<b>266,131</b>
Income taxes-current	119,622	
Income taxes-deferred	701	120,323
<b>Net income</b>		<b>145,807</b>

[Translation for Reference Purposes Only]

## Non-Consolidated Statement of Changes in Net Assets

(For the year ended March 31, 2012)

Unit: millions of yen (Amounts truncated to millions of yen)

	Shareholders' equity								Valuation, translation adjust- ments and others	Total net assets
	Common stock	Capital surplus	Retained earnings				Treasury stock	Total share- holders' equity	Unrealized holding gain on securities	
		Legal capital surplus	Other retained earning			Total retained earnings				
			Reserve for overseas invest- ment loss	Mine pros- pecti ng reserve	Retained earnings brought forward					
Balance as of April 1, 2011	290,809	1,023,802	28,054	7,308	472,962	508,325	(5,248)	1,817,689	1,973	1,819,663
Changes during the period										
Provision of reserve for overseas investment loss			12,815		(12,815)	—				—
Provision of mine prospecting reserve				8,038	(8,038)	—				—
Reversal of mine prospecting reserve				(6,055)	6,055	—				—
Cash dividends paid					(21,905)	(21,905)		(21,905)		(21,905)
Net income					145,807	145,807		145,807		145,807
Other changes in items other than those in shareholders' equity, net									5,224	5,224
Total changes during the period	—	—	12,815	1,982	109,104	123,902	—	123,902	5,224	129,127
Balance as of March 31, 2012	290,809	1,023,802	40,869	9,291	582,067	632,227	(5,248)	1,941,592	7,198	1,948,790

[Translation for Reference Purposes Only]

**Notes to Non-Consolidated Financial Statements**

[Significant Accounting Policies]

1. Valuation method for assets
  - (1) Valuation method for securities
    - Shares of subsidiaries and affiliates Stated at cost determined by the moving-average method
    - Other securities
      - With a determinable market value Stated at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Cost of securities sold is determined by the moving-average method.
      - Without a determinable market value Stated at cost determined by the moving-average method
  - (2) Valuation method for derivatives
    - Derivatives Fair value
  - (3) Valuation method for inventories
    - Finished goods, raw materials and supplies Carried at cost (balance sheet value is carried at the lower of cost or market)
    - Work in process and partly-finished construction Determined by the moving-average method
    - Stated at identified cost method
2. Depreciation method of fixed assets
  - Tangible fixed assets (except leased assets) Straight-line method of depreciation is applied. Useful lives of significant fixed assets are as follows:
    - Buildings 2-50 years
    - Structures 2-60 years
    - Wells 3 years
    - Machinery and equipment 2-22 years
  - Intangible assets (except leased assets) Straight-line method of amortization is applied. Goodwill is amortized over 20 years.
  - Leased assets Software for internal use is amortized over 5 years. Depreciation of leased assets for financing lease transactions whose ownership are not to be transferred is calculated based on the straight-line method over the lease period assuming no residual value.
3. Basis for allowances
  - Allowance for doubtful accounts Allowance for doubtful accounts is provided at an amount determined based on the historical experience of bad debt with respect to ordinary receivables, plus an estimate of uncollectible amounts determined by reference to specific doubtful receivables from customers which are experiencing financial difficulties.
  - Allowance for recoverable accounts under production sharing Allowance for recoverable accounts under production sharing is provided for probable losses on specific investments made under production sharing contracts.
  - Allowance for investments in exploration Allowance for investments in exploration is provided for future potential losses on investments in exploration companies at an estimated amount based on the net assets of the investees.
  - Accrued bonuses to officers Accrued bonuses to officers are provided at expected payment amount for the year ended March 31, 2012.

## [Translation for Reference Purposes Only]

Accrued retirement benefits to employees	Accrued retirement benefits to employees are provided at the amount calculated based on the expected retirement benefit obligation and the estimated value of pension plan assets at the end of this period. Actuarial gains and losses are charged or credited to income as incurred.
Provision for loss on business of subsidiaries and affiliates	Provision for loss on business of subsidiaries and affiliates is provided for future potential losses on business operations of subsidiaries and affiliates at an estimated amount based on the financial positions of these companies.
4. Accounting for hedge transactions	
Hedge accounting	Simplified accounting method is applied to interest rate swaps.
Hedging instruments and hedged items	Hedging instruments: Interest rate swap transactions Hedged items: Interest payments on borrowings
Hedging policy	The nominal amount of the derivative transaction is limited to within the scope of actual demand, and the Company does not engage in speculative derivative transactions.
Hedge effectiveness assessment method	Since simplified accounting method is applied, the Company does not perform hedge effectiveness assessment.
5. Other basis of presenting non-consolidated financial statements	
Consumption tax	Transactions subject to the consumption tax are recorded at amounts exclusive of the consumption tax.
Recoverable accounts under production sharing	Cash investments made by the Company during exploration, development and production phases under a production sharing contract are recorded as “Recoverable accounts under production sharing” so long as they are recoverable under the terms of the relevant contract. When the Company receives crude oil and natural gas in accordance with the contract, an amount corresponding to the purchase costs of the products (i.e., a cost recovery portion of the investments) is released from this account.

## [Changes in the Presentation]

1. “Short-term loans receivable to subsidiaries and affiliates”, previously presented separately in current assets, is included in “Other” since it has become less significant. The amount of “Short-term loans receivable to subsidiaries and affiliates” for the year ended March 31, 2012 is ¥22,026 million.
2. “Accounts receivable-other”, previously presented separately in current assets, is included in “Other” since it has become less significant. The amount of “Accounts receivable-other” for the year ended March 31, 2012 is ¥10,663 million.

## [Additional Information]

For the accounting changes and error corrections made after the beginning of the year ended March 31, 2012, the Company applies “Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Statement No.24 December 4, 2009) and “Guidance on Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Guidance No.24 December 4, 2009).

## [Translation for Reference Purposes Only]

[Notes to Non-Consolidated Balance Sheet]

1. Assets provided as collateral and collateral-backed debt are as follows:

		Millions of yen
	(Collateralized assets)	
Buildings	1,119	(1,119)
Structures	1,118	(1,118)
Wells	2,737	(2,737)
Machinery and equipment	9,189	(9,189)
Investment securities	7,632	(—)
Other (investments and other assets)	231	(—)
Total	22,028	(14,164)

		Millions of yen
	(Secured debt)	
Accounts payable-other	307	(—)
Long-term debt	4,022	(3,955)
Others (long-term liabilities)	16	(—)
Total	4,346	(3,955)

Amounts in parentheses ( ) above represent foundation collateral and liabilities.

In addition, investment securities of ¥6,746 million are pledged as collateral for the payment extension of the gasoline tax and the local road tax of the subsidiaries.

2. Accumulated depreciation

Accumulated depreciation of tangible fixed assets is ¥196,801 million.

### [Translation for Reference Purposes Only]

#### 3. Contingent liabilities

The Company is contingently liable as a guarantor of indebtedness of the following companies:

	Millions of yen
INPEX North Caspian Sea, Ltd.	69,153
Tanggung Trustee*	14,510
INPEX Trading, Ltd.	6,687
Ichthys LNG Pty Ltd	5,190
Fujian Tranche*	5,143
INPEX Alpha, Ltd.	3,901
Sakhalin Oil and Gas Development Co., Ltd.	3,866
INPEX Offshore North Campos, Ltd.	2,151
Teiseki Topping Plant Co., Ltd.	420
Employees (housing loans)	212
<hr/> Total	<hr/> 111,237

\*Debt for investment funds of Tangguh LNG project through MI Berau B.V. and MI Berau Japan Ltd.

#### 4. Monetary assets and liabilities from/to subsidiaries and affiliates

	Millions of yen
Short-term monetary assets from subsidiaries and affiliates	29,283
Long-term monetary assets from subsidiaries and affiliates	72,840
Short-term monetary liabilities to subsidiaries and affiliates	415,870
Long-term monetary liabilities to subsidiaries and affiliates	30

#### [Notes to Non-Consolidated Statement of Income]

##### Transactions with subsidiaries and affiliates

	Millions of yen
Operating transactions	
Net sales	57,211
Purchases	1,467
Other operating transactions	14,045
Transactions other than operating transactions	56,220

#### [Notes to Non-Consolidated Statement of Changes in Net Assets]

##### Type and number of shares of treasury stock at end of this period

	Shares
Common stock	4,916

**[Translation for Reference Purposes Only]**

[Notes to Tax Effect Accounting]

Significant components of deferred tax assets and liabilities

	Millions of yen
Deferred tax assets	
Allowance for investments in exploration	59,620
Loss on valuation of investment securities	3,850
Loss on revaluation of land	3,958
Accrued retirement benefits to employees	1,807
Provision for loss on business of subsidiaries and affiliates	3,688
Asset retirement obligations	1,010
Accrued bonuses to employees	786
Allowance for recoverable accounts under production sharing	90
Other	7,984
Total gross deferred tax assets	<u>82,796</u>
Valuation allowance	<u>(80,344)</u>
Total deferred tax assets	2,451
Deferred tax liabilities	
Unrealized holding gain on securities	273
Reserve for overseas investment loss	5,069
Translation differences due to an application of purchase accounting method	1,048
Mine prospecting reserve	345
Other	50
Total deferred tax liabilities	<u>6,788</u>
Net deferred tax liabilities	<u>4,337</u>

[Notes to Transactions with Related Parties]

Type	Name of related party	Voting interest (Owned)	Description of the business relationship	Transaction detail	Amounts (Millions of yen)	Accounts	Balance (Millions of yen)
Subsidiary	INPEX Trading, Ltd.	Directly 100% (Owned) -%	Serve the officer concurrently, capital subscription	Sales of crude oil (*1)	55,413	Accounts receivable-trade	3,220
				Loans of funds (denominated in US\$) (*2)	45,729 (in millions of US\$) 575	—	—
	INPEX North Caspian Sea, Ltd.	Directly 45.0% (Owned) -%	Serve the officer concurrently, capital subscription	Loans of funds (*3)	9,694	Long-term loans receivable	39,852
				Loans of funds (denominated in US\$) (*4)	—	Long-term loans receivable	22,859 (in millions of US\$) 278
				Guarantee of contingent liabilities (*5)	69,153	—	—
	INPEX Browse, Ltd.	Directly 99.9% Indirectly 0.1% (Owned) -%	Serve the officer concurrently, capital subscription	Investment in additional shares (*6)	192,000	—	—
	Japan Oil Development Co., Ltd.	Directly 100% (Owned) -%	Serve the officer concurrently, capital subscription	Cash management(*7)	—	Deposits received from subsidiaries and affiliates	95,854
				Payment of interest(*7)	71		
	INPEX Masela, Ltd.	Directly 51.9% (Owned) -%	Serve the officer concurrently, capital subscription	Cash management(*7)	—	Deposits received from subsidiaries and affiliates	46,749
				Payment of interest(*7)	20		

**[Translation for Reference Purposes Only]**

Type	Name of related party	Voting interest (Owned)	Description of the business relationship	Transaction detail	Amounts (Millions of yen)	Accounts	Balance (Millions of yen)
Subsidiary	INPEX Southwest Caspian Sea, Ltd.	Directly (Owned) 51.0% -%	Serve the officer concurrently, capital subscription	Cash management(*7)	—	Deposits received from subsidiaries and affiliates	54,629
				Payment of interest(*7)	11		
	INPEX Holdings Australia Pty Ltd	Indirectly (Owned) 100.0% -%	Serve the officer concurrently	Cash management(*7)	—	Deposits received from subsidiaries and affiliates	132,245
				Payment of interest(*7)	44		

Note 1: The Company sells crude oil to INPEX Trading, Ltd. based on its market price, in accordance with the sales of crude oil contract.

Note 2: The Company determines the interest rate based on its market interest rates upon loans of funds (denominated in US\$) in a reasonable and appropriate manner. There is no loan balance as of the end of this period because the money lent was paid off on March 28, 2012. The Company did not accept any collateral.

Note 3: The Company determines the interest rate based on its market interest rates upon loans of funds (denominated in JPY) in a reasonable and appropriate manner. The contract due date and the payment due date are December 17, 2024. The Company did not accept any collateral.

Note 4: The Company determines the interest rate based on its market interest rates upon loans of funds (denominated in US\$) in a reasonable and appropriate manner. The contract due date and the payment due date are December 17, 2019. The Company did not accept any collateral.

Note 5: This refers to the guarantee of contingent liabilities that was set against the loans from financial institutions as a fund for business development. Amount of transactions represents the balance of guarantees at end of this period.

Note 6: This refers to the investment by the Company in the rights issue undertaken by INPEX Browse, Ltd. at the price of ¥50,000 per share.

Note 7: The Company adopts a cash management system (hereinafter “CMS”) for the purpose of efficient managing funds within the Group. The amount of funds transactions through the CMS are not stated above because it is difficult to identify the amounts by transaction detail. The Company determines the interest rate based on its market interest rate.

**[Notes to Per Share Information]**

1. Net assets per share	¥533,784.50
2. Net income per share	¥39,937.57

**[Translation for Reference Purposes Only]**

< Copy of the Report of the Accounting Auditors on the Consolidated Financial Statements >

## Report of Independent Auditors

May 10, 2012

The Board of Directors  
INPEX CORPORATION

Ernst & Young ShinNihon LLC

Kenji Endo  
Certified Public Accountant  
Designated and Engagement Partner

Kazuhiko Umemura  
Certified Public Accountant  
Designated and Engagement Partner

Satoshi Takahashi  
Certified Public Accountant  
Designated and Engagement Partner

Pursuant to Article 444, Section 4 of the Corporation Law, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the notes to the consolidated financial statements of INPEX CORPORATION (the "Company") applicable to the 6th fiscal year from April 1, 2011 through March 31, 2012.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the

**[Translation for Reference Purposes Only]**

financial position and results of operations of the INPEX Group, which consisted of the Company and consolidated subsidiaries, applicable to the 6th fiscal year ended March 31, 2012 in conformity with accounting principles generally accepted in Japan.

*Conflicts of Interest*

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

## Report of Independent Auditors

May 10, 2012

The Board of Directors  
INPEX CORPORATION

Ernst & Young ShinNihon LLC

Kenji Endo  
Certified Public Accountant  
Designated and Engagement Partner

Kazuhiko Umemura  
Certified Public Accountant  
Designated and Engagement Partner

Satoshi Takahashi  
Certified Public Accountant  
Designated and Engagement Partner

Pursuant to Article 436, Section 2, Paragraph 1 of the Corporation Law, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets, the notes to the financial statements and the related supplementary schedules of INPEX CORPORATION (the "Company") applicable to the 6th fiscal year from April 1, 2011 through March 31, 2012.

### *Management's Responsibility for the Financial Statements and the Related Supplementary Schedules*

Management is responsible for the preparation and fair presentation of the financial statements and the related supplementary schedules in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements and the related supplementary schedules that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on the financial statements and the related supplementary schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the related supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the related supplementary schedules. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements and the related supplementary schedules, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements and the related supplementary schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the related supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**[Translation for Reference Purposes Only]**

*Opinion*

In our opinion, the financial statements and the related supplementary schedules referred to above present fairly, in all material respects, the financial position and results of operations of INPEX CORPORATION applicable to the 6th fiscal year ended March 31, 2012 in conformity with accounting principles generally accepted in Japan.

*Conflicts of Interest*

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

## Audit Report

With respect to the Directors' performance of their duties during the 6th business year (from April 1, 2011 to March 31, 2012), the Board of Statutory Auditors has prepared this audit report, and hereby report as follows:

### 1. Method and Contents of Audit by Statutory Auditors and the Board of Statutory Auditors

The Board of Statutory Auditors has established the audit policies, assignment of duties, etc. and received a report from each Statutory Auditor regarding the status of implementation of their audits and results thereof. In addition, the Board of Statutory Auditors has received reports from the Directors, etc., and the accounting auditor regarding the status of performance of their duties, and requested explanations as necessary.

In conformity with each Statutory Auditor, auditing standards established by the Board of Statutory Auditors, and in accordance with the audit policies and assignment of duties, etc., each Statutory Auditor endeavored to facilitate a mutual understanding with the Directors, the internal audit division and other employees, etc

, endeavored to collect information and maintain and improve the audit environment, has attended the meetings of the Board of Directors and other important meetings, received reports on the status of performance of duties from the Directors and other employees, etc. and requested explanations as necessary, examined important approval/decision documents, and inspected the status of the corporate affairs and assets. Also, each Statutory Auditor received periodic reports from Directors and employees, etc. on the status of developments and operations concerning the contents of the Board of Directors' resolutions regarding the development and maintenance of the system to ensure that the Directors' performance of their duties complied with all laws, regulations and the articles of incorporation of the company and other systems that are set forth in Article 100, paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act of Japan as being necessary for ensuring the appropriateness of the corporate affairs of a stock company, and the systems (internal control systems) based on such resolutions, described in the business report, requested explanations as necessary and expressed its opinion. Furthermore, each Statutory Auditor received reports from the Directors, etc. and Ernst & Young ShinNihon LLC concerning the evaluation and audit of the internal controls relating to financial reporting, and requested explanations as necessary. The contents of the basic policies set forth in Article 118, item 3, sub-item (a) of the Ordinance for Enforcement of the Companies Act of Japan and undertakings set forth in the same item 1, sub-item (b) of said article, as described in the business report, were also considered in light of the circumstances, etc. of deliberations by the Board of Directors and other bodies. With respect to the subsidiaries, each Statutory Auditor endeavored to facilitate a mutual understanding and exchanged information with the Directors and Statutory Auditors, etc. of each subsidiary and received from subsidiaries reports on their respective business as necessary. Based on the above-described methods, each Statutory Auditor examined the business report and annexed specifications for the business year under consideration.

In addition, each Statutory Auditor monitored and verified whether the accounting auditor maintained its independence and properly conducted its audit, received a report from the accounting auditor on the status of its performance of duties, and requested explanations as necessary. Each Statutory Auditor was notified by the accounting auditor that it had established a "system to ensure that the performance of the duties of the accounting auditor was properly conducted" (the matters listed in the items of Article 131 of the Company Accounting Regulations) in accordance with the "Quality Control Standards for Audits" (Business Accounting Council on October 28, 2005), and requested explanations as necessary. Based on the above-described methods, each Statutory Auditor examined the accounting documents (balance sheet, profit and loss statement, shareholders' equity variation statement, and schedule of individual notes) and the annexed specifications thereto, as well as the consolidated accounting documents (consolidated balance sheet, consolidated profit and loss statement, consolidated shareholders' equity variation statement, and schedule of consolidated notes), for the business year under consideration.

**[Translation for Reference Purposes Only]**

2. Results of Audit

(1) Results of Audit of Business Report, etc.

- (i) We acknowledge that the business report and the annexed specifications thereto fairly present the status of the company in conformity with the applicable laws and regulations and the articles of incorporation of the company.
- (ii) We acknowledge that no misconduct or material fact constituting a violation of any law or regulation or the articles of incorporation of the company was found with respect to the Directors' performance of their duties.
- (iii) We acknowledge that the Board of Directors' resolutions with respect to the internal control systems are appropriate. We did not find any matter to be mentioned with respect to the business report concerning the internal control systems and the Directors' performance of their duties. In addition, with respect to internal controls over financial reporting, at the time of preparation of this audit report, we received a report from both the Directors, etc., and Ernst & Young ShinNihon LLC that states that the said controls were effective.
- (iv) We did not find any matter to be mentioned with respect to the basic policies, described in the business report, concerning control of the corporation. Undertakings, described in the business report, set forth in Article 118, item 3, sub-item (b) of the Ordinance for Enforcement of the Companies Act of Japan are in line with the basic policies, do not impair the common interests of the company's shareholders, and are not directed to the purpose of maintaining the status of the company's officers.

(2) Results of Audit of Accounting Documents and their Annexed Specifications

We acknowledge that the methods and results of audit performed by the accounting auditor, Ernst & Young ShinNihon LLC, are appropriate.

(3) Results of Audit of Consolidated Accounting Documents

We acknowledge that the methods and results of audit performed by the accounting auditor, Ernst & Young ShinNihon LLC, are appropriate.

May 18, 2012

The Board of Statutory Auditors, INPEX Corporation

Statutory Auditor:	Yoshitsugu Takai (Seal)
Outside Statutory Auditor:	Haruhito Totsune (Seal)
Outside Statutory Auditor:	Koji Sumiya (Seal)
Outside Statutory Auditor (part-time):	Hiroshi Sato (Seal)
Outside Statutory Auditor (part-time):	Masaru Funai (Seal)