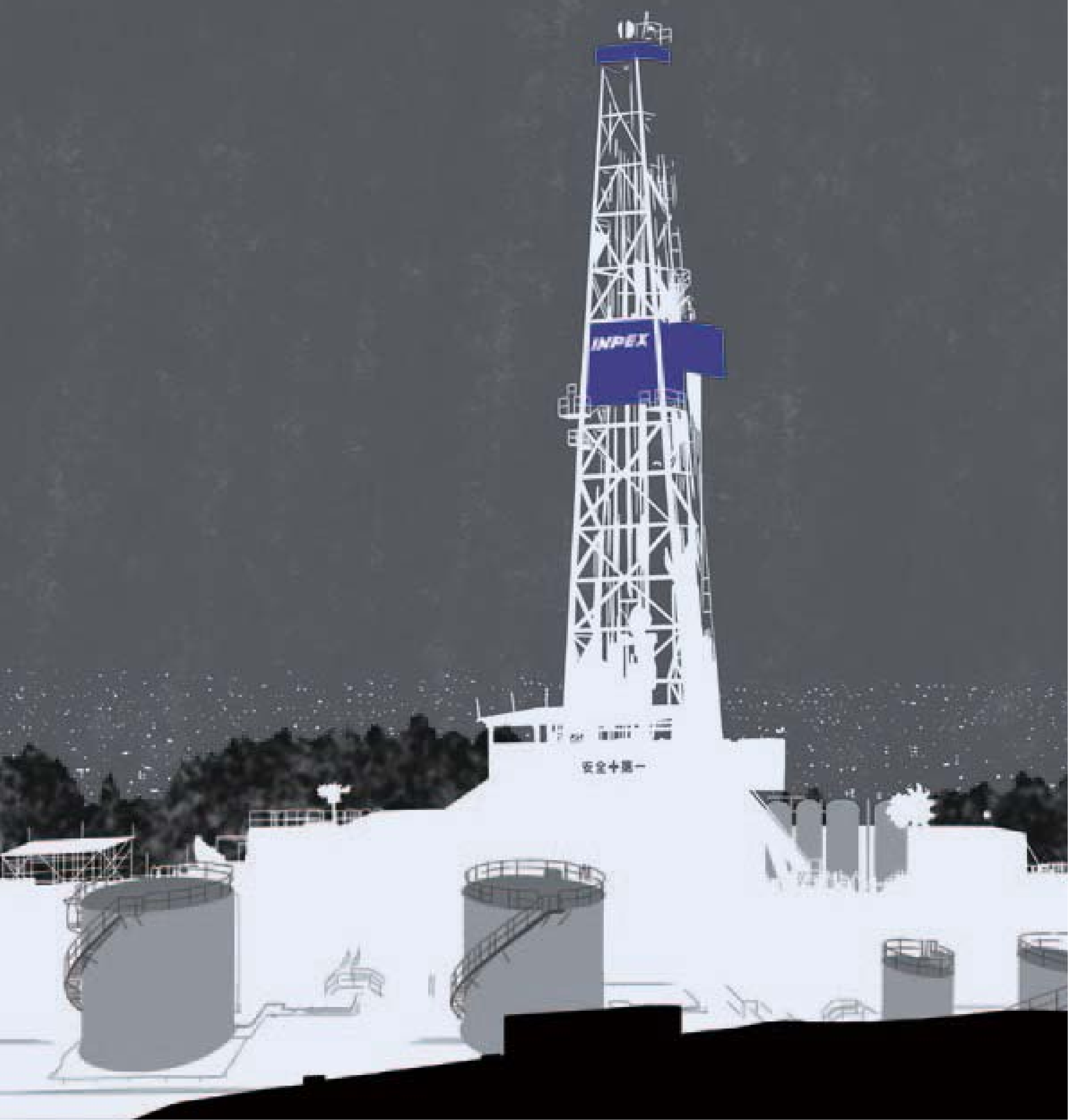
FINANCIAL / CORPORATE INFORMATION 7



Message from the Senior Vice President, Finance & Accounting Division

I would like to take this opportunity to provide an overview of the Group's business results highlights and financial position, for the year ended March 31, 2013 as well as details of its investment plans and funding.

Business Results Highlights for the Year Ended March 31, 2013

Consolidated net sales for the year ended March 31, 2013 resulted ¥1,216.5 billion increased by 2.5% and consolidated net income resulted ¥183.0 billion decreased by 5.7% from the previous fiscal year. Despite this decrease, the Group recognized one-off gain on transfer of the Ichthys interest of approximately ¥50.0 billion, in similar fashion to the gain on transfer of the Masela interest recognized in the year ended March 31, 2012. As a result, INPEX maintained a high level of income.

The substantial depreciation of the yen against the U.S. dollar toward the end of the year ended March 31, 2013 had a positive effect on the Group's results, such as pushing net sales up by ¥47.2 billion. On the other hand, foreign exchange loss occurred on foreign-currency denominated loans of ¥30.1 billion as other expenses. Meanwhile, the Group recognized foreign exchange gain on foreign-currency denominated bonds attributable to yen depreciation, which is not reflected in the statement of income, but as unrealized holding gain on securities in net assets. The risks associated with the Group's foreign-currency denominated transactions are considered to be in effect offset by efforts to balance its foreign-currency denominated assets and liabilities.

Financial Position

Consolidated total assets as of March 31, 2013 increased by ¥549.8 billion to ¥3,616.2 billion from the previous fiscal year mainly due to the development investment in the Ichthys Project, and the acquisition of interests in the shale gas projects in Canada and the Prelude FLNG Project in Australia. The Group relies mainly on operating cash flows and external loans to procure funds for these investments. At the same time, the available cash on hand as of March 31, 2013 was approximately ¥1,500.0 billion and secured for those investments planned in the "Medium- to Long-Term Vision of INPEX." Recognizing that its investments are generally in U.S. dollars, the vast majority of available cash on hand is in effect denominated in U.S. dollars.

Masahiro Murayama
Director,
Senior Vice President,
Finance & Accounting Division

Consolidated net assets as of March 31, 2013 increased by ¥356.8 billion to ¥2,671.0 billion. In addition to the increase in retained earnings of ¥155.6 billion attributable to net income for the period, the increase in net assets largely reflected the impact of yen depreciation on unrealized gain from hedging instruments and translation adjustments, which rose ¥118.7 billion. The increases in unrealized gain from hedging instruments and translation adjustments were derived from foreign exchange gain by yen depreciation, resulting from the foreign exchange forward contracts and capital investments in the overseas subsidiaries under yen appreciation situation.

Yen depreciation contributed to improve the Group's financial condition. Its equity ratio which resulted 68.6% as of March 31, 2013 remained substantially higher than our long-term financial target of 50%. Moreover, net assets per share also increased by 13.9% from the previous fiscal year.

Investment Plans and Funding

"Medium- to Long-Term Vision of INPEX" issued in May 2012 expresses ¥3.5 trillion investment plans over the 5 years period from the year ended March 31, 2013 to the year ending March 31, 2017. In accordance with the plans, INPEX is continuing to engage in exploration and development investments toward future growth. In light of the recent trend of yen depreciation, INPEX has revised its medium- to long-term assumption of exchange rate from ¥80 in May 2012 to ¥95 to the U.S. dollar. As a result, the investment amount on yen basis has fluctuated upward. For the sake of investments denominated in U.S. dollars, the Group plans to procure the required funds mainly through U.S. dollar based external loans including project finance as well as U.S. dollar based operating cash flows. As previously mentioned, the vast majority of available cash on hand is denominated in U.S. dollars. The current amount held is sufficient to meet the Group's needs for U.S. dollar based exploration and development investments in the next four years. Taking this into consideration, INPEX is not required to incur additional debt as a result of yen depreciation and accordingly does not contemplate the need for further financing.

The Group will make efforts to manage its balance sheet while taking care of financial condition to maintain the long-term financial targets of "an equity ratio of 50% or more" and "a net debt to net total capital employed ratio of 20% or less".

▸ **For details regarding the Group's investment plans and funding please refer to the "The Medium- to Long-Term Vision of INPEX and Investment Plans" section of the report on pp. 40 and 41.**

Notes

* EBIDAX = Net income + Minority interests + Deferred tax + (1 – Tax rate) × (Interest expense – Interest income) + Exchange profit and loss + Depreciation and amortization + Amortization of goodwill + Recovery of recoverable accounts under production sharing (capital expenditures) + Exploration expenses + Provision for exploration projects + Provision for allowance for recoverable accounts under production sharing
* Net assets excluding minority interests = Net assets – Minority interests
* Equity ratio = Net assets excluding minority interests / Total assets
* Net debt = Interest-bearing debt – Cash and cash equivalents – Time deposits – Certificate of deposits – Public bonds and corporate bonds and other debt securities with determinable value – Long-term time deposits
* Net debt / Net total capital employed = Net debt / (Net assets + Net debt)
* D/E ratio = Interest-bearing debt / (Net assets – Minority interests)
* ROE = Net income / Average of net assets excluding minority interests at the beginning and end of the year
* Net ROACE = (Net income + Minority interests + (Interest expense – Interest income) × (1 – Tax rate)) / Average of sum of net assets and net debt at the beginning and end of the year
* The reserves cover most of INPEX group projects including the equity-method affiliates. The reserves from March 31, 2007 to March 31 2010 were evaluated by DeGolyer & MacNaughton, and from March 31, 2011, the reserves of projects which are expected to be invested a large amount and affect the Group's future result materially are evaluated by DeGolyer & MacNaughton, and the others are done internally.

  The proved reserves are evaluated in accordance with SEC regulations.

  The probable reserves are sum of proved reserves and probable reserves evaluated in accordance with SPE/WPC/AAPG/SPEE guideline Petroleum Resources Management System 2007(PRMS) approved in March 2007 after deduction of proved reserves evaluated in accordance with SEC regulations.The probable reserves include reserves of bitumen. Probable reserves as of March 31, 2007 are evaluated in accordance with the guideline established by SPE and WPC (1997 SPE/WPC).

  Possible reserves are evaluated in accordance with PRMS. Possible reserves also include reserves of bitumen.
* Production volumes are calculated in accordance with SEC regulations and include the equity-method affiliates. The production volume of crude oil and natural gas under the production sharing contracts entered into by the Group corresponds to the net economic take of the Group.

  Calculation of the conversion factor from gas to oil equivalent was altered from the year ended March 31, 2012.
* Exploration and development expenditures = Exploration expenditures + Development expenditures + Acquisition costs

  Exploration and development expenditures include the Group's share of investment in the Ichthys downstream entity (Ichthys LNG Pty Ltd, an equity-method affiliate) from the year ended March 31, 2012.

Notes: 1 INPEX Holdings Inc. was established on April 3, 2006 through a stock transfer between INPEX CORPORATION and Teikoku Oil Co., Ltd. and merged with these subsidiaries and changed the corporate name to INPEX CORPORATION on October 1, 2008.

2 INPEX Corporation settles accounts in March; Teikoku Oil Co., Ltd. settled accounts in December up to the period ended December 31, 2005.

3 Due to a change of the accounting period, amounts of consolidated financial statement of Teikoku Oil Co., Ltd. of the period ended March 31, 2006 reflect the three-month period from January 1, 2006 to March 31, 2006. Per share data and Financial indicators for the period are not listed here.

4 In consolidated financial statements of INPEX Corporation and Teikoku Oil Co., Ltd. announced for the periods ended on or before March 31, 2006, amounts of less than 1 million yen are rounded down, while amounts are basically rounded to the nearest million.

12-Year Financial Information

Figures given for the years ended on or before March 31, 2006 represent INPEX Corporation and its subsidiaries/Teikoku Oil Co., Ltd. and its subsidiaries; figures given for the years ended on or after March 31, 2007 represent INPEX Corporation (post integration) and its subsidiaries.

As of or years ended March 31,		Millions of yen			
		2002/3	2003/3	2004/3	2005/3
(Results of operations)		2001/12	2002/12	2003/12	2004/12
Net sales	*INPEX*	¥ 184,203	¥ 201,533	¥ 218,831	¥ 478,586
	Teikoku Oil	75,767	73,630	78,498	84,032
Cost of sales	*INPEX*	79,120	95,997	105,758	197,094
	Teikoku Oil	45,036	44,931	47,062	48,455
Gross profit	*INPEX*	105,083	105,536	113,072	281,492
	Teikoku Oil	30,730	28,699	31,436	35,576
Operating income	*INPEX*	97,049	97,270	93,876	268,662
	Teikoku Oil	11,864	7,296	8,739	13,533
Income before income taxes and minority interests	*INPEX*	76,855	70,050	94,773	258,631
	Teikoku Oil	7,799	7,491	11,044	16,676
Net income	*INPEX*	27,605	27,911	34,781	76,493
	Teikoku Oil	¥ 5,704	¥ 5,233	¥ 6,796	¥ 9,276
(Financial position)					
Current assets	*INPEX*	¥ 99,096	¥ 119,076	¥ 106,952	¥ 238,419
	Teikoku Oil	59,894	47,585	50,166	45,658
Tangible fixed assets	*INPEX*	23,444	29,869	35,141	68,260
	Teikoku Oil	96,403	110,416	103,668	114,220
Intangible assets	*INPEX*	4,233	3,885	137,908	138,631
	Teikoku Oil	841	796	754	776
Investments and other assets	*INPEX*	160,874	185,914	245,295	333,915
	Teikoku Oil	45,229	45,188	71,691	79,858
Total assets	*INPEX*	287,649	338,747	525,298	779,227
	Teikoku Oil	202,369	203,986	226,280	240,513
Current liabilities	*INPEX*	17,730	27,275	28,894	122,910
	Teikoku Oil	24,074	23,882	20,661	27,439
Long-term liabilities	*INPEX*	38,317	57,007	185,410	209,738
	Teikoku Oil	41,232	41,342	46,101	44,986
Net assets*	*INPEX*	231,600	254,463	310,991	446,578
	Teikoku Oil	¥ 137,061	¥ 138,760	¥ 159,516	¥ 168,086

* The amount of Net assets as of the years ended on or before March 31, 2006 is retroactively adjusted in accordance with "Accounting Standard for Presentation of Net Assets in Balance Sheet" (ASBJ Statement No.5).

(Cash flows)		2002/3	2003/3	2004/3	2005/3
Cash flows from operating activities	*INPEX*	¥ 51,830	¥ 51,282	¥ 44,464	¥ 131,206
	Teikoku Oil	15,971	15,004	19,955	19,225
Cash flows from investing activities	*INPEX*	(39,626)	(40,533)	(218,121)	(119,956)
	Teikoku Oil	(19,666)	(27,166)	(8,284)	(20,018)
Cash flows from financing activities	*INPEX*	9,443	21,237	151,120	9,791
	Teikoku Oil	6,238	(407)	(5,914)	(5,824)
Cash and cash equivalents at end of the year	*INPEX*	49,775	78,414	54,582	128,375
	Teikoku Oil	¥ 34,001	¥ 23,020	¥ 28,789	¥ 22,234
(Per share data)					
Earnings per share (EPS) (Yen)	*INPEX*	¥15,617.64*	¥15,726.17*	¥19,612.92*	¥40,255.92
	Teikoku Oil	18.63	17.11	22.09	30.22
Net assets per share (Yen)	*INPEX*	130,586.85*	143,389.73*	157,275.33*	214,163.98
	Teikoku Oil	438.79	444.90	512.18	543.62
Cash dividends per share (Yen)	*INPEX*	3,333*	3,333*	3,333*	4,000
	Teikoku Oil	¥ 7.00	¥ 6.00	¥ 6.00	¥ 7.50

* Retroactively adjusted for a three-for-one stock split in May 2004

(Financial indicators)		2002/3	2003/3	2004/3	2005/3
Net debt / Net total capital employed (%)	*INPEX*	(82.8)%	(75.8)%	12.0%	(13.3)%
	Teikoku Oil	(15.0)	(2.3)	(9.1)	(5.5)
Equity ratio (%)	*INPEX*	80.2	74.9	52.9	52.8
	Teikoku Oil	66.4	66.6	69.1	69.0
D/E ratio (%)	*INPEX*	13.5	18.5	60.9	43.2
	Teikoku Oil	17.5%	18.8%	13.9%	10.8%

	Millions of yen									
	2006/3	2005/12	2006/3	2007/3	2008/3	2009/3	2010/3	2011/3	2012/3	2013/3
				INPEX						
	¥ 704,234	100,716	27,718	¥ 969,713	¥ 1,202,965	¥ 1,076,165	¥ 840,427	¥ 943,080	¥ 1,186,732	¥ 1,216,533
	257,903	55,473	12,807	343,795	390,554	319,038	298,168	334,833	395,443	426,326
	446,330	45,243	14,910	625,918	812,411	757,127	542,259	608,247	791,289	790,207
	426,650	21,077	9,470	559,077	714,211	663,267	461,668	529,743	709,358	693,448
	403,539	26,122	10,216	586,263	685,800	616,167	442,027	508,587	767,039	718,146
	103,476	¥ 15,485	¥ 6,484	¥ 165,092	¥ 173,246	¥ 145,063	¥ 107,210	¥ 128,699	¥ 194,001	¥ 182,962
				INPEX						
	¥ 257,573	58,586	65,864	¥ 474,124	¥ 565,111	¥ 411,110	¥ 492,855	¥ 492,932	¥ 908,702	¥ 1,106,504
	65,219	125,418	126,497	219,227	254,481	297,636	358,094	379,862	383,698	584,541
	136,757	811	1,028	265,822	265,481	253,681	239,205	249,111	233,318	380,156
	512,887	108,949	115,268	648,934	722,828	805,618	923,624	1,558,475	1,540,680	1,544,958
	972,437	293,767	308,659	1,608,107	1,807,901	1,768,045	2,013,778	2,680,380	3,066,398	3,616,159
	179,600	28,998	28,156	266,248	325,286	206,059	227,905	254,729	367,844	414,977
	250,236	65,230	72,927	261,843	243,802	199,925	295,270	328,268	384,361	530,198
	542,600	¥199,536	¥207,574	¥ 1,080,016	¥ 1,238,813	¥ 1,362,061	¥ 1,490,603	¥ 2,097,383	¥ 2,314,193	¥ 2,670,984
				INPEX						
	¥ 218,239	15,118	9,872	¥ 231,982	¥ 363,995	¥ 230,352	¥ 241,373	¥ 274,094	¥ 320,692	¥ 252,347
	(252,399)	(20,287)	(4,705)	(209,243)	(261,767)	(240,168)	(251,812)	(844,511)	(280,864)	(489,870)
	14,350	7,845	5,480	13,794	(45,228)	(46,090)	68,937	548,057	29,294	137,069
	114,967	¥ 25,545	¥ 36,175	¥ 189,417	¥ 222,270	¥ 162,845	¥ 216,395	¥ 182,025	¥ 249,233	¥ 199,859
				INPEX						
	¥ 53,814.47	50.61	—	¥ 70,423.45	¥ 73,510.14	¥ 61,601.60	¥ 45,553.56	¥ 40,832.40	¥ 53,137.93	¥ 50,114.22
	262,966.53	646.90	—	436,467.92	491,168.09	540,100.10	589,548.88	546,958.90	596,908.99	679,639.63
	5,500	¥ 9.00	¥ —	¥ 7,000.00	¥ 7,500.00	¥ 8,000.00	¥ 5,500.00	¥ 6,000.00	¥ 7,000.00	¥ 7,000.00
				INPEX						
	(19.6)%	(1.0)	—	(18.6)%	(36.1)%	(31.2)%	(30.6)%	(48.9)%	(60.7)%	(43.9)%
	51.9	67.1	—	64.0	64.0	71.9	68.9	74.5	71.1	68.6
	43.6	14.7%	—%	24.2%	16.8%	12.9%	17.3%	13.7%	14.6%	19.2%

Background Information

Oil and Gas Accounting Policies and Treatment

ACCOUNTING METHODS FOR TYPES OF AGREEMENTS

The oil and gas business generates the bulk of consolidated net sales revenues for INPEX CORPORATION and its consolidated subsidiaries (the "Group"). Two types of agreements govern the Group's oil and gas operations. One is production sharing contracts (the "PSCs") and the other is concession agreements. The latter category also includes domestic mining rights, as well as overseas permits, licenses and lease agreements.

1. Production sharing contracts

Production sharing contract is an agreement by which one or several oil and gas development companies serve as contractors that undertake at their own expense exploration and development work on behalf of the governments of oil-producing countries or national oil companies and receive production from the projects as cost recovery and compensation.

Cost recovery and production sharing

The PSCs determine the allocation of oil and gas production among the host country's government (or related entity) and the contractors such as the Group. The allocation formula generally differs according to the terms of the individual PSC. The overview below is specific to one type of PSC typical of many oil and gas projects in Indonesia, a country with which the Group has concluded numerous PSCs.

Under this type of arrangement, the total production in any given year or other accounting period is allocated at the end of the period between three portions.

(1) "First tranche petroleum": This is a prescribed portion of total production allocated between the host country's government and the contractors in line with agreed percentages.

(2) "Cost recovery portion": This is the oil and gas equivalent of a) non-capital production-related expenditures incurred in that period, plus b) the scheduled depreciation expenses in that period for capital expenditures, as calculated under the PSC. The equivalents are determined based on the current unit prices of crude oil and natural gas and allocated between the contractors alone. The quantity of oil and gas in the "cost recovery portion" decreases as unit prices increase, whereas that of the "equity portion" (explained below) rises.

If the actual production for the period is insufficient to cover the quantity of oil and gas equivalent calculated for the cost recovery portion, the latter is capped at actual production and any surplus amount is carried forward to the following period, as stipulated in the PSC.

(3) "Equity portion": This is any residual production that is left after the first two portions have been allocated. It is allocated between the host country's government and the contractors based on agreed percentages.

The calculation of items in the income statement based on the above PSC-related considerations is as follows:

- The Group records as net sales its share of total sales relating to the oil and gas production that is allocated to contractors under the PSCs.
- The Group books as cost of sales the portion of "Recoverable accounts under production sharing" that is recovered through the allocation of its share of the "cost recovery portion."

Recoverable costs under the PSCs

Exploration costs

The share of recoverable exploration costs incurred by the Group under the terms of the relevant PSC is capitalized within "Recoverable accounts under production sharing."

Development costs

The share of all development costs incurred by the Group that is recoverable under the terms of the relevant PSC is recorded within "Recoverable accounts under production sharing."

Production costs

Any operating costs incurred during the production phase that are recoverable under the relevant PSC are initially recorded within "Recoverable accounts under production sharing."

Administrative expenses

Any administrative expenses that are recoverable under the relevant PSC are recorded within "Recoverable accounts under production sharing."

Interest on loans

Any interest expense that is recoverable under the relevant PSC is recorded within "Recoverable accounts under production sharing."

As discussed above, in "Cost recovery and production sharing," these costs are recovered either as capital or operating expenditures.

Non-recoverable costs under the PSCs

Acquisition costs

Costs relating to the acquisition of rights (recorded as intangible assets under "Exploration and development rights") for any projects governed by the PSCs that are entirely in the exploration phase are expensed as incurred and amortized. Expenditures or costs relating to the acquisition of rights to projects already in the development or production phase are capitalized within "Exploration and development rights" and amortized based on the unit-of-production method. These amortization costs are recorded within "Depreciation and amortization." Cost recovery provisions in the PSCs do not generally cover these expenditures.

2. Concession agreements

Concession agreement is an agreement or authorization (including mining rights awarded in Japan, as well as overseas permits, licenses and lease agreements) by which a government entity or a national oil company of the country directly awards mining rights to an oil company. The oil company makes its own investment in exploration and development and has the right of disposition of the oil and gas it extracts. Revenues are returned to the host country in the form of royalties, taxes, etc., on sales.

Acquisition costs

Costs relating to the acquisition of rights (recorded as intangible assets under "Mining rights") for projects governed by concession agreements are treated in the same way as projects governed by the PSCs, as described above.

Exploration costs

The Group's share of exploration costs is expensed as incurred.

Development costs

The Group's share of any development costs related to mining facilities is capitalized within tangible fixed assets. The depreciation of tangible fixed assets that are governed by concession agreements is computed primarily using the unit-of-production method for mining assets located outside Japan and the straight-line method for domestic facilities. These depreciation expenses are recorded within the cost of sales.

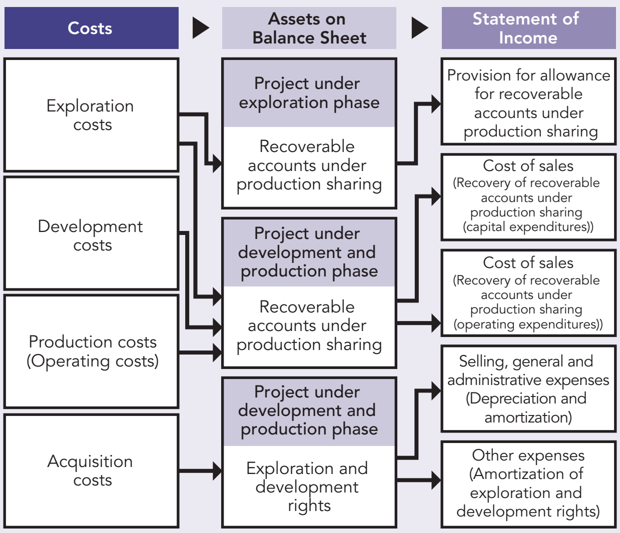
Production costs

The Group's share of operating costs that are incurred during the production phase is recorded within the cost of sales.

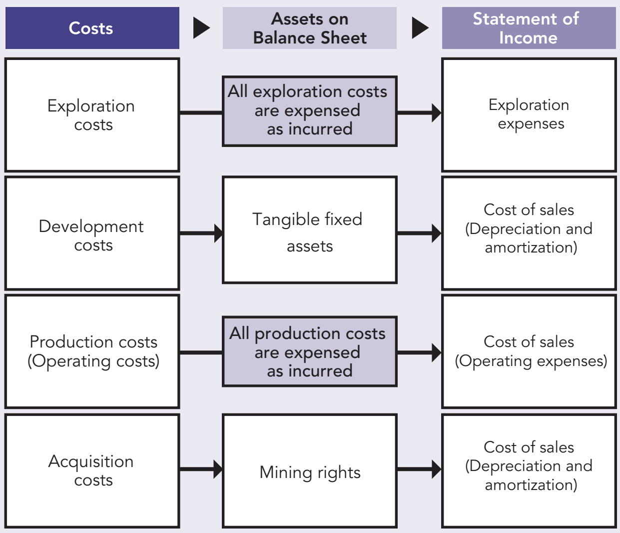
Administrative expenses

The Group's share of administrative expenses is expensed as incurred.

Production sharing contracts



Concession agreements



CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Group's consolidated financial statements are prepared in conformity with Japanese GAAP. The preparation of these financial statements requires the application of estimates, judgments and assumptions that affect the reported values of assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses for the reporting period. Actual results may differ from the previously estimated or assumed values.

Accounting estimates pursuant to the preparation of the consolidated financial statements are deemed critical if the degree of uncertainty associated with such estimates is high, or if rational changes to such estimates could exert a material impact on the financial condition or operating results. Critical accounting policies and estimates relating to the financial presentation are outlined below.

— Allowance for recoverable accounts under production sharing

Any expenditures made during the exploration, development and production phases of projects governed by the PSCs are capitalized within "Recoverable accounts under production sharing" if they are recoverable under the relevant PSC. A reserve equal to exploration costs is recorded within "Allowance for recoverable accounts under production sharing" to provide for potential losses from unsuccessful exploration. This reserve typically remains unchanged on the balance sheet until it exceeds the residual balance of exploration costs that previously had been capitalized within "Recoverable accounts under production sharing" during the exploration phase. Reflecting the uncertainty associated with oil and gas projects, a reserve is recorded within "Allowance for recoverable accounts under production sharing" to provide for probable losses on development activities, as individually estimated for each project. Although assessments and accounting estimates are made on a reasonable basis, actual operating results can change depending on the project status.

— Unit-of-production method

Overseas mining facilities, mining rights and exploration and development rights that are acquired during the development and production phase are mainly depreciated or amortized based on the unit-of-production method. This approach requires the estimation of reserves. Although the Group believes that the assessment of reserves is done in an appropriate manner, any changes in these estimates could significantly affect future operating results.

— Asset retirement obligations

Asset retirement obligations are recorded by a reasonable estimate of retirement costs incurred upon termination of the operation with respect to oil and gas production facilities in case that the Group is obliged to retire such facilities by oil and gas contracts or laws and regulations within the countries in which the Group operates or has working interests. Although the Group believes that such estimates of the present value of retirement costs are reasonable, changes to estimates of the present value of retirement costs could significantly affect future operating results.

— Allowance for investments in exploration companies

A reserve is recorded to provide for probable losses on investments made by the Group in entities engaged in oil and gas activities, as estimated based on the net assets of such entities. Although the Group believes that the assessments and estimates relating to such investments are reasonable, changes in actual production volumes, prices or foreign exchange rates could significantly affect future operating results.

— Provision for exploration projects

A provision for exploration projects is provided for future expenditures of consolidated subsidiaries at the exploration stage based on a schedule of investments in exploration. Although the Group believes that assessments relating to the schedule of investments are reasonable, changes to the schedule could significantly affect future operating results.

— Deferred tax assets

Deferred tax assets reflect temporary differences (including net operating loss carry-forwards) arising mainly from the write-down of exploration expenditures, foreign taxes payable and excess of tax allowable depreciation. Valuation allowances are provided once it is judged that the non-realization of deferred tax assets has become the more probable outcome. The effect of foreign tax credits is taken into account in the calculation of such valuation allowances. The realization of deferred tax assets is principally dependent on the generation of sufficient taxable income, based on the available information. Adjustments to deferred tax assets could be required if future taxable income was lower than expected due to market conditions, foreign exchange rate fluctuations or poor operating performance.

— Retirement benefits to employees

Retirement benefit obligation to employees are recognized at the net present value of future obligations as of the end of the accounting period, taking into account any periodic benefit costs that have arisen during the period. The calculation of retirement benefit obligations and retirement benefit expenses is based on various actuarial assumptions, including the discount rate, employee turnover and retirement rates, remuneration growth rates, and the expected return on pension plan assets. Future operating results could be significantly affected by deviation between the base assumptions and actual results or the revision of such assumptions which were to generate actuarial gains or losses.

— Goodwill

The excess cost over underlying net assets excluding minority interests as fair value as of their dates of acquisition is accounted for as goodwill and amortized over 20 years on a straight-line method.

Management's Discussion and Analysis of Financial Condition and Results of Operations

BUSINESS ENVIRONMENT

During the year ended March 31, 2013, the Japanese economy showed a gradual recovery owing to the reconstruction demand from the Great East Japan Earthquake. Although the economy weakened owing to the slowdown of the global economy stemming from the European debt crisis in the second half of the fiscal year towards its end, there is a growing expectation for an economic upturn from the effect of the new government's economic and monetary policies.

Under such business environment, Brent crude oil price, a typical indicator of international crude oil prices which significantly affect the Group's business, started the year ended March 31, 2013, at US$125.43 per barrel but fell to US$89.23 per barrel in late June due to mounting crude oil inventories worldwide and the European debt crisis. However, after EU leaders agreed on a solution for the debt crisis, an upward trend began and the price reached US$116.90 per barrel in mid-August, remaining at around US$110 per barrel until the end of 2012. As economic indicators in the United States and Europe were strong from the beginning of 2013, the Brent crude oil price went up to US$118.90 per barrel in early February but began to decline from the concerns of a recurrence of the European debt crisis and closed at US$110.02 per barrel for the year ended March 31, 2013. Meanwhile, domestic prices of crude oil and petroleum products tracked movement in the international crude oil prices. Reflecting these circumstances, the Group's average sales price of crude oil for the year ended March 31, 2013, was US$110.11 per barrel, which was US$2.86 lower than that for the year ended March 31, 2012.

The foreign exchange market, another important factor that affects the business of the Group, began the year ended March 31, 2013, with the yen trading at around ¥83 to the U.S. dollar. Yen appreciation continued steadily against the U.S. dollar early in the fiscal year ended March 31, 2013, to the ¥77 level in mid-September while the U.S. economy showed a decelerating recovery and concerns about sovereign and the financial institutions arose in Europe. However, the yen depreciated sharply to the U.S. dollar beginning of December 2012, around the time of the Japanese Lower House election, in line with expectations for the new administration's economic policy and additional monetary easing measures by the Bank of Japan, as well as increased yen selling reflecting trends in Japan's actual trade deficit. Since the beginning of the year, the yen continued to depreciate to the U.S. dollar supported by the expectation of monetary easing related to the appointment of a new governor of the Bank of Japan and the U.S. dollar appearing to appreciate against major currencies, reflecting discussions that the end of quantitative easing began partly against the background of a steady recovery of the U.S. economy.

In March 2013, the yen temporarily dropped to the range of ¥96 to the U.S. dollar, which was the lowest level in three and half years and, as a result, the TTM closed at ¥93.99 to the U.S. dollar on March 31, 2013, which was ¥11.85 lower than that on March 31, 2012. Reflecting these situations, the average sales exchange rate for the Group for the year ended March 31, 2013, was ¥82.68 to the U.S. dollar, which was ¥3.55 lower than that for the year ended March 31, 2012.

PERFORMANCE OVERVIEW

Net sales

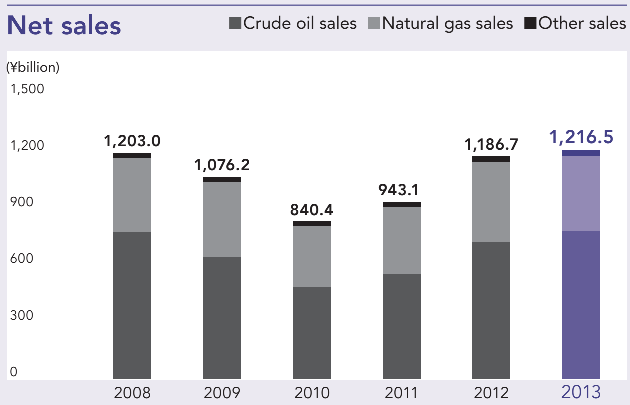
Consolidated net sales for the year ended March 31, 2013, increased by ¥29.8 billion, or 2.5%, to ¥1,216.5 billion from ¥1,186.7 billion for the year ended March 31, 2012, due to an increase in sales volume of crude oil and the positive effect of the depreciation of the yen against the U.S. dollar, despite a decrease in the sales prices of crude oil and natural gas.

Compared with the year ended March 31, 2012, net sales of crude oil increased by ¥61.9 billion, or 8.5%, to ¥788.1 billion from ¥726.2 billion, and net sales of natural gas decreased by ¥31.3 billion, or 7.3%, to ¥397.8 billion from ¥429.1 billion. Net sales excluding crude oil and natural gas decreased by ¥0.8 billion, or 2.6%, to ¥30.6 billion from ¥31.4 billion.

Crude oil sales volume increased by 5,452 thousand barrels, or 6.8%, to 86,189 thousand barrels compared with the year ended March 31, 2012. This was mainly due to an increase in sales volume in the Kitan Oil Field and the ADMA Block. The sales volume of natural gas decreased by 39 billion cubic feet (Bcf), or 10.9%, to 319 Bcf compared with the year ended March 31, 2012. Of this, the sales volume of overseas natural gas decreased by 39 Bcf, or 13.2%, to 253 Bcf compared with the year ended March 31, 2012, mainly due to a decrease in sales volume in the Offshore Mahakam Block. The sales volume of domestic natural gas decreased by 5 million m^3, or 0.3%, to 1,753 million m^3 (equivalent to 65 Bcf) compared with the year ended March 31, 2012. The average sales price of overseas crude oil was US$110.11 per barrel, a decrease of US$2.86, or 2.5%, compared with the year ended March 31, 2012. The average sales price of overseas natural gas was US$13.43 per thousand cubic feet (Mcf), a decrease of US$0.69, or 4.9%, compared with the year ended March 31, 2012. The average sales price of domestic natural gas was ¥47.02 per m^3, an increase of ¥2.46 per m^3, or 5.5%, compared with the year ended March 31, 2012.

The increase of ¥29.8 billion in net sales was mainly derived from the following factors: the increase in sales volume contributing ¥7.6 billion to the increase, a decrease in

Net sales



Years ended March 31	2012	2013	Change	Ratio
	(Millions of yen, %)			
Net sales:	¥1,186,732	¥1,216,533	¥ 29,801	2.5%
Crude oil	726,223	788,135	61,912	8.5
Natural gas	429,065	397,766	(31,299)	(7.3)
Other	31,444	30,632	(812)	(2.6)
Cost of sales	395,443	426,326	30,883	7.8
Gross profit	791,289	790,207	(1,082)	(0.1)
Exploration expenses	11,747	20,125	8,378	71.3
Selling, general and administrative expenses	48,286	53,734	5,448	11.3
Depreciation and amortization	21,898	22,900	1,002	4.6
Operating income	709,358	693,448	(15,910)	(2.2)
Other income:	102,082	98,666	(3,416)	(3.3)
Interest income	4,400	8,735	4,335	98.5
Dividend income	6,993	7,832	839	12.0
Gain on sales of investment securities	48	25,449	25,401	—
Equity in earnings of affiliates	6,638	—	(6,638)	(100.0)
Gain on transfer of mining rights	70,260	50,173	(20,087)	(28.6)
Other	13,743	6,477	(7,266)	(52.9)
Other expenses:	44,401	73,968	29,567	66.6
Interest expense	1,228	1,518	290	23.6
Equity in losses of affiliates	—	1,042	1,042	—
Provision for allowance for recoverable accounts under production sharing	14,816	15,131	315	2.1
Provision for exploration projects	519	12,452	11,933	—
Foreign exchange loss	14,641	30,056	15,415	105.3
Other	13,197	13,769	572	4.3
Income before income taxes and minority interests	767,039	718,146	(48,893)	(6.4)
Income taxes	536,934	529,275	(7,659)	(1.4)
Income before minority interests	230,105	188,871	(41,234)	(17.9)
Minority interests	36,104	5,909	(30,195)	(83.6)
Net income	¥ 194,001	¥ 182,962	¥(11,039)	(5.7)%

average unit sales prices pushing sales down ¥24.2 billion, the depreciation of the yen against the U.S. dollar contributing ¥47.2 billion to the increase and a decrease in net sales excluding crude oil and natural gas of ¥0.8 billion.

Cost of sales

Cost of sales for the year ended March 31, 2013, increased by ¥30.9 billion, or 7.8%, to ¥426.3 billion from ¥395.4 billion for the year ended March 31, 2012. This was mainly due to an increase in royalties in the ADMA Block owing to an increase in sales, an increase in depreciation and amortization in the Kitan Oil Field and the trend of yen depreciation.

Exploration expenses

Despite a decrease in exploration expenses in the Americas and others, exploration expenses for the year ended March 31, 2013, increased by ¥8.4 billion, or 71.3%, to ¥20.1 billion from ¥11.7 billion for the year ended March 31, 2012, due to increased exploration activities in the Middle East & Africa and other areas.

Selling, general and administrative expenses

Selling, general and administrative expenses for the year ended March 31, 2013, increased by ¥5.4 billion, or 11.3%, to ¥53.7 billion from ¥48.3 billion for the year ended March 31, 2012. This was mainly due to an increase in personnel expenses, an occurrence of transport costs for shale gas in Canada and an increase in transport costs for ACG crude oil.

Depreciation and amortization

Depreciation and amortization for the year ended March 31,

Cost of sales

Operating income

2013, increased by ¥1.0 billion, or 4.6%, to ¥22.9 billion from ¥21.9 billion for the year ended March 31, 2012, due to an increase in the depreciation of exploration and development rights for the ACG Oil Fields and others. The Group records depreciation costs for production facilities that are covered by concession agreements as cost of sales. In addition, under its accounting treatment of the PSCs, the Group records capital expenditures as "Recoverable accounts under production sharing" instead of capitalizing these costs within tangible fixed assets and depreciating them. Costs that are recovered in any given year based on the terms of the PSCs are included in the cost of sales.

Operating income

As a result of the above, operating income for the year ended March 31, 2013, decreased by ¥16.0 billion, or 2.2%, to ¥693.4 billion from ¥709.4 billion for the year ended March 31, 2012.

Other income

Despite an increase in gain on sales of investment securities, other income for the year ended March 31, 2013, decreased by ¥3.4 billion, or 3.3%, to ¥98.7 billion from ¥102.1 billion for the year ended March 31, 2012, due to a decrease in gain on transfer of mining rights and others.

Other expenses

Other expenses for the year ended March 31, 2013, increased by ¥29.6 billion, or 66.6%, to ¥74.0 billion from ¥44.4 billion for the year ended March 31, 2012. This was mainly due to an increase in provision for exploration projects owing to an increase of exploration activities in Asia and an increase in foreign exchange loss.

Income taxes

Total current income taxes and deferred income taxes for the year ended March 31, 2013, decreased by ¥7.6 billion, or 1.4%, to ¥529.3 billion from ¥536.9 billion for the year ended March 31, 2012. The Group pays the majority of its taxes outside Japan. In addition to the high corporate tax rates imposed in a number of regions, the Group is generally unable to deduct expenses incurred in Japan for such taxes. Despite the positive effects attributable to the application of the foreign tax credit system, this situation resulted in a high effective income tax rate of 73.7% in the year under review.

Minority interests

Minority interests for the year ended March 31, 2013, decreased by ¥30.2 billion, or 83.6%, to ¥5.9 billion from ¥36.1 billion for the year ended March 31, 2012.

Net income

As a result of the above, net income for the year ended March 31, 2013, decreased by ¥11.0 billion, or 5.7%, to ¥183.0 billion from ¥194.0 billion for the year ended March 31, 2012.

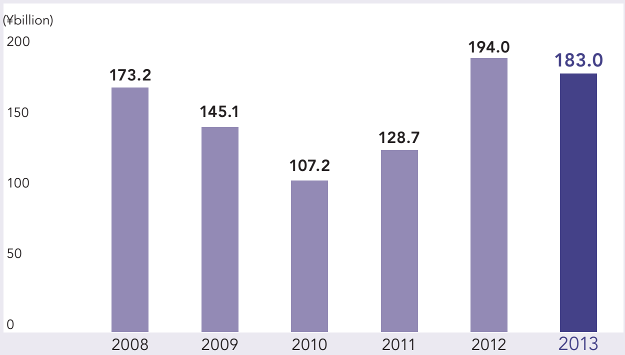
FINANCIAL POSITION

Total assets as of March 31, 2013, increased by ¥549.8 billion, or 17.9%, to ¥3,616.2 billion from ¥3,066.4 billion as of March 31, 2012. Current assets increased by ¥197.8 billion, or 21.8%, to ¥1,106.5 billion from ¥908.7 billion due to an increase in time deposits and others. Fixed assets increased by ¥352.0 billion, or 16.3%, to ¥2,509.7 billion from ¥2,157.7 billion as of March 31, 2012, due to an increase in construction in progress, mining rights, long-term time deposits and others.

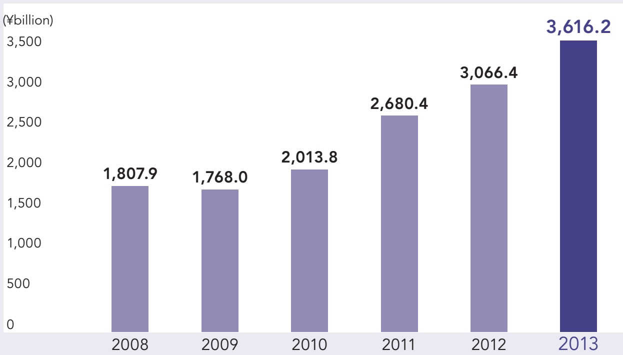
Meanwhile, total liabilities increased by ¥193.0 billion, or 25.7%, to ¥945.2 billion from ¥752.2 billion as of March 31, 2012. Current liabilities increased by ¥47.2 billion, or 12.8%, to ¥415.0 billion from ¥367.8 billion as of March 31, 2012, due to an increase in income taxes payable and provision for exploration projects. Long-term liabilities increased by ¥145.8 billion, or 37.9%, to ¥530.2 billion from ¥384.4 billion as of March 31, 2012, due to an increase in long-term debt and others.

Net assets increased by ¥356.8 billion, or 15.4%, to ¥2,671.0 billion from ¥2,314.2 billion as of March 31, 2012. Total shareholders' equity increased by ¥155.6 billion, or 7.1%, to ¥2,340.0 billion from ¥2,184.4 billion as of March 31, 2012. Total accumulated other comprehensive income increased by ¥146.4 billion to ¥141.3 billion from a loss of ¥5.1 billion as of March 31, 2012, and minority interests increased by ¥54.8 billion, or 40.6%, to ¥189.7 billion from ¥134.9 billion as of March 31, 2012.

Net income



Total assets



INVESTMENT AND FUNDING

— Investments in upstream oil and gas projects

Continuous exploration for new reserves of crude oil and natural gas is essential for stable earnings of the Group. The information in this section on upstream oil and gas investments is based on the data reported by project operators relating to exploration expenditures, development expenditures and operating expenses. The Group's expenditure categories are defined as follows:

- Exploration expenditures include the costs of exploratory drilling and any geological or geophysical studies. The costs of local personnel and office operations and related administrative expenses are also included in this category if a project (or contract area) is in the exploration phase.
- Development expenditures include the costs of development drilling and any production facilities.
- Operating expenses include the costs of well operations, maintenance and the supervision of production activities. This category also includes the administrative expenses for the project (or contract area) if it contains a field in active production and/or development.
- Discrepancies exist between the standards stipulated in U.S. FASB Accounting Standards Codification Topic 932, "Extractive Industries—Oil and Gas (Topic 932)," and both the Group's definitions of exploration and development expenditures and the standards used in preparing the following tables. The following is a partial list of the discrepancies between the Group's accounting policies and Topic 932.
  - Group expenditures relating to the PSC-governed joint ventures where the Group is not the operator are disclosed on a cash basis rather than an accrual basis as required by Topic 932.
  - The tables below have been prepared based on the cost definitions used by operators in their reporting, which may not be consistent with Topic 932.
  - Topic 932 requires that administrative costs not directly related to exploration and development activities be excluded from exploration and development expenditures, whereas such administrative costs are not necessarily excluded from those expenditures under the Group's accounting policies.

The table below shows the Group's exploration and development costs and other expenditures (excluding capitalized interest costs and asset retirement costs corresponding to asset retirement obligations capitalized under fixed assets) by segment for the years ended March 31, 2012 and 2013:

(Millions of yen)

Year ended March 31, 2012	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Total
INPEX CORPORATION and Consolidated Subsidiaries						
Exploration	¥ 31	¥ 15,700	¥ 1,094	¥ 1,074	¥14,915	¥ 32,814
Development	1,021	90,878	59,662	18,249	2,922	172,732
Subtotal*1	1,052	106,578	60,756	19,323	17,837	205,546
Equity-method affiliates						
Exploration	—	—	—	38	—	38
Development	—	327	—	225	1,768	2,320
Subtotal	—	327	—	263	1,768	2,358
Other capital expenditures*2	35,895	38,403	3	5	—	74,306
Total*3	¥36,947	¥145,308	¥60,759	¥19,591	¥19,605	¥282,210

*1 Figures include an equity-method affiliate of Japan Oil Development Co., Ltd. (JODCO).
*2 Other capital expenditures include the construction costs of domestic pipelines for sales of natural gas and the Naoetsu LNG Receiving Terminal, and the Group's share of investment in the Ichthys downstream entity (Ichthys LNG Pty Ltd, an equity-method affiliate).
*3 The amount capitalized for the asset retirement costs corresponding to asset retirement obligations for the year ended March 31, 2012 was ¥471 million.

(Millions of yen)

Year ended March 31, 2013	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Total
INPEX CORPORATION and Consolidated Subsidiaries						
Exploration	¥ 62	¥ 32,599	¥ 231	¥12,515	¥ 8,577	¥ 53,984
Development	2,145	198,700	52,163	29,515	11,964	294,487
Subtotal*1	2,207	231,299	52,394	42,030	20,541	348,471
Equity-method affiliates						
Exploration	—	—	—	8	—	8
Development	—	397	—	298	878	1,573
Subtotal	—	397	—	306	878	1,581
Other capital expenditures*2	22,324	282,374	—	79	13	304,790
Total*3	¥24,531	¥514,070	¥52,394	¥42,415	¥21,432	¥654,842

*1 Figures include an equity-method affiliate of Japan Oil Development Co., Ltd. (JODCO).
*2 Other capital expenditures include the construction costs of domestic pipelines for sales of natural gas and the Naoetsu LNG Receiving Terminal, and the Group's share of investment in the Ichthys downstream entity (Ichthys LNG Pty Ltd, an equity-method affiliate).
*3 The amount capitalized for the asset retirement costs corresponding to asset retirement obligations for the year ended March 31, 2013, was ¥2,708 million.

Total investments for the year ended March 31, 2013, increased by ¥372.6 billion, or 132.0%, to ¥654.8 billion (including ¥1.6 billion for exploration and development by equity-method affiliates) from ¥282.2 billion for the year ended March 31, 2012. This was mainly due to an increase in development expenditures for the Ichthys Project (including the downstream business) and WA-44-L (the Prelude FLNG Project) in the Asia & Oceania region.

The table below shows the Group's operating expenses by segment for the years ended March 31, 2012 and 2013.

(Millions of yen, %)

Years ended March 31,	2012		2013	
INPEX CORPORATION and Consolidated Subsidiaries				
Japan	¥ 9,071	10.1%	¥ 9,491	9.1%
Asia & Oceania	50,886	56.7	63,851	61.2
Eurasia (Europe & NIS)	6,901	7.7	7,152	6.8
Middle East & Africa	22,396	25.0	23,055	22.1
Americas	417	0.5	868	0.8
Subtotal	89,671	100.0	104,417	100.0
Equity-method affiliates				
Asia & Oceania	312	4.2	525	13.1
Middle East & Africa	1,533	20.5	1,724	43.2
Americas	5,639	75.3	1,746	43.7
Subtotal	7,484	100.0	3,995	100.0
Total	¥97,155	—%	¥108,412	—%

— Expenditures for acquisitions of upstream oil and gas projects

The table below shows the Group's expenditures for acquisitions of upstream oil and gas projects by segment for the years ended March 31, 2012 and 2013. Expenditures in this category include the costs of acquiring mining rights, exploration and development rights, signing bonuses and any tangible fixed assets or recoverable accounts under production sharing gained through the acquisition of interest in upstream oil and gas projects.

(Millions of yen, %)

Years ended March 31,	2012		2013	
INPEX CORPORATION and Consolidated Subsidiaries				
Asia & Oceania	¥ —	—%	¥ 82,219	46.4%
Eurasia (Europe & NIS)	601	100.0	1,024	0.6
Middle East & Africa	—	—	—	—
Americas	—	—	94,088	53.0
Subtotal	601	100.0	177,331	100.0
Equity-method affiliates				
Asia & Oceania	—	—	—	—
Middle East & Africa	—	—	42,228	100.0
Americas	—	—	—	—
Subtotal	—	—	42,228	100.0
Total	¥601	—%	¥219,559	—%

Total expenditures on acquisitions of upstream oil and gas projects for the year ended March 31, 2013, increased by ¥219.0 billion to ¥219.6 billion (including ¥42.2 billion for acquisitions of projects by equity-method affiliates) from ¥0.6 billion for the year ended March 31, 2012, due to acquisitions of projects in the Asia & Oceania, Middle East & Africa, and Americas regions.

— Analysis of recoverable accounts under production sharing

For upstream projects governed by the PSCs, the Group's share of costs arising during the exploration, development and production phases is capitalized under "Recoverable accounts under production sharing." The following table shows the changes in the balance of "Recoverable accounts under production sharing" during the years ended March 31, 2012 and 2013.

	(Millions of yen)	
Years ended March 31,	2012	2013
Balance at beginning of the year	¥ 534,331	¥ 568,318
Add: Exploration costs	25,320	22,044
Development costs	123,762	130,998
Operating expenses	50,055	53,919
Other	4,501	5,102
Less: Cost recovery—capital expenditures	53,543	54,087
Cost recovery—operating expenditures	98,870	107,938
Other	17,238	27,790
Balance at end of the year	568,318	590,566
Allowance for recoverable accounts under production sharing at end of the year	¥(100,671)	¥(112,871)

The amount posted as "Cost recovery—operating expenditures" in recoverable accounts under production sharing is greater than that posted as operating expenses. Along with operating expenses, this is because a portion of the exploration and development costs, which are incurred and recoverable within the year, is included in the "Cost recovery—operating expenditures" account.

Exploration costs for the year ended March 31, 2013, decreased compared with the year ended March 31, 2012. This was mainly due to a decrease in exploration expenditures in the Americas region.

Development costs for the year ended March 31, 2013, increased compared with the year ended March 31, 2012. This was mainly due to increases in development expenditures in the Offshore Mahakam Block, the South Natuna Sea Block B and the ACG Oil Fields, despite a decrease in those in the Kashagan Oil Field.

Operating expenses for the year ended March 31, 2013, increased compared with the year ended March 31, 2012, mainly due to an increase in operating expenses in the Offshore Mahakam Block.

Cost recovery for the year ended March 31, 2013, increased compared with the year ended March 31, 2012. This was mainly due to increases in cost recovery in the Offshore Mahakam Block and the ACG Oil Fields, despite a decrease in cost recovery in the South Natuna Sea Block B.

In addition, other deduction was mainly due to the decrease in recoverable accounts under production sharing related to the transfer to other accounts.

The allowance for recoverable accounts under production sharing as of March 31, 2013, increased compared with March 31, 2012. This was mainly due to additional allowance provisions in connection with an increase in recoverable accounts under production sharing with respect to exploration expenditures in the Asia region.

— Funding sources and liquidity

Oil and gas exploration and development projects, as well as the construction and expansion of pipelines, LNG receiving terminal and other supply infrastructure, require significant funding. The Group relies on cash flow derived from internal reserves, together with external sources, to procure funds. The Group's basic policy is to utilize internal cash flow and external equity financing to fund exploration projects and to utilize internal cash flow and external loans to fund development projects, pipeline construction and the LNG receiving terminal. The Group currently receives loans from the Japan Bank for International Cooperation, Japanese commercial banks and others. The Japan Oil, Gas and Metals National Corporation (JOGMEC) guarantee system covers these loans. In addition, the Development Bank of Japan and various Japanese commercial banks provide loans for the construction and expansion of domestic pipelines and LNG receiving terminal.

The Ichthys downstream entity (Ichthys LNG Pty Ltd, an equity-method affiliate), as the borrower, began utilizing external loans from 8 export credit agencies and 24 commercial banks for project financing during the year ended March 31, 2013.

The Group's basic liquidity policy is to maintain sufficient cash on hand at all times to fund expenditures for existing and new oil and gas projects in a timely manner, while also keeping a cushion of liquidity to provide for steep falls in oil and gas prices. In line with this policy, excess cash reserves are invested in low-risk, highly liquid financial instruments. The Group's strategy is to improve capital efficiency over the long term through business expansion while continuing to maintain a sound financial position with sufficient liquidity.

— Maturities of long-term debt

The aggregate annual maturities of long-term debt subsequent to March 31, 2013, are summarized as follows:

	(Millions of U.S. dollars and Millions of yen)		
	Long-term debt denominated in		
Years ending March 31,	U.S. dollars	Yen	Total yen equivalent
2014	$ 38.5	¥ 3,776	¥ 7,391
2015	116.2	5,630	16,547
2016	154.6	7,788	22,321
2017	258.6	32,674	56,981
2018	258.6	7,722	32,029
2019 and thereafter	3,211.4	37,187	339,031
Total	$4,037.9	¥94,777	¥474,300

— Cash flows

Cash flows for the years ended March 31, 2012 and 2013, are summarized as follows:

	(Millions of yen)	
Years ended March 31,	2012	2013
Net cash provided by operating activities	¥320,692	¥252,347
Net cash used in investing activities	(280,864)	(489,870)
Net cash provided by financing activities	29,294	137,069
Cash and cash equivalents at end of the year	¥249,233	¥199,859

Net cash provided by operating activities

Net cash provided by operating activities for the year ended March 31, 2013, was ¥252.3 billion, a decrease of ¥68.4 billion from ¥320.7 billion for the year ended March 31, 2012. This was mainly due to a decrease in income before income taxes and minority interests caused by a decrease in the unit sales prices for crude oil and natural gas and others, in addition to an increase in income taxes paid.

Net cash used in investing activities

Net cash used in investing activities for the year ended March 31, 2013, was ¥489.9 billion, an increase of ¥209.0 billion from ¥280.9 billion for the year ended March 31, 2012. This was mainly due to payments for long-term time deposits and payments for purchase of mining rights recorded for the year ended March 31, 2013.

Net cash provided by financing activities

Net cash provided by financing activities for the year ended March 31, 2013, was ¥137.1 billion, an increase of ¥107.8 billion from ¥29.3 billion for the year ended March 31, 2012. This was mainly due to increases in proceeds from long-term debt and proceeds from minority interests for additional shares.

CONSOLIDATED FINANCIAL FORECAST FOR THE YEAR ENDING MARCH 31, 2014 (Announced on August 2, 2013)

Consolidated net sales for the year ending March 31, 2014, are expected to increase by ¥5.5 billion, or 0.4%, to ¥1,222.0 billion compared with the year ended March 31, 2013. Operating income for the year ending March 31, 2014, is expected to decrease by ¥78.4 billion, or 11.3%, to ¥615.0 billion compared with the year ended March 31, 2013. Income before income taxes and minority interests are expected to decrease by ¥81.1 billion, or 11.3%, to ¥637.0 billion compared with the year ended March 31, 2013. Net income is expected to decrease by ¥41.0 billion, or 22.4%, to ¥142.0 billion compared with the year ended March 31, 2013.

Net sales for the year ending March 31, 2014, are expected to stay at the same level due to a positive effect from depreciation of the yen against the U.S. dollar despite the forecasted decline of the crude oil price compared with the year ended March 31, 2013. On the other hand, operating income, income before income taxes and minority interests, and net income for the year ending March 31, 2014 are expected to decrease due to the absence of one-off gain on transfer of interests in the Ichthys Project, an increase in cost of sales and others.

The aforementioned forecasts are based on an average oil price of US$100.8 per barrel for Brent crude oil and an average exchange rate of ¥95.9 to the U.S. dollar for the year ending March 31, 2014.

Consolidated Balance Sheet

INPEX CORPORATION and Consolidated Subsidiaries
As of March 31, 2013

	Millions of yen		Thousands of U.S. dollars (Note 3)
ASSETS	2012	2013	2013
Current assets:			
Cash and cash equivalents	¥ 249,233	¥ 199,859	$ 2,126,386
Time deposits (Note 12)	84,665	284,469	3,026,588
Accounts receivable—trade (Note 4)	119,460	117,412	1,249,197
Marketable securities (Notes 4 and 5)	341,387	281,129	2,991,052
Inventories	11,977	15,409	163,943
Deferred tax assets (Note 7)	18,693	10,111	107,575
Accounts receivable—other (Note 4)	71,912	94,333	1,003,649
Other	24,388	118,701	1,262,911
Less allowance for doubtful accounts	(13,013)	(14,919)	(158,729)
	908,702	1,106,504	11,772,572
Tangible fixed assets:			
Buildings and structures (Note 6)	233,523	240,218	2,555,782
Wells (Note 6)	237,363	247,173	2,629,780
Machinery, equipment and vehicles (Note 6)	277,572	305,836	3,253,921
Land	20,070	19,560	208,107
Construction in progress	167,779	359,430	3,824,130
Other	14,695	19,067	202,862
	951,002	1,191,284	12,674,582
Less accumulated depreciation and amortization	(567,304)	(606,743)	(6,455,399)
	383,698	584,541	6,219,183
Intangible assets:			
Goodwill (Note 16)	94,602	87,841	934,578
Exploration and development rights	118,007	118,869	1,264,699
Mining rights	16,492	167,179	1,778,689
Other	4,217	6,267	66,677
	233,318	380,156	4,044,643
Investments and other assets:			
Recoverable accounts under production sharing	568,318	590,566	6,283,285
Less allowance for recoverable accounts under production sharing	(100,671)	(112,871)	(1,200,883)
	467,647	477,695	5,082,402
Investment securities (Notes 4, 5 and 6)	886,222	673,129	7,161,709
Long-term loans receivable	48,110	7,264	77,285
Deferred tax assets (Note 7)	30,555	40,076	426,386
Long-term time deposits (Note 12)	55,000	287,273	3,056,421
Other investments (Note 6)	60,142	65,434	696,180
Less allowance for doubtful accounts	(716)	(794)	(8,448)
Less allowance for investments in exploration	(6,280)	(5,119)	(54,463)
	1,540,680	1,544,958	16,437,472
Total assets	¥3,066,398	¥3,616,159	$38,473,870

See accompanying notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of yen 2012	Millions of yen 2013	Thousands of U.S. dollars (Note 3) 2013
Current liabilities:			
Accounts payable—trade	¥ 30,228	¥ 41,402	$ 440,494
Short-term borrowings and current portion of long-term debt (Notes 4, 6 and 12)	4,802	8,561	91,084
Income taxes payable (Note 7)	139,145	152,681	1,624,439
Accounts payable—other (Note 6)	133,153	133,233	1,417,523
Provision for exploration projects	5,551	26,857	285,743
Accrued bonuses to officers	128	127	1,351
Asset retirement obligations (Note 15)	3,338	3,813	40,568
Other (Note 7)	51,499	48,303	513,917
	367,844	414,977	4,415,119
Long-term liabilities:			
Long-term debt (Notes 4, 6, 11 and 12)	313,973	466,909	4,967,645
Deferred tax liabilities (Note 7)	43,178	34,988	372,252
Accrued retirement benefits to employees (Note 14)	6,341	8,580	91,286
Provision for loss on business	—	3,705	39,419
Accrued special repair and maintenance	368	278	2,958
Asset retirement obligations (Note 15)	9,804	13,582	144,505
Other (Note 6)	10,697	2,156	22,939
	384,361	530,198	5,641,004
Total liabilities	752,205	945,175	10,056,123
Net assets (Notes 9 and 10)**:**			
Common stock:	290,810	290,810	3,094,053
Authorized: 2012 — 9,000,001 shares 2013 — 9,000,001 shares Issued: 2012 — 3,655,810 shares 2013 — 3,655,810 shares			
Capital surplus	679,288	679,288	7,227,237
Retained earnings	1,219,527	1,375,107	14,630,354
Less: Treasury stock: 2012 — 4,916 shares 2013 — 4,916 shares	(5,248)	(5,248)	(55,836)
Total shareholders' equity	2,184,377	2,339,957	24,895,808
Unrealized holding gain on securities	6,953	34,742	369,635
Unrealized gain from hedging instruments (Note 11)	4,118	16,244	172,827
Translation adjustments	(16,196)	90,350	961,273
Total accumulated other comprehensive income	(5,125)	141,336	1,503,735
Minority interests	134,941	189,691	2,018,204
Total net assets	2,314,193	2,670,984	28,417,747
Contingent liabilities (Note 18)			
Total liabilities and net assets	¥3,066,398	¥3,616,159	$38,473,870

Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Consolidated Statement of Income

INPEX CORPORATION and Consolidated Subsidiaries
For the year ended March 31, 2013

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2013	2013
Net sales	¥1,186,732	¥1,216,533	$12,943,217
Cost of sales	395,443	426,326	4,535,865
Gross profit	791,289	790,207	8,407,352
Exploration expenses	11,747	20,125	214,119
Selling, general and administrative expenses (Notes 13, 14 and 16)	48,286	53,734	571,699
Depreciation and amortization	21,898	22,900	243,643
Operating income	709,358	693,448	7,377,891
Other income:			
Interest income	4,400	8,735	92,935
Dividend income	6,993	7,832	83,328
Gain on sales of investment securities	48	25,449	270,763
Equity in earnings of affiliates	6,638	—	—
Gain on transfer of mining rights	70,260	50,173	533,812
Other	13,743	6,477	68,912
	102,082	98,666	1,049,750
Other expenses:			
Interest expense	1,228	1,518	16,151
Equity in losses of affiliates	—	1,042	11,086
Provision for allowance for recoverable accounts under production sharing	14,816	15,131	160,985
Provision for exploration projects	519	12,452	132,482
Foreign exchange loss	14,641	30,056	319,779
Other	13,197	13,769	146,494
	44,401	73,968	786,977
Income before income taxes and minority interests	767,039	718,146	7,640,664
Income taxes (Note 7):			
Current	543,157	539,208	5,736,866
Deferred	(6,223)	(9,933)	(105,682)
	536,934	529,275	5,631,184
Income before minority interests	230,105	188,871	2,009,480
Minority interests	36,104	5,909	62,869
Net income (Note 10)	¥ 194,001	¥ 182,962	$ 1,946,611

Consolidated Statement of Comprehensive Income

INPEX CORPORATION and Consolidated Subsidiaries
For the year ended March 31, 2013

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2013	2013
Income before minority interests	¥230,105	¥188,871	$2,009,480
Other comprehensive income			
Unrealized holding gain on securities	5,499	27,787	295,638
Unrealized gain from hedging instruments	4,118	16,769	178,412
Translation adjustments	2,082	105,692	1,124,502
Share of other comprehensive income of affiliates accounted for by the equity-method	(1,134)	(1,577)	(16,778)
Total other comprehensive income (Note 8)	10,565	148,671	1,581,774
Comprehensive income (Note 8)	240,670	337,542	3,591,254
Total comprehensive income attributable to:			
Shareholders of INPEX CORPORATION	204,268	329,422	3,504,862
Minority interests	¥ 36,402	¥ 8,120	$ 86,392

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

INPEX CORPORATION and Consolidated Subsidiaries

For the year ended March 31, 2012	Millions of yen					
	Balance as of April 1, 2011	Cash dividends paid	Net income	Net changes in items other than those in shareholders' equity	Total changes during the period	Balance as of March 31, 2012
Common stock	¥ 290,810	¥ —	¥ —	¥ —	¥ —	¥ 290,810
Capital surplus	679,288	—	—	—	—	679,288
Retained earnings	1,047,431	(21,905)	194,001	—	172,096	1,219,527
Treasury stock	(5,248)	—	—	—	—	(5,248)
Total shareholders' equity	2,012,281	(21,905)	194,001	—	172,096	2,184,377
Unrealized holding gain on securities	1,456	—	—	5,497	5,497	6,953
Unrealized gain from hedging instruments	—	—	—	4,118	4,118	4,118
Translation adjustments	(16,847)	—	—	651	651	(16,196)
Total accumulated other comprehensive income	(15,391)	—	—	10,266	10,266	(5,125)
Minority interests	100,493	—	—	34,448	34,448	134,941
Total net assets	¥2,097,383	¥(21,905)	¥194,001	¥44,714	¥216,810	¥2,314,193

For the year ended March 31, 2013	Millions of yen					
	Balance as of April 1, 2012	Cash dividends paid	Net income	Net changes in items other than those in shareholders' equity	Total changes during the period	Balance as of March 31, 2013
Common stock	¥ 290,810	¥ —	¥ —	¥ —	¥ —	¥ 290,810
Capital surplus	679,288	—	—	—	—	679,288
Retained earnings	1,219,527	(27,382)	182,962	—	155,580	1,375,107
Treasury stock	(5,248)	—	—	—	—	(5,248)
Total shareholders' equity	2,184,377	(27,382)	182,962	—	155,580	2,339,957
Unrealized holding gain on securities	6,953	—	—	27,789	27,789	34,742
Unrealized gain from hedging instruments	4,118	—	—	12,126	12,126	16,244
Translation adjustments	(16,196)	—	—	106,546	106,546	90,350
Total accumulated other comprehensive income	(5,125)	—	—	146,461	146,461	141,336
Minority interests	134,941	—	—	54,750	54,750	189,691
Total net assets	¥2,314,193	¥(27,382)	¥182,962	¥201,211	¥356,791	¥2,670,984

For the year ended March 31, 2013	Thousands of U.S. dollars (Note 3)					
	Balance as of April 1, 2012	Cash dividends paid	Net income	Net changes in items other than those in shareholders' equity	Total changes during the period	Balance as of March 31, 2013
Common stock	$ 3,094,053	$ —	$ —	$ —	$ —	$ 3,094,053
Capital surplus	7,227,237	—	—	—	—	7,227,237
Retained earnings	12,975,072	(291,329)	1,946,611	—	1,655,282	14,630,354
Treasury stock	(55,836)	—	—	—	—	(55,836)
Total shareholders' equity	23,240,526	(291,329)	1,946,611	—	1,655,282	24,895,808
Unrealized holding gain on securities	73,976	—	—	295,659	295,659	369,635
Unrealized gain from hedging instruments	43,813	—	—	129,014	129,014	172,827
Translation adjustments	(172,316)	—	—	1,133,589	1,133,589	961,273
Total accumulated other comprehensive income	(54,527)	—	—	1,558,262	1,558,262	1,503,735
Minority interests	1,435,695	—	—	582,509	582,509	2,018,204
Total net assets	$24,621,694	$(291,329)	$1,946,611	$2,140,771	$3,796,053	$28,417,747

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

INPEX CORPORATION and Consolidated Subsidiaries
For the year ended March 31, 2013

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2013	2013
Cash flows from operating activities:			
Income before income taxes and minority interests	¥767,039	¥718,146	$7,640,664
Depreciation and amortization	48,026	51,916	552,357
Amortization of goodwill	6,760	6,761	71,933
Provision for allowance for recoverable accounts under production sharing	18,991	16,354	173,997
Provision for exploration projects	(3,916)	21,132	224,832
Provision for accrued retirement benefits to employees	(637)	2,285	24,311
Other provisions	(26)	5,547	59,017
Interest and dividend income	(11,393)	(16,567)	(176,263)
Interest expense	1,228	1,518	16,151
Foreign exchange loss (gain)	5,334	16,330	173,742
Equity in (earnings) losses of affiliates	(6,638)	1,041	11,076
Gain on transfer of mining rights	(70,260)	(50,173)	(533,812)
Loss (gain) on sales of investment securities	(48)	(25,449)	(270,763)
Recovery of recoverable accounts under production sharing (capital expenditures)	53,543	54,087	575,455
Recoverable accounts under production sharing (operating expenditures)	(21,041)	(21,079)	(224,269)
Accounts receivable—trade	(23,816)	2,795	29,737
Inventories	195	(3,232)	(34,387)
Accounts payable—trade	6,562	11,030	117,353
Accounts receivable—other	(19,774)	4,910	52,240
Accounts payable—other	40,943	(900)	(9,575)
Advances received	23,891	(24,636)	(262,113)
Other	418	3,091	32,886
Subtotal	815,381	774,907	8,244,569
Interest and dividends received	16,997	19,652	209,086
Interest paid	(943)	(1,344)	(14,300)
Income taxes paid	(510,743)	(540,868)	(5,754,527)
Net cash provided by operating activities	320,692	252,347	2,684,828
Cash flows from investing activities			
Payments for time deposits	(88,771)	(299,460)	(3,186,084)
Proceeds from time deposits	6,065	134,162	1,427,407
Payments for long-term time deposits	—	(252,082)	(2,682,009)
Proceeds from long-term time deposits	—	5,000	53,197
Payments for purchases of tangible fixed assets	(68,317)	(189,153)	(2,012,480)
Proceeds from sales of tangible fixed assets	315	116	1,234
Payments for purchases of intangible assets	(1,368)	(4,256)	(45,281)
Payments for purchases of marketable securities	(4,090)	(17,710)	(188,424)
Proceeds from sales and redemptions of marketable securities	136,614	366,633	3,900,766
Payments for purchases of investment securities	(238,568)	(90,831)	(966,390)
Proceeds from sales and redemptions of investment securities	20,672	70,902	754,357
Investment in recoverable accounts under production sharing (capital expenditures)	(82,916)	(82,696)	(879,838)
Decrease (increase) in short-term loans receivable	3,759	(85)	(904)
Long-term loans made	(38,094)	(141,222)	(1,502,522)
Collection of long-term loans receivable	3,600	119,238	1,268,624
Payments for purchase of mining rights	—	(176,232)	(1,875,008)
Proceeds from transfer of mining rights	71,487	56,800	604,320
Other	(1,252)	11,006	117,098
Net cash used in investing activities	(280,864)	(489,870)	(5,211,937)
Cash flows from financing activities			
Increase (decrease) in short-term loans	(40)	991	10,544
Proceeds from long-term debt	50,913	121,572	1,293,457
Repayment of long-term debt	(4,317)	(4,682)	(49,814)
Proceeds from minority interests for additional shares	9,723	55,852	594,233
Cash dividends paid	(21,922)	(27,385)	(291,361)
Dividends paid to minority shareholders	(4,992)	(4,992)	(53,112)
Other	(71)	(4,287)	(45,611)
Net cash provided by financing activities	29,294	137,069	1,458,336
Effect of exchange rate changes on cash and cash equivalents	(2,664)	51,498	547,909
Net increase (decrease) in cash and cash equivalents	66,458	(48,956)	(520,864)
Cash and cash equivalents at beginning of the year	182,025	249,233	2,651,697
Increase in cash and cash equivalents from newly consolidated subsidiary	750	440	4,681
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	(858)	(9,128)
Cash and cash equivalents at end of the year	¥249,233	¥199,859	$2,126,386

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

INPEX CORPORATION and Consolidated Subsidiaries

1. BASIS OF PRESENTATION

INPEX CORPORATION (the "Company") is primarily engaged in the research, exploration, development and production of crude oil and natural gas.

The Company and its domestic subsidiaries maintain their accounting records and prepare their financial statements in accordance with accounting principles generally accepted in Japan.

The accompanying consolidated financial statements have been prepared by using the accounts of foreign consolidated subsidiaries prepared in accordance with International Financial Reporting Standards, or IFRS or the accounting principles generally accepted in the United States, or U.S. GAAP as adjusted for certain items.

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Japan, which may differ in certain material respects from IFRS or U.S. GAAP, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

The Company has made certain reclassifications of the previous years' consolidated financial statements to conform to the presentation used for the year ended March 31, 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of consolidation and accounting for investments in affiliates

The accompanying consolidated financial statements include the accounts of the Company and companies controlled directly or indirectly by the Company. Companies over which the Company exercises significant influence in terms of their operating and financial policies are included in the consolidated financial statements on an equity basis. All significant intercompany balances and transactions are eliminated in consolidation. Further, certain companies that do not have significant impact on the consolidated financial statements, are not consolidated or accounted for by the equity-method.

For the 43 companies for which the closing date differed from the consolidated closing date, including but not limited to, INPEX Sahul, Ltd. and INPEX Masela, Ltd., the financial statements for the year ended December 31 were used. 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 that 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, the financial statements for the year ended on the consolidated closing date were used, even though their closing date is December 31.

The excess of cost over underlying net assets excluding minority interests at fair value as of the date of acquisition is accounted for as goodwill and amortized over 20 years on a straight-line method.

(b) Cash equivalents

All highly liquid investments with a maturity of three months or less when purchased are considered cash equivalents, including short-term time deposits with original maturities of three months or less.

(c) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into yen at the exchange rates prevailing at the balance sheet date. All revenues and expenses associated with foreign currencies are translated at the rates of exchange prevailing when such transactions were made. The resulting exchange gain or loss is credited or charged to income.

The assets and liability accounts of overseas subsidiaries are translated into yen at the exchange rates prevailing at the balance sheet date. The revenue and expense accounts of the overseas subsidiaries are translated into yen at the average rates of exchange during the period. The components of net assets excluding minority interests are translated at their historical exchange rates. The differences arising from the translation are presented as translation adjustments and minority interests in the accompanying consolidated financial statements.

(d) Securities

In general, securities are classified into three categories: trading, held-to-maturity or other securities. Securities held by the Company and its subsidiaries are all classified as other securities. Other securities with a determinable market value are mainly stated at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Other securities without a determinable market value are stated at cost. Cost of securities sold is determined by the moving average method.

(e) Derivatives

Derivatives are stated at fair value.

(f) Inventories

Overseas inventories are carried mainly at cost, determined by the average cost method (balance sheet value is carried at the lower of cost or market). Domestic inventories are carried mainly at cost, determined by the moving-average method (balance sheet value is carried at the lower of cost or market).

(g) Allowance for doubtful accounts

The 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 experiencing financial difficulties.

(h) Recoverable accounts under production sharing and related allowance

Cash investments made by the Company during an exploration, development and production project 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 relevant 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.

Because these investments are recoverable only where commercial oil or gas is discovered, an allowance for recoverable accounts under production sharing is provided for probable losses on investments made during the exploration stage under production sharing contracts arising from the failure to discover commercial oil and gas. In light of this uncertainty, an allowance for recoverable accounts under production sharing is provided for probable losses on development investment individually estimated for each project.

(i) Allowance for investments in exploration

The 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.

(j) Tangible fixed assets (except leased assets)

Depreciation of overseas mining facilities is mainly computed by the unit-of-production method.

For other tangible fixed assets, the straight-line method of depreciation is applied. The useful lives of fixed assets are based on the estimated useful lives of the respective assets.

(k) Intangible assets (except leased assets)

Exploration and development rights at the exploration stage are fully amortized in the year such rights are acquired, and those at the production stage are amortized by the unit-of-production method.

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

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

Capitalized computer software costs are amortized by the straight-line method over a period of five years.

(l) Leased assets

Leased assets are amortized by the straight-line method over the lease period assuming no residual value.

(m) Provision for exploration projects

Provision for exploration projects is provided for future expenditures of consolidated subsidiaries at the exploration stage based on a schedule of investments in exploration.

(n) Accrued bonuses to officers

Accrued bonuses to officers are provided at the expected payment amount for the fiscal year.

(o) Asset retirement obligations

Asset retirement obligations are provided by a reasonable estimate of retirement costs incurred upon termination of the operation with respect to oil and gas production facilities in case that the Company is obliged to retire such facilities by oil and gas contracts or laws and regulations with the countries in which the Company operates or has working interests.

(p) 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 fair value of pension plan assets at the end of this period. Because certain subsidiaries are classified as small enterprises, the simplified method (the amount which would be required to be paid if all active employees voluntarily terminated their employment as of the balance sheet date) is applied for the calculation of the retirement benefit obligation of the subsidiaries.

Actuarial gains and losses are charged or credited to income as incurred.

(q) Provision for loss on business

Provision for loss on business is provided for future potential losses on oil and gas development, production and sales business individually estimated for each project.

(r) 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 amounts accumulated through the next activity.

(s) Hedge accounting

The deferred hedge accounting method is used for hedging transactions. The allocation method is applied to foreign exchange forwards that meet certain criteria. The special treatment is applied to the interest rate swaps that meet certain criteria. In addition, derivative transactions are limited to the scope of actual demand, and the Company does not engage in speculative derivative transactions.

(t) Research and development expenses

Research and development expenses are charged to income as incurred.

(u) Income taxes

Deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of the assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(v) Standards issued but not effective

- "Accounting Standard for Retirement Benefits" (ASBJ Statement No.26, issued on May 17, 2012)
- "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25, issued on May 17, 2012)

(Overview)

Revisions apply mainly to the accounting treatments of unrecognized actuarial gains and losses as well as unrecognized prior service costs, the calculation methods for retirement benefit obligations as well as service costs, and broaden disclosures taking into consideration improvements to financial reporting and international trends.

(Scheduled Effective Date)

The revised accounting standard and guidance are scheduled to take effect from the end of the fiscal year ending March 31, 2014. However, the revisions to the calculation method for retirement benefit obligations and service costs will be applied from the beginning of the fiscal year ending March 31, 2015.

(The impact of the adoption of the revised accounting standard and guidance)

The impact of the adoption of revised accounting standard and guidance on consolidated financial statements are now under evaluation.

3. U.S. DOLLAR AMOUNTS

The translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation only, at ¥93.99=US$1.00, the approximate exchange rate in effect as of March 31, 2013. This translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

4. STATUS OF FINANCIAL INSTRUMENTS

(a) Policy regarding financial instruments

The Company raises funds for oil and gas development and production, construction or expansion of pipelines and LNG receiving terminal primarily from cash flow on hand and from bank loans. Oil and gas development projects are primarily funded from long-term loans that the Company has secured from the Japan Bank for International Cooperation, Japanese commercial banks and others. Japan Oil, Gas and Metals National Corporation has provided guarantees for the principal on certain outstanding amounts of the Company's long-term loans. The Development Bank of Japan and Japanese commercial banks have provided long-term loans for the construction or expansion of domestic pipelines and LNG receiving terminal. The Company generally borrows loans with variable interest rates, while some loans are with a fixed interest rate depending on the nature of each project.

Regarding the financing policy, the Company manages funds mainly from deposits and government bonds, which are considered to be of low-risk and high-liquidity. The Company limits the use of derivative transactions for managing risks of forecasted transactions and portfolio assets, and does not engage in speculative derivative transactions.

(b) Details of financial instruments, associated risks and risk management

(Credit risk related to trade receivables)

Trade receivables such as accounts receivable-trade and accounts receivable-other are comprised mainly from sales of crude oil and natural gas. Main trading partners are national oil companies, major oil companies and others. In line with the criteria for trading and credit exposure management, the Company properly analyzes the status of trading partners for early detection and reduction of default risks.

(Market price fluctuation risk related to securities)

For marketable securities and investment securities exposed to market price fluctuation risk, analysis of market values is regularly reported to the Executive Committee. For shares of stock, the Company mainly holds shares of trading partners and others to establish close and smooth relationships for the purpose of maintaining a medium- to long-term stable business. A part of these shares are held for the purpose of investment. As for bonds, the Company mainly holds bonds with short-term maturities by considering medium- to long-term cash outflow forecast and market price fluctuation risk.

(Interest rate fluctuation risk related to short-term loans and long-term debt)

Loans are mainly used to fund oil and gas development projects and construction or expansion of domestic pipelines and LNG receiving terminal and others. The borrowing period is determined considering the financial prospects of the project and useful lives of the facilities. Loans with variable interest rates are exposed to interest rate fluctuation risk, however, the Company analyzes the impact of interest rate fluctuation at the time of borrowing and on an annual basis, and leverages fixed-rate-loans or interest rate swaps as necessary.

(Exchange rates fluctuation risk related to assets and liabilities in foreign currencies)

As most of the Company's business is conducted overseas, the Company is exposed to exchange rate fluctuation risk due to a large portion of monetary assets and liabilities held in foreign currencies such as cash and deposits, accounts receivables and loans required in overseas projects. As a result of fiscal year-end conversion, yen appreciation causes a foreign exchange loss on assets and a foreign exchange gain on liabilities while yen depreciation causes a foreign exchange gain on assets and a foreign exchange loss on liabilities. For this reason, the Company endeavours to reduce exchange rate fluctuation risk by maintaining the position between assets and liabilities in foreign currencies. In addition to planned expenditures in foreign currencies on the Ichthys Project and others, the Company manages exchange rate fluctuation risk through derivative transactions such as foreign exchange forwards and others as necessary.

(Management of derivative transactions)

For the above derivative transactions, the Company follows its derivative transactions management outline. For derivative transactions exposed to market price fluctuation, market values of these derivatives are regularly reported to the Executive Committee, and the Company only transacts with financial institutions with high credit ratings to reduce counterparty risks for the use of derivatives.

(Management of liquidity risk related to financing)

The finance and accounting division controls cash management based on a monthly financing plan prepared by each project division and secures sufficient liquidity on hand to prepare for liquidity risk.

5. SECURITIES

(a) Information regarding other securities as of March 31, 2012 and 2013 is as follows:

March 31, 2012	Millions of yen		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities with carrying values exceeding their acquisition costs:			
Stock	¥ 4,499	¥ 9,318	¥ 4,819
Bonds:			
Public bonds	726,075	727,734	1,659
Corporate bonds	23,500	23,589	89
Other debt securities	25,396	25,503	107
Other	204,862	209,855	4,993
Subtotal	984,332	995,999	11,667
Securities with acquisition costs exceeding their carrying values:			
Stock	47,939	44,103	(3,836)
Bonds:			
Public bonds	30,190	29,950	(240)
Corporate bonds	40,000	39,779	(221)
Other debt securities	8,385	8,348	(37)
Other	4,338	4,335	(3)
Subtotal	130,852	126,515	(4,337)
Total	¥1,115,184	¥1,122,514	¥ 7,330

March 31, 2013	Millions of yen			Thousands of U.S. dollars		
	Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities with carrying values exceeding their acquisition costs:						
Stock	¥ 11,937	¥ 21,926	¥ 9,989	$ 127,003	$ 233,280	$106,277
Bonds:						
Public bonds	356,284	357,528	1,244	3,790,658	3,803,894	13,236
Corporate bonds	60,050	60,152	102	638,898	639,983	1,085
Other debt securities	33,648	37,549	3,901	357,996	399,500	41,504
Other	205,185	228,948	23,763	2,183,051	2,435,876	252,825
Subtotal	667,104	706,103	38,999	7,097,606	7,512,533	414,927
Securities with acquisition costs exceeding their carrying values:						
Stock	40,451	37,824	(2,627)	430,376	402,426	(27,950)
Bonds:						
Public bonds	29,137	28,982	(155)	310,001	308,352	(1,649)
Corporate bonds	35,000	34,966	(34)	372,380	372,018	(362)
Subtotal	104,588	101,772	(2,816)	1,112,757	1,082,796	(29,961)
Total	¥771,692	¥807,875	¥36,183	$8,210,363	$8,595,329	$384,966

(b) Information regarding sales of securities classified as other securities for the years ended March 31, 2012 and 2013 is as follows:

Year ended March 31, 2012	Millions of yen		
	Proceeds from sales	Gain on sales	Loss on sales
Bonds:			
Public bonds	¥41,395	¥82	¥—
Total	¥41,395	¥82	¥—

Year ended March 31, 2013	Millions of yen			Thousands of U.S. dollars		
	Proceeds from sales	Gain on sales	Loss on sales	Proceeds from sales	Gain on sales	Loss on sales
Bonds:						
Public bonds	¥121,781	¥187	¥—	$1,295,680	$1,990	$—
Total	¥121,781	¥187	¥—	$1,295,680	$1,990	$—

(c) Components of securities for which it is extremely difficult to determine fair value as of March 31, 2012 and 2013 are summarized as follows:

March 31,	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Other securities:			
Unlisted securities	¥ 28,395	¥ 30,728	$ 326,929
Preferred securities	5,000	5,000	53,197
Stocks of subsidiaries and affiliates	71,700	110,655	1,177,306
Total	¥105,095	¥146,383	$1,557,432

These securities are not included in (a) as they have no quoted market prices and it is extremely difficult to determine their fair value. For shares of exploration companies among unlisted securities and stocks of subsidiaries and affiliates, an allowance for investments in exploration is provided at an estimated amount based on the financial position of the investees.

(d) Redemption schedule for securities with maturity dates classified as other securities as of March 31, 2013 is as follows:

	Millions of yen				Thousands of U.S. dollars			
March 31, 2013	1 year or less	More than 1 year but less than 5 years	More than 5 years but less than10 years	More than 10 years	1 year or less	More than 1 year but less than 5 years	More than 5 years but less than 10 years	More than 10 years
Bonds:								
Public bonds	¥167,000	¥185,000	¥31,500	¥—	$1,776,785	$1,968,294	$335,142	$—
Corporate bonds	33,500	61,500	—	—	356,421	654,325	—	—
Other debt securities	8,500	28,197	—	—	90,435	300,000	—	—
Other	66,000	132,100	—	—	702,202	1,405,469	—	—
Total	¥275,000	¥406,797	¥31,500	¥—	$2,925,843	$4,328,088	$335,142	$—

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings as of March 31, 2012 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	2012	2013	2013
Short-term borrowings from banks and others (Interest rates ranging from 0.970% to 1.325% and from 0.950% to 2.174% at March 31, 2012 and 2013)	¥120	¥1,170	$12,448
Total	¥120	¥1,170	$12,448

Long-term debt as of March 31, 2012 and 2013 is as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	2012	2013	2013
Loans from banks and others, due through 2028 (Interest rates ranging from 0.700% to 2.700% and from 0.509% to 2.700% at March 31, 2012 and 2013)	¥318,655	¥474,300	$5,046,281
Less: Current portion	4,682	7,391	78,636
	¥313,973	¥466,909	$4,967,645

Assets pledged as of March 31, 2012 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	2012	2013	2013
Buildings and structures	¥ 2,251	¥ 2,091	$ 22,247
Wells	2,737	1,214	12,916
Machinery, equipment and vehicles	9,190	8,974	95,478
Investment securities	7,633	7,395	78,679
Other	231	227	2,415
Total	¥22,042	¥19,901	$211,735

The above assets were pledged against the following liabilities:

	Millions of yen		Thousands of U.S. dollars
March 31,	2012	2013	2013
Short-term borrowings	¥1,589	¥ 997	$10,607
Accounts payable—other	5,090	5,119	54,463
Long-term debt	2,434	1,437	15,289
Other	17	17	181
Total	¥9,130	¥7,570	$80,540

In addition, assets pledged as collateral for the Ichthys LNG Project Finance and the BTC Pipeline Project Finance are as follows:

Ichthys LNG Project Finance

	Millions of yen		Thousands of U.S. dollars
March 31,	2012	2013	2013
Cash and cash equivalents	¥—	¥ 3,602	$ 38,323
Accounts receivable—other	—	160	1,702
Other (Current assets)	—	64,631	687,637
Land	—	133	1,415
Construction in progress	—	172,378	1,834,004
Investment securities	—	15,758	167,656
Total	¥—	¥256,662	$2,730,737

BTC Pipeline Project Finance

	Millions of yen		Thousands of U.S. dollars
March 31,	2012	2013	2013
Investment securities	¥4,704	¥5,240	$55,751

The aggregate annual maturities of long-term debt subsequent to March 31, 2013 are summarized as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2014	¥ 7,391	$ 78,636
2015	16,547	176,051
2016	22,321	237,483
2017	56,981	606,245
2018	32,029	340,770
2019 and thereafter	339,031	3,607,096
Total	¥474,300	$5,046,281

7. INCOME TAXES

The Company and its domestic consolidated subsidiaries are subject to corporate taxes and other which, in the aggregate, resulted in a statutory tax rate of approximately 36.2% and 33.3% for the years ended March 31, 2012 and 2013, respectively.

The effective tax rates reflected in the consolidated statement of income for the fiscal years ended March 31, 2012 and 2013 differ from the statutory tax rate for the following reasons:

Years ended March 31,	2012	2013
Statutory tax rate	36.2%	33.3%
Effect of:		
Permanently non-taxable expenses such as entertainment expenses	0.3	0.6
Permanently non-taxable income such as dividends income	(0.6)	(0.7)
Valuation allowance	5.7	2.6
Foreign taxes	61.8	69.3
Foreign tax credits	(23.1)	(22.1)
Adjustment of deducted amounts of foreign taxes	(8.2)	(10.7)
Amortization of goodwill	0.3	0.3
Differences of effective tax rates applied to tax effect accounting	(1.6)	(0.2)
Other	(0.8)	1.3
Effective tax rates	70.0%	73.7%

The significant components of deferred tax assets and liabilities as of March 31, 2012 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	2012	2013	2013
Deferred tax assets:			
Exploration expenditures	¥ 88,582	¥ 90,332	$ 961,081
Loss on revaluation of land	3,959	3,959	42,122
Loss on valuation of investment securities	3,889	3,205	34,100
Recoverable accounts under production sharing (foreign taxes)	5,258	6,992	74,391
Allowance for investments in exploration	2,928	2,579	27,439
Foreign taxes payable	35,612	33,288	354,165
Net operating loss carry forward	39,042	46,021	489,637
Accumulated depreciation	37,777	43,238	460,028
Accrued retirement benefits	1,989	2,659	28,290
Provision for loss on business	—	1,140	12,129
Translation differences of assets and liabilities denominated in foreign currencies	1,704	795	8,458
Asset retirement obligations	4,239	5,574	59,304
Allowance for doubtful accounts	4,940	5,974	63,560
Other	14,475	17,683	188,137
Total gross deferred tax assets	244,394	263,439	2,802,841
Valuation allowance	(174,115)	(195,665)	(2,081,764)
Total deferred tax assets	70,279	67,774	721,077
Deferred tax liabilities:			
Foreign taxes	30,164	27,048	287,775
Translation differences of assets and liabilities denominated in foreign currencies	16,326	3,551	37,781
Reserve for overseas investment loss	5,070	5,377	57,208
Translation differences due to an application of purchase accounting method	1,694	1,759	18,715
Reserve for exploration	7,910	11,274	119,949
Unrealized holding gain on securities	283	1,424	15,151
Unrealized gain from hedging instruments	2,352	10,442	111,097
Other	4,660	4,780	50,856
Total deferred tax liabilities	68,459	65,655	698,532
Net deferred tax assets	¥ 1,820	¥ 2,119	$ 22,545

8. COMPREHENSIVE INCOME

Amount of reclassification adjustments and income tax effects allocated to each component of other comprehensive income for the years ended March 31, 2012 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
Years ended March 31,	2012	2013	2013
Unrealized holding gain on securities			
Amount recognized during the period	¥ 5,082	¥ 29,075	$ 309,341
Amount of reclassification adjustments	539	(138)	(1,468)
Before income tax effect adjustment	5,621	28,937	307,873
Amount of income tax effect	(122)	(1,150)	(12,235)
	5,499	27,787	295,638
Unrealized gain from hedging instruments			
Amount recognized during the period	6,456	24,873	264,634
Amount of income tax effect	(2,338)	(8,104)	(86,222)
	4,118	16,769	178,412
Translation adjustments			
Amount recognized during the period	2,082	105,692	1,124,502
Share of other comprehensive income of affiliates accounted for by the equity-method			
Amount recognized during the period	(1,134)	(1,964)	(20,896)
Adjustment for acquisition cost of assets	—	387	4,118
	(1,134)	(1,577)	(16,778)
Total other comprehensive income	¥10,565	¥148,671	$1,581,774

9. NET ASSETS

As of March 31, 2013, the total number of the Company's shares issued consisted of 3,655,809 shares of common stock and 1 Class A Stock.

Class A Stock has no voting rights at the common shareholders' meeting, but the ownership of Class A Stock gives its holder a right of veto over certain important matters described below. However, requirements stipulated in the Articles of Incorporation need to be met in cases involving the exercise of the veto over the appointment or removal of directors, the disposition of material assets or business integration;

- Appointment and removal of directors
- Disposition of material assets
- Amendments to the Article of Incorporation with respect to (i) the purpose of the Company's business and (ii) the granting of voting rights to the Company's shares other than common stock
- Business integration
- Capital reduction
- Dissolution

Class A Stock shareholder may request the Company to acquire Class A Stock. Besides, the Company may also acquire Class A Stock by a resolution of the meeting of the Board of Directors in case where Class A Stock is transferred to a non-public entity.

Under the Companies Act of Japan, 10% of the amount to be distributed as dividends from capital surplus (other than capital reserve) and retained earnings (other than legal reserve) shall be transferred to capital reserve and legal reserve, respectively, up to the point where the total amount of capital reserve and legal reserve equals 25% of the common stock account.

Distuributions can be made at any time by a resolution of the meeting of shareholders, or the Board of Directors if certain conditions are met, but neither capital reserve nor legal reserve is available for distributions.

10. AMOUNTS PER SHARE

Years ended March 31,	Yen 2012	Yen 2013	U.S. dollars 2013
Net income per share	¥ 53,137.93	¥ 50,114.22	$ 533.19
Cash dividends per share	7,000.00	7,000.00	74.48
Net assets per share	¥596,908.99	¥679,639.63	$7,230.98

Diluted net income per share is not presented because there are no dilutive potential of shares of common stock.

Net income per share is computed based on the net income available for distribution to shareholders of common stock and the average number of shares of common stock outstanding during the year.

Cash dividends per share represent the cash dividends proposed by the Board of Directors together with the interim cash dividends paid.

Net assets per share are computed based on the net assets excluding minority interests and the number of common stock outstanding at the year end.

11. DERIVATIVE TRANSACTIONS

(a) Derivatives not subject to hedge accounting

Contract amounts, fair value and valuation gain (loss) regarding derivatives not subject to hedge accounting as of March 31, 2012 and 2013 are as follows:

March 31, 2012	Millions of yen Contract amounts	Due after one year	Fair value	Valuation gain
Currency swap transactions	¥31,996	¥—	¥883	¥883

* Fair value is the price obtained from the counterparty financial institutions.

There is no derivative not subject to hedge accounting as of March 31, 2013.

(b) Derivatives subject to hedge accounting

Contract amounts and fair value regarding derivatives subject to hedge accounting as of March 31, 2012 and 2013 are as follows:

March 31, 2012		Principal items hedged	Millions of yen Contract amounts	Due after one year	Fair value
Foreign exchange forwards *1:					
Buy (USD)	(Deferred hedge accounting)	Forecasted transactions in foreign currencies	¥108,578	¥ —	¥6,456
Interest rate swaps:					
Payment fixed, receipt fluctuated	(Special treatment)	Long-term debt	¥ 6,240	¥4,820	*2

March 31, 2013		Principal items hedged	Millions of yen Contract amounts	Due after one year	Fair value
Foreign exchange forwards *1:					
Buy (USD)	(Deferred hedge accounting)	Forecasted transactions in foreign currencies	¥157,614	¥ —	¥31,329
Interest rate swaps:					
Payment fixed, receipt fluctuated	(Special treatment)	Long-term debt	¥ 4,820	¥4,760	*2

March 31, 2013		Principal items hedged	Thousands of U.S. dollars Contract amounts	Due after one year	Fair value
Foreign exchange forwards *1:					
Buy (USD)	(Deferred hedge accounting)	Forecasted transactions in foreign currencies	$1,676,923	$ —	$333,323
Interest rate swaps:					
Payment fixed, receipt fluctuated	(Special treatment)	Long-term debt	$ 51,282	$50,644	*2

*1 Fair value is the price obtained from the counterparty financial institutions.
*2 Fair value of derivatives for which special treatment of interest rate swaps is applied is included in the estimated fair value of the long-term debt as disclosed in Note 12. (a) since the interest rate swap is treated together with long-term debt subject to hedging.

12. OTHER FINANCIAL INSTRUMENTS

(a) The carrying value and estimated fair value of financial instruments excluding marketable securities and investment securities which are disclosed in Note 5.(a) and derivatives which are disclosed in Note 11 as of March 31, 2012 and 2013 are as shown below. The following summary also excludes cash and cash equivalents, and accounts receivable-trade for which fair values approximate their carrying amounts.

	Millions of yen	
March 31, 2012	Carrying value	Estimated fair value
Short-term borrowings and current portion of long-term debt	¥ 4,802	¥ 4,830
Long-term debt	¥313,973	¥316,131

	Millions of yen		Thousands of U.S. dollars	
March 31, 2013	Carrying value	Estimated fair value	Carrying value	Estimated fair value
Time deposits	¥284,469	¥284,502	$3,026,588	$3,026,939
Long-term time deposits	287,273	289,007	3,056,421	3,074,870
Short-term borrowings and current portion of long-term debt	8,561	8,507	91,084	90,510
Long-term debt	¥466,909	¥456,404	$4,967,645	$4,855,878

(b) For other financial instruments, computation methods of estimated fair value are as shown below.

Time deposits

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

Long-term time deposits

The fair value of long-term time deposits 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 deposit is entered into.

Short-term borrowings and current portion of long-term debt

The estimated fair value of current portion of long-term debt is calculated by the same method as long-term debt. For short-term borrowings, the relevant carrying value is used since these items are settled in a short periods of time and its fair value is almost the same as the carrying value.

Long-term debt

The estimated 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.

13. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses included in selling, general and administrative expenses amounted to ¥402 million and ¥99 million ($1,053 thousand) for the years ended March 31, 2012 and 2013, respectively.

14. RETIREMENT BENEFITS

(a) Retirement benefit obligations as of March 31, 2012 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	2012	2013	2013
Retirement benefit obligations	¥(15,881)	¥(19,388)	$(206,277)
Plan assets at fair value	9,540	10,808	114,991
Unfunded retirement benefit obligation	(6,341)	(8,580)	(91,286)
Unrecognized actuarial gain or loss	—	—	—
Accrued retirement benefits to employees	¥ (6,341)	¥ (8,580)	$ (91,286)

(b) Retirement benefit expenses for the years ended March 31, 2012 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
Years ended March 31,	2012	2013	2013
Service cost	¥792	¥ 877	$ 9,331
Interest cost	294	301	3,202
Expected return on plan assets	(170)	(235)	(2,500)
Amortization of actuarial gain or loss	(205)	2,211	23,524
Other*	238	473	5,032
Retirement benefit expenses	¥949	¥3,627	$38,589

*"Other" consists of the amount of contribution to defined contribution plan.

(c) The assumptions used in accounting for the above plans are as follows:

Years ended March 31,	2012	2013
Discount rate	2.0%	1.0%
Expected return rate on plan assets	2.0%	2.5%
Period for amortization of actuarial gain or loss	Amortized as incurred	Amortized as incurred

15. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended March 31, 2012 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
Years ended March 31,	2012	2013	2013
Balance at beginning of the year	¥12,653	¥13,142	$139,823
New obligations	434	711	7,565
Accretion expenses	322	429	4,564
Obligations settled	(265)	(359)	(3,819)
Change in estimates *1	322	1,997	21,247
Other *2	(324)	1,475	15,693
Balance at end of the year	¥13,142	¥17,395	$185,073

*1 "Change in estimates" for the year ended March 31, 2013 mainly reflects increasing site restoration and decommissioning costs of certain subsidiaries which became evident in the year ended March 31, 2013.
*2 "Other" mainly includes the change due to foreign exchange rates fluctuation.

16. GOODWILL

The changes in the carrying amount of goodwill for the years ended March 31, 2012 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
Years ended March 31,	2012	2013	2013
Balance at beginning of the year	¥101,362	¥94,602	$1,006,511
Goodwill acquired during the year	—	—	—
Amortization of goodwill	(6,760)	(6,761)	(71,933)
Balance at end of the year	¥ 94,602	¥87,841	$ 934,578

17. LEASES

Future minimum lease payments subsequent to March 31, 2013 for operating lease transactions are summarized as follows:

(a) As lessee

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2014	¥ 2,873	$ 30,567
2015 and thereafter	7,291	77,572
Total	¥10,164	$108,139

(b) As lessor

Years ending March 31,	Millions of yen	Thousands of U.S dollars
2014	¥102	$1,085
2015 and thereafter	374	3,979
Total	¥476	$5,064

18. CONTINGENT LIABILITIES

As of March 31, 2013, the Company and its consolidated subsidiaries were contingently liable as guarantors of indebtedness of affiliates in the aggregate amount of ¥26,529 million ($282,253 thousand).

In addition, the Company guarantees for derivative transactions utilized to hedge exchange rate fluctuation risk regarding payments of development costs for the Ichthys LNG Project. The relevant loss on valuation as of March 31, 2013, was ¥4,873 million ($51,846 thousand).

In connection with the Ichthys LNG Project Finance, the Company and other project participants provide lenders with a guarantee of liabilities during the construction phase based on each participating interest. The portion guaranteed by the Company as of March 31, 2013, was ¥128,864 million ($1,371,039 thousand).

19. SEGMENT INFORMATION

Segment information for the years ended March 31, 2012 and 2013

Overview of reportable segments

The reportable segments of the Group's oil and gas development activities are composed of individual mining area and others for which separate financial information is available in order for the Board of Directors to make Group management decisions. Since the Group operates oil and gas businesses globally, the Group's reportable segments are the mining areas and others by geographical region, categorized in "Japan", "Asia & Oceania" (mainly Indonesia, Australia and East Timor), "Eurasia (Europe & NIS)" (mainly Azerbaijan), "Middle East & Africa" (mainly UAE) and "Americas."

The Company produces oil and gas in each segment. In addition, the Company conducts marketing activities for petroleum products and others in "Japan" segment.

Basis of measurement for sales, income (loss), assets and other items by reportable segment

Accounting policies for the reportable segments are substantially the same as those described in "Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES."

Information on sales and income (loss), assets and other items by reportable segment

	Millions of yen							
Year ended March 31, 2012	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Total	Adjustments *[1]	Consolidated *[2]
Sales to third parties	¥113,662	¥483,187	¥ 84,325	¥500,033	¥ 5,525	¥1,186,732	¥ —	¥1,186,732
Total sales	113,662	483,187	84,325	500,033	5,525	1,186,732	—	1,186,732
Segment income (loss)	24,607	299,599	47,076	354,136	(5,518)	719,900	(10,542)	709,358
Segment assets	260,596	445,735	515,537	198,987	67,929	1,488,784	1,577,614	3,066,398
Other items								
Depreciation and amortization	18,485	12,775	8,503	6,550	374	46,687	1,339	48,026
Amortization of goodwill	—	—	—	—	(193)	(193)	6,953	6,760
Investment to affiliates accounted for by the equity-method	—	49,156	—	6,860	9,606	65,622	—	65,622
Increase of tangible fixed assets and intangible assets	¥ 35,954	¥ 27,146	¥ 519	¥ 10,388	¥ 2,956	¥ 76,963	¥ 2,106	¥ 79,069

Year ended March 31, 2013	Millions of yen							
	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Total	Adjustments *1	Consolidated *2
Sales to third parties	¥118,937	¥485,275	¥ 85,541	¥520,835	¥ 5,945	¥1,216,533	¥ —	¥1,216,533
Total sales	118,937	485,275	85,541	520,835	5,945	1,216,533	—	1,216,533
Segment income (loss)	28,568	281,623	41,752	357,343	(6,089)	703,197	(9,749)	693,448
Segment assets	265,467	690,763	526,519	266,649	188,209	1,937,607	1,678,552	3,616,159
Other items								
Depreciation and amortization	17,603	17,033	9,066	5,850	1,012	50,564	1,352	51,916
Amortization of goodwill	—	—	—	—	(192)	(192)	6,953	6,761
Investment to affiliates accounted for by the equity-method	1,857	46,818	—	53,243	4,159	106,077	—	106,077
Increase of tangible fixed assets and intangible assets	¥ 24,656	¥203,853	¥ 1,024	¥ 20,595	¥108,373	¥ 358,501	¥ 1,486	¥ 359,987

Year ended March 31, 2013	Thousands of U.S. dollars							
	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Total	Adjustments *1	Consolidated *2
Sales to third parties	$1,265,422	$5,163,049	$ 910,108	$5,541,387	$ 63,251	$12,943,217	$ —	$12,943,217
Total sales	1,265,422	5,163,049	910,108	5,541,387	63,251	12,943,217	—	12,943,217
Segment income (loss)	303,947	2,996,308	444,217	3,801,926	(64,783)	7,481,615	(103,724)	7,377,891
Segment assets	2,824,418	7,349,324	5,601,862	2,836,993	2,002,437	20,615,034	17,858,836	38,473,870
Other items								
Depreciation and amortization	187,286	181,221	96,457	62,241	10,767	537,972	14,385	552,357
Amortization of goodwill	—	—	—	—	(2,043)	(2,043)	73,976	71,933
Investment to affiliates accounted for by the equity-method	19,758	498,117	—	566,475	44,249	1,128,599	—	1,128,599
Increase of tangible fixed assets and intangible assets	$ 262,326	$2,168,879	$ 10,895	$ 219,119	$1,153,027	$ 3,814,246	$ 15,810	$ 3,830,056

*1 Adjustments include elimination of inter-segment transactions and corporate incomes, expenses and assets that are not allocated to a reportable segment.

*2 Segment income is reconciled with operating income on the consolidated statement of income.

Products and service information:

Sales to third parties

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Crude oil	¥ 726,223	¥ 788,135	$ 8,385,307
Natural gas (excluding LPG)	404,735	370,528	3,942,206
LPG	24,330	27,238	289,797
Other	31,444	30,632	325,907
Total	¥1,186,732	¥1,216,533	$12,943,217

Geographical information:

Sales

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Japan	¥ 591,215	¥ 634,788	$ 6,753,782
Asia & Oceania (excluding Singapore)	420,184	421,505	4,484,573
Singapore	135,759	142,748	1,518,757
Other	39,574	17,492	186,105
Total	¥1,186,732	¥1,216,533	$12,943,217

Tangible fixed assets

March 31,	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Japan	¥229,889	¥235,674	$2,507,437
Australia	77,981	227,358	2,418,959
Other	75,828	121,509	1,292,787
Total	¥383,698	¥584,541	$6,219,183

Information by major customer:

Sales to major customers

Years ended March 31,	Millions of yen 2012	Millions of yen 2013	Thousands of U.S. dollars 2013	Segment
PERTAMINA	¥245,942	¥206,282	$2,194,723	Asia & Oceania
Idemitsu Kosan Co., Ltd.	¥103,631	¥132,908	$1,414,065	Middle East & Africa

20. RELATED PARTY TRANSACTIONS

There are the following related party transactions for the year ended March 31, 2012:

Affiliated company

Name of related party	Location	Capital investment	Nature of operations	Voting interest	Description of the business relationship	Transaction detail	Amounts Millions of yen
Ichthys LNG Pty Ltd	Western Australia, Australia	$482,700 thousand	Transportation, liquefaction and sales of oil and natural gas through pipeline in WA-37-R block in offshore Western Australia*2	Indirectly 76.00%	Serve the officer concurrently, capital subscription	Contribution in kind	
						Total inherited assets	¥34,752
						Total inherited liabilities	478
						Loans of funds *1	¥38,062

*1 The Company determines the interest rate on loans of funds based on market interest rates in a reasonable and appropriate manner.
*2 Upon the grant of production license, WA-37-R was registered as WA-50-L.

There are the following related party transactions for the year ended March 31, 2013:

Affiliated company

Name of related party	Location	Capital investment	Nature of operations	Voting interest	Description of the business relationship	Transaction detail	Amounts Millions of yen	Amounts Thousands of U.S. dollars	Title of account	Amounts Millions of yen	Amounts Thousands of U.S. dollars
Ichthys LNG Pty Ltd	Western Australia, Australia	$482,700 thousand	Transportation, liquefaction and sales of oil and natural gas through pipeline in WA-50-L block in offshore Western Australia	Indirectly 66.07%	Serve the officer concurrently, capital subscription	Loans of funds*	¥141,153	$1,501,787	Short-term loans receivable	¥58,700	$624,535
						Collection of loans*	119,139	1,267,571			
						Debt guarantee	128,864	1,371,039	—	—	—
Angola Block 14 B.V.	Hague, Netherlands	€18 thousand	Exploration, development, production and sales of oil in Block 14 in offshore Republic of Angola	Indirectly 49.99%	Capital subscription	Subscription for new shares	¥ 37,621	$ 400,266	—	¥ —	$ —

* The Company determines the interest rate on loans of funds based on market interest rates in a reasonable and appropriate manner.

Note related to the parent company or significant affiliated companies

The significant affiliated company for the year ended March 31, 2013 is Ichthys LNG Pty Ltd. The summary of its financial information is as follows:

	Millions of yen	Thousands of U.S. dollars
Total current assets	¥ 47,429	$ 504,618
Total fixed assets	550,378	5,855,708
Total current liabilities	227,942	2,425,173
Total long-term liabilities	336,847	3,583,860
Total net assets	33,019	351,303
Net sales	—	—
Net loss before income taxes	1,511	16,076
Net loss	¥ 694	$ 7,384

Note: Ichthys LNG Pty Ltd has qualified as a significant affiliated company from the year ended March 31, 2013, due to an increase in its materiality.

21. Subsequent Events

Stock Split and Adoption of Share Unit System

The Company resolved to conduct a stock split of common stock and to adopt a share unit system for common stock and Class A Stock of the Company at the Board of Directors meeting held on May 10, 2013, at the 7th ordinary general meeting of shareholders and necessary class shareholders meeting held on June 25, 2013.

(a) Purpose of the stock split and adoption of the share unit system

The Company resolved to conduct a stock split at a ratio of 400 shares per common stock for the purpose of increasing the number of the Company's investors by reducing the investment unit of shares of the Company considering the general price level for investment units of companies listed on the First Section of the Tokyo Stock Exchange. This measure is aimed at improving the investment environment for a variety of investors, including individual investors, to facilitate their investments in the Company's stock.

In addition, in accordance with the guidelines indicated in "Action Plan for Consolidating Trading Units" issued by the Japanese stock exchanges, the Company intends to adopt a share unit system under which the number of shares constituting one share trading unit will be 100 shares. With these initiatives implemented, the amount per investment unit of the Company's shares will be one quarter (1/4) of that prior to the stock split and adoption of the share unit system.

Meanwhile, no stock split will be implemented for Class A Stock (unlisted), and the share unit will be one share per unit.

(b) Outline of the stock split
(Method of stock split)

With Monday, September 30, 2013, as the record date, shares of common stock held by shareholders registered or recorded in the final shareholders' register on the same date will be split at a ratio of 400 shares per common stock.

(Number of shares to be increased through the stock split)

Total number of shares issued before the stock split:	
Common stock	3,655,809
Class A Stock	1
Total	3,655,810
Number of shares to be increased through the stock split:	
Common stock	1,458,667,791
Total number of shares to be issued after the stock split:	
Common stock	1,462,323,600
Class A Stock	1
Total	1,462,323,601
Total number of shares authorized for issuance after the stock split:	
Common stock	3,600,000,000
Class A Stock	1
Total	3,600,000,001

(Schedule of the stock split)

Public notice of the record date: Friday, September 13, 2013

Record date: Monday, September 30, 2013

Effective date: Tuesday, October 1, 2013

(c) Adoption of the share unit system
(Number of share unit to be newly established)

A share unit system will be adopted as of the effective date in "(b) Outline of the stock split" above, according to which the share unit number for common stock will be 100 shares and that for Class A Stock will be one share.

(Schedule for the new establishment)

Effective date: Tuesday, October 1, 2013

Note: The trading unit of the Company's common stock on the Tokyo Stock Exchange will be changed from one share to 100 shares as of Thursday, September 26, 2013.

(d) Other information

Per share information based on the assumption that the stock split was conducted on April 1, 2011, is as follows:

	Yen		U.S. dollars
Years ended March 31,	2012	2013	2013
Net assets	¥1,492.27	¥1,699.10	$18.08
Net income	¥ 132.84	¥ 125.29	$ 1.33

Note: Diluted net income per share is not presented because there are no dilutive potential of shares of common stock.

Independent Auditor's Report

Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.
2-2-3, Uchisaiwai-cho,
Chiyoda-ku, Tokyo, Japan 100-0011

Tel : +81 3 3503 1100
Fax: +81 3 3503 1197

Independent Auditor's Report

The Board of Directors
INPEX CORPORATION

We have audited the accompanying consolidated financial statements of INPEX CORPORATION and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2013, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls 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. 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 consolidated financial position of INPEX CORPORATION and its consolidated subsidiaries as at March 31, 2013, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 3.

Ernst & Young ShinNihon LLC

June 25, 2013
Tokyo, Japan

Subsidiaries and Affiliates

As of March 31, 2013

Consolidated Subsidiaries

Company name	Issued capital* (Millions of yen)	Voting rights held by us (%)	Main business
INPEX Natuna, Ltd.	5,000	100.00%	Exploration, development, production and sales of oil and natural gas in the South Natuna Sea Block B, Indonesia
INPEX Sahul, Ltd.	4,600	100.00%	Exploration, development, production and sales of oil and natural gas in the JPDA03-12 Block and Bayu-Undan gas-condensate field in the Timor Sea JPDA
INPEX Alpha, Ltd.	8,014	100.00%	Exploration, development, production and sales of oil and natural gas in the WA-35-L Block and others, Australia
INPEX Tengah, Ltd.	1,020	100.00%	Exploration, development, production and sales of oil and natural gas in the Tengah Block in Offshore East Kalimantan, Indonesia
INPEX Browse, Ltd.	305,690	100.00%	Exploration and development of oil and natural gas in the WA-285-P Block and others, Australia
INPEX Ichthys Pty Ltd	802,688 (Thousands of U.S. dollars)	100.00%	Exploration and development of oil and natural gas in the Ichthys gas-condensate field in the WA-50-L Block and others, Australia
INPEX Masela, Ltd.	33,348	51.93%	Exploration and development of oil and natural gas in the Masela Block in the Arafura Sea, Indonesia
INPEX Offshore North Mahakam, Ltd.	3,875	100.00%	Exploration of oil and natural gas in the East Kalimantan Block in Offshore East Kalimantan, Indonesia
INPEX South Makassar, Ltd.	1,097	100.00%	Exploration and development of oil and natural gas in the Sebuku Block in the Makassar Strait, Indonesia
INPEX Timor Sea, Ltd.	6,712	100.00%	Exploration, development, production and sales of oil and natural gas in the JPDA06-105 Block in the Timor Sea JPDA
INPEX Oil & Gas Australia Pty Ltd	400,000 (Thousands of U.S. dollars)	100.00%	Exploration and development of oil and natural gas in the Prelude gas field (WA-44-L) and others, Australia
INPEX Babar Selaru, Ltd.	1,107	51.02%	Exploration of oil and natural gas in the Babar Selaru Block, Offshore Indonesia
INPEX Offshore North West Sabah, Ltd.	2,045	100.00%	Exploration of oil and natural gas in the deepwater Block S located offshore Sabah, Malaysia
INPEX Southwest Caspian Sea, Ltd.	53,594	51.00%	Exploration, development, production and sales of oil in the ACG Oil Fields, Azerbaijan
INPEX North Caspian Sea, Ltd.	50,680	45.00%	Exploration and development of oil in the Offshore North Caspian Sea Block, Kazakhstan
Japan Oil Development Co., Ltd.	18,800	100.00%	Exploration, development, production and sales of oil in the ADMA Block in Offshore Abu Dhabi, United Arab Emirates
INPEX ABK, Ltd.	2,500	100.00%	Exploration, development, production and sales of oil in the Abu Al Bukhoosh Block in Offshore Abu Dhabi, United Arab Emirates
Teikoku Oil (D.R. Congo) Co., Ltd.	10	100.00%	Exploration, development, production and sales of oil in the Offshore D.R. Congo Block
Teikoku Oil (Algeria) Co., Ltd.	708	100.00%	Exploration and development of oil and natural gas in the El Ouar I/II Blocks, Algeria
INPEX Angola Block 14 Ltd.	475,600 (Thousands of U.S. dollars)	100.00%	Investment in oil exploration, development, production and sales in Block 14, Offshore Angola
Teikoku Oil (Venezuela) Co., Ltd.	100	100.00%	Financing for oil and natural gas exploration, development, production and sales in the Copa Macoya / Guarico Oriental Blocks, Venezuela
Teikoku Oil (North America) Co., Ltd.	18,253 (Thousands of U.S. dollars)	100.00%	Exploration, development, production and sales of oil in the United States
INPEX Canada, Ltd.	19,645	100.00%	Exploration and development of oil including oil sands in Canada

Company name	Issued capital* (Millions of yen)	Voting rights held by us (%)	Main business
Teikoku Oil (Suriname) Co., Ltd.	7,257	56.78%	Exploration of oil in the Offshore Block 31, Suriname
INPEX Gas British Columbia Ltd.	1,043,488 (Thousands Canadian dollars)	45.09%	Exploration, development, production and sales of natural gas in the shale gas blocks of Horn River, Cordova and Liard basins in British Columbia, Canada
Teiseki Pipeline Co., Ltd.	100	100.00%	Natural gas transportation, pipeline operation, maintenance and management
INPEX DLNGPL Pty Ltd	86,135 (Thousands of AUS dollars)	100.00%	Investment in Darwin LNG Pty Ltd, which constructs and operates the undersea pipeline and LNG plant connecting Bayu Undan Gas/Condensate Field and Darwin (Australia)
INPEX BTC Pipeline, Ltd.	63,800 (Thousands of U.S. dollars)	100.00%	Investment in the pipeline construction and management business that connects Baku (Azerbaijan), Tbilisi (Georgia) and Ceyhan (Turkey)
INPEX Trading, Ltd.	50	100.00%	Sales, agency and brokerage of crude oil and market research and sales planning in connection with oil and natural gas sales
Saitama Gas Co., Ltd.	60	62.67%	City gas sales

31 other subsidiaries

Equity-Method Affiliates

Company name	Issued capital* (Millions of yen)	Voting rights held by us (%)	Main business
MI Berau B.V.	656,279 (Thousands of euros)	44.00%	Exploration, development, production and sales of natural gas in the Berau Block and the Tangguh LNG Project, West Papua province, Indonesia
Ichthys LNG Pty Ltd	482,700 (Thousands of U.S. dollars)	66.07%	Engaged in laying the undersea pipeline from the Ichthys gas-condensate field to the Darwin Onshore LNG Plant and building the LNG plant, Australia
Angola Japan Oil Co., Ltd.	8,000	19.60%	Development, production and sales of oil in the Offshore 3/05 Block, Angola
INPEX Offshore North Campos, Ltd.	6,852	37.50%	Financing for oil and natural gas exploration, development, production and sales in the Frade Block in Offshore North Campos, Brazil
Angola Block 14 B.V.	18 (Thousands of euros)	49.99%	Exploration, development, production and sales of oil in Block 14, Offshore Angola

10 other equity-method affiliates

Subsidiaries of Equity-Method Affiliates

Company name	Issued capital*	Voting rights held by us (%)	Main business
Frade Japão Petróleo Limitada	103,051 (Thousands of reais)	0.00%	Exploration, development, production and sales of oil and natural gas in the Frade Block in Offshore North Campos, Brazil

2 other subsidiaries of equity-method affiliates

* Rounding off fractions less than the unit.