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10-Year Financial Information

INPEX CORPORATION and Consolidated Subsidiaries

The translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation only, at ¥112.69=US$1.00, the approximate exchange rate in effect as of March 31, 2016.

	Millions of yen						
(Results of operations)	2007/3	2008/3	2009/3	2010/3	2011/3	2012/3	2013/3
Net sales	¥ 969,713	¥ 1,202,965	¥ 1,076,165	¥ 840,427	¥ 943,080	¥ 1,186,732	¥ 1,216,533
Cost of sales	343,795	390, 554	319,038	298,168	334,833	395,443	426,326
Gross profit	625,918	812,411	757,127	542,259	608,247	791,289	790,207
Operating income	559,077	714,211	663,267	461,668	529,743	709,358	693,448
Income before income taxes	586,263	685,800	616,167	442,027	508,587	767,039	718,146
Net income attributable to owners of parent	¥ 165,092	¥ 173,246	¥ 145,063	¥ 107,210	¥ 128,699	¥ 194,001	¥ 182,962
(Financial position)							
Current assets	¥ 474,124	¥ 565,111	¥ 411,110	¥ 492,855	¥ 492,932	¥ 908,702	¥ 1,106,504
Tangible fixed assets	219,227	254,481	297,636	358,094	379,862	383,698	584,541
Intangible assets	265,822	265,481	253,681	239,205	249,111	233,318	380,156
Investments and other assets	648,934	722,828	805,618	923,624	1,558,475	1,540,680	1,544,958
Total assets	1,608,107	1,807,901	1,768,045	2,013,778	2,680,380	3,066,398	3,616,159
Current liabilities	266,248	325,286	206,059	227,905	254,729	367,844	414,977
Long-term liabilities	261,843	243,802	199,925	295,270	328,268	384,361	530,198
Net assets	¥ 1,080,016	¥ 1,238,813	¥ 1,362,061	¥ 1,490,603	¥ 2,097,383	¥ 2,314,193	¥ 2,670,984
(Cash flows)							
Cash flows from operating activities	¥ 231,982	¥ 363,995	¥ 230,352	¥ 241,373	¥ 274,094	¥ 320,692	¥ 252,347
Cash flows from investing activities	(209,243)	(261,767)	(240,168)	(251,812)	(844,511)	(280,864)	(489,870)
Cash flows from financing activities	13,794	(45,228)	(46,090)	68,937	548,057	29,294	137,069
Cash and cash equivalents at end of the period	¥ 189,417	¥ 222,270	¥ 162,845	¥ 216,395	¥ 182,025	¥ 249,233	¥ 199,859
(Per share data)							
Net assets per share (Yen)	¥1,091.17*	¥1,227.92*	¥1,350.25*	¥1,473.87*	¥1,367.40*	¥1,492.27*	¥1,699.10*
Cash dividends per share (Yen)	17.50*	18.75*	20.00*	13.75*	15.00*	17.50*	17.50*
Earnings per share (EPS) (Yen)	¥ 176.06*	¥ 183.78*	¥ 154.00*	¥ 113.88*	¥ 102.08*	¥ 132.84*	¥ 125.29*

* Retroactively adjusted for a stock split at a ratio of 1:400 of common stock on October 1, 2013.

(Financial indicators)							
Net debt / Net total capital employed (%)	(18.6)%	(36.1)%	(31.2)%	(30.6)%	(48.9)%	(60.7)%	(43.9)%
Equity ratio (%)	64.0	64.0	71.9	68.9	74.5	71.1	68.6
D/E ratio (%)	24.2%	16.8%	12.9%	17.3%	13.7%	14.6%	19.2%

Millions of yen			Thousands of U.S. dollars
2014/3	2015/3	2016/3	2016/3
¥ 1,334,626	¥ 1,171,227	¥ 1,009,564	$ 8,958,772
490,417	525,444	526,758	4,674,399
844,209	645,783	482,806	4,284,373
733,610	534,886	390,139	3,462,055
750,078	540,023	328,887	2,918,511
¥ 183,691	¥ 77,820	¥ 16,777	$ 148,877
¥ 1,140,204	¥ 1,342,410	¥ 984,345	$ 8,734,981
951,779	1,497,622	1,752,615	15,552,533
439,179	458,770	541,471	4,804,961
1,506,977	1,200,352	1,091,411	9,685,074
4,038,139	4,499,154	4,369,842	38,777,549
375,670	365,212	319,128	2,831,910
666,432	845,238	871,911	7,737,253
¥ 2,996,037	¥ 3,288,704	¥ 3,178,803	$28,208,386
¥ 213,514	¥ 216,749	¥ 183,708	$ 1,630,207
(395,555)	(81,087)	(543,534)	(4,823,267)
48,961	(4,178)	156,726	1,390,771
¥ 117,531	¥ 260,978	¥ 53,813	$ 477,531
¥1,911.25*	¥ 2,099.95	¥ 2,008.34	$ 17.82
18.00*	18.00	18.00	0.16
¥ 125.78*	¥ 53.29	¥ 11.49	$ 0.10
(31.9)%	(16.8)%	(8.1)%	(8.1)%
69.1	68.2	67.1	67.1
20.9%	22.1%	25.3%	25.3%

Notes

* EBIDAX = Net income (including non-controlling interests) + Deferred tax + (1 – Tax rate) × (Interest expense – Interest income) + Foreign exchange gain 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 + Impairment loss
* Net assets excluding non-controlling interests = Net assets – Non-controlling interests
* Equity ratio = Net assets excluding non-controlling 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 – Non-controlling interests)
* ROE = Net income attributable to owners of parent / Average of net assets excluding non-controlling interests 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. 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.
* 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.

Notes: In consolidated financial statements, amounts are basically rounded to the nearest million.

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."

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.

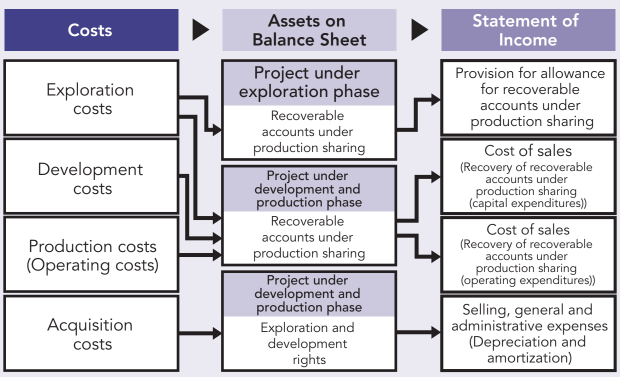
Exploration costs
The Group's share of exploration costs is expensed as incurred.

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.

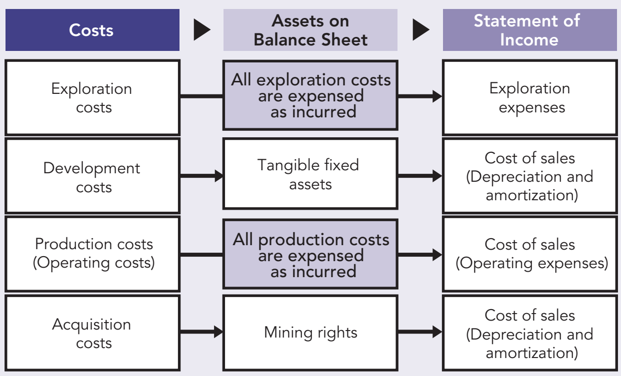
Production costs
The Group's share of operating costs that are incurred during the production phase is recorded within the cost of sales.

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 the present value of retirement costs incurred upon termination of the operation and production with respect to oil and gas production facilities, based on the 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 which caused by the factors such as changes to retirement plans, escalating prices of drilling equipment and materials and others 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.

— Provision for loss on business

A provision for loss on business is provided for future potential loss on crude oil and natural gas development, production and sales business individually estimated for each project. Although assessments and accounting estimates are made on a reasonable basis, actual operating results can change depending on the business status.

— 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 long-term expected return on 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 non-controlling 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, 2016, the Japanese economy continued on a path of gradual recovery driven by improvements in corporate earnings and the employment rate, although there were weaknesses in certain segments of the economy including exports and consumer spending.

Under such business environment, Brent crude oil price, a common benchmark of international crude oil prices which significantly influence the Group's performance, started at US$57.10 per barrel on April 1, 2015, and reached a high of US$67.77 per barrel in early May due to factors including decreased shale oil production forecasts in the U.S., and an upward revision in crude oil demand forecasts by the International Energy Agency (IEA). The index then took on a downward trajectory, dropping to US$42.69 per barrel in early August due to sluggish crude demand in China amid concerns of an economic slowdown there.

Thereafter, the index rose to US$53.05 per barrel due to heightened geopolitical risk brought on by Russia’s military intervention in Syria. The index then began dropping again in early December as OPEC deferred a decision on reducing production, and dropped to US$27.88 per barrel in mid-January marking its lowest point in twelve years as a result of sluggish crude demand worldwide and concerns of crude oil oversupply associated with the lifting of sanctions against Iran and observations of an expansion in crude oil exports there.

However, the index then bounced back and finished at US$39.60 per barrel on March 31, 2016, owing to growing expectations of crude oil output adjustments by OPEC and non-OPEC countries triggered by the consensus among four oil producing countries including Saudi Arabia and Russia to freeze crude oil output.

Meanwhile, in Japan, the prices of crude oil and petroleum products shifted in correlation with international oil prices. The Group’s average crude oil sales price for the year ended March 31, 2016 reflected this shift and fell to US$47.95 per barrel, down US$36.05 from the year ended March 31, 2015.

The foreign exchange market, another important factor that affects the business of the Group, began to trade at the ¥120 level to the U.S. dollar. Beginning of the period, the yen has remained in steadiness roughly ¥118 to ¥120 level to the U.S. dollar. In late-May, the director of European Central Bank remarked that he would accelerate the quantitative monetary easing before the off period in summer. In addition to that, the suggestion by Chairman of Federal Reserve Board Yellen, which showed a possibility to move the rise in interest-rate forward, also brought the dollar buying to the higher ¥125 level for a while.

However, the depreciation in the Chinese stock market in August, and the decline in the rate of Chinese Yuan increased the concern over the Chinese economy. Furthermore, the movement of the risk aversion in the market brought the yen buying dominant and the yen appreciated to the lower ¥116 for a while. Afterward, on the situation where the interest-rate appreciation of 25 basis point by FRB in December and the additional monetary easing (partly introduction of the negative interest rate) by Bank of Japan were determined, the dollar appreciated to the lower ¥120. However, the concern over the world economy and the decline of the expectation of the additional rise in interest-rate depreciated the dollar across the board. TTM closed at ¥112.69 to the U.S. dollar which turned out to be ¥7.58 higher than that on March 31, 2015.

Reflecting these situations, the average sales exchange rate for the Group for the year ended March 31, 2016, was ¥120.55 to the U.S. dollar, which is ¥12.62 lower than that for the year ended March 31, 2015.

PERFORMANCE OVERVIEW

Net sales

Consolidated net sales for the year ended March 31, 2016, decreased by ¥161.7 billion, or 13.8%, to ¥1,009.6 billion from ¥1,171.2 billion for the year ended March 31, 2015, due to a decrease in sales price of crude oil and natural gas.

Compared with the year ended March 31, 2015, net sales of crude oil decreased by ¥51.2 billion, or 7.0%, to ¥679.2 billion from ¥730.4 billion, and net sales of natural gas decreased by ¥105.1 billion, or 24.9%, to ¥316.8 billion from ¥421.9 billion.

Crude oil sales volume increased by 36,669 thousand barrels, or 45.5%, to 117,227 thousand barrels compared with the year ended March 31, 2015. The sales volume of natural gas increased by 28 billion cubic feet (Bcf), or 9.0%, to 337 Bcf compared with the year ended March 31, 2015. Of this, the sales volume of overseas natural gas increased by 29 Bcf, or 12.0%, to 272 Bcf compared with the year ended March 31, 2015. The sales volume of domestic natural gas decreased by 37 million m^3, or 2.1%, to 1,750 million m^3 (equivalent to 65 Bcf) compared with the year ended March 31, 2015. The average sales price of overseas crude oil was US$47.95 per barrel, a decrease of US$36.05, or 42.9%, compared with the year ended March 31, 2015. The average sales price of overseas natural gas was US$6.58 per thousand cubic feet (Mcf), a decrease of US$4.78, or 42.1%, compared with the year ended March 31, 2015. The average sales price of domestic natural gas was ¥52.29 per m^3, a decrease of ¥5.27 per m^3, or 9.2%, compared with the year ended March 31, 2015.

The decrease of ¥161.7 billion in net sales was mainly derived from the following factors: regarding net sales of crude oil and natural gas, an increase in sales volume contributing ¥362.1 billion to the increase, a decrease in unit sales price pushing sales down of ¥612.8 billion, the depreciation of the Japanese yen against the U.S. dollar contributing ¥94.4 billion to the increase, and a decrease in net sales excluding crude oil and natural gas of ¥5.4 billion.

Years ended March 31,	2015	2016	Change	Ratio
	(Millions of yen, %)			
Net sales	¥1,171,227	¥1,009,564	¥(161,663)	(13.8)%
Crude oil	730,422	679,241	(51,181)	(7.0)
Natural gas	421,860	316,761	(105,099)	(24.9)
Other	18,945	13,562	(5,383)	(28.4)
Cost of sales	525,444	526,758	1,314	0.3
Gross profit	645,783	482,806	(162,977)	(25.2)
Exploration expenses	23,239	6,166	(17,073)	(73.5)
Selling, general and administrative expenses	63,139	61,387	(1,752)	(2.8)
Depreciation and amortization	24,519	25,114	595	2.4
Operating income	534,886	390,139	(144,747)	(27.1)
Other income	101,764	69,934	(31,830)	(31.3)
Interest income	11,227	10,751	(476)	(4.2)
Dividend income	6,670	10,826	4,156	62.3
Gain on sales of marketable securities	18,146	25,987	7,841	43.2
Foreign exchange gain	19,562	2,964	(16,598)	(84.8)
Other	46,159	19,406	(26,753)	(58.0)
Other expenses	96,627	131,186	34,559	35.8
Interest expense	2,947	4,199	1,252	42.5
Equity in losses of affiliates	13,444	20,696	7,252	53.9
Provision for allowance for recoverable accounts under production sharing	19,449	25,026	5,577	28.7
Provision for exploration projects	835	335	(500)	(59.9)
Loss on disposal of fixed assets	6,258	13,288	7,030	112.3
Impairment loss	35,132	45,885	10,753	30.6
Other	18,562	21,757	3,195	17.2
Income before income taxes	540,023	328,887	(211,136)	(39.1)
Income taxes	464,426	354,393	(110,033)	(23.7)
Net income (loss)	75,597	(25,506)	(101,103)	—
Net loss attributable to non-controlling interests	(2,223)	(42,283)	(40,060)	—
Net income attributable to owners of parent	¥ 77,820	¥ 16,777	¥ (61,043)	(78.4)%

Cost of sales
Cost of sales for the year ended March 31, 2016, increased by ¥1.3 billion, or 0.3%, to ¥526.8 billion from ¥525.4 billion for the year ended March 31, 2015. This was mainly due to the depreciation of the Japanese yen against the U.S. dollar.

Exploration expenses
Exploration expenses for the year ended March 31, 2016, decreased by ¥17.1 billion, or 73.5%, to ¥6.2 billion from ¥23.2 billion for the year ended March 31, 2015. This was mainly due to a decrease in exploration activities in the Americas region.

Selling, general and administrative expenses
Selling, general and administrative expenses for the year ended March 31, 2016, decreased by ¥1.8 billion, or 2.8%, to ¥61.4 billion from ¥63.1 billion for the year ended March 31, 2015. This was mainly due to a decrease in taxes.

Depreciation and amortization
Depreciation and amortization for the year ended March 31, 2016, increased by ¥0.6 billion, or 2.4%, to ¥25.1 billion from ¥24.5 billion for the year ended March 31, 2015. 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, 2016, decreased by ¥144.7 billion, or 27.1%, to ¥390.1 billion from ¥534.9 billion for the year ended March 31, 2015.

Other income
Other income for the year ended March 31, 2016, decreased by ¥31.8 billion, or 31.3%, to ¥69.9 billion from ¥101.8 billion for the year ended March 31, 2015. This was mainly due to a decrease in foreign exchange gain, despite increases in gain on sales of marketable securities and dividend income.

Other expenses
Other expenses for the year ended March 31, 2016, increased by ¥34.6 billion, or 35.8%, to ¥131.2 billion from ¥96.6 billion for the year ended March 31, 2015. This was mainly due to the following factors: posting impairment loss for certain projects due to a drop in oil prices and increases in equity in losses of affiliates and loss on disposal of fixed assets.

Income taxes
Total current income taxes and deferred income taxes for the year ended March 31, 2016, decreased by ¥110.0 billion, or 23.7%, to ¥354.4 billion from ¥464.4 billion for the year ended March 31, 2015. 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.

Net loss attributable to non-controlling interests
Net loss attributable to non-controlling interests for the year ended March 31, 2016, increased by ¥40.1 billion to ¥42.3 billion from ¥2.2 billion for the year ended March 31, 2015.

Net income attributable to owners of parent
As a result of the above, net income attributable to owners of parent for the year ended March 31, 2016, decreased by ¥61.0 billion, or 78.4%, to ¥16.8 billion from ¥77.8 billion for the year ended March 31, 2015.

FINANCIAL POSITION

Total assets as of March 31, 2016, decreased by ¥129.3 billion, or 2.9%, to ¥4,369.8 billion from ¥4,499.2 billion as of March 31, 2015. Current assets decreased by ¥358.1 billion, or 26.7%, to ¥984.3 billion from ¥1,342.4 billion due to a decrease in marketable securities and others. Fixed assets increased by ¥228.8 billion, or 7.2%, to ¥3,385.5 billion from ¥3,156.7 billion as of March 31, 2015, due to increases in tangible fixed assets and intangible assets and others.

Meanwhile, total liabilities decreased by ¥19.4 billion, or 1.6%, to ¥1,191.0 billion from ¥1,210.5 billion as of March 31, 2015. Current liabilities decreased by ¥46.1 billion, or 12.6%, to ¥319.1 billion from ¥365.2 billion as of March 31, 2015. Long-term liabilities increased by ¥26.7 billion, or 3.2%, to ¥871.9 billion from ¥845.2 billion as of March 31, 2015.

Net assets decreased by ¥109.9 billion, or 3.3%, to ¥3,178.8 billion from ¥3,288.7 billion as of March 31, 2015. Total shareholders' equity decreased by ¥12.5 billion, or 0.5%, to ¥2,537.0 billion from ¥2,549.5 billion as of March 31, 2015. Total accumulated other comprehensive income decreased by ¥121.3 billion, or 23.4%, to ¥395.9 billion from ¥517.2 billion as of March 31, 2015, and non-controlling interests increased by ¥23.9 billion, or 10.8%, to ¥245.9 billion from ¥222.0 billion as of March 31, 2015.

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.
- 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, 2015 and 2016.

(Millions of yen)

Year ended March 31, 2015	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Total
INPEX CORPORATION and Consolidated Subsidiaries						
Exploration	¥ 519	¥ 47,681	¥ 2,839	¥ 1,982	¥19,628	¥ 72,649
Development	2,851	436,119	45,657	74,386	22,912	581,925
Subtotal*[1]	3,370	483,800	48,496	76,368	42,540	654,574
Equity-method Affiliates						
Exploration	—	—	445	7	—	452
Development	—	963	—	13,094	835	14,892
Subtotal	—	963	445	13,101	835	15,344
Other capital expenditures*[2]	27,016	348,112	—	—	—	375,128
Total*[3]	¥30,386	¥832,875	¥48,941	¥89,469	¥43,375	¥1,045,046

*1 Figures include an equity-method affiliate of Japan Oil Development Co., Ltd. (JODCO).
*2 Other capital expenditures include the construction costs of domestic gas infrastructure, the Group's share of investment in the Ichthys downstream entity (Ichthys LNG Pty Ltd, an equity-method affiliate) and others.
*3 The amount capitalized for the asset retirement costs corresponding to asset retirement obligations for the year ended March 31, 2015, was ¥60,888 million.

(Millions of yen)

Year ended March 31, 2016	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Total
INPEX CORPORATION and Consolidated Subsidiaries						
Exploration	¥ 2,492	¥ 23,981	¥ 0	¥ 1,372	¥11,495	¥ 39,340
Development	6,352	418,496	58,890	113,849	1,807	599,394
Subtotal*1	8,844	442,477	58,890	115,221	13,302	638,734
Equity-method Affiliates						
Exploration	—	—	343	4	0	347
Development	—	155	—	14,695	849	15,699
Subtotal	—	155	343	14,699	849	16,046
Other capital expenditures*2	51,142	281,399	—	—	—	332,541
Total*3	¥59,986	¥724,031	¥59,233	¥129,920	¥14,151	¥987,321

*1 Figures include an equity-method affiliate of Japan Oil Development Co., Ltd. (JODCO).
*2 Other capital expenditures include the construction costs of domestic gas infrastructure, the Group's share of investment in the Ichthys downstream entity (Ichthys LNG Pty Ltd, an equity-method affiliate) and others.
*3 The amount capitalized for the asset retirement costs corresponding to asset retirement obligations for the year ended March 31, 2016 was ¥6,882 million.

Total investments for the year ended March 31, 2016, decreased by ¥57.7 billion, or 5.5%, to ¥987.3 billion (including ¥16.0 billion for exploration and development by equity-method affiliates) from ¥1,045.0 billion for the year ended March 31, 2015. This was mainly due to a decrease in expenditures in the Asia & Oceania region.

The table below shows the Group's operating expenses by segment for the years ended March 31, 2015 and 2016.

(Millions of yen, %)

Years ended March 31,	2015		2016	
INPEX CORPORATION and Consolidated Subsidiaries				
Japan	¥ 11,075	6.4%	¥ 12,380	7.9%
Asia & Oceania	104,938	60.8	75,259	48.1
Eurasia (Europe & NIS)	13,384	7.8	10,761	6.9
Middle East & Africa	39,927	23.1	56,178	35.9
Americas	3,229	1.9	1,938	1.2
Subtotal	172,553	100.0	156,516	100.0
Equity-method Affiliates				
Asia & Oceania	1,034	8.9	1,390	7.4
Eurasia (Europe & NIS)	—	—	—	—
Middle East & Africa	8,290	71.2	7,676	40.8
Americas	2,321	19.9	9,762	51.8
Subtotal	11,645	100.0	18,828	100.0
Total	¥184,198	—%	¥175,344	—%

— 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, 2015 and 2016. 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,	2015		2016	
INPEX CORPORATION and Consolidated Subsidiaries				
Asia & Oceania	¥ —	—%	¥ —	—%
Eurasia (Europe & NIS)	—	—	—	—
Middle East & Africa	—	—	134,516	100.0
Americas	18,424	100.0	—	—
Subtotal	18,424	100.0	134,516	100.0
Equity-method Affiliates				
Asia & Oceania	—	—	—	—
Eurasia (Europe & NIS)	—	—	—	—
Middle East & Africa	—	—	—	—
Americas	—	—	—	—
Subtotal	—	—	—	—
Total	¥18,424	—%	¥134,516	—%

Total expenditures on acquisitions of upstream oil and gas projects for the year ended March 31, 2016, increased by ¥116.1 billion to ¥134.5 billion from ¥18.4 billion for the year ended March 31, 2015, mainly due to an increase in the Middle East & Africa region.

— 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, 2015 and 2016.

	(Millions of yen)	
Years ended March 31,	2015	2016
Balance at beginning of the year	¥ 685,990	¥ 703,291
Add: Exploration costs	41,237	30,970
Development costs	131,985	104,519
Operating expenses	98,250	70,365
Other	7,332	9,745
Less: Cost recovery—capital expenditures	(75,586)	(64,200)
Cost recovery—operating expenditures	(146,930)	(107,133)
Other	(38,987)	(19,785)
Balance at end of the year	703,291	727,772
Allowance for recoverable accounts under production sharing at end of the year	¥(121,707)	¥(131,766)

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, 2016, decreased compared with the year ended March 31, 2015. This was mainly due to a decrease in exploration expenditures in the Asia & Oceania region.

Development costs for the year ended March 31, 2016, decreased compared with the year ended March 31, 2015. This was mainly due to a decrease in development expenditures in the Offshore Mahakam Block.

Operating expenses for the year ended March 31, 2016, decreased compared with the year ended March 31, 2015. This was mainly due to a decrease in operating expenses in the Offshore Mahakam Block.

Cost recovery for the year ended March 31, 2016, decreased compared with the year ended March 31, 2015. This was mainly due to a decrease in cost recovery in the Offshore Mahakam Block.

In addition, other deduction was mainly due to the decrease in recoverable accounts under production sharing related to the business withdrawal from certain exploration blocks.

The allowance for recoverable accounts under production sharing as of March 31, 2016, increased compared with March 31, 2015. This was mainly due to additional provision for allowance in connection with exploration expenditures.

— Funding sources and liquidity

Oil and gas exploration and development projects, as well as the construction of gas 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 and the construction of gas infrastructure. 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 of domestic gas infrastructure.

The Ichthys downstream entity (Ichthys LNG Pty Ltd, an equity-method affiliate), as the borrower, has utilized external loans from export credit agencies and commercial banks for project financing and others throughout the year ended March 31, 2016.

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, 2016, 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
2017	$ 258.6	¥ 34,144	¥ 63,287
2018	258.6	10,272	39,416
2019	458.6	17,365	69,047
2020	658.6	43,314	117,533
2021	704.0	24,397	103,731
2022 and thereafter	2,236.5	91,341	343,372
Total	$4,574.9	¥220,833	¥736,386

— Cash flows

Cash flows for the years ended March 31, 2015 and 2016, are summarized as follows:

	(Millions of yen)	
Years ended March 31,	2015	2016
Net cash provided by operating activities	¥216,749	¥183,708
Net cash used in investing activities	(81,087)	(543,534)
Net cash provided by (used in) financing activities	(4,178)	156,726
Cash and cash equivalents at end of the year	¥260,978	¥ 53,813

Net cash provided by operating activities

Net cash provided by operating activities for the year ended March 31, 2016, was ¥183.7 billion, a decrease of ¥33.0 billion from ¥216.7 billion for the year ended March 31, 2015. This was mainly due to a decrease in income before income taxes owing to a decrease in sales prices of crude oil and natural gas.

Net cash used in investing activities

Net cash used in investing activities for the year ended March 31, 2016, was ¥543.5 billion, an increase of ¥462.4 billion from ¥81.1 billion for the year ended March 31, 2015. This was mainly due to increases in payments for long-term time deposits and payments for purchases of mining rights.

Net cash provided by (used in) financing activities

Net cash provided by financing activities for the year ended March 31, 2016, was ¥156.7 billion. This was mainly due to increases in proceeds from long-term debt and proceeds from non-controlling interests for additional shares. Meanwhile, net cash used in financing activities for the year ended March 31, 2015, was ¥4.2 billion.

Consolidated Balance Sheet

INPEX CORPORATION and Consolidated Subsidiaries
March 31, 2016

	Millions of yen		Thousands of U.S. dollars (Note 3)
ASSETS	2015	2016	2016
Current assets			
Cash and cash equivalents	¥ 260,978	¥ 53,813	$ 477,531
Time deposits (Note 13)	661,706	718,715	6,377,806
Accounts receivable—trade (Note 4)	77,209	56,462	501,038
Marketable securities (Notes 4 and 5)	162,289	—	—
Inventories	31,652	35,916	318,716
Deferred tax assets (Note 7)	4,956	2,852	25,308
Accounts receivable—other (Note 4)	110,315	84,650	751,176
Other	46,211	45,013	399,441
Less allowance for doubtful accounts	(12,906)	(13,076)	(116,035)
Total current assets	1,342,410	984,345	8,734,981
Tangible fixed assets			
Buildings and structures (Note 6)	300,484	298,714	2,650,759
Wells (Note 6)	291,524	298,855	2,652,010
Machinery, equipment and vehicles (Note 6)	366,422	399,665	3,546,588
Land	19,870	19,674	174,585
Construction in progress	1,173,409	1,407,490	12,489,928
Other (Note 6)	29,143	29,000	257,343
	2,180,852	2,453,398	21,771,213
Less accumulated depreciation and amortization	(683,230)	(700,783)	(6,218,680)
Total tangible fixed assets	1,497,622	1,752,615	15,552,533
Intangible assets			
Goodwill (Note 18)	74,319	67,558	599,503
Exploration and development rights	134,810	146,262	1,297,915
Mining rights	238,316	318,438	2,825,788
Other	11,325	9,213	81,755
Total intangible assets	458,770	541,471	4,804,961
Investments and other assets			
Recoverable accounts under production sharing	703,291	727,772	6,458,177
Less allowance for recoverable accounts under production sharing	(121,707)	(131,766)	(1,169,278)
	581,584	596,006	5,288,899
Investment securities (Notes 4, 5 and 6)	284,090	213,731	1,896,628
Long-term loans receivable	126,517	4,231	37,545
Long-term time deposits	120,270	202,842	1,800,000
Deferred tax assets (Note 7)	22,849	13,105	116,292
Other investments (Note 6)	76,168	71,358	633,224
Less allowance for doubtful accounts	(8,399)	(7,815)	(69,349)
Less allowance for investments in exploration	(2,727)	(2,047)	(18,165)
Total investments and other assets	1,200,352	1,091,411	9,685,074
Total fixed assets	3,156,744	3,385,497	30,042,568
Total assets	¥4,499,154	¥4,369,842	$38,777,549

See accompanying notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of yen 2015	Millions of yen 2016	Thousands of U.S. dollars (Note 3) 2016
Current liabilities			
Accounts payable—trade	¥ 53,474	¥ 47,351	$ 420,188
Short-term borrowings and current portion of long-term debt (Notes 4, 6 and 13)	33,206	68,469	607,587
Income taxes payable (Note 7)	60,185	42,845	380,202
Accounts payable—other (Note 6)	113,568	79,621	706,549
Provision for exploration projects	9,492	4,782	42,435
Accrued bonuses to officers	70	56	497
Asset retirement obligations (Note 17)	1,094	2,234	19,824
Other (Note 7)	94,123	73,770	654,628
Total current liabilities	365,212	319,128	2,831,910
Long-term liabilities			
Long-term debt (Notes 4, 6, 12 and 13)	643,951	673,099	5,973,014
Deferred tax liabilities (Note 7)	77,918	56,045	497,338
Provision for loss on business	9,080	4,737	42,036
Accrued special repair and maintenance	228	293	2,600
Liability for retirement benefits (Note 16)	6,700	7,462	66,217
Asset retirement obligations (Note 17)	105,234	100,829	894,747
Other (Note 6)	2,127	29,446	261,301
Total long-term liabilities	845,238	871,911	7,737,253
Total liabilities	1,210,450	1,191,039	10,569,163
Net assets (Note 10)			
Common stock	290,810	290,810	2,580,620
Authorized: 2015 — 3,600,000,001 shares; 2016 — 3,600,000,001 shares			
Issued: 2015 — 1,462,323,601 shares; 2016 — 1,462,323,601 shares			
Capital surplus	679,288	676,273	6,001,180
Retained earnings	1,584,645	1,575,136	13,977,602
Less: Treasury stock 2015 — 1,966,400 shares; 2016 — 1,966,400 shares	(5,248)	(5,248)	(46,570)
Total shareholders' equity	2,549,495	2,536,971	22,512,832
Unrealized holding gain on securities	46,049	4,959	44,006
Unrealized gain (loss) from hedging instruments	(36,423)	(6,660)	(59,100)
Translation adjustments	507,560	397,622	3,528,458
Total accumulated other comprehensive income	517,186	395,921	3,513,364
Non-controlling interests	222,023	245,911	2,182,190
Total net assets	3,288,704	3,178,803	28,208,386
Contingent liabilities (Note 20)			
Total liabilities and net assets	¥4,499,154	¥4,369,842	$38,777,549

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, 2016

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2016	2016
Net sales	¥1,171,227	¥1,009,564	$8,958,772
Cost of sales	525,444	526,758	4,674,399
Gross profit	645,783	482,806	4,284,373
Exploration expenses	23,239	6,166	54,717
Selling, general and administrative expenses (Notes 14, 16 and 18)	63,139	61,387	544,742
Depreciation and amortization	24,519	25,114	222,859
Operating income	534,886	390,139	3,462,055
Other income			
Interest income	11,227	10,751	95,403
Dividend income	6,670	10,826	96,069
Gain on sales of marketable securities	18,146	25,987	230,606
Foreign exchange gain	19,562	2,964	26,302
Other	46,159	19,406	172,207
Total other income	101,764	69,934	620,587
Other expenses			
Interest expense	2,947	4,199	37,262
Equity in losses of affiliates	13,444	20,696	183,654
Provision for allowance for recoverable accounts under production sharing	19,449	25,026	222,078
Provision for exploration projects	835	335	2,973
Loss on disposal of fixed assets	6,258	13,288	117,916
Impairment loss (Note 15)	35,132	45,885	407,179
Other	18,562	21,757	193,069
Total other expenses	96,627	131,186	1,164,131
Income before income taxes	540,023	328,887	2,918,511
Income taxes (Note 7)			
Current	448,659	356,585	3,164,300
Deferred	15,767	(2,192)	(19,451)
Total income taxes	464,426	354,393	3,144,849
Net income(loss)	75,597	(25,506)	(226,338)
Net loss attributable to non-controlling interests	(2,223)	(42,283)	(375,215)
Net income attributable to owners of parent	¥ 77,820	¥ 16,777	$ 148,877

Consolidated Statement of Comprehensive Income

INPEX CORPORATION and Consolidated Subsidiaries
For the year ended March 31, 2016

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2016	2016
Net income(loss)	¥ 75,597	¥ (25,506)	$ (226,338)
Other comprehensive income			
Unrealized holding gain (loss) on securities	1,315	(41,094)	(364,664)
Translation adjustments	244,018	(129,079)	(1,145,434)
Share of other comprehensive income of affiliates accounted for by the equity-method	(13,951)	29,310	260,094
Total other comprehensive income (Note 8)	231,382	(140,863)	(1,250,004)
Comprehensive income	306,979	(166,369)	(1,476,342)
Total comprehensive income attributable to:			
Owners of parent	301,622	(104,488)	(927,216)
Non-controlling interests	¥ 5,357	¥ (61,881)	$ (549,126)

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

INPEX CORPORATION and Consolidated Subsidiaries

	Millions of yen				
	Shareholders' equity				
For the year ended March 31, 2015	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2014	¥290,810	¥679,288	¥1,532,876	¥(5,248)	¥2,497,726
Cumulative effects of changes in accounting policies			236		236
Restated balance	290,810	679,288	1,533,112	(5,248)	2,497,962
Change in treasury shares of parent arising from transactions with non-controlling shareholders					—
Cash dividends paid			(26,287)		(26,287)
Net income attributable to owners of parent			77,820		77,820
Net changes in items other than those in shareholders' equity					
Total changes during the period	—	—	51,533	—	51,533
Balance as of March 31, 2015	¥290,810	¥679,288	¥1,584,645	¥(5,248)	¥2,549,495

	Millions of yen					
	Accumulated other comprehensive income					
For the year ended March 31, 2015	Unrealized holding gain on securities	Unrealized gain (loss) from hedging instruments	Translation adjustments	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance as of April 1, 2014	¥44,737	¥(17,579)	¥266,225	¥293,383	¥204,928	¥2,996,037
Cumulative effects of changes in accounting policies						236
Restated balance	44,737	(17,579)	266,225	293,383	204,928	2,996,273
Change in treasury shares of parent arising from transactions with non-controlling shareholders						—
Cash dividends paid						(26,287)
Net income attributable to owners of parent						77,820
Net changes in items other than those in shareholders' equity	1,312	(18,844)	241,335	223,803	17,095	240,898
Total changes during the period	1,312	(18,844)	241,335	223,803	17,095	292,431
Balance as of March 31, 2015	¥46,049	¥(36,423)	¥507,560	¥517,186	¥222,023	¥3,288,704

	Millions of yen				
	Shareholders' equity				
For the year ended March 31, 2016	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2015	¥290,810	¥679,288	¥1,584,645	¥(5,248)	¥2,549,495
Cumulative effects of changes in accounting policies					—
Restated balance	290,810	679,288	1,584,645	(5,248)	2,549,495
Change in treasury shares of parent arising from transactions with non-controlling shareholders		(3,015)			(3,015)
Cash dividends paid			(26,286)		(26,286)
Net income attributable to owners of parent			16,777		16,777
Net changes in items other than those in shareholders' equity					
Total changes during the period	—	(3,015)	(9,509)	—	(12,524)
Balance as of March 31, 2016	¥290,810	¥676,273	¥1,575,136	¥(5,248)	¥2,536,971

	Millions of yen					
	Accumulated other comprehensive income					
For the year ended March 31, 2016	Unrealized holding gain on securities	Unrealized gain (loss) from hedging instruments	Translation adjustments	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance as of April 1, 2015	¥46,049	¥(36,423)	¥507,560	¥517,186	¥222,023	¥3,288,704
Cumulative effects of changes in accounting policies						—
Restated balance	46,049	(36,423)	507,560	517,186	222,023	3,288,704
Change in treasury shares of parent arising from transactions with non-controlling shareholders						(3,015)
Cash dividends paid						(26,286)
Net income attributable to owners of parent						16,777
Net changes in items other than those in shareholders' equity	(41,090)	29,763	(109,938)	(121,265)	23,888	(97,377)
Total changes during the period	(41,090)	29,763	(109,938)	(121,265)	23,888	(109,901)
Balance as of March 31, 2016	¥ 4,959	¥ (6,660)	¥397,622	¥395,921	¥245,911	¥3,178,803

	Thousands of U.S. dollars (Note 3)				
	Shareholders' equity				
For the year ended March 31, 2016	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2015	$2,580,620	$6,027,935	$14,061,984	$(46,570)	$22,623,969
Cumulative effects of changes in accounting policies					—
Restated balance	2,580,620	6,027,935	14,061,984	(46,570)	22,623,969
Change in treasury shares of parent arising from transactions with non-controlling shareholders		(26,755)			(26,755)
Cash dividends paid			(233,259)		(233,259)
Net income attributable to owners of parent			148,877		148,877
Net changes in items other than those in shareholders' equity					
Total changes during the period	—	(26,755)	(84,382)	—	(111,137)
Balance as of March 31, 2016	$2,580,620	$6,001,180	$13,977,602	$(46,570)	$22,512,832

	Thousands of U.S. dollars (Note 3)					
	Accumulated other comprehensive income					
For the year ended March 31, 2016	Unrealized holding gain on securities	Unrealized gain (loss) from hedging instruments	Translation adjustments	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance as of April 1, 2015	$408,634	$(323,214)	$4,504,038	$4,589,458	$1,970,210	$29,183,637
Cumulative effects of changes in accounting policies						—
Restated balance	408,634	(323,214)	4,504,038	4,589,458	1,970,210	29,183,637
Change in treasury shares of parent arising from transactions with non-controlling shareholders						(26,755)
Cash dividends paid						(233,259)
Net income attributable to owners of parent						148,877
Net changes in items other than those in shareholders' equity	(364,628)	264,114	(975,580)	(1,076,094)	211,980	(864,114)
Total changes during the period	(364,628)	264,114	(975,580)	(1,076,094)	211,980	(975,251)
Balance as of March 31, 2016	$ 44,006	$ (59,100)	$3,528,458	$3,513,364	$2,182,190	$28,208,386

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

INPEX CORPORATION and Consolidated Subsidiaries
For the year ended March 31, 2016

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2016	2016
Cash flows from operating activities			
Income before income taxes	¥ 540,023	¥ 328,887	$ 2,918,511
Depreciation and amortization	52,520	86,791	770,175
Impairment loss	35,132	45,885	407,179
Amortization of goodwill	6,761	6,761	59,996
Provision for allowance for recoverable accounts under production sharing	20,307	29,844	264,833
Provision for exploration projects	(600)	(4,399)	(39,036)
Other provisions	3,419	(4,353)	(38,628)
Liability for retirement benefits	(873)	945	8,386
Interest and dividend income	(17,896)	(21,580)	(191,499)
Interest expense	2,947	3,465	30,748
Foreign exchange loss (gain)	3,973	15,085	133,863
Equity in (earnings) losses of affiliates	13,444	20,696	183,654
Loss (gain) on sales of marketable securities	(18,146)	(25,987)	(230,606)
Recovery of recoverable accounts under production sharing (capital expenditures)	75,586	64,200	569,704
Recoverable accounts under production sharing (operating expenditures)	(60,764)	(45,833)	(406,717)
Accounts receivable—trade	25,202	15,193	134,821
Inventories	(797)	(2,551)	(22,637)
Accounts payable—trade	6,310	(4,389)	(38,948)
Accounts receivable—other	(1,440)	41,632	369,438
Accounts payable—other	(11,247)	(13,746)	(121,981)
Advances received	(126)	2,882	25,575
Other	(3,940)	9,625	85,411
Subtotal	669,795	549,053	4,872,242
Interest and dividends received	28,194	31,447	279,058
Interest paid	(2,376)	(3,206)	(28,450)
Income taxes paid	(478,864)	(393,586)	(3,492,643)
Net cash provided by (used in) operating activities	216,749	183,708	1,630,207
Cash flows from investing activities			
Payments for time deposits	(326,026)	(544,331)	(4,830,340)
Proceeds from time deposits	698,139	790,267	7,012,751
Payments for long-term time deposits	(112,181)	(439,989)	(3,904,419)
Payments for purchases of tangible fixed assets	(448,381)	(476,789)	(4,230,979)
Proceeds from sales of tangible fixed assets	245	1,132	10,045
Payments for purchases of intangible assets	(15,446)	(26,898)	(238,690)
Proceeds from sales and redemptions of marketable securities	214,527	175,585	1,558,124
Payments for purchases of investment securities	(26,767)	(6,877)	(61,026)
Proceeds from sales and redemptions of investment securities	68,938	27,701	245,816
Investment in recoverable accounts under production sharing (capital expenditures)	(70,430)	(60,442)	(536,356)
Decrease (increase) in short-term loans receivable	(3,825)	(4,120)	(36,560)
Long-term loans made	(111,388)	(215,710)	(1,914,189)
Collection of long-term loans receivable	260	384,759	3,414,314
Payments for purchase of mining rights	(18,424)	(134,516)	(1,193,682)
Other	69,672	(13,306)	(118,076)
Net cash provided by (used in) investing activities	(81,087)	(543,534)	(4,823,267)
Cash flows from financing activities			
Increase (decrease) in short-term loans	1,490	92	816
Proceeds from long-term debt	27,713	127,120	1,128,050
Repayment of long-term debt	(18,684)	(26,869)	(238,432)
Proceeds from non-controlling interests for additional shares	16,730	87,279	774,505
Cash dividends paid	(26,288)	(26,298)	(233,365)
Cash dividends paid to non-controlling interests	(4,992)	(4,524)	(40,146)
Other	(147)	(74)	(657)
Net cash provided by (used in) financing activities	(4,178)	156,726	1,390,771
Effect of exchange rate changes on cash and cash equivalents	11,963	(4,065)	(36,073)
Net increase (decrease) in cash and cash equivalents	143,447	(207,165)	(1,838,362)
Cash and cash equivalents at beginning of the period	117,531	260,978	2,315,893
Cash and cash equivalents at end of the period	¥ 260,978	¥ 53,813	$ 477,531

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, 2016.

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 49 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 10 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 non-controlling 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 non-controlling interests are translated at their historical exchange rates. The differences arising from the translation are presented as translation adjustments and non-controlling 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 5 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) Provision for loss on business
Provision for loss on business is provided for future potential losses on crude oil and natural gas development, production and sales business individually estimated for each project.

(p) 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.

(q) Accounting for retirement benefits
(Method of attributing expected retirement benefits to proper periods)

When calculating retirement benefit obligations, the benefit formula method is used for attributing expected retirement benefits to periods through March 31, 2016. Because certain subsidiaries are classified as small enterprises, a 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 for those subsidiaries.

(Method of recognizing for actuarial differences)

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

(r) Asset retirement obligations
Asset retirement obligations are recorded by a reasonable estimate of the present value of retirement costs incurred upon termination of the operation and production with respect to oil and gas production facilities, based on the oil and gas contracts or laws and regulations within the countries in which the Company operates or has working interests.

(s) Hedge accounting
The special treatment is applied to the interest rate swaps that meet certain criteria. For certain equity-method affiliates, the deferred hedge accounting method is adopted.

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) Adoption of new accounting standard
Effective from the year ended March 31, 2016, the Company has applied the "Revised Accounting Standard for Business Combinations" (Accounting Standards Board of Japan Statement No.21, issued on September 13, 2013), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22, issued on September 13, 2013), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No.7, issued on September 13, 2013), and other standards. Accordingly, any difference arising from changes in the Company's ownership interest in a subsidiary when the Company retains control over the subsidiary is recognized in capital surplus, and acquisition-related costs are expensed in the fiscal year in which the costs are incurred. As for business combinations executed at or after the beginning of the year ended March 31, 2016, adjustments to the allocation of acquisition costs after the confirmation of the provisional accounting treatment are reflected in the consolidated financial statements for the fiscal year which includes the acquisition date. In addition, the presentation method of net income was amended and "minority interests" was renamed "non-controlling interests". To reflect these changes in presentation, consolidated financial statements for the year ended March 31, 2015 have been reclassified.

The Company has applied these standards from the beginning of the year ended March 31, 2016 in accordance with transitional treatments as stated in Section 58-2(4) of the "Revised Accounting Standard for Business Combinations", Section 44-5(4) of the "Revised Accounting Standard for Consolidated Financial Statements", and Section 57-4(4) of the "Revised Accounting Standard for Business Divestitures". As a result, capital surplus decreased by ¥3,014 million as of March 31, 2016.

The impact on the profit and loss for the year ended March 31, 2016 was immaterial.

(w) Standards issued but not effective
• "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No.26, issued on March 28, 2016)

(Overview)

With regard to the treatment of the recoverability of deferred tax assets, necessary reviews on the following treatments have been conducted basically following the framework of the Japanese Institute of Certified Public Accountants (JICPA) Audit Committee Report No.66 "the Auditing Treatment on Determining the Recoverability of Deferred Tax Assets," whereby companies are classified into five categories and deferred tax assets are estimated based on each of these categories.

(i) Treatment of companies that do not fulfill any of the requirements from (Category 1) to (Category 5)

(ii) Requirements for classification as (Category 2) and (Category 3)

(iii) Treatment of unscheduled deductible temporary difference for companies applicable to (Category 2)

(iv) Treatment of the reasonable estimable period for the future taxable income before adjustments including temporary differences for companies applicable to (Category 3)

(v) Treatment of cases where a company fulfilling the requirements of (Category 4) is also applicable to (Category 2) or (Category 3)

(Scheduled Effective Date)

The guidance is scheduled to take effect from the beginning of the year ending March 31, 2017.

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

The impact of the adoption of revised accounting standards 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 ¥112.69=US$1.00, the approximate exchange rate in effect as of March 31, 2016. 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 gas infrastructure 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 gas infrastructure. 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 natural gas development projects and construction or expansion of domestic gas infrastructure 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 endeavors 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, 2015 and 2016 is as follows:

	Millions of yen		
March 31, 2015	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities with carrying values exceeding their acquisition costs			
Stock	¥ 34,624	¥ 52,082	¥17,458
Bonds:			
Public bonds	31,178	31,243	65
Corporate bonds	39,300	39,313	13
Other debt securities	12,549	18,243	5,694
Other	73,496	106,738	33,242
Subtotal	191,147	247,619	56,472
Securities with acquisition costs exceeding their carrying values			
Stock	17,765	15,375	(2,390)
Bonds:			
Corporate bonds	17,600	17,598	(2)
Subtotal	35,365	32,973	(2,392)
Total	¥226,512	¥280,592	¥54,080

March 31, 2016	Millions of yen: Acquisition cost	Millions of yen: Carrying value	Millions of yen: Unrealized gain (loss)	Thousands of U.S. dollars: Acquisition cost	Thousands of U.S. dollars: Carrying value	Thousands of U.S. dollars: Unrealized gain (loss)
Securities with carrying values exceeding their acquisition costs						
Stock	¥14,582	¥22,889	¥ 8,307	$129,399	$203,115	$ 73,716
Bonds:						
Corporate bonds	5,500	5,509	9	48,806	48,886	80
Other	2,462	4,971	2,509	21,848	44,112	22,264
Subtotal	22,544	33,369	10,825	200,053	296,113	96,060
Securities with acquisition costs exceeding their carrying values						
Stock	33,676	28,054	(5,622)	298,838	248,949	(49,889)
Subtotal	33,676	28,054	(5,622)	298,838	248,949	(49,889)
Total	¥56,220	¥61,423	¥ 5,203	$498,891	$545,062	$ 46,171

(b) Information regarding sales of securities classified as other securities for the years ended March 31, 2015 and 2016 is as follows:

Year ended March 31, 2015	Millions of yen: Proceeds from sales	Millions of yen: Gain on sales	Millions of yen: Loss on sales
Bonds			
Public bonds	¥ 91,741	¥ 358	¥ 9
Other	84,072	18,053	—
Total	¥175,813	¥18,411	¥ 9

Year ended March 31, 2016	Millions of yen: Proceeds from sales	Millions of yen: Gain on sales	Millions of yen: Loss on sales	Thousands of U.S. dollars: Proceeds from sales	Thousands of U.S. dollars: Gain on sales	Thousands of U.S. dollars: Loss on sales
Bonds						
Public bonds	¥ 31,205	¥ 59	¥—	$ 276,910	$ 524	$—
Corporate bonds	30,906	9	3	274,257	80	27
Other	102,667	31,633	—	911,057	280,708	—
Total	¥164,778	¥31,701	¥ 3	$1,462,224	$281,312	$27

(c) Components of securities for which it is extremely difficult to determine fair value as of March 31, 2015 and 2016 are summarized as follows:

March 31,	Millions of yen: 2015	Millions of yen: 2016	Thousands of U.S. dollars: 2016
Other securities			
Unlisted securities	¥ 33,410	¥ 32,239	$ 286,086
Stocks of subsidiaries and affiliates	132,377	120,069	1,065,480
Total	¥165,787	¥152,308	$1,351,566

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, 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, 2016 is as follows:

March 31, 2016	Millions of yen: 1 year or less	Millions of yen: More than 1 year but less than 5 years	Millions of yen: More than 5 years but less than 10 years	Millions of yen: More than 10 years	Thousands of U.S. dollars: 1 year or less	Thousands of U.S. dollars: More than 1 year but less than 5 years	Thousands of U.S. dollars: More than 5 years but less than 10 years	Thousands of U.S. dollars: More than 10 years
Bonds								
Corporate bonds	¥—	¥5,500	¥—	¥—	$—	$48,806	$—	$—

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

(a) Short-term borrowings as of March 31, 2015 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	2015	2016	2016
Short-term borrowings from banks and others (Interest rates ranging from 0.600% to 19.000% and from 0.784% to 19.000% at March 31, 2015 and 2016)	¥6,763	¥5,182	$45,984

(b) Long-term debt as of March 31, 2015 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	2015	2016	2016
Loans from banks and others, due through 2028 (Interest rates ranging from 0.362% to 2.500% and from 0.360% to 2.012% at March 31,2015 and 2016)	¥670,394	¥736,386	$6,534,617
Less: Current portion	26,443	63,287	561,603
	¥643,951	¥673,099	$5,973,014

(c) Assets pledged as of March 31, 2015 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	2015	2016	2016
Buildings and structures	¥ 1,975	¥ —	$ —
Wells	49	—	—
Machinery, equipment and vehicles	6,969	—	—
Other (tangible fixed assets)	12	—	—
Investment securities	8,314	15,039	133,455
Other (investments and other assets)	217	—	—
Total	¥17,536	¥15,039	$133,455

Investment securities include ¥14,459 million (¥7,377 million at March 31, 2015) pledged as collateral for liabilities of affiliates.

(d) The above assets were pledged against the following liabilities:

	Millions of yen		Thousands of U.S. dollars
March 31,	2015	2016	2016
Short-term borrowings	¥ 491	¥ —	$ —
Accounts payable—other	509	532	4,721
Long-term debt	1	—	—
Other	17	—	—
Total	¥1,018	¥532	$4,721

(e) In addition, assets pledged as collateral for the Ichthys LNG Project Finance are as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	2015	2016	2016
Cash and cash equivalents	¥ 3,875	¥ 1,507	$ 13,373
Inventories	4,729	8,862	78,641
Other (Current assets)	2,462	15,113	134,111
Land	161	150	1,331
Construction in progress	752,019	945,518	8,390,434
Long-term loans receivable	9,681	—	—
Total	¥772,927	¥971,150	$8,617,890

(f) The aggregate annual maturities of long-term debt subsequent to March 31, 2016 are summarized as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2017	¥ 63,287	$ 561,603
2018	39,416	349,774
2019	69,047	612,716
2020	117,533	1,042,976
2021	103,731	920,499
2022 and thereafter	343,372	3,047,049
Total	¥736,386	$6,534,617

7. INCOME TAXES

The Company and its domestic consolidated subsidiaries are subject to income taxes which, in the aggregate, resulted in a statutory tax rate of approximately 30.8% and 28.8% for the years ended March 31, 2015 and 2016, respectively.

(a) The effective tax rates reflected in the consolidated statement of income for the years ended March 31, 2015 and 2016 differ from the statutory tax rate for the following reasons:

Years ended March 31,	2015	2016
Statutory tax rate	30.8%	28.8%
Effect of:		
Permanently non-taxable expenses such as entertainment expenses	0.2	0.8
Permanently non-taxable income such as dividends income	(0.3)	(0.7)
Valuation allowance	11.0	8.8
Foreign taxes	79.1	95.3
Foreign tax credits	(17.2)	(15.4)
Adjustment of deducted amounts of foreign taxes	(18.4)	(13.3)
Amortization of goodwill	0.4	0.6
Differences of effective tax rates applied to tax effect accounting	1.0	1.1
Other	(0.6)	1.8
Effective tax rates	86.0%	107.8%

(b) The significant components of deferred tax assets and liabilities as of March 31, 2015 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	2015	2016	2016
Deferred tax assets			
Exploration expenditures	¥ 86,644	¥ 77,785	$ 690,257
Loss on valuation of investment securities	3,640	2,583	22,921
Recoverable accounts under production sharing (foreign taxes)	10,432	8,524	75,641
Allowance for investments in exploration	783	573	5,085
Foreign taxes payable	39,929	32,102	284,870
Net operating loss carry forward	106,328	119,972	1,064,620
Accumulated depreciation	16,443	12,316	109,291
Liability for retirement benefits	1,857	2,070	18,369
Provision for loss on business	2,619	1,338	11,873
Translation differences of assets and liabilities denominated in foreign currencies	27,467	15,802	140,226
Asset retirement obligations	22,858	11,830	104,978
Allowance for doubtful accounts	4,150	3,958	35,123
Impairment loss	10,814	14,605	129,603
Other	23,625	23,597	209,397
Total gross deferred tax assets	357,589	327,055	2,902,254
Valuation allowance	(276,397)	(276,292)	(2,451,788)
Total deferred tax assets	81,192	50,763	450,466
Deferred tax liabilities			
Foreign taxes	(112,046)	(83,019)	(736,702)
Translation differences of assets and liabilities denominated in foreign currencies	(329)	(234)	(2,076)
Reserve for overseas investment loss	(4,099)	(2,840)	(25,202)
Translation differences due to an application of purchase accounting method	(2,382)	(1,732)	(15,370)
Reserve for exploration	(8,415)	(5,026)	(44,600)
Unrealized holding gain on securities	(2,541)	(248)	(2,201)
Other	(8,464)	(6,331)	(56,181)
Total deferred tax liabilities	(138,276)	(99,430)	(882,332)
Net deferred tax assets (liabilities)	¥ (57,084)	¥ (48,667)	$ (431,866)

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, 2015 and 2016 are as follows:

Years ended March 31,	Millions of yen 2015	Millions of yen 2016	Thousands of U.S. dollars 2016
Unrealized holding gain (loss) on securities			
Amount recognized during the period	¥ 26,405	¥ (15,819)	$ (140,376)
Amount of reclassification adjustments	(24,356)	(27,568)	(244,636)
Before income tax effect	2,049	(43,387)	(385,012)
Amount of income tax effect	(734)	2,293	20,348
	1,315	(41,094)	(364,664)
Translation adjustments			
Amount recognized during the period	244,018	(128,941)	(1,144,210)
Amount of reclassification adjustment	—	(138)	(1,224)
	244,018	(129,079)	(1,145,434)
Share of other comprehensive income of affiliates accounted for by the equity-method			
Amount recognized during the period	(28,436)	8,668	76,919
Amount of reclassification adjustments	2,238	(154)	(1,367)
Adjustment for acquisition cost of assets	12,247	20,796	184,542
	(13,951)	29,310	260,094
Total other comprehensive income	¥231,382	¥(140,863)	$(1,250,004)

9. SIGINIFICANT NON-CASH TRANSACTIONS

Significant non-cash transactions for the year ended March 31, 2015 and 2016 are as follows:

For the year ended March 31, 2015
Significant asset retirement obligations newly recorded were ¥69,254million.

For the year ended March 31, 2016
None

10. NET ASSETS

The total number of the Company's shares issued consisted of 1,462,323,600 shares of common stock and 1 Class A stock as of March 31, 2016.

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.

The Company conducted a stock split at a ratio of 1:400 of common stock with October 1, 2013 as the effective date, but for Class A stock, no stock split was conducted. The Articles of Incorporation specifies that dividends of Class A stock are equivalent to dividends of a common stock prior to the stock split. The cash dividends of Class A stock for the year ended March 31, 2016 amounted to ¥7,200.

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) should be transferred to capital reserve and legal reserve, respectively, up to the point where total amount of capital reserve and legal reserve equals 25% of the common stock account.

Distributions 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.

11. AMOUNTS PER SHARE

Amounts per share as of March 31, 2015 and 2016 are as follows:

Years ended March 31,	Yen 2015	Yen 2016	U.S. dollars 2016
Net assets excluding non-controlling interests per share	¥2,099.95	¥2,008.34	$17.82
Cash dividends per share	18.00	18.00	0.16
Net income per share	¥ 53.29	¥ 11.49	$ 0.10

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

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

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

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.

12. DERIVATIVE TRANSACTIONS

(a) Derivatives not subject to hedge accounting

Contract amounts, fair value and valuation gain (loss) regarding derivatives subject to hedge accounting as of March 31, 2015 is as follows:

	Millions of yen			
March 31, 2015	Contract amounts	Due after one year	Fair value	Valuation gain (loss)
Foreign exchange forwards*				
Sell (CAD) Buy (USD)	¥35,264	¥—	¥180	¥180

Contract amounts, fair value and valuation gain (loss) regarding derivatives subject to hedge accounting as of March 31, 2016 is as follows:

	Millions of yen			
March 31, 2016	Contract amounts	Due after one year	Fair value	Valuation gain (loss)
Foreign exchange forwards*				
Sell (CAD) Buy (USD)	¥37,451	¥—	¥(270)	¥(270)

	Thousands of U.S. dollars			
March 31, 2016	Contract amounts	Due after one year	Fair value	Valuation gain (loss)
Foreign exchange forwards*				
Sell (CAD) Buy (USD)	$332,336	$—	$(2,396)	$(2,396)

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

(b) Derivatives subject to hedge accounting

Contract amounts, fair value and valuation gain (loss) regarding derivatives subject to hedge accounting as of March 31, 2015 and 2016 are as follows:

		Millions of yen		
March 31, 2015	Principal items hedged	Contract amounts	Due after one year	Fair value
Interest rate swaps				
Payment fixed, receipt fluctuated (Special treatment)	Long-term debt	¥4,760	¥4,760	*

		Millions of yen		
March 31, 2016	Principal items hedged	Contract amounts	Due after one year	Fair value
Interest rate swaps				
Payment fixed, receipt fluctuated (Special treatment)	Long-term debt	¥4,760	¥4,760	*

		Thousands of U.S. dollars		
March 31, 2016	Principal items hedged	Contract amounts	Due after one year	Fair value
Interest rate swaps				
Payment fixed, receipt fluctuated (Special treatment)	Long-term debt	$42,240	$42,240	*

* 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 13. (a) since the interest rate swap is treated together with long-term debt subject to hedging.

13. 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 12 as of March 31, 2015 and 2016 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, 2015	Carrying value	Estimated fair value
Time deposits	¥661,706	¥667,326
Short-term borrowings and current portion of long-term debt	33,206	32,938
Long-term debt	¥643,951	¥633,604

	Millions of yen		Thousands of U.S. dollars	
March 31, 2016	Carrying value	Estimated fair value	Carrying value	Estimated fair value
Time deposits	¥718,715	¥723,322	$6,377,806	$6,418,688
Short-term borrowings and current portion of long-term debt	68,469	68,361	607,587	606,629
Long-term debt	¥673,099	¥663,985	$5,973,014	$5,892,138

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

(Time deposits)

The fair value of current portion of long-term time deposits included in 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. For the 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.

(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.

14. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses included in general and administrative expenses and cost of sales amounted to ¥86 million and ¥755 million ($6,700 thousand) for the years ended March 31, 2015 and 2016, respectively.

15. IMPAIRMENT LOSS

The Company groups mining area and other assets as a basic unit that generates cash inflows independently of other groups of assets.
Due to impact from deteriorating business environments based on such factors as the drop in oil prices, the Company reduced the respective carrying amounts of the assets listed below to recoverable amounts, posting the reductions as impairment loss.

For the year ended March 31, 2015

Use	Location	Classification	Impairment loss
			Millions of yen
Assets related to Joslyn Oil Sands Lease Block	Alberta, Canada	Other (Tangible fixed assets)	¥13,359
		Mining rights	14,232
		Subtotal	27,591
Assets related to JPDA06-105 Block (Kitan Oil Field)	Timor Sea Joint Petroleum Development Area (JPDA), the Commonwealth of Australia / the Democratic Republic of Timor-Leste	Wells	348
		Machinery, equipment and vehicles	630
		Construction in progress	6,111
		Other (Investments and other assets)	452
		Subtotal	7,541
Total			¥35,132

The recoverable amount of the assets related to JPDA06-105 Block (Kitan Oil Field) is reasonably estimated by discounting the future cash flows at a rate of 7%.
The recoverable amount of the assets related to Joslyn Oil Sands Lease Block is estimated at zero.

For the year ended March 31, 2016

Use	Location	Classification	Impairment loss	
			Millions of yen	Thousands of U.S. dollars
Assets related to Keathley Canyon Blocks 874/875/918/919 (Lucius Oil Field)	U.S. Gulf of Mexico	Wells	¥ 2,335	$ 20,721
		Machinery, equipment and vehicles	4,379	38,859
		Mining rights	19,736	175,135
		Subtotal	26,450	234,715
Assets related to JPDA06-105 Block (Kitan Oil Field)	Timor Sea Joint Petroleum Development Area (JPDA), the Commonwealth of Australia / the Democratic Republic of Timor-Leste	Wells	2,702	23,977
		Machinery, equipment and vehicles	2,517	22,336
		Construction in progress	2,185	19,389
		Subtotal	7,404	65,702
Assets related to the shale gas project in the Horn River area	British Columbia, Canada	Buildings and structures	392	3,478
		Wells	2,858	25,362
		Machinery, equipment and vehicles	745	6,611
		Mining rights	471	4,180
		Other	104	923
		Subtotal	4,570	40,554
Assets related to Copa Macoya Block	Bolivarian Republic of Venezuela	Buildings and structures	73	648
		Wells	945	8,386
		Machinery, equipment and vehicles	77	683
		Construction in progress	2,587	22,957
		Other	3	27
		Subtotal	3,685	32,701
Assets related to Abu Al Bukhoosh Block	UAE	Buildings and structures	76	674
		Wells	1,202	10,666
		Machinery, equipment and vehicles	1,294	11,483
		Construction in progress	577	5,120
		Other	43	382
		Subtotal	3,192	28,325
Other			584	5,182
Total			¥45,885	$407,179

The recoverable amount of the assets related to Keathley Canyon Blocks 874/875/918/919 (Lucius Oil Field), the shale gas project in the Horn River area and Abu Al Bukhoosh Block is reasonably estimated by discounting the future cash flows at a rate of 6.5%. The recoverable amount of the assets related to JPDA06-105 Block (Kitan Oil Field) and Copa Macoya Block is estimated at zero.

16. RETIREMENT BENEFITS

Retirement benefits for the years ended March 31, 2015 and 2016 are as follows:

(a) Defined benefit plans (excluding plans included in (b))

(Reconciliation of beginning and ending balances of the retirement benefit obligations)

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Balance at beginning of the period	¥19,445	¥19,979	$177,292
Cumulative effects of changes in accounting policies	(246)	—	—
Restated balance	19,199	19,979	177,292
Service cost	1,014	1,047	9,291
Interest cost	198	204	1,810
Actuarial loss (gain)	176	(187)	(1,659)
Retirement benefits paid	(608)	(543)	(4,819)
Balance at end of the period	¥19,979	¥20,500	$181,915

(Reconciliation of beginning and ending balances of plan assets at fair value)

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Balance at beginning of the period	¥12,121	¥13,940	$123,702
Expected return on plan assets	303	348	3,087
Actuarial gain (loss)	1,305	(916)	(8,128)
Contributions to the plans	544	567	5,032
Retirement benefits paid	(333)	(387)	(3,434)
Balance at end of the period	¥13,940	¥13,552	$120,259

(Reconciliation between retirement benefit obligations and plan assets at fair value and liability for retirement benefits and asset for retirement benefits on the consolidated balance sheet)

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Retirement benefit obligations (funded plans)	¥19,979	¥20,500	$181,915
Plan assets at fair value	(13,940)	(13,552)	(120,259)
Net liability (asset) on consolidated balance sheet	6,039	6,948	61,656
Liability for retirement benefits	6,039	6,948	61,656
Net liability (asset) on consolidated balance sheet	¥ 6,039	¥ 6,948	$ 61,656

(Details of retirement benefit expenses)

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Service cost	¥1,014	¥1,047	$ 9,291
Interest cost	197	204	1,810
Expected return on plan assets	(303)	(348)	(3,087)
Amortization of actuarial loss (gain)	(1,128)	729	6,469
Retirement benefit expenses for defined benefit plans	¥ (220)	¥1,632	$14,483

(Plan assets)

Components of plan assets	2015	2016
General accounts	40%	43%
Stock	43%	39%
Bonds	17%	18%
Other	0%	0%
Total	100%	100%

(Basis of measurement for long-term expected return rate on plan assets)
The expected long-term return rate on plan assets is determined based on the current and expected future distribution of plan assets and the current and expected future long-tern return rate on various assets of which plan assets are composed.

(Basis of the actuarial assumptions)

	2015	2016
Discount rate	1.0%	1.0%
Long-term expected return rate on plan assets	2.5%	2.5%

(b) Defined benefit plans applying simplified methods

(Reconciliation of beginning and ending balances of liability for retirement benefits)

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Balance at beginning of the period	¥469	¥661	$5,865
Retirement benefit expenses	257	86	763
Retirement benefits paid	(71)	(32)	(284)
Contributions to the plans	(20)	(13)	(115)
Other	26	(188)	(1,668)
Balance at end of the period	¥661	¥514	$4,561

(Reconciliation between retirement benefit obligations and plan assets at fair value and liability for retirement benefits and asset for retirement benefits on the consolidated balance sheet)

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Retirement benefit obligations (funded plans)	¥297	¥280	$2,485
Plan assets at fair value	(234)	(225)	(1,997)
	63	55	488
Retirement benefit obligations (unfunded plans)	598	459	4,073
Net liability (asset) on consolidated balance sheet	661	514	4,561
Liability for retirement benefits	661	514	4,561
Net liability (asset) on consolidated balance sheet	¥661	¥514	$4,561

(Retirement benefit expenses)

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Retirement benefit expenses under simplified methods	¥257	¥86	$763

(c) Defined contribution plans

The Group's contributions for defined contribution plans amounted to ¥1,442 million and ¥1,913 million ($16,976 thousand) for the years ended March 31, 2015 and 2016, respectively.

17. ASSET RETIREMENT OBLIGATIONS

(a) Asset retirement obligations recognized in the consolidated balance sheet

The changes in asset retirement obligations for the years ended March 31, 2015 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
Years ended March 31,	2015	2016	2016
Balance at beginning of the period	¥ 28,307	¥106,328	$943,544
New obligations	58,342	10,103	89,653
Accretion expenses	1,329	1,793	15,911
Obligations settled	(389)	(503)	(4,464)
Change in estimates *1	14,919	(7,166)	(63,590)
Other *2	3,820	(7,492)	(66,483)
Balance at end of the period	¥106,328	¥103,063	$914,571

*1 "Change in estimates" for the year ended March 31, 2015 mainly reflects increasing site restoration and decommissioning costs which became evident and revised rate of discount of certain subsidiaries in the year ended March 31, 2015.
"Change in estimates" for the year ended March 31, 2016 mainly reflects the change in the estimated period of use of certain subsidiaries in the year ended March 31, 2016.
*2 "Other" mainly includes the change due to foreign exchange rates fluctuation.

(b) Asset retirement obligations other than those recognized in the consolidated balance sheet

Regarding domestic oil and gas production facilities and gas supply and marketing facilities, the Group has obligations to prevent mine pollution at abandoned well sites after the completion of the production under Mine Safety Act and restore sites to their original condition at the time of business termination in accordance with lease contracts.

Among these facilities, certain domestic oil and gas production facilities are operated complementarily and holistically in connection with the LNG terminal and it is impossible to determine the timing of decommission since it is difficult to formulate reasonable long-term production plan considering the balance between the production and the inflow of LNG at this time. The Group plans to operate domestic gas supply and marketing facilities permanently as highly public infrastructures for energy supply.

The Group also has obligations to decommission mines with respect to certain overseas oil production facilities. However, it is difficult to estimate retirement costs since the information about decommissioning work including the assets subject to the work based on the approval by the government of oil-producing country has not been specified yet.

Therefore, it is impossible to estimate the relevant asset retirement obligations reasonably and the Group does not recognize them in the consolidated balance sheet.

18. GOODWILL

The changes in the carrying amount of goodwill for the years ended March 31, 2015 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
Years ended March 31,	2015	2016	2016
Balance at beginning of the period	¥81,080	¥74,319	$659,499
Goodwill acquired during the period	—	—	—
Amortization of goodwill	(6,761)	(6,761)	(59,996)
Balance at end of the period	¥74,319	¥67,558	$599,503

19. LEASES

Future minimum lease payments subsequent to March 31, 2016 for operating lease transactions are summarized as follows:

(a) As lessee

	Millions of yen	Thousands of U.S. dollars
2017	¥ 4,933	$ 43,775
2018 and thereafter	10,860	96,371
Total	¥15,793	$140,146

(b) As lessor

	Millions of yen	Thousands of U.S dollars
2017	¥ 94	$ 834
2018 and thereafter	48	426
Total	¥142	$1,260

20. CONTINGENT LIABILITIES

As of March 31, 2016, the Company and its consolidated subsidiaries were contingently liable as guarantors of indebtedness of affiliates in the aggregate amount of ¥492,898 million ($4,373,928 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, 2016 was ¥7,643 million ($67,823 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, 2016, was ¥901,540 million ($8,000,177 thousand).

21. SEGMENT INFORMATION

Segment information for the years ended March 31, 2015 and 2016

(a) Overview of reportable segments

The reportable segments for the Group's oil and natural 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 natural 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 natural gas in each segment. In addition, the Company conducts marketing activities for petroleum products and others in "Japan" segment.

(b) 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".

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

	Millions of yen							
Year ended March 31, 2015	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Total	Adjustments *1	Consolidated *2
Sales to third parties	¥129,522	¥ 409,776	¥ 94,050	¥524,528	¥ 13,351	¥1,171,227	¥ —	¥1,171,227
Total sales	129,522	409,776	94,050	524,528	13,351	1,171,227	—	1,171,227
Segment income (loss)	16,693	178,225	32,228	333,213	(15,303)	545,056	(10,170)	534,886
Segment assets	292,961	1,677,806	557,564	253,120	305,996	3,087,447	1,411,707	4,499,154
Other items								
Depreciation and amortization	20,651	6,367	9,900	9,901	4,335	51,154	1,366	52,520
Amortization of goodwill	—	—	—	—	(192)	(192)	6,953	6,761
Investment to affiliates accounted for by the equity-method	1,597	61,160	—	54,096	1,197	118,050	—	118,050
Increase of tangible fixed assets and intangible assets	¥ 26,986	¥ 405,231	¥ 12,412	¥ 46,378	¥ 46,491	¥ 537,498	¥ 419	¥ 537,917

	Millions of yen							
Year ended March 31, 2016	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Total	Adjustments *1	Consolidated *2
Sales to third parties	¥109,601	¥ 302,871	¥ 66,852	¥516,513	¥ 13,727	¥1,009,564	¥ —	¥1,009,564
Total sales	109,601	302,871	66,852	516,513	13,727	1,009,564	—	1,009,564
Segment income (loss)	12,096	97,204	13,832	290,866	(14,002)	399,996	(9,857)	390,139
Segment assets	338,026	1,729,119	576,843	412,577	165,634	3,222,199	1,147,643	4,369,842
Other items								
Depreciation and amortization	20,642	23,171	10,143	14,756	16,440	85,152	1,639	86,791
Amortization of goodwill	—	—	—	—	(192)	(192)	6,953	6,761
Investment to affiliates accounted for by the equity-method	1,684	73,328	—	35,535	—	110,547	—	110,547
Increase of tangible fixed assets and intangible assets	¥ 59,369	¥ 308,434	¥ 24,156	¥210,659	¥ 4,798	¥ 607,416	¥ 1,652	¥ 609,068

	Thousands of U.S. dollars							
Year ended March 31, 2016	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Total	Adjustments *1	Consolidated *2
Sales to third parties	$ 972,588	$ 2,687,648	$ 593,238	$4,583,486	$ 121,812	$ 8,958,772	$ —	$ 8,958,772
Total sales	972,588	2,687,648	593,238	4,583,486	121,812	8,958,772	—	8,958,772
Segment income (loss)	107,338	862,579	122,744	2,581,116	(124,252)	3,549,525	(87,470)	3,462,055
Segment assets	2,999,610	15,344,032	5,118,848	3,661,168	1,469,820	28,593,478	10,184,071	38,777,549
Other items								
Depreciation and amortization	183,175	205,617	90,008	130,943	145,887	755,630	14,545	770,175
Amortization of goodwill	—	—	—	—	(1,704)	(1,704)	61,700	59,996
Investment to affiliates accounted for by the equity-method	14,944	650,705	—	315,334	—	980,983	—	980,983
Increase of tangible fixed assets and intangible assets	$ 526,835	$ 2,737,013	$ 214,358	$1,869,367	$ 42,577	$ 5,390,150	$ 14,660	$ 5,404,810

*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.

(d) Products and service information

(Sales to third parties)

	Millions of yen		Thousands of U.S. dollars
Years ended March 31,	2015	2016	2016
Crude oil	¥ 730,422	¥ 679,241	$6,027,518
Natural gas (excluding LPG)	401,338	306,206	2,717,242
LPG	20,522	10,555	93,664
Other	18,945	13,562	120,348
Total	¥1,171,227	¥1,009,564	$8,958,772

(e) Geographical information

(Sales)

	Millions of yen		Thousands of U.S. dollars
Years ended March 31,	2015	2016	2016
Japan	¥ 627,068	¥ 491,204	$4,358,896
Asia & Oceania	514,864	378,394	3,357,831
UAE	—	102,493	909,513
Other	29,295	37,473	332,532
Total	¥1,171,227	¥1,009,564	$8,958,772

(Tangible fixed assets)

March 31,	Millions of yen 2015	Millions of yen 2016	Thousands of U.S. dollars 2016
Japan	¥ 252,747	¥ 291,248	$ 2,584,506
Australia	985,771	1,209,075	10,729,213
Other	259,104	252,292	2,238,814
Total	¥1,497,622	¥1,752,615	$15,552,533

(f) Information by major customer

(Sales to major customers)

Years ended March 31,	Millions of yen 2015	Millions of yen 2016	Thousands of U.S. dollars 2016	Segment
ADNOC	¥ —	¥102,493	$909,513	Middle East & Africa

(g) Information on impairment loss from fixed assets

Years ended March 31,	Millions of yen 2015	Millions of yen 2016	Thousands of U.S. dollars 2016
Asia & Oceania	¥ 7,541	¥ 7,404	$ 65,702
Middle East & Africa	—	3,192	28,325
Americas	27,591	35,289	313,152
Total	¥35,132	¥45,885	$407,179

22. RELATED PARTY TRANSACTIONS

There are the following related party transactions for the years ended March 31, 2015 and 2016.

(a) Affiliated company

Year ended March 31, 2015

Name of related party	Location	Capital investment	Nature of operations	Voting interest	Description of the business relationship	Transaction detail	Amounts Millions of yen	Title of account	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-50-L block in offshore Western Australia	Indirectly 62.25%	Serve the officer concurrently, capital subscription	Loans of funds Collection of loans*1	¥110,363	Long-term loans receivable	¥120,042
						Debt guarantee*2	¥958,503	—	¥ —

Year ended March 31, 2016

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 62.25%	Serve the officer concurrently, capital subscription	Loans of funds Collection of loans*1	¥ 215,138	$ 1,909,113	—	¥ —	$ —
						Debt guarantee*2	¥1,388,370	$12,320,259	—	¥ —	$ —

*1 The Company determines the interest rate on loans of funds based on market interest rates in a reasonable and appropriate manner.
*2 Guarantee of liabilities are for securing loans from financial institutions and for providing lender with a guarantee of liabilities during the construction phase based on each participating interest. In addition, "Amounts" are guaranteed balance by the Company.

(b) Note related to the parent company or significant affiliated companies

The significant affiliated company for the years ended March 31, 2015 and 2016 is Ichthys LNG Pty Ltd. The summary of its financial information is as follows:

Years ended March 31,	Millions of yen 2015	Millions of yen 2016	Thousands of U.S. dollars 2016
Total current assets	¥ 42,670	¥ 46,826	$ 415,529
Total fixed assets	2,213,893	2,604,208	23,109,486
Total current liabilities	110,247	75,472	669,731
Total long-term liabilities	2,137,499	2,537,755	22,519,789
Total net assets	8,817	37,807	335,495
Net sales	—	—	—
Net loss before income taxes	(2,902)	(3,901)	(34,617)
Net income (loss)	¥ 873	¥ (572)	$ (5,076)

23. SIGNIFICANT SUBSEQUENT EVENTS

The Group received a reassessment notice on May 19, 2016 following a tax investigation on an overseas project. The additional tax is less than the estimated amount the Group recorded for the year ended March 31, 2016, and the Group will reverse the difference between these amounts for the year ending March 31, 2017. This is expected to affect around ¥6.0 billion ($53,243 thousand) to the net income attributable to owners of parent for the year ending March 31, 2017.

Independent Auditor’s Report

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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, 2016, 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, 2016, 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 28, 2016
Tokyo, Japan

Subsidiaries and Affiliates

As of March 31, 2016

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, Australia and East Timor
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.	421,690	100.00%	Financing for oil and natural gas exploration and development in the WA-285-P Block and others, Australia
INPEX Ichthys Pty Ltd	804,456 (Thousands of U.S. dollars)	100.00%	Exploration and development of oil and natural gas in the Ichthys Gas-Condensate Field (WA-50-L/WA-51-L), Australia
INPEX Browse E&P Pty Ltd	340,650 (Thousands of U.S. dollars)	100.00%	Exploration of oil and natural gas in the WA-494-P Block and others, Australia
INPEX Masela, Ltd.	43,436	51.93%	Exploration and development of oil and natural gas in the Masela Block in the Arafura Sea, Indonesia
INPEX South Makassar, Ltd.	1,097	100.00%	Exploration, development, production and sales of oil and natural gas in the Sebuku Block in the Makassar Strait, Indonesia
INPEX Timor Sea, Ltd.	10	100.00%	Exploration, development, production and sales of oil and natural gas in the JPDA06-105 Block in the Timor Sea JPDA, Australia and East Timor
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.	1,426	51.01%	Exploration of oil and natural gas in the Babar Selaru Block in the eastern sea area, Indonesia
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
JODCO Onshore Limited	111 (Thousands of U.S. dollars)	65.76%	Exploration, development, production and sales of oil in the ADCO Block in onshore 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
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 and Gas Venezuela, C.A.	1,620 (Thousands of bolivars)	100.00%	Investment in exploration, development, production and sale of natural gas in the Copa Macoya Block and exploration, development, production and sale of oil in the Guarico Oriental Block, Bolivarian Republic of Venezuela
Teikoku Oil (North America) Co., Ltd.	19,793 (Thousands of U.S. dollars)	100.00%	Exploration, development, production and sales of oil and natural gas in the Lucius Oil Field and others, in the U.S. Gulf of Mexico
INPEX Canada, Ltd.	10	100.00%	Exploration and development of oil including oil sands in the Joslyn project, Canada
Teikoku Oil (Suriname) Co., Ltd.	11,289	52.70%	Exploration of oil in the Offshore Block 31, Suriname

Company name	Issued capital* (Millions of yen)	Voting rights held by us (%)	Main business
INPEX Gas British Columbia Ltd.	1,043,488 (Thousands of Canadian dollars)	45.09%	Exploration, development, production and sales of natural gas in the shale gas blocks of the 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 the 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

36 other subsidiaries

Equity-Method Affiliates

Company name	Issued capital* (Millions of yen)	Voting rights held by us (%)	Main business
MI Berau B.V.	888,601 (Thousands of U.S. dollars)	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)	62.25%	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%	Exploration, development, production and sales of oil in the Offshore 3/05 Block and 3/05A 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

15 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.

Business Risks

The following is a discussion on key items that can be considered potential risk factors relating to the business of INPEX CORPORATION, its subsidiaries and affiliates (the "Group"). From the standpoint of information disclosure to investors and shareholders, we proactively disclose matters that are not necessarily the business risks but that can be considered to have important effects on the investment decisions of investors. The following discussion does not completely cover all business risks relating to the Group's businesses.

Unless stated otherwise, forward-looking statements in the discussion are the judgment of the Group as of June 29, 2016 and are subject to change after such date due to various factors, including changes in social and economic circumstances.

1. CHARACTERISTICS OF AND RISKS ASSOCIATED WITH THE OIL AND NATURAL GAS DEVELOPMENT BUSINESS

(1) Risk of failure in exploration, development or production

Payment of compensation is ordinarily necessary to acquire participating interests. Also, surveying and exploratory drilling expenses (exploration expenses) become necessary at the time of exploration activities for the purpose of discovering resources. When resources are discovered, it is necessary to further invest in substantial development expenses according to various conditions, including the size of the recoverable reserves, development costs and details of agreements with oil-producing countries (including gas-producing countries; hereinafter the same shall apply).

There is, however, no guarantee of discovering resources on a scale that makes development and production feasible. The probability of such discoveries is considerably low despite various technological advances in recent years, and even when resources are discovered the scale of the reserves does not necessarily make commercial production feasible. For this reason, the Group conservatively recognizes expenses related to exploration investment in our consolidated financial statements. The Group maintains financial soundness by booking 100% as expenses in the case of concession agreements (including mining rights awarded in Japan as well as permits, licenses and leases awarded overseas) and by booking 100% of exploration project investment as allowances in the case of production sharing agreements. In addition, if there are impossibilities of recovery of investment in a development project, we also book the corresponding amount of investment in the development project as allowances while considering the recovery possibility of each project.

To increase recoverable reserve and production volumes, the Group plans to always take an interest in promising properties and plans to continue exploration investment. At the same time, we plan to invest in development projects, including the acquisition of interests in discovered undeveloped fields and producing fields, so as to maintain an overall balance between assets at the exploration, development, and production stages.

Although exploration and development (including the acquisition of interests) are necessary to secure the reserves essential to the Group's future sustainable business development, each type of investment involves technological and economic risks, and failed exploration or development could have an adverse effect on the results of the Group's operations.

(2) Crude oil, condensate, LPG and natural gas reserves

1) Proved reserves

INPEX CORPORATION (the "Company") commissioned DeGolyer and MacNaughton, an independent petroleum engineering consultant in the United States, to assess the main proved reserves of the Group of which projects with a significant amount of future development investment might materially affect future performance. An assessment of other projects was undertaken by the Company. The definition of proved reserves is based on the U.S. Securities and Exchange Commission's (SEC) Regulation S-X, Rule 4-10(a), which is widely known among U.S. investors. Regardless of whether the deterministic approach or probabilistic approach is used in evaluation, proved oil and gas reserves are estimated quantities that geological and engineering data demonstrate with reasonable certainty to be recoverable from known reservoirs under existing economic and operating conditions, from the date of evaluation through to the expiration date of the agreement granting operating rights (or in the event of evidence with a reasonable certainty of agreement, extension through to the expiration of the projected extension period). For definition as "proved reserves," operators must have a reasonable degree of certainty that the recovery of hydrocarbons has commenced or that the project will commence within an acceptable period of time. This definition is widely regarded as being conservative. Nevertheless, the strictness of the definition does not imply any guarantee of the production of total reserves during a future production period. In this context, when probabilistic methods are employed, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the sum of estimated proved reserves.

For further details on proved reserves of crude oil, condensate, LPG and natural gas held by the Group, including affiliates accounted for under the equity method, please see the section "Oil and Gas Reserves and Production Volume" on P. 84.

2) Probable reserves and possible reserves

In addition to the assessment of proved reserves based on the SEC standards, the Company commissioned DeGolyer and MacNaughton to assess its probable reserves and the possible reserves of which projects with a significant amount of future development investment might materially affect the future performance, similar to proved reserves. An assessment of other projects was undertaken by the Company, based on the Petroleum Resources Management System 2007 (PRMS) published by four organizations: the Society of Petroleum Engineers (SPE), the World Petroleum Congress (WPC), the American Association of Petroleum Geologists (AAPG), and the Society of Petroleum Evaluation Engineers (SPEE). Probable reserves, as defined by PRMS guidelines established by the four organizations, are reserves of oil and gas volumes outside proved reserves that are less likely to be recovered than proved reserves but more certain to be recovered than possible reserves based on analyses of geological and engineering data. In this context, when probabilistic methods are employed, there should be at least a 50% probability that the quantities actually recovered will equal or exceed the sum of estimated proved and probable reserves. In addition, possible reserves are also defined in accordance with PRMS guidelines as reserves of oil and gas volumes which are not categorized as proved reserves or probable reserves and which are less likely to be recovered than probable reserves based on analyses of geological and engineering data. In this case, it is unlikely that the actual quantity of oil and gas recovered will exceed the sum of proved reserves, probable reserves and possible reserves. Furthermore, when probabilistic methods are employed to calculate possible reserves, there should be at least a 10% probability that the quantities recovered will equal or exceed the sum of proved reserves, probable reserves and possible reserves. Probable reserves and possible reserves can be upgraded to proved reserves after the addition of new technical data or when uncertainty has been reduced due to clarification of economic conditions or operational conditions. Nevertheless, probable reserves and possible reserves do not offer a guarantee of the production of total reserves during a future production period with the same certainty as proved reserves.

For further details on probable reserves and possible reserves of crude oil, condensate, LPG and natural gas held by the Group, including affiliates accounted for under the equity method, please see the section "Oil and Gas Reserves and Production Volume" on P. 84.

3) Possibility of changes in reserves

A reserve evaluation depends on the available geological and engineering data from oil and gas reservoirs, the maturity of development plans and a considerable number of assumptions, factors and variables including economic conditions as of the date such an estimate is made. Reserves may be revised in the future on the basis of geological and engineering data as well as development plans and information relating to changes in economic and other conditions made newly available through progress in production and operations. As a result, there is a possibility that reserves will be restated upwards or downwards. As to the reserves under a PSC, not only production, but also oil and gas prices, investments, recovery of investments due to contractual conditions and remuneration fees may affect the economic entitlement. This may cause reserves to increase or decrease. In this way, the assessed value of reserves could fluctuate because of various data, assumptions and changes of definition.

(3) In the oil and natural gas development business the period from exploration to sales is highly capital intensive and funds cannot be recovered for a long time

Considerable time and expense is required for exploration activities. Even when promising resources are discovered through exploration, substantial expenses including production facility construction costs, and an extended period of time, are necessary at the development stage leading up to production. For this reason, a long period of 10 years or more is required from the time of exploration and development investment until the recovery of funds through production and sales. In particular, the large-scale Ichthys LNG and other projects being pursued by the Company requires a very large amount of investment, and the financing of these projects could be impacted by changes in the economic and financial environment. Following the discovery of resources, a delay in the development schedule or the loss of the economic viability of the properties during the development process leading up to production and the commencement of sales could have an adverse effect on the Group's operational results. Such delays or losses may occur due to changes in the business environment including a delay in the acquisition or modification of government approvals, the occurrence of unanticipated problems related to geological conditions, fluctuations in the price of oil or gas, fluctuations in foreign exchange rates, or escalating prices of equipment and materials. In the case of LNG projects, such delays or losses may occur due to an inability to complete such procedural requirements as FID owing to the lack of any long-term contractual agreement with prospective purchasers with respect to production.

(4) Operatorship

In the oil and natural gas development business, companies frequently form business partnerships for the purpose of the dispersion of risk and financial burden. In such partnerships, one of the companies becomes the operator, which performs the actual work and bears the responsibility for operations on behalf of the partners. The companies other than the operator, as non-operators, participate in the business by providing a predetermined amount of funds and either carefully examining the exploration and development plan devised and implemented by the operator, or participating in some operations.

The integration of INPEX CORPORATION and Teikoku Oil Co., Ltd., was completed on October 1, 2008. The resultant company possesses abundant operational capabilities thanks to the integration of the former two companies' know-how based on extensive operation experience in exploration, development and production both within Japan and overseas as well as their high level proprietary technologies.

The Group intends to actively pursue operator projects, focusing on the large-scale Ichthys LNG and other projects taking into consideration the effective application of business resources as well as the balance between operator and non-operator projects, based on the Group's technical capability, which has been considerably enhanced by the above-stated business integration. Although the Company lacks operator experience in LNG development projects, it has significant expertise as an operator in the development and production of crude oil and natural gas both in Japan and overseas as well as a wealth of know-how and knowledge accumulated over many years as a participant in LNG and other projects in such countries as Indonesia and Australia. In addition, we believe that by utilizing the services of specialized subcontractors and highly experienced external consultants, a practice similar to foreign oil companies including the majors, it will be possible to execute business appropriately as an operator including LNG projects.

Engaging in project coordination as an operator will contribute to the expansion of opportunities of block and acreage acquisition through enhancement of technical capabilities and greater presence in oil-producing countries and the industry. At the same time, there exist risks such as constraints on the recruitment of personnel who have specialized operational skills and an increase in financial burden. Inability to adequately cope with such risks could have an adverse effect on the Group's results of operations.

(5) Project partners

In the oil and natural gas development business, as previously mentioned, several companies often engage in joint business for the purpose of dispersion of risk and financial burden. In such cases, the partners generally enter into a joint operating agreement among themselves to decide on the decision-making procedure for execution of the joint business, or to decide on an operator that conducts business on their behalf. A company that is a partner in one property in which the Group is engaged in joint business may become a competitor in the acquisition of other participating interests, even though the relationship with the partner may be good.

In undertaking the joint business, participants in principle bear a financial burden in proportion to their interest share. Any inability by a joint business partner to fulfill this financial burden may adversely affect the project.

(6) Disaster and accident risks

Oil and natural gas development entails the risk that operational accidents and disasters may occur in the process of exploration, development, production and transportation. Should such an accident, disaster or other such incident occur, there is the risk that costs will be incurred, excluding compensation covered by insurance, due to facility damage, as well as the risk of a major accident or disaster involving loss of life. In addition, a cost burden for recovery or opportunity loss from the interruption of operations could occur. For the domestic natural gas business, the Company has continued to procure as source gas natural gas regasified from imported LNG since January 2010. Furthermore, the Company has procured imported LNG as source gas in connection with its Naoetsu LNG Terminal from August 2013. An inability to procure natural gas regasified from imported LNG and other imported gas as source gas due to troubles concerning suppliers or the Company's Naoetsu LNG Terminal may interfere with the Company's ability to supply to its customers. This could in turn have an adverse effect on the Company's domestic natural gas business.

With regard to environmental problems, there is a possibility of soil contamination, air pollution, and freshwater and seawater pollution. The Group has established a "Health, Safety and Environment Policy," and as a matter of course abides by the environmental laws, regulations, and standards of the countries in which we operate and give due consideration to the environment in the conduct of business, based on our independent guidelines. In the event of an operating accident or disaster which impacts the environment, there is the possibility of incurring a response or cost burden for recovery from that incident, of incurring obligation of payment for procedural costs, compensation or other cost related to the start of civil, criminal or government procedures, or of incurring loss from the interruption of operations. Furthermore, in the event of changes to or the strengthening of the environmental laws, regulations, and standards (including support measures for the promotion of new, renewable energies) of the countries in which we operate, it may be necessary for the Group to devise additional measures, and an associated cost burden could occur.

Although the Group maintains accident insurance in the natural conduct of its operations, should such an accident or disaster be attributable to willful misconduct or negligence on the part of the Group, the occurrence of a cost burden could have an adverse effect on financial results. Also, such accident or trouble would result in receiving administrative punishment or result in damage to the Group's credibility and reputation as an oil and natural gas development company, and could therefore have an adverse effect on future business activities.

(7) Risk in Relation to Mine Abandonment

The Group books in its accounts, as an asset retirement obligation, the estimated present value of costs related to mine abandonment that will become necessary after finishing operation and production in oil and gas production facilities and the like in accordance with agreements with the authorities of oil-producing countries, applicable laws and regulations and the like. If it is later found that the estimated present value of those costs falls short due to a change in the procedures used for mine abandonment, a rise in expenses for procuring drilling materials and equipment or any other reason, the Group will be required to increase the amount of that asset retirement obligation, which could adversely affect the financial condition and results of operations of the Group.

2. EFFECTS OF FLUCTUATIONS IN CRUDE OIL PRICES, NATURAL GAS PRICES, FOREIGN EXCHANGE AND INTEREST RATES ON FINANCIAL RESULTS

(1) Effects of fluctuations in crude oil prices and natural gas prices on financial results

A large percentage of crude oil prices and natural gas prices in overseas businesses are determined by international market conditions. In addition, those prices fluctuate significantly in response to the influence of a variety of factors including global or local supply and demand as well as trends and conditions in the global economy and financial markets. The vast majority of these factors are beyond the control of the Company. In this regard, INPEX is not in a position to accurately predict movements in future crude oil and natural gas prices. The Group's sales and profits are subject to the effects of such price fluctuations. Such effects are highly complex and are caused by the following factors.

1) Although a majority of natural gas selling prices in overseas businesses are linked to crude oil prices, they are not in direct proportion to crude oil prices.
2) Because sales and profits are determined on the basis of crude oil prices and natural gas prices at the time sales are booked, actual crude oil transaction prices and the average

oil price during the accounting period do not necessarily correspond.

For the domestic natural gas businesses, the Company has continued to purchase as source gas natural gas regasified from imported LNG as a raw material in addition to natural gas produced in Japan since January 2010. The price of the Company's natural gas sold in Japan is comprised of a fixed price portion as well as a portion that reflects fluctuations in the price of imported LNG. In addition to the direct impact of trends in the market prices of LNG and competing energy sources on that portion that reflects fluctuations in the price of imported LNG, contract negotiations held each fiscal year with end purchasers could have an indirect effect on the fixed price portion.

Also, should the recovery of an amount invested in a business asset held by the Group be no longer expected—due to a decrease in profitability associated with changes in the business environment on the basis of changes in future market conditions—since the Group would reduce that business asset's book value to reflect the level of recoverability and the amount of that reduction would be deemed impairment loss, there is the possibility that there could be an adverse effect on the Group's results of operations.

(2) The effect of fluctuations in exchange rates on financial results

As most of the Group's business consists of E&P conducted overseas, associated revenues (sales) and expenditures (costs) are denominated in foreign currencies (primarily in U.S. dollars), and profit and loss is subject to the effects of the foreign exchange market. In the event of appreciation in the value of the yen, yen-denominated sales and profits decrease. Conversely, in the event of depreciation in the value of the yen, yen-denominated sales and profits increase.

On the other hand, when borrowing necessary funds, the Company borrows in foreign currencies. In the event of appreciation in the value of the yen, a foreign exchange gain on foreign-currency denominated borrowings is recorded as a result of fiscal year-end conversion; in the event of depreciation in the value of the yen, a foreign exchange loss is incurred. For this reason, the exchange risk associated with the above business is diminished and the impact of fluctuations in exchange rates on profit and loss tends to be mitigated. Moreover, although the Company is taking measures to reduce a portion of the risks associated with movements in foreign currency exchange rates, these measures by no means cover all possible risks. As a result, the impact of fluctuations in foreign currency exchange rates cannot be completely eliminated.

(3) The effect of fluctuations in interest rates on financial results

The Group raises some of the funds necessary for exploration and development operations through borrowing. Much of these borrowings are with variable-rates, long term borrowings based on the U.S. dollar six-month LIBOR rate. Accordingly, the Company's profits are subject to the influence of fluctuations in U.S. dollar interest rates. Furthermore, although the Group has devised methods to reduce a portion of interest rate risk, these methods do not cover all risks of interest rate fluctuation incurred by our Group and do not entirely remove the effect of fluctuations in interest rates.

3. OVERSEAS BUSINESS ACTIVITIES AND COUNTRY RISK

The Group engages in a large number of oil and natural gas development projects overseas. Because the Group's business activities, including the acquisition of participating interests, are conducted on the basis of contracts with the governments of oil-producing countries and other entities, steps taken by oil-producing countries to further tighten controls applicable to home country natural resources, suspension of operation due to conflicts and other factors, and other such changes in the political, economic, and social circumstances in such oil-producing countries or neighboring countries (including government involvement, stage of economic development, economic growth rate, capital reinvestment, resource allocation, restriction of economic activities by global community, government control of foreign exchange or foreign remittances, and the balance of international payments), the application of OPEC production ceilings in OPEC member countries and changes in the legal system and taxation system of those countries (including the establishment or abolition of laws or regulations and changes in their interpretation or enforcement) as well as lawsuits could have a significant impact on the Group's business or results unless the impact is compensated by insurance.

Additionally, against the background of rising development costs and other changes in the business environment, the progress of oil and gas projects, and the need to address environmental issues, the governments of oil-producing countries may seek to renegotiate the fiscal conditions including conditions of existing oil contracts related to participating interests. In the event that the fiscal conditions of contracts were to be renegotiated, this could have an adverse effect on the Group's business performance.

4. DEPENDENCE ON SPECIFIC GEOGRAPHICAL AREAS OR PROPERTIES

(1) Production volume

The Group engages in stable production of crude oil and natural gas in the Offshore Mahakam Block (Indonesia), the ADMA Block (United Arab Emirates), the Minami Nagaoka Gas Field (Japan) and so on. Through a process of business integration, the Group had established a wide ranging, diversified yet balanced portfolio that encompassed the Asia-Oceania regions (particularly Japan, Indonesia, and Australia), the Middle East and Africa, Eurasia including Caspian Sea area and the Americas. For the year ended March 31, 2016 however, the Middle East and Africa regions accounted for about 48% and the Asia and Oceania regions accounted for about 36% of the Group's production volume, making up the vast majority of the Group's operations.

Looking ahead, the Group will endeavor to further enhance the balance of its asset portfolio on a regional basis. However, the Group currently relies heavily on specific geographical areas and properties for its production volume, and the occurrence in these properties of an operational problem or difficulty could have an adverse effect on the Group's operational results.

(2) Contract expiration dates in principal business areas

Expiration dates are customarily stipulated in the agreements related to participating interests, which are prerequisites for the Group's overseas business activities. Should an agreement in which an expiration date is stipulated not be extended, re-extended or renewed, or should the terms and conditions be less favorable (including a reduction in the proportion of the Group's interest) than those existing at the time of extension, re- extension or renewal, there could be an adverse effect on the Group's results. For example, although the initial contract expiration date in the production sharing contract for the Offshore Mahakam Block of Indonesia—the Group's principal geographical business area—was March 30, 1997, an extension was approved in 1991, and the current expiration date is December 31, 2017. On the basis of the concession agreement for the ADMA Block, the concession expiration date is March 8, 2018. (However, the expiration date for the Upper Zakum Oil Field has been extended to December 31, 2041.) The Group's policy is to make efforts together with partners to extend, re-extend or renew these agreements. With regard to the Offshore Makaham Block, the Group signed a basic agreement, covering aspects such as the basic concept for participation in the block from 2018 onward, with project operator Total E&P Indonesie and Indonesia's state-owned oil corporation PT Pertamina in December 2015 and officially entered into that agreement in January 2016. Should, however, the existing agreement not be extended, re-extended or renewed as a result of agreement negotiations based on the aforementioned January 2016 agreement, or should the terms and conditions be less favorable (including a reduction in the proportion of the Group's interest) than those existing at the time of extension, re- extension or renewal, these could have an adverse effect on the Group's results. Even should the agreements stipulating expiration dates be extended, re-extended or renewed, we anticipate that the remaining recoverable reserves at that time will have decreased due to production developments. Although the Group is striving to acquire interests that can substitute these properties, failure to acquire participating interests in oil and gas fields to fully substitute for these properties could have an adverse effect on the Group's results. In addition, the period for exploration in oil and gas fields currently under exploration is fixed by contracts, and in the case of fields where oil and/or gas reserves are found that are deemed to be commercialized, and the Company is unable to decide on the transition to the development stage by the expiration of the current contract, efforts will be made through negotiations with the government of the oil- or gas-producing country in question to have the periods extended. However, there remains the possibility that such negotiations may not be successfully concluded, in which event the Company would be forced to withdraw from operations in the oil or gas field concerned. Also, as a rule, when there has been a major breach of contract on the part of one party, it is customary for the other party to have the right to cancel the agreement before the expiration date. The agreements for properties in these principal geographical business areas contain similar provisions. The Group has never experienced early cancellation of an agreement due to breach of contract, and we do not anticipate such an occurrence in the future. Nevertheless, a major breach of contract on the part of a party to an agreement could result in cancellation of an agreement before the expiration date.

And in the overseas natural gas development and production activities, in many cases we are selling and supplying gas based on long-term sales and supply contracts in which expiration dates are stipulated. We plan to make efforts with partners to extend or re-extend the expiration date before the deadline stipulated in these contracts. Nevertheless, inability to extend the contracts, or the occurrence of cases in which extension is made but sales and supply volumes are reduced, could have an adverse effect on the Group's business or results.

5. PRODUCTION SHARING CONTRACTS

(1) Details of production sharing contracts

The Group has entered into production sharing contracts with countries including Indonesia and Caspian Sea area, and therefore holds numerous participating interests in those regions.

Production sharing contracts are agreements by which one or several oil and natural 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. That is to say, when exploration and development work results in the production of oil or natural gas, the contractors recover the exploration and development costs they incurred by means of a share in the production. The remaining production (crude oil and gas) is shared among the oil-producing country or national oil company and the contractors according to fixed allocation ratios. (The contactors' share of production after cost recovery is called "profit oil and gas." In the case of natural gas, sales are conducted by Indonesia and the contractors receive cost recovery and profit gas in the form of cash.) On the other hand, in cases when exploration fails and expected production is not realized, the contractors are not to recover their invested funds.

(2) Accounting treatment of production sharing contracts

When a company in the Group owns participating interests under production sharing contracts, as mentioned above, in the role of contractor it invests technology and funds in the exploration and development of the property, recovers the invested costs from the production produced, and receives a share of the remaining production after recovery of invested costs as compensation.

Costs invested on the basis of production sharing contracts are recorded on the balance sheet as assets for which future recovery is anticipated under the item "Recoverable accounts under production sharing." After the start of production, recovered costs on the basis of those agreements are deducted from this balance sheet item.

As production received under production sharing contracts is divided into the cost recovery portion and the compensation portion, the method of calculating cost of sales is also distinctive. That is to say, the full amount of production received is temporarily charged to cost of sales as the cost of received production, and subsequently the amount of the compensation portion is calculated and this amount is booked as an adjustment item to cost of sales ("Free of charge production allocated"). Consequently, only the cost recovery portion of production after deduction of the compensation portion is booked as cost of sales.

6. RELATIONSHIP WITH THE JAPANESE GOVERNMENT

(1) The Company's relationship with the Japanese government

Although the government of Japan (the Minister of Economy, Trade and Industry) holds 18.94% of the Company's common shares issued and a Class A Stock as of June 29, 2016, the Company autonomously exercises business judgment as a private corporation. There is no relationship of control, such as through the dispatch of officers or other means between the Company and the Japanese government. Moreover, we believe that no such relationship will develop in the future. Furthermore, there is no concurrent posting or secondment to the Company of officers or employees from the Japanese government.

(2) Ownership and sale of the Company's shares by the Japanese government (the Minister of Economy, Trade and Industry)

The Ministry of Economy, Trade and Industry (METI) holds 18.94% of the Company's common shares issued. METI succeeded to the shares that had been held by Japan National Oil Corporation (JNOC) following the dissolution of JNOC on April 1, 2005. With regard to the liquidation and disposition of the oil and gas upstream assets owned by JNOC, the Policy Regarding the Disposal of Oil and Gas Development-Related Assets Held by Japan National Oil Corporation (hereinafter, the "Report") was announced on March 18, 2003 by the Japan National Oil Corporation Asset Evaluation and Liquidation Deliberation Subcommittee of the Advisory Committee on Energy and Natural Resources, an advisory body of the Ministry of Economy, Trade and Industry. The Report describes the importance of appropriate timing in selling the shares on the market, taking into consideration enterprise value growth. In addition, METI may, in accordance with the Supplementary Provision Article 13 (1) 2 of the "Special Measures Act for Reconstruction Finance Keeping After the Great East Japan Earthquake" ("the Reconstruction Finance Keeping Act" (provisional translation, the same shall apply hereinafter)) enacted December 2, 2011, sell off the Company's shares in Japan or overseas after examining the possibility of disposal of the said shares based on a review of the holdings from the perspective of energy policy. This could have an impact on the market price of the Company's shares.

METI also holds one share of the Company's Class A Stock. As the holder of a Class A Stock, METI possesses veto rights over certain resolutions of the Company's general shareholders' meetings and meetings of the Board of Directors. For details on the Class A Stock, please refer to "8. CLASS A STOCK" below.

7. TREATMENT OF SHARES OF THE GROUP'S PROJECT COMPANY OWNED BY JAPANESE GOVERNMENT AND JOGMEC

(1) Treatment of shares of the Group's project company previously owned by Japan National Oil Corporation (JNOC)

In the aforementioned Report, INPEX CORPORATION (prior to the integration with Teikoku Oil; reorganized on October 1, 2008) was identified as a company that should comprise part of a core company, and is expected to play a role in efficient realization of a stable supply of energy for Japan through the involvement by a national flagship company. In response to the Report, the Company (also, the Group since our acquirement of Teikoku Oil on October 1, 2008) has sought to promote efficient realization of a stable supply of energy for Japan while taking advantage of synergy with the efforts of active resource diplomacy on the part of the Japanese government, and has aimed to maximize shareholder value by engaging in highly transparent and efficient business operations.

As a result, with regard to the integration by means of transfer of shares held by JNOC proposed in the Report, INPEX CORPORATION and JNOC concluded the Basic Agreement Concerning the Integration of Assets Held by JNOC into INPEX CORPORATION of February 5, 2004 (hereinafter the "Basic Agreement") and a memorandum of understanding related to Basic Agreement (hereinafter "MOU"). On March 29, 2004, INPEX CORPORATION and JNOC entered into related contracts including the Basic Contract Concerning the Integration of Assets Held by JNOC into INPEX CORPORATION (hereinafter the "Basic Contract"), achieving the agreement on the details including the treatment of the project companies subject to the integration and shareholding ratios.

In 2004 INPEX CORPORATION accomplished the integration of Japan Oil Development Co., Ltd. (JODCO), INPEX Java Ltd. (disposal was completed on September 30, 2010) and INPEX ABK, Ltd. which are three of four companies covered by the Basic Agreement. Although INPEX Southwest Caspian Sea Ltd. (hereinafter "INPEX Southwest Caspian") would become a wholly owned subsidiary of INPEX CORPORATION by means of a share exchange and the procedures were undertaken, the share exchange contract was invalidated owing to failure to accomplish the terms and conditions of the share exchange contract and the planned share exchange was cancelled. Following the dissolution of JNOC on April 1, 2005, the Minister of Economy, Trade and Industry succeeded to the INPEX Southwest Caspian shares held by JNOC. The Company continues to study the possibility to acquire the shares. However, the METI's future treatment of these shares is undecided and, depending on the result of review in accordance with the Reconstruction Finance Keeping Act, acquisition of INPEX Southwest Caspian shares could be unavailable.

The treatment of Sakhalin Oil and Gas Development Co., Ltd. (hereinafter "SODECO"), INPEX Offshore North Campos, Ltd., INPEX North Makassar, Ltd. (liquidation proceedings completed on December 19, 2008), INPEX Masela, Ltd., and INPEX North Caspian Sea, Ltd. was agreed between INPEX CORPORATION and JNOC in the MOU of February 5, 2004. Regarding the treatment of shares of SODECO, refer to the section "(2) Treatment of the shares of Sakhalin Oil and Gas

Development (SODECO) owned by the Japanese government" below. With regard to the transfer to INPEX CORPORATION of the shares in the above project companies other than SODECO, it was decided that the shares are to be transferred for cash compensation as soon as prerequisites such as the consent of the oil-producing country and joint venture partners and the possibility of appropriate asset evaluations are in place. However, the transfer of shares held by JNOC in the above companies has not been decided and the shares in the above project companies were succeeded to by the Japan Oil Gas and Metals National Corporation (hereinafter "JOGMEC") on the dissolution of JNOC on April 1, 2005, except shares related to INPEX North Makassar, Ltd., to which the Minister of Economy, Trade and Industry succeeded. JOGMEC states in its "medium-term objective" and "medium-term plan" that the shares succeeded to from JNOC will be disposed of at an appropriate time and in an appropriate manner, but the timing and manner of the disposal for the shares held by JOGMEC have not been decided, and it is possible that the Company will be unable to acquire the shares.

(2) Treatment of the shares of Sakhalin Oil and Gas Development (SODECO) owned by the Japanese government

The Japanese government (the Minister of Economy, Trade and Industry) owns 50% of the shares of SODECO. SODECO was established in 1995 to engage in an oil and natural gas exploration and development project located on the northeast continental shelf off Sakhalin Island. SODECO owns a 30.0% interest in the Sakhalin-1 Project, of which ExxonMobil of the United States is the operator. In October 2005, Phase 1 of this project started with the goal of advanced production of oil and natural gas. Furthermore, there is a plan for additional development operations (Phase 2) for the purpose of the full-scale production of natural gas. The Company holds 6.08% of SODECO shares issued and outstanding.

In the previously mentioned Report, SODECO, along with INPEX CORPORATION and JODCO, has been identified as a company that should comprise part of a core company in Japan's oil and natural gas upstream industry in the future.

In accordance with the Report, it is assumed that private-sector shareholders, including INPEX CORPORATION, will acquire shares of SODECO issued and outstanding to which the Minister of Economy, Trade and Industry succeeded and that were previously held by JNOC (50.0%). The Company plans to hold a maximum of 33% of the SODECO shares to become its largest shareholder. In the event that the consent of SODECO's joint-venture partners, the relevant Russian government entity, or other parties is necessary for the acquisition of the shares, obtaining the consent is a prerequisite for acquisition. In addition, it will be necessary to reach agreement on the shareholder composition for SODECO, the share transfer price, and other matters.

In the event that the additional acquisition of the SODECO shares is realized, the Group will hold a substantial ownership interest in oil and natural gas assets in Russia, as well as in Asia and Oceania, the Middle East, Caspian Sea area, and other regions, and we expect the acquisition to contribute to the achievement of a more balanced overseas asset portfolio for the Group.

However, at this time it is undecided whether agreement concerning acquisition of the shares with the Minister of Economy, Trade and Industry will be reached as anticipated and will be realized. Also, even in the event that the acquisition is realized, the conditions and time of acquisition are undecided and, depending on the result of review in accordance with the Reconstruction Finance Keeping Act, the acquisition by the Company could be unavailable.

8. CLASS A STOCK

(1) Overview of the classified share

1) Reason for the introduction

The Company was established as the holding company through a stock transfer between INPEX CORPORATION and Teikoku Oil Co., Ltd. on April 3, 2006. Along with this, a classified share originally issued by INPEX CORPORATION (prior to the merger) was transferred and at the same time the Company issued a classified share with the same effect (hereinafter the "Class A Stock") to the Minister of Economy, Trade and Industry. The classified share originally issued by INPEX CORPORATION was the minimally required and a highly transparent measure to eliminate the possibility of management control by foreign capital while not unreasonably impeding the efficiency and flexibility of management based on the concept in the Report discussed in the above section 7. "TREATMENT OF SHARES OF THE GROUP'S PROJECT COMPANY OWNED BY JAPANESE GOVERNMENT AND JOGMEC." INPEX CORPORATION is identified as a company that should comprise part of a core company for Japan's oil and gas upstream industry and is expected to play a role in efficient realization of a stable supply of energy for Japan as a national flagship company. On the basis of the concept of the Report, following a speculative acquisition or an attempt at management controlled by foreign capital, Class A Stock is designed and issued to be highly transparent while not unreasonably impeding the efficiency and flexibility of management and to keep the effects of any such speculative acquisition to the necessary minimum. At the same time, Class A Stock maintains the Company's role in the efficient implementation of a stable supply of energy for Japan as a core business, so that management is not conducted in a way contradictory to that role and no negative impact is felt.

2) Shareholders' meeting resolutions, dividends, distribution of residual assets, and redemption

Unless otherwise provided by laws or ordinances, the Class A Stock does not have any voting rights at the Company's general shareholders' meetings. With regard to cash dividends paid and the distribution of residual assets, the Company concluded a stock split at a ratio of 1:400 of common stock with October 1, 2013, as the effective date. For Class A Stock (unlisted) no stock split was conducted. The Articles of Incorporation specify that dividends of Class A Stock are equivalent to dividends of a common stock prior to the stock split. The Class A Stock will be redeemed by resolution of the Board of Directors of the Company if the holder of the Class A Stock requests redemption or if the Class A Stock is transferred to a party other than the government of Japan or an independent administrative body that is fully funded by the government of Japan.

3) Veto rights in the Articles of Incorporation

The Articles of Incorporation of the Company provide that an approval resolution of the meeting of the holder of the Class A

Stock is necessary in addition to resolutions of the Company's general shareholders' meetings and resolutions of meetings of the Board of Directors for the decisions on certain important matters such as the appointment or removal of Directors, disposition of material assets, changes to the Articles of Incorporation, business integration, capital reduction or company dissolution in connection with the business of the Company. Accordingly, the Minister of Economy, Trade and Industry, as the holder of the Class A Stock, has veto rights over these important matters.

4) Criteria for the exercise of veto rights provided in the criteria for the exercise of the Class A Stock holder's voting rights

Criteria concerning the exercise of the veto rights have been established in a Ministry of Economy, Trade and Industry Notice (No. 220, 2008) (hereinafter the "Notice"). The criteria stipulate the exercise of veto rights only in the following specific cases.

- When resolutions pertaining to appointment or removal of Directors and integration are not voted down and it is judged that the probability is high that the Company will engage in management inconsistent with the role that a core company should perform for efficient realization of a stable supply of energy to Japan.
- With regard to decisions related to the disposal of all or part of significant assets, when resolutions pertaining to disposition of material assets are not voted down and the objects of disposition are oil and natural gas exploration or production rights or rights similar thereto or shares or ownership interest in the Company's subsidiary whose principal assets are said rights and it is judged that the probability is high that the Company will engage in management inconsistent with the role that a core company should perform for efficient realization of a stable supply of energy to Japan.
- When resolutions pertaining to amendments to the Company's Articles of Incorporation relating to changes in the Company's business objectives, reduction in the amount of capital, or dissolution are not voted down and it is judged that the probability is high that the Company will engage in management inconsistent with the role that a core company should perform for efficient realization of a stable supply of energy to Japan.
- When resolutions pertaining to amendments to the Articles of Incorporation granting voting rights to any shares other than the common shares of the Company are not voted down and could have an effect on the exercise of the voting rights of the Class A Stock.

It is provided that the above criteria shall not be limited in the event that the Notice is changed in the light of energy policy.

(2) Risk in connection with the Class A Stock

Following a speculative acquisition or an attempt at management controlled by foreign capital, Class A Stock is designed and issued to be highly transparent while not unreasonably impeding the efficiency and flexibility of management and to keep the effects of any such speculative acquisition to the necessary minimum. At the same time, Class A Stock maintains the Company's role in the efficient implementation of a stable supply of energy for Japan as a core business, so that management is not conducted in a way contradictory to that role and no negative impact is felt. Nevertheless, the anticipated risks in connection with the Class A Stock include the following.

1) Possibility of conflict of interest between national policy and the Company and its common shareholders

It is conceivable that the Minister of Economy, Trade and Industry could exercise the veto rights in accordance with the above criteria provided in the Notice. As the said criteria have been provided from the standpoint of efficient realization of a stable supply of energy to Japan, it is possible that the exercise of the veto rights by the Minister of Economy, Trade and Industry could conflict with the interest of other shareholders who hold the Company's common shares. Also, it is possible that the said criteria could be changed in the light of energy policy.

2) Impact of the exercise of veto rights on the price of shares of common stock

As mentioned above, as the holder of the Class A Stock has the veto rights over certain important matters in connection with the business of the Company, the actual exercise of the veto rights over a certain matter could have an impact on the price of the Company's shares of common stock.

3) Impact on the Company's degree of freedom in business and business judgment

As the Minister of Economy, Trade and Industry holds the Class A Stock with the previously mentioned veto rights, the Company needs a resolution of the meeting of the holder of the Class A Stock concerning the above matters. For this reason, the Company's degree of freedom in management in those matters could be restricted by the judgment of the Minister of Economy, Trade and Industry. Also, attendant on the need for a resolution of the meeting of the holder of the Class A Stock concerning the above matters, a certain period of time is required for procedures such as the convening and holding of meetings and resolutions and for the processing of formal objections, if necessary.

9. CONCURRENTLY SERVING OUTSIDE DIRECTORS

The Board of Directors of the Company is composed of 14 members, five of whom are outside directors.

The four outside directors have many years of management experience in the Company's business and are able to offer objective, professional advice regarding operations. For this reason, they were asked to join the Board of Directors to contribute to the development of the Company's business.

The four outside directors concurrently serve as director or advisors of Japan Petroleum Exploration Co., Ltd., Mitsubishi Corporation, Mitsui Oil Exploration Co., Ltd. and JX Holdings, Inc. (hereinafter "shareholder corporations"), respectively.

At the same time, however, the shareholder corporations are involved in businesses that overlap with those of the Company. The Company therefore recognizes that it must pay particular attention to corporate governance to avoid conflicts of interest in connection with competition and other matters.

To this end, all Company directors, including the four outside directors described above, are required to sign a written undertaking to carry out their duties as officers of the Company appropriately and with the highest regard for the importance of such matters as their obligations in connection with noncompetitive practices under the Japanese Companies Act, the proper manner for dealing with conflict of interest, and confidentiality.

Oil and Gas Reserves and Production Volume

1. OIL AND GAS RESERVES

Proved reserves

The following tables list the proved reserves of crude oil, condensate, LPG and natural gas of INPEX CORPORATION, its consolidated subsidiaries and equity-method affiliates (the "Group") on main projects. Disclosure contents for proved reserves are determined in accordance with the rules and regulations of the U.S. Financial Accounting Standards Board (the "FASB"), and are presented in accordance with the Accounting Standards Codification Topic 932 "Extractive Activities —Oil and Gas" ("Topic 932"). The Group's proved reserves as of March 31, 2016 were 2,143 million barrels for crude oil, condensate and LPG, and 6,025 billion cubic feet for natural gas, for a total of 3,264 million boe.

	Japan		Asia & Oceania		Eurasia (Europe & NIS)		Middle East & Africa		Americas		Total	
	Crude oil (MMbbl)	Gas (Bcf)	Crude oil (MMbbl)	Gas (Bcf)	Crude oil (MMbbl)	Gas (Bcf)	Crude oil (MMbbl)	Gas (Bcf)	Crude oil (MMbbl)	Gas (Bcf)	Crude oil (MMbbl)	Gas (Bcf)
Proved developed and undeveloped reserves												
INPEX CORPORATION and Consolidated Subsidiaries												
As of March 31, 2014	21	816	199	5,306	186	27	742	—	9	288	1,157	6,437
Extensions and discoveries	—	—	18	182	13	—	—	—	3	63	34	245
Acquisitions and sales	—	—	(9)	(269)	—	—	—	—	1	1	(8)	(268)
Revisions of previous estimates	(0)	(9)	12	121	3	0	(16)	—	(0)	29	(2)	140
Interim production	(1)	(42)	(15)	(217)	(10)	—	(31)	—	(0)	(38)	(58)	(296)
As of March 31, 2015	19	765	204	5,123	192	27	695	—	13	343	1,123	6,258
Equity-method affiliates												
As of March 31, 2014	—	—	2	298	—	—	115	—	5	1	121	298
Extensions and discoveries	—	—	0	20	—	—	5	—	—	—	5	20
Acquisitions and sales	—	—	—	—	—	—	—	—	—	—	—	—
Revisions of previous estimates	—	—	(0)	9	—	—	(1)	—	(3)	(0)	(4)	8
Interim production	—	—	(0)	(24)	—	—	(31)	—	(1)	(0)	(31)	(24)
As of March 31, 2015	—	—	2	302	—	—	87	—	1	0	90	302
Proved developed and undeveloped reserves												
As of March 31, 2015	19	765	206	5,425	192	27	783	—	13	343	1,213	6,561
INPEX CORPORATION and Consolidated Subsidiaries												
As of March 31, 2015	19	765	204	5,123	192	27	695	—	13	343	1,123	6,258
Extensions and discoveries	—	—	—	—	—	—	—	—	—	—	—	—
Acquisitions and sales	—	—	—	—	—	—	975	—	—	—	975	—
Revisions of previous estimates	0	(0)	1	(73)	3	(6)	37	—	(0)	(160)	41	(240)
Interim production	(1)	(44)	(17)	(243)	(12)	—	(32)	—	(2)	(32)	(64)	(319)
As of March 31, 2016	18	721	187	4,807	184	21	1,675	—	10	151	2,075	5,700
Equity-method affiliates												
As of March 31, 2015	—	—	2	302	—	—	87	—	1	0	90	302
Extensions and discoveries	—	—	—	—	—	—	2	—	—	—	2	—
Acquisitions and sales	—	—	—	—	—	—	—	—	—	—	—	—
Revisions of previous estimates	—	—	(0)	44	—	—	9	—	(0)	(0)	9	44
Interim production	—	—	(0)	(22)	—	—	(32)	—	(1)	(0)	(33)	(22)
As of March 31, 2016	—	—	1	325	—	—	67	—	—	—	69	325
Proved developed and undeveloped reserves												
As of March 31, 2016	18	721	189	5,132	184	21	1,742	—	10	151	2,143	6,025
Proved developed reserves												
INPEX CORPORATION and Consolidated Subsidiaries												
As of March 31, 2016	12	469	19	324	52	—	1,055	—	5	111	1,143	904
Equity-method affiliates												
As of March 31, 2016	—	—	1	259	—	—	63	—	—	—	64	259
Proved undeveloped reserves												
INPEX CORPORATION and Consolidated Subsidiaries												
As of March 31, 2016	6	252	168	4,483	132	21	620	—	5	40	931	4,796
Equity-method affiliates												
As of March 31, 2016	—	—	0	66	—	—	4	—	—	—	4	66

Notes: 1. Based on SEC disclosure standards, the Group discloses proved reserves in each country containing 15% or more of its proved reserves. As of March 31, 2016, the Group held proved reserves in Australia of approximately 171 million barrels for crude oil and approximately 4,392 billion cubic feet for natural gas, for a total of 992 million boe.
2. Proved reserves (as of March 31, 2016) of the following blocks and fields include the portion attributable to non-controlling interests.
Eurasia (Europe & NIS): ACG (49%), Kashagan (55%), Americas: Horn River Area (54.91%)
3. MMbbl: Million barrels
4. Bcf: Billion cubic feet
5. Crude oil includes condensate and LPG

Standardized measure of discounted future net cash flows and their changes relating to proved oil and gas reserves for the year ended March 31, 2016

Disclosure contents for the standardized measure of discounted future net cash flows and their changes relating to proved reserves for the year ended March 31, 2016 are determined in accordance with the rules and regulations of the FASB, and are presented in accordance with Topic 932.

In calculating the standardized measure of discounted future cash inflows, the arithmetic average of oil and gas prices at the first day of each month during the current fiscal year is applied to the estimated annual future production from proved reserves. Future development and production costs are estimated based upon the assumptions of constant oil and gas prices and the continuation of existing economic, operating and regulatory conditions. Future income tax expenses are calculated by applying the year-end statutory tax rates to estimated future pretax cash flows less the tax basis of the properties involved based upon laws and regulations already legislated at year-end.

The discount is computed by applying a prescribed discount rate of 10% to the estimated future net cash flows.

The translation of U.S. dollar amounts into yen amounts is computed by applying the year-end exchange rates (TTM) of ¥120.27 and ¥112.69 to the U.S. dollar as of March 31, 2015 and 2016, respectively.

Since these figures are calculated in accordance with the rules set forth by the FASB, which have the following aspects, they do not represent the fair market value nor the Group's estimation for the present value of the cash flows of reserves of crude oil, condensate, LPG and natural gas.

- No economic value is attributed to potential reserves.
- A prescribed discount rate of 10% is applied.
- Oil and gas prices are subject to constant fluctuations despite the assumptions of constant oil and gas prices of Topic 932.

	Millions of yen					
March 31, 2015	Total	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas
INPEX CORPORATION and Consolidated Subsidiaries						
Future cash inflows	¥16,826,527	¥1,373,830	¥ 6,518,619	¥1,787,325	¥ 6,935,269	¥211,485
Future production and development costs	(5,420,750)	(279,282)	(2,143,400)	(563,719)	(2,373,944)	(60,405)
Future income tax expenses	(6,619,499)	(379,336)	(1,792,785)	(235,731)	(4,200,930)	(10,718)
Future net cash flows	4,786,278	715,212	2,582,434	987,875	360,395	140,363
10% annual discount for estimated timing of cash flows	(2,740,756)	(414,963)	(1,445,090)	(552,389)	(288,615)	(39,699)
Standardized measure of discounted future net cash flows	2,045,522	300,249	1,137,344	435,486	71,780	100,663
Equity-method affiliates						
Future cash inflows	1,283,858	—	384,759	—	890,520	8,579
Future production and development costs	(578,892)	—	(117,127)	—	(453,308)	(8,457)
Future income tax expenses	(538,253)	—	(128,356)	—	(409,898)	—
Future net cash flows	166,713	—	139,276	—	27,315	122
10% annual discount for estimated timing of cash flows	(82,534)	—	(78,062)	—	(4,453)	(19)
Share of equity-method investees' standardized measure of discounted future net cash flows	84,179	—	61,214	—	22,862	103
Total consolidated and equity-method affiliates in standardized measure of discounted future net cash flows	¥ 2,129,701	¥ 300,249	¥ 1,198,557	¥ 435,486	¥ 94,643	¥100,766

Note: Reserves of the following blocks and fields include the portion attributable to non-controlling interests.
Eurasia (Europe & NIS): ACG (49%), Kashagan (55%)/Americas: Copa Macoya (30%), Horn River Area (54.91%)

	Millions of yen					
March 31, 2016	Total	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas
INPEX CORPORATION and Consolidated Subsidiaries						
Future cash inflows	¥14,328,314	¥955,158	¥3,742,129	¥809,247	¥8,753,540	¥68,239
Future production and development costs	(6,088,070)	(211,896)	(1,716,381)	(511,299)	(3,612,235)	(36,260)
Future income tax expenses	(5,531,024)	(238,524)	(334,222)	(27,372)	(4,930,907)	—
Future net cash flows	2,709,219	504,739	1,691,527	270,576	210,399	31,979
10% annual discount for estimated timing of cash flows	(1,728,279)	(289,832)	(1,065,735)	(131,228)	(233,386)	(8,098)
Standardized measure of discounted future net cash flows	980,941	214,907	625,792	139,347	(22,987)	23,881
Equity-method affiliates						
Future cash inflows	624,922	—	265,685	—	359,237	—
Future production and development costs	(339,324)	—	(136,523)	—	(200,362)	(2,439)
Future income tax expenses	(196,338)	—	(52,679)	—	(143,658)	—
Future net cash flows	89,260	—	76,483	—	15,216	(2,439)
10% annual discount for estimated timing of cash flows	(42,538)	—	(41,347)	—	(1,305)	113
Share of equity-method investees' standardized measure of discounted future net cash flows	46,723	—	35,136	—	13,912	(2,325)
Total consolidated and equity-method affiliates in standardized measure of discounted future net cash flows	¥ 1,027,663	¥214,907	¥ 660,929	¥139,347	¥ (9,075)	¥21,556

Note: Reserves of the following blocks and fields include the portion attributable to non-controlling interests.
Eurasia (Europe & NIS): ACG (49%), Kashagan (55%)/Americas: Copa Macoya (30%), Horn River Area (54.91%)

	Millions of yen						
	Total	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Equity-method affiliates
INPEX CORPORATION and Consolidated Subsidiaries							
Standardized measure at beginning of the period As of April 1, 2015	¥2,129,701	¥300,249	¥1,137,344	¥435,486	¥ 71,780	¥100,663	¥ 84,179
Changes resulting from:							
Sales and transfers of oil and gas produced, net of production costs	(768,379)	(54,884)	(239,067)	(60,447)	(188,194)	(22,991)	(202,796)
Net changes in oil and gas prices and production costs	(2,528,189)	(100,431)	(895,506)	(380,907)	(863,121)	(32,889)	(255,335)
Development costs incurred	342,036	2,363	198,989	40,430	45,422	4,054	50,778
Changes in estimated future development costs	(164,656)	2,442	(197,855)	(30,972)	3,105	(1,536)	60,161
Revisions of previous quantity estimates	90,888	(2,236)	(47,750)	53,845	63,138	(31,098)	54,988
Accretion of discount	203,264	24,851	115,398	41,403	7,386	7,814	6,411
Net change in income taxes	1,894,806	61,474	625,755	68,051	879,129	6,755	253,642
Extensions, discoveries and improved recoveries	(37,108)	—	—	—	(37,108)	—	—
Other	(134,700)	(18,923)	(71,516)	(27,540)	(4,524)	(6,892)	(5,305)
Standardized measure at end of the period As of March 31, 2016	¥1,027,663	¥214,907	¥ 625,792	¥139,347	¥ (22,987)	¥ 23,881	¥ 46,723

Note: Reserves of the following blocks and fields include the portion attributable to non-controlling interests.
Eurasia (Europe & NIS): ACG (49%), Kashagan (55%)/Americas: Copa Macoya (30%), Horn River Area (54.91%)

Probable reserves and possible reserves

The following tables list the probable and possible reserves of crude oil, condensate, LPG and natural gas of the Group on main projects. Our probable reserves as of March 31, 2016 were 796 million barrels for crude oil, condensate and LPG, and 5,074 billion cubic feet for natural gas, for a total of 1,705 million boe. In addition, the Group's possible reserves as of March 31, 2016 were 92 million barrels for crude oil, condensate and LPG, and 2,388 billion cubic feet for natural gas, for a total of 545 million boe.

March 31, 2016	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Subtotal	Interest in reserves held by equity-method affiliates	Total
Probable reserves								
Crude oil, condensate and LPG (MMbbl)	2	132	387	258	4	783	13	796
Natural gas (Bcf)	69	4,778	175	—	9	5,031	43	5,074

March 31, 2016	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Subtotal	Interest in reserves held by equity-method affiliates	Total
Possible reserves								
Crude oil, condensate and LPG (MMbbl)	2	79	2	0	7	90	2	92
Natural gas (Bcf)	63	2,221	—	—	13	2,297	91	2,388

Notes: 1. MMbbl: Million barrels
2. Bcf: Billion cubic feet

2. OIL AND GAS PRODUCTION

The following tables list average daily production for crude oil, natural gas, and the total of crude oil and natural gas by region. The proportional interests in production by the equity-method affiliates are not broken down by geographical regions.

The Group's production for the year ended March 31, 2016 was 339.2 thousand barrels per day for crude oil, condensate and LPG, and 932.9 million cubic feet per day for natural gas, for a total of 513.8 thousand boed. Our method for calculating the conversion of natural gas volumes to barrels of oil equivalent (boe) was changed effective the year ended March 31, 2012.

Years ended March 31,	2011	2012	2013	2014	2015	2016
Crude oil, condensate and LPG (Mbbld):						
Japan	3.9	3.8	3.9	3.6	3.2	3.2
Asia & Oceania	65.1	62.5	58.0	45.8	40.6	47.8
Eurasia (Europe & NIS)	27.9	25.0	25.1	26.1	27.0	31.6
Middle East & Africa	73.0	84.3	84.4	84.4	84.8	161.1
Americas	2.3	0.1	0.1	0.1	0.5	5.5
Subtotal	172.2	175.7	171.5	160.0	156.1	249.2
Proportional interests in production by equity-method affiliates	67.4	75.4	74.4	84.9	86.6	90.0
Total	239.6	251.2	245.9	244.9	242.7	339.2
Annual production (MMbbl)	87.5	91.9	89.8	89.4	88.6	124.2
Natural gas (MMcf/d):						
Japan	128.7	127.6	133.7	125.5	113.9	119.7
Asia & Oceania	836.0	665.0	586.4	602.8	596.5	666.8
Eurasia (Europe & NIS)	—	—	—	—	—	—
Middle East & Africa	—	—	—	—	—	—
Americas	81.1	72.4	90.9	107.4	103.2	87.3
Subtotal	1,045,9	865.0	811.0	835.7	813.7	873.8
Proportional interests in production by equity-method affiliates	56.6	62.7	52.4	40.7	66.4	59.1
Total	1,102.5	927.7	863.4	876.4	880.0	932.9
Annual production (Billions of cubic feet)	402.4	339.5	315.1	319.9	321.2	341.4
Crude oil and natural gas (Mboed):						
Japan	25.3	27.7	29.0	27.2	24.6	25.7
Asia & Oceania	204.4	189.5	169.4	159.9	154.3	174.0
Eurasia (Europe & NIS)	27.9	25.0	25.1	26.1	27.0	31.6
Middle East & Africa	73.0	84.3	84.4	84.4	84.8	161.1
Americas	15.8	13.1	16.2	19.0	19.0	21.0
Subtotal	346.5	339.7	324.0	316.7	309.7	413.4
Proportional interests in production by equity-method affiliates	76.8	86.5	83.8	92.1	98.4	100.5
Total	423.3	426.2	407.8	408.8	408.1	513.8
Annual production (MMboe)	154.5	156.0	148.8	149.2	148.9	188.1

Corporate Information

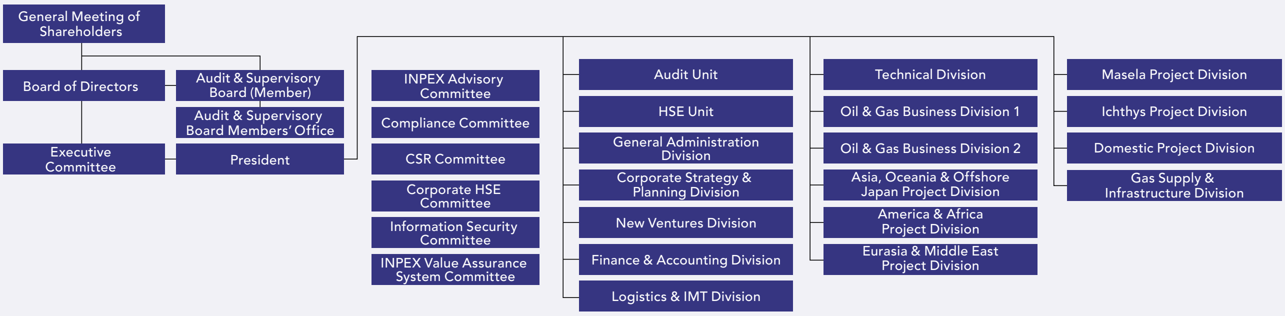
(As of March 31, 2016)

Corporate Data

Company Name INPEX CORPORATION
Established April 3, 2006
Capital ¥290,809,835,000
Company Headquarters Akasaka Biz Tower, 5-3-1 Akasaka, Minato-ku, Tokyo 107-6332, Japan

Number of Employees (Consolidated) 3,449
Main Business
Research, exploration, development, production and sales of oil, natural gas and other mineral resources, other related businesses and investment and lending to the companies engaged in these activities, etc.

Organization Chart (As of July 1, 2016)



Stock Data

Authorized Shares:
3,600,000,000 common stocks
1 Class A Stock

Total Number of Shareholders and Issued Shares
Common Stocks: 48,427 shareholders / 1,462,323,600 shares
Class A Stock*: 1 shareholder (Minister of Economy, Trade and Industry) / 1 share

* The Company's Articles of Incorporation stipulate that certain major corporate decisions require a resolution by the holder of the Class A Stock in addition to the approval of the shareholders' meetings or Board of Directors.

Major Shareholders (Common Stocks)

Name	Number of shares	Percentage of total common shares* (%)
Minister of Economy, Trade and Industry	276,922,800	18.94
Japan Petroleum Exploration Co., Ltd.	106,893,200	7.31
Japan Trustee Services Bank, Ltd. (Trust Account)	53,363,400	3.65
The Master Trust Bank of Japan, Ltd. (Trust Account)	45,687,900	3.12
Mitsui Oil Exploration Co., Ltd.	44,954,000	3.07
CBNY-GOVERNMENT OF NORWAY	44,178,795	3.02
JX Holdings, Inc.	43,810,800	3.00
THE BANK OF NEW YORK, TREATY JASDEC ACCOUNT	23,134,396	1.58
State Street Bank and Trust Company 505223	22,410,446	1.53
The Bank of New York Mellon SA/NV 10	21,856,291	1.49

* The percentages of total common shares are for total number of issued common shares.

Shareholding by Shareholders Type

Shareholder type	Number of shareholders	Number of shares	Percentage of total common shares*1 (%)
Financial Institutions (Including Trust Accounts)	95	254,566,927	17.41
Securities Companies	65	23,499,037	1.61
Other Domestic Corporations	397	235,729,449	16.12
Minister of Economy, Trade and Industry*2	1	276,922,800	18.94
Foreign Corporations and Other	763	622,909,747	42.60
Individuals and Other	47,105	46,729,240	3.20
Treasury Shares	1	1,966,400	0.13

*1 The percentages of total common shares are for total number of issued common shares.
*2 Excludes one Class A Stock

Home Page

The Company's Web site provides investors with the most up-to-date IR information, including financial statements.

▸ **www.inpex.co.jp/english**

Inquiries

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