INPEX CORPORATION

Annual Report 2019/12

For the Period ended December 31, 2019

About INPEX

INPEX is the largest oil and gas E&P company in Japan with global exploration, development and production projects in 20 countries.

Our Mission

We are committed to contributing to the creation of a brighter future for society through our efforts to develop, produce and deliver energy in a sustainable way.

Our Goal

We aim to become a leading energy company serving an essential role in global society by meeting the energy needs of Japan and countries around the world.

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About Our Reporting

INPEX's Annual Report is edited with the purpose of conveying both financial and non-financial information in an easy-to-understand manner, highlighting the Company's performance during the reporting period.

The Annual Report for the fiscal term ending December 31, 2019 features explanations of our responses to changes in business conditions in which the Company operates, an overview of the fiscal period under review, initiatives and successes of the Medium-term Business Plan 2018-2022, and our CSR measures. In addition, this report is intended to convey our oil and natural gas development operations—the Company's core business—to unfamiliar readers in an easy-to-understand manner using photos and charts. Going forward, we will take steps to enhance information provision by using this report as a means to encourage meaningful dialog with stakeholders. During compilation, we referenced the International Annual Reporting Council's (IIRC) International Annual Reporting Framework. Of note, the Company changed its accounting period-end from March 31 to December in 2019. As a result, the fiscal term ending December 31, 2019 is a nine-month accounting period extending from April 1 to December 31.

DISCLAIMER

Information contained in this Annual Report is not an offer or a solicitation of an offer to buy or sell securities. You are requested to make investment decisions using your own judgment.

Although the Company has made sufficient effort to ensure the accuracy of information provided herein, the Company assumes no responsibility for any damages or liabilities including, but not limited to, those due to incorrect information or any other reason.

FORWARD-LOOKING STATEMENTS

This Annual Report includes forward-looking information that reflects the Company's plans and expectations. Such forward-looking information is based on the current assumptions and beliefs of the Company in light of the information currently available to it, and involves known and unknown risks, uncertainties and other factors. Such risks, uncertainties and other factors could cause the Company's actual results, performance, achievements or financial position to be materially different from any future results, performance, achievements or financial position expressed or implied by such forward-looking information. Such risks and uncertainties include, without limitations, fluctuations in the following:

- the price of and demand for crude oil and natural gas;
- exchange rates; and
- the costs associated with exploration, development, production and other related expenses.

The Company undertakes no obligation to publicly update or revise any information in this Annual Report (including forward-looking information).

NOTES REGARDING FIGURES

Financial figures in this Annual Report have been, in principle, rounded to the nearest unit (e.g., millions, billions) for convenience. The "Project Overview by Region" section (starting on page 28) describes, in principle, the operating situation as of March 31, 2020. Figures in parentheses denote negative amounts. Natural gas production volume for projects in production is not the volume at wellheads, but corresponds to sales to buyers.

INPEX CORPORATION is listed on the First Section of the Tokyo Stock Exchange under the securities code 1605. The Company is also included in the Nikkei Stock Average (Nikkei 225) and the JPX-Nikkei Index 400 (JPX400).

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INPEX announced details of its "Vision 2040: Delivering Tomorrow's Energy Solutions" and "Medium-term Business Plan 2018-2022: Growth & Value Creation" in May 2018. For an overview, please refer to pages 20-21 in this Annual Report and the Company's Web site for more information.

https://www.inpex.co.jp/english/company/

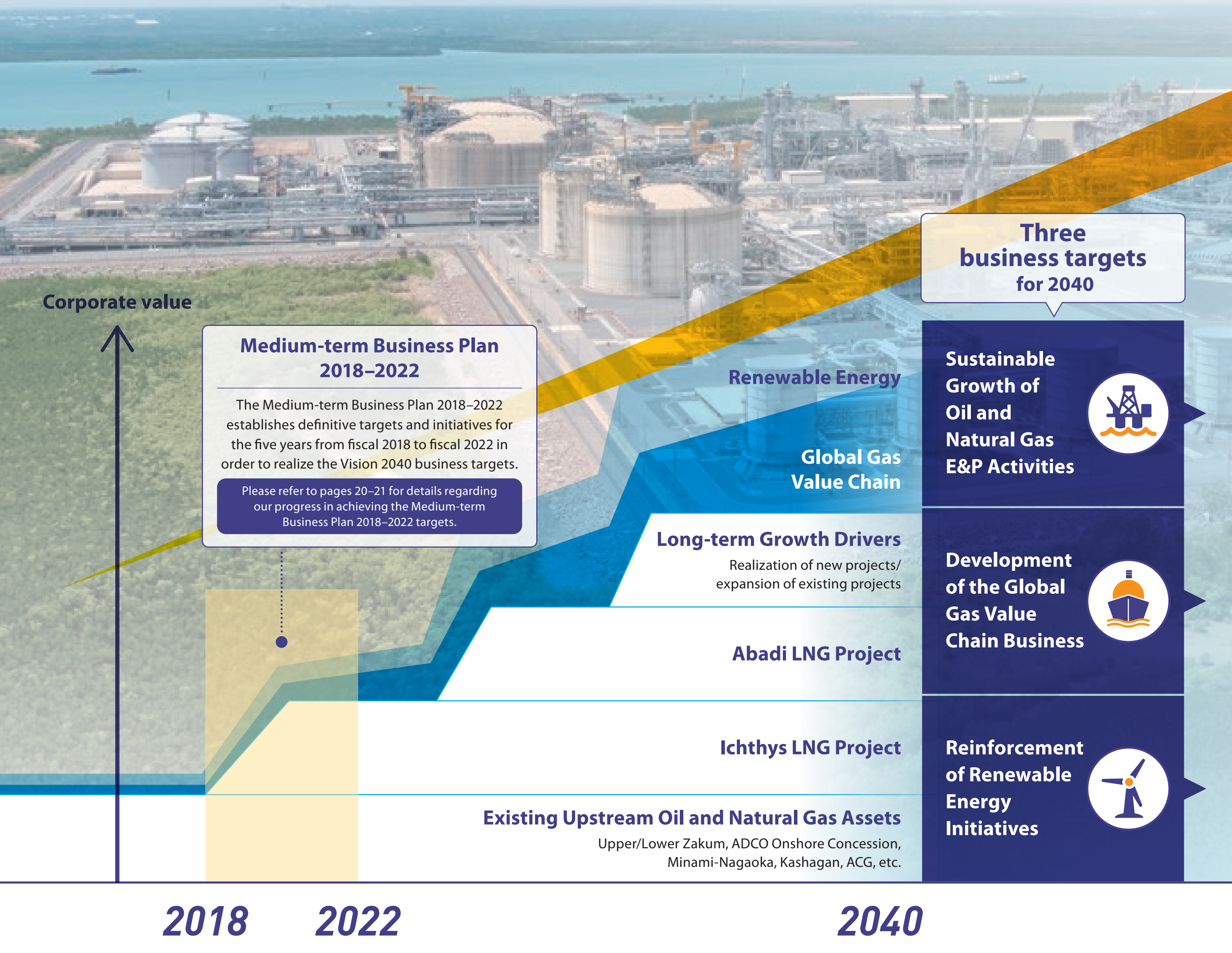
The History of INPEX

Our Vision

Since the founding of INPEX in 2008, we have worked to ensure a stable supply of energy to our customers by focusing on the exploration and production of crude oil and natural gas as our core business.

We will continue to strive to achieve the three business targets outlined in Vision 2040, our long-term vision announced in May 2018.

We will continue to contribute toward the creation of a brighter and more prosperous society through our efforts to develop, produce and deliver energy in a sustainable manner.



Vision 2040

Delivering tomorrow's energy solutions

A top 10 international oil company

- Growth in volume and value

Volume

- Achieve production volume of 1 million BOED, continuously expand reserves

Value

- Significantly increase net income and cash flow from operations, improve capital efficiency

A key player in the development and supply of natural gas in Asia and Oceania

- Expand annual gas supply volume in Japan to more than 3 billion m^3
- Develop gas demand in growth markets, including in Asia
- Maintain and strengthen supply and demand management and trading functions
- Maximize value of upstream natural gas assets

Accounting for 10% of INPEX's project portfolio

- Take appropriate steps to address climate change
- In addition to the geothermal power generation business, which draws on synergies with the Company's oil and natural gas E&P activities, expand participation in the wind power generation business
- Promote technological research and development related to greenhouse gas reductions

Company history

2008	**Oct.**	INPEX CORPORATION is founded through the merger of INPEX, Teikoku Oil and INPEX Holdings
2010	**Sep.**	Acquires interest in Sebuku Block in Indonesia (Ruby Gas Field production commences in 2013)
2012	**Jan.**	Ichthys LNG Project in Australia reaches final investment decision
	Mar.	Acquires interest in Prelude FLNG Project in Australia
	Aug.	Acquires interest in Lucius Project in the United States Acquires indirect interest in Block 14 in Angola
2013	**Apr.**	INPEX Mega Solar Joetsu is completed
	Dec.	Naoetsu LNG Terminal is completed
2014	**Jan.**	Welcomes extension of concession agreement for Upper Zakum Oil Field in the United Arab Emirates (Abu Dhabi)
2015	**Apr.**	Acquires interest in ADCO onshore concession in the United Arab Emirates
	Jun	Joins Sarulla Geothermal Independent Power Producer (IPP) Project in Indonesia
2016	**Aug.**	Commences Toyama Line natural gas trunk pipeline operations in Japan
	Oct.	Kashagan Oil Field in north Caspian Sea region (Kazakhstan) commences crude oil shipments
2017	**Mar.**	Sarulla Geothermal IPP Project commences commercial operations
	Sep.	Welcomes 25-year extension of production sharing agreement for ACG oil fields in southwest Caspian Sea region (Azerbaijan)
2018	**Feb.**	Acquires interest in Lower Zakum Oil Field concession and welcomes extension of concession agreements for Satah and Umm Al Dalkh oil fields in the United Arab Emirates (Abu Dhabi)
	Mar.	Abadi LNG Project in Indonesia commences Pre-FEED work
	May	Announces formulation of Vision 2040 and Medium-term Business Plan 2018–2022
	Jul.	Ichthys LNG Project commences production
	Oct.	Ichthys LNG Project commences LNG shipments
2019	**Jun.**	Prelude FLNG Project commences shipments
	Jul.	Abadi LNG Project receives approval on revised plan of development
	Nov.	Ichthys LNG Project achieves financial completion, reaches 100th LNG cargo shipment milestone

Value Creation Process

INPEX is endeavoring to continuously increase its corporate value while fulfilling its social mission of providing a stable supply of energy. Based on its mission and Vision 2040, INPEX's business model is designed to create social, environmental and economic value.

Our

We are committed to creation of a brighter through our efforts to deliver energy in a

Issues to be resolved

- Meet growing global energy demand
- Help increase Japan's self-development ratio of oil and natural gas
- Accelerate response to climate change and promote low-carbon footprint in operations

INPEX's Strengths

- A highly competitive project portfolio
- Close partnerships with oil-producing countries
- Technical capabilities to carry out projects
- Diverse human resources experienced in exploration, development, operations, marketing and other areas
- Steady growth in cash flow and a solid and stable financial base
- Support from the government of Japan

Development of the Global Gas Value Chain Business

Reinforcing renewable energy initiatives

Growth of production volume

INP

Increasing reserves

CSR Manage-

Identification of material issues

- Governance
- Compliance
- HSE
- Local Communities
- Climate Change
- Employees

Mission

contributing to the
future for society
develop, produce and
sustainable way.

- ✓ Generating demand for natural gas
- ✓ Maximizing the value of INPEX's upstream interests

Accounting of revenue attributable to sales

EX

Sustainable Growth of Oil and Natural Gas E&P Activities

Investments for exploration and development

- ✓ Responding to climate change
- ✓ Meeting long-term energy needs

ment

Typical SDGs* to which INPEX contributes through its business

*SDGs: Sustainable Development Goals

Vision 2040

Delivering tomorrow's energy solutions

Key stakeholders
Shareholders and Investors
Business partners
Suppliers and Contractors
Local communities
Customers
Oil and gas producing countries
NGOs
Employees

Three values the INPEX creates with stakeholders

Social Value

- Stable supply of energy
- Self-development ratio of oil and natural gas
- Improving access to reliable energy
- Contribution to sustainable development of local communities
- Creating stable job opportunities

Environmental Value

- Expanding supply of natural gas as a cleaner source of energy
- Energy production with low environmental footprint
- Increasing the ratio of the renewables in the energy mix
- Appropriate GHG emission management and low-carbon footprints of operations
- Accelerating investments in clean energy technologies and related environmental infrastructure

Economic Value

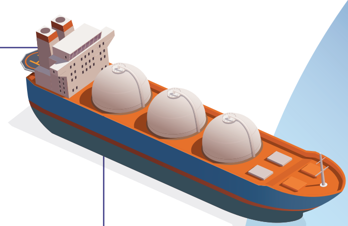
- Sustainable growth of corporate value
- Maximizing shareholder value
- Business portfolio resilient to changing business environment
- Expanding production volume and reserves
- Reinforced and diversified revenue base

The Structure and Mechanism of Oil and Natural Gas Exploration and Development

The business activities of the oil and gas industry can be envisioned as the flow of a river. The upstream consists of the development and production of oil and natural gas. The midstream is where products are transported. The downstream refers to refining and sales. Our mainstay business is to handle operations in the upstream including the exploration, production and marketing of crude oil and natural gas. As shown in the business flow on this page, upstream business activities can be further classified into the acquisition of blocks, exploration, appraisal, development, production and sales.

We collect extensive information on legal system and country risks related to areas in which oil and natural gas are expected to exist. We then apply and bid for mining rights and/or exploration and development rights and enter into a contract for exploration and development.

Signing ceremony of a contract



There are many methods for marketing crude oil linked to spot prices (market prices established one time per transaction), the spot prices themselves being mainly decided based on crude oil, which has become the transaction benchmark. Representative crude oil spot prices are those quoted for Middle East Dubai crude, North Sea Brent crude and West Texas Intermediate (WTI) from the United States, to name but a few.

In contrast, as liquefied natural gas (LNG) projects require large amount of investments, in many cases LNG is supplied under a long-term contract between producers and buyers.

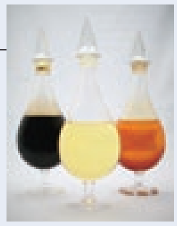
LNG tanker

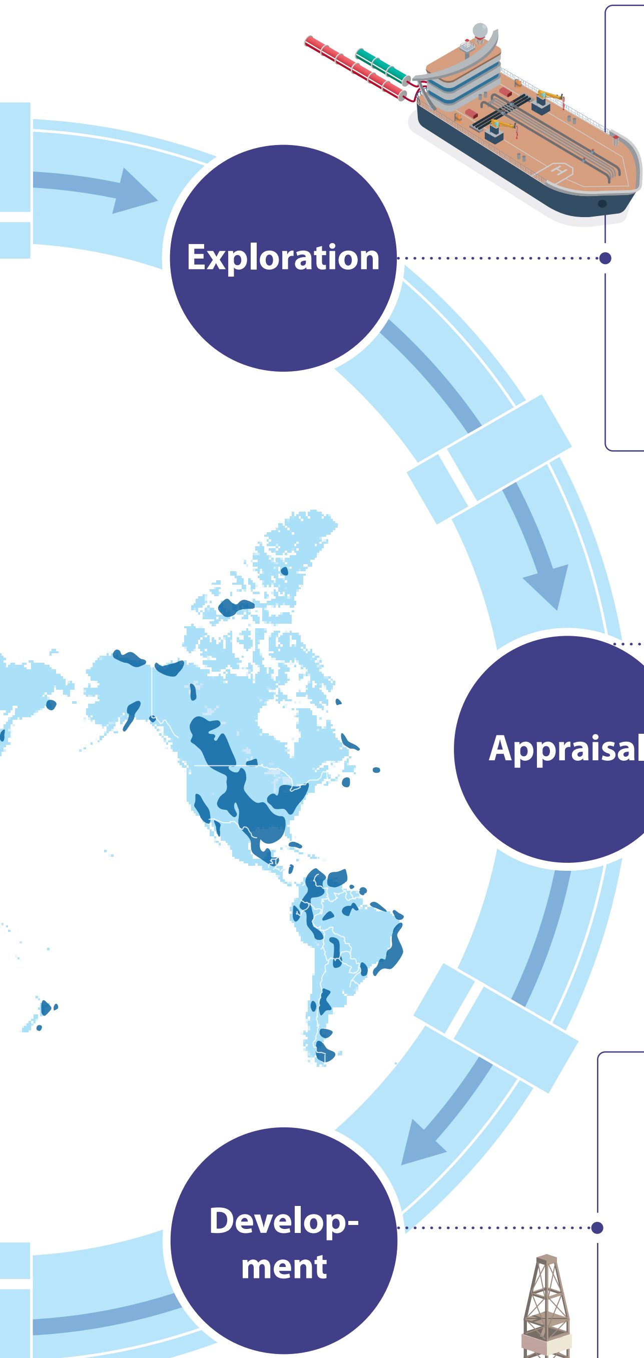
The extracted oil and natural gas are refined and processed. After separating oil and removing impurities (e.g., acid gas, water), we ship natural gas that can be used as a product.

LNG plant

Where do crude oil and natural gas come from?

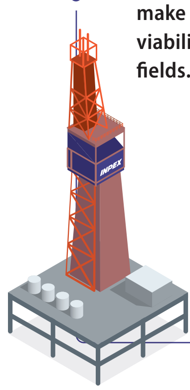
Crude oil and natural gas are thought to originate from organic matter, such as the remains of once-living organisms that accumulated at the bottom of seas and lakes, that was then subjected to extreme heat and pressure underground (organic origin theory). Crude oil and natural gas that have formed deep underground are lighter than the water in the earth, allowing them to gradually rise to the surface over a long period of time. If the crude oil and natural gas encounter highly dense geological formations on the way to the surface, however, deposits form that become oil and gas fields.





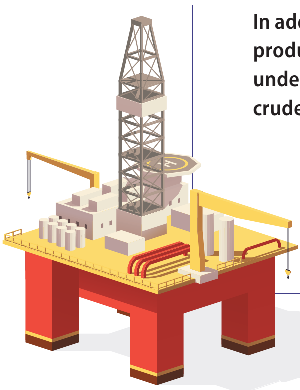
In addition to geological surveys, we utilize geophysical surveys conducted through satellite images and seismic waves to assess the potential subsurface accumulations of oil and natural gas. Furthermore, we drill exploratory wells to confirm the presence of oil and gas. The bit, a special drill attached to the tip of the pipe, drills through hard rock while digging into the ground.

Geophysical surveys

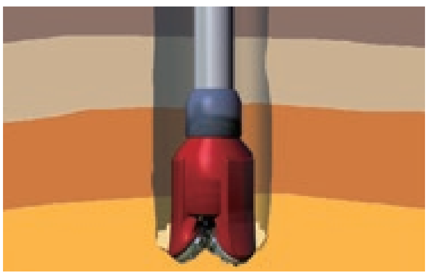


Once the presence of oil and natural gas has been confirmed, we drill appraisal wells to assess the extent of the oil and gas fields and to evaluate the amount of reserves. In addition, we make comprehensive judgments regarding the commercial viability of the fields.

Drilling of appraisal wells



After a final investment decision (FID) has been made, steps are taken to construct facilities to produce and ship crude oil and natural gas. This includes facilities that separate resources into their liquid and gaseous states to remove impurities and pipelines to facilitate transportation. In addition, the drilling of production wells is undertaken to extract crude oil and natural gas.



Drilling of production wells

Financial and Operating Highlights (Five-Year Comparative Graphs)

INPEX has changed its fiscal year-end from March 31 to December 31, effective from fiscal 2019.

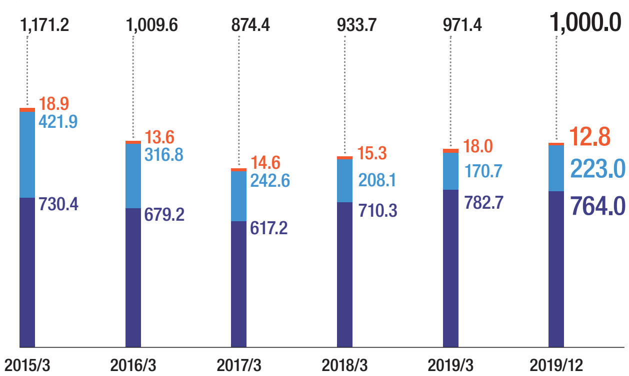
The fiscal year ended December 31, 2019 is a transitional, nine-month accounting period from April 1, 2019 to December 31, 2019.

Please refer to page 61 for notes on key performance indicators.

Profitability Indices

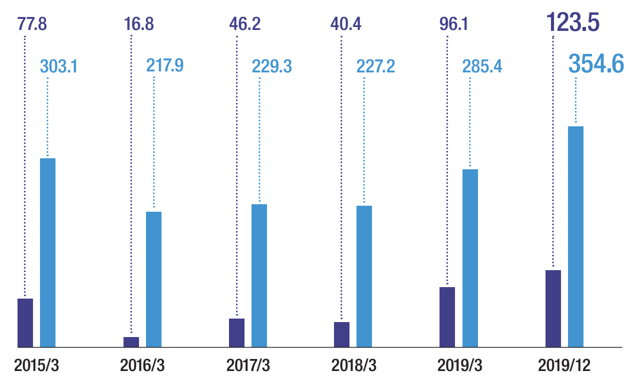
Net Sales (by product)

■ Crude oil ■ Natural gas ■ Other (¥ billion)



Net Income Attributable to Owners of Parent, EBIDAX (Earnings before interest, depreciation and amortization, and exploration)

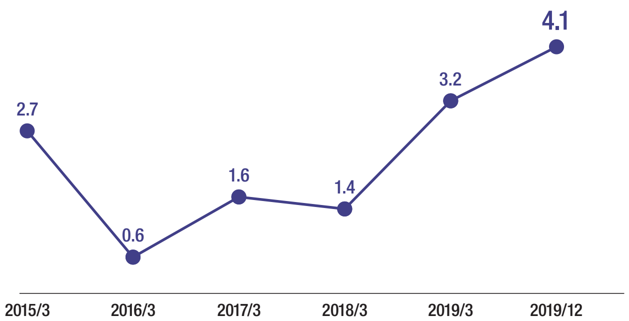
■ Net income attributable to owners of parent ■ EBIDAX (¥ billion)



Efficiency Indices

Return on Equity (ROE)

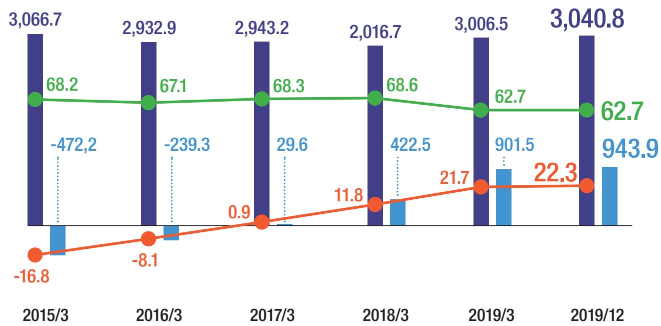
● ROE (%)



Stability Indices

Net Assets Excluding Non-Controlling Interests, Equity Ratio, Net Debt, Net Debt/Net Total Capital Employed

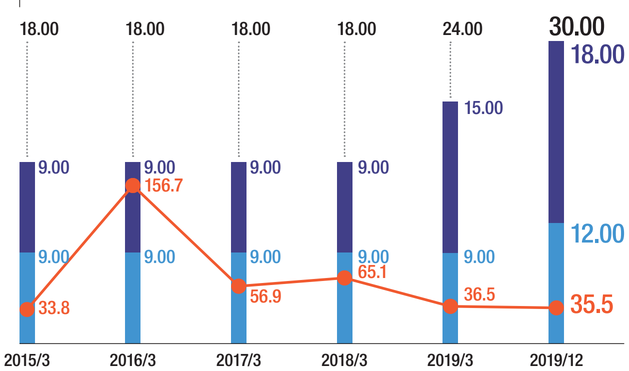
■ Net assets excluding non-controlling interests ■ Net debt (¥ billion)
● Equity ratio ● Net debt/Net total capital employed (%)



Performance Indices

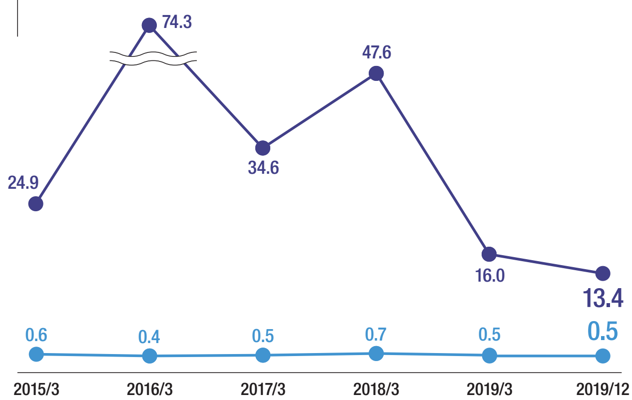
Cash Dividend per Share, Payout Ratio

■ Cash dividend per share (2nd quarter end)
■ Cash dividend per share (Fiscal year-end) (Yen) ● Payout ratio (%)



Price Earnings Ratio (PER), Price Book-Value Ratio (PBR)

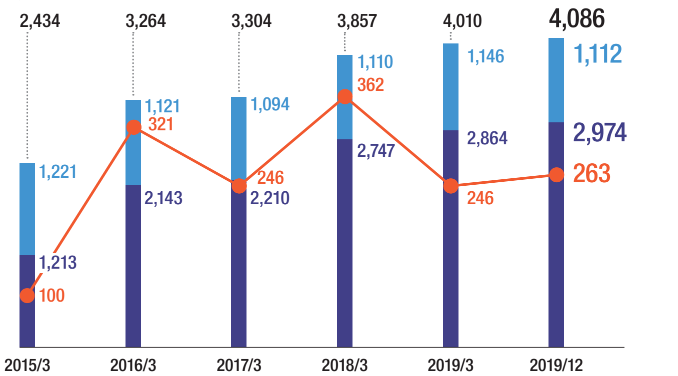
● PER ● PBR (Times)



Reserve/Production Indices

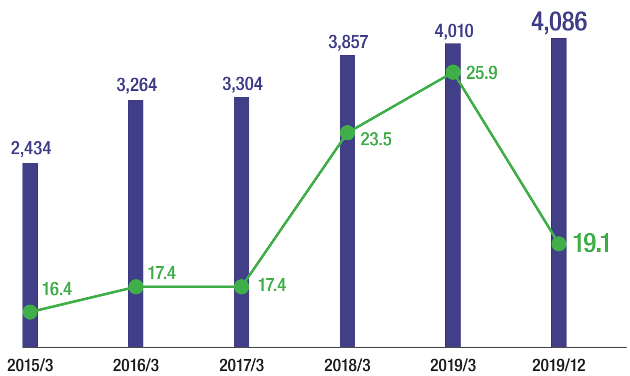
Net Proved Reserves (by product), Reserve Replacement Ratio (3-year average)

■ Crude oil ■ Natural gas (Million boe) ● Reserve replacement ratio (3-year average) (%)



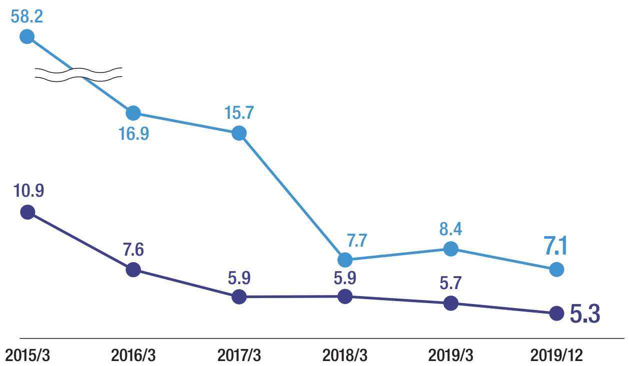
Net Proved and Probable Reserves, Reserves-to-Production Ratio

■ Probable reserves (Million boe)
● Proved reserves-to-production ratio (Years)



Average Expenses per BOE Produced, Exploration and Development Cost per BOE (3-year average)

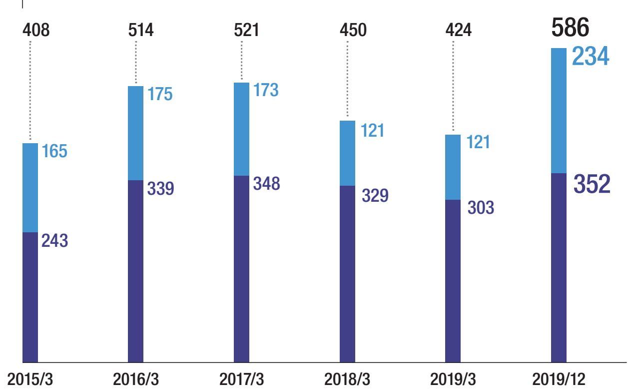
● Average production cost per boe produced (Excluding royalty) (US$/boe)
● Exploration and development cost per boe (3-year average) (US$/boe)



Note: As a result of the numerical scrutiny, we have revised our exploration and development costs per barrel of oil equivalent for the fiscal years ended March 31, 2019 and December 31, 2019.

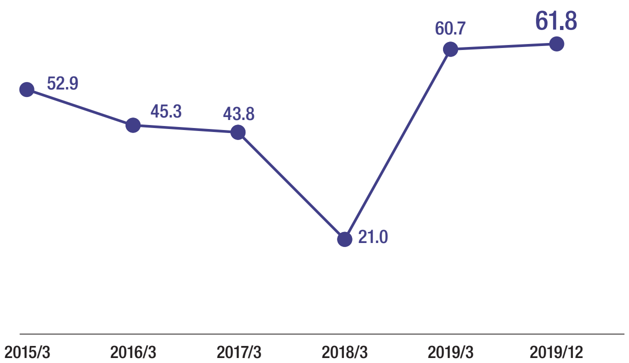
Net Production (by product, barrels of oil equivalents)

■ Crude oil ■ Natural gas (Thousand boed)



Exploration and Appraisal Success Ratio (3-year average), Number of Exploratory and Appraisal Wells

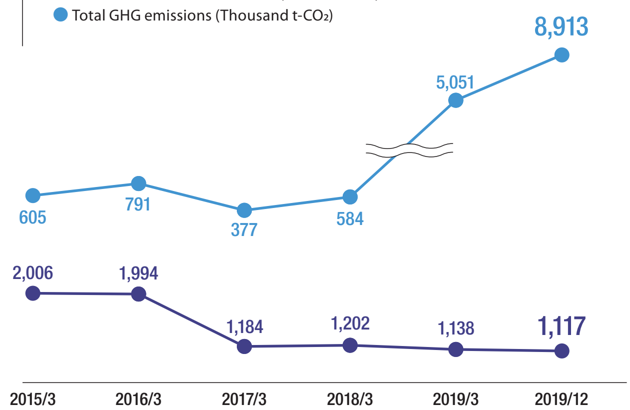
● Exploration success ratio (3-year average) (%)



Environment Indices

Volume of Water Sources Used, Total GHG Emissions

● Volume of water sources used (Thousand m³)
● Total GHG emissions (Thousand t-CO_2)



Note: While figures up to the fiscal year ended March 31, 2016 include contractor data, data from the fiscal year ended March 31, 2017 are for the Company only.

Message from the Representative Directors

Toshiaki Kitamura
Representative Director and Chairman

Takayuki Ueda
Representative Director, President and CEO

Our goal is to become a leading energy company serving an essential role in society by meeting the energy needs of Japan and countries around the world

In retrospect, the fiscal year ended December 2019 was a nine-month period in which INPEX made steady progress from both quantitative and qualitative perspectives. The highlights of this period, which marked the second year of our Medium-term Business Plan 2018-2022 formulated in May 2018, include the extremely smooth production ramp-up of the Ichthys LNG Project in Australia and the significant increase in our profit owing to the project's contribution to earnings.

Since the turn of the year, however, the global economy has stagnated due to the COVID-19 pandemic, and amid the resulting decline in energy demand, crude oil prices have plummeted due to factors including the failure of OPEC-plus to reach an agreement on production cuts. An agreement to reduce production was reached in early April 2020, but the crude oil price outlook remains uncertain.

It is a challenge to foresee how long these circumstances will last. But even if the current low crude oil price environment were to persist for a certain amount of time, we will seek to minimize its impact by reducing investment and costs, securing enough liquidity and further strengthening our financial base, and build a resilient corporate structure that will enable us to stably sustain our business operations. In fiscal 2020, the Company will reduce investment in development and exploration by over 20% and 40%, respectively, company-wide compared to its initial forecasts. For our global oil and gas production operations, we maintain steady operations in an effort to ensure a stable supply of energy while redoubling our measures to prevent the spread of COVID-19.

It is expected that oil and natural gas will still account for half of the world's energy demand in 2040, and we will continue to strive to sustainably grow our upstream oil and natural gas businesses. On the other hand, measures on climate change response and carbon reduction are accelerating at an unprecedented pace, and fossil fuels are being increasingly scrutinized by the international community. Positioning these social issues as priority themes, we are pursuing new technological developments in carbon recycling and renewable energy initiatives for which we expect long-term demand to increase, while engaging in efforts to set and meet CO_2 emission reduction targets.

In addition to pursuing our core business of oil and natural gas exploration and production, we will sustainably develop, produce and supply a diverse range of energy sources including renewables to become a leading energy company serving an essential role in global society by meeting the energy needs of Japan and countries around the world.

We would like to take this opportunity to ask for the continued and unwavering support and understanding of all our stakeholders.

Representative Director
and Chairman

北村俊昭

Representative Director,
President and CEO

上田隆之

Message from the President

Takayuki Ueda
Representative Director,
President and CEO

Smooth ramp-up with the Ichthys LNG project in Australia. Responding appropriately to low oil prices and ongoing business stability will feed through to steady growth

Rapid changes in the business environment from 2020 and our response

I would first like to express my sincere condolences to all those affected by the COVID-19 pandemic. I would also like to extend my heartfelt gratitude to all the medical and other professionals who are working on the front lines.

The global economy has been facing a major crisis since the start of 2020 as COVID-19 has spread around the world, restricting the movement of people and goods internationally and disrupting supply chains. The slowdown of the global economy is having a serious impact on energy demand, with some forecasting that global energy demand in 2020 will decrease by about 6% year on year.*

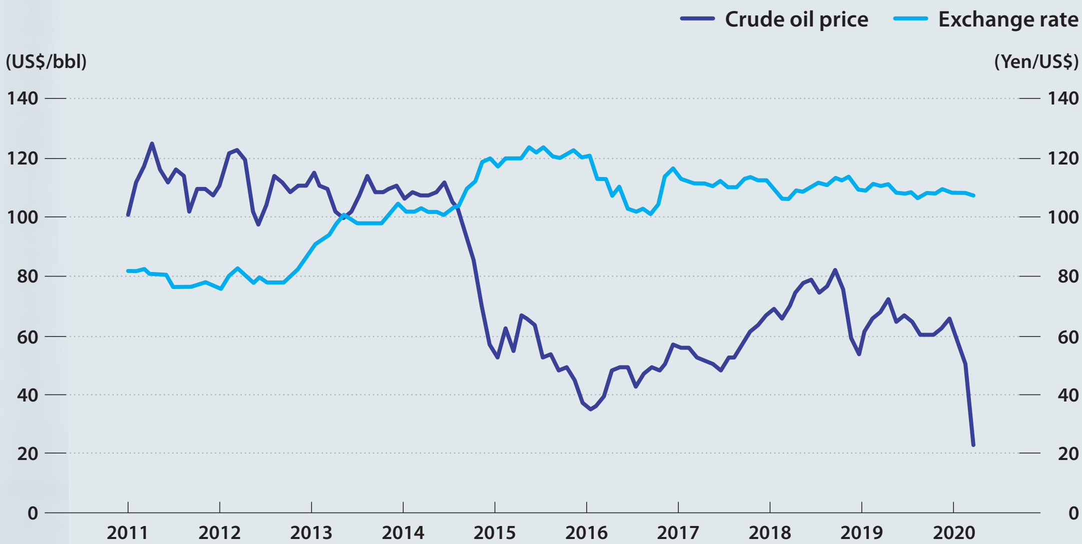
*Estimate by Global Energy Review 2020, International Energy Agency

After a period of discord among its members, OPEC-plus agreed in early April to cut production. However, owing to the sharp decline in crude oil demand, we remain in a situation of acute excess supply.

In this supply/demand environment, the per-barrel price of crude oil, which began the year at US$65-70 per barrel, fell sharply from mid-March. Since then the oil price slightly rebounded, however we are still in a low oil price environment. The outlook for oil prices is unpredictable, and crude oil prices could remain depressed for six months to more than a year.

In response to rapid changes in the business environment, we will work to reduce investment and cut costs in order to build a strong corporate structure that can sustain stable business even if oil prices remain at their current low level for a considerable period of time. We aim to secure sufficient liquidity and further strengthen our financial

Brent crude oil price/Exchange rate



Note: Data for 2020 are through to the end of March.

base. Regarding the reduction of investments and cutting of costs, we aim to curtail development investment across the entire company by more than 20% and cut exploration investment by more than 40% compared with our initial plan in fiscal 2020. We will also reduce companywide operating expenses and administrative costs throughout the Company. INPEX has secured liquidity through sufficient cash on hand and commitment lines. However, we plan additional borrowings to strengthen our financial base and intend to continue diversifying our funding structure to further enhance the quality and soundness of our position.

At the Ichthys LNG Project in Australia, where we are the operator, and at the Minami-Nagaoka Gas Field and Naoetsu LNG Terminal in Japan and other operating sites, we are striving to ensure stable operations and maintain stable supplies of energy while implementing extensive measures to prevent further COVID-19 infection, standing firmly to the principle that the health and safety of our employees is our highest priority.

Although situation at the moment has become increasingly uncertain, we continue to expect substantial growth in energy demand centered on Asia and especially for liquefied natural gas (LNG) over the medium to long term. I view this as a time to prepare the ground for our future development by working together to reduce costs and build a strong corporate structure.

Looking back on the past fiscal term ended on December 31, 2019

The fiscal term ended December 31, 2019 was an irregular transitional fiscal period of nine months from April to December 2019. This reflects the change in our fiscal year-end from March 31 to December 31.

Looking first at crude oil prices, which have a major impact on INPEX's earnings, Brent crude, a benchmark index, stood at US$69 per barrel at the beginning of the fiscal term and finished at US$66 after repeated fluctuations amid tensions in the Middle East and persistent US-China trade friction. The average annual Brent crude price over the term was US$65.61 per barrel, down US$5.95 compared with the previous fiscal year.

With foreign currency exchange rates, another key factor, the yen traded at an average rate of ¥108.84 over the period. This represented yen appreciation of ¥1.88 compared with the same period of the previous year.

*Year-on-year comparisons are made on the basis of figures for the fiscal year ended on March 31, 2019 adjusted to nine months, the same period as the fiscal term under review.

Turning to consolidated results for the fiscal term, despite the decline in oil prices, sales volume increased due to the successful ramp-up of the Ichthys LNG project in Australia and the start of production at the Prelude floating liquefied natural gas (FLNG) project. Consolidated sales expanded 25.0% year on year to ¥1 trillion, operating income rose 20.5% to ¥498.6 billion and recurring profit increased 14.7% to ¥511.0 billion. Net income attributable to owners of the parent increased a substantial 136.1% year on year to ¥123.5 billion.

Regarding dividends to shareholders, our Medium-term Business Plan 2018-2022 sets out a basic shareholder returns policy for the term of the plan from FY2018 to FY2022. This targets a payout ratio of 30% or higher, and enhancing dividends per share in stages in accordance with the growth of the Company's financial results. Based on this policy, INPEX paid dividends for the fiscal term ended December 31, 2019 of ¥30 per share , comprising an interim dividend per share of ¥12 and a term-end dividend of ¥18 per share marking an increase in dividend for the second consecutive fiscal term.

Net production volume (the total of crude oil and natural gas, oil equivalent) increased by 51% from the same period of the previous year to 586 thousand barrels of oil equivalent per day (BOED) due to the ramp-up of the Ichthys LNG Project and the start of production at the Prelude FLNG project. Average net production volume over the fiscal term reached a record high. Proved reserves (the total of crude oil and natural gas, oil equivalent), which represents a source of future earnings,

The fiscal term ended December 31, 2019 (or FY2019/12)

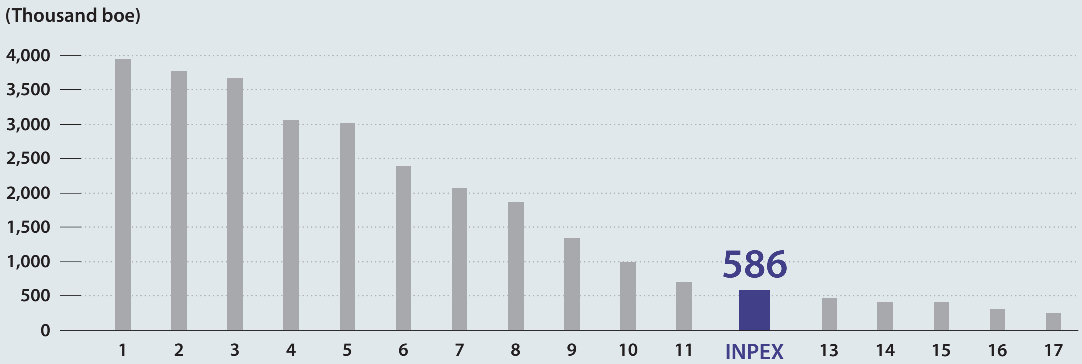
Consolidated sales
(April 2019 to December 2019)

1 trillion yen

Net income attributable to owners of parent
(April 2019 to December 2019)

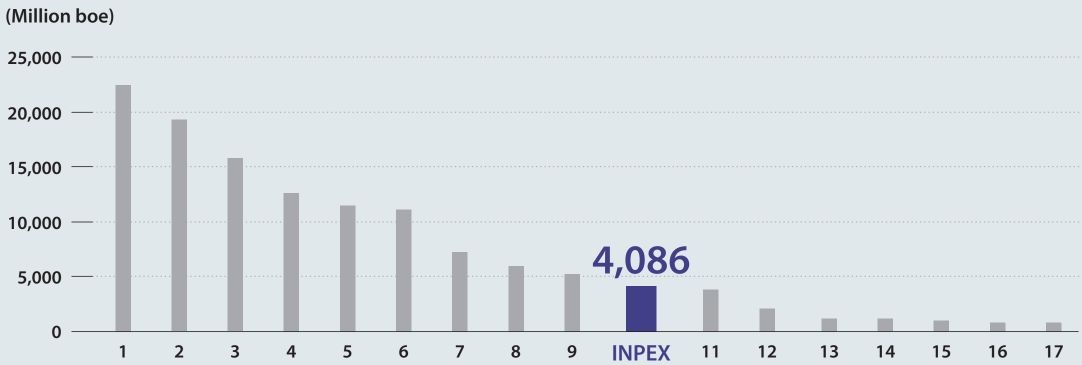
123.5 billion yen

(Net) production volume comparison with major international oil companies



Source: Publicly available information of the following companies (in alphabetical order): Apache, BHP, BP, Chevron, ConocoPhillips, Eni, Equinor, ExxonMobil, Hess, Lukoil, Marathon Oil, Occidental Petroleum, Repsol, Shell, Total, Woodside
Note: All data as of December 31, 2019, except for BHP Billiton data being as of June 30, 2019 and INPEX data being as of December 31, 2019. INPEX data are in accordance with the relevant SEC regulations. Production includes unconventional resources such as bitumen & synthetic oil. The portion attributable to non-controlling interests is considered.

Proved reserves volume comparison with major international oil companies



Source: Publicly available information of the following companies (in alphabetical order): Apache, BHP, BP, Chevron, ConocoPhillips, Eni, Equinor, ExxonMobil, Hess, Lukoil, Marathon Oil, Occidental Petroleum, Repsol, Shell, Total, Woodside
Note: All data as of December 31, 2019, except for BHP Billiton data being as of June 30, 2019 and INPEX data being as of December 31, 2019. INPEX data are in accordance with the relevant SEC regulations. Most projects owned by INPEX including the portion attributable to no-controlling interests are considered in INPEX reserves. INPEX reserves are evaluated internally, except for certain large capital projects which are outsourced to DeGolyer & MacNaughton. Reserves include unconventional resources such as bitumen& synthetic oil.

increased by around 80 million barrels of oil equivalent (BOE) compared with the previous fiscal year-end, to roughly 4.09 billion BOE as of December 31, 2019. In terms of both net production and proved reserves, we are approaching the top 10 international oil companies. We remain committed to becoming a leading energy company ranking among the global powers in the sector.

Medium-term Business Plan 2018-2022: Initiatives and results

In May 2018, we formulated our "Medium-term Business Plan 2018-2022" based on our "Vision 2040: Delivering Tomorrow's Energy Solutions," our long-term vision for the Company. This plan sets out three business targets for achievement: 1) sustainable growth of oil and natural gas E&P activities; 2) development of the global gas value chain business; and 3) reinforcement of renewable energy initiatives.

1. Sustainable growth of oil and natural gas E&P activities

Production at the Ichthys LNG Project in Australia, the first large-scale LNG project operated by a Japanese company, has continued to go well since it started in July 2018. The project shipped 84 cargoes of LNG in the nine months ended December 31, 2019. This project has annual production capacity of approximately 8.9 million tons of LNG, approximately 1.65 million tons of LPG, along with approximately 100,000 barrels of condensate per day at peak. We are targeting an average of 10 cargoes per month in 2020 assuming sustained plateau production. We expect stable operations at this project will form the foundation of our future activities. With this project, we have completed the drilling and completion work on 18 production wells and will continue drilling in 2020.

In December 2019, we achieved financial com-

Ichthys LNG Project floating production storage and offloading (FPSO) facility Ichthys Venturer pletion under the financing framework for this project, thereby releasing INPEX and its joint venture partners from completion guarantee obligations to lenders corresponding to their respective participating interests in the project. Financial completion in about 14 months from the start of LNG shipments is shorter than the average with LNG Project of a similar size, demonstrating that a very smooth ramp-up and stable operations have been achieved with this project. Employees of various nationalities and different genders have been involved in the Ichthys LNG project. Their contribution, strong teamwork nurtured through active communication, and the top priority placed on safety underpinned smooth development and ramp-up work. We intend to continue to promote stable operations based on the mutual trust built thus far.

The Abadi LNG Project in Indonesia, INPEX's largest LNG Project after the Ichthys LNG Project is targeted to begin production in the second half of the 2020s. Plans call for annual LNG production capacity of approximately 9.5 million tons and 35 thousand barrels of condensate per day. The project is also expected to supply up to 150 million cubic feet of natural gas via pipeline to meet gas demand in the surrounding area. The revised plan of development (POD) received official approval of Indonesian government authorities in July 2019 after extended negotiations. In addition, the Indonesian authorities also approved an extension of the production sharing contract (PSC) until 2055. Having secured three financial incentives in the form of exemptions from indirect tax, investment credit and profit sharing after tax, we are confident this project will be economically viable. We recognize that this project is of vital importance to Indonesia, and we will continue to work towards its realization.

In the Emirate of Abu Dhabi in the United Arab Emirates, development work is currently under way to increase daily production capacity in the onshore concession to two million barrels per day and to 1.5 million barrels per day in the four offshore oil fields. Among the offshore oil fields, INPEX was nominated as the asset leader of the Lower Zakum Oil Field in recognition of its operational experience in Abu Dhabi thus far. As the asset leader, INPEX is currently playing a leading role in development and operations working closely with Abu Dhabi National Oil Company (ADNOC) and its partners.

The Australian Prelude FLNG Project has been steadily achieving its project milestones, including starting gas production in December 2018, commencing condensate shipments in March 2019, and beginning shipments of LNG in June of the same year.

The Kashagan Oil Field Project in Kazakhstan began shipping crude oil in 2016 and has achieved its initial production target of 370,000 barrels per day. We are currently working to increase daily production volume to 450,000 barrels. As of December 2019, the ACG Oil Field in Azerbaijan had achieved cumulative production of 500 million tons (approximately 3.7 billion barrels).

INPEX positions Australia's northwest continental shelf, the Gulf of Mexico, and Norway as priority exploration areas, and has acquired interests in exploration blocks in each area. Looking ahead, we will continue to focus on quality and strategic significance as well as quantity, and make appropriate investment decisions to take us through to our next stage of growth.

2. Development of the global gas value chain business

In the natural gas business in Japan, the natural gas produced by INPEX's Minami-Nagaoka Gas Field (Niigata Prefecture) and LNG received at the Naoetsu LNG Terminal (Niigata Prefecture) are transported through a trunk pipeline network of approximately 1,500 kilometers stretching across the Kanto, Koshinetsu and Hokuriku regions, and sold to customers including city gas companies and large-scale plants along the aforementioned network. INPEX began receiving LNG from the Ichthys LNG Project at the Naoetsu LNG Terminal in October 2018 and began regular shipments with the Oceanic Breeze LNG carrier, which is jointly owned by INPEX and Kawasaki Kisen Kaisha. In these ways, we have been building strong infrastructure connecting Japan and overseas.

The domestic pipeline network is designed to ensure stable energy supplies in the event of a disaster. In October 2019, a portion of INPEX's pipeline located in Nagano Prefecture was damaged by Typhoon Hagibis (Typhoon No. 19), which caused extensive damage throughout Japan. However, we managed to maintain supplies of natural gas to customers without disruption while proceeding with restoration work. The sales volume of natural gas in the nine months ended December 31, 2019 was approximately 1.51 billion cubic meters. We are continuing to make progress toward quickly lifting our annual domestic gas volume supply to 2.5 billion cubic meters, as set out in our Medium-term Business Plan 2018-2022. Natural gas is used not only as a raw material for heating, but can be used in a wide variety of applications, including as a raw material for chemical products, fuel for natural gas-fired power plants, and fuel for home-power generation and cogeneration. As we work to further expand supply volumes, we are focusing on developing new demand in response to diversifying natural gas needs by such means as entering new energy service businesses.

In addition, we are taking measures to develop a global gas value chain by expanding domestic gas yearly volume, maintaining and strengthening transportation capacity, enhancing supply and demand management and trading functions, and maximizing value with our upstream natural gas interests. Through these means, we aim to be a key player in natural gas development and supply in Asia and Oceania.

3. Reinforcement of renewable energy initiatives

As the international community accelerates its transition to a low-carbon society, we will continue to promote a shift in energy consumption to natural gas, which has a lower environmental footprint. We are also focused on raising the proportion renewable energy projects account for in our energy portfolio to 10%.

With regard to the geothermal power generation business, the three units of the Sarulla Geothermal Independent Power Producer (IPP) Project in Sumatra, Indonesia, have been generating total power output of about 330 megawatts since May 2018. This is a commercial operation providing power to about 2.1 million local households. In Japan, we are conducting an environmental assessment for the construction of a geothermal power plant in the Oyasu region of Akita Prefecture. In addition to the geothermal power generation business, we are continuing to strengthen operations in the renewable field, including entering the wind power business.

To achieve a low carbon footprint, we are also exercising appropriate management of greenhouse gas emissions resulting from of our business activities and proceeding with technological development for the practical application of carbon capture and storage (CCS) to capture and sequester GHG emissions.

We have also been working with the New Energy and Industrial Technology Development Organization (NEDO) and Hitachi Zosen Corporation to establish methanation technology, which is a carbon recycling technology. We have completed construction of a test facility for synthesizing methane from CO_2 and hydrogen at the Koshijihara Plant of our Nagaoka Field Office in Nagaoka City, Niigata Prefecture and have commenced trial operations of the technology. Through evaluation and examination of technical issues, we aim to later expand the scale of our operation.

On page 4 of this Annual Report, we present our business model for INPEX's value creation through the strategic development of businesses based on the business goals discussed above. This sets out a process for INPEX achieving sustainable growth through a balanced approach to satisfying society's twin needs for meeting global energy demand and reducing greenhouse gas emissions. Please take a look.

ESG: Initiatives to create value over the medium to long term

In order to create value over the medium to long term, we intend to strengthen ESG efforts, respond to growing global energy demand, contribute to raising Japan's oil and natural gas self-development ratio, and take appropriate measures to tackle climate change. We will also endeavor to contribute to the resolution of social issues, including promoting low-carbon business activities, and the attainment of the United Nations' Sustainable Development Goals (SDGs).

Regarding tackling climate change, based on "Vision 2040," we aim to take proactive steps to strengthen our governance system to help promote a low-carbon society based on the long-term goals of the Paris Agreement, assess business strategies, and evaluate climate change risks and opportunities. We are also making efforts in each area that affects gas emission management, and are continuing to enhance information disclosure in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). In addition, INPEX has formulated a position paper titled “Corporate Position on Climate Change.” This sets out how we are addressing climate change as a responsible member of the oil and natural gas industry.

As part of our efforts to promote health and productivity management, we formulated the INPEX Group Health Statement in 2018 and have established a health management implementation committee. This committee meets regularly as a forum for INPEX to work with its labor union and health insurance union to maintain and improve the health of its employees and create healthy workplaces. We are working to maintain and improve physical and mental health and promote work-life balance so that all employees feel motivated in their work and are encouraged to maximize their potential. In recognition of these efforts, INPEX has been selected in the large enterprise category (White 500) of the 2020 Certified Health & Productivity Management Outstanding Organizations recognition program operated by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi, an organization promoting public health. Furthermore, to ensure the global penetration of the INPEX Values as values shared by all Group employees, while at the same time recognizing the importance of promoting diversity in order to respond to risks and opportunities in a rapidly changing world, we have been focusing on diversity and inclusion in the organization. This includes encouraging the active participation of women and promoting employment of people with disabilities.

Regarding corporate governance, we are constantly striving to strengthen our governance system in order to quickly grasp changes in the external environment and incorporate them into our strategies. Our Board of Directors includes eight directors appointed from within the company. These members have a deep familiarity of INPEX’s operations as well as international experience and a firm understanding of the technology and know-how of the business. The Board also includes six outside directors. Since March 2020 we have increased the number of outside directors by one. These outside directors have served as leaders in the resource and energy industry, as well as in the legal, financial and other specialty fields and as seasoned leaders in academia or the corporate world who come to us with a wealth of experience and knowledge. As this demonstrates, we attach great importance to diversity in our Board of Directors. Directors’ compensation now takes into account HSE performance including ESG. We have also introduced a stock-based remuneration system for directors with remuneration based on the recommendations of the Nomination and Compensation Committee.

As production at the Ichthys LNG Project has continued to proceed steadily and has entered a new stage, I feel a greater sense of social responsibility than ever before. With all of the employees and executives aware of our responsibilities, we will continue to fulfill our mission through our business. In doing so, I ask for the continued support and understanding of all our stakeholders.

May 2020
Representative Director,
President and CEO
上田隆之

Progress toward Meeting Medium-term Business Plan Targets

In May 2018, INPEX announced details of "Vision 2040: Delivering Tomorrow's Energy Solutions," a long-term vision for the years leading up to 2040. Vision 2040 includes the three business targets of "sustainable growth of oil and natural gas E&P activities," "development of the global gas value chain business," and "reinforcement of renewable energy initiatives." With the aim of realizing these Vision 2040 targets, INPEX formulated the "Medium-term Business Plan 2018–2022: Growth & Value Creation," which also established definitive targets and initiatives for the five-year period from fiscal 2018 to fiscal 2022. INPEX is committed to achieving the targets set out under the Plan.

Progress in achieving the three business targets

INPEX has reached key milestones toward achieving its Medium-term Business Plan targets over the past two years.

Business targets

Initiatives in FY2019/3 and FY2019/12

Sustainable Growth of Oil and Natural Gas E&P Activities

- **Ichthys LNG Project**
  Rapid and steady ramp-up in operations
- **Abadi LNG Project**
  Approval of revised development plan, extension of contract period
- **Projects in Abu Dhabi**
  Continuation of work to increase production capacity
- **ACG Oil Fields**
  FID for additional development
- **Prelude FLNG Project**
  Commencement of LNG shipments
- **Exploration activities**
  Promotion of exploration activities in Abu Dhabi, Iraq, Norway and Mexico, and continuation of studies in other priority areas

Development of the Global Gas Value Chain Business

- **Domestic market**
  Natural gas sales volume
  FY2019/03: 2.17 billion m^3
  FY2019/12: 1.51 billion m^3
  (nine-month term)
- **Overseas market**
  Ongoing marketing activities geared toward reaching FID for the Abadi LNG Project, efforts aimed at the commercialization of business that creates natural gas demand

Reinforcement of Renewable Energy Initiatives

- Commencement of environmental assessment for geothermal development in the Koan area of Yuzawa City, Akita Prefecture
- Commencement of methanation demonstration testing as part of the NEDO initiative to develop technology for the effective utilization of CO_2
- Ongoing studies on entering the domestic wind power generation market

Financial targets and progress toward meeting targets

INPEX's fiscal 2022 targets are sales of about ¥1.3 trillion, net income of about ¥150 billion, cash flow from operations of about ¥450 billion and ROE of 5% or higher. INPEX aims to lift its ROE targets over the long term as it engages in efficient management.

	FY2019/03 results (12-month term) 1st year of the Medium-term Business Plan	FY2019/12 results (nine-month term) 2nd year of the Medium-term Business Plan	Targets for FY2022/12 (last year of the Medium-term Business Plan)
Oil price and forex assumptions	$70.86/bbl, ¥110.93/$	$64.27/bbl, ¥108.66/$	$60/bbl, ¥110/$
Sales	¥971.3 billion	¥1.0 trillion	About ¥1.3 trillion
Net income attributable to owners of the parent	¥96.1 billion	¥123.5 billion	About ¥150 billion
Cash flow from operations	¥238.5 billion	¥274.7 billion	About ¥450 billion
Return on equity (ROE)	3.2%	4.1%	5% or higher

Upstream business targets and progress toward meeting targets

INPEX aims to approach the top 10 IOCs by achieving a net production volume of 700,000 barrels per day in FY2022/12. Targeting a three-year average reserve replacement ratio (RRR) of over 100%, INPEX is securing reserves capable of sustaining its stable production activities in the future. Through efficiency in operations, INPEX aims to reduce production costs per barrel to $5.

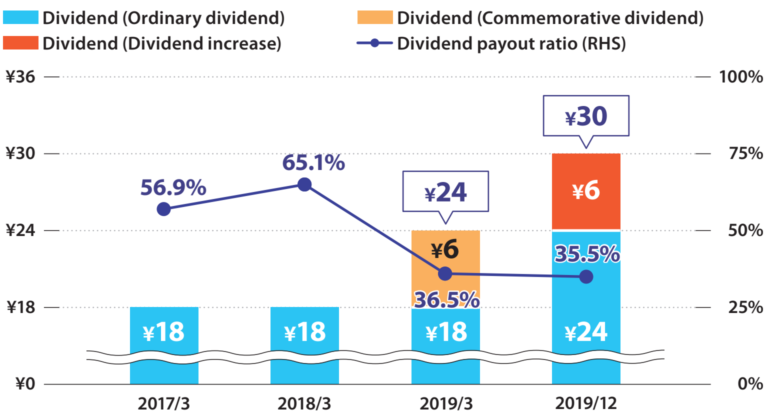
	FY2019/03 results (12-month term) 1st year of the Medium-term Business Plan	FY2019/12 results (nine-month term) 2nd year of the Medium-term Business Plan	FY2022/12 targets (last year of the Medium-term Business Plan)
Net production volume (BOE)	424,000 barrels per day	586,000 barrels per day	700,000 barrels per day
Production costs per BOE	$5.7/barrel	$5.3/barrel	Reduce production costs to $5/barrel
RRR (3-year average) (Reserve Replacement Ratio)	246%	263%	Remain at 100% or higher

Enhancing shareholder returns

Shareholder returns during the period covered by the Medium-term Business Plan

- Maintain stable dividends not falling below ¥24 per share
- Enhance shareholder returns by incrementally improving dividends in line with earnings growth
- Payout ratio of 30% or higher

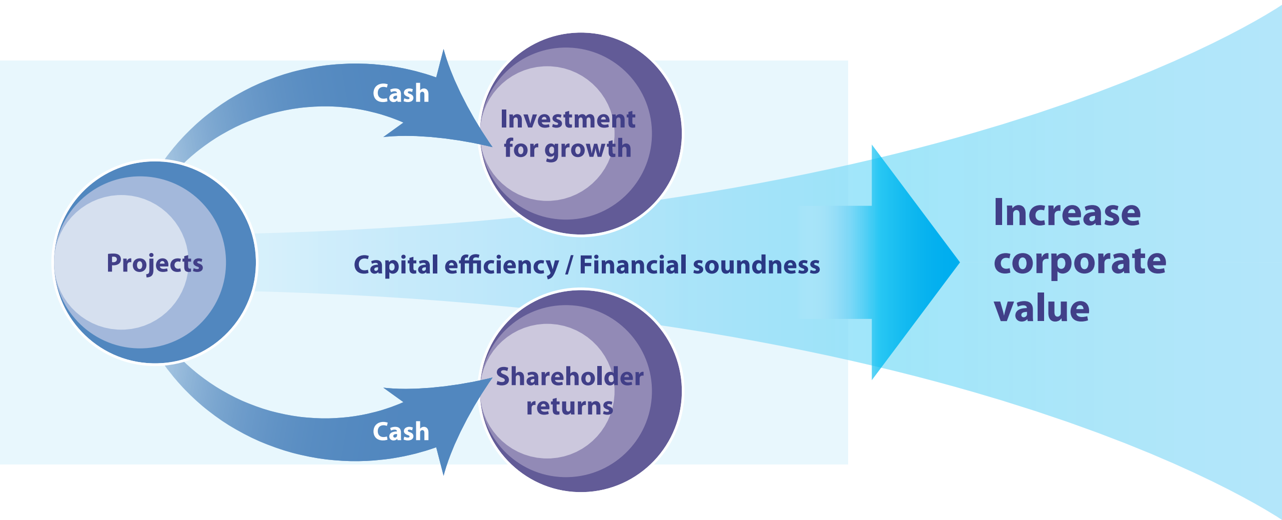
Annual dividends per share and dividend payout ratio trends



Cash Allocation Aimed at Increasing Corporate Value

Increase corporate value through shareholder returns and investments for growth under Vision 2040

To continuously improve corporate value, it is important to ensure a well-balanced allocation of cash generated from projects to both investments in promising projects and shareholder returns. It is equally important to remain aware of the need for capital efficiency and financial soundness. INPEX is committed to further improving capital efficiency by increasing profitability through efficient project management. At the same time, we will ensure an appropriate equity ratio to maintain sound finances. Every effort will be made to generate new cash through investments for growth while simultaneously increasing shareholder value in a bid to continuously increase corporate value over the long term.



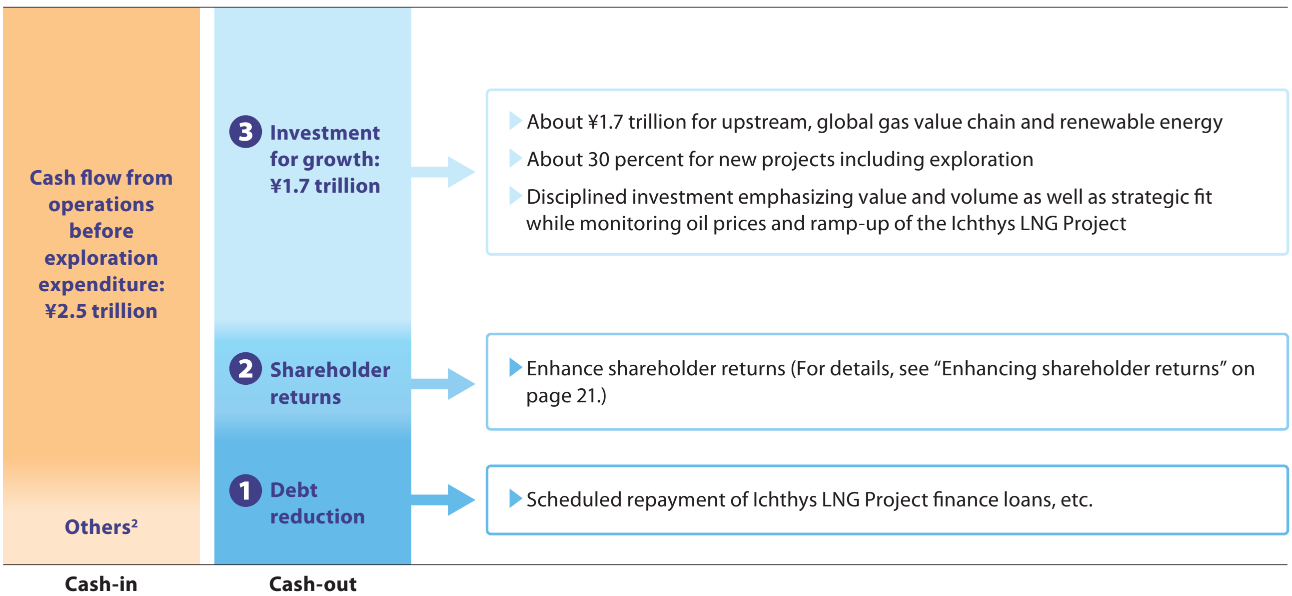
Basic cash allocation policy under the Medium-term Business Plan 2018-2022

Cash allocation for the 5-year period of the Medium-term Business Plan

Allocate cash flow from operations and other sources in the following order of priority:
❶ Debt reduction, ❷ Shareholder returns, ❸ Investment for growth

(Assumptions: Crude oil price: $60/bbl, ¥110/$)

Cash allocation for the 5-year period of the Medium-term Business Plan[1]



1: Figures are for guidance only and are inclusive of INPEX’s equity share of the Ichthys downstream joint venture. Subject to adjustment as necessary based on external factors including crude oil prices, investment opportunities and allocation to shareholder returns.
2: Includes asset sales proceeds, equity from Japan Oil Gas and Metals National Corporation (JOGMEC), etc.

Financial position

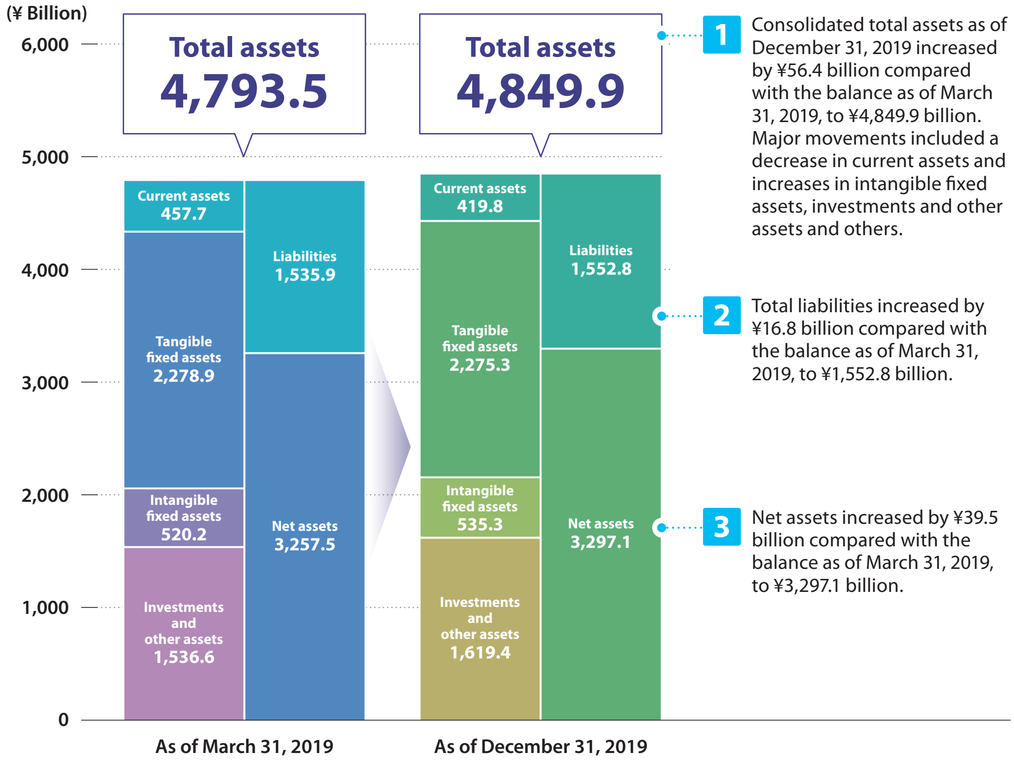
Consolidated total assets as of December 31, 2019 increased from the end of the previous fiscal year by ¥56.4 billion to ¥4,849.9 billion, remaining largely unchanged. Current assets decreased by ¥37.9 billion to ¥419.8 billion due to a decrease in cash and cash equivalents, while fixed assets increased by ¥94.3 billion to ¥4,430.1 billion due to increases in development investment and other factors.

Meanwhile, total liabilities combining current and long-term liabilities amounted to ¥1,552.8 billion, while long- and short-term debt decreased by ¥23.4 billion from the end of the previous fiscal year to ¥1,117.7 billion. Net assets increased by ¥39.5 billion from the end of the previous fiscal year to ¥3,297.1 billion. Total shareholders' equity increased by ¥84.9 billion to ¥2,722.7 billion, total accumulated other comprehensive income decreased by ¥50.6 billion to ¥317.9 billion, and non-controlling interests in net assets increased by ¥5.2 billion to ¥256.4 billion. Net assets, excluding non-controlling interests, as a percentage of total assets were 62.7%, the same level as at the end of the previous fiscal year. Net assets, excluding non-controlling interests, per share increased by ¥23.48 from the end of the previous fiscal year to ¥2,082.43.

Response to low crude oil prices

Crude oil prices plummeted at the beginning of 2020, creating a harsh business environment. While a decrease in revenue due to the crude oil price downturn is unavoidable, INPEX will work to improve free cash flow through investment and cost reductions and further stabilize its financial base through additional financing in order to be able to sustain stable business operations even in a low oil price environment.

Consolidated Balance Sheets as of March 31, 2019 and December 31, 2019



1 Consolidated total assets as of December 31, 2019 increased by ¥56.4 billion compared with the balance as of March 31, 2019, to ¥4,849.9 billion. Major movements included a decrease in current assets and increases in intangible fixed assets, investments and other assets and others.

2 Total liabilities increased by ¥16.8 billion compared with the balance as of March 31, 2019, to ¥1,552.8 billion.

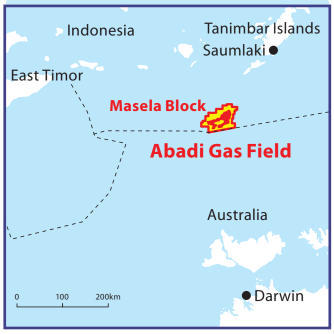
3 Net assets increased by ¥39.5 billion compared with the balance as of March 31, 2019, to ¥3,297.1 billion.

Project Highlights

Abadi LNG Project

INPEX received approval for its revised plan of development from the government of Indonesia in July 2019.

Block	Masela Block, Republic of Indonesia
PSC Term	November 16, 1998 – November 15, 2055
Block Location	150 kilometers offshore Saumlaki in Maluku Province
Contract Area	Approximately 2,503 square kilometers
Water Depth Range	400–800 meters
Production Capacity	Total natural gas output of 10.5 million tons (LNG equivalent) per year, including ▶ Approximately 9.5 million tons of LNG per year ▶ Supply of 150 million cubic feet per day in pipeline gas to the local area ▶ Up to about 35,000 barrels of condensate per day
Participating Interest	INPEX (operator): 65%, Shell: 35%
Other	The Abadi LNG Project was designated by the Indonesian government as a National Strategic Project in June 2017 and a Priority Infrastructure Project in September 2017.



Aiming to be a key player in the development and supply of gas

INPEX acquired a 100% interest in the Masela Block, located in the Arafura Sea of Indonesia, in 1998. As operator, INPEX discovered the Abadi Gas Field in 2000.

In 2019, Indonesian government authorities approved INPEX's revised plan of development based on an onshore LNG development scheme as well as an extension of the PSC term until November 15, 2055.

INPEX is currently preparing to commence FEED (Front-end engineering design) work with the aim of launching production in the latter half of the 2020s. LNG production at the Abadi LNG Project is expected to reach 9.5 million tons per year, equal to just over 10% of Japan's total annual LNG import volume. INPEX aims to become a key player in natural gas development and supply in the growth markets of Asia and Oceania.

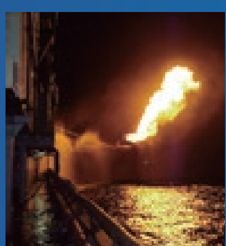
1990-

1998
INPEX acquires a 100% interest in the Masela Block in November 1998 through an open bid conducted by the Indonesian authorities.

2000-

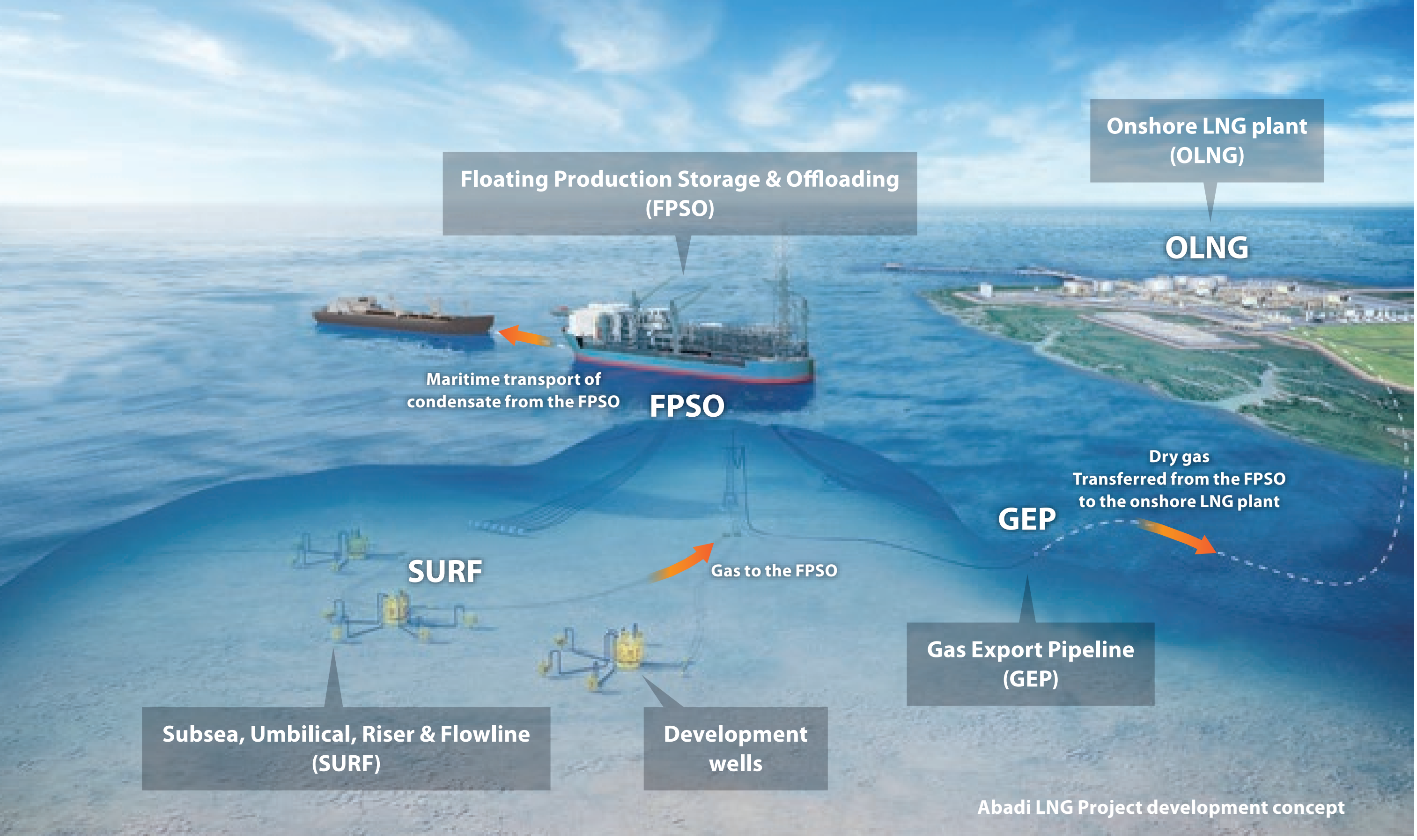
2000
INPEX discovers the Abadi Gas Field through the first exploratory well drilling in 2000.

2002-2008
INPEX drills two appraisal wells in 2002 and four appraisal wells in 2007-2008, each of which confirms the presence of gas and condensate reservoirs.



2010-

2013-2014
INPEX drills three more appraisal wells, confirming a greater volume of natural gas reserves.



Abadi LNG Project development concept

Development Concept

The Abadi LNG Project's development concept is based on the use of an FPSO, a gas export pipeline and an onshore gas liquefaction plant, and is similar to that of the Ichthys LNG Project in a number of ways. It is therefore expected that the skills and expertise acquired by INPEX through operating the Ichthys LNG Project will contribute to the efficient development of the Abadi LNG Project.

Key Features of the Abadi Project

Sufficiently strong economics

- Production sharing contract (PSC) extended to 2055
- The field features excellent reservoir productivity enabling efficient production
- The field has verified reserves capable of yielding a production volume of 9.5 million tons of LNG per year in addition to local gas supply via pipeline for at least the next 20 years
- Favorable financial conditions have been secured, including three economic incentives: indirect tax exemption, investment credits and an improved after-tax profit-sharing ratio

Geographic advantages

- From a marketing perspective, the project has the advantage of being located in Asia, where gas demand is expected to increase in the future and where it can offer a stable and long-term supply of LNG to nearby markets including Japan.

2020 | **Future plans**

April 2016
INPEX receives a notification from Indonesian government authorities instructing it to re-propose a plan of development based on an onshore LNG scheme.

July 2019
Indonesian government authorities approve INPEX's revised plan of development.

October 2019
INPEX signs an amendment and extension to the Abadi LNG Project Production Sharing Contract (PSC).

February 2020
INPEX signs memorandums of understanding (MOUs) for the long-term supply of LNG and natural gas for domestic use in Indonesia.

Future plans
- Commencement of Front End Engineering Design (FEED) work
- Final Investment Decision (FID)
- Commencement of production (latter half of 2020s)

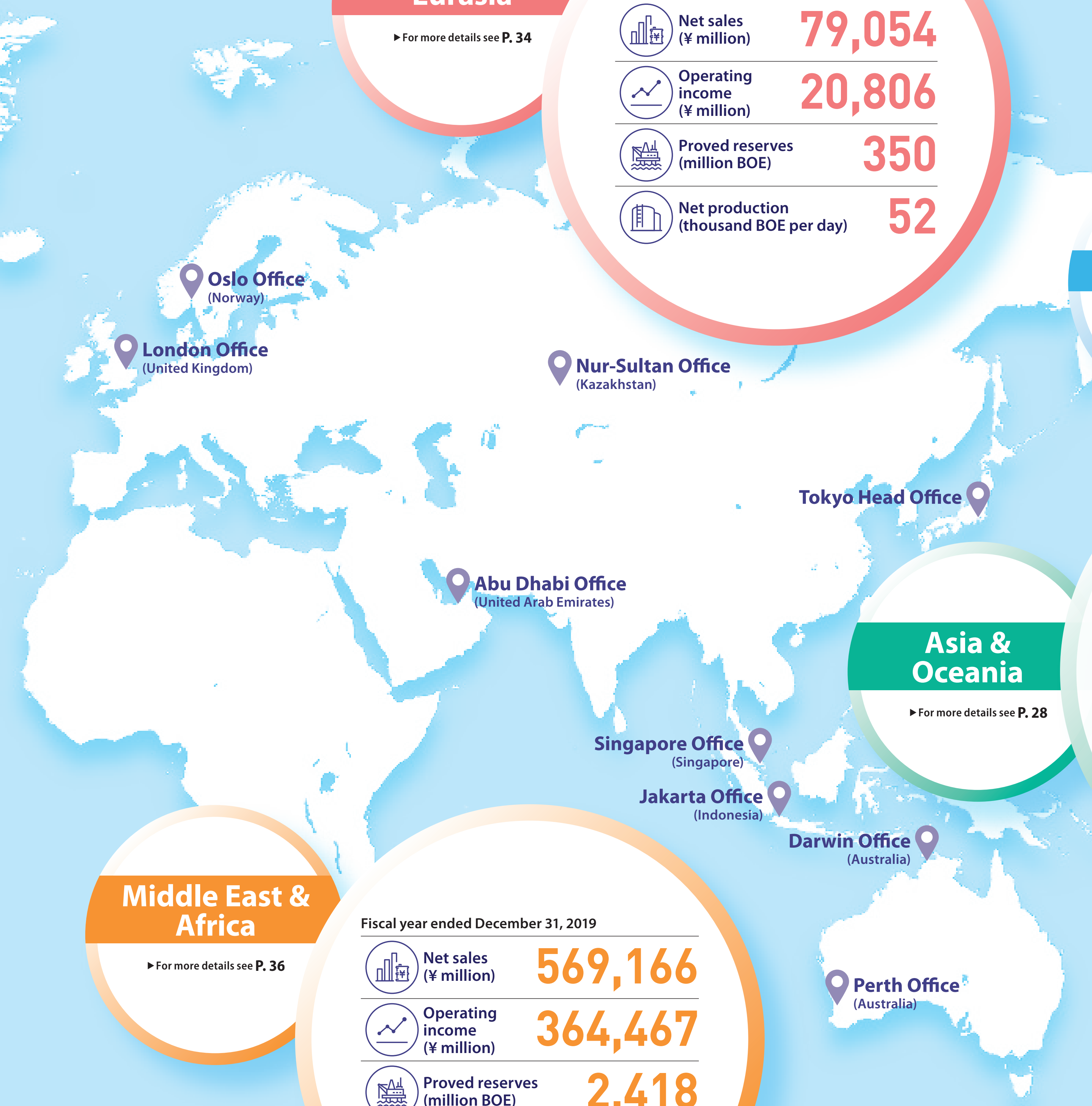
Segment Overview

Eurasia

▶For more details see P. 34

Fiscal year ended December 31, 2019

Net sales (¥ million)	79,054
Operating income (¥ million)	20,806
Proved reserves (million BOE)	350
Net production (thousand BOE per day)	52



Asia & Oceania

▶For more details see P. 28

Middle East & Africa

▶For more details see P. 36

Fiscal year ended December 31, 2019

Net sales (¥ million)	569,166
Operating income (¥ million)	364,467
Proved reserves (million BOE)	2,418
Net production (thousand BOE per day)	245

Japan

▸For more details see P. 40

Fiscal year ended December 31, 2019

Net sales (¥ million)	97,038
Operating income (¥ million)	13,156
Proved reserves (million BOE)	155
Net production (thousand BOE per day)	25

Fiscal year ended December 31, 2019

Net sales (¥ million)	240,927
Operating income (¥ million)	117,801
Proved reserves (million BOE)	1,112
Net production (thousand BOE per day)	243

San Antonio Office (USA)

Houston Office (USA)

Caracas Office (Venezuela)

Rio de Janeiro Office (Brazil)

Americas

▸For more details see P. 38

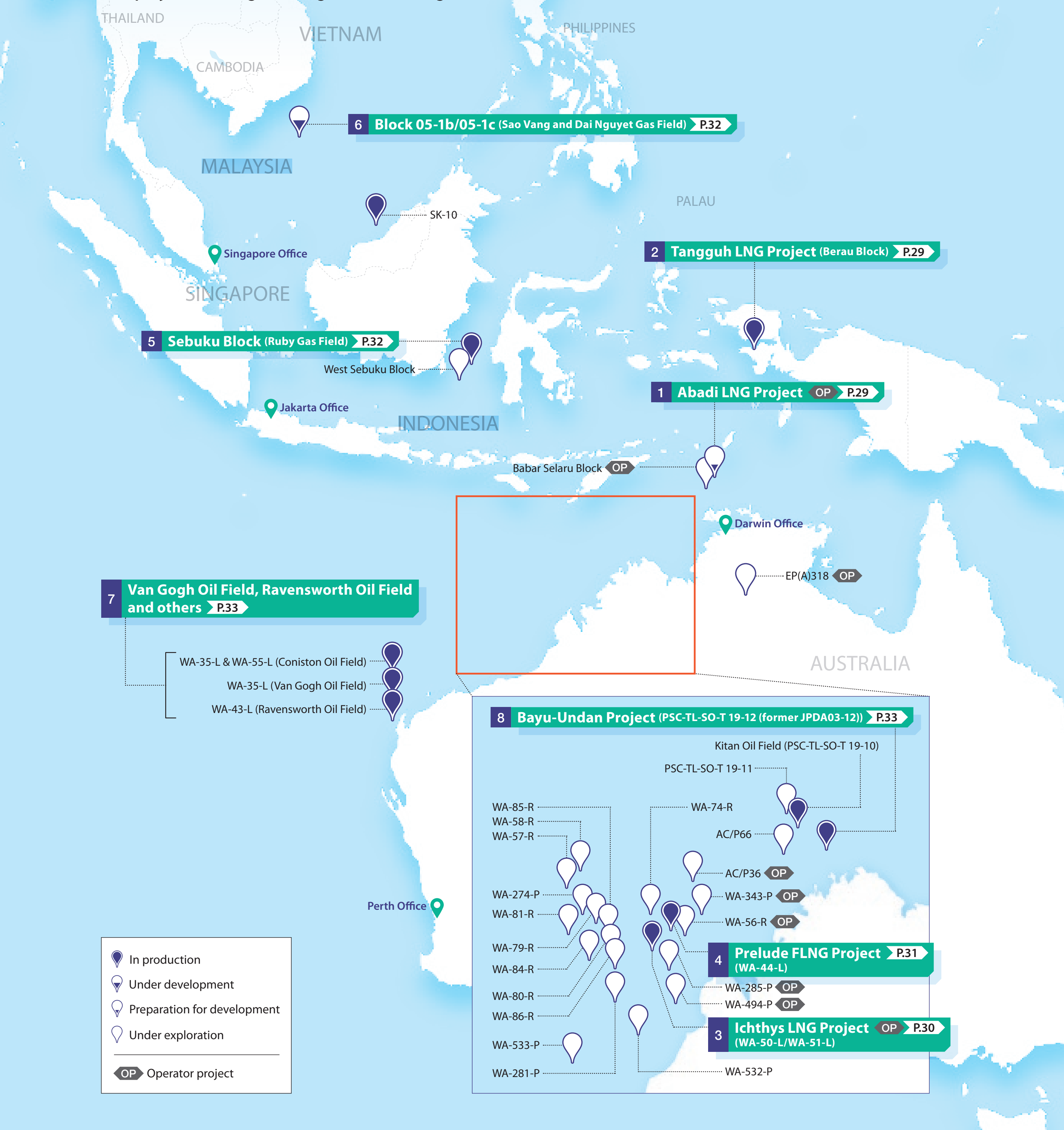
Fiscal year ended December 31, 2019

Net sales (¥ million)	13,819
Operating income (¥ million)	△6,545
Proved reserves (million BOE)	51
Net production (thousand BOE per day)	21

Project Overview by Region

Asia & Oceania

In the Asia and Oceania region, INPEX is the operator of two large-scale liquefied natural gas (LNG) projects -Ichthys and Abadi- and is actively involved in exploration projects seeking further growth in the region.



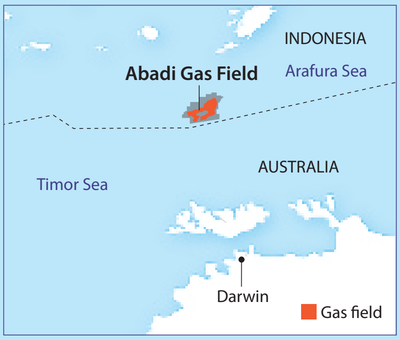
1 Abadi LNG Project

The Abadi LNG Project is based on an onshore LNG development scheme that INPEX as the operator is preparing for development alongside Shell in the Masela Block offshore Indonesia. The project is expected to produce approximately 9.5 million tons of LNG per year and up to approximately 35,000 barrels of condensate per day. The project will also supply 150 million cubic feet of natural gas per day via pipeline to address local demand for natural gas.

INPEX acquired a 100% interest in the Masela Block in November 1998 through an open bid conducted by the Indonesian authorities. INPEX subsequently conducted exploration activities as the operator, discovering the Abadi Gas Field through the first exploratory well drilled in 2000. Following exploration, evaluation activities and development studies, INPEX conducted Pre-FEED work from March 2018 based on an onshore LNG development scheme envisaging an annual LNG production capacity of 9.5 million tons. INPEX submitted a revised plan of development in June 2019 and received approval from the Indonesian authorities in July 2019. Alongside the approval of the revised development plan, the Indonesian authorities also approved a 20-year extension of the production sharing contract (PSC) and the application for a seven-year additional time allocation, extending the term of the PSC until 2055. INPEX will undertake front-end engineering design (FEED) work and is aiming to reach production startup in the latter half of the 2020s.

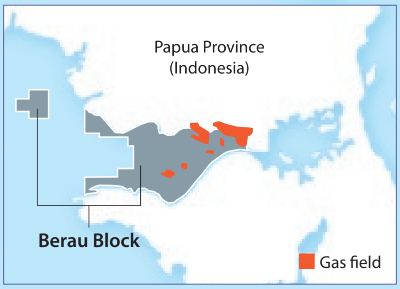

Drillship for the Abadi LNG Project

Contract area (block)	Project status	Venture company (established)	Interest owned (*Operator)
Masela	Preparation for development	INPEX Masela, Ltd. (December 2, 1998)	INPEX Masela* 65%, Shell 35%



2 Tangguh LNG Project (Berau Block)

MI Berau B.V., jointly established by INPEX and Mitsubishi Corporation, acquired an interest in the Berau Block in October 2001. In October 2007, MI Berau Japan Ltd., also a joint venture with Mitsubishi Corporation, acquired a stake in KG Berau Petroleum Ltd., effectively increasing INPEX's interest in the Tangguh LNG Project to around 7.79%. In March 2005, Indonesian authorities approved an extension of the PSC and project development plans for the Tangguh LNG Project until 2035. Following development work, the first shipments of LNG began in July 2009. The final investment decision (FID) to expand the Tangguh LNG Project was made in July 2016. The Tangguh LNG expansion project will add a third LNG processing train, which is currently under construction, with production capacity of 3.8 million tons per annum.




Shipping facility

Contract area (block)	Project status (production on the basis of all fields and average rate of fiscal year ended December 31, 2019)	Venture company (established)	Interest owned (*Operator)
Berau	In production (Crude oil: 6 Mbbld Natural gas: 1,043 MMcf/d)	MI Berau B.V. (August 14, 2001)	MI Berau 22.856% BP* 48.000% Nippon Oil Exploration (Berau) 17.144% KG Berau 12.000%
Tangguh Unit			MI Berau 16.30% BP* 40.22% CNOOC 13.90% Nippon Oil Exploration (Berau) 12.23% KG Berau 8.56% LNG Japan 7.35% KG Wiriagar 1.44%

Project Overview by Region

3 Ichthys LNG Project and surrounding blocks

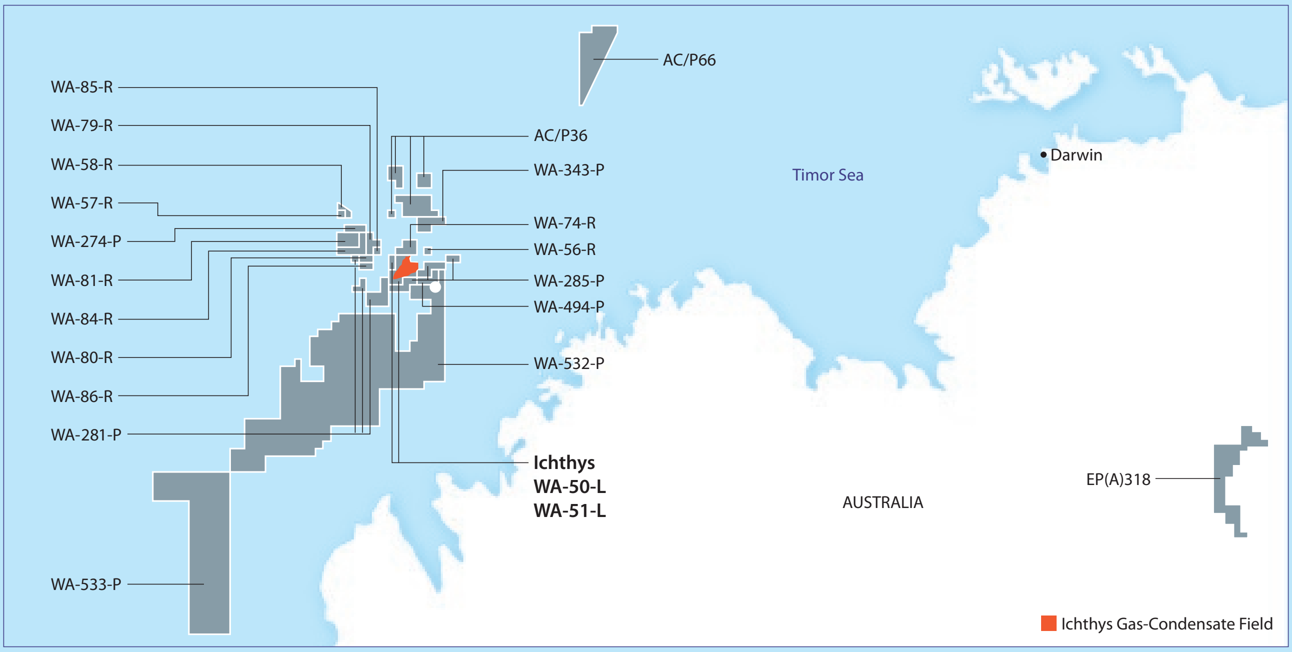
Ichthys LNG Project

In 1998, INPEX acquired an exploration permit in the block where the Ichthys Gas-Condensate Field is now located, and following development studies including exploration, evaluation and FEED work, INPEX announced its FID in January 2012. Following the completion and commissioning of production facilities, INPEX commenced production in July 2018 and later began shipping condensate, LNG and liquefied petroleum gas (LPG).

Production ramp up has progressed very smoothly, and in 2019, 104 LNG cargoes were shipped from the project's onshore gas liquefaction plant in Darwin. In 2020, shipments of approximately 10 LNG cargoes per month are expected given stable (plateau) production conditions.

Surrounding exploration blocks

INPEX holds interests in 20 exploration blocks in the vicinity of the Ichthys Gas-Condensate Field and has engaged in exploration activities that have led to the discovery of gas in at least 11 of these blocks. Evaluation work is now being performed on these discoveries. In the event that substantial amounts of hydrocarbons are confirmed as a result of these exploration and evaluation activities, INPEX expects to expand its business by leveraging the synergies of integration with the Ichthys LNG Project.



Onshore LNG plant

FPSO Ichthys Venturer

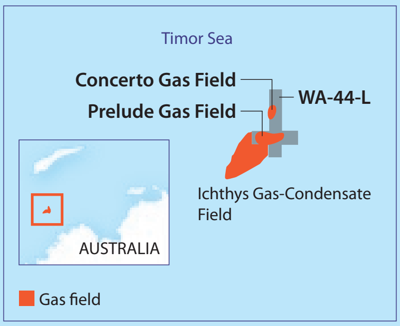
CPF Ichthys Explorer

Contract area (block)	Project status	Venture company (established)	Interest owned (*Operator)
WA-50-L	In production	INPEX Ichthys Pty Ltd (April 5, 2011)	INPEX Ichthys Pty Ltd* 66.245% TOTAL 26.000% CPC 2.625% Tokyo Gas 1.575% Osaka Gas 1.200% Kansai Electric Power 1.200% JERA 0.735% Toho Gas 0.420%
WA-51-L			
WA-84-R	Under exploration (blocks under appraisal on the discovery of gas and condensate)	INPEX Browse E&P Pty Ltd (October 21, 2013)	INPEX Browse E&P Pty Ltd 40% Santos* 60%
WA-85-R			
WA-86-R			
WA-56-R			INPEX Browse E&P Pty Ltd* 60% TOTAL 40%
WA-80-R			INPEX Browse E&P Pty Ltd 20.0000% Santos* 47.8306% Chevron 24.8300% Beach 7.3394%
WA-281-P			INPEX Browse E&P Pty Ltd 29.5% Santos* 70.5%
WA-57-R			INPEX Browse E&P Pty Ltd 20% Santos* 30% Chevron 50%
WA-58-R			
WA-74-R			
WA-79-R			
WA-81-R			
WA-274-P	Under exploration		
WA-285-P			INPEX Browse E&P Pty Ltd* 62.245% TOTAL 30.000% CPC 2.625% Tokyo Gas 1.575% Osaka Gas 1.200% Kansai Electric Power 1.200% JERA 0.735% Toho Gas 0.420%
WA-494-P			INPEX Browse E&P Pty Ltd* 100%
WA-532-P			
WA-533-P			
WA-343-P			INPEX Browse E&P Pty Ltd* 60% TOTAL 40%
AC/P36			INPEX Browse E&P Pty Ltd* 50% Murphy 50%
AC/P66			INPEX Browse E&P Pty Ltd* 100%
EP(A)318		INPEX Oil & Gas Australia Pty Ltd (February 28, 2012)	INPEX Oil & Gas Australia Pty Ltd* 100%

4 Prelude FLNG Project (WA-44-L)

In June 2012, INPEX acquired a 17.5% interest in the Prelude FLNG (floating LNG) Project from Shell during the project's development stage. The Prelude FLNG Project involves the production of approximately 3.6 million tons per year of LNG, 400 thousand tons per year of LPG at peak and approximately 36 thousand barrels of condensate per day at peak from the Prelude and Concerto gas fields located in Block WA-44-L, approximately 475 kilometers north-northeast of Broome, off the coast of Western Australia. Shell as the operator of the Prelude FLNG Project announced its FID in May 2011.

Following the completion and commissioning of production facilities, gas production from the wellhead commenced in December 2018. The first condensate cargo was shipped in March 2019 followed by the first LNG cargo in June 2019.

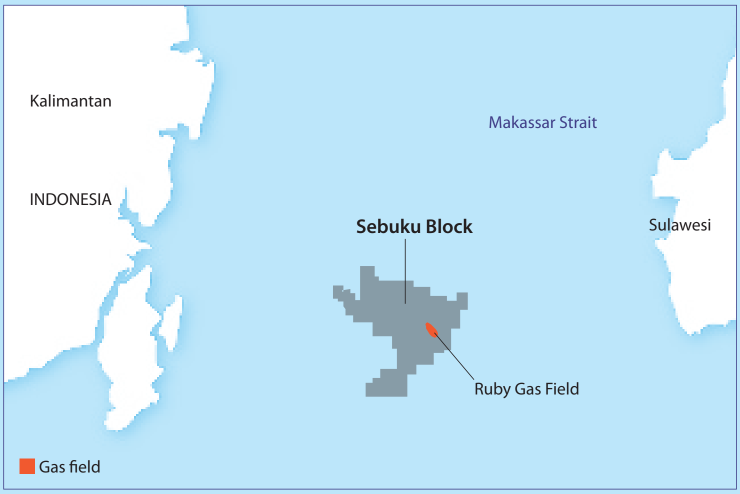


FLNG facility

Contract area (block)	Project status	Venture company (established)	Interest owned (*Operator)
WA-44-L	In production	INPEX Oil & Gas Australia Pty. Ltd. (February 28, 2012)	INPEX Oil & Gas Australia 17.5% Shell* 67.5% KOGAS 10.0% OPIC 5.0%

5 Sebuku Block (Ruby Gas Field)

In September 2010, INPEX acquired a 15% interest in the Sebuku Block offshore South Makassar, Indonesia. Following development work at the Ruby Gas Field within the block, gas production commenced in October 2013. Natural gas produced from the field is transported from the offshore production facility to the onshore processing facility via a subsea pipeline. Most of the gas is then supplied to a fertilizer plant in East Kalimantan via an onshore pipeline.

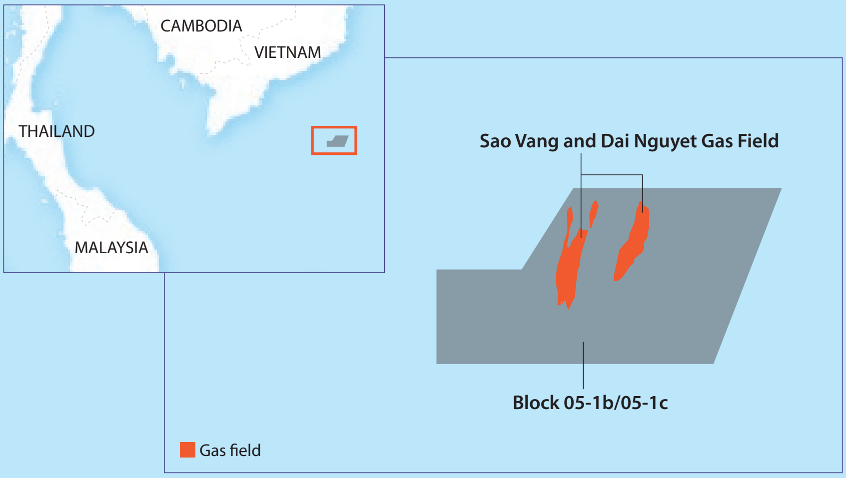



Offshore production facility in the Ruby Gas Field

Contract area (block)	Project status (production on the basis of all fields and average rate of fiscal year ended December 31, 2019)	Venture company (established)	Interest owned (*Operator)
Sebuku	In production (Natural gas: 91 MMcf/d)	INPEX South Makassar, Ltd. (May 17, 2010)	INPEX South Makassar 15% Mubadala* 70% TOTAL 15%

6 Block 05-1b/05-1c (Sao Vang and Dai Nguyet Gas Field)

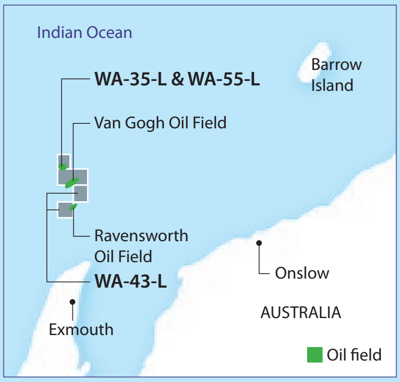
In 2004, INPEX acquired Blocks 05-1b and 05-1c, located 350 kilometers southeast of Ho Chi Minh City, Vietnam. In 2010, an exploration well was drilled in the Dai Nguyet (DN) structure leading to the discovery of gas and condensate accumulations. In 2014, another exploration well was drilled in the Sao Vang (SV) structure which also led to the discovery of gas and condensate accumulations. In 2017, a development plan for the SV/DN gas field was approved by the Vietnamese government, after which development activities commenced targeting production startup during the second half of 2020.



Contract area (block)	Project status (production on the basis of all fields and average rate of fiscal year ended March 31, 2019)	Venture company (established)	Interest owned (*Operator)
Block 05-1b/05-1c	Under development	Teikoku Oil (Con Son) Co., Ltd. (October 29, 2004)	Teikoku Oil (Con Son) Co., Ltd. 36.92% Idemitsu Gas Production (Vietnam) Co., Ltd.* 43.08% Vietnam Oil and Gas Group (PetroVietnam) 20%

7 Van Gogh Oil Field, Ravensworth Oil Field and others

INPEX acquired interests in Block WA-155-P (Part I) offshore Western Australia in July 1999, after which the Van Gogh and Ravensworth oil fields were discovered and production licenses were granted as licenses WA-35-L and WA-43-L, respectively. Oil production commenced in February and August 2010, respectively. Development of the Coniston Oil Field, which extends to both licenses WA-35-L and WA-55-L, commenced in December 2011 and crude oil production commenced in May 2015.



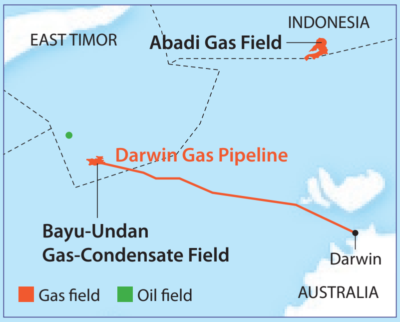
Van Gogh FPSO vessel

Contract area (block)	Project status (production on the basis of all fields and average rate of fiscal year ended December 31, 2019)	Venture company (established)	Interest owned (*Operator)
WA-35-L (Van Gogh Oil Field)	In production (Crude oil: 12 Mbbld)	INPEX Alpha, Ltd. (February 17, 1989)	INPEX Alpha 47.499% Santos* 52.501%
WA-35-L & WA-55-L Unitization area			INPEX Alpha 47.499% Santos* 52.501%
WA-43-L (Ravensworth Oil Field)	In production (Crude oil: 4 Mbbld)		INPEX Alpha 28.500% BHPBP* 39.999% Santos 31.501%

8 Bayu-Undan Project (PSC-TL-SO-T 19-12 (former JPDA03-12))

In April 1993, INPEX acquired an interest in the former JPDA03-12 contract area, located in the Timor Sea joint petroleum development area (JPDA), which was jointly managed by Australia and East Timor. Exploration within this contract area resulted in the discovery of oil and gas fields. Of these, studies revealed that the Undan structure and the Bayu structure, located in the adjacent former JPDA03-13 contract area, were a single structure. The interest holders unitized both contract areas in 1999, allowing joint development of the Bayu-Undan Gas-Condensate Field to proceed. The commercial production and shipment of condensate and LPG started in 2004 followed by LNG in February 2006.

In August 2019, JPDA was abolished as a result of the ratification of a maritime boundary treaty between Australia and East Timor, and the area fell under the sole jurisdiction of the East Timor government. In accordance with the treaty, discussions were held between both governments and PSC contractors. The parties agreed to keep the same conditions as the former PSC and consequently a new PSC with the East Timor government (Block title: PSC-TL-SO-T 19-12) was bound.



Map includes provisional maritime boundaries

Bayu-Undan offshore facility

Contract area (block)	Project status (production on the basis of all fields and average rate of fiscal year ended December 31, 2019)	Venture company (established)	Interest owned (*Operator)
PSC-TL-SO-T 19-12	In production (Crude oil: 16 Mbbld Natural gas: 412 MMcf/d LPG: 9 Mbbld)	INPEX Sahul, Ltd. (March 30, 1993)	INPEX Sahul 19.2458049% ConocoPhillips* 61.3114766% Santos 19.4427185%
Bayu-Undan Unit			INPEX Sahul 11.378120% ConocoPhillips* 56.943372% Eni 10.985973% Santos 11.494535% Tokyo Timor Sea Resources (JERA/Tokyo Gas) 9.198000%

Eurasia

In the Eurasia region, INPEX is involved in large-scale crude oil projects in Azerbaijan (ACG Oil Fields) and Kazakhstan (Kashagan Oil Field and others). INPEX is also engaged in projects in East Siberia, some of which have transitioned to the development and production stages, including the Sakhalin 1 Project. Meanwhile, INPEX also participates in exploration projects offshore Norway in the western Barents Sea and the northern Norwegian Sea, with potential for growth.

1 Offshore North Caspian Sea Contract Area (Kashagan Oil Field and others)

In September 1998, INPEX acquired an interest in the Offshore North Caspian Sea Contract Area in Kazakhstan's territorial waters. The Kashagan Oil Field is located within this area in the Caspian Sea where the water reaches depths of 3-4 meters, approximately 75 kilometers southeast of Atyrau, Kazakhstan. Following the drilling of the first exploratory well in September 1999, the Kashagan Oil Field was discovered in 2000 and commercial quantities of oil were confirmed in 2002. After development work, the shipment of crude oil commenced in October 2016. INPEX and its partners have achieved the project's initial production volume target of 370,000 barrels per day and are currently working to increase the daily production volume to 450,000 barrels.

Meanwhile, the presence of hydrocarbons has been confirmed in the Kalamkas, Aktote and Kairan structures, which are located adjacent to the Kashagan Oil Field. Appraisal of these three structures is being conducted in parallel with the development of the Kashagan Oil Field, with a view to expanding the total production of the contract area.

Offshore facility

Contract area (block)	Project status (production on the basis of all fields and average rate of fiscal year ended December 31, 2019)	Venture company (established)	Interest owned
Offshore North Caspian Sea	In production (Crude oil: 305 Mbbld Natural gas: 330 MMcf/d)	INPEX North Caspian Sea, Ltd. (August 6, 1998)	INPEX North Caspian Sea 7.56% Eni 16.81% ExxonMobil 16.81% KMG 16.87% Shell 16.81% TOTAL 16.81% CNPC 8.33%

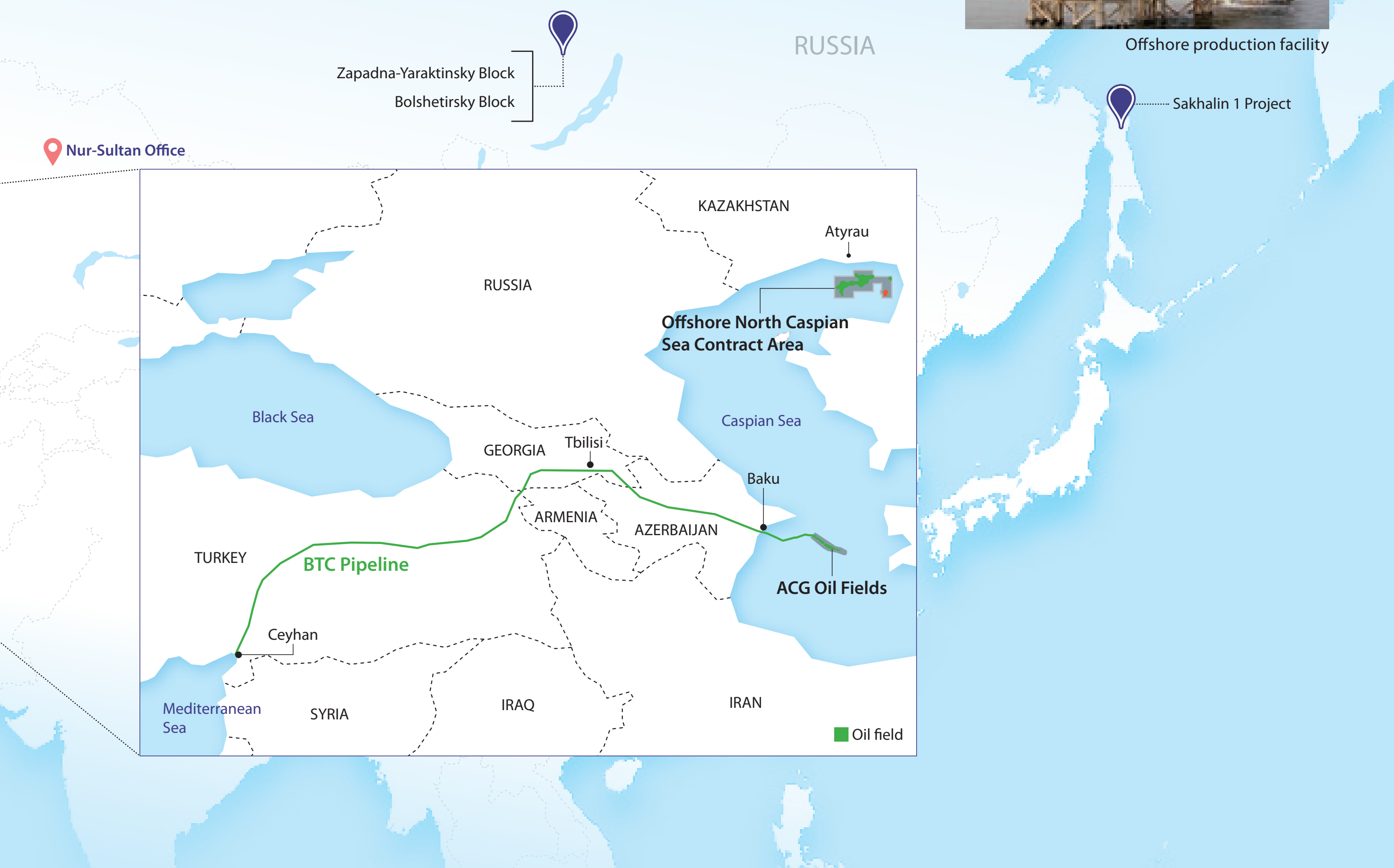
2 ACG Oil Fields

INPEX acquired an interest in the Azeri-Chirag-Deepwater Gunashli (ACG) oil fields in the south Caspian Sea offshore Azerbaijan in April 2003. At the ACG oil fields, oil is being produced at the Chirag, the Central Azeri, the West Azeri, the East Azeri, the Deepwater Gunashli and the West Chirag locations. In September 2017, INPEX and its partners agreed with the State Oil Company of the Azerbaijan Republic (SOCAR) to extend the duration of the production sharing agreement (PSA) for the ACG oil fields by 25 years until December 31, 2049. The revised PSA came into effect in January 2018.

In April 2019, INPEX and its partners made the final investment decision (FID) on the further development of the Azeri-Chirag-Deepwater Gunashli (ACG) oil fields through the commissioning and deployment of a new production platform. The new platform is expected to commence production in 2023 with the aim of expanding the volume of proved reserves and enhancing the project's value.

Contract area (block)	Project status (production on the basis of all fields and average rate of fiscal year ended December 31, 2019)	Venture company (established)	Interest owned (*Operator)
ACG	In production (Crude oil: 523 Mbbld)	INPEX Southwest Caspian Sea, Ltd. (January 29, 1999)	INPEX Southwest Caspian Sea 9.31% BP* 30.37% MOL 9.57% SOCAR 25.00% Equinor 7.27% ExxonMobil 6.79% TPAO 5.73% Itochu 3.65% ONGC 2.31%

Offshore production facility



3 BTC Pipeline Project

The 1,770-kilometer BTC Pipeline stretches from Baku in Azerbaijan on the coast of the Caspian Sea to Ceyhan in Turkey. Full-scale operations commenced in June 2006. The pipeline has a transportation capacity of 1.2 million barrels per day, and mainly transports crude oil produced in the ACG oil fields in Azerbaijan.

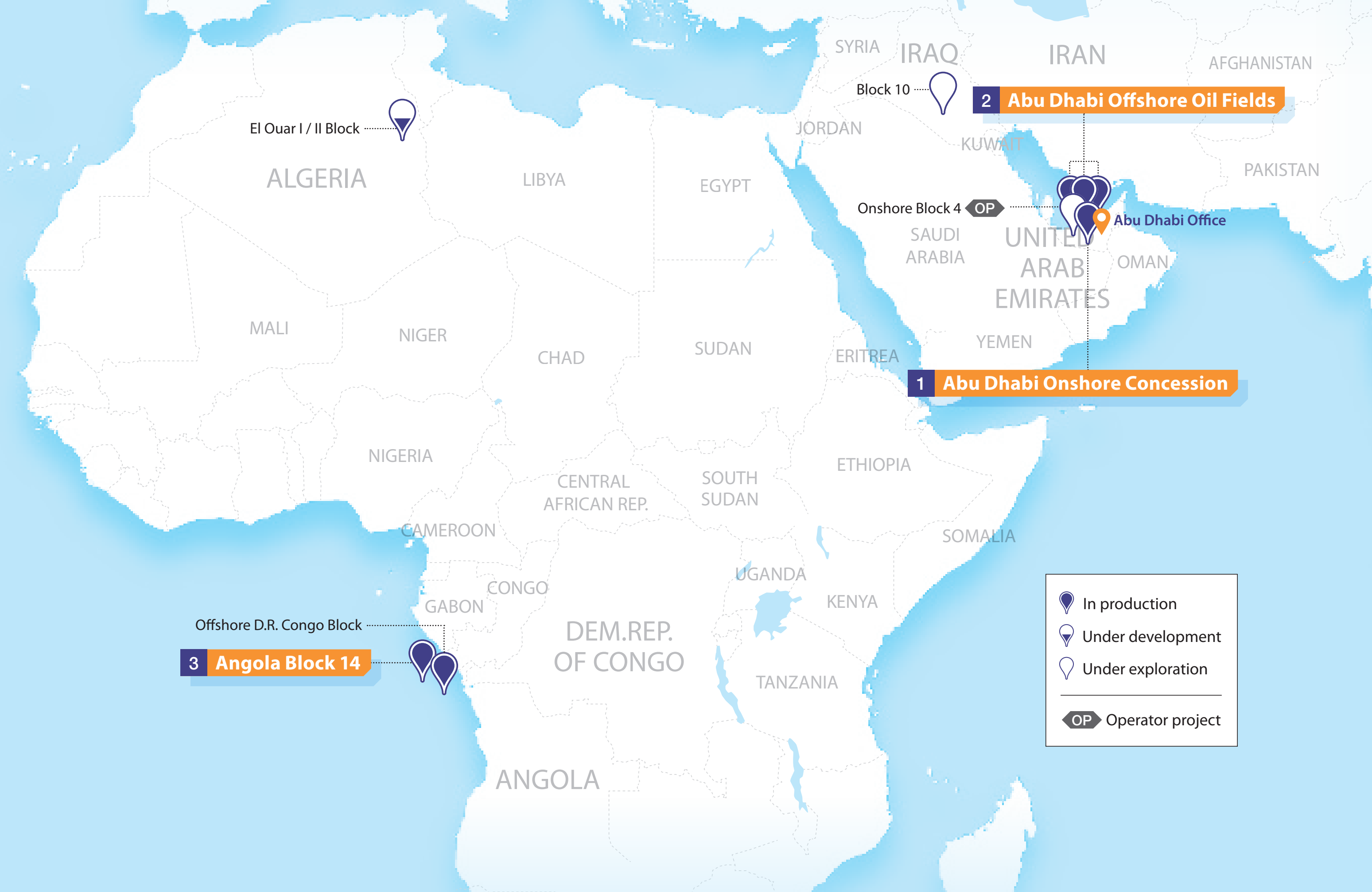
Contract area (block)	Venture company (established)	Interest owned (*Operator)
BTC Pipeline	INPEX BTC Pipeline, Ltd. (October 16, 2002)	INPEX BTC Pipeline 2.5% BP* 30.1% Azerbaijan (BTC) Limited 25% MOL 8.9% Equinor 8.71% TPAO 6.53% Eni 5% TOTAL 5% Itochu 3.4% ExxonMobil 2.5% ONGC 2.36%

Shipping terminal

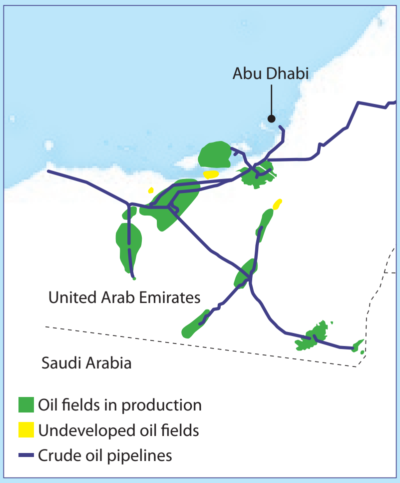
Project Overview by Region

Middle East & Africa

In the Middle East, the Onshore Concession and Offshore Oil Fields located near Abu Dhabi in the United Arab Emirates are contributing substantially to the Company's oil production capacity. In Africa, oil production is ongoing at various locations including the offshore Angola Block 14.



1 Abu Dhabi Onshore Concession



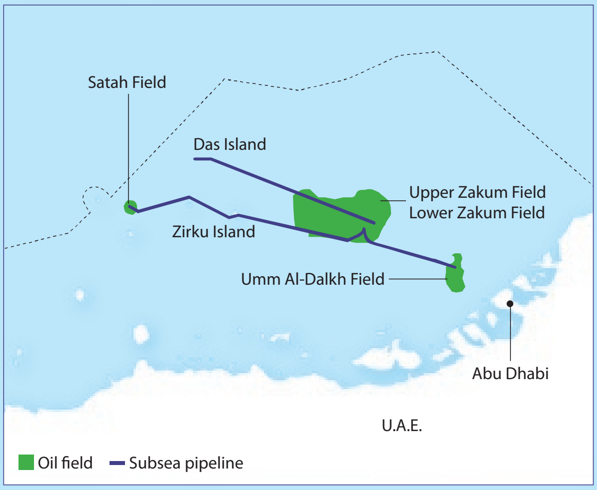
INPEX acquired a 5% interest in the ADCO Onshore Concession in Abu Dhabi in April 2015 following its participation in a bid. INPEX also concluded a 40-year agreement, effective January 1, 2015, with the Supreme Petroleum Council of the Emirate of Abu Dhabi and Abu Dhabi National Oil Company (ADNOC). The concession contains one of the world's largest deposits of oil and is made up of 15 principal onshore oil fields in Abu Dhabi. Twelve of these are currently in production while three remain undeveloped. Development work is currently under way to increase the concession's daily production capacity to two million barrels per day by the end of 2020.

Contract area (block)	Project status	Venture company (established)	Interest owned
Abu Dhabi Onshore Block	In production	JODCO Onshore Limited (April 15, 2015)	JODCO 5% ADNOC 60% TOTAL 10% BP 10% CNPC 8% NPIC 4% GS 3%

2 Abu Dhabi Offshore Oil Fields

INPEX holds interests in and conducts crude oil development and production operations at four oil fields offshore Abu Dhabi, including the Upper Zakum Oil Field, Abu Dhabi's largest offshore oil field. In February 2018, INPEX acquired an interest in the Lower Zakum Oil Field concession and was later appointed as the asset leader of the concession by ADNOC. As asset leader, INPEX is playing a leading role in advancing development and working closely with ADNOC and its partners to lift the oil field's production capacity to 450 thousand barrels per day.

Zirku Island



Contract area (block)	Project status	Venture company (established)	Interest owned
Lower Zakum Oil Field	In production	JODCO Lower Zakum Limited (January 25, 2018)	JODCO 10% ADNOC 60% Consortium of three Indian companies 10% CNPC 10% TOTAL 5% Eni 5%
Upper Zakum Oil Field		Japan Oil Development Co., Ltd. (JODCO) (February 22, 1973)	JODCO 12% ADNOC 60% ExxonMobil 28%
Satah Field/Umm Al-Dalkh Oil Field			JODCO 40% ADNOC 60%

3 Angola Block 14

INPEX acquired a 9.998% indirect interest in the oil-producing Angola Block 14 in February 2013 through a joint-venture company with TOTAL S.A. Located approximately 100 kilometers offshore Cabinda, Angola, Block 14 includes discovered and undeveloped fields. Crude oil is currently being produced from four development areas, and steps are being taken to enhance exploration potential within the block.

Offshore production facility

Contract area (block)	Project status (production on the basis of all fields and average rate of fiscal year ended December 31, 2019)	Venture company (established)	Interest owned (*Operator)
Angola Block 14	In production (Crude oil: 52 Mbbld)	Angola Block 14 B.V. (April 19, 2012)	Angola Block 14 B.V. 20.00% (including 9.998% of INPEX's interest) Chevron* 31.00% Sonangol 20.00% Eni 20.00% Galp 9.00%

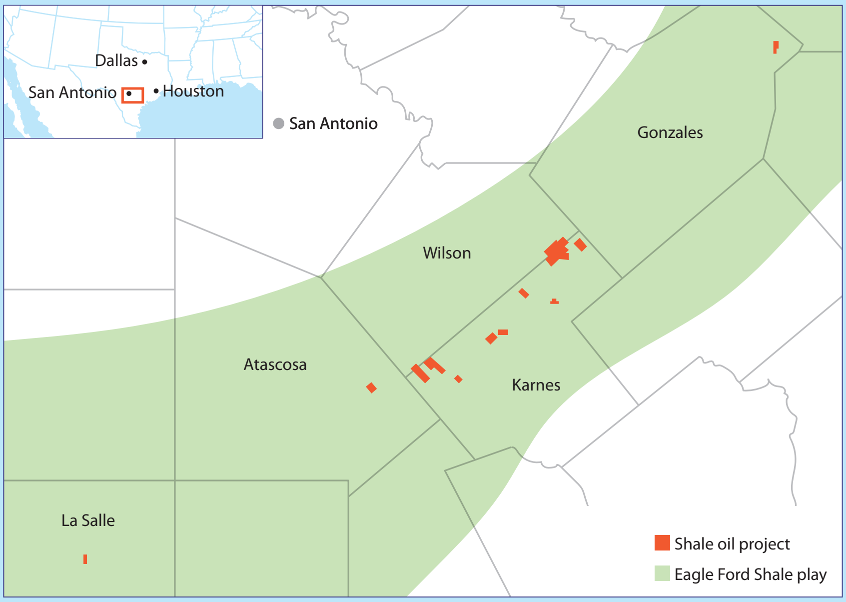
Project Overview by Region

Americas

INPEX is engaged in the Lucius Deepwater Project in the U.S. Gulf of Mexico as well as various exploration projects in the Mexican sector of the Gulf of Mexico. INPEX is also engaged in the Tight Oil Project in the State of Texas, the United States, a gas project in Venezuela and an offshore exploration project in Brazil.

1 Tight Oil Project in US (Eagle Ford shale play)

INPEX acquired multiple development and production assets in the Eagle Ford shale play in Texas, the United States, from GulfTex Energy in April, 2019. The acquisition marks INPEX's first entry into the U.S. tight oil development and production business. Most of the assets are located in Karnes County, Texas, considered to be a highly productive area within the Eagle Ford shale play, which has long hosted a concentration of tight oil and shale gas development activity. INPEX is the operator of the project, with the exception of a portion of the assets.



Drilling operations site

Contract area (block)	Project status (production on the basis of all fields and average rate of fiscal year ended December 31, 2019)	Venture company (established)	Interest owned
Eagle Ford shale play, southern Texas, US	In production (Crude oil: 12 Mbbld Natural gas: 15 MMcf/d)	INPEX Eagle Ford LLC (2019)	With the exception of some areas, INPEX holds a 100% interest as the Operator

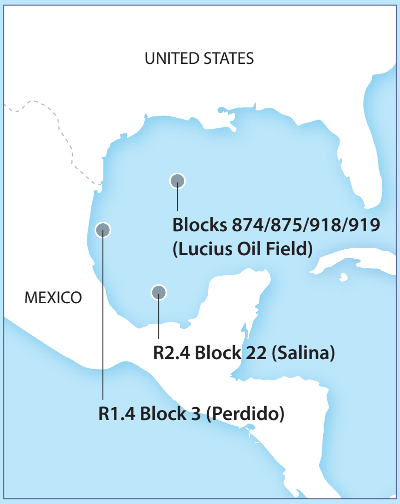
2 Lucius Oil Field and Exploration Blocks in the Gulf of Mexico

In August 2012, INPEX joined the Lucius Deepwater Project in the U.S. Gulf of Mexico and acquired a 7.2% interest from U.S.-based Anadarko Petroleum Corporation. Oil and gas production at the Lucius Oil Field has proceeded steadily since its commencement in January 2015.

In December 2016, INPEX, Chevron Energia de Mexico, S de R.L. de C.V. (Chevron) and Pemex Exploracionу Produccion (Pemex) made a successful joint bid for the first round of deepwater exploration of Block 3 located in the Perdido Fold Belt in the Mexican sector of the northern Gulf of Mexico. INPEX holds a 33.3% participating interest and is conducting exploration activities.

Alongside Chevron and Pemex, INPEX made a successful bid for rights to Block 22 in the Mexican sector of the southern Gulf of Mexico in January 2018. INPEX holds a 35% stake and is currently engaged in exploration activities.

Offshore production facility in the Lucius Oil Field

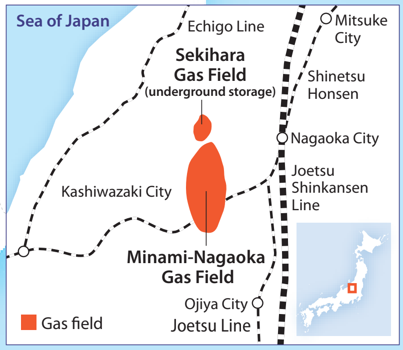


Contract area (block)	Project status (production on the basis of all fields and average rate of fiscal year ended December 31, 2019)	Venture company (established)	Interest owned (*Operator)
Keathley Canyon Blocks 874/875/918/919 (Lucius Oil Field)	In production (Crude oil: 31 Mbbld Natural gas: 36 MMcf/d)	INPEX Americas, Inc. (May 30, 2003)	INPEX Americas, Inc. 7.75309% Anadarko* 48.95179% Other 43.29512%
R1.4 Block 3 (Perdido)	Under exploration	INPEX E&P Mexico PB-03, S.A. de C.V. (August 6, 2018)	INPEX E&P Mexico PB-03 33.3333% Chevron* 33.3334% Pemex 33.3333%
R2.4 Block 22 (Salina)		INPEX E&P Mexico, S.A. de C.V. (January 25, 2017)	INPEX E&P Mexico 35% Chevron* 37.5% Pemex 37.5%

Project Overview by Region

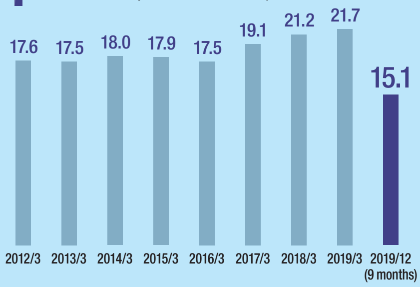
Japan

INPEX is active in the Minami-Nagaoka Gas Field in Niigata Prefecture, one of the largest of its kind in Japan and operates a natural gas pipeline extending approximately 1,500km and an LNG receiving terminal.



Natural Gas Sales Volume in Japan

(100 million Nm³/year) Note: 41.86 MJ per 1 m³



Natural Gas Business in Japan

In the natural gas business in Japan, the natural gas produced from the INPEX-held Minami-Nagaoka Gas Field (Niigata Prefecture), as well as the LNG and other products received at the Naoetsu LNG Terminal (Niigata Prefecture), which commenced operations in December 2013, is transported through a trunk pipeline network of approximately 1,500 km stretching across the Kanto, Koshinetsu and Hokuriku regions, and sold to customers including city gas companies and large-scale plants along the aforementioned network.

INPEX has experienced steady growth in sales of natural gas volume due to efforts to expand its supply infrastructure, as well as the highly environmentally friendly attributes of natural gas. Natural gas is expected to be used for a wide variety of applications, not only as a fuel for thermal energy but also as a fuel for onsite power generation and co-generation, as well as a fuel for natural gas electric power plants and a raw material for chemical products. INPEX is targeting annual natural gas sales of 2.5 billion m³ by fiscal 2022 and 3.0 billion m3 or more by 2040 as it uses existing infrastructure in tie-ups with other companies to ensure stable supply. INPEX remains focused on the sustainable improvement in the value of INPEX natural gas business, which plays a key role in the global gas value chains. INPEX began receiving LNG from the Ichthys LNG Project at the Naoetsu LNG Terminal in October 2018.

Alongside the full deregulation of the electric power market since April 2016, INPEX has responded to growing demand from gas-fired electric power plants and is engaged in the electric power wholesale business with partner Chubu Electric Power Co., Inc. Moreover, in light of the full deregulation of the gas retail market from April 2017, INPEX moved to bolster its marketing abilities by way of reorganization focused on addressing changes in the business environment, including changes in the competitive landscape in the domestic gas market. At the Naruto Gas Field in Chiba Prefecture, natural gas is being produced from water-soluble gas fields. In addition, after extracting the natural gas from underground water (brine water), the brine water is used to produce iodine, which is exported to Europe, the United States and elsewhere.

Naoetsu LNG Terminal

Renewable Energy and Other Initiatives

Renewable Energy Business

Power generation business in Japan

In March 2013, INPEX began generating electricity at INPEX Mega Solar Joetsu, a photovoltaic power generation facility with a maximum output of 2,000 kilowatts (two megawatts) located on the site of a former oil refinery in Joetsu City, Niigata Prefecture. In 2014, construction began on a second 2,000 kilowatts (two megawatts) photovoltaic power generation facility located adjacent to the first, where operations commenced in July 2015 under the management of an INPEX Group company. The two photovoltaic power generation facilities are expected to generate around 5.33 million kilowatt-hours annually, enough electricity to power 1,600 homes on an annual basis in Japan.

In addition, INPEX constructed a high-efficiency gas turbine combined cycle thermal power plant with a maximum output of about 55,000 kilowatts next to its Koshijihara natural gas production plant in Niigata Prefecture. The power plant has been supplying electricity on a wholesale basis to electricity retailers since May 2007.

INPEX and Idemitsu Kosan Co., Ltd., have been jointly conducting geothermal resource surveys in the Amemasudake region of Hokkaido Prefecture and the Oyasu region of Akita Prefecture since 2011. From 2013 to 2018, surveys were conducted by drilling a total of seven exploratory wells in the Amemasudake region and seven exploratory wells, two test production wells and one test reinjection well in the Oyasu region. Steam and hydrothermal production were confirmed through fumarolic testing in both areas and environmental assessments commenced in the Oyasu region in 2018 with full-scale fumarolic testing scheduled for 2020.

Also, as a member of a geothermal resource survey group in Fukushima Prefecture, INPEX participated in a joint land survey in the Bandai region from 2012 until its temporary suspension in 2018. INPEX, however, has continued survey preparations in the Azuma-Adatara area.

Power generation business overseas

In June 2015, INPEX joined the Sarulla Geothermal Independent Power Producer (IPP) Project in Indonesia. The project involves operating the world's largest single-contract geothermal power plant located in the Sarulla area of Indonesia's North Sumatra province and supplying the generated power to Indonesia's government-owned electricity company over a period of 30 years. Construction of the power plant began in 2014. Commercial operations commenced at the power plant's first, second and third units in March 2017, October 2017 and May 2018, respectively. The three units generate a combined power output of approximately 330,000 kilowatts (330 megawatts).

Indonesia Sarulla Geothermal IPP Project

CO_2 Utilization Technology Development

The reduction of carbon dioxide (CO_2) emitted from thermal power generation is considered key to addressing the issue of climate change, and one solution is the development of carbon recycling technologies that capture and effectively utilize CO_2.

INPEX is involved in pursuing carbon capture and utilization through the development of methanation technology, which involves the production of methane using CO_2 as a raw material.

CO_2 methanation test facility currently under construction

To this end, INPEX has been participating in a project sanctioned by the New Energy and Industrial Technology Development Organization (NEDO) to develop technologies that enable the effective utilization of CO_2. As part of the project, INPEX, in cooperation with Hitachi Zosen Corporation, established a testing facility that synthesizes methane from CO_2 and hydrogen at the Koshijihara plant located within INPEX's Nagaoka Field Office in Nagaoka City, Niigata Prefecture.

The commissioning of the methane synthesis testing facility began in October 2019, and the facility operated continuously until February 2020. Using data obtained through testing and continuous operation, INPEX is reviewing and assessing technical issues, including ways to optimize the methanation process with the aim of establishing and further developing methanation technologies.

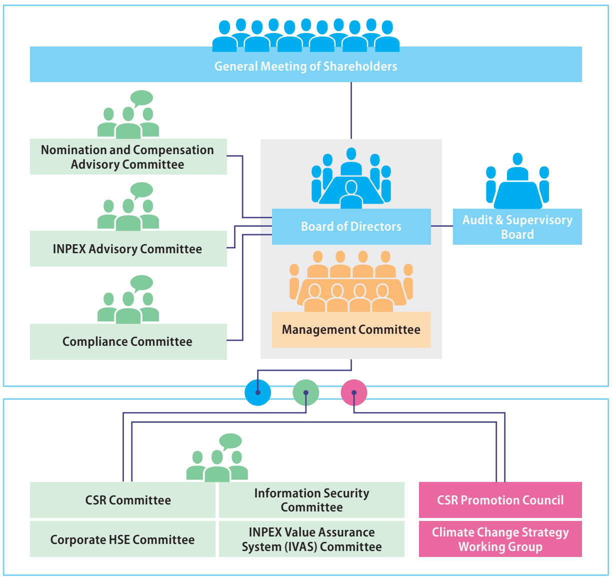
Sustainability

In our pursuit of the sustainable development, production and supply of energy, we engage in CSR management, which focuses on the Material Issues that are most important to both our business and our stakeholders. We dedicate our efforts to sustainability and value creation throughout our value chain.

CSR Implementation

We disclose our executive management's approach to sustainability, and have a CSR Committee chaired by the Representative Director, President & CEO in place to promote groupwide and systematic sustainability practices. The CSR Committee members include the Representative Directors, the head of the General Administration Division and the head of the Corporate Strategy & Planning Division (Committee Vice-Chair). The Chairs of the Compliance Committee and the Corporate HSE Committee also attend the CSR Committee meetings to facilitate collaboration with their respective committees.

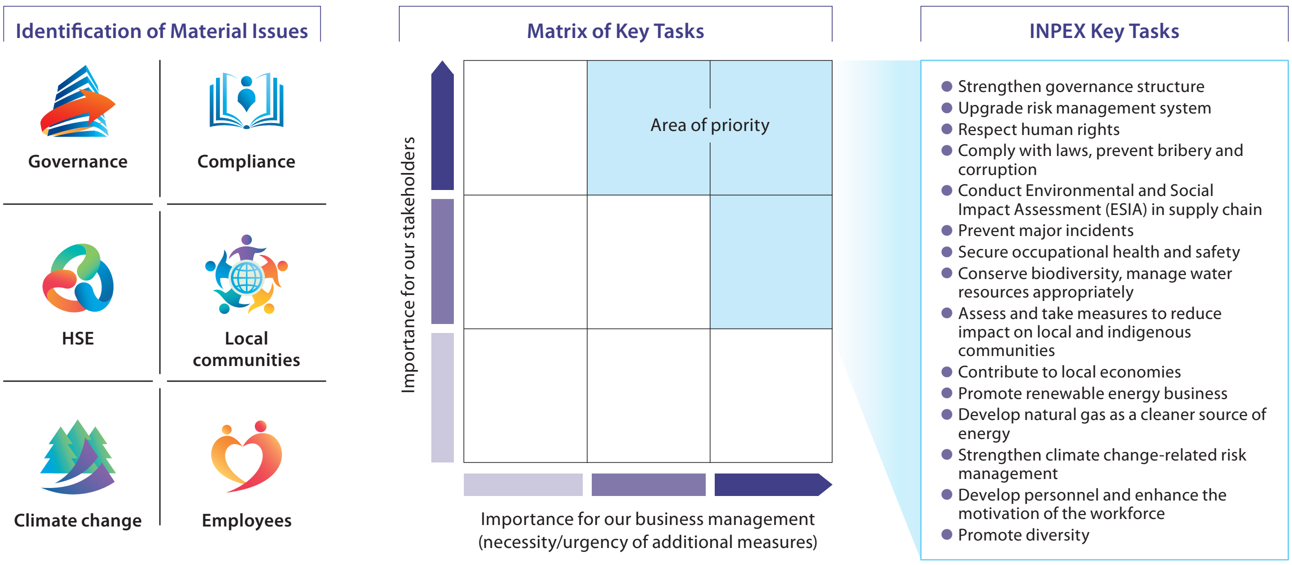
We have also created a groupwide consultation system supported by the Climate Change Strategy Working Group and the CSR Promotion Council, a subdivision of the CSR Committee comprising working-level members from various divisions.



Identification of Material Issues and Prioritization

In April 2012, we identified five key issues among the seven core social responsibility subjects in ISO 26000 as Material Issues of importance for us and our stakeholders. In May 2015, we reexamined the Material Issues considering factors such as impacts of business activities associated with the progress of our key projects and changes to stakeholder priorities. As a result, we redefined the Material Issues by adding the sixth issue, "Governance." Furthermore, CSR actions that should be prioritized for each Material Issue have been defined as Key Tasks and have been incorporated into our PDCA[1] cycle in order to achieve continuous improvement. In fiscal 2017, we incorporated the perspectives of the Sustainable Development Goals (SDGs)[2] into the existing Key Tasks, mapped the Key Tasks through a four-step prioritization process (identify the issues and conduct gap analysis, have dialog with stakeholders, prioritize the issues, then conduct management review) and reevaluated the Key Tasks.

1. PDCA: Plan-Do-Check-Act
2. Sustainable Development Goals (SDGs): 17 goals and 169 targets adopted by the UN Sustainable Development Summit in September 2015 that describe the United Nations' agenda for people, the planet and prosperity



CLIMATE CHANGE

Our Policy

INPEX recognizes that climate change is a critical business issue. To achieve the long-term goals of the Paris Agreement, an economy-wide transition to a low-carbon society is under way. Global climate change response requires action by all members of the international community including governments, businesses and civil society. Governmental policy, technology development, industry response and other long-term initiatives are particularly pertinent. We are committed to fulfilling our role in addressing climate change as a responsible member of the oil and gas industry. Furthermore, we comply with the national regulations of each country in which we operate, including those introduced to support the Paris Agreement. Our businesses will work with governments and other stakeholders to address the two societal demands of meeting increasing energy needs and reducing greenhouse gas (GHG) emissions and achieve a balance between the two. In our actions towards achieving a low-carbon society, we will strengthen initiatives on promoting natural gas development and renewable energy to reduce the emissions associated with INPEX's value chain.

In addition, we will properly manage GHG emissions from our operations and pursue technology development for the practical application of carbon capture and storage (CCS) to capture and sequester GHG emissions. We shall also implement measures to disclose information associated with climate change in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). In line with these policies, INPEX has developed "Corporate Position on Climate Change," (issued December 2015 and last revised February 2020) a position paper accessible on our website[1].

1. Corporate Position on Climate Change
https://www.inpex.co.jp/english/csr/climatechange/pdf/20200204.pdf

MESSAGE FROM THE DIRECTOR IN CHARGE OF CLIMATE CHANGE RESPONSE

To enhance our response to climate change as a responsible oil and natural gas company, we published a position paper entitled "Corporate Position on Climate Change" in December 2015 and most recently updated it in February 2020. As detailed in INPEX's "Vision 2040" and "Medium-term Business Plan 2018- 2022" announced in May 2018, we are also implementing ongoing measures to enhance our initiatives addressing climate change and to disclose information in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). These measures are positioned to help us contribute proactively to developing a low-carbon society based on the long-term targets outlined in the Paris Agreement.

Specifically, our Board of Directors seeks to maintain its oversight and expand its involvement in governance. When developing our business strategies, we assess our ability to respond to multiple climate-related scenarios, including the IEA[2] WEO 2°C scenario[3], to evaluate our business portfolio. Regarding risk and opportunity assessment, we have an annual assessment and management cycle where risks and opportunities are explored in detail. We then implement measures and work plans developed from that process. As for the management of greenhouse gas (GHG) emissions, we are considering target-setting methods in line with international standards while complying with each country's national regulations and GHG management frameworks. We are also improving information disclosure regarding exposure to climate change risks in line with the recommendations set out by the TCFD.

To apply industry best practices to these activities in a timely manner, we disseminate and gather information as a member of the Executive Committee of IPIECA[4], the global oil and gas industry association for advancing environmental and social performance. INPEX hosted the first IPIECA extraordinary general meeting and executive committee meeting in Japan in November 2019. We will continue our efforts to proactively promote sustainability.

Kimihisa Kittaka
Director, Managing Executive Officer
in charge of Corporate Strategy & Planning

2. IEA: International Energy Agency
3. Sustainable Development Scenario
4. IPIECA: International Petroleum Industry Environmental Conservation Association

Aerial of Bynoe Harbour near Darwin

Climate Change

Climate Change-Related Risk

In response to the TCFD recommendations, we are implementing initiatives for the assessment and management of climate change risks.

We classify policy and legal transitions, technology transitions, market transitions and reputational risks as transition risks, and acute and chronic risks as physical risks. We also apply short-term, medium-term and long-term classifications to each of these risk categories. Climate Change Strategy Group, within the Corporate Strategy & Planning Unit of the Corporate Strategy & Planning Division acts as the secretariat and conducts risk assessment and management on a yearly cycle.

Given their importance, risk assessment and the formulation of countermeasures incorporate the deliberations, evaluations and proposals of divisions and units across the Company, with the Climate Change Strategy Project Team assuming the title of "Climate Change Strategy Working Group" and serving as an advisory board to the CSR Committee.

We conduct financial assessments of climate change-related risks by addressing policy and regulatory risk as well as market risk. For the policy and regulatory risk, we assess how the introduction or enhancement of a carbon pricing policy would financially impact our projects. For the market risk, we assess how crude oil prices and carbon prices in a WEO 2°C scenario published by the IEA, as well as the supply and demand outlook for oil and LNG in the same scenario, would financially impact our projects.

Meanwhile, we conducted physical risk assessments of INPEX-operated facilities in fiscal 2019 and identified risks at leading facilities in Japan and Australia. In terms of chronic risk, there may be impacts to our operational efficiency, though our assessment indicated that there was no immediate need for facility repairs. On the other hand, when looking at acute risks, our attention is focused on natural disasters, which appear to be occurring in Japan with greater frequency and force. As countermeasures move forward on the national level, we focus on the risk management within the conventional framework including promotion of pipeline risk assessment and the formulation of countermeasures.

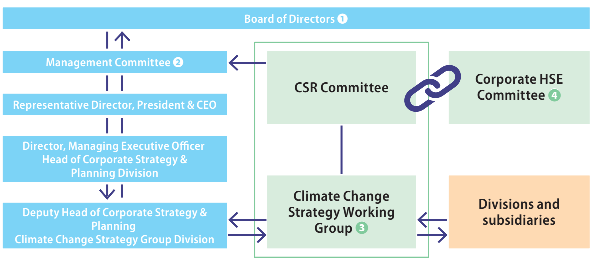
Climate Change Milestones

2015	● Published "Corporate Position on Climate Change" (position paper)
2016	● Established a Climate Change Strategy Project Team led by the Corporate Strategy & Planning Division
2017	● Set internal carbon price (535/tCO_2-e) for economic evaluation ● Established scenarios for a low-carbon society
2018	● Announced "Vision 2040" which aims for renewable energy to account for 10% of our project portfolio by 2040 ● Established Climate Change Strategy Group to promote actions against climate change within the Corporate Strategy and Planning Division
2019	● Launched economic assessment using IEA WEO 2°C scenario ● Launched physical risk assessment trials at major INPEX-operated facilities
2020	● Climate Change Strategy Project Team assigned to advise the CSR Committee ● Established Assessment and Management Guidelines for Climate Change Risks and Opportunities

Governance Framework for Climate Change Response

As we recognize that climate change is a critical business issue, the Board of Directors seeks to maintain its oversight and expand INPEX's involvement in this matter. Specifically, our "Corporate Position on Climate Change" was resolved by the Board of Directors and published in 2015, with a revision made in February 2020. As a rule, the Board will review this corporate position on a yearly basis. We created a system where assessment of climate change risks and opportunities and the target settings relating to climate change are approved by the Management Committee and then reported to the Board of Directors. Finally, we have tasked the Climate Change Strategy Group, within the Corporate Strategy & Planning Unit of the Corporate Strategy & Planning Division, to address climate change issues across the entire company.

Governance Framework for Climate Change Response



Roles of ① to ④ in the Governance Framework on the left

1. Develop corporate position on climate change, and monitor progress on responses
2. Evaluate assessments of climate change risks and opportunities, and set important targets relating to climate change
3. Conduct assessments of climate change-related risks and opportunities as a cross-organizational advisory body composed of about 25 members
4. Compile, analyze and report GHG emissions based on HSE Policy

Plan for Transitioning to a Low-Carbon Society

With the goal of reducing the carbon footprint of our businesses, we use the International Energy Agency's World Energy Outlook (WEO) Stated Policies Scenario as a base-case scenario, and are focused on business strategies for the transition period to a low-carbon society, with reference materials including the IEA's WEO 2°C scenario (Sustainable Development Scenario (SDS)). In addition to promoting the development of natural gas and strengthening our efforts in renewable energy initiatives, where strong demand is expected under these scenarios, we are managing emissions from our operations appropriately and participating in proof-of-concept trials for CCS, which is a technology to capture and store CO_2.

In Vison 2040, we further promote a low-carbon footprint in operations. We aim to be a key player in natural gas development and supply, mainly focusing on Asia and Oceania. Meanwhile, we will seek to expand our domestic gas supply chain on which our development and supply of natural gas has so far been centered, and create a global gas value chain. In the field of renewables, we aim for renewable energy projects to account for 10% of our project portfolio in the long term. As for CCS, we will develop technologies for its practical application.

Accordingly, while reducing our carbon footprint in each of our business activities, we will work to continuously increase corporate value by maintaining a business portfolio with the flexibility to respond to changes in our business environment looking towards 2040.

Renewable Energy Initiatives

With the goal of adequately responding to climate change and meeting growing demand for renewable energy over the long term, we are accelerating the development of our renewable energy business. In addition to domestic photovoltaic power projects, we are currently engaged in geothermal power generation businesses both in Japan and Indonesia. In the future, INPEX intends to expand its participation in wind power generation and other areas, further expanding its business, while also promoting technology research and development related to greenhouse gas reduction. INPEX aims for renewable energy to account for 10 percent of its project portfolio by 2040.

Geothermal flow tests in the Oyasu region in Akita Prefecture, Japan

Targets and Results of Material Issues

Material Issues	Key Tasks	FY2019 Results	FY2020 Targets
Responding to Climate Change	**Develop natural gas as a cleaner source of energy**	● Ichthys LNG Project ● Continued a stable supply of natural gas and increased supply volume through safe production operations at domestic gas fields, the Naoetsu LNG Terminal and along the approximately 1,500-kilometer long, high-pressure gas trunk pipeline network ● Established a smart energy company with the goal of introducing cogeneration facilities in Mizuho, Tokyo ● Created a system for the inspection, data compilation and publishing of reports on methane dissipation from equipment and machinery at domestic business sites	● Achieve stable and efficient production operations at the Ichthys LNG Project ● Maintain a stable supply of natural gas and increase supply volume through the safe operation of domestic gas fields, the Naoetsu LNG Terminal and the approximately 1,500-kilometer long, high-pressure gas trunk pipeline network ● Engage in activities to promote natural gas consumption ● Continue to improve management of GHG emissions, including methane
	Strengthen climate-change related risk management	● Launched economic evaluation based on IEA WEO 2°C scenario ● Conducted trial physical risk assessments at major INPEX-operated facilities ● Improved CDP score from C to B	● Formulate guidelines for the assessment and management of climate change-related risks and opportunities ● Continue to improve financial assessment methods related to climate change-related risks ● Disclose GHG emissions on an equity share basis
	Promote renewable energy business	● Ensured stable operation of photovoltaic power generation ● Achieved stable operations at the Sarulla Geothermal IPP Project in Indonesia ● Continued environmental assessments in the Oyasu region in Akita Prefecture. Continued surveys at Amemasudake, Hokkaido ● Conducted preparation work toward final investment decision (FID) for the domestic wind power business ● Continued research and development of technologies that contribute to building an electricity-hydrogen-methane value chain. Launched test operations at methanation test facility in October 2019	● Ensure stable operation of photovoltaic power generation facilities ● Ensure stable operations at the Sarulla Geothermal IPP Project in Indonesia ● Promote existing geothermal power generation business in Japan ● Pursue new geothermal business opportunities in Japan and overseas. Promote full-scale geothermal flow tests in the Oyasu region in Akita Prefecture ● Pursue onshore and offshore wind power business opportunities in Japan ● Pursue new wind power business in Japan and overseas ● Continue research and development of technologies that contribute to building an electricity-hydrogen-methane value chain. Conduct tests and launch continuous operations at the methanation test facility

COMPLIANCE

Our Policy

INPEX is systematically developing a compliance structure, which is an indispensable requirement for its sustainable development, and is striving to ensure compliance with laws and regulations and adherence to corporate ethics. Specifically, INPEX has established the Compliance Committee, which formulates basic policies and plans pertaining to compliance, deliberates significant matters and supervises the implementation of compliance programs to promote unified compliance initiatives throughout the INPEX Group. The committee's responsibilities also include the development and revision of compliance-related regulations.

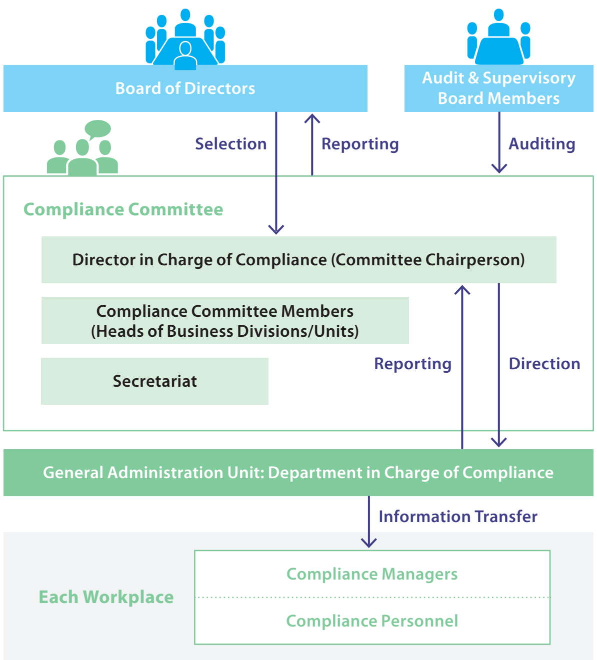
In addition, in accordance with the Corporate Social Responsibility Principles, INPEX has instituted the Code of Conduct, which prescribes obligations of personnel to practice compliance, in order to increase compliance awareness among executives and employees and put the Business Principles into practice.

Compliance Initiatives

INPEX has established a system by which the director in charge of compliance and the Compliance Committee can promptly consider and implement countermeasures if a significant compliance breach occurs. The director in charge of compliance and the Compliance Committee cooperate with the Audit & Supervisory Board and its members, the accounting auditors and INPEX's internal Audit Unit as well as the equivalent bodies or departments of subsidiaries in (1) developing and implementing compliance measures, (2) monitoring implementation, (3) raising compliance awareness, (4) receiving reports on compliance violations and conducting investigation, (5) issuing warnings and taking other measures against violations and (6) instituting measures to prevent the recurrence of violations, with the Director in Charge of Compliance regularly reporting to the Board of Directors as appropriate. There were no cases of significant compliance breaches in fiscal 2019.

In addition, to ensure coordination between the Compliance Committee and the frontline, INPEX has appointed compliance managers and personnel in every workplace and takes measures to instill and raise compliance awareness throughout the Company.

Compliance Chart



Targets and Results of Material Issues

Material Issues	Key Tasks	FY2019 Results	FY2020 Targets
Compliance	Respect human rights	● Published the UK Modern Slavery Act Statement for fiscal 2018 ● Conducted human rights training for new recruits ● Participated in the IPIECA human rights working group (ongoing)	● Publish the UK Modern Slavery Act Statement for fiscal 2019 ● Continue human rights training for new recruits ● Strengthen human rights management
	Comply with laws, prevent bribery and corruption	● Launched harassment prevention training for all employees ● Conducted anti-bribery and corruption (ABC) risk assessments at overseas offices ● Promoted enforcement and awareness of the INPEX Group Global ABC Policy and conducted training ● Participated in the anti-corruption working group of the Global Compact Network Japan (ongoing)	● Continue to provide information on compliance and conduct education and training programs ● Maintain initiatives aimed at bolstering global compliance systems ● Continue ABC risk assessments at domestic and overseas offices ● Widely disseminate and strengthen the implementation of ABC regulations through trainings, etc.
	Conduct Environmental and Social Impact Assessment (ESIA) in supply chain	● Administered a supplier self-evaluation questionnaire including human rights and anti-bribery and corruption to major domestic suppliers and contractors ● Continued risk assessment including human rights, anti-bribery and corruption of major domestic suppliers and contractors	● Administer a supply chain self-evaluation questionnaire including human rights and anti-bribery and corruption topics at overseas projects ● Continue risk assessment including human rights, anti-bribery and corruption of major domestic suppliers and contractors

HSE

Our Policy

INPEX's HSE Policy helps ensure the safety and health of all those involved in our business activities as well as promote the conservation of local ecosystems and the global environment. To firmly implement this policy, the corporate HSE Unit, which consists of five groups (HSE System Group, Health & Safety Group, Process Safety Group, Security & Crisis Management Group and Environment Group) established at headquarters, will promote HSE management through a robust HSE Management System.

MESSAGE FROM THE DIRECTOR IN CHARGE OF HSE

To realize sustainable energy development, which is part of our mission, we are required to conform to high moral values as a member of society and to foster a corporate culture in which the utmost priority is placed on ensuring safety and conserving the environment. In order to maintain a stable energy supply, we need to conduct our business internationally in search of natural resources. In this pursuit, while we continue to comply with international norms and standards, we must also continue to nurture a corporate culture that will be received by the international community with open arms.

To help achieve our goals, the group-wide HSE Policy is in place to ensure operations are in line with the HSE Management System (HSEMS) based on international standards. The HSEMS Manual comprehensively identifies the HSE activities we must conduct to fulfill our commitment to the HSE Policy, and supports our efforts to seek continuous improvement and risk management in our operations.

We have been implementing the Corporate HSE Third Phase Mid-term Plan (FY2016–FY2020) since fiscal 2016 with the aim of raising our HSE competency to the same level as that of top-tier independent International Oil Companies (IOCs). In addition to ingraining process safety management to prevent major accidents, we are actively promoting environmental management in several ways including the formulation of the Corporate Environmental Management Plan, the control and management of greenhouse gas emissions and the compiling of reports on protecting biodiversity. Moreover, we expanded the HSE management scope to cover non-operated projects and domestic subsidiaries, and we remain committed to working to ensure more effective and consistent HSE management.

We believe it is our social responsibility, as a global company, to demonstrate to a wide range of stakeholders our commitment to the HSE Policy by promoting specific HSE activities. With unyielding determination to grow into a company worthy of admiration, we will continue to press forward with our HSE activities.

Takahiko Ikeda
Director, Senior Executive Vice President in charge of HSE

Targets and Results of Material Issues

*For further details please see our Sustainability Report 2020, scheduled to be published in July 2020.

Material Issues	Key Tasks	FY2019 Results	FY2020 Targets
HSE	**Prevent major incidents**	● Enhanced the Corporate HSEMS (revised and published the Corporate HSEMS Manual and four related Corporate HSE Standards) ● Improved HSE assurance and governance (participated in 15 HSE reviews and conducted two corporate risk audits) ● Provided HSE technical support (implemented 12 technical support operations) ● Ingrained HSE risk management to prevent major incidents and disasters (conducted three reviews with reports issued on the state or risk management, assisted preparation of safety cases for Tokyo line and Oyazawa plant, conducted follow-up activities on reviews of domestic E&P and domestic energy businesses) ● Reinforced emergency and crisis response capability (conducted two level 3 exercises for mock disasters at domestic and overseas sites, helped to create a security response plan for operations in Abu Dhabi)	● Continuously improve the Corporate HSE Management System (revise Corporate Standards; facilitate HSE management of head office lead projects, formulate the next medium-term corporate HSE plan) ● Improve HSE assurance and governance (continue HSE reviews and audits) ● Provide HSE technical support (to INPEX-operated projects, head office lead projects, and non-operated projects) ● Ingrain HSE risk management for major accidents and disasters (implement comprehensive HSE risk management activities, implement safety cases for major facilities, enact HSE reviews, promote Tier 3 and Tier 4 process safety leading indicators) ● Reinforce emergency and crisis response capability (conduct comprehensive and functional exercise as well as workshops involving Corporate Crisis Management Team given the scenario of a major earthquake in Tokyo and a major disaster in Abu Dhabi, introduction of training ratio as a key leading indicator)
	Secure occupational health and safety	● Strengthened HSE management at worksites (conducted nine HSE Management Site Visits at designated domestic and overseas project sites) ● Reduced number of incidents (LTIF[1]: 0.32/TRIR[2]: 1.78, implemented life-saving rules and introduced a new accident reporting system) ● Strengthened initiatives to promote health (conducted survey on leading health indicators)	● Strengthen HSE management at worksites (use HSE Management Site Visits to promote dialogue with on-site workers and deepen mutual understanding) ● Reduce number of incidents (LTIF: 0.12 / TRIR: 0.70 or less; introduce leading indicators companywide with the goal to prevent the reoccurrence of incidents) ● Strengthen initiatives to promote health (strengthen initiatives to promote health programs in line with the INPEX Group Health Statement)
	Conserve biodiversity, manage water resource appropriately	● Developed Corporate Environmental Management Plan including initiatives for biodiversity conservation and water management (created a domestic and overseas protected areas database, conducted a biodiversity survey in Japan and overseas, developed a report on biodiversity conservation activity, conducted water stress assessment in project areas, collected and analyzed data related to water consumption)	● Implement and revise Corporate Environmental Management Plan including actions for biodiversity conservation and water management (update the domestic and overseas protected areas database, conduct domestic and overseas survey of biodiversity, participate in conservation activities, update water stress assessments in project areas, collect and analyze data on water consumption)

1. Lost Time Injury Frequency (LTIF): Rate of injury resulting in fatalities or lost time per million hours worked. Data for the 12-month period from January 2019 to December 2019.
2. Total Recordable Injury Rate (TRIR): Rate of total fatalities, lost work day cases, restricted work day cases and medical treatment cases per million hours worked. Data for the 12-month period from January 2019 to December 2019.

LOCAL COMMUNITIES

Our Policy

Trusted relationships with the communities in which we operate are fundamental to maintaining our social license to operate. We build and maintain our relationships with our stakeholders through open and transparent dialogue.

To minimize the negative impact of our business operations on the local communities in which we operate, we conduct impact assessments in advance and implement a variety of countermeasures. Through working closely with our stakeholders and supporting the development of local human resources and businesses, we help communities become vibrant, prosperous and resilient.

Working Indigenous Communities

In Australia, our commitment to working with Aboriginal and Torres Strait Islander peoples to build sustainable and mutually beneficial relationships is underpinned by our Reconciliation Action Plan (RAP)*. In 2019, INPEX Australia launched its second Stretch RAP 2019-2022 following its first Stretch RAP launched in 2016.

In November 2018, the Ichthys Joint Venture agreed with the Larrakia people to a A$24 million benefits trust being delivered over 40 years. The agreement recognizes the important role that the Larrakia people have played in supporting the Ichthys LNG Project through the construction phase and highlights the continued importance of the relationship with the Larrakia people into the future. The funds are held in trust and distributed to provide the Larrakia people with a range of opportunities through economic, educational and social programs.

We are committed to promoting employment and business opportunities for Aboriginal and Torres Strait Islander peoples through our own "Solid Pathways" program introduced in 2019 and working closely with Ichthys LNG Project contractors.

RAP launch event held in Darwin, Australia with Ngaree Ah Kit, MLA, then Assistant Minister for Aboriginal Affairs (center) and Bill Risk, Larrakia Elder (second from right). Others are INPEX employees.

*Reconciliation Action Plan (RAP): A business plan endorsed by Reconciliation Australia (an independent expert body promoting reconciliation between the Australian community and Aboriginal and Torres Strait Islander peoples) that publicly documents what we commit to do to work with Aboriginal and Torres Strait Islander communities in Australia.

Targets and Results of Material Issues

Material Issues	Key Tasks	FY2019 Results	FY2020 Targets
Local Communities	Conducting assessments and measures to reduce impact on local and indigenous communities	**Japan** ● Provided information on operational status and safety initiatives of the Naoetsu LNG Terminal through community briefings and public newsletters	**Japan** ● Maintain sound relationships with stakeholders through continuous dialogue including community briefings and public newsletters
		Australia ● Held more than 250 stakeholder engagement activities ● Received more than 1,300 local operating area inquiries (of which 40 percent related to employment opportunities)	**Australia** ● Proactively engage with local communities focused on communication associated with potential impacts and opportunities during the 40-year span of Ichthys LNG operations
	Contribution to local economies	**Global** ● Invested approximately ¥2.2 billion in social contribution initiatives	**Global** ● Invest approximately ¥2.4 billion in social contribution initiatives
		Australia ● Launched programs through the Larrakia Ichthys LNG Foundation Trust ● Started employment for six out of the targeted 10 people by way of the Solid Pathways program aimed at creating employment for indigenous people ● Employed more than 70 indigenous people through Ichthys LNG operations' contractors ● INPEX and contractors signed 10 contracts tied to the operation of the Ichthys LNG project with indigenous-owned businesses	**Australia** ● Continue delivery of effective programs through the Larrakia Ichthys LNG Foundation Trust ● Increase INPEX Australia's direct employment of Aboriginal and Torres Strait Islander peoples to 36 people or 3 percent of employees by the end of 2021 ● Employ an average of 60 Aboriginal and Torres Strait Islander peoples through our Ichthys LNG operations' contractors each year from 2019 to 2021 ● Increase the number of Aboriginal and/or Torres Strait Islander majority-owned businesses engaged by INPEX and its contracting partners by 50 percent with a total contract value from 2019 to 2021 being greater than A$1 million

EMPLOYEES

Our Policy

In order to constantly strengthen responsible management, INPEX as a global organization values workforce diversity and the development of global employees who share common values. To achieve this, the HR division formulated the INPEX HR VISION, which comprises four key elements. HR activities based on these elements are implemented from a global perspective, linking employee development and team performance to contribute to a globally competitive organization.

In fiscal 2018, to further enhance diversity, one of the INPEX Values, INPEX communicated its basic policy on diversity and inclusion (D&I)* to all stakeholders. In fiscal 2019, we conducted e-learning sessions on D&I for all executives and employees. Going forward, we plan to push ahead with D&I and improve capabilities across the organization to raise the general appeal of INPEX as a company and receive greater recognition from the global community.

*D&I-related message: https://www.inpex.co.jp/english/csr/employee/

Major Initiatives

Since 2014, INPEX has been carrying out activities to promote its corporate values, known as INPEX Values. Through company-wide surveys, INPEX collects nominations for "Values People" and "Values Teams" made up of executives, employees, contractors and teams who embody the INPEX Values and put the values into practice. The fourth survey, conducted in 2018, identified 749 Values People. In addition to interviews with those who receive the most votes, a selection of case studies compiled from a follow-up survey of Values People candidates on how they are considering and carrying out the INPEX Values in their daily lives, known as "Case studies of INPEX Values," is also published on the intranet. Particularly outstanding cases will be presented with the "INPEX Values Award" as a way of further spreading the INPEX Values.

Winners presenting at the INPEX Values Award ceremony in Jakarta

Targets and Results of Material Issues

Material Issues	Key Tasks	FY2019 Results	FY2020 Targets
Employees	Develop human resources and increase workforce motivation	**Global** ● Continued promotion of INPEX Values (Value Awards, expansion of program to Group companies, etc.)	**Global** ● Continue promoting INPEX Values (Value Awards, inclusion of Group companies, etc.)
		Japan ● Continued the internal recruiting system and career consultations for corporate employees, continued skill mapping interviews for younger technical employees, established career training opportunities ● Reduced overtime hours and continued promoting taking paid leave ● Introduced a companywide system to allow flexible working hours ● Acquired certification in the large enterprise category (White 500) of the 2019 Certified Health & Productivity Management Outstanding Organizations recognition program	**Japan** ● Ensure continued certification as a Health & Productivity Management Outstanding Organization ● Continue the internal recruiting system and career consultations for corporate employees, continue skill mapping interviews for younger technical employees, expand career training opportunities ● Reduce overtime hours and continue promoting taking paid leave ● Introduce work from home arrangements ● Hire some contractors as full-time employees
	Promote diversity	**Global** ● Implemented Tokyo head-office training for local employees hired overseas	**Global** ● Continue to facilitate employee transfers between global sites
		Japan ● Continued ongoing training for managers of people with parental responsibilities, continued career guidance for younger female employees ● Selected as a Nadeshiko Brand 2019 company ● Continued to conduct LGBT Training, also held executive training ● Achieved silver standard from Work with Pride in external LGBT-related certification ● Introduced transcribing app for employees with impaired hearing	**Japan** ● Introduce a return to work program ● Continue to implement measures based on our General Employer Action Plan to promote active participation of women ● Continue to improve the workplace environment for persons with disabilities

Interview with Outside Directors

Jun Yanai

Director (Outside)

Question 1 **As an outside director since 2016, what are your thoughts about the INPEX Board of Directors?**

All members of the Board of Directors share the commitment to enhancing the corporate value of this company and engage in lively discussions where nothing is off limits. Over the years, new outside directors and outside audit & supervisory board members with diverse backgrounds have been appointed to the board. As a result, questioning and counsel based on a broad range of perspectives have further stimulated our dialogue.

Outside directors are not involved in the execution of the Company's operations and are therefore not as well-versed in operational matters as the internal directors who take part in discussions at executive committee meetings. Nevertheless, INPEX management personnel demonstrate a sincere willingness to listen to the opinions of outside directors and make every effort to incorporate viewpoints that are of benefit to the management of the Company, and this encourages free and open discussion.

Outside directors and outside audit & supervisory board members are briefed regularly on agenda items a week before the Board of Directors meetings. These detailed briefings enable the board discussions to proceed efficiently.

A survey to evaluate the effectiveness of the Board of Directors is conducted each year, and the survey's results are carefully reviewed to further streamline and improve the board's functions. This enables the governance of the Board of Directors to continuously evolve with a high level of transparency.

As we face the unprecedented challenges brought on by the COVID-19 pandemic, we outside directors are committed to actively participating in the crisis management discussions and providing counsel based on our knowledge.

Question 2 **Vision 2040 and the Medium-term Business Plan 2018-2022 were formulated in fiscal 2018. How do you evaluate their content and the progress being made to implement these?**

The Medium-term Business Plan 2018-2022 published in fiscal 2018 was formulated through proactive discussions between board members—including outside directors and audit & supervisory board members—addressing all options to enable INPEX to respond flexibly to any situation while anticipating changes in our business environment such as the advent of a low-carbon society. Today, after two years, the Ichthys LNG Project is making good progress, but we are facing a new paradigm shift in our business environment, including the COVID-19 pandemic and the oil price collapse. While staying true to the basic policies outlined in the Medium-term Business Plan, we will work with management personnel to find the best way to implement ambitious makeovers as part of our crisis response.

Question 3 **What future challenges do you see regarding the effectiveness of the INPEX Board of Directors?**

Members of the INPEX Board of Directors have a diverse range of attributes. As such, I believe the annual evaluation of the effectiveness of the Board of Directors should continue to be centered around self-evaluation as practiced until now.

The most important factor contributing to the effectiveness of the Board of Directors is an environment that enables outside directors to make open and frank recommendations to management personnel based on sufficient access to information. In this regard, I believe the INPEX Board of Directors is superior to that of other companies.

Atsuko Nishimura

Director (Outside)

Question 1 **What were your impressions of the first Board of Directors meeting held overseas and the site visit in Darwin last year?**

While visiting the Ichthys site, I was impressed to see the massive and complex Ichthys LNG Project—the first large-scale LNG project to be operated by INPEX—running smoothly based on a safety-first policy and solid management supported by a gifted workforce representing diverse backgrounds, including women, and advanced technical capabilities.

It was also extremely encouraging to witness the Prime Minister and cabinet ministers of the Australian federal government as well as the Chief Minister and ministers of the Northern Territory government and others convey their genuine trust and expectations for INPEX, in addition to the tangible results of CSR activities as evidenced by the solid, long-term relationships INPEX has built with the indigenous Larrakia communities in the Darwin area. I was once again made aware that INPEX's global development and outreach is supported in large part by the Company's sincere willingness to build sound relations based on trust with the multitude of local stakeholders in areas where it does business.

Outside Director Atsuko Nishimura in conversation with local employees in Darwin

Question 2 **What future challenges do you see regarding the effectiveness of the INPEX Board of Directors?**

The INPEX Board of Directors has been working to improve its effectiveness in many ways including promoting diversity and ensuring greater access to information. In these challenging times, I believe it is important for the Board of Directors to embrace and respond to the expectations of stakeholders by formulating management strategies reflecting the changes in the energy business environment and ensuring the timely implementation of these strategies, so that INPEX may appropriately address key business issues including global economic uncertainty induced by the COVID-19 pandemic, the oil price collapse and climate change.

Corporate Governance

(As of March 25, 2020)

To achieve sustainable growth and increase corporate value over the medium to long term, the Company fulfills its social responsibilities in cooperation with its shareholders and other stakeholders and works to enhance its corporate governance for the purpose of conducting transparent, fair, timely and decisive decision making.

Overview of the Corporate Governance Structure

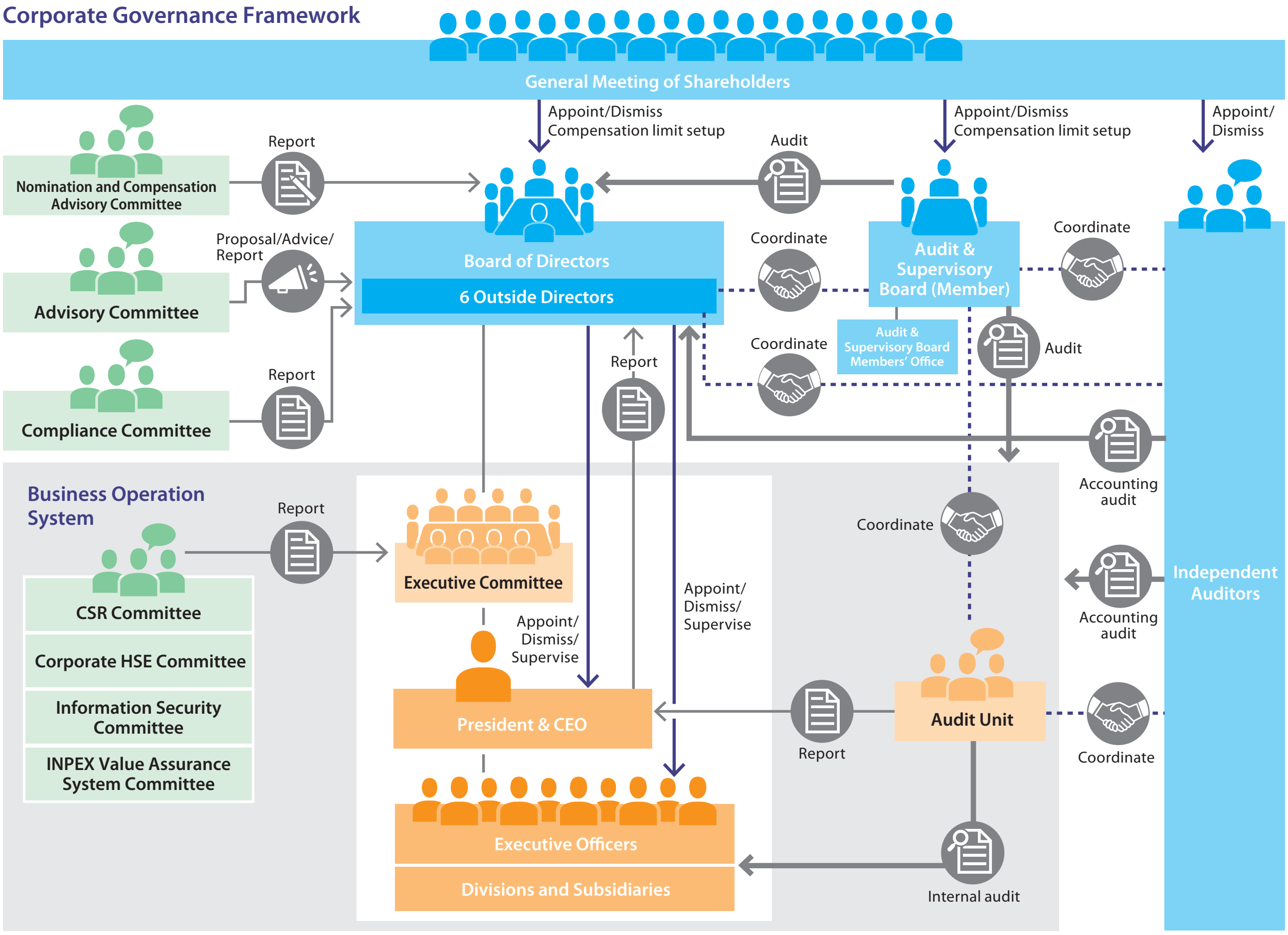
INPEX has adopted an Audit & Supervisory Board Member organizational structure, under which Audit & Supervisory Board members audit the execution of operations, which are in turn carried out by directors well versed in their field. In addition, the Company has introduced an Executive Officer System to pursue management with agility and efficiency. INPEX frequently engages in negotiations with the governments of oil-producing countries and overseas oil companies. This necessarily requires internal directors and executive officers who have knowledge, expertise and international experience relating to the Company's business and both a sound knowledge of the Company and their particular field of expertise. Internal directors, in principle, hold the concurrent position of executive officers. By adopting this concurrent organizational structure, the Company's Board of Directors is better placed to execute operations in an efficient manner. At the same time, this structure helps to ensure effective operating oversight.

In addition to enhancing the transparency of management and bolstering the ability of the Board of Directors to carry out its supervisory function, INPEX has appointed six of its 14-member Board of Directors from outside the Company. Through this initiative, steps have been taken to ensure that management issues are considered and deliberated with a greater degree of objectivity from an independent standpoint. Moreover, four of the Company's five Audit & Supervisory Board members are also appointed from external sources. In addition to putting in place an Audit & Supervisory Board, INPEX has set up the Audit & Supervisory Board Members' Office and deployed dedicated staff and is reinforcing collaboration between Audit & Supervisory Board members and the Audit Unit, as well as independent auditors.

Overview of the Corporate Governance Structure

Organizational structure	Company with Audit & Supervisory Board Members
Directors	Number of directors as stipulated by the Articles of Incorporation .... up to 16 Number of directors (number of outside directors) .... 14 (6) Term of office .... 1 year
Audit & Supervisory Board members	Number of Audit & Supervisory Board members as stipulated by the Articles of Incorporation .... up to 5 Number of Audit & Supervisory Board members (number of outside Audit & Supervisory Board members) .... 5 (4) Term of office .... 4 years
Number of independent directors and auditors	9 (5 outside directors, 4 outside Audit & Supervisory Board members)
Rights plan and other measures to protect against a takeover	None
Other	Issuance of a Class A Stock to the Minister of Economy, Trade and Industry

Corporate Governance Framework



1 Directors and the Board of Directors

The responsibilities of the Board of Directors shall be to fully exercise its supervisory function, secure fairness and transparency in management, and ensure sustainable growth and increase corporate value over the medium to long term through implementation of effective corporate governance, with recognition of its fiduciary responsibility to shareholders.

The Company's Board of Directors comprises 14 members, six of whom are outside directors. In addition to a monthly meeting, the Board of Directors meets as necessary to discuss and determine matters concerning management strategy and important business execution, and to supervise the execution of duties by directors. The term of office for directors is set at one year. In addition to enhancing the ability of directors to respond to changes in the Company's global operating environment in a timely manner, this initiative helps to further clarify management responsibilities.

2 Executive Committee and Executive Officer System

From the perspective of increasing the speed of decision making related to the execution of business, we have established an Executive Committee. Meetings are held weekly and as necessary. At the Executive Committee, flexible decision making is conducted for resolutions not affiliated with the Board of Directors, and deliberation is held to contribute to decision making by the Board of Directors.

We implemented an Executive Officer System to respond accurately and quickly to a rapidly changing management environment and the expansion of our business activities. The term of office for executive officers is set to one year, the same as for directors.

3 Formulation of Corporate Governance Guidelines

The mission of the Company is to contribute to the creation of a brighter future for society through our efforts to develop, produce and deliver energy in a sustainable way. Through our business, we aim to become an integrated energy company that contributes to the community and makes it more livable and prosperous. Based on this mission, to achieve sustainable growth and increase corporate value over the medium to long term, the Company fulfills its social responsibilities in cooperation with its shareholders and other stakeholders, and works to enhance its corporate governance for the purpose of conducting transparent, fair, timely and decisive decision making.

In November 2015, the INPEX Group made clear its basic views and policies on corporate governance and, with the aim of ensuring transparency and fairness in the Company's decision making, as well as realizing effective corporate governance by carrying out the proactive dissemination of information, formulated its Corporate Governance Guidelines. Please refer to our Web site for details.

▶www.inpex.co.jp/english/company/governance.html

4 Class A Stock

According to the stipulations of the Articles of Incorporation, INPEX issues a Class A Stock to the Minister of Economy, Trade and Industry. The Class A Stock does not possess voting rights at shareholders' meetings. However, it is possible for the holder of the Class A Stock to exercise veto rights for certain major corporate decisions. We think the holding of Class A Stock by the Minister of Economy, Trade and Industry will help prevent any incidence of unusual management, allow INPEX to stably supply energy as a core company for Japan's oil & gas E&P and ensure that the Company does not incur any negative impact from a speculative acquisition or an attempt at management control through foreign capital. On this basis, INPEX's role is assured. Furthermore, we expect positive results in terms of external negotiation and credits as a national flagship company efficiently contributing to the stable supply of energy in Japan.

▶See pages 98-99 for Business Risks (8. Class A Stock)

5 Director Compensation

The Board of Directors decide on compensation for directors within the limits and terms approved at the general meeting of shareholders upon report by the Nomination and Compensation Advisory Committee.

The compensation for directors (with the exception of outside directors) consists of three types: basic compensation, bonuses (performance-based compensation), and stock-based remuneration. In addition, compensation for outside directors is limited to basic compensation only.

Basic compensation is paid based on the duties of each director, and bonuses are paid based on the Company's performance from the medium- to long-term perspective and other factors. As to the Stock-based remuneration, the Company's shares, etc. will be delivered based on the position, etc. of each director and executive officer, aiming to raise the awareness of directors and executive officers towards increasing corporate value of the Company and further increase their willingness to contribute to maximizing shareholder value, by making clear linkage between the remuneration of directors and executive officers and the Company's mid- to long-term stock price. In addition, based on a resolution passed on June 26, 2018 at the 12th Ordinary General Meeting of Shareholders, a stock-based remuneration system has been introduced for directors (excluding outside directors and non-residents of Japan) and executive officers. Compensation for Audit & Supervisory Board members consists solely of a basic compensation, which is determined through consultation between the Audit & Supervisory Board members, within the limits and terms approved at the general meeting of shareholders.

6 Accounting Audit and Auditor Compensation

In accordance with the Companies Act and the Financial Instruments and Exchange Act, we accept accounting audits from Ernst & Young ShinNihon LLC. The amount of auditor compensation is determined in total based on the audit plan and the number of auditing dates, after obtaining approval from the Audit & Supervisory Board.

Compensation Paid to the CPAs and Related Parties
(Fiscal year ended December 31, 2019)

Name of the CPA firm	Ernst & Young ShinNihon LLC
Names of the CPAs	Hiroaki Kosugi Toru Kimura Takeshi Yoshida
Accounting audit members	25 CPAs, 10 personnel who passed an accountant exam, etc., and 21 others
Compensation for auditing services	¥265 million (INPEX: ¥191 million; Consolidated subsidiaries: ¥73 million)
Compensation for non-auditing services	¥12 million (INPEX: ¥ 4 million; Consolidated subsidiaries: ¥7 million)

Monitoring of Management by Outside Directors and Audit & Supervisory Board Members

1 Outside Directors

Regarding the appointment of outside directors, we believe that it is important to comprehensively consider a variety of factors. These factors include the validity of business decisions and consideration of their efficacy, professionalism and objectiveness in the oversight function in addition to the perspective of independence.

As corporate managers, academics or other specialists, our company's six outside directors possess broad knowledge and many years of experience as managers in such fields as resource/energy industry, finance and legal matters. Also, three of the outside directors are shareholders of the Company and serve as advisors of companies that conduct business in the same field. Therefore, we recognize the importance of paying special attention to the possibility of competition and other conflicts of interest. In response, we collect written pledges from outside directors to ensure conformance with the Companies Act when taking a proper response toward noncompetition, the prevention of information leakage and the implementation of appropriate measures toward transactions with a conflict of interest. These written pledges are the same as those submitted by internal appointees.

2 Outside Audit & Supervisory Board Members

When appointing outside Audit & Supervisory Board members, we believe that it is important to comprehensively consider factors such as independence, efficacy in the oversight function and professionalism. Four of the Company's five Audit & Supervisory Board members are appointed from external sources. Audit & Supervisory Board members possess a rich knowledge and experience in the Company's business as well as in such fields as finance and accounting, which they use when performing auditing activities for the Company.

3 Independence of Outside Directors and Outside Audit & Supervisory Board Members

The Company has reported all outside directors and outside Audit & Supervisory Board members as independent directors as defined by Tokyo Stock Exchange, Inc.

As a part of efforts to comply with the Corporate Governance Code, INPEX has formulated independence standards for outside directors and outside Audit & Supervisory Board members taking into consideration the independence standards and qualifications for independent directors issued by the Tokyo Stock Exchange. The Company determines the independence of outside directors, including major shareholders and business partners that do not fall within the scope of these standards.

4 Audit & Supervisory Board and Audit & Supervisory Board Members

The Audit & Supervisory Board is composed of five Audit & Supervisory Board members, four of which come from outside.

In addition to attending meetings of the Board of Directors and the Executive Committee, the Audit & Supervisory Board members review the execution of business duties by directors and executive officers through reports given by and hearings for related departments. Furthermore, the Audit & Supervisory Board members meet on regular and as needed bases with the Independent Auditors, and receive reports from the Independent Auditors regarding audits. They also conduct regular meetings with the internal audit department (Audit Unit) to receive reports regarding internal audits and the evaluation of internal controls.

To strengthen the auditing function and ensure viable corporate governance, steps have been taken to set up the Audit & Supervisory Board Members' Office and to deploy dedicated staff. In this manner, efforts are being made to promote collaboration along the aforementioned terms between Audit & Supervisory Board members, the Audit Unit and the Independent Auditors. Moreover, we have constructed a system to strengthen the monitoring function through periodic meetings with representative directors and directors.

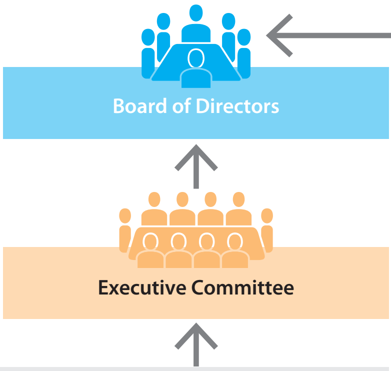
Outside Directors/Outside Audit & Supervisory Board Members: Concurrently Held Positions and Reason for Appointment

	Name	Independent director/auditor	Significant concurrently held positions	Reason for appointment	Attendance at board meetings for the fiscal year ended December 31, 2019
Outside directors	Jun Yanai	✓	Advisor of Mitsubishi Corporation	To utilize his rich experience and broad knowledge in the resources/energy industry in our company's management.	Board of Directors meetings 12/12
	Norinao Iio	✓	—	To utilize his rich experience and broad knowledge in the resources/energy industry in our company's management.	Board of Directors meetings 12/12
	Atsuko Nishimura	✓	—	In addition to a broad base of knowledge related to international conditions built up through her years working as a diplomat, she is also well-versed in the fields of resources and energy. Also nominated because we are confident she can provide suggestions on a diverse array of topics.	Board of Directors meetings 12/12
	Yasushi Kimura	✓	Senior Corporate Adviser of JXTG Holdings, Inc.	To utilize his rich experience and broad knowledge as a manager in the resources/energy industry in our company's management.	Board of Directors meetings 8/8*
	Kiyoshi Ogino	✓	Advisor of Japan Petroleum Exploration Co., Ltd. (JAPEX)	To utilize his rich experience and broad knowledge in the oil and gas development industry in our company's management.	—
	Tomoo Nishikawa	✓	Partner, Sidley Austin Nishikawa Foreign Law Joint Enterprise	Possesses an abundance of knowledge on corporate management based on his expertise in corporate legal affairs cultivated through his extensive experience as a lawyer. He also has wide-ranging insight drawn from his legal knowledge particularly in the field of international transactions.	Board of Directors meetings 8/8*
Outside Audit & Supervisory Board members	Hideyuki Toyama	✓	—	Possesses extensive experience and knowledge in finance, as well as professional knowledge and experience as an attorney.	Board of Directors meetings 12/12
	Shinya Miyake	✓	—	Possesses abundant experience and wide-ranging knowledge in fields such as international finance and financial affairs.	Board of Directors meetings 8/8*
	Mitsuru Akiyoshi	✓	Representative Director and President of MG Leasing Corporation	Possesses abundant experience and wide-ranging knowledge in fields such as financial affairs and management.	Board of Directors meetings 8/8*
	Hiroko Kiba	✓	—	Possesses abundant experience as a freelance newscaster, university lecturer, and holder of public offices such as seats on the Advisory Committee for Natural Resources and Energy and Industrial Structure Council, as well as her wide-ranging knowledge on a diverse variety of topics.	Board of Directors meetings 7/8*

Note: Represents attendance after taking office on June 25, 2019.

Internal Committees

To further enhance the efficacy of the corporate governance function, INPEX has set up ❶ the Nomination and Compensation Advisory Committee, ❷ the Advisory Committee, ❸ the Compliance Committee and ❹ the CSR Committee. In addition, the Company maintains ❺ the Corporate HSE Committee, ❻ the Information Security Committee and ❼ the INPEX Value Assurance System Committee to appropriately manage risks associated with business operations.



❶ Nomination and Compensation Advisory Committee

The Nomination and Compensation Advisory Committee was established in January 2017 with the aim of strengthening the functional independence and objectivity as well as accountability of the Board of Directors in connection with the nomination of and compensation paid to directors.

❷ Advisory Committee

The Advisory Committee was established in October 2012 with the aim of enhancing corporate value and the corporate governance function. Comprising external experts in a broad spectrum of fields, the committee provides the Board of Directors with multifaceted and objective advice and recommendations across a wide range of areas. Areas of discussion and advice include international political and economic conditions, an outlook of energy conditions and ways in which to bolster corporate governance.

❸ Compliance Committee

The Compliance Committee was established in April 2006 with the aim of promoting compliance initiatives across the entire Group. The committee formulates fundamental compliance policies applicable to the Group, deliberates on important matters and manages the manner in which compliance is practiced.

❹ CSR Committee

In April 2012, the INPEX Group established the CSR Committee with the aims of better fulfilling its corporate social responsibility and promoting activities that contribute to the sustainable development of society. The committee puts in place fundamental policies and formulates important measures designed to promote CSR.

❺ Corporate HSE Committee

In accordance with the HSE Management System, the Corporate HSE Committee was established in October 2007 to promote health, safety and environmental initiatives. In addition to formulating corporate HSE policies and priority targets for each period, the committee advances HSE activities across the organization.

❻ Information Security Committee

The Information Security Committee was established in November 2007 to consider and determine all appropriate measures necessary to maintain, manage and strengthen information security. The committee also takes steps to address any incident relating to information security and to put in place preventive measures.

❼ INPEX Value Assurance System Committee

The INPEX Value Assurance System Committee was established in May 2014 to contribute to the Company's decision-making process with respect to confirmation of the status of preparations in connection with important milestones of those oil and natural gas upstream business projects in which INPEX participates, and the improvement and promotion of project

Information Disclosure and Activities for the Benefit of Shareholders and Investors

INPEX undertakes the early delivery of convocation notices for its general meeting of shareholders to ensure that shareholders have sufficient time to consider agenda items at each Ordinary General Meeting of Shareholders. The Convocation Notice for INPEX's 14th Ordinary General Meeting of Shareholders held in March 25, 2020 was posted on the Company's Web site more than three weeks prior to the meeting on February 25, 2020. The Convocation Notice itself was dispatched on March 3, 2020.

To facilitate the exercise of voting rights, INPEX implemented the exercise of voting rights via the Internet. The Company also adopted a platform for the electronic use of voting rights while posting copies of the convocation notice and other related documents, both in Japanese and English, on its Web site and TDnet (Timely Disclosure network).

Turning to the Company's IR activities, INPEX participates in events such as IR fairs for individual investors and meetings in a variety of venues including the branch offices of securities firms. More than 10 information meetings for individual investors are generally held each year. Video archives of certain meetings are also made available on the Company's Web site. INPEX holds biannual meetings on its financial results for analysts and institutional investors. Video archives of these financial results presentations are provided on the Company's IR Web site together with a simultaneous interpretation in English. In general, INPEX undertakes overseas IR road shows covering such regions as Europe, North America and Asia. Furthermore, INPEX strives to participate in conferences attended by domestic and overseas investors while engaging in one-on-one meetings.

The Company's Web site (IR section: www.inpex.co.jp/english/ir/) features a host of IR tools including financial reports, financial results presentations and annual reports. Together with recent news releases, every effort is made to disclose pertinent information on the Company's performance and financial position, as well as trends in crude oil prices, foreign currency exchange rates, the Company's share price and stock information.

Targets and Results of Material CSR Issues regarding Corporate Governance

For "FY2019 Results and FY2020 Targets," please see "Targets and Results of Material CSR Issues" on page 9 of Sustainability Report 2020.

Identification of Material Issues	Key Tasks
Governance	Strengthening the governance structure
	Establishment of a risk management system

Directors, Audit & Supervisory Board Members and Executive Officers

(As of March 25, 2020)

Toshiaki Kitamura

Representative Director, Chairman

Term of office as Director: 9 years and 9 months

Number of shares held: 43,300

Takayuki Ueda

Representative Director, President & CEO

Term of office as Director: 1 year and 9 months

Number of shares held: 9,600

Seiya Ito

Director

Senior Executive Vice President

Term of office as Director: 14 years

Number of shares held: 26,500

Takahiko Ikeda

Director

Senior Executive Vice President

Term of office as Director: 11 years and 6 months

Number of shares held: 32,700

Shigeharu Yajima

Director

Senior Managing Executive Officer

Term of office as Director: 9 months

Number of shares held: 14,700

Kimihisa Kittaka

Director

Managing Executive Officer

Term of office as Director: 3 years and 9 months

Number of shares held: 12,100

Nobuharu Sase

Director

Managing Executive Officer

Term of office as Director: 3 years and 9 months

Number of shares held: 32,500

Daisuke Yamada

Director

Managing Executive Officer

Term of office as Director: —

Number of shares held: 1,300

Jun Yanai

Director (Outside)

Term of office as Director: 3 years and 9 months

Number of shares held: —

Norinao Iio

Director (Outside)

Term of office as Director: 2 years and 9 months

Number of shares held: —

Atsuko Nishimura

Director (Outside)

Term of office as Director: 2 years and 9 months

Number of shares held: —

Yasushi Kimura

Director (Outside)

Term of office as Director: 9 months

Number of shares held: —

Kiyoshi Ogino

Director (Outside)

Term of office as Director: 9 months

Number of shares held: —

Tomoo Nishikawa

Director (Outside)

Term of office as Director: —

Number of shares held: —

Noboru Himata

Audit & Supervisory Board Member
Term of office as Full-time Audit & Supervisory Board Member:
9 months
Number of shares held: 17,900

Hideyuki Toyama

Audit & Supervisory Board Member (Outside)
Term of office as Full-time Audit & Supervisory Board Member:
4 years and 9 months
Number of shares held: —

Shinya Miyake

Audit & Supervisory Board Member (Outside)
Term of office as Full-time Audit & Supervisory Board Member:
9 months
Number of shares held: —

Mitsuru Akiyoshi

Audit & Supervisory Board Member (Outside)
Term of office as Audit & Supervisory Board Member:
9 months
Number of shares held: —

Hiroko Kiba

Audit & Supervisory Board Member (Outside)
Term of office as Audit & Supervisory Board Member:
9 months
Number of shares held: —

Members of the Board and Audit & Supervisory Board Members (19 individuals)

Representative Director, Chairman	Toshiaki Kitamura	
Representative Director, President & CEO	Takayuki Ueda	(1)
Director	Seiya Ito	(1)
Director	Takahiko Ikeda	(1)
Director	Shigeharu Yajima	(1)
Director	Kimihisa Kittaka	(1)
Director	Nobuharu Sase	(1)
Director	Daisuke Yamada*	(1)
Director (Outside)	Jun Yanai	(2)(4)
Director (Outside)	Norinao Iio	(2)(4)
Director (Outside)	Atsuko Nishimura	(2)(4)
Director (Outside)	Yasushi Kimura	(2)(4)
Director (Outside)	Kiyoshi Ogino	(2)(4)
Director (Outside)	Tomoo Nishikawa*	(2)(4)
Audit & Supervisory Board Member	Noboru Himata	
Audit & Supervisory Board Member (Outside)	Hideyuki Toyama	(3)(4)
Audit & Supervisory Board Member (Outside)	Shinya Miyake	(3)(4)
Audit & Supervisory Board Member (Outside)	Mitsuru Akiyoshi	(3)(4)
Audit & Supervisory Board Member (Outside)	Hiroko Kiba	(3)(4)

*Newly appointed Directors and Audit & Supervisory Board Members
(1) Concurrently holds the position of executive officer (2) Outside directors as defined in Article 2, Item 15, of the Companies Act (3) Outside Audit & Supervisory Board members as defined in Article 2, Item 16, of the Companies Act
(4) Independent directors/auditors as defined in Article 436, Item 2, Sub-Item 1, of the Securities Listings Regulations for the Tokyo Stock Exchange

Executive Officers (32 individuals)

President & CEO	Takayuki Ueda	
Senior Executive Vice President	Masahiro Murayama	Assistant to the President & CEO (Responsible for Investor Relations, the Audit Unit and special assignments)
Senior Executive Vice President	Seiya Ito	Senior Vice President, Oceania Projects Head of Overseas Projects
Senior Executive Vice President	Takahiko Ikeda	Senior Vice President, Technical Headquarters HSE and Compliance
Senior Managing Executive Officer	Shigeharu Yajima	Senior Vice President, Global Energy Marketing
Senior Managing Executive Officer	Kenji Kawano	Senior Vice President, Asia Projects
Managing Executive Officer	Kimihisa Kittaka	Senior Vice President, Corporate Strategy & Planning Legal Affairs
Managing Executive Officer	Nobuharu Sase	Senior Vice President, General Administration
Managing Executive Officer	Daisuke Yamada	Senior Vice President, Finance & Accounting
Managing Executive Officer	Hiroshi Fujii	Senior Vice President, Abu Dhabi Projects
Managing Executive Officer	Kimiya Hirayama	Senior Vice President, Domestic Exploration & Production
Managing Executive Officer	Takashi Kubo	Senior Vice President, Logistics & IMT
Managing Executive Officer	Atsushi Sakamoto	Strategic Projects Office
Managing Executive Officer	Yoshiro Ishii	Senior Vice President, Renewable Energy & Power Business
Managing Executive Officer	Toshiaki Takimoto	Senior Vice President, New Ventures & Global Exploration
Managing Executive Officer	Nobusuke Shimada	Senior Vice President, Americas Projects
Managing Executive Officer	Hitoshi Okawa	Vice President, Oceania Projects General Manager, Perth Office President Director, Australia
Managing Executive Officer	Kazuyoshi Miura	Senior Vice President, Domestic Energy Supply & Marketing
Managing Executive Officer	Yuzo Sengoku	Senior Vice President, Eurasia, Middle East & Africa Projects
Executive Officer	Tetsuo Yonezawa	General Manager, HSE Unit
Executive Officer	Hideki Kurimura	Vice President, Asia Projects Vice President, Technical Headquarters
Executive Officer	Yosuke Happo	Vice President, Finance & Accounting General Manager, Accounting Unit 2 Finance & Accounting Division
Executive Officer	Yoichi Iwata	Vice President, Oceania Projects
Executive Officer	Koichi Ogino	Vice President, Domestic Exploration & Production General Manager, Production Unit East Japan Regional Office Domestic Exploration & Production Division
Executive Officer	Akihiro Watanabe	Vice President, Asia Projects General Manager, Jakarta Office President Director Indonesia
Executive Officer	Mitsuo Tamura	Vice President, Abu Dhabi Projects General Manager, Planning & Coordination Unit Abu Dhabi Projects Division
Executive Officer	Munehiro Hosono	Vice President, Corporate Strategy & Planning General Manager, Corporate Communications Unit Corporate Strategy & Planning Division
Executive Officer	Akio Kawamura	Vice President, Finance & Accounting General Manager, Accounting Unit 1 Finance & Accounting Division
Executive Officer	Yukiyo Ikeda	Vice President, Finance & Accounting INPEX FINANCIAL SERVICES SINGAPORE PTE. LTD. (Director, Chief Representative)
Executive Officer	Hiroshi Kato	Vice President, Global Energy Marketing General Manager, Oil Marketing Unit Global Energy Marketing Division
Executive Officer	Shinichi Takada	Vice President, Oceania Projects Vice President Ichthys Phase 2 Perth Office Oceania Projects Division
Executive Officer	Hiromi Sugiyama	Vice President, Domestic Exploration & Production General Manager, Exploration & Exploitation Unit Domestic Exploration & Production Division

Toshiaki Kitamura

April 1972	Joined Ministry of International Trade and Industry (currently Ministry of Economy, Trade and Industry)
July 2002	Director-General for Trade and Economic Cooperation Bureau, METI
July 2003	Director-General for Manufacturing Industries Bureau, METI
June 2004	Director-General, Trade Policy Bureau, METI
July 2006	Vice-Minister for International Affairs, METI
November 2007	Advisor to Tokio Marine & Nichido Fire Insurance Co., Ltd.
August 2009	Senior Executive Vice President of the Company
June 2010	Representative Director, President & CEO of the Company
June 2018	Representative Director, Chairman of the Company (incumbent)

Takayuki Ueda

April 1980	Joined Ministry of International Trade and Industry (currently Ministry of Economy, Trade and Industry)
July 2010	Director-General, Minister's Secretariat
August 2011	Director-General, Manufacturing Industries Bureau, METI
September 2012	Director-General, Trade Policy Bureau, METI
June 2013	Commissioner, Agency for Natural Resources and Energy
July 2015	Vice-Minister for International Affairs, METI
April 2017	Special Councilor of the Company
August 2017	Senior Executive Vice President of the Company
June 2018	Representative Director, President & CEO of the Company (incumbent)

Seiya Ito

April 1977	Joined Indonesia Petroleum, Ltd. (INPEX Corporation)
June 2003	Director, General Manager of Corporate Planning & Management Department of INPEX Corporation
November 2004	Director, General Manager of Corporate Planning & Management Department and Public Affairs Department of INPEX Corporation
September 2005	Director, Assistant Senior General Manager of Corporate Strategy & Administration Division, General Manager of Corporate Strategy & Planning Unit and Public Affairs Unit of INPEX Corporation
April 2006	Director, Assistant Senior General Manager of Corporate Strategy & Administration Division, General Manager of Corporate Strategy & Planning Unit of INPEX Corporation (currently the Company)
October 2008	Director, Managing Executive Officer, Senior Vice President of Ichthys Project of the Company
June 2016	Director, Senior Managing Executive Officer, Senior Vice President of Ichthys Project of the Company
June 2019	Director, Senior Executive Vice President, Senior Vice President of Oceania Projects, Head of Overseas Projects of the Company (incumbent)

Takahiko Ikeda

April 1978	Joined Teikoku Oil Co., Ltd.
March 2005	Director and General Manager, Production, Domestic Headquarters of Teikoku Oil Co., Ltd.
June 2007	Managing Director, President of Domestic Operation Division and General Manager of Niigata District Department of Teikoku Oil Co., Ltd.
October 2008	Director, Managing Executive Officer, Senior Vice President of Domestic Projects of the Company
June 2014	Director, Managing Executive Officer, Senior Vice President of Gas Supply & Infrastructure Division of the Company
April 2017	Director, Managing Executive Officer, Senior Vice President of Technical Headquarters of the Company
June 2018	Director, Senior Managing Executive Offcer, Senior Vice President of Technical Headquarters and in charge of HSE and Compliance of the Company
March 2020	Director, Senior Executive Vice President, Senior Vice President of Technical Headquarters and in charge of HSE and Compliance of the Company (incumbent)

Shigeharu Yajima

April 1979	Joined Tomen Corporation (currently Toyota Tsusho Corporation)
February 2005	Joined INPEX Corporation
October 2008	General Manager of Gas Business Unit, Oil & Gas Business Division No. 1 of the Company
June 2010	Executive Officer, Vice President of Oil & Gas Business Division No. 1, General Manager of Gas Business Unit of the Company
June 2014	Managing Executive Officer, Senior Vice President of Oil & Gas Business Division No.1 of the Company
April 2017	Managing Executive officer, Senior Vice President of Global Energy Marketing Division of the Company
June 2019	Director, Senior Managing Executive Officer, Senior Vice President of Global Energy Marketing of the Company (incumbent)

Kimihisa Kittaka

April 1981	Joined Ministry of International Trade and Industry (currently Ministry of Economy, Trade and Industry)
October 2007	Director-General for Consumer Policy, METI
July 2008	Director-General, Kyushu Bureau, METI
November 2010	Joined the Company
June 2012	Executive Officer, Vice President of Corporate Strategy & Planning Division, General Manager of Corporate Strategy & Planning Unit, and Corporate Communication Unit of the Company
June 2016	Director, Managing Executive Officer, Senior Vice President, Corporate Strategy & Planning of the Company
June 2019	Director, Managing Executive Officer, Senior Vice President of Corporate Strategy & Planning, Legal Affairs of the Company (incumbent)

Nobuharu Sase

April 1981	Joined Indonesia Petroleum, Ltd. (INPEX Corporation)
October 2008	Vice President of General Administration Division, General Manager of Secretary Unit of the Company
June 2010	Executive Officer, Vice President of Oil & Gas Business Division No.1, General Manager, Oil Marketing Unit of the Company
June 2016	Director, Managing Executive Officer, Senior Vice President, General Administration Division of the Company (incumbent)

Daisuke Yamada

April 1984	Joined The Industrial Bank of Japan, Ltd. (currently Mizuho Bank, Ltd.)
April 2011	Executive Officer, General Manager of Industry Research Division, Mizuho Corporate Bank, Ltd.
April 2012	Executive Officer, General Manager of Industry Research Division, Mizuho Bank, Ltd.
April 2013	Managing Executive Officer, Deputy in charge of Branch Banking Group, Mizuho Bank, Ltd. Managing Executive Officer in charge of Corporate Banking, Mizuho Corporate Bank, Ltd.
July 2013	Managing Executive Officer in charge of Branch Banking Group, Mizuho Bank, Ltd.
April 2014	Managing Executive Officer, Head of Corporate Banking Unit (Large Corporations), Mizuho Financial Group, Inc.
April 2018	Senior Managing Executive Officer in charge of Digital Innovation, Mizuho Financial Group, Inc. (resigned in March 2019)
May 2019	Special Councilor of the Company
June 2019	Managing Executive Officer, Vice President, Finance & Accounting, General Manager, Finance Unit, Finance & Accounting Division
March 2020	Director and Managing Executive Officer, Finance & Accounting (incumbent)

Jun Yanai

April 1973	Joined Mitsubishi Corporation
April 2004	Senior Vice President, Senior Assistant to Group CEO, Energy Business Group of Mitsubishi Corporation
April 2005	Senior Vice President, Division COO, Petroleum Business Division of Mitsubishi Corporation
April 2008	Executive Vice President, Group COO, Energy Business Group of Mitsubishi Corporation
April 2011	Executive Vice President, Group CEO, Energy Business Group of Mitsubishi Corporation
April 2013	Senior Executive Vice President, Group CEO, Energy Business Group of Mitsubishi Corporation
June 2013	Senior Executive Vice President, Group CEO, Energy Business Group of Mitsubishi Corporation
April 2014	Member of the Board, Senior Executive Vice President, Group CEO and CCO, Energy Business Group of Mitsubishi Corporation
June 2016	Corporate Advisor of Mitsubishi Corporation (incumbent)
June 2016	Director (Outside) of the Company (incumbent)

Norinao Iio

June 1973	Joined Mitsui & Co., Ltd.
April 2005	Managing Officer, Chief Operating Officer, Energy Business Unit, Mitsui & Co., Ltd.
April 2008	Executive Managing Officer, Chief Operating Officer, Europe Middle East and Africa Unit, Mitsui & Co., Ltd.
October 2008	Senior Executive Managing Officer, Chief Operating Officer, Europe Middle East and Africa Unit, Mitsui & Co., Ltd.
June 2009	Representative Director, Senior Executive Managing Officer, Mitsui & Co., Ltd.
August 2009	Representative Director, Senior Executive Managing Officer, Chief Compliance Officer, Mitsui & Co., Ltd.
April 2010	Representative Director, Senior Executive Managing Officer, Mitsui & Co., Ltd.
April 2011	Director, Mitsui & Co., Ltd.
June 2011	Counselor, Mitsui & Co., Ltd.
June 2017	Director (Outside) of the Company (incumbent)

Atsuko Nishimura

April 1979	Joined Ministry of Foreign Affairs
June 1997	Director, First Africa Division, Middle Eastern and African Affairs Bureau
August 1999	Counselor/Minister, Permanent Mission of Japan to the United Nations
June 2001	Minister, Embassy of Japan in Belgium
September 2004	Professor, School of Law, Tohoku University
June 2008	Administrative Vice President, Japan Foundation
April 2012	Senior Councilor, Japan Oil, Gas and Metals National Corporation
April 2014	Ambassador Extraordinary and Plenipotentiary to the Grand Duchy of Luxembourg
July 2016	Ambassador Extraordinary and Plenipotentiary in charge of Women, Human Rights and Humanitarian Affairs
June 2017	Director (Outside) of the Company (incumbent)

Yasushi Kimura

April 1970	Joined Nippon Oil Company, Ltd.
June 2002	Director, Nippon Mitsubishi Oil Corporation
June 2007	Managing Director & Executive Officer, Nippon Oil Corporation
April 2010	Member of the Board of JX Holdings, Inc. (part-time)
July 2010	Representative Director, President, President and Chief Executive Officer, JX Nippon Oil & Energy Corporation
June 2012	Representative Director, Chairman of the Board, JX Holdings, Inc.
June 2012	Representative Director, Chairman of the Board, JX Nippon Oil & Energy Corporation
April 2017	Representative Director, Chairman of the Board, JXTG Holdings, Inc.
June 2018	Adviser, JXTG Holdings, Inc.
June 2019	Senior Corporate Advisor, JXTG Holdings, Inc. (incumbent)
June 2019	Director (Outside) of the Company (incumbent)

Kiyoshi Ogino

April 1977	Joined Japan Petroleum Exploration Co., Ltd. (JAPEX)
June 2009	Executive Officer, Deputy Senior Vice President of Development Division, JAPEX
April 2010	Executive Officer, Senior Vice President of Development Division, JAPEX
June 2010	Managing Executive Officer, JAPEX
June 2011	Managing Director & Executive Officer, JAPEX
June 2014	Senior Managing Director & Executive Officer, JAPEX
June 2015	Executive Vice President and Executive Officer, JAPEX
June 2017	Advisor, JAPEX (incumbent)
June 2019	Director (Outside) of the Company (incumbent)

Tomoo Nishikawa

April 1972	Joined the Ministry of Construction (currently the Ministry of Land, Infrastructure, Transport and Tourism) (left in March 1975)
April 1977	Attorney at Law admitted to practice in Japan; joined Anderson Mori & Rabinowitz (currently Anderson Mori & Tomotsune), and later served as Partner (resigned in July 1995)
June 1979	Completed a Master of Laws (LL.M.) at Harvard Law School
August 1995	Partner, Komatsu, Koma & Nishikawa (currently Asahi Law Offices) (resigned in September 2002)
October 1996	Member of House of Representatives (for one term, Kanagawa 3rd district)
October 2002	Managing Partner, Sidley Austin Nishikawa Foreign Law Joint Enterprise
November 2006	Auditor-Secretary, Tohoku University (resigned in March 2014)
April 2008	Visiting Professor, Tohoku University (resigned in March 2010)
January 2020	Partner, Sidley Austin Nishikawa Foreign Law Joint Enterprise
March 2020	Director (Outside) of the Company (incumbent)

Noboru Himata

April 1980	Joined The Industrial Bank of Japan, Ltd. (currently Mizuho Bank, Ltd.)
June 2003	Joined INPEX Corporation
June 2007	Executive Officer, in charge of accounting of INPEX Corporation
October 2008	Executive Officer, Vice President of Finance & Accounting, General Manager of Finance Unit of the Company
June 2018	Managing Executive Officer, Vice President, Finance & Accounting, General Manager of Finance Unit of the Company
June 2019	Audit & Supervisory Board Member (full-time) of the Company (incumbent)

Hideyuki Toyama

April 1975	Joined Ministry of Finance
July 2001	Director-General of Sapporo Regional Taxation Bureau, National Tax Agency (NTA)
July 2003	Executive Secretary of the Administration Office of the Director-General, Cabinet Legislation Bureau (CLB)
July 2005	Director-General of the Fourth Department, CLB
October 2006	Director-General of the Third Department, CLB
November 2012	Advisor, Aioi Nissay Dowa Insurance Co., Ltd.
January 2013	Registered as attorney-at-law (incumbent)
June 2015	Audit & Supervisory Board Member (full-time) of the Company (incumbent)

Shinya Miyake (Shinya Inoue)

April 1987	Joined Export-Import Bank of Japan (currently Japan Bank for International Cooperation)
October 2012	Senior Advisor for Global Environmental Affairs, Corporate Group of Japan Bank for International Cooperation (in charge of global environmental issues)
November 2013	Director General, Nuclear & Renewable Energy Finance Department, Energy, Natural Resources and Environment Finance Group of Japan Bank for International Cooperation
July 2014	Earned a Doctor of Social Science
July 2015	Director General, New Energy & Power Finance Department I, Infrastructure and Environment Finance Group of Japan Bank for International Cooperation
September 2016	Executive Managing Director, Japan Institute for Overseas Investment
June 2017	Regional Executive Officer, Regional Head for the Americas of Japan Bank for International Cooperation (stationed in New York)
June 2019	Audit & Supervisory Board Member (full-time) of the Company (incumbent)

Mitsuru Akiyoshi

April 1978	Joined Marubeni Corporation
April 2007	Executive Officer, General Manager of Finance Department of Marubeni Corporation
April 2009	Managing Executive Officer of Marubeni Corporation
June 2010	Representative Director, Managing Executive Officer of Marubeni Corporation
April 2012	Representative Director, Senior Managing Executive Officer of Marubeni Corporation
April 2014	Representative Director, Senior Executive Vice President of Marubeni Corporation
April 2018	Senior Consultant of Marubeni Corporation
April 2019	Representative Director and President of MG Leasing Corporation (incumbent)
June 2019	Audit & Supervisory Board Member of the Company (incumbent)

Hiroko Kiba (Hiroko Yoda)

April 1987	Joined Tokyo Broadcasting System, Inc. (currently Tokyo Broadcasting System Television, Inc.)
April 2001	Part-time Lecturer, Faculty of Education, Chiba University
January 2007	Member of the Council for Regulatory Reform (PMO) (resigned in March 2010)
July 2007	Member of the Ministry of Economy, Trade and Industry's Advisory Committee for Natural Resources and Energy (incumbent)
February 2008	Member of the Education Rebuilding Council (PMO) (resigned in November 2009)
March 2009	Member of the Ministry of Land, Infrastructure, Transport and Tourism's Council for Transport Policy (incumbent)
April 2013	Visiting Professor, Chiba University (incumbent)
January 2016	Police advisor for the Japan Coast Guard (incumbent)
November 2017	Member of the Ministry of Health, Labour and Welfare's Medical Ethics Council (incumbent)
February 2019	Member of the Ministry of Education, Culture, Sports, Science and Technology's Central Council of Education (incumbent)
June 2019	Audit & Supervisory Board Member of the Company (incumbent)

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11-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 ¥109.55=US$1.00, the approximate exchange rate in effect as of December 31, 2019.

	Millions of yen							
(Results of operations)	2010/3	2011/3	2012/3	2013/3	2014/3	2015/3	2016/3	2017/3
Net sales	¥ 840,427	¥ 943,080	¥1,186,732	¥1,216,533	¥1,334,626	¥1,171,227	¥1,009,564	¥ 874,423
Cost of sales	298,168	334,833	395,443	426,326	490,417	525,444	526,758	453,847
Gross profit	542,259	608,247	791,289	790,207	844,209	645,783	482,806	420,576
Operating income	461,668	529,743	709,358	693,448	733,610	534,886	390,139	336,453
Income before income taxes	442,027	508,587	767,039	718,146	750,078	540,023	328,887	327,525
Net income attributable to owners of parent	¥ 107,210	¥ 128,699	¥ 194,001	¥ 182,962	¥ 183,691	¥ 77,820	¥ 16,777	¥ 46,168
(Financial position)								
Current assets	¥ 492,855	¥ 492,932	¥ 908,702	¥1,106,504	¥1,140,204	¥1,342,410	¥ 984,345	¥ 942,960
Tangible fixed assets	358,094	379,862	383,698	584,541	951,779	1,497,622	1,752,615	1,928,598
Intangible assets	239,205	249,111	233,318	380,156	439,179	458,770	541,471	521,253
Investments and other assets	923,624	1,558,475	1,540,680	1,544,958	1,506,977	1,200,352	1,091,411	919,363
Total assets	2,013,778	2,680,380	3,066,398	3,616,159	4,038,139	4,499,154	4,369,842	4,312,174
Current liabilities	227,905	254,729	367,844	414,977	375,670	365,212	319,128	297,465
Long-term liabilities	295,270	328,268	384,361	530,198	666,432	845,238	871,911	807,166
Net assets	¥1,490,603	¥2,097,383	¥2,314,193	¥2,670,984	¥2,996,037	¥3,288,704	¥3,178,803	¥3,207,543
(Cash flows)								
Cash flows from operating activities	¥ 241,373	¥ 274,094	¥ 320,692	¥ 252,347	¥ 213,514	¥ 216,749	¥ 183,708	¥ 275,810
Cash flows from investing activities	(251,812)	(844,511)	(280,864)	(489,870)	(395,555)	(81,087)	(543,534)	53,484
Cash flows from financing activities	68,937	548,057	29,294	137,069	48,961	(4,178)	156,726	(65,428)
Cash and cash equivalents at end of the period	¥ 216,395	¥ 182,025	¥ 249,233	¥ 199,859	¥ 117,531	¥ 260,978	¥ 53,813	¥ 316,791
(Per share data)								
Net assets per share (Yen)	¥ 1,473.87*	¥ 1,367.40*	¥1,492.27*	¥ 1,699.10*	¥ 1,911.25*	¥ 2,099.95	¥ 2,008.34	¥ 2,015.38
Cash dividends per share (Yen)	13.75*	15.00*	17.50*	17.50*	18.00*	18.00	18.00	18.00
Earnings per share (EPS) (Yen)	¥ 113.88*	¥ 102.08*	¥ 132.84*	¥ 125.29*	¥ 125.78*	¥ 53.29	¥ 11.49	¥ 31.61

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

(Financial indicators)	2010/3	2011/3	2012/3	2013/3	2014/3	2015/3	2016/3	2017/3
Net debt / Net total capital employed (%)	(30.6)%	(48.9)%	(60.7)%	(43.9)%	(31.9)%	(16.8)%	(8.1)%	0.9%
Equity ratio (%)	68.9	74.5	71.1	68.6	69.1	68.2	67.1	68.3
D/E ratio (%)	17.3%	13.7%	14.6%	19.2%	20.9%	22.1%	25.3%	23.4%

Millions of yen			Thousands of U.S. dollars
2018/3	2019/3	2019/12*1	2019/12*1
¥ 933,702	¥ 971,389	¥1,000,005	$ 9,128,297
498,039	413,300	424,702	3,876,786
435,663	558,089	575,303	5,251,510
357,363	474,282	498,641	4,551,720
307,300	494,043	510,292	4,658,073
¥ 40,363	¥ 96,106	¥ 123,550	$ 1,127,795
¥ 466,351	¥ 457,712	¥ 419,802	$ 3,832,058
2,044,620	2,278,995	2,275,372	20,770,168
541,503	520,213	535,330	4,886,627
1,199,913	1,536,626	1,619,489	14,783,103
4,252,387	4,793,546	4,849,995	44,271,976
305,439	372,001	401,483	3,664,837
788,079	1,163,961	1,151,334	10,509,666
¥3,158,869	¥3,257,584	¥3,297,176	$30,097,453
¥ 278,539	¥ 238,566	¥ 274,730	$ 2,507,804
(351,908)	(682,006)	(288,740)	(2,635,691)
34,742	405,185	(48,615)	(443,769)
¥ 276,080	¥ 239,653	¥ 173,774	$ 1,586,252
¥ 1,997.24	¥ 2,058.95	¥ 2,082.43	$ 19.01
18.00	24.00	30.00	0.27
¥ 27.64	¥ 65.81	¥ 84.61	$ 0.77
11.8%	21.7%	22.3%	22.3%
68.6	62.7	62.7	62.7
24.0%	38.0%	36.8%	36.8%

Notes

*1 Effective from the year ended December 31, 2019, the Company changed its consolidated fiscal year-end from March 31 to December 31. As a result of this change, the year ended December 31, 2019 was a period of nine months from April 1 to December 31, 2019.

* 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 – Gain on reversal of 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 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.
* 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.
* The amounts in millions of yen and in thousands of U.S. dollars, as of and for the year ended March 31, 2019 and prior periods are rounded off. On the other hand, such amounts as of and for the year ended December 31, 2019 are rounded down and therefore the totals do not necessarily agree with the sum of the individual account balances for the corresponding period.

Background Information

Oil and Gas Accounting Policies and Treatment

ACCOUNTING METHODS FOR TYPES OF AGREEMENTS

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

1. Production sharing contracts

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

Cost recovery and production sharing

The PSCs determine the allocation of oil and gas production among the host country's government (or related entity) and the contractors such as the Group. The allocation formula generally differs according to the terms of the individual PSC. In the case of PSC for major projects currently in production, total production volume is allocated quarterly between two portions.

(1) "Cost recovery portion": This is the oil and gas equivalent of costs incurred at the quarterly period under the PSCs with the governments of oil-producing countries. 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 quarterly 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 quarterly period, as stipulated in the PSC.

(2) "Equity portion": This is any residual production after the cost recovery portion has 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 noted, 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.

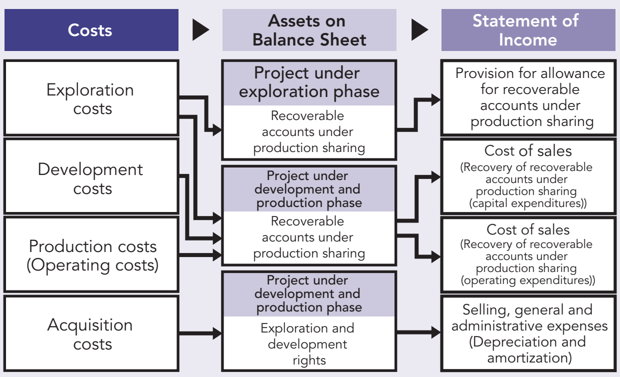
Acquisition costs

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.

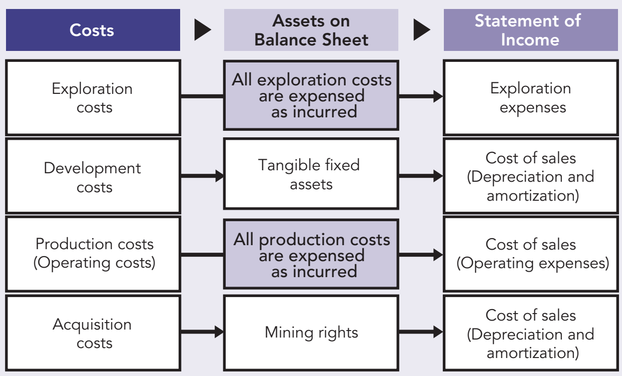
Exploration costs

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

Production sharing contracts



Concession agreements



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.

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. An allowance equal to exploration costs is recorded within "Allowance for recoverable accounts under production sharing" to provide for potential losses from unsuccessful exploration. This allowance 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, an allowance 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 are 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

An allowance 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

The Company and its subsidiaries unified their fiscal year-ends to December 31, effective from the year ended December 31, 2019. Accordingly, the Company and its domestic subsidiaries whose former fiscal years ended on March 31 changed their year-ends to December 31. Due to this change, the year ended December 31, 2019 is a nine-month transition period. For the year ended December 31, 2019, the consolidated accounting period of the Company and its subsidiaries with provisional settlements of accounts is a nine-month period (April 1 - December 31, 2019), while the subsidiaries with December 31 fiscal year-ends remain unchanged (January 1 - December 31, 2019). Subsidiaries with December 31 fiscal year-ends which have a relatively large impact on the consolidated financial results formerly implemented provisional settlements of accounts on March 31.

Increases or decreases displayed hereinafter are based on the comparison to the corresponding period of the previous fiscal year, which is comprised of the nine-month results (April 1 - December 31, 2018) for the Company and subsidiaries with provisional settlements of accounts, and the twelve-month results (January 1 - December 31, 2018) for subsidiaries with December 31 fiscal year-ends.

During the year ended December 31, 2019, there was growing concern of a global economic slowdown due to prolonged U.S.-China trade disputes and a slowdown in the Chinese economy. Although the Japanese economy showed signs of gradual recovery due to growth in consumer spending as well as improved corporate earnings and employment, uncertainty about the future grew as a result of a prolonged slugishness in exports and capital investment.

Of the international crude oil price indices, which significantly influence the financial performance of the INPEX Group, Brent crude (on a near-term closing price basis), considered a benchmark index for crude oil, started at US$69.01 per barrel on April 1, 2019. Although Brent temporarily rose to US$74.57 in late April following tightened US sanctions on Iran and other factors, the oil price dipped again due to concerns of a slowdown in the global economy owing to prolonged U.S.-China trade disputes and an increase in US oil inventories, falling to as low as US$56.23 in early August. The price then surged at about that time on the back of mounting tensions in the Middle East caused by an assault on a Japanese oil tanker in the Strait of Hormuz as well as an attack on a Saudi Arabian oil facility that led to a temporary halt in production. However, as views spread that production could resume sooner than market expectations, Brent quickly returned to a downward trajectory. By the end of the year, expectations for progress in the U.S.-China trade talks and a decision by OPEC and non-OPEC countries to jointly expand production cuts led to a slight increase in the price, which ended the year at US$66.00 per barrel. In Japan, prices of crude oil and petroleum products correlated with the fluctuations in international crude oil prices. The INPEX Group's average crude oil sales price for the year ended December 31, 2019 reflected this shift and fell to US$65.61 per barrel, down US$5.95 from the corresponding period of the previous fiscal year.

The foreign exchange market, another important factor that affects the business of our Group, began to trade at ¥111 level against the U.S. dollar. On April, Japanese Yen climbed to ¥112 level against the U.S. dollar due to the expectation of progress on US-China trade deal, followingly strong outcome on Current Employment Statistics (CES) of US and China Trade statistics. However, the yen appreciated to ¥105 level against the U.S. dollar due to increasing uncertainty after additional tariffs from US to China, followingly rate cuts by FOMC on July, September and October. Despite intensifying situation of Hong Kong protests, Japanese Yen rebounded to ¥109 level against the U.S. dollar with decreasing uncertainty of global economic outlook after withdrawal of additional tariffs from US to China on October.

Finally, at the end of this period, TTM closed at ¥109.55 against the U.S. dollar which turned out to be ¥1.46 higher than that on March 31, 2019. Reflecting these situations, the average exchange rate applied for sales transactions for our Group for the year ended December 31, 2019 was ¥108.84 against the U.S. dollar, which is ¥1.88 higher than that for the corresponding period of the previous fiscal year.

PERFORMANCE OVERVIEW

Net sales

Consolidated net sales for the year ended December 31, 2019 increased by ¥199.8 billion, or 25.0%, to ¥1 trillion from ¥800.1 billion for the corresponding period of the previous fiscal year due to an increase in sales volume, despite a decrease in crude oil price.

Compared with the corresponding period of the previous fiscal year, net sales of crude oil increased by ¥88.8 billion, or 13.2%, to ¥764.0 billion from ¥675.1 billion, and net sales of natural gas increased by ¥110.3 billion, or 97.8%, to ¥223.0 billion from ¥112.7 billion.

The sales volume of crude oil increased by 21,812 thousand barrels, or 25.6%, to 106,950 thousand barrels compared with the corresponding period of the previous fiscal year. The sales volume of natural gas increased by 187 billion cubic feet (Bcf), or 118.6%, to 345 Bcf compared with the corresponding period of the previous fiscal year. Of this, the sales volume of overseas natural gas increased by 188 Bcf, or 186.6%, to 289 Bcf compared with the corresponding period of the previous fiscal year. The sales volume of domestic natural gas decreased by 23 million m^3, or 1.5%, to 1,507 million m^3 (equivalent to 56 Bcf) compared with the corresponding period of the previous fiscal year. The average sales price of overseas crude oil was US$65.61 per barrel, a decrease of US$5.95, or 8.3%, compared with the corresponding period of the previous fiscal year. The average sales price of overseas natural gas was US$4.45 per thousand cubic feet (Mcf), an increase of US$1.51, or 51.4%, compared with the corresponding period of the previous fiscal year. The average sales price of domestic natural gas was ¥53.27 per m^3, an increase of ¥1.62 per m^3, or 3.1%, compared with the corresponding period of the previous fiscal year.

The increase of ¥199.8 billion in net sales was mainly derived from the following factors: an increase in sales volume contributing ¥233.5 billion to the increase, a decrease in unit sales price pushing sales down of ¥19.5 billion, the appreciation of the Japanese yen against the U.S. dollar pushing sales down of ¥14.8 billion, and an increase in net sales excluding crude oil and natural gas of ¥0.6 billion.

Cost of sales

Cost of sales for the year ended December 31, 2019, increased by ¥97.8 billion, or 29.9%, to ¥424.7 billion from ¥326.8 billion for the corresponding period of the previous fiscal year.

Exploration expenses

Exploration expenses for the year ended December 31, 2019, increased by ¥11.9 billion to ¥15.4 billion from ¥3.5 billion for the

(Millions of yen, %)

	Corresponding Period of the Previous Fiscal Year	2019/12	Change	Ratio
Net sales	¥800,191	¥1,000,005	¥199,814	25.0%
Crude oil	675,177	764,039	88,862	13.2
Natural gas	112,764	223,099	110,334	97.8
Other	12,249	12,867	617	5.0
Cost of sales	326,852	424,702	97,850	29.9
Gross profit	473,338	575,303	101,964	21.5
Exploration expenses	3,518	15,426	11,908	338.5
Selling, general and administrative expenses	45,252	49,783	4,531	10.0
Depreciation and amortization	10,899	11,451	551	5.1
Operating income	413,668	498,641	84,972	20.5
Other income	52,316	44,768	(7,548)	(14.4)
Interest income	6,893	2,422	(4,471)	(64.9)
Dividend income	2,415	3,240	824	34.2
Gain on sales of investment securities	—	4,981	4,981	—
Equity in earnings of affiliates	15,003	23,313	8,309	55.4
Compensation income	7,513	—	(7,513)	(100.0)
Foreign exchange gain	3,611	2,481	(1,130)	(31.3)
Other	16,878	8,330	(8,548)	(50.6)
Other expenses	40,054	33,117	(6,936)	(17.3)
Interest expense	11,427	21,856	10,429	91.3
Provision for allowance for recoverable accounts under production sharing	2,881	3,115	233	8.1
Loss on valuation of investment securities	—	3,497	3,497	—
Impairment loss	19,748	796	(18,952)	(96.0)
Other	5,996	3,851	(2,145)	(35.8)
Income before income taxes	425,930	510,292	84,361	19.8
Income taxes	363,735	385,725	21,990	6.0
Net income	62,194	124,566	62,371	100.3
Net income attributable to non-controlling interests	9,854	1,015	(8,838)	(89.7)
Net income attributable to owners of parent	¥52,340	¥123,550	¥71,210	136.1%

corresponding period of the previous fiscal year. This was mainly due to an increase in exploration activities in the Middle East & Africa region and the America region.

Selling, general and administrative expenses
Selling, general and administrative expenses for the year ended December 31, 2019, increased by ¥4.5 billion, or 10.0%, to ¥49.7 billion from ¥45.2 billion for the corresponding period of the previous fiscal year.

Depreciation and amortization
Depreciation and amortization for the year ended December 31, 2019, increased by ¥0.5 billion, or 5.1%, to ¥11.4 billion from ¥10.8 billion for the corresponding period of the previous fiscal year. The Group records depreciation expenses 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 December 31, 2019, increased by ¥84.9 billion, or 20.5%, to ¥498.6 billion from ¥413.6 billion for the corresponding period of the previous fiscal year.

Other income
Other income for the year ended December 31, 2019, decreased by ¥7.5 billion, or 14.4%, to ¥44.7 billion from ¥52.3 billion for the corresponding period of the previous fiscal year. This was mainly due to the absence of compensation income.

Other expenses
Other expenses for the year ended December 31, 2019, decreased by ¥6.9 billion, or 17.3%, to ¥33.1 billion from ¥40.0 billion for the corresponding period of the previous fiscal year. This was mainly due to a decrease in impairment loss.

Income taxes
Total current income taxes and deferred income taxes for the year ended December 31, 2019, increased by ¥21.9 billion, or 6.0%, to ¥385.7 billion from ¥363.7 billion for the corresponding period of the

previous fiscal year. 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 income attributable to non-controlling interests

Net income attributable to non-controlling interests for the year ended December 31, 2019, decreased by ¥8.8 billion, or 89.7%, to ¥1.0 billion from ¥9.8 billion for the corresponding period of the previous fiscal year.

Net income attributable to owners of parent

As a result of the above, net income attributable to owners of parent for the year ended December 31, 2019, increased by ¥71.2 billion, or 136.1%, to ¥123.5 billion from ¥52.3 billion for the corresponding period of the previous fiscal year.

FINANCIAL POSITION

Total assets as of December 31, 2019, increased by ¥56.4 billion, or 1.2%, to ¥4,849.9 billion from ¥4,793.5 billion as of March 31, 2019. Current assets decreased by ¥37.9 billion, or 8.3%, to ¥419.8 billion from ¥457.7 billion due to a decrease in cash and cash equivalents and others. Fixed assets increased by ¥94.3 billion, or 2.2%, to ¥4,430.1 billion from ¥4,335.8 billion as of March 31, 2019, due to increases in intangible assets, investments and other assets and others.

Meanwhile, total liabilities increased by ¥16.8 billion, or 1.1%, to ¥1,552.8 billion from ¥1,535.9 billion as of March 31, 2019. Current liabilities increased by ¥29.4 billion, or 7.9%, to ¥401.4 billion from ¥372.0 billion as of March 31, 2019. Long-term liabilities decreased by ¥12.6 billion, or 1.1%, to ¥1,151.3 billion from ¥1,163.9 billion as of March 31, 2019.

Net assets increased by ¥39.5 billion, or 1.2%, to ¥3,297.1 billion from ¥3,257.5 billion as of March 31, 2019. Total shareholders' equity increased by ¥84.9 billion, or 3.2%, to ¥2,722.7 billion from ¥2,637.8 billion as of March 31, 2019. Total accumulated other comprehensive income decreased by ¥50.6 billion, or 13.7%, to ¥317.9 billion from ¥368.6 billion as of March 31, 2019, and non-controlling interests increased by ¥5.2 billion, or 2.1%, to ¥256.4 billion from ¥251.1 billion as of March 31, 2019.

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, any production facilities and acquisition of participating interests.
- 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 and December 31, 2019.

(Millions of yen)

Year ended March 31, 2019	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Total
INPEX CORPORATION and Consolidated Subsidiaries						
Exploration	¥ 75	¥ 1,631	¥ 4,556	¥ 4,610	¥ 2,881	¥ 13,753
Development	1,019	254,586	19,071	58,293	6,844	339,813
Subtotal	1,094	256,217	23,627	62,903	9,725	353,566
Equity-method affiliates						
Exploration	—	—	35	1	—	36
Development	—	2,970	2,518	421	434	6,343
Subtotal	—	2,970	2,553	422	434	6,379
Other capital expenditures*	3,297	131,659	—	—	—	134,956
Total	¥4,391	¥390,846	¥26,180	¥63,325	¥10,159	¥494,901

*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.

(Millions of yen)

Year ended December 31, 2019	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Total
INPEX CORPORATION and Consolidated Subsidiaries						
Exploration	¥1,334	¥ 3,639	¥ (485)	¥ 8,499	¥ 5,823	¥ 18,812
Development	888	62,130	19,025	49,733	39,837	171,617
Subtotal	2,223	65,770	18,540	58,233	45,661	190,430
Equity-method affiliates						
Exploration	—	—	13	—	—	13
Development	—	2,136	1,526	1,910	138	5,711
Subtotal	—	2,136	1,539	1,910	138	5,725
Other capital expenditures*	2,510	50,349	—	—	—	52,859
Total	¥4,734	¥118,256	¥20,080	¥60,144	¥45,799	¥249,014

*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.

Total investments for the year ended December 31, 2019, decreased by ¥245.8 billion, or 49.7%, to ¥249.0 billion (including ¥5.7 billion for exploration and development by equity-method affiliates) from ¥494.9 billion for the year ended March 31, 2019. 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 and December 31, 2019.

(Millions of yen)

	2019/3		2019/12	
INPEX CORPORATION and Consolidated Subsidiaries				
Japan	¥ 11,969	13.0%	¥ 9,045	9.9%
Asia & Oceania	20,272	22.1	30,842	33.8
Eurasia (Europe & NIS)	15,591	17.0	12,542	13.7
Middle East & Africa	42,368	46.2	37,367	40.9
Americas	1,553	1.7	1,576	1.7
Subtotal	91,753	100.0	91,374	100.0
Equity-method affiliates				
Asia & Oceania	1,210	10.9	342	6.8
Eurasia (Europe & NIS)	519	4.7	283	5.7
Middle East & Africa	4,505	40.5	2,468	49.2
Americas	4,886	43.9	1,924	38.3
Subtotal	11,120	100.0	5,018	100.0
Total	¥102,873	—%	¥96,393	—%

— 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 and December 31, 2019.

(Millions of yen)

	2019/3	2019/12
Balance at beginning of the year	¥589,098	¥568,059
Add: Exploration costs	4,033	3,203
Development costs	22,612	27,054
Operating expenses	15,666	13,078
Other	11,737	7,781
Less: Cost recovery - capital expenditures	(33,127)	(32,261)
Cost recovery - operating expenditures	(26,203)	(12,255)
Other	(15,757)	(6,283)
Balance at end of the year	568,059	568,377
Allowance for recoverable accounts under production sharing at end of the year	¥ (70,017)	¥ (66,897)

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 December 31, 2019, was ¥3.2 billion. This was mainly due to exploration expenditures in the Middle East & Africa region.

Development costs for the year ended December 31, 2019, was ¥27.0 billion. This was mainly due to development expenditures in the Asia & Oceania region and the Eurasia region.

Operating expenses for the year ended December 31, 2019, was ¥13.0 billion. This was mainly due to operating expenses in the Eurasia region.

Cost recovery for the year ended December 31, 2019, was ¥44.5 billion. This was mainly due to cost recovery in the Eurasia region.

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 December 31, 2019, decreased compared with March 31, 2019. This was mainly due to the business withdrawal from certain exploration blocks.

— 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 December 31, 2019.

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 December 31, 2019, are summarized as follows:

	(Millions of U.S. dollars and Millions of yen)		
	Long-term debt denominated in		Total yen equivalent
Years ending December 31	U.S. dollars	Yen	
2020	$1,238.9	¥ 26,345	¥ 162,077
2021	504.0	25,194	80,407
2022	1,119.2	23,288	145,904
2023	623.0	20,707	88,956
2024	971.3	19,644	126,058
2025 and thereafter	4,457.0	21,356	509,620
Total	$8,913.6	¥136,536	¥1,113,025

— Cash flows

Cash flows for the years ended March 31 and December 31, 2019, are summarized as follows:
Due to the change of the fiscal year-end, the year ended December 31, 2019 is a nine-month transition period. Therefore, the change from the previous fiscal year is not displayed.

	(Millions of yen)	
	2019/3	2019/12
Net cash provided by (used in) operating activities	¥ 238,566	¥ 274,730
Net cash provided by (used in) investing activities	(682,006)	(288,740)
Net cash provided by (used in) financing activities	405,185	(48,615)
Cash and cash equivalents at end of the period	¥ 239,653	¥ 173,774

Net cash provided by (used in) operating activities

Net cash provided by operating activities is ¥274.7 billion mainly due to income before income taxes and depreciation and amortization (non-cash), despite income taxes paid.

Net cash provided by (used in) investing activities

Net cash used in investing activities is ¥288.7 billion mainly due to payments for purchases of tangible fixed assets and long-term loans made.

Net cash provided by (used in) financing activities

Net cash used in financing activities is ¥48.6 billion mainly due to cash dividends paid.

Consolidated Balance Sheet

INPEX CORPORATION and Consolidated Subsidiaries
December 31, 2019

	Millions of yen		Thousands of U.S. dollars (Note 3)
ASSETS	2019/3	2019/12	2019/12
Current assets			
Cash and cash equivalents (Note 6)	¥ 239,653	¥ 173,774	$ 1,586,252
Time deposits	23	23	209
Accounts receivable – trade (Notes 4 and 6)	92,218	148,765	1,357,964
Inventories (Note 6)	40,101	38,987	355,883
Accounts receivable – other (Note 4)	68,331	47,057	429,548
Other (Note 6)	30,644	24,962	227,859
Less allowance for doubtful accounts	(13,258)	(13,768)	(125,677)
Total current assets	457,712	419,802	3,832,058
Tangible fixed assets			
Buildings and structures	401,322	401,995	3,669,511
Wells (Note 6)	560,569	609,007	5,559,169
Machinery, equipment and vehicles (Note 6)	1,627,942	1,636,502	14,938,402
Land (Note 6)	18,930	18,596	169,748
Construction in progress (Note 6)	506,400	552,866	5,046,700
Other	18,183	29,540	269,648
	3,133,346	3,248,507	29,653,190
Less accumulated depreciation and amortization	(854,351)	(973,135)	(8,883,021)
Total tangible fixed assets	2,278,995	2,275,372	20,770,168
Intangible assets			
Goodwill (Note 17)	47,275	42,206	385,267
Exploration and development rights	152,977	155,108	1,415,864
Mining rights	314,760	333,246	3,041,953
Other	5,201	4,770	43,541
Total intangible assets	520,213	535,330	4,886,627
Investments and other assets			
Recoverable accounts under production sharing	568,059	568,377	5,188,288
Less allowance for recoverable accounts under production sharing	(70,017)	(66,897)	(610,652)
	498,042	501,479	4,577,626
Investment securities (Notes 4, 5 and 6)	419,064	378,527	3,455,289
Long-term loans receivable (Note 6)	592,786	718,976	6,562,994
Deferred tax assets (Note 7)	13,747	7,471	68,197
Other (Note 6)	17,258	16,247	148,306
Less allowance for doubtful accounts	(789)	(818)	(7,466)
Less allowance for investments in exploration	(3,482)	(2,395)	(21,862)
Total investments and other assets	1,536,626	1,619,489	14,783,103
Total fixed assets	4,335,834	4,430,192	40,439,908
Total assets	¥4,793,546	¥4,849,995	$44,271,976

See accompanying notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of yen 2019/3	Millions of yen 2019/12	Thousands of U.S. dollars (Note 3) 2019/12
Current liabilities			
Accounts payable – trade	¥ 32,205	¥ 21,798	$ 198,977
Short-term borrowings and current portion of long-term debt (Notes 4, 6 and 12)	127,184	166,831	1,522,875
Income taxes payable (Note 7)	19,282	43,190	394,249
Accounts payable – other	113,180	97,241	887,640
Accrued bonuses	—	1,334	12,177
Accrued bonuses to officers	96	108	985
Provision for loss on business	9,972	8,635	78,822
Provision for exploration projects	7,303	11,808	107,786
Asset retirement obligations (Note 16)	3,309	780	7,120
Other	59,470	49,754	454,167
Total current liabilities	372,001	401,483	3,664,837
Long-term liabilities			
Long-term debt (Notes 4, 6, 11 and 12)	1,014,013	950,948	8,680,492
Deferred tax liabilities (Note 7)	25,130	44,305	404,427
Provision for stocks payment	22	42	383
Accrued special repair and maintenance	479	537	4,901
Liability for retirement benefits (Note 15)	6,266	8,011	73,126
Asset retirement obligations (Note 16)	110,107	136,101	1,242,364
Other	7,944	11,388	103,952
Total long-term liabilities	1,163,961	1,151,334	10,509,666
Total liabilities	1,535,962	1,552,818	14,174,513
Net assets (Note 9)			
Common stock	290,809	290,809	2,654,577
Authorized: 2019/3 — 3,600,000,001 shares 2019/12 — 3,600,000,001 shares Issued: 2019/3 — 1,462,323,601 shares 2019/12 — 1,462,323,601 shares			
Capital surplus	673,574	674,374	6,155,855
Retained earnings	1,678,914	1,763,034	16,093,418
Less: Treasury stock 2019/3 — 2,123,800 shares 2019/12 — 2,121,916 shares	(5,434)	(5,432)	(49,584)
Total shareholders' equity	2,637,864	2,722,786	24,854,276
Unrealized holding gain (loss) on securities	2,832	5,570	50,844
Unrealized gain (loss) from hedging instruments	6,359	(18,128)	(165,476)
Translation adjustments	359,426	330,546	3,017,307
Total accumulated other comprehensive income	368,617	317,988	2,902,674
Non-controlling interests	251,103	256,400	2,340,483
Total net assets	3,257,584	3,297,176	30,097,453
Contingent liabilities (Note 19)			
Total liabilities and net assets	¥4,793,546	¥4,849,995	$44,271,976

Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Consolidated Statement of Income

INPEX CORPORATION and Consolidated Subsidiaries
For the year ended December 31, 2019

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019/3	2019/12	2019/12
Net sales	¥971,389	¥1,000,005	$9,128,297
Cost of sales (Notes 13)	413,300	424,702	3,876,786
Gross profit	558,089	575,303	5,251,510
Exploration expenses	11,679	15,426	140,812
Selling, general and administrative expenses (Notes 13, 15 and 17)	57,659	49,783	454,431
Depreciation and amortization	14,469	11,451	104,527
Operating income	474,282	498,641	4,551,720
Other income			
Interest income	7,645	2,422	22,108
Dividend income	6,761	3,240	29,575
Gain on sales of investment securities	—	4,981	45,467
Equity in earnings of affiliates	28,364	23,313	212,806
Compensation income	7,499	—	—
Foreign exchange gain	1,941	2,481	22,647
Other	18,715	8,330	76,038
Total other income	70,925	44,768	408,653
Other expenses			
Interest expense	17,333	21,856	199,507
Provision for allowance for recoverable accounts under production sharing	1,468	3,115	28,434
Provision for exploration projects	203	—	—
Loss on valuation of investment securities	—	3,497	31,921
Impairment loss (Note 14)	25,236	796	7,266
Other	6,924	3,851	35,152
Total other expenses	51,164	33,117	302,300
Income before income taxes	494,043	510,292	4,658,073
Income taxes (Note 7)			
Current	399,920	361,180	3,296,942
Deferred	(2,661)	24,545	224,052
Total income taxes	397,259	385,725	3,520,994
Net income	96,784	124,566	1,137,069
Net income attributable to non-controlling interests	678	1,015	9,265
Net income attributable to owners of parent	¥ 96,106	¥ 123,550	$1,127,795

Consolidated Statement of Comprehensive Income

INPEX CORPORATION and Consolidated Subsidiaries
For the year ended December 31, 2019

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019/3	2019/12	2019/12
Net income	¥96,784	¥124,566	$1,137,069
Other comprehensive income			
Unrealized holding gain (loss) on securities	(7,388)	2,685	24,509
Unrealized gain (loss) from hedging instruments	—	(192)	(1,752)
Translation adjustments	46,095	(29,557)	(269,803)
Share of other comprehensive income of affiliates accounted for by the equity-method	(19,429)	(24,608)	(224,628)
Total other comprehensive income (Note 8)	19,278	(51,674)	(471,693)
Comprehensive income	116,062	72,892	665,376
Total comprehensive income attributable to:			
Owners of parent	116,273	72,922	665,650
Non-controlling interests	¥ (211)	¥ (30)	$ (273)

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, 2019	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2018	¥290,809	¥673,574	¥1,609,094	¥(5,248)	¥2,568,230
Change in ownership interest of parent arising from transactions with non-controlling shareholders					—
Cash dividends paid			(26,286)		(26,286)
Net income attributable to owners of parent			96,106		96,106
Purchase of treasury stock				(186)	(186)
Net changes in items other than those in shareholders' equity					
Total changes during the period	—	—	69,820	(186)	69,634
Balance as of March 31, 2019	¥290,809	¥673,574	¥1,678,914	¥(5,434)	¥2,637,864

	Millions of yen					
	Accumulated other comprehensive income					
For the year ended March 31, 2019	Unrealized holding gain (loss) 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, 2018	¥10,218	¥ 25,725	¥312,507	¥348,450	¥242,189	¥3,158,869
Change in ownership interest of parent arising from transactions with non-controlling shareholders						—
Cash dividends paid						(26,286)
Net income attributable to owners of parent						96,106
Purchase of treasury stock						(186)
Net changes in items other than those in shareholders' equity	(7,386)	(19,366)	46,919	20,167	8,914	29,081
Total changes during the period	(7,386)	(19,366)	46,919	20,167	8,914	98,715
Balance as of March 31, 2019	¥ 2,832	¥ 6,359	¥359,426	¥368,617	¥251,103	¥3,257,584

	Millions of yen				
	Shareholders' equity				
For the year ended December 31, 2019	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2019	¥290,809	¥673,574	¥1,678,914	¥(5,434)	¥2,637,864
Change in ownership interest of parent arising from transactions with non-controlling shareholders		800			800
Cash dividends paid			(39,429)		(39,429)
Net income attributable to owners of parent			123,550		123,550
Disposal of treasury stock				2	2
Net changes in items other than those in shareholders' equity					
Total changes during the period	—	800	84,120	2	84,922
Balance as of December 31, 2019	¥290,809	¥674,374	¥1,763,034	¥(5,432)	¥2,722,786

	Millions of yen					
	Accumulated other comprehensive income					
For the year ended December 31, 2019	Unrealized holding gain (loss) 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, 2019	¥2,832	¥ 6,359	¥359,426	¥368,617	¥251,103	¥3,257,584
Change in ownership interest of parent arising from transactions with non-controlling shareholders						800
Cash dividends paid						(39,429)
Net income attributable to owners of parent						123,550
Disposal of treasury stock						2
Net changes in items other than those in shareholders' equity	2,738	(24,487)	(28,879)	(50,628)	5,297	(45,330)
Total changes during the period	2,738	(24,487)	(28,879)	(50,628)	5,297	39,592
Balance as of December 31, 2019	¥5,570	¥(18,128)	¥330,546	¥317,988	¥256,400	¥3,297,176

	Thousands of U.S. dollars (Note 3)				
	Shareholders' equity				
For the year ended December 31, 2019	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2019	$2,654,577	$6,148,553	$15,325,549	$(49,602)	$24,079,078
Change in ownership interest of parent arising from transactions with non-controlling shareholders		7,302			7,302
Cash dividends paid			(359,917)		(359,917)
Net income attributable to owners of parent			1,127,795		1,127,795
Disposal of treasury stock				18	18
Net changes in items other than those in shareholders' equity					
Total changes during the period	—	7,302	767,868	18	775,189
Balance as of December 31, 2019	$2,654,577	$6,155,855	$16,093,418	$(49,584)	$24,854,276

	Thousands of U.S. dollars (Note 3)					
	Accumulated other comprehensive income					
For the year ended December 31, 2019	Unrealized holding gain (loss) 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, 2019	$25,851	$58,046	$3,280,931	$3,364,828	$2,292,131	$29,736,047
Change in ownership interest of parent arising from transactions with non-controlling shareholders						7,302
Cash dividends paid						(359,917)
Net income attributable to owners of parent						1,127,795
Disposal of treasury stock						18
Net changes in items other than those in shareholders' equity	24,993	(223,523)	(263,614)	(462,145)	48,352	(413,783)
Total changes during the period	24,993	(223,523)	(263,614)	(462,145)	48,352	361,405
Balance as of December 31, 2019	$50,844	$(165,476)	$3,017,307	$2,902,674	$2,340,483	$30,097,453

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

INPEX CORPORATION and Consolidated Subsidiaries
For the year ended December 31, 2019

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019/3	2019/12	2019/12
Cash flows from operating activities			
Income before income taxes	¥ 494,043	¥ 510,292	$ 4,658,073
Depreciation and amortization	106,900	135,629	1,238,055
Impairment loss	25,236	796	7,266
Amortization of goodwill	6,761	5,022	45,842
Provision for allowance for recoverable accounts under production sharing	1,241	3,163	28,872
Provision for exploration projects	3,661	4,573	41,743
Other provisions	(5,782)	(446)	(4,071)
Liability for retirement benefits	384	1,780	16,248
Interest and dividend income	(14,406)	(5,662)	(51,684)
Interest expense	17,333	21,856	199,507
Foreign exchange loss (gain)	(1,047)	(747)	(6,818)
Equity in losses (earnings) of affiliates	(28,364)	(23,313)	(212,806)
Loss (gain) on sales of investment securities	—	(4,981)	(45,467)
Loss (gain) on valuation of investment securities	—	3,497	31,921
Recovery of recoverable accounts under production sharing (capital expenditures)	33,127	32,261	294,486
Recoverable accounts under production sharing (operating expenditures)	4,639	(5,471)	(49,940)
Accounts receivable – trade	(25,372)	(57,433)	(524,262)
Inventories	(11,359)	(760)	(6,937)
Accounts payable – trade	(13,428)	(10,393)	(94,869)
Accounts receivable – other	(11,667)	22,796	208,087
Accounts payable – other	14,408	(14,946)	(136,430)
Advances received	4,443	(14,269)	(130,251)
Other	17,018	16,153	147,448
Subtotal	617,769	619,398	5,654,020
Interest and dividends received	21,120	10,361	94,577
Interest paid	(12,242)	(17,601)	(160,666)
Income taxes paid	(388,081)	(337,428)	(3,080,127)
Net cash provided by (used in) operating activities	238,566	274,730	2,507,804
Cash flows from investing activities			
Payments for time deposits	(249,615)	(23)	(209)
Proceeds from time deposits	249,616	22	200
Payments for purchases of tangible fixed assets	(210,732)	(109,737)	(1,001,706)
Proceeds from sales of tangible fixed assets	210	249	2,272
Payments for purchases of intangible assets	(810)	(1,221)	(11,145)
Payments for purchases of investment securities	(104,766)	(1,032)	(9,420)
Proceeds from sales and redemptions of investment securities	—	3,136	28,626
Investment in recoverable accounts under production sharing (capital expenditures)	(31,631)	(36,679)	(334,815)
Decrease (increase) in short-term loans receivable	814	412	3,760
Long-term loans made	(262,671)	(113,751)	(1,038,347)
Collection of long-term loans receivable	264	5,299	48,370
Payments for acquisitions of participating interests	(107,863)	(35,870)	(327,430)
Other	35,178	457	4,171
Net cash provided by (used in) investing activities	(682,006)	(288,740)	(2,635,691)
Cash flows from financing activities			
Increase (decrease) in short-term loans	1,840	—	—
Proceeds from long-term debt	497,778	79,037	721,469
Repayments of long-term debt	(76,186)	(89,842)	(820,100)
Proceeds from non-controlling interests for additional shares	14,118	10,173	92,861
Cash dividends paid	(26,291)	(39,432)	(359,945)
Cash dividends paid to non-controlling interests	(5,832)	(6,725)	(61,387)
Other	(242)	(1,827)	(16,677)
Net cash provided by (used in) financing activities	405,185	(48,615)	(443,769)
Effect of exchange rate changes on cash and cash equivalents	1,828	(3,253)	(29,694)
Net increase (decrease) in cash and cash equivalents	(36,427)	(65,878)	(601,350)
Cash and cash equivalents at beginning of the period	276,080	239,652	2,187,603
Cash and cash equivalents at end of the period	¥ 239,653	¥ 173,774	$ 1,586,252

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 December 31, 2019.

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.

The Company changed its consolidated fiscal year-end from March 31 to December 31 following the approval for the Partial Amendments to the Articles of Incorporation at the Ordinary General Meeting of Shareholders held on June 25, 2019. The purposes of this change are to streamline and strengthen financial reporting and management groupwide by unifying the accounting periods of the Company and its consolidated subsidiaries to December, and further enhance management transparency through the timely and accurate disclosure of financial and business-related information. As a result of this change, the fiscal year ended December 31, 2019 under review was a transitional period of nine months from April 1 to December 31, 2019. For the fiscal year ended December 31, 2019, the consolidated accounting period of the Company and certain subsidiaries with provisional settlements of accounts is a nine-month period (April 1 to December 31), while the subsidiaries with a December 31 fiscal year-end remain unchanged (January 1 to December 31). Subsidiaries with a December 31 fiscal year-end which have a relatively large impact on the consolidated financial results had previously implemented a provisional settlement of accounts on March 31.

The closing date of consolidated subsidiaries is now the same as the consolidated closing date.

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 determined by the moving-average method. 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

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 exploration, development and production phases under a production sharing contract are recorded as "Recoverable accounts under production sharing" so long as they are recoverable under the terms of the relevant contract. When the Company receives crude oil and natural gas in accordance with the 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

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 mainly 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) Accrued bonuses

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

(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) 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.

(q) Provision for stocks payment

Provision for stocks payment is provided to prepare for payments of stock benefits to directors and other under the share delivery rule. The amount is based on the expected stock benefit payable for the fiscal year.

(r) Accrued special repair and maintenance

Accrued special repair and maintenance are provided for planned major repair and maintenance activities on tanks in certain subsidiaries at amounts accumulated through the next activity.

(s) 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 December 31, 2019. 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.

(t) 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.

(u) Research and development expenses

Research and development expenses are charged to income as incurred.

(v) 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.

(w) Standards issued but not effective

- "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan Statement No.29, issued on March 30, 2018)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No.30, issued on March 30, 2018)

(Overview)

These are comprehensive accounting standard and guidance about revenue recognition. Revenue is recognized using the following five steps.

1. Identify the contracts with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

(Scheduled effective date)

The accounting standard and guidance are scheduled to take effect from the beginning of the year ending December 31, 2022.

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

The impact of the adoption of new accounting standard and guidance on consolidated financial statements is 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 ¥109.55=US$1.00, the approximate exchange rate in effect as of December 31, 2019. 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 and others 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.

(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. 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, 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 internal rules. 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 and December 31, 2019 is as follows:

	Millions of yen		
March 31, 2019	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities with carrying values exceeding their acquisition costs			
Stock	¥ 6,637	¥ 9,455	¥ 2,818
Other	2,179	5,596	3,417
Subtotal	8,816	15,051	6,235
Securities with acquisition costs exceeding their carrying values			
Stock	35,985	33,194	(2,791)
Subtotal	35,985	33,194	(2,791)
Total	¥44,801	¥48,245	¥ 3,444

	Millions of yen			Thousands of U.S. dollars		
December 31, 2019	Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities with carrying values exceeding their acquisition costs						
Stock	¥15,935	¥20,103	¥ 4,168	$145,458	$183,505	$ 38,046
Other	2,178	6,200	4,021	19,881	56,595	36,704
Subtotal	18,114	26,303	8,189	165,349	240,100	74,751
Securities with acquisition costs exceeding their carrying values						
Stock	23,691	22,409	(1,282)	216,257	204,554	(11,702)
Subtotal	23,691	22,409	(1,282)	216,257	204,554	(11,702)
Total	¥41,806	¥48,713	¥ 6,907	$381,615	$444,664	$ 63,048

(b) There is no information regarding sales of securities classified as other securities for the years ended March 31 and December 31, 2019.

(c) Components of securities for which it is extremely difficult to determine fair value as of March 31 and December 31, 2019 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2019/3	2019/12	2019/12
Unlisted securities	¥ 25,268	¥ 23,256	$ 212,286
Stocks of subsidiaries and affiliates	345,551	306,557	2,798,329
Total	¥370,819	¥329,814	$3,010,625

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.

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT, ASEETS PLEDGED

(a) Short-term borrowings as of March 31 and December 31, 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019/3	2019/12	2019/12
Short-term borrowings from banks and others (Interest rate is 4.498% at March 31 and December 31, 2019)	¥4,623	¥4,754	$43,395

(b) Long-term debt as of March 31 and December 31, 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019/3	2019/12	2019/12
Loans from banks and others, due through 2034 (Interest rates ranging from 0.028% to 4.092% and from 0.028% to 3.982% at March 31 and December 31, 2019)	¥1,136,574	¥1,113,025	$10,159,972
Less: Current portion	122,561	162,077	1,479,479
Amounts on the consolidated balance sheet	¥1,014,013	¥ 950,948	$ 8,680,492

(c) Assets pledged as of March 31 and December 31, 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019/3	2019/12	2019/12
Cash and cash equivalents	¥ 18,150	¥ 31,072	$ 283,633
Accounts receivable – trade	9,490	12,344	112,679
Inventories	12,957	12,798	116,823
Wells	227,482	224,663	2,050,780
Machinery, equipment and vehicles	1,223,591	1,181,680	10,786,672
Land	148	146	1,332
Construction in progress	19,531	41,453	378,393
Investment securities	252,521	202,344	1,847,047
Long-term loans receivable	586,823	673,576	6,148,571
Other	4,477	7,068	64,518
Total	¥2,355,170	¥2,387,149	$21,790,497

The above is mainly related to Ichthys LNG Project Finance, and includes others that are pledged as collateral for liabilities of affiliates.

(d) The aggregate annual maturities of long-term debt subsequent to December 31, 2019 are summarized as follows:

Years ending December 31	Millions of yen	Thousands of U.S. dollars
2020	¥ 162,077	$ 1,479,479
2021	80,407	733,975
2022	145,904	1,331,848
2023	88,956	812,012
2024	126,058	1,150,689
2025 and thereafter	509,620	4,651,939
Total	¥1,113,025	$10,159,972

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 28.0% for the years ended March 31 and December 31, 2019.

(a) The effective tax rates reflected in the consolidated statement of income for the years ended March 31 and December 31, 2019 differ from the statutory tax rate for the following reasons:

	2019/3	2019/12
Statutory tax rate	28.0%	28.0%
Effect of:		
Permanently non-taxable expenses such as entertainment expenses	0.4	0.4
Permanently non-taxable income such as dividends income	(1.7)	(0.1)
Valuation allowance	(1.4)	0.0
Foreign taxes	36.3	26.3
Foreign tax credits	(3.9)	(7.8)
Adjustment of deducted amounts of foreign taxes	(8.7)	(0.4)
Amortization of goodwill	0.4	0.3
Differences of effective tax rates applied to tax effect accounting (domestic subsidiaries)	0.9	(0.7)
Differences of effective tax rates applied to tax effect accounting (overseas subsidiaries)	24.4	25.4
Other	5.7	4.2
Effective tax rates	80.4%	75.6%

(b) The significant components of deferred tax assets and liabilities as of March 31 and December 31, 2019 are described below.

	Millions of yen		Thousands of U.S. dollars
	2019/3	2019/12	2019/12
Deferred tax assets			
Exploration expenditures	¥ 51,701	¥ 52,084	$ 475,435
Loss on valuation of investment securities	2,415	3,013	27,503
Recoverable accounts under production sharing (foreign taxes)	1,268	1,567	14,303
Allowance for investments in exploration	975	670	6,115
Foreign taxes payable	27,889	48,454	442,300
Net operating loss carry-forwards*2	285,375	351,779	3,211,127
Accumulated depreciation	30,148	26,378	240,785
Liability for retirement benefits	2,077	2,583	23,578
Provision for loss on business	2,792	2,418	22,072
Translation differences of assets and liabilities denominated in foreign currencies	13,098	10,986	100,282
Asset retirement obligations	14,474	14,091	128,626
Allowance for doubtful accounts	3,947	3,665	33,455
Impairment loss	38,295	37,622	343,423
Other	33,972	47,892	437,170
Total gross deferred tax assets	508,426	603,208	5,506,234
Valuation allowance for net operating loss carry-forwards*2	(222,707)	(237,616)	(2,169,018)
Valuation allowance for total amount of deductible temporary difference and others	(171,134)	(210,676)	(1,923,103)
Total valuation allowance*1	(393,841)	(448,292)	(4,092,122)
Total deferred tax assets	114,585	154,915	1,414,103
Deferred tax liabilities			
Foreign taxes	(104,735)	(176,021)	(1,606,764)
Translation differences of assets and liabilities denominated in foreign currencies	(5)	(7)	(63)
Translation differences due to an application of purchase accounting method	(7,021)	(6,799)	(62,062)
Reserve for exploration	(5,564)	(3,245)	(29,621)
Unrealized holding gain on securities	(644)	(1,422)	(12,980)
Other	(7,999)	(4,254)	(38,831)
Total deferred tax liabilities	(125,968)	(191,750)	(1,750,342)
Net deferred tax assets (liabilities)	¥ (11,383)	¥ (36,834)	$ (336,230)

*1 Total valuation allowance as of December 31, 2019 increased by ¥54,452 million ($497,052 thousand) compared with the amount as of March 31, 2019. This was mainly due to increases in foreign taxes payable and valuation allowance for net operating loss carry-forwards at certain subsidiaries.

*2 Net operating loss carry-forwards and relevant deferred tax assets by expiration dates are as follows:

March 31, 2019	Millions of yen				
	1 year or less	More than 1 year and up to 5 years	More than 5 years and up to 10 years	More than 10 years*b	Total
Net operating loss carry-forwards*a	¥ 2,257	¥ 22,622	¥ 32,472	¥ 228,024	¥ 285,375
Valuation allowance	(2,257)	(22,243)	(31,252)	(166,955)	(222,707)
Deferred tax assets	¥ —	¥ 379	¥ 1,220	¥ 61,069	¥ 62,668

December 31, 2019	Millions of yen				
	1 year or less	More than 1 year and up to 5 years	More than 5 years and up to 10 years	More than 10 years*b	Total
Net operating loss carry-forwards*a	¥ 1,963	¥ 32,201	¥ 43,908	¥ 273,704	¥ 351,779
Valuation allowance	(1,678)	(27,583)	(14,932)	(193,422)	(237,616)
Deferred tax assets	¥ 284	¥ 4,618	¥ 28,976	¥ 80,282	¥ 114,162

December 31, 2019	Thousands of U.S. dollars				
	1 year or less	More than 1 year and up to 5 years	More than 5 years and up to 10 years	More than 10 years*b	Total
Net operating loss carry-forwards*a	$ 17,918	$ 293,938	$ 400,803	$ 2,498,439	$ 3,211,127
Valuation allowance	(15,317)	(251,784)	(136,303)	(1,765,604)	(2,169,018)
Deferred tax assets	$ 2,592	$ 42,154	$ 264,500	$ 732,834	$ 1,042,099

*a Net operating loss carry-forwards is multiplied by statutory tax rate.
*b Including amounts with no expiration date under applicable laws and regulations.

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 and December 31, 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019/3	2019/12	2019/12
Unrealized holding gain (loss) on securities			
Amount recognized during the period	¥(10,008)	¥ 469	$ 4,281
Amount of reclassification adjustments	—	2,994	27,329
Before income tax effect	(10,008)	3,464	31,620
Amount of income tax effect	2,620	(778)	(7,101)
	(7,388)	2,685	24,509
Unrealized gain (loss) from hedging instruments			
Amount recognized during the period	—	(192)	(1,752)
	—	(192)	(1,752)
Translation adjustments			
Amount recognized during the period	44,460	(27,041)	(246,837)
Amount of reclassification adjustment	1,635	(2,516)	(22,966)
	46,095	(29,557)	(269,803)
Share of other comprehensive income of affiliates accounted for by the equity-method			
Amount recognized during the period	(21,235)	(22,298)	(203,541)
Amount of reclassification adjustments	224	(2,310)	(21,086)
Adjustment for acquisition cost of assets	1,582	—	—
	(19,429)	(24,608)	(224,628)
Total other comprehensive income	¥ 19,278	¥(51,674)	$(471,693)

9. 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 December 31, 2019.

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 all or a portion of material assets, and business integration;

- Appointment or removal of Directors
- Disposition of all or a portion of material assets
- Amendments to the Articles of Incorporation relating to the Company's business objectives and granting voting rights to any shares other than the common shares of the Company
- Business integration
- Capital reduction
- Company 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 December 31, 2019 amounted to ¥12,000.

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.

10. AMOUNTS PER SHARE

Amounts per share as of March 31 and December 31, 2019 are as follows:

	Yen		U.S. dollars
	2019/3	2019/12	2019/12
Net assets excluding non-controlling interests per share	¥2,058.95	¥2,082.43	$19.01
Cash dividends per share	24.00	30.00	0.27
Net income per share	¥ 65.81	¥ 84.61	$ 0.77

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

For the purpose of computing net assets excluding non-controlling interests per share, the Company's shares held by "the Board Incentive Plan Trust"* recorded as treasury stock under shareholders' equity are included in the treasury stock to be deducted from the total number of shares issued at the end of the period. Additionally, in computing net income per share, above shares of the Company are included in the treasury stock to be deducted from the average number of shares during the period. The numbers of shares of treasury stock deducted from the total number of shares issued at the end of the period in computing net assets excluding non-controlling interests per share were 157,300 shares and 155,416 shares as of March 31 and December 31, 2019 respectively. The numbers of shares of treasury stock deducted from the average number of shares during the period in computing net income per share were 96,800 shares and 156,113 shares for the years ended March 31 and December 31, 2019 respectively.

*"The Board Incentive Plan Trust" is a share-based remuneration system under which a predetermined number of shares of the Company or the amount of money equivalent to the proceeds from the disposal of those shares are delivered or provided to the eligible Directors and Executive Officers of the Company according to their positions and other factors, covering the five calendar years from 2018 to 2023.

11. DERIVATIVE TRANSACTIONS

(a) Derivatives not subject to hedge accounting

Contract amounts, fair value and valuation gain (loss) regarding derivatives not subject to hedge accounting as of March 31 and December 31, 2019 are as follows:

	Millions of yen			
March 31, 2019	Contract amounts	Due after one year	Fair value	Valuation gain (loss)
Foreign exchange forwards*				
Sell (CAD) Buy (USD)	¥ 44,254	¥ —	¥ 57	¥ 57

	Millions of yen			
December 31, 2019	Contract amounts	Due after one year	Fair value	Valuation gain (loss)
Foreign exchange forwards*				
Sell (CAD) Buy (USD)	¥ 45,523	¥ —	¥ (663)	¥ (663)

	Thousands of U.S. dollars			
December 31, 2019	Contract amounts	Due after one year	Fair value	Valuation gain (loss)
Foreign exchange forwards*				
Sell (CAD) Buy (USD)	$415,545	$ —	$(6,052)	$(6,052)

*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, 2019 are as follows:

		Millions of yen		
March 31, 2019	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	¥ —	*

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

There are no derivatives subject to hedge accounting as of December 31, 2019.

12. OTHER FINANCIAL INSTRUMENTS

(a) The carrying value and estimated fair value of financial instruments excluding marketable securities and investment securities which are disclosed in Note 5.(a) and derivatives which are disclosed in Note 11 as of March 31 and December 31, 2019 are as shown below. The following summary also excludes cash and cash equivalents, time deposits, accounts receivable—trade and long-term loans receivable for which fair values approximate their carrying amounts.

	Millions of yen	
March 31, 2019	Carrying value	Estimated fair value
Short-term borrowings and current portion of long-term debt	¥ 127,184	¥ 126,524
Long-term debt	¥1,014,013	¥1,000,539

	Millions of yen		Thousands of U.S. dollars	
December 31, 2019	Carrying value	Estimated fair value	Carrying value	Estimated fair value
Short-term borrowings and current portion of long-term debt	¥166,831	¥165,326	$1,522,875	$1,509,137
Long-term debt	¥950,948	¥940,857	$8,680,492	$8,588,379

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

(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 the item is settled in a short periods of time and its fair value is almost the same as the carrying value.

(Long-term debt)

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

13. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses included in general and administrative expenses and cost of sales amounted to ¥579 million and ¥442 million ($4,034 thousand) for the years ended March 31 and December 31, 2019, respectively.

14. IMPAIRMENT LOSS

For the year ended March 31, 2019

The Company groups mining area and other assets as a basic unit that generates cash inflows independently of other groups of assets.

In light of the decline in forecasted production volume and the decline in forecasted natural gas prices in the Americas, the recoverble amount of these groups of assets expected to decrease, the Company reduced the respective carrying amounts of the assets listed below to recoverable amounts, posting the reductions as impairment loss.

Use	Location	Classification	Impairment loss Millions of yen
Assets related to Van Gogh Oil Field / Coniston Oil Field	Commonwealth of Australia	Wells	¥ 449
		Machinery, equipment and vehicles	6,503
		Construction in progress	3,117
		Other	16
		Subtotal	10,085
Assets related to the shale gas project in Canada	British Columbia, Canada	Buildings and structures	24
		Wells	4,580
		Other	5,000
		Subtotal	9,604
Other			5,547
Total			¥25,236

The recoverable amount of the assets related to Van Gogh Oil Field and Coniston Oil Field is reasonably estimated by discounting the future cash flows at a rate of 9.1%. The recoverable amount of the assets related to the shale gas project in Canada is estimated at zero.

For the year ended December 31, 2019

Disclosure has been omitted because it does not have significant impact on the consolidated financial statements.

15. RETIREMENT BENEFITS

Retirement benefits for the years ended March 31 and December 31, 2019 are as follows:

(a) Defined benefit plans

(1) Reconciliation of beginning and ending balances of the retirement benefit obligations (excluding plans included in (3))

	Millions of yen		Thousands of U.S. dollars
	2019/3	2019/12	2019/12
Balance at beginning of the period	¥21,510	¥21,611	$197,270
Service cost	1,056	778	7,101
Interest cost	220	166	1,515
Actuarial loss (gain)	(185)	1,740	15,883
Retirement benefits paid	(990)	(882)	(8,051)
Balance at end of the period	¥21,611	¥23,413	$213,719

(2) Reconciliation of beginning and ending balances of plan assets at fair value (excluding plans included in (3))

	Millions of yen		Thousands of U.S. dollars
	2019/3	2019/12	2019/12
Balance at beginning of the period	¥16,061	¥16,047	$146,481
Expected return on plan assets	268	200	1,825
Actuarial gain (loss)	(218)	14	127
Contributions to the plans	574	469	4,281
Retirement benefits paid	(638)	(585)	(5,340)
Balance at end of the period	¥16,047	¥16,147	$147,393

(3) Reconciliation of beginning and ending balances of liability for retirement benefits applying simplified methods

	Millions of yen		Thousands of U.S. dollars
	2019/3	2019/12	2019/12
Balance at beginning of the period	¥ 488	¥702	$6,408
Retirement benefit expenses	463	142	1,296
Retirement benefits paid	(148)	(57)	(520)
Contributions to the plans	(17)	(14)	(127)
Other	(84)	(27)	(246)
Balance at end of the period	¥ 702	¥744	$6,791

(4) 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
	2019/3	2019/12	2019/12
Retirement benefit obligations (funded plans)	¥ 21,860	¥ 23,640	$ 215,791
Plan assets at fair value	(16,251)	(16,343)	(149,183)
	5,609	7,296	66,599
Retirement benefit obligations (unfunded plans)	657	714	6,517
Net liability (asset) on consolidated balance sheet	6,266	8,011	73,126
Liability for retirement benefits	6,266	8,011	73,126
Net liability (asset) on consolidated balance sheet	¥ 6,266	¥ 8,011	$ 73,126

*Including plans applying simplified methods.

(5) Details of retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars
	2019/3	2019/12	2019/12
Service cost	¥1,056	¥778	$ 7,101
Interest cost	220	166	1,515
Expected return on plan assets	(268)	(200)	(1,825)
Amortization of actuarial loss (gain)	33	1,725	15,746
Retirement benefit expenses under simplified methods	463	142	1,296
Retirement benefit expenses for defined benefit plans	¥1,504	¥2,612	$23,842

(6) Plan assets (excluding plans applying simplified methods)

Components of plan assets	2019/3	2019/12
Stock	13%	22%
General accounts	45	44
Bonds	13	19
Other	29	15
Total	100%	100%

(7) 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-term return rate on various assets of which plan assets are composed.

(8) Basis of the actuarial assumptions

	2019/3	2019/12
Discount rate	1.0%	0.4%
Long-term expected return rate on plan assets	1.8%	1.8%

(b) Defined contribution plans
The Group's contributions for defined contribution plans amounted to ¥2,363 million and ¥2,130 million ($19,443 thousand) for the years ended March 31 and December 31, 2019, respectively.

16. 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 and December 31, 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019/3	2019/12	2019/12
Balance at beginning of the period	¥111,536	¥113,416	$1,035,289
New obligations	2,621	4,545	41,487
Accretion expenses	2,824	2,524	23,039
Obligations settled	(296)	(1,540)	(14,057)
Change in estimates*1	(5,113)	18,968	173,144
Other*2	1,844	(1,031)	(9,411)
Balance at end of the period	¥113,416	¥136,882	$1,249,493

*1 "Change in estimates" for the years ended March 31 and December 31, 2019 mainly reflects the revised discount rate of certain subsidiaries.
*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.

17. GOODWILL

The changes in the carrying amount of goodwill for the years ended March 31 and December 31, 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019/3	2019/12	2019/12
Balance at beginning of the period	¥54,036	¥47,275	$431,538
Goodwill acquired during the period	—	—	—
Amortization of goodwill	(6,761)	(5,070)	(46,280)
Balance at end of the period	¥47,275	¥42,206	$385,267

18. LEASES

Future minimum lease payments subsequent to December 31, 2019 for operating lease transactions are summarized as follows:

As Lessee

	Millions of yen	Thousands of U.S. dollars
2020	¥1,954	$17,836
2021 and thereafter	2,458	22,437
Total	¥4,413	$40,282

19. CONTINGENT LIABILITIES

As of December 31, 2019, the Company and its consolidated subsidiaries were contingently liable as guarantors of indebtedness of affiliates in the aggregate amount of ¥630,879 million ($5,758,822 thousand).

The Company was released from completion guarantee obligations to lenders in connection with the Ichthys LNG project financing on December 20, 2019.

20. SEGMENT INFORMATION

Segment information for the years ended March 31 and December 31, 2019

(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 and Kazakhstan), "Middle East & Africa" (mainly United Arab Emirates) and "Americas."

The Company produces oil and natural gas in each segment. In addition, the Company conducts purchasing and marketing activities for natural gas and 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". Internal sales between segments are based on prices for third-party transactions.

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

	Millions of yen							
Year ended March 31, 2019	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Total	Adjustments*1	Consolidated*2
Sales to third parties	¥140,311	¥ 91,631	¥116,719	¥614,420	¥ 8,308	¥ 971,389	¥ —	¥ 971,389
Intercompany sales and transfers between segments	—	4,810	—	—	—	4,810	(4,810)	—
Total sales	140,311	96,441	116,719	614,420	8,308	976,199	(4,810)	971,389
Segment income (loss)	29,210	27,336	31,406	412,064	(8,751)	491,265	(16,983)	474,282
Segment assets	291,284	2,971,495	600,988	530,432	42,317	4,436,516	357,030	4,793,546
Other items								
Depreciation and amortization	17,562	34,135	7,092	38,769	7,957	105,515	1,385	106,900
Amortization of goodwill	—	—	—	—	(192)	(192)	6,953	6,761
Investment to affiliates accounted for by the equity-method	1,922	301,700	8,118	22,771	—	334,511	1,473	335,984
Increase of tangible fixed assets and intangible assets	¥ 3,866	¥ 241,755	¥ 6,388	¥ 61,438	¥ 3,477	¥ 316,924	¥ 777	¥ 317,701

	Millions of yen							
Year ended December 31, 2019	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Total	Adjustments*1	Consolidated*2
Sales to third parties	¥ 97,038	¥ 240,927	¥ 79,054	¥569,166	¥13,819	¥1,000,005	¥ —	¥1,000,005
Intercompany sales and transfers between segments	—	4,465	—	—	—	4,465	(4,465)	—
Total sales	97,038	245,392	79,054	569,166	13,819	1,004,470	(4,465)	1,000,005
Segment income (loss)	13,156	117,801	20,806	364,467	(6,545)	509,685	(11,044)	498,641
Segment assets	274,520	3,063,677	596,930	562,032	82,630	4,579,791	270,203	4,849,995
Other items								
Depreciation and amortization	11,685	72,890	5,004	37,410	7,811	134,802	826	135,629
Amortization of goodwill	—	—	—	—	(192)	(192)	5,214	5,022
Investment to affiliates accounted for by the equity-method	1,904	257,139	12,440	24,421	—	295,905	1,060	296,965
Increase of tangible fixed assets and intangible assets	¥ 2,598	¥ 74,784	¥ 6,736	¥ 52,384	¥49,110	¥ 185,614	¥ 997	¥ 186,612

	Thousands of U.S. dollars							
Year ended December 31, 2019	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Total	Adjustments*1	Consolidated*2
Sales to third parties	$ 885,787	$ 2,199,242	$ 721,624	$5,195,490	$126,143	$ 9,128,297	$ —	$ 9,128,297
Intercompany sales and transfers between segments	—	40,757	—	—	—	40,757	(40,757)	—
Total sales	885,787	2,240,000	721,624	5,195,490	126,143	9,169,055	(40,757)	9,128,297
Segment income (loss)	120,091	1,075,317	189,922	3,326,946	(59,744)	4,652,533	(100,812)	4,551,720
Segment assets	2,505,887	27,966,015	5,448,927	5,130,369	754,267	41,805,486	2,466,481	44,271,976
Other items								
Depreciation and amortization	106,663	665,358	45,677	341,487	71,300	1,230,506	7,539	1,238,055
Amortization of goodwill	—	—	—	—	(1,752)	(1,752)	47,594	45,842
Investment to affiliates accounted for by the equity-method	17,380	2,347,229	113,555	222,921	—	2,701,095	9,675	2,710,771
Increase of tangible fixed assets and intangible assets	$ 23,715	$ 682,647	$ 61,487	$ 478,174	$448,288	$ 1,694,331	$ 9,100	$ 1,703,441

*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
	2019/3	2019/12	2019/12
Crude oil	¥782,695	¥ 764,039	$6,974,340
Natural gas (excluding LPG)	169,206	219,970	2,007,941
LPG	1,504	3,128	28,553
Other	17,984	12,867	117,453
Total	¥971,389	¥1,000,005	$9,128,297

(e) Geographical information
(Sales)

	Millions of yen		Thousands of U.S. dollars
	2019/3	2019/12	2019/12
Japan	¥423,090	¥ 461,267	$4,210,561
Asia & Oceania	378,956	408,140	3,725,604
Other	169,343	130,597	1,192,122
Total	¥971,389	¥1,000,005	$9,128,297

*Sales are classified by country or region based on the geographical location of customers.

(Tangible fixed assets)

	Millions of yen		Thousands of U.S. dollars
	2019/3	2019/12	2019/12
Japan	¥ 245,338	¥ 235,211	$ 2,147,065
Australia	1,774,224	1,751,009	15,983,651
United Arab Emirates	228,921	247,419	2,258,502
Other	30,512	41,732	380,940
Total	¥2,278,995	¥2,275,372	$20,770,168

(f) Information by major customer
(Sales to major customer)

Year ended March 31, 2019	Millions of yen	Segment
JXTG Nippon Oil & Energy Corporation	¥99,555	Middle East & Africa

Year ended December 31, 2019	Millions of yen	Thousands of U.S. dollars	Segment
Shell International Eastern Trading Company	¥124,787	$1,139,087	Middle East & Africa
Ichthys LNG Pty Ltd	110,689	1,010,397	Asia & Oceania
JXTG Nippon Oil & Energy Corporation	¥108,496	$ 990,378	Middle East & Africa

(g) Information on impairment loss from fixed assets

	Millions of yen		Thousands of U.S. dollars
	2019/3	2019/12	2019/12
Japan	¥ 5,547	¥796	$7,266
Asia & Oceania	10,085	—	—
Americas	9,604	—	—
Total	¥25,236	¥796	$7,266

21. RELATED PARTY TRANSACTIONS

There are the following related party transactions for the years ended March 31 and December 31, 2019.

(a) Affiliated company

Year ended March 31, 2019

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	$4,506,860 thousand	Transportation, liquefaction and sales of oil and natural gas through pipeline in WA-50-L block in offshore Western Australia	Indirectly 66.25%	Capital subscription	Loans of funds*1	¥ 257,956	Long-term loans receivable	¥586,823
						Subscription for new shares	103,283	—	—
						Guarantee of liabilities*2	¥1,354,276	—	¥ —

*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.

Year ended December 31, 2019

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	$4,506,860 thousand	Transportation, liquefaction and sales of oil and natural gas through pipeline in WA-50-L block in offshore Western Australia	Indirectly 66.25%	Capital subscription	Loans of funds*1	¥113,612	$1,037,078	Long-term loans receivable	¥713,837	$6,516,083
						Sales of finished goods*2	110,689	1,010,397	Accounts receivable – trade	12,344	112,679
						Guarantee of liabilities*3	¥598,676	$5,464,865	—	¥ —	$ —

*1 The Company determines the interest rate on loans of funds based on market interest rates in a reasonable and appropriate manner.
*2 All transactions were conducted under general transactional conditions, which are the same as those used in transactions with independent third parties.
*3 Guarantee of liabilities are for securing loans from financial institutions. 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 and December 31, 2019 is Ichthys LNG Pty Ltd. The summary of its financial information is as follows:

	Millions of yen 2019/3	Millions of yen 2019/12	Thousands of U.S. dollars 2019/12
Total current assets	¥ 140,150	¥ 130,424	$ 1,190,543
Total fixed assets	3,789,678	3,720,066	33,957,699
Total current liabilities	321,795	325,927	2,975,143
Total long-term liabilities	3,106,463	3,101,152	28,308,096
Total net assets	501,570	423,410	3,864,993
Net sales	178,670	370,598	3,382,911
Net income (loss) before income taxes	13,061	(35,863)	(327,366)
Net income (loss)	¥ 8,710	¥ (46,609)	$ (425,458)

Independent Auditor's Report

Building a better working world

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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 December 31, 2019, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the nine-month period 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 December 31, 2019, and their consolidated financial performance and cash flows for the nine-month period 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 L.L.C.

March 25, 2020
Tokyo, Japan

Subsidiaries and Affiliates

As of December 31, 2019

Consolidated Subsidiaries

Company name	Issued capital (Millions of yen)*1	Voting rights held by us (%)*2	Main business
INPEX Sahul, Ltd.	4,600	100.00%	Exploration, development, production and sales of oil and natural gas in the PSC TL-SO-T 19-12 Block in 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 Browse, Ltd.	424,490	100.00%	Financing for oil and natural gas exploration, development, production and sales in the WA-285-P Block and others, Australia
INPEX Holdings Australia Pty Ltd	9,681,023 (Thousands of U.S. dollars)	100.00% (100.00%)	Financing for oil and natural gas exploration, development, production and sales and construction and operation of the LNG plant for the Ichthys LNG project, Australia
INPEX Ichthys Pty Ltd	804,456 (Thousands of U.S. dollars)	100.00% (100.00%)	Exploration, development, production and sales of oil and natural gas in the Ichthys Gas-Condensate Field (WA-50-L/ WA-51-L), Australia
INPEX Browse E&P Pty Ltd	383,150 (Thousands of U.S. dollars)	100.00% (100.00%)	Exploration of oil and natural gas in the WA-285-P Block and others, Australia
INPEX Masela, Ltd.	62,262	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 Oil & Gas Australia Pty Ltd	1,011,000 (Thousands of U.S. dollars)	100.00%	Exploration and development, production and sales of oil and natural gas in the Prelude Gas Field (WA-44-L) and others, Australia
INPEX Babar Selaru, Ltd.	10	51.01%	Exploration of oil and natural gas in the Babar Selaru Block in the eastern sea area, Indonesia
Teikoku Oil (Con Son) Co., Ltd.	10	100.00%	Exploration and development of oil and gas in Blocks 05-1b/ 05-1c in offshore southern Vietnam
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.	94,187	51.00%	Exploration, development, production and sales of oil in the Offshore North Caspian Sea Block, Kazakhstan
Japan Oil Development Co., Ltd.	5,532	100.00%	Exploration, development, production and sales of oil in the Upper Zakum, Satah and Umm Al Dalkh oil fields, Offshore Abu Dhabi, United Arab Emirates
JODCO Lower Zakum Limited	600,000 (Thousands of U.S. dollars)	100.00%	Exploration, development, production and sales of oil in the Lower Zakum Oil Field 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 ADCO Block in onshore Abu Dhabi, United Arab Emirates
JODCO Exploration Limited	50 (Thousands of U.S. dollars)	100.00%	Exploration of oil in onshore Block 4 in 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.	265,600 (Thousands of U.S. dollars)	100.00%	Investment in oil exploration, development, production and sales in Block 14, Offshore Angola
Teikoku Oil & Gas Venezuela, C.A.	16.2 (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
INPEX Americas, Inc.	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 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

Company name	Issued capital (Millions of yen)*1	Voting rights held by us (%)*2	Main business
INPEX Eagle Ford, LLC	—	100.00%	Exploration, development, production and sales of oil in the Eagle Ford shale play in Texas, US
Teiseki Pipeline Co., Ltd.	100	100.00%	Natural gas transportation, pipeline operation, maintenance and management
INPEX DLNGPL PTY Ltd	42,001 (Thousands of U.S. 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% (13.17%)	City gas sales
INPEX Geothermal Sarulla, Ltd.	10	100.00%	Supply of business capital, etc. to geothermal power project in Sarulla Geothermal Field, Indonesia
INPEX FINANCIAL SERVICES SINGAPORE PTE. LTD.	4,826,000 (Thousands of U.S. dollars)	100.00%	The Group's intercompany finance operations and support for financial administration of projects

35 other subsidiaries

Equity-method affiliates

Company name	Issued capital (Millions of yen)*1	Voting rights held by us (%)*2	Main business
MI Berau B.V.	338,601 (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
PT Medco Geopower Sarulla	143,003 (Thousands of U.S. dollars)	49.00% (49.00%)	Supply of business capital, etc. to geothermal power project in Sarulla Geothermal Field, Indonesia
Ichthys LNG Pty Ltd	4,506,860 (Thousands of U.S. dollars)	66.25% (66.25%)	Laying and maintenance of undersea pipeline from the Ichthys Gas-Condensate Field to the Darwin Onshore LNG Plant in Australia, construction and operation of the LNG plant and sales of LNG, LPG and condensate.
Japan South Sakha Oil Co., Ltd.	7	25.00%	Supply of business capital for exploration, development, production and sales of oil in Zapadno-Yaraktinsky and Bolshetirsky blocks, Russia
Angola Block 14 B.V.	18 (Thousands of euros)	49.99% (49.99%)	Exploration, development, production and sales of oil in Block 14, Offshore Angola

15 other equity-method affiliates

*1 Values in the column labeled "Issued capital (Millions of yen)" are rounded to the nearest unit.
*2 Values in parentheses in the column labeled "Voting rights held by us (%)" indicate the ratio of indirectly held voting rights. These values are included in the total.

Business Risks

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 March 26, 2020 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 equity-method, affiliates accounted please see the section "Oil and Gas Reserves and Production Volume" on P. 100.

2) 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 LNG projects require 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 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 knowhow and technical capability, which has been acquired through considerable operational experience at each of the exploration, development and production stages. The Company 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, or difficulty in pipeline operations due to accidents or trouble along the pipeline network, 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 with an associated cost burden and it could affect on the financial results of the Group.

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) Climate Change Risk

In order to achieve the goals of the Paris Agreement, and amid growing interest in addressing global-scale climate change, efforts are being made to reduce greenhouse gas (GHG) emissions, which are recognized as the cause of climate change and global warming worldwide. Pursuant to our position paper, Corporate Position on Climate Change, the INPEX Group is undertaking measures in specific areas such as corporate governance, business strategies, risk and opportunity assessments, the management of emissions, and information disclosure in order to proactively reduce GHG emissions and participate in the transition to low carbon society to achieve the long-term goals of the Paris Agreement. However, in the event that individual countries strengthen national climate change policies to help achieve the goals of the Paris Agreement and/or there are changes or additions to environmental laws, regulations, and standards, the INPEX Group would be required to implement additional countermeasures and, in turn, incur cost burdens that could impact the Group's performance.

(8) 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.

Since the natural gas business in Japan uses domestically produced natural gas and imported LNG as feedstock, changes in the market price for LNG have an effect on feedstock prices and sales prices. There is also the possibility that changes in the competitive environment associated with electric power and gas system reforms will have an effect on natural gas sales prices and sales volumes.

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 Ichthys gas-condensate field (Australia), the on shore and offshore Abu Dhabi oil fields (United Arab Emirates), the Minami Nagaoka Gas Field (Japan) and so on. The areas in which the Group operates are spread broadly throughout the Asia-Oceania regions (particularly Japan, Indonesia, and Australia), the Middle East and Africa, Eurasia including Caspian Sea area and the Americas. For fiscal 2019, however, the Middle East and Africa regions accounted for about 42% and the Asia and Oceania regions accounted for about 41% 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. INPEX Group policy to work with our business partners toward the extension, re-extension or renewal of these agreements, should an existing agreement not be extended, re-extended or renewed as a result of agreement negotiations with the national petroleum company of an oil-producing country, or in the event of agreement terms and conditions (including a reduction in the Group's participating interest) that are more disadvantageous than the situation at the time of the extension, re-extension or renewal, this could have an adverse effect on the Group's business or 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 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.") 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 18.96 of the Company's common shares issued (excluding treasury shares) and a Class A Stock as of March 26, 2020, 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 18.96% of the Company's common shares issued (excluding treasury shares). 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" on P. 98.

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.

The treatment of Sakhalin Oil and Gas Development Co., Ltd. (hereinafter "SODECO"), INPEX Masela, Ltd., INPEX North Caspian Sea, Ltd., INPEX North Makassar, Ltd. (liquidation proceedings completed on December 19, 2008), and INPEX Offshore North Campos, Ltd. (following the acquisition of all shares in this company by private-sector shareholders, including INPEX CORPORATION, this company was sold to a third-party in October 2019), 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" on P. 97. 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. However, the timing and manner of disposal for those shares in the above companies held by JOGMEC that have not been acquired by INPEX CORPORATION have not been decided, and it is possible that the Company will be unable to acquire these 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. With regard to the cases in which the Class A Stock veto rights are exercisable, please refer to "4) Criteria for the exercise of veto rights provided in the criteria for the exercise of the Class A Stock holder's voting rights", below.

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. 37, 2019) (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 currently composed of 14 members, six of whom are outside directors.

Four of the six outside directors have many years' experience and knowledge of 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. Three of the directors concurrently serve as director or advisors of Japan Petroleum Exploration Co., Ltd., Mitsubishi Corporation, Mitsui Oil Exploration Co., Ltd. and JXTG 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 three 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 December 31, 2019, were 2,974 million barrels for crude oil, condensate and LPG, and 6,012 billion cubic feet for natural gas, for a total of 4,086 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, 2018	20	778	183	4,632	236	153	2,288	—	6	19	2,732	5,583
Extensions and discoveries	—	—	—	—	—	—	—	—	—	—	—	—
Acquisitions and sales	—	—	10	281	—	—	—	—	—	—	10	281
Revisions of previous estimates	(0)	(3)	4	181	68	5	138	—	(1)	19	209	203
Interim production	(1)	(48)	(7)	(126)	(15)	(10)	(82)	—	(1)	(33)	(106)	(217)
As of March 31, 2019	18	727	190	4,968	289	148	2,343	—	4	6	2,845	5,849
Equity-method affiliates												
As of March 31, 2018	—	—	2	394	8	—	5	—	—	—	15	394
Extensions and discoveries	—	—	—	—	—	—	—	—	—	—	—	—
Acquisitions and sales	—	—	—	—	—	—	—	—	—	—	—	—
Revisions of previous estimates	—	—	(0)	(44)	7	—	2	—	0	0	9	(44)
Interim production	—	—	(0)	(20)	(2)	—	(2)	—	(0)	(0)	(5)	(20)
As of March 31, 2019	—	—	2	330	12	—	5	—	—	—	20	330
Proved developed and undeveloped reserves												
As of March 31, 2019	18	727	192	5,298	301	148	2,349	—	4	6	2,864	6,179
INPEX CORPORATION and Consolidated Subsidiaries												
As of March 31, 2019	18	727	190	4,968	289	148	2,343	—	4	6	2,845	5,849
Extensions and discoveries	—	—	—	—	—	—	—	—	—	—	—	—
Acquisitions and sales	—	—	—	—	—	—	—	—	44	25	44	25
Revisions of previous estimates	1	33	(3)	32	23	56	136	—	0	14	157	135
Interim production	(1)	(33)	(13)	(264)	(11)	(7)	(66)	—	(2)	(17)	(94)	(320)
As of December 31, 2019	18	728	174	4,736	301	198	2,413	—	46	27	2,952	5,688
Equity-method affiliates												
As of March 31, 2019	—	—	2	330	12	—	5	—	—	—	20	330
Extensions and discoveries	—	—	—	—	—	—	—	—	—	—	—	—
Acquisitions and sales	—	—	—	—	(0)	—	—	—	—	—	(0)	—
Revisions of previous estimates	—	—	(0)	11	4	—	1	—	0	0	5	11
Interim production	—	—	(0)	(17)	(2)	—	(1)	—	(0)	(0)	(3)	(17)
As of December 31, 2019	—	—	2	324	15	—	5	—	—	—	22	324
Proved developed and undeveloped reserves												
As of December 31, 2019	18	728	176	5,060	315	198	2,419	—	46	27	2,974	6,012
Proved developed reserves												
INPEX CORPORATION and Consolidated Subsidiaries												
As of December 31, 2019	18	728	152	3,440	254	198	1,581	—	8	6	2,012	4,370
Equity-method affiliates												
As of December 31, 2019	—	—	1	184	13	—	4	—	—	—	18	184
Proved undeveloped reserves												
INPEX CORPORATION and Consolidated Subsidiaries												
As of December 31, 2019	—	—	22	1,296	47	—	832	—	38	22	939	1,318
Equity-method affiliates												
As of December 31, 2019	—	—	1	140	2	—	2	—	—	—	4	140

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 December 31, 2019, the Group held proved reserves in Australia of approximately 165 million barrels for crude oil and approximately 4,525 billion cubic feet for natural gas, for a total of approximately 1,009 million boe.
2. Proved reserves (as of December 31, 2019) of the following blocks and fields include the portion attributable to non-controlling interests.
Eurasia: ACG (49%), Kashagan (49%)
3. MMbbl: Million barrels
4. Bcf: Billion cubic feet
5. Crude oil includes condensate and LPG
6. Oil and gas reserves are rounded to the nearest whole number.

Standardized measure of discounted future net cash flows and their changes relating to proved oil and gas reserves for the year ended December 31, 2019

Disclosure contents for the standardized measure of discounted future net cash flows and their changes relating to proved reserves for the year ended December 31, 2019 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 ¥111.01 and ¥109.55 to the U.S. dollar as of March 31, 2019 and December 31, 2019, 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, 2019	Total	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas
INPEX CORPORATION and Consolidated Subsidiaries						
Future cash inflows	¥ 25,922,462	¥ 1,105,257	¥ 4,242,598	¥2,065,747	¥ 18,476,549	¥ 32,311
Future production and development costs	(8,885,792)	(278,440)	(1,465,150)	(800,391)	(6,324,795)	(17,016)
Future income tax expenses	(12,045,321)	(261,294)	(424,802)	(254,837)	(11,104,387)	—
Future net cash flows	4,991,349	565,524	2,352,646	1,010,519	1,047,366	15,294
10% annual discount for estimated timing of cash flows	(2,632,985)	(313,789)	(1,072,561)	(540,909)	(703,838)	(1,887)
Standardized measure of discounted future net cash flows	2,358,365	251,735	1,280,085	469,609	343,528	13,407
Equity-method affiliates						
Future cash inflows	444,793	—	306,909	97,347	40,537	—
Future production and development costs	(189,571)	—	(117,769)	(38,812)	(32,990)	—
Future income tax expenses	(119,084)	—	(81,958)	(33,354)	(3,772)	—
Future net cash flows	136,137	—	107,182	25,181	3,775	—
10% annual discount for estimated timing of cash flows	(64,481)	—	(57,147)	(6,909)	(426)	—
Share of equity-method investees' standardized measure of discounted future net cash flows	71,657	—	50,035	18,272	3,349	—
Total consolidated and equity-method affiliates in standardized measure of discounted future net cash flows	¥ 2,430,021	¥ 251,735	¥ 1,330,120	¥ 487,882	¥ 346,878	¥ 13,407

Note: Reserves of the following blocks and fields include the portion attributable to non-controlling interests.
Eurasia (Europe & NIS): ACG (49%), Kashagan (49%)
Amounts are basically rounded to the nearest million.

	Millions of yen					
December 31, 2019	Total	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas
INPEX CORPORATION and Consolidated Subsidiaries						
Future cash inflows	¥ 24,132,722	¥1,132,190	¥ 3,354,557	¥1,912,255	¥ 17,447,487	¥ 286,233
Future production and development costs	(8,733,617)	(334,782)	(1,341,047)	(706,959)	(6,162,938)	(187,891)
Future income tax expenses	(11,042,289)	(253,444)	(248,020)	(234,518)	(10,295,017)	(11,290)
Future net cash flows	4,356,817	543,964	1,765,491	970,779	989,532	87,052
10% annual discount for estimated timing of cash flows	(2,166,114)	(298,301)	(686,627)	(509,475)	(625,989)	(45,723)
Standardized measure of discounted future net cash flows	2,190,703	245,664	1,078,864	461,304	363,543	41,329
Equity-method affiliates						
Future cash inflows	455,408	—	314,808	104,199	36,401	—
Future production and development costs	(156,912)	—	(111,093)	(17,722)	(28,096)	—
Future income tax expenses	(118,401)	—	(76,387)	(38,745)	(3,269)	—
Future net cash flows	180,095	—	127,328	47,732	5,035	—
10% annual discount for estimated timing of cash flows	(75,027)	—	(62,093)	(12,184)	(749)	—
Share of equity-method investees' standardized measure of discounted future net cash flows	105,069	—	65,235	35,548	4,286	—
Total consolidated and equity-method affiliates in standardized measure of discounted future net cash flows	¥ 2,295,772	¥ 245,664	¥ 1,144,099	¥ 496,852	¥ 367,829	¥ 41,329

Note: Reserves of the following blocks and fields include the portion attributable to non-controlling interests.
Eurasia (Europe & NIS): ACG (49%), Kashagan (50%)
Amounts are basically rounded to the nearest million.

	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, 2019	¥2,430,021	¥251,735	¥1,280,085	¥469,609	¥ 343,528	¥13,407	¥ 71,657
Changes resulting from:							
Sales and transfers of oil and gas produced, net of production costs	(594,355)	(44,239)	(136,103)	(60,267)	(327,885)	(4,818)	(21,043)
Net changes in oil and gas prices and production costs	(726,549)	8,100	(258,383)	(60,063)	(416,751)	(1,361)	1,910
Development costs incurred	119,929	641	60,670	14,496	38,932	650	4,540
Changes in estimated future development costs	41,234	(323)	16,991	(7,171)	40,594	(803)	(8,054)
Revisions of previous quantity estimates	332,568	351	(30,022)	55,374	253,367	2,158	51,340
Accretion of discount	195,328	21,825	92,240	42,292	31,873	906	6,191
Net change in income taxes	498,195	10,885	70,221	13,211	404,403	—	(524)
Extensions, discoveries and improved recoveries	31,359	—	—	—	—	31,365	(6)
Other	(31,960)	(3,311)	(16,836)	(6,176)	(4,518)	(176)	(942)
Standardized measure at end of the period As of December 31, 2019	¥2,295,772	¥245,664	¥1,078,864	¥461,304	¥ 363,543	¥41,329	¥105,069

Note: Reserves of the following blocks and fields include the portion attributable to non-controlling interests.
Eurasia (Europe & NIS): ACG (49%), Kashagan (49%)
Amounts are basically rounded to the nearest million.

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 December 31, 2019, was 352.4 thousand barrels per day for crude oil, condensate and LPG, and 1226.4 million cubic feet per day for natural gas, for a total of 586.2 thousand boed.

	2015/3	2016/3	2017/3	2018/3	2019/3	2019/12
Crude oil, condensate and LPG (Mbbld):						
Japan	3.2	3.2	3.5	3.7	3.5	3.1
Asia & Oceania	40.6	47.8	35.8	21.2	18.7	47.5
Eurasia (Europe & NIS)	27.0	31.6	29.6	37.5	40.7	41.0
Middle East & Africa	84.8	161.1	176.3	176.2	225.6	240.9
Americas	0.5	5.5	5.6	3.9	1.8	8.2
Subtotal	156.1	249.2	250.7	242.6	290.3	340.7
Proportional interests in production by equity-method affiliates	86.6	90.0	97.6	86.5	13.0	11.7
Total	242.7	339.2	348.3	329.1	303.3	352.4
Annual production (MMbbl)	88.6	124.2	127.1	120.1	110.7	96.9
Natural gas (MMcf/d):						
Japan	113.9	119.7	132.0	145.6	131.6	118.6
Asia & Oceania	596.5	666.8	614.8	326.9	346.5	958.6
Eurasia (Europe & NIS)	—	—	5.3	21.4	27.4	24.5
Middle East & Africa	—	—	—	—	—	—
Americas	103.2	87.3	116.5	107.7	89.8	63.5
Subtotal	813.7	873.8	868.6	601.6	595.3	1,165.2
Proportional interests in production by equity-method affiliates	66.4	59.1	54.1	48.1	53.8	61.2
Total	880.0	932.9	922.7	649.7	649.0	1,226.4
Annual production (Billions of cubic feet)	321.2	341.4	336.8	237.1	236.9	337.3
Crude oil and natural gas (Mboed):						
Japan	24.6	25.7	28.3	31.1	28.2	25.4
Asia & Oceania	154.3	174.0	152.5	82.7	84.4	231.9
Eurasia (Europe & NIS)	27.0	31.6	30.6	41.4	45.6	45.3
Middle East & Africa	84.8	161.1	176.3	176.2	225.6	240.9
Americas	19.0	21.0	26.5	23.5	18.1	20.0
Subtotal	309.7	413.4	414.1	354.9	401.8	563.5
Proportional interests in production by equity-method affiliates	98.4	100.5	107.2	95.0	22.5	22.6
Total	408.1	513.8	521.3	449.9	424.3	586.2
Annual production (MMboe)	148.9	188.1	190.3	164.2	154.9	161.2

Corporate Information

(As of December 31, 2019)

Corporate Data

Company Name INPEX CORPORATION

Established April 3, 2006

Capital ¥290,809,835,000

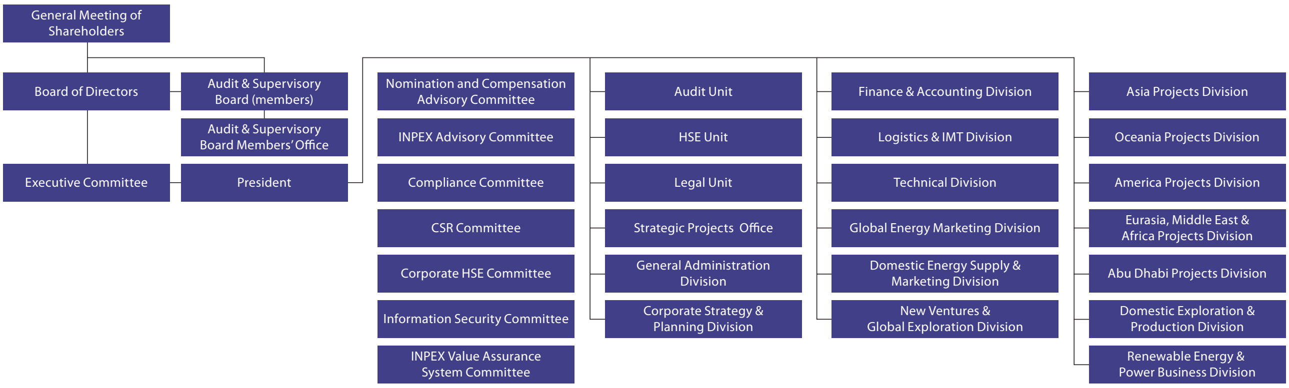
Company Headquarters Akasaka Biz Tower, 5-3-1 Akasaka, Minato-ku, Tokyo 107-6332, Japan

Number of Employees (Consolidated) 3,117

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



Stock Data

Authorized Shares

3,600,000,000 common stocks
1 Class A Stock

Total Number of Shareholders and Issued Shares

Common Stock 36,716/1,462,323,600 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 the Board of Directors.

Major Shareholders (Common Stock)

Name	Number of common shares	Percentage of total common shares* (%)
Minister of Economy, Trade and Industry, Japan	276,922,800	18.96
Japan Petroleum Exploration Co., Ltd.	106,893,200	7.32
The Master Trust Bank of Japan, Ltd. (Trust Account)	84,886,700	5.81
Japan Trustee Services Bank, Ltd. (Trust Account)	58,544,500	4.01
JXTG Holdings, Inc.	43,810,800	3.00
Japan Trustee Services Bank, Ltd. (Trust Account 9)	32,084,200	2.20
Mitsui Oil Exploration Co., Ltd.	27,004,000	1.85
JP MORGAN CHASE BANK 380055	24,395,598	1.67
Japan Trustee Services Bank, Ltd. (Trust Account 7)	22,390,800	1.53
Japan Trustee Services Bank, Ltd. (Trust Account 5)	22,091,700	1.51

*The shareholder ratio is calculated after subtracting treasury shares (1,966,500 shares). The shareholder ratio is rounded off to the nearest whole number.

Shareholding by Shareholder Type

Shareholder type	Number of shareholders	Number of common shares	Percentage of total common shares[1] (%)
Financial Institutions (Including Trust Accounts)	91	318,168,655	21.76
Securities Companies	41	43,864,340	3.00
Other Domestic Corporations	326	214,781,260	14.69
Minister of Economy, Trade and Industry[2]	1	276,922,800	18.94
Foreign Corporations and Other	861	572,075,607	39.12
Individuals and Other	35,395	34,544,438	2.36
Treasury Shares	1	1,966,500	0.13

1. The percentages of total common shares are for the total number of issued common shares. The shareholder ratio is rounded off to the nearest whole number.
2. Excludes one Class A Stock

Web Site

The Company's Web site provides investors with the most up-to-date IR information, including financial statements.
▶ **www.inpex.co.jp/english**

Inquiries

For IR inquiries, as well as to offer comments and opinions about this report, please contact below.
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