INPEX

Annual Report 2019

Year ended March 31, 2019

About INPEX

INPEX is the largest oil and gas E&P Company in Japan. Together with its exploration, development and production activities, the Company currently is engaged in approximately 70 projects spread across more than 20 countries worldwide.

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.

CONTENTS

02 INPEX Snapshot

10 Results and New Strategies

10 Message from the Representative Directors
12 Message from the President
20 Vision 2040 and Medium-term Business Plan 2018 – 2022
22 Financial and Operating Highlights
24 The Structure and Mechanism of Oil and Natural Gas Exploration and Development

26 Project Overview

26 Segment Overview
28 Project Overview by Region

42 Sustainability and Governance

42 Sustainability
46 Corporate Governance
50 Directors, Audit Supervisory Board Members and Executive Officers

53 Financial and Corporate Information

54 11-Year Financial Information
56 Background Information: Oil and Gas Accounting Policies and Treatment
58 Management's Discussion and Analysis of Financial Condition and Results of Operations
64 Consolidated Financial Statements/ Notes to Consolidated Financial Statements
83 Independent Auditor's Report
84 Subsidiaries and Affiliates
86 Business Risks
94 Oil and Gas Reserves and Production Volume
97 Corporate Information

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 on page 20-21 in this Annual Report and the Company's Web site for more information.

▶ **https://www.inpex.co.jp/english/ir/strategy.html**

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 basically rounded to the nearest unit (e.g., millions, billions) for convenience. The "Project Overview by Region" section (starting on p. 28 basically describes the operating situation as of June 30, 2019. 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).

INPEX Snapshot

Sustainable Growth of Oil and Natural Gas E&P Activities

Together with its exploration, development and production activities, we are currently engaged in approximately 70 oil and natural gas projects spread across more than 20 countries worldwide, including large-scale projects such as the Ichthys LNG Project in Australia, the Abadi LNG Project in Indonesia, and the Abu Dhabi Oil Fields. In addition, we possess the largest reserves and production volume of any Japanese company.

In our core business, oil and natural gas E&P activities, we are aiming to grow into a top 10 international oil company by 2040 in terms of production volume, reserves, profitability, and technical capabilities.

Target for the Period until 2040

A top 10 international oil company

Oil and natural gas reserves (barrels of oil equivalent)
Total proved and probable reserves as of end-March 2019

5.21 billion barrels

Oil and natural gas net production volume per day (barrels of oil equivalent)
FY2019 (April 2018 – March 2019) average volume per day

424 thousand barrels

Net income attributable to owners of parent
FY2019 (April 2018 – March 2019)

¥96.1 billion

INPEX Snapshot

Development of Global Gas Value Chain

In Japan, we provide a stable supply of natural gas through an approximately 1,500 km long natural gas pipeline network and Naoetsu LNG Terminal located in Niigata Prefecture which commenced operation in 2013. In addition, we are taking measures to develop a global gas value chain by developing gas demand in Asian and other growing markets as well as by strengthening trading functions. Through these measures, we are aiming to be a key player in natural gas development and supply in Japan, as well as in Asia and Oceania regions by 2040.

Target for the Period until 2040

Be a key player
in natural gas development and supply in Asia & Oceania

Natural gas sales volume in Japan
FY2019 (April 2018 – March 2019)
2.17 billion m³

Develop Gas Demand
in Asia and other growing markets

Globally
Strengthening Trading Functions

Is

INPEX Snapshot

Reinforcement of Renewable Energy Initiatives

To proactively address climate change and meet long-term demand for renewable energy, we will accelerate the development of our renewable energy business. In addition to domestic solar power projects, we are currently engaged in geothermal power generation businesses in Japan and Indonesia. In the future, INPEX intends to expand its participation in wind power generation and other areas, further expanding our business, while also promoting technology research and development related to greenhouse gas reduction. INPEX aims for renewable energy to account for 10% of its project portfolio by 2040.

Target for the Period until 2040

10 **% of project portfolio**

Sarulla Geothermal Independent Power Producer (IPP) Project in Indonesia
The world's largest single-contract geothermal power project

Total output approximately

330 MW
(3 units total)

Active entry into the

Wind Power Generation Field

Developing CSR Management and a Dynamic Corporate Culture

With the aim of sustainable energy development, we engage in CSR management that focuses on the 6 CSR material issues. In the future, we will continue to strengthen our corporate governance, ensure thorough compliance, address safety management and environmental preservation, contribute to the local community and solidify ESG initiatives throughout our entire supply chain and build relationships of trust with our stakeholders to promote CSR management. In addition, our promotion of continuous initiatives for stable energy supply and addressing climate change will contribute to the achievement of the SDGs related to our busi-

6 CSR Material Issues

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

Announced position paper:

“Corporate Position on Climate Change”

(Issued in December 2015, updated in July 2018)


Our stakeholders
Employees
Stockholders and investors
Customers
Business partners
Oil and gas producing countries
Suppliers and contractors
NGOs
Local Communities
Our CSR Material Issues
Compliance
HSE
Employees
Climate Change
Local Communities
Governance

Annual Report 2019: 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 demand of Japan and the world.

The operating environment for INPEX is currently characterized by a global expansion in the middle-class population and expectations for further economic growth, particularly in emerging economies. Given these conditions, we believe demand for energy will likely continue to grow. On the other hand, the international community is increasingly focused on efforts to reduce its carbon footprint and respond to climate change, leading us to expect a long-term and substantial increase in demand for natural gas, which emits less CO_2 than other fossil fuels, as well as for renewable energy that has a relatively small environmental footprint. Global LNG transaction volume in 2018 reached about 313 million tons, up about 30% over the past five years. Amid intensifying competition around the world to secure energy sources, particularly LNG, it is vital for Japan, which is almost entirely dependent on imports, to secure a stable supply of energy and improve its self-development ratio.

With a clear understanding of this operating environment, INPEX in May 2018 created "Vision 2040", the company's long-term vision for the years leading up to 2040. Our goal is to become a leading energy company serving an essential role in society, and in addition to our core business of oil and natural gas exploration and production, we are focused on the sustainable development, production, and supply of alternative energy solutions, including renewable energy, to meet the energy needs of Japan and the world.

INPEX will continue to contribute to the creation of a sustainable society through activities that help to resolve social issues, including by promoting initiatives that lower the carbon footprint of our business activities and measures that effectively respond to climate change, while simultaneously taking action to boost our self-development ratio in natural gas and oil, ensure a stable supply of energy, and adapt to expanding global demand for energy.

We will continue to conduct our business with a deep sense of responsibility and with the goal of further improving corporate value and ask for the continued support and understanding of all our stakeholders.

Representative Director
and Chairman

北村俊昭

Representative Director,
President and CEO

上田隆之

Annual Report 2019: Message from the President

Takayuki Ueda
Representative Director,
President and CEO

The Ichthys LNG Project has commenced production and is now making a contribution to earnings. As INPEX enters this new stage, we are moving steadily forward toward meeting the targets outlined in our Medium-term Business Plan.

Looking back on the past fiscal year ended on March 31, 2019

Looking at the global business environment, it is clear to see that global energy demand is continuing to expand amid ongoing economic growth, including in emerging economies. This has contributed to heightened competition to secure energy sources. Moreover, with the international community focused on answers to the issue of climate change, there are growing calls to enact proactive measures aimed at reducing greenhouse gas emissions and realize a society with a low carbon footprint. While we expect demand for oil to remain strong, we believe demand for natural gas, which emits less CO_2 than other fossil fuels, and for renewable energy with a relatively small environmental footprint, is likely to expand at an even faster pace. The Japanese government's energy policy is focused on ensuring a stable supply of energy and bolstering the country's self-development ratio, though with the self-development ratio in fiscal 2018 at under 30%, there remains significant room for improvement before the national target of 40% by 2030 can be met.

Turning to earnings at INPEX in the fiscal year ended March 31, 2019, Brent crude, a benchmark index for the company, stood at US$67 per barrel at the beginning of the year and climbed at the start of October on growing concerns over a tightening in supply and demand. While the price again moved lower at the end of 2018, it again climbed after the start of the new calendar year, and ended the fiscal year at about US$68 per barrel. On this basis, average annual Brent crude came in at US$70.86 per barrel, up 22.5% compared with the previous fiscal year. As far as foreign currency exchange rates are concerned, the yen traded against the U.S. dollar at an annual average rate of ¥110.93. This was generally flat compared to the average for the previous fiscal year.

Lifted by the rise in oil prices, as well as the contribution to earnings from the Ichthys LNG Project in Australia, where production commenced in July 2018, consolidated sales at INPEX improved 4.0% compared to the previous fiscal year to ¥971.3 billion, while operating income expanded 32.7% year on year to ¥474.2 billion and recurring profit grew 34.1% year on year to ¥519.2 billion. Net income attributable to owners of the parent was up a strong 138.1% year on year to ¥96.1 billion, resulting in sales and profit across the board rising on a year on year basis.

Net production volume (the total of crude oil and natural gas, oil equivalent) decreased by 26 thousand barrels a day compared with the previous fiscal year, to 424 thousand barrels of oil equivalent per day (BOED). Proven reserves (the total of crude oil and natural gas, oil equivalent), which represents a source of future earnings, increased around 0.15 billion barrels of oil equivalent (BOE) compared with the previous fiscal year-end, to roughly 4.01 billion BOE as of March 31, 2019 (The total of proven and probable reserves is approximately 5.21 billion BOE). I am proud to see that we are making favorable progress in meeting the quantitative and qualitative targets in our Medium-term Business Plan 2018-2022, as well as key project milestones, including commencement of production and shipments at the Ichthys LNG Project.

Through a resolution at the Ordinary General Meeting of Shareholders held in June 2019, the company moved to revise its fiscal year from ending on March 31 to ending on December 31. As a result, the current fiscal year is scheduled to be a transitional, nine-month accounting period from April 1, 2019 to December 31, 2019.

Medium-term Business Plan 2018–2022, based on Vision 2040: initiatives and results

Our Medium-term business plan, covering fiscal 2018 through fiscal 2022, is based on Vision 2040, our long-term vision for the company, and establishes three business targets for achievement: 1) sustainable growth in the upstream oil and natural gas E&P activities; 2) development of a global gas value chain business; and 3) reinforcement of renewable energy initiatives. I would like to take this opportunity to talk about the progress we have achieved in meeting each of these goals.

① Sustainable growth in the upstream oil and natural gas E&P activities

INPEX is currently developing approximately 70 oil and natural gas projects in more than 20 different countries around the world. In the fiscal year ended March 31, 2019, we commenced production and shipments at the Ichthys LNG Project in Australia, which is the first large-scale LNG project operated by a Japanese company. Marking a major turning point for the company, the project started gas production in July 2018, and commenced the first shipment of LNG in October without incident.

Ichthys LNG Project is scheduled to produce approximately 8.9 million tons of LNG and approximately 1.65 million tons of LPG per year, along with approximately 100,000 barrels of condensate per day at peak. Starting from a point where water depth is about 200 meters, drilling extends to about 3,000–4,000 meters below the sea floor. Natural gas retrieved from this drilling is then sent to Darwin, Australia via an 890 kilometers long gas export pipeline. It is then converted into LNG at the onshore gas liquefaction facility. It is important that the project advance carefully and steadily on the way to plateau production, as the huge and complex production facility is essentially one system and a breakdown at any point effectively grounds the entire operation. Production ramp ups have proceeded in line with expectations, and we expect to reach plateau production in roughly two to three years after the commencement of LNG production. That being said, if there are fewer problems than initially expected, and the scope of issues we encounter is relatively small, there is a potential that production ramp ups could be accelerated. The project shipped 55 LNG cargoes from Darwin by the end of June 2019, and we target an average of seven to eight cargo shipments per month in fiscal 2019, with about 120 LNG

Ichthys LNG Project
LNG carrier (Pacific Breeze) arriving at the onshore gas liquefaction plant in Darwin

cargoes on an annual basis once plateau production is reached.

Abadi LNG Project in Indonesia is the first large-scale integrated LNG development project operated by INPEX in Indonesia and follows on from the INPEX-operated Ichthys LNG Project in Australia. A Pre-FEED work, based on an onshore LNG development scheme envisioning annual production capacity of 9.5 million tons, was completed in October 2018. Based on the results of the Pre-FEED work, we submitted a revised development plan to the Indonesian authorities in June 2019 and received the approval 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 our application for a seven-year additional time allocation, extending the term of the PSC until 2055. By receiving a notification from the Indonesian authorities, the project's development concept has been changed from a floating LNG scheme to an onshore LNG scheme. However, following constructive discussions with the Indonesian authorities, we are confident that economics of the project based on the revised development plan are now sufficiently strong given the PSC term until 2055 and sufficient financial conditions have been secured. INPEX aims to make the project competitive and will continue to work closely with its partner Shell, toward the production startup scheduled in the latter half of the 2020s and to begin necessary preparations to commence FEED (Front End Engineering Design) work.

Within the Abu Dhabi Oil Fields Project in the United Arab Emirates (UAE), we are working to improve production capacity in each of the oil fields in the Abu Dhabi Onshore Concession and the Abu Dhabi Offshore Oil Fields, where INPEX owns participating interests. In the Lower Zakum Oil Field, INPEX is currently leading development activities in close alignment with ADNOC toward increasing the oil field's production capacity to 450,000 barrels per day. In Abu Dhabi Onshore Concession, INPEX and its partners are in the process of further developing the fields to achieve a production capacity of 2 million barrels per day by the end of 2020.


INPEX receiving approval of revised plan of development from the Indonesian authorities in the presence of Joko Widodo, President of the Republic of Indonesia


Abadi LNG Project drilling ship

The Prelude FLNG Project in Australia is a project involving developing the gas field and separating and liquefying the condensate as well as gas produced from offshore wells at a floating liquefied natural gas (FLNG) facility. The products will then be directly loaded from the FLNG facility onto tankers and shipped in sequence. The project commenced production from a production well in December 2018, with condensate shipments beginning in March 2019 and LNG shipments commencing shortly afterward in June of the same year.

The Kashagan Oil Field Project in the Offshore North Caspian Sea Contract Area, located in Kazakhstan's territorial waters, began shipping crude oil in 2016. With a focus on maintaining safety moving forward, we are targeting to maintain stable production at the rate of 370,000 barrels per day at an early stage.

In September 2017, INPEX and its partners entered into an agreement with the State Oil Com-

pany of the Azerbaijan Republic extending the duration of the Production Sharing Agreement (PSA) for the ACG oil field, also located on the Caspian Sea, by 25 years to December 31, 2049. The revised PSA allowing an extension came into force in January 2018. In April 2019, we made our final investment decision on further development at the ACG Oil Fields, including in regard to a new platform to expand the development area.

INPEX was able to acquire new participating interests and exploration projects in fiscal 2018. The company was awarded two exploration licenses in Norway (PL1027, located in the western Barents Sea offshore region and PL1016, located in the northern Norwegian Sea offshore region). The areas covered by the licenses were recently discovered to contain hundreds of millions of barrels of oil and gas. INPEX was also awarded rights for the Onshore Block 4 in Abu Dhabi following a successful bid in March, 2019. In March 2019, the company reached an agreement with GulfTex Energy to acquire multiple tight oil development and production assets in the Eagle Ford shale region in the state of Texas, the United States. This marks the company's first tight oil development and production project in the US. Excluding a portion of the project assets, INPEX will act as the operator on the project.

② Developing a global gas value chain

In Japan, the natural gas produced from the Minami-Nagaoka Gas Field in Niigata Prefecture since 1984, as well as the LNG from overseas received at the Naoetsu LNG terminal in Niigata Prefecture, which commenced operations in December 2013, are transported through INPEX's 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 factories along the aforementioned network. In the fiscal year ended in March 2019, we received the first LNG cargo from the Ichthys LNG Project at the Naoetsu LNG Terminal. The arrival of LNG produced from the Ichthys LNG project at the Terminal is a significant milestone for INPEX, as it organically links the company's LNG development business overseas to its gas distribution network in Japan. By reaching this milestone, INPEX has taken a significant step toward the development of a global gas value chain business. We believe this represents a significant step forward for the company in terms of contributing to the stable supply of energy in Japan.

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. We aim to lift annual domestic gas volume supply from 2.2 billion cubic meters at present to 2.5 billion cubic meters by fiscal 2022. In addition to developing new customers in the conventional manner, we are also focused on demand creation, including in next-generation energy systems for smart cities and local production, local consumption models, and target a further strengthening of our global gas value chain with an eye toward participating in mid and downstream businesses not only in Japan, but in overseas locations such as Asia. One of the steps toward achieving this involves studying the LNG bunkering (suppling LNG fuel for use by ships) business. In December 2018, the company signed its first LNG bunkering partnership deal with an ADNOC subsidiary in the UAE. We believe the UAE offers many potential business opportunities, as the country is not only a major LNG production and export base, but is strategically located as a bunkering hub. We will also pursue an expansion in the bunkering network in other regions, such as Southeast Asia.

③ Bolstering our efforts in renewable energies as a third pillar for growth

We implemented reorganization in June 2018 with the goal of further strengthening our efforts to develop the electric power and renewable energy businesses. In particular, we are expanding the existing unit system to form a new renewable energy and power business, and intend to enhance human resources and the scope of the business in line with the pace of development moving forward. In regard to renewable energy, we are developing the Sarulla Geothermal IPP Project, which involves the operation of the world's largest geothermal power plant under a single development contract in the Sarulla district of Sumatra, Indonesia. The first unit commenced commercial operations in March 2017, followed by the second unit in October of the same year, and the third unit in May 2018. Total output is now 330MW, which is enough energy to power approximately 2.1 million households in Indonesia. The plant is expected to supply electricity to Indonesia's government-owned electricity company for the next 30 years.

In Japan, we are continuing our research in Hokkaido and Akita Prefecture so that we can advance commercialization of geothermal power generation. In particular, we are conducting joint research with Idemitsu Kosan and Mitsui Oil Exploration in Oyasu, Akita Prefecture, where we commenced environmental assessment operations for the full-scale commercialization of geothermal power generation in December 2018. We intend to continue our study on the construction of geothermal power plants with the goal of commercialization from 2024. Finally, we are preparing for joint geothermal resource research in the Azuma and Adatara regions of Fukushima Prefecture.

Outlook for the fiscal term ending December 31, 2019

We are making favorable progress toward achieving these three business targets, and expect to achieve our milestone for the fiscal term ending on December 31, 2019, the second year of our Medium-term Business plan. In regard to ensuring sustainable growth in the upstream oil and natural gas businesses, the first important step is to steadily and quickly ramp up production and shipments at the Ichthys LNG Project. For the Abadi LNG Project, we are working toward a swift FID, and will continue to work toward bolstering production capacity in Abu Dhabi. Moreover, we will continue to study explora-

Medium-term Business Plan 2018–2022 progress and FY 2019/12 outlook

	FY 2019/03 Results (First year in the Medium-term Business Plan) April 2018–March 2019	FY 2019/12 Initiatives and Outlook (Second year in the Medium-term Business Plan) April 2019–December 2019 (Nine-month accounting period)	FY 2022/12 Targets (Final year in the Medium-term Business Plan)
Assumptions: crude oil price (Brent) and exchange rate	US$70.86/bbl ¥110.93/US$	US$65/bbl ¥110/US$	US$60/bbl ¥110/US$
Investment for growth	¥488.4 billion	¥285.0 billion (nine-month accounting period)	Around ¥1,700 billion for the 5-year period
Net sales	¥971.3 billion	¥958.0 billion	Around ¥1,300 billion
Net income attributable to owners of parent	¥96.1 billion	¥90.0 billion	Around ¥150.0 billion
Net production volume	424 KBOED	577 KBOED	700 KBOED
Shareholder returns	Annual dividend: ¥24 per share (End of 2Q: ¥9 + End of FY: ¥15 (Ordinary dividend ¥9, Commemorative dividend ¥6)) Payout ratio: 36.5%	Annual dividend: ¥24 per share (End of 2Q: ¥12 + End of FY: ¥12) Payout ratio: 38.9%	• Maintain base dividend not falling below ¥24 per share • Enhance annual dividends in stages by increasing the dividend per share in accordance with the growth of the Company's financial results • Payout ratio: 30% or higher

Note: In accordance with a proposal resolved at the Ordinary General Meeting of Shareholders held in June 2019, the Company's accounting period (fiscal year closing date) has been changed from March 31 to December 31.

tion activity in priority areas such as Norway and the Gulf of Mexico. We expect net production in the fiscal term ending December 31, 2019 to rise to a record high of 577,000 barrels per day (crude oil equivalent) given that the ramping up of production at the Prelude FLNG Project and the Ichthys LNG Project.

In terms of building a global gas value chain, we expect domestic natural gas sales volume to reach 2.1 billion m^3, 4% higher compared to Apr–Dec 2018. In overseas, we will continue to conduct marketing activities aimed at reaching an FID for the Abadi LNG Project while working toward commercialization in line with our goal of creating natural gas demand.

In terms of bolstering our efforts in renewable energy, we believe it is vital to focus on medium- to long-term strategies as part of our efforts to address climate change. We aim to enhance our research and development in renewable energy-related technologies, further promote development of the geothermal power business, and aggressively move to enter the wind power generation business.

Turning to shareholder returns, the annual dividend for the fiscal year ended March 31, 2019 was ¥24 per share, including an interim dividend per share of ¥9 and a year-end dividend per share of ¥15, which included a commemorative dividend of ¥6 per share on the commencement of production and shipments at the Ichthys LNG Project and the regular year-end dividend of ¥9. For the fiscal term ending on December 31, 2019, a nine-month fiscal term, we target interim and year-end dividends of ¥12 per share in line with shareholder returns policy outlined in the Medium-term Business Plan, resulting in the annual dividend remaining at ¥24 per share.

Ichthys LNG Project
Onshore liquefaction plant in Darwin

Recognizing short-term and medium- to long-term opportunities and risks

Amid global trends such as an ongoing increase in energy demand, as well as growing demand for renewable energy in particular and a focus on low-carbon footprint, INPEX faces a number of risks and opportunities in its business.

Given the uncertain outlook for the global economy, geopolitical risks, including tension in the Middle East and growing trade friction between China and the US, are having a strong impact on the international oil and gas markets, and the INPEX advisory committee has also devoted considerable discussion in regard to the impact of geopolitical risks on the international oil and gas markets.

When looking at primary energy demand on a global basis over the long term, we expect oil and gas, our core products, to continue to occupy the lion's share of demand through 2040. That being said, CAGR for renewable energy since 2016 stands at 7%, and the International Energy Agency (IEA) estimates market for renewable energy will grow fivefold from 2016 to 2040. While promoting a shift in energy consumption to natural gas, which has a relatively light environmental footprint, we are also focused on bolstering the renewable energy project to account for 10 % of our project portfolio over the long term in line with our goal of promoting low-carbon footprint in our companywide business activities. To achieve low carbon footprint, we will also exercise proper management of greenhouse gas emissions as a result of our business activities and proceed with technological development for the practical application of carbon capture and storage (CCS) to capture and sequester GHG emissions.

Organizational reform and strengthening corporate governance to better move into new growth areas

The INPEX Group will continue to focus on creating economic and social value through initiatives aimed at resolving social issues, including by advancing low carbon footprint in our business activities and responding effectively to climate change, while simultaneously contributing to an increase in Japan's self-development ratio in oil and gas and meeting growing global energy demand. We believe these efforts will lead to an ongoing improvement in corporate value and the maximization of shareholder value.

To address climate change, we are strengthening our governance system in line with our basic policies so that we can proactively contribute to the formation of a low-carbon society meeting the long-term goals of the Paris Agreement. We are also establishing a system for the execution of business, assessing risks and opportunities as well as our business strategies, and advancing initiatives in a number of areas aimed at managing emissions. Our new Medium-term Business Plan also states that the company's efforts and information disclosures will be in line with the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD).

Our long-term vision states that the goal of INPEX is to become a leading energy company serving an essential role in society, and our Medium-term Business Plan forwards strategies aimed at achieving this. In order to further promote the goals of the Medium-term Business Plan, we implemented organizational reform in June 2019, bolstered the exploration and M&A systems in the upstream oil and natural gas businesses, enhanced project management and promotion systems, and advanced the building of efficient promotion systems in the overseas upstream oil and natural gas businesses. In addition, INPEX has actively been promoting diversity in its organization, and has received considerable praise for its efforts. In fiscal 2018, the company was selected by the Tokyo Stock Exchange as a "Nadeshiko brand" for its efforts in promoting the careers of women.

As the external environment undergoes rapid change, the content of our business continues to expand. Of course, corporate governance is essential to our ability to appropriately and rapidly adjust to these changes. Our Board of Directors includes eight directors appointed from within the company. These members have a deep familiarity of the company's operations as well as international experience and a firm understanding of the technology and know-how of the business. The Board also includes five outside directors who are able to offer objective perspectives differing from those held among directors recruited from within the company. 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. The Board of Directors, including these members, undergoes an annual evaluation to ensure that it is working as intended, as well as an evaluation to assess continued its effectiveness in addressing issues and implementing measures for improvement. The fiscal 2018 evaluation showed an improvement in effectiveness, through with a focus on strengthening cooperation between the Board of Directors and the Nomination and Compensation Advisory Committee, as well as deepening discussion on important items, the company continues to work toward further improvement.

Now that the fruit of our efforts with the Ichthys LNG Project are becoming apparent, we believe INPEX is moving into a new management stage. With this understanding, all of the employees and executives are working with the deepest sense of responsibility and we ask for the continued support and understanding of all our stakeholders.

2019/7
Representative Director,
President and CEO
上田隆之

"Vision 2040" and "Medium-term Business Plan 2018 – 2022"

Although demand for energy continues to grow all over the world, the long-term business environment is changing with emphasis on addressing climate change and transitioning to a low-carbon society. In May 2018, we established "Vision 2040: Delivering Tomorrow's Energy Solutions," our long-term vision up to 2040, and formulated "Medium-term Business Plan 2018 – 2022: Growth & Value Creation," a shorter 5-year plan continuing steps toward the achievement of this vision.

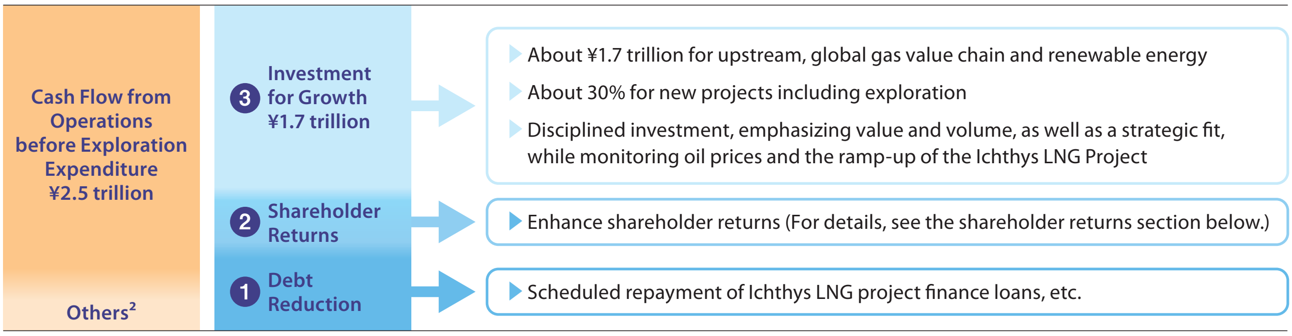
Medium-term Business Plan 2018 – 2022: Growth & Value Creation

Cash Allocation for the Five-Year Period

(US$60/bbl and ¥110/US$1)

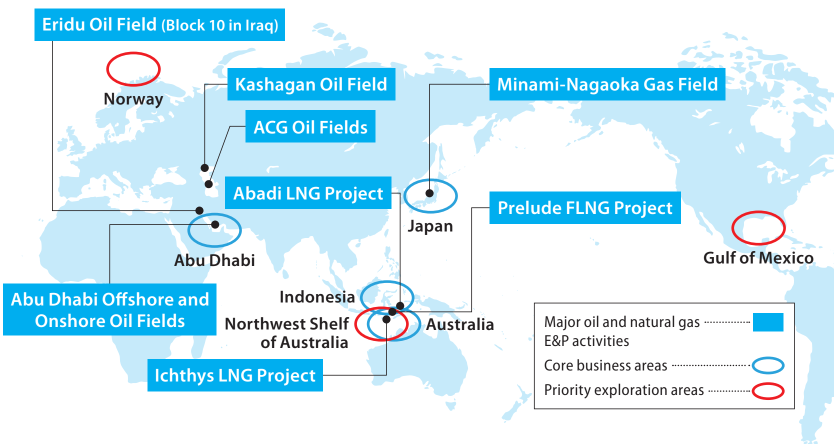
Allocate cash flow from operations and others in order of priority to (1) Debt Reduction, (2) Shareholder Returns, and (3) Investment for Growth

Cash Allocation for the Five-Year Period of the Medium-term Business Plan[1]



1. Figures are for guidance only and are inclusive of the Ichthys downstream JV. Subject to adjustment as necessary based on criteria such as crude oil prices, investment opportunities, the allocation of shareholder returns, etc.
2. Including asset sales proceeds, equity capital from Japan Oil Gas and Metals National Corporation (JOGMEC), etc.

Major Business Initiatives



E&P Business targets for FY2022

Net production volume	**700 KBOED[3] in FY2022**
RRR[4] (3-year average)	**Maintain 100% or higher during the 5 years**
Production cost per BOE[5]	**Reduce to US$5/bbl**

3. Barrels of oil equivalent
4. Reserve Replacement Ratio = Proved reserves increase including acquisition / Production during the period
5. Excluding royalties

Financial Targets[6]

(US$60/bbl and ¥110/US$1)	FY2022 Targets
Net sales	Around **¥1,300 billion**
Net income attributable to owners of parent	Around **¥150 billion**
Cash flow from operations	Around **¥450 billion**
ROE	**5%** or higher

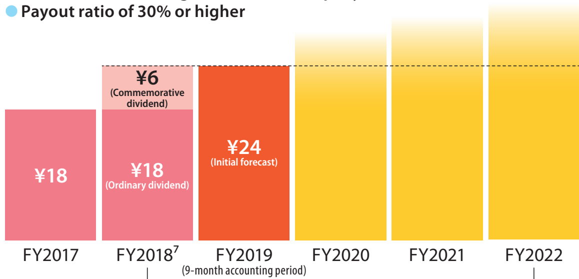
- **Maintain financial strength (target an equity ratio of 50% or higher)**
- **Maintain financial and corporate resilience even if crude oil prices drop to US$50/bbl**

6. Crude oil price assumption is per one barrel of Brent crude oil; the exchange rate assumption is per U.S. dollar. Targets are on a financial accounting basis. Sensitivity of FY2022 net income attributable to owners of parent to the crude oil price and exchange rate is approximately +¥8.0 billion (–¥8.0 billion) from a US$1/bbl increase (decrease) in the Brent crude oil price and approximately +¥2.0 billion (–¥2.0 billion) from a ¥1/US$1 depreciation (appreciation). See page 5 of the "Medium-term Business Plan 2018 – 2022" presentation materials (https://www.inpex.co.jp/company/pdf/business_plan.pdf) for other notes

Shareholder Returns

During the Medium-term Business Plan period, shareholder returns policy will be as follows:

- **Maintain dividends not falling below ¥24 per share**
- **Enhance annual dividends in stages increasing the dividend per share in accordance with the growth of the Company's financial results**
- **Payout ratio of 30% or higher**



7. In fiscal 2018, the year-end dividend payment per share was as follows: ¥9 ordinary dividend payment with an added ¥6 dividend payment to commemorate the start-up and shipment of the Ichthys LNG Project for a total of ¥15. Combined with a mid-term dividend payment of ¥9 per share, the total dividend payment for the year was ¥24 per share.

Vision 2040: Delivering Tomorrow's Energy Solutions

Vision 2040

Sustainable Growth of Oil and Natural Gas E&P Activities

A top **10** international oil company

- Growth of volume and value

Volume:
Aspire to achieve production volume of 1 million BOED

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

Development of a Global Gas Value Chain

A **key player** in natural gas development and supply in Asia & Oceania

- Expand domestic gas yearly supply volume to more than 3 billion m³
- Develop gas demand in Asia and other growing markets
- Maintain and strengthen supply and demand management and trading functions
- Maximize value for upstream natural gas interests

Reinforcement of Renewable Energy Initiatives

10% of project portfolio

- Proactively address climate change
- Expand its participation in wind power generation and other areas in addition to the geothermal power generation business, which draws on synergies with our oil and natural gas E&P activities
- Promote technological research and development related to greenhouse gas reduction

INPEX's Strengths

- Steady growth in cash flow and a solid and stable financial base
- Technical capabilities to carry out projects
- A highly competitive project portfolio
- Partnerships with oil-producing countries
- Diverse human resources
- Support from the government of Japan

Reduce carbon footprint

Continuously and sustainably increase corporate value

For more details about "Vision 2040: Delivering Tomorrow's Energy Solutions" and "Medium-term Business Plan 2018 – 2022: Growth & Value Creation," see the Company website.

https://www.inpex.co.jp/english/ir/strategy.html

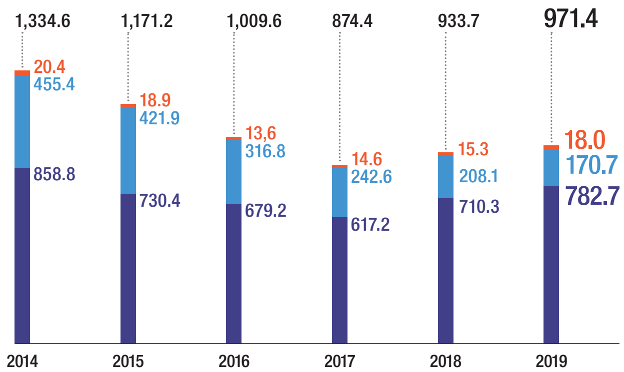
Financial and Operating Highlights (Five-Year Comparative Graphs)

As of or years ended March 31. Please refer to p. 55 for notes of major indices.

Profitability Indices

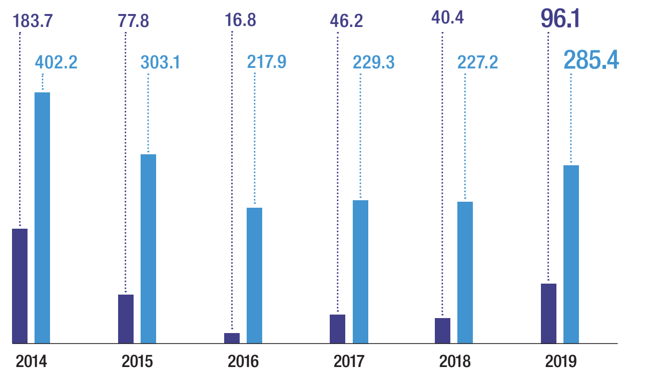
Net Sales (by product)

Crude oil Natural gas Other (¥ billion)



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

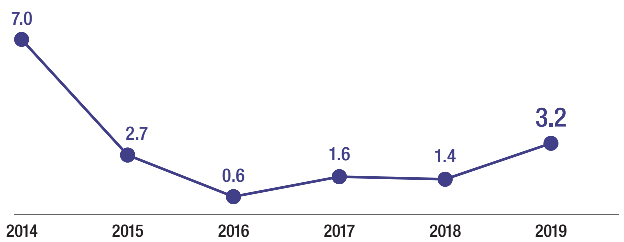
Net income attributable to owners of parent EBIDAX (¥ billion)



Efficiency Indices

Return on Equity (ROE)

ROE (%)

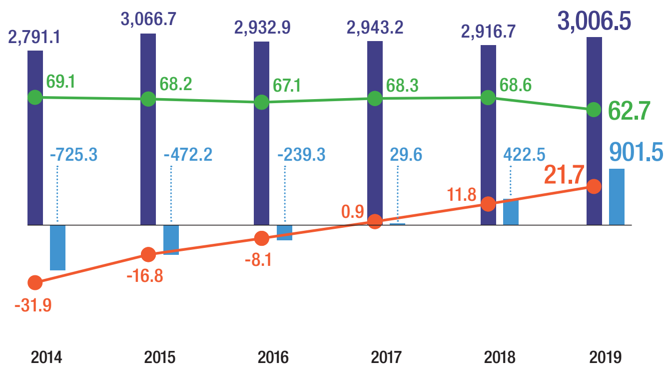


Stability Indices

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 (%)

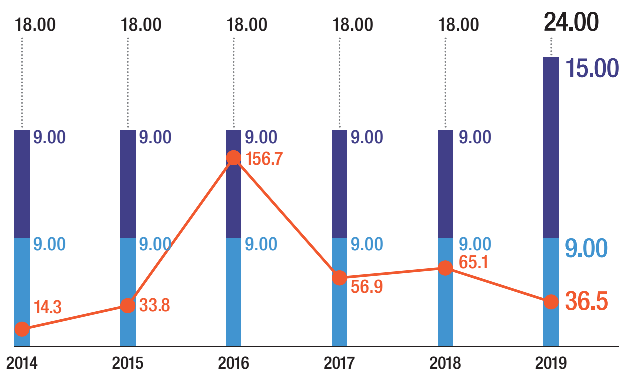


Performance Indices

Cash Dividend per Share, Payout Ratio

Cash dividend per share (2nd quarter end)

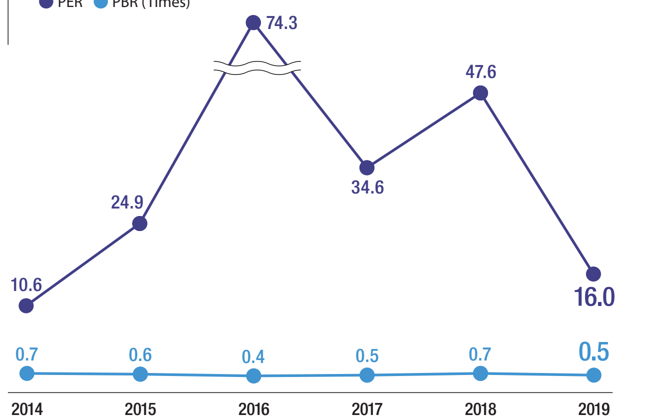
Cash dividend per share (Fiscal year-end) (Yen) Payout ratio (%)



Note: Cash dividend per share is retroactively adjusted for a stock split at a ratio of 1:400 of common stock on October 1, 2013. Cash dividend per share data for each fiscal year is after retroactively adjusting to account for the impact of the stock split.

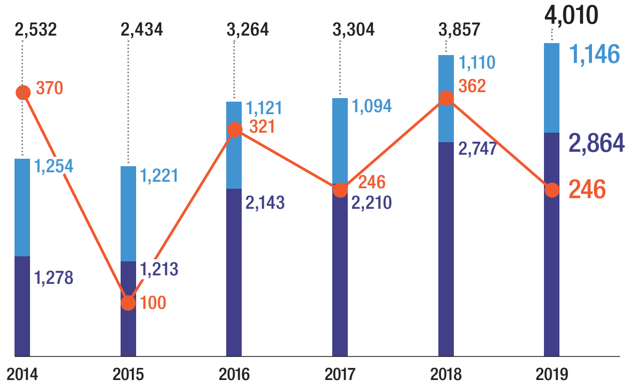
Price Earnings Ratio (PER), Price Book-Value Ratio (PBR)

PER PBR (Times)

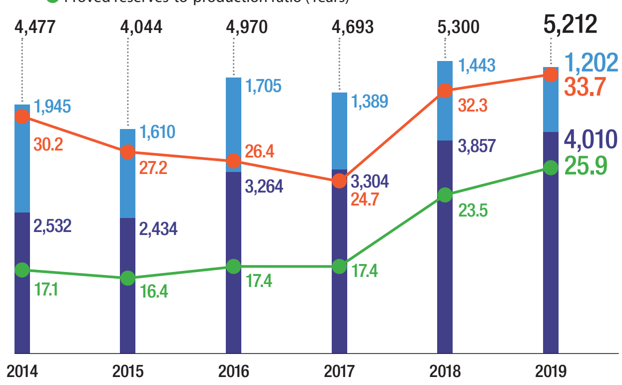


Reserve/Production Indices

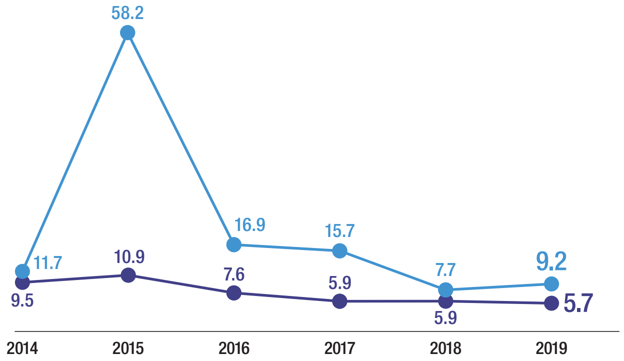
Net Proved Reserves (by product), Reserve Replacement Ratio (3-year average)



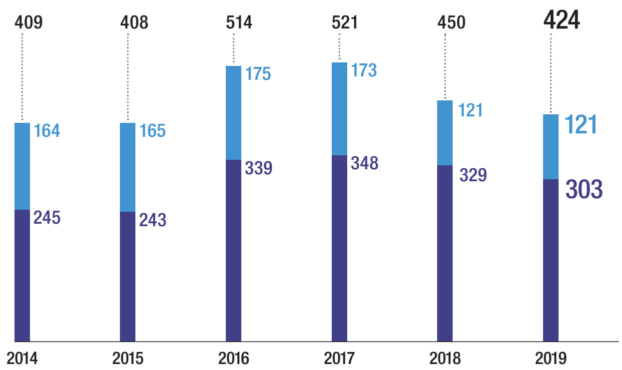
Net Proved and Probable Reserves, Reserves-to-Production Ratio



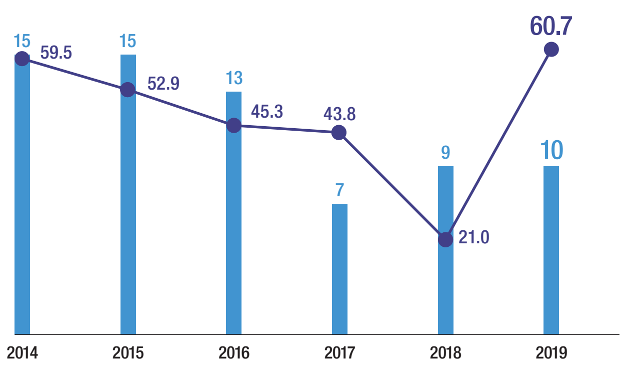
Average Expenses per BOE Produced, Exploration and Development Cost per BOE (3-year average)



Net Production (by product, barrels of oil equivalents)

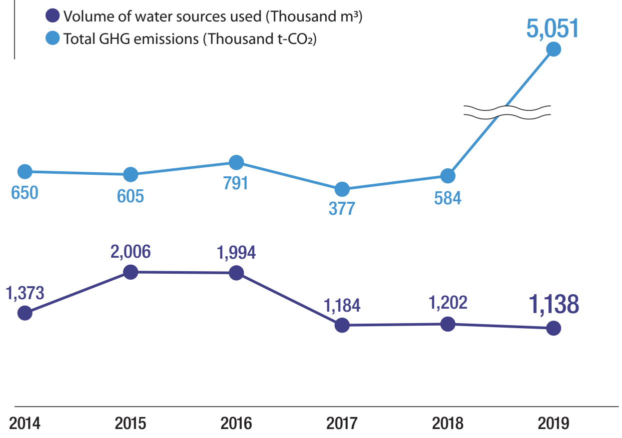


Exploration and Appraisal Success Ratio (3-year average), Number of Exploratory and Appraisal Wells



Environment Indices

Volume of Water Sources Used, Total GHG Emissions



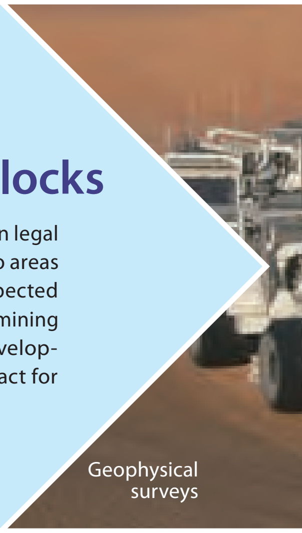
Note: While figures up to the fiscal year ended March 31, 2016 includes contractor data, data from the fiscal year ended March 31, 2017 is for the Company only.

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

Signing ceremony of a contract

Acquisition of Blocks

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.


Geophysical surveys

The business activities of the oil and gas industry can be envisioned as the flow of a river. The upstream consists of 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.

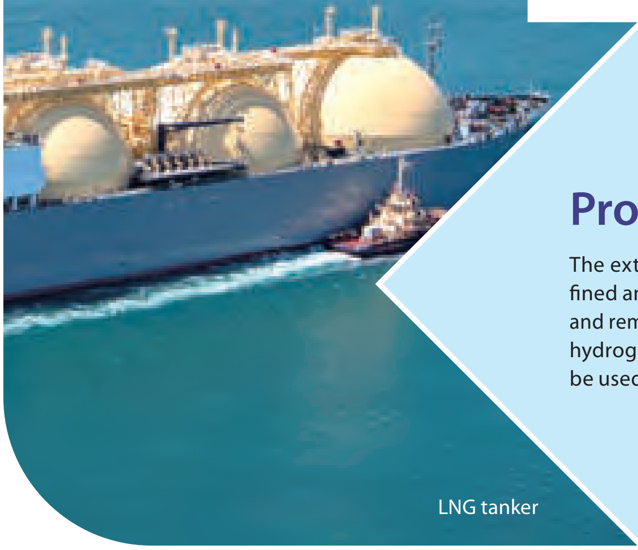
Where do crude oil and natural gas come from?

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. 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.

Marketing

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, because projects characteristically require large-scale investment, in many cases sales of liquefied natural gas (LNG) result from long-term sale and purchase contracts concluded from both producers and buyers.


LNG tanker

Production

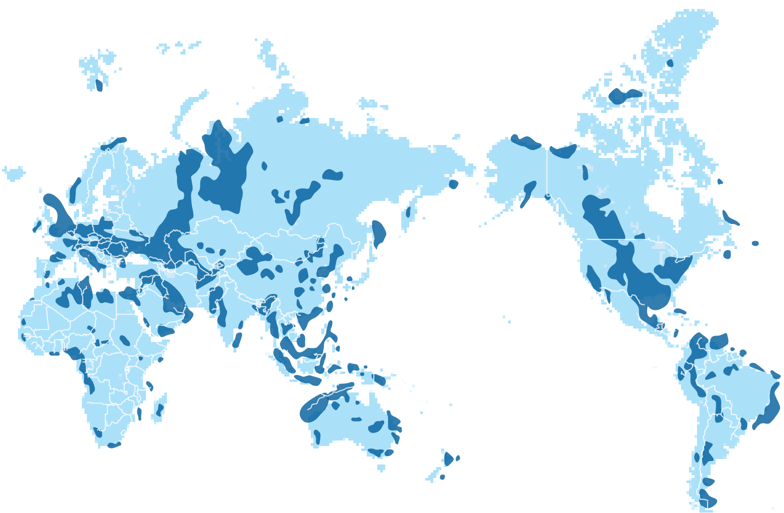
The extracted oil and natural gas are refined and processed. After separating oil and removing impurities (e.g., carbon gas, hydrogen), we ship natural gas that can be used as a product.

Exploration

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.

Drilling of appraisal wells

Major oil and natural gas producing regions



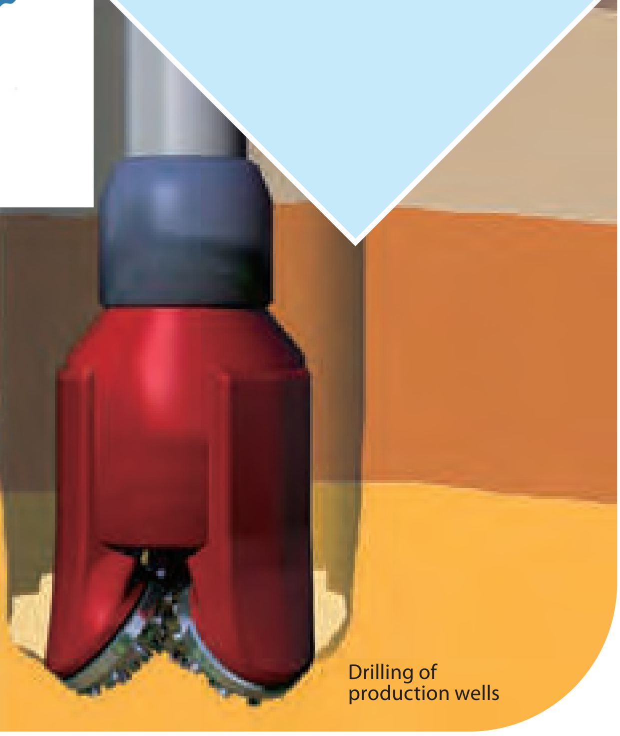
Appraisal

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.

Development

After a final investment decision (FID) has been made, steps are taken to construct the necessary facilities to engage in crude oil and natural gas production and shipment. 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.

LNG plant



Drilling of production wells

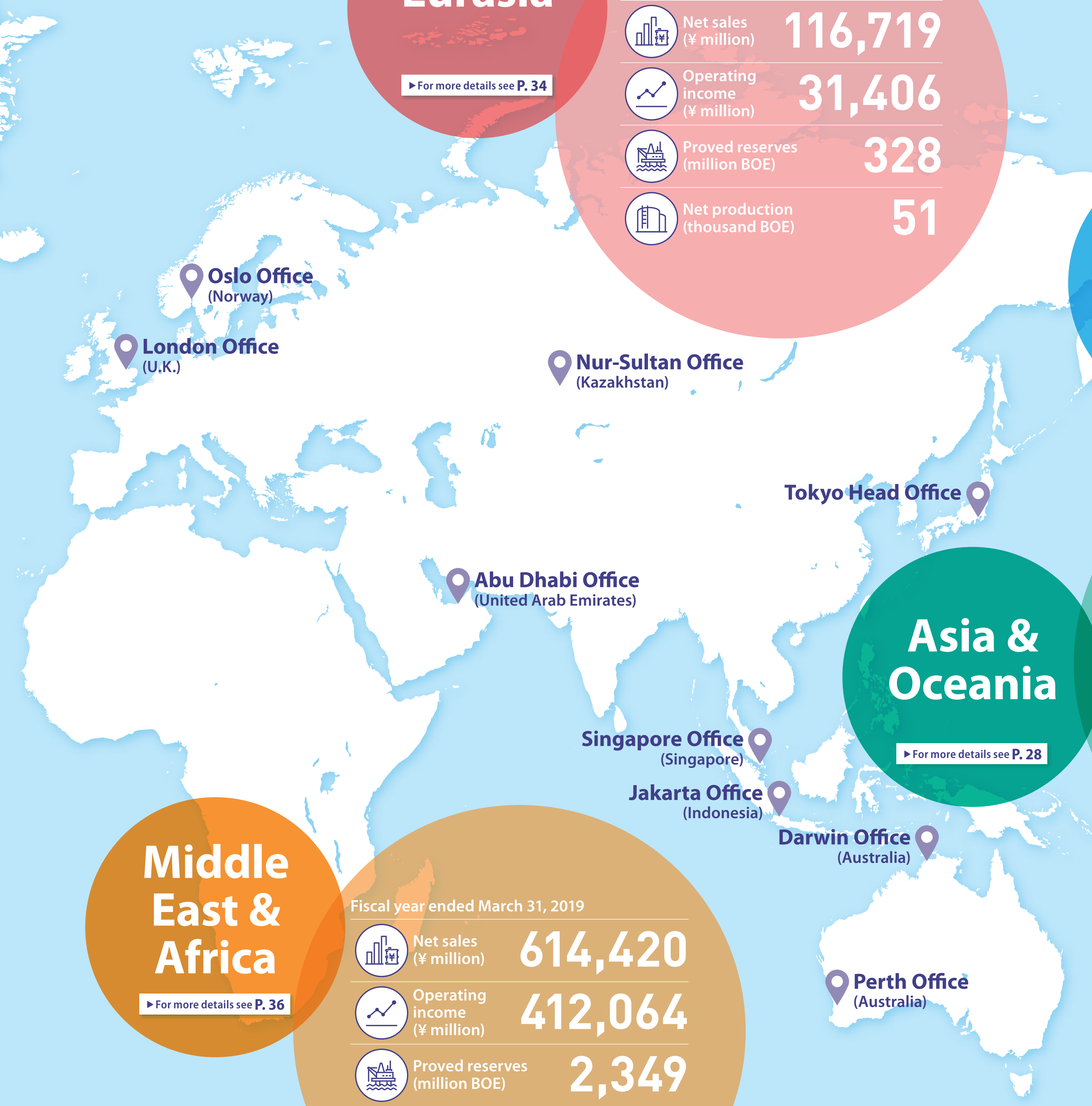
Segment Overview

Eurasia

For more details see P. 34

Fiscal year ended March 31, 2019

Net sales (¥ million)	116,719
Operating income (¥ million)	31,406
Proved reserves (million BOE)	328
Net production (thousand BOE)	51



Asia & Oceania

For more details see P. 28

Middle East & Africa

For more details see P. 36

Fiscal year ended March 31, 2019

Net sales (¥ million)	614,420
Operating income (¥ million)	412,064
Proved reserves (million BOE)	2,349
Net production (thousand BOE)	231

Japan

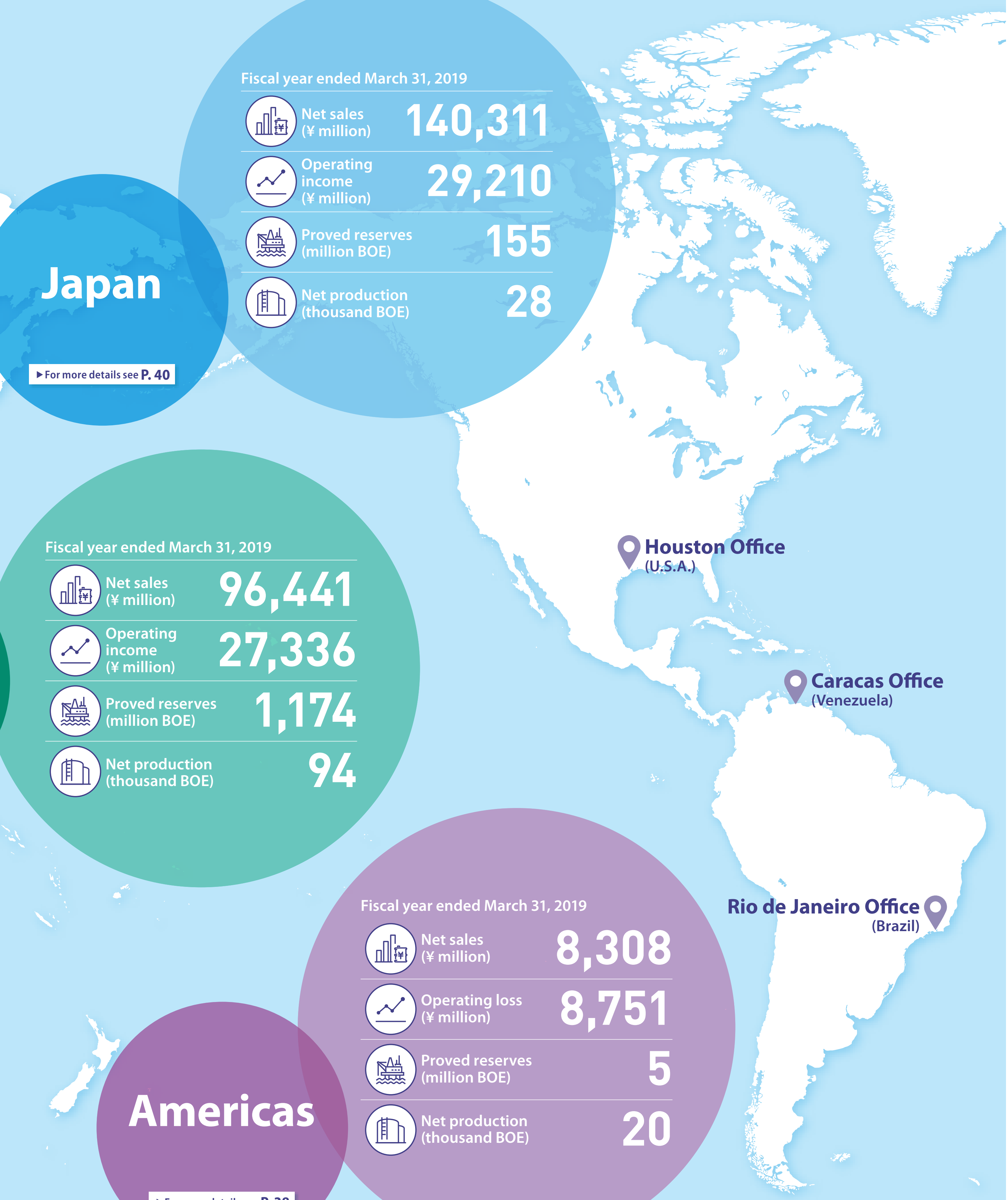
Fiscal year ended March 31, 2019

Net sales (¥ million)	140,311
Operating income (¥ million)	29,210
Proved reserves (million BOE)	155
Net production (thousand BOE)	28

▶ For more details see P. 40

Fiscal year ended March 31, 2019

Net sales (¥ million)	96,441
Operating income (¥ million)	27,336
Proved reserves (million BOE)	1,174
Net production (thousand BOE)	94



Americas

Fiscal year ended March 31, 2019

Net sales (¥ million)	8,308
Operating loss (¥ million)	8,751
Proved reserves (million BOE)	5
Net production (thousand BOE)	20

▶ For more details see P. 38

Project Overview by Region

Asia & Oceania

In the Asia and Oceania region, INPEX not only holds participating interests in the large-scale Ichthys and Abadi LNG projects but also is actively advancing about 20 exploration projects with growth potential.

1 Abadi LNG Project

The Abadi LNG Project is an LNG project based on an onshore LNG development scheme that INPEX as Operator is preparing for development alongside Shell in Masela Block offshore Indonesia. The project plans to produce approximately 9.5 million tons of LNG per year and a local gas supply via pipeline, as well as up to approximately 35,000 barrels of condensate per day. INPEX acquired a 100% interest in the Masela Block in November 1998 through an open bid conducted by the Indonesian authorities and subsequently conducted exploration activities as the operator, discovering the Abadi Gas Field through the first exploratory well drilled in 2000. The Company subsequently drilled two appraisal wells in 2002 and four in 2007–2008, all of which confirmed the presence of gas and condensate reservoirs.

In December 2010, the authorities approved the initial plan of development (POD-1) deploying a floating LNG (FLNG) plant with an annual processing capacity of 2.5 million tons, and from November 2012 to November 2014, INPEX undertook SURF (subsea, umbilical, riser and flowline) and FLNG FEED work.

INPEX drilled three more appraisal wells in 2013 and 2014 with the aim of expanding the volume of recoverable reserves, confirming a greater volume of natural gas reserves that were certified by the authorities.

Having revised its concept selection studies to factor in this increased volume of reserves, INPEX decided it would be optimal to center development on a large-scale FLNG. The Company submitted a revised plan for the development based on an FLNG plant with an annual LNG processing capacity of 7.5 million tons to the authorities in September 2015. In April 2016, however, the Company received a notification from the authorities instructing it to re-propose a plan of development based on onshore LNG. The Company subsequently entered into constructive discussions with the authorities, including in regard to securing economic efficiencies, and conducted Pre-FEED work based on an onshore LNG development scheme assuming annual LNG production capacity of 9.5 million tons from March to October 2018. INPEX submitted a revised Plan of Development and received the approval from the Indonesian authorities in July 2019. INPEX will undertake FEED (Front End Engineering Design) work, aiming for the project's production startup in the latter half of the 2020s.

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%

Drillship for the Abadi LNG Project

Project Overview by Region

2 The Ichthys LNG Project and Surrounding Blocks

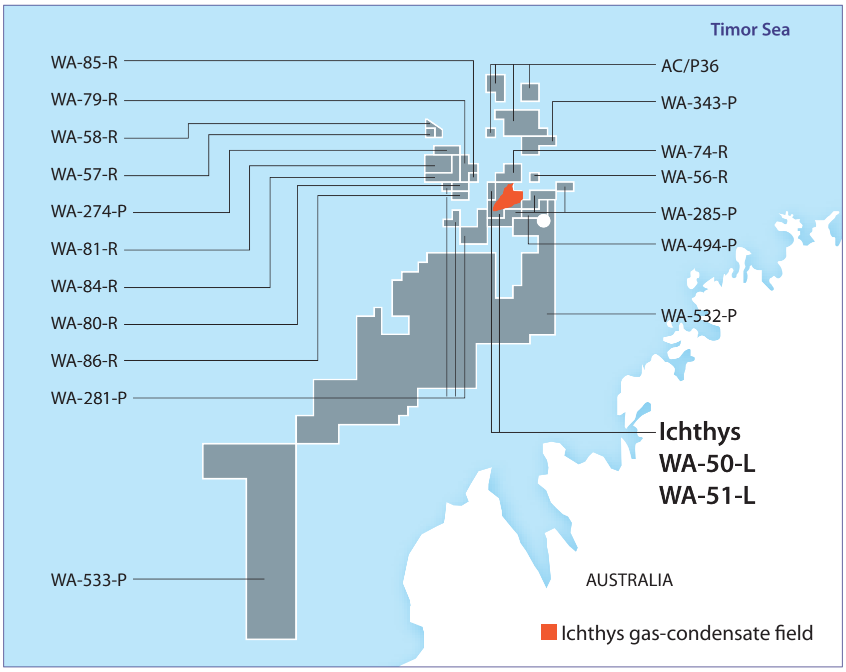
Ichthys LNG Project

In 1998, INPEX acquired an exploration permit in the block where the project is located, and following development studies including exploration, evaluation and FEED work, the company announced its final investment decision (FID) in January 2012. Following the completion and commissioning of the facilities for production, the company commenced gas production from the wellhead in July 2018. In October of the same year, the project commenced condensate shipments from the Floating Production, Storage and Offloading (FPSO) facility and shipments of LNG from the onshore gas liquefaction plant. The project also commenced LPG shipments in November 2018 and plant condensate shipments from December.

With production ramp ups proceeding in line with expectations, INPEX expects to reach LNG plateau production in 2–3 years from LNG production start-up. As of June 2019, the Project had shipped 55 LNG cargoes.

Surrounding Blocks

INPEX holds 18 exploration blocks in the vicinity of the Ichthys gas condensate field and is currently engaging in exploration activities. Of this total, exploration work has led to the discovery of gas at 11 blocks (WA-281P, WA-56-R, WA-57-R, WA-58-R, WA-74-R, WA-79-R, WA-80-R, WA-81-R, WA-84-R, WA-85-R, WA-86-R). Evaluation work is now being performed on these discoveries. In the event that substantial amounts of crude oil and natural gas are confirmed as a result of this exploration and evaluation activity, synergies and other effects with the Ichthys LNG Project are expected to further expand business.



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* 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 40% Santos* 60%
WA-85-R			
WA-86-R			
WA-56-R			INPEX Browse E&P Pty* 60% TOTAL 40%
WA-80-R			INPEX Browse E&P Pty 20.0000% Santos* 47.8306% Chevron 24.8300% Beach 7.3394%
WA-281-P			INPEX Browse E&P Pty 29.5% Santos* 70.5%
WA-57-R			INPEX Browse E&P Pty 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* 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* 100%
WA-532-P			
WA-533-P			
WA-343-P			INPEX Browse E&P Pty* 60% TOTAL 40%
AC/P36			INPEX Browse E&P Pty* 50% Murphy 50%

Onshore LNG plant

FPSO Ichthys Venturer

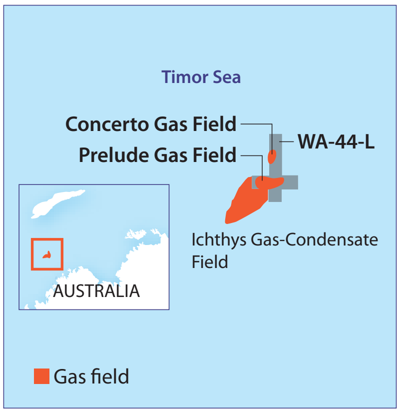
CPF Ichthys Explorer

3 Prelude FLNG Project (WA-44-L)

INPEX in June 2012 acquired from Shell a 17.5% interest in the Prelude FLNG Project, which is located in WA-44-L, approximately 475 km north-northeast of Broome, off the coast of Western Australia. A production, liquefaction and shipment using FLNG, the Prelude FLNG Project consists of the Prelude and Concerto gas fields and will produce approximately 3.6 million tons per year of LNG, 400 thousand tons per year of LPG at peak and approximately 36,000bbl of condensate per day at peak.

Shell (the operator) made the FID on the Prelude FLNG Project in May 2011.

The FLNG sailed away from its construction site in Geoje, South Korea, in June 2017 and arrived in Australian waters in July 2017. After mooring work and commissioning, the initial phase of production commenced in December 2018. The FLNG facility shipped the project's first condensate cargo in March 2019, and first LNG cargo in June 2019.



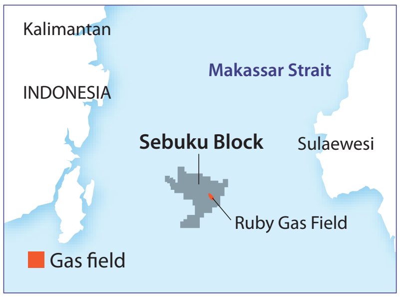
FLNG facility

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%

4 Sebuku Block Ruby Gas Field

Offshore production facility in the Ruby Gas Field

In September 2010, INPEX obtained a 15% interest in the Sebuku Block off the shore of South Makassar, Indonesia. Thereafter, work began to develop the Ruby Gas Field in the block, and production of natural gas followed in October 2013. The natural gas produced here is transported from offshore production facilities via an undersea pipeline to onshore process facilities that receive products from the Offshore Mahakam Block. The natural gas is then mainly sent via an inland pipeline to a fertilizer plant in East Kalimantan.



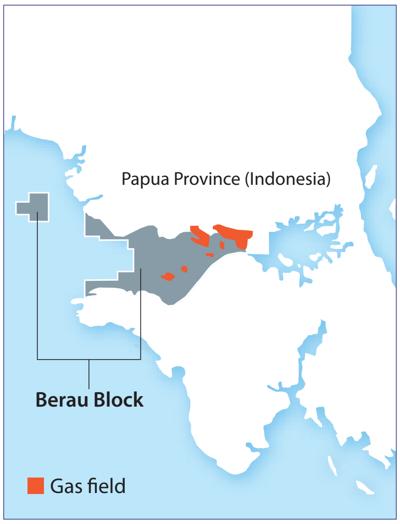
Contract area (block)	Project status (production on the basis of all fields and average rate of FY2018)	Venture company (established)	Interest owned (*Operator)
Sebuku	In production (Natural gas: 88 MMcf/d)	INPEX South Makassar, Ltd. (May 17, 2010)	INPEX South Makassar 15% Mubadala* 70% TOTAL 15%

5 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., a joint venture with Mitsubishi Corporation, acquired a stake in KG Berau Petroleum Ltd., effectively increasing the Company's interest to around 7.79% in the Tangguh LNG Project.

In March 2005, the Indonesian Government approved an extension of the production sharing contract (PSC) and project development plans for the Tangguh LNG Project through 2035. Development work commenced thereafter, and the first shipments of LNG began in July 2009.

The FID for expanding the Tangguh LNG Project was announced in July 2016. The Tangguh Expansion Project which adds a third LNG process train with 3.8 million tons per annum (mtpa) of production capacity to the existing two trains with 7.6 mtpa of production capacity, and it is currently under construction.



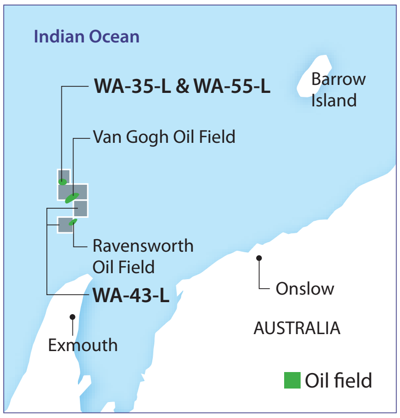
Shipping facility

Contract area (block)	Project status (production on the basis of all fields and average rate of FY2018)	Venture company (established)	Interest owned (*Operator)
Berau	In production (Crude oil: 6 Mbbld Natural gas: 1,077 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%

6 Van Gogh Oil Field, Ravensworth Oil Field and Others

Van Gogh FPSO vessel

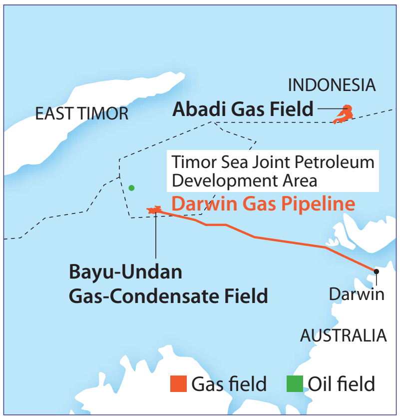
INPEX acquired interests in offshore Western Australia WA-155-P (Part I) in July 1999, after which the Van Gogh and Ravensworth oil fields were discovered. The Australian Government granted production licenses for the above oil fields as the WA-35-L and WA-43-L blocks, at which oil production commenced in February and August of 2010, respectively. The development of the Coniston Oil Field, which saddles WA-35-L and WA-55-L, was started in December 2011, and crude oil production commenced in May 2015.



Contract area (block)	Project status (production on the basis of all fields and average rate of FY2018)	Venture company (established)	Interest owned (*Operator)
WA-35-L (Van Gogh Oil Field)	In production (Crude oil: 7 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%

7 Bayu-Undan Project (JPDA03-12)

In April 1993, INPEX acquired an interest in JPDA03-12, a contract area located in the Timor Sea JPDA, which is 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 in the adjacent 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 and LNG in February 2006.



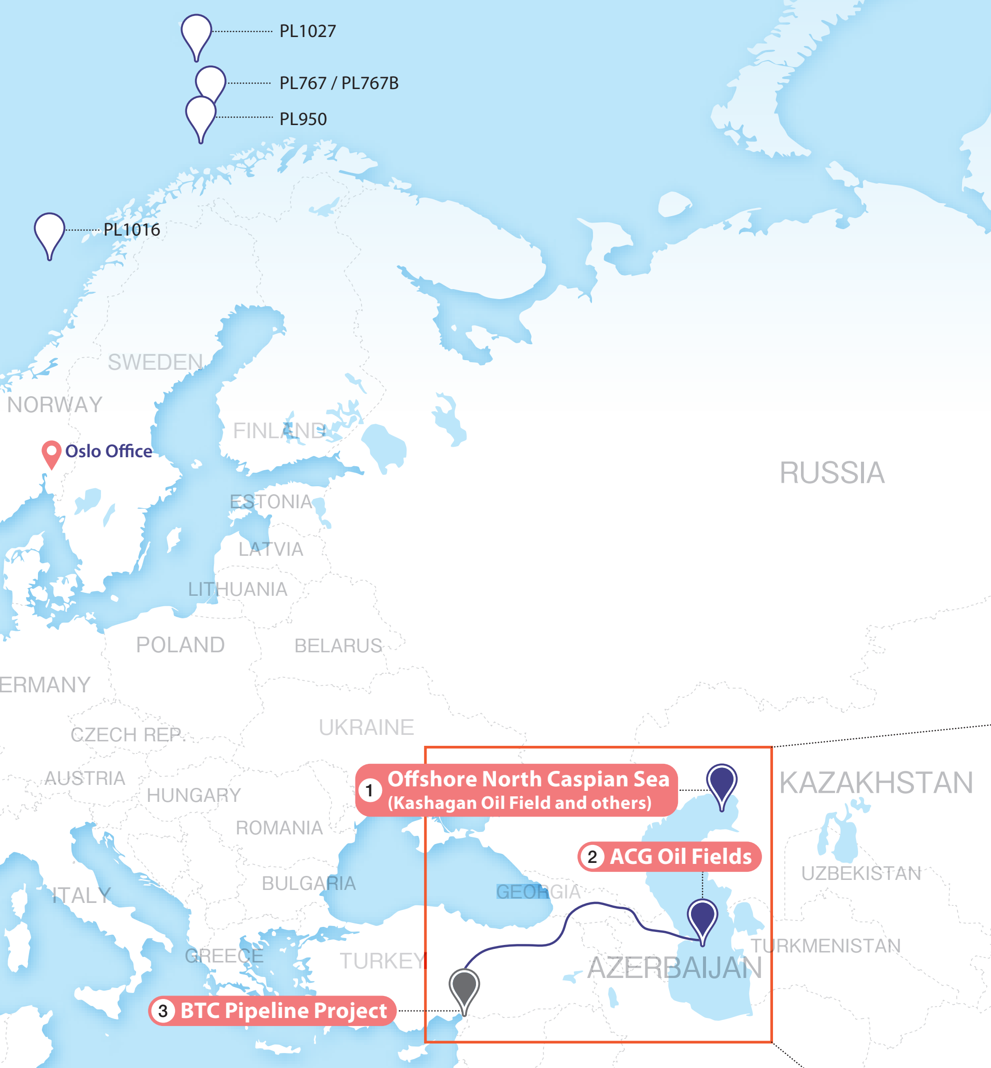
Bayu-Undan offshore facility

Contract area (block)	Project status (production on the basis of all fields and average rate of FY2018)	Venture company (established)	Interest owned (*Operator)
JPDA03-12	In production (Crude oil: 11 Mbbld, Natural gas: 520 MMcf/d, LPG: 7 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%

Project Overview by Region

Eurasia

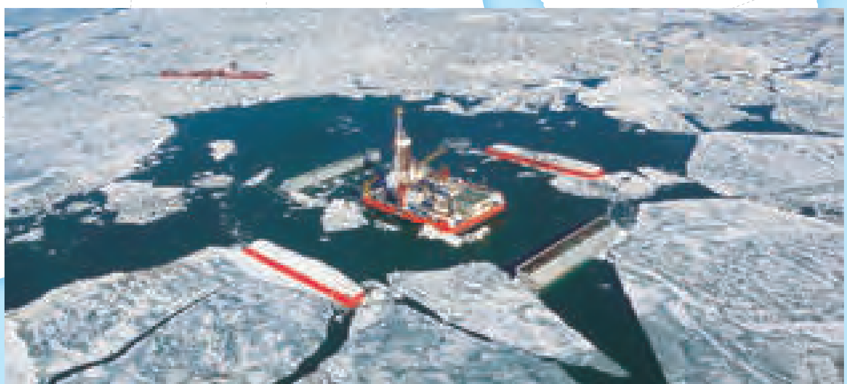
In the Eurasia region, INPEX has large-scale crude oil projects in Azerbaijan (ACG Oil Fields) and Kazakhstan (Kashagan Oil Field and others). In addition to the Sakhalin 1 Project, some of the fields in the Company's East Siberia Project in Russia have transitioned to the development and production stages. There also appears to be potential for growth in Norway following the Company's acquisition of exploration licenses in the western Barents Sea.



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 Offshore North Caspian Sea Contract Area consists of two blocks: the East Block is about 4,300 km^2 and the West Block is about 1,275 km^2 in area (for a total of about 5,575 km^2). The Kashagan Oil Field, which is in the East Block, is located in the Caspian Sea at depths of 3-5 m and is approximately 75 km southeast of Atyrau, Kazakhstan.

Since the first exploratory well was drilled in September 1999, the Kashagan Oil Field was confirmed in 2000 and commercial discoveries were announced in 2002. After development work, the Kashagan Oil Field began producing crude oil in September 2013. Production was temporarily halted due to a pipeline gas leak, but production resumed shortly thereafter. Shipments of crude oil commenced in October 2016. Besides the Kashagan field, the presence of hydrocarbon reserves was also confirmed in the surrounding Kalamkas, Aktote and Kairan structures. Appraisal of these three structures is continuing in parallel with the development of the main Kashagan 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 FY2018)	Venture company (established)	Interest owned
Offshore North Caspian Sea	In production (Crude oil: 303 Mbbld Natural gas: 369 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 a region of the south Caspian Sea in 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 and the revised PSA came into force in January, 2018. In April 2019, INPEX and partners made the final investment decision on 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 activities in 2023 and the project will continue to enhance project value including maintaining its production and increasing proved reserves from the ACG Oil Fields.


Offshore production facilities

Contract area (block)	Project status (production on the basis of all fields and average rate of FY2018)	Venture company (established)	Interest owned (*Operator)
ACG	In production (Crude oil: 578 Mbbld)	INPEX Southwest Caspian Sea, Ltd. (January 29, 1999)	INPEX Southwest Caspian Sea 9.31% BP* 30.37% Chevron 9.57% SOCAR 25.00% Equinor 7.27% ExxonMobil 6.79% TPAO 5.73% Itochu 3.65% ONGC 2.31%

3 BTC Pipeline Project

The 1,770-km BTC pipeline stretches from Baku in Azerbaijan on the coast of the Caspian Sea to Ceyhan in Turkey. Full-scale operation commenced in June 2006. Total transportation capacity stands at 1.2 million barrels per day, mainly for crude oil produced in the ACG Oil Fields in Azerbaijan.

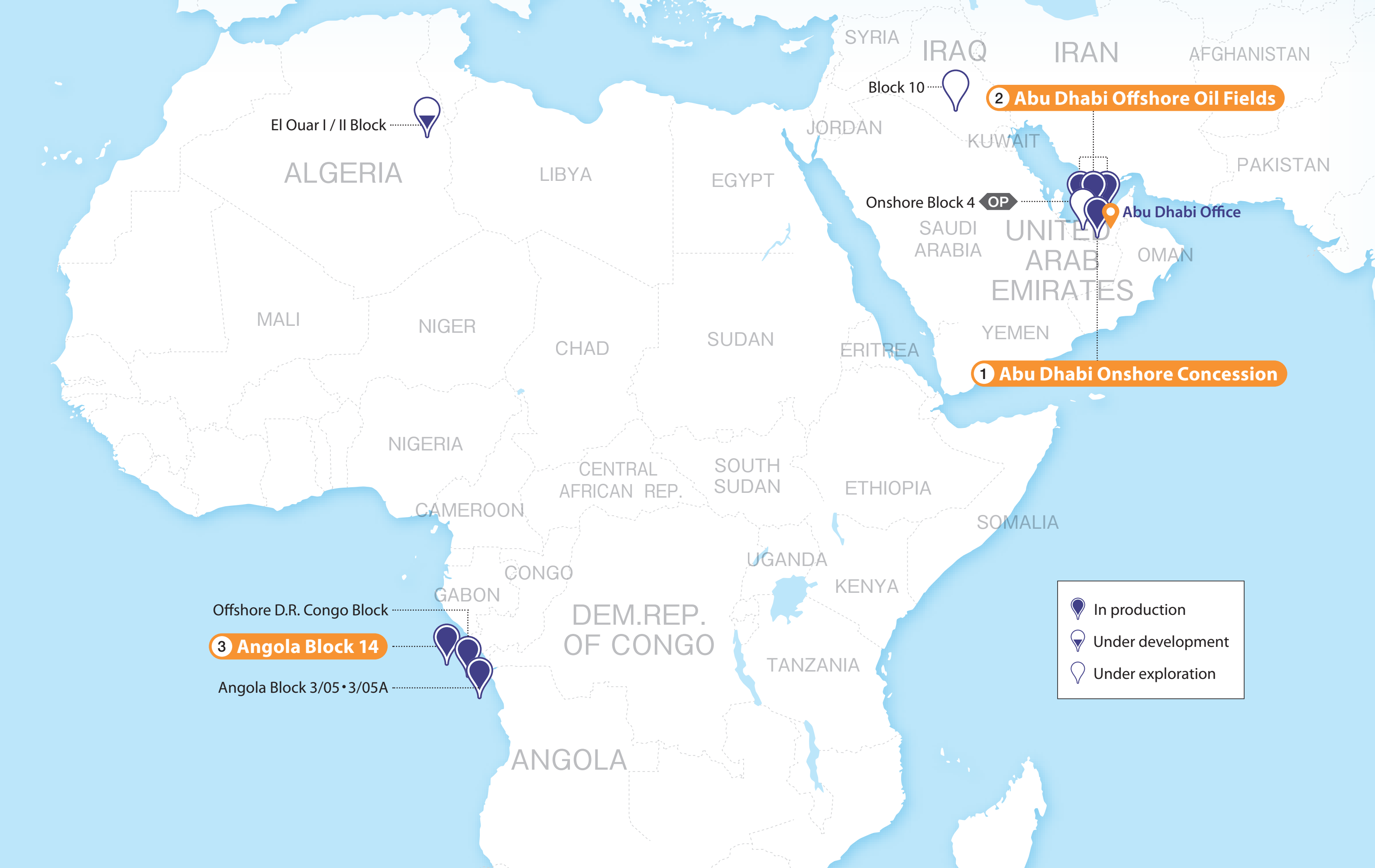
Contract area (block)	Venture company (established)	Interest owned (*Operator)
BTC Pipeline	INPEX BTC Pipeline, Ltd. (October 16, 2002)	INPEX BTC Pipeline 2.5% BP* 30.1% Azerbaijan (BTC) Limited 25% Chevron 8.9% Equinor 8.71% TPAO 6.53% Eni 5% TOTAL 5% Itochu 3.4% ExxonMobil 2.5% ONGC 2.36%


Shipping terminal

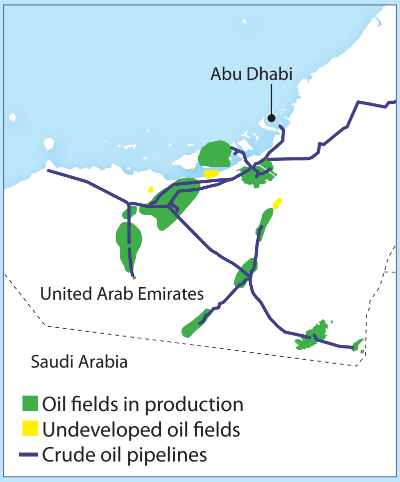
Project Overview by Region

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



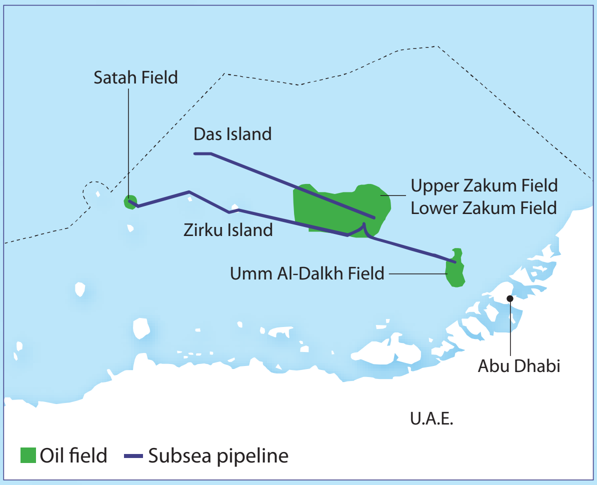
Through its wholly owned subsidiary, Japan Oil Development Co., Ltd. (JODCO), INPEX acquired a 5% interest in the ADCO Onshore Concession in Abu Dhabi in April 2015 following its participation bid. The Company also concluded a 40-year agreement with the Supreme Petroleum Council of the Emirate of Abu Dhabi and Abu Dhabi National Oil Company (ADNOC) that came into effect on January 1, 2015. The concession is one of the world's largest deposits of oil and is made up of 15 principal onshore oil fields in Abu Dhabi of which 12 are currently in production and three remain undeveloped. Development work is currently under way to increase 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 maintains rights and conducts development and production operations in four offshore oil fields near Abu Dhabi, including the Upper Zakum Oil Field, the largest Abu Dhabi offshore oil field. The Company acquired an interest in the Lower Zakum Oil Field concession in February 2018, with Abu Dhabi National Oil (ADNOC) appointing INPEX as the asset leader. The Company is playing a leading role in advancing development and working closely with ADNOC and its partners to lift production capacity in the field to 450 thousand barrels per day.


Zirku Island



Contract area (block)	Project status	Venture company (established)	Interest owned
Lower Zakum Oil Field		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	In production	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

Participating through a joint venture company with TOTAL S.A., INPEX acquired a 9.998% indirect interest in the oil-producing Angola Block 14 in February 2013. Located approximately 100 km offshore from 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 pursue exploration potential within the block.


Offshore production facilities

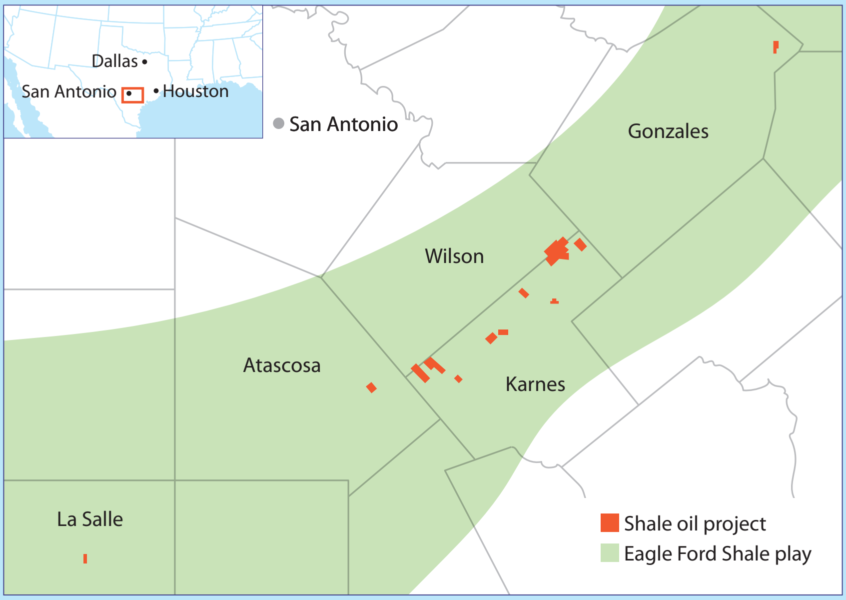
Contract area (block)	Project status (production on the basis of all fields and average rate of FY2018)	Venture company (established)	Interest owned (*Operator)
Angola Block 14	In production (Crude oil: 68 Mbbld)	Angola Block 14 B.V. (April 19, 2012)	Angola Block 14 B.V. 20.00% (including 9.998% of INPEX's interest) Chevron* 31.00% Sonangol 20.00% Eni 20.00% Galp 9.00%

Americas

INPEX is engaged in the Lucius Deepwater project in the U.S. Gulf of Mexico as well as various explorations 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	Venture company (established)	Interest owned (*Operator)
Eagle Ford shale play, southern Texas, US	In production	INPEX Eagle Ford LLC (2019)	With the exception of some areas, INPEX holds a 100% interest as the Operator

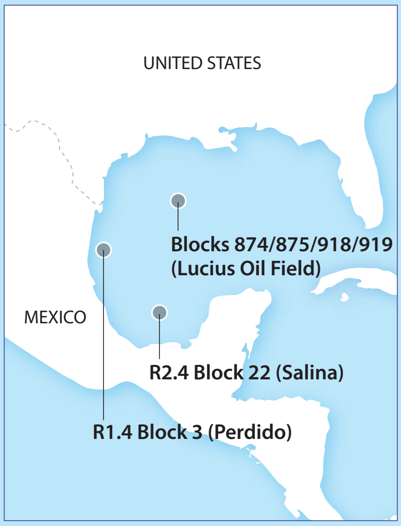
2 Gulf of Mexico Projects and Others

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 Exploracion y 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, the Company made a successful bid for rights to Block 22 in the Mexican sector of the southern Gulf of Mexico in January 2018. The Company holds a 35% stake and is currently engaged in exploration activities.


Lucius Project



Contract area (block)	Project status (production on the basis of all fields and average rate of FY2018)	Venture company (established)	Interest owned (*Operator)
Keathley Canyon Blocks 874/875/918/919 (Lucius Oil Field)	In production (Crude oil: 25 Mbbld Natural gas: 18 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.

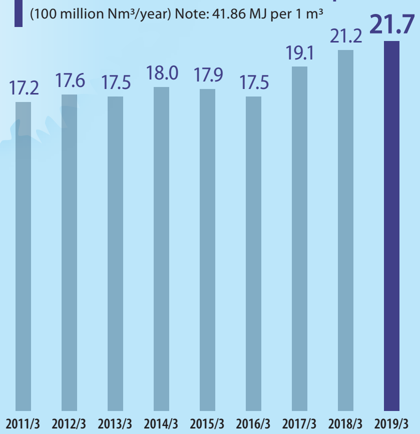
Natural Gas Business in Japan

In the natural gas business in Japan, the natural gas produced from the Company-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 the

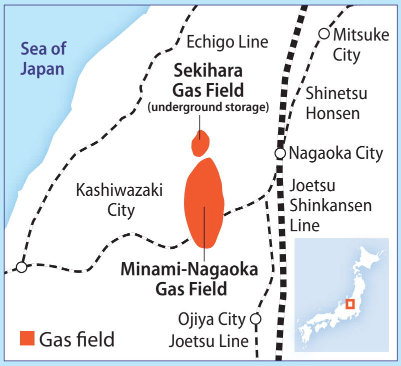
Natural Gas Sales Volume in Japan

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



Company's 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.



Natural gas pipeline crossing a river (Shibumi River, Niigata Prefecture)

Renewable Energy and Other Initiatives

Power Generation Business in Japan

In March 2013, the Company began generating electricity at INPEX Mega Solar Joetsu, a solar power plant with a maximum output of 2 MW, located on the former site of an oil refinery that it shut down in Joetsu City, Niigata Prefecture. In 2014, through cooperation between Group companies, a new 2-MW solar power plant was built next to the original site. Power generation began in July 2015. It is estimated that these two solar power plants will generate around 5,330,000 kWh annually, enough electricity to power 1,600 homes.

In addition, INPEX constructed a high-efficiency gas turbine combined cycle thermal power plant with an output of about 55,000 kW next to its Koshijihara plant in Niigata Prefecture and has been supplying electricity on a wholesale basis to power producers and suppliers (now retail electricity providers) since May 2007.

Geothermal Development

Geothermal power is the generation of electricity with turbines powered by steam produced from the thermal energy of magma underground.

With a view toward geothermal power generation, INPEX and Idemitsu Kosan Co., Ltd., have jointly conducted geothermal surveys in the Amemasudake region of Hokkaido Prefecture and the Oyasu region of Akita Prefecture since 2011.

From 2013 to 2018, the companies undertook geothermal resource surveys by drilling a total of seven survey wells in the Amemasudake region, and in the Oyasu region seven more survey wells, two test production wells, and one test reinjection well. We confirmed steam and hydrothermal production through fumarolic testing in both areas and commenced environmental assessment in the Oyasu region in 2018.

Also, as a member of the geothermal resource survey group in Fukushima Prefecture, INPEX temporarily suspended the joint land survey activities in 2018 in areas surrounding Mt. Bandaisan that have been taking place since 2012, but continues to make preparations for surveys of the Azuma-Adatara area.

Moreover, INPEX took steps to participate in the Sarulla Geothermal Independent Power Producer (IPP) Project in Indonesia from June 2015. The project involves constructing a world-class geothermal power plant in the Sarulla Geothermal Field located in the province of North Sumatra, and plans call for the selling of generated power to Indonesia's government owned electricity company over a period of 30 years. Construction of the power generation plant began in 2014. Commercial operations were launched at the first unit in March 2017, at the second unit in October 2017, and at the third unit in May 2018. On a combined basis, output for the three units is 330 MW.

Sarulla Geothermal IPP Project

Sustainability

INPEX aims to further enhance its corporate value as a company essential to society by contributing to economic growth and social development through its business operations. Fulfilling our corporate social responsibility (CSR) is a vital plank in the platform that supports our growth. Each year, we take steps to evaluate the progress of our sustainability practices and to push forward all appropriate measures from a medium- to long-term perspective.

CSR Promotion System

We have disclosed the executive management's approach of sustainability, and established the CSR Committee, chaired by the President to promote companywide 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 (Vice-Chair). The Chairs of the Compliance Committee and the Corporate HSE Committee attend CSR Committee meetings to facilitate collaboration with their respective committees.

Response to Climate Change

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; governments, businesses and civil society. Governmental policy measures, 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 natural gas industry. Furthermore, we comply with national regulations of each country in which we operate business, 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; to 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 as a means to reduce the emissions associated with INPEX's value chain. In addition, we will properly manage GHG emissions from our operations and proceed with technology development for practical application of Carbon dioxide Capture and Storage (CCS)*1 to capture and sequester GHG emissions. We shall also undertake analysis and initiatives in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and seek to complete disclosure of exposure to climate-related risks as well as information on climate related opportunities. INPEX has developed a position paper, "Corporate Position on Climate Change," (issued December 2015, last revised July 2018) which is available on our website*2.

*1 CCS: Carbon dioxide Capture and Storage
*2 Corporate Position on Climate Change
https://www.inpex.co.jp/csr/climatechange/pdf/20180723.pdf

Climate Change Milestones

2015
- Published a position paper, "Corporate Position on Climate Change"

2016
- Established a Climate Change Strategy Project Team led by the Corporate Strategy and Planning Division

2017
- Set internal carbon price ($35/tCO$_2$-e) for economical evaluation
- Established scenarios for a low-carbon society

2018
- Announced "Vision 2040" which targets renewable energy portfolio up to 10% of our total business portfolio by 2040
- Established Climate Change Strategy Group to promote actions against climate change within the Corporate Strategy and Planning Division
- Established Renewable Energy & Power Business Division
- Conduct financial assessment (underway during 2019)
- Evaluate physical risks to our facilities (underway during 2019)

Identification of Material CSR issues and Prioritization Process

As a global energy company, in 2012 INPEX identified the Material CSR Issues that we must tackle as important issues on a priority basis through our business activities based on the INPEX Group Business Principles. This action has served as a means of achieving sustainable growth together with society throughout the future based on the trust of all stakeholders. In 2015, we reviewed the overall initiatives conducted over the three-year period for each of the five Material CSR Issues identified three years earlier. At the same time, we reexamined the Material CSR Issues in light of such factors as events that affect our business activities accompanying progress in our main projects and changes in the concerns of shareholders. We reidentified our Material CSR Issues and added "Governance" as a sixth area of concern.

In addition, INPEX has identified the Material Issues that we must tackle on a priority basis for each theme through a four-step Key Task identification process ([1] Issue identification, [2] stakeholder dialogue, [3] Issue prioritization, [4] management review) and is taking action through a PDCA cycle so that improvements are made on an ongoing basis. In fiscal 2017, we incorporated the perspectives from the Sustainable Development Goals (SDGs)* and are now conducting a review of the important issues.

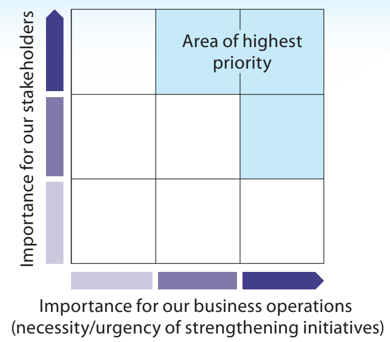
*Sustainable Development Goals (SDGs)
Seventeen goals and 169 targets adopted by the UN Sustainable Development Summit in September 2015 that describe the United Nations' agenda for people, planet and prosperity.

Identification of Material Issues

Governance	Compliance	HSE
Local Communities	Climate Change	Employees

INPEX Key Tasks

- Strengthen governance structure
- Upgrade risk management system
- Respect for human rights
- Legal compliance, prevention of bribery and corruption
- Conducting Environmental and Social Impact Assessment (ESIA) in the supply chain
- Prevention of major incidents
- Securing occupational health and safety
- Conservation of biodiversity, appropriate water resource management
- Conducting assessments and measures to reduce the impact on local and indigenous communities
- Contribution to local economies
- Promotion of renewable energy
- Development of natural gas as a cleaner source of energy
- Strengthen climate-change-related risk management
- Development of personnel and increasing the motivation of the workforce
- Promotion of diversity



INPEX Value Creation

Our goal is to become a leading energy company serving an essential role in society by fulfilling our mission to deliver energy in a sustainable way. By achieving the three strategic targets described in the Vision 2040, we will strive for stable supply of energy and other value creation.

Becoming a leading energy company

Value Creation

Social Value

- Stable supply of energy
- Improving Japan's 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

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

Vision 2040

- Sustainable Growth of Oil and Natural Gas E&P Activities
- Development of Global Gas Value Chain Business
- Reinforcement of Renewable Energy Initiatives

SDGs integrated into our strategic objectives

Social responsibility and sustainability into practice

INPEX's Strengths

- Steady growth in cash flow and a solid and stable financial base
- Technical capabilities to carry out projects
- A highly competitive project portfolio
- Partnerships with oil-producing countries
- Diverse human resources
- Support from the government of Japan

Priorities for INPEX

- 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

Targets and Results of Material Issues

Material Issues	Key tasks	FY2018 Results
Governance	Strengthen governance structure	● Held several meetings with participation of outside directors, and held discussions on improving corporate governance at INPEX ● As part of the PDCA cycle of evaluation of effectiveness of the Board of Directors, conducted interim reviews of progress made on matters requiring improvement, as identified during last fiscal year's evaluations, at meetings that included outside directors. In light of these reviews, finally conducted the evaluation of effectiveness of the Board of Directors during fiscal 2018 ● Held meetings of the Nomination and Compensation Advisory Committee (six times) and discussed support for the Corporate Governance Code (director compensation system, selection and removal of senior management, plans for succession, etc.) Started implementing Stock-Based Remuneration System for directors with appropriate oversight of this committee ● Formulated a Tax Policy
	Upgrade the risk management system	● Promoted Business Continuity Management (BCM)[1] for earthquake scenarios activities and conducted training and education at corporate headquarters
Compliance	Respect for human rights	● Published the UK Modern Slavery Act Statement FY2017 ● Conducted human rights training for new recruits ● Continuous participation in the IPIECA human rights working group
	Legal compliance, prevention of bribery and corruption	● Conducted a compliance awareness survey ● Conducted compliance training by theme and level ● Continued ABC risk assessments at overseas offices ● Continuous education and strengthened implementation of ABC regulations (formulated the INPEX Group Global ABC Policy and conducted training, etc.) ● Implemented initiatives to enhance global compliance systems ● Continued participation in the anti-corruption working group of the Global Compact Network Japan
	Conducting Environmental and Social Impact Assessment (ESIA) in supply chain	● Continued participation in the supply chain working group of the Global Compact Network Japan ● 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
HSE	Prevention of major incidents	● Enhanced the Corporate HSEMS (Revised the Corporate HSEMS Manual and 8 of related Corporate HSE Standards, and expanded the HSE management scope to cover non-operated projects) ● Improved HSE assurance and governance (Participated in 14 HSE reviews and conducted 3 risk-based audits at domestic and overseas sites) ● Strengthened HSE risk management process to prevent major incidents and the associated risks (Conducted HSE risk management activities and quarterly reviews for all Operational Organizations throughout the year and reported the result to Executive Committee; conducted 3 AIPS[3] Assurance Review at 3 organizations; assisted preparation of Safety Case for Tokyo line and Oyazawa plant; started to apply Process Safety KPI and issued PS KPI Implementation Report; conducted INPEX Barrier Management (IBM) Training for domestic operations) ● Reinforced emergency and crisis response capability (Operational Organizations and the corporate headquarters cooperatively conducted 3 of level 3 exercises: earthquake exercise at the Naoetsu LNG Terminal, Ichthys LNG offshore facility gas leak exercise, and Tokyo inland earthquake exercise)
	Securing occupational health and safety	● Provided HSE technical support and strengthened HSE management at worksites (Conducted 5 HSE Management Site Visit at domestic and overseas operator project sites, non-operated project sites and domestic subsidiaries; conducted 3 site visits exchanges by site representatives; HSE Award conferment) ● Incident reduction (LTIF[4]: 0.23/TRIR[5]: 1.85, PS KPI Tier 1: 1/Tier 2: 6)
	Conservation of biodiversity, appropriate water resource management	● Developed Corporate Environmental Management Plan including initiatives for biodiversity conservation and water management Conservation of biodiversity: ● In Japan: conducted marine research ● In Japan: participated in forestation and biodiversity conservation activities ● Overseas: conducted biodiversity monitoring Water management: ● Conducted water stress assessment in our project area ● Collected and analyzed water consumption in our business
Local Communities	Conducting assessments and measures to reduce impact on local and indigenous communities	Japan: ● Provided information on operational status and safety initiatives through community briefings and issuance of newsletters at Naoetsu LNG terminal Australia: ● Held more than 430 stakeholder engagement activities ● Received more than 1,500 local inquiries (of which 50% related to employment opportunities)
	Contribution to local economies	Global: ● Social investment results: Approx. ¥1.6 billion Australia: ● Finalized the Larrakia Benefits Package ● Commenced the Solid Pathways program creating 10 additional roles for Aboriginal and/or Torres Strait Islander people ● Engaged 1,471 Aboriginal and Torres Strait peoples through contractors during the Ichthys LNG construction phase between April 2012 and March 2018 ● Contracted 62 Aboriginal and Torres Strait Islander owned businesses to a value over A$175 million during the Ichthys LNG construction phase from 2012 to mid 2018
Climate Change	Promotion of renewable energy	● Ensured stable operation of solar power generation ● Started commercial operation of Unit 3 of the Sarulla Geothermal IPP Project in Indonesia, achieved stable operations of the power plant as a whole ● Moved the geothermal plant in the Oyasu region in Akita Prefecture to the next-period survey phase and started an environmental assessment. Continued drilling surveys and short-term fumarolic testing etc., in Amemasudake, Hokkaido. ● Set a clear path to the start-up of a domestic wind power business ● Continued research and development of technologies that contribute to building an electricity-hydrogen-methane value chain
	Development of natural gas as a cleaner source of energy	● Commenced the Ichthys LNG Project production and shipping ● Continued a stable supply of natural gas and increased supply volume through safe operation of domestic gas fields, the Naoetsu LNG Terminal, and the approximately 1,500km high-pressure gas pipeline network ● Engaged in activities to promote natural gas use
	Strengthen climate-change-related risk management	● Established the Climate Change Strategy Group in the Corporate Strategy & Planning Unit of the Corporate Strategy & Planning Division ● Applied oil prices and carbon prices according to the IEA WEO 2°C scenario to the INPEX portfolio, and conducted a trial financial assessment using a method that calculates the NPV rate of change from a base NPV ● Constructed a process for estimating the level of methane fugacity and published the results for FY2018
Employees	Development of personnel and increasing the motivation of the workforce	Global: ● Continued promotion of INPEX Values (Value Awards, expansion of program to Group companies, etc.) ● Formulated the INPEX Group Health Statement Japan: ● Continued the internal recruiting system and career consultations for corporate employees ● Reduced overtime hours and continued promotion of the taking of paid leave ● Introduced a year-round "business casual" work wear policy
	Promotion of diversity	Global: ● Published a message from the president on diversity and inclusion Japan: ● Conducted training for managers of people with parental responsibilities, and increased information available to male employees regarding the Parental Leave System ● Conducted LGBT Training

❶ Business Continuity Management
The activities undertaken by a company to develop and maintain a business continuity framework and ensure overall preparedness by the company through education and training initiatives

❷ Business Continuity Plan
A proactive plan outlining the priority operations and steps to be taken in the event of a disaster to avoid or mitigate the risk of interruption to business activities

	FY2019 Targets	Medium- to Long-Term Initiatives and Directions
	● Monitor status of Medium-term Business plan 2018-2022 ● Conduct the evaluation of effectiveness of the Board of Directors for FY 2019 and ensure the continuous efforts to enhance the Board of Director's effectiveness (PDCA cycle) ● Continue taking some measures to improve governance, including in response to the revised disclosure ordinances of the Financial Services Agency (director compensation and nomination, etc., with appropriate oversight of the Nomination and Compensation Advisory Committee) ● Strengthen tax governance	Improvement of the effectiveness of the Board of Directors, appropriate information disclosure including dialogue with shareholders, cooperation with stakeholders, and continual strengthening of corporate governance ● Strengthening of the corporate governance structure, including strengthening of the supervisory role of the Board of Directors ● Expansion of discussion on business strategies in light of Vision 2040 and the Medium-term Business Plan, and monitoring of plan progress
	● Promote Tokyo Office-based BCM activities for earthquake scenarios provide BCM education and training for employees, and review Tokyo office BCP[2] for highly virulent infectious disease scenarios.	
	● Publish the UK Modern Slavery Act Statement FY2018 ● Continue human rights training for new recruits ● Strengthen human rights management	Appropriate responses to and full compliance with the laws and regulations of the areas in which we operate, anti-bribery and anticorruption laws, judicial/administrative sanctions, international standards and ethics, and respect for human rights ● Strengthening of a global human rights management structure ● Strengthening of supply chain risk assessment and compliance
	● Continuous education information on compliance and conduct education and training programs ● Continue ABC risk assessments at overseas offices ● Widely disseminate and strengthen the implementation of ABC regulations (conduct training, etc.) ● Implement initiatives to enhance global compliance systems	
	● Administer a supplier self-evaluation questionnaire including human rights and anti-bribery and corruption to major suppliers and contractors ● Continue risk assessment including human rights, anti-bribery and corruption of major domestic suppliers and contractors	
	● Continuous improvement of the Corporate HSE Management System (Revise Corporate Standards; facilitate HSE management of HQ Organization including non-operated projects) ● Improve HSE assurance and governance (Improve the consistency and effectiveness of HSEMS through HSE reviews and risk management-based audits) ● Provide HSE technical support (to operator project and HQ organization including non-operated project) ● Strengthen HSE risk management process to prevent major incidents (Preparation of Safety Case for major facilities; barrier management promotion; implementation of PS leading KPI) ● Reinforce emergency and crisis response capability (Comprehensive exercise involving Corporate Crisis Management Team assuming major incidents at Domestic E&P Project and the Ichthys LNG Project; emergency response exercise based on the function and phase of relevant divisions)	Under our commitment to the HSE Policy, top management, managers and workinglevel personnel earnestly implement the process defined in the HSE Management System Think, act and promote safety culture as "Safety Number One" on INPEX Values and aim to achieve zero incidents and prevent major incidents ● Promote actions to achieve the Corporate HSE Third Phase Mid-term Plan (2016-2020) as follows: • Enhance the Corporate HSE Management System (HSEMS) • Improve HSE assurance and governance by continuous implementation of the risk management-based audits and HSE reviews • Fulfill HSE technical support by utilizing HSE human resources • Develop HSE activities that incorporated opinions on the sites • Thoroughly prevent major incidents by promoting Process Safety management • Continue to monitor and analyze LTIF/TRIR • Reinforce emergency and crisis response capability • Promote plans for reducing GHG emissions
	● Strengthen HSE management at worksites (Confirm measures to prevent recurrence of incidents through HSE Management Site Visits and site visit exchanges by site representatives; communicate and deepen mutual understanding with site workers) ● Incident reduction (LTIF: 0.12 / TRIR: 0.70 or less; prepare to adopt IOGP Life-Saving Rules; use the new event reporting system) ● Improve health promotion and maintenance program (Improve health promotion and maintenance programs in line with INPEX Group Health Statement)	
	● Implement and revise Corporate Environmental Management Plan including actions for biodiversity conservation and water management	
Conservation of biodiversity	● Create a protected areas database nearby our projects ● In Japan: measures for specific invasive alien plant species ● In Japan: marine research (continued) ● In Japan: participate in forestation and biodiversity conservation activities ● Overseas: biodiversity survey ● Overseas: conduct biodiversity monitoring ● Develop a report about our biodiversity conservation activity	
Water management	● Conduct water stress assessment in our project area ● Understand water balance in our business and collect and analyze water consumption	
Japan	● Maintain good relationships with stakeholders through continuous dialogue including community briefings and issuance of newsletters	Contributions to regional development and the resolution of social issues through projects, while respecting human rights and the cultures and customs of the areas in which we operate ● Understanding community needs and implementing measures through engagement with stakeholders in the areas in which we operate
Australia	● Continue to manage the impact on and concerns of local communities and stakeholders as the Ichthys LNG transitions to steady, safe and reliable operations	
Global	● Social investment plan: Approx. ¥1.3 billion	
Australia	● Continue delivery of the Larrakia Benefits Package through ongoing engagement with the INPEX Larrakia Advisory Committee ● Increase Aboriginal and/or Torres Strait Islander direct employees by 36 people or 3% of our workforce by end of 2021 ● Employ an average of 60 Aboriginal and Torres Strait Islander peoples through Ichthys LNG operations subcontractors in each year from 2019 to 2021 ● Increase Aboriginal and Torres Strait Islander business contracts by 50%, to a value more than A$1 million for the Ichthys LNG operations phase from 2019 to 2021	
	● Ensure stable operation of solar power generation facilities ● Ensure stable operation of the entire Sarulla Geothermal IPP Project in Indonesia ● Promote existing geothermal power generation business in Japan ● Pursue new geothermal and wind power business, etc. ● Continue research and development of technologies that contribute to building an electricity-hydrogen-methane value chain	Strengthening the governance structure, and implementation of initiatives in the areas of business strategy, risk and opportunity assessment and emissions management, to actively support a low-carbon society in line with the long-term goals of the Paris Agreement ● Initiatives to create a low-carbon society ● Ongoing promotion of information disclosure in accordance with the TCFD recommendations
	● Achieve stable and efficient production and operation at the Ichthys LNG Project ● Continue a stable supply of natural gas and increase supply volume through safe operation of domestic gas fields, the Naoetsu LNG Terminal, and the approximately 1,500km high-pressure gas pipeline network ● Engage in activities to promote natural gas use	
	● Continue improving the assessment process for climate change-related risks and opportunities ● Develop a framework for physical risk assessment ● Continue improving methods of financial assessment of our ability to respond to climate change-related risks ● Strengthen emission controls at non-operator projects	
Global	● Continue promoting INPEX Values (Value Awards, inclusion of Group companies, etc.) ● Formulated the INPEX Group Health Statement	Creation of a company where a diverse range of people are able to exercise autonomy and play an active role with a high sense of values and purpose in accordance with the standards of the INPEX Values ● Continue the promotion of INPEX Values ● Development of environments where diverse HR can be actively involved
Japan	● Implement additional effective measures for health and productivity management (introduction of a health and productivity app, increased participation in specific health checkups and health guidance, expansion of health education content, etc.) ● Continue the internal recruiting system and career consultations for corporate employees ● Reduce overtime work and continue measures to improve the proportion of paid leave taken ● Introduce a companywide flexible work system for employees	
Global	● Facilitate employee transfers between global sites	
Japan	● Implement measures based on our General Employer Action Plan to promote active participation of women (ongoing training for managers of people with parental responsibilities, career guidance for female employees, etc.) ● Improve the workplace environment for persons with disabilities	

❸ **Asset Integrity Process Safety**
Management of facility integrity/process safety

❹ **Lost Time Injury Frequency**
Rate of injury resulting in fatalities or lost time per million hours worked

❺ **Total Recordable Injury Rate**
Rate of total fatalities, lost work day cases, restricted work day cases, and medical treatment cases per million hours worked

Corporate Governance

(As of June 26, 2019)

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

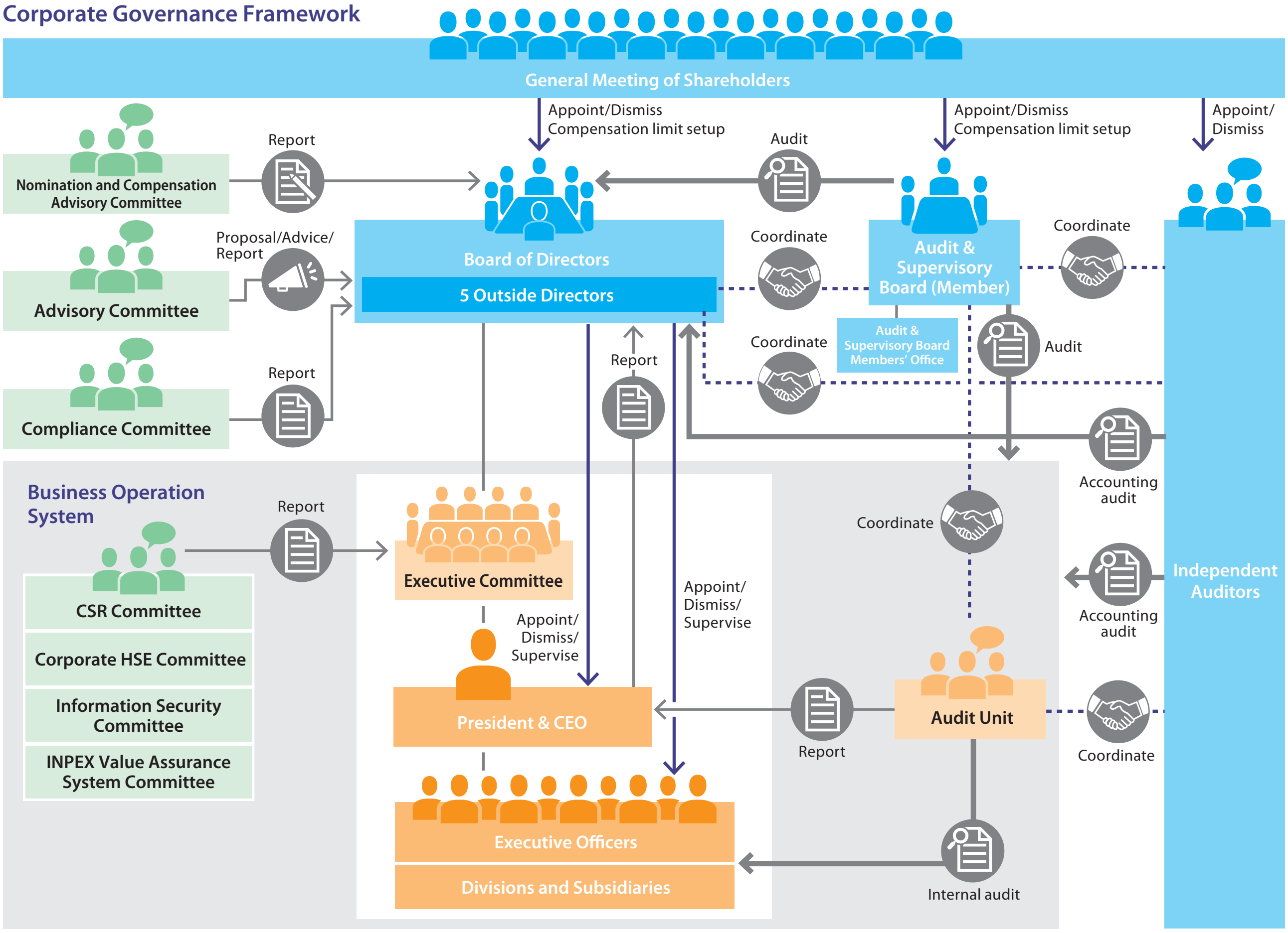
INPEX has adopted an Audit & Supervisory Board Member organizational structure, under which Audit & Supervisory Board members audit the execution of operations, which are in turn carried out by directors well versed in their field. In addition, the Company has introduced an Executive Officer System to 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 five of its 13-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) ······ 13 (5) 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 13 members, five 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 p. 92-93 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 March 31, 2019)

Name of the CPA firm	Ernst & Young ShinNihon LLC
Names of the CPAs	Hiroaki Kosugi Toru Kimura Takeshi Yoshida
Accounting audit members	19 CPAs, 21 personnel who passed an accountant exam, etc., and 30 others
Compensation for auditing services	¥282 million (INPEX: ¥202 million; Consolidated subsidiaries: ¥80 million)
Compensation for non-auditing services	¥19 million (INPEX: ¥ 1 million; Consolidated subsidiaries: ¥18 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 five outside directors possess broad knowledge and many years of experience as managers in such fields as the 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 qualification 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.

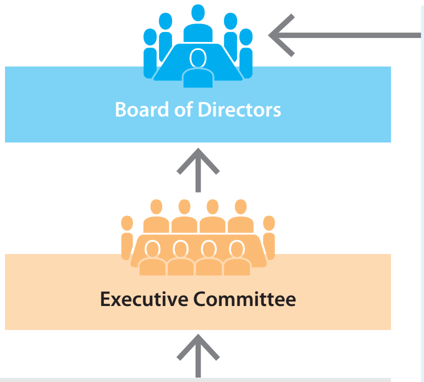
To strengthen the auditing function and ensure viable corporate governance, steps have been taken to set up the Audit & Supervisory Board Members' Office and to deploy dedicated staff. In this manner, efforts are being made to promote collaboration along the aforementioned terms between Audit & Supervisory 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 March 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 17/17
	Norinao Iio	✓	—	To utilize his rich experience and broad knowledge in the resources/energy industry in our company's management.	Board of Directors meetings 16/17
	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 17/17
	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.	—
	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.	—
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 17/17 Audit & Supervisory Board meetings 15/15
	Shinya Miyake	✓	—	Possesses abundant experience and wide-ranging knowledge in fields such as international finance and financial affairs.	—
	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.	—
	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.	—

Internal Committees

To further enhance the efficacy of the corporate governance function, INPEX has set up ❶the 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 environment 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 value.

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 13th Ordinary General Meeting of Shareholders held in June 2019 was posted on the Company's Web site more than three weeks prior to the meeting on May 27, 2019. The Convocation Notice itself was dispatched on June 3, 2019.

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.

IR fair in February 2019


IR page on INPEX's Web site

Directors, Audit Supervisory Board Members and Executive Officers

(As of June 26, 2019)

Toshiaki Kitamura

Representative Director, Chairman
Years of service as Director: 9 years,
Number of shares owned: 39,800 shares

Takayuki Ueda

Representative Director, President & CEO
Years of service as Director: 1 year,
Number of shares owned: 6,000 shares

Masahiro Murayama

Director, Senior Executive Vice President
Years of service as Director: 10 years,
Number of shares owned: 29,200 shares

Seiya Ito

Director, Senior Executive Vice President
Years of service as Director: 13 years,
Number of shares owned: 24,100 shares

Takahiko Ikeda

Director, Senior Managing Executive Officer
Years of service as Director: 10 years,
Number of shares owned: 31,000 shares

Shigeharu Yajima

Director, Senior Managing Executive Officer
Years of service as Director: - year,
Number of shares owned: 13,000 shares

Kimihisa Kittaka

Director, Managing Executive Officer
Years of service as Director: 3 years,
Number of shares owned: 10,300 shares

Nobuharu Sase

Director, Managing Executive Officer
Years of service as Director: 3 years,
Number of shares owned: 29,800 shares

Directors and Audit & Supervisory Board Members

Representative Director, Chairman	Toshiaki Kitamura	
Representative Director, President & CEO	Takayuki Ueda	(1)
Director	Masahiro Murayama	(1)
Director	Seiya Ito	(1)
Director	Takahiko Ikeda	(1)
Director	Shigeharu Yajima*	(1)
Director	Kimihisa Kittaka	(1)
Director	Nobuharu Sase	(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)
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)

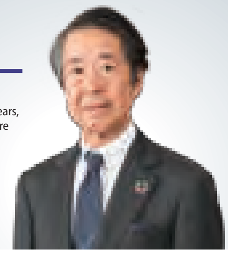
*Newly appointed Directors and Audit & Supervisory Board Members
(1) Concurrently holds the position of executive officer (2) Outside directors as defined in Article 2, Item 15, of the Companies Act (3) Outside Audit & Supervisory Board members as defined in Article 2, Item 16, of the Companies Act
(4)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

Jun Yanai

Director (Outside)
Years of service as Director: 3 years, Number of shares owned: - share

Norinao Iio

Director (Outside)
Years of service as Director: 2 years, Number of shares owned: - share



Atsuko Nishimura

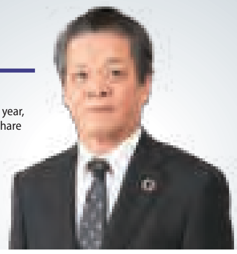
Director (Outside)
Years of service as Director: 2 years, Number of shares owned: - share

Yasushi Kimura

Director (Outside)
Years of service as Director: - year, Number of shares owned: - share

Kiyoshi Ogino

Director (Outside)
Years of service as Director: - year, Number of shares owned: - share



Noboru Himata

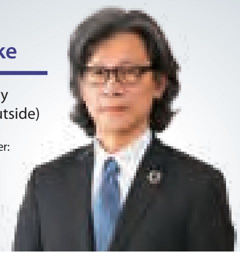
Audit & Supervisory Board Member
Years of service as Audit & Supervisory Board Member: - year, Number of shares owned: 17,100 shares

Hideyuki Toyama

Audit & Supervisory Board Member (Outside)
Years of service as Audit & Supervisory Board Member: 4 years, Number of shares owned: - share

Shinya Miyake

Audit & Supervisory Board Member (Outside)
Years of service as Audit & Supervisory Board Member: - year, Number of shares owned: - share



Mitsuru Akiyoshi

Audit & Supervisory Board Member (Outside)
Years of service as Audit & Supervisory Board Member: - year, Number of shares owned: - share

Hiroko Kiba

Audit & Supervisory Board Member (Outside)
Years of service as Audit & Supervisory Board Member: - year, Number of shares owned: - share

Executive Officers

President & CEO	Takayuki Ueda	
Senior Executive Vice President	Masahiro Murayama	Senior Vice President, Finance & Accounting
Senior Executive Vice President	Seiya Ito	Senior Vice President, Oceania Projects Head of Overseas Projects
Senior Managing Executive Officer	Takahiko Ikeda	Senior Vice President, Technical Headquarters HSE and Compliance
Senior Managing Executive Officer	Shigeharu Yajima	Senior Vice President, Global Energy Marketing
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	Kenji Kawano	Senior Vice President, Asia Projects
Managing Executive Officer	Hiroshi Fujii	Senior Vice President, Abu Dhabi Projects
Managing Executive Officer	Yoshinori Yamamoto	Senior Vice President, Domestic Energy Supply and Marketing
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	Daisuke Yamada	Vice President, Finance & Accounting General Manager, Finance Unit Finance & Accounting Division
Managing Executive Officer	Hitoshi Okawa	Vice President, Oceania Projects General Manager, Perth Office President Director, Australia

Executive Officer	Hajime Kawai	Vice President, Asia Projects
Executive Officer	Hideki Iwashita	Vice President, Oceania Projects Vice President, Commercial Coordination, Perth Office
Executive Officer	Tetsuo Yonezawa	General Manager, HSE Unit
Executive Officer	Hiroshi Nakamura	Vice President, General Administration General Manager, Human Resources Unit General Administration Division
Executive Officer	Tsuyoshi Watanabe	Vice President, General Administration
Executive Officer	Kazuyoshi Miura	Vice President, Domestic Energy Supply & Marketing General Manager, Gas Marketing Unit Domestic Energy Supply & Marketing Division
Executive Officer	Hideki Kurimura	Vice President, Asia Projects Vice President, Technical Headquarters
Executive Officer	Yuzo Sengoku	Senior Vice President, Eurasia, Middle East & Africa Projects
Executive Officer	Yosuke Happo	Vice President, Finance & Accounting General Manager, Accounting Unit 2 Finance & Accounting Division
Executive Officer	Yoichi Iwata	Executive Officer 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

Directors, Auditors and Executive Officers

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)

Masahiro Murayama

April 1976	Joined The Industrial Bank of Japan, Ltd. (currently Mizuho Bank, Ltd.)
April 2004	Executive Officer, General Manager of Syndicated Finance Distribution Division No. 1, Mizuho Corporate Bank, Ltd.
October 2004	Executive Officer, General Manager of Loan Trading Division, Mizuho Corporate Bank, Ltd.
April 2005	Managing Executive Officer, in charge of corporate banking, Mizuho Corporate Bank, Ltd.
April 2008	Director, Deputy President of Mizuho Securities Co., Ltd.
May 2009	Advisor to the Company
June 2009	Director, Managing Executive Officer, Senior Vice President of Finance & Accounting of the Company
June 2016	Director, Senior Managing Executive Officer, Senior Vice President, Finance & Accounting of the Company
June 2019	Director, Senior Executive Vice President, Senior Vice President, Finance & Accounting 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 Officer Senior Vice President, Technical Headquarters 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)

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)

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
November 2001	Member of Board of Education of Urayasu City, Chiba
April 2006	Specially Appointed Professor, Faculty of Education, Chiba University
April 2013	Visiting Professor, Chiba University (incumbent)
June 2019	Audit & Supervisory Board Member of the Company (incumbent)

Financial and Corporate Information

54 11-Year Financial Information

56 Background Information: Oil and Gas Accounting Policies and Treatment

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

64 Consolidated Financial Statements/ Notes to Consolidated Financial Statements

83 Independent Auditor's Report

84 Subsidiaries and Affiliates

86 Business Risks

94 Oil and Gas Reserves and Production Volume

97 Corporate Information

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 ¥111.01=US$1.00, the approximate exchange rate in effect as of March 31, 2019.

	Millions of yen							
(Results of operations)	2009/3	2010/3	2011/3	2012/3	2013/3	2014/3	2015/3	2016/3
Net sales	¥1,076,165	¥ 840,427	¥ 943,080	¥1,186,732	¥1,216,533	¥1,334,626	¥1,171,227	¥1,009,564
Cost of sales	319,038	298,168	334,833	395,443	426,326	490,417	525,444	526,758
Gross profit	757,127	542,259	608,247	791,289	790,207	844,209	645,783	482,806
Operating income	663,267	461,668	529,743	709,358	693,448	733,610	534,886	390,139
Income before income taxes	616,167	442,027	508,587	767,039	718,146	750,078	540,023	328,887
Net income attributable to owners of parent	¥ 145,063	¥ 107,210	¥ 128,699	¥ 194,001	¥ 182,962	¥ 183,691	¥ 77,820	¥ 16,777
(Financial position)								
Current assets	¥ 411,110	¥ 492,855	¥ 492,932	¥ 908,702	¥1,106,504	¥1,140,204	¥1,342,410	¥ 984,345
Tangible fixed assets	297,636	358,094	379,862	383,698	584,541	951,779	1,497,622	1,752,615
Intangible assets	253,681	239,205	249,111	233,318	380,156	439,179	458,770	541,471
Investments and other assets	805,618	923,624	1,558,475	1,540,680	1,544,958	1,506,977	1,200,352	1,091,411
Total assets	1,768,045	2,013,778	2,680,380	3,066,398	3,616,159	4,038,139	4,499,154	4,369,842
Current liabilities	206,059	227,905	254,729	367,844	414,977	375,670	365,212	319,128
Long-term liabilities	199,925	295,270	328,268	384,361	530,198	666,432	845,238	871,911
Net assets	¥1,362,061	¥1,490,603	¥2,097,383	¥2,314,193	¥2,670,984	¥2,996,037	¥3,288,704	¥3,178,803
(Cash flows)								
Cash flows from operating activities	¥ 230,352	¥ 241,373	¥ 274,094	¥ 320,692	¥ 252,347	¥ 213,514	¥ 216,749	¥ 183,708
Cash flows from investing activities	(240,168)	(251,812)	(844,511)	(280,864)	(489,870)	(395,555)	(81,087)	(543,534)
Cash flows from financing activities	(46,090)	68,937	548,057	29,294	137,069	48,961	(4,178)	156,726
Cash and cash equivalents at end of the period	¥ 162,845	¥ 216,395	¥ 182,025	¥ 249,233	¥ 199,859	¥ 117,531	¥ 260,978	¥ 53,813
(Per share data)								
Net assets per share (Yen)	¥1,350.25*	¥1,473.87*	¥1,367.40*	¥1,492.27*	¥1,699.10*	¥1,911.25*	¥ 2,099.95	¥ 2,008.34
Cash dividends per share (Yen)	20.00*	13.75*	15.00*	17.50*	17.50*	18.00*	18.00	18.00
Earnings per share (EPS) (Yen)	¥ 154.00*	¥ 113.88*	¥ 102.08*	¥ 132.84*	¥ 125.29*	¥ 125.78*	¥ 53.29	¥ 11.49

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

(Financial indicators)	2009/3	2010/3	2011/3	2012/3	2013/3	2014/3	2015/3	2016/3
Net debt / Net total capital employed (%)	(31.2)%	(30.6)%	(48.9)%	(60.7)%	(43.9)%	(31.9)%	(16.8)%	(8.1)%
Equity ratio (%)	71.9	68.9	74.5	71.1	68.6	69.1	68.2	67.1
D/E ratio (%)	12.9%	17.3%	13.7%	14.6%	19.2%	20.9%	22.1%	25.3%

Millions of yen			Thousands of U.S. dollars
2017/3	2018/3	2019/3	2019/3
¥ 874,423	¥ 933,702	¥ 971,389	$ 8,750,464
453,847	498,039	413,300	3,723,088
420,576	435,663	558,089	5,027,376
336,453	357,363	474,282	4,272,426
327,525	307,300	494,043	4,450,437
¥ 46,168	¥ 40,363	¥ 96,106	$ 865,742
¥ 942,960	¥ 466,351	¥ 457,712	$ 4,123,160
1,928,598	2,044,620	2,278,995	20,529,637
521,253	541,503	520,213	4,686,182
919,363	1,199,913	1,536,626	13,842,230
4,312,174	4,252,387	4,793,546	43,181,209
297,465	305,439	372,001	3,351,058
807,166	788,079	1,163,961	10,485,191
¥3,207,543	¥3,158,869	¥3,257,584	$29,344,960
¥ 275,810	¥ 278,539	¥ 238,566	$ 2,149,050
53,484	(351,908)	(682,006)	(6,143,645)
(65,428)	34,742	405,185	3,649,986
¥ 316,791	¥ 276,080	¥ 239,653	$ 2,158,842
¥ 2,015.38	¥ 1,997.24	¥ 2,058.95	$ 18.55
18.00	18.00	24.00	0.22
¥ 31.61	¥ 27.64	¥ 65.81	$ 0.59
0.9%	11.8%	21.7%	21.7%
68.3	68.6	62.7	62.7
23.4%	24.0%	38.0%	38.0%

Notes

* EBIDAX = Net income (including non-controlling interests) + Deferred tax + (1 – Tax rate) × (Interest expense – Interest income) + Foreign exchange gain and loss + Depreciation and amortization + Amortization of goodwill + Recovery of recoverable accounts under production sharing (capital expenditures) + Exploration expenses + Provision for exploration projects + Provision for allowance for recoverable accounts under production sharing – 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.
  The probable reserves are sum of proved reserves and probable reserves evaluated in accordance with Petroleum Resources Management System (PRMS) of SPE etc. after deduction of proved reserves 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.

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

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.

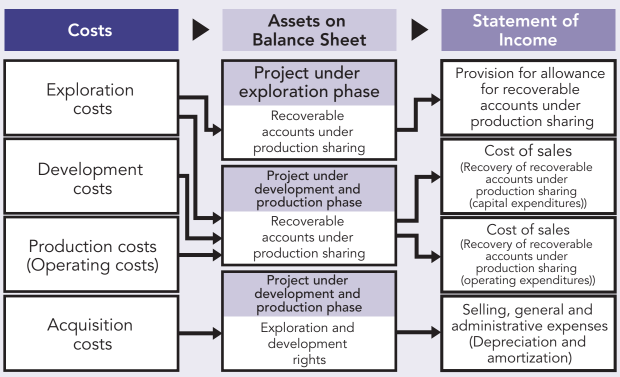
Exploration costs
The Group's share of exploration costs is expensed as incurred.

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

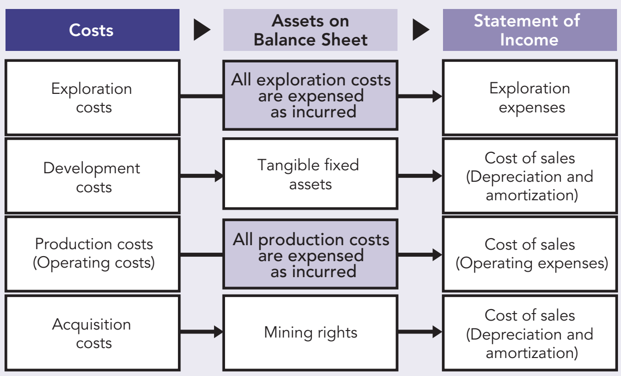
Production costs
The Group's share of operating costs that are incurred during the production phase is recorded within the cost of sales.

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

Production sharing contracts



Concession agreements



CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

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

— Allowance for recoverable accounts under production sharing

Any expenditures made during the exploration, development and production phases of projects governed by the PSCs are capitalized within "Recoverable accounts under production sharing" if they are recoverable under the relevant PSC. 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

During the year ended March 31, 2019, the outlook of the global economy remained uncertain despite the steady nature of the U.S. economy, owing to U.S.-China trade disputes and the deceleration of the Chinese economy. The Japanese economy continued on its trajectory of moderate recovery as consumption per capita and capital expenditures showed signs of growth as corporate earnings and employment rates continued to improve.

Of the international crude oil price indices, which significantly influence the financial performance of the INPEX Group, Brent crude, commonly considered a benchmark index, started at US$67.64 per barrel on April 1, 2018 and jumped to US$79.80 per barrel in May on the back of concerns over tightened supply and demand due to a decrease in Iranian crude oil exports following the announcement of the reinstatement of U.S. sanctions against Iran.

Thereafter, the price of Brent crude oil fell to US$70.76 per barrel in August reflecting concerns of growing U.S. crude oil production and inventory, but rebounded to US$84.98 per barrel in October, buoyed by spreading concerns over supply shortages driven by a decrease in Iranian oil exports in light of pending U.S. sanctions, suspicions that OPEC's production hike to offset this would be proven insufficient, and weakening growth in U.S. shale oil production.

In January 2019, however, the price of Brent crude oil fell dramatically to US$54.91 per barrel reflecting rising concerns of a global economic slowdown, in addition to the announcement that the sanctions against Iran would be temporarily relaxed allowing some countries to import oil from the country, and skepticism over OPEC's willingness to comply with production cutbacks following its meeting in December, which led to the relaxation of tightened supply and demand. The Brent crude price ultimately closed out at US$68.39 per barrel on March 31, 2019, lifted by expectations of a resolution to U.S.-China trade disputes and concerns over the tightening of supply and demand as a result of continuous coordinated production cutbacks by oil-producing countries. Meanwhile, in Japan, the price of crude oil and petroleum products shifted in correlation with international oil prices. The INPEX Group's average crude oil sales price for the year ended March 31, 2019 reflected this shift and rose to US$70.30 per barrel, up US$14.00 from the year ended March 31, 2018.

The foreign exchange market, another important factor that affects the business of our Group, began to trade at ¥106 level against the U.S. dollar. After that, the U.S. dollar climbed to ¥114 level because of steady U.S. economic indicators, U.S. corporate results and the stability of the international affairs which was led by the realization of the summit between U.S. and North Korea, and so forth.

In October onward, escalation of U.S.-China trade disputes led to the fall in the U.S. treasury bill interest rate and stock price. In December, Federal Open Market Committee (FOMC) revised the forecast of the number of rate hikes during 2019 and U.S.-based IT companies downgraded their corporate outlooks. Under those circumstances, at the beginning of 2019, Japanese Yen plummeted.

After that slump, however, Japanese Yen rebounded because of the expectation of easing U.S.-China trade disputes and steady U.S. economic indicators.

Finally, on March 31, 2019, TTM closed at ¥111.01 against the U.S. dollar which turned out to be ¥4.74 lower than that on March 31, 2018.

Reflecting these situations, the average exchange rate applied for sales transactions for our Group for the year ended March 31, 2019, was ¥110.70 against the U.S. dollar, which is ¥0.57 higher than that for the year ended March 31, 2018.

PERFORMANCE OVERVIEW

Net sales

Consolidated net sales for the year ended March 31, 2019, increased by ¥37.7 billion, or 4.0%, to ¥971.4 billion from ¥933.7 billion for the year ended March 31, 2018, due to an increase in crude oil price.

Compared with the year ended March 31, 2018, net sales of crude oil increased by ¥72.4 billion, or 10.2%, to ¥782.7 billion from ¥710.3 billion, and net sales of natural gas decreased by ¥37.4 billion, or 18.0%, to ¥170.7 billion from ¥208.1 billion.

The sales volume of crude oil decreased by 12,379 thousand barrels, or 11.0%, to 100,503 thousand barrels compared with the year ended March 31, 2018. The sales volume of natural gas decreased by 32 billion cubic feet (Bcf), or 12.1%, to 233 Bcf compared with the year ended March 31, 2018. Of this, the sales volume of overseas natural gas decreased by 34 Bcf, or 18.1%, to 152 Bcf compared with the year ended March 31, 2018. The sales volume of domestic natural gas increased by 45 million m^3, or 2.1%, to 2,169 million m^3 (equivalent to 81 Bcf) compared with the year ended March 31, 2018. The average sales price of overseas crude oil was US$70.30 per barrel, an increase of US$14.00, or 24.9%, compared with the year ended March 31, 2018. The average sales price of overseas natural gas was US$3.18 per thousand cubic feet (Mcf), a decrease of US$1.86, or 36.9%, compared with the year ended March 31, 2018. The average sales price of domestic natural gas was ¥53.46 per m^3, an increase of ¥7.10 per m^3, or 15.3%, compared with the year ended March 31, 2018.

The increase of ¥37.7 billion in net sales was mainly derived from the following factors: a decrease in sales volume pushing sales down of ¥99.4 billion, an increase in unit sales price contributing ¥139.1 billion to the increase, the appreciation of the Japanese yen against the U.S. dollar pushing sales down of ¥4.7 billion, and an increase in net sales excluding crude oil and natural gas of ¥2.7 billion.

Cost of sales

Cost of sales for the year ended March 31, 2019, decreased by ¥84.7 billion, or 17.0%, to ¥4,133 billion from ¥4,980 billion for the year ended March 31, 2018. This was mainly due to the absence of cost of sales in the offshore Mahakam Block.

Exploration expenses

Exploration expenses for the year ended March 31, 2019, increased by ¥10.4 billion, or 779.8%, to ¥11.7 billion from ¥1.3 billion for the year ended March 31, 2018. This was mainly due to an increase in exploration activities in the Eurasia region and the Asia & Oceania region.

(Millions of yen, %)

Years ended March 31,	2018	2019	Change	Ratio
Net sales	¥933,702	¥971,389	¥ 37,687	4.0%
Crude oil	710,278	782,695	72,417	10.2
Natural gas	208,102	170,710	(37,392)	(18.0)
Other	15,322	17,984	2,662	17.4
Cost of sales	498,039	413,300	(84,739)	(17.0)
Gross profit	435,663	558,089	122,426	28.1
Exploration expenses	1,328	11,679	10,351	779.8
Selling, general and administrative expenses	58,365	57,659	(706)	(1.2)
Depreciation and amortization	18,607	14,469	(4,138)	(22.2)
Operating income	357,363	474,282	116,919	32.7
Other income	55,267	70,925	15,658	28.3
Interest income	6,478	7,645	1,167	18.0
Dividend income	4,778	6,761	1,983	41.5
Equity in earnings of affiliates	4,192	28,364	24,172	576.6
Reversal of allowance for doubtful accounts	197	8,357	8,160	—
Gain on reversal of allowance for recoverable accounts under production sharing	17,528	—	(17,528)	(100.0)
Compensation income	12,626	7,499	(5,127)	(40.6)
Foreign exchange gain	—	1,941	1,941	—
Other	9,468	10,358	890	9.4
Other expenses	105,330	51,164	(54,166)	(51.4)
Interest expense	7,076	17,333	10,257	145.0
Provision for allowance for recoverable accounts under production sharing	—	1,468	1,468	—
Provision for exploration projects	—	203	203	—
Foreign exchange loss	10,472	—	(10,472)	(100.0)
Impairment loss	79,970	25,236	(54,734)	(68.4)
Other	7,812	6,924	(888)	(11.4)
Income before income taxes	307,300	494,043	186,743	60.8
Income taxes	309,400	397,259	87,859	28.4
Net income (loss)	(2,100)	96,784	98,884	—
Net income (loss) attributable to non-controlling interests	(42,463)	678	43,141	—
Net income attributable to owners of parent	¥ 40,363	¥ 96,106	¥ 55,743	138.1%

Selling, general and administrative expenses

Selling, general and administrative expenses for the year ended March 31, 2019, decreased by ¥0.7 billion, or 1.2%, to ¥57.7 billion from ¥58.4 billion for the year ended March 31, 2018.

Depreciation and amortization

Depreciation and amortization for the year ended March 31, 2019, decreased by ¥4.1 billion, or 22.2%, to ¥14.5 billion from ¥18.6 billion for the year ended March 31, 2018. 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 March 31, 2019, increased by ¥116.9 billion, or 32.7%, to ¥474.3 billion from ¥357.4 billion for the year ended March 31, 2018.

Other income

Other income for the year ended March 31, 2019, increased by ¥15.7 billion, or 28.3%, to ¥70.9 billion from ¥55.3 billion for the year ended March 31, 2018. This was mainly due to an increase in equity in earnings of affiliates.

Other expenses

Other expenses for the year ended March 31, 2019, decreased by ¥54.2 billion, or 51.4%, to ¥51.2 billion from ¥105.3 billion for the year ended March 31, 2018. This was mainly due to a decrease in impairment loss.

Income taxes

Total current income taxes and deferred income taxes for the year ended March 31, 2019, increased by ¥87.9 billion, or 28.4%, to ¥397.3 billion from ¥309.4 billion for the year ended March 31, 2018. 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 (loss) attributable to non-controlling interests

Net income attributable to non-controlling interests for the year ended March 31, 2019, was ¥0.7 billion. Meanwhile, net loss attributable to non-controlling interests for the year ended March 31, 2018, was ¥42.5 billion.

Net income attributable to owners of parent

As a result of the above, net income attributable to owners of parent for the year ended March 31, 2019, increased by ¥55.7 billion, or 138.1%, to ¥96.1 billion from ¥40.4 billion for the year ended March 31, 2018.

FINANCIAL POSITION

Total assets as of March 31, 2019, increased by ¥541.2 billion, or 12.7%, to ¥4,793.5 billion from ¥4,252.4 billion as of March 31, 2018. Current assets decreased by ¥8.7 billion, or 1.9%, to ¥457.7 billion from ¥466.4 billion due to a decrease in cash and cash equivalents and others. Fixed assets increased by ¥549.8 billion, or 14.5%, to ¥4,335.8 billion from ¥3,786.0 billion as of March 31, 2018, due to increases in tangible fixed assets, investments and other assets and others.

Meanwhile, total liabilities increased by ¥442.4 billion, or 40.5%, to ¥1,536.0 billion from ¥1,093.5 billion as of March 31, 2018. Current liabilities increased by ¥66.6 billion, or 21.8%, to ¥372.0 billion from ¥305.4 billion as of March 31, 2018. Long-term liabilities increased by ¥375.9 billion, or 47.7%, to ¥1,164.0 billion from ¥788.1 billion as of March 31, 2018.

Net assets increased by ¥98.7 billion, or 3.1%, to ¥3,257.6 billion from ¥3,158.9 billion as of March 31, 2018. Total shareholders' equity increased by ¥69.6 billion, or 2.7%, to ¥2,637.9 billion from ¥2,568.2 billion as of March 31, 2018. Total accumulated other comprehensive income increased by ¥20.2 billion, or 5.8%, to ¥368.6 billion from ¥348.5 billion as of March 31, 2018, and non-controlling interests increased by ¥8.9 billion, or 3.7%, to ¥251.1 billion from ¥242.2 billion as of March 31, 2018.

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, 2018 and 2019. The investments for the year ended March 31, 2018 are retrospectively adjusted to include payments for acquisitions of participating interests.

	(Millions of yen)					
Year ended March 31, 2018	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Total
INPEX CORPORATION and Consolidated Subsidiaries						
Exploration	¥ 99	¥ 1,905	¥ (244)	¥ 1,644	¥1,561	¥ 4,965
Development	978	215,963	22,801	185,321	1,958	427,021
Subtotal*1	1,077	217,868	22,557	186,965	3,519	431,986
Equity-method Affiliates						
Exploration	—	—	210	5	—	215
Development	—	2,094	1,708	610	1,091	5,503
Subtotal	—	2,094	1,918	615	1,091	5,718
Other capital expenditures*2	3,319	275,831	—	—	—	279,150
Total	¥4,396	¥495,793	¥24,475	¥187,580	¥4,610	¥716,854

*1 Figures include an equity-method affiliate of Japan Oil Development Co., Ltd. (JODCO).

*2 Other capital expenditures include the construction costs of domestic gas infrastructure, the Group's share of investment in the Ichthys downstream entity (Ichthys LNG Pty Ltd, an equity-method affiliate) and others.

(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.

Total investments for the year ended March 31, 2019, decreased by ¥222.0 billion, or 31.0%, to ¥494.9 billion (including ¥6.4 billion for exploration and development by equity-method affiliates) from ¥716.9 billion for the year ended March 31, 2018. This was mainly due to a decrease in expenditures in the Middle East & Africa region and the Asia & Oceania region.

The table below shows the Group's operating expenses by segment for the years ended March 31, 2018 and 2019.

(Millions of yen, %)

Years ended March 31,	2018		2019	
INPEX CORPORATION and Consolidated Subsidiaries				
Japan	¥ 12,024	11.6%	¥ 11,969	13.0%
Asia & Oceania	30,834	30.0	20,272	22.1
Eurasia (Europe & NIS)	14,567	14.2	15,591	17.0
Middle East & Africa	43,117	41.9	42,368	46.2
Americas	2,348	2.3	1,553	1.7
Subtotal	102,890	100.0	91,753	100.0
Equity-method Affiliates				
Asia & Oceania	792	8.1	1,210	10.9
Eurasia (Europe & NIS)	412	4.2	519	4.7
Middle East & Africa	3,918	40.0	4,505	40.5
Americas	4,685	47.7	4,886	43.9
Subtotal	9,807	100.0	11,120	100.0
Total	¥112,697	—%	¥102,873	—%

— 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, 2018 and 2019.

	(Millions of yen)	
Years ended March 31,	2018	2019
Balance at beginning of the year	¥659,202	¥589,098
Add: Exploration costs	3,832	4,033
Development costs	16,870	22,612
Operating expenses	37,396	15,666
Other	8,551	11,737
Less: Cost recovery – capital expenditures	(53,466)	(33,127)
Cost recovery – operating expenditures	(52,019)	(26,203)
Other	(31,268)	(15,757)
Balance at end of the year	589,098	568,059
Allowance for recoverable accounts under production sharing at end of the year	¥ (81,625)	¥ (70,017)

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

Exploration costs for the year ended March 31, 2019, increased compared with the year ended March 31, 2018. This was mainly due to an increase in exploration expenditures in the Middle East & Africa region.

Development costs for the year ended March 31, 2019, increased compared with the year ended March 31, 2018. This was mainly due to an increase in development expenditures in the Asia & Oceania region.

Operating expenses for the year ended March 31, 2019, decreased compared with the year ended March 31, 2018. This was mainly due to a decrease in operating expenses in the Asia & Oceania region.

Cost recovery for the year ended March 31, 2019, decreased compared with the year ended March 31, 2018. This was mainly due to a decrease in cost recovery in the Asia & Oceania 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 March 31, 2019, decreased compared with March 31, 2018. 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 March 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 March 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 March 31,	U.S. dollars	Yen	
2020	$ 713.4	¥ 43,365	¥ 122,561
2021	1,240.1	26,232	163,894
2022	339.0	24,265	61,897
2023	1,183.9	21,970	153,397
2024	719.3	20,162	100,015
2025 and thereafter	4,503.0	34,932	534,810
Total	$8,698.7	¥170,926	¥1,136,574

— Cash flows

Cash flows for the years ended March 31, 2018 and 2019, are summarized as follows:

	(Millions of yen)	
Years ended March 31,	2018	2019
Net cash provided by (used in) operating activities	¥278,539	¥238,566
Net cash provided by (used in) investing activities	(351,908)	(682,006)
Net cash provided by (used in) financing activities	34,742	405,185
Cash and cash equivalents at end of the period	¥276,080	¥239,653

Net cash provided by (used in) operating activities

Net cash provided by operating activities for the year ended March 31, 2019, was ¥238.6 billion, a decrease of ¥40.0 billion from ¥278.5 billion for the year ended March 31, 2018. This was mainly due to an increase in income taxes paid.

Net cash provided by (used in) investing activities

Net cash used in investing activities for the year ended March 31, 2019, was ¥682.0 billion, an increase of ¥330.1 billion from ¥351.9 billion for the year ended March 31, 2018. This was mainly due to a decrease in proceeds from time deposits, and an increase in long-term loans made.

Net cash provided by (used in) financing activities

Net cash provided by financing activities for the year ended March 31, 2019, was ¥405.2 billion, an increase of ¥370.4 billion from ¥34.7 billion for the year ended March 31, 2018. This was mainly due to an increase in proceeds from long-term debt.

Consolidated Balance Sheet

INPEX CORPORATION and Consolidated Subsidiaries
March 31, 2019

	Millions of yen		Thousands of U.S. dollars (Note 3)
ASSETS	2018	2019	2019
Current assets			
Cash and cash equivalents (Note 6)	¥ 276,080	¥ 239,653	$ 2,158,842
Time deposits	23	23	207
Accounts receivable—trade (Notes 4 and 6)	66,900	92,218	830,718
Inventories (Note 6)	32,322	40,101	361,238
Accounts receivable—other (Note 4)	71,014	68,331	615,539
Other (Note 6)	40,997	30,644	276,047
Less allowance for doubtful accounts	(20,985)	(13,258)	(119,431)
Total current assets	466,351	457,712	4,123,160
Tangible fixed assets			
Buildings and structures	405,045	401,322	3,615,188
Wells (Note 6)	337,459	560,569	5,049,716
Machinery, equipment and vehicles (Note 6)	408,291	1,627,942	14,664,823
Land (Note 6)	19,099	18,930	170,525
Construction in progress (Note 6)	1,678,743	506,400	4,561,751
Other	21,294	18,183	163,796
	2,869,931	3,133,346	28,225,799
Less accumulated depreciation and amortization	(825,311)	(854,351)	(7,696,162)
Total tangible fixed assets	2,044,620	2,278,995	20,529,637
Intangible assets			
Goodwill (Note 17)	54,036	47,275	425,863
Exploration and development rights	153,169	152,977	1,378,047
Mining rights	328,087	314,760	2,835,420
Other	6,211	5,201	46,852
Total intangible assets	541,503	520,213	4,686,182
Investments and other assets			
Recoverable accounts under production sharing	589,098	568,059	5,117,188
Less allowance for recoverable accounts under production sharing	(81,625)	(70,017)	(630,727)
	507,473	498,042	4,486,461
Investment securities (Notes 4, 5 and 6)	367,417	419,064	3,775,011
Long-term loans receivable (Note 6)	295,861	592,786	5,339,933
Deferred tax assets (Note 7)	20,317	13,747	123,836
Other (Note 6)	11,359	17,258	155,463
Less allowance for doubtful accounts	(849)	(789)	(7,107)
Less allowance for investments in exploration	(1,665)	(3,482)	(31,367)
Total investments and other assets	1,199,913	1,536,626	13,842,230
Total fixed assets	3,786,036	4,335,834	39,058,049
Total assets	¥4,252,387	¥4,793,546	$43,181,209

See accompanying notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of yen 2018	Millions of yen 2019	Thousands of U.S. dollars (Note 3) 2019
Current liabilities			
Accounts payable—trade	¥ 45,676	¥ 32,205	$ 290,109
Short-term borrowings and current portion of long-term debt (Notes 4, 6 and 12)	71,250	127,184	1,145,699
Income taxes payable (Note 7)	17,235	19,282	173,696
Accounts payable—other	94,360	113,180	1,019,547
Provision for loss on business	9,887	9,972	89,830
Provision for exploration projects	4,006	7,303	65,786
Accrued bonuses to officers	62	96	865
Asset retirement obligations (Note 16)	408	3,309	29,808
Other (Note 7)	62,555	59,470	535,718
Total current liabilities	305,439	372,001	3,351,058
Long-term liabilities			
Long-term debt (Notes 4, 6, 11 and 12)	627,327	1,014,013	9,134,429
Deferred tax liabilities (Note 7)	36,196	25,130	226,376
Provision for stocks payment	—	22	198
Accrued special repair and maintenance	380	479	4,315
Liability for retirement benefits (Note 15)	5,938	6,266	56,445
Asset retirement obligations (Note 16)	111,128	110,107	991,866
Other	7,110	7,944	71,562
Total long-term liabilities	788,079	1,163,961	10,485,191
Total liabilities	1,093,518	1,535,962	13,836,249
Net assets (Note 9)			
Common stock	290,810	290,810	2,619,674
Authorized: 2018—3,600,000,001 shares 2019—3,600,000,001 shares Issued: 2018—1,462,323,601 shares 2019—1,462,323,601 shares			
Capital surplus	673,574	673,574	6,067,688
Retained earnings	1,609,094	1,678,914	15,123,989
Less: Treasury stock 2018—1,966,500 shares 2019—2,123,800 shares	(5,248)	(5,434)	(48,951)
Total shareholders' equity	2,568,230	2,637,864	23,762,400
Unrealized holding gain (loss) on securities	10,218	2,832	25,511
Unrealized gain (loss) from hedging instruments	25,725	6,359	57,284
Translation adjustments	312,507	359,426	3,237,780
Total accumulated other comprehensive income	348,450	368,617	3,320,575
Non-controlling interests	242,189	251,103	2,261,985
Total net assets	3,158,869	3,257,584	29,344,960
Contingent liabilities (Note 19)			
Total liabilities and net assets	¥4,252,387	¥4,793,546	$43,181,209

Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Consolidated Statement of Income

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2019	2019
Net sales	¥933,702	¥971,389	$8,750,464
Cost of sales (Note 13)	498,039	413,300	3,723,088
Gross profit	435,663	558,089	5,027,376
Exploration expenses	1,328	11,679	105,206
Selling, general and administrative expenses (Notes 13, 15 and 17)	58,365	57,659	519,404
Depreciation and amortization	18,607	14,469	130,340
Operating income	357,363	474,282	4,272,426
Other income			
Interest income	6,478	7,645	68,868
Dividend income	4,778	6,761	60,904
Equity in earnings of affiliates	4,192	28,364	255,509
Reversal of allowance for doubtful accounts	197	8,357	75,282
Gain on reversal of allowance for recoverable accounts under production sharing	17,528	—	—
Compensation income	12,626	7,499	67,552
Foreign exchange gain	—	1,941	17,485
Other	9,468	10,358	93,306
Total other income	55,267	70,925	638,906
Other expenses			
Interest expense	7,076	17,333	156,139
Provision for allowance for recoverable accounts under production sharing	—	1,468	13,224
Provision for exploration projects	—	203	1,829
Foreign exchange loss	10,472	—	—
Impairment loss (Note 14)	79,970	25,236	227,331
Other	7,812	6,924	62,372
Total other expenses	105,330	51,164	460,895
Income before income taxes	307,300	494,043	4,450,437
Income taxes (Note 7)			
Current	308,352	399,920	3,602,558
Deferred	1,048	(2,661)	(23,970)
Total income taxes	309,400	397,259	3,578,588
Net income (loss)	(2,100)	96,784	871,849
Net income (loss) attributable to non-controlling interests	(42,463)	678	6,107
Net income attributable to owners of parent	¥ 40,363	¥ 96,106	$ 865,742

Consolidated Statement of Comprehensive Income

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2019	2019
Net income (loss)	¥ (2,100)	¥ 96,784	$ 871,849
Other comprehensive income			
Unrealized holding gain (loss) on securities	3,711	(7,388)	(66,553)
Translation adjustments	(68,317)	46,095	415,233
Share of other comprehensive income of affiliates accounted for by the equity-method	24,439	(19,429)	(175,020)
Total other comprehensive income (Note 8)	(40,167)	19,278	173,660
Comprehensive income	(42,267)	116,062	1,045,509
Total comprehensive income attributable to:			
Owners of parent	2,496	116,273	1,047,410
Non-controlling interests	¥(44,763)	¥ (211)	$ (1,901)

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

INPEX CORPORATION and Consolidated Subsidiaries

For the year ended March 31, 2018	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
	Millions of yen — Shareholders' equity				
Balance as of April 1, 2017	¥290,810	¥676,273	¥1,595,018	¥(5,248)	¥2,556,853
Change in ownership interest of parent arising from transactions with non-controlling shareholders		(2,699)			(2,699)
Cash dividends paid			(26,287)		(26,287)
Net income attributable to owners of parent			40,363		40,363
Purchase of treasury stock					—
Net changes in items other than those in shareholders' equity					
Total changes during the period	—	(2,699)	14,076	—	11,377
Balance as of March 31, 2018	¥290,810	¥673,574	¥1,609,094	¥(5,248)	¥2,568,230

For the year ended March 31, 2018	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
	Millions of yen — Accumulated other comprehensive income					
Balance as of April 1, 2017	¥ 6,480	¥ 717	¥379,120	¥386,317	¥264,373	¥3,207,543
Change in ownership interest of parent arising from transactions with non-controlling shareholders						(2,699)
Cash dividends paid						(26,287)
Net income attributable to owners of parent						40,363
Purchase of treasury stock						—
Net changes in items other than those in shareholders' equity	3,738	25,008	(66,613)	(37,867)	(22,184)	(60,051)
Total changes during the period	3,738	25,008	(66,613)	(37,867)	(22,184)	(48,674)
Balance as of March 31, 2018	¥10,218	¥25,725	¥312,507	¥348,450	¥242,189	¥3,158,869

For the year ended March 31, 2019	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
	Millions of yen — Shareholders' equity				
Balance as of April 1, 2018	¥290,810	¥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	¥290,810	¥673,574	¥1,678,914	¥(5,434)	¥2,637,864

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
	Millions of yen — Accumulated other comprehensive income					
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

For the year ended March 31, 2019	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
	Thousands of U.S. dollars (Note 3) — Shareholders' equity				
Balance as of April 1, 2018	$2,619,674	$6,067,688	$14,495,036	$(47,275)	$23,135,123
Change in ownership interest of parent arising from transactions with non-controlling shareholders					—
Cash dividends paid			(236,789)		(236,789)
Net income attributable to owners of parent			865,742		865,742
Purchase of treasury stock				(1,676)	(1,676)
Net changes in items other than those in shareholders' equity					
Total changes during the period	—	—	628,953	(1,676)	627,277
Balance as of March 31, 2019	$2,619,674	$6,067,688	$15,123,989	$(48,951)	$23,762,400

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
	Thousands of U.S. dollars (Note 3) — Accumulated other comprehensive income					
Balance as of April 1, 2018	$ 92,046	$ 231,736	$2,815,125	$3,138,907	$2,181,686	$28,455,716
Change in ownership interest of parent arising from transactions with non-controlling shareholders						—
Cash dividends paid						(236,789)
Net income attributable to owners of parent						865,742
Purchase of treasury stock						(1,676)
Net changes in items other than those in shareholders' equity	(66,535)	(174,452)	422,655	181,668	80,299	261,967
Total changes during the period	(66,535)	(174,452)	422,655	181,668	80,299	889,244
Balance as of March 31, 2019	$ 25,511	$ 57,284	$3,237,780	$3,320,575	$2,261,985	$29,344,960

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2019	2019
Cash flows from operating activities			
Income before income taxes	¥ 307,300	¥ 494,043	$ 4,450,437
Depreciation and amortization	92,806	106,900	962,976
Impairment loss	79,970	25,236	227,331
Amortization of goodwill	6,761	6,761	60,904
Provision for allowance for recoverable accounts under production sharing	(21,190)	1,241	11,179
Provision for exploration projects	(459)	3,661	32,979
Other provisions	6,811	(5,782)	(52,085)
Liability for retirement benefits	19	384	3,459
Interest and dividend income	(11,256)	(14,406)	(129,772)
Interest expense	7,076	17,333	156,139
Foreign exchange loss (gain)	11,048	(1,047)	(9,432)
Equity in losses (earnings) of affiliates	(4,192)	(28,364)	(255,509)
Recovery of recoverable accounts under production sharing (capital expenditures)	53,466	33,127	298,415
Recoverable accounts under production sharing (operating expenditures)	9,632	4,639	41,789
Accounts receivable—trade	2,846	(25,372)	(228,555)
Inventories	(2,098)	(11,359)	(102,324)
Accounts payable—trade	20,605	(13,428)	(120,962)
Accounts receivable—other	(287)	(11,667)	(105,099)
Accounts payable—other	12,221	14,408	129,790
Advances received	4,848	4,443	40,023
Other	12,468	17,018	153,302
Subtotal	588,395	617,769	5,564,985
Interest and dividends received	24,460	21,120	190,253
Interest paid	(5,078)	(12,242)	(110,278)
Income taxes paid	(329,238)	(388,081)	(3,495,910)
Net cash provided by (used in) operating activities	278,539	238,566	2,149,050
Cash flows from investing activities			
Payments for time deposits	(259,990)	(249,615)	(2,248,581)
Proceeds from time deposits	593,900	249,616	2,248,589
Payments for purchases of tangible fixed assets	(271,324)	(210,732)	(1,898,315)
Proceeds from sales of tangible fixed assets	236	210	1,892
Payments for purchases of intangible assets	(1,365)	(810)	(7,297)
Payments for purchases of investment securities	(127,785)	(104,766)	(943,753)
Investment in recoverable accounts under production sharing (capital expenditures)	(24,135)	(31,631)	(284,938)
Decrease (increase) in short-term loans receivable	51	814	7,333
Long-term loans made	(172,534)	(262,671)	(2,366,192)
Collection of long-term loans receivable	274	264	2,378
Payments for acquisitions of participating interests	(100,907)	(107,863)	(971,651)
Other	11,671	35,178	316,890
Net cash provided by (used in) investing activities	(351,908)	(682,006)	(6,143,645)
Cash flows from financing activities			
Increase (decrease) in short-term loans	392	1,840	16,575
Proceeds from long-term debt	77,612	497,778	4,484,083
Repayments of long-term debt	(39,251)	(76,186)	(686,299)
Proceeds from non-controlling interests for additional shares	27,570	14,118	127,178
Cash dividends paid	(26,291)	(26,291)	(236,835)
Cash dividends paid to non-controlling interests	(2,523)	(5,832)	(52,536)
Other	(2,767)	(242)	(2,180)
Net cash provided by (used in) financing activities	34,742	405,185	3,649,986
Effect of exchange rate changes on cash and cash equivalents	(2,084)	1,828	16,467
Net increase (decrease) in cash and cash equivalents	(40,711)	(36,427)	(328,142)
Cash and cash equivalents at beginning of the period	316,791	276,080	2,486,984
Cash and cash equivalents at end of the period	¥ 276,080	¥ 239,653	$ 2,158,842

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

INPEX CORPORATION and Consolidated Subsidiaries

1. BASIS OF PRESENTATION

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

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

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

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

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

For the 49 companies for which the closing date differed from the consolidated closing date, including but not limited to, INPEX Sahul, Ltd. and INPEX Masela, Ltd., the financial statements for the year ended December 31 were used. However, the necessary adjustments have been made to the financial statements of those companies to reflect any significant transactions made between the Company's closing date and that of the consolidated subsidiaries. For the 11 companies, including but not limited to, Japan Oil Development, Co., Ltd., INPEX Southwest Caspian Sea, Ltd., INPEX North Caspian Sea, Ltd., INPEX Holdings Australia Pty Ltd and INPEX Ichthys Pty Ltd, the financial statements for the year ended on the consolidated closing date were used, even though their closing date is December 31.

The excess of cost over underlying net assets excluding 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) 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.

(n) 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.

(o) Accrued bonuses to officers

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

(p) 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.

(q) 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.

(r) Accounting for retirement benefits

(Method of attributing expected retirement benefits to proper periods)

When calculating retirement benefit obligations, the benefit formula method is used for attributing expected retirement benefits to periods through March 31, 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.

(s) 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.

(t) Hedge accounting

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

In addition, derivative transactions are limited to the scope of actual demand, and the Company does not engage in speculative derivative transactions.

(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 ¥111.01=US$1.00, the approximate exchange rate in effect as of March 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, 2018 and 2019 is as follows:

	Millions of yen		
March 31, 2018	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities with carrying values exceeding their acquisition costs			
Stock	¥26,711	¥37,238	¥10,527
Other	2,179	5,642	3,463
Subtotal	28,890	42,880	13,990
Securities with acquisition costs exceeding their carrying values			
Stock	15,911	15,373	(538)
Subtotal	15,911	15,373	(538)
Total	¥44,801	¥58,253	¥13,452

March 31, 2019	Millions of yen Acquisition cost	 Carrying value	 Unrealized gain (loss)	Thousands of U.S. dollars Acquisition cost	 Carrying value	 Unrealized gain (loss)
Securities with carrying values exceeding their acquisition costs						
Stock	¥ 6,637	¥ 9,455	¥2,818	$ 59,787	$ 85,172	$ 25,385
Other	2,179	5,596	3,417	19,629	50,410	30,781
Subtotal	8,816	15,051	6,235	79,416	135,582	56,166
Securities with acquisition costs exceeding their carrying values						
Stock	35,985	33,194	(2,791)	324,160	299,018	(25,142)
Subtotal	35,985	33,194	(2,791)	324,160	299,018	(25,142)
Total	¥44,801	¥48,245	¥3,444	$403,576	$434,600	$ 31,024

(b) Information regarding sales of securities classified as other securities for the years ended March 31, 2018 and 2019 is as follows:

Year ended March 31, 2018	Millions of yen Proceeds from sales	 Gain on sales	 Loss on sales
Stock	¥ 0	¥—	¥—
Bonds			
Corporate bonds	5,500	—	—
Total	¥5,500	¥—	¥—

Year ended March 31, 2019
None

(c) Components of securities for which it is extremely difficult to determine fair value as of March 31, 2018 and 2019 are summarized as follows:

March 31,	Millions of yen 2018	 2019	Thousands of U.S. dollars 2019
Unlisted securities	¥ 26,732	¥ 25,268	$ 227,619
Stocks of subsidiaries and affiliates	282,432	345,551	3,112,792
Total	¥309,164	¥370,819	$3,340,411

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, ASSETS PLEDGED

(a) Short-term borrowings as of March 31, 2018 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	2018	2019	2019
Short-term borrowings from banks and others (Interest rates is 3.696% and 4.498% at March 31, 2018 and 2019)	¥5,109	¥4,623	$41,645

(b) Long-term debt as of March 31, 2018 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	2018	2019	2019
Loans from banks and others, due through 2034 (Interest rates ranging from 0.050% to 3.530% and from 0.028% to 4.092% at March 31, 2018 and 2019)	¥693,468	¥1,136,574	$10,238,483
Less: Current portion	66,141	122,561	1,104,054
Amounts on the consolidated balance sheet	¥627,327	¥1,014,013	$ 9,134,429

(c) Assets pledged as of March 31, 2018 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	2018	2019	2019
Cash and cash equivalents	¥ 3,763	¥ 18,150	$ 163,499
Accounts receivable—trade	—	9,490	85,488
Inventories	7,911	12,957	116,719
Wells	—	227,482	2,049,203
Machinery, equipment and vehicles	—	1,223,591	11,022,349
Land	142	148	1,333
Construction in progress	1,245,156	19,531	175,939
Investment securities	182,050	252,521	2,274,759
Long-term loans receivable	293,789	586,823	5,286,217
Other	4,101	4,477	40,330
Total	¥1,736,912	¥2,355,170	$21,215,836

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 March 31, 2019 are summarized as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2020	¥ 122,561	$ 1,104,054
2021	163,894	1,476,390
2022	61,897	557,580
2023	153,397	1,381,830
2024	100,015	900,955
2025 and thereafter	534,810	4,817,674
Total	¥1,136,574	$10,238,483

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 28.2% and 28.0% for the years ended March 31, 2018 and 2019, respectively.

(a) The effective tax rates reflected in the consolidated statement of income for the years ended March 31, 2018 and 2019 differ from the statutory tax rate for the following reasons:

Years ended March 31,	2018	2019
Statutory tax rate	28.2%	28.0%
Effect of:		
Permanently non-taxable expenses such as entertainment expenses	0.6	0.4
Permanently non-taxable income such as dividends income	(1.0)	(1.7)
Valuation allowance	7.4	(1.4)
Foreign taxes	65.6	36.3
Foreign tax credits	(6.2)	(3.9)
Adjustment of deducted amounts of foreign taxes	(16.0)	(8.7)
Amortization of goodwill	0.6	0.4
Differences of effective tax rates applied to tax effect accounting (domestic subsidiaries)	(3.6)	0.9
Differences of effective tax rates applied to tax effect accounting (overseas subsidiaries)	21.0	24.4
Other	4.1	5.7
Effective tax rates	100.7%	80.4%

(b) The significant components of deferred tax assets and liabilities as of March 31, 2018 and 2019 are described below. Certain information for the year ended March 31, 2018 is not presented in accordance with the transitional treatment prescribed in Paragraph 7 of the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, revised on February 16, 2018).

	Millions of yen		Thousands of U.S. dollars
March 31,	2018	2019	2019
Deferred tax assets			
Exploration expenditures	¥ 51,583	¥ 51,701	$ 465,733
Loss on valuation of investment securities	2,267	2,415	21,755
Recoverable accounts under production sharing (foreign taxes)	4,515	1,268	11,422
Allowance for investments in exploration	466	975	8,783
Foreign taxes payable	29,644	27,889	251,230
Net operating loss carry-forwards *2	257,674	285,375	2,570,714
Accumulated depreciation	34,262	30,148	271,579
Liability for retirement benefits	1,980	2,077	18,710
Provision for loss on business	2,769	2,792	25,151
Translation differences of assets and liabilities denominated in foreign currencies	10,546	13,098	117,989
Asset retirement obligations	13,172	14,474	130,385
Allowance for doubtful accounts	6,262	3,947	35,555
Impairment loss	36,895	38,295	344,969
Other	43,439	33,972	306,027
Total gross deferred tax assets	495,474	508,426	4,580,002
Valuation allowance for net operating loss carry-forwards *2	—	(222,707)	(2,006,189)
Valuation allowance for total amount of deductible temporary difference and others	—	(171,134)	(1,541,609)
Total valuation allowance *1	(411,033)	(393,841)	(3,547,798)
Total deferred tax assets	84,441	114,585	1,032,204
Deferred tax liabilities			
Foreign taxes	(79,460)	(104,735)	(943,474)
Translation differences of assets and liabilities denominated in foreign currencies	(178)	(5)	(45)
Translation differences due to an application of purchase accounting method	(7,022)	(7,021)	(63,247)
Reserve for exploration	(7,300)	(5,564)	(50,121)
Unrealized holding gain on securities	(3,264)	(644)	(5,801)
Other	(3,096)	(7,999)	(72,056)
Total deferred tax liabilities	(100,320)	(125,968)	(1,134,744)
Net deferred tax assets (liabilities)	¥ (15,879)	¥ (11,383)	$ (102,540)

*1 Total valuation allowance as of March 31, 2019 decreased by ¥17,193 million ($154,878 thousand) compared with the amount as of March 31, 2018. This was mainly due to a decrease in valuation allowance for deductible temporary difference in accordance with the start of production at certain subsidiaries.

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

	Millions of yen				
March 31, 2019	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

	Thousands of U.S. dollars				
March 31, 2019	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	$ 20,332	$ 203,783	$ 292,514	$ 2,054,085	$ 2,570,714
Valuation allowance	(20,332)	(200,369)	(281,524)	(1,503,964)	(2,006,189)
Deferred tax assets	$ —	$ 3,414	$ 10,990	$ 550,121	$ 564,525

*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, 2018 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
Years ended March 31,	2018	2019	2019
Unrealized holding gain (loss) on securities			
Amount recognized during the period	¥ 4,952	¥(10,008)	$ (90,154)
Amount of reclassification adjustments	(0)	—	—
Before income tax effect	4,952	(10,008)	(90,154)
Amount of income tax effect	(1,241)	2,620	23,601
	3,711	(7,388)	(66,553)
Translation adjustments			
Amount recognized during the period	(68,262)	44,460	400,504
Amount of reclassification adjustment	(55)	1,635	14,729
	(68,317)	46,095	415,233
Share of other comprehensive income of affiliates accounted for by the equity-method			
Amount recognized during the period	23,907	(21,235)	(191,289)
Amount of reclassification adjustments	391	224	2,018
Adjustment for acquisition cost of assets	141	1,582	14,251
	24,439	(19,429)	(175,020)
Total other comprehensive income	¥(40,167)	¥ 19,278	$ 173,660

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 March 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 March 31, 2019 amounted to ¥9,600.

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, 2018 and 2019 are as follows:

	Yen		U.S. dollars
Years ended March 31,	2018	2019	2019
Net assets excluding non-controlling interests per share	¥1,997.24	¥2,058.95	$18.55
Cash dividends per share	18.00	24.00	0.22
Net income per share	¥ 27.64	¥ 65.81	$ 0.59

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

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

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

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

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 number of common stock outstanding at the year end. 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 of common stock outstanding during the year. For the year ended March 31, 2019, the number of shares of treasury stock deducted from the number of common stock outstanding at the year end in computing net assets excluding non-controlling interests per share was 157,300 shares, and the number of shares of treasury stock deducted from the average number of shares of common stock during the year in computing net income per share was 96,800 shares.

* "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, 2018 and 2019 are as follows:

	Millions of yen			
March 31, 2018	Contract amounts	Due after one year	Fair value	Valuation gain (loss)
Foreign exchange forwards*				
Sell (CAD) Buy (USD)	¥42,494	¥—	¥51	¥51

	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

	Thousands of U.S. dollars			
March 31, 2019	Contract amounts	Due after one year	Fair value	Valuation gain (loss)
Foreign exchange forwards*				
Sell (CAD) Buy (USD)	$398,649	$—	$513	$513

* 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, 2018 and 2019 are as follows:

		Millions of yen		
March 31, 2018	Principal items hedged	Contract amounts	Due after one year	Fair value
Interest rate swaps				
Payment fixed, receipt fluctuated (Special treatment)	Long-term debt	¥4,760	¥4,760	*

		Millions of yen		
March 31, 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	¥—	*

		Thousands of U.S. dollars		
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	$42,879	$—	*

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

12. OTHER FINANCIAL INSTRUMENTS

(a) The carrying value and estimated fair value of financial instruments excluding marketable securities and investment securities which are disclosed in Note 5.(a) and derivatives which are disclosed in Note 11 as of March 31, 2018 and 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, 2018	Carrying value	Estimated fair value
Short-term borrowings and current portion of long-term debt	¥ 71,250	¥ 69,588
Long-term debt	¥627,327	¥600,955

	Millions of yen		Thousands of U.S. dollars	
March 31, 2019	Carrying value	Estimated fair value	Carrying value	Estimated fair value
Short-term borrowings and current portion of long-term debt	¥ 127,184	¥ 126,524	$1,145,699	$1,139,753
Long-term debt	¥1,014,013	¥1,000,539	$9,134,429	$9,013,053

(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 ¥978 million and ¥579 million ($5,216 thousand) for the years ended March 31, 2018 and 2019, respectively.

14. IMPAIRMENT LOSS

For the year ended March 31, 2018

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 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 the shale gas project in Canada	British Columbia, Canada	Buildings and structures	¥ 2,678
		Wells	4,021
		Machinery, equipment and vehicles	11,391
		Mining rights	48,428
		Other	9,725
		Subtotal	76,243
Other			3,727
Total			¥79,970

The recoverable amount of the assets related to the shale gas project in Canada (Horn River, Cordova and Liard areas) is reasonably estimated by discounting the future cash flows at rates ranging from 9.9% to 16.2%.

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	Thousands of U.S. dollars
Assets related to Van Gogh Oil Field / Coniston Oil Field	Commonwealth of Australia	Wells	¥ 449	$ 4,045
		Machinery, equipment and vehicles	6,503	58,580
		Construction in progress	3,117	28,079
		Other	16	144
		Subtotal	10,085	90,848
Assets related to the shale gas project in Canada	British Columbia, Canada	Buildings and structures	24	216
		Wells	4,580	41,258
		Other	5,000	45,041
		Subtotal	9,604	86,515
Other			5,547	49,968
Total			¥25,236	$227,331

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.

15. RETIREMENT BENEFITS

Retirement benefits for the years ended March 31, 2018 and 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
	2018	2019	2019
Balance at beginning of the period	¥21,067	¥21,510	$193,766
Service cost	1,057	1,056	9,513
Interest cost	215	220	1,982
Actuarial loss (gain)	66	(185)	(1,667)
Retirement benefits paid	(895)	(990)	(8,918)
Balance at end of the period	¥21,510	¥21,611	$194,676

(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
	2018	2019	2019
Balance at beginning of the period	¥15,596	¥16,061	$144,681
Expected return on plan assets	261	268	2,414
Actuarial gain (loss)	100	(218)	(1,964)
Contributions to the plans	573	574	5,171
Retirement benefits paid	(469)	(638)	(5,747)
Balance at end of the period	¥16,061	¥16,047	$144,555

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

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Balance at beginning of the period	¥482	¥ 488	$ 4,396
Retirement benefit expenses	124	463	4,171
Retirement benefits paid	(33)	(148)	(1,333)
Contributions to the plans	(13)	(17)	(153)
Other	(72)	(84)	(757)
Balance at end of the period	¥488	¥ 702	$ 6,324

(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
	2018	2019	2019
Retirement benefit obligations (funded plans)	¥ 21,760	¥ 21,860	$ 196,919
Plan assets at fair value	(16,263)	(16,251)	(146,392)
	5,497	5,609	50,527
Retirement benefit obligations (unfunded plans)	441	657	5,918
Net liability (asset) on consolidated balance sheet	5,938	6,266	56,445
Liability for retirement benefits	5,938	6,266	56,445
Net liability (asset) on consolidated balance sheet	¥ 5,938	¥ 6,266	$ 56,445

* Including plans applying simplified methods.

(5) Details of retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Service cost	¥1,057	¥1,056	$ 9,513
Interest cost	215	220	1,982
Expected return on plan assets	(261)	(268)	(2,414)
Amortization of actuarial loss (gain)	(33)	33	297
Retirement benefit expenses under simplified methods	124	463	4,170
Retirement benefit expenses for defined benefit plans	¥1,102	¥1,504	$13,548

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

Components of plan assets	2018	2019
Stock	21%	13%
General accounts	45	45
Bonds	13	13
Other	21	29
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

	2018	2019
Discount rate	1.0%	1.0%
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 ¥2,413 million and ¥2,363 million ($21,286 thousand) for the years ended March 31, 2018 and 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, 2018 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
Years ended March 31,	2018	2019	2019
Balance at beginning of the period	¥109,146	¥111,536	$1,004,738
New obligations	3,707	2,621	23,610
Accretion expenses	2,641	2,824	25,439
Obligations settled	(3,394)	(296)	(2,665)
Change in estimates *1	2,929	(5,113)	(46,059)
Other *2	(3,493)	1,844	16,611
Balance at end of the period	¥111,536	¥113,416	$1,021,674

*1 "Change in estimates" for the years ended March 31, 2018 and 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, 2018 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
Years ended March 31,	2018	2019	2019
Balance at beginning of the period	¥60,797	¥54,036	$486,767
Goodwill acquired during the period	—	—	—
Amortization of goodwill	(6,761)	(6,761)	(60,904)
Balance at end of the period	¥54,036	¥47,275	$425,863

18. LEASES

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

As Lessee

	Millions of yen	Thousands of U.S. dollars
2020	¥ 3,515	$ 31,664
2021 and thereafter	13,350	120,259
Total	¥16,865	$151,923

19. CONTINGENT LIABILITIES

As of March 31, 2019, the Company and its consolidated subsidiaries were contingently liable as guarantors of indebtedness of affiliates in the aggregate amount of ¥535,159 million ($4,820,818 thousand).

In connection with the Ichthys LNG Project Finance, the Company and other project participants provide lenders with a guarantee of liabilities during the construction phase based on each participating interest. The portion guaranteed by the Company as of March 31, 2019, was ¥846,000 million ($7,620,935 thousand).

20. SEGMENT INFORMATION

Segment information for the years ended March 31, 2018 and 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, 2018	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Total	Adjustments*1	Consolidated*2
Sales to third parties	¥120,060	¥ 148,837	¥ 88,597	¥565,244	¥ 10,964	¥ 933,702	¥ —	¥ 933,702
Intercompany sales and transfers between segments	—	—	—	—	—	—	—	—
Total sales	120,060	148,837	88,597	565,244	10,964	933,702	—	933,702
Segment income (loss)	25,256	28,405	21,396	305,056	(10,656)	369,457	(12,094)	357,363
Segment assets	303,133	2,342,417	619,795	511,037	57,187	3,833,569	418,818	4,252,387
Other items								
Depreciation and amortization	17,942	14,054	9,691	36,892	12,901	91,480	1,326	92,806
Amortization of goodwill	—	—	—	—	(192)	(192)	6,953	6,761
Investment to affiliates accounted for by the equity-method	1,980	237,959	916	31,712	—	272,567	299	272,866
Increase of tangible fixed assets and intangible assets	¥ 2,975	¥ 228,824	¥ 7,040	¥149,217	¥ 1,786	¥ 389,842	¥ 1,065	¥ 390,907

Year ended March 31, 2019	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Total	Adjustments*1	Consolidated*2
	Millions of yen							
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

Year ended March 31, 2019	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Total	Adjustments*1	Consolidated*2
	Thousands of U.S. dollars							
Sales to third parties	$1,263,949	$ 825,431	$1,051,428	$5,534,817	$ 74,839	$ 8,750,464	$ —	$ 8,750,464
Intercompany sales and transfers between segments	—	43,329	—	—	—	43,329	(43,329)	—
Total sales	1,263,949	868,760	1,051,428	5,534,817	74,839	8,793,793	(43,329)	8,750,464
Segment income (loss)	263,129	246,248	282,911	3,711,954	(78,830)	4,425,412	(152,986)	4,272,426
Segment assets	2,623,944	26,767,814	5,413,819	4,778,236	381,199	39,965,012	3,216,197	43,181,209
Other items								
Depreciation and amortization	158,202	307,495	63,886	349,239	71,678	950,500	12,476	962,976
Amortization of goodwill	—	—	—	—	(1,730)	(1,730)	62,634	60,904
Investment to affiliates accounted for by the equity-method	17,314	2,717,773	73,129	205,125	—	3,013,341	13,269	3,026,610
Increase of tangible fixed assets and intangible assets	$ 34,826	$ 2,177,777	$ 57,544	$ 553,446	$ 31,321	$ 2,854,914	$ 6,999	$ 2,861,913

*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)

Years ended March 31,	Millions of yen 2018	Millions of yen 2019	Thousands of U.S. dollars 2019
Crude oil	¥710,278	¥782,695	$7,050,671
Natural gas (excluding LPG)	202,054	169,206	1,524,241
LPG	6,048	1,504	13,548
Other	15,322	17,984	162,004
Total	¥933,702	¥971,389	$8,750,464

(e) Geographical information

(Sales)

Years ended March 31,	Millions of yen 2018	Millions of yen 2019	Thousands of U.S. dollars 2019
Japan	¥428,653	¥423,090	$3,811,278
Asia & Oceania	405,422	378,956	3,413,710
Other	99,627	169,343	1,525,476
Total	¥933,702	¥971,389	$8,750,464

(Tangible fixed assets)

March 31,	Millions of yen 2018	Millions of yen 2019	Thousands of U.S. dollars 2019
Japan	¥ 264,549	¥ 245,338	$ 2,210,053
Australia	1,537,733	1,774,224	15,982,560
United Arab Emirates	202,177	228,921	2,062,166
Other	40,161	30,512	274,858
Total	¥2,044,620	¥2,278,995	$20,529,637

(f) Information by major customer

(Sales to major customer)

Year ended March 31, 2018	Millions of yen	Segment
Shell International Eastern Trading Company	¥107,654	Middle East & Africa

Year ended March 31, 2019	Millions of yen	Thousands of U.S. dollars	Segment
JXTG Nippon Oil & Energy Corporation	¥99,555	$896,811	Middle East & Africa

(g) Information on impairment loss from fixed assets

	Millions of yen		Thousands of U.S. dollars
Years ended March 31,	2018	2019	2019
Japan	¥ 3,631	¥ 5,547	$ 49,968
Asia & Oceania	—	10,085	90,848
Middle East & Africa	96	—	—
Americas	76,243	9,604	86,515
Total	¥79,970	¥25,236	$227,331

21. RELATED PARTY TRANSACTIONS

There are the following related party transactions for the years ended March 31, 2018 and 2019.

(a) Affiliated company

Year ended March 31, 2018

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	$3,398,480 thousand	Transportation, liquefaction and sales of oil and natural gas through pipeline in WA-50-L block in offshore Western Australia	Indirectly 62.25%	Serve the officer concurrently, capital subscription	Loans of funds*1	¥ 172,469	Long-term loans receivable	¥293,789
						Subscription for new shares	122,889	—	—
						Guarantee of liabilities*2	¥1,390,772	—	¥ —

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	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	¥ 257,956	$ 2,323,719	Long-term loans receivable	¥586,823	$5,286,217
						Subscription for new shares	103,283	930,394	—	—	—
						Guarantee of liabilities*2	¥1,354,276	$12,199,586	—	¥ —	$ —

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

*2 Guarantee of liabilities are for securing loans from financial institutions and for providing lender with a guarantee of liabilities during the construction phase based on each participating interest. In addition, "Amounts" are guaranteed balance by the Company.

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

The significant affiliated company for the years ended March 31, 2018 and 2019 is Ichthys LNG Pty Ltd. The summary of its financial information is as follows:

	Millions of yen		Thousands of U.S. dollars
Years ended March 31,	2018	2019	2019
Total current assets	¥ 42,704	¥ 140,150	$ 1,262,499
Total fixed assets	3,479,768	3,789,678	34,138,168
Total current liabilities	357,270	321,795	2,898,793
Total long-term liabilities	2,788,362	3,106,463	27,983,632
Total net assets	376,840	501,570	4,518,242
Net sales	—	178,670	1,609,495
Net income (loss) before income taxes	(3,032)	13,061	117,656
Net income (loss)	¥ (2,688)	¥ 8,710	$ 78,461

Independent Auditor's Report

Ernst & Young ShinNihon LLC
Hibiya Mitsui Tower, Tokyo Midtown Hibiya
1-1-2 Yurakucho, Chiyoda-ku
Tokyo 100-0006, Japan

Tel: +81 3 3503 1100
Fax: +81 3 3503 1197
www.eyjapan.jp

Independent Auditor's Report

The Board of Directors
INPEX CORPORATION

We have audited the accompanying consolidated financial statements of INPEX CORPORATION and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2019, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of INPEX CORPORATION and its consolidated subsidiaries as at March 31, 2019, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

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

Ernst & Young ShinNihon L.L.C.

June 25, 2019
Tokyo, Japan

Subsidiaries and Affiliates

As of March 31, 2019

Consolidated Subsidiaries

Company name	Issued capital* (Millions of yen)	Voting rights held by us (%)	Main business
INPEX Sahul, Ltd.	4,600	100.00%	Exploration, development, production and sales of oil and natural gas in the JPDA03-12 Block and Bayu-Undan Gas-Condensate Field in the Timor Sea JPDA, Australia and East Timor
INPEX Alpha, Ltd.	8,014	100.00%	Exploration, development, production and sales of oil and natural gas in the WA-35-L Block and others, Australia
INPEX Browse, Ltd.	423,790	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%	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%	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	373,150 (Thousands of U.S. dollars)	100.00%	Exploration of oil and natural gas in the WA-285-P Block and others, Australia
INPEX Masela, Ltd.	61,326	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.	1,426	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 and 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.	88,620	51.00%	Exploration, development, production and sales of oil in the Offshore North Caspian Sea Block, Kazakhstan
Japan Oil Development Co., Ltd.	32,067	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.	475,600 (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
Teiseki Pipeline Co., Ltd.	100	100.00%	Natural gas transportation, pipeline operation, maintenance and management

Company name	Issued capital* (Millions of yen)	Voting rights held by us (%)	Main business
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%	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.	2,341,000 (Thousands of U.S. dollars)	100.00%	The Group's intercompany finance operations and support for financial administration of projects

36 other subsidiaries

Equity-Method Affiliates

Company name	Issued capital* (Millions of yen)	Voting rights held by us (%)	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	143,023 (Thousands of U.S. dollars)	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%	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.	0	25.16%	Supply of business capital for exploration, development, production and sales of oil in Zapadno-Yaraktinsky and Bolshetirsky blocks, Russia
Angola Japan Oil Co., Ltd.	8,000	19.60%	Exploration, development, production and sales of oil in the Offshore 3/05 Block and 3/05A Block, Angola
Angola Block 14 B.V.	18 (Thousands of euros)	49.99%	Exploration, development, production and sales of oil in Block 14, Offshore Angola
INPEX Offshore North Campos, Ltd.	6,852	37.50%	Financing for oil and natural gas exploration, development, production and sales in the Frade Block in Offshore North Campos, Brazil

14 other equity-method affiliates

Subsidiaries of Equity-Method Affiliates

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

2 other subsidiaries of equity-method affiliates

*Rounding off fractions less than the unit.

Business Risks

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

Unless stated otherwise, forward-looking statements in the discussion are the judgment of the Group as of June 26, 2019 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. 94.

2) Probable reserves

In addition to the assessment of proved reserves based on the SEC standards, the Company commissioned DeGolyer and MacNaughton to assess its probable reserves of which projects with a significant amount of future development investment might materially affect the future performance, similar to proved reserves. An assessment of other projects was undertaken by the Company, based on the Petroleum Resources Management System (PRMS) published by organizations including the Society of Petroleum Engineers (SPE). Probable reserves are defined by PRMS guidelines. In this context, when probabilistic methods are employed, there should be at least a 50% probability that the quantities actually recovered will equal or exceed the sum of estimated proved and probable reserves. Probable reserves can be upgraded to proved reserves after the addition of new technical data or when uncertainty has been reduced due to clarification of economic conditions or operational conditions. Nevertheless, probable reserves do not offer a guarantee of the production of total reserves during a future production period with the same certainty as proved reserves.

For further details on probable reserves of crude oil, condensate, LPG and natural gas held by the Group, including affiliates accounted for under the equity method, please see the section "Oil and Gas Reserves and Production Volume" on P. 94.

3) Possibility of changes in reserves

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

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

Considerable time and expense is required for exploration activities. Even when promising resources are discovered through exploration, substantial expenses including production facility construction costs, and an extended period of time, are necessary at the development stage leading up to production. For this reason, a long period of 10 years or more is required from the time of exploration and development investment until the recovery of funds through production and sales. In particular, the large-scale 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 integration of INPEX CORPORATION and Teikoku Oil Co., Ltd., was completed on October 1, 2008. The resultant company possesses abundant operational capabilities thanks to the integration of the former two companies' know-how based on extensive operation experience in exploration, development and production both within Japan and overseas as well as their high level proprietary technologies.

The Group intends to actively pursue operator projects, focusing on the large-scale Ichthys LNG and other projects taking into consideration the effective application of business resources as well as the balance between operator and non-operator projects, based on the Group's technical capability, which has been considerably enhanced by the above-stated business integration. 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 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.

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 on shore and offshore Abu Dhabi oil fields (United Arab Emirates), the Minami Nagaoka Gas Field (Japan) and so on. Through a process of business integration, the Group had established a wide ranging, diversified yet balanced portfolio that encompassed the Asia-Oceania regions (particularly Japan, Indonesia, and Australia), the Middle East and Africa, Eurasia including Caspian Sea area and the Americas. For the year ended March 31, 2019 however, the Middle East and Africa regions accounted for about 54% and the Asia and Oceania regions accounted for about 22% 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 June 26, 2019, 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. 92.

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

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

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

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

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

The treatment of Sakhalin Oil and Gas Development Co., Ltd. (hereinafter "SODECO"), INPEX Offshore North Campos, Ltd., INPEX North Makassar, Ltd. (liquidation proceedings completed on December 19, 2008), INPEX Masela, Ltd., and INPEX North Caspian Sea, Ltd. was agreed between INPEX CORPORATION and JNOC in the MOU of February 5, 2004. Regarding the treatment of shares of SODECO, refer to the section "(2) Treatment of the shares of Sakhalin Oil and Gas Development (SODECO) owned by the Japanese government" on P. 91. With regard to the transfer to INPEX CORPORATION of the shares in the above project companies other than SODECO, it was decided that the shares are to be transferred for cash compensation as soon as prerequisites such as the consent of the oil-producing country and joint venture partners and the possibility of appropriate asset evaluations are in place. However, the transfer of shares held by JNOC in the above companies has not been decided and the shares in the above project companies were succeeded to by the Japan Oil Gas and Metals National Corporation (hereinafter "JOGMEC") on the dissolution of JNOC on April 1, 2005, except shares related to INPEX North Makassar, Ltd., to which the Minister of Economy, Trade and Industry succeeded. JOGMEC states in its "medium-term objective" and "medium-term plan" that the shares succeeded to from JNOC will be disposed of at an appropriate time and in an appropriate manner, but the timing and manner of the disposal for the shares held by JOGMEC have not been decided, and it is possible that the Company will be unable to acquire the shares.

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

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

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

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

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

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

8. CLASS A STOCK

(1) Overview of the classified share

1) Reason for the introduction

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

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

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

3) Veto rights in the Articles of Incorporation

The Articles of Incorporation of the Company provide that an approval resolution of the meeting of the holder of the Class A Stock is necessary in addition to resolutions of the Company's general shareholders' meetings and resolutions of meetings of the Board of Directors for the decisions on certain important matters such as the appointment or removal of Directors, disposition of material assets, changes to the Articles of Incorporation, business integration, capital reduction or company dissolution in connection with the business of the Company. Accordingly, the Minister of Economy, Trade and Industry, as the holder of the Class A Stock, has veto rights over these important matters. 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 13 members, five of whom are outside directors.

Four of the five 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 March 31, 2019, were 2,864 million barrels for crude oil, condensate and LPG, and 6,179 billion cubic feet for natural gas, for a total of 4,010 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, 2017	17	659	184	4,624	217	125	1,746	—	10	99	2,173	5,506
Extensions and discoveries	—	—	—	—	—	—	—	—	—	—	—	—
Acquisitions and sales	—	—	(7)	(53)	—	—	313	—	—	—	307	(53)
Revisions of previous estimates	4	171	12	202	32	36	292	—	(3)	(38)	338	371
Interim production	(1)	(51)	(6)	(141)	(14)	(8)	(63)	—	(1)	(41)	(85)	(242)
As of March 31, 2018	20	778	183	4,632	236	153	2,288	—	6	19	2,732	5,583
Equity-method affiliates												
As of March 31, 2017	—	—	2	385	2	—	32	—	—	—	36	385
Extensions and discoveries	—	—	—	—	—	—	—	—	—	—	—	—
Acquisitions and sales	—	—	—	—	2	—	—	—	—	—	2	—
Revisions of previous estimates	—	—	0	26	5	—	2	—	0	0	8	26
Interim production	—	—	(0)	(18)	(1)	—	(29)	—	0	0	(31)	(18)
As of March 31, 2018	—	—	2	394	8	—	5	—	—	—	15	394
Proved developed and undeveloped reserves												
As of March 31, 2018	20	778	186	5,026	244	153	2,293	—	6	19	2,747	5,976
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
Proved developed reserves												
INPEX CORPORATION and Consolidated Subsidiaries												
As of March 31, 2019	18	727	153	3,586	244	148	1,500	—	1	1	1,916	4,462
Equity-method affiliates												
As of March 31, 2019	—	—	1	202	11	—	3	—	—	—	15	202
Proved undeveloped reserves												
INPEX CORPORATION and Consolidated Subsidiaries												
As of March 31, 2019	—	—	37	1,382	45	—	843	—	3	5	929	1,387
Equity-method affiliates												
As of March 31, 2019	—	—	1	128	2	—	3	—	—	—	5	128

Notes: 1. Based on SEC disclosure standards, the Group discloses proved reserves in each country containing 15% or more of its proved reserves. As of March 31, 2019, the Group held proved reserves in Australia of approximately 182 million barrels for crude oil and approximately 4,753 billion cubic feet for natural gas, for a total of approximately 1,069 million boe.
2. Proved reserves (as of March 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

Standardized measure of discounted future net cash flows and their changes relating to proved oil and gas reserves for the year ended March 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 March 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 ¥106.27 and ¥111.01 to the U.S. dollar as of March 31, 2018 and 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, 2018	Total	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas
INPEX CORPORATION and Consolidated Subsidiaries						
Future cash inflows	¥20,320,892	¥ 956,171	¥ 4,159,906	¥1,288,985	¥13,878,650	¥ 37,181
Future production and development costs	(7,498,996)	(240,311)	(1,283,385)	(555,837)	(5,392,276)	(27,186)
Future income tax expenses	(8,673,758)	(231,110)	(645,491)	(125,913)	(7,671,244)	—
Future net cash flows	4,148,139	484,749	2,231,030	607,235	815,130	9,995
10% annual discount for estimated timing of cash flows	(2,262,996)	(270,112)	(1,087,087)	(336,086)	(567,643)	(2,068)
Standardized measure of discounted future net cash flows	1,885,143	214,637	1,143,943	271,149	247,487	7,926
Equity-method affiliates						
Future cash inflows	322,705	—	252,543	39,268	30,894	—
Future production and development costs	(179,806)	—	(134,182)	(13,809)	(28,863)	(2,952)
Future income tax expenses	(68,556)	—	(51,100)	(14,590)	(2,866)	—
Future net cash flows	74,343	—	67,260	10,869	(834)	(2,952)
10% annual discount for estimated timing of cash flows	(40,500)	—	(38,494)	(3,720)	1,576	137
Share of equity-method investees' standardized measure of discounted future net cash flows	33,842	—	28,766	7,149	742	(2,815)
Total consolidated and equity-method affiliates in standardized measure of discounted future net cash flows	¥ 1,918,985	¥ 214,637	¥ 1,172,709	¥ 278,298	¥ 248,229	¥ 5,112

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

	Millions of yen					
March 31, 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 (50%)/Americas: Copa Macoya (30%), Horn River Area (54.91%)

	Millions of yen						
	Total	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Equity-method affiliates
INPEX CORPORATION and Consolidated Subsidiaries							
Standardized measure at beginning of the period As of April 1, 2018	¥1,918,985	¥214,637	¥1,143,943	¥271,149	¥247,487	¥ 7,926	¥33,842
Changes resulting from:							
Sales and transfers of oil and gas produced, net of production costs	(504,942)	(50,441)	(62,551)	(49,274)	(323,245)	(3,390)	(16,042)
Net changes in oil and gas prices and production costs	1,211,922	60,828	177,547	135,938	786,349	5,977	45,283
Development costs incurred	178,909	228	93,130	9,385	69,088	3,189	3,890
Changes in estimated future development costs	(139,471)	(912)	(42,727)	(86,402)	(4,653)	(142)	(4,635)
Revisions of previous quantity estimates	591,441	(619)	42,462	199,267	323,480	(2,022)	28,872
Accretion of discount	175,756	18,962	102,883	24,698	25,330	923	2,959
Net change in income taxes	(890,833)	(522)	(28,287)	(47,246)	(791,346)	591	(24,022)
Extensions, discoveries and improved recoveries	100,072	—	100,072	—	—	—	—
Other	(211,817)	9,574	(246,387)	12,094	11,039	354	1,509
Standardized measure at end of the period As of March 31, 2019	¥2,430,021	¥251,735	¥1,280,085	¥469,609	¥343,528	¥13,407	¥71,657

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

Probable reserves as of March 31, 2019

The following table lists the probable reserves of crude oil, condensate, LPG and natural gas of the Group on main projects. Our probable reserves as of March 31, 2019, were 314 million barrels for crude oil, condensate and LPG, and 4,948 billion cubic feet for natural gas, for a total of 1,202 million boe.

March 31, 2019	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Subtotal	Interest in reserves held by equity-method affiliates	Total
Probable reserves								
Crude oil, condensate and LPG (MMbbl)	1	123	26	162	2	313	1	314
Natural gas (Bcf)	44	4,808	—	—	1	4,854	94	4,948

Notes: 1. MMbbl: Million barrels
2. Bcf: Billion cubic feet
3. Oil and gas reserves are rounded to the nearest whole number.

2. OIL AND GAS PRODUCTION

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

The Group's production for the year ended March 31, 2019, was 303.3 thousand barrels per day for crude oil, condensate and LPG, and 649.0 million cubic feet per day for natural gas, for a total of 424.3 thousand boed.

Years ended March 31,	2014	2015	2016	2017	2018	2019
Crude oil, condensate and LPG (Mbbld):						
Japan	3.6	3.2	3.2	3.5	3.7	3.5
Asia & Oceania	45.8	40.6	47.8	35.8	21.2	18.7
Eurasia (Europe & NIS)	26.1	27.0	31.6	29.6	37.5	40.7
Middle East & Africa	84.4	84.8	161.1	176.3	176.2	225.6
Americas	0.1	0.5	5.5	5.6	3.9	1.8
Subtotal	160.0	156.1	249.2	250.7	242.6	290.3
Proportional interests in production by equity-method affiliates	84.9	86.6	90.0	97.6	86.5	13.0
Total	244.9	242.7	339.2	348.3	329.1	303.3
Annual production (MMbbl)	89.4	88.6	124.2	127.1	120.1	110.7
Natural gas (MMcf/d):						
Japan	125.5	113.9	119.7	132.0	145.6	131.6
Asia & Oceania	602.8	596.5	666.8	614.8	326.9	346.5
Eurasia (Europe & NIS)	—	—	—	5.3	21.4	27.4
Middle East & Africa	—	—	—	—	—	—
Americas	107.4	103.2	87.3	116.5	107.7	89.8
Subtotal	835.7	813.7	873.8	868.6	601.6	595.3
Proportional interests in production by equity-method affiliates	40.7	66.4	59.1	54.1	48.1	53.8
Total	876.4	880.0	932.9	922.7	649.7	649.0
Annual production (Billions of cubic feet)	319.9	321.2	341.4	336.8	237.1	236.9
Crude oil and natural gas (Mboed):						
Japan	27.2	24.6	25.7	28.3	31.1	28.2
Asia & Oceania	159.9	154.3	174.0	152.5	82.7	84.4
Eurasia (Europe & NIS)	26.1	27.0	31.6	30.6	41.4	45.6
Middle East & Africa	84.4	84.8	161.1	176.3	176.2	225.6
Americas	19.0	19.0	21.0	26.5	23.5	18.1
Subtotal	316.7	309.7	413.4	414.1	354.9	401.8
Proportional interests in production by equity-method affiliates	92.1	98.4	100.5	107.2	95.0	22.5
Total	408.8	408.1	513.8	521.3	449.9	424.3
Annual production (MMboe)	149.2	148.9	188.1	190.3	164.2	154.9

Corporate Information

(As of March 31, 2019)

Corporate Data

Company Name INPEX CORPORATION

Established April 3, 2006

Capital ¥290,809,835,000

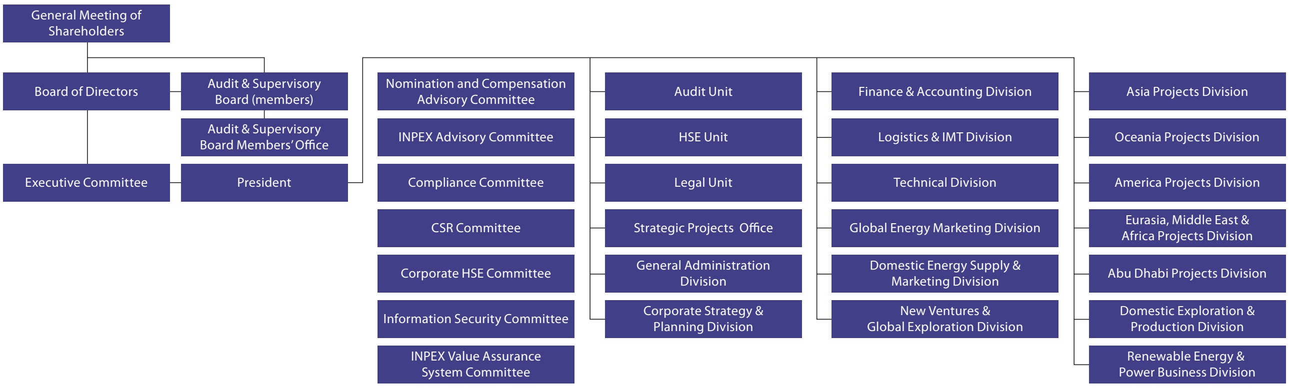
Company Headquarters Akasaka Biz Tower, 5-3-1 Akasaka, Minato-ku, Tokyo 107-6332, Japan

Number of Employees (Consolidated) 3,118

Main Business

Research, exploration, development, production and sales of oil, natural gas and other mineral resources, other related businesses and investment and lending to the companies engaged in these activities, etc.

Organization Chart (As of June 25, 2019)



Stock Data

Authorized Shares

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

Total Number of Shareholders and Issued Shares

Common Stock 33,727/1,462,323,600 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 shares	Percentage of total common shares* (%)
Minister of Economy, Trade and Industry	276,922,800	18.96
Japan Petroleum Exploration Co., Ltd.	106,893,200	7.32
The Master Trust Bank of Japan, Ltd. (Trust Account)	74,165,700	5.08
Japan Trustee Services Bank, Ltd. (Trust Account)	62,176,097	4.26
JXTG Holdings, Inc.	43,810,800	3.00
Mitsui Oil Exploration Co., Ltd	30,924,000	2.12
Japan Trustee Services Bank, Ltd. (Trust Account 9)	22,985,700	1.57
SSBTC CLIENT OMNIBUS ACCOUNT	22,664,524	1.55
Japan Trustee Services Bank, Ltd. (Trust Account 5)	21,379,700	1.46
The Bank of New York Mellon 140051	19,440,200	1.33

*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 shares	Percentage of total common shares[1] (%)
Financial Institutions (Including Trust Accounts)	78	297,710,997	20.36
Securities Companies	55	20,807,478	1.42
Other Domestic Corporations	302	215,259,973	14.72
Minister of Economy, Trade and Industry[2]	1	276,922,800	18.94
Foreign Corporations and Other	851	616,555,747	42.16
Individuals and Other	32,439	33,100,105	2.26
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.

Corporate Strategy & Planning Division
Corporate Communications Unit
Investor Relations Group
Phone: **+81-3-5572-0234**, Fax: **+81-3-5572-0235**
Web site: **www.inpex.co.jp/english/ir/inquiries.html**

*This Report was printed using environmentally conscious methods and vegetable oil-based ink.

INPEX

Akasaka Biz Tower
5-3-1 Akasaka, Minato-ku, Tokyo 107-6332, Japan
Phone: +81-3-5572-0200

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