INPEX

Annual Report 2020

For the period ended
December 31, 2020

INPEX CORPORATION

INPEX CORPORATION Annual Report 2020 For the period ended December 31, 2020

INPEX

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VEGETABLE OIL INK

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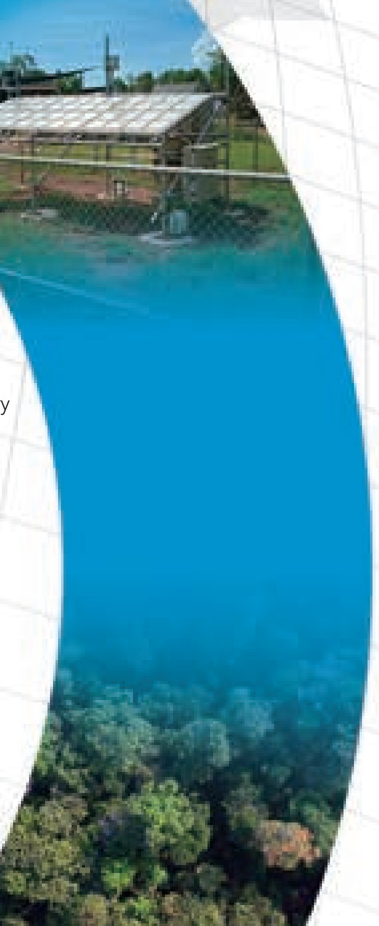
INPEX CORPORATION is Japan's largest oil and natural gas E&P company.
INPEX will proactively engage in energy structure reforms towards the realization of a net zero carbon society by 2050, while responding to the growing energy demands of Japan and the world and fulfilling the company's responsibility for the development and stable supply of energy over the long term.

Our Mission

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

Our Goal

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



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Publications	Annual Reports	Annual Reports
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Securities Reports (available in Japanese only)
▶ https://www.inpex.co.jp/ir/library/securities.html
Fact Books ▶ https://www.inpex.co.jp/english/ir/library/factbook.html
Sustainability Reports ▶ https://www.inpex.co.jp/english/csr/csr/
Corporate Brochures (available in Japanese only)
▶ https://www.inpex.co.jp/company/pdf/brochure.pdf
Corporate Website ▶ https://www.inpex.co.jp/english/

ABOUT OUR REPORTING

In editing this Annual Report, we have referred to documents such as the International Integrated Reporting Council's (IIRC) International Integrated Reporting Framework and the Guidance for Collaborative Value Creation issued by Japan's Ministry of Economy, Trade and Industry (METI), incorporating information with the aim of straightforwardly conveying our business activities within the reporting period from both financial and non-financial perspectives.

In fiscal 2020, we have steadily responded to dramatic changes in the external environment, such as the spread of COVID-19 and crude oil price declines. Going forward, we recognize that changes towards a net zero carbon society will pose new challenges for us, but we consider these challenges to be great opportunities at the same time. By providing a stable supply of diverse energy both domestically and internationally with a focus on cleaner upstream businesses, we will continue to improve the enterprise value of the INPEX Group as a whole, while contributing to stable energy supply, environmental conservation, economic and social development and more.

In this Annual Report, we have worked to more concretely present our vision, value creation process, strengths, initiatives towards a net zero carbon society, sustainability initiatives and other topics.

This Annual Report is intended to function as a communication tool contributing to dialogue with our stakeholders.

DISCLAIMER

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

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

FORWARD-LOOKING STATEMENTS

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

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

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

NOTES REGARDING FIGURES

Financial figures in this Annual Report have been, in principle, rounded to the nearest unit (e.g., millions, billions) for convenience with an exception of the figures on page 65 to page 109 where they have been, in principle, rounded down. The "Project Overview by Region" section (starting on page 56) describes, in principle, the operating situation as of March 31, 2021. Figures in parentheses denote negative amounts. The natural gas production volume for projects in production is not the volume at wellheads but corresponds to the gas volume sold 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).

Our Vision

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.

Energy Situation in Japan and Worldwide

Energy demand fell in the short term due to a dramatic and large-scale downturn in the global economy caused by the spread of COVID-19 that surfaced in 2019. However, over the medium to long term, we anticipate a recovery and growth in energy demand due to factors such as expanding global middle-class populations and economic growth mainly in emerging countries. Demand for oil and natural gas is also expected to gradually return to pre-pandemic levels in step with the recovery of the global economy. Over the medium to long term, we expect to see strong demand primarily in Asia, driven by an increase in the global population and economic growth.

Japan continues to face challenges in securing stable energy supplies and increasing its independent development ratio of oil and natural gas to achieve this. While the Japanese government's independent development ratio target for fiscal 2030 is 40% or more, the actual ratio in fiscal 2019 was just under 35%. Although this ratio is steadily increasing, the situation requires sustained and long-term expansion measures, given the growth in global energy demand as well as geopolitical risks.

On the other hand, the Paris Agreement, adopted in 2015, sets out a global long-term goal to limit global warming to below 2°C compared to pre-industrial revolution levels and preferably to 1.5°C. In addition, major countries such as the EU nations, the U.K. and Japan have announced so-called "net zero targets" to reduce greenhouse gas emissions to effectively zero in 2050. The spread of COVID-19 has caused a stagnation in economic and social activities, leading to a decrease in greenhouse gas emissions. This phenomenon has given rise to policies simultaneously targeting economic recovery and climate change action, as well as those looking to build cleaner, less energy-consuming social structures. We believe that progress in discussions toward a net zero carbon society will increase the risk of further limiting oil and natural gas demand and amplify the urgency of taking action toward a net zero carbon society. In addition, demand for renewable energy is expected to grow significantly.

In order to contribute to the realization of the Paris Agreement objectives in relation to climate change, INPEX will steadily realize its climate change response goals including a net zero carbon emission by our company by 2050.

2008 INPEX CORPORATION is founded

2012 Ichthys LNG Project reaches final investment decision

2013 Naoetsu LNG Terminal is completed

2014 Extension of the concession agreement for the Upper Zakum Oil Field

2015 Acquires interest in ADCO onshore concession

2016 Kashagan Oil Field commences crude oil shipments

2017 Extension of the production sharing agreement for the ACG oil fields

2018 Ichthys LNG Project commences production

2019 Revised development plan for the Abadi LNG Project is approved

2021 Japanese corporate name is changed to Kabushiki Kaisha INPEX

Medium- to Long-term Vision of INPEX
Ichthys and our growth over the next decade
Clarifies key initiatives and targets for the period leading up to the Ichthys production start-up

Medium-term Business Plan 2018–2022
Outlines specific targets and initiatives for the five-year period between fiscal 2018 and fiscal 2022

For more on progress of the Medium-term Business Plan ▶ See page 34

Vision 2040
Delivering Tomorrow's Energy Solutions

Business Development Strategy
- Towards a Net Zero Carbon Society by 2050

2008 | 2012 | 2018 | 2022 | 2050

Business Development Strategy

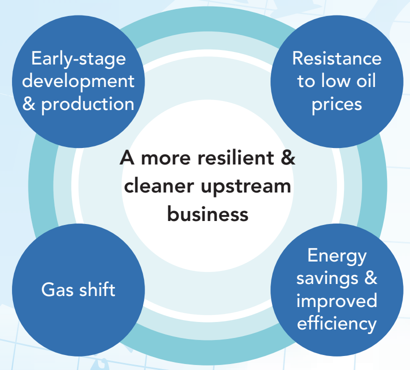
Towards a Net Zero Carbon Society by 2050

INPEX, under its new Japanese corporate name, will improve the enterprise value of the INPEX Group as a whole, while proactively responding to changes towards a net zero carbon society by providing a stable supply of diverse energy in a cleaner form both domestically and internationally, and thereby contributing to stable energy supply, environmental conservation, economic and social development and more.

Our Climate Change Response Goals

Scope 1+2	Scope 1+2	Scope 3
2050 NET ZERO in absolute emissions	**2030** 30% OR MORE reduction of net carbon intensity	**Scope 3 REDUCTION** work together with all relevant stakeholders to address challenges across the value chains

Stable Supply of Energy



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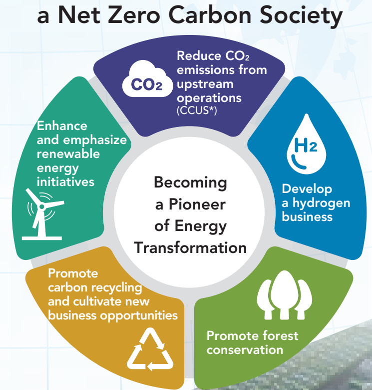
Five Business Pillars Towards a Net Zero Carbon Society



*CCUS: Carbon dioxide Capture, Utilization and Storage

Renewable fields: Business implementation → Active business expansion → Reinforcement of earning power / Hydrogen business expansion — Power from renewables + Hydrogen production utilizing surplus power

CCUS and hydrogen: Reduction of CO_2 from INPEX assets → Business establishment → Reinforcement of earning power as core business — Business expansion, efficiency and low-cost realization

Upstream fields

INPEX's Vision and Value Creation
Growth Strategies for Value Creation
The Basis of our Value Creation
Performance and Financial Overview

Value Creation Process

INPEX will proactively engage in energy structure reforms towards the realization of a net zero carbon society by 2050, while responding to the growing energy demands of Japan and the world and fulfilling the company's responsibility for the development and stable supply of energy over the long term. By doing so, INPEX will contribute a brighter future for society and sustainably increase its enterprise value.

External Environment

Global Developments

- COVID-19 pandemic, deteriorating global economy
- Dramatic fluctuation in oil and natural gas prices
- Increasing momentum toward addressing climate change
- Policy to elevate Japan's target independent development ratio of oil and natural gas

Risks

- Risks of natural disasters, large-scale accidents, etc.
- Risk of failure in exploration, development or production
- Oil and natural gas price fluctuations and exchange/interest rate fluctuations
- Climate change-related policy/regulatory, technical, market and physical risks
- Country risks

Opportunities

- Increasing importance of natural gas in energy transition
- Opportunities for a more resilient and cleaner upstream business
- Various changes toward a net zero carbon society (e.g., increasing demand for hydrogen, ammonia, CCUS and renewable energies)
- Opportunities to develop new businesses that respond to society's new needs

Inputs

Human Capital

- Global and diverse personnel
- Number of employees: 3,163 (consolidated)

Social and Relationship Capital

- Good relationships with stakeholders in Japan and around the world

Natural Capital

- Crude oil, natural gas, air, water, land, natural energy

Financial Capital

- Strong financial base
- Equity ratio: 59.0%, D/E ratio: 45.1%
- Long-term credit ratings (as of June 23, 2021): Moody's A2 (stable), S&P A- (stable), R&I AA- (stable)

Manufactured Capital

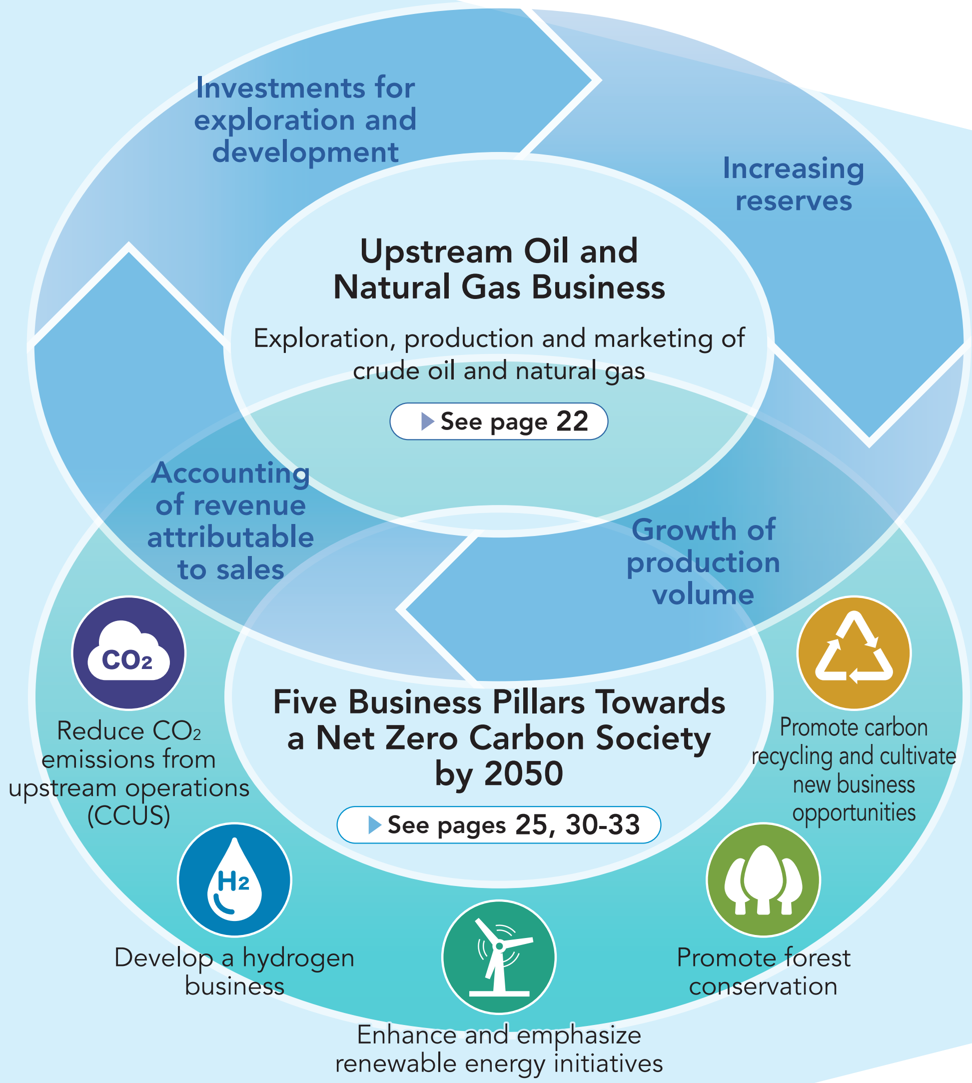
- Production, manufacturing and supply facilities in Japan and around the world

Intellectual Capital

- Technical capabilities and experience to carry out projects

Note: Results for the fiscal year ended December 31, 2020

Business Processes



Medium-term Business Plan 2018–2022 See page 34

CSR Management — Identification of material issues See page 36

Corporate Governance See page 48

Outputs

Energy supply indispensable to people's livelihoods

Products

Note: Results for the fiscal year ended December 31, 2020

Oil
331 thousand barrels per day

Natural gas
1,265 million cubic feet per day

Renewable energy
Power generated
371,998 MWh

Outcomes

Economic Values

- Generation of free cash flow
- Shareholder returns
- Improvement of enterprise value/ shareholder value

Social Values

- Stable supply of energy to society
- Contribution to local communities and creation of employment opportunities
- Reduction of workplace injuries and prevention of major accidents
- Increase in Japan's independent development ratio of oil and natural gas

Environmental Values

- Expanding supply of natural gas as a cleaner source of energy
- Cleaner upstream operations through hydrogen/CCUS businesses
- Reduction of greenhouse gas emissions
- Conservation of biodiversity

Contribution to Achieving the SDGs*

7 AFFORDABLE AND CLEAN ENERGY, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 13 CLIMATE ACTION, 15 LIFE ON LAND, 17 PARTNERSHIPS FOR THE GOALS

*SDGs: Sustainable Development Goals

Message from the Representative Directors

Toshiaki Kitamura
Representative Director
and Chairman

Takayuki Ueda
Representative Director,
President and CEO

As an "all-new" INPEX, we will contribute to the realization of a net zero carbon society by being the driving force behind the stable supply of diverse energy.

In the fiscal year ended December 31, 2020, the worldwide economic stagnation caused by the spread of COVID-19 since February 2020 and the breakdown of the OPEC+ production cut agreement sent crude oil prices plummeting, resulting in a very severe performance by the Company. However, we have worked to reduce investments and costs, secure sufficient liquidity and further strengthen our financial base, making ourselves more resistant to dramatic changes in the business environment.

In addition to these dramatic changes, in recent years there have been major economic and social changes, highlighted by issues related to climate change and the transition to a low-carbon society. INPEX has developed as a company built around upstream businesses consisting of the exploration, development and production of crude oil and natural gas. It remains our important responsibility to meet the ever-growing demand for energy around the world and especially in Asia. On the other hand, however, we believe that it is necessary to adapt to this new era and actively promote efforts to prepare for a transformation in the energy sector. In light of these changes in our business environment and the progress in energy transformation initiatives, on January 27, 2021, we announced our Business Development Strategy - Towards a Net Zero Carbon Society by 2050, which outlines our climate change goals and our business strategy for achieving a net zero carbon society in the interest of advancing new businesses and management leveraging our strengths. Going forward, we will actively engage in new business fields such as CCUS and hydrogen, while building on the foundations of our upstream businesses in crude oil and natural gas, so that our business activities are sustainable and aligned to environmental and social expectations and requirements. In order to promote the business development strategy as a unified group, our Japanese corporate name was changed from Kokusai Sekiyu Kaihatsu Teiseki Kabushiki Kaisha to Kabushiki Kaisha INPEX on April 1, 2021.

Under this new Japanese corporate name, we will strive to improve the enterprise value of the INPEX Group as a whole, contributing to environmental conservation, economic and social development and more by providing a stable supply of diverse energy both domestically and internationally and in a cleaner form. We aim to be a pioneer in energy transformation that proactively responds to change towards a net zero carbon society. At the same time, at our global oil and gas production sites, which form our core business, we will strive to ensure a stable supply of energy by continuing production in a safe and stable manner, while taking a variety of measures to prevent the further spread of COVID-19.

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

Representative Director and Chairman	Representative Director, President and CEO
北村俊昭	上田隆之

Message from the President & CEO

Takayuki Ueda

Representative Director,
President and CEO

The “all-new” INPEX Group will work as one to drive energy transformation.

Movements toward a net zero carbon society by 2050 are intensifying across government and industrial sectors.

In light of the changes in our business environment and progress in energy transformation initiatives, we will actively engage in energy structure reforms to promote new businesses and new management leveraging our strengths, while continuing to fulfill our responsibility of providing a stable supply of energy.

In January 2021, we announced our Business Development Strategy - Towards a Net Zero Carbon Society by 2050, and on April 1, 2021, our Japanese corporate name was changed from Kokusai Sekiyu Kaihatsu Teiseki Kabushiki Kaisha to Kabushiki Kaisha INPEX.

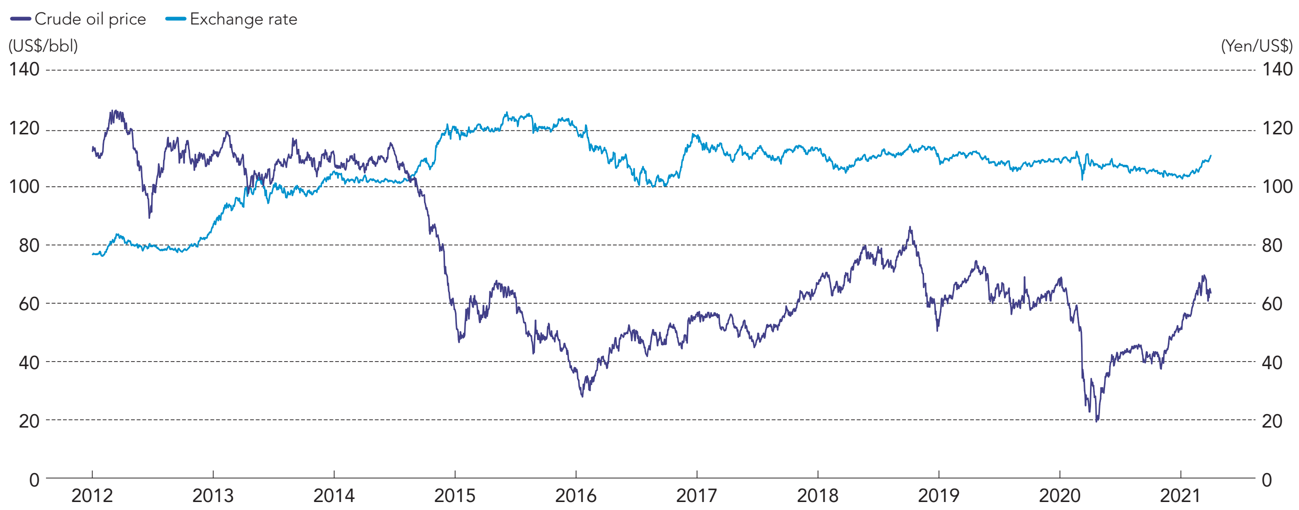
We at the INPEX Group will work as one with a view to embrace this era of great change as an opportunity to take a major leap forward.

Overview of the fiscal year ended December 31, 2020

The global economy slowed down due to the COVID-19 pandemic. Oil prices fell, presenting a challenging business environment.

During this fiscal year, the spread of COVID-19 caused a worldwide stagnation of economic activity and a rapid deterioration of global economic conditions. This resulted in excess energy supply. The Brent crude oil price, a benchmark index for the Group, started the period in the high US$60s per barrel but fell sharply thereafter, caused by restrictions in the movement of people, goods and services and a slowdown in economic activity due to the spread of COVID-19 since February 2020, as well as by the breakdown of the OPEC+ production cut agreement in March. Although the balance of supply and demand began to improve in mid-2020, oil prices remained weak due to the resurgence of COVID-19, primarily in Europe and the Americas. The average Brent oil price during the fiscal year was US$43.2, down 32.7% year on year. Meanwhile, with regard to foreign exchange rates, which also affect our business performance, the dollar weakened towards the end of the fiscal year, and the average USD/JPY exchange rate ended at ¥106.77, ¥2.26 higher year on year.

Brent crude oil price/Exchange rate



Note: Data for 2021 are through to the end of March.

Corporate structure strengthened after falling into the red due to one-off losses

As for the consolidated financial results for the fiscal year ended December 31, 2020, as mentioned earlier, our benchmark index of average Brent oil prices fell sharply year on year* and, as a result, net sales decreased 34.2% year on year to ¥771.0 billion, operating income fell 55.6% to ¥248.4 billion and recurring profit decreased by 56.0% to ¥257.3 billion. In addition, due to the recording of an impairment loss of ¥189.9 billion, we recorded a net loss attributable to owners of parent of ¥111.6 billion in the fiscal year, down from ¥167.3 billion during the same period of the previous fiscal year, marking our first year-end loss since our integration in 2008. Net income attributable to owners of parent, excluding the effects of one-off profit (loss) such as impairment losses, was ¥54.6 billion.

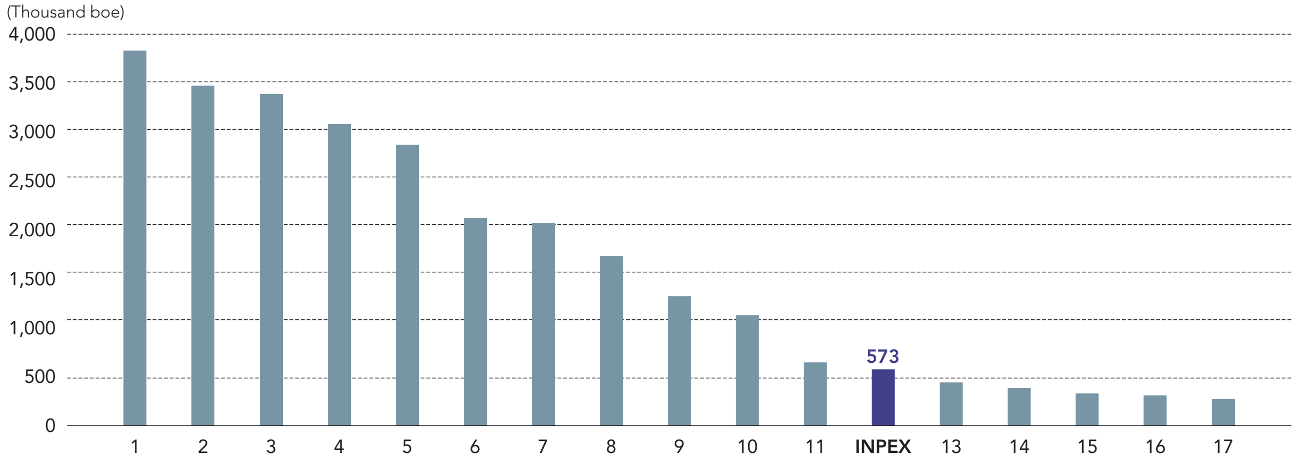
We paid out an annual dividend of ¥24 per share based on our shareholder return policy of issuing stable dividend payouts. We will continue to pay out stable dividends and strengthen shareholder returns in stages in accordance with the improvement in our performance.

During the period, we worked diligently to reduce investments and costs to build a robust corporate structure enabling the stable continuation of business even in a low oil price environment. We exceeded our reduction targets of over 20% in terms of development investment and over 40% in terms of exploration investment vis-à-vis the outlook as of May 2020, successfully cutting development and exploration investments by 37% and 64%, respectively. Furthermore, we implemented measures to further strengthen our resilience in the interest of business continuity, responding to dramatic changes in the business and management environment. These measures included securing sufficient liquidity on hand by securing loans and strengthening our financial base.

For our net production volume (combining crude oil and natural gas in barrels of oil equivalent), the daily production volume for the fiscal year ended December 31, 2020 was approximately 573 thousand barrels, and the corresponding volume for the fiscal year ending December 31, 2021 is expected to be approximately 570 thousand barrels. While we will continue to aim for the targets set in our Medium-term Business Plan, we intend to focus not only on quantitative expansion but also on qualitative growth, such as in technological capabilities. Proved reserves (combined crude oil and natural gas reserves in barrels of oil equivalent), a key source of our future earnings, are expected to be approximately 3.73 billion barrels.

* Effective the previous fiscal year (April 1, 2019 to December 31, 2019), the Company changed its consolidated fiscal year-end from March 31 to December 31. Rates of change in this document represent comparisons versus the same period of the previous fiscal year (January 1, 2019 to December 31, 2019).

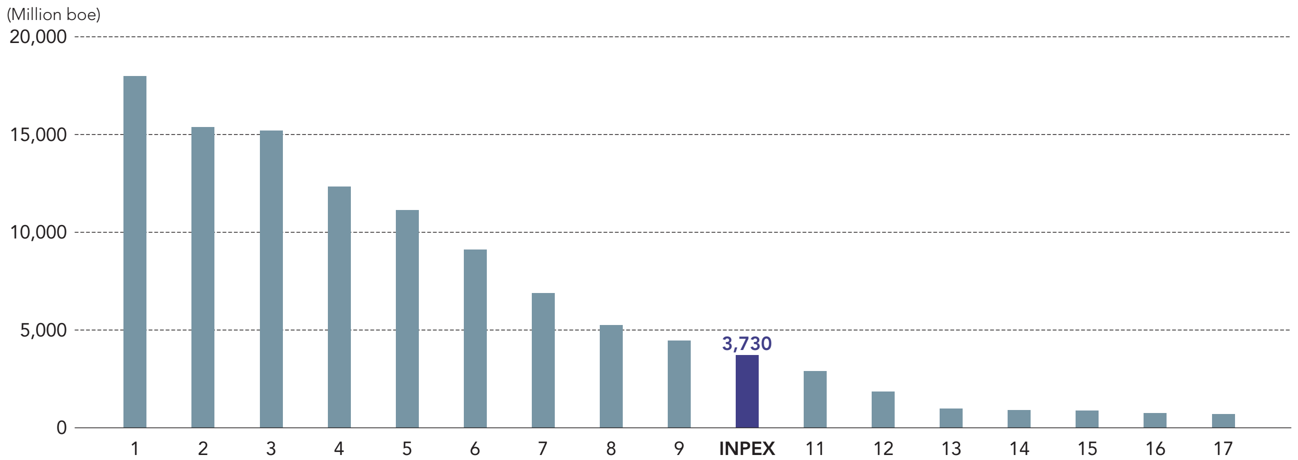
Net production volume comparison with major international oil companies



Source: Publicly available information of the following companies (in alphabetical order): Apache, BHP, BP, Chevron, ConocoPhillips, Eni, Equinor, ExxonMobil, Hess, Lukoil, Marathon Oil, Occidental Petroleum, Repsol, Shell, Total, Woodside

Note: All data as of December 31, 2020, except for BHP Billiton data being as of June 30, 2020 and INPEX data being as of December 31, 2020. INPEX data are in accordance with the relevant SEC regulations. Production includes unconventional resources such as bitumen & synthetic oil. The portion attributable to non-controlling interests is considered.

Proved reserves volume comparison with major international oil companies



Source: Publicly available information of the following companies (in alphabetical order): Apache, BHP, BP, Chevron, ConocoPhillips, Eni, Equinor, ExxonMobil, Hess, Lukoil, Marathon Oil, Occidental Petroleum, Repsol, Shell, Total, Woodside

Note: All data as of December 31, 2020, except for BHP Billiton data being as of June 30, 2020 and INPEX data being as of December 31, 2020. INPEX data are in accordance with the relevant SEC regulations. Most projects owned by INPEX including the portion attributable to no-controlling interests are considered in INPEX reserves. INPEX reserves are evaluated internally, except for certain large capital projects which are outsourced to DeGolyer & MacNaughton. Reserves include unconventional resources such as bitumen & synthetic oil.

Consolidated financial forecast for the fiscal year ending December 2021 and shareholder returns
(as of May 13, 2021)

We expect to post net sales of 1,055 billion yen and pay out an annual dividend of 33 yen.

Due to the recovery of the crude oil price from levels at the beginning of the fiscal year, INPEX revised its consolidated financial forecasts for the fiscal year ending December 2021 on May 13, 2021. Assuming a crude oil price average of 60.30 US dollars per barrel and an exchange rate average of 107.5 Japanese yen against the US dollar for the full year, we expect to generate net sales of 1,055 billion yen and a net income of 140 billion yen, as outlined in our consolidated financial forecasts for the fiscal year ending December 2021. Regarding dividend forecasts for the fiscal year ending December 2021, as the consolidated financial forecasts for the six months ending June 30, 2021 and the fiscal year ending December 31, 2021 have been revised upward, INPEX expects the annual dividend for the current fiscal year to amount to 33 yen per common stock (16.5 yen interim dividend and 16.5 yen year-end dividend), up 9 yen from the 24 yen per common stock dividend paid out last year. This increase is in alignment with the shareholder return policy outlined in the Medium-term Business Plan 2018-2022.

Business Development Strategy: Towards a Net Zero Carbon Society by 2050

Management environment and INPEX's direction towards 2050

While COVID-19 continues to spread around the world, we are able to continue stably producing crude oil and natural gas thanks to measures taken to prevent the virus's spread at production and operation sites the Company is involved in around the world. Furthermore, demand for oil and natural gas is expected to gradually return to pre-pandemic levels in step with the recovery of the global economy. Over the medium to long term, we also believe that strong demand can be expected primarily in Asia, driven by an increase in the global population and economic growth. Meanwhile, Japan continues to face the challenge of increasing its ratio of self-development of oil and natural gas to secure a stable source of energy.

As the response to global warming becomes a universal issue, discussions for a net zero carbon society are making headway. Major countries such as the EU nations, the U.K. and Japan have announced so-called "net zero targets," aiming to reduce greenhouse gas emissions to effectively zero in 2050. Under these circumstances, we anticipate the potential intensification of a downward pressure on oil and natural gas demand, changes in demand owing to the shift to electric vehicles with the transition to a net-zero carbon society and the significant increase in demand for renewable energy.

We are carefully assessing the situation, recognizing that it is important to continuously bolster our resilience and improve our efficiency (in investment and portfolio management) while minimizing risks associated with crude oil prices fluctuations and other uncertainties. As a company responsible for the stable supply of energy, we are tasked with meeting the energy demands of Japan and the world through our upstream oil and natural gas operations, which comprise our core business, while maintaining appropriate investment levels. In addition, as the energy transformation picks up pace toward a net zero carbon society, we recognize that we ourselves must actively pursue the development and utilization of various energy technologies such as hydrogen and CCUS.

The "all-new" INPEX Group will work as one to drive its Business Development Strategy - Towards a Net Zero Carbon Society by 2050

In keeping with the long-term socio-economic outlook, in May 2018, we formulated our Vision 2040 and the Medium-term Business Plan 2018–2022. In January 2021, we announced our Business Development Strategy - Towards a Net Zero Carbon Society by 2050, based on the changes in our business environment as noted above. Going forward, we will make this Business Development Strategy a focal point, promoting more resilient and cleaner operations of our upstream oil and natural gas businesses and pursing the five new business pillars. By doing so, we will fulfill our two social responsibilities of providing a stable supply of energy and responding to climate change and will promote energy structure reforms towards the realization of a net zero carbon society by 2050.

In addition, our Japanese corporate name was changed from Kokusai Sekiyu Kaihatsu Teiseki Kabushiki Kaisha to Kabushiki Kaisha INPEX on April 1, 2021. By universally adopting "INPEX," a name well known outside Japan, we intend to promote a more unified group management as an integrated global brand in Japan and around the world. By providing a stable supply of diverse and cleaner energy to Japan and the rest of the world over the long term, we will contribute to the goals outlined in the Sustainable Development Goals (SDGs) related to energy, the environment, economic and social development and more.

Below, we present the two key points of the Business Development Strategy: a stable supply of energy and goals and initiatives towards a net zero carbon society by 2050.

1. Stable supply of energy

We will optimize investments, costs and our portfolio to strengthen our resilience to low oil prices. In addition, by conducting exploration and development work around existing oil and gas fields and taking advantage of existing production facilities, we will shorten development periods and pursue production start-ups at an early stage, making a strong push for more resilient upstream businesses.

In parallel, by promoting the Ichthys LNG Project in Australia and the Abadi LNG Project in Indonesia, we will advance the shift to natural gas, which is a cleaner energy source. Furthermore, we will appropriately address the transition to a net zero carbon society by making our upstream businesses cleaner. This will be achieved through measures such as rigorous energy saving initiatives and energy efficiency improvements.

For existing businesses, we will focus on projects in our core business areas including Australia, Indonesia, Abu Dhabi and Japan, whilst maintaining an awareness of making operations more efficient and optimizing investments. In the fiscal year ended December 31, 2020, the Ichthys LNG Project in Australia continued to operate smoothly, shipping 122 LNG cargoes. In the fiscal year ending December 31, 2021, we expect the project to ship approximately 10 cargoes per month, and we will continue to drill production wells to maintain stable production and also install required facilities.

In the Abadi LNG Project in Indonesia, we signed memorandums of understanding in 2020 with an Indonesian government-owned electricity company, a government-owned fertilizer company and a government-owned gas company regarding the long-term domestic supply of LNG and natural gas in Indonesia. Although COVID-19 is expected to cause delays, we are making preparations for Front End Engineering and Design (FEED) work, such as acquiring a variety of local data, with the aim of starting this work at an early stage. We will continue to promote the Abadi LNG Project, aiming to start production in the latter half of the 2020s. Meanwhile, we have maintained crude oil development and production activities at our Abu Dhabi projects consisting of four offshore oil fields and the ADCO Onshore Concession. We also commenced drilling operations at Abu Dhabi's onshore exploration Block 4 in May 2021. In our domestic natural gas business, we continue to steadily provide a stable supply of gas thanks to stable production operations at the Minami-Nagaoka Gas Field in Niigata and the Naoetsu LNG Terminal as well as our natural gas pipeline network.

For new projects, we undertake careful evaluations in our selection of projects, such as pursuing exploration opportunities with early production start-up potential and aiming to enter businesses where we can be competitive even in a low oil price environment. In parallel, we will continue to strengthen our efforts to expand our global gas value chain in Japan and the growing markets of Asia. Furthermore, we will promote carbon-neutral LNG marketing.

▶ Please see pages 56 to 64 for our Project Overview by Region.

2. Goals and initiatives towards a net zero carbon society by 2050

We have set goals to address climate change including achieving net zero in absolute emissions by 2050, in contributing to the realization of the Paris Agreement's climate change-related goals.

Furthermore, we will focus our efforts on the following five business pillars to offer solutions that meet the needs of society in an era highlighted by changes toward a net zero carbon society.

(1) Reduce CO_2 emissions from upstream operations (Promotion of CCUS)

As an oil and natural gas development company, INPEX will promote CCUS, working to reduce CO_2 in upstream businesses and supplying cleaner energy. INPEX will also promote a shift to natural gas and carbon neutral LNG marketing in conjunction with the efficient use of energy and implementation of energy saving measures across its entire business including exploration, development and production.

(2) Develop a hydrogen business

Envisioning the advent of a hydrogen society in the medium- to long-term, INPEX aims to establish a hydrogen business as an energy producer and supplier.

(3) Enhance and emphasize renewable energy initiatives

INPEX will accelerate its initiatives both in Japan and around the world relating to geothermal power generation applying oil and gas development technologies as well as offshore wind power generation, leveraging experience in the construction and operation of offshore floating facilities gained at operations sites overseas.

(4) Promote carbon recycling and cultivate new business opportunities

INPEX will promote carbon recycling with the aim of setting up business operations at an early stage, leveraging synergies with its oil and gas business operations. Furthermore, it will swiftly pursue initiatives in new business fields with growth potential.

(5) Promote forest conservation

In addition to promoting projects targeting CO_2 absorption through forest conservation, INPEX will support distinguished REDD+* projects.

* REDD+ project (Reducing Emissions from Deforestation and Forest Degradation in Developing Countries): An initiative seeking to prevent deforestation and forest degradation through forest management and increase carbon stock through afforestation

▶ Please see pages 30 to 33 for more information about our Business Development Strategy - Towards a Net Zero Carbon Society by 2050.

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

Material CSR issues for building a sustainable management foundation

As a management foundation to fulfill our two social responsibilities of providing a stable supply of energy and responding to climate change, we will continue to take action in line with six material CSR issues of great importance to us and our stakeholders: governance, compliance, HSE (health, safety and environment), local communities, climate change response and employees. As we do this, we will pursue sustainability and work to create value across the entire value chain. Based on our Business Development Strategy, Towards a Net Zero Carbon Society by 2050, we will increase the resilience of our upstream businesses, continue to provide a stable supply of cleaner energy and further strengthen our efforts addressing environmental, social and governance (ESG) issues.

We recognize that enhancing corporate governance is essential for transparent, fair, prompt and decisive decision-making in the interest of sustainable growth and improvement of enterprise value over the medium to long term. Based on this recognition, we continue to evaluate the effectiveness of our Board of Directors. In terms of our recent efforts, we are updating our officers' and directors' remuneration system. This includes a scheme that incorporates ESG evaluations (including climate change response) and HSE performance into director remuneration as well as launching a stock-based remuneration system for officers, with the involvement of the Nomination and Compensation Advisory Committee.

We also believe that building relationships of trust with local communities where we do business serves as a foundation for our social license to operate. When starting new business activities, we carry out impact assessments and take a variety of measures in advance to minimize the negative impact of our business on the local community. Based on the INPEX Group Human Rights Policy, we also respect the human rights of people in our local communities and aim to contribute to their economic and social development through open and highly transparent dialogue with stakeholders.

As for climate change response, we have set and are working to achieve goals toward a net zero carbon society by 2050. We are also strengthening our governance structure on climate change response, assessing our business strategies, evaluating climate change risks and opportunities and taking action to manage greenhouse gas (GHG) emissions. Furthermore, we are continuously enhancing our information disclosure in line with recommendations from the Task Force on Climate-related Financial Disclosures (TCFD).

▶ Please refer to our **Sustainability Report 2021** for more information about our ESG initiatives.

Together with our stakeholders, we will sustainably advance our business activities centered on our Business Development Strategy and fulfill our social responsibilities of providing a stable supply of diverse energy in a cleaner form and addressing climate change.

By doing so, we seek to achieve sustainable growth and improved enterprise value of the "all-new" INPEX Group. We ask for the continued support and understanding of all our stakeholders.

Representative Director,
President and CEO

上田隆之

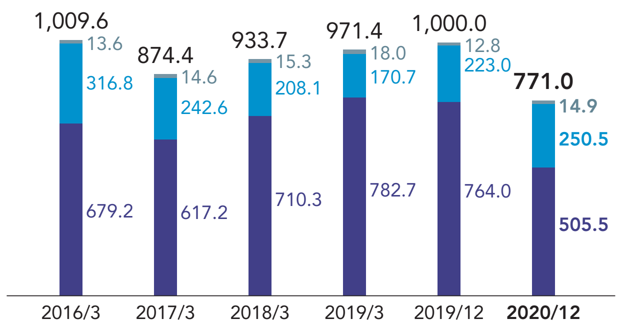
Financial and Operating Highlights (Five-Year Comparative Graphs)

INPEX has changed its fiscal year-end from March 31 to December 31, effective from fiscal 2019.
The fiscal year ended December 31, 2019 is a transitional, nine-month accounting period from April 1, 2019 to December 31, 2019.

Profitability Indices

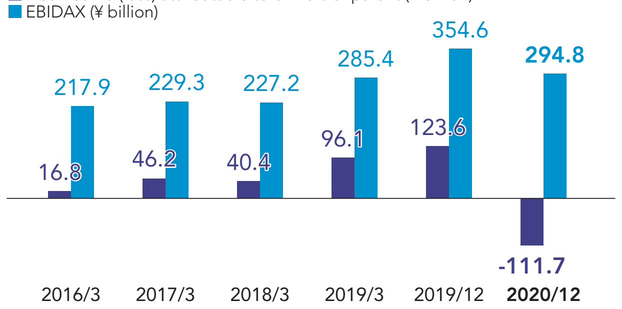
Net Sales

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



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

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

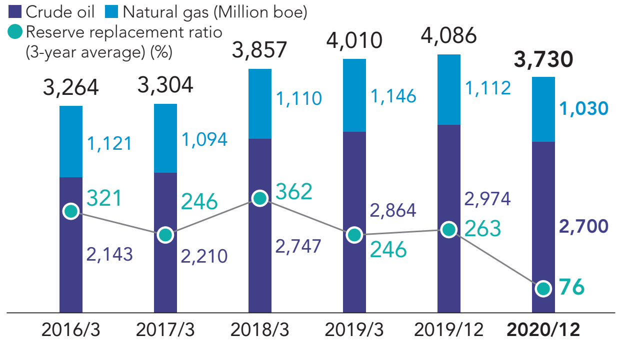


EBIDAX = Net income (including non-controlling interests) + Deferred tax + (1 – Tax rate) × (Interest expense – Interest income) + Foreign exchange gain and loss + Depreciation and amortization + Amortization of goodwill + Recovery of recoverable accounts under production sharing (capital expenditures) + 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

Reserve/Production Indices

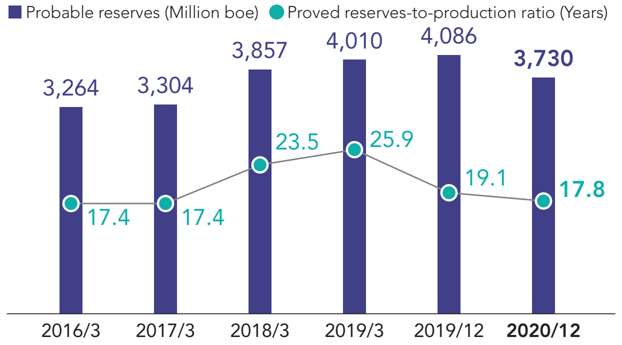
Net Proved Reserves (by product), Reserve Replacement Ratio (3-year average)

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



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

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

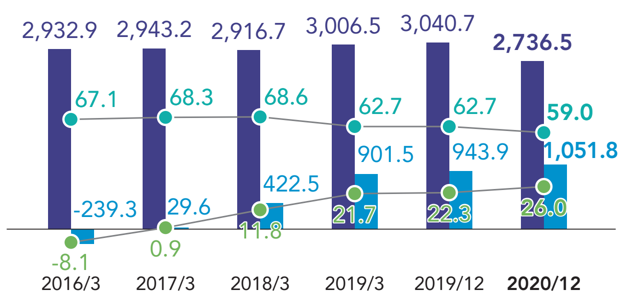


• The reserves cover most of INPEX group projects including the equity-method affiliates. The reserves of projects which are expected to be invested a large amount and affect the Group's future result materially are evaluated by DeGolyer & MacNaughton, and the others are done internally.
• The proved reserves are evaluated in accordance with SEC regulations.

Stability Indices

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

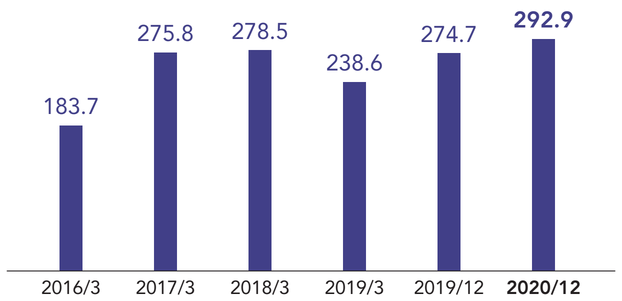
■ Net assets excluding non-controlling interests (¥ billion) ■ Net debt (¥ billion)
● Equity ratio (%) ● Net debt/Net total capital employed (%)



• Net assets excluding non-controlling interests = Net assets – Noncontrolling 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)

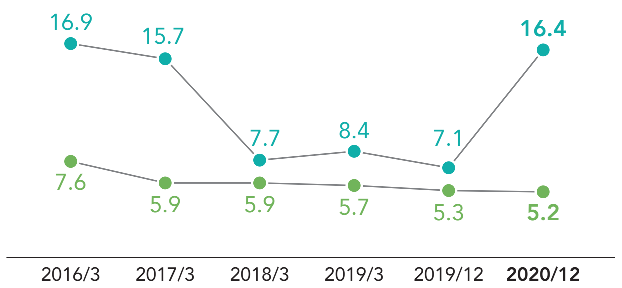
Cash Flow from Operations

■ Cash flow from operations (¥ billion)



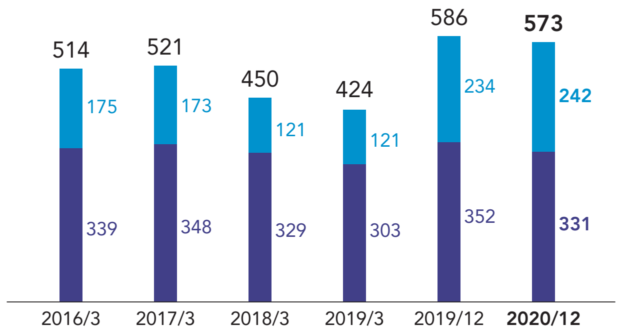
Average Expenses per BOE Produced, Exploration and Development Cost per BOE (3-year average)

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



Net Production (by product, barrels of oil equivalents)

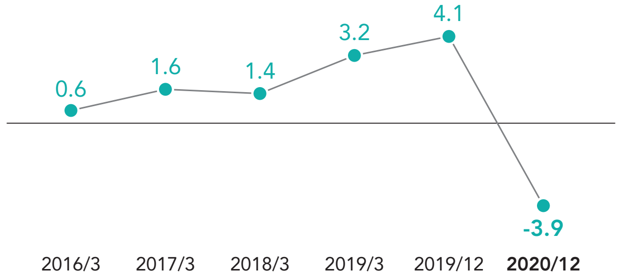
■ Crude oil ■ Natural gas (Thousand boed)



Efficiency Indices

Return on Equity (ROE)

● ROE (%)

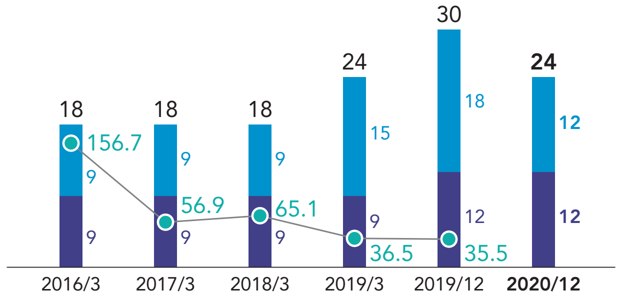


ROE = Net income attributable to owners of parent / Average of net assets excluding non-controlling interests at the beginning and end of the year

Performance Indices

Cash Dividend per Share, Payout Ratio

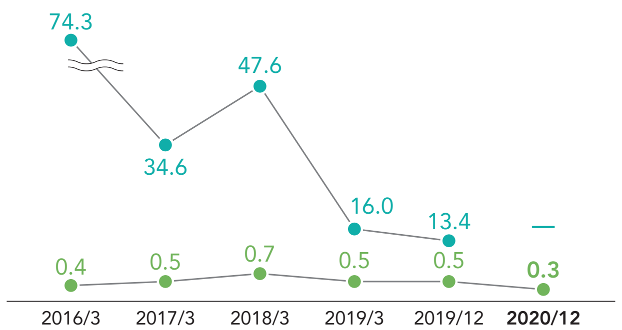
■ Cash dividend per share (2nd quarter end) (Yen)
■ Cash dividend per share (Fiscal year-end) (Yen) ● Payout ratio (%)



No payout ratio is shown for the year ended 2020/12, as a net loss was recorded in this year.

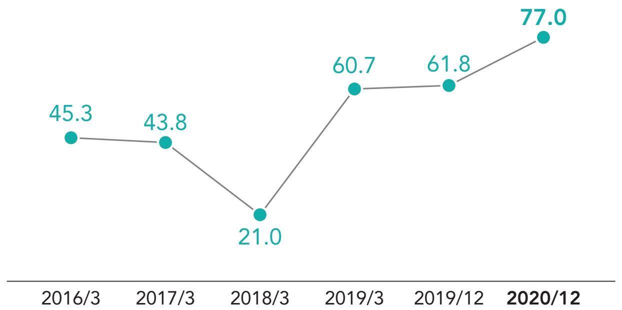
Price Earnings Ratio (PER), Price Book-Value Ratio (PBR)

● PER (Times) ● PBR (Times)



Exploration Success Ratio (3-year average)

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



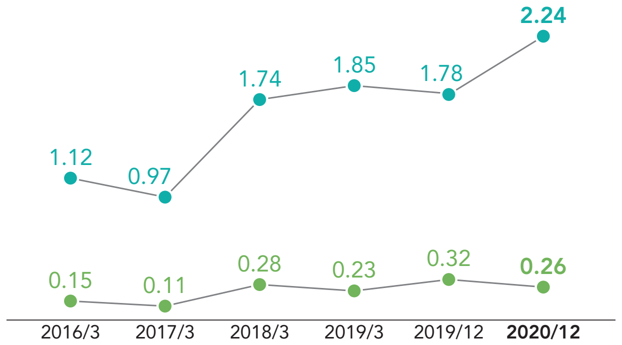
Sustainability Highlights

▶ Please refer to our **Sustainability Report 2021** for more information about our ESG performance data.

Sustainability Report ▶ **https://www.inpex.co.jp/english/csr/pdf/INPEX_SR2021_E_ESGdata_IndependentAssurance.pdf**

LTIF, TRIR

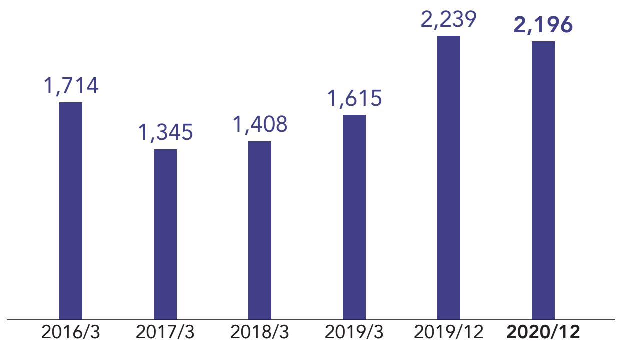
● LTIF ● TRIR



* LTIF (Lost Time Injury Frequency): Rate of injury resulting in fatalities or lost time per million hours worked.
* TRIR (Total Recordable Injury Rate): Rate of total fatalities, lost work day cases, restricted work day cases, and medical treatment cases per million hours worked.

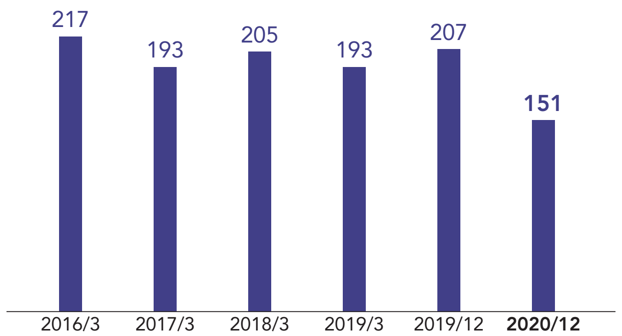
Social Investment

■ Social Investment (¥ million)



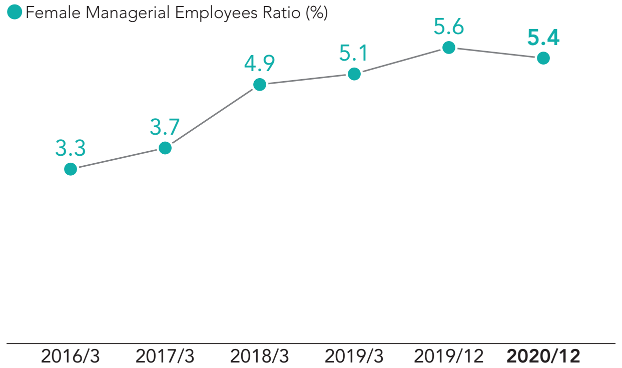
Training Expenditure per Person (Unconsolidated)

■ Training Expenditure per Person (¥ thousand)



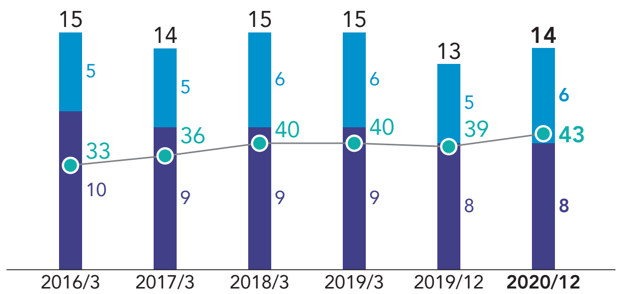
Female Managerial Employees Ratio (Consolidated)

● Female Managerial Employees Ratio (%)



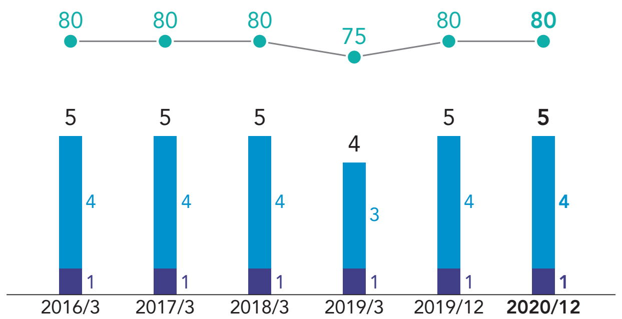
Number and Ratio of Directors (Outside)

■ Directors (Inside) ■ Directors (Outside)
● Ratio of Directors (Outside)



Number and Ratio of Audit & Supervisory Board Members (Outside)

■ Directors (Inside) ■ Directors (Outside)
● Ratio of Directors (Outside)



* 2019/12 figures are for the period from January to December 2019 while the accounting period for the fiscal year ended December 31, 2019 is nine months from April to December 2019.

External Evaluation

INPEX has engaged in active dialogue with stakeholders through information disclosure and responded to external evaluations by third-party. The evaluations by external organizations and the major ESG Indexes for which INPEX has been selected as a component stock are shown below.

- FTSE4Good Developed Index, FTSE4Good Japan Index
- S&P/JPX Carbon Efficient Index
- 2021 Health & Productivity Stock Selection Program
- FTSE Blossom Japan Index
- CDP Climate Change 2020 score: A-
- Certified Health and Productivity Management Organization 2021 (White 500)
- MSCI ESG Leaders Indexes

THE INCLUSION OF INPEX CORPORATION IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF INPEX CORPORATION BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

- STOXX® Global ESG Leaders Index
- Selected as "Industry Mover 2021" in the S&P Global Sustainability Award 2021
- MSCI Japan ESG Select Leaders Indexes

2021 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

- ECPI World ESG Equity, ECPI Global Carbon Liquid, ECPI Global Developed ESG Best in Class
- Excellence Award in the 24th Environment Communication Awards
- MSCI Japan Empowering Women Index (WIN)

2021 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

- SOMPO Sustainability Index
- Certified Silver in the 2020 PRIDE Index

Segment Overview

(Fiscal year ended December 31, 2020)

Eurasia

Net sales ¥68,369 million

Operating income ¥4,481 million

Proved reserves (BOE) 363 million barrels

Net production (BOE per day) 56 thousand barrels

For more details see P. 59

Americas

Net sales ¥13,481 million

Operating income (2,128) million

Proved reserves (BOE) 41 million barrels

Net production (BOE per day) 18 thousand barrels

For more details see P. 63

Japan

Net sales ¥115,838 million

Operating income ¥14,341 million

Proved reserves (BOE) 137 million barrels

Net production (BOE per day) 24 thousand barrels

For more details see P. 64

Middle East & Africa

Net sales ¥352,388 million

Operating income ¥186,408 million

Proved reserves (BOE) 2,166 million barrels

Net production (BOE per day) 226 thousand barrels

For more details see P. 61

Asia & Oceania

Net sales ¥220,969 million

Operating income ¥56,522 million

Proved reserves (BOE) 1,023 million barrels

Net production (BOE per day) 250 thousand barrels

For more details see P. 56

Oslo (Norway)
London (United Kingdom)
Nur-Sultan (Kazakhstan)
Niigata
Tokyo
Abu Dhabi (United Arab Emirates)
Singapore (Singapore)
Jakarta (Indonesia)
Darwin (Australia)
Perth (Australia)
San Antonio (USA)
Houston (USA)
Caracas (Venezuela)
Rio de Janeiro (Brazil)

Key group company headquarters and offices in Japan and overseas

Note: Net Sales and operating income amounts are rounded down. Proved reserves and net production figures are rounded off.

INPEX's Business

INPEX has developed as a company built around its upstream business operations including the exploration, development and production of oil and natural gas.
While it remains our important responsibility to meet the ever-growing energy demand around the world and especially in Asia, our current business environment is facing a wave of major economic and social changes, such as issues related to climate change and the transition to a low-carbon society. We recognize that tackling these challenges will not be easy. However, we consider these challenges to be great opportunities and are committed to actively promoting our business accordingly.

Oil And Natural Gas E&P Activities

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

Acquisition of Blocks 1

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


Signing ceremony of a contract

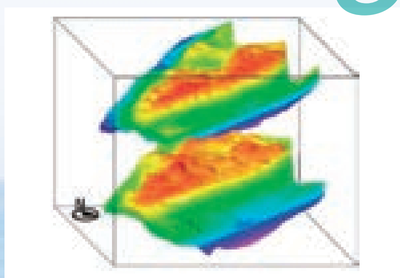
Exploration 2

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 rig

Appraisal 3

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.


Reservoir evaluation (image)

Development 4

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


Facility construction

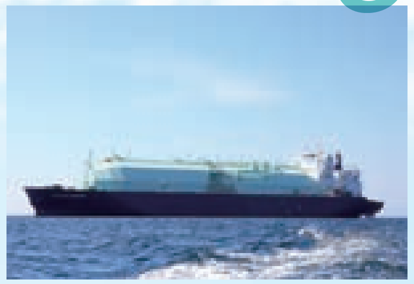
Production 5

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


LNG plant

Marketing 6

There are many methods for marketing crude oil linked to spot prices (market prices established one time per transaction), the spot prices themselves being mainly decided based on crude oil, which has become the transaction benchmark. Representative crude oil spot prices are those quoted for Middle East Dubai crude, North Sea Brent crude and West Texas Intermediate (WTI) from the United States, to name but a few.
In contrast, as liquefied natural gas (LNG) projects require large amount of investments, in many cases LNG is supplied under a long-term contract between producers and buyers.


LNG tanker

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

Risk management in upstream oil and natural gas businesses

Business Risks ▶ See pages 98 to 106

Responding to risks of natural disasters, large-scale accidents, etc.

In our upstream oil and natural gas businesses, operational accidents, disasters, cyberattacks and the spread of infectious diseases such as COVID-19 present the risk of delay or suspension of operations. We are proactively conducting risk management, including preparing an Emergency/Crisis Response Plan and conducting regular emergency response drills during ordinary times, in order to enhance our ability to respond to emergency situations caused by major accidents and disasters. We have formulated a Business Continuity Plan (BCP) and review it as appropriate to prevent the suspension of key operations. In order to prevent major accidents such as fires, explosions and large-scale oil spills, we ensure proper due diligence throughout each phase of the project life cycle: exploration, development, production and abandonment.

Decisions on investment

We have introduced guidelines for economic and risk assessments. After recognizing major risks, we analyze and examine whether to take on new projects. The INPEX Value Assurance System (IVAS) Committee also works as a cross-organizational mechanism mainly for technical evaluations at each project phase, such as exploration, evaluation and development.

Our expected average annual investment over the next five years is between ¥250 to ¥300 billion, assuming an oil price of US$50 to US$60. Over the medium term, we plan to invest approximately ¥20 to ¥30 billion of that annually to develop the five business pillars in our Business Development Strategy - Towards a Net Zero Carbon Society by 2050. When making investment decisions, we emphasize volume as well as value and strategic fit. At the same time, we also consider divestment opportunities to comprehensively optimize our portfolio.

Policy on financing

Oil and natural gas exploration and development projects, as well as the construction of natural gas supply infrastructure, require significant funding. The Group relies on cash flow derived from internal reserves, together with external sources, to procure funds. The Group's basic policy is to utilize internal cash flow and external equity financing to fund exploration projects and to utilize internal cash flow and external loans to fund development projects and the construction of natural gas infrastructure. For the Ichthys LNG Project, we utilize loans from project financing by domestic and overseas export credit agencies and commercial banks. In oil and natural gas upstream businesses, it is common for companies to form business partnerships for the purpose of dispersing risks and financial commitments.

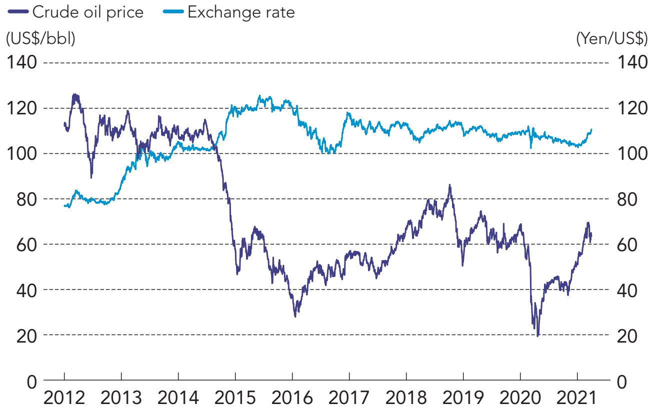
In fiscal 2020, the Group received loans from the Development Bank of Japan and Japan Bank for International Cooperation for the purpose of further strengthening its financial base in a low oil price environment. The Group also took measures to reduce financial costs such as refinancing its project finance contracts for the Ichthys LNG Project.

In March 2021, the Group issued corporate bonds aiming to diversify its financing methods.

Responding to oil and natural gas price fluctuations and exchange/interest rate fluctuations

A large percentage of crude oil prices and natural gas prices in overseas businesses are determined by international market conditions. In addition, these prices fluctuate in response to the influence of a variety of factors including supply and demand as well as trends and conditions of the global economy and financial markets. For the fiscal year ending December 31, 2021, as of the beginning of the period, a fluctuation of US$1 in the price of one barrel of crude oil is estimated to have an impact of approximately ¥6.6 billion annually in net income, and a fluctuation of ¥1 in the USD/JPY exchange rate is estimated to have an impact of approximately ¥2 billion annually in net income. Although the Company is taking measures to reduce a portion of the risks associated with fluctuations in foreign currency exchange rates, interest rates and oil prices, these measures by no means cover all possible risks and as a result, the impact of fluctuations cannot be completely eliminated.

Brent crude oil price/Exchange rate



Note: Data for 2021 are through to the end of March.

Responding to climate change risks

In order to achieve the goals of the Paris Agreement, and amid growing interest in addressing global climate change, efforts are being made globally to reduce greenhouse gas (GHG) emissions, which are recognized as the cause of climate change and global warming. The Group identifies, assesses and manages climate change risks in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Responding to country risks

To handle country risks in the countries where we operate, we have established guidelines that include the maximum target amount of accumulated investment balance for high-risk countries.

Five Business Pillars under the Business Development Strategy - Towards a Net Zero Carbon Society by 2050

We will actively promote five business pillars in order to offer solutions responding to the needs of society in an era of reform towards a net zero carbon society.

Five Business Pillars	Initiatives	Phase
CCUS/CCS Businesses	**CO_2EOR[1] demonstration tests in Niigata, Japan** CCUS (CO_2EOR) demonstration tests at one of INPEX's oil fields in Japan.	Under demonstration
	Ichthys LNG Project CCS INPEX is evaluating the feasibility of sequestering CO_2 captured at the INPEX-operated Ichthys LNG plant in Darwin, Australia. An appropriate injection site is to be selected based on a detailed evaluation.	Under consideration
Hydrogen Business	**Concept of integrated hydrogen business test project in Kashiwazaki, Niigata, Japan** INPEX plans to demonstrate the feasibility of a business model utilizing natural gas from INPEX assets to produce carbon-free hydrogen and secure a greater volume of resources through a natural gas reforming process and conducting CCUS with the CO_2 emitted from this reforming process.	Under consideration
	Clean ammonia business in Abu Dhabi INPEX is evaluating opportunities to produce hydrogen and ammonia from natural gas produced in Abu Dhabi. CO_2 from the gas reforming process will be utilized in CCUS / EOR at an onshore Abu Dhabi oil field in which INPEX has a participating interest, with the objective of realizing clean ammonia.	Under consideration
	Carbon-free hydrogen business outside Japan INPEX is examining ways to participate in a hydrogen liquefaction and offloading business to develop its own hydrogen business abroad.	Under consideration
Renewable Energy Business	**Sarulla Geothermal IPP Project in Indonesia, one of the world's largest geothermal projects** Launched commercial operations at Unit 1 (110MW) in March 2017, at Unit 2 (110MW) in October 2017 and at Unit 3 (110MW) in May 2018, with plans for additional development.	In commercial operation
	Geothermal resource surveys for geothermal power plant construction in the Oyasu area of Akita Prefecture and the Amemasu area of Hokkaido, Japan Continue to explore the possibility of commercialization in the Amemasudake area. Environmental assessments are ongoing in the Oyasu area, with flow tests conducted in 2020 (currently under assessment).	Surveys underway
	INPEX Mega Solar Joetsu in Joetsu, Niigata, Japan Expected power generation is approximately 5.33 million kilowatt-hours annually, enough energy to power about 1,600 homes for a year in Japan.	In commercial operation
	Fixed-bottom offshore wind power projects in Noshiro, Mitane and Oga in Akita Prefecture, Japan Participated in a consortium for the implementation of fixed-bottom offshore wind power projects in Noshiro, Mitane and Oga in Akita Prefecture, Japan, the projects are currently in open bidding.	Under consideration
Carbon Recycling and New Business Opportunities	**Establishment of methanation testing facility at the Koshijihara Plant located within INPEX's Nagaoka Field Office** In this NEDO[2]-sanctioned project to develop technologies that enable the effective utilization of CO_2, we have established a testing facility that produces methane from CO_2 and hydrogen. Trial runs have been completed and various tests are underway.	Trial runs underway
	Performance validation of solar hydrogen production in Darwin, Australia by ARPChem, in which INPEX participates Constructed a solar hydrogen production test facility in Darwin, Australia and began its performance validation.	Tests ongoing
	INPEX-Terra Drone Intelligent Drone Plan Invested in Terra Drone Corp. and commenced joint studies towards the realization of the plan.	Under consideration
Forest Conservation Project	**Support of Rimba Raya REDD+[3] Project in Indonesia** Through this support, we expect to acquire 5 million tons of carbon credits over the next five years.	In progress
	Eucalyptus tree planting and management project in southwestern Australia Promote CO_2 absorption through eucalyptus tree planting and management.	In progress
	Savanna fire management program in Northern Territory, Australia Reduce greenhouse gas emissions by strategically controlling savanna fires	In progress

*1 Enhanced Oil Recovery. In this document EOR includes Enhanced Gas Recovery.
*2 New Energy and Industrial Technology Development Organization (Japan)
*3 Reducing Emissions from Deforestation and forest Degradation – a concept defined in the Cancun Agreements (2010) aiming to reduce of CO_2 emissions by controlling deforestation and deterioration through forest management and actively increasing carbon stock through afforestation.

Business Development Strategy: Five Business Pillars ▶ See page 32

INPEX's Strengths

INPEX will leverage its strengths to promote more resilient, cleaner upstream oil and natural gas businesses, and proactively engage in energy structure reforms towards the realization of a net zero carbon society by 2050, which we see as both a challenge and an opportunity. By doing so, we will aim for sustainable growth and improvement in enterprise value.

6 Strengths of INPEX

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

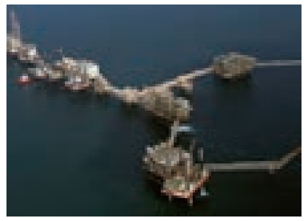
I A highly competitive project portfolio

INPEX has a highly competitive global project portfolio, primarily in its core business areas of Australia, Abu Dhabi, Indonesia and Japan, and is working to further enhance its corporate value by engaging in various projects and achieving strategic project portfolio flexibility.

Also, by promoting the Ichthys LNG Project in Australia and the Abadi LNG Project in Indonesia, we will advance the shift to natural gas, which is a cleaner energy source. In addition, we will appropriately address the transition to a net zero carbon society by making our upstream businesses cleaner. This will be achieved through measures such as rigorous energy saving initiatives and energy efficiency improvements.

A highly competitive project portfolio centered on our core business areas of Australia, Abu Dhabi, Indonesia and Japan

Major projects in our core business areas



Abu Dhabi

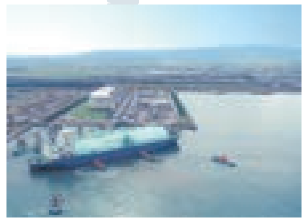
Onshore oil fields (Abu Dhabi Onshore Concession; in production), offshore oil fields (Upper Zakum, Lower Zakum, Satah and Umm Al-Dalkh oil fields; in production)

Australia

Ichthys LNG Project (in production phase)

Indonesia

Abadi LNG Project (in preparation for development)



Japan

Minami-Nagaoka Gas Field, one of Japan's largest gas fields (in production); 1,500-km trunk pipeline; Naoetsu LNG Terminal

II Technical capabilities to carry out projects

Leveraging our technological capabilities and experience cultivated in the Ichthys LNG Project, we will continue to strengthen our technological capabilities in oil and natural gas projects, and aim to develop and apply these to technologies addressing climate change.

As a technical leader, INPEX will develop and strengthen "technological capabilities to continue and optimize its oil and natural gas projects" and "technological capabilities to address climate change."

Technology Roadmap 2018

Core Technologies			Next Challenges	Emerging
Maintain and improve existing technologies	Raising to essential technology			
Create Value Exploration Technologies **Realize Value** Drilling & Completion, Integrated Reservoir Characterization, Productivity and Recovery Improvement, Subsea Production System **Sustain Value** Stable Operation (Safety, Efficiency, Cost Reduction)	**Tight Reservoir Development**	**LNG** (Design, Construction & Operation)	**Deep Water Development** **CO_2EOR** **Low Carbon Technologies** (CCUS, Renewable Energy)	**Carbon Cycle (Next CUUS)** **Dissolved-in-Water type Natural Gas** **Next EOR**

Digital Transformation
Leveraging digital technology for lean and resilient culture

Strengthening of Technology infrastructure
Development of technical human resources, knowledge creation/sharing/utilization, Technical standards/guidelines dissemination and expansion, climate change

Core Technologies — **Turning our core technologies built up in conventional projects into specialized technologies**

We will steadily maintain and improve core technologies indispensable to our conventional E&P business while actively incorporating advancements and innovations of such technologies worldwide. In addition, we will nurture the LNG-related technologies acquired through the development of Ichthys and operations of the Naoetsu LNG Terminal as well as tight reservoir development technologies acquired through the development of oil and gas fields in Japan and overseas.

Next Challenge — **Challenging current technical issues, conducting demonstrations and building new core technologies**

We will continue to work on upstream technologies such as the development of deepwater oil and gas fields and the improvement of the rate of CO_2 enhanced oil recovery (EOR) and incorporate these into our core technologies. We will also explore renewable energy solutions such as offshore wind power generation, Carbon dioxide Capture and Storage (CCS) and Carbon dioxide Capture and Utilization (CCU) and build these into our core technologies.

Emerging — **Technologies for the future**

We will continue to develop technologies of the future that will help shape the future energy environment. Such future technologies include: more efficient development of water-soluble natural gas since huge domestic reserves are known to exist; further research on recovery improvement technologies, such as improved water flooding technology and chemical flooding technology; and Enhanced Oil Recovery (EOR) technology using micro-organisms. In addition, we will pursue studies on Carbon Dioxide Capture, Utilization and Storage (CCUS) for the further reduction of and innovative utilization of carbon dioxide.

Digital Transformation — **Building a resilient corporate structure**

By maximizing the application of digital transformation in its various technologies, INPEX will work to further improve operational efficiency and build a resilient corporate structure. In 2021, we invested in Terra Drone Corp., an air mobility startup, and began planning towards the realization of the INPEX-Terra Drone Intelligent Drone Plan.

Business Development Strategy: Five Business Pillars ▶ See page 32

INPEX's Strengths

III Diverse human resources experienced in exploration, development, operations, marketing and other areas

In order to constantly strengthen responsible management, INPEX as a global organization values workforce diversity and the development of employees who share INPEX Values* on a global level. To achieve this, through discussion among HR divisions located around the world, we formulated the INPEX HR VISION, which is comprised of four key elements. HR activities based on these elements are implemented from a global perspective, linking these with development and performance maximization for each employee, as well as team performance to contribute to becoming a highly competitive organization that offers job satisfaction.

* https://www.inpex.co.jp/english/company/value.html

Workforce diversity and global employees who share common values for building the foundation for sustainable growth

INPEX HR VISION

1 Talent Attraction and Engagement
Make INPEX the best place to work – "the employer of choice"
- Employee satisfaction and opportunity for growth
- Total Reward

2 Organization Effectiveness
Maximize team performance through HR Management Process
- Workforce planning and organization review
- Optimized staffing planning within the organization

3 Focus on People Development
Development of future leaders and global workforce capability
- Development of future leaders
- Talent management cycle
- Diversified career development programs

4 HR Excellence
Support business strategy with world-class functional expertise
- Effective, innovative, and trusted HR processes and systems
- Develop HR professionals
- Collaborate globally and share best practices

Human resources and organizational development

INPEX provides a curriculum combining e-learning, hands-on training focused on overseas assignments and group training designed to cultivate mindsets and improve skills necessary for working at INPEX so that employees can constantly contribute to its business over the long term and continuously improve themselves. INPEX provides grade-specific training according to the required roles, responsibilities and capabilities of each employee category, grade and position. In addition, as practical training for younger employees, the Company offers opportunities such as training at overseas offices and studying at overseas specialized training institutions so that younger employees can work actively in an international business environment. It also conducts on-the-job training programs at its corporate headquarters for local employees hired at overseas offices, promoting interpersonal exchange and cultivating a shared global awareness.

In addition, INPEX conducts 360-degree surveys, awareness surveys, organizational diagnoses and other measures on a regular basis to maintain and improve its organizational strength. It has also established systems for in-house recruitment and assignment of multiple roles, supporting its employees in working with autonomy, developing their capabilities and promoting innovation.

Human resources development curriculum

Career design (self-actualization)	Conceptual skills / Human skills (logical thinking; task-formation and problem-solving skills; management; leadership; interpersonal skills)	Technical skills (specialized knowledge and experience; work skills [including language skills])
Career training For 55 year-olds For 40 year-olds For 30 year-olds	**Grade-specific training** General Manager training Line manager training (1) (2) (3) Managerial employee training (M-3) S-3 training J-1 training (for administrative staff) / J-2 training (for GSE (Global Staff Experts)) Third-year follow-up training First-year follow-up training HR development for leaders	**Study overseas** **Business-practice training** GSP technical employee training GSP corporate employee training GSE overseas personnel development system **Domestic/overseas seminars and conferences**
Support for younger employees (career/skill development) GSP (Global Staff Professional) technical employee skill map interview GSP corporate employee career interview Mentor/supporter systems	**Group training for new graduates**	**Training for new technical employees**
	Business skill training	Self-development assistance

To form a common understanding of business among employees and using this to gain organizational thinking skills and deliver results as an organization (gain the ability to execute and adapt using grade-specific training based on a foundation of common understanding)

Promoting diversity & inclusion

At the INPEX Group, "diversity" refers to all the differences that exist between its people and businesses. These include race, gender, sexual orientation, gender identity, age, beliefs, religion, personal background, disabilities and care responsibility as well as differences in people's knowledge and experiences. "Inclusion" means creating a workplace and relationships in which everyone can feel valued and respected.

Going forward, we plan to push ahead with diversity and inclusion (D&I) and improve capabilities across the organization to raise the general appeal of INPEX as a company and receive greater recognition from the global community.

Specific initiatives in 2020 include a number of efforts to promote D&I from a diverse set of viewpoints: conducting online training for superiors with subordinates who have children; online LGBT training; and online social gatherings using chat functions for employees with hearing difficulties and more. In recent years, we have introduced a system for working from home and a flex-time work system company-wide, enabling flexible working styles that suit each employee's individual circumstances.

In 2021, we plan to hold in-house seminars on unconscious bias and psychological safety, and we will work to create an environment where diverse human resources can maximize their abilities with greater peace of mind.

We are also advancing initiatives to promote the active participation of women.

We have received a silver certification for the second consecutive year from Work with Pride, an assessment indicator for initiatives to help sexual minorities.

IV Close partnerships with oil-producing countries

In Abu Dhabi, based on our long-standing relationship of trust with the Abu Dhabi government and ADNOC (Abu Dhabi National Oil Company), we have acquired and extended interests in the oil fields with significant reserves.

We launched business activities in our core business areas of Australia, Abu Dhabi, Indonesia and Japan in 1986, 1973, 1966 and 1941, respectively, and have built long-term relationships with various stakeholders in each country, including governments.

V Steady growth in cash flow and a solid and stable financial base

As of the end of fiscal 2020, we continued to maintain abundant liquidity on hand with a balance of cash on hand amounting to approximately ¥200 billion, and continued to maintain commitment lines with sufficient volume and duration from core banks.

We also announced that we will issue corporate bonds in 2021 for the first time for purposes including the diversification of our financing methods.

We will leverage these to spearhead major projects as operator (for certain projects) in our core business areas of Australia, Abu Dhabi, Indonesia and Japan, as well as to conduct strategic investments in research and development in new areas, working to further increase our enterprise value.

VI Support from the government of Japan

We will utilize financial support from Japan Oil, Gas and Metals National Corporation (JOGMEC), Japan Bank for International Cooperation (JBIC), Nippon Export and Investment Insurance (NEXI), and others in advancing oil and natural gas upstream projects presenting significant risk and requiring significant investment over a long period of time, while receiving high-level support from the Japanese government on resource diplomacy.

In addition, we will cooperate on the development of policy frameworks for efforts toward a net zero carbon society by 2050 and make appropriate use of policy support from agencies including NEDO and JOGMEC to ensure speed and efficiency.

Featured Content

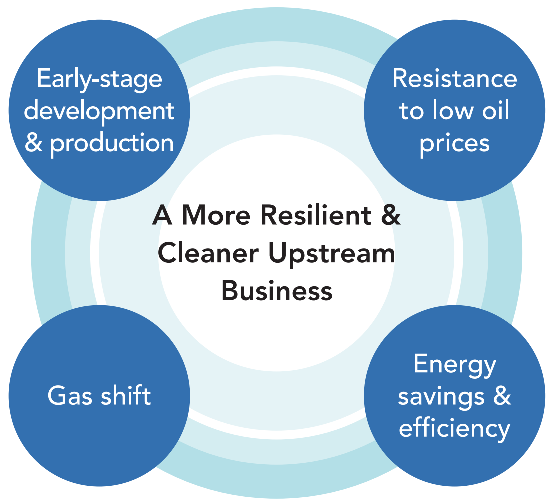
Business Development Strategy
- Towards a Net Zero Carbon Society by 2050

Basic Management Policy

INPEX will proactively engage in energy structure reforms towards the realization of a net zero carbon society by 2050, while responding to the growing energy demands of Japan and the world and fulfilling the company's responsibility for the development and stable supply of energy over the long-term.

1 Stable Supply of Energy

- INPEX will continue to position its upstream business as its core business and will work to fulfill its two social responsibilities of providing a stable supply of energy and responding to climate change by promoting more resilient and cleaner operations.
- INPEX will accelerate a shift to natural gas and continue to enhance initiatives for the expansion of its global gas value chain in Japan and the growing markets of Asia. Furthermore, it will promote carbon-neutral LNG marketing, etc.



2 Goals and Initiatives Towards a Net Zero Carbon Society

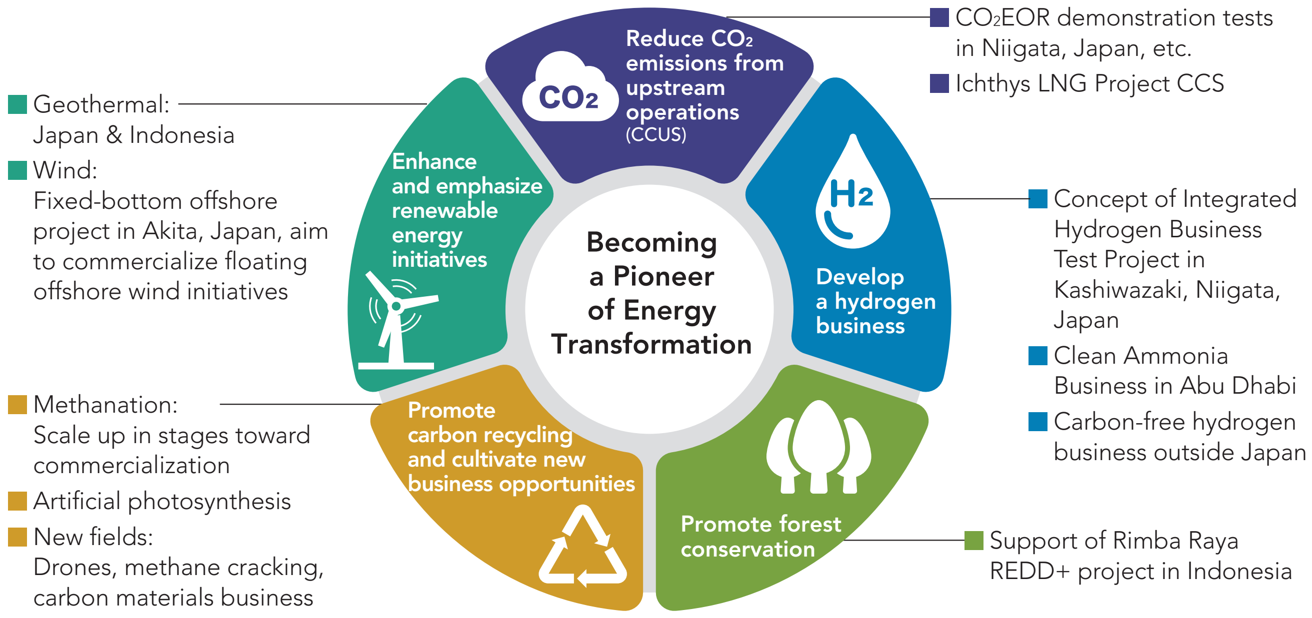
- INPEX will set climate change response goals to contribute to the realization of the Paris Agreement objectives in relation to climate change.

Scope 1+2	Scope 1+2	Scope 3
2050 NET ZERO in absolute emissions[1]	2030 30% OR MORE reduction of net carbon intensity[2]	Scope 3 REDUCTION work together with all relevant stakeholders to address challenges across entire value chains

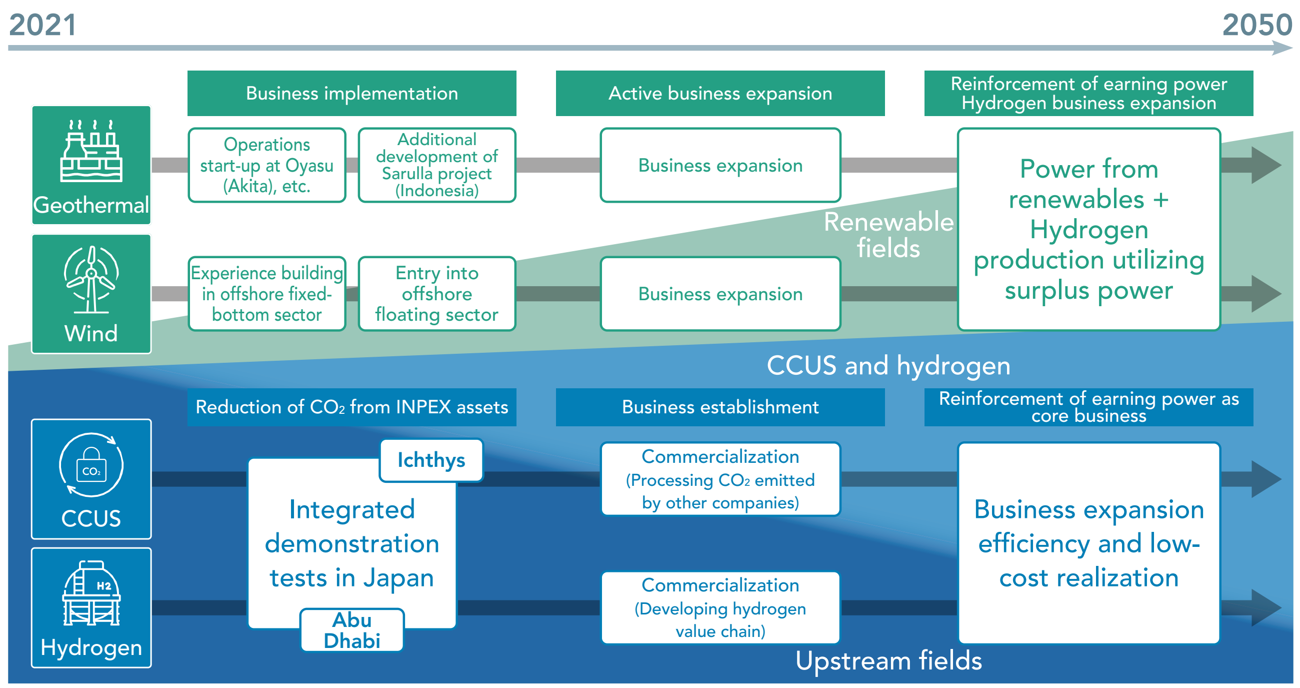
About Scopes 1, 2, and 3
Scope 1: Direct emissions from sources owned or controlled by the reporting company
Scope 2: Indirect emissions from electricity, steam, heat and cooling purchased and consumed by the reporting company
Scope 3: All other indirect emissions generated in the reporting company's value chain(s)

1: INPEX equity share basis 2: In comparison with 2019

- INPEX will actively promote five business pillars to offer solutions that meet the needs of society.



Business Milestones



Outlook on Cash Allocation

The average scale of annual investment for the next five years is expected to be about ¥250 to ¥350 billion (assuming a crude oil price of US$50 to US$60).
Of this, we plan to invest about ¥20 to ¥30 billion annually in the five business pillars over the medium term.

Business Development Strategy: Five Business Pillars

Reduce CO_2 Emissions from Upstream Operations (CCUS)

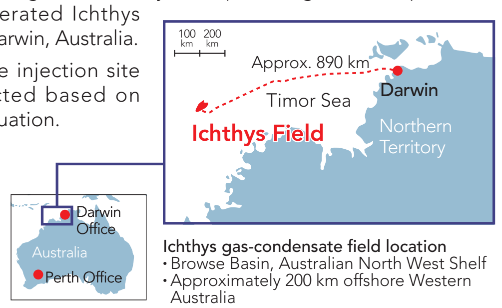
Taking advantage of its track record and technical expertise in CCUS (Japan's first CCUS project commenced at INPEX's Kubiki Oil Field in Niigata in 1988), INPEX seeks to adopt CCUS solutions to safely store and efficiently utilize CO_2 in Japan and overseas including at the Ichthys LNG Project in Australia. INPEX will promote a shift to natural gas and carbon neutral LNG marketing in conjunction with the efficient use of energy and implementation of energy saving measures across its entire business including exploration, development and production.

CO_2EOR demonstration test in Niigata, Japan, etc.

- INPEX plans to conduct CCUS (CO_2EOR) demonstration tests at one of its oil fields in Niigata, Japan, applying EOR recovery improvement technology (CO_2 foam technology) being developed by the company.
- The demonstration tests will consist of drilling two new wells in 2022, analyzing reservoir core samples and conducting CO_2 injection tests. The tests are expected to boost the application of CCUS technologies in Japan as well as CO_2EOR technologies at INPEX's upstream assets overseas.

Ichthys LNG Project CCS

- INPEX is evaluating the feasibility of sequestering of CO_2 captured at the INPEX-operated Ichthys LNG plant in Darwin, Australia.
- An appropriate injection site is to be selected based on a detailed evaluation.



Ichthys gas-condensate field location
- Browse Basin, Australian North West Shelf
- Approximately 200 km offshore Western Australia

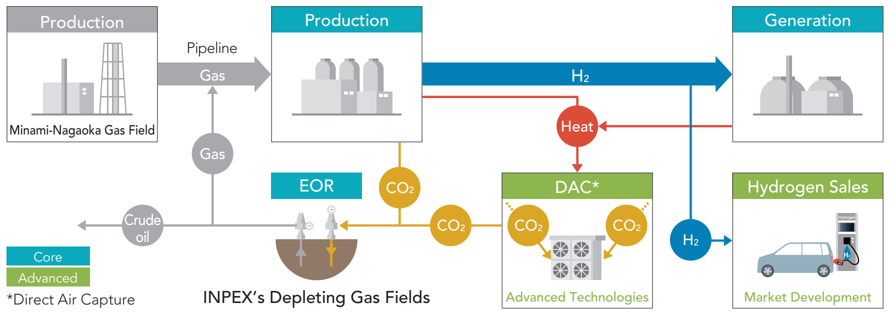
Develop a Hydrogen Business

Envisioning the advent of a hydrogen era, INPEX aims to expand its energy business to include the production and supply of hydrogen.

- Utilize natural gas from INPEX assets to produce carbon-free hydrogen and secure greater resource levels through a natural gas reforming process and conducting CCUS with the CO_2 emitted from this reforming process.
- Enhance R&D activities to establish a hydrogen value chain in collaboration with external companies and organizations.
- Aim to create a hydrogen society at an early stage through collaborative cross-sector projects on the social implementation of hydrogen as a member of the Japan Hydrogen Association.

Concept of Integrated Hydrogen Business Test Project in Kashiwazaki, Niigata, Japan

- An integrated "all-in-one" demonstration test is planned in Niigata, Japan, taking advantage of INPEX's upstream technologies and domestic natural gas supply infrastructure. INPEX will demonstrate a hydrogen business model delivering hydrogen produced at INPEX's overseas natural gas assets to Japan.



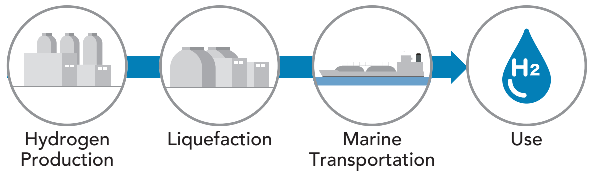
*Direct Air Capture

Clean ammonia business in Abu Dhabi

- INPEX is evaluating opportunities to produce hydrogen and ammonia from natural gas produced in Abu Dhabi. CO_2 from the gas reforming process will be utilized in CCUS / EOR at an onshore Abu Dhabi oil field in which INPEX has a participating interest, with the objective of realizing clean ammonia.
- The ammonia is to be imported to Japan using marine vessels and supplied to Japanese utilities as clean fuel for power plants, contributing to the reduction of CO_2 emissions.
- A feasibility study is being proposed to ADNOC (UAE) and discussions with ADNOC and domestic partners are ongoing (as of 2021).

Carbon-free hydrogen business outside Japan

- INPEX is examining ways to participate in a hydrogen liquefaction and offloading business to develop its own hydrogen business abroad.
- INPEX is making use of knowledge and experience in natural gas liquefaction (LNG).



Enhance and Emphasize Renewable Energy Initiatives

INPEX will accelerate its initiatives both in Japan and around the world relating to geothermal power generation applying oil and gas development technologies, as well as offshore wind leveraging experience in the construction and operation of offshore floating facilities gained at operations sites overseas.

Geothermal

- High potential in Japan and Indonesia where INPEX has considerable business experience.
- Applying oil and gas development technologies such as geological / geophysical surveys and drilling.
- Planning further development of Sarulla in Indonesia, one of the world's largest geothermal projects.
- Domestic track record of conducting development studies, exploratory drilling and flow tests in the Oyasu area of Akita Prefecture and the Amemasu area in Hokkaido, Japan.

Sarulla Geothermal Independent Power Producer (IPP*) Project

* Independent power producer

Offshore wind

- Plans to realize fixed-bottom wind power project offshore Noshiro, Mitane and Oga in Akita Prefecture, Japan.
- Ability to apply business management experience of designing and operating floating structures for crude oil and natural gas production at Ichthys and elsewhere.
- Plans to create a floating offshore wind power business, which has advantages for first movers, leveraging INPEX's strengths.

Generic image of offshore wind power

Promote Carbon Recycling and Cultivate New Business Opportunities

INPEX will promote carbon recycling with the aim of setting up business operations at an early stage, leveraging synergies with its oil and gas business operations.

Acceleration of methanation business

(towards the supply of carbon-free methane)

- Plans to complete basic technical development in fiscal 2021, scale up the test facility in stages while implementing cost reduction measures and achieve commercialization beyond 2030.

Testing facilities at the Koshijihara Plant (Niigata) (a NEDO project)

Artificial photosynthesis

(towards the supply of hydrogen derived from renewables)

- Participating in the Japan Technological Research Association of Artificial Photosynthetic Chemical Process (ARPChem) and in charge of technical development for production of solar hydrogen through catalytic reaction.
- Steady implementation of R&D with aims to ultimately achieve 10% solar energy conversion efficiency; plans to evaluate practical application.

Artificial photosynthesis panels installed in Darwin, Australia

INPEX will swiftly pursue initiatives in new business fields showing signs of growth.

Future business prospects

- Improved operational stability and security through pipeline management utilizing drones
- Introduction of DX relating to energy businesses
- Development of methane direct cracking technologies; development of technologies to directly crack methane into hydrogen and carbon
- Carbon materials business; effective use of carbon extracted from the direct cracking of CO_2
- Development of CO_2 extraction, processing and utilization technologies

Promote Forest Conservation

INPEX is working to support distinguished forest conservation projects that contribute to climate change response, biodiversity conservation, and improved living standards for local communities through CO_2 absorption from forest conservation.

In February 2021, we established an agreement with InfiniteEARTH to acquire five million tons of carbon credits over five years by supporting the Rimba Raya Biodiversity Reserve REDD+ Project in Indonesia. This is a 30-year project to protect approximately 65,000 hectares of peat forest in central Kalimantan in Indonesia.

▶ Introductory video
https://infinite-earth.com/inpex

Progress Against Medium-term Business Plan 2018-2022

In May 2018, INPEX formulated its Medium-term Business Plan 2018–2022: Growth & Value Creation, laying out initiatives and targets over the five-year period between fiscal 2018 and fiscal 2022. INPEX is committed to achieving the targets set out under the Plan.

Financial target

	FY 2019/3 Results (1st year of the Medium-term Business Plan)	FY 2019/12 Results (9 months) (2nd year of the Medium-term Business Plan)	FY 2020/12 Results (3rd year of the Medium-term Business Plan)	FY 2021/12* Outlook	FY 2022/12 Targets
Brent crude oil price (US$/ barrel)	$70.86	$64.27	$43.21	$60.3	**$60.00**
Exchange rate (JPY/USD)	¥110.93	¥108.66	¥106.77	¥107.5	**¥110.00**
Net sales	¥971.4 billion	¥1,000.0 billion	¥771.0 billion	¥1,055.0 billion	**Around ¥1,300.0 billion**
Net income attributable to owner of parent	¥96.1 billion	¥123.6 billion	¥-111.7 billion	¥140.0 billion	**Around ¥150 billion**
Net production volume	424 KBOED	586 KBOED	573 KBOED	570 KBOED	**700 KBOED**

* Outlook as of May 13,2021

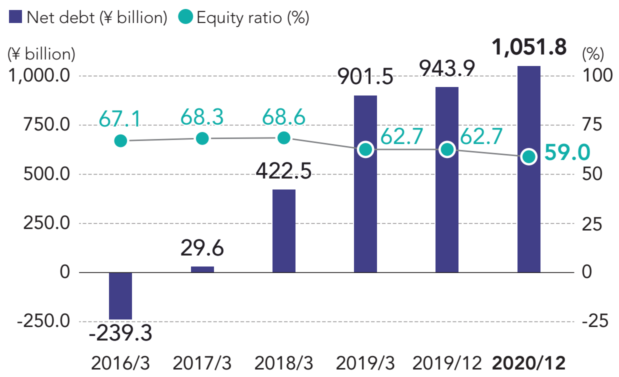
Cash allocation policy, actual allocation and outlook

Allocate cash flow from operations and others over the Medium-term Business Plan period (five years) in the following order of priority: (1) debt reduction, (2) shareholder returns, (3) investment for growth.

(1) Debt reduction

- Steadily reduce debt by working to make repayments, such as for Ichthys LNG project finance loans.
- Total INPEX net loans including the off-balanced net loans of the Ichthys IJV amounted to approximately ¥2.3 trillion as of the end of December 2019 and approximately ¥2.1 trillion as of the end of December 2020.

Net Debt and Equity Ratio

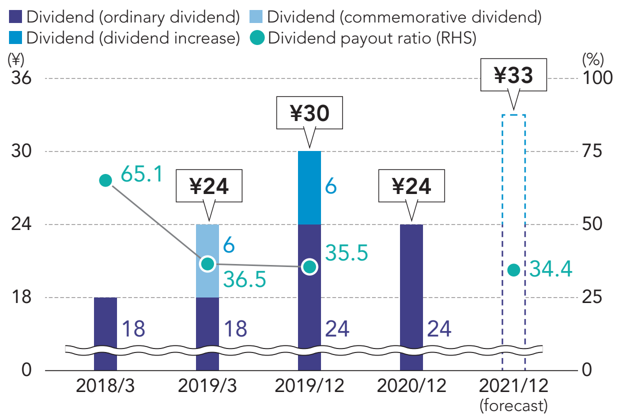


(2) Shareholder returns

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

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

Annual Dividends per Share and Dividend Payout Ratio



* The dividend payout ratio for the fiscal year ended December 31, 2020 is not available due to net loss.

(3) Investment for growth

	FY 2019/3 Results (1st year of the Medium-term Business Plan)	FY 2019/12 Results (9 months) (2nd year of the Medium-term Business Plan)	FY 2020/12 Results (3rd year of the Medium-term Business Plan)	FY 2021/12* Outlook	FY 2022/12 Targets
Development expenditure	¥471.0 billion	¥221.7 billion	¥167.2 billion	¥231.0 billion	Investment for Growth for the 5 year period **¥1.7 trillion**
Exploration expenditure	¥13.7 billion	¥18.8 billion	¥10.7 billion	¥16.0 billion	
Other capital expenditure	¥3.7 billion	¥2.7 billion	¥2.8 billion	¥8.0 billion	
Total expenditure	¥488.4 billion	¥243.2 billion	¥180.8 billion	¥255.0 billion	
	Total Expenditure in 4 years: ¥1167.4 billion (forecast)				

* Outlook as of February 10, 2021

Progress in achieving the three business targets

		FY2019/3, FY2019/12 and FY2020/12 Results (First, Second and Third Years of the Mediumterm Business Plan)	FY 2021/12 Initiatives & Outlook (Fourth Year of the Medium-term Business Plan)
Sustainable Growth of Oil and Natural Gas E&P Activities	**Ichthys LNG Project**	● Achieved rapid and steady ramp-up; continued stable production	● Continue stable production and accumulate technical and project management knowledge and experience
	Abadi LNG Project	● Preparations to commence FEED in progress	● Prepare to commence FEED in progress
	Abu Dhabi Oil Fields	● Continued development work to increase production capacity	● Continue development work to increase production capacity
	Exploration	● Progress in Abu Dhabi, Iraq, Norway and Gulf of Mexico, etc.; continued studies in the priority exploration areas and acquired new exploration blocks (Abu Dhabi, Australia and Norway)	● Maintain progress in Abu Dhabi, Iraq, Norway and Gulf of Mexico, etc.; continue studies in the priority exploration areas and acquire new exploration blocks
Development of Global Gas Value Chain Business	**Domestic**	● Approx. 2.07 billion m³ of natural gas sold	● Approx. 2.11 billion m³ of natural gas sales
	Overseas	● Continued LNG/gas marketing for FID on Abadi LNG Project and initiatives to create new business for natural gas demand generation	● Continue LNG/gas marketing for FID on Abadi LNG Project and initiatives to create new business for natural gas demand generation
Reinforcement of Renewable Energy Initiatives		● Indonesia: Sarulla Geothermal Independent Power Producer (IPP) Project continued operation at total rated capacity of approximately 330MW ● Joined a consortium for a fixed-bottom wind project offshore Noshiro, Mitane and Oga in Akita Prefecture, Japan ● Continued fundamental research of methane synthesis technology	● Promote geothermal power generation business. Proactively enter wind power generation business ● Promote renewable energy and carbon recycling ● Complete fundamental research of the methane synthesis technology; proceed to next stage

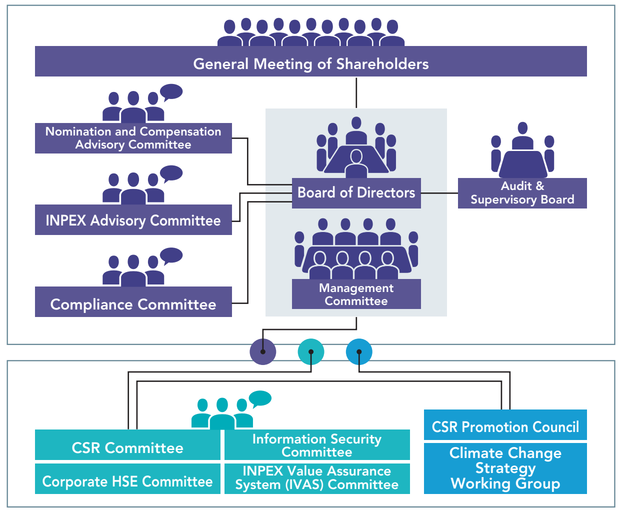
* In addition to the initiatives & outlook listed in the table, INPEX will strengthen and make cleaner its upstream business and promote initiatives towards a net zero carbon society, its five business pillars, as described on pages 30 to 33.

Sustainability

As a management foundation to fulfill our two social responsibilities of providing a stable supply of energy and responding to climate change, we will continue to take action in line with six material CSR issues of great importance to us and our stakeholders: governance, compliance, HSE (health, safety and environment), local communities, climate change response, and employees. As we do this, we will pursue sustainability and work to create value across the entire value chain.

Roles and Responsibilities of CSR Committee

We disclose our executive management's approach to sustainability, and have the CSR Committee chaired by the Representative Director, President & CEO in place to promote groupwide and systematic sustainability practices. The CSR Committee members include the Representative Directors, the head of the General Administration Division, and the head of the Corporate Strategy & Planning Division (Vice-Chair of the CSR Committee). The Chairs of the Compliance Committee and the Corporate HSE Committee also attend the CSR Committee meetings to facilitate collaboration with their respective committees. We have also created a groupwide consultation system supported by the Climate Change Strategy Working Group and the CSR Promotion Council, a subdivision of the CSR Committee comprising working-level members from various divisions.



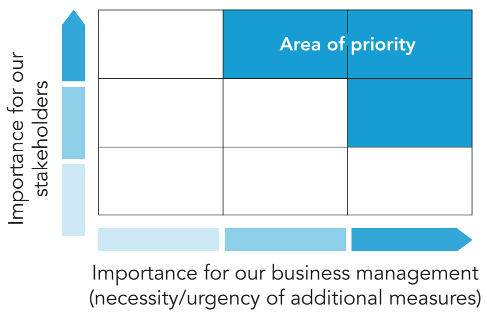
Identification of Material Issues and Prioritization Process

In April 2012, we identified five key issues among the seven core social responsibility subjects in ISO 26000 as Material Issues of importance for us and our stakeholders. In May 2015, we reexamined the Material Issues considering factors such as impacts of business activities associated with the progress of our key projects and changes to stakeholder priorities. As a result, we redefined the Material Issues by adding the sixth issue, "Governance." Furthermore, our actions that should be prioritized for each Material Issue have been defined as Key Tasks, and have been incorporated into our PDCA* cycle to achieve continuous improvement. In FY2017, we incorporated the perspectives of Sustainable Development Goals (SDGs) into the existing Key Tasks, mapped the Key Tasks through a four-step prioritization process (1. Issue identification and gap analysis, 2. Stakeholder dialogues, 3. Issue prioritization, and 4. Management review), and reevaluated the Key Tasks. We will continue to review the Key Tasks on regular basis.

* PDCA Plan-Do-Check-Act

CSR Material Issues

Matrix of Key Tasks



INPEX Key Tasks

- Strengthen governance structure
- Upgrade risk management system
- Respect human right
- Comply with laws, prevent bribery and corruptions
- Conduct Environmental and Social Impact Assessment (ESIA) in supply chain
- Prevent major incidents
- Secure occupational health and safety
- Conserve biodiversity, manage water resource appropriately
- Assess and take measures to reduce impact on local and indigenous communities
- Contribute to local economies
- Promote renewable energy business
- Develop natural gas as a cleaner source of energy
- Strengthen climate-related risk management
- Develop personnel and enhance the motivation of the workforce
- Promote diversity

Response to Novel Coronavirus Disease (COVID-19)

In view of the global spread of COVID-19, INPEX has endeavored to continue steady operation and ensure stable supply of energy. At the same time, it has implemented a range of measures to prevent infection in our crude oil and gas production operations around the world, prioritizing the health and safety of employees.

Country	Response Measures
Australia (Ichthys LNG Project)	● Introducing special rotation and shift with a period of quarantine, implementation of medical interviews and body temperature checks before coming on operating site ● Introducing various restrictions and requirements for the LNG tankers and other boats coming to terminal
Japan	● Restricted access to worksites except for core operating personnel ● Securing standby personnel in preparation for the emergence of COVID-19 infection
United States (Shale Oil Project)	● Infection monitoring measures, including medical screening and body temperature checks for personnel entering operating sites ● Establishment of procedures to respond and restore operations after in case of COVID-19 infection
U.A.E.	● Implementation of a range of measures to mitigate the risk of infection at our projects in Abu Dhabi, in accordance with the guidelines set forth by Abu Dhabi National Oil Company (ADNOC). These include mandatory confirmation of negative PCR test results prior to admittance to operating or other sites, as well as body temperature checks

INPEX assisted medical professionals and others who have dedicated themselves to the prevention of the further spread of COVID-19, and supported people in the local community who are experiencing difficulties. The following activities are included.

Country	Response Measures
Japan	● Provision of N95 masks to Japanese Red Cross Society and local governments
Australia	● Donation of A$ 30,000 to Foodbank NT to support emergency food provision in the Northern Territory ● Donation of A$ 100,000 to Menzies School of Health Research in the Northern Territory to support COVID-19 response activities ● Provision of masks to medical facilities and police agencies in Broome
Indonesia	● Provision of COVID-19 information posters, chemical protection suits, medical masks, and hand sanitizer to medical professionals in the Tanimbar Islands
Kazakhstan	● Provision of medical equipment and personal protective equipment to medical facilities in Nur-Sultan in collaboration with other foreign companies in the country
United States	● Donation through the Japan Business Association of Houston


Plant operators with face shields and masks at Naoetsu LNG Terminal, Japan

Donation to Foodbank NT in the Northern Territory, Australia


Provision of medical goods in the Tanimbar Islands, Indonesia

Targets and Results of Material Issues

CSR Material Issues	Key Tasks	FY 2020 Results	FY 2021 Targets	Medium to Long-Term Initiatives and Directions
Governance	Strengthen governance structure	● Continued to implement a PDCA cycle to evaluate the effectiveness of the Board of Directors, and had evaluation performed by a third-party evaluation body ● Setting discussion items for responding to low crude oil price and climate change, aiming to effective discussion of the Board of Directors ● Held a roundtable meeting among the Directors for the exchange of views, with participation of climate change experts ● Made steady progress in preparation for response to revision of Japan's Corporate Governance Code and the restructuring of the Tokyo Stock Exchange, which are scheduled for 2021 ● Discussed matters relating to director nomination and compensation, with appropriate support and advice by the Nomination and Compensation Advisory Committee, and resolved the policy for determining individual directors' compensation approved by the Board of Directors ● Enhanced company's tax management system through the recruitment of tax specialists	● Enhance of the corporate governance system through appropriate operation of the Board of Directors and continue to implement evaluation of the effectiveness of the Board of Directors. Continue the PDCA cycle ● Respond to the amendment of the Companies Act, the restructuring of the Tokyo Stock Exchange and the revision of Japan's Corporate Governance Code ● Discuss matters relating to director nomination and compensation, with appropriate support and advice by the Nomination and Compensation Advisory Committee ● Implement global expansion of the tax governance structure	Improve of the effectiveness of the Board of Directors, appropriate information disclosure including dialogue with shareholders, cooperation with stakeholders, and continue to enhance of corporate governance ● Strengthen the corporate governance structure, including enhancement of the supervisory role of the Board of Directors ● Expand the discussion on business strategies based on Vision 2040, the Medium-term Business Plan, and anticipated future business development, and monitor the progress made
	Upgrade risk management system	● Promoted Business Continuity Management (BCM)*1 for earthquake scenario activities and conducted training and education at corporate headquarters ● Implemented and operated a crisis response system under the Corporate Crisis Management Team for the novel coronavirus disease (COVID-19)	● Promote corporate headquarters-based BCM activities for earthquake scenarios, provide BCM education and training for employees, and update corporate headquarters BCP*2 for highly virulent infectious disease scenarios including measures to prevent the spread of the novel coronavirus disease (COVID-19) ● Implement and operate a crisis response system under the Corporate Crisis Management Team for the novel coronavirus disease (COVID-19)	
Compliance	Respect human rights	● Published the UK Modern Slavery Act Statement FY 2019 ● Conducted human rights training for new recruits ● Participated in the IPIECA human rights working group (ongoing)	● Publish the UK and Australia Modern Slavery Act Statement FY 2020 ● Continue human rights training for new employees ● 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 anti-corruption (ABC) laws, judicial /administrative sanctions, international standards and ethics, and respect for human rights ● Strengthen global human rights management structure ● Strengthen supply chain risk assessment and compliance
	Comply with laws, prevent bribery and corruption	● Conducted various types of compliance training, including harassment prevention training for managerial employees ● Conducted ABC risk assessments at domestic offices in Japan ● Launched and began operation of the INPEX Global Hotline ● Participated in the anti-corruption working group of the Global Compact Network Japan (ongoing)	● Continue to provide information on compliance and conduct education and training programs (including harassment prevention training for non-managerial employees at domestic offices in Japan) ● Maintain initiatives aimed at bolstering global compliance systems (including continued operation of the INPEX Global Hotline, etc.) ● Widely disseminate and strengthen the implementation of ABC regulations (including continued implementation of training and due diligence, etc.) ● Continue to conduct ABC risk assessments at Japan and overseas offices	
	Conduct Environmental and Social Impact Assessment (ESIA) in supply chain	● Administered a supplier self-assessment questionnaire including human rights and ABC to major domestic suppliers and contractors ● Continued risk assessment including human rights, ABC of major domestic suppliers and contractors ● Administered a survey on the status of operator initiatives for human rights, and ABC, in relation to non-operated projects	● Continue to administer a supplier self-assessment questionnaire including human rights and anti-bribery and anti-corruption (ABC) to major domestic suppliers and contractors ● Continue risk assessment including human rights, anti-bribery and anti-corruption (ABC) of major domestic suppliers and contractors, and improve the methods used for risk assessment ● Participate in the supply chain working group of the Global Compact Network Japan	
HSE	Prevent major incidents	● Enhanced the Corporate HSE Management System (established and revised a total of 6 Corporate HSE Standards, supported the creation of HSE engagement plans regarding the headquarters including non-operated projects, and established the Revised HSE 3rd Phase Mid-term Plan [FY2016-2022]) ● Improved HSE assurance and governance (participated in 6 HSE reviews and conducted 2 risk-based audits at overseas sites remotely) ● Provided HSE technical support (implemented 11 technical support operations) ● Ingrained HSE risk management to prevent major incidents and disasters (held 6 training sessions and workshops, etc., for enhancement of HSE risk management for operated projects, prepared an annual report on process safety leading indicators, assisted in the establishment of safety cases both domestically and overseas, conducted HSEIA reviews, and conducted asset integrity management and process safety assurance reviews of the domestic E&P business, domestic energy business, and Ichthys LNG Project) ● Reinforced emergency and crisis response capability (implementing countermeasures against COVID-19 using the Corporate Crisis Management Team as the secretariat, conducted emergency level 3 crisis response exercises two times based on the scenarios of a serious accident at a business site of the domestic energy business and a major earthquake striking directly beneath Tokyo metropolitan area, conducted functional training on 7 occasions, and revised a security response plan for Abu Dhabi Office)	● Enhance the Corporate HSEMS (improve consistency between company regulations and HSEMS documents and complete standardization of HSE standards) ● Improve HSE assurance and governance (improve the consistency and effectiveness of HSEMS through HSE reviews and risk-based audits) ● Provide HSE technical support and foster HSE leaders (continue to secure HSE resource and promote more efficient acquisition of HSE competency through initiatives for comprehensive HSE training and exercises online) ● Enhance process safety and asset integrity management (develop a dashboard to promote visualization of management situation, enhance process safety and asset integrity management through measurement of Tier 3 and Tier 4 leading indicators) ● Reinforce emergency and crisis response capability (increase company-wide security and crisis management capabilities by reviewing the functions of the Corporate Crisis Management Team from various perspectives including Crisis Management Team formation, application software and exercises program)	Under our commitment to the HSE Policy, top management, managers and staff implement the process defined in the Corporate 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 Revised HSE 3rd Phase Mid-term Plan (FY2016-2022) including following actions: – Enhance effectiveness of 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 and foster HSE leaders by continuing to promote opportunities for acquiring HSE competencies – Develop HSE activities that incorporate opinions from worksites and improve HSE management based on the results of the HSE culture survey – Thoroughly prevent major incidents by promoting Process Safety management – Reduce incidents using leading indicators – Reinforce emergency and crisis response capability – Reinforce GHG emissions control and environmental management as well as promote management of social impacts – Implement initiatives based on the INPEX Group Health Statement and Corporate Health Management Standard
	Secure occupational health and safety	● Strengthened HSE management at worksites (conducted safety document survey and HSE Forum, but did not carry out management site visits because of travel restrictions in place due to the COVID-19 pandemic) ● Reduced the number of incidents (LTIF: 0.26 / TRIR: 2.24; completed online curriculum on life-saving rules and published HSE Flash and Learning from Incident [LFI]) ● Improved health promotion and maintenance program (developed health risk resisters for INPEX Standards and gathered information on COVID-19, issued an alert, and conducted survey led by the health and safety management division of the Corporate Crisis Management Team)	● Strengthen HSE management at worksites (develop and execute an action plan for fostering HSE culture and HSE leadership based on the results of the HSE culture survey) ● Reduce the number of incidents (provide incident information and causes in a timely manner using the newly introduced incident reporting system and prevent recurrence of similar incidents by measuring leading indicators such as implementation status of accident remedies) ● Strengthen health management (enhance initiatives for employee health improvement, occupational health and safety and infection control based on the INPEX Group Health Statement and Corporate Health Management Standard)	
	Conduct Environmental and Social Impact Assessment (ESIA) in supply chain	● Executed and reviewed a Corporate Environmental Management Plan including initiatives for biodiversity conservation and water management **Conservation of biodiversity** ● Updated a protected areas database of adjacent to domestic and overseas project sites ● Implemented marine environmental impact assessments at domestic projects ● Participated in forestation and biodiversity conservation activities at domestic projects ● Planned a simple survey of ecosystem of peripheral areas of domestic project sites (Nagaoka) ● Implemented measures for specific invasive alien plant species at domestic projects ● Implemented survey on current situation of biodiversity at overseas projects ● Conducted biodiversity monitoring at overseas projects ● Created a report about our biodiversity conservation activities **Water management** ● Conducted water stress assessments in project areas ● Collected and analyzed data on water consumption in projects	● Execute and review Corporate Environmental Management Plan including initiatives for biodiversity conservation and water management **Conservation of biodiversity** ● Update the protected areas database of areas adjacent to domestic and overseas project sites ● Implement marine environmental impact assessments at domestic projects ● Implement measures for specific invasive alien plant species at domestic projects ● Participate in forestation and biodiversity conservation activities at domestic projects ● Conduct an ecosystem survey in peripheral areas of domestic projects (Nagaoka) ● Conduct surveys on current status of biodiversity at overseas projects ● Conduct biodiversity monitoring at overseas projects ● Publish report on INPEX's biodiversity conservation activities ● Consider establishment of policy on biodiversity conservation **Water management** ● Update water stress assessments in project areas ● Comprehend water balance, as well as collect and analyze water consumption data of projects ● Prepare report on the Group's water usage and water risks ● Consider establishment of policy on water risk management	

CSR Material Issues	Key Tasks	FY 2020 Results	FY 2021 Targets	Medium to Long-Term Initiatives and Directions
Local Communities	Assess and take measures to reduce impact on local and indigenous communities	**Japan** ● Provided information on operational status and safety management of the Naoetsu LNG Terminal through community briefings and public newsletters **Australia** ● Held more than 250 stakeholder engagement activities and provided more than 50 community updates ● Received approximately 800 local operating area inquiries (of which 50 percent related to employment opportunities) **Indonesia** ● Conducted an environmental and social impact assessment, which has been undertaken every year since 2018. In 2020, assessed the impacts on communities during construction and operation phase and likewise conducted impact assessment in regard to concern of local communities	**Japan** ● Maintain positive relationships with stakeholders through continuous dialogue, including appropriate response to inquiries from local communities and publication of newsletters **Australia** ● Maintain positive relationships with stakeholders and communities through proactive and integrated engagement **Indonesia** ● Continue to implement environmental and social impact assessment while maintaining positive relationships with stakeholders	Contribute to regional development and the solution of social issues through projects, respecting human rights and the cultures and customs of the areas in which we operate ● Comprehend community needs and conduct measures through engagement with stakeholders in the areas in which we operate
	Contribute to local economies	**Global** ● Invested approximately 2.2 billion yen in social contribution initiatives **Australia** ● Supported more than 350 Larrakia individuals and facilities through the Larrakia Ichthys LNG Foundation Trust since its establishment in 2018 ● Retained 25 Aboriginal and Torres Strait Islander employees including the Solid Pathways program participants ● Employed more than 100 Aboriginal and Torres Strait Islander people through Ichthys LNG operations' contractors ● INPEX and contractors engaged 8 Aboriginal and Torres Strait Islander businesses for a total value of more than A$4 million	**Global** ● Continue investments for social contribution initiatives in response to the needs of the local community **Australia** ● Ensure the success of the Larrakia Ichthys LNG Foundation Trust ● Increase INPEX Australia's direct employment of Aboriginal and Torres Strait Islander peoples to 36 people or three percent of employees by the end of 2021 ● Employ an average of 60 Aboriginal and Torres Strait Islander peoples through our Ichthys LNG operations' contractors each year from 2019 to 2021 ● Increase the number of Aboriginal and/or Torres Strait Islander majority owned businesses engaged by INPEX and its contracting partners by 50 percent with a total contract value between 2019 to 2021 being greater than A$ 1 million	
Climate Change	Develop natural gas as a more environmentally friendly source of energy	● Achieved stable and efficient production operations in the Ichthys LNG Project ● Continued a stable supply of natural gas and increased supply volume through the safe operation of gas fields, the Naoetsu LNG Terminal and the approximately 1,500 km long, high-pressure gas pipeline network in Japan ● Implemented proposal activities to promote natural gas utilization ● Promoted construction operations for local smart energy projects using gas cogeneration facilities ● Implemented carbon neutral gas proposal activities in Japan ● Created a system for the inspection, data compilation and reporting on methane dissipation from equipment and machinery at business sites in Japan	● Continue to achieve stable and efficient production operations at the Ichthys LNG Project ● Maintain a stable supply of natural gas and increase supply volume through the safe operation of gas fields, the Naoetsu LNG Terminal and the approximately 1,500-kilometer long, high-pressure gas pipeline network in Japan ● Engage in activities to promote natural gas utilization ● Start commercial operation of local smart energy projects using gas cogeneration facilities ● Start sale of carbon neutral gas ● Continue to improve management of GHG emissions, including methane	Strengthen governance systems and promote initiatives in the areas of business strategy, risk and opportunity assessment, and emission management, so as to contribute towards the realization of the Paris Agreement goals on climate change ● Implement initiatives aimed at the realization of the net zero carbon society ● Undertake continuous information disclosure in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)
	Strengthen climate-related risk management	● Formulated guidelines for the assessment and management of climate-related risks and opportunities ● Transformed the Climate Change Strategy Working Group into an advisory body of the CSR Committee ● Disclosed greenhouse gas emissions on an equity share basis ● Improved the company's Carbon Disclosure Project (CDP) Climate Change score (from B to A-)	● Announce the company's Business Development Strategy, and set goals for climate change ● Revise the company's Corporate Position on Climate Change ● Formulate Guidelines for Transactions and Management of VCUs*3 ● Formulate Guidelines for Management of Climate Change Goals	
	Promote renewable energy business	● Ensured stable operation of photovoltaic power generation facilities ● Ensured stable operation of the Sarulla Geothermal IPP Project in Indonesia ● Continued environmental impact assessments and conducted flow tests with all production and reinjection wells in the Oyasu region in Akita Prefecture. Continued surveys on geothermal resources at Amemasudake, Hokkaido ● Conducted preparation work toward final investment decision (FID) for the domestic wind power business ● Continued R&D of technologies that contribute to building an electricity-hydrogen-methane value chain	● Ensure stable operation of photovoltaic power generation facilities ● Ensure stable operation at the Sarulla Geothermal IPP Project in Indonesia ● Drive forward existing geothermal power generation business in Japan ● Pursue new geothermal power business opportunities in Japan and overseas. Continue environmental impact assessments and flow tests with all production and reinjection wells in the Oyasu region in Akita Prefecture ● Pursue onshore and offshore wind power generation business opportunities in Japan ● Pursue new offshore wind power generation business opportunities in Japan and overseas ● Continue R&D of technologies that contribute to building an electricity-hydrogen-methane value chain	
Employees	Develop personnel and enhance the motivation of the workforce	**Global** ● Continued promoting of INPEX Values (including Values Award, etc.) ● Conducted an engagement survey **Japan** ● Continued facilitation of internal job posting ● Continued providing career consultations for young corporate employees ● Continued interviewing with young technical employees for skill mapping ● Reduced overtime hours and continued encouragement of the taking of paid leave ● Expanded business knowledge training through e-learning materials ● Expanded "career design" training program ● Implemented additional training for line managers ● Converted some contract staff to regular employment ● Introduced a return-to-work scheme ● Introduced work-from-home arrangements ● Began satellite office operation ● Provided subordinate training seminars and remote-work focused mental health awareness sessions ● Provided health-related seminars on topics including smoking, dealing with back pain, stretching exercises to improve bodily functions, etc. ● Selected for 2020 Health & Productivity certification ● Obtained certification in the large enterprise category of the 2020 Certified Health & Productivity Management Outstanding Organizations Recognition Program (White 500)	**Global** ● Continued promoting INPEX Values (including Values Award, group-wide promotion, etc.) **Japan** ● Continued facilitation of internal job posting ● Continued providing career consultations for young corporate employees ● Initiate career consultations for senior employees, and continue skill mapping interviews for young technical employees ● Continue reducing overtime hours and further encourage employees to take paid leave ● Eliminate core time from the flextime working system ● Introduce a new scheme for "internal side work" ● Expanded work-from-home arrangements ● Implement well-being workshops ● Hold seminars on psychological safety ● Introduce a training program for the next generation of leaders ● Introduce online learning materials to enhance the English-language business skills of all employees ● Introduce team-building initiatives ● Continue providing health-related seminars ● Realize continued Health & Productivity certification ● Realize continued certification from the Certified Health & Productivity Management Outstanding Organizations Recognition Program	Develop a corporate culture that facilitates self-initiative and a strong sense of values and purpose for a diverse workforce in accordance with INPEX Values ● Continue the promotion of INPEX Values ● Develop an environment which enables a diverse workforce to demonstrate their talent
	Promote diversity	**Global** ● Implemented regular exchanging of views among diversity contacts at global offices **Japan** ● Continued training for managers of people with parental responsibilities ● Continued LGBT awareness training ● Achieved Silver "Work with Pride 2020" certification ● Held a chat-based social event for employees with impaired hearing	**Global** ● Provide opportunities for employees from overseas offices to gain experience at other worksites **Japan** ● Continue measures based on our General Employer Action Plan to promote the active participation of women ● Develop policies for same-sex partners and their children to enjoy the same treatment as the family members of other employees ● Implement unconscious bias training	

*1 **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
*2 **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
*3 **VCUs:** Verified Carbon Units

Climate Change Response

MESSAGE FROM THE DIRECTOR IN CHARGE OF CLIMATE CHANGE RESPONSE

In the "Business Development Strategy," our corporate management policy towards a net-zero carbon society by 2050 issued in January 2021, we determined our climate change goals, in which net-zero in Scope 1+2 emissions by 2050 is the main pillar for contributing to the achievement of the Paris Agreement goals. Concurrently, we revised our "Corporate Position on Climate Change" to reflect these goals, and we will continue advancing our initiatives to disclose climate -related information in accordance with the TCFD Recommendations.

Specifically, our Board of Directors seeks to maintain its oversight and expand its involvement in governance. When developing our business strategies, we assess our ability to respond to multiple climate change scenarios, including the IEA WEO Sustainable Development Scenario (SDS: scenario consistent with the Paris Agreement's goals of keeping average global temperature rise to well below 2 degrees Celsius compared to preindustrial levels, and pursuing efforts to limit it to 1.5 degrees Celsius), to evaluate our business portfolio. Regarding risk and opportunity assessment, we have an annual assessment and management cycle where risks and opportunities are explored in detail. We then implement measures and work plans developed from that process. As for the management of GHG emissions, we will strive to manage the progress while advancing efforts to achieve established climate change goals.

Facilitating CO_2 absorption through forest conservation is one of the five pillars of achieving climate change goals. By supporting Indonesia's Rimba Raya Biodiversity Reserve REDD+ Project, INPEX came to an agreement with InfiniteEARTH in February 2021 on acquiring 5 million tons of carbon credits over 5 years starting in 2021.

We will continue advancing our efforts to achieve climate change goals.

Kimihisa Kittaka
Director, Senior Managing Executive Officer, Corporate Strategy & Planning

Disclosure in line with TCFD Recommendations

The "Corporate Position on Climate Change" (issued in December 2015, last revised in January 2021) is available on our website*.
INPEX's information disclosure related to climate change is in line with the TCFD Recommendations.
Please refer to our Sustainability Report 2021 for more details.

* https://www.inpex.co.jp/english/csr/climatechange/pdf/20210216.pdf

Overview of the TCFD Recommendations			Relevant section
Governance Disclose the organization's governance around climate-related risks and opportunities.	1	Describe the board's oversight of climate-related risks and opportunities.	• Governance Framework for Climate Change Response
	2	Describe management's role in assessing and managing climate-related risks and opportunities.	• Message from the Director in Charge of Climate Change response • Governance Framework for Climate Change Response
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.	1	Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term.	• Climate-related Risks and Opportunities
	2	Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning.	• "Business Development Strategy - Towards a Net-Zero Carbon Society by 2050"
	3	Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	• The INPEX Low-Carbon Society Scenarios • Assessment of Financial Impacts of Climate-related Risks • Application of Internal Carbon Price
Risk Management Disclose how the organization identifies, assesses and manages climate-related risks.	1	Describe the organization's processes for identifying and assessing climate-related risks.	• Assessing and Managing Climate-related Risks and Opportunities
	2	Describe the organization's processes for managing climate-related risks.	• Assessing and Managing Climate-related Risks and Opportunities
	3	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	• Risk Management System
Metrics and targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	1	Disclose the metrics used by the organization to assess climate related risks and opportunities in line with its strategy and risk management process.	• Managing the Environment and GHG Emissions • Climate Change Response and Directors' Compensation
	2	Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and the related risks.	• ESG Performance Data: GHG Emission Management (Goals Management)
	3	Describe the targets used by the organization to manage climate change-related risks and opportunities and performance against targets.	• Efforts in Setting and Achieving Climate Change Goals

Sustainability Report ▶ https://www.inpex.co.jp/english/csr/pdf/INPEX_SR2021_E_ClimateChange.pdf

Efforts in achieving climate change response goals

Specific countermeasures for achieving net-zero goals include ❶ promotion of Carbon Capture Utilization and Storage (CCUS), ❷ strengthening in renewable energy initiatives, ❸ promotion of CO_2 absorption through forest conservation, ❹ maintenance of methane emissions intensity (methane emissions / natural gas production) at its current low level (about 0.1%), and ❺ zero routine flaring. Our net carbon intensity in 2020 was 35kg-CO_2-e/boe, a reduction of 15% compared to the previous year.

INPEX Emissions

		2019	2020
Scope 1*1	(thousand tons- CO_2e)	8,557	7,328
Scope 2*1	(thousand tons- CO_2e)	204	179
Net carbon intensity*2	(kg-CO_2e/boe)	41	35
Scope 3*3	(thousand tons- CO_2e)	82,626	77,305
Methane emissions intensity*4	(%)	0.10	0.07

*1 INPEX's equity share emissions
*2 Net carbon intensity including offset
*3 For details, please refer to our Sustainability Report 2021
*4 Methane emissions intensity: calculated by methane emissions / natural gas production (%), using the method adopted by Oil and Gas Climate Initiative
*5 The offsets include reduction contributions from renewable energy as well as CO_2 absorption through forest conservation. Contributions from renewable energy are calculated based on the "Guidelines for Measurement, Reporting and Verification of GHG Emission Reductions in JBIC's GREEN" (the J-MRV Guidelines)

Climate Change Response and Directors' Compensation

Regarding INPEX's climate change measures, we establish qualitative goals in relation to risk management and information disclosure in accordance with the TCFD Recommendations based on our "Medium-term Business Plan 2018-2022." Level of achievements is evaluated and is reflected in the bonus for the director in charge. Bonuses for representative directors and other directors are also calculated by comprehensively taking into considerations a range of factors such as ESG and HSE performance including climate change response, in addition to performance in main business operations based on net income for the period.

Assessing and Managing Climate-related Risks and Opportunities

INPEX in principle assesses and manages climate-related risks and opportunities in an annual cycle. The promotion of climate change measures across the Company is handled by the Climate Change Strategy Group within the Corporate Strategy & Planning Unit of the Corporate Strategy & Planning Division.

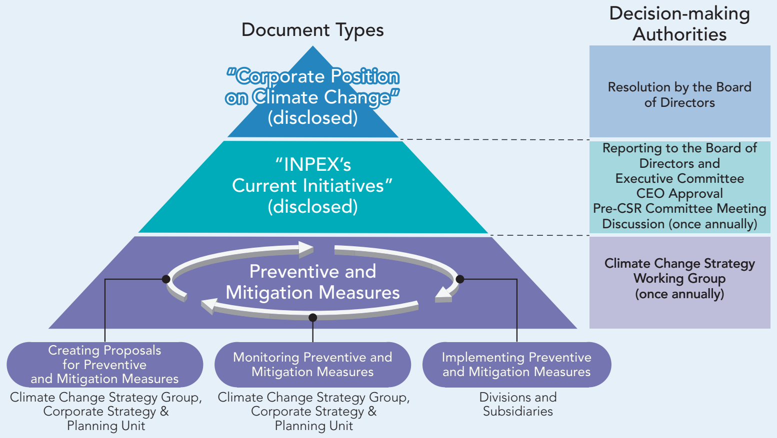
Regarding climate-related risks, the "Climate Change Strategy Working Group (WG)," composed of about 30 members representing each of the divisions, implements assessments and formulates preventive and mitigation measures.

The process of risk assessment adheres to procedures in ISO31000 (2009), an international risk management standard. We update external and internal factors, share INPEX situations with the WG members. We then identify risks and analyze their causes, preventive measures, mitigation measures, and residual risks. The residual risks are assessed using the "Risk Assessment Matrix based on TCFD Recommendations" created by INPEX.

Regarding climate-related opportunities, based on the "Business Development Strategy", we are working across the whole Company through creation of new divisions such as the Hydrogen & CCUS Development Office. We will add persons in charge of these divisions as WG members, and effectively, efficiently assess and manage climate-related opportunities in INPEX's corporate policy.

Furthermore, WG evaluation results will be discussed in a CSR committee meeting as "INPEX's Current Initiatives" and reported to Executive Committee and the Board of Directors upon receiving approval from the CEO.

Process of assessing and managing climate-related risks and opportunities



Featured Content 2

Sustainability Initiatives in our Value Chain

Initiatives for providing a stable supply of energy

Enhancement of Resilience of INPEX Group operations

▶ Sustainability Report https://www.inpex.co.jp/english/csr/pdf/INPEX_SR2021_E_Governance.pdf

We have a Business Continuity Plan (BCP) and response manual in place to maintain stable business operations. Those were developed by incorporating the scenario planning of Tokyo inland earthquake which was formulated by the Cabinet Office's Central Disaster Management Council of the Japanese government. Our policy on business continuity clearly expresses group-wide values prioritizing the maintenance of a stable energy supply while ensuring human safety and environmental preservation. The BCP also stipulates not only the establishment of provisional offices but also how our employees should react in the event of an earthquake on a holiday or at night, and procedures for returning home from the office.

We develop a response manual to prevent the spread of seasonal and novel influenza. We also develop a Business Continuity Plan (BCP) to handle crisis that a pandemic could cause. In response to the pandemic of the novel coronavirus COVID-19, following a state of emergency declared by the Japanese government in April 2020, the aforementioned BCP and response manuals were activated to enable smooth implementation of countermeasures such as working at home.

And, we have endeavored to continue steady operation and ensure stable supply of energy through a range of measures to prevent infection in our crude oil and gas production operations around the world including the INPEX operated Ichthys LNG Project in Australia, the Minami-Nagaoka Gas Field and Naoetsu LNG Terminal in Japan, prioritizing the health and safety of employees.

Response to HSE (Health, Safety and Environment) Risks

▶ Sustainability Report https://www.inpex.co.jp/english/csr/pdf/INPEX_SR2021_E_HSE.pdf

With respect to HSE risks, we implement continuous management of occupational health, safety and environment in our business activities. We identify, analyze, and evaluate risks that lead to major incidents, and the top 10 risks, for each business location based on the Risk Management Procedure established under the HSE Management System. In parallel to formulate and implement risk countermeasures, the situation of risk management is regularly reported to headquarters, and is confirmed being at ALARP (As Low As Reasonably Practicable) levels, and is reported to the Executive Committee each quarter. In addition, reviews are regularly conducted to assure the integrity of facilities during development and operation.

Reduction of Injuries

We place the highest priority in preventing workplace injuries to all personnel working on our projects and engage in managing occupational safety risks through the HSEMS implementation. To drive HSE performance improvement, we monitor LTIF and TRIR indicators to benchmark and move towards achieving the top quartile of IOGP member companies.

Prevention of Major Incidents

To prevent major incidents or disasters as typified by fires, explosions, and large oil spills, we ensure proper due diligence throughout each phase of the project life cycle: exploration, development, production, and abandonment. In order to handle hazardous substances such as flammable liquids, comprehensive Process Safety Management (PSM) is in place, a framework of systems and processes for robust design principles, good engineering, and sound operating and maintenance practices.

Supply Chain Management

▶ Sustainability Report https://www.inpex.co.jp/english/csr/pdf/INPEX_SR2021_E_Compliance.pdf

As a company to manage projects across about 20 countries worldwide, INPEX recognizes its important role for the fair and impartial procurement and supply chain management. Our Details on Ethical Procurement Guideline expressly prohibits impediments to fair and impartial competition, abuse of a dominant bargaining position, and inappropriate granting or receipt of benefits, and requires protection for the confidentiality of suppliers' information and technologies. In addition to those fundamental policy on procurement, INPEX regulates its executives and employees to comply with Code of Conduct and CSR Principles for this purpose of fair and impartial procurement. We also require suppliers to comply with labor and environmental laws and regulations, prevent corruption, and respect the INPEX Group Human Rights Policy. These requirements are built into our standard contracts. We manage continuous suppliers' commitment through regular surveys and monitoring.

Risk Assessment System

We have been implementing supply chain risk assessments through a series of self-assessments for major suppliers. This survey questionnaires enables the Company to monitor the compliance systems of our suppliers and identify risks.

[Main survey items in the monitoring]

- Human rights and labor
- Health and safety
- Fair business practice
- Environment
- Contribution to local communities
- Approach to business partners

Respect for Human Rights

▶ Sustainability Report https://www.inpex.co.jp/english/csr/pdf/INPEX_SR2021_E_Compliance.pdf

INPEX supports international standards such as the International Bill of Human Rights, the International Labor Standards of the International Labor Organization (ILO), the United Nations Guiding Principles on Business and Human Rights, and the principles of the United Nations Global Compact. To demonstrate the stance on respect for human rights and fulfill the responsibilities, INPEX established and announced the INPEX Group Human Rights Policy in May 2017. In accordance with that policy, INPEX takes measures to address the human rights of all stakeholders including the supply chain in each country and region where INPEX conducts business. Our Human Rights Policy prohibits all forced labor and child labor and confirms our respect for freedom of association and protection of the right to organize.

To comply with the United Kingdom Modern Slavery Act 2015, each year since FY2016 INPEX has released a statement on the Company website to disclose the policies, systems, and measures for preventing slave labor and human trafficking within the Company and throughout the supply chain.

Human Rights Due Diligence in Operator Projects

For projects in which we serve as the operator, we have included human rights clauses in the terms and conditions of procurement contract. In particular, for the Ichthys LNG Project in Australia, we have performed human rights due diligence on contractors by including human rights-related questions in the tender document for the selection of new contractors or suppliers.

For projects in which we participate as a non-operator, we have performed questionnaire survey of the operators of each project in 2020 to confirm the status of their human rights initiatives.

Local Communities

▶ Sustainability Report https://www.inpex.co.jp/english/csr/pdf/INPEX_SR2021_E_LocalCommunities.pdf

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

The INPEX Group Human Rights Policy outlines our commitment to recognize and respect the human rights of people, including indigenous peoples, in our host communities. INPEX's commitment to working with Aboriginal and Torres Strait Islander peoples in Australia is set out in and implemented through the INPEX Reconciliation Action Plan.

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

Engagement of local industry and people is essential to our business success. INPEX Australian Industry Participation Policy sets out our strategy to provide full, fair and reasonable opportunities for Australian businesses to participate in INPEX activities.

As a global company, INPEX is committed to contributing to the economic and social development of society through our business and to building sustainable and prosperous communities.

Work Style under COVID-19 Pandemic

▶ Sustainability Report https://www.inpex.co.jp/english/csr/pdf/INPEX_SR2021_E_Employees.pdf

In the face of the growing COVID-19 pandemic which began in early 2020, INPEX considered and implemented policies to protect the health and livelihood of employees and their loved ones, and ensures continuation of critical business operations while raising awareness among employees throughout the world via HSE alerts from the Tokyo HQ Crisis Management Team. For example, the Company regularly notified the revised rules and infection precautions to head office personnel, including modified seating arrangements and restricted use of meeting rooms. Additionally, the Company optimized the IT environment to enable flexible work and implemented online training to improve the skills of employees as they worked remotely. The Company also devised comprehensive infection precautions at both domestic and overseas operation sites, such as shift rotations for essential operating personnel and quarantine treatment plans.

In addition, INPEX is devoting time and effort to create initiatives which assist the management of work, teams and health during the remote work environment. Such initiatives include mental health awareness, seminars for managing teams remotely, and a well-being workshop.

Promoting Health Management

In accordance with the INPEX Group Health Statement formulated in 2018, INPEX is promoting work-life balance and improving the health of its employees to create workplaces where all the employees can work and demonstrate their full potential. The company has been recognized for the 2021 Health & Productivity Stock Selection Program and the White 500 organization in the large enterprise category of the Certified Health & Productivity Management Organization Recognition Program.

Directors, Audit & Supervisory Board Members and Executive Officers (As of March 25, 2021)

Toshiaki Kitamura

Representative Director, Chairman

Term of office as Director: 10 years and 9 months
Number of shares held: 50,900

April 1972	Joined Ministry of International Trade and Industry (currently Ministry of Economy, Trade and Industry)
July 2002	Director-General, Trade and Economic Cooperation Bureau, METI
July 2003	Director-General, 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, INPEX Corporation
June 2010	Representative Director, President & CEO
June 2018	Representative Director, Chairman (incumbent)

Takayuki Ueda

Representative Director, President & CEO (1)

Term of office as Director: 2 years and 9 months
Number of shares held: 17,200

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	Councilor (part-time), INPEX Corporation
August 2017	Senior Executive Vice President
June 2018	Representative Director, President & CEO (incumbent)

Seiya Ito

Director (1)
Senior Executive Vice President

Term of office as Director: 15 years
Number of shares held: 32,300

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

Takahiko Ikeda

Director (1)
Senior Executive Vice President

Term of office as Director: 12 years and 6 months
Number of shares held: 38,200

April 1978	Joined Teikoku Oil Co., Ltd.
March 2005	Director and General Manager, Production, Domestic Headquarters, Teikoku Oil Co., Ltd.
June 2007	Managing Director, President of Domestic Operation Division and General Manager of Niigata District Department
October 2008	Director, Managing Executive Officer, Senior Vice President of Domestic Projects, INPEX Corporation
June 2014	Director, Managing Executive Officer, Senior Vice President of Gas Supply & Infrastructure Division
April 2017	Director, Managing Executive Officer, Senior Vice President of Technical Headquarters
June 2018	Director, Senior Managing Executive Offcer, Senior Vice President of Technical Headquarters and in charge of HSE and Compliance
March 2020	Director, Senior Executive Vice President, Senior Vice President of Technical Headquarters, HSE and Compliance
March 2021	Director, Senior Executive Vice President, Senior Vice President of Technical Headquarters, Hydrogen & CCUS Development Office, HSE and Compliance (incumbent)

Shigeharu Yajima

Director (1)
Senior Managing Executive Officer

Term of office as Director: 1 year and 9 months
Number of shares held: 18,600

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
June 2010	Executive Officer, Vice President of Oil & Gas Business Division No. 1, General Manager of Gas Business Unit
June 2014	Managing Executive Officer, Senior Vice President of Oil & Gas Business Division No.1
April 2017	Managing Executive Officer, Senior Vice President of Global Energy Marketing
June 2019	Director, Senior Managing Executive Officer, Senior Vice President, Global Energy Marketing (incumbent)

Kimihisa Kittaka

Director (1)
Senior Managing Executive Officer

Term of office as Director: 4 years and 9 months
Number of shares held: 15,900

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 INPEX Corporation
June 2012	Executive Officer, Vice President of Corporate Strategy & Planning Division, General Manager of Corporate Strategy & Planning Unit, and Corporate Communication Unit
June 2016	Director, Managing Executive Officer, Senior Vice President, Corporate Strategy & Planning
June 2019	Director, Managing Executive Officer, Senior Vice President, Corporate Strategy & Planning, Legal Affairs
January 2021	Director, Senior Managing Executive Officer, Senior Vice President, Corporate Strategy & Planning, Legal Affairs (incumbent)

Nobuharu Sase

Director (1)
Managing Executive Officer

Term of office as Director: 4 years and 9 months
Number of shares held: 38,300

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

Daisuke Yamada

Director (1)
Managing Executive Officer

Term of office as Director: 1 year
Number of shares held: 5,100

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

Jun Yanai

Director (Outside) (2) (4)

Term of office as Director: 4 years and 9 months
Number of shares held: —

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

Norinao Iio

Director (Outside) (2) (4)

Term of office as Director: 3 years and 9 months
Number of shares held: —

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), INPEX Corporation (incumbent)

Atsuko Nishimura

Director (Outside) (2) (4)

Term of office as Director: 3 years and 9 months
Number of shares held: —

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), INPEX Corporation (incumbent)

(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

Yasushi Kimura

Director (Outside) (2) (4)

Term of office as Director: 1 year and 9 months
Number of shares held: —

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, 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	Senior Executive Adviser, JXTG Holdings, Inc.
June 2019	Director (Outside), INPEX Corporation (incumbent)
June 2019	Senior Corporate Advisor, JXTG Holdings, Inc.
June 2020	Senior Corporate Advisor, ENEOS Holdings, Inc. (incumbent)

Kiyoshi Ogino

Director (Outside) (2) (4)

Term of office as Director: 1 year and 9 months
Number of shares held: —

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), INPEX Corporation (incumbent)

Tomoo Nishikawa

Director (Outside) (2) (4)

Term of office as Director: 1 year
Number of shares held: —

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

Noboru Himata

Audit & Supervisory Board Member

Term of office as Full-time Audit & Supervisory Board Member: 1 year and 9 months
Number of shares held: 18,300

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, INPEX Corporation
October 2008	Executive Officer, Vice President of Finance & Accounting, General Manager of Finance Unit
June 2018	Managing Executive Officer, Vice President, Finance & Accounting, General Manager of Finance Unit
June 2019	Audit & Supervisory Board Member (full-time) (incumbent)

Hideyuki Toyama

Audit & Supervisory Board Member (Outside) (3) (4)

Term of office as Full-time Audit & Supervisory Board Member: 5 years and 9 months
Number of shares held: —

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, 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) (Outside), INPEX Corporation (incumbent)

Shinya Miyake

(Shinya Inoue)
Audit & Supervisory Board Member (Outside) (3) (4)

Term of office as Full-time Audit & Supervisory Board Member: 1 year and 9 months
Number of shares held: —

April 1987	Joined Export-Import Bank of Japan (currently Japan Bank for International Cooperation)
October 2012	Senior Advisor for Global Environmental Affairs, Corporate Group, 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, 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, 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, Japan Bank for International Cooperation (stationed in New York)
June 2019	Audit & Supervisory Board Member (full-time) (Outside), INPEX Corporation (incumbent)

Mitsuru Akiyoshi

Audit & Supervisory Board Member (Outside) (3) (4)

Term of office as Audit & Supervisory Board Member: 1 year and 9 months
Number of shares held: —

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

Hiroko Kiba

(Hiroko Yoda)
Audit & Supervisory Board Member (Outside) (3) (4)

Term of office as Audit & Supervisory Board Member: 1 year and 9 months
Number of shares held: —

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

Executive Officers (32 individuals)

President & CEO	Takayuki Ueda	
Senior Executive Vice President	Seiya Ito	Senior Vice President, Oceania Projects Head of Overseas Projects
	Takahiko Ikeda	Senior Vice President, Technical Headquarters Hydrogen & CCUS Development Office HSE and Compliance
Senior Managing Executive Officer	Shigeharu Yajima	Senior Vice President, Global Energy Marketing
	Kimihisa Kittaka	Senior Vice President, Corporate Strategy & Planning, Legal Affairs
	Kenji Kawano	Senior Vice President, Asia Projects
Managing Executive Officer	Nobuharu Sase	Senior Vice President, General Administration
	Daisuke Yamada	Senior Vice President, Finance & Accounting
	Hiroshi Fujii	Senior Vice President, Abu Dhabi Projects
	Kimiya Hirayama	Senior Vice President, Domestic Exploration & Production General Manager, Drilling Unit Domestic Exploration & Production Division
	Takashi Kubo	Senior Vice President, Logistics & IMT
	Atsushi Sakamoto	Strategic Projects Office General Manager, Strategic Projects Office
	Yoshiro Ishii	Senior Vice President, Renewable Energy & New Business Hydrogen & CCUS Development Office (Deputy)
	Toshiaki Takimoto	Senior Vice President, New Ventures & Global Exploration
	Nobusuke Shimada	Senior Vice President, Americas Projects
	Hitoshi Okawa	Vice President, Oceania Projects General Manager, Perth Office President Director, Australia
	Kazuyoshi Miura	Senior Vice President, Domestic Energy Supply & Marketing
	Yuzo Sengoku	Senior Vice President, Eurasia, Middle East & Africa Projects
Executive Officer	Hideki Kurimura	Vice President, Asia Projects Vice President, Technical Headquarters
	Yosuke Happo	Vice President, Logistics & IMT
	Koichi Ogino	Vice President, Domestic Energy Supply & Marketing General Manager, Gas Supplying Unit Domestic Energy Supply & Marketing Division
	Akihiro Watanabe	Vice President, Asia Projects General Manager, Jakarta Office President Director Indonesia
	Mitsuo Tamura	Vice President, Abu Dhabi Projects General Manager, Planning & Coordination Unit Abu Dhabi Projects Division
	Munehiro Hosono	Vice President, Corporate Strategy & Planning General Manager, Corporate Communications Unit Corporate Strategy & Planning Division
	Akio Kawamura	Vice President, Finance & Accounting General Manager, Accounting Unit 1 Finance & Accounting Division
	Yukiyo Ikeda	Vice President, Corporate Strategy & Planning
	Hiroshi Kato	Vice President, Global Energy Marketing General Manager, Oil Marketing Unit Global Energy Marketing Division
	Shinichi Takada	Vice President, Oceania Projects Vice President Ichthys Phase 2
	Hiromi Sugiyama	Vice President, Domestic Exploration & Production General Manager, Exploration & Exploitation Unit Domestic Exploration & Production Division
	Shoichi Kaganoi	General Manager, Hydrogen & CCUS Development Office
	Tetsuhiro Murayama	Vice President, Oceania Projects Deputy General Manager, Perth Office Senior Vice President Corporate
	Wataru Nojiri	General Manager, HSE Unit

Outside Director and Outside Audit & Supervisory Board Member Roundtable Discussion

Yasushi Kimura
Director (Outside)

Hiroko Kiba
Audit & Supervisory Board Member (Outside)

Norinao Iio
Director (Outside)

INPEX has evaluated the effectiveness of its Board of Directors on an ongoing basis since 2015, working to enhance the Board's performance by responding to the issues identified in the process. In January 2021, INPEX announced proactive initiatives aimed at the realization of the Company's Business Development Strategy - Towards a Net Zero Carbon Society by 2050. Based on these developments, we held a roundtable discussion on topics including the characteristics and challenges of INPEX's governance, as well as the Business Development Strategy and other matters.

The roundtable discussion was moderated by Nobuharu Sase, Director, Managing Executive Officer and Senior Vice President, General Administration.

Topic No. 1: Future Challenges Regarding the Effectiveness of the INPEX Board of Directors

—— Mr. Norinao Iio and Mr. Yasushi Kimura have served as Outside Directors of INPEX for four and two years, respectively. Ms. Hiroko Kiba has served as an Outside Audit & Supervisory Board Member of INPEX for two years. What are your impressions of INPEX's Board of Directors?

Norinao Iio: INPEX's Board of Directors consists of eight Directors and six Outside Directors. Four out of five Outside Audit & Supervisory Board Members are outside members, so, as I see it, there is a good balance between internal and outside members. I feel that ensuring diversity in this way makes it possible to engage in dialogue incorporating a wide range of perspectives.

Yasushi Kimura: In terms of the planning and execution of board meetings, it is evident that both the Chair and the secretariat work hard to ensure the smooth flow of discussion and maintain the right atmosphere. This enables board members to offer views based on their own individual perspectives and experiences, which leads to constructive dialogue.

Hiroko Kiba: I feel that INPEX board members are able to freely express their views from their own individual perspectives, which allows for open and frank exchanges overall. There are times when discussions become heated and extend beyond the scheduled time.

INPEX also deserves praise for being very receptive to the views and requests of Outside Directors and Outside Audit & Supervisory Board Members and responding quickly.

—— Are there any issues that need to be addressed in order to further enhance the effectiveness of the Board of Directors, and is there anything in particular that you yourself have noticed?

Norinao Iio: The role of Outside Directors and Outside Audit & Supervisory Board Members is to adequately address and discuss the company's broad strategies, and then entrust matters of implementation to the company's executives. As I see it, Outside Directors should not be too involved in executive matters.

Having said that, Outside Directors and Outside Audit & Supervisory Board Members rely on information provided by the executives to make informed judgements. Particularly in a negative turn of events, information needs to be provided in a timely manner.

All the Directors and Audit & Supervisory Board Members, regardless of internal or outside, want the company to do well, so I believe it is important to continue fostering a solid relationship based on mutual trust.

Yasushi Kimura: I am strongly aware of the division of responsibility between Outside Directors and executives.

Another point is that taking risks is a core aspect of business management. To make up for the (inevitable) difference in the quantity and quality of information available to them, Outside Directors and Outside Audit & Supervisory Board Members must be firm with their questioning and encourage executives to take risks when necessary. It is important to have the right balance between mutual respect and detachment in the relationship between internal and outside members. Rather than being polarized in their approach to issues, they should remember that they are all working together to create a better company.

Hiroko Kiba: As part of my auditing responsibilities, I meet with Directors to discuss the Company's business operations. I have found that these meetings are very useful to further my understanding of INPEX. When the Company's website was updated, we asked the Company to share information as quickly as possible. The Company responded very promptly. I believe Outside Directors and Outside Audit & Supervisory Board Members must strive to deepen their understanding of the Company.

—— Mr. Iio has been an Outside Director at INPEX for longer than others. Have you noticed any changes over this four-year period?

Norinao Iio: I have definitely noticed an improvement in terms of the diversity of the Board over the last four years, and I feel that this has given the Board's discussions greater depth. I also feel that Audit & Supervisory Board Members have come to address the Board more frequently. On the whole, Board discussions have become more compelling.

—— Mr. Kimura, is there anything that you have noticed, based on your experience as an energy company executive and as an Outside Director and Chairman of the Board of another listed company?

Yasushi Kimura: Every Board of Directors carries the legacy of the company in question, so one cannot compare and rank the merits of companies in this regard. From this perspective, I view INPEX as being a sound company with a long history. INPEX has numerous positive attributes and should stand confident.

Over the past year or two, the COVID-19 pandemic has caused restrictions on social events and gatherings. Formal settings such as meetings of the Board of Directors are of course the main channel of communication, but other forms of communication can help to strengthen mutual understanding, and I hope that such opportunities will be actively pursued once the pandemic is brought under control.

—— Prior to the spread of COVID-19, the Company did organize events such as tours of INPEX production facilities for new Outside Directors and Outside Audit & Supervisory Board Members. I am sure that events of this type, including social events, will be held again once the pandemic subsides.

Topic No. 2: Business Development Strategy - Towards a Net Zero Carbon Society by 2050

—— Please share your views on INPEX's Business Development Strategy - Towards a Net Zero Carbon Society by 2050, which was announced in late January 2021.

Norinao Iio: Looking at social trends, I feel that the challenges surrounding ESG are becoming increasingly significant, and this applies to INPEX too. As such, it is ever more important for Outside Directors and Outside Audit & Supervisory Board Members, who possess diverse and specialized knowledge and expertise, to offer counsel on how the company can restructure its business portfolio and develop new business areas.

Looking 20~30 years ahead, INPEX cannot afford to be burdened with stranded assets. In this regard, now is a very important time. More specifically, with production at the Ichthys LNG Project proceeding smoothly, development of the Abadi LNG Project also going well and an overall shift to gas underway, this is the right time to take proactive measures to develop carbon-neutral LNG through Carbon dioxide Capture, Utilization and Storage (CCUS) and other means. From this standpoint, it would seem sensible to actively promote new business development in line with INPEX's strategy for the future.

Yasushi Kimura: Over the past century, humanity has enjoyed prosperity and well-being from (the exploitation of) petroleum, but the negative aspects of fossil fuels, such as the volume of CO_2 emissions, have now come to light. It is undisputed that people will continue using energy in the future, and therefore the negative aspects must be addressed. We are entering a new era of competition, in which we need to consider who will be providing carbon-neutral energy and what it will be used for. Ultimately, energy choices will be made not by energy suppliers but by consumers. INPEX will need to offer a variety of energy supply options and see which are accepted by consumers and the wider public. At the current stage, it is vital to expand into various new business areas. Rather than being too focused on one particular area, it is important to adopt a framework that allows the Company to do various different things.

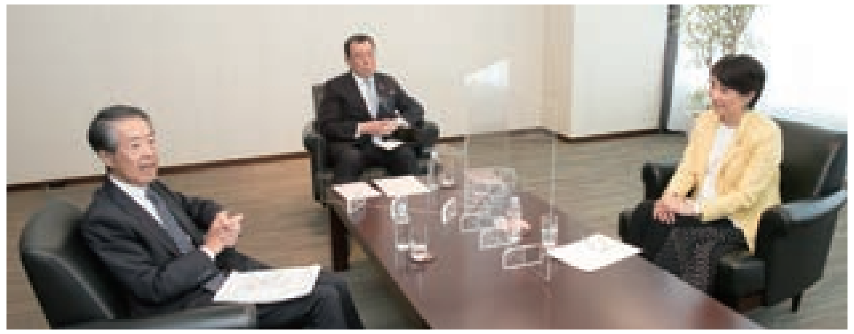
Hiroko Kiba: I have been involved in work relating to the energy sector for nearly 20 years. Reporting on energy infrastructure facilities has been a major part of my career, and I have likely donned a safety helmet on more occasions than any other female reporter in Japan.

What makes INPEX so appealing is that this is a company that has been entrusted with an important social mission. For example, INPEX helps enhance Japan's energy security by improving the country's independent development ratio (of oil and natural gas). It is clear that INPEX, which has for many years run its own production sites and executed sound management, is now entering an important transitional period in which it will have to consider how it needs to change.

On this point, I have shared my views on several occasions during Board meetings. I feel that in changing its Japanese corporate name to INPEX, the Company has made a timely and appropriate decision. When seeking to move forward, it is very important to clarify what needs to change and what does not. In terms of change, I hope the Company will commit to implementing measures that enable young people to work at INPEX with foresight and enthusiasm.

—— From your perspective, Ms. Kiba, would you say there are some areas where the Company has not done enough or needs to do more to enhance its social standing and promote itself externally?

Hiroko Kiba: Firstly, with regard to talent recruitment, I believe that it is very important to spread awareness of what makes INPEX such a special company. I recognize that INPEX does not engage in a whole lot of PR activities targeting the general public, as a company mainly involved in business-to-business (B2B) transactions. Nevertheless, INPEX still needs to secure outstanding human resources. Taking into account the new business areas that the Company will be moving into, there is a real need to communicate the potential of INPEX's businesses. I have the impression that INPEX's public relations are somewhat conservative. One readily accessible tool for remedying this situation would be to make effective use of the Company's website to spread awareness of what makes INPEX special. I believe the Company needs to pay more attention to implementing PR that connects with external stakeholders.



Topic No. 3: INPEX's Response to COVID-19

—— I would like to hear how you all feel about the measures that INPEX has taken in response to the COVID-19 epidemic.

Norinao Iio: I feel that some INPEX employees may be feeling some anxiety about the major changes that are taking place with the pandemic and the Company's strategy of developing new business areas as the world is turning away from fossil fuels.

It is precisely during times like these that senior management needs to passionately communicate the company's philosophy to employees. Familiarizing all employees with the company's goals and objectives can be a key factor in helping a company overcome challenging times.

Yasushi Kimura: All companies have been affected by COVID-19 to at least some extent. INPEX has mounted various strategies and countermeasures, including adjusting operational systems both in Japan and around the world. Overall, one can say INPEX has responded very well.

I feel that, in a crisis, it is important for a company to go back to its roots, and for top management to take the lead in spreading awareness among internal and external stakeholders on where the company stands.

Hiroko Kiba: The spread of COVID-19 has led to changes in working arrangements and the emotional and psychological well-being of employees is a point of concern. I believe that it is becoming increasingly important for senior management to disseminate messages that convey their vision, approach and concern for the well-being of employees.

—— Thank you all very much for providing us with your valuable insights and opinions today. Keeping in mind the points that you have raised, we will be striving to further enhance the effectiveness of the Board of Directors, while making every effort to implement measures to help us realize our Business Development Strategy - Towards a Net Zero Carbon Society by 2050.

Corporate Governance (As of March 25, 2021)

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

Overview of the Corporate Governance Structure

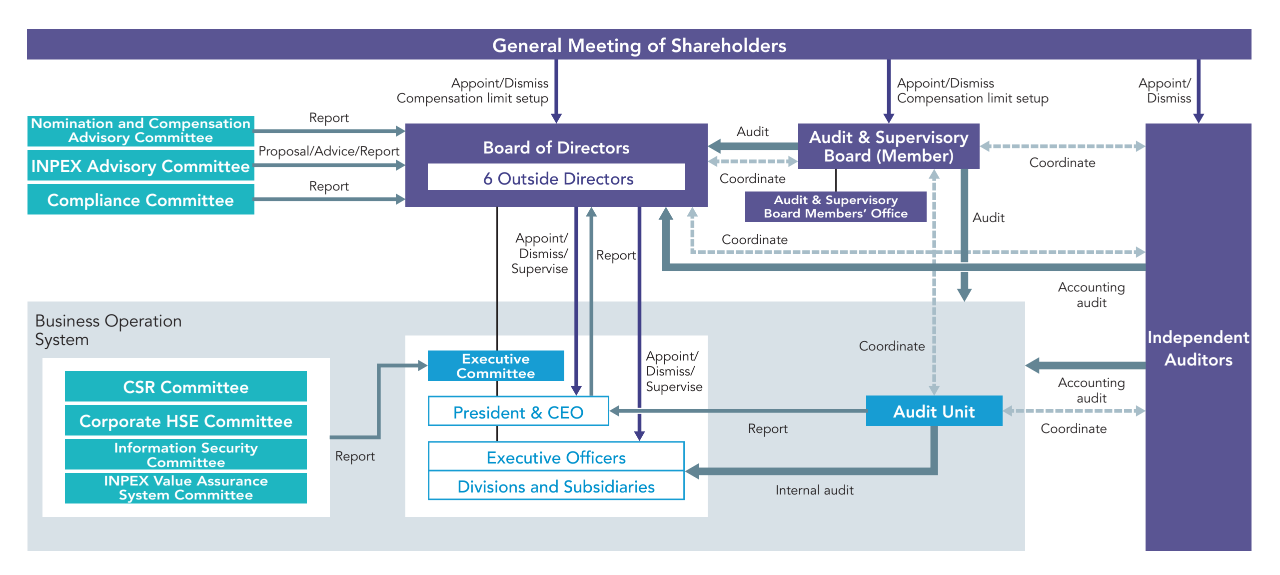
INPEX has adopted an Audit & Supervisory Board Member organizational structure, under which Audit & Supervisory Board members audit the execution of operations, which are in turn carried out by directors well versed in their field. In addition, the Company has introduced an Executive Officer System to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

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

Overview of the Corporate Governance Structure

Organizational structure	Company with Audit & Supervisory Board Members
Directors	Number of directors as stipulated by the Articles of Incorporation............ up to 16 Number of directors (number of outside directors)............... 14 (6) Term of office .... 1 year
Audit & Supervisory Board members	Number of Audit & Supervisory Board members as stipulated by the Articles of Incorporation .... up to 5 Number of Audit & Supervisory Board members (number of outside Audit & Supervisory Board members) .... 5 (4) Term of office .... 4 years
Number of independent directors and auditors	10 (6 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



Directors and the Board of Directors

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

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

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.

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. 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

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.

Director Compensation

With the aim of strengthening the functional independence and objectivity as well as accountability of the Board of Directors in connection with compensation paid to directors, the Board of Directors specifies a policy for determining the amount and computation method of compensation paid to directors and Audit & Supervisory Board members, following a report from 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. Compensation for outside directors is limited to basic compensation only. Basic compensation is paid based on the duties of each Director and the bonus shall be paid based on the Company's performance from a medium- to long-term perspective and other factors. As to the stock-based compensation, the Company's shares, etc. will be delivered based on the position, etc. of each Director, with the aim of raising the awareness of Directors towards increasing the enterprise value of the Company and further increase their willingness to contribute to maximizing shareholder value, by making clear the linkage between the remuneration of Directors and the Company's medium- to long-term stock price. Based on a resolution passed in June 2018 at the 12th Ordinary General Meeting of Shareholders, a stock-based remuneration system has been introduced for directors and executive officers. The Board of Directors decide on compensation for directors within the limits and terms approved at the general meeting of shareholders following a report from the Nomination and Compensation Advisory Committee. For details on the decision policy regarding the content of individual compensation for directors, please refer to the Corporate Governance Report (pages 9 and 10). 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.

Targets and Results of Indices Relating to Performance-Based Compensation in FY2020

Targets	Results
The forecasts announced by the Company for key indices relating to performance-based compensation in FY2020 were a net income attributable to owners of parent of ¥145 billion and a net production volume of 608 thousand barrels of oil equivalent (BOE) per day.	Results with regard to key indices relating to performance-based compensation in FY2020 are as follows: ● Key management index Net loss attributable to owners of parent **¥(111,699) million** ● Key results of business operations Net production volume (BOE) **573 thousand barrels per day**

Compensation for Directors and Audit & Supervisory Board Members in FY2020

Classification	Total amount of compensation paid (millions of yen)	Total compensation by type (millions of yen)			Number of eligible directors and Audit & Supervisory Board members (persons)
		Basic compensation	Bonus	Stock-based remuneration	
Directors (excluding outside directors)	447	381	54	11	9
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	31	31	–	–	1
Outside directors and outside Audit & Supervisory Board members	156	156	–	–	10

Notes: 1. The number of directors and Audit & Supervisory Board members presented in the table above includes one director who retired at the conclusion of the Company's 14th Ordinary General Meeting of Shareholders held on March 25, 2020.
2. The Company does not uphold an accrued retirement benefits plan.
3. The maximum monthly basic compensation for directors was resolved to be within ¥47 million (including monthly compensation for outside directors of within ¥6 million) at the 11th Ordinary General Meeting of Shareholders held on June 27, 2017. The number of directors immediately after the conclusion of the 15th Ordinary General Meeting of Shareholders held on March 25, 2021 is fourteen (including six outside directors).
4. The maximum monthly basic compensation for Audit & Supervisory Board members was resolved to be within ¥10 million at the 13th Ordinary General Meeting of Shareholders held on June 25, 2019. The number of Audit & Supervisory Board members immediately after the conclusion of the 15th Ordinary General Meeting of Shareholders held on March 25, 2021 is five.
5. The amount of bonus is the amount based on the resolution made at the 15th Ordinary General Meeting of Shareholders held on March 25, 2021 to pay a total amount of ¥54 million to eight directors in office at the end of the business year under review, excluding outside directors.
6. At the 12th Ordinary General Meeting of Shareholders held on June 26, 2018, the Company resolved to introduce a stock-based remuneration system for directors (excluding outside directors and non-residents of Japan) and executive officers (the BIP Trust). The number of directors (excluding outside directors and non-residents of Japan) immediately after the conclusion of the 15th Ordinary General Meeting of Shareholders held on March 25, 2021 is eight. The amount of the stock-based remuneration presented in the table above represents the fees incurred regarding the stock-based points granted during the business year under review concerning the BIP Trust for directors.

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.

(1) Status of accounting audit

Name of CPA firm	Ernst & Young ShinNihon LLC
Cumulative accounting audit period	45 years
Name of CPAs conducting accounting audit	Hiroaki Kosugi Satoshi Takagi Takeshi Yoshida
Accounting audit members	26 CPAs, 8 persons who passed an accounting exam, etc., and 22 others

(2) Compensation paid to the CPAs

Compensation for auditing services	¥302 million INPEX: ¥228 million; Consolidated subsidiaries: ¥73 million
Compensation for non-auditing services	¥27 million INPEX: ¥14 million; Consolidated subsidiaries: ¥12 million

(3) Compensation paid to the network firm (excluding (2))

Compensation for auditing services	¥125 million INPEX: —; Consolidated subsidiaries: ¥125 million
Compensation for non-auditing services	¥125 million INPEX: ¥13 million; Consolidated subsidiaries: ¥111 million

Evaluation of the Effectiveness of the Board of Directors

With the aims of regularly verifying that the Board of Directors is functioning appropriately and identifying issues to be resolved for continuous improvement, the Company undertakes an evaluation of the effectiveness of the Board of Directors (the "Board Evaluation") each year, and discloses a summary of the evaluation results. Based on this policy, the sixth evaluation was conducted in FY2020. The evaluation method and summary of the results are as follows. Based on these evaluation results, the Company will continue to strive to improve the effectiveness of the Board of Directors.

Evaluation method	Summary of evaluation results
An interim review of the issues identified in the Board Evaluation for the previous fiscal year was undertaken at the meeting with outside directors and Audit & Supervisory Board members held in August 2020. The specific implementation method for this fiscal year's Board Evaluation was also discussed, including the appointment of a third-party evaluation organization. As a result, it was decided to appoint a major external law firm as a third-party evaluation organization to confirm the appropriateness of the survey content and composition, the method of consolidation and analysis by the Board of Directors office, and proposals for improvement. Subsequently, this fiscal year's implementation policy and evaluation items were deliberated at the meeting of the Board of Directors held in November, including the content and composition of the survey prepared by the Board of Directors office based on review by the third-party evaluation organization. The evaluation items included the self-evaluation of each director and Audit & Supervisory Board member, the composition, operations, roles and responsibilities of the Board of Directors and operations of the Nomination and Compensation Advisory Committee, as well as the status of improvement of issues identified in the previous evaluation. An anonymous survey (online) of all directors and Audit & Supervisory Board members was conducted in December. In order to obtain more specific views and opinions from them, they were encouraged to comment on many of the questions. Subsequently, results of the survey were consolidated and analyzed by the Board of Directors secretariat. After receiving confirmation and indications regarding the appropriateness of the method of consolidation and analysis and the draft improvement proposals from the third-party evaluation organization, the results of the consolidation and analysis as well as issues and initiatives for the future were discussed at a meeting among the outside directors, Audit & Supervisory Board members and the representative director in January 2021. Based on this discussion, the following evaluation results were confirmed at the Board of Directors meeting held in February 2021.	❶ It was concluded that the overall effectiveness of the board is sufficient, as in the previous fiscal year. ❷ In particular, ongoing initiatives to secure time for substantial deliberation were positively evaluated, such as enhanced briefings provided to part-time officers prior to Board of Directors meetings, and the prior indication of the timeframes for deliberation. In addition, a discussion on agenda items specifically focused on themes that require discussion from a medium- to long-term perspective, a lecture and discussion on climate change by an external expert for the Board of Directors, and meetings held online in response to the COVID-19 pandemic all received positive evaluations, and their continuation was requested. ❸ The following challenges were established, as issues requiring ongoing, short- or medium-term initiatives, in order to further enhance the effectiveness of the Board of Directors. • Further enhance discussions regarding strategies based on changes in the business environment • Further revitalize discussions at Board of Directors meetings • Hold deeper discussions regarding the desired state of the Board of Directors • Secure opportunities for discussion on the desired state of governance in the Group The third-party evaluation organization has concluded that the Board of Directors secretariat has appropriately consolidated and analyzed the results of the evaluation, and that the challenges presented above, drawn from these results and analysis, have been suitably established.

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

Outside Directors

Regarding the appointment of outside directors, we believe that it is important to comprehensively consider a variety of factors. These factors include the validity of business decisions and consideration of their efficacy, professionalism and objectiveness in the oversight function in addition to the perspective of independence. As corporate managers, academics or other specialists, our company's six outside directors posses broad knowledge and many years of experience as managers in such fields as resource/energy industry, finance and legal matters. Three of the outside directors also concurrently serve as advisors to Japan Petroleum Exploration Co., Ltd., ENEOS Holdings, Inc. and Mitsubishi Corporation, respectively, all of which are shareholders (hereinafter referred to as "company shareholders") of the company. As INPEX and all the company shareholders are engaged in business activities in the same fields, there is a possibility of conflicts of interest arising. Accordingly, the company recognizes the necessity to pay particular attention to corporate governance. INPEX considers it important for all its directors including outside directors to carry out their management duties while maintaining a high level of awareness at all times on matters including the obligation to prohibit competition under the Companies Act, the appropriate handling of transactions with conflicts of interest and the prevention of information leakage, etc. The company has therefore obtained pledges confirming these points from all directors including the three outside directors referred above.

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, legal affairs and management, which they use when performing auditing activities for the Company.

Independence of Outside Directors and Outside Audit & Supervisory Board Members

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

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.

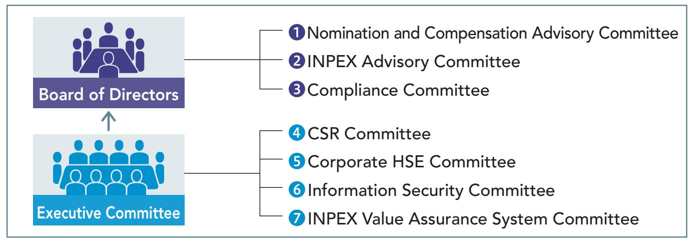
Outside Directors / Outside Audit & Supervisory Board Members: Concurrently Held Positions and Reason for Appointment

	Name	Independent director/auditor	Officer positions held at other organizations	Reason for appointment	Attendance at board meetings for the fiscal year ended December 31, 2020
Outside directors	Jun Yanai	✓	Advisor of Mitsubishi Corporation Outside Director, Kintetsu World Express, Inc.	To utilize his rich experience and broad knowledge in the resources/energy industry in our company's management.	Board of Directors meetings 14/14
Outside directors	Norinao Iio	✓	–	To utilize his rich experience and broad knowledge in the resources/energy industry in our company's management.	Board of Directors meetings 14/14
Outside directors	Atsuko Nishimura	✓	Outside Director, TAISEI CORPORATION	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 14/14
Outside directors	Yasushi Kimura	✓	Senior Corporate Advisor, ENEOS Holdings, Inc. Outside Director, Nissan Motor Co., Ltd.	To utilize his rich experience and broad knowledge as a manager in the resources/energy industry in our company's management.	Board of Directors meetings 14/14
Outside directors	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.	Board of Directors meetings 14/14
Outside directors	Tomoo Nishikawa	✓	–	To utilize his abundance of knowledge in corporate management based on his expertise in corporate legal affairs cultivated through his extensive experience as a lawyer, as well as wide-ranging insight drawn from his legal knowledge particularly in the field of international transactions.	Board of Directors meetings 11/11*
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 14/14 Audit & Supervisory Board meetings 14/14
Outside Audit & Supervisory Board members	Shinya Miyake	✓	–	Possesses abundant experience and wide-ranging knowledge in fields such as international finance and financial affairs.	Board of Directors meetings 14/14 Audit & Supervisory Board meetings 14/14
Outside Audit & Supervisory Board members	Mitsuru Akiyoshi	✓	President and CEO, Mizuho Marubeni Leasing Corporation Outside Director, Concordia Financial Group, Ltd.	Possesses abundant experience and wide-ranging knowledge in fields such as financial affairs and management.	Board of Directors meetings 14/14 Audit & Supervisory Board meetings 14/14
Outside Audit & Supervisory Board members	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 variety of diverse topics.	Board of Directors meetings 14/14 Audit & Supervisory Board meetings 14/14

* Attendance of director Tomoo Nishikawa represents attendance after his taking office on March 25, 2020.

Internal Committees

To further enhance the efficacy of the corporate governance function, INPEX has set up ❶ the Nomination and Compensation Advisory Committee, ❷ the INPEX 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

Number of meetings held in FY2020: 5

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 INPEX Advisory Committee

Number of meetings held in FY2020: 2

The INPEX 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

Number of meetings held in FY2020: 9

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

Number of meetings held in FY2020: 3

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

Number of meetings held in FY2020: 8

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

❻ Information Security Committee

Number of meetings held in FY2020: 2

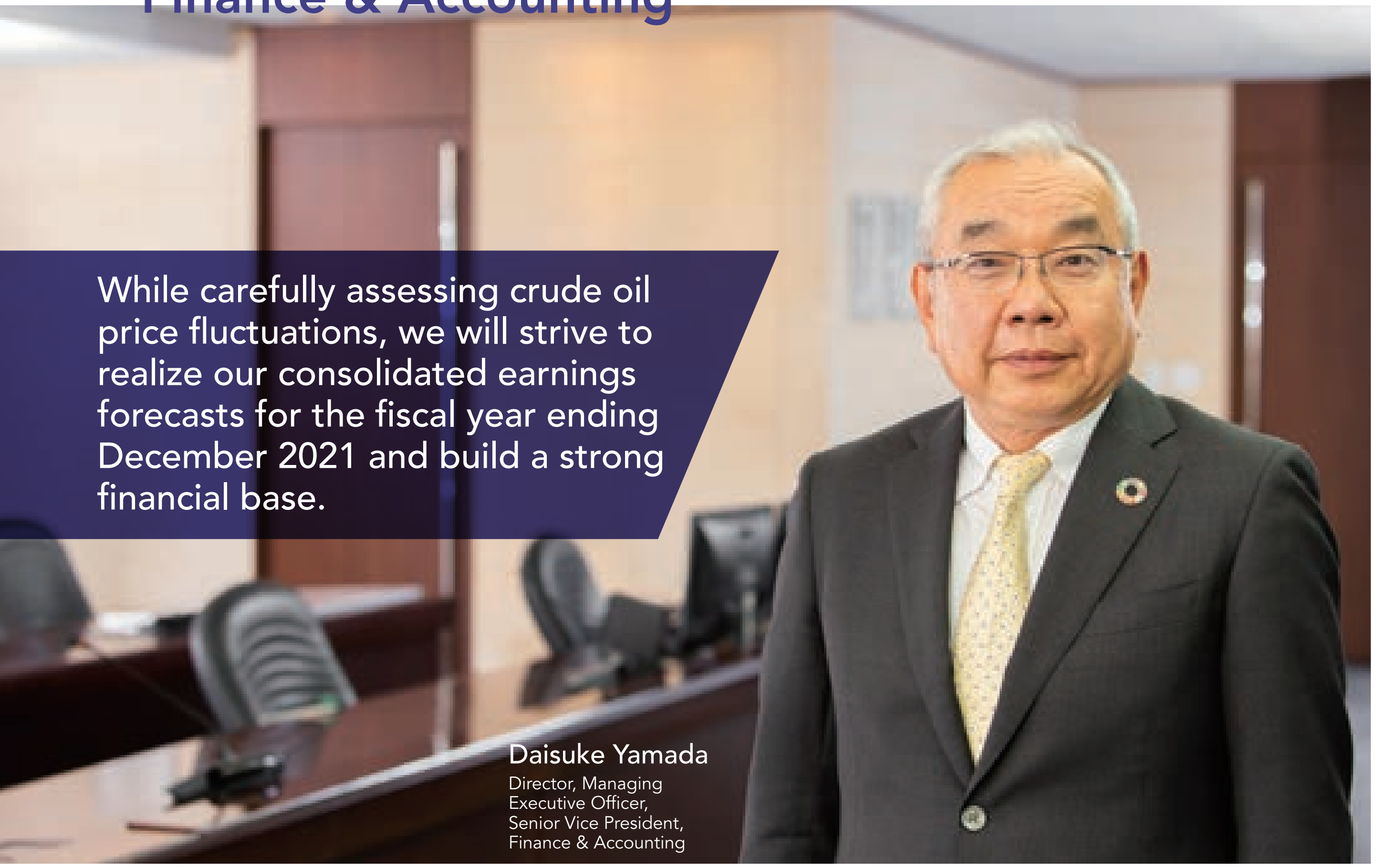
The Information Security Committee was established in November 2007 to consider and determine all appropriate measures necessary to maintain, manage and strengthen information security. The committee also takes steps to address any incident relating to information security and to put in place preventive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

❼ INPEX Value Assurance System Committee

Number of meetings held in FY2020: 6

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.

Message from the Senior Vice President, Finance & Accounting



While carefully assessing crude oil price fluctuations, we will strive to realize our consolidated earnings forecasts for the fiscal year ending December 2021 and build a strong financial base.

Daisuke Yamada
Director, Managing Executive Officer, Senior Vice President, Finance & Accounting

Overview of the fiscal year ended December 31, 2020

In the fiscal year ended December 31, 2020, the average Brent crude oil price, a benchmark index for the Group, fell by 32.7% compared with the previous fiscal year to US$43.2 due to the impact of the COVID-19 pandemic and the resulting decline in energy demand. Given these impacts, the Group's performance for the fiscal year under review consisted of net sales of ¥771.0 billion, down 34.2% year on year, an operating income of ¥248.4 billion, down 55.6%, and a ordinary income of ¥257.3 billion, down 56.0%. In addition, due to the recording of an impairment loss of ¥189.9 billion as a result of the deterioration of the business environment associated with the fall in crude oil prices, we recorded a net loss attributable to owners of parent of ¥111.6 billion in the current fiscal year, down from ¥167.3 billion in income for the same period of the previous fiscal year, marking the first time we ended in the red since our integration in 2008. Net income attributable to owners of parent, excluding the effects of one-off losses such as impairment losses, was ¥54.6 billion.

Financial position as of December 31, 2020

Regarding the status of our financing, rating agencies have assessed our liquidity level as "high," and we have been able to secure the necessary funds even amid a low oil price environment. Total assets as of December 31, 2020 decreased by ¥215.4 billion from December 31, 2019 to ¥4,634.5 billion, primarily due to the recording of an impairment loss on fixed assets. Total assets for off-balance sheet Ichthys downstream IJV were ¥3,601.4 billion.

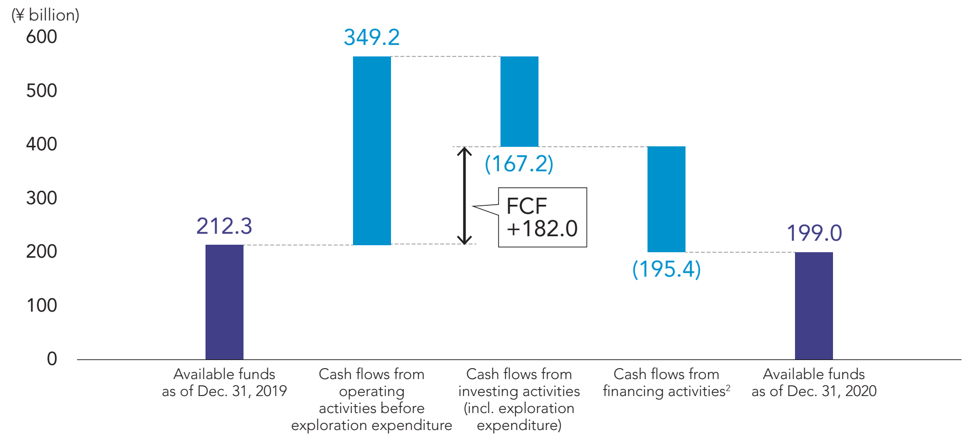
Total liabilities as of December 31, 2020 increased by ¥80.3 billion from December 31, 2019 to ¥1,633.1 billion, mainly due to an increase in borrowings. Net assets as of December 31, 2020 decreased by ¥295.8 billion from December 31, 2019 to ¥3,001.3 billion, mainly due to a decrease in shareholders' equity as a result of recording losses and a decrease in accumulated other comprehensive income. As of December 31, 2020, our net borrowings, including those for Ichthys downstream operating companies, decreased by approximately ¥200.0 billion from December 31, 2019 to approximately ¥2,100.0 billion.

Note: Figures on page 52 and 53 are rounded down.

Cash flows for the fiscal year ended December 31, 2020

Regarding cash flows for the fiscal year ended December 31, 2020, including those of Ichthys downstream IJV, while net cash provided by operating activities before exploration expenditure[1] was impacted by a significant decline in oil prices, we secured ¥349.2 billion due to smooth production operations at Ichthys. Net cash used in investing activities[1] was ¥167.2 billion as a result of promoting cost reductions and optimizations amid a low oil price environment. We were therefore able to secure a free cash flow[1] of ¥182.0 billion in the fiscal year ended December 31, 2020. In addition, net cash used in financing activities was ¥195.4 billion due to repayments of borrowings and other factors.

Cash flows for the fiscal year ended December 31, 2020[1]



1. Differs from cash flow based on institutional accounting practices due to the inclusion of the Ichthys downstream IJV, an equity-method affiliate.
2. Including translation adjustments related to available funds

Consolidated financial forecast for the fiscal year ending December 2021
(as of May 13, 2021)

Assuming a crude oil price average of 60.30 US dollars per barrel and an exchange rate average of 107.5 Japanese yen against the US dollar for the full year, we expect to generate net sales of 1,055 billion yen and a net income attributable to owners of parent of 140 billion yen, as outlined in our consolidated financial forecast for the fiscal year ending December 2021.

Regarding the cash flow situation for fiscal year 2021 including the Ichthys downstream IJV, cash flow from operations before exploration investment is expected to be approximately 525 billion yen, and cash flow from investment is expected to be approximately 250 billion yen. Free cash flow is expected to be approximately 275 billion yen.

Consolidated financial forecast for the fiscal year ending December 2021

	FY 2020/12 Results	FY 2021/12 Outlook
Net sales (JPY)	771.0 billion	1,055.0 billion
Operating income (JPY)	248.4 billion	452.0 billion
Ordinary income (JPY)	257.3 billion	483.0 billion
Net income (loss) attributable to owners of parent (JPY)	-111.6 billion	140.0 billion

Note: Differs from cash flow based on institutional accounting practices due to the inclusion of the Ichthys downstream IJV, an equity-method affiliate.

Impact of crude oil price and foreign exchange rate fluctuations on net income attributable to owners of parent for the year ending December 31, 2021[1]

Brent Crude Oil Price: $1/bbl increase (decrease) [2]
At beginning of 1Q +¥6.6 billion (–¥6.6 billion) The impact on net income will change in FY2021 as below; At beginning of 2Q: +¥4.6 billion (–¥4.6 billion) At beginning of 3Q: +¥2.4 billion (–¥2.4 billion) At beginning of 4Q: +¥1.0 billion (–¥1.0 billion)
Exchange Rate: ¥1 depreciation (appreciation) against the U.S. dollar[3]
+¥2.0 billion (–¥2.0 billion)

1. The sensitivities represent the impact on net income for the year ending December 31, 2021 as of the beginning of the fiscal year against a $1/bbl increase (decrease) in the Brent crude oil price on average and a ¥1 depreciation (appreciation) against the U.S. dollar. These are based on the financial situation mainly of existing production projects at the beginning of the fiscal year. These are for reference purposes only and the actual impact may change due to fluctuations in production volumes, capital expenditures and cost recoveries, and may not be constant, depending on crude oil prices and exchange rates.
2. Net income sensitivity is determined by fluctuations in the oil price and is subject to the average price of crude oil (Brent). A breakdown of quarterly sensitivity figures is listed below taking into consideration certain natural gas sales applying oil prices on a delayed basis:
   - At beginning of 1Q: +¥6.6 billion (1Q: +¥1.0 billion, 2Q: +¥1.2 billion, 3Q: +¥2.2 billion, 4Q: +¥2.2 billion)
   - At beginning of 2Q: +¥4.6 billion (1Q: –, 2Q: +¥1.0 billion, 3Q: +¥1.4 billion, 4Q: +¥2.2 billion)
   - At beginning of 3Q: +¥2.4 billion (1Q: –, 2Q: –, 3Q: +¥1.0 billion, 4Q: +¥1.4 billion)
   - At beginning of 4Q: +¥1.0 billion (1Q: –, 2Q: –, 3Q: –, 4Q: +¥1.0 billion)
3. This is a sensitivity on net income determined by fluctuation of the yen against the U.S. dollar and is subject to the average exchange rate. On the other hand, sensitivity related to the valuation of assets and liabilities denominated in the U.S. dollar on net income incurred by foreign exchange differences between the exchange rate at the end of the fiscal year and the end of the previous fiscal year is largely neutralized.

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 ¥103.52=US$1.00, the approximate exchange rate in effect as of December 31, 2020.

	Millions of yen										Millions of yen	Thousands of U.S. dollars
	2011/3	2012/3	2013/3	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3	2019/12*1	2020/12	2020/12
Results of operations												
Net sales	¥ 943,080	¥ 1,186,732	¥ 1,216,533	¥ 1,334,626	¥ 1,171,227	¥ 1,009,564	¥ 874,423	¥ 933,702	¥ 971,389	¥ 1,000,005	¥ 771,046	$ 7,448,280
Cost of sales	334,833	395,443	426,326	490,417	525,444	526,758	453,847	498,039	413,300	424,702	439,852	4,248,956
Gross profit	608,247	791,289	790,207	844,209	645,783	482,806	420,576	435,663	558,089	575,303	331,194	3,199,323
Operating income	529,743	709,358	693,448	733,610	534,886	390,139	336,453	357,363	474,282	498,641	248,471	2,400,222
Income before income taxes	508,587	767,039	718,146	750,078	540,023	328,887	327,525	307,300	494,043	510,292	67,394	651,023
Net income (loss) attributable to owners of parent	¥ 128,699	¥ 194,001	¥ 182,962	¥ 183,691	¥ 77,820	¥ 16,777	¥ 46,168	¥ 40,363	¥ 96,106	¥ 123,550	¥ (111,699)	$ (1,079,008)
Financial position												
Current assets	¥ 492,932	¥ 908,702	¥ 1,106,504	¥ 1,140,204	¥ 1,342,410	¥ 984,345	¥ 942,960	¥ 466,351	¥ 457,712	¥ 419,802	¥ 387,093	$ 3,739,306
Tangible fixed assets	379,862	383,698	584,541	951,779	1,497,622	1,752,615	1,928,598	2,044,620	2,278,995	2,275,372	2,069,783	19,994,039
Intangible assets	249,111	233,318	380,156	439,179	458,770	541,471	521,253	541,503	520,213	535,330	441,837	4,268,131
Investments and other assets	1,558,475	1,540,680	1,544,958	1,506,977	1,200,352	1,091,411	919,363	1,199,913	1,536,626	1,619,489	1,735,804	16,767,812
Total assets	2,680,380	3,066,398	3,616,159	4,038,139	4,499,154	4,369,842	4,312,174	4,252,387	4,793,546	4,849,995	4,634,518	44,769,300
Current liabilities	254,729	367,844	414,977	375,670	365,212	319,128	297,465	305,439	372,001	401,483	339,288	3,277,511
Long-term liabilities	328,268	384,361	530,198	666,432	845,238	871,911	807,166	788,079	1,163,961	1,151,334	1,293,890	12,498,937
Net assets	¥ 2,097,383	¥ 2,314,193	¥ 2,670,984	¥ 2,996,037	¥ 3,288,704	¥ 3,178,803	¥ 3,207,543	¥ 3,158,869	¥ 3,257,584	¥ 3,297,176	¥ 3,001,339	$ 28,992,841
Cash flows												
Cash flows from operating activities	¥ 274,094	¥ 320,692	¥ 252,347	¥ 213,514	¥ 216,749	¥ 183,708	¥ 275,810	¥ 278,539	¥ 238,566	¥ 274,730	¥ 292,915	$ 2,829,549
Cash flows from investing activities	(844,511)	(280,864)	(489,870)	(395,555)	(81,087)	(543,534)	53,484	(351,908)	(682,006)	(288,740)	(417,189)	(4,030,032)
Cash flows from financing activities	548,057	29,294	137,069	48,961	(4,178)	156,726	(65,428)	34,742	405,185	(48,615)	126,747	1,224,372
Cash and cash equivalents at end of the period	¥ 182,025	¥ 249,233	¥ 199,859	¥ 117,531	¥ 260,978	¥ 53,813	¥ 316,791	¥ 276,080	¥ 239,653	¥ 173,774	¥ 172,405	$ 1,665,426
Per share data												
Net assets per share (Yen)	¥ 1,367.40	¥ 1,492.27*	¥ 1,699.10*	¥ 1,911.25*	¥ 2,099.95	¥ 2,008.34	¥ 2,015.38	¥ 1,997.24	¥ 2,058.95	¥ 2,082.43	¥ 1,874.08	$ 18.10
Cash dividends per share (Yen)	15.00*	17.50*	17.50*	18.00*	18.00	18.00	18.00	18.00	24.00	30.00	24.00	0.23
Earnings (loss) per share (EPS) (Yen)	¥ 102.08*	¥ 132.84*	¥ 125.29*	¥ 125.78*	¥ 53.29	¥ 11.49	¥ 31.61	¥ 27.64	¥ 65.81	¥ 84.61	¥ (76.50)	$ (0.74)

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

	2011/3	2012/3	2013/3	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3	2019/12*1	2020/12	2020/12
Financial indicators												
Net debt / Net total capital employed[3] (%)	(48.9)%	(60.7)%	(43.9)%	(31.9)%	(16.8)%	(8.1)%	0.9 %	11.8 %	21.7 %	22.3 %	26.0 %	26.0 %
Equity ratio[4] (%)	74.5	71.1	68.6	69.1	68.2	67.1	68.3	68.6	62.7	62.7	59.0	59.0
D/E ratio[5] (%)	13.7 %	14.6 %	19.2 %	20.9 %	22.1 %	25.3 %	23.4 %	24.0 %	38.0 %	36.8 %	45.1 %	45.1 %

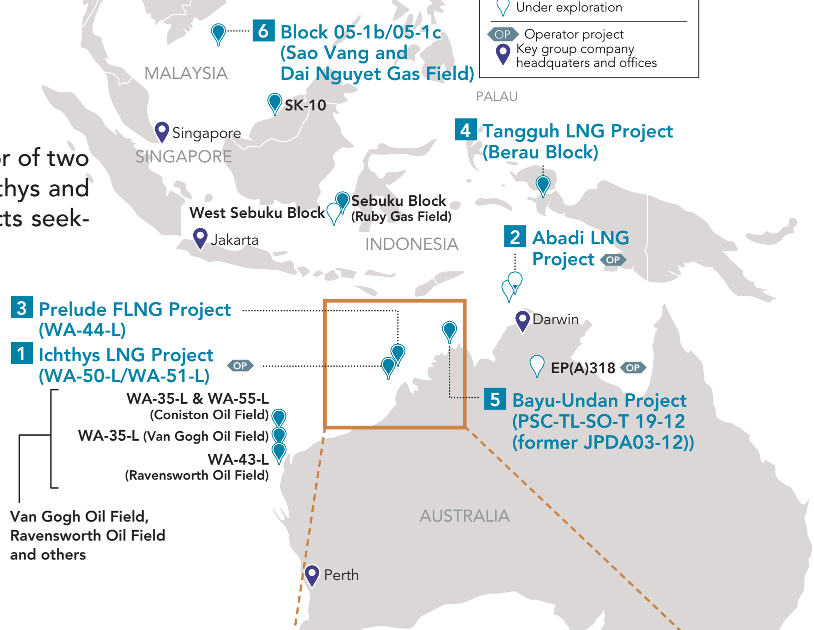
Notes

1. Effective from the year ended December 31, 2019, the Company changed its consolidated fiscal year-end from March 31 to December 31. As a result of this change, the year ended December 31, 2019 was a period of nine months from April 1 to December 31, 2019.
2. The amounts in millions of yen and in thousands of U.S. dollars, as of and for the year ended March 31, 2019 and prior periods are rounded off. On the other hand, such amounts as of and for the year ended December 31, 2019 and onwards are rounded down and therefore the totals do not necessarily agree with the sum of the individual account balances for the corresponding period.
3. Net debt / Net total capital employed = Net debt / (Net assets + Net debt)
4. Equity ratio = Net assets excluding non-controlling interests / Total assets
5. D/E ratio = Interest-bearing debt / (Net assets – Non-controlling interests)

Project Overview by Region

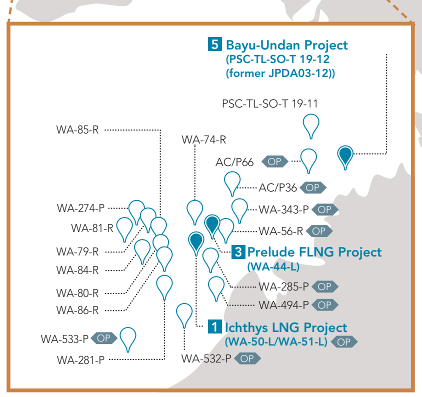
Asia & Oceania

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




CPF Ichthys Explorer

1 Ichthys LNG Project



In 1998, INPEX acquired an exploration permit in the block where the Ichthys Gas-Condensate Field is now located, and following development studies including exploration, evaluation and FEED work, INPEX announced its FID in January 2012. Following the completion and commissioning of production facilities, INPEX commenced production in July 2018 and later began shipping condensate, LNG and liquefied petroleum gas (LPG). Production ramp up has progressed very smoothly, and in 2020, 122 LNG cargoes were shipped from the project's onshore gas liquefaction plant in Darwin. Maintenance required for safe and stable operations was conducted for approximately one month from May to June 2021. Shipments of approximately 10 LNG cargoes per month are expected in fiscal 2021.

Surrounding exploration blocks

INPEX holds interests in 18 exploration blocks in the vicinity of the Ichthys Gas-Condensate Field and has engaged in exploration activities that have led to the discovery of gas in at least 9 of these blocks. Evaluation work is now being performed on these discoveries. In the event that substantial amounts of hydrocarbons are confirmed as a result of these exploration and evaluation activities, INPEX expects to expand its business by leveraging the synergies of integration with the Ichthys LNG Project.

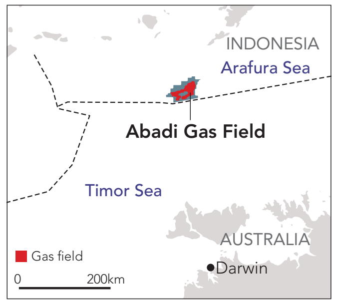
Contract area (block)	Project status	Production capacity	Venture company (established)	Interest owned (*Operator)
WA-50-L/ WA-51-L	In production	LNG: Approximately 8.9 million tons per year LPG: Approximately 1.65 million tons per year Condensate: Approximately 100 thousand barrels per day (at peak)	INPEX Ichthys Pty Ltd (April 5, 2011)	INPEX Ichthys Pty Ltd* 66.245% TOTAL 26.000% CPC 2.625% Tokyo Gas 1.575% Osaka Gas 1.200% Kansai Electric Power 1.200% JERA 0.735% Toho Gas 0.420%

Contract area (block)	Project status	Venture company (established)	Interest owned (*Operator)
WA-84-R/WA-85-R/ WA-86-R	Under exploration (blocks under appraisal on the discovery of gas and condensate)	INPEX Browse E&P Pty Ltd (October 21, 2013)	INPEX Browse E&P Pty Ltd 40% Santos* 60%
WA-56-R			INPEX Browse E&P Pty Ltd* 60% TOTAL 40%
WA-80-R			INPEX Browse E&P Pty Ltd 26.6064% Santos* 63.6299% Beach 9.7637%
WA-281-P			INPEX Browse E&P Pty Ltd 29.5% Santos* 70.5%
WA-74-R/WA-79-R/ WA-81-R/			INPEX Browse E&P Pty Ltd 40% Santos* 60%
WA-274-P	Under exploration		
WA-285-P			INPEX Browse E&P Pty Ltd* 62.245% TOTAL 30.000% CPC 2.625% Tokyo Gas 1.575% Osaka Gas 1.200% Kansai Electric Power 1.200% JERA 0.735% Toho Gas 0.420%
WA-494-P/ WA-532-P/ WA-533-P			INPEX Browse E&P Pty Ltd* 100%
WA-343-P			INPEX Browse E&P Pty Ltd* 100%
AC/P36			INPEX Browse E&P Pty Ltd* 50% Murphy 50%
AC/P66			INPEX Browse E&P Pty Ltd* 100%
EP(A)318		INPEX Oil & Gas Australia Pty Ltd (February 28, 2012)	

2 Abadi LNG Project

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

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

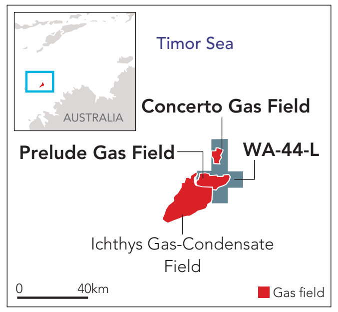


Contract area (block)	Project status	Venture company (established)	Interest owned (*Operator)
Masela	Preparation for development	INPEX Masela, Ltd. (December 2, 1998)	INPEX Masela* 65%, Shell 35%

3 Prelude FLNG Project (WA-44-L)

In June 2012, INPEX acquired a 17.5% interest in the Prelude FLNG (floating LNG) Project from Shell during the project's development stage. The Prelude FLNG Project involves the production of approximately 3.6 million tons per year of LNG, 400 thousand tons per year of LPG at peak and approximately 1.3 million tons of condensate per year at peak from the Prelude and Concerto gas fields located in Block WA-44-L, approximately 475 kilometers north-northeast of Broome, off the coast of Western Australia. Shell as the operator of the Prelude FLNG Project announced its FID in May 2011.

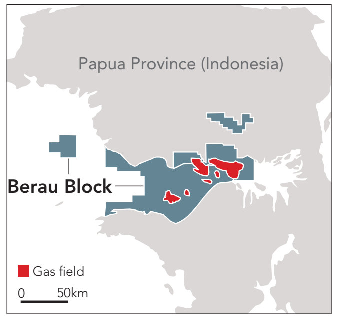
Following the completion and commissioning of production facilities, gas production from the wellhead commenced in December 2018. The first condensate cargo was shipped in March 2019 followed by the first LNG cargo in June 2019. Production was temporarily suspended from February 2020 for the repair and inspection of production facilities. LNG production has since resumed.



Contract area (block)	Project status	Production capacity	Venture company (established)	Interest owned (*Operator)
WA-44-L	In production	LNG: Approximately 3.6 million tons per year LPG: Approximately 400 thousand tons per year (at peak) Condensate: Approximately 1.3 million tons per year (at peak)	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 Tangguh LNG Project (Berau Block)

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

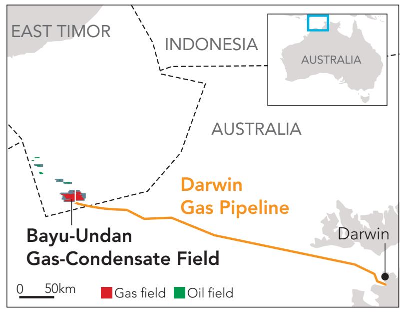


Contract area (block)	Project status	Production volume**	Venture company (established)	Interest owned (*Operator)
Berau	In production	Crude oil: 6 Mbbld Natural gas: 1,131 MMcf/d	MI Berau B.V. (August 14, 2001)	MI Berau 22.856% BP* 48.0% Nippon Oil Exploration (Berau) 17.144% KG Berau 12.0%
Tangguh Unit				MI Berau 16.3% BP* 40.22% CNOOC 13.9% Nippon Oil Exploration (Berau) 12.23% KG Berau 8.56% LNG Japan 7.35% KG Wiriagar 1.44%

** Production on the basis of all fields and average rate of fiscal year ended December 31, 2020

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

In April 1993, INPEX acquired an interest in the former JPDA03-12 contract area, located in the Timor Sea joint petroleum development area (JPDA), which was jointly managed by Australia and East Timor. Exploration within this contract area resulted in the discovery of oil and gas fields. Of these, studies revealed that the Undan structure and the Bayu structure, located in the adjacent former JPDA03-13 contract area, were a single structure. The interest holders unitized both contract areas in 1999, allowing joint development of the Bayu-Undan Gas-Condensate Field to proceed. The commercial production and shipment of condensate and LPG started in 2004 followed by LNG in February 2006. In August 2019, JPDA was abolished as a result of the ratification of a maritime boundary treaty between Australia and East Timor, and the area fell under the sole jurisdiction of the East Timor government. In accordance with the treaty, discussions were held between both governments and PSC contractors. The parties agreed to keep the same conditions as the former PSC and consequently a new PSC with the East Timor government (Block title: PSC-TL-SO-T 19-12) was bound.



Map includes provisional maritime boundaries

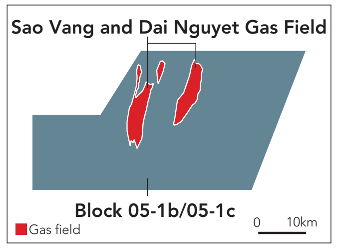

Bayu-Undan offshore facility

Contract area (block)	Project status	Production volume**	Venture company (established)	Interest owned (*Operator)
PSC-TL-SO-T 19-12	In production	Crude oil: 11 Mbbld Natural gas: 537 MMcf/d LPG: 5 Mbbld	INPEX Sahul, Ltd. (March 30, 1993)	INPEX Sahul 19.2458049% Santos* 80.7541951%
Bayu-Undan Unit				INPEX Sahul 11.378120% Eni 10.985973% Santos* 68.437907% Tokyo Timor Sea Resources (JERA/Tokyo Gas) 9.198000%

** Production on the basis of all fields and average rate of fiscal year ended December 31, 2020

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

In 2004, INPEX acquired Blocks 05-1b and 05-1c, located 350 kilometers southeast of Ho Chi Minh City, Vietnam. In 2010, an exploration well was drilled in the Dai Nguyet (DN) structure leading to the discovery of gas and condensate accumulations. In 2014, another exploration well was drilled in the Sao Vang (SV) structure which also led to the discovery of gas and condensate accumulations. In 2017, a development plan for the SV/DN gas field was approved by the Vietnamese government, and sales of gas from the Sao Vang Gas Field commenced in November 2020. Development work will also continue on the Dai Nguyet Gas Field.



Contract area (block)	Project status	Production volume**	Venture company (established)	Interest owned (*Operator)
Block 05-1b/05-1c	In production	Natural gas: 1.5 billion m³ per year (expected) Crude oil and condensate: 2.8 million bbl per year (expected)	Teikoku Oil (Con Son) Co., Ltd. (October 29, 2004)	Teikoku Oil (Con Son) Co., Ltd. 36.92% Idemitsu Gas Production (Vietnam) Co., Ltd.* 43.08% Vietnam Oil and Gas Group (PetroVietnam) 20%

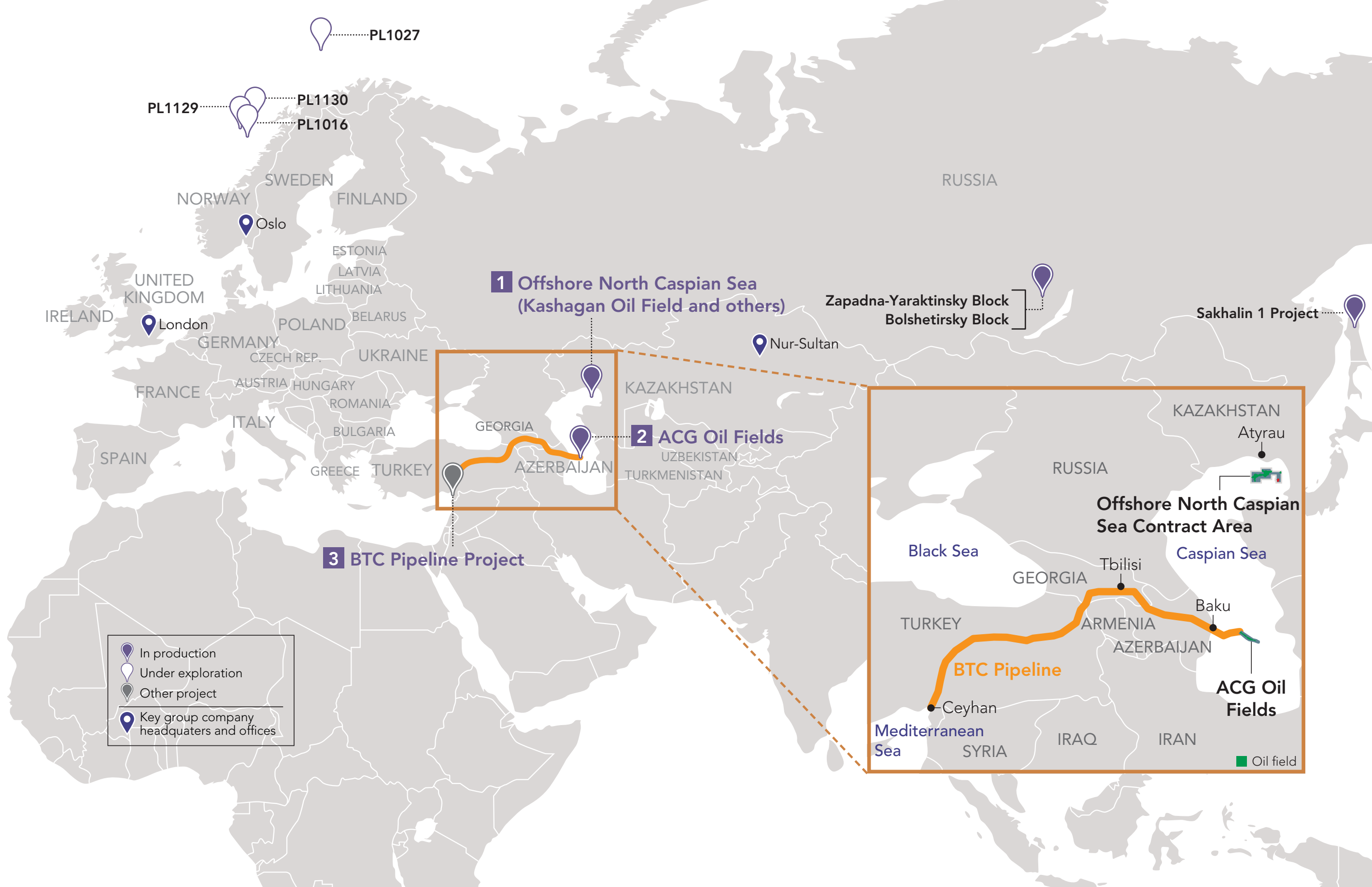
** Production on the basis of all fields

Other projects

Contract area (block)	Project status	Venture company	Interest owned (*Operator)
Sebuku Block	In production	INPEX South Makassar, Ltd.	INPEX South Makassar, Ltd. 15% Pearl Oil* 70% Total 15%
West Sebuku Block	Under exploration	INPEX West Sebuku, Ltd.	INPEX West Sebuku, Ltd. 24.5% Mubadala* 75.5%
WA-35-L (Van Gogh Oil Field)	In production	INPEX Alpha, Ltd.	INPEX Alpha, Ltd. 47.499% Santos* 52.501%
WA-43-L (Ravensworth Oil Field)			INPEX Alpha, Ltd. 28.5% BHPBP* 39.999% Santos 31.501%
WA-35-L & WA-55-L (Coniston Oil Field)			INPEX Alpha, Ltd. 47.499% Santos* 52.501%
SK-10		JX Nippon Oil & Gas Exploration (Malaysia) Limited	JX Nippon Oil & Gas Exploration (Malaysia) Limited 75% Petronas 25% Share in JX Nippon Oil & Gas Exploration (Malaysia) Limited 15%

Eurasia

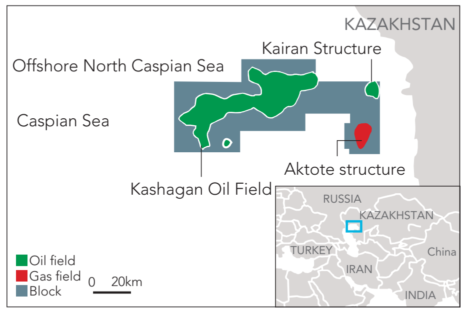
In the Eurasia region, INPEX is involved in large-scale crude oil projects in Azerbaijan (ACG Oil Fields) and Kazakhstan (Kashagan Oil Field and others). INPEX is also engaged in projects in East Siberia, some of which have transitioned to the development and production stages, including the Sakhalin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

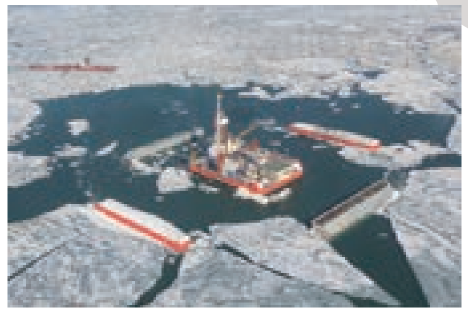


1 Offshore North Caspian Sea Contract Area (Kashagan Oil Field and others)

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

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




Offshore facility

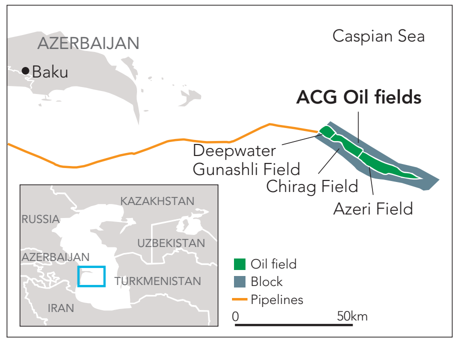
Contract area (block)	Project status	Venture company (established)	Interest owned
Offshore North Caspian Sea	In production	INPEX North Caspian Sea, Ltd. (August 6, 1998)	INPEX North Caspian Sea 7.56% Shell 16.81% Eni 16.81% ExxonMobil 16.81% TOTAL 16.81% CNPC 8.33% KMG 16.87%

Project Overview by Region

2 ACG Oil Fields

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

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




Offshore production facility

Contract area (block)	Project status	Production volume**	Venture company (established)	Interest owned (*Operator)
ACG	In production	Crude oil: 477 Mbbld	INPEX Southwest Caspian Sea, Ltd. (January 29, 1999)	INPEX Southwest Caspian Sea 9.31% BP* 30.37% MOL 9.57% SOCAR 25.00% Equinor 7.27% ExxonMobil 6.79% TPAO 5.73% Itochu 3.65% ONGC 2.31%

** Production on the basis of all fields and average rate of fiscal year ended December 31, 2020

3 BTC Pipeline Project

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


Shipping terminal

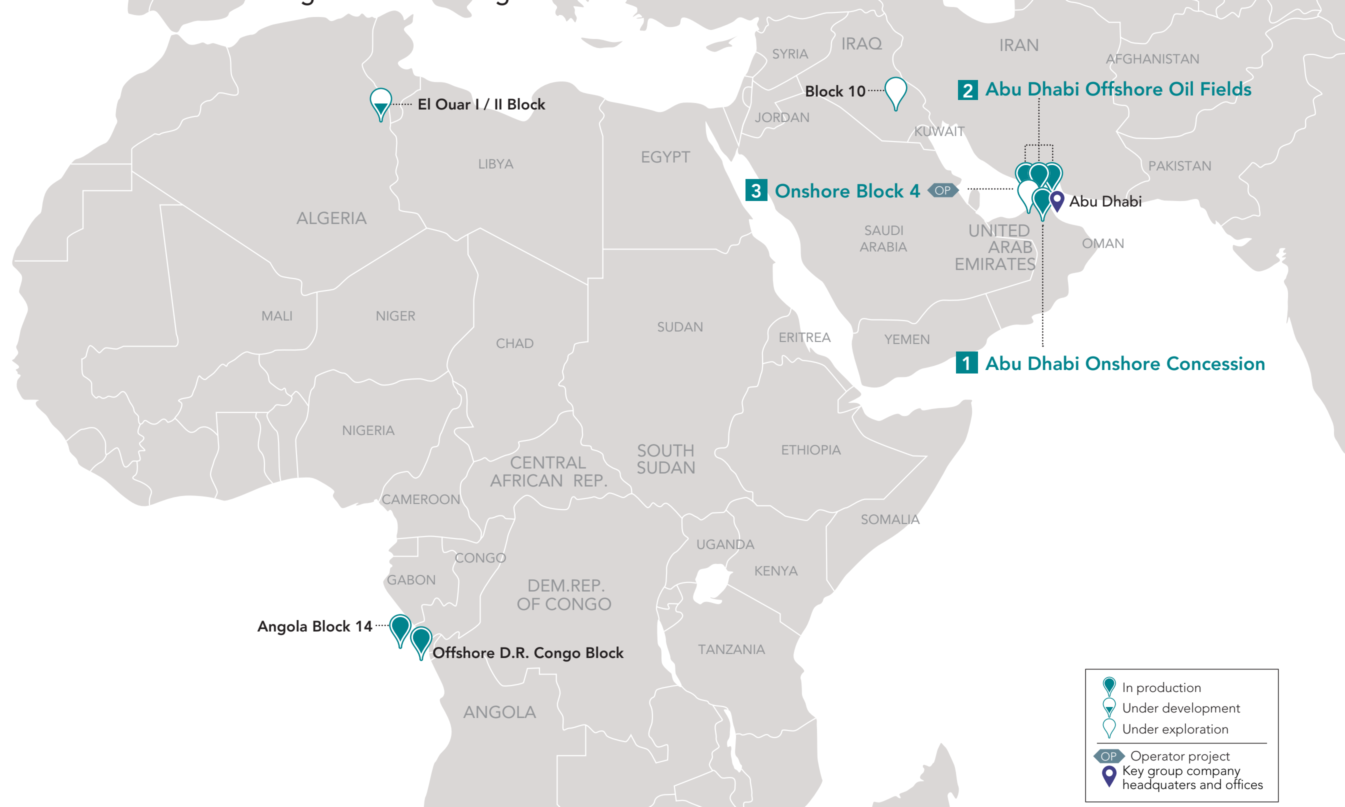
Contract area (block)	Venture company (established)	Interest owned (*Operator)
BTC Pipeline Project	INPEX BTC Pipeline, Ltd. (October 16, 2002)	INPEX BTC Pipeline 2.5% BP* 30.1% Azerbaijan (BTC) Limited 25% MOL 8.9% Equinor 8.71% TPAO 6.53% Eni 5% TOTAL 5% Itochu 3.4% ExxonMobil 2.5% ONGC 2.36%

Other projects

Contract area (block)	Project status	Venture company	Interest owned (*Operator)
Sakhalin 1	In production	Sakhalin Oil and Gas Development Co., Ltd. (SODECO)	SODECO 30% ExxonMobil* 30% ONGC 20% Rosneft 20% Share in SODECO 6.08%
Zapadno-Yaraktinsky Block/ Bolshetirsky Block	In production	Japan South Sakha Oil Co., Ltd. (JASSOC)	JASSOC 49% INK* 51% Share in JASSOC 24.998%
PL1027	Under exploration	INPEX NORGE AS	INPEX NORGE AS 20% Lundin* 40% DEA 20% DNO 20%
PL1016	Under exploration	INPEX NORGE AS	INPEX NORGE AS 40%, OMV* 60%
PL1130	Under exploration	INPEX NORGE AS	INPEX NORGE AS* 60% M Vest Energy 20% Wintershall Dea Norge 20%
PL1129	Under exploration	INPEX NORGE AS	INPEX NORGE AS 30% Wintershall Dea Norge* 40% Lundin Energy Norway 30%

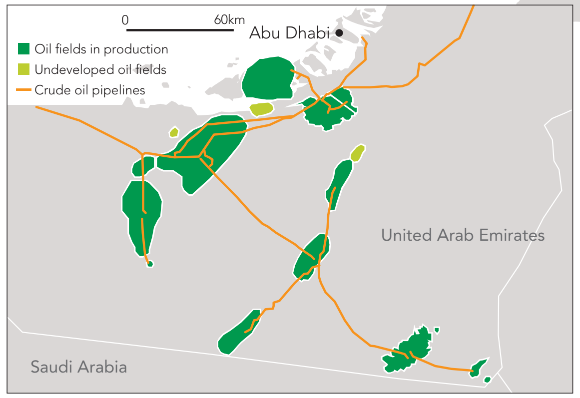
Middle East & Africa

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



1 Abu Dhabi Onshore Concession

INPEX acquired a 5% interest in the ADCO Onshore Concession in Abu Dhabi in April 2015 following its participation in a bid. INPEX also concluded a 40-year agreement, effective January 1, 2015, with the Supreme Petroleum Council of the Emirate of Abu Dhabi and Abu Dhabi National Oil Company (ADNOC). The concession contains one of the world's largest deposits of oil. Stable production of crude oil is currently under way from twelve deposits, and plans are being considered to further increase the daily production capacity from its current two million barrels per day.




Oil processing facility

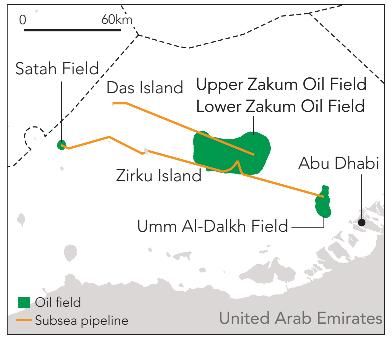
Contract area (block)	Project status	Venture company (established)	Interest owned
Abu Dhabi Onshore Block	In production	JODCO Onshore Limited (April 15, 2015)	JODCO 5% ADNOC 60% TOTAL 10% BP 10% CNPC 8% NPIC 4% GS 3%

Project Overview by Region

2 Abu Dhabi Offshore Oil Fields

INPEX has been engaged in the development and production of oil fields offshore Abu Dhabi in the United Arab Emirates since 1973. In January 2014, we extended our concession agreement for the Upper Zakum Oil Field by 15 years. Subsequently, in November 2017, we extended the plan to increase the oil field's production capacity to one million barrels per day and our concession agreement by a further ten years. In February 2018, we newly acquired an interest in the Lower Zakum Oil Field concession and extended our existing concession agreements for the Satah and Umm Al-Dalkh oil fields by 25 years. INPEX is now engaged in the development and production of four oil fields offshore Abu Dhabi, namely the Upper Zakum Oil Field, which is one of the largest in the world, as well as the Lower Zakum, Satah, and Umm Al-Dalkh oil fields.

The crude oil produced in the Upper Zakum, Satah and Umm Al-Dalkh oil fields is transported to Zirku Island, about 60 kilometers from the Upper Zakum oil field. There, the crude oil is processed before being stored and shipped as Upper Zakum Crude Oil. The crude oil produced in the Lower Zakum Oil Field is transported to Das Island, about 90 kilometers away, where it is processed before being stored and shipped as Das Crude Oil. INPEX was appointed as the asset leader of the Lower Zakum Oil Field concession by ADNOC. As asset leader, INPEX plays a leading role in advancing development and is working closely with ADNOC and its partners to lift the oil field's production capacity to 450 thousand barrels per day.



Zirku Island

Contract area (block)	Project status	Target Production Capacity	Venture company (established)	Interest owned
Lower Zakum Oil Field	In production	Approximately 450 thousand barrels per day	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		Approximately 1 million barrels per day	Japan Oil Development Co., Ltd. (JODCO) (February 22, 1973)	JODCO 12% ADNOC 60% ExxonMobil 28%
Satah Field/ Umm Al-Dalkh Oil Fields		Approximately 25 thousand barrels per day / Approximately 20 thousand barrels per day		JODCO 40% ADNOC 60%

3 Onshore Block 4

INPEX participated in the first-ever block bid round conducted by the Abu Dhabi National Oil Company (ADNOC) in Abu Dhabi in the United Arab Emirates in 2018 and was exclusively awarded Onshore Block 4 as the operator.

Work is currently under way to appraise the block and prepare for drilling, with drilling commencing in May 2021.

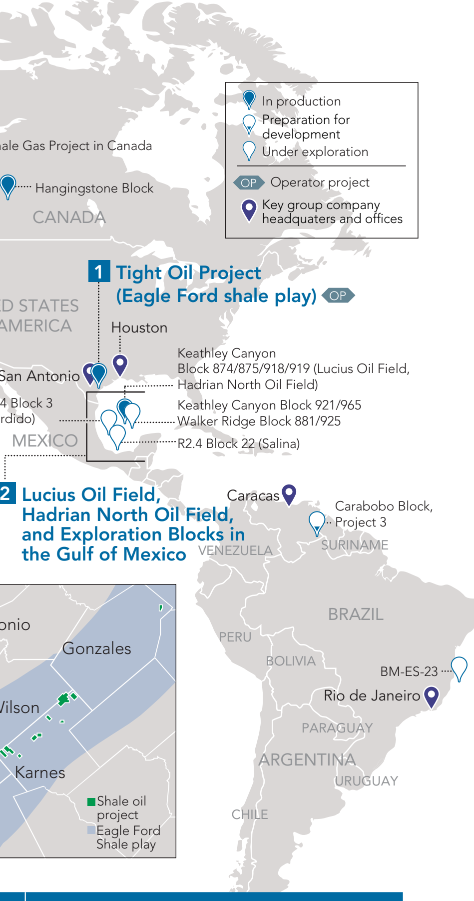
Contract area (block)	Project status	Venture company (established)	Interest owned
Onshore Block 4	Under exploration	JODCO Exploration Limited (February 6, 2019)	JODCO 100%

Other projects

Contract area (block)	Project status	Venture company	Interest owned (*Operator)
Block 14	In production	Angola Block 14 B.V	Angola Block 14 B.V 20% Chevron* 31% Sonangol 20% Eni 20% Galp 9%
Offshore D.R. Congo Block		Teikoku Oil (D.R. Congo) Co., Ltd.	Teikoku Oil (D.R. Congo) 32.28% Perenco* 67.72%
El Ouar I / II Block	Under development	Teikoku Oil Algeria (El Ouar) Co., Ltd.	Teikoku Oil Algeria (El Ouar) 10.29% Sonatrach* 67.33% Eni 22.38%
Block 10	Under exploration (blocks where oil/gas accumulations were confirmed)	INPEX South Iraq, Ltd.	INPEX South Iraq 40% Lukoil* 60%

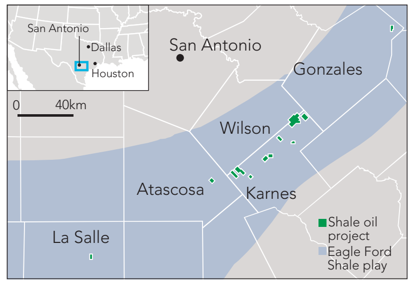
Americas

INPEX is engaged as the operator in the Tight Oil Project in the State of Texas in the United States and the Lucius Deepwater Project in the U.S. Gulf of Mexico (Lucius and Hadrian North Oil Fields). INPEX is also engaged in various exploration projects in the Mexican sector of the Gulf of Mexico.



1 Tight Oil Project (Eagle Ford shale play)

INPEX is steadily producing and marketing crude oil and gas in the Eagle Ford Shale Oil Project it acquired in the State of Texas in the United States in April 2019. Most of the assets are located in Karnes County, Texas, considered to be a highly productive area for crude oil 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.

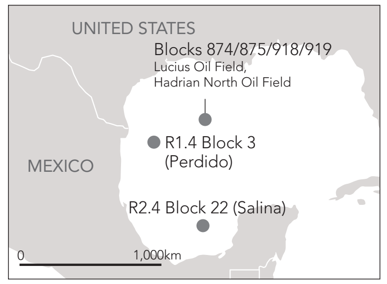


Contract area (block)	Project status	Production volume*	Venture company (established)	Interest owned
Eagle Ford shale play, southern Texas, US	In production	Crude oil: 4 Mbbld Natural gas: 8 MMcf/d	INPEX Eagle Ford LLC (2019)	With the exception of some areas, INPEX holds a 100% interest as the Operator

* Production on the basis of all fields and average rate of fiscal year ended December 31, 2020

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

In August 2012, INPEX acquired an interest in the Lucius Deepwater Project in the U.S. Gulf of Mexico from U.S.-based Anadarko Petroleum Corporation (currently Occidental Petroleum Corporation) and joined the development and production activities in that oil field. Oil and gas production at the Lucius Oil Field has proceeded steadily since its commencement in January 2015. The Hadrian North Oil Field is adjacent to the Lucius Oil Field and, with the unitization of the two oils fields in 2017, it was decided that the Hadrian North Oil Field will be jointly developed using the production facilities at the Lucius Oil Field. Crude oil and gas production at the Hadrian North Oil Field has proceeded steadily since its commencement in April 2019. In February 2021, INPEX additionally acquired a portion (approximately 2.35%) of the participating interest previously held by ExxonMobil. INPEX is also conducting exploration activities in multiple blocks in the Mexican sector of the Gulf of Mexico.



Contract area (block)	Project status	Production volume**	Venture company (established)	Interest owned (*Operator)
Keathley Canyon Blocks 874/875/918/919 (Lucius Oil Field, Hadrian North Oil Field)	In production	Crude oil: 42 Mbbld Natural gas: 45 MMcf/d	INPEX Americas, Inc. (May 30, 2003)	INPEX Americas, Inc. 10.10769% Occidental* 63.81835% Other 26.07396%
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 27.5%

** Production on the basis of all fields and average rate of fiscal year ended December 31, 2020

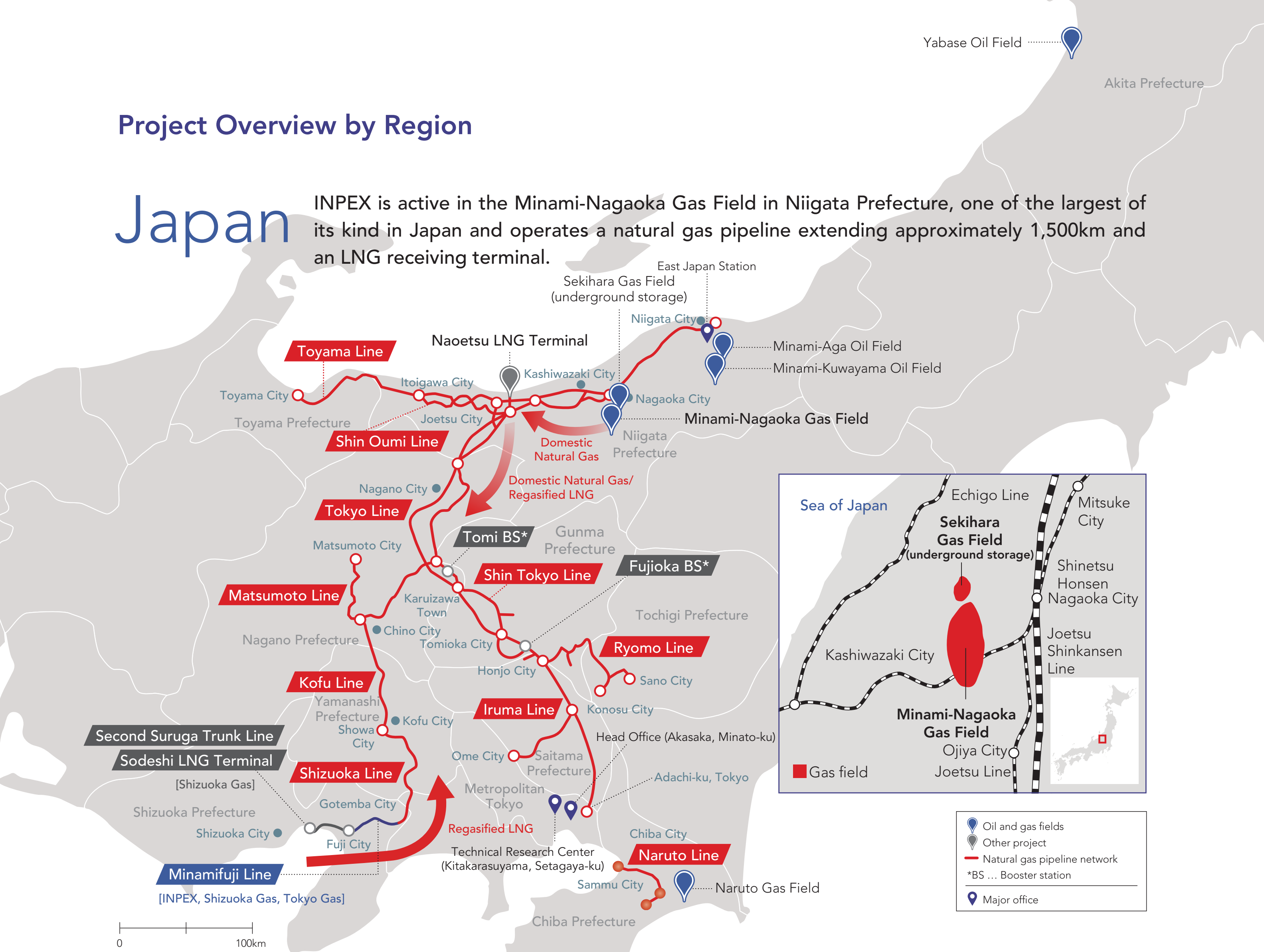
Other projects

Contract area (block)	Project status	Venture company	Interest owned (*Operator)
Carabobo Project 3 Block	Preparation for development	Japan Carabobo UK Ltd.	Japan Carabobo UK 5% CVP* 60% Chevron 34% Suelpetrol 1%
BM-ES-23	Under exploration (blocks where oil/gas accumulations were confirmed)	INPEX Petroleo Santos Ltda.	INPEX Petroleo Santos 15% Petrobras* 65% PTTEP 20%
Shale Gas Project	Production temporarily suspended	INPEX Gas British Columbia Ltd.	INPEX Gas British Columbia 40% CNOOC* 60%
Hangingstone Block	In production	Japan Canada Oil Sands Ltd.	Japan Canada Oil Sands* 75% CNOOC 25%
Keathley Canyon Block 921/965 Walker Ridge Block 881/925	Under exploration	INPEX US Offshore, LLC	INPEX US Offshore 40% Occidental* 60%

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.



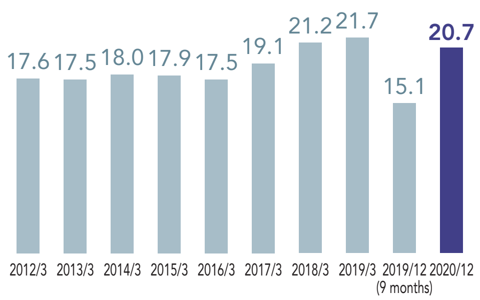
In Japan, the natural gas produced from the INPEX-operated Minami-Nagaoka Gas Field (Niigata Prefecture), as well as the re-gasified LNG and other products received and manufactured at the Naoetsu LNG Terminal (Niigata Prefecture), which commenced operations in December 2013, is transported through a trunk pipeline network of approximately 1,500 kilometers stretching across the Kanto, Koshinetsu and Hokuriku regions, and sold to customers including city gas companies and large-scale plants located along the 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 the early achievement of annual natural gas sales of 2.5 billion m³ and is eyeing an annual supply of 3.0 billion m³ as it uses existing infrastructure in tie-ups with other companies to ensure stable supply. INPEX will remain focused on the sustainable improvement in the value of its natural gas business in Japan, which plays a key role in the company's global gas value chain. In the Japanese energy market, INPEX faces challenging business conditions as competition continues to intensify. INPEX is focusing on developing its business to better address the diversifying needs of customers by implementing energy initiatives conducive to a net zero carbon society as well as measures to strengthen the company's resilience. Specifically, in addition to making proposals for the conversion from other fuels to gas, INPEX is putting great effort into making proposals that utilize a dispersed power generation system that increase energy efficiency and raises response capabilities to natural disasters, entering the energy service business and making proposals for the introduction of carbon neutral gas.

In addition to steadily promoting efforts related to the electric power sales business in cooperation with city gas providers serving as gas wholesalers, INPEX will proactively promote energy transition efforts. In tandem with the efforts of INPEX 4U Challenge Lab, which offers solutions to meet the expectations and needs of local communities, INPEX will also cooperate and coordinate with other companies, industry organizations and national and local governments in its sustained efforts to contribute to regional revitalization and the business development of its wholesalers.

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 Sales Volume in Japan

Note: 41.86 MJ per 1 m



Naoetsu LNG Terminal

Financial and Corporate Information

Background Information Oil and Gas Accounting Policies and Practices

ACCOUNTING METHODS FOR TYPES OF AGREEMENTS

The oil and gas business generates the bulk of consolidated net sales revenues for the Company 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

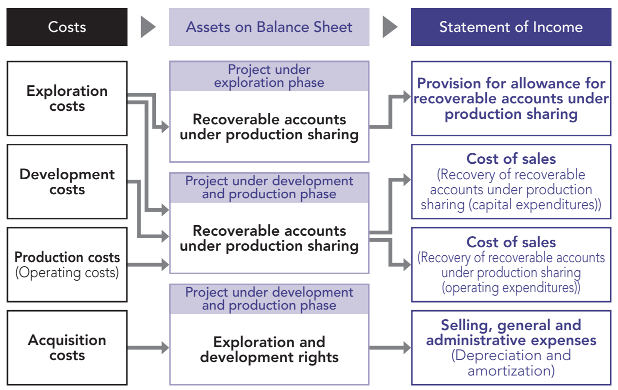
Acquisition costs
Costs relating to the acquisition of rights (recorded as intangible assets under "Exploration and development rights") for any projects governed by the PSCs that are entirely in the exploration phase are expensed as incurred and amortized. Expenditures or costs relating to the acquisition 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

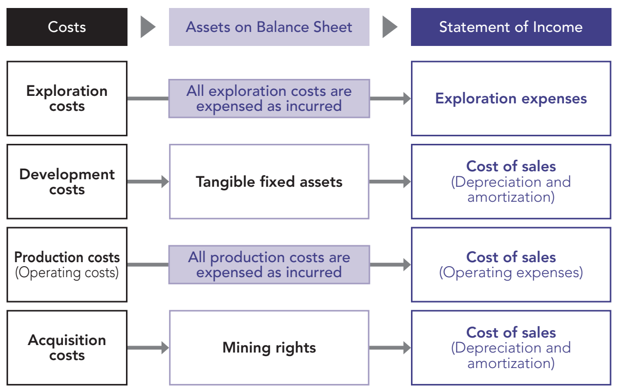
Concession agreement is an agreement or authorization (including mining rights awarded in Japan, as well as overseas permits, licenses and lease agreements) by which a government entity or a national oil company of the country directly awards mining rights to an oil company. The oil company makes its 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.

■ Impairment loss on fixed assets

The Group groups mining area and other assets as a basic unit that generates cash inflows independently of other groups of assets. If any indication that an asset may be impaired exists, the Group shall estimate the future cash flows, and if the recoverable amount is lower than the carrying amount, the impairment loss is recognized. Although the Group estimates prices, foreign exchange rates, reserves and others based on reasonable assumptions, any changes in these assumptions could significantly affect future operating results.

■ 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 as of the fiscal year-end 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 fiscal year-end, taking into account any periodic benefit costs that have arisen during the period. The calculation of retirement benefit obligations and retirement benefit expenses is based on various actuarial assumptions, including the discount rate, employee turnover and retirement rates, remuneration growth rates, and the long-term expected return on plan assets. Future operating results could be significantly affected by deviation between the base assumptions and actual results or the revision of such assumptions which were to generate actuarial gains or losses.

■ Goodwill

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

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

BUSINESS ENVIRONMENT

The Group unified its fiscal year-ends to December 31, effective from the year ended December 31, 2019. Accordingly, the Company and its domestic subsidiaries whose former fiscal years ended on March 31 changed their year-ends to December 31. Increases or decreases displayed hereinafter are based on the comparison to the corresponding period of the previous year, which is comprised of the twelve-month results (January 1, 2019–December 31, 2019).

During the year ended December 31, 2020, the global economy experienced a slowdown in economic activity in countries around the world impacted by the spread of the novel coronavirus (COVID-19), and business conditions rapidly deteriorated. The Japanese economy also experienced a rapid contraction in corporate earnings and consumer spending as well as a deterioration in employment following the declaration of a state of emergency in April. At present, although exports, production and consumption are showing signs of recovery thanks to a phased increase in socioeconomic activity, the outlook for the future remains uncertain, due to concerns of a re-spread of COVID-19.

Of the international crude oil price indices, which significantly influence the financial performance of the Group, Brent crude (on a near-term closing price basis), considered a benchmark index for crude oil, started at US$66.25 per barrel on January 1, 2020. Crude oil prices trended downward from late January 2020, as awareness grew on the negative impact of the emerging spread of COVID-19, primarily in China, on the global economy. Then on March 6, a breakdown in talks between OPEC and non-OPEC countries (OPEC+) to jointly extend production cuts beyond April drove crude oil prices into freefall. Oil prices fell to less than US$25 per barrel at the end of March. Prices were weighed down further as the spread of COVID-19 led to a slowdown in economic activity around the world, and Brent crude sank to US$19.33 by the end of April. Economic activity gradually resumed in China and elsewhere from the middle of the year, and the balance of supply and demand for crude oil improved, against the backdrop of joint production cuts by OPEC+ and the U.S. reducing crude oil production due to the downturn in oil prices. Brent crude rose to US$45.86 by late August. Crude oil prices weakened through mid-November to around US$40, as economic activity was restricted in some regions and cities in Europe and the U.S. with the renewed spread of COVID-19. Prices entered an upward trend from late November however, against the backdrop of an anticipated extension by OPEC+ of the current level of production cuts beyond January 2021, and the emergence of highly effective COVID-19 vaccines under development by pharmaceutical companies. Brent crude ended the year at US$51.80 per barrel. In Japan, prices of crude oil and petroleum products correlated with the fluctuations in international crude oil prices. The Group's average crude oil sales price for the year ended December 31, 2020 reflected this shift and fell to US$40.31 per barrel, down US$25.01 from the corresponding period of the previous year.

The foreign exchange market, another important factor that affects the business of the Group, began to trade at ¥108 level against the U.S. dollar. In February, Japanese Yen climbed to ¥112 level against the U.S. dollar due to positive outcomes of the US economic statistics, but afterwards the foreign exchange market continued volatile fluctuations due to the panic of the financial market after the expansion of COVID-19. In June, the yen dropped to ¥109 level against the U.S. dollar after the number of new patients of COVID-19 started to decrease globally, and then the financial market got back stability. However, the yen appreciated again against the U.S. dollar through end of the year after Federal Reserve Board indicated the guidance that they extend the monetary easing policy. Finally, TTM as of December 31, 2020, closed at ¥103.52 against the U.S. dollar which turned out to be ¥6.03 higher than that on December 31, 2019. Reflecting these situations, the average exchange rate applied for sales transactions for the Group for the year ended December 31, 2020 was ¥106.85 against the U.S. dollar, which is ¥2.20 higher than that of the corresponding period of the previous year.

PERFORMANCE OVERVIEW

Net sales

Consolidated net sales for the year ended December 31, 2020 decreased by ¥400.1 billion, or 34.2%, to ¥771.0 billion from ¥1,171.2 billion for the corresponding period of the previous year due to decreases in sales price and sales volume of crude oil.

Compared with the corresponding period of the previous year, net sales of crude oil decreased by ¥366.0 billion, or 42.0%, to ¥505.5 billion from ¥871.5 billion, and net sales of natural gas decreased by ¥30.4 billion, or 10.8%, to ¥250.5 billion from ¥281.0 billion.

The sales volume of crude oil decreased by 5,033 thousand barrels, or 4.1%, to 117,282 thousand barrels compared with the corresponding period of the previous year. The sales volume of natural gas increased by 47 billion cubic feet (Bcf), or 11.3%, to 467 Bcf compared with the corresponding period of the previous year. Of this, the sales volume of overseas natural gas increased by 50 Bcf, or 14.7%, to 390 Bcf compared with the corresponding period of the previous year. The sales volume of domestic natural gas decreased by 71 million m^3, or 3.3%, to 2,074 million m^3 (equivalent to 77 Bcf) compared with the corresponding period of the previous year. The average sales price of overseas crude oil was US$40.31 per barrel, a decrease of US$25.01, or 38.3%, compared with the corresponding period of the previous year. The average sales price of overseas natural gas was US$3.61 per thousand cubic feet (Mcf), a decrease of US$0.72, or 16.6%, compared with the corresponding period of the previous year. The average sales price of domestic natural gas was ¥46.93 per m^3, a decrease of ¥7.69 per m^3, or 14.1%, compared with the corresponding period of the previous fiscal year.

The decrease of ¥400.1 billion in net sales was mainly derived from the following factors: a decrease in sales volume pushing sales down of ¥17.4 billion, a decrease in unit sales price pushing sales down of ¥365.5 billion, the appreciation of the Japanese yen against the U.S. dollar pushing sales down of ¥13.4 billion, and a decrease in net sales excluding crude oil and natural gas of ¥3.6 billion.

Cost of sales

Cost of sales for the year ended December 31, 2020, decreased by ¥71.2 billion, or 13.9%, to ¥439.8 billion from ¥511.1 billion for the corresponding period of the previous year.

Exploration expenses

Exploration expenses for the year ended December 31, 2020, decreased by ¥14.5 billion to ¥9.0 billion from ¥23.5 billion for the corresponding period of the previous year. This was mainly due to a decrease in exploration activities in the Middle East & Africa region and the America region.

Selling, general and administrative expenses

Selling, general and administrative expenses for the year ended December 31, 2020, decreased by ¥3.3 billion, or 5.4%, to ¥58.8 billion from ¥62.1 billion for the corresponding period of the previous year.

Depreciation and amortization

Depreciation and amortization for the year ended December 31, 2020, decreased by ¥0.1 billion, or 1.2%, to ¥14.8 billion from

(Millions of yen, %)

	Corresponding Period of the Previous Year	2020/12	Change	Ratio
Net sales	¥1,171,203	¥ 771,046	¥(400,156)	(34.2)%
Crude oil	871,557	505,517	(366,039)	(42.0)
Natural gas	281,044	250,592	(30,452)	(10.8)
Other	18,601	14,937	(3,664)	(19.7)
Cost of sales	511,150	439,852	(71,297)	(13.9)
Gross profit	660,052	331,194	(328,858)	(49.8)
Exploration expenses	23,588	9,074	(14,514)	(61.5)
Selling, general and administrative expenses	62,190	58,815	(3,374)	(5.4)
Depreciation and amortization	15,020	14,832	(187)	(1.2)
Operating income	559,254	248,471	(310,783)	(55.6)
Other income	63,351	63,803	452	0.7
Interest income	3,173	33,480	30,307	—
Dividend income	7,585	6,733	(851)	(11.2)
Equity in earnings of affiliates	36,673	—	(36,673)	(100.0)
Guarantee commission received	300	6,650	6,349	—
Foreign exchange gain	810	—	(810)	(100.0)
Other	14,807	16,938	2,130	14.4
Other expenses	44,201	244,880	200,678	—
Interest expense	27,762	19,092	(8,670)	(31.2)
Loss on valuation of investment securities	3,497	6,556	3,058	87.4
Equity in losses of affiliates	—	12,999	12,999	—
Provision for allowance for recoverable accounts under production sharing	1,701	2,566	864	50.8
Provision for exploration projects	210	2	(207)	(99.0)
Foreign exchange loss	—	8,209	8,209	—
Impairment loss	6,283	189,940	183,657	—
Other	4,745	5,514	768	16.2
Income before income taxes	578,404	67,394	(511,009)	(88.3)
Income taxes	419,248	171,200	(248,048)	(59.2)
Net income (loss)	159,155	(103,806)	(262,961)	—
Net income (loss) attributable to non-controlling interests	(8,161)	7,893	16,054	—
Net income (loss) attributable to owners of parent	¥ 167,316	¥(111,699)	¥(279,016)	—%

¥15.0 billion for the corresponding period of the previous year. The Group records depreciation expenses for production facilities that are covered by concession agreements as cost of sales. In addition, under its accounting treatment of the PSCs, the Group records capital expenditures as "Recoverable accounts under production sharing" instead of capitalizing these costs within tangible fixed assets and depreciating them. Costs that are recovered in any given year based on the terms of the PSCs are included in the cost of sales.

Operating income

As a result of the above, operating income for the year ended December 31, 2020, decreased by ¥310.7 billion, or 55.6%, to ¥248.4 billion from ¥559.2 billion for the corresponding period of the previous year.

Other income

Other income for the year ended December 31, 2020, increased by ¥0.4 billion, or 0.7%, to ¥63.8 billion from ¥63.3 billion for the corresponding period of the previous year.

Other expenses

Other expenses for the year ended December 31, 2020, increased by ¥200.6 billion to ¥244.8 billion from ¥44.2 billion for the corresponding period of the previous year. This was mainly due to an increase in impairment loss.

Income taxes

Total current income taxes and deferred income taxes for the year ended December 31, 2020, decreased by ¥248.0 billion, or 59.2%, to ¥171.2 billion from ¥419.2 billion for the corresponding period of the previous year. The Group pays the majority of its taxes outside Japan. In addition to the high corporate tax rates imposed in a number of regions, the Group is generally unable to deduct expenses incurred in Japan for such taxes. Despite the positive effects attributable to the application of the foreign tax credit system, this situation resulted in a high effective income tax rate.

Net income (loss) attributable to non-controlling interests

Net income attributable to non-controlling interests for the year ended December 31, 2020, was ¥7.8 billion. Meanwhile, net loss attributable to non-controlling interests for the corresponding period of the previous year, was ¥8.1 billion.

Net income (loss) attributable to owners of parent

As a result of the above, net loss attributable to owners of parent for the year ended December 31, 2020, was ¥111.6 billion. Meanwhile, net income attributable to owners of parent for the corresponding period of the previous year, was ¥167.3 billion.

FINANCIAL POSITION

Total assets as of December 31, 2020, decreased by ¥215.4 billion, or 4.4%, to ¥4,634.5 billion from ¥4,849.9 billion as of December 31, 2019. Current assets decreased by ¥32.7 billion, or 7.8%, to ¥387.0 billion from ¥419.8 billion due to a decrease in accounts receivable—trade and others. Fixed assets decreased by ¥182.7 billion, or 4.1%, to ¥4,247.4 billion from ¥4,430.1 billion as of December 31, 2019, due to decreases in tangible fixed assets and intangible fixed assets and others.

Meanwhile, total liabilities increased by ¥80.3 billion, or 5.2%, to ¥1,633.1 billion from ¥1,552.8 billion as of December 31, 2019. Current liabilities decreased by ¥62.1 billion, or 15.5%, to ¥339.2 billion from ¥401.4 billion as of December 31, 2019. Long-term liabilities increased by ¥142.5 billion, or 12.4%, to ¥1,293.8 billion from ¥1,151.3 billion as of December 31, 2019.

Net assets decreased by ¥295.8 billion, or 9.0%, to ¥3,001.3 billion from ¥3,297.1 billion as of December 31, 2019. Total shareholders' equity decreased by ¥155.5 billion, or 5.7%, to ¥2,567.2 billion from ¥2,722.7 billion as of December 31, 2019. Total accumulated other comprehensive income decreased by ¥148.7 billion, or 46.8%, to ¥169.2 billion from ¥317.9 billion as of December 31, 2019, and non-controlling interests increased by ¥8.3 billion, or 3.3%, to ¥264.7 billion from ¥256.4 billion as of December 31, 2019.

INVESTMENT AND FUNDING

■ Investments in upstream oil and gas projects

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

- Exploration expenditures include the costs of exploratory drilling and any geological or geophysical studies. The costs of local personnel and office operations and related administrative expenses are also included in this category if a project (or contract area) is in the exploration phase.
- Development expenditures include the costs of development drilling, any production facilities and acquisition of participating interests.
- Operating expenses include the costs of well operations, maintenance and the supervision of production activities. This category also includes the administrative expenses for the project (or contract area) if it contains a field in active production.
- Discrepancies exist between the standards stipulated in U.S. FASB Accounting Standards Codification Topic 932, "Extractive Industries—Oil and Gas (Topic 932)," and both the Group's definitions of exploration and development expenditures and the standards used in preparing the following tables. The following is a partial list of the discrepancies between the Group's accounting policies and Topic 932.

– Group expenditures relating to the PSC-governed joint ventures where the Group is not the operator are disclosed on a cash basis rather than an accrual basis as required by Topic 932.
– The tables below have been prepared based on the cost definitions used by operators in their reporting, which may not be consistent with Topic 932.
– Topic 932 requires that administrative costs not directly related to exploration and development activities be excluded from exploration and development expenditures, whereas such administrative costs are not necessarily excluded from those expenditures under the Group's accounting policies.

The table below shows the Group's exploration and development costs and other expenditures (excluding capitalized interest costs and asset retirement costs corresponding to asset retirement obligations capitalized under fixed assets) by segment for the years ended December 31, 2019 and 2020.

(Millions of yen)

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

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

(Millions of yen)

Year ended December 31, 2020	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Total
INPEX CORPORATION and Consolidated Subsidiaries						
Exploration	¥ 930	¥ 3,961	¥ (589)	¥ 5,682	¥ 793	¥ 10,777
Development	2,061	62,262	24,617	52,386	13,532	154,860
Subtotal	2,992	66,223	24,027	58,069	14,325	165,638
Equity-method affiliates						
Exploration	—	—	26	—	—	26
Development	—	1,470	1,653	917	—	4,042
Subtotal	—	1,470	1,680	917	—	4,069
Other capital expenditures*	2,706	12,546	—	—	—	15,252
Total	¥5,698	¥80,240	¥25,707	¥58,987	¥14,325	¥184,959

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

Total investments for the year ended December 31, 2020, decreased by ¥64.0 billion, or 25.7%, to ¥184.9 billion (including ¥4.0 billion for exploration and development by equity-method affiliates) from ¥249.0 billion for the year ended December 31, 2019. This was mainly due to a decrease in expenditures in the Asia & Oceania region and the America region.

The table below shows the Group's operating expenses by segment for the years ended December 31, 2019 and 2020.

(Millions of yen, %)

	2019/12		2020/12	
INPEX CORPORATION and Consolidated Subsidiaries				
Japan	¥ 9,045	9.9%	¥10,931	9.6%
Asia & Oceania	30,842	33.8	44,393	38.9
Eurasia (Europe & NIS)	12,542	13.7	14,285	12.5
Middle East & Africa	37,367	40.9	41,744	36.6
Americas	1,576	1.7	2,709	2.4
Subtotal	91,374	100.0	114,065	100.0
Equity-method affiliates				
Asia & Oceania	342	6.8	2,972	49.7
Eurasia (Europe & NIS)	283	5.7	460	7.7
Middle East & Africa	2,468	49.2	2,548	42.6
Americas	1,924	38.3	—	—
Subtotal	5,018	100.0	5,981	100.0
Total	¥96,393	—%	¥120,046	—%

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 December 31, 2019 and 2020.

(Millions of yen)

	2019/12	2020/12
Balance at beginning of the year	¥568,059	¥568,377
Add: Exploration costs	3,203	3,584
Development costs	27,054	28,865
Operating expenses	13,078	17,188
Other	7,781	6,184
Less: Cost recovery—capital expenditures	(32,261)	(34,691)
Cost recovery—operating expenditures	(12,255)	(13,965)
Other	(6,283)	—
Balance at end of the year	568,377	575,544
Allowance for recoverable accounts under production sharing at end of the year	¥ (66,897)	¥ (69,441)

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

Exploration costs for the year ended December 31, 2020, was ¥3.5 billion. This was mainly due to exploration expenditures in the Middle East & Africa region.

Development costs for the year ended December 31, 2020, was ¥28.8 billion. This was mainly due to development expenditures in the Asia & Oceania region and the Eurasia region.

Operating expenses for the year ended December 31, 2020, was ¥17.1 billion. This was mainly due to operating expenses in the Eurasia region.

Cost recovery for the year ended December 31, 2020, was ¥48.6 billion. This was mainly due to cost recovery in the Eurasia region.

The allowance for recoverable accounts under production sharing as of December 31, 2020, increased compared with December 31, 2019. This was mainly due to additional provision for allowance in connection with exploration expenditures.

Funding sources and liquidity

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

The Ichthys downstream entity (Ichthys LNG Pty Ltd, an equity-method affiliate), as the borrower, has utilized external loans from export credit agencies and commercial banks for project financing and others. In the year ended December 31, 2020, in addition to development activities, the Group borrowed from Development Bank of Japan Inc. and Japan Bank for International Cooperation in order to strengthen the Group's financial foundation under the environment with low oil prices, and also tried to reduce financial costs by the refinance of Ichthys LNG Project Finance.

The Group's basic liquidity policy is to maintain sufficient cash on hand to provide for steep falls in oil and gas prices. In addition, the Group has concluded commitment line contracts with multiple financial institutions to secure the line of credit.

As of December 31, 2020, total of short-term borrowings and long-term debt was ¥12.3 billion, and total of cash and cash equivalents was ¥1.7 billion.

Cash flows

Cash flows for the years ended December 31, 2019 and 2020, are summarized as follows:
Due to the change of the year-end, the year ended December 31, 2019 was a nine-month transition period. Therefore, the change from the previous year is not displayed.

(Millions of yen)

	2019/12	2020/12
Net cash provided by (used in) operating activities	¥ 274,730	¥ 292,915
Net cash provided by (used in) investing activities	(288,740)	(417,189)
Net cash provided by (used in) financing activities	(48,615)	126,747
Cash and cash equivalents at end of the period	¥ 173,774	¥ 172,405

Net cash provided by (used in) operating activities
Net cash provided by operating activities is ¥292.9 billion mainly due to impairment loss and depreciation and amortization (non-cash), despite income taxes paid.

Net cash provided by (used in) investing activities
Net cash used in investing activities is ¥417.1 billion mainly due to payments for purchases of long-term loans receivable and tangible fixed assets.

Net cash provided by (used in) financing activities
Net cash provided by financing activities is ¥126.7 billion mainly due to proceeds from long-term debt.

Consolidated Balance Sheet

INPEX CORPORATION and Consolidated Subsidiaries
December 31, 2020

ASSETS	Millions of yen 2019/12	Millions of yen 2020/12	Thousands of U.S. dollars (Note 3) 2020/12
Current assets			
Cash and cash equivalents (Note 6)	¥ 173,774	¥ 172,405	$ 1,665,426
Time deposits	23	10,573	102,134
Accounts receivable—trade (Notes 4 and 6)	148,765	83,810	809,602
Inventories (Note 6)	38,987	34,299	331,327
Accounts receivable—other (Note 4)	47,057	40,748	393,624
Other (Note 6)	24,962	57,481	555,264
Less allowance for doubtful accounts	(13,768)	(12,225)	(118,093)
Total current assets	419,802	387,093	3,739,306
Tangible fixed assets			
Buildings and structures	401,995	402,332	3,886,514
Wells (Note 6)	609,007	651,938	6,297,700
Machinery, equipment and vehicles (Note 6)	1,636,502	1,679,940	16,228,168
Land (Note 6)	18,596	18,591	179,588
Construction in progress (Note 6)	552,866	385,405	3,723,000
Other	29,540	50,688	489,644
	3,248,507	3,188,897	30,804,646
Less accumulated depreciation and amortization	(973,135)	(1,119,114)	(10,810,606)
Total tangible fixed assets	2,275,372	2,069,783	19,994,039
Intangible assets			
Goodwill (Note 17)	42,206	35,445	342,397
Exploration and development rights	155,108	156,787	1,514,557
Mining rights	333,246	245,016	2,366,846
Other	4,770	4,587	44,310
Total intangible assets	535,330	441,837	4,268,131
Investments and other assets			
Recoverable accounts under production sharing	568,377	575,544	5,559,737
Less allowance for recoverable accounts under production sharing	(66,897)	(69,441)	(670,797)
	501,479	506,102	4,888,929
Investment securities (Notes 4, 5 and 6)	378,527	297,867	2,877,386
Long-term loans receivable (Note 6)	718,976	911,424	8,804,327
Deferred tax assets (Note 7)	7,471	10,237	98,889
Other (Note 6)	16,247	13,231	127,811
Less allowance for doubtful accounts	(818)	(600)	(5,795)
Less allowance for investments in exploration	(2,395)	(2,460)	(23,763)
Total investments and other assets	1,619,489	1,735,804	16,767,812
Total fixed assets	4,430,192	4,247,424	41,029,984
Total assets	¥4,849,995	¥4,634,518	$44,769,300

See accompanying notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of yen 2019/12	Millions of yen 2020/12	Thousands of U.S. dollars (Note 3) 2020/12
Current liabilities			
Accounts payable—trade	¥ 21,798	¥ 15,090	$ 145,768
Short-term borrowings and current portion of long-term debt (Notes 4, 6 and 12)	166,831	175,133	1,691,779
Income taxes payable (Note 7)	43,190	12,676	122,449
Accounts payable—other	97,241	70,478	680,815
Accrued bonuses	1,334	1,415	13,668
Accrued bonuses to officers	108	54	521
Provision for loss on business	8,635	9,351	90,330
Provision for exploration projects	11,808	9,496	91,731
Asset retirement obligations (Note 16)	780	1,475	14,248
Other	49,754	44,116	426,159
Total current liabilities	401,483	339,288	3,277,511
Long-term liabilities			
Long-term debt (Notes 4, 6, 11 and 12)	950,948	1,059,713	10,236,794
Deferred tax liabilities (Note 7)	44,305	32,594	314,857
Provision for stocks payment	42	71	685
Accrued special repair and maintenance	537	577	5,573
Liability for retirement benefits (Note 15)	8,011	8,158	78,806
Asset retirement obligations (Note 16)	136,101	172,147	1,662,934
Other	11,388	20,627	199,256
Total long-term liabilities	1,151,334	1,293,890	12,498,937
Total liabilities	1,552,818	1,633,178	15,776,448
Net assets (Note 9)			
Common stock	290,809	290,809	2,809,205
Authorized 2019/12 — 3,600,000,001 shares			
2020/12 — 3,600,000,001 shares			
Issued 2019/12 — 1,462,323,601 shares			
2020/12 — 1,462,323,601 shares			
Capital surplus	674,374	674,374	6,514,431
Retained earnings	1,763,034	1,607,524	15,528,632
Less: Treasury stock 2019/12 — 2,121,916 shares; 2020/12 — 2,119,096 shares	(5,432)	(5,428)	(52,434)
Total shareholders' equity	2,722,786	2,567,279	24,799,835
Unrealized holding gain (loss) on securities	5,570	2,091	20,198
Unrealized gain (loss) from hedging instruments	(18,128)	(54,054)	(522,159)
Translation adjustments	330,546	221,224	2,137,017
Total accumulated other comprehensive income	317,988	169,261	1,635,056
Non-controlling interests	256,400	264,798	2,557,940
Total net assets	3,297,176	3,001,339	28,992,841
Contingent liabilities (Note 19)			
Total liabilities and net assets	¥4,849,995	¥4,634,518	$44,769,300

Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Consolidated Statement of Income

INPEX CORPORATION and Consolidated Subsidiaries
For the year ended December 31, 2020

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019/12	2020/12	2020/12
Net sales	¥1,000,005	¥ 771,046	$ 7,448,280
Cost of sales (Note 13)	424,702	439,852	4,248,956
Gross profit	575,303	331,194	3,199,323
Exploration expenses	15,426	9,074	87,654
Selling, general and administrative expenses (Notes 13, 15 and 17)	49,783	58,815	568,151
Depreciation and amortization	11,451	14,832	143,276
Operating income	498,641	248,471	2,400,222
Other income			
Interest income	2,422	33,480	323,415
Dividend income	3,240	6,733	65,040
Gain on sales of investment securities	4,981	—	—
Equity in earnings of affiliates	23,313	—	—
Guarantee commission received	235	6,650	64,238
Foreign exchange gain	2,481	—	—
Other	8,094	16,938	163,620
Total other income	44,768	63,803	616,335
Other expenses			
Interest expense	21,856	19,092	184,428
Loss on valuation of investment securities	3,497	6,556	63,330
Equity in losses of affiliates	—	12,999	125,569
Provision for allowance for recoverable accounts under production sharing	3,115	2,566	24,787
Provision for exploration projects	—	2	19
Foreign exchange loss	—	8,209	79,298
Impairment loss (Note 14)	796	189,940	1,834,814
Other	3,851	5,514	53,265
Total other expenses	33,117	244,880	2,365,533
Income before income taxes	510,292	67,394	651,023
Income taxes (Note 7)			
Current	361,180	184,127	1,778,661
Deferred	24,545	(12,926)	(124,864)
Total income taxes	385,725	171,200	1,653,786
Net income (loss)	124,566	(103,806)	(1,002,762)
Net income attributable to non-controlling interests	1,015	7,893	76,246
Net income (loss) attributable to owners of parent	¥ 123,550	¥(111,699)	$(1,079,008)

Consolidated Statement of Comprehensive Income

INPEX CORPORATION and Consolidated Subsidiaries
For the year ended December 31, 2020

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019/12	2020/12	2020/12
Net income (loss)	¥ 124,566	¥ (103,806)	$ (1,002,762)
Other comprehensive income			
Unrealized holding gain (loss) on securities	2,685	(3,483)	(33,645)
Unrealized gain (loss) from hedging instruments	(192)	281	2,714
Translation adjustments	(29,557)	(109,917)	(1,061,794)
Share of other comprehensive income of affiliates accounted for by the equity-method	(24,608)	(39,904)	(385,471)
Total other comprehensive income (Note 8)	(51,674)	(153,024)	(1,478,207)
Comprehensive income	72,892	(256,830)	(2,480,969)
Total comprehensive income attributable to:			
Owners of parent	72,922	(260,426)	(2,515,707)
Non-controlling interests	¥ (30)	¥ 3,596	$ 34,737

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

INPEX CORPORATION and Consolidated Subsidiaries

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

For the year ended December 31, 2019	Millions of yen / Accumulated other comprehensive income: Unrealized holding gain (loss) on securities	Unrealized gain (loss) from hedging instruments	Translation adjustments	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance as of April 1, 2019	¥2,832	¥ 6,359	¥359,426	¥368,617	¥251,103	¥3,257,584
Change in ownership interest of parent arising from transactions with non-controlling shareholders						800
Cash dividends paid						(39,429)
Net income attributable to owners of parent						123,550
Disposal of treasury stock						2
Net changes in items other than those in shareholders' equity	2,738	(24,487)	(28,879)	(50,628)	5,297	(45,330)
Total changes during the period	2,738	(24,487)	(28,879)	(50,628)	5,297	39,592
Balance as of December 31, 2019	¥5,570	¥(18,128)	¥330,546	¥317,988	¥256,400	¥3,297,176

For the year ended December 31, 2020	Millions of yen / Shareholders' equity: Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of January 1, 2020	¥290,809	¥674,374	¥1,763,034	¥(5,432)	¥2,722,786
Change in ownership interest of parent arising from transactions with non-controlling shareholders					—
Cash dividends paid			(43,810)		(43,810)
Net loss attributable to owners of parent			(111,699)		(111,699)
Disposal of treasury stock				3	3
Net changes in items other than those in shareholders' equity					
Total changes during the period	—	—	(155,510)	3	(155,507)
Balance as of December 31, 2020	¥290,809	¥674,374	¥1,607,524	¥(5,428)	¥2,567,279

For the year ended December 31, 2020	Millions of yen / Accumulated other comprehensive income: Unrealized holding gain (loss) on securities	Unrealized gain (loss) from hedging instruments	Translation adjustments	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance as of January 1, 2020	¥5,570	¥(18,128)	¥330,546	¥317,988	¥256,400	¥3,297,176
Change in ownership interest of parent arising from transactions with non-controlling shareholders						—
Cash dividends paid						(43,810)
Net loss attributable to owners of parent						(111,699)
Disposal of treasury stock						3
Net changes in items other than those in shareholders' equity	(3,479)	(35,926)	(109,322)	(148,727)	8,397	(140,329)
Total changes during the period	(3,479)	(35,926)	(109,322)	(148,727)	8,397	(295,836)
Balance as of December 31, 2020	¥2,091	¥(54,054)	¥221,224	¥169,261	¥264,798	¥3,001,339

For the year ended December 31, 2020	Thousands of U.S. dollars (Note 3) / Shareholders' equity: Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of January 1, 2020	$2,809,205	$6,514,431	$17,030,853	$(52,472)	$26,302,028
Change in ownership interest of parent arising from transactions with non-controlling shareholders					—
Cash dividends paid			(423,203)		(423,203)
Net loss attributable to owners of parent			(1,079,008)		(1,079,008)
Disposal of treasury stock				28	28
Net changes in items other than those in shareholders' equity					
Total changes during the period	—	—	(1,502,221)	28	(1,502,192)
Balance as of December 31, 2020	$2,809,205	$6,514,431	$15,528,632	$(52,434)	$24,799,835

For the year ended December 31, 2020	Thousands of U.S. dollars (Note 3) / Accumulated other comprehensive income: Unrealized holding gain (loss) on securities	Unrealized gain (loss) from hedging instruments	Translation adjustments	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance as of January 1, 2020	$53,806	$(175,115)	$3,193,064	$3,071,754	$2,476,816	$31,850,618
Change in ownership interest of parent arising from transactions with non-controlling shareholders						—
Cash dividends paid						(423,203)
Net loss attributable to owners of parent						(1,079,008)
Disposal of treasury stock						28
Net changes in items other than those in shareholders' equity	(33,607)	(347,044)	(1,056,047)	(1,436,698)	81,114	(1,355,573)
Total changes during the period	(33,607)	(347,044)	(1,056,047)	(1,436,698)	81,114	(2,857,766)
Balance as of December 31, 2020	$20,198	$(522,159)	$2,137,017	$1,635,056	$2,557,940	$28,992,841

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

INPEX CORPORATION and Consolidated Subsidiaries
For the year ended December 31, 2020

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019/12	2020/12	2020/12
Cash flows from operating activities			
Income before income taxes	¥ 510,292	¥ 67,394	$ 651,023
Depreciation and amortization	135,629	174,098	1,681,781
Impairment loss	796	189,940	1,834,814
Amortization of goodwill	5,022	6,760	65,301
Provision for allowance for recoverable accounts under production sharing	3,163	2,544	24,574
Provision for exploration projects	4,573	(1,907)	(18,421)
Other provisions	(446)	(777)	(7,505)
Liability for retirement benefits	1,780	186	1,796
Interest and dividend income	(5,662)	(40,214)	(388,465)
Interest expense	21,856	19,092	184,428
Foreign exchange loss (gain)	(747)	4,809	46,454
Equity in losses (earnings) of affiliates	(23,313)	12,999	125,569
Loss (gain) on sales of investment securities	(4,981)	—	—
Loss (gain) on valuation of investment securities	3,497	6,556	63,330
Recovery of recoverable accounts under production sharing (capital expenditures)	32,261	34,691	335,113
Recoverable accounts under production sharing (operating expenditures)	(5,471)	(7,101)	(68,595)
Accounts receivable—trade	(57,433)	61,756	596,561
Inventories	(760)	6,507	62,857
Accounts payable—trade	(10,393)	(6,612)	(63,871)
Accounts receivable—other	22,796	9,972	96,329
Accounts payable—other	(14,946)	(21,458)	(207,283)
Advances received	(14,269)	(148)	(1,429)
Other	16,153	1,852	17,890
Subtotal	619,398	520,941	5,032,273
Interest and dividends received	10,361	9,568	92,426
Interest paid	(17,601)	(19,494)	(188,311)
Income taxes paid	(337,428)	(218,099)	(2,106,829)
Net cash provided by (used in) operating activities	274,730	292,915	2,829,549
Cash flows from investing activities			
Payments for time deposits	(23)	(64,283)	(620,971)
Proceeds from time deposits	22	53,408	515,919
Payments for purchases of tangible fixed assets	(109,737)	(129,745)	(1,253,332)
Proceeds from sales of tangible fixed assets	249	404	3,902
Payments for purchases of intangible assets	(1,221)	(3,380)	(32,650)
Payments for purchases of investment securities	(1,032)	(429)	(4,144)
Proceeds from sales and redemptions of investment securities	3,136	1,318	12,731
Investment in recoverable accounts under production sharing (capital expenditures)	(36,679)	(35,039)	(338,475)
Decrease (increase) in short-term loans receivable	412	543	5,245
Long-term loans made	(113,751)	(84,829)	(819,445)
Collection of long-term loans receivable	5,299	40,108	387,442
Payments for purchases of long-term loans receivable	—	(201,769)	(1,949,082)
Payments for acquisitions of participating interests	(35,870)	(5,760)	(55,641)
Other	457	12,266	118,489
Net cash provided by (used in) investing activities	(288,740)	(417,189)	(4,030,032)
Cash flows from financing activities			
Increase (decrease) in short-term loans	—	92,107	889,750
Proceeds from long-term debt	79,037	238,564	2,304,520
Repayments of long-term debt	(89,842)	(158,903)	(1,534,998)
Proceeds from non-controlling interests for additional shares	10,173	8,900	85,973
Cash dividends paid	(39,432)	(43,796)	(423,068)
Cash dividends paid to non-controlling interests	(6,725)	(4,098)	(39,586)
Other	(1,827)	(6,026)	(58,210)
Net cash provided by (used in) financing activities	(48,615)	126,747	1,224,372
Effect of exchange rate changes on cash and cash equivalents	(3,253)	(3,842)	(37,113)
Net increase (decrease) in cash and cash equivalents	(65,878)	(1,368)	(13,214)
Cash and cash equivalents at beginning of the period	239,652	173,774	1,678,651
Cash and cash equivalents at end of the period	¥ 173,774	¥ 172,405	$ 1,665,426

See accompanying notes to consolidated financial statements.

Notes

INPEX CORPORATION and Consolidated Subsidiaries

1. BASIS OF PRESENTATION

The Company is primarily engaged in the research, exploration, development and production of crude oil and natural gas.

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

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

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

The Company has made certain reclassifications of the previous years' consolidated financial statements to conform to the presentation used for the year ended December 31, 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The Company changed its consolidated fiscal year-end from March 31 to December 31 following the approval for the Partial Amendments to the Articles of Incorporation at the Ordinary General Meeting of Shareholders held on June 25, 2019. As a result of this change, the year ended December 31, 2019 was a period of nine months from April 1, 2019 to December 31, 2019.

The fiscal year-ends of consolidated subsidiaries are now the same as the consolidated fiscal year-end.

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

(b) Cash equivalents

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

(c) Foreign currency translation

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

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

(d) Securities

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

(e) Derivatives

Derivatives are stated at fair value.

(f) Inventories

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

(g) Allowance for doubtful accounts

Allowance for doubtful accounts is provided at an amount determined based on the historical experience of bad debt with respect to ordinary receivables, plus an estimate of uncollectible amounts determined by reference to specific doubtful receivables from customers experiencing financial difficulties.

(h) Recoverable accounts under production sharing and related allowance

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

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

(i) Allowance for investments in exploration

Allowance for investments in exploration is provided for future potential losses on investments in exploration companies at an estimated amount based on the net assets of the investees.

(j) Tangible fixed assets (except leased assets)

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

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

(k) Intangible assets (except leased assets)

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

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

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

Capitalized computer software costs are amortized by the straight-line method over a period of 5 years.

(l) Leased assets

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

(m) Accrued bonuses

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

(n) Accrued bonuses to officers

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

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

(p) Provision for exploration projects
Provision for exploration projects is provided for future expenditures as of December 31, 2020, of consolidated subsidiaries at the exploration stage based on a schedule of investments in exploration.

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

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

(s) Accounting for retirement benefits
(Method of attributing expected retirement benefits to proper periods)
When calculating retirement benefit obligations, the benefit formula method is used for attributing expected retirement benefits to periods through December 31, 2020. Because certain subsidiaries are classified as small enterprises, a simplified method (the amount which would be required to be paid if all active employees voluntarily terminated their employment as of the balance sheet date) is applied for the calculation of the retirement benefit obligation for those subsidiaries.
(Method of recognizing for actuarial differences)
Actuarial gains and losses are charged or credited to income as incurred.

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

(u) Hedge accounting
(Hedge accounting method)
Deferral hedge accounting is applied.
(Hedging instruments and hedged items)
Hedging instruments are interest rate currency swaps.
Hedged items are liabilities denominated in Japanese yen.
(Hedging policy)
Derivative transactions are limited to the scope of actual demands. And the Company does not engage in speculative derivative transactions.
(Assessment of the effectiveness of hedge accounting)
The Company assesses the effectiveness of hedge accounting by verifying the relationship between the hedging instruments and hedged items.

(v) Research and development expenses
Research and development expenses are charged to income as incurred.

(w) 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.

(x) Standards issued but not effective
- "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan ("ASBJ") Statement No.29, issued on March 31, 2020)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No.30, issued on March 31, 2020)

(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.
(Impact of adopting standards)
The impact of adopting the accounting standard and guidance on consolidated financial statements is now under evaluation.

- "Accounting Standard for Fair Value Measurement" (ASBJ Statement No.30, issued on July 4, 2019)
- "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No.31, issued on July 4, 2019)
- "Accounting Standard for Measurement of Inventories" (ASBJ Statement No.9, revised on July 4, 2019)
- "Accounting Standard for Financial Instruments" (ASBJ Statement No.10, revised on July 4, 2019)
- "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No.19, revised on March 31, 2020)

(Overview)
To enhance comparability with international accounting standards, ASBJ developed "Accounting Standard for Fair Value Measurement" and "Implementation Guidance on Accounting Standard for Fair Value Measurement", and established certain guidelines about fair value measurement. These apply to the following items.
· Financial instruments based on "Accounting Standard for Financial Instruments"
· Inventories held for trading based on "Accounting Standard for Measurement of Inventories"
In addition, ASBJ revised "Implementation Guidance on Disclosures about Fair Value of Financial Instruments", which requires information in the notes about breakdown of fair value of financial instruments.
(Scheduled effective date)
The accounting standard and guidance are scheduled to take effect from the beginning of the year ending December 31, 2022.
(Impact of adopting standards)
The impact of adopting the accounting standard and guidance on the consolidated financial statements is now under evaluation.

- "Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections" (ASBJ Statement No.24, revised on March 31, 2020)

(Overview)
The purpose is to outline accounting principles and procedures adopted, when the related accounting standards are not clearly defined.
(Scheduled effective date)
The accounting standard is scheduled to take effect from the end of the year ending December 31, 2022.

- "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No.31, issued on March 31, 2020)

(Overview)
The purpose is to disclose useful information for users of financial statements, which is about accounting estimates of the current fiscal year having significant influence on financial statements for the next fiscal year.
(Scheduled effective date)
The accounting standard is scheduled to take effect from the end of the year ending December 31, 2022.

(y) Additional information
(Accounting estimates for the impact of the spread of COVID-19)
The Group's consolidated financial statements include the management's estimates and assumptions, which have an impact on the amount of assets, liabilities, revenue and expenses.
These estimates and assumptions are based on the management's best judgment that considers various factors which seem reasonable as of December 31, 2020, such as the impact of the spread of COVID-19 and the fluctuations of crude oil prices due to trends in oil-producing countries. The average price of Brent crude was US$43.2 in the year ended December 31, 2020, which was low, but the Group estimates that it will steadily recover after the year ending December 31, 2021. However, there is a possibility that actual results may be different from the estimates and assumptions because of their uncertainty.
The assessment of impairment loss on fixed assets is the item on which the estimates and assumptions have an especially significant impact in the Group.

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 ¥103.52=US$1.00, the approximate exchange rate in effect as of December 31, 2020. 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 in consideration of being low-risk and high-liquidity. The Company uses derivative transactions only to manage 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 is 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 as necessary considering the project statuses.

(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. Regarding the Group's hedge accounting, hedging instruments, hedged items, hedging policy and assessment of the effectiveness of hedge accounting are described in "(u) Hedge accounting" of "2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES".

(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 December 31, 2019 and 2020 is as follows:

	Millions of yen		
December 31, 2019	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities with carrying values exceeding their acquisition costs			
Stock	¥15,935	¥20,103	¥ 4,168
Other	2,178	6,200	4,021
Subtotal	18,114	26,303	8,189
Securities with acquisition costs exceeding their carrying values			
Stock	23,691	22,409	(1,282)
Subtotal	23,691	22,409	(1,282)
Total	¥41,806	¥48,713	¥ 6,907

	Millions of yen			Thousands of U.S. dollars		
December 31, 2020	Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities with carrying values exceeding their acquisition costs						
Stock	¥ 2,863	¥ 4,399	¥ 1,536	$ 27,656	$ 42,494	$ 14,837
Other	2,178	7,198	5,019	21,039	69,532	48,483
Subtotal	5,041	11,598	6,556	48,695	112,036	63,330
Securities with acquisition costs exceeding their carrying values						
Stock	30,385	26,810	(3,575)	293,518	258,983	(34,534)
Subtotal	30,385	26,810	(3,575)	293,518	258,983	(34,534)
Total	¥35,427	¥38,408	¥ 2,981	$342,223	$371,020	$ 28,796

(b) There is no information regarding sales of securities classified as other securities for the years ended December 31, 2019 and 2020.

(c) Components of securities for which it is extremely difficult to determine fair value as of December 31, 2019 and 2020 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2019/12	2020/12	2020/12
Unlisted securities	¥ 23,256	¥ 21,691	$ 209,534
Stocks of subsidiaries and affiliates	306,557	237,767	2,296,821
Total	¥329,814	¥259,458	$2,506,356

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

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

(a) Short-term borrowings as of December 31, 2019 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019/12	2020/12	2020/12
Short-term borrowings from banks and others			
(Interest rate is 4.498% at December 31, 2019) (Interest rate ranging from 0.503% to 4.498% at December 31, 2020)	¥4,754	¥93,614	$904,308

(b) Long-term debt as of December 31, 2019 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019/12	2020/12	2020/12
Loans from banks and others, due through 2035			
(Interest rates ranging from 0.028% to 3.982% and from 0.035% to 2.589% at December 31, 2019 and 2020)	¥1,113,025	¥1,141,233	$11,024,275
Less: Current portion	162,077	81,519	787,471
Amounts on the consolidated balance sheet	¥ 950,948	¥1,059,713	$10,236,794

(c) Assets pledged as of December 31, 2019 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019/12	2020/12	2020/12
Cash and cash equivalents	¥ 31,072	¥ 35,714	$ 344,996
Accounts receivable—trade	12,344	10,378	100,251
Inventories	12,798	15,338	148,164
Wells	224,663	231,086	2,232,283
Machinery, equipment and vehicles	1,181,680	1,067,388	10,310,935
Land	146	138	1,333
Construction in progress	41,453	55,495	536,079
Investment securities	202,344	144,009	1,391,122
Long-term loans receivable	673,576	722,546	6,979,772
Other	7,068	22,253	214,963
Total	¥2,387,149	¥2,304,349	$22,259,940

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

(d) The aggregate annual maturities of long-term debt subsequent to December 31, 2020 are summarized as follows:

Years ending December 31,	Millions of yen	Thousands of U.S. dollars
2021	¥ 81,519	$ 787,471
2022	139,255	1,345,198
2023	91,317	882,119
2024	137,149	1,324,855
2025	217,365	2,099,739
2026 and thereafter	474,625	4,584,862
Total	¥1,141,233	$11,024,275

7. INCOME TAXES

The Company and its domestic consolidated subsidiaries are subject to income taxes which, in the aggregate, resulted in a statutory tax rate of approximately 28.0% for the years ended December 31, 2019 and 2020.

(a) The effective tax rates reflected in the consolidated statement of income for the years ended December 31, 2019 and 2020 differ from the statutory tax rate for the following reasons:

	2019/12	2020/12
Statutory tax rate	28.0%	28.0%
Effect of:		
Permanently non-taxable expenses such as entertainment expenses	0.4	2.7
Permanently non-taxable income such as dividends income	(0.1)	(2.1)
Valuation allowance	0.0	47.2
Foreign taxes	26.3	142.7
Foreign tax credits	(7.8)	(3.2)
Adjustment of deducted amounts of foreign taxes	(0.4)	(38.5)
Amortization of goodwill	0.3	2.9
Differences of effective tax rates applied to tax effect accounting (domestic subsidiaries)	(0.7)	(24.2)
Differences of effective tax rates applied to tax effect accounting (overseas subsidiaries)	25.4	81.7
Retained earnings of certain subsidiaries	0.1	9.3
Reversal of translation adjustments	—	7.7
Other	4.1	(0.2)
Effective tax rates	75.6%	254.0%

(b) The significant components of deferred tax assets and liabilities as of December 31, 2019 and 2020 are described below.

	Millions of yen		Thousands of U.S. dollars
	2019/12	2020/12	2020/12
Deferred tax assets			
Exploration expenditures	¥ 52,084	¥ 53,622	$ 517,986
Loss on valuation of investment securities	3,013	4,059	39,209
Recoverable accounts under production sharing (foreign taxes)	1,567	2,821	27,250
Allowance for investments in exploration	670	688	6,646
Foreign taxes payable	48,454	14,782	142,793
Net operating loss carry-forwards*1	351,779	399,633	3,860,442
Accumulated depreciation	26,378	27,489	265,542
Liability for retirement benefits	2,583	2,632	25,425
Provision for loss on business	2,418	2,618	25,289
Translation differences of assets and liabilities denominated in foreign currencies	10,986	2,883	27,849
Asset retirement obligations	14,091	15,550	150,212
Allowance for doubtful accounts	3,665	3,613	34,901
Impairment loss	37,622	41,147	397,478
Other	47,892	56,319	544,039
Total gross deferred tax assets	603,208	627,864	6,065,146
Valuation allowance for net operating loss carry-forwards*1	(237,616)	(270,477)	(2,612,799)
Valuation allowance for total amount of deductible temporary difference and others	(210,676)	(181,883)	(1,756,984)
Total valuation allowance	(448,292)	(452,360)	(4,369,783)
Total deferred tax assets	154,915	175,504	1,695,363
Deferred tax liabilities			
Foreign taxes	(176,021)	(173,016)	(1,671,329)
Translation differences of assets and liabilities denominated in foreign currencies	(7)	(517)	(4,994)
Translation differences due to an application of purchase accounting method	(6,799)	(5,347)	(51,651)
Reserve for exploration	(3,245)	(3,650)	(35,258)
Unrealized holding gain on securities	(1,422)	(979)	(9,457)
Other	(4,254)	(14,350)	(138,620)
Total deferred tax liabilities	(191,750)	(197,861)	(1,911,331)
Net deferred tax assets (liabilities)	¥ (36,834)	¥ (22,356)	$ (215,958)

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

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

December 31, 2020	Millions of yen				
	1 year or less	More than 1 year and up to 5 years	More than 5 years and up to 10 years	More than 10 years*b	Total
Net operating loss carry-forwards*a	¥ 495	¥ 66,041	¥ 34,977	¥ 298,118	¥ 399,633
Valuation allowance	(479)	(27,264)	(20,102)	(222,630)	(270,477)
Deferred tax assets	¥ 16	¥ 38,776	¥ 14,874	¥ 75,488	¥ 129,156

December 31, 2020	Thousands of U.S. dollars				
	1 year or less	More than 1 year and up to 5 years	More than 5 years and up to 10 years	More than 10 years*b	Total
Net operating loss carry-forwards*a	$ 4,781	$ 637,954	$ 337,876	$ 2,879,810	$ 3,860,442
Valuation allowance	(4,627)	(263,369)	(194,184)	(2,150,598)	(2,612,799)
Deferred tax assets	$ 154	$ 374,574	$ 143,682	$ 729,211	$ 1,247,642

*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 December 31, 2019 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019/12	2020/12	2020/12
Unrealized holding gain (loss) on securities			
Amount recognized during the period	¥ 469	¥ (10,304)	$ (99,536)
Amount of reclassification adjustments	2,994	6,378	61,611
Before income tax effect	3,464	(3,926)	(37,925)
Amount of income tax effect	(778)	442	4,269
	2,685	(3,483)	(33,645)
Unrealized gain (loss) from hedging instruments			
Amount recognized during the period	(192)	281	2,714
	(192)	281	2,714
Translation adjustments			
Amount recognized during the period	(27,041)	(128,446)	(1,240,784)
Amount of reclassification adjustment	(2,516)	18,528	178,979
	(29,557)	(109,917)	(1,061,794)
Share of other comprehensive income of affiliates accounted for by the equity-method			
Amount recognized during the period	(22,298)	(49,668)	(479,791)
Amount of reclassification adjustments	(2,310)	9,763	94,310
	(24,608)	(39,904)	(385,471)
Total other comprehensive income	¥(51,674)	¥(153,024)	$(1,478,207)

9. NET ASSETS

The total number of the Company's shares issued consisted of 1,462,323,600 shares of common stock and 1 Class A stock as of December 31, 2020.

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

- Appointment or removal of Directors
- Disposition of all or a portion of material assets
- Amendments to the Articles of Incorporation relating to the Company's business objectives and granting voting rights to any shares other than the common shares of the Company
- Business integration
- Capital reduction
- Company dissolution

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

The Company conducted a stock split at a ratio of 1:400 of common stock with October 1, 2013 as the effective date, but for Class A stock, no stock split was conducted. The Articles of Incorporation specifies that dividends of Class A stock are equivalent to dividends of a common stock prior to the stock split. The cash dividends of Class A stock for the year ended December 31, 2020 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 December 31, 2019 and 2020 are as follows:

	Yen		U.S. dollars
	2019/12	2020/12	2020/12
Net assets excluding non-controlling interests per share	¥2,082.43	¥1,874.08	$18.10
Cash dividends per share	30.00	24.00	0.23
Net income (loss) per share	¥ 84.61	¥ (76.50)	$ (0.74)

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 shares of common stock outstanding at the year end.

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

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

For the purpose of computing net assets excluding non-controlling interests per share, the Company's shares held by "the Board Incentive Plan Trust"* recorded as treasury stock under shareholders' equity are included in the treasury stock to be deducted from the total number of shares issued at the end of the period. Additionally, in computing net income (loss) per share, above shares of the Company are included in the treasury stock to be deducted from the average number of shares during the period. The numbers of shares of treasury stock deducted from the total number of shares issued at the end of the period in computing net assets excluding non-controlling interests per share were 155,416 shares and 152,569 shares as of December 31, 2019 and 2020 respectively. The numbers of shares of treasury stock deducted from the average number of shares during the period in computing net income (loss) per share were 156,113 shares and 153,372 shares for the years ended December 31, 2019 and 2020 respectively.

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

11. DERIVATIVE TRANSACTIONS

(a) Derivatives not subject to hedge accounting
Contract amounts, fair value and valuation gain (loss) regarding derivatives not subject to hedge accounting as of December 31, 2019 and 2020 are as follows:

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

	Millions of yen			
December 31, 2020	Contract amounts	Due after one year	Fair value	Valuation gain (loss)
Foreign exchange forwards*				
Sell (CAD) Buy (USD)	¥ 43,920	¥ —	¥ (314)	¥ (314)
Interest rate currency swaps*				
Receive/floating/USD and pay/fixed/JPY	¥124,293	¥72,464	¥2,770	¥2,770

	Thousands of U.S. dollars			
December 31, 2020	Contract amounts	Due after one year	Fair value	Valuation gain (loss)
Foreign exchange forwards*				
Sell (CAD) Buy (USD)	$ 424,265	$ —	$ (3,033)	$ (3,033)
Interest rate currency swaps*				
Receive/floating/USD and pay/fixed/JPY	$1,200,666	$ 700,000	$26,758	$26,758

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

(b) Derivatives subject to hedge accounting
There are no derivatives subject to hedge accounting as of December 31, 2019.

Contract amounts, fair value and valuation gain (loss) regarding derivatives subject to hedge accounting as of December 31, 2020 are as follows:

		Millions of yen		
December 31, 2020	Principal items hedged	Contract amounts	Due after one year	Fair value
Interest rate currency swaps* Receive/floating/USD and pay/fixed/JPY	Liabilities (JPY)	¥124,293	¥72,464	¥107

		Thousands of U.S. dollars		
December 31, 2020	Principal items hedged	Contract amounts	Due after one year	Fair value
Interest rate currency swaps* Receive/floating/USD and pay/fixed/JPY	Liabilities (JPY)	$1,200,666	$700,000	$1,033

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

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 December 31, 2019 and 2020 are as shown below. The following summary also excludes cash and cash equivalents, time deposits, and accounts receivable—trade for which fair values approximate their carrying amounts.

	Millions of yen	
December 31, 2019	Carrying value	Estimated fair value
Short-term borrowings and current portion of long-term debt	¥166,831	¥165,326
Long-term debt	¥950,948	¥940,857

	Millions of yen		Thousands of U.S. dollars	
December 31, 2020	Carrying value	Estimated fair value	Carrying value	Estimated fair value
Long-term loans receivable	¥ 911,424	¥ 917,926	$ 8,804,327	$ 8,867,136
Short-term borrowings and current portion of long-term debt	175,133	174,600	1,691,779	1,686,630
Long-term debt	¥1,059,713	¥1,053,580	$10,236,794	$10,177,550

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

(Long-term loans receivable)
The estimated fair value of long-term loans receivable 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.

(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 ¥442 million and ¥483 million ($4,665 thousand) for the years ended December 31, 2019 and 2020, respectively.

14. IMPAIRMENT LOSS

For the year ended December 31, 2019
Disclosure has been omitted because it does not have significant impact on the consolidated financial statements.

For the year ended December 31, 2020
The Company groups mining area and other assets as a basic unit that generates cash flows independently of other groups of assets. In light of the substantial decline in crude oil prices resulting from the COVID-19-induced reduction in global energy demand and other factors, the recoverable amount of these groups of assets was expected to decrease; therefore, the Company reduced the respective carrying amounts of the assets listed below to the recoverable amounts, posting the reductions as impairment loss.

Use	Location	Classification	Impairment loss: Millions of yen	Impairment loss: Thousands of U.S. dollars
Assets related to Prelude FLNG Project	Commonwealth of Australia	Construction in progress	¥ 97,097	$ 937,954
		Mining rights	31,965	308,780
		Subtotal	129,062	1,246,734
Assets related to Tight Oil Project (Eagle Ford)	Texas, United States	Wells	11,178	107,979
		Machinery, equipment and vehicles	1,595	15,407
		Mining rights	20,462	197,662
		Subtotal	33,235	321,049
Assets related to Lucius Oil Field	Gulf of Mexico, United States	Wells	3,553	34,321
		Machinery, equipment and vehicles	2,421	23,386
		Mining rights	12,719	122,865
		Subtotal	18,693	180,573
Other			8,948	86,437
Total			¥189,940	$1,834,814

The recoverable amount of the assets related to Prelude FLNG Project, Tight Oil Project (Eagle Ford) and Lucius Oil Field is reasonably estimated by discounting the future cash flows at a rate of 7.9-10.7%.

15. RETIREMENT BENEFITS

Retirement benefits for the years ended December 31, 2019 and 2020 are as follows:

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

	Millions of yen		Thousands of U.S. dollars
	2019/12	2020/12	2020/12
Balance at beginning of the period	¥21,611	¥23,413	$226,168
Service cost	778	1,176	11,360
Interest cost	166	91	879
Actuarial loss (gain)	1,740	(307)	(2,965)
Retirement benefits paid	(882)	(1,107)	(10,693)
Balance at end of the period	¥23,413	¥23,267	$224,758

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

	Millions of yen		Thousands of U.S. dollars
	2019/12	2020/12	2020/12
Balance at beginning of the period	¥16,047	¥16,147	$155,979
Expected return on plan assets	200	270	2,608
Actuarial gain (loss)	14	(397)	(3,835)
Contributions to the plans	469	565	5,457
Retirement benefits paid	(585)	(694)	(6,704)
Balance at end of the period	¥16,147	¥15,891	$153,506

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

	Millions of yen		Thousands of U.S. dollars
	2019/12	2020/12	2020/12
Balance at beginning of the period	¥702	¥744	$7,187
Retirement benefit expenses	142	185	1,787
Retirement benefits paid	(57)	(65)	(627)
Contributions to the plans	(14)	(17)	(164)
Other	(27)	(64)	(618)
Balance at end of the period	¥744	¥782	$7,554

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

	Millions of yen		Thousands of U.S. dollars
	2019/12	2020/12	2020/12
Retirement benefit obligations (funded plans)	¥23,640	¥23,512	$227,125
Plan assets at fair value	(16,343)	(16,090)	(155,428)
	7,296	7,421	71,686
Retirement benefit obligations (unfunded plans)	714	737	7,119
Net liability (asset) on consolidated balance sheet	8,011	8,158	78,806
Liability for retirement benefits	8,011	8,158	78,806
Net liability (asset) on consolidated balance sheet	¥ 8,011	¥ 8,158	$ 78,806

* Including plans applying simplified methods.

(5) Details of retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars
	2019/12	2020/12	2020/12
Service cost	¥ 778	¥1,176	$11,360
Interest cost	166	91	879
Expected return on plan assets	(200)	(270)	(2,608)
Amortization of actuarial loss (gain)	1,725	90	869
Retirement benefit expenses under simplified methods	142	185	1,787
Retirement benefit expenses for defined benefit plans	¥2,612	¥1,274	$12,306

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

Components of plan assets	2019/12	2020/12
Stock	22%	26%
General accounts	44	45
Bonds	19	23
Other	15	6
Total	100%	100%

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

(8) Basis of the actuarial assumptions

	2019/12	2020/12
Discount rate	0.4%	0.5%
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 ¥2,130 million and ¥2,147 million ($20,739 thousand) for the years ended December 31, 2019 and 2020, 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 December 31, 2019 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019/12	2020/12	2020/12
Balance at beginning of the period	¥113,416	¥136,882	$1,322,275
New obligations	4,545	1,017	9,824
Accretion expenses	2,524	2,835	27,386
Obligations settled	(1,540)	(211)	(2,038)
Change in estimates *1	18,968	40,689	393,054
Other *2	(1,031)	(7,591)	(73,328)
Balance at end of the period	¥136,882	¥173,622	$1,677,183

*1 "Change in estimates" for the years ended December 31, 2019 and 2020 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 reasonably estimate the relevant asset retirement obligations as of December 31, 2020, 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 December 31, 2019 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019/12	2020/12	2020/12
Balance at beginning of the period	¥47,275	¥42,206	$407,708
Goodwill acquired during the period	—	—	—
Amortization of goodwill	(5,070)	(6,760)	(65,301)
Balance at end of the period	¥42,206	¥35,445	$342,397

18. LEASES

Future minimum lease payments subsequent to December 31, 2020 for operating lease transactions are summarized as follows:

As Lessee

	Millions of yen	Thousands of U.S. dollars
2021	¥ 1,825	$ 17,629
2022 and thereafter	8,749	84,515
Total	¥10,575	$102,154

19. CONTINGENT LIABILITIES

As of December 31, 2020, the Company and its consolidated subsidiaries were contingently liable as guarantors of indebtedness of affiliates in the aggregate amount of ¥344,690 million ($3,329,694 thousand).

20. SEGMENT INFORMATION

Segment information for the years ended December 31, 2019 and 2020

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

	Millions of yen							
Year ended December 31, 2020	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Total	Adjustments*1	Consolidated*2
Sales to third parties	¥115,838	¥ 220,969	¥ 68,369	¥352,388	¥13,481	¥ 771,046	¥ —	¥ 771,046
Intercompany sales and transfers between segments	—	5,320	—	—	—	5,320	(5,320)	—
Total sales	115,838	226,290	68,369	352,388	13,481	776,367	(5,320)	771,046
Segment income (loss)	14,341	56,522	4,481	186,408	(2,128)	259,625	(11,154)	248,471
Segment assets	255,069	3,024,426	572,642	493,092	24,455	4,369,687	264,831	4,634,518
Other items								
Depreciation and amortization	15,075	100,812	6,923	42,476	7,938	173,227	871	174,098
Amortization of goodwill	—	—	—	—	(192)	(192)	6,952	6,760
Investment to affiliates accounted for by the equity-method	2,014	198,065	14,417	12,471	—	226,969	1,205	228,175
Increase of tangible fixed assets and intangible assets	¥ 4,990	¥ 118,840	¥ 5,909	¥ 46,589	¥ 7,783	¥ 184,113	¥ 938	¥ 185,052

	Thousands of U.S. dollars							
Year ended December 31, 2020	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Total	Adjustments*1	Consolidated*2
Sales to third parties	$1,118,991	$2,134,553	$660,442	$3,404,057	$130,226	$7,448,280	$ —	$ 7,448,280
Intercompany sales and transfers between segments	—	51,391	—	—	—	51,391	(51,391)	—
Total sales	1,118,991	2,185,954	660,442	3,404,057	130,226	7,499,681	(51,391)	7,448,280
Segment income (loss)	138,533	546,000	43,286	1,800,695	(20,556)	2,507,969	(107,747)	2,400,222
Segment assets	2,463,958	29,215,861	5,531,704	4,763,253	236,234	42,211,041	2,558,259	44,769,300
Other items								
Depreciation and amortization	145,624	973,840	66,875	410,316	76,680	1,673,367	8,413	1,681,781
Amortization of goodwill	—	—	—	—	(1,854)	(1,854)	67,156	65,301
Investment to affiliates accounted for by the equity-method	19,455	1,913,301	139,267	120,469	—	2,192,513	11,640	2,204,163
Increase of tangible fixed assets and intangible assets	$ 48,203	$1,147,990	$ 57,080	$ 450,048	$ 75,183	$1,778,525	$ 9,061	$ 1,787,596

*1 Adjustments include elimination of inter-segment transactions and corporate incomes, expenses and assets that are not allocated to a reportable segment.
*2 Segment income is reconciled with operating income on the consolidated statement of income.

(d) Products and service information
(Sales to third parties)

	Millions of yen		Thousands of U.S. dollars
	2019/12	2020/12	2020/12
Crude oil	¥ 764,039	¥505,517	$4,883,278
Natural gas (excluding LPG)	219,970	247,854	2,394,261
LPG	3,128	2,737	26,439
Other	12,867	14,937	144,290
Total	¥1,000,005	¥771,046	$7,448,280

(e) Geographical information
(Sales)

	Millions of yen		Thousands of U.S. dollars
	2019/12	2020/12	2020/12
Japan	¥ 461,267	¥350,811	$3,388,823
Asia & Oceania (excluding China)	349,430	224,183	2,165,600
China	58,710	90,335	872,633
Other	130,597	105,716	1,021,213
Total	¥1,000,005	¥771,046	$7,448,280

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

(Tangible fixed assets)

	Millions of yen		Thousands of U.S. dollars
	2019/12	2020/12	2020/12
Japan	¥ 235,211	¥ 224,534	$ 2,168,991
Australia	1,751,009	1,573,641	15,201,323
United Arab Emirates	247,419	251,290	2,427,453
Other	41,732	20,317	196,261
Total	¥2,275,372	¥2,069,783	$19,994,039

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

Year ended December 31, 2019	Millions of yen	Segment
Shell International Eastern Trading Company	¥124,787	Middle East & Africa
Ichthys LNG Pty Ltd	110,689	Asia & Oceania
JXTG Nippon Oil & Energy Corporation	¥108,496	Middle East & Africa

Year ended December 31, 2020	Millions of yen	Thousands of U.S. dollars	Segment
Ichthys LNG Pty Ltd	¥121,521	$1,173,889	Asia & Oceania

(g) Information on impairment loss from fixed assets

	Millions of yen		Thousands of U.S. dollars
	2019/12	2020/12	2020/12
Japan	¥796	¥ —	$ —
Asia & Oceania	—	138,011	1,333,181
Americas	—	51,929	501,632
Total	¥796	¥ 189,940	$ 1,834,814

21. RELATED PARTY TRANSACTIONS

There are the following related party transactions for the years ended December 31, 2019 and 2020.

(a) Related Party Transactions
(1) Transactions with non-consolidated subsidiaries and affiliated companies
Year ended December 31, 2019

Name of related party	Location	Capital investment	Nature of operations	Voting interest	Description of the business relationship	Transaction detail	Amounts Millions of yen	Title of account	Amounts Millions of yen
Ichthys LNG Pty Ltd	Western Australia, Australia	$4,506,860 thousand	Transportation, liquefaction and sales of oil and natural gas through pipeline in WA-50-L block in offshore Western Australia	Indirectly 66.25%	Capital subscription	Loans of funds*1	¥113,612	Long-term loans receivable	¥713,837
						Sales of finished goods*2	110,689	Accounts receivable—trade	12,344
						Guarantee of liabilities*3	¥598,676	—	¥ —

*1 The Company determines the interest rate on loans of funds based on market interest rates in a reasonable and appropriate manner.
*2 All transactions were conducted under general transactional conditions, which are the same as those used in transactions with independent third parties.
*3 Guarantee of liabilities are for securing loans from financial institutions. In addition, "Amounts" are guaranteed balance by the Company as of December 31, 2019.

Year ended December 31, 2020

Name of related party	Location	Capital investment	Nature of operations	Voting interest	Description of the business relationship	Transaction detail	Amounts		Title of account	Amounts	
							Millions of yen	Thousands of U.S. dollars		Millions of yen	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	¥ 84,713	$ 818,324	Current assets, other (short-term loans receivable)	¥ 36,398	$ 351,603
									Long-term loans receivable*2	906,852	8,760,162
						Interest Income*1	31,690	306,124	Current assets, other (interest receivable)	1,043	10,075
						Sales of finished goods*3	121,521	1,173,889	Accounts receivable—trade	10,431	100,763
						Guarantee of liabilities*4	311,386	3,007,979	—	—	—
						Guarantee commission received*4	¥ 6,103	$ 58,954	Current assets, other (accrued revenue)	¥ 136	$ 1,313

*1 The Company determines the interest rate on loans of funds based on market interest rates in a reasonable and appropriate manner.
The interest rate on certain loans of funds is zero.
*2 Long-term loans receivable includes increases by purchases of long-term loans receivable in the amount of ¥201,769million ($1,949,082 thousand).
*3 All transactions were conducted under general transactional conditions, which are the same as those used in transactions with independent third parties.
*4 Guarantee of liabilities are for securing loans from financial institutions, and the Company receives guarantee commissions based on the amount of the guarantees. In addition, "Amounts" of "Guarantee of liabilities" are guaranteed balances by the Company as of December 31, 2020.

(2) Transactions with fellow subsidiaries and other affiliated companies
Year ended December 31, 2019
None

Year ended December 31, 2020

Name of related party	Location	Capital investment	Nature of operations	Voting interest	Description of the business relationship	Transaction detail	Amounts		Title of account	Amounts	
							Millions of yen	Thousands of U.S. dollars		Millions of yen	Thousands of U.S. dollars
Japan Oil, Gas and Metals National Corporation	Minato-ku, Tokyo	¥1,069,100 million*1	Support for exploration and developmen of oil and others	None	Acceptance of debt guarantees	Acceptance of debt guarantees*2	¥132,764	$1,282,496	—	¥ —	$ —
						Payment of guarantee fees*2	¥ 1,415	$ 13,668	Current liabilities, other (accrued expenses)	¥333	$3,216

*1 The amount of "Capital investment" is as of September 30, 2020.
*2 Japan Oil, Gas and Metals National Corporation guarantees securing loans from financial institutions, and receives guarantee fees based on the amount of the guarantees. In addition, "Amounts" of "Acceptance of debt guarantees" are guaranteed balances by Japan Oil, Gas and Metals National Corporation as of December 31, 2020.

(b) Note related to the parent company or significant affiliated companies
The significant affiliated company for the years ended December 31, 2019 and 2020 is Ichthys LNG Pty Ltd. The summary of its financial information is as follows:

	Millions of yen		Thousands of U.S. dollars
	2019/12	2020/12	2020/12
Total current assets	¥ 130,424	¥ 143,769	$ 1,388,804
Total fixed assets	3,720,066	3,457,635	33,400,647
Total current liabilities	325,927	331,477	3,202,057
Total long-term liabilities	3,101,152	2,941,567	28,415,446
Total net assets	423,410	328,359	3,171,937
Net sales	370,598	417,581	4,033,819
Net income (loss) before income taxes	(35,863)	(31,983)	(308,954)
Net income (loss)	¥ (46,609)	¥ (39,566)	$ (382,206)

Independent Auditor's Report

Independent Auditor's Report

The Board of Directors
INPEX CORPORATION

Opinion

We have audited the accompanying consolidated financial statements of INPEX CORPORATION and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2020, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, the Audit and Supervisory Board Member and the Audit and Supervisory Board 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 such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Audit and Supervisory Board Member and the Audit and Supervisory Board are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Board Member and the Audit and Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Board Member and the Audit and Supervisory Board with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended December 31, 2020, are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

March 25, 2021

/s/ Hiroaki Kosugi
Designated Engagement Partner
Certified Public Accountant

/s/ Satoshi Takahashi
Designated Engagement Partner
Certified Public Accountant

/s/ Takeshi Yoshida
Designated Engagement Partner
Certified Public Accountant

Subsidiaries and Affiliates

As of December 31, 2020

Consolidated Subsidiaries

Company name	Issued capital (Millions of yen)*1	Voting rights held by us (%)*2	Main business
INPEX Sahul, Ltd.	4,600	100.00%	Exploration, development, production and sales of oil and natural gas in the PSC TL-SO-T 19-12 Block in East Timor
INPEX Alpha, Ltd.	8,014	100.00%	Exploration, development, production and sales of oil and natural gas in the WA-35-L Block and others, Australia
INPEX Browse, Ltd.	426,640	100.00%	Financing for oil and natural gas exploration, development, production and sales in the WA-285-P Block and others, Australia
INPEX Holdings Australia Pty Ltd	9,681,023 (Thousands of U.S. dollars)	100.00% (100.00%)	Financing for oil and natural gas exploration, development, production and sales and construction and operation of the LNG plant for the Ichthys LNG project, Australia
INPEX Ichthys Pty Ltd	804,456 (Thousands of U.S. dollars)	100.00% (100.00%)	Exploration, development, production and sales of oil and natural gas in the Ichthys Gas-Condensate Field (WA-50-L/ WA-51-L), Australia
INPEX Browse E&P Pty Ltd	420,150 (Thousands of U.S. dollars)	100.00% (100.00%)	Exploration of oil and natural gas in the WA-285-P Block and others, Australia
INPEX Masela, Ltd.	64,082	51.93%	Exploration and development of oil and natural gas in the Masela Block in the Arafura Sea, Indonesia
INPEX South Makassar, Ltd.	1,097	100.00%	Exploration, development, production and sales of oil and natural gas in the Sebuku Block in the Makassar Strait, Indonesia
INPEX Oil & Gas Australia Pty Ltd	1,011,000 (Thousands of U.S. dollars)	100.00%	Exploration and development, production and sales of oil and natural gas in the Prelude Gas Field (WA-44-L) and others, Australia
INPEX Babar Selaru, Ltd.	10	51.01%	Exploration of oil and natural gas in the Babar Selaru Block in the eastern sea area, Indonesia
Teikoku Oil (Con Son) Co., Ltd.	10	100.00%	Exploration and development, production and sales of oil and natural gas in Blocks 05-1b/ 05-1c in offshore southern Vietnam
INPEX Southwest Caspian Sea, Ltd.	53,594	51.00%	Exploration, development, production and sales of oil in the ACG Oil Fields, Azerbaijan
INPEX North Caspian Sea, Ltd.	100,469	51.00%	Exploration, development, production and sales of oil in the Offshore North Caspian Sea Block, Kazakhstan
Japan Oil Development Co., Ltd.	5,532	100.00%	Exploration, development, production and sales of oil in the Upper Zakum, Satah and Umm Al Dalkh oil fields, Offshore Abu Dhabi, United Arab Emirates
JODCO Lower Zakum Limited	600,000 (Thousands of U.S. dollars)	100.00%	Exploration, development, production and sales of oil in the Lower Zakum Oil Field Offshore Abu Dhabi, United Arab Emirates
JODCO Onshore Limited	111 (Thousands of U.S. dollars)	65.76%	Exploration, development, production and sales of oil in ADCO Block in onshore Abu Dhabi, United Arab Emirates
JODCO Exploration Limited	50 (Thousands of U.S. dollars)	100.00%	Exploration of oil in onshore Block 4 in Abu Dhabi, United Arab Emirates
Teikoku Oil (D.R. Congo) Co., Ltd.	10	100.00%	Exploration, development, production and sales of oil in the Offshore D.R. Congo Block
INPEX Angola Block 14 Ltd.	265,600 (Thousands of U.S. dollars)	100.00%	Investment in oil exploration, development, production and sales in Block 14, Offshore Angola
Teikoku Oil & Gas Venezuela, C.A.	16.2 (Bolivars)	100.00%	Investment in exploration, development, production and sale of natural gas in the Copa Macoya Block and exploration, development, production and sale of oil in the Guarico Oriental Block, Bolivarian Republic of Venezuela
INPEX Americas, Inc.	19,793 (Thousands of U.S. dollars)	100.00%	Exploration, development, production and sales of oil and natural gas in the Lucius Oil Field and others, in the U.S. Gulf of Mexico
INPEX Gas British Columbia Ltd.	1,043,488 (Thousands of Canadian dollars)	45.09%	Exploration, development, production and sales of natural gas in the shale gas blocks of the Horn River, Cordova and Liard basins in British Columbia, Canada
INPEX Eagle Ford, LLC	—	100.00%	Exploration, development, production and sales of oil in the Eagle Ford shale play in Texas, US
Teiseki Pipeline Co., Ltd.	100	100.00%	Natural gas transportation, pipeline operation, maintenance and management
INPEX DLNGPL PTY Ltd	42,001 (Thousands of U.S. dollars)	100.00%	Investment in Darwin LNG Pty Ltd, which constructs and operates the undersea pipeline and LNG plant connecting the Bayu Undan Gas-Condensate Field and Darwin (Australia)
INPEX BTC Pipeline, Ltd.	63,800 (Thousands of U.S. dollars)	100.00%	Investment in the pipeline construction and management business that connects Baku (Azerbaijan), Tbilisi (Georgia) and Ceyhan (Turkey)
INPEX Trading, Ltd.	50	100.00%	Sales, agency and brokerage of crude oil and market research and sales planning in connection with oil and natural gas sales
Saitama Gas Co., Ltd.	60	62.67% (13.17%)	City gas sales
INPEX Geothermal Sarulla, Ltd.	10	100.00%	Supply of business capital, etc. to geothermal power project in Sarulla Geothermal Field, Indonesia
INPEX FINANCIAL SERVICES SINGAPORE PTE. LTD.	4,606,000 (Thousands of U.S. dollars)	100.00%	The Group's intercompany finance operations and support for financial administration of projects

33 other subsidiaries

Equity-method affiliates

Company name	Issued capital (Millions of yen)*1	Voting rights held by us (%)*2	Main business
MI Berau B.V.	338,601 (Thousands of U.S. dollars)	44.00%	Exploration, development, production and sales of natural gas in the Berau Block and the Tangguh LNG Project, West Papua province, Indonesia
PT Medco Geopower Sarulla	143,003 (Thousands of U.S. dollars)	49.00% (49.00%)	Supply of business capital, etc. to geothermal power project in Sarulla Geothermal Field, Indonesia
Ichthys LNG Pty Ltd	4,506,860 (Thousands of U.S. dollars)	66.25% (66.25%)	Laying and maintenance of undersea pipeline from the Ichthys Gas-Condensate Field to the Darwin Onshore LNG Plant in Australia, construction and operation of the LNG plant and sales of LNG, LPG and condensate.
Japan South Sakha Oil Co., Ltd.	7	25.00%	Supply of business capital for exploration, development, production and sales of oil in Zapadno-Yaraktinsky and Bolshetirsky blocks, Russia
Angola Block 14 B.V.	18 (Thousands of euros)	49.99% (49.99%)	Exploration, development, production and sales of oil in Block 14, Offshore Angola

15 other equity-method affiliates

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

Business Risks

The following is a list of 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 March 26, 2021 and are subject to change after such date due to various factors, including changes in social and economic circumstances.

I. MAJOR BUSINESS RISKS

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

(1) Risk of disasters, accidents, system failures, etc.

Oil and natural gas development entails the risk that operational accidents and disasters may occur in the process of exploration, development, production and transportation. Various information systems are used in operations. While safety measures are in place for these systems, there is the risk that operations may be suspended due to unforeseen failures of these systems caused by events such as natural disasters and cyberattacks. Should such an unforeseen failure of information systems, or an accident, disaster or other such incident occur, there is the risk that costs may be incurred, excluding compensation covered by insurance, due to infrastructural damage, as well as the risk of a major accident or disaster involving loss of life. In addition, a cost for recovery or opportunity loss from the interruption of operations could occur.

Furthermore, the spread of infectious diseases such as COVID-19 may lead to a shortage of employees required for operations and other necessities, difficulty in procuring materials, equipment and services as well as transportation of produced goods, instructions or orders from the governments of oil-producing countries to suspend operations, changes in the policies of partners in a joint business and other developments. Such events may fully or partly suspend or delay operations.

For its domestic natural gas business, the Company has continued to procure natural gas regasified from imported LNG as source gas 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 issues concerning suppliers or the Company's Naoetsu LNG Terminal, or compromised pipeline operations due to accidents or disasters along the pipeline network, may interfere with the Company's ability to supply 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.

The Company strives to prevent accidents and incidents from happening to avoid these risks of disasters, accidents, system failures and other developments from materializing. However, risks are always present, and if they materialize, they may have a significantly adverse effect on the Group's results.

Although the Group maintains insurance against loss or damage in the natural course of its operations to a reasonable extent, insurance may not cover all damages. Also, such accidents or issues could result in administrative sanctions or damage 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.

(2) 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.

(3) Dependence on specific geographical areas or assets for production volume

The Group engages in stable production of crude oil and natural gas in the Ichthys gas-condensate field (Australia), the on shore and offshore Abu Dhabi oil fields (United Arab Emirates), the Minami Nagaoka Gas Field (Japan) and so on. The areas in which the Group operates are spread broadly throughout Asia-Oceania (particularly Japan, Indonesia and Australia), the Middle East and Africa, Eurasia including the Caspian Sea area and the Americas. For fiscal 2020, however, the Asia and Oceania region accounted for about 44% of the Group's production volume and the Middle East and Africa region accounted for about 39%, with these two regions making up the vast majority of the Group's operations.

The Group currently relies heavily on specific geographical areas and assets for its production volume, and the occurrence of operational issues at these assets could have an adverse effect on the Group's operational results.

(4) Contract expiration dates

Expiration dates are often stipulated in the agreements related to participating interests, which form the basis of 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) 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. 107.

2) Possibility of changes in reserves

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

(6) Operatorship

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

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

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

(7) 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 responsibility in proportion to their interest share. Any inability of a joint business partner to fulfill this financial responsibility may adversely affect the project.

(8) 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.

(9) 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

Crude oil prices and natural gas prices at our overseas businesses are largely determined by international market conditions. In addition, these prices fluctuate significantly due to the influence of a variety of factors including global and regional supply and demand (including a growing downward pressure on demand due to the shift towards a net zero carbon society), trends and conditions in the global economy (including the impact of the contraction of economic activity due to the global pandemic) and financial markets as well as trends in the policies of oil-producing countries and agreements between oil-producing countries on production volume and other matters. 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. A fluctuation of US$1 in the price of crude oil is expected to have a ¥6.6 billion impact on the Group for the year ending December 31, 2021, as estimated at the beginning of the fiscal period. 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.

Moreover, although the Company is taking measures to reduce a portion of the risks associated with crude oil price fluctuations, these measures by no means cover all possible risks. As a result, the impact of fluctuations in crude oil prices cannot be completely eliminated.

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. A ¥1 appreciation/depreciation against the U.S. dollar is expected to have a ¥2 billion impact on the Group for the year ending December 31, 2021. 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. CLIMATE CHANGE RISK

In order to achieve the goals of the Paris Agreement and amid growing interest in addressing climate change on a global scale, efforts are being made worldwide to reduce greenhouse gas (GHG) emissions, which are recognized as the cause of climate change and global warming. The Group identifies, assesses and manages climate change risks in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and specifically recognizes the following risks. The potential for these climate change risks materializing is expected to grow over the medium to long term, and if they do, they could have an adverse effect on the Group's performance.

(1) Policy/regulatory risk

In the event that the countries and regions where the Group operates strengthen climate change actions based on the Paris Agreement or other accords, making changes or enhancements to environmental laws, regulations or standards, including carbon pricing systems such as emissions trading and carbon taxes, the Group would be required to implement additional measures and, in turn, incur financial commitments that could have an adverse effect on the Group's performance.

(2) Technical risk

If demand for the Group's oil and natural gas products declines as a result of accelerated progress in low-carbon related technologies and increased price competitiveness of low-carbon products, this may have an adverse effect on the Group's business and performance.

(3) Market risk

If investors and financial institutions place more importance than in the past on direct and indirect GHG emissions from the Group's business as an evaluation item for climate change risk in investment and financing, the Group's financing and its related terms and conditions may be adversely affected.

(4) Physical risk

Acute risks due to extreme meteorological phenomena such as tropical cyclones and floods, and chronic risks such as rises in average temperature and sea levels over the long term may adversely affect the operations of the Group's facilities.

4. 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 fiscal conditions of contracts are altered, this could have an adverse effect on the Group's business performance.

In order to respond to the risks listed in items 1 through 4 above, we have introduced guidelines for economic and risk evaluation we conduct on a per-project basis. After recognizing major risks, we analyze and examine whether to take on new projects and take action against these risks. For existing projects, the INPEX Value Assurance System (IVAS) Committee works as a cross-organizational mechanism mainly for technical evaluation at each project phase, such as exploration, evaluation and development. At the same time, we conduct economic and risk evaluation in principle at least once a year. For major projects, we report a summary of risk evaluation results to the Board of Directors each year.

We strive to actively manage risks related to our business in general through measures including preparing an emergency/crisis response plan and conducting regular emergency response drills at ordinary times, to enhance our ability to respond to emergency situations caused by events such as major accidents and disasters. In addition, we have formulated a Business Continuity Plan (BCP) and review it as appropriate to prevent important operations from being interrupted.

Furthermore, the Information Security Committee meets both on a regular basis and as needed, taking action on information security on an organizational and systematic basis, as well as conducting education and training including prevention of information leakage.

To manage health, safety and environment (HSE) risk, we have introduced the HSE Management System (HSEMS) Manual to facilitate effective and consistent HSE management and improve HSE performance across the entire business.

To continuously improve the environment and occupational health and safety in our oil and natural gas development business, we identify, analyze and evaluate HSE risks for each business site based on the HSE Risk Management Procedure established under the HSE Management System. Moreover, to formulate and implement risk response measures, as well as to monitor HSE risks, we have a system where the risk management status is regularly reported to headquarters. We are also working on the company-wide management of security-related risks based on various guidelines and standards.

We conduct financial risk management regarding crude oil and natural gas prices, currency exchange rates, interest rates and securities prices by identifying their respective risks associated with fluctuations and establishing corresponding management and hedging methods.

To tackle climate change, in our Business Development Strategy—Towards a Net Zero Carbon Society by 2050 announced in January 2021, we have set our goal of achieving net zero carbon emissions by 2050 in line with the Paris Agreement objectives. Towards this goal, the Group will actively promote five business pillars to offer solutions responding to the needs of society in an age of transformation towards a net zero carbon society. Specifically, we will (1) reduce CO_2 emissions from upstream operations by promoting Carbon dioxide Capture, Utilization and Storage (CCUS), (2) develop a hydrogen business, (3) enhance and emphasize renewable energy initiatives, (4) promote carbon recycling and cultivate new business opportunities and (5) promote forest conversation. By doing this, we will proactively respond to the shift towards a net zero carbon society and aim to be a pioneer of energy transformation.

We manage country risk by, among others, establishing guidelines for handling country risks in the countries where we operate, including setting a maximum target amount of accumulated investments in high-risk countries.

Furthermore, we have developed a mechanism to counter legal risk, where business divisions and management can receive appropriate legal guidance regarding matters such as important agreements and lawsuits.

Although we strive to manage risks and mitigate their impact by taking these countermeasures, they by no means cover all possible risks. As a result, the impact from individual events cannot be completely eliminated.

II. OTHER BUSINESS RISKS

1. 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.

2. RELATIONSHIP WITH THE JAPANESE GOVERNMENT

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

Although the government of Japan (the Minister of Economy, Trade and Industry) holds 18.96 of the Company's common shares issued (excluding treasury shares) and a Class A Stock as of March 26, 2021, 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 "4. CLASS A STOCK" on P. 105.

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

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

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

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

The treatment of Sakhalin Oil and Gas Development Co., Ltd. (hereinafter "SODECO"), INPEX Masela, Ltd., INPEX North Caspian Sea, Ltd., INPEX North Makassar, Ltd. (liquidation proceedings completed on December 19, 2008), and INPEX Offshore North Campos, Ltd. (following the acquisition of all shares in this company by private-sector shareholders, including INPEX CORPORATION, this company was sold to a third-party in October 2019), was agreed between INPEX CORPORATION and JNOC in the MOU of February 5, 2004. Regarding the treatment of shares of SODECO, refer to the section "(2) Treatment of the shares of Sakhalin Oil and Gas Development (SODECO) owned by the Japanese government" on P. 104. With regard to the transfer to INPEX CORPORATION of the shares in the above project companies other than SODECO, it was decided that the shares are to be transferred for cash compensation as soon as prerequisites such as the consent of the oil-producing country and joint venture partners and the possibility of appropriate asset evaluations are in place. However, the transfer of shares held by JNOC in the above companies has not been decided and the shares in the above project companies were succeeded to by the Japan Oil Gas and Metals National Corporation (hereinafter "JOGMEC") on the dissolution of JNOC on April 1, 2005, except shares related to INPEX North Makassar, Ltd., to which the Minister of Economy, Trade and Industry succeeded. JOGMEC states in its "medium-term objective" and "medium-term plan" that the shares succeeded to from JNOC will be disposed of at an appropriate time and in an appropriate manner. However, the timing and manner of disposal for those shares in the above companies held by JOGMEC that have not been acquired by INPEX CORPORATION have not been decided, and it is possible that the Company will be unable to acquire these shares.

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

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

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

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

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

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

4. 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 3. "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", at right.

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.

5. CONCURRENTLY SERVING OUTSIDE DIRECTORS

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

Four of the six outside directors have many years' experience and knowledge of the Company's business and are able to offer objective, professional advice regarding operations. For this reason, they were asked to join the Board of Directors to contribute to the development of the Company's business. Three of the directors concurrently serve as director or advisors of Japan Petroleum Exploration Co., Ltd., ENEOS Holdings, Inc., and Mitsubishi Corporation (hereinafter "shareholder corporations"), respectively.

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

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

Oil and Gas Reserves and Production Volume

1. Oil and Gas Reserves

Proved reserves

The following tables list the proved reserves of crude oil, condensate, LPG and natural gas of INPEX CORPORATION, its consolidated subsidiaries and equity-method affiliates (the "Group") on main projects. Disclosure contents for proved reserves are determined in accordance with the rules and regulations of the U.S. Financial Accounting Standards Board (the "FASB"), and are presented in accordance with the Accounting Standards Codification Topic 932 "Extractive Activities —Oil and Gas" ("Topic 932"). The Group's proved reserves as of December 31, 2020, were 2,700 million barrels for crude oil, condensate and LPG, and 5,586 billion cubic feet for natural gas, for a total of 3,730 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, 2019	18	727	190	4,968	289	148	2,343	—	4	6	2,845	5,849
Extensions and discoveries	—	—	—	—	—	—	—	—	—	—	—	—
Acquisitions and sales	—	—	—	—	—	—	—	—	44	25	44	25
Revisions of previous estimates	1	33	(3)	32	23	56	136	—	0	14	157	135
Interim production	(1)	(33)	(13)	(264)	(11)	(7)	(66)	—	(2)	(17)	(94)	(320)
As of December 31, 2019	18	728	174	4,736	301	198	2,413	—	46	27	2,952	5,688
Equity-method affiliates												
As of March 31, 2019	—	—	2	330	12	—	5	—	—	—	20	330
Extensions and discoveries	—	—	—	—	—	—	—	—	—	—	—	—
Acquisitions and sales	—	—	—	—	(0)	—	—	—	—	—	(0)	—
Revisions of previous estimates	—	—	(0)	11	4	—	1	—	0	0	5	11
Interim production	—	—	(0)	(17)	(2)	—	(1)	—	(0)	(0)	(3)	(17)
As of December 31, 2019	—	—	2	324	15	—	5	—	—	—	22	324
Proved developed and undeveloped reserves												
As of December 31, 2019	18	728	176	5,060	315	198	2,419	—	46	27	2,974	6,012
INPEX CORPORATION and Consolidated Subsidiaries												
As of December 31, 2019	18	728	174	4,736	301	198	2,413	—	46	27	2,952	5,688
Extensions and discoveries	—	—	—	—	—	—	—	—	—	—	—	—
Acquisitions and sales	—	—	—	—	—	—	—	—	—	—	—	—
Revisions of previous estimates	(1)	(41)	(6)	(6)	30	26	(170)	—	(4)	2	(151)	(19)
Interim production	(1)	(40)	(16)	(371)	(17)	(9)	(81)	—	(3)	(19)	(118)	(440)
As of December 31, 2020	16	646	152	4,359	314	215	2,162	—	39	10	2,684	5,229
Equity-method affiliates												
As of December 31, 2019	—	—	2	324	15	—	5	—	—	—	22	324
Extensions and discoveries	—	—	—	—	—	—	—	—	—	—	—	—
Acquisitions and sales	—	—	—	—	—	—	—	—	—	—	—	—
Revisions of previous estimates	—	—	(0)	56	(2)	—	0	—	—	—	(2)	56
Interim production	—	—	(0)	(23)	(2)	—	(2)	—	—	—	(4)	(23)
As of December 31, 2020	—	—	2	357	11	—	4	—	—	—	16	357
Proved developed and undeveloped reserves												
As of December 31, 2020	16	646	154	4,715	324	215	2,166	—	39	10	2,700	5,586

	Japan		Asia & Oceania		Eurasia (Europe & NIS)		Middle East & Africa		Americas		Total	
Proved developed reserves												
INPEX CORPORATION and Consolidated Subsidiaries												
As of December 31, 2020	16	646	129	3,037	260	215	1,513	—	3	2	1,920	3,900
Equity-method affiliates												
As of December 31, 2020	—	—	1	169	9	—	1	—	—	—	11	169
Proved undeveloped reserves												
INPEX CORPORATION and Consolidated Subsidiaries												
As of December 31, 2020	—	—	24	1,321	54	—	649	—	36	8	763	1,330
Equity-method affiliates												
As of December 31, 2020	—	—	0	188	2	—	3	—	—	—	5	188

Notes: 1. Based on SEC disclosure standards, the Group discloses proved reserves in each country containing 15% or more of its proved reserves. As of December 31, 2020, the Group held proved reserves in Australia of approximately 145 million barrels for crude oil and approximately 4,170 billion cubic feet for natural gas, for a total of approximately 919 million boe.
2. Proved reserves (as of December 31, 2020) of the following blocks and fields include the portion attributable to non-controlling interests.
Eurasia (Europe & NIS): ACG (49%), Kashagan (49%)
Middle East & Africa: Abu Dhabi Onshore Concession (49%)
3. MMbbl: Million barrels
4. Bcf: Billion cubic feet
5. Crude oil includes condensate and LPG
6. Oil and gas reserves are rounded to the nearest whole number.

Standardized measure of discounted future net cash flows and their changes relating to proved oil and gas reserves for the year ended December 31, 2020

Disclosure contents for the standardized measure of discounted future net cash flows and their changes relating to proved reserves for the year ended December 31, 2020 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 ¥109.55 and ¥103.52 to the U.S. dollar as of December 31, 2019 and December 31, 2020, 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.

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

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

December 31, 2020	Millions of yen Total	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas
INPEX CORPORATION and Consolidated Subsidiaries						
Future cash inflows	¥13,620,229	¥ 789,800	¥ 2,157,411	¥1,190,377	¥ 9,328,481	¥ 154,159
Future production and development costs	(6,358,718)	(254,531)	(1,129,013)	(622,464)	(4,207,125)	(145,587)
Future income tax expenses	(4,941,757)	(174,850)	(74,682)	(108,183)	(4,583,545)	(498)
Future net cash flows	2,319,754	360,420	953,717	459,730	537,812	8,075
10% annual discount for estimated timing of cash flows	(1,128,715)	(190,828)	(359,024)	(236,386)	(332,935)	(9,542)
Standardized measure of discounted future net cash flows	1,191,039	169,591	594,693	223,344	204,877	(1,466)
Equity-method affiliates						
Future cash inflows	300,851	—	234,251	48,972	17,627	—
Future production and development costs	(127,026)	—	(92,956)	(16,355)	(17,715)	—
Future income tax expenses	(65,795)	—	(46,641)	(18,375)	(778)	—
Future net cash flows	108,030	—	94,654	14,242	(867)	—
10% annual discount for estimated timing of cash flows	(44,506)	—	(41,547)	(3,165)	206	—
Share of equity-method investees' standardized measure of discounted future net cash flows	63,523	—	53,107	11,077	(661)	—
Total consolidated and equity-method affiliates in standardized measure of discounted future net cash flows	¥ 1,254,562	¥ 169,591	¥ 647,800	¥ 234,421	¥ 204,216	¥ (1,466)

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

	Millions of yen Total	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Equity-method affiliates
INPEX CORPORATION and Consolidated Subsidiaries							
Standardized measure at beginning of the period As of January 1, 2020	¥ 2,295,772	¥ 245,664	¥1,078,864	¥ 461,304	¥ 363,543	¥ 41,329	¥105,069
Changes resulting from:							
Sales and transfers of oil and gas produced, net of production costs	(824,730)	(52,518)	(244,641)	(79,890)	(398,024)	(20,471)	(29,186)
Net changes in oil and gas prices and production costs	(2,357,943)	(63,926)	(416,848)	(282,659)	(1,485,853)	(42,227)	(66,431)
Development costs incurred	170,496	555	75,118	23,598	43,279	19,045	8,901
Changes in estimated future development costs	(30,077)	(1,029)	(33,563)	(9,719)	4,883	15,739	(6,389)
Revisions of previous quantity estimates	(282,884)	183	(23,789)	48,572	(305,127)	(20,713)	17,991
Accretion of discount	194,215	19,618	92,296	38,499	31,216	3,771	8,815
Net change in income taxes	2,216,081	34,568	126,641	49,031	1,970,969	4,335	30,537
Extensions, discoveries and improved recoveries	—	—	—	—	—	—	—
Other	(126,367)	(13,522)	(59,384)	(25,392)	(20,011)	(2,275)	(5,783)
Standardized measure at end of the period As of December 31, 2020	¥ 1,254,562	¥ 169,591	¥ 594,693	¥ 223,344	¥ 204,877	¥ (1,466)	¥ 63,523

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

2. Oil and Gas Production

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

The Group's production for the year ended December 31, 2020, was 331.1 thousand barrels per day for crude oil, condensate and LPG, and 1,264.6 million cubic feet per day for natural gas, for a total of 573.4 thousand boed.

	2016/3	2017/3	2018/3	2019/3	2019/12	2020/12
Crude oil, condensate and LPG (Mbbld):						
Japan	3.2	3.5	3.7	3.5	3.1	3.0
Asia & Oceania	47.8	35.8	21.2	18.7	47.5	42.5
Eurasia (Europe & NIS)	31.6	29.6	37.5	40.7	41.0	46.4
Middle East & Africa	161.1	176.3	176.2	225.6	240.9	221.5
Americas	5.5	5.6	3.9	1.8	8.2	7.6
Subtotal	249.2	250.7	242.6	290.3	340.7	321.1
Proportional interests in production by equity-method affiliates	90.0	97.6	86.5	13.0	11.7	10.0
Total	339.2	348.3	329.1	303.3	352.4	331.1
Annual production (MMbbl)	124.2	127.1	120.1	110.7	96.9	121.2
Natural gas (MMcf/d):						
Japan	119.7	132.0	145.6	131.6	118.6	110.5
Asia & Oceania	666.8	614.8	326.9	346.5	958.6	1,012.8
Eurasia (Europe & NIS)	—	5.3	21.4	27.4	24.5	24.8
Middle East & Africa	—	—	—	—	—	0.0
Americas	87.3	116.5	107.7	89.8	63.5	52.7
Subtotal	873.8	868.6	601.6	595.3	1,165.2	1,200.9
Proportional interests in production by equity-method affiliates	59.1	54.1	48.1	53.8	61.2	63.7
Total	932.9	922.7	649.7	649.0	1,226.4	1,264.6
Annual production (Billions of cubic feet)	341.4	336.8	237.1	236.9	337.3	462.8
Crude oil and natural gas (Mboed):						
Japan	25.7	28.3	31.1	28.2	25.4	23.7
Asia & Oceania	174.0	152.5	82.7	84.4	231.9	238.4
Eurasia (Europe & NIS)	31.6	30.6	41.4	45.6	45.3	50.9
Middle East & Africa	161.1	176.3	176.2	225.6	240.9	221.5
Americas	21.0	26.5	23.5	18.1	20.0	17.4
Subtotal	413.4	414.1	354.9	401.8	563.5	552.0
Proportional interests in production by equity-method affiliates	100.5	107.2	95.0	22.5	22.6	21.4
Total	513.8	521.3	449.9	424.3	586.2	573.4
Annual production (MMboe)	188.1	190.3	164.2	154.9	161.2	209.9

Corporate Information (As of December 31, 2020)

Information Disclosure and Activities for 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 15th Ordinary General Meeting of Shareholders held in March 25, 2021 was posted on the Company's Web site more than three weeks prior to the meeting on February 24, 2021. The Convocation Notice itself was dispatched on March 3, 2021.

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 virtually or in-person. INPEX holds biannual meetings for analysts and institutional investors, either virtually or inperson, covering topics ranging from financial results to financial forecasts. Video archives are available on the IR section of the Company's Web site both in Japanese and in English. INPEX undertakes overseas IR road shows in the regions including Europe, North America and Asia, while participating in conferences and engaging in one-on-one meetings virtually or inperson as necessary.

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. Furthermore, efforts are made to disclose pertinent information such as the latest news releases, 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.

Credit Rating (As of June 23, 2021)

Credit Rating Agency	Long-Term Credit Ratings	Short-Term Credit Ratings
Moody's	A2 (stable)	—
Standard & Poor's	A- (stable)	A-2
Rating & Investment Information (R&I)	AA- (stable)	a-1+

Status of Inclusion in Major Indexes (As of May 2021)

- Nikkei Stock Average (Nikkei 225)
- Nikkei Stock Index 300 / Nikkei 500 Stock Average
- TOPIX
- TOPIX Mid 400/TOPIX 500/TOPIX 1000
- JPX-Nikkei Index 400
- MSCI Japan Index
- MSCI World Energy Index
- FTSE4Good Developed Index/ FTSE4Good Japan Index
- FTSE Blossom Japan Index
- MSCI ESG Leaders Indexes/ MSCI Japan ESG Select Leaders Indexes/ MSCI Japan Empowering Women Index
- S&P/JPX Carbon Efficient Index
- STOXX Global ESG Leaders Index
- ECPI World ESG Equity/ ECPI Global Carbon Liquid/ ECPI Global Developed ESG Best in Class
- SOMPO Sustainability Index

Corporate Data

Company Name INPEX CORPORATION

Established April 3, 2006

Capital ¥290,809,835,000

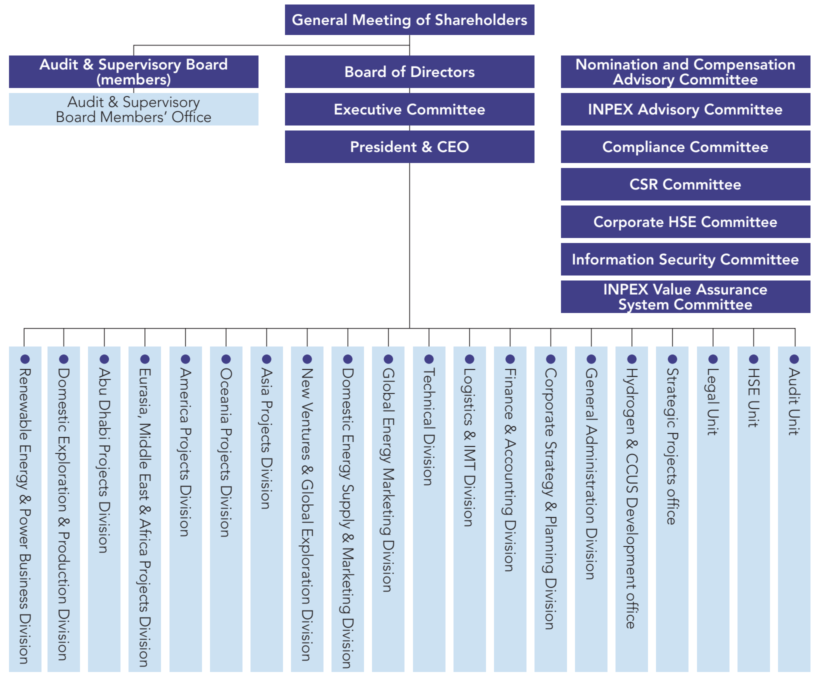
Company Headquarters Akasaka Biz Tower, 5-3-1 Akasaka, Minato-ku, Tokyo 107-6332, Japan

Number of Employees (Consolidated) 3,163

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 March 1, 2021)



Stock Data

Authorized Shares

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

Total Number of Shareholders and Issued Shares

Common Stock 108,717/1,462,323,600 shares
Class A Stock* 1 shareholder (Minister of Economy, Trade and Industry) / 1 share

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

Major Shareholders (Common Stock)

Name	Number of common shares	Percentage of total common shares* (%)
Minister of Economy, Trade and Industry, Japan	276,922,800	18.96
Japan Petroleum Exploration Co., Ltd.	106,893,200	7.32
The Master Trust Bank of Japan, Ltd. (Trust Account)	106,437,300	7.29
Custody Bank of Japan (Trust Account)	59,699,100	4.09
ENEOS Holdings, Inc.	43,810,800	3.00
Custody Bank of Japan (Trust Account 7)	27,530,000	1.89
JAPAN SECURITIES FINANCE CO., LTD.	24,209,700	1.66
SMBC Nikko Securities Inc.	21,957,900	1.50
STATE STREET BANK WEST CLIENT – TREATY 505234	17,373,143	1.19
THE BANK OF NEW YORK MELLON 140051	16,988,100	1.16

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

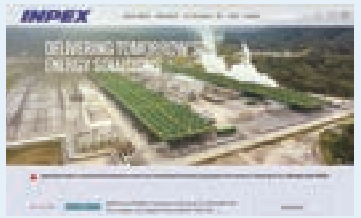
Shareholding by Shareholder Type

Shareholder type	Number of shareholders	Number of common shares	Percentage of total common shares[1] (%)
Financial Institutions (Including Trust Accounts)	76	346,280,288	23.68
Securities Companies	64	92,497,267	6.33
Other Domestic Corporations	741	208,681,980	14.27
Minister of Economy, Trade and Industry[2]	1	276,922,800	18.94
Foreign Corporations and Other	1,037	411,834,712	28.16
Individuals and Other	106,797	124,140,053	8.49
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

Website Information

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



About INPEX

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

- Business Development Strategy - Towards a Net Zero Carbon Society by 2050
https://www.inpex.co.jp/english/company/business_development_strategy.html

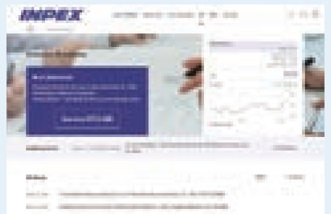
- Medium-term Business Plan 2018-2022
https://www.inpex.co.jp/english/company/midterm.html

Our Business

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

IR

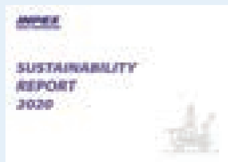
https://www.inpex.co.jp/english/ir/



CSR

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

- Sustainability Report
https://www.inpex.co.jp/english/csr/csr/



Inquiries

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

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www.inpex.co.jp/english/ir/inquiries.html