



Consolidated Financial Results for the Six Months ended June 30, 2022 [Japanese GAAP]

August 8, 2022

Note: The following report is an English translation of the Japanese-language original.

Company name : **INPEX CORPORATION** Stock Exchange on which the Company is listed : Tokyo Stock Exchange
Code number : 1605 URL <https://www.inpex.co.jp>
Representative : Takayuki Ueda, President
Contact person : Yoshihiro Wakita, General Manager, Corporate Communications Unit
TEL+81-3-5572-0233

Scheduled date of filing Quarterly Financial Report : August 10, 2022

Scheduled date of payment of cash dividends : September 1, 2022

Preparation of supplementary explanatory materials : Yes

Meeting of quarterly financial results presentation : Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded off)

1. Consolidated Financial Results for the Six Months ended June 30, 2022 (January 1, 2022 - June 30, 2022)

(1) Consolidated operating results

(Figures in % represent the changes from the corresponding period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
For the six months ended June 30, 2022	1,098,476	120.4	584,493	161.3	626,194	184.8	184,462	254.9
June 30, 2021	498,397	27.2	223,673	80.7	219,845	47.3	51,982	—

(Note): Consolidated comprehensive income: for the six months ended June 30, 2022, ¥691,290 million; [235.3%]
for the six months ended June 30, 2021, ¥206,147 million; [-%]

	Net income per share-basic	Net income per share-diluted
For the six months ended	Yen	Yen
June 30, 2022	133.06	—
June 30, 2021	35.60	—

(2) Consolidated financial position

	Total assets	Net assets	Net assets excluding non-controlling interests as a percentage of total assets
	Millions of Yen	Millions of Yen	%
As of June 30, 2022	6,423,707	4,020,416	58.7
As of December 31, 2021	5,158,196	3,346,409	60.6

(Reference): Net assets excluding non-controlling interests: as of June 30, 2022, ¥3,769,384 million
as of December 31, 2021, ¥3,124,065 million

2. Dividends

	Cash dividends per share				
	At 1st quarter end	At 2nd quarter end	At 3rd quarter end	At fiscal year end	Total
	Yen	Yen	Yen	Yen	Yen
For the year ended December 31, 2021	–	20.00	–	28.00	48.00
For the year ending December 31, 2022	–	30.00			
For the year ending December 31, 2022 (forecast)			–	30.00	60.00

- (Notes): 1. Changes in projected dividends for the year ending December 31, 2022 from the previous forecast: Yes
2. “Dividends” as stated above refer to common stock. For information regarding Class A stock (not listed), please refer to Exhibit “Dividends of Class A stock.”
3. For information regarding revision of dividend forecast, please refer to the press release “Announcement of Revision of Consolidated Financial Forecasts for Fiscal Year Ending December 31, 2022, and Notice of Retained Earnings Dividend (Interim Dividend) and Revision of Year-End Dividend Forecast” issued today (August 8, 2022).

3. Forecasts for Consolidated Financial Results for the year ending December 31, 2022 (January 1, 2022 - December 31, 2022)

(Figures in % represent the changes from the corresponding period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
For the year ending December 31, 2022	2,182,000	75.3	1,133,000	91.8	1,255,000	90.8	350,000	56.9	252.47

- (Notes): 1. Changes in forecasts for consolidated financial results for the year ending December 31, 2022 from the previous forecast: Yes
2. The effect of the acquisition of own shares decided at the meeting of the Board of Directors held on August 8, 2022 is not included in the calculation of “Net income per share”. Regarding more details of the acquisition of own shares, please refer to “Acquisition of the Company’s Own Shares” of “Significant Subsequent Events” on page 14.

Notes

(1) Significant changes in scope of consolidation : None
(Changes in the specified subsidiaries during the period due to change in scope of consolidation)

(2) Adoption of accounting treatments which are exceptional for quarterly consolidated financial statements : None

(3) Changes in accounting policies, accounting estimates and restatement of corrections

1. Changes in accounting policies resulting from the revision of the accounting standards and other regulations : Yes
2. Other changes in accounting policies : None
3. Changes in accounting estimates : Yes
4. Restatement of corrections : None

(Note): Please refer to “2. Consolidated Financial Statements and Principal Notes (4) Notes to Consolidated Financial Statements (Changes in Accounting Policies) and (Changes in Accounting Estimates)” on pages 11 and 12 for further information.

(4) Number of shares issued (Common stock)

1. Number of shares issued at the end of the period : 1,386,667,167 shares as of June 30, 2022
(including treasury stock): 1,462,323,600 shares as of December 31, 2021
2. Number of treasury stock at the end of the period: 910,363 shares as of June 30, 2022
75,805,993 shares as of December 31, 2021
3. Average number of shares: 1,386,326,951 shares for the six months ended June 30, 2022
1,460,205,381 shares for the six months ended June 30, 2021

(Note): The shares held by “the Board Incentive Plan Trust” are included in number of treasury stock at end of period.
(As of June 30, 2022: 910,363 shares As of December 31, 2021: 149,593 shares)

*This quarterly earnings report is not subject to audit by certified public accountants or audit firms.

*Explanation regarding the appropriate use of estimated consolidated financial results

The aforementioned forecasts are based on the currently available information and contain many uncertainties. The final results might be significantly different from the aforementioned forecasts due to changes in business conditions including oil and natural gas price levels, production and sales plans, project

development schedules, government regulations and financial and tax schemes. Regarding the forecasts, please refer to “1. Qualitative Information / Financial Statements (3) Explanation regarding future forecast information such as Forecasts for Consolidated Financial Results” on page 4.

Exhibit:

Dividends of Class A stock

	Cash dividends per share				
	At 1st quarter end	At 2nd quarter end	At 3rd quarter end	At fiscal year end	Total
	Yen	Yen	Yen	Yen	Yen
For the year ended December 31, 2021	–	8,000.00	–	11,200.00	19,200.00
For the year ending December 31, 2022	–	12,000.00			
For the year ending December 31, 2022 (forecast)			–	12,000.00	24,000.00

(Notes): 1. The Company conducted a stock split at a ratio of 1:400 of common stock effective October 1, 2013. However, for Class A stock (not listed), no stock split was implemented. The article specifying that dividends of Class A stock are equivalent to dividends of common stock prior to the stock split is included in the Articles of Incorporation.

2. For information regarding revision of dividend forecast, please refer to the press release “Announcement of Revision of Consolidated Financial Forecasts for Fiscal Year Ending December 31, 2022, and Notice of Retained Earnings Dividend (Interim Dividend) and Revision of Year-End Dividend Forecast” issued today (August 8, 2022).

Index of the Attachments

1. Qualitative Information/Financial Statements.....	2
(1) Explanation on Consolidated Financial Results	2
(2) Explanation on Consolidated Financial Position.....	3
(3) Explanation regarding future forecast information such as Forecasts for Consolidated Financial Results	4
2. Consolidated Financial Statements and Principal Notes.....	5
(1) Consolidated Balance Sheet.....	5
(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income	7
Consolidated Statement of Income	7
Consolidated Statement of Comprehensive Income	8
(3) Consolidated Statement of Cash Flows.....	9
(4) Notes to Consolidated Financial Statements	11
(Conditions or events that indicate there could be substantial doubt about the Company’s ability to continue as a going concern)	
.....	11
(Note on significant changes in shareholders’ equity).....	11
(Changes in Accounting Policies)	11
(Changes in Accounting Estimates).....	12
(Additional Information)	12
(Segment Information and Others)	13
(Significant Subsequent Events).....	14
3. Supplementary Information.....	15
(1) Production, Orders Received and Sales Performance	15

1. Qualitative Information/Financial Statements

(1) Explanation on Consolidated Financial Results

Net sales for the six months ended June 30, 2022 increased by ¥600.0 billion, or 120.4%, to ¥1,098.4 billion from the corresponding period of the previous fiscal year due to an increase in sales price of crude oil and natural gas. Net sales of crude oil increased by ¥467.8 billion, or 124.6%, to ¥843.2 billion, and net sales of natural gas increased by ¥129.7 billion, or 113.1%, to ¥244.6 billion. Sales volume of crude oil increased by 15,502 thousand barrels, or 28.0%, to 70,956 thousand barrels, and sales volume of natural gas increased by 35,466 million cf, or 17.4%, to 238,760 million cf. Sales volume of overseas natural gas increased by 33,703 million cf, or 21.0%, to 194,334 million cf, and sales volume of domestic natural gas increased by 47 million m³, or 4.1%, to 1,190 million m³ (44,426 million cf). The average sales price of overseas crude oil increased by US\$33.58, or 53.5%, to US\$96.29 per barrel. The average sales price of overseas natural gas increased by US\$2.79, or 72.7%, to US\$6.63 per thousand cf, and the average sales price of domestic natural gas increased by ¥29.82, or 72.7%, to ¥70.86 per m³. The average exchange rate of the Japanese yen against the U.S. dollar on consolidated net sales depreciated by ¥15.36, or 14.2%, to ¥123.25 per U.S. dollar.

The increase of ¥600.0 billion in net sales was mainly derived from the following factors: regarding net sales of crude oil and natural gas, an increase in sales volume contributing ¥119.5 billion to the increase, an increase in unit sales price contributing ¥353.3 billion to the increase, the depreciation of the Japanese yen against the U.S. dollar contributing ¥124.7 billion to the increase, and an increase in net sales excluding crude oil and natural gas of ¥2.4 billion.

Meanwhile, cost of sales increased by ¥213.7 billion, or 91.4%, to ¥447.5 billion. Exploration expenses increased by ¥11.1 billion, or 486.7%, to ¥13.3 billion. Selling, general and administrative expenses increased by ¥14.3 billion, or 37.2%, to ¥53.0 billion. As a result, operating income increased by ¥360.8 billion, or 161.3%, to ¥584.4 billion.

Other income increased by ¥106.4 billion, or 289.8%, to ¥143.1 billion due to posting equity in earnings of affiliates and others.

Other expenses increased by ¥60.9 billion, or 150.2%, to ¥101.4 billion, mainly due to posting modification loss on financial assets. As a result, ordinary income increased by ¥406.3 billion, or 184.8%, to ¥626.1 billion.

Total amount of current income taxes and deferred income taxes increased by ¥269.3 billion, or 153.0%, to ¥445.3 billion, and net loss attributable to non-controlling interests was ¥3.6 billion. As a result of the above effects, net income attributable to owners of parent increased by ¥132.4 billion, or 254.9%, to ¥184.4 billion.

Financial results by segment are as follows:

1) Japan

Net sales increased by ¥40.1 billion, or 70.4%, to ¥97.1 billion due to increases in sales volume and sales price of natural gas.

Operating loss was ¥3.6 billion compared with ¥10.4 billion of operating income for the corresponding period of the previous fiscal year due to an increase in cost of sales.

2) Asia & Oceania

Net sales increased by ¥144.8 billion, or 121.1%, to ¥264.3 billion due to increases in sales volume and sales price of crude oil and natural gas. Operating income increased by ¥103.2 billion, or 233.2%, to ¥147.5 billion.

3) Eurasia (Europe & NIS)

Net sales increased by ¥124.1 billion, or 230.2%, to ¥178.0 billion due to increases in sales volume and sales price of crude oil.

Operating income increased by ¥81.7 billion, or 624.1%, to ¥94.8 billion.

4) Middle East & Africa

Net sales increased by ¥283.2 billion, or 110.0%, to ¥540.6 billion due to increases in sales volume and sales price of crude oil.

Operating income increased by ¥183.2 billion, or 115.0%, to ¥342.5 billion.

5) Americas

Net sales increased by ¥7.8 billion, or 74.5%, to ¥18.3 billion due to an increase in sales price of crude oil. Operating income increased by ¥6.5 billion, or 140.4%, to ¥11.1 billion.

(2) Explanation on Consolidated Financial Position

Total assets as of June 30, 2022 increased by ¥1,265.5 billion to ¥6,423.7 billion from ¥5,158.1 billion as of December 31, 2021. Current assets increased by ¥181.7 billion to ¥700.6 billion due to an increase in accounts receivable-trade and contract assets, and others. Fixed assets increased by ¥1,083.7 billion to ¥5,723.0 billion due to increases in tangible fixed assets, investments and other assets, and others.

Meanwhile, total liabilities increased by ¥591.5 billion to ¥2,403.2 billion from ¥1,811.7 billion as of December 31, 2021. Current liabilities increased by ¥253.4 billion to ¥602.2 billion and long-term liabilities increased by ¥338.0 billion to ¥1,800.9 billion.

Net assets increased by ¥674.0 billion to ¥4,020.4 billion. Total shareholders' equity increased by ¥144.6 billion to ¥2,825.2 billion. Total accumulated other comprehensive income increased by ¥500.7 billion to ¥944.1 billion and non-controlling interests in net assets increased by ¥28.6 billion to ¥251.0 billion.

Cash and cash equivalents as of June 30, 2022 totaled ¥268.6 billion reflecting a net increase of ¥77.4 billion, from ¥191.2 billion as of January 1, 2022.

The status of cash flows from operating, investing, and financing activities and their factors during the six months ended June 30, 2022 are as follows:

1) Cash flows from operating activities

Net cash provided by operating activities amounted to ¥411.0 billion, up ¥232.4 billion year on year. This was mainly due to an increase in income before income taxes, which was mainly attributable to higher unit sales prices.

2) Cash flows from investing activities

Net cash used in investing activities amounted to ¥383.7 billion, up ¥317.8 billion year on year. This was mainly due to an increase in long-term loans made and an increase in payments for purchases of investment securities.

3) Cash flows from financing activities

Net cash provided by financing activities amounted to ¥12.1 billion compared with ¥125.4 billion of net cash used in for the corresponding period of the previous fiscal year. This was mainly due to a decrease in net decrease in short-term loans and an increase in proceeds from long-term debt.

(3) Explanation regarding future forecast information such as Forecasts for Consolidated Financial Results

Crude oil and natural gas production operations largely progressed steadily, and INPEX revised its consolidated financial forecasts for the year ending December 31, 2022 due to factors including the upturn in crude oil prices and the depreciation of the Japanese yen against the US dollar in the six months ended June 30, 2022 and the revision of its crude oil price and exchange rate assumptions for the year.

Forecasts for consolidated financial results for the year ending December 31, 2022

(Millions of yen)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of parent
Previous Forecasts: A	1,851,000	924,000	1,042,000	300,000
Revised Forecasts: B	2,182,000	1,133,000	1,255,000	350,000
Increase (Decrease): B-A	331,000	209,000	213,000	50,000
Percentage change (%)	17.9	22.6	20.4	16.7

The above forecasts are calculated based on the following assumptions:

	Previous Forecasts	Revised Forecasts
Crude oil price (Brent)	First Half average: US\$95.0/bbl	First Half average (actual): US\$104.9/bbl
	Second Half average: US\$75.0/bbl	Second Half average: US\$85.1/bbl
	• 3rd quarter average: US\$80.0/bbl	• 3rd quarter average: US\$95.1/bbl
	• 4th quarter average: US\$70.0/bbl	• 4th quarter average: US\$75.0/bbl
	Full Year average: US\$85.0/bbl	Full Year average: US\$95.0/bbl
Exchange rate	First Half average: ¥120.0/US\$	First Half average (actual): ¥123.2/US\$
	Second Half average: ¥120.0/US\$	Second Half average: ¥126.9/US\$
	Full Year average: ¥120.0/US\$	Full Year average: ¥125.0/US\$

Note: Crude oil prices at which the Company sells products vary depending on crude oil type and differ from Brent crude oil prices. Crude oil price differences are determined by the quality of each crude oil type, etc., and are also affected by market conditions.

2. Consolidated Financial Statements and Principal Notes

(1) Consolidated Balance Sheet

(Millions of yen)

Accounts	As of December 31, 2021	As of June 30, 2022
(Assets)		
Current assets		
Cash and deposits	201,765	225,154
Accounts receivable-trade	168,224	–
Accounts receivable-trade and contract assets	–	251,609
Securities	–	43,710
Inventories	47,817	59,439
Other	113,161	135,041
Less allowance for doubtful accounts	(12,104)	(14,298)
Total current assets	518,864	700,657
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	163,165	159,943
Wells, net	345,946	416,095
Machinery, equipment and vehicles, net	1,418,656	1,680,071
Land	18,666	18,734
Construction in progress	292,836	331,248
Other, net	20,578	20,010
Total tangible fixed assets	2,259,849	2,626,103
Intangible assets		
Goodwill	29,550	42,297
Other	417,110	464,428
Total intangible assets	446,660	506,726
Investments and other assets		
Investment securities	403,356	703,339
Long-term loans receivable	1,011,801	1,368,946
Recoverable accounts under production sharing	548,170	527,749
Other	33,417	46,763
Less allowance for doubtful accounts	(652)	(754)
Less allowance for recoverable accounts under production sharing	(61,871)	(54,490)
Less allowance for investments in exploration	(1,400)	(1,333)
Total investments and other assets	1,932,821	2,590,219
Total fixed assets	4,639,332	5,723,049
Total assets	5,158,196	6,423,707

(Millions of yen)

Accounts	As of December 31, 2021	As of June 30, 2022
(Liabilities)		
Current liabilities		
Accounts payable-trade	14,888	31,318
Short-term loans	80,493	105,180
Income taxes payable	51,350	161,117
Provision for bonuses	1,386	–
Provision for bonuses to officers	200	70
Provision for loss on business	9,400	13,407
Provision for exploration projects	9,444	10,506
Asset retirement obligations	672	3,907
Other	181,051	276,788
Total current liabilities	348,888	602,296
Long-term liabilities		
Bonds payable	30,000	30,000
Long-term debt	1,069,721	1,265,556
Provision for stocks payment	100	160
Provision for special repair and maintenance	650	710
Liability for retirement benefits	7,048	8,142
Asset retirement obligations	258,339	363,694
Other	97,037	132,730
Total long-term liabilities	1,462,897	1,800,994
Total liabilities	1,811,786	2,403,291
(Net assets)		
Shareholders' equity		
Common stock	290,809	290,809
Capital surplus	681,398	681,558
Retained earnings	1,783,841	1,854,228
Treasury stock	(75,425)	(1,358)
Total shareholders' equity	2,680,624	2,825,238
Accumulated other comprehensive income		
Unrealized holding gain (loss) on securities	2,640	7,267
Deferred gain (loss) on hedges	(16,171)	9,755
Translation adjustments	456,972	927,122
Total accumulated other comprehensive income	443,441	944,145
Non-controlling interests	222,344	251,032
Total net assets	3,346,409	4,020,416
Total liabilities and net assets	5,158,196	6,423,707

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Consolidated Statement of Income

(Millions of yen)

Accounts	For the six months ended June 30, 2021	For the six months ended June 30, 2022
Net sales	498,397	1,098,476
Cost of sales	233,774	447,536
Gross profit	264,622	650,939
Exploration expenses	2,281	13,385
Selling, general and administrative expenses	38,667	53,060
Operating income	223,673	584,493
Other income		
Interest income	14,490	16,513
Dividend income	3,490	8,373
Equity in earnings of affiliates	–	101,371
Gain on reversal of allowance for recoverable accounts under production sharing	4,371	6,779
Other	14,380	10,153
Total other income	36,732	143,191
Other expenses		
Interest expense	6,961	9,934
Equity in losses of affiliates	12,978	–
Foreign exchange loss	10,687	1,257
Modification loss on financial assets	–	80,010
Other	9,933	10,287
Total other expenses	40,560	101,490
Ordinary income	219,845	626,194
Income before income taxes	219,845	626,194
Income taxes-current	158,640	431,896
Income taxes-deferred	17,405	13,463
Total income taxes	176,045	445,360
Net income	43,800	180,834
Net loss attributable to non-controlling interests	(8,182)	(3,627)
Net income attributable to owners of parent	51,982	184,462

Consolidated Statement of Comprehensive Income

(Millions of yen)

Accounts	For the six months ended June 30, 2021	For the six months ended June 30, 2022
Net income	43,800	180,834
Other comprehensive income		
Unrealized holding gain (loss) on securities	419	4,680
Deferred gain (loss) on hedges	(3,137)	(6,061)
Translation adjustments	142,905	465,145
Share of other comprehensive income of affiliates accounted for by the equity-method	22,160	46,690
Total other comprehensive income	162,346	510,455
Comprehensive income	206,147	691,290
Total comprehensive income attributable to		
Owners of parent	209,454	685,166
Non-controlling interests	(3,307)	6,124

(3) Consolidated Statement of Cash Flows

(Millions of yen)

Accounts	For the six months ended June 30, 2021	For the six months ended June 30, 2022
Cash flows from operating activities		
Income before income taxes	219,845	626,194
Depreciation and amortization	77,249	141,167
Amortization of goodwill	3,380	4,309
Increase (decrease) in provision for allowance for recoverable accounts under production sharing	(4,368)	(6,779)
Increase (decrease) in provision for exploration projects	(26)	169
Increase (decrease) in other provisions	638	4,838
Increase (decrease) in liability for retirement benefits	79	(444)
Interest and dividend income	(17,981)	(24,887)
Interest expense	6,972	9,971
Foreign exchange loss (gain)	10,503	14,988
Equity in losses (earnings) of affiliates	12,978	(101,371)
Modification loss on financial assets	-	80,010
Recovery of recoverable accounts under production sharing (capital expenditures)	28,263	41,713
Increase in recoverable accounts under production sharing (operating expenditures)	(601)	(3,942)
Decrease (increase) in trade receivables	(19,433)	(49,578)
Decrease (increase) in inventories	(6,948)	(6,393)
Increase (decrease) in trade payables	(4,965)	473
Other	(992)	21,649
Subtotal	304,594	752,089
Interest and dividends received	7,664	14,711
Interest paid	(5,812)	(5,628)
Income taxes paid	(127,830)	(350,121)
Net cash provided by operating activities	178,616	411,051

(Millions of yen)

Accounts	For the six months ended June 30, 2021	For the six months ended June 30, 2022
Cash flows from investing activities		
Payments for time deposits	–	(2,465)
Proceeds from time deposits	–	13,548
Payments for purchases of tangible fixed assets	(63,585)	(81,885)
Proceeds from sales of tangible fixed assets	89	142
Payments for purchases of intangible assets	(1,823)	(1,182)
Payments for purchases of investment securities	(880)	(71,198)
Proceeds from sales and redemptions of investment securities	16,944	3,523
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(31,410)
Investment in recoverable accounts under production sharing (capital expenditures)	(13,619)	(17,748)
Decrease (increase) in short-term loans receivable	162	474
Long-term loans made	(17,119)	(306,674)
Collection of long-term loans receivable	15,195	96,559
Payments for acquisitions of participating interests	(1,497)	–
Other	304	14,609
Net cash used in investing activities	(65,830)	(383,708)
Cash flows from financing activities		
Increase (decrease) in short-term loans	(94,307)	(1,050)
Proceeds from long-term debt	24,806	113,851
Repayments of long-term debt	(54,929)	(72,937)
Proceeds from issuance of bonds	20,000	–
Proceeds from non-controlling interests for additional shares	2,013	2,781
Cash dividends paid	(17,515)	(38,809)
Cash dividends paid to non-controlling interests	(171)	(3,121)
Other	(5,355)	11,449
Net cash provided by (used in) financing activities	(125,459)	12,164
Effect of exchange rate changes on cash and cash equivalents	11,583	37,943
Net increase (decrease) in cash and cash equivalents	(1,090)	77,451
Cash and cash equivalents at beginning of the period	172,405	191,213
Cash and cash equivalents at end of the period	171,315	268,665

(4) Notes to Consolidated Financial Statements

(Conditions or events that indicate there could be substantial doubt about the Company's ability to continue as a going concern)

For the six months ended June 30, 2022 (January 1, 2022 through June 30, 2022):

None

(Note on significant changes in shareholders' equity)

For the six months ended June 30, 2022 (January 1, 2022 through June 30, 2022):

None

(Changes in Accounting Policies)

(Application of Accounting Standard for Revenue Recognition and others)

Effective from the beginning of the three months ended March 31, 2022, the Group applied "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan ("ASBJ") Statement No.29, March 31, 2020, hereinafter referred to as "Revenue Recognition Accounting Standard") and others. Under the Revenue Recognition Accounting Standard and others, revenue is recognized when the control of the promised goods or services is transferred to the customer at the amount expected to be received in exchange for the goods or services.

The main changes resulting from the application of the Revenue Recognition Accounting Standard and others are as follows:

1. Exchange transactions

For exchange transactions involving petroleum products of the same nature and value between entities in the same line of business, the Group has changed the practice to recognize revenue based on a net amount.

2. Light oil delivery taxes

For light oil delivery taxes which fall under the amount collected for third parties, the Group changed the practice to recognize revenue at an amount excluding light oil delivery taxes from consideration for transactions.

In accordance with the transitional treatment provided in the provisory clause of paragraph 84 of the Revenue Recognition Accounting Standard, the cumulative effect at the end of the previous fiscal year from retrospective application of the Revenue Recognition Accounting Standard is treated as adjustment to retained earnings at the beginning of the three months ended March 31, 2022, and the new accounting policy is applied from the adjusted beginning balance of retained earnings.

As a result, consolidated net sales and cost of sales for the six months ended June 30, 2022 decreased by ¥862 million, respectively, and there was no effect on operating income, ordinary income, and income before income taxes. In addition, there was also no effect on the beginning balance of retained earnings for the six months ended June 30, 2022.

Due to the application of Revenue Recognition Accounting Standard and others, "Accounts receivable-trade" under current assets of the consolidated balance sheet as of December 31, 2021 has been included in "Accounts receivable-trade and contract assets" under current assets from the consolidated balance sheet as of March 31, 2022. In accordance with the transitional treatment provided for in paragraph 89-2 of the Revenue Recognition Accounting Standard, figures for the fiscal year ended December 31, 2021 have not been restated in accordance with the new presentation method.

(Application of Accounting Standard for Fair Value Measurement and others)

Effective from the beginning of the three months ended March 31, 2022, the Group applied "Accounting Standard for Fair Value Measurement" (ASBJ Statement No.30, July 4, 2019, hereinafter referred to as "Fair Value Measurement Accounting Standard") and others. In accordance with the transitional treatment provided for in paragraph 19 of the Fair Value Measurement Accounting Standard and paragraph 44-2 of "Accounting Standard for Financial Instruments" (ASBJ Statement No.10, July 4, 2019), the Group applied prospectively a new accounting policy prescribed by the Fair Value Measurement Accounting Standard and others. This application has no effect on the consolidated financial statements.

(Changes in Accounting Estimates)

(Change in estimates for asset retirement obligation)

Regarding domestic oil and gas production facilities and gas supply and marketing facilities in Japan, the Group has obligations to prevent mine pollution at abandoned well sites after the completion of the production under Japanese 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 had been difficult to formulate reasonable long-term production plan considering the balance between the production and the inflow of LNG. The Group had planned to operate domestic gas supply and marketing facilities permanently as highly public infrastructures for energy supply and it had been impossible to determine the timing of decommission. For this reason, the Group had not recognized asset retirement obligation since the Group had not been able to estimate it reasonably until the end of the previous fiscal year.

For the three months ended March 31, 2022, the Group reviewed the production and development plan considering the formulation and publication of “Long-term Strategy and Medium-term Business Plan (INPEX Vision@2022)” in February 2022. As a result, it has been possible to determine reasonably the timing of decommission of domestic oil and gas production facilities and certain gas supply and marketing facilities that the Group had not recognized asset retirement obligation since it had been impossible to determine the timing of decommission, and the asset retirement obligation of ¥12,149 million has been recorded. Due to this change, consolidated operating income, ordinary income and income before income taxes for the six months ended June 30, 2022 decreased by ¥11,097 million respectively.

(Additional Information)

(Modification loss on financial assets)

In accordance with International Financial Reporting Standards (IFRS) 9 “Financial Instruments” implemented to foreign consolidated subsidiaries, the loss was recognized due to modification of financial assets that do not result in derecognition.

(Segment Information and Others)

(Segment Information)

I. For the six months ended June 30, 2021 (January 1, 2021 through June 30, 2021)

1. Information on sales and income (loss) by reportable segment

(Millions of yen)

	Reportable segments						Adjustments *1	Consolidated *2
	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Total		
Net sales								
Sales to third parties	57,027	119,561	53,910	257,409	10,489	498,397	–	498,397
Intercompany sales and transfers between segments	–	5,160	–	–	–	5,160	(5,160)	–
Total	57,027	124,722	53,910	257,409	10,489	503,558	(5,160)	498,397
Segment income (loss)	10,447	44,282	13,098	159,275	4,656	231,760	(8,086)	223,673

Notes: 1. Adjustments of segment income (loss) of ¥(8,086) million are corporate expenses. Corporate expenses are mainly amortization of goodwill and general administrative expenses that are not allocated to a reportable segment.

2. Segment income (loss) is reconciled with operating income on the consolidated statement of income.

2. Information on impairment loss from fixed assets, goodwill and other items by reportable segment

None

II. For the six months ended June 30, 2022 (January 1, 2022 through June 30, 2022)

1. Information on sales and income (loss) by reportable segment

(Millions of yen)

	Reportable segments						Adjustments *1	Consolidated *2
	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Total		
Net sales								
Sales to third parties	97,156	264,362	178,025	540,624	18,306	1,098,476	–	1,098,476
Intercompany sales and transfers between segments	–	10,197	–	–	–	10,197	(10,197)	–
Total	97,156	274,559	178,025	540,624	18,306	1,108,674	(10,197)	1,098,476
Segment income (loss)	(3,678)	147,557	94,848	342,511	11,192	592,431	(7,938)	584,493

Notes: 1. Adjustments of segment income (loss) of ¥(7,938) million are corporate expenses. Corporate expenses are mainly amortization of goodwill and general administrative expenses that are not allocated to a reportable segment.

2. Segment income (loss) is reconciled with operating income on the consolidated statement of income.

2. Information on impairment loss from fixed assets, goodwill and other items by reportable segment

(Significant change in goodwill)

In “Eurasia (Europe & NIS)” segment, the Group included INPEX Norway Co., Ltd. and INPEX Idemitsu Norge AS in the scope of consolidation. As a result, goodwill in the segment increased by ¥16,224 million for the six months ended June 30, 2022. The amount of goodwill is provisionally calculated as the allocation of acquisition cost has not been completed as of June 30, 2022.

3. Information on changes in reportable segments and others

(Application of Accounting Standard for Revenue Recognition and others)

As stated in the “Changes in Accounting Policies,” effective from the beginning of the three months ended March 31, 2022, the Group applied the Revenue Recognition Accounting Standard and others, and changed the method of accounting in connection with revenue recognition. Accordingly, the method of calculating net sales and income (loss) by reportable segment was also changed in the same manner. As a result, net sales for the six months ended June 30, 2022 in “Japan” segment decreased by ¥862 million compared with the previous method, and there was no effect on segment income (loss).

(Significant Subsequent Events)

(Acquisition of the Company's Own Shares)

The Board of Directors of the Company, at its meeting held on August 8, 2022, resolved that the Company will acquire its own shares pursuant to Article 156, as applied pursuant to paragraph 3, Article 165, of the Companies Act.

1. Reasons for acquisition of own shares

To improve capital efficiency and enhance shareholder returns.

2. Details of the acquisition

- | | |
|--|---|
| (1) Type of shares to be acquired: | Common shares |
| (2) Total number of shares to be acquired: | Up to 120 million shares
(8.65% of total number of issued shares excluding treasury stock) |
| (3) Total cost of acquisition: | Up to 120 billion yen |
| (4) Period of acquisition: | From August 9, 2022 to December 30, 2022 |
| (5) Method of acquisition: | Market purchases on the Tokyo Stock Exchange |

Note: The shares held by the Board Incentive Plan Trust (910,363 shares) are not included in the number of excluded treasury stocks.

3. Supplementary Information

(1) Production, Orders Received and Sales Performance

1) Actual production

The following table shows actual production by segment:

Segment	Category	For the six months ended June 30, 2021	For the six months ended June 30, 2022
Japan	Crude oil	0.5 MMbbls (3.0 Mbbls per day)	0.5 MMbbls (2.7 Mbbls per day)
	Natural gas	20.2 Bcf (111.8 MMcf per day)	18.8 Bcf (103.9 MMcf per day)
	Subtotal	4.3 MMboe (24.0 Mboe per day)	3.9 MMboe (21.7 Mboe per day)
	Iodine	289.1 tons	286.2 tons
	Electric power generation	113.1 million kWh	114.2 million kWh
Asia & Oceania	Crude oil	8.0 MMbbls (44.1 Mbbls per day)	9.3 MMbbls (51.5 Mbbls per day)
	Natural gas	167.0 Bcf (922.4 MMcf per day)	213.3 Bcf (1,178.2 MMcf per day)
	Subtotal	40.3 MMboe (222.5 Mboe per day)	50.5 MMboe (278.9 Mboe per day)
	Electric power generation	200.5 million kWh	206.1 million kWh
Eurasia (Europe & NIS)	Crude oil	9.0 MMbbls (49.6 Mbbls per day)	12.5 MMbbls (69.2 Mbbls per day)
	Natural gas	4.6 Bcf (25.2 MMcf per day)	9.6 Bcf (53.3 MMcf per day)
	Subtotal	9.8 MMboe (54.1 Mboe per day)	14.3 MMboe (78.9 Mboe per day)
	Sulfur	47.8 Mtons	49.3 Mtons
Middle East & Africa	Crude oil	38.4 MMbbls (212.3 Mbbls per day)	47.9 MMbbls (264.7 Mbbls per day)
Americas	Crude oil	1.3 MMbbls (7.1 Mbbls per day)	1.6 MMbbls (8.6 Mbbls per day)
	Natural gas	7.6 Bcf (42.0 MMcf per day)	1.6 Bcf (9.1 MMcf per day)
	Subtotal	2.7 MMboe (15.0 Mboe per day)	1.8 MMboe (9.8 Mboe per day)
Total	Crude oil	57.2 MMbbls (316.1 Mbbls per day)	71.8 MMbbls (396.7 Mbbls per day)
	Natural gas	199.4 Bcf (1,101.4 MMcf per day)	243.3 Bcf (1,344.4 MMcf per day)
	Subtotal	95.6 MMboe (527.9 Mboe per day)	118.4 MMboe (653.9 Mboe per day)
	Iodine	289.1 tons	286.2 tons
	Electric power generation	313.7 million kWh	320.3 million kWh
	Sulfur	47.8 Mtons	49.3 Mtons

Notes: 1. The volume of LPG produced overseas is included in "Crude oil."

2. A portion of crude oil and natural gas production volume is consumed as fuel to generate electricity.

3. The production by the Company's affiliates accounted for by the equity method is included in the figures above.

Also the production volume is a result for the six months ended June 30 regardless of the fiscal year-ends of its subsidiaries or affiliates.

4. The production volume of crude oil and natural gas under the production sharing contracts entered into by the Group corresponds to the net economic take of the Group.

Figures calculated by multiplying the gross production volume by the Company's interest share are 62.2 MMbbls (343.7 Mbbls per day) of crude oil, 206.8 Bcf (1,142.4 MMcf per day) of natural gas, and in total 101.8 MMboe (562.6 Mboe per day) for the six months ended June 30, 2021, and 77.2 MMbbls (426.8 Mbbls per day) of crude oil, 248.2 Bcf (1,371.1 MMcf per day) of natural gas, and in total 124.6 MMboe (688.3 Mboe per day) for the six months ended June 30, 2022.

5. "Boe" means barrels of oil equivalent.

6. "Iodine" is refined by other company on consignment.

7. Figures are rounded to the first decimal place.

2) Orders received

Disclosure on this information is omitted because the amount of orders received is accounted for a minor portion of total sales.

3) Actual sales

The following table shows sales by segment:

(Millions of yen)

Segment	Category	For the six months ended June 30, 2021	For the six months ended June 30, 2022
		Net sales	Net sales
Japan	Crude oil	1,955	3,272
	Natural gas (excluding LPG)	46,917	84,355
	LPG	10	5
	Other	8,143	9,522
	Subtotal	57,027	97,156
Asia & Oceania	Crude oil	52,075	120,344
	Natural gas (excluding LPG)	65,999	141,824
	LPG	1,485	2,193
	Subtotal	119,561	264,362
Eurasia (Europe & NIS)	Crude oil	55,375	161,544
	Natural gas (excluding LPG)	(1,541)	15,339
	Other	76	1,141
	Subtotal	53,910	178,025
Middle East & Africa	Crude oil	257,409	540,624
Americas	Crude oil	8,550	17,421
	Natural gas (excluding LPG)	1,938	885
	Subtotal	10,489	18,306
Total	Crude oil	375,366	843,207
	Natural gas (excluding LPG)	113,313	242,404
	LPG	1,496	2,199
	Other	8,220	10,664
	Total	498,397	1,098,476