

Consolidated Financial Statements
For the year ended December 31, 2022

INPEX CORPORATION

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, 2022, 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, 2022, 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Assessment for impairment indicators of fixed assets related to the Ichthys LNG project and the Prelude FLNG project	
Description of Key Audit Matter	Auditor's Response
<p>INPEX CORPORATION recorded tangible fixed assets of 2,473,118 million yen and intangible assets of 482,704 million yen in the consolidated balance sheet as of December 31, 2022.</p> <p>As described in Note 4 to the consolidated financial statements (Significant Accounting Estimates), tangible fixed assets related to the Ichthys LNG project held through INPEX Holdings Australia Pty Ltd. ("IHA"), a consolidated subsidiary, amounted to 1,624,070 million yen.</p> <p>Also, in relation to the Ichthys LNG project, an equity method investment balance of 472,458 million yen in Ichthys LNG Pty Ltd ("ILNG"), which is an equity method affiliate, is recorded. The balance of tangible fixed assets held by ILNG included in this investment is 2,745,044 million yen (which is obtained by multiplying by 66.245%, which represents INPEX CORPORATION's equity interest).</p>	<p>We performed the following audit procedures to assess whether INPEX CORPORATION properly assessed the impairment indicators with respect to the significant projects in the production phase.</p> <ul style="list-style-type: none">- We evaluated management's assumptions for future crude oil prices by making comparisons with estimates published by external experts and estimates established by management for the previous fiscal year.- We discussed with management whether there are no significant changes to the operational status of the project, including reserves, operating expenses and development costs from the previous fiscal year, and inspected board minutes and other relevant documents.- We evaluated management's assumptions by comparing the estimates of reserves, operating expenses and development costs used in calculating net cash flows for the current fiscal year with those in the previous fiscal year.

Further, INPEX CORPORATION recognized tangible fixed assets of 212,146 million yen and intangible assets of 60,090 million yen, respectively, related to the Prelude FLNG project through INPEX Oil & Gas Australia Pty Ltd. (“IOGA”), which is a subsidiary of INPEX CORPORATION.

As a result of the assessment for the impairment indicators, given the operational status of the projects with consideration of future crude oil prices, reserves, operating expenses and development costs which also takes into account impacts from the Russia-Ukraine situation and the transition to a net-zero carbon society as a means of addressing climate change, INPEX CORPORATION assessed that no impairment indicators were identified for the Ichthys LNG project and the Prelude FLNG project.

For the purposes of determining whether there are any impairment indicators, INPEX CORPORATION confirmed that there has been no significant deterioration in net cash flows.

The key assumptions used in measuring net cash flows are future crude oil prices, reserves, operating expenses, development costs and discount rates.

Among these assumptions, there is a high level of uncertainty in the estimates of future crude oil prices, reserves, operating expenses, and development costs, given that there is a long period of time from the exploration and development phase to the recovery of the investment via production and sales.

Also, with respect to the estimation for the discount rate, a high level of expertise is required for selecting the calculation method and input data.

Therefore, the assessment for impairment indicators of fixed assets of the projects held by INPEX CORPORATION requires significant judgment and estimations by management. Among these projects, the amount of fixed assets held by IHA, a consolidated subsidiary, accounts for 54% of total tangible and intangible assets. Furthermore, by also aggregating the amount of fixed assets held through ILNG, an equity method affiliate, the total amount is materially significant. Moreover, as the life of the project is over a long period of time, any changes in key assumptions such as in future crude oil prices have a significant impact on net cashflows. Therefore, the assessment for the impairment indicators of fixed assets related to the projects, including prerequisites for key assumptions, needs careful consideration.

Additionally, for the Prelude FLNG project, although production has commenced, operational risks still remain, and significant amounts of fixed assets are booked.

Also, given an impairment loss was recorded in the fiscal year-ends of December 31, 2020, there is the possibility that additional impairment losses or impairment reversals may be recognized in the future due to changes in key assumptions.

We performed the following additional procedures for the Ichthys LNG project and the Prelude FLNG project.

- To assess management’s assumptions regarding the reserves, operating expenses and development costs, we held related discussions with the management and inspected relevant documents.
- We performed a sensitivity analysis for future crude oil prices and discount rates by applying our own assumptions calculated by our network firm’s valuation specialists.

Based on the above, due to the significance from a materiality perspective and the specific risks derived from these projects, the assessment for impairment indicators of the Ichthys LNG project and the Prelude FLNG project are significant, and thus a key audit matter.	
---	--

Other Information

The other information comprises the information included in the disclosure document that contains audited consolidated financial statements but does not include the consolidated financial statements and our auditor's report thereon.

We have concluded that the other information does not exist. Accordingly, we have not performed any work related to the other information.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & 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.

Audit & Supervisory Board Members and the Audit & 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 Audit & Supervisory Board Members and the Audit & 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 Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated 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.

From the matters communicated with Audit & Supervisory Board Members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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, 2022 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
April 13, 2023

/s/ Kazuhiko Yamazaki
Designated Engagement Partner
Certified Public Accountant

/s/ Satoshi Takahashi
Designated Engagement Partner
Certified Public Accountant

/s/ Mikio Shimizu
Designated Engagement Partner
Certified Public Accountant

/s/ Kentaro Moronuki
Designated Engagement Partner
Certified Public Accountant

Consolidated Balance Sheet

INPEX CORPORATION and Consolidated Subsidiaries
December 31, 2022

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 3)
	2021/12	2022/12	2022/12
Current assets			
Cash and cash equivalents (Note 7)	¥ 191,213	¥ 211,656	\$ 1,594,996
Time deposits	10,551	16,172	121,868
Accounts receivable-trade (Note 7)	168,224	-	-
Accounts receivable-trade and contract assets (Notes 7 and 20)	-	252,938	1,906,088
Securities	-	58,152	438,221
Inventories (Note 7)	47,817	68,154	513,594
Accounts receivable-other	42,309	61,758	465,395
Other (Note 7)	70,852	73,588	554,544
Less allowance for doubtful accounts	(12,104)	(13,020)	(98,116)
Total current assets	518,864	729,401	5,496,616
Tangible fixed assets			
Buildings and structures	407,253	411,546	3,101,326
Wells (Note 7)	764,382	865,384	6,521,356
Machinery, equipment and vehicles (Note 7)	1,994,327	2,290,013	17,257,068
Land (Note 7)	18,666	18,178	136,985
Construction in progress (Note 7)	292,836	339,787	2,560,565
Other	57,337	86,477	651,672
	3,534,804	4,011,388	30,228,997
Less accumulated depreciation and amortization	(1,274,954)	(1,538,269)	(11,592,079)
Total tangible fixed assets (Note 4)	2,259,849	2,473,118	18,636,910
Intangible assets			
Goodwill (Note 19)	29,550	40,332	303,933
Exploration and development rights	150,902	152,178	1,146,782
Mining rights	260,182	283,518	2,136,533
Other	6,025	6,674	50,293
Total intangible assets (Note 4)	446,660	482,704	3,637,558
Investments and other assets			
Recoverable accounts under production sharing	548,170	521,541	3,930,226
Less allowance for recoverable accounts under production sharing	(61,871)	(53,873)	(405,975)
Investment securities (Notes 4, 5, 6 and 7)	403,356	745,365	5,616,917
Long-term loans receivable (Note 5 and 7)	1,011,801	1,279,383	9,641,168
Deferred tax assets (Note 8)	21,713	69,705	525,282
Asset for retirement benefits (Note 15)	-	1,734	13,067
Other (Note 7)	11,704	15,765	118,801
Less allowance for doubtful accounts	(652)	(690)	(5,199)
Less allowance for investments in exploration	(1,400)	(1,852)	(13,956)
Total investments and other assets	1,932,821	2,577,080	19,420,346
Total fixed assets	4,639,332	5,532,903	41,694,822
Total assets	¥ 5,158,196	¥ 6,262,304	\$ 47,191,439

See accompanying notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of
	2021/12	2022/12	U.S. dollars (Note 3)
Current liabilities			
Accounts payable-trade	¥ 14,888	¥ 47,183	\$ 355,561
Short-term borrowings and current portion of long-term debt (Notes 5 and 7)	80,493	75,878	571,801
Income taxes payable (Note 8)	51,350	126,675	954,596
Accounts payable-other	98,518	118,448	892,599
Provision for bonuses	1,386	1,458	10,987
Provision for bonuses to officers	200	130	979
Provision for loss on business	9,400	8,631	65,041
Provision for exploration projects	9,444	3,391	25,553
Asset retirement obligations (Note 16)	672	15,504	116,834
Other (Note 20)	82,533	129,439	975,425
Total current liabilities	348,888	526,740	3,969,404
Long-term liabilities			
Bonds payable (Note 5)	30,000	30,000	226,073
Long-term debt (Notes 5 and 7)	1,069,721	1,164,369	8,774,446
Deferred tax liabilities (Note 8)	81,192	178,967	1,348,658
Provision for stocks payment	100	245	1,846
Provision for special repair and maintenance	650	705	5,312
Liability for retirement benefits (Note 15)	7,048	689	5,192
Asset retirement obligations (Note 16)	258,339	303,159	2,284,544
Other	15,845	19,064	143,662
Total long-term liabilities	1,462,897	1,697,202	12,789,766
Total liabilities	1,811,786	2,223,943	16,759,178
Net assets (Note 10)			
Common stock	290,809	290,809	2,191,477
Authorized: 2021/12 - 3,600,000,001 shares 2022/12 - 3,600,000,001 shares			
Issued: 2021/12 - 1,462,323,601 shares 2022/12 - 1,386,667,168 shares			
Capital surplus	681,398	683,382	5,149,826
Retained earnings	1,783,841	2,066,443	15,572,290
Less: Treasury stock 2021/12 - 75,805,993 shares 2022/12 - 80,672,863 shares	(75,425)	(121,358)	(914,529)
Total shareholders' equity	2,680,624	2,919,277	21,999,073
Unrealized holding gain (loss) on securities	2,640	4,147	31,250
Deferred gain (loss) on hedges	(16,171)	32,421	244,318
Translation adjustments	456,972	820,997	6,186,865
Total accumulated other comprehensive income	443,441	857,566	6,462,441
Non-controlling interests	222,344	261,517	1,970,738
Total net assets	3,346,409	4,038,361	30,432,260
Contingent liabilities (Note 18)			
Total liabilities and net assets	¥ 5,158,196	¥ 6,262,304	\$ 47,191,439

Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Consolidated Statement of Income

INPEX CORPORATION and Consolidated Subsidiaries

For the year ended 2022

	Millions of yen		Thousands of
	2021/12	2022/12	U.S.dollars (Note 3)
Net sales (Note 20)	¥ 1,244,369	¥ 2,324,660	\$ 17,518,161
Cost of sales (Note 13)	568,921	943,414	7,109,374
Gross profit	675,448	1,381,245	10,408,779
Exploration expenses	6,445	29,202	220,060
Selling, general and administrative expenses (Notes 13 and 15)	64,920	90,752	683,888
Depreciation and amortization	13,425	14,881	112,140
Operating income	590,657	1,246,408	9,392,675
Other income			
Interest income	31,115	64,687	487,467
Dividend income	7,456	9,499	71,582
Equity in earnings of affiliates	38,834	161,931	1,220,278
Gain on reversal of allowance for recoverable accounts under production sharing	7,572	7,396	55,734
Foreign exchange gain	-	30,375	228,899
Other	27,268	57,995	437,038
Total other income	112,246	331,885	2,501,017
Other expenses			
Interest expense	13,747	32,378	243,993
Foreign exchange loss	6,709	-	-
Modification loss on financial assets	-	85,483	644,182
Impairment loss (Note 14)	14,170	25,799	194,415
Other	24,819	22,190	167,219
Total other expenses	59,446	165,850	1,249,811
Income before income taxes	643,457	1,412,443	10,643,880
Income taxes (Note 8)			
Current	395,437	952,982	7,181,477
Deferred	34,094	17,563	132,351
Total income taxes	429,532	970,546	7,313,835
Net income	213,924	441,897	3,330,045
Net income (loss) attributable to non-controlling interests	(9,123)	3,620	27,279
Net income attributable to owners of parent	¥ 223,048	¥ 438,276	\$ 3,302,758

Consolidated Statement of Comprehensive Income

INPEX CORPORATION and Consolidated Subsidiaries

For the year ended 2022

	Millions of yen		Thousands of
	2021/12	2022/12	U.S.dollars (Note 3)
Net income	¥ 213,924	¥ 441,897	\$ 3,330,045
Other comprehensive income			
Unrealized holding gain (loss) on securities	564	1,581	11,914
Deferred gain (loss) on hedges	(807)	195	1,469
Translation adjustments	235,828	360,251	2,714,777
Share of other comprehensive income of affiliates accounted for by the equity-method	45,939	59,060	445,064
Total other comprehensive income (Note 9)	281,524	421,089	3,173,240
Comprehensive income	495,449	862,986	6,503,285
Total comprehensive income attributable to:			
Owners of parent	497,228	852,401	6,423,519
Non-controlling interests	¥ (1,778)	¥ 10,584	\$ 79,758

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, 2021	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of January 1, 2021	¥ 290,809	¥ 674,374	¥ 1,607,524	¥ (5,428)	¥ 2,567,279
Change in ownership interest of parent arising from transactions with non-controlling shareholders		7,024			7,024
Cash dividends paid			(46,731)		(46,731)
Net income attributable to owners of parent			223,048		223,048
Purchase of treasury stock				(69,999)	(69,999)
Disposal of treasury stock				3	3
Net changes in items other than those in shareholders' equity					
Total changes during the period	-	7,024	176,316	(69,996)	113,344
Balance as of December 31, 2021	¥ 290,809	¥ 681,398	¥ 1,783,841	¥ (75,425)	¥ 2,680,624

For the year ended December 31, 2021	Millions of yen					
	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Unrealized holding gain (loss) on securities	Deferred gain (loss) on hedges	Translation adjustments	Total accumulated other comprehensive income		
Balance as of January 1, 2021	¥ 2,091	¥ (54,054)	¥ 221,224	¥ 169,261	¥ 264,798	¥ 3,001,339
Change in ownership interest of parent arising from transactions with non-controlling shareholders						7,024
Cash dividends paid						(46,731)
Net income attributable to owners of parent						223,048
Purchase of treasury stock						(69,999)
Disposal of treasury stock						3
Net changes in items other than those in shareholders' equity	548	37,882	235,748	274,179	(42,454)	231,725
Total changes during the period	548	37,882	235,748	274,179	(42,454)	345,070
Balance as of December 31, 2021	¥ 2,640	¥ (16,171)	¥ 456,972	¥ 443,441	¥ 222,344	¥ 3,346,409

Millions of yen					
Shareholders' equity					
For the year ended December 31, 2022	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of January 1, 2022	¥ 290,809	¥ 681,398	¥ 1,783,841	¥ (75,425)	¥ 2,680,624
Change in ownership interest of parent arising from transactions with non-controlling shareholders		1,984			1,984
Cash dividends paid			(80,426)		(80,426)
Net income attributable to owners of parent			438,276		438,276
Purchase of treasury stock				(121,191)	(121,191)
Disposal of treasury stock				10	10
Cancellation of treasury stock			(75,248)	75,248	-
Net changes in items other than those in shareholders' equity					
Total changes during the period	-	1,984	282,601	(45,932)	238,652
Balance as of December 31, 2022	¥ 290,809	¥ 683,382	¥ 2,066,443	¥ (121,358)	¥ 2,919,277

Millions of yen						
Accumulated other comprehensive income						
For the year ended December 31, 2022	Unrealized holding gain (loss) on securities	Deferred gain (loss) on hedges	Translation adjustments	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance as of January 1, 2022	¥ 2,640	¥ (16,171)	¥ 456,972	¥ 443,441	¥ 222,344	¥ 3,346,409
Change in ownership interest of parent arising from transactions with non-controlling shareholders						1,984
Cash dividends paid						(80,426)
Net income attributable to owners of parent						438,276
Purchase of treasury stock						(121,191)
Disposal of treasury stock						10
Cancellation of treasury stock						-
Net changes in items other than those in shareholders' equity	1,507	48,592	364,025	414,125	39,173	453,299
Total changes during the period	1,507	48,592	364,025	414,125	39,173	691,952
Balance as of December 31, 2022	¥ 4,147	¥ 32,421	¥ 820,997	¥ 857,566	¥ 261,517	¥ 4,038,361

Thousands of U.S. dollars (Note 3)

For the year ended December 31, 2022	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of January 1, 2022	\$ 2,191,477	\$ 5,134,875	\$ 13,442,660	\$ (568,387)	\$ 20,200,633
Change in ownership interest of parent arising from transactions with non-controlling shareholders		14,951			14,951
Cash dividends paid			(606,073)		(606,073)
Net income attributable to owners of parent			3,302,758		3,302,758
Purchase of treasury stock				(913,270)	(913,270)
Disposal of treasury stock				75	75
Cancellation of treasury stock			(567,053)	567,053	-
Net changes in items other than those in shareholders' equity					
Total changes during the period	-	14,951	2,129,623	(346,134)	1,798,432
Balance as of December 31, 2022	\$ 2,191,477	\$ 5,149,826	\$ 15,572,290	\$ (914,529)	\$ 21,999,073

Thousands of U.S. dollars (Note 3)

For the year ended December 31, 2022	Accumulated other comprehensive income					Total net assets
	Unrealized holding gain (loss) on securities	Deferred gain (loss) on hedges	Translation adjustments	Total accumulated other comprehensive income	Non-controlling interests	
Balance as of January 1, 2022	\$ 19,894	\$ (121,861)	\$ 3,443,647	\$ 3,341,680	\$ 1,675,538	\$ 25,217,852
Change in ownership interest of parent arising from transactions with non-controlling shareholders						14,951
Cash dividends paid						(606,073)
Net income attributable to owners of parent						3,302,758
Purchase of treasury stock						(913,270)
Disposal of treasury stock						75
Cancellation of treasury stock						-
Net changes in items other than those in shareholders' equity	11,356	366,179	2,743,217	3,120,761	295,199	3,415,968
Total changes during the period	11,356	366,179	2,743,217	3,120,761	295,199	5,214,408
Balance as of December 31, 2022	\$ 31,250	\$ 244,318	\$ 6,186,865	\$ 6,462,441	\$ 1,970,738	\$ 30,432,260

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

INPEX CORPORATION and Consolidated Subsidiaries
For the year ended 2022

	Millions of yen		Thousands of
	2021/12	2022/12	U.S. dollars (Note 3)
Cash flows from operating activities			
Income before income taxes	¥ 643,457	¥ 1,412,443	\$ 10,643,880
Depreciation and amortization	203,184	292,560	2,204,672
Impairment loss	14,170	25,799	194,415
Amortization of goodwill	6,856	8,963	67,543
Increase (decrease) in provision for allowance for recoverable accounts under production sharing	(7,570)	(7,396)	(55,734)
Increase (decrease) in provision for exploration projects	(814)	(6,738)	(50,776)
Increase (decrease) in other provisions	1,614	837	6,307
Increase (decrease) in liability for retirement benefits	(1,050)	(7,854)	(59,186)
Decrease (increase) in asset for retirement benefits	-	(1,734)	(13,067)
Interest and dividend income	(38,571)	(74,186)	(559,050)
Interest expense	13,777	32,446	244,506
Foreign exchange loss (gain)	13,618	(5,500)	(41,446)
Equity in losses (earnings) of affiliates	(38,834)	(161,931)	(1,220,278)
Modification loss on financial assets	-	85,483	644,182
Recovery of recoverable accounts under production sharing (capital expenditures)	62,236	70,781	533,391
Decrease (increase) in recoverable accounts under production sharing (operating expenditures)	(4,106)	(5,359)	(40,384)
Decrease (increase) in trade receivables	(83,689)	(57,090)	(430,218)
Decrease (increase) in inventories	(14,534)	(16,140)	(121,627)
Increase (decrease) in trade payables	(3,721)	21,775	164,091
Decrease (increase) in accounts receivable-other	(7,927)	(10,295)	(77,581)
Increase (decrease) in accounts payable-other	25,614	4,738	35,704
Increase (decrease) in advances received	6,237	(113)	(851)
Other	4,309	5,753	43,353
Subtotal	794,255	1,607,241	12,111,838
Interest and dividends received	15,404	70,081	528,116
Interest paid	(11,466)	(20,016)	(150,836)
Income taxes paid	(352,735)	(906,022)	(6,827,596)
Net cash provided by operating activities	¥ 445,457	¥ 751,284	\$ 5,661,522

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2021/12	2022/12	2022/12
Cash flows from investing activities			
Payments for time deposits	¥ (17,784)	¥ (47,770)	\$ (359,984)
Proceeds from time deposits	18,906	43,772	329,856
Payments for long-term time deposits	-	(3,291)	(24,800)
Payments for purchases of tangible fixed assets	(140,470)	(187,100)	(1,409,947)
Proceeds from sales of tangible fixed assets	195	2,595	19,555
Payments for purchases of intangible assets	(2,762)	(1,877)	(14,144)
Payments for purchases of securities	-	(57,651)	(434,446)
Payments for purchases of investment securities	(6,026)	(108,412)	(816,970)
Proceeds from sales and redemptions of investment securities	18,444	47,142	355,252
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(31,410)	(236,699)
Investment in recoverable accounts under production sharing (capital expenditures)	(30,812)	(39,095)	(294,611)
Decrease (increase) in short-term loans receivable	333	398	2,999
Long-term loans made	(34,868)	(335,297)	(2,526,729)
Collection of long-term loans receivable	69,372	158,497	1,194,400
Payments for acquisitions of participating interests	(7,736)	(7,689)	(57,942)
Other	2,481	41,615	313,602
Net cash used in investing activities	(130,727)	(525,574)	(3,960,617)
Cash flows from financing activities			
Increase (decrease) in short-term borrowings	(94,630)	(5,450)	(41,070)
Proceeds from issuance of bonds	30,000	-	-
Proceeds from long-term debt	66,313	164,105	1,236,661
Repayments of long-term debt	(157,405)	(217,584)	(1,639,668)
Proceeds from non-controlling interests for additional shares	6,455	21,653	163,172
Purchase of treasury stock	(69,999)	(121,191)	(913,270)
Purchase of treasury stock of subsidiaries	(35,479)	-	-
Cash dividends paid	(46,718)	(80,399)	(605,870)
Cash dividends paid to non-controlling interests	(3,548)	(11,140)	(83,948)
Other	(10,202)	8,078	60,874
Net cash used in financing activities	(315,215)	(241,928)	(1,823,119)
Effect of exchange rate changes on cash and cash equivalents	19,293	36,662	276,277
Net increase (decrease) in cash and cash equivalents	18,807	20,443	154,054
Cash and cash equivalents at beginning of the period	172,405	191,213	1,440,941
Cash and cash equivalents at end of the period	¥ 191,213	¥ 211,656	\$ 1,594,996

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.

When the financial statements of its foreign subsidiaries are prepared in accordance with International Financial Reporting Standards (IFRS) or the accounting principles generally accepted in the United States (U.S. GAAP), the Company uses them in the consolidated accounting procedures. However, there are certain accounts that must be adjusted in terms of materiality in order to record net income properly.

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, 2022.

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

Goodwill is amortized by the straight-line method over a period of up to 20 years.

(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 foreign subsidiaries are translated into yen at the exchange rates prevailing at the balance sheet date. The revenue and expense accounts of foreign 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

(Other securities)

[Securities other than shares, etc. without a market price]

Other securities with a determinable market value are stated at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets.

Cost of securities sold is determined by the moving-average method.

[Shares, etc. without a market price]

Other securities without a determinable market value are stated at cost 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) Allowance for recoverable accounts under production sharing

Allowance for recoverable accounts under production sharing is provided for probable losses on specific investments made under production sharing contracts.

(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. 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 consolidated fiscal year. Such rights 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 mainly amortized by the straight-line method.

Software for internal use is amortized by the straight-line method over 5 years.

(l) Leased assets

Depreciation of leased assets for financing lease transactions whose ownership are not to be transferred.

Depreciation of these assets is calculated based on the straight-line method over the lease period assuming no residual value.

(m) Provision for bonuses

Provision for bonuses to employees is provided at the expected payment amounts.

(n) Provision for bonuses to officers

Provision for bonuses to officers is provided at the expected payment amounts.

(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, 2022 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 others under the share delivery rule. The amount is based on the expected stock benefit payable.

(r) Provision for special repair and maintenance

Provision for special repair and maintenance is provided for planned major repair and maintenance activities on tanks in certain subsidiaries at the 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, 2022. 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) Basis for significant revenues and expenses

The content of principal performance obligations in primary businesses regarding revenue from contracts with customers and the normal timing when those obligations are satisfied (normal timing when revenue is recognized) are as follows:

(Revenue from crude oil and natural gas business)

The Group conducts exploration, development, production and marketing of crude oil and natural gas (including LPG; the same applies hereinafter) in the five reportable segments provided in the segment information: “Japan,” “Asia & Oceania,” “Eurasia,” “Middle East & Africa” and “Americas.”

For sales of these products, it is concluded that the legal ownership rights and physical rights of possession, as well as material risks and economic value associated with ownership of the products, are transferred to the customer, and the Company obtains the right to receive the price for the products from the customer, primarily at the time when control of the products is transferred to the customer, namely in the case of crude oil and natural gas the time of delivery of the products to the customer or the time when control is transferred to the customer based on trade terms prescribed in Incoterms or other materials. Therefore, revenue is recognized at this time. Revenue is recognized based on the transaction price prescribed in the contract with the customer. Because the transaction price is received within one year following delivery of the products, it does not contain significant financing components.

In revenue from production of crude oil and natural gas, for which the Group shares participating interest with other companies, there are cases when the quantity actually delivered does not match the quantity which corresponds to the participating interest held by the Group due to circumstances of vessel assignments or other matters. In such cases, the Group recognizes revenue based on the quantity that was actually delivered, and any significant difference between the quantity actually delivered and the quantity which corresponds to the participating interest held by the Group is adjusted with the other company that shares participating interest by means of the actual crude oil and natural gas that is delivered in or after the following fiscal year. In the event of delivery that exceeds the participating interest held by the Group, the cost of sales for the quantity that is above the quantity equivalent to the participating interest is also included in the consolidated fiscal year when revenue was recognized, and at the same time liabilities are recorded in regards to the other company which shares participating interest. In the event of delivery that is less than the participating interest held by the Group, the sales price for the quantity that is below the quantity equivalent to the participating interest is deferred to the consolidated fiscal year when delivery is actually carried out, and at the same time assets are recorded in regards to the other company which shares participating interest.

(Revenue from other finished goods)

In addition to revenue listed above, the Group also engages in sales of petroleum products and other products, primarily at its business sites in Japan.

For sales of these petroleum products and other products, it is concluded that the legal ownership rights, physical rights of possession, and material risks and economic value associated with ownership of the products, are transferred to the customer, and the Company obtains the right to receive the price for the products from the customer, primarily at the time when control of the products is transferred to the customer, namely the time of delivery of the products to the customer. Therefore, revenue is recognized at this time. Revenue is recognized based on the transaction price prescribed in the contract with the customer. For

exchange transactions involving products of the same nature and value between entities in the same line of business, revenue is recognized as a net amount. As with light oil delivery taxes, for indirect taxes which are collected from the customer included in the sales price and are paid to the national, prefectural, or other government, revenue is recognized at an amount excluding indirect taxes (as an amount which is collected for third parties) from the amount that is received from the customer. At the same time, as with gasoline tax, the amounts of taxes which are levied at a step at or before the sale, and for which we bear the obligation for tax payment, are included in the net sales. For petroleum products and other products, because the transaction price is received within one year following delivery of the products, it does not contain significant financing components.

(v) Hedge accounting

(Hedge accounting)

The Company applies the deferred hedge accounting.

(Hedging instruments and hedged items)

[Currency related]

Hedging instruments: Interest rate and currency swap transactions and foreign exchange forwards

Hedged items: Liabilities denominated in Japanese yen, forecasted transactions denominated in foreign currency, and interests in foreign subsidiaries

[Commodity related]

Hedging instruments: Commodity swap transactions and commodity option transactions

Hedged items: Sales proceeds from commodities

(Hedging policy)

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

(Assessment of the effectiveness of hedge accounting)

The Company performs hedge effectiveness assessment by verifying the relationship between the hedging instruments and the hedged items.

(w) Research and development expenses

Research and development expenses are charged to income as incurred.

(x) 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.

(y) Applied principles and procedures of accounting when there are no specific provisions involved such as accounting standards

(Recoverable accounts under production sharing)

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 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.

(Accounting for concession agreements)

The Company mainly applies the accounting that recognizes an amount equivalent to the assets, liabilities, income and expenses of the Group’s share.

(z) Changes in Accounting Policies

(Application of Accounting Standard for Revenue Recognition and others)

Effective from the beginning of the year ended December 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 year ended December 31, 2021 from retrospective application of the Revenue Recognition Accounting Standard is treated as adjustment to retained earnings at the beginning of the year ended December 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 year ended December 31, 2022 decreased by ¥1,657 million (US \$12,486 thousand) respectively, and there was no effect on operating income and income before income taxes. In addition, there was also no effect on the beginning balance of retained earnings and per share information for the year ended December 31, 2022.

Due to the application of the 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 December 31, 2022. In accordance with the transitional treatment prescribed in Paragraph 89-2 of the Revenue Recognition Accounting Standard, figures for the 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 year ended December 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 prescribed in Paragraph 19 of 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.

(aa) Standards issued but not effective

“Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (PITF No.42, August 12, 2021) (Overview)

The purpose of the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (Practical Issues Task Force No.42, issued on August 12, 2021, hereinafter referred to as “PITF No.42”) issued by ASBJ is to provide the accounting treatment and disclosure of corporate and local income taxes and tax effect accounting under the Japanese group tax sharing system.

(Scheduled effective date)

PITF No.42 is scheduled to take effect from the beginning of the year ending December 31, 2023.

(Impact of adopting standards)

The Company and certain domestic consolidated subsidiaries filed applications for group tax sharing system in the year ended December 31, 2022 and will apply the system from the year ending December 31, 2023. The impact of adopting PITF No.42 on the consolidated financial statements is now under evaluation.

(ab) Additional Information

(Modification loss on financial assets)

In accordance with 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.

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 ¥132.70=US\$1.00, the approximate exchange rate in effect as of December 31, 2022. 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. SIGNIFICANT ACCOUNTING ESTIMATES

(Evaluation of fixed assets (Ichthys LNG Project and Prelude FLNG Project))

(a) Amounts recorded in the consolidated financial statements as of December 31, 2021 and 2022

(1) Ichthys LNG Project

	Millions of yen		Thousands of U.S. dollars
	2021/12	2022/12	2022/12
Tangible fixed assets	¥ 1,476,791	¥ 1,624,070	\$ 12,238,658
Investment securities*	¥ 227,203	¥ 472,458	\$ 3,560,346

* A balance of ¥227,203 million and ¥472,458 million (US\$3,560,346 thousand) as of December 31, 2021 and 2022 in share of interest of associates for Ichthys LNG Pty Ltd, for which the Group holds 66.245% of interests, is included in the ¥403,356 million and ¥745,365 million (US\$5,616,917 thousand) in investment securities in the consolidated balance sheet as of December 31, 2021 and 2022. The major assets held by Ichthys LNG Pty Ltd are the fixed assets regarding to the Ichthys LNG Project, and the balance of tangible fixed assets for Ichthys LNG Pty Ltd (amount obtained by multiplying by the Group's share) are ¥2,452,645 million and ¥2,745,044 million (US\$20,686,088 thousand) as of December 31, 2021 and 2022.

(2) Prelude FLNG Project

	Millions of yen		Thousands of U.S. dollars
	2021/12	2022/12	2022/12
Tangible fixed assets	¥ 191,385	¥ 212,146	\$ 1,598,688
Intangible assets	¥ 54,359	¥ 60,090	\$ 452,825

(b) Information on the content of significant accounting estimates for identified items

(1) Calculation method of the amount

The Company 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.

The Company has deemed that, in the year ended December 31, 2022, there is no indication of impairment for fixed assets related to the Ichthys LNG Project and the Prelude FLNG Project as a result of the determination of indications of impairment that took into consideration the status of project operation, which includes future crude oil prices and reserves, and operating expenses and development expenses.

(2) Major assumptions used for significant accounting estimates

Reserves, future sales price of crude oil and natural gas, exchange rates, operating expenses, development expenses and discount rate were used as major assumptions for the determination of indications of impairment of fixed assets.

These estimates and assumptions are based on the best judgements made by the management taking into account various factors such as the impact of the spread of COVID-19, the Russia-Ukraine situation, and the transition to a net zero-carbon society as a means of addressing the climate change, that were considered reasonable as of December 31, 2022.

(3) Effect to consolidated financial statements for the year ending December 31, 2023

If it is necessary to review major assumptions due to changes in future economic conditions, impairment loss on fixed assets may arise in the consolidated financial statements from the following fiscal year onward.

5. FINANCIAL INSTRUMENTS

(a) Status of financial instruments

(1) Policy regarding financial instruments

The Company raises funds for oil and natural gas development and construction of natural gas infrastructure primarily from cash flow on hand, bank loans and issuance of bonds. Oil and natural gas development projects are primarily funded from long-term loans that the Company has secured from Japan Bank for International Cooperation, Japanese commercial banks and others. Japan Organization for Metals and Energy Security has provided guarantees for the principal on certain outstanding amounts of the Company's long-term loans. Development Bank of Japan Inc. and Japanese commercial banks and others have provided long-term loans for the construction of domestic gas infrastructure. Although the Company generally borrows loans with variable interest rates and issues bonds with fixed rates, 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.

(2) Details of financial instruments, associated risks and risk management

(Credit risk related to trade receivables)

Trade receivables such as accounts receivable-trade and contract assets 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.

(Fluctuation risks of market price related to securities)

For securities and investment securities exposed to fluctuation risks of market price, 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.

(Fluctuation risks of interest rate related to short-term borrowings 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 fluctuation risks of interest rate, however, the Company analyzes the impact of fluctuations in interest rate at the time of borrowing and on an annual basis, and leverages fixed-rate-loans as necessary considering the project statuses.

(Fluctuation risks of exchange rates related to assets and liabilities denominated in foreign currencies)

As most of the Company's business is conducted overseas, the Company is exposed to fluctuation risks of exchange rates due to a large portion of monetary assets and liabilities denominated in foreign currencies such as cash and deposits, accounts receivables and loans required in overseas projects. For this reason, the Company endeavors to reduce fluctuation risks of exchange rates by maintaining the position between assets and liabilities denominated in foreign currencies. In addition to planned expenditures denominated in foreign currencies, the Company manages fluctuation risks of exchange rates through derivative transactions such as foreign exchange forwards and others as necessary.

(Fluctuation risks of commodity price related to sales of oil and natural gas)

Sales price of oil and natural gas is exposed to fluctuation risks of commodity price. The Company manages fluctuation risks of commodity price by conducting commodity swap transactions and commodity option transactions within the scope of actual demand, 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 Company's hedge accounting, hedging instruments, hedged items, hedging policy and assessment of the effectiveness of hedge accounting are described in "(v) 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.

(3) Supplementary information on fair value of financial instruments

For the contract amount and others regarding derivative transactions described in the "Note 12. DERIVATIVE TRANSACTIONS," the contract amount itself does not indicate market risk related to derivative transactions.

(b) Fair value of financial instruments

Carrying value on the consolidated balance sheet, fair value and the difference between them are as shown below:

December 31, 2021	Millions of yen		
	Carrying value	Fair value	Difference
Investment securities ^{*2}	¥ 26,783	¥ 26,783	¥ -
Long-term loans receivable	1,011,801	1,010,598	(1,202)
Total assets	1,038,585	1,037,382	(1,202)
Bonds payable	30,000	30,064	64
Long-term debt ^{*3}	1,145,103	1,136,984	(8,119)
Total liabilities	1,175,103	1,167,048	(8,055)
Derivatives ^{*4}	¥ (7,429)	¥ (7,429)	¥ -

*1 "Cash and cash equivalents," "Accounts receivable-trade," and "Short-term borrowings" are omitted as their fair values approximate their book values. This is due to their nature as cash and as accounts settled over the short term.

*2 The following financial instruments are not included in "Investment securities" as they have no quoted market prices and it is extremely difficult to determine the fair value. Carrying value on the consolidated balance sheet of such financial instruments is as follows. 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.

December 31, 2021	Millions of yen
Unlisted securities	¥ 18,369
Stocks of subsidiaries and affiliates	¥ 358,203

*3 The current portion of long-term debt (¥75,382 million) included in short-term borrowings in the consolidated balance sheet is included in "Long-term debt" in the above table.

*4 Net claims and debts arising from derivative transactions are presented on a net basis. In case the total amount is a debt amount, the above figure is negative.

December 31, 2022	Millions of yen		
	Carrying value	Fair value	Difference
Investment securities ^{*2}	¥ 37,510	¥ 37,510	¥ -
Long-term loans receivable	1,279,383	1,279,383	-
Total assets	1,316,894	1,316,894	-
Bonds payable	30,000	28,953	(1,047)
Long-term debt ^{*3}	1,234,692	1,196,671	(38,020)
Total liabilities	1,264,692	1,225,624	(39,067)
Derivatives ^{*4}	¥ (7,102)	¥ (7,102)	¥ -

December 31, 2022	Thousands of U.S. dollars		
	Carrying value	Fair value	Difference
Investment securities ^{*2}	\$ 282,667	\$ 282,667	\$ -
Long-term loans receivable	9,641,168	9,641,168	-
Total assets	9,923,843	9,923,843	-
Bonds payable	226,073	218,183	(7,889)
Long-term debt ^{*3}	9,304,385	9,017,867	(286,510)
Total liabilities	9,530,459	9,236,051	(294,400)
Derivatives ^{*4}	\$ (53,519)	\$ (53,519)	\$ -

*1 “Cash and cash equivalents,” “Accounts receivable-trade and contract assets,” “Securities,” and “Short-term borrowings” are omitted as their fair values approximate their book values. This is due to their nature as cash and as accounts settled over the short term.

*2 Shares without a market price are not included in “Investment securities.” Carrying value on the consolidated balance sheet of such financial instruments is as follows. 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.

December 31, 2022	Millions of yen		Thousands of U.S. dollars	
	Carrying value	Fair value	Carrying value	Fair value
Unlisted securities	¥ 20,187	¥ 20,187	\$ 152,125	\$ 152,125
Stocks of subsidiaries and affiliates	¥ 687,666	¥ 687,666	\$ 5,182,110	\$ 5,182,110

*3 The current portion of long-term debt (¥70,322 million) (US\$529,932 thousand) included in short-term borrowings in the consolidated balance sheet is included in “Long-term debt” in the above table.

*4 Net claims and debts arising from derivative transactions are presented on a net basis. In case the total amount is a debt amount, the above figure is negative.

Note 1: Redemption schedule of monetary receivables and securities with maturities after the consolidated fiscal year-end

December 31, 2021	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
Cash and cash equivalents	¥ 191,213	¥ -	¥ -	¥ -
Time deposits	10,551	-	-	-
Accounts receivable-trade	168,224	-	-	-
Long-term loans receivable	-	166,614	60,705	784,481
Total	¥ 369,989	¥ 166,614	¥ 60,705	¥ 784,481

December 31, 2022	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
Cash and cash equivalents	¥ 211,656	¥ -	¥ -	¥ -
Time deposits	16,172	-	-	-
Accounts receivable-trade and contract assets	252,938	-	-	-
Securities and Investment securities				
Held-to-maturity debt securities				
Commercial papers	59,715	-	-	-
Other securities with maturities				
Debt securities (national government bonds)	-	13,270	-	-
Long-term loans receivable	-	137,181	1,135,413	6,789
Total	¥ 540,483	¥ 150,451	¥ 1,135,413	¥ 6,789

December 31, 2022	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
Cash and cash equivalents	\$ 1,594,996	\$ -	\$ -	\$ -
Time deposits	121,868	-	-	-
Accounts receivable-trade and contract assets	1,906,088	-	-	-
Securities and Investment securities				
Held-to-maturity debt securities				
Commercial papers	450,000	-	-	-
Other securities with maturities				
Debt securities (national government bonds)	-	100,000	-	-
Long-term loans receivable	-	1,033,767	8,556,239	51,160
Total	\$ 4,072,969	\$ 1,133,767	\$ 8,556,239	\$ 51,160

Note 2: Repayment schedule of bonds payable, long-term debt, lease obligations and other interest-bearing debt after the consolidated fiscal year-end

December 31, 2021	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
Short-term borrowings	¥ 5,110	¥ -	¥ -	¥ -
Bonds payable	-	10,000	20,000	-
Long-term debt	75,382	668,399	293,933	107,388
Lease obligations	8,975	10,286	1,262	9
Total	¥ 89,468	¥ 688,685	¥ 315,195	¥ 107,397

December 31, 2022	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
Short-term borrowings	¥ 5,555	¥ -	¥ -	¥ -
Bonds payable	-	10,000	20,000	-
Long-term debt	70,322	731,948	268,770	163,651
Lease obligations	11,536	14,521	466	-
Total	¥ 87,415	¥ 756,469	¥ 289,236	¥ 163,651

December 31, 2022	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
Short-term borrowings	\$ 41,861	\$ -	\$ -	\$ -
Bonds payable	-	75,357	150,715	-
Long-term debt	529,932	5,515,810	2,025,395	1,233,240
Lease obligations	86,932	109,427	3,511	-
Total	\$ 658,741	\$ 5,700,595	\$ 2,179,623	\$ 1,233,240

(c) Financial instruments categorized by fair value hierarchy

The fair value of financial instruments is categorized into the following three levels, depending on the observability and significance of the inputs used in making fair value measurements:

Level 1: Fair value measured by using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measured by using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.

Level 3: Fair value measured by using unobservable inputs for the assets or liabilities.

If multiple inputs are used that have a significant impact on the measurement of fair value, fair value is categorized at the lowest level in the fair value measurement among the levels to which each of these inputs belongs.

Information regarding financial instruments categorized by fair value hierarchy as of December 31, 2021 is not described in accordance with the transitional treatment prescribed in Paragraph 7-4 of “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No.19, July 4, 2019).

(1) Financial instruments recorded on the consolidated balance sheet at fair value

December 31, 2022	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Toal
Investment securities				
Other securities				
Stocks	¥ 17,479	¥ -	¥ -	¥ 17,479
Bonds	11,957	-	-	11,957
Other	8,073	-	-	8,073
Total assets	37,510	-	-	37,510
Derivatives*				
Currency related	-	(6,855)	-	(6,855)
Commodity related	¥ -	¥ (246)	¥ -	¥ (246)

December 31, 2022	Thousands of U.S. dollars			
	Fair value			
	Level 1	Level 2	Level 3	Toal
Investment securities				
Other securities				
Stocks	\$ 131,718	\$ -	\$ -	\$ 131,718
Bonds	90,105	-	-	90,105
Other	60,836	-	-	60,836
Total assets	282,667	-	-	282,667
Derivatives*				
Currency related	-	(51,657)	-	(51,657)
Commodity related	\$ -	\$ (1,853)	\$ -	\$ (1,853)

* Net claims and debts arising from derivative transactions are presented on a net basis. In case the total amount is a debt amount, the above figure is negative.

(2) Financial instruments other than those recorded on the consolidated balance sheet at fair value

December 31, 2022	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Toal
Lont-term loans receivable	¥ -	¥ -	¥ 1,279,383	¥ 1,279,383
Total assets	-	-	1,279,383	1,279,383
Bonds payable	-	28,953	-	28,953
Long-term debt	-	1,196,671	-	1,196,671
Total liabilities	¥ -	¥ 1,225,624	¥ -	¥ 1,225,624

December 31, 2022	Thousands of U.S. dollars			
	Fair value			
	Level 1	Level 2	Level 3	Toal
Lont-term loans receivable	\$ -	\$ -	\$ 9,641,168	\$ 9,641,168
Total assets	-	-	9,641,168	9,641,168
Bonds payable	-	218,183	-	218,183
Long-term debt	-	9,017,867	-	9,017,867
Total liabilities	\$ -	\$ 9,236,051	\$ -	\$ 9,236,051

Note: The following is a description of valuation methodologies and inputs used for measurement of the fair value of assets and liabilities:

(Investment securities)

Listed securities, national government bonds, and listed investment trusts are valued using the quoted price. Because listed securities, national government bonds, and listed investment trusts are traded on active markets, their fair value is categorized as Level 1.

(Derivative Transactions)

Among derivative transactions, the fair value for currency-related transactions is based on the price obtained from the counterparty financial institutions, and the fair value for commodity-related transactions is based on forward quotations. Because neither case is recognized as a quoted price in an active market, they are categorized as Level 2.

(Long-term loans receivable)

The fair value of long-term loans receivable is calculated using the discounted present value method and is categorized as Level 3 because it uses significant unobservable inputs.

(Bonds payable)

The fair value of bonds payable is based on Reference Statistical Prices (Yields) for OTC Bond Transactions issued by Japan Securities Dealers Association, and is categorized as Level 2.

(Long-term debt)

The fair value of long-term debt is calculated using the discounted present value method based on the interest rate that would be applicable to a similar new loan for the total amount of principal and interest, and is categorized as Level 2.

6. SECURITIES

(a) Other securities

December 31, 2021	Millions of yen		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities with carrying values exceeding their acquisition costs			
Stocks	¥ 15,193	¥ 18,307	¥ 3,113
Bonds	-	-	-
Other	-	-	-
Subtotal	15,193	18,307	3,113
Securities with acquisition costs exceeding their carrying values			
Stocks	8,526	8,476	(49)
Bonds	-	-	-
Other	-	-	-
Subtotal	8,526	8,476	(49)
Total	¥ 23,719	¥ 26,783	¥ 3,064

December 31, 2022	Millions of yen			Thousands of U.S. dollars		
	Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities with carrying values exceeding their acquisition costs						
Stocks	¥ 11,170	¥ 17,479	¥ 6,309	\$ 84,174	\$ 131,718	\$ 47,543
Bonds	2,471	2,502	30	18,620	18,854	226
Other	5,640	5,709	68	42,501	43,021	512
Subtotal	19,283	25,691	6,408	145,312	193,602	48,289
Securities with acquisition costs exceeding their carrying values						
Stocks	-	-	-	-	-	-
Bonds	9,819	9,454	(364)	73,993	71,243	(2,743)
Other	2,388	2,364	(24)	17,995	17,814	(180)
Subtotal	12,208	11,819	(389)	91,996	89,065	(2,931)
Total	¥ 31,491	¥ 37,510	¥ 6,019	\$ 237,309	\$ 282,667	\$ 45,357

(b) Sales of securities classified as other securities

Year ended December 31, 2021	Millions of yen		
	Proceeds from sales	Gain on sales	Loss on sales
Stocks	¥ 10,728	¥ 862	¥ 2,981
Bonds	-	-	-
Other	7,713	5,535	-
Total	¥ 18,442	¥ 6,397	¥ 2,981

Year ended December 31, 2022	Millions of yen			Thousands of U.S. dollars		
	Proceeds from sales	Gain on sales	Loss on sales	Proceeds from sales	Gain on sales	Loss on sales
Stocks	¥ 16,528	¥ 3,979	¥ -	\$ 124,551	\$ 29,984	\$ -
Bonds	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total	¥ 16,528	¥ 3,979	¥ -	\$ 124,551	\$ 29,984	\$ -

7. SHORT-TERM BORROWINGS AND LONG-TERM DEBT, ASSETS PLEDGED

(a) Short-term borrowings as of December 31, 2021 and 2022 are as follows:

	Millions of yen		Thousands of
	2021/12	2022/12	U.S. dollars
Short-term borrowings from banks and others			
(Interest rate: as of December 31, 2021, 3.103%	¥	¥	\$
as of December 31, 2022, 7.438%)	5,110	5,555	41,861

(b) Long-term debt as of December 31, 2021 and 2022 are as follows:

	Millions of yen		Thousands of
	2021/12	2022/12	U.S. dollars
Loans from banks and others, due through 2036			
(Interest rates: as of December 31, 2021, ranging from 0.012% to 2.589%	¥	¥	\$
as of December 31, 2022, ranging from 0.165% to 6.528%)	1,145,103	1,234,692	9,304,385
Less: Current portion	75,382	70,322	529,932
Amounts on the consolidated balance sheet	¥	¥	\$
	1,069,721	1,164,369	8,774,446

(c) Assets pledged as of December 31, 2021 and 2022 are as follows:

	Millions of yen		Thousands of
	2021/12	2022/12	U.S. dollars
Cash and cash equivalents	¥	¥	\$
	42,527	41,907	315,802
Accounts receivable-trade	21,123	-	-
Accounts receivable-trade and contract assets	-	38,578	290,715
Inventories	17,625	21,321	160,670
Wells	235,846	244,818	1,844,898
Machinery, equipment and vehicles	1,116,249	1,222,147	9,209,849
Land	153	177	1,333
Construction in progress	109,499	135,369	1,020,113
Investment securities	239,475	510,542	3,847,339
Long-term loans receivable	835,109	1,101,754	8,302,592
Other	16,964	25,406	191,454
Total	¥	¥	\$
	2,634,575	3,342,024	25,184,807

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

8. 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, 2021 and 2022.

(a) The effective tax rates reflected in the consolidated statement of income for the years ended December 31, 2021 and 2022 differ from the statutory tax rate for the following reasons:

	2021/12	2022/12
Statutory tax rate	28.0%	28.0%
Effect of:		
Permanently non-taxable expenses such as entertainment expenses	0.1	0.3
Permanently non-taxable income such as dividends income	(0.4)	(0.2)
Valuation allowance	2.0	(2.0)
Foreign taxes	31.1	31.8
Foreign tax credits	(4.4)	(4.8)
Adjustment of deducted amounts of foreign taxes	(4.4)	(4.7)
Amortization of goodwill	0.3	0.2
Differences of effective tax rates applied to tax effect accounting (domestic subsidiaries)	(0.8)	1.6
Differences of effective tax rates applied to tax effect accounting (foreign subsidiaries)	17.0	20.6
Equity in earnings and losses of affiliates	(1.7)	(3.2)
Retained earnings of certain subsidiaries	0.2	0.6
Other	(0.2)	0.5
Effective tax rates	66.8%	68.7%

(b) The significant components of deferred tax assets and liabilities as of December 31, 2021 and 2022 are described below.

	Millions of yen		Thousands of
	2021/12	2022/12	U.S. dollars
Deferred tax assets			
Exploration expenditures	¥ 51,190	¥ 65,702	\$ 495,116
Loss on valuation of investment securities	1,086	1,114	8,394
Recoverable accounts under production sharing (foreign taxes)	4,078	4,171	31,431
Allowance for investments in exploration	392	518	3,903
Foreign taxes payable	9,801	11,413	86,006
Net operating loss carry-forwards ^{*1}	377,270	297,017	2,238,259
Accumulated depreciation	51,987	42,015	316,616
Liability for retirement benefits	2,364	2,703	20,369
Provision for loss on business	2,632	2,417	18,214
Translation differences of assets and liabilities denominated in foreign currencies	13,308	23,325	175,772
Asset retirement obligations	88,991	151,078	1,138,492
Allowance for doubtful accounts	3,641	197	1,484
Impairment loss	46,191	51,402	387,354
Other	56,493	91,848	692,147
Total gross deferred tax assets	709,429	744,925	5,613,602
Valuation allowance for net operating loss carry-forwards ^{*1}	(245,427)	(208,784)	(1,573,353)
Valuation allowance for total amount of deductible temporary difference and others	(196,735)	(243,191)	(1,832,637)
Total valuation allowance	(442,162)	(451,976)	(3,405,998)
Total deferred tax assets	267,267	292,948	2,207,596
Deferred tax liabilities			
Foreign taxes	(302,357)	(359,888)	(2,712,042)
Translation differences of assets and liabilities denominated in foreign currencies	(68)	(13)	(97)
Translation differences due to an application of purchase accounting method	(5,346)	(12,608)	(95,011)
Reserve for exploration	(3,199)	(3,153)	(23,760)
Unrealized holding gain on securities	(497)	(1,763)	(13,285)
Other	(15,277)	(24,783)	(186,759)
Total deferred tax liabilities	(326,746)	(402,210)	(3,030,972)
Net deferred tax assets (liabilities)	¥ (59,479)	¥ (109,261)	\$ (823,368)

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

December 31, 2021	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}	¥ 1,512	¥ 65,258	¥ 27,241	¥ 283,257	¥ 377,270
Valuation allowance	(973)	(16,274)	(18,462)	(209,716)	(245,427)
Deferred tax assets	¥ 538	¥ 48,984	¥ 8,779	¥ 73,540	¥ 131,842

December 31, 2022	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}	¥ 3,429	¥ 67,392	¥ 26,316	¥ 199,878	¥ 297,017
Valuation allowance	(1,374)	(11,791)	(18,454)	(177,164)	(208,784)
Deferred tax assets	¥ 2,055	¥ 55,601	¥ 7,861	¥ 22,714	¥ 88,232

December 31, 2022	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}	\$ 25,840	\$ 507,852	\$ 198,311	\$ 1,506,239	\$ 2,238,259
Valuation allowance	(10,354)	(88,854)	(139,065)	(1,335,071)	(1,573,353)
Deferred tax assets	\$ 15,486	\$ 418,997	\$ 59,238	\$ 171,168	\$ 664,898

*a Net operating loss carry-forwards is multiplied by statutory tax rate.

*b Including amounts with no expiration date under applicable laws and regulations.

9. COMPREHENSIVE INCOME

Amount of reclassification adjustments and income tax effects allocated to each component of other comprehensive income for the years ended December 31, 2021 and 2022 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021/12	2022/12	2022/12
Unrealized holding gain (loss) on securities			
Amount recognized during the period	¥ 5,317	¥ 6,825	\$ 51,431
Amount of reclassification adjustments	(5,234)	(3,979)	(29,984)
Before income tax effect	82	2,846	21,446
Amount of income tax effect	481	(1,265)	(9,532)
	564	1,581	11,914
Deferred gain (loss) on hedges			
Amount recognized during the period	(5,662)	(29,352)	(221,190)
Amount of reclassification adjustments	4,792	29,567	222,810
Before income tax effect	(870)	215	1,620
Amount of income tax effect	62	(19)	(143)
	(807)	195	1,469
Translation adjustments			
Amount recognized during the period	235,828	384,693	2,898,967
Amount of reclassification adjustment	-	(22,720)	(171,213)
Before income tax effect	235,828	361,972	2,727,746
Amount of income tax effect	-	(1,720)	(12,961)
	235,828	360,251	2,714,777
Share of other comprehensive income of affiliates accounted for by the equity-method			
Amount recognized during the period	28,741	51,439	387,633
Amount of reclassification adjustments	17,198	7,621	57,430
	45,939	59,060	445,064
Total other comprehensive income	¥ 281,524	¥ 421,089	\$ 3,173,240

10. NET ASSETS

The total number of the Company's shares issued consisted of 1,386,667,167 shares of common stock and 1 Class A stock as of December 31, 2022.

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, 2022 amounted to ¥24,800.

Under the Companies Act of Japan, 10% of the amount to be distributed as dividends from capital surplus (other than capital reserve) and retained earnings (other than legal reserve) should be transferred to capital reserve and legal reserve, respectively, up to the point where total amount of capital reserve and legal reserve equals 25% of the common stock account.

Distributions can be made at any time by a resolution of the meeting of shareholders, or the Board of Directors if certain conditions are met, but neither capital reserve nor legal reserve is available for distributions.

11. AMOUNTS PER SHARE

Amounts per share as of December 31, 2021 and 2022 are as follows:

	Yen		U.S. dollars
	2021/12	2022/12	2022/12
Net assets excluding non-controlling interests per share	¥ 2,253.17	¥ 2,891.93	\$ 21.79
Cash dividends per share	48.00	62.00	0.47
Net income per share	¥ 153.87	¥ 320.69	\$ 2.42

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

For the purpose of computing net assets excluding non-controlling interests per share, the Company's shares held by "the Board Incentive Plan Trust*" recorded as treasury stock under shareholders' equity are included in the treasury stock to be deducted from the total number of shares issued at the end of the period. Additionally, in computing net income per share, above shares of the Company are included in the treasury stock to be deducted from the average number of shares during the period. The numbers of shares of treasury stock deducted from the total number of shares issued at the end of the period in computing net assets excluding non-controlling interests per share were 149,593 shares and 910,363 shares as of December 31, 2021 and 2022 respectively. The numbers of shares of treasury stock deducted from the average number of shares during the period in computing net income per share were 150,738 shares and 603,363 shares for the years ended December 31, 2021 and 2022 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. The system was scheduled to cover the five calendar years from 2018 to 2023, but following the alteration of the contract in May 2022, the system will be extended to 2025.

12. DERIVATIVE TRANSACTIONS

(a) Derivatives not subject to hedge accounting

(1) Currency related

December 31, 2021	Millions of yen			
	Contract amounts	More than 1 year	Fair value	Valuation gain (loss)
Foreign exchange forwards				
Sell / CAD and buy / USD	¥ 48,931	¥ -	¥ (551)	¥ (551)
Interest rate currency swaps				
Pay / floating / USD and receive / fixed / JPY	¥ 80,514	¥ 34,506	¥ (6,454)	¥ (6,454)

December 31, 2022	Millions of yen			
	Contract amounts	More than 1 year	Fair value	Valuation gain (loss)
Foreign exchange forwards				
Sell / CAD and buy / USD	¥ 53,882	¥ -	¥ (174)	¥ (174)
Foreign exchange forwards				
Sell / USD and buy / NOK	41,404	-	1,030	1,030
Interest rate currency swaps				
Pay / floating / USD and receive / fixed / JPY	¥ 39,810	¥ -	¥ (8,201)	¥ (8,201)

December 31, 2022	Thousands of U.S. dollars			
	Contract amounts	More than 1 year	Fair value	Valuation gain (loss)
Foreign exchange forwards				
Sell / CAD and buy / USD	\$ 406,043	\$ -	\$ (1,311)	\$ (1,311)
Foreign exchange forwards				
Sell / USD and buy / NOK	312,012	-	7,761	7,761
Interest rate currency swaps				
Pay / floating / USD and receive / fixed / JPY	\$ 300,000	\$ -	\$ (61,801)	\$ (61,801)

(2) Commodity related

		Millions of yen			
December 31, 2021	Contract amounts	More than 1 year	Fair value	Valuation gain (loss)	
Commodity swap transactions					
Sell / fixed and buy / floating	¥ 2,615	¥ -	¥ (130)	¥ (130)	
Commodity swap transactions					
Sell / floating and buy / fixed	¥ 2,618	¥ -	¥ 127	¥ 127	

		Millions of yen			
December 31, 2022	Contract amounts	More than 1 year	Fair value	Valuation gain (loss)	
Commodity swap transactions					
Sell / fixed and buy / floating	¥ 3,889	¥ -	¥ (25)	¥ (25)	
Commodity swap transactions					
Sell / floating and buy / fixed	¥ 530	¥ -	¥ 24	¥ 24	

		Thousands of U.S. dollars			
December 31, 2022	Contract amounts	More than 1 year	Fair value	Valuation gain (loss)	
Commodity swap transactions					
Sell / fixed and buy / floating	\$ 29,306	\$ -	\$ (188)	\$ (188)	
Commodity swap transactions					
Sell / floating and buy / fixed	\$ 3,993	\$ -	\$ 180	\$ 180	

(b) Derivatives subject to hedge accounting**(1) Currency related**

		Millions of yen		
December 31, 2021	Principal items hedged	Contract amounts	More than 1 year	Fair value
Interest rate currency swaps	Liabilities (JPY)			
Pay / floating / USD and receive / fixed / JPY		¥ 80,514	¥ 34,506	¥ (369)

		Millions of yen		
December 31, 2022	Principal items hedged	Contract amounts	More than 1 year	Fair value
Foreign exchange forwards	Interests in foreign subsidiaries			
Sell / USD and buy / JPY		¥ 205,685	¥ -	¥ 726
Foreign exchange forwards	Forecasted transactions (AUD)			
Sell / USD and buy / AUD		58,932	30,582	15
Interest rate currency swaps	Liabilities (JPY)			
Pay / floating / USD and receive / fixed / JPY		¥ 39,810	¥ -	¥ (252)

		Thousands of U.S. dollars		
December 31, 2022	Principal items hedged	Contract amounts	More than 1 year	Fair value
Foreign exchange forwards	Interests in foreign subsidiaries			
Sell / USD and buy / JPY		\$ 1,550,000	\$ -	\$ 5,470
Foreign exchange forwards	Forecasted transactions (AUD)			
Sell / USD and buy / AUD		444,099	230,459	113
Interest rate currency swaps	Liabilities (JPY)			
Pay / floating / USD and receive / fixed / JPY		\$ 300,000	\$ -	\$ (1,899)

(2) Commodity related

		Millions of yen		
December 31, 2021	Principal items hedged	Contract amounts	More than 1 year	Fair value
Commodity swap transactions	Sales proceeds from commodities			
Sell / fixed and buy / floating		¥ 17,670	¥ -	¥ 313
Commodity option transactions	Sales proceeds from commodities			
Buy / put		24,355	-	1,020
Sell / call		¥ 39,854	¥ -	¥ (1,384)

		Millions of yen		
December 31, 2022	Principal items hedged	Contract amounts	More than 1 year	Fair value
Commodity swap transactions	Sales proceeds from commodities			
Sell / fixed and buy / floating		¥ 20,072	¥ -	¥ (245)

		Thousands of U.S. dollars		
December 31, 2022	Principal items hedged	Contract amounts	More than 1 year	Fair value
Commodity swap transactions	Sales proceeds from commodities			
Sell / fixed and buy / floating		\$ 151,258	\$ -	\$ (1,846)

13. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses included in general and administrative expenses and cost of sales amounted to ¥409 million and ¥1,914 million (US\$14,423 thousand) for the years ended December 31, 2021 and 2022 respectively.

14. IMPAIRMENT LOSS

For the year ended December 31, 2021

The Company groups mining area and other assets as a basic unit that generates cash inflows independently of other groups of assets. In light of the decline in forecasted production volume, the recoverable amount of this group of assets was expected to decrease; therefore, the Company reduced the respective carrying amounts of the assets listed below to recoverable amounts, posting the reductions as impairment loss.

Use	Location	Classification	Impairment loss	
			Millions of yen	
Assets related to Van Gogh Oil Field / Coniston Oil Field	Commonwealth of Australia	Wells	¥	1,493
		Machinery, equipment and vehicles		6,632
		Construction in progress		6,038
		Other		8
		Total	¥	14,170

The recoverable amount of the assets related to Van Gogh Oil Field and Coniston Oil Field is reasonably estimated by discounting the future cash flows at a rate of 11.5%.

For the year ended December 31, 2022

The Company groups mining area and other assets as a basic unit that generates cash inflows independently of other groups of assets. In light of the expected decrease in recoverable amounts for this group of assets in line with the downward revision in forecasted production volume and other factors, and also since the probability of sale has grown higher, the Company reduced the respective carrying values of the assets listed below to recoverable amounts, posting the reductions as impairment loss.

Use	Location	Classification	Impairment loss	
			Millions of yen	Thousands of U.S. dollars
Assets related to Tight Oil Project (Eagle Ford)	Texas, United States	Wells	¥ 17,245	\$ 129,954
		Machinery, equipment and vehicles	3,196	24,084
		Mining rights	5,357	40,369
		Total	¥ 25,799	\$ 194,415

The amount of assets which can be recovered in relation to Tight Oil Project (Eagle Ford) is measured by means of a net realizable value. The net realizable value is calculated based on the estimated sales price.

15. RETIREMENT BENEFITS

Retirement benefits for the years ended December 31, 2021 and 2022 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
	2021/12	2022/12	U.S. dollars
Balance at beginning of the period	¥ 23,267	¥ 22,853	\$ 172,215
Service cost	1,174	1,475	11,115
Interest cost	117	214	1,612
Actuarial loss (gain)	(810)	(2,646)	(19,939)
Retirement benefits paid	(895)	(1,438)	(10,836)
Past service cost	-	(232)	(1,748)
Increase due to acquisition of consolidated subsidiaries	-	3,509	26,443
Other	-	37	278
Balance at end of the period	¥ 22,853	¥ 23,773	\$ 179,148

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

	Millions of yen		Thousands of
	2021/12	2022/12	U.S. dollars
Balance at beginning of the period	¥ 15,891	¥ 16,585	\$ 124,981
Expected return on plan assets	273	435	3,278
Actuarial gain (loss)	479	(554)	(4,174)
Contributions to the plans	564	910	6,857
Retirement benefits paid	(622)	(950)	(7,159)
Contributions to retirement benefit trust	-	7,041	53,059
Increase due to acquisition of consolidated subsidiaries	-	2,049	15,440
Other	-	0	0
Balance at end of the period	¥ 16,585	¥ 25,517	\$ 192,290

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

	Millions of yen		Thousands of
	2021/12	2022/12	U.S. dollars
Balance at beginning of the period	¥ 782	¥ 780	\$ 5,877
Retirement benefit expenses	75	356	2,682
Retirement benefits paid	(33)	(433)	(3,262)
Contributions to the plans	(17)	(22)	(165)
Other	(26)	18	135
Balance at end of the period	¥ 780	¥ 699	\$ 5,267

(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
	2021/12	2022/12	2022/12
Retirement benefit obligations (funded plans)	¥ 23,042	¥ 23,957	\$ 180,535
Plan assets at fair value	(16,754)	(25,691)	(193,602)
	6,287	(1,734)	(13,067)
Retirement benefit obligations (unfunded plans)	760	689	5,192
Net liability (asset) on consolidated balance sheet	7,048	(1,044)	(7,867)
	7,048	689	5,192
Liability for retirement benefits			
Asset for retirement benefits	-	(1,734)	(13,067)
Net liability (asset) on consolidated balance sheet	¥ 7,048	¥ (1,044)	\$ (7,867)

* Including plans applying simplified methods.

(5) Details of retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars
	2021/12	2022/12	2022/12
Service cost	¥ 1,174	¥ 1,475	\$ 11,115
Interest cost	117	214	1,612
Expected return on plan assets	(273)	(435)	(3,278)
Amortization of actuarial loss (gain)	(1,289)	(2,092)	(15,764)
Amortization of past service cost	-	(232)	(1,748)
Retirement benefit expenses under simplified methods	75	356	2,682
Retirement benefit expenses for defined benefit plans	¥ (195)	¥ (714)	\$ (5,380)

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

Components of plan assets	2021/12	2022/12
Stock	29%	19%
General accounts	44	24
Bonds	22	27
Alternatives	5	24
Other	0	6
Total	100%	100%

* Total plan assets include a retirement benefit trust established as part of the Company's defined benefit corporate pension plans. The proportion of plan assets in this trust was 8% as of December 31, 2022. Alternatives include commodity, multi-asset and others.

(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

	2021/12	2022/12
Discount rate	0.6%	1.5%
Long-term expected return rate on plan assets	1.8%	2.5%

(b) Defined contribution plans

The Group's contributions for defined contribution plans amounted to ¥2,360 million and ¥3,105 million (US\$23,398 thousand) for the years ended December 31, 2021 and 2022 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, 2021 and 2022 are as follows:

	Millions of yen		Thousands of
	2021/12	2022/12	U.S. dollars
Balance at beginning of the period	¥ 173,622	¥ 259,012	\$ 1,951,861
New obligations	8,590	7,949	59,902
Accretion expenses	2,695	6,995	52,712
Obligations settled	(1,532)	(3,776)	(28,455)
Change in estimates *1	63,857	(23,176)	(174,649)
Acquisition of consolidated subsidiaries	-	36,272	273,338
Other *2	11,780	35,386	266,661
Balance at end of the period	¥ 259,012	¥ 318,663	\$ 2,401,379

*1 “Change in estimates” for the year ended December 31, 2021 mainly reflects the amounts recognized for the newly available information of certain subsidiaries.

“Change in estimates” for the year ended December 31, 2022 mainly reflects the amounts of decrease due to the revised discount rate of certain subsidiaries and the amounts of increase recognized for the newly available information of the Company.

*2 “Other” mainly includes the change due to fluctuations in foreign exchange rates.

(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 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 year ended December 31, 2021.

At the end of March 2022, the Group reviewed the production and development plan considering “Long-term Strategy and Medium-term Business Plan (INPEX Vision@2022)” formulated and published in February 2022. As a result, it has been possible to reasonably determine the timing of decommissioning 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 decommissioning, and the asset retirement obligation of ¥12,149 million (US\$91,552 thousand) has been recorded as of December 31, 2022. Due to this change, operating income and income before income taxes for the year ended December 31, 2022 decreased by ¥11,635 million (US\$87,678 thousand) respectively.

17. LEASES

Future minimum lease payments subsequent to December 31, 2022 for operating lease transactions are summarized as follows:

As Lessee

	Millions of yen	Thousands of
		U.S. dollars
2023	¥ 2,690	\$ 20,271
2024 and thereafter	4,404	33,187
Total	¥ 7,094	\$ 53,458

18. CONTINGENT LIABILITIES

As of December 31, 2022, the Company and its consolidated subsidiaries were contingently liable as guarantors of indebtedness of affiliates in the aggregate amount of ¥114,633 million (US\$863,850 thousand).

19. BUSINESS COMBINATION

Business combination through acquisition

(a) Outline of the business combination

(1) Name and business details of the acquired company

i) Name

Idemitsu Snorre Oil Development Co., Ltd.

Business details

Exploration, development, production and marketing of crude oil and natural gas in Norway through a subsidiary

ii) Name

Idemitsu Petroleum Norge AS

Business details

Exploration, development, production and marketing of crude oil and natural gas in Norway

(2) Main reason for the business combination

The Company expects its core upstream business to become more resilient and its corporate value to further improve by strengthening its operational base in Norway.

Additionally, the Company determined that the business combination enables the Company to fulfill its two social responsibilities of providing a stable supply of energy while mounting a response to climate change, in addition to making its upstream business cleaner, by pursuing decarbonization efforts in Norway and around Europe.

(3) Date of the business combination

January 1, 2022 (deemed acquisition date)

January 31, 2022 (share acquisition date)

(4) Legal form of the business combination

Acquisition of shares in Idemitsu Snorre Oil Development Co., Ltd. for cash consideration

(5) Company name after the business combination

i) INPEX Norway Co., Ltd. (corporate name changed from Idemitsu Snorre Oil Development Co., Ltd.)

ii) INPEX Idemitsu Norge AS (corporate name changed from Idemitsu Petroleum Norge AS)

(6) Ratio of voting rights acquired

i) Idemitsu Snorre Oil Development Co., Ltd.

Ratio of voting rights after the acquisition 50.5%

ii) Idemitsu Petroleum Norge AS

Ratio of voting rights after the acquisition 100% (of which indirectly owns 100%)

(7) Basis for determination of the acquiring company

The Company acquired shares in Idemitsu Snorre Oil Development Co., Ltd. for cash consideration.

(b) Period of the acquired business's results included in the consolidated financial statements

January 1, 2022 to December 31, 2022

(c) Amount and breakdown of the acquisition costs

Consideration for acquisition

Cash and cash equivalents ¥39,739 million (US\$299,464 thousand)

Acquisition cost

¥39,739 million (US\$299,464 thousand)

(d) Amount and breakdown of the main acquisition-related costs

Advisory expenses and others ¥164 million (US\$1,235 thousand)

(e) Amount of goodwill, reason for recognition, and method and period for amortization

(1) Amount of goodwill

¥19,265 million (US\$145,177 thousand)

(2) Reason for goodwill

It was mainly generated from the expected future excess earning power through future business development.

(3) Method and period for amortization

It will be amortized by the straight-line method over the period of ten years.

(f) Amount and breakdown of assets received and liabilities assumed on the date of the business combination

Current assets	¥40,635 million (US\$306,217 thousand)
----------------	--

Fixed assets	¥85,293 million (US\$642,750 thousand)
--------------	--

Total assets	¥125,929 million (US\$948,975 thousand)
--------------	---

Current liabilities	¥30,057 million (US\$226,503 thousand)
---------------------	--

Long-term liabilities	¥55,336 million (US\$417,000 thousand)
-----------------------	--

Total liabilities	¥85,393 million (US\$643,504 thousand)
-------------------	--

20. REVENUE RECOGNITION

For the year ended December 31, 2021

Information regarding revenue recognition for the year ended December 31, 2021 is not described in accordance with the transitional treatment prescribed in Paragraph 89-3 of “Revenue Recognition Accounting Standard” (ASBJ Statement No. 29, March 31, 2020).

For the year ended December 31, 2022

(a) Information on breakdown of revenue from contracts with customers

Year ended December 31, 2022	Millions of yen					Consolidated
	Reportable segments					
	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	
Crude oil	¥ 5,989	¥ 219,479	¥ 275,154	¥ 1,271,149	¥ 36,251	¥ 1,808,025
Natural gas	182,043	293,868	43,840	-	1,924	521,676
LPG	5	3,463	-	-	-	3,469
Other	18,737	-	1,807	-	-	20,545
Revenue from contracts with customers	206,777	516,811	320,803	1,271,149	38,175	2,353,717
Other revenue	305	(6,663)	-	(18,235)	(4,463)	(29,056)
Sales to third parties	¥ 207,082	¥ 510,147	¥ 320,803	¥ 1,252,913	¥ 33,712	¥ 2,324,660

Year ended December 31, 2022	Thousands of U.S. dollars					Consolidated
	Reportable segments					
	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	
Crude oil	\$ 45,131	\$ 1,653,948	\$ 2,073,504	\$ 9,579,118	\$ 273,180	\$ 13,624,905
Natural gas	1,371,838	2,214,529	330,369	-	14,498	3,931,243
LPG	37	26,096	-	-	-	26,141
Other	141,198	-	13,617	-	-	154,822
Revenue from contracts with customers	1,558,229	3,894,581	2,417,505	9,579,118	287,678	17,737,128
Other revenue	2,298	(50,211)	-	(137,415)	(33,632)	(218,960)
Sales to third parties	\$ 1,560,527	\$ 3,844,363	\$ 2,417,505	\$ 9,441,695	\$ 254,046	\$ 17,518,161

* “Other revenue” is primarily revenue based on “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13) and on International Financial Reporting Standards (IFRS) 9 “Financial Instruments” implemented to foreign consolidated subsidiaries.

(b) Basic information for understanding revenue from contracts with customers

This is as listed in “(u) Basis for significant revenues and expenses” under “Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES”.

(c) Information about the relationship between the satisfaction of performance obligations under contracts with customers and cash flows from these contracts, and the amount and timing of revenue expected to be recognized in the following fiscal year onward from contracts with customers that exist at the end of the year ended December 31, 2022

(1) Balances of contract assets and contract liabilities

	Millions of yen		Thousands of U.S. dollars	
	2022/12		2022/12	
Receivables from contracts with customers (Balance at the beginning of the period)	¥	168,224	\$	1,267,701
Receivables from contracts with customers (Balance at the end of the period)		252,938		1,906,088
Contract assets (Balance at the beginning of the period)		-		-
Contract assets (Balance at the end of the period)		-		-
Contract liabilities (Balance at the beginning of the period)		5,180		39,035
Contract liabilities (Balance at the end of the period)	¥	5,210	\$	39,261

Contract liabilities are consideration received prior to the fulfilment of the contract, and are reduced as revenue is recognized. Of the revenue recognized for the year ended December 31, 2022, the amount included in contract liabilities at the beginning of the fiscal year is ¥391 million (US\$2,946 thousand).

The amount of revenue recognized for the year ended December 31, 2022 from performance obligations fulfilled in the past period such as a movement in the transaction prices is minor.

(2) Transaction price allocated to the remaining performance obligations

At the Company and its consolidated subsidiaries, the practical expedient is applied to the notes for transaction prices allocated to remaining performance obligations, and contracts with an initially forecast contract period of 1 year or less are not included in the subjects of the notes.

The total amount of transaction prices allocated to remaining performance obligations and the periods when revenue recognition is expected are as follows:

	Millions of yen		Thousands of U.S. dollars	
	2022/12		2022/12	
1 year or less	¥	102,263	\$	770,633
More than 1 year and up to 5 years		264,626		1,994,167
More than 5 years		185,027		1,394,325
Total	¥	551,918	\$	4,159,140

21. SEGMENT INFORMATION

Segment information for the years ended December 31, 2021 and 2022

(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. As stated in Note 2. (z) Changes in Accounting Policies, effective from the beginning of the year ended December 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 total sales and income (loss) by reportable segment was also changed in the same manner. As a result, total sales for the year ended December 31, 2022 in "Japan" segment decreased by ¥1,657 million (US\$12,486 thousand) compared with the previous method, and there was no effect on segment income (loss).

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

Millions of yen

Year ended December 31, 2021	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Total	Adjustments ^{*1}	Consolidated ^{*2}
Sales to third parties	¥ 130,089	¥ 354,919	¥ 116,959	¥ 618,161	¥ 24,240	¥ 1,244,369	¥ -	¥ 1,244,369
Intercompany sales and transfers between segments	-	9,070	-	-	-	9,070	(9,070)	-
Total sales	130,089	363,989	116,959	618,161	24,240	1,253,440	(9,070)	1,244,369
Segment income (loss)	11,464	175,542	30,909	376,065	10,276	604,259	(13,602)	590,657
Segment assets	262,201	3,394,010	570,860	623,136	38,546	4,888,755	269,440	5,158,196
Other items								
Depreciation and amortization	14,923	116,426	6,862	59,872	4,226	202,311	872	203,184
Amortization of goodwill	-	-	-	-	(96)	(96)	6,952	6,856
Investment to affiliates accounted for by the equity- method	2,277	307,749	18,359	18,375	-	346,761	1,502	348,264
Increase of tangible fixed assets and intangible assets	¥ 8,149	¥ 66,140	¥ 5,875	¥ 122,340	¥ 13,402	¥ 215,907	¥ 6,272	¥ 222,179

Millions of yen

Year ended December 31, 2022	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Total	Adjustments ^{*1}	Consolidated ^{*2}
Sales to third parties	¥ 207,082	¥ 510,147	¥ 320,803	¥ 1,252,913	¥ 33,712	¥ 2,324,660	¥ -	¥ 2,324,660
Intercompany sales and transfers between segments	-	17,439	-	-	-	17,439	(17,439)	-
Total sales	207,082	527,587	320,803	1,252,913	33,712	2,342,099	(17,439)	2,324,660
Segment income (loss)	(13,081)	277,597	172,197	810,885	16,371	1,263,970	(17,562)	1,246,408
Segment assets	299,669	4,143,287	761,520	686,271	28,569	5,919,317	342,987	6,262,304
Other items								
Depreciation and amortization	15,287	133,605	22,596	114,969	5,173	291,631	929	292,560
Amortization of goodwill	-	-	2,010	-	-	2,010	6,952	8,963
Investment to affiliates accounted for by the equity- method	-	594,988	58,496	2,541	-	656,026	2,735	658,762
Increase of tangible fixed assets and intangible assets	¥ 13,153	¥ 101,269	¥ 98,767	¥ 71,455	¥ 21,606	¥ 306,252	¥ 8,617	¥ 314,870

Thousands of U.S. dollars

Year ended December 31, 2022	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Total	Adjustments ^{*1}	Consolidated ^{*2}
Sales to third parties	\$ 1,560,527	\$ 3,844,363	\$ 2,417,505	\$ 9,441,695	\$ 254,046	\$ 17,518,161	\$ -	\$ 17,518,161
Intercompany sales and transfers between segments	-	131,416	-	-	-	131,416	(131,416)	-
Total sales	1,560,527	3,975,787	2,417,505	9,441,695	254,046	17,649,577	(131,416)	17,518,161
Segment income (loss)	(98,575)	2,091,914	1,297,641	6,110,663	123,368	9,525,018	(132,343)	9,392,675
Segment assets	2,258,244	31,222,961	5,738,658	5,171,597	215,290	44,606,759	2,584,679	47,191,439
Other items								
Depreciation and amortization	115,199	1,006,819	170,278	866,382	38,982	2,197,671	7,000	2,204,672
Amortization of goodwill	-	-	15,146	-	-	15,146	52,388	67,543
Investment to affiliates accounted for by the equity- method	-	4,483,707	440,813	19,148	-	4,943,677	20,610	4,964,295
Increase of tangible fixed assets and intangible assets	\$ 99,118	\$ 763,142	\$ 744,287	\$ 538,470	\$ 162,818	\$ 2,307,852	\$ 64,935	\$ 2,372,795

*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
	2021/12	2022/12	2022/12
Crude oil	¥ 905,199	¥ 1,778,662	\$ 13,403,632
Natural gas (excluding LPG)	313,684	521,676	3,931,243
LPG	6,891	3,469	26,141
Other	18,594	20,851	157,128
Total	¥ 1,244,369	¥ 2,324,660	\$ 17,518,161

(e) Geographical information**(Sales)**

	Millions of yen		Thousands of U.S. dollars
	2021/12	2022/12	2022/12
Japan	¥ 504,079	¥ 908,073	\$ 6,843,051
Asia & Oceania (excluding China)	390,063	704,674	5,310,278
China	174,276	346,209	2,608,960
Other	175,950	365,701	2,755,847
Total	¥ 1,244,369	¥ 2,324,660	\$ 17,518,161

* 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
	2021/12	2022/12	2022/12
Japan	¥ 216,442	¥ 220,634	\$ 1,662,652
Australia	1,683,503	1,847,957	13,925,825
United Arab Emirates	326,453	306,125	2,306,895
Other	33,450	98,401	741,529
Total	¥ 2,259,849	¥ 2,473,118	\$ 18,636,910

(f) Information on impairment loss from fixed assets

	Millions of yen		Thousands of U.S. dollars
	2021/12	2022/12	2022/12
Asia & Oceania	¥ 14,170	¥ -	\$ -
Americas	-	25,799	194,415
Total	¥ 14,170	¥ 25,799	\$ 194,415

(g) Information on unamortized balance of goodwill

	Millions of yen		Thousands of U.S. dollars
	2021/12	2022/12	2022/12
Eurasia (Europe & NIS)	¥ -	¥ 17,735	\$ 133,647
Eliminations and other ^{*1}	29,550	22,597	170,286
Total	¥ 29,550	¥ 40,332	\$ 303,933

*1 This is the unamortized balance of goodwill not attributable to a reportable segment.

22. RELATED PARTY TRANSACTIONS

There are the following related party transactions for the years ended December 31, 2021 and 2022.

(a) Related party transactions

(1) Transactions with non-consolidated subsidiaries and affiliated companies

Year ended December 31, 2021

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			Millions of yen	
Ichthys LNG Pty Ltd	Western Australia, Australia	US\$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 66.245%	Capital subscription	Collection of loans ^{*1}	¥	69,294	Current assets other (short-term loans receivable)	¥	34,815
								Long-term loans receivable		1,007,106	
						Interest Income ^{*1}		26,054	Current assets other (interest receivable)		1,212
						Sales of finished goods ^{*2}		146,021	Accounts receivable-trade		21,114
						Guarantee of liabilities ^{*3}		356,450	-		-
						Guarantee commission received ^{*3}	¥	3,180	Current assets other (accrued revenue)	¥	151

*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 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, 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, 2021.

Year ended December 31, 2022

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	US\$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 66.245%	Capital subscription	Loans of funds ^{*1}	¥	327,757	\$	2,469,909	Current assets other (short-term loans receivable)	¥	31,443	\$	236,948
						Collection of loans ^{*1}		158,376		1,193,489					
						Modification loss on financial assets ^{*2}		85,483		644,182	Long-term loans receivable		1,267,350		9,550,489
						Interest Income ^{*1}		59,163		445,840	Current assets other (interest receivable)		3,784		28,515
						Guarantee of liabilities ^{*3}		77,712		585,621	-		-		-
						Guarantee commission received ^{*3}	¥	1,752	\$	13,202	-	¥	-	\$	-

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

*2 In accordance with IFRS 9 “Financial Instruments”, the loss was recognized due to modification of financial assets that do not result in derecognition.

*3 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, 2022.

(2) Transactions with fellow subsidiaries and other affiliated companies

Year ended December 31, 2021

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			Millions of yen	
Japan Oil, Gas and Metals National Corporation ^{*1}	Minato-ku, Tokyo	¥1,122,000 million ^{*2}	Support for exploration and development of oil and others	None	Acceptance of debt guarantees	Acceptance of debt guarantees ^{*3}	¥	125,659	-	¥	-
						Payment of guarantee fees ^{*3}	¥	1,260	Current liabilities other (accrued expenses)	¥	310

*1 Japan Oil, Gas and Metals National Corporation has changed its official name to Japan Organization for Metals and Energy Security on November 14, 2022.

*2 The amount of “Capital investment” is as of December 27, 2021.

*3 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, 2021.

Year ended December 31, 2022

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 Organization for Metals and Energy Security	Minato-ku, Tokyo	¥1,183,500 million ^{*1}	Support for exploration and development of oil and others	None	Acceptance of debt guarantees	Acceptance of debt guarantees ^{*2}	¥	119,761	\$	902,494	-	¥	-	\$	-
						Payment of guarantee fees ^{*2}	¥	1,273	\$	9,593	Current liabilities other (accrued expenses)	¥	316	\$	2,381

*1 The amount of “Capital investment” is as of August 31, 2022.

*2 Japan Organization for Metals and Energy Security 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 Organization for Metals and Energy Security as of December 31, 2022.

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

The significant affiliated company for the years ended December 31, 2021 and 2022 is Ichthys LNG Pty Ltd. The summary of its financial information is as follows:

	Millions of yen		Thousands of U.S. dollars
	2021/12	2022/12	2022/12
Total current assets	¥ 134,475	¥ 205,198	\$ 1,546,330
Total fixed assets	3,703,147	4,176,504	31,473,278
Total current liabilities	250,669	277,083	2,088,040
Total long-term liabilities	3,112,537	3,264,291	24,599,027
Total net assets	474,416	840,328	6,332,539
Net sales	597,490	953,027	7,181,816
Net income before income taxes	94,817	332,605	2,506,443
Net income	¥ 56,545	¥ 220,982	\$ 1,665,275

23. SIGNIFICANT SUBSEQUENT EVENTS

Reduction of legal capital surplus

The Board of Directors of the Company, at its meeting held on February 16, 2023 resolved to submit a proposal for the reduction of legal capital surplus to the 17th Ordinary General Meeting of Shareholders held on March 28, 2023, and the proposal was approved at the meeting.

(1) Objective

The Company reduced its legal capital surplus and reclassified the reduced amount as other capital surplus pursuant to Article 448 Paragraph 1 of the Companies Act to ensure the flexibility of its future capital policies.

(2) Overview

i) Amount reduced

The Company reduced its legal capital surplus (¥1,023,802,446,468 (US\$7,715,162 thousand)) by ¥951,000,000,000 (US\$7,166,541 thousand) to ¥72,802,446,468 (US\$548,620 thousand).

ii) Method of reduction

The Company reclassified the reduced amount as other capital surplus.

(3) Schedule

- i) Board resolution date: February 16, 2023
- ii) Shareholder resolution date: March 28, 2023
- iii) Public notice for creditor objections: April 10, 2023
- vi) Deadline for creditor objections: May 10, 2023 (planned)
- v) Effective date: May 31, 2023 (planned)