

INPEX

INPEX CORPORATION
Annual Report 2017

Year ended March 31, 2017



About INPEX

INPEX is the largest oil and gas E&P company in Japan. The Company currently is engaged in approximately 70 projects spread across more than 20 countries worldwide.

As a company that is engaged in oil and natural gas exploration, development and production activities worldwide, INPEX boasts the highest reserve and production volumes among companies in Japan. The Company is positioned as a mid-tier E&P player just behind the world's oil majors. The Ichthys LNG Project in Australia being one of its key initiatives, INPEX is actively engaged in oil and natural gas projects in Japan and overseas. In addition to securing a stable and efficient supply of energy, the Company is working diligently to ensure sustainable growth in its corporate value.

Our Mission

The mission of the INPEX Group is to provide a stable and efficient supply of energy to customers by exploring and developing oil and natural gas resources both domestically and throughout the world. Through our business, we aim to become an integrated energy company, which contributes to our community and makes it more livable and prosperous.

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DISCLAIMER

Information contained in this Annual Report is not an offer or a solicitation of an offer to buy or sell securities. You are requested to make investment decisions using your own judgment. Although the Company has made sufficient effort to ensure the accuracy of information provided herein, the Company assumes no responsibility for any damages or liabilities including, but not limited to, those due to incorrect information or any other reason.

FORWARD-LOOKING STATEMENTS

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

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

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

NOTES REGARDING FIGURES

Financial figures in this Annual Report have been basically rounded to the nearest unit (e.g., millions, billions) for convenience. The "Project Overview by Region" section (starting on p. 16) basically describes the operating situation as of June 30, 2017. Figures in parentheses denote negative amounts. Natural gas production volume for projects in production is not the volume at wellheads, but corresponds to sales to buyers.

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

Message from the President

Toshiaki Kitamura

President & CEO



Looking Back at the Past Year

For the fiscal year ended March 31, 2017, net sales decreased 13.4% year on year to ¥874.4 billion, while net income attributable to owners of parent showed a significant increase of 175.2% to ¥46.2 billion. Looking at trends in oil prices, although the price fell under to the US\$42 level a barrel in August 2016, the December 2016 Declaration of Cooperation accord between OPEC and non-OPEC oil-producing countries triggered a price rise and ended the fiscal year at around the US\$50 a barrel level. Despite the decrease in net sales, brought about by falls in crude oil and natural gas prices as well as by a decline in revenues due to the yen's appreciation in comparison with the previous fiscal year, operating income increased due to a variety of factors, such as a decrease in the amount of temporary loss recorded.

Net production volume (the total of crude oil and natural gas, crude oil conversion), which is a key pillar supporting the Company's earnings, increased by 70,000 barrels a day compared with the previous fiscal year

to 521 thousand barrels of oil equivalent per day (BOED), and we are continuing to maintain a level of more than 500 thousand BOED. Proved reserves (the total of crude oil and natural gas, crude oil conversion), which represent a source of future earnings, also rose slightly compared with the previous fiscal year-end to about 3.3 billion barrels of oil equivalent (BOE). Summarizing the progress of the major projects now under way, we are continuing to make progress with the development work on offshore and onshore facilities on the Ichthys LNG Project, and the project will, during the current fiscal year (ending March 31, 2018), begin production of condensate, liquefied natural gas (LNG) and liquefied petroleum gas (LPG) in sequence and then ship these products. In the Abadi LNG Project in Indonesia, we began preparatory work related to the start of the conceptual design (pre-front-end engineering and design [pre-FEED]) for the optimum development of the Abadi gas field centered on an onshore LNG plant.

Cost Reduction Initiatives

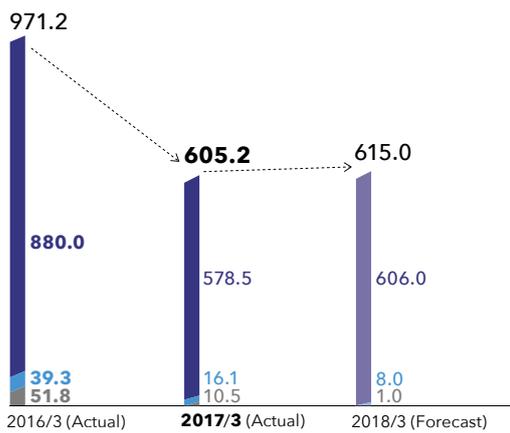
As an oil and natural gas development company, we are responsible for fulfilling our social mission through our business activities, regardless of current supply and demand fluctuations. Crude oil prices, which had remained at more than US\$100 per barrel until the middle of 2014, dropped to under US\$30 per barrel at the beginning of 2016, a mere year and a half later. In response to this change in the price for crude oil, the Company is continuing to handle the issue with a sense of urgency and, keeping in mind the possibility that crude oil prices will remain at a low level for some time to come, has drawn up countermeasures and is advancing

a number of initiatives to continue making investments for future growth and maintain stable dividends.

Whereas operating cash flows for the period under review showed a substantial increase of more than ¥270.0 billion compared with the previous fiscal year, total investment decreased by just under 40% year on year. Production costs per barrel (crude oil equivalent) were further reduced from US\$7.80 in the previous fiscal year to US\$6.10. We believe that these efforts to reduce costs played a supporting role leading to recovery and the posting of a net profit for the fiscal year under review.

Shifts in Investment-Reduction Measures

■ Development* ■ Exploration ■ Other capital expenditures**
(¥ billion)

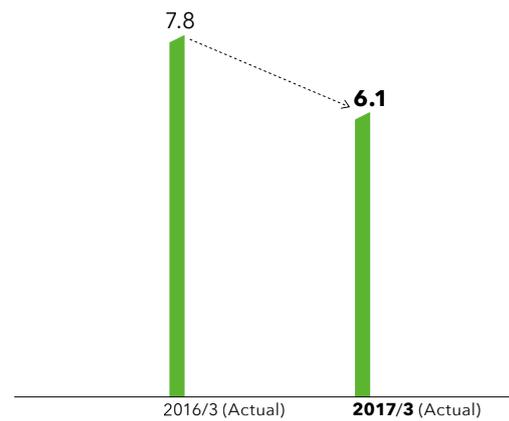


*Includes investments in Ichthys downstream business

**Mainly investments in Naoetsu LNG Terminal and domestic pipeline network

Production Cost per BOE***

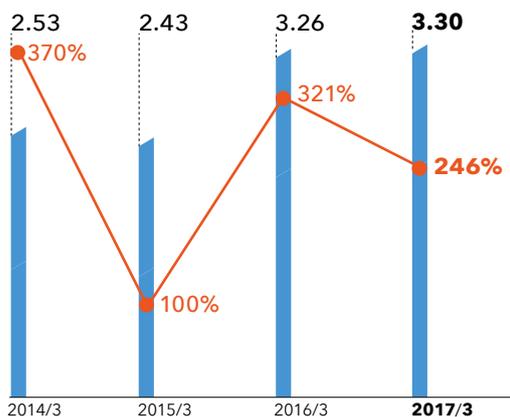
(US\$/BOE)



***Excluding royalties

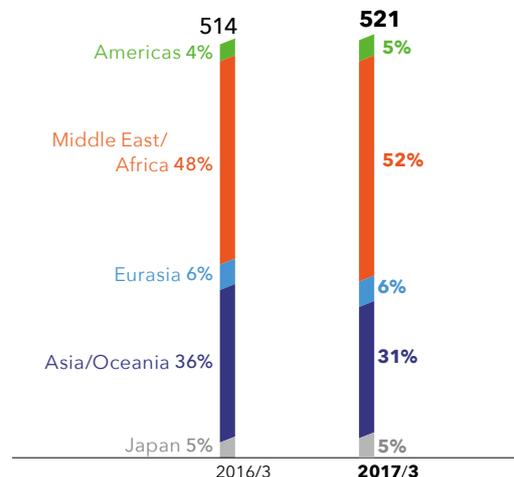
Net Proved Reserves and Reserve Replacement Ratio (3-year average)

■ Proved reserves (Billion BOE)
● Reserve Replacement Ratio (3-year average) (%)



Net Production

(Thousand BOED)



Aiming to Achieve Our Growth Targets

We have set three growth targets for sustainable growth. With regard to our growth target's first pillar of **Continuous Enhancement of Exploration & Production (E&P) Activities**, if we report on progress from the standpoint of the indicators for that progress, our reserves (the total of crude oil and natural gas) as of March 31, 2017, were net proved reserves of about 3.3 billion BOE and net probable reserves of about 1.39 billion BOE. The total of proved and probable reserves was roughly at the 4.69 billion BOE level. At 246%, we continued to maintain the reserve replacement ratio (RRR) (proved reserve increase during year divided by production volume during year, three-year average) at a good level. Although there was a natural decline in production volume in the Asia/Oceania segment, net production volume for the fiscal year under review increased by 70,000 barrels per day to 521,000 barrels per day due to the contribution throughout the year from the Abu Dhabi onshore ADCO Block acquired in the Middle East/Africa segment and the restart of production at the Kashagan Project in the Eurasia segment.

Looking at the progress of Continuous Enhancement of E&P Activities by individual project, in the case of the offshore facilities at the Australian Ichthys LNG Project, the construction work for each of the Central Processing Facility (CPF) and the Floating Production Storage and Offloading (FPSO) facility has now been completed.

Having started the drilling of the produc-

tion wells in February 2015, work is continuing smoothly. At the Darwin onshore LNG plant, we finished bringing all the modules that were manufactured overseas to the plant site in September 2016 and are carrying out commissioning operations. At the gas export pipeline (GEP), the installation and pressure tests on the land section are completed, and we are ready to accept gas, including the seabed part that has already been laid and pressure tested. Looking ahead at the production schedule, installation and commissioning work will be undertaken and production from the wellhead will commence. Thereafter, the Ichthys LNG Project will, during the current fiscal year (ending March 31, 2018), begin production of condensate, liquefied natural gas (LNG) and liquefied petroleum gas (LPG) in sequence and then ship these products.

At the Abadi LNG Project in Indonesia, we received a notification instructing to re-propose a plan of development based on onshore LNG from the Indonesian government authorities in April 2016. As a company, we will maintain our policy of aiming for early start-up of development and implementing the projecting the most economically and technically rational way, and will proceed with the project. In line with this basic policy, we started the preparatory work relating to the start of the conceptual design (Pre-FEED) on the basis of the results of constructive consultations with the Indonesian government up until then with regard to the optimum development of the Abadi Gas Field.



CPF (Ichthys Explorer) undergoing mooring operations



Aerial view of the Ichthys LNG Project's new operations complex at Bladin Point, Darwin, Australia

With regard to the Abu Dhabi offshore Satah oil Field and Umm Al-Dalkh oil Field in Abu Dhabi in the United Arab Emirates, we agreed in principle with Abu Dhabi National Oil Company (ADNOC) concerning the extension of the duration of the joint development in January 2017. On the basis of this agreement in principle, we will aim to conclude a formal agreement by consulting with ADNOC on detailed terms, such as extending the joint development for about 25 years. In exploration projects, we succeeded in discovering deposits of quality oil as a result of an exploration well drilled at the onshore Exploration Block 10 in Iraq and confirmed a production volume capacity of more than 8,000 barrels per day in crude oil production tests that were subsequently conducted.

Going forward, we will analyze the data obtained from the crude oil production tests, undertake further exploration activities and, dependent upon the evaluation results, expect there to be a high probability of the find becoming a large-scale oil field. In December 2016, we acquired a joint license for Exploration Block 3 in the Mexican sector of the northern Gulf of Mexico. I hope that such an exploration project will contribute to our Continuous Enhancement of E&P Activities.

With regard to our second pillar of our growth targets, "Strengthening the Gas Supply Chain," the construction work on the Toyama Line, which began in April 2012 and extends around 100 km, was completed in June 2016, and the total extent of the Company's domestic pipeline network stretches over approximately 1,500 km. The natural gas sales volume for the fiscal year ending March 31, 2018, is forecast to be 2.12 billion cubic meters and, due to the full-year contribution of the Toyama

Line and an increase in the fuel supply volume for gas-fired power plants, the Company's first annual sales volume is expected to exceed 2 billion cubic meters. Responding flexibly and accurately to changes in the business environment triggered by the liberalization of the gas retail market in April 2017, we conducted a reshuffle of the organizations involved in the domestic gas business with the aim of further strengthening the domestic gas business.

In the years to come, under the new organizational structure, we will continue to focus on continuing to strengthen the gas supply chain that will organically link the natural gas sources developed by overseas projects, such as Ichthys, and the natural gas business in Japan.

Finally, I will explain about our growth target's third pillar, "Reinforcement of Renewable Energy Initiatives". The first unit started commercial operations in the geothermal power generation project in the Sarulla Block, located on the island of Sumatra, Indonesia, in March 2017. The Sarulla Geothermal Independent Power Producer (IPP) Project is the world's largest single-contract geothermal power project, and we plan to sell all the generated power to Indonesia's government-owned electricity company over a period of 30 years. We are proceeding with construction and other work on the plant's second and third units with the aim of commencing commercial operations in sequence, starting with the second unit in 2017 and the third unit in 2018, and expect the amount of power generated to ultimately be increased to 330 MW. As a comprehensive energy company that contributes to society, we will continue to actively engage in the Reinforcement of Renewable Energy Initiatives.



Naoetsu LNG Terminal



Commercial operations commenced at the first unit of the Sarulla Geothermal Independent Power Producer (IPP) Project

Toward Improved Corporate Value from a Long-Term Perspective

In order to contribute to the creation of a prosperous society through the realization of the stable and efficient supply of energy, we are working on the development and supply of energy all over the world. In May 2012, we formulated the INPEX Medium- to Long-Term Vision and, as focused initiatives up to production startup at Ichthys, are advancing the three abovementioned growth target pillars: Continuous Enhancement of E&P Activities, Strengthening the Gas Supply Chain and Reinforcement of Renewable Energy Initiatives. Crude oil prices remain in a state where we cannot be optimistic about the future, but the decline in investment in E&P projects, particularly among the oil majors, is showing signs of bottoming due to a recovery in the balance between supply and demand and other factors. Under such circumstances, we are currently considering our post-Ichthys startup growth strategies and making earnest progress in examining the level of investment for future growth and the strengthening of shareholder returns, including an increase in dividends.

While building trust-based relationships with stakeholders, including local communities, as a company that develops business globally, we are steadily fulfilling our social responsibility throughout the value chain and focusing our efforts on contributing to the creation of a sustainable society, for example, by ensuring safety in our business activities, environmental protection, creating employment, respecting human rights as well as cultures and customs, and contributing to local communities. With a particular focus on ensuring respect for human rights, and as a part of efforts to address the UK Modern Slavery Act of 2015, the Company and the Company Group disclosed its Modern Slavery Act Statement FY2015 (UK Modern Slavery Act Statement) in September 2016. This disclosure was designed to clarify initiatives aimed at preventing any violation of human rights including slave labor and human trafficking from a supply chain management perspective. In addition, to comprehensively specify our stance toward respect for human rights, we formulated the **INPEX Human**

Rights Policy in May 2017. Formulated on the basis of the UN's Guiding Principles on Business and Human Rights, the policy is applicable to all officers and employees of the Group. We will continue to adhere strictly to a policy of human rights management in the years ahead.

The total dividend for the year under review was ¥18.0 per share, the interim and year-end dividend having each been ¥9.0. The initial dividend forecast for the year ending March 31, 2018, is that we will pay interim and year-end dividends of the same ¥9.0 per share, for a full-year dividend of again ¥18.0 per share. However, on the basis of the progress made with the Ichthys LNG Project going forward and the earnings outlook for the current fiscal year as well as other factors, the year-end dividend may be reviewed again toward the end of the year.

Energy resources are essential to the economy and society, and the importance of their long-term, stable development and efficient use will remain unchanged. Japan's energy self-sufficiency rate (2016) is only about 6%, the second from the bottom among OECD member countries. Under such circumstances, I believe that our mission is to improve our corporate value through the stable and efficient supply of energy. In the years to come, we will facilitate the stable and efficient supply of energy and, as an international oil and natural gas development company, will enhance our competitiveness so that these efforts lead to sustainable improvement in both shareholder and corporate value. We will be doing our utmost in these efforts, so I would like to take this opportunity to thank you in anticipation of your unwavering support.

June 2017

President & CEO
Toshiaki Kitamura

北村俊昭

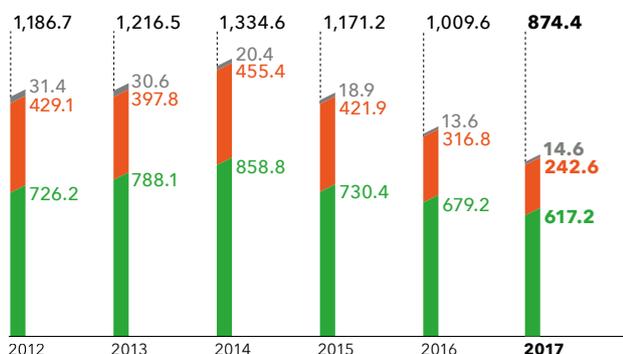
Financial and Operating Highlights (Five-Year Comparative Graphs)

As of or years ended March 31. Please refer to p. 43 for notes of major indices.

Profitability Indices

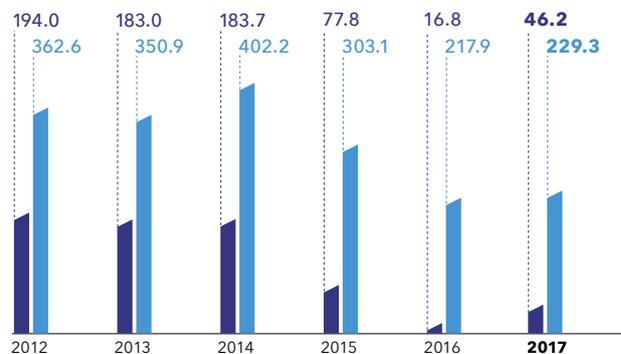
Net Sales (by product)

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



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

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



Efficiency Indices

Return on Equity (ROE)

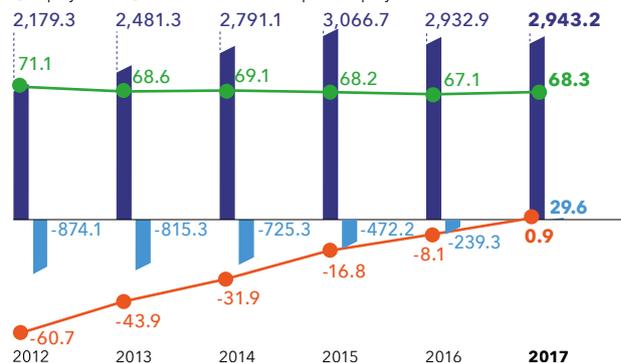
● ROE (%)



Stability Indices

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

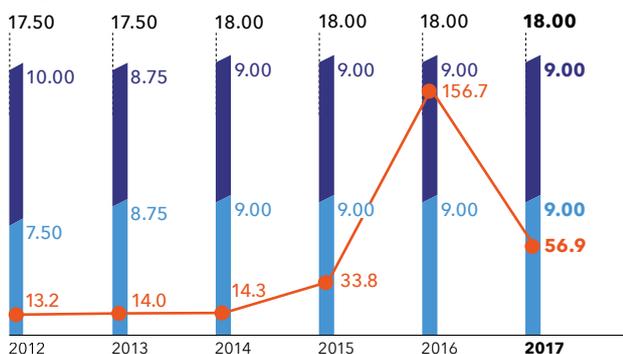
■ Net assets excluding non-controlling interests ■ Net debt (¥ billion)
● Equity ratio ● Net debt/Net total capital employed (%)



Performance Indices

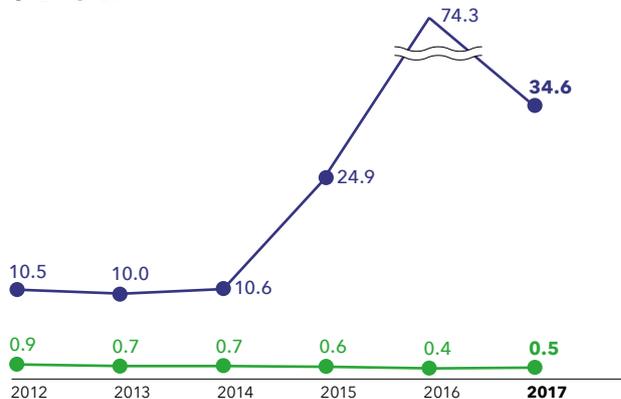
Cash Dividend per Share, Payout Ratio

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



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

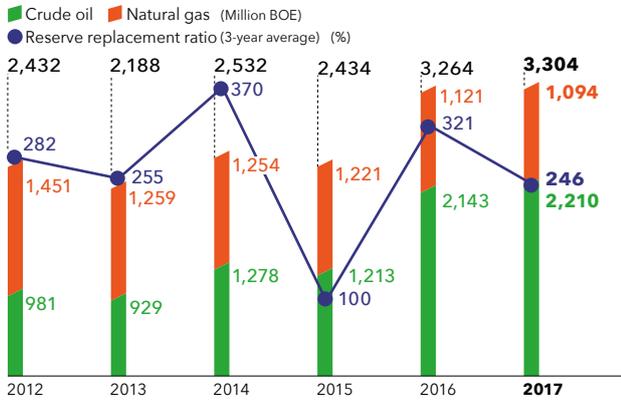
● PER ● PBR (Times)



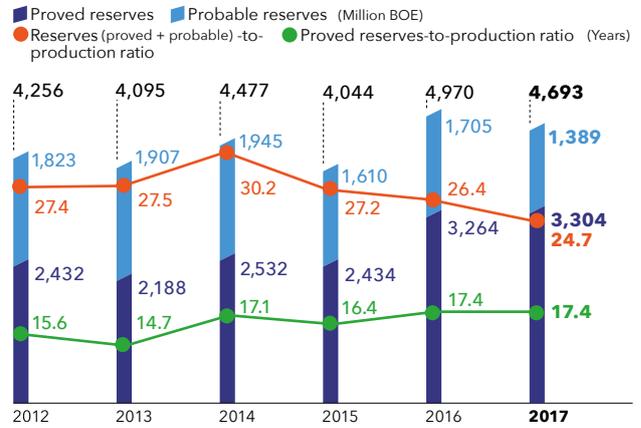
Note: Cash dividend per share is retroactively adjusted for a stock split at a ratio of 1:400 of common stock on October 1, 2013. Cash dividend per share data for each fiscal year is after retroactively adjusting to account for the impact of the stock split.

Reserve/Production Indices

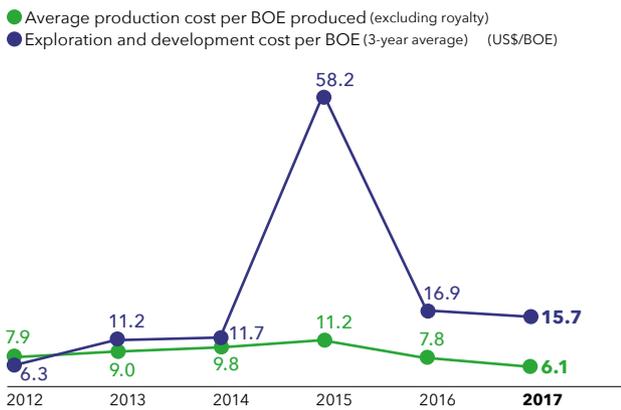
Net Proved Reserves (by product), Reserve Replacement Ratio (3-year average)



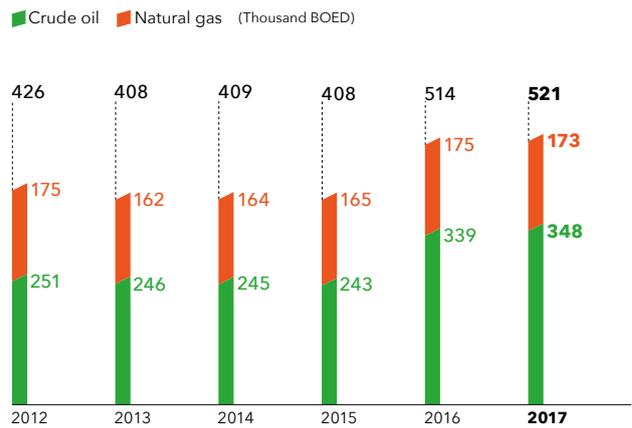
Net Proved and Probable Reserves, Reserves-to-Production Ratio



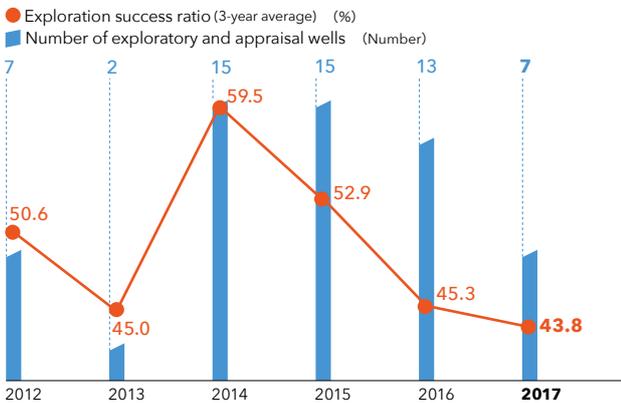
Average Expenses per BOE Produced, Exploration and Development Cost per BOE (3-year average)



Net Production (by product, barrels of oil equivalent)

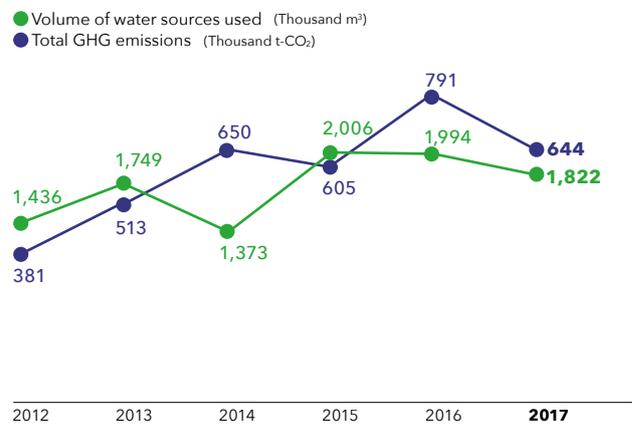


Exploration and Appraisal Success Ratio (3-year average), Number of Exploratory and Appraisal Wells



The Environment

Volume of Water Sources Used, Total GHG Emissions



Business Model and Strengths

In its oil and gas development business, INPEX employs a business model that focuses on stable production and supply, as well as the reinvestment of cash flows obtained from production activities toward the acquisition of new reserves and the discovery and development of oil and gas that contribute to further production revenues. This cycle is the source of sustainable growth as a company.

INPEX's Strength 1

Dynamic Growth Scenario

Ichthys LNG Project

INPEX is the first Japanese company to develop a global large-scale LNG project such as Ichthys in Australia as an operator. Steps are also being taken to quickly bring to fruition the Abadi LNG Project in Indonesia, another undertaking after the Ichthys project in which INPEX will serve as the operator. The Company's net production volume is currently at a level of around more than 500 thousand BOED, and there are prospects of an increase to 600-700 thousand BOED following the start of production at Ichthys and other projects. We are focusing on Ichthys development work, which will increase the corporate value of our company.



Growth of
Production
Volume

INPEX's Strength 2

A Balanced Portfolio and Strong Reserve Volume/ Resources

4.69 billion BOE

(Proved and probable reserves)

INPEX has secured a balanced portfolio while establishing appropriate risk management by combining different projects to ensure an optimal balance across such key parameters as the oil and natural gas ratio, regional distribution, and exploration, development and production activities. Turning to the Company's reserve volume, the source of its corporate value, INPEX holds a proved and probable reserve volume of 4.69 billion BOE, as well as an abundance of possible reserves and contingent resources that are not included in probable reserves. Looking ahead, we expect to expand proved and probable reserves over the medium to long term.



Increasing
Reserves



Accounting of Revenue Attributable to Sales

Proactive Exploration and Development Investment



INPEX's Strength 3

Natural Gas Supply Chain

Domestic natural gas pipeline network
1,500 km

INPEX owns a natural gas pipeline network in Japan of around 1,500 km. The Naoetsu LNG Terminal commenced operations in December 2013, bringing one step closer the realization of a natural gas supply chain that links natural gas assets in Japan and overseas and the domestic market. Looking ahead, the Company will endeavor to further strengthen its gas supply chain by organically combining its efforts to develop natural gas sources overseas including the Ichthys LNG Project with the infrastructure of its Natural Gas Business in Japan.

INPEX's Strength 4

Strong Financial Base

Equity ratio: **68.3%**

Net debt/Net total capital employed: **0.9%**

A healthy balance sheet and cash reserves are essential for oil and gas E&P companies. This reflects both the high degree of risk associated with E&P activities and the need to have sufficient funds on hand to take advantage of major investment opportunities. As of March 31, 2017, the Company had an equity ratio of 68.3% and a ratio of net debt to net total capital employed of 0.9%. (Cash and deposits were roughly the same as interest-bearing debt.)

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

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

Acquisition of Blocks

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



Signing ceremony of a contract

Sales

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

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

Production

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



LNG tanker



Where do crude oil and natural gas come from?

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



Exploration

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



Geophysical surveys

Appraisal

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



Drilling of appraisal wells

Development

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



Drilling of production wells

The Medium- to Long-Term Vision of INPEX and Investment Plans

In May 2012, the Company formulated the INPEX Medium- to Long-Term Vision that clarified key initiatives up to the Ichthys start-up as well as medium- to long-term growth targets and the achievement of those targets. The Medium- to Long-Term Vision defines three growth targets and three management policies and clearly specifies our key initiatives.

Three Growth Targets

We have set three growth targets necessary for sustainable growth and will conduct key initiatives to achieve them.

1 Continuous Enhancement of E&P Activities

Achieve net production volume of

1 million BOED by the early 2020s

2 Strengthening Gas Supply Chain

Achieve domestic gas supply volume of

2.5 billion m³/year

by the early 2020s (3.0 billion m³/year in the long term)

3 Reinforcement of Renewable Energy Initiatives

Promote efforts to commercialize renewable energies and reinforce R&D activities for the next generation

Three Management Policies

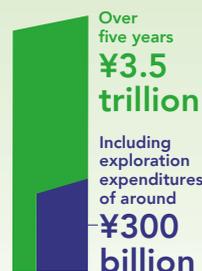
We are positioning ourselves to become a top-class international oil and gas E&P company and are improving and building our management base to evolve into an integrated energy company.

1 Securing/Developing Human Resources and Building an Efficient Organizational Structure

- Recruit and utilize personnel in and outside of Japan to develop global professionals.
- Establish an efficient business execution system to facilitate decision making.

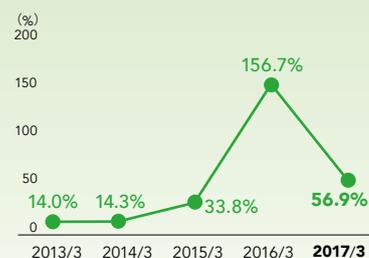
2 Investment for Growth and Return for Shareholders

Investment



From the year ended March 31, 2013, to March 31, 2017

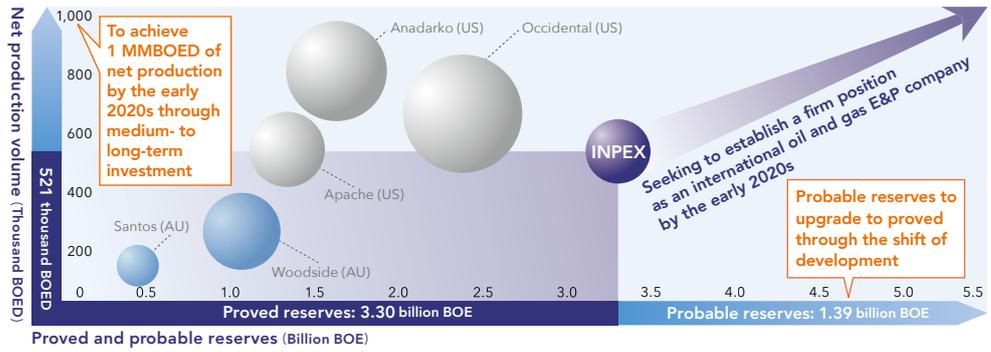
Payout Ratio



From the period in which Ichthys starts production, we will be aware of our position as a top-class international oil and gas E&P company and will plan appropriate returns for our shareholders.

Proved Reserves, Net Production Volume and the Market Value of the Major International Oil and Gas E&P Players

Proved reserves and production volume indicated in this chart are from documents disclosed by the major E&P companies in fiscal 2016. The size of the circle shows the market value of each company as of March 31, 2017. Currently, INPEX is positioned as a mid-tier E&P player. As our operations expand through new milestones including the start of production at the Ichthys LNG Project in Australia, we will endeavor to secure a foothold among the world's oil majors by the early 2020s.



Become a Top-Class International Oil and Gas E&P Company
 ×
Become an Integrated Energy Company
 with natural gas as the core

MEDIUM- TO LONG-TERM VISION OF INPEX: Ichthys and Our Growth Beyond
 For details, please refer to the booklet entitled "MEDIUM- TO LONG-TERM VISION OF INPEX: Ichthys and Our Growth Beyond," or refer to the following Web site:
www.inpex.co.jp/en/vision

Maintain Financial Strength



Funding Source

- Own funds**
 ¥663.0 billion of cash available on hand (As of March 31, 2017)
- Cash flows**
 Future operating cash flows obtained each year
- Bank loans**
 - Lending from JBIC
 - Guarantee from JOGMEC
 - Project finance

3 Responsible Management as a Global Company

- Promote continuous improvements in corporate compliance and HSE initiatives.
- Build trust-based working relationships with stakeholders through interactive communications.

Segment Overview

Asia & Oceania

▶ p. 16

Number of countries

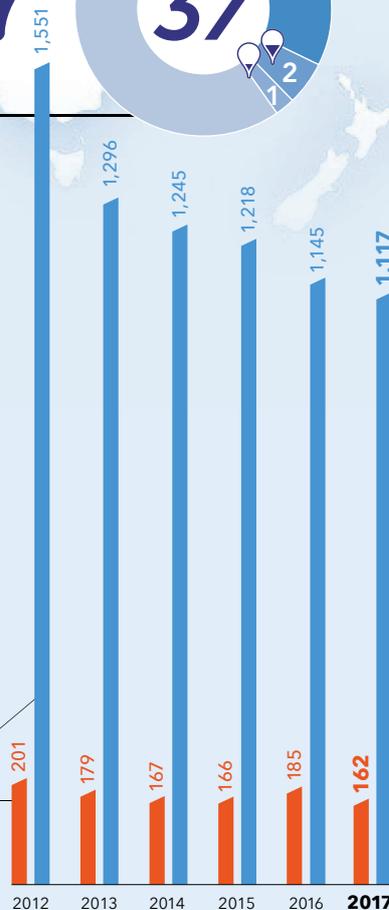


Number of projects

- In production
- Under development
- Preparation for development
- Under exploration
- Other

Reserves/Production

Proved reserves (million BOE)
Net production (thousand BOED)



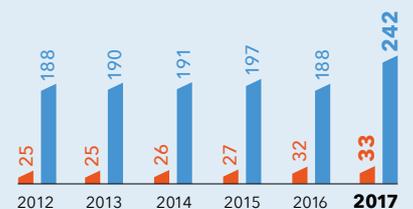
Net sales/Operating income

Net sales (¥ million)
Operating income (¥ million)



Eurasia

▶ p. 22



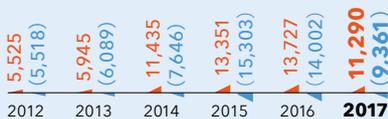
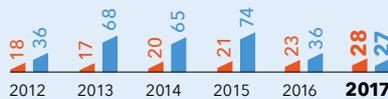
Middle East & Africa

▶ p. 24



Americas

▶ p. 26

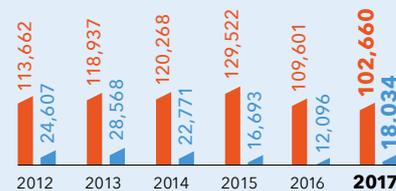


Japan

▶ p. 28



Minami-Nagaoka Gas Field
Naoetsu LNG Terminal
Natural gas pipeline network (Approx. 1,500 km) etc.



Project Overview by Region

Asia & Oceania

In the Asia and Oceania region, INPEX holds participating interests in the Offshore Mahakam Block in Indonesia, which is contributing significantly to earnings, and the large-scale Ichthys and Abadi LNG projects, where development and preparatory development activities are under way as the operator. The Company is also actively advancing more than 20 exploration projects with growth potential across the region.



1 Offshore Mahakam Block and Attaka Unit

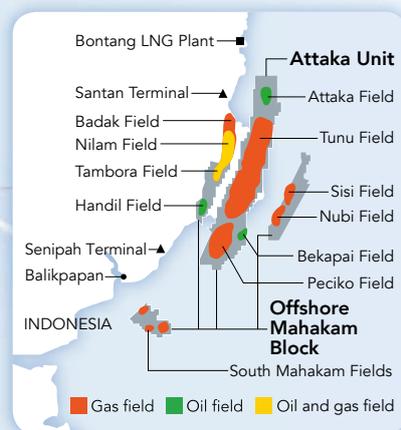
INPEX entered into a production sharing contract (PSC) with the Indonesian Government in October 1966, at that time acquiring a 100% interest in the Offshore Mahakam Block. The Attaka Unit was established in April 1970 through the unitization of part of the adjacent blocks owned by INPEX and Unocal (now Chevron), with each company taking a 50% interest. Production of crude oil and natural gas has continued since 1972. INPEX farmed out 50% of its interest in the Offshore Mahakam Block to CFP (now TOTAL) in July 1970. This venture subsequently made a series of discoveries in the

Bekapai (oil), Handil (oil), Tambora (oil and gas), Tunu (gas), Peciko (gas), Sisi and Nubi (gas) fields, as well as the South Mahakam Gas Fields (gas), each of which has continued to produce crude oil and natural gas. The crude oil and condensate produced from these fields are shipped mainly to oil refineries and power companies in Japan by tanker from the Santan and Senipah terminals. Most of the natural gas is supplied to the Bontang LNG Plant, and then shipped as LNG to customers in Japan and elsewhere.

The Offshore Mahakam Block has begun to see output decline after more

than 40 years of production. In 2012, impediments at production wells led to a large drop in output, in addition to natural attrition. Thereafter, successful steps were taken to control the decline in production by advancing efforts to counter sand problems and accelerate the pace at which the Company undertakes development well drilling. Despite these endeavors, production is still expected to decrease gradually in the future. INPEX has been in discussions with Pertamina and TOTAL concerning Participation in the block after 2018.

Contract area (block)	Project status (production on the basis of all fields and average rate of FY2016)	Venture company (established)	Interest owned (*Operator)
Offshore Mahakam	In production (Crude oil: 68 Mbbl/d Natural gas: 1,362 MMcf/d LPG: 7 Mbbl/d)	INPEX CORPORATION (February 21, 1966)	INPEX 50% TOTAL* 50%
Attaka Unit			INPEX 50% Chevron* 50%



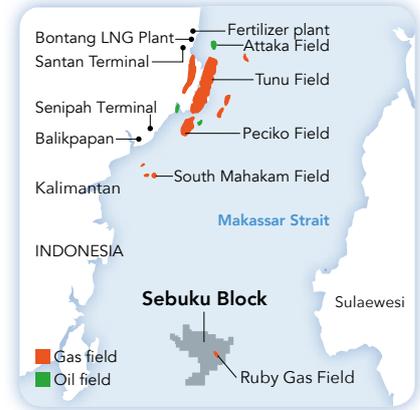
1: Booster station 2: Offshore platform during well drilling work

2 Sebuku Block Ruby Gas Field



Offshore production facility in the Ruby Gas Field

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



Contract area (block)	Project status	Venture company (established)	Interest owned (*Operator)
Sebuku	production on the basis of all fields and average rate of FY2016) In production (Natural gas: 77 MMcf/d)	INPEX South Makassar, Ltd. (May 17, 2010)	INPEX South Makassar 15% PEARL OIL (Sebuku) Ltd.* 70% TOTAL 15%

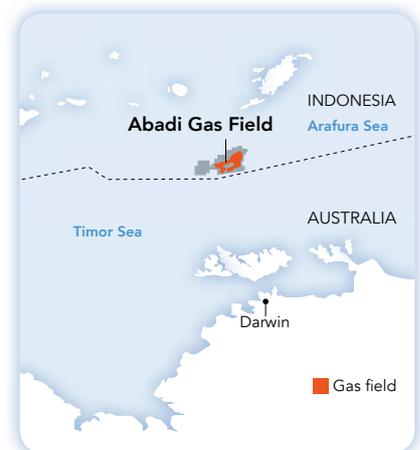
3 Abadi LNG Project

INPEX acquired a 100% interest in the Masela Block in November 1998 through an open bid conducted by the Indonesian government and subsequently went about exploratory activities as the operator, discovering the Abadi Gas Field through the first exploratory well drilled in 2000. The Company subsequently drilled two appraisal wells in 2002 and four in 2007–2008, all of which confirmed the presence of gas and condensate reservoirs.

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

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

selection studies to factor in this increased volume of reserves, INPEX decided it would be optimal to center development on a large-scale FLNG. The Company submitted a revised plan for the development based on an FLNG plant with an annual LNG processing capacity of 7.5 million tons to the Indonesian authorities in September 2015. In April 2016, however, the Company received a notification from the Indonesian authorities instructing it to re-propose a plan of development based on onshore LNG. The Company's policy of aiming for the early start-up of development and implementing the project in the most economically and technically rational way in alignment with the policies of the Indonesian government remains unchanged. In accordance with this policy, based on the constructive discussions with the Indonesian government regarding the development of the project based on an onshore LNG development scheme, INPEX has begun preparations for the commencement of Pre-FEED work.



Drillship for the Abadi LNG Project

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

4 The Ichthys LNG Project and Surrounding Blocks

Status of Development Work

Regarding the status of offshore facilities, construction work has finished on a floating central processing facility (CPF) and a floating production, storage and offloading (FPSO) facility. A naming ceremony for the facilities was held in the South Korean shipyards in February 2017, naming the CPF "Ichthys Explorer" and the FPSO "Ichthys Venturer." At the end of April 2017, the CPF sailed away from the South Korean shipyard following the completion of commissioning and preparation work, arrived at the Ichthys gas-condensate field at the end of May, and mooring was completed in late June. Plans call for the FPSO to set sail for the project site soon. In other offshore-related work, installation work was finished

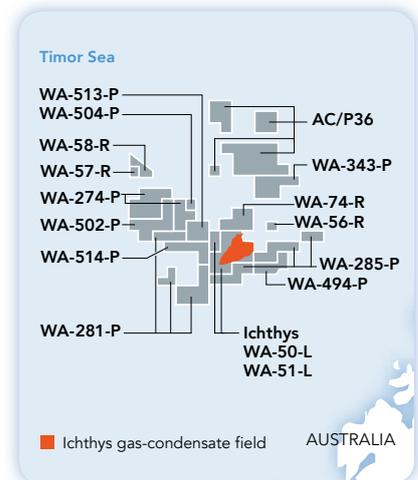
in January 2017 on almost all of the subsea infrastructure and equipment needed to produce natural gas and condensate. The drilling of production wells is ongoing. With regard to the onshore LNG plant, INPEX has basically finished construction work on the main facilities and is currently carrying out connection work for the delivered and installed modules, as well as is making steady progress with commissioning. Looking ahead at the production schedule, installation and commissioning work will be undertaken and production from the wellhead will commence. Thereafter, the Ichthys LNG Project will, during the current fiscal year (ending March 31, 2018), begin production of condensate, liquefied natural gas (LNG) and liquefied

petroleum gas (LPG) in sequence and then ship these products.

Surrounding Exploration Blocks

INPEX holds 14 exploration blocks in the vicinity of the Ichthys gas-condensate field and is currently engaging in exploration activities. Of this total, exploration work has led to the discovery of gas at eight blocks (WA-56-R, WA-57-R, WA-58-R, WA-74-R, WA-281-P, WA-274-P, WA-513-P, and WA-514-P). Evaluation work is now being performed on these discoveries. In the event that substantial amounts of crude oil and natural gas are confirmed as a result of this exploration and evaluation activity, synergies and other effects with the Ichthys LNG Project are expected to further expand business.

Contract area (block)	Project status	Venture company (established)	Interest owned (*Operator)
WA-50-L WA-51-L	Under development	INPEX Ichthys Pty. Ltd. (April 5, 2011)	INPEX Ichthys Pty* 62.245% TOTAL 30.000% CPC 2.625% Tokyo Gas 1.575% Osaka Gas 1.200% Kansai Electric Power 1.200% JERA 0.735% Toho Gas 0.420%
WA-285-P WA-343-P			Under exploration
WA-56-R	Under exploration (Oil gas reservoirs confirmed)	INPEX Browse E&P Pty. Ltd. (October 21, 2013)	INPEX Browse E&P Pty* 60% TOTAL 40%
AC/P36 WA-494-P	Under exploration		INPEX Browse E&P Pty* 50% Murphy 50%
WA-274-P			INPEX Browse E&P Pty* 100%
WA-58-R WA-74-R	Under exploration (Oil gas reservoirs confirmed)		INPEX Browse E&P Pty 20% Santos* 30% Chevron 50%
WA-281-P			INPEX Browse E&P Pty 20.0000% Santos* 47.8306% Chevron 24.8300% Beach 7.3394%
WA-57-R			INPEX Browse E&P Pty 20% Santos* 30% Chevron 50%
WA-502-P WA-504-P	Under exploration		INPEX Browse E&P Pty 40% Santos* 60%
WA-513-P			INPEX Browse E&P Pty 40% Santos* 60%
WA-514-P	Under exploration (Oil gas reservoirs confirmed)		INPEX Browse E&P Pty 40% Santos* 60%



Naming ceremony of FPSO Ichthys Venturer



CPF Ichthys Explorer after arriving at Ichthys gas-condensate field

5 Prelude FLNG Project (WA-44-L)

In June 2012, we acquired from Shell a 17.5% interest in the Prelude FLNG Project, which is located in WA-44-L, approximately 475 km north-northeast of Broome, off the coast of Western Australia. A production, liquefaction and shipment project using FLNG, the

Prelude FLNG Project consists of the Prelude and Concerto gas fields and will approximately produce 3.6 million tons per year of LNG, 400 thousand tons per year of LPG at peak and approximately 36 thousand barrels per day of condensate at peak.

Shell (the operator) made the FID on the Prelude FLNG Project in May 2011. Development of the Prelude FLNG Project is currently under way. The Project is expected to begin contributing to the company's financial performance, including its cash flow, in 2018.



The Prelude FLNG sail away

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

6 Tangguh LNG Project (Berau Block)

MI Berau B.V., jointly established by INPEX and Mitsubishi Corporation, acquired an interest in the Berau Block in October 2001. In October 2007, MI Berau Japan Ltd., a joint venture with Mitsubishi Corporation, acquired a stake in KG Berau Petroleum Ltd., effectively increasing the Company's interest to around 7.79% in the Tangguh

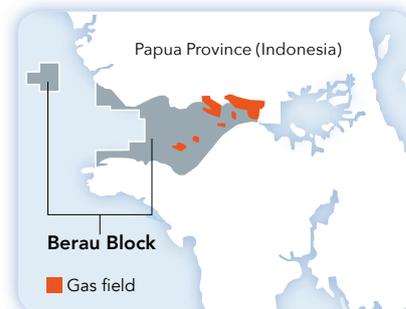
LNG Project.

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

The FID for expanding the Tangguh LNG Project was announced in July 2016. The Tangguh Expansion Project will add a third LNG process train with 3.8 million tons per annum (mtpa) of production capacity to the existing two trains with 7.6 mtpa of production capacity. Plans call for production to commence in 2020.



Shipping facility



Contract area (block)	Project status (production on the basis of all fields and average rate of FY2016)	Venture company (established)	Interest owned (*Operator)
Berau	In production (Crude oil: 6 Mbbl/d Natural gas: 1,023 MMcf/d)	MI Berau B.V. (August 14, 2001)	MI Berau 22.856% BP* 48.000% Nippon Oil Exploration (Berau) 17.144% KG Berau 12.000%
Tangguh Unit			MI Berau 16.30% *BP 40.22% CNOOC 13.90% Nippon Oil Exploration (Berau) 12.23% KG Berau 8.56% LNG Japan 7.35% KG Wiriagar 1.44%

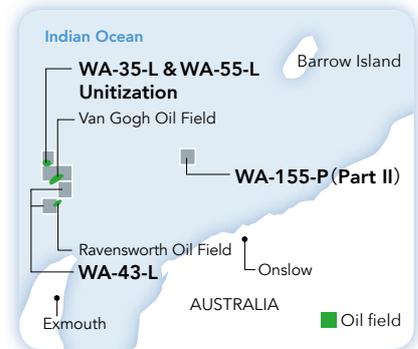
7 Van Gogh Oil Field, Ravensworth Oil Field and Others



Van Gogh FPSO vessel

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

Contract area (block)	Project status (production on the basis of all fields and average rate of FY2016)	Venture company (established)	Interest owned (*Operator)
WA-35-L (Van Gogh Oil Field)	In production (Crude oil: 10 Mbbl/d)	INPEX Alpha, Ltd. (February 17, 1989)	INPEX Alpha 47.499% Quadrant* 52.501%
WA-35-L & WA-55-L Unitization area			INPEX Alpha 47.499% Quadrant* 52.501%
WA-43-L (Ravensworth Oil Field)	In production (Crude oil: 6 Mbbl/d)		INPEX Alpha 28.500% BHPBP* 39.999% Quadrant 31.501%
WA-155-P (Part II)	Under exploration		INPEX Alpha 18.670% Quadrant* 40.665% OMV 27.110% JX 7.000% Tap 6.555%



8 Bayu-Undan Project (JPDA03-12)

In April 1993, INPEX acquired an interest in JPDA03-12, a contract area located in the Timor Sea JPDA, which is jointly managed by Australia and East Timor. Exploration within this contract area resulted in the discovery

of oil and gas fields. Of these, studies revealed that the Undan structure and the Bayu structure in the adjacent JPDA03-13 contract area were a single structure. The interest holders unitized both contract areas in 1999, allowing

joint development of the Bayu-Undan Gas-Condensate Field to proceed. The commercial production and shipment of condensate and LPG started in 2004 and LNG in February 2006.



Bayu-Undan offshore facility

Contract area (block)	Project status (production on the basis of all fields and average rate of FY2016)	Venture company (established)	Interest owned (*Operator)
JPDA03-12	In production (Crude oil: 20 Mbbl/d Natural gas: 561 MMcf/d LPG: 13 Mbbl/d)	INPEX Sahul, Ltd. (March 30, 1993)	INPEX Sahul 19.2458049% ConocoPhillips* 61.3114766% Santos 19.4427185%
Bayu-Undan Unit			INPEX Sahul 11.378120% ConocoPhillips* 56.943372% Eni 10.985973% Santos 11.494535% Tokyo Timor Sea Resources (JERA/Tokyo Gas) 9.198000%

Eurasia

In the Eurasia region, INPEX has large-scale crude oil projects in Azerbaijan (ACG) and Kazakhstan (Kashagan). Having acquired exploration projects in the Far East region of Russia, the Company has partially transitioned to the development and production stages.

-  In production
-  Under exploration
-  Other project



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

In September 1998, INPEX acquired an interest in the Offshore North Caspian Sea Contract Area in Kazakhstan's territorial waters. The Offshore North Caspian Sea Contract Area consists of two blocks: the East Block is about 4,300 km² and the West Block is about 1,275 km² in area (for a total of about 5,575 km²). The Kashagan Oil Field, which is in the East Block, is located in the Caspian Sea at depths of 3-5 m and is approximately 75 km southeast of Atyrau, Kazakhstan.

Since the first exploratory well was drilled in September 1999, the Kashagan Oil Field was confirmed in 2000 and commercial discoveries were announced in 2002. After development work, the Kashagan Oil Field began

producing crude oil in September 2013. Production was temporarily halted due to a pipeline gas leak, but production resumed shortly thereafter. Shipments of crude oil commenced in October 2016. Besides the Kashagan field, the presence of hydrocarbon reserves

was also confirmed in the surrounding Kalamkas, Aktote and Kairan structures. Appraisal of these three structures is continuing in parallel with the development of the main Kashagan field with a view to expanding the total production of the contract area.



Offshore facility

Contract area (block)	Project status (production on the basis of all fields and average rate of FY2016)	Venture company (established)	Interest owned
Offshore North Caspian Sea	In production (Crude oil: 55 Mbbl/d Natural gas: 96 MMcf/d)	INPEX North Caspian Sea, Ltd. (August 6, 1998)	INPEX North Caspian Sea 7.56% Eni 16.81% ExxonMobil 16.81% KMG 16.87% Shell 16.81% TOTAL 16.81% CNPC 8.33%

2 ACG Oil Fields



Offshore production facilities

INPEX acquired an interest in the Azeri-Chirag-Gunashli (ACG) Oil Fields in a region of the south Caspian Sea in Azerbaijan in April 2003. At the ACG

Oil Fields, oil is being produced at the Chirag, the Central Azeri, the West Azeri, the East Azeri, the Deepwater Gunashli and the West Chirag.

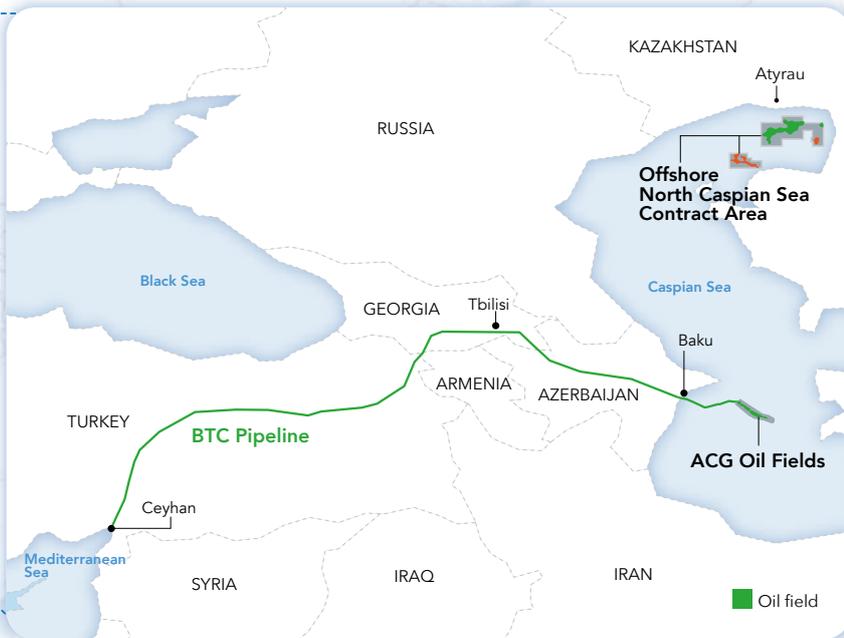
Contract area (block)	Project status (production on the basis of all fields and average rate of FY2016)	Venture company (established)	Interest owned (*Operator)
ACG	In production (Crude oil: 609 Mbbl/d)	INPEX Southwest Caspian Sea, Ltd. (January 29, 1999)	INPEX Southwest Caspian Sea 10.96% BP* 35.78% Chevron 11.27% SOCAR 11.65% Statoil 8.56% ExxonMobil 8.00% TPAO 6.75% Itochu 4.30% ONGC 2.72%

Zapadno-Yaraktinsky Block
Bolshetirsky Block

Sea of Okhotsk

Sakhalin I Project

RUSSIA



3 BTC Pipeline Project

The 1,770-km BTC pipeline stretches from Baku in Azerbaijan on the coast of the Caspian Sea to Ceyhan in Turkey. Full-scale operation commenced in

June 2006. Total transportation capacity stands at 1.2 million barrels per day, mainly for crude oil produced in the ACG Oil Fields in Azerbaijan.

Contract area (block)	Venture company (established)	Interest owned (*Operator)
BTC Pipeline	INPEX BTC Pipeline, Ltd. (October 16, 2002)	INPEX BTC Pipeline 2.50% BP* 30.10% Azerbaijan (BTC) Limited 25.00% Chevron 8.90% Statoil 8.71% TPAO 6.53% Eni 5.00% TOTAL 5.00% Itochu 3.40% CIECO 2.50% ONGC 2.36%



Shipping terminal

Middle East & Africa

In the Middle East, the ADMA Block offshore Abu Dhabi in the United Arab Emirates and the onshore ADCO Block, in which INPEX acquired a participating interest from April 2015, are contributing substantially to the Company's oil production capacity. In Africa, oil production is ongoing at various locations including the Offshore Angola Block 14.



1 ADMA Block

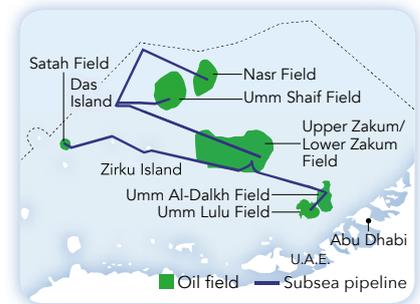


Zirku Island

In May 2004, INPEX made Japan Oil Development Co., Ltd. (JODCO), a wholly owned subsidiary by acquiring all of the JODCO shares held by Japan National Oil Corporation (at that time) through a share exchange. JODCO owns an interest in the ADMA Block located offshore Abu Dhabi in the United Arab Emirates. Oil production currently spans seven fields in the block.

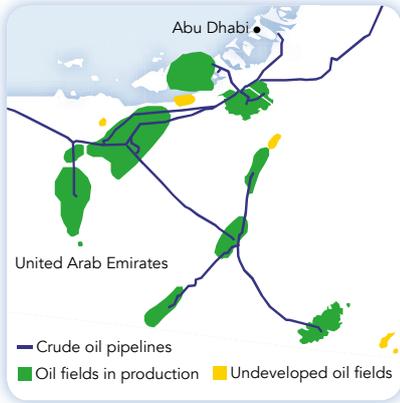
In addition, a number of development projects are under way to maintain and expand oil output, such as redevelopment of the Upper Zakum Oil Field involving the use of

artificial islands, as well as Phase 2 development and other work, with the aim of engaging in overall production at the Umm Lulu and Nasr oil fields.



Contract area (block)	Project status	Venture company (established)	Interest owned
Umm Shaif Field, Lower Zakum Field, Umm Lulu Field, Nasr Field	In production	Japan Oil Development Co., Ltd. (JODCO) (February 22, 1973)	JODCO 12.00% ADNOC 60.00% BP 14.67% TOTAL 13.33%
Upper Zakum Field			JODCO 12.00% ADNOC 60.00% ExxonMobil 28.00%
Umm Al-Dalkh Field			JODCO 12.00% ADNOC 88.00%
Satah Field			JODCO 40.00% ADNOC 60.00%

2 ADCO Onshore Concession



Through its wholly owned subsidiary, Japan Oil Development Co., Ltd. (JODCO), INPEX acquired a 5% interest in the ADCO Onshore Concession in Abu Dhabi in April 2015 following its participation bid. The Company also concluded a 40-year agreement with the Supreme Petroleum Council of the Emirate of Abu Dhabi and Abu Dhabi National Oil Company (ADNOC)

that came into effect on January 1, 2015. The concession is one of the world's largest deposits of oil and is made up of 15 principal onshore oil fields in Abu Dhabi of which 11 are currently in production and four remain undeveloped. Steps are being taken to pursue development work with the aim of increasing oil production capacity to 1.8 million barrels per day.

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



Concession agreement signing ceremony held in April 2015



Onshore pipeline

3 Angola Block 14



Production facility

Participating through a joint venture company with TOTAL S.A., INPEX acquired a 9.99% indirect interest in the oil-producing Angola Block 14 in February 2013. Located approximately 100 km offshore from Cabinda, Angola, Block 14 includes discovered and undeveloped fields. Crude oil is currently being produced from four development areas, and steps are being taken to pursue exploration potential within the block.



Contract area (block)	Project status (production on the basis of all fields and average rate of FY2016)	Venture company (established)	Interest owned (*Operator)
Offshore Angola Block 14	In production (Crude oil: 104 Mbbl/d)	Angola Block 14 B.V. (April 19, 2012)	Angola Block 14 B.V. 20.00% (including 9.99% of INPEX's interest) Chevron* 31.00% Sonangol 20.00% Eni 20.00% Galp 9.00%

Americas

In Canada, INPEX participates in shale gas projects and others. The Company is also engaged in projects including a major deepwater exploration project in the U.S. Gulf of Mexico (Lucius) and offshore oil projects in Brazil.



1 Shale Gas Project in Canada

In August 2012, INPEX acquired a 40% interest in the shale gas projects in the Horn River, Cordova and Liard basins in British Columbia, Canada, from Nexen Inc.

Some production is under way, and INPEX is examining whether to perform more development work and implement studies to consider commercialization to export shale gas as LNG from the Canadian west coast.



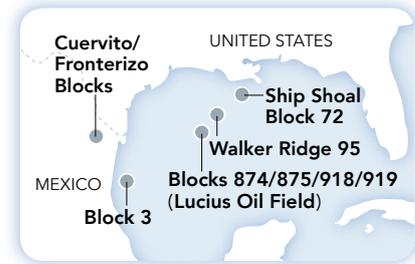
Contract area (block)	Project status	Venture company (established)	Interest owned (*Operator)
Horn River, Cordova and Liard areas	In production (partly)	INPEX Gas British Columbia Ltd. (November 28, 2011)	INPEX Gas British Columbia 40% Nexen* 60%

2 Gulf of Mexico Projects and Others

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

In December 2016, INPEX, Chevron

Energía de México, S de R.L. de C.V. (Chevron) and Pemex Exploración y Producción (Pemex) made a successful joint bid for the first round of deepwater exploration of Block 3 located in the Perdido Fold Belt in the Mexican sector of the northern Gulf of Mexico. INPEX holds a 33.3333% participating interest, and is conducting exploration activities.



Contract area (block)	Project status (production on the basis of all fields and average rate of FY2016)	Venture company (established)	Interest owned (*Operator)
Blocks 874/875/918/919 (Lucius Oil Field)	In production (Crude oil: 73 Mbbl/d Natural gas: 75 MMcf/d)	Teikoku Oil (North America) Co., Ltd. (May 30, 2003)	Teikoku Oil (North America) 7.8% Anadarko* 23.8% Other 68.4%
Mexican sector of the northern Gulf of Mexico Block 3	Under exploration	INPEX E&P Mexico S.A. de C.V. (January 25, 2017)	INPEX E&P Mexico 33.3333% Chevron* 33.3334% Pemex 33.3333%

3 Brazil (Frade Project and Others)

A joint venture established by INPEX and Sojitz Corporation, Frade Japão Petróleo Limitada (FJPL) acquired an interest in the Frade Project in Brazil's offshore Northern Campos basin in July 1999. Commercial production started in June 2009. Crude oil production was temporarily suspended in March 2012 due to the presence of a small oil sheen but safely resumed at the end of April 2013.

Having also acquired a 15% inter-

est in the BM-ES-23 concession in the Espírito Santo Basin off the southeast coast of Brazil in February 2010, the Company is advancing exploration activities together with other companies, including the operator, Petrobras. The presence of quality oil and gas deposits has been confirmed at the same concession as a result of exploratory and appraisal well drilling. Evaluation work continues.



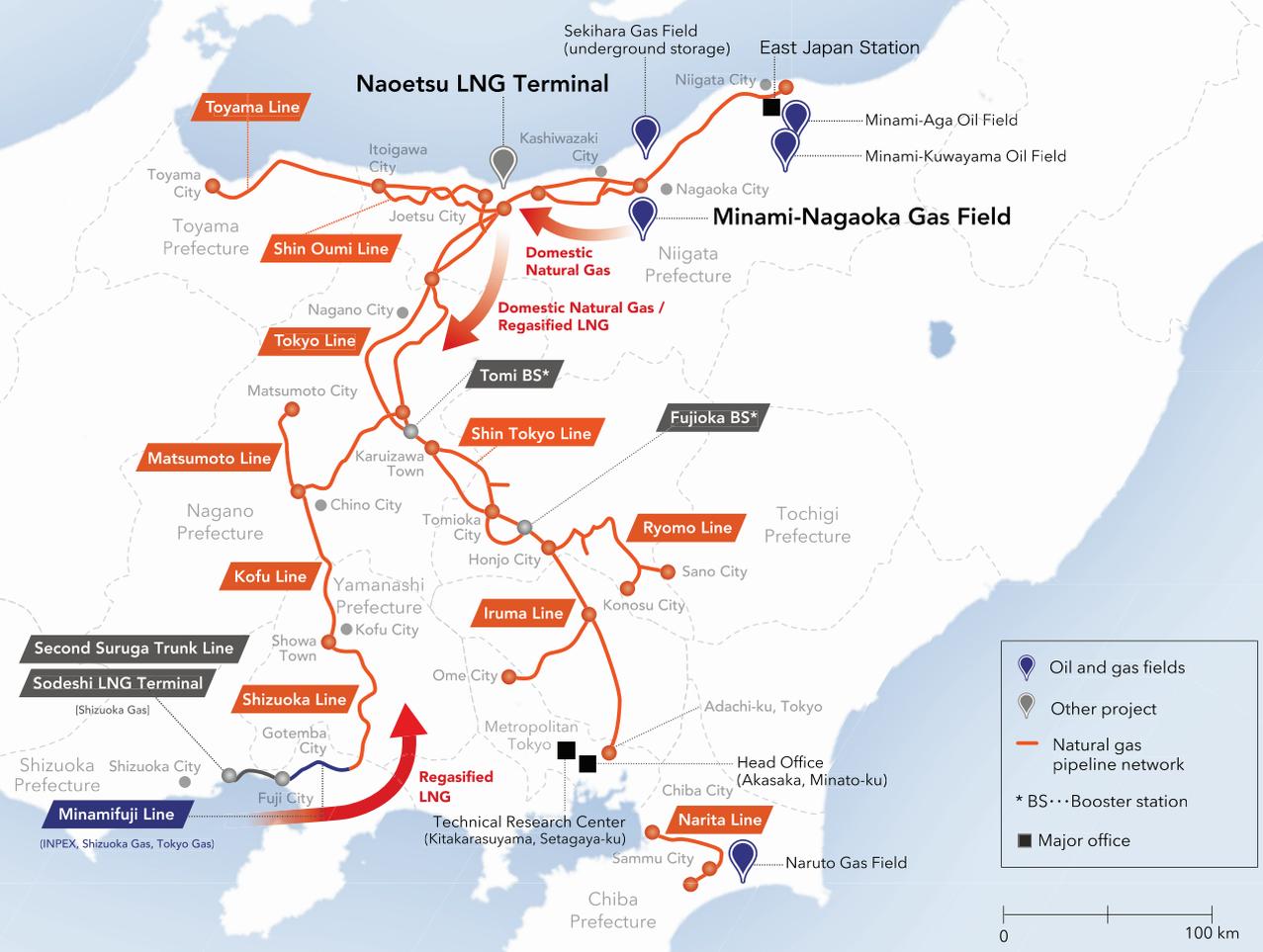
Contract area (block)	Project status (production on the basis of all fields and average rate of FY2016)	Venture company (established)	Interest owned (*Operator)
Frade Project	In production (Crude oil: 22 Mbbl/d Natural gas: 2 MMcf/d)	Frade Japão Petróleo Limitada (FJPL) (July 5, 1999)	Frade Japão Petróleo 18.2609% Chevron* 51.7391% Petrobras 30.0000%
BM-ES-23	Under exploration (Oil/gas reservoirs confirmed)	INPEX Petróleo Santos Ltda. (January 19, 2007)	INPEX Petróleo Santos 15% Petrobras* 65% PTTEP 20%

Japan

INPEX is active in the Minami-Nagaoka Gas Field in Niigata Prefecture, one of the largest of its kind in Japan, and participates in other oil and natural gas projects. In addition, the Company operates a domestic trunk pipeline network. INPEX also commenced operation the Naoetsu LNG Terminal in December 2013.

Yabase Oil Field

Akita Prefecture



Natural Gas Business in Japan

In the natural gas business in Japan, the natural gas produced from the Company-held Minami-Nagaoka Gas Field (Niigata Prefecture), as well as the LNG and other products received at the Naoetsu LNG Terminal (Niigata Prefecture), which commenced operations in December 2013, is transported through a trunk pipeline network of approximately 1,500 km stretching across the Kanto, Koshinetsu and Hokuriku regions,

and sold to customers including city gas companies and large-scale plants along the aforementioned network.

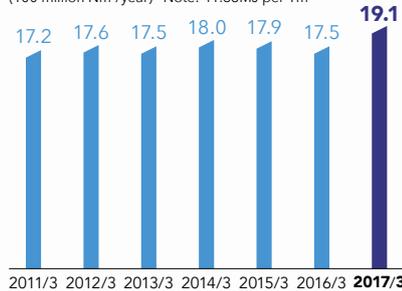
INPEX has experienced steady growth in sales of natural gas volume due to efforts to expand its supply infrastructure, as well as the highly environmentally friendly attributes of natural gas. Natural gas is expected to be used for a wide variety of applications, not only as a fuel for thermal energy

but also as a fuel for onsite power generation and co-generation, as well as a fuel for natural gas electric power plants and a raw material for chemical products. INPEX is targeting annual sales of 2.5 billion m³ by the early 2020s and as much as 3.0 billion m³ over the long term. In October 2016, the Company marked the full-scale opening of the Toyama Line, a natural gas trunk pipeline stretching from Itoigawa City,

Niigata Prefecture, to Toyama City, Toyama Prefecture, that had been under construction since 2012.

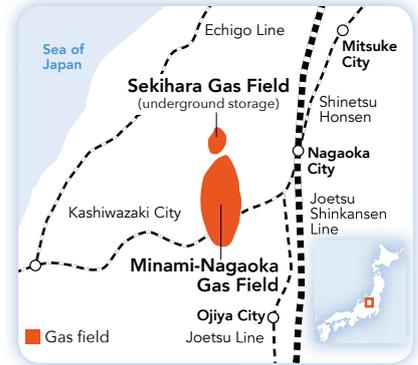
Alongside the full deregulation of the electric power market since April 2016, INPEX has responded to growing demand from gas-fired electric power plants and is engaged in the electric power wholesale business with partner Chubu Electric Power Co., Inc., for the supply of electric power to city gas

Natural Gas Sales Volume in Japan
(100 million Nm³/year) Note: 41.86MJ per 1m³



companies. Moreover, in light of the full deregulation of the gas retail market from April 2017, INPEX undertook a reorganization of relevant areas with the objective of enhancing marketing capabilities and advancing business strategies suited for the entire domestic gas business, in order to precisely address changes in the business environment, including changes in the competitive landscape in the domestic gas market, as well as the creation and strengthening of demand as companies shift to natural gas in the Company's gas wholesale service areas.

At the Naruto Gas Field in Chiba Prefecture, natural gas is being produced from water-soluble gas fields. In addition, after extracting the natural gas from underground water (brine water), the brine water is used to produce iodine, which is exported to Europe, the United States and elsewhere.



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

Renewable Energy and Other Initiatives

Power Generation Business in Japan

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

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

Geothermal Development

Geothermal power is the generation of electricity with turbines powered by steam produced from the thermal

energy of magma underground.

With a view toward geothermal power generation, INPEX and Idemitsu Kosan Co., Ltd., have jointly conducted geothermal surveys in the Amemasudake region of Hokkaido Prefecture and the Oyasu region of Akita Prefecture since 2011. Joined by Mitsui Oil Exploration Co., Ltd., in 2012, the companies undertook geothermal resource surveys by drilling a total of five survey wells in the Amemasudake region and six more survey wells in the Oyasu region from 2013 to 2016.

In fiscal 2017, we plan to continue conducting geothermal resource surveys by drilling at one of the Amemasudake survey wells and at one of the Oyasu wells.

Also a member of the geothermal resource survey group in Fukushima Prefecture, INPEX has been conducting land surveys in areas surrounding Mt. Bandaisan since September 2013. Having conducted geophysical surveys from 2014 to 2015, two survey wells were drilled in the Bandai region in 2016. We plan to continue evaluation work based on the results of the drillings.

Moreover, INPEX took steps to participate in the Sarulla Geothermal Independent Power Producer (IPP) Project in Indonesia from June 2015. The project involves constructing a world-class geothermal power plant in the Sarulla Geothermal Field located in the island province of North Sumatra, and plans call for providing generated power to Indonesia's government-owned electricity company over a period of 30 years. Construction of the power generation plant began in 2014. In March 2017, commercial operations were launched with 110 MW of electricity being generated by the first unit. We are proceeding with construction and other work on the plant's second and third units with the aim of commencing commercial operations in sequence, and expect the amount of power generated to be increased to 330 MW in stages.



Sarulla Geothermal IPP Project

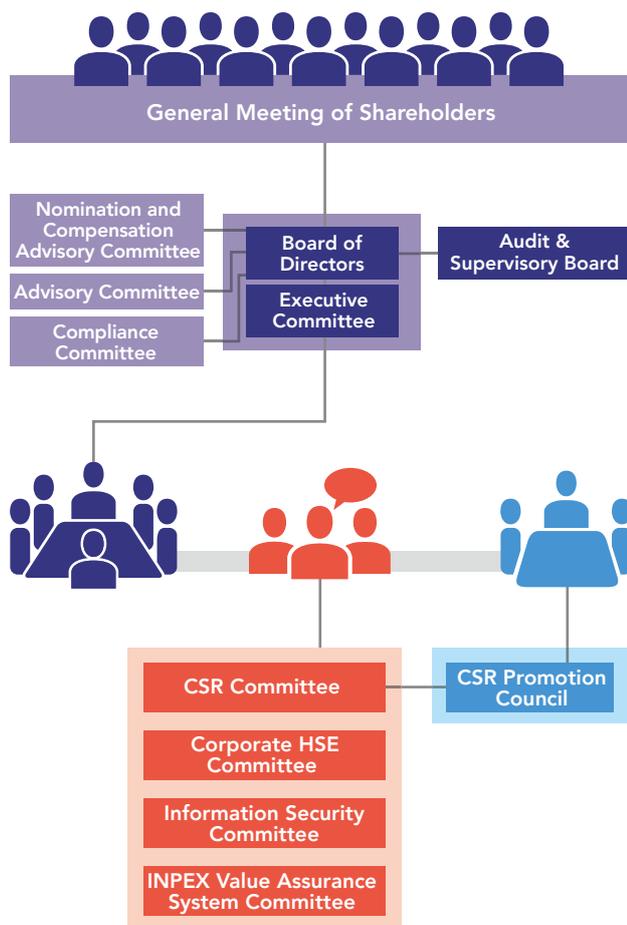
Sustainability

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

1 CSR Promotion System

INPEX has clearly expressed the CSR stance of executive management and established the CSR Committee, chaired by the President & CEO, to promote company-wide and systematic CSR activities. The CSR Committee members include the Representative Director & Chairman, the head of the General Administration Division and the head of the Corporate Strategy & Planning Division (vice chair). The chairs of the Compliance Committee and the Corporate HSE Committee attend CSR Committee meetings to facilitate collaboration with their respective committees.

CSR Promotion System



2 Relationships with Major Stakeholders

The INPEX Group seeks to maintain continuous dialogue with a wide range of stakeholders in the Group's businesses to achieve sustained growth and enhancement of corporate value while fulfilling its social responsibility of providing a stable and efficient supply of energy.



- 1 Project Partners**
We aim to build a sustainable society together with project partners through fair and impartial project operation with a focus on compliance.
- 2 Contractors**
We engage in day-to-day regular communication with contractors to carry out construction and operation with maximum consideration for safety and the environment.
- 3 Customers**
We contribute to the growth and development of our customers by providing a stable and efficient energy supply and delivering safety, peace of mind and efficiency.
- 4 Shareholders and Investors**
We strive for highly transparent information disclosure and aim to increase corporate value by meeting the expectations of shareholders and investors.
- 5 Local Communities**
We seek to coexist with local communities as a good corporate citizen through respectful dialogues.
- 6 NGOs**
We strive to build a network of NGOs in wide-ranging fields including environment, human rights, and social contribution and seek to create partnerships to solve environmental and social problems.
- 7 Employees**
We provide opportunities for employees to grow into professionals who can thrive in an international business environment through wide-ranging work experience and interaction with people from diverse backgrounds in a global corporation.
- 8 Oil- and Gas-Producing Countries**
We develop long-term relationships based on mutual trust with oil- and gas-producing countries and contribute to mutual development by serving as a bridge between the producing countries and other countries, including Japan.

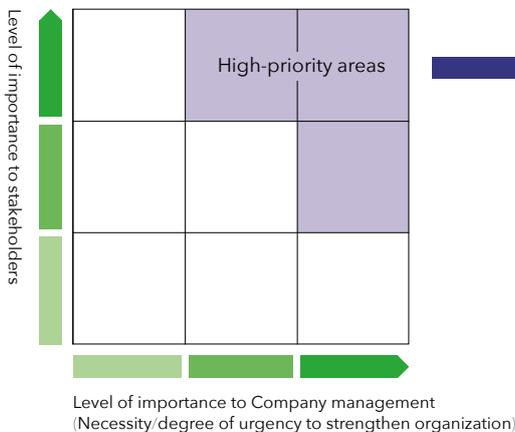
3 Material CSR Issues Addressed by the Company

As a global energy company that aims to constantly expand its upstream operations, in April 2012 the Company identified the Material CSR Issues that it would tackle as important issues on a priority basis in a bid to gain the trust of all stakeholders. In May 2015, we reviewed the overall initiatives conducted over the three-year period for each of the five Material CSR Issues identified three years earlier. At the same time, we reexamined the Material CSR Issues in light of such factors as events that affect our business activities accompanying progress in our main projects and changes in the concerns of shareholders. We then reidentified our Material CSR Issues and added "Governance" as a sixth area of concern.

In addition, actions that we should prioritize for each theme are defined as "important issues" and are incorporated into our PDCA cycle so that improvements are made on an ongoing basis. Incorporating the perspectives from the Sustainable Development Goals (SDGs)* into the existing issues, in fiscal 2017 we implemented the four steps on the right and conducted a review of the important issues.

*The 17 goals set as action plans for people, the Earth and prosperity at the United Nations Sustainable Development Summit in September 2015.

Process for Setting Out Important Issues



INPEX Important Issues

- Development and production of oil/natural gas
- Building of governance framework
- Building of risk management system
- Respect for human rights
- Observance of laws and regulations as well as compliance with anti-bribery/corruption (ABC) measures
- Implementation of social/environmental impact assessments in procurement
- Prevention of major disasters
- Ensuring occupational health and safety
- Conservation of biodiversity and efficient use of water resources
- Impact assessments on local communities/indigenous people, implementation of measures to mitigate any impact
- Contribution to local economy
- Promotion of renewable energy business
- Promotion of environment-friendly natural gas development
- Response to climate change issues
- Human resource development and fair appraisals
- Promotion of diversity

In this section of Annual Report 2017, we outline the progress made in the fiscal year ended March 2017 and the plans for the fiscal year ending March 2018 for each of the important issues in the Material CSR Issues. For more specific efforts of each theme, please see Sustainability Report 2017.

Sustainability Report 2017

INPEX publishes its Sustainability Report annually to keep its stakeholders informed of its CSR initiatives and activities. To help our stakeholders efficiently and effectively understand the value that our Company creates, we have strategically compartmentalized the reporting media and prepared the Sustainability Report 2017 in printed booklet, PDF and online formats on the basis of the Material CSR Issues.

Readers can access and order each of these reports via the Company's CSR Web site.

▶ www.inpex.co.jp/english/csr/



Material CSR Issue Results and Goals

Material CSR Issue

Related Sustainability Development Goals (SDGs)

Important Issues

Governance



Management Advisory Committee



- Build up a governance framework
- Build up a risk management system

Compliance



General view of training session



- Respect human rights
- Observe laws and regulations as well as comply with anti-bribery/corruption (ABC) measures
- Implement social/environmental impact assessments in procurement

HSE



2016 HSE CEO Forum attendees



- Prevent major disasters
- Ensure occupational health and safety
- Conserve biodiversity and efficiently use water resources

Local Communities



Students selected as scholarship students under the Larrakia scholarship system by the Ichthys LNG project



- Conduct impact assessments on local communities/indigenous people, implement measures to mitigate any impact
- Contribute to local economy

Addressing Climate Change



First unit of the Sarrula Geothermal IPP Project



- Promote renewable energy businesses
- Promote environment-friendly natural gas development
- Respond to climate change issues

Employees



Recruitment/training team



- Develop human resources and ensure fair appraisals
- Promote diversity

*1 Business Continuity Plan : For important business not to be brought to a halt even in the event of a disaster, a plan to select business tasks to be continued and preparations for a system to enable business continuity.

*2 Business Continuity Management : Management activities from normal times to implement education/training and conduct ongoing improvements to decide, maintain/update BCP and ingrain initiatives

Fiscal 2016 Results

- Evaluated effectiveness of Board meetings as a whole and disclosed summary of evaluation results, clarification of items to be improved on a priority basis and responses to them
- Established the Nomination /Remuneration Advisory Committee
- Reviewed HQ BCP*1 for earthquakes and provided relevant education and training
- Strengthened efforts toward more advanced human rights management, including UK Modern Slavery Act 2015 statement disclosure
- Implemented ABC-related risk assessment at two overseas offices
- Revised ABC Guidelines, created and commenced operation of their procedures
- Promoted global compliance activities through collaboration with Jakarta office and department in charge of compliance at Perth office
- Participated in the United Nations Global Compact network of Japan's Supply Chain Working Group, contributed to creation of cross-industry supplier self-evaluation questionnaire
- Implemented risk assessments covering major service/construction contractor candidates in Japan (eight ABC-related risk reviews; 30 HSE evaluations)
- Implemented risk assessments covering major service construction contractor candidates in Australia and Indonesia (ABC-related risk assessments, HSE evaluations)
- Revised environmental safety policy and HSE management system regulations
- As planned, conducted corporate HSE audits and reviews and undertook management HSE site visits
- Reported HSE risk management information to management meetings, continued to create safety cases
- Performed Level 3 emergency response training exercises as planned a total of four times
- Implemented HSE technical support in Japan and overseas and shared HSE lessons learned from construction work in various places at HSE forums
- Maintained a lost-time injury frequency (LTIF)*3 of 0.11, and a total recordable injury rate (TRIR)*4 of 0.97
- Established the Environmental Management Working Group

- Japan**
- Provided information on the operational status and safety initiatives at Naoetsu LNG Base through local briefings and newsletters
- Australia**
- Engaged in dialogue with more than 230 stakeholders
 - Held meetings on six occasions with the INPEX Larrakia Advisory Committee
- Global**
- INPEX Group social investment planned expenditures: ¥1.34 billion
- Australia**
- Implemented 39 regional support programs
- Ichthys LNG Project*5**
- More than 8,700 Northern Territory local residents engaged in construction work
 - Placed contract orders with more than 1,100 Northern Territory-based local companies
 - Contributed more than A\$1.7 billion to the Australian domestic economy
 - Engaged more than 1,200 indigenous people in construction work
 - Placed contract orders worth more than A\$1.5 billion with 61 indigenous companies

- Maintained stable operation of solar power plant
- Started commercial operations of first unit at Sarulla geothermal power generation project, Indonesia
- Conducted drilling surveys at Amemasudake area of Hokkaido Prefecture and Oyasu in Akita Prefecture as well as in the area around Mt. Bandaisan in Fukushima Prefecture; performed fumarolic testing at two wells in Amemasudake area
- Promoted R&D of artificial photosynthetic process, etc.
- Expanded pipeline network to total length of approximately 1,500 km by starting service of Toyama Line
- Started supply of natural gas along Toyama Line (Nihonkaigas Co., Ltd., Nissan Chemical Industries, Ltd.'s Toyama Plant, and Asahi Soft Drinks Co., Ltd.'s Hokuriku Plant)
- Revised position paper regarding climate change issues
- Held GHG management workshop
- Continued measures to instill INPEX Values (conducted internal questionnaire survey regarding INPEX Values, in-house sharing of practical cases of value: Case study collection/Intranet release of handbook)

- Carried feature articles on the advancement of women in internal newsletters
- Actively employed females, foreign nationals, and persons with disabilities
- Installed barrier-free consultation points of contact

Fiscal 2017 Goals

- Continue to evaluate and improve effectiveness of Board meetings as a whole (establishment of a PDCA cycle)
- Promote smooth operation of the Nomination /Remuneration Advisory Committee
- Promote, educate and train HQ BCM*2 for earthquakes
- Strengthen efforts toward more advanced human rights management including putting in place a human rights policy
- Implement human rights training (target participation rate: 90%)
- Continue to implement ABC-related risk assessments at overseas offices
- Vigorously promote awareness toward and an understanding of ABC regulations and strengthen operation (implement training and other measures)
- Upgrade and expand global compliance systems
- Continue to participate in the United Nations Global Compact network of Japan's Supply Chain Working Group
- Implement cross-industry supplier self-evaluation questionnaires to domestic major suppliers/contractors
- Continue risk assessments covering major suppliers/contractors
- Improve HSE management systems
- Implement education and training for all employees
- Improve HSE assurance/governance levels
- Strengthen HSE risk management processes
- Implement more practical levels of emergency response training
- Promote HSE technical support and strengthen onsite HSE management capabilities
- Maintain incident reduction targets: LTIF 0.12; TRIR 0.81 or less
- Collect environmental risk information
- Strengthen environmental management
- Maintain good dialogue through ongoing interaction with stakeholders, including briefings for local communities and publishing of newsletters
- Reduce the impact on the local community in the transition from the construction of the Ichthys LNG Project to the operations phase, maintain good relations with stakeholders
- INPEX Group social investment planned expenditures: ¥1.64 billion
- Maintain the number of indigenous employees at 1% of directly hired employees
- Decide on/execute long-term local contribution strategy for operations phase of project
- Set targets for direct hiring of indigenous people in operations phase of project
- Set targets for subcontractor's direct hiring of indigenous people in operations phase of project
- Execute and review strategies relating to procurement from indigenous companies (to end of 2018)
- Ensure stable operation of solar power plant
- Start commercial operations of second and third units at Sarulla geothermal power generation project, Indonesia
- Promote Geothermal Power Generation Business in Japan
- Promote all types of R&D for new energy/renewable energy
- While expanding volume, continue supplies of natural gas through safe operation of domestic gas fields, Naoetsu LNG terminal, approximately 1,500 km pipeline network, expansion of supply volume
- Promote natural gas use proposal activities
- Introduce, administration and management of internal carbon prices
- Examine scenarios toward low-carbon society
- Hold workshops to promote climate change countermeasures
- Continue holding global HR meetings
- Continue measures to instill INPEX Values (publish additional practical INPEX Values case studies)
- Promote general employer action plan based on Act of Promotion of Women's Participation and Advancement in the Workplace
- Continue to promote diversity (promote hiring of females, foreign nationals, and persons with disabilities)

*3 LTIF : Frequency of fatal accidents and lost-time injuries per million working hours

*4 TRIR : Frequency of fatal accidents, lost-time injuries, lost work days, occupational accidents requiring medical procedures per million working hours

*5 Both cumulative totals from the start of the Ichthys LNG Project development in 2012 to the end of 2016

Corporate Governance (As of June 28, 2017)

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

Overview of the Corporate Governance Structure

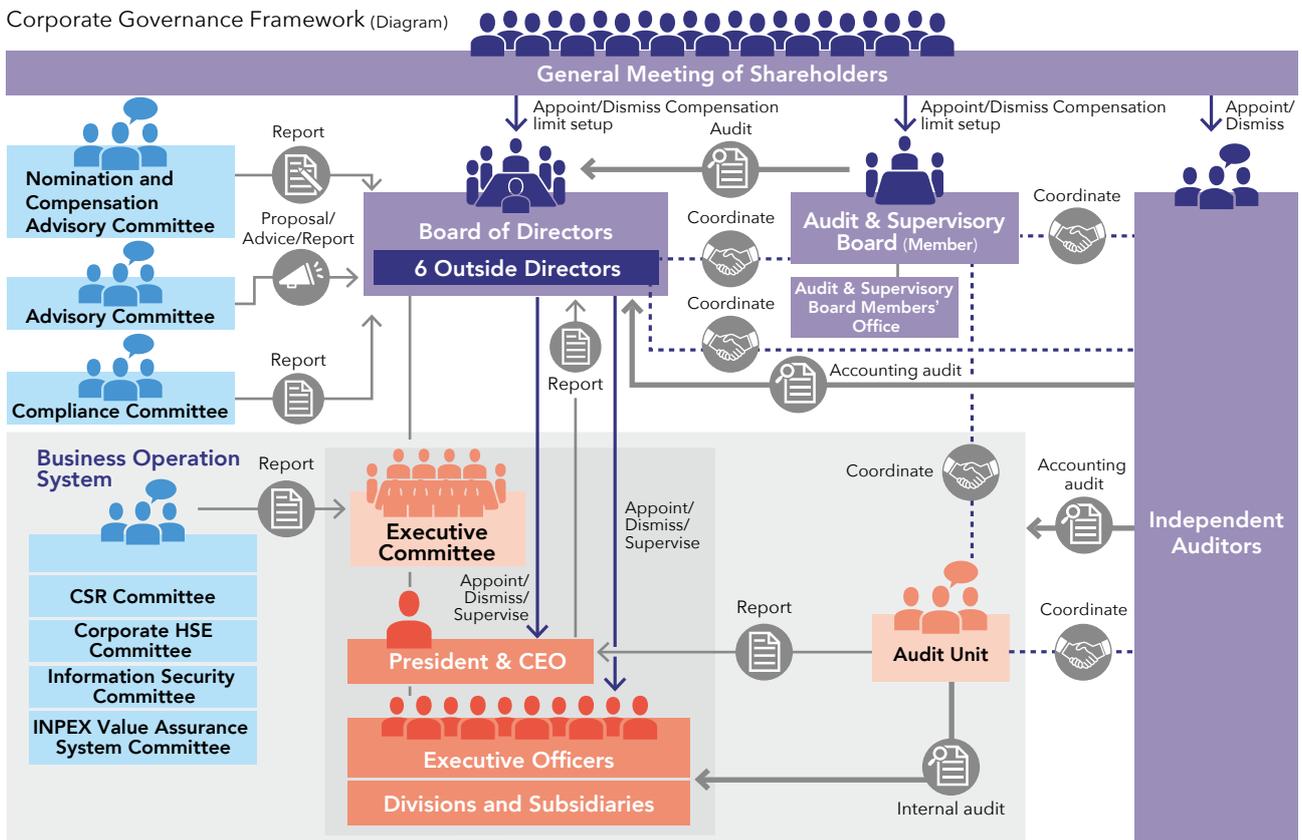
INPEX has adopted an Audit & Supervisory Board Member organizational structure, under which Audit & Supervisory Board members audit the execution of operations, which are in turn carried out by directors well versed in their field. In addition, the Company has introduced an Executive Officer System to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

In addition to enhancing the transparency of management and bolstering the ability of the Board of Directors to carry out its supervisory function, INPEX has appointed six of its 15-member Board of Directors from outside the Company. Through this initiative, steps have been taken to ensure that management issues are considered and deliberated with a greater degree of objectivity from an independent standpoint. Moreover, four of the Company's five Audit & Supervisory Board members are also appointed from external sources. In addition to putting in place an Audit & Supervisory Board, INPEX has set up the Audit & Supervisory Board Members' Office and deployed dedicated staff and is reinforcing collaboration between Audit & Supervisory Board members and the Audit Unit, as well as independent auditors.

Overview of the Corporate Governance Structure

Organizational structure	Company with Audit & Supervisory Board Members
Directors	
Number of directors as stipulated by the Articles of Incorporation.....	up to 16
Number of directors (number of outside directors).....	15 (6)
Term of office.....	1 year
Audit & Supervisory Board members	
Number of Audit & Supervisory Board members as stipulated by the Articles of Incorporation.....	up to 5
Number of Audit & Supervisory Board members (number of outside Audit & Supervisory Board members).....	5 (4)
Term of office.....	4 years
Number of independent directors and auditors..	10
	(6 outside directors, 4 outside Audit & Supervisory Board members)
Rights plan and other measures to protect against a takeover	None
Other	Issuance of a Class A Stock to the Minister of Economy, Trade and Industry

Corporate Governance Framework (Diagram)



1 Directors and the Board of Directors

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

The Company's Board of Directors comprises 15 members, six of whom are outside directors. In addition to a monthly meeting, the Board of Directors meets as necessary in order to discuss and determine matters concerning management strategy, important business execution, and also supervises the execution of duties by directors. In addition, the term of office for directors was set at one year from June 2012. This initiative helps to enhance the ability of directors to respond to changes in the Company's operating environment in a timely manner and to further clarify management responsibilities.

2 Executive Committee and Executive Officer System

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

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

3 Formulation of Corporate Governance Guidelines

The mission of the Company is to provide a stable and efficient supply of energy to our customers by exploring and developing oil and natural gas resources throughout the world. Through its business, we aim to become an integrated energy company, that contributes to the community and makes it more livable and prosperous. Based on this mission, in order to achieve sustainable growth and increase corporate value over the medium to long term, the Company fulfills its social responsibilities in cooperation with its shareholders and other stakeholders, and works to enhance its corporate governance for the purpose of conducting transparent, fair, timely and decisive decision-making.

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

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

4 Class A Stock

According to the stipulations of the Articles of Incorporation, INPEX issues a Class A Stock to the Minister of Economy, Trade and Industry. The Class A Stock does not possess voting rights at shareholders' meetings. However, it is possible for the holder of the Class A Stock to exercise veto rights for certain major corporate decisions. We think the holding of Class A Stock by

the Minister of Economy, Trade and Industry will help prevent any incidence of unusual management, allow INPEX to stably supply energy as a core company for Japan's oil & gas E&P, and ensure that the Company does not incur any negative impact from a speculative acquisition or an attempt at management control through foreign capital. On this basis, INPEX's role is assured. Furthermore, we expect positive results in terms of external negotiation and credits as a national flagship company efficiently contributing to the stable supply of energy in Japan.

▶ See pp. 82–83 for Business Risks (8. Class A Stock)

5 Director Compensation

In the business of developing oil and natural gas, a considerable amount of time is required between the launch of a business venture and any investment recovery. Accordingly, INPEX does not consider it appropriate to reflect short-term performance in directors' compensation. Compensation for directors consists of monthly compensation (basic compensation), which is paid based on the duties of each director, and a bonus based on the Company's performance. Compensation is determined by the Board of Directors. Compensation paid to Audit & Supervisory Board members consists solely of a fixed monthly compensation, which is determined through consultation between the Audit & Supervisory Board members.

The table below shows the amount of compensation paid to directors and Audit & Supervisory Board members for the year ended March 31, 2017. From the year ended March 31, 2014, the bonus component paid to outside directors and Audit & Supervisory Board members has been abolished. Outside directors and Audit & Supervisory Board members are now paid a consolidated fixed compensation amount only. This takes into account efforts to further bolster corporate governance.

Compensation Paid to Directors and Audit & Supervisory Board Members (Year ended March 31, 2017)

Director classification	Total amount of compensation paid (¥ million)	Total amount of compensation paid by type of compensation (¥ million)		Number of directors and Audit & Supervisory Board members eligible for basic compensation persons
		Basic compensation	Bonus	
Directors (excluding outside directors)	354	298	55	12
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	27	27	–	1
Outside Directors and Outside Audit & Supervisory Board members	96	96	–	11

Notes: 1. The Company does not adopt a stock option plan. 2. The Company does not maintain an accrued retirement benefits plan. 3. The bonus amount is the amount resolved at the Ordinary General Meeting of Shareholders held on June 27, 2017.

6 Accounting Audit and Auditor Compensation

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

Compensation Paid to the CPAs and Related Parties (Year ended March 31, 2017)

Name of the CPA firm	Ernst & Young ShinNihon LLC
Names of the CPAs	Kazuhiko Umemura, Toru Kimura, Takeshi Yoshida
Accounting audit members	23 CPAs and 34 others
Compensation for auditing services	¥257 million (INPEX: ¥165 million; Consolidated subsidiaries: ¥92 million)
Compensation for non-auditing services	¥15 million (INPEX: ¥4 million; Consolidated subsidiaries: ¥11 million)

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

1 Outside Directors

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

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

2 Outside Audit & Supervisory Board Members

When appointing outside Audit & Supervisory Board members, we believe that it is important to comprehensively consider factors such as independence, efficacy in the oversight function and professionalism.

Four of the five Audit & Supervisory Board members are outside Audit & Supervisory Board members who possess rich knowledge and experience in our Company's business, as well as in fields such as finance and accounting, and utilize these qualities when performing auditing activities for our Company. One of the outside Audit & Supervisory Board members also holds the position of executive officer at Japan Petroleum Exploration Co., Ltd. (JAPEX), a company that engages in the same type of business as the Company.

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

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

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

4 Audit & Supervisory Board and Audit & Supervisory Board Members

INPEX has adopted an Audit & Supervisory Board Members system. The Audit & Supervisory Board is composed of five Audit & Supervisory Board members, four of which come from outside.

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

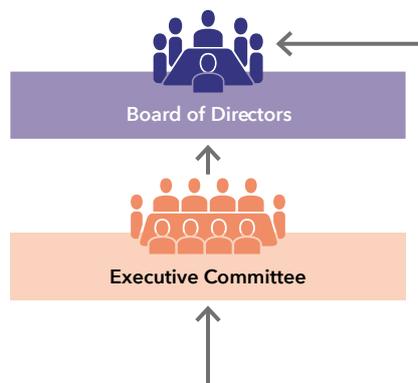
To strengthen the auditing function and ensure viable corporate governance, steps have been taken to set up the Audit & Supervisory Board Members' Office and to deploy dedicated staff. In this manner, efforts are being made to promote collaboration along the aforementioned terms between Audit & Supervisory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

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

	Name	Independent director auditors	Significant concurrently held positions	Reason for appointment	Attendance at board meetings for the year ended March 31, 2017
Outside directors	Yasuhiko Okada	✓	Senior Partner of Kitahama Partners (Tokyo Office)	Possesses extensive experience and knowledge in finance, as well as professional knowledge and experience as an attorney, in addition to management experience in financial institutions	Board of Directors meetings 17/17
	Hiroshi Sato	✓	Advisor of Japan Petroleum Exploration Co., Ltd. (JAPEX)	To utilize in our company's management his rich experience and broad knowledge in the oil and gas development industry	Board of Directors meetings 17/17
	Isao Matsushita	✓	Senior Executive Advisor of JXTG Holdings, Inc.	To utilize in our company's management his rich experience and broad knowledge as a business executive	Board of Directors meetings 11/12
	Jun Yanai	✓	Advisor of Mitsubishi Corporation	To utilize in our company's management his rich experience and broad knowledge in the resources/energy industry	Board of Directors meetings 12/12
	Norinao Iio	✓	—	To utilize in our company's management his rich experience and broad knowledge in the resources/energy industry	—
	Atsuko Nishimura	✓	—	To utilize in our company's management her extensive knowledge of international affairs created through her abundant experience as a diplomat as well as her insight into the resources and energy business	—
Outside Audit & Supervisory Board members	Hideyuki Toyama	✓	—	Possesses extensive experience and knowledge in finance, as well as professional knowledge and experience as an attorney	Board of Directors meetings 17/17 Audit & Supervisory Board meetings 17/17
	Koji Sumiya	✓	—	Possesses extensive experience and knowledge in financial matters	Board of Directors meetings 17/17 Audit & Supervisory Board meetings 17/17
	Masaru Funai	✓	—	To utilize in our company's auditing procedures his rich experience in the energy industry, as well as his knowledge in financial and accounting matters, in addition to accounting experience	Board of Directors meetings 17/17 Audit & Supervisory Board meetings 17/17
	Michiro Yamashita	✓	Managing Executive Officer in charge of Finance & Accounting Department of Japan Petroleum Exploration Co., Ltd. (JAPEX)	To utilize in our company's auditing procedures his rich experience in the oil and gas development industry, as well as his knowledge in financial and accounting matters, in addition to accounting experience	Board of Directors meetings 16/17 Audit & Supervisory Board meetings 15/17

Internal Committees

To further enhance the efficacy of the corporate governance function, INPEX has set up ① the Nomination and Compensation Advisory Committee, ② the Advisory Committee, ③ the Compliance Committee and ④ the CSR Committee. In addition, the Company maintains ⑤ the Corporate HSE Committee, ⑥ the Information Security Committee and ⑦ the INPEX Value Assurance System Committee to appropriately manage risks associated with business operations.



④ CSR Committee

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

⑤ Corporate HSE Committee

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

⑥ Information Security Committee

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

⑦ INPEX Value Assurance System Committee

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

① Nomination and Compensation Advisory Committee

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

② Advisory Committee

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

③ Compliance Committee

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

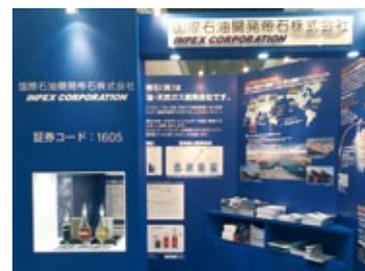
Information Disclosure and Activities for the Benefit of Shareholders and Investors

INPEX undertakes the early delivery of convocation notices for its general meeting of shareholders to ensure that shareholders have sufficient time to consider agenda items at each Ordinary General Meeting of Shareholders. The Convocation Notice for INPEX's 11th Ordinary General Meeting of Shareholders held in June 2017 was posted on the Company's Web site more than three weeks prior to the meeting on May 29, 2017. The Convocation Notice itself was dispatched on June 5, 2017. To facilitate the exercise of voting rights, INPEX implemented the exercise of voting rights via the Internet. The Company also adopted a platform for the electronic use of voting rights while posting copies of the convocation notice and other related documents, both in Japanese and English, on its Web site and Tdnet (Timely Disclosure network).

Turning to the Company's IR activities, INPEX participates in events such as IR fairs for individual investors and meetings in a variety of venues including the branch offices of securities firms. More than 10 information meetings for individual investors are generally held each year. Video archives of certain meetings are also made available on the Company's Web site. INPEX holds biannual meetings on its financial results for analysts and insti-

tutional investors. Video archives of these financial results presentations are provided on the Company's IR Web site together with a simultaneous interpretation in English. In general, INPEX undertakes overseas IR road shows covering such regions as Europe, North America and Asia. Furthermore, INPEX strives to participate in conferences attended by domestic and overseas investors while engaging in one-on-one meetings.

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



IR fair in February 2017

Directors, Audit Supervisory Board Members and Executive Officers

(As of June 28, 2017)



Toshiaki Kitamura

President & CEO

Years of service as Director: 7 years, Number of shares owned: 31,700 shares



Masaharu Sano

Director, Senior Executive Vice President

Years of service as Director: 11 years, Number of shares owned: 26,900 shares



Masahiro Murayama

Director, Senior Managing Executive Officer

Years of service as Director: 8 years, Number of shares owned: 23,200 shares



Seiya Ito

Director, Senior Managing Executive Officer

Years of service as Director: 11 years, Number of shares owned: 20,100 shares



Shunichiro Sugaya

Director, Managing Executive Officer

Years of service as Director: 8 years, Number of shares owned: 20,700 shares



Takahiko Ikeda

Director, Managing Executive Officer

Years of service as Director: 8 years, Number of shares owned: 27,000 shares



Yoshikazu Kurasawa

Director, Managing Executive Officer

Years of service as Director: 5 years, Number of shares owned: 17,400 shares



Kimihisa Kittaka

Director, Managing Executive Officer

Years of service as Director: 1 year, Number of shares owned: 6,300 shares



Nobuharu Sase

Director, Managing Executive Officer

Years of service as Director: 1 year, Number of shares owned: 23,800 shares



Yasuhiko Okada
Director (Outside)

Years of service as Director: 5 years,
Number of shares owned: - share

Hiroshi Sato
Director (Outside)

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

Isao Matsushita
Director (Outside)

Years of service as Director: 1 year,
Number of shares owned: - share

Jun Yanai
Director (Outside)

Years of service as Director: 1 year,
Number of shares owned: - share

Norinao Iio
Director (Outside)*

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

Atsuko Nishimura
Director (Outside)*

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



Kazuo Yamamoto
Audit & Supervisory
Board Member

Years of service as Audit & Supervisory
Board Member: 2 years,
Number of shares owned: 9,000 shares

Hideyuki Toyama
Audit & Supervisory
Board Member (Outside)

Years of service as Audit & Supervisory Board
Member: 2 years,
Number of shares owned: - share

Koji Sumiya
Audit & Supervisory
Board Member (Outside)

Years of service as Audit & Supervisory Board
Member: 7 years,
Number of shares owned: 7,600 shares

Masaru Funai
Audit & Supervisory
Board Member
(Outside)

Years of service as Audit & Supervisory
Board Member: 7 years,
Number of shares owned: - share

Michiro Yamashita
Audit & Supervisory
Board Member
(Outside)

Years of service as Audit & Supervisory
Board Member: 2 years,
Number of shares owned: - share

Directors and Audit & Supervisory Board Members

President & CEO	Toshiaki Kitamura	(1)
Director	Masaharu Sano	(1)
Director	Masahiro Murayama	(1)
Director	Seiya Ito	(1)
Director	Shunichiro Sugaya	(1)
Director	Takahiko Ikeda	(1)
Director	Yoshikazu Kurasawa	(1)
Director	Kimihisa Kittaka	(1)
Director	Nobuharu Sase	(1)

Director (Outside)	Yasuhiko Okada	(2) (4)
Director (Outside)	Hiroshi Sato	(2) (4)
Director (Outside)	Isao Matsushita	(2) (4)
Director (Outside)	Jun Yanai	(2) (4)
Director (Outside)	Norinao Iio*	(2) (4)
Director (Outside)	Atsuko Nishimura*	(2) (4)
Audit & Supervisory Board Member	Kazuo Yamamoto	
Audit & Supervisory Board Member (Outside)	Hideyuki Toyama	(3) (4)
Audit & Supervisory Board Member (Outside)	Koji Sumiya	(3) (4)
Audit & Supervisory Board Member (Outside)	Masaru Funai	(3) (4)
Audit & Supervisory Board Member (Outside)	Michiro Yamashita	(3) (4)

Executive Officers

President & CEO	Toshiaki Kitamura	
Senior Executive Vice President	Masaharu Sano	Senior Vice President, Chief Technical Executive, In charge of HSE and Compliance of the Company
Senior Managing Executive Officer	Masahiro Murayama	Senior Vice President, Finance & Accounting
Senior Managing Executive Officer	Seiya Ito	Senior Vice President, Ichthys Project
Managing Executive Officer	Shunichiro Sugaya	Senior Vice President, Masela Project
Managing Executive Officer	Takahiko Ikeda	Senior Vice President, Technical Headquarters
Managing Executive Officer	Yoshikazu Kurasawa	Senior Vice President, New Ventures
Managing Executive Officer	Kimihisa Kittaka	Senior Vice President, Corporate Strategy & Planning
Managing Executive Officer	Nobuharu Sase	Senior Vice President, General Administration
Managing Executive Officer	Shuhei Miyamoto	Senior Vice President, the Americas & Africa
Managing Executive Officer	Kenji Kawano	Senior Vice President, Asia & Australasia
Managing Executive Officer	Yasuhisa Kanehara	Senior Vice President, Eurasia & the Middle East
Managing Executive Officer	Hiroshi Fujii	Vice President, Eurasia & the Middle East
Managing Executive Officer	Shigeharu Yajima	Senior Vice President, Global Energy Marketing
Managing Executive Officer	Yoshinori Yamamoto	Senior Vice President, Domestic Energy Supply & Marketing
Managing Executive Officer	Kimiya Hirayama	Senior Vice President, Domestic Exploration & Production
Managing Executive Officer	Takashi Kubo	Senior Vice President, Logistics & IMT
Managing Executive Officer	Atsushi Sakamoto	Vice President, Ichthys Project Director, Onshore Project, Perth Office

Executive Officer	Noboru Himata	Vice President, Finance & Accounting General Manager, Finance Unit
Executive Officer	Hajime Kawai	Vice President, Masela Project
Executive Officer	Arihiro Kezuka	Vice President, Ichthys Project
Executive Officer	Yoshiro Ishii	Vice President, Corporate Strategy & Planning General Manager, New Business Planning Unit
Executive Officer	Toshiya Oshita	Vice President, Technical Headquarters
Executive Officer	Hideki Iwashita	Vice President, Ichthys Project Director, Commercial Coordination, Perth Office
Executive Officer	Tetsuo Yonezawa	General Manager, HSE Unit
Executive Officer	Hiroshi Nakamura	Vice President, General Administration General Manager, Human Resources Unit
Executive Officer	Tsuyoshi Watanabe	Vice President, General Administration General Manager, General Administration Unit
Executive Officer	Nobusuke Shimada	Vice President, Asia & Australasia General Manager, Exploration & Production Unit
Executive Officer	Kazuyoshi Miura	Vice President, Domestic Energy Supply & Marketing General Manager, Gas Marketing Unit

* Newly appointed Directors

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

Toshiaki Kitamura

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

Masaharu Sano

April 1974 Joined Teikoku Oil Co., Ltd.
April 2000 General Manager of Technical Planning Department of Teikoku Oil Co., Ltd.
March 2001 Senior General Manager, General Manager of New Ventures Department, International Projects Division of Teikoku Oil Co., Ltd.
March 2002 Director, General Manager of New Ventures Department, International Projects Division of Teikoku Oil Co., Ltd.
March 2005 Managing Director, President of International Projects Division / Domestic Offshore Division of Teikoku Oil Co., Ltd.
April 2006 Director, Deputy Senior General Manager of Corporate Strategy & Planning Division / Technology Division of INPEX Holdings Inc. (currently the Company)
October 2008 Director, Senior Managing Executive Officer, Senior Vice President of Americas & Africa Project Division of the Company
June 2012 Director, Senior Vice President of Technical Headquarters of the Company
June 2015 Director, Senior Executive Vice President, Senior Vice President of Technical Headquarters, in charge of HSE of the Company
June 2016 Director, Senior Executive Vice President, Senior Vice President of Technical Headquarters, in charge of HSE & Compliance of the Company
April 2017 Director, Senior Executive Vice President, Chief Technical Executive, in charge of HSE and Compliance of the Company (incumbent)

Masahiro Murayama

April 1976 Joined The Industrial Bank of Japan, Ltd. (currently Mizuho Bank, Ltd., etc.)
June 1999 General Manager of Financial Institutions Banking Division No. 2 of The Industrial Bank of Japan, Ltd.
June 2001 General Manager of Corporate Banking Department No. 2 of The Industrial Bank of Japan, Ltd.
April 2002 General Manager of Corporate Banking Division No. 9 of Head Office of Mizuho Corporate Bank, Ltd. (currently Mizuho Bank, Ltd.)
December 2002 General Manager of Syndicated Finance Structuring Division No. 1 of Mizuho Corporate Bank, Ltd.
October 2003 General Manager of Syndicated Finance Distribution Division No. 1 of Mizuho Corporate Bank, Ltd.
April 2004 Executive Officer, General Manager of Syndicated Finance Distribution Division No. 1 of Mizuho Corporate Bank, Ltd.
October 2004 Executive Officer, General Manager of Loan Trading Division of Mizuho Corporate Bank, Ltd.
April 2005 Managing Executive Officer, in charge of corporate banking of Mizuho Corporate Bank, Ltd.
April 2008 Director, Deputy President of Mizuho Securities Co., Ltd.
May 2009 Advisor to the Company
June 2009 Director, Managing Executive Officer, Senior Vice President of Finance & Accounting of the Company
June 2016 Director, Senior Managing Executive Officer, Senior Vice President of Finance & Accounting of the Company (incumbent)

Seiya Ito

April 1977 Joined Indonesia Petroleum, Ltd. (INPEX Corporation)
April 2002 General Manager of Corporate Planning & Management Department of INPEX Corporation
June 2003 Director, General Manager of Corporate Planning & Management Department of INPEX Corporation
November 2004 Director, General Manager of Corporate Planning & Management Department and Public Affairs Department of INPEX Corporation
September 2005 Director, Assistant Senior General Manager of Corporate Strategy & Administration Division, General Manager of Corporate Strategy & Planning Unit and Public Affairs Unit of INPEX Corporation
April 2006 Director, Assistant Senior General Manager of Corporate Strategy & Planning Division, General Manager of Corporate Strategy & Planning Unit and Senior Fellow of Public Affairs Unit of INPEX Holdings Inc. (currently the Company)
July 2006 Director, Deputy Senior General Manager of Oceania & America Project Division of INPEX Corporation
October 2008 Director, Managing Executive Officer, Senior Vice President of Ichthys Project of the Company
June 2016 Director, Senior Managing Executive Officer, Senior Vice President of Ichthys Project of the Company (incumbent)

Shunichiro Sugaya

April 1976 Joined Indonesia Petroleum, Ltd. (INPEX Corporation)
April 1997 General Manager of Development Department of Indonesia Petroleum, Ltd.
June 2001 Director, General Manager of Development Department of INPEX Corporation
June 2002 Director, Coordinator in charge of Development Department of INPEX Corporation
September 2005 Director, Senior General Manager of Asia Project Division, Assistant Senior General Manager of Technology and HSE Division of INPEX Corporation
June 2007 Managing Director, Senior General Manager of Asia Project Division of INPEX Corporation
October 2008 Director, Managing Executive Officer, Senior Vice President of Masela Project of the Company (incumbent)

Takahiko Ikeda

April 1978 Joined Teikoku Oil Co., Ltd.
March 2002 General Manager of Production Department, Domestic Operating Division of Teikoku Oil Co., Ltd.
March 2004 Senior General Manager of Production Department, Teikoku Oil Co., Ltd.
March 2005 Director, Domestic Operating Division of Teikoku Oil Co., Ltd.
April 2006 General Manager of Domestic Project Planning and Administration Unit, Corporate Strategy & Administration Division of INPEX Holdings Inc. (currently the Company)
June 2007 Managing Director, President of Domestic Operation Division and General Manager of Niigata District Department of Teikoku Oil Co., Ltd.
October 2008 Director, Managing Executive Officer, Senior Vice President of Domestic Projects of the Company
June 2014 Director, Managing Executive Officer, Senior Vice President of Gas Supply & Infrastructure of the Company
April 2017 Director, Managing Executive Officer, Senior Vice President of Technical Headquarters of the Company (incumbent)

Yoshikazu Kurasawa

April 1982 Joined Japan National Oil Corporation
February 2004 Deputy General Manager of Planning & New Ventures Department of INPEX Corporation
April 2005 General Manager of Planning & New Ventures Department of INPEX Corporation
September 2005 General Manager of Business Development and Legal Unit, General Administration & Corporate Planning Division of INPEX Corporation
April 2006 General Manager of Overseas Project Planning and

Administration Unit, Corporate Strategy & Administration Division of INPEX Holdings Inc. (currently the Company)

June 2007 Executive Officer, General Manager of Business Development and Legal Unit, General Administration & Corporate Planning Division of INPEX Corporation
October 2008 Executive Officer, Assistant Senior General Manager of Corporate Strategy & Planning, General Manager of Business Development and Legal Unit of the Company
June 2011 Managing Executive Officer, Vice President of Corporate Strategy & Planning of the Company
June 2012 Director, Managing Executive Officer, Senior Vice President of New Ventures of the Company (incumbent)

Kimihisa Kittaka

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

Nobuharu Sase

April 1981 Joined Indonesia Petroleum, Ltd. (INPEX Corporation)
September 2005 General Manager of Secretary Unit, Corporate Strategy & Administration Division of INPEX Corporation
April 2006 General Manager of Secretary Unit, General Administration Division of INPEX Holdings Inc. (currently the Company)
October 2008 Assistant Senior General Manager of General Administration Division, General Manager of Secretary Unit of the Company
June 2010 Executive Officer, Vice President of Oil & Gas Business Division No. 1, General Manager of Oil Marketing Unit of the Company
June 2016 Director, Managing Executive Officer, Senior Vice President of General Administration Division of the Company (incumbent)

Yasuhiko Okada

April 1966 Joined Ministry of Finance
July 1994 Director-General for the Tokyo Regional Taxation Bureau
May 1995 Secretary-General of Executive Bureau, Securities and Exchange Surveillance Commission
July 1999 Administrative Vice-Minister of Environment Agency (currently Ministry of the Environment)
June 2003 President of National Association of Labour Banks; President of The Rokinren Bank
January 2012 Attorney at Law admitted to practice in Japan; Partner of Kitahama Partners (Tokyo Office) (incumbent)
June 2012 Director of the Company (incumbent)

Hiroshi Sato

April 1970 Joined Japan Petroleum Exploration Co., Ltd. (JAPEX)
June 2002 Director, General Manager of Finance and Accounting Department of JAPEX
June 2005 Managing Executive Officer of JAPEX
April 2006 Audit & Supervisory Board Member (part-time) of INPEX Holdings Inc. (currently the Company)
June 2006 Managing Director & Executive Officer of JAPEX
June 2007 Senior Managing Director & Executive Officer of JAPEX
June 2010 Executive Vice President & Executive Officer of JAPEX
June 2014 Advisor of JAPEX (incumbent)
June 2015 Director (Outside) of the Company (incumbent)

Isao Matsushita

April 1970 Joined Nihon Kogyo Co., Ltd.
April 2001 Executive Officer, Assistant to General Manager of Corporate Planning Department and Principal of Corporate Planning Department (in charge of Finance) of Japan Energy Corporation
September 2002 Member of the Board of Nippon Mining Holdings, Inc., in charge of Finance Group
June 2003 Executive Board Member of Nippon Mining Holdings, Inc.
April 2004 Executive Vice President, in charge of Supply and Demand Department, Logistics Department and Crude Material Department of Japan Energy Corporation
June 2004 Member of the Board, Executive Vice President of Japan Energy Corporation
April 2005 Member of the Board, Senior Executive Vice President of Japan Energy Corporation
June 2006 President and Representative Director of Japan Energy Corporation
April 2010 Member of the Board of JX Holdings, Inc. (part-time)
July 2010 Executive Vice President, Assistant to President of JX Nippon Oil & Energy Corporation
June 2012 Representative Director and President, President and Chief Executive Officer of JX Holdings, Inc.
June 2015 Senior Executive Advisor of JX Holdings, Inc.
June 2016 Director (outside of the Company) (incumbent)
April 2017 Senior Executive Advisor of JXTG Holdings, Inc. (incumbent)

Jun Yanai

Joined Mitsubishi Corporation
May 2001 Senior Assistant to Group CEO of Energy Business Group of Mitsubishi Corporation
April 2004 Senior Vice President, Senior Assistant to Group CEO of Energy Business Group of Mitsubishi Corporation
April 2005 Senior Vice President, Division COO, of Petroleum Business Division of Mitsubishi Corporation
April 2008 Executive Vice President, Group COO of Energy Business Group of Mitsubishi Corporation
April 2011 Executive Vice President, Group CEO of Energy Business Group of Mitsubishi Corporation
April 2013 Member of the Board, Executive Vice President, Group CEO of Energy Business Group of Mitsubishi Corporation
June 2013 Member of the Board, Senior Executive Vice President, Group CEO of Energy Business Group of Mitsubishi Corporation
April 2014 Member of the Board, Senior Executive Vice President, Group CEO of Energy Business Group, Chief Compliance Officer of Mitsubishi Corporation
June 2016 Advisor of Mitsubishi Corporation (incumbent)
June 2016 Director (Outside) of the Company (incumbent)

Norino Iio

June 1973 Joined Mitsui & Co., Ltd.
April 2001 General manager, Natural Gas Second Division Tokyo Head Office, Mitsui & Co., Ltd.
April 2005 Managing Officer, Chief Operating Officer, Energy Business Unit, Mitsui & Co., Ltd.
April 2008 Executive Managing Officer, Chief Operating Officer, Europe Middle East and Africa Unit, Mitsui & Co., Ltd.
October 2008 Senior Executive Managing Officer, Chief Operating Officer, Europe Middle East and Africa Unit, Mitsui & Co., Ltd.
June 2009 Representative Director, Senior Executive Managing Officer, Mitsui & Co., Ltd.
August 2009 Representative Director, Senior Executive Managing Officer, Mitsui & Co., Ltd.
April 2010 Representative Director, Senior Executive Managing Officer, Mitsui & Co., Ltd.
April 2011 Director, Mitsui & Co., Ltd.
June 2011 Counselor, Mitsui & Co., Ltd.
June 2017 Director (Outside) of the Company (incumbent)

Atsuko Nishimura

April 1979 Joined Ministry of Foreign Affairs
June 1995 Director, First Africa Division, Middle Eastern and African Affairs Bureau
August 1999 Counselor Minister, Permanent Mission of Japan to the United Nations
June 2001 Minister, Embassy of Japan in Belgium
September 2004 Professor, School of Law, Tohoku University
June 2008 Administrative Vice President, Japan Foundation
April 2012 Senior Counselor, Japan Oil, Gas and Metals National Corporation
April 2014 Ambassador Extraordinary and Plenipotentiary to the Grand Duchy of Luxembourg
July 2016 Ambassador Extraordinary and Plenipotentiary in charge of Women, Human Rights and Humanitarian Affairs
June 2017 Director (Outside) of the Company (incumbent)

Kazuo Yamamoto

April 1978 Joined Teikoku Oil Co., Ltd.
March 2002 General Manager of Petroleum Products Marketing Department, Marketing Division of Teikoku Oil Co., Ltd.
August 2003 General Manager of Petroleum Products Marketing Department and Power Business Department, Marketing Division of Teikoku Oil Co., Ltd.
March 2004 Senior General Manager, General Manager of Petroleum Products Marketing Department and Power Business Department, Marketing Division of Teikoku Oil Co., Ltd.
March 2005 Director, General Manager of Technical Planning Department and Deputy General Manager of LNG Planning Office of Teikoku Oil Co., Ltd.
April 2006 General Manager of Technology Planning Unit, Technology Division of INPEX Holdings Inc. (currently the Company)
October 2008 Executive Officer, Assistant to General Manager of Technical Division, General Manager of Technical Planning Unit of the Company
November 2010 Executive Officer, Assistant to General Manager of Technical Division, General Manager of Technical Infrastructure Unit of the Company
June 2011 Managing Executive Officer, General Manager of Logistics & IMT Division of the Company
June 2015 Audit & Supervisory Board Member (full-time) of the Company (incumbent)

Hideyuki Toyama

April 1975 Joined Ministry of Finance
July 2001 Director-General of Sapporo Regional Taxation Bureau, National Tax Agency (NTA)
July 2003 Executive Secretary of the Administration Office of the Director-General, Cabinet Legislation Bureau (CLB)
July 2005 Director-General of the Fourth Department, CLB
October 2006 Director-General of the Third Department, CLB
November 2012 Registered as attorney-at-law (incumbent)
January 2013 Visiting Professor, Graduate School of Public Policy, University of Tokyo (incumbent)
June 2015 Audit & Supervisory Board Member (full-time) of the Company (incumbent)

Koji Sumiya

April 1976 Joined The Export-Import Bank of Japan (currently Japan Bank for International Cooperation)
April 2001 Director General, International Finance Department I of Japan Bank for International Cooperation (currently Japan Bank for International Cooperation)
April 2002 Director General, Policy Planning and Coordination Department of Japan Bank for International Cooperation
October 2005 Resident Executive Director, Osaka Branch of Japan Bank for International Cooperation
October 2007 Senior Executive Director of Japan Bank for International Cooperation
October 2008 Managing Executive Officer of Japan Bank for International Cooperation, Japan Finance Corporation (currently Japan Bank for International Cooperation)
May 2010 Retired from Japan Bank for International Cooperation, Japan Finance Corporation
June 2010 Audit & Supervisory Board Member (full-time) of the Company (incumbent)

Masaru Funai

April 1972 Joined Marubeni Corporation
April 1998 General Manager, Corporate Planning & Coordination Department of Marubeni Corporation
April 2000 Executive Vice President and CFO of Marubeni America Corporation
April 2001 Executive Vice President, CFO and CAO of Marubeni America Corporation
April 2002 General Manager, Risk Management Department of Marubeni Corporation
April 2003 Corporate Vice President, General Manager, Corporate Planning & Coordination Department of Marubeni Corporation
April 2005 Corporate Senior Vice President, CIO, Executive Corporate Officer, Human Resources Department, Information Strategy Department and Risk Management Department of Marubeni Corporation
June 2005 Corporate Senior Vice President, Member of the Board, CIO, Executive Corporate Officer, Human Resources Department, Information Strategy Department and Risk Management Department of Marubeni Corporation
April 2007 Corporate Executive Vice President, Member of the Board, Executive Corporate Officer, General Affairs Department, Human Resources Department, Risk Management Department and Legal Department of Marubeni Corporation
April 2009 Senior Executive Vice President, Member of the Board, CIO, Chief Operating Officer, Information Strategy Department, Corporate Accounting Department, Business Accounting Department-I, Business Accounting Department-II, Business Accounting Department-III and Finance Department, Senior Operating Officer, Audit Department, Chief Operating Officer, Investor Relations of Marubeni Corporation
April 2010 Senior Executive Vice President, Member of the Board, Senior Operating Officer, Audit Department of Marubeni Corporation
June 2010 Audit & Supervisory Board Member of the Company (incumbent)
April 2011 Senior Consultant of Marubeni Corporation

Michiro Yamashita

April 1982 Joined Japan Petroleum Exploration Co., Ltd. (JAPEX)
June 2005 General Manager of Corporate Strategy Division of JAPEX
April 2010 Vice President of Environment and Innovative Technology Projects Division of JAPEX
June 2011 Vice President of Environment and Innovative Technology Projects Division of JAPEX
July 2012 Senior Advisor, Assistant to Executive Officer in charge of Finance & Accounting Department of JAPEX
June 2013 Executive Officer in charge of Finance & Accounting Department of JAPEX
June 2014 Executive Officer in charge of Finance & Accounting Department, Vice President of Asia & Oceania Division of JAPEX
June 2015 Audit & Supervisory Board Member of the Company (incumbent)
June 2016 Managing Executive Officer in charge of Financing & Accounting Department, Vice President of Asia & Oceania Division of JAPEX
June 2017 Managing Executive Officer in charge of Finance & Accounting Department of JAPEX (incumbent)

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11-Year Financial Information

INPEX CORPORATION and Consolidated Subsidiaries

The translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation only, at ¥112.20=US\$1.00, the approximate exchange rate in effect as of March 31, 2017.

(Results of operations)	Millions of yen							
	2007/3	2008/3	2009/3	2010/3	2011/3	2012/3	2013/3	2014/3
Net sales	¥ 969,713	¥1,202,965	¥1,076,165	¥ 840,427	¥ 943,080	¥1,186,732	¥1,216,533	¥1,334,626
Cost of sales	343,795	390,554	319,038	298,168	334,833	395,443	426,326	490,417
Gross profit	625,918	812,411	757,127	542,259	608,247	791,289	790,207	844,209
Operating income	559,077	714,211	663,267	461,668	529,743	709,358	693,448	733,610
Income before income taxes	586,263	685,800	616,167	442,027	508,587	767,039	718,146	750,078
Net income attributable to owners of parent	¥ 165,092	¥ 173,246	¥ 145,063	¥ 107,210	¥ 128,699	¥ 194,001	¥ 182,962	¥ 183,691
(Financial position)								
Current assets	¥ 474,124	¥ 565,111	¥ 411,110	¥ 492,855	¥ 492,932	¥ 908,702	¥1,106,504	¥1,140,204
Tangible fixed assets	219,227	254,481	297,636	358,094	379,862	383,698	584,541	951,779
Intangible assets	265,822	265,481	253,681	239,205	249,111	233,318	380,156	439,179
Investments and other assets	648,934	722,828	805,618	923,624	1,558,475	1,540,680	1,544,958	1,506,977
Total assets	1,608,107	1,807,901	1,768,045	2,013,778	2,680,380	3,066,398	3,616,159	4,038,139
Current liabilities	266,248	325,286	206,059	227,905	254,729	367,844	414,977	375,670
Long-term liabilities	261,843	243,802	199,925	295,270	328,268	384,361	530,198	666,432
Net assets	¥1,080,016	¥1,238,813	¥1,362,061	¥1,490,603	¥2,097,383	¥2,314,193	¥2,670,984	¥2,996,037
(Cash flows)								
Cash flows from operating activities	¥ 231,982	¥ 363,995	¥ 230,352	¥ 241,373	¥ 274,094	¥ 320,692	¥ 252,347	¥ 213,514
Cash flows from investing activities	(209,243)	(261,767)	(240,168)	(251,812)	(844,511)	(280,864)	(489,870)	(395,555)
Cash flows from financing activities	13,794	(45,228)	(46,090)	68,937	548,057	29,294	137,069	48,961
Cash and cash equivalents at end of the period	¥ 189,417	¥ 222,270	¥ 162,845	¥ 216,395	¥ 182,025	¥ 249,233	¥ 199,859	¥ 117,531
(Per share data)								
Net assets per share (Yen)	¥1,091.17*	¥1,227.92*	¥1,350.25*	¥1,473.87*	¥1,367.40*	¥1,492.27*	¥1,699.10*	¥1,911.25*
Cash dividends per share (Yen)	17.50*	18.75*	20.00*	13.75*	15.00*	17.50*	17.50*	18.00*
Earnings per share (EPS) (Yen)	¥ 176.06*	¥ 183.78*	¥ 154.00*	¥ 113.88*	¥ 102.08*	¥ 132.84*	¥ 125.29*	¥ 125.78*
* Retroactively adjusted for a stock split at a ratio of 1:400 of common stock on October 1, 2013.								
(Financial indicators)								
Net debt / Net total capital employed (%)	(18.6)%	(36.1)%	(31.2)%	(30.6)%	(48.9)%	(60.7)%	(43.9)%	(31.9)%
Equity ratio (%)	64.0	64.0	71.9	68.9	74.5	71.1	68.6	69.1
D/E ratio (%)	24.2%	16.8%	12.9%	17.3%	13.7%	14.6%	19.2%	20.9%

Millions of yen			Thousands of U.S. dollars
2015/3	2016/3	2017/3	2017/3
¥1,171,227	¥1,009,564	¥ 874,423	\$ 7,793,431
525,444	526,758	453,847	4,044,982
645,783	482,806	420,576	3,748,449
534,886	390,139	336,453	2,998,690
540,023	328,887	327,525	2,919,118
¥ 77,820	¥ 16,777	¥ 46,168	\$ 411,480
¥1,342,410	¥ 984,345	¥ 942,960	\$ 8,404,278
1,497,622	1,752,615	1,928,598	17,188,930
458,770	541,471	521,253	4,645,749
1,200,352	1,091,411	919,363	8,193,966
4,499,154	4,369,842	4,312,174	38,432,923
365,212	319,128	297,465	2,651,203
845,238	871,911	807,166	7,193,993
¥3,288,704	¥3,178,803	¥3,207,543	\$28,587,727
¥ 216,749	¥ 183,708	¥ 275,810	\$ 2,458,200
(81,087)	(543,534)	53,484	476,684
(4,178)	156,726	(65,428)	(583,137)
¥ 260,978	¥ 53,813	¥ 316,791	\$ 2,823,449
¥ 2,099.95	¥ 2,008.34	¥ 2,015.38	\$ 17.96
18.00	18.00	18.00	0.16
¥ 53.29	¥ 11.49	¥ 31.61	\$ 0.28
(16.8)%	(8.1)%	0.9%	0.9%
68.2	67.1	68.3	68.3
22.1%	25.3%	23.4%	23.4%

Notes

- * EBIDAX = Net income (including non-controlling interests) + Deferred tax + (1 – Tax rate) × (Interest expense – Interest income) + Foreign exchange gain and loss + Depreciation and amortization + Amortization of goodwill + Recovery of recoverable accounts under production sharing (capital expenditures) + Exploration expenses + Provision for exploration projects + Provision for allowance for recoverable accounts under production sharing + Impairment loss
- * Net assets excluding non-controlling interests = Net assets – Non-controlling interests
- * Equity ratio = Net assets excluding non-controlling interests / Total assets
- * Net debt = Interest-bearing debt – Cash and cash equivalents – Time deposits – Certificate of deposits – Public bonds and corporate bonds and other debt securities with determinable value – Long-term time deposits
- * Net debt / Net total capital employed = Net debt / (Net assets + Net debt)
- * D/E ratio = Interest-bearing debt / (Net assets – Non-controlling interests)
- * ROE = Net income attributable to owners of parent / Average of net assets excluding non-controlling interests at the beginning and end of the year
- * The reserves cover most of INPEX group projects including the equity-method affiliates. The reserves from March 31, 2007 to March 31 2010 were evaluated by DeGolyer & MacNaughton, and from March 31, 2011, the reserves of projects which are expected to be invested a large amount and affect the Group's future result materially are evaluated by DeGolyer & MacNaughton, and the others are done internally.
The proved reserves are evaluated in accordance with SEC regulations.
The probable reserves are sum of proved reserves and probable reserves evaluated in accordance with SPE/WPC/AAPG/SPEE guideline Petroleum Resources Management System 2007(PRMS) approved in March 2007 after deduction of proved reserves evaluated in accordance with SEC regulations. Probable reserves as of March 31, 2007 are evaluated in accordance with the guideline established by SPE and WPC (1997 SPE/WPC).
Possible reserves are evaluated in accordance with PRMS.
- * Production volumes are calculated in accordance with SEC regulations and include the equity-method affiliates. The production volume of crude oil and natural gas under the production sharing contracts entered into by the Group corresponds to the net economic take of the Group.
Calculation of the conversion factor from gas to oil equivalent was altered from the year ended March 31, 2012.

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

Background Information

Oil and Gas Accounting Policies and Treatment

ACCOUNTING METHODS FOR TYPES OF AGREEMENTS

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

1. Production sharing contracts

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

Cost recovery and production sharing

The PSCs determine the allocation of oil and gas production among the host country's government (or related entity) and the contractors such as the Group. The allocation formula generally differs according to the terms of the individual PSC. The overview below is specific to one type of PSC typical of many oil and gas projects in Indonesia, a country with which the Group has concluded numerous PSCs.

Under this type of arrangement, the total production in any given year or other accounting period is allocated at the end of the period between three portions.

- (1) **"First tranche petroleum"**: This is a prescribed portion of total production allocated between the host country's government and the contractors in line with agreed percentages.
- (2) **"Cost recovery portion"**: This is the oil and gas equivalent of a) non-capital production-related expenditures incurred in that period, plus b) the scheduled depreciation expenses in that period for capital expenditures, as calculated under the PSC. The equivalents are determined based on the current unit prices of crude oil and natural gas and allocated between the contractors alone. The quantity of oil and gas in the "cost recovery portion" decreases as unit prices increase, whereas that of the "equity portion" (explained below) rises.

If the actual production for the period is insufficient to cover the quantity of oil and gas equivalent calculated for the cost recovery portion, the latter is capped at actual production and any surplus amount is carried forward to the following period, as stipulated in the PSC.

- (3) **"Equity portion"**: This is any residual production after the first two portions have been allocated. It is allocated between the host country's government and the contractors based on agreed percentages.

The calculation of items in the income statement based on the above PSC-related considerations is as follows:

- The Group records as net sales its share of total sales relating to the oil and gas production that is allocated to contractors under the PSCs.
- The Group books as cost of sales the portion of "Recoverable accounts under production sharing" that is recovered through the allocation of its share of the "cost recovery portion."

Recoverable costs under the PSCs

Exploration costs

The share of recoverable exploration costs incurred by the Group under the

terms of the relevant PSC is capitalized within "Recoverable accounts under production sharing."

Development costs

The share of all development costs incurred by the Group that is recoverable under the terms of the relevant PSC is recorded within "Recoverable accounts under production sharing."

Production costs

Any operating costs incurred during the production phase that are recoverable under the relevant PSC are initially recorded within "Recoverable accounts under production sharing."

Administrative expenses

Any administrative expenses that are recoverable under the relevant PSC are recorded within "Recoverable accounts under production sharing."

As discussed above, in "Cost recovery and production sharing," these costs are recovered either as capital or operating expenditures.

Non-recoverable costs under the PSCs

Acquisition costs

Costs relating to the acquisition of rights (recorded as intangible assets under "Exploration and development rights") for any projects governed by the PSCs that are entirely in the exploration phase are expensed as incurred and amortized. Expenditures or costs relating to the acquisition of rights to projects already in the development or production phase are capitalized within "Exploration and development rights" and amortized based on the unit-of-production method. These amortization costs are recorded within "Depreciation and amortization." Cost recovery provisions in the PSCs do not generally cover these expenditures.

2. Concession agreements

Concession agreement is an agreement or authorization (including mining rights awarded in Japan, as well as overseas permits, licenses and lease agreements) by which a government entity or a national oil company of the country directly awards mining rights to an oil company. The oil company makes its own investment in exploration and development and has the right of disposition of the oil and gas it extracts. Revenues are returned to the host country in the form of royalties, taxes, etc., on sales.

Acquisition costs

Costs relating to the acquisition of rights (recorded as intangible assets under "Mining rights") for projects governed by concession agreements are treated in the same way as projects governed by the PSCs, as described above.

Exploration costs

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

Development costs

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

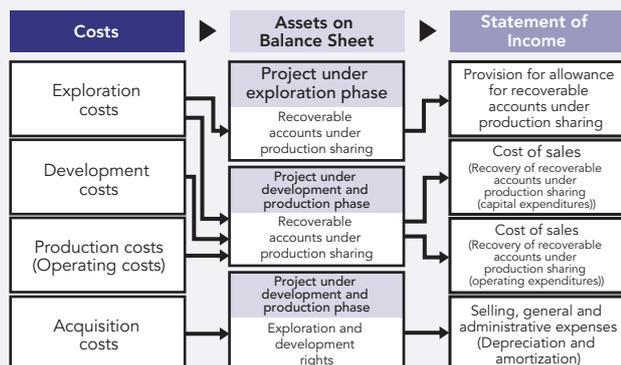
Production costs

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

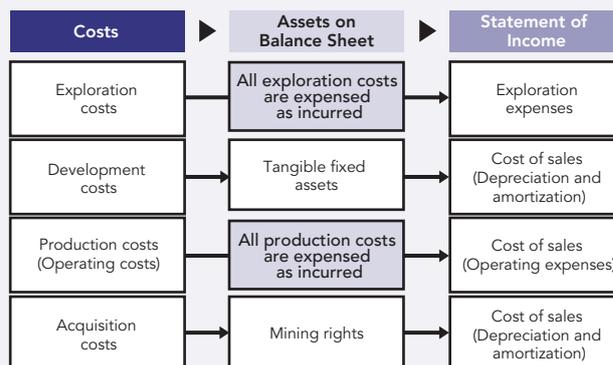
Administrative expenses

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

Production sharing contracts



Concession agreements



CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

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

— Allowance for recoverable accounts under production sharing

Any expenditures made during the exploration, development and production phases of projects governed by the PSCs are capitalized within "Recoverable accounts under production sharing" if they are recoverable under the relevant PSC. A reserve equal to exploration costs is recorded within "Allowance for recoverable accounts under production sharing" to provide for potential losses from unsuccessful exploration. This reserve typically remains unchanged on the balance sheet until it exceeds the residual balance of exploration costs that previously had been capitalized within "Recoverable accounts under production sharing" during the exploration phase. Reflecting the uncertainty associated with oil and gas projects, a reserve is recorded within "Allowance for recoverable accounts under production sharing" to provide for probable losses on development activities, as individually estimated for each project. Although assessments and accounting estimates are made on a reasonable basis, actual operating results can change depending on the project status.

— Unit-of-production method

Overseas mining facilities, mining rights and exploration and development rights that are acquired during the development and production phase are mainly depreciated or amortized based on the unit-of-production method. This approach requires the estimation of reserves. Although the Group believes that the assessment of reserves is done in an appropriate manner, any changes in these estimates could significantly affect future operating results.

— Asset retirement obligations

Asset retirement obligations are recorded by a reasonable estimate of the present value of retirement costs incurred upon termination of the operation and production with respect to oil and gas production facilities, based on the oil and gas contracts or laws and regulations within the countries in which the Group operates or has working interests. Although the Group believes that such estimates of the present value of retirement costs are reasonable, changes to estimates of the present value of retirement costs which caused by the factors such as changes to retirement plans, escalating prices of drilling equipment and materials and others could significantly affect future operating results.

— Allowance for investments in exploration companies

A reserve is recorded to provide for probable losses on investments made by the Group in entities engaged in oil and gas activities, as estimated based on the net assets of such entities. Although the Group believes that the assessments and estimates relating to such investments are reasonable, changes in actual production volumes, prices or foreign exchange rates could significantly affect future operating results.

— Provision for exploration projects

A provision for exploration projects is provided for future expenditures of consolidated subsidiaries at the exploration stage based on a schedule of investments in exploration. Although the Group believes that assessments relating to the schedule of investments are reasonable, changes to the schedule could significantly affect future operating results.

— Provision for loss on business

A provision for loss on business is provided for future potential loss on crude oil and natural gas development, production and sales business individually estimated for each project. Although assessments and accounting estimates are made on a reasonable basis, actual operating results can change depending on the business status.

— Deferred tax assets

Deferred tax assets reflect temporary differences (including net operating loss carry-forwards) arising mainly from the write-down of exploration expenditures, foreign taxes payable and excess of tax allowable depreciation. Valuation allowances are provided once it is judged that the non-realization of deferred tax assets has become the more probable outcome. The effect of foreign tax credits is taken into account in the calculation of such valuation allowances. The realization of deferred tax assets is principally dependent on the generation of sufficient taxable income, based on the available information. Adjustments to deferred tax assets could be required if future taxable income was lower than expected due to market conditions, foreign exchange rate fluctuations or poor operating performance.

— Retirement benefits to employees

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

— Goodwill

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

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

BUSINESS ENVIRONMENT

During the year ended March 31, 2017, the Japanese economy continued on a path of gradual recovery overall driven by improvements in employment and income levels, although improvement in certain segments of the economy was delayed.

Of the international crude oil price indices, which significantly influence the financial performance of the INPEX Group, Brent crude, commonly considered a benchmark index, started at US\$38.67 per barrel on April 1, 2016 and increased to US\$52.51 per barrel in early June due to concerns over crude oil supply shortages caused by large-scale wildfires in Canada and political instability in Libya and Nigeria.

Thereafter, the index dropped to US\$41.80 per barrel in early August due to increased oil production from major OPEC countries.

The index then bounced back following the agreement in principle to reduce oil production at the OPEC Meeting in late September contrary to market expectations, and rose to US\$53.14 in mid-October. While the index then dropped again to US\$44.43 in mid-November due to high levels of output in Russia, Saudi Arabia and other countries as well as skepticism over OPEC's plans to cut back on production, the agreement to reduce production at the OPEC Meeting in late November was a turning point that saw the index rise again and reach a high of US\$57.10 in early January.

Brent then hovered at around US\$55 per barrel for some time, after which it dropped in early March following revelations that the U.S. crude oil inventory had risen to unprecedented levels, ultimately closing at US\$52.83 per barrel on March 31, 2017.

Meanwhile, in Japan too, the prices of crude oil and petroleum products shifted in correlation with international oil

prices. The Group's average crude oil sales price for the year ended March 31, 2017 reflected this shift and fell to US\$46.41 per barrel, down US\$1.54 from the year ended March 31, 2016.

The foreign exchange market, another important factor that affects the business of the Group, began to trade at ¥112 level against the U.S. dollar. In late-April, the Bank of Japan passed on the additional monetary easing and United States included Japan in the "Monitoring List". Therefore, the Yen appreciated to ¥105 level.

Thereafter the suggestion by Chairman of Federal Reserve Board Yellen, which showed a possibility to rise Federal Funds rate within a few months, brought the dollar buying to ¥111 level. However, "Current Employment Statistics (CES)" in early-June was much lower than the market forecast, which brought the Yen buying. In addition, Brexit was passed on in late-June, which accelerated the Yen buying to under ¥100 level for the first time in two and a half years. From July onward, the Yen has remained in steadiness roughly ¥100 to ¥105 level to the U.S. dollar.

In November, Donald Trump won United States Presidential election against the market forecast, which raise the expectation for easing the restrictions and changing the trade policy and finance policy. In addition, after FOMC appreciated the interest-rate in December, the Yen depreciated to ¥118 level.

In March, FOMC appreciated the interest-rate again. The Yen has remained in steadiness in the anticipation of the interest-rate appreciation. TTM closed at ¥112.20 to the U.S. dollar which turned out to be ¥0.49 higher than that on March 31, 2016.

Reflecting these situations, the average sales exchange rate for the Group for the year ended March 31, 2017, was ¥108.60 to the U.S. dollar, which is ¥11.95 higher than that for the year ended March 31, 2016.

PERFORMANCE OVERVIEW

Net sales

Consolidated net sales for the year ended March 31, 2017, decreased by ¥135.1 billion, or 13.4%, to ¥874.4 billion from ¥1,009.6 billion for the year ended March 31, 2016, due to a decrease in unit sales price and the appreciation of the Japanese yen against the U.S. dollar.

Compared with the year ended March 31, 2016, net sales of crude oil decreased by ¥62.0 billion, or 9.1%, to ¥617.2 billion from ¥679.2 billion, and net sales of natural gas decreased by ¥74.2 billion, or 23.4%, to ¥242.6 billion from ¥316.8 billion.

The sales volume of crude oil increased by 4,980 thousand barrels, or 4.2%, to 122,207 thousand barrels compared with the year ended March 31, 2016. The sales volume of natural gas increased by 6 billion cubic feet (Bcf), or 1.7%, to 343 Bcf compared with the year ended March 31, 2016. Of this, the sales volume of overseas natural gas decreased by 0 Bcf, or 0.1%, to 272 Bcf compared with the year ended March 31, 2016. The sales

volume of domestic natural gas increased by 161 million m³, or 9.2%, to 1,910 million m³ (equivalent to 71 Bcf) compared with the year ended March 31, 2016. The average sales price of overseas crude oil was US\$46.41 per barrel, a decrease of US\$1.54, or 3.2%, compared with the year ended March 31, 2016. The average sales price of overseas natural gas was US\$5.19 per thousand cubic feet (Mcf), a decrease of US\$1.39, or 21.1%, compared with the year ended March 31, 2016. The average sales price of domestic natural gas was ¥43.36 per m³, a decrease of ¥8.93 per m³, or 17.1%, compared with the year ended March 31, 2016.

The decrease of ¥135.1 billion in net sales was mainly derived from the following factors: regarding net sales of crude oil and natural gas, an increase in sales volume contributing ¥34.9 billion to the increase, a decrease in unit sales price pushing sales down of ¥85.9 billion, the appreciation of the Japanese yen against the U.S. dollar pushing sales down of ¥85.2 billion, and an increase in net sales excluding crude oil and natural gas of ¥1.1 billion.

Years ended March 31,	(Millions of yen, %)			
	2016	2017	Change	Ratio
Net sales	¥1,009,564	¥874,423	¥(135,141)	(13.4)%
Crude oil	679,241	617,194	(62,047)	(9.1)
Natural gas	316,761	242,576	(74,185)	(23.4)
Other	13,562	14,653	1,091	8.1
Cost of sales	526,758	453,847	(72,911)	(13.8)
Gross profit	482,806	420,576	(62,230)	(12.9)
Exploration expenses	6,166	6,734	568	9.2
Selling, general and administrative expenses	61,387	57,265	(4,122)	(6.7)
Depreciation and amortization	25,114	20,124	(4,990)	(19.9)
Operating income	390,139	336,453	(53,686)	(13.8)
Other income	69,934	39,090	(30,844)	(44.1)
Interest income	10,751	10,460	(291)	(2.7)
Dividend income	10,826	2,803	(8,023)	(74.1)
Gain on sales of marketable securities	25,987	—	(25,987)	(100.0)
Gain on sales of investment securities	5,669	5,000	(669)	(11.8)
Equity in earnings of affiliates	—	2,175	2,175	—
Foreign exchange gain	2,964	—	(2,964)	(100.0)
Other	13,737	18,652	4,915	35.8
Other expenses	131,186	48,018	(83,168)	(63.4)
Interest expense	4,199	5,229	1,030	24.5
Equity in losses of affiliates	20,696	—	(20,696)	(100.0)
Provision of allowance for doubtful accounts	122	8,309	8,187	—
Provision for allowance for recoverable accounts under production sharing	25,026	14,375	(10,651)	(42.6)
Provision for exploration projects	335	—	(335)	(100.0)
Foreign exchange loss	—	3,759	3,759	—
Loss on disposal of fixed assets	13,288	4,786	(8,502)	(64.0)
Impairment loss	45,885	6,366	(39,519)	(86.1)
Other	21,635	5,194	(16,441)	(76.0)
Income before income taxes	328,887	327,525	(1,362)	(0.4)
Income taxes	354,393	271,393	(83,000)	(23.4)
Net income (loss)	(25,506)	56,132	81,638	—
Net income (loss) attributable to non-controlling interests	(42,283)	9,964	52,247	—
Net income attributable to owners of parent	¥ 16,777	¥ 46,168	¥ 29,391	175.2%

Cost of sales

Cost of sales for the year ended March 31, 2017, decreased by ¥72.9 billion, or 13.8%, to ¥453.8 billion from ¥526.8 billion for the year ended March 31, 2016. This was mainly due to the appreciation of the Japanese yen against the U.S. dollar.

Exploration expenses

Exploration expenses for the year ended March 31, 2017, increased by ¥0.6 billion, or 9.2%, to ¥6.7 billion from ¥6.2 billion for the year ended March 31, 2016. This was mainly due to an increase in exploration activities in the Japan and Asia & Oceania region.

Selling, general and administrative expenses

Selling, general and administrative expenses for the year ended March 31, 2017, decreased by ¥4.1 billion, or 6.7%, to ¥57.3 billion from ¥61.4 billion for the year ended March 31, 2016. This was mainly due to decreases in freight expenses, taxes and personnel expenses.

Depreciation and amortization

Depreciation and amortization for the year ended March 31, 2017, decreased by ¥5.0 billion, or 19.9%, to ¥20.1 billion from ¥25.1 billion for the year ended March 31, 2016. This was mainly due to change in useful lives of structures (pipelines). The Group records depreciation costs for production facilities that are covered by concession agreements as cost of sales. In addition, under its accounting treatment of the PSCs, the Group records capital expenditures as "Recoverable accounts under production sharing" instead of capitalizing these costs within tangible fixed assets and depreciating them. Costs that are recovered in any given year based on the terms of the PSCs are included in the cost of sales.

Operating income

As a result of the above, operating income for the year ended March 31, 2017, decreased by ¥53.7 billion, or 13.8%, to ¥336.5

billion from ¥390.1 billion for the year ended March 31, 2016.

Other income

Other income for the year ended March 31, 2017, decreased by ¥30.8 billion, or 44.1%, to ¥39.1 billion from ¥69.9 billion for the year ended March 31, 2016. This was mainly due to decreases in gain on sales of marketable securities and dividend income.

Other expenses

Other expenses for the year ended March 31, 2017, decreased by ¥83.2 billion, or 63.4%, to ¥48.0 billion from ¥131.2 billion for the year ended March 31, 2016. This was mainly due to decreases in impairment loss, equity in losses of affiliates and provision for allowance for recoverable accounts under production sharing.

Income taxes

Total current income taxes and deferred income taxes for the year ended March 31, 2017, decreased by ¥83.0 billion, or 23.4%, to ¥271.4 billion from ¥354.4 billion for the year ended March 31, 2016. The Group pays the majority of its taxes outside Japan. In addition to the high corporate tax rates imposed in a number of regions, the Group is generally unable to deduct expenses incurred in Japan for such taxes. Despite the positive effects attributable to the application of the foreign tax credit system, this situation resulted in a high effective income tax rate.

Net income (loss) attributable to non-controlling interests

Net income attributable to non-controlling interests for the year ended March 31, 2017, was ¥10.0 billion. Meanwhile, net loss attributable to non-controlling interests for the year ended March 31, 2016, was ¥42.3 billion.

Net income attributable to owners of parent

As a result of the above, net income attributable to owners of parent for the year ended March 31, 2017, increased by ¥29.4 billion, or 175.2%, to ¥46.2 billion from ¥16.8 billion for the year ended March 31, 2016.

FINANCIAL POSITION

Total assets as of March 31, 2017, decreased by ¥57.7 billion, or 1.3%, to ¥4,312.2 billion from ¥4,369.8 billion as of March 31, 2016. Current assets decreased by ¥41.4 billion, or 4.2%, to ¥943.0 billion from ¥984.3 billion due to a decrease in time deposits and others. Fixed assets decreased by ¥16.3 billion, or 0.5%, to ¥3,369.2 billion from ¥3,385.5 billion as of March 31, 2016, due to a decrease in investments and other assets and others.

Meanwhile, total liabilities decreased by ¥86.4 billion, or 7.3%, to ¥1,104.6 billion from ¥1,191.0 billion as of March 31, 2016. Current liabilities decreased by ¥21.7 billion, or 6.8%, to

¥297.5 billion from ¥319.1 billion as of March 31, 2016. Long-term liabilities decreased by ¥64.7 billion, or 7.4%, to ¥807.2 billion from ¥871.9 billion as of March 31, 2016.

Net assets increased by ¥28.7 billion, or 0.9%, to ¥3,207.5 billion from ¥3,178.8 billion as of March 31, 2016. Total shareholders' equity increased by ¥19.9 billion, or 0.8%, to ¥2,556.9 billion from ¥2,537.0 billion as of March 31, 2016. Total accumulated other comprehensive income decreased by ¥9.6 billion, or 2.4%, to ¥386.3 billion from ¥395.9 billion as of March 31, 2016, and non-controlling interests increased by ¥18.5 billion, or 7.5%, to ¥264.4 billion from ¥245.9 billion as of March 31, 2016.

INVESTMENT AND FUNDING

— Investments in upstream oil and gas projects

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

- Exploration expenditures include the costs of exploratory drilling and any geological or geophysical studies. The costs of local personnel and office operations and related administrative expenses are also included in this category if a project (or contract area) is in the exploration phase.
- Development expenditures include the costs of development drilling and any production facilities.
- Operating expenses include the costs of well operations, maintenance and the supervision of production activities. This category also includes the administrative expenses for the project (or contract area) if it contains a field in active production.
- Discrepancies exist between the standards stipulated in

U.S. FASB Accounting Standards Codification Topic 932, "Extractive Industries—Oil and Gas (Topic 932)," and both the Group's definitions of exploration and development expenditures and the standards used in preparing the following tables. The following is a partial list of the discrepancies between the Group's accounting policies and Topic 932.

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

The table below shows the Group's exploration and development costs and other expenditures (excluding capitalized interest costs and asset retirement costs corresponding to asset retirement obligations capitalized under fixed assets) by segment for the years ended March 31, 2016 and 2017.

Year ended March 31, 2016	(Millions of yen)					
	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Total
INPEX CORPORATION and Consolidated Subsidiaries						
Exploration	¥ 2,492	¥ 23,981	¥ —	¥ 1,372	¥11,495	¥ 39,340
Development	6,352	418,496	58,890	113,849	1,807	599,394
Subtotal* ¹	8,844	442,477	58,890	115,221	13,302	638,734
Equity-method Affiliates						
Exploration	—	—	343	4	0	347
Development	—	155	—	14,695	849	15,699
Subtotal	—	155	343	14,699	849	16,046
Other capital expenditures* ²	51,142	281,399	—	—	—	332,541
Total* ³	¥59,986	¥724,031	¥59,233	¥129,920	¥14,151	¥987,321

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

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

*3 The amount capitalized for the asset retirement costs (including change in estimates) corresponding to asset retirement obligations for the year ended March 31, 2016 was ¥6,882 million.

Year ended March 31, 2017	(Millions of yen)					
	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Total
INPEX CORPORATION and Consolidated Subsidiaries						
Exploration	¥ 3,322	¥ 10,035	¥ 195	¥ 1,693	¥ 917	¥ 16,162
Development	4,352	214,650	46,029	76,719	3,174	344,924
Subtotal* ¹	7,674	224,685	46,224	78,412	4,091	361,086
Equity-method Affiliates						
Exploration	—	—	148	7	—	155
Development	—	475	833	5,191	447	6,946
Subtotal	—	475	981	5,198	447	7,101
Other capital expenditures* ²	10,334	233,837	—	—	—	244,171
Total* ³	¥18,008	¥458,997	¥47,205	¥83,610	¥4,538	¥612,358

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

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

*3 The amount capitalized for the asset retirement costs (including change in estimates) corresponding to asset retirement obligations for the year ended March 31, 2017 was ¥5,966 million.

Total investments for the year ended March 31, 2017, decreased by ¥375.0 billion, or 38.0%, to ¥612.4 billion (including ¥7.1 billion for exploration and development by equity-method affiliates) from ¥987.3 billion for the year ended March 31, 2016. This was mainly due to a decrease in expenditures in the Asia & Oceania region.

The table below shows the Group's operating expenses by segment for the years ended March 31, 2016 and 2017.

Years ended March 31,	(Millions of yen, %)			
	2016		2017	
INPEX CORPORATION and Consolidated Subsidiaries				
Japan	¥ 12,380	7.9%	¥ 11,501	9.9%
Asia & Oceania	75,259	48.1	55,084	47.2
Eurasia (Europe & NIS)	10,761	6.9	7,809	6.7
Middle East & Africa	56,178	35.9	40,338	34.6
Americas	1,938	1.2	1,867	1.6
Subtotal	156,516	100.0	116,599	100.0
Equity-method Affiliates				
Asia & Oceania	1,390	7.4	513	5.2
Eurasia (Europe & NIS)	—	—	85	0.9
Middle East & Africa	7,676	40.8	5,312	54.0
Americas	9,762	51.8	3,925	39.9
Subtotal	18,828	100.0	9,835	100.0
Total	¥175,344	—%	¥126,434	—%

— Expenditures for acquisitions of upstream oil and gas projects

The table below shows the Group's expenditures for acquisitions of upstream oil and gas projects by segment for the years ended March 31, 2016 and 2017. Expenditures in this category include the costs of acquiring mining rights, exploration and development rights, signing bonuses and any tangible fixed assets or recoverable accounts under production sharing gained through the acquisition of interest in upstream oil and gas projects.

Years ended March 31,	(Millions of yen, %)			
	2016		2017	
INPEX CORPORATION and Consolidated Subsidiaries				
Asia & Oceania	¥ —	—%	¥—	—%
Eurasia (Europe & NIS)	—	—	—	—
Middle East & Africa	134,516	100.0	—	—
Americas	—	—	—	—
Subtotal	134,516	100.0	—	—
Equity-method Affiliates				
Asia & Oceania	—	—	—	—
Eurasia (Europe & NIS)	—	—	—	—
Middle East & Africa	—	—	—	—
Americas	—	—	—	—
Subtotal	—	—	—	—
Total	¥134,516	—%	¥—	—%

— Analysis of recoverable accounts under production sharing

For upstream projects governed by the PSCs, the Group's share of costs arising during the exploration, development and production phases is capitalized under "Recoverable accounts under production sharing." The following table shows the changes in the balance of "Recoverable accounts under production sharing" during the years ended March 31, 2016 and 2017.

Years ended March 31,	(Millions of yen)	
	2016	2017
Balance at beginning of the year	¥ 703,291	¥ 727,772
Add: Exploration costs	30,970	9,461
Development costs	104,519	39,929
Operating expenses	70,365	55,514
Other	9,745	6,970
Less: Cost recovery—capital expenditures	(64,200)	(79,874)
Cost recovery—operating expenditures	(107,133)	(73,414)
Other	(19,785)	(27,156)
Balance at end of the year	727,772	659,202
Allowance for recoverable accounts under production sharing at end of the year	¥(131,766)	¥(120,544)

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

Costs for the year ended March 31, 2017, decreased compared with the year ended March 31, 2016. This was mainly due to a decrease in expenditures in the Asia & Oceania region.

— Funding sources and liquidity

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

Cost recovery for the year ended March 31, 2017, decreased compared with the year ended March 31, 2016. This was mainly due to a decrease in cost recovery in the Asia & Oceania region.

In addition, other deduction was mainly due to the decrease in recoverable accounts under production sharing related to the business withdrawal from certain exploration blocks.

The allowance for recoverable accounts under production sharing as of March 31, 2017, decreased compared with March 31, 2016. This was mainly due to the business withdrawal from certain exploration blocks.

The Ichthys downstream entity (Ichthys LNG Pty Ltd, an equity-method affiliate), as the borrower, has utilized external loans from export credit agencies and commercial banks for project financing and others throughout the year ended March 31, 2017.

The Group's basic liquidity policy is to maintain sufficient cash on hand at all times to fund expenditures for existing and new oil and gas projects in a timely manner, while also keeping a cushion of liquidity to provide for steep falls in oil and gas prices. In line with this policy, excess cash reserves are invested in low-risk, highly liquid financial instruments. The Group's strategy is to improve capital efficiency over the long term through business expansion while continuing to maintain a sound financial position with sufficient liquidity.

— Maturities of long-term debt

The aggregate annual maturities of long-term debt subsequent to March 31, 2017, are summarized as follows:

Years ending March 31,	(Millions of U.S. dollars and Millions of yen)		
	Long-term debt denominated in		
	U.S. dollars	Yen	Total yen equivalent
2018	\$ 258.6	¥ 10,288	¥ 39,305
2019	458.6	17,381	68,838
2020	658.6	43,330	117,226
2021	704.0	26,197	105,186
2022	339.0	24,238	62,274
2023 and thereafter	1,897.5	77,009	289,908
Total	\$4,316.3	¥198,443	¥682,737

— Cash flows

Cash flows for the years ended March 31, 2016 and 2017, are summarized as follows:

Years ended March 31,	(Millions of yen)	
	2016	2017
Net cash provided by (used in) operating activities	¥ 183,708	¥275,810
Net cash provided by (used in) investing activities	(543,534)	53,484
Net cash provided by (used in) financing activities	156,726	(65,428)
Cash and cash equivalents at end of the period	¥ 53,813	¥316,791

Net cash provided by (used in) operating activities

Net cash provided by operating activities for the year ended March 31, 2017, was ¥275.8 billion, an increase of ¥92.1 billion from ¥183.7 billion for the year ended March 31, 2016. This was mainly due to decreases in income taxes paid and recoverable accounts under production sharing (operating expenditures), despite a decrease in income before income taxes.

Net cash provided by (used in) investing activities

Net cash provided by investing activities for the year ended March 31, 2017, was ¥53.5 billion. This was mainly due to an increase in proceeds from time deposits, the lack of payments

for purchases of mining rights, and a decrease in payments for purchases of tangible fixed assets. Meanwhile, net cash used in investment activities for the year ended March 31, 2016, was ¥543.5 billion.

Net cash provided by (used in) financing activities

Net cash used in financing activities for the year ended March 31, 2017, was ¥65.4 billion. This was mainly due to an increase in repayments of long-term debt and decreases in proceeds from long-term debt and proceeds from non-controlling interests for additional shares. Meanwhile, net cash provided by financing activities for the year ended March 31, 2016, was ¥156.7 billion.

Consolidated Balance Sheet

INPEX CORPORATION and Consolidated Subsidiaries
March 31, 2017

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2017	2017
Current assets			
Cash and cash equivalents (Note 6)	¥ 53,813	¥ 316,791	\$ 2,823,449
Time deposits (Note 12)	718,715	335,824	2,993,084
Accounts receivable—trade (Note 4)	56,462	72,364	644,955
Marketable securities (Notes 4 and 5)	—	5,503	49,046
Inventories (Note 6)	35,916	30,721	273,806
Deferred tax assets (Note 7)	2,852	7,265	64,750
Accounts receivable—other (Note 4)	84,650	83,291	742,344
Recoverable accounts under production sharing	—	47,264	421,248
Other (Note 6)	45,013	68,403	609,653
Less allowance for doubtful accounts	(13,076)	(20,764)	(185,062)
Less allowance for recoverable accounts under production sharing	—	(3,702)	(32,995)
Total current assets	984,345	942,960	8,404,278
Tangible fixed assets			
Buildings and structures	298,714	399,647	3,561,916
Wells	298,855	320,311	2,854,822
Machinery, equipment and vehicles	399,665	410,072	3,654,831
Land (Note 6)	19,674	19,190	171,034
Construction in progress (Note 6)	1,407,490	1,511,660	13,472,905
Other	29,000	30,039	267,727
	2,453,398	2,690,919	23,983,235
Less accumulated depreciation and amortization	(700,783)	(762,321)	(6,794,305)
Total tangible fixed assets	1,752,615	1,928,598	17,188,930
Intangible assets			
Goodwill (Note 17)	67,558	60,797	541,863
Exploration and development rights	146,262	154,557	1,377,514
Mining rights	318,438	298,371	2,659,278
Other	9,213	7,528	67,094
Total intangible assets	541,471	521,253	4,645,749
Investments and other assets			
Recoverable accounts under production sharing	727,772	611,938	5,453,993
Less allowance for recoverable accounts under production sharing	(131,766)	(116,842)	(1,041,373)
	596,006	495,096	4,412,620
Investment securities (Notes 4, 5 and 6)	213,731	246,085	2,193,271
Long-term loans receivable (Note 6)	4,231	134,235	1,196,391
Long-term time deposits	202,842	—	—
Deferred tax assets (Note 7)	13,105	25,750	229,501
Other (Note 6)	71,358	29,249	260,686
Less allowance for doubtful accounts	(7,815)	(8,283)	(73,824)
Less allowance for investments in exploration	(2,047)	(2,769)	(24,679)
Total investments and other assets	1,091,411	919,363	8,193,966
Total fixed assets	3,385,497	3,369,214	30,028,645
Total assets	¥4,369,842	¥4,312,174	\$38,432,923

See accompanying notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2017	2017
Current liabilities			
Accounts payable—trade	¥ 47,351	¥ 51,105	\$ 455,481
Short-term borrowings and current portion of long-term debt (Notes 4, 6 and 12)	68,469	44,253	394,412
Income taxes payable (Note 7)	42,845	45,219	403,021
Accounts payable—other (Note 6)	79,621	73,721	657,050
Provision for loss on business	—	2,920	26,025
Provision for exploration projects	4,782	4,479	39,920
Accrued bonuses to officers	56	63	562
Asset retirement obligations (Note 16)	2,234	4,301	38,333
Other (Note 7)	73,770	71,404	636,399
Total current liabilities	319,128	297,465	2,651,203
Long-term liabilities			
Long-term debt (Notes 4, 6, 11 and 12)	673,099	643,432	5,734,688
Deferred tax liabilities (Note 7)	56,045	45,615	406,551
Provision for loss on business	4,737	—	—
Accrued special repair and maintenance	293	331	2,950
Liability for retirement benefits (Note 15)	7,462	5,953	53,057
Asset retirement obligations (Note 16)	100,829	104,845	934,448
Other	29,446	6,990	62,299
Total long-term liabilities	871,911	807,166	7,193,993
Total liabilities	1,191,039	1,104,631	9,845,196
Net assets (Note 9)			
Common stock	290,810	290,810	2,591,889
Authorized: 2016 — 3,600,000,001 shares 2017 — 3,600,000,001 shares			
Issued: 2016 — 1,462,323,601 shares 2017 — 1,462,323,601 shares			
Capital surplus	676,273	676,273	6,027,389
Retained earnings	1,575,136	1,595,018	14,215,847
Less: Treasury stock 2016 — 1,966,400 shares 2017 — 1,966,500 shares	(5,248)	(5,248)	(46,774)
Total shareholders' equity	2,536,971	2,556,853	22,788,351
Unrealized holding gain on securities	4,959	6,480	57,754
Unrealized gain (loss) from hedging instruments	(6,660)	717	6,390
Translation adjustments	397,622	379,120	3,378,966
Total accumulated other comprehensive income	395,921	386,317	3,443,110
Non-controlling interests	245,911	264,373	2,356,266
Total net assets	3,178,803	3,207,543	28,587,727
Contingent liabilities (Note 19)			
Total liabilities and net assets	¥4,369,842	¥4,312,174	\$38,432,923

Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Consolidated Statement of Income

INPEX CORPORATION and Consolidated Subsidiaries
For the year ended March 31, 2017

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2017	2017
Net sales	¥1,009,564	¥874,423	\$7,793,431
Cost of sales	526,758	453,847	4,044,982
Gross profit	482,806	420,576	3,748,449
Exploration expenses	6,166	6,734	60,018
Selling, general and administrative expenses (Notes 13, 15 and 17)	61,387	57,265	510,383
Depreciation and amortization	25,114	20,124	179,358
Operating income	390,139	336,453	2,998,690
Other income			
Interest income	10,751	10,460	93,227
Dividend income	10,826	2,803	24,982
Gain on sales of marketable securities	25,987	—	—
Gain on sales of investment securities	5,669	5,000	44,563
Equity in earnings of affiliates	—	2,175	19,385
Foreign exchange gain	2,964	—	—
Other	13,737	18,652	166,239
Total other income	69,934	39,090	348,396
Other expenses			
Interest expense	4,199	5,229	46,604
Equity in losses of affiliates	20,696	—	—
Provision of allowance for doubtful accounts	122	8,309	74,055
Provision for allowance for recoverable accounts under production sharing	25,026	14,375	128,120
Provision for exploration projects	335	—	—
Foreign exchange loss	—	3,759	33,503
Loss on disposal of fixed assets	13,288	4,786	42,656
Impairment loss (Note 14)	45,885	6,366	56,738
Other	21,635	5,194	46,292
Total other expenses	131,186	48,018	427,968
Income before income taxes	328,887	327,525	2,919,118
Income taxes (Note 7)			
Current	356,585	304,620	2,714,973
Deferred	(2,192)	(33,227)	(296,140)
Total income taxes	354,393	271,393	2,418,833
Net income (loss)	(25,506)	56,132	500,285
Net income (loss) attributable to non-controlling interests	(42,283)	9,964	88,805
Net income attributable to owners of parent	¥ 16,777	¥ 46,168	\$ 411,480

Consolidated Statement of Comprehensive Income

INPEX CORPORATION and Consolidated Subsidiaries
For the year ended March 31, 2017

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2017	2017
Net income (loss)	¥ (25,506)	¥ 56,132	\$ 500,285
Other comprehensive income			
Unrealized holding gain (loss) on securities	(41,094)	1,522	13,565
Translation adjustments	(129,079)	(19,868)	(177,077)
Share of other comprehensive income of affiliates accounted for by the equity-method	29,310	6,120	54,546
Total other comprehensive income (Note 8)	(140,863)	(12,226)	(108,966)
Comprehensive income	(166,369)	43,906	391,319
Total comprehensive income attributable to:			
Owners of parent	(104,488)	36,564	325,882
Non-controlling interests	¥ (61,881)	¥ 7,342	\$ 65,437

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

INPEX CORPORATION and Consolidated Subsidiaries

For the year ended March 31, 2016	Millions of yen					
	Common stock	Capital surplus	Shareholders' equity		Treasury stock	Total shareholders' equity
Balance as of April 1, 2015	¥290,810	¥679,288	¥1,584,645		¥(5,248)	¥2,549,495
Change in treasury shares of parent arising from transactions with non-controlling shareholders		(3,015)				(3,015)
Cash dividends paid			(26,286)			(26,286)
Net income attributable to owners of parent			16,777			16,777
Purchase of treasury stock						—
Net changes in items other than those in shareholders' equity						—
Total changes during the period	—	(3,015)	(9,509)		—	(12,524)
Balance as of March 31, 2016	¥290,810	¥676,273	¥1,575,136		¥(5,248)	¥2,536,971

For the year ended March 31, 2016	Millions of yen					
	Unrealized holding gain on securities	Unrealized gain (loss) from hedging instruments	Translation adjustments	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance as of April 1, 2015	¥46,049	¥(36,423)	¥507,560	¥517,186	¥222,023	¥3,288,704
Change in treasury shares of parent arising from transactions with non-controlling shareholders						(3,015)
Cash dividends paid						(26,286)
Net income attributable to owners of parent						16,777
Purchase of treasury stock						—
Net changes in items other than those in shareholders' equity	(41,090)	29,763	(109,938)	(121,265)	23,888	(97,377)
Total changes during the period	(41,090)	29,763	(109,938)	(121,265)	23,888	(109,901)
Balance as of March 31, 2016	¥ 4,959	¥ (6,660)	¥397,622	¥395,921	¥245,911	¥3,178,803

For the year ended March 31, 2017	Millions of yen					
	Common stock	Capital surplus	Shareholders' equity		Treasury stock	Total shareholders' equity
Balance as of April 1, 2016	¥290,810	¥676,273	¥1,575,136		¥(5,248)	¥2,536,971
Change in treasury shares of parent arising from transactions with non-controlling shareholders						—
Cash dividends paid			(26,286)			(26,286)
Net income attributable to owners of parent			46,168			46,168
Purchase of treasury stock					(0)	(0)
Net changes in items other than those in shareholders' equity						—
Total changes during the period	—	—	19,882		(0)	19,882
Balance as of March 31, 2017	¥290,810	¥676,273	¥1,595,018		¥(5,248)	¥2,556,853

For the year ended March 31, 2017	Millions of yen					
	Unrealized holding gain on securities	Unrealized gain (loss) from hedging instruments	Translation adjustments	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance as of April 1, 2016	¥4,959	¥(6,660)	¥397,622	¥395,921	¥245,911	¥3,178,803
Change in treasury shares of parent arising from transactions with non-controlling shareholders						—
Cash dividends paid						(26,286)
Net income attributable to owners of parent						46,168
Purchase of treasury stock						(0)
Net changes in items other than those in shareholders' equity	1,521	7,377	(18,502)	(9,604)	18,462	8,858
Total changes during the period	1,521	7,377	(18,502)	(9,604)	18,462	28,740
Balance as of March 31, 2017	¥6,480	¥ 717	¥379,120	¥386,317	¥264,373	¥3,207,543

For the year ended March 31, 2017	Thousands of U.S. dollars (Note 3)					
	Common stock	Capital surplus	Shareholders' equity		Treasury stock	Total shareholders' equity
Balance as of April 1, 2016	\$2,591,889	\$6,027,389	\$14,038,646		\$(46,774)	\$22,611,150
Change in treasury shares of parent arising from transactions with non-controlling shareholders						—
Cash dividends paid			(234,279)			(234,279)
Net income attributable to owners of parent			411,480			411,480
Purchase of treasury stock					(0)	(0)
Net changes in items other than those in shareholders' equity						—
Total changes during the period	—	—	177,201		(0)	177,201
Balance as of March 31, 2017	\$2,591,889	\$6,027,389	\$14,215,847		\$(46,774)	\$22,788,351

For the year ended March 31, 2017	Thousands of U.S. dollars (Note 3)					
	Unrealized holding gain on securities	Unrealized gain (loss) from hedging instruments	Translation adjustments	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance as of April 1, 2016	\$44,198	\$(59,359)	\$3,543,868	\$3,528,707	\$2,191,720	\$28,331,577
Change in treasury shares of parent arising from transactions with non-controlling shareholders						—
Cash dividends paid						(234,279)
Net income attributable to owners of parent						411,480
Purchase of treasury stock						(0)
Net changes in items other than those in shareholders' equity	13,556	65,749	(164,902)	(85,597)	164,546	78,949
Total changes during the period	13,556	65,749	(164,902)	(85,597)	164,546	256,150
Balance as of March 31, 2017	\$57,754	\$ 6,390	\$3,378,966	\$3,443,110	\$2,356,266	\$28,587,727

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

INPEX CORPORATION and Consolidated Subsidiaries
For the year ended March 31, 2017

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2017	2017
Cash flows from operating activities			
Income before income taxes	¥ 328,887	¥ 327,525	\$ 2,919,118
Depreciation and amortization	86,791	91,159	812,469
Impairment loss	45,885	6,366	56,738
Amortization of goodwill	6,761	6,761	60,258
Provision for allowance for recoverable accounts under production sharing	29,844	15,934	142,014
Provision for exploration projects	(4,399)	(240)	(2,139)
Other provisions	(4,353)	7,145	63,681
Liability for retirement benefits	945	(1,483)	(13,217)
Interest and dividend income	(21,580)	(13,263)	(118,209)
Interest expense	3,465	5,229	46,604
Foreign exchange loss (gain)	15,085	4,896	43,636
Equity in losses (earnings) of affiliates	20,696	(2,175)	(19,385)
Loss (gain) on sales of marketable securities	(25,987)	—	—
Loss (gain) on sales of investment securities	(5,669)	(5,000)	(44,563)
Recovery of recoverable accounts under production sharing (capital expenditures)	64,200	79,874	711,889
Recoverable accounts under production sharing (operating expenditures)	(45,833)	(2,823)	(25,160)
Accounts receivable—trade	15,193	(16,351)	(145,731)
Inventories	(2,551)	5,593	49,848
Accounts payable—trade	(4,389)	4,300	38,324
Accounts receivable—other	41,632	11,569	103,111
Accounts payable—other	(13,746)	4,182	37,273
Advances received	2,882	280	2,496
Other	15,294	23,312	207,772
Subtotal	549,053	552,790	4,926,827
Interest and dividends received	31,447	18,773	167,317
Interest paid	(3,206)	(2,912)	(25,954)
Income taxes paid	(393,586)	(292,841)	(2,609,990)
Net cash provided by (used in) operating activities	183,708	275,810	2,458,200
Cash flows from investing activities			
Payments for time deposits	(544,331)	(355,238)	(3,166,114)
Proceeds from time deposits	790,267	921,781	8,215,517
Payments for long-term time deposits	(439,989)	—	—
Payments for purchases of tangible fixed assets	(476,789)	(278,360)	(2,480,927)
Proceeds from sales of tangible fixed assets	1,132	4,611	41,096
Payments for purchases of intangible assets	(26,898)	(21,954)	(195,668)
Proceeds from sales and redemptions of marketable securities	175,585	—	—
Payments for purchases of investment securities	(6,877)	(80,225)	(715,018)
Proceeds from sales and redemptions of investment securities	27,701	10,601	94,483
Investment in recoverable accounts under production sharing (capital expenditures)	(60,442)	(37,326)	(332,674)
Decrease (increase) in short-term loans receivable	(4,120)	(1,322)	(11,783)
Long-term loans made	(215,710)	(133,478)	(1,189,643)
Collection of long-term loans receivable	384,759	275	2,451
Payments for purchases of mining rights	(134,516)	—	—
Other	(13,306)	24,119	214,964
Net cash provided by (used in) investing activities	(543,534)	53,484	476,684
Cash flows from financing activities			
Increase (decrease) in short-term loans	92	(96)	(856)
Proceeds from long-term debt	127,120	11,760	104,813
Repayments of long-term debt	(26,869)	(62,904)	(560,642)
Proceeds from non-controlling interests for additional shares	87,279	16,110	143,583
Cash dividends paid	(26,298)	(26,287)	(234,287)
Cash dividends paid to non-controlling interests	(4,524)	(3,939)	(35,107)
Other	(74)	(72)	(641)
Net cash provided by (used in) financing activities	156,726	(65,428)	(583,137)
Effect of exchange rate changes on cash and cash equivalents	(4,065)	(888)	(7,915)
Net increase (decrease) in cash and cash equivalents	(207,165)	262,978	2,343,832
Cash and cash equivalents at beginning of the period	260,978	53,813	479,617
Cash and cash equivalents at end of the period	¥ 53,813	¥ 316,791	\$ 2,823,449

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

INPEX CORPORATION and Consolidated Subsidiaries

1. BASIS OF PRESENTATION

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

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

The accompanying consolidated financial statements have been prepared by using the accounts of foreign consolidated subsidiaries prepared in accordance with International Financial Reporting Standards, or IFRS or the accounting principles generally accepted in

the United States, or U.S. GAAP as adjusted for certain items.

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

The Company has made certain reclassifications of the previous years' consolidated financial statements to conform to the presentation used for the year ended March 31, 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

For the 48 companies for which the closing date differed from the consolidated closing date, including but not limited to, INPEX Sahul, Ltd. and INPEX Masela, Ltd., the financial statements for the year ended December 31 were used. However, the necessary adjustments have been made to the financial statements of those companies to reflect any significant transactions made between the Company's closing date and that of the consolidated subsidiaries. For the 10 companies, including but not limited to, Japan Oil Development, Co., Ltd., INPEX Southwest Caspian Sea, Ltd., INPEX North Caspian Sea, Ltd., INPEX Holdings Australia Pty Ltd, and INPEX Ichthys Pty Ltd, the financial statements for the year ended on the consolidated closing date were used, even though their closing date is December 31.

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

(b) Cash equivalents

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

(c) Foreign currency translation

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

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

(d) Securities

In general, securities are classified into three categories: trading, held-to-maturity or other securities. Securities held by the Company and its subsidiaries are all classified as other securities. Other

securities with a determinable market value are mainly stated at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Other securities without a determinable market value are stated at cost. Cost of securities sold is determined by the moving average method.

(e) Derivatives

Derivatives are stated at fair value.

(f) Inventories

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

(g) Allowance for doubtful accounts

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

(h) Recoverable accounts under production sharing and related allowance

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

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

(i) Allowance for investments in exploration

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

(j) Tangible fixed assets (except leased assets)

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

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

(k) Intangible assets (except leased assets)

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

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

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

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

(l) Leased assets

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

(m) Provision for exploration projects

Provision for exploration projects is provided for future expenditures of consolidated subsidiaries at the exploration stage based on a schedule of investments in exploration.

(n) Accrued bonuses to officers

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

(o) Provision for loss on business

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

(p) Accrued special repair and maintenance

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

(q) Accounting for retirement benefits

(Method of attributing expected retirement benefits to proper periods)

When calculating retirement benefit obligations, the benefit formula method is used for attributing expected retirement benefits to periods through March 31, 2017. 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.

(r) Asset retirement obligations

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

(s) Hedge accounting

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

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

(t) Research and development expenses

Research and development expenses are charged to income as incurred.

(u) 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.

(v) Changes in accounting estimates

(Change in useful life)

The Company reviewed the estimated period of economic use of structures (pipelines) considering the progress of initiatives on strengthening our gas supply chain defined in the "Medium- to Long-Term Vision", actual use records and others since the Toyama Line commenced operation in the year ended March 31, 2017. It was confirmed that they could be used longer than their conventional useful lives, which had been based on the method prescribed in the Corporation Tax Act, and the Company has changed their useful lives from the year ended March 31, 2017.

As a result, compared with the conventional method, operating income and income before income taxes for the year ended March 31, 2017 increased by ¥7,171 million (\$63,913 thousand), respectively.

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 ¥112.20=US\$1.00, the approximate exchange rate in effect as of March 31, 2017. This translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

4. STATUS OF FINANCIAL INSTRUMENTS

(a) Policy regarding financial instruments

The Company raises funds for oil and gas development and production, construction or expansion of gas infrastructure primarily from cash flow on hand and from bank loans. Oil and gas development projects are primarily funded from long-term loans that the Company has secured from the Japan Bank for International Cooperation, Japanese commercial banks and others. Japan Oil, Gas and Metals National Corporation has provided guarantees for the principal on certain outstanding amounts of the Company's long-term loans. The Development Bank of Japan and Japanese commercial banks and others have provided long-term loans for the construction or expansion of domestic gas infrastructure. The Company generally borrows loans with variable interest rates, while some loans are with a fixed interest rate depending on the nature of each project.

Regarding the financing policy, the Company manages funds mainly from deposits and government bonds, which are considered to be of low-risk and high-liquidity. The Company limits the use of derivative transactions for managing risks of forecasted transactions and portfolio assets, and does not engage in speculative derivative transactions.

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

(Credit risk related to trade receivables)

Trade receivables such as accounts receivable-trade and accounts receivable-other are comprised mainly from sales of crude oil and natural gas. Main trading partners are national oil companies, major oil companies and others. In line with the criteria for trading and credit exposure management, the Company properly analyzes the status of trading partners for early detection and reduction of default risks.

(Market price fluctuation risk related to securities)

For marketable securities and investment securities exposed to market price fluctuation risk, analysis of market values is regularly reported to the Executive Committee. For shares of stock, the Company mainly holds shares of trading partners and others to establish close and smooth relationships for the purpose of maintaining a medium- to long-term stable business. A part of these shares are held for the purpose of investment. As for bonds, the Company mainly holds bonds with short-term maturities by considering medium- to long-term cash outflow forecast and market price fluctuation risk.

(Interest rate fluctuation risk related to short-term loans and long-term debt)

Loans are mainly used to fund oil and natural gas development projects and construction or expansion of domestic gas infrastructure and others. The borrowing period is determined considering the financial prospects of the project and useful lives of the facilities. Loans with variable interest rates are exposed to interest rate fluctuation risk, however, the Company analyzes the impact of interest rate fluctuation at the time of borrowing and on an annual basis, and leverages fixed-rate-loans or interest rate swaps as necessary.

(Exchange rates fluctuation risk related to assets and liabilities in foreign currencies)

As most of the Company's business is conducted overseas, the Company is exposed to exchange rate fluctuation risk due to a large portion of monetary assets and liabilities held in foreign currencies such as cash and deposits, accounts receivables and loans required in overseas projects. As a result of fiscal year-end conversion, yen appreciation causes a foreign exchange loss on assets and a foreign exchange gain on liabilities while yen depreciation causes a foreign exchange gain on assets and a foreign exchange loss on liabilities. For this reason, the Company endeavors to reduce exchange rate fluctuation risk by maintaining the position between assets and liabilities in foreign currencies. In addition to planned expenditures in foreign currencies on the Ichthys Project and others, the Company manages exchange rate fluctuation risk through derivative transactions such as foreign exchange forwards and others as necessary.

(Management of derivative transactions)

For the above derivative transactions, the Company follows its internal rules. For derivative transactions exposed to market price fluctuation, market values of these derivatives are regularly reported to the Executive Committee, and the Company only transacts with financial institutions with high credit ratings to reduce counterparty risks for the use of derivatives.

(Management of liquidity risk related to financing)

The finance and accounting division controls cash management based on a monthly financing plan prepared by each project division and secures sufficient liquidity on hand to prepare for liquidity risk.

5. SECURITIES

(a) Information regarding other securities as of March 31, 2016 and 2017 is as follows:

March 31, 2016	Millions of yen		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities with carrying values exceeding their acquisition costs			
Stock	¥14,582	¥22,889	¥ 8,307
Bonds:			
Corporate bonds	5,500	5,509	9
Other	2,462	4,971	2,509
Subtotal	22,544	33,369	10,825
Securities with acquisition costs exceeding their carrying values			
Stock	33,676	28,054	(5,622)
Subtotal	33,676	28,054	(5,622)
Total	¥56,220	¥61,423	¥ 5,203

March 31, 2017	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						
Stock	¥33,905	¥40,369	¥6,464	\$302,184	\$359,795	\$57,611
Bonds:						
Corporate bonds	5,500	5,503	3	49,019	49,046	27
Other	2,178	4,963	2,785	19,412	44,234	24,822
Subtotal	41,583	50,835	9,252	370,615	453,075	82,460
Securities with acquisition costs exceeding their carrying values						
Stock	8,718	7,966	(752)	77,701	70,998	(6,703)
Subtotal	8,718	7,966	(752)	77,701	70,998	(6,703)
Total	¥50,301	¥58,801	¥8,500	\$448,316	\$524,073	\$75,757

(b) Information regarding sales of securities classified as other securities for the years ended March 31, 2016 and 2017 is as follows:

Year ended March 31, 2016	Millions of yen		
	Proceeds from sales	Gain on sales	Loss on sales
Bonds			
Public bonds	¥ 31,205	¥ 59	¥—
Corporate bonds	30,906	9	3
Other	102,667	31,633	—
Total	¥164,778	¥31,701	¥ 3

Year ended March 31, 2017	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
Stock	¥10,600	¥5,000	¥—	\$94,474	\$44,563	\$—

(c) Components of securities for which it is extremely difficult to determine fair value as of March 31, 2016 and 2017 are summarized as follows:

March 31,	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Other securities			
Unlisted securities	¥ 32,239	¥ 29,260	\$ 260,784
Stocks of subsidiaries and affiliates	120,069	163,527	1,457,460
Total	¥152,308	¥192,787	\$1,718,244

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

(d) Redemption schedule for securities with maturity dates classified as other securities as of March 31, 2017 is as follows:

March 31, 2017	Millions of yen				Thousands of U.S. dollars			
	1 year or less	More than 1 year but less than 5 years	More than 5 years but less than 10 years	More than 10 years	1 year or less	More than 1 year but less than 5 years	More than 5 years but less than 10 years	More than 10 years
Bonds								
Corporate bonds	¥5,500	¥—	¥—	¥—	\$49,020	\$—	\$—	\$—

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

(a) Short-term borrowings as of March 31, 2016 and 2017 are as follows:

March 31,	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Short-term borrowings from banks and others (Interest rates ranging from 0.784% to 19.000% and from 0.635% to 3.700% at March 31, 2016 and 2017)	¥5,182	¥4,948	\$44,100

(b) Long-term debt as of March 31, 2016 and 2017 are as follows:

March 31,	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Loans from banks and others, due through 2028 (Interest rates ranging from 0.360% to 2.012% and from 0.094% to 2.560% at March 31, 2016 and 2017)	¥736,386	¥682,737	\$6,085,000
Less: Current portion	63,287	39,305	350,312
	¥673,099	¥643,432	\$5,734,688

(c) Assets pledged as of March 31, 2016 and 2017 are as follows:

March 31,	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Cash and cash equivalents	¥ 1,507	¥ 222	\$ 1,979
Inventories	8,862	8,533	76,052
Land	150	150	1,337
Construction in progress	945,518	1,119,050	9,973,707
Investment securities	15,039	62,492	556,970
Long-term loans receivable	—	131,261	1,169,884
Other	15,113	10,147	90,436
Total	¥986,189	¥1,331,855	\$11,870,365

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

(d) Collateral-backed debt as of March 31, 2016 and 2017 are as follows:

March 31,	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Accounts payable—other	¥532	¥—	\$—

(e) The aggregate annual maturities of long-term debt subsequent to March 31, 2017 are summarized as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2018	¥ 39,305	\$ 350,312
2019	68,838	613,529
2020	117,226	1,044,795
2021	105,186	937,487
2022	62,274	555,027
2023 and thereafter	289,908	2,583,850
Total	¥682,737	\$6,085,000

7. INCOME TAXES

The Company and its domestic consolidated subsidiaries are subject to income taxes which, in the aggregate, resulted in a statutory tax rate of approximately 28.8% and 28.2% for the years ended March 31, 2016 and 2017, respectively.

(a) The effective tax rates reflected in the consolidated statement of income for the years ended March 31, 2016 and 2017 differ from the statutory tax rate for the following reasons:

Years ended March 31,	2016	2017
Statutory tax rate	28.8%	28.2%
Effect of:		
Permanently non-taxable expenses such as entertainment expenses	0.8	0.3
Permanently non-taxable income such as dividends income	(0.7)	(2.1)
Valuation allowance	8.8	6.3
Foreign taxes	95.3	76.3
Foreign tax credits	(15.4)	(12.6)
Adjustment of deducted amounts of foreign taxes	(13.3)	(15.6)
Amortization of goodwill	0.6	0.6
Differences of effective tax rates applied to tax effect accounting	1.1	1.8
Other	1.8	(0.3)
Effective tax rates	107.8%	82.9%

(b) The significant components of deferred tax assets and liabilities as of March 31, 2016 and 2017 are as follows:

March 31,	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Deferred tax assets			
Exploration expenditures	¥ 77,785	¥ 58,237	\$ 519,047
Loss on valuation of investment securities	2,583	2,413	21,506
Recoverable accounts under production sharing (foreign taxes)	8,524	7,096	63,244
Allowance for investments in exploration	573	776	6,916
Foreign taxes payable	32,102	18,727	166,907
Net operating loss carry forward	119,972	184,483	1,644,234
Accumulated depreciation	12,316	37,575	334,893
Liability for retirement benefits	2,070	1,960	17,469
Provision for loss on business	1,338	825	7,353
Translation differences of assets and liabilities denominated in foreign currencies	15,802	15,090	134,492
Asset retirement obligations	11,830	14,142	126,043
Allowance for doubtful accounts	3,958	6,189	55,160
Impairment loss	14,605	15,418	137,415
Other	23,597	37,145	331,061
Total gross deferred tax assets	327,055	400,076	3,565,740
Valuation allowance	(276,292)	(315,192)	(2,809,198)
Total deferred tax assets	50,763	84,884	756,542
Deferred tax liabilities			
Foreign taxes	(83,019)	(83,042)	(740,125)
Translation differences of assets and liabilities denominated in foreign currencies	(234)	(102)	(909)
Reserve for overseas investment loss	(2,840)	—	—
Translation differences due to an application of purchase accounting method	(1,732)	(7,052)	(62,852)
Reserve for exploration	(5,026)	(5,509)	(49,100)
Unrealized holding gain on securities	(248)	(2,023)	(18,030)
Other	(6,331)	(3,993)	(35,588)
Total deferred tax liabilities	(99,430)	(101,721)	(906,604)
Net deferred tax assets (liabilities)	¥ (48,667)	¥ (16,837)	\$ (150,062)

8. COMPREHENSIVE INCOME

Amount of reclassification adjustments and income tax effects allocated to each component of other comprehensive income for the years ended March 31, 2016 and 2017 are as follows:

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Unrealized holding gain (loss) on securities			
Amount recognized during the period	¥ (15,819)	¥ 8,327	\$ 74,216
Amount of reclassification adjustments	(27,568)	(5,030)	(44,831)
Before income tax effect	(43,387)	3,297	29,385
Amount of income tax effect	2,293	(1,775)	(15,820)
	(41,094)	1,522	13,565
Translation adjustments			
Amount recognized during the period	(128,941)	(19,878)	(177,166)
Amount of reclassification adjustment	(138)	10	89
	(129,079)	(19,868)	(177,077)
Share of other comprehensive income of affiliates accounted for by the equity-method			
Amount recognized during the period	8,668	(2,838)	(25,294)
Amount of reclassification adjustments	(154)	(553)	(4,929)
Adjustment for acquisition cost of assets	20,796	9,511	84,769
	29,310	6,120	54,546
Total other comprehensive income	¥(140,863)	¥(12,226)	\$(108,966)

9. NET ASSETS

The total number of the Company's shares issued consisted of 1,462,323,600 shares of common stock and 1 Class A stock as of March 31, 2017.

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

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

Class A stock shareholder may request the Company to acquire Class A stock. Besides, the Company may also acquire Class A stock

by a resolution of the meeting of the Board of Directors in case where Class A stock is transferred to a non-public entity.

The Company conducted a stock split at a ratio of 1:400 of common stock with October 1, 2013 as the effective date, but for Class A stock, no stock split was conducted. The Articles of Incorporation specifies that dividends of Class A stock are equivalent to dividends of a common stock prior to the stock split. The cash dividends of Class A stock for the year ended March 31, 2017 amounted to ¥7,200.

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

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

10. AMOUNTS PER SHARE

Amounts per share as of March 31, 2016 and 2017 are as follows:

Years ended March 31,	Yen		U.S. dollars
	2016	2017	2017
Net assets excluding non-controlling interests per share	¥2,008.34	¥2,015.38	\$17.96
Cash dividends per share	18.00	18.00	0.16
Net income per share	¥ 11.49	¥ 31.61	\$ 0.28

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

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

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

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

11. DERIVATIVE TRANSACTIONS

(a) Derivatives not subject to hedge accounting

Contract amounts, fair value and valuation gain (loss) regarding derivatives not subject to hedge accounting as of March 31, 2016 and 2017 are as follows:

March 31, 2016	Millions of yen			
	Contract amounts	Due after one year	Fair value	Valuation gain (loss)
Foreign exchange forwards*				
Sell (CAD)			¥(270)	¥(270)
Buy (USD)	¥37,451	¥—		

March 31, 2017	Millions of yen			
	Contract amounts	Due after one year	Fair value	Valuation gain (loss)
Foreign exchange forwards*				
Sell (CAD)			¥43	¥43
Buy (USD)	¥39,981	¥—		

March 31, 2017	Thousands of U.S. dollars			
	Contract amounts	Due after one year	Fair value	Valuation gain (loss)
Foreign exchange forwards*				
Sell (CAD)			\$383	\$383
Buy (USD)	\$356,337	\$—		

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

(b) Derivatives subject to hedge accounting

Contract amounts, fair value and valuation gain (loss) regarding derivatives subject to hedge accounting as of March 31, 2016 and 2017 are as follows:

March 31, 2016	Principal items hedged	Millions of yen		
		Contract amounts	Due after one year	Fair value
Interest rate swaps				
Payment fixed, receipt fluctuated (Special treatment)	Long-term debt	¥4,760	¥4,760	*

March 31, 2017	Principal items hedged	Millions of yen		
		Contract amounts	Due after one year	Fair value
Interest rate swaps				
Payment fixed, receipt fluctuated (Special treatment)	Long-term debt	¥4,760	¥4,760	*

March 31, 2017	Principal items hedged	Thousands of U.S. dollars		
		Contract amounts	Due after one year	Fair value
Interest rate swaps				
Payment fixed, receipt fluctuated (Special treatment)	Long-term debt	\$42,424	\$42,424	*

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

12. OTHER FINANCIAL INSTRUMENTS

(a) The carrying value and estimated fair value of financial instruments excluding marketable securities and investment securities which are disclosed in Note 5.(a) and derivatives which are disclosed in Note 11 as of March 31, 2016 and 2017 are as shown below. The following summary also excludes cash and cash equivalents, and accounts receivable-trade for which fair values approximate their carrying amounts.

March 31, 2016	Millions of yen	
	Carrying value	Estimated fair value
Time deposits	¥718,715	¥723,322
Short-term borrowings and current portion of long-term debt	68,469	68,361
Long-term debt	¥673,099	¥663,985

March 31, 2017	Millions of yen		Thousands of U.S. dollars	
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
Time deposits	¥335,824	¥335,906	\$2,993,084	\$2,993,815
Short-term borrowings and current portion of long-term debt	44,253	43,967	394,412	391,863
Long-term debt	¥643,432	¥635,083	\$5,734,688	\$5,660,276

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

(Time deposits)

The fair value of current portion of long-term time deposits included in time deposits, is calculated by applying a discount rate to the total of principal and interest. The discount rate is based on the assumed interest rate if a similar new deposit is entered into. For the other time

deposits, the relevant carrying value is used since the item is settled in a short period of time and its market value is almost the same as the carrying value.

(Short-term borrowings and current portion of long-term debt)

The estimated fair value of current portion of long-term debt is calculated by the same method as long-term debt. For short-term borrowings, the relevant carrying value is used since these items are settled in a short periods of time and its fair value is almost the same as the carrying value.

(Long-term debt)

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

13. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses included in general and administrative expenses and cost of sales amounted to ¥755 million and ¥1,984 million (\$17,683 thousand) for the years ended March 31, 2016 and 2017, respectively.

14. IMPAIRMENT LOSS

The Company groups mining area and other assets as a basic unit that generates cash inflows independently of other groups of assets. Due to impact from deteriorating business environments based on such factors as the drop in oil prices, the Company reduced the respective carrying amounts of the assets listed below to recoverable amounts, posting the reductions as impairment loss.

For the year ended March 31, 2016

Use	Location	Classification	Impairment loss
			Millions of yen
Assets related to Keathley Canyon Blocks 874/875/918/919 (Lucius Oil Field)	U.S. Gulf of Mexico	Wells	¥ 2,335
		Machinery, equipment and vehicles	4,379
		Mining rights	19,736
		Subtotal	26,450
Assets related to JPDA06-105 Block (Kitan Oil Field)	Timor Sea Joint Petroleum Development Area (JPDA), the Commonwealth of Australia / the Democratic Republic of Timor-Leste	Wells	2,702
		Machinery, equipment and vehicles	2,517
		Construction in progress	2,185
		Subtotal	7,404
Assets related to the shale gas project in the Horn River area	British Columbia, Canada	Buildings and structures	392
		Wells	2,858
		Machinery, equipment and vehicles	745
		Mining rights	471
		Other	104
Subtotal	4,570		
Assets related to Copa Macoya Block	Bolivarian Republic of Venezuela	Buildings and structures	73
		Wells	945
		Machinery, equipment and vehicles	77
		Construction in progress	2,587
		Other	3
Subtotal	3,685		
Assets related to Abu Al Bukhoosh Block	UAE	Buildings and structures	76
		Wells	1,202
		Machinery, equipment and vehicles	1,294
		Construction in progress	577
		Other	43
Subtotal	3,192		
Other			584
Total			¥45,885

The recoverable amount of the assets related to Keathley Canyon Blocks 874/875/918/919 (Lucius Oil Field), the shale gas project in the Horn River area and Abu Al Bukhoosh Block is reasonably estimated by discounting the future cash flows at a rate of 6.5%. The recoverable amount of the assets related to JPDA06-105 Block (Kitan Oil Field) and Copa Macoya Block is estimated at zero.

For the year ended March 31, 2017

Use	Location	Classification	Impairment loss	
			Millions of yen	Thousands of U.S. dollars
Assets related to the shale gas project in the Horn River area	British Columbia, Canada	Buildings and structures	¥ 225	\$ 2,005
		Wells	1,689	15,053
		Machinery, equipment and vehicles	421	3,752
		Mining rights	268	2,389
		Other	27	241
		Subtotal	2,630	23,440
Assets related to Yabase Oil Field	Akita City, Akita, etc.	Buildings and structures	650	5,793
		Wells	11	98
		Machinery, equipment and vehicles	906	8,075
		Land	443	3,948
		Other	17	152
		Subtotal	2,027	18,066
Assets related to South Natuna Sea Block B	Republic of Indonesia	Exploration and development rights	1,703	15,178
Other			6	54
Total			¥6,366	\$56,738

The recoverable amount of the assets related to the shale gas project in the Horn River area is reasonably estimated by discounting the future cash flows at a rate of 8.3%. The recoverable amount of the assets related to South Natuna Sea Block B is estimated at zero. The recoverable assets of the land related to Yabase Oil Field is estimated by the net realizable value of the assets (reasonably adjusted amount based on the valuation for real estate tax purposes), and the others are estimated at zero.

15. RETIREMENT BENEFITS

Retirement benefits for the years ended March 31, 2016 and 2017 are as follows:

(a) Defined benefit plans

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

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Balance at beginning of the period	¥19,979	¥20,500	\$182,709
Service cost	1,047	1,046	9,323
Interest cost	204	209	1,863
Actuarial loss (gain)	(187)	(9)	(80)
Retirement benefits paid	(543)	(679)	(6,052)
Balance at end of the period	¥20,500	¥21,067	\$187,763

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

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Balance at beginning of the period	¥13,940	¥13,552	\$120,784
Expected return on plan assets	348	339	3,022
Actuarial gain (loss)	(916)	356	3,173
Contributions to the plans	567	592	5,276
Retirement benefits paid	(387)	(378)	(3,369)
Contributions to retirement benefit trust	—	1,135	10,116
Balance at end of the period	¥13,552	¥15,596	\$139,002

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

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Balance at beginning of the period	¥ 661	¥514	\$4,581
Retirement benefit expenses	86	62	553
Retirement benefits paid	(32)	(90)	(802)
Contributions to the plans	(13)	(13)	(116)
Other	(188)	9	80
Balance at end of the period	¥ 514	¥482	\$4,296

(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
	2016	2017	2017
Retirement benefit obligations (funded plans)	¥ 20,780	¥ 21,334	\$ 190,143
Plan assets at fair value	(13,778)	(15,810)	(140,909)
	7,002	5,524	49,234
Retirement benefit obligations (unfunded plans)	460	429	3,823
Net liability (asset) on consolidated balance sheet	7,462	5,953	53,057
Liability for retirement benefits	7,462	5,953	53,057
Net liability (asset) on consolidated balance sheet	¥ 7,462	¥ 5,953	\$ 53,057

* Including plans applying simplified methods.

(5) Details of retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Service cost	¥1,047	¥1,046	\$ 9,323
Interest cost	204	209	1,863
Expected return on plan assets	(348)	(339)	(3,022)
Amortization of actuarial loss (gain)	729	(365)	(3,253)
Retirement benefit expenses under simplified methods	85	63	561
Retirement benefit expenses for defined benefit plans	¥1,717	¥ 614	\$ 5,472

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

Components of plan assets	2016	2017
Stock	39%	44%
General accounts	43%	39%
Bonds	18%	17%
Other	0%	0%
Total	100%	100%

(7) Basis of measurement for long-term expected return rate on plan assets

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

(8) Basis of the actuarial assumptions

	2016	2017
Discount rate	1.0%	1.0%
Long-term expected return rate on plan assets	2.5%	2.5%

(b) Defined contribution plans

The Group's contributions for defined contribution plans amounted to ¥1,913 million and ¥2,302 million (\$20,517 thousand) for the years ended March 31, 2016 and 2017, respectively.

16. ASSET RETIREMENT OBLIGATIONS

(a) Asset retirement obligations recognized in the consolidated balance sheet

The changes in asset retirement obligations for the years ended March 31, 2016 and 2017 are as follows:

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Balance at beginning of the period	¥106,328	¥103,063	\$918,565
New obligations	10,103	15,611	139,135
Accretion expenses	1,793	2,592	23,102
Obligations settled	(503)	(1,504)	(13,405)
Change in estimates * ¹	(7,166)	(9,336)	(83,208)
Other * ²	(7,492)	(1,280)	(11,408)
Balance at end of the period	¥103,063	¥109,146	\$972,781

*1 "Change in estimates" for the year ended March 31, 2016 mainly reflects the change in the estimated period of use of certain subsidiaries.

"Change in estimates" for the year ended March 31, 2017 mainly reflects the revised discount rate of certain subsidiaries.

*2 "Other" mainly includes the change due to foreign exchange rates fluctuation.

(b) Asset retirement obligations other than those recognized in the consolidated balance sheet

Regarding domestic oil and gas production facilities and gas supply and marketing facilities, the Group has obligations to prevent mine pollution at abandoned well sites after the completion of the production under Mine Safety Act and restore sites to their original condition at the time of business termination in accordance with lease contracts.

Among these facilities, certain domestic oil and gas production facilities are operated complementarily and holistically in connection with the LNG terminal and it is impossible to determine the timing of decommission since it is difficult to formulate reasonable long-term production plan considering the balance between the production and the inflow of LNG at this time. The Group plans to operate domestic gas supply and marketing facilities permanently as highly public infrastructures for energy supply.

The Group also has obligations to decommission mines with respect to certain overseas oil production facilities. However, it is difficult to estimate retirement costs since the information about decommissioning work including the assets subject to the work based on the approval by the government of oil-producing country has not been specified yet.

Therefore, it is impossible to estimate the relevant asset retirement obligations reasonably and the Group does not recognize them in the consolidated balance sheet.

17. GOODWILL

The changes in the carrying amount of goodwill for the years ended March 31, 2016 and 2017 are as follows:

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Balance at beginning of the period	¥74,319	¥67,558	\$602,121
Goodwill acquired during the period	—	—	—
Amortization of goodwill	(6,761)	(6,761)	(60,258)
Balance at end of the period	¥67,558	¥60,797	\$541,863

18. LEASES

Future minimum lease payments subsequent to March 31, 2017 for operating lease transactions are summarized as follows:

(a) As lessee

	Millions of yen	Thousands of U.S. dollars
2018	¥ 4,594	\$ 40,945
2019 and thereafter	11,285	100,579
Total	¥15,879	\$141,524

(b) As lessor

	Millions of yen	Thousands of U.S. dollars
2018	¥49	\$437
2019 and thereafter	—	—
Total	¥49	\$437

19. CONTINGENT LIABILITIES

As of March 31, 2017, the Company and its consolidated subsidiaries were contingently liable as guarantors of indebtedness of affiliates in the aggregate amount of ¥585,233 million (\$5,215,980 thousand).

In addition, the Company guarantees for derivative transactions utilized to hedge exchange rate fluctuation risk regarding payments of development costs for the Ichthys LNG Project. The relevant loss on valuation as of March 31, 2017 was ¥212 million (\$1,889 thousand).

In connection with the Ichthys LNG Project Finance, the Company and other project participants provide lenders with a guarantee of liabilities during the construction phase based on each participating interest. The portion guaranteed by the Company as of March 31, 2017, was ¥903,862 million (\$8,055,811 thousand).

20. SEGMENT INFORMATION

Segment information for the years ended March 31, 2016 and 2017

(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), "Middle East & Africa" (mainly UAE) and "Americas."

The Company produces oil and natural gas in each segment. In addition, the Company conducts marketing activities for 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".

As described in Note 2. (v) Changes in accounting estimates, the Company reviewed the period of economic estimated use of structures (pipelines) considering the progress of initiatives on strengthening our gas supply chain defined in the "Medium- to Long-Term Vision", actual use records and others since the Toyama Line commenced operation in the year ended March 31, 2017. It was confirmed that they could be used longer than their conventional useful lives, which had been based on the method prescribed in the Corporation Tax Act, and the Company has changed their useful lives from the year ended March 31, 2017. As a result, compared with the conventional method, "Japan" segment income for the year ended March 31, 2017 increased by ¥7,171 million (\$63,913 thousand).

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

Millions of yen

Year ended March 31, 2016	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Total	Adjustments *1	Consolidated *2
Sales to third parties	¥109,601	¥ 302,871	¥ 66,852	¥516,513	¥ 13,727	¥1,009,564	¥ —	¥1,009,564
Total sales	109,601	302,871	66,852	516,513	13,727	1,009,564	—	1,009,564
Segment income (loss)	12,096	97,204	13,832	290,866	(14,002)	399,996	(9,857)	390,139
Segment assets	338,026	1,729,119	576,843	412,577	165,634	3,222,199	1,147,643	4,369,842
Other items								
Depreciation and amortization	20,642	23,171	10,143	14,756	16,440	85,152	1,639	86,791
Amortization of goodwill	—	—	—	—	(192)	(192)	6,953	6,761
Investment to affiliates accounted for by the equity-method	1,684	73,328	—	35,535	—	110,547	—	110,547
Increase of tangible fixed assets and intangible assets	¥ 59,369	¥ 308,434	¥ 24,156	¥210,659	¥ 4,798	¥ 607,416	¥ 1,652	¥ 609,068

Millions of yen

Year ended March 31, 2017	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Total	Adjustments *1	Consolidated *2
Sales to third parties	¥102,660	¥ 218,099	¥ 60,192	¥482,182	¥ 11,290	¥ 874,423	¥ —	¥ 874,423
Total sales	102,660	218,099	60,192	482,182	11,290	874,423	—	874,423
Segment income (loss)	18,034	51,566	12,113	276,870	(9,361)	349,222	(12,769)	336,453
Segment assets	320,853	1,997,494	600,854	446,792	137,119	3,503,112	809,062	4,312,174
Other items								
Depreciation and amortization	16,992	21,623	10,328	29,298	11,405	89,646	1,513	91,159
Amortization of goodwill	—	—	—	—	(192)	(192)	6,953	6,761
Investment to affiliates accounted for by the equity-method	1,966	116,619	253	34,773	—	153,611	281	153,892
Increase of tangible fixed assets and intangible assets	¥ 15,082	¥ 197,958	¥ 19,871	¥ 42,967	¥ 3,329	¥ 279,207	¥ 574	¥ 279,781

Thousands of U.S. dollars

Year ended March 31, 2017	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Total	Adjustments *1	Consolidated *2
Sales to third parties	\$ 914,973	\$ 1,943,841	\$ 536,471	\$4,297,522	\$ 100,624	\$ 7,793,431	\$ —	\$ 7,793,431
Total sales	914,973	1,943,841	536,471	4,297,522	100,624	7,793,431	—	7,793,431
Segment income (loss)	160,731	459,590	107,959	2,467,647	(83,431)	3,112,496	(113,806)	2,998,690
Segment assets	2,859,652	17,802,977	5,355,205	3,982,104	1,222,094	31,222,032	7,210,891	38,432,923
Other items								
Depreciation and amortization	151,444	192,718	92,050	261,123	101,649	798,984	13,485	812,469
Amortization of goodwill	—	—	—	—	(1,711)	(1,711)	61,969	60,258
Investment to affiliates accounted for by the equity-method	17,522	1,039,385	2,255	309,920	—	1,369,082	2,504	1,371,586
Increase of tangible fixed assets and intangible assets	\$ 134,421	\$ 1,764,332	\$ 177,103	\$ 382,950	\$ 29,670	\$ 2,488,476	\$ 5,116	\$ 2,493,592

*1 Adjustments include elimination of inter-segment transactions and corporate incomes, expenses and assets that are not allocated to a reportable segment.

*2 Segment income is reconciled with operating income on the consolidated statement of income.

(d) Products and service information

(Sales to third parties)

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Crude oil	¥ 679,241	¥617,194	\$5,500,837
Natural gas (excluding LPG)	306,206	235,794	2,101,551
LPG	10,555	6,782	60,446
Other	13,562	14,653	130,597
Total	¥1,009,564	¥874,423	\$7,793,431

(e) Geographical information

(Sales)

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Japan	¥ 491,204	¥409,945	\$3,653,699
Asia & Oceania (excluding Singapore)	279,532	296,733	2,644,679
Singapore	98,862	91,226	813,066
Other	139,966	76,519	681,987
Total	¥1,009,564	¥874,423	\$7,793,431

(Tangible fixed assets)

March 31,	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Japan	¥ 291,248	¥ 282,442	\$ 2,517,308
Australia	1,209,075	1,390,187	12,390,258
Other	252,292	255,969	2,281,364
Total	¥1,752,615	¥1,928,598	\$17,188,930

(f) Information on impairment loss from fixed assets

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Japan	¥ —	¥2,033	\$18,120
Asia & Oceania	7,404	1,703	15,178
Middle East & Africa	3,192	—	—
Americas	35,289	2,630	23,440
Total	¥45,885	¥6,366	\$56,738

21. RELATED PARTY TRANSACTIONS

There are the following related party transactions for the years ended March 31, 2016 and 2017.

(a) Affiliated company

Year ended March 31, 2016

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	\$482,700 thousand	Transportation, liquefaction and sales of oil and natural gas through pipeline in WA-50-L block in offshore Western Australia	Indirectly 62.25%	Serve the officer concurrently, capital subscription	Loans of funds*1	¥ 215,138		—		¥—
						Guarantee of liabilities*2	¥1,388,370		—		¥—

Year ended March 31, 2017

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	\$1,617,600 thousand	Transportation, liquefaction and sales of oil and natural gas through pipeline in WA-50-L block in offshore Western Australia	Indirectly 62.25%	Serve the officer concurrently, capital subscription	Loans of funds*1	¥ 133,107	\$ 1,186,337	Long-term loans receivable	¥131,261	\$1,169,884
						Subscription for new shares	¥76,562	\$682,371	—	—	—
						Guarantee of liabilities*2	¥1,466,099	\$13,066,836	—	¥ —	\$ —

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

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

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

The significant affiliated company for the years ended March 31, 2016 and 2017 is Ichthys LNG Pty Ltd. The summary of its financial information is as follows:

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Total current assets	¥ 46,826	¥ 20,516	\$ 182,852
Total fixed assets	2,604,208	3,094,713	27,582,112
Total current liabilities	75,472	61,411	547,335
Total long-term liabilities	2,537,755	2,882,514	25,690,856
Total net assets	37,807	171,304	1,526,773
Net sales	—	—	—
Net income (loss) before income taxes	¥ (3,901)	¥ (1,882)	\$ (16,774)
Net income (loss)	¥ (572)	¥ (1,634)	\$ (14,563)

Independent Auditor's Report



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Independent Auditor's Report

The Board of Directors
INPEX CORPORATION

We have audited the accompanying consolidated financial statements of INPEX CORPORATION and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2017, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of INPEX CORPORATION and its consolidated subsidiaries as at March 31, 2017, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

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

Ernst & Young ShinNihon LLC

June 27, 2017
Tokyo, Japan

Subsidiaries and Affiliates

As of March 31, 2017

Consolidated Subsidiaries

Company name	Issued capital* (Millions of yen)	Voting rights held by us (%)	Main business
INPEX Sahul, Ltd.	4,600	100.00%	Exploration, development, production and sales of oil and natural gas in the JPDA03-12 Block and Bayu-Undan Gas-Condensate Field in the Timor Sea JPDA, Australia and East Timor
INPEX Alpha, Ltd.	8,014	100.00%	Exploration, development, production and sales of oil and natural gas in the WA-35-L Block and others, Australia
INPEX Tengah, Ltd.	1,020	100.00%	Exploration, development, production and sales of oil and natural gas in the Tengah Block in Offshore East Kalimantan, Indonesia
INPEX Browse, Ltd.	423,190	100.00%	Financing for oil and natural gas exploration and development in the WA-285-P Block and others, Australia
INPEX Ichthys Pty Ltd	804,456 (Thousands of U.S. dollars)	100.00%	Exploration and development of oil and natural gas in the Ichthys Gas-Condensate Field (WA-50-L/WA-51-L), Australia
INPEX Browse E&P Pty Ltd	358,650 (Thousands of U.S. dollars)	100.00%	Exploration of oil and natural gas in the WA-494-P Block and others, Australia
INPEX Masela, Ltd.	58,518	51.93%	Exploration and development of oil and natural gas in the Masela Block in the Arafura Sea, Indonesia
INPEX South Makassar, Ltd.	1,097	100.00%	Exploration, development, production and sales of oil and natural gas in the Sebuku Block in the Makassar Strait, Indonesia
INPEX Oil & Gas Australia Pty Ltd	746,000 (Thousands of U.S. dollars)	100.00%	Exploration and development of oil and natural gas in the Prelude Gas Field (WA-44-L) and others, Australia
INPEX Babar Selaru, Ltd.	1,426	51.01%	Exploration of oil and natural gas in the Babar Selaru Block in the eastern sea area, Indonesia
INPEX Southwest Caspian Sea, Ltd.	53,594	51.00%	Exploration, development, production and sales of oil in the ACG Oil Fields, Azerbaijan
INPEX North Caspian Sea, Ltd.	50,680	45.00%	Exploration, development, production and sales of oil in the Offshore North Caspian Sea Block, Kazakhstan
Japan Oil Development Co., Ltd.	18,800	100.00%	Exploration, development, production and sales of oil in the ADMA Block in Offshore Abu Dhabi, United Arab Emirates
INPEX ABK, Ltd.	2,500	100.00%	Exploration, development, production and sales of oil in the Abu Al Bukhoosh Block in Offshore Abu Dhabi, United Arab Emirates
JODCO Onshore Limited	111 (Thousands of U.S. dollars)	65.76%	Exploration, development, production and sales of oil in the ADCO Block in onshore Abu Dhabi, United Arab Emirates
Teikoku Oil (D.R. Congo) Co., Ltd.	10	100.00%	Exploration, development, production and sales of oil in the Offshore D.R. Congo Block
INPEX Angola Block 14 Ltd.	475,600 (Thousands of U.S. dollars)	100.00%	Investment in oil exploration, development, production and sales in Block 14, Offshore Angola
Teikoku Oil & Gas Venezuela, C.A.	1,620 (Thousands of bolivars)	100.00%	Investment in exploration, development, production and sale of natural gas in the Copa Macoya Block and exploration, development, production and sale of oil in the Guarico Oriental Block, Bolivarian Republic of Venezuela
Teikoku Oil (North America) Co., Ltd.	19,793 (Thousands of U.S. dollars)	100.00%	Exploration, development, production and sales of oil and natural gas in the Lucius Oil Field and others, in the U.S. Gulf of Mexico
INPEX Canada, Ltd.	10	100.00%	Exploration and development of oil including oil sands in the Joslyn project, Canada
INPEX Gas British Columbia Ltd.	1,043,488 (Thousands of Canadian dollars)	45.09%	Exploration, development, production and sales of natural gas in the shale gas blocks of the Horn River, Cordova and Liard basins in British Columbia, Canada
Teiseki Pipeline Co., Ltd.	100	100.00%	Natural gas transportation, pipeline operation, maintenance and management

Company name	Issued capital* (Millions of yen)	Voting rights held by us (%)	Main business
INPEX DLNGPL Pty Ltd	86,135 (Thousands of AUS dollars)	100.00%	Investment in Darwin LNG Pty Ltd, which constructs and operates the undersea pipeline and LNG plant connecting the Bayu Undan Gas-Condensate Field and Darwin (Australia)
INPEX BTC Pipeline, Ltd.	63,800 (Thousands of U.S. dollars)	100.00%	Investment in the pipeline construction and management business that connects Baku (Azerbaijan), Tbilisi (Georgia) and Ceyhan (Turkey)
INPEX Trading, Ltd.	50	100.00%	Sales, agency and brokerage of crude oil and market research and sales planning in connection with oil and natural gas sales
Saitama Gas Co., Ltd.	60	62.67%	City gas sales
INPEX Geothermal Sarulla, Ltd.	10	100.00%	Supply of business capital, etc. to geothermal power project in Sarulla Geothermal Field, Indonesia

37 other subsidiaries

Equity-Method Affiliates

Company name	Issued capital* (Millions of yen)	Voting rights held by us (%)	Main business
MI Berau B.V.	588,601 (Thousands of U.S. dollars)	44.00%	Exploration, development, production and sales of natural gas in the Berau Block and the Tangguh LNG Project, West Papua province, Indonesia
PT Medco Geopower Sarulla	52,776 (Thousands of U.S. dollars)	49.00%	Supply of business capital, etc. to geothermal power project in Sarulla Geothermal Field, Indonesia
Ichthys LNG Pty Ltd	1,617,600 (Thousands of U.S. dollars)	62.25%	Engaged in laying the undersea pipeline from the Ichthys Gas-Condensate Field to the Darwin Onshore LNG Plant and building the LNG plant, Australia
Japan South Sakha Oil Co., Ltd.	1,563	25.16%	Supply of business capital for exploration, development, production and sales of oil in Zapadno-Yaraktinsky and Bolshetirsky blocks, Russia
Angola Japan Oil Co., Ltd.	8,000	19.60%	Exploration, development, production and sales of oil in the Offshore 3/05 Block and 3/05A Block, Angola
Angola Block 14 B.V.	18 (Thousands of euros)	49.99%	Exploration, development, production and sales of oil in Block 14, Offshore Angola
INPEX Offshore North Campos, Ltd.	6,852	37.50%	Financing for oil and natural gas exploration, development, production and sales in the Frade Block in Offshore North Campos, Brazil

13 other equity-method affiliates

Subsidiaries of Equity-Method Affiliates

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

2 other subsidiaries of equity-method affiliates

*Rounding off fractions less than the unit.

Business Risks

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

Unless stated otherwise, forward-looking statements in the discussion are the judgment of the Group as of June 28, 2017 and are subject to change after such date due to various factors, including changes in social and economic circumstances.

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

(1) Risk of failure in exploration, development or production

Payment of compensation is ordinarily necessary to acquire participating interests. Also, surveying and exploratory drilling expenses (exploration expenses) become necessary at the time of exploration activities for the purpose of discovering resources. When resources are discovered, it is necessary to further invest in substantial development expenses according to various conditions, including the size of the recoverable reserves, development costs and details of agreements with oil-producing countries (including gas-producing countries; hereinafter the same shall apply).

There is, however, no guarantee of discovering resources on a scale that makes development and production feasible. The probability of such discoveries is considerably low despite various technological advances in recent years, and even when resources are discovered the scale of the reserves does not necessarily make commercial production feasible. For this reason, the Group conservatively recognizes expenses related to exploration investment in our consolidated financial statements. The Group maintains financial soundness by booking 100% as expenses in the case of concession agreements (including mining rights awarded in Japan as well as permits, licenses and leases awarded overseas) and by booking 100% of exploration project investment as allowances in the case of production sharing agreements. In addition, if there are impossibilities of recovery of investment in a development project, we also book the corresponding amount of investment in the development project as allowances while considering the recovery possibility of each project.

To increase recoverable reserve and production volumes, the Group plans to always take an interest in promising properties and plans to continue exploration investment. At the same time, we plan to invest in development projects, including the acquisition of interests in discovered undeveloped fields and producing fields, so as to maintain an overall balance between assets at the exploration, development, and production stages.

Although exploration and development (including the acquisition of interests) are necessary to secure the reserves essential to the Group's future sustainable business development, each type of investment involves technological and economic risks, and failed exploration or development could have an adverse effect on the results of the Group's operations.

(2) Crude oil, condensate, LPG and natural gas reserves

1) Proved reserves

INPEX CORPORATION (the "Company") commissioned

DeGolyer and MacNaughton, an independent petroleum engineering consultant in the United States, to assess the main proved reserves of the Group of which projects with a significant amount of future development investment might materially affect future performance. An assessment of other projects was undertaken by the Company. The definition of proved reserves is based on the U.S. Securities and Exchange Commission's (SEC) Regulation S-X, Rule 4-10(a), which is widely known among U.S. investors. Regardless of whether the deterministic approach or probabilistic approach is used in evaluation, proved oil and gas reserves are estimated quantities that geological and engineering data demonstrate with reasonable certainty to be recoverable from known reservoirs under existing economic and operating conditions, from the date of evaluation through to the expiration date of the agreement granting operating rights (or in the event of evidence with a reasonable certainty of agreement, extension through to the expiration of the projected extension period). For definition as "proved reserves," operators must have a reasonable degree of certainty that the recovery of hydrocarbons has commenced or that the project will commence within an acceptable period of time. This definition is widely regarded as being conservative. Nevertheless, the strictness of the definition does not imply any guarantee of the production of total reserves during a future production period. In this context, when probabilistic methods are employed, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the sum of estimated proved reserves.

For further details on proved reserves of crude oil, condensate, LPG and natural gas held by the Group, including affiliates accounted for under the equity method, please see the section "Oil and Gas Reserves and Production Volume" on P. 82.

2) Probable reserves and possible reserves

In addition to the assessment of proved reserves based on the SEC standards, the Company commissioned DeGolyer and MacNaughton to assess its probable reserves and the possible reserves of which projects with a significant amount of future development investment might materially affect the future performance, similar to proved reserves. An assessment of other projects was undertaken by the Company, based on the Petroleum Resources Management System 2007 (PRMS) published by four organizations: the Society of Petroleum Engineers (SPE), the World Petroleum Congress (WPC), the American Association of Petroleum Geologists (AAPG), and the Society of Petroleum Evaluation Engineers (SPEE). Probable reserves, as defined by PRMS guidelines established by the

four organizations, are reserves of oil and gas volumes outside proved reserves that are less likely to be recovered than proved reserves but more certain to be recovered than possible reserves based on analyses of geological and engineering data. In this context, when probabilistic methods are employed, there should be at least a 50% probability that the quantities actually recovered will equal or exceed the sum of estimated proved and probable reserves. In addition, possible reserves are also defined in accordance with PRMS guidelines as reserves of oil and gas volumes which are not categorized as proved reserves or probable reserves and which are less likely to be recovered than probable reserves based on analyses of geological and engineering data. In this case, it is unlikely that the actual quantity of oil and gas recovered will exceed the sum of proved reserves, probable reserves and possible reserves. Furthermore, when probabilistic methods are employed to calculate possible reserves, there should be at least a 10% probability that the quantities recovered will equal or exceed the sum of proved reserves, probable reserves and possible reserves. Probable reserves and possible reserves can be upgraded to proved reserves after the addition of new technical data or when uncertainty has been reduced due to clarification of economic conditions or operational conditions. Nevertheless, probable reserves and possible reserves do not offer a guarantee of the production of total reserves during a future production period with the same certainty as proved reserves.

For further details on probable reserves and possible reserves of crude oil, condensate, LPG and natural gas held by the Group, including affiliates accounted for under the equity method, please see the section "Oil and Gas Reserves and Production Volume" on P. 82.

3) Possibility of changes in reserves

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

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

Considerable time and expense is required for exploration activities. Even when promising resources are discovered through exploration, substantial expenses including production facility construction costs, and an extended period of time, are necessary at the development stage leading up to production.

For this reason, a long period of 10 years or more is required from the time of exploration and development investment until the recovery of funds through production and sales. In particular, the large-scale Ichthys LNG and other projects being pursued by the Company requires a very large amount of investment, and the financing of these projects could be impacted by changes in the economic and financial environment. Following the discovery of resources, a delay in the development schedule or the loss of the economic viability of the properties during the development process leading up to production and the commencement of sales could have an adverse effect on the Group's operational results. Such delays or losses may occur due to changes in the business environment including a delay in the acquisition or modification of government approvals, the occurrence of unanticipated problems related to geological conditions, fluctuations in the price of oil or gas, fluctuations in foreign exchange rates, or escalating prices of equipment and materials. In the case of LNG projects, such delays or losses may occur due to an inability to complete such procedural requirements as FID owing to the lack of any long-term contractual agreement with prospective purchasers with respect to production.

(4) Operatorship

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

The integration of INPEX CORPORATION and Teikoku Oil Co., Ltd., was completed on October 1, 2008. The resultant company possesses abundant operational capabilities thanks to the integration of the former two companies' know-how based on extensive operation experience in exploration, development and production both within Japan and overseas as well as their high level proprietary technologies.

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

Engaging in project coordination as an operator will

contribute to the expansion of opportunities of block and acreage acquisition through enhancement of technical capabilities and greater presence in oil-producing countries and the industry. At the same time, there exist risks such as constraints on the recruitment of personnel who have specialized operational skills and an increase in financial burden. Inability to adequately cope with such risks could have an adverse effect on the Group's results of operations.

(5) Project partners

In the oil and natural gas development business, as previously mentioned, several companies often engage in joint business for the purpose of dispersion of risk and financial burden. In such cases, the partners generally enter into a joint operating agreement among themselves to decide on the decision-making procedure for execution of the joint business, or to decide on an operator that conducts business on their behalf. A company that is a partner in one property in which the Group is engaged in joint business may become a competitor in the acquisition of other participating interests, even though the relationship with the partner may be good.

In undertaking the joint business, participants in principle bear a financial burden in proportion to their interest share. Any inability by a joint business partner to fulfill this financial burden may adversely affect the project.

(6) Disaster and accident risks

Oil and natural gas development entails the risk that operational accidents and disasters may occur in the process of exploration, development, production and transportation. Should such an accident, disaster or other such incident occur, there is the risk that costs will be incurred, excluding compensation covered by insurance, due to facility damage, as well as the risk of a major accident or disaster involving loss of life. In addition, a cost burden for recovery or opportunity loss from the interruption of operations could occur. For the domestic natural gas business, the Company has continued to procure as source gas natural gas regasified from imported LNG since January 2010. Furthermore, the Company has procured imported LNG as source gas in connection with its Naoetsu LNG Terminal from August 2013. An inability to procure natural gas regasified from imported LNG and other imported gas as source gas due to troubles concerning suppliers or the Company's Naoetsu LNG Terminal may interfere with the Company's ability to supply to its customers. This could in turn have an adverse effect on the Company's domestic

natural gas business.

With regard to environmental problems, there is a possibility of soil contamination, air pollution, and freshwater and seawater pollution. The Group has established a "Health, Safety and Environment Policy," and as a matter of course abides by the environmental laws, regulations, and standards of the countries in which we operate and give due consideration to the environment in the conduct of business, based on our independent guidelines. In the event of an operating accident or disaster which impacts the environment, there is the possibility of incurring a response or cost burden for recovery from that incident, of incurring obligation of payment for procedural costs, compensation or other cost related to the start of civil, criminal or government procedures, or of incurring loss from the interruption of operations. Furthermore, in the event of changes to or the strengthening of the environmental laws, regulations, and standards (including support measures for the promotion of new, renewable energies) of the countries in which we operate, it may be necessary for the Group to devise additional measures, and an associated cost burden could occur.

Although the Group maintains accident insurance in the natural conduct of its operations, should such an accident or disaster be attributable to willful misconduct or negligence on the part of the Group, the occurrence of a cost burden could have an adverse effect on financial results. Also, such accident or trouble would result in receiving administrative punishment or result in damage to the Group's credibility and reputation as an oil and natural gas development company, and could therefore have an adverse effect on future business activities.

(7) Risk in Relation to Mine Abandonment

The Group books in its accounts, as an asset retirement obligation, the estimated present value of costs related to mine abandonment that will become necessary after finishing operation and production in oil and gas production facilities and the like in accordance with agreements with the authorities of oil-producing countries, applicable laws and regulations and the like. If it is later found that the estimated present value of those costs falls short due to a change in the procedures used for mine abandonment, a rise in expenses for procuring drilling materials and equipment or any other reason, the Group will be required to increase the amount of that asset retirement obligation, which could adversely affect the financial condition and results of operations of the Group.

2. EFFECTS OF FLUCTUATIONS IN CRUDE OIL PRICES, NATURAL GAS PRICES, FOREIGN EXCHANGE AND INTEREST RATES ON FINANCIAL RESULTS

(1) Effects of fluctuations in crude oil prices and natural gas prices on financial results

A large percentage of crude oil prices and natural gas prices in overseas businesses are determined by international market conditions. In addition, those prices fluctuate significantly in response to the influence of a variety of factors including global or local supply and demand as well as trends and conditions in the global economy and financial markets. The vast majority of these factors are beyond the control of the Company. In

this regard, INPEX is not in a position to accurately predict movements in future crude oil and natural gas prices. The Group's sales and profits are subject to the effects of such price fluctuations. Such effects are highly complex and are caused by the following factors.

- 1) Although a majority of natural gas selling prices in overseas businesses are linked to crude oil prices, they are not in direct proportion to crude oil prices.
- 2) Because sales and profits are determined on the basis of

crude oil prices and natural gas prices at the time sales are booked, actual crude oil transaction prices and the average oil price during the accounting period do not necessarily correspond.

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

Also, should the recovery of an amount invested in a business asset held by the Group be no longer expected—due to a decrease in profitability associated with changes in the business environment on the basis of changes in future market conditions—since the Group would reduce that business asset's book value to reflect the level of recoverability and the amount of that reduction would be deemed impairment loss, there is the possibility that there could be an adverse effect on the Group's results of operations.

(2) The effect of fluctuations in exchange rates on financial results

As most of the Group's business consists of E&P conducted overseas, associated revenues (sales) and expenditures (costs) are denominated in foreign currencies (primarily in U.S. dollars), and profit and loss is subject to the effects of the foreign exchange market. In the event of appreciation in the value of the yen, yen-denominated sales and profits decrease. Conversely, in the event

of depreciation in the value of the yen, yen-denominated sales and profits increase.

On the other hand, when borrowing necessary funds, the Company borrows in foreign currencies. In the event of appreciation in the value of the yen, a foreign exchange gain on foreign-currency denominated borrowings is recorded as a result of fiscal year-end conversion; in the event of depreciation in the value of the yen, a foreign exchange loss is incurred. For this reason, the exchange risk associated with the above business is diminished and the impact of fluctuations in exchange rates on profit and loss tends to be mitigated. Moreover, although the Company is taking measures to reduce a portion of the risks associated with movements in foreign currency exchange rates, these measures by no means cover all possible risks. As a result, the impact of fluctuations in foreign currency exchange rates cannot be completely eliminated.

(3) The effect of fluctuations in interest rates on financial results

The Group raises some of the funds necessary for exploration and development operations through borrowing. Much of these borrowings are with variable-rates, long term borrowings based on the U.S. dollar six-month LIBOR rate. Accordingly, the Company's profits are subject to the influence of fluctuations in U.S. dollar interest rates. Furthermore, although the Group has devised methods to reduce a portion of interest rate risk, these methods do not cover all risks of interest rate fluctuation incurred by our Group and do not entirely remove the effect of fluctuations in interest rates.

3. OVERSEAS BUSINESS ACTIVITIES AND COUNTRY RISK

The Group engages in a large number of oil and natural gas development projects overseas. Because the Group's business activities, including the acquisition of participating interests, are conducted on the basis of contracts with the governments of oil-producing countries and other entities, steps taken by oil-producing countries to further tighten controls applicable to home country natural resources, suspension of operation due to conflicts and other factors, and other such changes in the political, economic, and social circumstances in such oil-producing countries or neighboring countries (including government involvement, stage of economic development, economic growth rate, capital reinvestment, resource allocation, restriction of economic activities by global community, government control of foreign exchange or foreign remittances, and the balance of international payments), the application

of OPEC production ceilings in OPEC member countries and changes in the legal system and taxation system of those countries (including the establishment or abolition of laws or regulations and changes in their interpretation or enforcement) as well as lawsuits could have a significant impact on the Group's business or results unless the impact is compensated by insurance.

Additionally, against the background of rising development costs and other changes in the business environment, the progress of oil and gas projects, and the need to address environmental issues, the governments of oil-producing countries may seek to renegotiate the fiscal conditions including conditions of existing oil contracts related to participating interests. In the event that the fiscal conditions of contracts were to be renegotiated, this could have an adverse effect on the Group's business performance.

4. DEPENDENCE ON SPECIFIC GEOGRAPHICAL AREAS OR PROPERTIES

(1) Production volume

The Group engages in stable production of crude oil and natural gas in the Offshore Mahakam Block (Indonesia), the ADMA Block (United Arab Emirates), the Minami Nagaoka Gas Field (Japan) and so on. Through a process of business integration, the Group had established a wide ranging, diversified yet balanced portfolio that encompassed the Asia-Oceania regions

(particularly Japan, Indonesia, and Australia), the Middle East and Africa, Eurasia including Caspian Sea area and the Americas. For the year ended March 31, 2017 however, the Middle East and Africa regions accounted for about 52% and the Asia and Oceania regions accounted for about 31% of the Group's production volume, making up the vast majority of the Group's operations.

Looking ahead, the Group will endeavor to further enhance the balance of its asset portfolio on a regional basis. However, the Group currently relies heavily on specific geographical areas and properties for its production volume, and the occurrence in these properties of an operational problem or difficulty could have an adverse effect on the Group's operational results.

(2) Contract expiration dates in principal business areas

Expiration dates are customarily stipulated in the agreements related to participating interests, which are prerequisites for the Group's overseas business activities. Should an agreement in which an expiration date is stipulated not be extended, re-extended or renewed, or should the terms and conditions be less favorable (including a reduction in the proportion of the Group's interest) than those existing at the time of extension, re-extension or renewal, there could be an adverse effect on the Group's results. For example, although the initial contract expiration date in the production sharing contract for the Offshore Mahakam Block of Indonesia—the Group's principal geographical business area—was March 30, 1997, an extension was approved in 1991, and the current expiration date is December 31, 2017. Also, the expiration date for the participating interest under the concession agreement at the ADMA Block in Offshore Abu Dhabi, United Arab Emirates, is March 8, 2018. (The interest in the Upper Zakum Oilfield, however, has been extended to December 31, 2041. In addition, with regard to the Satah Field and Umm Al-Dalkh Field, a basic agreement has been reached with the Abu Dhabi National Oil Company [ADNOC] on an extension to December 31, 2042.) Although it remains INPEX Group policy to work with our business partners toward the extension, re-extension or renewal of these agreements, should an existing agreement not be extended, re-extended or renewed as a result of agreement negotiations with the national petroleum company of an oil-producing country, or in the event of agreement terms and conditions (including a reduction in the Group's participating interest) that are more disadvantageous than the situation at the time of the extension, re-extension or renewal, this could have an adverse effect on the Group's

business or results. Even should the agreements stipulating expiration dates be extended, re-extended or renewed, we anticipate that the remaining recoverable reserves at that time will have decreased due to production developments. Although the Group is striving to acquire interests that can substitute these properties, failure to acquire participating interests in oil and gas fields to fully substitute for these properties could have an adverse effect on the Group's results. In addition, the period for exploration in oil and gas fields currently under exploration is fixed by contracts, and in the case of fields where oil and/or gas reserves are found that are deemed to be commercialized, and the Company is unable to decide on the transition to the development stage by the expiration of the current contract, efforts will be made through negotiations with the government of the oil- or gas-producing country in question to have the periods extended. However, there remains the possibility that such negotiations may not be successfully concluded, in which event the Company would be forced to withdraw from operations in the oil or gas field concerned. Also, as a rule, when there has been a major breach of contract on the part of one party, it is customary for the other party to have the right to cancel the agreement before the expiration date. The agreements for properties in these principal geographical business areas contain similar provisions. The Group has never experienced early cancellation of an agreement due to breach of contract, and we do not anticipate such an occurrence in the future. Nevertheless, a major breach of contract on the part of a party to an agreement could result in cancellation of an agreement before the expiration date.

And in the overseas natural gas development and production activities, in many cases we are selling and supplying gas based on long-term sales and supply contracts in which expiration dates are stipulated. We plan to make efforts with partners to extend or re-extend the expiration date before the deadline stipulated in these contracts. Nevertheless, inability to extend the contracts, or the occurrence of cases in which extension is made but sales and supply volumes are reduced, could have an adverse effect on the Group's business or results.

5. PRODUCTION SHARING CONTRACTS

(1) Details of production sharing contracts

The Group has entered into production sharing contracts with countries including Indonesia and Caspian Sea area, and therefore holds numerous participating interests in those regions.

Production sharing contracts are agreements by which one or several oil and natural gas development companies serve as contractors that undertake at their own expense exploration and development work on behalf of the governments of oil-producing countries or national oil companies and receive production from the projects as cost recovery and compensation. That is to say, when exploration and development work results in the production of oil or natural gas, the contractors recover the exploration and development costs they incurred by means of a share in the production. The remaining production (crude oil and gas) is shared among the oil-producing country or national oil company and the contractors according to fixed allocation ratios. (The contractors' share of production after cost recovery is called "profit oil and gas." In the case of natural gas, sales are conducted by Indonesia and the contractors receive cost recovery and profit gas in the form of cash.) On the other hand,

in cases when exploration fails and expected production is not realized, the contractors are not to recover their invested funds.

(2) Accounting treatment of production sharing contracts

When a company in the Group owns participating interests under production sharing contracts, as mentioned above, in the role of contractor it invests technology and funds in the exploration and development of the property, recovers the invested costs from the production produced, and receives a share of the remaining production after recovery of invested costs as compensation.

Costs invested on the basis of production sharing contracts are recorded on the balance sheet as assets for which future recovery is anticipated under the item "Recoverable accounts under production sharing." After the start of production, recovered costs on the basis of those agreements are deducted from this balance sheet item.

As production received under production sharing contracts is divided into the cost recovery portion and the compensation portion, the method of calculating cost of sales is also distinctive. That is to say, the full amount of production received is temporarily charged to cost of sales as the cost of received

production, and subsequently the amount of the compensation portion is calculated and this amount is booked as an adjustment item to cost of sales ("Free of charge production allocated").

Consequently, only the cost recovery portion of production after deduction of the compensation portion is booked as cost of sales.

6. RELATIONSHIP WITH THE JAPANESE GOVERNMENT

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

Although the government of Japan (the Minister of Economy, Trade and Industry) holds 18.94% of the Company's common shares issued and a Class A Stock as of June 28, 2017, the Company autonomously exercises business judgment as a private corporation. There is no relationship of control, such as through the dispatch of officers or other means between the Company and the Japanese government. Moreover, we believe that no such relationship will develop in the future. Furthermore, there is no concurrent posting or secondment to the Company of officers or employees from the Japanese government.

(2) Ownership and sale of the Company's shares by the Japanese government (the Minister of Economy, Trade and Industry)

The Ministry of Economy, Trade and Industry (METI) holds 18.94% of the Company's common shares issued. METI succeeded to the shares that had been held by Japan National Oil Corporation (JNOC) following the dissolution of JNOC on April 1, 2005. With regard to the liquidation and disposition of the oil and gas upstream assets owned by JNOC, the Policy Regarding the Disposal of Oil and Gas Development-Related Assets Held

by Japan National Oil Corporation (hereinafter, the "Report") was announced on March 18, 2003 by the Japan National Oil Corporation Asset Evaluation and Liquidation Deliberation Subcommittee of the Advisory Committee on Energy and Natural Resources, an advisory body of the Ministry of Economy, Trade and Industry. The Report describes the importance of appropriate timing in selling the shares on the market, taking into consideration enterprise value growth. In addition, METI may, in accordance with the Supplementary Provision Article 13 (1) 2 of the "Special Measures Act for Reconstruction Finance Keeping After the Great East Japan Earthquake" ("the Reconstruction Finance Keeping Act" (provisional translation, the same shall apply hereinafter)) enacted December 2, 2011, sell off the Company's shares in Japan or overseas after examining the possibility of disposal of the said shares based on a review of the holdings from the perspective of energy policy. This could have an impact on the market price of the Company's shares.

METI also holds one share of the Company's Class A Stock. As the holder of a Class A Stock, METI possesses veto rights over certain resolutions of the Company's general shareholders' meetings and meetings of the Board of Directors. For details on the Class A Stock, please refer to "8. CLASS A STOCK" on P. 80.

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

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

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

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

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

The treatment of Sakhalin Oil and Gas Development Co., Ltd. (hereinafter "SODECO"), INPEX Offshore North Campos, Ltd., INPEX North Makassar, Ltd. (liquidation proceedings completed on December 19, 2008), INPEX Masela, Ltd., and INPEX North Caspian Sea, Ltd. was agreed between INPEX CORPORATION and JNOC in the MOU of February 5, 2004. Regarding the treatment of shares of SODECO, refer to the section "(2) Treatment of the shares of Sakhalin Oil and Gas Development (SODECO) owned by the Japanese government" below. With regard to the transfer to INPEX CORPORATION of

the shares in the above project companies other than SODECO, it was decided that the shares are to be transferred for cash compensation as soon as prerequisites such as the consent of the oil-producing country and joint venture partners and the possibility of appropriate asset evaluations are in place. However, the transfer of shares held by JNOC in the above companies has not been decided and the shares in the above project companies were succeeded to by the Japan Oil Gas and Metals National Corporation (hereinafter "JOGMEC") on the dissolution of JNOC on April 1, 2005, except shares related to INPEX North Makassar, Ltd., to which the Minister of Economy, Trade and Industry succeeded. JOGMEC states in its "medium-term objective" and "medium-term plan" that the shares succeeded to from JNOC will be disposed of at an appropriate time and in an appropriate manner, but the timing and manner of the disposal for the shares held by JOGMEC have not been decided, and it is possible that the Company will be unable to acquire the shares.

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

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

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

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

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

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

8. CLASS A STOCK

(1) Overview of the classified share

1) Reason for the introduction

The Company was established as the holding company through a stock transfer between INPEX CORPORATION and Teikoku Oil Co., Ltd. on April 3, 2006. Along with this, a classified share originally issued by INPEX CORPORATION (prior to the merger) was transferred and at the same time the Company issued a classified share with the same effect (hereinafter the "Class A Stock") to the Minister of Economy, Trade and Industry. The classified share originally issued by INPEX CORPORATION was the minimally required and a highly transparent measure to eliminate the possibility of management control by foreign capital while not unreasonably impeding the efficiency and flexibility of management based on the concept in the Report discussed in the above section 7. "TREATMENT OF SHARES OF THE GROUP'S PROJECT COMPANY OWNED BY JAPANESE GOVERNMENT AND JOGMEC." INPEX CORPORATION is identified as a company that should comprise part of a core company for Japan's oil and gas upstream industry and is expected to play a role in efficient realization of a stable supply of energy for Japan as a national flagship company. On the basis of the concept of the Report, following a speculative acquisition or an attempt at management controlled by foreign capital, Class A Stock is designed and issued to be highly transparent while not unreasonably impeding the efficiency and flexibility of management and to keep the effects of any such

speculative acquisition to the necessary minimum. At the same time, Class A Stock maintains the Company's role in the efficient implementation of a stable supply of energy for Japan as a core business, so that management is not conducted in a way contradictory to that role and no negative impact is felt.

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

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

3) Veto rights in the Articles of Incorporation

The Articles of Incorporation of the Company provide that an approval resolution of the meeting of the holder of the Class A Stock is necessary in addition to resolutions of the Company's general shareholders' meetings and resolutions of meetings of

the Board of Directors for the decisions on certain important matters such as the appointment or removal of Directors, disposition of material assets, changes to the Articles of Incorporation, business integration, capital reduction or company dissolution in connection with the business of the Company. Accordingly, the Minister of Economy, Trade and Industry, as the holder of the Class A Stock, has veto rights over these important matters. With regard to the cases in which the Class A Stock veto rights are exercisable, please refer to “4) Criteria for the exercise of veto rights provided in the criteria for the exercise of the Class A Stock holder’s voting rights”, below.

4) Criteria for the exercise of veto rights provided in the criteria for the exercise of the Class A Stock holder’s voting rights

Criteria concerning the exercise of the veto rights have been established in a Ministry of Economy, Trade and Industry Notice (No. 220, 2008) (hereinafter the “Notice”). The criteria stipulate the exercise of veto rights only in the following specific cases.

- When resolutions pertaining to appointment or removal of Directors and integration are not voted down and it is judged that the probability is high that the Company will engage in management inconsistent with the role that a core company should perform for efficient realization of a stable supply of energy to Japan.
- With regard to decisions related to the disposal of all or part of significant assets, when resolutions pertaining to disposition of material assets are not voted down and the objects of disposition are oil and natural gas exploration or production rights or rights similar thereto or shares or ownership interest in the Company’s subsidiary whose principal assets are said rights and it is judged that the probability is high that the Company will engage in management inconsistent with the role that a core company should perform for efficient realization of a stable supply of energy to Japan.
- When resolutions pertaining to amendments to the Company’s Articles of Incorporation relating to changes in the Company’s business objectives, reduction in the amount of capital, or dissolution are not voted down and it is judged that the probability is high that the Company will engage in management inconsistent with the role that a core company should perform for efficient realization of a stable supply of energy to Japan.
- When resolutions pertaining to amendments to the Articles of Incorporation granting voting rights to any shares other than the common shares of the Company are not voted down and could have an effect on the exercise of the voting rights of the Class A Stock.

It is provided that the above criteria shall not be limited in the event that the Notice is changed in the light of energy policy.

(2) Risk in connection with the Class A Stock

Following a speculative acquisition or an attempt at management controlled by foreign capital, Class A Stock is designed and issued to be highly transparent while not unreasonably impeding the efficiency and flexibility of management and to keep the effects of any such speculative acquisition to the necessary minimum. At the same time, Class A Stock maintains the Company’s role in the efficient implementation of a stable supply of energy for Japan as a core business, so that management is not conducted in a way contradictory to that role and no negative impact is felt. Nevertheless, the anticipated risks in connection with the Class A Stock include the following.

1) Possibility of conflict of interest between national policy and the Company and its common shareholders

It is conceivable that the Minister of Economy, Trade and Industry could exercise the veto rights in accordance with the above criteria provided in the Notice. As the said criteria have been provided from the standpoint of efficient realization of a stable supply of energy to Japan, it is possible that the exercise of the veto rights by the Minister of Economy, Trade and Industry could conflict with the interest of other shareholders who hold the Company’s common shares. Also, it is possible that the said criteria could be changed in the light of energy policy.

2) Impact of the exercise of veto rights on the price of shares of common stock

As mentioned above, as the holder of the Class A Stock has the veto rights over certain important matters in connection with the business of the Company, the actual exercise of the veto rights over a certain matter could have an impact on the price of the Company’s shares of common stock.

3) Impact on the Company’s degree of freedom in business and business judgment

As the Minister of Economy, Trade and Industry holds the Class A Stock with the previously mentioned veto rights, the Company needs a resolution of the meeting of the holder of the Class A Stock concerning the above matters. For this reason, the Company’s degree of freedom in management in those matters could be restricted by the judgment of the Minister of Economy, Trade and Industry. Also, attendant on the need for a resolution of the meeting of the holder of the Class A Stock concerning the above matters, a certain period of time is required for procedures such as the convening and holding of meetings and resolutions and for the processing of formal objections, if necessary.

9. CONCURRENTLY SERVING OUTSIDE DIRECTORS

The Board of Directors of the Company is currently composed of 15 members, six of whom are outside directors.

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

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

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

Oil and Gas Reserves and Production Volume

1. OIL AND GAS RESERVES

Proved reserves

The following tables list the proved reserves of crude oil, condensate, LPG and natural gas of INPEX CORPORATION, its consolidated subsidiaries and equity-method affiliates (the "Group") on main projects. Disclosure contents for proved reserves are determined in accordance with the rules and regulations of the U.S. Financial Accounting Standards Board (the

"FASB"), and are presented in accordance with the Accounting Standards Codification Topic 932 "Extractive Activities — Oil and Gas" ("Topic 932"). The Group's proved reserves as of March 31, 2017, were 2,210 million barrels for crude oil, condensate and LPG, and 5,891 billion cubic feet for natural gas, for a total of 3,304 million boe.

	Japan		Asia & Oceania		Eurasia (Europe & NIS)		Middle East & Africa		Americas		Total	
	Crude oil (MMbbl)	Gas (Bcf)	Crude oil (MMbbl)	Gas (Bcf)	Crude oil (MMbbl)	Gas (Bcf)	Crude oil (MMbbl)	Gas (Bcf)	Crude oil (MMbbl)	Gas (Bcf)	Crude oil (MMbbl)	Gas (Bcf)
Proved developed and undeveloped reserves												
INPEX CORPORATION and Consolidated Subsidiaries												
As of March 31, 2015	19	765	204	5,123	192	27	695	—	13	343	1,123	6,258
Extensions and discoveries	—	—	—	—	—	—	—	—	—	—	—	—
Acquisitions and sales	—	—	—	—	—	—	975	—	—	—	975	—
Revisions of previous estimates	0	(0)	1	(73)	3	(6)	37	—	(0)	(160)	41	(240)
Interim production	(1)	(44)	(17)	(243)	(12)	—	(32)	—	(2)	(32)	(64)	(319)
As of March 31, 2016	18	721	187	4,807	184	21	1,675	—	10	151	2,075	5,700
Equity-method affiliates												
As of March 31, 2015	—	—	2	302	—	—	87	—	1	0	90	302
Extensions and discoveries	—	—	—	—	—	—	2	—	—	—	2	—
Acquisitions and sales	—	—	—	—	—	—	—	—	—	—	—	—
Revisions of previous estimates	—	—	(0)	44	—	—	9	—	(0)	(0)	9	44
Interim production	—	—	(0)	(22)	—	—	(32)	—	(1)	(0)	(33)	(22)
As of March 31, 2016	—	—	1	325	—	—	67	—	—	—	69	325
Proved developed and undeveloped reserves												
As of March 31, 2016	18	721	189	5,132	184	21	1,742	—	10	151	2,143	6,025
INPEX CORPORATION and Consolidated Subsidiaries												
As of March 31, 2016	18	721	187	4,807	184	21	1,675	—	10	151	2,075	5,700
Extensions and discoveries	—	—	0	3	—	—	—	—	2	—	3	3
Acquisitions and sales	—	—	—	—	—	—	—	—	—	—	—	—
Revisions of previous estimates	(0)	(15)	8	35	44	106	134	—	(0)	(37)	185	89
Interim production	(1)	(46)	(11)	(222)	(11)	(2)	(64)	—	(2)	(16)	(89)	(286)
As of March 31, 2017	17	659	184	4,624	217	125	1,746	—	10	99	2,173	5,506
Equity-method affiliates												
As of March 31, 2016	—	—	1	325	—	—	67	—	—	—	69	325
Extensions and discoveries	—	—	1	99	2	—	—	—	—	—	3	99
Acquisitions and sales	—	—	—	—	—	—	—	—	—	—	—	—
Revisions of previous estimates	—	—	0	(19)	—	—	(1)	—	—	—	(1)	(19)
Interim production	—	—	(0)	(20)	—	—	(34)	—	—	—	(34)	(20)
As of March 31, 2017	—	—	2	385	2	—	32	—	—	—	36	385
Proved developed and undeveloped reserves												
As of March 31, 2017	17	659	186	5,008	219	125	1,778	—	10	99	2,210	5,891
Proved developed reserves												
INPEX CORPORATION and Consolidated Subsidiaries												
As of March 31, 2017	17	659	18	250	212	125	1,086	—	8	73	1,341	1,107
Equity-method affiliates												
As of March 31, 2017	—	—	1	245	2	—	32	—	—	—	35	245
Proved undeveloped reserves												
INPEX CORPORATION and Consolidated Subsidiaries												
As of March 31, 2017	—	—	166	4,374	5	—	659	—	2	26	832	4,400
Equity-method affiliates												
As of March 31, 2017	—	—	1	140	0	—	0	—	—	—	1	140

Notes: 1. Based on SEC disclosure standards, the Group discloses proved reserves in each country containing 15% or more of its proved reserves. As of March 31, 2017, the Group held proved reserves in Australia of approximately 171 million barrels for crude oil and approximately 4,369 billion cubic feet for natural gas, for a total of approximately 988 million boe.

2. Proved reserves (as of March 31, 2017) of the following blocks and fields include the portion attributable to non-controlling interests.

Eurasia (Europe & NIS): ACG (49%), Kashagan (55%), Americas: Horn River Area (54.91%)

3. MMbbl: Million barrels

4. Bcf: Billion cubic feet

5. Crude oil includes condensate and LPG

Standardized measure of discounted future net cash flows and their changes relating to proved oil and gas reserves for the year ended March 31, 2017

Disclosure contents for the standardized measure of discounted future net cash flows and their changes relating to proved reserves for the year ended March 31, 2017 are determined in accordance with the rules and regulations of the FASB, and are presented in accordance with Topic 932.

In calculating the standardized measure of discounted future cash inflows, the arithmetic average of oil and gas prices at the first day of each month during the current fiscal year

is applied to the estimated annual future production from proved reserves. Future development and production costs are estimated based upon the assumptions of constant oil and gas prices and the continuation of existing economic, operating and regulatory conditions. Future income tax expenses are calculated by applying the year-end statutory tax rates to estimated future pretax cash flows less the tax basis of the properties involved based upon laws and regulations already legislated at year-end.

The discount is computed by applying a prescribed discount rate of 10% to the estimated future net cash flows.

The translation of U.S. dollar amounts into yen amounts is computed by applying the year-end exchange rates (TTM) of ¥112.69 and ¥112.20 to the U.S. dollar as of March 31, 2016 and 2017, respectively.

Since these figures are calculated in accordance with the rules set forth by the FASB, which have the following aspects,

they do not represent the fair market value nor the Group's estimation for the present value of the cash flows of reserves of crude oil, condensate, LPG and natural gas.

- No economic value is attributed to potential reserves.
- A prescribed discount rate of 10% is applied.
- Oil and gas prices are subject to constant fluctuations despite the assumptions of constant oil and gas prices of Topic 932.

March 31, 2016	Millions of yen					
	Total	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas
INPEX CORPORATION and Consolidated Subsidiaries						
Future cash inflows	¥14,328,314	¥ 955,158	¥ 3,742,129	¥ 809,247	¥ 8,753,540	¥ 68,239
Future production and development costs	(6,088,070)	(211,896)	(1,716,381)	(511,299)	(3,612,235)	(36,260)
Future income tax expenses	(5,531,024)	(238,524)	(334,222)	(27,372)	(4,930,907)	—
Future net cash flows	2,709,219	504,739	1,691,527	270,576	210,399	31,979
10% annual discount for estimated timing of cash flows	(1,728,279)	(289,832)	(1,065,735)	(131,228)	(233,386)	(8,098)
Standardized measure of discounted future net cash flows	980,941	214,907	625,792	139,347	(22,987)	23,881
Equity-method affiliates						
Future cash inflows	624,922	—	265,685	—	359,237	—
Future production and development costs	(339,324)	—	(136,523)	—	(200,362)	(2,439)
Future income tax expenses	(196,338)	—	(52,679)	—	(143,658)	—
Future net cash flows	89,260	—	76,483	—	15,216	(2,439)
10% annual discount for estimated timing of cash flows	(42,538)	—	(41,347)	—	(1,305)	113
Share of equity-method investees' standardized measure of discounted future net cash flows	46,723	—	35,136	—	13,912	(2,325)
Total consolidated and equity-method affiliates in standardized measure of discounted future net cash flows	¥ 1,027,663	¥ 214,907	¥ 660,929	¥ 139,347	¥ (9,075)	¥ 21,556

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

March 31, 2017	Millions of yen					
	Total	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas
INPEX CORPORATION and Consolidated Subsidiaries						
Future cash inflows	¥14,741,958	¥ 807,066	¥ 3,461,061	¥ 986,542	¥ 9,428,165	¥ 59,125
Future production and development costs	(6,107,307)	(205,172)	(1,575,183)	(488,261)	(3,808,367)	(30,323)
Future income tax expenses	(5,640,443)	(197,443)	(229,642)	(76,036)	(5,137,321)	—
Future net cash flows	2,994,209	404,450	1,656,236	422,245	482,477	28,801
10% annual discount for estimated timing of cash flows	(1,703,796)	(223,457)	(906,048)	(212,187)	(355,021)	(7,083)
Standardized measure of discounted future net cash flows	1,290,413	180,994	750,188	210,057	127,456	21,718
Equity-method affiliates						
Future cash inflows	436,409	—	250,066	10,539	175,804	—
Future production and development costs	(244,249)	—	(148,254)	(5,956)	(87,531)	(2,507)
Future income tax expenses	(132,993)	—	(44,227)	(2,315)	(86,451)	—
Future net cash flows	59,168	—	57,584	2,268	1,823	(2,507)
10% annual discount for estimated timing of cash flows	(31,947)	—	(32,659)	(291)	886	117
Share of equity-method investees' standardized measure of discounted future net cash flows	27,220	—	24,925	1,977	2,709	(2,391)
Total consolidated and equity-method affiliates in standardized measure of discounted future net cash flows	¥ 1,317,633	¥ 180,994	¥ 775,113	¥ 212,034	¥ 130,165	¥ 19,327

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

INPEX CORPORATION and Consolidated Subsidiaries	Millions of yen						
	Total	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Equity-method affiliates
Standardized measure at beginning of the period As of April 1, 2016	¥1,027,663	¥214,907	¥ 625,792	¥139,347	¥ (22,987)	¥23,881	¥ 46,723
Changes resulting from:							
Sales and transfers of oil and gas produced, net of production costs	(524,974)	(42,940)	(132,557)	(36,591)	(194,922)	(7,831)	(110,133)
Net changes in oil and gas prices and production costs	(11,168)	(28,955)	(45,984)	24,732	60,325	406	(21,696)
Development costs incurred	393,977	3,521	241,185	48,234	70,091	3,047	27,898
Changes in estimated future development costs	(110,918)	(1,212)	(124,205)	4,730	5,103	(2,177)	6,843
Revisions of previous quantity estimates	193,213	(4,134)	43,360	21,405	115,777	3,096	13,710
Accretion of discount	122,860	18,788	81,347	16,003	1,066	1,878	3,778
Net change in income taxes	227,578	21,953	61,551	(7,153)	92,902	—	58,325
Extensions, discoveries and improved recoveries	1,977	—	—	—	—	—	1,977
Other	(2,575)	(934)	(301)	(650)	100	(587)	(203)
Standardized measure at end of the period As of March 31, 2017	¥1,317,633	¥180,994	¥ 750,188	¥210,057	¥ 127,456	¥21,718	¥ 27,220

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

Probable reserves and possible reserves

The following tables list the probable and possible reserves of crude oil, condensate, LPG and natural gas of the Group on main projects. Our probable reserves as of March 31, 2017, were 521 million barrels for crude oil, condensate and LPG, and 4,827 billion cubic feet for natural gas, for a total of 1,389 million boe. In addition, the Group's possible reserves as of March 31, 2017, were 99 million barrels for crude oil, condensate and LPG, and 2,323 billion cubic feet for natural gas, for a total of 540 million boe.

March 31, 2017	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Subtotal	Interest in reserves held by equity-method affiliates	Total
Probable reserves								
Crude oil, condensate and LPG (MMbbl)	2	125	129	257	0	513	8	521
Natural gas (Bcf)	63	4,709	3	—	1	4,776	51	4,827

March 31, 2017	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Subtotal	Interest in reserves held by equity-method affiliates	Total
Possible reserves								
Crude oil, condensate and LPG (MMbbl)	2	78	1	6	7	93	7	99
Natural gas (Bcf)	63	2,202	—	—	4	2,268	54	2,323

Notes: 1. MMbbl: Million barrels
2. Bcf: Billion cubic feet

2. OIL AND GAS PRODUCTION

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

The Group's production for the year ended March 31, 2017, was 348.3 thousand barrels per day for crude oil, condensate and LPG, and 922.7 million cubic feet per day for natural gas, for a total of 521.3 thousand boed.

Years ended March 31,	2012	2013	2014	2015	2016	2017
Crude oil, condensate and LPG (Mbbld):						
Japan	3.8	3.9	3.6	3.2	3.2	3.5
Asia & Oceania	62.5	58.0	45.8	40.6	47.8	35.8
Eurasia (Europe & NIS)	25.0	25.1	26.1	27.0	31.6	29.6
Middle East & Africa	84.3	84.4	84.4	84.8	161.1	176.3
Americas	0.1	0.1	0.1	0.5	5.5	5.6
Subtotal	175.7	171.5	160.0	156.1	249.2	250.7
Proportional interests in production by equity-method affiliates	75.4	74.4	84.9	86.6	90.0	97.6
Total	251.2	245.9	244.9	242.7	339.2	348.3
Annual production (MMbbl)	91.9	89.8	89.4	88.6	124.2	127.1
Natural gas (MMcf/d):						
Japan	127.6	133.7	125.5	113.9	119.7	132.0
Asia & Oceania	665.0	586.4	602.8	596.5	666.8	614.8
Eurasia (Europe & NIS)	—	—	—	—	—	5.3
Middle East & Africa	—	—	—	—	—	—
Americas	72.4	90.9	107.4	103.2	87.3	116.5
Subtotal	865.0	811.0	835.7	813.7	873.8	868.6
Proportional interests in production by equity-method affiliates	62.7	52.4	40.7	66.4	59.1	54.1
Total	927.7	863.4	876.4	880.0	932.9	922.7
Annual production (Billions of cubic feet)	339.5	315.1	319.9	321.2	341.4	336.8
Crude oil and natural gas (Mboed):						
Japan	27.7	29.0	27.2	24.6	25.7	28.3
Asia & Oceania	189.5	169.4	159.9	154.3	174.0	152.5
Eurasia (Europe & NIS)	25.0	25.1	26.1	27.0	31.6	30.6
Middle East & Africa	84.3	84.4	84.4	84.8	161.1	176.3
Americas	13.1	16.2	19.0	19.0	21.0	26.5
Subtotal	339.7	324.0	316.7	309.7	413.4	414.1
Proportional interests in production by equity-method affiliates	86.5	83.8	92.1	98.4	100.5	107.2
Total	426.2	407.8	408.8	408.1	513.8	521.3
Annual production (MMboe)	156.0	148.8	149.2	148.9	188.1	190.3

Corporate Information

(As of March 31, 2017)

Corporate Data

Company Name INPEX CORPORATION
Established April 3, 2006
Capital ¥290,809,835,000
Company Headquarters Akasaka Biz Tower, 5-3-1 Akasaka, Minato-ku, Tokyo 107-6332, Japan

Number of Employees (Consolidated) 3,228

Main Business

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

Organization Chart (As of July 1, 2017)



Stock Data

Authorized Shares:
 3,600,000,000 common stocks
 1 Class A Stock

Total Number of Shareholders and Issued Shares
Common Stocks: 43,726 shareholders / 1,462,323,600 shares
Class A Stock*: 1 shareholder (Minister of Economy, Trade and Industry) / 1 share

* The Company's Articles of Incorporation stipulate that certain major corporate decisions require a resolution by the holder of the Class A Stock in addition to the approval of the shareholders' meetings or Board of Directors.

Major Shareholders (Common Stocks)

Name	Number of shares	Percentage of total common shares* (%)
Minister of Economy, Trade and Industry	276,922,800	18.94
Japan Petroleum Exploration Co., Ltd.	106,893,200	7.31
Japan Trustee Services Bank, Ltd. (Trust Account)	51,887,100	3.55
The Master Trust Bank of Japan, Ltd. (Trust Account)	51,688,000	3.53
JX Holdings, Inc.	43,810,800	3.00
Mitsui Oil Exploration Co., Ltd.	40,154,000	2.75
GOVERNMENT OF NORWAY	39,531,495	2.70
Japan Trustee Services Bank, Ltd. (Trust Account 5)	21,684,700	1.48
The Bank of New York Mellon SA/NV 10	21,290,334	1.46
THE BANK OF NEW YORK, TREATY JASDEC ACCOUNT	17,261,016	1.18

* The percentages of total common shares are for total number of issued common shares.

Shareholding by Shareholders Type

Shareholder type	Number of shareholders	Number of shares	Percentage of total common shares*1 (%)
Financial Institutions (Including Trust Accounts)	84	255,826,100	17.49
Securities Companies	58	26,656,659	1.82
Other Domestic Corporations	382	229,359,642	15.68
Minister of Economy, Trade and Industry*2	1	276,922,800	18.94
Foreign Corporations and Other	829	628,662,610	42.99
Individuals and Other	42,371	42,929,289	2.94
Treasury Shares	1	1,966,500	0.13

*1 The percentages of total common shares are for total number of issued common shares.

*2 Excludes one Class A Stock

Home Page

The Company's Web site provides investors with the most up-to-date IR information, including financial statements.

▶ www.inpex.co.jp/english

Inquiries

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

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