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To Those Shareholders with Voting Rights:

Disclosure on the Internet accompanying the Notice of the 16th Ordinary General Meeting of Shareholders

16th Fiscal Year (January 1, 2021 to December 31, 2021)	
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INPEX CORPORATION

The content of this document is posted on the website of INPEX CORPORATION (“the Company”) (<https://www.inpex.co.jp/english/>), pursuant to laws, regulations, and Article 27 of the Articles of Incorporation of the Company.

- **Business Report**

Items Related to Accounting Auditor

1. Name of Accounting Auditor

Ernst & Young ShinNihon LLC

2. Amount of Remuneration for Accounting Auditor

	Amount paid
Amount of remuneration, etc., for Accounting Auditor of the Company	¥259 million
Total amount of money and other financial benefits paid by the Company and its subsidiaries	¥371 million

- Notes:
1. Under the audit agreement between the Company and the Accounting Auditor, remuneration for audits based on the Companies Act and remuneration for audits based on the Financial Instruments and Exchange Act are not distinguished, and such amounts are effectively indistinguishable. Therefore, the amounts noted above include the total amount of remuneration.
 2. The Audit & Supervisory Board has given its consent by judging it as appropriate in view of ensuring the audit quality with respect to Article 399, Paragraph 1 of the Companies Act of Japan for the remuneration paid to the Accounting Auditor, following the confirmation and examination of the status of the Accounting Auditor's performance of duties, the details of audit plan, basis of calculation for the estimated amount of remuneration and others, in light of the "Practical Guidelines for Coordination with Accounting Auditors" published by the Japan Audit & Supervisory Board Members Association.

3. Contents of Non-Audit Operations

The Company has paid remuneration for services such as the preparation of comfort letters.

4. Policy for Determination of Dismissal or Non-Reappointment of Accounting Auditor

The Audit & Supervisory Board of the Company shall determine the dismissal of the Accounting Auditor according to Article 340 of the Companies Act. In addition, in the event it is determined necessary, including any situation in which the Accounting Auditor is unable to perform their duties appropriately, the Audit & Supervisory Board shall determine the content of the proposal for the dismissal or non-reappointment of the Accounting Auditor and the Board of Directors of the Company shall submit the proposal to the General Meeting of Shareholders.

Systems for Ensuring Proper Operations of the Company and Status of Operations of such Systems

Overview of Systems to Ensure that the Execution of the Duties by Directors of the Company Complies with Laws and Regulations and the Articles of Incorporation of the Company, and Other Systems for Ensuring the Proper Operations of the Company and the Group, and Development and Status of Operations of such Systems

[Resolutions of the Company regarding the Development of the Systems for Ensuring Proper Operations (Internal Control Systems)]

The following is a summary of the resolutions of the Company, regarding the “Development of the Systems for Ensuring the Proper Operations as a Stock Company (Internal Control Systems).” This summary reflects a partial revision made by a resolution of the Board of Directors meeting held on December 27, 2021.

(1) Systems to Ensure that Directors and Employees of the Company Execute their Duties in Compliance with Laws and Regulations and the Articles of Incorporation

To ensure that Directors and employees of the Company execute their duties in compliance with applicable laws and regulations and the Articles of Incorporation, the Company shall develop a Sustainability Principles and Business Principles and establish a system to ensure complete compliance.

The Company shall establish a Compliance Committee consisting of the Director in charge of compliance, the Senior Vice Presidents of the standing organizational units, etc., to deliberate basic policies or other important matters related to compliance. By monitoring the implementation of such policies and ensuring thorough dissemination through in-house training, etc., the Company ensures that its Directors and employees comply with laws and regulations and the Articles of Incorporation in the execution of their duties. Furthermore, the Company shall establish an internal whistle-blowing system with a department in charge and external experts (lawyers), etc. as providers of consultation services.

In order to ensure effective compliance systems and relevant internal rules, the Company shall also verify and evaluate such systems and make the necessary improvements through audits, etc., carried out by the internal audit department which reports directly to the President & CEO and other related in-house departments or external experts. Based on the internal audit regulations, the internal audit department, which reports directly to the President & CEO, shall report the results of audit of the previous fiscal year and the audit plan for this fiscal year to the Board of Directors, full-time Audit & Supervisory Board Members and the Audit & Supervisory Board.

Furthermore, the Company shall develop a system to ensure the accuracy and reliability of financial reporting, and employ such system properly while evaluating its effectiveness.

(2) Systems for the Storage and Management of Information Related to the Execution of Duties by Directors of the Company

In accordance with applicable laws and regulations, the Articles of Incorporation and internal rules, among others, the Directors shall develop a system for information security administration, and appropriately store and manage documents and other information related to the execution of their duties.

(3) Rules and Other Systems for Risk Management of the Company

To manage diverse risks related to the Group’s business activities, Directors shall cooperate closely with the related departments to identify, analyze and evaluate such risks, and manage them in accordance with internal rules and guidelines, etc.

Furthermore, the functioning and other aspects of the risk management related to daily operations shall be verified and evaluated through audits, etc., carried out by the internal audit department under the direct control of the President & CEO of the Company and other related in-house departments or an external expert, and continually reviewed in response to changes in the business environment.

(4) Systems to Ensure the Efficient Execution of Duties by Directors of the Company

In order to ensure that the systems to execute Directors' duties efficiently are in place, the Directors shall manage business operations with particular attention to the following:

- 1) With regard to certain major corporate decisions, an Executive Committee meeting attended by full-time Directors, Managing Executive Officers, etc. shall be held weekly and as necessary to ensure that the duties are executed promptly and properly.
- 2) With regard to the execution of daily duties, the authority of the President & CEO shall be delegated in accordance with the Board of Directors' Regulations and other internal regulations, and the persons in charge at each level shall execute their duties promptly.

Furthermore, the Board of Directors shall formulate long-term management strategies and medium-term management plans, and receive progress reports on the plans and targets.

The Company has adopted a division system and assigns Directors as a head of each division in order to achieve efficient management of business operations and establish a responsibility structure. Each division shall implement initiatives, which are important milestones of the business environment, while taking into account important risks and their countermeasures, so as to realize goals in the management plan and other targets. The Executive Committee shall receive progress reports on the plans and targets.

(5) Systems to Ensure the Proper Operations of the Group

- 1) Systems for Reporting the Company Matters Related to the Execution of Duties by Directors or Other Equivalent Managerial Staff (hereinafter "Directors, etc.,") of the Company's Subsidiaries

In accordance with the internal rules on group management, the Company shall enter into agreements regarding group management with its subsidiaries, under which the Company requires that important matters of each subsidiary shall be reported to and approved by the Company.

- 2) Rules and Other Systems for Risk Management of the Company's Subsidiaries

For risk management of the subsidiaries of the Company, in accordance with the internal rules on group management, the Company shall conduct group-wide risk management via mutual cooperation with each subsidiary.

Furthermore, the Company shall require its subsidiaries to cooperate in audits, etc., carried out by the internal audit department under the direct control of the President & CEO of the Company and other related in-house departments or an external expert to verify and evaluate the management of risks related to the daily operations of the subsidiaries. Based on the results of such verification and evaluation, the Company shall have its subsidiaries conduct continuous review of their risk management in response to changes in the business environment.

- 3) Systems to Ensure the Efficient Execution of Duties by Directors, etc., of the Company's Subsidiaries

To ensure the efficient execution of duties by Directors, etc., of the Company's subsidiaries, management strategies and management plans shall be shared among all the Group companies. Under the vision, the Company shall have its subsidiaries manage human resources and monetary resources efficiently and manage business operations in accordance with the Company's internal rules, etc., with particular attention to the following:

- i) Important matters of a subsidiary of the Company shall be determined by resolution of the Board of Directors meetings of the subsidiary or by consultation among the Directors of the subsidiary.
- ii) Authority for the execution of daily duties by the Company's subsidiaries shall be delegated based on regulations stipulating the administrative authority of subsidiaries, and the persons in charge at each level shall execute their duties promptly.

- 4) Systems to Ensure that Directors, etc., and Employees of the Company's Subsidiaries Execute their Duties in Compliance with Laws and Regulations and the Articles of Incorporation

The Company shall establish a compliance system (including an internal whistle-blowing system) that is applied to the entire Group, and this system shall be widely deployed and disseminated to all directors, auditors and other equivalent managerial staff, as well as to employees of the Company's subsidiaries.

In cooperation with its subsidiaries, the Company shall conduct audits, etc., of the subsidiaries, carried out by the internal audit department under the direct control of the President & CEO of the Company and other related in-house departments or an external expert.

The Company shall strive to establish a system to ensure that Directors, etc., and employees of the subsidiaries execute their duties in compliance with laws and regulations and the Articles of Incorporation, and enter into agreements regarding group management with its subsidiaries in accordance with the internal rules on group management.

(6) Matters Regarding Employees Who Assist the Audit & Supervisory Board Members of the Company with Auditing Duties in Cases Where the Audit & Supervisory Board Member of the Company Requests the Assignment of Such Employees, Matters Regarding the Independence of Such Employees from Directors of the Company and Matters Related to Ensure the Effectiveness of Instructions Given to Such Employees

The Company has set up the Audit & Supervisory Board Members' Office as an independent organization from the business execution departments and shall deploy dedicated employees to assist the Audit & Supervisory Board Members with auditing duties in order to enhance the effectiveness of audits by Audit & Supervisory Board Members.

The employees who assist the Audit & Supervisory Board Members' duties shall follow instructions from the Audit & Supervisory Board Members. Performance appraisals, personnel changes and disciplinary action against such employees assisting the Audit & Supervisory Board Members shall require approval of the full-time Audit & Supervisory Board Members beforehand.

(7) Systems for Reporting to the Audit & Supervisory Board Members of the Company

The Directors and employees of the Company, directors, auditors or other equivalent managerial staff, as well as employees of the Company's subsidiaries, or persons who receive a report from them, shall report and provide information to the Audit & Supervisory Board Members of the Company as to the matters provided by laws and regulations, matters that might have a significant impact on the Company and its Group companies, and other matters that an Audit & Supervisory Board Member of the Company has determined to be reported to execute his/her duties.

Also, the Audit & Supervisory Board Members of the Company shall always be able to obtain business information whenever needed by attending the Board of Directors' meetings and other important internal meetings, as well as receiving internal approval documents, etc.

Regarding the internal whistle-blowing system of the Group, the Director in charge of compliance shall report to the Company's full-time Audit & Supervisory Board Members swiftly as to the content internally reported by directors, auditors, other equivalent managerial staff and employees of the Group companies.

(8) Systems to Ensure that Reporters in the Preceding Section Will Not Receive Detrimental Treatment on the Grounds of the Whistle-Blowing

The Company shall prohibit detrimental treatment against directors, auditors, or other equivalent managerial staff, and employees of the Group companies who reported to the Company's Audit & Supervisory Board Members. And this position shall be disseminated throughout the Group.

Regarding the internal whistle-blowing system of the Group, in case detrimental treatment against a whistleblower is recognized, a disciplinary action will be taken against the person who treated the reporter in such a way and the head of the department to which the person belongs, pursuant to Rules of Employment, etc.

(9) Matters Related to Policies Concerning the Treatment of Expenses or Liabilities Incurred by the Execution of Duties by the Company's Audit & Supervisory Board Members such as Procedures for Prepayments or the Redemption of Such Expenses

In case the Company's Audit & Supervisory Board Members request prepayment or redemption of expenses for their execution of duties, etc., based on Article 388 of the Companies Act, the Company shall swiftly process such expenses or liabilities except in the case such expenses or liabilities are proven to be unnecessary for the execution of duties by such Auditors.

(10) Other Systems to Ensure Effective Audits by the Audit & Supervisory Board Members of the Company

The Representative Directors of the Company shall meet regularly with the Audit & Supervisory Board Members of the Company, provide information as necessary and strive to communicate with them. At the same time, the Company shall secure opportunities for Audit & Supervisory Board Members and Outside Directors to meet regularly, and strive to enhance their mutual cooperation and information sharing.

The Company shall also improve the effectiveness of audits by establishing a system, etc., whereby the Audit & Supervisory Board Members can cooperate with the internal audit department and receive reports regularly.

Furthermore, to conduct audits by the Audit & Supervisory Board Members, the Company shall ensure close cooperation between the Audit & Supervisory Board Members and external experts such as lawyers, certified public accountants and certified tax accountants, among others.

[Outline of the Status of Operations of the Systems for Ensuring the Proper Operations of the Company (Internal Control System)]

While the Company is operating its internal control system appropriately based on the contents decided on the “Development of the Systems for Ensuring the Proper Operations as a Stock Company (Internal Control Systems),” the following are the outline of its major operations of such systems during this fiscal year:

<Compliance system>

The Company has established the Code of Conduct with which all officers and employees shall comply. This obliges them to respect social norms and act with high ethical standards, not to mention comply with laws and regulations. Also, the Company has held its Compliance Committee periodically and when necessary to confirm the status of implementation of the compliance and hence report to the Board of Directors.

In line with the action plan resolved by the Compliance Committee, and in addition to the dissemination of compliance-related information using various internal tools and the execution of regular internal compliance training, as a priority activity for this fiscal year, the Company held harassment prevention training for general employees and conducted a survey on harassment and communication in order to monitor the workplace environment, etc., as it did in the previous fiscal year. In addition, the Company has worked on enhancing and strengthening compliance activities among all personnel including holding meetings semi-annually of compliance managers in place in each Unit and managers of departments supervising compliance.

In order to further enhance the compliance system of the Group as it develops its business globally, the Company has implemented a global multilingual whistle-blowing system that enables its employees in Japan and overseas to report bribery and corruption, competition law violations, and improper accounting practices, which pose particularly high management risks. In addition, training on anti-bribery and anti-corruption, and the Antimonopoly Act was held for the Company and the Group companies in this fiscal year. Furthermore, the Company announced the “INPEX Group Global Anti-Bribery and Anti-Corruption (ABC) Policy” in 2019, which comprehensively specifies the Group’s stance with regard to the prevention of bribery and corruption.

To specify its stance towards the issue of respecting human rights, the Group formulated and announced the “Human Rights Policy” based on the United Nation’s “the UN Guiding Principles on Business and Human Rights.” Furthermore, the Group has published its “Modern Slavery Act Statement,” as disclosed on its website and the online registration website of the UK government pursuant to the UK Modern Slavery Act 2015 enforced in October 2015, in order to clarify its initiatives against human rights violations such as slavery and human trafficking in the business and supply chain of the Group as well as the risks thereof. In addition, starting with this fiscal year, in accordance with the Australian law “Modern Slavery Act 2018,” the Company has started disclosing a statement regarding the Group’s efforts to prevent human rights violations in Australia.

The Company formulated and announced its “Policy on Tax Affairs,” which specifies the Group’s basic policy on taxation compliance, in 2019. Furthermore, in 2021, the Company established the “Tax Management Rules” in order to promote actions related to tax compliance by officers and employees, etc. in line with the relevant tax policy, and the “Tax Management Bylaws” which stipulate the establishment and implementation of the tax management system. The Company is thus working to strengthen its tax governance system in order to respond appropriately to issues related to taxation, etc.

The Company has established its whistle-blowing system, and an internal department in charge of compliance, outside experts (lawyers), etc. were designated as contact points. There were however no whistle blowing cases related to material breach of laws and regulations, etc. during this fiscal year.

<Risk management system>

To respond to various risks related to business projects, first, the New Ventures & Global Exploration Division carries out a centralized analysis/examination on whether to adopt or reject new projects associated with oil and natural gas upstream business. In addition to operating the “INPEX Value Assurance System (IVAS) Committee” as a structure for conducting cross-sectional technical evaluation, etc. at each phase of exploration, evaluation and development, the Company regularly reviews the risks of each project and their countermeasures, and reports are made to the Board of Directors regarding major projects.

In addition, the Renewable Energy & New Business Division and the Hydrogen & CCUS Development Division are responsible for the overall management of the renewable energy and hydrogen and CCUS businesses, respectively. The IVAS Committee and external experts conduct verifications, and important projects are reported to the Board of Directors.

The Company has set guidelines for country risk management in countries and territories where projects are planned, which include the establishment of a maximum target amount for accumulated investment balance in high-risk countries.

Furthermore, the Company has been conducting financial risk control by identifying risks of fluctuation of currency exchange rates, interest rates, crude oil/natural gas prices and securities prices, and establishing corresponding managing/hedging methods.

With regard to health, safety, and environment (HSE) risks, in order to promote the Company's continuous improvement activities of industrial health and safety, process safety and environmental safeguarding based on the HSE Risk Management Procedures established under the HSE Management System, each business location identifies, analyzes and evaluates HSE risks, as well as establishes and implements risk countermeasures. In addition, the status of risk management is to be reported to the head office for supervising HSE risks, and the head office confirms the report. With regard to security risks, the Company is promoting company-wide management based on relevant procedures and guidelines. In addition, for HSE management of non-operator projects, the Company promotes HSE involvement in accordance with the risks of each project.

On the other hand, the Company has established an emergency/crisis response plan in order to enhance capabilities to cope with emergencies such as major accidents and disasters, etc. and is positively promoting risk management which includes conducting emergency response training regularly even in times of safety. Furthermore, the Company has drawn up a business continuity plan (BCP) to keep critical operations from being suspended. In response to the coronavirus disease (COVID-19), the Company is maintaining the BCP activated in 2020 and is taking necessary measures including measures against the spread of infectious diseases at operations sites as well as measures enabling employees to work from home.

Furthermore, in order to establish a structure that can provide appropriate legal advice regarding important contracts, lawsuits, etc. to business divisions and management team, and further enhance the legal support function for domestic and overseas business, the Company has made the legal unit into an independent organization, and legal risk management has been strengthened.

Also, the Company convenes an information security committee regularly and as necessary in order to implement organizational and systematical information security measures in addition to the education and training regarding information leakage prevention.

<Systems to ensure the efficient performance of duties>

"*Vision 2040*," which represents the Company's long-term outlook until fiscal year 2040, and the "*Medium-Term Business Plan 2018-2022*," which states the Company's initiatives and goals across five years from fiscal year 2018 to 2022, were formulated and announced in May 2018. Based on the company-wide policy of initiatives, which is the business execution departments' business operation policy for realizing goals in the medium-term business plan, company-wide plans and targets for fiscal year 2021 were formulated, the status of progress was reflected upon at the end of the fiscal year, and the corresponding evaluation results were reported to the Board of Directors.

In January 2021, the Company announced "Business Development Strategy - Towards a Net Zero Carbon Society by 2050" and set a goal of net zero carbon emissions by 2050 in line with the Paris Agreement goal. Along with this, the Company thoroughly revised "Corporate Position on Climate Change," which was issued in December 2015, and released it in January 2021. The Company also added and released "INPEX Initiatives" in February 2021, which presents specifically the promotion status of our response to climate change based on "Corporate Position on Climate Change." Progress of "INPEX Initiatives" is, in principle, to be reported to the Board of Directors once every year.

<Systems for corporate management of the Group companies>

Based on the Group's corporate management rule and the Group's agreements with regard to corporate management, the Company urges reporting among Group companies or approval by the Company about important matters. Also, the Audit Unit, the Company's internal audit division, conducts audits of subsidiaries based on the annual auditing plan, and reports the results of the audits to the Company's Board of Directors, full-time Audit & Supervisory Board Members and the Audit & Supervisory Board.

With regard to the operation of the Group companies, we are utilizing a concurrent management system with subsidiaries involved in overseas projects. At the same time, for financing, we are conducting efficient business operations such as by enhancing financial efficiency through a unified management system of the Group's assets

by means of the Cash Management System, and by centralized management of the Group's intercompany finance operations through the Company's financial subsidiary established in the Republic of Singapore.

The Company's whistle-blowing system is designed to be applied to all Group companies. The Company provides thorough instructions, through the Company's and each subsidiary's trainings and communication activities, to prohibit unfavorable treatment of whistle-blowers.

<Auditing system for ensuring effectiveness of auditing by Audit & Supervisory Board Members>

Audit & Supervisory Board Members collect required information and exchange opinions, for the purpose of improving effectiveness of their auditing, through their attendance at important meetings such as Board of Directors meetings and other management meetings, conducting hearings from each division, and through meetings with Directors including Representative Directors. Also, Audit & Supervisory Board Members participate in the exchange of opinions during the formulation of the annual auditing plan by the Audit Unit, which works as the Company's internal audit division, receive individual reports on the results of audits whenever they are made, and receive necessary reports including reviews of quarterly financial results from the Accounting Auditor, thus keeping close contact with the internal auditing division and the Accounting Auditor.

Furthermore, reports from the Director in charge of compliance about the contents and handling of whistle-blowing are swiftly accepted by full-time Audit & Supervisory Board Members.

The Company established "Audit & Supervisory Board Members' Office" as an organization having an employee, independent of the Company's executive team, dedicated to assisting operations by Audit & Supervisory Board Members.

Basic Policy Regarding Control of the Company

(1) Basic Policy Regarding Management

The Group will proactively engage in energy structure reforms towards the realization of a net zero carbon society by 2050, while responding to the growing energy demands of Japan and the world and fulfilling its responsibility for the development and stable supply of energy over the long-term. Specifically, the Company will continue to position oil and natural gas business as a core business and will work to fulfill its two social responsibilities of providing a stable supply of energy and responding to climate change by strengthening its upstream business and making it cleaner. In addition, the Company will set climate change response goals towards a net zero carbon society and actively promote five net-zero businesses including: hydrogen business, reducing CO₂ emissions from operations in oil and natural gas business (CCUS, etc.); enhancing and emphasizing renewable energy initiatives; promoting carbon recycling and cultivating new business opportunities; and promoting forest conservation.

(2) Efforts for Effective Utilization of Resources and for Preventing Inappropriate Control

While acknowledging the importance of capital efficiency and sound finances, and aiming to expand its operating base in order to secure a stable and efficient supply of oil and natural gas resources by utilizing its solid and stable financial base, the Group will invest to grow its exploration and development activities as well as maintain and expand its supply infrastructure, etc. The Group will aim to continuously increase its corporate value by generating new cash and increasing shareholder value by allocating the cash generated by projects in a well-balanced manner toward both growth investments and shareholder returns.

Based on the policy under (1) above, the Company has issued a Class A stock to the Minister of Economy, Trade and Industry to eliminate the possibility of speculative takeovers or management control by foreign capital, resulting in inappropriate management inconsistent with the Company's role to provide a stable supply of energy to Japan in an efficient manner as a core company, or causing any other adverse effects.

To make decisions on i) the appointment or removal of Directors; ii) the disposition of all or a portion of material assets; iii) amendments to the Articles of Incorporation relating to the Company's business objectives and granting voting rights to any shares other than the common stock of the Company (excluding voting rights in the meetings of the holder of the Class A stock, which are already granted to the Class A stock); iv) business integration; v) capital reduction and vi) company dissolution, a resolution of a meeting of the holder of the Class A stock (hereinafter "a general meeting of Class A stock shareholders") is required in addition to resolutions of the shareholders' meeting or the Board of Directors of the Company. However, concerning i) the appointment or removal of Directors and iv) business integration, resolution of a general meeting of Class A stock shareholders is required only when certain conditions under the Articles of Incorporation are met. Concerning the exercise of voting rights at a general meeting of Class A stock shareholders, the Class A stock shareholder can exercise his/her voting rights in accordance with the guidelines set forth in a Ministry of Economy, Trade and Industry Notice (No. 37, 2019).

According to the guidelines, a resolution regarding the aforementioned items i) and iv) shall be vetoed only "when it is judged there is a high probability that the Company will be managed inconsistent with its role to provide a stable supply of energy to Japan in an efficient manner as a core company," and a resolution to change the Articles of Incorporation related to granting voting rights to any shares other than the common stock of the Company (excluding voting rights in the meetings of the holder of the Class A stock which is already granted to the Class A stock) in the aforementioned item iii) shall be vetoed only "when there is a possibility that it may have an effect on the exercise of the voting rights of the Class A stock" and the aforementioned item ii) and amendment to the Articles of Incorporation related to the Company's business objectives in the aforementioned item iii), and resolutions related to items v) and vi) shall be vetoed only "when it is judged there is a high probability that it may adversely affect its role to provide a stable supply of energy to Japan in an efficient manner as a core company."

In addition, the Articles of Incorporation of the Company's subsidiaries stipulate that, upon disposing material assets, a resolution of a general meeting of shareholders of the subsidiary is required when it constitutes a "disposition of all or a portion of material assets" in the aforementioned item ii). In this case, a resolution of the meeting of the holders of the Class A stock is required in addition to a resolution of the Board of Directors of the Company. The Company's Board of Directors does not have any power over the exercise of the veto right through the exercise of the voting rights of Class A stock by Class A stock shareholders. Therefore, Class A stock does not have the purpose of maintaining the position of the executive officers of the Company.

(3) Decisions of Board of Directors' Meeting for the Efforts in the Above-Mentioned (2)

The efforts set forth in the above-mentioned (2), which aim to provide a stable supply of energy to Japan in an efficient manner and to improve the Company's corporate value continuously, are in line with the policy set forth in the above-mentioned (1).

Given the limited scope of the veto right of the Class A stock in the above-mentioned (2), and because the voting rights shall be exercised in accordance with the guidelines for the exercise of voting rights by the Minister of Economy, Trade and Industry, which are set forth in a Ministry of Economy, Trade and Industry Notice (No. 37, 2019), this measure is designed to be highly transparent to avoid unreasonably impeding the efficiency and flexibility of the Company's management to minimize the impact thereof. For these reasons, the Company believes that this measure is in line with the policy set forth in the above-mentioned (1) and does not impair the common interests of the Company's shareholders.

• **Consolidated Financial Statements**

Consolidated Statement of Changes in Net Assets

(For the year ended December 31, 2021)

Unit: millions of yen (Amounts truncated to millions of yen)

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

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

Notes to Consolidated Financial Statements

[Basis of Presenting Consolidated Financial Statements]

1. Scope of consolidation

(1) Number of consolidated subsidiaries and names of major consolidated subsidiaries

Number of consolidated subsidiaries: 58

Names of major subsidiaries:

Japan Oil Development Co., Ltd., INPEX Alpha, Ltd., INPEX Sahul, Ltd., INPEX Southwest Caspian Sea, Ltd., JODCO Onshore Limited, JODCO Lower Zakum Limited, INPEX North Caspian Sea, Ltd., INPEX Browse, Ltd., INPEX Holdings Australia Pty Ltd, INPEX Ichthys Pty Ltd, INPEX Oil & Gas Australia Pty Ltd, INPEX Eagle Ford, LLC, INPEX Masela, Ltd., and INPEX FINANCIAL SERVICES SINGAPORE PTE. LTD.

From the year ended December 31, 2021, two companies were newly included in the scope of consolidation, and seven companies were excluded from the scope of consolidation. The major breakdown is as follows:

(a) Company newly included in the scope of consolidation through capital subscription due to establishment in the year ended December 31, 2021

INPEX GEOTHERMAL, LTD.

(b) Companies excluded from the scope of consolidation due to the completion of liquidation in the year ended December 31, 2021

INPEX OFFSHORE NORTH WEST SABAH, LTD.

Teikoku Oil Ecuador

Teikoku Oil (Cabinda) Co., Ltd.

INPEX OFFSHORE SOUTH EAST MAHAKAM, LTD.

(c) Companies excluded from the scope of consolidation due to the completion of sales procedures for shares in the year ended December 31, 2021

GAS GUARICO, S.A.

Teikoku Oil and Gas Venezuela, C.A.

Teikoku Oil (D.R. Congo) Co., Ltd.

(2) Names of major non-consolidated subsidiaries

Sakata Natural Gas, Co., Ltd., Teikoku Oil de Burgos, S.A. de C.V. and TELNITE CO., LTD.

Reason for exclusion from the scope of consolidation

Those companies are not consolidated because their total assets, total net sales, total net income (the equity portion) and total retained earnings (the equity portion) do not have significant impact on the consolidated financial statements.

(3) Name of an entity that is not accounted for as our subsidiary even though the Company owns the majority vote

Ichthys LNG Pty Ltd

Reason for not accounted for as our subsidiary

The Company owns the majority vote of Ichthys LNG Pty Ltd through INPEX Holdings Australia Pty Ltd. However, since both parties' affirmative votes are required for important resolutions based on the shareholders agreement between INPEX Holdings Australia Pty Ltd and TOTAL E&P Holding Ichthys, Ichthys LNG Pty Ltd is considered to be an affiliate accounted for by the equity method.

2. Application of equity method

(1) Number of non-consolidated subsidiaries and affiliates accounted for by the equity method and names of major non-consolidated subsidiaries and affiliates accounted for by the equity method

Number of non-consolidated subsidiaries accounted for by the equity method: None

Number of affiliates accounted for by the equity method: 20

Names of major affiliates:

Angola Block 14 B.V., MI Berau B.V. and Ichthys LNG Pty Ltd

From the year ended December 31, 2021, one company was included in the scope of affiliates accounted for by the equity method, and one company was excluded from the scope. The breakdown is as follows:

(a) Company newly included in the scope of affiliates accounted for by the equity method due to the acquisition of shares in the year ended December 31, 2021

PT.Supreme Energy Sumatera

(b) Company excluded from the scope of affiliates accounted for by the equity method due to the completion of sales procedures for shares in the year ended December 31, 2021

Petroguarico, S.A.

(2) Names of non-consolidated subsidiaries and affiliates not accounted for by the equity method

Names of major non-consolidated subsidiaries and affiliates:

Sakata Natural Gas, Co., Ltd., Teikoku Oil de Burgos, S.A. de C.V., TELNITE CO., LTD. and Tangguh project management Co., Ltd.

Reason for not applying the equity method

These subsidiaries and affiliates are not accounted for by the equity method because their total net income (the equity portion) and total retained earnings (the equity portion) do not have significant impact on the consolidated financial statements.

3. Fiscal year-ends of consolidated subsidiaries

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

4. Accounting policies

(1) Valuation method for significant assets

(a) Securities

Other securities

With a determinable market value

Other securities with a determinable market value are stated at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Cost of securities sold is determined by the moving-average method.

Without a determinable market value

Other securities without a determinable market value are stated at cost determined by the moving-average method.

(b) Derivatives

Fair value

(c) Inventories

Overseas inventories

Carried mainly at cost, determined by the average cost method (balance sheet value is carried at the lower of cost or market)

Domestic inventories

Carried mainly at cost, determined by the moving-average method (balance sheet value is carried at the lower of cost or market)

(2) Depreciation method of significant depreciable assets

(a) 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, straight-line method of depreciation is applied. Useful lives of significant fixed assets are as follows:

Buildings and structures:	2-60 years
Wells:	3 years
Machinery, equipment and vehicles:	2-22 years

(b) Intangible assets (except leased assets)

Exploration and development rights

Exploration and development rights at the exploration stage are fully amortized in the consolidated fiscal year. Such rights which are at the production stage are amortized by the unit-of-production method.

Mining rights

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

Other

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

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

(c) Leased assets

Leased assets for financing lease transactions whose ownership are not to be transferred

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

(3) Basis for significant allowances

(a) Allowance for doubtful accounts

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

(b) Allowance for recoverable accounts under production sharing

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

(c) Allowance for investments in exploration

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

(d) Provision for bonuses

Provision for bonuses to employees are provided based on expected payment amounts.

(e) Provision for bonuses to officers

Provision for bonuses to officers are provided based on expected payment amounts.

(f) 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.

(g) 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.

(h) Provision for stocks payment

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

(i) Provision for special repair and maintenance

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

(4) Accounting for retirement benefits

i) Method of attributing expected retirement benefits to proper periods

When calculating retirement benefit obligations, the benefit formula method is used for attributing expected retirement benefits to periods through December 31, 2021. 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.

ii) Method of recognizing for actuarial differences

Actuarial gains and losses are charged or credited to income as incurred.

(5) Other basis of presenting consolidated financial statements

(a) Translation of consolidated subsidiaries' significant assets and liabilities denominated in foreign currencies into yen in preparation of the consolidated financial statements

Monetary assets and liabilities denominated in foreign currencies are translated into yen at the exchange rates prevailing at the balance sheet date. The resulting exchange gain or loss is credited or charged to income.

The revenue and expense accounts of the overseas subsidiaries are translated into yen at the average rates of exchange during the period. The balance sheet accounts are translated into yen at the rates of exchange in effect at the balance sheet date. Translation differences are presented as a component of translation adjustments and non-controlling interests.

(b) Accounting for major hedge transactions

i) Hedge accounting

The Company applies the deferred hedge accounting.

ii) Hedging instruments and hedged items

(Currency related)

Hedging instruments:	Interest rate and currency swap transactions, and foreign exchange forwards
Hedged items:	Liabilities denominated in Japanese yen and interests in foreign subsidiaries

(Commodity related)

Hedging instruments:	Commodity swap transactions and commodity option transactions
Hedged items:	Sales proceeds from commodities

iii) Hedging policy

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

iv) Hedge effectiveness assessment method

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

(c) Amortization of goodwill

Goodwill is amortized by the straight-line method over 20 years.

(d) Consumption tax

Transactions subject to the consumption tax are recorded at amounts exclusive of the consumption tax.

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

(Recoverable accounts under production sharing)

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

(Accounting for concession agreements)

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

(Additional Information)

The Company has applied “Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections” (ASBJ Statement No.24, March 31, 2020) to the consolidated financial statements for the year ended December 31, 2021, and accordingly disclosed information about applied principles and procedures of accounting when there are no specific provisions involved such as accounting standards.

[Change in the Presentation]

(Application of “Accounting Standard for Disclosure of Accounting Estimates”)

The Company has applied “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No.31, March 31, 2020) to the consolidated financial statements for the year ended December 31, 2021, and accordingly disclosed “Notes to Accounting Estimates.”

(Consolidated Statement of Income)

“Guarantee commission received,” previously presented separately in other income, is included in “Other” since it has become less significant.

“Loss on valuation of investment securities,” previously presented separately in other expenses, is included in “Other” since it has become less significant. “Loss on disposal of fixed assets,” previously included in “Other” in other expenses, is presented separately since it has become more significant.

[Notes to Accounting Estimates]

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

(1) Amounts recorded in the consolidated financial statements for this fiscal year

i) Ichthys LNG Project

Tangible fixed assets	¥1,476,791 million
Investment securities	¥227,203 million

Note: A balance of ¥227,203 million in share of profit of associates for Ichthys LNG Pty Ltd, for which the Group holds 66.245% of interests is included in the ¥403,356 million in investment securities in the consolidated balance sheet for the year ended December 31, 2021. The major assets held by Ichthys LNG Pty Ltd are the fixed assets regarding to the Ichthys LNG Project, and the balance of fixed assets for Ichthys LNG Pty Ltd as of December 31, 2021 (amount obtained by multiplying by the Group's share) is ¥2,452,645 million.

ii) Prelude FLNG Project

Tangible fixed assets	¥191,385 million
Intangible assets	¥54,359 million

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

i) Calculation method of the amount

The Company groups mining area and other assets as a basic unit that generates cash inflows independently of other groups of assets. If any indication that an asset may be impaired exists, the Group shall estimate the future cash flows, and if the recoverable amount is lower than the carrying amount, the impairment loss is recognized.

The Company has deemed that, in the year ended December 31, 2021, there is no indication of impairment for fixed assets related to the Ichthys LNG Project and the Prelude FLNG Project as a result of the determination of indications of impairment that took into consideration the status of project operation, which includes future crude oil prices and reserves, and operating expenses and development expenses.

ii) Major assumptions used for significant accounting estimates

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

These estimates and assumptions are based on the best judgements made by the management taking into account various factors such as the impact of the spread of COVID-19 that were considered reasonable at the end of this fiscal year.

iii) Effect to consolidated financial statements for the next fiscal year

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

[Additional Information]

(Stock-based remuneration system for directors)

At the Company's 12th Ordinary Meeting of Shareholders held on June 26, 2018, the Company resolved to introduce a stock-based remuneration system (the System for Directors of the Company and Executive Officers of the Company excluding Outside Directors and non-residents of Japan; hereinafter collectively referred to as Directors) with the aim of increasing the incentive for Directors to contribute to the medium-to long-term improvement of the corporate value of the Company by making clear the link between the remuneration of Directors and the Company's stock price. In the introduction of the System, a structure called "the Board Incentive Plan Trust" shall be adopted.

(1) Outline of the System

"The Board Incentive Plan Trust" is a system under which shares of the Company and the amount of money equivalent to the proceeds from the disposal of shares of the Company will be delivered and provided to the Directors according to their positions and other factors at the time of retirement, covering the five calendar years from 2018 to 2023.

(2) Shares of the Company that remain in the trust

Shares of the Company that remain in the trust are recorded as treasury stock in the net asset with the carrying value of the trust (excluding incidental expenses). The carrying value and numbers of the treasury stock as of December 31, 2021 are ¥177 million and 149,593 shares, respectively.

[Notes to Consolidated Balance Sheet]

1. Assets provided as collateral are as follows:

(Collateralized assets)	Millions of yen
Cash and deposits	42,527
Accounts receivable-trade	21,123
Inventories	17,625
Wells	235,846
Machinery, equipment and vehicles	1,116,249
Land	153
Construction in progress	109,499
Investment securities	239,475
Long-term loans receivable	835,109
Other	16,964
<u>Total</u>	<u>2,634,575</u>

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

2. Accumulated depreciation

Accumulated depreciation of tangible fixed assets is ¥1,274,954 million.

3. Contingent liabilities

The Company is contingently liable as guarantors of indebtedness of the following companies:

	Millions of yen
Ichthys LNG Pty Ltd	356,450
Tanggung Trustee*	33,345
Oceanic Breeze LNG Transport S. A.	839
Canada Oil Sands Co., Ltd.	234
Employees (housing loans)	4
<u>Total</u>	<u>390,873</u>

* Debt for investment funds of Tangguh LNG Project for which the Company participates through MI Berau B.V. and MI Berau Japan Ltd. (The aforementioned debt is the amount for the construction of Train-3, based on the Company's participating interest as the guarantor of indebtedness.)

[Notes to Consolidated Statement of Income]

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

(Millions of yen)

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

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

[Notes to Consolidated Statement of Changes in Net Assets]

1. Type and number of shares issued and treasury stock

	(Shares)			
	Balance as of January 1, 2021	Increase	Decrease	Balance as of December 31, 2021
Number of shares				
Common stock	1,462,323,600	—	—	1,462,323,600
Class A stock	1	—	—	1
Total	1,462,323,601	—	—	1,462,323,601
Treasury stock				
Common stock	2,119,069	73,689,900	2,976	75,805,993
Total	2,119,069	73,689,900	2,976	75,805,993

- (Notes) 1. The increase of 73,689,900 shares in treasury stock of common stock was due to acquisition of the Company's own shares based on the resolution by the Board of Directors' meeting.
2. The decrease of 2,976 shares in treasury stock of common stock was due to delivery of the Company's shares by the Board Incentive Plan Trust (the BIP Trust).
3. The number of treasury stock of common stock includes the Company's shares held by the BIP Trust (as of January 1, 2021: 152,569 shares and as of December 31, 2021: 149,593 shares).

2. Dividends

(1) Cash dividends paid

Resolution	Type of share	Cash dividends paid (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary general meeting of shareholders March 25, 2021	Common stock	17,524	12	December 31, 2020	March 26, 2021
	Class A stock	0	4,800	December 31, 2020	March 26, 2021
Board of Directors' meeting August 10, 2021	Common stock	29,207	20	June 30, 2021	September 1, 2021
	Class A stock	0	8,000	June 30, 2021	September 1, 2021

- (Notes) 1. Total dividend as determined by the resolution of Ordinary general meeting of shareholders on March 25, 2021 includes ¥1 million of dividends on the Company's shares held by the BIP Trust.
2. Total dividend as determined by the resolution of Board of Directors' meeting on August 10, 2021 includes ¥2 million of dividends on the Company's shares held by the BIP Trust.

(2) Dividends, whose record date was in the year ended December 31, 2021, and whose effective date will be in the next fiscal year

Resolution	Type of share	Source of dividends	Cash dividends paid (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary general meeting of shareholders March 25, 2022	Common stock	Retained earnings	38,826	28	December 31, 2021	March 28, 2022
	Class A stock	Retained earnings	0	11,200	December 31, 2021	March 28, 2022

Note: Total dividend as determined by the resolution of Ordinary general meeting of shareholders on March 25, 2022 includes ¥4 million of dividends on the Company's shares held by the BIP Trust.

[Notes to Financial Instruments]

1. Status of financial instruments

The Company raises funds for oil and natural gas development and construction of natural gas infrastructure primarily from cash flow on hand, bank loans and issuance of bonds. Oil and natural gas development projects are primarily funded from long-term loans that the Company has secured from 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 of domestic gas infrastructure. The Company generally borrows loans with variable interest rates and issues bonds with fixed rates, while some loans are with a fixed interest rate depending on the nature of each project.

Regarding the financing policy, the Company manages funds in consideration of being low-risk and high-liquidity. The Company uses derivative transactions only to manage risks of forecasted transactions and portfolio assets, and does not engage in speculative derivative transactions.

2. Fair value of financial instruments

Carrying value on the consolidated balance sheet as of December 31, 2021, fair value and the difference between them are as shown below.

	(Millions of yen)		
	Carrying value	Fair value	Difference
(1) Cash and deposits	201,765	201,765	-
(2) Accounts receivable-trade	168,224	168,224	-
(3) Investment securities			
Other securities	26,783	26,783	-
(4) Long-term loans receivable	1,011,801	1,010,598	(1,202)
Total assets	1,408,575	1,407,372	(1,202)
(1) Short-term loans	80,493	80,032	(460)
(2) Bonds payable	30,000	30,064	64
(3) Long-term debt	1,069,721	1,062,062	(7,658)
Total liabilities	1,180,214	1,172,159	(8,055)
Derivatives*	(7,429)	(7,429)	-

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

Note 1: Methods of calculating the fair value of financial instruments

Assets

(1) Cash and deposits

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

(2) Accounts receivable-trade

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

(3) Investment securities

The fair value of shares is determined by the market prices of exchanges, and the fair value of bonds is determined by market prices of exchanges or the prices presented by financial institutions.

(4) Long-term loans receivable

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

Liabilities

(1) Short-term loans

The estimated fair value of current portion of long-term debt included in short-term loans, is calculated by the same method as (3) Long-term debt. For the other short-term loans, 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.

(2) Bonds payable

The fair value of bonds payable is based on the Reference Statistical Prices (Yields) for OTC Bond Transactions issued by the Japan Securities Dealers Association.

(3) 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.

Derivative Transactions

Fair value is calculated based on the price obtained from forward quotations and the counterparty financial institutions.

Note 2: Unlisted securities (carrying value on the consolidated balance sheet: ¥18,369 million), and stocks of subsidiaries and affiliates (carrying value on the consolidated balance sheet: ¥358,203 million) are assumed to have no quoted market prices and it is extremely difficult to determine their fair value. Accordingly, these financial instruments are not included in “Assets (3) Investment securities.” 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.

[Notes to Per Share Information]

- | | |
|--------------------------------------------------------------|-----------|
| 1. Net assets excluding non-controlling interests per share: | ¥2,253.17 |
| 2. Net income per share: | ¥153.87 |

[Notes to Significant Subsequent Events]

Business Combination through Acquisition

On October 27, 2021, the Company concluded the agreement on transfer of 50.5% of shares in Idemitsu Snorre Oil Development Co., Ltd. with Idemitsu Kosan Co., Ltd. and Osaka Gas Summit Resources Co., Ltd. On January 31, 2022, the Company acquired shares in Idemitsu Snorre Oil Development Co., Ltd. after the approval of the government of Norway and other conditions were fulfilled.

Following the acquisition, Idemitsu Snorre Oil Development Co., Ltd. and Idemitsu Petroleum Norge AS which is a wholly owned subsidiary of Idemitsu Snorre Oil Development Co., Ltd. became subsidiaries of the Company because shares in Idemitsu Petroleum Norge AS are held indirectly by the Company.

1. Outline of the business combination

(1) Name and business details of the acquired company

i) Name	Idemitsu Snorre Oil Development Co., Ltd.
Business details	Exploration, development, production and marketing of crude oil and natural gas in Norway through a subsidiary
ii) Name	Idemitsu Petroleum Norge AS
Business details	Exploration, development, production and marketing of crude oil and natural gas in Norway

(2) Main reason for the business combination

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

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

(3) Date of the business combination

January 1, 2022 (deemed acquisition date)

January 31, 2022 (share acquisition date)

(4) Legal form of the business combination

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

(5) Company name after the business combination

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

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

(6) Ratio of voting rights acquired

i) Idemitsu Snorre Oil Development Co., Ltd.	Ratio of voting rights after the acquisition	50.5%
ii) Idemitsu Petroleum Norge AS	Ratio of voting rights after the acquisition	100% (of which indirectly owns 100%)

(7) Basis for determination of the acquiring company

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

2. Amount and breakdown of the acquisition costs

Consideration for acquisition	Cash and deposits	¥39,739 million
Acquisition cost		¥39,739 million

3. Amount and breakdown of the main acquisition-related costs

Not yet determined.

4. Amount of goodwill, reason for recognition, and method and period for amortization

Not yet determined.

5. Amount and breakdown of assets received and liabilities assumed on the date of the business combination

Not yet determined.

Cancellation of the Company's Own Shares

The Board of Directors of the Company, at its meeting held on January 24, 2022, resolved to cancel its own shares pursuant to the provisions of Article 178 of the Companies Act, and carried out the cancellation as follows.

- | | |
|--------------------------------------|-----------------------------------------------------------------------------------------|
| 1. Type of shares cancelled: | Common shares |
| 2. Total number of shares cancelled: | 75,656,433 shares
(5.17% of total number of issued shares prior to the cancellation) |
| 3. Date of cancellation: | February 8, 2022 |

(Reference)

- | | |
|----------------------------------|----------------------|
| • Total number of issued shares: | 1,386,667,167 shares |
| • Total number of own shares: | 0 shares |

Note: The shares held by the BIP Trust (149,593 shares) are not included in the number of own shares.

- **Non-Consolidated Financial Statements**

Non-Consolidated Statement of Changes in Net Assets

(For the year ended December 31, 2021)

Unit: millions of yen (Amounts truncated to millions of yen)

	Shareholders' equity						
	Common stock	Capital surplus		Retained earnings			
		Legal capital surplus	Total capital surplus	Other retained earnings			
				Reserve for advanced depreciation of non-current assets	Reserve for special depreciation	Mine prospecting reserve	Retained earnings brought forward
Balance at the beginning of the period	290,809	1,023,802	1,023,802	2,105	1,418	8,204	857,477
Changes during the period							
Reversal of reserve for special depreciation					(1,418)		1,418
Reversal of mine prospecting reserve						(95)	95
Cash dividends paid							(46,731)
Net income							13,272
Purchase of treasury stock							
Disposal of treasury stock							
Net changes in items other than those in shareholders' equity							
Total changes during the period	-	-	-	-	(1,418)	(95)	(31,944)
Balance at the end of the period	290,809	1,023,802	1,023,802	2,105	-	8,108	825,533

Unit: millions of yen (Amounts truncated to millions of yen)

	Shareholders' equity			Valuation, translation adjustments and others			Total net assets
	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized holding gain on securities	Deferred gain (loss) on hedges	Total valuation, translation adjustments and others	
	Total retained earnings						
Balance at the beginning of the period	869,205	(5,428)	2,178,389	2,001	(192)	1,808	2,180,198
Changes during the period							
Reversal of reserve for special depreciation	-		-				-
Reversal of mine prospecting reserve	-		-				-
Cash dividends paid	(46,731)		(46,731)				(46,731)
Net income	13,272		13,272				13,272
Purchase of treasury stock		(69,999)	(69,999)				(69,999)
Disposal of treasury stock		3	3				3
Net changes in items other than those in shareholders' equity				564	(1,782)	(1,217)	(1,217)
Total changes during the period	(33,458)	(69,996)	(103,454)	564	(1,782)	(1,217)	(104,672)
Balance at the end of the period	835,747	(75,425)	2,074,934	2,566	(1,974)	591	2,075,526

Notes to Non-Consolidated Financial Statements

[Significant Accounting Policies]

1. Valuation method for assets

(1) Valuation method for securities

Shares of subsidiaries and affiliates Stated at cost determined by the moving-average method

Other securities

 With a determinable market value Stated at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Cost of securities sold is determined by the moving-average method.

 Without a determinable market value Stated at cost determined by the moving-average method

(2) Valuation method for derivatives

Derivatives Fair value

(3) Valuation method for inventories

Carried at cost (balance sheet value is carried at the lower of cost or market)

 Finished goods, raw materials and supplies Determined by the moving-average method

 Work in process and partly-finished construction Stated at identified cost method

2. Depreciation method of fixed assets

Tangible fixed assets (except leased assets) Straight-line method of depreciation is applied.
Useful lives of significant fixed assets are as follows:

Buildings	2-50 years
Structures	3-60 years
Wells	3 years
Machinery and equipment	2-22 years

Intangible assets (except leased assets) Straight-line method of amortization is applied.
Goodwill is amortized over 20 years.
Software for internal use is amortized over 5 years.

Leased assets Depreciation of leased assets for financing lease transactions whose ownership are not to be transferred is calculated based on the straight-line method over the lease period assuming no residual value.

3. Basis for allowances

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

Allowance for investments in exploration Allowance for investments in exploration is provided for future potential losses on investments in exploration

	companies at an estimated amount based on the net assets of the investees.
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.
Provision for loss on business of subsidiaries and affiliates	Provision for loss on business of subsidiaries and affiliates is provided for future potential losses on business operations of subsidiaries and affiliates at an estimated amount based on the financial positions of these companies.
Provision for loss on guarantees of subsidiaries and affiliates	Provision for loss on guarantees of subsidiaries and affiliates is provided for future potential losses regarding guarantees of subsidiaries and affiliates at an estimated amount based on the financial positions of these companies.
Provision for bonuses	Provision for bonuses to employees are provided based on expected payment amounts.
Provision for bonuses to officers	Provision for bonuses to officers are provided based on expected payment amounts.
Accrued retirement benefits to employees	Accrued retirement benefits to employees are provided at the amount calculated based on the expected retirement benefit obligation and the estimated value of pension plan assets. Actuarial gains and losses are charged or credited to income as incurred.
Provision for share-based payments	Provision for share-based payments is provided to prepare for the issuance of the Company's shares to Directors, etc. based on the share issuance regulations, at the estimated amount of share-based payment obligations.
4. Accounting for hedge transactions	
Hedge accounting	Deferred hedge accounting method is applied.
Hedging instruments and hedged items	Hedging instruments: Foreign exchange forwards Hedged items: Investment in share of subsidiaries and affiliates
Hedging policy	The nominal amount of the derivative transaction is limited to within the scope of actual demand, and the Company does not engage in speculative derivative transactions.
Hedge effectiveness assessment method	Hedge effectiveness is assessed by comparison based on market fluctuations and cash flow fluctuations for hedging items and hedging instruments.
5. Other basis of presenting non-consolidated financial statements	
Consumption tax	Transactions subject to the consumption tax are recorded at amounts exclusive of the consumption tax.

[Notes to Change in the Presentation]

1. Non-Consolidated Statement of Income

“Loss on valuation of investment securities,” previously presented separately in other expenses, is included in “Other” since it has become less significant.

2. Application of “Accounting Standard for Disclosure of Accounting Estimates”

The Company has applied “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No.31, March 31, 2020) to the non-consolidated financial statements for the year ended December 31, 2021, and accordingly disclosed “Notes to Accounting Estimates.”

[Notes to Accounting Estimates]

1. Recoverability of deferred tax assets

(1) Amounts recorded in the non-consolidated financial statements for this fiscal year

Deferred tax assets ¥18,830 million

Note: This is the amount before offsetting with deferred tax liabilities.

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

i) Calculation method of the amount

The Company is considering the recoverability of deferred tax assets in accordance with the “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016).

At the end of this fiscal year, the Company recorded recoverable deductible temporary differences and deferred tax assets on tax loss carry-forwards as a result of the scheduling of temporary differences, etc. based on the estimate of taxable income prior to factoring in temporary differences in a logically predictable period in the future.

ii) Major assumptions used for significant accounting estimates

The recoverability of deferred tax assets is largely dependent on estimates of future taxable income. Future sales volume, crude oil/natural gas prices, operating expenses and selling, general and administrative expenses are factored as major assumptions for these estimates.

These estimates and assumptions are based on the best judgements made by the management taking into account various factors such as the impact of the spread of COVID-19 that were considered reasonable at the end of this fiscal year.

iii) Effect to non-consolidated financial statements for the next fiscal year

Major assumptions may have a material effect on the amount of deferred tax assets if it is necessary to review them as a result of changes in future economic conditions.

[Additional Information]

Stock-based remuneration system for directors

As the same information has been stated in “Additional Information” of “Notes to Consolidated Financial Statements” under “Consolidated Financial Statements,” it is omitted here.

[Notes to Non-Consolidated Balance Sheet]

1. Assets provided as collateral are as follows:

Investment in share of subsidiaries and affiliates is ¥4,880 million.
The above is pledged as collateral for liabilities of affiliates.

2. Accumulated depreciation of tangible fixed assets is ¥319,009 million.

3. Contingent liabilities

The Company is contingently liable as guarantors of indebtedness of the following companies:

	Millions of yen
Ichthys LNG Pty Ltd	371,906
INPEX FINANCIAL SERVICES SINGAPORE PTE. LTD.	97,839
INPEX North Caspian Sea, Ltd.	62,110
Japan Oil Development Co., Ltd.	53,754
INPEX CON SON, LTD.	46,317
Tanggung Trustee*	33,345
INPEX Sahul, Ltd.	14,060
Oceanic Breeze LNG Transport S.A.	1,198
Canada Oil Sands Co., Ltd.	234
Employees (housing loans)	4
Total	680,772

* Debt for investment funds of Tangguh LNG Project for which the Company participates through MI Berau B.V. and MI Berau Japan Ltd. (The aforementioned debt is the amount for the construction of Train-3, based on the Company's participating interest as the guarantor of indebtedness.)

4. Monetary assets and liabilities from/to subsidiaries and affiliates (excluding items presented separately)

	Millions of yen
Short-term monetary assets from subsidiaries and affiliates	15,833
Long-term monetary assets from subsidiaries and affiliates	51
Short-term monetary liabilities to subsidiaries and affiliates	2,403
Long-term monetary liabilities to subsidiaries and affiliates	6

[Notes to Non-Consolidated Statement of Income]

Transactions with subsidiaries and affiliates

	Millions of yen
Operating transactions	
Net sales	19,021
Purchases	76,964
Other operating transactions	36,872
Transactions other than operating transactions	36,265

[Notes to Non-Consolidated Statement of Changes in Net Assets]

Type and number of treasury stocks at end of this period

	Shares
Common stock	75,805,993

Note: The number of treasury stocks as of the end of this fiscal year includes 149,593 of the Company's shares held by the BIP Trust.

[Notes to Tax Effect Accounting]

Significant components of deferred tax assets and liabilities

	Millions of yen
Deferred tax assets	
Allowance for investments in exploration	29,780
Loss on valuation of shares of subsidiaries and affiliates	111,254
Loss on valuation of investment securities	1,086
Accrued retirement benefits to employees	2,143
Provision for loss on business	2,632
Provision for loss on business of subsidiaries and affiliates	4,369
Asset retirement obligations	1,462
Accrued bonuses	327
Allowance for doubtful accounts	13,955
Provision for loss on guarantees of subsidiaries and affiliates	11,144
Impairment loss	3,092
Foreign tax credit brought forward	682
Net operating loss carry-forwards	2,542
Other	4,371
Subtotal of deferred tax assets	188,843
Valuation allowance	(170,012)
Total deferred tax assets	18,830
Deferred tax liabilities	
Unrealized holding gain on securities	497
Translation differences due to an application of purchase accounting method	4,988
Mine prospecting reserve	3,153
Reserve for advanced depreciation of non-current assets	1,197
Other	1,181
Total deferred tax liabilities	11,019
Net deferred tax assets (liabilities)	7,810

[Notes to Transactions with Related Parties]

Type	Name of related party	Voting interest (Owned)	Description of the business relationship	Transaction detail	Amounts (Millions of yen)	Accounts	Balance (Millions of yen)
Subsidiary	INPEX North Caspian Sea, Ltd.	Directly (Owned) 51.00% -%	Interlocking officers, capital subscription	Loans of funds (Note 1)	—	Long-term loans receivable from subsidiaries and affiliates	116,666
				Loans of funds (Note 1)	43,789	Short-term loans receivable from subsidiaries and affiliates	131,697
				Interest income (Note 1)	4,347	Current assets and Other (Accrued interest)	716
				Debt guarantee (Note 2)	62,110	—	—
				Guarantee commission received (Note 2)	642	Current assets and Other (Accrued income)	157
	INPEX FINANCIAL SERVICES SINGAPORE PTE. LTD.	Directly (Owned) 100.00% -%	Interlocking officers, capital subscription	Subscription of shares (Note 3)	99,720 (in millions of US\$) 900	—	—
				Paid-in capital decrease (Note 3)	200,403 (in millions of US\$) 1,800	—	—
				Cash management (Note 4)	—	Deposits received from subsidiaries and affiliates	549,116
				Interest income (Note 1)	4,669	Current assets and Other (Accrued interest)	115
				Debt guarantee (Note 2)	97,839	—	—
				Guarantee commission received (Note 2)	58	Current assets and Other (Accrued income)	16
	INPEX Gas British Columbia Ltd.	Directly (Owned) 45.09% -%	Capital subscription	Loans of funds (Note 5)	—	Short-term loans receivable from subsidiaries and affiliates	49,111
	INPEX CON SON, LTD.	Directly (Owned) 100.00% -%	Interlocking officers, capital subscription	Debt guarantee (Note 2)	46,317	—	—
				Guarantee commission received (Note 2)	42	Current assets and Other (Accrued income)	11
	Japan Oil Development Co., Ltd.	Directly (Owned) 100.00% -%	Interlocking officers, capital subscription	Debt guarantee (Note 2)	53,754	—	—
				Guarantee commission received (Note 2)	47	Current assets and Other (Accrued income)	13

Type	Name of related party	Voting interest (Owned)	Description of the business relationship	Transaction detail	Amounts (Millions of yen)	Accounts	Balance (Millions of yen)
	INPEX Oil & Gas Australia Pty Ltd	Directly 100.00% (Owned) -%	Capital subscription	Purchase of finished goods (Note 6)	15,221	—	—
	INPEX ENERGY TRADING SINGAPORE PTE. LTD.	Indirectly 100.00% (Owned) -%	Interlocking officers	Sale of finished goods (Note 6)	17,602	Accounts receivable-trade	7,548
Affiliate	Ichthys LNG Pty Ltd	Indirectly 66.245% (Owned) -%	Purchase of finished goods and raw materials	Debt guarantee (Note 2)	371,906	—	—
				Guarantee commission received (Note 2)	3,180	Current assets and Other (Accrued income)	151
				Purchase of finished goods and raw materials (Note 6)	41,253	—	—

Note 1: The Company determines the interest rate based on its market interest rates upon loans of funds in a reasonable and appropriate manner. The Company did not accept any collateral.

Note 2: This refers to the guarantee that was set against the loans from financial institutions as a fund for business development, etc., and the Company receives guarantee commission calculated based on the guarantee amount. The amount of transactions of debt guarantee represents the balance of guarantees at the end of this period.

Note 3: In line with the management of exchange rate risk, the main operations of INPEX FINANCIAL SERVICES SINGAPORE PTE. LTD., the Company undertook a subscription of shares at US\$1 per share, and a paid-in capital decrease at US\$1 per share.

Note 4: The Group adopts a cash management system (hereinafter “CMS”) for the purpose of efficient fund management within the Group. The amount of funds transactions through the CMS are not stated above because it is difficult to identify the amounts by transaction details. The Company determines the interest rate based on its market interest rate.

Note 5: The Company determines the interest rate based on its market interest rates upon loans of funds in a reasonable and appropriate manner. The Company did not accept any collateral. For the said loan, ¥49,111 million was recorded as allowance for doubtful accounts.

Note 6: All transactions were conducted under general transactional conditions, which are the same as those used in transactions with independent third parties.

[Notes to Per Share Information]

1. Net assets per share: ¥1,496.93
2. Net income per share: ¥9.16

[Notes to Significant Subsequent Events]

1. Made a subsidiary through share acquisition

On October 27, 2021, the Company concluded the agreement on transfer of 50.5% of shares in Idemitsu Snorre Oil Development Co., Ltd. with Idemitsu Kosan Co., Ltd. and Osaka Gas Summit Resources Co., Ltd.

On January 31, 2022, the Company acquired shares in Idemitsu Snorre Oil Development Co., Ltd. after the approval of the government of Norway and other conditions were fulfilled.

For details, please refer to Business combination through acquisition in [Notes to Significant Subsequent Events] in the Notes to Consolidated Financial Statements.

2. Cancellation of the Company’s own shares

The Board of Directors of the Company, at its meeting held on January 24, 2022, resolved to cancel its own shares pursuant to the provisions of Article 178 of the Companies Act, and carried out the cancellation on February 8, 2022.

For details, please refer to Cancellation of the Company's own shares in [Notes to Significant Subsequent Events] in the Notes to Consolidated Financial Statements.