

# 7

## Financial & Corporate Information



# Message from the Senior Vice President, Finance & Accounting Division

I would like to take this opportunity to provide an overview of the Group's business results, highlights and financial position for the year ended March 31, 2014, as well as details of its investment plans and funding.



**Masahiro Murayama**

Director, Senior Vice President, Finance & Accounting Division

## Business Results for the Year Ended March 31, 2014

Consolidated net sales for the year ended March 31, 2014, amounted to ¥1,334.6 billion, an increase of 9.7% compared with the previous period. From a profit perspective, consolidated net income edged up 0.4% year on year to ¥183.7 billion. Although the absence of the one-off gain on transfer of mining rights totaling around ¥50.0 billion recorded in the previous period and the 2.4% year-on-year downturn in crude oil prices (ICE Brent) had an unfavorable effect on performance, these negative factors were more than offset by the positive flow-on effect of ¥212.0 billion attributable to the downturn in the value of the Japanese yen and other factors including production volume stability. As a result, INPEX reported an increase in both revenue and earnings for the period under review. As the year ended March 31, 2013, came to a close, the value of the yen declined substantially. Taking this fluctuation in foreign currency exchange rates into account, the Company reported a loss on its foreign currency denominated loans and foreign exchange loss as other expenses. In principle, INPEX strives to maintain a basic balance between its foreign currency denominated assets and liabilities. Although the Company benefitted from an unrealized gain on foreign currency denominated bonds, this item is not reflected in the statement of income thereby eliminating any offset with the aforementioned foreign exchange loss. However, this unrealized gain is recorded as an unrealized holding gain on securities in the net assets section of the balance sheet. The value of the yen continued to fall throughout the year ended March 31, 2014. As the Company realizes the unrealized gains attributable to the weak yen through the redemption of foreign currency denominated bonds, the Company has steadily balanced its foreign currency denominated assets and liabilities related profits and

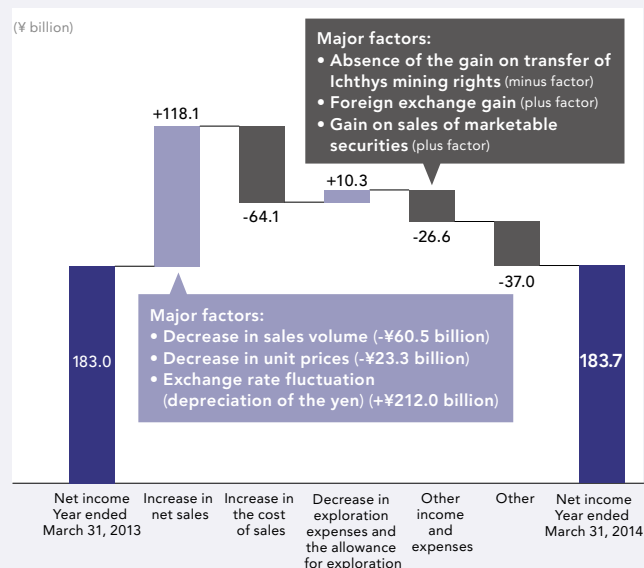
losses with respect to its statement of income. As a result, INPEX has been successful in taking more advantage of the benefits to accrue from the weak yen from both the balance sheet and income statement perspectives while at the same time securing high levels of profits.

## Financial Position

Consolidated total assets as of March 31, 2014, stood at ¥4,038.1 billion, up ¥422.0 billion compared with the previous period-end. This largely reflected the increase in tangible fixed assets of ¥367.2 billion mainly due to development-related investments in the Ichthys LNG Project. Total off-balance-sheet assets on a 100% basis of the Ichthys downstream operating company, in which INPEX holds a 66.07% equity share, amounted to ¥1,309.8 billion as of March 31, 2014. The balance of net assets as of the end of the period under review came in at ¥2,996.0 billion, up ¥325.1 billion compared with the balance as of March 31, 2013. This included net income for the period of ¥183.7 billion and an increase in translation adjustments of ¥175.9 billion. The available cash on hand as of March 31, 2014, was ¥1,466.1 billion and mainly earmarked for investment through to the year ending March 31, 2017, as prescribed under the Company's Medium- to Long-Term Vision. For the most part, investments are generally made in U.S. dollars. Accordingly, INPEX has entered into various financial instruments including forward currency contracts with approximately ¥1,200 billion of cash available on hand held in this major currency.

Turning to the Company's overall financial position, the equity ratio stood at 69.1% as of March 31, 2014, with net debt

## Analysis of Factors Contributing to an Increase/ Decrease in Net Income

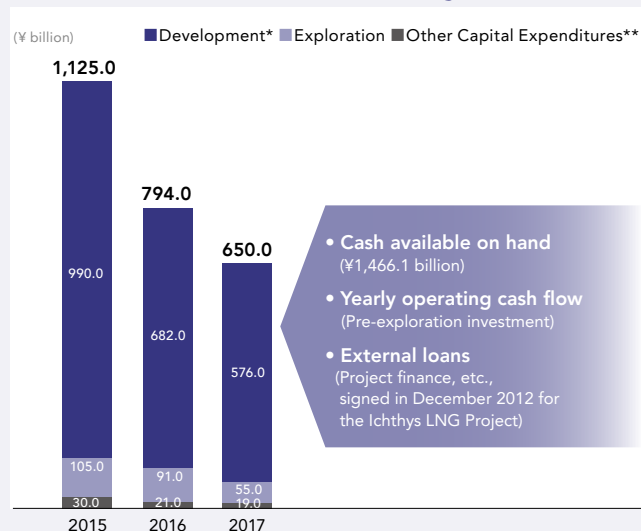


to net total capital employed coming in at negative 31.9%. These levels are well in excess of the Company's long-term financial targets of an equity ratio of 50% or more and a net debt to net total capital employed ratio of 20% or less. Looking ahead, INPEX will take all necessary steps to prepare for future investments while maintaining a robust financial position.

## Investment Plans and Funding

INPEX will continue to undertake exploration and development investments aimed at future growth in line with the investment target of ¥3.5 trillion, covering the five-year period from the year ended March 31, 2013, to the year ending March 31, 2017, outlined under the Medium- to Long-Term Vision formulated in May 2012. Recently, the Company has witnessed a prolonged decline in the value of the yen. Against this backdrop, INPEX has revised its medium- to long-term assumption of the yen/U.S. dollar exchange rate from ¥80 in May 2012 to ¥100. As a result, the amount of investment has fluctuated upward on a yen basis. On a U.S. dollar basis, the total amount of investment remains essentially unchanged. To meet these U.S. dollar-based investment requirements, the Company will look to procure U.S. dollar funds through external loans including project finance, operating cash flows and available cash on hand. As stated above, the vast majority of available cash on hand is currently denominated in U.S. dollars, and this is considered sufficient to meet the Company's exploration and development investment needs for the next three years. Taking this factor into account, INPEX is not expected to incur additional funding as a result of the yen's depreciation.

## Three-Year Period Investment and Funding Plans



\*Ichthys downstream business included in development expenditures

\*\*Investments mainly in the Naoetsu LNG Terminal and pipeline-related facilities in Japan

## Notes

\* EBIDAX = Net income + Minority interests + Deferred tax + (1 - Tax rate) × (Interest expense - Interest income) + Exchange profit 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

\* Net assets excluding minority interests = Net assets - Minority interests

\* Equity ratio = Net assets excluding minority 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 - Minority interests)

\* ROE = Net income / Average of net assets excluding minority interests at the beginning and end of the year

\* Net ROACE = (Net income + Minority interests + (Interest expense - Interest income) × (1 - Tax rate)) / Average of sum of net assets and net debt 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. The probable reserves include reserves of bitumen. 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. Possible reserves also include reserves of bitumen.

\* 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: 1 INPEX Holdings Inc. was established on April 3, 2006 through a stock transfer between INPEX CORPORATION and Teikoku Oil Co., Ltd. and merged with these subsidiaries and changed the corporate name to INPEX CORPORATION on October 1, 2008.

2 INPEX Corporation settles accounts in March; Teikoku Oil Co., Ltd. settled accounts in December up to the period ended December 31, 2005.

3 Due to a change of the accounting period, amounts of consolidated financial statement of Teikoku Oil Co., Ltd. of the period ended March 31, 2006 reflect the three-month period from January 1, 2006 to March 31, 2006. Per share data and Financial indicators for the period are not listed here.

4 In consolidated financial statements of INPEX Corporation and Teikoku Oil Co., Ltd. announced for the periods ended on or before March 31, 2006, amounts of less than 1 million yen are rounded down, while amounts are basically rounded to the nearest million.

## 12-Year Financial Information

Figures given for the years ended on or before March 31, 2006 represent INPEX Corporation and its subsidiaries/Teikoku Oil Co., Ltd. and its subsidiaries; figures given for the years ended on or after March 31, 2007 represent INPEX Corporation (post integration) and its subsidiaries.

The translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation only, at ¥102.92=US\$1.00, the approximate exchange rate in effect as of March 31, 2014.

As of or years ended March 31, (Results of operations)		Millions of yen				
		2003/3 2002/12	2004/3 2003/12	2005/3 2004/12	2006/3 2005/12 2006/3	
Net sales	INPEX	¥ 201,533	¥ 218,831	¥ 478,586	¥ 704,234	
	Teikoku Oil	73,630	78,498	84,032	100,716	27,718
Cost of sales	INPEX	95,997	105,758	197,094	257,903	
	Teikoku Oil	44,931	47,062	48,455	55,473	12,807
Gross profit	INPEX	105,536	113,072	281,492	446,330	
	Teikoku Oil	28,699	31,436	35,576	45,243	14,910
Operating income	INPEX	97,270	93,876	268,662	426,650	
	Teikoku Oil	7,296	8,739	13,533	21,077	9,470
Income before income taxes and minority interests	INPEX	70,050	94,773	258,631	403,539	
	Teikoku Oil	7,491	11,044	16,676	26,122	10,216
Net income	INPEX	27,911	34,781	76,493	103,476	
	Teikoku Oil	¥ 5,233	¥ 6,796	¥ 9,276	¥ 15,485	¥ 6,484

### (Financial position)

Current assets	INPEX	¥ 119,076	¥ 106,952	¥ 238,419	¥ 257,573	
	Teikoku Oil	47,585	50,166	45,658	58,586	65,864
Tangible fixed assets	INPEX	29,869	35,141	68,260	65,219	
	Teikoku Oil	110,416	103,668	114,220	125,418	126,497
Intangible assets	INPEX	3,885	137,908	138,631	136,757	
	Teikoku Oil	796	754	776	811	1,028
Investments and other assets	INPEX	185,914	245,295	333,915	512,887	
	Teikoku Oil	45,188	71,691	79,858	108,949	115,268
Total assets	INPEX	338,747	525,298	779,227	972,437	
	Teikoku Oil	203,986	226,280	240,513	293,767	308,659
Current liabilities	INPEX	27,275	28,894	122,910	179,600	
	Teikoku Oil	23,882	20,661	27,439	28,998	28,156
Long-term liabilities	INPEX	57,007	185,410	209,738	250,236	
	Teikoku Oil	41,342	46,101	44,986	65,230	72,927
Net assets*	INPEX	254,463	310,991	446,578	542,600	
	Teikoku Oil	¥ 138,760	¥ 159,516	¥ 168,086	¥199,536	¥207,574

\* The amount of Net assets as of the years ended on or before March 31, 2006 is retroactively adjusted in accordance with "Accounting Standard for Presentation of Net Assets in Balance Sheet" (ASBJ Statement No.5).

### (Cash flows)

Cash flows from operating activities	INPEX	¥ 51,282	¥ 44,464	¥ 131,206	¥ 218,239	
	Teikoku Oil	15,004	19,955	19,225	15,118	9,872
Cash flows from investing activities	INPEX	(40,533)	(218,121)	(119,956)	(252,399)	
	Teikoku Oil	(27,166)	(8,284)	(20,018)	(20,287)	(4,705)
Cash flows from financing activities	INPEX	21,237	151,120	9,791	14,350	
	Teikoku Oil	(407)	(5,914)	(5,824)	7,845	5,480
Cash and cash equivalents at end of the year	INPEX	78,414	54,582	128,375	114,967	
	Teikoku Oil	¥ 23,020	¥ 28,789	¥ 22,234	¥ 25,545	¥ 36,175

### (Per share data)

Net assets per share (Yen)	INPEX	¥143,389.73* <sup>1</sup>	¥157,275.33* <sup>1</sup>	¥214,163.98	¥ 262,966.53	
	Teikoku Oil	444.90	512.18	543.62	646.90	—
Cash dividends per share (Yen)	INPEX	3,333* <sup>1</sup>	3,333* <sup>1</sup>	4,000	5,500	
	Teikoku Oil	6.00	6.00	7.50	9.00	—
Earnings per share (EPS) (Yen)	INPEX	15,726.17* <sup>1</sup>	19,612.92* <sup>1</sup>	40,255.92	53,814.47	
	Teikoku Oil	¥ 17.11	¥ 22.09	¥ 30.22	¥ 50.61	¥ —

\*<sup>1</sup> Retroactively adjusted for a three-for-one stock split in May 2004.

\*<sup>2</sup> 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 (%)	INPEX	(75.8)%	12.0%	(13.3)%	(19.6)%	
	Teikoku Oil	(2.3)	(9.1)	(5.5)	(1.0)	—
Equity ratio (%)	INPEX	74.9	52.9	52.8	51.9	
	Teikoku Oil	66.6	69.1	69.0	67.1	—
D/E ratio (%)	INPEX	18.5	60.9	43.2	43.6	
	Teikoku Oil	18.8%	13.9%	10.8%	14.7%	—%

Millions of yen								Thousands of U.S. dollars	
2007/3	2008/3	2009/3	2010/3	2011/3	2012/3	2013/3	2014/3	2014/3	
<b>INPEX</b>									
¥ 969,713	¥ 1,202,965	¥ 1,076,165	¥ 840,427	¥ 943,080	¥ 1,186,732	¥ 1,216,533	¥ 1,334,626	\$12,967,606	
343,795	390,554	319,038	298,168	334,833	395,443	426,326	490,417	4,765,031	
625,918	812,411	757,127	542,259	608,247	791,289	790,207	844,209	8,202,575	
559,077	714,211	663,267	461,668	529,743	709,358	693,448	733,610	7,127,963	
586,263	685,800	616,167	442,027	508,587	767,039	718,146	750,078	7,287,971	
¥ 165,092	¥ 173,246	¥ 145,063	¥ 107,210	¥ 128,699	¥ 194,001	¥ 182,962	¥ 183,691	\$ 1,784,794	
<b>INPEX</b>									
¥ 474,124	¥ 565,111	¥ 411,110	¥ 492,855	¥ 492,932	¥ 908,702	¥ 1,106,504	¥ 1,140,204	\$11,078,546	
219,227	254,481	297,636	358,094	379,862	383,698	584,541	951,779	9,247,756	
265,822	265,481	253,681	239,205	249,111	233,318	380,156	439,179	4,267,188	
648,934	722,828	805,618	923,624	1,558,475	1,540,680	1,544,958	1,506,977	14,642,217	
1,608,107	1,807,901	1,768,045	2,013,778	2,680,380	3,066,398	3,616,159	4,038,139	39,235,707	
266,248	325,286	206,059	227,905	254,729	367,844	414,977	375,670	3,650,116	
261,843	243,802	199,925	295,270	328,268	384,361	530,198	666,432	6,475,243	
¥ 1,080,016	¥ 1,238,813	¥ 1,362,061	¥ 1,490,603	¥ 2,097,383	¥ 2,314,193	¥ 2,670,984	¥ 2,996,037	\$29,110,348	
<b>INPEX</b>									
¥ 231,982	¥ 363,995	¥ 230,352	¥ 241,373	¥ 274,094	¥ 320,692	¥ 252,347	¥ 213,514	\$ 2,074,563	
(209,243)	(261,767)	(240,168)	(251,812)	(844,511)	(280,864)	(489,870)	(395,555)	(3,843,325)	
13,794	(45,228)	(46,090)	68,937	548,057	29,294	137,069	48,961	475,719	
¥ 189,417	¥ 222,270	¥ 162,845	¥ 216,395	¥ 182,025	¥ 249,233	¥ 199,859	¥ 117,531	\$ 1,141,965	
<b>INPEX</b>									
¥1,091.17* <sup>2</sup>	¥1,227.92* <sup>2</sup>	¥1,350.25* <sup>2</sup>	¥1,473.87* <sup>2</sup>	¥1,367.40* <sup>2</sup>	¥1,492.27* <sup>2</sup>	¥1,699.10* <sup>2</sup>	¥1,911.25* <sup>2</sup>	\$ 18.57* <sup>2</sup>	
17.50* <sup>2</sup>	18.75* <sup>2</sup>	20.00* <sup>2</sup>	13.75* <sup>2</sup>	15.00* <sup>2</sup>	17.50* <sup>2</sup>	17.50* <sup>2</sup>	18.00* <sup>2</sup>	0.17* <sup>2</sup>	
¥ 176.06* <sup>2</sup>	¥ 183.78* <sup>2</sup>	¥ 154.00* <sup>2</sup>	¥ 113.88* <sup>2</sup>	¥ 102.08* <sup>2</sup>	¥ 132.84* <sup>2</sup>	¥ 125.29* <sup>2</sup>	¥ 125.78* <sup>2</sup>	\$ 1.22* <sup>2</sup>	
<b>INPEX</b>									
(18.6)%	(36.1)%	(31.2)%	(30.6)%	(48.9)%	(60.7)%	(43.9)%	(31.9)%	(31.9)%	
64.0	64.0	71.9	68.9	74.5	71.1	68.6	69.1	69.1	
24.2%	16.8%	12.9%	17.3%	13.7%	14.6%	19.2%	20.9%	20.9%	



# 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 that is left 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."

###### Interest on loans

Any interest expense that is recoverable under the relevant PSC is 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.

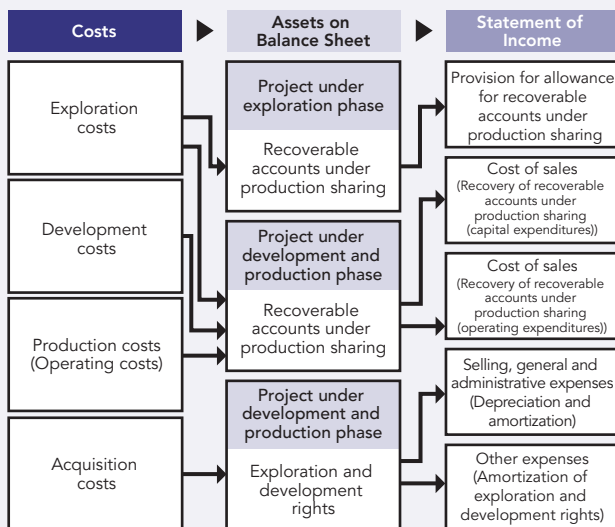
### Production costs

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

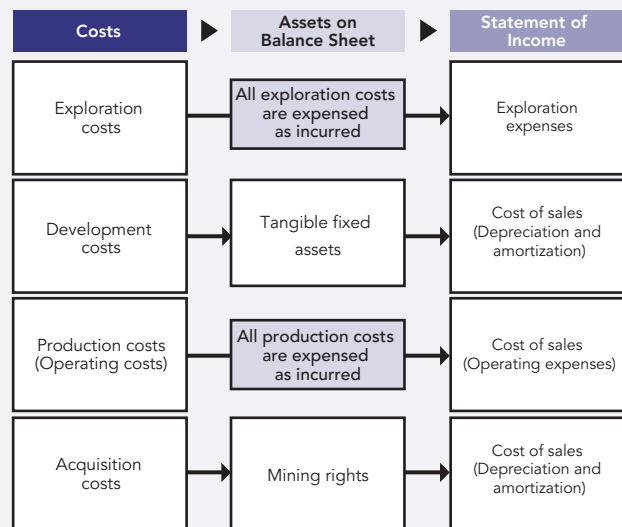
### Administrative expenses

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 retirement costs incurred upon termination of the operation with respect to oil and gas production facilities in case that the Group is obliged to retire such facilities by 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 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 minority 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, 2014, the Japanese economy followed a gradual recovery trend, such as a pickup in consumer spending and productive activity and improvement of low employment, owing to the Government's economic policy and Bank of Japan's monetary easing.

Under such business environment, Brent crude oil price, a typical indicator of international crude oil prices which significantly affect the Group's business, started the year ended March 31, 2014, at US\$111.08 per barrel. Although Brent crude oil price fell to US\$97.69 per barrel at one point due to stagnation in economic indicators in the U.S., the upward trend began and rose to US\$116.61 per barrel in late August, following the growing tension in Syria.

After mid-September, however, when military intervention in Syria was avoided, Brent crude oil price grew weaker and dropped to US\$103.46 per barrel in early November. Afterward, against a background of the expectation of crude demand due to suspension of crude oil production in some oilfields in Libya and improvement in economic indicators in countries, the upward trend began again and remained at US\$110 per barrel level in December.

Since the beginning of the year 2014, Brent crude oil price somewhat moved and finished at US\$107.76 per barrel at the end of the year ended March 31, 2014.

Meanwhile, crude oil and petroleum product prices in the domestic market changed correlating with the international crude oil prices. Reflecting these circumstances, the average sales price for crude oil for the year ended March 31, 2014 for the Group was US\$107.78 per barrel, which is US\$2.33 lower than

that for the year ended March 31, 2013.

The foreign exchange market, another important factor that affects the business of the Group, began the year ended March 31, 2014, with the yen trading at around ¥94 to the U.S. dollar. The depreciation of the yen against the U.S. dollar steadily continued to the ¥103 level in mid-May while the Policy Board of the Bank of Japan decided to introduce the "quantitative and qualitative monetary easing" above market expectations at the Monetary Policy Meeting held in April.

When Chairman Bernanke of Federal Reserve Board implied FRB would downscale its quantitative monetary easing, the yen recovered to the ¥93 level due to the movement to avoid risky assets. However, yen selling turned out dominant again after interest rate of the U.S. rose and sideways movement continued for a while after that.

In the face of U.S. economic recovery after November as well as FOMC (Federal Open Market Committee) decision to downscale the quantitative monetary easing in December, the yen depreciated against the U.S. dollar gradually to the ¥105.40 level.

Although the yen once appreciated to the ¥100 level as investors avoided risky assets with concern over emerging economies from the beginning of 2014, TTM closed at ¥102.92 to the U.S. dollar which turned out to be ¥8.93 lower than that on March 31, 2013.

Reflecting these situations, the average sales exchange rate for the Group for the year ended March 31, 2014, was ¥100.20 to the U.S. dollar, which is ¥17.52 lower than that for the year ended March 31, 2013.

## PERFORMANCE OVERVIEW

### Net sales

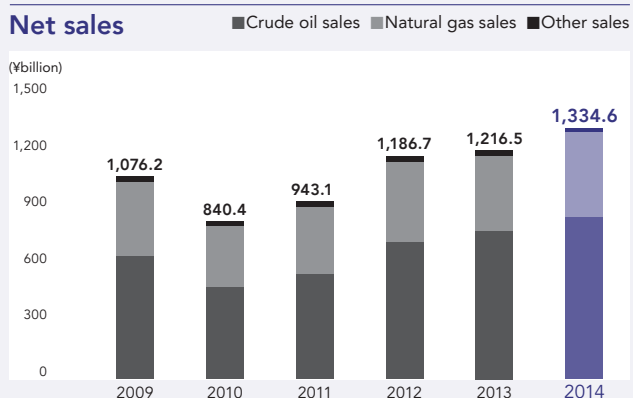
Consolidated net sales for the year ended March 31, 2014, increased by ¥118.1 billion, or 9.7%, to ¥1,334.6 billion from ¥1,216.5 billion for the year ended March 31, 2013, due to the positive effect of the depreciation of the yen against the U.S. dollar, despite decreases in the sales price and sales volume of crude oil.

Compared with the year ended March 31, 2013, net sales of crude oil increased by ¥70.6 billion, or 9.0%, to ¥858.8 billion from ¥788.1 billion, and net sales of natural gas increased by ¥57.6 billion, or 14.5%, to ¥455.4 billion from ¥397.8 billion.

Crude oil sales volume decreased by 7,018 thousand barrels, or 8.1%, to 79,171 thousand barrels compared with the year ended March 31, 2013. This was mainly due to the decline in production in the Van Gogh Oil Field and the Kitan Oil Field. The sales volume of natural gas increased by 8 billion cubic feet (Bcf), or 2.6%, to 327 Bcf compared with the year ended March 31, 2013. Of this, the sales volume of overseas natural gas increased by 7 Bcf, or 2.6%, to 260 Bcf compared with the year ended March 31, 2013, mainly due to an increase in sales volume in Americas region. The sales volume of domestic natural gas increased by 45 million m<sup>3</sup>, or 2.6%, to 1,798 million m<sup>3</sup> (equivalent to 67 Bcf) compared with the year ended March 31, 2013. The average sales price of overseas crude oil was US\$107.78 per barrel,

a decrease of US\$2.33, or 2.1%, compared with the year ended March 31, 2013. The average sales price of overseas natural gas was US\$13.09 per thousand cubic feet (Mcf), a decrease of US\$0.34, or 2.5%, compared with the year ended March 31, 2013. The average sales price of domestic natural gas was ¥50.31 per m<sup>3</sup>, an increase of ¥3.29 per m<sup>3</sup>, or 7.0%, compared with the year ended March 31, 2013.

The increase of ¥118.1 billion in net sales was mainly derived from the following factors: regarding net sales of crude oil and natural gas, a decrease in sales volume pushing sales down of



Years ended March 31,	(Millions of yen, %)			
	2013	2014	Change	Ratio
Net sales	¥1,216,533	¥1,334,626	¥118,093	9.7%
Crude oil	788,135	858,754	70,619	9.0
Natural gas	397,766	455,414	57,648	14.5
Other	30,632	20,458	(10,174)	(33.2)
Cost of sales	426,326	490,417	64,091	15.0
Gross profit	790,207	844,209	54,002	6.8
Exploration expenses	20,125	28,206	8,081	40.2
Selling, general and administrative expenses	53,734	57,345	3,611	6.7
Depreciation and amortization	22,900	25,048	2,148	9.4
Operating income	693,448	733,610	40,162	5.8
Other income	98,666	50,735	(47,931)	(48.6)
Interest income	8,735	17,462	8,727	99.9
Dividend income	7,832	9,228	1,396	17.8
Gain on sales of marketable securities	40	10,320	10,280	—
Other	82,059	13,725	(68,334)	(83.3)
Other expenses	73,968	34,267	(39,701)	(53.7)
Interest expense	1,518	2,335	817	53.8
Equity in losses of affiliates	1,042	5,054	4,012	385.0
Provision for allowance for recoverable accounts under production sharing	15,131	8,028	(7,103)	(46.9)
Provision for exploration projects	12,452	1,165	(11,287)	(90.6)
Foreign exchange loss	30,056	4,280	(25,776)	(85.8)
Other	13,769	13,405	(364)	(2.6)
Income before income taxes and minority interests	718,146	750,078	31,932	4.4
Income taxes	529,275	563,137	33,862	6.4
Income before minority interests	188,871	186,941	(1,930)	(1.0)
Minority interests	5,909	3,250	(2,659)	(45.0)
Net income	¥ 182,962	¥ 183,691	¥ 729	0.4%

¥60.5 billion, a decrease in unit sales price pushing sales down of ¥23.3 billion, and the depreciation of the yen against the U.S. dollar contributing ¥212.0 billion to the increase, in addition, a decrease in net sales excluding crude oil and natural gas of ¥10.2 billion.

### Cost of sales

Cost of sales for the year ended March 31, 2014, increased by ¥64.1 billion, or 15.0%, to ¥490.4 billion from ¥426.3 billion for the year ended March 31, 2013. This was mainly due to the depreciation of the yen against the U.S. dollar.

### Exploration expenses

Exploration expenses for the year ended March 31, 2014, increased by ¥8.1 billion, or 40.2%, to ¥28.2 billion from ¥20.1 billion for the year ended March 31, 2013. This was mainly due to

increased exploration activities in Japan and the Middle East & Africa region.

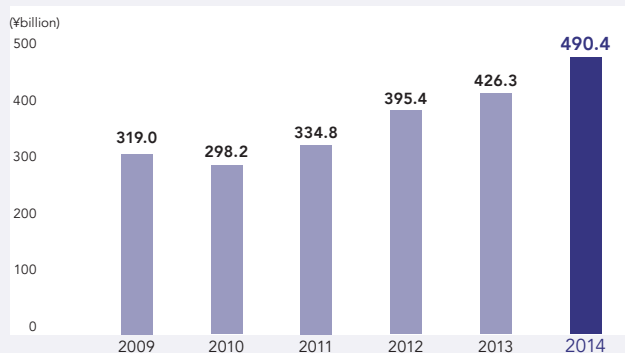
### Selling, general and administrative expenses

Selling, general and administrative expenses for the year ended March 31, 2014, increased by ¥3.6 billion, or 6.7%, to ¥57.3 billion from ¥53.7 billion for the year ended March 31, 2013. This was mainly due to increases in transport costs and personnel expenses.

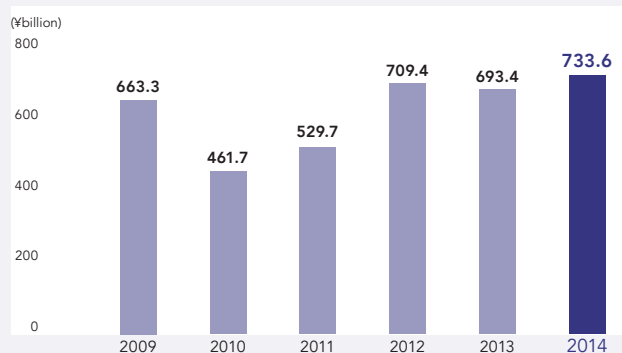
### Depreciation and amortization

Depreciation and amortization for the year ended March 31, 2014, increased by ¥2.1 billion, or 9.4%, to ¥25.0 billion from ¥22.9 billion for the year ended March 31, 2013. This was mainly due to an increase in the depreciation of exploration and

### Cost of sales



### Operating income



development rights for the ACG Oil Fields. 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, 2014, increased by ¥40.2 billion, or 5.8%, to ¥733.6 billion from ¥693.4 billion for the year ended March 31, 2013.

### Other income

Other income for the year ended March 31, 2014, decreased by ¥47.9 billion, or 48.6%, to ¥50.7 billion from ¥98.7 billion for the year ended March 31, 2013. This was mainly due to a decrease in gain on transfer of mining, despite an increase in gain on sales of marketable securities.

### Other expenses

Other expenses for the year ended March 31, 2014, decreased by ¥39.7 billion, or 53.7%, to ¥34.3 billion from ¥74.0 billion for the

year ended March 31, 2013. This was mainly due to decreases in provision for exploration projects and in foreign exchange loss.

### Income taxes

Total current income taxes and deferred income taxes for the year ended March 31, 2014, increased by ¥33.9 billion, or 6.4%, to ¥563.1 billion from ¥529.3 billion for the year ended March 31, 2013. 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 of 75.1% in the year under review.

### Minority interests

Minority interests for the year ended March 31, 2014, decreased by ¥2.7 billion, or 45.0%, to ¥3.3 billion from ¥5.9 billion for the year ended March 31, 2013.

### Net income

As a result of the above, net income for the year ended March 31, 2014, increased by ¥0.7 billion, or 0.4%, to ¥183.7 billion from ¥183.0 billion for the year ended March 31, 2013.

## FINANCIAL POSITION

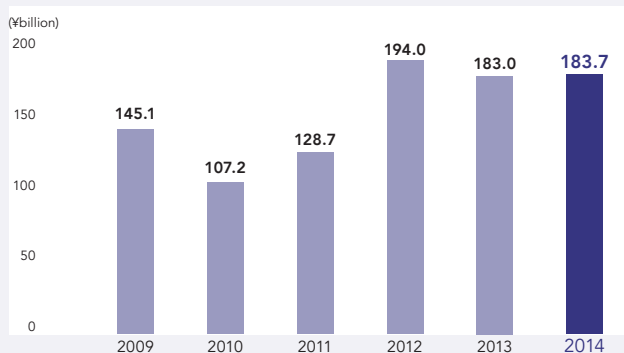
Total assets as of March 31, 2014, increased by ¥422.0 billion, or 11.7%, to ¥4,038.1 billion from ¥3,616.2 billion as of March 31, 2013. Current assets increased by ¥33.7 billion, or 3.0%, to ¥1,140.2 billion from ¥1,106.5 billion due to an increase in time deposits and others. Fixed assets increased by ¥388.3 billion, or 15.5%, to ¥2,897.9 billion from ¥2,509.7 billion as of March 31, 2013, due to increases in construction in progress, recoverable accounts under production sharing, long-term time deposits and others.

Meanwhile, total liabilities increased by ¥96.9 billion, or 10.3%, to ¥1,042.1 billion from ¥945.2 billion as of March 31, 2013. Current liabilities decreased by ¥39.3 billion, or 9.5%, to ¥375.7 billion from ¥415.0 billion as of March 31, 2013, due to a decrease in income taxes payable and others. Long-term

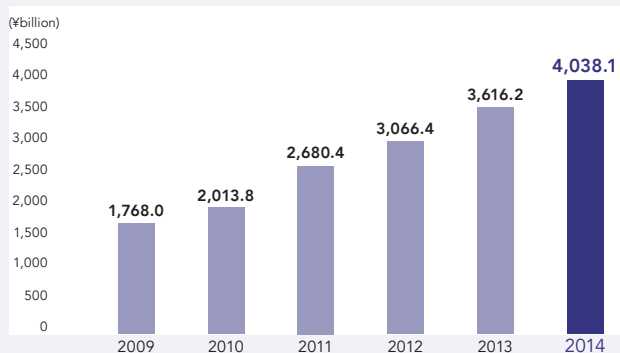
liabilities increased by ¥136.2 billion, or 25.7%, to ¥666.4 billion from ¥530.2 billion as of March 31, 2013, due to an increase in long-term debt and others.

Net assets increased by ¥325.1 billion, or 12.2%, to ¥2,996.0 billion from ¥2,671.0 billion as of March 31, 2013. Total shareholders' equity increased by ¥157.8 billion, or 6.7%, to ¥2,497.7 billion from ¥2,340.0 billion as of March 31, 2013. Total accumulated other comprehensive income increased by ¥152.0 billion to ¥293.4 billion from ¥141.3 billion as of March 31, 2013, and minority interests increased by ¥15.2 billion, or 8.0%, to ¥204.9 billion from ¥189.7 billion as of March 31, 2013.

### Net income



### Total assets



## 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 and/or development.
- 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, 2013 and 2014.

Year ended March 31, 2013	(Millions of yen)					
	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Total
<b>INPEX CORPORATION and Consolidated Subsidiaries</b>						
Exploration	¥ 62	¥ 32,599	¥ 231	¥12,515	¥ 8,577	¥ 53,984
Development	2,145	198,700	52,163	29,515	11,964	294,487
Subtotal* <sup>1</sup>	2,207	231,299	52,394	42,030	20,541	348,471
<b>Equity-method Affiliates</b>						
Exploration	—	—	—	8	—	8
Development	—	397	—	298	878	1,573
Subtotal	—	397	—	306	878	1,581
Other capital expenditures* <sup>2</sup>	22,324	282,374	—	79	13	304,790
Total* <sup>3</sup>	¥24,531	¥514,070	¥52,394	¥42,415	¥21,432	¥654,842

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

\*2 Other capital expenditures include the construction costs of domestic pipelines for sales of natural gas and the Naoetsu LNG Terminal, and the Group's share of investment in the Ichthys downstream entity (Ichthys LNG Pty Ltd, an equity-method affiliate).

\*3 The amount capitalized for the asset retirement costs corresponding to asset retirement obligations for the year ended March 31, 2013, was ¥2,708 million.

Year ended March 31, 2014	(Millions of yen)					
	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Total
<b>INPEX CORPORATION and Consolidated Subsidiaries</b>						
Exploration	¥ 3,384	¥ 36,689	¥ 107	¥16,590	¥14,232	¥ 71,002
Development	1,071	338,123	58,804	50,041	18,601	466,640
Subtotal* <sup>1</sup>	4,455	374,812	58,911	66,631	32,833	537,642
<b>Equity-method Affiliates</b>						
Exploration	—	—	194	105	—	299
Development	—	1,517	—	11,791	1,198	14,506
Subtotal	—	1,517	194	11,896	1,198	14,805
Other capital expenditures* <sup>2</sup>	37,036	388,271	—	—	—	425,307
Total* <sup>3</sup>	¥41,491	¥764,600	¥59,105	¥78,527	¥34,031	¥977,754

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

\*2 Other capital expenditures include the construction costs of domestic pipelines for sales of natural gas and the Naoetsu LNG Terminal, and the Group's share of investment in the Ichthys downstream entity (Ichthys LNG Pty Ltd, an equity-method affiliate).

\*3 The amount capitalized for the asset retirement costs corresponding to asset retirement obligations for the year ended March 31, 2014, was ¥10,651 million.

Total investments for the year ended March 31, 2014, increased by ¥322.9 billion, or 49.3%, to ¥977.8 billion (including ¥14.8 billion for exploration and development by equity-method affiliates) from ¥654.8 billion for the year ended March 31, 2013. This was mainly due to an increase in development expenditures for the Ichthys Project (including the downstream business) and WA-44-L (the Prelude FLNG Project) in the Asia & Oceania region.

The table below shows the Group's operating expenses by segment for the years ended March 31, 2013 and 2014.

Years ended March 31,	(Millions of yen, %)			
	2013		2014	
<b>INPEX CORPORATION and Consolidated Subsidiaries</b>				
Japan	¥ 9,491	9.1%	¥ 10,286	7.5%
Asia & Oceania	63,851	61.2	82,719	60.7
Eurasia (Europe & NIS)	7,152	6.8	9,521	7.0
Middle East & Africa	23,055	22.1	31,921	23.4
Americas	868	0.8	1,916	1.4
Subtotal	104,417	100.0	136,363	100.0
<b>Equity-method Affiliates</b>				
Asia & Oceania	525	13.1	1,224	11.6
Eurasia (Europe & NIS)	—	—	—	—
Middle East & Africa	1,724	43.2	7,156	67.6
Americas	1,746	43.7	2,199	20.8
Subtotal	3,995	100.0	10,579	100.0
Total	¥108,412	—%	¥146,942	—%

#### — 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, 2013 and 2014. 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, %)			
	2013		2014	
<b>INPEX CORPORATION and Consolidated Subsidiaries</b>				
Asia & Oceania	¥ 82,219	46.4%	¥16,091	36.9%
Eurasia (Europe & NIS)	1,024	0.6	913	2.1
Middle East & Africa	—	—	—	—
Americas	94,088	53.0	26,643	61.0
Subtotal	177,331	100.0	43,647	100.0
<b>Equity-method Affiliates</b>				
Asia & Oceania	—	—	—	—
Eurasia (Europe & NIS)	—	—	—	—
Middle East & Africa	42,228	100.0	—	—
Americas	—	—	—	—
Subtotal	42,228	100.0	—	—
Total	¥219,559	—%	¥43,647	—%

Total expenditures on acquisitions of upstream oil and gas projects for the year ended March 31, 2014, decreased by ¥175.9 billion to ¥43.6 billion from ¥219.6 billion for the year ended March 31, 2013, due to decreases in the Asia & Oceania, Middle East & Africa, and Americas regions.



### — 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, 2013 and 2014.

Years ended March 31,	(Millions of yen)	
	2013	2014
Balance at beginning of the year	¥ 568,318	¥ 590,566
Add: Exploration costs	22,044	42,086
Development costs	130,998	172,234
Operating expenses	53,919	73,179
Other	5,102	9,386
Less: Cost recovery—capital expenditures	54,087	67,073
Cost recovery—operating expenditures	107,938	129,671
Other	27,790	4,717
Balance at end of the year	590,566	685,990
Allowance for recoverable accounts under production sharing at end of the year	¥(112,871)	¥(123,484)

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

Exploration costs for the year ended March 31, 2014, increased compared with the year ended March 31, 2013. This was mainly due to an increase in exploration expenditures in the Asia & Oceania region such as the Masela Block.

Development costs for the year ended March 31, 2014, increased compared with the year ended March 31, 2013. This was mainly due to an increase in development expenditures in the Offshore Mahakam Block, the South Natuna Sea Block B and the Masela Block.

Operating expenses for the year ended March 31, 2014,

increased compared with the year ended March 31, 2013. This was mainly due to an increase in operating expenses in the Offshore Mahakam Block and the South Natuna Sea Block B.

Cost recovery for the year ended March 31, 2014, increased compared with the year ended March 31, 2013. This was mainly due to an increase in cost recovery in the Offshore Mahakam Block, the South Natuna Sea Block B and the ACG Oil Fields.

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

The allowance for recoverable accounts under production sharing as of March 31, 2014, increased compared with March 31, 2013. This was mainly due to additional allowance provisions in connection with an increase in recoverable accounts under production sharing with respect to exploration 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.

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 since the year ended March 31, 2013.

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, 2014, 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
2015	\$ 116.2	¥ 5,672	¥ 17,627
2016	154.6	7,831	23,744
2017	258.6	34,102	60,719
2018	258.6	9,149	35,765
2019	458.6	8,730	55,931
2020 and thereafter	3,408.7	34,697	385,515
Total	\$4,655.3	¥100,181	¥579,301

## — Cash flows

Cash flows for the years ended March 31, 2013 and 2014, are summarized as follows:

Years ended March 31,	(Millions of yen)	
	2013	2014
Net cash provided by operating activities	¥252,347	¥213,514
Net cash used in investing activities	(489,870)	(395,555)
Net cash provided by financing activities	137,069	48,961
Cash and cash equivalents at end of the year	¥199,859	¥117,531

### Net cash provided by operating activities

Net cash provided by operating activities for the year ended March 31, 2014, was ¥213.5 billion, a decrease of ¥38.8 billion from ¥252.3 billion for the year ended March 31, 2013. This was mainly due to increases in income taxes paid and recoverable accounts under production sharing (operating expenditures), despite an increase in income before income taxes and minority interests.

### Net cash used in investing activities

Net cash used in investing activities for the year ended March 31, 2014, was ¥395.6 billion, a decrease of ¥94.3 billion from ¥489.9 billion for the year ended March 31, 2013. This was mainly due to

decreases in payments for purchase of mining rights and long-term loans made, despite an increase in payments for purchases of tangible fixed assets.

### Net cash provided by financing activities

Net cash provided by financing activities for the year ended March 31, 2014, was ¥49.0 billion, a decrease of ¥88.1 billion from ¥137.1 billion for the year ended March 31, 2013. This was mainly due to decreases in proceeds from long-term debt and proceeds from minority interests for additional shares.

## CONSOLIDATED FINANCIAL FORECAST FOR THE YEAR ENDING MARCH 31, 2015 (Announced on August 6, 2014)

Consolidated net sales for the year ending March 31, 2015, are expected to decrease by ¥18.6 billion, or 1.4%, to ¥1,316.0 billion compared with the year ended March 31, 2014. Operating income for the year ending March 31, 2015, is expected to decrease by ¥98.6 billion, or 13.4%, to ¥635.0 billion compared with the year ended March 31, 2014. Income before income taxes and minority interests are expected to decrease by ¥49.1 billion, or 6.5%, to ¥701.0 billion compared with the year ended March 31, 2014. Net income is expected to decrease by ¥5.7 billion, or 3.1%, to ¥178.0 billion compared with the year ended March 31, 2014.

Net sales for the year ending March 31, 2015, are expected to decrease due to the forecasted decline in the crude oil price compared with the year ended March 31, 2014 and others. Operating income, income before income taxes and minority interests and net income for the year ending March 31, 2015, are also expected to decrease due to an increase in exploration expenses and others.

The aforementioned forecasts are based on an average oil price of US\$106.2 per barrel for Brent crude oil and an average exchange rate of ¥100.5 to the U.S. dollar for the year ending March 31, 2015.

# Consolidated Balance Sheet

INPEX CORPORATION and Consolidated Subsidiaries  
As of March 31, 2014

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2014	2014
<b>Current assets</b>			
Cash and cash equivalents	¥ 199,859	¥ 117,531	\$ 1,141,965
Time deposits (Note 12)	284,469	555,948	5,401,749
Accounts receivable—trade (Note 4)	117,412	110,396	1,072,639
Marketable securities (Notes 4 and 5)	281,129	177,709	1,726,671
Inventories	15,409	25,485	247,619
Deferred tax assets (Note 7)	10,111	7,745	75,252
Accounts receivable—other (Note 4)	94,333	121,121	1,176,846
Other	118,701	41,913	407,239
Less allowance for doubtful accounts	(14,919)	(17,644)	(171,434)
<b>Total current assets</b>	<b>1,106,504</b>	<b>1,140,204</b>	<b>11,078,546</b>
<b>Tangible fixed assets</b>			
Buildings and structures (Note 6)	240,218	294,621	2,862,621
Wells (Note 6)	247,173	264,439	2,569,365
Machinery, equipment and vehicles (Note 6)	305,836	356,157	3,460,523
Land	19,560	19,737	191,770
Construction in progress	359,430	626,520	6,087,447
Other	19,067	29,050	282,258
	1,191,284	1,590,524	15,453,984
Less accumulated depreciation and amortization	(606,743)	(638,745)	(6,206,228)
<b>Total tangible fixed assets</b>	<b>584,541</b>	<b>951,779</b>	<b>9,247,756</b>
<b>Intangible assets</b>			
Goodwill (Note 16)	87,841	81,080	787,796
Exploration and development rights	118,869	125,622	1,220,579
Mining rights	167,179	221,411	2,151,292
Other	6,267	11,066	107,521
<b>Total intangible assets</b>	<b>380,156</b>	<b>439,179</b>	<b>4,267,188</b>
<b>Investments and other assets</b>			
Recoverable accounts under production sharing	590,566	685,990	6,665,274
Less allowance for recoverable accounts under production sharing	(112,871)	(123,484)	(1,199,806)
	477,695	562,506	5,465,468
Investment securities (Notes 4, 5 and 6)	673,129	476,407	4,628,906
Long-term loans receivable	7,264	33,092	321,531
Long-term time deposits (Note 12)	287,273	364,103	3,537,728
Deferred tax assets (Note 7)	40,076	13,822	134,299
Other investments (Note 6)	65,434	61,159	594,238
Less allowance for doubtful accounts	(794)	(885)	(8,599)
Less allowance for investments in exploration	(5,119)	(3,227)	(31,354)
<b>Total investments and other assets</b>	<b>1,544,958</b>	<b>1,506,977</b>	<b>14,642,217</b>
<b>Total fixed assets</b>	<b>2,509,655</b>	<b>2,897,935</b>	<b>28,157,161</b>
<b>Total assets</b>	<b>¥3,616,159</b>	<b>¥4,038,139</b>	<b>\$39,235,707</b>

See accompanying notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2014	2014
<b>Current liabilities</b>			
Accounts payable—trade	¥ 41,402	¥ 46,811	\$ 454,829
Short-term borrowings and current portion of long-term debt (Notes 4, 6 and 12)	8,561	21,954	213,311
Income taxes payable (Note 7)	152,681	91,198	886,106
Accounts payable—other (Note 6)	133,233	131,905	1,281,626
Provision for exploration projects	26,857	9,817	95,385
Accrued bonuses to officers	127	111	1,079
Asset retirement obligations (Note 15)	3,813	2,353	22,862
Other (Note 7)	48,303	71,521	694,918
<b>Total current liabilities</b>	<b>414,977</b>	<b>375,670</b>	<b>3,650,116</b>
<b>Long-term liabilities</b>			
Long-term debt (Notes 4, 6, 11 and 12)	466,909	561,674	5,457,384
Deferred tax liabilities (Note 7)	34,988	54,960	534,007
Accrued retirement benefits to employees (Note 14)	8,580	—	—
Provision for loss on business	3,705	6,978	67,800
Accrued special repair and maintenance	278	234	2,274
Liability for retirement benefits (Note 14)	—	7,793	75,719
Asset retirement obligations (Note 15)	13,582	25,954	252,177
Other (Note 6)	2,156	8,839	85,882
<b>Total long-term liabilities</b>	<b>530,198</b>	<b>666,432</b>	<b>6,475,243</b>
<b>Total liabilities</b>	<b>945,175</b>	<b>1,042,102</b>	<b>10,125,359</b>
<b>Net assets</b> (Note 9)			
Common stock	290,810	290,810	2,825,593
Authorized: 2013 — 9,000,001 shares 2014 — 3,600,000,001 shares			
Issued: 2013 — 3,655,810 shares 2014 — 1,462,323,601 shares			
Capital surplus	679,288	679,288	6,600,155
Retained earnings	1,375,107	1,532,876	14,893,859
Less: Treasury stock: 2013 — 4,916 shares 2014 — 1,966,400 shares	(5,248)	(5,248)	(50,991)
<b>Total shareholders' equity</b>	<b>2,339,957</b>	<b>2,497,726</b>	<b>24,268,616</b>
Unrealized holding gain on securities	34,742	44,737	434,677
Unrealized gain (loss) from hedging instruments (Note 11)	16,244	(17,579)	(170,802)
Translation adjustments	90,350	266,225	2,586,718
<b>Total accumulated other comprehensive income</b>	<b>141,336</b>	<b>293,383</b>	<b>2,850,593</b>
Minority interests	189,691	204,928	1,991,139
<b>Total net assets</b>	<b>2,670,984</b>	<b>2,996,037</b>	<b>29,110,348</b>
Contingent liabilities (Note 18)			
<b>Total liabilities and net assets</b>	<b>¥3,616,159</b>	<b>¥4,038,139</b>	<b>\$39,235,707</b>

# 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, 2014

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2014	2014
Net sales	¥1,216,533	¥1,334,626	\$12,967,606
Cost of sales	426,326	490,417	4,765,031
Gross profit	790,207	844,209	8,202,575
Exploration expenses	20,125	28,206	274,058
Selling, general and administrative expenses (Notes 13, 14 and 16)	53,734	57,345	557,180
Depreciation and amortization	22,900	25,048	243,374
Operating income	693,448	733,610	7,127,963
Other income			
Interest income	8,735	17,462	169,666
Dividend income	7,832	9,228	89,662
Gain on sales of marketable securities	40	10,320	100,272
Other	82,059	13,725	133,356
Total other income	98,666	50,735	492,956
Other expenses			
Interest expense	1,518	2,335	22,688
Equity in losses of affiliates	1,042	5,054	49,106
Provision for allowance for recoverable accounts under production sharing	15,131	8,028	78,002
Provision for exploration projects	12,452	1,165	11,319
Foreign exchange loss	30,056	4,280	41,586
Other	13,769	13,405	130,247
Total other expenses	73,968	34,267	332,948
Income before income taxes and minority interests	718,146	750,078	7,287,971
Income taxes (Note 7)			
Current	539,208	514,016	4,994,326
Deferred	(9,933)	49,121	477,273
Total income taxes	529,275	563,137	5,471,599
Income before minority interests	188,871	186,941	1,816,372
Minority interests	5,909	3,250	31,578
Net income	¥ 182,962	¥ 183,691	\$ 1,784,794



## Consolidated Statement of Comprehensive Income

INPEX CORPORATION and Consolidated Subsidiaries  
For the year ended March 31, 2014

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2014	2014
Income before minority interests	¥188,871	¥186,941	\$1,816,372
Other comprehensive income			
Unrealized holding gain on securities	27,787	9,982	96,988
Unrealized gain (loss) from hedging instruments	16,769	(20,888)	(202,954)
Translation adjustments	105,692	176,311	1,713,088
Share of other comprehensive income of affiliates accounted for by the equity-method	(1,577)	(6,674)	(64,847)
Total other comprehensive income (Note 8)	148,671	158,731	1,542,275
Comprehensive income (Note 8)	337,542	345,672	3,358,647
Total comprehensive income attributable to:			
Shareholders of INPEX CORPORATION	329,422	335,737	3,262,116
Minority interests	¥ 8,120	¥ 9,935	\$ 96,531

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, 2013	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2012	¥290,810	¥679,288	¥1,219,527	¥(5,248)	¥2,184,377
Cash dividends paid	—	—	(27,382)	—	(27,382)
Net income	—	—	182,962	—	182,962
Net changes in items other than those in shareholders' equity	—	—	—	—	—
Total changes during the period	—	—	155,580	—	155,580
Balance as of March 31, 2013	¥290,810	¥679,288	¥1,375,107	¥(5,248)	¥2,339,957

For the year ended March 31, 2013	Millions of yen					
	Accumulated other comprehensive income				Minority interests	Total net assets
	Unrealized holding gain on securities	Unrealized gain from hedging instruments	Translation adjustments	Total accumulated other comprehensive income		
Balance as of April 1, 2012	¥ 6,953	¥ 4,118	¥(16,196)	¥ (5,125)	¥134,941	¥2,314,193
Cash dividends paid	—	—	—	—	—	(27,382)
Net income	—	—	—	—	—	182,962
Net changes in items other than those in shareholders' equity	27,789	12,126	106,546	146,461	54,750	201,211
Total changes during the period	27,789	12,126	106,546	146,461	54,750	356,791
Balance as of March 31, 2013	¥34,742	¥16,244	¥ 90,350	¥141,336	¥189,691	¥2,670,984

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
For the year ended March 31, 2014					
Balance as of April 1, 2013	¥290,810	¥679,288	¥1,375,107	¥(5,248)	¥2,339,957
Cash dividends paid	—	—	(25,922)	—	(25,922)
Net income	—	—	183,691	—	183,691
Net changes in items other than those in shareholders' equity	—	—	—	—	—
Total changes during the period	—	—	157,769	—	157,769
Balance as of March 31, 2014	¥290,810	¥679,288	¥1,532,876	¥(5,248)	¥2,497,726

	Millions of yen					
	Accumulated other comprehensive income				Minority interests	Total net assets
	Unrealized holding gain on securities	Unrealized gain (loss) from hedging instruments	Translation adjustments	Total accumulated other comprehensive income		
For the year ended March 31, 2014						
Balance as of April 1, 2013	¥34,742	¥ 16,244	¥ 90,350	¥141,336	¥189,691	¥2,670,984
Cash dividends paid	—	—	—	—	—	(25,922)
Net income	—	—	—	—	—	183,691
Net changes in items other than those in shareholders' equity	9,995	(33,823)	175,875	152,047	15,237	167,284
Total changes during the period	9,995	(33,823)	175,875	152,047	15,237	325,053
Balance as of March 31, 2014	¥44,737	¥(17,579)	¥266,225	¥293,383	¥204,928	¥2,996,037

	Thousands of U.S. dollars (Note 3)				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
For the year ended March 31, 2014					
Balance as of April 1, 2013	\$2,825,593	\$6,600,155	\$13,360,931	\$(50,991)	\$22,735,688
Cash dividends paid	—	—	(251,866)	—	(251,866)
Net income	—	—	1,784,794	—	1,784,794
Net changes in items other than those in shareholders' equity	—	—	—	—	—
Total changes during the period	—	—	1,532,928	—	1,532,928
Balance as of March 31, 2014	\$2,825,593	\$6,600,155	\$14,893,859	\$(50,991)	\$24,268,616

	Thousands of U.S. dollars (Note 3)					
	Accumulated other comprehensive income				Minority interests	Total net assets
	Unrealized holding gain on securities	Unrealized gain (loss) from hedging instruments	Translation adjustments	Total accumulated other comprehensive income		
For the year ended March 31, 2014						
Balance as of April 1, 2013	\$337,563	\$ 157,832	\$ 877,866	\$1,373,261	\$1,843,092	\$25,952,041
Cash dividends paid	—	—	—	—	—	(251,866)
Net income	—	—	—	—	—	1,784,794
Net changes in items other than those in shareholders' equity	97,114	(328,634)	1,708,852	1,477,332	148,047	1,625,379
Total changes during the period	97,114	(328,634)	1,708,852	1,477,332	148,047	3,158,307
Balance as of March 31, 2014	\$434,677	\$(170,802)	\$2,586,718	\$2,850,593	\$1,991,139	\$29,110,348

See accompanying notes to consolidated financial statements.

# Consolidated Statement of Cash Flows

INPEX CORPORATION and Consolidated Subsidiaries  
For the year ended March 31, 2014

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2014	2014
<b>Cash flows from operating activities</b>			
Income before income taxes and minority interests	¥718,146	¥750,078	\$7,287,971
Depreciation and amortization	51,916	50,917	494,724
Amortization of goodwill	6,761	6,761	65,692
Provision for allowance for recoverable accounts under production sharing	16,354	14,883	144,608
Provision for exploration projects	21,132	(17,318)	(168,267)
Provision for accrued retirement benefits to employees	2,285	—	—
Other provisions	5,547	5,024	48,815
Liability for retirement benefits	—	(777)	(7,550)
Interest and dividend income	(16,567)	(26,691)	(259,337)
Interest expense	1,518	2,335	22,688
Foreign exchange loss	16,330	14,105	137,048
Equity in losses of affiliates	1,041	5,053	49,096
Recovery of recoverable accounts under production sharing (capital expenditures)	54,087	67,073	651,700
Recoverable accounts under production sharing (operating expenditures)	(21,079)	(60,491)	(587,748)
Accounts receivable—trade	2,795	6,277	60,989
Inventories	(3,232)	(10,014)	(97,299)
Accounts payable—trade	11,030	5,413	52,594
Accounts receivable—other	4,910	(35,288)	(342,868)
Accounts payable—other	(900)	(18,142)	(176,273)
Advances received	(24,636)	2,168	21,065
Other	(72,531)	(5,247)	(50,981)
Subtotal	774,907	756,119	7,346,667
Interest and dividends received	19,652	26,932	261,679
Interest paid	(1,344)	(2,381)	(23,134)
Income taxes paid	(540,868)	(567,156)	(5,510,649)
<b>Net cash provided by operating activities</b>	<b>¥252,347</b>	<b>¥213,514</b>	<b>\$2,074,563</b>

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2014	2014
<b>Cash flows from investing activities</b>			
Payments for time deposits	¥(299,460)	¥(211,332)	\$(2,053,362)
Proceeds from time deposits	134,162	276,248	2,684,104
Payments for long-term time deposits	(252,082)	(484,081)	(4,703,469)
Proceeds from long-term time deposits	5,000	130,757	1,270,472
Payments for purchases of tangible fixed assets	(189,153)	(323,651)	(3,144,685)
Proceeds from sales of tangible fixed assets	116	677	6,578
Payments for purchases of intangible assets	(4,256)	(6,171)	(59,959)
Payments for purchases of marketable securities	(17,710)	—	—
Proceeds from sales and redemptions of marketable securities	366,633	285,452	2,773,533
Payments for purchases of investment securities	(90,831)	(24,637)	(239,380)
Proceeds from sales and redemptions of investment securities	70,902	62,433	606,617
Investment in recoverable accounts under production sharing (capital expenditures)	(82,696)	(104,073)	(1,011,203)
Increase in short-term loans receivable	(85)	(4,187)	(40,682)
Long-term loans made	(141,222)	(37,158)	(361,038)
Collection of long-term loans receivable	119,238	75,464	733,230
Payments for purchase of mining rights	(176,232)	(42,734)	(415,216)
Other	67,806	11,438	111,135
<b>Net cash used in investing activities</b>	<b>(489,870)</b>	<b>(395,555)</b>	<b>(3,843,325)</b>
<b>Cash flows from financing activities</b>			
Increase in short-term loans	991	2,691	26,146
Proceeds from long-term debt	121,572	74,742	726,215
Repayment of long-term debt	(4,682)	(7,760)	(75,398)
Proceeds from minority interests for additional shares	55,852	10,289	99,971
Cash dividends paid	(27,385)	(25,935)	(251,992)
Dividends paid to minority shareholders	(4,992)	(4,992)	(48,504)
Other	(4,287)	(74)	(719)
<b>Net cash provided by financing activities</b>	<b>137,069</b>	<b>48,961</b>	<b>475,719</b>
Effect of exchange rate changes on cash and cash equivalents	51,498	50,752	493,121
<b>Net decrease in cash and cash equivalents</b>	<b>(48,956)</b>	<b>(82,328)</b>	<b>(799,922)</b>
Cash and cash equivalents at beginning of the year	249,233	199,859	1,941,887
Increase in cash and cash equivalents from newly consolidated subsidiary	440	—	—
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(858)	—	—
<b>Cash and cash equivalents at end of the year</b>	<b>¥ 199,859</b>	<b>¥ 117,531</b>	<b>\$ 1,141,965</b>

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, 2014.

## 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 12 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 minority 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 minority interests are translated at their historical exchange rates. The differences arising from the translation are presented as translation adjustments and minority 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 by the straight-line method.

Capitalized computer software costs are amortized by the straight-line method over a period of five 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 oil and 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 straight-line method is used for attributing expected retirement benefits to periods through March 31, 2014. 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 actuarial differences)

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

#### **(r) Asset retirement obligations**

Asset retirement obligations are provided by a reasonable estimate of retirement costs incurred upon termination of the operation with respect to oil and gas production facilities in case that the Company is obliged to retire such facilities by oil and gas contracts or laws and regulations with the countries in which the Company operates or has working interests.

#### **(s) Hedge accounting**

The deferred hedge accounting method is used for hedging transactions. The allocation method is applied to foreign exchange forwards that meet certain criteria. The special treatment is applied to the interest rate swaps that meet certain criteria. 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) Adoption of new accounting standard**

Effective the year ended March 31, 2014, the Company has applied the "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan Statement No. 26, issued on May 17, 2012) and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, issued on May 17, 2012), except for certain provisions described in the main clause of Section 35 of the standard and in the main clause of Section 67 of the guidance.

The Company has changed its treatment to record retirement benefit obligations less plan assets as "Liability for retirement benefits".

As a result of the change, the consolidated balance sheet as of March 31, 2014 shows liability for retirement benefits of ¥7,793 million (\$75,719 thousand). The change does not affect accumulated other comprehensive income because actuarial gains and losses are charged or credited to income as incurred.

#### **(w) Standards issued but not effective**

- "Accounting Standard for Retirement Benefits" (ASBJ Statement No.26, issued on May 17, 2012)

- "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25, issued on May 17, 2012)

(Overview)

Revisions apply mainly to the accounting treatments of unrecognized actuarial gains and losses as well as unrecognized prior service costs, the calculation methods for retirement benefit obligations as well as service costs, and broaden disclosures taking into consideration improvements to financial reporting and international trends.

(Scheduled Effective Date)

The revisions to the calculation method for retirement benefit obligations and current service costs will be applied from the beginning of the year ending March 31, 2015.

(The impact of the adoption of the revised accounting standard and guidance)

The impact of the adoption of the revised accounting standard and guidance on operating income and income before income taxes and minority interests in the year ending March 31, 2015 will be immaterial.

- "Revised Accounting Standard for Business Combinations" (ASBJ Statement No.21, issued on September 13, 2013)

- "Revised Accounting Standard for Consolidated Financial

Statements" (ASBJ Statement No.22, issued on September 13, 2013)

- "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No.7, issued on September 13, 2013)
- "Revised Accounting Standard for Earnings Per Share" (ASBJ Statement No.2, issued on September 13, 2013)
- "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10, issued on September 13, 2013)
- "Revised Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No.4, issued on September 13, 2013)

(Overview)

Revisions of these accounting standards mainly apply to (i) the accounting treatment of any changes in a parent's ownership interest in a subsidiary when the parent retains control over the subsidiary, (ii)

the accounting for acquisition-related costs, (iii) the presentation of net income, the change of name from "minority interests" to "non-controlling interests" and (iv) the transitional treatments for these accounting standards.

(Scheduled Effective Date)

The revised accounting standards and guidance are scheduled to take effect from the beginning of the year ending March 31, 2016. The transitional treatment will be applied to business combinations executed at or after the beginning of the year ending March 31, 2016.

(The impact of the adoption of the revised accounting standards and guidance)

The impact of the adoption of revised accounting standards and guidance on consolidated financial statements are now under evaluation.

### 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 ¥102.92=US\$1.00, the approximate exchange rate in effect as of March 31, 2014. 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 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 derivative transactions management outline. 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, 2013 and 2014 is as follows:

March 31, 2013	Millions of yen		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities with carrying values exceeding their acquisition costs			
Stock	¥ 11,937	¥ 21,926	¥ 9,989
Bonds:			
Public bonds	356,284	357,528	1,244
Corporate bonds	60,050	60,152	102
Other debt securities	33,648	37,549	3,901
Other	205,185	228,948	23,763
Subtotal	667,104	706,103	38,999
Securities with acquisition costs exceeding their carrying values			
Stock	40,451	37,824	(2,627)
Bonds:			
Public bonds	29,137	28,982	(155)
Corporate bonds	35,000	34,966	(34)
Subtotal	104,588	101,772	(2,816)
Total	¥771,692	¥807,875	¥36,183

March 31, 2014	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	¥ 16,699	¥ 29,652	¥12,953	\$ 162,252	\$ 288,107	\$125,855
Bonds:						
Public bonds	166,875	167,554	679	1,621,405	1,628,002	6,597
Corporate bonds	70,316	70,353	37	683,210	683,570	360
Other debt securities	25,099	31,444	6,345	243,869	305,519	61,650
Other	139,524	169,346	29,822	1,355,655	1,645,414	289,759
Subtotal	418,513	468,349	49,836	4,066,391	4,550,612	484,221
Securities with acquisition costs exceeding their carrying values						
Stock	35,690	32,324	(3,366)	346,774	314,069	(32,705)
Bonds:						
Public bonds	2,025	2,025	(0)	19,676	19,676	(0)
Subtotal	37,715	34,349	(3,366)	366,450	333,745	(32,705)
Total	¥456,228	¥502,698	¥46,470	\$4,432,841	\$4,884,357	\$451,516

(b) Information regarding sales of securities classified as other securities for the years ended March 31, 2013 and 2014 is as follows:

Year ended March 31, 2013	Millions of yen		
	Proceeds from sales	Gain on sales	Loss on sales
Bonds			
Public bonds	¥121,781	¥187	¥—
Total	¥121,781	¥187	¥—

Year ended March 31, 2014	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
Bonds						
Public bonds	¥ 72,563	¥ 182	¥—	\$ 705,043	\$ 1,768	\$—
Other	76,307	10,307	—	741,420	100,146	—
Total	¥148,870	¥10,489	¥—	\$1,446,463	\$101,914	\$—

(c) Components of securities for which it is extremely difficult to determine fair value as of March 31, 2013 and 2014 are summarized as follows:

March 31,	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Other securities			
Unlisted securities	¥ 30,728	¥ 33,842	\$ 328,819
Preferred securities	5,000	5,000	48,581
Stocks of subsidiaries and affiliates	110,655	112,576	1,093,820
<b>Total</b>	<b>¥146,383</b>	<b>¥151,418</b>	<b>\$1,471,220</b>

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 among unlisted securities and stocks of subsidiaries and affiliates, 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, 2014 is as follows:

March 31, 2014	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								
Public bonds	¥ 66,000	¥ 80,000	¥22,500	¥—	\$ 641,275	\$ 777,303	\$218,616	\$—
Corporate bonds	18,500	51,800	—	—	179,751	503,303	—	—
Other debt securities	15,450	15,438	—	—	150,116	150,000	—	—
Other	66,004	66,096	—	—	641,314	642,208	—	—
<b>Total</b>	<b>¥165,954</b>	<b>¥213,334</b>	<b>¥22,500</b>	<b>¥—</b>	<b>\$1,612,456</b>	<b>\$2,072,814</b>	<b>\$218,616</b>	<b>\$—</b>

(e) Loaned securities classified as investment securities as of March 31, 2013 and 2014 are as follows:

March 31,	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Investment securities	¥—	¥20,064	\$194,948

## 6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

(a) Short-term borrowings as of March 31, 2013 and 2014 are as follows:

March 31,	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Short-term borrowings from banks and others (Interest rates ranging from 0.950% to 2.174% and from 0.839% to 1.963% at March 31, 2013 and 2014)	¥1,170	¥4,327	\$42,042

(b) Long-term debt as of March 31, 2013 and 2014 is as follows:

March 31,	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Loans from banks and others, due through 2028 (Interest rates ranging from 0.509% to 2.700% and from 0.366% to 2.500% at March 31, 2013 and 2014)	¥474,300	¥579,301	\$5,628,653
Less: Current portion	7,391	17,627	171,269
	<b>¥466,909</b>	<b>¥561,674</b>	<b>\$5,457,384</b>

(c) Assets pledged as of March 31, 2013 and 2014 are as follows:

March 31,	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Buildings and structures	¥ 2,091	¥ 2,082	\$ 20,229
Wells	1,214	181	1,759
Machinery, equipment and vehicles	8,974	8,027	77,992
Investment securities	7,395	790	7,676
Other	227	222	2,157
<b>Total</b>	<b>¥19,901</b>	<b>¥11,302</b>	<b>\$109,813</b>

(d) The above assets were pledged against the following liabilities:

March 31,	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Short-term borrowings	¥ 997	¥ 946	\$ 9,192
Accounts payable—other	5,119	385	3,741
Long-term debt	1,437	492	4,780
Other	17	17	165
<b>Total</b>	<b>¥7,570</b>	<b>¥1,840</b>	<b>\$17,878</b>

(e) In addition, assets pledged as collateral for the Ichthys LNG Project Finance and the BTC Pipeline Project Finance are as follows:

(Ichthys LNG Project Finance)

March 31,	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Cash and cash equivalents	¥ 3,602	¥ 7,835	\$ 76,127
Accounts receivable—other	160	—	—
Other (Current assets)	64,631	5,430	52,759
Land	133	146	1,419
Construction in progress	172,378	382,224	3,713,797
Investment securities	15,758	—	—
Long-term loans receivable	—	27,309	265,342
<b>Total</b>	<b>¥256,662</b>	<b>¥422,944</b>	<b>\$4,109,444</b>

(BTC Pipeline Project Finance)

March 31,	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Investment securities	¥5,240	¥6,378	\$61,970

(f) The aggregate annual maturities of long-term debt subsequent to March 31, 2014 are summarized as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2015	¥ 17,627	\$ 171,269
2016	23,744	230,703
2017	60,719	589,963
2018	35,765	347,503
2019	55,931	543,442
2020 and thereafter	385,515	3,745,773
<b>Total</b>	<b>¥579,301</b>	<b>\$5,628,653</b>

## 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 33.3% for the years ended March 31, 2013 and 2014.

(a) The effective tax rates reflected in the consolidated statement of income for the years ended March 31, 2013 and 2014 differ from the statutory tax rate for the following reasons:

Years ended March 31,	2013	2014
Statutory tax rate	33.3%	33.3%
Effect of:		
Permanently non-taxable expenses such as entertainment expenses	0.6	0.6
Permanently non-taxable income such as dividends income	(0.7)	(0.7)
Valuation allowance	2.6	0.6
Foreign taxes	69.3	73.5
Foreign tax credits	(22.1)	(15.1)
Adjustment of deducted amounts of foreign taxes	(10.7)	(15.7)
Amortization of goodwill	0.3	0.3
Differences of effective tax rates applied to tax effect accounting	(0.2)	(2.0)
Other	1.3	0.3
Effective tax rates	73.7%	75.1%

(b) The significant components of deferred tax assets and liabilities as of March 31, 2013 and 2014 are as follows:

March 31,	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Deferred tax assets			
Exploration expenditures	¥ 90,332	¥ 94,419	\$ 917,402
Loss on valuation of investment securities	3,205	3,196	31,053
Recoverable accounts under production sharing (foreign taxes)	6,992	10,040	97,551
Allowance for investments in exploration	2,579	1,054	10,241
Foreign taxes payable	33,288	32,221	313,068
Net operating loss carry forward	46,021	62,175	604,110
Accumulated depreciation	43,238	11,649	113,185
Accrued retirement benefits	2,659	—	—
Liability for retirement benefits	—	2,369	23,018
Provision for loss on business	1,140	2,148	20,871
Translation differences of assets and liabilities denominated in foreign currencies	795	8,385	81,471
Asset retirement obligations	5,574	10,829	105,218
Allowance for doubtful accounts	5,974	3,901	37,903
Other	21,642	18,788	182,550
Total gross deferred tax assets	263,439	261,174	2,537,641
Valuation allowance	(195,665)	(188,518)	(1,831,695)
Total deferred tax assets	67,774	72,656	705,946
Deferred tax liabilities			
Foreign taxes	27,048	84,960	825,496
Translation differences of assets and liabilities denominated in foreign currencies	3,551	955	9,279
Reserve for overseas investment loss	5,377	4,671	45,385
Translation differences due to an application of purchase accounting method	1,759	1,795	17,441
Reserve for exploration	11,274	11,218	108,997
Unrealized holding gain on securities	1,424	1,807	17,557
Unrealized gain from hedging instruments	10,442	—	—
Other	4,780	4,821	46,842
Total deferred tax liabilities	65,655	110,227	1,070,997
Net deferred tax assets (liabilities)	¥ 2,119	¥ (37,571)	\$ (365,051)



## 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, 2013 and 2014 are as follows:

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Unrealized holding gain on securities			
Amount recognized during the period	¥ 29,075	¥ 20,843	\$ 202,517
Amount of reclassification adjustments	(138)	(10,473)	(101,759)
Before income tax effect adjustment	28,937	10,370	100,758
Amount of income tax effect	(1,150)	(388)	(3,770)
	27,787	9,982	96,988
Unrealized gain (loss) from hedging instruments			
Amount recognized during the period	24,873	(31,329)	(304,402)
Amount of income tax effect	(8,104)	10,441	101,448
	16,769	(20,888)	(202,954)
Translation adjustments			
Amount recognized during the period	105,692	176,311	1,713,088
Share of other comprehensive income of affiliates accounted for by the equity-method			
Amount recognized during the period	(1,964)	(14,316)	(139,099)
Adjustment for acquisition cost of assets	387	7,642	74,252
	(1,577)	(6,674)	(64,847)
<b>Total other comprehensive income</b>	<b>¥148,671</b>	<b>¥158,731</b>	<b>\$1,542,275</b>

## 9. NET ASSETS

The Company conducted a stock split at a ratio of 1:400 of common stock with October 1, 2013 as the effective date. As a result, 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, 2014.

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 material assets or business integration;

- Appointment and removal of directors
- Disposition of material assets
- Amendments to the Article of Incorporation with respect to (i) the purpose of the Company's business and (ii) the granting of voting rights to the Company's shares other than common stock
- Business integration
- Capital reduction
- 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.

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, 2014 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

Years ended March 31,	Yen		U.S. dollars
	2013	2014	2014
Net assets per share	¥1,699.10	¥1,911.25	\$18.57
Cash dividends per share	17.50	18.00	0.17
Net income per share	¥ 125.29	¥ 125.78	\$ 1.22

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

Net assets per share are computed based on the net assets excluding minority 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.

The Company conducted a stock split at a ratio of 1:400 of common stock with October 1, 2013 as the effective date. Net assets per share, cash dividends per share and net income per share are calculated based on the assumption that the stock split was conducted on April 1, 2012.

## 11. DERIVATIVE TRANSACTIONS

### (a) Derivatives not subject to hedge accounting

There is no derivative not subject to hedge accounting as of March 31, 2013 and 2014.

### (b) Derivatives subject to hedge accounting

Contract amounts and fair value regarding derivatives subject to hedge accounting as of March 31, 2013 and 2014 are as follows:

March 31, 2013		Principal items hedged	Millions of yen		
			Contract amounts	Due after one year	Fair value
Foreign exchange forwards *1					
Buy (USD)	(Deferred hedge accounting)	Forecasted transactions in foreign currencies	¥157,614	¥ —	¥31,329
Interest rate swaps					
Payment fixed, receipt fluctuated (Special treatment)		Long-term debt	¥ 4,820	¥4,760	*2

March 31, 2014		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	*2

March 31, 2014		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	\$46,250	\$46,250	*2

\*1 Fair value is the price obtained from the counterparty financial institutions.

\*2 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, 2013 and 2014 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, 2013	Millions of yen	
	Carrying value	Estimated fair value
Time deposits	¥ 284,469	¥ 284,502
Long-term time deposits	287,273	289,007
Short-term borrowings and current portion of long-term debt	8,561	8,507
Long-term debt	¥466,909	¥456,404

March 31, 2014	Millions of yen		Thousands of U.S. dollars	
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
Time deposits	¥555,948	¥560,455	\$5,401,749	\$5,445,540
Long-term time deposits	364,103	367,841	3,537,728	3,574,048
Short-term borrowings and current portion of long-term debt	21,954	21,744	213,311	211,271
Long-term debt	¥561,674	¥551,721	\$5,457,384	\$5,360,678

(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 the same method as long-term time deposits. 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.

### (Long-term time deposits)

The fair value of long-term 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.

### (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 selling, general and administrative expenses amounted to ¥99 million and ¥40 million (\$389 thousand) for the years ended March 31, 2013 and 2014, respectively.

## 14. RETIREMENT BENEFITS

Retirement benefits for the year ended March 31, 2013 are as follows:

### (a) Retirement benefit obligations

	Millions of yen
Retirement benefit obligations	¥(19,388)
Plan assets at fair value	10,808
Unfunded retirement benefit obligations	(8,580)
Unrecognized actuarial gain or loss	—
Accrued retirement benefits to employees	¥ (8,580)

### (b) Retirement benefit expenses

	Millions of yen
Service cost	¥ 877
Interest cost	301
Expected return on plan assets	(235)
Amortization of actuarial gain or loss	2,211
Other*	473
Retirement benefit expenses	¥3,627

\*"Other" consists of the amount of contribution to defined contribution plan.

### (c) The assumptions used in accounting for the above plans are as follows:

Discount rate	1.0%
Expected return rate on plan assets	2.5%
Period for amortization of actuarial gain or loss	Amortized as incurred

Retirement benefits for the year ended March 31, 2014 are as follows:

### (a) Defined benefit plans (excluding plans included in (b))

(Reconciliation of beginning and ending balances of the retirement benefit obligations)

	Millions of yen	Thousands of U.S. dollars
Balance at beginning of the year	¥18,743	\$182,112
Service cost	948	9,211
Interest cost	185	1,798
Actuarial loss (gain)	25	242
Retirement benefits paid	(456)	(4,430)
Balance at end of the year	¥19,445	\$188,933

(Reconciliation of beginning and ending balances of plan assets at fair value)

	Millions of yen	Thousands of U.S. dollars
Balance at beginning of the year	¥10,611	\$103,099
Expected return on plan assets	265	2,575
Actuarial gain (loss)	1,024	9,949
Contributions to the plans	541	5,257
Retirement benefits paid	(320)	(3,109)
Balance at end of the year	¥12,121	\$117,771

(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
Retirement benefit obligations (funded plans)	¥19,445	\$188,933
Plan assets at fair value	(12,121)	(117,771)
Net liability (asset) on consolidated balance sheet	7,324	71,162
Liability for retirement benefits	7,324	71,162
Net liability (asset) on consolidated balance sheet	¥ 7,324	\$ 71,162

(Details of retirement benefit expenses)

	Millions of yen	Thousands of U.S. dollars
Service cost	¥948	\$9,211
Interest cost	185	1,798
Expected return on plan assets	(265)	(2,575)
Amortization of actuarial gain or loss	(999)	(9,707)
Retirement benefit expenses for defined benefit plans	¥(131)	\$(1,273)

(Plan assets)

Components of plan assets	
General accounts	44%
Stock	40%
Bonds	15%
Other	1%
Total	100%

(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.

(Basis of the actuarial assumptions)

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

## (b) Defined benefit plans applying simplified methods

(Reconciliation of beginning and ending balances of liability for retirement benefits)

	Millions of yen	Thousands of U.S. dollars
Balance at beginning of the year	¥448	\$4,353
Retirement benefit expenses	100	972
Retirement benefits paid	(57)	(554)
Contributions to the plans	(35)	(340)
Other	13	126
Balance at end of the year	¥469	\$4,557

(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
Retirement benefit obligations (funded plans)	¥278	\$2,702
Plan assets at fair value	(216)	(2,099)
	62	603
Retirement benefit obligations (unfunded plans)	407	3,954
Net liability (asset) on consolidated balance sheet	469	4,557
	469	4,557
Liability for retirement benefits	469	4,557
Net liability (asset) on consolidated balance sheet	¥469	\$4,557

(Retirement benefit expenses)

	Millions of yen	Thousands of U.S. dollars
Retirement benefit expenses under simplified methods	¥100	\$972

### (c) Defined contribution plans

The Group's contributions for defined contribution plans were ¥957 million (\$9,298 thousand).

## 15. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended March 31, 2013 and 2014 are as follows:

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Balance at beginning of the year	¥13,142	¥17,395	\$169,015
New obligations	711	6,209	60,328
Accretion expenses	429	782	7,598
Obligations settled	(359)	(198)	(1,924)
Change in estimates *1	1,997	2,275	22,105
Other *2	1,475	1,844	17,917
Balance at end of the year	¥17,395	¥28,307	\$275,039

\*1 "Change in estimates" for the year ended March 31, 2014 mainly reflects increasing site restoration and decommissioning costs of certain subsidiaries which became evident in the year ended March 31, 2014.

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

## 16. GOODWILL

The changes in the carrying amount of goodwill for the years ended March 31, 2013 and 2014 are as follows:

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Balance at beginning of the year	¥94,602	¥87,841	\$853,488
Goodwill acquired during the year	—	—	—
Amortization of goodwill	(6,761)	(6,761)	(65,692)
Balance at end of the year	¥87,841	¥81,080	\$787,796

## 17. LEASES

Future minimum lease payments subsequent to March 31, 2014 for operating lease transactions are summarized as follows:

### (a) As lessee

	Millions of yen	Thousands of U.S. dollars
2015	¥ 4,398	\$ 42,732
2016 and thereafter	11,492	111,660
Total	¥15,890	\$154,392

### (b) As lessor

	Millions of yen	Thousands of U.S. dollars
2015	¥104	\$1,010
2016 and thereafter	277	2,692
Total	¥381	\$3,702

## 18. CONTINGENT LIABILITIES

As of March 31, 2014, the Company and its consolidated subsidiaries were contingently liable as guarantors of indebtedness of affiliates in the aggregate amount of ¥25,186 million (\$244,714 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, 2014 was ¥17,531 million (\$170,336 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, 2014, was ¥600,030 million (\$5,830,062 thousand).

## 19. SEGMENT INFORMATION

### Segment information for the years ended March 31, 2013 and 2014

#### (a) Overview of reportable segments

The reportable segments for the Group's oil and 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 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 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."

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

Year ended March 31, 2013	Millions of yen						Total	Adjustments *1	Consolidated *2
	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas				
Sales to third parties	¥118,937	¥485,275	¥ 85,541	¥520,835	¥ 5,945	¥1,216,533	¥ —	¥1,216,533	
Total sales	118,937	485,275	85,541	520,835	5,945	1,216,533	—	1,216,533	
Segment income (loss)	28,568	281,623	41,752	357,343	(6,089)	703,197	(9,749)	693,448	
Segment assets	265,467	690,763	526,519	266,649	188,209	1,937,607	1,678,552	3,616,159	
Other items									
Depreciation and amortization	17,603	17,033	9,066	5,850	1,012	50,564	1,352	51,916	
Amortization of goodwill	—	—	—	—	(192)	(192)	6,953	6,761	
Investment to affiliates accounted for by the equity-method	1,857	46,818	—	53,243	4,159	106,077	—	106,077	
Increase of tangible fixed assets and intangible assets	¥ 24,656	¥203,853	¥ 1,024	¥ 20,595	¥108,373	¥ 358,501	¥ 1,486	¥ 359,987	

Millions of yen								
Year ended March 31, 2014	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Total	Adjustments *1	Consolidated **2
Sales to third parties	¥120,268	¥ 485,069	¥ 96,341	¥621,513	¥ 11,435	¥1,334,626	¥ —	¥1,334,626
Total sales	120,268	485,069	96,341	621,513	11,435	1,334,626	—	1,334,626
Segment income (loss)	22,771	264,849	42,601	421,184	(7,646)	743,759	(10,149)	733,610
Segment assets	286,414	1,038,265	535,046	288,601	265,348	2,413,674	1,624,465	4,038,139
Other items								
Depreciation and amortization	18,838	8,822	10,417	6,772	4,672	49,521	1,396	50,917
Amortization of goodwill	—	—	—	—	(192)	(192)	6,953	6,761
Investment to affiliates accounted for by the equity-method	2,000	39,124	—	65,184	2,015	108,323	—	108,323
Increase of tangible fixed assets and intangible assets	¥ 42,404	¥ 285,903	¥ 4,073	¥ 35,195	¥ 51,583	¥ 419,158	¥ 417	¥ 419,575

Thousands of U.S. dollars								
Year ended March 31, 2014	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Total	Adjustments *1	Consolidated **2
Sales to third parties	\$1,168,558	\$ 4,713,068	\$ 936,077	\$6,038,797	\$ 111,106	\$12,967,606	\$ —	\$12,967,606
Total sales	1,168,558	4,713,068	936,077	6,038,797	111,106	12,967,606	—	12,967,606
Segment income (loss)	221,250	2,573,348	413,923	4,092,344	(74,291)	7,226,574	(98,611)	7,127,963
Segment assets	2,782,880	10,088,078	5,198,659	2,804,129	2,578,197	23,451,943	15,783,764	39,235,707
Other items								
Depreciation and amortization	183,035	85,717	101,215	65,799	45,394	481,160	13,564	494,724
Amortization of goodwill	—	—	—	—	(1,866)	(1,866)	67,558	65,692
Investment to affiliates accounted for by the equity-method	19,433	380,140	—	633,346	19,578	1,052,497	—	1,052,497
Increase of tangible fixed assets and intangible assets	\$ 412,009	\$ 2,777,915	\$ 39,574	\$ 341,965	\$ 501,195	\$ 4,072,658	\$ 4,052	\$ 4,076,710

\*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 statements of income.

#### (d) Products and service information

(Sales to third parties)

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Crude oil	¥ 788,135	¥ 858,754	\$ 8,343,898
Natural gas (excluding LPG)	370,528	431,187	4,189,536
LPG	27,238	24,227	235,396
Other	30,632	20,458	198,776
Total	¥1,216,533	¥1,334,626	\$12,967,606

#### (e) Geographical information

(Sales)

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Japan	¥ 634,788	¥ 682,353	\$ 6,629,936
Asia & Oceania	564,253	620,339	6,027,390
Other	17,492	31,934	310,280
Total	¥1,216,533	¥1,334,626	\$12,967,606

(Tangible fixed assets)

March 31,	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Japan	¥235,674	¥248,247	\$2,412,039
Australia	227,358	520,976	5,061,951
Other	121,509	182,556	1,773,766
Total	¥584,541	¥951,779	\$9,247,756

#### (f) Information by major customer

(Sales to major customers)

Years ended March 31,	Millions of yen		Thousands of U.S. dollars	
	2013	2014	2014	Segment
PERTAMINA	¥206,282	¥217,519	\$2,113,476	Asia & Oceania
Idemitsu Kosan Co., Ltd.	¥132,908	¥156,151	\$1,517,208	Middle East & Africa



## 20. RELATED PARTY TRANSACTIONS

There are the following related party transactions for the years ended March 31, 2013 and 2014.

### (a) Affiliated company

Year ended March 31, 2013

Name of related party	Location	Capital investment	Nature of operations	Voting interest	Description of the business relationship	Transaction detail	Amounts		Title of account	Amounts	
							Millions of yen	Millions of yen		Millions of yen	Millions of yen
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 66.07%	Serve the officer concurrently, capital subscription	Loans of funds* Collection of loans*	¥141,153	119,139	Short-term loans receivable	—	¥58,700
						Debt guarantee	128,864	—			—
						Subscription for new shares	¥ 37,621	—			¥ —
Angola Block 14 B.V.	Hague, Netherlands	€18 thousand	Exploration, development, production and sales of oil in Block 14 in offshore Republic of Angola	Indirectly 49.99%	Capital subscription	Subscription for new shares	—	—	—	—	

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

Year ended March 31, 2014

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 66.07%	Serve the officer concurrently, capital subscription	Interest income*	¥ 7,976	\$ 77,497	Current assets: other (accrued revenue)	¥ 2,133	\$ 20,725
						Long-term loans receivable	—	—			
						Debt guarantee	¥600,030	\$5,830,062	—	¥ —	\$ —

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

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

The significant affiliated company for the year ended March 31, 2013 and 2014 is Ichthys LNG Pty Ltd. The summary of its financial information are as follows:

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Total current assets	¥ 47,429	¥ 47,238	\$ 458,978
Total fixed assets	550,378	1,262,541	12,267,208
Total current liabilities	227,942	57,265	556,403
Total long-term liabilities	336,847	1,229,360	11,944,812
Total net assets	33,019	23,154	224,971
Net sales	—	—	—
Net loss before income taxes	1,511	3,367	32,715
Net loss	¥ 694	¥ 2,018	\$ 19,607

# Independent Auditor's Report



Ernst & Young ShinNihon LLC  
Hibiya Kokusai Bldg.  
2-2-3 Uchisaiwai-cho, Chiyoda-ku  
Tokyo, Japan 100-0011

Tel: +81 3 3503 1100  
Fax: +81 3 3503 1197  
www.shinnihon.or.jp

## 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, 2014, 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, 2014, 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.

June 25, 2014  
Tokyo, Japan

# Subsidiaries and Affiliates

As of March 31, 2014

## Consolidated Subsidiaries

Company name	Issued capital* (Millions of yen)	Voting rights held by us (%)	Main business
INPEX Natuna, Ltd.	5,000	100.00%	Exploration, development, production and sales of oil and natural gas in the South Natuna Sea Block B, Indonesia
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
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.	418,190	100.00%	Financing for oil and natural gas exploration and development in the WA-285-P Block and others, Australia
INPEX Ichthys Pty Ltd	802,688 (Thousands of U.S. dollars)	100.00%	Exploration and development of oil and natural gas in the Ichthys gas-condensate field (WA-50-L), Australia
INPEX Browse E&P Pty Ltd	245,186 (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.	35,428	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 Timor Sea, Ltd.	6,712	100.00%	Exploration, development, production and sales of oil and natural gas in the JPDA06-105 Block in the Timor Sea JPDA
INPEX Oil & Gas Australia Pty Ltd	400,000 (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.	1,107	51.02%	Exploration of oil and natural gas in the Babar Selaru Block, Offshore Indonesia
INPEX Offshore North West Sabah, Ltd.	2,045	100.00%	Exploration of oil and natural gas in the deepwater Block S located offshore Sabah, Malaysia
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 and development 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
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 and Gas Venezuela, C.A.	1,620 (Thousands of bolivars)	100.00%	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 US Gulf of Mexico
INPEX Canada, Ltd.	20,580	100.00%	Exploration and development of oil including oil sands in the Joslyn project, Canada
Teikoku Oil (Suriname) Co., Ltd.	7,257	56.78%	Exploration of oil in the Offshore Block 31, Suriname

Company name	Issued capital* (Millions of yen)	Voting rights held by us (%)	Main business
INPEX Gas British Columbia Ltd.	1,043,488 (Thousands Canadian dollars)	45.09%	Exploration, development, production and sales of natural gas in the shale gas blocks of 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
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 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

37 other subsidiaries

## Equity-Method Affiliates

Company name	Issued capital* (Millions of yen)	Voting rights held by us (%)	Main business
MI Berau B.V.	888,601 (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
Ichthys LNG Pty Ltd	482,700 (Thousands of U.S. dollars)	66.07%	Engaged in laying the undersea pipeline from the Ichthys gas-condensate field to the Darwin Onshore LNG Plant and building the LNG plant, Australia
Angola Japan Oil Co., Ltd.	8,000	19.60%	Exploration, development, production and sales of oil in the Offshore 3/05 Block, 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
Angola Block 14 B.V.	18 (Thousands of euros)	49.99%	Exploration, development, production and sales of oil in Block 14, Offshore Angola

14 other equity-method affiliates

## Subsidiaries of Equity-Method Affiliates

Company name	Issued capital* (Millions of yen)	Voting rights held by us (%)	Main business
Frade Japão Petróleo Limitada	103,051 (Thousands 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 26, 2014 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.

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. 128.

#### 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. 128.

### 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 development of the Ichthys and the Abadi, large-scale LNG 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 amalgamation 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 two large-scale LNG Ichthys and Abadi 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.

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 will take steps to procure 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.

In November 2011, an oil seep was discovered spreading in the vicinity of the Frade oil field, in which an approximately 18.3% interest is held by Frade Japão Petróleo Limitada ("FJPL"), which is a subsidiary of INPEX Offshore North Campos, Ltd. (which is an equity-method affiliate of INPEX CORPORATION and in which INPEX CORPORATION holds a 37.5% interest).

In March 2012, Chevron Brasil Upstream Frade Ltda., the Frade oil field project operator ("Chevron"), also identified a small, new oil seepage emanating from a location different from that of the November 2011 oil seep. As a result, Chevron and its partner companies, including FJPL, temporarily suspended production in the Frade oil field with production resuming on April 30, 2013.

Relevant Brazilian agencies filed multiple lawsuits against, and other notices with, Chevron, the operator of the field and other companies requesting compensation for damage and a suspension in operations and other measures in connection with the oil seeps in November 2011 and March 2012. For example, two lawsuits were filed by Brazil's Federal Prosecution Service against Chevron and other companies demanding damages in the amount of 20 billion real (about 9 hundred billion yen at the rate of one real to about 45 yen) as well as the temporary suspension of operations in relation to each of the incidents in November 2011 and March 2012.

On September 13, 2013, Chevron signed an agreement to settle the aforementioned two lawsuits filed by Brazil's Federal Prosecution Service. On September 27, 2013, the first Federal Court of the Capital of the State of Rio de Janeiro approved this agreement and handed down a ruling dismissing the aforementioned two lawsuits. On November 11, 2013, the same court issued a certificate certifying that its ruling became final and binding. As a result of this, whilst some incidental or connected proceedings remain outstanding pending the conclusion of future judgments to be made by the courts, the aforementioned two lawsuits are effectively considered to be concluded. The INPEX group (including FJPL) is not a direct party to any of these lawsuits or other actions, but if Chevron is made to pay settlement money or bear any other financial burden as a result of signing the agreement related to these lawsuits or actions, FJPL will be required to bear financial burden equivalent to the portion of interest held by FJPL in accordance with the Joint Operating Agreement for the Frade oil field, and, in such a case, FJPL would be liable to pay 17 million real (about 8 hundred million yen at the same rate as set out above).

Additionally, in September 2013, INPEX CORPORATION's consolidated subsidiary, INPEX North Caspian Sea, Ltd. ("INCS") in which INPEX CORPORATION holds a 45% interest, began crude oil production at the Kashagan oil field within the Offshore North Caspian Sea Block in the Republic of Kazakhstan, in which INCS holds a 7.56% interest. However, shortly after crude oil production had begun, such production was suspended due to the discovery of a leak from the gas pipeline. In response to the gas leak, North Caspian Operating Company, the operator, and Agip KCO, the company responsible for operations management (together, the "Operators"), flared the gas remaining in the gas pipeline at the production facilities and emitted it. In connection with this activity, the Atyrau Region of the Ministry of Environment Protection of the Republic of Kazakhstan issued a notice on March 7, 2014, in relation to its monetary claim for an amount of 134.3 billion Kazakhstani Tenge (about 75 billion yen at the rate of one Kazakhstani Tenge to about 0.56 yen), to the Operators for the alleged violation of environmental laws. The Operators are currently in dispute seeking revocation of the notice. If the amount is ultimately assessed against the Operators, there is a possibility that INCS will be required to share responsibility in proportion to its interest under the Joint Operating Agreement (about 5.7 billion yen).



## 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.

For the domestic natural gas businesses, the Company has continued to purchase as source gas natural gas regasified from imported LNG as a raw material in addition to natural gas produced in Japan since January 2010. The price of the Company's natural gas sold in Japan is comprised of a fixed price portion as well as a portion that reflects fluctuations in the price of imported LNG. In addition to the direct impact of trends in the market prices of LNG and competing energy sources on that portion that reflects fluctuations in the price of imported LNG, contract negotiations held each fiscal year with end purchasers could have an indirect effect on the fixed price portion.

### (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) 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, 2014 however, the Middle East and Africa regions accounted for about 41% and the Asia and Oceania regions accounted for about 41% 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. Although March 30, 1997 was the initial contract expiration date in the production sharing contract for the Offshore Mahakam Block of Indonesia, the Group's principal geographical business area, an extension was approved in 1991, and the current expiration date is December 31, 2017. On the basis of the concession agreement for the ADMA Block, the concession expiration date is March 8, 2018 (However, the expiration date for the Upper Zakum Oil Field has been extended to December 31, 2041.) Although the Group plans to make efforts together with partners to further extend these agreements, inability to re-extend the agreements or unfavorable contract terms and conditions at the time of re-extension could have an adverse effect on the Group's results.

Even should the agreements be re-extended, we anticipate that remaining recoverable reserves may decrease at the time of re-extension. 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 26, 2014, 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" below.

## 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 acquisition 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, the Company issued the Class A Stock because it can be considered an effective means of preventing risks such as a speculative hostile takeover.

#### **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. The holder of the Class A Stock will receive the same amount of dividends, interim dividends, and distributions of residual assets as a holder of common stock. 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.

#### **4) Criteria for the exercise of veto rights provided in the guidelines**

Guidelines 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 guidelines 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.
- 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, capital reduction, 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 guidelines 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**

Although the Class A Stock was issued as a minimally required measure to eliminate the possibility of management controlled by foreign capital while not unreasonably impeding the efficiency and flexibility of management, 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 guidelines provided in the Notice. As the guidelines 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 above guidelines 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 composed of 16 members, five of whom are outside directors.

The four outside directors have many years of management experience in 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.

The four outside directors concurrently serve as director or advisors of Japan Petroleum Exploration Co., Ltd., Mitsubishi Corporation, Mitsui Oil Exploration Co., Ltd. and JX 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 four 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, 2014 were 1,278.38 million barrels for crude oil, condensate and LPG, and 6,735.2 billion cubic feet for natural gas, for a total of 2,531.85 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)
<b>Proved developed and undeveloped reserves</b>												
INPEX CORPORATION and Consolidated Subsidiaries												
As of March 31, 2012	16	651	255	6,509	188	—	371	—	0	195	831	7,354
Extensions and discoveries	—	—	—	—	—	—	—	—	—	63	—	63
Acquisitions and sales	—	—	(24)	(698)	—	—	—	—	9	7	(15)	(691)
Revisions of previous estimates	0	7	(1)	(92)	4	42	23	—	(0)	55	26	12
Interim production	(1)	(49)	(21)	(212)	(9)	—	(31)	—	(0)	(24)	(63)	(284)
As of March 31, 2013	15	609	208	5,507	183	42	363	—	9	296	779	6,454
Equity-method affiliates												
As of March 31, 2012	—	—	2	439	—	—	147	—	1	0	150	439
Extensions and discoveries	—	—	0	11	—	—	—	—	—	—	0	11
Acquisitions and sales	—	—	—	—	—	—	10	—	—	—	10	—
Revisions of previous estimates	—	—	0	(116)	—	—	12	—	5	0	17	(116)
Interim production	—	—	(0)	(19)	—	—	(27)	—	—	—	(27)	(19)
As of March 31, 2013	—	—	3	314	—	—	142	—	6	0	151	315
<b>Proved developed and undeveloped reserves</b>												
As of March 31, 2013	15	609	211	5,821	183	42	505	—	15	297	929	6,768
INPEX CORPORATION and Consolidated Subsidiaries												
As of March 31, 2013	15	609	208	5,507	183	42	363	—	9	296	779	6,454
Extensions and discoveries	7	261	—	3	—	—	408	—	—	22	414	286
Acquisitions and sales	—	—	—	—	—	—	—	—	—	—	—	—
Revisions of previous estimates	(0)	(8)	8	12	13	(15)	2	—	(0)	7	23	(4)
Interim production	(1)	(46)	(17)	(217)	(10)	—	(31)	—	(0)	(37)	(59)	(300)
As of March 31, 2014	21	816	199	5,306	186	27	742	—	9	288	1,157	6,437
Equity-method affiliates												
As of March 31, 2013	—	—	3	314	—	—	142	—	6	0	151	315
Extensions and discoveries	—	—	—	—	—	—	—	—	—	—	—	—
Acquisitions and sales	—	—	—	—	—	—	—	—	—	—	—	—
Revisions of previous estimates	—	—	(1)	(1)	—	—	3	—	(1)	0	1	(1)
Interim production	—	—	(0)	(15)	—	—	(30)	—	(0)	(0)	(31)	(15)
As of March 31, 2014	—	—	2	298	—	—	115	—	5	1	121	298
<b>Proved developed and undeveloped reserves</b>												
As of March 31, 2014	21	816	201	5,603	186	27	857	—	13	289	1,278	6,735
<b>Proved developed reserves</b>												
INPEX CORPORATION and Consolidated Subsidiaries												
As of March 31, 2014	14	557	22	399	39	—	543	—	0	140	619	1,096
Equity-method affiliates												
As of March 31, 2014	—	—	1	182	—	—	100	—	5	1	106	183
<b>Proved undeveloped reserves</b>												
INPEX CORPORATION and Consolidated Subsidiaries												
As of March 31, 2014	6	259	178	4,906	147	27	199	—	9	149	539	5,341
Equity-method affiliates												
As of March 31, 2014	—	—	1	116	—	—	15	—	—	—	15	116

Note 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, 2014, the Group held proved reserves in Australia of approximately 170.98 million barrels for crude oil and approximately 4,641.4 billion cubic feet for natural gas, for a total of 1,036.09 million boe.

Note 2. Proved reserves (as of March 31, 2014) of the following blocks and fields include the portion attributable to minority interests.

Eurasia (Europe & NIS): ACG (49%), Kashagan (55%), Amerasia: Copia Macoya (30%), 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, 2014

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, 2014 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 ¥93.99 and ¥102.92 to the U.S. dollar as of March 31, 2013 and 2014, 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, 2013	Millions of yen					
	Total	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas
<b>INPEX CORPORATION and Consolidated Subsidiaries</b>						
Future cash inflows	¥12,788,034	¥960,873	¥6,238,258	¥1,702,492	¥3,736,754	¥149,658
Future production and development costs	(4,119,855)	(176,309)	(2,242,999)	(438,236)	(1,188,643)	(73,669)
Future income tax expenses	(5,057,270)	(277,685)	(2,078,271)	(265,673)	(2,417,554)	(18,087)
Future net cash flows	3,610,909	506,879	1,916,987	998,583	130,557	57,903
10% annual discount for estimated timing of cash flows	(2,264,436)	(244,270)	(1,369,592)	(545,223)	(80,178)	(25,172)
Standardized measure of discounted future net cash flows	1,346,473	262,609	547,396	453,359	50,379	32,731
<b>Equity-method affiliates</b>						
Future cash inflows	1,696,889	—	168,545	—	1,470,807	57,537
Future production and development costs	(566,833)	—	(76,271)	—	(446,072)	(44,490)
Future income tax expenses	(974,897)	—	(47,627)	—	(925,608)	(1,662)
Future net cash flows	155,159	—	44,647	—	99,127	11,385
10% annual discount for estimated timing of cash flows	(63,444)	—	(31,381)	—	(28,798)	(3,265)
Share of equity-method investees' standardized measure of discounted future net cash flows	91,715	—	13,266	—	70,330	8,119
<b>Total consolidated and equity-method affiliates in standardized measure of discounted future net cash flows</b>	<b>¥ 1,438,188</b>	<b>¥262,609</b>	<b>¥ 560,661</b>	<b>¥ 453,359</b>	<b>¥ 120,708</b>	<b>¥ 40,850</b>

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

March 31, 2014	Millions of yen					
	Total	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas
<b>INPEX CORPORATION and Consolidated Subsidiaries</b>						
Future cash inflows	¥17,341,495	¥1,216,700	¥ 6,010,999	¥1,830,647	¥ 8,114,992	¥168,157
Future production and development costs	(5,214,355)	(232,106)	(2,022,074)	(475,798)	(2,430,435)	(53,942)
Future income tax expenses	(7,756,030)	(390,578)	(1,791,151)	(294,204)	(5,270,507)	(9,589)
Future net cash flows	4,371,111	594,016	2,197,774	1,060,645	414,050	104,627
10% annual discount for estimated timing of cash flows	(2,724,139)	(353,477)	(1,399,641)	(638,328)	(301,903)	(30,790)
Standardized measure of discounted future net cash flows	1,646,972	240,539	798,133	422,316	112,146	73,837
<b>Equity-method affiliates</b>						
Future cash inflows	1,502,675	—	172,531	—	1,283,450	46,694
Future production and development costs	(559,626)	—	(100,520)	—	(422,426)	(36,681)
Future income tax expenses	(807,541)	—	(37,642)	—	(768,867)	(1,032)
Future net cash flows	135,508	—	34,369	—	92,158	8,981
10% annual discount for estimated timing of cash flows	(34,528)	—	(18,128)	—	(13,834)	(2,566)
Share of equity-method investees' standardized measure of discounted future net cash flows	100,980	—	16,242	—	78,324	6,414
<b>Total consolidated and equity-method affiliates in standardized measure of discounted future net cash flows</b>	<b>¥ 1,747,952</b>	<b>¥ 240,539</b>	<b>¥ 814,375</b>	<b>¥ 422,316</b>	<b>¥ 190,471</b>	<b>¥ 80,252</b>

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



	Millions of yen						
	Total	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Equity-method affiliates
<b>INPEX CORPORATION and Consolidated Subsidiaries</b>							
Standardized measure at beginning of the period As of April 1, 2013	¥1,438,188	¥262,609	¥ 547,396	¥453,359	¥ 50,379	¥32,731	¥ 91,715
Changes resulting from:							
Sales and transfers of oil and gas produced, net of production costs	(940,350)	(64,803)	(307,805)	(87,312)	(240,554)	(5,615)	(234,260)
Net changes in oil and gas prices and production costs	(767,958)	(67,001)	(370,213)	(47,267)	(249,342)	(1,478)	(32,656)
Development costs incurred	503,931	—	377,559	49,610	31,463	27,595	17,704
Changes in estimated future development costs	(49,289)	(4,216)	9,002	(19,356)	(21,508)	(2,474)	(10,737)
Revisions of previous quantity estimates	857,625	48,174	99,410	(32,763)	724,450	6,518	11,837
Accretion of discount	176,596	24,516	83,103	48,498	5,944	5,756	8,779
Net change in income taxes	389,751	16,311	308,170	14,459	(196,868)	7,794	239,886
Extensions, discoveries and improved recoveries	3,398	—	—	—	3,398	—	—
Other	136,061	24,950	51,511	43,087	4,786	3,011	8,714
Standardized measure at end of the period As of March 31, 2014	¥1,747,952	¥240,539	¥ 798,133	¥422,316	¥ 112,146	¥73,837	¥ 100,980

Notes: 1. Reserves of the following blocks and fields include the portion attributable to minority interests.  
Eurasia (Europe & NIS): ACG (49%), Kashagan (55%)/Americas: Copa Macoya (30%), Horn River Area (54.91%)  
2. Extensions, discoveries and improved recoveries include acquisition and sales.

### 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, 2014 were 853.66 million barrels for crude oil, condensate and LPG, and 6,026.9 billion cubic feet for natural gas, for a total of 1,945.44 million boe. In addition, the Group's possible reserves as of March 31, 2014 were 121.34 million barrels for crude oil, condensate and LPG, and 2,556.0 billion cubic feet for natural gas, for a total of 604.76 million boe.

March 31, 2014	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Subtotal	Interest in reserves held by equity-method affiliates	Total
<b>Probable reserves</b>								
Crude oil, condensate and LPG (MMbbl)	2	176	368	190	89	825	29	854
Natural gas (Bcf)	80	5,724	126	—	49	5,979	48	6,027

March 31, 2014	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Subtotal	Interest in reserves held by equity-method affiliates	Total
<b>Possible reserves</b>								
Crude oil, condensate and LPG (MMbbl)	2	87	4	2	10	105	16	121
Natural gas (Bcf)	65	2,349	—	—	36	2,450	106	2,556

Notes: 1. MMbbl: Million barrels  
2. Bcf: Billion cubic feet  
3. Bitumen reserve volumes are included in the net probable and possible reserves of crude oil, condensate and LPG for the Americas.

## 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, 2014 was 244.9 thousand barrels per day for crude oil, condensate and LPG, and 876.4 million cubic feet per day for natural gas, for a total of 408.8 thousand boed. Our method for calculating the conversion of natural gas volumes to barrels of oil equivalent (boe) was changed effective the year ended March 31, 2012.

Years ended March 31,	2009	2010	2011	2012	2013	2014
<b>Crude oil, condensate and LPG (Mbbld):</b>						
Japan	4.9	4.5	3.9	3.8	3.9	3.6
Asia & Oceania	44.7	47.7	65.1	62.5	58.0	45.8
Eurasia (Europe & NIS)	24.8	26.9	27.9	25.0	25.1	26.1
Middle East & Africa	81.0	73.3	73.0	84.3	84.4	84.4
Americas	2.7	5.5	2.3	0.1	0.1	0.1
Subtotal	158.1	158.0	172.2	175.7	171.5	160.0
Proportional interest in production by equity-method affiliates	65.1	60.4	67.4	75.4	74.4	84.9
Total	223.2	218.3	239.6	251.2	245.9	244.9
Annual production (MMbbl)	81.5	79.7	87.5	91.9	89.8	89.4
<b>Natural gas (MMcf/d):</b>						
Japan	164.9	155.1	128.7	127.6	133.7	125.5
Asia & Oceania	842.8	880.5	836.0	665.0	586.4	602.8
Eurasia (Europe & NIS)	—	—	—	—	—	—
Middle East & Africa	—	—	—	—	—	—
Americas	82.3	86.9	81.1	72.4	90.9	107.4
Subtotal	1,090.0	1,122.6	1,045.9	865.0	811.0	835.7
Proportional interest in production by equity-method affiliates	—	—	56.6	62.7	52.4	40.7
Total	1,090.0	1,122.6	1,102.5	927.7	863.4	876.4
Annual production (Billions of cubic feet)	397.8	409.7	402.4	339.5	315.1	319.9
<b>Crude oil and natural gas (Mboed):</b>						
Japan	32.4	30.4	25.3	27.7	29.0	27.2
Asia & Oceania	185.1	194.5	204.4	189.5	169.4	159.9
Eurasia (Europe & NIS)	24.8	26.9	27.9	25.0	25.1	26.1
Middle East & Africa	81.0	73.3	73.0	84.3	84.4	84.4
Americas	16.4	20.0	15.8	13.1	16.2	19.0
Subtotal	339.7	345.1	346.5	339.7	324.0	316.7
Proportional interest in production by equity-method affiliates	65.1	60.4	76.8	86.5	83.8	92.1
Total	404.9	405.4	423.3	426.2	407.8	408.8
Annual production (MMboe)	147.8	148.0	154.5	156.0	148.8	149.2

# Oil and Gas Glossary

## ■ Barrel

In the case of oil, one barrel is equal to 42 gallons (approx. 159 liters).

## ■ Barrel of Oil Equivalent (BOE)

BOE is mainly used to convert a cubic volume of natural gas (i.e., cubic feet) into a cubic volume (i.e., a barrel) of crude oil. It is a standard unit of thermal energy based on the energy released in the combustion of one barrel of crude oil.

## ■ Brent Crude

A type of crude oil that holds a major position in the market for crude oil prices. Brent crude is a light oil with low sulfur content and is mainly extracted from the Brent oil field located in the North Sea of the United Kingdom.

## ■ Concession Contract

A contract that directly grants mining rights (including mining rights in Japan and permits, licenses and leases in other countries) to oil companies through a contract or approval from the government of oil-producing countries or from national oil companies. The oil company itself makes the investment and holds the right for disposition for the acquired oil and gas. Oil-producing countries receive taxes or royalties from sales.

▶ See pp. 100–101 for Accounting Methods for Types of Agreements.

## ■ Condensate

Generally, a type of crude oil extracted as a liquid from gas fields. Liquid (oil) that exists as a gas underground but that condenses when extracted to the surface is referred to as condensate oil or simply as condensate.

## ■ Contingent Resources

Other than proved reserves, probable reserves and possible reserves, contingent resources are quantities that are estimated to be potentially recoverable in the future from known accumulation, but which are not currently considered to be commercially recoverable due to one or more contingencies.

## ■ Core

Cylinder rock samples extracted from underground geological formations in wells during various types of exploratory drilling. Normally, the samples are extracted by core drilling.

## ■ EPC Contractor

The oil and gas exploration and development business involves the participation of a number of contractors, such as drilling contractors and geophysical exploration subcontractors. Of these, an engineering, procurement and construction (EPC) contractor is in charge of engineering, procurement and construction work.

## ■ Exploratory Wells

A well drilled to search for still unknown oil fields. These wells are often referred to as “wild cat wells.” Drilling wells to confirm the dimensions of a new oil field and to acquire an overall image of an oil field is a part of exploration, and wells for this purpose are referred to as exploratory wells.

## ■ FEED

FEED is an acronym for Front End Engineering Design. FEED work is done prior to engineering, procurement and construction (EPC) work. FEED work involves field studies and budgeting, including technical issue identification and cost outlines, upon which bidding for EPC work is based.

## ■ Final Investment Decision (FID)

The FID refers to the final decision to invest in an oil or natural gas project. An FID triggers the shift to a development phase (design, procurement and construction operations). The necessary approvals, procurement of funds, sales plan and other key issues need to be addressed at the time a final investment decision is made.

## ■ Floating LNG

A floating LNG is created by installing an LNG plant on a large vessel. This development method allows for natural gas to be processed into liquid at that plant and then directly offloaded to an LNG carrier.

## ■ FPSO

FPSO refers to a floating production, storage and offloading system where refined crude oil and condensate are stored in tanks within a vessel. From here, the vessel offloads oil directly to tankers.

## ■ International Energy Agency (IEA)

An autonomous organization comprised of the main oil-consuming countries established in 1974 under the OECD for collective action on energy.

## ■ LNG (Liquefied Natural Gas)

After removing impurities such as moisture, sulfur compounds and carbon dioxide from natural gas with a chief constituent of methane, the gas is liquefied by cooling to ultra-low temperatures (-162° Celsius). This process compresses the volume of the gas to 1/600, thus making it possible to transport large quantities in a single shipment.

## ■ LPG (Liquefied Petroleum Gas)

LPG is an oil product that is a mixture of hydrocarbon gases with a carbon number of 3 or 4, for example, propane, propylene, butane, butylene or a mixture of these as main constituents. Although LPG is a gas at ambient temperature and normal pressure, it is liquefied through exposure to low pressures or temperatures (cooling).

## ■ Lump-Sum Contract

A contract agreeing upon and approving a fixed total for construction and work. It is distinguished from a cost-plus-fee contract, which promises in advance the payment of a certain fee added to a certain amount of actual incurred expenses.

## ■ Methane Hydrate

As one type of unconventional gas, methane hydrate is a solid crystalline structure in which methane molecules are trapped within a latticework formed by the hydrogen bonding of water molecules. Methane hydrate is stable under low-temperature, high-pressure conditions, so it can be found within the permafrost layer in Siberia, Canada and Alaska, as well as in the ocean at depths of 500 meters or more.

### **I Net Production Volume**

Net production volume is the net economical portion of total production volume. Specifically, it is the volume of oil and natural gas that can be sold after deducting portions allocated to the governments of oil-producing countries in accordance with production sharing agreements, and portions allocated to interest owners in accordance with concession agreements.

### **I Oil Majors**

The Oil majors are also known as major international oil companies. ExxonMobil (US), Royal Dutch Shell (UK/Netherlands), BP (UK), Chevron (US) and TOTAL (France) are well known as the five oil majors. Each of these companies possesses an integrated system including departments for conducting both upstream and downstream business.

### **I Oil Sands**

Sandstone beds that contain an extremely viscous tar-like crude oil that has no fluidity in its initial state. This is as opposed to conventional crude oil, which can be easily pumped upward using a well. Depending on the level of viscosity, crude oil extracted from oil sand is referred to as bitumen or extra heavy crude oil.

▶ See p. 69 for the Joslyn Oil Sands Project.

### **I Operator**

In the case of multiple parties to a contract regarding blocks of oil/gas and associated E&P work, a joint operating agreement is entered into between the parties and it is necessary to achieve agreement on the rights and obligations for all items required when conducting operations. At that time, the party responsible for the execution and management of the operations is referred to as the operator. In contrast, parties other than the operator are referred to as non-operators.

### **I Primary Energy**

Energy recovered directly from nature such as coal, oil, natural gas, fuelwood, hydroelectricity, nuclear power, wind power, current power, geothermal and solar energy.

### **I Probable Reserves (our company)**

The definition of probable reserves is in accordance with regulations (PRMS) formulated by the Society of Petroleum Engineers (SPE) through support from the World Petroleum Council (WPC), the American Association of Petroleum Geologists (AAPG) and the Society of Petroleum Evaluation Engineers (SPEE). The rule defines probable reserves as the estimated quantities of crude oil and natural gas that can be added to proved reserves and commercially collected based on geological and engineering data.

### **I Production Sharing Contract (PSC)**

A contract in which one or more companies involved in the development of oil and natural gas acts as a contractor and undertakes operations for exploration and development on behalf of the governments of oil-producing countries or national oil companies. The contractor is responsible for the costs associated with the operations. Corresponding amounts for cost recovery and compensation are received from production by a contractor.

▶ See pp. 100–101 for Accounting Methods for Types of Agreements.

### **I Proved Reserves**

The definition of proved reserves is in accordance with SEC Regulation S-X Rule 4-10 (a), a rule that is well known among investors in the United States. The rule defines proved reserves as the estimated quantities of crude oil and natural gas that can, with reasonable certainty and under current economic and operating conditions, be collected from a given date forward based on geological and engineering data.

### **I Renewable Energy**

A collective term used for energy acquired from within natural phenomena replenished repeatedly on earth such as solar, wind, hydro, oceans and biomass, as opposed to fossil fuels such as coal and oil, which are forecast to run out in the future. There is no fear of renewable energy running out, and it does not generate air pollution. Technology to use renewable energy as an energy source is undergoing development.

### **I Reserves-to-Production Ratio**

The reserves-to-production ratio (R/P ratio) is calculated by subtracting the production for a given year from the reserves at the end of that year. The resulting figure is an indication of the number of years production can be continued if annual production continues at the amount for that year.

### **I Rig**

Machinery for drilling a well that is used to search for and produce oil and natural gas.

### **I Royalty**

Royalty refers to a specific share of production reserved by the owner of underground minerals (e.g., a state or a municipality) when granting mining rights, without taking responsibility for production costs. In some cases, the share increases according to increases in production. Royalties may be paid in kind or in cash.

### **I Secondary energy**

Electric power, city gas, coke, etc., which are acquired by converting and processing primary energy sources, are referred to as secondary energy.

### **I Shale Gas**

Shale gas is a kind of natural gas that is considered to be an unconventional natural gas. It refers to gas that is found in hard shale beds and not in the usual gas fields of conventional natural gas. It is necessary to excavate the horizontal wells, using the hydraulic fracturing method to create a crack in the shale bed so that the gas can be extracted. In recent years, due to advancements in these gas mining technologies, the production of shale gas is making great strides, particularly in North America.

### **I Unconventional Natural Gas**

Natural gas not produced from regular oil and gas fields. Includes gas (tight gas sands, coal bed methane, biomass gas and shale gas) that has already undergone partial commercial production and gas (e.g., methane hydrate and deep gas) expected to undergo future commercial production.

# Index/Unit Conversion

## Financial/Accounting

12-Year Financial Information .....	82–83
Background Information	
(Oil and Gas Accounting Policies and Treatment) .....	84–86
Consolidated Balance Sheet .....	94–95
Consolidated Statement of Cash Flows .....	100–101
Consolidated Statement of Income .....	96
Dividends/Return for Shareholders .....	12, 16, 28
Finance and Funding .....	29, 81
Financial and Operating Highlights .....	14–15, 16
Investment Plan .....	28–31, 81
MD&A (Management’s Discussion and Analysis	
of Financial Condition and Results of Operations) .....	87–
Net Sales/Operating Income by Segment .....	46–47
Notes to Consolidated Financial Statements .....	102–116
Subsidiaries and Affiliates .....	118–119

## ESG (Environment/Social/Governance)

Advisory Committee .....	75
Board of Directors,	
Auditors and Executive Directors .....	72–73, 76–78
Business Risks .....	120–127
Class A Stock .....	71, 126–127
Compensation for Directors and Auditors .....	71
Corporate Governance .....	70–78
CSR Initiatives .....	66–69
Disclosure Structure and IR Activities .....	74–75
Internal Committees .....	74
Number of Employees .....	14–15, 135
Total GHG Emissions .....	17
Volume of Water Sources Used .....	17

## Non-Financial Information

Business Model and Strengths .....	22–25, 30–31
Comparison with Peers (Production and Reserve Volume) .....	32
Gas Supply Chain .....	43
Market Environment, Business Environment .....	26–27
Message from the President .....	4–12
Number of Projects .....	46–47
Oil and Gas Demand .....	27
Oil Price, Exchange Rate and INPEX Share Price .....	14–15
Press Releases .....	18–20
Production Volume .....	17, 46–47, 131
Reserves .....	6, 17, 30, 46–47, 128–130
Strategies and Management Plan	
(Medium- to Long-Term Vision of INPEX) .....	8, 28–29

## Projects

Abadi LNG Project (Indonesia) .....	51
ACG Oil Fields (Azerbaijan) .....	55
ADMA Block (U.A.E.) .....	57
Bayu-Undan Project	
(Timor Sea Joint Petroleum Development Area (JPDA)) .....	53
Berau Block Tangguh LNG Project (Indonesia) .....	52
BTC Pipeline Project .....	55
Copa Macoya and Guarico Oriental Blocks (Venezuela) .....	61
Frade Block (Brazil) .....	61
Geothermal .....	64
Ichthys LNG Project (Australia) .....	34–41
Joslyn Oil Sands Project (Canada) .....	60
Kitan Oil Field (JPDA) .....	53
Naoetsu LNG Terminal .....	42, 63
Natural Gas Business in Japan .....	63
Offshore Angola Block 14 (Angola) .....	57
Offshore D.R. Congo Block (Democratic Republic of Congo) .....	57
Offshore Mahakam Block and Attaka Unit (Indonesia) .....	49
Offshore North Caspian Sea Contract Area	
(Kashagan Oil Field (Kazakhstan)) .....	54
Power Generation Business in Japan .....	64
Prelude FLNG Project (Australia) .....	52
Sebuku Block Ruby Gas Field (Indonesia) .....	50
Shale Gas Project (Canada) .....	59
South Natuna Sea Block B (Indonesia) .....	50
Van Gogh Oil Field and Ravensworth Oil Field (Australia) .....	53

## Unit Conversion

Crude oil	Natural gas	Sale gas	LPG	LNG
1 kl $\approx$ 6.29 barrels	1 cf $\approx$ 1,000 Btu*			
1 ton $\approx$ 7.4 barrels	1 billion m <sup>3</sup> $\approx$ 700,000 tons (LNG)			
1 barrel $\approx$ 6,000 cf (natural gas)	100 million cf/day $\approx$ 700,000 tons/year (LNG)	1 m <sup>3</sup> $\approx$ 37.32 cf	1 ton $\approx$ 10.5 barrels (crude oil)	1 ton $\approx$ 8.8 barrels (crude oil) $\approx$ 1,400 m <sup>3</sup> (natural gas) $\approx$ 53 million Btu*
100,000 barrels/day $\approx$ 4 million tons/year (LNG)	1 trillion cf $\approx$ 1 million tons $\times$ 20 years (LNG) (20 million tons)			

\*British thermal unit

Note: Unit-equivalent figures are estimates. Conversion figures used for production and reserves in this Annual Report may be different from the above conversion figures. We do not guarantee those figures' accuracy as applied to dealing or verification.

# Corporate Information

(As of March 31, 2014)

## Corporate Data

**Company Name** INPEX CORPORATION

**Established** April 3, 2006

**Capital** ¥290,809,835,000

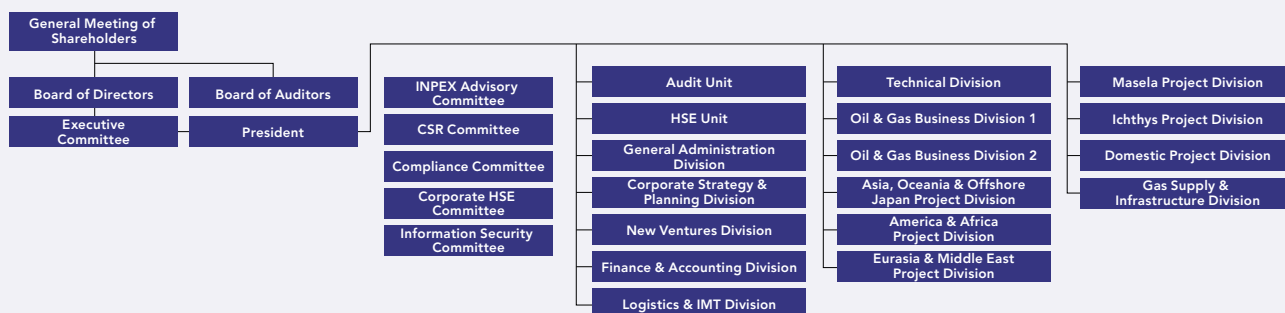
**Company Headquarters**

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

**Number of Employees (Consolidated)** 2,874

**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 June 30, 2014)



## Stock Data

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

**Total Number of Shareholders and Issued Shares**

**Common Stocks:** 39,546 shareholders / 1,462,323,600 shares\*1  
**Class A Stock\*2:** 1 shareholder (Minister of Economy, Trade and Industry) / 1 share

\*1 Implemented a stock split at a rate of 1:400 of common stock at the effective date of October 1, 2013.

\*2 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 shares* (%)
Minister of Economy, Trade and Industry	276,922,800	18.94
Japan Petroleum Exploration Co., Ltd.	106,893,200	7.31
Mitsui Oil Exploration Co., Ltd.	53,154,000	3.63
Japan Trustee Services Bank, Ltd. (Trust Account)	45,528,500	3.11
JX Holdings, Inc.	43,810,800	3.00
The Master Trust Bank of Japan, Ltd. (Trust Account)	41,004,300	2.80
The Chase Manhattan Bank, N.A. London Secs Lending Omnibus Account	40,224,357	2.75
CBNY - Orbis Funds	28,738,943	1.97
JP Morgan Chase Bank 385632	21,032,265	1.44
State Street Bank and Trust Company 505223	19,446,693	1.33

\* Percentage of total shares are for all issued and outstanding shares.

### Shareholding by Shareholder Type

Shareholder type	Number of shareholders	Number of shares	Percentage of total shares*1 (%)
Financial Institutions (Including Trust Accounts)	106	205,871,300	14.08
Securities Companies	48	12,812,864	0.88
Other Domestic Corporations	405	244,083,824	16.69
Minister of Economy, Trade and Industry*2	1	276,922,800	18.94
Foreign Corporations and Other	691	678,718,803	46.41
Individuals and Other	38,294	41,947,609	2.87
Treasury Stock	1	1,966,400	0.13

\*1 Percentage of total shares are for all issued and outstanding 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](http://www.inpex.co.jp/english)

### Inquiries

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

Corporate Strategy & Planning Division

Corporate Communications Unit

Investor Relations Group

Phone: +81-3-5572-0234, Fax: +81-3-5572-0235

Web site: [www.inpex.co.jp/en/ir/inquiries](http://www.inpex.co.jp/en/ir/inquiries)