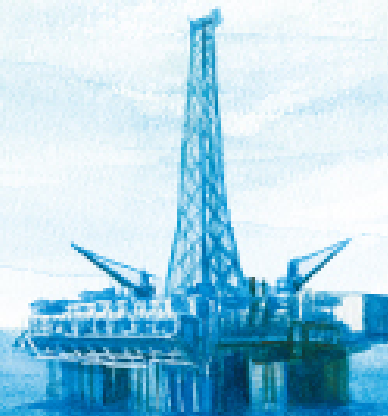




INPEX CORPORATION  
**Financial Results**  
for the Six Months ended September 30, 2013  
November 8, 2013



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## 1. Corporate Overview

Toshiaki Kitamura

Representative Director, President & CEO

## 2. Financial Results for the six months ended September 30, 2013

Masahiro Murayama

Director, Managing Executive Officer  
Head of Finance & Accounting Division

# Cautionary Statement



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

- Price volatility and change in demand in crude oil and natural gas
- Foreign exchange rate volatility
- Change in costs and other expenses pertaining to the exploration, development and production

The Company undertakes no obligation to publicly update or revise the disclosure of information in this presentation (including forward-looking information) after the date of this presentation.

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# Corporate Overview

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Toshiaki Kitamura  
Representative Director, President & CEO

# First-Half 2013 Corporate Highlights (1/3)



<b>■ Half-year Results</b> (Apr.2013 -Sep.2013)	<ul style="list-style-type: none"><li>- Net sales ¥650.4 billion (12.4% increase YoY)</li><li>- Net income ¥80.0billion (28.1% decrease YoY)</li></ul>
<b>■ Net Production</b> (Apr.2013 -Sep.2013)	<ul style="list-style-type: none"><li>- 403 thousand BOED (0.2% decrease YoY)</li></ul>
<b>■ Ichthys</b>	<ul style="list-style-type: none"><li>- EPC works progressing in due course</li><li>- In Jun. 2013, steel cut ceremony of FPSO (Floating Production Storage and Offloading), which is one of the major offshore floating production facilities.</li><li>- In Sep. 2013, Accommodation Village at Howard Springs, Darwin opened for about 1,000 of the Project's construction workforce.</li><li>- Project progress rate: Approx. 31%</li></ul>
<b>■ Abadi</b>	<ul style="list-style-type: none"><li>- Front End Engineering and Design (FEED) works are ongoing(Subsea facilities started in Nov., 2012/FLNG started in Jan., 2013)</li><li>- Drilling works for 3 delineation wells and 1 exploratory well started in Jun., 2013.</li></ul>

## Continuous Enhancement of E&P Activities (Medium to Long Term Vision of INPEX-Management Policy No.1)

- Acquisition of New Exploration Blocks
  - JPDA11-106 contract area at the Joint Petroleum Development Area (Apr.)
  - Area 15, Oriental Republic of Uruguay(May)
  - Cooperation Agreement with Rosneft for Magadan 2 and 3 blocks in the Sea of Okhotsk, Russia (May)
  - Exploration Block WA-494-P, Offshore Western Australia(Jun.)
  - Zapadno-Yaraktinsky block and Bolshetirsky block, Irkutsk, Russia(Sep.)
- Progress of Exploration Activity
  - Encountered oil pay in Walker Ridge 95/96/139/140 Blocks, U.S. Gulf of Mexico (Aug.)

## Strengthening Gas Supply Chain (Medium to Long Term Vision of INPEX-Management Policy No.2)

- Ichthys LNG Project to Secure New Shipping Vessels (Jun.)
- Completion of constructing “Naoetsu Line” and “Shin Nagaoka Line”, Japan (Natural Gas Trunk Pipelines) (Jun.)
- LNG SPA concluded with Chubu Electric for INPEX’s Naoetsu LNG Terminal (Jul.)
- First LNG carrier arrived at Naoetsu LNG Terminal (Aug.)

## Reinforcement of Renewable Energy Initiatives (Medium to Long Term Vision of INPEX-Management Policy No.3 )

- “INPEX Mega Solar Joetsu” started power generation in Joetsu City, Niigata, Japan (Apr.)
- Drilling of exploratory wells for geothermal energy development in Hokkaido and Akita, Japan (Jul.)
- Joint Study for geothermal energy development in Fukushima, Japan (Sep.)

■ Status of current works

[Offshore facilities]

- Engineering, procurement & construction of CPF and FPSO ongoing
- Manufacturing 42" linepipes completed and coating process ongoing
- Procurement & fabrication of subsea facilities ongoing

[Onshore facilities]

- Procurement & construction of onshore LNG plant ongoing
- Site preparation works ongoing
- Started construction for module offload facility, jetties and tanks for LNG, LPG and condensate
- Dredging work in Darwin Harbour ongoing
- Opened Accommodation Village with 1,000 beds. Construction for another 2,500 beds ongoing.

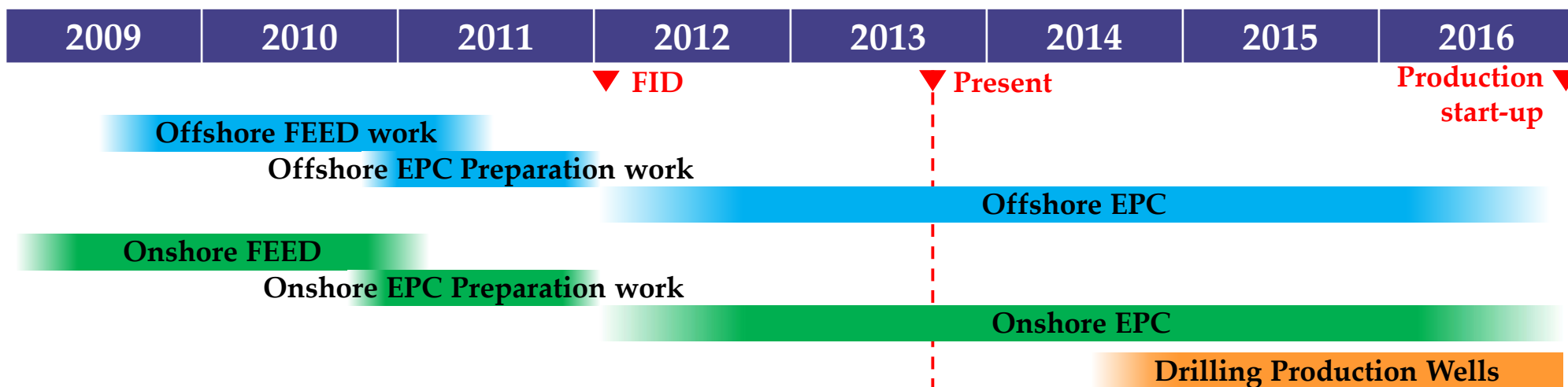
■ Project progress: Approx. 31%

■ Agreed to transfer equity share to CPC

- Proved reserves: Approx. 1,030 million BOE \*
- Production volume (expected):  
-8.4 million t/y of LNG  
-Approx. 1.6 million t/y of LPG  
-Approx. 100,000 bbl/d of condensate (at peak)
- CAPEX: US\$34.0 billion
- Participating Interest: INPEX (Operator) 66.07%\*\* , TOTAL 30%, Tokyo Gas 1.575%, Osaka Gas 1.200%, Chubu Electric Power 0.735%, Toho Gas 0.420%
- FID in January 2012
- Production start : By the end of 2016

\* The figure is based on INPEX's Participating interest of 66.07%.

\*\*Including 2.625% equity interest in the process of transfer to CPC











Drilling rig



Development at Abadi (image)

## ■ Plan of Development (POD-1)

- Stage 1 Development
- Development Concept : Floating LNG
- Production Volumes : 2.5 million t/y of LNG  
8,400 bbl/d of condensate

## ■ Participating Interest

- INPEX(Operator) : 65%, Shell 35%

- SURF (subsea production facilities) FEED commenced in November 2012. FLNG FEED commenced in January 2013.
- AMDAL(Environmental & Social Impact Assessment Process) ongoing
  - Plans to complete the AMDAL report by the end of 2013 and to obtain final approval from the Ministry of Environment.
- Strategic alliance with Shell
  - Shell provides technical services and assigns secondees
- PS Contract requires to transfer a 10% participating interest to an Indonesian participant to be designated by the Indonesian Government.
- Further approach for future subsequent development utilizing the gas reserves
  - With FEED started, part of contingent resources upgraded and booked as probable reserves (FY March 2013)
  - Started to drill 3 delineation wells and 1 exploratory well from June 2013

# Strengthening Gas Supply Chain



## ■ Construction of Naoetsu LNG Terminal



- In Aug., first LNG carrier arrived at Naoetsu LNG Terminal
- Targeting commercial operation from January 2014

## ■ Expansion of Natural Gas Pipeline Network



- In Jul., completion of constructing “Naoetsu Line” and “Shin Nagaoka Line” to connect Naoetsu LNG Terminal with the existing pipeline network
- Construction of “Toyama Line” started in Spring 2012, and to be completed in 2014

## ■ Procurement of LNG carrier



(image picture)

- In Jun., agreed on shipbuilding and shipping contracts for two new vessels to deliver LNG from Ichthys Project to Japan and Taiwan

## Production/Development

Kashagan Oil Production Facility



### ■ Kashagan oil field started production of crude oil

- The production capacity in the initial period is anticipated to be ramped up towards 370,000 b/d.
- The Kashagan field represents the largest oil accumulation in the North Caspian Sea with estimated recoverable reserves of some 9 to 13 billion barrels of oil in place.
- Kalamkas, Aktote, Kairan and Southwest Kashagan structures are under evaluation.
- Participating interest :7.56%

## Exploration activity



### ■ Encountered oil pay in Walker Ridge 95/96/139/140 Blocks U.S. Gulf of Mexico

- INPEX to hold a 15% participating interest and to carry out exploration activity with Shell (Operator) and Anadarko with a 70% and a 15% participating interest respectively
- The parties encountered an oil bearing zone with approximately 36m net pay in the exploration well (Yucatan North-1).



# First-Half 2013 Topics (2/2)

## Exploration projects

Participation in Zapadno-Yaraktinsky block and Bolshetirsky block, onshore Irkutsk, Russia

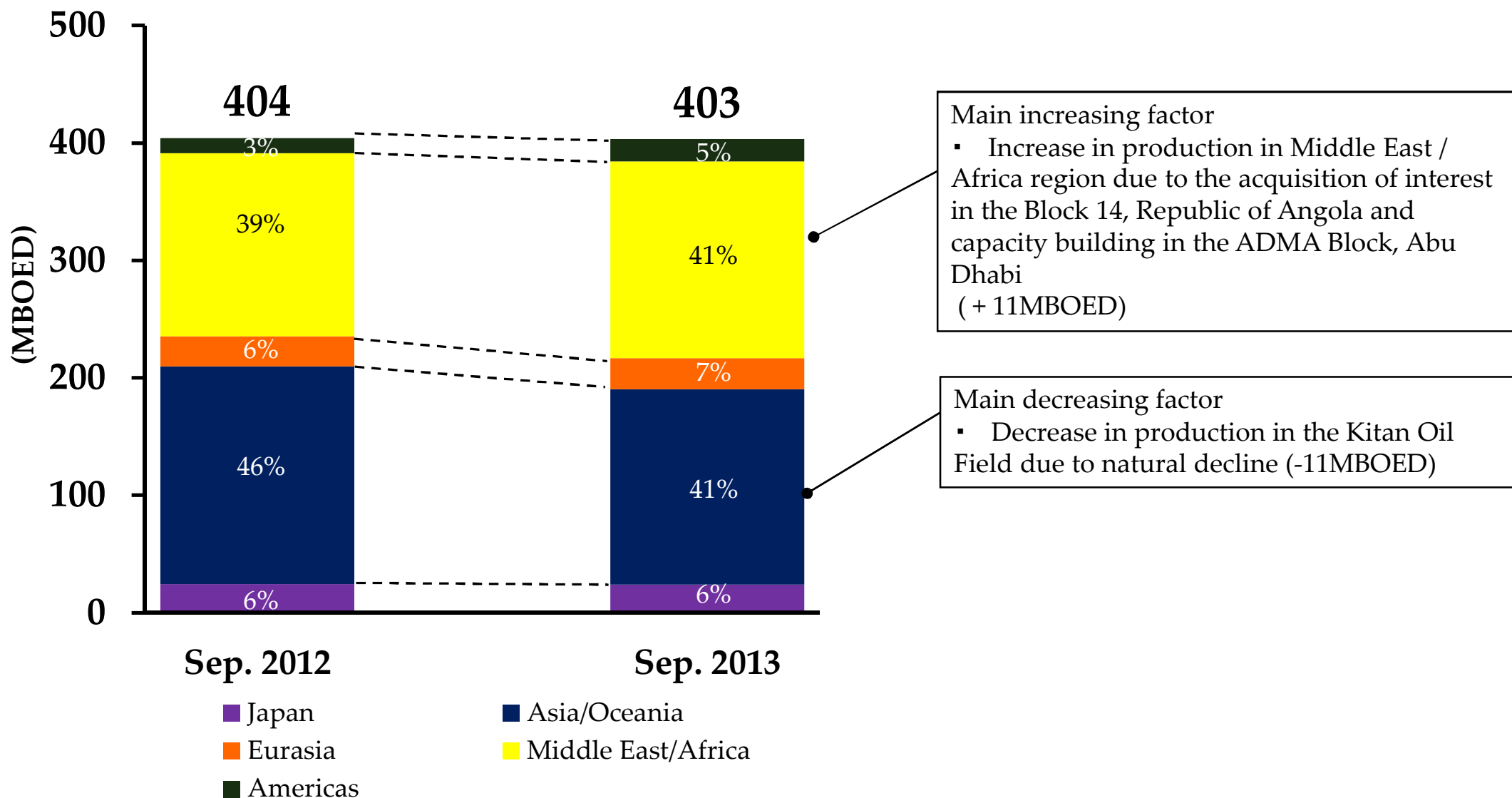
Entered into Cooperation Agreement with Rosneft for Magadan 2 and 3 blocks in the Sea of Okhotsk, Russia

Acquisition of Exploration Block WA-494-P, Offshore Western Australia  
– Participating interest : 100%  
(Operator : INPEX)

Acquisition of JPDA11-106 contract area  
– Participating interest : 35.47%  
(Operator : ENI)

Acquisition of Area 15 Oriental Republic of Uruguay  
– Participating interest : 30%  
(Operator : Tullow)

# Net Production\* (April – September 2013) **INPEX**



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

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Financial Results for the six months ended  
September 30, 2013

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Masahiro Murayama

Director, Managing Executive Officer

Head of Finance & Accounting Division

# Highlights of the Consolidated Financial Results for the six months ended September 30, 2013 **INPEX**

	Apr.-Sep. '12	Apr.-Sep. '13	Change	%Change
Net Sales (Billions of yen)	578.5	650.4	71.9	12.4%
Crude Oil Sales	367.8	426.7	58.9	16.0%
Natural Gas Sales (including LPG)	195.0	214.8	19.8	10.2%
Others	15.6	8.8	(6.7)	(43.3%)
Operating Income (Billions of yen)	337.9	344.2	6.2	1.8%
Ordinary Income (Billions of yen)	363.8	350.6	(13.1)	(3.6%)
Net Income (Billions of yen)	111.3	80.0	(31.3)	(28.1%)
Net income per share (Yen) * (Reference: amount before stock split)	76.27 (30,508.24)	54.84 (21,934.51)	(21.43) (-8,573.73)	(28.1%)

Average number of shares issued and outstanding during the six months ended September 30, 2013(consolidated): 1,460,357,200

Average crude oil price (Brent) (\$/bbl)	109.19	106.53	(2.66)	(2.4%)
Average exchange rate (¥/\$)	79.41	98.86	19.45 Yen depreciation	24.5% Yen depreciation

\*The company conducted a stock split at a ratio of 1:400 of common stock on October 1, 2013.

Net income per share is calculated based on the assumption that the stock split was conducted on April 1, 2012.

Net income per share before the stock split is also calculated for the reference purpose.



# Crude Oil Sales



	Apr.-Sep. '12	Apr.-Sep. '13	Change	%Change
Net Sales (Billions of yen)	367.8	426.7	58.9	16.0%
Sales volume (thousand bbl)	42,120	40,578	(1,543)	(3.7%)
Average unit price of overseas production (\$/bbl)	109.24	106.21	(3.03)	(2.8%)
Average unit price of domestic production (¥/kl)	59,214	66,878	7,664	12.9%
Average exchange rate (¥/\$)	79.50	98.86	19.36 Yen depreciation	24.4% Yen depreciation
Sales volume by region (thousand bbl)	Apr.-Sep. '12	Apr.-Sep. '13	Change	%Change
Japan	3 (0 thousand kl)	383 (61 thousand kl)	380 (60 thousand kl)	-
Asia/Oceania	10,710	6,552	(4,159)	(38.8%)
Eurasia (Europe/NIS )	4,169	4,978	809	19.4%
Middle East/Africa	27,205	28,644	1,438	5.3%
Americas	33	21	(12)	(35.7%)
Total	42,120	40,578	(1,543)	(3.7%)

# Natural Gas Sales (excluding LPG)



	Apr.-Sep. '12	Apr.-Sep. '13	Change	%Change
Net Sales (Billions of yen)	180.5	203.9	23.4	13.0%
Sales volume (million cf)	153,562	159,671	6,109	4.0%
Average unit price of overseas production (\$/thousand cf)	13.96	12.83	(1.13)	(8.1%)
Average unit price of domestic sales(¥/ m <sup>3</sup> )	46.53	49.68	3.15	6.8%
Average exchange rate (¥/\$)	79.49	98.60	19.11 Yen depreciation	24.0% Yen depreciation
Sales volume by region (million cf)	Apr.-Sep. '12	Apr.-Sep. '13	Change	%Change
Japan	29,096 (780 million m <sup>3</sup> *)	29,395 (788 million m <sup>3</sup> *)	299 (8 million m <sup>3</sup> *)	1.0%
	Purchased Volume 259million m <sup>3</sup> *	Purchased Volume 260million m <sup>3</sup> *	1 million m <sup>3</sup> *	0.4%
Asia/Oceania	112,423	110,432	(1,991)	(1.8%)
Eurasia (Europe/NIS )	-	-	-	-
Middle East/Africa	-	-	-	-
Americas	12,043	19,844	7,800	64.8%
Total	153,562	159,671	6,109	4.0%

(FYI) LPG Sales

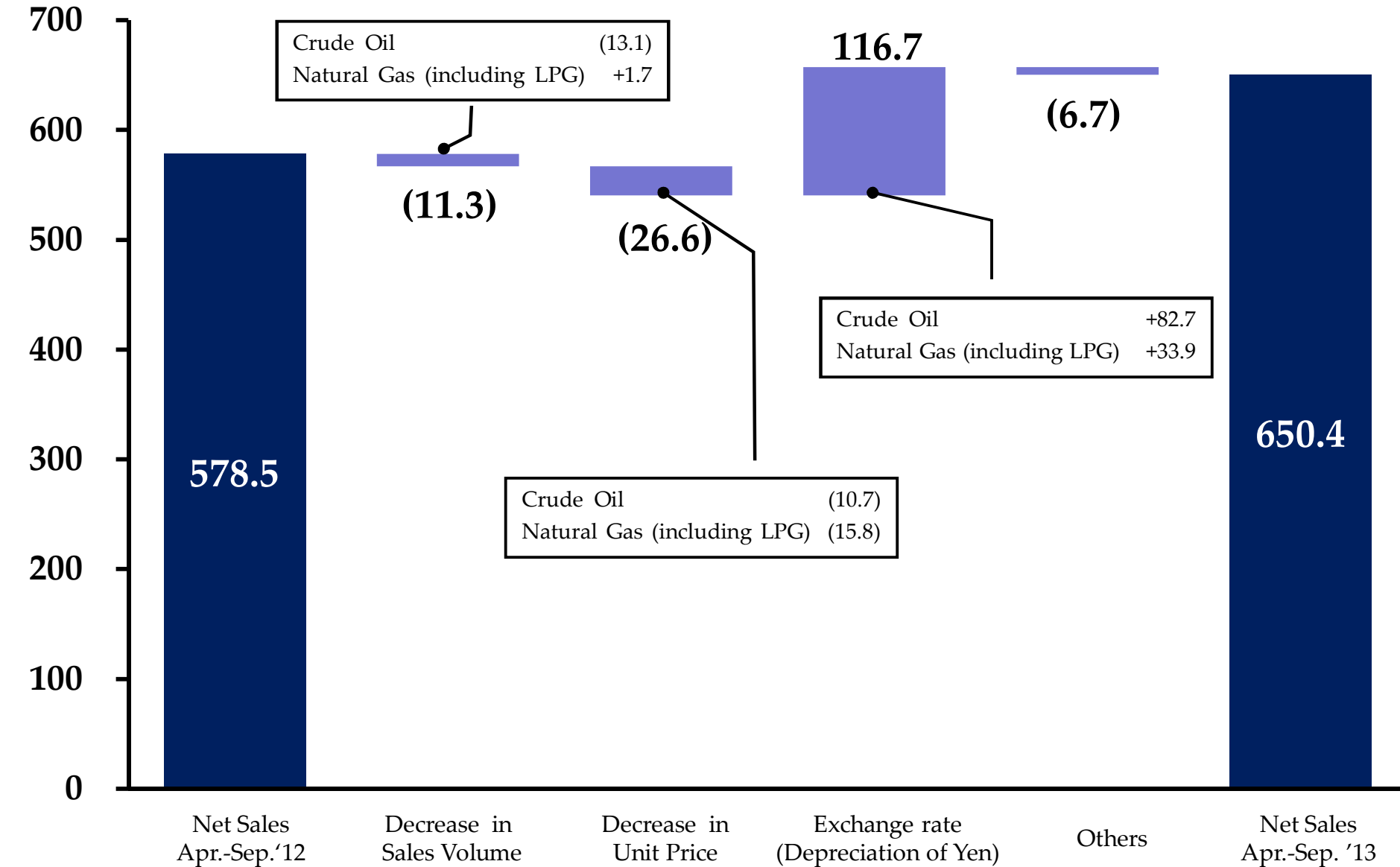
\* 41.8605MJ / 1m<sup>3</sup>

	Apr.-Sep. '12	Apr.-Sep. '13	Change	%Change
Net Sales (Billions of yen)	14.4	10.8	(3.6)	(25.1%)

# Analysis of Net Sales Increase



(Billions of Yen)



# Statement of Income



(Billions of Yen)	Apr.-Sep. '12	Apr.-Sep. '13	Change	%Change	
Net Sales	578.5	650.4	71.9	12.4%	Crude Oil sales : 426.7 (Change) +58.9 Natural Gas sales* : 214.8 (Change) +19.8
Cost of Sales	201.9	249.2	47.2	23.4%	
Exploration expenses	4.0	16.6	12.5	307.7%	Cost of sales for Crude Oil : 145.9 (Change) +28.5 Cost of sales for Natural Gas* : 97.1 (Change) +23.3
Selling, general and administrative expenses	34.4	40.3	5.8	17.1%	
Operating Income	337.9	344.2	6.2	1.8%	Main Factors for change; Interest income +5.6 Absence of one-off gain on transfer of mining rights (22.7)
Other income	39.2	18.3	(20.9)	(53.2%)	
Other expenses	13.4	11.9	(1.4)	(11.1%)	Main Factors for change; Equity in losses of affiliates +3.4 Absence of loss on valuation of investment securities (4.9)
Ordinary Income	363.8	350.6	(13.1)	(3.6%)	
Income taxes-current	236.2	227.7	(8.4)	(3.6%)	
Income taxes-deferred	12.0	42.5	30.5	253.9%	
Minority interests	4.1	0.2	(3.9)	(95.0%)	
Net Income	111.3	80.0	(31.3)	(28.1%)	

\* Including LPG

# Other Income/Expenses

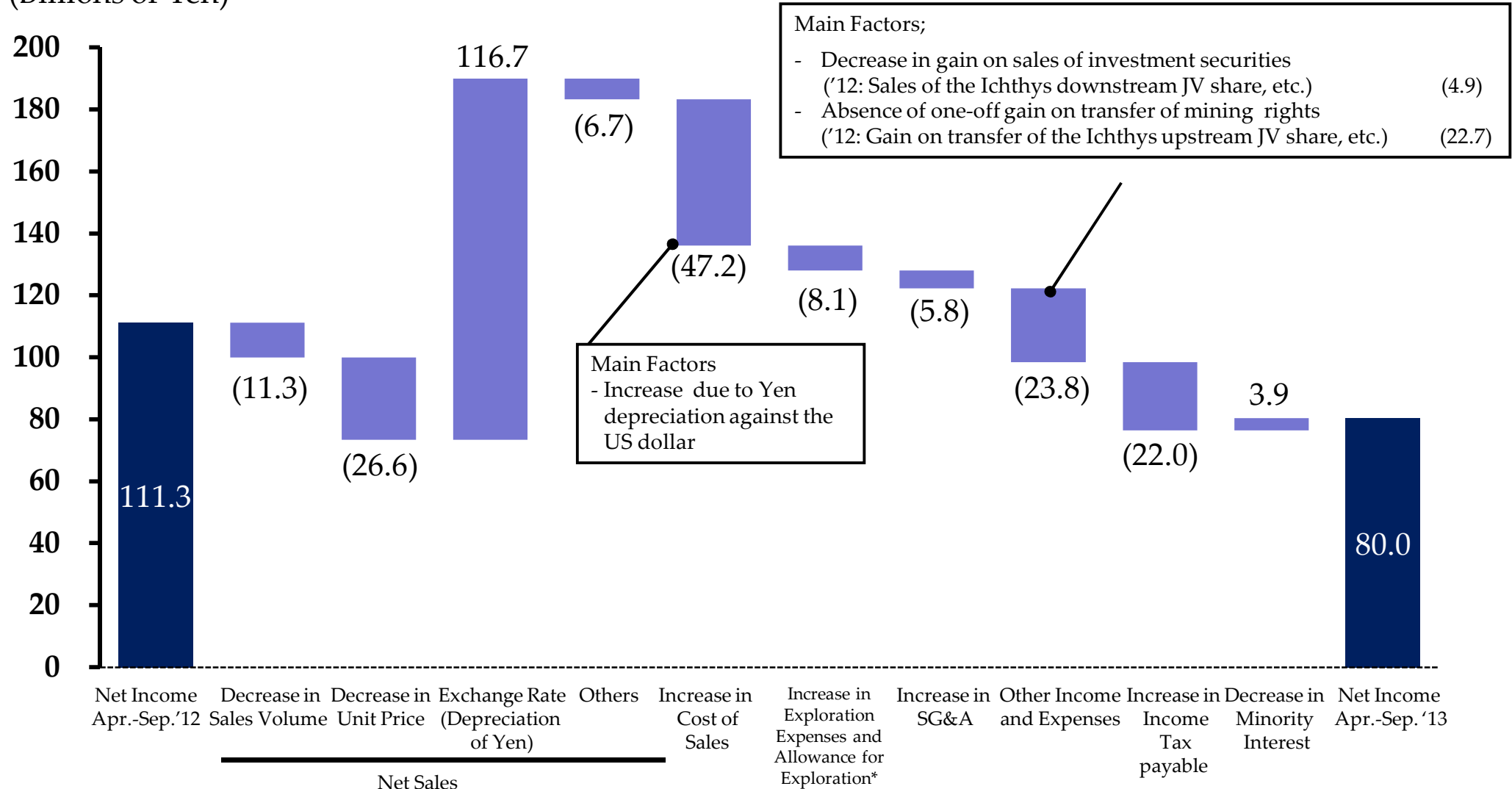


(Billions of Yen)	Apr.- Sep. '12	Apr.- Sep. '13	Change	%Change
Other income	39.2	18.3	(20.9)	(53.2%)
Interest income	3.1	8.7	5.6	183.2%
Dividend income	2.0	2.1	0.1	9.0%
Equity in earnings of affiliates	2.8	-	(2.8)	(100.0%)
Gain on transfer of mining rights	22.7	-	(22.7)	(100.0%)
Foreign exchange gain	0.4	-	(0.4)	(100.0%)
Other	8.1	7.3	(0.7)	(9.1%)
Other expenses	13.4	11.9	(1.4)	(11.1%)
Interest expense	0.5	1.1	0.5	94.9%
Equity in losses of affiliates	-	3.4	3.4	-
Provision for allowance for recoverable accounts under production sharing	3.2	0.4	(2.8)	(87.1%)
Provision for exploration projects	2.2	0.6	(1.6)	(72.5%)
Loss on valuation of investment securities	4.9	-	(4.9)	(100.0%)
Foreign exchange loss	-	1.2	1.2	-
Other	2.4	5.0	2.6	106.6%

# Analysis of Net Income Decrease



(Billions of Yen)



\*Provision for allowance for recoverable accounts under production sharing and Provision for exploration projects

# Balance Sheet



(Billions of yen)	Mar. '13	Sep. '13	Change	%Change
Current assets	1,106.5	1,052.5	(53.9)	(4.9%)
Tangible fixed assets	584.5	738.3	153.7	26.3%
Intangible assets	380.1	414.4	34.2	9.0%
Recoverable accounts under production sharing	590.5	636.9	46.3	7.9%
Other	1,067.2	1,051.9	(15.3)	(1.4%)
Less allowance for recoverable accounts under production sharing	(112.8)	(119.2)	(6.3)	5.7%
<b>Total assets</b>	<b>3,616.1</b>	<b>3,774.9</b>	<b>158.7</b>	<b>4.4%</b>
Current liabilities	414.9	355.2	(59.6)	(14.4%)
Long-term liabilities	530.1	594.6	64.4	12.2%
<b>Total net assets</b>	<b>2,670.9</b>	<b>2,824.9</b>	<b>154.0</b>	<b>5.8%</b>
(Minority interests)	189.6	195.6	5.9	3.1%
<b>Total liabilities and net assets</b>	<b>3,616.1</b>	<b>3,774.9</b>	<b>158.7</b>	<b>4.4%</b>
Net assets per share (Yen) **	1,699.10	1,800.50	101.40	6.0%
(Reference: amount before stock split)	(679,640)	(720,198)	(40,558)	

Available fund (Billions of yen)  
1,512.0\*

#### Breakdown

- Cash and deposits : 573.4
- Long-term time deposits : 414.8
- Marketable securities : 201.5
- Available investment securities : 322.1

\*Amounts to be allocated to the investments for development and exploration activities until the year ending March 31, 2017 following the "Medium-To Long -Term Vision of INPEX".

#### Shareholders' equity

Retained earnings : +67.3

Accumulated other comprehensive income : +80.7

- Unrealized holding gain on securities : +18.1
- Unrealized gain (loss) from hedging instruments : (36.9)
- Translation adjustments: +99.6

\*\*The company conducted a stock split at a ratio of 1:400 of common stock on October 1, 2013.

Net assets per share is calculated based on the assumption that the stock split was conducted on April 1, 2012.

# Statement of Cash Flows



(Billions of Yen)	Apr.-Sep. '12	Apr.-Sep. '13	Change	%Change
Income before income taxes and minority interests	363.8	350.6	(13.1)	(3.6%)
Depreciation and amortization	25.9	23.9	(2.0)	(7.7%)
Recovery of recoverable accounts under production sharing (capital expenditures)	26.3	30.9	4.5	17.5%
Recoverable accounts under production sharing (operating expenditures)	(4.6)	(20.9)	(16.3)	354.6%
Income taxes paid	(287.1)	(290.7)	(3.5)	1.2%
Other	(13.6)	(22.6)	(8.9)	65.9%
<b>Net cash provided by operating activities</b>	<b>110.6</b>	<b>71.2</b>	<b>(39.4)</b>	<b>(35.6%)</b>
Payments for / Proceeds from long-term time deposits	5.0	(281.3)	(286.3)	—%
Purchase of tangible fixed assets	(67.9)	(139.1)	(71.1)	104.7%
Purchases of marketable securities/investment securities and proceeds from sales of marketable securities/investment securities (Net)	157.8	231.8	73.9	46.8%
Investment in recoverable accounts under production sharing (capital expenditures)	(41.2)	(53.7)	(12.4)	30.2%
Long-term loans made/Collection of long-term loans receivable	(91.6)	57.0	148.6	—%
Payments for purchase of mining rights	(157.6)	(27.0)	130.5	(82.8%)
Proceeds from transfer of mining rights	17.1	—	(17.1)	(100.0%)
Other	(2.5)	23.9	26.5	—%
<b>Net cash used in investing activities</b>	<b>(180.9)</b>	<b>(188.4)</b>	<b>(7.5)</b>	<b>4.2%</b>
<b>Net cash provided by financing activities</b>	<b>7.5</b>	<b>25.3</b>	<b>17.8</b>	<b>238.3%</b>
Cash and cash equivalents at end of the period	175.9	156.0	(19.8)	(11.3%)



# Differences between Consolidated Financial Forecasts and Actual Results for the six months ended September 30, 2013 **INPEX**

## - Assumptions

(August 2, 2013)	1 <sup>st</sup> half (Previous Forecasts)
Crude oil price (Brent) (US\$/bbl)	101.7
Exchange rate (yen/US\$)	96.9

↓

(November 7, 2013)	1 <sup>st</sup> half (Actual Results)
Crude oil price (Brent) (US\$/bbl)	106.5
Exchange rate (yen/US\$)	98.9

## - Differences between Consolidated Financial Forecasts and Actual Results for the six months ended September 30, 2013

	Previous Forecasts (August 2, 2013)	Actual Results	Change	% Change
Net Sales (billions of yen)	603.0	650.4	47.4	7.9%
Operating income (billions of yen)	304.0	344.2	40.2	13.2%
Ordinary income (billions of yen)	312.0	350.6	38.6	12.4%
Net income (billions of yen)	69.0	80.0	11.0	15.9%

# Revisions of Financial Forecasts for the year ending March 31, 2014



## - Assumptions

(August 2, 2013)	1 <sup>st</sup> half	2 <sup>nd</sup> half	Full year
Crude oil price (Brent) (US\$/bbl)	101.7	100.0	100.8
Exchange rate (yen/US\$)	96.9	95.0	95.9

(November 7, 2013)	1 <sup>st</sup> half	2 <sup>nd</sup> half	Full year
Crude oil price (Brent) (US\$/bbl)	106.5*1	100.0	103.3
Exchange rate (yen/US\$)	98.9*2	95.0	96.9

\*1 1st quarter (Actual) : US\$ 103.4/bbl, 2nd quarter (Actual) : US\$109.7/bbl    \*2 1st quarter (Actual) : ¥98.8/US\$1, 2nd quarter (Actual) : ¥99.0/US\$

## - Financial Forecasts for the year ending March 31, 2014

	Previous forecasts (August 2, 2013)	Revised forecasts (November 7, 2013)	Change	% Change
Net Sales (billions of yen)	1,222.0	1,268.0	46.0	3.8%
Operating income (billions of yen)	615.0	651.0	36.0	5.9%
Ordinary income (billions of yen)	637.0	671.0	34.0	5.3%
Net income (billions of yen)	142.0	153.0	11.0	7.7%

## - Dividend per share

	End of 2Q	End of fiscal year (forecast)
Year ending March 31, 2014 (yen)	3,600	9 *3

\*3 The year-end dividends for the fiscal year ending March 31, 2014 is provided after taking into consideration the effect of the stock split taking place at a ratio of 1:400 as to a common stock with October 1, 2013 as the effective date.

# Net Income Sensitivities (1/2)



## ■ Sensitivities of crude oil price and foreign exchange fluctuation on consolidated net income for the year ending March 31, 2014 (Note 1)

(This is the sensitivity as of the announcement made in May 2013. The impact of Exchange Rate is shown in more detail below.)

(Billions of yen)

Crude Oil Price; \$1/bbl decrease (increase) (Note 2)	-2.2 (+2.2)
Exchange Rate; ¥1 appreciation (depreciation) against the U.S. dollar	-1.0 ( $\pm 0$ )
<ul style="list-style-type: none"> <li>➤ Flow effect on net income from operating activities (Note 3)</li> <li>➤ Stock effect on net income (valuation for assets and liabilities denominated in the U.S. dollar) (Note 4)</li> </ul>	<p>-2.6 (+2.6)</p> <p>+1.6 (-2.6)</p>

(Note1) The sensitivities represent the impact on net income for the year ending March 31, 2014 against \$1 /bbl decrease (increase) of Brent crude oil price on annual average and ¥ 1 appreciation (depreciation) against the U.S. dollar. These are based on the financial situation at the beginning of the fiscal year (or, as of the announcement in May 2013). These are information purpose only and the actual impact may be subject to changes in production volumes, capital expenditures and cost recoveries, and may not be constant, depending on crude oil prices and exchange rates.

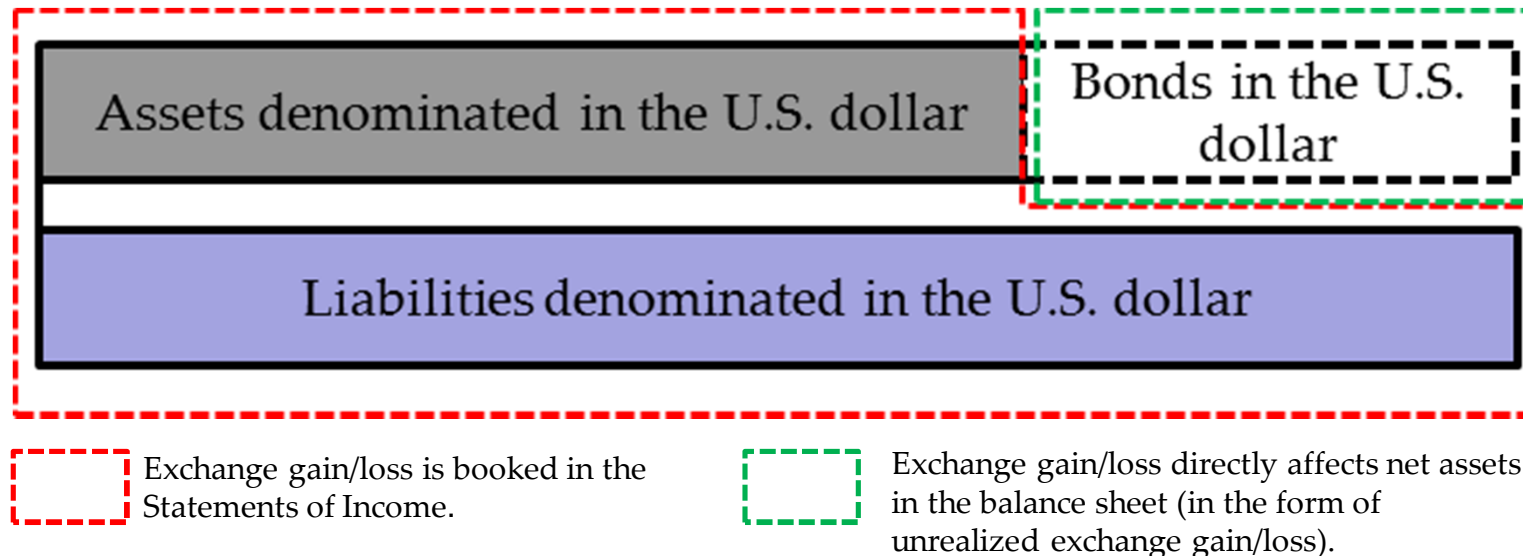
(Note2) This is a sensitivity on net income by fluctuation of crude oil price and is subject to the average price of crude oil (Brent) in the fiscal year.

(Note3) This is a sensitivity on net income from operating activities by fluctuation of the yen against the U.S. dollar and is subject to the average exchange rate in the fiscal year.

(Note4) This is the impact of foreign exchange differences for foreign currency-denominated assets and liabilities, and is affected by the difference between the exchange rate at the end of the fiscal year and the end of the previous fiscal year. In this fiscal year, as foreign currency-denominated debt is greater than foreign currency-denominated assets due to an increase in foreign currency debt, exchange valuation gains will occur when the yen is appreciated against foreign currency, while exchange valuation losses will occur when the yen becomes weaker against foreign currency. In addition, because of the impact of deferred tax accounting, the sensitivity is subject to change in the yen appreciation and depreciation phase against the U.S. dollar.

# Net Income Sensitivities (2/2)

## Details on valuation for assets and liabilities denominated in the U.S. dollar



The assets and liabilities denominated in the U.S. dollar are practically balanced as above.

Some portion of assets is bonds denominated in the U.S. dollar, and exchange gain/loss derived from the yen appreciation / depreciation against the U.S. dollar of such portion does not affect a Statement of Income, but net assets in the balance sheet (expressed in unrealized holding gain on securities) in the form of unrealized exchange gain/loss.

As redemption of these bonds denominated in the U.S. dollar is scheduled to be made within the next two years, profit or loss will be booked in a Statement of Income at the time of redemption. In addition, if such redeemed amounts are deposited in the form of U.S. dollar, assets and liabilities denominated in the U.S. dollar will be gradually balanced, from a view point of Statement of Income, and, accordingly, sensitivities on valuation for assets and liabilities denominated in the U.S. dollar is expected to be close to zero.

When sensitivities of valuation for assets and liabilities denominated in the U.S. dollar become zero, sensitivity of exchange rate will only drive from flow effect from operating activities.