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**To Those Shareholders with Voting Rights:**

**Disclosure on the Internet accompanying  
the Notice of the 14th Ordinary General Meeting of Shareholders**

**14<sup>th</sup> Fiscal Year** (April 1, 2019 to December 31, 2019)

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**INPEX CORPORATION**

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

- **Business Report**

## **Items Related to Accounting Auditor**

### **1. Name of Accounting Auditor**

Ernst & Young ShinNihon LLC

### **2. Amount of Compensation for Accounting Auditor**

	Amount paid
Amount of Compensation, etc., for Accounting Auditor during this fiscal year	¥ 180 million
Total amount of money and other financial benefits paid by the Company and its subsidiaries	¥ 277 million

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

### **3. Contents of Non-Audit Operations**

The Company has paid compensation for advisory and guidance services related to the change of fiscal year.

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

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

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

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

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

The following is a summary of the resolutions of the Company, regarding the “Development of the Systems for Ensuring the Proper Operations as a Stock Company (Internal Control Systems).” This summary reflects a partial revision made by a resolution of the Board of Directors meeting held on March 25, 2019.

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

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

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

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

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

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

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

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

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

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

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

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

- 1) With regard to certain major corporate decisions, an Executive Committee meeting attended by full-time Directors, Managing Executive Officers, etc. shall be held weekly and as necessary to ensure that the duties are executed promptly and properly.

2) With regard to the execution of daily duties, the authority of the President & CEO shall be delegated in accordance with the Board of Directors' Regulations and other internal regulations, and the persons in charge at each level shall execute their duties promptly.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Company has set up the Audit & Supervisory Board Members' Office as an independent organization from the business execution departments and shall deploy dedicated employees to assist the Audit & Supervisory

Board Members with auditing duties in order to enhance the effectiveness of audits by Audit & Supervisory Board Members.

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

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

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

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

Regarding the internal whistle-blowing system of the INPEX Group, the responsible section of each Group company shall report to the Company's Audit & Supervisory Board Members swiftly as to the content internally reported by directors, auditors, other equivalent managerial staff and employees of the Group companies.

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

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

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

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

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

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

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

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

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

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

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

### **<Compliance system>**

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

Based on the activity plans resolved by the Compliance Committee, in addition to disseminating compliance-related information using various internal tools and conducting regular internal compliance training, we have implemented harassment prevention training for general employees as a major activity of this fiscal year. In addition, the Company has worked on enhancing and strengthening compliance activities among all personnel including holding meetings semi-annually of compliance managers in place in each Unit and managers of departments supervising compliance. Furthermore, as part of our efforts to prevent bribery and corruption, in addition to formulating and announcing the “INPEX Group Global Anti-Bribery and Anti-Corruption (ABC) Policy,” which comprehensively specifies the Group’s stance, the Company conducted training sessions by department, and implemented the risk assessment of overseas offices as per the previous fiscal year.

To specify its stance towards the issue of respecting human rights, the INPEX Group formulated and announced the “Human Rights Policy” based on the United Nation’s “the UN Guiding Principles on Business and Human Rights,” and conducted E-learning sessions to raise the overall awareness of the Group in terms of respecting human rights. Furthermore, the INPEX Group published its “Modern Slavery Act Statement” as per the previous fiscal year, as disclosed on its website pursuant to the UK Modern Slavery Act 2015 enforced in October 2015, in order to clarify its initiatives against human rights violations such as slavery and human trafficking in the business and supply chain of the INPEX Group as well as the risks thereof.

As the Group develops its business globally, the Company formulated and announced its “Policy on Tax Affairs,” which specifies the Group’s basic policy on taxation compliance, and is engaged in strengthening its tax governance system to appropriately handle taxation concerning cross-border transactions.

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

### **<Risk management system>**

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

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

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

With regard to health, safety, and environment (HSE) risks, in order to promote continuous improvement activities of industrial health and safety and environments associated with the development of crude oil and natural gas based on the HSE Risk Management Procedures established under the HSE Management System, each business location identifies, analyzes and evaluates HSE risks, as well as establishes and implements risk countermeasures. In addition, the status of risk management is to be reported to the head office for supervising HSE risks, and the head office confirms the report. With regard to security risks, the Company is promoting company-wide management based on procedures and guidelines. In this fiscal year, the Company aims to improve HSE performance by verifying HSE performance of non-operator projects and formulating the HSE Management Procedures for such projects.

On the other hand, the Company has established an emergency/crisis response plan in order to enhance capabilities to cope with emergencies such as major accidents and disasters, etc. and is positively promoting risk management which includes conducting emergency response training regularly even in times of safety.

Furthermore, the Company has drawn up a business continuity plan (BCP) in order to keep important operations from being stopped, and reviews it as necessary.

With regard to climate change response, which is receiving a high degree of interest internationally, the Company announced and published a position paper in December 2015 which summarized the INPEX Group's basic views and actual efforts, and continues examination of the issues to be discussed in the future. This position paper is, in principle, to be reviewed once every year and was partially revised in February 2019.

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

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

#### **<Systems to ensure the efficient performance of duties>**

"*Vision 2040*," which represents the Company's long-term outlook until fiscal year 2040, and the "*Medium-Term Business Plan 2018-2022*," which states the Company's initiatives and goals across five years from fiscal year 2018 to 2022, were formulated and announced in May 2018. Based on the companywide policy of initiatives, which is the business execution departments' business operation policy for realizing goals in the medium-term business plan, companywide plans and targets for fiscal year 2019 were formulated, the status of progress was reflected upon at the end of the fiscal year, and the corresponding evaluation results were reported to the Board of Directors.

#### **<Systems for corporate management of the Group companies>**

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

With regard to the operation of the Group companies, we are utilizing a concurrent management system with subsidiaries involved in overseas projects. At the same time, for financing, we are conducting efficient business operations such as by enhancing financial efficiency through a unified management system of the Group's assets by means of the Cash Management System, and by centralized management of the INPEX Group's intercompany finance operations through the Company's financial subsidiary established in the Republic of Singapore.

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

#### **<Auditing system for Ensuring Effectiveness of Auditing by Audit & Supervisory Board Members>**

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

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

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

## Basic Policy Regarding Control of the Company

### (1) Basic Policy Regarding Management

The INPEX Group shall make maximum use of its well-balanced asset portfolio, its presence as a core company in Japan that aims to be a leading energy company, and the high level of technical capabilities it has cultivated through its business as an operator to contribute to providing a stable supply of energy to Japan and increasing Japan's self-development ratio of oil and natural gas by continuing to proactively promote projects in various areas around the world into the future. Furthermore, we will contribute to the creation of a brighter future for society by increasing corporate value through our efforts to develop, produce and deliver diverse energy in a sustainable way, including renewable energy, in addition to our core business of oil and natural gas by promoting responsible initiatives in each of the environmental, social and governance fields.

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

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

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

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

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

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

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

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

Given the limited scope of the veto right of the Class A share in the above-mentioned (2), and because the voting rights shall be exercised in accordance with the guidelines for the exercise of voting rights by the Minister of



Economy, Trade and Industry, which are set forth in a Ministry of Economy, Trade and Industry Notice (No. 37, 2019), this measure is designed to be highly transparent to avoid unreasonably impeding the efficiency and flexibility of the Company's management to minimize the impact thereof. For these reasons, the Company believes that this measure is in line with the policy set forth in the above-mentioned (1) and does not impair the common interests of the Company's shareholders.

• **Consolidated Financial Statements**

**Consolidated Statement of Changes in Net Assets**

(For the year ended December 31, 2019)

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

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the period	290,809	673,574	1,678,914	(5,434)	2,637,863
Changes during the period					
Change in ownership interest of parent arising from transactions with non-controlling shareholders		800			800
Cash dividends paid			(39,429)		(39,429)
Net income attributable to owners of parent			123,550		123,550
Disposal of treasury stock				2	2
Net changes in items other than those in shareholders' equity					
Total changes during the period	—	800	84,120	2	84,922
Balance at the end of the period	290,809	674,374	1,763,034	(5,432)	2,722,786

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Unrealized holding gain (loss) on securities	Unrealized gain (loss) from hedging instruments	Translation adjustments	Total accumulated other comprehensive income		
Balance at the beginning of the period	2,831	6,359	359,425	368,616	251,103	3,257,584
Changes during the period						
Change in ownership interest of parent arising from transactions with non-controlling shareholders						800
Cash dividends paid						(39,429)
Net income attributable to owners of parent						123,550
Disposal of treasury stock						2
Net changes in items other than those in shareholders' equity	2,738	(24,487)	(28,879)	(50,628)	5,297	(45,330)
Total changes during the period	2,738	(24,487)	(28,879)	(50,628)	5,297	39,592
Balance at the end of the period	5,570	(18,128)	330,546	317,988	256,400	3,297,176

## Notes to Consolidated Financial Statements

### [Basis of Presenting Consolidated Financial Statements]

#### 1. Scope of consolidation

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

Number of consolidated subsidiaries: 65

Names of major subsidiaries:

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

During this period:

Number of companies newly included in the scope of consolidation: 3

Number of companies excluded from the scope of consolidation: 3

Details for the above changes:

(a) INPEX US Offshore, LLC has been newly included due to establishment of the company.

(b) INPEX Eagle Ford, LLC has been newly included due to acquisition of equity.

(c) TEIKOKU OIL SUEZ SOB CO., LTD., Teikoku Oil (Suriname) Co., Ltd., and INPEX Gulf of Mexico Co., Ltd. have been excluded due to completion of liquidation.

##### (2) Names of major non-consolidated subsidiaries

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

Reason for exclusion from the scope of consolidation

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

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

Ichthys LNG Pty Ltd

Reason for not accounted for as our subsidiary

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

#### 2. Application of equity method

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

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

Number of affiliates accounted for by the equity method: 20

Names of major affiliates:

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

INPEX Offshore North Campos, Ltd. has been excluded due to completion of sale of shares.

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

Names of major non-consolidated subsidiaries and affiliates:

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

Reason for not applying the equity method

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

#### 3. Change of the consolidated closing date

The Company changed its consolidated closing date from March 31 to December 31 following the approval for the Partial Amendments to the Articles of Incorporation at the Ordinary General Meeting of Shareholders held on June 25, 2019. The purposes of this change are to streamline and strengthen financial reporting and management groupwide by unifying the accounting period of the Company and its consolidated subsidiaries to December, and

further enhance management transparency through the timely and accurate disclosure of financial and business-related information. As a result of this change, the consolidated fiscal year under review was a period of nine months from April 1 to December 31, 2019.

4. Closing dates for the fiscal year of consolidated subsidiaries

The closing dates of consolidated subsidiaries are now the same as the consolidated closing date.

5. Accounting policies

(1) Valuation method for significant assets

(a) Securities

Other securities

With a determinable market value

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

Without a determinable market value

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

(b) Derivatives

Fair value

(c) Inventories

Overseas inventories

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

Domestic inventories

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

(2) Depreciation method of significant depreciable assets

(a) Tangible fixed assets (except leased assets)

Depreciation of overseas mining facilities is mainly computed by the unit-of-production method. For other tangible fixed assets, straight-line method of depreciation is applied. Useful lives of significant fixed assets are as follows:

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

(b) Intangible assets (except leased assets)

Exploration and development rights

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

Mining rights

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

Other

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

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

(c) Leased assets

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

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

(3) Basis for significant allowances

(a) Allowance for doubtful accounts

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

(b) Allowance for recoverable accounts under production sharing

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

(c) Allowance for investments in exploration

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

- (d) Accrued bonuses  
Accrued bonuses to employees are provided based on expected payment amounts.
  - (e) Accrued bonuses to officers  
Accrued bonuses to officers are provided based on expected payment amounts.
  - (f) Provision for loss on business  
Provision for loss on business is provided for future potential losses on crude oil and natural gas development, production and sales business individually estimated for each project.
  - (g) Provision for exploration projects  
Provision for exploration projects is provided for future expenditures of consolidated subsidiaries at the exploration stage based on a schedule of investments in exploration.
  - (h) Provision for stocks payment  
Provision for stocks payment is provided to prepare for payments of stock benefits to directors and other under the share delivery rule. The amount is based on the expected stock benefit payable for the fiscal year.
  - (i) 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 the amounts accumulated through the next activity.
- (4) Accounting for retirement benefits
- (a) Method of attributing expected retirement benefits to proper periods  
When calculating retirement benefit obligations, the benefit formula method is used for attributing expected retirement benefits to periods through December 31, 2019. 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.
  - (b) Method of recognizing for actuarial differences  
Actuarial gains and losses are charged or credited to income as incurred.
- (5) Other basis of presenting consolidated financial statements
- (a) Translation of consolidated subsidiaries' significant assets and liabilities denominated in foreign currencies into yen in preparation of the consolidated financial statements  
Monetary assets and liabilities denominated in foreign currencies are translated into yen at the exchange rates prevailing at the balance sheet date. The resulting exchange gain or loss is credited or charged to income. The revenue and expense accounts of the overseas subsidiaries are translated into yen at the average rates of exchange during the period. The balance sheet accounts are translated into yen at the rates of exchange in effect at the balance sheet date. Translation differences are presented as a component of translation adjustments and non-controlling interests.
  - (b) Amortization of Goodwill  
Goodwill is amortized by the straight-line method over 20 years.
  - (c) Consumption tax  
Transactions subject to the consumption tax are recorded at amounts exclusive of the consumption tax.
  - (d) Recoverable accounts under production sharing  
Cash investments made by the Company during exploration, development and production phases under a production sharing contract are recorded as "Recoverable accounts under production sharing" so long as they are recoverable under the terms of the relevant contract. When the Company receives crude oil and natural gas in accordance with the contract, an amount corresponding to the purchase costs of the products (i.e., a cost recovery portion of the investments) is released from this account.

[Change in the presentation]

(Consolidated Statement of Income)

"Reversal of allowance for doubtful accounts", previously presented separately in other income, is included in "Other" since it has become less significant.

[Additional Information]

(Stock-based remuneration system for directors)

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

Directors and the Company's stock price. In the introduction of the System, a structure called "the Board Incentive Plan Trust" shall be adopted.

1) Outline of the System

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

2) Shares of the Company that remain in the trust

Shares of the Company that remain in the trust are recorded as treasury stock in the net asset with the book value of the trust (excluding incidental expenses). The book value and numbers of the treasury stock at December 31, 2019 are ¥183 million and 155,416 shares, respectively.

[Notes to Consolidated Balance Sheet]

1. Assets provided as collateral are as follows:

(Collateralized assets)	Millions of yen
Cash and deposits	31,072
Accounts receivable – trade	12,344
Inventories	12,798
Wells	224,663
Machinery, equipment and vehicles	1,181,680
Land	146
Construction in progress	41,453
Investment securities	202,344
Long-term loans receivable	673,576
Other	7,068
<u>Total</u>	<u>2,387,149</u>

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

2. Accumulated depreciation

Accumulated depreciation of tangible fixed assets is ¥973,135 million.

3. Contingent liabilities

The Company and its consolidated subsidiaries are contingently liable as guarantors of indebtedness of the following companies:

	Millions of yen
Ichthys LNG Pty Ltd	598,676
Tangguh Trustee*	29,742
Japan Canada Oil Sands Limited	1,643
Oceanic Breeze LNG Transport S. A.	799
Employees (housing loans)	18
<u>Total</u>	<u>630,879</u>

\* Debt for investment funds of Tangguh LNG Project through MI Berau B.V. and MI Berau Japan Ltd. (The aforementioned Debt includes the amount (¥25,205 million as of December 31, 2019) for the construction of Train-3, based on the Company's participating interest as the guarantor of indebtedness.)

[Notes to Consolidated Statement of Changes in Net Assets]

1. Type and number of shares issued and treasury stock

(Shares)

	Balance as of April 1, 2019	Increase	Decrease	Balance as of December 31, 2019
Number of shares				
Common stock	1,462,323,600	—	—	1,462,323,600
Class A stock	1	—	—	1
Total	1,462,323,601	—	—	1,462,323,601
Treasury stock				
Common stock	2,123,800	—	1,884	2,121,916
Total	2,123,800	—	1,884	2,121,916

(Notes) 1. The decrease of 1,884 shares in treasury stock of common stock was due to delivery of the Company's shares by the Board Incentive Plan Trust (the BIP Trust).

2. The number of treasury shares of common stock includes shares of the Company held by the BIP Trust (as of April 1, 2019: 157,300 shares and as of December 31, 2019: 155,416 shares).

2. Dividends

(1) Cash dividends paid

Resolution	Type of share	Cash dividends paid (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary general meeting of shareholders June 25, 2019	Common stock	21,905	15	March 31, 2019	June 26, 2019
	Class A stock	0	6,000	March 31, 2019	June 26, 2019
Board of directors' meeting November 6, 2019	Common stock	17,524	12	September 30, 2019	December 2, 2019
	Class A stock	0	4,800	September 30, 2019	December 2, 2019

(Note) 1. "Total dividend" as determined by the resolution of Ordinary General Meeting of Shareholders on June 25, 2019 includes ¥2 million of dividends on the Company's shares held by the BIP Trust.

2. "Total dividend" as determined by the resolution of Board of Directors' meeting on November 6, 2019 includes ¥1 million of dividends on the Company's shares held by the BIP Trust.

(2) Dividends, whose record date was in the year ended December 31, 2019, and whose effective date will be in the next fiscal year

Resolution	Type of share	Source of dividends	Cash dividends paid (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary general meeting of shareholders March 25, 2020	Common stock	Retained earnings	26,286	18	December 31, 2019	March 26, 2020
	Class A stock	Retained earnings	0	7,200	December 31, 2019	March 26, 2020

(Note) "Total dividend" as determined by the resolution of Ordinary general meeting of shareholders on March 25, 2020 includes ¥2 million of dividends on the Company's shares held by the BIP Trust.



[Notes to Financial Instruments]

1. Status of financial instruments

The Company raises funds for oil and gas development and production, construction or expansion of gas infrastructure primarily from cash flow on hand and from bank loans.

In line with the criteria for trading and credit exposure management, the Company properly analyzes the credit status of trading partners for reduction of default risks related to accounts receivable-trade of its clients. For marketable securities and investment securities exposed to market price fluctuation risk, analysis of market values is regularly reported to the Executive Committee.

Although the Company generally borrows with variable interest rates, some loans are with fixed interest rates including interest rate swap transactions depending on the nature of each project. For exchange rate fluctuation risk related to assets and liabilities denominated in foreign currencies, the Company maintains the position between assets and liabilities in foreign currencies, and manages exchange fluctuation risk through derivative transactions such as foreign exchange forwards and others, as necessary, based on the Company's policy. For derivative transactions, the Company follows internal regulations.

2. Fair value of financial instruments

Carrying value on the consolidated balance sheet as of December 31, 2019, fair value and the difference between them are as shown below.

	(Millions of yen)		
	Carrying value	Fair value	Difference
(1) Cash and deposits	173,798	173,798	—
(2) Accounts receivable-trade	148,765	148,765	—
(3) Investment securities			
Other securities	48,713	48,713	—
(4) Long-term loans receivable	718,976	718,976	—
Total assets	1,090,253	1,090,253	—
(1) Short-term loans	166,831	165,326	(1,505)
(2) Long-term debt	950,948	940,857	(10,090)
Total liabilities	1,117,780	1,106,184	(11,595)
Derivatives*	(663)	(663)	—

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

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

Assets

(1) Cash and deposits

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

(2) Accounts receivable-trade

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

(3) Investment securities

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

(4) Long-term loans receivable

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

Liabilities

(1) Short-term loans

The estimated fair value of current portion of long-term debt included in short-term loans, is calculated by the same method as (2) Long-term debt. For the other short-term loans, the relevant carrying value is used since the item is settled in a short period of time and its market value is almost the same as the carrying value.

(2) Long-term debt

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

Derivative Transactions

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

Note 2: Unlisted securities (carrying value on the consolidated balance sheet: ¥23,256 million), and stocks of subsidiaries and affiliates (carrying value on the consolidated balance sheet: ¥306,557 million) are assumed to have no quoted market prices and it is extremely difficult to determine their fair value. Accordingly, these financial instruments are not included in “Assets (3) Investment securities.” For shares of exploration companies, an allowance for investments in exploration is provided at an estimated amount based on the financial position of the investees.

[Notes to Per Share Information]

- |  |           |
|--|-----------|
| 1. Net assets excluding non-controlling interests per share: | ¥2,082.43 |
| 2. Net income per share:                                     | ¥84.61    |

- **Non-Consolidated Financial Statements**

### Non-Consolidated Statement of Changes in Net Assets

(For the year ended December 31, 2019)

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

	Shareholders' equity						
	Common stock	Capital surplus		Retained earnings			
		Legal capital surplus	Total capital surplus	Other retained earnings			
				Reserve for advanced depreciation of non-current assets	Reserve for special account for advanced depreciation of non-current assets	Mine prospecting reserve	Retained earnings brought forward
Balance at the beginning of the period	290,809	1,023,802	1,023,802	2,105	2,269	9,428	1,055,837
Changes during the period							
Reversal of reserve for special depreciation					(851)		851
Reversal of mine prospecting reserve						(1,371)	1,371
Cash dividends paid							(39,429)
Net income							13,465
Disposal of treasury stock							
Other changes in items other than those in shareholders' equity (net)							
Total changes during the period	—	—	—	—	(851)	(1,371)	(23,741)
Balance at the end of the period	290,809	1,023,802	1,023,802	2,105	1,418	8,057	1,032,095

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

	Shareholders' equity			Valuation, translation adjustments and others			Total net assets
	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized holding gain on securities	Unrealized gain (loss) from hedging instruments	Total valuation, translation adjustments and others	
	Total retained earnings						
Balance at the beginning of the period	1,069,641	(5,434)	2,378,819	2,800	—	2,800	2,381,619
Changes during the period							
Reversal of reserve for special depreciation	—		—				—
Reversal of mine prospecting reserve	—		—				—
Cash dividends paid	(39,429)		(39,429)				(39,429)
Net income	13,465		13,465				13,465
Disposal of treasury stock		2	2				2
Other changes in items other than those in shareholders' equity (net)				2,684	(192)	2,491	2,491
Total changes during the period	(25,964)	2	(25,961)	2,684	(192)	2,491	(23,469)
Balance at the end of the period	1,043,677	(5,432)	2,352,857	5,484	(192)	5,292	2,358,149

## Notes to Non-Consolidated Financial Statements

### [Significant Accounting Policies]

1. Valuation method for assets	
(1) Valuation method for securities	
Shares of subsidiaries and affiliates	Stated at cost determined by the moving-average method
Other securities	
With a determinable market value	Stated at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Cost of securities sold is determined by the moving-average method.
Without a determinable market value	Stated at cost determined by the moving-average method
(2) Valuation method for derivatives	
Derivatives	Fair value
(3) Valuation method for inventories	
Finished goods, raw materials and supplies	Carried at cost (balance sheet value is carried at the lower of cost or market)
Work in process and partly-finished construction	Determined by the moving-average method Stated at identified cost method
2. Depreciation method of fixed assets	
Tangible fixed assets (except leased assets)	Straight-line method of depreciation is applied. Useful lives of significant fixed assets are as follows:
Buildings	2-50 years
Structures	3-60 years
Wells	3 years
Machinery and equipment	2-22 years
Intangible assets (except leased assets)	Straight-line method of amortization is applied. Goodwill is amortized over 20 years. Software for internal use is amortized over 5 years.
Leased assets	Depreciation of leased assets for financing lease transactions whose ownership are not to be transferred is calculated based on the straight-line method over the lease period assuming no residual value.
3. Basis for allowances	
Allowance for doubtful accounts	Allowance for doubtful accounts is provided at an amount determined based on the historical experience of bad debt with respect to ordinary receivables, plus an estimate of uncollectible amounts determined by reference to specific doubtful receivables from customers which are experiencing financial difficulties.
Allowance for investments in exploration	Allowance for investments in exploration is provided for future potential losses on investments in exploration companies at an estimated amount based on the net assets of the investees.
Provision for loss on business	Provision for loss on business is provided for future potential losses on crude oil and natural gas development, production and sales business individually estimated for each project.
Provision for loss on business of subsidiaries and affiliates	Provision for loss on business of subsidiaries and affiliates is provided for future potential losses on business operations of subsidiaries and affiliates at an estimated amount based on the financial positions of these companies.
Provision for loss on guarantees of subsidiaries and affiliates	Provision for loss on guarantees of subsidiaries and affiliates is provided for future potential losses regarding guarantees of subsidiaries and affiliates at an estimated amount based on the financial positions of these companies.
Accrued bonuses	Accrued bonuses to employees are provided based on expected payment amounts.
Accrued bonuses to officers	Accrued bonuses to officers are provided based on expected payment amounts.
Accrued retirement benefits to employees	Accrued retirement benefits to employees are provided at the amount calculated based on the expected retirement benefit obligation and the estimated value of pension plan assets at the end of this period.

Provision for share-based payments

Actuarial gains and losses are charged or credited to income as incurred.  
 Provision for share-based payments is provided to prepare for the issuance of the Company's shares to Directors, etc. based on the share issuance regulations, at the estimated amount of share-based payment obligations as of the end of this fiscal year.

4. Accounting for hedge transactions

Hedge accounting  
 Hedging instruments and hedged items

Hedging policy

Hedge effectiveness assessment method

In principle, the deferred hedge accounting method is applied.  
 Hedging instruments: Foreign exchange forwards  
 Hedged items: Investment in share of subsidiaries and affiliates

The nominal amount of the derivative transaction is limited to within the scope of actual demand, and the Company does not engage in speculative derivative transactions.  
 Hedge effectiveness is assessed by comparison based on market fluctuations and cash flow fluctuations for hedging items and hedging instruments.

5. Other basis of presenting non-consolidated financial statements

Consumption tax

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

6. Change of accounting period

The Company changed its closing date from March 31 to December 31 following the approval for the Partial Amendment to the Articles of Incorporation at the Ordinary General Meeting of Shareholders held on June 25, 2019. As a result of this change, the fiscal year under review was a period of nine months from April 1 to December 31, 2019.

[Notes to Non-Consolidated Balance Sheet]

1. Assets provided as collateral are as follows:  
Investment in share of subsidiaries and affiliates is ¥4,880 million.  
The above is pledged as collateral for liabilities of affiliates.
2. Accumulated depreciation:  
Accumulated depreciation of tangible fixed assets is ¥292,428 million.
3. Contingent liabilities  
The Company is contingently liable as guarantors of indebtedness of the following companies:

	Millions of yen
Ichthys LNG Pty Ltd	601,642
INPEX Holdings Australia Pty Ltd	131,052
INPEX North Caspian Sea, Ltd.	68,003
Tangguh Trustee*	29,742
Japan Oil Development Co., Ltd.	27,387
Teikoku Oil (Con Son) Co., Ltd.	21,951
INPEX Sahul, Ltd.	5,915
Japan Canada Oil Sands Limited	1,643
Oceanic Breeze LNG Transport S. A.	1,141
Employees (housing loans)	18
INPEX Americas, Inc.	4
Total	888,437

\* Debt for investment funds of Tangguh LNG Project for which the Company participates through MI Berau B.V. and MI Berau Japan Ltd. (The aforementioned Debt includes the amount (¥25,205 million as of December 31, 2019) for the construction of Train-3, based on the Company's participating interest as the guarantor of indebtedness.)

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

	Millions of yen
Short-term monetary assets from subsidiaries and affiliates	11,978
Long-term monetary assets from subsidiaries and affiliates	51
Short-term monetary liabilities to subsidiaries and affiliates	4,932
Long-term monetary liabilities to subsidiaries and affiliates	6

[Notes to Non-Consolidated Statement of Income]

Transactions with subsidiaries and affiliates

	Millions of yen
Operating transactions	
Net sales	1,061
Purchases	30,666
Other operating transactions	20,753
Transactions other than operating transactions	32,503

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

Type and number of treasury shares at end of this period

	Shares
Common share	2,121,916

(Note) The number of treasury shares as of the end of this fiscal year includes 155,416 of the Company's shares held by the Officer Compensation BIP Trust.

[Notes to Tax Effect Accounting]

Significant components of deferred tax assets and liabilities

Millions of yen

Deferred tax assets	
Allowance for investments in exploration	30,761
Loss on valuation of investment in shares of subsidiaries and affiliates	54,722
Loss on valuation of investment securities	3,013
Accrued retirement benefits to employees	2,390
Provision for loss on business	2,418
Provision for loss on business of subsidiaries and affiliates	4,612
Asset retirement obligations	1,264
Accrued bonuses	322
Allowance for doubtful accounts	13,073
Provision for loss on guarantees of subsidiaries and affiliates	8,326
Impairment loss	3,527
Foreign tax credit brought forward	11,739
Net operating loss carry-forwards	393
Other	2,435
Total deferred tax assets	<u>138,999</u>
Valuation allowance	<u>(128,000)</u>
Total deferred tax assets	10,999
Deferred tax liabilities	
Unrealized holding gain on securities	1,422
Translation differences due to an application of purchase accounting method	6,441
Mine prospecting reserve	3,133
Reserve for special depreciation	551
Reserve for advanced depreciation of non-current assets	1,202
Other	1,129
Total deferred tax liabilities	<u>13,881</u>
Net deferred tax assets (liabilities)	<u>(2,882)</u>



[Notes to Transactions with Related Parties]

Type	Name of related party	Voting interest (Owned)	Description of the business relationship	Transaction detail	Amounts (Millions of yen)	Accounts	Balance (Millions of yen)
Subsidiary	INPEX North Caspian Sea, Ltd.	Directly 51.00% (Owned) -%	Serve the officer concurrently, capital subscription	Loans of funds (*1)	—	Long-term loans receivable from subsidiaries and affiliates	124,762
				Loans of funds (*1)	40,688	Short-term loans receivable from subsidiaries and affiliates	117,530
				Interest income (*1)	6,642	Current assets and Other (Accrued interest)	1,511
				Debt guarantee (*2)	68,003	—	—
	INPEX Financial Services Singapore PTE. LTD.	Directly 100.00% (Owned) -%	Serve the officer concurrently, capital subscription	Subscription of shares (*3)	326,271 (in millions of US\$) 2,995	—	—
				Paid-in capital decrease (*3)	55,111 (in millions of US\$) 510	—	—
				Cash management (*4)	—	Deposits received from subsidiaries and affiliates	411,165
				Interest income (*1)	6,855	—	—
	INPEX Gas British Columbia Ltd.	Directly 45.09% (Owned) -%	Capital subscription	Loans of funds (*5)	651	Short-term loans receivable from subsidiaries and affiliates	45,523
	INPEX Americas, Inc.	Directly 100.00% (Owned) -%	Capital subscription	Subscription of shares (*6)	45,101 (in millions of US\$) 407	—	—
	INPEX Holdings Australia Pty. Ltd.	Directly 100.00% (Owned) -%	Serve the officer concurrently, capital subscription	Debt guarantee (*2)	131,052	—	—
				Guarantee commission received (*7)	7,180	Current assets and Other (Accrued income)	568
Affiliate	Ichthys LNG Pty Ltd	Indirectly 66.25% (Owned) -%	Purchase of finished goods and raw materials	Debt guarantee (*2)	601,642	—	—
				Guarantee commission received (*7)	5,537	Current assets and Other (Accrued income)	379
				Purchase of finished goods and raw materials (*8)	17,571	—	—

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

Note 2: This refers to the guarantee that was set against the loans from financial institutions as a fund for business development. Amount of transactions represents the balance of guarantees at the end of this period.

- Note 3: In line with the management of exchange rate risk, the main operations of INPEX Financial Services Singapore PTE. LTD., the Company undertook a subscription of shares at US\$1 per share, and a paid-in capital decrease at US\$1 per share.
- Note 4: The Group adopts a cash management system (hereinafter “CMS”) for the purpose of efficient fund management within the Group. The amount of funds transactions through the CMS are not stated above because it is difficult to identify the amounts by transaction details. The Company determines the interest rate based on its market interest rate.
- Note 5: The Company determines the interest rate based on its market interest rates upon loans of funds in a reasonable and appropriate manner. The Company did not accept any collateral. For the said loan, ¥45,523 million was recorded as allowance for doubtful accounts, and ¥1,269 million was recorded as provision of allowance for doubtful accounts in this fiscal year.
- Note 6: When INPEX Americas, Inc. made a capital increase through shareholder allocation, the Company undertook it. No new shares were issued in this transaction.
- Note 7: The Company provides debt guarantee for bank transactions concerning the Ichthys LNG Project, and receives guarantee commission calculated based on the guarantee amount.
- Note 8: All transactions were conducted under general transactional conditions, which are the same as those used in transactions with independent third parties.

[Notes to Per Share information]

1. Net assets per share: ¥1,614.95
2. Net income per share: ¥9.22