Energy for a bright future

INPEX CORPORATION

Annual Report 2014

Year ended March 31, 2014

From Development to Delivery

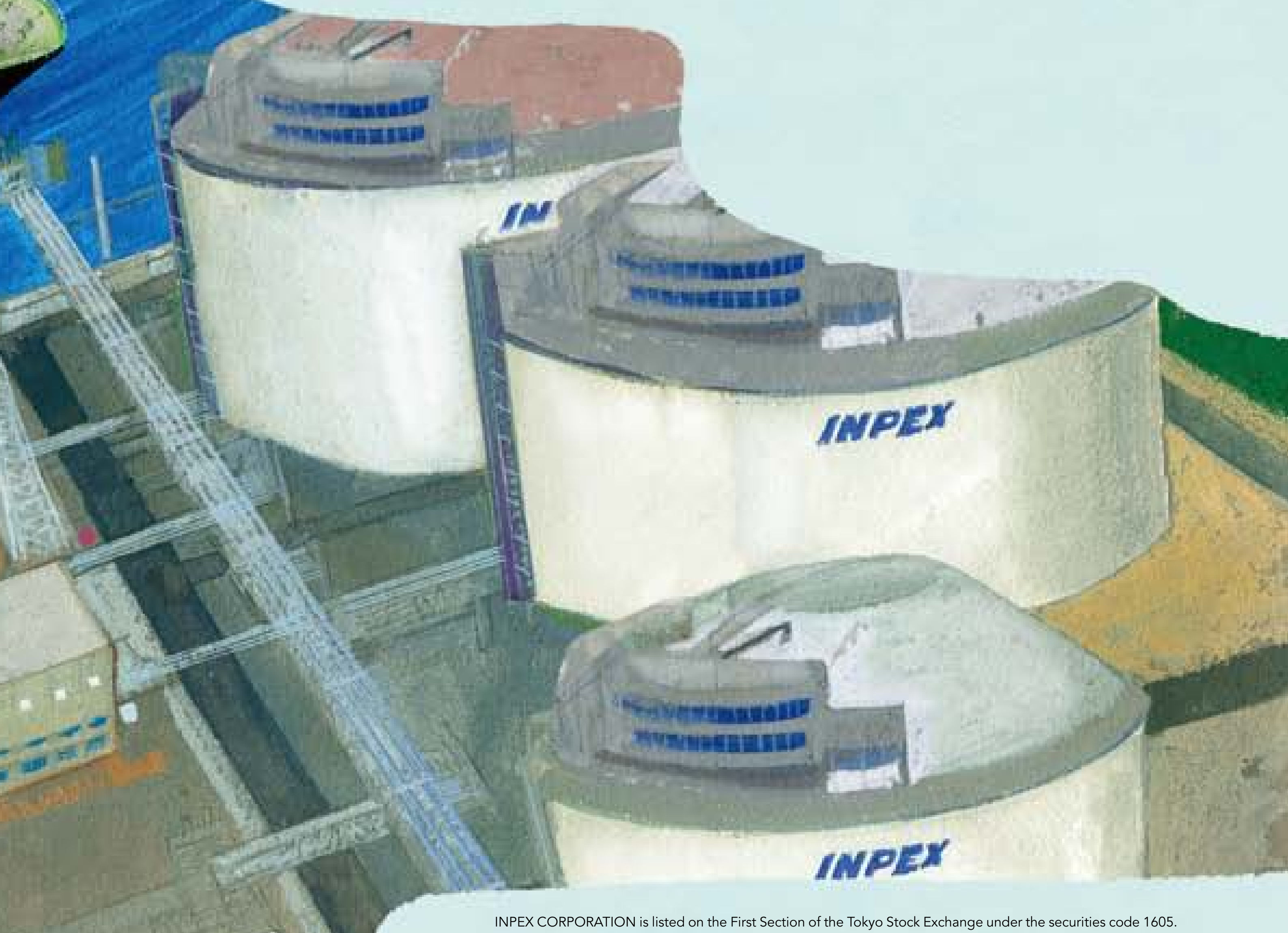
Our Mission

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

INPEX is the largest oil and gas E&P company in Japan. The Company currently is engaged in more than 70 projects spread across 27 countries worldwide.

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

This Annual Report 2014 is based on the overarching theme of "**From Development to Delivery.**" In the Special Report contained in this report, we provide an update on the Ichthys LNG Project and other details of our business including our natural gas supply chain. In this manner, we provide stakeholders with a comprehensive outline of our endeavors.



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

Annual Report 2014 Contents

FORWARD-LOOKING STATEMENTS
This Annual Report includes forward-looking information that reflects the Company's plans and expectations. Such forward-looking information is based on the current assumptions and beliefs of the Company in light of the information currently available to it, and involves known and unknown risks, uncertainties and other factors. Such risks, uncertainties and other factors may cause the Company's actual results, performance, achievements or financial position to be materially different from any future results, performance, achievements or financial position expressed or implied by such forward-looking information. Such risks and uncertainties include, without limitations, fluctuations in the following:
- the price of and demand for crude oil and natural gas;
- exchange rates; and
- the costs associated with exploration, development, production and other related expenses.

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

NOTES REGARDING FIGURES
Financial figures in this Annual Report have been basically rounded to the nearest unit (millions, billions, etc.) for convenience. The "Project Overview by Region" section (starting on p. 48) basically describes the operating situation as of June 30, 2014. Figures in parentheses denote negative amounts. Natural gas production volume for projects in production is not the volume at wellheads, but corresponds to sales to buyers.

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Management Message

From Develop to Delivery

For the year ended March 31, 2014, we made solid progress on activities undertaken for future growth. INPEX maintained stable volumes of production, substantially increased its proved reserves and made steady progress across several major projects. In the current year, INPEX will gear up its activities to achieve growth targets.

Gaining a Strong Sense of Accomplishment That Significant Progress Is Being Made Across Several Major Projects

In addition to stable production, performance trends benefited from continuous weak Japanese yen

For the year ended March 31, 2014, net sales and net income increased by 9.7% and by 0.4% compared with the previous period, to ¥1,334.6 billion and ¥183.7 billion, respectively. Despite the absence of the one-off gain on transfer of mining rights recorded in the previous period, and the downturn in crude oil prices, these favorable results were largely attributable to stable production volumes and the positive flow-on effect of the weak yen. In the year ended March 31, 2013, INPEX incurred certain losses as a result of fluctuations in foreign currency exchange rates. In the period under review, however, the Company brought to account unrealized gains on the redemption of foreign currency denominated bonds mainly due to depreciation in the value of the yen. From the perspective of its profit and loss, INPEX also saw the gap between assets and liabilities denominated in foreign currencies narrow and the currency exchange risk tended to neutralize as a result. Taking these factors into consideration, the weak yen had a favorable impact on both the Company's balance sheet and its profit and loss throughout the year ended March 31, 2014.

Securing the stable production of crude oil and natural gas to support earnings

INPEX is mainly engaged in the development and production of crude oil and natural gas. Accordingly, the vast majority of the Company's revenue is derived from crude oil and natural gas sales. Net production of crude oil and natural gas, the primary source of earnings, edged up slightly to 409 thousand boed in the period under review. Buoyed by contributions from such projects as the Ichthys LNG Project in Australia, INPEX has identified the medium- to long-term target of increasing production volume to one million boed by the early 2020s. Meanwhile, in the period leading up to the start of commercial production at the Ichthys LNG Project, the Company must look to increase the production of crude oil and natural gas at existing fields while generating production at new fields. At the Company's gas field in the offshore Mahakam Block in Indonesia, a major source of current earnings, INPEX saw little deterioration in production levels with volumes essentially unchanged from the previous year. Moreover, additional crude oil production began in January 2014 at the large-scale ACG Oil Field in Azerbaijan reinforcing the Company's earnings capabilities.

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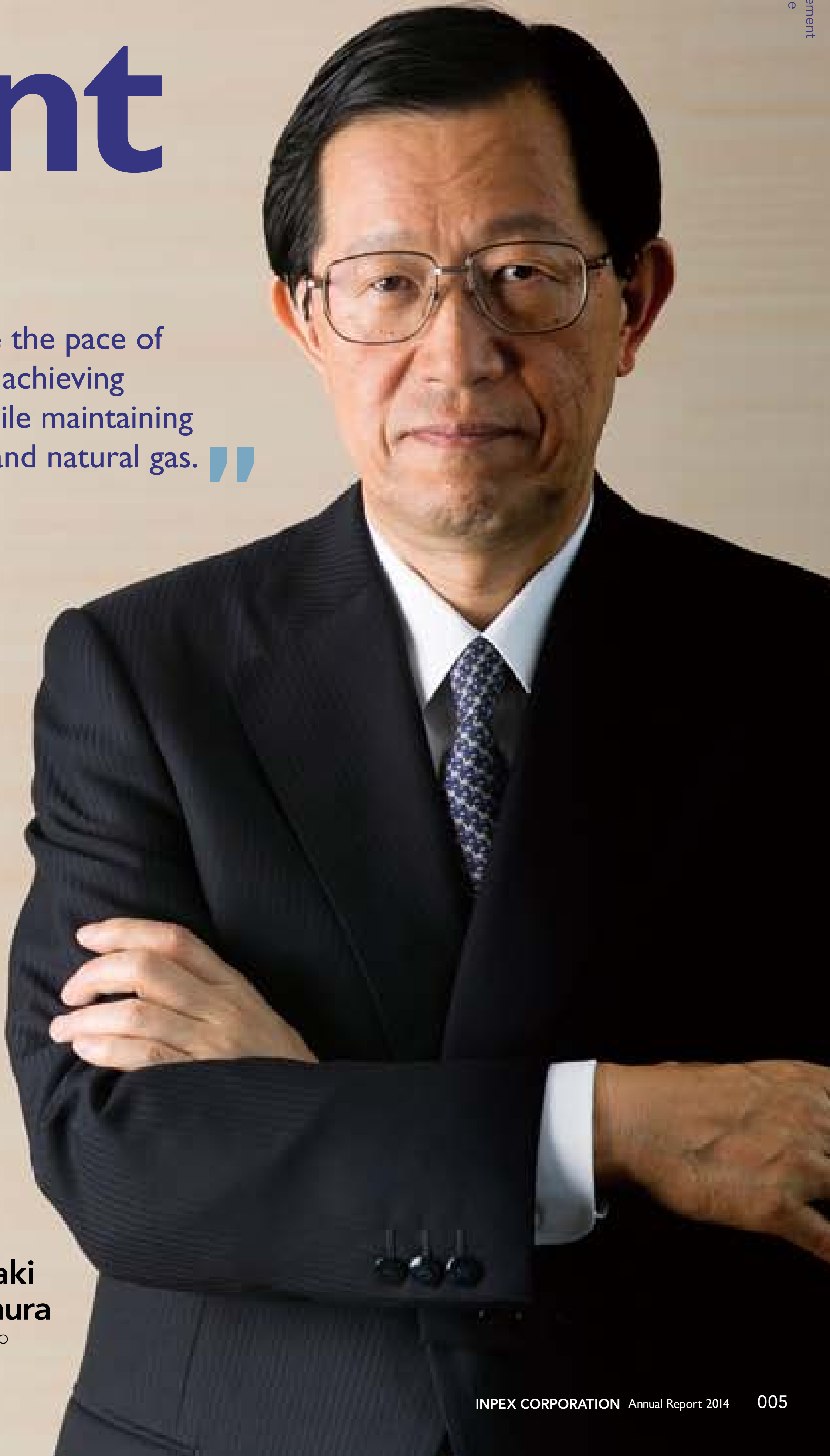
"We will accelerate the pace of activities aimed at achieving growth targets while maintaining production of oil and natural gas."



Toshiaki Kitamura
President & CEO

Increase in proved reserves through the extension of the concession agreement in the Upper Zakum Oil Field helping to secure reserve volume growth

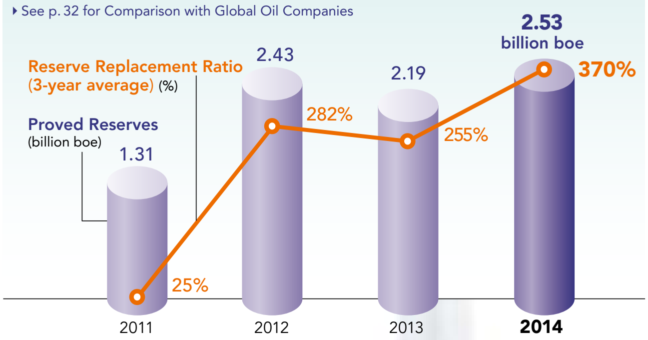
The volume of reserves is the lifeline of any E&P company. Not only does it govern the level of current earnings, but it also provides the source of future profits. The Company's proved reserves, estimated quantities of crude oil and natural gas that can, with reasonable certainty, be collected, as of March 31, 2014, increased by approximately 340 million barrels, or 16%, year on year. This is largely attributable to the extension of the concession agreement in the large-scale Upper Zakum Oil Field located in the offshore area of Abu Dhabi in the United Arab Emirates for a further approximately 15 years.

As a result of this increase in proved reserves, the three-year average reserve replacement ratio, which is an indication of the amount of oil added to proved reserves compared with the total amount of oil produced over a given period, reached 370% for the period under review. Oil and gas E&P companies in general commonly set an RRR target of 100% or more. At 370%, INPEX's current RRR is not only a record high since the Company's public listing but also represents a level that far exceeds the oil majors. In addition, the reserves-to-production ratio, which measures the current number of production volume years of reserve volumes held, was 17.1 years for proved reserves and 30.2 years on the basis of proved and probable reserves as of March 31, 2014. These levels are above the average of the oil majors.

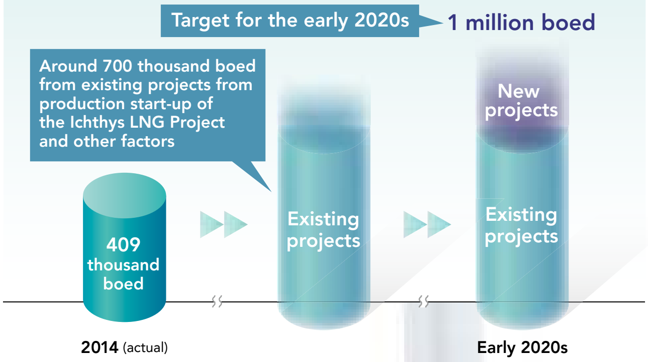
Favorable revisions to financial terms and conditions at the Upper Zakum Oil Field also helped to push up the Company' net income. INPEX in fact has a long history in the area with an operating and technology development track record in Abu Dhabi that spans four decades. On a personal note, I am convinced that the Abu Dhabi government's decision to extend the concession agreement and favorably revise financial terms and conditions is a reflection of the high esteem in which INPEX is held. Our persistence and hard work coupled with attention to detail is therefore a major and highly significant factor in efforts to fulfill our social mission of ensuring the stable supply of energy.

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

See p. 32 for Comparison with Global Oil Companies



Long-Term Net Production Volume Forecasts



Tangible progress toward commencing production at the Ichthys LNG Project

The attention to detail that has attracted wide acclaim in Abu Dhabi is a key feature of the Ichthys LNG Project in Australia. The Ichthys LNG Project is the first large-scale LNG project to be operated by a Japanese company. Accordingly, this project is an extremely important key to the Company's future growth. Since the final investment decision (FID) was made in January 2012, development activities have proceeded smoothly both in terms of cost and schedule.

At that time, our level of expertise as an operator of an LNG project of this size was limited. Prior to making an FID, we naturally took steps to complete all due diligence including an analysis of risks. We also took time to look closely at other LNG projects of a similar nature. Considerable attention was given to detailed discussions with contractors, as well as frequent and thorough reviews of technology design documentation leading up to the tender phase. The success we have therefore had in advancing the project without any major difficulty is due in large part to these earnest and comprehensive preparatory measures.

Ground was broken for all major facilities of the Ichthys LNG Project during the period under review. As of June 2014, half of all construction work had been completed. Details of progress are provided in the Special Report (see p. 34) of this Annual Report.

Looking ahead, steps will be taken to install a module in connection with the gas liquefaction plant. This will be followed by several important phases including the drilling of production wells and the laying of pipelines. Taking into consideration progress to date and plans for the immediate future, the Ichthys LNG Project is steadily taking shape.

When the Project enters a period of full production, the Company's net production volume is expected to increase by around 1.5 times its current level. From a profit perspective, net income is projected to jump by a factor that exceeds this upswing in production volume. With approximately 70% of the LNG produced to be transported to Japan, INPEX will substantially boost its contributions to the stable supply of energy to Japan. I have often referred to this project as the Company's highest priority. Success will inevitably determine the level of our growth going forward, and it represents an important first step in achieving our Medium- to Long-Term Vision. Looking back, INPEX first ventured to Australia during the mid-1980s. Since then, we have accumulated a wealth of knowledge, expertise and geographical advantages. Taking full use of this intellectual capital, we will work diligently through to production with a sense of both urgency and anticipation.

Construction of the Naoetsu LNG Terminal completed ahead of schedule helping to strengthen a gas supply chain

The Company's natural gas business in Japan is another prominent example of its know-how accumulated over many years and geographic competitive advantage. During the period immediately following the Second World War through to the present day, INPEX boasts an unbroken track record for the continuous and uninterrupted supply of natural gas in Japan. The volume of annual natural gas sales in Japan has today reached 1.8 billion m^3. This is equivalent to the amount of gas consumed by nearly five million households (32 m^3 per month per household) and places the Company fourth within Japan's gas sector.

In its natural gas business in Japan, INPEX began construction on the Naoetsu LNG Terminal in 2009. The terminal was completed ahead of schedule in December 2013 and operations have commenced. Despite confronting severe winter conditions and a number of other difficulties, this initiative was completed without major incident. Looking ahead, the Naoetsu LNG Terminal will receive shipments from the Ichthys LNG Project. This will allow the Company to maintain and operate a comprehensive gas supply chain. Undertaking the development and production of natural gas both in Japan and overseas in its own right, while transporting supplies to end users through its own LNG terminal and pipeline network, will place INPEX in an unprecedented and globally unique position. We are also in sight of our medium- to long-term target of domestic gas supply volume of 2.5 billion m^3 per year. It is now just under two years before the Ichthys LNG Project comes online. The fact that we were able to commence operation at the Naoetsu LNG Terminal ahead of schedule is therefore a major step forward for the Company.

> "With about two years before the Ichthys LNG Project comes online, we will go about our daily activities in an earnest and structured manner with an increased sense of urgency and anticipation."

Working in Unison, INPEX Is Moving Steadfastly Toward Achieving Its Medium- to Long-Term Vision

Maintaining a sound financial position while steadily undertaking investments geared toward growth

Our overarching vision is to position ourselves to become a top-class international oil and gas E&P company through sustainable growth in the oil and gas development business. In May 2012, INPEX took steps to identify the priority targets to be overcome and management policies that need to be pursued in order to achieve its Medium- to Long-Term Vision. The Company is therefore pursuing the following three strategic growth targets, namely to

❶ Achieve net production volume of one million boed as a part of efforts to continuously enhance its E&P activities,

❷ Strengthen its gas supply chain in a bid to secure domestic gas supply volume of 2.5 billion m^3/year, and

❸ Reinforce its renewable energy initiatives with the aim of ensuring next-generation growth.

Looking at the specifics of the first strategic growth target–continuous enhancement of our E&P activities–we are endeavoring to increase our production volume while securing reserve volumes through the reinvestment of cash flows generated from production operations at oil and gas fields. To this end, and under our Medium- to Long-Term Vision, we have plans to invest a total of ¥3.5 trillion over the five-year period from the year ended March 31, 2013, to the year ending March 31, 2017, in order to achieve net production volume of one million boed. In the year ended March 31, 2014, the Company's investments amounted to ¥962.9 billion. Combined with investments totaling ¥653.3 billion in the year ended March 31, 2013, our aggregate investment over this two-year period came to ¥1,616.0 billion. While more than half of the Company's investments are directed to the Ichthys LNG Project, construction work and activities continue to proceed smoothly and essentially in line with plans allowing us to maintain an unchanged investment plan.

Recognizing that the Company is currently operating within a period that requires active investment in the Ichthys and other large-scale projects, INPEX must undertake the procurement of funds in order to meet these requirements. Accordingly, maintaining a sound financial position and increasing the balance of net assets are of the utmost importance. The balance of our net assets increased as of March 31, 2014, with profit margins on a net assets basis falling short (ROE 7.0%) of the high profit levels secured in the previous period. Meanwhile, we have been successful in maintaining our strong financial position and, in particular, our long-term financial targets of an equity ratio of 50% or more and a net debt to net total capital employed ratio of 20% or less. As of March 31, 2014, INPEX's equity ratio was 69.1% with net debt to net total capital employed coming in at negative 31.9%. On this basis, we are confident that the Company maintains a high degree of financial stability.

Operating conditions in Japan and overseas surrounding the energy sector

The oil and natural gas development business is characterized by the lengthy period required to recoup initial investment. In addition to maintaining a sound financial position, it is therefore imperative to consistently undertake an accurate assessment of global operating conditions surrounding the energy sector. Looking at recent trends, growing resource nationalism and aggressive efforts by developing nations to secure resources are intensifying competition making it all the more difficult to secure development opportunities. At the same time, development project operating conditions are becoming increasingly harsh due to rising construction and personnel costs. Despite this environment, INPEX must continue to steadfastly engage in such large-scale projects as the Ichthys LNG Project and establish a robust international reputation as a global oil development company. Moreover, we must overcome this competitive environment and forge an undeniable position as a promising market player.

Turning to other aspects of the energy environment, shale gas LNG originating from the United States is expected to play a major role in meeting the growing future demand for energy. The specific characteristics of shale gas were discussed in last year's annual report. Recognizing the significant hurdles that need to be overcome in order to successfully bring a shale gas LNG project to production, I believe that only competitive projects will win out over the competition. This belief applies equally to shale gas LNG and existing LNG projects.

On the domestic front, the Cabinet of Japan approved a new Strategic Energy Plan in April 2014. Under this plan, crude oil and natural gas are identified as important sources of energy. At the same time, the overall direction of the plan remains consistent with the Company's Medium- to Long-Term Vision. With an increased sense of responsibility, INPEX will continue to carry out its business activities as a core company in Japan involved closely in the development of crude oil and natural gas.

Building a global workforce as a part of efforts to ensure a robust operating platform and promoting initiatives aimed at sharing knowledge

In this section of its 2012 Annual Report, INPEX provided a breakdown of its five-year ¥3.5 trillion investment plan and details of prospects regarding the procurement of funds. Just short of two years since putting in place our Medium- to Long-Term Vision, I would now like to talk about our efforts to develop the management platform necessary to properly carry out our business activities amid the ongoing growth of our operating scale.

In May 2012, INPEX established the New Ventures Division to oversee the acquisition of overseas projects as one initiative aimed at achieving its Medium- to Long-Term Vision. In May 2013, the Company set up the Gas Supply & Infrastructure Division for the integrated management of gas supply facilities in Japan. Each of these initiatives was aimed at strengthening our organization. Meanwhile, the increasing global nature of employee nationalities and workplace locations is a reflection of progress being achieved in the Ichthys, Abadi and other large-scale projects. At the same time, we are witnessing the growing need for more sophisticated knowledge and skills. Taking these factors into consideration, INPEX has commenced steps to put in place a common global human resources management platform. In addition to identifying measures aimed at securing the necessary professional personnel to ensure the success of large- scale projects, this initiative is designed to promote human resources development and to provide employees with the essential skills and technological capabilities required to succeed on the frontline. In building a sound human resources management platform, INPEX is also looking to ensure the cross-border transfer of talented personnel and to establish a mechanism that will ensure the optimal application of human resources.

The hurdles that need to be overcome increase in line with the size of the project. Against this backdrop, it is vital that the Group comes together as one to collectively lift the level of its expertise. Management and employees alike must bring to bear their individual experience and skills as a multiplier effect that bolsters the Group's overall capabilities. With this in mind, INPEX has put in place a structure to facilitate the sharing of knowledge and to make the most of the Group's intellectual capital. This structure enables the knowledge and know-how gained through exploration projects, as well as the health, safety and environment (HSE) experience accumulated through projects conducted worldwide, to be commonly shared throughout the Group. I make it a point when visiting our many operating bases in Japan and around the world to check on how effectively this structure is helping to lift our overall capabilities. Recently, I have noticed that our technological standards and the interaction among personnel have improved significantly under this structure.

INPEX Values serving to unite the Group under a common global foundation

On a consolidated basis, INPEX maintained a total workforce of 2,874 employees as of March 31, 2014. Of this total, around half work in locations outside of Japan. In addition, non-Japanese nationals including Australian and Indonesian nationals make up approximately 40% of all INPEX employees. As the Company's structure becomes increasingly diverse, made up of individuals from a wide range of cultures and countries, the need to put in place a set of common global-level values also becomes extremely important. For this reason, in April 2014 we identified five core values that represent our shared understanding of the type of behavior that we strive to demonstrate. These values are 1 safety, 2 integrity, 3 diversity, 4 ingenuity and 5 collaboration. These INPEX Values are the culmination of more than a year's deliberation and debate and integrate the individual value standards of those countries in which we operate including Japan, Australia and Indonesia. Taking into consideration our stated goal of becoming a top-class international oil and gas E&P company, it is vital that the Group comes together under the umbrella of a single set of common and uniform value standards that extend beyond and across different nationalities and work locations.

Condensate produced from the Ichthys field at the time of exploration.

In conjunction with the establishment of the INPEX Values, it is vital that the Group as a whole engage in detailed operations from the perspective of its personnel policies and systems. These parallel activities place us in a better position to ensure that each and every employee goes about his or her duties with a strong sense of fulfillment and pride. With this in mind, INPEX places considerable emphasis on creating a workplace environment in which its employees are able to excel and to provide all possible support irrespective of culture, nationality, gender or age. Our efforts in this area have attracted wide-ranging acclaim from a number of sources. INPEX has, for example, been selected as a "Nadeshiko Brand." This designation is granted to companies that are considered exceptional in encouraging women's success in the workplace. In real terms, the number of female employees has increased from 252, or around 13% of the total number of employees, as of March 31, 2010, to 535, approximately 19%, as of March 31, 2014. Moving forward, and in line with its position as a global company, INPEX will continue its quest to become a company that is rich in diversity and will continue to promote personnel policies and systems that enable employees to fulfill their potential while engaging in diversity management.

Relationships with Stakeholders based on Longstanding Ties of Mutual Trust

Maintaining safety through tangible and intangible endeavors

Having spoken about efforts to maintain and expand the volume of production and reserves, and outlined the vital role that participation in large-scale projects plays in ensuring ongoing growth, I would now like to focus on our most important priority – "safety." By its very nature, risks of a major incident are part and parcel of the oil and natural gas E&P sector. Accordingly, safety should be the No. 1 concern for all operators. Just as a vehicle requires all four wheels to rotate in the same direction if it is to advance, I strongly believe that a combination of tangible and intangible measures is essential to achieving safety. "Safety first" is the most important principle of the five INPEX Values and forms the core of a strong health, safety and environment (HSE) culture. This mind-set and the commitment of each individual to suspend operations at the slightest hint of potential danger is in my opinion the intangible quality necessary to ensure safety. Of equal importance, of course, are tangible measures, most notably the mechanisms that give shape to the Company's safety endeavors. With this in mind, INPEX adheres strictly to a policy of HSE management. As a company that operates on the world stage, it is imperative that our tangible measures conform to international standards. In the event that an incident occurs, we take all appropriate steps, including the establishment of communication channels, as well as employee education and training, to ensure that we ascertain and share information while undertaking proper onsite action in a timely and proper manner.

Securing the support of stakeholders is essential to achieving our management goals

Of equal importance is the support of all stakeholders including shareholders and investors. Taking into consideration the long investment span that characterizes work in the oil development industry, building longstanding ties of mutual trust with business partners is an inherent essential prerequisite. In similar fashion, I would like to see INPEX nurture equally strong ties of mutual trust with its shareholders and investors. Since assuming the position of president in June 2010, I have made it a point to personally attend and participate in meetings with institutional investors in Japan, large-scale briefings with individual investors and visits to overseas institutional investors. The feedback and opinions of shareholders and investors gained through regular meetings are an invaluable point of reference when making management decisions. Thanks to this process, I have a sense that our relationships with shareholders and investors have improved considerably.

The Company is also vigorously engaged in investor relations activities aimed at individual investors. In October 2013, INPEX conducted a 1:400 stock split of its common shares. The Company also reset its share trading unit at 100 shares. These initiatives have made it easier for individuals to invest in this Company. From a separate angle, the number of oil and gas development companies in Japan is limited. With few domestic industry peers, it is difficult for investors to gain an in-depth knowledge of activities and to readily make comparisons. Accordingly, we are placing considerable emphasis on increasing communication with all investors and engaging in IR activities that focus on the trends and characteristics of the industry, as well as the Company's mission.

Raising the Level and Pace of Our Efforts throughout the Year Ending March 31, 2015

Performance and production volume forecasts for the year ending March 31, 2015

Performance forecasts for the year ending March 31, 2015, the current year, are based on the assumption that crude oil prices will fall slightly below levels recorded in the year ended March 31, 2014. At the same time, forecasts factor in aggressive exploration investment. As a result, we project a decrease in revenue and earnings in the year ending March 31, 2015. In specific terms, consolidated net sales are expected to come in at ¥1,316.0 billion with net income totaling ¥178.0 billion, as of August 2014.

Net production volume, which is directly linked to earnings, is forecast to increase slightly year on year to 411 thousand boed. As of June 30, 2014, INPEX holds 78 oil and natural gas projects in 27 countries. Of this total, 34 projects are currently in production, led by the mainstay Offshore Mahakam Project in Indonesia. Naturally, maintaining and increasing production at each existing project is an important priority for the Company. Recognizing the country risks inherent in oil development operations, it is also important to build a geographically well-balanced asset portfolio. As I have mentioned, INPEX's production assets are spread across the world. The amount of production volume varies by region. Having said this, production will commence at the Lucius Oil Field in the U.S. Gulf of Mexico during the second half of this year boosting volumes in the Americas, which currently remain low compared to other regions. In addition to contributions to cash flow, we anticipate an improvement in the balance of our production assets by region.

Raising the level and pace of our efforts to secure growth throughout the year ending March 31, 2015

At the time our Medium- to Long-Term Vision was put in place in May 2012, I emphasized the importance of the first five-year period to the year ending March 31, 2017. The year ending March 31, 2015, is indeed the halfway point of this five-year period. In the first year, we sprinted out of the starting box to ensure a sound start. The second year was a period in which to solidify the gains that were made. In this the third year, we must now raise the level and pace of our endeavors as we aim to achieve our growth targets.

Several projects are scheduled to commence during the current year. In last year's annual report, I talked about the virtuous cycle of growth. By steadily harvesting the seeds that we have sown, we will apply an even stronger spin to this cycle. We will progressively complete several large-scale projects moving forward. A prime example is the Ichthys LNG Project, where we have passed the halfway point toward completion. We will also actively engage in exploration investment in a bid to sow the seeds of the future. We plan to invest ¥105.0 billion in exploration during the current year, a record high for the Company, with the drilling of 21 exploratory wells scheduled mainly in Asia and Oceania. Naturally, we will place our first priority on safety and engage in prudent drilling activities. The expectations of success nevertheless remain high.

After the start-up of Ichthys, we will provide returns to shareholders commensurate with a top-class international oil and gas E&P company

INPEX held its 8th Ordinary General Meeting of Shareholders in June 25, 2014, with more than 600 shareholders in attendance. A number of questions were raised concerning the Company's participation in large-scale projects and conditions throughout the LNG market. It was clear that shareholders held high expectations for the Ichthys LNG Project and the Company's future growth.

During the first half of 2013, INPEX's share price trended downward. As if coinciding with the stock split in the lowering of the Company's share trading unit, the share price showed signs of a recovery during the second half. I believe that the increase in production and proved reserve volumes, as well as the progress of individual projects including the Ichthys LNG Project, is having a positive effect on our corporate value. Complementing our business endeavors, we will continue to actively engage in the disclosure of information and IR activities throughout the year ending March 31, 2015, to ensure that our shares are properly valued.

INPEX is implementing a balanced approach between investments and the payment of dividends according to its shareholder return policy. In the lead-up to production at the Ichthys LNG Project, cash flows derived from producing projects are being channeled into reinvestments. In this context, the focus of our activities is directed toward investment. As a result, we plan to pay an annual dividend of ¥18 per share for the year ending March 31, 2015, unchanged from the period under review. However, as production commences at the Ichthys LNG Project, we will provide returns to shareholders commensurate with a top-class international oil and gas E&P company.

As I have mentioned, the current year is the halfway point to realizing our Medium- to Long-Term Vision with around two years before the Ichthys LNG Project comes onstream. With this in mind, we will accelerate the pace of our endeavors. The entire INPEX Group is dedicated to bringing concrete shape to the gains achieved during the previous period and will raise the level of its activities to ensure further growth and development.

August 2014
President & CEO
Toshiaki Kitamura

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"Bringing concrete shape to the gains already achieved, we will raise the level of our endeavors going forward."

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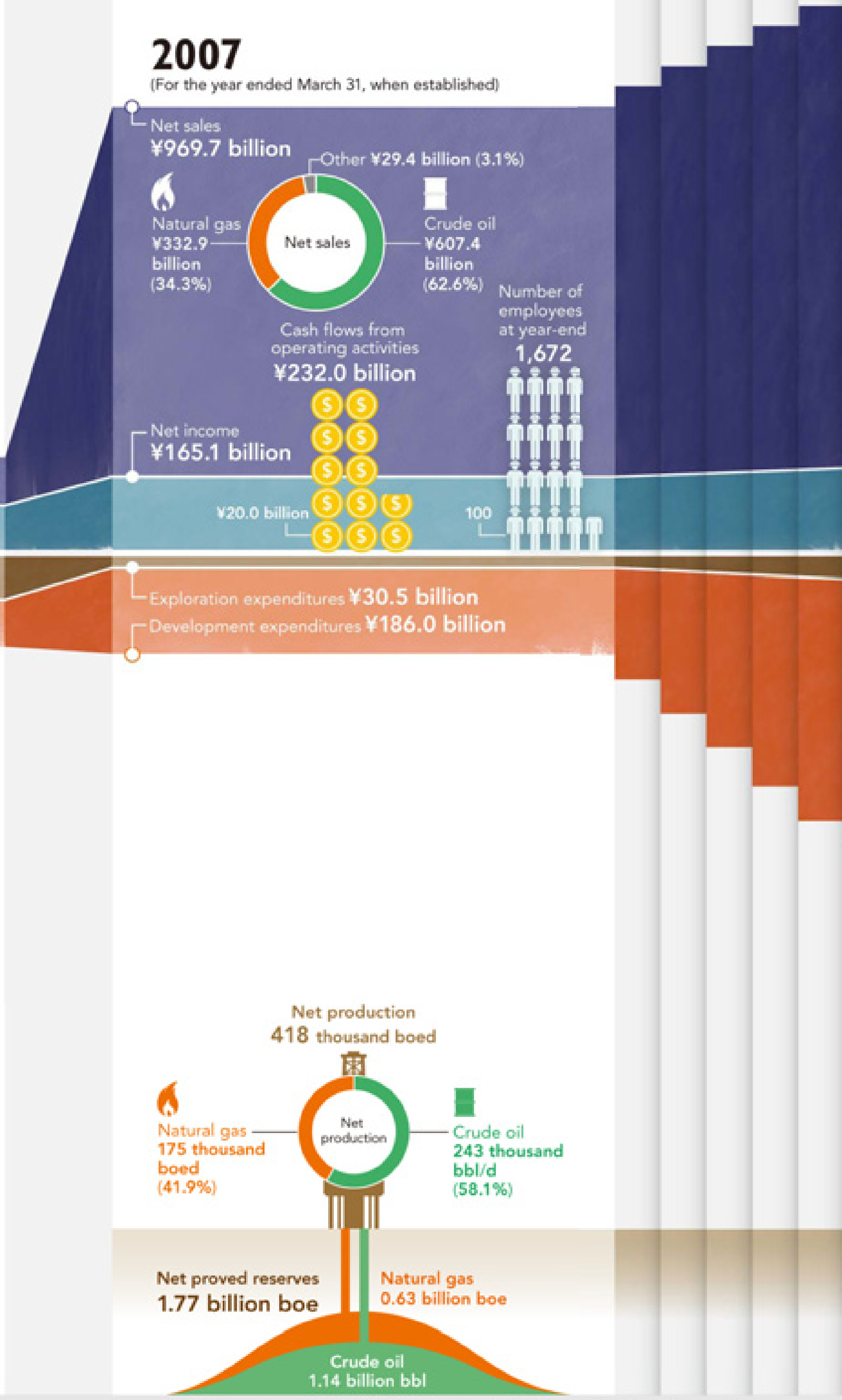
Highlights

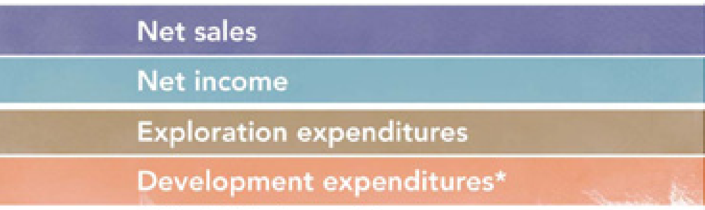
Financial and Operating Highlights

(Compared with the year of establishment and the year ended March 31, 2013)



Results

Backed by stable production volumes, INPEX has maintained high levels of earnings. In the year ended March 31, 2014, consolidated net sales hit a record high. In the period under review, net income also increased year on year. Despite such negative factors as the absence of the one-off gain on transfer of Ichthys mining rights reported in the year ended March 31, 2013, and the downturn in crude oil prices, this positive result reflected among other things the favorable flow-on effects of the weak yen.



*Includes the Ichthys downstream business

Exploration and Development Expenditures

Development expenditures are for the most part directed toward the production of crude oil and natural gas from the Company's reserve volume. Although these expenditures have generally totaled around ¥200 billion each year, this amount has increased of late since making a final investment decision in connection with the Ichthys LNG Project in January 2012. Exploration expenditures aimed at discovering new resources are expanding in line with aggressive exploration activities undertaken since the year ended March 31, 2013.

Production and Reserve Volumes

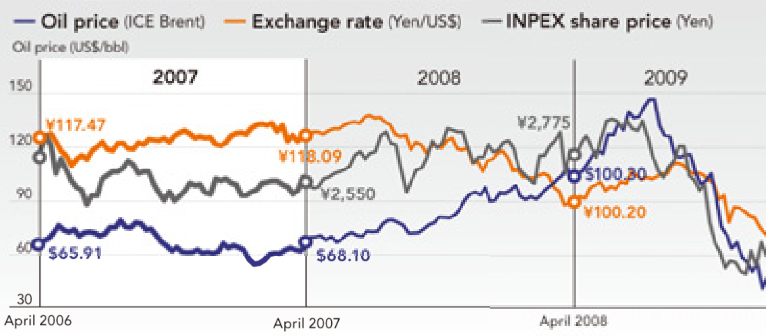
INPEX has continued to maintain stable levels of production volume, which serve as the wellspring for the Company's profits and earnings. With the commencement of production in connection with the Ichthys LNG Project, the Company's net production volume is projected to increase from its current level of 400 thousand boed to 700 thousand boed. Thereafter, INPEX is targeting one million boed by the early 2020s.

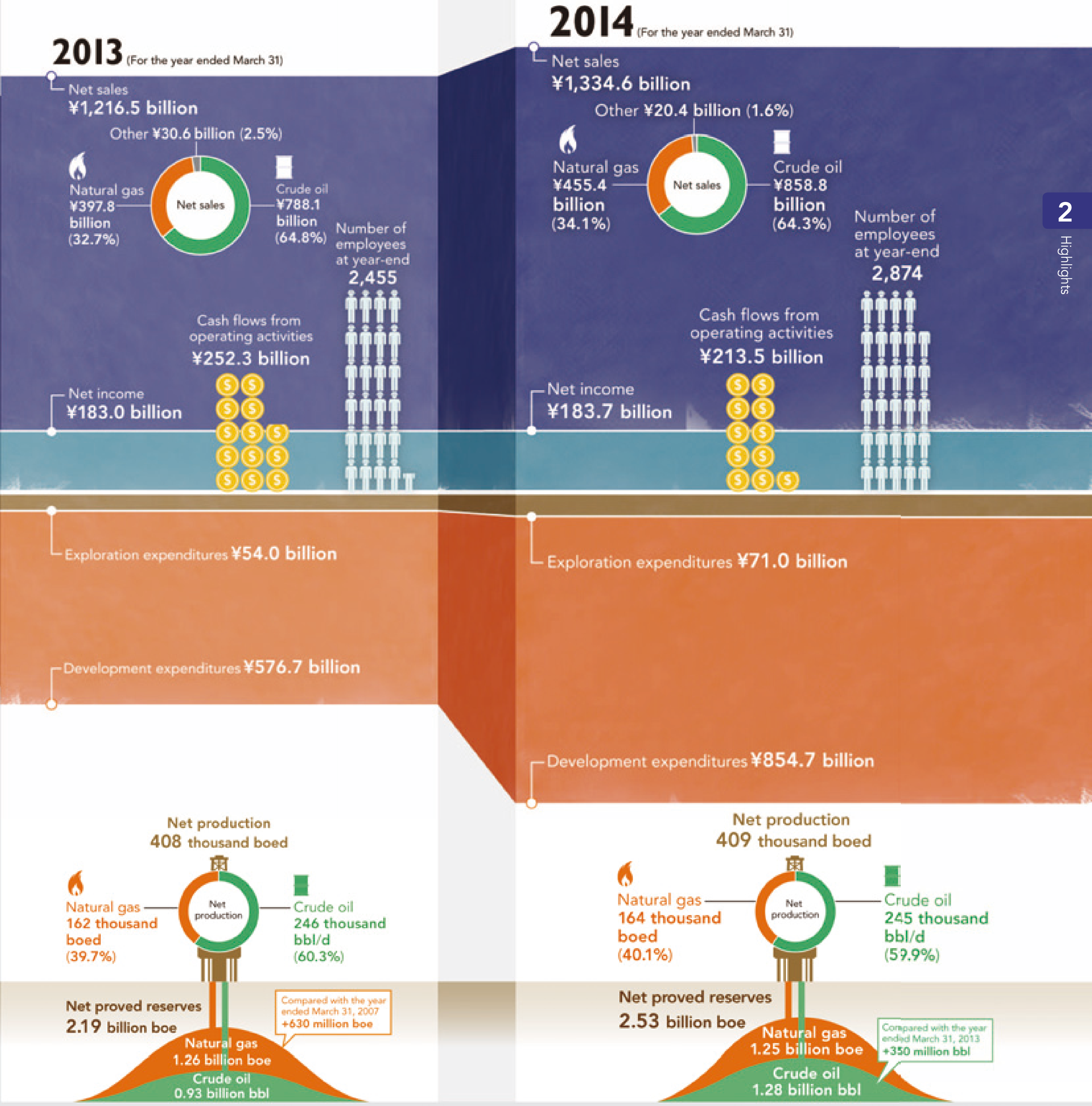
Proved reserves naturally decline in line with production activity (around 150 million barrels per year in the Company's current case). In overall terms, however, proved reserves increase with new discoveries and the addition of resources. INPEX is more than offsetting any decline in reserve volumes with additions and upgrades in its participation in large-scale projects.

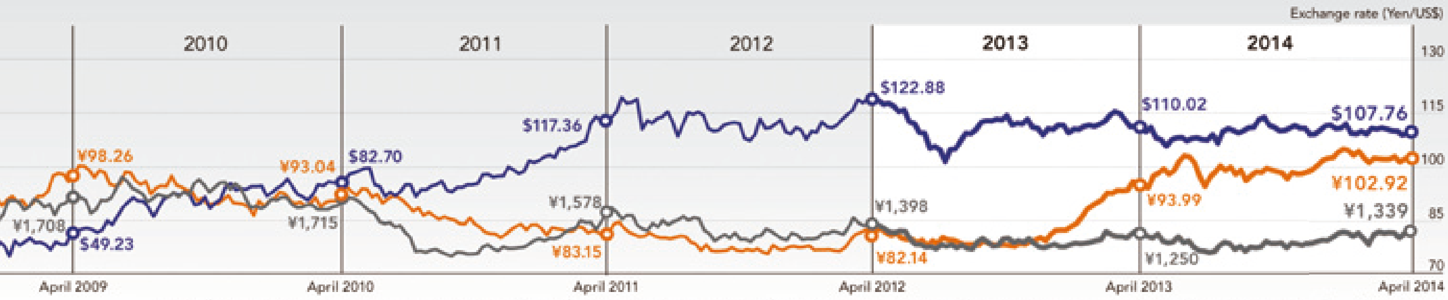
Crude Oil Prices, Foreign Currency Exchange Rates and the Company's Share Price

Fluctuations in the price of crude oil and foreign currency exchange rates have a significant impact on the Company's profits and earnings. The price of Brent crude oil, which stood at around US$60–$70 per barrel in the year ended March 31, 2007, fluctuated dramatically before and after the financial crisis in 2008. Since 2011, the price of crude oil has hovered at the high level of US$100 per barrel.

The Japanese yen exchange rate against the U.S. dollar was weak during the year ended March 31, 2007, fluctuating between ¥110 and ¥120. The yen then entered a period of prolonged appreciation up to 2013. Since the end of 2012, the yen has exhibited a weak trend.







Note: Effective October 1, 2013, INPEX conducted a stock split of its common stock at the ratio of 1:400. Data regarding the Company's share price has been retroactively adjusted to reflect this stock split.

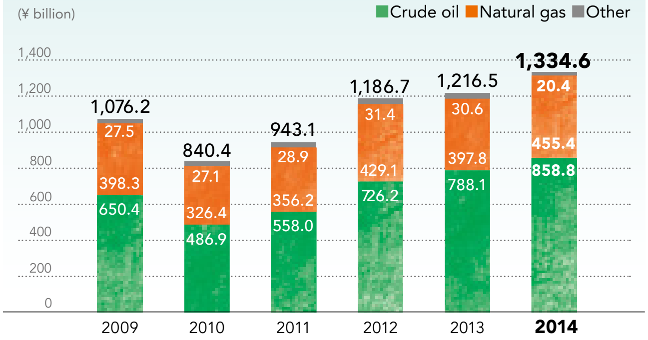
Financial and Operating Highlights (Five-Year Comparative Graphs)

As of or years ended March 31
Please refer to p. 81 for notes of major indices.

Profitability Indices

See p. 8 of Fact Book 2014 for more about profitability indices.

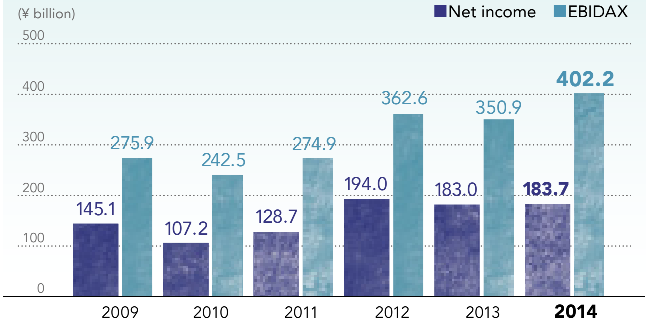
Net Sales (by product)



Despite the impact of the yen's appreciation, net sales increased owing mainly to firm trends in crude oil prices between the period from the year ended March 31, 2010, to the year ended March 31, 2012. In the year ended March 31, 2014, net sales reached an all-time high largely reflecting the decline in the value of the yen.

Net Income, EBIDAX

(Earnings before interest, depreciation and amortization, and exploration)

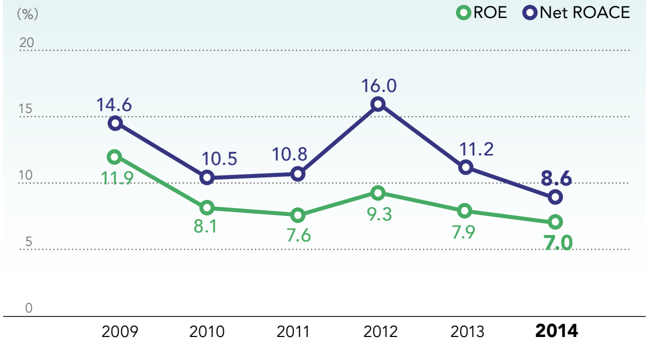


EBIDAX is an index that is commonly used by resource development companies. It is a measure of profit before interest payments, depreciation and amortization, and exploration expenses. EBIDAX provides an indication of the level of profit generated without the impact of accounting treatment applied by individual companies.

Efficiency Indices

See p. 9 of Fact Book 2014 for more about efficiency indices.

Return on Equity (ROE), Net ROACE

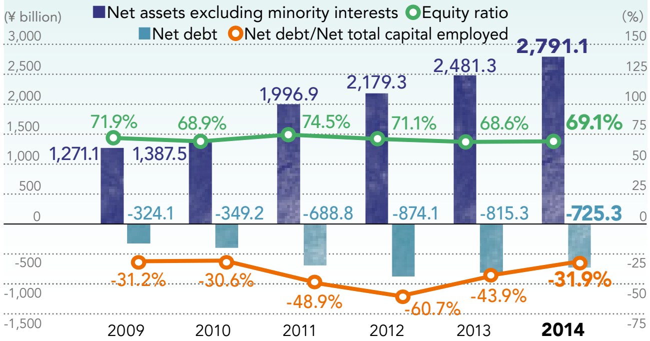


Net ROACE is a profit ratio that includes net debt. With the Company's negative net debt position, net ROACE is higher than ROE.

Stability Indices

See p. 11 of Fact Book 2014 for more about stability indices.

Net Assets Excluding Minority Interests, Equity Ratio, Net Debt, Net Debt/Net Total Capital Employed

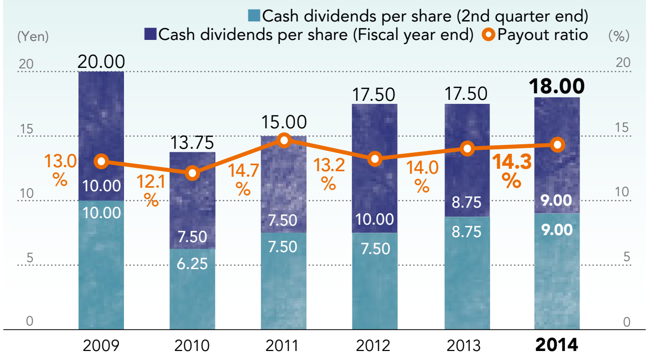


The Company's net debt is negative because the sum of cash and cash equivalents and public bonds is greater than the sum of interest-bearing debt. INPEX continues to maintain financial strengths.

Performance Indices

See p. 12 of Fact Book 2014 for more about performance indices.

Cash Dividends per Share, Payout Ratio



The Company, which is currently in an investment (Ichthys, etc.) phase, is placing considerable emphasis on balancing the needs for growth and ensuring appropriate returns to shareholders. After commencing production at the Ichthys LNG Project, INPEX will provide a sound level of return to its shareholders befitting a top-class international oil and gas E&P company.

Note: The Company conducted a stock split at a ratio of 1:400 of its common stock on October 1, 2013. Cash dividends per share figures for each consolidated fiscal year have been retroactively adjusted to reflect the impact of the stock split.

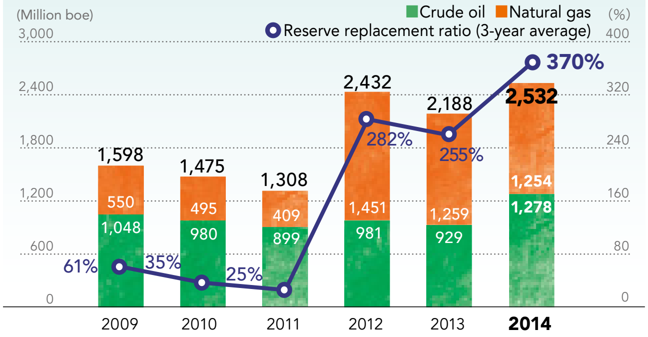
Price Earnings Ratio (PER), Price Book-Value Ratio (PBR)

Despite the Company's steady performance and stable cash dividend payment record, PER and PBR until the previous year-end have remained entrenched at a low level. More recently, both PER and PBR have exhibited a recovery trend.

Reserve/Production Indices, Exploration and Development Expenditures

See p. 13 of Fact Book 2014 for more about reserve/production indices.

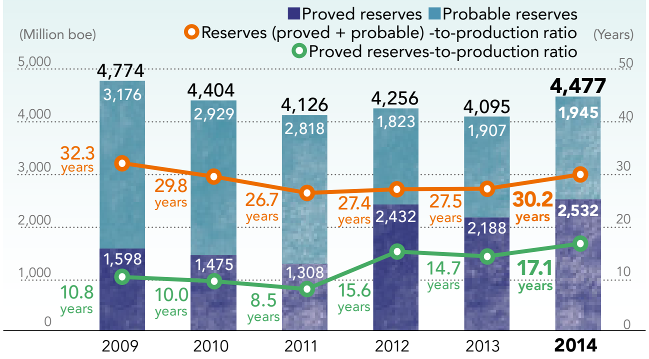
Net Proved Reserves (by product), Reserve Replacement Ratio (3-year average)



Reserve replacement ratio (3-year average) = Proved reserves increase including acquisitions in the year / Production volume in the year

Proved reserves increased substantially for both the year ended March 31, 2012, and the year ended March 31, 2014, after a final investment decision (FID) for the Ichthys LNG Project was made and the concession agreement in the Upper Zakum Oil Field in the ADMA Block was extended. The RRR for the year ended March 31, 2014, was 370%, the highest level recorded since INPEX publicly listed its shares.

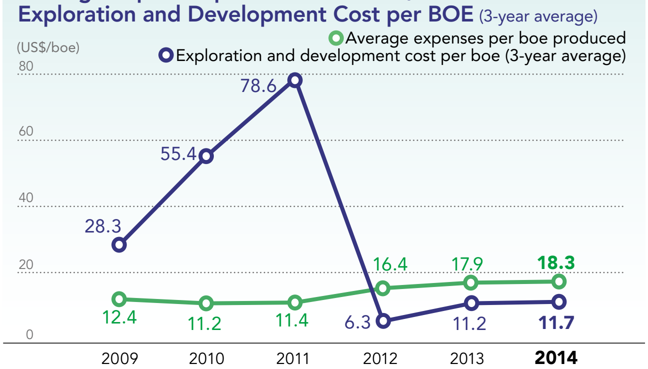
Net Proved and Probable Reserves, Reserves-to-Production Ratio



Reserves to production ratio (Years) = Reserves as of the end of the year / Production in the year

The reserves-to-production ratio measures the current number of production volume years of reserve volumes held. The Company's current reserves-to-production ratio is 17.1 years for net proved reserves and 30.2 years on the basis of proved and probable reserves. Both figures indicate sound levels of reserves.

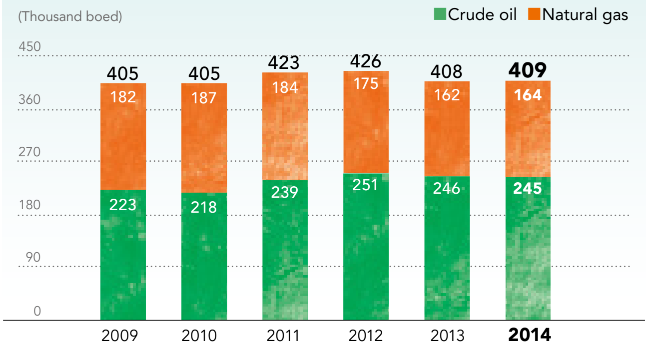
Average Expenses per BOE Produced, Exploration and Development Cost per BOE (3-year average)



Exploration and development cost per boe (3-year average) = The sum of total costs incurred for exploration and development of oil and gas fields and total costs incurred for acquisitions divided by the sum of proved reserve extensions, acquisitions and revisions.

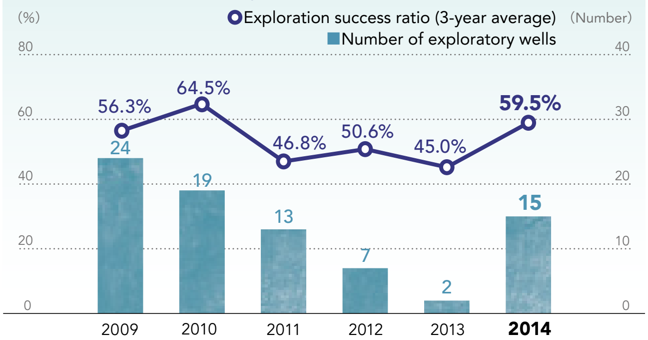
The Company's development expenditures have increased of late in line with the transition to the Ichthys development phase. However, buoyed by the upswing in proved reserves, exploration and development expenditures per barrel have remained at a favorable level since the year ended March 31, 2012.

Net Production (by product, barrels of oil equivalent)



Net production volumes have remained at a stable level as the deterioration in existing production at oil and gas fields has been offset by the commencement of production at new oil fields. Looking ahead, production volume is projected to increase to 700 thousand boed as production commences at the Ichthys LNG and other projects.

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

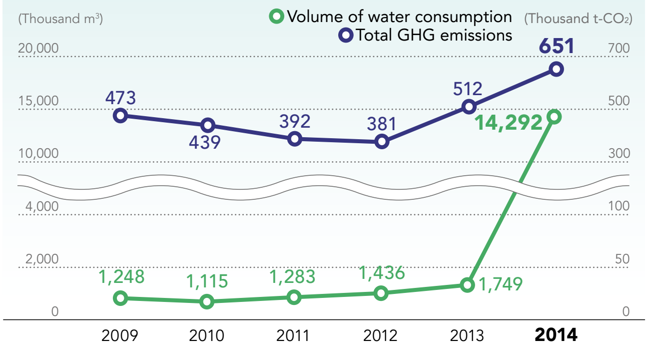


Exploration success ratio (3-year average) = The number of net productive exploratory wells drilled / The number of net exploratory wells drilled. (An exploratory well is a well drilled to find a new field, to find a new reservoir in a field previously found to be productive of oil or gas in another reservoir or to extend the limits of a known reservoir.) The number of wells represents the completion of drilling operations for the subject year. However, data for the year ended March 31, 2014, included operations currently in progress.

The number of exploratory wells in a working state has increased due to vigorous exploration investment.

The Environment

Volume of Water Consumption, Total GHG Emissions



Volume of water consumption and total GHG emissions from our operator projects in Japan and overseas.

The volume of water consumption has jumped substantially in line with the commencement of operations mainly at the Naoetsu LNG Terminal. The vast majority of this increase largely reflects higher levels of seawater use for heating and cooling. Seawater that has been used is released back into the sea after taking steps to minimize the impact on ecosystems. Greenhouse gas (GHG) emissions are showing a slight increase due to a variety of factors including construction progress at the Ichthys LNG Project.

Business Topics

The Company issued press releases on the following business topics during the period from April 1, 2013, to July 31, 2014.

Exploration Projects

2013 April Acquired an interest in the offshore Mozambique Exploration Block Areas 2 & 5

April Signed a new production-sharing contract for the 11-106 contract area of the Joint Petroleum Development Area in the Timor Sea

May Acquired an interest in the offshore Uruguay Exploration Block Area 15

May Executed a cooperation agreement with Rosneft for exploration blocks in the Sea of Okhotsk, Russia

June Confirmed gas condensate in the Southern Offshore Vietnam Blocks 05-1b & 05-1c

June Won the tender for the offshore Western Australia Exploration Block WA-494-P

Aug. Confirmed the presence of crude oil through exploratory drilling at Walker Ridge in the U.S. Gulf of Mexico

Sep. Participated in exploration activities in Irkutsk, Russia

Oct. Awarded an additional offshore exploration license in the U.K. Continental Shelf (27th Seaward Licensing Round)

Dec. Entered into a licensing agreement for the Kanumas Area, Greenland

2014 May Won the tender for the offshore Western Australia Exploration Block WA-502-P

June Won the tender for the offshore Western Australia Exploration Block WA-504-P

Ichthys LNG Project

Please refer to the Special Report from p. 34 for details.

2013 June Entered into a contract for two new vessels, one to service the offtake and delivery of LNG and the other as a time charter

June Held a steel-cutting ceremony for a floating production, storage and offloading (FPSO) facility

June Agreed to transfer a partial equity interest in the Ichthys LNG Project to CPC Corporation, Taiwan

Sep. Held a ceremony to open an accommodation facility for employees working at an onshore gas liquefaction plant

2014 Feb. Commenced full-scale operations on the assembly of an FPSO facility

April Began operations on the assembly of an offshore central processing facility (CPF)

June Announced that the Ichthys LNG Project had reached the halfway mark

June Commenced installation works on a gas transport pipeline

July Launched the hull of the FPSO facility for the Ichthys LNG Project

July Commenced the installation of modules for the construction of an onshore gas liquefaction plant

Other LNG Projects

2013 May Announced changes to interests in the Abadi LNG Project (INPEX's interest went from 60% to 65%)

June Signed a Memorandum of Understanding in connection with the Vladivostok LNG Project, Russia

Nov. Awarded the exclusive right to move forward with the planning necessary to build the LNG export infrastructure at Grassy Point for the shale gas LNG business in Canada

2014 May Signed a heads of agreement (HOA) with Tokyo Electric Power Company, Inc., and Shizuoka Gas Company, Ltd., for the sale and purchase of LNG from the Prelude FLNG project

Development and Production Projects

2013 April Received approval for the recommencement of production at the Frade Oil Field, Brazil

Sep. Commenced crude oil production at the Kashagan Oil Field, Republic of Kazakhstan

Oct. Commenced production at the Sebuku Block of the Ruby Gas Field, Indonesia

2014 Jan. Extended the concession agreement for the Upper Zakum Oil Field, Offshore Abu Dhabi, United Arab Emirates, and improved financial terms and conditions

Jan. Commenced additional crude oil production at the ACG Oil Fields, the Caspian Sea, Azerbaijan (Chirag Oil Project)

May Commenced production at the South Natuna Sea Block B of the South Belut Gas Field, Indonesia

July Acquired an additional interest in the Lucius Oil Field, the U.S. Gulf of Mexico

Upper Zakum Oil Field, U.A.E.

Major Corporate Topics

2013 May Obtained new credit ratings from Moody's

May Announced the establishment of the Gas Supply & Infrastructure Division as a part of the Company's organizational changes

Oct. Conducted a stock split and lowered its share trading unit

Strengthening Renewable Energy and Other Initiatives

Please refer to p. 64 for details.

2013	April	Started power generation via mega-solar Joetsu in Niigata, Japan
	July	Commenced drilling of exploratory wells for the development of geothermal energy in Hokkaido and Akita, Japan
	Sep.	Commenced a joint study for geothermal energy development in Bandaisan, Fukushima, Japan
2014	March	Decided to construct a second mega-solar Joetsu
	June	Engaged in joint commissioned work entailing support operations for production tests of methane hydrate

Exploratory well drilling work for geothermal energy development in the Amema-sudake region (July 2013)

Naoetsu LNG Terminal and Gas Pipeline in Japan

Please refer to pp. 62-64 for details.

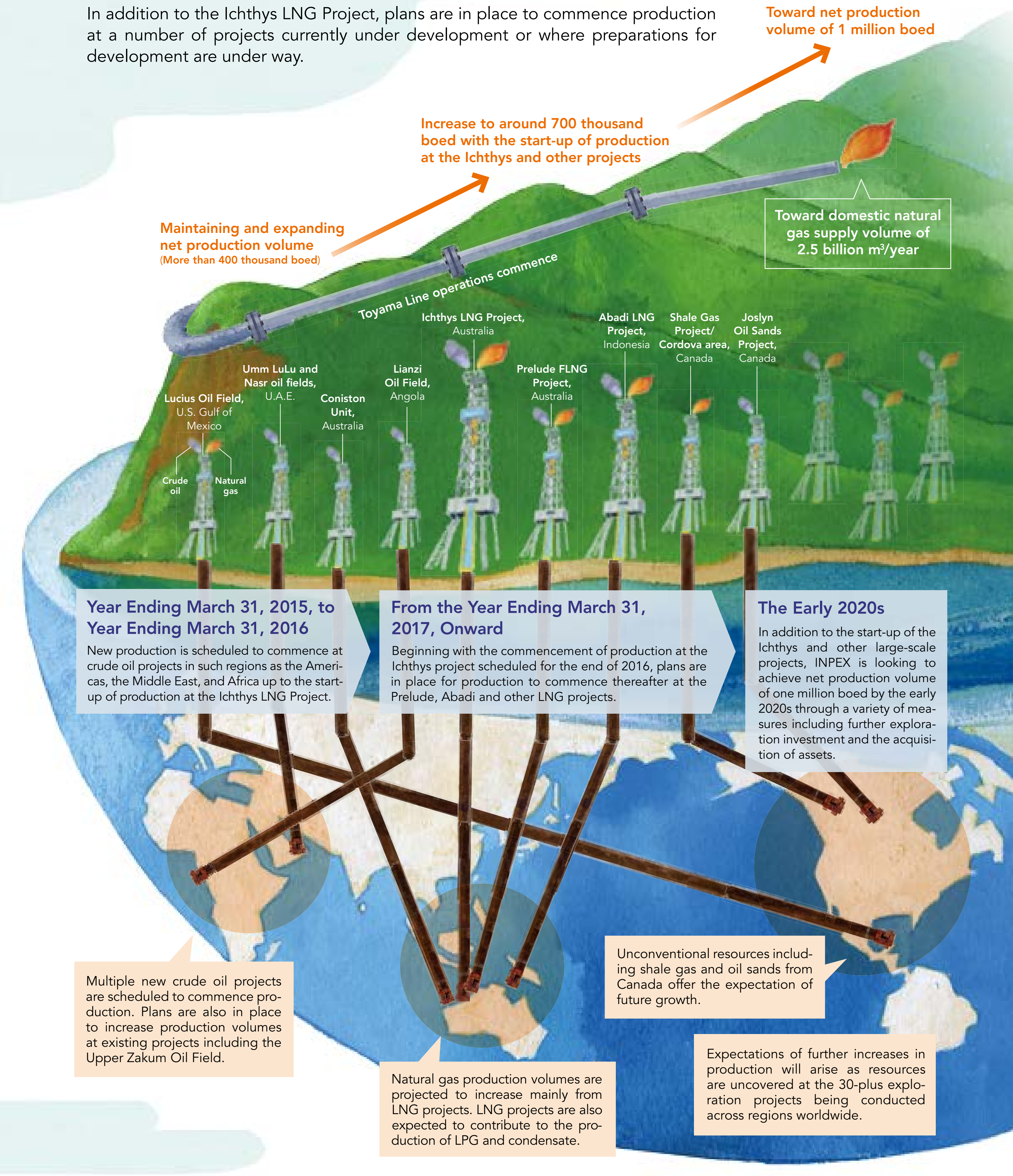
2013	July	Concluded extension work on the Naoetsu and Shin Nagaoka lines
	July	Signed an LNG sales and purchase agreement with Chubu Electric Power Company, Inc., for INPEX's Naoetsu LNG terminal, Japan
	Aug.	First LNG carrier arrived at the Naoetsu LNG Terminal
	Dec.	Concluded construction and commenced operations at the Naoetsu LNG Terminal
2014	Feb.	Commenced feasibility study on the extension of the existing natural gas trunk pipeline Shin Tokyo Line (Stage 5)
	April	Proceeded with construction of the natural gas trunk pipeline (Toyama Line: operations scheduled to commence in mid-2016)

Naoetsu LNG Terminal

2014	Jan.	Established a wholly owned subsidiary and opened a local office in Singapore
	March	Selected as a Nadeshiko Brand in fiscal 2013 in recognition of the Company's efforts to promote women in the workforce
	June	Established a wholly owned subsidiary and opened a local office in Norway
	July	JAPAN-GTL Consortium received the 2014 ENAA Engineering Commendation Award by the Engineering Advancement Association of Japan for its JAPAN-GTL Process

Production Start-up Schedule

In addition to the Ichthys LNG Project, plans are in place to commence production at a number of projects currently under development or where preparations for development are under way.



Year Ending March 31, 2015, to Year Ending March 31, 2016

New production is scheduled to commence at crude oil projects in such regions as the Americas, the Middle East, and Africa up to the start-up of production at the Ichthys LNG Project.

From the Year Ending March 31, 2017, Onward

Beginning with the commencement of production at the Ichthys project scheduled for the end of 2016, plans are in place for production to commence thereafter at the Prelude, Abadi and other LNG projects.

The Early 2020s

In addition to the start-up of the Ichthys and other large-scale projects, INPEX is looking to achieve net production volume of one million boed by the early 2020s through a variety of measures including further exploration investment and the acquisition of assets.

Multiple new crude oil projects are scheduled to commence production. Plans are also in place to increase production volumes at existing projects including the Upper Zakum Oil Field.

Natural gas production volumes are projected to increase mainly from LNG projects. LNG projects are also expected to contribute to the production of LPG and condensate.

Unconventional resources including shale gas and oil sands from Canada offer the expectation of future growth.

Expectations of further increases in production will arise as resources are uncovered at the 30-plus exploration projects being conducted across regions worldwide.

3
Market Trend and Management Policy

Business Flow in Oil and Gas Development and Our Strengths

The business activities of the oil and gas industry can be envisioned as the flow of a river. The upstream consists of exploration, development and production of oil and natural gas. The midstream is where products are transported. The downstream refers to refining and sales. Our mainstay business entails handling upstream operations including the exploration, drilling, production and sale of crude oil and natural gas. As shown in the business flow at right, upstream business activities can be further classified into ❶ **acquisition of blocks**, ❷ **exploration**, ❸ **appraisal**, ❹ **development**, ❺ **production** and ❻ **sales**.

The Company's Oil and Natural Gas Projects

- **In production**
  Projects that entail the production and sales of oil and natural gas
- **Under development**
  Projects for which the Company has made a final investment decision and is undertaking development activities with a view to production
- **Discovered/ Preparation for development**
  Projects that entail the discovery of resources through exploration and evaluation
- **Under exploration**
  Projects where exploration and evaluation activities are in progress with resources yet to be discovered
- Other projects

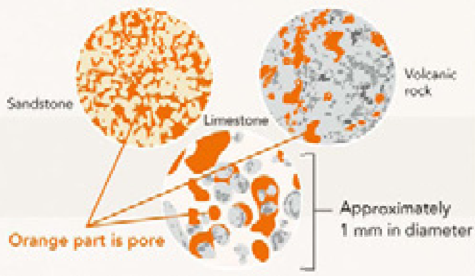
❶ Acquisition of Blocks

Signing ceremony of contract

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

Where do crude oil and natural gas come from?

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

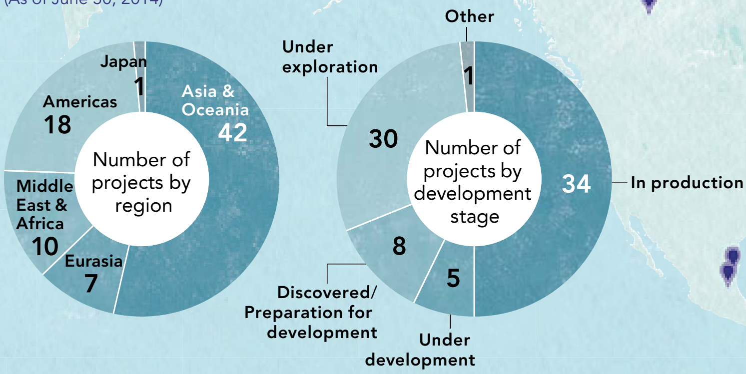


Crude oil and natural gas are found in small pores in sand and rocks.

The color, specific gravity and viscosity of crude oil and natural gas differ greatly depending on the location of the well.

78 projects in 27 countries

(As of June 30, 2014)



2 Exploration

3 Appraisal

Undertaking geological surveys to uncover reserves of natural resources trapped between rock formations


Geophysical surveys

In addition to geological surveys, we utilize geophysical surveys conducted through satellite images and seismic waves in order to assess the potential subsurface accumulations of oil and natural gas. Furthermore, we drill exploratory wells in order to confirm the presence of oil and gas.


Drilling of appraisal wells

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


Drilling of production wells

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

In addition, the drilling of production wells is undertaken to extract crude oil and natural gas. A pipe is inserted into the ground. The tip of the pipe is equipped with a special drill referred to as a "bit." The bit drills through hard rock while digging into the ground.

4 Development

Construct production and shipping facilities; dig wells using rigs (drilling equipment); extract crude oil and natural gas

2 Increasing Reserves

We will upgrade our probable/possible reserve volume to proved reserves by shifting to development work.

A Balanced Portfolio and Strong Reserve Volume/Resources

78 projects in 27 countries, 4.48 billion barrels of proved and probable reserve volume

INPEX has secured a balanced portfolio of oil and gas fields while establishing appropriate risk management by combining different projects, such as by oil and natural gas ratios, regional variances and exploration, development and production. In addition, holding a proved and probable reserve volume – the source of corporate value – of 4.48 billion barrels (crude oil equivalent) and we have an abundance of possible reserves and contingent resources beyond our probable reserves. We expect to continue increasing proved and probable reserves over the medium to long term.

INPEX's

Strong Financial Base

Equity Ratio 69.1%,
Net Debt/Net Total Capital Employed -31.9%

A strong, healthy balance sheet and cash reserves are essential for oil and gas E&P companies. This reflects both the high degree of risk associated with E&P activities and the need to have sufficient funds on hand to take advantage of major investment opportunities quickly as they arise. In August 2010, our company secured a strong financial position. As of March 31, 2014, our company had an equity ratio of 69.1% and a ratio of net debt to net total capital employed of –31.9%. (Cash and cash equivalents and public bonds were greater than interest-bearing debts.) Compared with the oil majors and other global peers, this represents a sound level of financial strength.

1 Aggressive Exploration and Development Investment

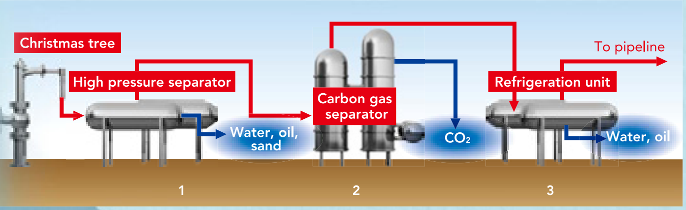
We will reinvest cash flows gained from production and expand our reserve volume.

Investment in Further Exploration/

Business Mode

5 Production

Refine and treat the oil and natural gas extracted from production wells



Refining/treatment of natural gas

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

Dynamic Growth Scenario

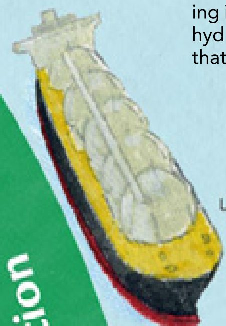
Promoting Ichthys and Other Large-Scale LNG Projects

INPEX is in the process of developing two of the world's leading-scale LNG projects at Ichthys in Australia and Abadi in Indonesia. We are the first Japanese company to develop such large-scale projects as an operator. The Company's net production volume is currently at the level of 400 thousand boed, and there are prospects of an increase to 700 thousand boed following the start of production at Ichthys. We are focusing on Ichthys development work, which will increase the corporate value of our company.

Maintenance/ Growth of Production Volume

We will produce oil and natural gas from proved reserves through our production operations.

Transportation



LNG tanker

LNG receiving terminal

Strengths

Natural Gas Supply Chain

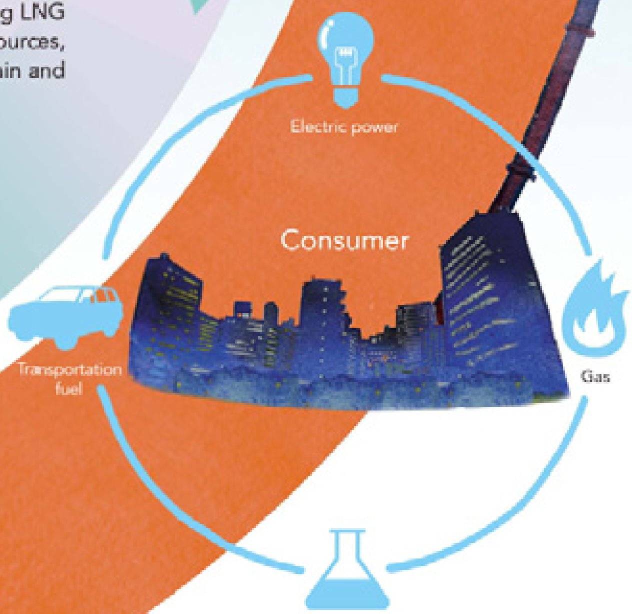
Owns Around 1,400 km of Gas Pipeline in Japan and the Naoetsu LNG Terminal

INPEX owns a natural gas pipeline network in Japan of around 1,400 km. The Naoetsu LNG Terminal commenced operations in December 2013, bringing one step closer the realization of a natural gas supply chain that links natural gas assets in Japan and overseas with the domestic market. By receiving LNG from the large-scale Ichthys project and other sources, the Company will build a global gas supply chain and plan further improvements in value added.

6 Sales

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

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



As sources of power needed, for example, for industry, transportation and the lives of consumers, oil and natural gas are used in a variety of applications. Oil is widely used for transportation fuel, including for automobiles and aircraft. Oil is also used as a raw material for petrochemicals, such as plastics.

Natural gas commonly has consumer uses, such as in the production of electricity, including thermal power generation, and city gas. Compared with petroleum and coal, natural gas produces fewer emissions such as carbon dioxide and is thus attracting attention as a form of environment-friendly, clean energy.

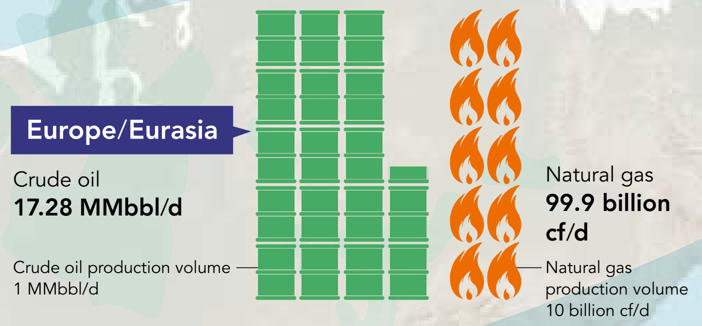
4 Accounting of Revenue Attributable to Sales

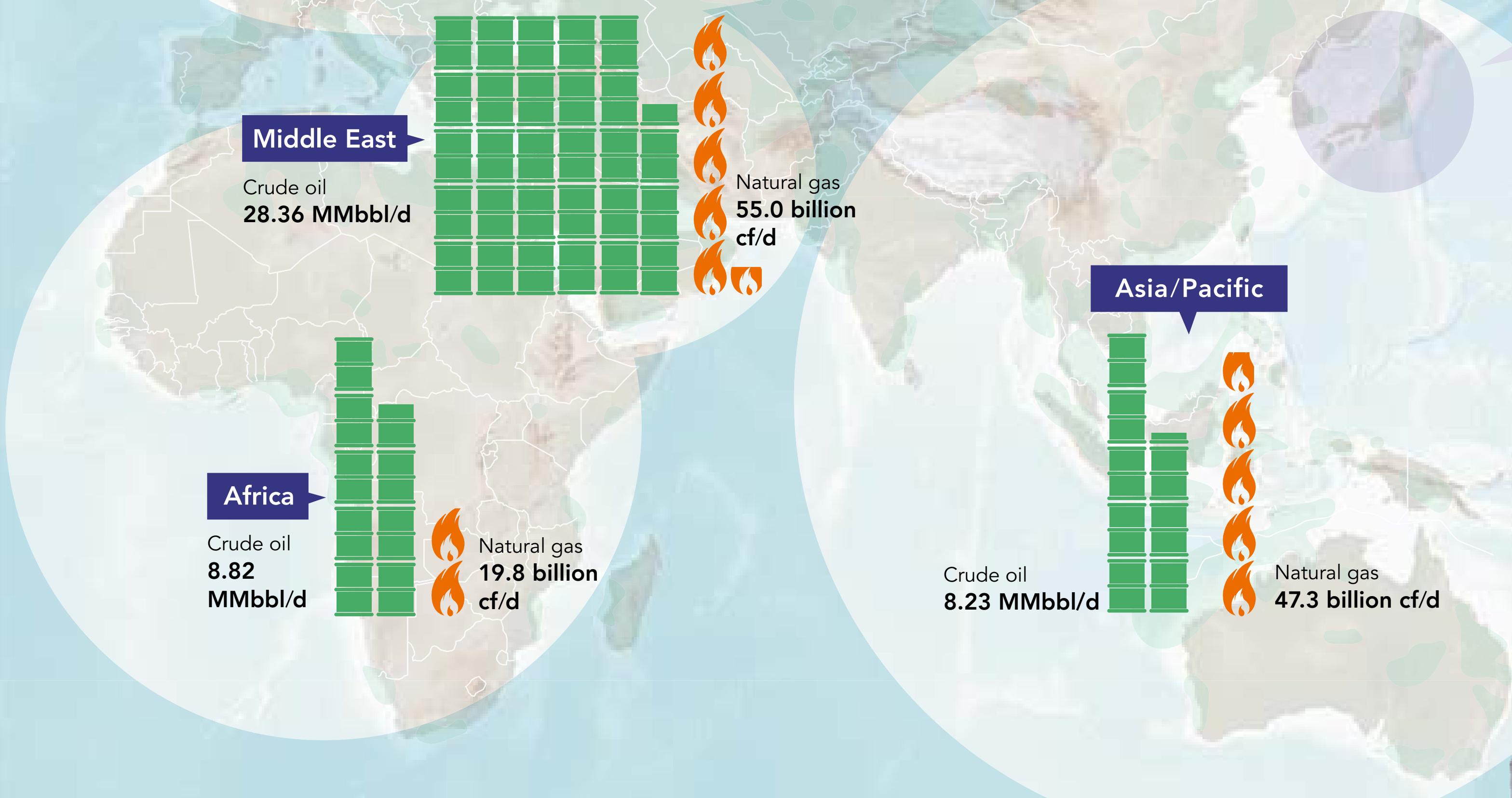
We sell products and record them as Company revenue.

Asset Acquisition, etc. (Go to 1)

Business Environment in Oil and Gas Development

The forecast is for further expansion of global primary energy demand, including oil and natural gas, to be centered on developing countries, such as China and India. Of that demand, that for natural gas is expected to see a significant increase. Due to such factors as rising resource nationalism, however, the securing of new oil and natural gas interests will continue to be biased toward frontier regions where development is beset with difficulties.



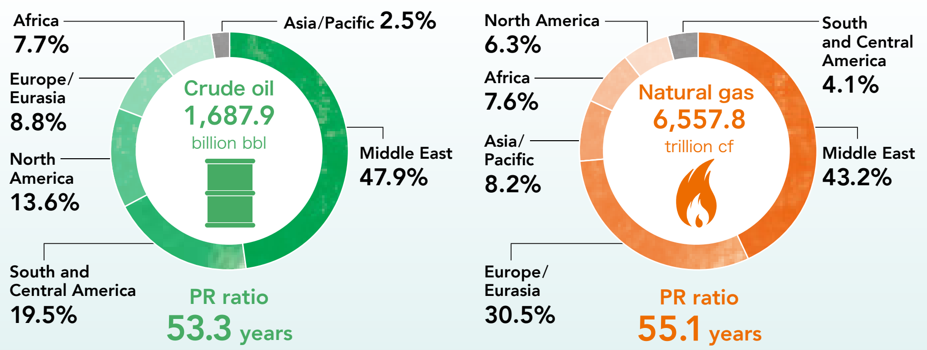


Representation of main oil and natural gas production areas

Global Proved Reserves and Reserves-to-Production Ratio

Global proved reserves of crude oil and natural gas total approximately 1.7 trillion barrels and 6.6 quadrillion cubic feet, respectively. By region, the Middle East holds the largest reserve volumes of both crude oil and natural gas in existence. There are also extensive proved reserves of crude oil in South and Central America and North America and of natural gas in Europe and Eurasia.

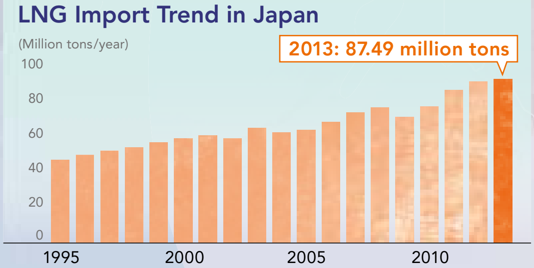
Proved Reserves by Region and Reserves-to-Production Ratio (PR ratio) (As of December 31, 2013)



Source: BP Statistical Review of World Energy 2014

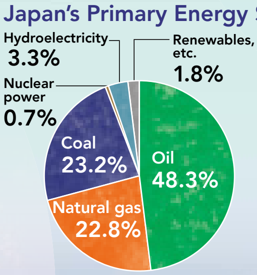
Oil and Natural Gas Demand in Japan

LNG Import Trend in Japan



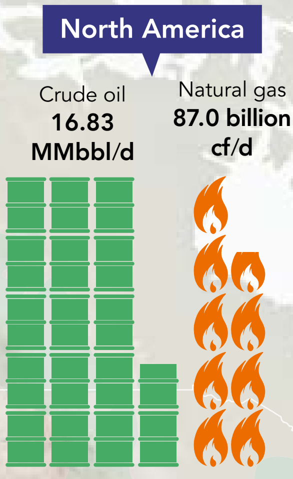
Demand for LNG is increasing in Japan. This reflects the upswing in LNG use for thermal power generation in the wake of the shutdowns of nuclear power plants. Source: Ministry of Finance trade statistics

Japan's Primary Energy Supply (2012)



Although the demand for oil has declined in Japan in recent years, oil that is broadly used as a source of heat and power, as well as in the production of materials, even now accounts for more than 40% of Japan's primary energy demand.

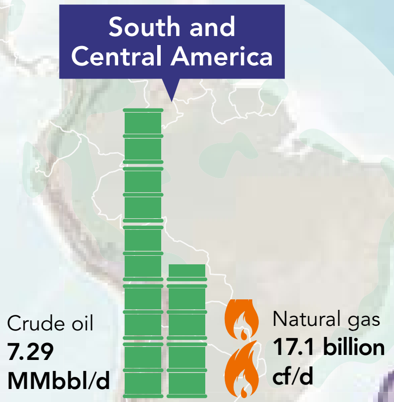
Source: Energy & Economic Statistics in Japan 2013



Production Volume by Region

There are many countries and regions that produce oil and natural gas, but countries that have large-scale production, have opened their mining areas to foreign oil companies or are capable of exporting LNG are limited to just a few. Due to the rise in resource nationalism, the securing of new oil and natural gas interests by energy development companies has in recent years continued to be biased toward frontier regions where development is beset with difficulties. Among these regions, however, are promising areas where large-scale reserve volumes are to be expected.

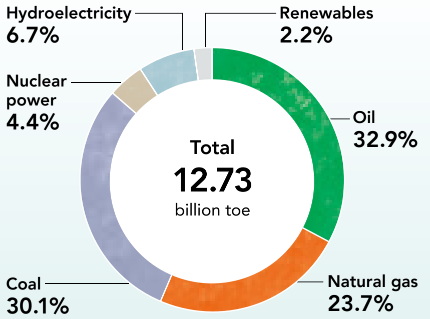
Production volume source: BP Statistical Review of World Energy 2014



Global Energy Demand

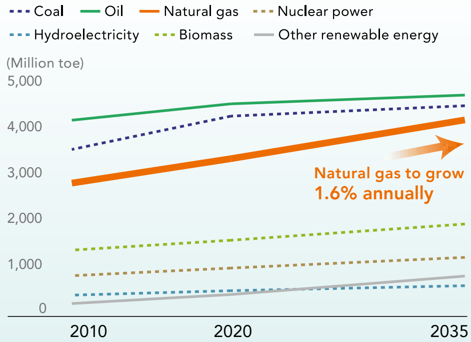
Oil and natural gas account for more than half of the amount of global primary energy consumption. The main focus is on other forms of energy, such as solar, hydro, biomass and geothermal, as these are renewable within a short time of first use and emit less CO_2 during power generation when compared with finite fossil fuels.

World Primary Energy Consumption (2013)



Source: BP Statistical Review of World Energy 2014

World Primary Energy Demand by Fuel



Source: IEA World Energy Outlook 2013 in the New Policies Scenario

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

In May 2012, the Company formulated the INPEX Medium- to Long-Term Vision that clarified such aspects as key initiatives up to the fiscal year ending March 2017 toward medium- to long-term growth targets and the achievement of those targets. The Medium- to Long-Term Vision defined **three growth targets** and **three management policies** and clearly specified the key initiatives over the following five-year period.

MEDIUM- TO LONG-TERM VISION OF INPEX:
Ichthys and Our Growth Beyond

For details, please refer to the booklet entitled "MEDIUM- TO LONG-TERM VISION OF INPEX: Ichthys and Our Growth Beyond," or refer to the following Web site:

▸ **www.inpex.co.jp/en/vision**

Three Growth Targets

We have set three growth targets necessary for sustainable growth and will conduct key initiatives over the next five years to achieve them.

Become a Top-Class International Oil and Gas

1 Continuous Enhancement of E&P Activities

Achieve net production volume of 1 million boed by the early 2020s

Three Management Policies

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

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

Recruit and utilize personnel in and outside of Japan to develop global professionals.

Establish an efficient business execution system to facilitate decision making.

2 Investment for Growth and Return for Shareholders

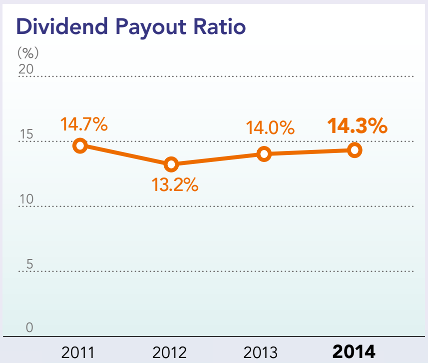
Investment over
five years

¥3.5 trillion

Including exploration expenditures of around
¥300 billion

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

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



Become an Integrated Energy Company with natural gas as the core

2 Strengthening Gas Supply Chain

Achieve domestic gas supply volume of 2.5 billion m³/year by the early 2020s

(3.0 billion m³/year in the long term)

E&P Company

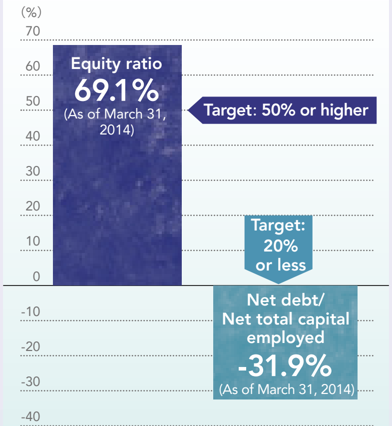
3 Reinforcement of Renewable Energy Initiatives

Promote efforts to commercialize renewable energies and reinforce R&D activities

for the next generation

Maintain Financial Strength

Equity Ratio, Net Debt/ Net Total Capital Employed



Funding Source

Own funds

Approximately ¥1.5 trillion of cash available on hand (As of March 31, 2014)

Cash flows

Future operating cash flows obtained per year

Bank loans

- Lending from JBIC
- Guarantee from JOGMEC
- Project finance

3 Responsible Management as a Global Company

Promote continuous improvements in corporate compliance and HSE initiatives.

Build trust-based working relationships with stakeholders through interactive communications.

Company Management Content in Business Model

A principal issue of the oil and gas development business is the ability to put in place a continuous cycle that entails the reinvestment of earnings for sustainable growth. In specific terms, this cycle involves ❶ **aggressive exploration and development investment**; ❷ **increasing reserves**; ❸ **maintenance/growth of production volume**; and ❹ **accounting of revenue attributable to sales**.

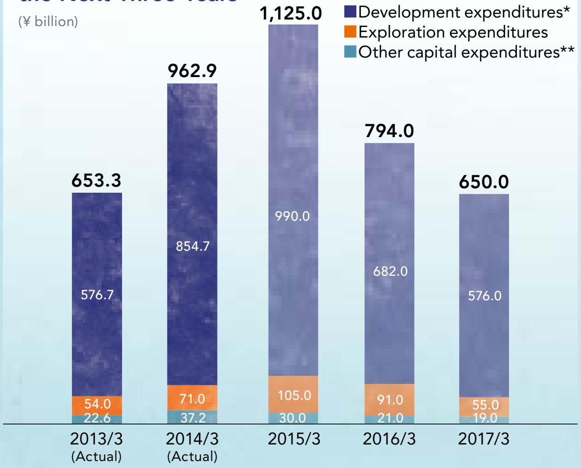
Over the five-year period from the year ended March 31, 2013, to the year ending March 31, 2017, INPEX intends to invest a total of ¥3.5 trillion and to continuously enhance its E&P activities. In specific terms, the Company will work diligently to achieve net production volume of 1 million boed by the early 2020s.

❶ Aggressive Exploration and Development Investment

To realize its growth targets, the Company will actively promote both exploration investment intended to maintain/expand reserve volume and development investment to produce oil and natural gas from reserve volume holdings.

The scale of investment is planned to be ¥3.5 trillion over the five-year period from the year ended March 2013 to that ending March 2017 (up until the start of production at Ichthys). Investment in Ichthys will account for more than half of the ¥3.5 trillion. As development operation at Ichthys is progressing smoothly for the most part, investment is being advanced in line with the investment plan. The value of the yen has weakened compared with the foreign currency exchange rate assumptions adopted at the time investment plans were formulated in May 2012. As a result, the amount of future investment has increased on a yen basis. However, as the Company's investments are for the most part denominated in U.S. dollars, there has been no change from the initial U.S. dollar–based investment amount of the ¥3.5 trillion.

Investment Results and Investment Plan for the Next Three Years

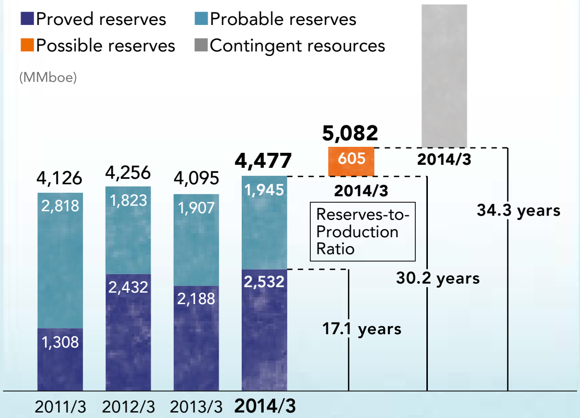


* Development expenditures include investment in the Ichthys downstream business
** Mainly investment in the Naoetsu LNG Terminal and the domestic pipeline network, etc.

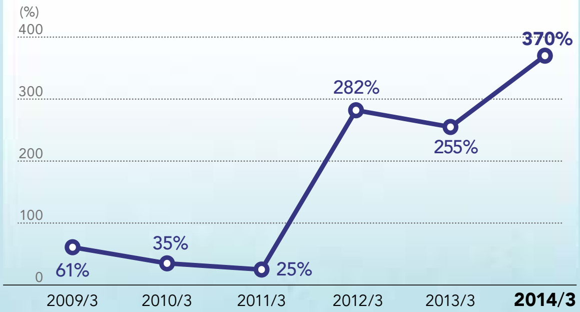
❷ Increasing Reserves

At the end of March 2014, the Company's reserves were proved reserves of 2.5 billion boe, probable reserves of 1.9 billion boe and possible reserves of 600 million boe. If reserve production is shown in terms of how many years reserve volumes will last at the current production volume, proved reserves will last 17.1 years, and 30.2 years if combined with probable reserves. Showing what level of recovery in interim production volume could be possible by increasing the interim reserve volume, the reserve replacement ratio (three-year average) has reached 370%. Also holding a wealth of contingent resource amounts, the Company expects to expand its medium- to long-term proved and probable reserves by launching new projects and improving the recovery rate from its existing oil and gas fields.

Our Reserves



Reserve Replacement Ratio (3-year average)

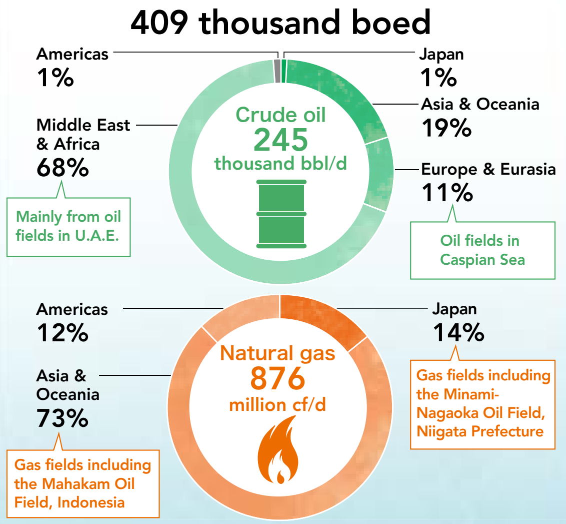


3 Maintenance/ Growth of Production Volume

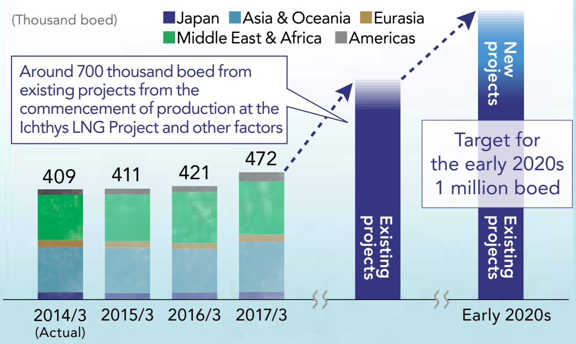
The Company's net production volumes for the year ended March 31, 2014, were 245 thousand barrels per day of crude oil, 876 million cubic feet per day of natural gas (164 thousand boed) for a combined oil and natural gas total of 409 thousand boed. We expect to increase that figure to 411 thousand boed for the year ending March 2015.

Concerning our medium- to long-term production volume forecasts, we plan to maintain and expand production volume due to the contributions from production at start-up production projects and existing projects until the start of production at the Ichthys LNG Project. After that, due to such factors as the start of production at Ichthys, we will increase net production volume of existing projects to the 700 thousand boed level and aim to achieve one million boed in the early 2020s by, for example, increasing the production volume of new projects.

Net Production (Year ended March 31, 2014)



Medium- to Long-Term Production Volume Targets

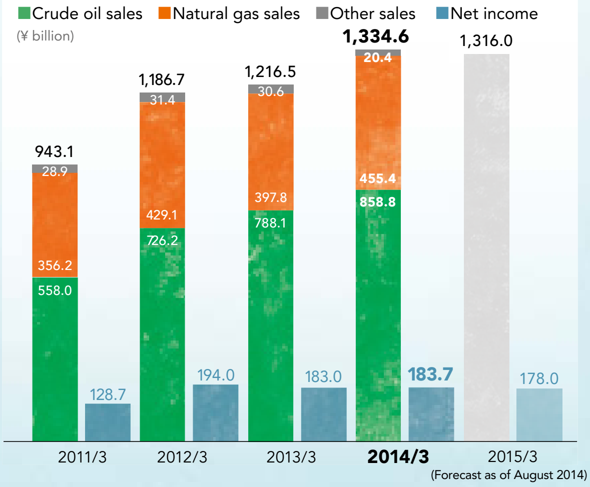


4 Accounting of Revenue Attributable to Sales

The Company maintains robust revenue based on the stable production of its revenue sources, crude oil and natural gas. For the year ended March 31, 2014, net sales reached an all-time high due to the effects of the yen's depreciation.

The Company's business revenues are greatly affected by changes in crude oil prices and exchange rates (U.S. dollar). The yearly average price of crude oil (ICE Brent) in the year under review was US$107 per barrel. On foreign currency exchanges, the yen remained at the ¥100 to the U.S. dollar mark for the year. The chart below shows the Company's sensitivity with regard to its consolidated net income forecasts for the current year in the event of changes in crude oil prices and exchange rates. A rise in crude oil prices and yen depreciation would have a positive effect on net income.

Net Sales (by product), Net Income



Sensitivities of Crude Oil Price and Foreign Exchange Fluctuation on Consolidated Net Income for the Year Ending March 31, 2015*1

Crude oil price; $1/bbl increase (decrease)*2	+2.5 (-2.5) billion yen
Exchange rate; ¥1 depreciation (appreciation) against the U.S. dollar	+0.8 (-0.8) billion yen
Flow effect on net income from operating activities*3	+2.1 (-2.1) billion yen
Stock effect on net income (valuation for assets and liabilities denominated in U.S. dollar)*4	-1.3 (+1.3) billion yen

*1: The sensitivities represent the impact on net income for the year ending March 31, 2015 against $1/bbl increase (decrease) of Brent crude oil price on annual average and ¥1 depreciation (appreciation) against the U.S. dollar. These are based on the financial situation at the beginning of the fiscal year. These are information purpose only and the actual impact may be subject to change in production volumes, capital expenditures and cost recoveries, and may not be constant, depending on crude oil prices and exchange rates.

*2: 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.

*3: 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.

*4: 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, when the yen is appreciated against the U.S. dollar to a certain extent, the above sensitivities may show different trend.

Comparison with Global Oil Companies

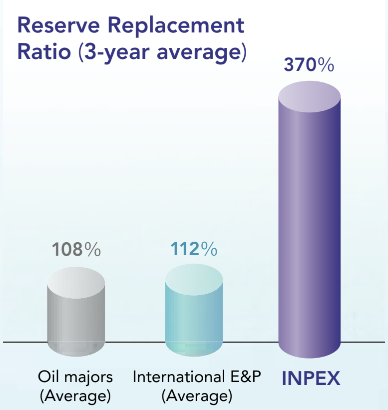
Oil companies that conduct upstream activities can be divided into three categories: ❶ **national oil companies of governments in oil-producing countries that possess oil and natural gas assets**, ❷ **major international oil companies known as the "oil majors"** and ❸ **companies that specialize in upstream activities and are second in scale to the oil majors**. INPEX is currently positioned in the mid-tier of international oil and gas E&P companies that are second to the oil majors.

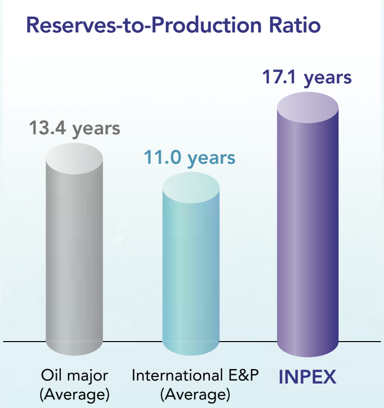
Reserve Volume Comparison with Global Peers

Our reserve replacement ratio and reserves-to-production ratio were superior to those of the oil majors and other international oil and gas E&P companies, and they represent our growth potential.

Average of majors:
BP, Chevron, ConocoPhillips, ENI, ExxonMobil, TOTAL, Shell

Average of E&P that disclose the data:
Anadarko, Apache, BG, Occidental, Santos, Statoil, Talisman, Woodside

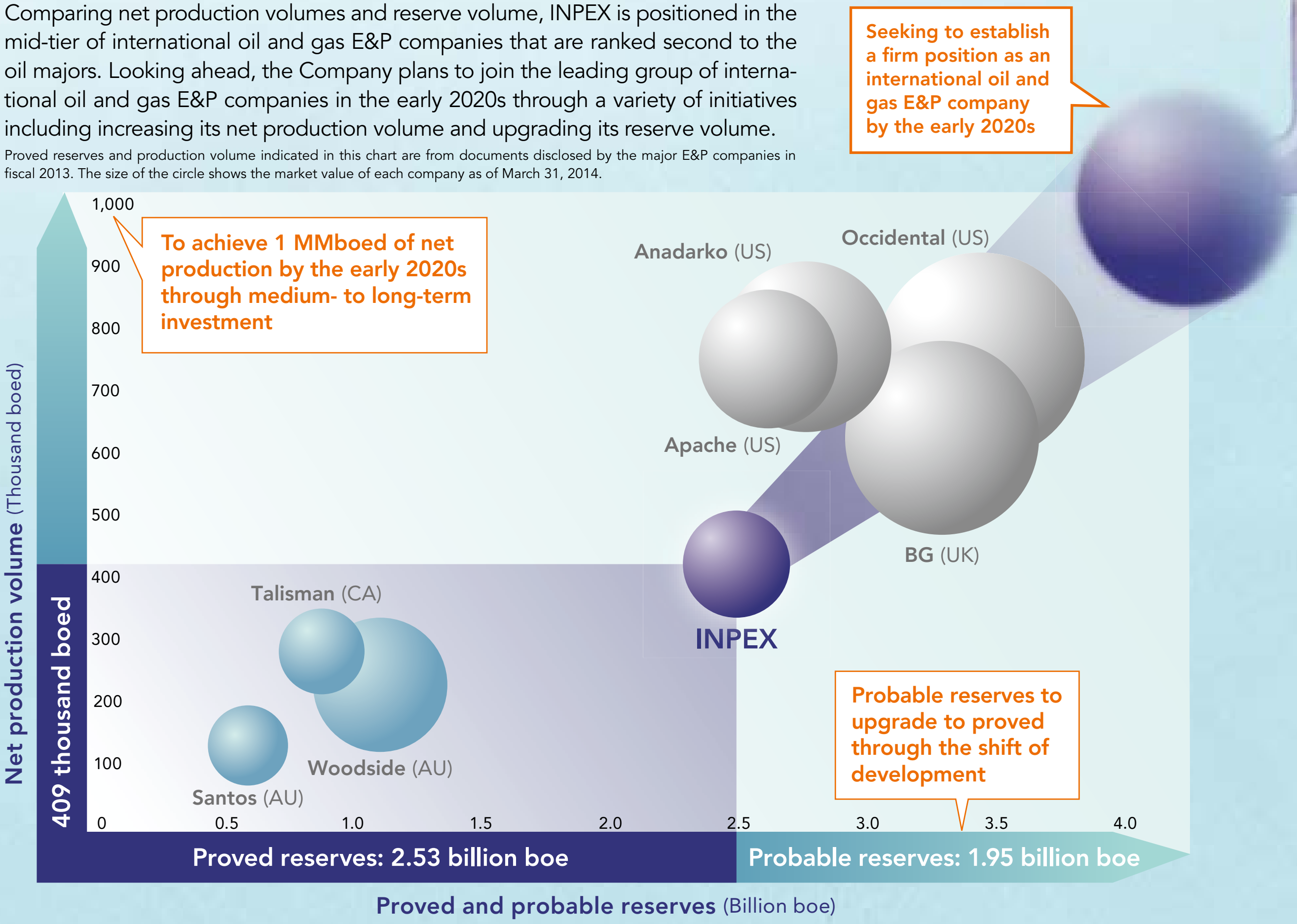




Proved Reserves, Net Production Volume and the Market Value of the Major International Oil and Gas E&P Players

Comparing net production volumes and reserve volume, INPEX is positioned in the mid-tier of international oil and gas E&P companies that are ranked second to the oil majors. Looking ahead, the Company plans to join the leading group of international oil and gas E&P companies in the early 2020s through a variety of initiatives including increasing its net production volume and upgrading its reserve volume.

Proved reserves and production volume indicated in this chart are from documents disclosed by the major E&P companies in fiscal 2013. The size of the circle shows the market value of each company as of March 31, 2014.

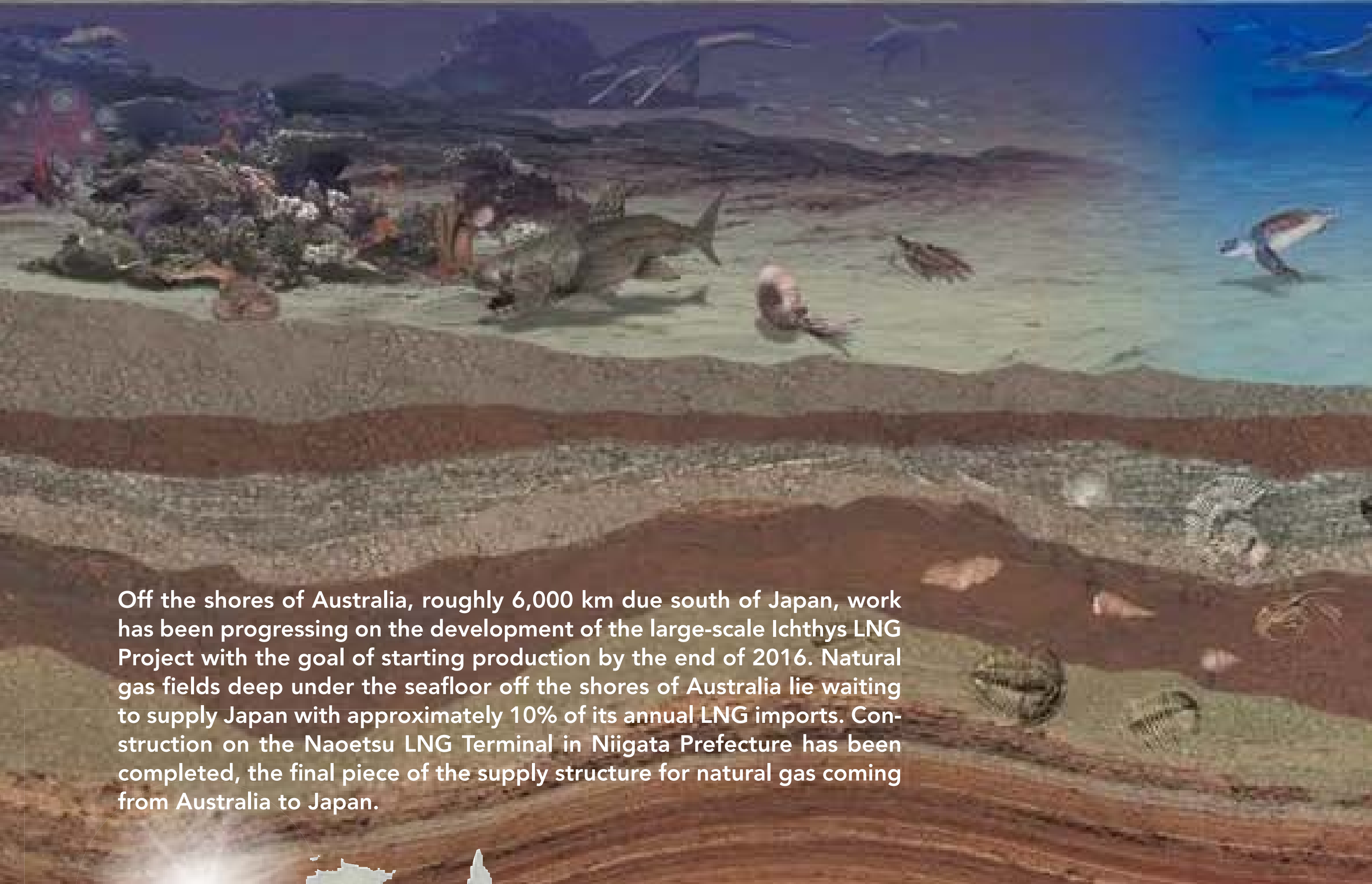


4
Special Report

Special Report:
Ichthys LNG Project and Gas Supply Chain

Delivering energy

from the ancient seabed of Australia for the future of Japan



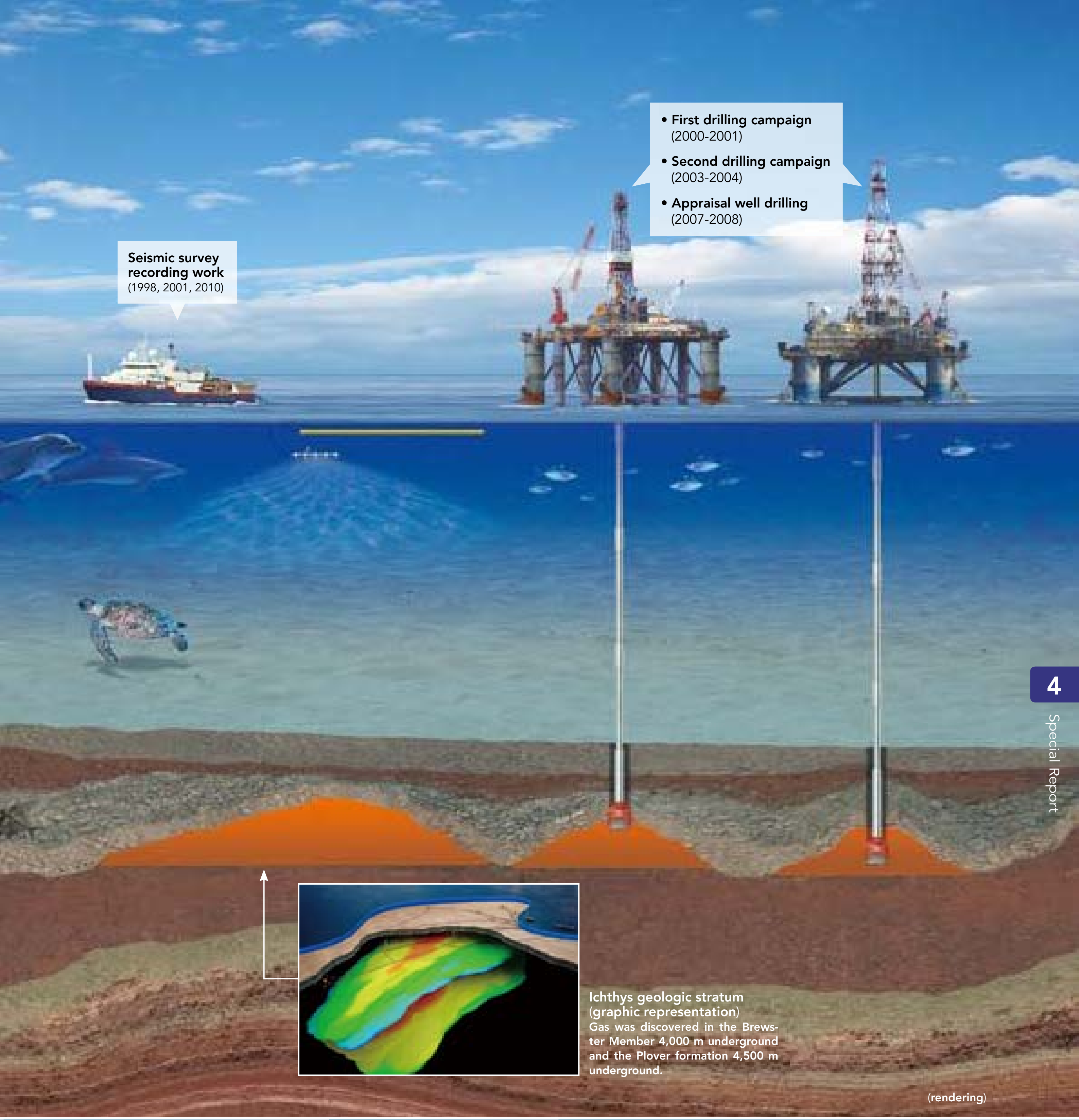
Off the shores of Australia, roughly 6,000 km due south of Japan, work has been progressing on the development of the large-scale Ichthys LNG Project with the goal of starting production by the end of 2016. Natural gas fields deep under the seafloor off the shores of Australia lie waiting to supply Japan with approximately 10% of its annual LNG imports. Construction on the Naoetsu LNG Terminal in Niigata Prefecture has been completed, the final piece of the supply structure for natural gas coming from Australia to Japan.

Ancient Times

Roughly 200 km off the shores of Australia and Western Australia, at depths of 4,000 and 4,500 m, there are two geologic reservoirs of gas. These reservoirs of gas cover approximately 600 square km, roughly the same area as the 23 wards of Tokyo. One or two hundred million years ago, at the height of the Jurassic period, these geologic stratum were formed. Over a long period, these massive gas fields gradually came into being and now lie sleeping under the sea off the shores of Australia.

Modern Times

In the mid-1980s, INPEX entered the field of offshore resource development in Australia, accumulating knowledge, experience and research over the next decade. In open bidding during 1997, INPEX placed the winning bid for the Ichthys block (WA-285-P Block) after confirming its considerable potential, and obtained operator rights to the area in August 1998.



Ichthys geologic stratum (graphic representation)
Gas was discovered in the Brewster Member 4,000 m underground and the Plover formation 4,500 m underground.

(rendering)

2000–2004

In 2000 and 2001, INPEX conducted the first drilling campaign, drilling three exploratory wells that all confirmed the presence of gas and condensate. INPEX then conducted three-dimensional seismic surveys. In the second drilling campaign in 2003 and 2004, three more exploratory wells were drilled, confirming the existence of massive gas and condensate fields under the seafloor.

2007–2008

In 2007 and 2008, INPEX drilled two wells to assess recoverable reserves of gas and condensate at Ichthys. INPEX also decided on Darwin as the location to build the LNG plant.

2009–2011

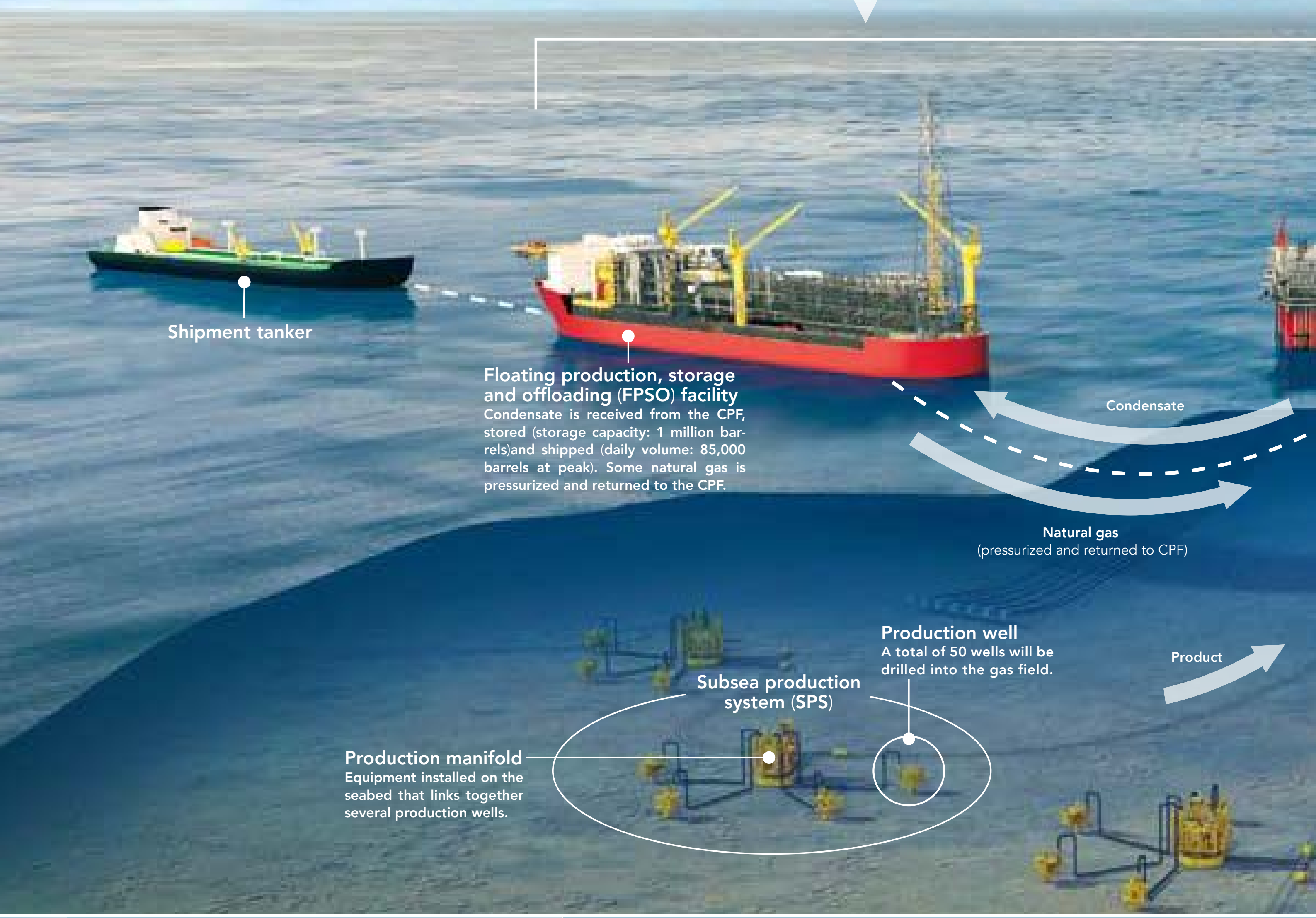
From 2009 until the final investment decision (FID) was made in January 2012, the following preparatory development work was undertaken.

- In 2009, front-end engineering and design (FEED) work began.
- From July to September 2010, conducted a public review of the Environmental Impact Statement (EIS).
- May 2011, acquired the pipeline license.
- In 2011, obtained environmental approvals from the Northern Territory Government and the Federal Government.
- Signed LNG sales contracts with eight LNG buyers, finishing contractual agreements for the purchase of the entire annual LNG production volume of 8.4 million tons.

Development Concept of the Ichthys LNG Project

Offshore Production Facilities

Product from development wells is collected in the subsea production system (SPS) and then sent to the offshore central processing facility (CPF) through flowlines and flexible risers. Gas and condensate are separated at the CPF, and the condensate is stored at a floating production, storage and offloading (FPSO) facility until transfer to a tanker for shipment. The gas, however, is transferred to an onshore liquefaction plant via a gas export pipeline (GEP).



2012

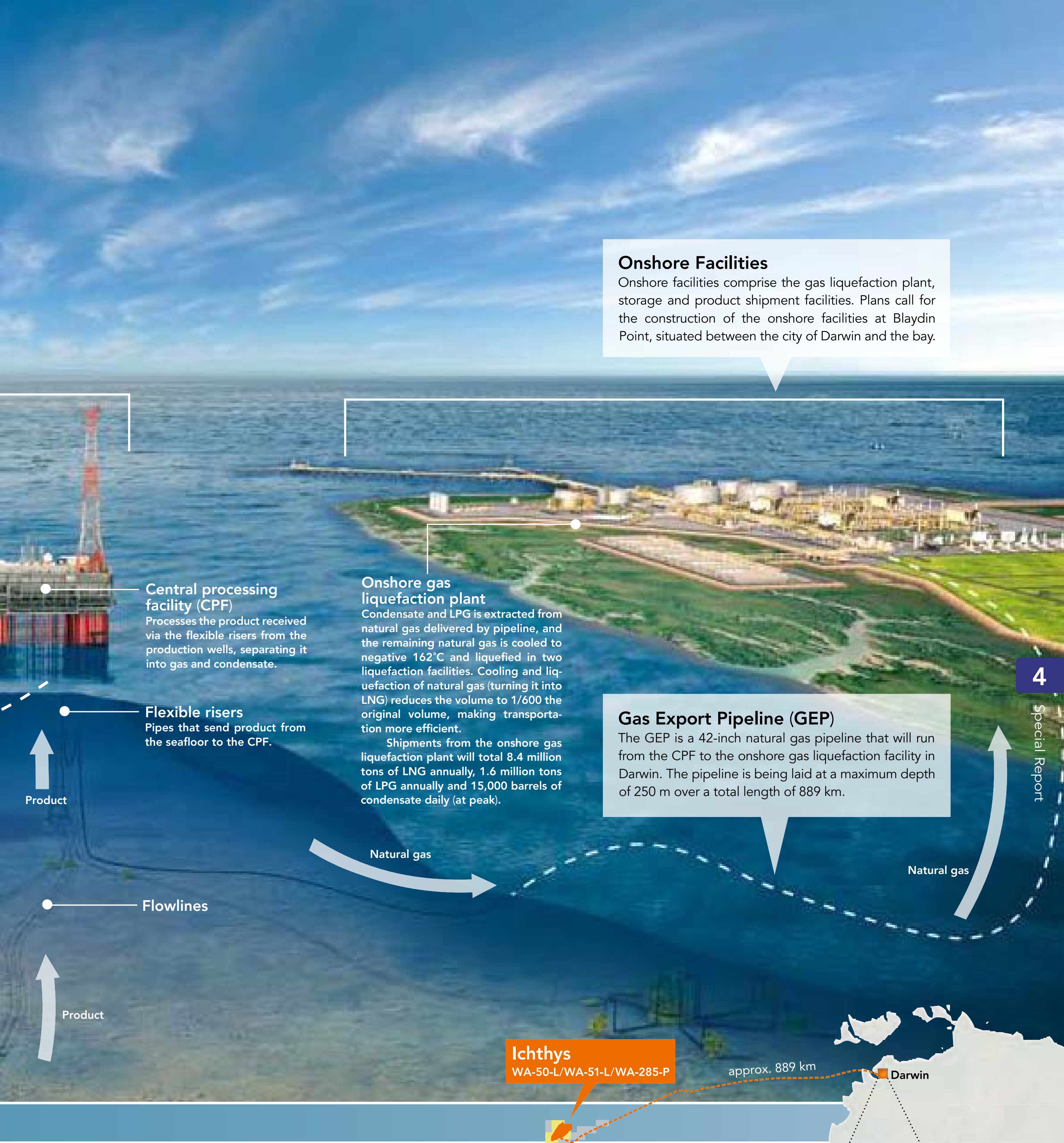
In January 2012, INPEX made a final investment decision (FID) and began development work. In March, INPEX was granted a production license, and in May, held a steel cutting ceremony for the onshore gas liquefaction plant in Darwin. In December, INPEX signed project financing arrangements totaling US$20 billion.

Ceremony for the FID (January 2012)

2013

In January, a steel cutting ceremony was held for the offshore central processing facility (CPF). In February, liability insurance was arranged for related construction facilities during the construction period. In June, INPEX signed contracts for the building and ownership of LNG carriers and contracts for time charters to transport LNG. A steel cutting ceremony was also held for the offshore floating production, storage and offloading (FPSO) facility, construction commenced on modules for the offshore facilities and onshore gas liquefaction plant, and construction started on bridges and tanks for the onshore facilities.


FPSO steel cutting ceremony (June 2013)



Onshore Facilities

Onshore facilities comprise the gas liquefaction plant, storage and product shipment facilities. Plans call for the construction of the onshore facilities at Blaydin Point, situated between the city of Darwin and the bay.

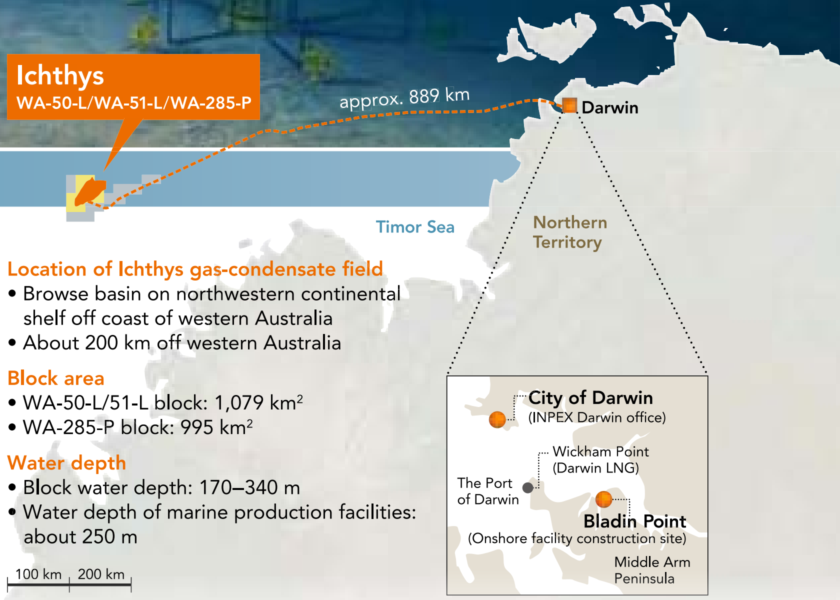
Onshore gas liquefaction plant

Condensate and LPG is extracted from natural gas delivered by pipeline, and the remaining natural gas is cooled to negative 162°C and liquefied in two liquefaction facilities. Cooling and liquefaction of natural gas (turning it into LNG) reduces the volume to 1/600 the original volume, making transportation more efficient.

Shipments from the onshore gas liquefaction plant will total 8.4 million tons of LNG annually, 1.6 million tons of LPG annually and 15,000 barrels of condensate daily (at peak).

Gas Export Pipeline (GEP)

The GEP is a 42-inch natural gas pipeline that will run from the CPF to the onshore gas liquefaction facility in Darwin. The pipeline is being laid at a maximum depth of 250 m over a total length of 889 km.



Project Outline

Production volume	LNG: 8.4 million tons/year
	LPG: 1.6 million tons/year
	Condensate: about 100,000 barrels daily (at peak)
CAPEX	US$34 billion
Participating interests	INPEX 66.070% (operator)*, TOTAL 30%, Tokyo Gas 1.575%, Osaka Gas 1.200%, Chubu Electric Power 0.735%, Toho Gas 0.420%
Schedule	January 2012 final investment decision (FID), plans to start production by the end of 2016

*Of this figure, 2.625% is being transferred to CPC.

Location of Ichthys gas-condensate field

- Browse basin on northwestern continental shelf off coast of western Australia
- About 200 km off western Australia

Block area

- WA-50-L/51-L block: 1,079 km^2
- WA-285-P block: 995 km^2

Water depth

- Block water depth: 170–340 m
- Water depth of marine production facilities: about 250 m

4 Special Report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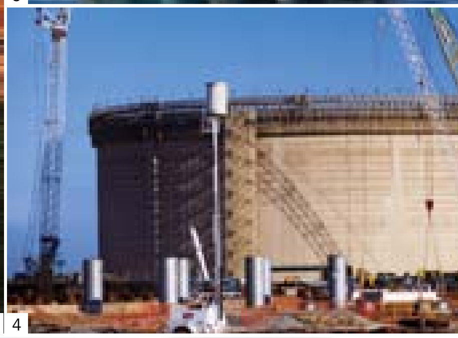
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Work Status in 2014 (as of July 2014)

Projects to advance important work are becoming more tangible in 2014.

In February, full-scale assembly work began on the hull of the floating production, storage and offloading (FPSO) facility, and assembly of the offshore central processing facility (CPF) began in April. In June, work progress crossed the 50% mark, less than two years and six months after the final investment decision in January 2012. At the end of June, the gas export pipeline (GEP) laying started. In July, development work progressed with the launch of the FPSO hull and the start of the module arrival for the onshore gas liquefaction plant.

Onshore facilities

- ✓ Completed Accommodation Village for construction workers
- ✓ Completed dredging of Darwin bay
- ✓ Modules started to arrive for onshore gas liquefaction plant

Other

- ✓ Work progress at 50% (June)

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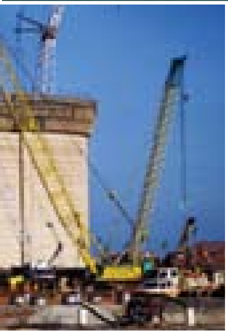

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12

13

14

Offshore production facilities

- ✓ Started work assembling FPSO hull
- ✓ Started work assembling CPF
- ✓ To start drilling production wells

Gas export pipeline

- ✓ Completed coating of steel pipes
- ✓ Started laying gas export pipeline

1: Aerial photo of onshore gas liquefaction plant under construction in Darwin
2: Cutting-edge Castrone pipeline laying ship for deep-sea work; able to lay subsea 42-inch diameter pipelines
3: ENSCO 5006 drilling rig for production wells; plans call for drilling of production wells to start in 2014
4: LNG tank at an onshore gas liquefaction plant under construction
5: FPSO assembly construction
6: Gas export pipeline laying work in progress in the Darwin coastal waters
7: FPSO hull launch
8: Plant module assembly work in progress at an onshore gas liquefaction plant
9: Landing facilities under construction for onshore gas liquefaction plant
10: Jetty for product shipment under construction at an onshore gas liquefaction plant
11: Accommodation Village for up to 3,500 construction workers for onshore gas liquefaction plant
12: Subsea production system under construction in the United Kingdom.
13: CPF under construction; Ichthys CPF measures 150 m by 110 m, with a total displacement of 140,000 tons, making it one of the largest in the world
14: Hull of the CPF

Procurement, construction and development work ramping up for start of production by the end of 2016

Onshore gas liquefaction plant under construction

Completed onshore gas liquefaction plant (rendering)

Features and strengths of the Ichthys project

Substantial Condensate and LPG

In addition to the 8.4 million tons of LNG per year, the production volume of the project calls for a maximum of 100,000 barrels of condensate a day and 1.6 million tons of LPG per year.

Cooperation with Oil Major

Development work is being advanced with oil major TOTAL, which has a vast amount of experience in LNG projects.

Ratio of Lump-Sum Contracts: Approximately 75%

Approximately 75% of the amounts contracted with the EPC contractors are lump-sum contracts, which are serving to reduce the risk of cost overruns.

Sales of Entire LNG Production Volume Completed

The signing of sales and purchase agreements covering the entire production volume was completed before the final investment decision (FID).

Painstaking Pre-Development Preparation

Having extended the front-end engineering and design (FEED) activities by one year, sufficient engineering work has been undertaken and raised the accuracy of the cost estimates.

Contracts with Reliable EPC Contractors

The Company secured highly reliable EPC contractors with track records in LNG projects.

Secure Funding

In December 2012, the Company signed project financing arrangements for US$20 billion, thereby concluding its funding.

2015–2016 Year-End

Construction and equipment installation will continue at both offshore and onshore facilities. Modules will then be installed at onshore facilities and connected to offshore facilities, followed by trial production operations. After production commences, LNG, LPG and condensate products will be shipped and sold to customers.

Major Work Flow Until Start of Production

Construction and infrastructure development
(plant module construction, infrastructure development and facility construction at plant site, etc.)

→ **Plant construction with module and other installation**

Construction and equipment installation of offshore facilities
(CPF and FPSO construction, gas export pipeline laying, etc.)

→ **Connection to offshore facilities**

→ **Commissioning** → **Start of production** → **Transport and sale of product**

Production well drilling

LNG produced at Ichthys (INPEX portion) is transported from Australia to Japan via the Naoetsu LNG Terminal

Route from Australia to Japan (Naoetsu LNG Terminal) (rendering)

As an LNG carrier for the Naoetsu LNG Terminal, the Sayaendo-type LNG carrier is currently being built with a tank capacity of 155,300 m³.

(Million tons/year)

A Tokyo Electric Power 1.05	F Kyushu Electric Power 0.30
B Tokyo Gas 1.05	G Toho Gas 0.28
C Kansai Electric Power 0.80	H INPEX 0.90
D Osaka Gas 0.80	I TOTAL (France) 0.90
E Chubu Electric Power 0.49	J CPC (Taiwan) 1.75

Insurance Arrangements for Facilities during Construction Period Completed

In February 2013, INPEX completed insurance arrangements related to the construction periods of the project's onshore and offshore facilities.

Addressing risks and making steady progress on projects

Upside potential in surrounding areas

The 11 exploration blocks surrounding Ichthys could lead to greater value in the future for the Ichthys LNG Project.

Ichthys Q&A

Seiya Ito
Director, Managing Executive Officer,
Senior Vice President of Ichthys Project Division

Q How many people are engaged in the framework for advancing the development work?

A Excluding the EPC contractors, there are **1,800 people on the Ichthys LNG Project overall, of whom 40 are seconded from the oil major TOTAL** (as of June 30, 2014). It is expected that this will increase up to a maximum of around 2,000 for the overall project.

Q How do you go about managing the operations of each base, which span the world?

A For the Ichthys LNG Project, we have assigned a person in charge at each base. In addition to carrying out detailed operations management, we ascertain and manage the overall project operations from the Perth office on the basis of regular operational reports from each base. **In addition, a Technical Directorate and a Project Coordination control overall operations in a cross-organizational manner.**

4 Special Report

Naoetsu LNG Terminal and Natural Gas Pipeline Network in Japan

Full view of the Naoetsu LNG Terminal

Naoetsu LNG Terminal

INPEX's portion of the Ichthys LNG Project will mostly be received at the Naoetsu LNG Terminal. Construction on the Naoetsu LNG Terminal began in July 2009, and it commenced operations in December 2013. Although six months or so have passed since starting operations, the terminal has operated stably without any major incidents. Up until LNG is received from the Ichthys LNG Project, INPEX will purchase a total of roughly one million tons of LNG, the equivalent of 17 LNG tanker vessels, from Chubu Electric Power Co., Ltd., and supply natural gas to Japan.

Outline of Naoetsu LNG Terminal Facilities

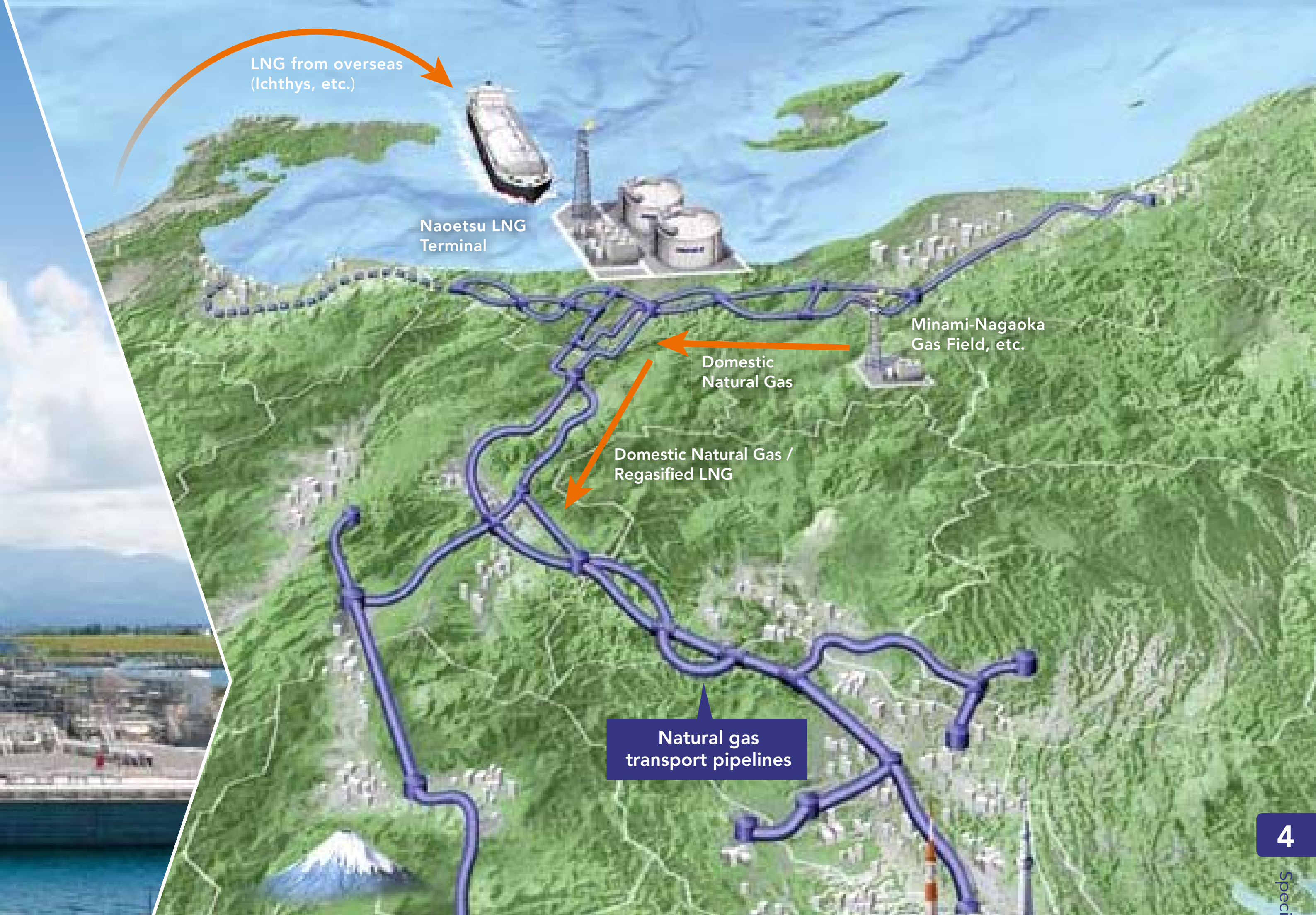
Unloading arms (wharf)
Unloading equipment for moving LNG from LNG carriers to onshore facilities.

Two LNG tanks
Massive LNG storage tanks about 80 m in diameter and 50 m in height.

RGB (return gas blowers)
Equipment that returns boil-off gas (BOG) to LNG carriers, to modify pressure balance.

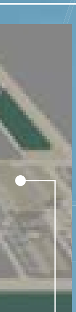
ORV (open rack vaporizer)
Equipment that warms LNG up to a natural gas state. Seawater is used as a heating medium.

BOG compressors
Equipment that compresses BOG from LNG tanks to make raw materials.

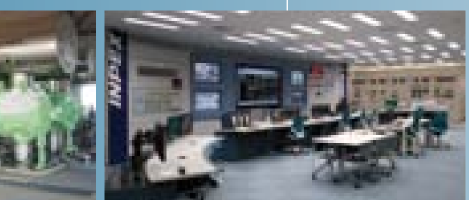



Building a Gas Supply Chain (rendering)

LPG tanks
Storage tanks for LPG used to modify the calorific value of natural gas.



Location	12 Yachiho, Jyoetsu, Niigata Prefecture
Area	Approx. 25 ha
Gas production capacity	7.5 million m³/d (LNG 240 tons/hour)
LNG tanks	180 thousand kl × 2 (upgrade possible)
LNG receiving capacity	approx. 1.5 million tons/year



Central Control Room
All equipment and operations within the terminal facility are monitored and controlled from a central location.

Building a Gas Supply Chain

Since the 1960s, INPEX has maintained a pipeline network for the transport of natural gas. This pipeline network now extends a total of 1,400 km, crossing seven prefectures and one metropolis in the Kanto-Koshinetsu region.

To address domestic demand for natural gas, which is likely to grow strongly, INPEX is building out a gas supply chain that will link together the following:

1. Natural gas received at the Naoetsu LNG Terminal, etc.;
2. Natural gas mainly in Niigata Prefecture; and
3. Natural gas transport pipelines.

INPEX will be the first company in Japan to be involved in every facet of natural gas operations from upstream to downstream activities including development, production, liquefaction, transportation, gasification and supply, as well as the ownership and operation of its own overseas gas fields. While building a gas supply chain, INPEX will work to expand its natural gas business further over a broader region.

4 Special Report

Successful start-up of the Ichthys LNG Project and others
+
Establishment of our natural gas supply chain

with the Naoetsu LNG Terminal and a domestic natural gas pipeline network

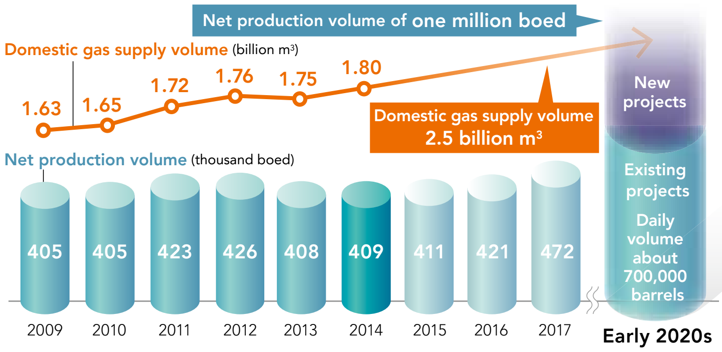
Become a top-class international oil and gas E&P company after the oil majors

Future Growth

The Ichthys LNG Project will produce natural gas from under the sea of ancient Australia. INPEX is also building a gas supply chain for delivering natural gas throughout Japan. We are taking solid steps toward our Medium- to Long-Term Vision that targets net production volume of one million boed and domestic gas supply volume of 2.5 billion m³ in the early 2020s.

The launch of this large-scale project will propel INPEX into the top ranks of the internationally competitive oil and gas E&P companies. By building a natural gas supply chain using gas infrastructure in Japan, INPEX is evolving into an integrated energy company that reliably supplies energy.

Long-Term Outlook for Net Production Volume and Domestic Gas Supply Volume



5
Project Overview

Segment Overview

Asia & Oceania

▸p. 48

INPEX's core region. INPEX has its largest number of projects and owns its largest reserves in this region. INPEX is proceeding with large-scale LNG projects, including Ichthys and Abadi.

Eurasia

▸p. 54

INPEX owns the large-scale ACG and Kashagan oil projects and has acquired a number of exploration projects in recent years.

Number of countries

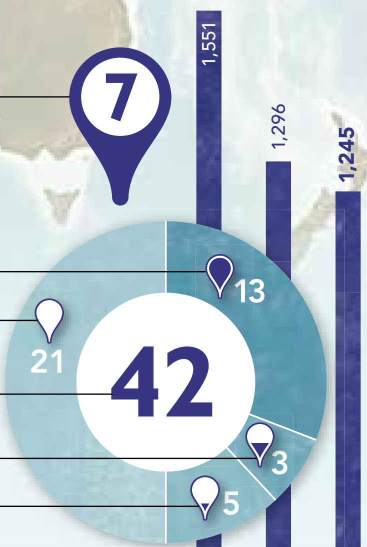
In production

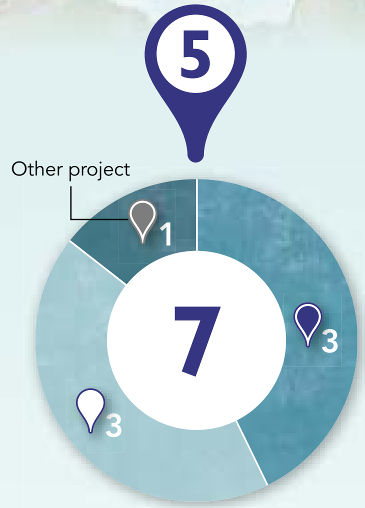
Under exploration

Number of projects

Under development

Discovered/Preparation for development

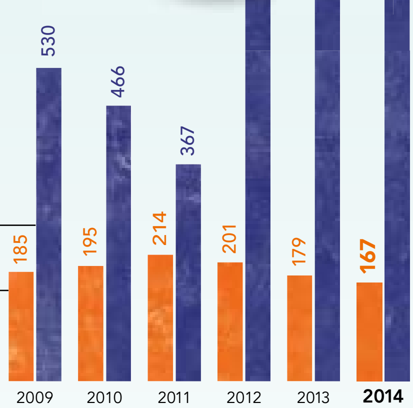


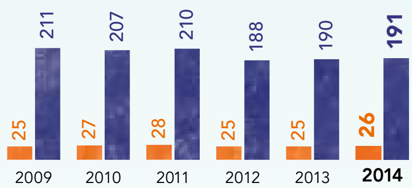


Production/Reserves

■Proved reserves (million boe)

■Net production (thousand boed)

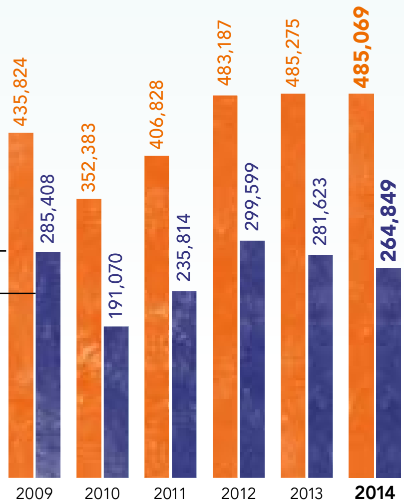


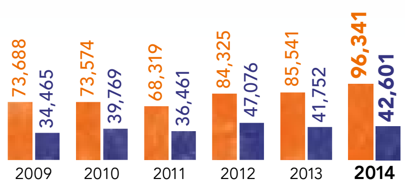


Net sales/ Operating income

■Net sales (¥ million)

■Operating income (¥ million)

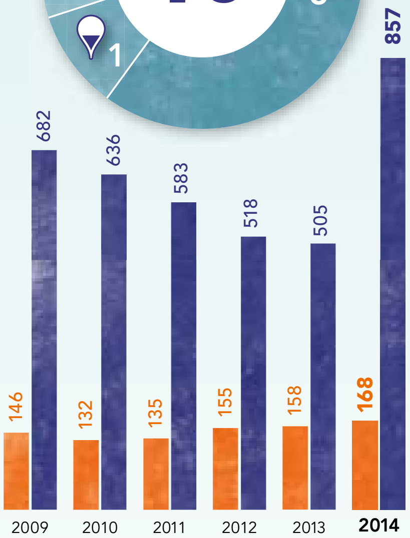


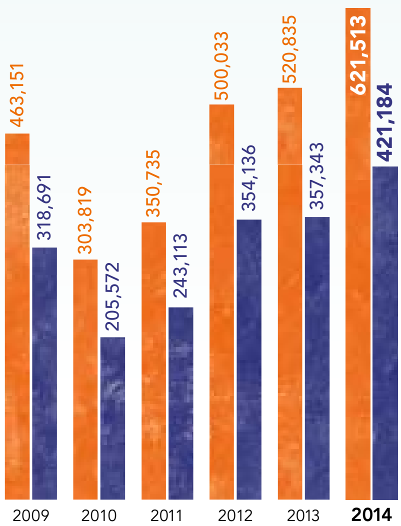


Middle East & Africa

▸p. 56

A substantial contribution is from the ADMA Block in the United Arab Emirates. Oil projects are the mainstay.

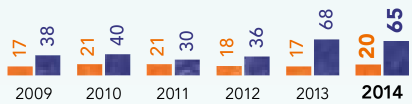


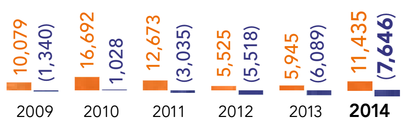


Americas

▸p. 58

INPEX focuses on the potential of shale gas in Canada. The Lucius project in the U.S. Gulf of Mexico is planned to start production in the latter half of 2014.





Japan

▸p. 62

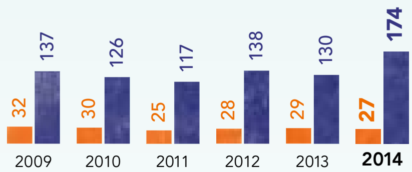
INPEX engages in natural gas production and sales via, for example, the Minami-Nagaoka Gas Field in Niigata Prefecture, its pipeline network, and the Naoetsu LNG Terminal. INPEX also focuses on unconventional types of energy, such as geothermal development.

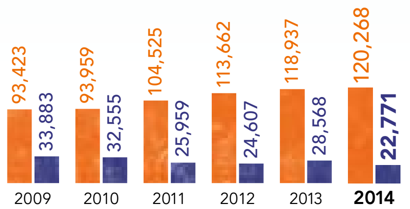
Minami-Nagaoka Gas Field

Naoetsu LNG Terminal

Natural gas pipeline network (Approx. 1,400 km)

etc.





Project Overview by Region

Asia & Oceania

INPEX is engaged in activities in the Offshore Mahakam Block in Indonesia, which is contributing significantly to earnings, and the large-scale Ichthys and Abadi LNG projects, where development and preparation for development are ongoing. In the Asia and Oceania region, the Company is also actively advancing more than 20 exploration projects with growth potential.

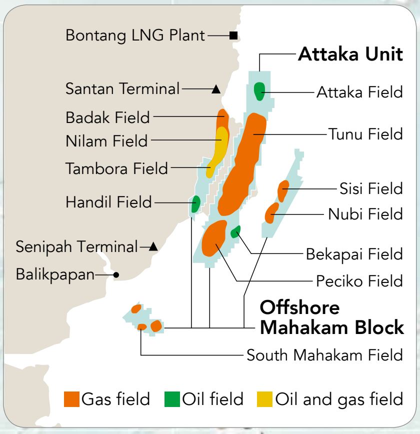
1 Offshore Mahakam Block and Attaka Unit

INPEX entered into a production sharing contract (PSC) with the Indonesian Government in October 1966, at that time acquiring a 100% interest in the Offshore Mahakam Block. The Attaka Unit was established in April 1970 through the unitization of part of the adjacent blocks owned by INPEX and Unocal (now Chevron), with each company taking a 50% interest. Production of crude oil and natural gas has continued since 1972. INPEX farmed out 50% of its interest in the Offshore Mahakam Block to CFP (now TOTAL) in July 1970. This venture subsequently made a series of discoveries in the Bekapai (oil), Handil (oil), Tambora (oil and gas), Tunu (gas), Peciko (gas), Sisi and Nubi (gas), as well as the South Mahakam (gas), fields, each of which has continued to produce crude oil and natural gas. The crude oil and condensate produced from these fields are shipped mainly to oil refineries and power companies in Japan by tanker from the Santan and Senipah terminals. Most of the natural gas is supplied to the Bontang LNG Plant, and then shipped as LNG to customers in Japan and elsewhere.

The Offshore Mahakam Block has begun to see output decline after more than 40 years of production. In 2012, impediments at production wells led to a large drop in output, in addition to natural attrition. Thereafter, successful steps were taken to control the decline in production. In addition to measures aimed at counteracting sand problems, INPEX accelerated the pace at which it undertook development well drilling. Production volumes have remained stable since 2013.

The PSC for the Offshore Mahakam Block expires at the end of 2017. Together with TOTAL (the operator), we have been engaged in negotiations with the Indonesian authorities to secure a contract extension beyond 2018.

Contract area (block)	**Project status** (production on the basis of all fields and average rate of FY2013)	**Venture company** (established)	**Interest owned** (*Operator)
Offshore Mahakam	In production (Crude oil: 72 Mbbl/d, Natural gas: 1,391 MMcf/d, LPG: 12 Mbbl/d)	INPEX CORPORATION (February 21, 1966)	INPEX 50% TOTAL* 50%
Attaka Unit			INPEX 50% Chevron* 50%



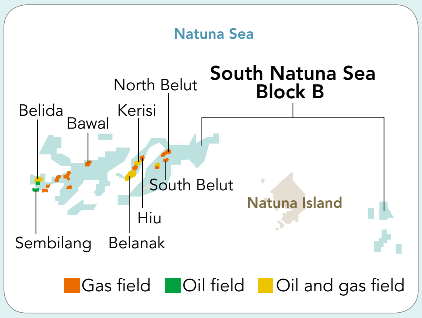
1, 2: Shipping terminal

5 Project Overview

❷ South Natuna Sea Block B

In July 1977, INPEX acquired a 17.5% interest in the South Natuna Sea Block B in Indonesia. Later, in January 1994, INPEX increased its total interest in the block to 35% with the purchase of an additional interest. Crude oil production began in 1979, and supplies of natural gas to Singapore via Indonesia's first international pipeline commenced in 2001. Additional deliveries of natural gas from this pipeline to Malaysia started in 2002. These supply milestones contributed to the extension of the PSC covering the block until 2028.

Production operations in the Belanak oil and gas field, which is part of South Natuna, utilize a world-class floating production, storage and offloading (FPSO) system. Production of crude oil and condensate began in December 2004, with LPG production commencing in April 2007. After 2006 at this same block, production began at the Hiu Gas Kerisi Oil and Gas, North Belut Gas and Bawal Gas fields. Most recently, production commenced at the South Belut Gas Field in April 2014.

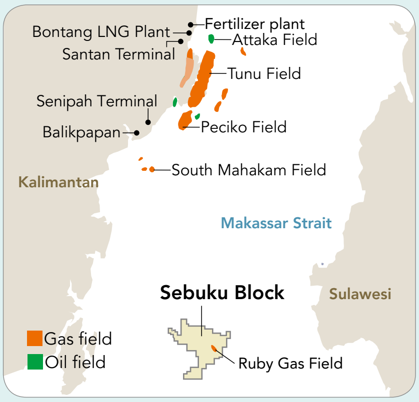


Contract area (block)	Project status (production on the basis of all fields and average rate of FY2013)	Venture company (established)	Interest owned (*Operator)
South Natuna Sea B	In production (Crude oil: 31 Mbbl/d Natural gas: 333 MMcf/d LPG: 12 Mbbl/d)	INPEX Natuna, Ltd. (September 1, 1978)	INPEX Natuna 35% ConocoPhillips* 40% Chevron 25%

FPSO vessel

❸ Sebuku Block Ruby Gas Field

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



Contract area (block)	Project status (production on the basis of all fields and average rate of FY2013)	Venture company (established)	Interest owned (*Operator)
Sebuku	In production (Natural gas: 35 MMcf/d)	INPEX South Makassar, Ltd.	INPEX South Makassar 15% PEARL OIL (Sebuku) Ltd.* 70% TOTAL 15%

Offshore production facility in the Ruby Gas Field

④ Abadi LNG Project

INPEX acquired a 100% interest in the Masela Block in November 1998 through an open bid conducted by the Indonesian Government. INPEX proceeded with exploratory activity as the operator, and the first exploratory well drilled in 2000 discovered the Abadi Gas Field. Subsequently, six appraisal wells were drilled (two in 2002 and four in 2007–2008), all of which confirmed the presence of gas and condensate reservoirs.

The Indonesian Government granted its approval to the plan of development for Stage-I (POD-1) for a "floating LNG" with a capacity of 2.5 million tons per year of LNG in December 2010. Thereafter, INPEX undertook FEED works for subsea production facilities from November 2012 to January 2014. In addition, INPEX continues to engage in FLNG FEED work, which began from January 2013. After FEED work is completed, we will turn our attention to contractor selection and LNG marketing in preparation for making a final investment decision.

We continue to study the feasibility of developing the entire field based on proven reserves of gas. Aiming to increase the amount of exploitable reserves, INPEX undertook the drilling of three additional appraisal wells and one exploratory well from June 2013 to June 2014.

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


1


2


3


4

1, 3: Drillship for Abadi LNG Project 2: Production test 4: Floating LNG (rendering)

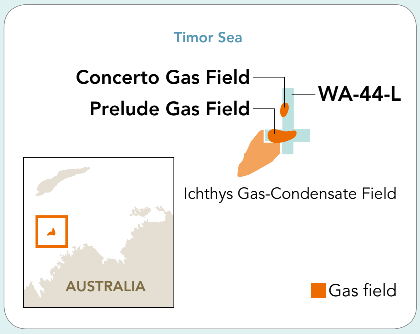
❺ Prelude FLNG Project (WA-44-L Block)

In June 2012, we acquired from Shell a 17.5% interest in the Prelude FLNG Project, which is located in WA-44-L, approximately 475 km north-northeast of Broome, off the coast of Western Australia. A production, liquefaction and shipment project using FLNG, the Prelude FLNG Project consists of the Prelude and Concerto gas fields and will produce approximately 3.6 million tons per year of LNG, 400 thousand tons per year of LPG at peak and approximately 36 thousand barrels per day of condensate at peak.

Shell (the operator) made the FID on the Prelude FLNG Project, which will be the world's first FLNG project, in May 2011. Development of the Prelude FLNG Project is currently under way, with the start of production targeted at around 10 years from when the Prelude Gas Field was first discovered in early 2007.

Through its participation as a project partner in the Prelude FLNG Project, INPEX is gaining experience and knowledge about FLNG, which it expects to leverage in the Abadi LNG Project in Indonesia.


FLNG vessel

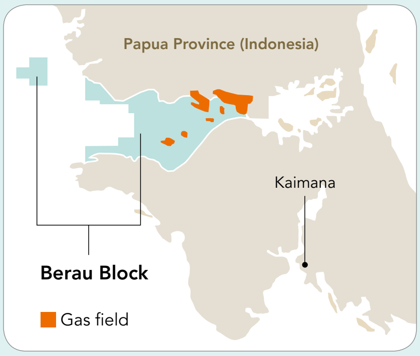


Contract area (block)	Project status	Venture company (established)	Interest owned (*Operator)
WA-44-L	Under development	INPEX Oil & Gas Australia Pty Ltd (February 28, 2012)	INPEX Oil & Gas Australia 17.5% Shell* 67.5% KOGAS 10.0% CPC 5.0%

❻ Berau Block Tangguh LNG Project

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

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



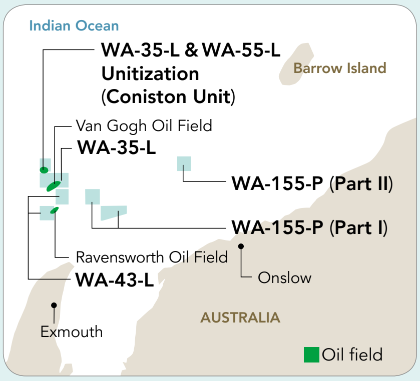

Shipping facility

Contract area (block)	Project status (production on the basis of all fields and average rate of FY2013)	Venture company (established)	Interest owned (*Operator)
Berau	In production (Crude oil: 6 Mbbl/d Natural gas: 986 MMcf/d)	MI Berau B.V. (August 14, 2001)	MI Berau 22.856% BP* 48.0% Nippon Oil Exploration (Berau) 17.144% KG Berau 12.0%
Tangguh Unit			MI Berau 16.3% BP* 37.16% CNOOC 13.9% Nippon Oil Exploration (Berau) 12.23% KG Berau, KG Wiriagar 10.0% LNG Japan 7.35% Talisman 3.06%

7 Van Gogh Oil Field, Ravensworth Oil Field and Others

Van Gogh FPSO

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



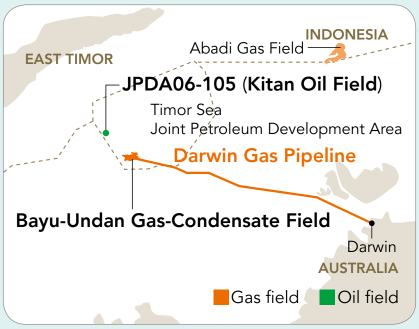
Contract area (block)	Project status (production on the basis of all fields and average rate of FY2013)	Venture company (established)	Interest owned (*Operator)
WA-35-L (Van Gogh Oil Field)	In production (Crude oil: 9 Mbbl/d)	INPEX Alpha, Ltd. (February 17, 1989)	INPEX Alpha 47.499% Apache* 52.501%
WA-43-L (Ravensworth Oil Field)	In production (Crude oil: 10 Mbbl/d)		INPEX Alpha 28.5% BHPBP* 39.999% Apache 31.501%
WA-35-L & WA-55-L Unitization area (Coniston Unit)	Under development		INPEX Alpha 47.499% Apache* 52.501%
WA-35-L (excluding Van Gogh Oil Field)	Under exploration		INPEX Alpha 47.499% Apache* 52.501%
WA-155-P (Part II)			INPEX Alpha 18.670% Apache* 40.665% OMV 27.110% JX 7.000% Tap 6.555%
WA-155-P (Part I)			INPEX Alpha 28.5% Apache 71.5%

8 Bayu-Undan Project (JPDA03-12 Block) and Kitan Oil Field (JPDA06-105 Block)

In April 1993, INPEX acquired an interest in JPDA03-12, a contract area located in the Timor Sea JPDA, which is jointly managed by Australia and East Timor. Exploration within this contract area resulted in the discovery of oil and gas fields. Of these, studies revealed that the Undan structure and the Bayu structure in the adjacent JPDA03-13 contract area were a single structure. The interest holders unitized both contract areas in 1999, allowing joint development of the Bayu-Undan Gas-Condensate Field to proceed. The commercial production and shipment of condensate and LPG started in 2004, and LNG in February 2006.

The presence of oil was confirmed through exploration drilling of the Kitan-1 and Kitan-2 wells in March 2008 in the JPDA06-105 contract area, which INPEX acquired in January 1992. Thereafter, we obtained approval for the final development plan from the Timor Sea JPDA authorities in April 2010. After development work, production at the Kitan Oil Field commenced in October 2011.

Contract area (block)	Project status (production on the basis of all fields and average rate of FY2013)	Venture company (established)	Interest owned (*Operator)
JPDA03-12	In production (Crude oil: 36 Mbbl/d Natural gas: 572 MMcf/d LPG: 21 Mbbl/d)	INPEX Sahul, Ltd. (March 30, 1993)	INPEX Sahul 19.2458049% ConocoPhillips* 61.3114766% Santos 19.4427185%
Bayu-Undan Unit			INPEX Sahul 11.378120% ConocoPhillips* 56.943372% Eni 10.985973% Santos 11.494535% Tokyo Timor Sea Resources (TEPCO/Tokyo Gas) 9.198000%
JPDA06-105 (Kitan Oil Field)	In production (Crude oil: 12 Mbbl/d)	INPEX Timor Sea, Ltd. (November 25, 1991)	INPEX Timor Sea 35% Eni* 40% Talisman 25%



Darwin LNG

5 Project Overview

Eurasia

The Company's activities in this region revolve mainly around the ACG projects in Azerbaijan and the Kashagan project in Kazakhstan, large-scale oil projects. The Company has been aggressively exploring for resources with the acquisition of exploration projects near Shetland Island in the United Kingdom, Greenland and the Far East region of Russia.

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

In September 1998, INPEX acquired an interest in the Offshore North Caspian Sea Contract Area in Kazakhstan's territorial waters. The Offshore North Caspian Sea Contract Area consists of two blocks: the East Block is about 4,300 km^2 and the West Block is about 1,275 km^2 in area (for a total of about 5,575 km^2). The Kashagan Oil Field, which is in the East Block, is located in the Caspian Sea at depths of 3–5 m and is approximately 75 km southeast of Atyrau, Kazakhstan.

Since the first exploratory well was drilled in September 1999, the Kashagan Oil Field was confirmed in 2000 and commercial discoveries were announced in 2002. After development work, the Kashagan Oil Field began producing crude oil in September 2013, but production was suspended due to gas leaks from the pipeline.

Besides the Kashagan field, hydrocarbon reserves were also confirmed in four other structures: Kalamkas, Aktote, Kairan and Kashagan Southwest. Appraisal of these structures is continuing in parallel with the development of the main Kashagan field with a view to expanding the total production of the contract area.

Onshore facility

Contract area (block)	**Project status**	**Venture company** (established)	**Interest owned**
Offshore North Caspian Sea	Production under suspension	INPEX North Caspian Sea, Ltd. (August 6, 1998)	INPEX North Caspian Sea 7.56% Eni 16.81% ExxonMobil 16.81% KMG 16.87% Shell 16.81% TOTAL 16.81% CNPC 8.33%

❷ ACG Oil Fields

Marine production facilities

INPEX acquired an interest of the Azeri-Chirag-Gunashli (ACG) Oil Fields in a region of the south Caspian Sea in Azerbaijan in April 2003. At the ACG Oil Fields, oil is being produced at the Chirag Field, the Central Azeri Field, the West Azeri Field, the East Azeri Field and the Deepwater Gunashli Field. Additional development work on the Chirag Oil Project since 2010 led to the start of production of crude oil in January 2014.

Contract area (block)	Project status (production on the basis of all fields and average rate of FY2013)	Venture company (established)	Interest owned (*Operator)
ACG (Azeri, Chirag, Gunashli)	In production (Crude oil: 651 Mbbl/d)	INPEX Southwest Caspian Sea, Ltd. (January 29, 1999)	INPEX Southwest Caspian Sea 10.96% BP* 35.78% Chevron 11.27% SOCAR 11.65% Statoil 8.56% ExxonMobil 8.00% TPAO 6.75% Itochu 4.30% ONGC 2.72%

Zapadno-Yaraktinsky Block
Bolshetirsky Block

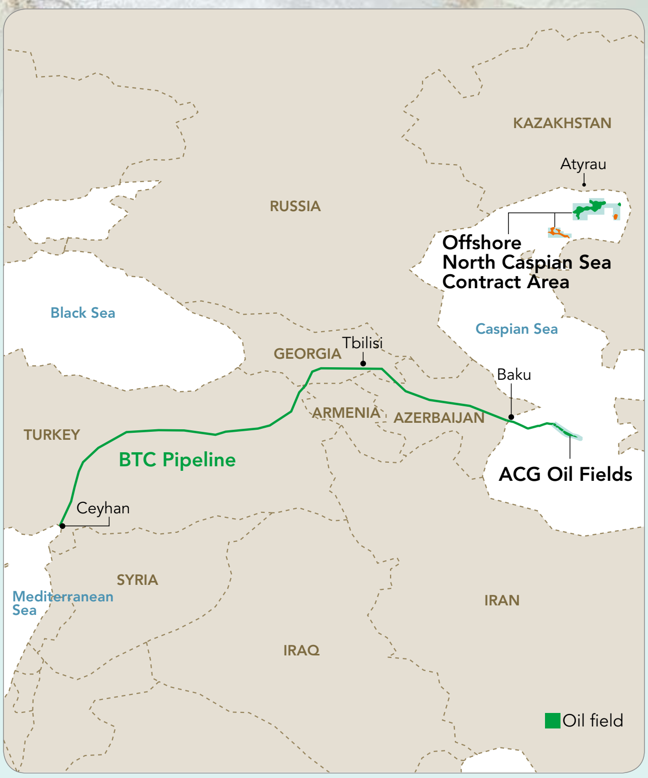
Sakhalin I Project

RUSSIA

❸ BTC Pipeline Project

The 1,770-km BTC pipeline stretches from Baku in Azerbaijan on the coast of the Caspian Sea to Ceyhan in Turkey. Full-scale operation commenced in June 2006. Total transportation capacity stands at 1.2 million barrels per day, mainly for crude oil produced in the ACG Oil Fields in Azerbaijan.

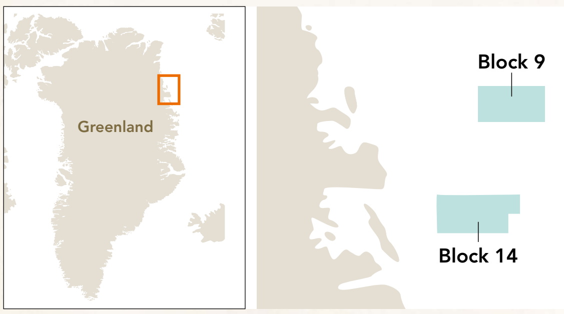
Contract area (block)	Venture company (established)	Interest owned (*Operator)
BTC Pipeline	INPEX BTC Pipeline, Ltd. (October 16, 2002)	INPEX BTC Pipeline 2.5% BP* 30.1% Azerbaijan (BTC) Limited 25% Chevron 8.9% Statoil 8.71% TPAO 6.53% Eni 5% TOTAL 5% Itochu 3.4% ConocoPhillips 2.5% ONGC 2.36%



Focus in 2014

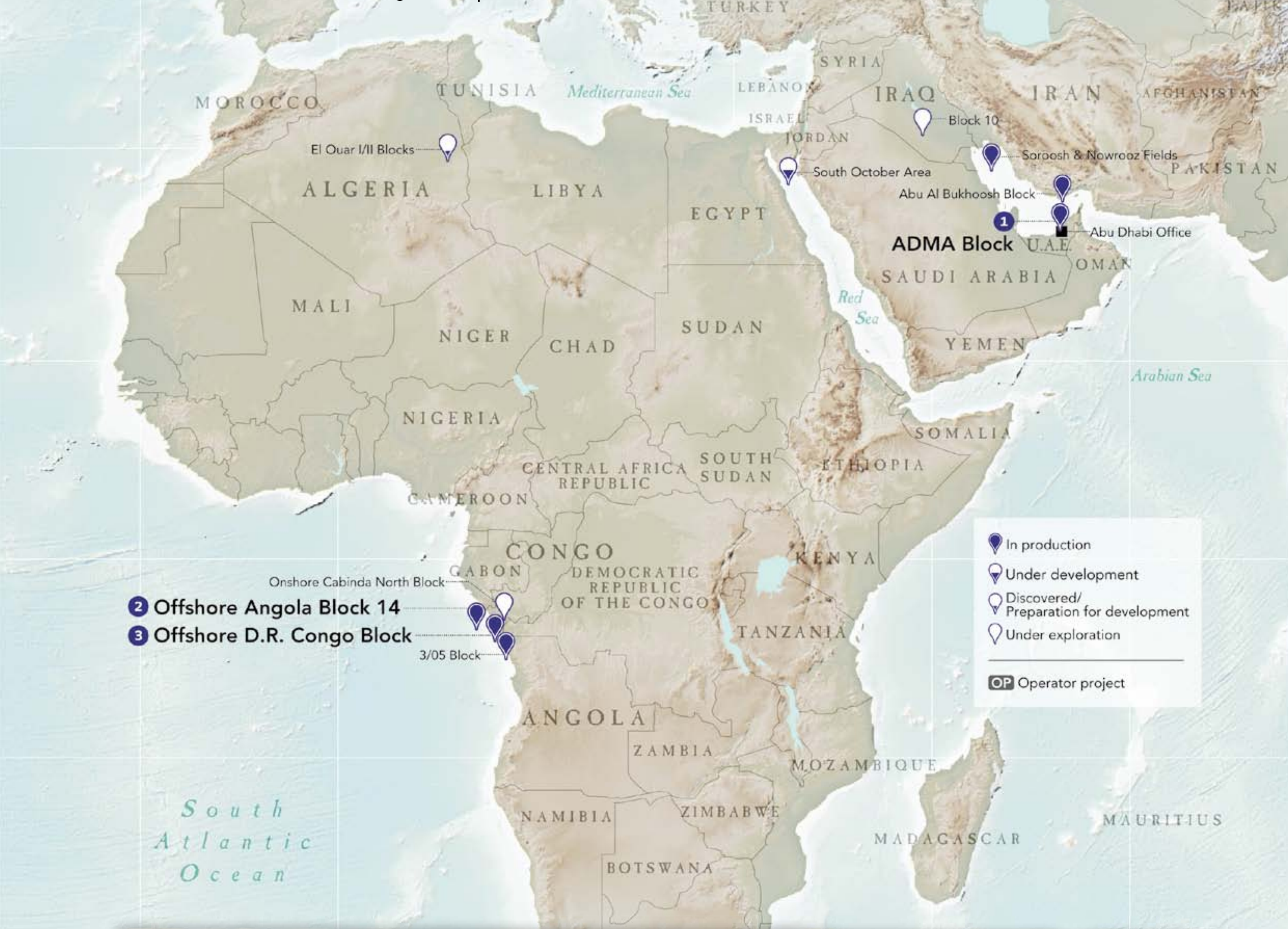
Participation in Offshore Exploration in Greenland Sea

INPEX won exploration licenses for the exploration blocks located in the northeastern part of offshore Greenland, jointly with Chevron and Shell. These blocks are a frontier region where little exploratory drilling for crude oil and natural gas has taken place yet, drawing the attention of the worldwide oil development industry here in recent years. We will survey the area through exploratory work to discover oil and natural gas fields.



Middle East & Africa

In the Middle East, the mainstay ADMA Block in Abu Dhabi in the United Arab Emirates contributes substantially, accounting for more than half of net production volume. In Africa, production volumes from Offshore Angola Block 14, acquired during the year ended March 31, 2013, are also contributing to net production volume.



Focus in 2014

Contract Extension for Upper Zakum Oil Field and Improved Financial Conditions

The concession contract for the Upper Zakum Oil Field in the Abu Dhabi Sea Block of the United Arab Emirates, in which INPEX is a participant, has been extended by 15 years or more to the end of 2041. In addition, financial conditions were improved.

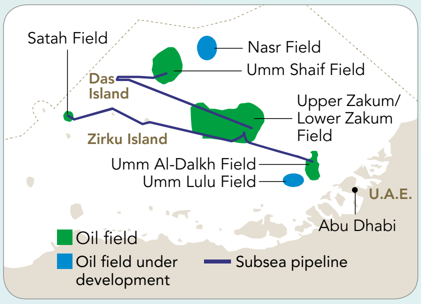
The ADMA Block (Upper Zakum Oil Field)

1 ADMA Block

Zirku Island

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

In addition, a number of development projects are under way to maintain and expand oil output, such as redevelopment of the Upper Zakum Oil Field involving the use of artificial islands, as well as Phase 1 development and other work, with the aim of engaging in early production at the Umm Lulu and Nasr oil fields.



Contract area (block)	**Project status**	**Venture company** (established)	**Interest owned**
Umm Shaif, Lower Zakum Field	In production	Japan Oil Development Co., Ltd. (JODCO) (February 22, 1973)	JODCO 12% ADNOC 60% BP 14.67% TOTAL 13.33%
Upper Zakum Field			JODCO 12% ADNOC 60% ExxonMobil 28%
Umm Al-Dalkh Field			JODCO 12% ADNOC 88%
Satah Field			JODCO 40% ADNOC 60%
Nasr Field, Umm Lulu Field	Under development		JODCO 12% ADNOC 60% BP 14.67% TOTAL 13.33%

2 Offshore Angola Block 14

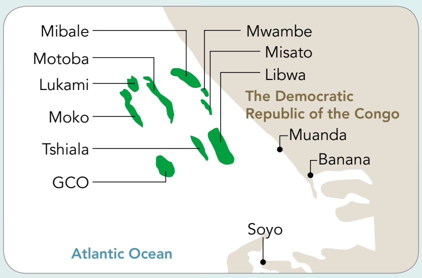
Participating through a joint venture company with TOTAL S.A., INPEX acquired a 9.99% indirect interest in the oil producing Angola Block 14 in February 2013. Block 14 is located approximately 100 km offshore from Cabinda, Angola. It is an oil-producing block that includes discovered undeveloped fields. Crude oil is currently being produced from three development areas. At the same time, energies are being channeled toward the development of certain discovered undeveloped fields. In this manner, steps are being taken to pursue exploration potential within the block.

Production facility

Contract area (block)	**Project status** (production on the basis of all fields and average rate of FY2013)	**Venture company** (established)	**Interest owned** (*Operator)
Offshore Angola Block 14	In production (Crude oil: 131 Mbbl/d)	Angola Block 14 B.V. (April 19, 2012)	Angola Block 14 B.V. 20% (including 9.99% of INPEX's interest) Chevron* 31% Sonangol 20% Eni 20% Galp 9%

3 Offshore D.R. Congo Block

INPEX has participated in oil exploration and development projects offshore the Democratic Republic of the Congo (DRC) since July 1970. Oil production commenced in 1975. The contract covering this block was extended until 2023 in May 1995.



Contract area (block)	**Project status** (production on the basis of all fields and average rate of FY2013)	**Venture company** (established)	**Interest owned** (*Operator)
Offshore D.R. Congo Block	In production (Crude oil: 13 Mbbl/d)	Teikoku Oil (D.R. Congo) Co., Ltd. (August 1, 1970)	Teikoku Oil (D.R. Congo) 32.28% Perenco* 50% Chevron 17.72%

Americas

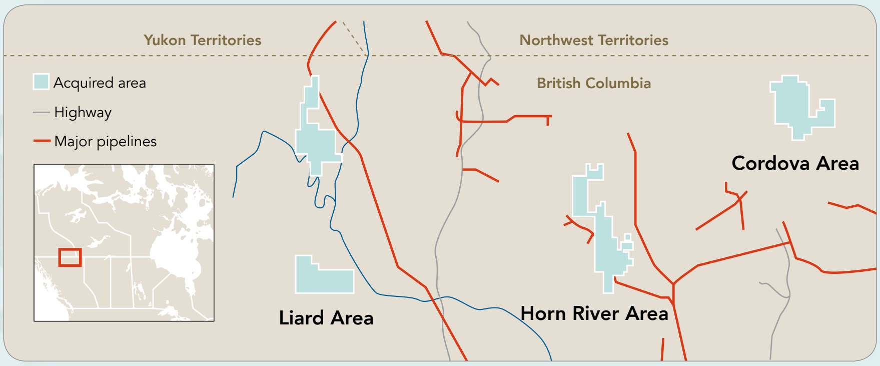
In Canada, INPEX participates in shale gas projects and oil sand projects. The Company is also engaged in a major deepwater exploration project in the Gulf of Mexico (Lucius) that is slated to commence production in the latter half of 2014. The Company has a track record that spans more than 20 years as a development and production operator in Venezuela. Moreover, INPEX has been advancing offshore oil field projects in Brazil.

❶ Shale Gas Project in Canada

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

The shale gas projects in the Horn River, Cordova and Liard basins contain discovered and undeveloped shale gas. We will proceed with full-scale development and are aiming for combined production at the Horn River and Cordova projects of a maximum of 1,250 million cubic feet per day (approximately 200 thousand boed).

The shale gas that is produced will be converted into LNG with studies under way to consider commercialization through exports from the Canadian west coast. In November 2013, INPEX and its project partners, Nexen Energy ULC and JGC Corporation, were jointly awarded the sole proponent right at Grassy Point, British Columbia, Canada, by the Government of British Columbia for the purpose of examining the viability of constructing an LNG plant. INPEX and its project partners will continue to explore the feasibility of a shale gas LNG business fully aligned with the Government of British Columbia, local communities and other stakeholders.



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


1


2

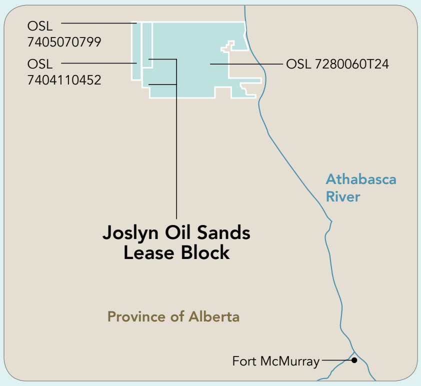

3

1: Completion 2: Drilling site 3: Hydraulic fracturing site

5
Project Overview

❷ Joslyn Oil Sands Project

In November 2007, INPEX acquired a 10% interest in the Joslyn Oil Sands Upstream Project in Alberta, Canada. Stage 1 development plans call for daily production of 157 thousand barrels of bitumen using open-cut mining. Currently, we are taking preliminary steps to consider a development plan.



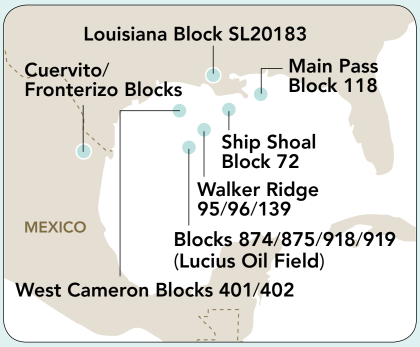
Contract area (block)	**Project status**	**Venture company** (established)	**Interest owned** (*Operator)
OSL 7280060T24 OSL 7405070799 OSL 7404110452	Discovered/ Preparation for development	INPEX Canada, Ltd. (November 28, 2006)	INPEX Canada 10% TOTAL* 38.25% Suncor 36.75% Occidental 15%

❸ U.S. Gulf of Mexico Projects

INPEX has participated in oil and gas development projects in the shallow waters of the U.S. Gulf of Mexico since April 2006, producing crude oil from various blocks.

We participated in deepwater exploration blocks of Walker Ridge 95/96/139 in the Gulf of Mexico in February 2011. In exploratory work since then, the Yucatan North-1 exploratory well was drilled and encountered an oil bearing zone with approximately 36 m net pay. We are analyzing data obtained thus far and are working with our partners on more exploration and appraisal activities.

In August 2012, INPEX acquired a 7.2% interest from Anadarko Petroleum Corporation in the Lucius Oil Field in the deepwater of the Gulf of Mexico. Development of the Lucius Oil Field has been under way with the aim of commencing production of crude oil and natural gas in the latter half of 2014.



Contract area (block)	**Project status** (production on the basis of all fields and average rate of FY2013)	**Venture company** (established)	**Interest owned** (*Operator)
Ship Shoal Block 72	In production (Crude oil: 0.5 Mbbl/d Natural gas: 7 MMcf/d)	Teikoku Oil (North America) Co., Ltd. (May 30, 2003)	Teikoku Oil (North America) 25% PetroQuest* 42.5% Other 32.5%
West Cameron Blocks 401/402			Teikoku Oil (North America) 25% PetroQuest* 38% Other 37%
Main Pass Block 118			Teikoku Oil (North America) 16.66667% Fieldwood* 83.33333%
Louisiana Block SL20183			Teikoku Oil (North America) 25% PetroQuest* 55% Other 20%
Blocks 874/875/918/919 (Lucius Oil Field)	Under development		Teikoku Oil (North America) 7.2% Anadarko* 27.8% Other 65%
Walker Ridge Blocks 95/96/139	Under exploration	INPEX Gulf of Mexico Co., Ltd. (April 28, 2010)	INPEX Gulf of Mexico 15% Shell* 70% Other 15%

Towing the building frame of a production facility to the development site

❹ Copa Macoya and Guarico Oriental Blocks

INPEX was awarded a 100% interest in a central onshore area, the East Guarico Block in Venezuela, in July 1992. INPEX participated in oil and natural gas field rehabilitation, exploration and development activities as an operator. Thereafter, the existing operational service agreements were changed to joint venture agreements in 2006. Around the same time, the East Guarico Block was newly reconfigured into a gas business in the Copa Macoya Block and a crude oil business in the Guarico Oriental Block. In addition, the agreement period of both agreements was extended to 2026 as a result of the change to joint venture agreements.

Contract area (block)	**Project status** (production on the basis of all fields and average rate of FY2013)	**Venture company** (established)	**Interest owned** (*Operator)
Copa Macoya	In production (Crude oil: 1 Mbbl/d, Natural gas: 58 MMcf/d)	Teikoku Oil and Gas Venezuela, C.A. (June 7, 2006)	Teikoku Oil and Gas Venezuela* 70% PDVSA Gas 30%
Guarico Oriental			Teikoku Oil and Gas Venezuela 30% PDVSA CVP* 70%


1


2

1, 2: Gas plant

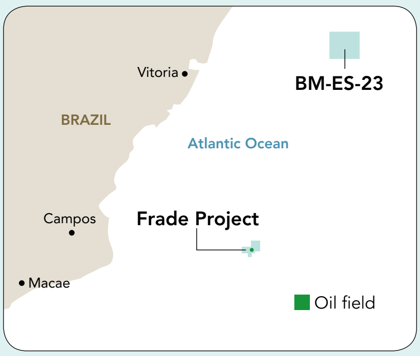
❺ Frade Block

Frade Japão Petróleo Limitada (FJPL), a joint venture established by INPEX and Sojitz Corporation, acquired an interest in the Frade Block in Brazil's offshore Northern Campos basin in July 1999.

After its initial discovery in 1986, a final investment decision was made for the development of the Frade Oil Field in June 2006. Following development work, commercial production started in June 2009, marking the first crude oil to be produced in Brazil by an enterprise with a significant Japanese equity interest. Production was temporarily suspended in March 2012 due to the presence of a small oil sheen but safely resumed at the end of April 2013.

Contract area (block)	**Project status** (production on the basis of all fields and average rate of FY2013)	**Venture company** (established)	**Interest owned** (*Operator)
Frade Project	In production (Crude oil: 16 Mbbl/d, Natural gas: 0.1 MMcf/d)	Frade Japão Petróleo Limitada (FJPL) (July 5, 1999)	Frade Japão Petróleo 18.2609% Chevron* 51.7391% Petrobras 30%
BM-ES-23	Under exploration	INPEX Petróleo Santos Ltda. (January 19, 2007)	INPEX Petróleo Santos 15% Petrobras* 65% Shell 20%


FPSO vessel



Japan

INPEX is active in the Minami-Nagaoka Gas Field in Niigata Prefecture, one of the largest of its kind in Japan, and participates in other oil and natural gas projects. In addition, the Company operates a domestic trunk pipeline of approximately 1,400 km. INPEX was also involved in the construction of the Naoetsu LNG Terminal, which began operations in December 2013.

Focus in 2014

Methane Hydrate Resource Development in Japan

A type of unconventional natural gas, methane hydrate is a solid crystal structure with methane trapped inside. Deposits of methane hydrate have been confirmed along the coastline of Japan, but extracting it from low-temperature, high-pressure geological formations is technologically challenging. Experts have said that more time is needed to develop economically viable technologies.

INPEX participates in research and survey activities led by the national government and is a member on the exploratory committee. Leveraging its technologies accumulated in upstream operations, INPEX has been contributing to solving the technological challenges for extracting methane hydrate, especially in the field of subsea production equipment.

Methane hydrate (combustible ice)

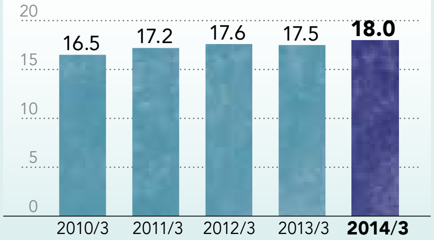
1 Natural Gas Business in Japan

Discovered in 1979 and in production since 1984, the Minami-Nagaoka Gas Field is one of the largest in Japan. After processing, the natural gas is transported through an about 1,400-km trunk pipeline network stretching across the Kanto and Koshinetsu regions that surround the greater Tokyo metropolitan area and delivered to city gas companies and industrial customers along this network. Most users of the natural gas are in Niigata Prefecture, due to its proximity to the Minami-Nagaoka Gas Field, followed by customers in Gunma, Saitama and Nagano prefectures.

INPEX has experienced steady growth in sales of natural gas volume due to sharp rises in the prices of competing fuels, as well as the highly environmentally friendly attributes of natural gas. In addition to its role as a fuel for thermal energy, natural gas is expected to be used for a wide variety of applications, such as a fuel for onsite power generation and co-generation, as well as a raw material for chemical products. INPEX targets annual sales of 2.5 billion m^3 by the early 2020s and as much as 3.0 billion m^3 over the long term, reflecting further capacity increases for our Shin Tokyo Line and development of the Toyama Line (extending from Itoigawa City, Niigata Prefecture, to Toyama City, Toyama Prefecture), construction of which began in April 2012.

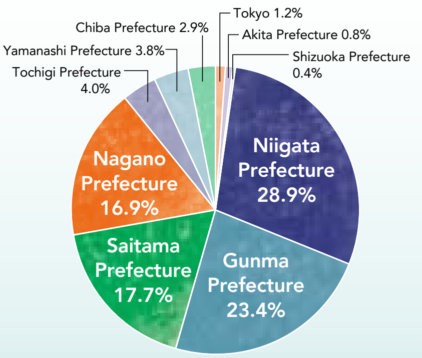
At the Naruto Gas Field in Chiba Prefecture, natural gas is being produced from water-soluble gas fields. After extracting natural gas from underground water (brine water), the brine water is used to produce iodine, which is exported to Europe, the United States and elsewhere.

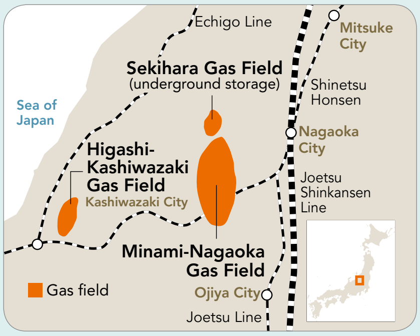
Natural Gas Sales Volume in Japan



Breakdown of Natural Gas Sales by End Purchasing Prefecture

(Year ended March 31, 2014)





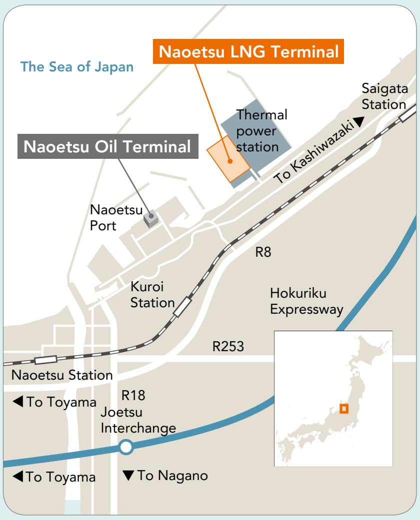
1: Natural gas pipeline that crosses a river (Shibumi River, Niigata Prefecture)
2: Drilling work at the Minami-Nagaoka Gas Field (Nagaoka City, Niigata Prefecture)

2 Construction of the Naoetsu LNG Terminal

We expect domestic demand for natural gas to rise steadily and continue to be firm due to factors such as the shift to natural gas from oil as consciousness about the environment and energy conservation increases, as well as rising oil prices. To ensure stable supply to the domestic natural gas market over the long term, INPEX began constructing an LNG terminal in Joetsu City in Niigata Prefecture in July 2009. Construction was completed on schedule, and the terminal received its first LNG carrier in August 2013. Key facilities finished their trial runs faster than planned, leading to the commencement of operations ahead of schedule in December 2013.

With the commencement of Naoetsu supply operations, we will be able to enhance the domestic capacity and stability of our supply structure by receiving LNG from our overseas projects, and by combining that supply with existing domestic supplies from Minami-Nagaoka and other fields.

Full view of the Naoetsu LNG Terminal

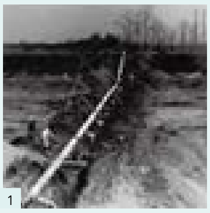


5 Project Overview

❸ Natural Gas Pipeline in Japan

INPEX owns a natural gas pipeline in Japan that stretches approximately 1,400 km, connecting seven prefectures and one metropolitan area in the Kanto and Koshinetsu regions.

INPEX has been updating its pipeline network for transporting natural gas since the 1960s. The Company started constructing this pipeline network in 1959, when it discovered the Kubiki Oil and Gas Field in the Joetsu area of Niigata Prefecture, to supply natural gas from the Kubiki Oil and Gas Field to city gas companies. In 1962, we completed the pipeline (the Tokyo Line), a long-distance, high-pressure pipeline that is the first of this kind in Japan. The pipeline runs from the Sea of Japan to the Pacific Ocean, connecting Joetsu City, Niigata Prefecture, to Adachi Ward, Tokyo. With the discovery of the Minami-Nagaoka Gas Field and subsequent start of production, together with efforts to address the resulting increase in natural gas demand, INPEX commenced construction of the Shin Tokyo Line, which runs parallel to the Tokyo Line, from the mid-1990s. As of the end of June 2014, the total high-pressure pipeline network stretched over a length of approximately 1,400 km, roughly equivalent to the direct distance from Sapporo to Fukuoka. Looking ahead, plans are in place for the completion of construction on the Toyama Line (about 102 km in length from Itoigawa City in Niigata Prefecture to Toyama City in Toyama Prefecture) in mid-2016. INPEX will continue to expand its network in order to reliably and efficiently deliver natural gas to customers who reside along the pipeline. The Company will also work diligently to increase its supply capabilities.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1: The Tokyo Line at the time of construction
2: Construction of the Toyama Line

❹ Renewable Energy and Other Initiatives

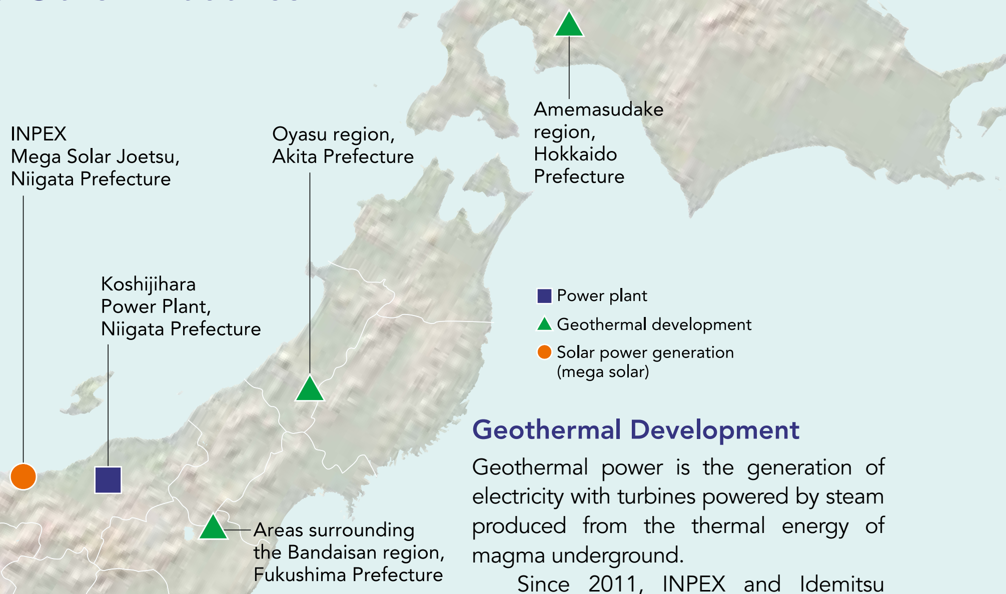
Power Generation Business in Japan

1. Koshijihara Electric Power Plant

INPEX constructed a high-efficiency gas turbine combined cycle thermal power plant with an output of about 55,000 kw next to its Koshijihara plant in Niigata Prefecture, and began supplying electricity on a wholesale basis to power producers and suppliers (PPS) in May 2007. This power plant uses natural gas and condensate produced from the Minami-Nagaoka Gas Field as fuel to generate electricity. Our strengths in this business are the ability to reliably procure fuel and the ability to flexibly choose fuels based on energy market conditions. By switching fuels in response to seasonal fluctuations in gas demand, we are able to increase the operating rate of the gas plant.

2. Solar Power Plant

In March 2013, the Company began generating electricity at INPEX Mega Solar Joetsu, a solar power plant with a maximum output of 2 MW, located on the former site of an oil refinery that it shut down in Joetsu City, Niigata Prefecture. In March 2014, INPEX decided to construct a new solar power plant with an output of 2 MW next to this site. We estimate that these two solar power plants will generate around 5,330,000 kWh annually, enough electricity to power 1,600 homes.



Fumarolic testing at a geothermal well
(Teiseki Drilling Co., Ltd.)

Geothermal Development

Geothermal power is the generation of electricity with turbines powered by steam produced from the thermal energy of magma underground.

Since 2011, INPEX and Idemitsu Kosan Co., Ltd., have been jointly conducting geothermal surveys in the Amemasudake region of Hokkaido Prefecture and the Oyasu region of Akita Prefecture. The two companies were joined by Mitsui Oil Exploration Co., Ltd., in 2012 and drilling of one survey well in the Amemasudake region and two survey wells in the Oyasu region commenced during 2013. We plan to continue conducting geothermal resource surveys by drilling survey wells in both of these regions in 2014. In addition, INPEX is a member of the geothermal resource survey group in Fukushima Prefecture and has been conducting land surveys in areas surrounding Mt. Bandaisan since September 2013.

6
Sustainability & Governance

Sustainability

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

1. Five Key CSR Issues

As a global energy company that aims to constantly expand its upstream operations, in April 2012 the Company identified five key CSR issues that it would tackle on a priority basis in a bid to gain the trust of all stakeholders.

In this section of the annual report 2014, we provide details of the five key CSR issues, provide details of progress in addressing each issue during the year ended March 31, 2014, and explain our plans from the year ending March 31, 2015. Please refer to the Company's Sustainability Report 2014 for details of specific initiatives by issue.

2. CSR Activity Road Map

For the continuous enhancement of CSR management, we have established targets for 2016 and a medium-term action plan called the CSR road map. Phase 1, which came to a close in the year ended March 31, 2013, was a period for establishing the foundation of the CSR promotion system, and we have put in place a philosophy and built a foundation for CSR activities. The three-year period from the year ended March 31, 2014, to the year ending March 31, 2016, constitutes Phase 2 of the CSR road map in which we will deepen the CSR initiatives. Phase 3 of the CSR road map covers the period that coincides with the start of production at the Ichthys LNG Project. It is during this phase that we plan to engage in CSR on a global scale.

Establish the Foundation of the CSR Promotion System
Launch organizations to promote CSR, revise the CSR Policy, set out the key CSR issues and participate in international initiatives (UNGC and EITI)

Deepen CSR Initiatives with PDCA
Formulate the CSR Action Plan, work out the business activities of each department and enhance initiatives (establish a PDCA cycle)

Promote CSR on a Global Scale
Ensure that the PDCA cycle is firmly entrenched throughout the Group, promote activities that are unique to the Group, engage in global-level reporting and enhance corporate value through these and other initiatives

About the Sustainability Report 2014

The INPEX Group publishes its Sustainability Report annually to keep its stakeholders informed of its CSR initiatives and activities. Focusing on the Company's five key CSR issues, the Sustainability Report 2014 has been compiled taking into consideration the requirements of international disclosure guidelines. INPEX also provides a Digest Edition of its Sustainability Report to provide readers with an overall picture of its approach toward CSR. The full edition provides a more expansive understanding of the Group's CSR activities. The Fully Comprehensive Web Edition offers a total view of the INPEX Group's efforts to fulfill its corporate social responsibility including details from previous reports.

Readers can access and order each of these reports via the Company's CSR Web site. ▸ www.inpex.co.jp/english/csr/

Five Key CSR Issues

Compliance

Comply with laws and social norms (including human rights)

HSE Initiatives

Practice safety management and environmental protection with respect to operations

Community Contribution

Build trust and contribute to local communities (including education)

Greenhouse Gas Countermeasures

Address climate change

Employee Development

Develop and utilize human resources as a global company

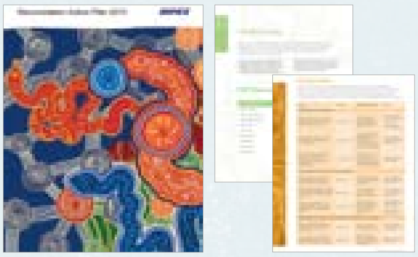
An overview of the five key CSR issues, vision, results for the year ended March 31, 2014, and plans for the year ending March 31, 2015, and beyond are presented briefly as follows.

Overview of the Key CSR Issues

Vision

Overview of the Key CSR Issues

- Observe international and social norms that include laws, regulations and other rules related to human rights



Put in place a Reconciliation Action Plan (RAP) as a part of efforts to promote cooperation with the indigenous people of Australia (June 2013)

Vision

- Go beyond simply complying with laws and regulations to being properly attentive to various social norms including those of where we operate
- Ensure that directors and employees take the initiative and engage in activities that reflect high ethical standards to win the trust of society

Overview of the Key CSR Issues

- Reduce the environmental impact of daily operations, take steps to mitigate environmental risks and engage in activities that help to conserve biodiversity
- Ensure safety across every facet of business activities

The 2nd CEO Ichthys HSE forum held

Vision

- Ensure the safety of all employees and related parties including contractors, and conduct operations without allowing major accidents
- Make every effort to minimize environmental impact beyond legal and regulatory requirements, and conduct operations while being attentive to environmental risks such as those posed by leakages and biodiversity

Overview of the Key CSR Issues

- Strive to communicate with governments, local residents, NGOs and other public stakeholders
- Approach all stakeholders after fully grasping the needs of local communities and taking into consideration the impact of business activities; take all appropriate measures (including efforts to provide local residents with relevant education)

Indigenous trainees at work at the Ichthys LNG Project. INPEX provides training programs for indigenous residents at the Ichthys LNG Project and contributes to the development of human resources throughout the local community.

Vision

- Conduct business in a manner that contributes to the societal growth of communities within which the Company operates while respecting local cultures and customs, etc.

Overview of the Key CSR Issues

- Promote research, development and practical application of renewable energy and fossil fuel technologies (including technologies that separate, capture and store CO_2 (CCS)), as well as technologies to generate methane; promote the CO_2 offset program (including forest protection and the planting of trees)

GHG Management Course organized by the Perth Office GHG management team. The course was attended by four members from the Company's head office and five members from Jakarta. Lectures were held by the GHG management team on cutting-edge GHG management know-how. (November 2013)

Vision

- Engage in operations while taking into consideration the impact on climate change
- Develop and supply a diverse range of energies that help to combat climate change while promoting further advances in technologies

Overview of the Key CSR Issues

- Employ talented people, treat them with respect and assign them to positions to which they are suited without discrimination on the basis of culture, national origin, creed, race, gender or age

NADESHIKO BRAND 2013

INPEX was selected as a fiscal 2013 "Nadeshiko Brand." This designation is granted to companies that are considered exceptional in encouraging women's success in the workplace.

Vision

- Actively develop and utilize human resources suited to the conduct of operations globally
- Achieve a proper balance between business growth and employee satisfaction

Five Key CSR Issues (Continued)

Major Activity Fields	Results for the Year Ended March 2014
• Strengthen Compliance; Respect Human Rights, etc.	• Distributed the revised Code of Conduct and conducted activities to raise awareness and understanding (conducted lectures in Indonesia) • Drew up Anti-Bribery and Anti-Corruption guidelines • Conducted Anti-Bribery and Anti-Corruption training in Australia • Conducted a monitoring program to ascertain the existence or otherwise of compliance violation fines and found no incidences • Took steps to confirm the level of compliance by contractors with the Company's Code of Conduct (including environmental and safety policies and measures against anti social elements) • Conducted indigenous culture training in Australia (attended by 180 staff)
• Strengthen Environmental Management; Maintain Safety and Protect Biodiversity	• Promoted initiatives that comply with IFC Performance Standards across major projects • Analyzed gaps with respect to requirements under GRI-G4, IPIECA and other international guidelines in connection with disclosure items • Implemented the third-party verification of environmental performance data in Japan (GHG, energy consumption, water consumption, wastewater discharged) • Conducted HSE audits of four operation units • Performed ocean environmental surveys prior to the commencement of operations at the Naoetsu LNG Terminal; conducted greenery activities at the Naoetsu LNG Terminal (25% of the site)
• Reduce the Impact of Operations on Local Communities; Participate in Community Events and Contribute to Society	• Submitted a project environmental impact assessment (AMDAL: Analysis Mengenai Dampak Lingkungan) to the Indonesian Ministry of Environment • Disclosed details of a Social Impact Management Plan report with respect to the Ichthys LNG Project and called for public comment • Undertook social contribution investments totaling ¥1.23 billion
• Address Climate Change	• Promoted the establishment of frameworks for GHG management using GHG working groups (examined trends at other companies; considered the direction of each initiative item) • Conducted a GHG offset program (planted trees; undertook savannah fire management) in Australia • Decided to expand the INPEX mega-solar Joetsu project • Continued to investigate studies concerning geothermal power generation in Hokkaido and Akita, Japan
• Recruit and Train a Global Workforce; Promote Diversity	• Took steps to consider establishing a base for personnel systems (establishment of a job category platform, etc.) • Assigned young engineer employees to project sites for training and for conducting research • Undertook the first employee satisfaction survey in Australia • Implemented employee equal opportunity (EEO) training in Australia (350 staff attended in 2013)

INPEX invited experts from outside the Company to conduct human rights seminars for the benefit of employees in Japan. A total of 203 employees attended these seminars between January and February 2014.

INPEX periodically implements surveys on the impact on the environment of birds of prey in the areas around the Toyama pipeline. (August 2013)

INPEX conducts Tanimbar English Training in Saumlaki City, Maluku Province, Indonesia.

INPEX is implementing eco-drive programs for its tank trucks and lorries.

Diversity

• Percentage of foreign employees to total employees: 37.7%
• Maintain the percentage of physically challenged employees to total employees at or above the legally required level (2%)
• Employ three non-Japanese new graduates in Japan
• Percentage of female employees to total employees: 18.6%

Plan for the Year Ending March 2015	Goals by the End of the Year Ending March 2016
• Draw up explanatory notes on the Code of Conduct • Draw up standards for drugs and alcohol (Indonesia) • Commence the implementation of Anti-Bribery and Anti-Corruption guidelines and conduct training activities • Establish due-diligence procedures for Anti-Bribery and Anti-Corruption (Indonesia) • Establish human rights due-diligence procedures (including safety practices) at the time of contract execution • Continue to conduct human rights training for INPEX employees • Implement cross-cultural awareness training in South Korea, Singapore, China, the Philippines, Thailand, Perth and Darwin	**• Continue to enhance awareness toward compliance promotion** **• Build a framework and monitoring system at suppliers and contractors to ensure respect for human rights** **• Enhance understanding and awareness of human rights issues across the INPEX Group by implementing human rights training globally**
• Enhance the disclosure of environmental performance data based on the results of gap analysis • Continue to implement third-party verification • Continue to conduct HSE audits of the four operation units • Achieve no accidents; reduce the number of accidents (For the year ending March 2015, the accident index for the entire company: LTIF 0.29, TRIR 1.40) • Continue to participate in the biodiversity protection working group • Continue to perform ocean environmental surveys and to conduct greenery activities at the Naoetsu LNG Terminal	**• Ensure the strict implementation of environmental and safety management based primarily on the second corporate HSE medium-term plan** **• Continuously expand the boundary and scope of third-party verification concerning HSE performance data** **• Prevent major accidents (LTIF target: 0.24, TRIR target: 1.59)** **• Continuously implement biodiversity conservation measures**
• Receive approval for the environmental impact assessment report on the project in Indonesia • Finalize the Ichthys LNG Project Social Impact Management Plan • Plan to undertake social contribution investments totaling ¥1.44 billion	**• Promote measures to support the development and self-sustenance of local communities** **• Solve problems through proper communications with stakeholders; actively participate in social contribution activities**
• Draw up documentation for a GHG management framework for distribution across the Group • Identify medium- and long-term GHG emissions forecasts and prepare a GHG management medium-term plan • Reduce unit energy consumption by 1% compared with the previous period • Continue to submit proposals for the introduction of natural gas cogeneration systems • Continue implementing initiatives including concrete measures to set up a task force team for the underground reinjection of CO_2	**• Promote activities in accordance with the GHG management framework; continue the management of GHG emissions** **• Continue the GHG offset program in Australia** **• Promote research and development into technologies that help resolve issues relating to climate change** **• Continue surveys toward the commercialization of geothermal power generation**
• Promote global human resources activities • Draw up the INPEX Values • Release a strategy and action plan on diversity in Australia • Undertake a second employee satisfaction survey in Australia	**• Implement human resource development programs (global training by job type and position)** **• Create a workplace environment in which all employees can excel regardless of nationality, disability or age (increase the recruitment of foreign nationals; maintain a percentage of physically challenged employees at or above the legally required level)** **• Build a globally common human resources management platform** **• Penetrate and establish the INPEX Values**

Corporate Governance

INPEX works to enhance its corporate governance in order to raise its corporate value; continue to exist as a corporation that is trusted by our shareholders, other stakeholders and all of society; and conduct responsible management as a global company.

Overview of the Corporate Governance Structure

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

In addition to enhancing the transparency of management and bolstering the ability of the Board of Directors to carry out its supervisory function, INPEX has appointed five of its 16-member Board of Directors from outside the Company. Through this initiative, steps have been taken to ensure that management issues are considered and deliberated with a greater degree of objectivity. Moreover, four of the Company's five auditors are also appointed from external sources. In addition to putting in place a Board of Auditors, INPEX has appointed ancillary staff to support the audit function and is reinforcing collaboration between auditors and the Audit Unit, as well as independent auditors.

Overview of the Corporate Governance Structure

Organizational structure..........Company with statutory auditors

Directors
Number of directors as stipulated by the Articles of Incorporation..........up to 16
Number of directors (number of outside directors)..........16 (5)
Term of office..........1 year

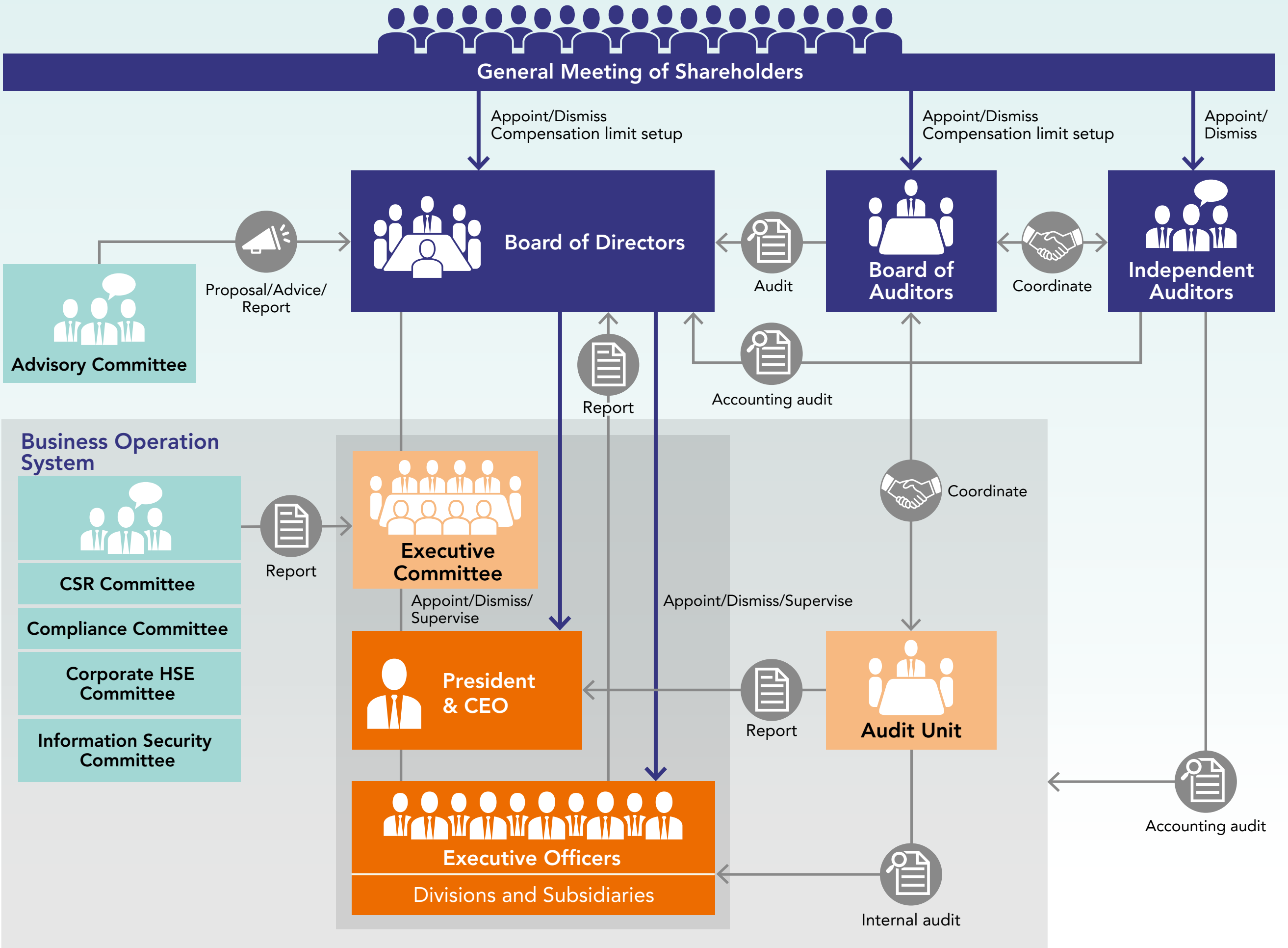
Statutory auditors
Number of statutory auditors as stipulated by the Articles of Incorporation..........up to 5
Number of statutory auditors (number of outside auditors)..........5 (4)
Term of office..........4 years

Number of independent directors and auditors..........9
(5 outside directors, 4 outside auditors)

Rights plan and other measures to protect against a takeover..........None

Other..........Issuance of a Class A Stock to the Minister of Economy, Trade and Industry

Corporate Governance Framework (Diagram)



[1] Directors and the Board of Directors

Directors well versed in the performance of operations appointed from within the Company deliberate on and determine important matters relating to the conduct of business in conjunction with outside directors, who boast abundant experience and a wide range of knowledge. In this manner, INPEX ensures that decisions are made in a rational, effective and objective manner.

The Company's Board of Directors comprises 16 members, five of whom are outside directors. In addition to a monthly meeting, the Board of Directors meets as necessary in order to discuss and determine the execution of important matters. The Board also supervises the execution of duties by directors. In addition, the term of office for directors was set at one year from June 2012. This initiative helps to enhance the ability of directors to respond to changes in the Company's operating environment in a timely manner and to further clarify management responsibilities.

8th Ordinary General Meeting of Shareholders held on June 25, 2014

[2] Executive Committee and Executive Officer System

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

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

[3] Class A Stock

According to the stipulations of the Articles of Incorporation, INPEX issues a Class A Stock to the Minister of Economy, Trade and Industry. This share possesses influence on certain major corporate decisions. The Class A Stock does not possess voting rights at shareholders' meetings. However, it is possible for the holder of the Class A Stock to exercise veto rights for certain major corporate decisions. For our company, the issuance of the Class A Stock to the Minister of Economy, Trade and Industry is an effective countermeasure to prevent outside control over the business of our company or against hostile takeovers for speculative purposes. Furthermore, we expect positive results in terms of external negotiation and credits as a leading oil and gas E&P contributing to the stable and efficient supply of energy in Japan.

▸ See pp. 126–127 for Business Risks (8. Class A Stock)

[4] Director Compensation

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

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

Compensation Paid to Directors and Statutory Auditors

(Year ended March 31, 2014)

Director classification	Total amount of compensation paid (¥ million)	Total amount of compensation paid by type of compensation (¥ million)		Number of directors and statutory auditors eligible for basic compensation (person)
		Basic compensation	Bonus	
Directors (excluding outside directors)	485	388	97	11
Statutory Auditors (excluding outside auditors)	26	26	–	1
Outside Directors and Outside Auditors	90	90	–	9

Notes: 1. The Company does not maintain a stock option plan.
2. The Company does not maintain an accrued retirement benefits plan.
3. The total amount of compensation paid includes a provision to accrued bonuses to directors for the year ended March 31, 2014.
4. In addition to the amounts of compensation paid presented in the table, an amount totaling ¥0.9 million was paid by a subsidiary company as compensation to an outside director or auditor of the Company for the year ended March 31, 2014.

[5] Accounting Audit and Auditor Compensation

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

Compensation Paid to the CPAs and Related Parties

(Year ended March 31, 2014)

Name of the CPA firm	Ernst & Young ShinNihon LLC
Names of the CPAs	Kazuhiko Umemura, Satoshi Takahashi
Accounting audit members	18 CPAs and 32 others
Compensation for auditing services	¥221 million (INPEX: ¥146 million; Consolidated subsidiaries: ¥75 million)
Compensation for non-auditing services	¥9 million (INPEX: ¥5 million; Consolidated subsidiaries: ¥4 million)

Monitoring of Management by Outside Directors and Auditors

[1] Outside Directors

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

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

[2] Outside Auditors

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

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

[3] Independence of Outside Directors and Auditors

All of our Company's outside directors (5) and outside auditors (4) satisfy the requirements* for independent directors and are therefore designated as independent directors.

*It has been confirmed that the outside directors/auditors do not fall under the conditions stipulated in the Ordinance for Enforcement of the Securities Listings Regulations, Article 211, Item 4, Sub-Item 5, and Article 226, Item 4, Sub-Item 5. Furthermore, it has been confirmed that there is no risk of a conflict of interest with ordinary shareholders.

[4] Board of Auditors and Statutory Auditors

INPEX has adopted a statutory auditor system. The Board of Auditors is composed of five auditors, including four outside auditors.

In addition to attending meetings of the Board of Directors and the Executive Committee, the statutory auditors review the execution of business duties by directors and executive officers through reports given by and hearings for related departments. Furthermore, the statutory auditors meet on a regular and as needed basis with the Independent Auditors, and receive

Outside Directors

Kazuo Wakasugi Director (Outside)
Yoshiyuki Kagawa Director (Outside)
Seiji Kato Director (Outside)
Rentaro Tonoike Director (Outside)
Yasuhiko Okada Director (Outside)

Kazuo Wakasugi

Years of service as Director: 8 years, No. of shares owned: - shares

April 1953	Joined Ministry of International Trade and Industry (currently Ministry of Economy, Trade and Industry)
June 1984	Vice-Minister for International Affairs, Ministry of International Trade and Industry
September 1986	Advisor to Long-Term Credit Bank of Japan, Ltd. (currently Shinsei Bank, Ltd.)
June 1993	Representative Director, Executive Vice President of Mitsubishi Electric Corporation
May 1995	Advisor to Japan Petroleum Exploration Co., Ltd. ("JAPEX")
June 1995	Representative Director, President of JAPEX
June 1996	Director of Indonesia Petroleum, Ltd. (INPEX Corporation)
June 2001	Representative Director, Chairman of JAPEX
April 2006	Director of INPEX Holdings Inc. (currently the Company) (incumbent)
May 2007	Counsellor of JAPEX
June 2013	Advisor of JAPEX (incumbent)

Yoshiyuki Kagawa

Years of service as Director: 7 years, No. of shares owned: - shares

April 1970	Joined Mitsui & Co., Ltd.
September 2001	Director of Mitsui Oil Exploration Co., Ltd.
October 2001	Chief Operating Officer of Energy Business Unit, Energy Group of Mitsui & Co., Ltd.
April 2002	Managing Officer, Chief Operating Officer of Energy Business Unit, Energy Group of Mitsui & Co., Ltd.
April 2003	Executive Managing Officer, Chief Operating Officer of Energy Business Unit of Mitsui & Co., Ltd.
April 2005	Representative Director, Executive Vice President of Mitsui Oil Exploration Co., Ltd.
June 2005	Representative Director, President, CEO of Mitsui Oil Exploration Co., Ltd.
June 2006	Representative Director, President, CEO and CCO of Mitsui Oil Exploration Co., Ltd.
June 2007	Director of INPEX Holdings Inc. (currently the Company) (incumbent)
June 2012	Senior Advisor of Mitsui Oil Exploration Co., Ltd. (incumbent)

Seiji Kato

Years of service as Director: 4 years, No. of shares owned: - shares

April 1971	Joined Mitsubishi Corporation
July 1997	General Manager of LNG Business Department of Mitsubishi Corporation
April 2003	Senior Vice President, Division COO of Natural Gas Business Division of Mitsubishi Corporation
April 2006	Senior Vice President, Division COO of Natural Gas Business Division B of Mitsubishi Corporation
April 2007	Executive Vice President, Group COO of Energy Business Group of Mitsubishi Corporation
April 2008	Executive Vice President, Group CEO of Energy Business Group of Mitsubishi Corporation
June 2010	Director of the Company (incumbent)
June 2011	Corporate Adviser of Mitsubishi Corporation (incumbent)

Rentaro Tonoike

Years of service as Director: 2 years, No. of shares owned: - shares

April 1978	Joined Nippon Mining Co., Ltd.
April 2000	General Manager of Planning & Coordination Dept., Metal Division of Nippon Mining & Metals Co., Ltd.
October 2003	General Manager (Group Companies Coordination) of Planning & Coordination Dept. of Nippon Mining & Metals Co., Ltd.
April 2006	Executive Officer, General Manager (Planning & Coordination) of Planning & Coordination Dept. of Nippon Mining & Metals Co., Ltd.
April 2008	Executive Officer, General Manager (Planning & Coordination) of Planning & Coordination Dept.; General Manager of Coordination Dept., Metals Group; General Manager of Planning Dept., Copper Division, Metals Group of Nippon Mining & Metals Co., Ltd.
April 2009	General Manager (Planning & Coordination) of Planning & Coordination Dept.; General Manager of Coordination Dept., Metals Group; General Manager on Special Assignment, Copper Division, Metals Group of Nippon Mining & Metals Co., Ltd., Department 1 of JX Holdings, Inc.
June 2012	Director of the Company (incumbent)
June 2012	Director, Senior Vice President and Executive Officer of JX Holdings, Inc. (incumbent)

Yasuhiko Okada

Years of service as Director: 2 years, No. of shares owned: - shares

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

reports from the Independent Auditors regarding audits. They also conduct regular meetings with the internal audit department (Audit Unit) to receive reports regarding internal audits and the evaluation of internal controls.

To strengthen the function of the statutory auditors and ensure viable corporate governance, ancillary staff are appointed to support statutory auditors. Steps are also taken to form partnerships between the statutory auditors, the Audit Unit and the independent auditors. Moreover, we have constructed a system to strengthen the monitoring function through periodic meetings with representative directors and directors.

Outside Directors/Outside Auditors: Concurrently Held Positions and Reason for Appointment

	Name	Independent director	Significant concurrently held positions	Reason for appointment	Attendance at board meetings for the year ended March 31, 2014
Outside directors	Kazuo Wakasugi	✓	Advisor for Japan Petroleum Exploration Co., Ltd., a major shareholder in our company	To utilize in our company's management his rich experience and broad knowledge as a business executive	Board of Directors meetings 14/15
	Yoshiyuki Kagawa	✓	Senior Advisor of Mitsui Oil Exploration Co., Ltd., a major shareholder in our company	To utilize in our company's management his rich experience and broad knowledge as a business executive	Board of Directors meetings 14/15
	Seiji Kato	✓	Corporate Advisor of Mitsubishi Corporation, a shareholder in our company	To utilize in our company's management his rich experience and broad knowledge in the resources/energy industry	Board of Directors meetings 14/15
	Rentaro Tonoike	✓	Director, Senior Vice President and Executive Officer of JX Holdings, Inc., a major shareholder in our company	To utilize in our company's management his rich experience and broad knowledge in the resources/energy industry	Board of Directors meetings 15/15
	Yasuhiko Okada	✓	Partner of Kitahama Partners	Possesses extensive experience and knowledge in finance, as well as professional knowledge and experience as an attorney, in addition to management experience in financial institutions	Board of Directors meetings 15/15
Outside auditors	Haruhito Totsune	✓	—	Possesses rich knowledge and experience in financial fields	Board of Directors meetings 14/15 Board of Auditors meetings 13/14
	Koji Sumiya	✓	—	To utilize in our company's auditing procedures his knowledge of finance	Board of Directors meetings 15/15 Board of Auditors meetings 14/14
	Hiroshi Sato	✓	Advisor of Japan Petroleum Exploration Co., Ltd., a major shareholder in our company	To utilize in our company's auditing procedures his rich experience and broad knowledge in the oil development industry, as well as his accounting-related knowledge	Board of Directors meetings 11/15 Board of Auditors meetings 10/14
	Masaru Funai	✓	—	To utilize in our company's auditing procedures his rich experience and broad knowledge in the energy industry, as well as his accounting-related knowledge	Board of Directors meetings 15/15 Board of Auditors meetings 14/14

Statutory Auditors

Yoshitsugu Takai Statutory Auditor
Haruhito Totsune Statutory Auditor (Outside)
Koji Sumiya Statutory Auditor (Outside)
Hiroshi Sato Statutory Auditor (Outside)
Masaru Funai Statutory Auditor (Outside)

Yoshitsugu Takai

Years of service as Statutory Auditor: 3 years,
No. of shares owned: 17,200 shares

April 1974	Joined Teikoku Oil Co., Ltd.
March 1999	General Manager, Corporate Management Department and LNG Project Department of Teikoku Oil Co., Ltd.
March 2001	Senior General Manager, Corporate Management Department and LNG Project Department of Teikoku Oil Co., Ltd.
March 2002	Director, General Manager, Accounting & Finance Department of Teikoku Oil Co., Ltd.
March 2005	Managing Director of Teikoku Oil Co., Ltd.
October 2008	Senior Vice President, Logistics & IMT Division of the Company
June 2011	Statutory Auditor of the Company (incumbent)

Haruhito Totsune

Years of service as Statutory Auditor: 7 years,
No. of shares owned: 13,600 shares

July 1969	Joined Ministry of Finance
July 1995	Deputy Director-General of Financial Bureau
July 1997	Director General of Japan Mint
July 1998	Senior Executive Director of Japan Finance Corporation for Small and Medium Enterprise
August 2004	Corporate Advisor of KPMG AZSA & Co. (currently KPMG AZSA LLC)
June 2006	Statutory Auditor of INPEX Corporation
June 2007	Statutory Auditor of INPEX Holdings Inc. (currently the Company) (incumbent)

Koji Sumiya

Years of service as Statutory Auditor: 4 years,
No. of shares owned: 7,400 shares

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

Hiroshi Sato

Years of service as Auditor: 8 years, No. of shares owned: - shares

April 1970	Joined Japan Petroleum Exploration Co., Ltd. (JAPEX)
June 1999	General Manager of Finance and Accounting Department of JAPEX
June 2002	Director, General Manager of Finance and Accounting Department of JAPEX
June 2005	Managing Executive Officer of JAPEX
April 2006	Statutory Auditor (part-time) of INPEX Holdings Inc. (currently the Company) (incumbent)
June 2006	Managing Director & Executive Officer of JAPEX
June 2007	Senior Managing Director & Executive Officer of JAPEX
June 2010	Executive Vice President & Executive Officer of JAPEX
June 2014	Advisor of JAPEX (incumbent)

Masaru Funai

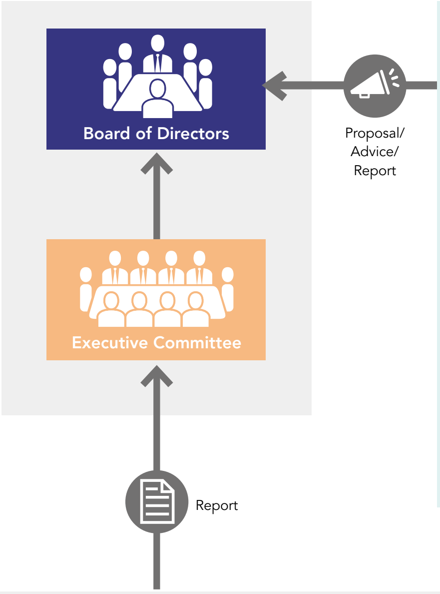
Years of service as Auditor: 4 years, No. of shares owned: - shares

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

Internal Committees

To further enhance the efficacy of the corporate governance function, INPEX has set up 1 the Advisory Committee to provide advice to the Board of Directors. With the aim of putting in place a structure and systems that allow the Executive Committee to execute the operations of the Company, INPEX established 2 the CSR Committee and 3 the Compliance Committee. Completing this system of committees, the Company maintains 4 the Corporate HSE Committee and 5 the Information Security Committee.

The Advisory Committee deliberating on an important matter.



1 Advisory Committee

The Advisory Committee was established in October 2012 with the aim of enhancing corporate value and the corporate governance function. Comprised of external experts in a broad spectrum of fields, the committee provides the Board of Directors with multifaceted and objective advice and recommendations across a wide range of areas. Areas of discussion and advice include international political and economic conditions, an outlook of energy conditions and ways in which to bolster corporate governance. (The committee met twice during the year ended March 31, 2014.)

2 CSR Committee

In April 2012, INPEX established the CSR Committee with the aims of better fulfilling its corporate social responsibility and promoting activities that contribute to the sustainable development of society. The committee puts in place fundamental policies and formulates important measures designed to promote CSR. (The committee met three times during the year ended March 31, 2014.)

3 Compliance Committee

The Compliance Committee was established in April 2006 with the aim of promoting compliance initiatives across the entire Group. The committee formulates fundamental compliance policies applicable to the Group, deliberates on important matters, and manages the manner in which compliance is practiced. (The committee met four times during the year ended March 31, 2014.)

4 Corporate HSE Committee

In accordance with the HSE Management System, the Corporate HSE Committee was established in October 2007 to promote health, safety and environment (HSE) initiatives. In addition to formulating corporate HSE policies and priority targets for each period, the committee advances HSE activities across the organization. (The committee met nine times during the year ended March 31, 2014.)

5 Information Security Committee

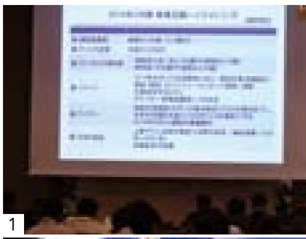
The Information Security Committee was established in November 2007 to consider and determine all appropriate measures necessary to maintain, manage and strengthen information security. The committee also takes steps to address any incident relating to information security and to put in place preventive measures. (The committee met three times during the year ended March 31, 2014.)

Information Disclosure and Activities for the Benefit of Shareholders and Investors

INPEX undertakes the early delivery of convocation notices for its general meeting of shareholders in an effort to ensure that each meeting is conducted in a lively manner. Convocation notices for the Company's 8th Ordinary General Meeting of Shareholders held in June 2014 were dispatched on June 3, 2014–more than three weeks before the event. To facilitate the exercise of voting rights, INPEX implemented the exercise of voting rights via the Internet. The Company also adopted a platform for the electronic use of voting rights while posting copies of the convocation notice and other related documents, both in Japanese and English, on its Web site and TDnet (Timely Disclosure network).

Turning to the Company's IR activities, INPEX participates in events such as IR fairs for individual investors and meetings in a variety of venues including the branch offices of securities firms. More than 10 information meetings for individual investors are generally held each year. Video archives of certain meetings are also made available on the Company's Web site. INPEX holds biannual meetings on its financial results for analysts and institutional investors. Video archives of these financial results presentations are provided on the Company's IR Web site together with a simultaneous interpretation in English. In general, INPEX undertakes more than five overseas IR road shows covering such regions as Europe, North America and Asia. Furthermore, INPEX strives to participate in conferences attended by domestic and overseas investors while engaging in one-on-one meetings.

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



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About the Advisory Committee

INPEX has appointed five directors from outside the Company in a bid to enhance the transparency of its management. At the same time, the Advisory Committee was established in October 2012. This committee, which comprises experts across a wide range of fields, provides advice and recommendations to the Board of Directors. The advice and recommendations from domestic and overseas experts cover a broad spectrum of important issues relevant to the Company's management. These issues include political and economic conditions in Japan and abroad, conditions associated with energy and important CSR matters. By incorporating this input from the Advisory Committee, the Company is taking positive steps to enhance its corporate value and corporate governance while better fulfilling its goal of engaging in responsible management as a global company identified under its medium- to long-term vision.

Advisory Committee members in attendance (front row from the left)

Dr. Masayuki Yamauchi Professor Emeritus, The University of Tokyo
Dr. Tsutomu Toichi Senior Adviser for Research, The Institute of Energy Economics, Japan
Ms. Kaori Kuroda Executive Director, CSO Network Foundation
Dr. Kent Eyring Calder Professor, Johns Hopkins University; Director, the Edwin O. Reischauer Center for East Asian Studies

Participants from INPEX (back row from the left)

Seiji Yui Senior Vice President of Corporate Strategy & Planning Division
Toshiaki Kitamura President & CEO
Naoki Kuroda Chairman
Masatoshi Sugioka Vice Chairman

Committee Members

The Advisory Committee is made up of four experts, the Company's three representative directors and the Senior Vice President of the Corporate Strategy & Planning Division.

Meetings

The Advisory Committee meets twice each year. Together with the inaugural meeting in December 2012, the committee has met a total of four times since its inception. Each meeting lasts 2–3 hours. The committee provides a forum for experts to engage in lively discussions with the Company's directors.

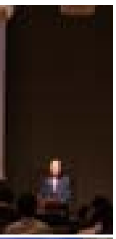
Deliberations Undertaken over the Past Year

During the third and fourth meetings held in December 2013 and June 2014, respectively, external members gave the following presentations.

Committee member	Content of presentation
Ms. Kaori Kuroda	Current trends in CSR management
Dr. Tsutomu Toichi	Current situation and challenges for LNG procurement
Dr. Kent E. Calder	Prospects for U.S.-Russia Relations: A View from Washington
Dr. Masayuki Yamauchi	The Middle East, China and Japan—Energy and Sea Lanes

After the presentations, committee members and the Company's directors discussed a variety of issues focusing mainly on the following items. The comments and advice put forward will be reflected in the Company's future management.

- The importance of completing all necessary steps in the conduct of the Group's various projects including due diligence with respect to human rights and harmonious coexistence with the local community
- Trends surrounding the effective conduct of LNG sales contracts in the context of national energy policies
- A review of issues relating to circumstances surrounding Ukraine in light of the political dynamics between the United States and Russia, as well as the history of NATO, European Union, and Eastern Europe expansion
- Future U.S. and Chinese energy security policies toward the Middle East taking into consideration the long-term review of the structure of energy supply and demand due to the emergence of the shale revolution and China's growing presence



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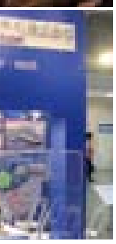

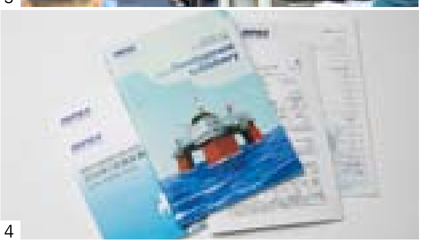

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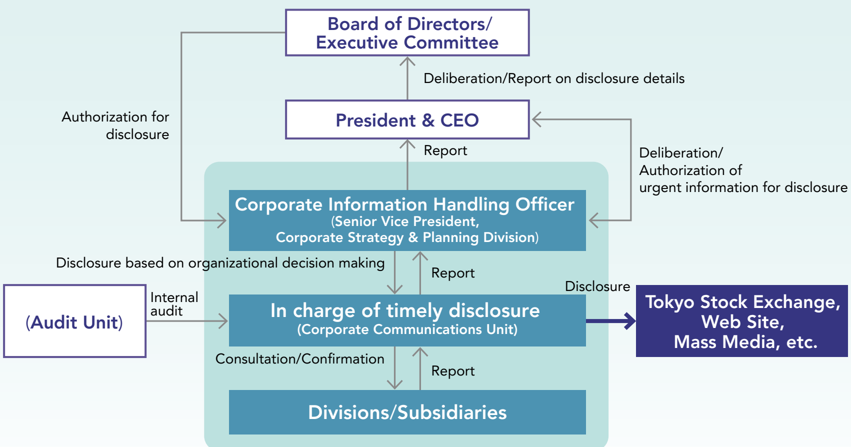
1: Financial results presentation for the year ended March 31, 2014, held on May 12, 2014
2: The Company's IR booth at an IR fair for individual investors held in August 2013
3: Toshiaki Kitamura, President & CEO, at an IR presentation meeting for individual investors in February 2014
4: IR tool package (available by mail in Japan and overseas)

Internal System for Timely Disclosure



Information including details of the Company's disclosure policy and IR activities is posted on the IR Web site (www.inpex.co.jp/english/ir/index.html).

6 Sustainability & Governance

Board of Directors (As of June 26, 2014)

1. Naoki Kuroda Chairman

Years of service as Director: 8 years, No. of shares owned: 29,300 shares

April 1963	Joined Ministry of International Trade and Industry (currently Ministry of Economy, Trade and Industry)
June 1992	Director-General for the Agency of Natural Resources and Energy
August 1993	Advisor to Bank of Tokyo Ltd. / Advisor to Mitsui Marine Insurance, Ltd. (currently Bank of Tokyo-Mitsubishi UFJ, Ltd. / Mitsui Sumitomo Insurance Co., Ltd.)
August 1995	Advisor to Sumitomo Corporation
June 1996	Managing Executive Director of Sumitomo Corporation
June 1999	Director of Indonesia Petroleum, Ltd. (INPEX Corporation)
April 2001	Representative Director, Executive Vice President of Sumitomo Corporation
August 2004	Senior Advisor to Sumitomo Corporation
September 2004	Representative Director, Executive Senior Vice President of INPEX Corporation
June 2005	Representative Director, President of INPEX Corporation
April 2006	Representative Director, President of INPEX Holdings Inc. (currently the Company)
June 2010	Representative Director, Chairman of the Company (incumbent)

2. Masatoshi Sugioka Vice Chairman

Years of service as Director: 8 years, No. of shares owned: 31,300 shares

April 1968	Joined Teikoku Oil Co., Ltd.
April 1994	General Manager of Engineering Department of Teikoku Oil Co., Ltd.
March 1995	Senior General Manager of Teikoku Oil Co., Ltd.
March 1996	Director of Teikoku Oil Co., Ltd.
March 1999	Managing Director of Teikoku Oil Co., Ltd.
March 2002	Senior Managing Director of Teikoku Oil Co., Ltd.
March 2005	Representative Director, President of Teikoku Oil Co., Ltd.
April 2006	Representative Director of INPEX Holdings Inc. (currently the Company)
October 2008	Representative Director, Chief Technical Executive, in charge of HSE and Compliance of the Company
June 2010	Representative Director, Vice Chairman, Chief Technical Executive, in charge of HSE and Compliance of the Company (incumbent)

3. Toshiaki Kitamura President & CEO

Years of service as Director: 4 years, No. of shares owned: 19,000 shares

April 1972	Joined Ministry of International Trade and Industry (currently Ministry of Economy, Trade and Industry)
July 2002	Director-General for Trade and Economic Cooperation Bureau, Ministry of Economy, Trade and Industry
July 2003	Director-General for Manufacturing Industries Bureau, Ministry of Economy, Trade and Industry
June 2004	Director-General for Trade Policy Bureau, Ministry of Economy, Trade and Industry
July 2006	Vice-Minister for International Affairs, Ministry of Economy, Trade and Industry
November 2007	Adviser to Tokio Marine & Nichido Fire Insurance Co., Ltd.
April 2008	Visiting Professor of Waseda University Graduate School
August 2009	Executive Vice President of the Company
June 2010	Representative Director, President & CEO of the Company (incumbent)

4. Seiji Yui

Director, Senior Executive Vice President

Years of service as Director: 8 years, No. of shares owned: 16,600 shares

April 1975	Joined Indonesia Petroleum, Ltd. (INPEX Corporation)
September 1999	General Manager of Jakarta Office of INPEX Corporation
June 2000	Director, General Manager of Jakarta Office of INPEX Corporation
March 2003	Director, Coordinator of Exploration Department 1 and Exploration Department 2 of INPEX Corporation
June 2003	Managing Director of INPEX Corporation
April 2004	Managing Director of Japan Oil Development Co., Ltd.
March 2006	Representative Director, Managing Director of Japan Oil Development Co., Ltd.
April 2006	Director, Deputy Senior General Manager of Corporate Strategy & Planning Division and Technology Division of INPEX Holdings Inc. (currently the Company)
March 2007	Managing Director, Senior General Manager of Technology and HSE Division, in charge of Oceania & America projects of INPEX Holdings Inc.
June 2007	Managing Director, Senior General Manager of Technology and HSE Division and Oceania & America Project Division of INPEX Holdings Inc.
October 2008	Director, Senior Managing Executive Officer, Senior Vice President of Asia & Australasia of the Company
June 2012	Director, Senior Managing Executive Officer, Senior Vice President of Corporate Strategy & Planning Division of the Company
June 2014	Director, Senior Executive Vice President, Senior Vice President of Corporate Strategy & Planning Division of the Company (incumbent)

5. Masaharu Sano

Director, Senior Managing Executive Officer

Years of service as Director: 8 years, No. of shares owned: 18,400 shares

April 1974	Joined Teikoku Oil Co., Ltd.
April 2000	General Manager of Technical Planning Department of Teikoku Oil Co., Ltd.
March 2001	Senior General Manager of Teikoku Oil Co., Ltd.
March 2001	General Manager of New Ventures Department, International Projects Division of Teikoku Oil Co., Ltd.
March 2002	Director, General Manager of New Ventures Department, International Projects Division of Teikoku Oil Co., Ltd.
March 2005	Managing Director, President of International Projects Division / Domestic Offshore Division of Teikoku Oil Co., Ltd.
April 2006	Director, Deputy Senior General Manager of Corporate Strategy & Planning Division / Technology Division of INPEX Holdings Inc. (currently the Company)
October 2008	Director, Senior Managing Executive Officer, Senior Vice President of The Americas & Africa Project Division of the Company

June 2012	Director, Senior Managing Executive Officer, Senior Vice President of Technical Division of the Company (incumbent)

6. Shunichiro Sugaya

Director, Managing Executive Officer

Years of service as Director: 5 years, No. of shares owned: 14,400 shares

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

7. Masahiro Murayama

Director, Managing Executive Officer

Years of service as Director: 5 years, No. of shares owned: 13,700 shares

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

8. Seiya Ito Director, Managing Executive Officer

Years of service as Director: 8 years, No. of shares owned: 13,700 shares

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

9. Wataru Tanaka

Director, Managing Executive Officer

Years of service as Director: 5 years, No. of shares owned: 23,000 shares

April 1977	Joined Indonesia Petroleum, Ltd. (INPEX Corporation)
June 2000	General Manager of Planning & New Ventures Department of INPEX Corporation
June 2003	Director, General Manager of Planning & New Ventures Department of INPEX Corporation
June 2004	Director, Coordinator in charge of the Middle East and Caspian Sea regions of INPEX Corporation
October 2004	Director, Deputy General Manager of Tehran Office of INPEX Corporation
February 2007	Director, Coordinator in charge of Middle East projects of INPEX Corporation
April 2007	Director, Assistant Senior General Manager of General Administration and Corporate Planning Division of INPEX Corporation
October 2008	Managing Executive Officer, Deputy Senior General Manager of General Administration Division of the Company
June 2009	Director, Managing Executive Officer, Senior Vice President of General Administration of the Company
June 2011	Director, Managing Executive Officer, Senior Vice President of General Administration Division (incumbent) and Corporate Strategy & Planning Division of the Company

10. Takahiko Ikeda

Director, Managing Executive Officer

Years of service as Director: 5 years, No. of shares owned: 20,500 shares

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

11. Yoshikazu Kurasawa

Director, Managing Executive Officer

Years of service as Director: 2 years, No. of shares owned: 9,500 shares

April 1982	Joined Japan National Oil Corporation
February 2004	Deputy General Manager of Planning & New Ventures Department of INPEX Corporation
April 2005	General Manager of Planning & New Ventures Department of INPEX Corporation
September 2005	General Manager of Business Development and Legal Unit, General Administration & Corporate Planning Division of INPEX Corporation
April 2006	General Manager of Overseas Project Planning and Administration Unit, Corporate Strategy & Administration Division of INPEX Holdings Inc. (currently the Company)
June 2007	Executive Officer, General Manager of Business Development and Legal Unit, General Administration & Corporate Planning Division of INPEX Corporation
October 2008	Executive Officer, Assistant Senior General Manager of Corporate Strategy & Planning, General Manager of Business Development and Legal Unit of the Company
June 2011	Managing Executive Officer, Vice President of Corporate Strategy & Planning of the Company
June 2012	Director, Managing Executive Officer, Senior Vice President of New Ventures Division of the Company (incumbent)

Directors and Auditors

A C	Chairman	Naoki Kuroda	
A C C H	Vice Chairman	Masatoshi Sugioka	
A C	President & CEO	Toshiaki Kitamura	(1)
A C C H I	Director	Seiji Yui	(1)
C H I	Director	Masaharu Sano	(1)
C H	Director	Shunichiro Sugaya	(1)
C H	Director	Masahiro Murayama	(1)
C H	Director	Seiya Ito	(1)
C C H I	Director	Wataru Tanaka	(1)
C H	Director	Takahiko Ikeda	(1)
C H I	Director	Yoshikazu Kurasawa	(1)

Director (Outside)	Kazuo Wakasugi	(2) (4)
Director (Outside)	Yoshiyuki Kagawa	(2) (4)
Director (Outside)	Seiji Kato	(2) (4)
Director (Outside)	Rentaro Tonoike	(2) (4)
Director (Outside)	Yasuhiko Okada	(2) (4)
Statutory Auditor	Yoshitsugu Takai	
Statutory Auditor (Outside)	Haruhito Totsune	(3) (4)
Statutory Auditor (Outside)	Koji Sumiya	(3) (4)
Statutory Auditor (Outside)	Hiroshi Sato	(3) (4)
Statutory Auditor (Outside)	Masaru Funai	(3) (4)

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

Executive Officers

A C	President & CEO	Toshiaki Kitamura	
A C C H I	Senior Executive Vice President	Seiji Yui	Senior Vice President of Corporate Strategy & Planning Division
C H I	Senior Managing Executive Officer	Masaharu Sano	Senior Vice President of Technical Division
C H	Managing Executive Officer	Shunichiro Sugaya	Senior Vice President of Masela Project Division
C I	Managing Executive Officer	Masahiro Murayama	Senior Vice President of Finance & Accounting Division
C H	Managing Executive Officer	Seiya Ito	Senior Vice President of Ichthys Project Division
C C H I	Managing Executive Officer	Wataru Tanaka	Senior Vice President of General Administration Division
C H	Managing Executive Officer	Takahiko Ikeda	Senior Vice President of Gas Supply & Infrastructure Division
C H I	Managing Executive Officer	Yoshikazu Kurasawa	Senior Vice President of New Ventures Division
C I	Managing Executive Officer	Kazuo Yamamoto	Senior Vice President of Logistics & IMT Division
C H	Managing Executive Officer	Shuhei Miyamoto	Senior Vice President of America & Africa Project Division
C H	Managing Executive Officer	Kenji Kawano	Senior Vice President of Asia, Oceania & Offshore Japan Project Division
C H	Managing Executive Officer	Yasuhisa Kanehara	Senior Vice President of Eurasia & Middle East Project Division
	Managing Executive Officer	Hiroshi Fujii	Vice President of Eurasia & Middle East Project Division
C	Managing Executive Officer	Shigeharu Yajima	Senior Vice President of Oil & Gas Business Division 1
C	Managing Executive Officer	Yoshinori Yamamoto	Senior Vice President of Oil & Gas Business Division 2
C H	Managing Executive Officer	Kimiya Hirayama	Senior Vice President of Domestic Project Division
	Executive Officer	Noboru Himata	Vice President of Finance & Accounting Division, General Manager of Finance Unit
	Executive Officer	Takashi Kubo	Vice President of Logistics & IMT Division, General Manager of Logistics & Insurance Unit
	Executive Officer	Toshihiko Fukasawa	Vice President of Domestic Project Division, General Manager of Planning & Coordination Administration Unit
	Executive Officer	Hirohisa Ota	Vice President of Masela Project Division, General Manager of Technical Unit
	Executive Officer	Hajime Kawai	Vice President of Masela Project Division, Vice President of Strategy & Coordination, Jakarta Office
	Executive Officer	Atsushi Sakamoto	Vice President of Ichthys Project Division, Project Director of Onshore Technical Coordination, Perth Office
	Executive Officer	Arihiro Kezuka	Vice President of Ichthys Project Division, General Manager of Technical Unit
	Executive Officer	Nobuharu Sase	Vice President of Oil & Gas Business Division 1, General Manager of Oil Marketing Unit
	Executive Officer	Tetsuro Tochikawa	Vice President of Technical Division, General Manager of Technical Planning Unit
	Executive Officer	Yoshiro Ishii	Vice President of Corporate Strategy & Planning Division, General Manager of New Business Planning Unit
	Executive Officer	Toshiya Oshita	Vice President of Technical Division, General Manager of Technical Resources Unit
	Executive Officer	Kimihisa Kittaka	Vice President of Corporate Strategy & Planning Division, General Manager of Corporate Strategy & Planning Unit, General Manager of Corporate Communications Unit
	Executive Officer	Hideki Iwashita	Vice President of Ichthys Project Division, Director of Commercial Coordination, Perth Office
	Executive Officer	Tetsuo Yonezawa	General Manager of HSE Unit
	Executive Officer	Hiroshi Nakamura	Vice President of General Administration Division, General Manager of Human Resources Unit

Member of Internal Committees (Please refer to p. 74 for details.)

A Advisory Committee C CSR Committee C Compliance Committee H Corporate HSE Committee I Information Security Committee

7
Financial & Corporate Information

Message from the Senior Vice President, Finance & Accounting Division

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

Masahiro Murayama
Director, Senior Vice President, Finance & Accounting Division

Business Results for the Year Ended March 31, 2014

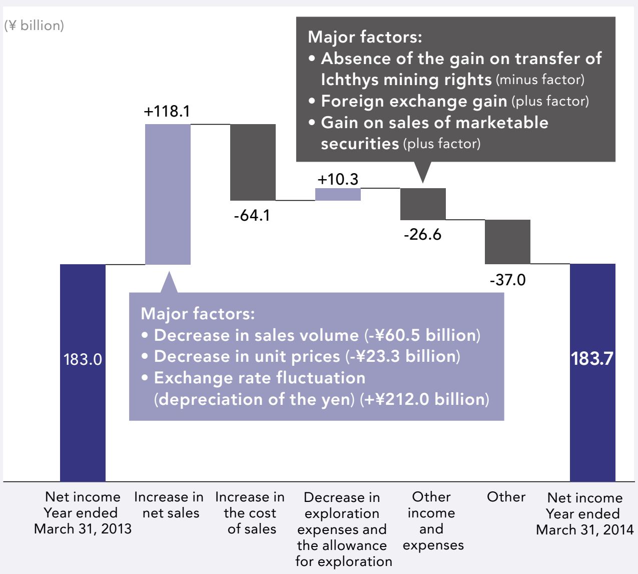
Consolidated net sales for the year ended March 31, 2014, amounted to ¥1,334.6 billion, an increase of 9.7% compared with the previous period. From a profit perspective, consolidated net income edged up 0.4% year on year to ¥183.7 billion. Although the absence of the one-off gain on transfer of mining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

Financial Position

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

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

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

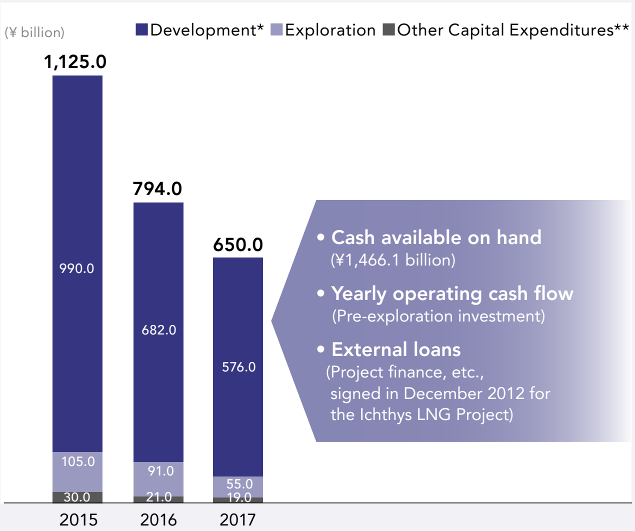


to net total capital employed coming in at negative 31.9%. These levels are well in excess of the Company's long-term financial targets of an equity ratio of 50% or more and a net debt to net total capital employed ratio of 20% or less. Looking ahead, INPEX will take all necessary steps to prepare for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

Investment Plans and Funding

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

Three-Year Period Investment and Funding Plans



*Ichthys downstream business included in development expenditures
**Investments mainly in the Naoetsu LNG Terminal and pipeline-related facilities in Japan

Notes

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

Notes:
1. INPEX Holdings Inc. was established on April 3, 2006 through a stock transfer between INPEX CORPORATION and Teikoku Oil Co., Ltd. and merged with these subsidiaries and changed the corporate name to INPEX CORPORATION on October 1, 2008.
2. INPEX Corporation settles accounts in March; Teikoku Oil Co., Ltd. settled accounts in December up to the period ended December 31, 2005.
3. Due to a change of the accounting period, amounts of consolidated financial statement of Teikoku Oil Co., Ltd. of the period ended March 31, 2006 reflect the three-month period from January 1, 2006 to March 31, 2006. Per share data and Financial indicators for the period are not listed here.
4. In consolidated financial statements of INPEX Corporation and Teikoku Oil Co., Ltd. announced for the periods ended on or before March 31, 2006, amounts of less than 1 million yen are rounded down, while amounts are basically rounded to the nearest million.

12-Year Financial Information

Figures given for the years ended on or before March 31, 2006 represent INPEX Corporation and its subsidiaries/Teikoku Oil Co., Ltd. and its subsidiaries; figures given for the years ended on or after March 31, 2007 represent INPEX Corporation (post integration) and its subsidiaries.
The translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation only, at ¥102.92=US$1.00, the approximate exchange rate in effect as of March 31, 2014.

		Millions of yen				
As of or years ended March 31,		2003/3	2004/3	2005/3	2006/3	
(Results of operations)		2002/12	2003/12	2004/12	2005/12	2006/3
Net sales	*INPEX*	¥ 201,533	¥ 218,831	¥ 478,586	¥ 704,234	
	Teikoku Oil	73,630	78,498	84,032	100,716	27,718
Cost of sales	*INPEX*	95,997	105,758	197,094	257,903	
	Teikoku Oil	44,931	47,062	48,455	55,473	12,807
Gross profit	*INPEX*	105,536	113,072	281,492	446,330	
	Teikoku Oil	28,699	31,436	35,576	45,243	14,910
Operating income	*INPEX*	97,270	93,876	268,662	426,650	
	Teikoku Oil	7,296	8,739	13,533	21,077	9,470
Income before income taxes and minority interests	*INPEX*	70,050	94,773	258,631	403,539	
	Teikoku Oil	7,491	11,044	16,676	26,122	10,216
Net income	*INPEX*	27,911	34,781	76,493	103,476	
	Teikoku Oil	¥ 5,233	¥ 6,796	¥ 9,276	¥ 15,485	¥ 6,484
(Financial position)						
Current assets	*INPEX*	¥ 119,076	¥ 106,952	¥ 238,419	¥ 257,573	
	Teikoku Oil	47,585	50,166	45,658	58,586	65,864
Tangible fixed assets	*INPEX*	29,869	35,141	68,260	65,219	
	Teikoku Oil	110,416	103,668	114,220	125,418	126,497
Intangible assets	*INPEX*	3,885	137,908	138,631	136,757	
	Teikoku Oil	796	754	776	811	1,028
Investments and other assets	*INPEX*	185,914	245,295	333,915	512,887	
	Teikoku Oil	45,188	71,691	79,858	108,949	115,268
Total assets	*INPEX*	338,747	525,298	779,227	972,437	
	Teikoku Oil	203,986	226,280	240,513	293,767	308,659
Current liabilities	*INPEX*	27,275	28,894	122,910	179,600	
	Teikoku Oil	23,882	20,661	27,439	28,998	28,156
Long-term liabilities	*INPEX*	57,007	185,410	209,738	250,236	
	Teikoku Oil	41,342	46,101	44,986	65,230	72,927
Net assets*	*INPEX*	254,463	310,991	446,578	542,600	
	Teikoku Oil	¥ 138,760	¥ 159,516	¥ 168,086	¥199,536	¥207,574

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

		2003/3	2004/3	2005/3	2006/3	
		2002/12	2003/12	2004/12	2005/12	2006/3
(Cash flows)						
Cash flows from operating activities	*INPEX*	¥ 51,282	¥ 44,464	¥ 131,206	¥ 218,239	
	Teikoku Oil	15,004	19,955	19,225	15,118	9,872
Cash flows from investing activities	*INPEX*	(40,533)	(218,121)	(119,956)	(252,399)	
	Teikoku Oil	(27,166)	(8,284)	(20,018)	(20,287)	(4,705)
Cash flows from financing activities	*INPEX*	21,237	151,120	9,791	14,350	
	Teikoku Oil	(407)	(5,914)	(5,824)	7,845	5,480
Cash and cash equivalents at end of the year	*INPEX*	78,414	54,582	128,375	114,967	
	Teikoku Oil	¥ 23,020	¥ 28,789	¥ 22,234	¥ 25,545	¥ 36,175
(Per share data)						
Net assets per share (Yen)	*INPEX*	¥143,389.73*1	¥157,275.33*1	¥214,163.98	¥ 262,966.53	
	Teikoku Oil	444.90	512.18	543.62	646.90	—
Cash dividends per share (Yen)	*INPEX*	3,333*1	3,333*1	4,000	5,500	
	Teikoku Oil	6.00	6.00	7.50	9.00	—
Earnings per share (EPS) (Yen)	*INPEX*	15,726.17*1	19,612.92*1	40,255.92	53,814.47	
	Teikoku Oil	¥ 17.11	¥ 22.09	¥ 30.22	¥ 50.61	¥ —

*1 Retroactively adjusted for a three-for-one stock split in May 2004.
*2 Retroactively adjusted for a stock split at a ratio of 1:400 of common stock on October 1, 2013.

		2003/3	2004/3	2005/3	2006/3	
		2002/12	2003/12	2004/12	2005/12	2006/3
(Financial indicators)						
Net debt / Net total capital employed (%)	*INPEX*	(75.8)%	12.0%	(13.3)%	(19.6)%	
	Teikoku Oil	(2.3)	(9.1)	(5.5)	(1.0)	—
Equity ratio (%)	*INPEX*	74.9	52.9	52.8	51.9	
	Teikoku Oil	66.6	69.1	69.0	67.1	—
D/E ratio (%)	*INPEX*	18.5	60.9	43.2	43.6	
	Teikoku Oil	18.8%	13.9%	10.8%	14.7%	—%

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

Background Information

Oil and Gas Accounting Policies and Treatment

ACCOUNTING METHODS FOR TYPES OF AGREEMENTS

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

1. Production sharing contracts

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

Cost recovery and production sharing

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

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

(1) "First tranche petroleum": This is a prescribed portion of total production allocated between the host country's government and the contractors in line with agreed percentages.

(2) "Cost recovery portion": This is the oil and gas equivalent of a) non-capital production-related expenditures incurred in that period, plus b) the scheduled depreciation expenses in that period for capital expenditures, as calculated under the PSC. The equivalents are determined based on the current unit prices of crude oil and natural gas and allocated between the contractors alone. The quantity of oil and gas in the "cost recovery portion" decreases as unit prices increase, whereas that of the "equity portion" (explained below) rises.

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

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

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

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

Recoverable costs under the PSCs

Exploration costs

The share of recoverable exploration costs incurred by the Group under the terms of the relevant PSC is capitalized within "Recoverable accounts under production sharing."

Development costs

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

Production costs

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

Administrative expenses

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

Interest on loans

Any interest expense that is recoverable under the relevant PSC is recorded within "Recoverable accounts under production sharing."

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

Non-recoverable costs under the PSCs

Acquisition costs

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

2. Concession agreements

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

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

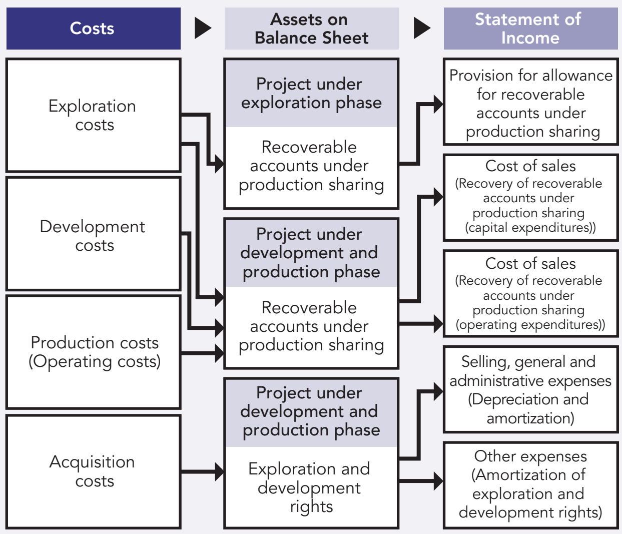
Exploration costs
The Group's share of exploration costs is expensed as incurred.

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

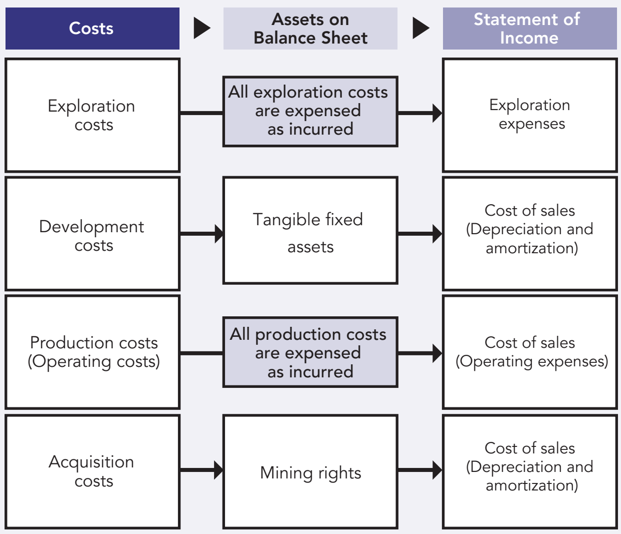
Production costs
The Group's share of operating costs that are incurred during the production phase is recorded within the cost of sales.

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

Production sharing contracts



Concession agreements



CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

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

— Allowance for recoverable accounts under production sharing

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

— Unit-of-production method

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

— Asset retirement obligations

Asset retirement obligations are recorded by a reasonable estimate of retirement costs incurred upon termination of the operation with respect to oil and gas production facilities in case that the Group is obliged to retire such facilities by oil and gas contracts or laws and regulations within the countries in which the Group operates or has working interests. Although the Group believes that such estimates of the present value of retirement costs are reasonable, changes to estimates of the present value of retirement costs could significantly affect future operating results.

— Allowance for investments in exploration companies

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

— Provision for exploration projects

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

— Provision for loss on business

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

— Deferred tax assets

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

— Retirement benefits to employees

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

— Goodwill

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

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

BUSINESS ENVIRONMENT

During the year ended March 31, 2014, the Japanese economy followed a gradual recovery trend, such as a pickup in consumer spending and productive activity and improvement of low employment, owing to the Government's economic policy and Bank of Japan's monetary easing.

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

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

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

Meanwhile, crude oil and petroleum product prices in the domestic market changed correlating with the international crude oil prices. Reflecting these circumstances, the average sales price for crude oil for the year ended March 31, 2014 for the Group was US$107.78 per barrel, which is US$2.33 lower than that for the year ended March 31, 2013.

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

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

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

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

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

PERFORMANCE OVERVIEW

Net sales

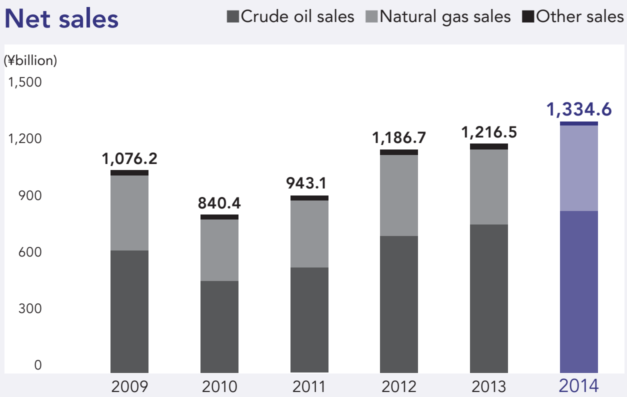
Consolidated net sales for the year ended March 31, 2014, increased by ¥118.1 billion, or 9.7%, to ¥1,334.6 billion from ¥1,216.5 billion for the year ended March 31, 2013, due to the positive effect of the depreciation of the yen against the U.S. dollar, despite decreases in the sales price and sales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

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

Crude oil sales volume decreased by 7,018 thousand barrels, or 8.1%, to 79,171 thousand barrels compared with the year ended March 31, 2013. This was mainly due to the decline in production in the Van Gogh Oil Field and the Kitan Oil Field. The sales volume of natural gas increased by 8 billion cubic feet (Bcf), or 2.6%, to 327 Bcf compared with the year ended March 31, 2013. Of this, the sales volume of overseas natural gas increased by 7 Bcf, or 2.6%, to 260 Bcf compared with the year ended March 31, 2013, mainly due to an increase in sales volume in Americas region. The sales volume of domestic natural gas increased by 45 million m^3, or 2.6%, to 1,798 million m^3 (equivalent to 67 Bcf) compared with the year ended March 31, 2013. The average sales price of overseas crude oil was US$107.78 per barrel, a decrease of US$2.33, or 2.1%, compared with the year ended March 31, 2013. The average sales price of overseas natural gas was US$13.09 per thousand cubic feet (Mcf), a decrease of US$0.34, or 2.5%, compared with the year ended March 31, 2013. The average sales price of domestic natural gas was ¥50.31 per m^3, an increase of ¥3.29 per m^3, or 7.0%, compared with the year ended March 31, 2013.

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

Net sales



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

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

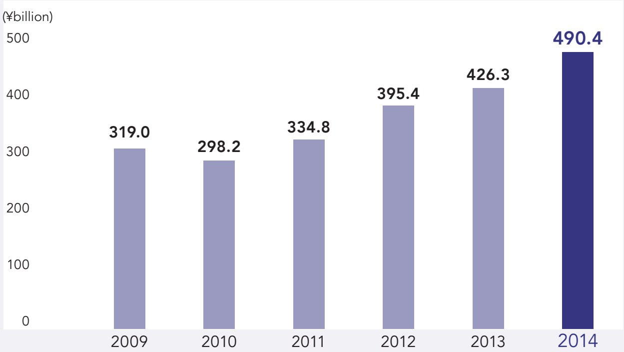
Cost of sales
Cost of sales for the year ended March 31, 2014, increased by ¥64.1 billion, or 15.0%, to ¥490.4 billion from ¥426.3 billion for the year ended March 31, 2013. This was mainly due to the depreciation of the yen against the U.S. dollar.

Exploration expenses
Exploration expenses for the year ended March 31, 2014, increased by ¥8.1 billion, or 40.2%, to ¥28.2 billion from ¥20.1 billion for the year ended March 31, 2013. This was mainly due to increased exploration activities in Japan and the Middle East & Africa region.

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

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

Cost of sales



Operating income

development rights for the ACG Oil Fields. The Group records depreciation costs for production facilities that are covered by concession agreements as cost of sales. In addition, under its accounting treatment of the PSCs, the Group records capital expenditures as "Recoverable accounts under production sharing" instead of capitalizing these costs within tangible fixed assets and depreciating them. Costs that are recovered in any given year based on the terms of the PSCs are included in the cost of sales.

Operating income
As a result of the above, operating income for the year ended March 31, 2014, increased by ¥40.2 billion, or 5.8%, to ¥733.6 billion from ¥693.4 billion for the year ended March 31, 2013.

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

Other expenses
Other expenses for the year ended March 31, 2014, decreased by ¥39.7 billion, or 53.7%, to ¥34.3 billion from ¥74.0 billion for the year ended March 31, 2013. This was mainly due to decreases in provision for exploration projects and in foreign exchange loss.

Income taxes
Total current income taxes and deferred income taxes for the year ended March 31, 2014, increased by ¥33.9 billion, or 6.4%, to ¥563.1 billion from ¥529.3 billion for the year ended March 31, 2013. The Group pays the majority of its taxes outside Japan. In addition to the high corporate tax rates imposed in a number of regions, the Group is generally unable to deduct expenses incurred in Japan for such taxes. Despite the positive effects attributable to the application of the foreign tax credit system, this situation resulted in a high effective income tax rate of 75.1% in the year under review.

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

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

FINANCIAL POSITION

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

Meanwhile, total liabilities increased by ¥96.9 billion, or 10.3%, to ¥1,042.1 billion from ¥945.2 billion as of March 31, 2013. Current liabilities decreased by ¥39.3 billion, or 9.5%, to ¥375.7 billion from ¥415.0 billion as of March 31, 2013, due to a decrease in income taxes payable and others. Long-term liabilities increased by ¥136.2 billion, or 25.7%, to ¥666.4 billion from ¥530.2 billion as of March 31, 2013, due to an increase in long-term debt and others.

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

Net income

Total assets

INVESTMENT AND FUNDING

— Investments in upstream oil and gas projects

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

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

- Discrepancies exist between the standards stipulated in U.S. FASB Accounting Standards Codification Topic 932, "Extractive Industries—Oil and Gas (Topic 932)," and both the Group's definitions of exploration and development expenditures and the standards used in preparing the following tables. The following is a partial list of the discrepancies between the Group's accounting policies and Topic 932.
  - Group expenditures relating to the PSC-governed joint ventures where the Group is not the operator are disclosed on a cash basis rather than an accrual basis as required by Topic 932.
  - The tables below have been prepared based on the cost definitions used by operators in their reporting, which may not be consistent with Topic 932.
  - Topic 932 requires that administrative costs not directly related to exploration and development activities be excluded from exploration and development expenditures, whereas such administrative costs are not necessarily excluded from those expenditures under the Group's accounting policies.

The table below shows the Group's exploration and development costs and other expenditures (excluding capitalized interest costs and asset retirement costs corresponding to asset retirement obligations capitalized under fixed assets) by segment for the years ended March 31, 2013 and 2014.

(Millions of yen)

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

*1 Figures include an equity-method affiliate of Japan Oil Development Co., Ltd. (JODCO).
*2 Other capital expenditures include the construction costs of domestic pipelines for sales of natural gas and the Naoetsu LNG Terminal, and the Group's share of investment in the Ichthys downstream entity (Ichthys LNG Pty Ltd, an equity-method affiliate).
*3 The amount capitalized for the asset retirement costs corresponding to asset retirement obligations for the year ended March 31, 2013, was ¥2,708 million.

(Millions of yen)

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

*1 Figures include an equity-method affiliate of Japan Oil Development Co., Ltd. (JODCO).
*2 Other capital expenditures include the construction costs of domestic pipelines for sales of natural gas and the Naoetsu LNG Terminal, and the Group's share of investment in the Ichthys downstream entity (Ichthys LNG Pty Ltd, an equity-method affiliate).
*3 The amount capitalized for the asset retirement costs corresponding to asset retirement obligations for the year ended March 31, 2014, was ¥10,651 million.

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

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

(Millions of yen, %)

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

— Expenditures for acquisitions of upstream oil and gas projects

The table below shows the Group's expenditures for acquisitions of upstream oil and gas projects by segment for the years ended March 31, 2013 and 2014. Expenditures in this category include the costs of acquiring mining rights, exploration and development rights, signing bonuses and any tangible fixed assets or recoverable accounts under production sharing gained through the acquisition of interest in upstream oil and gas projects.

(Millions of yen, %)

Years ended March 31,	2013		2014	
INPEX CORPORATION and Consolidated Subsidiaries				
Asia & Oceania	¥ 82,219	46.4%	¥16,091	36.9%
Eurasia (Europe & NIS)	1,024	0.6	913	2.1
Middle East & Africa	—	—	—	—
Americas	94,088	53.0	26,643	61.0
Subtotal	177,331	100.0	43,647	100.0
Equity-method Affiliates				
Asia & Oceania	—	—	—	—
Eurasia (Europe & NIS)	—	—	—	—
Middle East & Africa	42,228	100.0	—	—
Americas	—	—	—	—
Subtotal	42,228	100.0	—	—
Total	¥219,559	—%	¥43,647	—%

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

— Analysis of recoverable accounts under production sharing

For upstream projects governed by the PSCs, the Group's share of costs arising during the exploration, development and production phases is capitalized under "Recoverable accounts under production sharing." The following table shows the changes in the balance of "Recoverable accounts under production sharing" during the years ended March 31, 2013 and 2014.

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

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

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

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

Operating expenses for the year ended March 31, 2014, increased compared with the year ended March 31, 2013. This was mainly due to an increase in operating expenses in the Offshore Mahakam Block and the South Natuna Sea Block B.

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

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

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

— Funding sources and liquidity

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

The Ichthys downstream entity (Ichthys LNG Pty Ltd, an equity-method affiliate), as the borrower, has utilized external loans from export credit agencies and commercial banks for project financing since the year ended March 31, 2013.

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

— Maturities of long-term debt

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

	(Millions of U.S. dollars and Millions of yen)		
	Long-term debt denominated in		
Years ending March 31,	U.S. dollars	Yen	Total yen equivalent
2015	$ 116.2	¥ 5,672	¥ 17,627
2016	154.6	7,831	23,744
2017	258.6	34,102	60,719
2018	258.6	9,149	35,765
2019	458.6	8,730	55,931
2020 and thereafter	3,408.7	34,697	385,515
Total	$4,655.3	¥100,181	¥579,301

— Cash flows

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

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

Net cash provided by operating activities

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

Net cash used in investing activities

Net cash used in investing activities for the year ended March 31, 2014, was ¥395.6 billion, a decrease of ¥94.3 billion from ¥489.9 billion for the year ended March 31, 2013. This was mainly due to decreases in payments for purchase of mining rights and long-term loans made, despite an increase in payments for purchases of tangible fixed assets.

Net cash provided by financing activities

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

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

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

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

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

Consolidated Balance Sheet

INPEX CORPORATION and Consolidated Subsidiaries
As of March 31, 2014

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

See accompanying notes to consolidated financial statements.

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

Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Consolidated Statement of Income

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

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

Consolidated Statement of Comprehensive Income

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

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

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

INPEX CORPORATION and Consolidated Subsidiaries

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

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

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

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

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

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

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

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

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

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

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

INPEX CORPORATION and Consolidated Subsidiaries

1. BASIS OF PRESENTATION

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

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

The accompanying consolidated financial statements have been prepared by using the accounts of foreign consolidated subsidiaries prepared in accordance with International Financial Reporting Standards, or IFRS or the accounting principles generally accepted in the United States, or U.S. GAAP as adjusted for certain items.

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

The Company has made certain reclassifications of the previous years' consolidated financial statements to conform to the presentation used for the year ended March 31, 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

For the 48 companies for which the closing date differed from the consolidated closing date, including but not limited to, INPEX Sahul, Ltd. and INPEX Masela, Ltd., the financial statements for the year ended December 31 were used. However, the necessary adjustments have been made to the financial statements of those companies to reflect any significant transactions made between the Company's closing date and that of the consolidated subsidiaries. For the 12 companies, including but not limited to, Japan Oil Development, Co., Ltd., INPEX Southwest Caspian Sea, Ltd., INPEX North Caspian Sea, Ltd., INPEX Holdings Australia Pty Ltd, and INPEX Ichthys Pty Ltd, the financial statements for the year ended on the consolidated closing date were used, even though their closing date is December 31.

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

(b) Cash equivalents

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

(c) Foreign currency translation

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

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

(d) Securities

In general, securities are classified into three categories: trading, held-to-maturity or other securities. Securities held by the Company and its subsidiaries are all classified as other securities. Other securities with a determinable market value are mainly stated at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Other securities without a determinable market value are stated at cost. Cost of securities sold is determined by the moving average method.

(e) Derivatives

Derivatives are stated at fair value.

(f) Inventories

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

(g) Allowance for doubtful accounts

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

(h) Recoverable accounts under production sharing and related allowance

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

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

(i) Allowance for investments in exploration

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

(j) Tangible fixed assets (except leased assets)

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

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

(k) Intangible assets (except leased assets)

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

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

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

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

(l) Leased assets

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

(m) Provision for exploration projects

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

(n) Accrued bonuses to officers

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

(o) Provision for loss on business

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

(p) Accrued special repair and maintenance

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

(q) Accounting for retirement benefits

(Method of attributing expected retirement benefits to proper periods)

When calculating retirement benefit obligations, the straight-line method is used for attributing expected retirement benefits to periods through March 31, 2014. Because certain subsidiaries are classified as small enterprises, a simplified method (the amount which would be required to be paid if all active employees voluntarily terminated their employment as of the balance sheet date) is applied for the calculation of the retirement benefit obligation for those subsidiaries.

(Method of recognizing actuarial differences)

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

(r) Asset retirement obligations

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

(s) Hedge accounting

The deferred hedge accounting method is used for hedging transactions. The allocation method is applied to foreign exchange forwards that meet certain criteria. The special treatment is applied to the interest rate swaps that meet certain criteria. In addition, derivative transactions are limited to the scope of actual demand, and the Company does not engage in speculative derivative transactions.

(t) Research and development expenses

Research and development expenses are charged to income as incurred.

(u) Income taxes

Deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of the assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(v) Adoption of new accounting standard

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

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

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

(w) Standards issued but not effective

- "Accounting Standard for Retirement Benefits" (ASBJ Statement No.26, issued on May 17, 2012)
- "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25, issued on May 17, 2012)

(Overview)

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

(Scheduled Effective Date)

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

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

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

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

Statements" (ASBJ Statement No.22, issued on September 13, 2013)
• "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No.7, issued on September 13, 2013)
• "Revised Accounting Standard for Earnings Per Share" (ASBJ Statement No.2, issued on September 13, 2013)
• "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10, issued on September 13, 2013)
• "Revised Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No.4, issued on September 13, 2013)

(Overview)
Revisions of these accounting standards mainly apply to (i) the accounting treatment of any changes in a parent's ownership interest in a subsidiary when the parent retains control over the subsidiary, (ii) the accounting for acquisition-related costs, (iii) the presentation of net income, the change of name from "minority interests" to "non-controlling interests" and (iv) the transitional treatments for these accounting standards.

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

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

3. U.S. DOLLAR AMOUNTS

The translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation only, at ¥102.92=US$1.00, the approximate exchange rate in effect as of March 31, 2014. This translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

4. STATUS OF FINANCIAL INSTRUMENTS

(a) Policy regarding financial instruments

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

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

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

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

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

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

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

(Management of derivative transactions)
For the above derivative transactions, the Company follows its derivative transactions management outline. For derivative transactions exposed to market price fluctuation, market values of these derivatives are regularly reported to the Executive Committee,

and the Company only transacts with financial institutions with high credit ratings to reduce counterparty risks for the use of derivatives.

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

5. SECURITIES

(a) Information regarding other securities as of March 31, 2013 and 2014 is as follows:

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

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

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

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

	Millions of yen			Thousands of U.S. dollars		
Year ended March 31, 2014	Proceeds from sales	Gain on sales	Loss on sales	Proceeds from sales	Gain on sales	Loss on sales
Bonds						
Public bonds	¥ 72,563	¥ 182	¥—	$ 705,043	$ 1,768	$—
Other	76,307	10,307	—	741,420	100,146	—
Total	¥148,870	¥10,489	¥—	$1,446,463	$101,914	$—

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

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

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

(d) Redemption schedule for securities with maturity dates classified as other securities as of March 31, 2014 is as follows:

	Millions of yen				Thousands of U.S. dollars			
March 31, 2014	1 year or less	More than 1 year but less than 5 years	More than 5 years but less than 10 years	More than 10 years	1 year or less	More than 1 year but less than 5 years	More than 5 years but less than 10 years	More than 10 years
Bonds								
Public bonds	¥ 66,000	¥ 80,000	¥22,500	¥—	$ 641,275	$ 777,303	$218,616	$—
Corporate bonds	18,500	51,800	—	—	179,751	503,303	—	—
Other debt securities	15,450	15,438	—	—	150,116	150,000	—	—
Other	66,004	66,096	—	—	641,314	642,208	—	—
Total	¥165,954	¥213,334	¥22,500	¥—	$1,612,456	$2,072,814	$218,616	$—

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

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

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

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

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

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

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

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

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

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

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

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

(Ichthys LNG Project Finance)

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

(BTC Pipeline Project Finance)

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

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

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

7. INCOME TAXES

The Company and its domestic consolidated subsidiaries are subject to income taxes which, in the aggregate, resulted in a statutory tax rate of approximately 33.3% for the years ended March 31, 2013 and 2014.

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

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

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

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

8. COMPREHENSIVE INCOME

Amount of reclassification adjustments and income tax effects allocated to each component of other comprehensive income for the years ended March 31, 2013 and 2014 are as follows:

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

9. NET ASSETS

The Company conducted a stock split at a ratio of 1:400 of common stock with October 1, 2013 as the effective date. As a result, the total number of the Company's shares issued consisted of 1,462,323,600 shares of common stock and 1 Class A stock as of March 31, 2014.

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

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

Class A stock shareholder may request the Company to acquire Class A stock. Besides, the Company may also acquire Class A stock by a resolution of the meeting of the Board of Directors in case where Class A stock is transferred to a non-public entity.

For Class A stock, no stock split was conducted. The Articles of Incorporation specifies that dividends of Class A stock are equivalent to dividends of a common stock prior to the stock split. The cash dividends of Class A stock for the year ended March 31, 2014 amounted to ¥7,200.

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

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

10. AMOUNTS PER SHARE

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

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

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

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

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

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

11. DERIVATIVE TRANSACTIONS

(a) Derivatives not subject to hedge accounting

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

(b) Derivatives subject to hedge accounting

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

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

		Millions of yen		
March 31, 2014	Principal items hedged	Contract amounts	Due after one year	Fair value
Interest rate swaps				
Payment fixed, receipt fluctuated (Special treatment)	Long-term debt	¥4,760	¥4,760	*2

		Thousands of U.S. dollars		
March 31, 2014	Principal items hedged	Contract amounts	Due after one year	Fair value
Interest rate swaps				
Payment fixed, receipt fluctuated (Special treatment)	Long-term debt	$46,250	$46,250	*2

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

12. OTHER FINANCIAL INSTRUMENTS

(a) The carrying value and estimated fair value of financial instruments excluding marketable securities and investment securities which are disclosed in Note 5.(a) and derivatives which are disclosed in Note 11 as of March 31, 2013 and 2014 are as shown below. The following summary also excludes cash and cash equivalents, and accounts receivable-trade for which fair values approximate their carrying amounts.

	Millions of yen	
March 31, 2013	Carrying value	Estimated fair value
Time deposits	¥ 284,469	¥ 284,502
Long-term time deposits	287,273	289,007
Short-term borrowings and current portion of long-term debt	8,561	8,507
Long-term debt	¥466,909	¥456,404

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

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

(Time deposits)

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

(Long-term time deposits)

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

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

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

(Long-term debt)

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

13. RESEARCH AND DEVELOPMENT EXPENSES

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

14. RETIREMENT BENEFITS

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

(a) Retirement benefit obligations

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

(b) Retirement benefit expenses

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

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

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

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

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

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

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

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

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

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

(Reconciliation between retirement benefit obligations and plan assets at fair value and liability for retirement benefits and asset for retirement benefits on the consolidated balance sheet)

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

(Details of retirement benefit expenses)

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

(Plan assets)

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

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

(Basis of the actuarial assumptions)

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

(b) Defined benefit plans applying simplified methods

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

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

(Reconciliation between retirement benefit obligations and plan assets at fair value and liability for retirement benefits and asset for retirement benefits on the consolidated balance sheet)

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

(Retirement benefit expenses)

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

(c) Defined contribution plans

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

15. ASSET RETIREMENT OBLIGATIONS

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

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

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

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

16. GOODWILL

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

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

17. LEASES

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

(a) As lessee

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

(b) As lessor

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

18. CONTINGENT LIABILITIES

As of March 31, 2014, the Company and its consolidated subsidiaries were contingently liable as guarantors of indebtedness of affiliates in the aggregate amount of ¥25,186 million ($244,714 thousand).

In addition, the Company guarantees for derivative transactions utilized to hedge exchange rate fluctuation risk regarding payments of development costs for the Ichthys LNG Project. The relevant loss on valuation as of March 31, 2014 was ¥17,531 million ($170,336 thousand).

In connection with the Ichthys LNG Project Finance, the Company and other project participants provide lenders with a guarantee of liabilities during the construction phase based on each participating interest. The portion guaranteed by the Company as of March 31, 2014, was ¥600,030 million ($5,830,062 thousand).

19. SEGMENT INFORMATION

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

(a) Overview of reportable segments

The reportable segments for the Group's oil and gas development activities are composed of individual mining area and others for which separate financial information is available in order for the Board of Directors to make Group management decisions. Since the Group operates oil and gas businesses globally, the Group's reportable segments are the mining areas and others by geographical region, categorized in "Japan", "Asia & Oceania" (mainly Indonesia, Australia and East Timor), "Eurasia (Europe & NIS)" (mainly Azerbaijan), "Middle East & Africa" (mainly UAE) and "Americas."

The Company produces oil and gas in each segment. In addition, the Company conducts marketing activities for petroleum products and others in "Japan" segment.

(b) Basis of measurement for sales, income (loss), assets and other items by reportable segment

Accounting policies for the reportable segments are substantially the same as those described in "Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES."

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

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

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

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

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

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

(d) Products and service information

(Sales to third parties)

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

(e) Geographical information

(Sales)

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

(Tangible fixed assets)

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

(f) Information by major customer

(Sales to major customers)

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

20. RELATED PARTY TRANSACTIONS

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

(a) Affiliated company

Year ended March 31, 2013

Name of related party	Location	Capital investment	Nature of operations	Voting interest	Description of the business relationship	Transaction detail	Amounts	Title of account	Amounts
							Millions of yen		Millions of yen
Ichthys LNG Pty Ltd	Western Australia, Australia	$482,700 thousand	Transportation, liquefaction and sales of oil and natural gas through pipeline in WA-50-L block in offshore Western Australia	Indirectly 66.07%	Serve the officer concurrently, capital subscription	Loans of funds* Collection of loans*	¥141,153 119,139	Short-term loans receivable	¥58,700
						Debt guarantee	128,864	—	—
Angola Block 14 B.V.	Hague, Netherlands	€18 thousand	Exploration, development, production and sales of oil in Block 14 in offshore Republic of Angola	Indirectly 49.99%	Capital subscription	Subscription for new shares	¥ 37,621	—	¥ —

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

Year ended March 31, 2014

Name of related party	Location	Capital investment	Nature of operations	Voting interest	Description of the business relationship	Transaction detail	Amounts		Title of account	Amounts	
							Millions of yen	Thousands of U.S. dollars		Millions of yen	Thousands of U.S. dollars
Ichthys LNG Pty Ltd	Western Australia, Australia	$482,700 thousand	Transportation, liquefaction and sales of oil and natural gas through pipeline in WA-50-L block in offshore Western Australia	Indirectly 66.07%	Serve the officer concurrently, capital subscription	Interest income*	¥ 7,976	$ 77,497	Current assets: other (accrued revenue)	¥ 2,133	$ 20,725
									Long-term loans receivable	27,309	265,342
						Debt guarantee	¥600,030	$5,830,062	—	¥ —	$ —

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

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

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

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

Independent Auditor's Report

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Independent Auditor's Report

The Board of Directors
INPEX CORPORATION

We have audited the accompanying consolidated financial statements of INPEX CORPORATION and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2014, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of INPEX CORPORATION and its consolidated subsidiaries as at March 31, 2014, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

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

Ernst & Young ShinNihon LLC

June 25, 2014
Tokyo, Japan

Subsidiaries and Affiliates

As of March 31, 2014

Consolidated Subsidiaries

Company name	Issued capital* (Millions of yen)	Voting rights held by us (%)	Main business
INPEX Natuna, Ltd.	5,000	100.00%	Exploration, development, production and sales of oil and natural gas in the South Natuna Sea Block B, Indonesia
INPEX Sahul, Ltd.	4,600	100.00%	Exploration, development, production and sales of oil and natural gas in the JPDA03-12 Block and Bayu-Undan gas-condensate field in the Timor Sea JPDA
INPEX Alpha, Ltd.	8,014	100.00%	Exploration, development, production and sales of oil and natural gas in the WA-35-L Block and others, Australia
INPEX Tengah, Ltd.	1,020	100.00%	Exploration, development, production and sales of oil and natural gas in the Tengah Block in Offshore East Kalimantan, Indonesia
INPEX Browse, Ltd.	418,190	100.00%	Financing for oil and natural gas exploration and development in the WA-285-P Block and others, Australia
INPEX Ichthys Pty Ltd	802,688 (Thousands of U.S. dollars)	100.00%	Exploration and development of oil and natural gas in the Ichthys gas-condensate field (WA-50-L), Australia
INPEX Browse E&P Pty Ltd	245,186 (Thousands of U.S. dollars)	100.00%	Exploration of oil and natural gas in the WA-494-P Block and others, Australia
INPEX Masela, Ltd.	35,428	51.93%	Exploration and development of oil and natural gas in the Masela Block in the Arafura Sea, Indonesia
INPEX South Makassar, Ltd.	1,097	100.00%	Exploration, development, production and sales of oil and natural gas in the Sebuku Block in the Makassar Strait, Indonesia
INPEX Timor Sea, Ltd.	6,712	100.00%	Exploration, development, production and sales of oil and natural gas in the JPDA06-105 Block in the Timor Sea JPDA
INPEX Oil & Gas Australia Pty Ltd	400,000 (Thousands of U.S. dollars)	100.00%	Exploration and development of oil and natural gas in the Prelude gas field (WA-44-L) and others, Australia
INPEX Babar Selaru, Ltd.	1,107	51.02%	Exploration of oil and natural gas in the Babar Selaru Block, Offshore Indonesia
INPEX Offshore North West Sabah, Ltd.	2,045	100.00%	Exploration of oil and natural gas in the deepwater Block S located offshore Sabah, Malaysia
INPEX Southwest Caspian Sea, Ltd.	53,594	51.00%	Exploration, development, production and sales of oil in the ACG Oil Fields, Azerbaijan
INPEX North Caspian Sea, Ltd.	50,680	45.00%	Exploration and development of oil in the Offshore North Caspian Sea Block, Kazakhstan
Japan Oil Development Co., Ltd.	18,800	100.00%	Exploration, development, production and sales of oil in the ADMA Block in Offshore Abu Dhabi, United Arab Emirates
INPEX ABK, Ltd.	2,500	100.00%	Exploration, development, production and sales of oil in the Abu Al Bukhoosh Block in Offshore Abu Dhabi, United Arab Emirates
Teikoku Oil (D.R. Congo) Co., Ltd.	10	100.00%	Exploration, development, production and sales of oil in the Offshore D.R. Congo Block
INPEX Angola Block 14 Ltd.	475,600 (Thousands of U.S. dollars)	100.00%	Investment in oil exploration, development, production and sales in Block 14, Offshore Angola
Teikoku Oil and Gas Venezuela, C.A.	1,620 (Thousands of bolivars)	100.00%	Exploration, development, production and sale of natural gas in the Copa Macoya Block and exploration, development, production and sale of oil in the Guarico Oriental Block, Bolivarian Republic of Venezuela
Teikoku Oil (North America) Co., Ltd.	19,793 (Thousands of U.S. dollars)	100.00%	Exploration, development, production and sales of oil and natural gas in the Lucius oil field and others, in the US Gulf of Mexico
INPEX Canada, Ltd.	20,580	100.00%	Exploration and development of oil including oil sands in the Joslyn project, Canada
Teikoku Oil (Suriname) Co., Ltd.	7,257	56.78%	Exploration of oil in the Offshore Block 31, Suriname

Company name	Issued capital* (Millions of yen)	Voting rights held by us (%)	Main business
INPEX Gas British Columbia Ltd.	1,043,488 (Thousands Canadian dollars)	45.09%	Exploration, development, production and sales of natural gas in the shale gas blocks of Horn River, Cordova and Liard basins in British Columbia, Canada
Teiseki Pipeline Co., Ltd.	100	100.00%	Natural gas transportation, pipeline operation, maintenance and management
INPEX DLNGPL Pty Ltd	86,135 (Thousands of AUS dollars)	100.00%	Investment in Darwin LNG Pty Ltd, which constructs and operates the undersea pipeline and LNG plant connecting Bayu Undan Gas/Condensate Field and Darwin (Australia)
INPEX BTC Pipeline, Ltd.	63,800 (Thousands of U.S. dollars)	100.00%	Investment in the pipeline construction and management business that connects Baku (Azerbaijan), Tbilisi (Georgia) and Ceyhan (Turkey)
INPEX Trading, Ltd.	50	100.00%	Sales, agency and brokerage of crude oil and market research and sales planning in connection with oil and natural gas sales
Saitama Gas Co., Ltd.	60	62.67%	City gas sales

37 other subsidiaries

Equity-Method Affiliates

Company name	Issued capital* (Millions of yen)	Voting rights held by us (%)	Main business
MI Berau B.V.	888,601 (Thousands of U.S. dollars)	44.00%	Exploration, development, production and sales of natural gas in the Berau Block and the Tangguh LNG Project, West Papua province, Indonesia
Ichthys LNG Pty Ltd	482,700 (Thousands of U.S. dollars)	66.07%	Engaged in laying the undersea pipeline from the Ichthys gas-condensate field to the Darwin Onshore LNG Plant and building the LNG plant, Australia
Angola Japan Oil Co., Ltd.	8,000	19.60%	Exploration, development, production and sales of oil in the Offshore 3/05 Block, Angola
INPEX Offshore North Campos, Ltd.	6,852	37.50%	Financing for oil and natural gas exploration, development, production and sales in the Frade Block in Offshore North Campos, Brazil
Angola Block 14 B.V.	18 (Thousands of euros)	49.99%	Exploration, development, production and sales of oil in Block 14, Offshore Angola

14 other equity-method affiliates

Subsidiaries of Equity-Method Affiliates

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

2 other subsidiaries of equity-method affiliates

* Rounding off fractions less than the unit.

Business Risks

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

Unless stated otherwise, forward-looking statements in the discussion are the judgment of the Group as of June 26, 2014 and are subject to change after such date due to various factors, including changes in social and economic circumstances.

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

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

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

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

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

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

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

1) Proved reserves

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

For further details on proved reserves of crude oil, condensate, LPG and natural gas held by the Group, including affiliates accounted for under the equity method, please see the section "Oil and Gas Reserves and Production Volume" on P. 128.

2) Probable reserves and possible reserves

In addition to the assessment of proved reserves based on the SEC standards, the Company commissioned DeGolyer and MacNaughton to assess its probable reserves and the possible reserves of which projects with a significant amount of future development investment might materially affect the future performance, similar to proved reserves. An assessment of other projects was undertaken by the Company, based on the Petroleum Resources Management System 2007 (PRMS) published by four organizations: the Society of Petroleum Engineers (SPE), the World Petroleum Congress (WPC), the American Association of Petroleum Geologists (AAPG), and the Society of Petroleum Evaluation Engineers (SPEE). Probable reserves, as defined by PRMS guidelines established by the four organizations, are reserves of oil and gas volumes outside proved reserves that are less likely to be recovered than proved reserves but more certain to be recovered than possible reserves based on analyses of geological and engineering data. In this context, when probabilistic methods are employed, there should be at least a 50% probability that the quantities actually recovered will equal or exceed the sum of estimated proved and probable reserves. In addition, possible reserves are also defined in accordance with PRMS guidelines as reserves of oil and gas volumes which are not categorized as proved reserves or probable reserves and which are less likely to be recovered than probable reserves based on analyses of geological and engineering data. In this case, it is unlikely that the actual quantity of oil and gas recovered will exceed the sum of proved reserves, probable reserves and possible reserves. Furthermore, when probabilistic methods are employed to calculate possible reserves, there should be at least a 10% probability that the quantities recovered will equal or exceed the sum of proved reserves, probable reserves and possible reserves. Probable reserves and possible reserves can be upgraded to proved reserves after the addition of new technical data or when uncertainty has been reduced due to clarification of economic conditions or operational conditions. Nevertheless, probable reserves and possible reserves do not offer a guarantee of the production of total reserves during a future production period with the same certainty as proved reserves.

For further details on probable reserves and possible reserves of crude oil, condensate, LPG and natural gas held by the Group, including affiliates accounted for under the equity method, please see the section "Oil and Gas Reserves and Production Volume" on P. 128.

3) Possibility of changes in reserves

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

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

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

(4) Operatorship

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

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

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

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

(5) Project partners

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

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

(6) Disaster and accident risks

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

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

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

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

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

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

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

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

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

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

A large percentage of crude oil prices and natural gas prices in overseas businesses are determined by international market conditions. In addition, those prices fluctuate significantly in response to the influence of a variety of factors including global or local supply and demand as well as trends and conditions in the global economy and financial markets. The vast majority of these factors are beyond the control of the Company. In this regard, INPEX is not in a position to accurately predict movements in future crude oil and natural gas prices. The Group's sales and profits are subject to the effects of such price fluctuations. Such effects are highly complex and are caused by the following factors.

1) Although a majority of natural gas selling prices in overseas businesses are linked to crude oil prices, they are not in direct proportion to crude oil prices.
2) Because sales and profits are determined on the basis of crude oil prices and natural gas prices at the time sales are booked, actual crude oil transaction prices and the average oil price during the accounting period do not necessarily correspond.

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

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

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

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

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

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

3. OVERSEAS BUSINESS ACTIVITIES AND COUNTRY RISK

The Group engages in a large number of oil and natural gas development projects overseas. Because the Group's business activities, including the acquisition of participating interests, are conducted on the basis of contracts with the governments of oil-producing countries and other entities, steps taken by oil-producing countries to further tighten controls applicable to home country natural resources, suspension of operation due to conflicts and other factors, and other such changes in the political, economic, and social circumstances in such oil-producing countries or neighboring countries (including government involvement, stage of economic development, economic growth rate, capital reinvestment, resource allocation, restriction of economic activities by global community, government control of foreign exchange or foreign remittances, and the balance of international payments), the application of OPEC production ceilings in OPEC member countries and changes in the legal system and taxation system of those countries (including the establishment or abolition of laws or regulations and changes in their interpretation or enforcement) could have a significant impact on the Group's business or results unless the impact is compensated by insurance.

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

4. DEPENDENCE ON SPECIFIC GEOGRAPHICAL AREAS OR PROPERTIES

(1) Production volume

The Group engages in stable production of crude oil and natural gas in the Offshore Mahakam Block (Indonesia), the ADMA Block (United Arab Emirates), the Minami Nagaoka Gas Field (Japan) and so on. Through a process of business integration, the Group had established a wide ranging, diversified yet balanced portfolio that encompassed the Asia-Oceania regions (particularly Japan, Indonesia, and Australia), the Middle East and Africa, Eurasia including Caspian Sea area and the Americas. For the year ended March 31, 2014 however, the Middle East and Africa regions accounted for about 41% and the Asia and Oceania regions accounted for about 41% of the Group's production volume, making up the vast majority of the Group's operations.

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

(2) Contract expiration dates in principal business areas

Expiration dates are customarily stipulated in the agreements related to participating interests, which are prerequisites for the Group's overseas business activities. Although March 30, 1997 was the initial contract expiration date in the production sharing contract for the Offshore Mahakam Block of Indonesia, the Group's principal geographical business area, an extension was approved in 1991, and the current expiration date is December 31, 2017. On the basis of the concession agreement for the ADMA Block, the concession expiration date is March 8, 2018 (However, the expiration date for the Upper Zakum Oil Field has been extended to December 31, 2041.) Although the Group plans to make efforts together with partners to further extend these agreements, inability to re-extend the agreements or unfavorable contract terms and conditions at the time of re-extension could have an adverse effect on the Group's results. Even should the agreements be re-extended, we anticipate that remaining recoverable reserves may decrease at the time of re-extension. Although the Group is striving to acquire interests that can substitute these properties, failure to acquire participating interests in oil and gas fields to fully substitute for these properties could have an adverse effect on the Group's results. In addition, the period for exploration in oil and gas fields currently under exploration is fixed by contracts, and in the case of fields where oil and/or gas reserves are found that are deemed to be commercialized, and the Company is unable to decide on the transition to the development stage by the expiration of the current contract, efforts will be made through negotiations with the government of the oil- or gas-producing country in question to have the periods extended. However, there remains the possibility that such negotiations may not be successfully concluded, in which event the Company would be forced to withdraw from operations in the oil or gas field concerned. Also, as a rule, when there has been a major breach of contract on the part of one party, it is customary for the other party to have the right to cancel the agreement before the expiration date. The agreements for properties in these principal geographical business areas contain similar provisions. The Group has never experienced early cancellation of an agreement due to breach of contract, and we do not anticipate such an occurrence in the future. Nevertheless, a major breach of contract on the part of a party to an agreement could result in cancellation of an agreement before the expiration date.

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

5. PRODUCTION SHARING CONTRACTS

(1) Details of production sharing contracts

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

Production sharing contracts are agreements by which one or several oil and natural gas development companies serve as contractors that undertake at their own expense exploration and development work on behalf of the governments of oil-producing countries or national oil companies and receive production from the projects as cost recovery and compensation. That is to say, when exploration and development work results in the production of oil or natural gas, the contractors recover the exploration and development costs they incurred by means of a share in the production. The remaining production (crude oil and gas) is shared among the oil-producing country or national oil company and the contractors according to fixed allocation ratios. (The contactors' share of production after cost recovery is called "profit oil and gas." In the case of natural gas, sales are conducted by Indonesia and the contractors receive cost recovery and profit gas in the form of cash.) On the other hand, in cases when exploration fails and expected production is not realized, the contractors are not to recover their invested funds.

(2) Accounting treatment of production sharing contracts

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

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

As production received under production sharing contracts is divided into the cost recovery portion and the compensation portion, the method of calculating cost of sales is also distinctive. That is to say, the full amount of production received is temporarily charged to cost of sales as the cost of received production, and subsequently the amount of the compensation portion is calculated and this amount is booked as an adjustment item to cost of sales ("Free of charge production allocated"). Consequently, only the cost recovery portion of production after deduction of the compensation portion is booked as cost of sales.

6. RELATIONSHIP WITH THE JAPANESE GOVERNMENT

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

Although the government of Japan (the Minister of Economy, Trade and Industry) holds 18.94% of the Company's common shares issued and a Class A Stock as of June 26, 2014, the Company autonomously exercises business judgment as a private corporation. There is no relationship of control, such as through the dispatch of officers or other means between the Company and the Japanese government. Moreover, we believe that no such relationship will develop in the future. Furthermore, there is no concurrent posting or secondment to the Company of officers or employees from the Japanese government.

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

The Ministry of Economy, Trade and Industry (METI) holds 18.94% of the Company's common shares issued. METI succeeded to the shares that had been held by Japan National Oil Corporation (JNOC) following the dissolution of JNOC on April 1, 2005. With regard to the liquidation and disposition of the oil and gas upstream assets owned by JNOC, the Policy Regarding the Disposal of Oil and Gas Development-Related Assets Held by Japan National Oil Corporation (hereinafter, the "Report") was announced on March 18, 2003 by the Japan National Oil Corporation Asset Evaluation and Liquidation Deliberation Subcommittee of the Advisory Committee on Energy and Natural Resources, an advisory body of the Ministry of Economy, Trade and Industry. The Report describes the importance of appropriate timing in selling the shares on the market, taking into consideration enterprise value growth. In addition, METI may, in accordance with the Supplementary Provision Article 13 (1) 2 of the "Special Measures Act for Reconstruction Finance Keeping After the Great East Japan Earthquake" ("the Reconstruction Finance Keeping Act" (provisional translation, the same shall apply hereinafter)) enacted December 2, 2011, sell off the Company's shares in Japan or overseas after examining the possibility of disposal of the said shares based on a review of the holdings from the perspective of energy policy. This could have an impact on the market price of the Company's shares.

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

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

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

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

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

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

The treatment of Sakhalin Oil and Gas Development Co., Ltd. (hereinafter "SODECO"), INPEX Offshore North Campos, Ltd., INPEX North Makassar, Ltd. (liquidation proceedings completed on December 19, 2008), INPEX Masela, Ltd., and INPEX North Caspian Sea, Ltd. was agreed between INPEX CORPORATION and JNOC in the MOU of February 5, 2004. Regarding the treatment of shares of SODECO, refer to the section "(2) Treatment of the shares of Sakhalin Oil and Gas Development (SODECO) owned by the Japanese government" below. With regard to the transfer to INPEX CORPORATION of the shares in the above project companies other than SODECO, it was decided that the shares are to be transferred for cash compensation as soon as prerequisites such as the consent of the oil-producing country and joint venture partners and the possibility of appropriate asset evaluations are in place. However, the transfer of shares held by JNOC in the above companies has not been decided and the shares in the above project companies were succeeded to by the Japan Oil Gas and Metals National Corporation (hereinafter "JOGMEC") on the dissolution of JNOC on April 1, 2005, except shares related to INPEX North Makassar, Ltd., to which the Minister of Economy, Trade and Industry succeeded. JOGMEC states in its "medium-term objective" and "medium-term plan" that the shares succeeded to from JNOC will be disposed of at an appropriate time and in an appropriate manner, but the timing and manner of the disposal for the shares held by JOGMEC have not been decided, and it is possible that the Company will be unable to acquire the shares.

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

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

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

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

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

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

8. CLASS A STOCK

(1) Overview of the classified share

1) Reason for the introduction

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

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

Unless otherwise provided by laws or ordinances, the Class A Stock does not have any voting rights at the Company's general shareholders' meetings. The holder of the Class A Stock will receive the same amount of dividends, interim dividends, and distributions of residual assets as a holder of common stock. The Class A Stock will be redeemed by resolution of the Board of Directors of the Company if the holder of the Class A Stock requests redemption or if the Class A Stock is transferred to a party other than the government of Japan or an independent administrative body that is fully funded by the government of Japan.

3) Veto rights in the Articles of Incorporation

The Articles of Incorporation of the Company provide that an approval resolution of the meeting of the holder of the Class A

Stock is necessary in addition to resolutions of the Company's general shareholders' meetings and resolutions of meetings of the Board of Directors for the decisions on certain important matters such as the appointment or removal of Directors, disposition of material assets, changes to the Articles of Incorporation, business integration, capital reduction or company dissolution in connection with the business of the Company. Accordingly, the Minister of Economy, Trade and Industry, as the holder of the Class A Stock, has veto rights over these important matters.

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

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

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

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

(2) Risk in connection with the Class A Stock

Although the Class A Stock was issued as a minimally required measure to eliminate the possibility of management controlled by foreign capital while not unreasonably impeding the efficiency and flexibility of management, anticipated risks in connection with the Class A Stock include the following.

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

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

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

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

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

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

9. CONCURRENTLY SERVING OUTSIDE DIRECTORS

The Board of Directors of the Company is composed of 16 members, five of whom are outside directors.

The four outside directors have many years of management experience in the Company's business and are able to offer objective, professional advice regarding operations. For this reason, they were asked to join the Board of Directors to contribute to the development of the Company's business.

The four outside directors concurrently serve as director or advisors of Japan Petroleum Exploration Co., Ltd., Mitsubishi Corporation, Mitsui Oil Exploration Co., Ltd. and JX Holdings, Inc. (hereinafter "shareholder corporations"), respectively.

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

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

Oil and Gas Reserves and Production Volume

1. OIL AND GAS RESERVES

Proved reserves

The following tables list the proved reserves of crude oil, condensate, LPG and natural gas of INPEX CORPORATION, its consolidated subsidiaries and equity-method affiliates (the "Group") on main projects. Disclosure contents for proved reserves are determined in accordance with the rules and regulations of the U.S. Financial Accounting Standards Board (the "FASB"), and are presented in accordance with the Accounting Standards Codification Topic 932 "Extractive Activities —Oil and Gas" ("Topic 932"). The Group's proved reserves as of March 31, 2014 were 1,278.38 million barrels for crude oil, condensate and LPG, and 6,735.2 billion cubic feet for natural gas, for a total of 2,531.85 million boe.

	Japan		Asia & Oceania		Eurasia (Europe & NIS)		Middle East & Africa		Americas		Total	
	Crude oil (MMbbl)	Gas (Bcf)	Crude oil (MMbbl)	Gas (Bcf)	Crude oil (MMbbl)	Gas (Bcf)	Crude oil (MMbbl)	Gas (Bcf)	Crude oil (MMbbl)	Gas (Bcf)	Crude oil (MMbbl)	Gas (Bcf)
Proved developed and undeveloped reserves												
INPEX CORPORATION and Consolidated Subsidiaries												
As of March 31, 2012	16	651	255	6,509	188	—	371	—	0	195	831	7,354
Extensions and discoveries	—	—	—	—	—	—	—	—	—	63	—	63
Acquisitions and sales	—	—	(24)	(698)	—	—	—	—	9	7	(15)	(691)
Revisions of previous estimates	0	7	(1)	(92)	4	42	23	—	(0)	55	26	12
Interim production	(1)	(49)	(21)	(212)	(9)	—	(31)	—	(0)	(24)	(63)	(284)
As of March 31, 2013	15	609	208	5,507	183	42	363	—	9	296	779	6,454
Equity-method affiliates												
As of March 31, 2012	—	—	2	439	—	—	147	—	1	0	150	439
Extensions and discoveries	—	—	0	11	—	—	—	—	—	—	0	11
Acquisitions and sales	—	—	—	—	—	—	10	—	—	—	10	—
Revisions of previous estimates	—	—	0	(116)	—	—	12	—	5	0	17	(116)
Interim production	—	—	(0)	(19)	—	—	(27)	—	—	—	(27)	(19)
As of March 31, 2013	—	—	3	314	—	—	142	—	6	0	151	315
Proved developed and undeveloped reserves												
As of March 31, 2013	15	609	211	5,821	183	42	505	—	15	297	929	6,768
INPEX CORPORATION and Consolidated Subsidiaries												
As of March 31, 2013	15	609	208	5,507	183	42	363	—	9	296	779	6,454
Extensions and discoveries	7	261	—	3	—	—	408	—	—	22	414	286
Acquisitions and sales	—	—	—	—	—	—	—	—	—	—	—	—
Revisions of previous estimates	(0)	(8)	8	12	13	(15)	2	—	(0)	7	23	(4)
Interim production	(1)	(46)	(17)	(217)	(10)	—	(31)	—	(0)	(37)	(59)	(300)
As of March 31, 2014	21	816	199	5,306	186	27	742	—	9	288	1,157	6,437
Equity-method affiliates												
As of March 31, 2013	—	—	3	314	—	—	142	—	6	0	151	315
Extensions and discoveries	—	—	—	—	—	—	—	—	—	—	—	—
Acquisitions and sales	—	—	—	—	—	—	—	—	—	—	—	—
Revisions of previous estimates	—	—	(1)	(1)	—	—	3	—	(1)	0	1	(1)
Interim production	—	—	(0)	(15)	—	—	(30)	—	(0)	(0)	(31)	(15)
As of March 31, 2014	—	—	2	298	—	—	115	—	5	1	121	298
Proved developed and undeveloped reserves												
As of March 31, 2014	21	816	201	5,603	186	27	857	—	13	289	1,278	6,735
Proved developed reserves												
INPEX CORPORATION and Consolidated Subsidiaries												
As of March 31, 2014	14	557	22	399	39	—	543	—	0	140	619	1,096
Equity-method affiliates												
As of March 31, 2014	—	—	1	182	—	—	100	—	5	1	106	183
Proved undeveloped reserves												
INPEX CORPORATION and Consolidated Subsidiaries												
As of March 31, 2014	6	259	178	4,906	147	27	199	—	9	149	539	5,341
Equity-method affiliates												
As of March 31, 2014	—	—	1	116	—	—	15	—	—	—	15	116

Note 1. Based on SEC disclosure standards, the Group discloses proved reserves in each country containing 15% or more of its proved reserves. As of March 31, 2014, the Group held proved reserves in Australia of approximately 170.98 million barrels for crude oil and approximately 4,641.4 billion cubic feet for natural gas, for a total of 1,036.09 million boe.
2. Proved reserves (as of March 31, 2014) of the following blocks and fields include the portion attributable to minority interests.
Eurasia (Europe & NIS): ACG (49%), Kashagan (55%), Americas: Copa Macoya (30%), Horn River Area (54.91%)
3. MMbbl: Million barrels
4. Bcf: Billion cubic feet
5. Crude oil includes condensate and LPG

Standardized measure of discounted future net cash flows and their changes relating to proved oil and gas reserves for the year ended March 31, 2014

Disclosure contents for the standardized measure of discounted future net cash flows and their changes relating to proved reserves for the year ended March 31, 2014 are determined in accordance with the rules and regulations of the FASB, and are presented in accordance with Topic 932.

In calculating the standardized measure of discounted future cash inflows, the arithmetic average of oil and gas prices at the first day of each month during the current fiscal year is applied to the estimated annual future production from proved reserves. Future development and production costs are estimated based upon the assumptions of constant oil and gas prices and the continuation of existing economic, operating and regulatory conditions. Future income tax expenses are calculated by applying the year-end statutory tax rates to estimated future pretax cash flows less the tax basis of the properties involved based upon laws and regulations already legislated at year-end. The discount is computed by applying a prescribed discount rate of 10% to the estimated future net cash flows.

The translation of U.S. dollar amounts into yen amounts is computed by applying the year-end exchange rates (TTM) of ¥93.99 and ¥102.92 to the U.S. dollar as of March 31, 2013 and 2014, respectively.

Since these figures are calculated in accordance with the rules set forth by the FASB, which have the following aspects, they do not represent the fair market value nor the Group's estimation for the present value of the cash flows of reserves of crude oil, condensate, LPG and natural gas.

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

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

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

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

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

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

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

Probable reserves and possible reserves

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

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

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

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

2. OIL AND GAS PRODUCTION

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

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

Years ended March 31,	2009	2010	2011	2012	2013	2014
Crude oil, condensate and LPG (Mbbld):						
Japan	4.9	4.5	3.9	3.8	3.9	3.6
Asia & Oceania	44.7	47.7	65.1	62.5	58.0	45.8
Eurasia (Europe & NIS)	24.8	26.9	27.9	25.0	25.1	26.1
Middle East & Africa	81.0	73.3	73.0	84.3	84.4	84.4
Americas	2.7	5.5	2.3	0.1	0.1	0.1
Subtotal	158.1	158.0	172.2	175.7	171.5	160.0
Proportional interest in production by equity-method affiliates	65.1	60.4	67.4	75.4	74.4	84.9
Total	223.2	218.3	239.6	251.2	245.9	244.9
Annual production (MMbbl)	81.5	79.7	87.5	91.9	89.8	89.4

Years ended March 31,	2009	2010	2011	2012	2013	2014
Natural gas (MMcf/d):						
Japan	164.9	155.1	128.7	127.6	133.7	125.5
Asia & Oceania	842.8	880.5	836.0	665.0	586.4	602.8
Eurasia (Europe & NIS)	—	—	—	—	—	—
Middle East & Africa	—	—	—	—	—	—
Americas	82.3	86.9	81.1	72.4	90.9	107.4
Subtotal	1,090.0	1,122.6	1,045.9	865.0	811.0	835.7
Proportional interest in production by equity-method affiliates	—	—	56.6	62.7	52.4	40.7
Total	1,090.0	1,122.6	1,102.5	927.7	863.4	876.4
Annual production (Billions of cubic feet)	397.8	409.7	402.4	339.5	315.1	319.9

Years ended March 31,	2009	2010	2011	2012	2013	2014
Crude oil and natural gas (Mboed):						
Japan	32.4	30.4	25.3	27.7	29.0	27.2
Asia & Oceania	185.1	194.5	204.4	189.5	169.4	159.9
Eurasia (Europe & NIS)	24.8	26.9	27.9	25.0	25.1	26.1
Middle East & Africa	81.0	73.3	73.0	84.3	84.4	84.4
Americas	16.4	20.0	15.8	13.1	16.2	19.0
Subtotal	339.7	345.1	346.5	339.7	324.0	316.7
Proportional interest in production by equity-method affiliates	65.1	60.4	76.8	86.5	83.8	92.1
Total	404.9	405.4	423.3	426.2	407.8	408.8
Annual production (MMboe)	147.8	148.0	154.5	156.0	148.8	149.2

Oil and Gas Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

International Energy Agency (IEA)
An autonomous organization comprised of the main oil-consuming countries established in 1974 under the OECD for collective action on energy.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Index/Unit Conversion

Financial/Accounting

ESG (Environment/Social/Governance)

Non-Financial Information

Projects

Unit Conversion

Crude oil	Natural gas	Sale gas	LPG	LNG
1 kl ≒ 6.29 barrels	1 cf ≒ 1,000 Btu*	1 m³ ≒ 37.32 cf	1 ton ≒ 10.5 barrels (crude oil)	1 ton ≒ 8.8 barrels (crude oil) ≒ 1,400 m³ (natural gas) ≒ 53 million Btu*
1 ton ≒ 7.4 barrels	1 billion m³ ≒ 700,000 tons (LNG)			
1 barrel ≒ 6,000 cf (natural gas)	100 million cf/day ≒ 700,000 tons/year (LNG)			
100,000 barrels/day ≒ 4 million tons/year (LNG)	1 trillion cf ≒ 1 million tons × 20 years (LNG) (20 million tons)			

*British thermal unit

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

Corporate Information

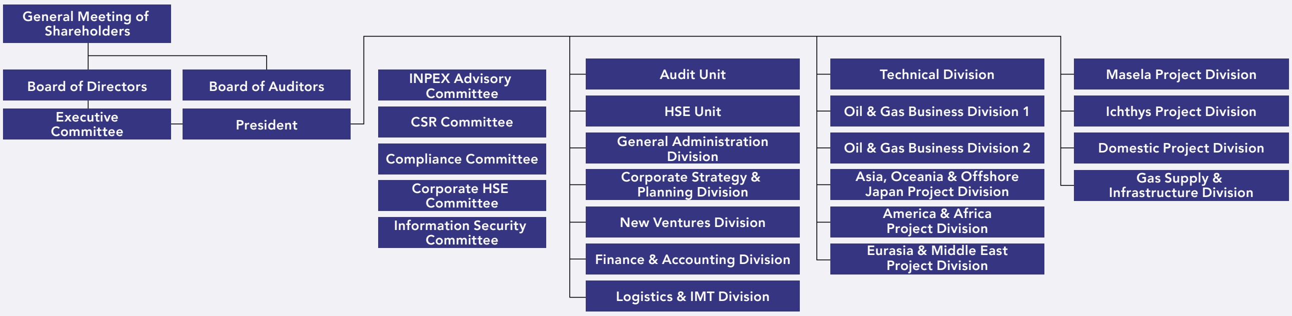
(As of March 31, 2014)

Corporate Data

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

Number of Employees (Consolidated) 2,874
Main Business Research, exploration, development, production and sales of oil, natural gas and other mineral resources, other related businesses and investment and lending to the companies engaged in these activities, etc.

Organization Chart (As of June 30, 2014)



Stock Data

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

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

*1 Implemented a stock split at a rate of 1:400 of common stock at the effective date of October 1, 2013.
*2 The Company's Articles of Incorporation stipulate that certain major corporate decisions require a resolution by the holder of the Class A Stock in addition to the approval of the shareholders' meetings or Board of Directors.

Major Shareholders (Common Stocks)

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

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

Shareholding by Shareholder Type

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

*1 Percentage of total shares are for all issued and outstanding shares.
*2 Excludes one Class A Stock

Home Page

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

▸ **www.inpex.co.jp/english**

Inquiries

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