INPEX
INPEX CORPORATION

FASF MEMBERSHIP

Consolidated Financial Results for the year ended March 31, 2014 [Japanese GAAP]

May 9, 2014

Note: The following report is an English translation of the Japanese-language original.

Company name : **INPEX CORPORATION** Stock Exchange on which the Company is listed : Tokyo Stock Exchange

Code number : 1605 URL http://www.inpex.co.jp

Representative : Toshiaki Kitamura, President

Contact person : Kimihisa Kittaka, General Manager, Corporate Communications Unit
TEL+81-3-5572-0233

Scheduled date of ordinary general meeting of shareholders :June 25, 2014

Scheduled date of filing Financial Report :June 26, 2014

Scheduled date of payment of cash dividends :June 26, 2014

Preparation of supplementary explanatory materials : Yes

Meeting of financial results presentation : Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded off)

1. Consolidated Financial Results for the year ended March 31, 2014(April 1, 2013-March 31, 2014)
   (1) Consolidated operating results

(Figures in % represent the changes from the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income	
For the year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2014	1,334,625	9.7	733,610	5.8	750,077	4.4	183,690	0.4
March 31, 2013	1,216,533	2.5	693,447	(2.2)	718,146	(6.4)	182,961	(5.7)

(Note): Consolidated comprehensive income: for the year ended March 31, 2014, ¥ 345,672 million; (2.4%)
for the year ended March 31, 2013, ¥ 337,542 million; (40.3%)

	Net income per share—basic	Net income per share—diluted	Net income as a percentage of net assets excluding minority interests	Ordinary income as a percentage of total assets	Operating income as a percentage of net sales
For the year ended	Yen	Yen	%	%	%
March 31, 2014	125.78	—	7.0	19.6	55.0
March 31, 2013	125.29	—	7.9	21.5	57.0

(Reference): Equity in earnings (losses) of affiliates: for the year ended March 31, 2014, ¥ (5,053) million
for the year ended March 31, 2013, ¥ (1,041) million

(Note): The Company conducted a stock split at a ratio of 1:400 of common stock with October 1, 2013 as the effective date. Net income per share is calculated based on the assumption that the stock split was conducted on April 1, 2012.

(2) Consolidated financial position

	Total assets	Net assets	Net assets excluding minority interests as a percentage of total assets	Net assets excluding minority interests per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2014	4,038,139	2,996,036	69.1	1,911.25
As of March 31, 2013	3,616,158	2,670,983	68.6	1,699.10

(Reference): Net assets excluding minority interests: as of March 31, 2014, ¥ 2,791,108 million
as of March 31, 2013, ¥ 2,481,292 million

(Note): 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 excluding minority interests per share is calculated based on the assumption that the stock split was conducted on April 1, 2012.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of the year
For the year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2014	213,513	(395,555)	48,961	117,530
March 31, 2013	252,346	(489,870)	137,069	199,858

2. Dividends

	Cash dividends per share					Total cash dividends (Annual)	Payout ratio (Consolidated)	Cash dividends as a percentage of net assets (Consolidated)
	At 1st quarter end	At 2nd quarter end	At 3rd quarter end	At fiscal year end	Total			
For the year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
March 31, 2013	—	3,500.00	—	3,500.00	7,000.00	25,556	14.0	1.1
March 31, 2014	—	3,600.00	—	9.00	—	26,286	14.3	1.0
For the year ending March 31, 2015 (forecast)	—	9.00	—	9.00	18.00		—	

*1: The amount of year-end dividend for the fiscal year ended March 31, 2014 is provided after taking into consideration the effect of the stock split conducted at a ratio of 1:400 of common stock with October 1, 2013 as the effective date.
If adjusted to reflect the number of shares prior to the stock split, the amount of fiscal year-end dividend would be ¥3,600.
*2: Above information of "Dividends" is that regarding common stock. For information regarding Class A stock (which is not listed), please refer to Exhibit "Dividends of Class A stock".

3. Forecasted Consolidated Operating Results for the year ending March 31, 2015 (April 1, 2014-March 31, 2015)

(Figures in % represent the changes from the corresponding period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
For the six months ending September 30, 2014	643,000	(1.1)	309,000	(10.2)	336,000	(4.2)	80,000	(0.1)	54.78
For the year ending March 31, 2015	1,331,000	(0.3)	638,000	(13.0)	694,000	(7.5)	171,000	(6.9)	117.09

*Notes

(1) Significant changes in scope of consolidation : None
(Changes in the specified subsidiaries during the period due to change in scope of consolidation)

(2) Changes in accounting policies, accounting estimates and restatement of corrections

1. Changes in accounting policies resulting from the revision of the accounting standards and other regulations : Yes
2. Other changes in accounting policies : None
3. Changes in accounting estimates : None
4. Restatement of corrections : None

(3) Number of shares issued (Common stock)

1. Number of shares issued at the end of the period (including treasury stock): 1,462,323,600 shares as of March 31, 2014; 1,462,323,600 shares as of March 31, 2013
2. Number of treasury stock at the end of the period: 1,966,400 shares as of March 31, 2014; 1,966,400 shares as of March 31, 2013
3. Average number of shares: 1,460,357,200 shares for the year ended March 31, 2014; 1,460,357,200 shares for the year ended March 31, 2013

(Note): The Company conducted a stock split at a ratio of 1:400 of common stock with October 1, 2013 as the effective date. Number of shares issued is calculated based on the assumption that the stock split was conducted on April 1, 2012. For Class A stock (which is not listed), no stock split was implemented.

(Reference) Non-Consolidated Financial Results
1. Financial results for the year ended March 31, 2014 (April 1, 2013-March 31, 2014)
(1) Operating results

(Figures in % represent the changes from the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income	
For the year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2014	456,325	14.2	209,835	15.8	304,670	23.2	194,339	32.1
March 31, 2013	399,496	(11.7)	181,278	(22.4)	247,369	(7.0)	147,090	0.9

	Net income per share—basic	Net income per share—diluted
For the year ended	Yen	Yen
March 31, 2014	133.08	—
March 31, 2013	100.72	—

(Note): The Company conducted a stock split at a ratio of 1:400 of common stock with October 1, 2013 as the effective date. Net income per share is calculated based on the assumption that the stock split was conducted on April 1, 2012.

(2) Financial position

	Total assets	Net assets	Net assets as a percentage of total assets	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2014	3,542,098	2,274,314	64.2	1,557.37
As of March 31, 2013	3,177,617	2,096,127	66.0	1,435.35

(Reference): Net assets: as of March 31, 2014, ¥ 2,274,314 million
as of March 31, 2013, ¥ 2,096,127 million

(Note): 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 is calculated based on the assumption that the stock split was conducted on April 1, 2012.

*Indication of audit procedure implementation status

This earnings report is exempt from audit procedure under the Financial Instruments and Exchange Act. The audit procedure for consolidated financial statements under the Financial Instruments and Exchange Act has not been completed at the time of disclosure of this report.

*Explanation regarding the appropriate use of estimated consolidated financial results

The aforementioned forecasts “3. Forecasted Consolidated Operating Results for the year ending March 31, 2015” are based on the currently available information and contain many uncertainties. The final results might be significantly different from the aforementioned forecasts due to changes in business conditions including oil and natural gas price levels, production and sales plans, project development schedules, government regulations and financial and tax schemes. Please refer to “1. (1) Analysis on Consolidated Operating Results” on page 7.

Exhibit:

Dividends of Class A stock

	Cash dividends per share				
	At 1st quarter end	At 2nd quarter end	At 3rd quarter end	At fiscal year end	Total
For the year ended	Yen	Yen	Yen	Yen	Yen
March 31, 2013	—	3,500.00	—	3,500.00	7,000.00
March 31, 2014	—	3,600.00	—	3,600.00	7,200.00
For the year ending March 31, 2015 (forecast)	—	3,600.00	—	3,600.00	7,200.00

(Note): The Company conducted a stock split at a ratio of 1:400 of common stock with October 1, 2013 as the effective date, however, for Class A stock (which is not listed), no stock split was implemented. The article, which shows that dividends of Class A stock are equivalent to dividends of a common stock prior to the stock split, is specified in the Articles of Incorporation.

Index of the Attachments

1. Results of Operations and Financial Position

(1) Analysis on Consolidated Operating Results

During this fiscal year, 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.
International oil prices gave a significant impact on the performance of our Group. Brent crude oil, which is one of the typical indicators, started from 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 this fiscal year.
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 fiscal year for the Group was US$107.78 per barrel, which is US$2.33 lower than that of the previous fiscal year.

The foreign exchange market, another important factor that affects the business of our Group, began to trade at the ¥94 level to the U.S. dollar. The yen depreciation steadily continued against the U.S.dollar 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 quantitate 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 2013 as well as FOMC (Federal Open Market Committee) decision to downscale the quantitate 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 of the fiscal year end of March 31, 2013.
Reflecting these situations, the average sales exchange rate for our Group for this fiscal year was ¥100.20 to the U.S. dollar, which is ¥17.52 lower than that of the previous fiscal year.

Consolidated net sales for the year ended March 31, 2014 increased by ¥118.0 billion, or 9.7%, to ¥1,334.6 billion from the previous fiscal year due to the depreciation of Japanese yen against the U.S. dollar, despite decreases in sales price and sales volume of crude oil.
Net sales of crude oil increased by ¥70.6 billion, or 9.0%, to ¥858.7 billion, and net sales of natural gas increased by ¥57.6 billion, or 14.5%, to ¥455.4 billion.
Sales volume of crude oil decreased by 7,018 thousand barrels, or 8.1%, to 79,171 thousand barrels due to the decline in production in the Van Gogh Oil Field and the Kitan Oil Field. Sales volume of natural gas increased by 8,325 million cf, or 2.6%, to 327,117 million cf. Sales volume of overseas natural gas increased by 6,649 million cf, or 2.6%, to 260,011 million cf due to an increase in sales volume in Americas, and sales volume of domestic natural gas increased by 45 million m^3, or 2.6%, to 1,798 million m^3 (67,106 million cf).
The average sales price of overseas crude oil decreased by US$2.33, or 2.1 %, to US$107.78 per barrel. Meanwhile, the average sales price of overseas natural gas decreased by US$0.34, or 2.5%, to US$13.09 per thousand cf. In addition, the average sales price of domestic natural gas increased by ¥3.29, or 7.0%, to ¥50.31 per m^3.
The increase of ¥118.0 billion in net sales was mainly derived from the following factors: regarding net sales of crude oil and natural gas, a decreased in sales volume pushing sales down of ¥60.4 billion, and unit sales price pushing sales down of ¥23.2 billion, and the depreciation of Japanese yen against the U.S. dollar contributing ¥211.9 billion to the increase, in addition, a decrease in net sales excluding crude oil and natural gas of ¥10.1 billion.
Cost of sales for the year ended March 31, 2014 increased by ¥64.0 billion, or 15.0%, to ¥490.4 billion due mainly to the depreciation of Japanese yen against the U.S. dollar. Exploration expenses increased by ¥8.0 billion, or 40.2%, to ¥28.2 billion due mainly to an increase in exploration activities in Japan and in the Middle East and Africa region. Selling, general and administrative expenses increased by ¥5.7 billion, or 7.5%, to ¥82.3 billion. As a result, operating income increased by ¥40.1 billion, or 5.8%, to ¥733.6 billion.
Other income decreased by ¥47.9 billion, or 48.6 %, to ¥50.7 billion due mainly to a decrease in gain on transfer of mining rights, despite an increase in gain on sales of marketable securities. Other expenses decreased by ¥39.7 billion, or 53.7%, to ¥34.2 billion due to decreases in provision for exploration projects and foreign exchange loss. As a result, ordinary income increased by ¥31.9 billion, or 4.4%, to ¥750.0 billion.
Total amount of current income taxes and deferred income taxes increased by ¥33.8 billion, or 6.4%, to ¥563.1 billion, and minority interests were ¥3.2 billion. As a result of the above effects, net income for the year ended March 31, 2014 increased by ¥0.7 billion, or 0.4%, to ¥183.6 billion.

Financial results by segment are as follows:

1) Japan
Net sales increased by ¥1.3 billion, or 1.1%, to ¥120.2 billion due to increases in sales price and sales volume of natural gas.

Operating income decreased by ¥5.7 billion, or 20.3%, to ¥22.7 billion due to increases in net purchase of natural gas and exploration expenses.

2) Asia & Oceania

Net sales decreased by ¥0.2 billion, or 0.0%, to ¥485.0 billion due to decreases in sales price of crude oil and sales volume, despite the depreciation of the Japanese yen against the U.S. dollar. Operating income decreased by ¥16.7 billion, or 6.0%, to ¥264.8 billion due to the depreciation of the Japanese yen against the U.S. dollar and an increase in cost of sales caused by increases in administrative expenses and others.

3) Eurasia (Europe & NIS)

Net sales increased by ¥10.8 billion, or 12.6%, to ¥96.3 billion due to the depreciation of the Japanese yen against the U.S. dollar, despite decreases in sales price and sales volume of crude oil. Operating income increased by ¥0.8 billion, or 2.0%, to ¥42.6 billion.

4) Middle East & Africa

Net sales increased by ¥100.6 billion, or 19.3%, to ¥621.5 billion due to an increase in sales volume of crude oil and the depreciation of the Japanese yen against the U.S. dollar, despite a decrease in sales price of crude oil. Operating income increased by ¥63.8 billion, or 17.9%, to ¥421.1 billion.

5) Americas

Net sales increased by ¥5.4 billion, or 92.4%, to ¥11.4 billion due to an increase in sales volume of natural gas. Operating loss increased by ¥1.5 billion, or 25.6%, to ¥7.6 billion due to an increase in cost of sales caused by increases in administrative expenses and others.

As for the outlook, consolidated net sales for the six months ending September 30, 2014 are expected to be ¥643.0 billion, to decrease by 1.1% compared with the six months ended September 30, 2013, and net sales for the year ending March 31, 2015 are expected to be ¥1,331.0 billion, to decrease by 0.3% compared with the year ended March 31, 2014.
Operating income for the six months ending September 30, 2014 is expected to be ¥309.0 billion, to decrease by 10.2% compared with the six months ended September 30, 2013, and operating income for the year ending March 31, 2015 is expected to be ¥638.0 billion, to decrease by 13.0% compared with the year ended March 31, 2014.
Ordinary income for the six months ending September 30, 2014 is expected to be ¥336.0 billion, to decrease by 4.2% compared with the six months ended September 30, 2013, and ordinary income for the year ending March 31, 2015 is expected to be ¥694.0 billion, to decrease by 7.5% compared with the year ended March 31, 2014. Net income for the six months ending September 30, 2014 is expected to be ¥80.0 billion, to decrease by 0.1% compared with the six months ended September 30, 2013, and net income for the year ending March 31, 2015 is expected to be ¥171.0 billion, to decrease by 6.9% compared with the year ended March 31, 2014.
Net sales and net income for the year ending March 31, 2015 are expected to decrease due to the forecasted decline in the crude oil price compared with the previous fiscal year and others.
In these estimates, the crude oil price is assumed to be US$105.0 per barrel (for Brent crude oil) with the exchange rate of the Japanese yen against the U.S. dollar at ¥100 through the year ending March 31, 2015.

(2) Analysis on Consolidated Financial Position

Consolidated total assets as of March 31, 2014 increased by ¥421.9 billion to ¥4,038.1 billion from ¥3,616.1 billion as of March 31, 2013. Current assets increased by ¥33.7 billion to ¥1,140.2 billion due to an increase in cash and deposits and others. Fixed assets increased by ¥388.2 billion to ¥2,897.9 billion 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 to ¥1,042.1 billion from ¥945.1 billion as of March 31, 2013. Current liabilities decreased by ¥39.3 billion to ¥375.6 billion due to a decrease in income taxes payable and others. Long-term liabilities increased by ¥136.2 billion to ¥666.4 billion due to an increase in long-term debt and others.
Net assets increased by ¥325.0 billion, to ¥2,996.0 billion. Total shareholders' equity increased by ¥157.7 billion, to ¥2,497.7 billion. Total accumulated other comprehensive income increased by ¥152.0 billion to ¥293.3 billion and minority interests increased by ¥15.2 billion to ¥204.9 billion.

As for cash flows for the year ended March 31, 2014, net cash provided by operating activities decreased by ¥38.8 billion to ¥213.5 billion from the previous fiscal year 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. Meanwhile, net cash used in investing activities decreased by ¥94.3 billion to ¥395.5 billion 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 decreased by ¥88.1 billion to ¥48.9 billion due to decreases in proceeds from long-term debt and proceeds from minority interests for additional shares.
After totaling ¥50.7 billion of the effect of exchange rate changes on cash and cash equivalents, the decrease in cash and cash equivalents for the year ended March 31, 2014 amounted to ¥82.3 billion. Cash and cash equivalents at the end of the year ended March 31, 2014 totaled ¥117.5 billion reflecting the above net decrease of ¥82.3 billion, from ¥199.8 billion at the end of the previous fiscal year.

(3) Dividend policy and Dividends for the year ended March 31, 2014 and for the year ending March 31, 2015

In order to secure a stable supply of oil and natural gas resources efficiently, INPEX CORPORATION Group aims to expand its operating base. To this end, we are reinforcing investments in exploration and development in Japan and overseas, as well as in maintenance and expansion of the supply infrastructure. The robust financial basis of INPEX CORPORATION Group is crucial for maintaining this level of investment. Therefore, our basic policy is to maximize corporate value through ongoing maintenance and enlargement of our reserves and production of oil and natural gas by affirmative investments, while paying out cash dividends as direct compensation to shareholders, in light of the medium- to long-term prospects for INPEX CORPORATION Group.

We decided the mid-term dividend to be ¥3,600* per share, and the year-end dividend to be ¥9 per share for the year ended March 31, 2014 based on the policy above.

We plan a mid-term dividend to be ¥9 per share and a year-end dividend to be ¥9 per share, thus the total dividend for the year ending March 31, 2015 is to be ¥18 per share.

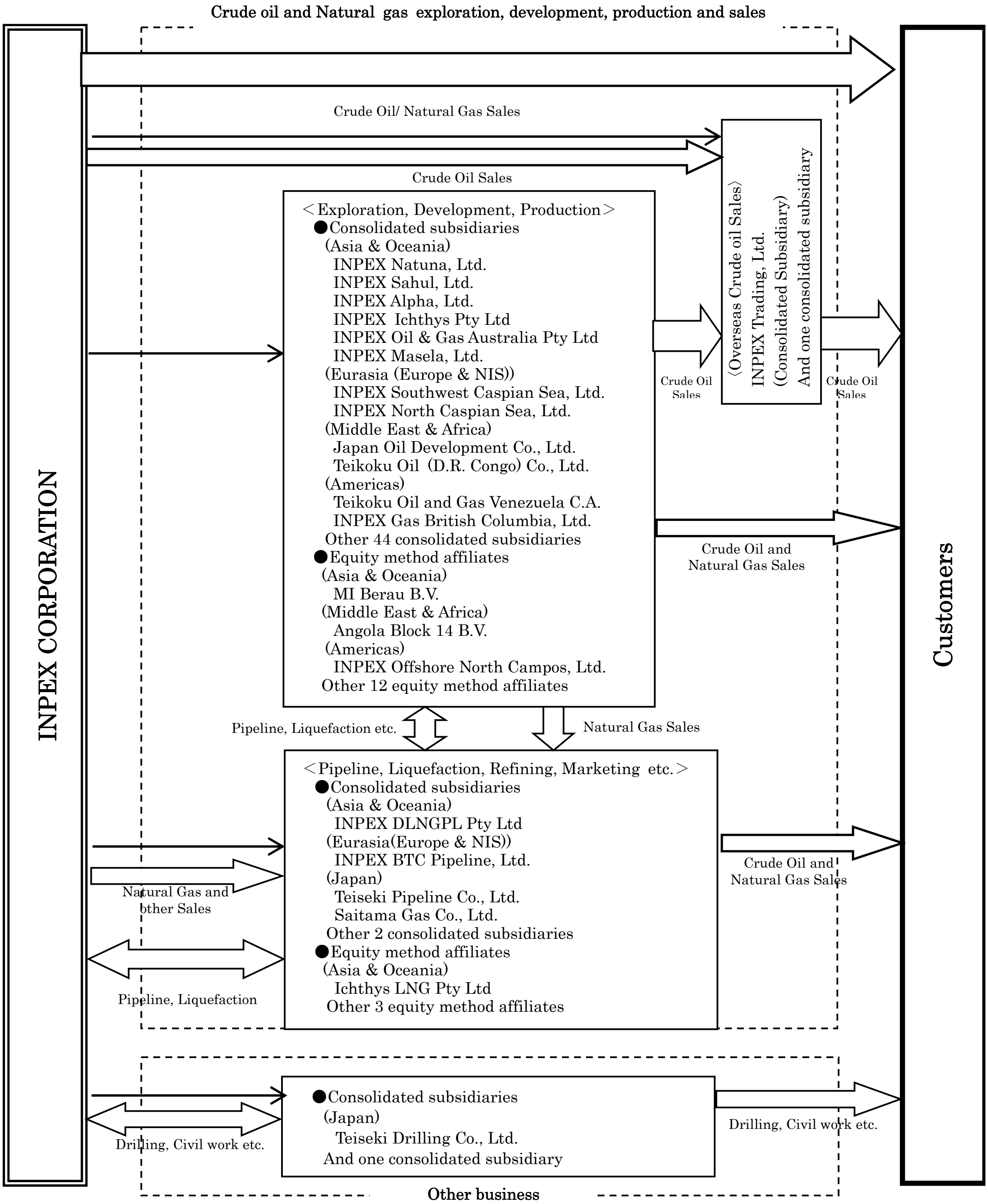
As to the use of retained earnings, we plan to apply them to investments for the purpose of maintenance and enlargement of our reserves and production of oil and natural gas and so on.

* Information about mid-term dividend for the fiscal year ended March 31, 2014 is provided before taking into consideration the effect of the stock split conducted at a ratio of 1:400 as to the common stock with October 1, 2013 as the effective date.

2. Overview of the INPEX CORPORATION Group

The INPEX CORPORATION Group consists of INPEX CORPORATION, 75 subsidiaries (including 66 consolidated subsidiaries), 25 affiliates (including 19 equity method affiliates) and their 3 subsidiaries (as of March 31, 2014). The Group primarily engages in exploration, development, production and sales of crude oil and natural gas in Japan as well as in "Asia & Oceania", "Eurasia (Europe & NIS)", "Middle East & Africa" and "Americas".

The following diagram shows our Group’s business flow.



Note : 1 symbol “→” indicates capital investment (including indirect holdings)

2 symbol “⇒” indicates products and services flow

3. Management Policy

(1) Management Strategy

The INPEX Group positions itself to become a top class international oil and gas exploration and production company through sustainable growth in the oil and gas development business. With natural gas as the core of our business, we will grow into an integrated energy company by making contributions to a stable energy supply to broader communities. We will continue to play a significant role in boosting the capability of supplying energy to Japan while contributing to the global economic growth and social development. Through these efforts, we intend to further advance our reputation among our shareholders and more broadly our stakeholders as a company serving an essential role in the global community.

(2) Medium- to Long-Term Management Key Initiatives

Based on the Management Strategy above, we carry out our businesses in accordance with three measures as follows;

- Continuous enhancement of E&P activities to become a top class international oil & gas E&P company
- Strengthening gas supply chain to further globalize gas business
- Reinforcement of renewable energy initiatives to become an integrated energy company that contributes to the global community

Our challenges are as follows;

The key management initiatives for the Company in developing oil and natural gas resources are to produce oil and natural gas in a stable manner ensuring safety and taking care of the environment, and achieving sustainable growth by maintaining and expanding reserves through reinvesting the cash flow obtained from its existing oil and gas fields. The INPEX Group strives to ensure HSE management and preservation of the environment, formulating the safety-conscious and environmental sound system or framework across the INPEX Group based on the internationally recognized standards. By combining overseas projects that promise high growth potential arising from expansion of reserves with domestic projects that are without country risks or foreign exchange risks, we are seeking qualitative improvements in our asset portfolio. At the same time, by leveraging our business resources more effectively through an organic linkage of our overseas assets and our domestic infrastructure, we aim to further enhance our corporate value.

In May 2012, we set the targets to achieve sustainable growth over the medium- to long-term, and clarified key initiatives for the medium term as described in the “MEDIUM- TO LONG-TERM VISION OF INPEX”. It sets three growth targets as “① Continuous Enhancement of E&P Activities,” “② Strengthening Gas Supply Chain” and “③ Reinforcement of Renewable Energy Initiatives,” and to support such growth, it sets three management policies as “① Securing / Developing Human Resources and Building an Efficient Organizational Structure,” “② Investment for Growth and Return for Shareholders” and “③ Responsible Management as a Global Company.” Through achieving our Vision, the Company intends to further enhance our corporate value and our reputation among our shareholders and more broadly our stakeholders as a company serving an essential role in the global community.

As our immediate business challenges, we recognize the importance of steady development activities of the two large scale LNG projects in Australia (Ichthys) and Indonesia (Abadi), stable production activities under the existing producing projects including Mahakam in Indonesia, ADMA Block offshore Abu Dhabi and ACG oil fields in Azerbaijan, proactive exploration activities for acquiring new oil and gas reserves, and pursuit of opportunities to acquire good projects. In our domestic gas business, we consider that the sustainable growth of natural gas business is important to respond to growing social requirements for expanding natural gas use. To meet such requirements, we have been enhancing domestic gas infrastructure including the completion of Naoetsu LNG Receiving Terminal and the construction of Toyama Line, and we have been developing the Gas Supply Chain which optimizes usage of overseas natural gas assets and domestic gas supply infrastructure.

Our policy of business operation and approach to address the challenges are as follows;

① Continuous Enhancement of E&P Activities

ⅰ) Achieve a Well Balanced Asset Portfolio

- Regional Diversification

The operating areas and asset portfolio of the Company have diversified to not only Japan, Asia and Oceania where we have a wealth of experience and assets, but also the Middle East, the Caspian Sea, Central and South America, Africa and so on. We will proactively continue to invest in Asia, Oceania and other regions taking the regional balance into consideration.

- Output ratio between Crude Oil and Gas

According to the outputs by products, the share of crude oil is around 60% while the share of natural gas is around 40%.

Crude oil is utilized all over the world as an easily handled fuel with various uses as well as its ease of transportation and storage. As crude oil is a rather sensitive commodity, the sales prices are often influenced by the conditions of the market.

Although the customers are not fixed in a long term, the amount of the investment for production and transportation facilities is small in comparison with that of natural gas. Furthermore, the time required for the development stage is relatively short so that the company can gain profit comparatively quickly once the oil fields are discovered.

Natural gas is the most environmentally friendly fuel among fossil fuels and its utilization is expected to be promoted as a quick effective measure against global warming. Commercial production of natural gas requires substantial investment and a long lead time of preparation for constructing liquefaction plants or pipelines. Since gas buyers are also required to make large investments in LNG receiving facilities, stable and long-term sales contracts are essential. With an assurance of long term LNG supply to the customers, a relatively stable profitability is achieved while it is sensitive to oil price fluctuations.

In acquiring new projects, we focus on a balance between crude oil and natural gas production to ensure efficient investment with a view to securing long-term cash flow.

- Balancing the Project Phases among Exploration, Development and Production

  Because crude oil and gas reserves are limited, we continuously seek to acquire new reserves in order to ensure stable profitability. Therefore, we reinvest in exploration to discover new reserves while maintaining our cash flow from production. Projects must be carried out continuously in order to allocate and balance our assets among exploration, development and production stages. To achieve this balance, we will continue to negotiate the extension of the contracts for the offshore Mahakam area and ADMA Block, which are our major production projects while investing in exploration, producing and undeveloped oil and gas assets and further pursuing corporate M&A opportunities.

- Balancing Contractual Arrangements

  We intend to diversify the risk of oil price volatility by balancing contractual arrangements among production sharing contracts or concession contracts, for which profit is linked to oil prices, with service contracts or fixed margin contracts, for which profitability is less influenced by oil prices.

ⅱ) Enhance Activities and Capabilities as Operator

In acting as Operator, we face managerial challenges such as the difficulty in securing manpower and the heavy burden of financing. However, involvement as Operator also increases our opportunities to obtain new working interests by improving our technological capabilities and winning recognition from oil and gas producing countries and international oil companies. The Company is pursuing opportunities to act as Operator, such as Ichthys and Abadi, with enhanced technological capabilities resulting from business integration.

ⅲ) Strengthening Relationships with Leading Domestic and International Oil and Gas Companies

Developing oil and gas involves considerable risks. Large-scale projects in particular require huge investment, presenting an insuperable obstacle for a single company. Companies form a consortium to share the risks, and this is an international practice, too. The Company plans to expand its business and to diversify risks by increasing opportunities to participate in projects through enhanced cooperation with major international oil companies, national oil companies in oil and gas producing countries as well as leading private oil resource developers, trading companies and other energy-related companies.

② Strengthening Gas Supply Chain

The Company aims to expand operations in the domestic natural gas market, which represents a stable base of earnings that is expected to grow. As well as building a natural gas pipeline network to supply the promising market in the Kanto-Koshinetsu region, we plan to strengthen production system in the key Minami Nagaoka gas field. We also own promising assets, primarily natural gas, in Indonesia and Australia and other areas to ensure our long-term growth. With the last year’s completion of Naoetsu LNG Receiving Terminal as a turning point, we will continue an aggressive pursuit of the enlarged business domain including power generation taking the reforms of electricity and gas business sector into consideration, in order to strengthen our gas business integration that organically links these overseas gas assets with our domestic infrastructure (gas supply chain).

③ Reinforcement of renewable energy initiatives

The Company is positioned for “Evolvement into a company that offers diversified forms of energy” as one of our medium-to long-term strategies, and has been doing businesses based on this strategy. Our main goal is to live with the global community and to contribute to the sustainable social development by growing ourselves to be an energy company, which is capable of supplying a variety of environmentally friendly energies in addition to oil and natural gas. We are challenging to develop new business areas in cooperation with domestic and international companies, universities and others. In particular, we pursue opportunities to participate in or develop new businesses for renewable energies such as photovoltaic and solar thermal power generation, wind power generation, geothermal power generation, biomass fuel, and energy utilization technologies using hydrogen, fuel cell and high performance batteries.

④ Securing / Developing Human Resources and Building an Efficient Organizational Structure

The Company established its "New Ventures Division" to advance our vision in June 2012. This year, we reorganized overseas project divisions and units to promote our overseas business flexibly and efficiently. We also newly established "Gas Supply & Infrastructure Division" to strengthen our business execution system that will allow us to meet our expanded gas supply chain. We will continue building an efficient organizational structure and will secure and utilize global human resources with diverse experiences and values. Through these efforts, we will establish an efficient business execution system.

⑤ Investment for Growth and Return for Shareholders

For the growth of the Company, we will steadily carry out investment activities in the medium- to long-term while maintaining the soundness of our financial position. Considering the production startup schedule of Ichthys and other operator projects, we will realize an appropriate level of return for shareholders. We will also enhance management efficiency befitting top class international oil and gas E&P companies.

⑥ Responsible Management as a Global Company

ⅰ) Promote CSR management, Enhance stakeholder communications, establish corporate governance and compliance

The Company has been trying hard to develop its responsible management system as a global company. We are engaging in various approaches to continuously strengthen its CSR management under the CSR Committee of which chairman is the president. We will continue to promote active information disclosure and communication so as to reach out to our broadly based stakeholders. We implemented some measures to reinforce our corporate governance from a global perspective in 2012. Specifically we established the “INPEX Advisory Committee” on October 2012. We will further improve corporate governance and compliance management systems.

ⅱ) Efforts for Health, Safety and Environment

The Company has organized integrated HSE management system in line with international standards and has been trying hard to secure the safety and health of people concerned in our business and the environment. The Company places prevention of incident as the top priority and positively address to improve required documents including manuals and to develop skills through personnel training and education for emergency situation. As for environmental issues, particularly global warming, we make every effort to minimize the effects on surrounding areas when we explore for, develop energy resources, produce and sell the products. Also we are working to reduce our greenhouse gas emission unit, reduce emissions of chemical substances, suppress emissions into the atmosphere and river systems, prevent soil pollution and reduce waste and conserve biological diversity. And through our global activities, we appropriately evaluate security risks of each country and area where we operate, and will implement measures for minimizing and protecting from them.

Based on the mission to supply energy in a stable and efficient manner thereby contribute to the good of society, and the activities in line with the Vision, the Company will improve our corporate value over the long term with a view to securing steady growth.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Millions of yen)

Accounts	As of March 31, 2013	As of March 31, 2014
(Assets)		
Current assets		
Cash and deposits	483,814	650,187
Accounts receivable-trade	117,411	110,395
Marketable securities	281,642	201,000
Inventories	*1 15,409	*1 25,485
Deferred tax assets	10,111	7,745
Accounts receivable-other	94,333	121,120
Other	118,701	41,912
Less allowance for doubtful accounts	(14,919)	(17,643)
Total current assets	1,106,504	1,140,204
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	102,965	145,936
Wells, net	19,777	25,348
Machinery, equipment and vehicles, net	71,477	112,898
Land	19,560	19,736
Construction in progress	359,429	626,520
Other, net	11,330	21,339
Total tangible fixed assets	*2,4,5 584,541	*2,4,5 951,779
Intangible assets		
Goodwill	87,840	81,080
Exploration and development rights	118,869	125,621
Mining rights	167,178	221,411
Other	6,266	11,065
Total intangible assets	380,155	439,178
Investments and other assets		
Investment securities	*3,4 673,129	*3,4,6 476,407
Long-term loans receivable	7,263	33,091
Long-term time deposits	287,273	364,103
Recoverable accounts under production sharing	590,565	685,990
Deferred tax assets	40,076	13,821
Other	*3,4 65,433	*3,4 61,159
Less allowance for doubtful accounts	(793)	(885)
Less allowance for recoverable accounts under production sharing	(112,870)	(123,483)
Less allowance for investments in exploration	(5,119)	(3,226)
Total investments and other assets	1,544,957	1,506,977
Total fixed assets	2,509,654	2,897,935
Total assets	3,616,158	4,038,139

(Millions of yen)

Accounts	As of March 31, 2013	As of March 31, 2014
(Liabilities)		
Current liabilities		
Accounts payable-trade	41,401	46,811
Short-term loans	*4 8,560	*4 21,954
Income taxes payable	152,681	91,198
Accounts payable-other	*4 133,232	*4 131,904
Provision for exploration projects	26,856	9,816
Accrued bonuses to officers	127	110
Asset retirement obligations	3,812	2,353
Other	48,303	71,521
Total current liabilities	414,976	375,670
Long-term liabilities		
Long-term debt	*4 466,908	*4 561,674
Deferred tax liabilities	34,987	54,959
Accrued retirement benefits to employees	8,580	—
Provision for loss on business	3,705	6,977
Accrued special repair and maintenance	277	234
Net defined benefit liability	—	7,793
Asset retirement obligations	13,581	25,954
Other	*4 2,156	*4 8,838
Total long-term liabilities	530,198	666,432
Total liabilities	945,174	1,042,102
(Net assets)		
Shareholders’ equity		
Common stock	290,809	290,809
Capital surplus	679,287	679,287
Retained earnings	1,375,106	1,532,876
Treasury stock	(5,248)	(5,248)
Total shareholders’ equity	2,339,956	2,497,725
Accumulated other comprehensive income		
Unrealized holding gain on securities	34,741	44,737
Unrealized gain (loss) from hedging instruments	16,243	(17,578)
Translation adjustments	90,350	266,224
Total accumulated other comprehensive income	141,336	293,382
Minority interests	189,691	204,928
Total net assets	2,670,983	2,996,036
Total liabilities and net assets	3,616,158	4,038,139

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Consolidated Statement of Income

(Millions of yen)

Accounts	For the year ended March 31, 2013	For the year ended March 31, 2014
Net sales	1,216,533	1,334,625
Cost of sales	426,326	490,416
Gross profit	790,206	844,209
Exploration expenses	20,124	28,205
Selling, general and administrative expenses	*1,2 76,634	*1,2 82,392
Operating income	693,447	733,610
Other income		
Interest income	8,734	17,462
Dividend income	7,832	9,227
Gain on sales of marketable securities	40	10,335
Other	82,059	13,709
Total other income	98,666	50,734
Other expenses		
Interest expense	1,518	2,335
Equity in losses of affiliates	1,041	5,053
Provision for allowance for recoverable accounts under production sharing	15,131	8,028
Provision for exploration projects	12,452	1,165
Foreign exchange loss	30,055	4,279
Other	13,769	13,404
Total other expenses	73,968	34,266
Ordinary income	718,146	750,077
Income before income taxes and minority interests	718,146	750,077
Income taxes-current	539,207	514,015
Income taxes-deferred	(9,932)	49,121
Total income taxes	529,275	563,136
Income before minority interests	188,870	186,941
Minority interests	5,909	3,250
Net income	182,961	183,690

Consolidated Statement of Comprehensive Income

(Millions of yen)

Accounts	For the year ended March 31, 2013	For the year ended March 31, 2014
Income before minority interests	188,870	186,941
Other comprehensive income		
Unrealized holding gain on securities	27,787	9,981
Unrealized gain (loss) from hedging instruments	16,769	(20,887)
Translation adjustments	105,692	176,311
Share of other comprehensive income of associates accounted for by the equity method	(1,577)	(6,674)
Total other comprehensive income	*1 148,671	*1 158,731
Comprehensive income	337,542	345,672
Total comprehensive income attributable to		
Shareholders of INPEX CORPORATION	329,422	335,737
Minority interests	8,119	9,934

(3) Consolidated Statement of Changes in Net Assets

For the year ended March 31, 2013

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholders' equity
Balance at the beginning of the period	290,809	679,287	1,219,526	(5,248)	2,184,375
Changes during the period					
Cash dividends paid			(27,381)		(27,381)
Net income			182,961		182,961
Other changes in items other than those in shareholders' equity, net					
Total changes during the period	—	—	155,580	—	155,580
Balance at the end of the period	290,809	679,287	1,375,106	(5,248)	2,339,956

	Accumulated other comprehensive income				Minority interests	Total net assets
	Unrealized holding gain on securities	Unrealized gain from hedging instruments	Translation adjustments	Total accumulated other comprehensive income		
Balance at the beginning of the period	6,952	4,118	(16,195)	(5,124)	134,941	2,314,193
Changes during the period						
Cash dividends paid						(27,381)
Net income						182,961
Other changes in items other than those in shareholders' equity, net	27,788	12,125	106,546	146,460	54,749	201,210
Total changes during the period	27,788	12,125	106,546	146,460	54,749	356,790
Balance at the end of the period	34,741	16,243	90,350	141,336	189,691	2,670,983

For the year ended March 31, 2014

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholders' equity
Balance at the beginning of the period	290,809	679,287	1,375,106	(5,248)	2,339,956
Changes during the period					
Cash dividends paid			(25,921)		(25,921)
Net income			183,690		183,690
Other changes in items other than those in shareholders' equity, net					
Total changes during the period	—	—	157,769	—	157,769
Balance at the end of the period	290,809	679,287	1,532,876	(5,248)	2,497,725

	Accumulated other comprehensive income				Minority interests	Total net assets
	Unrealized holding gain on securities	Unrealized gain(loss) from hedging instruments	Translation adjustments	Total accumulated other comprehensive income		
Balance at the beginning of the period	34,741	16,243	90,350	141,336	189,691	2,670,983
Changes during the period						
Cash dividends paid						(25,921)
Net income						183,690
Other changes in items other than those in shareholders' equity, net	9,995	(33,822)	175,873	152,046	15,236	167,283
Total changes during the period	9,995	(33,822)	175,873	152,046	15,236	325,052
Balance at the end of the period	44,737	(17,578)	266,224	293,382	204,928	2,996,036

(4) Consolidated Statement of Cash Flows

(Millions of yen)

Accounts	For the year ended March 31, 2013	For the year ended March 31, 2014
Cash flows from operating activities		
Income before income taxes and minority interests	718,146	750,077
Depreciation and amortization	51,915	50,916
Amortization of goodwill	6,760	6,760
Provision for allowance for recoverable accounts under production sharing	16,353	14,882
Provision for exploration projects	21,132	(17,318)
Provision for accrued retirement benefits to employees	2,285	—
Other provisions	5,546	5,024
Net defined benefit liability	—	(776)
Interest and dividend income	(16,567)	(26,691)
Interest expense	1,518	2,335
Foreign exchange loss (gain)	16,329	14,105
Equity in (earnings) losses of affiliates	1,041	5,053
Recovery of recoverable accounts under production sharing (capital expenditures)	54,086	67,073
Recoverable accounts under production sharing (operating expenditures)	(21,079)	(60,491)
Accounts receivable-trade	2,795	6,276
Inventories	(3,231)	(10,013)
Accounts payable-trade	11,029	5,413
Accounts receivable-other	4,909	(35,287)
Accounts payable-other	(900)	(18,142)
Advances received	(24,636)	2,168
Other	(72,531)	(5,247)
Subtotal	774,906	756,118
Interest and dividends received	19,652	26,932
Interest paid	(1,344)	(2,381)
Income taxes paid	(540,868)	(567,156)
Net cash provided by operating activities	252,346	213,513

(Millions of yen)

Accounts	For the year ended March 31, 2013	For the year ended March 31, 2014
Cash flows from investing activities		
Increase in time deposits	(299,460)	(211,332)
Decrease in time deposits	134,161	276,248
Increase in long-term time deposits	(252,082)	(484,080)
Decrease in long-term time deposits	5,000	130,757
Payments for purchases of tangible fixed assets	(189,153)	(323,650)
Proceeds from sales of tangible fixed assets	116	677
Payments for purchases of intangible assets	(4,256)	(6,170)
Payments for purchases of marketable securities	(17,709)	—
Proceeds from sales and redemptions of marketable securities	366,633	285,451
Payments for purchases of investment securities	(90,830)	(24,637)
Proceeds from sales and redemptions of investment securities	70,902	62,433
Investment in recoverable accounts under production sharing (capital expenditures)	(82,695)	(104,073)
Decrease (increase) in short-term loans receivable	(85)	(4,187)
Long-term loans made	(141,222)	(37,158)
Collection of long-term loans receivable	119,238	75,464
Payments for purchase of mining rights	(176,231)	(42,733)
Other	67,805	11,438
Net cash used in investing activities	(489,870)	(395,555)
Cash flows from financing activities		
Increase (decrease) in short-term loans	991	2,690
Proceeds from long-term debt	121,571	74,742
Repayments of long-term debt	(4,681)	(7,759)
Proceeds from minority interests for additional shares	55,852	10,289
Cash dividends paid	(27,385)	(25,934)
Dividends paid to minority shareholders	(4,991)	(4,991)
Other	(4,286)	(74)
Net cash provided by financing activities	137,069	48,961
Effect of exchange rate changes on cash and cash equivalents	51,498	50,752
Net increase (decrease) in cash and cash equivalents	(48,956)	(82,327)
Cash and cash equivalents at beginning of the period	249,233	199,858
Increase in cash and cash equivalents from newly consolidated subsidiary	439	—
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(858)	—
Cash and cash equivalents at end of the period	*1 199,858	*1 117,530

(5) Notes to Consolidated Financial Statements

(Conditions or events that indicate there could be substantial doubt about the Company’s ability to continue as a going concern)

None

(Basis of Presenting Consolidated Financial Statements)

1. Scope of consolidation
Number of consolidated subsidiaries: 66

Names of major subsidiaries;
Japan Oil Development Co., Ltd., INPEX Alpha, Ltd., INPEX Natuna, Ltd., INPEX Sahul, Ltd., INPEX Southwest Caspian Sea, Ltd., INPEX Gas British Columbia Ltd., INPEX North Caspian Sea, Ltd., INPEX Browse, Ltd., INPEX Holdings Australia Pty Ltd, INPEX Ichthys Pty Ltd, INPEX Oil & Gas Australia Pty Ltd and INPEX Masela, Ltd.

During this period:
Number of companies newly included in the scope of consolidation: 6
Number of companies excluded from the scope of consolidation: 1

Details for the above changes:
1) INPEX Uruguay, Ltd., INPEX West Sebuku, Ltd., INPEX Energy Trading Singapore Pte Ltd. and another have been newly included due to establishment of the companies.

2) INPEX Offshore Timor-Leste, Ltd., INPEX West of Shetland Limited have been newly included due to an increase in materiality of the companies.

3) Teiseki Transport System Co. Ltd. has been excluded due to a merger.

Names of major non-consolidated subsidiaries:
Sakata Natural Gas, Co., Ltd., Teikoku Oil de Burgos, S.A. de C. V. and TELNITE CO.,LTD.

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

Name of an entity that is not accounted for as our subsidiary even though the Company owns the majority vote:
Ichthys LNG Pty Ltd
(Reason for not accounted for as our subsidiary)
The Company owns the majority vote of Ichthys LNG Pty Ltd through INPEX Holdings Australia Pty Ltd. However, since both parties’ affirmative votes are required for important resolutions based on the shareholders agreement between INPEX Holdings Australia Pty Ltd and TOTAL E&P Holding Ichthys, Ichthys LNG Pty Ltd is considered to be an affiliate accounted for by the equity method.

2. Application of equity method
Number of non-consolidated subsidiaries accounted for by the equity method: None
Number of affiliates accounted for by the equity method: 19
Names of major affiliates:
Angola Block 14 B.V., MI Berau B.V., Angola Japan Oil Co., Ltd., INPEX Offshore North Campos, Ltd. and Ichthys LNG Pty Ltd

During this period:
Number of companies newly included as affiliates accounted for by the equity method : 4
Details for the above changes:
1) Japan South Sakha Oil Co., Ltd., IT MARINE TRANSPORT PTE. LTD., Ocean Breeze LNG Transport S.A. have been newly included due to establishment of the companies.

2) Greenland Petroleum Exploration Co., Ltd. has been newly included due to an increase in materiality of the company.

Names of major non-consolidated subsidiaries and affiliates not accounted for by the equity method:
Sakata Natural Gas, Co., Ltd., Teikoku Oil de Burgos, S.A. de C.V., TELNITE CO., LTD. and Tangguh project management Co., Ltd.

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

Procedures for application of the equity method:
Regarding affiliates accounted for by the equity method having a different closing date from the consolidated closing date, the Company used the financial statements of each affiliate prepared as of its closing date. For certain affiliates, however, the Company used financial statements prepared for consolidation purposes as of the consolidated closing date.

3. Closing dates for the fiscal year of consolidated subsidiaries
For the 48 companies for which the closing dates differ from the consolidated closing date, including, but not limited to, INPEX Sahul, Ltd. and INPEX Masela, Ltd., the Company uses the financial statements for the year ended December 31. 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 those of the consolidated subsidiaries.
For the 12 companies including, but not limited, Japan Oil Development, Co., Ltd., INPEX Southwest Caspian Sea, Ltd., and INPEX North Caspian Sea, Ltd., INPEX Holdings Australia Pty Ltd and INPEX Ichthys Pty Ltd, we use their financial statements for the year ended on the consolidated closing date even though their closing date is December 31.

4. Accounting policies
1) Valuation method for significant assets
(a) Securities
Other securities
With a determinable market value
Other securities with a determinable market value are stated at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Cost of securities sold is determined by the moving-average method.

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

(b) Derivatives
Fair value

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

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

2) Depreciation method of significant depreciable assets
(a) Tangible fixed assets (except leased assets)
Depreciation of mining facilities is mainly computed by the unit-of-production method. For other tangible fixed assets, straight-line method of depreciation is applied.
Useful lives of significant fixed assets are as follows:
Buildings and structures: 2-60 years
Wells: 3 years
Machinery, equipment and vehicles: 2-22 years

(b) Intangible assets (except leased assets)
Exploration and development rights
Exploration and development rights at the exploration stage are fully amortized in the consolidated fiscal year. Such rights which are at the production stage are amortized by the unit-of-production method.

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

Other
Other intangible assets are mainly amortized by the straight-line method.
Software for internal use is amortized over 5 years.

(c) Leased assets

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

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

3) Basis for significant allowances

(a) Allowance for doubtful accounts

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

(b) Allowance for recoverable accounts under production sharing

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

(c) Allowance for investments in exploration

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

(d) Provision for exploration projects

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

(e) Accrued bonuses to officers

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

(f) Provision for loss on business

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

(g) Accrued special repair and maintenance

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

4) Accounting for retirement benefits

(a) Method of recording expected retirement benefits in proper terms

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 of the subsidiaries.

(b) Method of expenses for actuarial differences

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

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

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

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

6) Accounting for major hedge transactions

(a) 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.

(b) Hedging instruments and hedged items

(Foreign currency)

Hedging instruments: Foreign exchange forward transactions

Hedged items: Forecasted transactions in foreign currencies

(Interest rate)

Hedging instruments: Interest rate swap transactions

Hedged items: Interest payments on borrowings

(c) Hedging policy

The nominal amount of the derivative transaction is limited to within the scope of actual demand, and the Company does not engage in speculative derivative transactions.

(d) Hedge effectiveness assessment method

The Company does not perform hedge effectiveness assessment of foreign exchange forward transactions since the main conditions match with forecasted transactions in foreign currencies. The Company does not perform hedge effectiveness assessment of interest rate swap transactions since the special treatment is applied.

7) Amortization of Goodwill

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

8) Scope of cash and cash equivalents in consolidated statement of cash flows

Cash (cash and cash equivalents) in the consolidated statement of cash flows consisted of cash on hand, cash in banks which can be withdrawn on demand, and short-term investments with a maturity of three months or less when purchased which can easily be converted to cash and are subject to little risk of change in value.

9) Other items important to the preparation of the consolidated financial statements

(a) Consumption tax

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

(b) Recoverable accounts under production sharing

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

(Changes in Accounting Policies)

Effective the end of the year ended March 31, 2014, the Company has applied the "Accounting Standard for Retirement Benefits" (Accounting Standars 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 the provisions stated in Clause 35 of the Accounting Standard for Retirement Benefits and Clause 67 of the Guidance on Retirement Benefits.

The Company has changed its accounting method to post retirement benefit obligations less plan assets as "Net defined benefit liability".

As a result of the change, the consolidated balance sheet as of March 31, 2014 shows a net defined benefit liability of ¥7,793 million. The change does not affect accumulated other comprehensive income because actuarial gains and losses are charged or credited to income as incurred.

(Changes in the Presentation)

(Consolidated Statement of Income)

"Gain on sales of investment securities" and "Gain on transfer of mining rights", previously presented separately in other income, are included in "Other" since they have become less significant. "Gain on sales of marketable securities", previously included in "Other" in other income, is presented separately since it has become more significant.

As a result, ¥6,477 million which was recorded as "Other" in other income on the consolidated statement of income in the previous fiscal year is reclassified as ¥82,059 million of "Other",which includes ¥25,449 million of "Gain on sales of investment securities" and ¥50,173 million of "Gain on transfer of mining rights", and ¥40 million of "Gain on sales of marketable securities".

(Consolidated Statement of Cash Flows)

"Gain on transfer of mining rights" and "Gain on sales of investment securities", previously presented separately in cash flows from operating activities, are included in "Other" since they have become less significant. "Proceeds from transfer of mining rights", previously presented separately in cash flows from investment activites, is included in "Other" since it has become less significant. As a result, ¥(50,173) million and ¥(25,449) million which were recorded as "Gain on transfer of mining rights" and "Gain on sales of investment securities" in cash flows from operating activities on the consolidated statement of cash flows in the previous fiscal year are reclassified as "Other", and ¥56,799 million which was recorded as "Proceeds from transfer of mining rights" in cash flows from investing activities is reclassified as "Other".

(Consolidated Balance Sheet)

*1 Major accounts included in inventories

	As of March 31, 2013	As of March 31, 2014
	Millions of yen	Millions of yen
Merchandise and finished goods	5,651	8,905
Work in process	70	551
Raw materials and supplies	9,687	16,028

*2 Accumulated depreciation of tangible fixed assets

	As of March 31, 2013	As of March 31, 2014
Accumulated depreciation of tangible fixed assets	¥ 606,742 million	¥ 638,744 million

*3 The Company has the following investments in subsidiaries and affiliates.

	As of March 31, 2013	As of March 31, 2014
	Millions of yen	Millions of yen
Investment securities (equities)	110,654	112,576
(of which investment in jointly controlled entities)	15,758	75
Other (investments and other assets)	80	78

*4 Assets provided as collateral and collateral-backed debt are as follows:

Collateralized Assets

	As of March 31, 2013	As of March 31, 2014
	Millions of yen	Millions of yen
Buildings and structures	2,091 (2,091)	2,082 (2,082)
Wells	1,213 (1,213)	181 (181)
Machinery, equipment and vehicles	8,974 (8,974)	8,026 (8,026)
Other (tangible fixed assets)	0 (0)	— (—)
Investment securities	7,395 (—)	790 (—)
Other (investments and other assets)	226 (—)	221 (—)
Total	19,901 (12,279)	11,301 (10,289)

Secured debt

	As of March 31, 2013	As of March 31, 2014
	Millions of yen	Millions of yen
Short-term loans	996 (980)	945 (929)
Accounts payable-other	5,118 (4,733)	385 (—)
Long-term debt	1,437 (1,403)	491 (474)
Others (long-term liabilities)	16 (—)	16 (—)
Total	7,569 (7,116)	1,839 (1,403)

Amounts in parentheses () above represent foundation collateral and liabilities.

In addition, the followings are pledged as collateral for the Ichthys LNG project financing and the BTC pipeline project financing.

The Ichthys LNG project financing

	As of March 31, 2013	As of March 31, 2014
	Millions of yen	Millions of yen
Cash and deposits	3,602	7,835
Accounts receivable-other	160	—
Other (current assets)	64,631	5,429
Land	133	145
Construction in progress	172,377	382,224
Investment securities	15,758	—
Long-term loans receivable	—	27,308
Total	256,662	422,943

The BTC pipeline project financing

	As of March 31, 2013	As of March 31, 2014
Investment securities	¥ 5,239 million	¥ 6,378 million

*5 Accumulated advanced depreciation deducted from acquisition costs of fixed assets related to contribution and others

	As of March 31, 2013	As of March 31, 2014
	Millions of yen	Millions of yen
Buildings and structures	1,393	1,393
Machinery, equipment and vehicles	239	225
Land	84	84

*6 Loaned investment securities are as follows:

	As of March 31, 2013	As of March 31, 2014
Investment securities	¥ — million	¥ 20,064 million

7 Contingent liabilities

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

As of March 31, 2013		As of March 31, 2014	
	Millions of yen		Millions of yen
Tangguh Trustee*	15,463	Tangguh Trustee*	15,484
Fujian Tranche *	5,481	Fujian Tranche *	5,489
Sakhalin Oil and Gas Development Co., Ltd.	3,460	Sakhalin Oil and Gas Development Co., Ltd.	2,457
INPEX Offshore North Campos, Ltd.	1,969	INPEX Offshore North Campos, Ltd.	1,617
Employees (housing loans)	153	Employees (housing loans)	112
		Japan Canada Oil Sands Limited	25
Total	26,529		25,186

*Debt for investment funds of Tangguh LNG project through MI Berau B. V. and MI Berau Japan Ltd.

(2) Guarantee for derivatives

	As of March 31, 2013	As of March 31, 2014
Ichthys LNG Pty Ltd	¥ (4,872) million	¥ (17,531) million

The aforementioned derivative transactions are utilized to hedge exchange rate fluctuation risk regarding payments of development costs for the Ichthys LNG project. The amount is valuation gain (loss) on the derivatives.

(3) Completion guarantee

In connection with the Ichthys LNG project financing, the Company and other project participants provide lenders with a guarantee of liabilities during the construction phase based on each participating interest in addition to collateralizing its assets. The portion guaranteed by the Company is as follows:

	As of March 31, 2013	As of March 31, 2014
Completion guarantee (the Company's portion)	¥ 128,863 million	¥ 600,029 million

(Consolidated Statement of Income)

*1 Major accounts included in selling, general and administrative expenses are as follows:

	For the year ended March 31, 2013	For the year ended March 31, 2014
	Millions of yen	Millions of yen
Personnel expenses	18,636	19,274
Including provision for accrued retirement benefits to employees	2,246	106
Including provision for accrued bonuses to officers	132	112
Taxes	7,240	6,786
Freight expenses	7,178	8,953
Depreciation expenses	22,899	25,047
Amortization of goodwill	6,760	6,760

*2 Research and development expenses included in general and administrative expenses:

For the year ended March 31, 2013	For the year ended March 31, 2014
¥ 98 million	¥ 40 million

(Consolidated Statement of Comprehensive Income)

*1 Reclassification adjustments and income tax effects allocated to each component of other comprehensive income

	For the year ended March 31, 2013	For the year ended March 31, 2014
	Millions of yen	Millions of yen
Unrealized holding gain on securities		
Amount recognized during the period	29,074	20,843
Amount of reclassification adjustment	(137)	(10,473)
Before income tax effect	28,936	10,369
Amount of income tax effect	(1,149)	(388)
Unrealized holding gain on securities	27,787	9,981
Unrealized gain(loss) from hedging instruments		
Amount recognized during the period	24,873	(31,329)
Amount of income tax effect	(8,103)	10,441
Unrealized gain(loss) from hedging instruments	16,769	(20,887)
Translation adjustments		
Amount recognized during the period	105,692	176,311
Share of other comprehensive income of affiliates accounted for by the equity method		
Amount recognized during the period	(1,964)	(14,316)
Adjustment for acquisition cost of assets	387	7,642
Share of other comprehensive income of affiliates accounted for by the equity method	(1,577)	(6,674)
Total other comprehensive income	148,671	158,731

(Consolidated Statement of Changes in Net Assets)

For the year ended March 31, 2013

1. Type and number of shares issued and treasury stock (Shares)

	Balance as of April 1, 2012	Increase	Decrease	Balance as of March 31, 2013
Number of shares				
Common stock	3,655,809	—	—	3,655,809
Class A stock	1	—	—	1
Total	3,655,810	—	—	3,655,810
Treasury stock				
Common stock	4,916	—	—	4,916
Total	4,916	—	—	4,916

2. Share subscription rights

None

3. Dividends

(1) Cash dividends paid

Resolution	Type of share	Cash dividends paid (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary general meeting of shareholders June 26, 2012	Common stock	14,603	4,000	March 31, 2012	June 27, 2012
	Class A stock	0	4,000	March 31, 2012	June 27, 2012
Board of directors' meeting November 6, 2012	Common stock	12,778	3,500	September 30, 2012	December 3, 2012
	Class A stock	0	3,500	September 30, 2012	December 3, 2012

(2) Dividends, whose record date was in the year ended March 31, 2013, and whose effective date will be in the next fiscal year

Resolution	Type of share	Source of dividends	Cash dividends paid (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary general meeting of shareholders June 25, 2013	Common stock	Retained earnings	12,778	3,500	March 31, 2013	June 26, 2013
	Class A stock	Retained earnings	0	3,500	March 31, 2013	June 26, 2013

For the year ended March 31, 2014

1. Type and number of shares issued and treasury stock (Shares)

	Balance as of April 1, 2013	Increase	Decrease	Balance as of March 31, 2014
Number of shares				
Common stock	3,655,809	1,458,667,791	—	1,462,323,600
Class A stock	1	—	—	1
Total	3,655,810	1,458,667,791	—	1,462,323,601
Treasury stock				
Common stock	4,916	1,961,484	—	1,966,400
Total	4,916	1,961,484	—	1,966,400

(Note): The increases of 1,458,667,791 shares in total number of shares and 1,961,484 shares in treasury stock were derived from a stock split at a ratio of 1:400 of common stock.

2. Share subscription rights
None

3. Dividends
(1) Cash dividends paid

Resolution	Type of share	Cash dividends paid (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary general meeting of shareholders June 25, 2013	Common stock	12,778	3,500	March 31, 2013	June 26, 2013
	Class A stock	0	3,500	March 31, 2013	June 26, 2013
Board of directors' meeting November 7, 2013	Common stock	13,143	3,600	September 30, 2013	December 2, 2013
	Class A stock	0	3,600	September 30, 2013	December 2, 2013

(2) Dividends, whose record date was in the year ended March 31, 2013, and whose effective date will be in the next fiscal year

Resolution	Type of share	Source of dividends	Cash dividends paid (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary general meeting of shareholders June 25, 2014	Common stock	Retained earnings	13,143	9	March 31, 2014	June 26, 2014
	Class A stock	Retained earnings	0	3,600	March 31, 2014	June 26, 2014

(Note): The Company conducted a stock split at a ratio of 1:400 of common stock with October 1, 2013 as the effective date. Dividends per share, whose effective date will be June 26, 2014 is calculated with the number of shares after the stock split was conducted. For Class A stock (which is not listed), no stock split was implemented. The article, which shows that dividends of Class A stock are equivalent to dividends of a common stock prior to the stock split, is specified in the Articles of Incorporation.

(Consolidated Statement of Cash Flows)

*1 Cash and cash equivalents at the end of the period are reconciled to the account reported in the consolidated balance sheet as follows:

	For the year ended March 31, 2013	For the year ended March 31, 2014
	Millions of yen	Millions of yen
Cash and deposits	483,814	650,187
Time deposits for more than three months and others	(284,469)	(555,947)
Marketable securities (commercial paper)	—	15,291
Marketable securities (MMF and others)	513	8,000
Cash and cash equivalents	199,858	117,530

(Segment Information and Others)

(Segment information)

1. Overview of reportable segments

For the Company's oil and natural gas development activities, the Board of Directors make the Group management decisions with respect to each mining area and others, the separate financial information of which is available.
The Company operates oil and natural gas businesses globally, thus, the Company's reportable segments are entities of individual mining areas and others aggregated by geographical region. These are classified into following segments: "Japan", "Asia & Oceania" (principally Indonesia, Australia and East Timor), "Eurasia (Europe & NIS)" (principally Azerbaijan), "Middle East & Africa" (principally UAE) and "Americas."
The Company produces oil and natural gas in each segment. In addition, the Company conducts marketing activities for petroleum products and others in "Japan" segment.

2. Methods of calculating of sales and income (loss), identifiable assets, and other items by reportable segment

Accounting method for reportable segment is the substantially same as presentations on "Basis of Presenting Consolidated Financial Statements."

3. Information on sales and income (loss), identifiable assets, and other items by reportable segment

For the year ended March 31, 2013 (April 1, 2012 through March 31, 2013)

(Millions of yen)

	Reportable segments						Adjustments *1	Consolidated *2
	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Total		
Net sales								
(1) Sales to third parties	118,936	485,275	85,540	520,835	5,944	1,216,533	—	1,216,533
(2) Intercompany sales and transfers between segments	—	—	—	—	—	—	—	—
Total	118,936	485,275	85,540	520,835	5,944	1,216,533	—	1,216,533
Segment income (loss)	28,568	281,622	41,751	357,343	(6,089)	703,196	(9,748)	693,447
Segment assets	265,467	690,763	526,519	266,649	188,208	1,937,607	1,678,551	3,616,158
Other items								
Depreciation and amortization	17,602	17,032	9,065	5,850	1,012	50,563	1,351	51,915
Amortization of goodwill	—	—	—	—	(192)	(192)	6,952	6,760
Investment to affiliates accounted for by the equity method	1,856	46,817	—	53,243	4,159	106,076	—	106,076
Increase of tangible fixed assets and intangible assets	24,655	203,852	1,024	20,594	108,373	358,500	1,486	359,986

Note: 1. (1) Adjustments of segment income of ¥(9,748) million include elimination of intersegment transactions of ¥225 million and corporate expenses of ¥(9,974) million. Corporate expenses are mainly amortization of goodwill and general administrative expenses not attributable to a reportable segment.
(2) Adjustments of segment assets of ¥1,678,551 million include elimination of intersegment transactions of ¥(2,551) million and corporate assets of ¥1,681,103 million. Corporate assets are mainly goodwill, cash and deposits, marketable securities, investment securities and assets concerned with the administrative divisions not attributable to a reportable segment.
(3) Adjustments of depreciation and amortization of ¥1,351 million consist mainly of depreciation of corporate assets.
(4) Adjustments of amortization of goodwill of ¥ 6,952 million consist of amortization of goodwill not attributable to a reportable segment.
(5) Adjustments of increase of tangible fixed assets and intangible assets of ¥1,486 million consist mainly of capital expenditure to corporate assets.
2. Segment income was reconciled with consolidated operating income.

For the year ended March 31, 2014 (April 1, 2013 through March 31, 2014)

(Millions of yen)

	Reportable segments						Adjustments *1	Consolidated *2
	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Total		
Net sales								
(1) Sales to third parties	120,268	485,068	96,341	621,512	11,435	1,334,625	—	1,334,625
(2) Intercompany sales and transfers between segments	—	—	—	—	—	—	—	—
Total	120,268	485,068	96,341	621,512	11,435	1,334,625	—	1,334,625
Segment income (loss)	22,770	264,849	42,600	421,183	(7,645)	743,758	(10,148)	733,610
Segment assets	286,414	1,038,264	535,046	288,600	265,347	2,413,673	1,624,465	4,038,139
Other items								
Depreciation and amortization	18,837	8,821	10,417	6,772	4,672	49,521	1,394	50,916
Amortization of goodwill	—	—	—	—	(192)	(192)	6,952	6,760
Investment to affiliates accounted for by the equity method	1,999	39,124	—	65,183	2,015	108,323	—	108,323
Increase of tangible fixed assets and intangible assets	42,403	285,903	4,072	35,194	51,582	419,157	417	419,574

Note: 1. (1) Adjustments of segment income of ¥(10,148) million include elimination of intersegment transactions of ¥222 million and corporate expenses of ¥(10,370) million. Corporate expenses are mainly amortization of goodwill and general administrative expenses not attributable to a reportable segment.

(2) Adjustments of segment assets of ¥1,624,465 million include elimination of intersegment transactions of ¥(2,357) million and corporate assets of ¥1,626,823 million. Corporate assets are mainly goodwill, cash and deposits, marketable securities, investment securities and assets concerned with the administrative divisions not attributable to a reportable segment.

(3) Adjustments of depreciation and amortization of ¥1,394 million consist mainly of depreciation of corporate assets.

(4) Adjustments of amortization of goodwill of ¥6,952 million consist of amortization of goodwill not attributable to a reportable segment.

(5) Adjustments of increase of tangible fixed assets and intangible assets of ¥417 million consist mainly of capital expenditure to corporate assets.

2. Segment income was reconciled with consolidated operating income.

(Relative information)

For the year ended March 31, 2013 (April 1, 2012 through March 31, 2013)

1. Products and service information

(Millions of yen)

	Crude oil	Natural gas (excluding LPG)	LPG	Other	Total
Sales to third parties	788,135	370,528	27,237	30,631	1,216,533

2. Geographical information

(1) Sales

(Millions of yen)

Japan	Asia & Oceania	Other	Total
634,787	564,252	17,492	1,216,533

Note: Sales by geographical area is determined based upon the final destination and customer.

(2) Tangible fixed assets

(Millions of yen)

Japan	Australia	Other	Total
235,674	227,357	121,509	584,541

3. Information by major customer

(Millions of yen)

Customer	Sales	Relative reportable segment
PERTAMINA	206,282	Asia & Oceania
Idemitsu Kosan Co.,Ltd.	132,908	Middle East & Africa

For the year ended March 31, 2014 (April 1, 2013 through March 31, 2014)

1. Products and service information

(Millions of yen)

	Crude oil	Natural gas (excluding LPG)	LPG	Other	Total
Sales to third parties	858,753	431,187	24,226	20,457	1,334,625

2. Geographical information

(1) Sales

(Millions of yen)

Japan	Asia & Oceania	Other	Total
682,353	620,338	31,933	1,334,625

Note: Sales by geographical area is determined based upon the final destination and customer.

(2) Tangible fixed assets

(Millions of yen)

Japan	Australia	Other	Total
248,246	520,976	182,555	951,779

3. Information by major customer

(Millions of yen)

Customer	Sales	Relative reportable segment
PERTAMINA	217,518	Asia & Oceania
Idemitsu Kosan Co.,Ltd.	156,151	Middle East & Africa

(Information on impairment loss from fixed assets by reportable segment)

Disclosure has been omitted because it does not have significant impact on the consolidated financial statements.

(Information on amortization of goodwill and unamortized balance by reportable segment)

For the year ended March 31, 2013 (April 1, 2012 through March 31, 2013)

(Millions of yen)

	Reportable segments						Eliminations and other *2	Total
	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas *1	Total		
Balance as of March 31, 2013	—	—	—	—	(2,547)	(2,547)	90,388	87,840

Note: 1. This is the unamortized balance of negative goodwill acquired before April 1, 2010 and net amount of goodwill is stated on the balance sheet.
2. This is the unamortized balance of goodwill not attributable to a reportable segment.
3. Please refer to "Segment information" regarding to the amounts of amortization of goodwill.

For the year ended March 31, 2014 (April 1, 2013 through March 31, 2014)

(Millions of yen)

	Reportable segments						Eliminations and other *2	Total
	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas *1	Total		
Balance as of March 31, 2014	—	—	—	—	(2,355)	(2,355)	83,435	81,080

Note: 1. This is the unamortized balance of negative goodwill acquired before April 1, 2010 and net amount of goodwill is stated on the balance sheet.
2. This is the unamortized balance of goodwill not attributable to a reportable segment.
3. Please refer to "Segment information" regarding to the amounts of amortization of goodwill.

(Information on negative goodwill by reportable segment)

None

(Financial Instruments)

1. Status of financial instruments

For the year ended March 31, 2013

(1) Policy regarding financial instruments

The Company raises funds for oil and gas development and production, construction or expansion of pipelines and LNG receiving terminal 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 of 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 been providing long-term loans for the construction or expansion of domestic pipelines and LNG receiving terminal. The Company generally borrows with variable interest rates, while some loans are with fixed interest rate depending on the nature of each project. Regarding the financing policy, the Company manages funds mainly from cash on hand and government bonds, which are considered of low-risk and high-liquidity. The Company limits derivative transactions for managing risks of forecasted transactions and portfolio assets, and does not engage in speculative derivative transactions.

(2) Details of financial instruments, associated risk and risk management

(Credit risks related to trade receivables)

Trade receivables —accounts receivable-trade and accounts receivable-other — are comprised mainly from sales of oil and natural gas. Main trading partners are national oil companies, major oil companies and others. In line with 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 Exective Committee. For stocks, the Company holds the shares of trading partners and others to establish close and smooth relationship for the purpose of medium- to long-term stable business. Of these shares, the Company partially holds 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 for fund for oil and natural gas development projects and construction or expansion of domestic pipelines and LNG receiving terminal and others. The borrowing period is determined considering financial prospects of the project and useful lives of 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 once a year, and leverages fixed-rate-loans or makes interest rate swap contracts with financial institutions as necessary.

(Exchange rates fluctuation risk related to assets and liabilities in foreign currencies)

As the most of the Company's business consists of overseas business, 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 foreign exchange loss on assets and foreign exchange gain on liabilities while yen depreciation causes foreign exchange gain on assets and foreign exchange loss on liabilities. For this reason, the Company endeavours 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 for 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 Exective Committee, and the Company only transacts with financial institutions with high credit ratings to reduce counterparty risks for the use of derivatives.

(Management of the liquidity risk related to financing)

The finance and accounting division controls cash management based on monthly financing plan prepared by each project division and secures sufficient liquidity on hand to be prepared for liquidity risks.

(3) Supplementary explanation of items related to the market value of financial instruments

For nominal amounts and others regarding derivative transactions on "Derivatives Transactions", its amounts do not indicate market risks related to derivative transactions.

For the year ended March 31, 2014

(1) Policy regarding financial instruments

The Company raises funds for oil and gas development and production, construction or expansion of pipelines and LNG terminal 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 of 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 been providing long-term loans for the construction or expansion of domestic pipelines and LNG terminal. The Company generally borrows with variable interest rates, while some loans are with fixed interest rate depending on the nature of each project. Regarding the financing policy, the Company manages funds mainly from cash on hand and government bonds, which are considered of low-risk and high-liquidity. The Company limits derivative transactions for managing risks of forecasted transactions and portfolio assets, and does not engage in speculative derivative transactions.

(2) Details of financial instruments, associated risk and risk management

(Credit risks related to trade receivables)

Trade receivables —accounts receivable-trade and accounts receivable-other — are comprised mainly from sales of oil and natural gas. Main trading partners are national oil companies, major oil companies and others. In line with 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 Exective Committee. For stocks, the Company holds the shares of trading partners and others to establish close and smooth relationship for the purpose of medium- to long-term stable business. Of these shares, the Company partially holds 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 for fund for oil and natural gas development projects and construction or expansion of domestic pipelines and LNG terminal and others. The borrowing period is determined considering financial prospects of the project and useful lives of 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 once a year, and leverages fixed-rate-loans or makes interest rate swap contracts with financial institutions as necessary.

(Exchange rates fluctuation risk related to assets and liabilities in foreign currencies)

As the most of the Company's business consists of overseas business, 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 foreign exchange loss on assets and foreign exchange gain on liabilities while yen depreciation causes foreign exchange gain on assets and foreign exchange loss on liabilities. For this reason, the Company endeavours 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 for 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 Exective Committee, and the Company only transacts with financial institutions with high credit ratings to reduce counterparty risks for the use of derivatives.

(Management of the liquidity risk related to financing)

The finance and accounting division controls cash management based on monthly financing plan prepared by each project division and secures sufficient liquidity on hand to be prepared for liquidity risks.

(3) Supplementary explanation of items related to the market value of financial instruments

For nominal amounts and others regarding derivative transactions on "Derivatives Transactions", its amounts do not indicate market risks related to derivative transactions.

2. Fair value of financial instruments

Carrying value on the consolidated balance sheets as of March 31, 2013 and 2014, fair value and the difference between them are as shown below. Items for which it is extremely difficult to determine market value are not included in the following table (Please refer to Note 2).

As of March 31,2013 (Millions of yen)

	Carrying value	Fair value	Difference
(1) Cash and deposits	483,814	483,847	32
(2) Accounts receivable-trade	117,411	117,411	—
(3) Marketable securities and investment securities	808,389	808,389	—
(4) Long-term time deposits	287,273	289,006	1,733
Total assets	1,696,887	1,698,654	1,766
(1) Short-term loans	8,560	8,507	(53)
(2) Long-term debt	466,908	456,403	(10,505)
Total liabilities	475,469	464,910	(10,558)
Derivatives (*)	31,329	31,329	—

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

As of March 31,2014 (Millions of yen)

	Carrying value	Fair value	Difference
(1) Cash and deposits	650,187	654,694	4,506
(2) Accounts receivable-trade	110,395	110,395	—
(3) Marketable securities and investment securities	525,989	525,989	—
(4) Long-term time deposits	364,103	367,841	3,738
Total assets	1,650,675	1,658,920	8,245
(1) Short-term loans	21,954	21,744	(210)
(2) Long-term debt	561,674	551,721	(9,952)
Total liabilities	583,628	573,465	(10,163)
Derivatives (*)	—	—	—

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

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

Assets

(1) Cash and deposits
The fair value of current portion of long-term time deposits included in cash and deposits, is calculated by the same method as (4) Long-term time deposits. For the other cash and 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.

(2) Accounts receivable-trade
Since the item is settled in a short period of time and the fair value is almost the same as the carrying value, the relevant carrying value is used.

(3) Marketable securities and investment securities
The fair value of shares is determined by the market prices of exchanges, and the fair value of bonds is determined by market prices of exchanges or the prices presented by financial institutions. For further information on investment securities of each holding purpose, please refer to “Securities” section of the notes to consolidated financial statements.

(4) Long-term time deposits
The fair value of long-term 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.

Liabilities

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

(2) Long-term debt

The 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.

Derivatives
Please refer to "Derivative transactions" section of the notes to consolidated financial statements.

Note 2: Carrying value of financial instruments for which it is extremely difficult to determine fair value

(Millions of yen)

	As of March 31, 2013	As of March 31, 2014
Unlisted securities	30,728	33,842
Preferred securities	5,000	5,000
Stocks of subsidiaries and affiliates	110,654	112,576

These financial instruments are assumed to have no quoted market prices and it is extreamly difficult to determine their fair value, accordingly, these financial instruments are not included in "Assets (3) Marketable securities and investment securities". For shares of exploration companies among unlisted securities and stocks of subsidiaries and affiliates, the allowance is provided for investments in exploration at an estimated amount based on the financial position of the investees.

Note 3: Redemption schedules for monetary assets and securities with maturity dates subsequent to March 31, 2013 and 2014 are as follows

As of March 31,2013 (Millions of yen)

	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
Cash and deposits	483,814	—	—	—
Accounts receivable-trade	117,411	—	—	—
Marketable securities and investment securities				
Other securities:				
Public bonds	167,000	185,000	31,500	—
Corporate bonds	33,500	61,500	—	—
Other bonds	8,500	28,197	—	—
Other	66,000	132,100	—	—
Long-term time deposits	—	287,273	—	—
Total	876,225	694,070	31,500	—

As of March 31,2014 (Millions of yen)

	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
Cash and deposits	650,187	—	—	—
Accounts receivable-trade	110,395	—	—	—
Marketable securities and investment securities				
Other securities:				
Public bonds	66,000	80,000	22,500	—
Corporate bonds	18,500	51,800	—	—
Other bonds	30,741	15,438	—	—
Other	66,003	66,096	—	—
Long-term time deposits	—	364,103	—	—
Total	941,828	577,437	22,500	—

Note 4: Maturities for long-term loans payable, leased liabilities and other interest-bearing debt subsequent to March 31, 2013 and 2014 are as follows

As of March 31,2013 (Millions of yen)

	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
Short-term loans	1,169	—	—	—
Long-term debt	7,391	127,878	241,460	97,570
Lease obligations	58	127	11	—
Total	8,618	128,005	241,471	97,570

As of March 31,2014 (Millions of yen)

	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
Short-term loans	4,327	―	―	―
Long-term debt	17,627	176,159	286,436	99,078
Lease obligations	69	163	―	―
Total	22,023	176,322	286,436	99,078

(Securities)

1. Other securities as of March 31, 2013 and 2014

As of March 31,2013 (Millions of yen)

Type of securities	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities with carrying values exceeding their acquisition costs			
(1) Stock	11,937	21,925	9,988
(2) Bonds			
Public bonds	356,283	357,527	1,244
Corporate bonds	60,050	60,151	101
Other	33,647	37,549	3,901
(3) Other	205,184	228,948	23,763
Subtotal	667,103	706,103	38,999
Securities with acquisition costs exceeding their carrying values			
(1) Stock	40,451	37,824	(2,627)
(2) Bonds			
Public bonds	29,136	28,981	(155)
Corporate bonds	35,000	34,966	(33)
Other	―	―	―
(3) Other	527	513	(14)
Subtotal	105,116	102,285	(2,830)
Total	772,219	808,389	36,169

As of March 31,2014 (Millions of yen)

Type of securities	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities with carrying values exceeding their acquisition costs			
(1) Stock	16,698	29,651	12,952
(2) Bonds			
Public bonds	166,875	167,554	678
Corporate bonds	70,316	70,353	37
Other	35,319	41,735	6,415
(3) Other	139,523	169,346	29,822
Subtotal	428,733	478,640	49,906
Securities with acquisition costs exceeding their carrying values			
(1) Stock	35,690	32,324	(3,366)
(2) Bonds			
Public bonds	2,025	2,025	(0)
Corporate bonds	―	―	―
Other	4,999	4,999	(0)
(3) Other	8,000	8,000	―
Subtotal	50,715	47,348	(3,366)
Total	479,448	525,989	46,540

2. Other securities sold for the years ended March 31, 2013 and 2014

For the year ended March 31,2013 (Millions of yen)

Type of securities	Proceeds from sales	Gain on sales	Loss on sales
(1) Stock	—	—	—
(2) Bonds			
Public bonds	121,780	187	—
Corporate bonds	—	—	—
Other	—	—	—
(3) Other	191	0	—
Total	121,972	187	—

For the year ended March 31,2014 (Millions of yen)

Type of securities	Proceeds from sales	Gain on sales	Loss on sales
(1) Stock	—	—	—
(2) Bonds			
Public bonds	72,562	181	—
Corporate bonds	—	—	—
Other	—	—	—
(3) Other	76,850	10,322	—
Total	149,412	10,503	—

(Derivative Transactions)

1. Derivatives not subject to hedge accounting

As of March 31, 2013
None

As of March 31, 2014
None

2. Derivatives subject to hedge accounting

(1) Derivatives related to foreign currency

As of March 31, 2013 (Millions of yen)

Hedge accounting method	Type of derivatives	Principal items hedged	Contract amounts	Due after one year	Fair value
Deferred hedge accounting	Foreign exchange forwards Buy USD	Forecasted transactions in foreign currencies	157,613	—	31,329

(*) Fair value is calculated based on the price obtained from the counterparty financial institutions.

As of March 31, 2014
None

(2) Derivatives related to interest rate

As of March 31, 2013 (Millions of yen)

Hedge accounting method	Type of derivatives	Principal items hedged	Contract amounts	Due after one year	Fair value
Special treatment of interest rate swaps	Interest rate swaps payment fixed, receipt fluctuated	Long-term debt	4,820	4,760	(*)

(*) Fair value of derivatives for which special treatment of interest rate swaps is applied is included in the fair value of long-term debt since the interest rate swap is treated together with long-term debt subject to hedging.

As of March 31, 2014 (Millions of yen)

Hedge accounting method	Type of derivatives	Principal items hedged	Contract amounts	Due after one year	Fair value
Special treatment of interest rate swaps	Interest rate swaps payment fixed, receipt fluctuated	Long-term debt	4,760	4,760	(*)

(*) Fair value of derivatives for which special treatment of interest rate swaps is applied is included in the fair value of long-term debt since the interest rate swap is treated together with long-term debt subject to hedging.

(Per Share Information)

Net assets excluding minority interests per share, net income per share and the calculation basis are as follows:

	For the year ended March 31, 2013	For the year ended March 31, 2014
(1) Net assets excluding minority interests per share	¥ 1,699.10	¥ 1,911.25

	For the year ended March 31, 2013	For the year ended March 31, 2014
(2) Net income per share	¥ 125.29	¥ 125.78
(Calculation basis)		
Net income (Millions of yen)	182,961	183,690
Amount not attributable to common shareholders (Millions of yen)	0	0
(of which Net income attributable to Class A stock)	(0)	(0)
Net income attributable to common shareholders (Millions of yen)	182,961	183,690
Average number of common stock (shares)	1,460,357,200	1,460,357,200

(Note): 1. 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 excluding minority interests per share and net income per share are calculated based on the assumption that the stock split was conducted on April 1, 2012.

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

(Significant Subsequent Events)

None

(Omissions of Disclosure)

With respect to information for standards issued but not effective, leases, related party transactions, tax accounting, asset retirement obligations and retirement benefits plan respective disclosure has been omitted because it does not have significant impact on the consolidated financial statements.

5. Non-Consolidated Financial Statements

(1) Non-Consolidated Balance Sheet

(Millions of yen)

Accounts	As of March 31, 2013	As of March 31, 2014
(Assets)		
Current assets		
Cash and deposits	430,958	612,825
Accounts receivable-trade	28,442	34,987
Marketable securities	272,080	201,000
Finished goods	2,516	2,536
Work in process and partly-finished construction	55	57
Raw materials and supplies	1,628	8,119
Advance payments-trade	15	21
Prepaid expenses	738	693
Short-term loans receivable from subsidiaries and affiliates	45,213	92,468
Other	45,055	43,081
Allowance for doubtful accounts	(2,315)	(4,766)
Total current assets	824,389	991,025
Fixed assets		
Tangible fixed assets		
Buildings, net	9,556	17,844
Structures, net	86,765	121,032
Wells, net	1,786	477
Machinery and equipment, net	25,487	65,110
Vehicles, net	39	34
Tools, furniture and fixtures, net	1,605	2,693
Land	16,769	16,933
Leased assets, net	152	198
Construction in progress	93,545	25,370
Total tangible fixed assets	235,708	249,693
Intangible assets		
Goodwill	90,388	83,435
Mining right	0	1
Software	2,020	2,408
Other	1,603	4,901
Total intangible assets	94,012	90,746

(Millions of yen)

Accounts	As of March 31, 2013	As of March 31, 2014
Investments and other assets		
Investment securities	527,778	326,583
Investments in stock of subsidiaries and affiliates	1,188,459	1,490,660
Investments in capital	0	0
Investments in capital of subsidiaries and affiliates	0	0
Long-term loans receivable	2	—
Long-term loans receivable from employees	22	30
Long-term loans receivable from subsidiaries and affiliates	85,872	98,009
Long-term prepaid expenses	550	425
Long-term time deposits	287,273	364,103
Recoverable accounts under production sharing	110,072	112,313
Other	18,596	12,451
Allowance for doubtful accounts	(97)	(103)
Allowance for recoverable accounts under production sharing	(673)	(732)
Allowance for investments in exploration	(194,348)	(193,110)
Total investments and other assets	2,023,506	2,210,632
Total fixed assets	2,353,227	2,551,072
Total assets	3,177,617	3,542,098
(Liabilities)		
Current liabilities		
Accounts payable-trade	3,524	3,760
Current portion of long-term debt	3,616	5,565
Lease obligations	43	56
Accounts payable-other	32,136	13,950
Accrued expenses	2,863	3,076
Income taxes payable	18,428	21,196
Deferred tax liabilities	597	1,111
Advances received	86	30
Deposits payable	367	390
Deposits received from subsidiaries and affiliates	797,757	976,253
Accrued bonuses to officers	110	97
Asset retirement obligations	845	845
Other	31,345	139
Total current liabilities	891,725	1,026,473

(Millions of yen)

Accounts	As of March 31, 2013	As of March 31, 2014
Long-term liabilities		
Long-term debt	153,671	203,077
Lease obligations	114	149
Deferred tax liabilities	5,973	5,306
Accrued retirement benefits to employees	8,156	7,371
Provision for loss on business	3,705	6,977
Provision for loss on business of subsidiaries and affiliates	14,509	15,424
Asset retirement obligations	2,219	2,206
Other	1,414	797
Total long-term liabilities	189,764	241,310
Total liabilities	1,081,489	1,267,783
(Net assets)		
Shareholders' equity		
Common stock	290,809	290,809
Capital surplus		
Legal capital surplus	1,023,802	1,023,802
Total capital surplus	1,023,802	1,023,802
Retained earnings		
Other retained earnings		
Reserve for advanced depreciation of non-current assets	—	18
Reserve for special account for advanced depreciation of non-current assets	—	50
Reserve for special depreciation	647	13,044
Reserve for overseas investment loss	38,603	38,542
Mine prospecting reserve	8,581	8,815
Retained earnings brought forward	704,104	859,882
Total retained earnings	751,936	920,354
Treasury stock	(5,248)	(5,248)
Total shareholders' equity	2,061,300	2,229,718
Valuation, translation adjustments and others		
Unrealized holding gain on securities	34,827	44,595
Total valuation, translation adjustments and others	34,827	44,595
Total net assets	2,096,127	2,274,314
Total liabilities and net assets	3,177,617	3,542,098

(2) Non-Consolidated Statement of Income

(Millions of yen)

Accounts	For the year ended March 31, 2013	For the year ended March 31, 2014
Net sales	399,496	456,325
Cost of sales	173,695	199,009
Gross profit	225,800	257,316
Exploration expenses	175	3,656
Selling, general and administrative expenses	44,347	43,824
Operating income	181,278	209,835
Other income		
Interest income	4,557	9,393
Interest income on securities	2,099	1,560
Dividend income	69,276	56,027
Foreign exchange gain	20,849	28,025
Other	5,192	22,998
Total other income	101,975	118,004
Other expenses		
Interest expense	2,000	4,747
Provision of allowance for investment loss in exploration	23,402	9,359
Provision for loss on business	3,705	3,272
Provision for loss on business of subsidiaries and affiliates	2,526	1,264
Other	4,249	4,525
Total other expenses	35,885	23,169
Ordinary income	247,369	304,670
Income before income taxes	247,369	304,670
Income taxes-current	99,192	110,866
Income taxes-deferred	1,087	(535)
Total income taxes	100,279	110,330
Net income	147,090	194,339

(3) Non-Consolidated Statement of Changes in Net Assets

For the year ended March 31, 2013

(Millions of yen)

	Shareholders' equity						
		Capital Surplus		Retained earnings			
				Other retained earnings			
	Common stock	Legal capital surplus	Total capital surplus	Reserve for advanced depreciation of non-current assets	Reserve for special account for advanced depreciation of non-current assets	Reserve for special depreciation	Reserve for overseas investment loss
Balance at the beginning of the period	290,809	1,023,802	1,023,802	—	—	—	40,869
Changes during the period							
Provision of reserve for advanced depreciation of non-current assets				—			
Provision of reserve for special account for advanced depreciation of non-current assets					—		
Provision of reserve for special depreciation						647	
Reversal of reserve for special depreciation						—	
Reversal of reserve for overseas investment loss							(2,266)
Provision of mine prospecting reserve							
Reversal of mine prospecting reserve							
Cash dividends paid							
Net income							
Other changes in items other than those in shareholders' equity(net)							
Total changes during the period	—	—	—	—	—	647	(2,266)
Balance at the end of the period	290,809	1,023,802	1,023,802	—	—	647	38,603

(Millions of yen)

	Shareholders' equity					Valuation, translation adjustments and others		Total net assets
	Retained earnings			Tresury stock	Total Shareholders' equity	Unrealized holding gain on securities	Total valuation, translation adjustments and others	
	Other retained earnings		Total retained earnings					
	Mine prospecting reserve	Retained earnings brought forward						
Balance at the beginning of the period	9,291	582,067	632,227	(5,248)	1,941,592	7,198	7,198	1,948,790
Changes during the period								
Provision of reserve for advanced depreciation of non-current assets		—	—					—
Provision of reserve for special account for advanced depreciation of non-current assets		—	—					—
Provision of reserve for special depreciation		(647)	—					—
Reversal of reserve for special depreciation		—	—					—
Reversal of reserve for overseas investment loss		2,266	—					—
Provision of mine prospecting reserve	8,560	(8,560)	—					—
Reversal of mine prospecting reserve	(9,269)	9,269	—					—
Cash dividends paid		(27,381)	(27,381)		(27,381)			(27,381)
Net income		147,090	147,090		147,090			147,090
Other changes in items other than those in shareholders' equity(net)						27,628	27,628	27,628
Total changes during the period	(709)	122,037	119,708	—	119,708	27,628	27,628	147,337
Balance at the end of the period	8,581	704,104	751,936	(5,248)	2,061,300	34,827	34,827	2,096,127

For the year ended March 31, 2014

(Millions of yen)

	Shareholders' equity						
	Common stock	Capital Surplus		Retained earnings			
				Other retained earnings			
		Legal capital surplus	Total capital surplus	Reserve for advanced depreciation of non-current assets	Reserve for special account for advanced depreciation of non-current assets	Reserve for special depreciation	Reserve for overseas investment loss
Balance at the beginning of the period	290,809	1,023,802	1,023,802	—	—	647	38,603
Changes during the period							
Provision of reserve for advanced depreciation of non-current assets				18			
Provision of reserve for special account for advanced depreciation of non-current assets					50		
Provision of reserve for special depreciation						12,490	
Reversal of reserve for special depreciation						(92)	
Reversal of reserve for overseas investment loss							(60)
Provision of mine prospecting reserve							
Reversal of mine prospecting reserve							
Cash dividends paid							
Net income							
Other changes in items other than those in shareholders' equity(net)							
Total changes during the period	—	—	—	18	50	12,397	(60)
Balance at the end of the period	290,809	1,023,802	1,023,802	18	50	13,044	38,542

(Millions of yen)

	Shareholders' equity					Valuation, translation adjustments and others		
	Retained earnings			Tresury stock	Total Shareholders' equity	Unrealized holding gain on securities	Total valuation, translation adjustments and others	Total net assets
	Other retained earnings		Total retained earnings					
	Mine prospecting reserve	Retained earnings brought forward						
Balance at the beginning of the period	8,581	704,104	751,936	(5,248)	2,061,300	34,827	34,827	2,096,127
Changes during the period								
Provision of reserve for advanced depreciation of non-current assets		(18)	—					—
Provision of reserve for special account for advanced depreciation of non-current assets		(50)	—					—
Provision of reserve for special depreciation		(12,490)	—					—
Reversal of reserve for special depreciation		92	—					—
Reversal of reserve for overseas investment loss		60	—					—
Provision of mine prospecting reserve	8,832	(8,832)	—					—
Reversal of mine prospecting reserve	(8,598)	8,598	—					—
Cash dividends paid		(25,921)	(25,921)		(25,921)			(25,921)
Net income		194,339	194,339		194,339			194,339
Other changes in items other than those in shareholders' equity(net)						9,768	9,768	9,768
Total changes during the period	234	155,778	168,418	—	168,418	9,768	9,768	178,186
Balance at the end of the period	8,815	859,882	920,354	(5,248)	2,229,718	44,595	44,595	2,274,314

(4) Notes to Non-Consolidated Financial Statements

(Conditions or events that indicate there could be substantial doubt about the Company's ability to continue as a going concern)

None

6. Other

(1) Production, Orders Received and Sales Performance

1) Actual production

The following table shows actual production by segment:

Segment	Category	For the year ended March 31, 2013	For the year ended March 31, 2014
Japan	Crude oil	1.4 MMbbls (3.9 Mbbls per day)	1.3 MMbbls (3.6 Mbbls per day)
	Natural gas	48.8 Bcf (133.7 MMcf per day)	45.8 Bcf (125.5 MMcf per day)
	Subtotal	10.6 MMboe (29.0 Mboe per day)	9.9 MMboe (27.2 Mboe per day)
	Petroleum products	157.5 Mkl (991.0 Mbbls)	— Mkl (— Mbbls)
	Iodine	444.8 tons	471.9 tons
	Electric power generation	185.7 millions kWh	214.3 millions kWh
Asia & Oceania	Crude oil	21.3 MMbbls (58.3 Mbbls per day)	16.8 MMbbls (46.0 Mbbls per day)
	Natural gas	233.1 Bcf (638.7 MMcf per day)	234.9 Bcf (643.5 MMcf per day)
	Subtotal	65.3 MMboe (178.9 Mboe per day)	61.1 MMboe (167.4 Mboe per day)
Eurasia (Europe & NIS)	Crude oil	9.2 MMbbls (25.1 Mbbls per day)	9.5 MMbbls (26.1 Mbbls per day)
Middle East & Africa	Crude oil	57.7 MMbbls (158.2 Mbbls per day)	61.2 MMbbls (167.6 Mbbls per day)
Americas	Crude oil	0.2 MMbbls (0.5 Mbbls per day)	0.5 MMbbls (1.5 Mbbls per day)
	Natural gas	33.2 Bcf (90.9 MMcf per day)	39.2 Bcf (107.4 MMcf per day)
	Subtotal	6.1 MMboe (16.6 Mboe per day)	7.5 MMboe (20.4 Mboe per day)
Total	Crude oil	89.8 MMbbls (245.9 Mbbls per day)	89.4 MMbbls (244.9 Mbbls per day)
	Natural gas	315.1 Bcf (863.4 MMcf per day)	319.9 Bcf (876.4 MMcf per day)
	Subtotal	148.8 MMboe (407.8 Mboe per day)	149.2 MMboe (408.8 Mboe per day)
	Petroleum products	157.5 Mkl (991.0 Mbbls)	— Mkl (— Mbbls)
	Iodine	444.8 tons	471.9 tons
	Electric power generation	185.7 millions kWh	214.3 millions kWh

Notes:
1. The volume of LPG produced overseas is included in 'Crude oil.' On the other hand, the volume of LPG produced in the domestic refinery is included in 'Petroleum Products.'
2. A portion of crude oil production volume is consumed as material for petroleum products.
3. A portion of crude oil and natural gas production volume is consumed as fuel to generate electricity.
4. The production by the Company's affiliates accounted for by the equity method is included in the figures above. Also the production volume is a result for the years ended March 31 regardless of a closing date of fiscal periods of its subsidiaries or affiliates.
5. The production volume of crude oil and natural gas under the production sharing contracts entered into by INPEX Group corresponds to the net economic take of the group. Figures calculated by multiplying the gross production volume by the Company's interest share are 120.3 MMbbls (329.7 Mbbls per day) of crude oil, 431.2 Bcf (1,181.2 MMcf per day) of natural gas, and in total 201.5 MMboe (551.9 Mboe per day) for the year ended March 31, 2013, and 118.5 MMbbls (324.7 Mbbls per day) of crude oil, 434.7 Bcf (1,191.0 MMcf per day) of natural gas, and in total 200.0 MMboe (548.0 Mboe per day) for the year ended March 31, 2014.
6. Boe means barrels of oil equivalent.
7. The volume of petroleum products is converted to bbl in parenthesis. Applied coefficient is 6.29 bbls per kl.
8. Iodine is refined by other company on consignment.
9. Figures are rounded to the first decimal place.

2) Orders received

Disclosure on this information is omitted because the amount of orders received is accounted for a minor portion of total sales.

3) Actual sales

The following table shows sales by segment:

(Millions of yen)

Segment	Category	For the year ended March 31, 2013		For the year ended March 31, 2014	
		Sales volume	Net sales	Sales volume	Net sales
Japan	Crude oil	414 Mbbls	4,230	861 Mbbls	9,280
	Natural gas (excluding LPG)	65,429 MMcf	82,439	67,106 MMcf	90,454
	LPG	148 Mbbls	1,634	8 Mbbls	74
	Other		30,631		20,457
	Subtotal		118,936		120,268
Asia & Oceania	Crude oil	19,341 Mbbls	177,051	12,151 Mbbls	131,032
	Natural gas (excluding LPG)	223,451 MMcf	282,620	219,771 MMcf	329,884
	LPG	3,659 Mbbls	25,602	2,937 Mbbls	24,152
	Subtotal		485,275		485,068
Eurasia (Europe & NIS)	Crude oil	9,177 Mbbls	85,540	8,697 Mbbls	96,341
Middle East & Africa	Crude oil	57,201 Mbbls	520,835	57,420 Mbbls	621,512
Americas	Crude oil	55 Mbbls	476	43 Mbbls	586
	Natural gas (excluding LPG)	29,912 MMcf	5,468	40,240 MMcf	10,848
	Subtotal		5,944		11,435
Total	Crude oil	86,189 Mbbls	788,135	79,171 Mbbls	858,753
	Natural gas (excluding LPG)	318,792 MMcf	370,528	327,117 MMcf	431,187
	LPG	3,807 Mbbls	27,237	2,944 Mbbls	24,226
	Other		30,631		20,457
	Total		1,216,533		1,334,625

Notes:
1. The above amounts do not include the related consumption tax.
2. The Company's subsidiaries of which closing date for fiscal year is December 31 are principally consolidated their operating results for the year ended December 31 except those subsidiaries prepared their financial statements for consolidation purpose as of the consolidation closing date. However, the significant effects of the difference in fiscal periods were properly adjusted in consolidation.
3. Sales volumes are rounded to the nearest whole number.
4. Sales for a major customer and sales as a percentage of total net sales are as follows. Sales amount of PERTAMINA consists mostly of natural gas, and they are sold to Japanese, Korean, and Taiwanese customers in the form of LNG.

Customer	For the year ended March 31, 2013		For the year ended March 31, 2014	
	Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Ratio (%)
PERTAMINA	206,282	17.0	217,518	16.3
Idemitsu Kosan Co.,Ltd.	132,908	10.9	156,151	11.7