INPEX CORPORATION

FASF MEMBERSHIP

Consolidated Financial Results for the year ended March 31, 2017 [Japanese GAAP]

May 12, 2017

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

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Scheduled date of ordinary general meeting of shareholders : June 27, 2017
Scheduled date of filing Financial Report : June 28, 2017
Scheduled date of payment of cash dividends : June 28, 2017
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, 2017 (April 1, 2016 - March 31, 2017)

(1) Consolidated operating results

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
For the year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2017	874,423	(13.4)	336,452	(13.8)	333,891	(10.9)	46,168	175.2
March 31, 2016	1,009,564	(13.8)	390,139	(27.1)	374,771	(34.8)	16,777	(78.4)

(Note): Consolidated comprehensive income: for the year ended March 31, 2017, ¥43,905 million; (－%)
for the year ended March 31, 2016, ¥(166,368) million; (－%)

	Net income per share—basic	Net income per share—diluted	Net income as a percentage of net assets excluding non-controlling 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, 2017	31.61	－	1.6	7.7	38.5
March 31, 2016	11.49	－	0.6	8.5	38.6

(Reference): Net assets excluding non-controlling interests: for the year ended March 31, 2017, ¥ 2,175 million
for the year ended March 31, 2016, ¥ (20,696) million

(2) Consolidated financial position

	Total assets	Net assets	Net assets excluding non-controlling interests as a percentage of total assets	Net assets excluding non-controlling interests per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2017	4,312,174	3,207,542	68.3	2,015.38
As of March 31, 2016	4,369,841	3,178,803	67.1	2,008.34

(Reference): Net assets excluding non-controlling interests: as of March 31, 2017, ¥ 2,943,169 million
as of March 31, 2016, ¥ 2,932,892 million

(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, 2017	275,810	53,483	(65,428)	316,790
March 31, 2016	183,707	(543,534)	156,726	53,813

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, 2016	—	9.00	—	9.00	18.00	26,286	156.7	0.9
March 31, 2017	—	9.00	—	9.00	18.00	26,286	56.9	0.9
For the year ending March 31, 2018 (forecast)	—	9.00	—	9.00	18.00		55.9	

(Note): Above information of "Dividends" is 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, 2018 (April 1, 2017 - March 31, 2018)

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
For the six months ending September 30, 2017	431,000	10.6	155,000	12.3	167,000	26.3	24,000	52.6	16.43
For the year ending March 31, 2018	844,000	(3.5)	303,000	(9.9)	329,000	(1.5)	47,000	1.8	32.18

*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 : None
2. Other changes in accounting policies : None
3. Changes in accounting estimates : Yes
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, 2017; 1,462,323,600 shares as of March 31, 2016
2. Number of treasury stock at the end of the period: 1,966,500 shares as of March 31, 2017; 1,966,400 shares as of March 31, 2016
3. Average number of shares: 1,460,357,146 shares for the year ended March 31, 2017; 1,460,357,200 shares for the year ended March 31, 2016

(Reference) Non-Consolidated Financial Results

1. Financial results for the year ended March 31, 2017 (April 1, 2016 - March 31, 2017)

(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, 2017	258,160	(20.6)	64,792	(24.1)	122,317	118.0	88,920	949.4
March 31, 2016	324,969	(22.2)	85,394	(38.9)	56,102	(77.3)	8,473	(94.3)

	Net income per share—basic	Net income per share—diluted
For the year ended	Yen	Yen
March 31, 2017	60.89	—
March 31, 2016	5.80	—

(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, 2017	3,137,704	2,404,076	76.6	1,646.22
As of March 31, 2016	3,328,919	2,339,920	70.3	1,602.29

(Reference): Net assets: as of March 31, 2017, ¥ 2,404,076 million
as of March 31, 2016, ¥ 2,339,920 million

*Indication of audit procedure implementation status

This finantial report is not subject to the audit procedure.

*Explanation regarding the appropriate use of estimated consolidated financial results

The aforementioned forecasts "3. Forecasted Consolidated Operating Results for the year ending March 31, 2018" 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. (4) Outlook for the Next Period" on page 4.

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, 2016	―	3,600.00	―	3,600.00	7,200.00
March 31, 2017	―	3,600.00	―	3,600.00	7,200.00
For the year ending March 31, 2018 (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. Summary of Operating Results and other

(1) Summary of Consolidated Operating Results

In the fiscal year ended March 31, 2017, the Japanese economy continued on a path of gradual recovery overall driven by improvements in employment and income levels, although improvement in certain segments of the economy was delayed.

Of the international crude oil price indices, which significantly influence the financial performance of the INPEX Group, Brent crude, commonly considered a benchmark index, started at US$38.67 per barrel on April 1, 2016 and increased to US$52.51 per barrel in early June due to concerns over crude oil supply shortages caused by large-scale wildfires in Canada and political instability in Libya and Nigeria.

Thereafter, the index dropped to US$41.80 per barrel in early August due to increased oil production from major OPEC countries. The index then bounced back following the agreement in principle to reduce oil production at the OPEC Meeting in late September contrary to market expectations, and rose to US$53.14 in mid-October. While the index then dropped again to US$44.43 in mid-November due to high levels of output in Russia, Saudi Arabia and other countries as well as skepticism over OPEC's plans to cut back on production, the agreement to reduce production at the OPEC Meeting in late November was a turning point that saw the index rise again and reach a high of US$57.10 in early January.

Brent then hovered at around US$55 per barrel for some time, after which it dropped in early March following revelations that the U.S. crude oil inventory had risen to unprecedented levels, ultimately closing at US$52.83 per barrel on March 31, 2017.

Meanwhile, in Japan too, the prices of crude oil and petroleum products shifted in correlation with international oil prices. The INPEX Group's average crude oil sales price for the fiscal year ended March 31, 2017 reflected this shift and fell to US$46.41 per barrel, down US$1.54 from the previous fiscal year.

The foreign exchange market, another important factor that affects the business of our Group, began to trade at ¥112 level against the U.S. dollar. In late-April, the Bank of Japan passed on the additional monetary easing and United States included Japan in the "Monitoring List." Therefore, the Yen appreciated to ¥105 level.

Thereafter the suggestion by Chairman of Federal Reserve Board Yellen, which showed a possibility to rise Federal Funds rate within a few months, brought the dollar buying to ¥111 level. However, "Current Employment Statistics (CES)" in early-June was much lower than the market forecast, which brought the Yen buying. In addition, Brexit was passed on in late-June, which accelerated the Yen buying to under ¥100 level for the first time in two and a half years. From July onward, the Yen has remained in steadiness roughly ¥100 to ¥105 level to the U.S. dollar.

In November, Donald Trump won United States Presidential election against the market forecast, which raise the expectation for easing the restrictions and changing the trade policy and finance policy. In addition, after FOMC appreciated the interest-rate in December, the Yen depreciated to ¥118 level.

In March, FOMC appreciated the interest-rate again. The Yen has remained in steadiness in the anticipation of the interest-rate appreciation. TTM closed at ¥112.20 to the U.S. dollar which turned out to be ¥0.49 higher than that of the fiscal year end of March 31, 2016.

Reflecting these situations, the average sales exchange rate for our Group for this fiscal year was ¥108.60 to the U.S. dollar, which is ¥11.95 higher than that of the previous fiscal year.

Consolidated net sales for the year ended March 31, 2017 decreased by ¥135.1 billion, or 13.4%, to ¥874.4 billion from the previous fiscal year due to a decrease in unit sales price and the appreciation of the Japanese yen against the U.S. dollar.

Net sales of crude oil decreased by ¥62 billion, or 9.1%, to ¥617.1 billion, and net sales of natural gas decreased by ¥74.1 billion, or 23.4%, to ¥242.5 billion.

Sales volume of crude oil increased by 4,980 thousand barrels, or 4.2%, to 122,207 thousand barrels. Sales volume of natural gas increased by 5,778 million cf, or 1.7%, to 342,994 million cf. Sales volume of overseas natural gas decreased by 213 million cf, or 0.1%, to 271,699 million cf, and sales volume of domestic natural gas increased by 161 million ㎥, or 9.2%, to 1,910 million ㎥ (71,295 million cf).

The average sales price of overseas crude oil decreased by US$1.54, or 3.2%, to US$46.41 per barrel. Meanwhile, the average sales price of overseas natural gas decreased by US$1.39, or 21.1%, to US$5.19 per thousand cf. In addition, the average sales price of domestic natural gas decreased by ¥8.93, or 17.1%, to ¥43.36 per ㎥.

The decrease of ¥135.1 billion in net sales was mainly derived from the following factors: regarding net sales of crude oil and natural gas, an increase in sales volume contributing ¥34.8 billion to the increase, a decrease in unit sales price pushing sales down of ¥85.9 billion, the appreciation of the Japanese yen against the U.S. dollar contributing ¥85.1 billion to the decrease, and an increase in net sales excluding crude oil and natural gas of ¥1.0 billion.

Cost of sales for the year ended March 31, 2017 decreased by ¥72.9 billion, or 13.8%, to ¥453.8 billion due mainly to the appreciation of the Japanese yen against the U.S. dollar. Exploration expenses increased by ¥0.5 billion, or 9.2%, to ¥6.7 billion. Selling, general and administrative expenses decreased by ¥9.1 billion, or 10.5%, to ¥77.3 billion. As a result, operating income decreased by ¥53.6 billion, or 13.8%, to ¥336.4 billion.

Other income decreased by ¥30.8 billion, or 44.1%, to ¥39.0 billion due to decreases in gain on sales of marketable securities and dividend income and others. Other expenses decreased by ¥43.6 billion, or 51.2%, to ¥41.6 billion due to decreases in equity in losses of affiliates and provision for allowance for recoverable accounts under production sharing and others. As a result, ordinary income decreased by ¥40.8 billion, or 10.9%, to ¥333.8 billion.
Extraordinary loss was ¥6.3 billion as a result of posting impairment loss for certain projects due to a drop in oil prices and others.
Total amount of current income taxes and deferred income taxes decreased by ¥83.0 billion, or 23.4%, to ¥271.3 billion, and net income attributable to non-controlling interests was ¥9.9 billion. As a result of the above effects, net income attributable to owners of parent for the year ended March 31, 2017 increased by ¥29.3 billion, or 175.2%, to ¥46.1 billion.

Financial results by segment are as follows:

1) Japan
Net sales decreased by ¥6.9 billion, or 6.3%, to ¥102.6 billion due to a decrease in sales price of natural gas, despite an increase in sales volume. Meanwhile, operating income increased by ¥5.9 billion, or 49.1%, to ¥18.0 billion due to a decrease in cost of sales and others.
2) Asia & Oceania
Net sales decreased by ¥84.7 billion, or 28.0%, to ¥218.0 billion due to decreases in sales volume and unit sales price, and the appreciation of the Japanese yen against the U.S. dollar. Operating income decreased by ¥45.6 billion, or 47.0%, to ¥51.5 billion.
3) Eurasia (Europe & NIS)
Net sales decreased by ¥6.6 billion, or 10.0%, to ¥60.1 billion due to a decrease in sales volume of crude oil, and the appreciation of the Japanese yen against the U.S. dollar. Operating income decreased by ¥1.7 billion, or 12.4%, to ¥12.1 billion.
4) Middle East & Africa
Net sales decreased by ¥34.3 billion, or 6.6%, to ¥482.1 billion due to a decrease in unit sales price and the appreciation of the Japanese yen against the U.S. dollar, despite an increase in sales volume. Operating income decreased by ¥13.9 billion, or 4.8%, to ¥276.8 billion.
5) Americas
Net sales decreased by ¥2.4 billion, or 17.8%, to ¥11.2 billion due to a decrease in sales price of natural gas and the appreciation of the Japanese yen against the U.S. dollar, despite an increase in sales volume. Meanwhile, operating loss decreased by ¥4.6 billion, or 33.1%, to ¥9.3 billion due to a decrease in cost of sales and others.

(2) Summary of Consolidated Financial Position

Consolidated total assets as of March 31, 2017 decreased by ¥57.6 billion to ¥4,312.1 billion from ¥4,369.8 billion as of March 31, 2016. Current assets decreased by ¥41.3 billion to ¥942.9 billion due to decreases in cash and deposits and others. Fixed assets decreased by ¥16.2 billion to ¥3,369.2 billion due to decreases in investments and other assets and others.
Meanwhile, total liabilities decreased by ¥86.4 billion to ¥1,104.6 billion from ¥1,191.0 billion as of March 31, 2016. Current liabilities decreased by ¥21.6 billion to ¥297.4 billion and long-term liabilities decreased by ¥64.7 billion to ¥807.1 billion.
Net assets increased by ¥28.7 billion, to ¥3,207.5 billion. Total shareholders' equity increased by ¥19.8 billion, to ¥2,556.8 billion. Total accumulated other comprehensive income decreased by ¥9.6 billion to ¥386.3 billion and non-controlling interests increased by ¥18.4 billion to ¥264.3 billion.

(3) Summary of Cash Flows

As for cash flows for the year ended March 31, 2017, net cash provided by operating activities increased by ¥92.1 billion to ¥275.8 billion from the previous fiscal year due mainly to decreases in income taxes paid and recoverable accounts under production sharing (operating expenditures), despite a decrease in income before income taxes.

Net cash provided by investing activities was ¥53.4 billion due to an increase in proceeds from time deposits, the lack of payments for purchases of mining rights, and decreases in payments for purchases of tangible fixed assets and others, meanwhile, net cash used in investment activities was ¥543.5 billion at the end of the previous fiscal year.

Net cash used in financing activities was ¥65.4 billion due to an increase in repayments of long-term debt and decreases in proceeds from long-term debt and proceeds from non-controlling interests for additional shares and others, meanwhile, net cash provided by financing activities was ¥156.7 billion for the previous fiscal year.

After totaling ¥0.8 billion of the effect of exchange rate changes on cash and cash equivalents, the increase in cash and cash equivalents for the year ended March 31, 2017 amounted to ¥262.9 billion. Cash and cash equivalents as of March 31, 2017 totaled ¥316.7 billion reflecting the above net increase of ¥262.9 billion, from ¥53.8 billion at the end of the previous fiscal year.

(4) Outlook for the Next Period

As for the outlook, consolidated net sales for the six months ending September 30, 2017 are expected to be ¥431.0 billion, to increase by 10.6% compared with the six months ended September 30, 2016, and net sales for the year ending March 31, 2018 are expected to be ¥844.0 billion, to decrease by 3.5% compared with the year ended March 31, 2017.

Operating income for the six months ending September 30, 2017 is expected to be ¥155.0 billion, to increase by 12.3% compared with the six months ended September 30, 2016, and operating income for the year ending March 31, 2018 is expected to be ¥303.0 billion, to decrease by 9.9% compared with the year ended March 31, 2017.

Ordinary income for the six months ending September 30, 2017 is expected to be ¥167.0 billion, to increase by 26.3% compared with the six months ended September 30, 2016, and ordinary income for the year ending March 31, 2018 is expected to be ¥329.0 billion, to decrease by 1.5% compared with the year ended March 31, 2017. Net income attributable to INPEX CORPORATION for the six months ending September 30, 2017 is expected to be ¥24.0 billion, to increase by 52.6% compared with the six months ended September 30, 2016, and net income attributable to INPEX CORPORATION for the year ending March 31, 2018 is expected to be ¥47.0 billion, to increase by 1.8% compared with the year ended March 31, 2017.

Net sales for the year ending March 31, 2018 are expected to decrease due to the forecasted decrease in sales volume of crude oil and natural gas, and operating income, ordinary income for the year ending March 31, 2018 are also expected to decrease as well.

Net income attributable to INPEX CORPORATION for the year ending March 31, 2018 is expected to increase slightly year on year, due in part to the lack of impairment loss.

In these estimates, the crude oil price is assumed to be US$50.0 per barrel (for Brent crude oil) with the exchange rate of the Japanese yen against the U.S. dollar at ¥110.0 through the year ending March 31, 2018.

(5) Dividend policy and dividends for the year ended March 31, 2017 and for the year ending March 31, 2018

In order to secure a stable and efficient supply of oil and gas resources, the INPEX CORPORATION Group aims to expand its operating base, and will make the required investments to undertake exploration and development activities in Japan and overseas as well as maintain and expand its supply infrastructure. The robust financial standing of the INPEX CORPORATION Group is crucial for maintaining this level of investment. Therefore, our basic policy is to find a suitable balance between maximizing corporate value through investing in the sustenance and expansion of our reserves as well as oil and gas production, and driving direct shareholder returns via cash dividends, taking into account the Group's medium- to long-term perspectives.

In accordance with the policy outlined above, the Group has set the year-end dividend at ¥9 per common stock for the year ended March 31, 2017. Combined with the mid-term dividend of ¥9 per common stock, the total dividend for the year is ¥18 per common stock. Also in accordance with the policy, the Group has set the year-end dividend of ¥3,600 per Class A stock for the year ended 31, 2017. Combined with the mid-term dividend of ¥3,600 per Class A stock, the total dividend for the year is ¥7,200 per Class A stock.

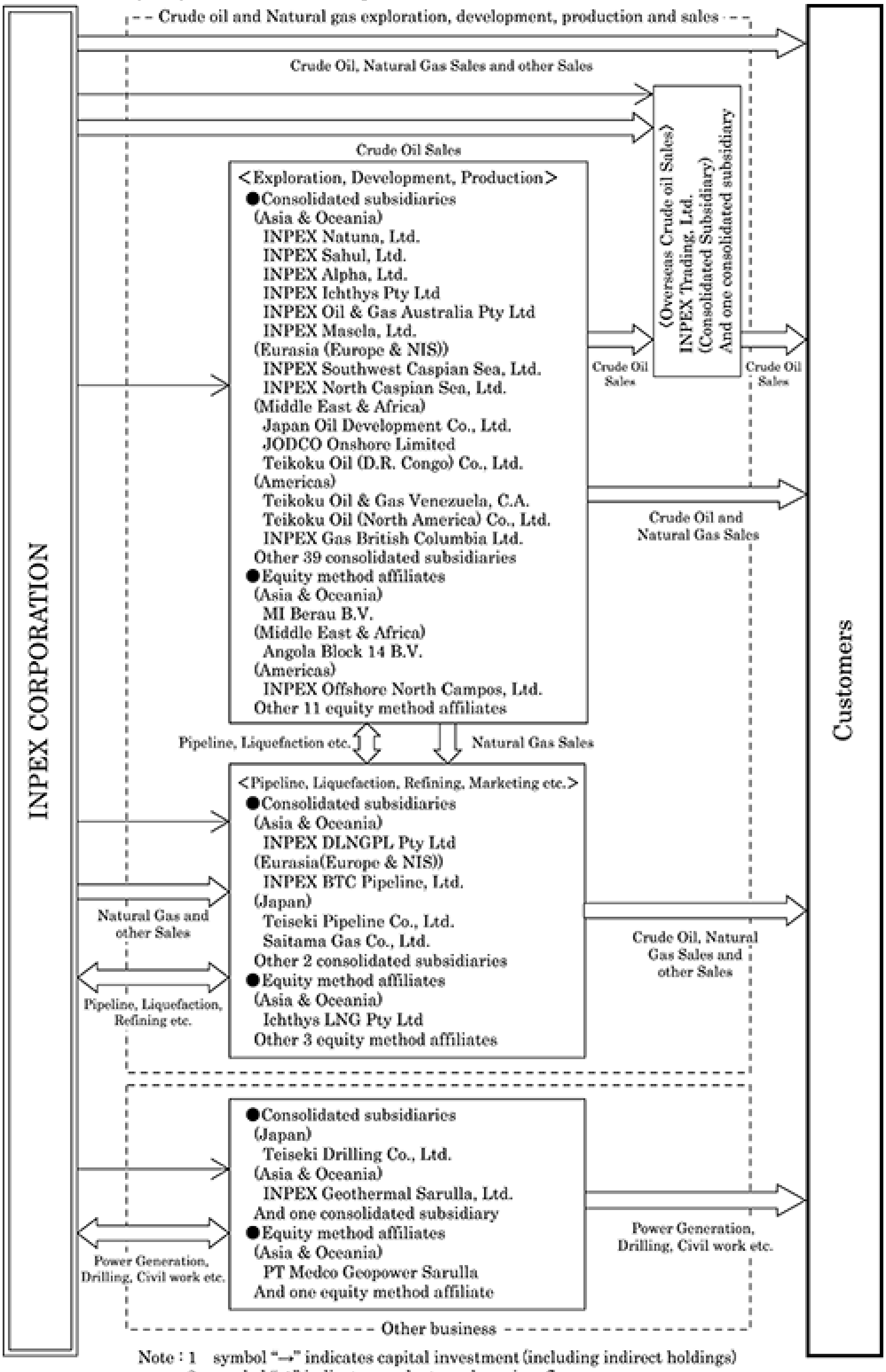
For the year ending March 31, 2018, the Group expects mid-term and year-end dividends each of ¥9 per common stock and ¥3,600 per Class A stock, bringing total dividends to ¥18 per common stock and ¥7,200 per Class A stock.

The Group plans to allocate retained earnings to investments for the sustenance and expansion of its reserves as well as oil and gas production, among other initiatives.

2. Overview of the INPEX CORPORATION Group

The INPEX CORPORATION Group consists of INPEX CORPORATION, 74 subsidiaries (including 64 consolidated subsidiaries), 26 affiliates (including 20 equity method affiliates) and their 3 subsidiaries (as of March 31, 2017). 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) Basic 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. The Group's mission is to provide a stable and efficient supply of energy to its customers through the exploration and development of oil and natural gas resources throughout the world with the aim of becoming an integrated energy company that contributes to the prosperity and well-being of the communities it serves and in which it operates.

With natural gas as our core business, we will grow into an integrated energy company by contributing to a stable energy supply to broader communities. We will continue to play a significant role in enhancing Japan's energy self-sufficiency rate while contributing to 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 that plays an essential role in the global community.

In May 2012, we set targets to achieve sustainable growth over the medium- to long-term, and laid out the MEDIUM- TO LONG-TERM VISION OF INPEX—Ichthys and our growth beyond—to clarify key initiatives over the five years leading up to the startup of the Ichthys LNG Project. The three growth targets outlined in the vision are: 1) Continuous Enhancement of our E&P Activities; 2) Strengthening our Gas Supply Chain; and 3) Reinforcement of our Renewable Energy Initiatives. Our three management policies designed to support these growth targets are: 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 realizing its vision, the Group intends to further enhance its corporate value.

(2) Medium- to Long-Term Management Strategy, Business Environment and Operational Challenges

Based on our (1) Basic Management Strategy outlined above, we will adequately address the operational challenges below taking into account our business environment.

Our challenges are as follows:

In its current business environment, the INPEX Group is faced with the immediate challenge of responding to the drop in oil prices since the second half of 2014. To this end, we have until now worked on a continuous basis on evaluating individual project investments and reducing operating expenditures as well as sales, general and administrative expenses. Going forward, we will build a resilience that will allow us to ensure the continuity of efficient business operations even with oil prices remaining at relatively low levels for a sustained period of time.

We will also make appropriate use of the "Bill for the Act for Partial Revision of the Act on the Japan Oil, Gas and Metals National Corporation, Independent Administrative Agency," which was passed last year in an effort to help Japan achieve its independent development goals at an early stage. Business operations geared towards our medium to long-term growth must proceed continuously and steadily. First, as for the continuous enhancement of our E&P activities, on the Ichthys LNG Project in Australia, in February 2017 we completed construction of the Central Processing Facility (CPF) and Floating Production, Storage and Offloading (FPSO) facility, which are key components of the project. In April 2017, the CPF sailed away en route to the Ichthys Gas-condensate Field. Following the arrival of the CPF and the FPSO, installation and commissioning work will be undertaken and production from the wellhead will commence. Thereafter, the Ichthys LNG Project will, during the current fiscal year (ending March 31, 2018), begin production of condensate, LNG and LPG in sequence and then ship these products, and we will continue to steadfastly work on development activities toward these targets. With regard to the Abadi LNG Project in Indonesia, in September 2015 we submitted to the Indonesian government authorities a revised plan of development (POD) envisioning the adoption of a floating LNG with an annual LNG processing capacity of 7.5 million tons. In April 2016, we received a notification from the Indonesian government authorities instructing to re-propose a plan of development based on onshore LNG development. Currently, we are continuing to work closely with the Indonesian government authorities aiming for the early start-up of development. Elsewhere, we agreed in principle with the Abu Dhabi National Oil Company (ADNOC) to extend the duration of the joint development of the Satah and Umm Al Dalkh offshore oil fields in the United Arab Emirates in January 2017. Meanwhile, we will continue our efforts to secure stable production at our existing projects including the Offshore Mahakam Block in Indonesia, the ADMA Block offshore Abu Dhabi and the ACG oil fields in Azerbaijan. In terms of exploration activities, we were jointly awarded an exploration license for Block 3 located in the Mexican sector of the northern Gulf of Mexico in December 2016, and succeeded in discovering deposits of quality oil through the drilling of an exploration well at the onshore Exploration Block 10 in the Republic of Iraq in February 2017. We continue to undertake exploration activities aimed at the acquisition of new oil and gas reserves and pursue opportunities to join viable projects. Next, with regard to strengthening our gas supply chain, construction work on the Toyama Line in Japan was completed in June 2016 and full operations along the pipeline commenced in October 2016 to respond to the growing demand for natural gas supplies. This will strengthen the framework of a stable natural gas supply and is expected to lead to the efficient, long-term and stable supply of natural gas to potential customers based along the pipeline's route. Lastly, as for the reinforcement of renewable energy initiatives, we are advancing our efforts as an integrated energy company that contributes to the global community through various initiatives including the commencement of commercial operations in March 2017 at the Sarulla Geothermal Independent Power Producer Project in Indonesia.

The Group's fundamental business operation policies and initiatives to the address the challenges are as follows:

① Continuous Enhancement of E&P Activities

i) Balanced Asset Portfolio

- Regional Diversification

The Group's operations have diversified beyond Japan, Asia, Oceania and the Middle East, where we have a wealth of operational experience, to include locations around the world such as the Caspian Sea region, Central and South America and Africa. We will continue to pursue a portfolio of assets taking geographical mix into consideration.

- Crude Oil and Natural Gas Product Ratio

The INPEX Group's ratio of crude oil products versus natural gas products is approximately 67/33.

Crude oil, which has diverse applications and is considered a convenient fuel source that can be easily handled, transported and stored, is widely used all over the world. As crude oil is a sensitive commodity, its sales prices are often influenced by market conditions. While crude oil customers are not bound to long-term sales contracts, capital investments in crude oil production and transportation are relatively small in comparison to natural gas including LNG. Furthermore, the time required for crude oil development is comparatively short, enabling quick returns on investment once oil fields are discovered.

Natural gas has the lowest environmental impact among fossil fuels, and demand for natural gas as a quick and effective measure against global warming is expected to increase. Commercial production of natural gas requires substantial investment and a long lead-time for the preparation of infrastructure such as liquefaction plants or pipelines. Since gas buyers are also required to make large investments in LNG receiving facilities, stable and long-term sales and purchase contracts are essential. Such LNG contracts, while influenced to an extent by oil price fluctuations, enable long-term profit stability.

When acquiring interests in new projects, it is important to achieve a sound balance between crude oil and natural gas production to ensure efficient investment with a view to securing long-term cash flow.

- Balancing Project Stages (Exploration, Development and Production)

Because oil and gas reserves become depleted as production advances, the INPEX Group must constantly seek to acquire fresh reserves to ensure stable profitability. For this, it is important to reinvest production revenue in exploration and create an operational cycle of discovering, developing and producing at new oil and gas fields to generate revenue, ensuring the stability and continuity of projects at every stage.

To maintain this cyclical balance, we will continue to focus on stable production at key assets including the Offshore Mahakam Block, the ADMA Block and the ACG Oil Fields as well as the diligent development of the Ichthys LNG Project, while investing in new exploration opportunities.

ii) Implementation of Operator Projects

As Operator, we require significant management resources in terms of organization, human resources and financing. However, being Operator also presents us with significant opportunities to acquire new participating interests through improved technological capabilities and greater recognition from oil and gas producing countries as well as international oil companies. The group is committed to pursuing and implementing projects as Operator, starting with the Ichthys LNG Project, by further enhancing its technological capabilities, ensuring safety in all operations and integrating with local communities.

iii) Strengthening Relationships with Leading Oil and Gas Companies Globally

Developing oil and gas involves considerable risks. Large-scale projects in particular require investments too large for any one company to shoulder individually. Companies therefore typically form consortiums to share the risks and jointly undertake business operations. The INPEX Group is committed to increasing its chances of participating in viable projects, expanding its business and dispersing risks through enhanced cooperation with major international oil companies and national oil companies in oil and gas producing countries as well as leading private oil resource developers, Japanese trading companies and other energy-related enterprises.

② Strengthening Gas Supply Chain

The INPEX Group aims to build a solid network of operations in the Japanese natural gas market, which represents a stable source of revenue, and reorganized its natural gas business operations in Japan to respond to the growing competition triggered by the full liberalization of the Japanese gas retail market in April 2017. We will also strive to continue enhancing our natural gas business in Japan through our natural gas trunk pipeline network supplying the promising markets in the Kanto-Koshinetsu and Hokuriku regions, and plan to increase production at the Minami-Nagaoka gas field, one of the largest gas fields in Japan. We also own numerous promising natural gas assets primarily in Australia and Indonesia. To ensure our long-term growth, we will actively pursue the strengthening of our gas supply chain by organically linking such international assets and our infrastructure in Japan, with our Naoetsu LNG Terminal serving as the gateway.

③ Reinforcement of Renewable Energy Initiatives

As an E&P company, one of our most important challenges is to reduce environmental impact through greenhouse gas reduction initiatives, etc. We are pursuing the development of renewable energy resources such as photovoltaic, wind power and geothermal power generation and biomass fuels, as well as next-generation energy solution technologies based on hydrogen, fuel cells and high performance batteries in cooperation with Japanese and international companies, universities and organizations. Through these activities, we seek to locate new business opportunities while helping reduce environmental impact.

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

We introduced INPEX Values, a set of core values designed to be shared by all INPEX directors and employees, and are working on creating foundations to establish a global HR management system. We continued to take steps to instill group-wide adherence to INPEX Values and are steadfastly pursuing measures in accordance with the INPEX Action Plan based on the Act of Promotion of Women’s Participation and Advancement in the Workplace. Going forward, we will continue to develop an efficient organizational structure and secure experienced global talent.

⑤ Investment for Growth and Shareholder Returns

To ensure growth for the Group, we will progressively carry out investment activities in the medium- to long-term while maintaining sound financial standing. With an eye on the Ichthys production startup schedule, we will look to deliver appropriate shareholder returns that meet the standards of top-class international oil and gas E&P companies.

⑥ Responsible Management as a Global Company

i) CSR Management Promotion, Enhanced Stakeholder Communications and Corporate Governance

As a global entity, the INPEX Group has strived to develop a responsible management system. We are engaged in various ways to progressively strengthen our CSR management under the guidance of the CSR Committee chaired by the President & CEO. We will continue to promote active disclosure practices so as to reach out to our stakeholders based in many locations around the world. We have already implemented measures through the INPEX Advisory Committee to reinforce our corporate governance from a global perspective, and will continue to strengthen internal management in accordance with the Corporate Governance Code.

ii) Strengthening Health, Safety and Environment (HSE) Initiatives

We have organized our HSE management system based on global standards, and through the implementation and continuous enhancement of HSE activities, we have strived to ensure the safety and health of stakeholders involved in our business and to protect the environment. As for safety and health, we are implementing occupational safety control at drilling, construction and operational sites, instilling process safety management practices essential for preventing major incidents and disaster and managing the health of employees. We are also actively working on enhancing HSE competency through HSE training and personnel development, as well as the preparing emergency response manuals and strengthening corporate preparedness through emergency response drills. In the area of environmental protection, we are making every effort to minimize the impact of our activities on the environment particularly in terms of global warming by means of greenhouse gas emissions control, prevention of air pollution and water contamination, chemical substance control, effective utilization of water resources, prevention of soil pollution, waste management and biodiversity conservation. Through our global initiatives, we will continue to suitably address and evaluate health and security risks in every country and area in which we operate, and implement measures to mitigate risks.

4. Basic Rationale for Selection of Accounting Standards

The INPEX Group has been analyzing the differences between International Financial Reporting Standards (IFRS) and accounting principles generally accepted in Japan. The Group will take into consideration the domestic and international situations for appropriate adoption of the IFRS in the future.

5. Consolidated Financial Statements and Principal Notes

(1) Consolidated Balance Sheet

(Millions of yen)

Accounts	As of March 31, 2016	As of March 31, 2017
(Assets)		
Current assets		
Cash and deposits	※4 772,528	※4 652,614
Accounts receivable-trade	56,462	72,364
Marketable securities	—	5,503
Inventories	※1,※4 35,915	※1,※4 30,720
Deferred tax assets	2,852	7,264
Accounts receivable-other	84,650	83,291
Recoverable accounts under production sharing	—	47,263
Other	※4 45,012	※4 68,403
Less allowance for doubtful accounts	(13,076)	(20,763)
Less allowance for recoverable accounts under production sharing	—	(3,701)
Total current assets	984,345	942,960
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	124,900	214,575
Wells, net	51,257	44,980
Machinery, equipment and vehicles, net	130,796	120,713
Land	19,673	19,189
Construction in progress	1,407,490	1,511,660
Other, net	18,495	17,478
Total tangible fixed assets	※2,※4,※5 1,752,614	※2,※4,※5 1,928,597
Intangible assets		
Goodwill	67,558	60,798
Exploration and development rights	146,262	154,556
Mining rights	318,438	298,370
Other	9,212	7,528
Total intangible assets	541,471	521,253
Investments and other assets		
Investment securities	※3,※4 213,730	※3,※4 246,085
Long-term loans receivable	4,230	※4 134,235
Long-term time deposits	202,842	—
Recoverable accounts under production sharing	727,771	611,937
Deferred tax assets	13,105	25,750
Other	71,357	※4 29,248
Less allowance for doubtful accounts	(7,814)	(8,282)
Less allowance for recoverable accounts under production sharing	(131,765)	(116,842)
Less allowance for investments in exploration	(2,046)	(2,769)
Total investments and other assets	1,091,410	919,362
Total fixed assets	3,385,496	3,369,213
Total assets	4,369,841	4,312,174

(Millions of yen)

Accounts	As of March 31, 2016	As of March 31, 2017
(Liabilities)		
Current liabilities		
Accounts payable-trade	47,351	51,105
Short-term loans	68,468	44,252
Income taxes payable	42,845	45,219
Accounts payable-other	※4 79,621	73,721
Provision for loss on business	―	2,920
Provision for exploration projects	4,781	4,478
Accrued bonuses to officers	55	62
Asset retirement obligations	2,233	4,301
Other	73,769	71,403
Total current liabilities	319,127	297,465
Long-term liabilities		
Long-term debt	673,098	643,432
Deferred tax liabilities	56,044	45,615
Provision for loss on business	4,737	―
Accrued special repair and maintenance	293	331
Liability for retirement benefits	7,461	5,952
Asset retirement obligations	100,829	104,845
Other	29,445	6,989
Total long-term liabilities	871,911	807,166
Total liabilities	1,191,038	1,104,631
(Net assets)		
Shareholders' equity		
Common stock	290,809	290,809
Capital surplus	676,273	676,273
Retained earnings	1,575,136	1,595,018
Treasury stock	(5,248)	(5,248)
Total shareholders' equity	2,536,971	2,556,852
Accumulated other comprehensive income		
Unrealized holding gain on securities	4,958	6,479
Unrealized gain (loss) from hedging instruments	(6,660)	717
Translation adjustments	397,622	379,119
Total accumulated other comprehensive income	395,921	386,316
Non-controlling interests	245,910	264,372
Total net assets	3,178,803	3,207,542
Total liabilities and net assets	4,369,841	4,312,174

(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, 2016	For the year ended March 31, 2017
Net sales	1,009,564	874,423
Cost of sales	※2 526,757	※2 453,846
Gross profit	482,806	420,576
Exploration expenses	6,166	6,734
Selling, general and administrative expenses	※1,※2 86,500	※1,※2 77,389
Operating income	390,139	336,452
Other income		
Interest income	10,751	10,460
Dividend income	10,825	2,802
Gain on sales of marketable securities	25,986	—
Gain on sales of investment securities	5,668	4,999
Equity in earnings of affiliates	—	2,175
Foreign exchange gain	2,964	—
Other	13,737	18,652
Total other income	69,934	39,090
Other expenses		
Interest expense	4,198	5,228
Equity in losses of affiliates	20,696	—
Provision of allowance for doubtful accounts	121	8,308
Provision for allowance for recoverable accounts under production sharing	25,026	14,374
Provision for exploration projects	335	—
Foreign exchange loss	—	3,759
Loss on disposal of fixed assets	13,288	4,786
Other	21,635	5,193
Total other expenses	85,301	41,651
Ordinary income	374,771	333,891
Extraordinary loss		
Impairment loss	※3 45,884	※3 6,366
Total extraordinary loss	45,884	6,366
Income before income taxes	328,887	327,525
Income taxes-current	356,585	304,620
Income taxes-deferred	(2,192)	(33,227)
Total income taxes	354,393	271,393
Net income (loss)	(25,505)	56,131
Net income (loss) attributable to non-controlling interests	(42,282)	9,963
Net income attributable to owners of parent	16,777	46,168

Consolidated Statement of Comprehensive Income

(Millions of yen)

Accounts	For the year ended March 31, 2016	For the year ended March 31, 2017
Net income (loss)	(25,505)	56,131
Other comprehensive income		
Unrealized holding gain (loss) on securities	(41,094)	1,522
Translation adjustments	(129,078)	(19,867)
Share of other comprehensive income of affiliates accounted for by the equity method	29,310	6,119
Total other comprehensive income	※1 (140,862)	※1 (12,225)
Comprehensive income	(166,368)	43,905
Total comprehensive income attributable to		
Owners of parent	(104,487)	36,564
Non-controlling interests	(61,881)	7,341

(3) Consolidated Statement of Changes in Net Assets

For the year ended March 31, 2016

(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	1,584,645	(5,248)	2,549,494
Changes during the period					
Change in treasury shares of parent arising from transactions with non-controlling shareholders		(3,014)			(3,014)
Cash dividends paid			(26,286)		(26,286)
Net income attributable to owners of parent			16,777		16,777
Purchase of treasury stock					—
Net changes in items other than those in shareholders' equity					
Total changes during the period	—	(3,014)	(9,509)	—	(12,523)
Balance at the end of the period	290,809	676,273	1,575,136	(5,248)	2,536,971

	Accumulated other comprehensive income				Non-controlling 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	46,049	(36,423)	507,560	517,185	222,023	3,288,703
Changes during the period						
Change in treasury shares of parent arising from transactions with non-controlling shareholders						(3,014)
Cash dividends paid						(26,286)
Net income attributable to owners of parent						16,777
Purchase of treasury stock						—
Net changes in items other than those in shareholders' equity	(41,090)	29,763	(109,937)	(121,264)	23,887	(97,376)
Total changes during the period	(41,090)	29,763	(109,937)	(121,264)	23,887	(109,900)
Balance at the end of the period	4,958	(6,660)	397,622	395,921	245,910	3,178,803

For the year ended March 31, 2017

(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	676,273	1,575,136	(5,248)	2,536,971
Changes during the period					
Change in treasury shares of parent arising from transactions with non-controlling shareholders					—
Cash dividends paid			(26,286)		(26,286)
Net income attributable to owners of parent			46,168		46,168
Purchase of treasury stock				(0)	(0)
Net changes in items other than those in shareholders' equity					
Total changes during the period	—	—	19,881	(0)	19,881
Balance at the end of the period	290,809	676,273	1,595,018	(5,248)	2,556,852

	Accumulated other comprehensive income				Non-controlling 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	4,958	(6,660)	397,622	395,921	245,910	3,178,803
Changes during the period						
Change in treasury shares of parent arising from transactions with non-controlling shareholders						—
Cash dividends paid						(26,286)
Net income attributable to owners of parent						46,168
Purchase of treasury stock						(0)
Net changes in items other than those in shareholders' equity	1,521	7,377	(18,503)	(9,604)	18,462	8,857
Total changes during the period	1,521	7,377	(18,503)	(9,604)	18,462	28,739
Balance at the end of the period	6,479	717	379,119	386,316	264,372	3,207,542

(4) Consolidated Statement of Cash Flows

(Millions of yen)

Accounts	For the year ended March 31, 2016	For the year ended March 31, 2017
Cash flows from operating activities		
Income before income taxes	328,887	327,525
Depreciation and amortization	86,791	91,159
Impairment loss	45,884	6,366
Amortization of goodwill	6,760	6,760
Provision for allowance for recoverable accounts under production sharing	29,843	15,934
Provision for exploration projects	(4,399)	(240)
Other provisions	(4,352)	7,144
Liability for retirement benefits	945	(1,483)
Interest and dividend income	(21,579)	(13,262)
Interest expense	3,464	5,228
Foreign exchange loss (gain)	15,085	4,896
Equity in losses (earnings) of affiliates	20,696	(2,175)
Loss (gain) on sales of marketable securities	(25,986)	―
Loss (gain) on sales of investment securities	(5,668)	(4,999)
Recovery of recoverable accounts under production sharing (capital expenditures)	64,199	79,873
Recoverable accounts under production sharing (operating expenditures)	(45,833)	(2,823)
Accounts receivable-trade	15,193	(16,350)
Inventories	(2,551)	5,592
Accounts payable-trade	(4,389)	4,299
Accounts receivable-other	41,632	11,569
Accounts payable-other	(13,746)	4,181
Advances received	2,882	280
Other	15,294	23,311
Subtotal	549,053	552,790
Interest and dividends received	31,446	18,773
Interest paid	(3,205)	(2,911)
Income taxes paid	(393,586)	(292,840)
Net cash provided by (used in) operating activities	183,707	275,810

(Millions of yen)

Accounts	For the year ended March 31, 2016	For the year ended March 31, 2017
Cash flows from investing activities		
Payments for time deposits	(544,330)	(355,238)
Proceeds from time deposits	790,267	921,781
Payments for long-term time deposits	(439,989)	—
Payments for purchases of tangible fixed assets	(476,788)	(278,359)
Proceeds from sales of tangible fixed assets	1,131	4,610
Payments for purchases of intangible assets	(26,897)	(21,953)
Proceeds from sales and redemptions of marketable securities	175,584	—
Payments for purchases of investment securities	(6,876)	(80,224)
Proceeds from sales and redemptions of investment securities	27,700	10,600
Investment in recoverable accounts under production sharing (capital expenditures)	(60,442)	(37,325)
Decrease (increase) in short-term loans receivable	(4,120)	(1,322)
Long-term loans made	(215,709)	(133,478)
Collection of long-term loans receivable	384,759	275
Payments for purchases of mining rights	(134,516)	—
Other	(13,305)	24,118
Net cash provided by (used in) investing activities	(543,534)	53,483
Cash flows from financing activities		
Increase (decrease) in short-term loans	92	(96)
Proceeds from long-term debt	127,120	11,760
Repayments of long-term debt	(26,868)	(62,903)
Proceeds from non-controlling interests for additional shares	87,279	16,109
Cash dividends paid	(26,297)	(26,286)
Cash dividends paid to non-controlling interests	(4,524)	(3,939)
Other	(74)	(72)
Net cash provided by (used in) financing activities	156,726	(65,428)
Effect of exchange rate changes on cash and cash equivalents	(4,064)	(887)
Net increase (decrease) in cash and cash equivalents	(207,164)	262,977
Cash and cash equivalents at beginning of the period	260,978	53,813
Cash and cash equivalents at end of the period	※1 53,813	※1 316,790

(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: 64

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., JODCO Onshore Limited, 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.

TEIKOKU OIL LIBYA UK LTD has been excluded from the scope of consolidation from this fiscal year due to completion of liquidation.

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: 20
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

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 10 companies including, but not limited to, Japan Oil Development, Co., Ltd., INPEX Southwest Caspian Sea, Ltd., INPEX North Caspian Sea, Ltd., INPEX Holdings Australia Pty Ltd and INPEX Ichthys Pty Ltd, 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 overseas mining facilities is mainly computed by the unit-of-production method. For other tangible fixed assets, straight-line method of depreciation is applied.

Useful lives of significant fixed assets are as follows:

Buildings and structures: 2-60 years

Wells: 3 years

Machinery, equipment and vehicles: 2-22 years

(b) Intangible assets (except leased assets)

Exploration and development rights

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

Mining rights

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

Other

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

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

(c) Leased assets

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

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

3) Basis for significant allowances

(a) Allowance for doubtful accounts

Allowance for doubtful accounts is provided at an amount determined based on the historical experience of bad debt with respect to ordinary receivables, plus an estimate of uncollectible amounts determined by reference to specific doubtful receivables from customers 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 the exploration stage based on a schedule of investments in exploration.

(e) Accrued bonuses to officers

Accrued bonuses to officers are provided at the 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 amounts accumulated through the next activity.

4) Accounting for retirement benefits

(a) Method of attributing expected retirement benefits to proper periods

When calculating retirement benefit obligations, the benefit formula method is used for attributing expected retirement benefits to periods through March 31, 2017. Because certain subsidiaries are classified as small enterprises, a simplified method (the amount which would be required to be paid if all active employees voluntarily terminated their employment as of the balance sheet date) is applied for the calculation of the retirement benefit obligation for those subsidiaries.

(b) Method of recognizing for actuarial differences

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

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

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

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

6) Accounting for major hedge transactions

(a) Hedge accounting

The special treatment is applied to the interest rate swaps that meet certain criteria. For certain equity-method affiliates, the deferred hedge accounting method is adopted.

(b) Hedging instruments and hedged items

Hedging instruments: Interest rate swap transactions

Hedged items: Interest payments on borrowings

(c) Hedging policy

Derivative transactions are limited to 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 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 the Presentation)

(Consolidated Statement of Income)

"Gain on sales of investment securities", previously included in "Other" in other income, is presented separately since it has become more significant.

"Provision of allowance for doubtful accounts", previously included in "Other" in other expenses, is presented separately since it has become more significant.

As a result, ¥19,406 million which was recorded as "Other" in other income on the consolidated statement of income in the previous fiscal year is reclassified as ¥5,668 million of "Gain on sales of investment securities", and ¥13,737 million of "Other", and ¥21,756 million which was recorded as "Other" in other expenses is reclassified as ¥121 million of "Provision of allowance for doubtful accounts", and ¥21,635 million of "Other".

(Consolidated Statement of Cash Flows)

"Loss (Gain) on sales of investment securities", previously included in "Other" in cash flows from operating activities, is presented separately since it has become more significant.

As a result, ¥9,625 million which was recorded as "Other" in cash flows from operating activities on the consolidated statement of cash flows in the previous fiscal year is reclassified as ¥5,668 million of "Loss (gain) on sales of investment securities", and ¥15,294 million of "Other".

(Changes in Accounting Estimates)

(Change in useful life)

The Company reviewed the period of economic estimated use of structures (pipelines) considering the progress of initiatives on strengthening our gas supply chain defined in the "Medium- to Long-Term Vision", actual use records and others since the Toyama Line commences operation this fiscal year. It was confirmed that they could be used longer than their conventional useful lives, which had been based on the method prescribed in the Corporation Tax Act, and the Company has changed their useful lives from the year ended March 31, 2017.

As a result, compared with the conventional method, operating income, ordinary income and income before income taxes for the year ended March 31, 2017 increased by ¥7,171 million, respectively.

(Consolidated Balance Sheet)

*1 Major accounts included in inventories

	As of March 31, 2016	As of March 31, 2017
	Millions of yen	Millions of yen
Merchandise and finished goods	7,910	6,861
Work in process	643	99
Raw materials and supplies	27,361	23,759

*2 Accumulated depreciation of tangible fixed assets

	As of March 31, 2016	As of March 31, 2017
Accumulated depreciation of tangible fixed assets	¥ 700,783 million	¥ 762,321 million

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

	As of March 31, 2016	As of March 31, 2017
	Millions of yen	Millions of yen
Investment securities (equities)	120,068	163,526
(of which investment in jointly controlled entities)	(7,124)	(62,417)

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

Collateralized Assets

	As of March 31, 2016	As of March 31, 2017
	Millions of yen	Millions of yen
Cash and deposits	1,507	222
Inventories	8,861	8,533
Land	150	149
Construction in progress	945,517	1,119,049
Investment securities	15,039	62,492
Long-term loans receivable	—	131,261
Other	15,113	10,147
Total	986,189	1,331,855

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

Collateral-backed debt

	As of March 31, 2016	As of March 31, 2017
	Millions of yen	Millions of yen
Accounts payable-other	531	—
Total	531	—

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

	As of March 31, 2016	As of March 31, 2017
	Millions of yen	Millions of yen
Buildings and structures	1,393	1,393
Machinery, equipment and vehicles	221	207
Land	84	84

6 Contingent liabilities

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

As of March 31, 2016		As of March 31, 2017	
	Millions of yen		Millions of yen
Ichthys LNG Pty Ltd*1	470,635	Ichthys LNG Pty Ltd*1	562,236
Tangguh Trustee*2	17,778	Tangguh Trustee*2	18,997
Sakhalin Oil and Gas Development Co., Ltd.	1,924	Sakhalin Oil and Gas Development Co., Ltd.	2,046
Japan Canada Oil Sands Limited	1,690	Japan Canada Oil Sands Limited	1,683
INPEX Offshore North Campos, Ltd.	590	Oceanic Breeze LNG Transport S.A.	216
Oceanic Breeze LNG Transport S.A.	215	Employees (housing loans)	51
Employees (housing loans)	63		
Total	492,898		585,233

*1 Debt for investment funds of the Ichthys LNG project.

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

(The aforementioned Debt for the year ended March 31, 2017 inculdes the amount (¥4,320 million) for the construction of Train-3, based on the Company's participating interest as the guarantor of indebtedness.)

(2) Guarantee for derivatives

	As of March 31, 2016	As of March 31, 2017
Ichthys LNG Pty Ltd	¥ (7,643) million	¥ (212) 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, 2016	As of March 31, 2017
Completion guarantee (the Company's portion)	¥ 901,540 million	¥ 903,862 million

(Consolidated Statement of Income)

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

	For the year ended March 31, 2016	For the year ended March 31, 2017
	Millions of yen	Millions of yen
Personnel expenses	22,641	21,737
(Including provision for accrued retirement benefits to employees	1,386	671)
(Including provision for accrued bonuses to officers	53	62)
Taxes	4,109	3,078
Freight expenses	11,176	9,862
Depreciation expenses	25,113	20,124
Amortization of goodwill	6,760	6,760

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

For the year ended March 31, 2016	For the year ended March 31, 2017
¥ 754 million	¥ 1,983 million

*3 Impairment loss

The Company groups mining area and other assets as a basic unit that generates cash inflows independently of other groups of assets. Due to impact from deteriorating business environments based on such factors as the drop in oil prices, the Company reduced the respective carrying amounts of the assets listed below to recoverable amounts, posting the reductions as impairment loss.

For the year ended March 31, 2016

Use	Location	Classification	Impairment loss (Millions of yen)
Assets related to Keathley Canyon Blocks 874/875/918/919 (Lucius Oil Field)	U.S. Gulf of Mexico	Wells	2,335
		Machinery, equipment and vehicles	4,378
		Mining rights	19,735
		Subtotal	26,450
Assets related to JPDA06-105 Block (Kitan Oil Field)	Timor Sea Joint Petroleum Development Area (JPDA), the Commonwealth of Australia / the Democratic Republic of Timor-Leste	Wells	2,701
		Machinery, equipment and vehicles	2,517
		Construction in progress	2,184
		Subtotal	7,403
Assets related to the shale gas project in the Horn River area	British Columbia, Canada	Buildings and structures	392
		Wells	2,858
		Machinery, equipment and vehicles	744
		Mining rights	471
		Other	104
		Subtotal	4,570
Assets related to Copa Macoya Block	Bolivarian Republic of Venezuela	Buildings and structures	73
		Wells	945
		Machinery, equipment and vehicles	76
		Construction in progress	2,587
		Other	2
		Subtotal	3,685
Assets related to Abu Al Bukhoosh Block	UAE	Buildings and structures	75
		Wells	1,201
		Machinery, equipment and vehicles	1,294
		Construction in progress	576
		Other	42
		Subtotal	3,191
Other			583
Total			45,884

The recoverable amount of the assets related to Keathley Canyon Blocks 874/875/918/919 (Lucius Oil Field), the shale gas project in the Horn River area and Abu Al Bukhoosh Block is reasonably estimated by discounting the future cash flows at a rate of 6.5%. The recoverable amount of the assets related to JPDA06-105 Block (Kitan Oil Field) and Copa Macoya Block is estimated at zero.

For the year ended March 31, 2017

Use	Location	Classification	Impairment loss (Millions of yen)
Assets related to the shale gas project in the Horn River area	British Columbia, Canada	Buildings and structures	225
		Wells	1,689
		Machinery, equipment and vehicles	421
		Mining rights	268
		Other	27
		Subtotal	2,630
Assets related to Yabase Oil Field	Akita City, Akita, etc.	Buildings and structures	650
		Wells	11
		Machinery, equipment and vehicles	906
		Land	442
		Other	17
		Subtotal	2,027
Assets related to South Natuna Sea Block B	Republic of Indonesia	Exploration and development rights	1,702
Other			6
Total			6,366

The recoverable amount of the assets related to the shale gas project in the Horn River area is reasonably estimated by discounting the future cash flows at a rate of 8.3%. The recoverable amount of the assets related to South Natuna Sea Block B is estimated at zero. The recoverable assets of the land related to Yabase Oil Field is estimated by the net realized value of the assets (of which based on reasonably adjusted the valuation amount for real estate tax purposes), and the others are estimated at zero.

(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, 2016	For the year ended March 31, 2017
	Millions of yen	Millions of yen
Unrealized holding gain (loss) on securities		
Amount recognized during the period	(15,819)	8,327
Amount of reclassification adjustment	(27,567)	(5,029)
Before income tax effect	(43,387)	3,297
Amount of income tax effect	2,293	(1,775)
Unrealized holding gain (loss) on securities	(41,094)	1,522
Translation adjustments		
Amount recognized during the period	(128,941)	(19,877)
Amount of reclassification adjustment	(137)	9
Translation adjustments	(129,078)	(19,867)
Share of other comprehensive income of affiliates accounted for by the equity method		
Amount recognized during the period	8,667	(2,837)
Amount of reclassification adjustment	(153)	(553)
Adjustment for acquisition cost of assets	20,796	9,510
Share of other comprehensive income of affiliates accounted for by the equity method	29,310	6,119
Total other comprehensive income	(140,862)	(12,225)

(Consolidated Statement of Changes in Net Assets)
For the year ended March 31, 2016

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

	Balance as of April 1, 2015	Increase	Decrease	Balance as of March 31, 2016
Number of shares				
Common stock	1,462,323,600	—	—	1,462,323,600
Class A stock	1	—	—	1
Total	1,462,323,601	—	—	1,462,323,601
Treasury stock				
Common stock	1,966,400	—	—	1,966,400
Total	1,966,400	—	—	1,966,400

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 24, 2015	Common stock	13,143	9	March 31, 2015	June 25, 2015
	Class A stock	0	3,600	March 31, 2015	June 25, 2015
Board of directors' meeting November 10, 2015	Common stock	13,143	9	September 30, 2015	December 1, 2015
	Class A stock	0	3,600	September 30, 2015	December 1, 2015

(2) Dividends, whose record date was in the year ended March 31, 2016, 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 28, 2016	Common stock	Retained earnings	13,143	9	March 31, 2016	June 29, 2016
	Class A stock	Retained earnings	0	3,600	March 31, 2016	June 29, 2016

For the year ended March 31, 2017

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

	Balance as of April 1, 2016	Increase	Decrease	Balance as of March 31, 2017
Number of shares				
Common stock	1,462,323,600	−	−	1,462,323,600
Class A stock	1	−	−	1
Total	1,462,323,601	−	−	1,462,323,601
Treasury stock				
Common stock	1,966,400	100	−	1,966,500
Total	1,966,400	100	−	1,966,500

(Note):The increase of 100 shares in treasury stock of common stock was due to purchase of less-than-one -voting-unit shares.

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 28, 2016	Common stock	13,143	9	March 31, 2016	June 29, 2016
	Class A stock	0	3,600	March 31, 2016	June 29, 2016
Board of directors' meeting November 11, 2016	Common stock	13,143	9	September 30, 2016	December 1, 2016
	Class A stock	0	3,600	September 30, 2016	December 1, 2016

(2) Dividends, whose record date was in the year ended March 31, 2017, 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 27, 2017	Common stock	Retained earnings	13,143	9	March 31, 2017	June 28, 2017
	Class A stock	Retained earnings	0	3,600	March 31, 2017	June 28, 2017

(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, 2016	For the year ended March 31, 2017
	Millions of yen	Millions of yen
Cash and deposits	772,528	652,614
Time deposits for more than three months and others	(718,715)	(335,823)
Cash and cash equivalents	53,813	316,790

(Segment Information and Others)

(Segment information)

1. Overview of reportable segments

The reportable segments for the Group's oil and natural gas development activities are composed of individual mining area and others for which separate financial information is available in order for the Board of Directors to make Group management decisions.

Since the Group operates oil and natural gas businesses globally, the Group's reportable segments are the mining areas and others by geographical region, categorized in "Japan", "Asia & Oceania" (mainly Indonesia, Australia and East Timor), "Eurasia (Europe & NIS)" (mainly Azerbaijan), "Middle East & Africa" (mainly UAE) and "Americas."

The Company produces oil and natural gas in each segment. In addition, the Company conducts marketing activities for petroleum products and others in "Japan" segment.

2. Basis of measurement of sales and income (loss), assets, and other items by reportable segment

Accounting policies for the reportable segments are substantially the same as those described in "Basis of Presenting Consolidated Financial Statements."

As described in "Changes in accounting policies", The Company reviewed the period of economic estimated use of structures (pipelines) considering the progress of initiatives on strengthening our gas supply chain defined in the "Medium- to Long-Term Vision", actual use records and others since the Toyama Line commences operation this fiscal year. It was confirmed that they could be used longer than their conventional useful lives, which had been based on the method prescribed in the Corporation Tax Act, and the Company has changed their useful lives from the year ended March 31, 2017.

As a result, compared with the conventional method, "Japan" segment income for the year ended march 31, 2017 increased by ¥7,171 million.

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

For the year ended March 31, 2016 (April 1, 2015 through March 31, 2016)

(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	109,601	302,871	66,851	516,513	13,726	1,009,564	—	1,009,564
(2) Intercompany sales and transfers between segments	—	—	—	—	—	—	—	—
Total	109,601	302,871	66,851	516,513	13,726	1,009,564	—	1,009,564
Segment income (loss)	12,096	97,204	13,831	290,865	(14,001)	399,996	(9,856)	390,139
Segment assets	338,026	1,729,119	576,842	412,576	165,633	3,222,199	1,147,642	4,369,841
Other items								
Depreciation and amortization	20,642	23,170	10,142	14,755	16,439	85,151	1,639	86,791
Amortization of goodwill	—	—	—	—	(192)	(192)	6,952	6,760
Investment to affiliates accounted for by the equity method	1,683	73,327	—	35,535	—	110,546	—	110,546
Increase of tangible fixed assets and intangible assets	59,368	308,433	24,156	210,659	4,798	607,415	1,651	609,067

Note: 1. (1) Adjustments of segment income of ¥(9,856) million include elimination of inter-segment transactions of ¥202 million and corporate expenses of ¥(10,059) million. Corporate expenses are mainly amortization of goodwill and general administrative expenses that are not allocated to a reportable segment.

(2) Adjustments of segment assets of ¥1,147,642 million include elimination of inter-segment transactions of ¥(1,971) million and corporate assets of ¥1,149,614 million. Corporate assets are mainly goodwill, cash and deposits, investment securities and assets concerned with the administrative divisions that are not allocated to a reportable segment.

(3) Adjustments of depreciation and amortization of ¥1,639 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 ¥1,651 million consist mainly of capital expenditure to corporate assets.

2. Segment income is reconciled with operating income on the consolidated statement of income.

For the year ended March 31, 2017 (April 1, 2016 through March 31, 2017)

(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	102,659	218,099	60,191	482,182	11,290	874,423	—	874,423
(2) Intercompany sales and transfers between segments	—	—	—	—	—	—	—	—
Total	102,659	218,099	60,191	482,182	11,290	874,423	—	874,423
Segment income (loss)	18,033	51,565	12,112	276,870	(9,360)	349,221	(12,769)	336,452
Segment assets	320,852	1,997,494	600,854	446,791	137,119	3,503,111	809,062	4,312,174
Other items								
Depreciation and amortization	16,991	21,622	10,327	29,297	11,405	89,645	1,513	91,159
Amortization of goodwill	—	—	—	—	(192)	(192)	6,952	6,760
Investment to affiliates accounted for by the equity method	1,965	116,619	252	34,772	—	153,611	280	153,892
Increase of tangible fixed assets and intangible assets	15,082	197,957	19,870	42,967	3,329	279,207	573	279,780

Note: 1. (1) Adjustments of segment income of ¥(12,769) million include elimination of inter-segment transactions of ¥13 million and corporate expenses of ¥(12,782) million. Corporate expenses are mainly amortization of goodwill and general administrative expenses that are not allocated to a reportable segment.

(2) Adjustments of segment assets of ¥809,062 million include elimination of inter-segment transactions of ¥(2) million and corporate assets of ¥809,064 million. Corporate assets are mainly goodwill, cash and deposits, investment securities and assets concerned with the administrative divisions that are not allocated to a reportable segment.

(3) Adjustments of depreciation and amortization of ¥1,513 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 investment to affiliates accounted for by the equity method of ¥280 million consist of investment to affiliates accounted for by the equity method not attributable to a reportable segment.

(6) Adjustments of increase of tangible fixed assets and intangible assets of ¥573 million consist mainly of capital expenditure to corporate assets.

2. Segment income is reconciled with operating income on the consolidated statement of income.

(Relative information)

For the year ended March 31, 2016 (April 1, 2015 through March 31, 2016)

1. Products and service information

(Millions of yen)

	Crude oil	Natural gas (excluding LPG)	LPG	Other	Total
Sales to third parties	679,241	306,205	10,555	13,561	1,009,564

2. Geographical information

(1) Sales

(Millions of yen)

Japan	Asia & Oceania (excluding Singapore)	Singapore	Other	Total
491,204	279,531	98,862	139,965	1,009,564

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
291,248	1,209,074	252,291	1,752,614

3. Information by major customer

None

For the year ended March 31, 2017 (April 1, 2016 through March 31, 2017)

1. Products and service information

(Millions of yen)

	Crude oil	Natural gas (excluding LPG)	LPG	Other	Total
Sales to third parties	617,194	235,793	6,781	14,653	874,423

2. Geographical information

(1) Sales

(Millions of yen)

Japan	Asia & Oceania (excluding Singapore)	Singapore	Other	Total
409,945	296,733	91,226	76,518	874,423

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
282,442	1,390,187	255,968	1,928,597

3. Information by major customer

None

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

For the year ended March 31, 2016 (April 1, 2015 through March 31, 2016)

(Millions of yen)

	Reportable segments						Eliminations and other	Total
	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Total		
Impairment loss	—	7,403	—	3,191	35,289	45,884	—	45,884

For the year ended March 31, 2017 (April 1, 2016 through March 31, 2017)

(Millions of yen)

	Reportable segments						Eliminations and other	Total
	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Total		
Impairment loss	2,033	1,702	—	—	2,630	6,366	—	6,366

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

For the year ended March 31, 2016 (April 1, 2015 through March 31, 2016)

(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, 2016	—	—	—	—	(1,970)	(1,970)	69,529	67,558

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, 2017 (April 1, 2016 through March 31, 2017)

(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, 2017	—	—	—	—	(1,778)	(1,778)	62,576	60,798

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

(1) Policy regarding financial instruments

The Company raises funds for oil and gas development and production, construction or expansion of gas infrastructure primarily from cash flow on hand and from bank loans. Oil and gas development projects are primarily funded from long-term loans that the Company has secured from the Japan Bank 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 gas infrastructure. The Company generally borrows with variable interest rates, while some loans are with a fixed interest rate depending on the nature of each project. Regarding the financing policy, the Company manages funds mainly from deposits and government bonds, which are considered to be of low-risk and high-liquidity. The Company limits the use of derivative transactions for managing risks of forecasted transactions and portfolio assets, and does not engage in speculative derivative transactions.

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

(Credit risks related to trade receivables)

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

(Market price fluctuation risk related to securities)

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

(Interest rate fluctuation risk related to short-term loans and long-term debt)

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

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

As most of the Company's business is conducted overseas, the Company is exposed to exchange rate fluctuation risk due to a large portion of monetary assets and liabilities held in foreign currencies such as cash and deposits, accounts receivables and loans required in overseas projects. As a result of fiscal year-end conversion, yen appreciation causes a foreign exchange loss on assets and foreign exchange gain on liabilities while yen depreciation causes foreign exchange loss on assets and foreign exchange gain on liabilities. For this reason, the Company endeavors to reduce exchange rate fluctuation risk by maintaining the position between assets and liabilities in foreign currencies. In addition to planned expenditures in foreign currencies 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 internal rules. For derivative transactions exposed to market price fluctuation, market values of these derivatives are regularly reported to the Executive Committee, and the Company only transacts with financial institutions with high credit ratings to reduce counterparty risks for the use of derivatives.

(Management of the liquidity risk related to financing)

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

(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, 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, 2016 (Millions of yen)

	Carrying value	Fair value	Difference
(1) Cash and deposits	772,528	777,134	4,606
(2) Accounts receivable-trade	56,462	56,462	—
(3) Investment securities	61,423	61,423	—
Total assets	890,413	895,020	4,606
(1) Short-term loans	68,468	68,361	(107)
(2) Long-term debt	673,098	663,984	(9,113)
Total liabilities	741,567	732,346	(9,221)
Derivatives (*)	(270)	(270)	—

(*) 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, 2017 (Millions of yen)

	Carrying value	Fair value	Difference
(1) Cash and deposits	652,614	652,696	81
(2) Accounts receivable-trade	72,364	72,364	—
(3) Marketable securities and Investment securities	58,801	58,801	—
Total assets	783,780	783,861	81
(1) Short-term loans	44,252	43,967	(285)
(2) Long-term debt	643,432	635,082	(8,349)
Total liabilities	687,684	679,049	(8,635)
Derivatives (*)	43	43	—

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

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

Assets

(1) Cash and deposits

The fair value of current portion of long-term time deposits included in cash and 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. 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 its 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.

Liabilities

(1) Short-term loans

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

(2) Long-term debt

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

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, 2016	As of March 31, 2017
Unlisted securities	32,239	29,260
Stocks of subsidiaries and affiliates	120,068	163,526

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

Note 3: Redemption schedules for monetary assets and securities with maturity dates subsequent to the fiscal closing dates are as follows

As of March 31, 2016 (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	772,528	—	—	—
Accounts receivable-trade	56,462	—	—	—
Investment securities				
Other securities:				
Public bonds	—	—	—	—
Corporate bonds	—	5,500	—	—
Other bonds	—	—	—	—
Other	—	—	—	—
Long-term time deposits	—	202,842	—	—
Total	828,990	208,342	—	—

As of March 31, 2017 (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	652,614	—	—	—
Accounts receivable-trade	72,364	—	—	—
Marketable securities				
Other securities:				
Public bonds	—	—	—	—
Corporate bonds	5,500	—	—	—
Other bonds	—	—	—	—
Other	—	—	—	—
Total	730,479	—	—	—

Note 4: Maturities for long-term loans payable, leased liabilities and other interest-bearing debt subsequent to the fiscal closing dates are as follows

As of March 31, 2016 (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	5,181	—	—	—
Long-term debt	63,287	329,726	252,262	91,109
Lease obligations	55	105	1	—
Total	68,524	329,831	252,263	91,109

As of March 31, 2017 (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	4,947	—	—	—
Long-term debt	39,304	353,524	199,194	90,713
Lease obligations	64	112	0	—
Total	44,317	353,636	199,194	90,713

(Securities)

1. Other securities

As of March 31, 2016 (Millions of yen)

Type of securities	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities with carrying values exceeding their acquisition costs			
(1) Stock	14,582	22,888	8,306
(2) Bonds			
Public bonds	―	―	―
Corporate bonds	5,500	5,508	8
Other	―	―	―
(3) Other	2,461	4,970	2,509
Subtotal	22,543	33,368	10,824
Securities with acquisition costs exceeding their carrying values			
(1) Stock	33,676	28,054	(5,621)
(2) Bonds			
Public bonds	―	―	―
Corporate bonds	―	―	―
Other	―	―	―
(3) Other	―	―	―
Subtotal	33,676	28,054	(5,621)
Total	56,220	61,423	5,202

As of March 31, 2017 (Millions of yen)

Type of securities	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities with carrying values exceeding their acquisition costs			
(1) Stock	33,904	40,368	6,464
(2) Bonds			
Public bonds	―	―	―
Corporate bonds	5,500	5,503	3
Other	―	―	―
(3) Other	2,178	4,963	2,784
Subtotal	41,583	50,835	9,252
Securities with acquisition costs exceeding their carrying values			
(1) Stock	8,717	7,965	(751)
(2) Bonds			
Public bonds	―	―	―
Corporate bonds	―	―	―
Other	―	―	―
(3) Other	―	―	―
Subtotal	8,717	7,965	(751)
Total	50,300	58,801	8,500

2. Other securities sold for the fiscal years

For the year ended March 31, 2016 (Millions of yen)

Type of securities	Proceeds from sales	Gain on sales	Loss on sales
(1) Stock	—	—	—
(2) Bonds			
Public bonds	31,205	59	—
Corporate bonds	30,906	8	2
Other	—	—	—
(3) Other	102,666	31,632	—
Total	164,777	31,700	2

For the year ended March 31, 2017 (Millions of yen)

Type of securities	Proceeds from sales	Gain on sales	Loss on sales
(1) Stock	10,600	4,999	—
(2) Bonds			
Public bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
(3) Other	—	—	—
Total	10,600	4,999	—

(Derivative Transactions)

1. Derivatives not subject to hedge accounting

(1) Derivatives related to foreign currency

As of March 31, 2016 (Millions of yen)

	Type of derivatives	Contract amounts	Due after one year	Fair value	Valuation gain (loss)
Over-the-counter transactions	Foreign exchange forwards Sell CAD Buy USD	37,451	－	(270)	(270)

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

As of March 31, 2017 (Millions of yen)

	Type of derivatives	Contract amounts	Due after one year	Fair value	Valuation gain (loss)
Over-the-counter transactions	Foreign exchange forwards Sell CAD Buy USD	39,981	－	43	43

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

2. Derivatives subject to hedge accounting

(1) Derivatives related to interest rate

As of March 31, 2016 (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 estimated fair value of the long-term debt since the interest rate swap is treated together with long-term debt subject to hedging.

As of March 31, 2017 (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 estimated fair value of the long-term debt since the interest rate swap is treated together with long-term debt subject to hedging.

(Per Share Information)

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

	For the year ended March 31, 2016	For the year ended March 31, 2017
(1) Net assets excluding non-controlling interests per share	¥ 2,008.34	¥ 2,015.38

	For the year ended March 31, 2016	For the year ended March 31, 2017
(2) Net income per share	¥ 11.49	¥ 31.61
(Calculation basis)		
Net income attributable to owners of parent (Millions of yen)	16,777	46,168
Amount not attributable to common shareholders (Millions of yen)	0	0
(of which Net income attributable to owners of parent related to Class A stock)	(0)	(0)
Net income attributable to owners of parent related to common shareholders (Millions of yen)	16,777	46,168
Average number of common stock (shares)	1,460,357,200	1,460,357,146

(Note): 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 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.

6. Non-Consolidated Financial Statements

(1) Non-Consolidated Balance Sheet

(Millions of yen)

Accounts	As of March 31, 2016	As of March 31, 2017
(Assets)		
Current assets		
Cash and deposits	753,729	617,554
Accounts receivable-trade	16,962	22,403
Marketable securities	–	5,503
Finished goods	2,588	2,233
Work in process and partly-finished construction	377	58
Raw materials and supplies	12,833	9,701
Advance payments-trade	108	72
Prepaid expenses	2,796	401
Short-term loans receivable from subsidiaries and affiliates	195,708	420,507
Deferred tax assets	295	5,758
Recoverable accounts under production sharing	–	47,263
Other	46,415	37,249
Allowance for doubtful accounts	(10,191)	(23,547)
Allowance for investments in exploration	(14,961)	(11,158)
Allowance for recoverable accounts under production sharing	–	(3,701)
Total current assets	1,006,661	1,130,302
Fixed assets		
Tangible fixed assets		
Buildings, net	15,564	17,119
Structures, net	100,628	176,747
Wells, net	581	1,218
Machinery and equipment, net	60,511	65,711
Vehicles, net	31	16
Tools, furniture and fixtures, net	3,029	2,263
Land	17,467	16,984
Leased assets, net	111	120
Construction in progress	94,887	3,047
Total tangible fixed assets	292,813	283,229
Intangible assets		
Goodwill	69,529	62,576
Mining right	2	2
Software	2,428	2,080
Other	4,270	3,982
Total intangible assets	76,230	68,642

(Millions of yen)

Accounts	As of March 31, 2016	As of March 31, 2017
Investments and other assets		
Investment securities	78,118	68,964
Investments in stock of subsidiaries and affiliates	1,493,189	1,491,638
Long-term loans receivable from employees	21	10
Long-term loans receivable from subsidiaries and affiliates	222,426	210,091
Long-term prepaid expenses	131	50
Long-term time deposits	202,842	—
Recoverable accounts under production sharing	95,827	—
Other	8,187	7,386
Allowance for doubtful accounts	(11,298)	(17,490)
Allowance for recoverable accounts under production sharing	(5,027)	—
Allowance for investments in exploration	(131,204)	(105,122)
Total investments and other assets	1,953,214	1,655,530
Total fixed assets	2,322,258	2,007,401
Total assets	3,328,919	3,137,704
(Liabilities)		
Current liabilities		
Accounts payable-trade	2,543	2,956
Current portion of long-term debt	9,096	10,176
Lease obligations	44	53
Accounts payable-other	11,457	13,867
Accrued expenses	3,398	2,781
Income taxes payable	8,529	9,902
Advances received	2,396	44
Deposits payable	308	270
Deposits received from subsidiaries and affiliates	593,474	337,339
Accrued bonuses to officers	55	62
Provision for loss on business	—	2,920
Asset retirement obligations	158	163
Other	406	129
Total current liabilities	631,868	380,666

(Millions of yen)

Accounts	As of March 31, 2016	As of March 31, 2017
Long-term liabilities		
Long-term debt	332,921	333,708
Lease obligations	76	86
Deferred tax liabilities	2,877	2,919
Accrued retirement benefits to employees	7,043	5,506
Provision for loss on business	4,737	—
Provision for loss on business of subsidiaries and affiliates	6,196	7,568
Asset retirement obligations	2,950	2,985
Other	327	187
Total long-term liabilities	357,130	352,961
Total liabilities	988,999	733,627
(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	225	2,108
Reserve for special depreciation	7,480	4,536
Reserve for overseas investment loss	35,226	—
Mine prospecting reserve	20,448	10,035
Retained earnings brought forward	962,221	1,071,554
Total retained earnings	1,025,601	1,088,235
Treasury stock	(5,248)	(5,248)
Total shareholders' equity	2,334,965	2,397,599
Valuation, translation adjustments and others		
Unrealized holding gain on securities	4,954	6,476
Total valuation, translation adjustments and others	4,954	6,476
Total net assets	2,339,920	2,404,076
Total liabilities and net assets	3,328,919	3,137,704

(2) Non-Consolidated Statement of Income

(Millions of yen)

Accounts	For the year ended March 31, 2016	For the year ended March 31, 2017
Net sales	324,969	258,160
Cost of sales	190,103	148,521
Gross profit	134,866	109,639
Exploration expenses	3,059	3,879
Selling, general and administrative expenses	46,412	40,967
Operating income	85,394	64,792
Other income		
Interest Income	16,331	20,472
Dividend income	23,690	87,273
Gain on sales of marketable securities	25,986	—
Guarantee commission received	13,106	17,574
Other	8,774	12,715
Total other income	87,889	138,036
Other expenses		
Loss on valuation of shares of subsidiaries and affiliates	44,046	42,246
Provision of allowance for doubtful accounts	16,944	14,546
Provision for allowance for recoverable accounts under production sharing	945	—
Provision of allowance for investment loss in exploration	13,345	4,479
Provision for loss on business of subsidiaries and affiliates	2,939	2,423
Foreign exchange loss	28,300	7,137
Other	10,659	9,677
Total other expenses	117,182	80,511
Ordinary income	56,102	122,317
Extraordinary loss		
Impairment loss	—	2,033
Total extraordinary loss	—	2,033
Income before income taxes	56,102	120,283
Income taxes-current	49,574	38,559
Income taxes-deferred	(1,945)	(7,196)
Total income taxes	47,629	31,362
Net income	8,473	88,920

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

For the year ended March 31, 2016

(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 depreciation	Reserve for overseas investment loss	Mine prospecting reserve
Balance at the beginning of the period	290,809	1,023,802	1,023,802	70	10,942	34,834	14,952
Changes during the period							
Provision of reserve for advanced depreciation of non-current assets				155			
Reversal of reserve for advanced depreciation of non-current assets				―			
Provision of reserve for special depreciation					122		
Reversal of reserve for special depreciation					(3,584)		
Provision of reserve for overseas investment loss						392	
Reversal of reserve for overseas investment loss						―	
Provision of mine prospecting reserve							7,826
Reversal of mine prospecting reserve							(2,331)
Cash dividends paid							
Net income							
Purchase of treasury stock							
Other changes in items other than those in shareholders' equity(net)							
Total changes during the period	―	―	―	155	(3,462)	392	5,495
Balance at the end of the period	290,809	1,023,802	1,023,802	225	7,480	35,226	20,448

	Shareholders' equity				Valuation, translation adjustments and others		Total net assets
	Retained earnings		Treasury stock	Total Shareholders' equity	Unrealized holding gain on securities	Total valuation, translation adjustments and others	
	Other retained earnings	Total retained earnings					
	Retained earnings brought forward						
Balance at the beginning of the period	982,614	1,043,414	(5,248)	2,352,778	45,885	45,885	2,398,664
Changes during the period							
Provision of reserve for advanced depreciation of non-current assets	(155)	–		–			–
Reversal of reserve for advanced depreciation of non-current assets	–	–		–			–
Provision of reserve for special depreciation	(122)	–		–			–
Reversal of reserve for special depreciation	3,584	–		–			–
Provision of reserve for overseas investment loss	(392)	–		–			–
Reversal of reserve for overseas investment loss	–	–		–			–
Provision of mine prospecting reserve	(7,826)	–		–			–
Reversal of mine prospecting reserve	2,331	–		–			–
Cash dividends paid	(26,286)	(26,286)		(26,286)			(26,286)
Net income	8,473	8,473		8,473			8,473
Purchase of treasury stock			–	–			–
Other changes in items other than those in shareholders' equity(net)					(40,931)	(40,931)	(40,931)
Total changes during the period	(20,393)	(17,813)	–	(17,813)	(40,931)	(40,931)	(58,744)
Balance at the end of the period	962,221	1,025,601	(5,248)	2,334,965	4,954	4,954	2,339,920

For the year ended March 31, 2017

(Millions of yen)

	Shareholders' equity						
	Common stock	Capital Surplus		Retained earnings			
		Legal capital surplus	Total capital surplus	Other retained earnings			
				Reserve for advanced depreciation of non-current assets	Reserve for special depreciation	Reserve for overseas investment loss	Mine prospecting reserve
Balance at the beginning of the period	290,809	1,023,802	1,023,802	225	7,480	35,226	20,448
Changes during the period							
Provision of reserve for advanced depreciation of non-current assets				1,937			
Reversal of reserve for advanced depreciation of non-current assets				(54)			
Provision of reserve for special depreciation					—		
Reversal of reserve for special depreciation					(2,943)		
Provision of reserve for overseas investment loss						—	
Reversal of reserve for overseas investment loss						(35,226)	
Provision of mine prospecting reserve							5,322
Reversal of mine prospecting reserve							(15,734)
Cash dividends paid							
Net income							
Purchase of treasury stock							
Other changes in items other than those in shareholders' equity(net)							
Total changes during the period	—	—	—	1,883	(2,943)	(35,226)	(10,412)
Balance at the end of the period	290,809	1,023,802	1,023,802	2,108	4,536	—	10,035

	Shareholders' equity				Valuation, translation adjustments and others		Total net assets
	Retained earnings		Treasury stock	Total Shareholders' equity	Unrealized holding gain on securities	Total valuation, translation adjustments and others	
	Other retained earnings	Total retained earnings					
	Retained earnings brought forward						
Balance at the beginning of the period	962,221	1,025,601	(5,248)	2,334,965	4,954	4,954	2,339,920
Changes during the period							
Provision of reserve for advanced depreciation of non-current assets	(1,937)	―		―			―
Reversal of reserve for advanced depreciation of non-current assets	54	―		―			―
Provision of reserve for special depreciation	―	―		―			―
Reversal of reserve for special depreciation	2,943	―		―			―
Provision of reserve for overseas investment loss	―	―		―			―
Reversal of reserve for overseas investment loss	35,226	―		―			―
Provision of mine prospecting reserve	(5,322)	―		―			―
Reversal of mine prospecting reserve	15,734	―		―			―
Cash dividends paid	(26,286)	(26,286)		(26,286)			(26,286)
Net income	88,920	88,920		88,920			88,920
Purchase of treasury stock			(0)	(0)			(0)
Other changes in items other than those in shareholders' equity(net)					1,522	1,522	1,522
Total changes during the period	109,333	62,634	(0)	62,634	1,522	1,522	64,156
Balance at the end of the period	1,071,554	1,088,235	(5,248)	2,397,599	6,476	6,476	2,404,076

(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

7. 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, 2016	For the year ended March 31, 2017
Japan	Crude oil	1.2 MMbbls (3.2 Mbbls per day)	1.3 MMbbls (3.5 Mbbls per day)
	Natural gas	43.8 Bcf (119.7 MMcf per day)	48.2 Bcf (132.0 MMcf per day)
	Subtotal	9.4 MMboe (25.7 Mboe per day)	10.3 MMboe (28.3 Mboe per day)
	Iodine	514.0 tons	565.2 tons
	Electric power generation	203.6 million kWh	203.2 million kWh
Asia & Oceania	Crude oil	17.6 MMbbls (48.0 Mbbls per day)	13.1 MMbbls (36.0 Mbbls per day)
	Natural gas	265.6 Bcf (725.7 MMcf per day)	244.1 Bcf (668.7 MMcf per day)
	Subtotal	67.6 MMboe (184.6 Mboe per day)	59.2 MMboe (162.3 Mboe per day)
	Electric power generation	—	6.3 million kWh
Eurasia (Europe & NIS)	Crude oil	11.8 MMbbls (32.3 Mbbls per day)	11.6 MMbbls (31.8 Mbbls per day)
	Natural gas	—	1.9 Bcf (5.3 MMcf per day)
	Subtotal	11.8 MMboe (32.3 Mboe per day)	11.9 MMboe (32.7Mboe per day)
Middle East & Africa	Crude oil	90.9 MMbbls (248.4 Mbbls per day)	98.5 MMbbls (269.8 Mbbls per day)
Americas	Crude oil	2.7 MMbbls (7.3 Mbbls per day)	2.7 MMbbls (7.3 Mbbls per day)
	Natural gas	32.0 Bcf (87.5 MMcf per day)	42.6 Bcf (116.7 MMcf per day)
	Subtotal	8.4 MMboe (22.9 Mboe per day)	10.3 MMboe (28.3 Mboe per day)
Total	Crude oil	124.2 MMbbls (339.2 Mbbls per day)	127.1 MMbbls (348.3 Mbbls per day)
	Natural gas	341.4 Bcf (932.9 MMcf per day)	336.8 Bcf (922.7 MMcf per day)
	Subtotal	188.1 MMboe (513.8 Mboe per day)	190.3 MMboe (521.3 Mboe per day)
	Iodine	514.0 tons	565.2 tons
	Electric power generation	203.6 million kWh	209.5 million kWh

Note: 1. The volume of LPG produced overseas is included in 'Crude oil'.

2. A portion of crude oil and natural gas production volume is consumed as fuel to generate electricity.
3. 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.
4. 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 146.1 MMbbls (399.2 Mbbls per day) of crude oil, 432.0 Bcf (1,180.4 MMcf per day) of natural gas, and in total 227.1 MMboe (620.5 Mboe per day) for the year ended March 31, 2016, and 150.5 MMbbls (412.2 Mbbls per day) of crude oil, 422.9 Bcf (1,158.6 MMcf per day) of natural gas, and in total 229.9 MMboe (629.8 Mboe per day) for the year ended March 31, 2017.
5. Boe means barrels of oil equivalent.
6. Iodine is refined by other company on consignment.
7. 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, 2016		For the year ended March 31, 2017	
		Sales volume	Net sales	Sales volume	Net sales
Japan	Crude oil	741 Mbbls	4,505	900 Mbbls	5,148
	Natural gas (excluding LPG)	65,304 MMcf	91,492	71,295 MMcf	82,829
	LPG	7 Mbbls	41	5 Mbbls	27
	Other		13,561		14,653
	Subtotal		109,601		102,659
Asia & Oceania	Crude oil	13,505 Mbbls	82,069	12,246 Mbbls	61,260
	Natural gas (excluding LPG)	238,759 MMcf	210,288	230,183 MMcf	150,084
	LPG	2,354 Mbbls	10,514	1,855 Mbbls	6,753
	Subtotal		302,871		218,099
Eurasia (Europe & NIS)	Crude oil	11,666 Mbbls	66,851	11,336 Mbbls	59,915
	Natural gas (excluding LPG)	−	−	1,947 MMcf	275
	Subtotal		66,851		60,191
Middle East & Africa	Crude oil	89,486 Mbbls	516,513	95,495 Mbbls	482,182
Americas	Crude oil	1,829 Mbbls	9,301	2,230 Mbbls	8,686
	Natural gas (excluding LPG)	33,153 MMcf	4,425	39,569 MMcf	2,603
	Subtotal		13,726		11,290
Total	Crude oil	117,227 Mbbls	679,241	122,207 Mbbls	617,194
	Natural gas (excluding LPG)	337,216 MMcf	306,205	342,994 MMcf	235,793
	LPG	2,361 Mbbls	10,555	1,860 Mbbls	6,781
	Other		13,561		14,653
	Total		1,009,564		874,423

Note: 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.