INPEX

INPEX CORPORATION

Consolidated Financial Results for the year ended December 31, 2019 [Japanese GAAP]

February 12, 2020

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
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Scheduled date of ordinary general meeting of shareholders : March 25, 2020
Scheduled date of filing Financial Report : March 26, 2020
Scheduled date of payment of cash dividends : March 26, 2020
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 December 31, 2019 (April 1, 2019 - December 31, 2019)

(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	%
December 31, 2019	1,000,005	–	498,641	–	511,088	–	123,550	–
March 31, 2019	971,388	4.0	474,281	32.7	519,278	34.1	96,106	138.1

(Note): Consolidated comprehensive income: for the year ended December 31, 2019, ¥72,892 million; (－%)
for the year ended March 31, 2019, ¥116,061 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	%	%	%
December 31, 2019	84.61	–	4.1	10.6	49.9
March 31, 2019	65.81	–	3.2	11.5	48.8

(Reference): Equity in earnings (losses) of affiliates: for the year ended December 31, 2019, ¥23,313 million
for the year ended March 31, 2019, ¥28,363 million

(Note): At the Annual General Meeting of Shareholders held on June 25, 2019, "Partial Amendments to the Articles of Incorporation" were approved, changing the fiscal year-end from March 31 to December 31, effective fiscal 2019. Therefore, the year ended December 31, 2019 is a nine-month transition period. For the year ended December 31, 2019, the consolidated accounting period of the Company and its subsidiaries with provisional settlements of accounts is a nine-month period (April 1 - December 31, 2019), while the subsidiaries with December 31 fiscal year-ends remain unchanged (January 1 - December 31, 2019). Accordingly, the changes from the previous fiscal year (%) are not displayed.
Subsidiaries with December 31 fiscal year-ends which have a relatively large impact on the consolidated financial results formerly implemented provisional settlements of accounts on March 31.
[Reference]
Percentage figures below (percentage changes after adjustments) are based on the comparison between the year ended December 31, 2019 and the corresponding period of the previous fiscal year, which is comprised of the nine-month results (April 1 - December 31, 2018) for the Company and subsidiaries with provisional settlements of accounts, and the twelve-month results (January 1 - December 31, 2018) for subsidiaries with December 31 fiscal year-ends.

(Millions of yen)

Net Sales		Operating income		Ordinary income		Net income attributable to owners of parent	
1,000,005	25.0%	498,641	20.5%	511,088	14.7%	123,550	136.1%

(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 December 31, 2019	4,849,995	3,297,176	62.7	2,082.43
As of March 31, 2019	4,793,545	3,257,584	62.7	2,058.95

(Reference): Net assets excluding non-controlling interests: as of December 31, 2019, ¥ 3,040,775 million
as of March 31, 2019, ¥ 3,006,480 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
December 31, 2019	274,730	(288,740)	(48,615)	173,774
March 31, 2019	238,566	(682,005)	405,184	239,652

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, 2019	–	9.00	–	15.00	24.00	35,048	36.5	1.2
December 31, 2019	–	12.00	–	18.00	30.00	43,810	35.5	1.4
For the year ending December 31, 2020 (forecast)	–	18.00	–	18.00	36.00		36.3	

(Note): 1. Breakdown of year-end dividend for the year ended March 31, 2019: Ordinary dividend of 9.00 yen Commemorative dividend of 6.00 yen
2. "Dividends" as stated above refer to common stock. For information regarding Class A stock (not listed), please refer to Exhibit "Dividends of Class A stock".

3. Forecasted Consolidated Operating Results for the year ending December 31, 2020 (January 1, 2020 - December 31, 2020)

(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 June 30, 2020	606,000	–	257,000	–	272,000	–	70,000	–	47.94
For the year ending December 31, 2020	1,204,000	–	499,000	–	536,000	–	145,000	–	99.30

(Note): Due to the change in the Company's fiscal year-end from March 31 to December 31, the consolidated accounting period of the Company and its subsidiaries with provisional settlements of accounts for the fiscal year ended December 2019 is the nine-month period between April 1 and December 31, 2019. Meanwhile, the accounting period (for the same fiscal year) of subsidiaries with a December 31 fiscal year-end is the normal, twelve-month period between January 1 and December 31, 2019. Therefore, percentage changes from the previous fiscal year and a year-on-year quarterly comparison are not provided.

[Reference]

Percentage figures below for the six months ending June 30, 2020 (after adjustment) represent the year-on-year percentage changes between the financial results of the Company, its subsidiaries with provisional settlements of accounts and its subsidiaries with a December 31 fiscal year-end for the period between January 1 and June 30, 2019 and the forecasted consolidated financial results (of these entities) for the period between January 1 and June 30, 2020.

Percentage figures below for the year ending December 31, 2020 (after adjustment) represent the year-on-year percentage changes between the financial results of the Company, its subsidiaries with provisional settlements of accounts and its subsidiaries with a December 31 fiscal year-end for the period between January 1 and December 31, 2019 and the forecasted consolidated financial results (of these entities) for the period between January 1 and December 31, 2020.

(Millions of yen)

	Net Sales		Operating income		Ordinary income		Net income attributable to owners of parent	
For the six months ending June 30, 2020	606,000	7.6%	257,000	(4.5)%	272,000	0.5%	70,000	(15.1)%
For the year ending December 31, 2020	1,204,000	2.8%	499,000	(10.8)%	536,000	(8.3)%	145,000	(13.3)%

*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 : None
4. Restatement of corrections : None

(3) Number of shares issued (Common stock)

1. Number of shares issued at the end of the period (including treasury stock): 1,462,323,600 shares as of December 31, 2019
   1,462,323,600 shares as of March 31, 2019
2. Number of treasury stock at the end of the period: 2,121,916 shares as of December 31, 2019
   2,123,800 shares as of March 31, 2019
3. Average number of shares: 1,460,200,987 shares for the year ended December 31, 2019
   1,460,260,300 shares for the year ended March 31, 2019

(Note): The shares held by "the Board Incentive Plan Trust" are included in number of treasury stock at the end of the period.
(As of December 31, 2019: 155,416 shares As of March 31, 2019: 157,300 shares)

(Reference) Non-Consolidated Financial Results

1. Financial results for the year ended December 31, 2019 (April 1, 2019 - December 31, 2019)

(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	%
December 31, 2019	107,183	–	4,616	–	19,664	–	13,465	–
March 31, 2019	136,137	(41.7)	12,821	(72.4)	39,457	30.9	32,214	–

	Net income per share—basic	Net income per share—diluted
For the year ended	Yen	Yen
December 31, 2019	9.22	–
March 31, 2019	22.06	–

(Note): The company changed its fiscal year-end from March 31 to December 31, effective fiscal 2019. Therefore, the changes from the previous fiscal year (%) are not displayed.

[Reference]

Percentage figures below (percentage changes after adjustments) are based on the comparison between the year ended December 31, 2019 and the corresponding period of the previous fiscal year, which is comprised of the nine-month results (April 1 - December 31, 2018).

(Millions of yen)

Net Sales		Operating income		Ordinary income		Net income	
107,183	14.7%	4,616	(34.9)%	19,664	22.4%	13,465	73.5%

(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 December 31, 2019	3,152,926	2,358,149	74.8	1,614.95
As of March 31, 2019	3,165,750	2,381,619	75.2	1,631.02

(Reference): Net assets: as of December 31, 2019, ¥ 2,358,149 million
as of March 31, 2019, ¥ 2,381,619 million

*This financial report is not subject to audit by certified public accountants or audit firms.

*Explanation regarding the appropriate use of estimated consolidated financial results

The aforementioned forecasts "3. Forecasted Consolidated Operating Results for the year ending December 31, 2020" 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 5.

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, 2019	–	3,600.00	–	6,000.00	9,600.00
December 31, 2019	–	4,800.00	–	7,200.00	12,000.00
For the year ending December 31, 2020 (forecast)	–	7,200.00	–	7,200.00	14,400.00

(Note): 1. Breakdown of year-end dividend for the year ended March 31, 2019: Ordinary dividend of 3,600.00 yen
Commemorative dividend: 2,400.00 yen

2. The Company conducted a stock split at a ratio of 1:400 of common stock effective October 1, 2013. However, for Class A stock (not listed), no stock split was implemented. The article specifying that dividends of Class A stock are equivalent to dividends of common stock prior to the stock split is included in the Articles of Incorporation.

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1. Summary of Operating Results and other

(1) Summary of Consolidated Operating Results

The Company and its subsidiaries unified their fiscal year-ends to December 31, effective fiscal 2019. Accordingly, the Company and its domestic subsidiaries whose former fiscal years ended on March 31 changed their year-ends from March 31 to December 31. Due to this change, the year ended December 31, 2019 is a nine-month transition period.

For the year ended December 31, 2019, the consolidated accounting period of the Company and its subsidiaries with provisional settlements of accounts is a nine-month period (April 1 - December 31, 2019), while the subsidiaries with December 31 fiscal year-ends remain unchanged (January 1 - December 31, 2019). Subsidiaries with December 31 fiscal year-ends which have a relatively large impact on the consolidated financial results formerly implemented provisional settlements of accounts on March 31.

Changes displayed hereinafter are based on the comparison to the corresponding period of the previous fiscal year, which is comprised of the nine-month results (April 1 - December 31, 2018) for the Company and subsidiaries with provisional settlements of accounts, and the twelve-month results (January 1 - December 31, 2018) for subsidiaries with December 31 fiscal year-ends.

(Millions of yen)

	Corresponding Period of the Previous Fiscal Year	For the year ended December 31, 2019	Change	% Change	For the year ended March 31, 2019
Net sales	800,191	1,000,005	199,814	25.0	971,388
Operating income	413,668	498,641	84,972	20.5	474,281
Ordinary income	445,679	511,088	65,409	14.7	519,278
Net income attributable to owners of parent	52,340	123,550	71,210	136.1	96,106

In the fiscal year ended December 31, 2019, there was growing concern of a global economic slowdown due to prolonged U.S.-China trade disputes and a slowdown in the Chinese economy. Although the Japanese economy showed signs of gradual recovery, including growth in consumer spending as well as improved corporate earnings and employment, uncertainty about the future grew as a result of a prolonged weakness in exports and capital investment.

Of the international crude oil price indices, which significantly influence the financial performance of the INPEX Group, Brent crude (on a near-term closing price basis), considered a benchmark index for crude oil, started the fiscal year at US$69.01 per barrel. Although Brent temporarily rose to US$74.57 in late April following tightened US sanctions on Iran and other factors, the oil price dipped again due to concerns of a slowdown in the global economy owing to prolonged U.S.-China trade disputes and an increase in US oil inventories, falling to as low as US$56.23 in early August. The price then surged at about that time on the back of mounting tensions in the Middle East caused by an assault on a Japanese oil tanker in the Strait of Hormuz as well as an attack on a Saudi Arabian oil facility that led to a temporary halt in production. However, as views spread that production could resume sooner than market expectations, Brent quickly returned to a downward trajectory. By the end of the year, expectations for progress in the U.S.-China trade talks and a decision by OPEC and non-OPEC countries to jointly expand production cuts led to a slight increase in the price, which ended the year at US$66.00 per barrel.

In Japan, prices of crude oil and petroleum products correlated with the fluctuations in international crude oil prices. The INPEX Group's average crude oil sales price for the fiscal year ended December 31, 2019 reflected this shift and fell to US$65.61 per barrel, down US$5.95 from the corresponding period of the previous fiscal year.

The foreign exchange market, another important factor that affects the business of our Group, began to trade at ¥111 level against the U.S. dollar. On April, Japanese Yen climbed to ¥112 level against the U.S. dollar due to the expectation of progress on US-China trade deal, followingly strong outcome on Current Employment Statistics (CES) of US and China Trade statistics.

However, the yen appreciated to ¥105 level against the U.S. dollar due to increasing uncertainty after additional tariffs from US to China, followingly rate cuts by FOMC on July, September and October.

Despite intensifying situation of Hong Kong protests, Japanese Yen rebounded to ¥109 level against the U.S. dollar with decreasing uncertainty of global economic outlook after withdrawal of additional tariffs from US to China on October.

Finally, at the end of this period, TTM closed at ¥109.55 against the U.S. dollar which turned out to be ¥1.46 higher than that of the fiscal year end of March 31, 2019.

Reflecting these situations, the average sales exchange rate for our Group for this fiscal year was ¥108.84 against the U.S. dollar, which is ¥1.88 higher than that of the corresponding period of the previous fiscal year.

Consolidated net sales for the year ended December 31, 2019 increased by ¥199.8 billion, or 25.0%, to ¥1,000.0 billion from the corresponding period of the previous fiscal year due to an increase in sales volume, despite a decrease in crude oil price.
Net sales of crude oil increased by ¥88.8 billion, or 13.2%, to ¥764.0 billion, and net sales of natural gas increased by ¥110.3 billion, or 97.8%, to ¥223.0 billion.
Sales volume of crude oil increased by 21,812 thousand barrels, or 25.6%, to 106,950 thousand barrels. Sales volume of natural gas increased by 187,257 million cf, or 118.6%, to 345,182 million cf. Sales volume of overseas natural gas increased by 188,112 million cf, or 186.6%, to 288,940 million cf, and sales volume of domestic natural gas decreased by 23 million ㎥, or 1.5%, to 1,507 million ㎥ (56,242 million cf).
The average sales price of overseas crude oil decreased by US$5.95, or 8.3%, to US$65.61 per barrel. Meanwhile, the average sales price of overseas natural gas increased by US$1.51, or 51.4%, to US$4.45 per thousand cf. In addition, the average sales price of domestic natural gas increased by ¥1.62, or 3.1%, to ¥53.27 per ㎥. The average exchange rate of the Japanese yen against the U.S. dollar on consolidated net sales appreciated by ¥1.88, or 1.7%, to ¥108.84 per U.S. dollar from the corresponding period of the previous fiscal year.
The increase of ¥199.8 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 ¥233.5 billion to the increase, a decrease in unit sales price pushing sales down of ¥19.5 billion, the appreciation of the Japanese yen against the U.S. dollar pushing sales down of ¥14.8 billion, and an increase in net sales excluding crude oil and natural gas of ¥0.6 billion.
Cost of sales for the year ended December 31, 2019 increased by ¥97.8 billion, or 29.9%, to ¥424.7 billion. Exploration expenses increased by ¥11.9 billion to ¥15.4 billion. Selling, general and administrative expenses increased by ¥5.0 billion, or 9.1%, to ¥61.2 billion. As a result, operating income increased by ¥84.9 billion, or 20.5%, to ¥498.6 billion.
Other income decreased by ¥7.5 billion, or 14.4% to ¥44.7 billion due to the absence of compensation income and others. Other expenses increased by ¥12.0 billion, or 59.2% to ¥32.3 billion due to increases in interest expenses and others. As a result, ordinary income increased by ¥65.4 billion, or 14.7%, to ¥511.0 billion.
Extraordinary loss was impairment loss of ¥0.7 billion. Total amount of current income taxes and deferred income taxes increased by ¥21.9 billion, or 6.0%, to ¥385.7 billion, and net income attributable to non-controlling interests was ¥1.0 billion. As a result of the above effects, net income attributable to owners of parent for the year ended December 31, 2019 increased by ¥71.2 billion, or 136.1%, to ¥123.5 billion.

Financial results by segment are as follows:

(Millions of yen)

Segment	Net sales			Segment income (loss)		
	Corresponding Period of the Previous Fiscal Year	For the year ended December 31, 2019	% Change	Corresponding Period of the Previous Fiscal Year	For the year ended December 31, 2019	% Change
Japan	96,232	97,038	0.8	21,875	13,156	(39.9)
Asia & Oceania	55,145	240,927	336.9	11,544	117,801	920.4
Eurasia (Europe & NIS)	88,439	79,054	(10.6)	25,474	20,806	(18.3)
Middle East & Africa	552,063	569,166	3.1	377,019	364,467	(3.3)
Americas	8,308	13,819	66.3	(7,237)	(6,545)	(9.6)
Total	800,191	1,000,005	25.0	428,677	509,685	18.9
Adjustments	−	−	−	(15,008)	(11,044)	(26.4)
Consolidated	800,191	1,000,005	25.0	413,668	498,641	20.5

1) Japan
Net sales increased by ¥0.8 billion, or 0.8%, to ¥97.0 billion due to an increase in sales price of natural gas. Operating income decreased by ¥8.7 billion, or 39.9%, to ¥13.1 billion due to increases in cost of sales and others.
2) Asia & Oceania
Net sales increased by ¥185.7 billion, or 336.9%, to ¥240.9 billion due to an increase in sales volume. Operating income increased by ¥106.2 billion, or 920.4%, to ¥117.8 billion.
3) Eurasia (Europe & NIS)
Net sales decreased by ¥9.3 billion, or 10.6%, to ¥79.0 billion due to a decrease in sales price of crude oil. Operating income decreased by ¥4.6 billion, or 18.3%, to ¥20.8 billion.
4) Middle East & Africa

Net sales increased by ¥17.1 billion, or 3.1%, to ¥569.1 billion due to an increase in sales volume. Operating income decreased by ¥12.5 billion, or 3.3%, to ¥364.4 billion due to increases in exploration expenses and others.

5) Americas

Net sales increased by ¥5.5 billion, or 66.3%, to ¥13.8 billion due to an increase in sales volume. Operating loss decreased by ¥0.6 billion, or 9.6%, to ¥6.5 billion.

(2) Summary of Consolidated Financial Position

Consolidated total assets as of December 31, 2019 increased by ¥56.4 billion to ¥4,849.9 billion from ¥4,793.5 billion as of March 31, 2019. Current assets decreased by ¥37.9 billion to ¥419.8 billion due to a decrease in cash and deposits and others. Fixed assets increased by ¥94.3 billion to ¥4,430.1 billion due to increases in intangible fixed assets, investments and other assets and others.

Meanwhile, total liabilities increased by ¥16.8 billion to ¥1,552.8 billion from ¥1,535.9 billion as of March 31, 2019. Current liabilities increased by ¥29.4 billion to ¥401.4 billion and long-term liabilities decreased by ¥12.6 billion to ¥1,151.3 billion.

Net assets increased by ¥39.5 billion, to ¥3,297.1 billion. Total shareholders' equity increased by ¥84.9 billion, to ¥2,722.7 billion. Total accumulated other comprehensive income decreased by ¥50.6 billion to ¥317.9 billion and non-controlling interests in net assets increased by ¥5.2 billion to ¥256.4 billion.

(3) Summary of Cash Flows

Due to the change of the fiscal year-end, the year ended December 31, 2019 is a nine-month transition period. Therefore, the change from the previous fiscal year is not displayed. Cash flows for the year ended December 31, 2019 are as follows:

Net cash provided by operating activities is ¥274.7 billion due mainly to income before income taxes and depreciation and amortization (non-cash), despite income taxes paid.

Net cash used in investing activities is ¥288.7 billion due mainly to payments for purchases of tangible fixed assets and long-term loans made.

Net cash used in financing activities is ¥48.6 billion due mainly to cash dividends paid.

After totaling (¥3.2) billion of the effect of exchange rate changes on cash and cash equivalents, the decrease in cash and cash equivalents for the year ended December 31, 2019 amounted to ¥65.8 billion. Cash and cash equivalents as of December 31, 2019 totaled ¥173.7 billion reflecting the above net decrease of ¥65.8 billion, from ¥239.6 billion at the end of the previous fiscal year.

(4) Outlook for the Next Period

(Billions of yen)

	Fiscal Year Ended Dec.2019 (Adjusted actual)	Fiscal Year Ended Dec.2020 (Forecasts)	Adjusted Year-on-Year Increase/Decrease
Net Sales	1,171.2	1,204.0	2.8%
Operating Income	559.2	499.0	(10.8%)
Ordinary Income	584.6	536.0	(8.3%)
Net income attributable to owners of parent	167.3	145.0	(13.3%)

Figures for the Fiscal Year Ended December 2019 (actual figures after adjustment) reflect the adjustment of the financial results of the Company and its subsidiaries with provisional settlements of accounts for the fiscal year ended December 31, 2019 to the 12-month period between January 1, 2019 and December 31, 2019.

As for the company's financial outlook, consolidated net sales are expected to increase 2.8% adjusted year-on-year to ¥1,204.0 billion, and operating income is expected to decrease 10.8% year-on-year to ¥499.0 billion.

Ordinary income is expected to decrease 8.3% year-on-year to ¥536.0 billion, and net income attributable to INPEX CORPORATION is expected to decrease 13.3% year-on-year to ¥145.0 billion.

Net sales are expected to increase adjusted year-on-year due mainly to a continued smooth production operations currently ongoing at the Ichthys LNG Project and an increase in production volume in other existing projects despite an expected drop in crude oil prices. Operating income is expected to fell adjusted year-on-year due mainly to an increase in cost of sales owing to increased sales and an increase in cost in other existing projects. While other income (expenses) is expected to rise adjusted year-on-year due mainly to an increase in equity in earnings of affiliates and others, ordinary income is expected to drop adjusted year-on-year. Net income attributable to INPEX CORPORATION is expected to decrease adjusted year-on-year despite the absence of impairment loss and a decrease in income taxes.

The above estimates are based on a crude oil price assumption of US$60.0 per barrel (Brent) at an exchange rate of ¥110 to the U.S. dollar through the fiscal year ending December 31, 2020.

(5) Dividend policy and dividends for the year ended December 31, 2019 and for the year ending December 31, 2020

Based on the shareholder return policy outlined in the Medium-term Business Plan 2018-2022 announced in May 2018, INPEX CORPORATION (INPEX) will, in principle, seek to maintain stable dividend payouts and enhance shareholder returns in stages during the period covered by the Business Plan in accordance with the improvement in the Company's financial performance, with the payout ratio set at 30% or higher.

In accordance with the policy stated above, INPEX has set the year-end dividend at ¥18 per common stock for the year ended December 31, 2019. Combined with the mid-term dividend of ¥12 per common stock, the planned total dividends for the year ended December 31, 2019 are ¥30 per common stock. INPEX has also set the year-end dividend at ¥7,200 per Class A stock for the year ended December 31, 2019. Combined with the mid-term dividend of ¥4,800 per Class A stock (unlisted), the planned total dividends for the year ended December 31, 2019 are ¥12,000 per Class A stock.

For the year ending December 31, 2020, INPEX expects mid-term and year-end dividends of ¥18 each, bringing the total dividends to ¥36 per common stock. INPEX expects mid-term and year-end dividends of ¥7,200 each, bringing the total dividend to ¥14,400 per Class A stock.

The Group conducted a stock split at a ratio of 1:400 of common stock effective October 1, 2013. However, for Class A stock, no stock split was implemented. The article, which outlines that Class A stock dividends are equivalent to common stock dividends prior to the stock split, is specified in the Articles of Incorporation.

2. 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.

3. Consolidated Financial Statements and Principal Notes

(1) Consolidated Balance Sheet

(Millions of yen)

Accounts	As of March 31, 2019	As of December 31, 2019
(Assets)		
Current assets		
Cash and deposits	※2 239,675	※2 173,798
Accounts receivable-trade	※2 92,217	※2 148,765
Inventories	※2 40,100	※2 38,987
Accounts receivable-other	68,331	47,057
Other	※2 30,644	※2 24,962
Less allowance for doubtful accounts	(13,257)	(13,768)
Total current assets	457,711	419,802
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	187,191	177,320
Wells, net	259,310	261,931
Machinery, equipment and vehicles, net	1,304,356	1,254,865
Land	18,930	18,596
Construction in progress	506,399	552,866
Other, net	2,805	9,790
Total tangible fixed assets	※1,※2 2,278,994	※1,※2 2,275,372
Intangible assets		
Goodwill	47,276	42,206
Exploration and development rights	152,977	155,108
Mining rights	314,759	333,246
Other	5,200	4,770
Total intangible assets	520,213	535,330
Investments and other assets		
Investment securities	※2 419,064	※2 378,527
Long-term loans receivable	※2 592,786	※2 718,976
Recoverable accounts under production sharing	568,059	568,377
Deferred tax assets	13,746	7,471
Other	※2 17,258	※2 16,247
Less allowance for doubtful accounts	(789)	(818)
Less allowance for recoverable accounts under production sharing	(70,017)	(66,897)
Less allowance for investments in exploration	(3,482)	(2,395)
Total investments and other assets	1,536,625	1,619,489
Total fixed assets	4,335,834	4,430,192
Total assets	4,793,545	4,849,995

(Millions of yen)

Accounts	As of March 31, 2019	As of December 31, 2019
(Liabilities)		
Current liabilities		
Accounts payable-trade	32,205	21,798
Short-term loans	127,184	166,831
Income taxes payable	19,281	43,190
Accounts payable-other	113,179	97,241
Accrued bonuses	–	1,334
Accrued bonuses to officers	96	108
Provision for loss on business	9,971	8,635
Provision for exploration projects	7,303	11,808
Asset retirement obligations	3,309	780
Other	59,469	49,754
Total current liabilities	372,000	401,483
Long-term liabilities		
Long-term debt	1,014,013	950,948
Deferred tax liabilities	25,129	44,305
Provision for stocks payment	21	42
Accrued special repair and maintenance	479	537
Liability for retirement benefits	6,265	8,011
Asset retirement obligations	110,107	136,101
Other	7,943	11,388
Total long-term liabilities	1,163,961	1,151,334
Total liabilities	1,535,961	1,552,818
(Net assets)		
Shareholders' equity		
Common stock	290,809	290,809
Capital surplus	673,574	674,374
Retained earnings	1,678,914	1,763,034
Treasury stock	(5,434)	(5,432)
Total shareholders' equity	2,637,863	2,722,786
Accumulated other comprehensive income		
Unrealized holding gain (loss) on securities	2,831	5,570
Unrealized gain (loss) from hedging instruments	6,359	(18,128)
Translation adjustments	359,425	330,546
Total accumulated other comprehensive income	368,616	317,988
Non-controlling interests	251,103	256,400
Total net assets	3,257,584	3,297,176
Total liabilities and net assets	4,793,545	4,849,995

(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, 2019	For the year ended December 31, 2019
Net sales	971,388	1,000,005
Cost of sales	413,300	424,702
Gross profit	558,088	575,303
Exploration expenses	11,679	15,426
Selling, general and administrative expenses	72,127	61,234
Operating income	474,281	498,641
Other income		
Interest income	7,644	2,422
Dividend income	6,760	3,240
Gain on sales of investment securities	–	4,981
Equity in earnings of affiliates	28,363	23,313
Compensation income	7,498	–
Foreign exchange gain	1,941	2,481
Other	18,715	8,330
Total other income	70,924	44,768
Other expenses		
Interest expense	17,333	21,856
Provision for allowance for recoverable accounts under production sharing	1,468	3,115
Provision for exploration projects	203	–
Loss on valuation of investment securities	–	3,497
Other	6,923	3,851
Total other expenses	25,927	32,321
Ordinary income	519,278	511,088
Extraordinary loss		
Impairment loss	※1 25,236	※1 796
Total extraordinary loss	25,236	796
Income before income taxes	494,042	510,292
Income taxes-current	399,919	361,180
Income taxes-deferred	(2,660)	24,545
Total income taxes	397,258	385,725
Net income (loss)	96,783	124,566
Net income (loss) attributable to non-controlling interests	677	1,015
Net income attributable to owners of parent	96,106	123,550

Consolidated Statement of Comprehensive Income

(Millions of yen)

Accounts	For the year ended March 31, 2019	For the year ended December 31, 2019
Net income	96,783	124,566
Other comprehensive income		
Unrealized holding gain (loss) on securities	(7,387)	2,685
Unrealized gain (loss) from hedging instruments	−	(192)
Translation adjustments	46,094	(29,557)
Share of other comprehensive income of affiliates accounted for by the equity method	(19,429)	(24,608)
Total other comprehensive income	19,277	(51,674)
Comprehensive income	116,061	72,892
Total comprehensive income attributable to		
Owners of parent	116,273	72,922
Non-controlling interests	(211)	(30)

(3) Consolidated Statement of Changes in Net Assets

For the year ended March 31, 2019

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholders' equity
Balance at the beginning of the period	290,809	673,574	1,609,094	(5,248)	2,568,230
Changes during the period					
Change in ownership interest of parent arising from transactions with non-controlling shareholders					–
Cash dividends paid			(26,286)		(26,286)
Net income attributable to owners of parent			96,106		96,106
Purchase of treasury stock				(186)	(186)
Disposal of treasury stock					–
Net changes in items other than those in shareholders' equity					
Total changes during the period	–	–	69,820	(186)	69,633
Balance at the end of the period	290,809	673,574	1,678,914	(5,434)	2,637,863

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Unrealized holding gain (loss) on securities	Unrealized gain (loss) from hedging instruments	Translation adjustments	Total accumulated other comprehensive income		
Balance at the beginning of the period	10,217	25,724	312,507	348,449	242,188	3,158,868
Changes during the period						
Change in ownership interest of parent arising from transactions with non-controlling shareholders						–
Cash dividends paid						(26,286)
Net income attributable to owners of parent						96,106
Purchase of treasury stock						(186)
Disposal of treasury stock						–
Net changes in items other than those in shareholders' equity	(7,386)	(19,365)	46,918	20,166	8,914	29,081
Total changes during the period	(7,386)	(19,365)	46,918	20,166	8,914	98,715
Balance at the end of the period	2,831	6,359	359,425	368,616	251,103	3,257,584

For the year ended December 31, 2019

(Millions of yen)

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

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

(4) Consolidated Statement of Cash Flows

(Millions of yen)

Accounts	For the year ended March 31, 2019	For the year ended December 31, 2019
Cash flows from operating activities		
Income before income taxes	494,042	510,292
Depreciation and amortization	106,899	135,629
Impairment loss	25,236	796
Amortization of goodwill	6,760	5,022
Provision for allowance for recoverable accounts under production sharing	1,241	3,163
Provision for exploration projects	3,660	4,573
Other provisions	(5,781)	(446)
Liability for retirement benefits	383	1,780
Interest and dividend income	(14,405)	(5,662)
Interest expense	17,333	21,856
Foreign exchange loss (gain)	(1,047)	(747)
Equity in losses (earnings) of affiliates	(28,363)	(23,313)
Loss (gain) on sales of investment securities	–	(4,981)
Loss (gain) on valuation of investment securities	–	3,497
Recovery of recoverable accounts under production sharing (capital expenditures)	33,127	32,261
Recoverable accounts under production sharing (operating expenditures)	4,639	(5,471)
Accounts receivable-trade	(25,372)	(57,433)
Inventories	(11,359)	(760)
Accounts payable-trade	(13,427)	(10,393)
Accounts receivable-other	(11,666)	22,796
Accounts payable-other	14,408	(14,946)
Advances received	4,443	(14,269)
Other	17,017	16,153
Subtotal	617,768	619,398
Interest and dividends received	21,120	10,361
Interest paid	(12,242)	(17,601)
Income taxes paid	(388,080)	(337,428)
Net cash provided by (used in) operating activities	238,566	274,730

(Millions of yen)

Accounts	For the year ended March 31, 2019	For the year ended December 31, 2019
Cash flows from investing activities		
Payments for time deposits	(249,615)	(23)
Proceeds from time deposits	249,616	22
Payments for purchases of tangible fixed assets	(210,732)	(109,737)
Proceeds from sales of tangible fixed assets	209	249
Payments for purchases of intangible assets	(809)	(1,221)
Payments for purchases of investment securities	(104,766)	(1,032)
Proceeds from sales and redemptions of investment securities	−	3,136
Investment in recoverable accounts under production sharing (capital expenditures)	(31,631)	(36,679)
Decrease (increase) in short-term loans receivable	813	412
Long-term loans made	(262,671)	(113,751)
Collection of long-term loans receivable	264	5,299
Payments for purchases of mining rights	(107,862)	(35,870)
Other	35,179	457
Net cash provided by (used in) investing activities	(682,005)	(288,740)
Cash flows from financing activities		
Increase (decrease) in short-term loans	1,840	−
Proceeds from long-term debt	497,777	79,037
Repayments of long-term debt	(76,185)	(89,842)
Proceeds from non-controlling interests for additional shares	14,118	10,173
Cash dividends paid	(26,290)	(39,432)
Cash dividends paid to non-controlling interests	(5,832)	(6,725)
Other	(242)	(1,827)
Net cash provided by (used in) financing activities	405,184	(48,615)
Effect of exchange rate changes on cash and cash equivalents	1,827	(3,253)
Net increase (decrease) in cash and cash equivalents	(36,427)	(65,878)
Cash and cash equivalents at beginning of the period	276,079	239,652
Cash and cash equivalents at end of the period	※1 239,652	※1 173,774

(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

(Changes in the Presentation)

(Consolidated Statement of Income)

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

As a result, ¥8,357 million which was recorded as "Reversal of allowance for doubtful accounts" in other income on the consolidated statement of income in the previous fiscal year is reclassified as "Other".

(Consolidated Balance Sheet)

*1 Accumulated depreciation of tangible fixed assets

	As of March 31, 2019	As of December 31, 2019
Accumulated depreciation of tangible fixed assets	¥ 854,351 million	¥ 973,135 million

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

Collateralized Assets

	As of March 31, 2019	As of December 31, 2019
	Millions of yen	Millions of yen
Cash and deposits	18,150	31,072
Accounts receivable-trade	9,489	12,344
Inventories	12,957	12,798
Wells	227,482	224,663
Machinery, equipment and vehicles	1,223,590	1,181,680
Land	148	146
Construction in progress	19,530	41,453
Investment securities	252,521	202,344
Long-term loans receivable	586,822	673,576
Other	4,477	7,068
Total	2,355,170	2,387,149

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

3 Contingent liabilities

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

As of March 31, 2019		As of December 31, 2019	
	Millions of yen		Millions of yen
Ichthys LNG Pty Ltd	508,275	Ichthys LNG Pty Ltd	598,676
Tangguh Trustee*1	24,331	Tangguh Trustee*1	29,742
Japan Canada Oil Sands Limited	1,665	Japan Canada Oil Sands Limited	1,643
Oceanic Breeze LNG Transport S.A.	861	Oceanic Breeze LNG Transport S.A.	799
Employees (housing loans)	24	Employees (housing loans)	18
	535,158		630,879

*1 Debt for investment funds of Tangguh LNG project through MI Berau B.V. and MI Berau Japan Ltd.
(The aforementioned Debt includes the amount (¥16,377 million and ¥25,205 million as of March 31 and December 31, 2019, respectively) for the construction of Train-3, based on the Company's participating interest as the guarantor of indebtedness.)

(2) Completion guarantee

The company was released from completion guarantee obligations to lenders in connection with the Ichthys LNG project financing on December 20, 2019.

	As of March 31, 2019	As of December 31, 2019
Completion guarantee (the Company's portion)	¥ 845,999 million	–

(Consolidated Statement of Income)

*1 Impairment loss

For the year ended March 31, 2019

The Company groups mining area and other assets as a basic unit that generates cash inflows independently of other groups of assets. In light of the decline in forecasted production volume and the decline in forecasted natural gas prices in the Americas, the recoverble amount of these groups of assets expected to decrease, the Company reduced the respective carrying amounts of the assets listed below to recoverable amounts, posting the reductions as impairment loss.

Use	Location	Classification	Impairment loss (Millions of yen)
Assets related to Van Gogh Oil Field / Coniston Oil Field	Commonwealth of Australia	Wells	449
		Machinery, equipment and vehicles	6,503
		Construction in progress	3,116
		Other	15
		Subtotal	10,085
Assets related to the shale gas project in Canada	British Columbia, Canada	Buildings and structures	23
		Wells	4,580
		Other	4,999
		Subtotal	9,603
Other			5,547
Total			25,236

The recoverable amount of the assets related to Van Gogh Oil Field and Coniston Oil Field is reasonably estimated by discounting the future cash flows at a rate of 9.1%. The recoverable amount of the assets related to the shale gas project in Canada is estimated at zero.

For the year ended December 31, 2019

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

(Consolidated Statement of Changes in Net Assets)

For the year ended March 31, 2019

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

	Balance as of April 1, 2018	Increase	Decrease	Balance as of March 31, 2019
Number of shares				
Common stock	1,462,323,600	−	−	1,462,323,600
Class A stock	1	−	−	1
Total	1,462,323,601	−	−	1,462,323,601
Treasury stock				
Common stock	1,966,500	157,300	−	2,123,800
Total	1,966,500	157,300	−	2,123,800

(Note): 1. The increase of 157,300 shares in treasury stock of common stock was due to acquisition of the Company's shares by the Board Incentive Plan Trust (the BIP Trust).

2. The number of treasury shares of common stock as of March 31, 2019 includes 157,300 shares of the Company held by the BIP Trust.

2. Share subscription rights

None

3. Dividends

(1) Cash dividends paid

Resolution	Type of share	Cash dividends paid (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary general meeting of shareholders June 26, 2018	Common stock	13,143	9	March 31, 2018	June 27, 2018
	Class A stock	0	3,600	March 31, 2018	June 27, 2018
Board of directors' meeting November 7, 2018	Common stock	13,143	9	September 30, 2018	December 3, 2018
	Class A stock	0	3,600	September 30, 2018	December 3, 2018

(Note): Total dividend as determined by the resolution of Board of Directors' meeting on November 7, 2018 includes ¥1 million of dividends on the Company's shares held by the BIP Trust.

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

Resolution	Type of share	Source of dividends	Cash dividends paid (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary general meeting of shareholders June 25, 2019	Common stock	Retained earnings	21,905	15	March 31, 2019	June 26, 2019
	Class A stock	Retained earnings	0	6,000	March 31, 2019	June 26, 2019

(Note): Total dividend as determined by the resolution of Ordinary general meeting of shareholders on June 25, 2019 includes ¥2 million of dividends on the Company's shares held by the BIP Trust.

For the year ended December 31, 2019

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

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

(Note): 1. The decrease of 1,884 shares in treasury stock of common stock was due to delivery of the Company's shares by the Board Incentive Plan Trust (the BIP Trust).
2. The number of treasury shares of common stock includes shares of the Company held by the BIP Trust (as of April 1, 2019: 157,300 shares and as of December 31, 2019: 155,416 shares).

2. Share subscription rights

None

3. Dividends

(1) Cash dividends paid

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

(Note): 1. Total dividend as determined by the resolution of Ordinary general meeting of shareholders on June 25, 2019 includes ¥2 million of dividends on the Company's shares held by the BIP Trust.
2. Total dividend as determined by the resolution of Board of Directors' meeting on November 6, 2019 includes ¥1 million of dividends on the Company's shares held by the BIP Trust.

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

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

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

(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, 2019	For the year ended December 31, 2019
	Millions of yen	Millions of yen
Cash and deposits	239,675	173,798
Time deposits for more than three months and others	(23)	(23)
Cash and cash equivalents	239,652	173,774

(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 and Kazakhstan), "Middle East & Africa" (mainly UAE) and "Americas."

The Company produces oil and natural gas in each segment. In addition, the Company conducts purchasing and marketing activities for natural gas and 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 the accounting policies adopted for preparing the consolidated financial statements.

Internal sales between segments are based on prices for third-party transactions.

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

For the year ended March 31, 2019 (April 1, 2018 through March 31, 2019)

(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	140,311	91,630	116,718	614,420	8,308	971,388	–	971,388
(2) Intercompany sales and transfers between segments	–	4,810	–	–	–	4,810	(4,810)	–
Total	140,311	96,440	116,718	614,420	8,308	976,199	(4,810)	971,388
Segment income (loss)	29,210	27,336	31,405	412,064	(8,751)	491,264	(16,983)	474,281
Segment assets	291,284	2,971,494	600,987	530,432	42,317	4,436,516	357,029	4,793,545
Other items								
Depreciation and amortization	17,561	34,134	7,092	38,769	7,957	105,515	1,384	106,899
Amortization of goodwill	–	–	–	–	(192)	(192)	6,952	6,760
Investment to affiliates accounted for by the equity method	1,921	301,699	8,117	22,771	–	334,511	1,473	335,984
Increase of tangible fixed assets and intangible assets	3,865	241,755	6,388	61,437	3,476	316,924	777	317,701

Note: 1. (1) Adjustments of segment income of ¥(16,983) million include elimination of inter-segment transactions of ¥13 million and corporate expenses of ¥(16,996) 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 ¥357,029 million include elimination of inter-segment transactions of ¥(1) million and corporate assets of ¥357,030 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 ¥1,384 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 ¥1,473 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 ¥777 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 December 31, 2019 (April 1, 2019 through December 31, 2019)

(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	97,038	240,927	79,054	569,166	13,819	1,000,005	–	1,000,005
(2) Intercompany sales and transfers between segments	–	4,465	–	–	–	4,465	(4,465)	–
Total	97,038	245,392	79,054	569,166	13,819	1,004,470	(4,465)	1,000,005
Segment income (loss)	13,156	117,801	20,806	364,467	(6,545)	509,685	(11,044)	498,641
Segment assets	274,520	3,063,677	596,930	562,032	82,630	4,579,791	270,203	4,849,995
Other items								
Depreciation and amortization	11,685	72,890	5,004	37,410	7,811	134,802	826	135,629
Amortization of goodwill	–	–	–	–	(192)	(192)	5,214	5,022
Investment to affiliates accounted for by the equity method	1,904	257,139	12,440	24,421	–	295,905	1,060	296,965
Increase of tangible fixed assets and intangible assets	2,598	74,784	6,736	52,384	49,110	185,614	997	186,612

Note: 1. (1) Adjustments of segment income of ¥(11,044) million are corporate expenses. 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 ¥270,203 million include elimination of inter-segment transactions of ¥(385) million and corporate assets of ¥270,589 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 ¥826 million consist mainly of depreciation of corporate assets.
(4) Adjustments of amortization of goodwill of ¥5,214 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 ¥1,060 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 ¥997 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, 2019 (April 1, 2018 through March 31, 2019)

1. Products and service information

(Millions of yen)

	Crude oil	Natural gas (excluding LPG)	LPG	Other	Total
Sales to third parties	782,695	169,205	1,504	17,983	971,388

2. Geographical information

(1) Sales

(Millions of yen)

Japan	Asia & Oceania	Other	Total
423,090	378,956	169,342	971,388

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

(2) Tangible fixed assets

(Millions of yen)

Japan	Australia	UAE	Other	Total
245,338	1,774,223	228,920	30,512	2,278,994

3. Information by major customer

(Millions of yen)

Customer	Sales	Relative reportable segment
JXTG Nippon Oil & Energy Corporation	99,554	Middle East & Africa

For the year ended December 31, 2019 (April 1, 2019 through December 31, 2019)

1. Products and service information

(Millions of yen)

	Crude oil	Natural gas (excluding LPG)	LPG	Other	Total
Sales to third parties	764,039	219,970	3,128	12,867	1,000,005

2. Geographical information

(1) Sales

(Millions of yen)

Japan	Asia & Oceania	Other	Total
461,267	408,140	130,597	1,000,005

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

(2) Tangible fixed assets

(Millions of yen)

Japan	Australia	UAE	Other	Total
235,211	1,751,009	247,419	41,732	2,275,372

3. Information by major customer

(Millions of yen)

Customer	Sales	Relative reportable segment
Shell International Eastern Trading Company	124,787	Middle East & Africa
Ichthys LNG Pty Ltd	110,689	Asia & Oceania
JXTG Nippon Oil & Energy Corporation	108,496	Middle East & Africa

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

For the year ended March 31, 2019 (April 1, 2018 through March 31, 2019)

(Millions of yen)

	Reportable segments						Eliminations and other	Total
	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Total		
Impairment loss	5,547	10,085	–	–	9,603	25,236	–	25,236

For the year ended December 31, 2019 (April 1, 2019 through December 31, 2019)

(Millions of yen)

	Reportable segments						Eliminations and other	Total
	Japan	Asia & Oceania	Eurasia (Europe & NIS)	Middle East & Africa	Americas	Total		
Impairment loss	796	–	–	–	–	796	–	796

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

For the year ended March 31, 2019 (April 1, 2018 through March 31, 2019)

(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, 2019	–	–	–	–	(1,393)	(1,393)	48,670	47,276

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 December 31, 2019 (April 1, 2019 through December 31, 2019)

(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 December 31, 2019	–	–	–	–	(1,249)	(1,249)	43,455	42,206

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

(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, 2019	For the year ended December 31, 2019
(1) Net assets excluding non-controlling interests per share	¥ 2,058.95	¥2,082.43

	For the year ended March 31, 2019	For the year ended December 31, 2019
(2) Net income per share	¥ 65.81	¥84.61
(Calculation basis)		
Net income attributable to owners of parent (Millions of yen)	96,106	123,550
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)	96,106	123,550
Average number of common stock (shares)	1,460,260,300	1,460,200,987

(Note): 1. Diluted net income per share is not presented because there are no dilutive potential of shares of common stock.

2. For the purpose of computing net assets excluding non-controlling interests per share, the Company's shares held by the Board Incentive Plan Trust recorded as treasury stock under shareholders' equity are included in the treasury stock to be deducted from the total number of shares issued at the end of the period. Additionally, in computing net income per share, above shares of the Company are included in the treasury stock to be deducted from the average number of shares during the period. The numbers of shares of treasury stock deducted from the total number of shares issued at the end of the period in computing net assets excluding non-controlling interests per share were 157,300 shares and 155,416 shares as of March 31 and December 31, 2019 respectively. The numbers of shares of treasury stock deducted from the average number of shares during the period in computing net income per share were 96,800 shares and 156,113 shares as of March 31 and December 31, 2019 respectively.

(Significant Subsequent Events)

None

4. Non-Consolidated Financial Statements

(1) Non-Consolidated Balance Sheet

(Millions of yen)

Accounts	As of March 31, 2019	As of December 31, 2019
(Assets)		
Current assets		
Cash and deposits	395	436
Accounts receivable-trade	15,588	14,887
Finished goods	2,250	6,112
Work in process and partly-finished construction	299	90
Raw materials and supplies	17,114	11,213
Advance payments-trade	718	650
Prepaid expenses	287	810
Short-term loans receivable from subsidiaries and affiliates	166,198	163,877
Deposit paid in subsidiaries and affiliates	701,826	411,165
Other	19,505	28,031
Allowance for doubtful accounts	(69,710)	(46,041)
Total current assets	854,474	591,233
Fixed assets		
Tangible fixed assets		
Buildings, net	15,134	14,577
Structures, net	160,852	155,414
Wells, net	7	96
Machinery and equipment, net	50,945	47,442
Vehicles, net	15	15
Tools, furniture and fixtures, net	1,042	883
Land	16,715	16,393
Leased assets, net	43	28
Construction in progress	328	804
Total tangible fixed assets	245,085	235,657
Intangible assets		
Goodwill	48,670	43,455
Mining right	2	3
Software	1,128	1,036
Other	3,732	3,571
Total intangible assets	53,533	48,068

(Millions of yen)

Accounts	As of March 31, 2019	As of December 31, 2019
Investments and other assets		
Investment securities	63,906	63,872
Investments in stock of subsidiaries and affiliates	1,909,580	2,186,494
Long-term loans receivable from subsidiaries and affiliates	138,475	129,806
Long-term prepaid expenses	17	63
Deferred tax assets	4,269	−
Other	9,514	8,228
Allowance for doubtful accounts	(614)	(645)
Allowance for investments in exploration	(112,492)	(109,852)
Total investments and other assets	2,012,656	2,277,967
Total fixed assets	2,311,276	2,561,693
Total assets	3,165,750	3,152,926
(Liabilities)		
Current liabilities		
Accounts payable-trade	7,819	4,582
Current portion of long-term debt	87,680	70,088
Lease obligations	18	14
Accounts payable-other	16,582	16,177
Accrued expenses	4,486	5,698
Income taxes payable	1,873	457
Advances received	174	40
Deposits payable	2,103	1,601
Deposits received from subsidiaries and affiliates	3,100	6,967
Accrued bonuses	−	1,151
Accrued bonuses to officers	96	108
Provision for loss on business	9,971	8,635
Asset retirement obligations	78	31
Other	467	986
Total current liabilities	134,454	116,541

(Millions of yen)

Accounts	As of March 31, 2019	As of December 31, 2019
Long-term liabilities		
Long-term debt	596,838	617,142
Lease obligations	26	12
Deferred tax liabilities	1,140	2,882
Accrued retirement benefits to employees	5,563	7,266
Provision for stocks payment	21	42
Provision for loss on business of subsidiaries and affiliates	17,781	16,470
Provision for loss on guarantees of subsidiaries and affiliates	23,657	29,734
Asset retirement obligations	4,450	4,482
Other	195	200
Total long-term liabilities	649,676	678,234
Total liabilities	784,130	794,776
(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	2,105	2,105
Reserve for special depreciation	2,269	1,418
Mine prospecting reserve	9,428	8,057
Retained earnings brought forward	1,055,837	1,032,095
Total retained earnings	1,069,641	1,043,677
Treasury stock	(5,434)	(5,432)
Total shareholders' equity	2,378,819	2,352,857
Valuation, translation adjustments and others		
Unrealized holding gain on securities	2,800	5,484
Unrealized gain (loss) from hedging instruments	−	(192)
Total valuation, translation adjustments and others	2,800	5,292
Total net assets	2,381,619	2,358,149
Total liabilities and net assets	3,165,750	3,152,926

(2) Non-Consolidated Statement of Income

(Millions of yen)

Accounts	For the year ended March 31, 2019	For the year ended December 31, 2019
Net sales	136,137	107,183
Cost of sales	80,684	71,863
Gross profit	55,452	35,320
Exploration expenses	146	1,323
Selling, general and administrative expenses	42,485	29,379
Operating income	12,821	4,616
Other income		
Interest Income	13,668	14,230
Dividend income	37,995	6,904
Gain on sales of stocks of subsidiaries and affiliates	–	–
Guarantee commission received	19,408	13,529
Foreign exchange gain	924	1,818
Other	2,065	2,084
Total other income	74,062	43,019
Other expenses		
Interest expenses	12,526	14,035
Loss on valuation of shares of investment securities	–	3,497
Provision of allowance for doubtful accounts	7,018	–
Provision of allowance for investment loss in exploration	11,120	–
Provision for loss on business	84	–
Provision for loss on business of subsidiaries and affiliates	7,878	82
Provision for loss on guarantees of subsidiaries and affiliates	4,085	7,493
Other	4,712	2,861
Total other expenses	47,426	27,971
Ordinary income	39,457	19,664
Extraordinary income		
Gain on extinguishment of tie-in shares	760	–
Total extraordinary income	760	–
Extraordinary loss		
Impairment loss	5,547	–
Total extraordinary loss	5,547	–
Income before income taxes	34,671	19,664
Income taxes-current	6,149	967
Income taxes-deferred	(3,692)	5,231
Total income taxes	2,456	6,199
Net income	32,214	13,465

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

For the year ended March 31, 2019

(Millions of yen)

	Shareholders' equity						
	Common stock	Capital Surplus		Retained earnings			
				Other retained earnings			
		Legal capital surplus	Total capital surplus	Reserve for advanced depreciation of non-current assets	Reserve for special depreciation	Mine prospecting reserve	Retained earnings brought forward
Balance at the beginning of the period	290,809	1,023,802	1,023,802	2,105	3,404	13,213	1,044,989
Changes during the period							
Reversal of reserve for special depreciation					(1,134)		1,134
Provision of mine prospecting reserve						3,769	(3,769)
Reversal of mine prospecting reserve						(7,553)	7,553
Cash dividends paid							(26,286)
Net income							32,214
Purchase of treasury stock							
Disposal of treasury stock							
Other changes in items other than those in shareholders' equity(net)							
Total changes during the period	–	–	–	–	(1,134)	(3,784)	10,847
Balance at the end of the period	290,809	1,023,802	1,023,802	2,105	2,269	9,428	1,055,837

	Shareholders' equity			Valuation, translation adjustments and others			Total net assets
	Retained earnings Total retained earnings	Treasury stock	Total Shareholders' equity	Unrealized holding gain on securities	Unrealized gain(loss) from hedging instruments	Total valuation, translation adjustments and others	
Balance at the beginning of the period	1,063,713	(5,248)	2,373,077	10,188		10,188	2,383,265
Changes during the period							
Reversal of reserve for special depreciation	–		–				–
Provision of mine prospecting reserve	–		–				–
Reversal of mine prospecting reserve	–		–				–
Cash dividends paid	(26,286)		(26,286)				(26,286)
Net income	32,214		32,214				32,214
Purchase of treasury stock		(186)	(186)				(186)
Disposal of treasury stock			–				–
Other changes in items other than those in shareholders' equity(net)				(7,388)	–	(7,388)	(7,388)
Total changes during the period	5,927	(186)	5,741	(7,388)	–	(7,388)	(1,646)
Balance at the end of the period	1,069,641	(5,434)	2,378,819	2,800	–	2,800	2,381,619

For the year ended December 31, 2019

(Millions of yen)

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

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

(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

5. Other

(1) Production, Orders Received and Sales Performance

1) Actual production

The following table shows actual production by segment:

Segment	Category	For the nine months ended December 31, 2018	For the year ended December 31, 2019
Japan	Crude oil	0.9 MMbbls (3.4 Mbbls per day)	0.9 MMbbls (3.1 Mbbls per day)
	Natural gas	35.8 Bcf (130.2 MMcf per day)	32.6 Bcf (118.6 MMcf per day)
	Subtotal	7.7 MMboe (27.8 Mboe per day)	7.0 MMboe (25.4 Mboe per day)
	Iodine	416.1 tons	376.1 tons
	Electric power generation	148.3 million kWh	151.7 million kWh
Asia & Oceania	Crude oil	3.2 MMbbls (11.6 Mbbls per day)	13.1 MMbbls (47.7 Mbbls per day)
	Natural gas	69.3 Bcf (251.8 MMcf per day)	280.4 Bcf (1,019.7 MMcf per day)
	Subtotal	15.2 MMboe (55.4 Mboe per day)	66.8 MMboe (243.0 Mboe per day)
	Electric power generation	323.7 million kWh	286.9 million kWh
Eurasia (Europe & NIS)	Crude oil	12.7 MMbbls (46.1 Mbbls per day)	13.1 MMbbls (47.7 Mbbls per day)
	Natural gas	7.4 Bcf (27.0 MMcf per day)	6.7 Bcf (24.5 MMcf per day)
	Subtotal	14.0 MMboe (50.9 Mboe per day)	14.3 MMboe (52.1Mboe per day)
	Sulfur	63.6 Mtons	64.8 Mtons
Middle East & Africa	Crude oil	64.0 MMbbls (232.7 Mbbls per day)	67.3 MMbbls (244.6 Mbbls per day)
Americas	Crude oil	0.9 MMbbls (3.3 Mbbls per day)	2.5 MMbbls (9.2 Mbbls per day)
	Natural gas	25.8 Bcf (93.7 MMcf per day)	17.5 Bcf (63.6 MMcf per day)
	Subtotal	5.5 MMboe (20.1 Mboe per day)	5.8 MMboe (21.0 Mboe per day)
Total	Crude oil	81.7 MMbbls (297.1 Mbbls per day)	96.9 MMbbls (352.4 Mbbls per day)
	Natural gas	138.3 Bcf (502.7 MMcf per day)	337.3 Bcf (1,226.4 MMcf per day)
	Subtotal	106.4 MMboe (386.9 Mboe per day)	161.2 MMboe (586.2 Mboe per day)
	Iodine	416.1 tons	376.1 tons
	Electric power generation	472.0 million kWh	438.6 million kWh
	Sulfur	63.6 Mtons	64.8 Mtons

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 from April 1 to December 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 92.3 MMbbls (335.5 Mbbls per day) of crude oil, 149.4 Bcf (543.1 MMcf per day) of natural gas, and in total 118.9 MMboe (432.4 Mboe per day) for the nine months ended December 31, 2018, and 107.7 MMbbls (391.5 Mbbls per day) of crude oil, 348.9 Bcf (1,268.6 MMcf per day) of natural gas, and in total 174.0 MMboe (632.9 Mboe per day) for the year ended December 31, 2019.

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	Corresponding Period of the Previous Fiscal Year *2		For the year ended December 31, 2019	
		Sales volume	Net sales	Sales volume	Net sales
Japan	Crude oil	589 Mbbls	5,077	499 Mbbls	3,647
	Natural gas (excluding LPG)	57,097 MMcf	79,024	56,242 MMcf	80,282
	LPG	3 Mbbls	24	3 Mbbls	16
	Other		12,106		13,092
	Subtotal		96,232		97,038
Asia & Oceania	Crude oil	3,278 Mbbls	25,003	14,008 Mbbls	101,577
	Natural gas (excluding LPG)	58,181 MMcf	28,939	262,903 MMcf	136,237
	LPG	200 Mbbls	1,202	409 Mbbls	3,112
	Subtotal		55,145		240,927
Eurasia (Europe & NIS)	Crude oil	11,167 Mbbls	86,833	11,272 Mbbls	77,867
	Natural gas (excluding LPG)	7,424 MMcf	1,462	6,720 MMcf	1,412
	Other		143		(225)
	Subtotal		88,439		79,054
Middle East & Africa	Crude oil	69,175 Mbbls	552,063	79,147 Mbbls	569,166
Americas	Crude oil	930 Mbbls	6,198	2,024 Mbbls	11,781
	Natural gas (excluding LPG)	35,223 MMcf	2,110	19,317 MMcf	2,038
	Subtotal		8,308		13,819
Total	Crude oil	85,138 Mbbls	675,177	106,950 Mbbls	764,039
	Natural gas (excluding LPG)	157,925 MMcf	111,537	345,182 MMcf	219,970
	LPG	203 Mbbls	1,226	412 Mbbls	3,128
	Other		12,249		12,867
	Total		800,191		1,000,005

Note: 1. The above amounts do not include the related consumption tax.

2. "Corresponding period of the previous fiscal year" is from April 1, 2018 to December 31, 2018 for the Company and its subsidiaries (including those with provisional settlements of accounts) whose former fiscal years ended at March 31, or from January 1, 2018 to December 31, 2018 for the subsidiaries whose fiscal years ended at December 31.

3. Sales volumes are rounded to the nearest whole number.

4. Sales for a major customer and sales as a percentage of total net sales are as follows.

Customer	For the year ended December 31, 2019	
	Amount (Millions of yen)	Ratio (%)
Shell International Eastern Trading Company	124,787	12.5
Ichthys LNG Pty Ltd	110,689	11.1
JXTG Nippon Oil & Energy Corporation	108,496	10.8