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## Market Trend and Management Policy

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# Profile and History

Our company was founded in October 2008 through the business integration of INPEX CORPORATION and Teikoku Oil Co., Ltd. Utilizing several decades of performance in developing oil and natural gas fields and the experience gained through 74 projects in 27 countries (as of June 30, 2012), we are actively promoting exploration, development and production of oil and natural gas.

## Our Mission



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

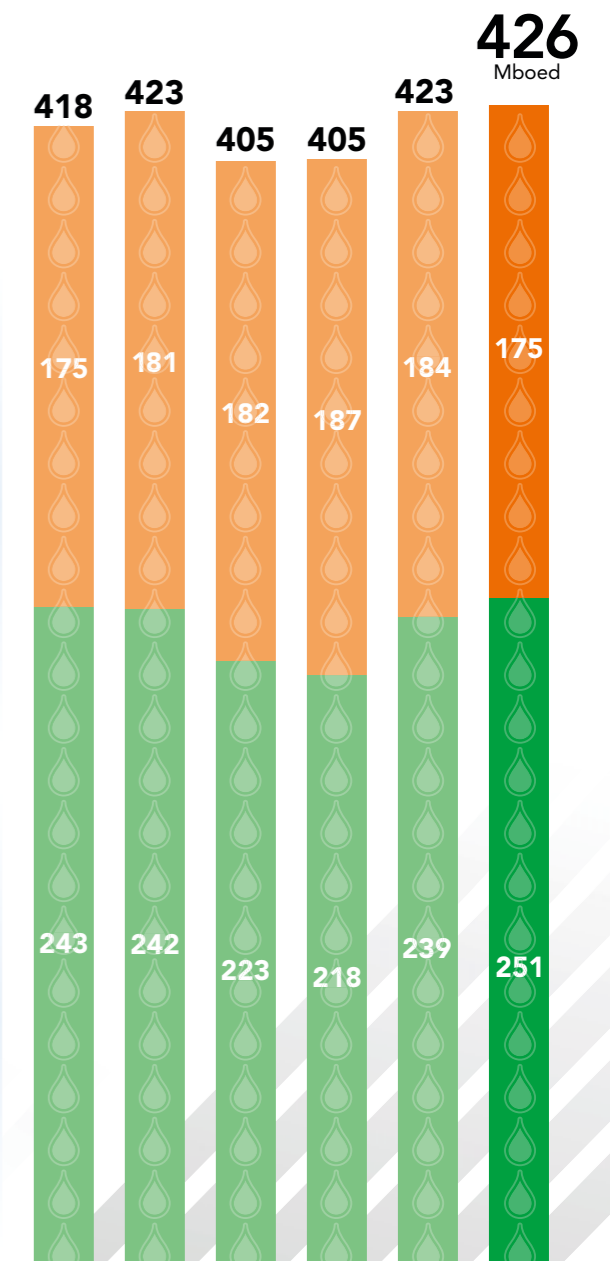
## Our Vision

1. We position ourselves to become a top-class international oil and gas exploration and production company through sustainable growth in the oil and gas development business.
2. With natural gas as the core of our business, we will grow into an integrated energy company by making contributions to a stable energy supply to broader communities.
3. We will continue to play a significant role in boosting the capability of supplying energy to Japan while contributing to the global economic growth and social development.

Through these efforts, we intend to further advance our reputation among our shareholders and more broadly our stakeholders as a company serving an essential role in the global community.

Net production volume (Mboed)

 Natural gas  Crude oil



**INPEX**  
INPEX CORPORATION

Founded in 1966

A leading company in overseas development of oil and natural gas

Founded to develop oil and gas resources in Indonesia, the company operates in Indonesia and Australia as its core areas, as well as in other areas such as the Caspian Sea, the Middle East and South America.

**TEISEKI**

Teikoku Oil Co., Ltd.

Founded in 1941

A pioneer in the development of oil and natural gas in Japan

Conducted development and production of domestic oil and gas fields, including the Minami Nagaoka Gas Field, one of the largest gas fields in Japan. Also conducted development in various regions of Central and South America and North Africa.

**INPEX**  
INPEX CORPORATION

Founded in October 2008

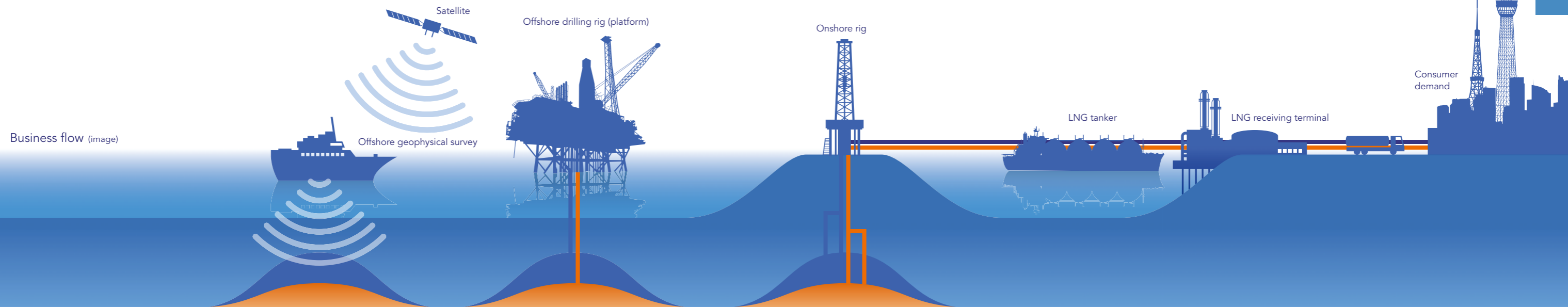
Full integration between three companies: INPEX Holdings Inc., INPEX CORPORATION and Teikoku Oil Co., Ltd.

## History

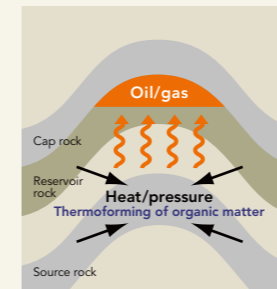


# Oil and Gas Development Business

The business activities of the oil industry can be envisioned as the flow of a river. The upstream consists of the development and production of oil and natural gas. The mid-stream is where products are transported. The downstream refers to refining and sales. Our mainstay business is to handle operations in the upstream including the discovery, drilling, collecting and selling of crude oil and natural gas, both of which exist underground. As shown in the business flow below, upstream business activities can be further classified into the acquisition of blocks, exploration, appraisal, development, and production and sales.



## What is oil and natural gas?



Both oil and natural gas are types of organic matter (hydrocarbons) formed from a combination of carbon and hydrogen. Oil is a chemical compound in which large numbers of carbon molecules and hydrogen molecules are joined together. Under normal conditions (one atmosphere, which is about 15 pounds per square inch; conditions suitable for human life), oil is a liquid. Conversely, natural gas is a gas under normal conditions. Although there are differences between the properties of liquid and gas, both burn well. The oil and gas generated deep underground have a lighter specific gravity than the water and soil in geological layers and therefore rise upward over a period of many years. However, when contacting high-density geological layers through which they cannot pass, the oil and gas stop rising and form an oil field or a gas field. Depending on the excavation site, crude oil and natural gas exhibit a variety of differences in terms of color (from colorless and transparent to black), specific gravity, viscosity and amount of impurities.



Samples of crude oil and condensate

### STEP 1 Acquisition of Blocks

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



Signing ceremony of contract

Time period (image) Around 1 year

Investment amount (image) ¥100 million–¥1 billion

Number of INPEX projects (As of June 30, 2012) —

### STEP 2 Exploration

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



Geophysical surveys

2–5 years

~¥10 billion

Under exploration projects: 27 Discovered/Preparation for development: 7

### STEP 3 Appraisal

Once the presence of oil and natural gas has been confirmed, we **drill an appraisal well** to assess the extent of the oil and gas fields and to evaluate the amount of reserves. In addition, we make comprehensive judgments regarding the commercial viability of the fields such as examining profitability.



Drilling of appraisal wells

### STEP 4 Development

We **drill production wells** for the production of oil and natural gas. We also construct gas processing facilities and a transport pipeline, which are necessary for production and shipping.



Drilling of production wells

2–5 years

¥100 billion ~ trillions

Under development: 6

### STEP 5 Production and Sales

We perform production and operation management such as refining/treatment to create products from the oil and natural gas excavated from the production wells. We also engage in marketing and sales for the produced crude oil, condensate, LPG, natural gas and LNG.



LNG tanker

10–20 years

—

In production: 32

#### Uses of oil and gas

- Electrical power**
  - Oil thermal power
  - Gas thermal power
- Gas**
  - City gas
  - LPG
- Petroleum products**
  - Plastics
  - Resin compounds
- Transport**
  - Automobiles
  - Ships
  - Airplanes

#### Exploration and development expenditures and number of projects

The Company's exploration and development expenditures (for the year ending March 31, 2013) and number of projects (as of June 30, 2012) are shown below. Development projects require comparatively larger investments than exploration projects.

Exploration expenditures Development expenditures

¥63.0 billion Investment plan (for the year ending March 31, 2013) ¥640.0 billion

34 Number of projects (as of June 30, 2012) 6

Number of exploration projects (including discovered / preparation for development) Number of development projects

# Business Model of Oil and Gas E&P

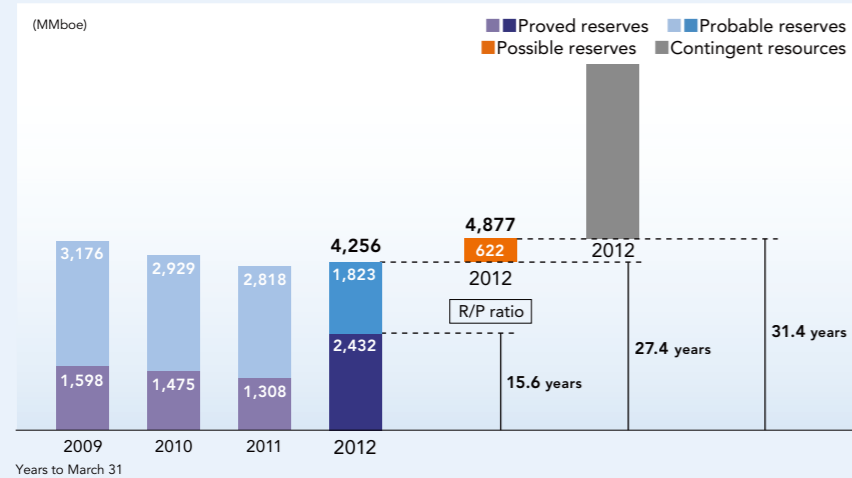
The key management initiatives in developing oil and natural gas resources are ensuring stable production and supply. An E&P company seeks to achieve sustainable growth by which the cash flow obtained from the production of oil and gas is reinvested toward the acquisition of new reserves and put to work for oil and gas discovery and development, which in turn leads to further production revenues.

## Increasing Reserves

Our reserves as of March 31, 2012, consisted of approximately 2.4 billion boe of proved reserves, approximately 1.8 billion boe of probable reserves and approximately 600 MMboe of possible reserves. The proved reserves give us a reserves-to-production ratio (R/P ratio) of 15.6 years. Adding the probable reserves increases the R/P ratio to 27.4 years. Adding the possible reserves increases the R/P ratio to 31.4 years.

We also have an abundance of contingent resources. We expect to continue increasing proved and probable reserves over the medium to long term through new projects and by raising the recoverability rate on existing oil and gas fields.

Our Reserves



Probable and possible reserves, as well as contingent resources, are upgraded to proved reserves through development, with proved reserves becoming a source of revenue through production.

Reserves are maintained and increased through exploration and development investment.

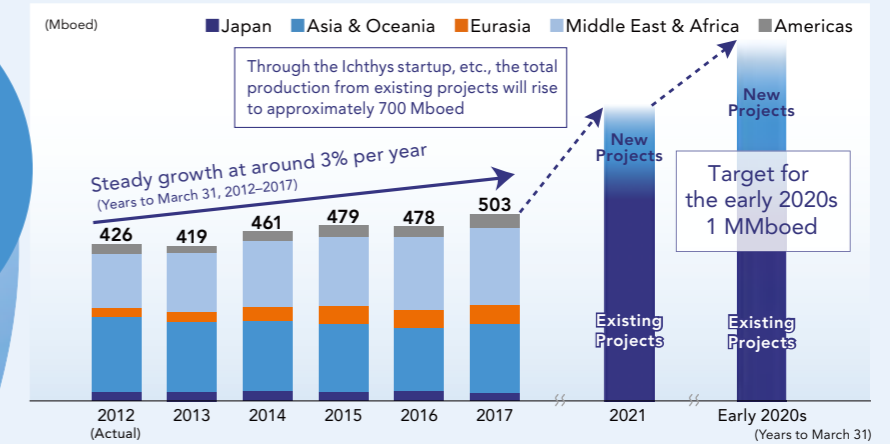
Production volume is sold and realized as revenue. That revenue is then invested in further resource development.

## Production Growth

Our net production volume for the year ended March 31, 2012, was 251 Mbbld of crude oil and 928 MMcf/d (175 Mboed) of natural gas. For the year ending March 31, 2013, a decrease in production from existing fields is forecast to result in a slight year-on-year decrease of 419 Mboed.

Regarding medium- to long-term forecasts for net production volume, by the year ending March 31, 2017, we expect to reach a level of 500 Mboed due to an increase in production at the ADMA Block, the startup of the Kashagan Project and an increase in the production of shale gas project in Canada. After the startup of the Ichthys LNG Project, production at existing projects for the year ending March 31, 2021, will have reached around 700 Mboed. We intend to reach 1 MMboed in the early 2020s by increasing production at new projects through our medium- to long-term growth investment initiatives.

Medium- to Long-Term Forecasts for Net Production of INPEX



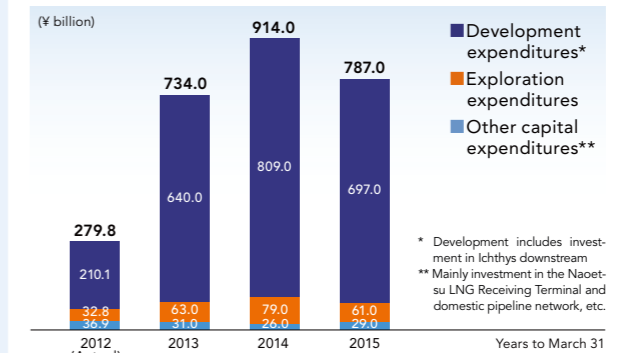
## Aggressive Exploration and Development Investment

We will achieve our growth targets by actively investing in exploration to maintain and expand reserves, as well as developing the reserves we hold to produce oil and natural gas. As described in the Medium- to Long-Term Vision (pp. 42-43), ¥3.5 trillion will be invested over five years, whereas the expected amount of investment during the 10-year period following the production startup at Ichthys is more than ¥6 trillion. Investment in existing projects for which investment plans have been fixed has been estimated (as of May 11, 2012) to run at a level of approximately ¥2.4 trillion over the next three years, with development expenditures in projects such as Ichthys expected to increase. Exploration expenditures are also forecast to be around ¥60 billion-¥80 billion per year.

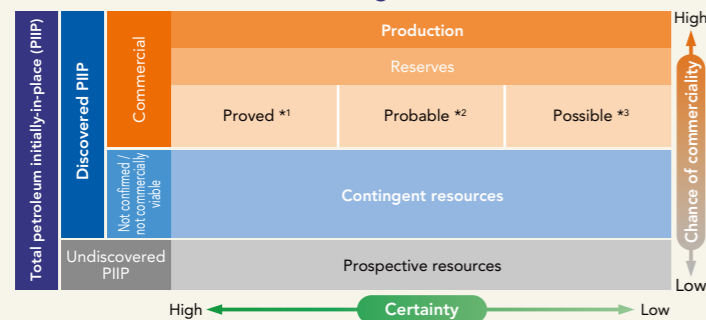
¥3.5 trillion to be invested over the next 5 years in major projects including Ichthys

Investment during the 10 years following the start of Ichthys to reach more than ¥6 trillion

Investment Results and Investment Plan for the Next Three Years



## Classification of Reserves (image)



\*1 Proved reserves: The amount of oil from known reservoirs for which commercial recovery from a certain date forward is judged as being possible with reasonable certainty. When probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will meet or exceed the estimated amount of proved reserves.  
 \*2 Probable reserves: Additional reserves which have a lower certainty than proved reserves and a higher possibility of recovery than possible reserves. When probabilistic methods are used, there should be at least a 50% probability that the quantities actually recovered will meet or exceed the sum of estimated proved reserves and probable reserves.  
 \*3 Possible reserves: Additional reserves which have a lower certainty than probable reserves. When probabilistic methods are used, there should be at least a 10% probability that the quantities actually recovered will meet or exceed the total sum of estimated proved reserves, probable reserves and possible reserves.

Prepared by INPEX based on material provided by Japan Oil, Gas and Metals National Corporation (JOGMEC)

# Market Environment and Forecast

Global energy demand is expected to increase as emerging economies grow. Especially demand for natural gas is expected to be higher than oil, coal and other energies.

## Global Energy Demand Forecast

### Global energy demand

Global energy demand is expected to grow, especially in emerging economies such as China and India. The International Energy Agency (IEA) forecasts that global energy demand in 2035 will be 35% higher than it was in 2010, under a scenario in which oil and natural gas will account for approximately half of the world's primary energy demand.

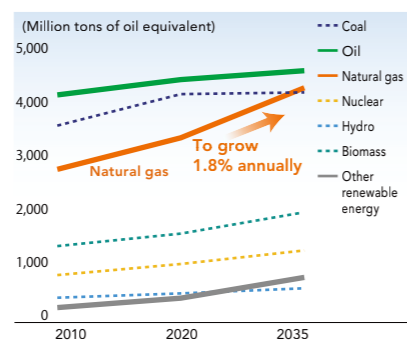
### Natural gas

Demand for natural gas is expected to be high, especially in emerging Asian economies such as China. Amid an overall surge in energy demand, natural gas demand is expected to grow 1.8% annually and by 2035 is expected to exceed coal to reach over 25% of total demand. The use of unconventional sources of natural gas, such as shale, will also increase, with unconventional sources supplying around 30% of total natural gas demand by 2035.

### Renewable energy

In contrast to fossil fuels, which are limited resources, energy sources such as solar, hydro, biomass and geothermal are gaining attention because they are renewable energy sources that can be reused in the short term and, moreover, produce few CO<sub>2</sub> emissions. Although demand for hydro and biomass is expected to remain more or less flat through 2035, demand for other renewable energy sources is expected to increase slightly (2010: 1% → 2035: 4%).

Global Primary Energy Demand by Fuel Source



The Global Energy Demand Forecast above and attached graphs are in reference to and/or taken from the IEA "Golden Rules Case" (May 2012).

## Oil and Gas Development Business Environment

E&P companies are being forced to turn to frontier regions, where development poses difficulties, to secure new oil and gas interests due to the rise of factors such as resource nationalism. Competition for securing interests is intensifying, and as economic conditions become tougher E&P companies will increasingly seek to secure resources through ties with governments and other companies. In addition to acquiring interests by strengthening relationships with resource-rich countries, they will acquire assets to improve and expand the scale of their portfolios. E&P companies will also engage in other efforts for dynamic growth, such as corporate M&A activities that contribute to the acquisition of human resources, technologies and information.

Fewer new participation opportunities for E&P companies due to rising resource nationalism

Turning to the frontier regions for development  
Areas that are difficult geographically  
Areas that pose technical difficulties  
Areas where geopolitical issues pose development risks

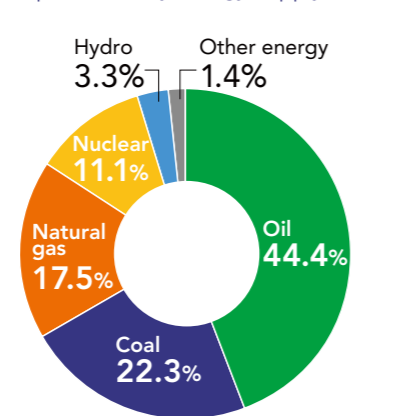
Fierce competition for interests

## Domestic Oil and Gas Demand

The demand for oil has been decreasing in Japan recently, but oil is broadly used as a source of heat and power, as well as in the production of materials, and even now accounts for more than 40% of Japan's primary energy demand.

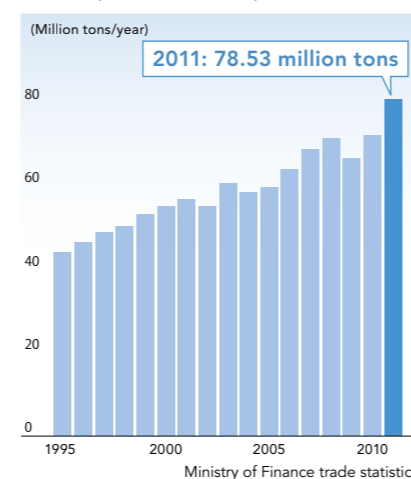
The share of LNG used for thermal power generation in Japan has risen in the wake of the shutdowns of nuclear power plants after the Great East Japan Earthquake, with demand for LNG growing. LNG import volume increased 12% from the previous year reaching an all-time peak of 78.53 million tons in 2011 and is expected to further increase in 2012 due to the nuclear plant shutdowns. LNG demand is also expected to continue to increase in the medium term as Japan proceeds to revise its energy policies.

Japan's Primary Energy Supply (2010)



From "Energy & Economic Statistics in Japan 2012"

LNG import trend in Japan



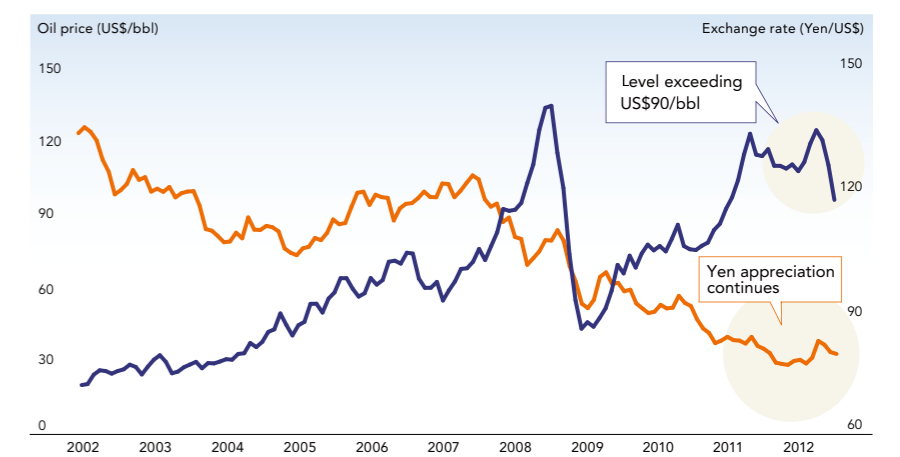
## Crude Oil Price and Exchange Rate

### Crude oil price fluctuations exceed supply-demand balance Strong yen persists

The oil and natural gas business is greatly affected by changes in crude oil prices and exchange rates. As a result of investment from the financial markets, the propensity for fluctuation in crude oil prices exceeds the level of change that the supply-demand balance (fundamentals) would normally dictate. Currently, even though recovery of demand is uncertain due to a stagnant economy, Brent crude is above US\$90/bbl (April-June 2012 average: US\$108.90/bbl), with further price increases possible.

The average exchange rate for the year ended March 31, 2012, was around ¥79 = US\$1. Yen appreciation continued with an average exchange rate of ¥80.2 = US\$1 during April-June 2012.

Oil Price and Exchange Rate



## Effect on Our Performance

The sensitivity index for oil prices and exchange rates when forecasting consolidated net income for the year ending March 31, 2013, has been calculated at approximately ¥1.8 billion in the event of fluctuations of US\$1/bbl and approximately ¥2.2 billion in the event of exchange rate fluctuations of ¥1/US\$1.

Fluctuation of Consolidated Net Income for the Year Ending March 31, 2013 (pro forma calculation)

Crude oil price increase (decrease) by US\$1/bbl	+¥1.8 billion (-¥1.8 billion) (annual)
Depreciation (Appreciation) of ¥1/US\$1 in the exchange rate:	+¥2.2 billion (-¥2.2 billion) (annual)

The actual impact will depend on changes in production volume, capital expenditures and recovery costs, and the degree of impact may not be strictly dependent on the absolute level of oil prices or the exchange rate.

## Characteristics and Risks Associated with the Oil and Gas E&P Business

The characteristics of the oil and gas development business and its associated risks, which could have a significant impact on performance, are described at right. Exploration costs are expensed or set aside as an allowance to provide for potential losses from unsuccessful exploration.

▶ See p. 130— for Business Risks (1. Characteristics of and risks associated with the oil and gas development business).

1. Risk of failure in exploration, development or production
2. Possibility of changes in reserve estimates
3. Highly capital intensive and funds cannot be recovered for a long time
4. Human resources retention and funding borne by operator in the course of running the project
5. Joint business among multiple partners for the purpose of dispersion of risk and financial burden
6. Disaster and accident risks

# INPEX's Characteristics and Comparison with Peers

We put our strengths and characteristics to use in continuously expanding our E&P business. By reaching 1 MMboed in the early 2020s, we can establish a firm position as a global E&P company, ranking just after the oil majors.

## INPEX Strengths and Characteristics

### Strong reserve / Resource base

Proved and probable reserves of **4.26** billion boe

Reserves and resources, which are the source of corporate value, are the critical factor in the oil and gas E&P business. INPEX has the largest proved reserves of any Japanese company in the sector. Our net proved and probable reserves total 4.26 billion boe. Our reserves-to-production ratio is 15.6 years for proved reserves and 27.4 years if probable reserves are added. Beyond our probable reserves, we have an abundance of possible reserves and contingent resources. We expect to continue increasing proved and probable reserves over the medium to long term.

▶ See p. 36.

### Large-scale LNG project operator in core areas

**Ichthys** (Australia) **Abadi** (Indonesia)

INPEX is in the process of developing two of the world's leading-scale LNG projects at Ichthys in Australia and Abadi in Indonesia. We are the first Japanese company to develop such large-scale projects as an operator. The expected production volume from both projects is vast, equaling more than 10% of Japan's current LNG annual import volume. We are focusing on these priority projects, which will increase the corporate value of our company.

▶ See pp. 46-54.

### Gas supply chain

Domestic natural gas pipeline network **1,400** km

INPEX owns a domestic natural gas pipeline network stretching approximately 1,400 km that connects domestic and overseas gas assets to the Japanese gas market. We plan to add value by establishing a gas supply chain through linkage between this network and our major LNG projects. We are currently proceeding with work on the Naoetsu (Niigata) LNG Receiving Terminal, with the terminal scheduled to enter operation in early 2014. Construction of the Toyama Line (Toyama Prefecture) is also under way, with supplies slated to commence around the end of 2014.

▶ See p. 73.

### Strong financial position

Equity ratio: **71.7%**  
Net debt/Net total capital employed: **-60.7%**

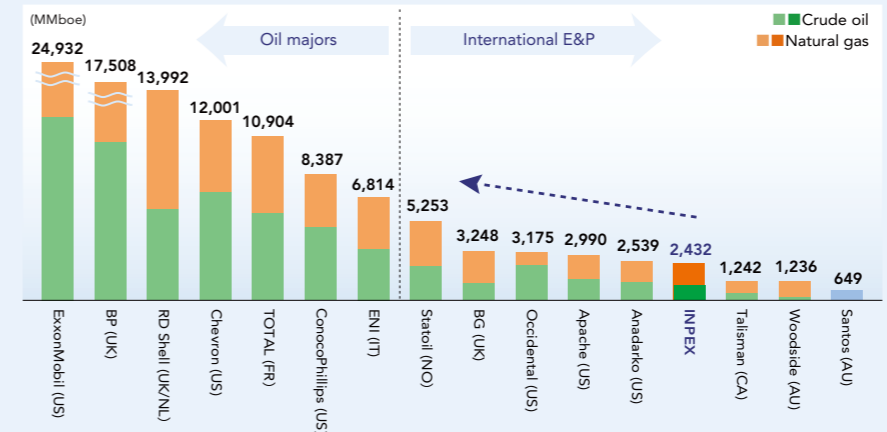
A strong, healthy balance sheet and plentiful cash reserves are essential for oil and gas E&P companies. This reflects both the high degree of risk associated with these activities and the need to have sufficient funds on hand to take advantage of major investment opportunities quickly as they arise. As a result of a public offering held in August 2010, our company has secured a strong financial position. As of March 31, 2012, our company had an equity ratio of 71.1% and a ratio of net debt to net total capital employed of -60.7%. (Cash and cash equivalents and public bonds were greater than interest-bearing debt.) Compared to the oil majors and other global peers, this represents a sound level of financial strength.

▶ See p. 44.

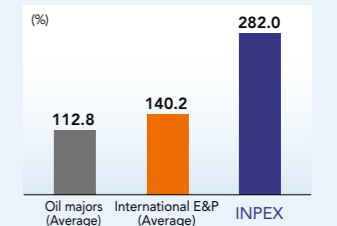
## Comparison in Reserves and Net Production

(Most recent publicly available information)

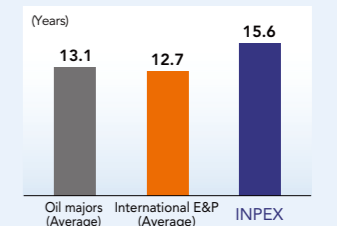
### Proved Reserves



### Reserve Replacement Ratio (3-year average)

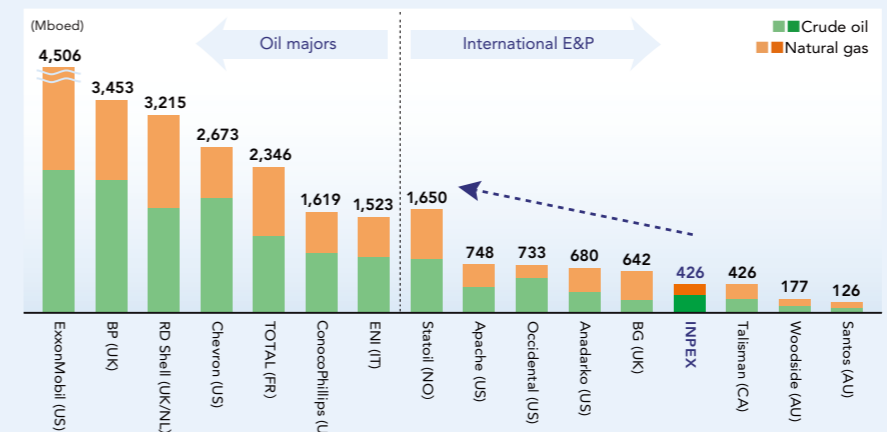


### Proved Reserves to Production Ratio

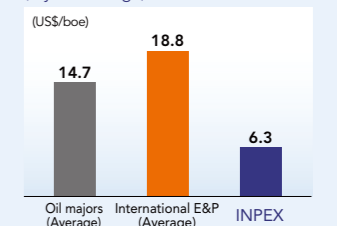


### Net Production

(For the year ended December 31, 2011, for peers; for the year ended March 31, 2012, for INPEX)



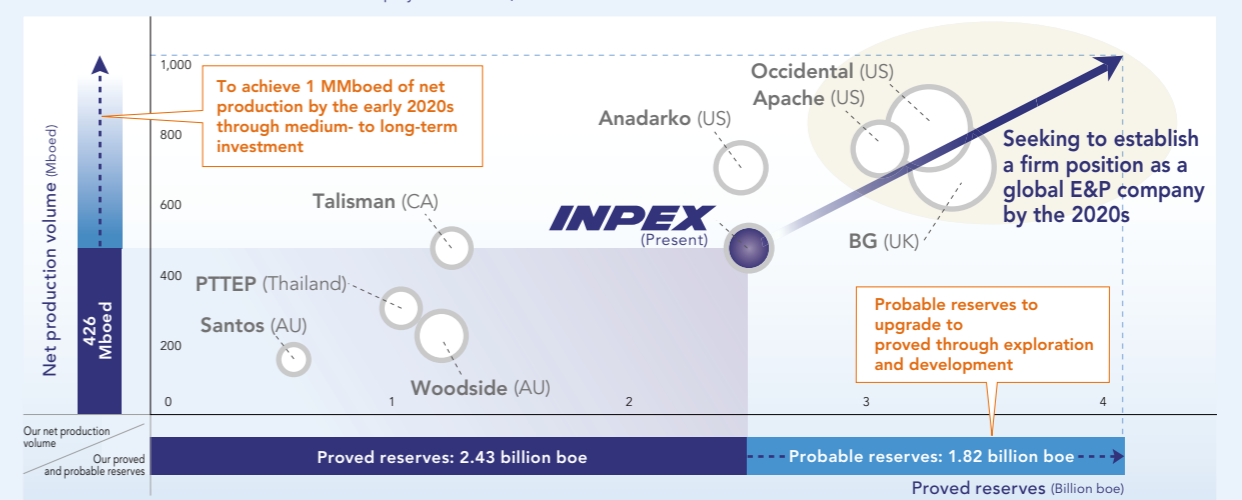
### Finding & Development Cost (3-year average)



Average of oil majors: BP, Chevron, ConocoPhillips, ENI, ExxonMobil, TOTAL, Shell  
Average of international E&P for which information is available: Anadarko, Apache, BG, Occidental, Santos, Statoil, Talisman, Woodside

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

Proved reserves and production volume indicated in this chart are from documents disclosed by the major E&P companies in fiscal 2011. The size of the circle shows the market value of each company as of March 31, 2012.



## Comparison with Other E&P Companies

Oil companies that conduct upstream activities can be divided into three categories: 1) national oil companies of governments in oil-producing countries that possess oil and natural gas assets, 2) major international oil companies known as the "oil majors" and 3) companies that specialize in upstream activities and are second in

scale to the oil majors. Currently, our company's net production volume is 426 Mboed (for the year ended March 31, 2012) and our proved reserves are 2.43 billion boe (as of March 31, 2012). This places us among the mid-tier global E&P companies. By reaching 1 MMboed in the early 2020s, we can establish a firm position among

the top-tier group. As of March 31, 2012, our reserve replacement ratio, the reserves-to-production ratio and finding and development cost were superior to those of the oil majors and other global E&P companies.

▶ See the right page.

### Oil companies throughout the world

National oil companies  
Saudi Aramco, CNPC, etc.

Oil majors  
ExxonMobil, BP, Shell, TOTAL, etc.

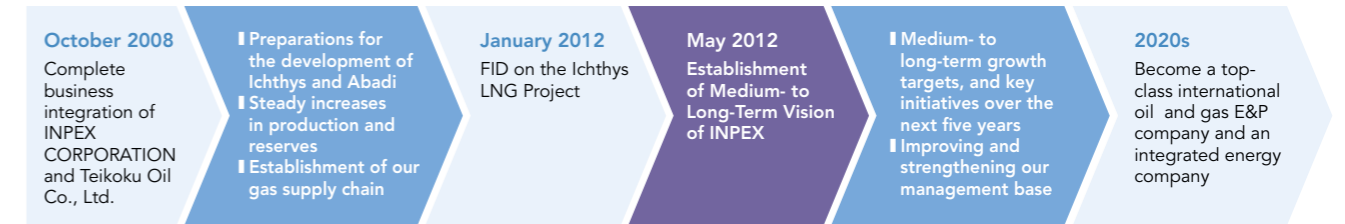
E&P companies  
INPEX, BG, Apache, etc.

# Medium- to Long-Term Vision of INPEX

The global energy business environment is changing rapidly and becoming more complex, making steady management over the medium to long term more important than ever. We drew up the "MEDIUM- TO LONG-TERM VISION OF INPEX: Ichthys and our growth beyond" in May 2012, having made the FID on the Ichthys LNG Project in January of this year. The Vision clarifies the growth targets we have set for achieving sustainable development over the medium to long term and the key initiatives we will make during the five years until the start of production at Ichthys to hit those targets.

## INPEX's Growth History and Medium- to Long-Term Vision

Since completing the business integration in October 2008, INPEX has been conducting a variety of projects throughout the world, steadily expanding our production and reserves and building up Japan's gas supply infrastructure. We drew up the Medium- to Long-Term Vision in May 2012, having made the FID (Final Investment Decision) on Ichthys the previous January.



## Three Growth Targets

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

### Key Initiatives for the First Five Years

#### 1. Continuous Enhancement of Our E&P Activities

- Ensure a successful start-up of Ichthys and Abadi, and expand our business synergies
- Double our exploration expenditures from the current level, for a total of around ¥300 billion over five years (expanding to more than ¥1 trillion over 10 years after the Ichthys start-up)
- Substantially boost exploration and development activities in core regions (Southeast Asia and Oceania centered on Indonesia and Australia) and promising areas, and develop unconventional resources
- Aggressively acquire new assets and pursue corporate M&A opportunities

#### 2. Strengthening Our Gas Supply Chain

- Complete the Naoetsu LNG Receiving Terminal and the Natural Gas Trunk Pipeline (Toyama Line)
- Increase our ability to cope with a fluctuating supply/demand balance by our enhanced marketing functions and having our own fleet of tankers
- Enhance gas supply security, cooperating with gas and electric power companies
- Consider the possibility of our involvement in LNG-fired power generation, from the energy policy perspective

#### 3. Reinforcement of Our Renewable Energy Initiatives

- Promote the commercialization of geothermal power generation
- Promote R&D initiatives such as the CO<sub>2</sub> recycling technology

### Target for the 2020s

Achieve net production volume of **1 MMboed** by the early 2020s

Achieve domestic gas supply volume of **2.5 billion m<sup>3</sup>/year** by the early 2020s  
(3.0 billion m<sup>3</sup>/year in the long term)

Promote efforts to commercialize renewable energies and reinforce R&D activities for the next generation



## Three Management Policies

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

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

- Establish a department for new project development and reinforce coordination among the head office, the regional project divisions and the overseas offices
- Utilize overseas offices proactively to collect new project information, to promote discussions on new projects and marketing activities

- Recruit and utilize personnel in and outside of Japan to develop global professionals
- Establish an efficient business execution system to facilitate decision making

#### 2. Investment for Growth and Return for Shareholders

- Secure funds (¥3.5 trillion over five years, more than ¥6 trillion over 10 years after the Ichthys start-up, including exploration expenditures) for medium- to long-term investment from our project cash flows and loans
- Maintain financial strengths, targeting "an equity ratio of 50% or higher" and "a net debt to net total capital employed ratio of 20% or less"

- Realize a return for shareholders and management efficiency befitting top-class international oil and gas E&P companies

#### 3. Responsible Management as a Global Company

- Reinforce CSR management continuously by establishing a company-wide CSR promoting system including the CSR Committee
- Implement specific measures starting from 2012 to continuously reinforce corporate governance from a global perspective

- Promote continuous improvements in corporate compliance and HSE initiatives
- Build trust-based working relationships with stakeholders through interactive communications

**MEDIUM- TO LONG-TERM VISION OF INPEX:** Ichthys and our growth beyond

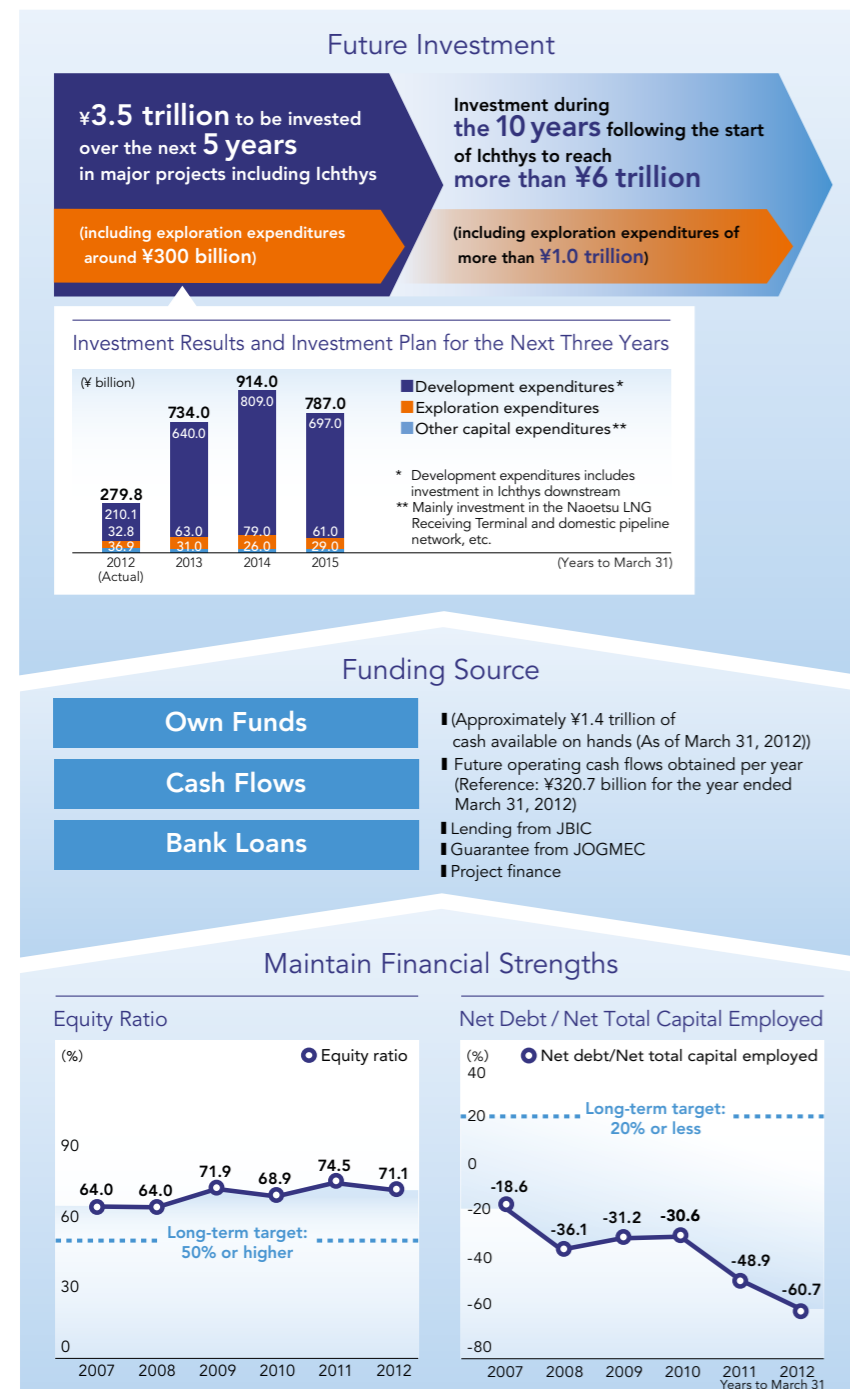


For details, please refer to the booklet entitled "MEDIUM- TO LONG-TERM VISION OF INPEX: Ichthys and our growth beyond," or refer to the following Web site:

▶ [inpeco.jp/en/vision](http://inpeco.jp/en/vision)

# Investment Plans and Financial Strategies

To achieve the growth targets in the Medium- to Long-Term Vision, ¥3.5 trillion will be invested over the next five years (from the years ending March 31, 2013 to 2017), whereas investment during the 10-year period following production startup at Ichthys is forecast to amount to more than ¥6 trillion. In addition to funds on hand, investment funding can be covered by bank loans and future operating cash flow while maintaining financial soundness.



In addition to making steady progress at existing projects such as Ichthys and Abadi, we must invest in new exploration and development that will increase our reserves and production to achieve 1 Mmboed of net production in the early 2020s.

### Investment Plan for the Next Three Years

During the three-year period beginning from the year ending March 31, 2013 to 2015, we plan to invest approximately ¥2.4 trillion in existing projects, with development expenditures in projects such as Ichthys in particular expected to increase. Exploration expenditures are also forecast to be around ¥60 billion–¥80 billion per year.

### Medium- to Long-Term Investment

A total of ¥3.5 trillion will be invested over the next five years (from the year ending March 31, 2013 to 2017), mainly in existing projects such as Ichthys. We will double our exploration expenditures from the current level for a total of around ¥300 billion over five years, averaging around ¥60 billion per year. We will also aggressively acquire new assets and pursue corporate M&A opportunities.

Investment during the 10-year period following the start of production at Ichthys will total more than ¥6 trillion (more than ¥1 trillion for exploration).

### Funding

In addition to using cash (For reference: cash available on hands was approximately ¥1.4 trillion as of March 31, 2012), investment funding can be secured from the operating cash flow of projects and bank loans. We will maintain a sound financial standing by keeping to our long-term financial targets of **“equity ratio: 50% or higher”** and **“net debt to net total capital employed: 20% or less.”**

Credit rating information (As of June 30, 2012)

Long-term credit ratings	Standard & Poor's	A (negative)
	Rating and Investment Information	AA- (stable)
Short-term credit ratings	Standard & Poor's	A-1

▶ See p. 29 for more about funding in the Message from the President.