

Business Model and Strengths

In its oil and gas development business, INPEX employs a business model that focuses on stable production and supply, as well as the reinvestment of cash flows obtained from production activities toward the acquisition of new reserves and the discovery and development of oil and gas which contribute to further production revenues. This cycle is the wellspring for sustainable growth as a company.

INPEX's Strength 1

Dynamic Growth Scenario

Ichthys/Abadi

INPEX is in the process of developing two of the world's large-scale LNG projects at Ichthys in Australia and Abadi in Indonesia. We are the first Japanese company to develop such large-scale projects as an operator. The Company's net production volume is currently at the level of 400-500 thousand boed, and there are prospects of an increase to 600-700 thousand boed following the start of production at Ichthys and other projects. We are focusing on Ichthys development work, which will increase the corporate value of our company.

INPEX's Strength 2

A Balanced Portfolio and Strong Reserve Volume/Resources

4.04 billion boe (Proved and probable reserves)

INPEX has secured a balanced portfolio while establishing appropriate risk management by combining different projects to ensure an optimal balance across such key parameters as the oil and natural gas ratio, regional distribution as well as exploration, development and production activities. Turning to the Company's reserve volume, the source of its corporate value, INPEX holds a proved and probable reserve volume of 4.04 billion boe as well as an abundance of possible reserves and contingent resources that are not included in probable reserves. Looking ahead, we expect to expand proved and probable reserves over the medium to long term.

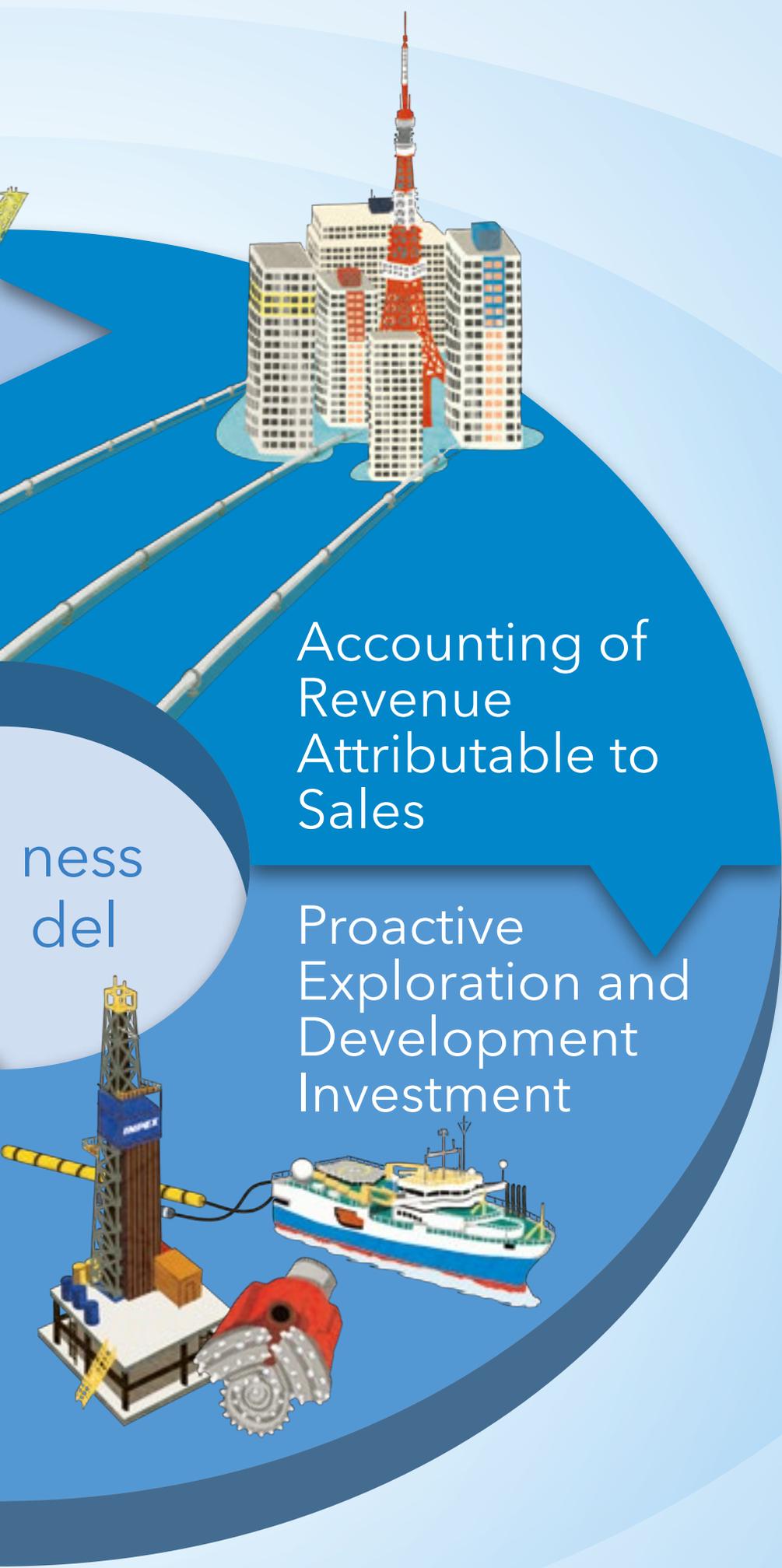


Growth of
Production
Volume

Increasing
Reserves



Busi
Mo



Accounting of Revenue Attributable to Sales

Proactive Exploration and Development Investment

INPEX's Strength 3

Natural Gas Supply Chain

Domestic natural gas pipeline network
1,400 km

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

INPEX's Strength 4

Strong Financial Base

Equity ratio:
68.2%

Net debt/Net total capital employed:
-16.8%

A healthy balance sheet and cash reserves are essential for oil and gas E&P companies. This reflects both the high degree of risk associated with E&P activities and the need to have sufficient funds on hand to take advantage of major investment opportunities. INPEX has secured a strong financial position. As of March 31, 2015, our company had an equity ratio of 68.2% and a ratio of net debt to net total capital employed of -16.8%. (Cash and cash equivalents and public bonds were greater than interest-bearing debts.) Compared to the oil majors and other global peers, this represents a sound level of financial strength.

The Structure and Mechanism of Oil and Natural Gas Exploration and Development

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



Acquisition of Blocks

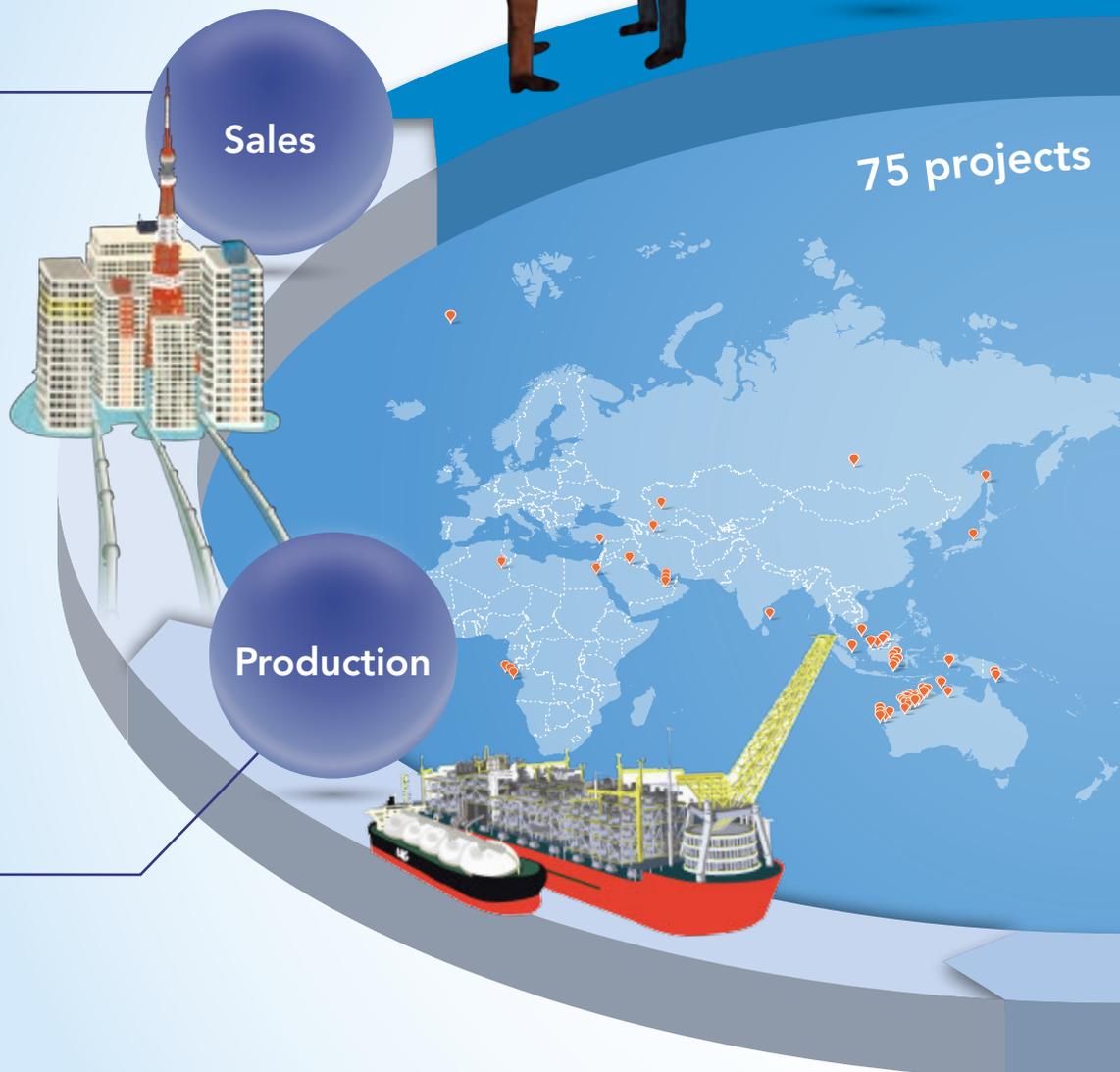
There are many methods for **selling crude oil linked to spot prices** (market prices established one time per transaction), the spot prices themselves being mainly decided based on crude oil, which has become the transaction benchmark. Representative crude oil spot prices are those quoted for Middle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

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

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



LNG tanker



Where do crude oil and natural gas come from?

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



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



Signing ceremony of a contract

In addition to geological surveys, we utilize **geophysical surveys** conducted through satellite images and seismic waves in order to assess the potential subsurface accumulations of oil and natural gas. Furthermore, we **drill exploratory wells** in order to confirm the presence of oil and gas. The bit, a special drill attached to the tip of the pipe, drills through hard rock while digging into the ground.



Geophysical surveys



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



Drilling of appraisal wells

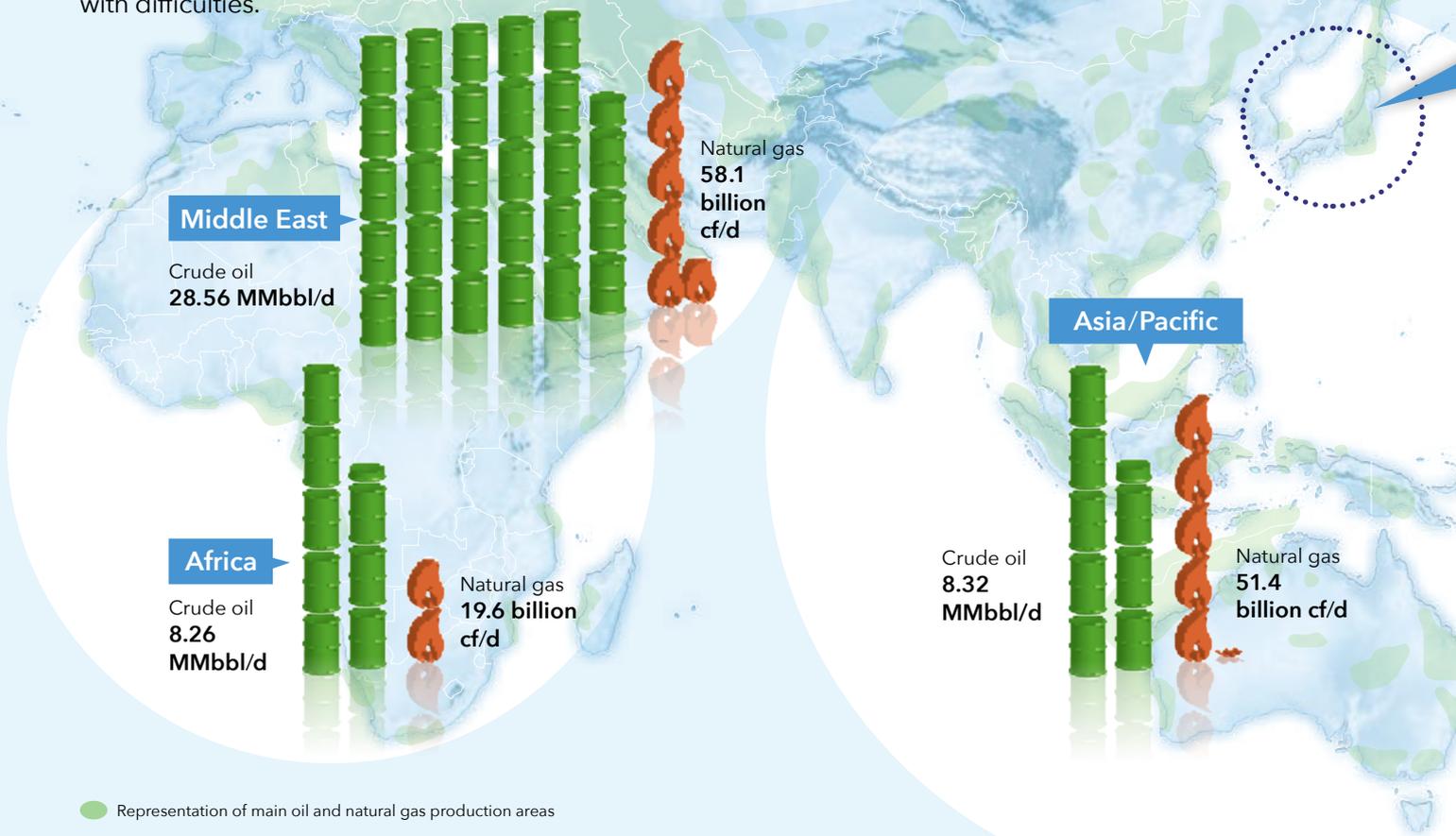
After a final investment decision (FID) has been made, steps are taken to **construct the necessary facilities to engage in crude oil and natural gas production and shipment**. This includes facilities that separate resources into their liquid and gaseous states to remove impurities and pipelines to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



Drilling of production wells

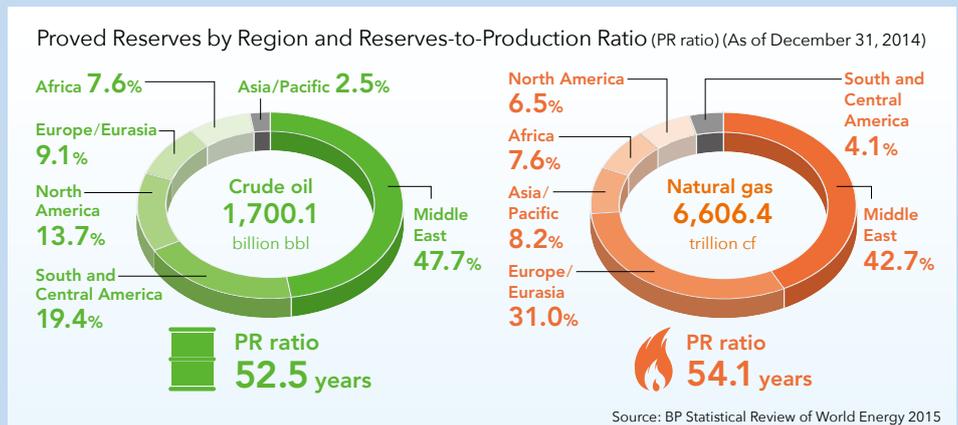
Business Environment in Oil and Gas Development

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



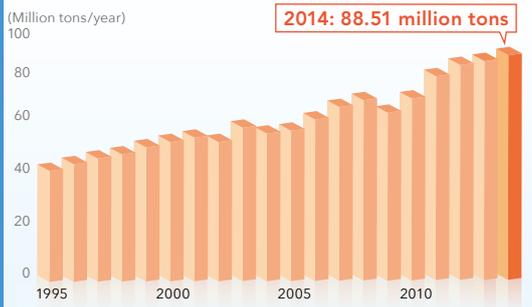
Global Proved Reserves and Reserves-to-Production Ratio

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



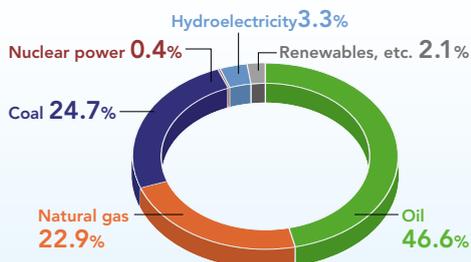
Oil and Natural Gas Demand in Japan

LNG Import Trend in Japan

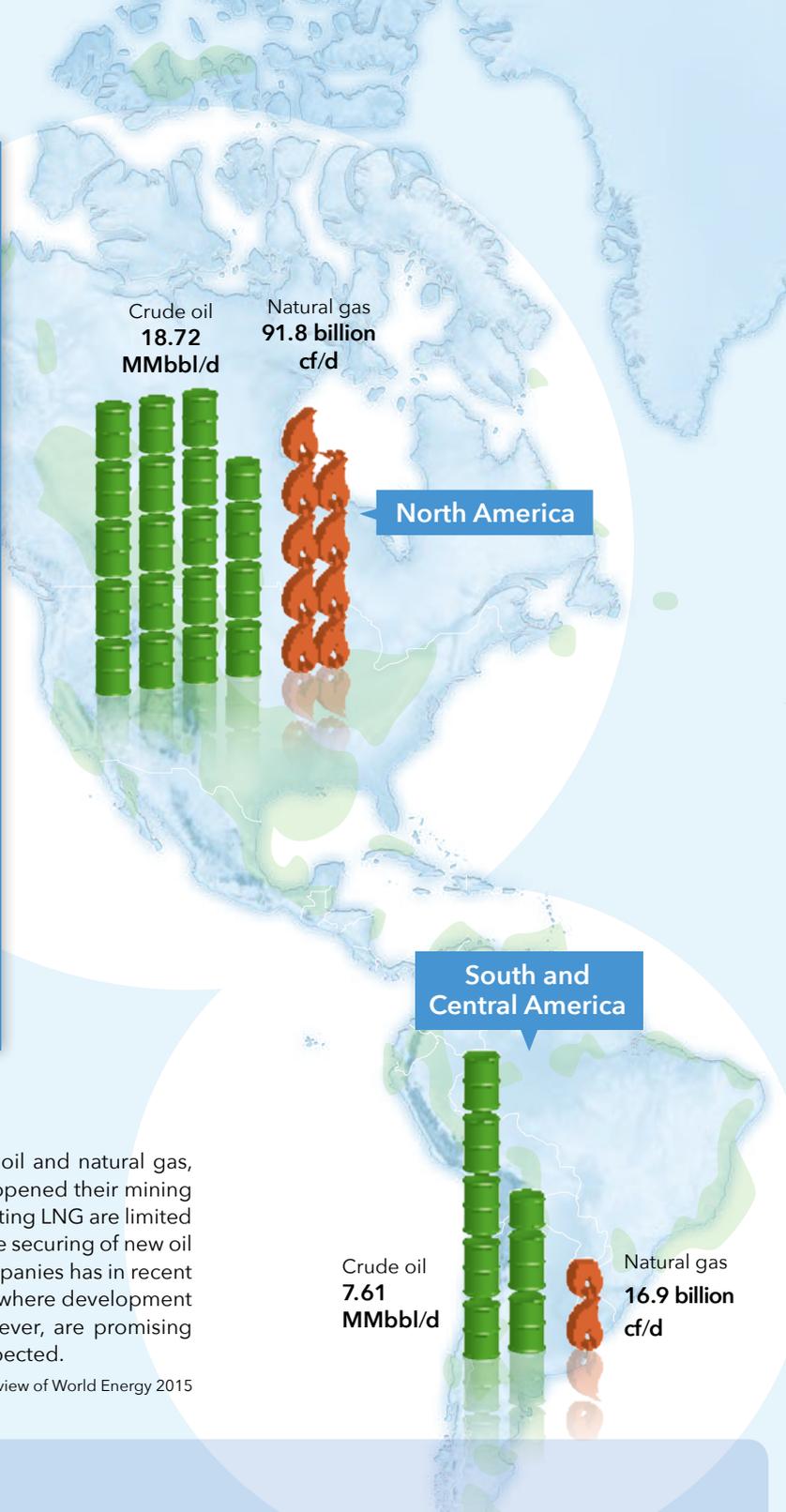


Demand for LNG is increasing in Japan. This reflects the upswing in LNG use for thermal power generation in the wake of the shutdowns of nuclear power plants.
Trade Statistics of Ministry of Finance

Japan's Primary Energy Supply (2013)



Oil that is broadly used as a source of heat and power, as well as in the production of materials, even now accounts for more than 40% of Japan's primary energy demand.
Source: Energy & Economic Statistics in Japan 2015



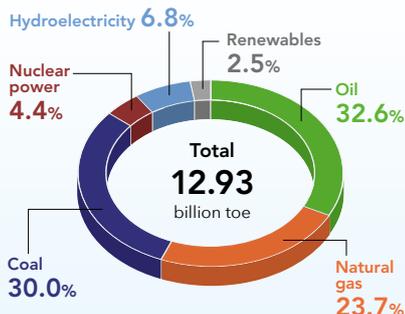
Production Volume by Region

There are many countries and regions that produce oil and natural gas, but countries that have large-scale production, have opened their mining areas to foreign oil companies or are capable of exporting LNG are limited to just a few. Due to the rise in resource nationalism, the securing of new oil and natural gas interests by energy development companies has in recent years continued to be biased toward frontier regions where development is beset with difficulties. Among these regions, however, are promising areas where large-scale reserve volumes are to be expected.
Production volume source: BP Statistical Review of World Energy 2015

Global Energy Demand

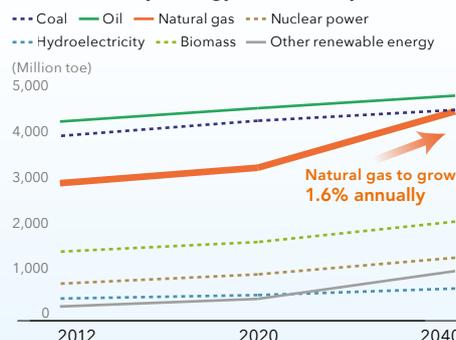
Oil and natural gas account for more than half of the amount of global primary energy consumption. The main focus is on other forms of energy, such as solar, hydro, biomass and geothermal, as these are renewable within a short time of first use and emit less CO₂ during power generation when compared to finite fossil fuels.

World Primary Energy Consumption (2014)



Source: BP Statistical Review of World Energy 2015

World Primary Energy Demand by Fuel



Source: IEA World Energy Outlook 2014 in the New Policies Scenario

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

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

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.

1 Continuous Enhancement of E&P Activities

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

2 Strengthening Gas Supply Chain

Achieve domestic gas supply volume of **2.5 billion m³/year** by the early 2020s
(3.0 billion m³/year in the long term)

3 Reinforcement of Renewable Energy Initiatives

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 building our management base to evolve into an integrated energy company.

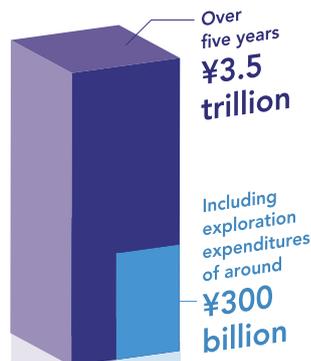
1 Securing/Developing Human Resources and Building an Efficient Organizational Structure

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

Establish an efficient business execution system to facilitate decision making.

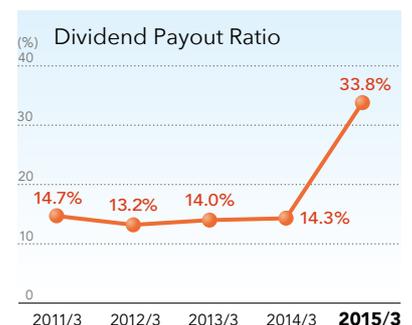
Investment for Growth and Return for Shareholders

Investment

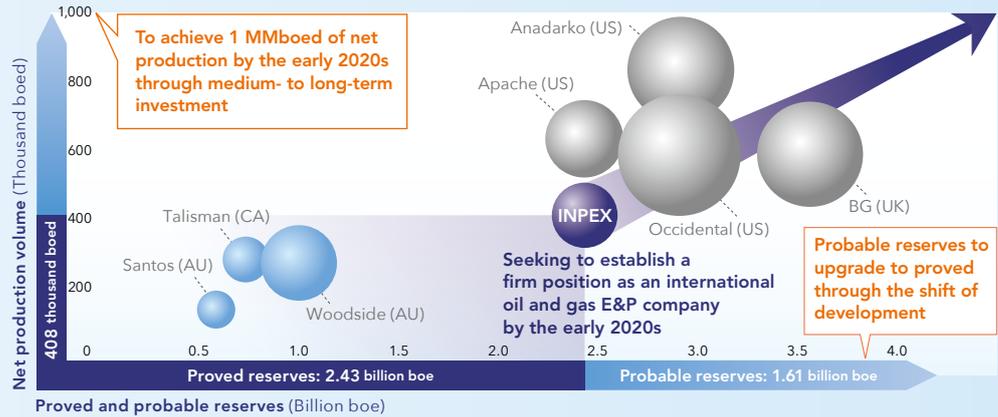


From the year ended March 31, 2013, to March 31, 2017

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



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



Proved reserves and production volume indicated in this chart are from documents disclosed by the major E&P companies in fiscal 2014. The size of the circle shows the market value of each company as of March 31, 2015. Currently, INPEX is positioned as a mid-tier E&P player. As our operations expand through new milestones including the start of production at the Ichthys LNG Project in Australia, we will endeavor to secure a foothold among the world's oil majors by the early 2020s. A comparison between the proved reserves, net production volume and market value of the major international oil and gas E&P players is presented in the above diagram.

Become a Top-Class International Oil and Gas E&P Company

Become an Integrated Energy Company with natural gas as the core

MEDIUM- TO LONG-TERM VISION OF INPEX:

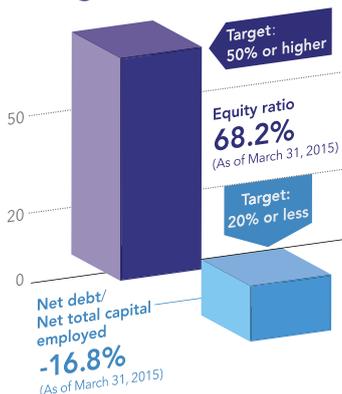
Ichthys and Our Growth Beyond

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

▶ www.inpex.co.jp/en/vision



Maintain Financial Strength



Funding Source

- Own funds**
Approximately ¥1.2 trillion of cash available on hand (As of March 31, 2015)
- Cash flows**
Future operating cash flows obtained each year
- Bank loans**
 - Lending from JBIC
 - Guarantee from JOGMEC
 - Project finance

Responsible Management as a Global Company

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