

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 that contribute to further production revenues. This cycle is the source of sustainable growth as a company.

INPEX's Strength 1

Dynamic Growth Scenario

Ichthys LNG Project

INPEX is the first Japanese company to develop a global large-scale LNG project such as Ichthys in Australia as an operator. Steps are also being taken to quickly bring to fruition the Abadi LNG Project in Indonesia, another undertaking after the Ichthys project in which INPEX will serve as the operator. The Company's net production volume is currently at a level of around more than 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.



Growth of
Production
Volume

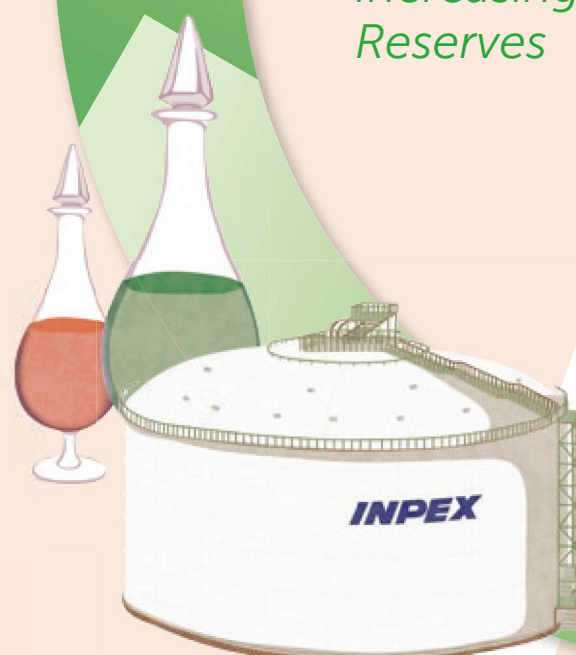
INPEX's Strength 2

A Balanced Portfolio and Strong Reserve Volume/ Resources


4.69 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, and 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 4.69 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.



Increasing
Reserves



Accounting of Revenue Attributable to Sales



Proactive Exploration and Development Investment

INPEX's Strength 3

Natural Gas Supply Chain

Domestic natural gas pipeline network
1,500 km

INPEX owns a natural gas pipeline network in Japan of around 1,500 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. Looking ahead, the Company will endeavor to further strengthen its gas supply chain by organically combining its efforts to develop natural gas sources overseas including the Ichthys LNG Project with the infrastructure of its Natural Gas Business in Japan.

INPEX's Strength 4

Strong Financial Base

Equity ratio: **68.3%**

Net debt/Net total capital employed: **0.9%**

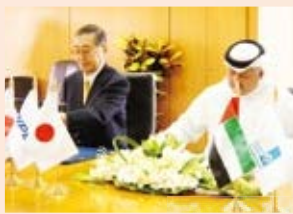
A healthy balance sheet and cash reserves are essential for oil and gas E&P companies. This reflects both the high degree of risk associated with E&P activities and the need to have sufficient funds on hand to take advantage of major investment opportunities. As of March 31, 2017, the Company had an equity ratio of 68.3% and a ratio of net debt to net total capital employed of 0.9%. (Cash and deposits were roughly the same as interest-bearing debt.)

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, production, and sales of crude oil and natural gas. As shown in the business flow below, upstream business activities can be further classified into the acquisition of blocks, exploration, appraisal, development, production and sales.

Acquisition of Blocks

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

Sales

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.

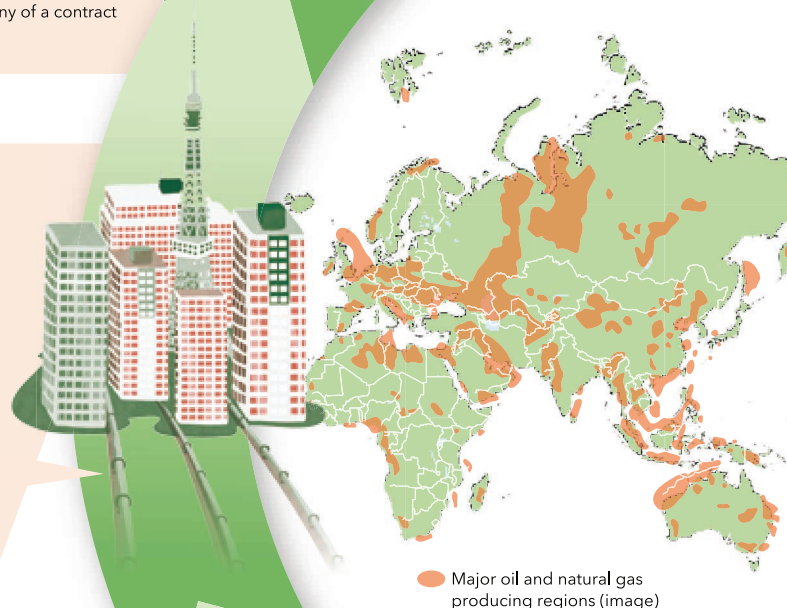
In contrast, because projects characteristically require large-scale investment, in many cases **sales of liquefied natural gas (LNG) result from long-term sale and purchase contracts concluded from both producers and buyers.**

Production

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.



Exploration

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

Appraisal

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

Development

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

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 key initiatives up to the Ichthys start-up as well as medium- to long-term growth targets and the achievement of those targets. The Medium- to Long-Term Vision defines three growth targets and three management policies and clearly specifies our key initiatives.

Three Growth Targets

We have set three growth targets necessary for sustainable growth and will conduct key initiatives 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.

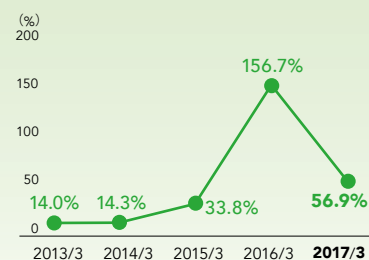
2 Investment for Growth and Return for Shareholders

Investment



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

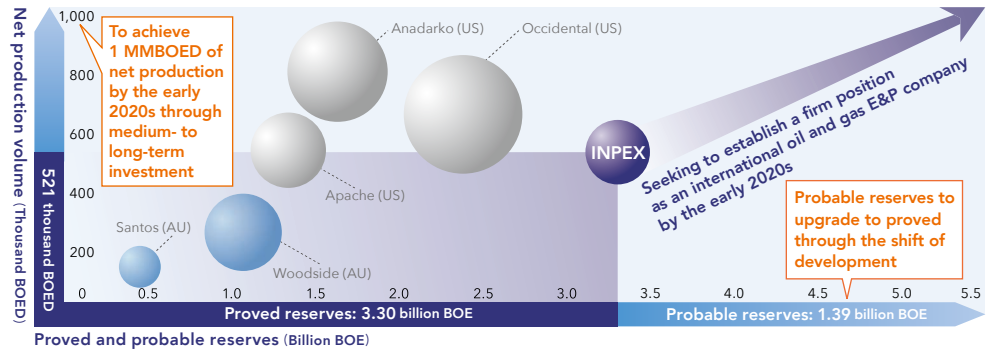
Payout Ratio



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 2016. The size of the circle shows the market value of each company as of March 31, 2017. 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.



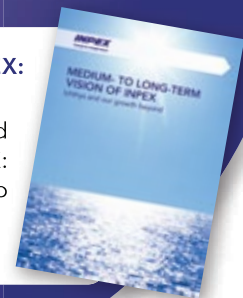
Become
a Top-Class
International Oil and Gas
E&P Company

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Become an Integrated
Energy Company
with natural gas as the core

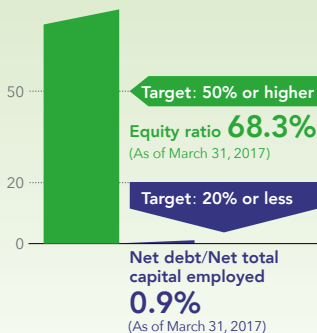
MEDIUM- TO LONG-TERM VISION OF INPEX: Ichthys and Our Growth Beyond

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

¥663.0 billion
of cash available on hand
(As of March 31, 2017)

Cash flows

Future operating cash flows
obtained each year

Bank loans

- Lending from JBIC
- Guarantee from JOGMEC
- Project finance

3 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.