

An aerial photograph of a large offshore oil rig, painted in bright orange, dominates the right side of the slide. The rig features a tall derrick and various support structures. Several smaller support vessels are visible in the surrounding blue ocean. The background shows a clear blue sky and a distant shoreline.

# INPEX CORPORATION

# Financial Results

for the Six Months ended September 30, 2017

November 9, 2017

- Corporate Overview
- Financial Results  
for the six months ended September 30, 2017

# Cautionary Statement



This presentation includes forward-looking information that reflects the plans and expectations of the Company. Such forward-looking information is based on the current assumptions and judgments of the Company in light of the information currently available to it, and involves known and unknown risks, uncertainties, and other factors. Such risks, uncertainties and other factors may cause the Company's performance, achievements or financial position to be materially different from any future results, performance, achievements or financial position expressed or implied by such forward-looking information. Such risks, uncertainties and other factors include, without limitation:

- Price volatility and change in demand in crude oil and natural gas
- Foreign exchange rate volatility
- Change in costs and other expenses pertaining to exploration, development and production

The Company undertakes no obligation to publicly update or revise the disclosure of information in this presentation (including forward-looking information) after the date of this presentation.

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# Corporate Overview

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Toshiaki Kitamura  
Representative Director, President & CEO



# First-Half FY 2018/03 Financial Results Presentation

## Highlights



Financial Results and Forecasts	<ul style="list-style-type: none"> <li>- Half-year Financial Results (Apr.2017 – Sep.2017) <ul style="list-style-type: none"> <li>• Net sales ¥447.9 billion (15.0% increase YoY)</li> <li>• Net income ¥30.1 billion (91.7% increase YoY)</li> </ul> </li> <li>- Financial Forecasts (FY2018/3) <ul style="list-style-type: none"> <li>• Net sales ¥877.0 billion (Forecast)</li> <li>• Net income ¥52.0 billion (Forecast)</li> </ul> </li> </ul>
Major Projects	<ul style="list-style-type: none"> <li>- <u>Ichthys LNG Project</u>: Commissioning work in progress on Offshore/Onshore facilities. Production to start up during the current fiscal year</li> <li>- <u>Abadi LNG Project</u>: Preparing Pre-FEED work based on an onshore LNG development scheme</li> <li>- <u>ACG Oil Fields in Caspian Sea</u>: Entered into an agreement with the State Oil Company of the Azerbaijan Republic (SOCAR) to extend the duration of the PSA by 25 years until December 31, 2049</li> <li>- <u>Offshore Mahakam Block</u>: Current PSC expires at the end of 2017. Currently in discussions concerning participation in the block after 2018</li> <li>- <u>Natural Gas Business in Japan</u>: Agreed on sales contracts with three additional city gas companies to supply electricity. Natural gas sales in FY2018/03 estimated to be 2,090 million m<sup>3</sup></li> </ul>
Net Production	<ul style="list-style-type: none"> <li>- 481 thousand BOED</li> </ul>

# First-Half FY 2018/03 Corporate Highlights



## Continuous Enhancement of E&P Activities

- Sailed away FLNG facility for Prelude FLNG Project (June)
- Entered into agreement to extend duration of the PSA for ACG Oil Fields (September)
- Acquired participating interest in exploration license PL767 in Western Barents Sea Offshore Norway (September)
- Achieved key milestones for Ichthys LNG Project: CPF / FPSO arrived at the Ichthys Field, mooring and hook-up completed (October)

## Strengthening Gas Supply Chain

- Strengthened LNG marketing functions through internal reorganization (June)
- Pursued gas value chain business development through internal reorganization (July)
- Agreed on sales contracts with 3 additional city gas companies to supply electricity (July)
- Held naming ceremony for LNG tanker to supply CPC Corporation, Taiwan (September)
- Held naming ceremony for LNG tanker to supply Naoetsu LNG terminal (October)

## Reinforcement of Renewable Energy Initiatives

- Strengthened renewable energy and electric power business through internal reorganization (September)
- Commenced commercial operations of second unit of Sarulla Geothermal IPP project in Indonesia (October)

# Ichthys LNG Project Overview



## ■ Current progress:

- ✓ Commissioning work in progress on the main facilities
- ✓ Production to start up sequentially during the current fiscal year, with product shipments following thereafter

## ■ Production Plan:

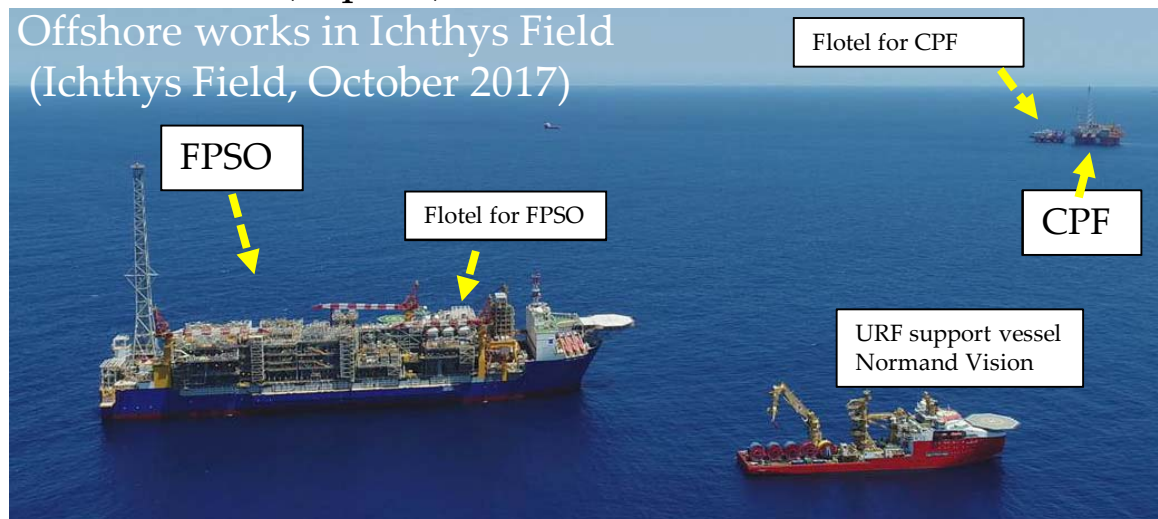
- ✓ Production period: approx. 40 years
- ✓ Approx. 8.9 million t/y of LNG (plateau)  
⇒ Production capacity increased from 8.4 million t/y to 8.9 million t/y (approx. 6% increase)  
⇒ The project will maintain peak production for approx. 20 years
- ✓ Approx. 1.65 million t/y of LPG (plateau)  
⇒ Production capacity expected to increase by approx. 4% from 1.6 million t/y
- ✓ Approx. 100,000 bbl/d of condensate (at peak)

## ■ Proved reserves

- ✓ Approx. 930 million BOE (based on INPEX's participating interest of 62.245%)

## ■ Marketing

- ✓ Secured LNG SPAs covering 8.4 million t/y of LNG
- ✓ Secured LPG SPA covering INPEX share etc.



# Ichthys LNG Project

## Offshore facilities / Production wells ① **INPEX**



### Key milestones (2016~)

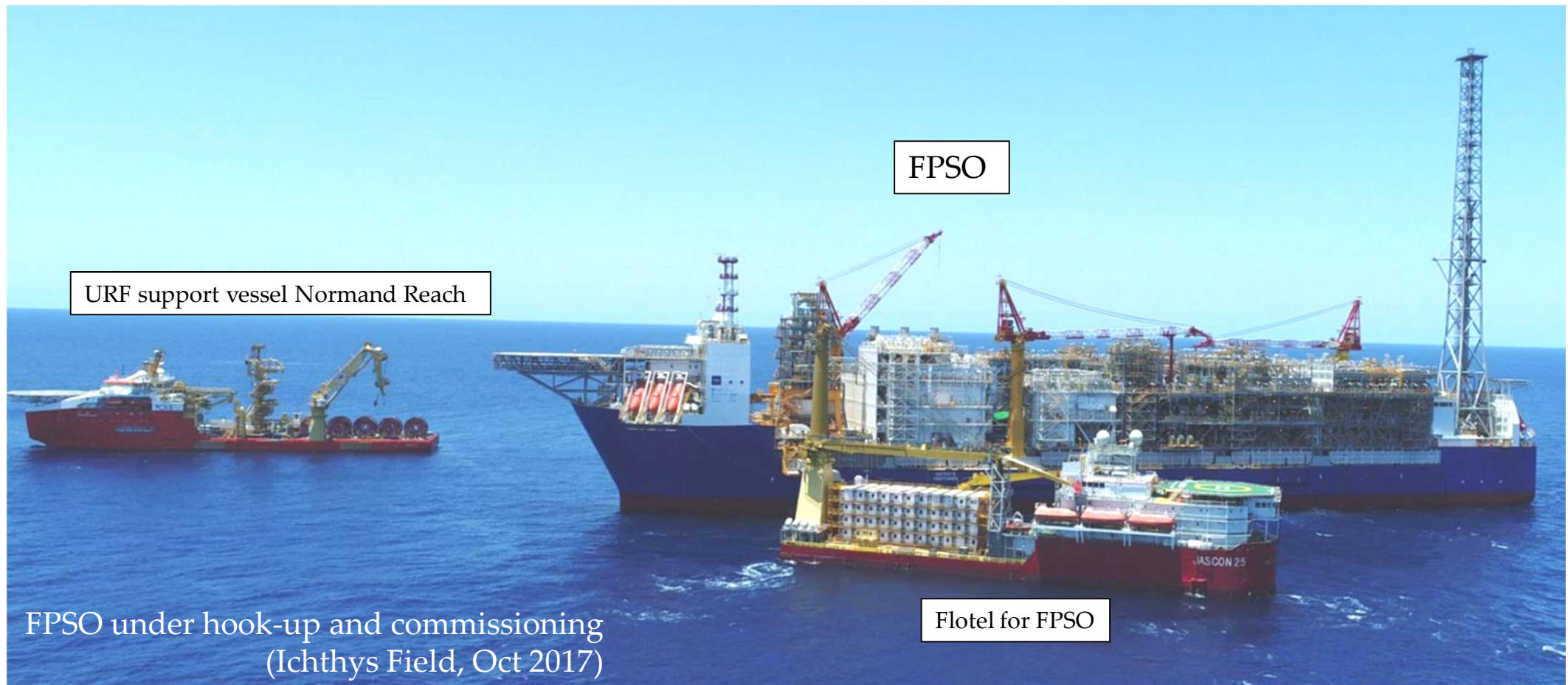
Milestone	Achieved
Installation of subsea flow lines completed	✓
Installation of subsea production facilities completed	✓
CPF sail away	✓
CPF mooring	✓
FPSO sail away	✓
FPSO mooring	✓
Subsea production facilities connected to CPF & FPSO	✓
Production start-up	

※CPF: Central Processing Facility  
FPSO: Floating Production Storage and Offloading



# Ichthys LNG Project

## Offshore facilities / Productions wells ② **INPEX**



- ✓ Drilling of production wells required for production start-up completed.
- ✓ Hook-up between CPF/FPSO and subsea production facilities completed.
- ✓ Commissioning work on each facility in progress toward production start-up.

# Ichthys LNG Project

## Onshore facilities ①



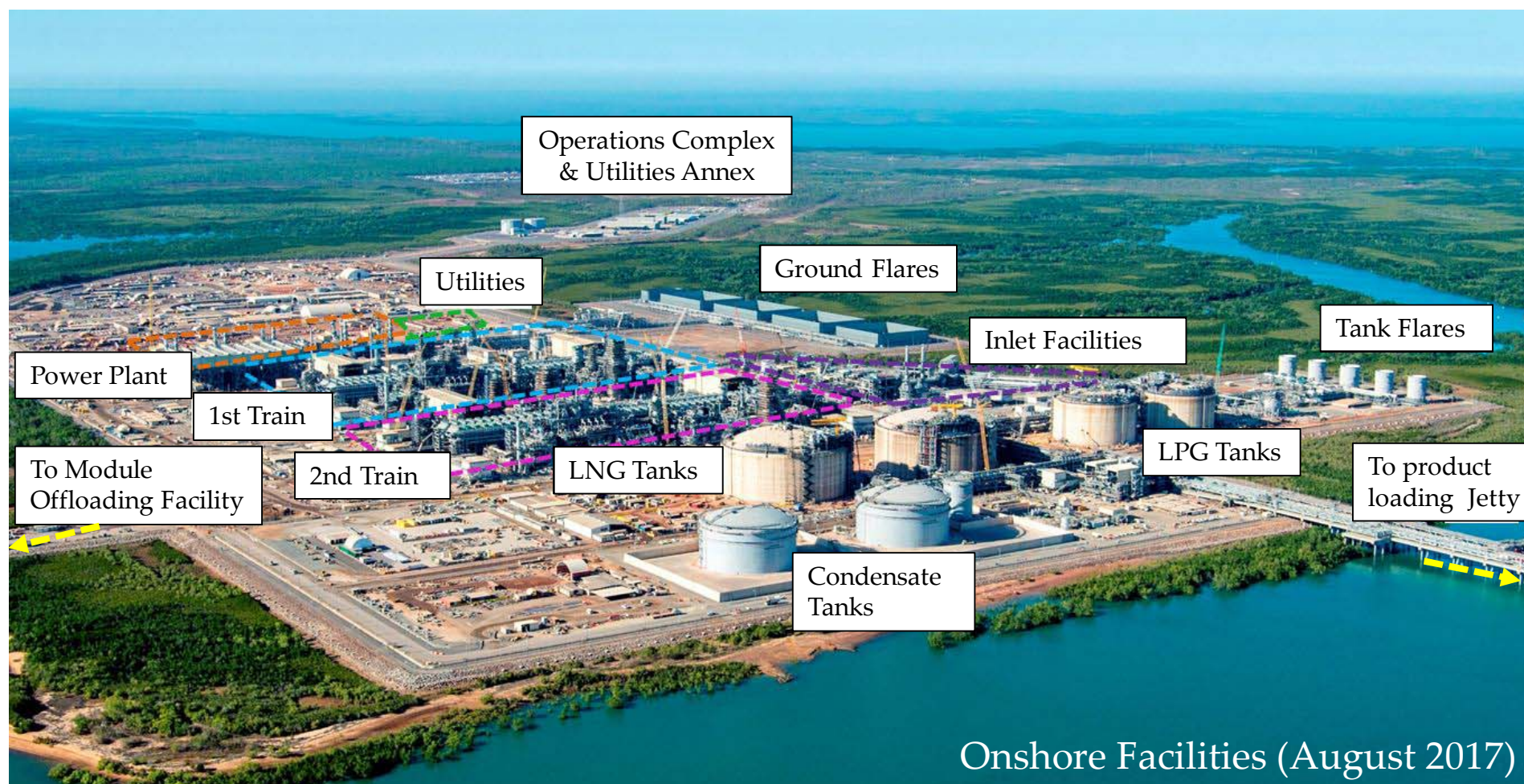
### Key Milestones (2016~)

Milestone	Achieved
Construction of product loading jetty completed	✓
Construction and delivery of all 230 modules completed	✓
Pipelay of gas export pipeline (onshore part) completed / Ready to deliver gas	✓
Hydrostatic testing on all product tanks completed	✓
Power generators ready to start-up	✓
LNG Plant ready for gas intake	
Commencement of feed gas intake and start-up of production of all products	



# Ichthys LNG Project

## Onshore facilities ②

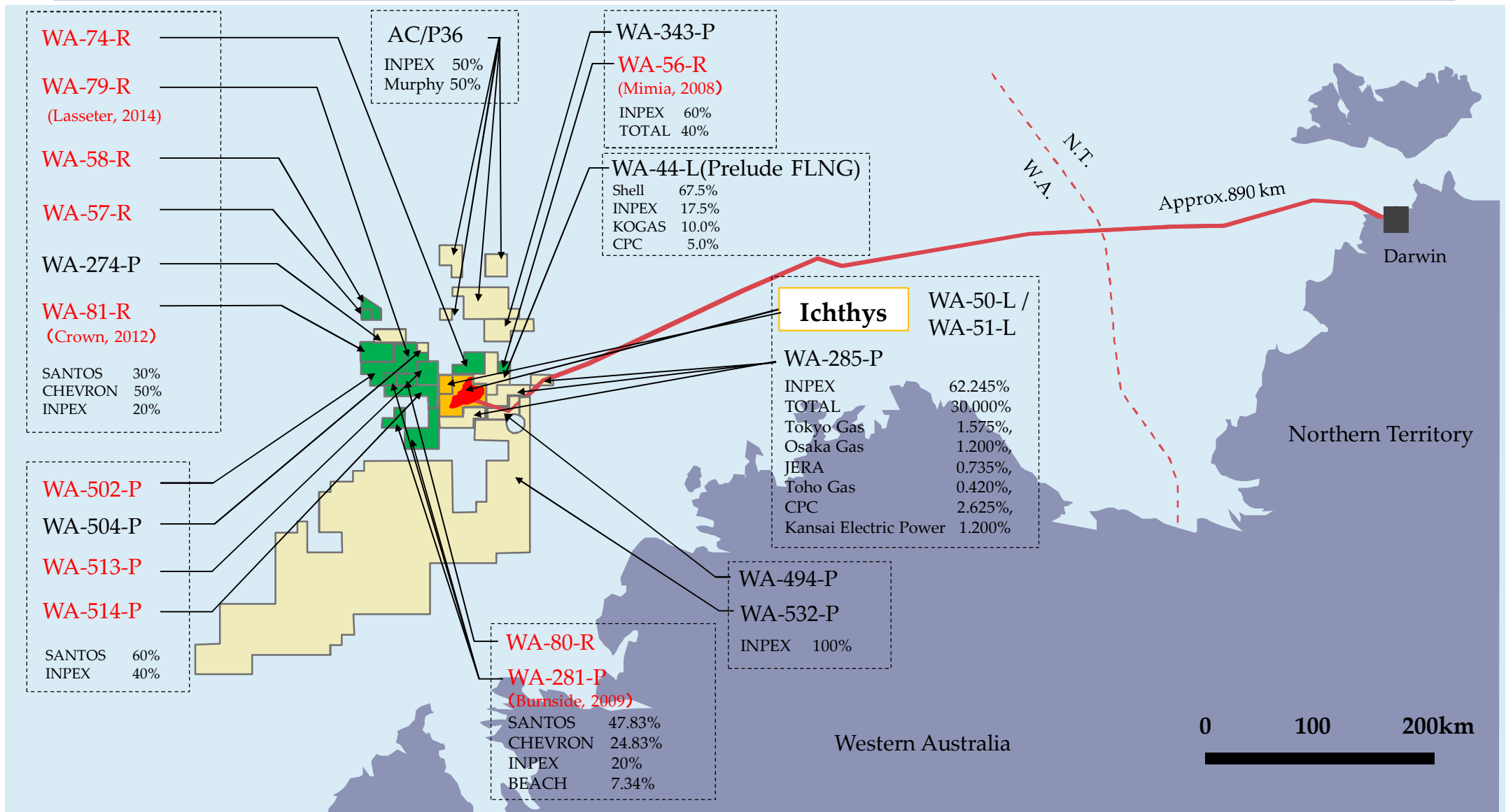


Onshore Facilities (August 2017)

- ✓ Construction work peaked during 2015 ~2016
- ✓ Major construction work on main facilities completed
- ✓ Commissioning work on each facility in progress toward production start-up

# Ichthys LNG Project

## Exploration Blocks in Vicinity of Ichthys Field **INPEX**



- ✓ Participating interests held in 18 exploration blocks in vicinity of the Ichthys Field, including newly awarded WA-532-P. Crown, Lasseter, Mimia and Burnside gas structures extending across at least 11 exploration blocks already discovered.

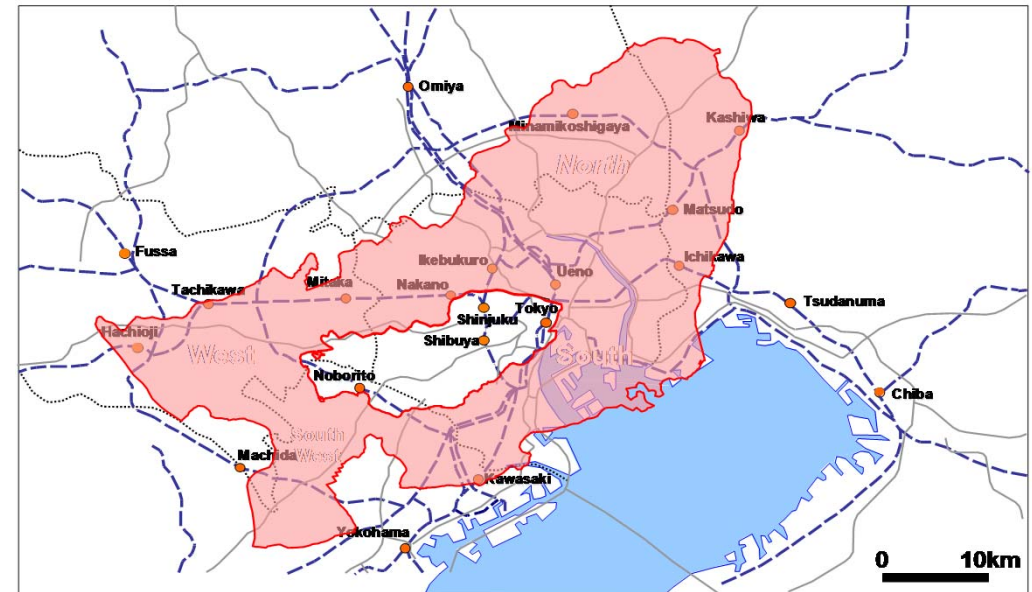
11 ✓ Site for additional LNG trains in Darwin already secured.



# Abadi LNG Project



Location of Masela Block



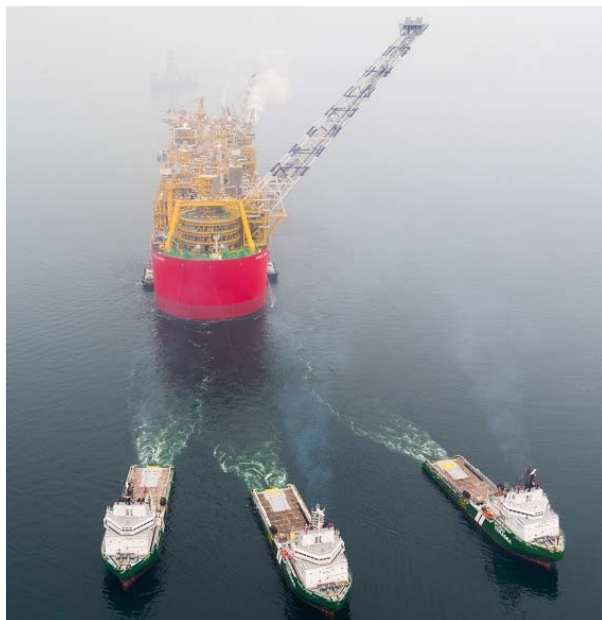
Abadi Gas Field superimposed on map of Greater Tokyo (image)

- INPEX has been preparing Pre-FEED work based on an onshore LNG development scheme as a result of constructive discussions with the Indonesian government.
- The Abadi LNG Project was listed as a national strategic project by the Indonesian government in June 2017 and listed as a priority infrastructure project in September 2017.

# First-Half FY 2018/03 Topics



## Progress of upstream business (First-half FY 2018/03)



### **Commonwealth of Australia: Prelude FLNG Project**

(Under Development)

- FLNG facility sailed away from its construction site in South Korea in June 2017 and arrived in Australian waters in July 2017.
- FLNG secured by mooring chains and currently undergoing commissioning work.
- Participating interest: 17.5%  
(Operator: Shell)



### **Republic of Azerbaijan : ACG Oil Fields in Caspian Sea**

(In Production)

- In September 2017, INPEX and its partners entered into an agreement with the State Oil Company of the Azerbaijan Republic (SOCAR) to extend duration of PSA by 25 years until December 31, 2049.
- Participating interest: 10.9644%\*  
(Operator: BP)

\*INPEX's participating interest will decrease to 9.3072% as a result of the PSA amendment, which is expected to become effective January 1, 2018.



### **Kingdom of Norway: PL767 in Western Barents Sea Offshore Norway**

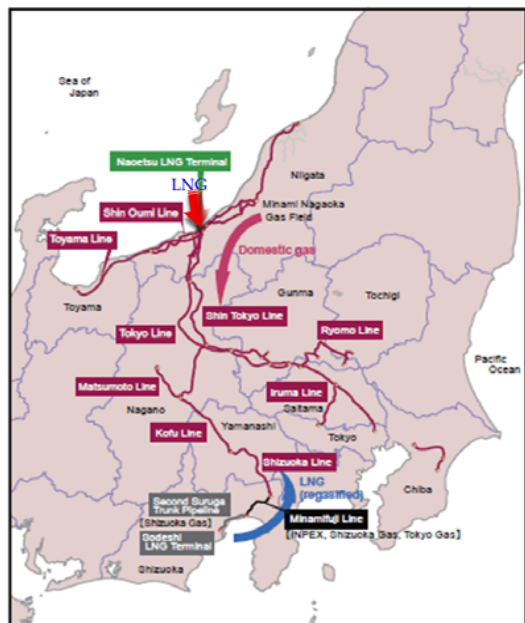
(Under Exploration)

- In September 2017, INPEX entered into an agreement to acquire a 40% participating interest in exploration license.
- INPEX's first ever project in Norway.
- Participating interest: 40%  
(Operator: Lundin Norway AS)

# Natural Gas Business in Japan and Renewable Energy Initiatives



## Domestic natural gas business



- In July 2017, agreed on sales contracts with three additional city gas companies based on Heads of Agreement with Chubu Electric on joint business operation to supply electricity
- Natural Gas Sales
  - FY 2017/03: approx. 1,910 million m<sup>3</sup> \*
  - FY 2018/03 (estimated): approx. 2,090 million m<sup>3</sup> \*

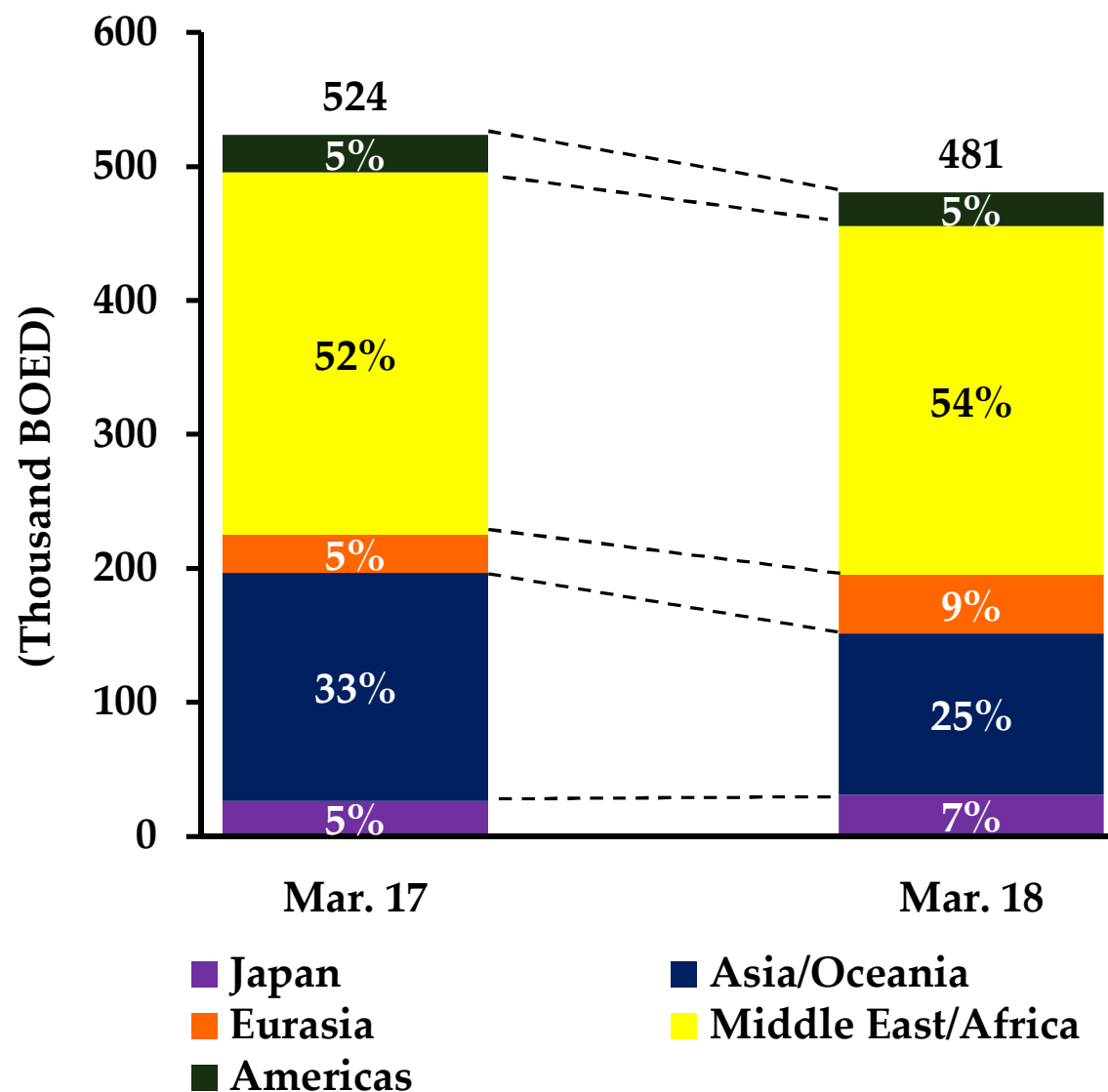
\*1m<sup>3</sup> = 41.8605MJ

## Geothermal power generation business



- Indonesia: Sarulla Geothermal Independent Power Producer (IPP) Project
  - Power plant with maximum capacity of 330MW, the world's largest single-contract geothermal power project
  - Commenced commercial operations of 1<sup>st</sup> unit in March 2017 and 2<sup>nd</sup> unit in October 2017, targeting ramp-up with 3<sup>rd</sup> unit

# Net Production\* (April - September 2017) **INPEX**



\* The production volume of crude oil and natural gas under the production sharing contracts entered into by the INPEX Group corresponds to the net economic take of the INPEX Group.



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Financial Results for the six months ended  
September 30, 2017

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Masahiro Murayama  
Director, Senior Managing Executive Officer  
Senior Vice President, Finance & Accounting

# Highlights of the Consolidated Financial Results for the six months ended September 30, 2017



	Apr. - Sep. '16	Apr. - Sep. '17	Change	%Change
Net sales (Billions of yen)	389.6	447.9	58.2	15.0%
Crude oil sales	275.8	330.9	55.0	20.0%
Natural gas sales (including LPG)	108.0	110.8	2.8	2.6%
Others	5.7	6.1	0.3	6.6%
Operating income (Billions of yen)	138.0	185.8	47.7	34.6%
Ordinary income (Billions of yen)	132.1	195.4	63.2	47.8%
Net income attributable to owners of parent (Billions of yen)	15.7	30.1	14.4	91.7%
Net income per share (Yen)	10.77	20.65	9.88	91.7%

Average number of INPEX shares issued and outstanding during the six months ended Sep 30, 2017: 1,460,357,100

Average crude oil price (Brent) (\$/bbl)	47.01	51.49	4.48	9.5%
Average exchange rate (¥/\$)	105.26	111.05	5.79yen depreciation	5.5% depreciation

# Crude Oil Sales



	Apr. - Sep. '16	Apr. - Sep. '17	Change	%Change
Net sales (Billions of yen)	275.8	330.9	55.0	20.0%

Sales volume (thousand bbl)	59,970	57,530	(2,440)	(4.1%)
Average unit price of overseas production (\$/bbl)	43.08	51.25	8.17	19.0%
Average unit price of domestic production (¥/kl)	32,003	37,780	5,777	18.1%
Average exchange rate (¥/\$)	106.65	111.44	4.79yen depreciation	4.5% depreciation

Sales volume by region (thousand bbl)	Apr. - Sep. '16	Apr. - Sep. '17	Change	%Change
Japan	415 (66.0 thousand kl)	470 (74.8 thousand kl)	55 (+8.8 thousand kl)	13.3%
Asia & Oceania	6,548	4,160	(2,389)	(36.5%)
Eurasia (Europe & NIS)	6,260	5,981	(280)	(4.5%)
Middle East & Africa	45,734	45,979	245	0.5%
Americas	1,012	940	(72)	(7.1%)
Total	59,970	57,530	(2,440)	(4.1%)

# Natural Gas Sales (excluding LPG)



	Apr. - Sep. '16	Apr. - Sep. '17	Change	%Change
Net sales (Billions of yen)	104.3	108.3	3.9	3.7%

Sales volume (million cf)	165,837	151,351	(14,487)	(8.7%)
Average unit price of overseas production (\$/thousand cf)	4.83	5.14	0.31	6.4%
Average unit price of domestic sales (¥/m <sup>3</sup> )	43.88	45.64	1.76	4.0%
Average exchange rate (¥/\$)	105.87	110.71	4.84yen depreciation	4.6% depreciation

Sales volume by region (million cf)	Apr. - Sep. '16	Apr. - Sep. '17	Change	%Change
Japan	29,523 (791million m <sup>3</sup> *)	34,005 (911million m <sup>3</sup> *)	4,482 (+120million m <sup>3</sup> *)	15.2%
Asia & Oceania	118,646	92,664	(25,982)	(21.9%)
Eurasia (Europe & NIS)	-	3,724	3,724	-
Middle East & Africa	-	-	-	-
Americas	17,668	20,957	3,289	18.6%
Total	165,837	151,351	(14,487)	(8.7%)

\*1m<sup>3</sup>=41.8605MJ

## (FYI) LPG Sales

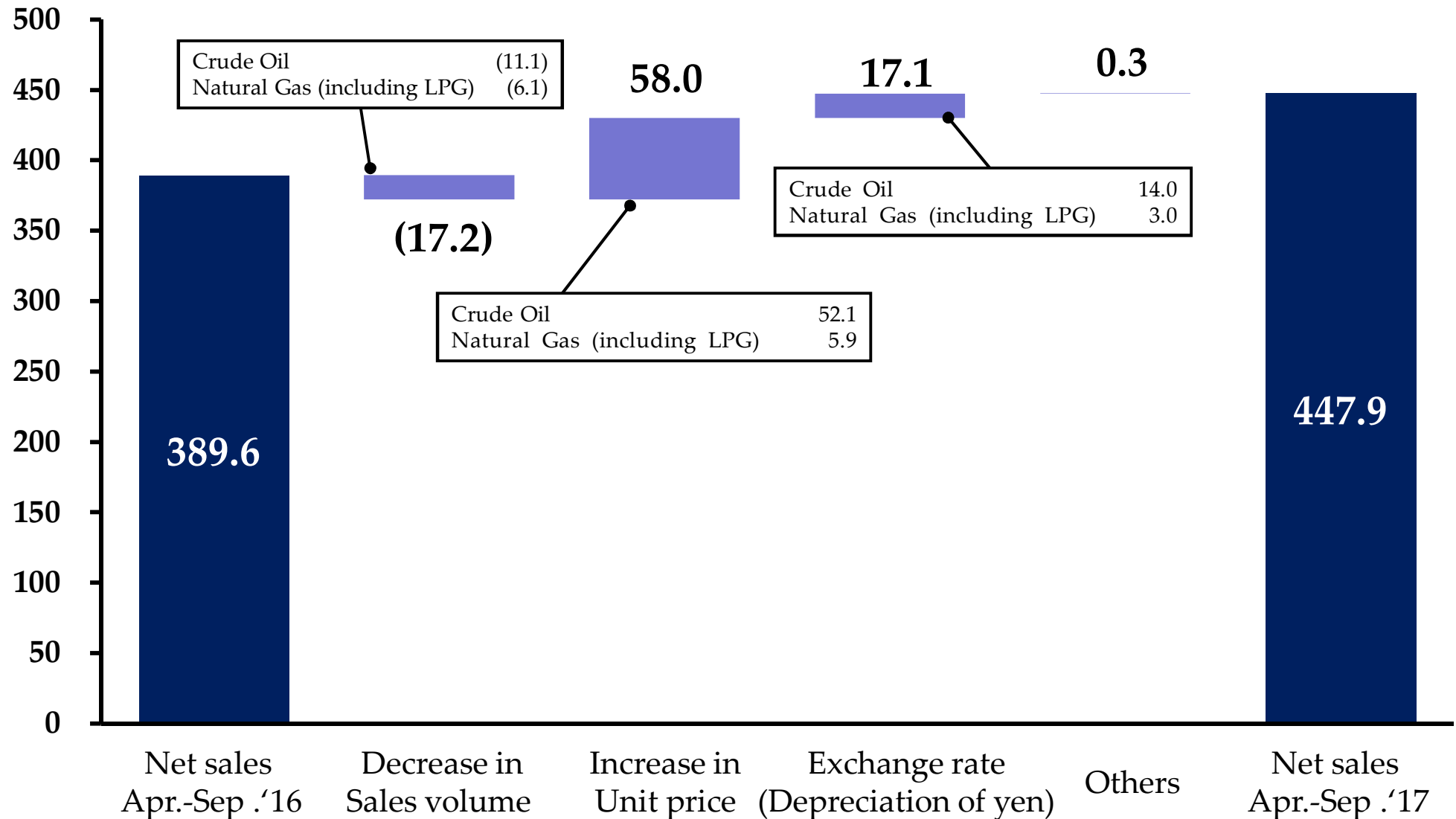
	Apr. - Sep. '16	Apr. - Sep. '17	Change	%Change
Net Sales (Billions of yen)	3.6	2.5	(1.0)	(29.7%)



# Analysis of Net Sales Increase



(Billions of Yen)



# Statement of Income



(Billions of Yen)	Apr. - Sep. '16	Apr. - Sep. '17	Change	%Change	
Net sales	389.6	447.9	58.2	15.0%	Decrease in sales volume : (17.2)
Cost of sales	210.1	222.1	12.0	5.7%	Increase in unit price : +58.0
Gross profit	179.5	225.7	46.2	25.7%	Exchange rate
Exploration expenses	2.4	0.9	(1.5)	(61.6%)	(Depreciation of yen) : +17.1
Selling, general and administrative expenses	38.9	38.9	(0.0)	(0.1%)	Others : +0.3
Operating income	138.0	185.8	47.7	34.6%	Cost of sales for Crude Oil : 156.8
Other income	16.4	15.6	(0.7)	(4.8%)	(Change) +15.2
Other expenses	22.3	6.0	(16.2)	(72.8%)	Cost of sales for Natural Gas* : 60.3
Ordinary income	132.1	195.4	63.2	47.8%	(Change) (2.7)
Total income taxes	107.4	161.5	54.1	50.4%	* Including LPG
Net income (loss) attributable to non-controlling interests	8.9	3.6	(5.3)	(59.2%)	Main factor for change :
Net income attributable to owners of parent	15.7	30.1	14.4	91.7%	Foreign exchange loss (17.1)

# Other Income/Expenses

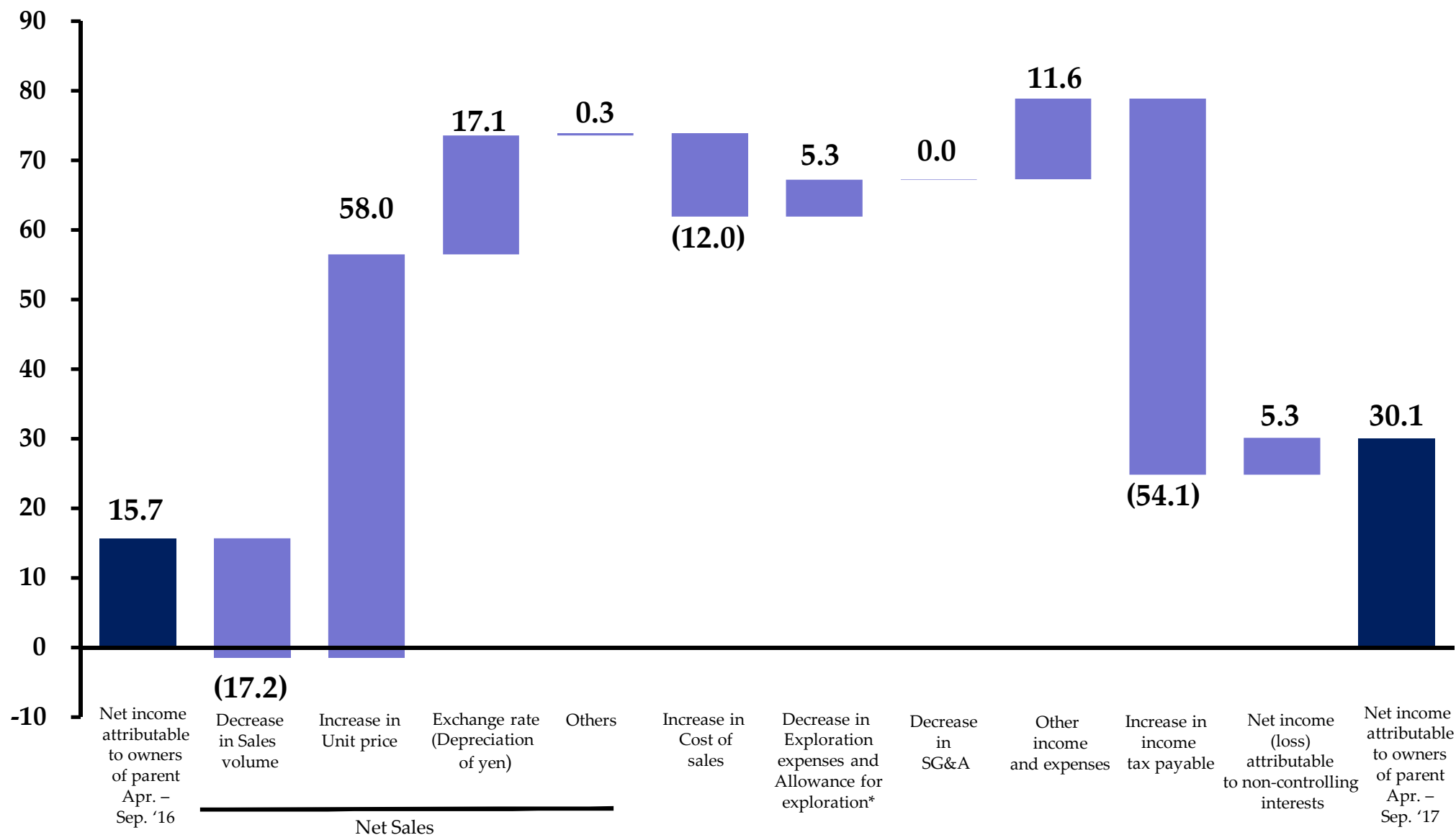


(Billions of Yen)	Apr. - Sep. '16	Apr. - Sep. '17	Change	%Change
Other income	16.4	15.6	(0.7)	(4.8%)
Interest income	5.1	4.0	(1.0)	(20.8%)
Dividend income	1.3	2.0	0.6	51.8%
Equity in earnings of affiliates	-	2.1	2.1	-
Gain on reversal of allowance for recoverable accounts under production sharing	-	2.7	2.7	-
Foreign exchange gain	-	0.0	0.0	-
Other	9.9	4.5	(5.3)	(54.0%)
Other expenses	22.3	6.0	(16.2)	(72.8%)
Interest expense	2.4	3.2	0.7	33.2%
Equity in losses of affiliates	0.4	-	(0.4)	-
Provision for allowance for recoverable accounts under production sharing	1.0	-	(1.0)	-
Foreign exchange loss	17.1	-	(17.1)	-
Other	1.2	2.8	1.5	120.8%

# Analysis of Net Income Increase



(Billions of Yen)





# Balance Sheet



(Billions of yen)	Mar. '17	Sep. '17	Change	%Change
Current assets	942.9	751.4	(191.4)	(20.3%)
Tangible fixed assets	1,928.5	2,045.6	117.1	6.1%
Intangible assets	521.2	499.3	(21.9)	(4.2%)
Recoverable accounts under production sharing	611.9	591.1	(20.8)	(3.4%)
Other	424.2	572.2	148.0	34.9%
Less allowance for recoverable accounts under production sharing	(116.8)	(90.2)	26.5	(22.7%)
<b>Total assets</b>	<b>4,312.1</b>	<b>4,369.6</b>	<b>57.4</b>	<b>1.3%</b>
Current liabilities	297.4	285.1	(12.3)	(4.2%)
Long-term liabilities	807.1	871.8	64.6	8.0%
<b>Total net assets</b>	<b>3,207.5</b>	<b>3,212.6</b>	<b>5.1</b>	<b>0.2%</b>
(Non-controlling interests)	264.3	263.7	(0.6)	(0.3%)
<b>Total liabilities and net assets</b>	<b>4,312.1</b>	<b>4,369.6</b>	<b>57.4</b>	<b>1.3%</b>
Net assets per share (Yen)	2,015.38	2,019.36	3.98	0.2%

Available fund (Billions of yen)\* : 546.0

Breakdown

- Cash and deposits : 535.2
- Marketable securities : 5.5
- Available investment securities : 5.3

\*Amounts to be allocated to the investments based on the investment plan

Summary of financial information for Ichthys downstream JV (100% basis, including the Company's equity share 62.245%)  
(Billions of yen)

- Current assets : 58.2
- Fixed assets : 3,378.9
- Total assets : 3,437.2

Total shareholders' equity : +17.0  
Accumulated other comprehensive income (Billions of yen) : (11.1)

- Unrealized holding gain on securities : +1.8
- Unrealized gain from hedging instruments : +2.8
- Translation adjustments : (15.8)

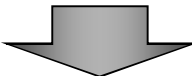
# Statement of Cash Flows



(Billions of Yen)	Apr. - Sep. '16	Apr. - Sep. '17	Change	%Change
Income before income taxes	132.1	195.4	63.2	47.8%
Depreciation and amortization	43.2	45.4	2.1	5.0%
Recovery of recoverable accounts under production sharing (capital expenditures)	37.2	34.9	(2.2)	(6.1%)
Recoverable accounts under production sharing (operating expenditures)	(1.5)	1.2	2.8	-
Income taxes paid	(110.4)	(143.7)	(33.2)	30.1%
Other	15.9	7.8	(8.1)	(51.1%)
Net cash provided by (used in) operating activities	116.6	141.1	24.5	21.0%
Payments for time deposits / Proceeds from time deposits	166.3	73.4	(92.8)	(55.8%)
Payments for purchases of tangible fixed assets	(143.1)	(139.2)	3.9	(2.8%)
Payments for purchases of marketable securities/investment securities	(0.1)	(126.3)	(126.1)	-
Investment in recoverable accounts under production sharing (capital expenditures)	(24.3)	(13.6)	10.6	(44.0%)
Long-term loans made / Collection of long-term loans receivable	(65.4)	(23.4)	42.0	(64.2%)
Other	(9.3)	0.7	10.1	-
Net cash provided by (used in) investing activities	(76.2)	(228.3)	(152.1)	199.6%
Net cash provided by (used in) financing activities	(26.4)	42.3	68.8	-
Cash and cash equivalents at end of the period	62.5	270.8	208.3	333.3%

# Differences between Consolidated Financial Forecasts and Actual Results for the six months ended September 30, 2017 **INPEX**

## - Assumptions

(August 4, 2017)	1 <sup>st</sup> half (Previous Forecasts)
Crude oil price (Brent) (US\$/bbl)	50.4
Exchange rate (yen/US\$)	110.6
	
(November 8, 2017)	1 <sup>st</sup> half (Actual Results)
Crude oil price (Brent) (US\$/bbl)	51.5
Exchange rate (yen/US\$)	111.1

## - Differences between Consolidated Financial Forecasts and Actual Results for the six months ended September 30, 2017

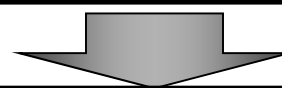
	Previous Forecasts (August 4, 2017)	Actual Results	Change	% Change
Net Sales (billions of yen)	430.0	447.9	17.9	4.2%
Operating income (billions of yen)	164.0	185.8	21.8	13.3%
Ordinary income (billions of yen)	176.0	195.4	19.4	11.0%
Net income attributable to owners of parent (billions of yen)	28.0	30.1	2.1	7.7%

# Revisions of Financial Forecasts for the year ending March 31, 2018



## - Assumptions

(August 4, 2017)	1 <sup>st</sup> half	2 <sup>nd</sup> half	Full year
Crude oil price (Brent) (US\$/bbl)	50.4	50.0	50.2
Exchange rate (yen/US\$)	110.6	110.0	110.3



(November 8, 2017)	1 <sup>st</sup> half	2 <sup>nd</sup> half	Full year
Crude oil price (Brent) (US\$/bbl)	51.5 ※1	55.0	53.3
Exchange rate (yen/US\$)	111.1 ※2	110.0	110.5

※1 1st quarter (Actual) : US\$ 50.8/bbl, 2nd quarter (Actual) : US\$52.2/bbl    ※2 1st quarter (Actual) : ¥111.1/US\$, 2nd quarter (Actual) : ¥111.0/US\$

## - Financial Forecasts for the year ending March 31, 2018

	Previous forecasts (August 4, 2017)	Revised forecasts (November 8, 2017)	Change	% Change
Net sales (billions of yen)	839.0	877.0	38.0	4.5%
Operating income (billions of yen)	309.0	341.0	32.0	10.4%
Ordinary income (billions of yen)	337.0	367.0	30.0	8.9%
Net income attributable to owners of parent (billions of yen)	52.0	52.0	-	-

## - Dividend per share

	End of 2Q	End of fiscal year (forecast)
Year ending March 31, 2018 (yen)	9	9