



Mid-to-Long Term Business Challenges

INPEX CORPORATION

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Cautionary Statement for forward-looking information

This document includes forward-looking information that reflects the plan and expectations of INPEX Group. 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 risk, uncertainties, and other factors. Such risks, uncertainties and other factors may cause the Group'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 the exploration, development and production

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

Foreword

On October 1, 2008, INPEX Holdings Inc. absorbed INPEX CORPORATION and Teikoku Oil Co. Ltd. and made a fresh start as the new INPEX CORPORATION. We have made our management structure more efficient and flexible through complete organizational unification and consolidation of key offices.

At this new start, we have drawn up our basic strategies to pursue and challenges we have to address in mid-to-long term as “Mid-to-Long Term Business Challenges”, in order to fulfill our social responsibility of contributing to a stable and efficient supply of energy by undertaking proactive exploration, development and production activities.

In “Mid-to-Long Term Business Challenges”, we set out our mid-to-long term growth targets and, to achieve these targets, we established the Group’s three fundamental strategies to pursue while specifying business challenges in areas of finance, human resources and technical expertise.

Based on a well-balanced asset portfolio, further strengthened operational and technical capabilities and reinforced management, all of which have been formed as the result of the business integration, we at the INPEX Group will continue to strive to enhance our corporate value by implementing our business activities in a stable and efficient manner

1 . Management Principle

(1) Mission

The mission of INPEX Group is to provide a stable and efficient supply of energy to our customers by exploring and developing oil and natural gas resources 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.

(2) Corporate Social Responsibility Policy

The INPEX Group conducts our business efficiently and proactively with a long-term perspective. Under the leadership of top management, we are committed to fulfilling our corporate social responsibilities. Our key principles include:

- Deliver energy in a stable and efficient manner.
- Comply with laws, rules and regulations and adhere to ethical business conduct.
- Communicate timely and openly with shareholders, employees, customers, business partners and other stakeholders.
- Value the individuality of our employees, secure a safe, healthy and worker-friendly environment, and provide opportunities for career development.
- Recognize our responsibility to help preserve the environment and contribute to sustainable development.
- Contribute to the development of our host countries and communities based on the understanding of cultural diversity.

2 . Awareness of the business environment

- The international business environment surrounding the upstream industry has been increasingly severe and uncertain, owing to the following factors:
 - Continued anxiety over the future of world economy and a decrease in demand for oil, in the wake of the recent international financial crisis
 - risks of rapidly and drastically fluctuating oil and gas prices
 - Increasing intense competition for resources, mainly, among the major international oil and gas companies and the state enterprises in China and India
 - Rising technical and economic hurdles as project sites shift towards frontier areas.
 - Escalated exploration and production costs and increased risks of schedule delay

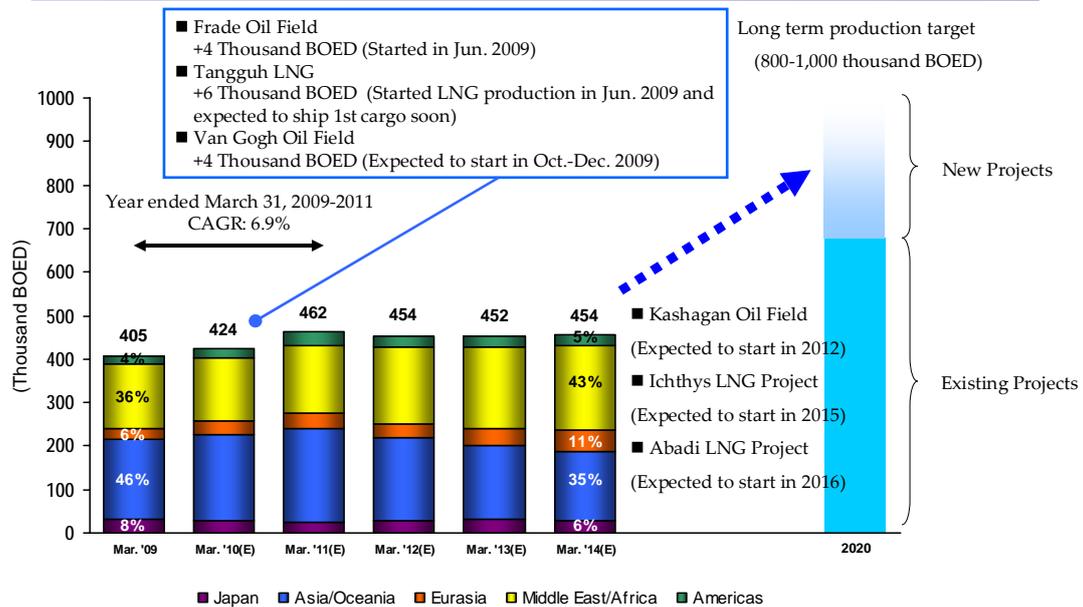
- Under the business circumstances pointed out above, some major oil and gas companies try to be more selective in making investment in the upstream business and revise investment plans. Meanwhile, some independent oil and gas companies move towards divestment of assets under the current environment of lower oil prices and financial deterioration.
- The world's energy demand is affected by the current economic downturn in the short term. However, it is expected to increase in accordance with economic recovery and economic growth of emerging countries in mid-to-long term.
- In particular, natural gas is expected to play a more important role in the future energy market because of its relatively lower emission of green house gases, and consequently, LNG production and pipeline construction to transport natural gas will be highly competitive throughout the 2010's.
- In order for reserves to meet the stably rising demand, exploration and production activities in desolate frontier areas are deemed imminent. Such expansion will require taking full advantage of the highly specialized exploration/production technology designed for deep waters and harsh areas, heavy oil development technology, and the development of unconventional hydrocarbon resources. We must acquire a comprehensively advanced technology to meet this end.
- Corporations of not only newly developing countries such as China and India, but also major Western oil companies have launched full-scale concerted efforts with their governments to secure and retain their interests in the resource producing countries. Such efforts include cooperation and promotion of green energy technology transfer, introduction of alternative energies, promotion of their national industries and educating their national human resources as well as cooperation relating to oil and gas development. Meanwhile, it appears that in some oil producing countries production levels or capacities are declining due to the current economic downturn and lower oil prices. Therefore, there seems to be a sign that nationalism in some of those countries is softening, recognizing the necessity of introducing advanced technologies and investment from international oil companies and cooperation with oil consuming countries.
- Regarding the global warming issues, recent development of international policies directed towards a low carbon society has shifted into high gear, with the energy

policy in Japan placing a priority on a policy to encourage energy conservation and development of alternative energies. These circumstances induce the emergence of movements to improve energy efficiency, to supply new forms of energy with less environmental impacts, and to promote the development of technologies to realize such efforts, which indicate the movement to seek for opportunities for a renewable energy and hydrogen cell.

3 . The Group's mid- to-long term objectives for corporate growth

- We aim to raise the daily production level up to 800,000 to 1 million barrels (crude oil equivalent) by 2020, and to establish a firm position as a global independent upstream, or semi-major, company with global competitiveness. To achieve this, we will strive to enhance financial strength, technical capability, intelligence, ability to access to new interests and operational capability. We will steadfastly undertake the existing large-scale projects including the Ichthys and Abadi LNG projects and will seek for new project opportunities of strategic significance and economic potential.
- In short term, our RRR(Reserve Replacement Ratio) is expected to be under 100%. In mid-to-long term, however, we will be able to maintain RRR to be over 100% as probable reserves being upgraded to proved reserves when the final investment decisions are made for the existing large-scale projects including the Ichthys and Abadi LNG projects and by acquisition of new assets as well.
- Simultaneously, we will establish a gas supply chain while the upstream business of oil and natural gas remaining as our core business. From the mid-to-long term perspective, through building appropriate partnership with leading companies, we will be proactively engaged in the development of unconventional hydrocarbon resources and new forms of energy, thereby evolving into a company with other fortes besides oil and natural gas, supplying diversified energies.
- The severe business environment mentioned above presents challenges to all upstream business companies, yet it also provides new opportunities for growth. Even under these severe situations, we will continue to invest into empowering the corporate vitality and value by flexibly adapting our business strategy and investment plans to the situation and by maintaining financial health with the best balanced financing options between internal and external funds.

Net Production* Volume Projection



Note: Assuming oil prices (Brent) of \$52.5 in the year ending March 31, 2010 and \$60 in the March 31, 2011 or later in the light of the recent market conditions.

* 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 our group.

4. The Group's three fundamental strategies

Based on a well-balanced asset portfolio, further strengthened operational and technical capabilities and the reinforced management, all of which have been formed as a result of the business integration, the INPEX Group pursues the following three strategies:

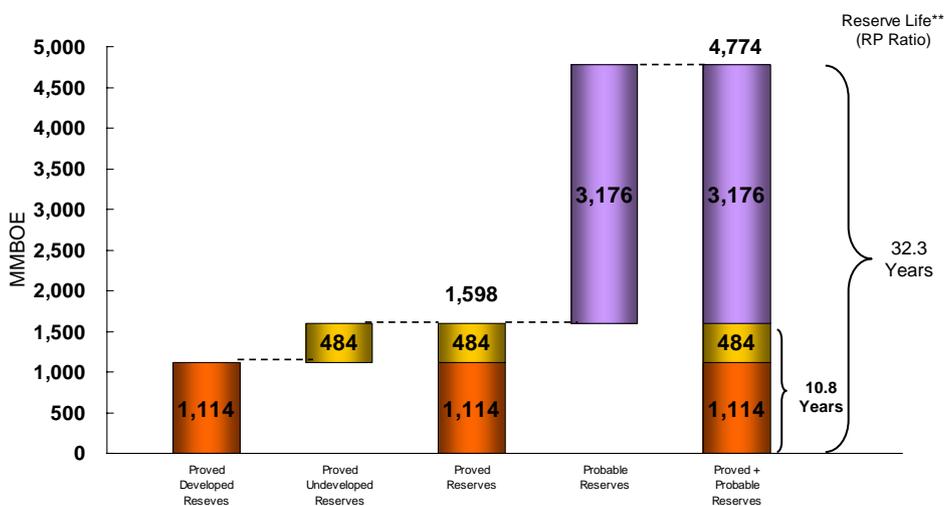
(1) Sustainable expansion of our upstream business

With a mission to provide a stable supply of energies, we will enhance our over-all capabilities required for conducting the upstream business such as financial strength, technical capability, intelligence, ability to access to new opportunities and operational capability, through carrying out existing exploration, development and producing projects, and will seek to maintain and raise the level of our own production and reserves in a sustainable manner.

- In order to maintain a sustainable expansion, we must, without fail, launch the large-scale LNG operator projects of the Ichthys and Abadi LNG projects, two of the largest LNG projects in the world. We will strive to enhance the engineering capability to be required for both operator projects, such as the core technologies employed for deep ocean development including subsea completion.

- Because we need to secure finance a large-scale in mid 2010s mainly for the development of the Kashagan oil field, the Ichthys LNG project and Abadi LNG project, we will develop the best financing strategy with the attention to the financial health.
- We must aspire to seek new opportunities which will achieve certain reserve volumes and earning rates, to be served as post Ichthys and Abadi LNG projects in the latter part of 2010s, in which period both projects are expected to start-up.
- We will carefully examine strategic significance and economic potential of each project when making selections, and will take up the projects with a comprehensive management judgment, incorporating mid-to-long term financial prospects. In the meanwhile, because our management resources need to be concentrated for the realization of existing large scale projects, we have set up focused areas for exploration activities and drawn up an action plan (data purchasing, studying data, participation on public tenders or existing projects, and so forth) around those areas. Regarding acquisition of new assets, we will selectively review the opportunities with prudent attention to strategic importance. In the mid-to-long term, we will strive to expand our asset basis by international M&A in addition to direct acquisitions of assets, while taking into consideration a good balance between production and exploration assets.
- Now that “easy oil” has become a thing of the past, the areas for exploration and production are limited to frontier areas (very deep waters, areas with harsh environmental conditions, etc.), and heavier oil tend to be found and produced. With an eye to a development on unconventional hydrocarbon resources such as oil sand, we will develop a comprehensively advanced technology including enhanced oil recovery techniques for existing oil and gas fields and the technology to produce heavy oil (in particular, an on-site upgrading technology) in order to obtain promising acreages.
- In parallel with acquiring new interests, we will also flexibly improve our asset portfolio by sales of existing projects, the profitability of which are expected to decline due to abandonment costs etc. during their post-peak production phase, to ensure our sustainable corporate growth.

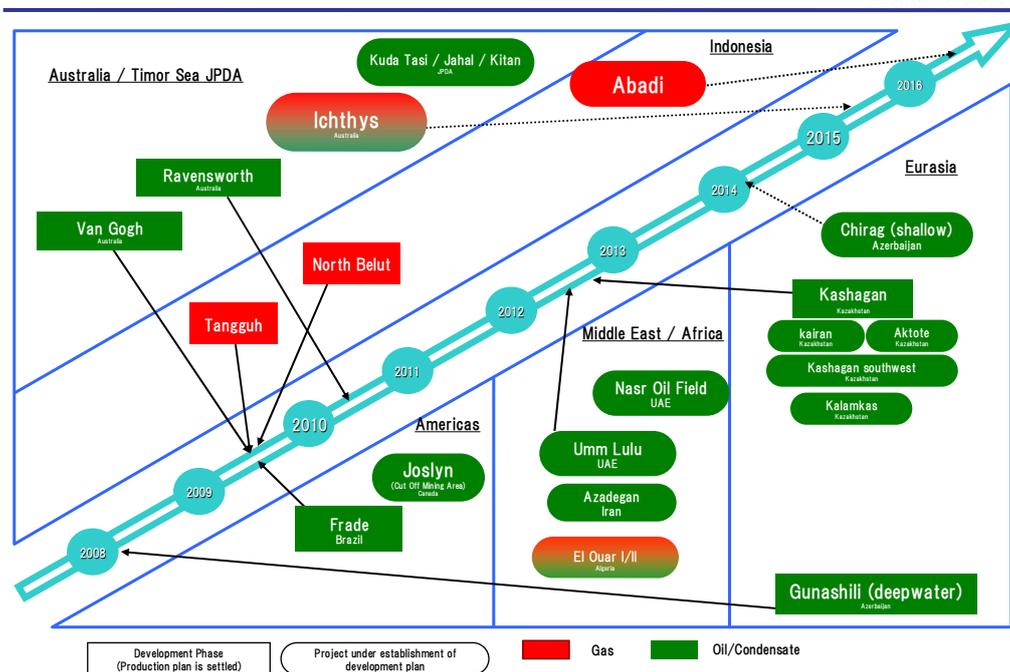
Upside Potential from Proved + Probable Reserves*



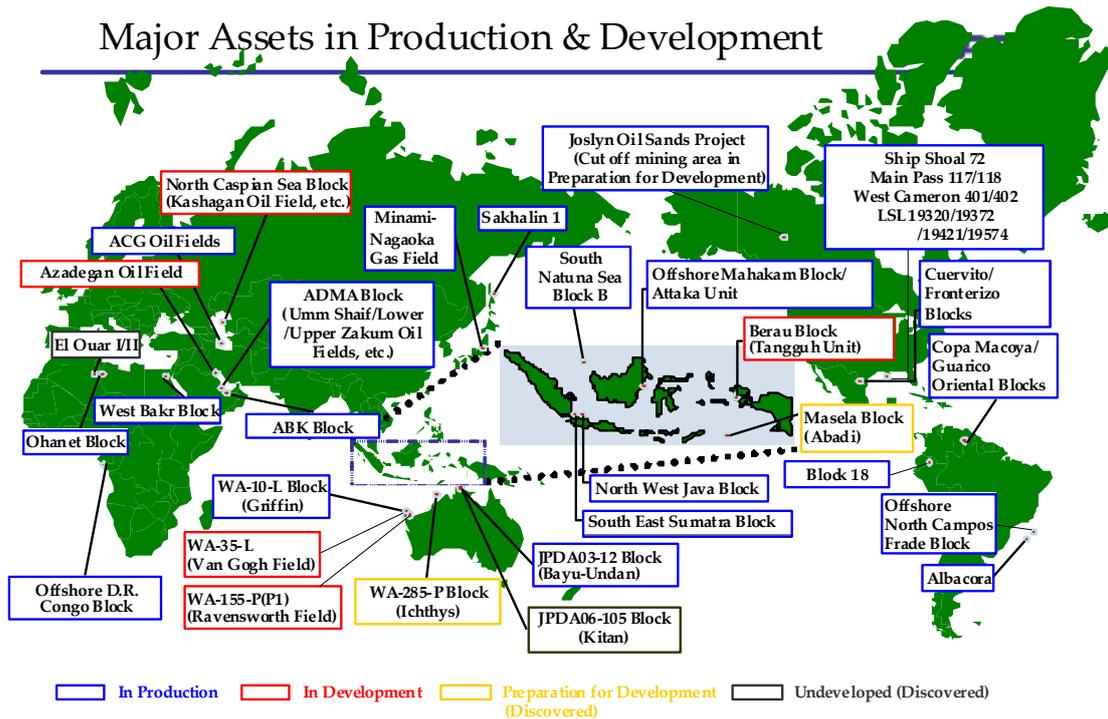
* Proved reserve volumes are based on the reserves report (preliminary) by DeGolyer and MacNaughton applying SEC regulations. Probable reserve volumes are based on the reserves report (preliminary) by DeGolyer and MacNaughton applying SPE/WPC/AAPG/SPEE guideline (SPE-PRMS) approved in March 2007. The volumes are the sum of proved reserves and probable reserves by SPE-PRMS after deduction of proved reserves by SEC regulations. Volumes attributable to the equity method affiliates are included.

** Reserve Life = Proved (+Probable) Reserves as of March 31, 2009 / Production for the year ended March 31, 2009 (RP Ratio: Reserve Production Ratio)

Production Start-up Schedule



Major Assets in Production & Development



(2) Establishment of a gas supply chain and proactive expansion of the gas business

In pursuit of diversification and expansion of our gas business, we will establish a gas supply chain by organically connecting domestic and overseas gas sources with our mother market (Japanese market) through constructing a LNG receiving terminal and extending pipeline networks.

- With the expansion of our domestic gas business, we plan to supply regasified LNG from Shizuoka Gas Company from January, 2010 and introduce a new gas pricing formula by obtaining agreement with our customers and relevant authorities.
- As the Naoetsu LNG receiving terminal is expected to start up in 2014, we aim to establish a gas supply chain that connects overseas LNG projects with the domestic gas market by bringing LNG produced in Ichthys and Abadi and others to Naoetsu.
- As we will have a sufficient supply capacity of regasified overseas LNG at Naoetsu LNG receiving terminal after 2014, we will promote gas sales in new areas such as Hokuriku Region and existing areas along our pipeline network.

- We will pursue appropriate strategic cooperation with domestic energy companies which will bring up mutual benefits in terms of gas supply infrastructure and gas trading.
- With the domestic gas supply chain as a stepping-stone, we will further endeavor to expand our gas business on a global basis, i.e., joining in LNG receiving terminals overseas or LNG shipping operation required for the gas trading business domestically and internationally, while paying close attention to the balance between economic gain and the future potentiality.

Leading to Gas Supply Chain



INPEX

(3) Evolvement into a company that offers diversified forms of energy

We will evolve into a company that offers diversified forms of energy by exerting all of our efforts onto enlarging the energy supply basis, co-existing harmoniously with local and global communities, and contributing to sustainable advancement of our society.

- We will concentrate on enhancing energy efficiency in the upstream projects and undertake to reduce carbon dioxide emission employing the carbon dioxide capture and storage technology.
- Through networking activities, alliances and business partnerships with various national oil companies of oil and gas producing countries and international oil companies, all of which are aiming to become comprehensive energy suppliers, in the mid-to-long term, we will seek opportunities to participate in the businesses, including, but not limited to, the new utilization technologies of the existing hydrocarbon energies under the future-focused technologies such as the gas-to-liquid and dimethylether, and renewable energy sources such as solar light, solar power generation, wind power and geothermal power, storage batteries, hydrogen, biomass fuels and so forth.

5 . Mid-to- Long term Challenges for Growth Investment

(1) Finance

In the next three years, we plan to invest 1,400 billion yen for exploration and development in our existing projects. In addition to these projects, we are going to begin our full-scale investments in the Ichthys and Abadi LNG projects. As investment for development on large-scale projects is planned around mid 2010s, we will seek a flexible and stable financing through a combination of internal and external funds.

- For external funds, the primary importance is to secure funds from reliable financial institutions, such as governmental finance institutions and commercial banks. Moreover, we will take all possible measures to ensure an optimal financing structure to maintain the soundness of our balance sheet, taking our future business environment into consideration.
- We have been targeting the following financial indicators: equity ratio of 50% or

higher, debt/total capital employed ratio of 30% or less, and ROE of 10% or higher. As borrowing increases these indices may not be maintained for a short period. However, after production start-up of large-scale projects in mid 2010s they will be secured in the mid-to-long term.

- Our basic policy for shareholder compensation is: to achieve harmony, in light of the mid- to long-term prospects, between the maximization of corporate value-through ongoing maintenance and enlargement of our reserves and production of oil and gas with aggressive investment in exploration and development in Japan and overseas-and direct returns through the payment of cash dividends to shareholders. As INPEX Group is on a growing stage in a medium term and therefore huge amounts of funding will be required, our financial basis must be secured. We recognize the necessity to further consider our shareholder compensation policy when large-scale projects start commercial production and enter a period of stability.

(2) Human Resource

- Promoting large-scale operator projects, such as Ichthys and Abadi LNG projects, requires technical and managerial expertise in various fields to be of international standards, such as offshore development, floating oil production facilities, pipeline construction, LNG plant construction/operation, sour crude / gas development.
- We are taking a progressive approach to secure adequate human resources for developing and operating large-scale operator projects, by outsourcing and mid-career recruiting.
- We are also actively working on human resource development by adopting an OJT in the field operation in Japan, and programs that support to accumulate technological know-how and expertise.

(3) Technological Capability

- We will strive to enhance the level of technology in developing and operating large-scale projects and non-conventional hydrocarbon resources (such as oil sand, oil shale, and shale gas). We will also enhance technological capability, so that we can make technical proposals and suggestions to producing countries to facilitate the acreage award.

- Our group has been working on developing technologies for conventional hydrocarbon resources, such as water-flooding and gas-flooding techniques for enhanced recovery at super giant carbonate oil field, underground storage of natural gas, treatment technology for oil and natural gas containing CO₂, and H₂S, GTL (gas to liquid) technology, transformational technology creating methane from carbon dioxide using bacteria, and CCS (carbon dioxide capture and storage) technology .

(Reference: the investment plan for the next 3 years from 2009 to 2011)

- We plan to make investments in the next 3 years approximately 1,396 billion yen in total even though the business environment in 2009 is severe, to sustainably grow in med- to- long term.
- For exploration activities, we plan to spend approximately 128 billion yen in the next 3 years in countries such as Indonesia, Australia, and Libya, to secure our reserves.
- For development activities, we plan to spend approximately 1,176 billion yen in the next 3 years, in developing new projects, such as Caspian Sea oil projects, Ichthys and Abadi LNG projects, and maintaining/increasing production levels in Mahakam block in Indonesia, ADMA block in Abu Dhabi, and ACG oil field in Caspian Sea.
- For natural gas supply infrastructure in Japan, such as LNG receiving terminal in Naoetsu and pipeline extension, we plan to spend approximately 92 billion yen in the next 3 years.

Investment plan (Unit : Billions of yen)

	Year 2009	Year 2010	Year 2011	Total
Exploration expenditure*	45	39	44	128
Development expenditure	273	374	529	1,176
Other capital Expenditure(such as LNG base, pipelines)	37	15	40	92
Total	355	428	613	1,396

*In the fiscal year 2009 and 2010 respectively, the investment for exploration will be for our existing

projects. In the fiscal year 2011, 15 billion yen is expected to be added for new projects on top of the existing projects. The investment plan above is made as of May 2009, and the figures may be revised hereafter.