

**INPEX CORPORATION**

**Semiannual Financial Results**  
**for the six months ended September 30, 2005**

**Tokyo · 16<sup>th</sup> November 2005**

# Agenda

## **1. Overview of the FY2006 Semiannual Consolidated Financial Results**

**Mutsuhisa Fujii**

**Executive Senior Vice President**

## **2. Overview of the FY2006 Semiannual Corporate Activities Results**

**Naoki Kuroda**

**President**

## Cautionary Statement

This presentation includes forward-looking information that reflects the plan and expectations of INPEX CORPORATION (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 risk, 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 the 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

**Overview of the FY2006 Semiannual  
Consolidated Financial Results**

# Subsidiaries and Affiliates

**25 consolidated subsidiaries**

One exploration subsidiary liquidated since March, 2005

Major subsidiaries	Country/region	Ownership	Stage
INPEX Natuna	Indonesia	100%	Production
INPEX Masela	Indonesia	50%	Under discussion for development
INPEX Sahul	Timor Sea Joint Petroleum Development Area	100%	Production
INPEX Browse	Australia	100%	Under discussion for development
JODCO	UAE	100%	Production
Azadegan Petroleum Development	Iran	100%	Development
INPEX Southwest Caspian Sea	Azerbaijan	51%	Production
INPEX North Caspian Sea	Kazakhstan	45%	Development

**11 affiliates accounted for equity method**

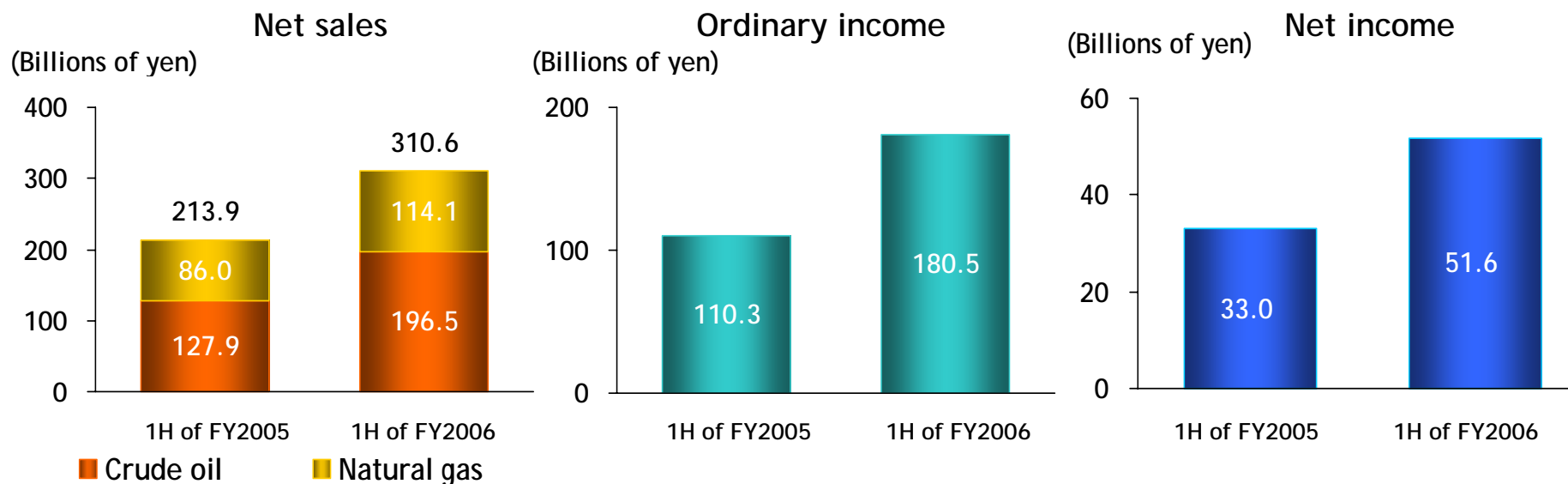
No change since March, 2005

Major affiliates	Country/region	Ownership	Stage
MI Berau B.V.	Indonesia	44%	Development
Angola Japan Oil	Angola	19.6%	Production

## Highlights of the FY2006 Semiannual Consolidated Financial Results

(Billions of yen)	1H of FY2005	1H of FY2006	Change	% change
Net sales	213.9	310.6	96.7	45.2%
Operating income	116.5	186.5	70.0	60.1%
Ordinary income	110.3	180.5	70.2	63.7%
Net income	33.0	51.6	18.6	56.5%
Net income per share (¥)*	17,596.54	26,908.15	9,311.61	52.9%

\*Based on averaged shares outstanding (1H of FY2006: 1,919,832 shares, 1H of FY2005: 1,876,337 shares). Due to increase in shares outstanding during the term (May 17, 2005) caused by stock exchange for acquisition of JODCO, averaged shares outstanding has increased from 1H of FY2005 to 1H of FY2006



## Crude Oil Sales

### Background reasons for the sales increase in crude oil

- ✓ Sales volume increased 7.3% year-over-year from increase in production at JODCO (ADMA Block), INPEX Southwest Caspian Sea (ACG oil field), and INPEX Natuna (Belanak oil and gas Field)
- ✓ Average unit price rose sharply by 45.3% year-over-year
- ✓ The yen slightly appreciated against the U.S. dollar on average

	1H of FY2005	1H of FY2006	Change	% change
Crude oil sales* (Billions of yen)	127.8	196.5	68.6	53.7%

Crude oil sales volume (Mbbbl)	30,910	33,156	2,245	7.3%
Average unit price (\$/bbl)	37.17	54.00	16.83	45.3%
Average exchange rate (¥/\$)	110.15	109.59	(0.56)	(0.5%)

\*Includes domestic supply obligations with Indonesia

## Natural Gas Sales

### Background reasons for the sales increase in natural gas

- ✓ Sales volume slightly decreased year-over-year
- ✓ Average unit price rose sharply by 33.5% year-over-year along with higher oil prices
- ✓ The yen stayed at the same level against the U.S. dollar on average

	1H of FY2005	1H of FY2006	Change	% change
Natural gas sales* (Billions of yen)	86.0	114.0	28.0	32.6%

Natural gas sales volume (MMcf)	146,211	144,654	(1,557)	(1.1%)
Average unit price (\$/Mcf)	5.10	6.81	1.71	33.5%
Average exchange rate (¥/\$)	109.84	109.69	(0.15)	(0.1%)

\*Includes LPG



## Statements of Income

(Billions of yen)	1H of FY2005	1H of FY2006	Change	% change
Net sales	213.9	310.6	96.7	45.2%
Cost of sales	91.4	116.7	25.3	27.7%
Exploration expenses	0.9	2.5	1.5	156.4%
Selling, general and administrative expenses	4.9	4.7	(0.1)	(3.4%)
Operating income	116.5	186.5	70.0	60.1%
Other income	2.6	5.0	2.3	88.1%
Other expenses	8.9	11.0	2.1	23.6%
Ordinary income	110.3	180.5	70.2	63.7%
Income taxes	78.1	128.9	50.7	64.9%
Minority interests	(0.8)	(0.0)	0.8	(96.9%)
Net income	33.0	51.6	18.6	56.5%

## Other Income / Expenses

(Billions of yen)	1H of FY2005	1H of FY2006	Change	% change
<b>Other income</b>	2.6	5.0	2.3	88.1%
Interest income	1.6	3.3	1.7	108.0%
Equity in earnings of affiliates	-	1.0	1.0	-
Reversal of allowance for investments in exploration	0.7	-	(0.7)	(100.0%)
Other	0.3	0.7	0.3	101.7%
<b>Other expenses</b>	8.9	11.0	2.1	23.6%
Interest expenses	1.1	2.7	1.5	131.1%
Equity in losses of affiliates	0.4	-	(0.4)	(100.0%)
Provision for allowance for recoverable accounts under production sharing	0.1	0.3	0.1	71.3%
Amortization of exploration and development rights	0.8	0.0	(0.8)	(94.8%)
Foreign exchange loss	5.2	7.4	2.1	41.1%
Other	0.9	0.5	(0.4)	(43.5%)

## Balance Sheets

(Billions of yen)	1H of FY2005	FY2005	1H of FY2006	Change from FY2005	% change
Current assets	203.1	238.4	251.0	12.5	5.3%
Tangible fixed assets	68.9	68.2	67.8	(0.4)	(0.6%)
Intangible assets	142.2	138.6	139.7	1.0	0.8%
Recoverable accounts under production sharing	225.9	239.6	269.1	29.5	12.3%
Investment securities	103.4	118.3	181.8	63.4	53.6%
Other investments	19.3	17.4	17.9	0.4	2.6%
Less allowance for recoverable accounts under production sharing	(44.9)	(41.5)	(41.2)	0.2	(0.6%)
<b>Total assets</b>	<b>718.1</b>	<b>779.2</b>	<b>886.1</b>	<b>106.9</b>	<b>13.7%</b>
Current liabilities	101.3	122.9	163.6	40.7	33.2%
Long-term liabilities	216.1	209.7	231.2	21.4	10.2%
Minority interests in consolidated subsidiaries	33.1	35.2	35.6	0.3	1.1%
Total shareholders' equity	367.5	411.2	455.6	44.3	10.8%
<b>Total liabilities, minority interests and shareholders' equity</b>	<b>718.1</b>	<b>779.2</b>	<b>886.1</b>	<b>106.9</b>	<b>13.7%</b>

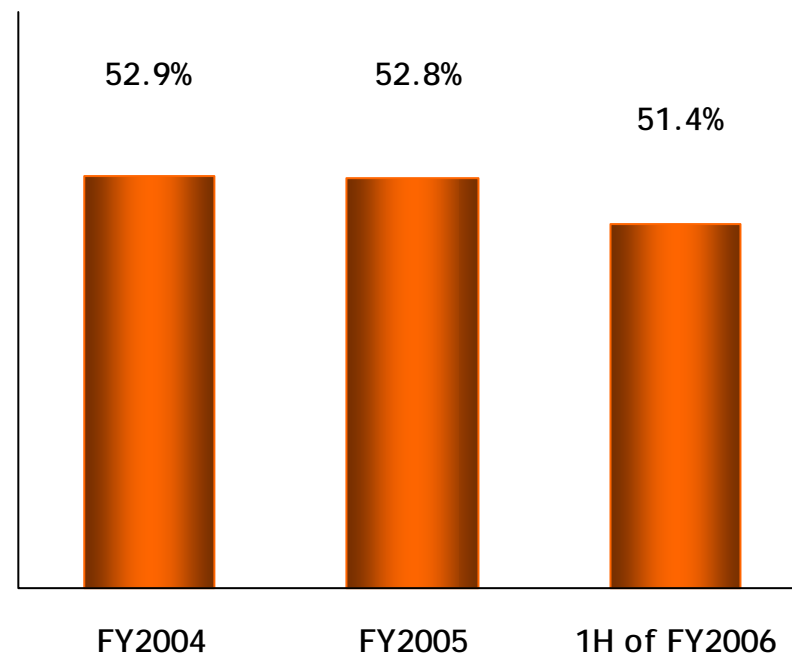
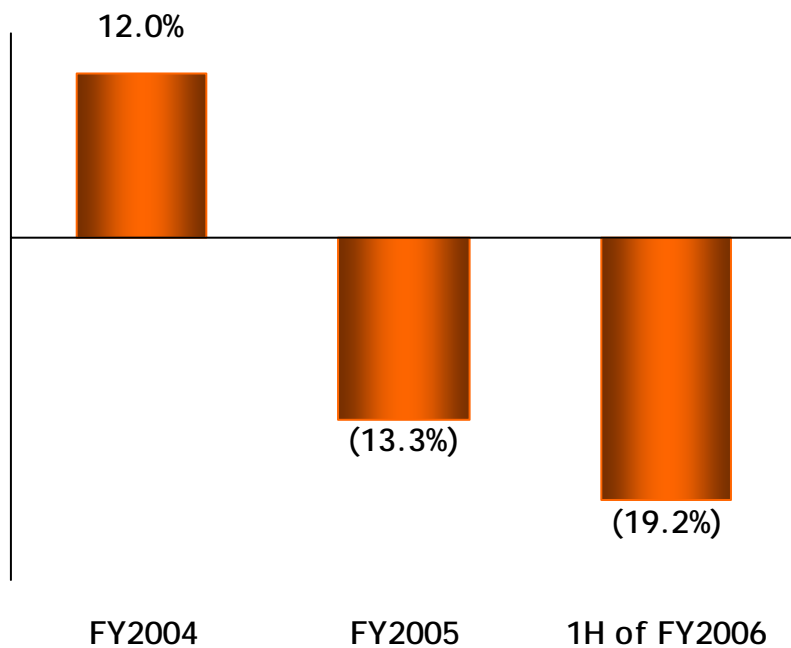
## Statements of Cash Flows

(Billions of yen)	1H of FY2005	1H of FY2006	Change	% change
Income before income taxes and minority interests	110.3	180.5	70.2	63.7%
Depreciation and amortization	5.5	6.6	1.0	18.3%
Recovery of recoverable accounts under production sharing (capital expenditures)	16.7	22.6	5.9	35.6%
Recoverable accounts under production sharing (operating expenditures)	(3.0)	(0.9)	2.1	(69.7%)
Income taxes paid	(75.0)	(110.4)	(35.3)	47.1%
Other	9.0	2.9	(6.0)	(67.6%)
<b>Net cash provided by operating activities</b>	<b>63.5</b>	<b>101.4</b>	<b>37.9</b>	<b>59.7%</b>
Purchases of investment securities	(33.4)	(75.0)	(41.5)	124.1%
Investment in recoverable accounts under production sharing (capital expenditures)	(30.8)	(48.4)	(17.6)	57.1%
Other	7.7	(0.4)	(8.2)	-
<b>Net cash used in investing activities</b>	<b>(56.5)</b>	<b>(123.9)</b>	<b>(67.4)</b>	<b>119.2%</b>
<b>Net cash provided by financing activities</b>	<b>4.9</b>	<b>0.4</b>	<b>(4.5)</b>	<b>(91.5%)</b>
Cash and cash equivalents at end of the year	121.1	109.8	(11.3)	(9.3%)

# Financial Index

**Net Debt / Total Capital Employed\***

**Equity Ratio\*\***



Notes: \* Net Debt/Total Capital Employed = (Debt - Cash and Deposits - Government Bonds, Local government Bonds and Companies' Bonds (with determinable value)) / (Shareholders' Equity + Minority Interest + Debt - Cash and Deposits - Government Bonds, Local Government Bonds and Companies' Bonds (with determinable value))

\*\* Equity Ratio = Shareholders' Equity/Total Assets

**Overview of the FY2006 Semiannual  
Corporate Activities Results**

# Business Strategy

**Active implementation of strategic and effective oil and gas exploration and development projects**

**Regional Diversification**

- Core area
  - Indonesia, Australia
- Target area
  - The Caspian Sea
  - The Middle East
  - Others (Africa, South America, Russia, etc.)



**Well-balanced Assets Portfolio**

- ✓ Balance by stage (exploration, development and production)
- ✓ Balance by resource (crude oil and natural gas)
- ✓ Balance by contract (PSC, Concession and Service Contract)
- ✓ Balance as an operator and a non-operator



**Diversification of Natural Gas Business**

- Natural gas shipments via LNG and pipeline
- Supply of natural gas to the producing countries
- New technology (GTL, etc.)

- ◆ Maintain and expand natural gas production from offshore Mahakam block in Indonesia, the existing profit center
- ◆ Promote development of the two major oil field projects in the Caspian Sea (ACG, Kashagan)
- ◆ Progress three operator projects in Azadegan Iran, Ichthys Australia, and Abadi Indonesia
- ◆ Maintain and expand reserves by acquiring promising exploration blocks and purchasing high-grade oil and gas field assets
- ◆ Contribute to an efficient and stable supply of energy to Japan as the national flag company



**Mid- and Long-term sustainable strategies to grow corporate value**

# Progress of Major Projects

## Existing Profit Center: Offshore Mahakam, Indonesia



Bontang LNG Plant

- **1H of FY2006 results and Plan for the future**
  - Continuous gas field development to support stable LNG supply from the Bontang LNG Plant (Maintaining existing amount of LNG shipped)  
(Staged development at the Tunu and Peciko fields, further development of the Tambora field, development of phase 1 aiming for production to start in September 2007 at the Sisi/Nubi gas fields)
  
- **Mid-to Long-Term Targets**
  - Continuation of stable supply of natural gas to the Bontang LNG Plant
  - Renewal of the LNG sales contracts to be expired in 2010 or late



# Progress of Major Projects

## New Profit Center: ACG, Kashagan in the Caspian Sea

### ■ **ACG (Azeri-Chirag-Gunashili) Oil Fields, Azerbaijan**

- Phase 1 (Central Azeri) start-up in February 2005
- Phase 2 (West and East Azeri) are under development, and are planned to start-up in Q1 and Q4 of 2006
- Phase 3 (Gunashili Deepwater and West Chirag) are scheduled to start-up in Q1 2008
- BTC pipeline is scheduled to begin full shipment by the end of 2005
- The level of production is expected to reach 1 million barrels per day in 2009

### ■ **Kashagan Oil Field, Kazakhstan**

- Kashagan Oil Field is the first discovery in the Kazakhstan territorial waters of the Caspian Sea and is one of the largest oil field in the world. In addition to Kashagan, there are four other structures such as Kalamkas, Aktote, Kashagan Southwest and of Kairan structures in the area and hydrocarbon reserves have been confirmed in all the structures
- In Phase 1, Tranche 1 and Tranche 2 developments at Kashagan Oil Field are under way, and production is planned to start-up in 2008
- The level of production is expected to plateau at 1.2 million barrels per day in 2016 after the completion of Phase 3 development

# Progress of Major Projects

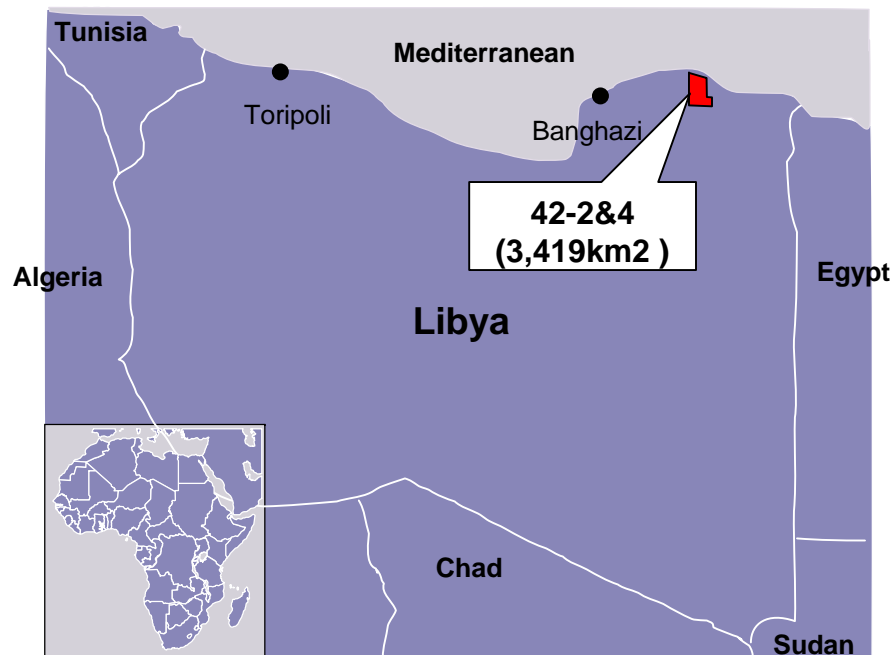
## Projects Operated by INPEX: Ichthys / Abadi / Azadegan

- **Ichthys Gas-Condensate Field, Australia (WA-285-P Block)**
  - Proactively conducting feasibility studies to determine the development plan (LNG, GTL) and gas marketing
  - Pursue commencement of gas production targeting at early period from 2010, as a major project following ACG and Kashagan
  
- **Abadi Gas Field, Indonesia (Masera Block)**
  - Drilling of four appraisal wells are scheduled in order to evaluate reserves in midyear of 2006
  - After appraisal activities, we plan to conduct feasibility studies for development plan and gas marketing
  
- **Azadegan Oil Field, Iran**
  - Since March 2004, we have been establishing operating organization, have been implementing several bidding procedures necessary for the development of the field, and have been conducting appraisal work for the reserve evaluation based on the appropriate working process along with contracted development schedule

# New Projects

42-2&4 Block

INPEX Libya, Ltd.



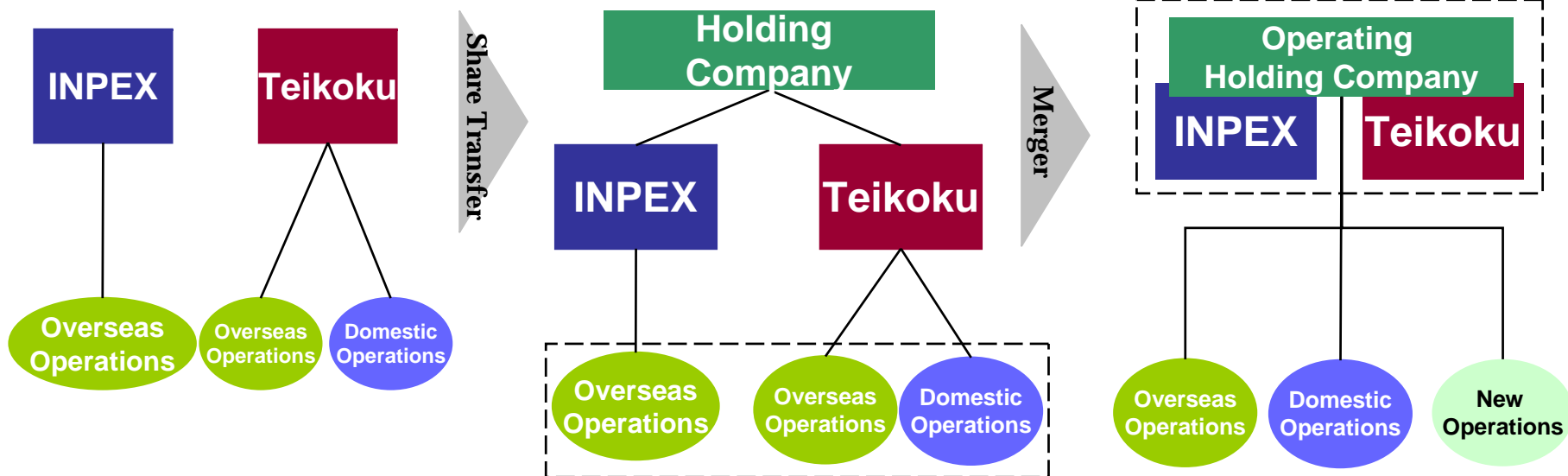
- Successfully bid for 42-2&4 block in northern part of Libya jointly with TOTAL, a French company, in October 2, 2005
- Established as 100% subsidiary of INPEX in October 17, 2005
- Currently pursuing signing a contract
- Our Working Interest : 40%  
(Operator TOTAL: 60%)
- Exploration and Production Sharing Agreement :EPSA
- Scheduled to start exploration activities after 2006

# Business Integration Process with Teikoku Oil

· Company name  
 Kokusai Sekiyu Kaihatsu Teiseki Holdings  
 Kabushiki Kaisha  
 (English name: INPEX Holdings Inc.)  
 · Stock transfer ratio  
 INPEX : Teikoku = 1 : 0.00144

· Schedule  
 05/11/2005 Signing of Stock Transfer Agreement  
 31/01/2006 (Plan) Extraordinary Shareholders' Meeting  
 28/03/2006 (Plan) Delisting of both companies  
 03/04/2006 (Plan) Establishment and listing of joint-  
 holding Company  
 June 2008 (Plan) To become an operating holding  
 company

Current
Phase 1 (2006/4)
Phase 2 (2008/6)



Further reorganization to realize growth strategy