Financial Results for the nine months ended September 30, 2023 & Financial Forecasts for FY2023

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- 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

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Highlights of the Consolidated Financial Results for the nine months ended September 30, 2023

INPEX

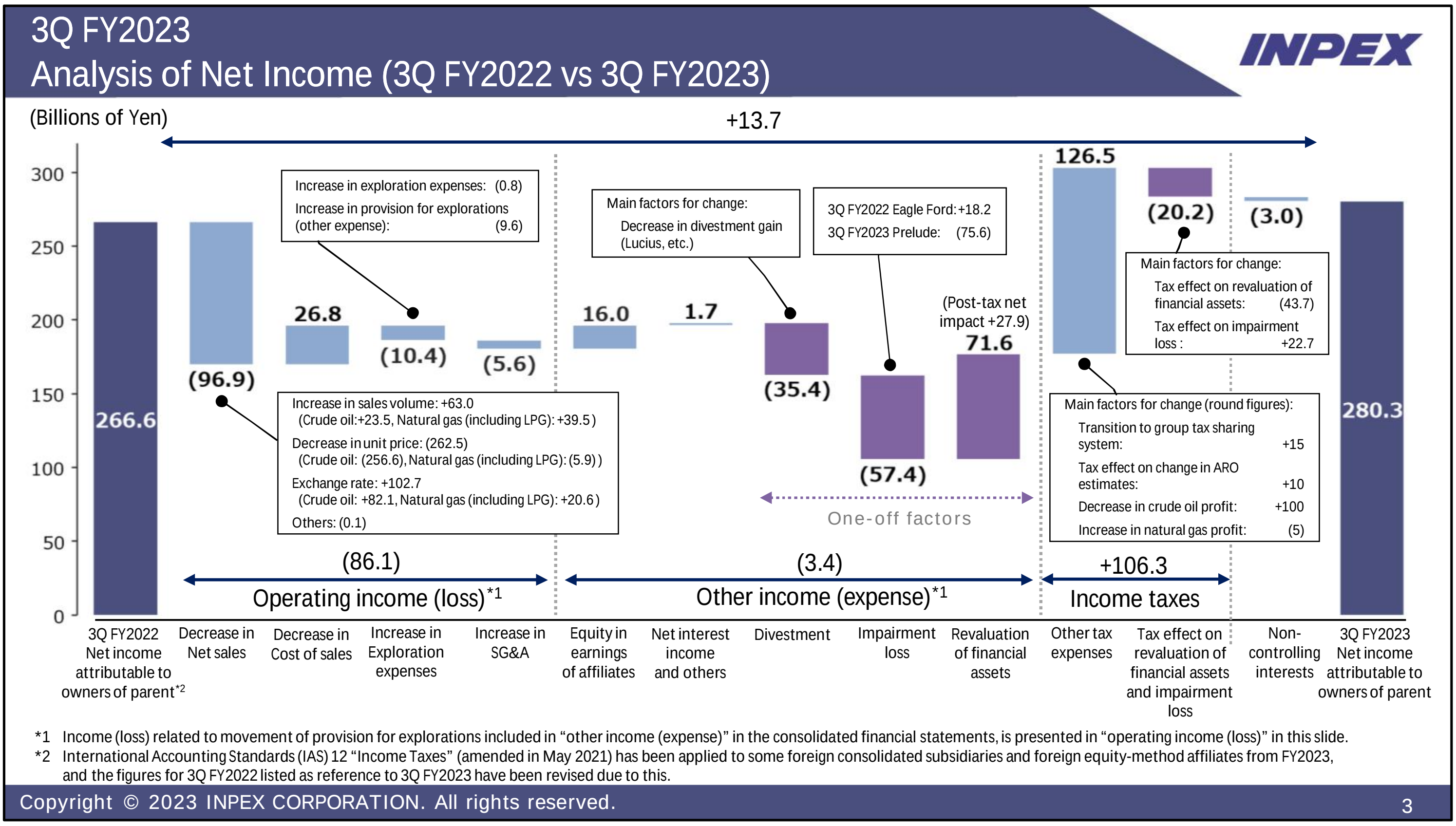
	3Q FY2022	3Q FY2023	Change	% Change
Average crude oil price (Brent) ($/bbl)	102.48	81.94	(20.54)	(20.0%)
Average exchange rate (¥/$)	128.30	138.24	9.94yen depreciation	7.7% depreciation
Quarter-end exchange rate (¥/$)	132.70 (as of end December 2022)	149.58	16.88yen depreciation	12.7% depreciation
Net sales (Billions of yen)	1,698.7	1,601.8	(96.9)	(5.7%)
Operating income (Billions of yen)	915.8	839.3	(76.5)	(8.4%)
Ordinary income*1 (Billions of yen)	1,027.7	995.6	(32.1)	(3.1%)
Net income attributable to owners of parent*1 (Billions of yen)	266.6	280.3	13.7	5.1%
Net income per share*1*2 (Yen)	193.10	215.15	22.05	11.4%

*1 International Accounting Standards (IAS) 12 "Income Taxes" (amended in May 2021) has been applied to some foreign consolidated subsidiaries and foreign equity-method affiliates from FY2023, and the figures for 3Q FY2022 listed as reference to 3Q FY2023 have been revised due to this.

*2 Average number of INPEX shares issued and outstanding during the nine months ended September 30, 2022: 1,380,953,337 shares
Average number of INPEX shares issued and outstanding during the nine months ended September 30, 2023: 1,303,261,977 shares

Yamada: I will give a brief explanation of the financial results for Q3 of the fiscal year ending December 31, 2023 and the earnings forecast for this fiscal year.

Highlights of the financial results for the first nine months. We are looking at YoY comparisons. Although oil prices dropped significantly, the exchange rate was much lower, so the environment was relatively good.



This is an analysis of the increase/decrease factors compared to Q3 of the previous year. Compared to Q3 of last year, net income increased by JPY13.7 billion. Q3 net income of JPY280.3 billion was in good shape, ranking first in history for Q3 net income.

As noted on the bottom of the slide, non-operating income was in the red, thereby reducing income taxes. Income taxes offset the decline in income before income taxes and minority interests, resulting in a positive result.

See the sales figures on the left side of the slide. Sales volume increased this year due to the shutdown of Ichthys last year. The unit sales price decreased due to lower oil prices. Favourable foreign exchange rate made up partly, however the overall decrease in net sales was JPY96.9 billion YoY.

Other notable item is the impairment loss. The impairment of Prelude had a negative impact of JPY75.6 billion on income before income taxes and about JPY50 billion after taxes. As you all know, the revaluation gains/losses related to financial assets were positive due to the lower increase in interest rates compared to last year, since Ichthys' borrowings are recorded on a marked-to-market basis. The total of these factors resulted in net income of JPY280.3 billion.

FY2023 Revision of Financial Forecasts

- Financial Forecasts for the year ending December 31, 2023

	Previous forecasts (August 9, 2023)	Revised forecasts (November 9, 2023)	Change	% Change
Crude oil price (Brent) (US$/bbl)	80.0 1st half (Jan-Jun) : 79.9 2nd half (Jul-Dec) : 80.1	82.7 1st half (Jan-Jun) : 79.9 2nd half (Jul-Dec) : 85.5	2.7	3.4%
Exchange rate (yen/US$)	135.0 1st half (Jan-Jun) : 135.0 2nd half (Jul-Dec) : 135.0	138.6 1st half (Jan-Jun) : 135.0 2nd half (Jul-Dec) : 142.3	3.6 yen depreciation	2.7% depreciation
Net sales (billions of yen)	2,031.0	2,155.0	124.0	6.1%
Operating income (billions of yen)	1,009.0	1,107.0	98.0	9.7%
Ordinary income (billions of yen)	1,151.0	1,291.0	140.0	12.2%
Net income attributable to owners of parent (billions of yen)	320.0	340.0	20.0	6.3%
ROE	Around8.5%	Around8.7%	0.2%	-
ROIC	Around7.7%	Around8.2%	0.5%	-

- Shareholder Returns

End of 2Q	End of fiscal year (forecast)	Full year (forecast)
¥37.00	¥37.00	¥74.00

Total Share Buybacks
¥100 billion

Total Payout Ratio
Around 57%

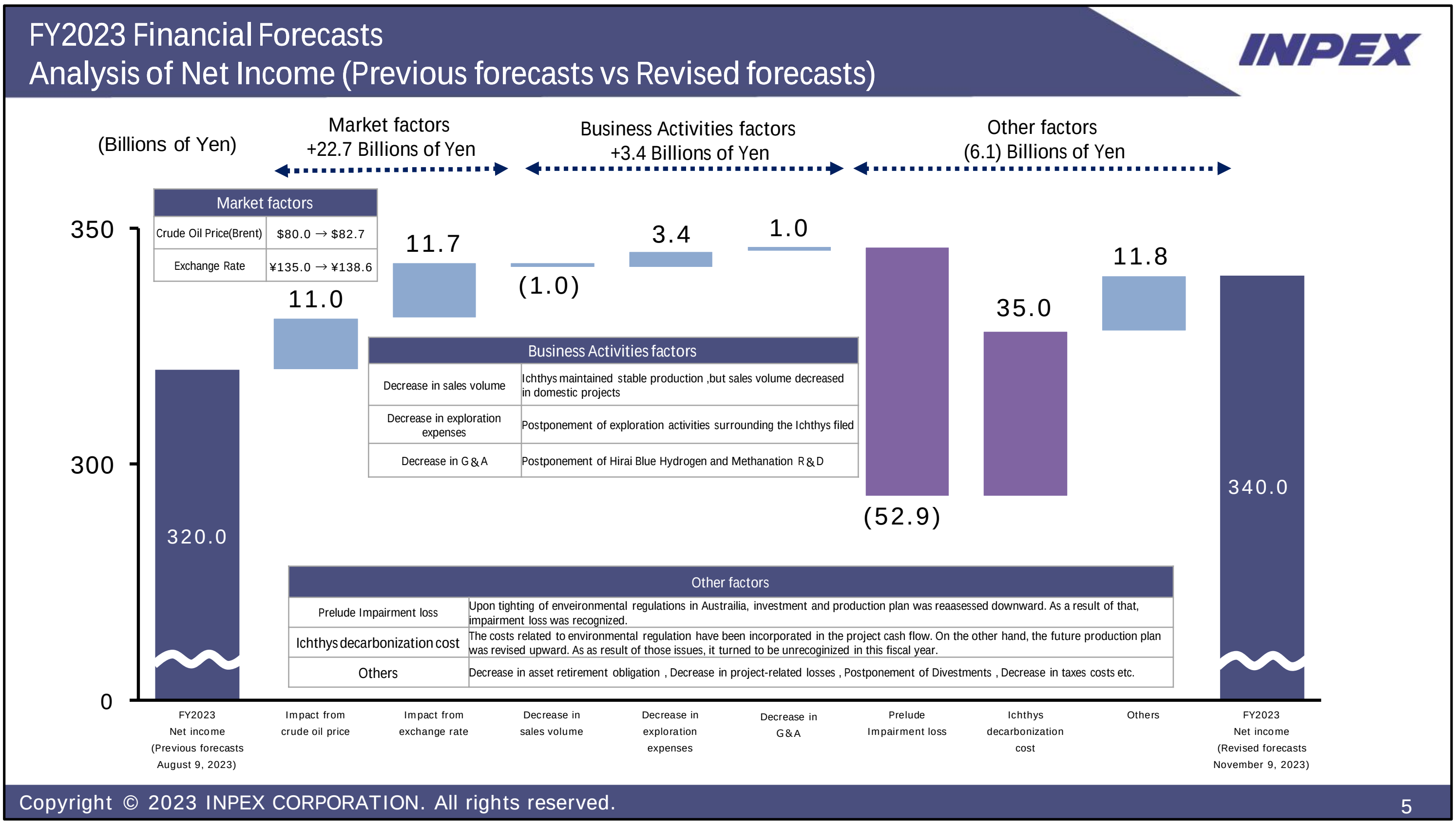
Here you see the full-year forecasts. The crude oil price was forecasted to be USD80 at the time of the previous announcement in August but was revised to USD82.7. The exchange rate was previously announced at JPY135 but has now been revised slightly lower to JPY138.60. The crude oil price is reasonably forecasted and the exchange rate slightly conservatively. Based on this, the third line from the bottom of the slide shows a net income forecast of JPY340 billion, an increase of JPY20 billion from the previous announcement.

In addition to ROE, ROIC is also calculated from this fiscal year. ROE is around 8.7%, which is above our reported cost of equity of around 8%. ROIC is around 8.2%, which is also higher than our WACC of around 6%.

I believe that the full-year results will end up with relatively good numbers. I think the oil price of about USD80 was quite high. This year, oil price was less volatile and did not move up or down much, which made the preparation of the earnings forecast a smooth process.

In addition, since Brent crude oil is an international commodity, the yen usually tends to appreciate when Brent rises. Unusually, high oil price and low yen came at the same time this year and as a result is our financial forecast for this year.

As for shareholder returns, as promised, we have set an annual dividend of JPY74, a share buyback of JPY100 billion, and a total payout ratio of 57%.



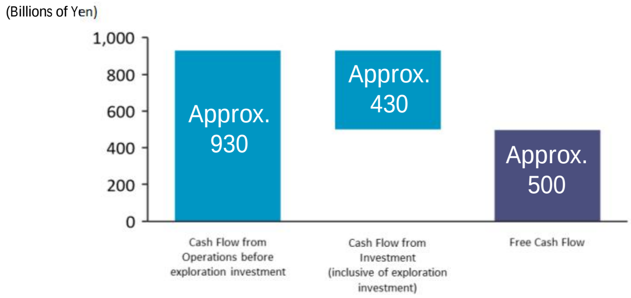
This is an analysis of the factors that contributed to the increase in the forecasted net income for this fiscal year. The previous forecast of JPY320 billion was revised to JPY340 billion. Notable item is other factors. Prelude and Ichthys are listed side by side because they are both an Australian project. Prelude recorded a significant impairment loss. The impact of the safeguard mechanism, tax issues, and higher interest rates and discount rates have decided the outcome of the two projects.

Prelude has recorded an impairment loss as a result of stricter environmental regulations. Ichthys, on the other hand, had the same impairment test in the same environment, and we expected headroom to decrease by about JPY35 billion in our initial or August forecast. However, as a result of the upward revision of the future production forecast for Ichthys, the project did not record an impairment loss even though costs such as increased production volume were factored in, resulting in a difference between the 2 in their earnings forecasts.

As a result, net income is projected to be JPY340 billion.

FY2023 Cash Flow* Forecast

(Billions of Yen)	Previous forecasts (February 9, 2023)	Previous forecasts (May 10, 2023)	Previous forecasts (August 9, 2023)	Revised forecasts (November 9, 2023)	Change
Development expenditure (Oil & Gas Business)	349.0	342.0	347.0	213.0	(134.0)
Development expenditure (5 Net Zero Businesses)	94.0	72.0	76.0	81.0	5.0
Exploration expenditure (inclusive of some 5 Net Zero Businesses)	71.0	59.0	55.0	50.0	(5.0)
Others (Divestment etc.)	(18.0)	(19.0)	(20.0)	(19.0)	1.0
Growth Investment	496.0	454.0	458.0	325.0	(133.0)
Others (Purchase and disposal of investment securities etc.)	14.0	111.0	(78.0)	105.0	183.0
Cash Flow from Investment (inclusive of exploration investment)	510.0	565.0	380.0	430.0	50.0



* Including cashflow of Ichthys LNG Pty Ltd, the Ichthys Downstream IJV (Incorporated Joint Venture), an equity method affiliate.

As for cash flow, we expect operating cash flow before exploration investment to be about JPY930 billion, investment cash flow to be about JPY325 billion for investment in growth and about JPY105 billion for acquisition of investment securities, totaling about JPY430 billion, and free cash flow to be about JPY500 billion. This goes to shareholder returns and debt repayment.

ROIC by segment

INPEX

		O&G Domestic	O&G Overseas Ichthys	O&G Overseas Others	Others	Consolidated financial statements
Previous forecasts (August 9, 2023)	Net income attributable to owners of parent (billions of yen)	45.9	234.1	57.6	(13.9)	320.0
	ROIC	18.0%	8.0%	6.8%	(2.4%)	7.7%
	Invested capital*1 (billions of yen)	252.0	4,015.1	1,349.6	123.1	5,927.3
	Adjusted profit*2 (billions of yen)	45.3	321.3	92.0	(3.0)	457.1
Revised forecasts (November 9, 2023)	Net income attributable to owners of parent (billions of yen)	44.2	293.7	5.1	(12.1)	340.0
	ROIC	17.4%	8.6%	7.7%	(2.1%)	8.2%
	Invested capital*1 (billions of yen)	250.1	4,097.2	1,295.5	142.4	6,121.8
	Adjusted profit*2 (billions of yen)	43.6	353.0	99.9	(3.0)	502.8
Change	Net income attributable to owners of parent (billions of yen)	(1.7)	+59.6	(52.5)	+1.8	+20.0
	ROIC	(0.5%)	+0.6%	+0.9%	+0.3%	+0.5%
	Invested capital*1 (billions of yen)	(1.9)	+82.1	(54.1)	+19.3	+194.5
	Adjusted profit*2 (billions of yen)	(1.7)	+31.7	+7.8	+0.0	+45.7

*1 Invested capital : The total of capital stock, interest-bearing liabilities as recorded in consolidated financial statements and project finance for downstream projects in Ichthys.
*2 Adjusted profit : Net profit before deduction of Interest payments, extraordinary gains/losses, Non-controlling shareholder profit/loss

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I am not sure how much you will appreciate it, but this is ROIC we newly present. The forecast announced in November is based on the segmentation as submitted in our annual securities report. It is classified as oil & gas domestic, oil & gas overseas only for Ichthys, oil & gas overseas others, and others.

Net income is JPY44.2 billion for the domestic oil & gas segment and JPY293.7 billion for Ichthys. Net income for overseas oil & gas is expected to be JPY5.1 billion, but this includes the impairment of Prelude; excluding this, it would be about JPY60 billion.

Net income for others is projected to be minus JPY12.1 billion. Others include renewable energy and hydrogen/CCUS projects. The hydrogen and CCUS projects are currently mostly R&D, so they are accounted for as expenses, and based on this, the total of others is minus JPY12.1 billion. Total net income is projected at JPY340 billion.

ROIC is expected to be 17.4% for domestic oil & gas due to substantial depreciation on long projects. ROIC for Ichthys is expected to be 8.6%. It may be difficult to evaluate whether this is high or low, but since our consolidated ROIC is 8.2%, Ichthys, which has the largest assets, is leading the way. ROIC for other overseas oil & gas is 7.7%, while the others segment have a negative value.

This is the first time we have shown ROIC by segment to you, and as you can see, we have exceeded the WACC figures for the time being.

Also today, the Company is making timely disclosure of the voluntary adoption of IFRS. The financial results for this fiscal year will be recorded in JGAAP, and we will report them to you in JGAAP until the presentation of financial results in February next year and the annual general meeting of shareholders. All will switch to IFRS as of March 2024 after the general meeting.

Therefore, the annual securities report to be submitted after the general meeting of shareholders will be in accordance with IFRS, and the figures will be based on JGAAP until the financial results briefing to be held in February and the general meeting of shareholders. From next year onwards, we will report our figures in IFRS only. That is all for my explanation.

Q&A: Medium- to long-term outlook for cash flow and schedule for each project

Participant: I would like to ask you mainly about the medium- to long-term cash flow outlook. First, what is the medium- to long-term outlook for CapEx?

We would be more grateful if you could provide specific figures. As an image, for example, do you assume that the Abadi LNG project will remain at the current level until the mid-2020s before FID, and then start to rise in the latter half of the decade?

In that case, of course, it depends on how much operating cash is available, but for example, based on cash flow at the current oil price level of around USD80, is there likely to be a phase by 2030 or so where free cash flow will be in the red?

We also received a very important project presentation today. Depending on the progress of those projects, I also got the impression that the development phase of those projects may overlap in the late 2020s.

Would you do such projects even if the timing overlaps, or would you consider staggering it a bit? I would appreciate an explanation of the scheduling between projects to the extent possible.

Yamada: We are projecting cash flow of about JPY930 billion for the current fiscal year, assuming an oil price of USD80. We will have to examine the situation more closely, but for example, if we assume an oil price of about USD70 per barrel and an exchange rate of JPY130 to JPY135 per barrel, and assuming a plateau for Ichthys and stable production, we should be able to consistently post operating cash flow in the JPY700 billion to JPY800 billion range until 2030.

On the other hand, as for investment, of course there will be maintenance and renewal, as well as the possibility of acquiring new concessions and M&A, but the most important thing to watch is Abadi. Even if we were to spend the most cash against Abadi, I don't think we would actually have that much of a free cash flow deficit.

The Ichthys LNG project went to a net D/E ratio of about 0.7x, but my current approximate estimate is that the net D/E ratio will be within the 0.3x to 0.5x range that we have promised even if we invest in Abadi.

Therefore, assuming an oil price of USD70, we expect that the investment in Abadi will be largely absorbed in cash flow.

On the other hand, we believe that investments in the third train expansion of Ichthys and others would come a bit later. Even if they overlap, we may still be able to manage them. If the investment peak shifts slightly, cash flows would absorb both Ichthys and Abadi's investments, provided that the oil price and exchange rate assumptions remain the same and production is stable.

Q&A: Repayment of interest-bearing debt

Participant: In relation to cash, I would like to ask about the repayment of interest-bearing debt. I believe that the base repayment has been approximately JPY200 billion per year, to which additional repayments would be added. Is it correct to assume that JPY200 billion will continue to be the cruising speed?

Yamada: When you say JPY200 billion, do you mean cash remaining or cash and deposits?

Participant: I mean the annual repayment of interest-bearing debt.

Yamada: The largest portion of the repayment amount is the repayment of Ichthys' project financing, and the contractual repayment schedule is designed as such. Incidentally, I believe that net interest-bearing debt at the end of this fiscal year will be less than JPY1.5 trillion, if not less than JPY1.4 trillion.

We expect the net D/E ratio to be about 0.35x, although you may scold us if we deleverage too much.

Q&A: Future marketing of LNG

Participant: I would like to ask you about your future approach to LNG marketing, which was discussed earlier in your explanation of Ichthys and Abadi.

As for Ichthys, I believe you currently have 15-year long-term contracts. I imagine that a renewal for the 16th year onwards will be made somewhere in the future and that you will need to sign long-term contracts for Abadi as well. However, looking at Japan alone, at least, it appears that electric and gas companies are quite reluctant to sign long-term LNG contracts.

If we include other Asian companies that can be marketed via Pertamina and Petronas, can we understand that there are many people in the world who want to sign long-term LNG contracts, so we don't have to worry? Or is the financial environment becoming more conducive to project financing, not necessarily with a long-term contract?

Can you give us a sense of the current state of LNG, especially how long-term contracts can be concluded and based on that, how you plan to finance the third train expansion of Ichthys and Abadi, to the extent possible?

Ueda: For more than 90% of Ichthys' production, we have long-term contracts with mostly Japanese buyers and some buyers from Taiwan and other countries.

Currently, as you point out, Japanese buyers remain quite cautious about long-term contracts. Looking at contracts with Qatar and other Middle Eastern countries, European and Asian buyers are signing long-term contracts without flinching. In Qatar, there are many 27-year contracts, etc. On the other hand, Japanese buyers are more interested in contracts with a span of 5 years or 10 years, due to a sense of uncertainty about the future.

"What will happen to the financing of Abadi?" is exactly the issue that we will be considering in our marketing as we do FEED in the future.

Abadi will not be financed via project finance, but, for the LNG plant part in particular, is still a scheme whereby an escrow account is set up in a foreign country and money is borrowed and repaid through a system unique to Indonesia called "trustee borrowing." Therefore, I believe that long-term contracts will be necessary to some extent.

Also, with Pertamina and Petronas coming in as our partners, we believe that demand in Malaysia, Indonesia, etc. is expected to be quite long-term, so long-term contracts are still necessary for Abadi. It is probably not possible for Abadi to get up and running without some long-term contract.

Therefore, in order to obtain long-term contracts, we would like to deepen our discussions with

Asian buyers in addition to Japanese buyers.

We will continue to consider the final form, how much of it will come from Asia and how much will come from Japan, while marketing the project.

Q&A: Impact of increased investment on shareholder returns

Participant: You mentioned earlier the sense of the level of free cash flow. Managing Executive Officer Mr Yamada also mentioned that while it depends on oil prices, exchange rates, and operating conditions, investments in hydrogen, ammonia, and renewable energy are also in the pipeline for the late 2020s and beyond.

Therefore, I have the impression that the amount of shareholder return that can be done on a cash flow basis will decrease as investments grow, compared to the level that can be calculated on a profit basis, which has been done for the past one to two years, where the total payout ratio is targeted, and profits are returned to shareholders.

Of course, I don't think you disregard the status of cashflows, but will you continue in your current direction of increasing ROE and linking returns to earnings even in the presence of investments? Or will you adjust shareholder returns as the number of investment projects increase?

What are your thoughts on how you plan to return profits to shareholders over the next 5 years to 10 years, taking into account the many investments that are currently being considered?

Ueda: We have talked a lot about the dream of a lot of investment projects, but in reality, we are not making all the investments right now.

Abadi would like to start FEED as early as next year or so. FEED usually takes about two years, so even if we then enter into an EPC, the investment will be beyond that.

As for hydrogen, CCS, etc., FEED is yet to commence, and actual investment will not occur until the 2020s, and commercial projects will not actually lead to major investment until H2 of the 2020s.

For example, there is the Advanced CCS Project. Even if we assume that the target for this project is 2030, it will inevitably be in the preparatory stage before then, considering that it will take three to four years for construction and one to two years for FEED.

As such, we believe that investment will peak after 2025, with the exception of the hydrogen and e-methane demonstration projects that are being built now. As for Abadi, it may be pushed back a bit more.

Therefore, if we look at the three-year span of the next mid-term plan, of course it will depend on oil prices and exchange rates, but if they do not change much, the level of profit and free cash flow will not change that much.

As for how we intend to return profits to shareholders, as we have explained many times, we have promised that for next year we will pay no less than the current year's dividend. As for the year after next, I must say that we will consider it together with next year's medium-term management plan.

Naturally, I believe that dividends or shareholder returns are based on the distribution of profits. In our case, however, there is a considerable difference between our profit level and cash figures, and we intend to take this into full consideration as we consider our return policy.

Q&A: Financial impact of IFRS adoption

Participant: Could you briefly describe the financial impact of the adoption of IFRS and what areas will change significantly?

Yamada: We will fully adopt IFRS from the next fiscal year. After a very long period of building the system and accounting system, IFRS was finally applied. Since IOCs around the world and other companies in our industry are using IFRS, and since Ichthys, which accounts for 70% of our financial results, is also using IFRS, I believe that the change to IFRS was an inevitable process.

It is difficult to say what will happen to the financial figures when we change to IFRS. Between the birth and death of a company, the only difference between JGAAP and IFRS is when profit is generated and when cash flow is generated. I don't think it is that important, since which is better or worse depends on the timing you are looking at the figures.

However, by utilizing the difference between IFRS and JGAAP accounting standards, when converting to IFRS, impairment losses can be booked on fixed assets without going through the P/L. For example, we see that the goodwill, etc. from the integration with Teikoku Oil will be amortized at that time, so depreciation will probably decrease considerably.

On the other hand, movements of foreign exchange accounts and interest rates will have impacts, since the accounting of PS contracts is changed from PS accounting to concession accounting.

In conclusion, taking many things into consideration, I don't think it will change significantly. However, I believe that IFRS may tend to have slightly better net income than JGAAP figures. We are working on it, and although we have closed some accounts, we cannot disclose the numbers because they have not yet been audited, but we feel that they will not change much.

Q&A: What level of cost of equity should be targeted in the next mid-term plan?

Participant: I have a question about ROIC. Among oil & gas overseas, Ichthys' ROIC would be 8.6%, according to the November forecast. In the August earnings announcement, in the section on efforts to improve capital efficiency, you mentioned that you recognize your cost of equity to be about 8% on a CAPM basis and that you would strive to achieve ROIC that exceeds the WACC of about 6% on a CAPM basis. Although you are forecasting to exceed such targets, such targets remain unchanged for 2024.

I believe that Managing Executive OfficerYamada mentioned earlier that he wondered if this would satisfy us. Talking about the next mid-term business plan, can you give us a hint as to what level you are aiming for first?

Yamada: When looking at ROIC, it is ultimately determined by the invested capital and the numerator, NOPAT. The numerator, or profit, is hard to say because it is affected by oil prices and exchange rates. Therefore, it becomes a question of how to consider the capital invested or how to apply leverage.

We currently consider our leverage to be in the range of 0.3x to 0.5x net D/E ratio and do not intend to deleverage more than 0.3x. On the other hand, I would be somewhat hesitant to leverage more than 0.5x, with the Abadi investment and other investments I mentioned earlier. Within that range, and with stable oil prices and exchange rates, I think we can probably consistently achieve 80% to 90% of those figures.

However, you always ask, "What is your cost of equity?" Although we say it is about 8%, it is a very volatile industry, and I am sure some of you are thinking, "Don't be satisfied with 8%, Mr. Yamada." You are absolutely right. Therefore, we would like to increase the figure if there is a chance to do so.

Since the only part we can control ourselves is leverage, the question is how to think about it. I believe that if we consider leverage within 0.3x to 0.5x, we will end up in a certain range.

Q&A: Investment decisions in new areas

Participant: Please explain how investment efficiency, such as ROIC, is considered when making investment decisions for hydrogen, CCS, and renewable energy. I think it is highly feasible, but on the other hand, I think you would have to get government assistance and overcome technological breakthroughs.

In the unlikely event that some of these conditions were lacking and there was concern that profitability would not increase, would you still be willing to invest as an integrated energy company? Or do you make investments in such new fields based strictly on profitability? I would like to know more about your thinking in this area.

Ueda: That is exactly what we think hard about. Commercial projects and demonstration projects are different, and for the hydrogen and e-methane projects that are currently underway in demonstration projects we are not so much focused on profitability, and, as they are in the area of research and development, it is okay even if they are in the red.

However, even for the same hydrogen or CCS project, the cost for a commercial project will differ by an order of magnitude from a demonstration project and may require an investment in the hundreds of billions of yen, perhaps more than JPY100 billion.

Then, as Senior Vice President of the various sectors mentioned earlier, I believe that a certain level of profitability, if not the same as oil & gas, is definitely necessary, without which we will not be able to make an FID.

Double digits is one goal for hydrogen and CCS. In the area of renewable energy, as explained earlier by Senior Vice President Kawano, we will work on more profitable areas as we change our business model.

If we were to pursue profitability in such a context, we believe that if the assumptions are not met, on the contrary, we would not be able to reach FID, even for a new project.

Q&A: ESG approach in Abadi development

Participant: Please tell us about social capital, especially human rights, which is the "S" in ESG, in relation to Abadi. I realized again this time that your company is doing quite well in activities to gain local community understanding and communication with traditional owners.

What are your current thoughts on how this can be replicated and implemented in the development of Abadi?

Ueda: This is a very delightful question; human rights and local relations are items that we place the highest priority on.

I will tell you, somewhat boastfully, that one of the recent challenges in Australia for Ichthys has been the issue of whether or not we can get approval on the environmental plan. In fact, for many companies, obtaining approval for an environmental plan is difficult. This has not been readily accepted on the grounds that there has not been adequate consultation with the local communities.

In this context, we were probably the first in Australia to receive these approvals for the two new Ichthys drilling projects I mentioned earlier. We are also expecting regulatory approval for the various drilling and other activities related to CCS for the environmental plan in the not-too-distant future.

This is precisely because we have followed a process of careful explanation and understanding of the local people, including the indigenous people. I think this kind of thing is tremendously appreciated in Australia, and in fact, envied by other companies.

How will this be developed in Abadi? As Senior Vice President Watanabe explained earlier, the biggest advantage for us as we move forward with the Abadi project is that we have the experience of Ichthys in many ways.

The biggest challenge for us is to transfer that knowledge and experience that we have gained at Ichthys, both technically and in our relationships with the local community and the government, to Abadi.

So, for example, in order to conduct FEED, we are actively placing people who have been involved in the construction of Ichthys in the construction of Abadi, placing people from Australia, and so on.

In terms of relations with local communities, Indonesia naturally has its own ways of doing things. More than half of the work is still to be done, but we will do our utmost to ensure a good relationship with the local community in Abadi by transferring the experience we have gained at Ichthys. We believe we can proceed with considerable experience and confidence in this regard.

Q&A: Priorities for the five net zero areas

Participant: You mentioned that if all of the five net-zero areas were to go well as you have described today, a commercial project would be in the three-digit billion-yen range. However, given the size of your company, I also think that it is probably quite difficult to proceed with everything.

Naturally, return is one of the keys to selection, but what criteria other than return, or what kind of thinking will be used to prioritize and weigh investments for commercialization in the five net-zero fields?

This may be quite far in the future, but if you have any thoughts on this at this time, or if you have any ideas on your strengths, I would love to hear your thoughts.

Ueda: I think we will probably have to think about this in a number of ways. First of all, it is not likely that all projects will have good returns and that they will all be feasible. Rather, I believe that from among these projects, the number of projects that can be commercialized will be narrowed down.

For example, we have an ammonia project, which, as I explained earlier, is proceeding near Houston, USA. There are other green ammonia projects in the United States.

On the other hand, for example, we are also trying to promote an ammonia project in the UAE, and as I mentioned earlier, there is talk of ammonia production in the future in Abadi, Indonesia.

As for demand, however, no significant demand is expected yet. Based on current demand, I believe that only a very limited number of those projects will get off the ground.

In the distant future, when the demand for ammonia explodes around the world and various projects reach a stage where they become profitable, I think we can envision a situation like the one you just described, which is troubling in a good way, so to speak.

At that time, we will naturally consider the economics of the various projects, their relationship with the region, energy security in the world, and many other factors as we make our decisions.

But rather than that, the immediate and realistic task is to get one of the various projects off the ground. We would rather strive to do that.

The biggest challenge, as I mentioned earlier, is the ability to secure long-term demand, which is a common issue for both ammonia and hydrogen, and in some cases CCS. We will make our utmost efforts to ensure that.

Participant: As you say, there are five net-zero areas and many other projects, but I think you won't know which ones will be successful until you actually move forward.

Hopefully this means that it is not always necessary to prioritize within your company. However, are there, to some extent, situations that you make decisions about which of the five net-zero areas to work on, such as those in which your company's strengths can be better utilized or, conversely, those that you would prefer to leave to other companies?

Or, as you just mentioned, is it more important which ones work, so what your company has or where to put emphasis on is not so much of a factor?

Do you want to move forward with everything for now, or do you have some idea at this point of what you want to work on?

Ueda: I think this also depends on what the future energy situation will be like. In terms of secondary energy, I think right now it would be electricity and heat.

As is generally accepted, there are two major trends: how to make electricity cleaner as electrification is advancing, and the replacement of hydrocarbons with hydrogen, ammonia, etc. in the area of heat demand.

Since we are traditionally a crude oil and natural gas company, we have relative strength in the area of replacing heat demand with hydrogen and other products.

However, it is not enough to work only on that. Considering the current electrification trend in

Japan and the world as a whole, and the fact that renewable energy will develop into green hydrogen in the future, we feel that we need to start working on that as well.

In terms of our strengths, one of the things we are trying to focus on is blue hydrogen and replacement of heat energy, while at the same time creating a reasonable framework for the field of renewable energy.

I suppose there is a possibility that this could be further narrowed down in the future, but that is the way I see it now. For the five net-zero areas, we will be taking a broader stance rather than advancing in all directions or taking advantage of our strengths.

[END]

Appendix

Balance Sheet

INPEX

(Billions of yen)	December 2022	September 2023	Change	% Change
Current assets	729.4	966.8	237.4	32.5%
Tangible fixed assets	2,473.1	2,568.6	95.5	3.9%
Intangible assets	482.7	462.8	(19.8)	(4.1%)
Recoverable accounts under production sharing	521.5	493.0	(28.4)	(5.5%)
Other	2,106.9	2,535.7	428.7	20.4%
Less allowance for recoverable accounts under production sharing	(53.8)	(55.7)	(1.9)	3.6%
Total assets	6,259.8	6,971.3	711.4	11.4%
Current liabilities	526.7	824.1	297.3	56.5%
Long-term liabilities	1,710.7	1,563.1	(147.5)	(8.6%)
Total net assets*2	4,022.3	4,584.0	561.7	14.0%
of which (Translation adjustments)	815.9	1,207.3	391.3	48.0%
of which (Non-controlling interests)	261.5	266.1	4.6	1.8%
Total liabilities and net assets*2	6,259.8	6,971.3	711.4	11.4%
Net assets per share*2 (Yen)	2,879.68	3,351.88	472.20	16.4%

Summary of financial information for Ichthys downstream Incorporated Joint Venture (100% basis, including the Company's equity share 66.245%)

(Billions of yen)
- Current assets: 337.4
- Fixed assets*1: 4,614.8
- Total assets: 4,952.3

*1 Fixed assets include interest expense and capitalized costs before FID.

Of which the total of long-term loans and short-term loans is 1.3 trillion yen.

Adding the off-balanced net interest-bearing debt of the Ichthys downstream IJV brings the total of INPEX net loans to be 1.4 trillion yen (as of September 2023).

(Billions of yen)
Total shareholders' equity: +161.8
Accumulated other comprehensive income: +395.1

*2 International Accounting Standards (IAS) 12 "Income Taxes" (amended in May 2021) has been applied to some foreign consolidated subsidiaries and foreign equity-method affiliates from FY2023, and the figures for December 2022 listed as reference to 3Q FY2023 have been revised.

Statement of Income

(Billions of Yen)	3Q FY2022	3Q FY2023	Change	% Change
Net sales	1,698.7	1,601.8	(96.9)	(5.7%)
Cost of sales	681.3	654.5	(26.8)	(3.9%)
Gross profit	1,017.3	947.2	(70.0)	(6.9%)
Exploration expenses	23.1	23.9	0.8	3.5%
Selling, general and administrative expenses	78.3	83.9	5.6	7.2%
Operating income	915.8	839.3	(76.5)	(8.4%)
Other income*3	224.9	221.7	(3.2)	(1.4%)
Other expenses	113.0	65.4	(47.6)	(42.1%)
Ordinary income*3	1,027.7	995.6	(32.1)	(3.1%)
Extraordinary loss (Impairment loss)	18.2	75.6	57.4	314.2%
Total income taxes*3	751.7	645.3	(106.3)	(14.1%)
Net income (loss) attributable to non-controlling interests	(8.8)	(5.8)	3.0	(34.4%)
Net income attributable to owners of parent*3	266.6	280.3	13.7	5.1%

Net sales:

Increase in sales volume:	+63.0
Decrease in unit price:	(262.5)
Exchange rate:	+102.7
Others :	(0.1)

Cost of sales:

Cost of sales for Crude Oil:	429.6
Change:	(35.9)
Cost of sales for Natural Gas*1:	213.6
Change:	+5.8

*1 Including LPG

Other income — Main factors for change:

Interest income:	+31.4
Equity in earnings of affiliates:	(90.5)
Gain on reversal of allowance for recoverable accounts under production sharing:	(7.6)
Modification gain on financial assets and others*2:	+95.0
Other	(32.0)

Other expenses — Main factors for change :

Interest expenses:	+22.5
Modification loss on financial assets and others:	(83.3)

Income taxes decreased mainly due to lower revenues from lower crude oil prices in some high-tax countries.

*2 In accordance with International Financial Reporting Standards (IFRS) 9 "Financial Instruments" implemented to foreign consolidated subsidiaries, the gain or loss was recognized mainly due to modification of financial assets that do not result in derecognition, revisions to estimated future cash flows of financial assets, and other factors. It includes the gain or loss incurred from transactions with affiliated companies. Adjusted for equity in earnings of affiliates and tax effect accounting, the impact to consolidated net income was minimal.

*3 International Accounting Standards (IAS) 12 "Income Taxes" (amended in May 2021) has been applied to some foreign consolidated subsidiaries and foreign equity-method affiliates from FY2023, and the figures for 3Q FY2022 listed as reference to 3Q FY2023 have been revised due to this.

3Q FY2023
Net Sales

(Billions of Yen)		Product	3Q FY2022	3Q FY2023	Change	% Change
Oil & Gas	Japan	Crude Oil	4.5	3.5	(1.0)	(23.0%)
		Natural Gas (excluding LPG)	143.2	180.4	37.1	25.9%
		LPG	0.0	-	(0.0)	(100.0%)
		Other	7.1	5.6	(1.4)	(20.7%)
		Total	154.9	189.5	34.6	22.3%
	Australia & Southeast Asia	Crude Oil	156.3	148.1	(8.2)	(5.3%)
		Natural Gas (excluding LPG)	184.2	209.0	24.8	13.5%
		LPG	0.5	2.8	2.3	405.0%
		Total	341.1	360.0	18.9	5.5%
	Europe	Crude Oil	95.5	74.2	(21.2)	(22.3%)
		Natural Gas (excluding LPG)	31.4	20.4	(10.9)	(35.0%)
		Other	0.2	0.1	0.0	(17.0%)
		Total	127.1	94.8	(32.2)	(25.4%)
	Abu Dhabi and others (Middle East, NIS etc.)	Crude Oil	1,058.3	936.4	(121.8)	(11.5%)
		Natural Gas (excluding LPG)	2.2	1.3	(0.8)	(39.4%)
		Other	1.5	0.0	(1.5)	(99.1%)
		Total	1,062.1	937.8	(124.2)	(11.7%)
Other		Crude Oil	3.5	5.1	1.5	42.8%
		Natural Gas (excluding LPG)	1.1	1.3	0.2	18.5%
		LPG	2.2	3.8	1.5	68.0%
		Other	6.3	9.2	2.8	44.8%
		Total	13.3	19.5	6.1	46.0%
Total		Crude Oil	1,318.3	1,167.4	(150.9)	(11.4%)
		Natural Gas (excluding LPG)	362.2	412.5	50.3	13.9%
		LPG	2.8	6.7	3.8	134.5%
		Other	15.2	15.1	(0.1)	(1.1%)
		Total	1,698.7	1,601.8	(96.9)	(5.7%)

3Q FY2023
Sales Volume

INPEX

		Product	3Q FY2022	3Q FY2023	Change	% Change
Oil & Gas	Japan	Crude Oil (thousand bbl)	452	322	(130)	(28.8%)
		Natural Gas (excluding LPG) (million cf)	71,139	71,654	515	0.7%
		LPG (thousand bbl)	1	-	(1)	(100.0%)
	Australia & Southeast Asia	Crude Oil (thousand bbl)	11,357	13,220	1,862	16.4%
		Natural Gas (excluding LPG) (million cf)	234,965	271,374	36,409	15.5%
		LPG (thousand bbl)	69	441	373	541.5%
	Europe	Crude Oil (thousand bbl)	6,841	6,362	(479)	(7.0%)
		Natural Gas (excluding LPG) (million cf)	8,904	11,602	2,697	30.3%
	Abu Dhabi and others (Middle East, NIS etc.)	Crude Oil (thousand bbl)	84,270	84,824	554	0.7%
		Natural Gas (excluding LPG) (million cf)	7,023	7,835	812	11.6%
Other		Natural Gas (excluding LPG) (million cf)	268	257	(11)	(3.9%)
Total		Crude Oil (thousand bbl)	102,921	104,728	1,807	1.8%
		Natural Gas (excluding LPG) (million cf)	322,299	362,722	40,423	12.5%
		LPG (thousand bbl)	69	441	372	536.2%

3Q FY2023
Net Production Volume*

		Product	3Q FY2022	3Q FY2023	Change	% Change
Oil & Gas	Japan	Crude Oil (thousand bbl)	727	694	△33	△4.5%
		Natural Gas (excluding LPG) (million cf)	27,744	26,269	△1,475	△5.3%
		Iodine (ton)	412	410	△2	△0.6%
		Electric power generation (million KWh)	164	158	△6	△3.8%
	Australia & Southeast Asia	Crude Oil (thousand bbl)	12,055	12,856	801	6.6%
		Natural Gas (excluding LPG) (million cf)	273,844	316,794	42,949	15.7%
	Europe	Crude Oil (thousand bbl)	6,956	5,959	△996	△14.3%
		Natural Gas (excluding LPG) (million cf)	8,289	11,183	2,894	34.9%
	Abu Dhabi and others (Middle East, NIS etc.)	Oil (thousand bbl)	86,482	85,341	△1,141	△1.3%
		Natural Gas (excluding LPG) (million cf)	7,718	7,727	9	0.1%
		Sulfer (thousand ton)	53	101	48	89.1%
Others		Electric power generation (million KWh)	425	1,069	644	151.6%
Total		Oil (thousand bbl)	106,219	104,850	△1,368	△1.3%
		Natural Gas (excluding LPG) (million cf)	317,596	361,973	44,378	14.0%
		Iodine (ton)	412	410	△2	△0.6%
		Sulfer (thousand ton)	53	101	48	89.1%
		Electric power generation (million KWh)	589	1,226	638	108.4%

* The volume of LPG produced overseas is included in "Crude Oil."