

INPEX Hosts "Investor Day 2024" - Expansion Strategy of the LNG Business and the Challenge towards realizing a Decarbonized Society [With Q&A]

[Speakers]

Mr. Takayuki Ueda, Representative Director, President & CEO, INPEX Corporation

Mr. Hitoshi Okawa, Director, Senior Managing Executive Officer, Senior Vice President, Oceania Projects, INPEX Corporation

Mr. Akihiro Watanabe, Managing Executive Officer, Senior Vice President, Asia Projects, INPEX Corporation

Mr. Shoichi Kaganoi, Executive Officer, Senior Vice President, Hydrogen & CCUS Development, INPEX Corporation

Date and time: Monday, September 9, 2024; 13:00 (JST) start, 15:00 (JST) close
 Venue: Sankei Plaza (and live-streamed online in both Japanese/English)

Time	Program	Speakers
13:00-13:05	Opening Remarks	Representative Director, President & CEO Takayuki Ueda
Expansion Strategy of the LNG Business		
13:05-13:15	Ichthys LNG Project	Director, Senior Managing Executive Officer, Senior Vice President, Oceania Projects Hitoshi Okawa
13:15-13:25	Abadi LNG Project	Managing Executive Officer, Senior Vice President, Asia Projects Akihiro Watanabe
13:25-13:40	Q&A	
Challenge Towards Realizing a Decarbonized Society		
13:40-13:50	Hydrogen and CCUS Business	Executive Officer, Senior Vice President, Hydrogen & CCUS Development Shoichi Kaganoi
13:50-14:00	Q&A	
14:00-14:10	Break	
14:10-15:00	General Q&A	Representative Director, President & CEO Director, Senior Managing Executive Officer, Senior Vice President, Finance & Accounting Director, Senior Managing Executive Officer, Senior Vice President, Corporate Strategy & Planning Takayuki Ueda Daisuke Yamada Toshiaki Takimoto

Takayuki Ueda: Good afternoon, everyone. I'm Takayuki Ueda, President and CEO of INPEX. Thank you very much for attending today despite the lingering summer heat. I'd also like to express my heartfelt gratitude to those participating via Zoom for your valuable time.

This is our second Investor Day, following last year's event. The main feature of Investor Day is that the heads of each project provide explanations.

The heads of the Ichthys LNG Project, Abadi LNG Project, and Hydrogen & CCUS business will directly explain to you the current status and future prospects of the projects, including various ongoing challenges.

We'll address other projects and the Company's overall direction in the final comprehensive Q&A session. Thank you in advance for your attention.

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- 1 Strengthening**
Long-term stable operation of the project
 - 2 Maintaining the plateau, backfill and train expansion**
Effective development of new and existing gas fields utilizing the Ichthys facilities
 - 3 Making cleaner**
Reduction of CO₂ emissions
 - 4 INPEX Brand**
Establishment of INPEX Brand in Australia
 - 5 Energy business and investment environment in Australia**

Hitoshi Okawa (hereinafter, Okawa): I'm Hitoshi Okawa, Senior Vice President of Oceania Projects at INPEX. Following last year, I'll explain the current status of the Ichthys LNG Project and its future prospects, focusing on five themes.

First, our mission is the long-term stable operation of the project. I'll explain how we aim to achieve this stable operation and what challenges stand in our way.

Second, I'll discuss our strategies for maintaining the current plateau, such as backfill and train expansion. Having such a large production facility is an advantage we aim to leverage for further business expansion.

Third, the shift towards cleaner operations. Naturally, continuing to develop and produce fossil fuels comes with the obligation to reduce carbon dioxide emissions. How to pursue cleaner operations while expanding production is also a crucial challenge.

Fourth is establishing the INPEX brand. To continue such a large-scale business, the Company's brand is extremely important. In other words, whether people can trust INPEX and whether there are people who want to work for INPEX are very important considerations.

We've built up the INPEX brand from scratch. I'll explain the current status of this effort.

Lastly, regarding the energy business and investment environment in Australia, I'd like to explain what changes have occurred since last year, focusing on changes in the Australian government's stance.

1. Strengthening



We are committed to the long-term stable operation of the project

This year, we expect a quick recovery in production from the temporary trouble

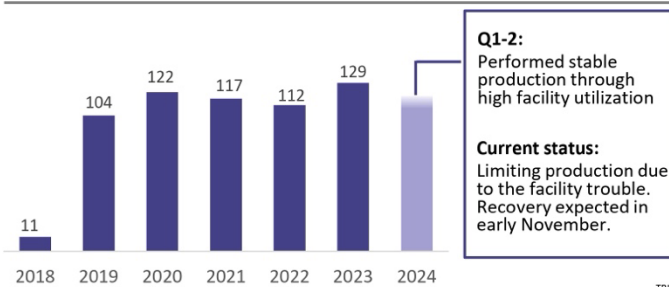
Continue safe operations through sound HSE management and enhanced process safety

Improve facility reliability and stable operations through steady maintenance

Maximize sales volume through optimization of production plans and cargo arrangements

Reduce CO₂ emissions through efficient operation of the LNG facility

Number of LNG cargoes



Improvement of HSE performance



TRI FR (Total Recordable Injury Frequency Rate): Number of recordable injuries per 1 million working hours (12 month moving average)

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There are four key points for the long-term stable operation of the project.

First, continuing safe operations is key. In addition to safe operations, we will improve equipment reliability and increase productivity. Also, production planning and shipping issues are crucial challenges. We'll work on optimization to maximize sales volume. Lastly, as mentioned earlier, there's the reduction of CO₂ emissions.

Let me explain the production status for this fiscal year. Dividing it into first and second halves, Q1 and Q2 were very strong, achieving stable production results due to high equipment utilization rates. Up to this point, things were going well.

However, as some of you may already know, production issues occurred in July and August, and currently, production volume has dropped to about 35%.

Today, I'll first organize the facts, explain why such production restrictions were implemented, what the current situation is, and when we expect to recover in detail.

In July, there was a small gas leak from a heat exchanger. Heat exchangers play a crucial role in the process of extracting heavy oil components like ethane, butane, and propane, ultimately leaving only methane.

Even a small gas leak can lead to fire, so it must be thoroughly inspected.

As you know, we have two trains, Train 1 and Train 2, each with three heat exchangers, for a total of six. The fact is that one of the three heat exchangers in Train 2 had a small gas leak.

First, while working on the inspection in August, another small gas leak was discovered in one more of the three series, meaning two out of three series. Naturally, when two series need to be stopped, Train 2 must be shut down.

With the discovery of the second gas leak, Train 2 was shut down in August, and we've been operating at 50% production with only Train 1 running.

However, as you can understand, if Train 1 and Train 2 use the same equipment, the question arises of how to ensure the safety of Train 1. Therefore, to ensure safety, we're currently inspecting one of the three heat exchangers in Train 1.

Conducting this inspection requires reducing Train 1's production volume by about 30%, resulting in a situation where Train 1 is at 70%, Train 2 is at 0%, for a total production volume of 35%.

We've consulted with the equipment supplier, and engineers dispatched by the vendor have been working on-site in Darwin. As a result, one of the two heat exchangers that had issues in Train 2 has already been cleared.

Therefore, for Train 2, we expect to be ready for 100% production by the end of September. Train 1 also needs very detailed inspections, so various confirmation work will likely be completed from late October to November, and we think we can return to 100% operation from early November.

However, we won't know what will happen until we actually investigate. We want to carefully assess the situation and confirm safety before resuming full production.

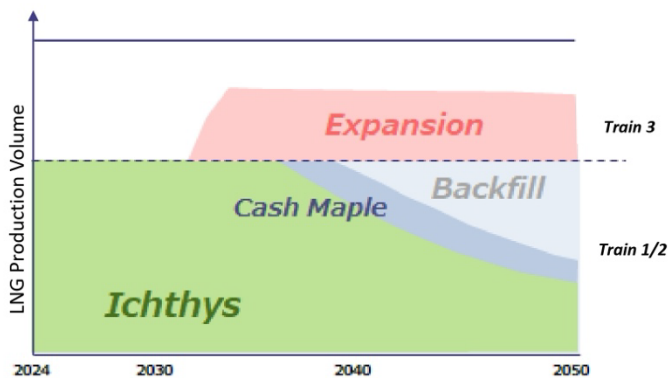
The key points are why the heat exchanger trouble occurred and whether similar issues might happen again in the future.

There are several root causes, and while we can't pinpoint them yet, we've narrowed it down to two or three. We plan to take fundamental countermeasures once we've identified the cause.

As mentioned earlier, we currently expect to return to 100% production from early November.

HSE performance has improved significantly, and safety awareness has increased considerably on the contractor side. Our detailed instructions to contractors are finally bearing fruit, and we're gaining confidence in the performance.

Effective development of new and existing gas fields utilizing the Ichthys facilities



1. Additional development of Ichthys

- Development wells drilling in shallow reservoirs completed
- Construction of additional equipment to be installed on the offshore facility
- Development of deep reservoirs

2. Development studies in the vicinity of Ichthys

- Aiming to commence production at the Cash Maple gas-condensate field in the 2030s

3. Exploration activities in the vicinity of Ichthys

- Two exploration wells have been unsuccessful
- Acquired exploration block AC/P71 (adjacent to Cash Maple)
- Pursuing economically efficient Ichthys LNG backfill development opportunities

4. 3rd train expansion

- Ongoing evaluation targeting start-up of the 3rd train in the 2030s

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I'll now explain our future plans for plateau maintenance, backfill, and train expansion.

As mentioned before, if we continue production without any action, production volume will decline in the late 2030s. Therefore, to maintain Ichthys' plateau, we need to consider backfill for supplementation.

One such measure is the Cash Maple project we've secured. With Cash Maple, we can maintain the plateau for several years. However, as several years aren't enough, we need to consider what follows Cash Maple for backfill.

One strategy is exploration of nearby surrounding blocks. I want to clearly communicate that we drilled two wells in surrounding blocks, but unfortunately, they were dry. For the future, we want to review our current position and reformulate our exploration policy.

As mentioned last time, even small gas deposits in surrounding blocks can be easily commercialized. Proximity is a crucial point, and it's clear that even if we don't find large gas fields, small volumes can be commercialized, contributing to plateau maintenance.

Although we missed two wells, we want to review our exploration policy and rethink our strategy.

Regarding train expansion, at last year's briefing, we mentioned that we had entered the acquisition process, saying, "Our name might appear publicly around May next year. At that time, you'll probably understand where INPEX is aiming. Please bear with us until then."

However, our name didn't appear in May. The process itself is in its final stages. We've progressed to conducting technical assessments in various aspects, but we're spending time on technical assessments and actual development plan assessments, so at this stage, it might be a while before our name appears.

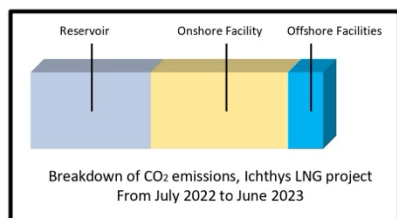
However, as candidates will be narrowed down, we expect to see whether our company can advance to the final round within this year.

At this stage, we have considerable confidence in our development plan and think we might be able to advance to the final round. Due to various factors, we can't discuss it here, but in the near future, we believe we'll finally be able to share this with you.

3. Making cleaner



As a responsible operator in Australia, we are committed to promoting decarbonization initiatives.



July 2022 to June 2023
5,840,868 (tCO₂-e), 17th in Australia

CCS Business

- Two appraisal wells drilling at the GHG Assessment G -7 AP (Bonaparte CCS) Block scheduled to be completed by the end of this year, in order to understand the block's CO₂ storage capacity.
- Planning to capture native CO₂ from the Ichthys Field at the Ichthys LNG onshore facility, and to inject and store underground.
- Contributing to the realization of the Darwin-based CCUS Hub etc., proposed by the Northern Territory Government.



Aiming for Further CO₂ Reductions

- Introduction of renewable energy sources at the LNG facility under consideration
- Continue afforestation of Wheatbelt Connect project

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Regarding the CCS business, the slide only states that two appraisal wells drilling are scheduled to be completed by the end of this year, but in reality, we've already started drilling one of the two wells and it's close to completion.

We started drilling the first well on July 25, with the second planned for September 25. So, the first well is already drilled, and we're about to move to the second, making steady progress.

Based on these results, we'll conduct a thorough GHG assessment for Bonaparte CCS and investigate whether we can inject our CO₂, including injectability. Therefore, by the end of the year, we should have a clear picture of the extent to which Bonaparte CCS is feasible.

However, what we need to evaluate simultaneously in this process is the scale at which we'll proceed with this project.

Ichthys emits about 6 million tons of CO₂ annually. However, it's unclear if 6 million tons is economically viable, and we think we need to launch something on the scale of 10 million tons.

In such a case, we need to cultivate other demands. We're in various discussions with potential customers, including transporting CO₂ from Japan. Once demand is established, we'll understand the overall scale at which to proceed with this project.

Currently, we're actually drilling, and if the structure itself is an aquifer, we're determining how much CO₂ it can absorb, what scale of business we should pursue accordingly, and cultivating demand, all of which are progressing smoothly.

Regarding the CCUS hub concept in Darwin, led by the Northern Territory Government, the administration actually shifted from the Labor Party to the Liberal Party in August. As a result, we believe we will gain a clearer understanding of how the project will proceed by discussing the new administration's policy moving forward.

Concerning current initiatives, as we need to decarbonize our actual operating facilities and equipment, we're considering electrification using renewable energy sources. We believe this can be put into practical use before long.

We're also conducting a forestation project called the Wheatbelt Connect Project in Western Australia. While we expect offsets from this, there are uncertainties and land acquisition is extremely difficult. As our forestation project won't progress unless land acquisition goes well, we're currently struggling with this.

4. INPEX Brand



Establishment of INPEX Brand in Australia



Employer of Choice

Continue to be a desirable workplace for the employees

- Continue to conduct employee engagement surveys, pursue a better workplace
- Implement leadership skill development programs for senior employees



Partner of Choice

Be the company of choice for governments, industries and stakeholders

- Maintain good relations with the Australian government
- Participate in conferences, seminars, and keynote speeches organized by industry associations in the energy sector

Contribution to local communities

Building and maintaining relationships of trust with the community

- In accordance with INPEX's Reconciliation Action Plan, conduct employment and promotion of cultural and historical understanding of the traditional owners
- Committed AU\$24 million over the 40 years to the Larrakia people through the Larrakia Ichthys LNG Foundation Trust

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Over the past one to two years, we can say that recognition of the INPEX brand has improved dramatically. As I explained last year, we can feel this when the government seeks our opinion when changing or creating new policies.

It's become normal for us to express our opinions on these matters. I believe this indicates that we've been recognized. I mentioned before that it's very difficult to voice opinions on policy changes, but I think we've become an entity that can act as a deterrent.

Through continued stable operations from the start of production in September 2018 until now, I believe our operatorship has gained trust and our contribution to Australia has been properly recognized. We've managed to firmly establish our brand in Australia, starting from scratch.

As we continue to develop this business, I think there are three key points:

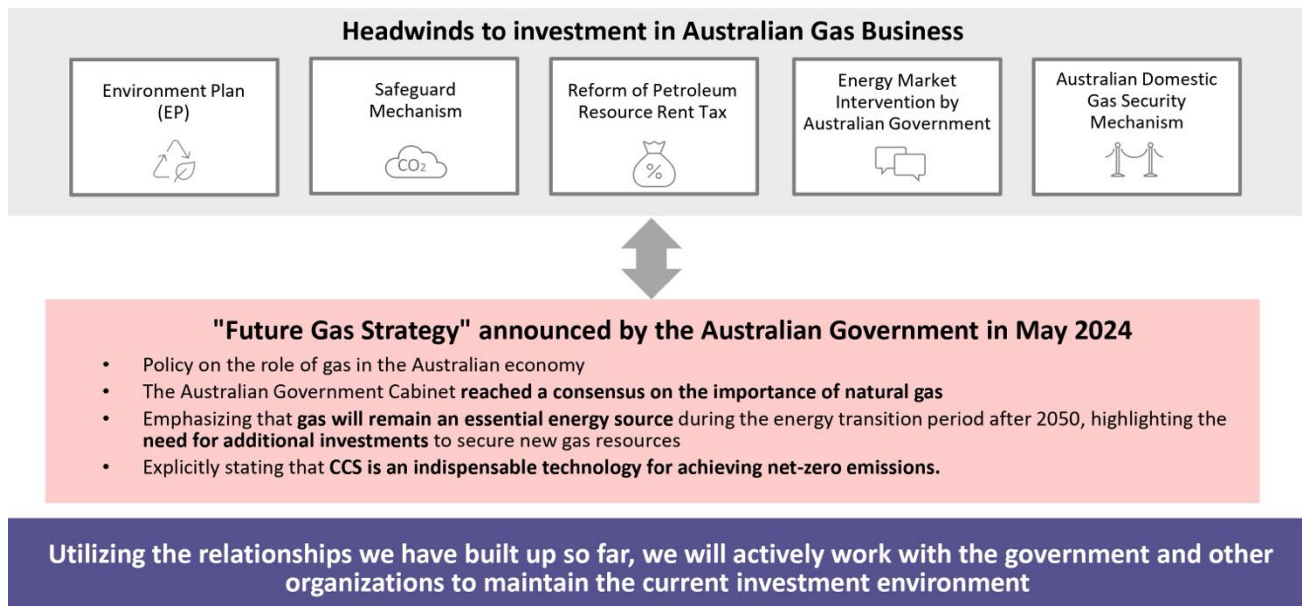
The first point is "Employer of Choice." As I mentioned last year, we need to become a company people choose. We need to be a company where people say, "I want to work for INPEX." Projects are about people. The competition is about how many talented individuals we can attract.

In this sense, our name has become recognized, and a considerable number of people are leaving other companies to work for INPEX, so I believe our "Employer of Choice" brand strategy has progressed significantly.

The second point is "Partner of Choice." It's important whether companies say, "We want to work with INPEX." Last year, we announced the establishment of a joint venture in Australia with Enel, Europe's largest renewable energy company, with a 50/50 investment.

The realization of this deal is a testament to the impact of being a "Partner of Choice"—it shows that companies are now coming forward wanting to do business with INPEX. Starting with just one renewable energy project, INPEX's reputation has continued to grow, solidifying our brand power. Moving forward, we will continue to strengthen our efforts to be a "Partner of Choice."

The third point is regional contribution. How much we can contribute to local communities is also a very important point. No matter how much INPEX wants to expand its business, we can't develop if the local community opposes it. Therefore, we want to address regional contributions even more thoroughly than before.



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At the 2023 Investor Day, we explained the five points listed on the slide regarding changes in Australian government policy. This reflected the government's tightening restrictions on fossil fuel development.

What happened after that? There was actually a big development in 2024. In May 2024, the Australian government published the Future Gas Strategy. We were asked for our opinion on this, and we were able to express our views sufficiently.

These were summarized and announced as the Future Gas Strategy. The biggest point here is that this Labor government initially did not recognize the importance of natural gas at all.

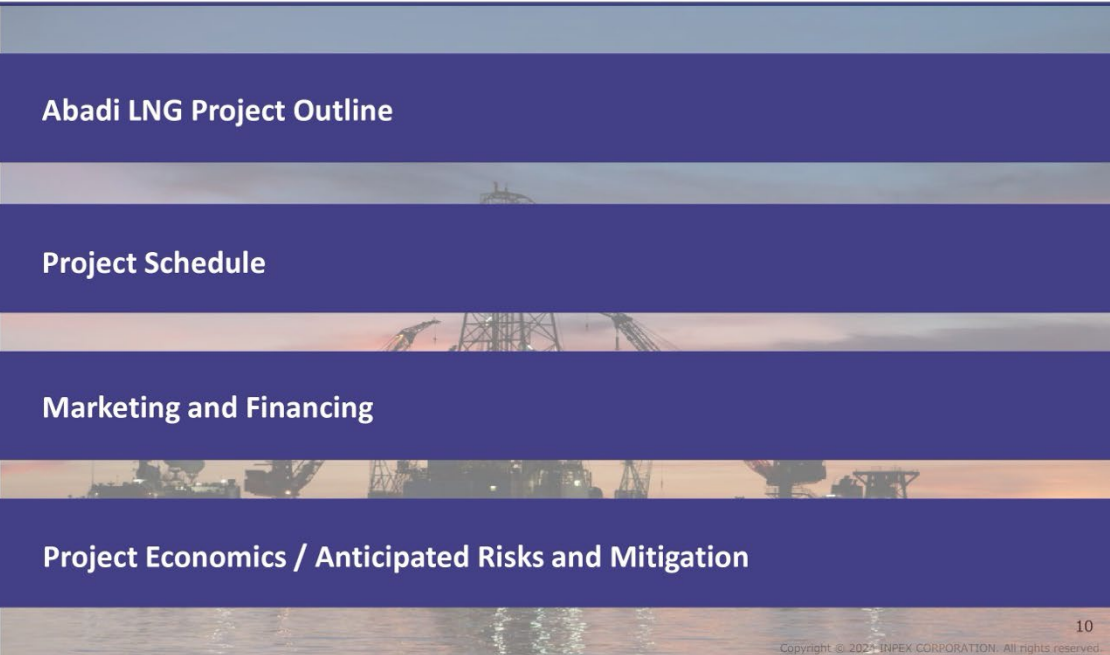
Similar to Europe, there was a time when the importance of oil and natural gas was greatly underestimated, and there was a strong lean towards renewable energy. After that, the tide changed, and there was a correct recognition that life couldn't be sustained with renewable energy alone.

As a result, natural gas as a clean energy was re-recognized as a transitional energy until renewables can take over. It started to be referred to as an "essential energy" in their words.

It's a significant development that CCS, which hadn't been given much consideration before, has been re-recognized as an "essential technology." The Future Gas Strategy also clearly states that "additional investment is needed for essential energy (gas)."

However, despite this re-recognition of its importance, financial aid hasn't been forthcoming. It's easy to say, but we're currently asking the Australian government for concrete support, including financial assistance.

Going forward, we want to leverage the relationships we've built with the Australian government, speak up where necessary, and actively promote our policies. This is something we've been doing for a long time, and our approach hasn't changed.



- 1 Abadi LNG Project Outline
- 2 Project Schedule
- 3 Marketing and Financing
- 4 Project Economics / Anticipated Risks and Mitigation

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Akihiro Watanabe (hereinafter, Watanabe): I'm Akihiro Watanabe, Senior Vice President of the Asia Projects, in charge of the Abadi LNG Project. It's a pleasure to be here.

I'd like to introduce the current status of the Abadi LNG Project and the future path towards its realization. The slide lists the four themes I'll be discussing today.

1. Abadi LNG Project Outline



Block Name	Masela Block
Location	Arafura Sea in Indonesia
Period	Until 2055
Participating Interest	INPEX 65% Pertamina 20% Petronas 15%
Planned Production Volume	LNG 9.5 MTPA Pipeline Gas 150 mmscfd Condensate 35,000 boed (at peak)
CCS	Entire CO ₂ from the reservoir to be removed and injected. *CCS operation to start from day 1 of LNG production.
Current Status	Revised Plan of Development with CCS approved in 2023, preparation work for FEED underway



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Here's an overview of the Abadi LNG Project. As I introduced last year, I'd like to report on four characteristic points.

First is the time frame. The contract period extends to 2055, making it a project that will continue for more than 30 years from now.

Second is the participating interest. This project, besides our company, includes participation from Pertamina and Petronas, the most powerful national oil companies in Southeast Asia from Indonesia and Malaysia, making it an LNG project led by Asian companies.

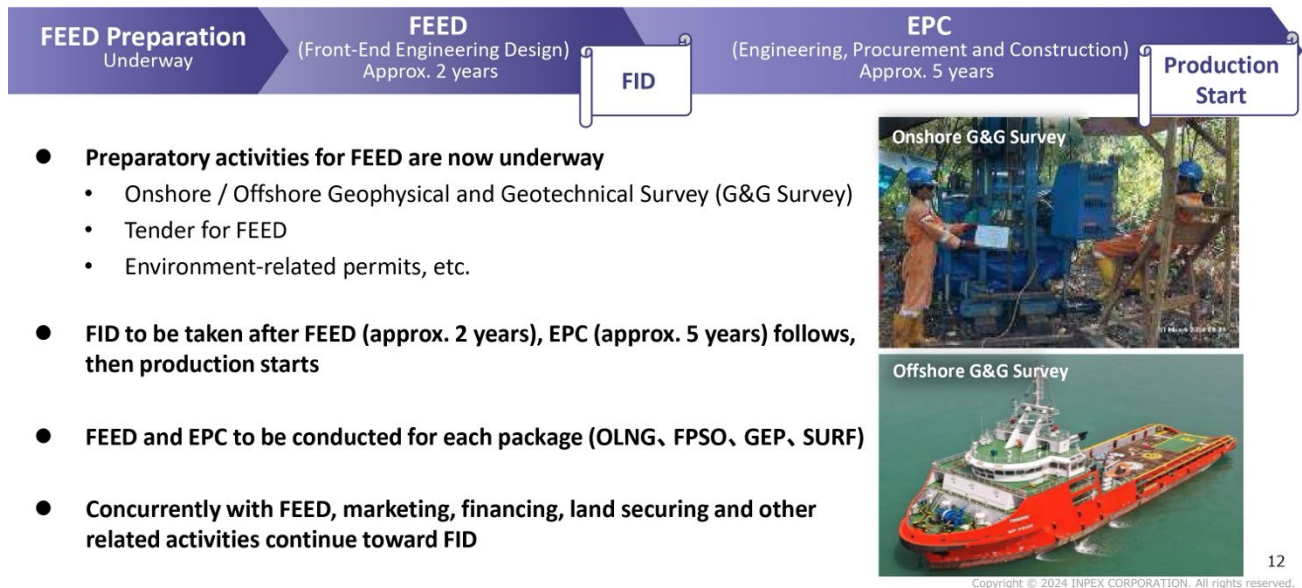
Third is the production volume. The production scale is planned at 9.5 million tons of LNG per year. As shown in the bottom right of the slide, the development concept adopts a method very similar to our Ichthys LNG Project that was explained earlier.

Fourth, we are also planning CCS for the Abadi LNG Project. Moreover, we have received approval from the Indonesian government to conduct LNG production and CCS in parallel from the start.

Fifth, regarding the current status of operations, we are in the preparatory stage for the basic design, called FEED. I'll introduce the detailed schedule in the next slide.

2. Project Schedule

Timeline: Aiming to start production in the early 2030s



I've summarized what we're doing in 2024 on this slide. For project work, there are three points indented under "Preparatory activities for FEED are now underway" on the slide.

First, we're conducting physical exploration and ground surveys on land and at sea. To move forward with the design work, we need to accurately understand the ground conditions, and this process involves gathering the necessary geological data.

Second, we're selecting engineering companies through bidding to be in charge of design work. This is to start basic design work as soon as possible, and we're currently in the middle of this process.

Third, we're working on environmental-related and other permits, as well as acquiring land to build the plant. Currently, we're particularly engaged in permit work with the Indonesian government.

These are the three major tasks for this year. When you hear Indonesia, you might think relations with the government would be difficult, but among these three tasks, the one progressing most smoothly is the third point, the permit work. With strong support from the Indonesian government, it's proceeding without any major issues.

In parallel with these preparatory tasks, we're also working on marketing for future LNG sales and financing to secure development funds.

Continue marketing and financing activities in parallel with FEED toward FID

Marketing



- Conducting marketing activities since 2020
- Executed non-binding MOUs / LOIs with buyers mainly from Southeast Asia (including Indonesia) and East Asia, with their interests exceeding the planned volume
- Continuing engagement with the buyers

Financing



- Conducted market sounding to test the liquidity from commercial banks worldwide in 2024 Q2
- Sufficient liquidity and adequate buffer to fund the project have been confirmed
⇒ The Majority of expressed amount came from Asian banks.

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This is about the status of marketing and financing that I mentioned earlier. To fully implement these tasks, we need to start FEED and correctly understand what the project's costs and schedule will be like.

For example, in marketing, the most important information for sales activities is when LNG supply will be possible. In financing, we need to correctly understand how much the project will cost and how much we need to raise from the market.

This information will be updated as we proceed with FEED, allowing for more accurate estimates. At this point, we're conducting preliminary activities in preparation for this.

We're discussing with potential LNG customers and confirming lending intentions with financial institutions that might lend us money. At this point, we're receiving very positive and encouraging feedback on both marketing and financing.

We need to turn this positive situation into concrete forms such as contracts in the future. However, for that, the project side needs to catch up and obtain information such as production start times and funding amounts until project realization.

As an immediate challenge, we believe it's necessary to solidify the foundation for marketing and financing while advancing the project.

As the project work is still at a very preliminary stage, the content I'll introduce next is more about the policy of how we want to proceed rather than specific work details.

4. Project Economics / Anticipated Risks and Mitigation

Project Economics Target: IRR mid-10% range (based on realistic assumptions)



After FEED, INPEX and Government of Indonesia will jointly review the project economics based on the updated cost/schedule to ensure the project has good enough economics

* INPEX IRR target of mid-10% range is well-recognized by Government of Indonesia

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Most of the slide content was introduced at Investor Day 2023, but the important point is that there has been no change to this policy whatsoever.

The basic idea for what should be achieved in the Abadi LNG Project is to aim for an IRR, internal rate of return, in the mid-teens. We intend to manage the project going forward to realize this.

We've organized three specific challenges. How to manage the project execution risks, whether we can advance the project with costs and schedules as initially anticipated, and although we mentioned that permit-related matters are going well with strong support from the Indonesian government, there are indeed country risks.

Going forward, in parallel with the basic design work, we'll consider risk mitigation and management strategies for these risks.

We want to manage the project well to avoid being exposed to risks when we actually enter the EPC phase and construction work begins, and achieve the level of economic viability I mentioned earlier.

However, there's always uncertainty in project execution, so there are aspects where we can't be sure if it will ultimately be successful.

Therefore, we plan to re-evaluate the economic viability based on updated, more accurate cost and schedule information when FEED is completed. We've also promised the Indonesian government that we'll discuss the project's investment feasibility again at that time.

As shown at the top of the slide, we want to use the discussion of what's necessary to execute the project to achieve returns in the mid-teens as a measure. We anticipate that we might receive additional support or incentives from the Indonesian government in some cases, and we've already agreed on the basic concept with the Indonesian government.

We intend to steadily advance the project following this policy going forward. As a result, we'll work hard to ensure that the Abadi LNG Project becomes the foundation for our future growth and meets the expectations of our shareholders and institutional investors.

We ask for your continued understanding and support. Thank you very much.

Question & Answer

4. Project Economics / Anticipated Risks and Mitigation

INPEX

Project Economics Target: IRR mid-10% range
(based on realistic assumptions)



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Participant: I have one question each about the Ichthys LNG Project and the Abadi LNG Project. First, thank you for the very detailed explanation about the recent troubles at Ichthys. I think many in the market were concerned about this.

With that in mind, I'd like to ask where you see the key points of change in determining Ichthys' cash flow over the next 5 years to 10 years.

If possible, could you tell us about the timing and scale of increases in CapEx beyond maintenance CapEx for Ichthys, such as for CCS, expansion, and further exploration activities for backfill?

On the operating cash flow side, how do you plan to manage tax and cost increases due to inflation?

Regarding inflation, I believe the agreement with workers will reach a milestone in 2026, so I'd like additional information on how you plan to manage after that. For taxes, how do you view the impact of the petroleum resource rent tax (PRRT)? Please tell us about Ichthys' cash flow considering these factors. That's my first question.

Secondly, regarding the Abadi LNG Project, you're aiming for an IRR in the mid-teens. Is it correct to understand this as equity IRR? Please confirm the definition just to be sure.

Also, regarding financing, it may be too early to ask as we don't know yet how much the project will cost, but in terms of being able to raise more than expected from the debt side, do you feel there's flexibility or room to apply a certain degree of leverage?

Please tell us about these two points: the definition of IRR and your current market conditions and impressions regarding the ratio of equity to debt in financing.

Okawa: First, I'll answer about what kind of cash flow we expect over the next 5 years to 10 years, and what kind of CapEx flow we anticipate within that.

Regarding what we'll do over the next 5 years to 10 years, at the very least, I think we'll be fully establishing a system to maintain the plateau. We're at an important timing now where we can move towards expansion only after we can maintain the plateau.

As for the scale of investment, that will be determined after the target for the plateau is clearly defined. The plateau first involves exploration activities, followed by how to incorporate other discovered but undeveloped structures, and we're currently narrowing down these targets.

As we mentioned at Investor Day 2023, we're still at a stage where it's difficult to discuss the investment scale, so I hope you'll understand.

Regarding PRRT and relations with workers in this context, PRRT is undoubtedly having an impact, and we've reached a position where we're paying PRRT.

I don't have exact figures showing the impact of PRRT at hand, so I can't give you specific amounts, but it will start to affect us around 2026, with a tax rate of 40% to 50%, which will have a significant impact.

(Note: Australia's corporate tax rate is 30%, and the effective tax rate including PRRT is 58%. We anticipate an annual impact of JPY20 billion to JPY30 billion on the P&L, primarily due to tax effects. Of this, we expect tax expense cash outflows of several billion to JPY10 billion for about three years after cash outflow occurs.)

Also, we think our relationship with the unions will be a challenge in the future. As you know, Australian unions are strong. Recently, other companies have reached certain agreements with unions, and if these agreements become precedents, we'll need to significantly increase salaries. Furthermore, especially offshore, there are measures like adding danger pay or changing from four-person rooms to two-person or single rooms.

As a result, there's a risk that our planned work may not progress smoothly due to constraints on personnel on offshore facilities. We'll be negotiating soon, but while acknowledging precedents, we can't accept conditions that aren't reasonably feasible for actually conducting our business.

We're currently telling the unions, "If our business fails, we'll all lose our livelihood, so let's find a way to coexist." These negotiations are still to come.

However, I repeat, Australia is a country with strong unions. Given that the current Labor government supports unions, we recognize this as an issue we can't let our guard down on.

Watanabe: Regarding your question about the basic concept of IRR for the Abadi LNG Project, I believe you're asking whether it's project IRR or equity IRR, and how leverage affects it.

Before discussing these, let me explain a bit about how financing for Abadi is reflected in the project, though I may have mentioned this before.

The Abadi LNG Project is being implemented under a production sharing contract (PSC) framework with the Indonesian government. The basic concept of the PSC for Abadi is how to distribute LNG sales between the Indonesian government as the oil and gas producing country and us as contractors.

Typically, normal production revenue is divided into cost recovery for invested costs and profit sharing of the remainder between the Indonesian government and us, with the distribution ratio determined by contract.

When we raise funds within the project framework, in addition to these two elements of cost recovery and profit sharing, repayment comes in as a separate stream in the distribution.

Actually, there's a benefit to repaying funds within the PSC framework. Normally, when raising funds, we would have to bear the interest paid to financial institutions as it occurs outside the project.

However, by including repayment in the production stream, we can repay from product sales including interest, effectively allowing us to recover interest costs. This is one of the major benefits of fundraising within the PSC framework.

We're currently aiming for this approach and, with the cooperation of the Indonesian government, are inquiring about financing as I mentioned earlier.

Usually, we look at the project as a whole including interest cost recovery, so when we talk about IRR for the Abadi LNG Project, it includes financing based on this framework.

There may be various ways to define whether to call this "project IRR" or "equity IRR." As I mentioned earlier, we want to evaluate the project's economic viability using a common measure with the Indonesian government, and if the IRR doesn't reach the mid-teens, we want to get additional support.

Therefore, the economic evaluation or IRR that forms a common basis with the Indonesian government assumes, as I mentioned earlier, that financing is included in the PSC framework and interest cost recovery is performed.

In this case, we're looking at IRR with a certain leverage already incorporated. However, how effective this leverage is depends on the extent to which we execute financing and what the interest rate will be.

Naturally, if we can borrow funds cheaply, the leverage will be higher. Going forward, we'll always look at it with a certain part of leverage incorporated, but its magnitude depends on future financing efforts. That's why we're saying the IRR is in the mid-teens.

Participant: So, can I understand it as being close to equity IRR?

Watanabe: That's correct. However, from the Indonesian government's perspective, they see this as the return of the Abadi LNG Project, so if you asked the same question to the Indonesian government, they would probably answer, "No, it's project IRR."

We also look at equity including leverage. I gave this lengthy explanation because I thought it might be somewhat misleading if I didn't explain how we define it.

Presentation

1

Support Measures for the Commercialization of Hydrogen and Ammonia Projects
Contract-for-Difference subsidy scheme is key for commercialization

2

Support Measures for the Commercialization of CCS Projects
CCS Business Act has been established. Supporting scheme needs to be in place.

3

Progress of Main Projects

16

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Shoichi Kaganoi (hereinafter, Kaganoi): I'm Shoichi Kaganoi, Senior Vice President of Hydrogen & CCUS Development. Thank you for your attention.

It's been three and a half years since INPEX established a new department for decarbonization in 2021. We've been considering and discussing various projects both domestically and internationally. Today, I'd like to explain our progress.

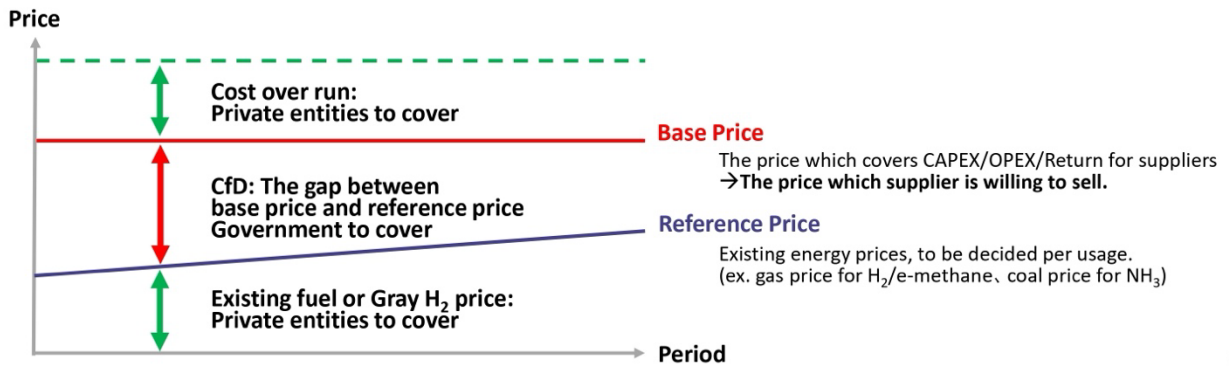
The slide shows today's agenda. As this is a new business, it's not easy. Also, as mentioned in the previous question, "inflation" has become a keyword, and we're facing some cost challenges.

In the first two points of the slide, I'll focus a bit on the keyword "support". Then in point three, I'll explain the current situation of some of our projects.

CfD subsidy scheme is key for commercialization of hydrogen and ammonia projects

- Japanese government decided to introduce Contract-for-Difference (CfD) and other subsidy scheme.
- The Hydrogen Society Promotion Act passed the Parliament of Japan in May 2024.
- Competition to obtain subsidy is fierce, but the environment is steadily improving for the commercialization of hydrogen and ammonia projects in around 2030.

Outline of CfD Subsidy Scheme: CfD subsidy for 15 years from commencement of operation



Regarding hydrogen and ammonia projects, the Hydrogen Society Promotion Act was enacted in May this year. This new law defines price difference support and hub development support, which will be introduced going forward.

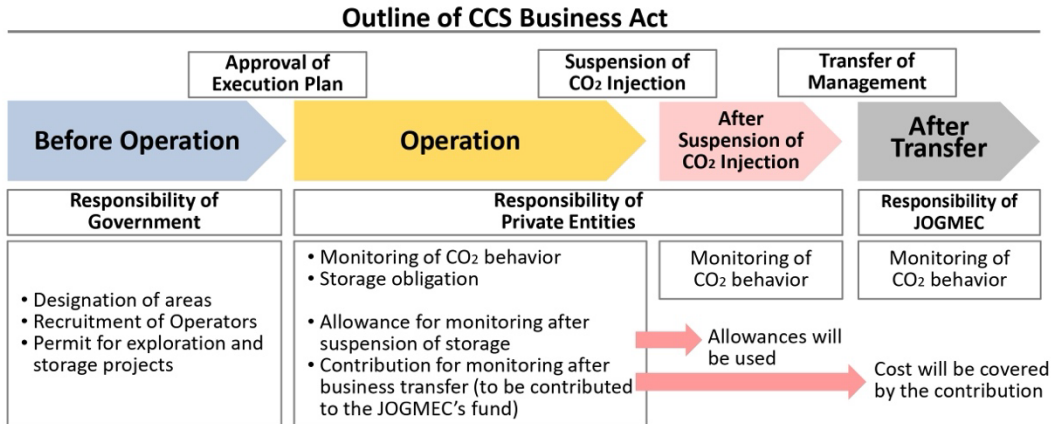
The simple schematic at the bottom of the slide explains the price difference support. The red line represents the benchmark price, which is the actual price at which we can supply hydrogen. The blue line is the reference price, which is the parity price when using an equivalent existing fossil fuel.

The difference between these two will be supported as price support, allowing new businesses to finally get off the ground. However, as you know, national budgets are limited, so we're having daily discussions both internally and externally to somehow secure this budget.

2. Support Measures for the Commercialization of CCS Projects

CCS Business Act has been established. Supporting scheme needs to be in place.

- CCS Business Act passed the Parliament of Japan in May 2024.
- The ratification of the London Protocol amendment for CO₂ transportation to overseas has been approved by the Parliament of Japan.
- Dialogues among governments also progressed.
- Though support scheme is still under consideration, the environment is steadily improving for the commercialization of CCS projects in Japan in around 2030.



Similarly for CCS, the CCS Business Act was enacted in May this year. In accordance with this law, we can finally proceed with CCS as a business in Japan.

However, given Japan's high CO₂ emissions, we are also considering exporting CO₂ overseas, not just handling it domestically. For instance, as mentioned in the second point on the slide, the amendment to the London Protocol was ratified during this year's Diet session.

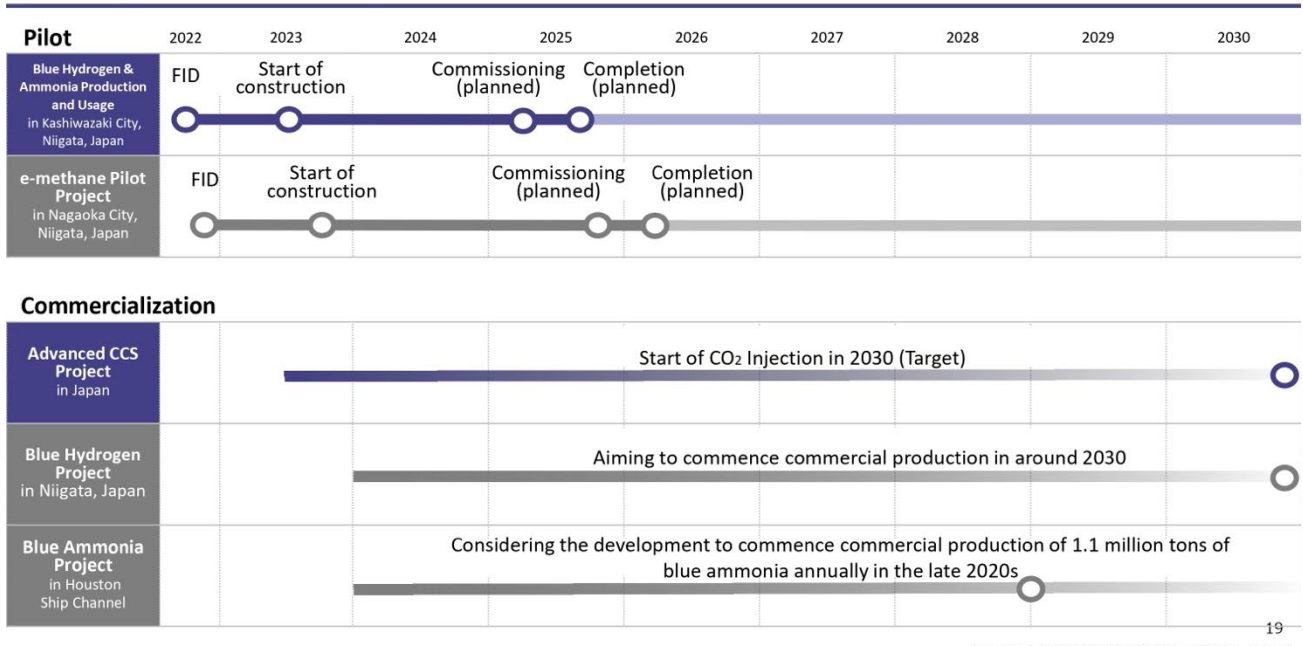
This approval has prepared the groundwork for taking CO₂ overseas. Additionally, if agreements can be reached between countries, we'll be able to officially take CO₂ overseas and store it there.

The diagram at the bottom of the slide is like a timeline from left to right. The leftmost, Before Operation, is the government's initiative. Here, it's decided where and which operators will conduct CCS.

The next section, Operation, refers to our company overseeing the storage process, ensuring that CO₂ is properly stored during operations.

Even after storage is completed, our company will responsibly confirm that CO₂ is properly stored, and then transfer to the government. At that point, JOGMEC will act as a proxy and continue this monitoring into the future.

3. Progress of Main Projects



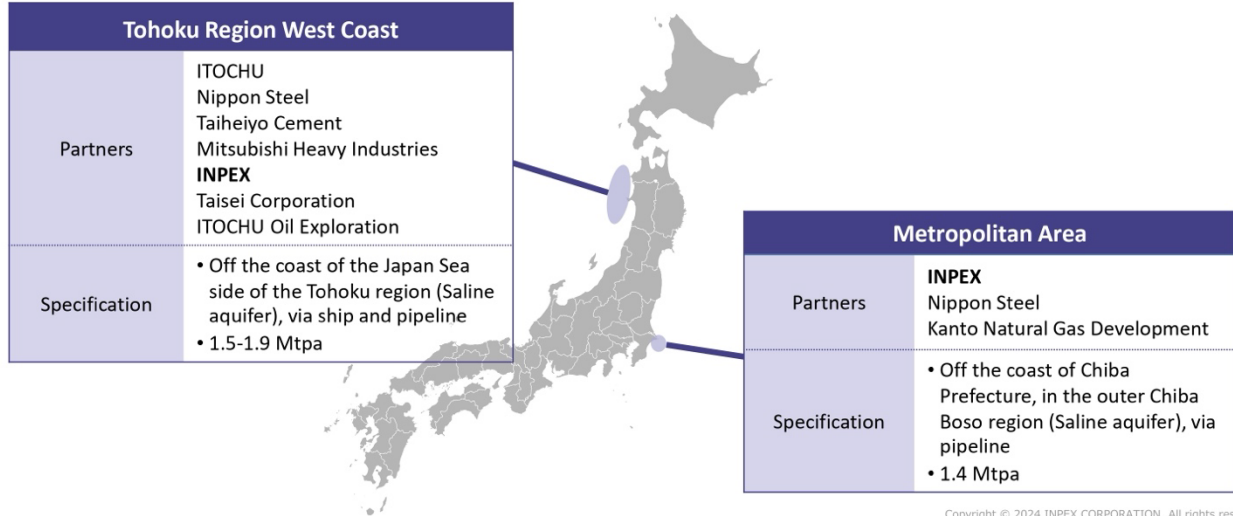
Here's an update on the progress of the main projects we've already announced via press release.

At the top of the slide, you'll see the blue hydrogen and ammonia demonstration test being conducted in Kashiwazaki City, Niigata Prefecture. Below that is the world's largest e-methane methanation facility in Nagaoka City, which is progressing smoothly in its construction.

Further down, we'll explain after this the Advanced CCS Project that's currently moving toward commercialization. In addition to these, we also have a project in Texas to import ammonia as a clean fuel, and domestically, as a company with a footprint in Niigata Prefecture, we are exploring the potential for low-carbon and decarbonization projects within the region.

3 - I. Advanced CCS Project

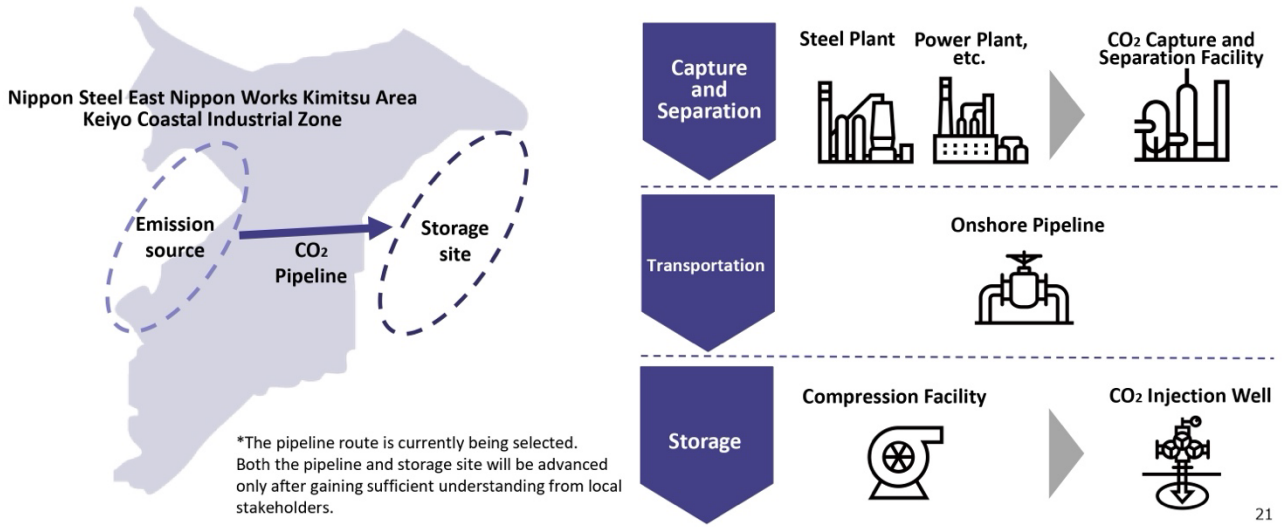
JOGMEC has picked 9 candidate projects as “Advanced CCS Project” for this year on July 28, 2024. INPEX is involved in “Metropolitan Area CCS” and “Tohoku Region West Coast CCS”. “Metropolitan Area CCS” is led by INPEX



Regarding the advanced CCS project, our company is involved in two of the nine projects selected by the government as future CCS business projects.

One is the Tohoku Region West Coast CCS Project, and the other is the Tokyo Metropolitan Area CCS Project. For the latter, we will be leading the project as the coordinator.

Capturing CO₂ emissions from multiple industries
A CCS project that transports the captured CO₂ via pipeline* and stores it in the offshore area of Chiba Prefecture



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This is a conceptual diagram of the Tokyo Metropolitan Area CCS Project. Chiba Prefecture has one of the highest CO₂ emissions among all prefectures, centered around the inner bay and Tokyo Bay coast.

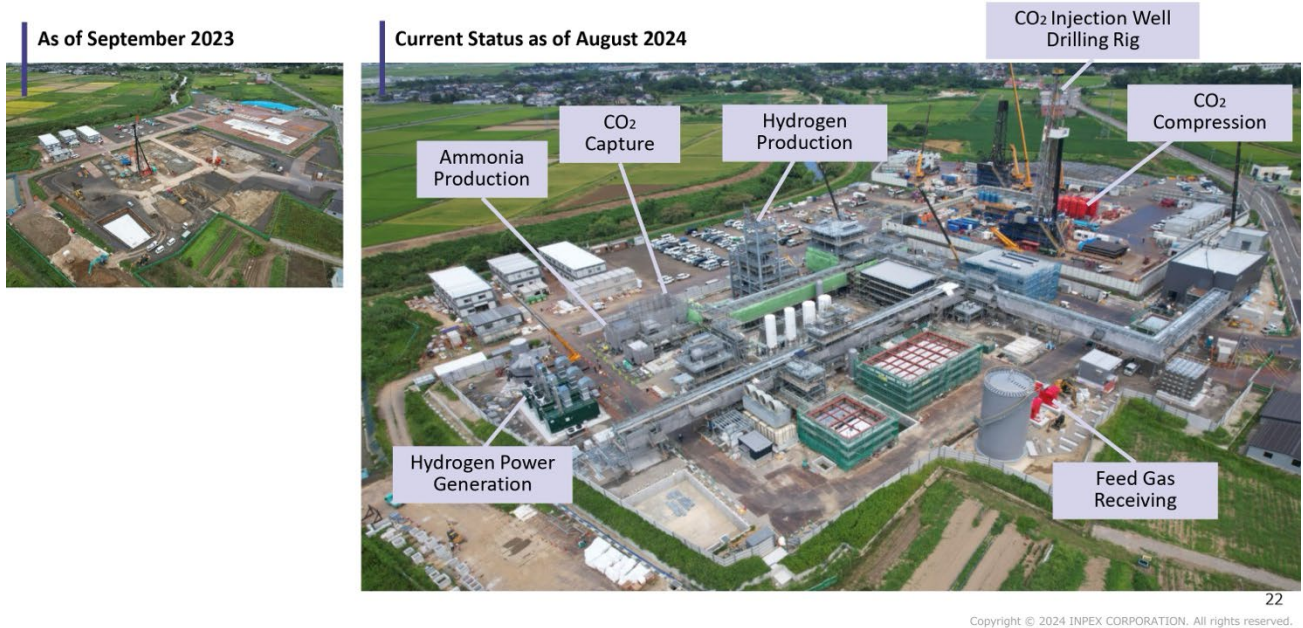
CO₂ will be collected from emission sources on the left side of the slide, transported via CO₂ pipeline to the Pacific side in the east, and stored more than 1,000 meters below the seabed offshore.

As shown on the right side of the slide, CO₂ separated and captured from places like steel mills and power plants will be transported by pipeline, pressurized in the outer bay area of Chiba Prefecture, and injected underground through wells.

We're currently shifting gears towards starting this project in 2030. The formal contract has been concluded and we recently issued a press release.

This project was the first to be selected among the nine advanced CCS projects, and we believe the government is putting considerable effort into it. Therefore, we are fully committed to driving it forward.

3-II. Integrated Demonstration of Blue Hydrogen & Ammonia Production and Usage in Kashiwazaki City, Niigata



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This slide is about a demonstration test, not a business project.

The small photo on the left is what we showed at last year's Investor Day. In the photo on the right, you can see that it has taken on quite a plant-like form.

For example, the hydrogen power generation equipment in the lower left of the photo already has a gas engine installed that runs on 100% hydrogen. Additionally, CO2 compression equipment, hydrogen production equipment, and CO2 capture equipment have been installed.

In the upper right of the photo, there are two drilling derricks. One of these is a well related to CCS and CCUS, used for injecting CO2 underground and recovering the gas that comes out as a result.

Right under the other derrick, there used to be a gas field where INPEX produced gas. We're simultaneously working on properly sealing this old well to prevent unnecessary CO2 from escaping.

In this way, using our natural gas, gas fields, and technology, we hope to demonstrate through this test our determination to stably supply low-carbon energy in the same way towards 2030 and beyond. We plan to start operations around next summer and look forward to making a major announcement when the time comes.

I've talked about the current situation of decarbonization, hydrogen, and ammonia. We ask for your continued understanding and cooperation. Thank you very much.

Question & Answer

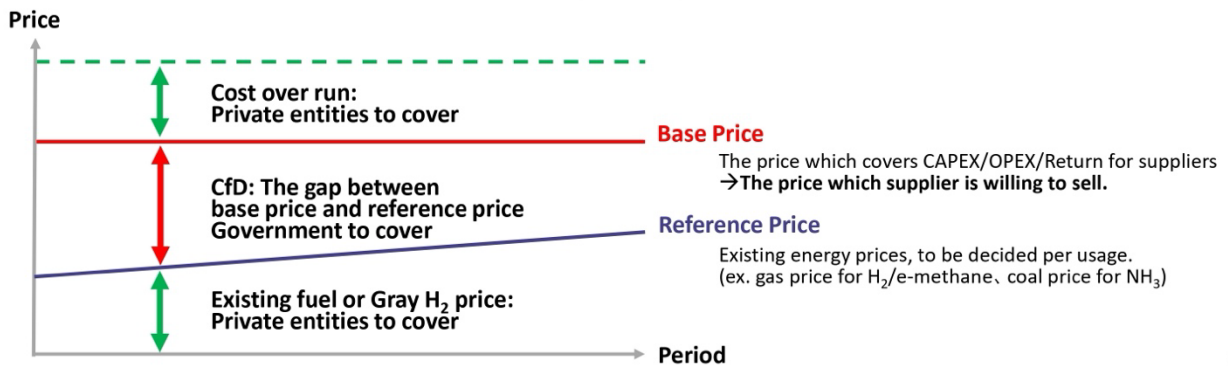
1. Support Measures for the Commercialization of Hydrogen and Ammonia Projects



CfD subsidy scheme is key for commercialization of hydrogen and ammonia projects

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Outline of CfD Subsidy Scheme: CfD subsidy for 15 years from commencement of operation



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Participant: Regarding your hydrogen and ammonia projects, you mentioned that securing support is highly competitive. Given your company's standing, I expect you'll be able to secure the necessary support.

However, as a potential risk, what plans do you have if you are unable to obtain this support? I don't imagine you would abandon the projects simply because of that, but could you explain what strategies or policies you're considering in such a scenario?

Kaganoi: That really depends on the specific project. In some cases, we might consider halting the project, but when it comes to energy and decarbonization, we need to take a long-term perspective.

For instance, one option might be to slow down progress, or perhaps reduce the scale of the project. There's also the possibility that, while a standalone project might be challenging without support, we could combine it with other initiatives to create added value. There are various options to explore.

As you mentioned, as a company developing oil and gas, we can't simply give up. We'll need to put our heads together and find a way forward. It will be a case-by-case decision, and we expect a variety of scenarios to arise.

[END]