Financial Results for the six months ended June 30, 2024

INPEX CORPORATION (Securities Code:1605)
August 8, 2024

INPEX

Agenda

1. Business Overview

2. Progress Update for "Sustainable Growth of Corporate Value"

Takayuki Ueda
Representative Director, President & CEO

3. Consolidated Financial Results for the six months ended June 30, 2024

4. Consolidated Financial Forecasts for the year ending December 31, 2024

Daisuke Yamada
Director, Senior Managing Executive Officer, Finance & Accounting

INPEX

Cautionary Statement

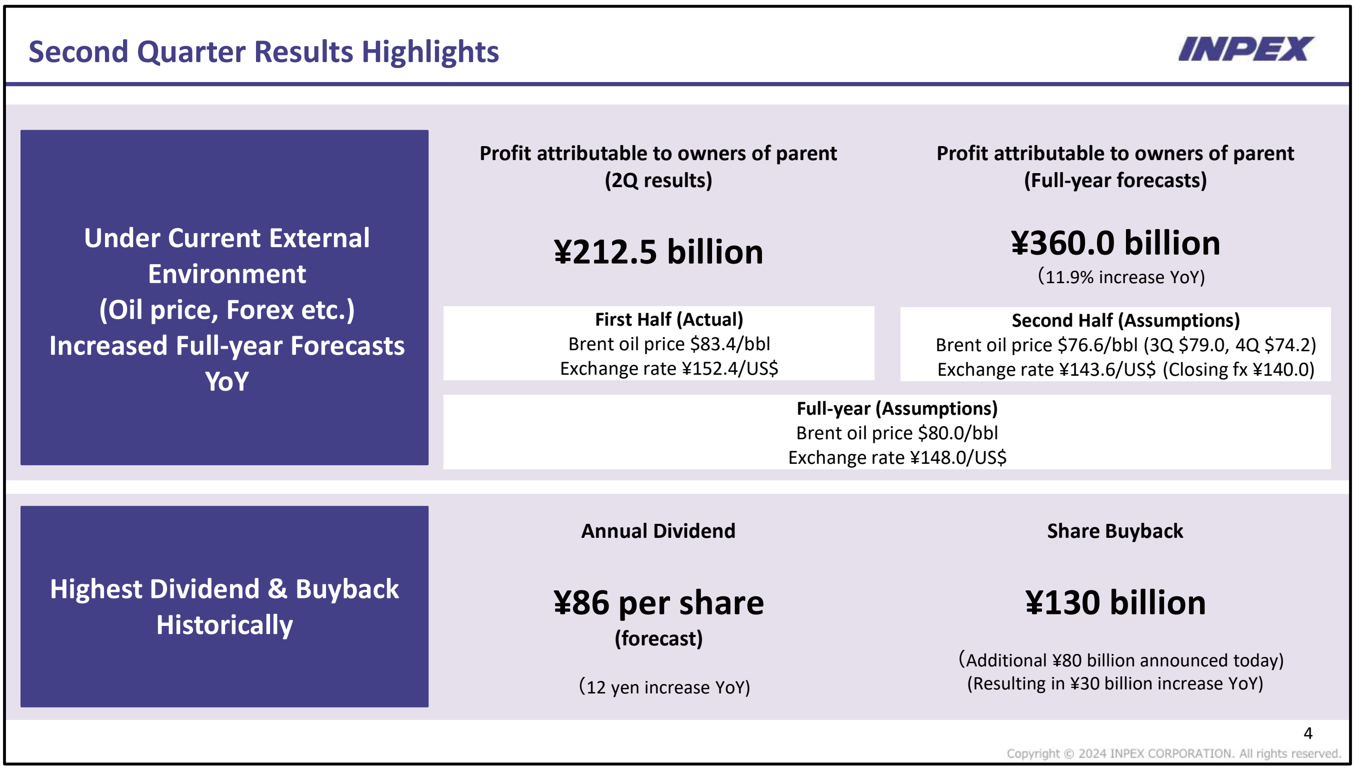
This presentation includes forward-looking information that reflects the plans and expectations of the Company. Such forward-looking information is based on the current assumptions and judgments of the Company in light of the information currently available to it, and involves known and unknown risks,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

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

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

1. Business Overview

Takayuki Ueda
Representative Director, President & CEO



Takayuki Ueda (Ueda): I am Ueda, Representative Director, President of INPEX. Thank you for joining us today. I will now explain our business overview. The key message I want to convey is described on this slide. Profit attributable to owners of parent for H1 was JPY212.5 billion due to relatively favorable and stable oil prices and a weak yen. As noted on the slide, the average Brent oil price for H1 was USD83.4. The exchange rate averaged JPY152.4, although there were times when it was JPY160.

In H1 of 2024, our business was relatively smooth under such circumstances, with no major problems. However, the domestic and international environment has changed dramatically over the past week, with major falls and rises in the stock market, as well as significant fluctuations in exchange rates and declines in oil prices. The INPEX stock price, unfortunately, also fell significantly. Although the interim financial results for the period from January to June were relatively stable and steady, I believe investors are concerned about whether INPEX will be fine amid the extremely volatile environment, lower oil prices, and the yen's sharp appreciation. In this regard, we have tried to include as much of the latest situation as possible in our forecast for the full year.

As indicated on the slide, the full-year forecast for net profit is JPY360 billion, but what I would like you to see is the assumption. Oil prices are set to average USD76.6 for H2, compared to USD83.4 for H1. I believe it is now back around USD78, but it was around USD76 until recently, so we have assumed these oil prices will continue.

The exchange rate for H1 was JPY152.4. As you know, until about three weeks ago the yen was over JPY160, but now it is about JPY146 and is moving in the direction of appreciation, so our base for H2 is JPY143.6. With such a drastic change in the environment, we would like to show you what H2 would look like on that basis. That is the purpose of this full-year forecast.

As shown on the slide, net profit is projected to be JPY360 billion. Last year, it was about JPY320 billion on an IFRS basis. Even with very low oil prices and exchange rates, as of a week or so ago, INPEX has indicated that it expects to make more profit than last year.

Naturally, oil prices and exchange rates can go up or down. Therefore, it is hard to say something about the concern that "Will INPEX be okay?" However, even if this week or so of major volatility continues into H2, our earnings will not be shaken. Rather, we would like to convey the message that profit has increased compared to last year.

Shareholder returns are based on our projections. Based on the idea that "we want to give a positive message to the current stock market," we have set our annual dividend forecast at JPY86 per share, an increase of JPY12 from the previous year.

The Company repurchased JPY50 billion of its treasury stock in H1, and additional JPY80 billion was announced today, for a total of JPY130 billion. The total amount of shareholder returns will be around JPY235 billion. With this outlook, we can show you, with figures, that we are able to return enough. These are the current interim results and INPEX's outlook toward the end of the year. In a nutshell, INPEX is doing reasonably well.

Business Activities in FY2024 – Oil and Gas Business –

INPEX

		First half of FY2024	Second half of FY2024 (planned)
Producing Projects	Ichthys LNG (Australia)	• Participating interest increased from 66.245% to 67.82% • Conducted stable production operations overall, shipped 66 LNG cargoes • First half profit contribution of 150.0 billion yen	• The train restarted operations following a production loss event in July, the production rate is largely back on track • Forecasted profit contribution of about 85.0 billion yen for the second half and about 235.0 billion yen for the full year
	Offshore Oil Fields & Onshore Concession (Abu Dhabi)	• Continue to conduct stable operations and production capacity increase	
	Others	• Commenced oil production at the newly constructed Azeri Central East production platform in ACG field	• Continue evaluation of the potential development of discovered but undeveloped oil and gas fields in Norway • Succession of INPEX's domestic oil and natural gas business etc. to the newly established subsidiary, INPEX JAPAN to promote the business more flexibly and efficiently
Pre-FID Projects	Abadi LNG (Indonesia)	• Continue activities and preparation for FEED commencement and FID ✓ Onshore and offshore geophysical & geotechnical surveys (commenced) ✓ Tender for FEED execution (commenced)	
Exploration Projects	Vicinity of the Ichthys Field (Australia)	• Continue evaluations for AC/RL7 (Cash Maple) and other blocks • Conducted a 3D-seismic survey in AC/P66. Continue 3D-seismic survey data processing	
	Onshore Block 4 (Abu Dhabi)	• Conduct exploratory and appraisal drilling and evaluation of potential development and production in the next phase	
	Others	• Discovered oil and gas deposits at Offshore Block PL636 in Norway • Signed PSC for Block SK510 (exploration block) in Malaysia	• Considering new bids to acquire new exploration licenses in Norway

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I will now explain the project progress. In the oil and natural gas sector, technical issue occurred at Ichthys LNG. In July, one LNG train experienced an equipment failure, and that train is currently producing at a controlled rate. There will be a short-term shutdown maintenance originally scheduled for October, at which time final work will be done to restore the plant to full production. H1 went very well, with production levels exceeding our initial expectations, but we had this issue. In the Abu Dhabi offshore oil fields and onshore concession, we will continue to increase production capacity.

As described in "Others", the Company separated its domestic business from INPEX. In our case, all of our operations in Australia, Abu Dhabi, etc. are conducted by subsidiaries. Therefore, in order to strike a balance and to make our domestic operations a little more efficient, we are splitting up our domestic businesses. Then, on October 1, it will become a subsidiary as INPEX JAPAN, where it will conduct flexible business operations.

Abadi LNG is in the process of making steady preparations for FEED work starting at the end of 2024 or the beginning of 2025. There are onshore and offshore geotechnical and geophysical surveys and various tendering processes for FEED implementation.

FEED is a detailed design process. The bidding process is divided into four categories: subsea facilities (SURF), FPSO, subsea pipeline (GEP), and onshore LNG facility. We are continuing to make various preparations for this purpose, including a qualification review.

Business Activities in FY2024 – 5 Net Zero Businesses –

INPEX

	First half of FY2024	Second half of FY2024 (planned)
Hydrogen & Ammonia	• Construction of surface facilities for for Blue Hydrogen/Ammonia Project in Kashiwazaki City, Niigata Prefecture, Japan proceeding as planned. Continue with the construction work aiming to commence demonstration operation in August 2025 • Commenced Pre-FEED for large-scale, low-carbon ammonia production and export project on the Houston Ship Channel in Texas. Aiming to transition to FEED.	
CCS・CCUS	• Conducted 3D-seismic survey and data processing in GHG assessment permit (G-7-AP) in Bonaparte CCS project. Continue to conduct 3D-seismic data processing and conduct appraisal drilling • "Tokyo Metropolitan Area CCS Project" and "Tohoku Region West Coast CCS Initiative" selected by JOGMEC for the 2nd phase of Japanese Advanced CCS projects. Planning to implement preparation for exploratory drilling and FEED for onshore facilities.	
Renewable Energy	• Reached FID on Quorn Park solar power and battery project, the first investment of its kind after the acquisition of shares in EGPA	• Continue with the commissioning of the Gigarre solar power project that are under construction by EGPA in Australia, aiming to commence operations in the early 2025. Proceed with development of various potential projects
Carbon Recycling & New Business	• Construction of CO2-methanation test facilities capable of producing 400 normal cubic meters of methane per hour in Niigata, Japan steadily underway, aiming to commence commissioning in the early 2026	
Forest Conservation & Other	• Implementation of activities to acquire and generate new forestation credits • Marketing of carbon offset products including gas and jet fuel	

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In the 5 net zero businesses, we are currently constructing a surface plant facility in Kashiwazaki City, Niigata Prefecture, for an integrated demonstration test of blue hydrogen and ammonia production and utilization. This construction is progressing almost smoothly and is expected to begin demonstration operation in August 2025. In addition, we have started Pre-FEED for a large-scale low-carbon ammonia project at the Port of Houston, Texas, USA.

Progress has been made at CCS. There are two main CCS projects abroad. One is the Bonaparte CCS Project. This is a CCS project aimed primarily at injecting the CO2 from Ichthys LNG. Starting this year, we plan to actually drill wells while conducting 3D seismic exploration to see if enough CO2 is going in. The other is Abadi LNG, to which we will add CCS to make it a project with CCS.

In Japan, two CCS projects are planned for implementation. One is the Tokyo Metropolitan Area CCS Project and the other is the Tohoku Region West Coast CCS initiative. For these two projects, we were able to obtain a contract from the government for the second phase of Japanese CCS project. Over the next two years, we will begin full-scale detailed design. This will be a large-scale CCS in Japan.

In renewable energy, we executed FID for the Quorn Park solar power and battery project, marking the first FID made since INPEX teamed up with EGPA. It is not easy to make a profit in the field of renewable energy. However, Quorn Park solar power is a project that aims for high profitability by combining solar power generation and storage batteries. In the field of carbon recycling, we are constructing a demonstration plant for methanation, or e-methane, together with Osaka Gas and other companies.

2. Progress Update for “Sustainable Growth of Corporate Value”

Takayuki Ueda

Representative Director, President & CEO

Progress Update for “Sustainable Growth of Corporate Value”

INPEX

Various initiatives conducted after the announcement of “Sustainable Growth of Corporate Value” in August 2023

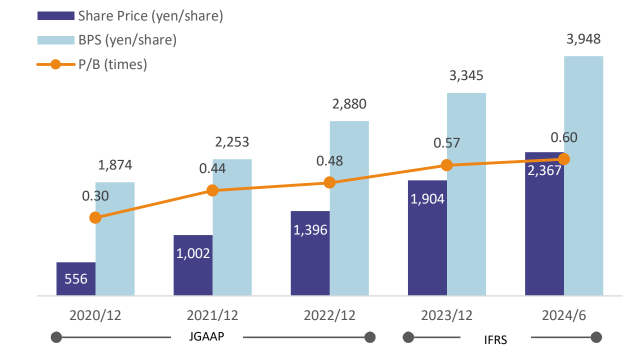
Our analysis on factors leading to the discount

- Room for improved profitability
- Risk of assets being stranded
- Uncertainty concerning shareholder returns

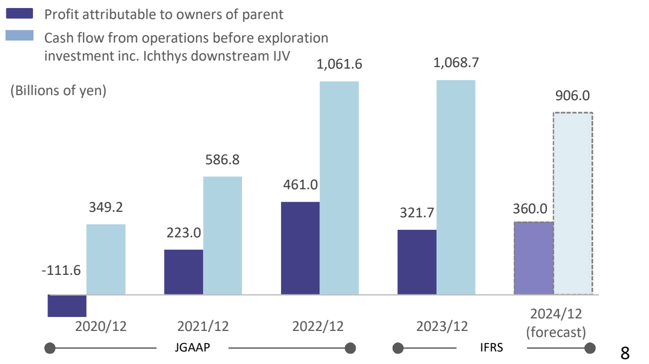
Our initiatives

- Improving capital efficiency
- Growth initiatives to gain market confidence
- Stronger shareholder returns and deeper dialogue with investors

Share Price and P/B



Financial Results



Progress update for Sustainable Growth of Corporate Value. In August 2023, we published Sustainable Growth of Corporate Value. In line with the Tokyo Stock Exchange’s request for a firm follow-up to be conducted once a year, we will briefly explain the status. As we declared before, we will do three initiatives integrally to sustainably increase corporate value. See upper right corner of slide. The first is to improve capital efficiency, the second is growth initiatives to gain market confidence, and the third is stronger shareholder returns and deeper dialogue with investors. The three initiatives are briefly explained one by one on the following pages.

Progress Update for “Sustainable Growth of Corporate Value”

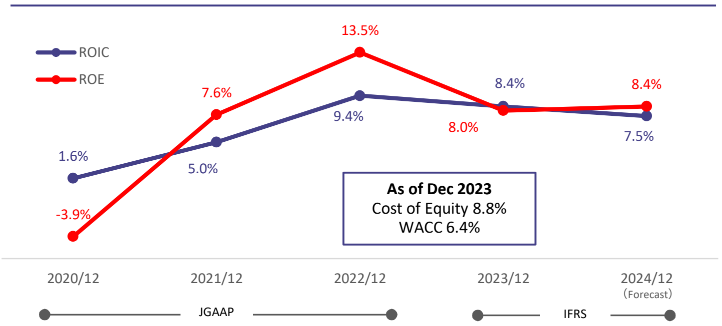
Improving capital efficiency | Growth initiatives to gain market confidence | Stronger shareholder returns and deeper dialogue with investors

INPEX

Introduction of ROIC and ROIC by Segment

- Introduced ROIC as management KPI in August 2023. Disclosed ROIC by segment in November 2023 at INPEX Investor Day.
- Achieved a ROIC above WACC in FY2023. Forecasting FY2024 ROIC to be 7.5%.
- With ROE and cost of equity in mind, aiming to achieve a ROIC above WACC in each of the business areas

ROE & ROIC



Steady Growth in Profit

- 360.0 billion yen profit, an increase of +11.9% YoY, forecasted for FY2024

Cost Reduction

- Production cost* of US$5.6/boe forecasted for FY2024, maintaining similar level as the previous fiscal year despite the inflationary environment

*Average production cost per boe produced (excluding royalty)

Capital Management

- Stronger shareholder returns (Rf. page 12)
- Appropriately controlling leverage so that the net D/E ratio remains largely within the range of 0.3 to 0.5
- Net D/E ratio of 0.33 forecasted for FY2024 year end (Rf. Page18)

With respect to capital efficiency improvement, we introduced ROIC. ROIC by segment was disclosed at the 2023 Investor Day. We achieved ROIC above WACC in the year ended December 31, 2023. ROIC for the year ending December 31, 2024, is expected to be around 7.5%, based on the assumptions explained earlier. Unfortunately, the ROE is 8.4%, which does not reach 8.8%, cost of equity. However, we will continue to strive to achieve ROIC above WACC in each of our businesses.

Progress Update for "Sustainable Growth of Corporate Value"

Improving capital efficiency | Growth initiatives to gain market confidence | Stronger shareholder returns and deeper dialogue with investors

INPEX

	■ Growth of oil & gas business	■ Implementing CCS to reduce the risk of stranded oil & gas assets
Ichthys LNG (In operation)	• **Continue stable operations** • Aim to achieve LNG production volume of 9.3 mtpa (facility capacity already established) • **Acquire stakes in the vicinity** to strengthen earnings base • Continue evaluation of 3rd train expansion targeting start-up in the 2030s	• Conduct **3D seismic survey and drilling** in the GHG assessment permit to implement CCS • Aim to contribute to the Darwin-based CCUS Hub proposed by the Northern Territory Government **having in view a potential to import CO_2 from Japan**
Abadi LNG (Pre-FID)	• **Solid natural gas demand expected in Asia** • Aim to achieve **IRR in the mid-10% range** • **Preparatory works such as surveys** underway toward production start in around 2030	• Plan to **reduce 100% native CO2** (CO2 from reservoir) with CCS • Potential plan to make it a **CCS hub**

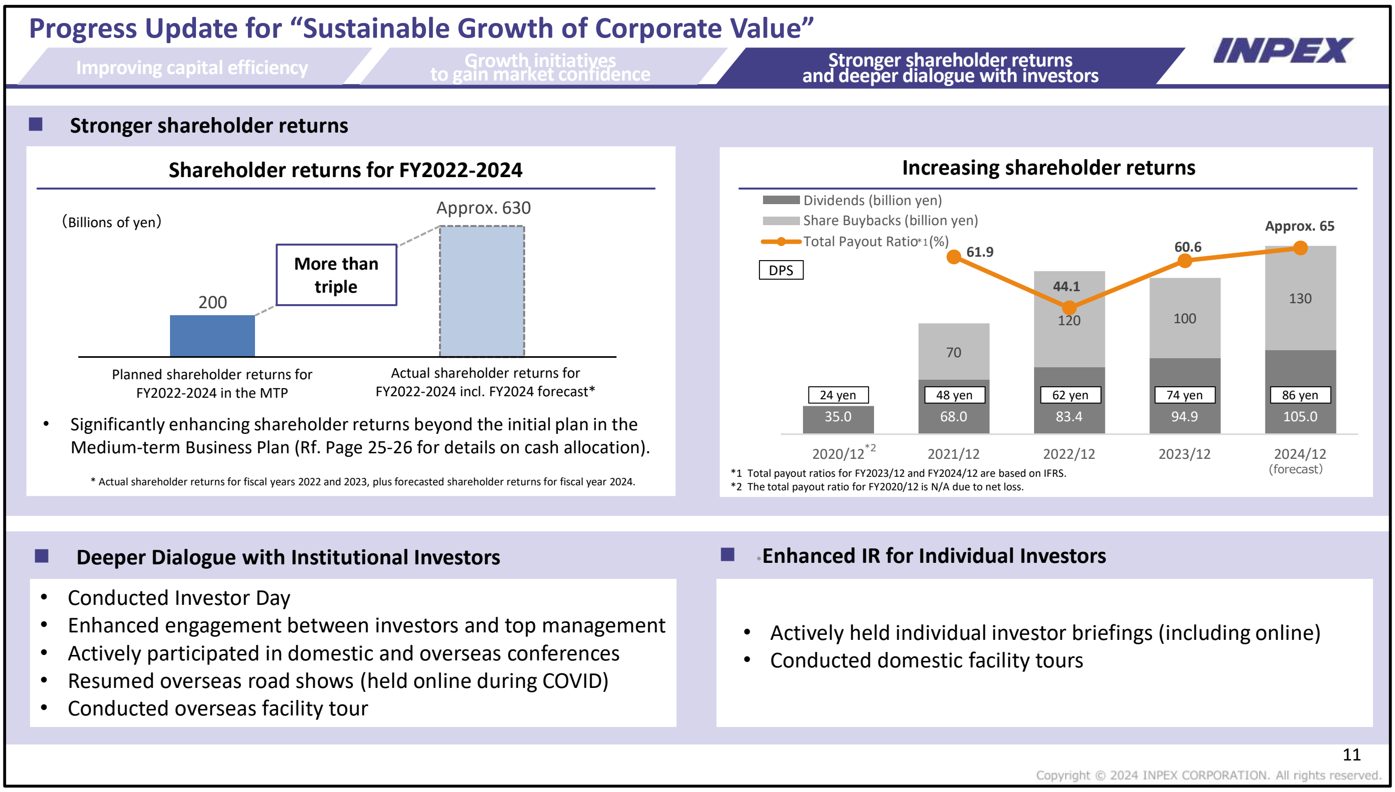
■ Turning renewable energy business into a stable income source

- Reached **FID on Quorn Park solar power and battery project**, the first investment of its kind after the acquisition of shares in EGPA
- While continuing to be involved in the operations of the existing assets held by EGPA, **select and develop new assets with high profitability** with aim to further increase the power generation capacity

■ Capturing future growth opportunities in CCS & hydrogen etc.

- Aim to start operations **by around 2030** while gaining government support
  - ➢ Low-carbon ammonia project at the port of Houston, Texas
  - ➢ Tokyo Metropolitan Area CCS Project and Tohoku Region West Coast CCS Initiative etc.

With respect to gaining confidence in future business growth, we will continue to make solid progress on projects in both the oil and natural gas sector and the 5 net zero businesses. I explained this earlier in the project section, so I will not go into details.



This page describes about stronger shareholder returns and deeper dialogue with investors. The figure on the slide shows shareholder returns for the three-year period from FY2022 to FY2024.

Including the projected figures for FY2024, the original three-year plan at the time of formulating the medium-term business plan assumed total shareholder returns of about JPY200 billion over a period of about three years. However, the current forecast assumes a total of approximately JPY630 billion, more than triple the initial plan.

Changes in shareholder returns are shown in the chart on the right. As explained earlier, the dividend amount has been steadily increasing. The largest share buyback in history is JPY120 billion in 2022, and this time it is JPY130 billion, exceeding that. The total payout ratio is expected to be approximately 65%. In addition, we are striving to strengthen dialogue with investors in various ways, such as holding Investor Days to strengthen dialogue with institutional investors and holding briefings, including online ones, for individual investors.

FY2024 Shareholder Returns

INPEX

	FY2023 Actual	FY2024 Previous forecast (May 14, 2024)	FY2024 Revised forecast (August 8, 2024)
DPS (Dividend per Share)	74 yen	76 yen	86 yen
Total Amount of Dividends	94.9 billion yen	Approx. 94.0 billion yen*2	Approx. 105.0 billion yen*2
Share Buybacks	100.0 billion yen	50.0 billion yen	130.0 billion yen (Including 80.0 billion yen announced today)
Total Amount of Shareholder Returns	194.9 billion yen	Approx. 144.0 billion yen	Approx. 235.0 billion yen
Total Payout Ratio (%)	60.6%*1	Approx. 40%	Approx. 65%

*1 Based on IFRS. (52.5% based on JGAAP)
*2 Forecasted total amount of dividends takes into account the number of shares to be acquired through buybacks.

- Based on the recognition of the discounted nature of recent share price, "Sustainable Growth of Corporate Value" initiative announced in August 2023, and in view of the steady FY2024 financial forecast, INPEX resolved an additional share buyback and a substantial increase in DPS forecast.
- Both the total amount of annual share buybacks and DPS are at the highest-ever.

See this slide for shareholder return figures. That is all for my explanation.

INPEX

3. Consolidated Financial Results for the six months ended June 30, 2024

Daisuke Yamada

Director, Senior Managing Executive Officer,

Finance & Accounting

Highlights of the Consolidated Financial Results for the six months ended June 30, 2024

INPEX

	2Q FY2023	2Q FY2024	Change	% Change
Average crude oil price (Brent) ($/bbl)	79.91	83.42	3.50	4.4%
Average exchange rate (¥/$)	134.99	152.36	17.37 yen depreciation	12.9% depreciation
Revenue (Billions of yen)	1,078.9	1,190.8	111.8	10.4%
Operating profit (Billions of yen)	607.2	700.0	92.8	15.3%
Profit before tax (Billions of yen)	709.5	713.2	3.7	0.5%
Profit attributable to owners of parent (Billions of yen)	248.4	212.5	(35.9)	(14.5%)
Basic earnings per share* (Yen)	190.27	169.26	(21.01)	(11.0%)

* Average number of INPEX shares issued and outstanding during the six months ended June 30, 2023: 1,306,002,898 shares
Average number of INPEX shares issued and outstanding during the six months ended June 30, 2024: 1,255,990,910 shares

Daisuke Yamada (Yamada): I would like to explain the interim financial results and the outlook for the full year. First, here are the financial highlights for the interim period. As the president explained earlier, the oil price was USD83.42 for the interim period, up USD3.50 from the previous period. The exchange rate was JPY152.36, about JPY17 weaker than the previous year, which means that the external environment was very favorable.

The slide shows revenue through profit attributable to owners of parent. Although revenues increased by JPY111.8 billion, profit declined. Revenue increased by JPY111.8 billion, because a decrease in gas pricing, while the Brent oil price increased, due to the delayed effect was made up by the weaker yen.

Profit attributable to owners of parent for H1 was JPY212.5 billion, a decrease of JPY35.9 billion from the previous year. One factor in this was a considerable increase in corporate taxes due to higher oil prices and increased revenues from crude oil. Another factor was an increase in exploration costs in the vicinity of Ichthys. We believe that the JPY212.5 billion figure is not bad for an interim result.

Revenue by Major Products

Revenue, Sales Volume, Unit Price and Exchange Rate

		2Q FY2023	2Q FY2024	Change	% Change
Crude Oil	Revenue (Billions of yen)	766.5	892.1	125.6	16.4%
	Sales volume (thousand bbl)	69,701	70,635	934	1.3%
	Average unit price of overseas sales ($/bbl)	81.44	82.92	1.48	1.8%
	Average exchange rate (¥/$)	135.04	152.34	17.30 yen depreciation	12.8% depreciation
Natural Gas (excluding LPG)	Revenue (Billions of yen)	296.5	281.3	(15.1)	(5.1%)
	Sales volume (million cf)	249,555	258,874	9,319	3.7%
	Average unit price of overseas sales ($/thousand cf)	6.02	5.61	(0.41)	(6.8%)
	Average unit price of domestic sales (¥/m^3)	102.18	76.74	(25.44)	(24.9%)
	Average exchange rate (¥/$)	134.88	152.65	17.77 yen depreciation	13.2% depreciation

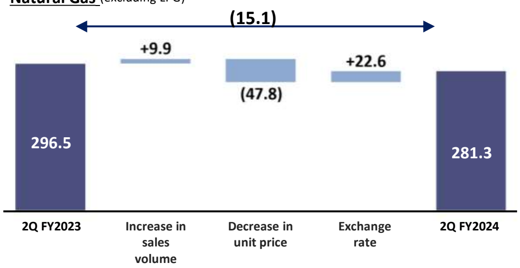
* $1m^3$=41.8605MJ

Analysis of Revenue

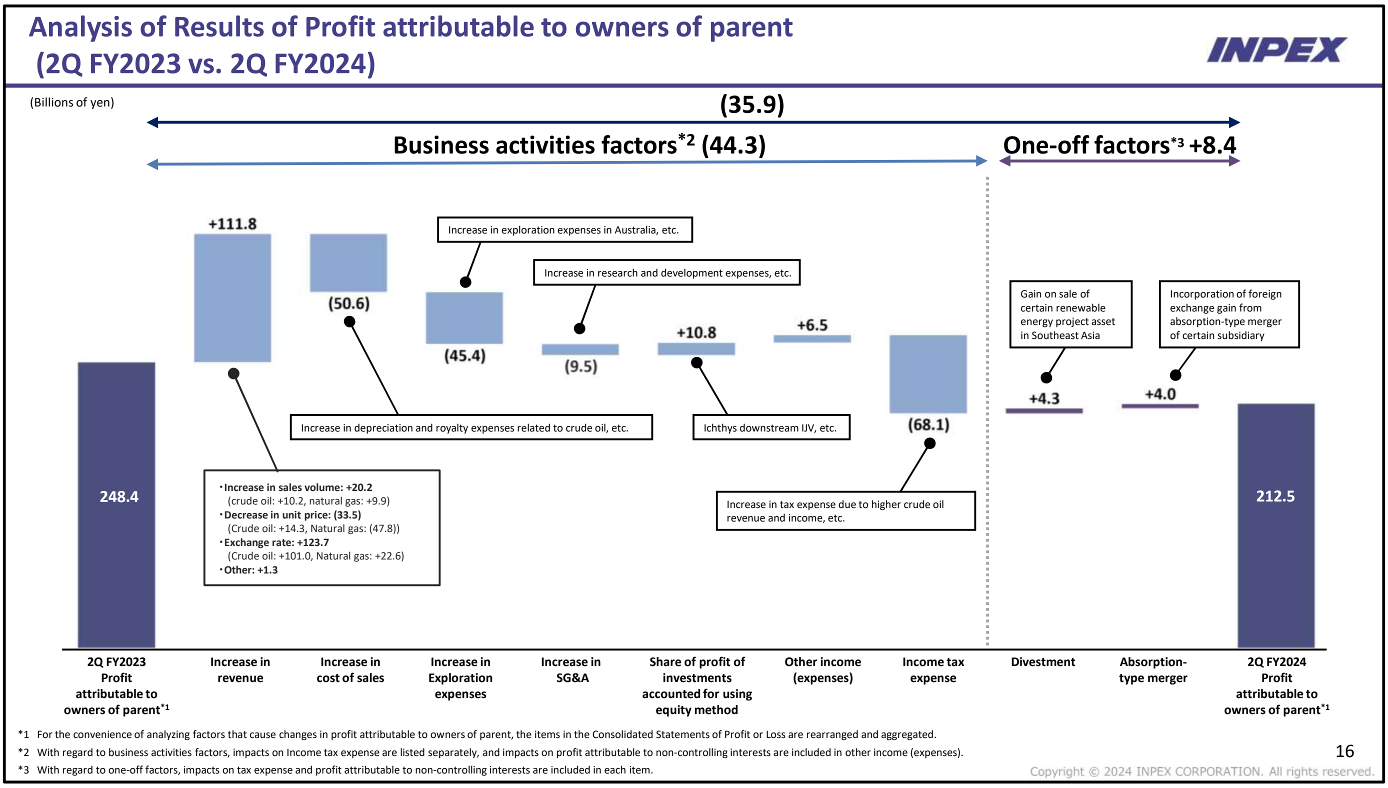
(Billions of yen)

Crude Oil

Natural Gas (excluding LPG)



This is a factor analysis of crude oil and natural gas revenue. The upper side of the slide is crude oil. Revenue increased from JPY766.5 billion in the previous year to JPY892.1 billion due to the effect of foreign exchange rates of JPY100 billion. The lower side of the slide is natural gas. Natural gas revenue decreased from JPY296.5 billion in the previous year to JPY281.3 billion in the current year, but this was due to a decline in unit sales prices. As I explained earlier, the gas prices decreased due to a delayed effect and was unable to be compensated for by foreign exchange, resulting in lower revenue.



The slide shows the difference between the previous year's interim profit attributable to owners of parent, JPY248.4 billion, and this year's result, JPY212.5 billion. The JPY35.9 billion decrease in profit is divided into business activities factors and one-off factors. Business activities factors had a negative impact of about JPY44 billion and one-off factors had a positive impact of about JPY8 billion.

Revenue on the left side of the slide increased JPY111.8 billion. As noted in the box, unit sales prices fell, especially for natural gas. On the other hand, foreign exchange rates were very favorable. Naturally, cost of sales also increased. As a result, gross profit increased by about JPY60 billion.

Increased exploration costs in Australia and other factors resulted in a JPY45.4 billion decrease in profit. In addition, an increase in R&D expenses and other factors contributed to a decrease in profit of about JPY9.5 billion. Share of profit of investments accounted for using equity method is about JPY10.8 billion for Ichthys downstream IJV and others. Income taxes on the right side increased by about JPY68 billion because of the increase in crude oil revenue.

One-off factors were positive JPY8.4 billion due to the sale of some renewable energy interests in the interim period and the inclusion of foreign exchange gains resulting from the absorption and merger of a subsidiary. As a result, interim net profit was JPY212.5 billion.

Statement of Financial Position

INPEX

(Billions of yen)	December 2023	June 2024	Change	% Change
Current assets	838.4	1,119.9	281.4	33.6%
Non-current assets	5,901.0	6,645.7	744.6	12.6%
(Oil and gas assets)	3,601.5	3,988.6	387.0	10.7%
(Investments accounted for using equity method)	751.9	947.2	195.3	26.0%
(Loans receivable)	1,306.5	1,448.2	141.7	10.8%
Total assets	**6,739.4**	**7,765.6**	**1,026.1**	**15.2%**
Current liabilities	572.2	778.0	205.8	36.0%
Non-current liabilities	1,668.2	1,743.9	75.6	4.5%
Equity	4,499.0	5,243.6	744.6	16.6%
(Exchange differences on translation of foreign operation)	694.9	1,275.6	580.6	83.5%
Closing exchange rate (¥/US$)	141.82	161.14	19.32	13.6%
(Non-controlling interests)	289.9	316.5	26.6	9.2%
Total liabilities and equity	**6,739.4**	**7,765.6**	**1,026.1**	**15.2%**
Equity attributable to owners of parent per share (Yen)	3,345.22	3,948.66	603.44	18.0%

*1 The formula has been changed as follows: (Change applies from this results announcement)
(Before) Debt -(Cash and deposits + Securities within 3 months + Securities over 3 months)
(After) Debt + Lease liabilities -(Cash and deposits + Securities within 3 months)

*2 The formula has been changed as follows: (Change applies from this results announcement)
(Before) {Debt -(Cash and deposits + Securities within 3 months + Securities over 3 months)}/Equity
(After) {Debt + Lease liabilities -(Cash and deposits + Securities within 3 months)} /Equity

Summary of financial information for Ichthys downstream IJV, a joint venture (100% basis, including the Company's equity share 67.82%) is as follows:

(Billions of yen)
- Current assets: 194.5
- Non-current assets*: 4,841.9
- Current liabilities: 387.9
- Non-current liabilities: 3,493.4
- Equity: 1,155.1

* Non-current assets include interest expenses which are not included in CAPEX, and capitalized costs before FID.

Of which the total of interest-bearing debt is 1,300.5 billion yen.
Adding the off-balanced interest-bearing debt of the Ichthys downstream IJV brings the total of INPEX net debt*1 to 1,674.1 billion yen. (Net D/E Ratio*2 is 0.34)

Forecasts for December 2024 are as follows:
- Exchange differences on translation of foreign operation: ¥655.3 billion
- Closing exchange rate: ¥140.0/US$

See page 29 of the reference material. I will now explain the condensed consolidated statement of financial position. Total assets increased by about JPY1 trillion from about JPY6.7 trillion at the end of FY12/2023 to about JPY7.7 trillion at the end of June 2024 , again due to foreign exchange effects. In June, which is the end of the interim period, the Company closed its books at an exchange rate of JPY161, so the balance sheet is inflated by that exchange rate.

Equity increased by about JPY750 billion from JPY4,499 billion at the end of December 2023 to JPY5,243.6 billion at the end of June 2024. Below that, there is exchange differences on translation of foreign operation, which is the foreign currency translation adjustment, in JGAAP.

The foreign currency translation adjustment, which was just under JPY700 billion at the end of December 2023, increased by about JPY600 billion to JPY1,275.6 billion at the end of June 2024. A JPY1 movement in the exchange rate increases the foreign currency translation adjustment by JPY30 billion. Thus, the ratio of foreign currency translation adjustments to equity capital is about 25%. An increase in the foreign currency translation adjustment account is a mixed blessing. Financial stability is increased, but the denominator of the capital efficiency, ROE or PBR, becomes larger. Even if we increase our earnings, it is not easy to increase our ROE and PBR due to our financial structure.

4. Consolidated Financial Forecasts for the year ending December 31, 2024

Daisuke Yamada
Director, Senior Managing Executive Officer,
Finance & Accounting

Consolidated Financial Forecasts for the year ending December 31, 2024

INPEX

Full Year *1	Previous Forecasts (May 14,2024)	Revised Forecasts (August 8,2024)	Change	% Change
Average crude oil price (Brent) ($/bbl)	80.0	80.0	-	-
Average exchange rate (¥/$)	145.0	148.0	3 yen Depreciation	2.1% Depreciation
Revenue (Billions of Yen)	2,178	2,254	76	3.5%
Operating profit (Billions of Yen)	1,210	1,249	39	3.2%
Profit before tax (Billions of Yen)	1,241	1,282	41	3.3%
Profit attributable to owners of parent (Billions of Yen)	360	360	-	-
ROIC (%)	7.5	7.5	-	-
ROE (%)	8.4	8.4	-	-
Net debt/equity ratio *2 *Includes Ichthys downstream IJV and differs from institutional accounting basis	0.30	0.33	0.03	10.0%

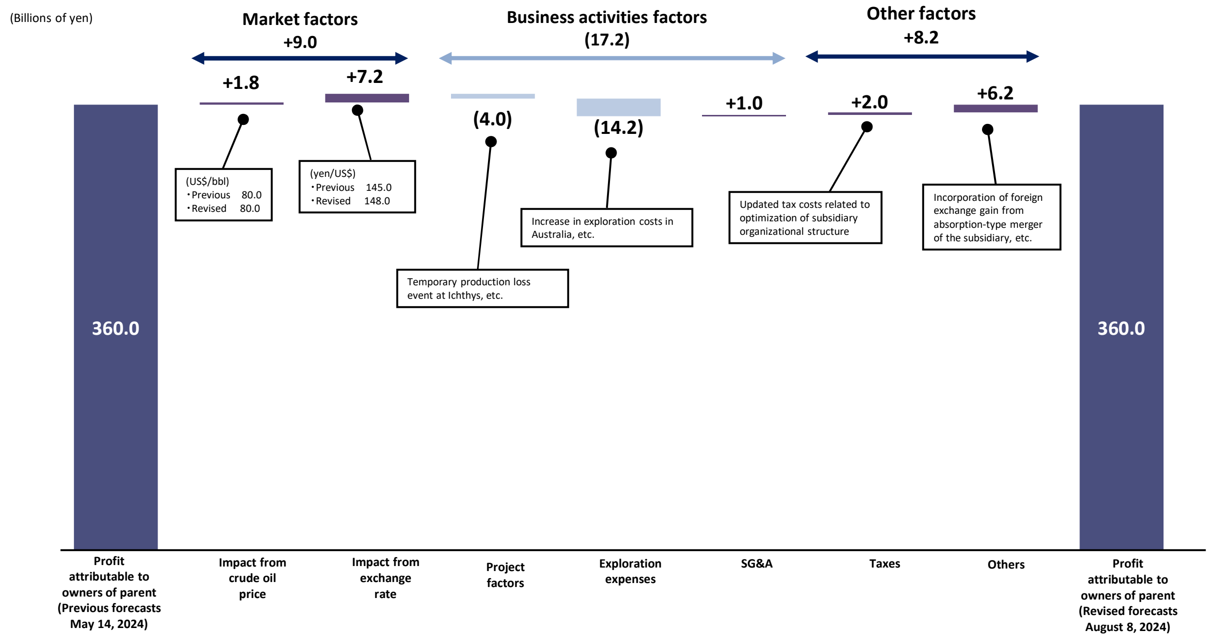
*1 Actual results for the first half and the forecast for the second half for FY2024 are referred on page 24.
*2 The formula has been changed as follows.
(Before) {Debt -(Cash and deposits + Securities within 3 months + Securities over 3 months)}/Equity
(After) {Debt + Lease liabilities -(Cash and deposits + Securities within 3 months)} /Equity

For the forecast for the year ending December 31, 2024, we have assumed an oil price of USD80 and an exchange rate of JPY148. I was surprised by the sudden movement of the exchange rate and oil prices this week. Until last week, we had been thinking of an oil price of about USD83 and an exchange rate of about JPY153, so we suddenly changed our outlook for the exchange rate and oil price and prepared our data using figures of USD80 for oil and JPY148 for the exchange rate.

Profit attributable to owners of parent is unchanged from the previously announced May forecast of JPY360 billion. As the president informed you earlier, I believe that our ability to make the JPY360 billion figure in the face of volatile price fluctuations is due to the fact that the ground of our financial strength has become reasonably strong.

ROIC is 7.5%, which is above WACC. The WACC is set at 6.4%. Meanwhile, the ROE is 8.4%. We assume our cost of equity at 8.8%, which regrettably was not achieved. The net D/E ratio is expected to be 0.33, falling between the promised 0.3 and 0.5.

FY2024 Financial Forecasts
Analysis of Change in Profit Forecasts (Previous vs. Revised)



This is the forecast for the differential analysis of factors affecting profit attributable to owners of parent, which will remain unchanged. Of the oil price effect and the foreign exchange effect, a slight increase is expected due to the foreign exchange effect. The foreign exchange assumption is now JPY148, up from JPY145 in the previous forecast, which would result in an increase of about JPY7 billion.

Regarding the basic earnings factor, as explained earlier, the impact of Ichthys LNG's production loss event on profit attributable to owners of parent is about negative JPY4 billion. The forecasted negative impact of exploration expenses in Australia has increased by about JPY14.2 billion compared to the May forecast. Including one-off factors such as tax expense updates associated with structure optimization and the inclusion of foreign exchange gains resulting from the absorption of a subsidiary, net profit was left unchanged from the May forecast of JPY360 billion.

FY2024 Financial Forecasts
Cash Flow*1

(Billions of Yen)	1. FY2022 Actual	2. FY2023 Actual	FY2024 Previous Forecasts (May 14, 2024)	3. FY2024 Revised Forecasts (August 8, 2024)	FY2022-2024 in total (1.+2.+3.)
Cash Flow from Operations before exploration investment	1,061.6	1,068.7	844.0	906.0	3,036.3
Cash Flow from Investment (inclusive of exploration investment)	(377.8)	(578.9)	(422.0)	(388.0)	(1,344.7)
Growth Investment	(336.1)	(333.6)	(658.0)	(555.0)	(1,224.7)
Development expenditure (Oil & Gas Business)	(279.4)	(229.6)	(577.0)	(468.0)	(977.0)
Development expenditure (5 Net Zero Business)	(81.8)	(78.9)	(15.0)	(15.0)	(175.7)
Exploration expenditure (Oil & Gas Business, inclusive of some 5 Net Zero Business)	(30.4)	(44.6)	(78.0)	(84.0)	(159.0)
Others (inclusive of divestment of interests, etc.)	55.5	19.4	12.0	12.0	86.9
Others (purchase and disposal of investment securities, etc.)	(41.7)	(245.3)	236.0	167.0	(120.0)
Free Cash Flow	683.8	489.8	422.0	518.0	1,691.6
Financial Cash Flow	(634.6)	(563.9)	(429.0)	(525.0)	(1,723.5)
Shareholder Returns	(201.5)*3	(190.1)*3	(144.0)	(230.0)*3	(621.6)
Cash and cash equivalents at end of the year*2	284.6	207.1	200.0	200.0	-

*1 Including cash flow of Ichthys downstream IJV (Ichthys LNG Pty Ltd), a joint venture.
*2 Cash and cash equivalents indicate cash, deposits and securities within 3 months. (Change applies from FY2024 revised forecasts (August 8,2024) and onwards)
*3 FY2022: FY2021 year end dividend (28 yen) + FY2022 interim dividend (30 yen) + buybacks
FY2023: FY2022 year end dividend (32 yen) + FY2023 interim dividend (37 yen) + buybacks
FY2024: FY2023 year end dividend (37 yen) + FY2024 interim dividend (43 yen) + buybacks (forecasts)

The slide shows the breakdown of cash flows. The second column from the right in the table shows the forecast for the year ending December 31, 2024, which was newly announced. Cash flow from operations before exploration investment is expected to be JPY906 billion, short of JPY1 trillion. However, we expect to be able to generate a glorious operating cash flow. Growth investment is planned at JPY555 billion. The negative figure means JPY555 billion will be invested.

Others on the fifth line from the bottom, such as the sale of securities due for redemption, etc., will provide a cash inflow of JPY167 billion. Therefore, netting this JPY167 billion against JPY555 billion invested in growth, investment cash flow is JPY388 billion.

Development expenditure is expected to be around JPY470 billion in the oil and gas business, JPY15 billion in the 5 net zero business, and JPY84 billion in exploration expenditure. The second line from the bottom, shareholder returns, was explained earlier. This fiscal year, the Company expects to return an ambitious JPY230 billion to shareholders and forecasts a total payout ratio of 65%.

FY2024 Financial Forecasts
ROIC by Segment*

(%)	FY2023 Actual	FY2024 Previous Forecasts (May 14, 2024)	FY2024 Revised Forecasts (August 8, 2024)	Change
O&G Japan	17.8	7.0	7.4	0.4
O&G Overseas Ichthys	8.8	7.5	7.1	(0.4)
O&G Overseas Others	8.1	11.8	12.6	0.8
Others	1.5	(10.1)	(7.1)	3.0
Renewable Energy	(2.3)	(1.8)	(1.5)	0.3
Hydrogen and CCUS	-	-	-	
Consolidated financial statements	8.4	7.5	7.5	(0.0)

* Invested capital and adjusted profit for each of the segments are referred on page 27.

ROIC by segment. ROIC on a consolidated basis, including domestic O&G, overseas O&G, Ichthys, and others, is 7.5%, above the WACC. As we have explained in detail, it is dragged down by 7.1% of Ichthys.

FY2024 Invested Capital and Adjusted Profit by Segment

INPEX

(Billions of Yen)		Previous Forecasts (May 14, 2024)	Revised Forecasts (August 8, 2024)	Change
O&G Japan	Invested Capital*1	237.0	238.8	1.8
	Adjusted Profit*2	16.5	17.7	1.2
O&G Overseas Ichthys	Invested Capital*1	4,077.7	4,120.3	42.6
	Adjusted Profit*2	304.4	209.7	(13.7)
O&G Overseas Other	Invested Capital*1	1,349.4	1,357.0	7.6
	Adjusted Profit*2	159.5	170.7	11.2
Other	Invested Capital*1	134.6	133.4	(1.3)
	Adjusted Profit*2	(13.6)	(9.4)	4.2
Renewable Energy	Invested Capital*1	141.0	146.7	5.7
	Adjusted Profit*2	(2.6)	(2.2)	0.4
Hydrogen and CCUS (inclusive of R&D expenses etc.)	Invested Capital*1	-	-	-
	Adjusted Profit*2	(18.0)	(16.7)	1.3
Consolidated financial statements	Invested Capital*1	6,292.2	6,304.4	12.2
	Adjusted Profit*2	474.7	474.9	0.2

*1 Invested capital : Annual average of the total of capital stock, interest-bearing liabilities as recorded in consolidated financial statements and project finance of the Ichthys downstream IJV.
*2 Adjusted profit : Profit before deduction of interest payments, impairment loss etc., non-controlling shareholder profit/loss.

Please see slide 27 later for a description of the capital invested in calculating ROIC and adjusted net profit, or NOPAT, so to speak. That is all for my explanation.

質疑応答

Q&A

代表取締役社長
上田　隆之
取締役専務執行役員 財務・経理本部長
山田　大介
取締役専務執行役員　経営企画本部長
滝本　俊明

Representative Director, President & CEO
Takayuki Ueda
Director, Senior Managing Executive Officer, Senior Vice President, Finance & Accounting
Daisuke Yamada
Director, Senior Managing Executive Officer, Senior Vice President, Corporate Strategy & Planning
Toshiaki Takimoto

Q&A: Return Policy after 2025 (1/2)

Participant: You mentioned that your company is steadily expanding shareholder returns. From 2025, you will enter a new mid-term business plan period. Looking ahead to the next medium-term business plan, how will you position shareholder returns, taking into account your overall cash flow allocation policy? In particular, I believe that the next three years of the medium-term business plan will be the prelude to major investments in Abadi. Please explain how you plan shareholder returns, including financial management, as a major investment approaches.

I think the concept of the net D/E ratio for KPI has changed this time. As a result of the definition change, the net D/E ratio will be higher than the old standard. According to the new standard, I presume that securities over three months will not be deducted from net interest-bearing debt. Therefore, I think an idea of retention in securities is possible in order to reserve funds internally before a major investment in Abadi. On the other hand, from the investor's side, we are concerned about how funds will be allocated in balance with shareholder returns. Therefore, I would appreciate it if you could explain it to us, taking into account that the definition of net D/E ratio has changed.

Ueda: I think you are asking about our shareholder return policy for 2025 and beyond. In considering shareholder returns this year, we took into account the cash flow situation, the position of our stock price in the current stock market, and trends at other companies. As for shareholder returns from next year onward, we are currently discussing this internally, so we expect to make an announcement around February next year. I believe that in presenting our new mid-term business plan, we will be announcing our shareholder return policy. I I think our ideas around shareholder returns that I have just conveyed still stands mostly. Therefore, we believe that our challenge is to think about how our return policy should be in line with such ideas.

With respect to the net D/E ratio, there is a change in definition. Mr. Yamada will explain this. The basic idea is to conform to the treatment of bonds and cash equivalents in other companies that have adopted IFRS. It is not our intention to do anything with the funds by doing so. However, we recognize that how to prepare funds for Abadi, given the recent changes in the financial environment, is another issue.

Q&A: Return Policy after 2025 (2/2)

Yamada: Let me briefly explain the net D/E ratio. As you are well aware, the net D/Eratio calculation is based on the denominator of year-end equity, and numerator is gross interest-bearing debt minus cash equivalents. When we adopted Japanese GAAP, to be precise, until Q1 of this fiscal year, we have followed our traditional method of calculating the net D/Eratio. That is, for cash equivalents, the REIT was subtracted from cash, deposits, and all securities, which was subtracted from the gross debt, the net debt was calculated, and the net D/Eratio was calculated.

This year, IFRS-based financial results are in full swing. In researching case studies of other companies, we found that IOCs around the world and trading companies in Japan that have applied IFRS have a different approach to cash equivalents. To be more specific, the denominator is the same, but the numerator is gross debt plus lease obligations, from which cash equivalents are deducted. For securities with a maturity over three months, we will be consistent with other companies that settle their accounts under IFRS. In the interest of comparative advantage, we have changed the method of calculation to one in which this is not deducted.

This time, I believe the H1 results and the full-year forecast show figures such as 0.33 or 0.34. This is the result of calculating the net D/E ratio on an IFRS basis. Naturally, the net D/E ratio reflects the results of our financial activities. This was not changed to take future funds into account as you asked. As a result, we hope you will understand that the net D/E ratio is in line with IFRS-based companies in terms of comparative advantage.

Q&A: Prospects for organic growth

INPEX

Participant: In the medium-term period of about three years, when major investments in Abadi will begin, what are the points of change in the organic business performance, that is, the part that is not related to the market conditions? As for Ichthys, the PRRT payment will start, which I think is because it is making good money. While the impact on cash flow is a bit further away, it has some impact on the P&L. Also, condensate production is going well, but since it is the liquid portion, peak production will not last long. Taking into account the recent exploration activities in the surrounding blocks, please explain what changes are expected in the organic performance of INPEX, mainly due to Ichthys over the next three years or so.

Ueda: You asked how we think about organic growth, especially in Ichthys. On the P&L, the PRRT payment is recognized. I think it will be about 2026 that the actual payments start and are reflected in the cash flow, but it is true that there is an impact on the P&L. As can be said for various types of exploration, at Ichthys we are constantly drilling wells. In that process, we believe there are sufficient reserves in certain layers of wells we are currently drilling, the so-called "Brewster" layer.

Since a considerable amount of liquid will be produced, we believe that if we continue to drill some wells for production smoothly at the current level, we will be able to continue to plateau until about 2035. In fact, the challenge for Ichthys is rather how far it can extend the plateau. With this in mind, we would like to work on exploration around Ichthys.

Unfortunately, one exploration was not successful this time, but we hope to continue such activities in the future. In terms of the challenge of Ichthys, there have been recent cost increases worldwide due to inflation and other factors, so naturally, various costs are going up. The challenge for us is how to manage costs in order to secure profits firmly from Ichthys.

Q&A: What level of ROE should we aim for (1/2)

Participant: I would like to ask about management's perspective on the next mid-term business plan from the perspective of the stock market and last year's TSE request. What level of ROE are you aware that you should aim for? I appreciate your perspective on conducting the PDCA cycle every year, on page 9, in respect to the request from the TSE. I also believe that your speed of expansion of shareholder returns has been faster than expected compared to past management of INPEX.

For example, an ROE of 8.4% is projected for this fiscal year. I, too, think you are blessed with favorable oil prices and exchange rates. That tailwind has resulted in an ROE of 8.4% and a cost of equity of 8.8%, which, in the eyes of the stock market, sends the message that the Company's value has been damaged, despite the tailwind. What will you do to move away from the corporate value damaging situation, in this blessed situation? I know you are blessed with the external environment right now, but what happens when you are not blessed or under normal circumstances?

As a message to the stock market, I would appreciate it if you could show us your perspective on what you are going to do to achieve ROE above cost of equity during the next mid-term business plan, even in the normal situation of, say, USD70 oil price. From the stock market's point of view, that is the high road. I would like to leave it to you to decide whether you are talking about a net D/E ratio or increasing ROIC. What will you do in the next medium-term management plan to address the situation where there is an awareness of an 8.8% cost of equity and where ROE is only 8.4% despite a favorable external environment? I would like you to indicate, for example, "This will happen when Abadi commences."

Ueda: You are right about ROE. In our case, one major factor is foreign exchange. If the yen depreciates significantly against the foreign currency translation adjustment, the sensitivity of the denominator is such that a depreciation of JPY1 will increase equity in the denominator by about JPY30 billion, while profit will increase by only about JPY2 billion. Of course, a weaker yen increases profits. However, when we compare the increase in profit and capital during the yen's depreciation phase using sensitivity, the yen's depreciation is currently a negative factor in terms of ROE.

Foreign currency translation adjustments in H1 are about JPY1.2 trillion. If the yen continues to depreciate, the figures will change, but we hope you understand that this is the reality. The only other way to increase ROE itself is to increase R or decrease E. In order to increase R, we need to increase profit each year. We believe it depends on how profitable we will be with the inclusion of Abadi as well.

Since this cannot be solved in the short term, we must consider reducing E. For example, there are several ways to do this, such as a significant sale of interests or a significant share buyback. The share buyback figure announced today of JPY80 billion, or JPY130 billion for the full year, is also somewhat conscious of this point. We would like to study what will happen in the long term as a matter for discussion in the mid-term business plan.

Q&A: What level of ROE should we aim for (2/2)

Participant: From the perspective of ROE, I understand that you use the foreign currency translation adjustment as a reason, but if, for example, the yen appreciates by JPY10 or JPY20 and profit fall and ROE falls, I think you will explain that the appreciation of the yen is a factor. Is it a business model where ROE does not increase whether the yen weakens or appreciates?

Yamada: We are analyzing the sensitivity of foreign currency translation adjustments to ROE in various ways, as their impact on ROE is very high. The August forecast for foreign currency translation adjustments is JPY360 billion, shareholders' equity is about JPY4.4 trillion, and ROE is 8.4. We are analyzing what will happen to those figures if the yen appreciates or depreciates.

The exchange rate at the time of transition to IFRS is JPY115. If we assume that the yen appreciates to JPY115, what would happen to net profit, shareholders' equity, and ROE, and if we mechanically analyze this assuming oil prices are constant, the estimated net profit would be around JPY280 billion. At that time, we expect equity capital to be about JPY3.4 trillion because of the elimination of the foreign currency translation adjustment. In this way, ROE will increase. Since JPY3.4 trillion is the denominator and JPY280 billion is the numerator, the figure of ROE is over 9%. As the president explained earlier, a JPY1 depreciation increases the foreign exchange adjustment by JPY30 billion, while profit increases by only JPY2 billion. 2 divided by 30 is 6.6%. In short, a stronger yen has a positive impact on us.

On the other hand, if we increase JPY148 to JPY115, the yen appreciates by about JPY30. If we assume that the yen depreciates to about JPY180, the profit would be about JPY440 billion. Equity capital is also about JPY6 trillion, which, when simply divided, yields an ROE in the low 7 percent range. So, with our current financial structure, a weak yen is unfavorable to ROE and a strong yen is favorable to ROE.

However, for net profit and cash flow itself, a stronger yen has a negative impact. From an ROE oriented perspective, a stronger yen is favorable. Therefore, when the yen appreciates, although it is difficult to make a general statement because of oil prices, one-time gains and losses, and production conditions etc., our analysis indicates that this will be the case in terms of financial structure.

Q&A: About the major companies as a benchmark

Participant: This is a comparative discussion with foreign upstream companies. A simple calculation of the stock price index of upstream companies in the US shows that ROE is currently well above double digits. I think it was because oil prices were around USD80. If your competitors are upstream companies from abroad, what kind of companies is your company looking at?

The intent of my question is that I would like to see a point which your company can say, "This is our strength" when your company is chosen by foreign investors among the world's upstream companies. ROE is clearly not a strength. In terms of dividend yield, it is about even. As growth potential will not be known without Abadi, I am not looking for your answer for this. I look forward to your company's upcoming mid-term business plan, where you will highlight and proudly present specific strengths in comparison to other upstream specialty companies around the world. The question is which overseas upstream companies would you like to be aware of at that time?

Ueda: As you mentioned, for example, overseas supermajor companies have ROEs in the double digits or higher. Analyzing this, the majors have very large assets acquired in the 1960s and 1970s. All of these assets have been depreciated. In our case, our largest asset is Ichthys, which just started production in 2018 and is still being depreciated.

The detailed differences between our company and the major foreign firms cannot be determined without breaking it down into individual projects, but the contribution to ROE of having legacy assets from the past that are no longer being depreciated is very significant. As for new projects, we believe that our profit margin bears comparison with that of various companies. In that sense, our view is that in order for our ROE to catch up with the super majors, etc., we need to finish depreciation of our old projects and take the time to take on new projects with higher profit margins.

Some of the majors are supermajors, such as Exxon Mobil Corporation, while others, such as Equinor ASA and Woodside Energy Group, are similar to our company. How to outlook the situation in comparison with such companies would be an issue to be addressed.

Q&A: Allocation of buyback and dividends

Participant: I believe that the total shareholder return for FY2024 is quite huge, JPY235 billion in total, which is commendable. At the same time, the Company raised its dividend by JPY10 at one stroke, from JPY76 to JPY86. Your company's basic policy is not to reduce dividends easily; please tell us how you plan to allocate share buyback and dividends.

Ueda: As you point out, dividends are the foundation of our shareholder return. We have a policy of increasing dividends as much as possible in line with profit growth. Share buyback is positioned as a supplement and complement, so to speak. With these principles in mind, we are looking at the market and our stock price situation and other factors to come up with various ways to improve the situation.

Looking at recent market conditions and other factors, our stock price is quite undervalued. When we thought about what message we could convey to the market, one thing we wanted to do was to show a proper picture of our dividend, so we increased it by more than JPY10 this time. The same applies to buyback. We believe that there are rather large advantages to share buyback when the share price is low, so we arrived at this figure while comprehensively taking into account the cash flow situation and other factors. Our basic policy regarding the distribution of dividends and share buyback will remain the same, but we expect it to change depending on the situation at any given time.

Q&A: Exploration Costs in Australia

Participant: You have increased exploration expenditures in Australia in Q1 and in this revision. Please tell us whether the level of exploration costs will continue to rise in the face of inflation and various other factors, or whether, barring temporary factors, the level of exploration costs will settle down in the future.

Ueda: The level of exploration costs is also a question of how funds will be paid for the exploration project at that time. Exploration costs are several tens of billions of yen for offshore and about JPY10 billion for onshore, so the situation will vary depending on the project. We believe that organic growth, mainly the growth in the natural gas sector will continue to be important, so we would like to continue exploration around Ichthys, as well as in Japan and Abu Dhabi. In the long term, I think the level will be relatively calm, but I hope you understand that it will be a very large figure when there is exploration in Australia, as was the case this time.

Q&A: Net profit estimation

Participant: In your earlier explanation, you said, "Not long ago, we assumed that the exchange rate and oil prices would be a little higher." How much net profit were you planning? Is it safe to assume that the amount is calculated by multiplying sensitivity published at the beginning of the period by the differences of crude oil and foreign exchange? Or are you suggesting that as the period progresses, the sensitivity at the beginning of the period has changed a bit?

Yamada: When we first prepared this document, we assumed an exchange rate of about JPY153 and an oil price of about USD83. Regarding the level of net profit and ROE at that time, I thought that net profit would be between JPY390 billion and JPY400 billion. As a result of the weaker exchange rate, our equity capital also increases, but we were prepared to project a full-year ROE in excess of our cost of equity of 8.8. However, I hope you understand that the figures have changed because of the sudden change in exchange rates and oil prices.

Q&A: Aim of spinning off INPEX JAPAN

Participant: Please tell us about the aim of spinning off INPEX JAPAN. Earlier, the president explained that "since each overseas business is hanging on to the head office, we will do the same in Japan." Does this mean that the actual situation will not change that much even if INPEX JAPAN is spun off? By separating the Japanese business now, do you intend to change the management style itself, including how it might intertwine with the 5 net zero business? Could you tell us more about your thoughts on the spin-off of INPEX JAPAN?

Ueda: We have several aims. First, we must consider changes in the domestic business environment. Our major business has been the business of extracting and selling oil and natural gas mainly in Niigata Prefecture. Recently, however, we have been working on new hydrogen and methanation projects there. In addition, various business activities such as CCS are becoming more active, especially on the Sea of Japan side and in the Tokyo metropolitan area.

Until now, we had divided our domestic business into two divisions, the domestic E&P business division and the domestic energy division, our sales force, but we have integrated them internally. We wanted to make our domestic operations more integrated and to be more agile in various fields and regions. The main goal is also to promote delegation of authority to allow for greater flexibility.

In addition to this, there is a need to maintain a balance with overseas operations, so the basic idea is to aim for flexible operations by promoting domestic spin-offs. There are many other reasons, but I hope you will consider the spin-off of our domestic business as a reorganization within the Company to respond to the needs of our domestic business in a more agile manner.

Q&A: Production Pace of Ichthys in the Second Half of the Year

Participant: Regarding the temporary production loss in Ichthys, the Company has now recovered and is producing at a slightly slower pace. Your goal for this year is about 11 cargos per month, and I think you are on pace for that in H1. Please tell us how the pace will change in H2.

Ueda: Regarding the production loss event at Ichthys in July, we experienced technical issue with part of equipment of the Ichthys LNG onshore production facility. We temporarily shut down train two and then started production about a week later. Currently, the LNG plant is under controlled operation, with about 15% lower production volume. Originally scheduled for a short shutdown of about a week in October, we plan to take that opportunity to fully repair the system and get it back up and running in earnest. Regarding the impact on the number of cargoes, we believe that the number of cargoes will be reduced by a few cargoes from the original plan. For the entire H2, we expect about 10 LNG cargoes per month.

Q&A: Changes in investment cash flows

Participant: You explained the change in investment cash flow between the previous forecast and the current forecast. In this context, cash outflows in the oil and natural gas sector have decreased by about JPY100 billion. On the other hand, income from others, purchase of securities, etc., decreased by less than JPY70 billion. Please tell us about this change/background.

Yamada: Of the JPY555 billion in growth investment, the May forecast of JPY577 billion for the development of oil and gas business has dropped to JPY468 billion. At the time of the May forecast, we had several M&A projects in sight, and in order to invest after determining whether they were feasible, we included a budget for M&A. Since the momentum of those deals is gradually weakening and M&A deals are not likely to be realized, we have now changed our investment amount by about JPY100 billion from our previous forecast. The JPY100 billion reduction mainly means that the reserve quota for mergers and acquisitions has been revised a bit more realistically at this point.

Regarding “Others” in investment cash flow, we were initially thinking of selling about JPY230 billion of marketable securities in order to return them to cash flow and use them for investments, but we reconsidered that selling about JPY160 billion would be just right, considering the overall cash flow. At the end of the period, cash and marketable securities should total JPY350 billion to JPY360 billion. Therefore, we believe this is an appropriate level in terms of the required funds that are retained. Please understand that the sale or purchase of securities is to be balanced with cash flow.