INPEX

INPEX CORPORATION

Financial Results for the year ended December 31, 2023

February 13, 2024

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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

INPEX

Takayuki Ueda
Representative Director, President & CEO

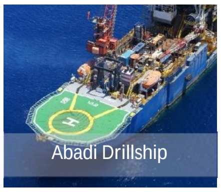
Hello, everyone. Thank you very much for participating today despite your busy schedule. My name is Ueda. I'm the President and CEO of INPEX CORPORATION.

I would like to give a business overview. Based on the materials, I would like to explain our efforts in 2023 and planned activities in 2024 and beyond for each of the oil and natural gas sector and the 5 net-zero businesses.

Business Activities in FY2023 – Oil and Gas Business –

INPEX

Production phase projects	Ichthys LNG (Australia)	• Maintained stable production operations overall. Shipped 129 LNG cargoes in 2023. • Confirmed facility capacity enhancements to produce 9.3 million tons of LNG per year. • Realized net income contribution of 302.6 billion yen.
	Offshore Oil Fields & Onshore Concession (Abu Dhabi)	• Conducted stable production operations and increased production capacity.
	Other	• Commenced floating wind farm-generated power supply to Snorre oil field in Norway.
Pre-FID phase projects	Abadi LNG (Indonesia)	• Welcomed Pertamina and Petronas as new project partners. • Received government approval for revised plan of development incorporating a CCS component.
Exploration phase projects & other	Vicinity of the Ichthys Field	• Drilled exploration well in WA-285-P. Commenced the drilling of exploration well in WA-343-P. • Acquired stake in AC/RL7 (Cash Maple).
	Abu Dhabi Onshore Block 4	• Drilled exploration and appraisal wells.
	Other	• Awarded 3 exploration licenses in Norway. • Signed 2 new PSCs for Block 4E and Block SK418 in Malaysia and commenced exploration activities. • Completed the first stage double tracking of the natural gas trunk pipeline "Ryomo Line".



First of all, let me look back over our business activities in FY2023 for the oil and gas business. Our biggest asset is Ichthys, and we did have a little trouble. But in general, we operated quite stably. We shipped 129 LNG cargoes during the year. Realized net income contribution for FY2023 totaled JPY302.6 billion.

Last year, we indicated that we were going to achieve 9.3 million tons of LNG per year. We tried to achieve that last year, but we weren't quite there. But in terms of facility capacity enhancement, we already have 9.3 million tons of LNG production per year, and we want to work toward achieving that in this new year.

For the offshore and onshore fields in Abu Dhabi, we have continued with the stable production operation and we have worked on increasing our production capacity there.

In Norway, we have started the electricity supply from a floating offshore wind farm. The photo at the bottom right of the slide is Hywind Tampen. The Snorre oil field is our oil platform in Norway, and this wind farm is now able to supply about 30% of the electricity needed for the platform.

There was significant progress on the Abadi LNG project. Pertamina and Petronas have participated in the project as our new partners. And we've decided to add CCS. We had been consulting with the Indonesian government and submitted a revised plan of development (POD) incorporating CSS. The Indonesian government approved the revised POD in December last year.

Exploration phase projects and other are shown on the slide. Around the Ichthys Field and in the Block 4 in Abu Dhabi, we have continued exploration works.

Planned Business Activities after FY2024 – Oil and Gas Business –

INPEX

Production phase projects	Ichthys LNG (Australia)	• Acquire participating interest from Tokyo Gas (raising total participating interest from 66.245% to 67.82%) subject to fulfillment of certain conditions. • No large-scale shutdown maintenance work planned for 2024. • Approximately 11 LNG cargo shipments per month expected for 2024. • Aim to produce 9.3 million tons per year of LNG through safe operations and enhanced facility utilization. • Continuing evaluation of 3rd train expansion targeting start-up in the 2030s. • Expected net income contribution of 220 billion yen.
	Offshore Oil Fields & Onshore Concession (Abu Dhabi)	• Conduct stable production operations and increase production capacity.
	Other	• Continuing to consider development of discovered and undeveloped oil and gas fields in Norway.
Pre-FID phase projects	Abadi LNG (Indonesia)	• Proceed with preparations required to reach final investment decision (FID), including front-end engineering and design (FEED) work and marketing and financing activities.
Exploration phase projects & other	Vicinity of the Ichthys Field	• Continue the drilling of exploration well in WA-343-P and evaluations for AC/RL7 and other blocks • Conduct 3D seismic data acquisition in AC/P66.
	Abu Dhabi Onshore Block 4	• Drill exploration well and conduct evaluation work for potential development and production in the next phase.
	Other	• Awarded 5 exploration licenses in Norway in January 2024. Evaluate bidding opportunities at APA 2024 licensing round. • Signed new PSC for Block SK510 in Malaysia in January 2024. Continue to actively strengthen business in Malaysia.

Here are our planned business activities after FY2024. Let me start with Ichthys. The participating interest is likely to increase slightly, from 66.245% to 67.82%.

As some of you may be aware, Tokyo Gas is going to sell the interest that they have in Ichthys, and we had a preemptive right. And so we decided to exercise this preemptive right.

Of course, we have to fulfill certain conditions under the contract, and so it hasn't been closed as yet, but if this preemptive right is exercised without any issue, then we expect participating interest to increase for Ichthys. For 2024, we have no planned shutdown for maintenance, so we are expecting to ship around 11 LNG cargoes per month. We aim to produce 9.3 million tons per year, and that is what we intend to achieve. USD73 is the crude oil price assumption, and so we expect net income contribution to be about JPY220 billion. We will continue with our work for the expansion of Ichthys LNG project .

In Abu Dhabi, in line with the UAE government's initiative to increase production capacity from 4 million BD to 5 million BD, we are going to work on enhancing capacity, production at the Lower Zakum and Upper Zakum oil fields. In addition, we will continue to consider the development in Norway as well.

As for Abadi, 2024 will be the final preparation here towards reaching FID. FEED, the front-end engineering and design, is the next stage, and probably the end of this year or early next year is when we will probably start the FEED work.

So, what we are going to do this year? We are going to do surveys, both onshore and offshore. Towards FEED, FEED will be conducted through a tender, and so we will be deciding conditions for a company to participate in FEED, so we will decide that and hold the tender. These are the type of major activities that we will conduct regarding Abadi this year. Together with the FEED work, we will also engage in marketing and financing activities.

As for Ichthys, we are still drilling exploration wells in WA-343-P, as well as continuing with studies and evaluation for the block called Cash Maple that we acquired last year. As for the Abu Dhabi onshore Block 4, a certain amount of oil and natural gas has been discovered. We are continuing to evaluate whether we are going to proceed to the development of production, which is the next phase.

Business Activities in FY2023 – 5 Net Zero Businesses –

INPEX

Hydrogen & Ammonia	• Commenced construction of surface plant facilities of Kashiwazaki Clean Hydrogen/Ammonia Project in Niigata Prefecture, Japan. • Joined global energy and chemical leaders to develop large-scale, low-carbon ammonia production export project on Houston Ship Channel in Texas.
CCS/CCUS	• Conducted pre-appraisal reservoir evaluation and preparation for planned 3D-seismic survey and exploration drilling in GHG assessment permit (G-7-AP) in Bonaparte Basin, offshore Northern Territory of Australia. • Officially selected to participate in "Tohoku Region West Coast CCS Initiative" and "Tokyo Metropolitan Area CCS Project" in Japan as part of FY2023 "Survey on Implementation of Advanced CCS Projects" commissioned by JOGMEC.
Renewable Energy	• Acquired 50% of shares in Enel Green Power Australia (EGPA), a company engaged in renewable energy operations including retail and trading. • Acquired shares in Moray East Offshore Wind Farm in UK. • Reached 628MW in net renewable power generation capacity as of the end of FY2023 (Medium-tern business plan target: 500MW)
Carbon Recycling & New Business	• Commenced construction of CO2-methanation test facilities capable of producing 400 normal cubic meters of methane per hour in Niigata, Japan.
Forest Conservation & Other	• Marketed carbon-neutral products including natural gas and jet fuel. • Implemented project studies to acquire new forestation credits.

Next, I'd like to talk about our activities in the 5 net-zero businesses in FY2023.

As for hydrogen and ammonia, at the Kashiwazaki Clean Hydrogen/Ammonia Project in Niigata Prefecture, we have commenced the construction of surface plant facilities for an integrated demonstration test of blue hydrogen and ammonia production and utilization. On Houston Ship Channel in Texas, we have started the pre-FEED for a large-scale, low-carbon ammonia production and export project.

As for CCS and CCUS, we have conducted pre-appraisal reservoir evaluation and preparation for planned 3D-seismic survey and exploration drilling in Bonaparte Basin, offshore Northern Territory of Australia. In addition, in Japan, we have decided to participate in the survey on the implementation of advanced CCS projects commissioned by JOGMEC. As part of that, officially, we were selected to participate in the Tohoku Region West Coast CCS Initiative and Tokyo Metropolitan Area CCS Project.

Regarding renewable energy, in Australia, we have acquired a 50% share in Enel Green Power Australia(EGPA). We are going to engage in collaboration with Enel on a 50-50 basis.

Also, we have acquired a stake partially in the Moray East Offshore Wind Farm off Scotland in the UK. We have reached 628 megawatts in net and renewable power generation capacity that is based on our stake.

Related to carbon recycling, we have commenced the construction of our methanation test facilities in Nagaoka, Niigata Prefecture.

Planned Business Activities after FY2024 – 5 Net Zero Businesses –

INPEX

Hydrogen & Ammonia	• Commissioning of Kashiwazaki Clean Hydrogen/Ammonia Project to begin in March 2025. Operational startup scheduled for August 2025. • Promote clean hydrogen and ammonia projects in Japan and other countries, starting with large-scale, low-carbon ammonia project in Houston, Texas, aiming to start commercial production between late 2020s and around 2030.
CCS/CCUS	• Conduct new 3D seismic survey and exploration drilling in the GHG assessment permit (G-7-AP) in Bonaparte Basin, offshore Northern Territory of Australia during 2024 to further evaluate CO_2 storage potential and assess CCS business opportunity, aiming to begin injecting CO_2 in late-2020s. • Implement commercialization studies on "Tohoku Region West Coast CCS Initiative" and "Tokyo Metropolitan Area CCS Project" anticipating participation in next phase of "Advanced CCS Projects" with aim of starting operations in 2030.
Renewable Energy	• Develop renewable energy power plants and build renewable power supply value chain through EGPA as a pillar of our renewable energy business, and aim to: Ø Develop & sell, enhance value-added renewable energy including retail & trading and build multi-layered revenue stream Ø Aim to increase net renewable power generation capacity to more than 1GW by 2030.
Carbon Recycling & New Business	• Commissioning of CO2-methanation test facilities capable of producing 400 normal cubic meters of methane per hour to begin in August 2025. Operational startup scheduled for February 2026.
Forest Conservation & Other	• Market carbon-neutral products including natural gas and jet fuel. • Obtain credits from high quality forest conservation projects, consider project participation.

Here are our planned business activities after FY2024.

In the hydrogen and ammonia, we will continue with the construction of the Kashiwazaki Clean Hydrogen/Ammonia Project.

Progress Updating
Clean Hydrogen/Ammonia Production Plant

This picture shows the current state of Kashiwazaki. The one standing in the middle is a well for CCS.
We plan to drill three wells here. The rig is already built, so we will drill a well here.

Progress Updating
Clean Hydrogen/Ammonia Production Plant

Also, here is a photo from the other side.
On a fairly large area of land, we will construct a CO2 compression facility, a CO2 capturing facility, a hydrogen production facility, an ammonia production facility, and a hydrogen power generation facility. The foundation is now almost complete and the construction above it is going to start. The entire demonstration plant is scheduled to be completed in the summer of 2025.

Planned Business Activities after FY2024 – 5 Net Zero Businesses –

INPEX

Hydrogen & Ammonia	• Commissioning of Kashiwazaki Clean Hydrogen/Ammonia Project to begin in March 2025. Operational startup scheduled for August 2025. • Promote clean hydrogen and ammonia projects in Japan and other countries, starting with large-scale, low-carbon ammonia project in Houston, Texas, aiming to start commercial production between late 2020s and around 2030.
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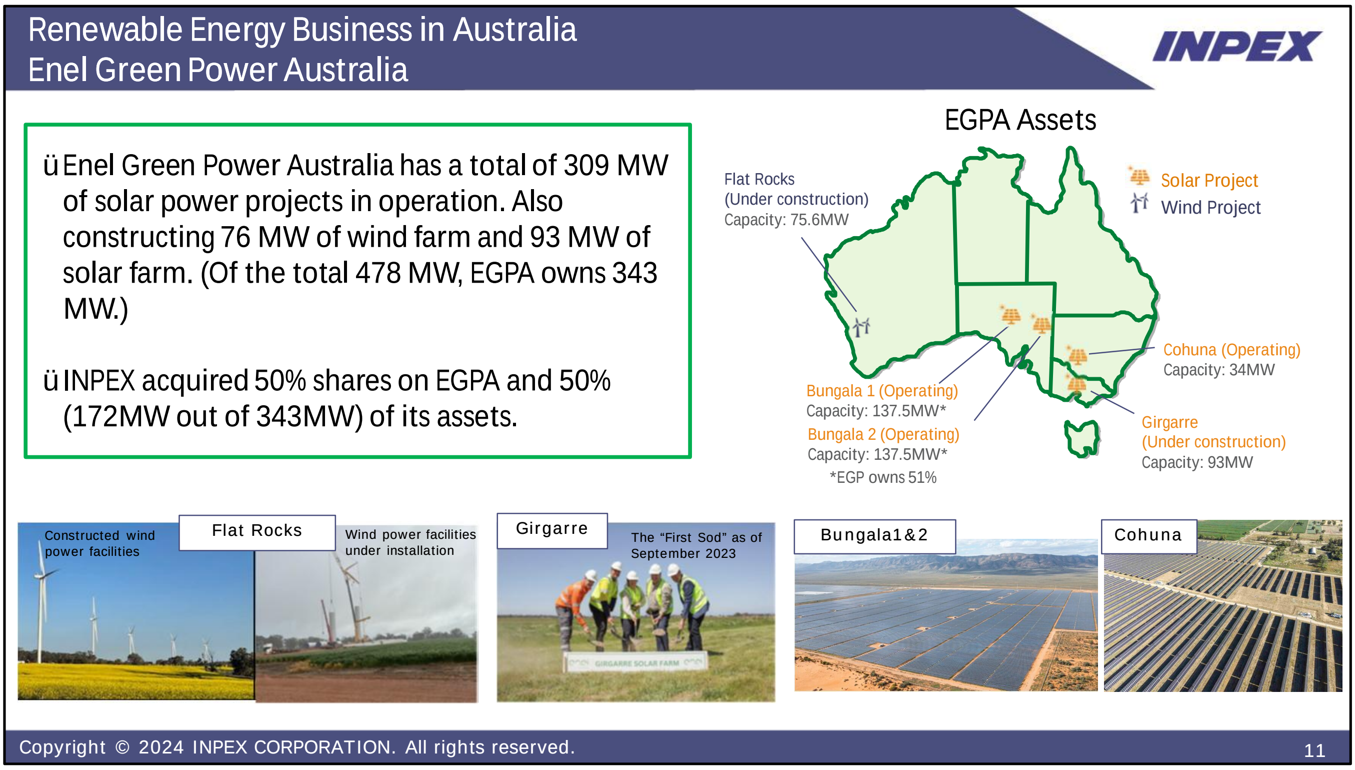
Renewable Energy	• Develop renewable energy power plants and build renewable power supply value chain through EGPA as a pillar of our renewable energy business, and aim to: Ø Develop & sell, enhance value-added renewable energy including retail & trading and build multi-layered revenue stream Ø Aim to increase net renewable power generation capacity to more than 1GW by 2030.
Carbon Recycling & New Business	• Commissioning of CO2-methanation test facilities capable of producing 400 normal cubic meters of methane per hour to begin in August 2025. Operational startup scheduled for February 2026.
Forest Conservation & Other	• Market carbon-neutral products including natural gas and jet fuel. • Obtain credits from high quality forest conservation projects, consider project participation.

Back to the slide for the 5 net-zero businesses.

Next, also in the hydrogen and ammonia area, we will continue with various activities to start the commercial production of a low-carbon ammonia project in Houston, Texas.

For CCS/CCUS, in Bonaparte, we plan to drill a new well in 2024. We are going to evaluate how much CO2 will be able to inject into this reservoir. As for the CCS projects in Japan, which we have been selected to participate in, we will continue with the study towards the potential commercialization of these projects.



We plan to carry out various activities in the area of renewable energy, and we will be creating a joint venture with EGPA to take our activities to the next level.

These photos show the actual situation. Some of the wind turbines have already been completed, and we are currently working on wind turbines that are being installed at a location called Flat Rock.

Also, we have new renewable energy facilities in Gigarre. Moreover, wind, solar, and storage battery businesses are in full swing throughout Australia, including Bungala and Cohuna.

In this manner, we intend to promote hydrogen, ammonia, CCS, and other projects in FY2024.

Progress against Medium-term Business Plan 2022-2024

INPEX

		FY2022 (actual)	FY2023 (actual)	FY2024 (Expected)	FY2024 Targets	
Assump-tions	Brent Oil Price (US$ per barrel)	99.04	82.17	73.0	US$60	US$70
	Exchange rate (JPY/US$)	131.64	140.66	138.0	110	110
Management Targets	Net income attributable to owners of parent	¥461.0 billion	¥371.5 billion	¥330 billion	¥170.0 billion	¥240.0 billion
	Operating Cashflow before exploration * Includes Ichthys downstream Incorporated Joint Venture and differs from institutional accounting basis	¥1,061.6 billion	¥1,062.0 billion	¥714 billion*1	¥600.0 billion	¥700.0 billion
	ROE	13.5%	9.4%	7.7%*1	Around 6.0%	Around 8.0%
	Net debt/equity ratio *Includes Ichthys downstream Incorporated Joint Venture and differs from institutional accounting basis	46.0%	31.9%	30%*1	50% or less	50% or less
Business Targets	Net production volume (boed)	622 thousand	630 thousand	642 thousand	Level exceeding 700 thousand boed	
	Production cost per barrel (excluding royalties)	US$5.8	US$5.6	US$5.6	Reduction towards US$5 per barrel or below	
	Net Carbon Intensity * (equity share emissions volume (Scope 1＋2) - offset) / (net production volume of upstream oil & gas business＋electricity generated using renewable energy)	28kg/boe	29kg/boe*2	29kg/boe	Reduction of 10% (4.1kg/boe) or more over a 3-year period towards 2030 target * 2030 target: Reduction of 2019 net carbon intensity (41.1kg/boe) by over 30%	
	Safety	Zero major accidents	Zero major accidents	Aim to achieve Zero major accidents	Zero major accidents * Fatalities, major leaks and serious injuries, etc. at INPEX-operated projects	

*1 Based on IFRS
*2 Provisional figure based on confirmable emissions as of December 31, 2023

This slide describes the progress against the medium-term business plan.

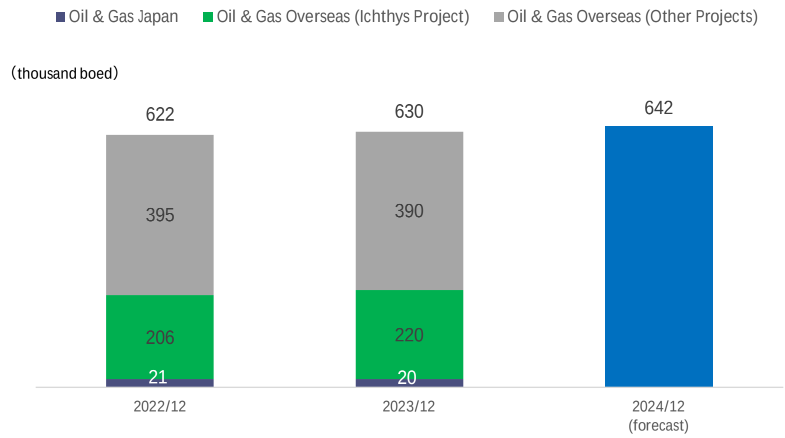
These are the assumptions that we put for FY2024. The oil price forecast is USD73 per barrel and the foreign exchange rate is assumed to be JPY138 to the US dollar. Of course, there are various views, but we are somewhat conservative in these assumptions that we have come up with.

Based on these assumptions, we expect net income for FY2024 to be JPY330 billion on an IFRS basis. Operating cash flow before exploration is going to be about JPY700 billion, ROE to be 7.7%, and the net D/E ratio to be 30%.

So, you can see the medium-term targets are on the far right and how we are going. In terms of our net income level, of course, there is a difference between IFRS and JGAAP. It's somewhat difficult, but if you kind of line the numbers to say JGAAP or IFRS, and based on sensitivity for the oil price and the exchange rate, and when we do a conversion, net income will probably be higher than the medium-term goal. Accordingly, with regard to the management goals, I think we are doing quite well.

But for business targets, say, for example, net production, we have indicated that we're going to aim for a level exceeding 700,000 barrels of oil equivalent per day, but for FY2024, expecting 642,000 barrels. This is due to the impact of the OPEC-coordinated production cuts in the Middle East, including Abu Dhabi, and the portfolio management of our assets in the US. Thus, we need to make a little bit more effort. Otherwise, we may not be able to reach the target of 700,000 barrels that we set for ourselves.

Progress against Medium-term Business Plan 2022-2024
Net Production Volume (boe per day)*

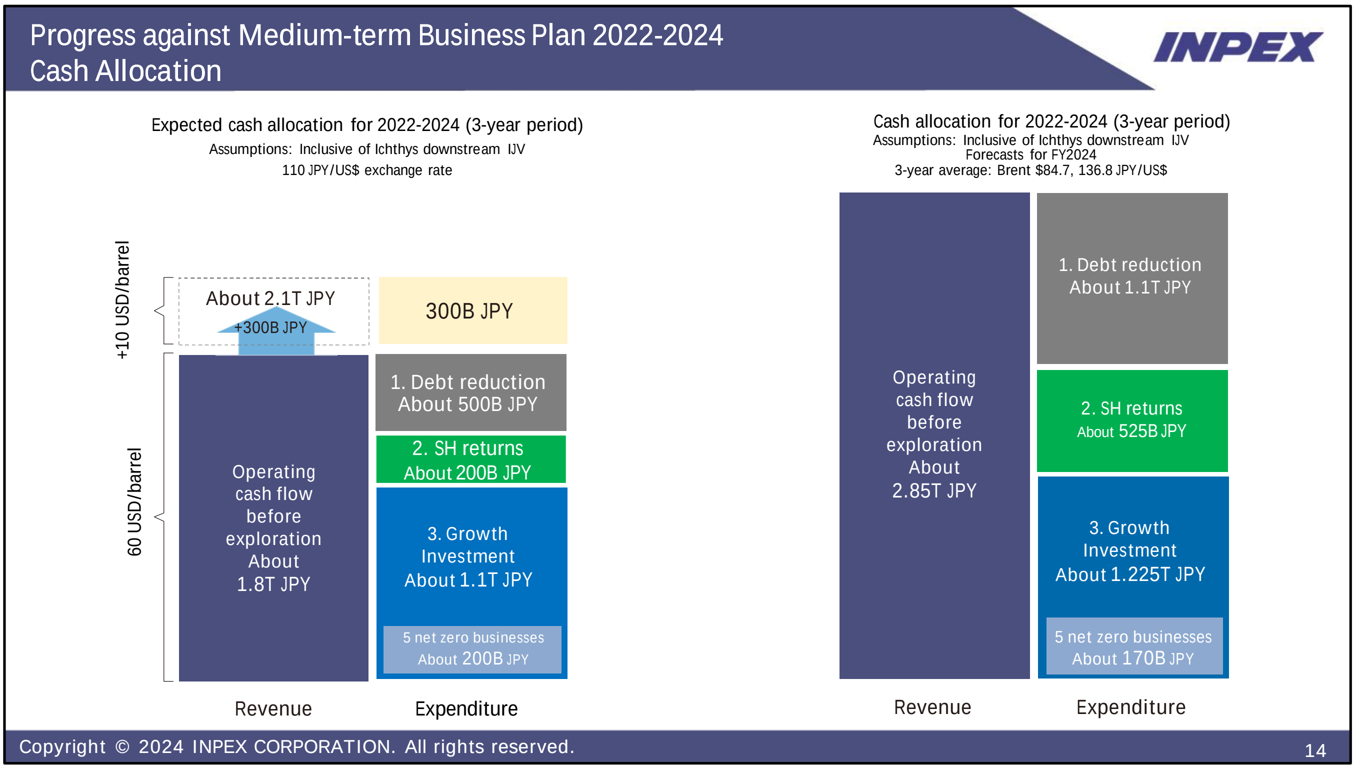



Upper Zakum Oil Field Operation Site

* The production volume under the production sharing contracts entered into by the INPEX Group corresponds to the net economic take of the INPEX Group.

For the net production volume, as mentioned, we have the current level as shown 642,000.

It is not low by any means, as it is our largest level ever, but we have to work further going forward to achieve the goal in the medium-term business plan.



This slide shows the expected cash allocation in the medium-term business plan. What we have done over the past three years is shown on the slide.

On the left-hand side, this is the medium-term business plan over the three-year period and the cash allocation expected. On the right-hand side, we show the actual cash allocation over the period. So, we have the actual results for 2022 and 2023, and then for 2024, we use the projected figures in our budget plan.

At the time of the medium-term business plan, we expected that the oil price would be USD60 per barrel and that the operating cash flow before exploration would be about JPY1.8 trillion. With USD70 per barrel, as shown in the dotted line on top, the operating cash flow before exploration would be about JPY2.1 trillion.

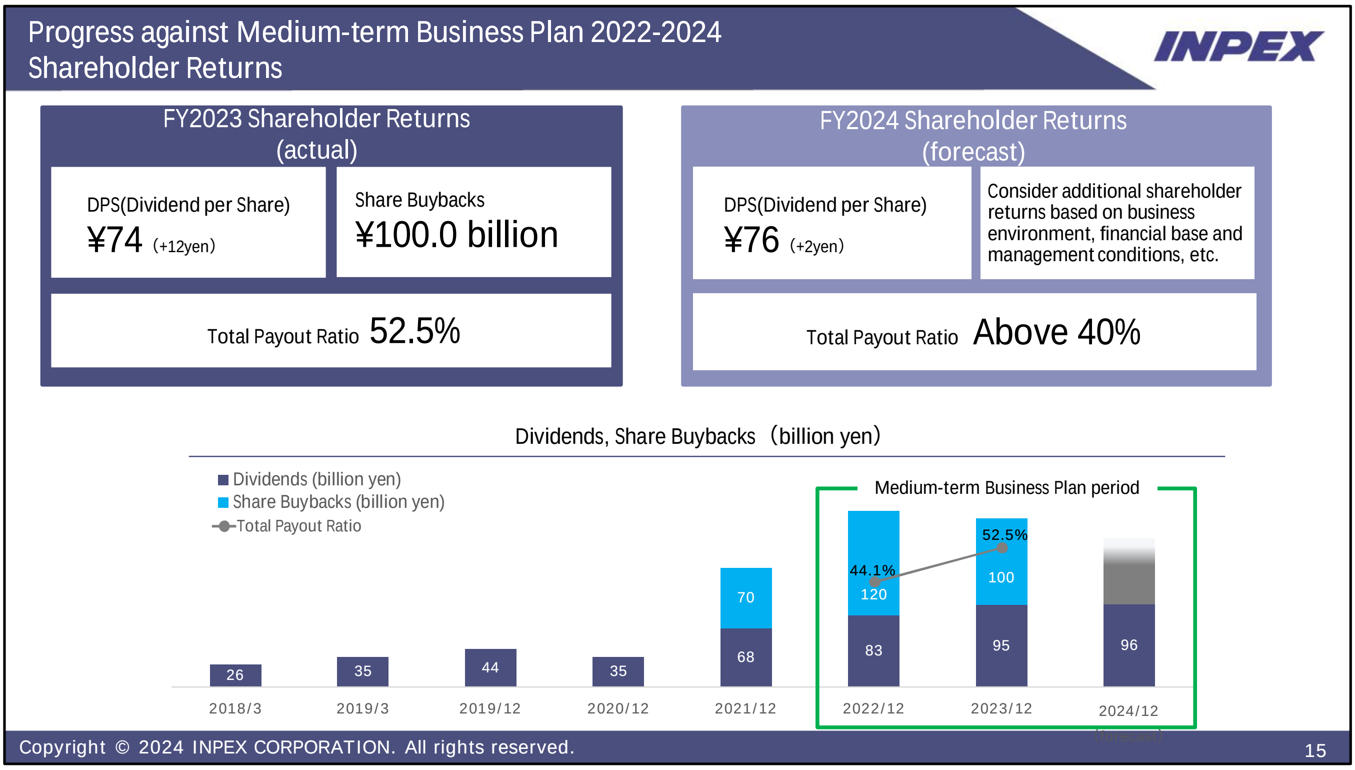
On the right-hand side, the oil price and others are quite high. Reflecting that, the operating cash flow before exploration is JPY2.85 trillion for the three year period. In other words, the operating cash flow before exploration is assumed to swell by about JPY1 trillion, from JPY1.8 trillion to JPY2.85 trillion.

Regarding the use of the money, if you compare the two, I think it's very clear. We plan to reduce interest-bearing debt, as you can see, by JPY1.1 trillion, instead of our original plan to reduce the debt by JPY500 billion.

We also plan to return around JPY525 billion to shareholders, compared to our original shareholder return plan of JPY200 billion. So, debt reduction and shareholder returns, we have actually doubled the amounts, and that's how we are proceeding. Growth investment also swelled a bit, from about JPY1.1 trillion to JPY1.225 trillion, but not by much.

What we can say from here is when we set the medium-term plan, we still had a lot of debt for Ichthys. Therefore, we have been telling you that our priorities are, first, to reduce interest-bearing debt in earnest; second, to strengthen shareholder returns; and third, to invest in growth. In line with these words, we have decided to reduce interest-bearing debt and make shareholder returns, allocating more than double the amounts originally planned for these purposes.

So, our financial status will become really strong at the end of 2024, when we expect to see net interest-bearing debt of around JPY1.3 trillion, and a D/E ratio of 0.3 times or so. As mentioned before, as for the D/E ratio, we'd like to control it in the range of 0.3 times to 0.5 times. So, I believe that our current financial base is at its strongest stage.



Regarding shareholder returns, as you can see, for 2023, we have JPY74 in annual dividend per share.

In addition, the Company conducted share buybacks of JPY100 billion and the total payout ratio came to 52.5%.

For FY2024, the profit targets this year are slightly lower than last year. We do have strong financial base, so we will increase our dividend a little. We'd like to increase the DPS as you can see. So JPY2 of increase, a slight increase, and JPY76 per share is set for the current fiscal year.

Since our medium-term business plan calls for a total return ratio of 40% or more, we will continue to consider share buybacks and other measures, although it remains to be seen what will happen to dividends and the total return ratio.

Capital Efficiency

INPEX

Aim for ROIC to stably exceed WACC, taking ROE and COE into consideration.

	FY2023 (actual)	FY2024 (forecast)
Average crude oil price (Brent) ($/bbl)	82.17	73.0
Average exchange rate (¥/$)	140.66	138.0
ROIC (%)	8.7%	6.8%
WACC*1 (%)	6.4%	6.6%

	FY2023 (actual)	FY2024 (forecast)
ROE (%)	9.4%	7.7%
Cost of Equity (%)	8.8%	8.8%

*1 Provisional figure based on CAPM basis calculated in June 2024.

With respect to capital efficiency, we're aiming for a ROIC to stably exceed WACC.

As you can see, based on the oil price and exchange rate assumptions shown on the slide, we expect the ROIC at 6.8% for FY2024, slightly above the projected WACC of 6.6%.

ROE is expected to be around 8%. This is a slightly lower number, but because of the translation adjustments and other factors, we are not expecting a very high level. So that's for today.

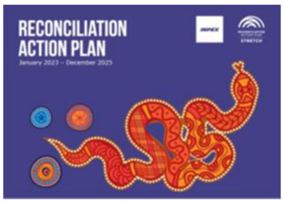
ESG Initiatives

Environment

- Became first Japanese company to join OGMP 2.0*, founded by United Nations Environment Programme (UNEP). By adhering to the comprehensive and measurement-based reporting framework provided by OGMP 2.0, INPEX can ensure the accuracy and transparency of our methane emissions reports.
- Maintained A-minus rating in Carbon Disclosure Project (CDP) evaluation for FY2023.

Social

- Based on our philosophy regarding D&I, we actively create an environment in which female employees can fully demonstrate their abilities (e.g., holding gender bias removal training, sending female employees to the Next Generation Female Leader Program, etc.). We also proactively hire females with the potential to become managers.
- Announced and started third "INPEX Reconciliation Action plan 2023-2025," aiming to increase employment and business opportunities for Aboriginal and Torres Strait Islander peoples.



Governance

- Held a Board Meeting in Abu Dhabi, UAE and deepened the relationship between local stakeholders (partners, local communities, etc.) and the Board of Directors.
- Third-party evaluations are being conducted to evaluate the effectiveness of the Board of Directors. The validity of the board secretariat's process of compiling, analyzing and setting action-plans is being verified from the perspective of a third party. (Third party evaluations are conducted on a regular basis.)

* OGMP2.0: The Oil & Gas Methane Partnership 2.0

Next is our ESG initiatives.

We have joined OGMP 2.0, a coalition established by the United Nations Environment Programme to implement verifiable reductions in methane emissions.

Then, for the social side, we want to have female employees, more involvement in the business, as one of the main pillars of this year. We would like to make an effort to become a company where women can play a more active role.

For the other governance area, we have conducted various events, including the Board meetings in Abu Dhabi. We will continue to focus our efforts in the area of ESG as well.

2. Consolidated Financial Results for the year ended December 31, 2023

INPEX

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

Highlights of the Consolidated Financial Results for the year ended December 31, 2023

INPEX

	FY2022 (actual)	FY2023 (actual)	Change	% Change
Average crude oil price (Brent) ($/bbl)	99.04	82.17	(16.87)	(17.0%)
Average exchange rate (¥/$)	131.64	140.66	9.02yen depreciation	6.9% depreciation
Net sales (Billions of yen)	2,324.6	2,165.7	(158.9)	(6.8%)
Operating income (Billions of yen)	1,246.4	1,121.8	(124.5)	(10.0%)
Ordinary income*1 (Billions of yen)	1,441.9	1,350.4	(91.5)	(6.3%)
Net income attributable to owners of parent*1 (Billions of yen)	461.0	371.5	(89.5)	(19.4%)
Net income per share*1 *2 (Yen)	337.37	287.05	(50.32)	(14.9%)
Net debt*3 (Billions of yen)	1,731.5	1,320.2	(411.3)	(23.8%)
Net debt/equity ratio*3 (%)	46.0%	31.9%	(14.1%)	-

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

*2 Average number of INPEX shares issued and outstanding during the nine months ended December 31, 2022: 1,366,647,207 shares
Average number of INPEX shares issued and outstanding during the nine months ended December 31, 2023: 1,294,325,142 shares

*3 Includes Ichthys downstream Incorporated Joint Venture and differs from financial accounting basis

Allow me to explain the consolidated financial results for the year ended December 31, 2023.

In Q3, we registered a large impairment amount for the Prelude project, resulting in YoY decreases in net sales and income in fiscal year ended December 2023, but we achieved JPY1,350.4 billion in ordinary income and JPY371.5 billion in net income, the second largest numbers we have achieved.

The oil price fell 17% from USD99.04 per barrel to USD82.17, but this was a pretty good oil price, not too high, as the annual average was USD82. In addition, volatility was low and the foreign exchange rate was JPY140.66 to the US dollar. This was also a following wind for us, so we were fortunate in terms of external factors.

As President Ueda explained earlier, net interest-bearing debt was JPY1,320.2 billion and the net D/E ratio was 32%, near the lower end of the band between 30% and 50%.

The ROIC and ROE were just as the President explained earlier. As we have promised, the ROIC exceeded the WACC.

Sales by Product

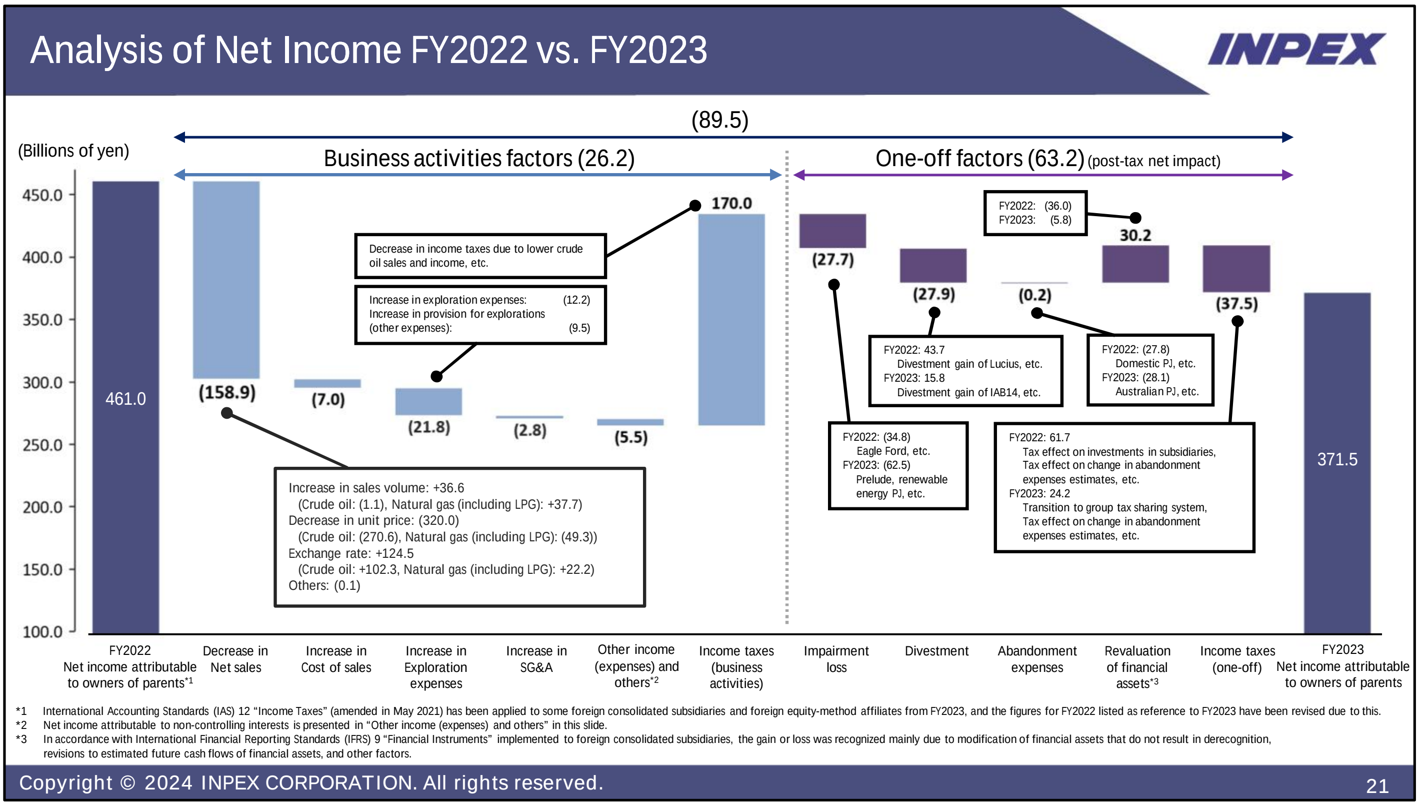
		FY2022	FY2023	Change	% Change
Crude Oil	Net sales (Billions of yen)	1,778.6	1,609.2	(169.4)	(9.5%)
	Sales volume (thousand bbl)	138,116	138,024	(92)	(0.1%)
	Average unit price of overseas sales ($/bbl)	97.71	82.83	(14.88)	(15.2%)
	Average exchange rate (¥/$)	131.80	140.78	8.98yen depreciation	6.8% depreciation
Natural Gas (excluding LPG)	Net sales (Billions of yen)	521.6	527.8	6.2	1.2%
	Sales volume (million cf)	442,416	479,814	37,398	8.5%
	Average unit price of overseas sales ($/thousand cf)	6.89	5.62	(1.27)	(18.4%)
	Average unit price of domestic sales (¥/m^3)	81.98	90.08	8.10	9.9%
	Average exchange rate (¥/$)	132.46	140.20	7.74yen depreciation	5.8% depreciation
LPG	Net sales (Billions of yen)	3.4	7.8	4.4	127.3%
	Sales volume (thousand bbl)	109	452	343	315.2%
	Average unit price of overseas sales ($/bbl)	63.85	46.68	(17.17)	(26.9%)
	Average exchange rate (¥/$)	127.86	139.65	11.79yen depreciation	9.2% depreciation

* $1m^3$=41.8605MJ

Next is net sales by product.

The average unit price of crude oil dropped significantly as Brent oil prices fell. The sales volume of crude oil was almost flat, but net sales decreased by about JPY170 billion.

The sales volume of natural gas increased YoY. The year before last, we had the Ichthys maintenance shutdown. Last year, we didn't have that. The average unit price was back and forth in Japan and overseas. Overseas, the price fell slightly as the delayed effect disappeared, but in Japan, some of the delayed effect lingered and the price was slightly higher.



This shows the analysis of changes in net income.

The JPY461 billion shown on the far left of the slide is net income for fiscal year ended December 2022. Net income for fiscal year ended December 2023 was JPY371.5 billion, a decrease of JPY89.5 billion. The reason can be broken down to business activities factors and one-off factors.

The main business activities factors are a decrease in the unit selling price and the impact of foreign exchange rates. As I explained earlier, the fall in the unit price had a negative impact of JPY320 billion on net income, due in particular to the significant drop in crude oil prices. Foreign exchange rates had a positive impact of JPY124.5 billion. There was a positive effect of the sharp depreciation of the Japanese yen, but it could not make up for net sales, which declined by about JPY160 billion YoY.

On the other hand, the decline in the unit price of oil resulted in declines in sales in Abu Dhabi and Norway. In other words, where the income tax rate was high is where profit came down. On a net basis, there was a negative impact of JPY26.2 billion from business activities factors.

The major one-off factor was Prelude. In Q3, we reported an impairment loss of about JPY60 billion. In terms of the gap of impairment losses with the preceding year, it was minus JPY27.7 billion. The impairment was due to the GHG regulation and Petroleum Resource Rent Tax (PRRT) issues in Australia, as well as a slight decline in production.

Ichthys was on the same environment, but cash flows increased at Ichthys, so we did not have to take impairment for the LNG project. In total, there was the net negative impact of JPY27.7 billion from the impairment losses. Including divestment between the year before and last year and the revaluation of financial assets, in total, there was a total net impact of JPY63.2 billion from one-off factors on net income.

Business activities and one-off factors combined resulted in a total negative impact of JPY89.5 billion, and net income for the year under review ended up at JPY371.5 billion. Again, this was the second highest earnings in record. We've considered this to be quite a good result.

3. Consolidated Financial Forecasts for the year ending December 31, 2023

INPEX

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

Consolidated Financial Forecasts for the year ending December 31, 2024

INPEX

Consolidated Financial Forecasts for the year ending December 31, 2024 (IFRS)

(Billions of Yen)

Full Year	Brent oil price ($/bbl)	73.0
	Average exchange rate (¥/$)	138.0
	Revenue	1,931
	Operating profit	1,010
	Profit before tax	1,043
	Profit attributable to owners of the parent	330

(Billions of Yen)

1st Half	Brent oil price ($/bbl)	75.5
	Average exchange rate (¥/$)	138.0
	Revenue	1,043
	Operating profit	544
	Profit before tax	559
	Profit attributable to owners of the parent	155

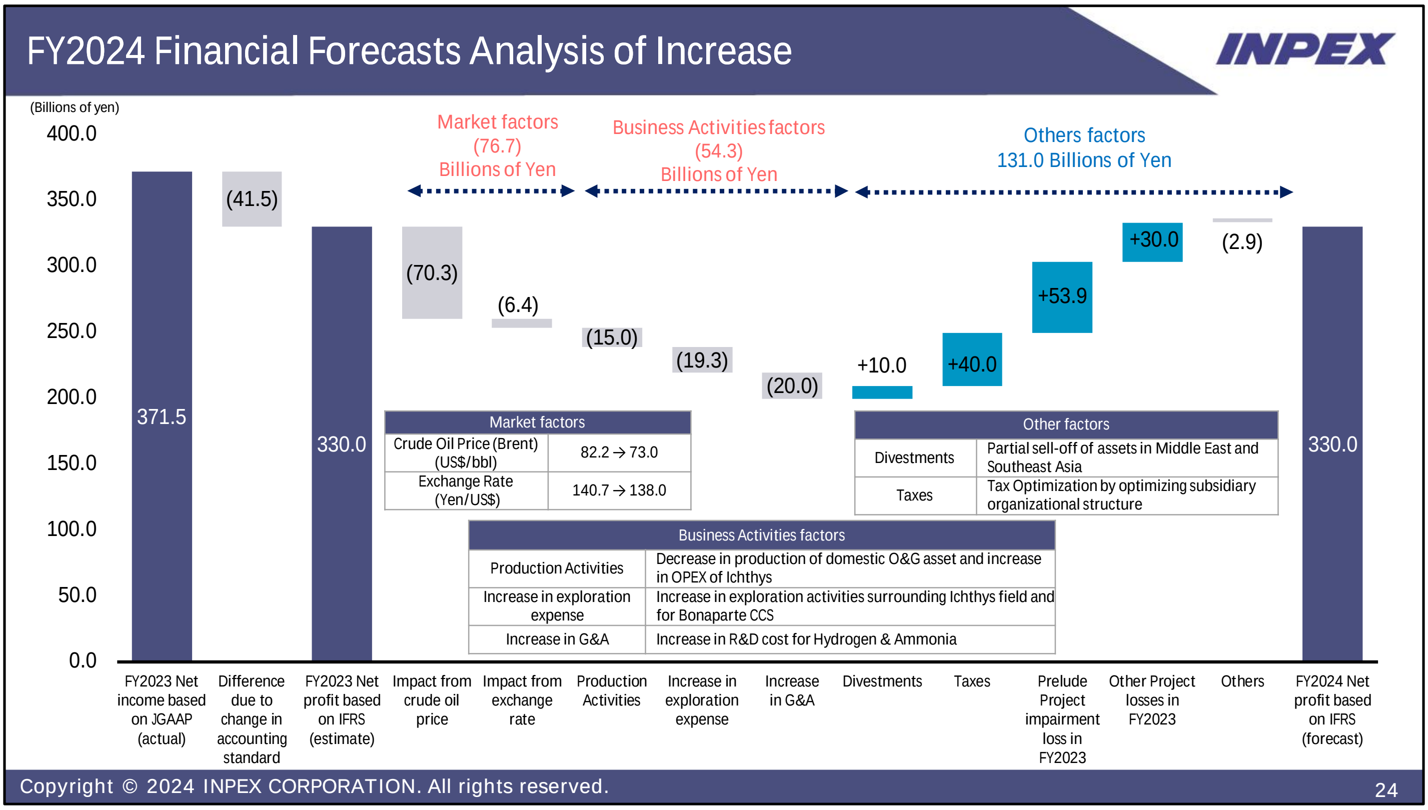
(Billions of Yen)

2nd Half	Brent oil price ($/bbl)	70.5
	Average exchange rate (¥/$)	138.0
	Revenue	888
	Operating profit	466
	Profit before tax	484
	Profit attributable to owners of the parent	175

Next, the forecasts for the year ending December 31, 2024.

As you know, from FY2024, we will be applying IFRS on a voluntary basis. The December 2023 was based on JGAAP, but the December 2024 forecast, this is based on IFRS. So the accounting standard has changed.

As Mr. Ueda said earlier, the oil price assumption is JPY73, JPY138 to USD1 for the foreign exchange rate. We're expecting JPY330 billion of net income. We reported the record-high the year before last, and the second biggest last year, so this will be the third highest number on record.



Based on JGAAP, we had net income of JPY371.5 billion last year.

Today, based on IFRS, most probably we would have JPY330 billion for 2023, and that is the current expectation. Based on IFRS, net income should be JPY330 billion for both 2023 and 2024, so the YoY difference, the increase and decrease should be zero.

On the slide, we showed the market factors, business activities factors, and other factors. For the market factors, there are some concerns that the oil price may fall from USD82 per barrel to USD73. However, we believe that we have a reasonable price now as the average oil price over the past 10 years was around USD65-69.

Looking at the exchange rate, JPY138 is quite a depreciation. Today, the yen is further weaker, so we think this might be conservative. In total, we will have a total negative impact of JPY76.7 billion from the market factors.

As for the business activities factors, we expect a total negative impact of JPY54.3 billion. We have the projects related to domestic production being declining. That's one impact. For the exploration expense around Ichthys and also as explained, Bonaparte CCS, et cetera, we will see about JPY19 billion of increase. Then for hydrogen/ammonia R&D, we have JPY20 billion for these explorations, for these expenditures.

As for another business activities factor, we plan to sell some interests and expect to earn about JPY10 billion. In addition, we are projecting a positive JPY40 billion due to tax benefits, and this one is budgeted in terms of recouping the cost of scheduled taxes through tax benefits. These two are one-time revenues.

We will enjoy positive impacts of JPY53.9 billion and JPY30 billion from the removal of the Prelude Project impairment loss and other project losses, respectively, in 2023. All in all, IFRS-based net income will be flat.

Net Income Sensitivities

INPEX

Sensitivities of crude oil price and foreign exchange fluctuation on consolidated net income attributable to owners of parent for the year ending December 31, 2024[*1]

(Billions of Yen)

Brent Crude Oil Price; $1/bbl increase (decrease)[*2]	At Beginning of 1Q : +6.0 (-6.0) The impact on net income will change in FY2024 as below; At beginning of 2Q : +4.1 (-4.1) At beginning of 3Q : +2.2 (-2.2) At beginning of 4Q : +0.9 (-0.9)
Exchange Rate; ¥1 depreciation (appreciation) against the U.S. dollar[*3]	+2.4 (-2.4)

[*1] The sensitivities calculated at the beginning of the fiscal year (January 2024) represent the impact on net income for the year ending December 31, 2024 against a $1/bbl increase (decrease) in the Brent crude oil price on average and a ¥ 1 depreciation (appreciation) against the U.S. dollar. These are based on the financial situation at the beginning of the fiscal year and are for reference purposes only. The actual impact may change due to fluctuations in production volumes, capital expenditures and cost recoveries, and may not be constant, depending on crude oil prices and exchange rates.

[*2] Net income sensitivity is determined by fluctuations in the oil price and is subject to the average price of crude oil (Brent). A breakdown of quarterly sensitivity figures is listed below taking into consideration certain natural gas sales applying oil prices on a delayed basis;

- At beginning of 1Q : +6.0 billions of yen (1Q : +1.0 billions of yen, 2Q : +1.3 billions of yen, 3Q : +1.9 billions of yen, 4Q : +1.8 billions of yen)
- At beginning of 2Q : +4.1 billions of yen (1Q : ------------------------, 2Q : +1.0 billions of yen, 3Q : +1.3 billions of yen, 4Q : +1.8 billions of yen)
- At beginning of 3Q : +2.2 billions of yen (1Q : ------------------------, 2Q : ------------------------, 3Q : +1.0 billions of yen, 4Q : +1.2 billions of yen)
- At beginning of 4Q : +0.9 billions of yen (1Q : ------------------------, 2Q : ------------------------, 3Q : ------------------------, 4Q : +0.9 billions of yen)

[*3] This is a sensitivity on net income determined by fluctuation of the yen against the U.S. dollar and is subject to the average exchange rate. On the other hand, sensitivity related to the valuation of assets and liabilities denominated in the U.S. dollar on net income incurred by foreign exchange differences between the exchange rate at the end of the fiscal year and the end of the previous fiscal year is largely neutralized.

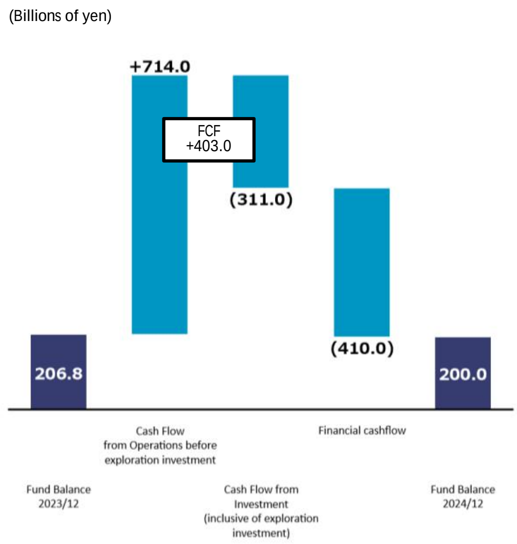
This is about oil price and exchange rate sensitivities.

As we always show, with the USD1 fluctuation in oil prices is about plus or minus JPY6 billion. Also, with the JPY1 depreciation to the US dollar, we will have about JPY2.4 billion in positive impact.

The impact was about JPY3 billion under JGAAP, but we expect it to be about JPY2.4 billion under IFRS.

FY2024 Cash Flow* Forecast

(Billions of Yen)	FY2022 (actual)	FY2023 (actual)	FY2024 (forecast)	Total FY2022-2024
Cash Flow from Operations before exploration investment *	1,061.6	1,062.0	714.0	2,837.6
Cash Flow from Investment (inclusive of exploration investment)	(377.8)	(573.5)	(311.0)	(1,262.3)
Development expenditure (Oil & Gas Business)	(279.4)	(229.6)	(485.0)	(994.0)
Development expenditure (5 Net Zero Business)	(81.8)	(78.9)	(10.0)	(170.7)
Exploration expenditure (inclusive of some 5 Net Zero Business)	(30.4)	(44.6)	(71.0)	(146.0)
Others (inclusive of sale of interests, etc)	55.5	19.4	13.0	87.9
Growth Investment	(336.1)	(333.6)	(553.0)	(1,222.7)
Others (purchase and disposal of investment securities etc.)	(41.7)	(239.9)	242.0	(39.6)
Free Cash Flow	683.8	488.5	403.0	1,575.3
Financial Cash Flow	(634.6)	(566.2)	(410.0)	(1,610.8)
Shareholder Returns	(201.5)	(190.1)	(132.0)	(523.6)
Cash and cash equivalents at end of year	284.6	206.8	200.0	200.0



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

This is the cash flow status.

First, cash flow from operations before exploration investment is expected to be JPY714 billion.

Cash flow from investment is expected to be JPY311 billion, but there is a bit of a trick of figures. Cash flow from investment is divided into growth investment and others, and growth investment includes spending on the oil and natural gas sector and that on the 5 net-zero businesses.

Growth investment also includes purchases and disposals of US Treasuries, so the amount appears to fall in 2024 because of planned sales of US Treasuries. In fact, however, the real growth investment amount will increase from JPY330 billion in 2023 to JPY550 billion this year, since the Company will sell US Treasuries to invest in growth.

As I explained earlier, the leverage is going down quite well, so this is the time for quite aggressive investment plans we have today.

If you look at the breakdown of the investment cash flow, it consists of JPY485 billion for development expenditure in the oil and natural gas business and JPY71 billion for exploration expenditure. Development expenditure in the 5 Net-Zero Businesses appears to be low at JPY10 billion, but this is due to a classification problem. While the exploration expenditure includes tens of billions of yen of Bonaparte CCS spending, the investment in the demonstration plant for blue hydrogen production in Niigata, which is related to the 5 Net-Zero Businesses, will be reported not as investment, but as R&D spending on the income statements.

In addition, if we consider the methanation test facilities and Bonaparte's CCS business also being part of the Net Zero investment, we can say that the development expenditure in the 5 Net-Zero Businesses of JPY10 billion is actually about JPY50 billion. As shown in the medium-term plan, also fuel and the net-zero having us striking a good balance. That is how we are going to spend in 2024.

Free cash flow will have JPY400 billion, and the final amount after debt repayment will be JPY200 billion of cash and cash equivalents at the end of the year.

ROIC by Segment

INPEX

FY2024 Forecast (IFRS)

	Adjusted Profit※1 (Billions of yen)	Invested Capital as at Year-End※2 (Billions of yen)	ROIC (%)
O&G Domestic	20.0	231.1	8.5
O&G Overseas Ichthys	270.5	4,030.7	6.7
O&G Overseas Others	145.4	1,351.4	10.7
Others	(13.3)	177.2	(7.7)
Ref. Renewable Energy Business	(0.6)	151.6	(0.4)
Ref. Hydrogen and CCUS Business	(17.3)	-	-
Consolidated financial statements	421.2	6,104.7	6.8

FY2023 Actual (JGAAP)

	Adjusted Profit※3 (Billions of yen)	Invested Capital as at Year-End※2 (Billions of yen)	ROIC (%)
O&G Domestic	41.4	257.7	16.1
O&G Overseas Ichthys	361.0	4,059.7	8.8
O&G Overseas Others	123.1	1,258.3	9.4
Others	(0.7)	151.2	(0.5)
Ref. Renewable Energy Business	(5.6)	153.7	(4.7)
Ref. Hydrogen and CCUS Business	(4.5)	-	-
Consolidated financial statements	539.8	6,245.9	8.7

*1 Adjusted profit (IFRS) : Net profit before deduction of Interest payments, Impairment loss etc., Non-controlling shareholder profit/loss
*2 Invested capital : The total of capital stock, interest-bearing liabilities as recorded in consolidated financial statements and project finance of the Ichthys downstream IJV
*3 Adjusted profit (JGAAP) : Net profit before deduction of Interest payments, extraordinary gains/losses, Non-controlling shareholder profit/loss

Next, ROIC by segment.

The right side of the slide shows the actual results for 2023 under Japanese GAAP, and the left side shows the forecast for 2024, to which IFRS is applied. O&G Domestic is the sum of Minami-Nagaoka and Naoetsu, both in Niigata Prefecture.

O&G Overseas includes Ichthys and Others. Of these, Prelude and Abu Dhabi are included in O&G Overseas Others. Others include renewable energy, hydrogen, and global energy trading. ROIC for 2023 was 8.7%. For this year, ROIC will be 6.8%. Even though it's 6.8%, WACC is 6.6%. So slightly above WACC, and that is the budget for ROIC.

Regarding the adjusted profit figures, I think you may point out that they are different from the consolidated figures and the "net income of JPY371.5 billion for 2023" that I explained earlier. These are NOPAT (Net Operating Profit After Tax) figures, which exclude impairments and others, and are the numerators of ROIC.

In terms of the budget for this fiscal year, ROIC is 6.8%, but it is almost dragged by Ichthys. It is almost same as the ROIC for Ichthys, which will be 6.7%. The ROIC for O&G Domestic will be 8.5% and that for O&G Overseas Others, excluding Ichthys, will be 10.7%. Although we are still losing money on renewable energy in the previous and current fiscal years, we are positioning this as a forward-looking investment. We would like you to consider this deficit as a foundation for future steps forward.

Then, for hydrogen and CCUS, there are no numbers, but as mentioned, these are our R&D expenditures, so not constituted under ROIC.

Q&A Session

Q&A: Self-help Efforts to Increase Profitability

Participant: To begin with, apart from the market conditions, looking at the short term and medium term, do you have anything to increase profitability, in other words, your self-help effort? And in terms of the guidance, what are some of your own initiatives that you are able to raise the so-called "business activities factors?"

I'm sure you're trying to achieve higher production volume at Ichthys. So probably the first thing is to achieve stable production at a high level there, but apart from that, for example, is there any effort to lower OPEX at Ichthys. And are there other projects with potential for the medium term? In the case of Abu Dhabi, based on the current production volume, I think there are political matters behind this, but inclusive of the Block 4, are there projects with such medium-term potential?

Ueda: I would like to start by saying that how to improve profitability in the short to medium term is one major and very important issue for us.

Once we start the production from the Abadi LNG project in Indonesia, then that will change our entire earnings structure. However, the start is still long in the future. It's not the case that there is magic that we can use to raise our profitability. But, of course, one thing that we can do is Ichthys, and Ichthys, the profit contribution, it's something at the range of 70% or even 80% at times. The production this year, we want to achieve solid and stable production and shipments of 9.3 million tons, and that will be the basis for enhancing our profitability.

Maybe over the medium term, Abu Dhabi, of course, is a factor. The government of Abu Dhabi plans to increase the overall production capacity from 4 million barrels per day to 5 million barrels per day. So, we are participating in this Abu Dhabi initiative through Lower and Upper Zakum. This type of production increase plans is likely to be focused from this year or so.

Low-cost production is possible in Abu Dhabi, and so that could potentially contribute toward increasing our profitability. On the other hand, however, the Middle East is also seeing developments like OPEC's coordinated production cuts. But even if such moves occur, we want to make sure that our financial position will be such that we will be able to generate greater profitability and work towards enhancing our ability to generate stable profit.

Furthermore, when we look at the peers, can we just rely on organic growth? That's one discussion point. For us to achieve growth, we probably should look at organic growth as well as M&A. We've been saying that we're going to use both means. But having said that, when it comes to M&A, there needs to be opportunities. So sometimes you cannot execute that.

But that will also be taken into consideration, and in regard to these initiatives, we will engage in M&A if that will contribute to growth.

Q&A: Capacity for Shareholder Returns

Participant: As for shareholder returns, what is your consideration, based on the slimmer financial position and the cash flow conditions for this year?

The net D/E ratio is probably at the lower end of the range now, so on a cash flow basis, I think you'll have great ability to provide returns to the shareholders now. I wanted to reconfirm that, so more than 40% of P&L. In that regard, if you think about the stronger financial position, can we consider that you have more leeway to be able to provide greater returns to the shareholders?

In doing so, what would be the basis for making new adjustment? So the cash flow from operations that you're generating in 2024, is that what you're going to use as a basis? Or are you going to look at the balance sheet as to where that improves to and any excess that you may have, you intend to provide that as a return to the shareholders? I wanted to get a feel of your thinking in this regard.
On page 30 of the slides, there is a balance between the 2024 operating cash flow and the cash allocation, and the JPY714 billion is what you will have as the cash flow before exploration. The graph of expenditure shows the allocation between growth investment and shareholder returns, et cetera. The JPY132 billion in shareholder returns is probably calculated at 40%, your target for the total return ratio.

What is your current picture of whether you are considering an additional return based on the level of operating cash flow, or whether you are considering additional capacity for return based on the sale of US Treasuries and other factors?

Ueda: In terms of returns, do we have some extra room? Is it a cash flow basis? Is it a balance sheet basis? We are always asked that. We have been saying that more than 40% of profit in terms of total payout ratio is our commitment in the medium-term business plan. We have adopted the approach of cumulative dividend for the current year, and we have raised the dividend on that basis to JPY76 from JPY74.

But in regard to dividend next year onward, that will be considered as part of the next medium-term business plan. For this year, the basis will be profit. Our commitment to profit is more than 40%, and last fiscal year, we achieved more than 52% of the total return ratio.

In 2023, cash flow before exploration was JPY1 trillion. For this year at an oil price of USD73 per barrel, JPY700 billion of cash flow can be expected. If we use that as a basis, then the ability to make our shareholder returns is going to be still reasonable, but of course, it will depend on the oil price going forward and what will happen to the exchange rate going forward. But at mid-way through the year or towards the end of the year, as to what type of return we can achieve from the P&L perspective or the cash flow perspective, we'll take both of those factors into consideration in making our decision.

Q&A: Factors behind Upswing of Net Income for FY2023 Compared to Plan

Participant: What are the overshooting factors behind the higher-than-planned net income for 2023?

Yamada: One reason for the JPY100 billion increase in net income to JPY371.5 billion versus the initial forecast of JPY270 billion was due to the market factors. The oil price and the exchange rate results were more favorable than expected. So that's about JPY80 billion or so, which increased, pushed up the number.

Accordingly, net income attributable to owners of parent increased to about JPY350 billion. For the remaining JPY20 billion, when we budgeted at the beginning of FY2023, we assumed a negative effect of JPY35 billion in decarbonization costs for Ichthys.

We had assumed that there would be an impairment of fixed assets due to the GHG emissions regulation and PRRT issues, but as I explained earlier, the negative JPY35 billion effect disappeared due to the increase in cash flow along with the increase in production at Ichthys. It was a positive JPY35 billion. On the other hand, the Prelude impairment was something we did not factor in, so that was a negative factor.

Then with Ichthys, JPY35 billion was a positive factor, and we had the abandonment expenses and Prelude, minus JPY60 billion, but this was reduced to about JPY16 billion due to the sale of assets in the Africa region as divestment-related and the final settlement of the Indonesian assets, and the remainder went for tax benefits. The initial budget for tax benefits was about JPY3 billion, but the Group’s total benefits came to about JPY20 billion, leading to the increase in net income.

So the main overshooting reason was the market factors, and the rest was the divestment and these tax effects, and also the absence of impairment at Ichthys, which had been expected in the initial budget. On the negative side, we had the Prelude impairment, so on the net, we had about JPY100 billion of increase on net income.

Q&A: On One-off Factors in Net Income for FY2024

Participant: You briefly explained earlier on slide 20, but can you please explain the one-off factors for FY2024 once again? In the other factors, there will be positive impacts of JPY10 billion and JPY40 billion as one-off positive factors in the current year, while the plus JPY53.9 billion and plus JPY30 billion are due to the absence of last year's negative factors.

Please let me confirm whether it is correct to interpret that about JPY50 billion as positive one-off factors in the current year.

Yamada: You are right about the one-off factors. The one-off factor, as you mentioned, divestment related, is JPY10 billion. And by selling some of the interest, we will have some gains. We cannot talk about the exact project names.

Then JPY40 billion is also a tax effect. Corporate structure changes as one and the losses around the exit of the projects. The total of these, JPY50 billion, is what we are looking at as one-off factors for profit growth.

In the divestment-related issue we have a counterpart, and we are not sure if it will all be easy to proceed, but I see that a reasonable path can be taken. However, this is a slight cause for concern since it is included in the net income forecast of JPY330 billion.

Then on the other hand, the oil and the forex assumptions, USD73 per barrel and JPY138 to the US dollar, so there might be some buffer there as well. If you look at our way of budgeting as well as the actual results, this is the relationship. The market factors and the one-off factors being absent, so they will be matched up.

Then on the other hand, we have the unexpected impairment that might happen. JPY330 billion is also including some conservative views, of course, but not only that, if you include the one-off factors, it's quite a challenging number. That is the current understanding.

Q&A: On Concept of Cash Flow before Exploration

Participant: The question is related to page 10. This is the progress of cash allocation over the medium-term business plan, three years. JPY2.1 trillion operating cash flow before exploration on the left, JPY2.85 trillion operating cash flow before exploration on the right, and the difference between the two, what do you think about that?

Probably because of different oil prices and FX rates and then also the last-year figures under IFRS, do these factors explain everything? Or is there another, the upside in practice, whether it be external and internal?

Yamada: We are looking at USD70 per barrel from 2022 to 2024, and the right side of the slide shows the changes in oil prices and exchange rates. Regarding the difference between JPY2.85 trillion and JPY1.8 trillion, the accounting standard will be changed to IFRS, but the standard will only change for the income statement, not cash flows at all. So, JPY1.8 trillion and JPY2.85 trillion, the difference between the two clearly is foreign exchange rates and oil prices. It's just purely based on them.

Also, of course, the change in production volume that will have that impact as well. This means that the change in the accounting standard is not included here. We haven't given a breakdown of the sales volume, oil prices, and exchange rates,. but if you inquire, we can provide the breakdown.

Q&A: Status of Marketing for Abadi

INPEX

Participant: Regarding Abadi, the marketing situation for the project, could you update us on the situation there? And the Japanese electricity and gas utilities, I don't think they want to enter into long-term contracts. I think that's been an issue for you. But has there been change there? In the case of Abadi, you probably are not just selling the gas to Japanese customers, we're probably looking toward other Asian countries. What kind of movement is going on, good or bad in the direction?

Ueda: Abadi marketing, we have been doing this from the past. In Indonesia or in other Asian countries or Japan, we have already been speaking with potential buyers on a non-binding basis. We have already entered into LOIs. Now, though it is ambiguous, but the kind of volume that they want to buy, and that volume is described in the LOIs on a non-binding basis.

When these are piled up, the scale of production is actually already larger than Abadi's production. The challenge going forward is together with FEED and so forth, the non-binding LOI, we need to convert them into binding purchase agreements, in collaboration with Pertamina and Petronas. That's the activity that we need to engage going forward.

The Japanese buyers, in particular the gas buyers, they are quite cautious in entering into long-term projects. We might expect them to maintain their position in Abadi as well, but recently, LNG is going to play a quite significant role in the transitionary period. I think that's the thinking that is shared more widely, so maybe the buyers in Japan may take a bit different perspective going forward.

On the other hand, Asian buyers are quite proactive and we engaged in various discussions already. In Indonesia, we are partnering with Pertamina, which is an Indonesian national oil company and Petronas, which is a Malaysian national oil company.

Pertamina underneath the operation has a gas sales company. They also have electricity, the utility as well. Since Petronas also sells gas in Abadi, so inclusive of Japan, we assume that the basic thinking of the project is to produce in Asia and to consume in Asia, so it's local production for also consumption.

In the current global economy, there are very high geopolitical risks, such as the Arabian Gulf and the Suez Canal. So to produce in Asia and to sell in Asia. There is a high interest that was this type of approach right now. As for updating marketing activities, I would say that interest is growing.

Participant: And non-binding LOI duration? Is it going to be like 15 years, like with Ichthys? Is that what is used?

Ueda: Well, it does differ from the counterpart, but basically, it's based on long-term contracts. Without a long-term contract, finance will be difficult, so we are looking at a contract in excess of 10 years.

Q&A: Increased Exploration Costs for Ichthys

INPEX

Participant: The ROIC for Ichthys for the current year will be 6.7%, down from 8.8% in 2023, due to increased exploration costs, and I'm sure you're not satisfied with this level. On the other hand, for the ROIC recovery, I believe you will most probably reduce the expenditure, excluding the impact of oil prices and exchange rates. But regarding the reduction of the expenditure, what is your view? Or are you going to increase the expenditure around exploration for a while?

Yamada: Regarding Ichthys, for 2023, we expect net income of JPY302.6 billion on a yen basis. The budget at the beginning of 2024 is JPY220 billion, with a projected decrease of about JPY80 billion. One of the factors contributing to the decrease in profit is the oil price and exchange rate. The oil price was set at USD73, down from USD83, and the exchange rate at JPY138 to the US dollar, down from JPY141, so there's about JPY60 billion of decline with the market factors.

For the sales volume, 9.3 million tons is the expectation this year, but the services are slightly declining, so not so much increase or decrease for the sales volume. Therefore, for 2023 actual and the forecast 2024, the large difference is the market factors.

As a result, though the return on investment is on schedule, because of the drop in profit, the ROIC will be going down. And also, organic sales volume, 9.3 million tons is the current maximum. So maybe having another tie-in or backfill. Those are the factors, but we cannot expect so much. Therefore, when it comes to how to increase ROIC with Ichthys going forward, excluding the forex and the oil price, how to reduce the cost is number one.

On the other hand, we have CCS, Bonaparte included. Also, drilling another oil well raises the cost, and how to reduce the cost is really the key and also having a good balance overall on OPEX.

Talking about ROIC, as I explained, 6.8% is the current number, so mostly driven by Ichthys today. How to improve Ichthys is really going to be the key to increase the ROIC of our company. Within Ichthys, we would like to improve the profitability of Ichthys for the medium term, and that's how we increase and find ways to increase ROIC.

For ROIC, we're still a work in progress today. So how to really make sure this plan is put into action and achieved. So how to lead this into different profit structures as a company is going to be the key going forward.

Q&A: How to View Medium-Term Target for Net Production

Participant: Regarding the 700,000 barrels of net production target in the medium-term business plan, the forecast for the current year is 642,000 barrels, which is slightly short of the target. Therefore, this target would be a number for the next medium-term plan, but M&A and other activities are not easy to achieve. So taking a bold step and organic increase is not going to achieve 700,000 BD. How should we think about 700,000 BD at this moment?

Takimoto: There are two reasons why we expect to fall about 50,000 barrels short of our medium-term business plan target of 700,000 barrels this year.

Number one is a core area strategy for the portfolio improvement and the management efficiency. The production volume will be slightly below the target due to the impact of divestment in Africa or the US. The other is some shortage of production in Abu Dhabi because of the coordinated production cuts. The second point here is difficult for us to control.

On the other hand, it has been argued that "is it just enough to achieve production volume?" . Since the past few years, we have a value over volume strategy. So, rather than 700,000 barrels, we want to increase the corporate value regardless of the production. Therefore, we are working on the strategy to increase corporate value for the current year, although we expect to slightly underachieve in volume.

What is the portfolio for that? Or what is the growth strategy investment? Those are the new vision updates we have to make. Also, within the new medium-term business plan, we are considering this, so we'd like to announce this at the beginning of next year and revise the vision or have a new medium-term plan, and that's when we would like to explain in detail.