Consolidated Financial Statements
For the year ended December 31, 2023

INPEX CORPORATION

Independent Auditor's Report

The Board of Directors
INPEX CORPORTATION

The Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of INPEX CORPORATION and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statements of Profit or Loss, comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><td colspan="2">Impairment assessment for oil and gas assets related to the Ichthys LNG project</td></tr>
<tr><th>Description of Key Audit Matter</th><th>Auditor's Response</th></tr>
<tr><td>INPEX CORPORATION (the "Company") recorded oil and gas assets of 3,601,558 million yen in the consolidated balance sheet as of December 31, 2023. As described in Note 4 to the consolidated financial statements "Critical accounting estimates and judgments," oil and gas assets related to the Ichthys LNG project held through INPEX Holdings Australia Pty Ltd. ("IHA"), a consolidated subsidiary, amounted to 1,678,943 million yen. Also, in relation to the Ichthys LNG project, investments accounted for using equity method of 533,304 million yen in Ichthys LNG Pty Ltd ("ILNG"), a joint venture, were recorded. The balance of oil and gas assets held by ILNG included in this investment is 2,849,607 million yen (which is calculated based on the Company's equity interest of 66.245%).

As a result of the assessment for impairment indicators during the fiscal year, given the changes in the external environment, including the strengthening of environmental regulations in Australia, the Company assessed that there were impairment indicators identified for the oil and gas assets related to the Ichthys LNG Project.

Therefore, the Company conducted an impairment test but did not record an impairment loss because the value in use of the assets exceeded their book value. The key assumptions used in measuring recoverable value are future crude oil prices, reserves, operating expenses, development costs, internal carbon pricing, and discount</td><td>We performed the following audit procedures to verify the impairment assessment for oil and gas assets related to the Ichthys LNG project.

- We evaluated management's assumptions for future crude oil prices by making comparisons with estimates prepared by external energy-related market research organizations and estimates established by management for the previous fiscal year.
- We discussed the operational status of the project, including reserves, operating expenses and development costs, with management and inspected board minutes and other relevant documents.
- We evaluated management's assumptions for the estimates of reserves, operating expenses and development costs used in measuring value in use by discussion with management whether the impact of the changes in the external environment, including the strengthening of environmental regulations in Australia, has been taken into consideration, and by making comparisons with estimates in the previous fiscal year.
- We verified future crude oil prices, internal carbon pricing and discount rates by assigning our network firm's valuation specialists.</td></tr>
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rates. Among these assumptions, there is a high level of uncertainty in the estimates of future crude oil prices, reserves, operating expenses, development costs and internal carbon pricing, given that there is a long period of time from the exploration and development phase to the recovery of the investment via production and sales, and there is a possibility that low-carbon energy preferences will increase with the transition to a net-zero carbon society. Also, with respect to the estimation for the discount rate, a high level of expertise is required for selecting the calculation method and input data. Therefore, the impairment assessment for oil and gas assets of the projects held by the Company requires significant judgment and estimations by management.

The amount of oil and gas assets held by IHA, a consolidated subsidiary, accounts for 46% of the balance of oil and gas assets in the consolidated balance sheet. Furthermore, by also aggregating the amount of oil and gas assets held through ILNG, which is accounted for using equity method, the total amount related to the Ichthys LNG project is materially significant. Moreover, as the life of the project is over a long period of time, any changes in key assumptions such as in future crude oil prices have a significant impact. Therefore, the assessment for the impairment indicators of oil and gas assets related to the projects, including prerequisites for key assumptions, requires careful consideration.

Based on the above, due to the significance from a materiality perspective and the specific risks derived from these projects, the assessment for impairment indicators of oil and gas assets related to the Ichthys LNG project is significant, and thus a key audit matter.

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- As the reserves have been verified by external experts, we inspected the verification report. In addition, we conducted direct confirmation with the external experts.

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<td colspan="2">Measurement of impairment loss related to the Prelude FLNG project</td>
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<th>Description of Key Audit Matter</th>
<th>Auditor’s Response</th>
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As described in Note 16 to the consolidated financial statements “Impairment of non-financial assets,” an impairment loss related to the Prelude FLNG project held through INPEX Oil & Gas Australia Pty Ltd., a consolidated subsidiary, amounting to 81,898 million yen was recorded.

Given the changes in the external environment, including the strengthening of environmental regulations in Australia, the Company assessed that there were impairment indicators identified and conducted the impairment test during the current fiscal year.

The key assumptions used in measuring value in use are future crude oil prices, reserves, operating expenses, development costs, internal carbon pricing, and discount rates. Among these assumptions, there is a high level of uncertainty in the estimates of future crude oil prices, reserves, operating expenses, development costs and internal carbon pricing, given that there is a long period of time from the exploration and development phase to the recovery of the investment via production and sales, and there is a possibility that low-carbon energy preferences will increase with the transition to a net-zero carbon society. Also, with respect to the estimation for the discount rate, a high level of expertise is required for selecting the calculation method and input data. Therefore, the measurement of an impairment loss related to the

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We performed the following audit procedures to verify the measurement of impairment loss related to the Prelude FLNG project.

- We evaluated management’s assumptions for future crude oil prices by making comparisons with estimates published by external energy-related market research organizations and estimates established by management for the previous fiscal year.
- We discussed the operational status of the project, including reserves, operating expenses and development costs, with management and inspected board minutes and other relevant documents.
- We evaluated management’s assumptions for the estimates of reserves, operating expenses and development costs used in measuring value in use by discussion with management whether the impact of the changes in the external environment, including the strengthening of environmental regulations in Australia, has been taken into consideration, and inspected board minutes and other relevant documents. Also, we evaluated management’s assumptions for the estimates by making comparisons with those in the previous years.

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project requires significant judgment and estimations by management. Accordingly, we considered the measurement of impairment loss related to the Prelude FLNG project as a key audit matter.	- We verified future crude oil prices, internal carbon pricing and discount rates by assigning our network firm's valuation specialists. - As the reserves have been verified by external experts, we inspected the verification report. In addition, we conducted direct confirmation with the external experts.

Other Information

The other information comprises the information included in the disclosure document that contains audited consolidated financial statements but does not include the consolidated financial statements and our auditor's report thereon.

We have concluded that the other information does not exist. Accordingly, we have not performed any work related to the other information.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by IFRSs, matters related to going concern.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with IFRSs.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board Members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.

From the matters communicated with Audit & Supervisory Board Members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended December 31, 2023 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Fee-related Information

The fees for the audits of the financial statements of INPEX CORPORATION and its subsidiaries and other services provided by us and other EY member firms for the year ended December 31, 2023 are 679 million yen and 250 million yen, respectively.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Ernst & Young ShinNihon LLC
Tokyo, Japan

June 28, 2024

/s/ Kazuhiko Yamazaki
Designated Engagement Partner
Certified Public Accountant

/s/ Satoshi Takahashi
Designated Engagement Partner
Certified Public Accountant

/s/ Mikio Shimizu
Designated Engagement Partner
Certified Public Accountant

/s/ Kentaro Moronuki
Designated Engagement Partner
Certified Public Accountant

1. Consolidated Financial Statements

(1) Consolidated Financial Statements

[1] Consolidated Statement of Financial Position

	Notes	As of January 1, 2022 (date of transition) (Millions of yen)	As of December 31, 2022 (Millions of yen)	As of December 31, 2023 (Millions of yen)	As of December 31, 2023 (Thousands of U.S. dollars)
Assets					
Current assets					
Cash and cash equivalents	8, 31	¥ 192,254	¥ 208,238	¥ 201,149	$ 1,418,340
Trade and other receivables	9, 31	198,454	287,452	232,017	1,635,996
Inventories	10	47,393	71,907	69,856	492,568
Income taxes receivable		2,619	5,948	10,640	75,024
Loans receivable	31	38,366	32,179	42,350	298,617
Other financial assets	31	13,872	85,039	227,068	1,601,099
Other current assets		32,616	41,417	37,992	267,888
Subtotal		525,576	732,183	821,075	5,789,557
Assets held for sale	11	–	26,422	17,341	122,274
Total current assets		525,576	758,605	838,417	5,911,838
Non-current assets					
Oil and gas assets	12, 15, 16	3,292,382	3,540,507	3,601,558	25,395,275
Other property, plant and equipment	13, 15	27,757	27,390	25,481	179,671
Goodwill	14, 16	–	19,706	20,471	144,344
Intangible assets	14	6,048	6,775	9,033	63,693
Investments accounted for using the equity method	16, 34	325,139	636,582	751,903	5,301,812
Loans receivable	31	1,011,804	1,279,140	1,306,529	9,212,586
Other financial assets	31	50,587	60,149	95,890	676,138
Asset for retirement benefits	20	–	1,734	896	6,317
Deferred tax assets	17	27,276	77,541	72,977	514,574
Other non-current assets		18,483	40,280	16,316	115,047
Total non-current assets		4,759,479	5,689,809	5,901,058	41,609,490
Total assets		¥ 5,285,056	¥ 6,448,414	¥ 6,739,476	$ 47,521,336

	Notes	As of January 1, 2022 (date of transition) (Millions of yen)	As of December 31, 2022 (Millions of yen)	As of December 31, 2023 (Millions of yen)	As of December 31, 2023 (Thousands of U.S. dollars)
Liabilities and equity					
Liabilities					
Current liabilities					
Trade and other payables	18, 31	¥ 146,524	¥ 210,836	¥ 207,913	$ 1,466,034
Bonds and borrowings	19, 31, 36	80,493	75,878	161,059	1,135,657
Other financial liabilities	15, 31, 36	39,345	81,833	40,808	287,745
Income taxes payable		50,845	126,745	131,721	928,790
Asset retirement obligations	21	1,266	10,100	19,018	134,099
Other current liabilities		38,570	31,122	11,690	82,428
Subtotal		357,045	536,517	572,212	4,034,776
Liabilities directly related to assets held for sale	11	–	4,213	–	–
Total current liabilities		357,045	540,730	572,212	4,034,776
Non-current liabilities					
Bonds and borrowings	19, 31, 36	1,099,721	1,194,369	895,923	6,317,324
Other financial liabilities	15, 31, 36	72,291	70,805	66,025	465,554
Liability for retirement benefits	20	7,052	689	803	5,662
Asset retirement obligations	21	364,830	334,234	369,483	2,605,295
Deferred tax liabilities	17	137,437	234,556	332,940	2,347,623
Other non-current liabilities		1,773	4,466	3,054	21,534
Total non-current liabilities		1,683,105	1,839,123	1,668,230	11,763,009
Total liabilities		2,040,151	2,379,854	2,240,442	15,797,785
Equity					
Common stock	22	290,809	290,809	290,809	2,050,549
Capital surplus	22	678,949	679,113	679,131	4,788,682
Retained earnings	22	2,180,837	2,521,998	2,746,530	19,366,309
Treasury stock	22	(75,425)	(121,358)	(221,330)	(1,560,640)
Other components of equity	22	(41,490)	436,818	713,959	5,034,261
Total equity attributable to owners of parent		3,033,680	3,807,381	4,209,101	29,679,177
Non-controlling interests		211,224	261,178	289,932	2,044,366
Total equity		3,244,904	4,068,560	4,499,033	31,723,543
Total liabilities and equity		¥ 5,285,056	¥ 6,448,414	¥ 6,739,476	$ 47,521,336

[2] Consolidated Statement of Profit or Loss

	Notes	(Millions of yen) For the year ended December 31, 2022	(Millions of yen) For the year ended December 31, 2023	(Thousands of U.S. dollars) For the year ended December 31, 2023
Revenue	7, 25	¥ 2,316,086	¥ 2,164,516	$ 15,262,417
Cost of sales		(818,130)	(848,080)	(5,979,974)
Gross profit		1,497,956	1,316,435	9,282,435
Exploration expenses	7	(12,702)	(25,901)	(182,632)
Selling, general and administrative expenses	26	(91,975)	(95,747)	(675,130)
Other operating income	27	95,971	25,094	176,942
Other operating expenses	27	(151,836)	(124,081)	(874,918)
Share of profit (loss) of investments accounted for using the equity method	7, 34	166,253	18,389	129,664
Operating profit		1,503,667	1,114,189	7,856,360
Finance income	7, 28	73,820	217,310	1,532,294
Finance costs	7, 28	(132,105)	(78,116)	(550,810)
Profit before tax		1,445,382	1,253,384	8,837,850
Income tax expense	7, 17	(959,427)	(920,807)	(6,492,786)
Profit		485,955	332,576	2,345,057
Profit (loss) attributable to				
Owners of parent	7	498,452	321,708	2,268,424
Non-controlling interests		(12,497)	10,867	76,625
Profit		485,955	332,576	2,345,057
Earnings per share				(U.S. dollars)
Basic earnings per share (Yen)	30	364.73	248.55	1.75
Diluted earnings per share (Yen)	30	¥ 364.57	¥ 248.38	$ 1.75

[3] Consolidated Statement of Comprehensive Income

	Notes	(Millions of yen) For the year ended December 31, 2022	(Millions of yen) For the year ended December 31, 2023	(Thousands of U.S. dollars) For the year ended December 31, 2023
Profit		¥ 485,955	¥ 332,576	$ 2,345,057
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Financial assets measured at fair value through other comprehensive income	29	3,035	2,460	17,345
Remeasurement gains (losses) on defined benefit plans	29	1,634	(1,406)	(9,913)
Share of other comprehensive income of investments accounted for using the equity method	29, 34	(74)	–	–
Total items that will not be reclassified to profit or loss		4,595	1,054	7,431
Items that may be reclassified subsequently to profit or loss				
Cash flow hedges	29	195	337	2,376
Exchange differences on translation of foreign operations	29	455,403	285,720	2,014,666
Financial assets measured at fair value through other comprehensive income	29	–	(209)	
Share of other comprehensive income of investments accounted for using the equity method	29, 34	48,397	(2,533)	(17,860)
Total items that may be reclassified subsequently to profit or loss		503,995	283,315	1,997,708
Other comprehensive income, net of tax		508,590	284,369	2,005,140
Comprehensive income		994,545	616,945	4,350,197
Comprehensive income attributable to				
Owners of parent		975,145	591,848	4,173,233
Non-controlling interests		19,400	25,096	176,956
Comprehensive income		¥ 994,545	¥ 616,945	$ 4,350,197

[4] Consolidated Statement of Changes in Equity

(Millions of yen)

	Notes	Equity attributable to owners of parent					
						Other components of equity	
		Common stock	Capital surplus	Retained earnings	Treasury stock	Exchange differences on translation of foreign operations	Cash flow hedges
As of January 1, 2022		¥ 290,809	¥ 678,949	¥ 2,180,837	¥ (75,425)	¥ –	¥ (16,171)
Profit		–	–	498,452	–	–	–
Other comprehensive income		–	–	–	–	423,504	48,592
Total comprehensive income		–	–	498,452	–	423,504	48,592
Purchase of treasury stock	22	–	–	–	(121,191)	–	–
Disposal of treasury stock	22	–	(10)	–	10	–	–
Cancellation of treasury stock	22	–	–	(75,248)	75,248	–	–
Dividends	23	–	–	(80,426)	–	–	–
Increase (decrease) by business combination	6	–	–	–	–	–	–
Changes in ownership interest in subsidiaries		–	19	–	–	–	–
Share-based payment transactions	24	–	154	–	–	–	–
Transfer from other components of equity to retained earnings		–	–	(1,616)	–	–	–
Total transactions with owners		–	163	(157,291)	(45,932)	–	–
As of December 31, 2022		¥ 290,809	¥ 679,113	¥ 2,521,998	¥ (121,358)	¥ 423,504	¥ 32,421

	Notes	Equity attributable to owners of parent					
		Other components of equity					
		Financial assets measured at fair value through other comprehensive income	Remeasurement gains (losses) on defined benefit plans	Total	Total	Non-controlling interests	Total
As of January 1, 2022		¥ (25,319)	¥ –	¥ (41,490)	¥ 3,033,680	¥ 211,224	¥ 3,244,904
Profit		–	–	–	498,452	(12,497)	485,955
Other comprehensive income		2,961	1,633	476,692	476,692	31,898	508,590
Total comprehensive income		2,961	1,633	476,692	975,145	19,400	994,545
Purchase of treasury stock	22	–	–	–	(121,191)	–	(121,191)
Disposal of treasury stock	22	–	–	–	–	–	–
Cancellation of treasury stock	22	–	–	–	–	–	–
Dividends	23	–	–	–	(80,426)	(11,140)	(91,567)
Increase (decrease) by business combination	6	–	–	–	–	20,061	20,061
Changes in ownership interest in subsidiaries		–	–	–	19	21,633	21,653
Share-based payment transactions	24	–	–	–	154	–	154
Transfer from other components of equity to retained earnings		3,250	(1,633)	1,616	–	–	–
Total transactions with owners		3,250	(1,633)	1,616	(201,443)	30,553	(170,890)
As of December 31, 2022		¥ (19,107)	¥ –	¥ 436,818	¥ 3,807,381	¥ 261,178	¥ 4,068,560

(Millions of yen)

	Notes	Equity attributable to owners of parent					
						Other components of equity	
		Common stock	Capital surplus	Retained earnings	Treasury stock	Exchange differences on translation of foreign operations	Cash flow hedges
As of January 1, 2023		¥ 290,809	¥ 679,113	¥ 2,521,998	¥ (121,358)	¥ 423,504	¥ 32,421
Profit		–	–	321,708	–	–	–
Other comprehensive income		–	–	–	–	271,491	(2,196)
Total comprehensive income		–	–	321,708	–	271,491	(2,196)
Purchase of treasury stock	22	–	–	–	(99,999)	–	–
Disposal of treasury stock	22	–	(28)	–	28	–	–
Dividends	23	–	–	(90,176)	–	–	–
Changes in ownership interest in subsidiaries		–	(159)	–	–	–	–
Share-based payment transactions	24	–	205	–	–	–	–
Transfer from other components of equity to retained earnings		–	–	(7,000)	–	–	–
Total transactions with owners		–	18	(97,176)	(99,971)	–	–
As of December 31, 2023		¥ 290,809	¥ 679,131	¥ 2,746,530	¥ (221,330)	¥ 694,996	¥ 30,224

	Notes	Equity attributable to owners of parent					
		Other components of equity					
		Financial assets measured at fair value through other comprehen-sive income	Remeasure-ment gains (losses) on defined benefit plans	Total	Total	Non-controlling interests	Total
As of January 1, 2023		¥ (19,107)	¥ –	¥ 436,818	¥ 3,807,381	¥ 261,178	¥ 4,068,560
Profit		–	–	–	321,708	10,867	332,576
Other comprehensive income		2,251	(1,406)	270,140	270,140	14,229	284,369
Total comprehensive income		2,251	(1,406)	270,140	591,848	25,096	616,945
Purchase of treasury stock	22	–	–	–	(99,999)	–	(99,999)
Disposal of treasury stock	22	–	–	–	–	–	–
Dividends	23	–	–	–	(90,176)	(8,294)	(98,471)
Changes in ownership interest in subsidiaries		–	–	–	(159)	11,952	11,792
Share-based payment transactions	24	–	–	–	205	–	205
Transfer from other components of equity to retained earnings		5,594	1,406	7,000	–	–	–
Total transactions with owners		5,594	1,406	7,000	(190,129)	3,657	(186,472)
As of December 31, 2023		¥ (11,261)	¥ –	¥ 713,959	¥ 4,209,101	¥ 289,932	¥ 4,499,033

(Thousands of U.S. dollars)

	Notes	Equity attributable to owners of parent					
						Other components of equity	
		Common stock	Capital surplus	Retained earnings	Treasury stock	Exchange differences on translation of foreign operations	Cash flow hedges
As of January 1, 2023		$ 2,050,549	$ 4,788,555	$17,783,091	$ (855,718)	$ 2,986,207	$ 228,606
Profit		–	–	2,268,424	–	–	–
Other comprehensive income		–	–	–	–	1,914,335	(15,484)
Total comprehensive income		–	–	2,268,424	–	1,914,335	(15,484)
Purchase of treasury stock	22	–	–	–	(705,112)	–	–
Disposal of treasury stock	22	–	(197)	–	197	–	–
Dividends	23	–	–	(635,848)	–	–	–
Changes in ownership interest in subsidiaries		–	(1,121)	–	–	–	–
Share-based payment transactions	24	–	1,445	–	–	–	–
Transfer from other components of equity to retained earnings		–	–	(49,358)	–	–	–
Total transactions with owners		–	126	(685,206)	(704,914)	–	–
As of December 31, 2023		$ 2,050,549	$ 4,788,682	$19,366,309	$(1,560,640)	$ 4,900,549	$ 213,115

	Notes	Equity attributable to owners of parent					
		Other components of equity					
		Financial assets measured at fair value through other comprehen-sive income	Remeasure-ment gains (losses) on defined benefit plans	Total	Total	Non-controlling interests	Total
As of January 1, 2023		$ (134,727)	$ –	$ 3,080,087	$26,846,573	$ 1,841,616	$28,688,196
Profit		–	–	–	2,268,424	76,625	2,345,057
Other comprehensive income		15,872	(9,913)	1,904,808	1,904,808	100,331	2,005,140
Total comprehensive income		15,872	(9,913)	1,904,808	4,173,233	176,956	4,350,197
Purchase of treasury stock	22	–	–	–	(705,112)	–	(705,112)
Disposal of treasury stock	22	–	–	–	–	–	–
Dividends	23	–	–	–	(635,848)	(58,482)	(694,337)
Changes in ownership interest in subsidiaries		–	–	–	(1,121)	84,275	83,147
Share-based payment transactions	24	–	–	–	1,445	–	1,445
Transfer from other components of equity to retained earnings		39,444	9,913	49,358	–	–	–
Total transactions with owners		39,444	9,913	49,358	(1,340,636)	25,786	(1,314,849)
As of December 31, 2023		$ (79,403)	$ –	$ 5,034,261	$29,679,177	$ 2,044,366	$31,723,543

[5] Consolidated Statement of Cash Flows

	Notes	(Millions of yen) For the year ended December 31, 2022	(Millions of yen) For the year ended December 31, 2023	(Thousands of U.S. dollars) For the year ended December 31, 2023
Cash flows from operating activities				
Profit before tax		¥ 1,445,382	¥ 1,253,384	$ 8,837,850
Depreciation and amortization		306,063	319,608	2,253,617
Impairment loss	16	146,343	100,890	711,394
Increase (decrease) in asset retirement obligations		(26,617)	9,597	67,670
Finance costs (income)	28	58,285	(139,194)	(981,483)
Foreign exchange loss (gain)		(45,354)	(12,437)	(87,695)
Share of loss (profit) of investments accounted for using the equity method		(166,253)	(18,389)	(129,664)
Decrease (increase) in inventories		(18,649)	4,204	29,643
Decrease (increase) in trade and other receivables		(52,407)	75,828	534,677
Increase (decrease) in trade and other payables		32,684	(28,888)	(203,694)
Other operating activities		(36,951)	6,243	44,020
Subtotal		1,642,525	1,570,847	11,076,343
Interest received		49,806	107,978	761,373
Dividends received		20,281	9,079	64,017
Interest paid		(24,768)	(63,059)	(444,641)
Income taxes paid		(905,570)	(836,716)	(5,899,844)
Net cash provided by (used in) operating activities		782,274	788,130	5,557,255
Cash flows from investing activities				
Payments into time deposits		(47,755)	(38,145)	(268,967)
Proceeds from withdrawal of time deposits		43,772	26,831	189,190
Payments for acquisition of exploration and evaluation assets		(18,052)	(47,985)	(338,351)
Payments for acquisition of development and production assets		(221,530)	(202,665)	(1,429,029)
Payments for purchases of other property, plant and equipment		(4,101)	(1,484)	(10,463)
Payments for purchases of investments		(78,118)	(432,325)	(3,048,406)
Proceeds from sale and redemption of investments		19,830	312,727	2,205,098
Payments for purchases of investments accounted for using the equity method		(68,380)	(76,549)	(539,761)
Proceeds from sale of investments accounted for using the equity method		27,311	–	–
Payments for acquisition of subsidiaries	6	(31,410)	–	–
Net decrease (increase) in short-term loans receivable		399	(1,999)	(14,095)
Long-term loans made		(335,298)	(4,027)	(28,395)
Collection of long-term loans receivable		158,440	152,153	1,072,859
Other investing activities		19,769	(6,645)	(46,855)
Net cash provided by (used in) investing activities		(535,123)	(320,116)	(2,257,199)

	Notes	(Millions of yen)		(Thousands of U.S. dollars)
		For the year ended December 31, 2022	For the year ended December 31, 2023	For the year ended December 31, 2023
Cash flows from financing activities				
Net increase (decrease) in short-term borrowings	36	(5,450)	20,121	141,877
Proceeds from long-term borrowings	36	164,716	102,895	725,532
Repayments of long-term borrowings	36	(215,157)	(403,599)	(2,845,853)
Repayments of lease liabilities	15, 36	(19,384)	(20,119)	(141,862)
Purchase of treasury stock		(121,191)	(99,999)	(705,112)
Cash dividends paid	23	(80,399)	(90,147)	(635,643)
Capital contribution from non-controlling interests		21,653	11,792	83,147
Cash dividends paid to non-controlling interests		(11,140)	(8,294)	(58,482)
Other financing activities		19,756	80	564
Net cash provided by (used in) financing activities		(246,597)	(487,272)	(3,435,848)
Net increase (decrease) in cash and cash equivalents		553	(19,258)	(135,791)
Cash and cash equivalents at beginning of the year	8	192,254	208,238	1,468,326
Effect of exchange rate changes on cash and cash equivalents		19,673	12,169	85,805
Net increase (decrease) in cash and cash equivalents resulting from transfer to assets held for sale		(4,243)	–	–
Cash and cash equivalents at end of the year	8	¥ 208,238	¥ 201,149	$ 1,418,340

Notes to Consolidated Financial Statements

1. Reporting entity

INPEX CORPORATION (hereinafter the "Company") is a corporation domiciled in Japan. The location of the Company's registered head office and principal place of business is disclosed on the Company's website (https://www.inpex.co.jp/). The consolidated financial statements, with the balance sheet date of December 31, 2023, comprise the financial statements of the Company and its subsidiaries (hereinafter the "Group") as well as its interests in affiliates, joint operations and joint ventures. The principal businesses of the Group are the survey, exploration, development, production, and sale of oil, natural gas, and other mineral resources as well as business incidental and related to this business and investments and loans to companies engaged in these businesses.

2. Basis of preparation

(1) Compliance with International Financial Reporting Standards (hereinafter "IFRS") and first-time adoption

The consolidated financial statements of the Group have been prepared in accordance with IFRS as issued by the International Accounting Standards Board. The Group meets the requirements for a "specified company complying with designated international accounting standards" as set forth in Article 1-2 of the Regulation on Terminology, Forms and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Order No. 28 of 1976), and accordingly the Group has adopted the provisions of Article 93 of the same Regulation.
The consolidated financial statements were authorized for issue by the Company's Representative Director, President & CEO, Takayuki Ueda, on June 28, 2024.
The Group first adopted IFRS in the year ended December 31, 2023, with a transition date to IFRS of January 1, 2022. Please refer to "40. First-time adoption" for the effect of the transition to IFRS on the financial position, financial results, and cash flows of the Group at the date of transition to IFRS and in the previous fiscal year.
The accounting policies of the Group are in accordance with IFRS as in effect on December 31, 2023, except for exemptions granted under the provisions of IFRS 1 "First-time Adoption of International Financial Reporting Standards." Please refer to "40. First-time adoption" for the applied exemptions.

(2) Functional currency and presentation currency

The consolidated financial statements of the Group have been presented in Japanese yen, which is also the Company's functional currency, and amounts have been rounded to the nearest million yen, except where otherwise indicated.
The translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation only, at ¥141.82=U.S.$1.00, the approximate exchange rate in effect as of December 31, 2023. This translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

3. Material accounting policies

The material accounting policies adopted in the preparation of the consolidated financial statements (including the consolidated statement of financial position at the transition date to IFRS) are shown below. These policies will continue to apply to all reporting periods presented unless otherwise indicated.

(1) Basis of consolidation

[1] Subsidiaries

Subsidiaries are all entities that are controlled by the Company. The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
The financial statements of a subsidiary are adjusted as necessary when the accounting policies of a subsidiary differ from those adopted by the Group.
Comprehensive income of subsidiaries is attributed to the owners of the parent company and the non-controlling interest, even if the non-controlling interest results in a negative balance.
Transactions involving changes in the parent company's interest in a subsidiary that do not involve a loss of control are accounted for as equity transactions. The difference between adjustments for non-controlling interests and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the parent company.
When the Company loses control over a subsidiary, the gain or loss on disposal is calculated as the difference between the sum of the fair value of the consideration received and the fair value of the residual interest and the carrying amount of the assets (including goodwill), liabilities, and non-controlling interests of the subsidiary at the time control is lost, and it is recognized in profit or loss.

[2] Affiliates

Affiliates are entities over which the Group has significant influence, but not control or joint control, over their financial and operating policies.
Investments in interests in affiliates are accounted for using the equity method and initially are recognized at acquisition cost at the time of acquisition. Thereafter, the Group's interest in the profit or loss and other comprehensive income of the affiliates is recognized and the investment amount is adjusted.
The financial statements of affiliates are adjusted as necessary when the accounting policies of an affiliate differ from those adopted by the Group.

[3] Joint arrangements

Joint arrangements are arrangements that require the unanimous consent of the parties sharing control over decisions regarding relevant activities. Joint arrangements are classified as either joint ventures or joint operations based on the rights and obligations of parties having joint control.
Joint ventures are joint arrangements where the parties with joint control of the arrangement have the rights to the net assets of the arrangement. Joint ventures are accounted for using the equity method. The accounting policies of joint ventures are adjusted as necessary to be consistent with those adopted by the Group.
Joint operations are joint arrangements whereby the parties who have joint control of the arrangement have rights to the assets and obligations to the liabilities relating to the contractual arrangement. For investments in joint operations, only the Group's share of the assets, liabilities, revenue, and expenses of such joint operations is recognized.
Significant intercompany transactions and receivables and payables are eliminated in proportion to the Group's ownership percentage.

[4] Business combinations and goodwill

Business combinations are accounted for using the acquisition method.
If the initial accounting is not completed by the end of the period in which the business combination occurred, the business combination is accounted for using provisional amounts, and the provisional amounts are adjusted in the measurement period within one year of the acquisition date.
Acquisition cost is measured as the sum of the consideration transferred and measured at fair value at the acquisition date, and the amount of any non-controlling interest in the acquiree.
The non-controlling interest in the acquiree is measured for each business combination at either fair value or an amount equal to the non-controlling interest's share of the fair value of the acquiree's identifiable net assets.
When the Group acquires a business, it classifies and designates the assets acquired and liabilities assumed based on terms of the contract, economic conditions, and related terms and conditions at the acquisition date. In addition, acquired identifiable assets and assumed liabilities are, in principle, measured at fair value at the acquisition date.
Goodwill is measured as the excess of the aggregate of the consideration transferred and the amount recognized as non-controlling interest over the net amount of identifiable assets acquired and liabilities assumed.
For the purpose of impairment testing, goodwill is allocated to each of the cash-generating units, or group of cash-generating units expected to benefit from synergies of the business combination.
After initial recognition, goodwill acquired in a business combination is not amortized but is carried at acquisition cost less accumulated impairment losses. Impairment testing is performed at the end of the reporting period and whenever there is an indication of impairment.
Goodwill relating to affiliates and joint ventures included in the carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset without separating the goodwill from those investments. The Group assesses whether there is any objective evidence that an investment in an affiliate or joint venture is impaired. If any objective evidence of impairment exists, the Company performs an impairment test by comparing the recoverable amount (the higher of value in use and the fair value less costs of disposal, or FVLCD) of the investment to its carrying amount. Any impairment losses recognized in prior periods are reversed to the extent that the recoverable amount of the investment subsequently increases only when there has been a change in the estimates used for determining the recoverable amount of the investment, since the last impairment losses were recorded.

(2) Foreign currency translation

[1] Translation of foreign currency transactions

Transactions in currencies other than the functional currency (foreign currencies) are converted into the functional currency at the exchange rate on the transaction date.
Monetary items denominated in foreign currencies are retranslated into the functional currency at the exchange rate at the end of the fiscal year. Non-monetary items denominated in foreign currencies are translated into the functional currency using the exchange rate at the transaction date for those measured at acquisition cost, and using the exchange rate at the date of calculation of the relevant fair value for those measured at fair value.
Exchange differences arising from translation or settlement are recognized in profit or loss. However, exchange differences arising from financial assets measured through other comprehensive income and cash flow hedges are recognized in other comprehensive income.

[2] Translation of foreign operations

Assets and liabilities of foreign operations are translated into Japanese yen at the exchange rate at the end of the fiscal year. Revenue and expenses are translated into Japanese yen using the average exchange rate for the reporting period, unless the exchange rate has fluctuated significantly during the reporting period. Translation differences arising from the translation of financial statements of foreign operations are recognized in other comprehensive income. When all or part of a foreign operation is disposed of, the cumulative amount of the translation differences is recognized in profit or loss in the disposal period. For transactions involving changes in ownership interest in a subsidiary that do not result in a loss of control, the exchange differences of the subsidiary are reallocated through equity between the equity attributable to owners of parent and the non-controlling interest in the subsidiary.

(3) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with a maturity of three months or less that are readily convertible to cash and subject to an insignificant risk of changes in value.

(4) Financial instruments

[1] Financial assets (excluding derivatives)

(i) Initial recognition and measurement

The Group recognizes financial assets on the contract date when it has become a party to the contractual provisions of the financial instruments.
At the time of initial recognition, all financial assets are measured at fair value, or if not classified as financial assets measured at fair value through profit or loss, at such fair value plus transaction costs directly attributable to the acquisition of the financial asset. Transaction costs directly attributable to the acquisition of financial assets measured at fair value through profit or loss are recognized in profit or loss.

(ii) Classification

(a) Debt financial assets

Financial assets measured at amortized cost

Financial assets are classified as financial assets measured at amortized cost when both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold the asset in order to collect the contractual cash flows.
- The contractual terms of the financial asset give rise on given dates to cash flows that are solely payments of principal and interest on principal amounts outstanding.

Financial assets measured at FVOCI

Financial assets are classified as financial assets measured at fair value through other comprehensive income (FVOCI) when both of the following conditions are met:

- The financial asset is held within a business model whose objective is achieved by both collecting and selling the contractual cash flows.
- The contractual terms of the financial asset give rise on given dates to cash flows that are solely payments of principal and interest on principal amounts outstanding.

Financial assets measured at FVPL

Financial assets that are not classified as any of the above are classified as financial assets measured at fair value through profit or loss (FVPL).

(b) Equity financial assets

Financial assets measured at FVOCI

Financial assets designated at initial recognition as those for which changes in fair value are recognized through other comprehensive income are classified as financial assets measured at FVOCI.

Financial assets measured at FVPL

Financial assets other than financial assets measured at FVOCI are classified as financial assets measured at FVPL.

(iii) Subsequent measurement

(a) Financial assets measured at amortized cost

Financial assets measured at amortized cost are measured at amortized cost using the effective interest method.

(b) Financial assets measured at FVOCI

Debt financial assets measured at FVOCI

Changes in the fair value of debt financial assets measured at FVOCI are recognized in other comprehensive income until the financial assets are derecognized, except for reversals of impairment losses or impairment losses and foreign exchange gains and losses. When the financial assets are derecognized, previously recognized other comprehensive income is reclassified to profit or loss.

Equity financial assets measured at FVOCI

Changes in fair value of equity financial instruments measured at FVOCI are recognized in other comprehensive income. When the financial assets are derecognized, previously recognized other comprehensive income is reclassified directly to retained earnings. Dividends from the financial assets are recognized as profit or loss unless they are clearly a partial recovery of investment cost.

(c) Financial assets measured at FVPL

Financial assets measured at FVPL are measured at fair value after initial recognition, and changes in fair value are recognized in profit or loss.

(iv) Impairment of financial assets

The Group recognizes allowance for doubtful accounts for expected credit losses on debt financial assets measured at FVOCI and financial assets measured at amortized cost.

The Group assesses at the end of each reporting period whether the credit risk of the financial assets has significantly increased since initial recognition. If it is determined that the credit risk of the financial instruments has not significantly increased since initial recognition, the allowance for doubtful accounts for financial instruments is measured at an amount equal to the expected credit loss for 12 months. If it is determined that the credit risk of the financial instruments has significantly increased since initial recognition, the allowance for doubtful accounts for financial instruments is measured at an amount equal to the expected credit loss for the entire period.

However, for trade receivables, the allowance for doubtful accounts is always measured at an amount equal to the expected credit loss for the entire period, notwithstanding the above. Furthermore, when there is an evidence of credit impairment of financial assets, such as a significant deterioration in the financial condition of the debtor or a breach of contract, including payment default or delinquency by the debtor, the effective interest method is applied to the amortized cost less the allowance for doubtful accounts calculated.

Expected credit losses are estimated using the method that reflects the following:

- An unbiased, probability-weighted amount calculated by evaluating a range of possible outcomes
- Time value of money
- Reasonable and supportable information about past events, current conditions, and projected future economic conditions that is available without undue expense or effort at the reporting date

The provision of allowance for doubtful accounts for financial assets or reversal of allowance for doubtful accounts when reducing allowance for doubtful accounts is included in “Finance costs” or “Finance income” in the consolidated statement of profit or loss and recognized in profit or loss.

(v) Derecognition

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when the Group transfers the financial asset and transfers almost all the risks and economic value of ownership of the financial asset.

[2] Financial liabilities (excluding derivatives)

(i) Initial recognition and measurement

The Group recognizes financial liabilities on the contract date when it has become a party to the contractual provisions of the financial instruments.
All financial liabilities are measured at fair value at initial recognition, except for financial liabilities measured at amortized cost, which are measured at fair value less directly attributable transaction costs.

(ii) Classification

<u>Financial liabilities measured at amortized cost</u>
Financial liabilities other than financial liabilities measured at FVPL are classified as financial liabilities measured at amortized cost.

(iii) Subsequent measurement

Financial liabilities measured at amortized cost are measured using the effective interest method.
Financial liabilities measured at FVPL are measured at fair value, and changes in fair value are recognized in profit or loss.

(iv) Derecognition

Financial liabilities are derecognized when contractual obligations are discharged, cancelled or expired.

[3] Derivatives and hedge accounting

The Group uses foreign exchange forward contracts, interest rate and currency swaps, commodity swaps, and commodity options to hedge foreign currency risk, interest rate risk, and commodity price fluctuation risk. These derivatives are initially recognized at fair value on the date the derivative contract is entered into, and related transaction costs are recognized as expenses incurred. Remeasurements after initial recognition are also made at fair value, with changes in fair value recognized in profit or loss, except when designated as hedging instruments for cash flow hedges (hedges against exposure to changes in cash flows attributable to specific risks associated with recognized assets or liabilities or highly probably forecast transactions and that could affect profit or loss).
Transactions that meet the criteria for hedge accounting are classified and accounted for as follows:

(i) Fair value hedges

Changes in the fair value of derivatives that are hedging instruments are recognized in profit or loss. Changes in the fair value of the hedged item attributable to the hedged risk are adjusted to the carrying amount of the hedged item and recognized in profit or loss.

(ii) Cash flow hedges

The effective portion of gain or loss on the hedging instrument is recognized in other comprehensive income, and the ineffective portion is recognized immediately in profit or loss. Amounts related to hedging instruments recorded in other comprehensive income are reclassified to profit or loss when the hedged transaction affects profit or loss. When the hedged item results in the recognition of a non-financial asset or non-financial liability, the amounts recognized in other comprehensive income are treated as an adjustment to the original carrying amount of the non-financial asset or non-financial liability.
The Group discontinues the application of hedge accounting prospectively when the hedging instrument no longer meets the criteria for hedge accounting, is expired, sold, terminated or exercised, or when the hedge designation is no longer appropriate.

[4] Fair value of financial instruments

Financial instruments measured at fair value are calculated using various valuation techniques and inputs. The calculated fair value is classified into the following three levels according to the observability of the inputs to the valuation techniques used to measure fair value.

Level 1: Market value of identical assets or liabilities in active markets
Level 2: Fair value measured using directly or indirectly observable inputs other than Level 1
Level 3: Fair value measured using valuation techniques that include unobservable inputs

[5] Finance income and finance costs

Finance income consists of interest income, dividend income, gains on derivatives (excluding gains on hedging instruments recognized in other comprehensive income), etc. Interest income is recognized as incurred using the effective interest method.
Finance costs consist of interest expenses, losses on derivatives (excluding losses on hedging instruments recognized in other comprehensive income), etc.

(5) Inventories

Inventories are stated at the lower of acquisition cost and net realizable value. Acquisition cost is primarily calculated based on the weighted average cost method and includes purchase cost, fabrication costs, and all costs incurred to bring the property to its current location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(6) Oil and gas assets

[1] Exploration, evaluation and development costs

The Group accounts for oil and natural gas exploration and evaluation payments using the successful efforts method. All expenditures directly related to concession acquisition costs, exploration wells, and appraisal wells are recognized as oil and gas assets (exploration and evaluation assets) and charged to exploration expenses if subsequently determined to be dry holes and to impairment losses if the prospect of commercial profitability is impaired. In addition, other exploration project costs incurred during the exploration stage, such as geological and geophysical costs and other than the exploration and evaluation wells, are charged to exploration expenses as incurred.
When the technical feasibility and viability of oil and natural gas extraction can be demonstrated, impairment tests are performed, and assets are transferred from oil and gas assets (exploration and evaluation assets) to oil and gas assets (development and production assets). The technical feasibility and viability of extraction is established when the final investment decision is made or when the development plan is approved by the government of the oil-producing country, whichever is later.
Development wells and related production equipment are recognized as oil and gas assets (development and production assets). These capitalized costs are depreciated using the unit-of-production method based on the total quantity of proved and probable reserves, from the inception of production. Reserves used in the unit-of-production method are calculated based on the Petroleum Resource Management System (PRMS), and the acquisition cost of qualifying oil and gas assets when calculating the depreciation rate using the unit-of-production method includes the capital expenditures planned to access proved undeveloped reserves or probable reserves. The future oil price forecasts used in calculating the reserves are based on the average price of oil and gas at the beginning of the month during the period, similar to the average price in the U.S. Securities and Exchange Commission’s Regulation S-X, Rule 4-10(a).
The acquisition cost of property, plant and equipment comprises costs directly attributable to the acquisition of an item, costs of dismantling and removing the item and restoring the site on which it is located, and capitalized borrowing costs for long-term projects if capitalization criteria are met.
Expenditures relating to major maintenance and repair include the cost of replacing an asset or part of an asset, inspection costs and overhaul (detailed inspection) costs. Among the major inspection costs, the expenditures that qualify for recognition as property, plant and equipment are capitalized and depreciated over the period until the next inspection.

[2] Sales and distribution related assets

Oil and gas assets (sales and distribution related assets) recognized are primarily domestic pipelines used to deliver natural gas to customers, which are depreciated on a straight-line basis over their estimated useful lives.
The useful lives of major assets depreciated on a straight-line basis are as follows:
- Natural gas pipeline: 30 years

The depreciation method, estimated useful lives and residual values of oil and gas assets (sales and distribution related assets) are reviewed at the end of each fiscal year.

(7) Other property, plant and equipment

For property, plant and equipment, the cost model is applied for measurement after initial recognition, and property, plant and equipment are presented at cost less any accumulated depreciation and accumulated impairment losses. Subsequent expenditures incurred after acquisition are accounted for either by including them in the asset's carrying amount or by recognizing them as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the Group and the amount can be measured reliably. Subsequent expenditures not included in cost are recognized in profit or loss as incurred.

Depreciation of property, plant and equipment other than land is calculated based on the depreciable amount, which is the cost of each part of an item of property, plant and equipment, less its residual value, over the estimated useful life of each item, mainly using the straight-line method.

The estimated useful lives of property, plant and equipment are summarized below:

- Buildings and structures: 2-60 years
- Machinery, equipment and vehicles: 2-22 years

The depreciation method, estimated useful lives and residual values of property, plant and equipment are reviewed at the end of each fiscal year.

(8) Goodwill and intangible assets

[1] Goodwill

The measurement of goodwill at initial recognition is described in "(1) Basis of consolidation, [4] Business combinations and goodwill." Goodwill is carried at cost less accumulated impairment losses.

[2] Intangible assets

For intangible assets, the cost model is applied for measurement, and the amount is carried at cost less any accumulated amortization and accumulated impairment losses.

Intangible assets with finite useful lives are primarily amortized using the straight-line method over their respective estimated useful lives.

The estimated useful lives of major intangible assets are summarized below:

- Software: 5 years

Estimated useful lives and amortization methods are reviewed at the end of each fiscal year.

(9) Leases

The Group leases mainly drilling rigs for the development, production, and sale of oil and gas, fixed-term land leases for field and business offices, land leases for domestic trunk pipelines, fixed-term charter vessels for transportation of raw materials and products, and offices.
Lease liabilities under lease transactions are measured as the discounted present value of total lease payments outstanding as of the commencement date of the lease. Variable lease payment amounts except for the amount that are determined in accordance with an index or rate do not constitute lease payments included in the measurement of the lease liability, but variable lease payments that are determined to be substantially fixed are included in the measurement of the lease liability.
Right-of-use assets are recognized in the amount calculated by adjusting the initially measured amount of lease liabilities with initial direct costs, advance lease payments, etc. and adding any costs incurred to fulfill restoration obligations arising from the lease contract. Right-of-use assets are depreciated by the straight-line method over the lease term. The lease term is determined as the non-cancelable term of the lease plus the period during which it is reasonably certain that the option to extend the lease will be exercised or the option to terminate the lease will not be exercised.
Lease payments are allocated to finance costs and the repayment portion of the outstanding lease liabilities in a way that the constant rate of interest is applied to the outstanding lease liability. Finance costs are presented separately from depreciation associated with the right-of-use assets in the consolidated statement of profit or loss.
The determination of whether a contract is a lease or contains a lease, even if it does not legally take the form of a lease, is based on the judgement as to whether the substance of the contract at the date of commencement of the lease, i.e., performance of the contract is dependent on the use of a specific asset or group of assets and whether the contract transfers the right to use such assets.
The Group recognizes 100% of the right-of-use assets and lease liabilities if the Group is the operator and is deemed to have the sole right to direct the manner and purpose of use of the underlying asset. The Group recognizes right-of-use assets and lease liabilities in proportion to its share of equity interest if the Group is the operator and the joint operation (including all parties to the joint operation agreement) is deemed to have the right to control the use of specific assets and all parties to the agreement have a legal obligation to make payments to third-party suppliers. If the Group is not the operator, the right-of-use assets and lease liabilities are recognized based on the specific relationship to the liability as primary obligor in each joint operation agreement.
Lease payments related to leases with a lease term of 12 months or less are recognized as expenses on a straight-line basis over the lease term or another regular basis. Regarding the components of the contract, for certain leases the Group applies the practical expedient of accounting for each lease component and related non-lease components as a single lease component, without distinguishing the non-lease component from the lease component. Applicable leases are those where the underlying assets are other than buildings, vessels (for transportation purposes), facilities (FPSO*1, FSO*2), and drilling rigs.

*1 Floating production storage and offloading (FPSO) facility. A ship-type facility that produces crude oil and natural gas offshore, stores the produced crude oil in tanks in the FPSO, and directly offloads the crude oil to crude oil tankers.

*2 Floating storage and offloading (FSO) facility. A facility that only stores and offloads oil and natural gas offshore without having production facilities.

(10) Impairment of non-financial assets

For the Group’s non-financial assets excluding inventories and deferred tax assets, the Group determines at the end of each reporting period whether there is any indication that an asset or cash-generating unit (or group of units) to which the asset belongs may be impaired. If any such indication of impairment exists, an impairment test is performed. Goodwill impairment testing is performed at the end of the reporting period and whenever there is an indication of impairment.
The recoverable amount is the higher of the value in use or the fair value less costs of disposal. In calculating value in use, estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects the time value of money and the inherent risks of the asset. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.
The cash-generating unit for assets other than goodwill is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The cash-generating unit or group of cash-generating units for goodwill is determined based on the unit by which the goodwill is managed for internal reporting purposes.
If the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount, an impairment loss is recognized in profit or loss.
For previously recognized impairment losses on assets other than goodwill, the Group determines at the end of each reporting period whether there is any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there is an indication of impairment reversal, there has been a change in the estimates used to determine the recoverable amount, and the recoverable amount exceeds the carrying amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Impairment losses related to goodwill are not reversible.

(11) Determination of estimate of oil and natural gas reserves

Oil and natural gas reserves, used for depreciation and the consideration of impairment as well as the estimation of the timing of payment period for restoration costs and purification costs to be incurred on the cessation of operations, are estimated based on information obtained from qualified professionals. Details of such estimation are described in “4. Critical accounting estimates and judgments: (Reserves)” below.

(12) Non-current assets or disposal groups held for sale and discontinued operations

A non-current asset or disposal group is classified as held for sale when: its carrying amount is expected to be recovered principally through a sale transaction rather than through continuing use; management of the Group is committed to sell the asset; the sale is highly probable, will occur within one year; and the asset is available for immediate sale.
A non-current asset or disposal group held for sale is measured at the lower of the carrying amount and FVLCD and is not depreciated or amortized.
Non-current assets and disposal groups that have already been disposed of or that are classified as held for sale are recognized as discontinued operations when they meet any of the following: - Separate major line of business or geographical area of operations - Part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations - Subsidiary acquired exclusively with a view to resale

(13) Employee benefits

[1] Post-employment benefits

(i) Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans. The Group’s net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their services in the current and prior periods and by discounting that amount to present value. The fair value of any plan assets is then deducted from that amount.
Net interest expense on the net defined benefit liability (asset) is calculated by multiplying the net defined benefit liability (asset) by the discount rate and recorded as employee benefit expenses. The discount rate is the market yield at the end of the fiscal year for high quality corporate bonds with maturity dates approximating the terms of the Group’s obligations.
When a plan is changed or curtailed, the change in the present value of the defined benefit obligation due to a change in benefit that relates to past service of employees is recognized immediately in profit or loss.
The Group immediately recognizes all adjustments by remeasurements arising from defined benefit plans in other comprehensive income and immediately transfers them to retained earnings.

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans in which the employer contributes a certain amount of contributions to an independent entity and the Group has no legal or constructive obligation to pay further contributions. Contributions to defined contribution plans are recognized in profit or loss in the period in which the employee renders service.

[2] Short-term employee benefits

Short-term employee benefits are not discounted, but are recognized in profit or loss when the related services are rendered.
Bonuses and paid leave costs are recognized as liabilities in the amount estimated to be paid under those plans when the Group has a legal or constructive obligation to pay such amounts and a reliable estimate can be made.

(14) Stock-based compensation

The Company has adopted a Board Incentive Plan (BIP) Trust for equity-settled executive compensation as a stock-based remuneration system for its Directors and Executive Officers (excluding Outside Directors and non-residents of Japan; hereinafter referred to as “Directors, etc.”). The compensation for received services is measured at the fair value of the Company shares as of the grant date, and is considered as expenses during the right vesting period. The same amount thereof is considered as an increase in equity.

(15) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and reliable estimates can be made of the amount of the obligation.
Provisions are measured at the present value of the expenditures expected to be required to settle the obligations using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligations. The increase in the provision due to the passage of time is recognized as interest expense.
If the carrying amount of the corresponding asset is zero in the increase (decrease) in asset retirement obligations that occurs at the end of the reporting period due to a change in the discount rate, etc., the increase or decrease is recognized immediately in profit or loss and presented as the cost of sales in the consolidated profit or loss.
In addition, when the Group can expect to be reimbursed for part or all of the expenditure required to settle the provision, such compensation is recognized as a separate asset only if it is virtually certain that the compensation will be received.
When a provision and a reimbursement from an external party are recognized in the same reporting period, they are presented net in the consolidated statement of profit or loss.
Asset retirement obligations related to domestic oil and natural gas production facilities, etc. are recognized when the Company is obligated to prevent mining pollution of well sites after the end of mining as stipulated by the Mine Safety Act and when costs to be borne at the end of operations can be reasonably estimated. Asset retirement obligations related to overseas oil and natural gas production facilities, etc. are recognized when the Company is obligated to abandon the production facilities, etc. such as removal of such production facilities, etc. in accordance with oil contracts with the governments of oil-producing countries, local laws and regulations, etc., and when costs to be borne at the end of operations can be reasonably estimated.
Obligations that are probable at the end of the reporting period, but cannot be confirmed whether or not they are obligations as of the end of the reporting period or do not meet the recognition criteria of provisions are disclosed as contingent liabilities in “21. Asset retirement obligations” and “38. Contingent liabilities.”

(16) Equity

The issue price of common stock issued by the Company is recorded in common stock capital and capital surplus, and costs directly attributable to the issuance (net of tax) are deducted from capital surplus.
When treasury stock is reacquired, the consideration paid including any direct transaction costs, net of tax, is recognized as a deduction from equity. When treasury stock is sold, the difference between the carrying amount and the consideration received is recognized as capital surplus.

(17) Revenue recognition

The Group recognizes revenue based on the following five steps related to contracts with customers, excluding interest and dividend income, etc. recognized in accordance with IFRS 9 “Financial Instruments.”

Step 1: Identify the contracts with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Group conducts exploration, development, production and marketing of crude oil and natural gas (including LPG; the same applies hereinafter).
For sales of these products, it is concluded that the legal ownership rights and physical rights of possession, as well as material risks and economic value associated with ownership of the products, are transferred to the customer, and the Company obtains the right to receive consideration for the products from the customer, primarily at the time when control of the products is transferred to the customer, namely in the case of crude oil and natural gas the time of delivery of the products to the customer or the time when control is transferred to the customer based on trade terms prescribed in Incoterms or other materials. Revenue is recognized at this time. Revenue is recognized based on the transaction price prescribed in the contract with the customer. Because the transaction price is received within one year following delivery of the products, it does not contain significant financing components.
In revenue from the production of crude oil and natural gas, for which the Group shares a participating interest with other companies, there are cases when the quantity actually delivered does not match the quantity which corresponds to the participating interest held by the Group due to circumstances of vessel assignments or other matters. In such cases, the Group recognizes revenue based on the quantity that was actually delivered, and any significant difference between the quantity actually delivered and the quantity which corresponds to the participating interest held by the Group is adjusted with the other company that shares participating interest by means of the actual crude oil and natural gas that is delivered in or after the following fiscal year. In the event that the Group has received a delivery that exceeds the participating interest held by the Group, the cost of sales for the quantity that is above the quantity equivalent to the participating interest is also included in the fiscal year when the related revenue is recognized, and at the same time a liability to the other company which shares a participating interest is recorded. In the event that the Group has received a delivery that is less than the participating interest held by the Group, the cost of sales for the quantity that is below the quantity equivalent to the participating interest is recorded in the fiscal year when delivery and the related revenue is recognized, and at the same time an asset due from the other company which shares a participating interest is recorded.

(18) Income taxes

The Group's income tax expense includes, in addition to income taxes, taxes levied on current year profits calculated according to the rules established by the taxation authorities, such as petroleum resources taxes. Royalty payments based on production volume are not included in income tax expense.
Income tax expense consists of current income tax expense and deferred income tax expense. These are recognized in profit or loss, except for the taxes which arise from business combinations or recognized in either other comprehensive income or directly in equity.
Current income tax expense is calculated at the amount paid to or refunded from tax authorities using the tax rates enacted or substantively enacted as of the end of the fiscal year.
Deferred income tax expense is calculated based on temporary differences arising from the difference between the carrying amount of assets and liabilities for accounting purposes and the related tax basis amounts at the end of the fiscal year.
Deferred tax assets are recognized for deductible temporary differences, net operating loss carryforwards, and tax credit carryforwards, to the extent that it is probably that taxable income will be available against which they can be recovered.
Deferred tax assets are recognized for deductible temporary differences on investments in subsidiaries, affiliates, and joint ventures only if it is probable that sufficient taxable income will be available against which the benefits of the temporary differences can be utilized and it is probable that the temporary differences will reverse in the foreseeable future.
Deferred tax assets are reviewed each reporting period and reduced to the extent that it is no longer probable that the tax benefits will be realized.
Deferred tax liabilities are recognized for all taxable temporary differences with the following exceptions:

- Taxable temporary differences arising from initial recognition of goodwill
- Temporary differences arising from initial recognition of an asset or liability in a transaction that is not a business combination and neither affects accounting profit nor taxable income for tax purposes, and that do not give rise at the time of transaction to taxable and deductible temporary differences in equal amounts.
- Taxable temporary differences related to investments in subsidiaries, affiliates, and joint ventures where the timing of reversal is controllable and it is more likely than not that the temporary differences will not reverse within a foreseeable period of time

Deferred tax assets and liabilities are measured at the tax rates expected to be applied in the period in which the asset is realized or the liability is settled based on the tax rates enacted or substantively enacted at the end of the fiscal year.
Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and current tax liabilities and when they are levied by the same tax authority on the same taxable entity, or when intending to settle the net amount of current tax liabilities and current tax assets of separate taxable entities or simultaneously realize assets and settle liabilities. In addition, for particular transactions recognizing the same amount of assets and liabilities from a single transaction, the Company recognizes deferred tax liabilities and deferred tax assets for the taxable temporary differences pertaining to recognized assets and the deductible temporary differences pertaining to recognized liabilities, respectively.
The Company and some subsidiaries apply the Japanese Group Relief System.

(19) Borrowing cost

Borrowing costs directly attributable to the acquisition, construction, or production of qualifying assets, that is, assets requiring a substantial period of time to get ready for their intended use or sale, are added to the acquisition cost of those assets until such time as the assets are substantively ready for their intended use or sale.
All borrowing costs other than the above are recognized in profit or loss in the period in which they are incurred.

(20) Earnings per share

Basic earnings per share is calculated by dividing profit (loss) attributable to common shareholders of the parent company by the weighted-average number of shares of common stock outstanding adjusted for treasury stock during the period. Diluted earnings per share is calculated by adjusting for the effect of dilutive potential shares.

4. Critical accounting estimates and judgments

The preparation of the consolidated financial statements in accordance with IFRS requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, revenues, and expenses. Actual results may differ from these estimates.
Estimates and underlying assumptions are reviewed on an ongoing basis. The effect of a revision of an accounting estimate is recognized in the accounting period in which the estimate is revised and in future periods thereafter. Estimates and underlying assumptions that involve significant risks that could lead to material adjustments to the carrying amounts of assets and liabilities in the next fiscal year are as follows:

(Impacts of climate change)
The Group takes into account the impacts of climate change and the transition to a net-zero carbon society when preparing the consolidated financial statements. The Group has set a goal to achieve net-zero emissions by 2050 in line with the Paris Agreement objectives, contributing to the realization of a net-zero carbon society. On the other hand, oil and natural gas continue to be indispensable energy sources for economic and social activities, and our mission is to ensure their stable supply. We recognize that natural gas, which is expected to continue to have strong demand, especially in Asia, will continue to be a source of revenue, and we are promoting the oil and natural gas business and five net-zero businesses as the pillars of our business.
The impacts of climate change and the transition to a net-zero carbon society are significant in both the oil and natural gas business and five net-zero businesses, and with respect to these impacts, the Group is analyzing the business environment of long-term future energy demand and customer trends, etc., by referring to multiple scenarios such as the Stated Policies Scenario (IEA-STEPS) of the International Energy Agency's (IEA) World Energy Outlook (WEO), and we use this information to formulate management strategies and decisions.
The purpose of scenario analysis is to quickly identify future policy trends and the possibility of changes in the business environment based on the assumption that these scenarios will be realized, and to reflect these in management strategies and plans. It differs from judgments and assumptions based on the latest available reliable information reflected in accounting estimates. Therefore, even if scenario analysis shows indications of impairment or increased provisions for assets of each project of the Group, we do not believe these indications should be immediately reflected in the consolidated financial statements. In addition to the scenario analysis results, accounting estimates are reasonably estimated based on comprehensive consideration of the Group's strategy, the policies of each country, the analysis results of external organizations, and the unique circumstances of each project, etc. However, changes to the Group's strategy for future climate change risks and changes in the global decarbonization trend may have a significant impact on these.

(Future oil price forecasts and internal carbon pricing)
Future crude oil and natural gas prices are mainly determined by international market conditions and are subject to significant fluctuations due to the influence of various factors such as international and regional supply and demand and the global economy. Oil prices used in accounting estimates are determined by management's best estimates and judgments based on reports issued by several external organizations. In very long-term forecasts for oil prices, we consider scenarios issued by the IEA, etc., while in the medium- to long-term, we take into account upside factors such as price hikes due to the Russia-Ukraine situation, etc. and current strong energy demand, etc. The outlook for medium- to long-term oil prices as of December 31, 2023 is estimated to be U.S.$70 per barrel (Brent crude oil price, excluding the impact of inflation) for fiscal year 2027 and beyond. Since the sales price of natural gas handled by the Group is also largely linked to crude oil prices, emphasis is placed on this oil price outlook in the determination of indications of impairment and impairment testing of the Group's non-financial assets. In addition, estimated future cash flows used to calculate value in use of non-financial assets for each project incorporate internal carbon pricing (hereinafter "ICP"), and in Australian projects where a carbon pricing system exists, we refer to price forecasts of several outside experts, etc. and use AU$75/t$CO_2$e for 2030, AU$87/tCO_2e for 2040, and AU$108/t$CO_2$e for 2050 (excluding the impact of inflation). In other countries and regions, where a carbon pricing system exists, we refer to the Group's estimated price based on price forecasts of several outside experts, etc., and where a carbon pricing system does not exist, we refer to the variable price linked to the EU price of IEA-STEPS. With the transition to a net-zero carbon society, the increased preference for low-carbon energy will necessitate a review of key assumptions, such as a decline in crude oil and natural gas prices, or an increase in ICP, and impairment losses may be recorded for oil and gas assets, goodwill, and investments accounted for using the equity method.

(Reserves)
The Group's oil and gas assets (development and production assets) are depreciated using the unit-of-production method based on the total quantity of proved and probable reserves, and the reserves used in the unit-of-production method are calculated based on the Petroleum Resource Management System (PRMS). The future oil price forecasts used in calculating the reserves are based on the average price of oil and gas at the beginning of the month during the period, similar to the average price in the U.S. Securities and Exchange Commission's Regulation S-X, Rule 4-10(a). Estimates of the reserves depend on the available geological and engineering data from oil and gas reservoirs, the maturity of development plans and a considerable number of assumptions, factors and variables including economic conditions as of the date such estimates are made. Reserves may be revised in the future on the basis of geological and engineering data as well as development plans and information relating to changes in economic and other conditions made newly available through progress in production and operations. As a result, there is a possibility that reserves will be restated upwards or downwards. As to the reserves under a production sharing contract, not only production, but also oil and gas prices, invested capital, recovery of invested capital due to contractual conditions and remuneration fees may affect the economic entitlement. This may cause reserves to increase or decrease. The presuppositions related to these assumptions, factors and variables are determined based on management's best estimates and judgments.
Estimates of these reserves also impact impairment testing for oil and gas assets (development and production assets) totaling ¥3,268,733 million (U.S.$23,048,462 thousand) recognized as of December 31, 2023 and impairment testing in (1) "Impairment of non-financial assets." Assumptions used in the estimates of reserves are impacted by economic conditions such as the transition to a net-zero carbon society, and if risks materialize that could lead to a downward revision of reserves, such as a decline in oil prices or a rise in ICP, depreciation may accelerate or impairment losses may occur.

The estimates made by management based on the above analysis that have significant impact on the amounts reported in the consolidated financial statements are as follows:

(1) Impairment of non-financial assets

The Group used future crude oil prices, reserves, operating expenses, development expenses, ICP and discount rates as major assumptions for the determination of indications of impairment of non-financial assets and impairment testing. Due to changes in the external environment, including a tightening of environmental regulations in Australia, etc., the Prelude FLNG project recorded an impairment loss of ¥81,898 million (U.S.$577,478 thousand) for the year ended December 31, 2023. In addition, significant non-financial assets recorded in the consolidated statement of financial position include those related to the Ichthys LNG Project, with oil and gas assets (development and production assets) amounting to ¥1,678,943 million (U.S.$11,838,548 thousand), and investments accounted for using the equity method amounting to ¥533,304 million (U.S.$3,760,428 thousand) as of December 31, 2023. Investments accounted for using the equity method represent the balance of investment in Ichthys LNG Pty Ltd, in which the Group holds a 66.245% interest. The major assets held by Ichthys LNG Pty Ltd. Are oil and gas assets related to the downstream business of the Ichthys LNG Project, and the balance of oil and gas assets for Ichthys LNG Pty Ltd as of December 31, 2023 (amount obtained by multiplying by the Group's share) is ¥2,849,607 million (U.S.$20,093,125 thousand).
A determination of indications of impairment was performed in the current fiscal year, taking into account key assumptions and project operating conditions, etc., and although indications of impairment were recognized for non-financial assets related to the Ichthys LNG Project due to similar changes in the external environment, etc., no impairment losses were recognized because the value in use exceeded the carrying amount.
This item is related to "12. Oil and gas assets," "16. Impairment of non-financial assets," and "34. Investments accounted for using the equity method."

(2) Asset retirement obligations

Asset retirement obligations for future removal and abandonment of domestic and overseas oil and natural gas production facilities, etc. are recorded in the amount of ¥388,502 million (U.S.$2,739,402 thousand) as of December 31, 2023, based on reasonable estimates of the number of productive years or the number of years until completion of the contract period and the cost of removal and abandonment at the end of operations. As of December 31, 2023, we do not recognize a reduction in the number of productive years due to stricter regulations in various countries concerning climate change, etc. However, depending on future policies and laws and regulations of various governments concerning climate change, our asset retirement obligations may increase in the future due to early production shutdowns of the Group's oil and gas assets, increase in assets to be removed, changes in abandonment methods, and revision of the discount rate, etc. Asset retirement obligations have not been recognized for the natural gas pipeline, which serves as a domestic gas sales and distribution related facility, because reliable estimates could not be made as of December 31, 2023 (Please refer to "21. Asset retirement obligations"). However, asset retirement obligations may be recorded if changes in the business environment, etc. are identified that would make it possible to determine a business termination date.
For more information, please refer to "21. Asset retirement obligations."

5. Standards and interpretations that have been issued but not yet adopted by the Group

Among the newly established or amended standards and interpretations issued by the date of approval of the consolidated financial statements, the main ones that have not been early adopted by the Group are as follows.
The impact of the application of these standards and interpretations is still under review, but it has been determined that there will be no material impact on the Group's financial results or financial position.

Standards and interpretations	Mandatory application period (effective date)	Scheduled date of application by the Group (starting from)	Summary of new standards, interpretations and amendments
IAS 1 (amended) Presentation of Financial Statements	January 1, 2024	FY2024	Clarification of classification of liabilities as current or non-current liabilities
IAS 1 (amended) Presentation of Financial Statements	January 1, 2024	FY2024	Expanded disclosures regarding liabilities with covenants

6. Business combination

For the year ended December 31, 2022
(Business combination through acquisition)
On October 27, 2021, the Company concluded an agreement to transfer 50.5% of shares in Idemitsu Snorre Oil Development Co., Ltd. With Idemitsu Kosan Co., Ltd. And Osaka Gas Summit Resources Co., Ltd. On January 31, 2022, the Company acquired shares in Idemitsu Snorre Oil Development Co., Ltd. After the approval of the government of Norway and other conditions were fulfilled.
Following the acquisition, Idemitsu Snorre Oil Development Co., Ltd. And Idemitsu Petroleum Norge AS, which is a wholly owned subsidiary of Idemitsu Snorre Oil Development Co., Ltd., became subsidiaries of the Company because shares in Idemitsu Petroleum Norge AS are held indirectly by the Company.

(1) Name and description of the acquiree

[1] Name of the acquiree: Idemitsu Snorre Oil Development Co., Ltd. (Renamed and currently: INPEX Norway Co., Ltd.)
Business description of the acquiree: Exploration, development, production and marketing of crude oil and natural gas in Norway through a subsidiary
[2] Name of the acquiree: Idemitsu Petroleum Norge AS (Renamed and currently: INPEX Idemitsu Norge AS)
Business description of the acquiree: Exploration, development, production and marketing of crude oil and natural gas in Norway

(2) Acquisition date

January 31, 2022

(3) Percentage of voting equity interests acquired

[1] Idemitsu Snorre Oil Development Co., Ltd. Ratio of voting rights after the acquisition: 50.5%
[2] Idemitsu Petroleum Norge AS Ratio of voting rights after the acquisition: 100% (of which indirectly owns 100%)

(4) Main reason for business combination

The Company expects its core upstream business to become more resilient and its corporate value to further improve by strengthening its operational base in Norway. Additionally, the Company determined that the business combination enables the Company to fulfill its two social responsibilities of providing a stable supply of energy while mounting a response to climate change, in addition to making its upstream business cleaner, by pursuing decarbonization efforts in Norway and around Europe.

(5) Method of acquiring control of the acquiree

Acquisition of shares in Idemitsu Snorre Oil Development Co., Ltd. For cash consideration

(6) Components of recognized goodwill

Goodwill arising from the business combination is recorded in the "Oil & Gas Overseas – Other Projects" segment. It is mainly attributable to the future excess earning power expected from future business development of INPEX Idemitsu Norge AS in Norway. It is calculated as the excess of the consideration transferred over the estimated fair value of the company's oil and gas assets.

(7) Consideration transferred and its breakdown

Cash and cash equivalents: ¥39,739 million

(8) Assets acquired, liabilities assumed, fair value of the consideration transferred, non-controlling interests and goodwill as of the acquisition date

		(Millions of yen)
Current assets	¥	40,635
(including Cash and cash equivalents)		8,329
Non-current assets		85,293
(including Oil and gas assets)		83,422
Current liabilities		(30,057)
Non-current liabilities		(55,336)
Fair value of assets acquired and liabilities assumed, net		40,536
Non-controlling interests *1		(20,061)
Goodwill *2		19,265
Fair value of the consideration transferred	¥	39,739

Notes: 1. Non-controlling interests are measured at the proportionate share of non-controlling shareholders in the fair value of identifiable net assets of the acquiree.
2. No goodwill is expected to be deductible for tax purposes.

(9) Revenue and profit (loss) of the acquiree after the acquisition date recognized in the consolidated statement of profit or loss

Revenue and profit of the acquiree after acquisition date recorded in the consolidated statement of profit or loss are ¥163,585 million and ¥28,919 million, respectively.

(10) Acquisition-related expenses

Acquisition-related expenses for this business combination are ¥164 million and recorded in “Selling, general and administrative expenses” in the consolidated statement of profit or loss.

For the year ended December 31, 2023

None

7. Operating segments

(1) Overview of reportable segments

The reportable segments of the Group are components of the Group for which discrete financial information is available and regularly reviewed by the Board of Directors to make decisions about allocation of managerial resources and to assess their performance. Operating segments are not aggregated in determining reportable segments.
In addition, as the main business of the Group is the global exploration, development, production and sales of oil and natural gas, and loans and investments in companies engaged in such activities, namely the oil and natural gas business (hereinafter “Oil & Gas”), the Group classifies the reportable segments as “Oil & Gas Japan” and “Oil & Gas Overseas,” and the “Oil & Gas Overseas” segment is further classified as “Ichthys Project,” which is a major operator project of the Group, and “Other Projects,” which is comprised of other overseas projects. The “Other” category consists of businesses that are not included in the reportable segments, including the five net-zero businesses.
The reportable segments and other category are as follows:

Reportable segments, etc.		Main business and project name
Oil & Gas Japan		Minami-Nagaoka Gas Field, Naoetsu LNG Terminal
Oil & Gas Overseas	Ichthys Project	Ichthys LNG Project in Australia and exploration of surrounding area
	Other Projects	Projects in Australia (excluding the Ichthys LNG Project), Southeast Asia, Europe, Abu Dhabi, and other areas
Other		Five net-zero businesses, transportation and sales business, civil engineering business, etc.

(2) Revenue and performance by segment

Accounting policies for the reportable segments are substantially the same as those described in “3. Material accounting policies.” The Group’s foreign exchange gains and losses are not allocated to reportable segments, certain exceptions aside, because they are managed on a Group-wide basis.
Reportable segment profit is presented in profit attributable to owners of parent of the consolidated statement of profit or loss. Intersegment transactions are carried out at arm’s length price.
Revenue, profit and other items of the Group by reportable segment are as follows:

For the year ended December 31, 2022

(Millions of yen)

	Reportable segments			Other *1	Total	Adjustments *2	Consolidated
	Oil & Gas Japan	Oil & Gas Overseas					
		Ichthys Project	Other Projects				
Revenue							
Revenue from external customers	¥ 214,600	¥ 368,503	¥ 1,712,751	¥ 20,231	¥ 2,316,086	¥ –	¥ 2,316,086
Intersegment revenue	6,102	23,348	–	5,513	34,964	(34,964)	–
Total	220,703	391,851	1,712,751	25,744	2,351,051	(34,964)	2,316,086
Exploration expenses	(829)	(2,683)	(9,189)	–	(12,702)	–	(12,702)
Share of profit (loss) of investments accounted for using the equity method	–	148,587	16,066	1,599	166,253	–	166,253
Finance income	549	62,138	9,960	132	72,780	1,039	73,820
Finance costs	(808)	(105,254)	(25,745)	(204)	(132,014)	(91)	(132,105)
Income tax expense	(18,581)	(44,399)	(896,935)	(5,426)	(965,342)	5,915	(959,427)
Segment profit (loss)	45,205	288,388	117,772	(4,856)	446,510	51,942	498,452
(Other items)							
Depreciation and amortization	17,820	111,106	174,212	894	304,033	2,029	306,063
Impairment loss *3	9,707	3,732	132,903	–	146,343	–	146,343
Investments for exploration and development, etc. *4	¥ 19,202	¥ 86,746	¥ 186,881	¥ 75,834	¥ 368,665	¥ –	¥ 368,665

Notes:
1. The “Other” category consists of the operating segments that are not included in the reportable segments, and includes the five net-zero businesses, etc.
2. Adjustments are as follows:
   (1) Adjustments of segment profit (loss) include corporate profit (loss) of ¥50,322 million that is not allocated to reportable segments or the “Other” category and elimination of intersegment transactions of ¥1,620 million. Corporate profit (loss) mainly consists of foreign exchange gains (losses) of ¥39,745 million managed on a Group-wide basis and ¥5,915 million as the portion of the amount of the income tax expense of the parent and the financial subsidiary attributable to all companies.
   (2) Adjustments of depreciation and amortization are depreciation and amortization that are not allocated to reportable segments or the “Other” category.
3. Impairment loss consists of impairment loss on oil and gas assets, and does not include impairment loss on investments accounted for using the equity method. Please refer to “16. Impairment of non-financial assets” for details.
4. Investments for exploration and development, etc., consist of mainly payments for acquisition of exploration and evaluation assets and development and production assets within oil and gas assets, and the total amount incurred during the fiscal year for payments to acquire shares to participate and make additional investments in projects such as oil, natural gas, and renewable energy. The amount corresponding to the Group’s investment stake in Ichthys LNG Pty Ltd, which is a joint venture, is included in this amount.

For the year ended December 31, 2023

(Millions of yen)

	Reportable segments			Other *1	Total	Adjustments *2	Consolidated
	Oil & Gas Japan	Oil & Gas Overseas					
		Ichthys Project	Other Projects				
Revenue							
Revenue from external customers	¥ 232,897	¥ 373,173	¥ 1,528,264	¥ 30,181	¥ 2,164,516	¥ –	¥ 2,164,516
Intersegment revenue	6,974	20,446	–	13,976	41,397	(41,397)	–
Total	239,872	393,619	1,528,264	44,158	2,205,914	(41,397)	2,164,516
Exploration expenses	(7,112)	(8,976)	(9,811)	–	(25,901)	–	(25,901)
Share of profit (loss) of investments accounted for using the equity method	–	39,219	6,614	(27,444)	18,389	–	18,389
Finance income	9	191,271	22,772	1,924	215,977	1,332	217,310
Finance costs	(844)	(29,437)	(44,757)	(2,477)	(77,516)	(600)	(78,116)
Income tax expense	(15,581)	(87,610)	(796,261)	(3,849)	(903,303)	(17,504)	(920,807)
Segment profit (loss)	42,035	309,898	746	(18,028)	334,652	(12,944)	321,708
(Other items)							
Depreciation and amortization	19,185	128,596	168,547	1,061	317,390	2,218	319,608
Impairment loss *3	–	–	100,890	–	100,890	–	100,890
Investments for exploration and development, etc. *4	¥ 10,975	¥ 104,254	¥ 142,527	¥ 77,357	¥ 335,115	¥ –	¥ 335,115

(Thousands of U.S. dollars)

	Reportable segments			Other *1	Total	Adjustments *2	Consolidated
	Oil & Gas Japan	Oil & Gas Overseas					
		Ichthys Project	Other Projects				
Revenue							
Revenue from external customers	$ 1,642,201	$ 2,631,314	$10,776,082	$ 212,812	$ 15,262,417	$ –	$ 15,262,417
Intersegment revenue	49,175	144,168	–	98,547	291,898	(291,898)	–
Total	1,691,383	2,775,483	10,776,082	311,366	15,554,322	(291,898)	15,262,417
Exploration expenses	(50,148)	(63,291)	(69,179)	–	(182,632)	–	(182,632)
Share of profit (loss) of investments accounted for using the equity method	–	276,540	46,636	(193,512)	129,664	–	129,664
Finance income	63	1,348,688	160,569	13,566	1,522,895	9,392	1,532,294
Finance costs	(5,951)	(207,565)	(315,590)	(17,465)	(546,580)	(4,230)	(550,810)
Income tax expense	(109,864)	(617,754)	(5,614,588)	(27,140)	(6,369,362)	(123,424)	(6,492,786)
Segment profit (loss)	296,396	2,185,150	5,260	(127,118)	2,359,695	(91,270)	2,268,424
(Other items)							
Depreciation and amortization	135,277	906,755	1,188,457	7,481	2,237,977	15,639	2,253,617
Impairment loss *3	–	–	711,394	–	711,394	–	711,394
Investments for exploration and development, etc. *4	$ 77,386	$ 735,114	$ 1,004,985	$ 545,459	$ 2,362,960	$ –	$ 2,362,960

Notes:
1. The “Other” category consists of the operating segments that are not included in the reportable segments, and includes the five net-zero businesses, etc.
2. Adjustments are as follows:
   (1) Adjustments of segment profit (loss) include corporate profit (loss) of ¥(14,949) million (U.S.$(105,408) thousand) that is not allocated to reportable segments or the “Other” category and elimination of intersegment transactions of ¥2,005 million (U.S.$14,137 thousand). Corporate profit (loss) mainly consists of foreign exchange gains (losses) of ¥(2,738) million (U.S.$(19,306) thousand) managed on a Group-wide basis and ¥(17,504) million (U.S.$(123,424) thousand) as the portion of the amount of the income tax expense of the parent and the financial subsidiary attributable to all companies.
   (2) Adjustments of depreciation and amortization are depreciation and amortization that are not allocated to any reportable segment or the “Other” category.
3. Impairment loss consists of impairment loss on oil and gas assets, and does not include impairment loss on investments accounted for using the equity method. Please refer to “16. Impairment of non-financial assets” for details.
4. Investments for exploration and development, etc., consists of mainly payments for acquisition of exploration and evaluation assets and development and production assets within oil and gas assets and the total amount incurred during the fiscal year for payments to acquire shares to participate and make additional investments in projects such as oil, natural gas, and renewable energy. The amount corresponding to the Group’s investment stake in Ichthys LNG Pty Ltd, which is a jointly venture, is included in this amount.

(3) Information on products and services

Revenue to external customers by product and service is in “25. Revenue.”

(4) Information by region

The breakdown of revenue from external customers by region is as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	For the year ended December 31, 2022	For the year ended December 31, 2023	For the year ended December 31, 2023
Japan	¥ 907,121	¥ 779,292	$ 5,494,937
China	340,206	341,128	2,405,358
Thailand	151,751	225,288	1,588,548
Asia	441,449	406,359	2,865,315
Europe	296,874	290,688	2,049,696
Other	178,682	121,758	858,538
Total	¥ 2,316,086	¥ 2,164,516	$ 15,262,417

Notes:
1. Revenues are classified by country or region based on the final destination and customer.
2. The main countries and regions associated with the regional classifications other than Japan, China, and Thailand are as follows.
   (1) Asia: Singapore and others
   (2) Europe: Italy and others
   (3) Other: Australia and others

The breakdown of non-current assets by region is as follows:

	(Millions of yen)			(Thousands of U.S. dollars)
	As of January 1, 2022	As of December 31, 2022	As of December 31, 2023	As of December 31, 2023
Japan	¥ 297,476	¥ 297,992	¥ 294,472	$ 2,076,378
Australia	1,781,251	1,945,517	1,942,500	13,696,939
Europe & NIS region	585,441	657,944	674,439	4,755,598
United Arab Emirates	455,514	531,485	586,359	4,134,529
Other	224,987	201,720	175,088	1,234,579
Total	¥ 3,344,671	¥ 3,634,660	¥ 3,672,860	$ 25,898,039

Notes:
1. Non-current assets are based on the location of the assets and consist of oil and gas assets, other property, plant and equipment, goodwill, intangible assets, and other non-current assets.
2. The main countries and regions associated with the regional classifications other than Japan, Australia, and United Arab Emirates are as follows.
   (1) Europe & NIS region: Kazakhstan, Azerbaijan, Norway and others
   (2) Other: Vietnam, Indonesia and others
3. In Kazakhstan in the European and NIS region, non-current assets were ¥450,056 million as of January 1, 2022, ¥447,305 million as of December 31, 2022, and ¥453,121 million (U.S.$3,195,043 thousand) as of December 31, 2023.

(5) Information on major customers

		(Millions of yen)		(Thousands of U.S. dollars)
		Revenue		
Customer	Related reportable segment	For the year ended December 31, 2022	For the year ended December 31, 2023	For the year ended December 31, 2023
Ichthys LNG Pty Ltd	Oil & Gas Overseas – Ichthys Project	¥ 212,364	¥ 228,313	$ 1,609,878

Note: This represents revenue from the sale of natural gas from INPEX Ichthys Pty Ltd to Ichthys LNG Pty Ltd, which is a joint venture.

8. Cash and cash equivalents

The breakdown of cash and cash equivalents is as follows:

	(Millions of yen)			(Thousands of U.S. dollars)
	As of January 1, 2022	As of December 31, 2022	As of December 31, 2023	As of December 31, 2023
Cash and demand deposits	¥ 189,933	¥ 95,026	¥ 95,088	$ 670,483
Short-term investments	–	–	71,619	504,999
Time deposits with deposit terms of three months or less	2,320	113,211	34,442	242,857
Cash and cash equivalents in the consolidated statement of financial position	¥ 192,254	¥ 208,238	¥ 201,149	$ 1,418,340

Short-term investments held by the Group mainly consist of money market funds. Money market funds constitute highly liquid investments in the short term and are subject to insignificant value fluctuation risk.
The balance of "Cash and cash equivalents" in the consolidated statement of financial position and the balance of "Cash and cash equivalents" in the consolidated statement of cash flows as of January 1, 2022, December 31, 2022, and December 31, 2023 are the same.

9. Trade and other receivables

The breakdown of trade and other receivables is as follows:

	(Millions of yen)			(Thousands of U.S. dollars)
	As of January 1, 2022	As of December 31, 2022	As of December 31, 2023	As of December 31, 2023
Notes and accounts receivable-trade	¥ 169,047	¥ 250,752	¥ 195,577	$ 1,379,050
Accounts receivable-other	41,438	49,720	50,355	355,062
Allowance for doubtful accounts	(12,031)	(13,020)	(13,915)	(98,117)
Total	¥ 198,454	¥ 287,452	¥ 232,017	$ 1,635,996

Trade and other receivables are categorized as financial assets measured at amortized cost.

10. Inventories

The breakdown of inventories is as follows:

	(Millions of yen)			(Thousands of U.S. dollars)
	As of January 1, 2022	As of December 31, 2022	As of December 31, 2023	As of December 31, 2023
Merchandise and finished goods	¥ 16,110	¥ 29,404	¥ 21,679	$ 152,862
Work in process	948	707	259	1,826
Raw materials and supplies	30,334	41,795	47,917	337,871
Total	¥ 47,393	¥ 71,907	¥ 69,856	$ 492,568

Inventories recognized as expenses during the period amounted to ¥844,074 and ¥837,849 million (U.S.$5,907,833 thousand) for the years ended December 31, 2022 and December 31, 2023, respectively.

11. Disposal group held for sale

The breakdown of assets and liabilities classified as a disposal group held for sale is as follows:

	(Millions of yen)			(Thousands of U.S. dollars)
	As of January 1, 2022	As of December 31, 2022	As of December 31, 2023	As of December 31, 2023
Cash and cash equivalents	¥ –	¥ 4,243	¥ –	$ –
Trade and other receivables	–	2,384	–	–
Inventories	–	4	–	–
Other current assets	–	223	–	–
Oil and gas assets	–	19,523	–	–
Other property, plant and equipment	–	40	–	–
Investments accounted for using the equity method	–	–	17,341	122,274
Other non-current assets	–	2	–	–
Total assets	–	26,422	17,341	122,274
Trade and other payables	–	643	–	–
Asset retirement obligations (current)	–	14	–	–
Other current liabilities	–	2,364	–	–
Asset retirement obligations (non-current)	–	1,190	–	–
Total liabilities	¥ –	¥ 4,213	¥ –	$ –

As of January 1, 2022
None

As of December 31, 2022
The assets and liabilities held by INPEX Eagle Ford, LLC, a subsidiary in the “Oil & Gas Overseas - Other Projects” segment, were classified as a disposal group held for sale due to the decision to sell shares of that company and because the potential to sell the shares was determined to be highly probable. The sale was completed during the current fiscal year.
The disposal group is measured at fair value less costs of disposal, as the fair value less costs of disposal is less than the carrying amount. Impairment losses of ¥44,614 million recognized as a result of this are recorded in “Other operating expenses” in the consolidated statement of profit or loss. Please refer to “16. Impairment of non-financial assets” for details of impairment losses. Fair value is based on the sale price and is classified as Level 3.
“Other components of equity” in the consolidated statement of financial position includes exchange differences on translation of foreign operation of the disposal group of ¥4,167 million.

As of December 31, 2023
The investment accounted for using the equity method in Japan South Sakha Oil Co., Ltd., an affiliate in the “Oil & Gas Overseas - Other Projects” segment, was classified as a disposal group held for sale due to the decision to sell shares of that company and because the potential to sell the shares was determined to be highly probable.
The disposal group is measured at its carrying amount, as the fair value less costs of disposal exceeds the carrying amount.

12. Oil and gas assets

Changes in acquisition cost, accumulated depreciation and impairment losses of oil and gas assets are as follows:

(Millions of yen)

Acquisition cost		Exploration and evaluation assets		Development and production assets		Sales and distribution related assets		Total
As of January 1, 2022	¥	131,444	¥	4,131,919	¥	341,373	¥	4,604,738
Acquisitions		18,268		248,648		3,196		270,112
Acquisition through business combination		14,151		69,271		–		83,422
Disposals		–		(2,236)		(273)		(2,510)
Expensed as exploration expenses		(12)		–		–		(12)
Exchange differences on translation of foreign operations		19,896		585,641		968		606,506
Transfer to assets held for sale		–		(90,086)		–		(90,086)
Other *		(1,182)		(81,948)		32		(83,098)
As of December 31, 2022		182,565		4,861,208		345,297		5,389,071
Acquisitions		48,012		201,884		1,338		251,236
Disposals		–		(4,537)		(1,288)		(5,826)
Expensed as exploration expenses		(14,805)		–		–		(14,805)
Exchange differences on translation of foreign operations		11,803		319,427		499		331,730
Other *		–		8,205		2		8,207
As of December 31, 2023	¥	227,575	¥	5,386,188	¥	345,849	¥	5,959,614

(Thousands of U.S. dollars)

Acquisition cost		Exploration and evaluation assets		Development and production assets		Sales and distribution related assets		Total
As of December 31, 2022	$	1,287,300	$	34,277,309	$	2,434,755	$	37,999,372
Acquisitions		338,541		1,423,522		9,434		1,771,513
Disposals		–		(31,991)		(9,081)		(41,080)
Expensed as exploration expenses		(104,392)		–		–		(104,392)
Exchange differences on translation of foreign operations		83,225		2,252,340		3,518		2,339,091
Other *		–		57,855		14		57,869
As of December 31, 2023	$	1,604,674	$	37,979,043	$	2,438,647	$	42,022,380

Note: Other changes include the impact, etc. of changes in estimates of asset retirement obligations and lease liabilities.

(Millions of yen)

Accumulated depreciation and impairment losses		Exploration and evaluation assets		Development and production assets		Sales and distribution related assets		Total
As of January 1, 2022	¥	(13,606)	¥	(1,102,844)	¥	(195,905)	¥	(1,312,355)
Depreciation *1		–		(293,364)		(7,969)		(301,333)
Impairment loss *2		(13,440)		(132,903)		–		(146,343)
Disposals		–		1,423		258		1,681
Exchange differences on translation of foreign operations		(2,121)		(141,781)		(8)		(143,910)
Transfer to assets held for sale		–		56,062		–		56,062
Other		–		(2,330)		(32)		(2,362)
As of December 31, 2022		(29,167)		(1,615,738)		(203,656)		(1,848,563)
Depreciation *1		–		(303,670)		(7,446)		(311,117)
Impairment loss *2		(106)		(100,783)		–		(100,890)
Disposals		–		2,992		1,274		4,266
Exchange differences on translation of foreign operations		(1,413)		(101,992)		–		(103,406)
Other		–		1,738		(83)		1,655
As of December 31, 2023	¥	(30,688)	¥	(2,117,455)	¥	(209,911)	¥	(2,358,055)

(Thousands of U.S. dollars)

Accumulated depreciation and impairment losses		Exploration and evaluation assets		Development and production assets		Sales and distribution related assets		Total
As of December 31, 2022	$	(205,662)	$	(11,392,878)	$	(1,436,017)	$	(13,034,571)
Depreciation *1		–		(2,141,235)		(52,503)		(2,193,745)
Impairment loss *2		(747)		(710,640)		–		(711,394)
Disposals		–		21,097		8,983		30,080
Exchange differences on translation of foreign operations		(9,963)		(719,165)		–		(729,135)
Other		–		12,254		(585)		11,669
As of December 31, 2023	$	(216,386)	$	(14,930,581)	$	(1,480,122)	$	(16,627,097)

Notes:
1. Depreciation is included in “Cost of sales” in the consolidated statement of profit or loss.
2. Please refer to “16. Impairment of non-financial assets” for details of impairment losses.

Carrying amount of oil and gas assets is as follows:

Carrying amount		Exploration and evaluation assets		Development and production assets		Sales and distribution related assets		Total
As of January 1, 2022 (Millions of yen)	¥	117,837	¥	3,029,075	¥	145,468	¥	3,292,382
As of December 31, 2022 (Millions of yen)		153,397		3,245,469		141,640		3,540,507
As of December 31, 2023 (Millions of yen)	¥	196,887	¥	3,268,733	¥	135,937	¥	3,601,558
As of December 31, 2023 (Thousands of U.S. dollars)	$	1,388,287	$	23,048,462	$	958,517	$	25,395,275

Amounts of oil and gas assets under construction included and recognized in the carrying amounts above were ¥376,779 million as of January 1, 2022, ¥458,522 million as of December 31, 2022, and ¥521,135 million (U.S.$3,674,622 thousand) as of December 31, 2023.
Please refer to “37. Commitments” for commitments related to acquisition of oil and gas assets.

13. Other property, plant and equipment

Changes in acquisition cost, accumulated depreciation and impairment losses of other property, plant and equipment are as follows:

(Millions of yen)

Acquisition cost	Buildings and structures	Machinery, equipment and vehicles	Land	Construction in progress	Other	Total
As of January 1, 2022	¥ 27,702	¥ 12,699	¥ 6,447	¥ 475	¥ 6,126	¥ 53,451
Acquisitions	120	384	58	2,415	184	3,164
Acquisition through business combination	323	–	–	–	42	365
Disposals	(2,166)	(250)	(53)	–	(583)	(3,054)
Transfer from construction in progress	346	19	–	(484)	119	–
Exchange differences on translation of foreign operations	675	4	–	70	144	895
Transfer to assets held for sale	(422)	(22)	(737)	–	(51)	(1,234)
Other *	(305)	–	–	–	(56)	(361)
As of December 31, 2022	26,272	12,834	5,715	2,476	5,925	53,224
Acquisitions	789	390	–	733	302	2,215
Disposals	(410)	(225)	(39)	–	(157)	(832)
Transfer from construction in progress	–	41	221	(262)	–	–
Exchange differences on translation of foreign operations	344	–	–	40	78	464
Other *	604	–	–	(869)	4	(260)
As of December 31, 2023	¥ 27,600	¥ 13,040	¥ 5,897	¥ 2,119	¥ 6,153	¥ 54,811

(Thousands of U.S. dollars)

Acquisition cost	Buildings and structures	Machinery, equipment and vehicles	Land	Construction in progress	Other	Total
As of December 31, 2022	$ 185,248	$ 90,494	$ 40,297	$ 17,458	$ 41,778	$ 375,292
Acquisitions	5,563	2,749	–	5,168	2,129	15,618
Disposals	(2,890)	(1,586)	(274)	–	(1,107)	(5,866)
Transfer from construction in progress	–	289	1,558	(1,847)	–	–
Exchange differences on translation of foreign operations	2,425	–	–	282	549	3,271
Other *	4,258	–	–	(6,127)	28	(1,833)
As of December 31, 2023	$ 194,612	$ 91,947	$ 41,580	$ 14,941	$ 43,385	$ 386,482

Note: Other changes include the impact of reclassifying part of other property, plant and equipment to oil and gas assets.

(Millions of yen)

Accumulated depreciation and impairment losses	Buildings and structures	Machinery, equipment and vehicles	Land	Construction in progress	Other	Total
As of January 1, 2022	¥ (10,892)	¥ (9,609)	¥ –	¥ –	¥ (5,192)	¥ (25,693)
Depreciation *	(2,727)	(602)	–	–	(303)	(3,633)
Disposals	2,010	246	–	–	581	2,839
Exchange differences on translation of foreign operations	(221)	(2)	–	–	(121)	(344)
Transfer to assets held for sale	302	10	–	–	23	336
Other	239	(1)	–	–	423	662
As of December 31, 2022	(11,288)	(9,957)	–	–	(4,587)	(25,834)
Depreciation *	(2,735)	(622)	–	–	(327)	(3,685)
Disposals	316	213			92	623
Exchange differences on translation of foreign operations	(139)	–	–	–	(65)	(205)
Other	(329)	1	–	–	99	(228)
As of December 31, 2023	¥ (14,176)	¥ (10,365)	¥ –	¥ –	¥ (4,789)	¥ (29,330)

(Thousands of U.S. dollars)

Accumulated depreciation and impairment losses	Buildings and structures	Machinery, equipment and vehicles	Land	Construction in progress	Other	Total
As of December 31, 2022	$ (79,593)	$ (70,208)	$ –	$ –	$ (32,343)	$ (182,160)
Depreciation *	(19,285)	(4,385)	–	–	(2,305)	(25,983)
Disposals	2,228	1,501	–	–	648	4,392
Exchange differences on translation of foreign operations	(980)	–	–	–	(458)	(1,445)
Other	(2,319)	7	–	–	698	(1,607)
As of December 31, 2023	$ (99,957)	$ (73,085)	$ –	$ –	$ (33,768)	$ (206,811)

Note: Depreciation is included in “Selling, general and administrative expenses” in the consolidated statement of profit or loss.

Carrying amount of other property, plant and equipment is as follows:

Carrying amount	Buildings and structures	Machinery, equipment and vehicles	Land	Construction in progress	Other	Total
As of January 1, 2022 (Millions of yen)	¥ 16,809	¥ 3,090	¥ 6,447	¥ 475	¥ 934	¥ 27,757
As of December 31, 2022 (Millions of yen)	14,983	2,876	5,715	2,476	1,338	27,390
As of December 31, 2023 (Millions of yen)	¥ 13,424	¥ 2,675	¥ 5,897	¥ 2,119	¥ 1,364	¥ 25,481
As of December 31, 2023 (Thousands of U.S. dollars)	$ 94,655	$ 18,861	$ 41,580	$ 14,941	$ 9,617	$ 179,671

Please refer to “37. Commitments” for commitments related to acquisition of other property, plant and equipment.

14. Goodwill and intangible assets

Changes in acquisition cost, accumulated depreciation and impairment losses of goodwill and intangible assets are as follows:

(Millions of yen)

Acquisition cost	Goodwill		Intangible assets					
			Software		Other		Total	
As of January 1, 2022	¥	–	¥	18,650	¥	9,450	¥	28,100
Acquisitions		–		1,846		184		2,031
Acquisition through business combination		19,265		–		–		–
Disposals		–		(191)		(188)		(380)
Exchange differences on translation of foreign operations		441		1,093		120		1,214
Other		–		–		41		41
As of December 31, 2022		19,706		21,399		9,608		31,007
Acquisitions		–		1,125		2,733		3,859
Disposals		–		(381)		(438)		(820)
Exchange differences on translation of foreign operations		764		604		158		762
Other		–		–		48		48
As of December 31, 2023	¥	20,471	¥	22,747	¥	12,110	¥	34,857

(Thousands of U.S. dollars)

Acquisition cost	Goodwill		Intangible assets					
			Software		Other		Total	
As of December 31, 2022	$	138,950	$	150,888	$	67,747	$	218,636
Acquisitions		–		7,932		19,270		27,210
Disposals		–		(2,686)		(3,088)		(5,781)
Exchange differences on translation of foreign operations		5,387		4,258		1,114		5,373
Other		–		–		338		338
As of December 31, 2023	$	144,344	$	160,393	$	85,389	$	245,783

(Millions of yen)

Accumulated amortization and impairment losses	Goodwill	Intangible assets Software	Other	Total
As of January 1, 2022	¥ –	¥ (17,145)	¥ (4,906)	¥ (22,052)
Amortization *	–	(954)	(255)	(1,209)
Disposals	–	191	17	208
Exchange differences on translation of foreign operations	–	(1,062)	(119)	(1,182)
Other	–	–	3	3
As of December 31, 2022	–	(18,971)	(5,261)	(24,232)
Amortization *	–	(865)	(246)	(1,111)
Disposals	–	192	25	218
Exchange differences on translation of foreign operations	–	(556)	(141)	(698)
As of December 31, 2023	¥ –	¥ (20,200)	¥ (5,624)	¥ (25,824)

(Thousands of U.S. dollars)

Accumulated amortization and impairment losses	Goodwill	Intangible assets Software	Other	Total
As of December 31, 2022	$ –	$ (133,768)	$ (37,096)	$ (170,864)
Amortization *	–	(6,099)	(1,734)	(7,833)
Disposals	–	1,353	176	1,537
Exchange differences on translation of foreign operations	–	(3,920)	(994)	(4,921)
As of December 31, 2023	$ –	$ (142,434)	$ (39,655)	$ (182,089)

Note: Amortization is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of profit or loss.

Carrying amount of goodwill and intangible assets is as follows:

Carrying amount	Goodwill	Intangible assets Software	Other	Total
As of January 1, 2022 (Millions of yen)	¥ –	¥ 1,504	¥ 4,543	¥ 6,048
As of December 31, 2022 (Millions of yen)	19,706	2,428	4,346	6,775
As of December 31, 2023 (Millions of yen)	¥ 20,471	¥ 2,547	¥ 6,485	¥ 9,033
As of December 31, 2023 (Thousands of U.S. dollars)	$ 144,344	$ 17,959	$ 45,726	$ 63,693

Please refer to "37. Commitments" for commitments related to acquisition of intangible assets.

15. Leases

The Group leases mainly drilling rigs for the development, production, and sale of oil and gas, fixed-term land leases for field and business offices, land leases for domestic trunk pipelines, fixed-term charter vessels for transportation of raw materials and products, and offices.

The breakdown of lease-related expenses is as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	For the year ended December 31, 2022	For the year ended December 31, 2023	For the year ended December 31, 2023
Depreciation associated with right-of-use assets			
Oil and gas assets			
Development and production assets	¥ 14,961	¥ 17,354	$ 122,366
Sales and distribution related assets	1,272	1,297	9,145
Subtotal	16,234	18,651	131,511
Other property, plant and equipment			
Buildings and structures	2,201	2,308	16,274
Total	18,435	20,959	147,785
Interest expense on lease liabilities	1,360	1,485	10,471
Expense for short-term leases	21	1	7
Total	¥ 1,381	¥ 1,486	$ 10,478

The breakdown of the carrying amount of right-of-use assets included in oil and gas assets and other property, plant and equipment is as follows:

	(Millions of yen)			(Thousands of U.S. dollars)
	As of January 1, 2022	As of December 31, 2022	As of December 31, 2023	As of December 31, 2023
Right-of-use assets				
Oil and gas assets				
Development and production assets	¥ 47,618	¥ 53,706	¥ 53,939	$ 380,334
Sales and distribution related assets	24,276	24,401	23,450	165,350
Subtotal	71,894	78,108	77,389	545,684
Other property, plant and equipment				
Buildings and structures	10,094	8,339	6,936	48,907
Total	¥ 81,988	¥ 86,447	¥ 84,326	$ 594,598

The total increase in right-of-use assets through new acquisition was ¥1,473 million and ¥3,994 million (U.S.$28,162 thousand) for the previous fiscal year and the current fiscal year, respectively.
The total cash outflow related to leases was ¥19,384 million and ¥20,119 million (U.S.$141,862 thousand) in the previous fiscal year and the current fiscal year, respectively.
The total future cash outflow related to lease contracts that have not yet commenced was ¥71,562 million (U.S.$504,597 thousand) as of December 31, 2023.
Please refer to "31. Financial instruments" for the maturity analysis of lease liabilities. Lease liabilities are recorded in "Other financial liabilities" in the consolidated statement of financial position.

16. Impairment of non-financial assets

(1) Impairment loss

The breakdown of impairment losses by segment is as follows:

(Millions of yen)

	For the year ended December 31, 2022			For the year ended December 31, 2023		
	Oil and gas assets		Investments accounted for using the equity method	Oil and gas assets		Investments accounted for using the equity method
	Exploration and evaluation assets	Development and production assets		Exploration and evaluation assets	Development and production assets	
Oil & Gas Japan	¥ 9,707	¥ –	¥ –	¥ –	¥ –	¥ –
Oil & Gas Overseas - Ichthys Project	3,732	–	–	–	–	–
Oil & Gas Overseas - Other Projects	–	132,903	–	106	100,783	–
Other	–	–	3,020	–	–	27,807
Total	¥ 13,440	¥ 132,903	¥ 3,020	¥ 106	¥ 100,783	¥ 27,807

(Thousands of U.S. dollars)

	For the year ended December 31, 2023		
	Oil and gas assets		Investments accounted for using the equity method
	Exploration and evaluation assets	Development and production assets	
Oil & Gas Japan	$ –	$ –	¥ –
Oil & Gas Overseas - Ichthys Project	–	–	–
Oil & Gas Overseas - Other Projects	747	710,640	–
Other	–	–	196,072
Total	$ 747	$ 710,640	$ 196,072

In the consolidated statement of profit or loss, impairment losses on oil and gas assets are recorded in "Other operating expenses," and impairment losses on investments accounted for using the equity method are recorded in "Share of profit (loss) of investments accounted for using the equity method."

For the year ended December 31, 2022
Regarding Eagle Ford shale play of the "Oil & Gas Overseas – Other Projects" segment, due to the decision to sell the project, the assets and liabilities related to the project were classified as a disposal group held for sale, and as a result, the carrying amount of the disposal group was reduced to the recoverable amount, and an impairment loss of ¥44,614 million was recorded. The recoverable amount of ¥19,523 million is measured at fair value less costs of disposal. Fair value is based on the sale price and is classified as Level 3.
Regarding the Offshore North Caspian Sea project of the "Oil & Gas Overseas – Other Projects" segment, due to confirmed indications of impairment mainly as a result of the rise in the discount rate, the carrying amount of the oil and gas assets related to the project was reduced to the recoverable amount, and an impairment loss of ¥43,157 million was recorded. The recoverable amount of ¥441,098 million is measured by value in use, which is calculated by discounting future cash flows to present value using a pre-tax discount rate of 14.9%.
Regarding the ACG project of the "Oil & Gas Overseas – Other Projects" segment, due to confirmed indications of impairment mainly as a result of the downgrade of the reserves evaluation and rise in the discount rate, the carrying amount of the oil and gas assets related to the project was reduced to the recoverable amount, and an impairment loss of ¥32,934 million was recorded. The recoverable amount of ¥109,957 million is measured by value in use, which is calculated by discounting future cash flows to present value using a pre-tax discount rate of 15.4%.

For the year ended December 31, 2023
Regarding the Prelude FLNG project of the "Oil & Gas Overseas – Other Projects" segment, due to confirmed indications of impairment mainly as a result of changes in the external environment, etc. including a tightening of environmental regulations in Australia, etc., the carrying amount of the oil and gas assets related to the project was reduced to the recoverable amount, and an impairment loss of ¥81,898 million (U.S.$577,478 thousand) was recorded. The recoverable amount of ¥208,822 million (U.S.$1,472,443 thousand) is measured by value in use, which is calculated by discounting future cash flows to present value using a pre-tax discount rate of 12.9%. Please refer to "4. Critical accounting estimates and judgments (1) Impairment of non-financial assets" for key assumptions related to the impairment loss.
An impairment loss of ¥27,807 million (U.S.$196,072 thousand) was recorded after conducting an impairment test for a portion of investments accounted for using the equity method related to the five net-zero businesses included in the "Other" category.

(2) Impairment of goodwill

Goodwill arising from business combinations is allocated to the cash-generating unit or group of cash-generating units that will derive synergies generated by the business combination at the acquisition date.
The breakdown of the carrying amount of goodwill by segment and, by the cash-generating unit or by group of cash-generating units is as follows:

		(Millions of yen)			(Thousands of U.S. dollars)
Reportable segment	Cash generating unit or group of cash generating units	As of January 1, 2022	As of December 31, 2022	As of December 31, 2023	As of December 31, 2023
Oil & Gas Overseas – Other Projects	INPEX Idemitsu Norge AS	¥ –	¥ 19,706	¥ 20,471	$ 144,344

In the previous fiscal year and the current fiscal year, the recoverable amount for impairment testing was calculated based on value in use. Value in use is calculated by discounting the estimated future cash flows over the probable productive years based on the total quantity of proved and probable reserves in mining areas held to present value based on the pre-tax weighted average cost of capital of the relevant cash-generating unit or group of cash-generating units. Key assumptions in estimating cash flows are reserves and future oil prices. Please refer to “4. Critical accounting estimates and judgments” for details. The post-tax discount rate used in the calculation was 5.9% (6.5% in the previous fiscal year). The pre-tax discount rate was 47.7% (104.7% in the previous fiscal year) due to characteristics such as high tax rates and future cash flows, etc. in the regions where the cash-generating unit or group of cash-generating units operates.
Although there is a risk of impairment if the key assumptions used for impairment testing change, value in use is well above the carrying amount of the cash-generating unit or group of cash-generating units, and it is considered unlikely that value in use would be less than the carrying amount even if the key assumptions used for impairment testing changed within a reasonably foreseeable range.

17. Income taxes

(1) Deferred tax assets and deferred tax liabilities

The breakdown of deferred tax assets and deferred tax liabilities by major cause of occurrence is as follows:

	(Millions of yen)			(Thousands of U.S. dollars)
	Consolidated statement of financial position			
	As of January 1, 2022	As of December 31, 2022	As of December 31, 2023	As of December 31, 2023
Deferred tax assets				
Net operating loss carry-forwards	¥ 130,990	¥ 87,509	¥ 46,578	$ 328,430
Excess depreciation	12,814	25,057	30,248	213,284
Liability for retirement benefits	2,256	2,505	2,805	19,778
Translation differences of assets and liabilities denominated in foreign currencies	3,414	5,385	5,619	39,620
Asset retirement obligations	41,418	78,796	90,450	637,780
Impairment loss	1,090	12,254	36,270	255,746
Lease liabilities	22,982	24,184	24,092	169,877
Other *	25,114	50,272	33,247	234,430
Total	240,080	285,965	269,312	1,898,970
Deferred tax liabilities				
Foreign taxes	(307,576)	(381,911)	(466,062)	(3,286,292)
Valuation differences due to an application of the purchase method	(5,346)	(12,409)	(12,046)	(84,938)
Financial assets measured at FVOCI	(3,282)	(3,713)	(4,291)	(30,256)
Right-of-use assets	(16,542)	(15,986)	(14,571)	(102,742)
Other	(17,493)	(28,959)	(32,303)	(227,774)
Total	(350,240)	(442,980)	(529,274)	(3,732,012)
Total amount	¥ (110,160)	¥ (157,014)	¥ (259,962)	$ (1,833,041)

Note: "Other" in deferred tax assets for the year ended December 31, 2022 is mainly due to temporary differences related to investments in subsidiaries.

	(Millions of yen)		(Thousands of U.S. dollars)
	Consolidated statement of profit or loss		
	For the year ended December 31, 2022	For the year ended December 31, 2023	For the year ended December 31, 2023
Deferred tax assets			
Net operating loss carry-forwards	¥ (62,611)	¥ (45,998)	$ (324,340)
Excess depreciation	7,254	3,017	21,273
Liability for retirement benefits	(208)	(172)	(1,212)
Translation differences of assets and liabilities denominated in foreign currencies	1,444	(121)	(853)
Asset retirement obligations	2,701	7,455	52,566
Impairment loss	11,085	23,112	162,967
Lease liabilities	(1,520)	(1,569)	(11,063)
Other	26,038	(20,200)	(142,434)
Total	(15,816)	(34,475)	(243,089)
Deferred tax liabilities			
Foreign taxes	14,136	(56,902)	(401,226)
Valuation differences due to an application of the purchase method	512	656	4,625
Financial assets measured at FVOCI	–	–	–
Right-of-use assets	2,535	2,229	15,717
Other	(11,260)	(3,420)	(24,115)
Total	5,923	(57,437)	(404,999)
Total amount	¥ (9,892)	¥ (91,912)	$ (648,089)

Net changes in deferred tax assets and deferred tax liabilities are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	For the year ended December 31, 2022	For the year ended December 31, 2023	For the year ended December 31, 2023
At beginning of the year	¥ (110,160)	¥ (157,014)	$ (1,107,135)
Amount recorded in deferred tax expense	(9,892)	(91,912)	(648,089)
Amount recorded in other comprehensive income	(2,132)	(2,014)	(14,201)
Increase (decrease) due to business combination	(19,029)	–	–
Other *	(15,798)	(9,020)	(63,601)
At end of the year	¥ (157,014)	¥ (259,962)	$ (1,833,041)

Note: "Other" is mainly due to exchange differences.

The deferred tax assets and deferred tax liabilities recorded in the consolidated statement of financial position are as follows:

	(Millions of yen)			(Thousands of U.S. dollars)
	As of January 1, 2022	As of December 31, 2022	As of December 31, 2023	As of December 31, 2023
Deferred tax assets	¥ 27,276	¥ 77,541	¥ 72,977	$ 514,574
Deferred tax liabilities	(137,437)	(234,556)	(332,940)	(2,347,623)
Total amount	¥ (110,160)	¥ (157,014)	¥ (259,962)	$ (1,833,041)

Deferred tax assets as of January 1, 2022, December 31, 2022, and December 31, 2023 attributable to taxable entities that incurred losses in the previous fiscal year or the current fiscal year amounted to ¥16,127 million, ¥45,394 million, and ¥48,465 million (U.S.$341,736 thousand), respectively. The Group determines the recoverability of deferred tax assets for deductible temporary differences by considering taxable income and tax planning based on future earning capacity attributable to reserves, etc.

The amount of deductible temporary differences and net operating loss carryforwards before tax impacts for which no deferred tax assets are recognized are as follows:

	(Millions of yen)			(Thousands of US dollars)
	As of January 1, 2022	As of December 31, 2022	As of December 31, 2023	As of December 31, 2023
Deductible temporary differences	¥ 649,444	¥ 523,352	¥ 559,027	$ 3,941,806
Net operating loss carryforwards	869,982	771,695	752,266	5,304,371
Total	¥ 1,519,426	¥ 1,295,048	¥ 1,311,294	$ 9,246,185

Net operating loss carryforwards for which no deferred tax assets are recognized will expire as follows:

	(Millions of yen)			(Thousands of U.S. dollars)
	As of January 1, 2022	As of December 31, 2022	As of December 31, 2023	As of December 31, 2023
1 year or less	¥ 3,100	¥ 6,111	¥ 1,619	$ 11,415
More than 1 year and up to 5 years	56,741	43,911	27,558	194,316
More than 5 years and up to 10 years	60,727	74,603	44,556	314,172
More than 10 years	75,303	67,889	89,203	628,987
Not due to be carried forward	674,109	579,179	589,329	4,155,471
Total	¥ 869,982	¥ 771,695	¥ 752,266	$ 5,304,371

The total amount of taxable temporary differences related to investments in subsidiaries for which deferred tax liabilities have not been recognized was ¥8,474 million as of January 1, 2022, as the Group can control the timing of resolving the temporary differences and it is likely that such temporary differences will not be reversed within a foreseeable period. There are no such amounts applicable to the years ended December 31, 2022 and December 31, 2023.

(2) Income tax expense

The breakdown of income tax expense is as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	For the year ended December 31, 2022	For the year ended December 31, 2023	For the year ended December 31, 2023
Current tax expense	¥ 949,534	¥ 828,895	$ 5,844,697
Deferred tax expense			
Occurrence and reversal of temporary differences, etc.	43,668	96,510	680,510
Change in tax rate	6,569	(2,112)	(14,892)
Write-downs and reversals of write-downs of deferred tax assets	(40,345)	(2,484)	(17,515)
Total	¥ 959,427	¥ 920,807	$ 6,492,786

Current tax expense includes the amount of previously unrecognized tax losses, tax credits, or benefits arising from temporary differences in prior periods. The decrease in current tax expense associated with this was ¥14,896 million and ¥2,707 million (U.S.$19,087 thousand) for the previous fiscal year and the current fiscal year, respectively.

Factors in the difference between the statutory tax rate and average actual tax rate are as follows:

(%)

	For the year ended December 31, 2022	For the year ended December 31, 2023
Statutory tax rate	28.0	28.0
Changes in unrecognized deferred tax assets	(3.6)	0.3
Foreign tax	30.3	33.8
Foreign tax credit	(4.7)	(4.4)
Adjustment for deductible foreign taxes	(4.6)	(4.7)
Differences of effective tax rates applied to tax effect accounting (foreign subsidiaries)	22.5	20.0
Share of profit (loss) of investments accounted for using the equity method	(3.2)	(0.4)
Other	1.7	0.9
Average actual tax rate	66.4	73.5

The Group has applied the amendments to IAS 12, “Income Taxes,” issued on May 23, 2023, from the current fiscal year. These amendments temporarily exempt the recognition and disclosure of deferred taxes for taxes arising from the Pillar Two model rules (hereinafter “Pillar Two income taxes”) issued by the Organisation for Economic Co-operation and Development (OECD), requiring new disclosures regarding Pillar Two exposures.

The Group has applied this exception retrospectively from the current fiscal year and has not recognized or disclosed deferred taxes related to Pillar Two income taxes.

Pillar Two legislation has been enacted in some countries or regions where the Group operates, and this legislation will apply to the Group’s fiscal years beginning on or after January 1, 2024. The Group performed an assessment of the potential exposure to Pillar Two income taxes.

This assessment is based on the financial statements of the Group’s constituent companies. Most countries or regions where the Group operates have transitional safe harbor relief, and countries or regions where transitional safe harbor relief does not apply have an effective Pillar Two tax rate that exceeds 15%. The Group does not expect any potential exposure to Pillar Two income taxes.

18. Trade and other payables

The breakdown of trade and other payables is as follows:

	(Millions of yen)			(Thousands of U.S. dollars)
	As of January 1, 2022	As of December 31, 2022	As of December 31, 2023	As of December 31, 2023
Accounts payable-trade	¥ 14,888	¥ 47,183	¥ 35,527	$ 250,507
Accounts payable-other	103,040	122,421	124,264	876,209
Accrued expenses	28,595	41,232	48,121	339,310
Total	¥ 146,524	¥ 210,836	¥ 207,913	$ 1,466,034

Trade and other payables are categorized as financial liabilities measured at amortized cost.

19. Bonds and borrowings

The breakdown of borrowings is as follows:

	(Millions of yen)			(Thousands of U.S. dollars)		
	As of January 1, 2022	As of December 31, 2022	As of December 31, 2023	As of December 31, 2023	Average interest rate (%) *1	Maturity *2
Current liabilities						
Short-term borrowings	¥ 5,110	¥ 5,556	¥ 27,358	$ 192,906	7.0	–
Current portion of long-term borrowings	75,382	70,322	133,700	942,744	6.4	–
Total	80,493	75,878	161,059	1,135,657		
Non-current liabilities						
Long-term borrowings	1,069,721	1,164,369	865,923	6,105,789	5.4	2025 to 2036
Total	¥ 1,069,721	¥ 1,164,369	¥ 865,923	$ 6,105,789		

Notes: 1. "Average interest rate" is calculated using the weighted average rate of the outstanding balance as of December 31, 2023.
2. "Maturity" is the maturity of the outstanding balance as of December 31, 2023.

The breakdown of bonds payable is as follows:

			(Millions of yen)			(Thousands of U.S. dollars)			
Company name	Bond name	Date of issue	As of January 1, 2022	As of December 31, 2022	As of December 31, 2023	As of December 31, 2023	Interest rate (%)	Collateral	Maturity
INPEX CORPO-RATION	1st, unsecured bond (with inter-bond pari passu clause)	March 16, 2021	¥ 10,000	¥ 10,000	¥ 10,000	$ 70,511	0.08	Unsecured	March 16, 2026
INPEX CORPO-RATION	2nd, unsecured bond (with inter-bond pari passu clause)	March 16, 2021	10,000	10,000	10,000	70,511	0.30	Unsecured	March 14, 2031
INPEX CORPO-RATION	3rd, unsecured bond (with inter-bond pari passu clause) (Green Bonds)	October 15, 2021	10,000	10,000	10,000	70,511	0.25	Unsecured	October 15, 2031
Total			¥ 30,000	¥ 30,000	¥ 30,000	$ 211,535			

Bonds and borrowings are categorized as financial liabilities measured at amortized cost. Please refer to "31. Financial instruments" for the breakdown of bonds and borrowings by maturity date and fair value.

20. Employee benefits

The Company has defined benefit plans consisting of a lump-sum retirement payment plan and a defined benefit corporate pension plan, as well as a defined contribution pension plan. In addition, a retirement benefit trust has been established for

the defined benefit corporate pension plan and lump-sum retirement payment plan.
Also, certain subsidiaries have defined contribution pension plans, defined benefit corporate pension plans, lump-sum retirement payment plans, and other plans.

(1) Defined benefit plans

[1] Reconciliation between defined benefit plan obligations and plan assets and liability for retirement benefits and asset for retirement benefits on the consolidated statement of financial position

The relationship between defined benefit plan obligations and plan assets at the end of the year and liability for retirement benefits and asset for retirement benefits on the consolidated statement of financial position is as follows:

	(Millions of yen)			(Thousands of U.S. dollars)
	As of January 1, 2022	As of December 31, 2022	As of December 31, 2023	As of December 31, 2023
Defined benefit plan obligations for funded plans	¥ 23,042	¥ 23,957	¥ 23,512	$ 165,787
Plan assets	(16,754)	(25,691)	(28,018)	(197,560)
Defined benefit plan obligations for unfunded plans	765	689	803	5,662
Impact of asset limits	–	–	3,609	25,447
Net of defined benefit liabilities and assets recognized in the consolidated statement of financial position	7,052	(1,044)	(93)	(655)
Liability for retirement benefits	7,052	689	803	5,662
Asset for retirement benefits	–	(1,734)	(896)	(6,317)
Net of defined benefit liabilities and plan assets recognized in the consolidated statement of financial position	¥ 7,052	¥ (1,044)	¥ (93)	$ (655)

[2] Reconciliation of present value of defined benefit plan obligations

Changes in the present value of defined benefit plan obligations are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	For the year ended December 31, 2022	For the year ended December 31, 2023	For the year ended December 31, 2023
Present value of defined benefit plan obligations at beginning of the year	¥ 23,807	¥ 24,647	$ 173,790
Service cost	1,800	1,350	9,519
Interest cost	214	417	2,940
Remeasurements			
- Actuarial difference arising from change in financial assumptions	(2,582)	(707)	(4,985)
- Actuarial difference arising from revision of actual results	(64)	16	112
Benefit payments	(1,876)	(1,527)	(10,767)
Increase due to acquisition of new subsidiaries	3,509	–	–
Past service cost	(232)	45	317
Exchange differences on translation of foreign operations	127	156	1,099
Other	(56)	(81)	(571)
Present value of defined benefit plan obligations at end of the year	¥ 24,647	¥ 24,315	$ 171,449

The weighted average duration of defined benefit plan obligations as of January 1, 2022, December 31, 2022, and December 31, 2023 is 13.6 years, 12.4 years, and 12.7 years, respectively.

[3] Reconciliation of fair value of plan assets

Changes in fair value of plan assets are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	For the year ended December 31, 2022	For the year ended December 31, 2023	For the year ended December 31, 2023
Fair value of plan assets at beginning of the year	¥ 16,754	¥ 25,691	$ 181,152
Interest income	140	425	2,996
Remeasurements			
Return on plan assets	(259)	1,162	8,193
Contributions to the plans	915	1,692	11,930
Benefit payments	(950)	(1,006)	(7,093)
Increase due to acquisition of new subsidiaries	2,049	–	–
Exchange differences on translation of foreign operations	42	101	712
Amount of retirement benefit trusts established	7,041	–	–
Other	(41)	(48)	(338)
Fair value of plan assets at end of the year	¥ 25,691	¥ 28,018	$ 197,560

The Group plans to contribute premiums of ¥1,433 million for the year ending December 31, 2024.

[4] Itemized breakdown of plan assets

The breakdown of plan assets by major item is as follows:

	(Millions of yen)					
	As of January 1, 2022			As of December 31, 2022		
	With an active market	Without an active market	Total	With an active market	Without an active market	Total
Equity investments (domestic)	¥ 827	¥ 2,557	¥ 3,385	¥ 1,078	¥ 1,955	¥ 3,033
Equity investments (foreign)	–	1,536	1,536	237	1,646	1,883
Bonds (foreign)	–	3,653	3,653	–	6,923	6,923
Alternative assets *	–	924	924	–	6,253	6,253
Life insurance general account	–	7,254	7,254	–	6,142	6,142
Other	–	0	0	–	1,454	1,454
Total	¥ 827	¥ 15,926	¥ 16,754	¥ 1,315	¥ 24,376	¥ 25,691

	(Millions of yen)			(Thousands of U.S. dollars)		
	As of December 31, 2022			As of December 31, 2023		
	With an active market	Without an active market	Total	With an active market	Without an active market	Total
Equity investments (domestic)	¥ 1,149	¥ 2,472	¥ 3,621	$ 8,101	$ 17,430	$ 25,532
Equity investments (foreign)	347	2,329	2,676	2,446	16,422	18,868
Bonds (foreign)	–	7,306	7,306	–	51,516	51,516
Alternative assets *	–	7,216	7,216	–	50,881	50,881
Life insurance general account	–	5,994	5,994	–	42,264	42,264
Other	–	1,201	1,201	–	8,468	8,468
Total	¥ 1,497	¥ 26,521	¥ 28,018	$ 10,555	$ 187,004	$ 197,560

Note: Alternative assets include commodities, multi-asset management, etc.

The purpose of the Company's pension fund is to secure a rate of return sufficient to maintain a sound pension plan in the future over the long term, while considering medium-term downside risks so as to ensure that pension benefits and other lump-sum payments to pensioners (including future pensioners) continue into the future. The basic policy in managing the plan assets is to formulate a basic portfolio with an optimal combination of assets for the future and to strive to maintain asset allocation based on this while considering rebalancing the portfolio as necessary.

In accordance with the Defined Benefit Corporate Pension Act, the amount of contributions is regularly reviewed such as by recalculating contributions every three years, so as to maintain a financial balance in the future.

In addition to this, the Company may contribute marketable stocks or cash to a retirement benefit trust to compensate for underfunding in retirement benefit accounting and maintain soundness of pension funding.

[5] Impact of asset limits

When a defined benefit plan is overfunded, the defined benefit asset recognized in the consolidated statement of financial position is the present value of the available future economic benefits in the form of returns from the defined benefit plan and reductions in future contributions, which is the asset limit.

The changes in the impact of asset limits are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	For the year ended December 31, 2022	For the year ended December 31, 2023	For the year ended December 31, 2023
Impact at beginning of the year	¥ –	¥ –	$ –
Remeasurements			
Change in impact of asset limits	–	3,609	25,447
Impact at end of the year	¥ –	¥ 3,609	$ 25,447

[6] Principal actuarial assumptions

The main assumptions used in actuarial calculations are as follows:

	As of January 1, 2022	As of December 31, 2022	As of December 31, 2023
Discount rate (%)	0.6	1.5	1.7

[7] Sensitivity analysis

The impact on the present value of defined benefit plan obligations when the discount rate used in actuarial calculations changes by 0.5% is as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	As of December 31, 2022	As of December 31, 2023	As of December 31, 2023
When the discount rate increases by 0.5%	¥ (1,216)	¥ (1,206)	$ (8,503)
When the discount rate decreases by 0.5%	¥ 1,235	¥ 1,225	$ 8,637

(2) Defined contribution plans

The amounts recognized as expenses in relation to defined contribution plans during the years ended December 31, 2022 and December 31, 2023 were ¥4,811 million and ¥5,485 million (U.S.$38,675 thousand), respectively.

(3) Employee benefit expenses

The total employee benefit expenses included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of profit or loss for the years ended December 31, 2022 and December 31, 2023 were ¥35,839 million and ¥41,929 million (U.S.$295,649 thousand), respectively.

21. Asset retirement obligations

Asset retirement obligations relate to the Group's obligation to prevent mining pollution of well sites after the end of mining as stipulated by the Mine Safety Act with respect to oil and natural gas production facilities, etc., and the Group's obligation to abandon overseas oil and natural gas production facilities, etc. such as removal of such production facilities, etc. in accordance with oil contracts with the governments of oil-producing countries, local laws and regulations, etc.

Changes in asset retirement obligations are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)	
	For the year ended December 31, 2023		For the year ended December 31, 2023	
At beginning of the year	¥	344,334	$	2,427,965
Increase during the period		7,229		50,973
Accretion expenses		12,682		89,423
Obligations settled		(5,977)		(42,144)
Change in estimates *		7,408		52,235
Exchange differences on translation of foreign operations		22,482		158,524
Other increase (decrease)		341		2,404
At end of the year	¥	388,502	$	2,739,402

Note: The change in estimates was mainly due to the fact that it became evident that costs to be borne by some subsidiaries after the end of their operations would increase.

The breakdown of asset retirement obligations in the consolidated statement of financial position is as follows:

	(Millions of yen)		(Thousands of U.S. dollars)	
	For the year ended December 31, 2023		For the year ended December 31, 2023	
Current liabilities	¥	19,018	$	134,099
Non-current liabilities		369,483		2,605,295
Total	¥	388,502	$	2,739,402

The estimated period until fulfillment of the obligations constitutes either the number of productive years or the number of years until completion of the contract period (from within 1 year to 47 years), and the discount rate used in the calculation is between 0.0% and 5.3%.
For such obligations, the timing of expenditures may be unknown or may be several decades in the future. In addition, such obligations are subject to the impact of shortening the estimated time to fulfill the obligations depending on future policies and laws and regulations of each government regarding climate change, changes in work methods for mine abandonment, and rising prices of drilling equipment and materials, among other factors.
Regarding its natural gas pipeline, which serves as a domestic gas sales and distribution related facility, the Company has obligations to restore sites to their original condition upon business termination in accordance with lease contracts. The natural gas pipeline is currently being utilized as supply infrastructure with a high level of public significance and plans call for its very prolonged period of use as supply infrastructure with a high level of public significance on an ongoing basis. Therefore, it is not possible to determine a date of business termination as of December 31, 2023. In addition, there are no reliable fundamental quantitative figures such as discount rates for the relevant period due to plans calling for its very prolonged period of use. Based on the aforementioned, asset retirement obligations have not been recognized given that it is not possible to come up with reliable estimates with respect to such obligations.
The Company continues to check the business environment each reporting period so that it will be possible to record asset retirement obligations in the event that changes in the business environment that would make it possible to determine a business termination date have been identified.

22. Equity and other equity items

(1) Capital management

The Company seeks to develop and maintain an optimal capital structure in order to achieve medium- to long-term group strategies and maximize corporate value.
The indicators the Company focuses on for capital management purposes are the ratio of equity attributable to owners of parent and net debt equity ratio (net D/E ratio). The target for these indicators is reported to and monitored by management on a continuous basis. The indicators as of January 1, 2022, December 31, 2022, and December 31, 2023 are as follows:

(%)

	As of January 1, 2022	As of December 31, 2022	As of December 31, 2023
Ratio of equity attributable to owners of parent *1	57.4	59.0	62.5
Net D/E ratio *2	32.6	27.9	20.3

Notes: 1. Total equity attributable to owners of parent / total assets
2. (Interest-bearing debts – cash and cash equivalents) / total equity attributable to owners of parent

The Company is not subject to any particular significant capital requirements (other than general rules such as the Companies Act of Japan (hereinafter the "Companies Act")).

(2) Number of shares authorized and total number of shares issued

The number of shares authorized and total number of shares issued are as follows:

(Shares)

	Common Stock		Class A Stock	
	Number of shares authorized	Total number of shares issued	Number of shares authorized	Total number of shares issued
As of January 1, 2022	3,600,000,000	1,462,323,600	1	1
Increase (decrease) during the period *	–	(75,656,433)	–	–
As of December 31, 2022	3,600,000,000	1,386,667,167	1	1
Increase (decrease) during the period	–	–	–	–
As of December 31, 2023	3,600,000,000	1,386,667,167	1	1

(Note) The changes in the total number of shares of common stock issued in the previous fiscal year were due to a decrease of 75,656,433 shares resulting from the cancellation of treasury stock.

The shares issued by the Company have no par value, and all outstanding shares have been fully paid.
The common stock is standard stock with no restrictions on the rights of shareholders. The number of shares constituting a unit is 100 shares, and each share unit has one voting right.
Class A stock has no voting rights, except as otherwise provided by law. Dividends of surplus or interim dividends for Class A stock shall be paid in an amount calculated by multiplying the amount of dividends of surplus or interim dividends for one share of common stock by 400. Class A stock shareholders have the right to claim distribution of residual assets in the amount calculated by multiplying the amount of residual assets to be distributed for each common stock of the Company by 400.
Approval of the holder of the Class A Stock is necessary in addition to resolutions of the general shareholders‘ meetings and resolutions s of the Board of Directors for decisions on certain important matters such as: the appointment or removal of Directors; disposition of material assets; changes to the Articles of Incorporation; business integration, capital reduction or company dissolution in connection with the business of the Company. Accordingly, the Minister of Economy, Trade and Industry, as the holder of the Class A Stock, has veto rights over such important matters.
Such veto rights can be exercised only when it is judged to be highly probable that the Company will be managed in a manner which is inconsistent with the role it should play as a principal company for efficient achievement of a stable supply of energy to Japan, if :

[1] resolutions for the appointment or removal of Directors and integration are not rejected;
[2] resolutions pertaining to disposition of material assets are not rejected and the dispositions concern oil and natural gas exploration and production rights or other similar rights, or shares or ownership interests in a subsidiary whose main assets are such rights;
[3] resolutions on amendments to the Company's Articles of Incorporation relating to changes in the Company's business objectives, reduction in the amount of capital, or dissolution are not rejected;
[4] resolutions on amendments to the Articles of Incorporation granting voting rights to any shares other than the common shares of the Company are not rejected and could have an effect on the exercise of the voting rights of the Class A Stock.

(3) Treasury stock

The number of treasury stock is as follows:

(Shares)

	For the year ended December 31, 2022	For the year ended December 31, 2023
Total number of treasury stock:		
Common stock		
At beginning of the year	75,805,993	80,672,863
Increase (decrease) during the period *	4,866,870	47,749,843
At end of the year	80,672,863	128,422,706

(Note) The main factors for the changes in the number of treasury stock during the previous fiscal year were an increase of 79,762,500 shares due to the purchase of treasury stock by resolution of the Board of Directors and a decrease of 75,656,433 shares due to the cancellation of treasury stock by resolution of the Board of Directors.
The main factors for the changes in the number of treasury stock during the current fiscal year were an increase of 47,768,600 shares due to the purchase of treasury stock by resolution of the Board of Directors and a decrease of 18,803 shares due to delivery of the Company's stock by the Board Incentive Plan (BIP) Trust for remuneration for directors (and other officers).

(4) Capital surplus

The Companies Act stipulates that at least one-half of the payment or delivery of issuance of shares shall be incorporated in common stock, and the remainder shall be incorporated into additional paid-in capital included in capital surplus. In addition, under the Companies Act, additional paid-in capital may also be incorporated into common stock by resolution of the General Meeting of Shareholders.

(5) Retained earnings

The Companies Act provides that 10% of distributions of retained earnings shall be accumulated as additional paid-in capital or as legal reserves until the aggregate amount of the additional paid-in capital and the legal reserve equals 25% of common stock. The accumulated legal reserve can be used to cover losses. In addition, the legal reserve may be reversed by resolution of the General Meeting of Shareholders.

(6) Other components of equity

[1] Exchange differences on translation of foreign operations
Exchange differences arise from the consolidation of financial statements of foreign operations prepared in currencies other than Japanese yen, which is the presentation currency of the Group's consolidated financial statements.

[2] Cash flow hedges
This is the effective portion of the change of the hedging instrument in cash flow hedges.

[3] Financial assets measured at FVOCI
These are the changes in fair value of financial assets measured at FVOCI.

[4] Remeasurement gains (losses) on defined benefit plans
The effect of differences between the actuarial assumptions at the beginning of the year and actual experience, and the effect of changes in actuarial assumptions. These are recognized in other comprehensive income as incurred and transferred immediately from accumulated other comprehensive income to retained earnings.

23. Dividends

Dividends paid are as follows:

For the year ended December 31, 2022

Resolutions	Type of share	Cash dividends paid (Millions of yen)	Cash dividends per share (Yen)	Record date	Effective date
March 25, 2022 Ordinary General Meeting of Shareholders	Common stock	¥ 38,826	¥ 28	December 31, 2021	March 28, 2022
	Class A Stock	¥ 0	¥ 11,200	December 31, 2021	March 28, 2022
August 8, 2022 Board of Directors Meeting	Common stock	¥ 41,600	¥ 30	June 30, 2022	September 1, 2022
	Class A Stock	¥ 0	¥ 12,000	June 30, 2022	September 1, 2022

Notes: 1. The total amount of dividends (common stock) resolved at the Ordinary General Meeting of Shareholders on March 25, 2022 include dividends of ¥4 million for shares held by the Board Incentive Plan (BIP) Trust for remuneration for directors (and other officers).

2. The total amount of dividends (common stock) resolved at the Board of Directors Meeting on August 8, 2022 include dividends of ¥27 million for shares held by the Board Incentive Plan (BIP) Trust for remuneration for directors (and other officers).

For the year ended December 31, 2023

Resolutions	Type of share	Cash dividends paid (Millions of yen)	Cash dividends paid (Thousands of U.S. dollars)	Cash dividends per share (Yen)	Cash dividends per share (U.S. dollars)	Record date	Effective date
March 28, 2023 Ordinary General Meeting of Shareholders	Common stock	¥ 41,820	$ 294,880	¥ 32	$ 0.23	December 31, 2022	March 29, 2023
	Class A Stock	0	0	12,800	90.26	December 31, 2022	March 29, 2023
August 9, 2023 Board of Directors Meeting	Common stock	48,355	340,960	37	0.26	June 30, 2023	September 1, 2023
	Class A Stock	¥ 0	$ 0	¥ 14,800	$ 104.36	June 30, 2023	September 1, 2023

Notes: 1. The total amount of dividends (common stock) resolved at the Ordinary General Meeting of Shareholders on March 28, 2023 include dividends of ¥29 million (U.S.$204 thousand) for shares held by the Board Incentive Plan (BIP) Trust for remuneration for directors (and other officers).

2. The total amount of dividends (common stock) resolved at the Board of Directors Meeting on August 9, 2023 include dividends of ¥33 million (U.S.$232 thousand) for shares held by the Board Incentive Plan (BIP) Trust for remuneration for directors (and other officers).

Dividends whose effective dates are in the year ending December 31, 2024 are as follows:

For the year ended December 31, 2023

Resolutions	Type of share	Cash dividends paid (Millions of yen)	Cash dividends paid (Thousands of U.S. dollars)	Cash dividends per share (Yen)	Cash dividends per share (U.S. dollars)	Record date	Effective date
March 26, 2024 Ordinary General Meeting of Shareholders	Common stock	¥ 46,588	$ 328,500	¥ 37	$ 0.26	December 31, 2023	March 27, 2024
	Class A Stock	0	0	14,800	104.36	December 31, 2023	March 27, 2024

(Note) The total amount of dividends (common stock) include dividends of ¥32 million (U.S.$225 thousand) for shares held by the Board Incentive Plan (BIP) Trust for remuneration for directors (and other officers).

24. Share-based remuneration transactions

(1) Details of share-based remuneration plans

In 2018, the Company introduced a stock-based remuneration system for Directors, etc. with the aim of increasing the incentive for Directors, etc. to contribute to the medium- to long-term improvement of the corporate value of the Company by making clear the link between the remuneration of Directors, etc. and the Company's stock price. In the introduction of the System, a structure called "the Board Incentive Plan Trust" shall be adopted.
(1) Outline of the System
"The Board Incentive Plan Trust" is a system in which shares of the Company acquired by the trust and an amount of money equivalent to the proceeds from the disposal of shares of the Company are delivered and provided to the Directors, etc. in general at the time of their retirement, according to their positions and other factors. This system is accounted for as equity-settled share-based compensation.
(2) Shares of the Company that remain in the trust
Shares of the Company that remain in the trust are recorded as treasury stock in the consolidated statement of financial position with the carrying value of the trust. The carrying amounts and number of treasury stock as of January 1, 2022, December 31, 2022, and December 31, 2023 are ¥177 million and 149,593 shares, ¥1,358 million and 910,363 shares, and ¥1,330 million (U.S.$9,378 thousand) and 891,560 shares, respectively.

(2) Number of granted points and fair value

The compensation for received services is measured at the fair value of the Company shares as of the grant date, and is considered as expenses during the right vesting period. The same amount thereof is considered as an increase in equity. The fair value of points granted during the years ended December 31, 2022 and December 31, 2023 approximates the share price on the date of grant, so the share price on the date of grant is used. Expenses recorded in relation to share-based remuneration plans during the years ended December 31, 2022 and December 31, 2023 were ¥154 million and ¥205 million (U.S.$1,445 thousand), respectively.

The number of points granted during the period and the fair value per point at the measurement date are as follows:

			For the year ended December 31, 2022		For the year ended December 31, 2023
Number of points granted during the period			108,637		116,546
Fair value per point	(Yen)	¥	1,420	¥	1,767
Fair value per point	(U.S. dollars)	$		$	12.46

25. Revenue

(1) Disaggregation of revenue

The main products and their relationship to revenue for each reportable segment are as follows:

For the year ended December 31, 2022

(Millions of yen)

	Reportable segment			Other	Total
	Oil & Gas Japan	Oil & Gas Overseas			
		Ichthys Project	Other Projects		
Crude oil	¥ 5,989	¥ 162,802	¥ 1,608,943	¥ 23,707	¥ 1,801,442
Natural gas (excluding LPG)	199,715	212,364	105,843	1,925	519,849
LPG	5	–	914	2,657	3,578
Other	8,889	–	1,513	9,869	20,272
Revenue from contracts with customers	214,600	375,167	1,717,214	38,161	2,345,143
Other revenue *	–	(6,663)	(4,463)	(17,929)	(29,056)
Revenue from external customers	¥ 214,600	¥ 368,503	¥ 1,712,751	¥ 20,231	¥ 2,316,086

(Note) Other revenue includes rental income in accordance with IFRS 16 "Leases" and gains or losses on hedges arising from derivative transactions in accordance with IFRS 9 "Financial Instruments."

For the year ended December 31, 2023

(Millions of yen)

	Reportable segment			Other	Total
	Oil & Gas Japan	Oil & Gas Overseas			
		Ichthys Project	Other Projects		
Crude oil	¥ 4,539	¥ 144,859	¥ 1,448,005	¥ 14,192	¥ 1,611,597
Natural gas (excluding LPG)	219,692	228,313	77,040	1,677	526,724
LPG	–	–	2,968	4,978	7,947
Other	7,502	–	250	12,672	20,424
Revenue from contracts with customers	231,734	373,173	1,528,264	33,521	2,166,694
Other revenue *	1,162	–	–	(3,339)	(2,177)
Revenue from external customers	¥ 232,897	¥ 373,173	¥ 1,528,264	¥ 30,181	¥ 2,164,516

(Thousands of U.S. dollars)

	Reportable segment			Other	Total
	Oil & Gas Japan	Oil & Gas Overseas			
		Ichthys Project	Other Projects		
Crude oil	$ 32,005	$ 1,021,428	$ 10,210,160	$ 100,070	$ 11,363,679
Natural gas (excluding LPG)	1,549,090	1,609,878	543,223	11,824	3,714,031
LPG	–	–	20,927	35,100	56,035
Other	52,898	–	1,762	89,352	144,013
Revenue from contracts with customers	1,634,000	2,631,314	10,776,082	236,362	15,277,774
Other revenue *	8,193	–	–	(23,543)	(15,350)
Revenue from external customers	$ 1,642,201	$ 2,631,314	$ 10,776,082	$ 212,812	$ 15,262,417

(Note) Other revenue mainly includes grants, rental income in accordance with IFRS 16 "Leases," and gains or losses on hedges arising from derivative transactions in accordance with IFRS 9 "Financial Instruments."

(2) Contract balance

	(Millions of yen)			(Thousands of U.S. dollars)
	As of January 1, 2022	As of December 31, 2022	As of December 31, 2023	As of December 31, 2023
Receivables from contracts with customers				
Notes and accounts receivable-trade	¥ 169,047	¥ 250,752	¥ 195,577	$ 1,379,050
Contract liabilities	¥ 5,698	¥ 6,143	¥ 5,337	$ 37,632

Contract liabilities are mainly advances received in advance of performance under a contract and utilised upon recognition of revenue. The amounts of revenue recognized that were included in the contract liability balance at the beginning of the year for the years ended December 31, 2022 and December 31, 2023 were ¥391 million and ¥1,876 million (U.S.$13,228 thousand), respectively. The amount of revenue (e.g., change in transaction price) recognized in the year ended December 31, 2023 from performance obligations satisfied in prior periods is not material.

In the consolidated statement of financial position, notes and accounts receivable-trade are included in "Trade and other receivables," and contract liabilities are included in "Other current liabilities."

(3) Transaction price allocated to remaining performance obligations

The Group applies the practical expedient in IFRS 15 "Revenue from Contracts with Customers," paragraph 121 in respect of the transaction price allocated to remaining performance obligations, and does not disclose information regarding remaining performance obligations with an original expected duration of one year or less.

The total transaction price allocated to remaining performance obligations and the periods over which revenue is expected to be recognized are as follows, and these performance obligations are primarily related to long-term supply contracts for natural gas.

	(Millions of yen)		(Thousands of U.S. dollars)
	As of December 31, 2022	As of December 31, 2023	As of December 31, 2023
1 year or less	¥ 102,263	¥ 98,649	$ 695,593
More than 1 year and up to 5 years	264,626	253,041	1,784,240
More than 5 years	185,027	190,561	1,343,682
Total	¥ 551,918	¥ 542,253	$ 3,823,529

26. Selling, general and administrative expenses

The breakdown of selling, general and administrative expenses is as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	For the year ended December 31, 2022	For the year ended December 31, 2023	For the year ended December 31, 2023
Employee costs	¥ 29,546	¥ 34,542	$ 243,562
Depreciation and amortization	12,487	12,277	86,567
Research and development expenses	1,904	3,559	25,095
Taxes and dues	14,968	7,366	51,939
Transportation costs	16,094	16,549	116,690
Other	16,974	21,452	151,262
Total	¥ 91,975	¥ 95,747	$ 675,130

Total research and development expenses charged to cost of sales and general and administrative expenses during the years ended December 31, 2022 and December 31, 2023 were ¥1,914 million and ¥3,564 million (U.S.$25,130 thousand), respectively.

27. Other operating income and other operating expenses

The breakdown of other operating income is as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	For the year ended December 31, 2022	For the year ended December 31, 2023	For the year ended December 31, 2023
Foreign exchange gain	¥ 52,796	¥ –	$ –
Gain on transfer of participating interests	16,698	–	–
Other	26,476	25,094	176,942
Total	¥ 95,971	¥ 25,094	$ 176,942

The breakdown of other operating expenses is as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	For the year ended December 31, 2022	For the year ended December 31, 2023	For the year ended December 31, 2023
Impairment loss *	¥ 146,343	¥ 100,890	$ 711,394
Foreign exchange loss	–	10,796	76,124
Other	5,492	12,395	87,399
Total	¥ 151,836	¥ 124,081	$ 874,918

(Note) Impairment loss consists of impairment loss on oil and gas assets and does not include impairment loss on investments accounted for using the equity method. Please refer to “16. Impairment of non-financial assets” for details.

28.Finance income and finance costs

The breakdown of finance income is as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	For the year ended December 31, 2022	For the year ended December 31, 2023	For the year ended December 31, 2023
Interest income			
Financial assets measured at amortized cost	¥ 64,199	¥ 94,413	$ 665,724
Dividend income			
Equity financial assets measured at FVOCI	6,538	4,283	30,200
Gain arising from changes in terms of financial assets without derecognition and others *	–	116,507	821,513
Other	3,082	2,107	14,856
Total	¥ 73,820	¥ 217,310	$ 1,532,294

(Note) In the “Oil & Gas Overseas - Ichthys Project” segment, the gain arising from changes in terms of financial assets without derecognition and revisions to the estimated future cash flows of financial assets is recorded as gain arising from changes in terms of financial assets without derecognition and others in accordance with IFRS 9 “Financial Instruments.”

The breakdown of finance costs is as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	For the year ended December 31, 2022	For the year ended December 31, 2023	For the year ended December 31, 2023
Interest expense			
Financial liabilities measured at amortized cost	¥ 34,134	¥ 62,052	$ 437,540
Asset retirement obligations	8,250	12,126	85,502
Loss arising from changes in terms of financial assets without derecognition and others *	85,483	–	–
Other	4,236	3,937	27,760
Total	¥ 132,105	¥ 78,116	$ 550,810

(Note) In the “Oil & Gas Overseas - Ichthys Project” segment, the loss arising from changes in terms of financial assets without derecognition and revisions to the estimated future cash flows of financial assets is recorded as loss arising from changes in terms of financial assets without derecognition and others in accordance with IFRS 9 “Financial Instruments.”

29.Other comprehensive income

Amounts recognized during the period and reclassification adjustments to profit or loss for each item in other comprehensive income and the impact of tax effects are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	For the year ended December 31, 2022	For the year ended December 31, 2023	For the year ended December 31, 2023
Financial assets measured at FVOCI			
Amount recognized during the period	¥ 4,399	¥ 4,617	$ 32,555
Amount of reclassification adjustments	–	(45)	(317)
Before income tax effect	4,399	4,572	32,238
Amount of income tax effect	(1,363)	(2,321)	(16,365)
Financial assets measured at FVOCI	3,035	2,251	15,872
Remeasurement gains (losses) on defined benefit plans			
Amount recognized during the period	2,386	(1,755)	(12,374)
Amount of income tax effect	(752)	349	2,460
Remeasurement gains (losses) on defined benefit plans	1,634	(1,406)	(9,913)
Cash flow hedges			
Amount recognized during the period	(29,352)	(6,229)	(43,921)
Amount of reclassification adjustments	29,567	6,610	46,608
Before income tax effect	215	380	2,679
Amount of income tax effect	(19)	(42)	(296)
Cash flow hedges	195	337	2,376
Exchange differences on translation of foreign operations			
Amount recognized during the period	482,369	282,472	1,991,764
Amount of reclassification adjustments	(26,965)	3,247	22,895
Exchange differences on translation of foreign operations	455,403	285,720	2,014,666
Share of other comprehensive income of investments accounted for using the equity method			
Amount recognized during the period	40,680	21,214	149,583
Amount of reclassification adjustments	7,642	(23,748)	(167,451)
Share of other comprehensive income of investments accounted for using the equity method	48,322	(2,533)	(17,860)
Total other comprehensive income	¥ 508,590	¥ 284,369	$ 2,005,140

30. Earnings per share

Basic and diluted earnings per share are calculated based on the following:

	For the year ended December 31, 2022	For the year ended December 31, 2023	For the year ended December 31, 2023
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Profit attributable to owners of parent	¥ 498,452	¥ 321,708	$ 2,268,424
Profit not attributable to common stock of parent			
Dividends on Class A stock	(0)	(0)	–
Profit used to calculate basic earnings per share	498,452	321,708	2,268,424
Profit adjustments	–	–	–
Profit used to calculate diluted earnings per share	¥ 498,452	¥ 321,708	$ 2,268,424
Average number of shares of common stock during the period (Shares)	1,366,647,207	1,294,325,142	1,294,325,142
Effect of dilutive potential shares of common stock			
Board Incentive Plan Trust (Shares)	603,363	897,292	897,292
Average number of dilutive shares (Shares)	1,367,250,570	1,295,222,434	1,295,222,434
	Yen	Yen	U.S. dollars
Basic earnings per share	¥ 364.73	¥ 248.55	$ 1.75
Diluted earnings per share	¥ 364.57	¥ 248.38	$ 1.75

(Note) The Company's shares (common stock) held by the Board Incentive Plan Trust are recognized as treasury stock, and thus the number of shares is deducted from the average number of shares of common stock during the period when calculating basic earnings per share and diluted earnings per share.

31. Financial instruments

(1) Financial risk management

The Group raises funds for the acquisition and development of oil, natural gas, renewable energy, and other projects as well as the construction of natural gas infrastructure primarily from cash flow on hand or through bank loans and issuance of bonds. The acquisition and development of oil and natural gas projects are primarily funded from long-term loans that the Group has secured from Japan Bank for International Cooperation, Japanese commercial banks and others. Japan Organization for Metals and Energy Security has provided guarantees for the principal on certain outstanding amounts of the Group’s long-term loans, as appropriate. In addition to the Development Bank of Japan Inc. and Japanese commercial banks and others providing long-term loans for the construction of domestic gas infrastructure, the Group raises funds for the acquisition and development of renewable energy projects through project finance and green finance. The Group generally borrows loans from banks with variable interest rates and issues bonds with fixed rates, while some loans are with a fixed interest rate based on appropriate judgments, depending on the nature of each project, market trends, and other factors.
Regarding the financing policy, the Group manages funds in considering low-risk and high-liquidity. The Group uses derivative transactions only to hedge or manage risks of forecasted transactions and portfolio assets, and does not engage in speculative derivative transactions.

[1] Credit risk

Trade receivables such as notes and accounts receivable-trade and accounts receivable-other are comprised mainly from sales of crude oil and natural gas. Main trading partners are national oil companies, major oil companies and others. In line with the criteria for trading and credit exposure management, the Company properly analyzes the status of trading partners for early detection and reduction of default risks.
There is no significant credit risk exposure to specific counterparties, and there is no excessive concentration of credit risk that requires special management.
The carrying amount of financial assets shown in the consolidated financial statements is the maximum exposure to credit risk of the Group’s financial assets. With respect to debt guarantees, the balance of debt guarantees listed in “38. Contingent liabilities” is the maximum exposure of the Group’s credit risk.
Regarding exposure to these credit risks, there are no properties held as collateral or other credit enhancements.

The Group calculates allowance for doubtful accounts by classifying them into trade receivables and non-trade receivables.
If it is determined that all or part of any debt cannot be collected or collection is extremely difficult, the debt will be deemed to be in default.
In addition, if it is determined that the cause of a payment delay is not due to temporary funding needs but to serious financial difficulties of the debtor, and the collectability of the debt is judged to be of particular concern, credit impairment is considered to have occurred.

The expected credit loss is the present value of the difference between the contractual cash flows that the Group should receive under the contract and the cash flows that the Group expects to receive. Under the basic approach, if the credit risk of a financial asset has increased significantly since initial recognition, the allowance for doubtful accounts for the financial asset is measured at an amount equal to the lifetime expected credit loss, and if the credit risk has not increased significantly, it is measured at an amount equal to 12 months of the expected credit loss.
Notwithstanding the above, for trade receivables that do not contain significant financing components, the allowance for doubtful accounts is measured at an amount equal to the expected credit loss for the entire period (simplified approach), but no allowance for doubtful accounts is recorded taking into consideration historical performance rates.

Changes in allowance for doubtful accounts are as follows:

(Millions of yen)

	Measured at an amount equal to 12-month expected credit loss	Measured at an amount equal to the expected credit loss for the entire period			Total
		Financial assets that are not credit impaired	Credit-impaired financial assets	Trade receivables	
As of January 1, 2022	¥ –	¥ –	¥ 12,680	¥ –	¥ 12,680
Recognition	–	–	1,798	–	1,798
Amounts utilized (purposeful use)	–	–	(429)	–	(429)
Unused amounts reversed	–	–	(402)	–	(402)
As of December 31, 2022	–	–	13,645	–	13,645
Recognition	–	–	954	–	954
Amounts utilized (purposeful use)	–	–	–	–	–
Unused amounts reversed	–	–	–	–	–
As of December 31, 2023	¥ –	¥ –	¥ 14,600	¥ –	¥ 14,600

(Thousands of U.S. dollars)

	Measured at an amount equal to 12-month expected credit loss		Measured at an amount equal to the expected credit loss for the entire period						Total
			Financial assets that are not credit impaired		Credit-impaired financial assets		Trade receivables		
As of December 31, 2022	$	–	$	–	$	96,213	$	–	$ 96,213
Recognition		–		–		6,726		–	6,726
Amounts utilized (purposeful use)		–		–		–		–	–
Unused amounts reversed		–		–		–		–	–
As of December 31, 2023	$	–	$	–	$	102,947	$	–	$ 102,947

No allowance for doubtful accounts recorded at an amount equal to the 12-month expected credit loss. In the previous fiscal year, no collection activities are ongoing for financial assets that have been directly depreciated.

Expected credit losses on financial assets are evaluated individually, taking into account past credit loss performance and forecasts of future economic conditions. The carrying amounts of financial assets subject to allowance for doubtful accounts are as follows, and the credit risk ratings of financial assets within the same category are generally the same.

	Measured at an amount equal to 12-month expected credit loss		Measured at an amount equal to the expected credit loss for the entire period						Total	
			Financial assets that are not credit impaired		Credit-impaired financial assets		Trade receivables			
As of January 1, 2022 (Millions of yen)	¥	1,064,941	¥	–	¥	12,680	¥	198,454	¥	1,276,076
As of December 31, 2022 (Millions of yen)		1,411,788		–		13,645		287,452		1,712,887
As of December 31, 2023 (Millions of yen)	¥	1,618,618	¥	–	¥	14,600	¥	232,017	¥	1,865,237
As of December 31, 2023 (Thousands of U.S. dollars)	$	11,413,185	$	–	$	102,947	$	1,635,996	$	13,152,143

There were no significant changes in the carrying amounts in aggregate that would affect the change in allowance for doubtful accounts for the previous and current fiscal years.

[2] Liquidity risk

The finance and accounting division controls cash management based on a monthly financing plan prepared by each project division and secures sufficient liquidity on hand to prepare for liquidity risk.

The balances of financial liabilities by maturity are as follows:

As of January 1, 2022

(Millions of yen)

	Carrying amount	Contractual amount	1 year or less	More than 1 year and up to 5 years	More than 5 years and up to 10 years	More than 10 years
Non-derivative financial liabilities						
Bonds and borrowings	¥ 1,180,214	¥ 1,287,699	¥ 93,532	¥ 745,089	¥ 336,660	¥ 112,416
Lease liabilities	84,577	116,552	21,253	39,967	18,609	36,722
Other	164,684	164,684	164,565	–	28	90
Derivative financial liabilities						
Currency derivatives	7,375	7,375	4,288	3,087	–	–
Commodity derivatives	1,522	1,522	1,522	–	–	–
Total	¥ 1,438,375	¥ 1,577,835	¥ 285,163	¥ 788,144	¥ 355,298	¥ 149,228

As of December 31, 2022

(Millions of yen)

	Carrying amount	Contractual amount	1 year or less	More than 1 year and up to 5 years	More than 5 years and up to 10 years	More than 10 years
Non-derivative financial liabilities						
Bonds and borrowings	¥ 1,270,248	¥ 1,516,188	¥ 135,182	¥ 866,145	¥ 333,287	¥ 181,571
Lease liabilities	89,224	125,433	26,832	45,643	18,632	34,325
Other	265,353	265,353	265,238	4	20	90
Derivative financial liabilities						
Currency derivatives	8,627	8,627	8,627	–	–	–
Commodity derivatives	270	270	270	–	–	–
Total	¥ 1,633,723	¥ 1,915,872	¥ 436,151	¥ 911,793	¥ 351,940	¥ 215,987

As of December 31, 2023

(Millions of yen)

	Carrying amount	Contractual amount	1 year or less	More than 1 year and up to 5 years	More than 5 years and up to 10 years	More than 10 years
Non-derivative financial liabilities						
Bonds and borrowings	¥ 1,056,982	¥ 1,253,019	¥ 212,147	¥ 621,049	¥ 292,759	¥ 127,063
Lease liabilities	88,465	111,413	24,460	38,123	16,338	32,490
Other	225,368	225,368	225,257	21	–	90
Derivative financial liabilities						
Currency derivatives	846	846	830	15	–	–
Commodity derivatives	66	66	66	–	–	–
Total	¥ 1,371,730	¥ 1,590,714	¥ 462,762	¥ 659,210	¥ 309,097	¥ 159,644

(Thousands of U.S. dollars)

	Carrying amount	Contractual amount	1 year or less	More than 1 year and up to 5 years	More than 5 years and up to 10 years	More than 10 years
Non-derivative financial liabilities						
Bonds and borrowings	$ 7,452,982	$ 8,835,277	$ 1,495,889	$ 4,379,135	$ 2,064,299	$ 895,945
Lease liabilities	623,783	785,594	172,472	268,812	115,202	229,093
Other	1,589,112	1,589,112	1,588,330	148	–	634
Derivative financial liabilities						
Currency derivatives	5,965	5,965	5,852	105	–	–
Commodity derivatives	465	465	465	–	–	–
Total	$ 9,672,331	$ 11,216,429	$ 3,263,023	$ 4,648,216	$ 2,179,502	$ 1,125,680

[3] Market risk

(i) Foreign exchange risk

Many of the Group's companies operate overseas, and the functional currency of each company is determined based on the currency of the primary economic environment in which the company operates. Therefore, the Group's foreign exchange risk arises from transactions denominated in currencies other than the functional currency of each company. The Group strives to reduce foreign exchange risk by taking into account the balance of assets and liabilities denominated in currencies other than the functional currency of each company, balancing them across the Group. In addition, the Group hedges foreign exchange risks of receivables and payables denominated in currencies other than the functional currency of each company and scheduled transactions that are expected to occur in the future by using forward exchange contracts and other derivative transactions, taking into account that foreign exchange risks arising from these may be offset in the future.
Regarding financial instruments held in U.S. dollars by the Group at the end of each fiscal year, if the yen depreciates 1% against the U.S. dollar, the impact on "Profit before tax" in the consolidated statement of profit or loss is as follows. Note that other fluctuation factors are assumed to remain constant in this analysis.

	(Millions of yen)		(Thousands of U.S. dollars)
	As of December 31, 2022	As of December 31, 2023	As of December 31, 2023
Profit before tax	¥ 255	¥ 473	$ 3,335

(ii) Interest rate risk

The Group is exposed to interest rate risk arising from variable rate loans and borrowings primarily related to oil, natural gas, renewable energy and other business, and increases in interest rate levels may have a negative impact on the Group's operating results. The Group regularly analyzes the impact of interest rate fluctuations and provides measures to reduce interest rate risk, including derivative transactions such as interest rate swaps. However, the provided measures do not cover all of the interest rate risks of the Group and do not completely eliminate the impact of interest rate fluctuations.
Regarding financial instruments affected by interest rate fluctuations held by the Group at the end of each fiscal year, if the interest rate increases by 1%, the impact on "Profit before tax" in the consolidated statement of profit or loss is as follows. Note that other fluctuation factors are assumed to remain constant in this analysis.

	(Millions of yen)		(Thousands of U.S. dollars)
	As of December 31, 2022	As of December 31, 2023	As of December 31, 2023
Profit before tax	¥ 3,197	¥ 5,182	$ 36,539

(iii) Fluctuation risks of commodity price

Sales price of oil and natural gas is exposed to fluctuation risks of commodity price. The Group hedges fluctuation risks of commodity price by conducting derivative transactions, such as commodity swaps and options, within the scope of actual demand, as necessary.
Although derivative transactions, such as commodity swaps and options, are subject to risk of commodity price fluctuations, such risk is offset by risk of commodity price fluctuations associated with applicable physical goods. As such, there was a limited impact on "Profit before tax" in the consolidated statement of profit or loss.

(iv) Fluctuation risks of market price related to securities

For marketable securities and investment securities held by the Group and exposed to fluctuation risks of market price, analysis of stock prices and other information is regularly reported to the Executive Committee. For shares of stock, the Company mainly holds shares of trading partners and others to establish close and smooth relationships for the purpose of maintaining a medium- to long-term stable business. A part of these shares is held for the purpose of investment. Regarding bonds, the Group mainly holds bonds with short maturities, taking into consideration medium- to long-term capital expenditure projections and market price fluctuation risk.

The Group's exposure to market price fluctuation risk (carrying amount) is as follows:

	(Millions of yen)			(Thousands of U.S. dollars)
	As of January 1, 2022	As of December 31, 2022	As of December 31, 2023	As of December 31, 2023
Marketable equity financial instruments	¥ 26,783	¥ 25,553	¥ 23,836	$ 168,072

The impact on "Financial assets measured at FVOCI" in the consolidated statement of comprehensive income when there is a 10% decrease in the market price of equity financial instruments held by the Group at the end of each fiscal year is as follows. Note that other fluctuation factors are assumed to remain constant in this analysis.

	(Millions of yen)		(Thousands of U.S. dollars)
	For the year ended December 31, 2022	For the year ended December 31, 2023	For the year ended December 31, 2023
Other comprehensive income, before tax	¥ (2,555)	¥ (2,383)	$ (16,802)

(2) Derivative financial instruments and hedge accounting

The Group uses interest rate and currency swaps, foreign exchange forward contracts, commodity swaps, and commodity options to hedge foreign currency risk, interest rate risk, and commodity price fluctuation risk. Execution and management of the above derivative transactions are carried out in accordance with internal rules, and for derivatives exposed to market price fluctuation risk, the monthly transaction status including market value is regularly reported to the Executive Committee. The use of derivatives is limited to transactions with highly rated financial institutions so as to reduce counterparty risk. In addition, derivative transactions are limited to the scope of actual demand, and the Group does not engage in speculative derivative transactions.

Derivative assets and derivative liabilities are recorded in "Other financial assets" and "Other financial liabilities" in the consolidated statement of financial position, respectively.

[1] Currency related

Foreign exchange forward contracts and interest rate and currency swaps used to hedge foreign currency exchange risk and interest rate risk are designated as cash flow hedges. In the previous and current fiscal years, hedge ineffectiveness has not occurred.

[2] Commodity related

Commodity swaps and commodity options used to hedge fluctuation risks of commodity price are designated as cash flow hedges. Because the conditions between the hedged item and the hedging instrument do not completely match, the differences in the conditions may result in hedge ineffectiveness. In the previous and current fiscal years, hedge ineffectiveness has not been significant.

The details of the hedging instrument are as follows:

As of January 1, 2022

(Millions of yen)

	Contract amounts	More than 1 year	Fair value		Average price or average rate	
			Assets	Liabilities		
Currency related						
Interest rate currency swaps						
Pay / floating / USD and receive / fixed / JPY	¥ 80,514	¥ 34,506	¥ –	¥ 369	105.80	JPY / USD
Commodity related						
Commodity swaps						
Receive / fixed and pay / floating	17,670	–	321	7	74.87	U.S.$ / barrel
Commodity options						
Buy / Put	24,355	–	1,020	–	55.00	U.S.$ / barrel
Sell / Call	¥ 39,854	¥ –	¥ –	¥ 1,384	90.00	U.S.$ / barrel

As of December 31, 2022

(Millions of yen)

	Contract amounts	More than 1 year	Fair value		Average price or average rate	
			Assets	Liabilities		
Currency related						
Foreign exchange forwards						
Sell /USD and Buy / AUD	¥ 58,932	¥ 30,582	¥ 15	¥ –	0.69	USD / AUD
Interest rate currency swaps						
Pay / floating / USD and receive / fixed / JPY	39,810	–	–	252	105.36	JPY / USD
Commodity related						
Commodity swaps						
Receive / fixed and pay / floating	¥ 20,072	¥ –	¥ –	¥ 245	79.61	U.S.$ / barrel

As of December 31, 2023

(Millions of yen)

	Contract amounts	More than 1 year	Fair value		Average price or average rate	
			Assets	Liabilities		
Currency related						
Foreign exchange forwards						
Sell /USD and Buy / AUD	¥ 32,684	¥ –	¥ –	¥ 265	0.69	USD / AUD

(Thousands of U.S. dollars)

	Contract amounts	More than 1 year	Fair value		Average price or average rate	
			Assets	Liabilities		
Currency related						
Foreign exchange forwards						
Sell /USD and Buy / AUD	$ 230,461	$ –	$ –	$ 1,868	0.69	USD / AUD

Accumulated other comprehensive income related to cash flow hedges is as follows: There is no accumulated other comprehensive income related to cash flow hedges arising from hedging relationships for which hedge accounting has been discontinued.

	(Millions of yen)			(Thousands of U.S. dollars)
	As of January 1, 2022	As of December 31, 2022	As of December 31, 2023	As of December 31, 2023
Currency related				
Foreign exchange forwards	¥ –	¥ (68)	¥ (185)	$ (1,304)
Interest rate currency swaps	(306)	(209)	–	–
Interest-rate-related				
Interest rate swaps	(15,452)	32,944	31,358	221,111
Commodity related				
Commodity swaps	313	(245)	(947)	(6,677)
Commodity options	(725)	–	–	–
Total	¥ (16,171)	¥ 32,421	¥ 30,224	$ 213,115

The impact (before tax) of applying hedge accounting on the consolidated statement of profit or loss and consolidated statement of comprehensive income is as follows:

	(Millions of yen)				(Thousands of U.S. dollars)	
	For the year ended December 31, 2022		For the year ended December 31, 2023		For the year ended December 31, 2023	
	Change in value of hedging instruments recognized in other comprehensive income	Amount reclassified from accumulated other comprehensive income related to cash flow hedges to profit or loss	Change in value of hedging instruments recognized in other comprehensive income	Amount reclassified from accumulated other comprehensive income related to cash flow hedges to profit or loss	Change in value of hedging instruments recognized in other comprehensive income	Amount reclassified from accumulated other comprehensive income related to cash flow hedges to profit or loss
Currency related						
Foreign exchange forwards	¥ (68)	¥ –	¥ (967)	¥ 850	$ (6,818)	$ 5,993
Interest rate currency swaps	(87)	204	(15)	267	(105)	1,882
Commodity related						
Commodity swaps	(23,257)	22,698	(5,247)	5,492	(36,997)	38,725
Commodity options	(5,938)	6,663	–	–	–	–
Total	¥ (29,352)	¥ 29,567	¥ (6,229)	¥ 6,610	$ (43,921)	$ 46,608

Currency-related reclassification adjustments are included in “Other operating income” and “Other operating expenses” in the consolidated statement of profit or loss. Commodity-related reclassification adjustments are included in “Revenue” and “Cost of sales” in the consolidated statement of profit or loss.
No reclassification adjustments were made due to discontinuation of hedging activities.

(3) Fair value of financial instruments

Fair value measurements for financial instruments measured at fair value are categorized from Level 1 to Level 3 according to the observability and materiality of inputs used in the measurement.

Level 1: Market value of identical assets or liabilities in active markets
Level 2: Fair value calculated using directly or indirectly observable inputs other than Level 1
Level 3: Fair value calculated using valuation techniques that include unobservable inputs

[1] Fair value calculation method
The method for calculating the fair value of financial instruments is as follows:

(Cash and cash equivalents, trade and other receivables, and trade and other payables)
Since these items are settled in a short period of time and their fair value is almost the same as the carrying value, the relevant carrying value is used.

(Loans receivable)
For short-term loans receivable, the relevant carrying value is used since the item is settled in a short period of time and its fair value is almost the same as the carrying value.
The fair value of long-term loans receivable is calculated using the discounted present value method based on the interest rate that would be applicable to a new similar loan for the total amount of principal and interest. This valuation technique uses the discount rate as a significant unobservable input and is categorized as Level 3.

(Other financial assets and other financial liabilities)
The fair values of listed stocks, national government bonds and listed investment trusts are determined based on quoted market prices at the end of the fiscal year and categorized as Level 1.
Bonds payable are categorized as Level 2 because their fair value is calculated based on prices quoted by financial institutions, etc., which are not considered quoted prices in active markets.
The fair value of unlisted stocks is calculated using the comparable multiple valuation method. This valuation technique uses illiquidity discounts as significant unobservable inputs and is categorized as Level 3.
Among derivatives, the fair values of currency-related transactions are determined based on prices quoted by counterparty financial institutions, and the fair values of commodity-related transactions are determined based on futures market prices. Since neither of these are considered quoted prices in active markets, they are categorized as Level 2.

(Bonds and borrowings)
For short-term borrowings, the relevant carrying value is used since the item is settled in a short period of time and its fair value is almost the same as the carrying value.
The fair value of bonds payable is calculated based on Reference Statistical Prices (Yields) for OTC Bond Transactions issued by Japan Securities Dealers Association. The fair value of long-term borrowings is calculated using the discounted present value method based on the interest rate that would be applicable to a new similar loan for the total amount of principal and interest. Both are categorized as Level 2 because the fair values are calculated using observable market data.

The Group recognizes transfers between levels of these assets and liabilities at the end of each quarter.

[2] Financial instruments measured at amortized cost
The carrying amounts and fair values of financial instruments measured at amortized cost are as follows: Items whose carrying amount and fair value approximate or are equal to each other due to short term to maturity or settlement are not included.

	(Millions of yen)						(Thousands of U.S. dollars)	
	As of January 1, 2022		As of December 31, 2022		As of December 31, 2023		As of December 31, 2023	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets measured at amortized cost								
Loans receivable *								
Long-term loans receivable	¥ 1,011,804	¥ 1,010,598	¥ 1,279,140	¥ 1,279,140	¥ 1,306,529	¥ 1,306,529	$ 9,212,586	$ 9,212,586
Financial liabilities measured at amortized cost								
Bonds and long-term borrowings								
Bonds payable	30,000	30,064	30,000	28,953	30,000	29,239	211,535	206,169
Long-term borrowings	1,145,103	1,136,984	1,234,692	1,196,671	999,623	986,830	7,048,533	6,958,327
Total	¥ 2,186,908	¥ 2,177,647	¥ 2,543,832	¥ 2,504,764	¥ 2,336,153	¥ 2,322,598	$ 16,472,662	$ 16,377,083

(Note) Loans receivable include loans receivable to Ichthys LNG Pty Ltd, which is a joint venture, and the carrying amounts as of January 1, 2022, December 31, 2022, and December 31, 2023 were ¥1,041,921 million, ¥1,298,793 million and ¥1,333,010 million (U.S.$9,399,308 thousand), respectively. Of these, the carrying amounts of long-term loans receivable were ¥1,007,106 million as of January 1, 2022, ¥1,267,350 million as of December 31, 2022, and ¥1,293,985 million (U.S.$9,124,136 thousand) as of December 31, 2023.

[3] Financial instruments measured at fair value

The fair value hierarchy of financial instruments measured at fair value are as follows:

As of January 1, 2022

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets measured at FVPL				
Other financial assets				
Derivative assets	¥ –	¥ 1,468	¥ –	¥ 1,468
Financial assets measured at FVOCI				
Other financial assets				
Stock	26,783	–	21,278	48,062
Total	26,783	1,468	21,278	49,530
Financial liabilities measured at FVPL				
Other financial liabilities				
Derivative liabilities	–	8,898	–	8,898
Total	¥ –	¥ 8,898	¥ –	¥ 8,898

As of December 31, 2022

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets measured at FVPL				
Other financial assets				
Derivative assets	¥ –	¥ 1,795	¥ –	¥ 1,795
Financial assets measured at FVOCI				
Other financial assets				
Stock	17,479	–	17,204	34,684
Bonds	11,957	–	–	11,957
Other	8,073	–	–	8,073
Total	37,510	1,795	17,204	56,511
Financial liabilities measured at FVPL				
Other financial liabilities				
Derivative liabilities	–	8,897	–	8,897
Total	¥ –	¥ 8,897	¥ –	¥ 8,897

As of December 31, 2023

	(Millions of yen)			
	Level 1	Level 2	Level 3	Total
Financial assets measured at FVPL				
Other financial assets				
Derivative assets	¥ –	¥ 8,162	¥ –	¥ 8,162
Financial assets measured at FVOCI				
Other financial assets				
Stock	13,054	–	21,220	34,274
Bonds	120,871	20,251	–	141,122
Other	10,782	–	–	10,782
Total	144,707	28,413	21,220	194,342
Financial liabilities measured at FVPL				
Other financial liabilities				
Derivative liabilities	–	913	–	913
Total	¥ –	¥ 913	¥ –	¥ 913

	(Thousands of U.S. dollars)			
	Level 1	Level 2	Level 3	Total
Financial assets measured at FVPL				
Other financial assets				
Derivative assets	$ –	$ 57,551	$ –	$ 57,551
Financial assets measured at FVOCI				
Other financial assets				
Stock	92,046	–	149,626	241,672
Bonds	852,284	142,793	–	995,078
Other	76,025	–	–	76,025
Total	1,020,356	200,345	149,626	1,370,342
Financial liabilities measured at FVPL				
Other financial liabilities				
Derivative liabilities	–	6,437	–	6,437
Total	$ –	$ 6,437	$ –	$ 6,437

There were no significant transfers in fair value between Levels 1 and 2 for the previous and current fiscal years.

[4] Valuation process

For financial instruments categorized as Level 3, an outside valuation expert or appropriate valuation person in charge conducts a valuation and analysis of the valuation results in accordance with the valuation policy and procedures approved by the head of Business Administration. The valuation results are reviewed and approved by the head of Business Administration.

[5] Quantitative information about financial instruments categorized as Level 3

Quantitative information about financial instruments categorized as Level 3 (equity financial assets measured at FVOCI) are as follows:

As of December 31, 2022

Category	Valuation technique	Unobservable inputs	Range
Financial assets measured at FVOCI	Comparable company analysis method	Illiquidity discount	30%

As of December 31, 2023

Category	Valuation technique	Unobservable inputs	Range
Financial assets measured at FVOCI	Comparable company analysis method	Illiquidity discount	30%

Fair value increases (decreases) due to a decrease (an increase) in the illiquidity discount. The expected increase or decrease in fair value if unobservable inputs were changed to reasonably possible alternative assumptions is not material.

[6] Change in financial instruments categorized as Level 3

Changes in financial instruments categorized as Level 3 (equity financial assets measured at FVOCI) from the beginning of the year to the end of the year are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	For the year ended December 31, 2022	For the year ended December 31, 2023	For the year ended December 31, 2023
At beginning of the year	¥ 21,278	¥ 17,204	$ 121,308
Gains or losses recognized in other comprehensive income	(1,069)	3,326	23,452
Purchases	307	801	5,648
Sales	(3,312)	(112)	(789)
At end of the year	¥ 17,204	¥ 21,220	$ 149,626

Gains and losses recognized in other comprehensive income are recorded in “Financial assets measured at FVOCI” in the consolidated statement of comprehensive income.

(4) Equity financial assets measured at FVOCI

The Group designates shares held mainly for the purpose of maintaining good business relationships, promoting smooth business operations and creating business opportunities as equity financial assets measured at FVOCI.
The main marketable bond names and fair values of equity financial assets measured at FVOCI are as follows:

	(Millions of yen)						(Thousands of U.S. dollars)	
Bond name	As of January 1, 2022		As of December 31, 2022		As of December 31, 2023		As of December 31, 2023	
Japan Petroleum Exploration Co., Ltd.	¥	7,147	¥	10,966	¥	7,472	$	52,686
Tokyo Gas Co., Ltd.		2,348		2,944		3,687		25,997
JGC Holdings Corporation	¥	1,329	¥	2,320	¥	1,125	$	7,932

Equity financial assets measured at FVOCI that do not have quoted prices in active markets primarily comprised investments in oil and natural gas-related businesses. As of January 1, 2022, December 31, 2022, and December 31, 2023, the carrying amounts were ¥21,278 million, ¥17,204 million, and ¥21,220 million (U.S.$149,626 thousand), respectively.

To improve asset efficiency and review business relationships, the Group derecognizes certain equity financial assets measured at FVOCI by selling them.
The fair value at the time of sale, the cumulative gain (loss) on the sale, and the dividend income for each fiscal year are as follows:

(Millions of yen)						(Thousands of U.S. dollars)		
For the year ended December 31, 2022			For the year ended December 31, 2023			For the year ended December 31, 2023		
Fair value	Cumulative gain (loss)	Dividend income	Fair value	Cumulative gain (loss)	Dividend income	Fair value	Cumulative gain (loss)	Dividend income
¥ 19,830	¥ (1,656)	¥ 738	¥ 8,383	¥ (3,590)	¥ 360	$ 59,110	$ (25,313)	$ 2,538

When equity financial assets measured at FVOCI are derecognized, the cumulative gain (loss) recognized in other comprehensive income is transferred to retained earnings. Cumulative gain (loss), net of tax, of other comprehensive income transferred to retained earnings during the years ended December 31, 2022 and December 31, 2023 were ¥(3,250) million and ¥(5,594) million (U.S.$(39,444) thousand), respectively.

32. Pledged assets

The Group pledges assets as collateral under the loan agreements in relation to the project finance agreement in which Ichthys LNG Pty Ltd, which is a joint venture, is the borrower. The assets of the Group pledged as collateral are as follows:

	(Millions of yen)			(Thousands of U.S. dollars)
	As of January 1, 2022	As of December 31, 2022	As of December 31, 2023	As of December 31, 2023
Cash and cash equivalents	¥ 40,837	¥ 40,149	¥ 27,171	$ 191,587
Trade and other receivables	21,123	38,578	23,348	164,631
Inventories	17,625	21,321	23,740	167,395
Other financial assets (current)	1,020	43	–	–
Other current assets	1,816	3,430	1,729	12,191
Oil and gas assets	1,480,219	1,627,927	1,676,625	11,822,204
Intangible assets	–	–	2,072	14,610
Investments accounted for using the equity method	218,541	466,349	533,304	3,760,428
Loans receivable (non-current)	835,109	1,097,425	1,145,513	8,077,231
Other non-current assets	2,261	2,476	2,505	17,663
Total	¥ 2,618,554	¥ 3,297,704	¥ 3,436,010	$ 24,227,965

For the financial liabilities of Ichthys LNG Pty Ltd, including borrowings based on the project finance agreement, please refer to the company’s condensed financial statements in “34. Investments accounted for using the equity method.”

Assets pledged by the Group as collateral for loan agreements other than the project finance agreement are as follows:

	(Millions of yen)			(Thousands of U.S. dollars)
	As of January 1, 2022	As of December 31, 2022	As of December 31, 2023	As of December 31, 2023
Cash and cash equivalents	¥ 1,690	¥ 1,757	¥ 1,651	$ 11,641
Loans receivable (current)	–	232	–	–
Other financial assets (current)	–	–	183	1,290
Investments accounted for using the equity method	12,272	38,705	31,607	222,867
Loans receivable (non-current)	–	4,157	5,112	36,045
Total	¥ 13,963	¥ 44,852	¥ 38,554	$ 271,851

33. Material subsidiaries and joint operations

(1) Major subsidiaries

Number of subsidiaries as of December 31, 2023: 73

Names of major subsidiaries:
Japan Oil Development Co., Ltd., INPEX Alpha, Ltd., INPEX Sahul, Ltd., INPEX Southwest Caspian Sea, Ltd., JODCO Onshore Limited, JODCO Lower Zakum Limited, INPEX North Caspian Sea, Ltd., INPEX Browse, Ltd., INPEX Holdings Australia Pty Ltd, INPEX Ichthys Pty Ltd, INPEX Oil & Gas Australia Pty Ltd, INPEX Masela, Ltd., INPEX FINANCIAL SERVICES SINGAPORE PTE. LTD., INPEX Norway Co., Ltd., and INPEX Idemitsu Norge AS

(2) Subsidiaries with material non-controlling interests

The Group does not have subsidiaries with material non-controlling interests.

(3) Joint operations

The Group is involved in the upstream oil and natural gas business via its wholly-owned INPEX Ichthys Pty Ltd, with a 66.245% interest in the Ichthys Gas-Condensate Field (WA-50-L/WA-51-L) in Western Australia, Australia as an operator via the same company, and it conducts joint operations with TotalEnergies and other companies.

34. Investments accounted for using the equity method

(1) Investment in affiliates

There are no affiliates that are individually material to the Group. Carrying amounts of investments in individually immaterial affiliates are as follows:

	(Millions of yen)			(Thousands of U.S. dollars)
	As of January 1, 2022	As of December 31, 2022	As of December 31, 2023	As of December 31, 2023
Total carrying amount	¥ 39,139	¥ 44,537	¥ 27,690	$ 195,247

The share of comprehensive income for individually immaterial affiliates is as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	For the year ended December 31, 2022	For the year ended December 31, 2023	For the year ended December 31, 2023
Share of profit	¥ 11,348	¥ 29	$ 204
Share of other comprehensive income	1,527	256	1,805
Share of comprehensive income	¥ 12,875	¥ 285	$ 2,009

(2) Investment in joint ventures

[1] Material joint ventures
Joint ventures that are material to the Group are as follows:

Name	Main business	Location	Major business location	Group ownership percentage (%) As of January 1, 2022	As of December 31, 2022	As of December 31, 2023
Ichthys LNG Pty Ltd	Transportation, liquefaction and sales of oil and natural gas through pipeline in WA-50-L block in offshore Western Australia	Western Australia, Australia	Western Australia, Australia	66.245	66.245	66.245

The Company owns the majority of voting rights in Ichthys LNG Pty Ltd through its subsidiary INPEX Holdings Australia Pty Ltd. However, since the shareholders agreement between INPEX Holdings Australia Pty Ltd and TotalEnergies EP Ichthys Holdings stipulates that both parties’ affirmative votes are required for important resolutions, Ichthys LNG Pty Ltd is considered to be a joint venture accounted for the equity method.

The condensed financial statements of Ichthys LNG Pty Ltd are as follows:

	(Millions of yen)			(Thousands of U.S. dollars)
	As of January 1, 2022	As of December 31, 2022	As of December 31, 2023	As of December 31, 2023
Current assets	¥ 134,475	¥ 205,198	¥ 181,515	$ 1,279,897
Cash and cash equivalents	50,792	85,711	56,705	399,837
Non-current assets	3,695,369	4,167,750	4,327,813	30,516,238
Total assets	3,829,845	4,372,948	4,509,328	31,796,135
Current liabilities	250,669	277,083	329,796	2,325,454
Financial liabilities (excluding trade and other payables and provisions) *1	212,709	220,620	256,507	1,808,680
Non-current liabilities	3,118,585	3,265,624	3,253,100	22,938,231
Financial liabilities (excluding trade and other payables and provisions) *1	3,017,282	3,050,109	2,984,451	21,043,935
Total liabilities	3,369,254	3,542,707	3,582,896	25,263,686
Total equity	460,590	830,241	926,432	6,532,449
Group's share of total equity	305,118	549,993	613,715	4,327,422
Consolidation adjustment *2	(86,576)	(83,643)	(80,410)	(566,986)
Carrying amount of investments	¥ 218,541	¥ 466,349	¥ 533,304	$ 3,760,428

Notes: 1. Financial liabilities include borrowings corresponding to loans receivable from the Group. For the loans receivable, please refer to "31. Financial instruments, (3) Fair value of financial instruments, [2] Financial instruments measured at amortized cost." In addition, the loans receivable include loans receivable under the project finance agreement, and the Group has pledged assets as collateral for the loan agreements. For assets pledged by the Group as collateral, please refer to "32. Pledged assets."

2. Consolidation adjustments mainly consist of adjustments, etc. for borrowing costs capitalized by Ichthys LNG Pty Ltd.

	(Millions of yen)		(Thousands of U.S. dollars)
	For the year ended December 31, 2022	For the year ended December 31, 2023	For the year ended December 31, 2023
Revenue	¥ 943,015	¥ 1,000,838	$ 7,057,100
Depreciation and amortization	(112,344)	(120,664)	(850,824)
Interest income	2,260	8,786	61,951
Interest expense	(225,423)	(338,740)	(2,388,520)
Income tax expense	(103,016)	(43,385)	(305,915)
Profit	224,299	59,203	417,451
Other comprehensive income	66,475	(5,839)	(41,171)
Comprehensive income	¥ 290,774	¥ 53,364	$ 376,279
Dividends received by the Group	–	–	–

Under the project finance agreement, Ichthys LNG Pty Ltd can return funds to shareholders in the form of repayment of subordinated loans or dividends only if conditions such as sufficiency of funds available after repayment of principal and interest are met. Repayment of subordinated loans is expected to accelerate after full repayment of the project finance agreement.

[2] Individually immaterial joint ventures

Carrying amounts of investments in individually immaterial joint ventures are as follows:

	(Millions of yen)			(Thousands of U.S. dollars)
	As of January 1, 2022	As of December 31, 2022	As of December 31, 2023	As of December 31, 2023
Total carrying amount	¥ 67,458	¥ 125,695	¥ 190,909	$ 1,346,135

The share of comprehensive income for individually immaterial joint ventures is as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	For the year ended December 31, 2022	For the year ended December 31, 2023	For the year ended December 31, 2023
Share of profit	¥ 6,317	¥ (20,859)	$ (147,080)
Share of other comprehensive income	2,758	1,078	7,601
Share of comprehensive income	¥ 9,076	¥ (19,780)	$ (139,472)

Impairment losses were recognized for a portion of investment in joint ventures in the amounts of ¥3,020 million for the year ended December 31, 2022 and ¥27,807 million (U.S.$196,072 thousand) for the year ended December 31, 2023, and recorded in “Share of profit (loss) of investments accounted for using the equity method” in the consolidated statement of profit or loss. In addition, such impairment losses are included in “Share of profit” in the table above.

35. Related parties

(1) Related party transactions

Related party transactions with the Group are as follows. Transactions between the Company and its subsidiaries are not disclosed, as they are eliminated in the consolidated financial statements.

As of January 1, 2022

(Millions of yen)

Classification	Name	Description of related party transaction	Transaction amounts	Outstanding amounts
Joint ventures (including subsidiaries of joint ventures)	Ichthys LNG Pty Ltd	Loans of funds *1	¥ –	¥ 1,041,921
		Interest received *1	–	1,212
		Guarantee of liabilities *2	356,450	–
		Guarantee commission received *2	–	151
		Sale of finished goods *3	–	21,114
Other (companies in which the majority of voting rights are held by shareholders with significant influence, etc.)	Japan Oil, Gas and Metals National Corporation *5	Acceptance of debt guarantees *4	125,659	–
		Payment of guarantee fees *4	¥ –	¥ 310

Notes:
1. The Company determines the interest rate on loans of funds based on market interest rates in a reasonable and appropriate manner.
2. Guarantee of liabilities are for securing loans from financial institutions, and the Company receives guarantee commissions based on the amount of the guarantees. In addition, “Amounts” of “Guarantee of liabilities” are guaranteed balances by the Company as of the transition date.
3. All transactions were conducted under general transactional conditions, which are the same as those used in transactions with independent third parties.
4. Japan Oil, Gas and Metals National Corporation guarantees securing loans from financial institutions and receives guarantee fees based on the amount of the guarantees. In addition, “Transaction amounts” of “Acceptance of debt guarantees” are guaranteed balances by Japan Oil, Gas and Metals National Corporation as of January 1, 2022.
5. Japan Oil, Gas and Metals National Corporation has changed its official name to Japan Organization for Metals and Energy Security on November 14, 2022.

For the year ended December 31, 2022

(Millions of yen)

Classification	Name	Description of related party transaction	Transaction amounts	Outstanding amounts
Joint ventures (including subsidiaries of joint ventures)	Ichthys LNG Pty Ltd	Loans of funds *1	¥ 327,757	¥ 1,298,793
		Collection of loans receivable*1	158,376	
		Loss arising from changes in terms of financial assets without derecognition and others *2	85,483	
		Interest received *1	59,163	3,784
		Guarantee of liabilities *3	77,712	–
		Guarantee commission received *3	1,752	–
Other (companies in which the majority of voting rights are held by shareholders with significant influence, etc.)	Japan Organization for Metals and Energy Security	Acceptance of debt guarantees *4	119,761	–
		Payment of guarantee fees *4	¥ 1,211	¥ 316

Notes:
1. The Company determines the interest rate on loans of funds based on market interest rates in a reasonable and appropriate manner.
2. The loss arising from changes in terms of financial assets without derecognition and revisions to the estimated future cash flows of financial assets is recorded as loss arising from changes in terms of financial assets without derecognition and others in accordance with IFRS 9 “Financial Instruments.”
3. Guarantee of liabilities are for securing loans from financial institutions, and the Company receives guarantee commissions based on the amount of the guarantees. In addition, “Transaction amounts” of “Guarantee of liabilities” are guaranteed balances by the Company as of December 31, 2022.
4. Japan Organization for Metals and Energy Security guarantees securing loans from financial institutions and receives guarantee fees based on the amount of the guarantees. In addition, “Amounts” of “Acceptance of debt guarantees” are guaranteed balances by Japan Organization for Metals and Energy Security as of December 31, 2022.

For the year ended December 31, 2023

Classification	Name	Description of related party transaction	(Millions of yen) Transaction amounts	(Millions of yen) Outstanding amounts	(Thousands of U.S. dollars) Transaction amounts	(Thousands of U.S. dollars) Outstanding amounts
Joint ventures (including subsidiaries of joint ventures)	Ichthys LNG Pty Ltd	Collection of loans *1	¥ 149,179	¥ 1,333,010	$ 1,051,889	$ 9,399,308
		Gain arising from changes in terms of financial assets without derecognition and others *2	116,507		821,513	
		Interest received *1	73,224	4,393	516,316	30,975
		Guarantee of liabilities *3	74,407	–	524,658	–
		Sale of finished goods *4	228,313	21,731	1,609,878	153,229
Other (companies in which the majority of voting rights are held by shareholders with significant influence, etc.)	Japan Organization for Metals and Energy Security	Acceptance of debt guarantees *5	102,464	–	722,493	–
		Payment of guarantee fees *5	¥ 1,065	¥ 267	$ 7,509	$ 1,882

Notes:
1. The Company determines the interest rate on loans of funds based on market interest rates in a reasonable and appropriate manner.
2. The gain arising from changes in terms of financial assets without derecognition and revisions to the estimated future cash flows of financial assets is recorded as gain arising from changes in terms of financial assets without derecognition and others in accordance with IFRS 9 “Financial Instruments.”
3. Guarantee of liabilities are for securing loans from financial institutions, and the amounts of guarantee of liabilities are guaranteed balances by the Company as of December 31, 2023.
4. All transactions were conducted under general transactional conditions, which are the same as those used in transactions with independent third parties.
5. Japan Organization for Metals and Energy Security guarantees securing loans from financial institutions and receives guarantee fees based on the amount of the guarantees. In addition, “Transaction amounts” of “Acceptance of debt guarantees” are guaranteed balances by Japan Organization for Metals and Energy Security as of December 31, 2023.

(2) Compensation for key management personnel

Compensation paid to key management personnel of the Company is as follows:

	(Millions of yen) For the year ended December 31, 2022	(Millions of yen) For the year ended December 31, 2023	(Thousands of U.S. dollars) For the year ended December 31, 2023
Compensation and bonuses	¥ 687	¥ 693	$ 4,886
Stock-based compensation	37	52	366
Total	¥ 725	¥ 746	$ 5,260

36. Cash flow information

The changes in liabilities arising from financial activities are as follows:

For the year ended December 31, 2022

(Millions of yen)

	As of January 1, 2022	Changes with cash flows	Changes without cash flows: Underwriting due to business combination	Changes without cash flows: Exchange differences on translation of foreign operations	Changes without cash flows: New leases	Changes without cash flows: Other*	As of December 31, 2022
Short-term borrowings	¥ 5,110	¥ (5,450)	¥ –	¥ 5,895	¥ –	¥ –	¥ 5,556
Long-term borrowings	1,145,103	(50,440)	–	140,029	–	–	1,234,692
Bonds payable	30,000	–	–	–	–	–	30,000
Lease liabilities	84,577	(19,384)	1,305	8,235	572	13,916	89,224
Total	¥ 1,264,792	¥ (75,275)	¥ 1,305	¥ 154,159	¥ 572	¥ 13,916	¥ 1,359,472

(Note) Other changes include the impact, etc. of changes in estimates of lease liabilities.

For the year ended December 31, 2023

(Millions of yen)

	As of January 1, 2023	Changes with cash flows	Changes without cash flows: Underwriting due to business combination	Changes without cash flows: Exchange differences on translation of foreign operations	Changes without cash flows: New leases	Changes without cash flows: Other *	As of December 31, 2023
Short-term borrowings	¥ 5,556	¥ 20,121	¥ –	¥ 1,681	¥ –	¥ –	¥ 27,358
Long-term borrowings	1,234,692	(300,704)	–	65,636	–	–	999,623
Bonds payable	30,000	–	–	–	–	–	30,000
Lease liabilities	89,224	(20,119)	–	4,641	4,084	10,635	88,465
Total	¥ 1,359,472	¥ (300,703)	¥ –	¥ 71,958	¥ 4,084	¥ 10,635	¥ 1,145,448

(Thousands of U.S. dollars)

	As of January 1, 2023	Changes with cash flows	Changes without cash flows: Underwriting due to business combination	Changes without cash flows: Exchange differences on translation of foreign operations	Changes without cash flows: New leases	Changes without cash flows: Other *	As of December 31, 2023
Short-term borrowings	$ 39,176	$ 141,877	$ –	$ 11,853	$ –	$ –	$ 192,906
Long-term borrowings	8,706,049	(2,120,321)	–	462,812	–	–	7,048,533
Bonds payable	211,535	–	–	–	–	–	211,535
Lease liabilities	629,135	(141,862)	–	32,724	28,797	74,989	623,783
Total	$ 9,585,897	$ (2,120,314)	$ –	$ 507,389	$ 28,797	$ 74,989	$ 8,076,773

(Note) Other changes include the impact, etc. of changes in estimates of lease liabilities.

37. Commitments

Significant contractual commitments to acquire oil and gas assets, other property, plant and equipment and intangible assets are as follows:

	(Millions of yen)			(Thousands of U.S. dollars)
	As of January 1, 2022	As of December 31, 2022	As of December 31, 2023	As of December 31, 2023
Oil and gas assets	¥ 247,975	¥ 228,761	¥ 345,352	$ 2,435,143
Other property, plant and equipment	724	6,283	6,242	44,013
Intangible assets	4,178	4,569	30	211
Total	¥ 252,878	¥ 239,614	¥ 351,624	$ 2,479,368

The Company and certain subsidiaries have entered into purchase agreements for LNG and other products. The balances of purchase agreements as of January 1, 2022 and for the years ended December 31, 2022 and December 31, 2023 were ¥836,337 million, ¥1,399,860 million and ¥934,169 million (U.S.$6,587,004 thousand), respectively. The Company calculates balances of purchase agreements based on supply volumes and supply unit pricing specified in contracts already in effect, but when supply volumes and supply unit pricing include variable factors, the Company uses its best estimates. In addition, the Group has subordinated loan agreements with Ichthys LNG Pty Ltd, which is a joint venture. The amounts of subordinated loan facility as of January 1, 2022 and for the years ended December 31, 2022 and December 31, 2023 were ¥806,729 million, ¥1,261,129 million and ¥1,347,802 million (U.S.$9,503,610 thousand), respectively. The loan disbursement balances of subordinated loan facility as of January 1, 2022 and for the years ended December 31, 2022 and December 31, 2023 were ¥788,319 million, ¥1,174,928 million, and ¥1,138,872 million (U.S.$8,030,404 thousand), respectively.

38. Contingent liabilities

The Company guarantees transactions between joint ventures and financial institutions. The amounts guaranteed as of January 1, 2022 and for the years ended December 31, 2022 and December 31, 2023 were ¥390,634 million, ¥114,594 million and ¥112,071 million (U.S.$790,234 thousand), respectively. The above amounts include guaranteed balances to Ichthys LNG Pty Ltd, which is a joint venture. For details, please refer to “35. Related parties.”

In December 2022, the ecology department of the Atyrau region, Republic of Kazakhstan issued notification regarding violation of administrative directive for breach of environmental laws and regulations to North Caspian Operating Company N.V. (hereinafter the “Operator”), which serves as the operator of the Republic of Kazakhstan Offshore North Caspian Sea Contract Area project, for which the Group subsidiary, INPEX North Caspian Sea, Ltd. (Company ownership stake: 51%), holds 7.56% participating interest.
The Operator contested the aforementioned notification regarding violation of administrative directive and accordingly filed a lawsuit with the administrative court in the city of Astana, Republic of Kazakhstan. The court acknowledged the Operator’s assertions in June 2023 and accordingly dismissed the claims brought by the authorities in the court’s first-instance judgment. On February 27, 2024, however, the court overturned the first-instance judgment and issued a second-instance judgment recognizing the authorities’ claims. The case is pending as of the approval date of the consolidated financial statements.
Furthermore, INPEX North Caspian Sea, Ltd. has carried out a process of arbitration together with other project partners relating to cost recovery, etc. in the production sharing contract entered into with the Republic of Kazakhstan.
In regard to this arbitration process, INPEX North Caspian Sea, Ltd. received a Statement of Claim (petition for arbitration) from the Republic of Kazakhstan in early April 2024, and as of the approval date of the consolidated financial statements, the arbitration process is still ongoing.
Whereas the Group could potentially become subject to financial burden associated with developments arising with respect to the aforementioned litigation and arbitration, it is difficult to estimate the quantitative impact thereof.

39. Subsequent events

(Acquisition of the Company's treasury stock)

The Board of Directors of the Company resolved at a meeting held on May 14, 2024 for the Company to acquire its treasury stock pursuant to Article 156, as applied pursuant to paragraph 3, Article 165, of the Companies Act.

1. Reasons for acquisition of treasury stock
   To improve capital efficiency and enhance shareholder returns.

2. Details of the acquisition

(1) Type of shares to be acquired:	Common shares
(2) Total number of shares to be acquired:	Up to 40 million shares (3.18% of total number of issued shares excluding treasury stock)
(3) Total cost of acquisition:	Up to 50.0 billion yen
(4) Period of acquisition:	From May 15, 2024 to December 31, 2024
(5) Method of acquisition:	Market purchases on the Tokyo Stock Exchange

(Reference) Total number of issued common shares and treasury stock held as of March 31, 2024

Total number of issued shares (excluding treasury stock):	1,259,136,021 shares
Total number of treasury stock:	46 shares

Note: The shares held by the Board Incentive Plan Trust (875,230 shares) are not included in the number of treasury stock.

40. First-time adoption

Starting from the year ended December 31, 2023, the Group discloses consolidated financial statements in accordance with IFRS. The most recent consolidated financial statements prepared in accordance with Japanese GAAP is for the year ended December 31, 2022, and the date of transition to IFRS is January 1, 2022.
In principle, under IFRS, a company adopting IFRS for the first time (hereinafter "first-time adopter") is required to apply the standards under IFRS retrospectively. However, IFRS 1 "First-time Adoption of International Financial Reporting Standards" (hereinafter "IFRS 1") provides optional exemptions to retrospective application and mandatory exceptions prohibiting retrospective application of certain standards required under IFRS. The effect of the adoption of these provisions is adjusted in retained earnings or accumulated other comprehensive income at the date of transition to IFRS. The exemptions adopted by the Group for the transition from Japanese GAAP to IFRS are as follows:

(1) Exemptions to IFRS 1

- Business combination
  A first-time adopter may elect not to apply IFRS 3 "Business Combinations" (hereinafter "IFRS 3") retrospectively to business combinations that occurred before the date of transition to IFRS. The Group has adopted this exemption and elects not to apply IFRS 3 retrospectively to business combinations that occurred before the date of transition. As a result, amounts of goodwill and amounts equivalent to goodwill in affiliates and joint ventures arising in business combinations that occurred before the date of transition are based on carrying amounts as of the date of transition in accordance with Japanese GAAP. Goodwill is tested for impairment as of the date of transition regardless of whether there is indication of impairment.
- Deemed cost
  IFRS 1 permits the use of fair value of property, plant and equipment and intangible assets at the date of transition to IFRS as deemed cost at that date. The Group uses the fair value of certain oil and gas assets at the date of transition as the deemed cost under IFRS at that date.
- Exchange differences on translation of foreign operations
  IFRS 1 permits the cumulative exchange differences on translation of foreign operations to be deemed zero at the date of transition to IFRS. The Group elects to deem zero the cumulative exchange differences on translation of foreign operations at the date of transition.
- Leases
  IFRS 1 permits a first-time adopter to assess whether a contract contains a lease at the date of transition to IFRS. The Group has adopted this exemption and determines whether a contract contains a lease based on the facts and circumstances existing at the date of transition.
- Decommissioning liabilities included in the cost of property, plant and equipment
  For liabilities related to obligations of decommissioning, etc. included in the cost of property, plant and equipment, IFRS 1 permits a first-time adopter to either apply retrospectively from when the obligations of decommissioning, etc. occur or measure obligations of decommissioning, etc. at the date of transition.
  The Group elects to measure obligations of decommissioning, etc. included in the cost of property, plant and equipment at the date of transition.
- Borrowing costs
  IFRS 1 permits the use of the date of transition to IFRS as the commencement date for capitalization of borrowing costs on qualifying assets. The Group has adopted this exemption and continues to expense borrowing costs for construction projects started prior to the date of transition.

(2) Mandatory exceptions to IFRS 1

Under IFRS 1, retrospective application of IFRS is prohibited for “estimates,” “derecognition of financial assets and financial liabilities,” “hedge accounting,” “non-controlling interests,” and “classification and measurement of financial assets.” The Group has adopted these items prospectively from the date of transition.

(3) Reconciliations

Reconciliations of equity as of January 1, 2022 (date of transition to IFRS)

(Millions of yen)

Line items under Japanese GAAP	Japanese GAAP (Note)	Re-classification	Effects of differences in recognition and measurement	IFRS	Notes	Line items under IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	¥ 201,765	¥ (9,772)	¥ 261	¥ 192,254	(a) (l)	Cash and cash equivalents
Accounts receivable-trade and contract assets	168,224	28,635	1,593	198,454	(b) (l)	Trade and other receivables
Inventories	47,817	3,803	(4,228)	47,393	(l)	Inventories
Accounts receivable-other	42,309	(42,309)	–	–	(b) (c) (d)	
	–	2,646	(26)	2,619	(d)	Income taxes receivable
	–	35,474	2,891	38,366	(c)	Loans receivable
	–	12,707	1,165	13,872	(a) (c)	Other financial assets
Other	70,852	(35,509)	(2,726)	32,616	(c) (l)	Other current assets
Allowance for doubtful accounts	(12,104)	12,104	–	–	(b)	
Total current assets	518,864	7,782	(1,069)	525,576		Total current assets
Fixed assets						Non-current assets
Tangible fixed assets	2,259,849	871,893	160,638	3,292,382	(e) (l) (m) (n) (q) (u)	Oil and gas assets
	–	27,753	3	27,757	(e) (n)	Other property, plant and equipment
	–	29,550	(29,550)	–	(f) (o)	Goodwill
Intangible assets	446,660	(440,612)	0	6,048	(e) (f)	Intangible assets
	–	342,874	(17,734)	325,139	(g) (r)	Investments accounted for using the equity method
Investment securities	397,953	(350,444)	3,078	50,587	(c) (g)	Other financial assets
Long-term loans receivable	1,011,801	–	2	1,011,804		Loans receivable
Recoverable accounts under production sharing	548,170	(548,170)	–	–	(e) (l)	
Deferred tax assets	21,713	–	5,563	27,276	(s)	Deferred tax assets
Other	11,704	6,968	(189)	18,483	(l)	Other non-current assets
Allowance for doubtful accounts	(652)	652	–	–		
Allowance for recoverable accounts under production sharing	(61,871)	61,871	–	–	(e)	
Allowance for investments in exploration	(1,400)	1,400	–	–		
Total fixed assets	4,633,928	3,737	121,812	4,759,479		Total non-current assets
Total assets	¥ 5,152,792	¥ 11,519	¥ 120,743	¥ 5,285,056		Total assets

(Note) Some of the Group’s foreign consolidated subsidiaries and foreign equity-method affiliates have applied IAS 12 “Income Taxes” (amended in May 2021) from the year ended December 31, 2023. The amendments have been applied retrospectively, and Japanese GAAP as of January 1, 2022 (date of transition to IFRS) provides figures after retrospective application.

(Millions of yen)

Line items under Japanese GAAP	Japanese GAAP (Note)	Re-classification	Effects of differences in recognition and measurement	IFRS	Notes	Line items under IFRS
						Liabilities and equity
Liabilities						Liabilities
Current liabilities						Current liabilities
Accounts payable-trade	¥ 14,888	¥ 136,877	¥ (5,241)	¥ 146,524	(h) (l)	Trade and other payables
Short-term loans	80,493	–	–	80,493		Bonds and borrowings
Income taxes payable	51,350	–	(504)	50,845		Income taxes payable
Accounts payable-other	98,518	(98,518)	–	–	(h)	
Provision for bonuses	1,386	(1,386)	–	–		
Provision for bonuses to officers	200	(200)	–	–		
Provision for loss on business	9,400	(9,400)	–	–		
Provision for exploration projects	9,444	(9,444)	–	–		
Asset retirement obligations	672	–	593	1,266	(q)	Asset retirement obligations
	–	30,498	8,847	39,345	(i) (n)	Other financial liabilities
Other	82,533	(36,906)	(7,057)	38,570	(h) (i) (l)	Other current liabilities
Total current liabilities	348,888	11,519	(3,362)	357,045		Total current liabilities
Long-term liabilities						Non-current liabilities
Bonds payable	30,000	1,069,721	–	1,099,721	(j)	Bonds and borrowings
Long-term debt	1,069,721	(1,069,721)	–	–	(j)	
Deferred tax liabilities	109,565	–	27,872	137,437	(s)	Deferred tax liabilities
Provision for stocks payment	100	(100)	–	–		
Provision for special repair and maintenance	650	(650)	–	–		
Liability for retirement benefits	7,048	–	4	7,052		Liability for retirement benefits
Asset retirement obligations	258,339	–	106,491	364,830	(q)	Asset retirement obligations
	–	14,953	57,337	72,291	(i) (n)	Other financial liabilities
Other	15,845	(14,303)	231	1,773	(i)	Other non-current liabilities
Total long-term liabilities	1,491,270	(100)	191,936	1,683,105		Total non-current liabilities
Total liabilities	1,840,159	11,418	188,573	2,040,151		Total liabilities
Net assets						Equity
Common stock	290,809	–	–	290,809		Common stock
Capital surplus	681,398	100	(2,549)	678,949		Capital surplus
Retained earnings	1,750,065	–	430,771	2,180,837	(w)	Retained earnings
Treasury stock	(75,425)	–	–	(75,425)		Treasury stock
Accumulated other comprehensive income	443,441	–	(484,932)	(41,490)	(p) (u) (v)	Other components of equity
Non-controlling interests	222,344	–	(11,119)	211,224	(t)	Non-controlling interests
Total net assets	3,312,633	100	(67,830)	3,244,904		Total equity
Total liabilities and net assets	¥ 5,152,792	¥ 11,519	¥ 120,743	¥ 5,285,056		Total liabilities and equity

(Note) Some of the Group's foreign consolidated subsidiaries and foreign equity-method affiliates have applied IAS 12 "Income Taxes" (amended in May 2021) from the year ended December 31, 2023. The amendments have been applied retrospectively, and Japanese GAAP as of January 1, 2022 (date of transition to IFRS) provides figures after retrospective application.

Reconciliations of equity as of December 31, 2022 (date of most recent consolidated financial statements prepared under Japanese GAAP)

(Millions of yen)

Line items under Japanese GAAP	Japanese GAAP (Note)	Re-classification	Effects of differences in recognition and measurement	IFRS	Notes	Line items under IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	¥ 227,829	¥ (19,628)	¥ 37	¥ 208,238	(a) (k) (l)	Cash and cash equivalents
Accounts receivable-trade and contract assets	252,938	34,320	193	287,452	(b) (k) (l)	Trade and other receivables
Securities	58,152	(58,152)	–	–	(c)	
Inventories	68,154	4,883	(1,130)	71,907	(k) (l)	Inventories
Accounts receivable-other	61,758	(61,758)	–	–	(b) (c) (d)	
	–	5,948	–	5,948	(d)	Income taxes receivable
	–	32,180	(1)	32,179	(c)	Loans receivable
	–	84,635	404	85,039	(a) (c)	Other financial assets
Other	73,588	(31,750)	(419)	41,417	(c) (k) (l)	Other current assets
Allowance for doubtful accounts	(13,020)	13,020	–	–	(b)	
Total current assets	729,401	3,697	(915)	732,183		Subtotal
	–	26,422	–	26,422	(k)	Assets held for sale
	729,401	30,118	(915)	758,605		Total current assets
Fixed assets						Non-current assets
Tangible fixed assets	2,473,118	855,338	212,050	3,540,507	(e) (k) (l) (m) (n) (q) (u)	Oil and gas assets
	–	27,387	3	27,390	(e) (k) (n)	Other property, plant and equipment
	–	40,332	(20,626)	19,706	(f) (o)	Goodwill
Intangible assets	482,704	(475,929)	0	6,775	(e) (f)	Intangible assets
	–	656,287	(19,704)	636,582	(g) (r)	Investments accounted for using the equity method
Investment securities	742,914	(679,963)	(2,801)	60,149	(c) (g)	Other financial assets
Long-term loans receivable	1,279,383	–	(243)	1,279,140		Loans receivable
Recoverable accounts under production sharing	521,541	(521,541)	–	–	(e) (l)	
Deferred tax assets	69,705	–	7,836	77,541	(s)	Deferred tax assets
Asset for retirement benefits	1,734	–	–	1,734		Asset for retirement benefits
Other	15,765	23,871	643	40,280	(k) (l)	Other non-current assets
Allowance for doubtful accounts	(690)	690	–	–		
Allowance for recoverable accounts under production sharing	(53,873)	53,873	–	–	(e)	
Allowance for investments in exploration	(1,852)	1,852	–	–		
Total fixed assets	5,530,452	(17,800)	177,157	5,689,809		Total non-current assets
Total assets	¥ 6,259,853	¥ 12,318	¥ 176,241	¥ 6,448,414		Total assets

(Note) Some of the Group's foreign consolidated subsidiaries and foreign equity-method affiliates have applied IAS 12 "Income Taxes" (amended in May 2021) from the year ended December 31, 2023. The amendments have been applied retrospectively, and Japanese GAAP as of December 31, 2022 (date of the most recent consolidated financial statements prepared under Japanese GAAP) provides figures after retrospective application.

(Millions of yen)

Line items under Japanese GAAP	Japanese GAAP (Note)	Re-classification	Effects of differences in recognition and measurement	IFRS	Notes	Line items under IFRS
						Liabilities and equity
Liabilities						Liabilities
Current liabilities						Current liabilities
Accounts payable-trade	¥ 47,183	¥ 163,127	¥ 526	¥ 210,836	(h) (k) (l)	Trade and other payables
Short-term loans	75,878	–	–	75,878		Bonds and borrowings
Income taxes payable	126,675	–	69	126,745		Income taxes payable
Accounts payable-other	118,448	(118,448)	–	–	(h)	
Provision for bonuses	1,458	(1,458)	–	–		
Provision for bonuses to officers	130	(130)	–	–		
Provision for loss on business	8,631	(8,631)	–	–		
Provision for exploration projects	3,391	(3,391)	–	–		
Asset retirement obligations	15,504	(37)	(5,366)	10,100	(k) (q)	Asset retirement obligations
	–	74,271	7,562	81,833	(i) (n)	Other financial liabilities
Other	129,439	(96,005)	(2,311)	31,122	(h) (i) (k) (l)	Other current liabilities
Total current liabilities	526,740	9,296	480	536,517		Subtotal
	–	4,213	–	4,213	(k)	Liabilities directly related to assets held for sale
	526,740	13,508	480	540,730		Total current liabilities
Long-term liabilities						Non-current liabilities
Bonds payable	30,000	1,164,369	–	1,194,369	(j)	Bonds and borrowings
Long-term debt	1,164,369	(1,164,369)	–	–	(j)	
Deferred tax liabilities	192,507	–	42,048	234,556	(s)	Deferred tax liabilities
Provision for stocks payment	245	(245)	–	–		
Provision for special repair and maintenance	705	(705)	–	–		
Liability for retirement benefits	689	–	–	689		Liability for retirement benefits
Asset retirement obligations	303,159	(1,190)	32,266	334,234	(k) (q)	Asset retirement obligations
	–	15,366	55,439	70,805	(i) (n)	Other financial liabilities
Other	19,064	(14,660)	62	4,466	(i)	Other non-current liabilities
Total long-term liabilities	1,710,742	(1,435)	129,816	1,839,123		Total non-current liabilities
Total liabilities	2,237,483	12,073	130,296	2,379,854		Total liabilities
Net assets						Equity
Common stock	290,809	–	–	290,809		Common stock
Capital surplus	683,382	245	(4,514)	679,113		Capital surplus
Retained earnings	2,055,459	–	466,538	2,521,998	(w)	Retained earnings
Treasury stock	(121,358)	–	–	(121,358)		Treasury stock
Accumulated other comprehensive income	852,558	–	(415,739)	436,818	(p) (u) (v)	Other components of equity
Non-controlling interests	261,517	–	(339)	261,178	(t)	Non-controlling interests
Total net assets	4,022,370	245	45,944	4,068,560		Total equity
Total liabilities and net assets	¥ 6,259,853	¥ 12,318	¥ 176,241	¥ 6,448,414		Total liabilities and equity

(Note) Some of the Group's foreign consolidated subsidiaries and foreign equity-method affiliates have applied IAS 12 "Income Taxes" (amended in May 2021) from the year ended December 31, 2023. The amendments have been applied retrospectively, and Japanese GAAP as of December 31, 2022 (date of the most recent consolidated financial statements prepared under Japanese GAAP) provides figures after retrospective application.

Notes on reconciliations of equity

(i) Reclassification

(a) Cash and cash equivalents
Time deposits with deposit terms of more than three months, which were included in “Cash and deposits” under Japanese GAAP, have been reclassified as “Other financial assets” in current assets under IFRS.

(b) Trade and other receivables
Part of “Accounts receivable-other” and “Allowance for doubtful accounts” in current assets, which were presented separately under Japanese GAAP, have been reclassified as “Trade and other receivables” under IFRS.

(c) Other financial assets
“Securities” and part of “Accounts receivable-other,” which were presented separately, and loans receivable included in “Other” in current assets under Japanese GAAP, have been reclassified as “Other financial assets” in current assets and “Loans receivable” under IFRS.
In addition, investment securities other than “Investments accounted for using the equity method,” which were included in “Investment securities” under Japanese GAAP, have been reclassified as “Other financial assets” in non-current assets under IFRS.

(d) Income taxes receivable
“Income taxes receivable,” which was included in “Accounts receivable-other” under Japanese GAAP, is presented separately under IFRS.

(e) Oil and gas assets
Assets related to oil and gas exploration, evaluation, development, and production activities, which were presented as “Intangible assets,” “Recoverable accounts under production sharing,” and “Allowance for recoverable accounts under production sharing” under Japanese GAAP, have been reclassified as “Oil and gas assets” under IFRS.
In addition, property, plant and equipment other than assets related to oil and gas, which was included in “Tangible fixed assets” under the Japanese GAAP, has been reclassified as “Other property, plant and equipment” under IFRS.

(f) Goodwill
“Goodwill,” which was included in “Intangible assets” under Japanese GAAP, is presented separately under IFRS.

(g) Investments accounted for using the equity method
“Investments accounted for using the equity method,” which was included in “Investment securities” under Japanese GAAP, is presented separately under IFRS.

(h) Trade and other payables
“Accounts payable-other,” which was presented separately under Japanese GAAP, and part of accrued expenses included in “Other” in current liabilities under Japanese GAAP, have been reclassified as “Trade and other payables” under IFRS.

(i) Other financial liabilities
Lease liabilities and deposits payable, which were included in “Other” in current liabilities and “Other” in long-term liabilities under Japanese GAAP, have been reclassified as “Other financial liabilities” in current liabilities and “Other financial liabilities” in non-current liabilities under IFRS.

(j) Bonds and borrowings
“Bonds payable” and “Long-term debt,” which were presented separately under Japanese GAAP, have been reclassified as “Bonds and borrowings” in non-current liabilities under IFRS.

(k) Assets held for sale and liabilities directly related to assets held for sale
“Assets held for sale” and “Liabilities directly related to assets held for sale” are presented separately in accordance with IFRS presentation rules.

(l) Invested capital for joint operations
Invested capital related to production sharing contract projects, which was included in “Recoverable accounts under production sharing” under Japanese GAAP, is measured as the Group’s equivalent share of the assets and liabilities of joint operations and included in the appropriate account to represent the rights and obligations with respect to the assets and liabilities of joint operations under IFRS.

(ii) Effects of differences in recognition and measurement

(m) Oil and gas assets

Under Japanese GAAP, oil and gas assets were accounted for differently depending on the type of contract. However, under IFRS, payments related to oil and natural gas exploration and evaluation are accounted for using the successful efforts method, and payments related to development wells and related production facilities are recognized as oil and gas assets and depreciated using the unit-of-production method.

For certain “Oil and gas assets,” the fair value at the date of transition or the carrying amount calculated in accordance with previous GAAP is used as the deemed cost, which is ¥83,407 million higher compared to the carrying amount under Japanese GAAP. In addition, the fair value at the date of transition considering the increase, etc. from the recognition of lease assets (right-of-use assets) and the capitalization of asset retirement obligation costs is ¥693,892 million. Fair value is estimated using the discounted cash flow method and is classified as Level 3. The main unobservable inputs used in the fair value measurement are the outlook for future oil prices and the reserves.

(n) Lease assets and lease liabilities

Under Japanese GAAP, operating lease transactions by a lessee are expensed as rental transactions. However, under IFRS, in principle, lease assets (right-of-use assets) and lease liabilities are recognized for all lease transactions by a lessee. Lease assets (right-of-use assets) are included in “Oil and gas assets” and “Other property, plant and equipment,” and lease liabilities are included in “Other financial liabilities” in current liabilities and “Other financial liabilities” in non-current liabilities.

(o) Goodwill

Under Japanese GAAP, limited to cases where there are indications of impairment in the group of cash-generating units, including goodwill, the Group had determined whether to recognize an impairment loss by comparing the carrying amount of the asset with the total undiscounted future cash flows expected from the group of cash-generating units, including goodwill in question. However, under IFRS, the recoverable amount is calculated as value in use based on the discounted future cash flows expected from the group of cash-generating units, including goodwill in question, and an impairment loss is recognized if the recoverable amount is less than the carrying amount.

As a result of the goodwill impairment test performed on the date of transition, for ¥29,550 million of goodwill allocated to the group of cash-generating units of “Oil & Gas Japan” segment, the carrying amount of the group of cash-generating units was reduced to its recoverable amount, and the entire amount of goodwill was reduced from retained earnings, as the initially anticipated future cash flow was no longer expected.

The recoverable amount is measured by value in use and is ¥281,163 million. Value in use is calculated by discounting estimated cash flows to present value for the period covered by the business plans approved by management and for the subsequent period considered for the volume of LNG received from natural gas production from mining areas in Japan, the Group’s own mining areas, etc. The key assumptions used in this calculation are future sales volume and crude oil and natural gas prices, and the assumptions are based on the best estimates by management taking into account various factors, such as the impact of the spread of COVID-19, that are considered reasonable on the date of transition. Please refer to “4. Critical accounting estimates and judgments” for the methods used by the Group to calculate key assumptions. The discount rate is determined based on the pre-tax weighted average cost of capital of the group of cash-generating units, and the discount rate used to calculate value in use is 6.4%.

(p) Financial assets measured at fair value through other comprehensive income

Under Japanese GAAP, gains (losses) on sale or impairment losses on investment securities were treated as profit or loss. However, under IFRS, for equity financial instruments designated to be measured at fair value through other comprehensive income, changes in fair value are recognized in other comprehensive income and transferred to retained earnings when they are derecognized.

(q) Asset retirement obligations and the corresponding asset retirement costs

Under Japanese GAAP, asset retirement obligations and the corresponding asset retirement costs related to production sharing contract projects were not recognized. However, under IFRS, in principle, asset retirement obligations and the corresponding asset retirement costs related to all projects, including production sharing contracts, are recognized.

In addition, under Japanese GAAP, discount rates were subject to review in the event of significant changes to estimates associated with increases in undiscounted cash flows used in the calculation of asset retirement obligations. However, under IFRS, adjustments are made to reflect the latest and best estimates, which entails reassessing asset retirement obligations at the end of each reporting period and accordingly reviewing the discount rate.

(r) Investments accounted for using the equity method

Due to the adoption of IFRS, the carrying amount of “Investments accounted for using the equity method” has decreased compared to Japanese GAAP due to changes in the adjustments to the financial statements of some joint ventures when the accounting policies differ from those adopted by the Group.

(s) Deferred tax assets and deferred tax liabilities

With the adoption of IFRS, the recoverability of all deferred tax assets has been reassessed. In addition, deferred tax assets and deferred tax liabilities have been recognized for temporary differences arising from the adjustments from Japanese GAAP to IFRS.

(t) Non-controlling interests

The related non-controlling interests have been adjusted for the differences in recognition and measurement arising from the reconciliations from Japanese GAAP to IFRS.

Under Japanese GAAP, if the amount of losses of a subsidiary that is allocated to non-controlling interests in the subsidiary exceeds the amount that should be borne by the non-controlling shareholders, the excess amount is borne by the parent company's equity. However, under IFRS, regardless of whether or not subsidiaries have recognized losses, total comprehensive income from the date of transition and onwards is borne by both equity attributable to owners of parent and non-controlling interests.

(u) Functional currency of subsidiaries

Under Japanese GAAP, financial statements were prepared based on the currency of the country where the subsidiary is located. However, under IFRS, the functional currency is determined, and financial statements are prepared based on the functional currency of each company. For consolidation purposes, exchange differences arising from translation to Japanese yen, which serves as the Group's presentation currency for the consolidated financial statements, are recorded in other comprehensive income.

In accordance with the aforementioned, for subsidiaries incorporated in Japan for whose functional currency is deemed to be the U.S. dollar under IFRS, whereas under Japanese GAAP, the exchange rate on the transaction date was used for translation to Japanese yen for transactions in U.S. dollars, under IFRS, certain non-monetary items denominated in U.S. dollars (including oil and gas assets) within those subsidiaries are translated to Japanese yen using the exchange rate at the end of the fiscal year in the process of translating the assets and liabilities of those subsidiaries to Japanese yen, given that the U.S dollar is the currency used for transactions and is the functional currency.

(v) Accumulated exchange differences on translation of foreign operations

The Group has elected the exemption provided in IFRS 1 at first-time adoption, and transferred all accumulated exchange differences on translation of foreign operations to retained earnings at the date of transition.

(w) Reconciliations of retained earnings

(Millions of yen)

		As of January 1, 2022	As of December 31, 2022
(m)	Oil and gas assets	¥ 62,737	¥ (43,119)
(o)	Goodwill	(29,550)	(20,586)
(p)	Financial assets measured at fair value through other comprehensive income	28,099	19,470
(q)	Asset retirement obligations and the corresponding asset retirement costs	(86,720)	8,124
(r)	Investments accounted for using the equity method	(14,342)	(13,781)
(s)	Deferred tax assets and deferred tax liabilities	(20,817)	(32,618)
(t)	Non-controlling interests	11,119	27,238
(u)	Functional currency of subsidiaries	15,611	65,671
(v)	Accumulated exchange differences on translation of foreign operations	456,972	456,972
	Other	7,662	(832)
	Total	¥ 430,771	¥ 466,538

Reconciliations of profit or loss and comprehensive income for the year ended December 31, 2022 (January 1, 2022 through December 31, 2022) (year of most recent consolidated financial statements prepared under Japanese GAAP)

(Millions of yen)

Line items under Japanese GAAP (summary)	Japanese GAAP (Note)	Re-classification	Effects of differences in recognition and measurement	IFRS	Notes	Line items under IFRS
Net sales	¥ 2,324,660	¥ –	¥ (8,573)	¥ 2,316,086	(j)	Revenue
Cost of sales	943,414	8,391	(133,675)	818,130	(a) (c) (d)	Cost of sales
Gross profit	1,381,245	(8,391)	125,102	1,497,956		Gross profit
Exploration expenses	29,202	–	(16,500)	12,702	(e)	Exploration expenses
Selling, general and administrative expenses	105,634	(184)	(13,475)	91,975	(f)	Selling, general and administrative expenses
	–	88,905	7,066	95,971	(a) (j)	Other operating income
	–	36,731	115,104	151,836	(a) (g)	Other operating expenses
	–	165,684	569	166,253	(a)	Share of profit (loss) of investments accounted for using the equity method
Operating income	1,246,408	209,650	47,608	1,503,667		Operating profit
Other income	335,638	(335,638)	–	–	(a)	
Other expenses	140,051	(140,051)	–	–	(a)	
Extraordinary loss	25,799	(25,799)	–	–	(a)	
	–	80,850	(7,030)	73,820	(a) (h)	Finance income
	–	120,815	11,290	132,105	(a) (i)	Finance costs
Income before income taxes	1,416,196	(102)	29,288	1,445,382		Profit before tax
Income taxes-current	952,982	(1,578)	8,022	959,427	(b)	Income tax expense
Income taxes-deferred	(1,476)	1,476	–	–	(b)	
Net income	464,689	–	21,265	485,955		Profit
Other comprehensive income						Other comprehensive income
						Items that will not be reclassified to profit or loss
Unrealized holding gain (loss) on securities	1,581	–	1,454	3,035	(h)	Financial assets measured at fair value through other comprehensive income
	–	–	1,634	1,634		Remeasurement gains (losses) on defined benefit plans
	–	(73)	0	(74)		Share of other comprehensive income of investments accounted for using the equity method
						Items that may be reclassified subsequently to profit or loss
Deferred gain (loss) on hedges	195	–	–	195		Cash flow hedges
Translation adjustments	355,243	–	100,159	455,403	(j)	Exchange differences on translation of foreign operations
Share of other comprehensive income of affiliates accounted for using the equity method	59,060	73	(10,737)	48,397		Share of other comprehensive income of investments accounted for using the equity method
Total other comprehensive income	416,081	–	92,509	508,590		Other comprehensive income, net of tax
Comprehensive income	¥ 880,770	¥ –	¥ 113,775	¥ 994,545		Comprehensive income

(Note) Some of the Group's foreign consolidated subsidiaries and foreign equity-method affiliates have applied IAS 12 "Income Taxes" (amended in May 2021) from the year ended December 31, 2023. The amendments have been applied retrospectively, and the year ended December 31, 2022 under Japanese GAAP (January 1, 2022 through December 31, 2022) (year of most recent consolidated financial statements prepared under Japanese GAAP) provides figures after retrospective application.

Notes on reconciliations of profit or loss and comprehensive income

(i) Reclassification

(a) Reconciliations of line items
Items that were presented as “Other income,” “Other expenses,” and “Extraordinary loss” under Japanese GAAP are recorded as “Finance income” and “Finance costs” for financial-related profits and losses under IFRS. Other items are presented in “Cost of sales,” “Other operating income,” “Other operating expenses,” and “Share of profit (loss) of investments accounted for using the equity method.”

(b) Income tax expense
“Income taxes-current” and “Income taxes-deferred,” which were presented separately under Japanese GAAP, are collectively presented as “Income tax expense” under IFRS.

(ii) Effects of differences in recognition and measurement

(c) Depreciation of oil and gas assets
Under Japanese GAAP, depreciation of oil and gas assets was accounted for differently depending on the type of contract. However, under IFRS, payments related to oil and natural gas development wells and related production facilities and asset retirement costs for asset retirement obligations are recognized as oil and gas assets (development and production assets) and are depreciated using the unit-of-production method based on the total volume of proved and probable reserves after production begins.

(d) Remeasurement of asset retirement obligations
Under Japanese GAAP, discount rates were subject to review in the event of significant changes to estimates associated with increases in undiscounted cash flows used in the calculation of asset retirement obligations. However, under IFRS, adjustments are made to reflect the latest and best estimates, which entails reassessing asset retirement obligations at the end of each reporting period and accordingly reviewing the discount rate.

(e) Exploration expenses
Under Japanese GAAP, exploration expenses were accounted for differently depending on the type of contract. However, under IFRS, payments related to oil and natural gas exploration and evaluation are accounted for using the successful efforts method, and certain payments are recognized as oil and gas assets (exploration and evaluation assets).

(f) Non-amortization of goodwill
Because goodwill was amortized under Japanese GAAP, we recorded ¥8,963 million in amortization, but because it is not amortized under IFRS, the amount amortized has been retrospectively restated.

(g) Impairment loss
In cases where there are indications of impairment in oil and natural gas development wells and related production facilities, under Japanese GAAP, the Group had determined whether to recognize an impairment loss by comparing the carrying amount of the asset in question with the total undiscounted future cash flows expected from the asset in question. However, under IFRS, the recoverable amount is calculated as the value in use based on the discounted future cash flows expected from the asset in question, and an impairment loss is recognized if the recoverable amount is less than the carrying amount.
Furthermore, under Japanese GAAP, payments related to oil and natural gas exploration and evaluation were accounted for differently depending on the type of contract. However, under IFRS, they are accounted for using the successful efforts methods, and certain payments are recognized as assets and impairment losses are recorded when the prospect of commercial profitability is impaired.
Please refer to “16. Impairment of non-financial assets” for details of impairment of non-financial assets.

(h) Financial assets measured at fair value through other comprehensive income
Under Japanese GAAP, gain (loss) on sale of or impairment loss on investment securities were treated as profit or loss. However, under IFRS, for equity financial instruments designated to be measured at fair value through other comprehensive income, changes in fair value are recognized in other comprehensive income and reclassified to retained earnings when they are derecognized.

(i) Interest expense
Under Japanese GAAP, interest expenses related to production sharing contract projects were included in “Recoverable accounts under production sharing.” However, under IFRS, in principle, interest expenses related to all projects, including production sharing contracts, are included in “Finance costs,” except for borrowing costs associated with qualifying assets that fulfill requirements for capitalization.

(j) Functional currency of subsidiaries

Under Japanese GAAP, financial statements were prepared based on the currency of the country where the subsidiary is located. However, under IFRS, the functional currency is determined, and financial statements are prepared based on the functional currency of each company. For consolidation purposes, exchange differences arising from translation to Japanese yen, which serves as the Group's presentation currency for the consolidated financial statements, are recorded in other comprehensive income.

In accordance with the aforementioned, for subsidiaries incorporated in Japan for whose functional currency is deemed to be the U.S. dollar under IFRS, whereas under Japanese GAAP, the exchange rate on the transaction date was used for translation to Japanese yen for transactions in U.S. dollars, under IFRS, certain transactions denominated in U.S. dollars (including sales transactions) within those subsidiaries are translated to Japanese yen using the average exchange rate for the reporting period in the process of translating the revenue and expenses of those subsidiaries to Japanese yen, given that the U.S dollar is the currency used for transactions and is the functional currency.

In addition, for subsidiaries incorporated in Japan for whose functional currency is deemed to be the U.S. dollars under IFRS, whereas under Japanese GAAP, exchange differences arising from translation of monetary receivables and payables denominated in U.S. dollars were recognized as foreign exchange gains and losses, under IFRS, for certain monetary items denominated in U.S. dollars within those subsidiaries, exchange differences arising from the process of translating the assets and liabilities of those subsidiaries to Japanese yen are recognized as other comprehensive income, given that the U.S dollar is the currency used for transactions and is the functional currency.

Reconciliations of cash flows for the year ended December 31, 2022 (year of most recent consolidated financial statements prepared under Japanese GAAP)

Compared with the consolidated statement of cash flows under Japanese GAAP, the consolidated statement of cash flows under IFRS for the year ended December 31, 2022 showed an increase of ¥30,990 million in net cash provided by operating activities, an increase of ¥9,548 million in net cash used in investing activities, an increase of ¥4,668 million in net cash used in financing activities, and a decrease of ¥16,988 million in effect of exchange rate changes on cash and cash equivalents.

The main differences are as follows:

(a) Under Japanese GAAP, payments incurred in connection with oil and natural gas operations are accounted for differently depending on the type of contract. Cash investments made under a production sharing contract were categorized as cash flows from operating activities and cash flows from investing activities, depending on the details of the contract. Under IFRS, as the Group recognizes assets, liabilities, revenue and expenses in the equivalent amount of the Group's share regardless of the type of contract, and payments for exploration are accounted for using the successful efforts method, the Group does not use accounts related to the recoverable accounts under production sharing, but classifies them as cash flows from operating activities and cash flows from investing activities according to the nature of payments. As a result, cash flows from operating activities and cash flows from investing activities have changed.

(b) Under Japanese GAAP, lease payments under operating lease transactions were classified as cash flows from operating activities. However, under IFRS, lease liabilities are required to be recognized for all leases in principle, and repayments of lease liabilities are classified as cash flows from financing activities. As a result, cash flows from operating activities and cash flows from financing activities have changed.

(c) Under Japanese GAAP, financial statements were prepared based on the currency of the country where the subsidiary is located. However, under IFRS, the functional currency is determined, and financial statements are prepared based on the functional currency of each company. As a result, the effect of exchange rate changes on cash and cash equivalents and each cash flow have changed.