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[Title]
INPEX Reports Second Highest Profit in Its History, Strengthening Shareholder Returns by Introducing Progressive Dividends in New Mid-term Business Plan

[Lead]
The following is a transcript of the financial results briefing of INPEX CORPORATION for the fiscal year ended December 31, 2024, which was released on February 13, 2025.

[Speakers]
Mr. Takayuki Ueda
Representative Director, President & CEO, INPEX CORPORATION
Mr. Daisuke Yamada
Director, Senior Managing Executive Officer, Senior Vice President, Finance & Accounting
INPEX CORPORATION

Highlights of the Consolidated Financial Results for the year ended December 31, 2024

Consolidated Financial Results for the year ended December 31, 2024

Highlights of the Consolidated Financial Results for the year ended December 31, 2024

INPEX

	FY2023	FY2024	Change	% Change
Average crude oil price (Brent) ($/bbl)	82.17	79.86	(2.31)	(2.8%)
Average exchange rate (¥/$)	140.66	151.69	11.03 yen depreciation	7.8% depreciation
Revenue (Billions of yen)	2,164.5	2,265.8	101.3	4.7%
Operating profit (Billions of yen)	1,114.1	1,271.7	157.6	14.1%
Profit before tax (Billions of yen)	1,253.3	1,298.8	45.4	3.6%
Profit attributable to owners of parent (Billions of yen)*1	321.7	427.3	105.6	32.8%
Basic earnings per share (EPS) (Yen) *2	248.55	345.31	96.76	38.9%
Equity attributable to owners of parent per share (BPS) (Yen)	3,345.22	4,026.22	681.00	20.4%
ROIC (%)	8.4	8.4	-	-
ROE (%)	8.0	9.5	1.5	-
Net debt/equity ratio *3 *Includes Ichthys downstream IJV and differs from institutional accounting basis	0.39	0.33	△0.06	-

*1 Profit contribution (segment profit) from Ichthys LNG for the year ended December 31, 2023: 309.8 billion yen
Profit contribution (segment profit) from Ichthys LNG for the year ended December 31, 2024: 248.2 billion yen

*2 Average number of INPEX shares issued and outstanding during the year ended December 31, 2023: 1,294,325,142 shares
Average number of INPEX shares issued and outstanding during the year ended December 31, 2024: 1,237,578,149 shares

*3 The formula has been changed as follows. (Change applied from FY2024Q2)
(Before) {Debt -(Cash and deposits + Securities within 3 months + Securities over 3 months)}/Equity
(After) {Debt + Lease liabilities -(Cash and deposits + Securities within 3 months)} /Equity

Daisuke Yamada (hereafter, Yamada): I am Daisuke Yamada, Senior Vice President, Finance & Accounting. I would like to start by explaining the financial results for the fiscal year ended December 31, 2024, which achieved a year-on-year increase in both revenue and profits.

Revenue exceeded ¥2.2 trillion and operating profit exceeded ¥1.2 trillion. Profit attributable to owners of parent came in at ¥427.3 billion, up over ¥100 billion year on year. These figures are the second highest in the Company’s history, following the record high set in FY2022.

As we have reported, last year we had a production issue at Ichthys LNG and the expensing of a capitalized exploration project in Australia. However, the depreciation of the yen and the strategic optimization of income tax expense helped the Company to overcome these negative factors.

Oil prices were actually slightly lower at about $80 per barrel. On the other hand, the exchange rate was about ¥152 to the U.S. dollar; we benefited from the yen depreciation by ¥11 year on year.

Speaking of our KPIs, ROIC was 8.4%, which is above our WACC, and ROE was 9.5%, just shy of 10% but still above our estimated cost of equity. The financial leverage in terms of net debt-to-equity ratio was 0.33, well within our financial discipline.

Revenue by Major Products

Consolidated Financial Results for the year ended December 31, 2024

INPEX

Revenue by Major Products

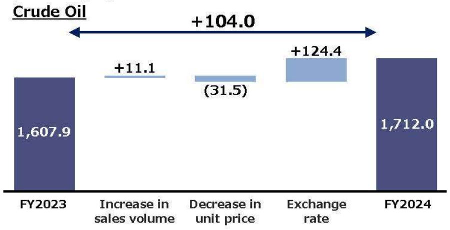
Revenue, Sales Volume, Unit Price and Exchange Rate

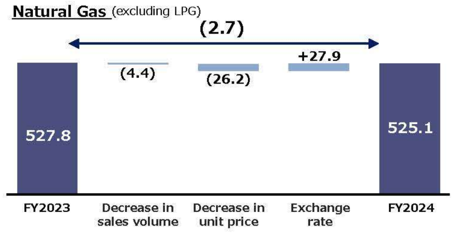
		FY2023	FY2024	Change	% Change
Crude Oil	Revenue (Billions of yen)	1,607.9	1,712.0	104.0	6.5%
	Sales volume (thousand bbl)	138,024	138,978	954	0.7%
	Average unit price of overseas sales ($/bbl)	82.83	81.20	(1.63)	(2.0%)
	Average exchange rate (¥/$)	140.68	151.73	11.05 yen depreciation	7.9% depreciation
Natural Gas (excluding LPG)	Revenue (Billions of yen)	527.8	525.1	(2.7)	(0.5%)
	Sales volume (million cf)	479,814	473,667	(6,147)	(1.3%)
	Average unit price of overseas sales ($/thousand cf)	5.62	5.73	0.11	2.0%
	Average unit price of domestic sales (¥/m^3)	90.08	78.24	(11.84)	(13.1%)
	Average exchange rate (¥/$)	140.20	151.86	11.66 yen depreciation	8.3% depreciation

* 1m³=41.8605MJ

Analysis of Revenue

(Billions of yen)



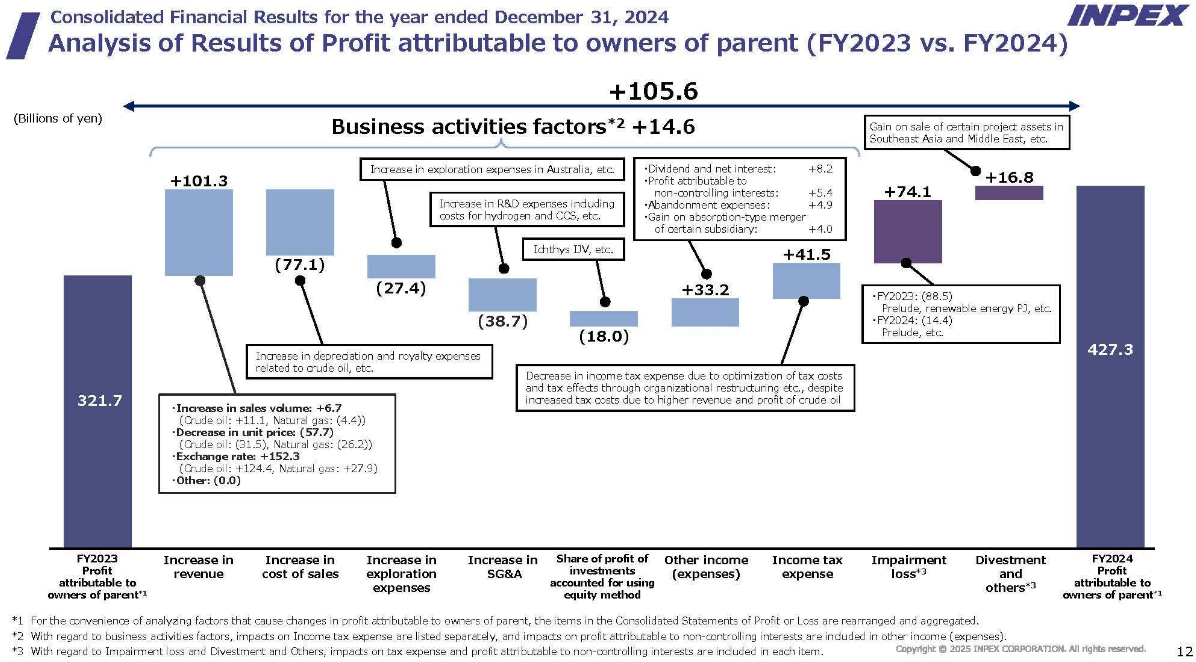


11

Let me move on to revenue by major product. Revenue of crude oil were ¥1,712.0 billion, up about ¥100 billion year on year from last year's ¥1,600 billion, but an increase in sales volume was slight. While unit prices fell because of the drop in Brent oil price, the exchange rate was a tailwind, which contributed to an increase of over ¥100 billion in sales.

Revenue of natural gas were ¥525.1 billion, which is roughly flat year on year. Again, the exchange rate contributed to the increase. Unit prices fell. There was a production issue at Ichthys LNG, but since Prelude was doing very well, we were able to make up for it, so the decrease in sales volume did not have much of an impact.

Analysis of Results of Profit attributable to owners of parent (FY2023 vs. FY2024)



This is an analysis of the increase of ¥105.6 billion from ¥321.7 billion for FY2023 to ¥427.3 billion for FY2024.

Starting this year, we have changed the terms “Business activities factors” and “One-off factors” to “Business activities factors” and the other factors. Income tax expense is included in Business activities factors as it is now classified as part of the ordinary operating activities.

The business activities factors contributed to an increase of ¥14.6 billion. For the other factors, Prelude recovered from the large impairment loss it recorded in FY2023 due to the Green House Gas regulations. Divestment also posted a gain of approximately ¥17 billion from the sale of a project in the Middle East and a geothermal project in Indonesia.

Revenue increased by more than ¥100 billion, but sales volume remained almost the same. Unit prices fell, but the exchange rate factor made up for it, resulting in an increase of over ¥100 billion in revenue.

Cost of sales increased due to depreciation and royalty expenses resulting from an increase in crude oil. Exploration expenses decreased the profit by ¥27 billion due to the expensing of a capitalized exploration project in Australia.

R&D expenses, which include R&D costs for hydrogen and CCS, negatively contributed to profit by ¥38.7 billion as these costs cannot be capitalized.

The equity method-related portion reflects the performance of Ichthys IJV, which was partly affected by the effect of the production issue. Other income (expenses) includes dividend income, abandonment expenses, and other miscellaneous items.

Income tax expense positively contributed to a year-on-year increase in profit by ¥41.5 billion. As explained in the past financial statements, this was due to the reduction of the tax burden as a result of the reorganization within the group.

IOGA, the company that owns Prelude, had been owned by a Japanese corporation, but its shares were transferred to an Australian corporation. This restructuring allowed us to utilize a significant amount of tax loss under the tax effect accounting and optimize income tax expense, resulting in a positive ¥41.5 billion contribution.

Overall, profit attributable to owners of parent for FY2024 increased ¥105.6 billion year on year to ¥427.3 billion, including the impairment and divestment mentioned earlier.

Highlights of the Consolidated Financial Forecasts for the year ending December 31, 2025

Consolidated Financial Forecasts for the year ending December 31, 2025

Highlights of the Consolidated Financial Forecasts for the year ending December 31, 2025

INPEX

Full Year *1	FY2024 Actual	FY2025 Forecasts	Change	% Change
Average crude oil price (Brent) ($/bbl)	79.86	75.0	(4.86)	(6.1%)
Average exchange rate (¥/$)	151.69	153.0	1.31 yen depreciation	0.9% depreciation
Revenue (Billions of yen)	2,265.8	2,119.0	(146.8)	(6.5%)
Operating profit (Billions of yen)	1,271.7	1,106.0	(165.7)	(13.0%)
Profit before tax (Billions of yen)	1,298.8	1,157.0	(141.8)	(10.9%)
Profit attributable to owners of parent (Billions of yen)	427.3	330.0	(97.3)	(22.8%)
ROIC (%)	8.4	6.3	(2.1)	-
ROE (%)	9.5	7.0	(2.5)	-
Net debt/equity ratio *2 *Includes Ichthys downstream JV and differs from institutional accounting basis	0.33	0.34	0.01	-

*1 Consolidated forecasts for the first half and the second half in FY2025 are referred on page 26.
*2 The formula has been changed as follows. (Change applied from FY2024Q2)
(Before) {Debt -(Cash and deposits + Securities within 3 months + Securities over 3 months)}/Equity
(After) {Debt + Lease liabilities -(Cash and deposits + Securities within 3 months)} /Equity

 14

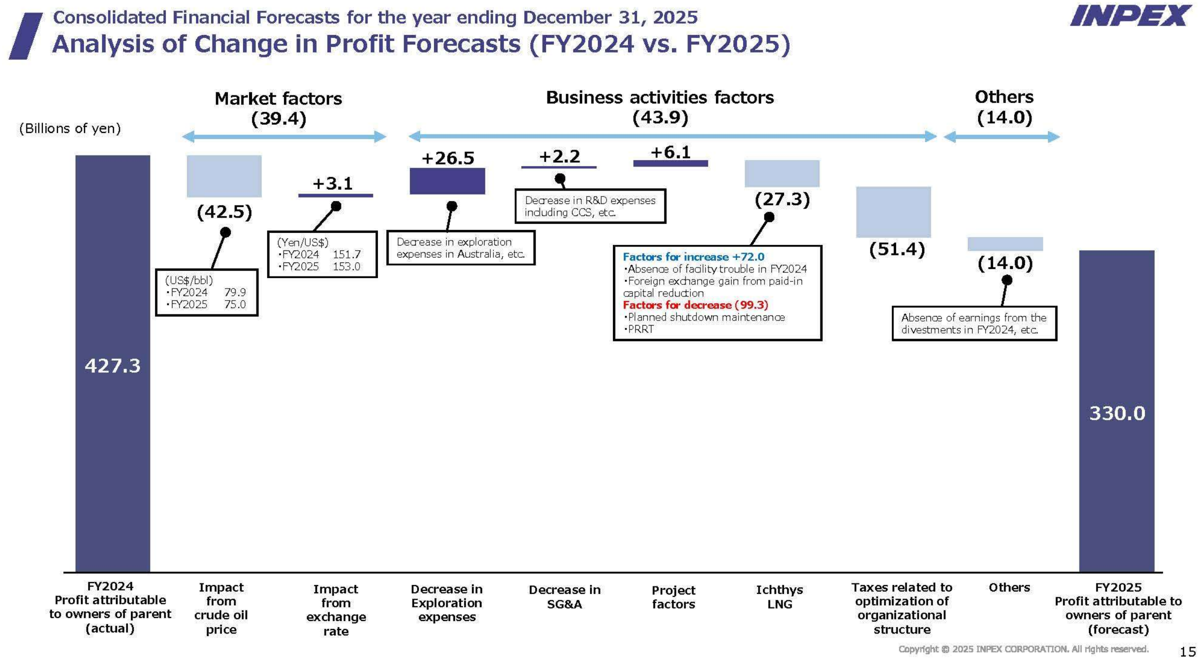
This is the initial budget for FY2025. Profit attributable to owners of parent is budgeted at ¥330 billion, which is a decrease year on year. Coincidentally, this is the same figure as the initial budget for FY2024.

Some may be puzzled by the ¥100 billion decrease in profit. However, the ¥330 billion profit is quite remarkable for the Company and is the third highest in our history. If we can achieve this goal, we will be able to have a profit of over ¥300 billion for the fourth consecutive year, and we see this as a budget that will upgrade the Company's scale of profit.

Our assumption for the oil price is $75. We expect it to go down from here, but since it averaged about $78 in January, we think it is a reasonable estimate. An exchange rate is assumed to be ¥153 to the U.S. dollar. As a result, ROIC is 6.3%, which is a level above our estimated WACC.

Unfortunately, we estimate ROE at around 7%. As we have already mentioned, our equity is about ¥4.8 trillion at present, of which about ¥1 trillion is recorded as foreign currency translation adjustments. Therefore, honestly, it is rather difficult for us to achieve an ROE that exceeds the cost of equity we aim for.

Analysis of Change in Profit Forecasts (FY2024 vs. FY2025)



The budget is ¥330 billion, a decrease of about ¥100 billion from ¥427.3 billion. Let me analyze the factors. First of all, the largest market factor is the oil price, which has fallen from US$80 to US$75. Some of you may think that this is too low, but this is due to the delayed effect of overseas gas. For the current fiscal year, overseas gas prices are expected to drop significantly from last year, which will cause profit to drop about ¥40 billion.

As for exploration expenses, this is the reversal of exploration expenses in Australia that were recorded last year.

There is a large impact of minus ¥27.3 billion from Ichthys LNG. I will elaborate this by breaking down relevant factors.

First, the absence of facility trouble we had experienced last year will make a positive contribution for FY2025 by about ¥46.0 billion. In addition, we intend to bring back an “unrealized gain on foreign exchange” to Tokyo from IHAPL, the company in Australia operating Ichthys LNG. This exchange difference resulting from paid-in capital reduction is now included in foreign currency translation adjustment, but we can realize it as foreign exchange gain of about ¥26.0 billion. Overall, the positive effect of Ichthys LNG will amount to ¥72.0 billion.

On the other hand, the negative effects include a major shutdown planned this year. The shutdown is estimated to have a negative impact of ¥79.6 billion, caused by two factors: a decrease in sales volume and an increase in OPEX due to the shutdown.

Earlier, I mentioned that we expected to see an increase in profits of ¥46 billion due to the absence of the facility trouble. In fact, however, the negative impact of the shutdown is much greater than the impact of last year’s facility trouble, and this will result in a negative impact of ¥79.6 billion.

In addition, we said that we would be recording the tax effect of the petroleum resource rent tax (PRRT) starting from last year. Although it did not occur last year, we will have to record the tax effect this year at the amount of around ¥19 billion.

Last but not least, I will mention about our taxes and tax effects. As we announced last year, we recorded a large tax benefit at IOGA. This effect will no longer exist in this fiscal year's budget. While the taxes and tax effect have a negative contributor of ¥51.4 billion in the budget, remember that our income tax expense is approximately ¥900 billion. Therefore, we will continue to optimize our income tax expense while effectively managing taxes. To put it bluntly, if we can reduce our income tax expense by 1% out of the ¥900 billion, profit will increase by around ¥10 billion.

Overall, we expect a year-on-year decrease in profit by ¥100 billion, reflecting the absence of earnings from divestments.

Sensitivities of crude oil price and foreign exchange fluctuation

Consolidated Financial Forecasts for the year ending December 31, 2025

Sensitivities of crude oil price and foreign exchange fluctuation

INPEX

Sensitivities of crude oil price and foreign exchange fluctuation on consolidated profit attributable to owners of parent for the year ending December 31, 2025*1

(Billions of yen)

Brent Crude Oil Price; $1/bbl increase (decrease)*2	At Beginning of 1Q : +5.4 (-5.4) The impact on net income will change in FY2025 as below; At beginning of 2Q : +3.6 (-3.6) At beginning of 3Q : +1.7 (-1.7) At beginning of 4Q : +0.7 (-0.7)
Exchange Rate; ¥1 depreciation (appreciation) against the U.S. dollar*3	+2.4 (-2.4)

*1 The sensitivities calculated at the beginning of the fiscal year (January 2025) represent the impact on profit for the year ending December 31, 2025 against a $1/bbl increase (decrease) in the Brent crude oil price on average and a ¥ 1 depreciation (appreciation) against the U.S. dollar. These are based on the financial situation at the beginning of the fiscal year and are for reference purposes only. The actual impact may change due to fluctuations in production volumes, capital expenditures and cost recoveries, and may not be constant, depending on crude oil prices and exchange rates.

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

- At beginning of 1Q : +5.4 billions of yen (1Q : +0.7 billions of yen, 2Q : +1.3 billions of yen, 3Q : +1.4 billions of yen, 4Q : +2.0 billions of yen)
- At beginning of 2Q : +3.6 billions of yen (1Q : --------------------- , 2Q : +0.8 billions of yen, 3Q : +0.8 billions of yen, 4Q : +2.0 billions of yen)
- At beginning of 3Q : +1.7 billions of yen (1Q : --------------------- , 2Q : --------------------- , 3Q : +0.6 billions of yen, 4Q : +1.1 billions of yen)
- At beginning of 4Q : +0.7 billions of yen (1Q : --------------------- , 2Q : --------------------- , 3Q : --------------------- , 4Q : +0.7 billions of yen)

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

 16

This is the sensitivity analysis we always show you. The sensitivity of crude oil price is ¥5.4 billion, whereas the sensitivity of exchange rate is ¥2.4 billion per ¥1 against the U.S. dollar.

Cash Flow

Consolidated Financial Forecasts for the year ending December 31, 2025

Cash Flow*1

INPEX

(Billions of yen)	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2022-2024 in total	FY2025 Forecasts
Cash Flow from Operations before exploration investment	1,061.6	1,068.7	899.9	3,030.2	876.0
Cash Flow from Investment (inclusive of exploration investment)	(377.8)	(578.9)	(374.7)	(1,331.4)	(623.0)
Growth Investment	(336.1)	(333.6)	(394.0)	(1,063.7)	(602.0)
Development expenditure (Oil & Gas Business)	(279.4)	(229.6)	(343.3)	(852.3)	(514.0)
Development expenditure (5 Net Zero Business)	(81.8)	(78.9)	(6.2)	(166.9)	(38.0)
Exploration expenditure (Oil & Gas Business, inclusive of some 5 Net Zero Business)	(30.4)	(44.6)	(62.7)	(137.7)	(57.0)
Others (inclusive of divestment of interests, etc.)	55.5	19.4	18.2	93.1	7.0
Others (purchase and disposal of investment securities, etc.)	(41.7)	(245.3)	19.3	(267.7)	(21.0)
Free Cash Flow	683.8	489.8	525.2	1,698.8	253.0
Financial Cash Flow	(634.6)	(563.9)	(426.9)	(1,625.4)	(358.0)
Shareholder Returns	(201.5*3)	(190.1*3)	(230.2*3)	(621.8)	(165.0*3)
Cash and cash equivalents at end of the year*2	284.6	207.1	305.4*4	-	200.0*4

*1 Including cash flow of Ichthys downstream IJV (Ichthys LNG Pty Ltd), a joint venture.
*2 Cash and cash equivalents indicate cash, deposits and securities within 3 months. (Change applied from FY2024Q2)
*3 FY2022: FY2021 year end dividend (28 yen) + FY2022 interim dividend (30 yen) + buybacks
FY2023: FY2022 year end dividend (32 yen) + FY2023 interim dividend (37 yen) + buybacks
FY2024: FY2023 year end dividend (37 yen) + FY2024 interim dividend (43 yen) + buybacks
FY2025: FY2024 year end dividend (43 yen) + FY2025 interim dividend (45 yen) etc.
*4 Balance of securities over three months, not included in balance of cash and cash equivalents at end of FY2024, was about 215 billion yen. Expected balance of securities over three months at the end of FY2025 remain at the same level as it was at the end FY2024

 17

Now I talk about the cash flow forecast for FY2025. On the far right of the slide, you can see cash flow from operations of ¥876.0 billion, down from ¥899.9 billion for FY2024. This is due to the impact of the shutdown of Ichthys LNG.

However, this ¥870 billion is still a large figure for us, being the third or fourth largest ever. Even with the shutdown, we see that our earning capability has not changed that much.

If you look at the growth investment in cash flow from investment, we have set a fairly large figure of ¥602.0 billion for FY2025.

As we will explain later, we are planning to invest around ¥1.8 trillion over the three-year period of the Mid-term Business Plan, so we are expecting to make growth investments of around ¥600.0 billion, or about one-third of the total, each year. We are budgeting around ¥500.0 billion for development expenditure, around ¥57 billion for exploration expenditure, and around ¥38.0 billion for so-called net-zero businesses.

Free cash flow will be ¥253.0 billion. For the time being, we expect a total payout ratio of 50%, so we will be returning ¥165.0 billion, half of profit attributable to owners of parent of ¥330.0 billion. This will be in the form of dividends and share buybacks.

The feature of this period is investment. In terms of the proportion of cash flow from operations, 70% will be allocated to investments. Last year, it was around 45%, so we will be investing a considerable amount. Now that we have started the new Mid-term Business Plan, we will be shifting our emphasis from repayment of interest-bearing debt to investment and shareholder returns. As the budget for the first phase of the Mid-term Business Plan, this term we plan to allocate ¥600.0 billion for investment.

ROIC by Segment

Consolidated Financial Forecasts for the year ending December 31, 2025

ROIC by Segment*

INPEX

(%)	FY2024 Actual	FY2025 Forecasts	Change
O&G Japan	5.7	7.1	1.4
O&G Overseas Ichthys	7.4	6.3	(1.1)
O&G Overseas Other Projects	15.4	9.9	(5.5)
Other	(6.1)	(9.0)	(2.9)
Renewable Energy	(2.0)	(4.7)	(2.7)
Hydrogen and CCUS	-	-	-
Consolidated	8.4	6.3	(2.1)

* Invested capital and adjusted profit for each of the segments are referred on page 29.

 18

Now about ROIC. The figures for Ichthys LNG and O&G Overseas will both decrease year on year.

Regarding Ichthys LNG, the return will decline due to the planned shutdown that I explained earlier. However, with regard to O&G Overseas, the absence of tax effect will make it decline from 15% to 9%.

Our business landscape

Introduction

Our business landscape

INPEX

The recent geopolitical landscape underscores the strategic importance of a stable energy supply. At the same time, the importance of addressing climate change remain unchanged, and it is necessary to make steady progress toward net-zero emissions.

In this context, we highlight the following points[1].

Expected growth in significance of natural gas and LNG	In the transition to net zero, it is crucial to continue to supply energy affordably and reliably. The role of natural gas and LNG as a "pragmatic transition fuel" is becoming increasingly significant, due to its lower carbon intensity compared to other fossil fuels.
Necessity to pursue multiple pathways toward net-zero	The paths to net zero vary across regions and require tailored measures to suit specific circumstances. We believe that pragmatic pathways involve integrating existing oil and gas production facilities with carbon capture and storage (CCS), and by effectively utilizing lower-carbon solutions such as blue hydrogen and ammonia, rather than relying solely on renewable energy sources.
Necessity to strengthen and enhance energy supply systems to achieve net zero	While power demand is expected to rise significantly in developing countries, recent forecasts suggest that power consumption will also increase in developed countries, driven primarily by growth in semiconductor manufacturing and AI data centers. The expansion of renewable energy presents new challenges, such as managing its inherent output variability and balancing supply and demand. This drives the growing need for advanced integrated power systems and underscores the critical importance of minerals and scarce resources essential to support this transition.

Furthermore, we need to address the uncertainties of the future business landscape as we develop strategies.
Accurate prediction of the future scenarios is inherently challenging– such as energy demand and technological breakthroughs. It is essential to account for risks such as changes in international trade regulations, natural disasters and geopolitical conflicts. A mix of initiatives will be required to adapt to the changes in the business environment.

1. While there are many other energy policies to address, this section highlights the key aspects that INPEX considers important

Takayuki Ueda (hereafter, Ueda): Thank you for coming today at such a late hour. I am Takayuki Ueda, Representative Director, President & CEO of INPEX CORPORATION.

The new vision we have created is called the "INPEX Vision 2035," and it is targeted at the year 2035. I would like to explain this vision and our Mid-term Business Plan covering the three years from 2025 to 2027.

First, I would like to explain how the business environment has changed since the previous vision was created. There are many things, but here I will mention three major changes in the environment that are important to the Company.

The first environmental change is that the importance and demand for natural gas and LNG will grow. As you know, climate change was a major concern in the past, but now the challenge is how to strike a balance between climate change and energy security, or energy affordability.

In the midst of such discussions, and also because the cost of new energy is very high, I think that the common understanding around the world is that gas is probably the most realistic transition energy for the time being.

We should consider the importance of natural gas, and in particular LNG, to continue for a long period of time during the transition, and we should consider the Company's strategy accordingly. This is the first change.

For the second change, it is necessary to promote a variety of low-carbon measures in parallel. There are various options, such as renewable energy, hydrogen, CCS, etc., but it is still not clear which one is the best option.

We have been involved in various projects under the name of “5 Net-Zero businesses” and we have come to understand in recent years that there may be a variety of low-carbon energy sources depending on the region and the stage of development of each region.

Therefore, we must develop various pathways and low-carbon solutions, such as renewable energy and hydrogen, according to the situation. I feel that this is the second environmental change.

The third environmental change, which is a very recent topic, is about the role of electrification. The role of electrification is very important in terms of how we will produce clean energy in the future.

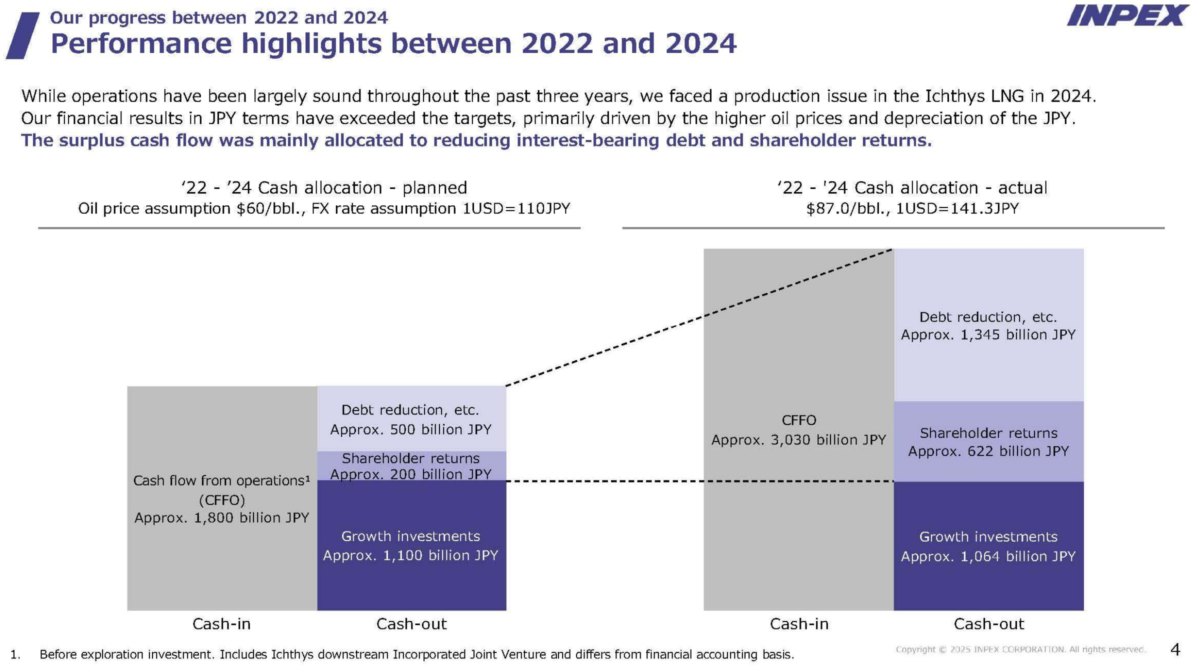
We will electrify, make it clean, and at the same time, the demand for electrified power is expected to grow at a considerable rate over the long term.

Until a few years ago, general opinion about the power demand indicated by demand for data centers, AI, etc., was one such as “Electricity demand will be rather reduced by AI.” It has changed to “It will probably increase after all.” I think that many people have probably noticed this.

The third change is how to respond to the huge growth in power demand associated with AI, and how to respond to the growth in demand for the various resources used for such things.

Our concern regarding the third environmental change is how we should respond to this era, in which the energy supply system is becoming more robust and sophisticated, and the energy system itself is changing to one that is more centered on electricity.

Performance highlights between 2022 and 2024



We will address these changes under Vision 2035. Before I explain the vision itself, I would like to take a look back at what we have been doing over the past three years.

First, the allocation of funds. Our first priority when we created the previous Mid-term Business Plan was to repay our interest-bearing debt. Our top priority was to use the huge amount of money we earned from the Ichthys LNG to repay our debt.

After three years, the cash flow from operations, which we had initially expected to be around ¥1.8 trillion, actually grew to ¥3 trillion. As for how we allocated this ¥1.2 trillion increase, we were able to use as much as ¥1.3 trillion to repay interest-bearing debt, instead of ¥0.5 trillion we had initially planned to reduce it.

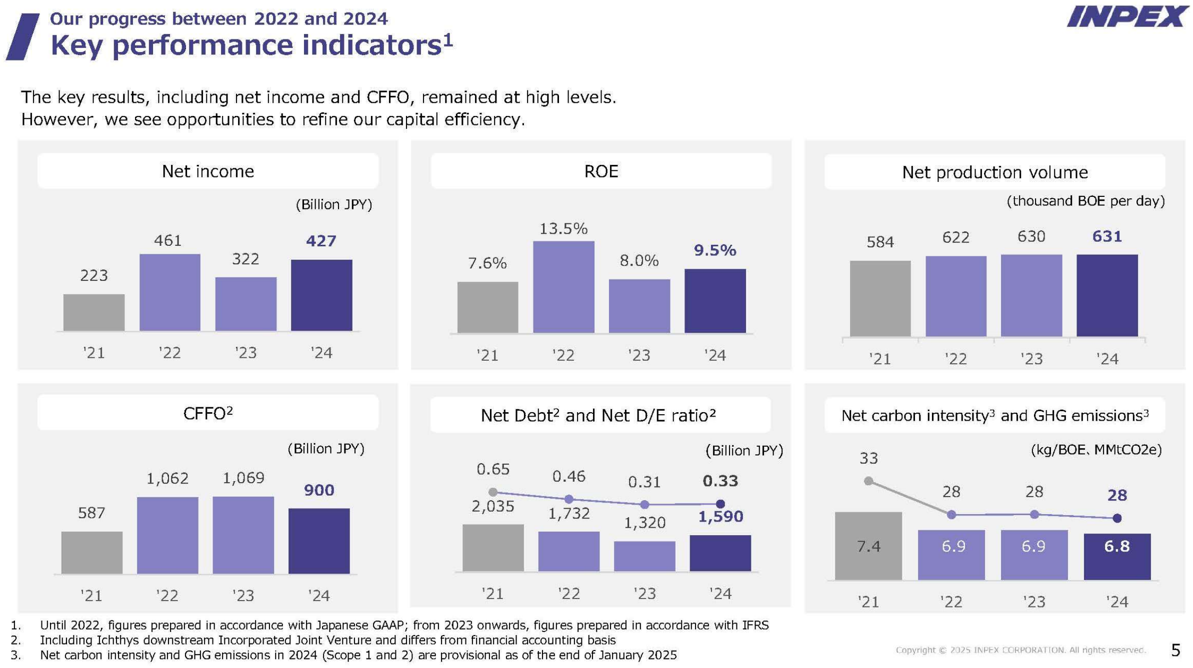
In addition, we had originally thought that the amount of shareholder returns would be ¥200 billion, but it has reached a level of over ¥600 billion, which is three times that amount. And the amount of growth investment has not changed much; it was originally ¥1.1 trillion and now around ¥1 trillion.

What I want to say is that we no longer have to place a priority on interest-bearing debt. The Company's priority for using money has been to repay interest-bearing debt, but as you can see, we have made considerable progress in repaying interest-bearing debt and our D/E ratio is now around 0.3.

When we consider the use of financial leverage, the debt-to-equity ratio should be maintained between 0.3 and 0.5. So, refinancing is also obviously within the scope of consideration.

One direction for the new Mid-term Business Plan and Vision is to shift the Company's policy from the one focused on repaying debt to the one focused on growth and shareholder returns.

Key performance indicators



We are proud that we achieved most of the goals we set out in our previous Mid-term Business Plan, such as the key performance indicators including net income and various other management indicators. I would like to talk about what kind of pillars for growth we should consider for 2035, and what INPEX should do over the next 10 years.

What INPEX aims to achieve by 2035

Vision 2035

What INPEX aims to achieve by 2035

INPEX

INPEX will further strengthen its existing projects as a source of future growth

INPEX will prioritize safe and reliable operations above all else. We remain committed to ensuring stable energy supply while securing cash flow to support shareholder returns and growth investments.

Make future breakthroughs a reality

Our focus remains on expanding our supply capacity of natural gas as a pragmatic transition fuel, while pursuing businesses in the low-carbon fields and the power-related fields where complementary effects and synergies can be maximized. Through these initiatives, we aim to expand revenue base and make progress toward net zero by 2050. Additionally, we aim to expand our businesses in our core business regions, and increase shareholder returns in line with performance growth. We envision the following pillars for growth.

Pillar for Growth 1 - Expand natural gas and LNG business	• Expand liquefaction capacity of the Ichthys LNG while maintaining safe and reliable operation • Aim to achieve FID[1] for the Abadi LNG project by 2027, with a target to start up by beginning of 2030s • Strengthen LNG trading capabilities to achieve a more flexible supply • Focus on exploration activities in high-potential areas where early monetization is possible
Pillar for Growth 2 - Provide lower-carbon solutions leveraging CCS and hydrogen	• Promote lower-carbon solutions by leveraging INPEX's capabilities and technical expertise • Reduce GHG emissions by integrating CCS into our natural gas/LNG projects and provide GHG reduction solutions and supply blue hydrogen to third parties
Pillar for Growth 3 - Drive initiatives in the energy and resources fields by leveraging INPEX's distinctive capabilities	• Aim to expand our businesses in power-related fields as an integrated energy company • Contribute to the development of a high-value-added power supply system by combining renewables with balancing power sources such as battery storage and cleaner gas-fired power generation[2] • Explore opportunities to extract non-oil and gas subsurface resources that support the enhancement of energy supply system

1. Final Investment Decision
2. Aim to reduce GHG emissions by integrating CCS with the co-firing or full combustion of blue hydrogen

 7

The most important thing is to ensure the stable operation of Ichthys LNG and other ongoing projects and to continue to generate cash, which is key. This is of course important and so is written here as the first thing.

However, I would like to talk about three new pillars for growth here in order to respond to future changes in the environment.

The first pillar for growth is expansion of natural gas and LNG business. As many of you know, natural gas will play an important role in the transition in the medium to long term, so I think it is only natural that we will work hard on natural gas.

With this in mind, we would like to focus more on natural gas, including expanding liquefaction capacity for Ichthys LNG and final investment decision (FID) for Abadi LNG during the period of this Mid-term Business Plan.

The second pillar for growth is how to come up with diverse low-carbon solutions. In this regard, our pillar for growth is to provide lower-carbon solutions centered on CCS/hydrogen.

In the previous Vision, we called it the "5 Net-Zero Businesses." This time, we have given a little more priority to hydrogen, CCS, and lower-carbon solutions based on hydrogen.

In particular, we are looking to combine natural gas and LNG projects with CCS to reduce CO2 emissions. We are also considering developing full-scale activities to collect not only our own CO2 emissions but also those of third parties and injecting them there.

In addition, we would like to further develop projects such as “Blue Hydrogen” that we are already conducting in Niigata Prefecture, and implement the projects to supply clean hydrogen or ammonia in the future.

Third pillar for growth. This pillar for growth corresponds to our concern regarding the third environmental change I mentioned earlier, and what we say here is we are driving initiatives to energy and resources fields by leveraging INPEX’s distinctive capabilities.. What I mean by this is that I think that the new energy supply structure will change to one that is centered on clean electricity to a considerable extent.

So, what INPEX should do? Of course we cannot get involved in the power business itself. However, I think that entering the power-related fields by making the most of INPEX’s strengths is a direction that is definitely possible.

For example, we can develop a business by combining renewable energy and battery storage, or by combining fuel supply, electric power generation, and CCS. Or, changing the subject a little, we can supply underground resources that serve as the backbone of the power supply system, and this includes minerals such as iodine and lithium.

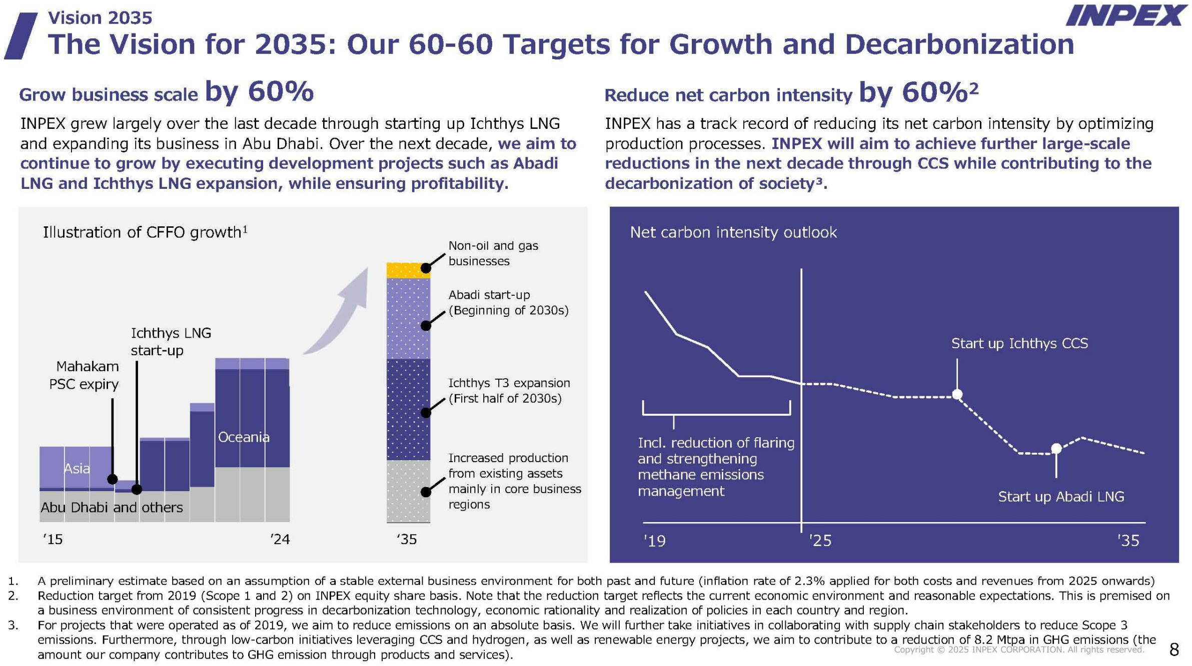
As you know, for instance, lithium and copper were traditionally extracted from minerals,. However, with recent technological advances, it is becoming a practical solution to extract such mineral resources from underground water, which we call “brine.”

We are already extracting brine from underground in the form of collecting water-soluble natural gas in Chiba, and producing iodine from it. In the future, I think there is a good chance that a business to extract lithium and other minerals from brine could be developed in the future, using our capabilities in underground resources.

This is what we call “INPEX’s distinctive capabilities” Specifically, I think that our strengths include INPEX’s technical expertise, capabilities and experience in relation to subsurface resources, our ability to develop offshore production facilities, and our regional presence, such as our strong presence in Australia and Abu Dhabi.

We will make full use of these strengths to enter power-related fields and other areas in response to future increases in power demand leveraging INPEX’s distinctive capabilities.

The Vision for 2035: Our 60-60 Targets for Growth and Decarbonization



We have set a very simple numerical target for what we envision ourselves to be in 2035: "60-60." The first "60" refers to the 60% expansion of our business scale towards 2035, as described on the left of the slide.

We measure the scale of our business in terms of cash flow from operations. Our first goal is to expand this by 60% from the current level by 2035 through activities such as the expansion of the Ichthys LNG and the start of production at Abadi LNG.

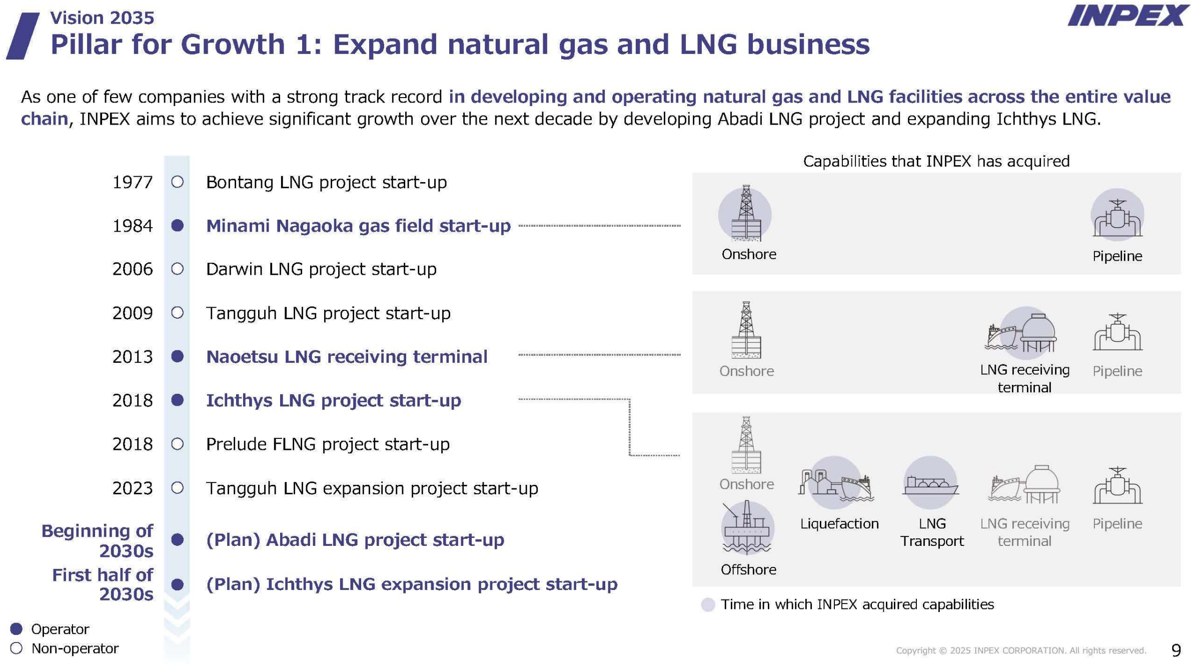
The other "60" on the right side of the slide refers to greenhouse gas emissions. We are aiming to reduce our net carbon intensity by 60% by 2035. We have already been working on reducing flaring and control methane emissions, and we would like to make further significant reductions in CO2 emissions by utilizing the CCS at Ichthys LNG and Abadi LNG.

As for CO2 reduction, as you can see in the small print at the bottom of the slide, in addition to reinjecting the CO2 emissions associated with production of our own, Ichthys LNG and Abadi LNG, we would like to aim to commercialize the business of third-party CO2 injections, while utilizing the CCS capacity.

And by third-party CO2 injections, or through projects such as renewable energy, we aim to contribute to society as a whole by reducing CO2 emissions by around 8.2 million tons per year.

A very simple quantitative target, but this is the gist of what we call "60-60" in the Company.

Pillar for Growth 1: Expand natural gas and LNG business

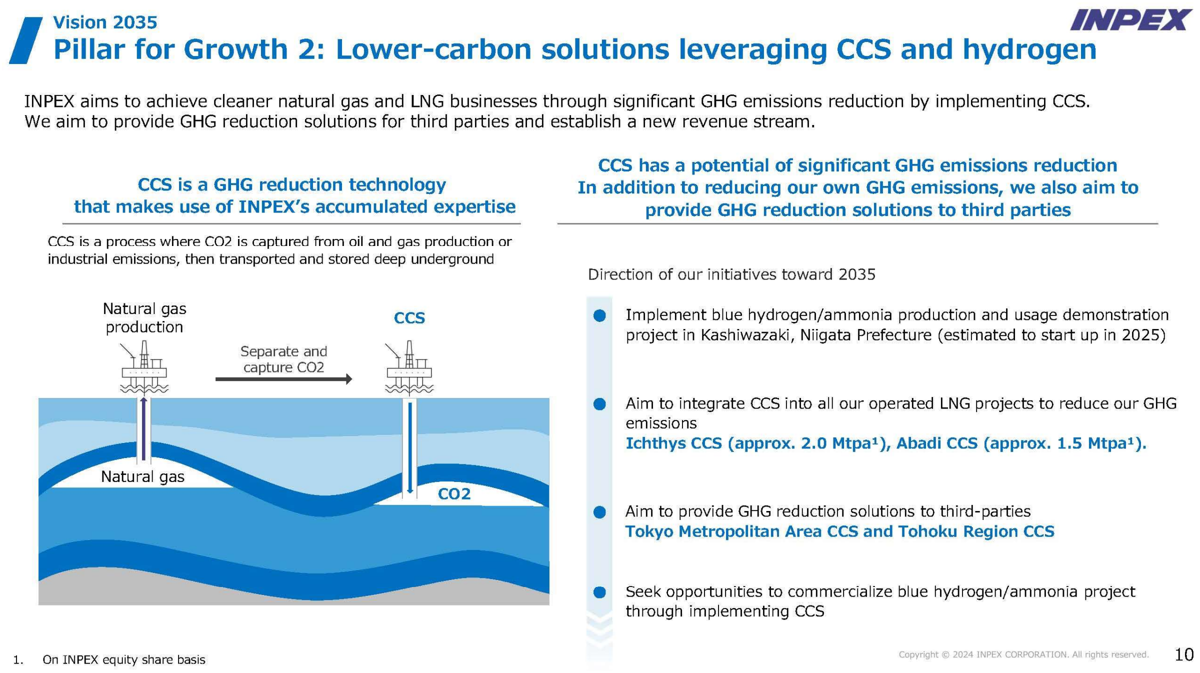


I would like to discuss a few more of those pillars for growth separately.

The pillar for growth 1 is the expansion of our natural gas/LNG business. As you know, INPEX has been an operator for many years, from upstream to downstream all the way.

In terms of plans, we would like to start operations at Abadi LNG in the beginning of 2030s and the train 3 at Ichthys LNG in the first half of the 2030s.

Pillar for Growth 2: Lower-carbon solutions leveraging CCS and hydrogen



This is the second pillar for growth. This is centered on CCS or hydrogen, a lower-carbon solution. You can see on the left side of the slide an evolutionary direction of our efforts toward 2035; we are currently constructing a demonstration plant for “Blue Hydrogen” in Kashiwazaki, Niigata Prefecture.

This will be completed at the end of August. We will then use the natural gas produced in Japan, or LNG, to produce hydrogen. The CO2 generated in the hydrogen production process will be buried underground using CCS.

This will produce “Blue Hydrogen,” which will then be used for hydrogen electric power generation, and then “Blue Ammonia” will be produced. We are currently developing a demonstration plant with a hydrogen production capacity of around 700 tons per year. We will work on this first and learn and study, in our own way, how to handle hydrogen.

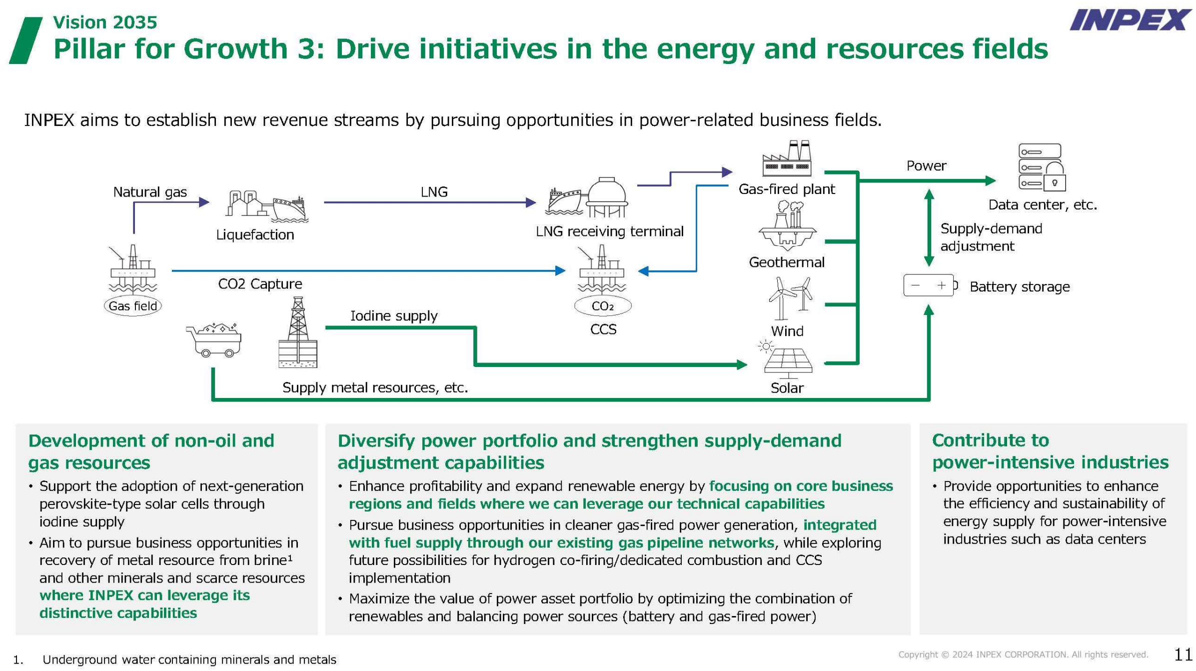
And overseas, we would like to implement CCS at Ichthys LNG and at Abadi LNG. The Ichthys CCS project is already underway, working in collaboration with TotalEnergies and Woodside Energy. We aim to inject CO2 in the sandstone reservoir about 250 kilometers off the coast near Darwin.

We have already finished drilling two wells and are investigating things like how much capacity they have and how much CO2 they can store. So far, the results have been very good, and we hope to start the front-end engineering design (FEED) for the Ichthys CCS project as soon as possible. In the future, we are thinking of injecting around 2 million tons of CO2 per year.

And we are also aiming to offer Abadi LNG as a clean LNG project implemented with CCS from the initial stage. We would like to move forward with both the Ichthys LNG and Abadi LNG.

Also, in terms of CO_2 reduction solutions for third parties, which I will talk about in more detail later, we would like to develop a CCS project in the Tokyo Metropolitan Area, Japan, for example.

Pillar for Growth 3: Drive initiatives in the energy and resources fields



The third pillar for growth is to drive initiatives in the energy and resources fields leveraging INPEX's capabilities, and we have various possibilities. To take renewable energy as an example, we already have more than 600 megawatts of renewable energy in Indonesia, Australia, and other countries.

In Australia, in particular, we are developing renewable energy through a joint venture called Potentia Energy, a partnership with the European company Enel. This renewable energy business combines solar and wind power with battery storage. It is a highly profitable business that is quite rare in the renewable energy sector.

Through these efforts, we are anticipating that by the 2030s, we will probably be operating businesses related to renewable energy, battery storage, and energy supply-demand adjustment on a scale three times the size of the current scale.

In addition, we are considering developing a business that combines gas supply, electric power generation, and even data centers. As you know, we have natural gas. Of course, we don't have the core capabilities for electric power generation or the capabilities for the business itself. However, we supply gas to power plants, and we provide clean power generated from this to data centers by burying the CO_2 emitted from the power plants underground in the form of CCS, or by co-firing it with ammonia or hydrogen. These are the image of the business.

Furthermore, as you can see on the left of the slide, we are also recovering subsurface resources. Iodine is used as a raw material for perovskite-type solar cells. We are already producing this in Chiba, and we are considering expanding our production capacity and taking on the business of recovering new mineral resources from brine.

Key performance targets

Vision 2035

Key performance targets

INPEX will take the following initiatives to increase our corporate value.

- **Improve capital efficiency**: Improve capital efficiency by adhering to investment discipline, optimizing equity capital through shareholder returns, and utilizing appropriate financial leverage
- **Mitigate stranded asset risk**: Advance our planned projects in a cleaner manner enhancing the certainty in business continuity
- **Enhance shareholder returns and active dialogue with investors** : Expand our businesses through growth investments and strengthen shareholder returns in line with growth in financial performance. We will maintain stable dividend even during the period of substantial growth investments. We will actively disclose the progress in our businesses.

Indicators	Targets for 2035
Major Incidents[1]	**Zero**
CFFO	**60% increase (versus 2024 levels)** [2]
Net carbon intensity[3]	**60% reduction (versus 2019 levels)**
ROE	**10% or more**
ROIC	**10% or more**

1. Fatalities, serious injuries and major leaks (PSE Tier 1) occurring in operator projects
2. Assuming a stable external business environment with an inflation rate of 2.3% for both costs and revenues from 2025 onwards
3. Scope 1 and 2

 12

I would like to talk about our key performance targets for 2035.

There are several indicators, but first of all, of course, we must maintain zero major incidents. The second is cash flow from operations. As I mentioned earlier, we would like to set a target of expanding cash flow from operations by 60% and reducing net carbon intensity by 60% by 2035, in line with the “60-60” target.

Then there are ROE and ROIC. For these, we would like to set a target of achieving 10% or more for each.

Initiatives to maintain safe and reliable operations (1)

2025 - 2027 Mid-term Business Plan

Initiatives to maintain safe and reliable operations（1）

INPEX

INPEX will prioritize safe and reliable operation while taking appropriate cost reduction measures to improve profitability

Ichthys CPF

Zakum West Super Complex

Ichthys LNG, Australia

Sustain and strengthen the framework for a stable mid- to long-term LNG production of 9.3 Mtpa

- Improve the reliability of the facilities in the medium term by strengthening regular maintenance and monitoring activities
- Enhance the operating rate by strengthening operational risk management and reduce costs by improved operational efficiency
- Maintain long-term plateau production by securing source gas in addition to Cash Maple and conducting exploration activities

Abu Dhabi

Maintain stable supply from our largest oil producing assets and make progress for decarbonization

- Make alliance with partners including ADNOC and contribute to the stable operations in the onshore block and the four offshore oil fields, while advancing development plans to expand production capacity
- While our operations have already achieved relatively low carbon intensity, we aim to further reduce it by supplying clean power from the onshore grid

Next, I would like to explain our Mid-term Business Plan for the period from 2025 to 2027. This is about what we will be working on over the next three years within the framework of the current vision.

First of all, we will be working to ensure that our existing businesses are running smoothly. I'll skip over some of the details due to time constraints, but we have already established a production system capable of producing 9.3 million tons per year at the Ichthys LNG project. Although a fairly long shutdown period is scheduled for this year, we hope to achieve stable production over the medium to long term by carrying out thorough shutdown maintenance.

Also, in Abu Dhabi, we have already agreed to increase production. In the future, we will make a full-scale investment in order to work on production of crude oil from Abu Dhabi, which has very low net carbon intensity.

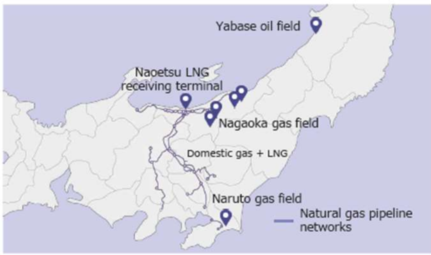
Initiatives to maintain safe and reliable operations (2)

2025 - 2027 Mid-term Business Plan

Initiatives to maintain safe and reliable operations（2）

INPEX

INPEX will prioritize safe and reliable operation while taking appropriate cost reduction measures to improve profitability



Japan

Southeast Asia

Through INPEX Japan- newly established in 2024, we will promote efficient integrated upstream and downstream business operations, and take initiatives to enhance profitability

- Maintain a stable supply leveraging the synergies of domestic natural gas, imported LNG and the extensive 1500-km gas pipeline networks
- Maintain and expand domestic production levels through taking initiatives in drilling additional wells and continue explorations activities in high-potential areas

Maintain projects rooted in the core business region while pursuing opportunities for business expansion

- Indonesia- Tangguh LNG Project: Maintain a stable production from the 3 trains while making steady progress in additional development
- Vietnam- Natural gas production project: To secure additional reserves, evaluate the untapped oil and gas reservoirs for an additional development
- Malaysia- Sarawak Offshore: Take proactive exploration activities while pursuing opportunities for M&A

Other areas include Japan, business activities through INPEX JAPAN, and Southeast Asia.

Initiatives to maintain safe and reliable operations (3)

2025 - 2027 Mid-term Business Plan

Initiatives to maintain safe and reliable operations (3)

INPEX

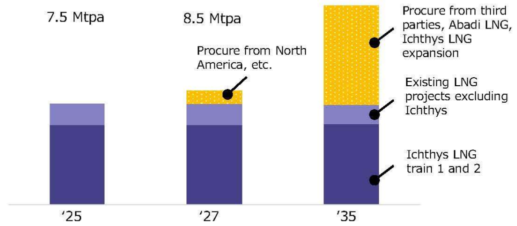
INPEX will prioritize safe and reliable operations while taking appropriate cost reduction measures to improve profitability

Europe and Central Asia

Explore opportunities in the core business region while ensuring the stable operations in Central Asia

- Continue stable operations while promoting decarbonization through initiatives such as supplying renewable power for operations (Norway, Central Asia)
- Develop the discovered and undeveloped oil and gas field (Norway and Block 10)
- Actively pursue opportunities in exploration and M&A, in addition to advancing our existing projects (Norway)

Illustration of net LNG trading volume[1] expansion



LNG Trading

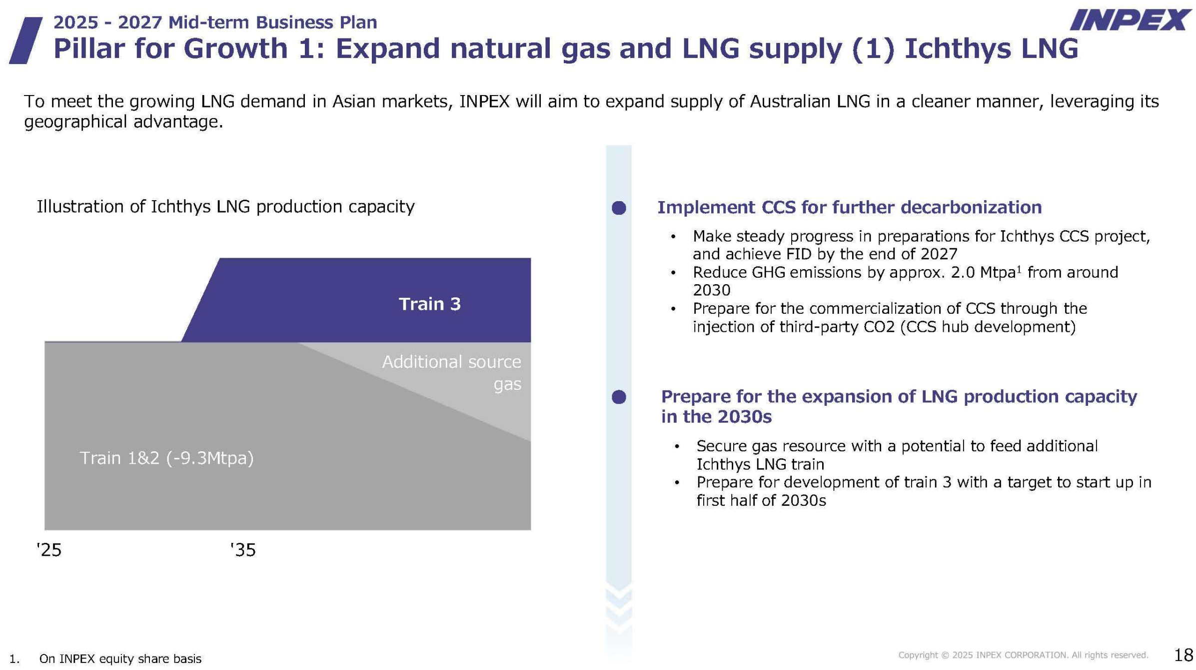
Strengthen capabilities to supply LNG more flexibly and complement the LNG supply from projects

- Establish a framework that enables LNG portfolio supply that leverages both LNG produced from our own projects and LNG procured from third parties
- As part of this initiative, increase net LNG trading volume from 7.5 Mtpa to 8.5 Mtpa by 2027 through procuring additional LNG from North America, etc.

1. The total volume includes procurement from third parties and equity-share volumes from JV projects, calculated by multiplying each project's production volume by INPEX equity share.

This is about Europe, other regions, and LNG trading.

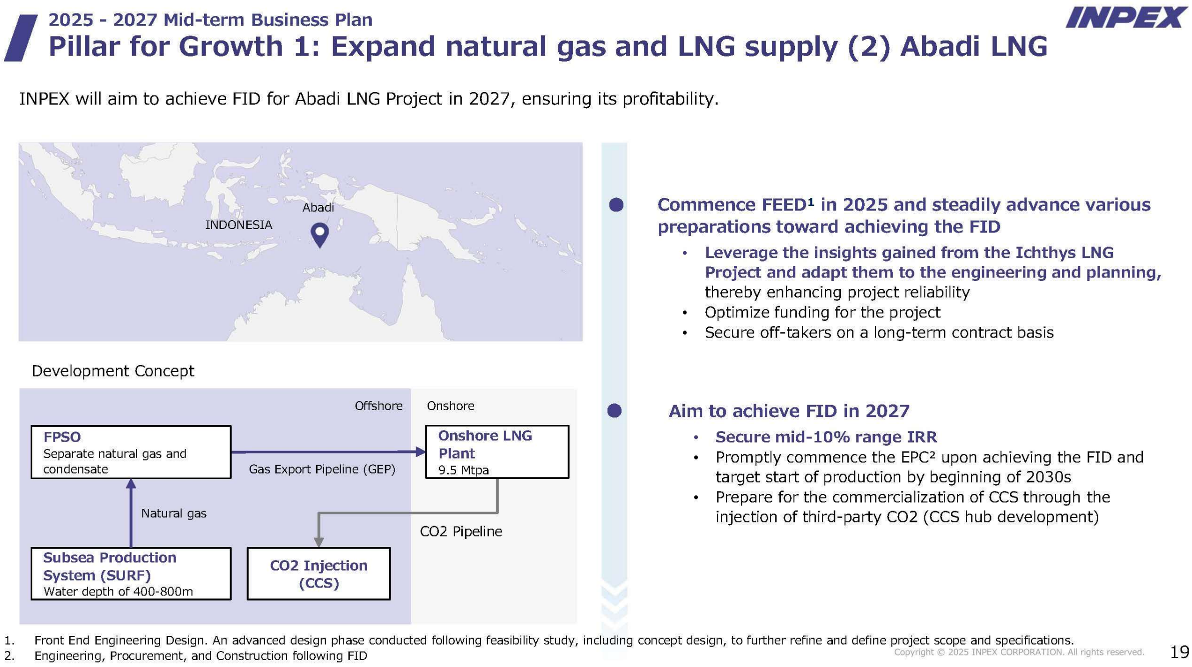
Pillar for Growth 1: Expand natural gas and LNG supply (1) Ichthys LNG



This is about the pillars for growth that I mentioned earlier. The first pillar for growth is Ichthys LNG. The left side of the slide shows the Ichthys' LNG production capacity. First, we need to secure additional source gas to maintain the long-term plateau while maintaining the annual production capacity of 9.3 million tons from the trains 1 and 2. We have already acquired the "Cash Maple" asset.

We also want to build train 3 for the future. To do this, we are considering obtaining the additional gas sources we need. Furthermore, we want to start full-scale CCS, as I mentioned earlier. We have already drilled two wells, and we want to make an FID for the Ichthys CCS during the Mid-term Business Plan period.

Pillar for Growth 1: Expand natural gas and LNG supply (2) Abadi LNG



Next, Abadi LNG. As you know, Abadi LNG is a huge operator project of the Company, producing 9.5 million tons of LNG per year, on a par with Ichthys LNG. We are currently in the process of bidding for the basic design work known as FEED. We will start FEED in the middle of this year and hope to have FID during the Mid-term Business Plan period.

Of course, economic efficiency is extremely important, and we are aiming for an IRR in the mid-10% range. We are also planning to implement CCS from the initial stage.

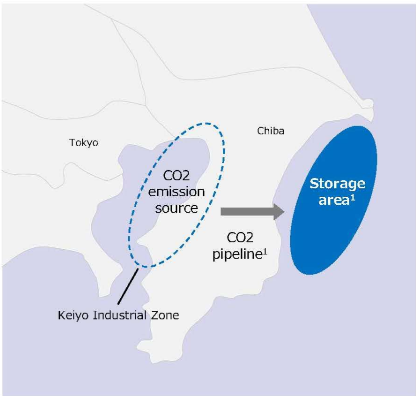
Pillar for Growth 2: Lower-carbon solutions leveraging CCS and hydrogen

2025 - 2027 Mid-term Business Plan

Pillar for Growth 2: Lower-carbon solutions leveraging CCS and hydrogen

INPEX

INPEX aims to achieve significant GHG emissions reductions using CCS.
Furthermore, we aim to establish new revenue streams by offering CCS and hydrogen-based GHG reduction solutions to third parties.



Metropolitan CCS（1.4 Mtpa）- subject to further studies

Build expertise through demonstration projects in Japan

- Promote Kashiwazaki blue hydrogen and ammonia demonstration project and Nagaoka methanation technology development project

Implement CCS to our LNG projects (Ichthys CCS、Abadi CCS、Tangguh CCS)

- Make progress in preparation works to achieve significant reduction in GHG emissions in the 2030s
- Aim for the commercialization of CCS by injecting and storing third-party CO2 in the future

Advanced CCS projects in Japan (Tokyo Metropolitan Area CCS、Tohoku Region CCS)

- Conduct detailed design and evaluation work for the CCS storage sites

Supply blue hydrogen/ammonia through CCS

- Leverage insights gained through the demonstration projects and CCS projects
- Advance preparation works and dialogues with potential off-takers while leveraging governments' support

1. The pipeline route and the storage area is currently under evaluation and selection

 20

Of the second pillar for growth, lower-carbon solutions, I would like to talk about one of them here, CCS in Japan. As you can see from the illustration on the left, there are many CO2 emission sources in the Keiyo Industrial Complex.

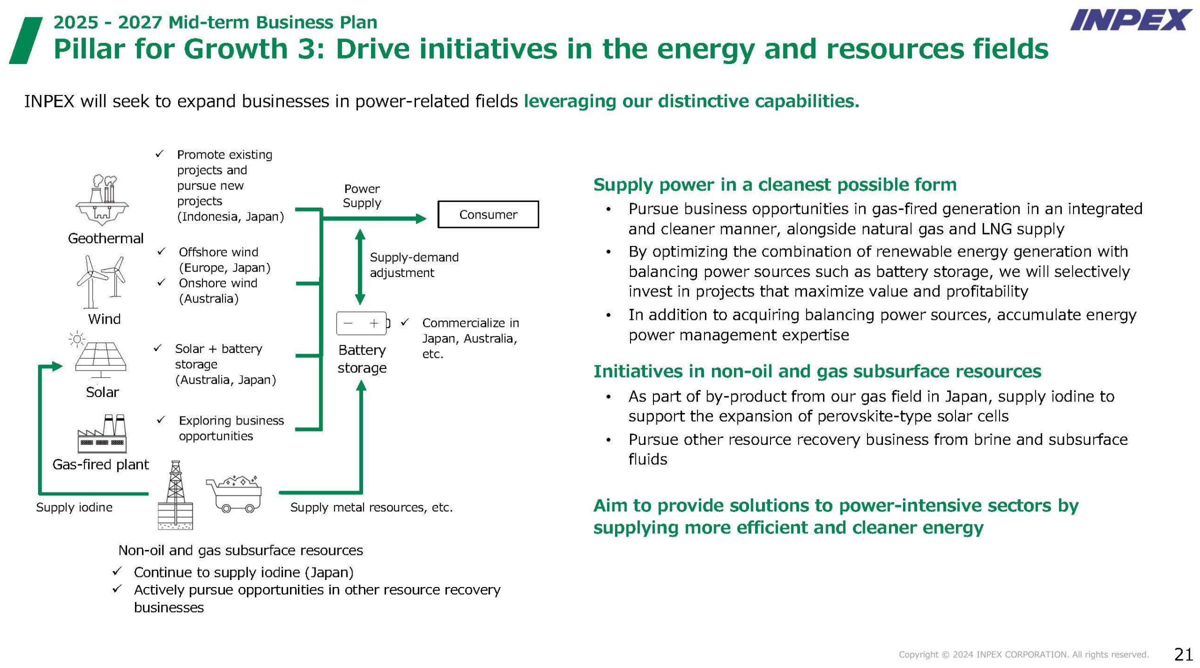
We will collect CO2 from these many emission sources and transport them to the outer coast of Chiba Prefecture via a CO2 pipeline. Then, we will drill wells into the seabed off the coast of the outer coast and inject the CO2 into the ground. This is the Tokyo Metropolitan Area CCS Project.

This project was selected by the Ministry of Economy, Trade and Industry as one of the projects for advanced CCS, and this year we will be working on the basic design. We are also planning to drill one well this year and one or two wells next year to carry out a "FEED" study. This study is to investigate the extent to which CO2 can be injected and the capacity of the CCS system.

We also aim to commercialize the clean hydrogen/ammonia business both in Japan and overseas. For example, as we are building a demonstration plant for hydrogen in Kashiwazaki, we hope to use the knowledge gained from this demonstration plant to build a commercial hydrogen plant in Niigata Prefecture in the future.

Of course, the cost of such projects as hydrogen CCS is quite high, and government support is a prerequisite. We are thinking about managing the progress of these projects while looking at the situation regarding government support and other factors.

Pillar for Growth 3: Drive initiatives in the energy and resources fields



The third pillar is to leverage INPEX's strengths and expand into power-related fields. As written at the top of the slide, we will supply power in the cleanest possible way.

As I mentioned earlier, we will combine our gas supply and power generation businesses with CCS, ammonia, and hydrogen through co-firing.

Furthermore, we will supply clean energy to data centers. I think it would be very difficult for INPEX to carry out such a comprehensive business on its own. I would like to consider developing these businesses in collaboration through forming partnerships.

A few weeks ago, we announced a comprehensive partnership with Hokuriku Electric Power Company, aiming for this direction. While the specific details of the partnership with Hokuriku Electric Power Company have not yet been decided, we will keep this in mind and deepen our partnership with them, and work to utilize our strengths.

In addition, we are also considering getting involved in projects to extract iodine in Chiba and minerals from brine in Japan and overseas.

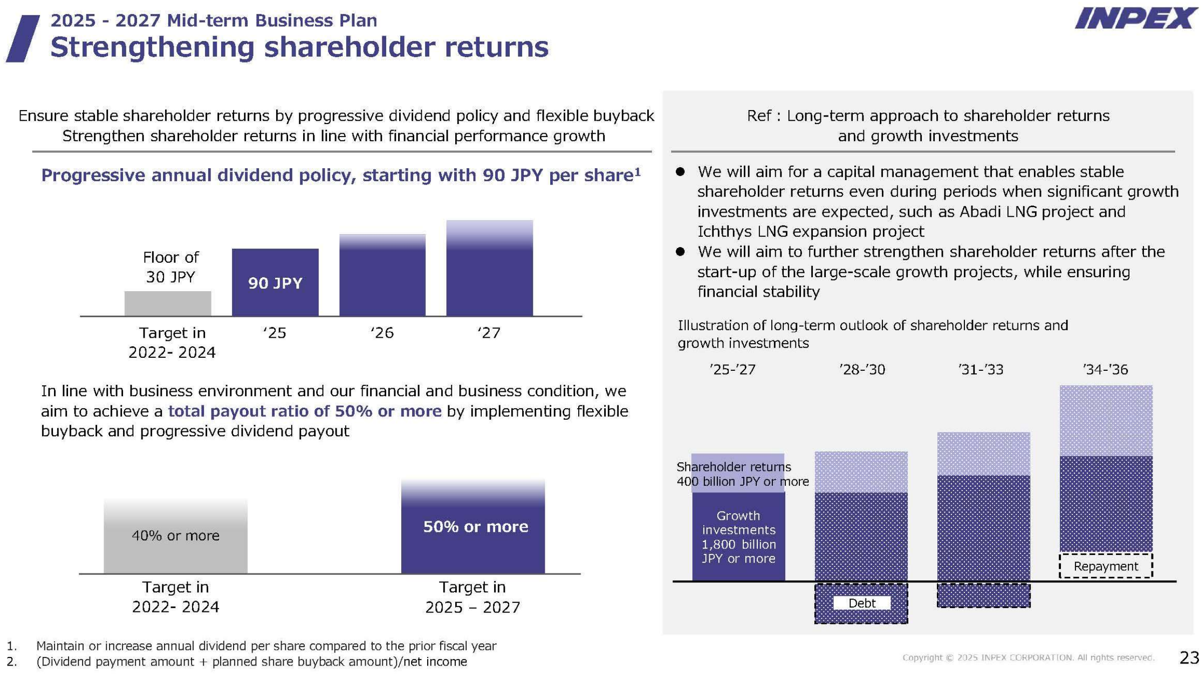
Balanced cash allocation in growth investments and shareholder returns

Let's move to our cash allocation. As outlined in our Mid-term Business Plan, we are going to shift the allocation of funds from the repayment of interest-bearing debt to growth investments and shareholder returns.

We are assuming an oil price of US$70 per barrel, an exchange rate of ¥135 per U.S. dollar, and an annual inflation rate of 2% or a little more over the three-year period of the Mid-term Business Plan. Cumulative operating cash flow for those three years is expected to be approximately ¥2.2 trillion, of which ¥400 billion will be allocated for shareholder returns and ¥1.8 trillion for investment cash flow.

As Mr. Yamada explained earlier, the investment for 2025 is a fairly large figure of ¥600 billion. Compared to our investment to date, which has been approximately ¥400 billion, we have added a little on top of what we have been investing.

Strengthening shareholder returns



Shareholder returns. Our basic approach to shareholder return is to combine share buybacks in a complementary manner to dividends, and we have decided to introduce a progressive dividend policy starting at ¥90 per share per year during the period of this Mid-term Business Plan.

The dividend for the fiscal year ending December 31, 2024 was ¥86 per share, and for the fiscal year ending December 31, 2025, it will be ¥90 per share, an increase of ¥4 per share. We adopt this amount as a dividend floor to strengthen shareholder returns.

Our objective is to achieve a total payout ratio of more than 50% over this three-year period. In the previous Mid-term Business Plan, we had set the target at more than 40%. In fact, there were some years when the ratio was much higher than 40%, and I would appreciate it if you understand that we are aiming for more than 50% this time, too, rather than 50%.

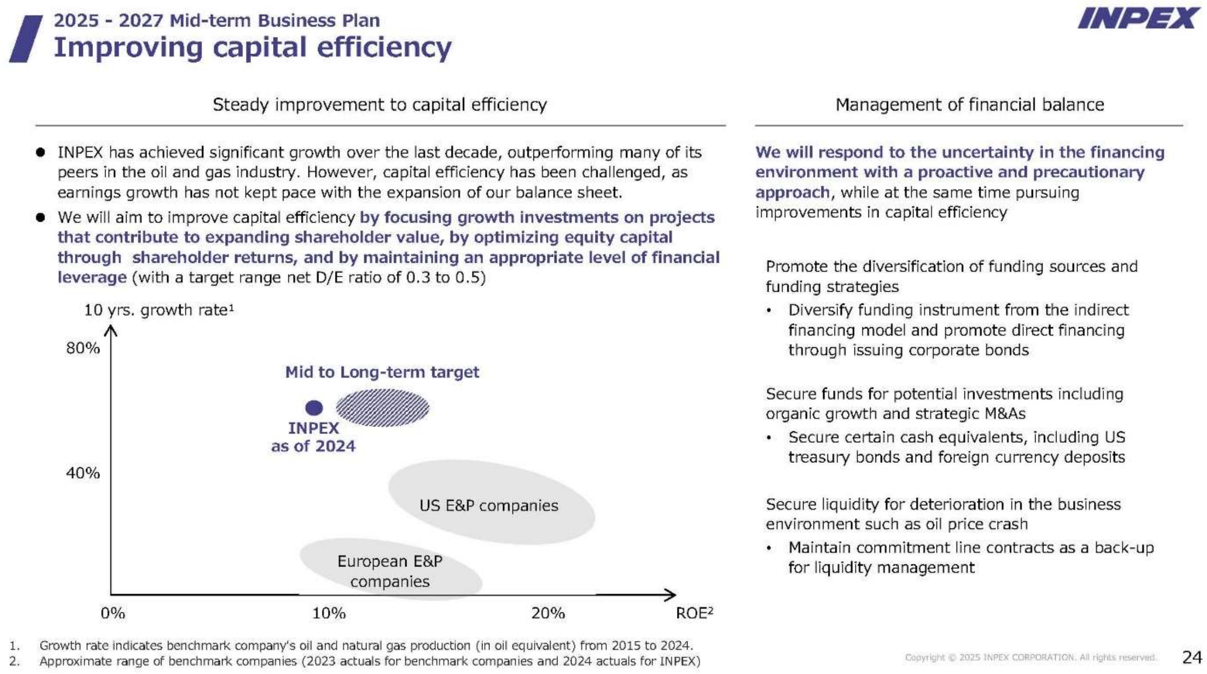
Beyond the period of this Mid-term Business Plan, there will be full-scale investments in the Ichthys LNG expansion project and Abadi LNG, so some of you may be concerned about the returns beyond that period.

Certainly, the 2025-2027 period is when we will proceed with the implementation of FEED or come close to FID for the various projects I mentioned earlier. In that sense, it is a preparation period for this major investment.

We will keep the D/E ratio at 0.3 to 0.5 under controllable circumstances, and when full-scale investments begin in 2028 to 2030, the period of the next Mid-term Business Plan, we will probably have to borrow a certain amount of money.

However, we have formulated this shareholder return policy based on the outlook that even if we borrow, we will be able to control the D/E ratio within the aforementioned range while maintaining a certain level of shareholder return and growth, and repaying the debt in the future.

Improving capital efficiency

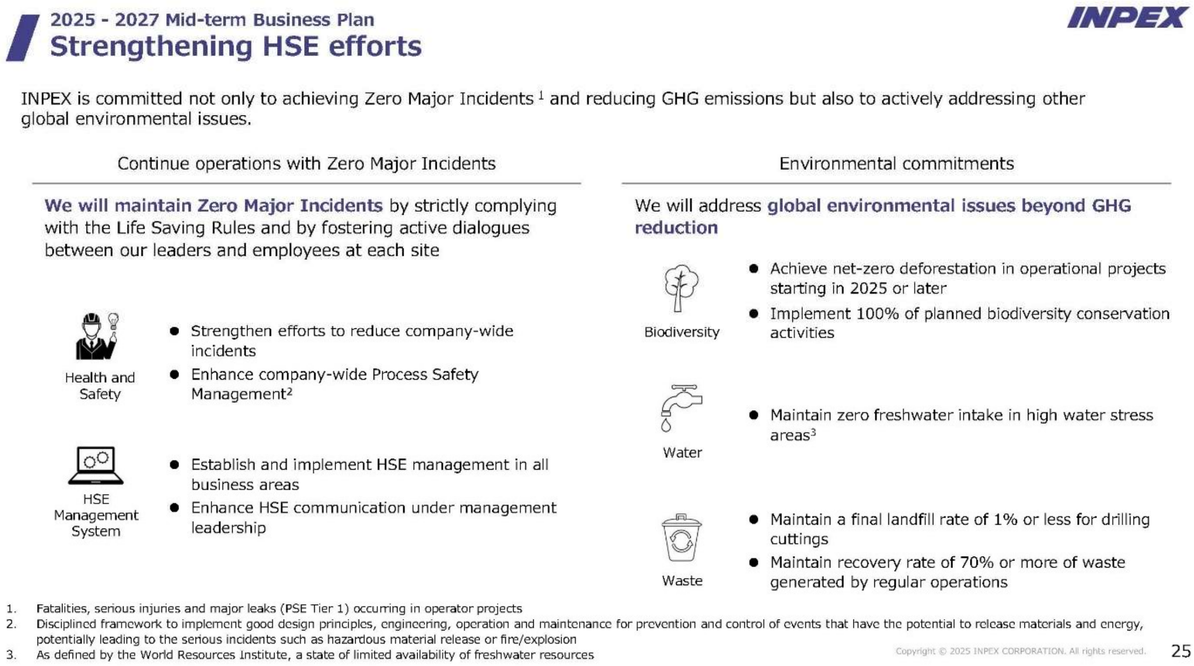


We will also work vigorously to improve capital efficiency in response to the low ROE and ROIC, which are often pointed out by many of you.

The graph compares us with the so-called “super majors” of the US and Europe. We took ROE on the horizontal axis and the growth rate over the past 10 years on the vertical axis. The ROE of the super majors is obviously much higher than ours; however, looking at the growth rate, INPEX's current position is rather higher than that of the super majors.

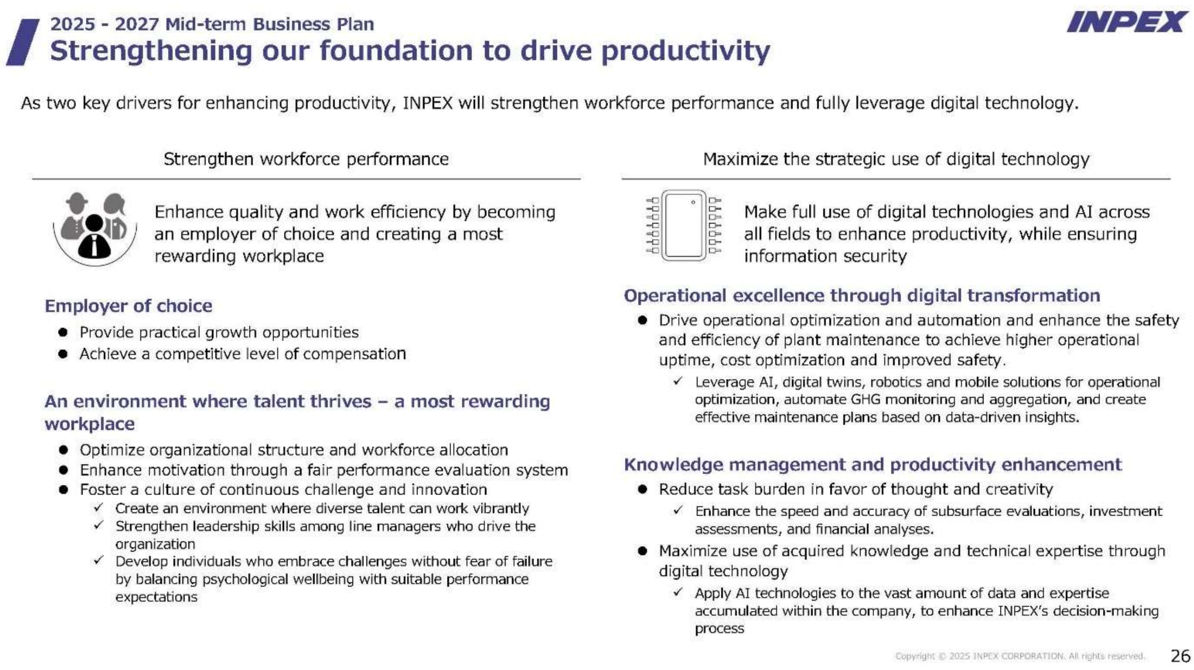
We would like to grow further through Ichthys LNG expansion project, Abadi LNG, etc., but in the medium to long term, we would like to improve our capital efficiency by carefully selecting good, economically viable projects in order to position ourselves in the area indicated in the graph, so that we can close the gap to the European and American majors.

Strengthening HSE efforts



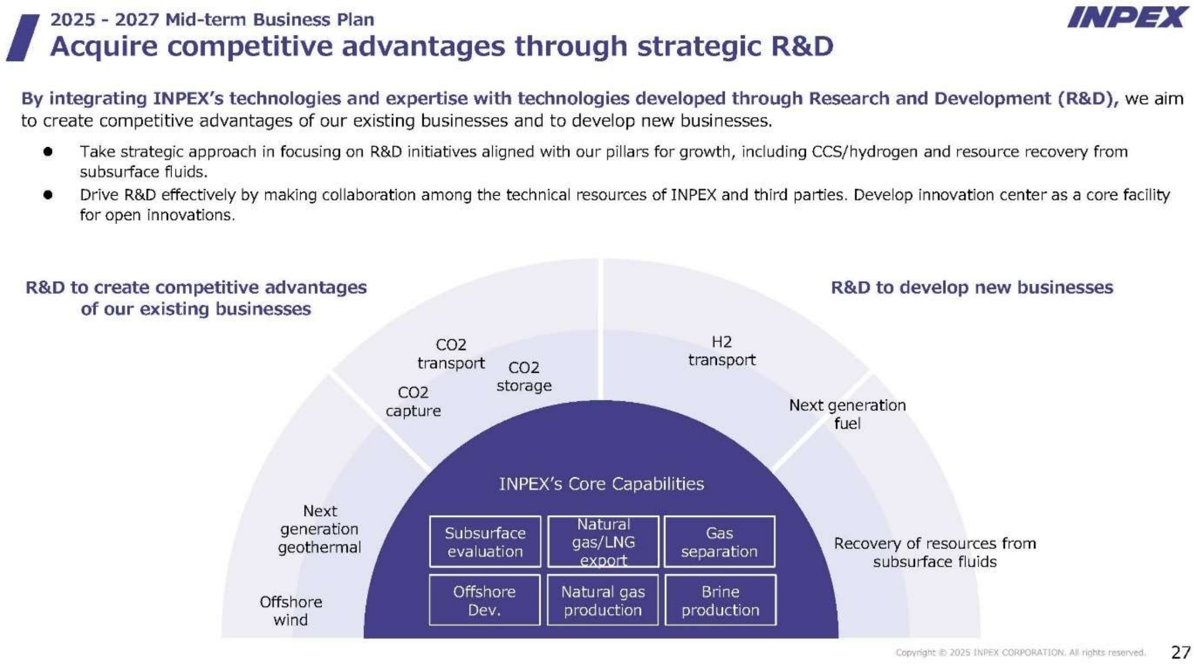
We will ensure that our efforts are not limited to zero major incidents and GHG emission reduction, but also address other global environmental issues.

Strengthening our foundation to drive productivity



We will work on strengthening the workforce performance and the strategic use of digital technology as the twin pillars towards productivity improvement.

Acquire competitive advantages through strategic R&D



We remain committed to strengthening our research and development activities.

Key performance targets

2025 - 2027 Mid-term Business Plan

Key performance targets

INPEX will continue to ensure safe and reliable operation of its projects and maintain a solid profit base.
We will strive to take FID on projects including Abadi LNG, to establish a foundation for significant growth in the 2030s.
We will aim to enhance shareholder returns sustainably and will disclose the progress of our businesses in a timely and proactive manner.

KPI	Targets in 2025 - 2027
Major Incidents[1]	**Zero**
Shareholder returns	**A progressive annual dividend payout starting with 90 JPY during the Mid-term Business Plan period (2025-2027)** **Aiming for a total return ratio[2] of 50% or more**
Three years cumulative CFFO	**2,200 billion JPY or more** Assumptions: Oil price of $70/bbl.and an exchange rate of 135JPY/USD.
Net carbon intensity[3]	**35% reduction versus 2019 levels by 2027**
ROE	**Aiming for an ROE greater than the Cost of Equity**
ROIC	**Aiming for an ROIC greater than the WACC**

1. Fatalities, serious injuries and major leaks(PSE Tier-1) occurring in operator projects
2. (Dividend payment amount + planned share buyback amount)/net income
3. Scope 1 and 2

These are the key performance targets for the period of this Mid-term Business Plan.

Zero major incident is what we must maintain. Shareholder returns will be based on a progressive dividend policy with a floor of ¥90 per share annually and a total payout ratio of at least 50%. We aim to achieve a three-year cumulative operating cash flow of ¥2,200 billion and 35% reduction in net carbon intensity by 2027 compared to 2019. ROE and ROIC are to exceed cost of equity and WACC, respectively. These are the goals we set forth in the Mid-term Business Plan for the next three years.

Although we are targeting 10% ROE and ROIC for 2035, we have realistically set the aforementioned targets for the duration of the Mid-term Management Plan.

Energy for a brighter future

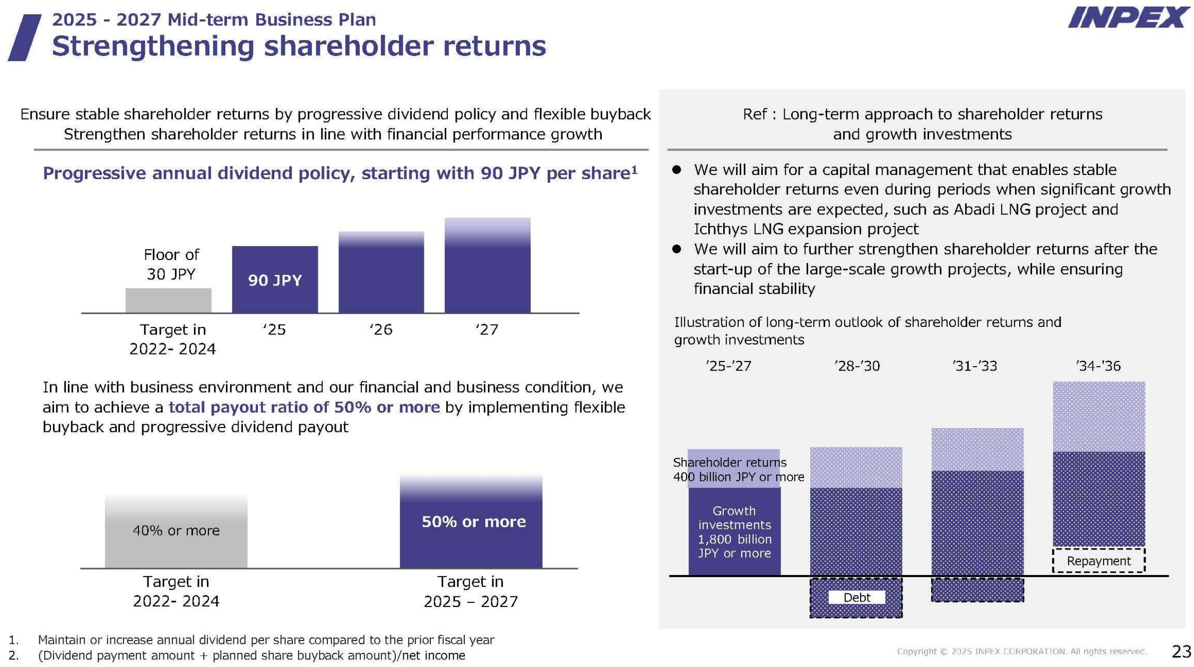
Finally, we have our vision incorporated into a corporate branding, Energy for a brighter future.

INPEX believes that its mission is to make good use of the power of the earth, whether it be oil and natural gas, wind power, or geothermal energy, and to use them as a bridge to a brighter future. The original Japanese symbolizes this mission, but in English translation, we adopted an expression that is easy to communicate the idea.

By the way, as you can see on the slide, INPEX and other characters are tilted. One of the reasons for this is that the Earth's axis is tilted 23 degrees from vertical, which is the source of the power of the Earth.

Therefore, these characters are tilted 23 degrees from the vertical. We added this idea as a branding strategy.

Q&A: Investment and shareholder returns, and operating cash flow growth



Participant: I would like to ask two questions. Both questions are related to Mid-term Business Plan and Vision 2035. The first question is about shareholder returns on slide 23, particularly the right part, which is a rough illustration of investment and shareholder returns not only for the period of this Mid-term Business Plan, but also for the years ahead. If we take this picture as it is, it appears that the pale purple area for the shareholder returns has not decreased much due to the financing by debt despite the increased investment.

Does it suggest that even when investment peaks, shareholder returns will be at the same level as in the current Mid-term Business Plan, assuming market conditions remain constant? Can we take your presentation's words of "Strengthening shareholder returns" exactly as they are?

I think the concern in the market is that the shareholder return policy will probably change when investment peaks. I would like to confirm the following. You presented the long-term perspective in this Mid-term Business Plan in addition to the more aggressive approach with progressive dividend policy; does it represent management's stance and message that shareholder returns will not retreat even when investment reaches its peak?

The second question is on slide 22, on the investment and future cash flow growth. It shows on the graph an investment cash flow of ¥1,800 billion for the three years. This is probably at a time when Abadi LNG is just about to reach FID and before the expansion of Ichthys LNG is in full swing. I have the impression that the average investment of ¥600 billion per year is a bit too large.

I can see the explanation of the breakdown at the lower right corner, but could you explain specific project names and items you are envisioning? Also, is it appropriate to have a cash flow outlook so that the investment will increase from ¥1,800 billion in medium to long term after Abadi LNG's FID?

Followingly, I noted the "60-60" of your long-term vision. I would like to ask whether the 60% growth in operating cash flow is sufficient.

I think the scale of Abadi LNG is not inferior to that of Ichthys LNG. In that sense, operating cash flow in 2035, which is including the expansion of Ichthys LNG, does not seem sufficient at 60% growth. Or are you looking beyond 60% when you say 60% growth?

I would like you to explain again regarding operating cash flow, for it does not look like increasing enough despite Ichthys LNG's expansion as I see the slide alone.

Ueda: I understand you are looking at slide 23 and your question is, while the shareholder return looks reasonable during the Mid-term Business Plan period, won't it be reduced when the investment becomes full-scale? My answer is that you just said what we are thinking.

Of course, as we will increase investment, we'll need to borrow some money during the next Mid-term Business Plan period. However, if we keep the D/E ratio between 0.3 and 0.5, we will be able to invest a certain amount without decreasing the amount of shareholder returns. We will also be able to gradually repay the debt starting in 2034.

The only thing we can commit to this time is the progressive dividend and total payout ratio during the Mid-term Business Plan period, but this chart shows that we have the outlook that we can continue our current policy of not neglecting shareholder returns even after this Mid-term Business Plan.

Yamada: In terms of investment, in order to be more specific, I would like to explain our plan for FY2025. I hope you can draw an analogy from that plan to the Mid-term Business Plan period.

In FY2025, our growth investment will be about ¥600 billion, of which ¥540 to ¥550 billion will be in oil and gas businesses, and the rest will be for 5 net zero businesses.

The large part of oil and gas investment is for the production increase in the Middle East. Compared to FY2024, the investment in oil and gas will increase by ¥150 to ¥160 billion. Currently, we expect more than ¥100 billion in investment for the production expansion in the Middle East, which takes a very large portion of the total.

In addition, you might think that there will be something before we initiate Abadi LNG. Since we are looking for sources of revenue and cash flow of an immediate effect, although I cannot disclose any names right now, we expect to spend about ¥200 billion this year on upstream M&A and new investment, which will be development investments.

The investments in renewable energy and net zero will be on track with planned timeline. As for the items that are not presented as investments, CCS, both in overseas and the metropolitan area CCS in Japan, for example, is not included in the investment cash flow, because it is included in the R&D expense. If we count this cost in, net zero related investment is actually close to ¥100 billion. I hope that this has given you a rough idea of the investment over next three years.

If I calculate based on “60-60,” the operating cash flow in 2035 would be about ¥1,500 billion to ¥1,600 billion. It is difficult to say if the amount is too small or too large.

I mentioned that this year’s operating cash flow will be about ¥900 billion, 60% of which comes from Ichthys LNG. Therefore, if the scale of the cash flow is comparable to Ichthys LNG, it would be ¥900 billion plus ¥500 billion, or about ¥1,400 billion in total.

There may be some increases and decreases in cash flows, or comings and goings of projects as we invest in other production increases or implement new M&A with a new development project. Overall, I believe that 60% is a relatively moderate level, not a particularly aggressive nor pessimistic outlook.

Q&A: ROE target

Participant: I am really wondering about the way you set the ROE target for the three years of the Mid-term Business Plan. In the Mid-term Business Plan, the goal is to have ROE exceed the cost of equity, which is something that is common in the stock market, but, at the end, it doesn't tell what percentage that is by looking at this page alone.

Your company started reporting cost of equity last year. Looking at the financial statements of the first half of the last fiscal year, it says that the cost of equity for the first half of last year was 8.8%.

However, when I look at today's slides, the cost of equity has dropped to 8.2%. Perhaps, it can be explained that it is lower this year than last year as you recalculated the cost of equity, but if that is the case, it is disappointing because you cannot tell the cost of equity at the end of the three years of the Mid-term Business Plan.

I'm hoping that your PBR of 0.5x will somehow improve to 1x. Assuming that you take the approach of raising ROE or PER, I think the dialogue could be a little more specific if you could change the way you describe the ROE target. I feel that as it is, the dialogue will probably come to a halt.

At this point, the cost of equity is 8.2%, but the ROE in the Company's plan for the current fiscal year, the starting point, is 7 %, which is lower than the Mid-term Business Plan.

It is stated as a goal for the Mid-term Business Plan period, but considering that the Company plan is 7% ROE for this fiscal year and the lowered cost of equity is 8.2%, can we assume that you will strive to exceed 8.2% this fiscal year by making full use of share buybacks and other means? Or you think it is alright since the effort to achieve the goal itself remains the same, is that how you see it?

Ueda: Basically, as we have explained, the cost of equity is calculated using the Capital Asset Pricing Model (CAPM). It is difficult to say exactly what the cost of equity will be in the future, because it depends on the risk-free rate and the development of the stock price, particularly the beta of stock performance. We are currently targeting a cost of equity of 8% to 9% in both 2027 and 2035, which is equivalent to the current level.

In addition, as you pointed out, ROE is lower than the cost of equity in the Mid-term Business Plan. We have been very concerned about it. However, considering that the oil price level this time is based on the assumption of $75 per barrel and was about $80 per barrel in 2024, although we have made various calculations based on this oil price level, frankly speaking, we inevitably end up with such a level.

In terms of increasing ROE, one thing is obviously increasing Returns. That means making sure we have good projects going forward. Then there is reducing Equity. That is returning capital to shareholders, including share buybacks, which we intend to use to manage capital appropriately. One more thing is the use of leverage.

We will continue to make efforts to increase ROE this year by effectively combining these three measures. However, when we estimate using the anticipated oil price and other factors, we cannot help but arrive at these figures as of now.

Q&A: Investment in Abadi LNG

Participant: Abadi LNG is very important for the 2035 Vision, and I have high expectations for it in terms of growth. You have just shown us an image of Abadi LNG's operating cash flow, but from the perspective of getting an image of free cash flow, could you give us a hint as to what the size of Abadi LNG LNG's investment would be on a 100% basis, if you could?

I guess it depends on what percentage of Abadi LNG's financing your company is willing to underwrite, but from what you said earlier, I could see that you are going to try your best to borrow for the time being. I think the other point to consider is whether or not to use off-balance sheet transactions. I appreciate if you can give us a sense of the overall size of Abadi LNG's investment in cash, and whether your company's policy is basically to borrow money to finance the project, according to your earlier explanation, even if you can't say right now what percentage it would be.

Ueda: It is actually difficult to say what the size is and there are various figures. In the past, there have been people who have said various figures, such as $20 billion on a 100 percent basis, but this year we are starting the very basic design work, FEED.

The main purpose of FEED is the design itself, and the other is to see what the cost will be. As I mentioned, the cost of various projects has increased dramatically, and 1.3 or 1.4 times the original plan is the norm in today's EPC (Engineering, Procurement and Construction). Therefore, we would like to clarify the cost of Abadi LNG in this FEED process.

We are currently in the bidding process for FEED. There are four components, the LNG plant, the pipeline, the FPSO (Floating Production, Storage and Offloading), and the subsea facility, and we are bidding those separately. The design work and costing will begin in the middle of the year.

Therefore, the FEED process will take about two years, and once the FEED is completed, we will consider the FID, so the costs will become clear during this process. At that time, I think the work will be more of a measurement of how much the cost of the project will increase from what people have said. I think that this is something that we will not be able to predict accurately until we actually do the work.

Yamada: It is difficult to talk about financing without putting hypothetical figures on it, but based on the $20 billion level that Mr. Ueda mentioned earlier, for example, the Abadi LNG is divided into upstream and downstream.

The upstream portion is for drilling wells, and the downstream portion is for producing LNG. It is generally considered 6-4 or 5-5, and we intend to use Trustee Borrowing for the downstream projects, because we cannot accomplish these projects without borrowing from outside sources.

On the other hand, the upstream projects are basically done with cash on hand. I understand that there may be a lot of criticism over the net D/E ratio issue, but the securities over 3 months old are actually funds that we are retaining for investment in Abadi LNG. If we needed to raise several hundred billion yen, it would be difficult to do so all at once given the position of so-called fossil fuels in society, so we are accumulating funds in the same way we did with Ichthys LNG expansion project.

Right now, we have approximately ¥200 billion, which we expect to further build up for the Abadi LNG. Therefore, we intend to use our cash on hand for the upstream of this project.

Your question about whether or not to leverage the project is a very complex question. As explained, in Indonesia, project financing is not possible because of the World Bank's negative pledge on the upstream assets. In other words, the lender cannot subrogate projects in Indonesia, which means that the Indonesian project cannot be leveraged through so-called project finance.

Therefore, we envision a project where the downstream LNG will basically be financed by a corporate guarantee loan, while the upstream will be financed by cash on hand.

The question now is how we will finance as we tighten our cost structure. Right now, we are in a process of soft-sounding for the financing of the downstream side of the project, as it is quite heavy. We are still a long way off, but in the meantime, we have a reasonable amount of downstream funding at the stage where Letters of Intent (LOI) have been obtained. I can't tell you why, but the short answer is that we are not in a tight situation.

Currently, we are collecting LOIs for financing the downstream part and gradually saving up money for the upstream and putting it into investments.

Q&A: Impact of inflation on investment

Participant: I also have two questions about the investment. The first question is about the Mid-term Business Plan, which estimated the investment of ¥600 billion per year. Please tell us how much of the impact of inflation and material price hikes is factored into this plan.

The second question is also about inflation. Among the figures provided today, if the investment cash flow overflows due to the inflation and other factors, which would you prioritize, shareholder returns or investment?

Yamada: In this Mid-term Business Plan, we have factored in inflation for both materials and oil prices at 2.3 %, although the exchange rate is not concerned. Therefore, in our investments for this year, next year, and the year after, we have basically factored inflation into our thinking.

If inflation occurs as we increase our investments, will we prioritize investments or returns? We will do both. We will leverage.

Q&A: Basis for total payout ratio and dividend amount, and differences between previously announced values and financial results

Participant: I have two questions about the detailed figures such as the total payout ratio of more than 50% and progressive dividend starting at ¥90. I would like to know how these figures were determined. This is the first question.

The second question is on slide 20 of the financial results, where the results for the FY ending December 31, 2024 are shown. Project factor is up ¥26.5 billion, which is explained as “Decrease in costs of goods sold and taxes of some projects, etc.” Since its plan for the FY ending December 31, 2025 is slightly positive year on year, I assume that perhaps in the FY ending December 31, 2024, this project factor is up more than originally projected in November, and there are still some ¥20+ billion remaining for 2025.

I would like to know what has improved. Is there anything that has improved worldwide, or is there a large contribution from the projects? I appreciate as much information as you can share here.

Ueda: Your question is about the backgrounds for the Mid-term Business Plan's total payout ratio of 50% or more and the progressive dividend policy of ¥90. First of all, in the previous Mid-term Business Plan, we stated that the total payout ratio would be 40% or more, but it ended up being more than 50%, and sometimes it was even higher. And in 2024, if we look at current profits, the resulting total payout ratio will probably be around 55%.

Considering this, one idea is to change the Company's gear a little and set the dividend at 50% or more to show the world that we are shifting from repaying interest-bearing debt to investing and returning profits to shareholders.

The same can be said for the progressive dividend policy of ¥90, and considering the total payout ratio and other factors, it is already 55%. And it shows our commitment to returning profits.

In fact, since profits for this fiscal year (FY2024) was quite high, there was naturally some discussion about increasing the dividend for this fiscal year. However, I thought I would rather show the world that we would change gears starting from the next fiscal year (FY2025).

Although profits in the FY2025 will be approximately ¥100 billion less than the previous FY by the current forecast, we have decided to raise the dividend rather than decrease it, and to show that we will focus on returns and growth, we have decided to implement a progressive dividend policy with the bottom line of ¥90 per share starting in FY2025.

Yamada: I understand that your question is about the ¥26.5 billion in project factors, which was included in the ¥427.3 billion in financial results compared to the November forecast of ¥380 billion.

It is true that we should have been a little more precise in our November forecast. There are many factors that go into this. For example, there are items included in project factors that have nowhere else to go because there has been a large change in amortization expense in a project.

Another large item is income tax expenses. The income tax was ¥10 billion more than forecast, which is included in the ¥26.5 billion.

If we had been more precise in November, we might have been able to eliminate these items, but we were not able to reconcile all of them at that point, and that is the reason for the discrepancy with the final financial results.

Participant: Can we take what you just mentioned as an increase in your company's competence value?

Yamada: The fact that the amortization cost of the project has changed is not so much a matter of competence as it is an administrative part of determining the figures for the settlement of accounts.

I believe that we probably could have found this out with a little more precision, so I don't think this is competence.

However, we believe that income tax is basically our basic revenue. A ¥10 billion or more income tax adjustment is a factor in the increase in our basic earnings, so I think it is safe to say that this is one of our strengths.

Q&A: Trend in net income and equity

Participant: You mentioned earlier that the ROE in the Mid-term Business Plan aims to exceed the cost of equity, which would be 8 to 9%.

The current fiscal year's ROE is approximately 7%, and the question is how you will increase the ROE from this level. Since the shutdown maintenance of Ichthys LNG is scheduled for this fiscal year, I believe that the base will rise. On the other hand, considering the assumptions for oil price and exchange rate, I think they are also in the trend of declining.

So, please explain a little more about the directions of net profit and equity, and how you calculated the 8 to 9 % ROE that you plan to achieve, using sensitivities and other factors.

Yamada: This is a tough question, and I am struggling with it, but the budget for this fiscal year is ¥330 billion, and the impact of the shutdown is about ¥80 billion. Therefore, although it may not make much sense to argue that if there were no shutdown but I think it would be a little over ¥400 billion without the shutdown.

Since last year's figure was also around ¥400 billion, I believe that during the period of this Mid-term Business Plan, our basic earnings, or the level we should aim for, will be slightly higher, and will be around ¥400 billion. If we put aside the discussion over whether ROE should be 8% or 10% based on current equity, I believe that we can achieve a level that can surpass the cost of equity that we are aiming for.

The other issue is, as you pointed out, how we manage our equity. In fact, there is discussion as to whether we should repurchase shares carelessly. We currently have about ¥4,800 billion in capital, which includes foreign currency translation adjustments, so in real terms we have ¥3,800 billion plus ¥1,000 billion in capital. Our equity ratio is about 60%, which is a very stable balance, but we always wonder if we can leverage our capital, as we still have to raise funds in the future.

Also, our current portfolio is Japan, Abu Dhabi and Australia, so we have assets in countries with very low country risk. Therefore, I feel that our equity of ¥4,800 billion is still somewhat large when viewed versus country risk.

On the other hand, the country risk of Indonesia, where Abadi LNG is located, is not high. If we proceed with projects in medium-risk countries such as Indonesia or in areas close to developing countries in the future, this equity may not be so excessive when we balance the country risk with the equity of about ¥4,800 billion in the 2030 to 2035. This is also something we have been discussing a lot.

Therefore, I think it is necessary to carefully consider whether reducing the equity through share buybacks to improve ROE and PBR is really a positive or negative factor for sustainable growth in the future. However, ROE is a numerical value that both you and investors are looking for, so we will continue to make efforts to achieve it.

For example, we will conduct a paid-in capital reduction planned for this fiscal year and capitalize on foreign exchange gains. To put it more precisely, we are trying to recycle about ¥1,000 billion in gains that are currently in the foreign currency translation adjustment.

There are large foreign currency translation adjustments in Australia. Ichthys LNG has reached a so-called plateau, and it is time to recover the capital. Therefore, it is possible to recover capital through paid-in capital reduction, if we like to do so.

By recovering the capital, we would like to create a standby fund for Abadi LNG. We cannot invest in Abadi LNG even if we have the money in Australia, so that we will have to bring the capital of ¥1,000 billion to Tokyo in small increments. This is our plan at this point.

Whether it was for that purpose or by accident, the exchange rate was ¥85 when we invested in Ichthys LNG. Since the current exchange rate is ¥150, the foreign exchange gain in the capital is enormous, and by raising it through a paid-in capital reduction, we can also take the foreign exchange gain. This fiscal year, we plan to raise profits by about ¥26 billion by implementing a paid-in capital reduction.

Actually, INPEX Holdings Australia Pty Ltd. (IHAPL) has about ¥1,000 billion in capital at the moment. It is quite difficult to do it entirely, but we need to build up standby capital not only for this fiscal year, but probably in 2025, 2026, and 2027, before Abadi LNG reaches FID.

Therefore, in addition to accumulating standby funds through a planned paid-in capital reduction from Australia, considering that there will be a significant amount of profit to be taken if the exchange rate swings to a weaker yen, although there is a question of what the exchange rate will be like, it may also be a measure for Return improvement.

This is not to say that we are taking any extraordinary strategy, but we are simply taking the fruits of the investment we made at ¥85 here, and I believe it is a legitimate economic act. While taking this into account, we would like to balance our ROE to meet your expectations.

However, I believe that raising ROE while carrying out a huge treasury share cancellation may not necessarily be a good idea in light of our company's sustainable growth in the future. That is what we are discussing now.