

## Message from the President & CEO

In this year's message from management, Representative Director, President and CEO Takayuki Ueda reflects openly on changes in the energy landscape, INPEX's business strategy, the Company's share price, and more.



*Hello, Takayuki. It's been a while.*



Ah, it's you again. What's on your mind today?



*I want to hear your views on some issues.*

## Surprises at CERAWeek



*I heard you took part in CERAWeek in Houston recently.*



That's right. CERAWeek is a major international conference where the world's top energy executives gather in Houston for several days of panel discussions. This year, I was one of the speakers. The conference is a fantastic place to hear the opinions of industry leaders, understand global trends, and efficiently make contact with a wide variety of companies.



*It certainly is. So, did you come across anything new there?*



What struck me was how sharply the world's views of energy affairs have changed in the past few

years. Four or five years ago, the central issue was climate change: fossil fuels were viewed as "bad," and the discourse focused on how to eliminate them. Then the war in Ukraine began, and everyone pivoted to the importance of a stable energy supply and how to balance that with climate action. At CERAWeek, the discussion centered on the importance of energy affordability—in other words, securing sufficient quantities of energy at prices that everyone can afford. The rising electricity demand from AI datacenters drove the dialogue, too. The general consensus seemed to be that natural gas/LNG is the key to affordability and that using natural gas over the long term is especially important. Everywhere, people were saying

that natural gas isn't a transitional fuel but a destination fuel. While renewable energy and hydrogen were still considered important, their role was de-emphasized.

The worldwide shift in attitudes toward energy over the past few years has been astonishing. The emergence of the Trump administration in the U.S. might be a factor, but it's still surprising to hear people who had been calling for zero fossil fuels now say that LNG is the future.




**Takayuki Ueda**  
Representative Director,  
President and CEO


## Message from the President & CEO

### The mutable and immutable: A long-term view

#### *Isn't that good news for INPEX?*

 Since INPEX's core business is oil and natural gas/LNG and we intend to keep developing LNG projects over the long haul, a more stable long-term business environment is certainly welcome...

#### *Is that really enough, though? It's not as if the issue of climate change will disappear. Won't it come back with a vengeance in the future? How do we prepare for that?*

 Don't get ahead of me—you're supposed to be my avatar! But yes, it will most certainly bounce back at some point. And politics will keep changing. I'm always asking myself how to figure out what will remain constant amid that uncertainty.

For countries like Japan that depend on imported resources, energy affordability and energy security are the most critical challenges. All efforts would go to waste if a rise in energy prices drove down competitiveness and extinguished economic vitality. Meanwhile, we can't hesitate in addressing climate change, either.


Ultimately, I believe these three considerations—energy security, energy affordability, and climate action—remain constants over the long term, though how much emphasis they receive may change with the times. Lately, I increasingly feel that the energy landscape is growing ever more complex as fresh concerns emerge, including digital security driven by growing demand for

digital services, the security of mineral resources such as rare metals critical to energy, and energy supply chain security.

INPEX has long stated that it allocates its management resources in a well-balanced manner between the development of oil and natural gas/LNG alongside low-carbon energy, and I see no need to change that fundamental stance.

### Business priorities: INPEX's strategies going forward

#### *I see. So, then, the key is how and how much we should emphasize each of those three considerations, and how we move forward with them. How are you thinking about the schedule and investment allocation?*

 Those are the issues that I'm grappling with. Every energy company in the world is wrestling with them. To clarify our intentions, in February this year (2025), we released [INPEX Vision 2035 and our Mid-term Business Plan for the next three years](#).

Essentially, we've identified three pillars for growth. The first pillar is emphasizing LNG. Our immediate tasks are to maintain the safe and stable operation of the Ichthys LNG Project while working to expand it in the future, for one, and to begin front end engineering design (FEED) for the Abadi LNG Project to reach a final investment decision (FID) within a few years. Ichthys forms the backbone of INPEX's operations, but relying on a single project would leave us exposed to risks. Abadi will give us a second leg to stand on. The second pillar is emphasizing

efforts on lower-carbon solutions that leverage carbon dioxide capture and storage (CCS) and hydrogen—and proactively making steady progress on them. Given that natural gas/LNG will be a long-term player in the energy mix, cutting the CO<sub>2</sub> emissions in that area is an essential part of being in the LNG business. CCS is a realistic technology critical to achieving this, so we are pursuing it both inside and outside Japan. We are pushing forward our Tokyo Metropolitan Area CCS Project, a grand plan to collect CO<sub>2</sub> emitted from the Keiyo Industrial Zone, transport it via pipeline off the coast of the Boso Peninsula (Chiba Prefecture), and inject it beneath the seabed. Off Darwin, near Ichthys, we are pursuing the Bonaparte CCS Project and have already drilled two appraisal wells. The results are promising, and we aim to grow it into a world-class CCS project that could take and inject CO<sub>2</sub> from Japan in the future. In terms of hydrogen initiatives, we are building an integrated demonstration plant for blue hydrogen in Kashiwazaki City (Niigata Prefecture) that is scheduled to come online in 2025. We plan to take what we learn about handling hydrogen there and apply it to

Speaking at CERAWEEK




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future larger-scale hydrogen ventures. These projects carry high risks and have uncertain economic viability, but we must focus on them now to prepare for the future. Yet before making any FID, we'll be sure to ascertain whether sufficient users exist, whether long-term contracts can be secured, whether the projects are economically viable, and whether government support and the business environment are appropriate. We won't pursue uneconomical projects, and we'll flexibly adapt schedules according to the intensity and maturity of clean-energy demand and whether the overall environment is ready to support commercially viable projects at home and abroad.


The third pillar is driving efforts in power-related fields. Until now, INPEX has been mainly an oil-and-gas company, doing little in power beyond renewables. Yet we see an age of electrification and clean power fast approaching, and must not ignore these fields. As we can't dive into unfamiliar fields unprepared, we'll look for segments where we can leverage INPEX's distinctive capabilities.

### What do you mean by "distinctive capabilities"?


 By that, I mean the technologies, abilities, expertise, and domestic and international networks that INPEX possesses. Our technology for analyzing formations thousands of meters underground, our experience operating large-scale projects, our presence in Australia—these are unique strengths that other companies don't have. We want to make good use of them, combine them, and take on new challenges. Possibilities include gas-fired power projects integrated with natural gas supplies; iodine and other underground resource ventures using subsurface brine water; and integrated renewable energy and battery storage operations such as the ones we run in Australia. Although our efforts in these

areas might be us chasing dreams, in some ways, we see promise in all of them.


### How will you obtain and allocate the capital required for these projects?


 Under our three-year Mid-term Business Plan, we expect to generate about 2.2 trillion yen in cash flows from operating activities over the next three years. Of that, we plan to invest a total of 1.8 trillion yen: 1.1 trillion yen in maintenance and production increases for existing projects; 500 billion yen in the clean expansion of our natural gas/LNG business; and 200 billion yen in CCS/hydrogen, electrical power, and other related businesses.


### The Mid-term Business Plan calls for 1.8 trillion yen in growth investment over three years. Isn't that a little too much? In the past, you invested about 400 billion yen a year, but now you're looking at 600 billion yen a year. I'm concerned how all that growth investment will actually be used.


 That is actually a point that many of our investors raise. The majority of that investment (1.1 trillion yen over three years) will go toward maintaining and expanding existing projects, including ramping up the production of the Abu Dhabi projects. That investment shores up the Company's foundation. As for expanding natural gas/LNG and low-carbon ventures, we'll be investing very selectively with a close eye on project economics. Ultimately, we'll have to let our results speak for themselves.

## Strengthening shareholder returns

 *I see. On a different note, what are your thoughts on shareholder returns? All this talk about investment is fine, but investors are expecting returns, too.*


 Yes, I'm fully aware of that. Over the past three years, our top cash allocation priority was to reduce interest-bearing debt associated with investment in Ichthys and create a robust financial foundation. Fortunately, thanks to the stable operations of our projects and supportive external factors such as oil prices and exchange rates, we were able to repay more debt than we'd anticipated. As of the fiscal 2025 first quarter financial results announcement, our net D/E ratio was 0.35 times, which I believe gives us a stable financial base. There is no need to reduce debt to zero, and a certain level of leverage is actually desirable for efficient capital use. That's why we've decided to change our cash allocation priorities for the next three years. Essentially, we'll shift from repayment of interest-bearing debt to growth investment and shareholder returns.


 *I'm sure that's welcome news, but what exactly are you planning?*

 First and foremost, we want to offer a strong dividend. In our current Mid-term Business Plan, we introduced a progressive dividend policy starting at 90 yen per share annually. We also raised the total payout ratio target from 40% or more in the previous plan to 50% or more. Our basic policy is to strengthen shareholder returns in step with business growth, so we'll begin with a stable dividend and increase it as earnings grow. For context, our annual dividend in 2018 was 18 yen per share


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before Ichthys came online. In the fiscal 2025 first quarter financial results announcement, we projected an annual dividend of 90 yen per share for the fiscal year ending December 31, 2025—a fivefold increase. We fully intend to maintain this stance going forward. Furthermore, we don't consider 50% to be a hard upper limit on the total payout ratio. When profits allow for greater payouts, we aim to respond flexibly.

 ***Some investors argue that you should be more aggressive with share buybacks. What are your thoughts on this issue?***


 Since the fiscal year ended December 31, 2021, we've conducted share buybacks on the order of about 100 billion yen per year. Dividends and share buybacks each have their pros and cons. Our approach is to increase dividends in line with financial performance and conduct share buybacks to complement that. Going forward, we intend to continue share buybacks as earnings permit.


## Improving PBR and other metrics

 ***What's your view on metrics such as price book-value ratio (PBR) and return on equity (ROE)? Surely there's still much room for improvement.***

 True... INPEX's PBR and ROE have been hovering at low levels, which is a terrible shame, and I want to improve them somehow. To that end, we've introduced return on invested capital (ROIC) as a management indicator to ensure that capital is used more


efficiently. At the same time, some investors believe that fossil fuel companies have no future and no room for growth. I would like to gain the market's trust and acceptance regarding our strategy of keeping our main focus on natural gas/LNG while pursuing clean energy ventures such as CCS and hydrogen. This is a point I want to emphasize. I am certain that INPEX is a growth company that has the flexibility to adapt to future changes in the energy market. If the market recognizes this and focuses on our potential for growth, then surely our share price will come to reflect that. Strengthening shareholder returns and deepening our dialogue with the market will also be important, and I would like to improve our PBR and ROE through such efforts.


 ***Infrastructure companies do tend to have low PBR in general. But why is INPEX's PBR lower than that of some of its international peers?***


 Part of it does come down to the nature of our business as an infrastructure company. For many of the projects we undertake, it often takes 10 years or more to go from capital investment to generating returns. For example, the Abadi Gas Field was discovered in 2000, but only now are we entering the FEED stage, and we're aiming to commence production by the beginning of 2030s. This means these investments have a negative contribution to profits until revenue generation begins, so metrics such as ROE take time to improve. Another thing to remember is that oil and natural gas development is a high-risk, high-return business, meaning that it requires a certain level of capital to cushion against that risk. To provide a stable supply of energy, the Company needs to be resilient enough to remain financially solid through slumps in oil prices or


major project setbacks. That's why we want to maintain a certain level of capital strength.


 ***Then why do your international peers have higher PBR and ROE?***

 It's true that the foreign supermajors have high PBR and ROE, but these are companies with long histories and portfolios full of high-quality assets, many of which are fully depreciated. They are mature companies, in other words, and that maturity translates into higher profitability. By contrast, INPEX is still a young growth company. Ichthys began production in 2018, so it's a young asset, about seven years old, that isn't fully depreciated yet. I expect that these metrics will improve as we proceed with Abadi and other projects, but it's going to take some time. There are ways of improving them in the short term, including the acquisition of revenue-generating projects through M&A, but we want to approach those types of projects with care.

 ***Does INPEX have any concrete targets to justify calling itself a growth company?***


 In INPEX Vision 2035, we presented "[the Vision for 2035: Our 60-60 Targets for Growth and Decarbonization.](#)" They outline INPEX's concrete targets as a growth company and call for increasing cash flows from operating activities by 60% by 2035 while concurrently reducing net carbon intensity by 60%.


 ***I'm sure I've heard the phrase "50-50" somewhere... A famous baseball player pulled that off. Can INPEX do the same?***

 Well, we're not playing baseball, but we'll give it our best shot.


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### Difficulties as President and CEO

 ***On another note—what is your toughest challenge as President and CEO?***


 I'm glad you asked that. The biggest challenge is that INPEX is a global company: around 90% of our operations are overseas, and over 40% of our employees are non-Japanese. We're a collection of people with different ways of thinking and different sensibilities, and these differences tend to cause divergence. The hardest part of being President and CEO, then, is maintaining unity and cohesion across the Group. My job is to get everyone aligned on our goals, concentrate our collective strength, and turn that into energy to drive the Company's growth. That's why I visit INPEX's offices around the world at least once a year and hold a town hall meetings we call a *shukai* at each. These provide a chance to share INPEX's goals and vision, engage in dialogue, and call on everyone to pull together as a team. I often come away full of inspiration and ideas. Our arena isn't limited to Japan—we're competing internationally with


supermajors and other tough contenders. From their perspective, INPEX is still a mid-sized company at most, so we're not always taken seriously. That can be frustrating. But to rank with the greats, we need people with a global perspective, strong negotiation skills, and unyielding grit. Nationality doesn't matter. Our non-Japanese employees aren't just "local hires"; they're the key to our global strategy. Rather than debating differences of nationality or gender, my key role as President and CEO is to unite the strengths of all employees and develop INPEX into a globally competitive company.


 ***You say you don't have time to debate the merits of men or women, but INPEX still has a reputation as a male-dominated company.***

 It might seem that way, and it's true that the ratio of women in executive roles is still low. But we recognize this as a challenge, and we believe it's important to actively promote greater female participation. We've set a goal to make INPEX a company where women can fulfill their ambitions, and we're taking concrete steps to make that happen. For instance, we've introduced measures that provide a certain level of financial compensation for employees who cover for colleagues on maternity or childcare leave, which helps women take time off without guilt or hesitation. In the fiscal year ended December 31, 2024, women made up 26.5% of new recruits, approaching our 30% target. I hope INPEX will come to be seen as a serious option for women who want to build a career.

### INPEX's corporate image

 ***So INPEX values the growth of human resources as a means of driving the growth of the business. By the way, I understand you recently came up with a new corporate brand identity?***

 That's right. We've adopted "Energy for a brighter future" as our brand message. In creating INPEX Vision 2035, we decided to formulate a tagline that accurately reflects our identity as business, and we debated quite a bit over what it should be. What was interesting was that everyone was saying "INPEX isn't just about oil and natural gas. Our job is to harness the Earth's natural resources, including wind and geothermal energy, and turn them into power that benefits humanity." So our role is to leverage the power of the Earth. Our mission is to engage with the planet, make use of its power sustainably, and channel it toward a better future for humankind. That's what our tagline encapsulates. What do you think? I'd say it has a nice ring, and its our identity fits our identity as a growth company, don't you?

 ***Yes, it's INPEX through and through. I really look forward to seeing how INPEX grows going forward.***



A shukai meeting

## Dialogue: Executive Vice President, Finance & Accounting and Executive Vice President, Corporate Strategy & Planning

**We aim to enhance corporate value by both providing shareholding returns and investing in growth with a view to the next 10 years.**

### The results of the previous Mid-term Business Plan

**Takimoto:** For all three fiscal years of the previous Mid-term management plan, from fiscal 2022 to fiscal 2024, INPEX maintained record-high levels of profit before tax and net income. I feel our profit level has risen to a new stage. Although oil prices and foreign exchange rates also contributed to this, the major contributing factor was the safe and stable operation and production at the Ichthys LNG Project and in Abu Dhabi. We should also be proud of the fact that across all of our projects we were able to maintain our key business target of zero major accidents. Since stable operation of projects is one component that forms the basis of our business, we will continue striving to ensure

#### Toshiaki Takimoto

Director, Executive Vice President,  
Corporate Strategy & Planning

compliance with our Life-Saving Rules and to engage in dialogue with those who work on site.

At the beginning of fiscal 2022, we had forecast a cumulative operating cash flow of 1.8 trillion Japanese yen over the three-year period, but ultimately, we earned just over 3 trillion Japanese yen. We allocated this to the reduction of interest-bearing debt and the like, shareholder returns, and investment for growth. We had planned to reduce interest-bearing debt and similar by around 500



#### Daisuke Yamada

Director, Executive Vice President,  
Finance & Accounting

billion Japanese yen but were able to achieve a reduction of more than 1.3 trillion Japanese yen. In addition, compared to our original plan of returning 200 billion Japanese yen to shareholders, we succeeded in returning over 3 times that amount at more than 620 billion Japanese yen. Our priority in 2022 was to repay interest-bearing debt, but in addition to reducing interest-bearing debt more than planned, we were able to implement shareholder returns in excess of the Medium-term Business

## // Dialogue: Executive Vice President, Finance & Accounting and Executive Vice President, Corporate Strategy & Planning

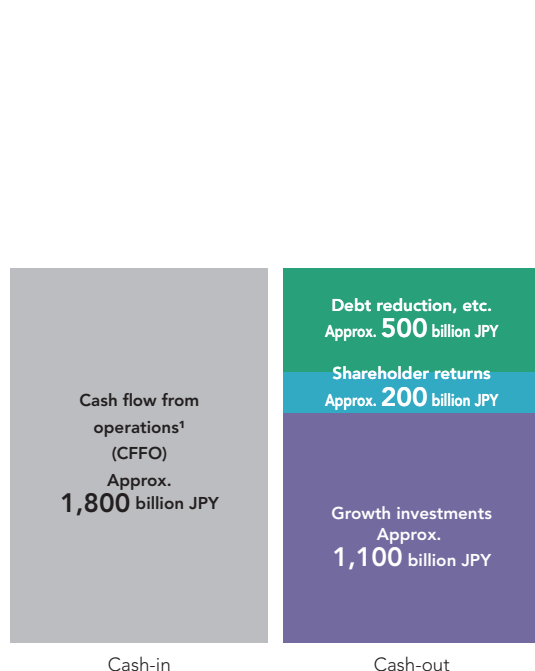
Plan's target total payout ratio of 40% throughout the three-year period. On the other hand, our growth investment was almost the same as the originally planned 1.1 trillion Japanese yen at 1 trillion Japanese yen, which was somewhat unsatisfactory.

**Yamada:** Now that we have reduced interest-bearing debt and have stabilized our financial base, we have changed the priority of our fund allocation in the new Mid-term Business Plan starting in fiscal 2025 to focus on investment for growth and shareholder returns.

### ■ '22 - '24 Cash allocation

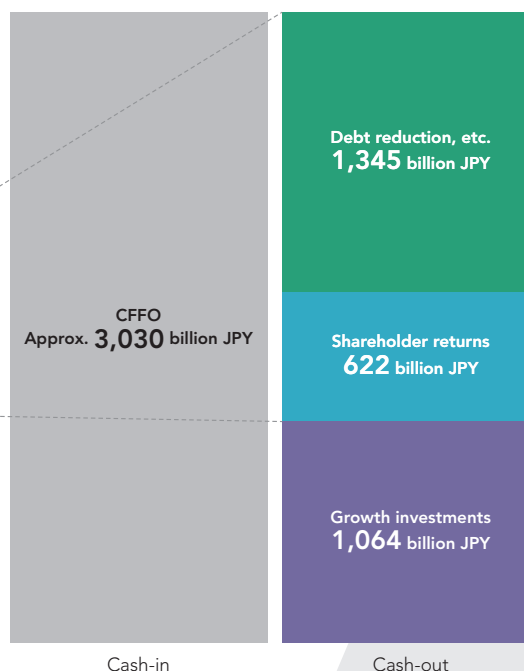
#### '22 - '24 Cash allocation—planned

Oil price assumption \$60/bbl., FX rate assumption 1USD=110JPY



#### '22 - '24 Cash allocation—actual

\$87.0/bbl., 1USD=141.3JPY



## Looking back at fiscal 2024

**Yamada:** Looking back at fiscal 2024, we had a strong year, securing net income of 427.3 billion Japanese yen, an increase of 32% year-on-year, or over 100 billion Japanese yen in monetary terms. The net income of 427.3 billion Japanese yen was also our second best ever. In addition, return on equity (ROE) improved to 9.5% over the previous fiscal year's 8.0%, and cost of shareholders'



equity remained above 8.2%. These results can be seen as a fitting conclusion to the previous Mid-term Business Plan, which covered the period from 2022 to 2024. Looking at returns, as well, the annual dividend per share was 86 Japanese yen, an increase of 12 Japanese yen over the previous year, and treasury stock acquisitions totaled 130 billion Japanese yen, up 30 billion Japanese yen from the previous year. As a result, the total payout ratio was 55%, far exceeding the target of 40% or greater set in the previous Mid-term Business Plan.

**Takimoto:** Oil prices and exchange rates also provided a tailwind. Although oil prices were slightly bearish compared to the previous year at around 80 US dollars per barrel throughout the year, the exchange rate averaged 152 Japanese yen to the US dollar, about 11 Japanese yen weaker than the previous year, which had a positive effect on our business performance. Conversely, we expensed part of our exploration operations in Australia and had production difficulties at Ichthys in the second half of the fiscal year, limiting production rates for a time, but in part thanks to the quick response of everyone working on site, production made a comeback in November. Thus, even given these factors, overall, I think we can say that we achieved good results in the year.

<sup>1</sup> Before exploration investment. Includes Ichthys downstream Incorporated Joint Venture and differs from financial accounting basis.

## Dialogue: Executive Vice President, Finance & Accounting and Executive Vice President, Corporate Strategy & Planning

### The things we emphasized in the formulation of the new Vision and Mid-term Business Plan

**Takimoto:** In formulating INPEX Vision 2035 and the new Mid-term Business Plan, we had a series of discussions over the course of a year.



**Yamada:** With regard to the Mid-term Business Plan, the conversation started with recognizing the difference between the previous Mid-term Business Plan and our current Mission. The previous Mid-term Business Plan was positioned as a stage to repay interest-bearing debt that had increased through our investment in Ichthys, but we were able to reduce interest-bearing debt more than planned, and the net debt/equity (DE) ratio remained healthy in the 0.3 range. Therefore, in the new Mid-term Business Plan, we have changed course toward increasing capital efficiency while utilizing a certain degree of leverage.

First, let's discuss investment for growth. In a few years, we will be making major investments in the Abadi

LNG Project, but there is still some time left before production begins. I believe that building up quality assets and creating a lean balance sheet in the period leading up to full-scale investment in Abadi will be key to future growth.

Next, let's look at shareholder returns. We have also had various discussions on shareholder returns. How to balance investment in growth and shareholder returns while emphasizing financial discipline—in other words, how to allocate funds is a key point for the Mid-term Business Plan. From a financial perspective, that is the true centerpiece of the new plan.

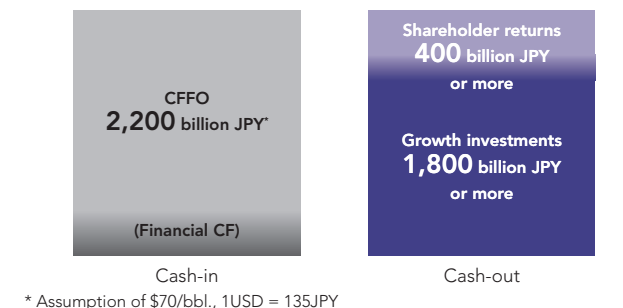
**Takimoto:** INPEX Vision 2035 clarifies the corporate image of what INPEX should be and wants to be in 2035, 10 years from now, and shows the path forward, paying particular attention to visuals and design so that investors and other stakeholders may easily understand it. To give an example, the Vision's "60-60" slide, which presents our goals of a 60% increase in our business scale and a 60% reduction in GHG emissions, was selected for the IR Good Visual Awards. I feel that this shows that even objectively speaking we have been given a certain degree of recognition, and we have also received feedback that our other disclosures have improved overall.

As Mr. Yamada mentioned, our next big growth investment is Abadi. Our goal is to begin production in the early 2030s, but even before we invest in Abadi, the major challenge over the next three years will be to acquire new assets that meet our investment discipline, and to pursue good M&A opportunities. We then aim to achieve the Vision's KPIs of ROE and ROIC of 10% or more by 2035. It is important that we do not just stop at the formulation of the Vision but rather work as a team to instill it both internally and externally to realize our massive 60-60 goal.

**Yamada:** Indeed, Mr. Takimoto. Under the new Mid-term Business Plan, we will focus on oil and natural gas/LNG while also positioning the provision of carbon reduction solutions leveraging CCS and hydrogen, as well as electric power-related businesses, as major pillars of our growth investment. In addition, we have clearly expressed

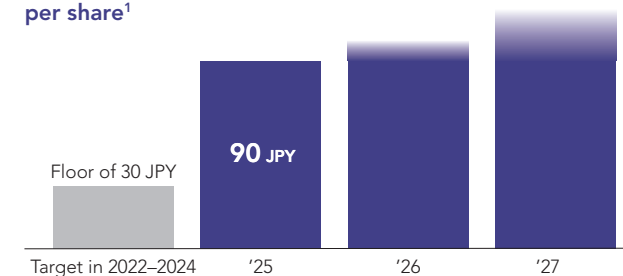
### Cash Allocation and Shareholder Returns during the 2025-2027 Mid-term Business Plan period

Balanced cash allocation in growth investments and shareholder returns

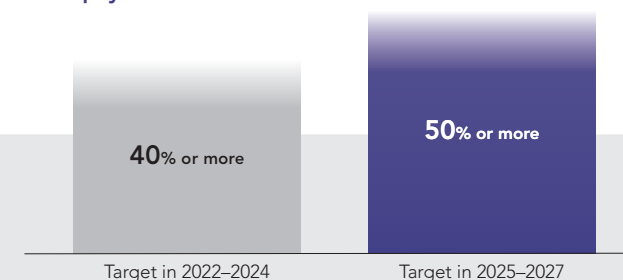


### Strengthening shareholder returns

#### Progressive annual dividend policy, starting with 90 JPY per share<sup>1</sup>



#### Total payout ratio<sup>2</sup> of 50% or more



<sup>1</sup> Maintain or increase annual dividend per share compared to the prior fiscal year  
<sup>2</sup> (Dividend payment amount + planned share buyback amount) / net income

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our intention to emphasize investment discipline when investing. It is a matter of course that continuing to make good investments improves the balance sheet and contributes to profits, but even so this is a concept we will implement thoroughly in our Group.

**Takimoto:** As a concrete move toward realizing 60-60, we implemented organizational changes on April 1, 2025 and have put in place a structure to promote three pillars of growth. Of particular note, we have reorganized the technical side of the Company, assembling highly specialized personnel in the Technical Headquarters to create a technically-intensive organization that will bring their knowledge and experience to the strengthening of existing businesses and the development of new businesses. Regarding new businesses, we have established a new Business Development Unit that focuses on M&As, asset acquisition, and portfolio management. Further, in October 2024, the divisions responsible for our domestic businesses were transformed into INPEX JAPAN, a domestic business operations company, shifting INPEX's role to that of a holding company and strengthening governance and management functions for our operating companies while increasing communication across the organization.

## Outlook for fiscal 2025

**Yamada:** At the beginning of the fiscal year, we forecast an oil price of 75 US dollars per barrel and an exchange rate of 153 Japanese yen per US dollar, and set our estimate for net income for the year at 330 billion Japanese yen. Thereafter, however, taking into account the increased market volatility accompanying the OPEC-plus coordinated production cutback and the US tariff policy, and in line with the fiscal 2025 first quarter financial results announcement, we revised our assumptions. For the full year, we are now assuming an oil price of 65.0 US dollars per barrel and an exchange rate of 144.0 Japanese yen per US dollar, and we are forecasting net income of 300 billion Japanese yen.

The Group has continued to post strong financial results over the past several years, supported by continued stable operations, high oil prices, and a weak Japanese yen, enabling it to earn an operating income of around 1.27 trillion Japanese yen in fiscal 2024. This is the fourth-highest level among companies listed on the Prime Market of the Tokyo Stock Exchange. On the other hand, as a result of this, the Group recorded approximately 850 to 960 billion Japanese yen in income taxes each year during the period of the previous Mid-term Business Plan. It is rare for a company in Japan to record such huge corporate taxes, and the makeup of our income taxes has a significant impact on the level of net income.

The INPEX Group maintains dynamic operations around the world, and on a consolidated basis, its financial and tax positions change day to day and moment to moment. While it goes without saying that we properly pay our income tax and correctly record tax effects, I believe we have a reasonable amount of margin for appropriate tax management. Going forward, we will continue to closely monitor the external environment and market trends while striving to stabilize our net income.



**Takimoto:** Both ROE, which is regarded as an important performance indicator, and price book value-ratio (PBR), an investment measure that reflects stock price, are calculated and valued using net income, so stabilizing net income is an important component for us.

## Communication with investors

**Takimoto:** Last week I attended an IR event overseas to talk with investors. To summarize the results, I believe that investors generally indicated that they understood INPEX Vision 2035. While some expressed expectations for investment in the highly profitable oil and natural gas/LNG businesses, many also expressed a desire for firm investment discipline regarding the provision of lower-carbon solutions leveraging CCS and hydrogen, as well as driving initiatives in power-related and other fields. It is important for the next three years that we establish investment discipline for the new projects we will acquire going forward, by country and region and by business, and to adhere to the same as we move forward with them. I believe that this will determine whether we succeed at achieving our goal of a 60% increase in our business scale.

**Yamada:** I agree. While our net income of 427.3 billion Japanese yen for fiscal 2024 is quite an admirable achievement, in addition to net income, investors are looking for further improvement in capital efficiency. With regard to ROE, one of the metrics investors pay attention to, we face the issue of our ROE not improving readily due to a financial structure that forces us to hold a large amount of equity capital, which is simply unavoidable because of our involvement in an industry that makes use of massive facilities and equipment.

Our Group's equity capital is approximately 4.8 trillion Japanese yen (as of the end of 2024), so our equity ratio to total assets of about 7.4 trillion Japanese yen is over 60%. The components of our equity capital also include the effect of exchange rate changes of foreign operations of about 1 trillion Japanese yen. I think it is safe to say that

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this is a significant result of Ichthys, in which we invested heavily when the Japanese yen was strong.

From a creditor's perspective, our financial structure is impeccable, both in terms of quality and quantity, and we have been conferred ratings of single A or higher by issuers. From an investor's perspective, however, it is true that the return on the huge shareholders' equity—i.e., ROE—has been indicated as being insufficient. The Group's cost of shareholders' equity is over 8%, while ROE is "hovering at the water line," so to speak, and we are strongly aware that our improvement of capital efficiency is only halfway there. It is possible to control equity capital through the acquisition of treasury stock, but it is also necessary that we maintain a certain level of financial stability in the face of the upcoming major investments in Abadi, and the question of how to balance this conflict is where we must demonstrate sagacity and wisdom. I see it as our medium- to long-term financial challenge to improve the Group's corporate value by meeting the demands of both investors and creditors through the achievement of both financial stability and capital efficiency.

**Takimoto:** In my discussions with investors, some alluded to returns from the standpoint of a shareholder. Would we be able to maintain a satisfactory level of shareholder returns as our investments increase in the future? This was among the concerns investors shared with me.

I believe that I gained a certain degree of understanding from investors regarding the fact that, for the first time, we have committed in our new Mid-term Business Plan to pay a progressive dividend starting at 90 Japanese yen per share per year, and that we have raised our total payout ratio from the previous 40% or more to 50% or more during the Mid-term Business Plan period. However, there are some who are concerned about whether such returns will remain stable after we begin investing in Abadi.

It is difficult to make any definite promises about what will happen from the new Medium-term Business Plan period onward, but right now what I am

communicating to shareholders is that we have a net DE ratio currently near the lower limit of 0.3 as well as the capability to provide sufficient returns to shareholders for the foreseeable future, and thus that we intend to maintain this level of returns even after the start of major investments.

Going forward, our plan is to execute growth investments of 1.8 trillion Japanese yen over the next three years and return more than 400 billion Japanese yen to shareholders, and some investors have also asked that, if the actual amount of growth investment ends up being less than planned, whether it would be possible for us to put the remainder toward shareholder returns. With regard to this, what I would like investors to understand is that, as the only company in Japan capable of handling the provision of a stable supply of energy upstream to downstream, we will achieve sustainable growth as we head toward 2040 and 2050, and support a prosperous future. This is part of the message we have incorporated into INPEX Vision 2035, and as such, we will be aiming to achieve our 60-60 goal while balancing shareholder

returns and investment for growth based on the aforementioned intentions.

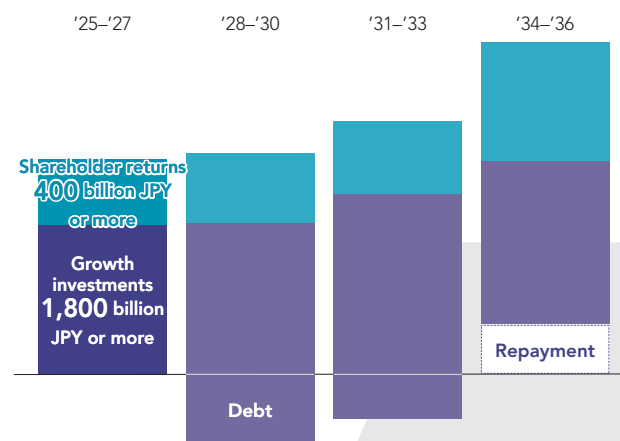


## Current stock price and PBR, and future actions

**Yamada:** Investors invest with a focus on the overall performance of their portfolio companies, especially ROE, and the results are reflected in the stock price. Unfortunately, our stock price is currently at a low level of around 1,800 Japanese yen (as of May), and our PBR is extremely low at around 0.5. Despite a dividend yield of nearly 5% due to our implementation of progressive dividends, our stock price has not improved.

From the perspective of investors, there is concern about the risk of our oil and natural gas/LNG businesses becoming stranded assets. However, despite the fact that we have generated net income of over 400 billion Japanese yen and an annual cash flow of around 900 billion Japanese yen, the market's evaluation remains unfortunately low, and it concerns me that there seems to be

### ■ Illustration of long-term outlook of shareholder returns and growth investments



## // Dialogue: Executive Vice President, Finance & Accounting and Executive Vice President, Corporate Strategy & Planning

a considerable gap between the intrinsic value we see in our Company and our stock price.

I intend to communicate more closely with our shareholders and investors to deepen their understanding of the growth story that we present in INPEX Vision 2035 and the new Mid-term Business Plan, but I recognize that our efforts to raise their expectations regarding our future potential are still insufficient. This is an area that we will work harder on.

**Takimoto:** In March 2023, the Tokyo Stock Exchange requested that listed companies take action to implement management that is conscious of cost of capital and stock price. In response, in August of the same year, we announced “Sustainable Growth of Corporate Value” and set forth specific strategies. Thereafter, our stock price rose to around 2,400 Japanese yen in April 2024. Following this, however, factors such as the new US administration’s reciprocal tariff policy resulted in growing concerns about a global economic recession. Combined with weakening oil prices, our stock price is currently hovering around 1,800 Japanese yen.

We need to convey to a wide range of stakeholders that we are a company that supports a prosperous future through the stable supply of energy, and at the same time, we need to make it so that the market correctly evaluates our currently undervalued stock price as well as our high dividend yield. Although stock prices are significantly influenced by the external circumstances, we will engage in greater communication about our stance to actively expand business and build our future through aggressive growth investment. Through our actual investment strategy, we will show what our growth investment looks like to our stakeholders and, in turn, expand our corporate value. I believe that this is a key role of the Corporate Strategy & Planning Division.

**Yamada:** You mentioned “stakeholders” in your previous comment, Mr. Takimoto, and in addition to our shareholders and creditors, we are surrounded by many other stakeholders: our customers, joint venture partners, government and administrative bodies, employees, and society as a whole. It is essential that we face

not just shareholders and investors, but also give equal attention to all of our stakeholders while at the same time appropriately allocating funds in order to contribute to the enhancement of the Group’s corporate value.

**Takimoto:** Improving reputation also contributes to corporate growth in some respects, and in that sense, our Group’s focus—not only on IR, but also on public relations activities for the last several years—has been extremely fruitful.

## Message to investors

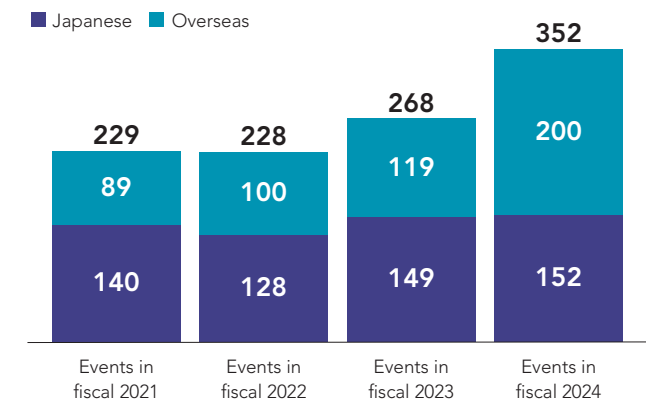
**Yamada:** What the changes in the social and economic environments over the past few years have made clear to me is that we are living in very difficult times, and that with each passing year more and more difficulties are emerging. Reflecting on the state of Japan in this context, the country’s potential for growth is beginning to show signs of weakening, as evidenced by its shrinking and aging population, stagnant economic growth, and declining global competitiveness. Our Group’s mission is to expand business and deliver a stable supply of energy on a global scale while maintaining our base in Japan. Going forward, we must establish a strong financial foundation that will be able to withstand whatever conditions may come, both in Japan and globally. We must also place importance on maintaining a virtuous cycle of contributing to our stakeholders through sustainable growth as a company worthy of admiration.

I will continue to engage in discussions both internally and externally to further deepen this line of thinking and convey to as many people as possible that this is the kind of company we are.

**Takimoto:** We place great importance on dialogue with our investors, and the number of dialogues, including meetings, we engage in has increased considerably over the past few years. With importance being placed on a stable energy supply as well as affordability, our Group has a major role to play in the future, and as the only energy development company in Japan capable of

integrated operations from upstream to downstream in the value chain, we are entering a stage where we will greatly expand our value offerings. In turn, we will make every effort to communicate our initiatives to our investors so that they will properly understand our aims and support us in our endeavors.

### ■ One-on-one meetings with institutional investors and analysts (Japanese and overseas total)



## / Roundtable with Outside Officers



Hideka  
Morimoto,  
Director (Outside)

Jun Yanai,  
Director (Outside)

Atsuko  
Nishimura,  
Director (Outside)

Norinao Iio,  
Director (Outside)

Facilitator:  
Toshiaki  
Takimoto,  
Director, Executive Vice President,  
Corporate Strategy & Planning

**We will watch over and support a responsible energy transition and efforts to meet the challenges of the future.**

### Changes behind the formulation of our Vision

**Takimoto:** I would like you, our outside directors, to reflect on the deliberations that took place during the formulation of INPEX Vision 2035, which was published in February this year. The Board of Directors met six times to discuss the formulation of INPEX Vision 2035. To begin, could you share your impressions of the new Vision compared with the previous INPEX Vision @2022?

**Morimoto:** In the previous Vision, we came up with “5 Net Zero Businesses” to address the issue of how to bring about a net zero society. Building on intensive efforts including demonstration tests, the new Vision takes a “selection and concentration” approach that zeroes in on fields where INPEX’s characteristics and strengths can shine, and is far more concrete and practical.

The new Vision also re-emphasizes INPEX’s responsibility for providing a stable supply of energy and conveys an awareness of our mission.

**Nishimura:** As with Vision 2035, the previous Vision took about one year to formulate. Back then, countries were racing to announce ambitious net-zero targets to combat climate change, and INPEX also responded to the energy transition head-on, hammering out a policy to advance our oil and natural gas business alongside the 5 Net Zero Businesses. The year before that, we published our “Business Development Strategy—Towards a Net Zero Carbon Society by 2050,” changed the company’s Japanese corporate name, and ran a commercial campaign with the

## Roundtable with Outside Officers

message “A New Wind for Energy.” In that context, the long-term Vision carried enormous significance for INPEX.

But right after we released that previous Vision, Russia invaded Ukraine in February 2022, and furthermore, the instability in the Middle East became pronounced, heightening geopolitical tensions. INPEX’s Mission—to contribute to the creation of a brighter future for society through our efforts to develop, produce, and deliver energy in a sustainable way—remains the same, but the environment we pursue it in has changed sharply, which means we need to rigorously analyze new major trends and decide how to move forward on the basis of the findings. The new Vision was formulated because of a heightened awareness of that need.

The new long-term Vision carries the subtitle “Realizing a Responsible Energy Transition,” and the word “responsible” is key. Securing a stable supply of energy is of increasing importance for national security, yet our net-zero target remains. What we have done beyond the last Vision is to work out a strategy that can ensure a stable supply of energy and make the business cleaner in



a practical, credible way, with an eye to responsibility, and to present a concrete growth story based on that.

**Yanai:** The previous Vision was conceptual and aspirational with high ideals, but the current Vision positions natural gas as a practical transitional fuel, which we believe is a concrete and persuasive message. Putting this front and center as our main axis of growth shows our strong resolve, and our stakeholders found the Vision to be a compelling formulation with serious specificity.

In terms of decarbonization efforts, our focus has been narrowed down to CCS and hydrogen, where INPEX already has strengths and expertise. I highly appreciate this clarity of direction.

**Iio:** I agree with what you all have said about the specific themes that were included. Still, this long-term Vision looks out to 2035, and seeing 10 years ahead is never simple. Looking at the past, as Ms. Nishimura noted, a war has broken out, sentiment has turned away from renewable energy, and INPEX itself is having to deal with variables such as exchange rates and oil prices as it moves forward. Amid all this, further unforeseen assumptions could emerge with respect to “INPEX Vision 2035,” so we

will need the flexibility and the resolve to review the Vision partway through and adapt it to changes in the environment, as necessary.

INPEX plays an important role in supplying Japan with energy resources. Japan relies on imports for most of its energy, and it will be crucial to consider what kind of energy resources will be required in a decade.

## Involving outside directors in the Vision formulation process

**Takimoto:** How did you find the substance of the Board’s discussions on formulating the Vision? Please share your impressions, both good and bad.

**Morimoto:** I felt the debate this time was exceptionally rich. During the discussion, we reaffirmed and deepened our understanding of INPEX’s role and mission to remain ultimately responsible for providing a stable supply of energy, and that understanding is clearly reflected in the new Mid-term business plan.

We also re-identified the role INPEX plays in tackling challenges relating to recovering subsurface resources other than oil and gas, as well as expanding into electrical power and other fields that make the most of the company’s unique strengths, which were highlighted as a new axis of growth.

**Nishimura:** One issue we addressed was how to explain and communicate the continuity and relationship between the new Vision and the previous one. The previous Vision was framed around two pillars: the oil and gas business, and the 5 Net Zero Businesses. This time we present three growth axes from a different perspective. In our discussions, we confirmed that does not mean that net-zero themes are being de-emphasized, or that their importance has decreased.



## Roundtable with Outside Officers

Rather than pitting oil and gas against net zero, the idea is to pursue synergies and advance all themes as an integrated whole. That is expressed as “The Vision for 2035: Our 60-60 Targets for Growth and Decarbonization.” While aiming to reduce net carbon intensity by 60%, we also plan to grow our business scale by 60%, with decarbonization through CCS/hydrogen playing a part in that. The initiatives from the previous Vision are being put to use and taken to the next level. We were able to confirm all of that in the discussions, which made the outcome very satisfactory.

**Yanai:** Personally, considering the importance of LNG to INPEX, I have long argued that it should sit at the very heart of the Vision, so I am very pleased with the current content.

Mr. Takimoto noted at the beginning that the Board met six times, but to me it felt like even more, probably because the executive side provided a draft at a very early stage in the formulation process, which allowed us to prepare for the discussions in advance. With the schedule and formulation process clearly laid out, we outside directors were brought in while the Vision was

“under construction” so to speak, which was great because we were able to exchange detailed views with a sense of immediacy.

Compared with when I was first appointed as an outside director nine years ago, the Board members have far more diverse backgrounds. This meant that all kinds of disparate perspectives emerged in discussion, but the Secretariat managed to integrate them all—which I imagine took a lot of effort—and the result is, in my view, an excellent vision overall.

**Iio:** From what Mr. Yanai said about formulating the Vision, drafting the long-term Vision means depicting a dream of how INPEX could look a decade in the future. But depiction isn’t the end of the story. We have to implement it properly and turn the dream into a reality. What I liked this time was that employees’ opinions were collected at every stage of formulation. Because the employees themselves participated in making the Vision, they feel a sense of ownership when it comes to executing it. Some of the mid-career and younger employees who took part will probably be in key positions in 10 years, so their involvement is highly meaningful.

Another positive aspect of the new Mid-term Business Plan is that under “Strengthen Workforce Performance” it calls for the company to “develop individuals who embrace challenges without fear of failure.” I believe INPEX’s true value lies in the number of proactive, enterprising mid-career and younger employees we can develop, and that they will be key to making the Vision a reality. That’s why I think the long-term Vision could be even better if it spelled out specific measures to identify what kind of talent we will need in 10 years, and how we plan to develop it.

## Turning the Vision into reality

**Takimoto:** As Mr. Iio reminded us, depicting the Vision isn’t the end of the story. To begin implementation, the executive side will be visiting our domestic and overseas sites and communicating directly with employees to promote understanding of the Vision throughout the entire Group and ensure that everyone can see what kind of company we’re trying to become. As outside directors, what do you expect of the executive side, and what do you think we should be doing to implement the Vision?

**Iio:** Because employees were involved in formulating the current Vision, I think it will resonate more naturally throughout the Group. Going forward, I think it would help to give employees a system to track the progress their own departments are making on the Vision. Such a system could also let us revisit the Vision as conditions change and keep employees aligned as we move forward.

**Takimoto:** In the past, every year-end the management team reviewed each project division’s targets and discussed targets to set for the following fiscal year. From now on, I would like to shift the discussion to questions like “What is lacking to achieve the Vision?” and “What must be done next fiscal year to improve that?”



## Roundtable with Outside Officers



We have also cut the number of quantitative targets (KPIs) in the new Mid-term Business Plan to less than half of what we had before. Our intention is to prevent the pursuit of numbers from becoming an end in itself and detracting from the more important goal of our real objective, which is to enhance our corporate value. To ensure more fundamental growth and improvement, we plan to emphasize value over volume.

**Nishimura:** It's extremely important to implement regular reviews. While global conditions were changing by the hour, we released INPEX Vision 2035 just as a new U.S. administration was taking office. In these opaque, uncertain conditions where the future is hard to predict, we must figure out how to grasp, analyze, and act on developments that affect energy supplies. I think that rather than leaving this to the executive side, we outside directors need to work with them.

Of course, as a listed company, we can't casually change the Vision or the numerical targets in the Mid-term Business Plan once they have been announced. Even so, going forward, we should monitor the business environment for any deviations from past conditions with

a fresh perspective different from the past, and appropriately update our strategy on the fly as required.

Risk assessment has become even more difficult in individual businesses and fields. I think that when it comes to making major management decisions, developing new businesses, or entering new fields, our role as outside directors should be to support management with an objective external view, unhampered by the company's own internal logic.

**Morimoto:** I'd like to voice an opposing view. It's of course extremely important to adapt to changes in the business environment. Yet I think that if we return to INPEX's role and mission to realize a "responsible energy transition," what really matters is remaining committed to providing a stable supply of energy and safeguarding the Earth's future. In other words, surely we need to strike a balance between responding to change and fulfilling our mission.

**Takimoto:** While INPEX's foremost mission is to continue providing Japan and Southeast Asia with a stable supply of energy, we also want to pursue initiatives to safeguard the Earth's future in line with our stakeholders' expectations. At the same time, we have assured investors that we will emphasize economic rationality, so investment decisions must be made strictly in line with investment discipline. With this fundamental stance, the question is which way the pendulum of the energy business environment will swing in the next year or two—toward oil and gas, or toward decarbonization and renewables. It's very difficult to say for sure, but there's no doubt that more information will be vital for making investment decisions.

**Nishimura:** Even with natural gas, which is central to the energy transition, progress in certain aspects won't be possible unless we bolt on CCS and other decarbonization measures. Our brand statement is "Energy for a brighter future." To provide that energy, we need to stand at the forefront of technological development. Both CCS

and hydrogen are only halfway to being commercialized, but whoever masters the technologies first will win. No doubt we will be expected to take on the role of pioneers blazing a new trail.

**Morimoto:** We hope to be that trailblazer.

**Nishimura:** I want us to get to the point where we are responsible because we can do that. Where we are trusted because we have that pioneering technology and experience.

## How INPEX should be as a company

**Takimoto:** What kind of company do you want INPEX to be 10 years or more from now? I'd like to hear a brief thought from each of you to conclude.

**Yanai:** We have such a clear mission, and are contributing so much to Japan, so I wish that INPEX was more widely recognized. Recognition and trust reflect society's appraisal of us, and I believe that these are unjustifiably low considering the value that INPEX provides. I expect that this will improve, and look forward to seeing the changes 10 years down the road.



## Roundtable with Outside Officers

**Nishimura:** I want INPEX to be a company that draws people in. I hope that it will endure as a company that not only attracts talented employees, but also appeals to and is loved by outsiders and the broader public. INPEX's job is to underpin people's quality of life, fuel industrial progress, and safeguard the Earth's future. It would be great if INPEX's image as a reliable, trustworthy company would become more familiar to everyone.

**Morimoto:** I'd like INPEX to play a stronger role as a bridge between nations through the development and supply of natural gas and renewable energy. We already do this to some extent, but I want to intensify it and grow our global presence.

**Iio:** Rather than wait 10 years, I would like to see this even tomorrow—I want INPEX to become a company that taps into each person's individuality and wins on the strength of its people. If we could channel that human power to deliver energy-related value throughout the world and become known in many countries as a "company of people," I would be very glad.

**Takimoto:** Everyone, thank you very much.



### Message from the Newly Appointed Outside Director

## I will contribute to INPEX's sustainable growth by leveraging my experience in Japan-Australia relations, including serving as Australia's Ambassador to Japan.

### Bruce Miller

Outside Director

My name is Bruce Miller, and I am pleased to announce my appointment as an outside director of INPEX CORPORATION. As a diplomat, I was involved in Australian foreign policy for many years, with a particular focus on strengthening relations with Japan. In addition to serving as Australia's Ambassador to Japan, I have been deeply involved in the economic, cultural, and security between the two countries.

In an increasingly uncertain global climate, I intend to apply the knowledge and contacts I have developed through these experiences to further strengthen INPEX's governance and global strategy. As an outside director, I will contribute from multiple perspectives to ensure that INPEX continues to grow sustainably on a global scale.

Energy is an important pillar of Australia-Japan relations, and INPEX stands at the forefront of this field. The energy partnership between Australia and Japan is a cornerstone of the economic and strategic relationship between the two nations. INPEX plays an important role in this collaboration, particularly the Ichthys LNG Project, which contributes to the stable supply of energy in Japan. This project not only supports Japan's energy security but also contributes to regional stability.



I was very impressed with INPEX Vision 2035. I feel that "The Vision for 2035: Our 60-60 Targets for Growth and Decarbonization" (a 60% increase in business scale and a 60% reduction in GHG intensity) is a very significant vision that boldly addresses the seemingly conflicting challenges of growth and decarbonization. It shows that this vision does not just stop at numerical targets but rather reflects INPEX's values and social responsibility as a company. I have high expectations for INPEX's commitment to leading the global energy transition through investments in next-generation technologies such as renewable energy, hydrogen, and CCS.

In addition to its traditional role of providing a stable energy supply, INPEX is addressing the complex challenges of responding to climate change, coexisting with local communities, and strengthening governance. This is extremely important not only to enhance corporate value but also to build stakeholder trust.

I am confident that INPEX will continue to achieve sustainable growth based on its vision, ability to execute, and international credibility. As an outside director, I will work sincerely with all stakeholders, including investors, partners, and local communities, to ensure that INPEX moves forward with its sights set on the next 10 and 20 years.

## Feature: Dialogue with the Officers in Charge of the Ichthys and Abadi LNG Projects

### We will tie our experience with Ichthys into the success of Abadi

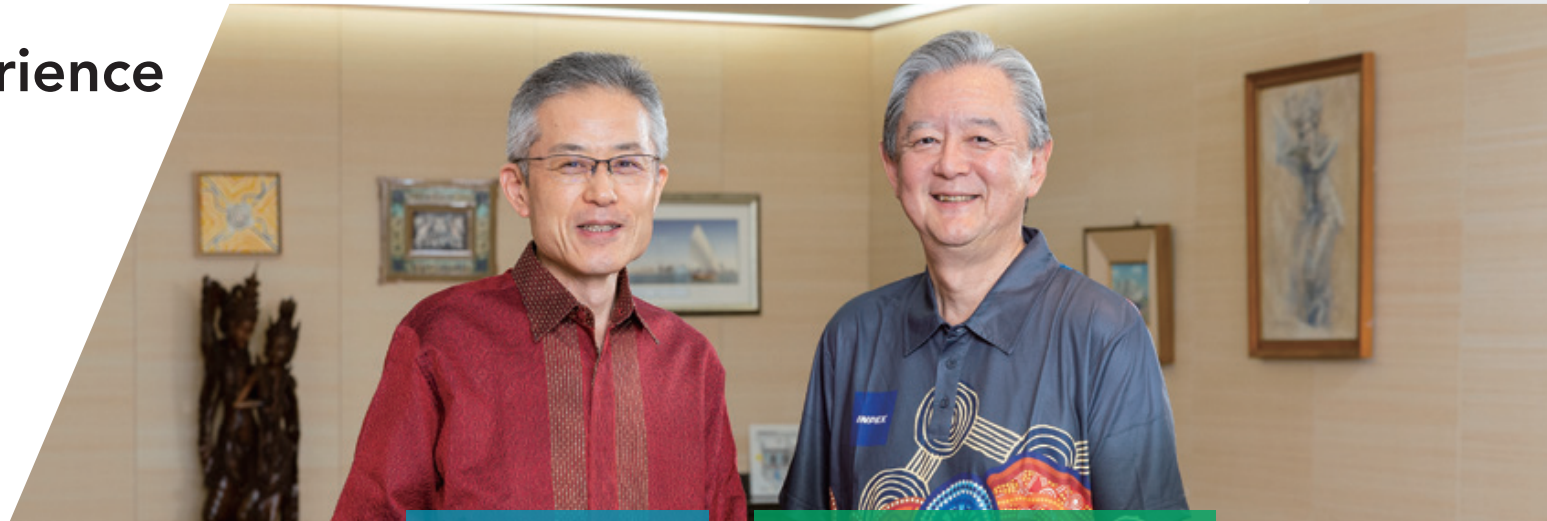
#### Making a quick recovery from production issues with Ichthys

**Okawa:** Under the Ichthys LNG Project, we have kept up safe operation since commencement in 2018, and we are proud of it. However, in August 2024, we encountered some temporary production issues. As I believe our stakeholders also find those issues to be of extremely high concern, I will start by explaining them. With Ichthys, two trains are in operation as onshore LNG facilities. A flaw in the heat exchangers of the second train occurred, causing production to stop. The on-site team tackled the matter with a sense of crisis. After swiftly carrying out inspections and repairs, we resumed operation, and had it back up to 100% by November.

**Watanabe:** What actions are you considering in terms of future countermeasures?

**Okawa:** As we had no definite technical assurance that the heat exchangers would function stably for a long duration, we made the decision to replace all six of them.

As we are scheduling large-scale shutdown maintenance with Ichthys starting from August 2025, we will carry out replacement at that stage. Continuing steady



**Akihiro Watanabe**

Managing Executive Officer,  
Senior Vice President, Asia Projects

**Hitoshi Okawa**

Director, Senior Executive Vice President,  
General Administration and Oceania Projects  
Head of Overseas Projects

operation is paramount. Any concerns, no matter how small, must be removed. For that reason, we will endeavor to fundamentally resolve this issue with heat exchangers by replacing them during this shutdown maintenance period.

#### Aiming for the further expansion of Ichthys

**Watanabe:** The newly-announced "INPEX Vision 2035" calls for the realization of the Abadi LNG Project as well as the Ichthys Expansion Project as our next growth pillars. Could you provide us with an explanation of strategies to expand the Ichthys project in the future?

**Okawa:** Considering that Ichthys accounts for 60% to 70% of overall INPEX Group profit, we must continue to maintain the steady operation of Ichthys. At the same time, continuing operation causes reserves to deplete over time. We therefore need to supplement those depleted reserves and maintain production volumes. That is why before we talk about expanding the project, a backfill strategy for closing the gap between production volumes and reserves will be crucial.

As considerable reserves will be needed for the future expansion of Ichthys, we have our eyes on projects for discovered but undeveloped fields for securing those reserves, and are in the process of narrowing down candidates. Our current plan calls for the startup of the third train with a target schedule of early 2030s. At our LNG production sites,

## // Feature: Dialogue with the Officers in Charge of the Ichthys and Abadi LNG Projects

we have secured enough capacity to accommodate expanding up to six trains. Therefore, we can realize expansion using a three-train system without any issues.

**Watanabe:** I believe you have also acquired several exploration blocks in the surrounding area for that purpose. What is the situation surrounding exploration?

**Okawa:** By conducting exploration in areas nearby the Ichthys facilities, even should only small volumes be discovered, those efforts are easy to monetize by connecting them to Ichthys. As such, I feel that periphery exploration is also a necessary measure for continuing the Ichthys project stably over the long term as we move forward. We conducted exploration in two blocks in the last two years. Sadly, those efforts ended in failure. Nonetheless, we learned from that failure and reworked our exploration strategy. At the current stage, I am still unable to say what areas we will drill and when we will drill them. However, our policy is to continue exploration in the vicinity of Ichthys.



**Watanabe:** In preparing for the expansion of Ichthys, including that periphery exploration, what kind of actions are you pursuing with regard to building relationships with the local community and government?

**Okawa:** LNG exploration and production projects involve an extremely large number of parties and stakeholders. First, there is the local federal government and regional government. Next, there is the local community. This includes landowners, or traditional owners as they are



\*National Aborigines and Islanders Day Observance Committee Week ceremony

called, in addition to general community residents. While land has been entrusted to us by the nation of Australia, that land in fact belongs to the Aboriginal people.

Building friendly relationships with those stakeholders and engaging in mutual support with them is essential to the success of the project. Another relationship we should focus on is the building of bonds of trust with the media. It is of the essence that we respond to media with strong interest in the project by sharing the information they need on a timely basis as well as by offering full disclosure on information when trouble or something similar arises.

To elicit understanding and support for the project from members of the local community, briefing them carefully in advance is vital. To avoid issues such as landscape compromise or safety concerns arising from the sudden start of work, we brought together members of the community in the form of a town hall meeting, briefed them on the nature of that work, and provided a lecture

on safety. We have built our relationships with those parties through such repeated efforts.

Proving particularly difficult is the building of bonds of trust with government officials. That process takes the greatest amount of care as well as considerable time. While the government has its own position and responsibility, that does not mean we should simply nod our heads to everything that government has to say. For example, if the government changed its policy and that change exerted a significantly negative effect on a project, we would firmly assert our claim to the government in our capacity as an operator. We should be that kind of corporation. That said, it goes without saying that claims, when overly asserted, cause support to be lost. That is where balance is needed. Moreover, we have to put together a team of capable negotiators well-versed in Australian government policy. Where Ichthys is concerned, as we have such a team in Perth, that gives us an advantage.

## Abadi's progress and communication with stakeholders

**Watanabe:** Abadi is the project for which front end engineering design (FEED) work—a key milestone—is scheduled to commence around mid-fiscal 2025. According to our timeline, we will ideally render a final investment decision (FID) by 2027, which is during the current Mid-term Business Plan period, and will commence production in the early 2030s. To expand our business scale to 60% in accordance with the “60-60 target growth and decarbonization (60-60 targets),” under the “INPEX Vision 2035,” the realization of Abadi is imperative. We have shared the recognition with the Jakarta Office staff and asked the Indonesian government for its support as well.

By carefully communicating with the Indonesian government, which anticipates an accelerated schedule, we have also elicited its understanding of our circumstances.

## // Feature: Dialogue with the Officers in Charge of the Ichthys and Abadi LNG Projects

**Okawa:** In preparing for the commencement of FEED, would you say that as the project owner, INPEX is being mindful of a number of things in handling contractors as well?

**Watanabe:** Good question. When we are overly hasty in carrying out work, some contractors are unable to keep up. In fact, some among them do not hesitate to say so. As such, since last year, we have taken great care to bring together contractors with differing perspectives and priorities, while maintaining a competitive environment among contractors to ensure cost control without letting them fall behind.

At present, numerous LNG projects are starting up around the world, making the contractors extremely busy as well. Even though we may express to contractors our desire to proceed with a certain schedule, they cannot allocate the resources for it. However, we believe that holding biddings rather than awarding orders with specific contractors is a prerequisite for ensuring a competitive project. We will also ask the Indonesian government to understand this point.

**Okawa:** I imagine the matter of building relationships with involved parties and stakeholders that I just mentioned applies to Abadi as well. Are there any areas that are characteristically different?



Organic farming support activities in Kabiariat Village, Tanimbar Islands, Maluku Province, Republic of Indonesia

**Watanabe:** The difficulties in building relationships with governments and the importance of building bonds of trust with members of the local community and the media, both of which you mentioned, can also be applied to Abadi.

If I dare to point out the differences, in Indonesia, based on that country's Oil and Gas Law, we are in the position of an entity that is hired to perform work by the government as a contractor under a production sharing contract (PSC). As the project is based on the contract with the government, we occasionally encounter hardship in reconciling with government policy. However, when expressing our views on newly introduced policies or measures that the government requests us to respond to, we take a careful approach. For instance, we arrange separate meetings, even if it takes a little more time.

## What we gained through our experience with Ichthys

**Okawa:** In the past, the two of us worked together on Ichthys, where we shared some struggles. When were you actually stationed at the Perth Office?

**Watanabe:** I was there for a four-year period between 2008 and 2012. It was a considerably difficult time for Ichthys, to the point where we gave up on our development efforts on Maret Island, which had initially been selected as the primary site for LNG plant construction.. At that time, we ended up changing the site of development to Darwin, and made great efforts to secure a site with a capacity conducive to expanding the number of trains to six as I just mentioned. As we finally had the prospect of doing so, we also let the Western Australia government know.

**Okawa:** Having shared that time together, I think we both have a certain degree of shared recognition of the difficulties posed by the project and challenges that should be dealt with. Based on that shared recognition, I sense how



different our approach to the government was in Australia, as you just mentioned, compared to that in Indonesia.

As we need to secure employment within Indonesia as well, there are limits on the number of resident employees we can dispatch from Japan and we have to hire a considerable number of local human resources. How well do the efforts to acquire human resources and build an organization go in that situation?

**Watanabe:** For me personally, I feel the project stage that I experienced with Ichthys in the past is nearly in alignment with the stage Abadi finds itself at right now. In my estimation, the FID we achieved with Ichthys could likely be achieved with Abadi as well.

As you pointed out, with Abadi, the positions occupied by employees on hand from Japan as well as those reassigned from Ichthys are set. The challenge we face is effectively combining people to relay the thoughts of headquarters, people who can leverage their experience with Ichthys, and people hired locally to form an ideally-configured "INPEX Team."

**Okawa:** Back when we were encountering difficulties with Ichthys, INPEX as a company was still unknown. People were skeptical of our ability to be an LNG operator. We also

## // Feature: Dialogue with the Officers in Charge of the Ichthys and Abadi LNG Projects



ran into rough waters when recruiting human resources. Still, because of our success in achieving our FID, people saw INPEX in a different light, and we started to attract quality personnel as a result. Compared to that situation, we are now a recognized operator with few disadvantages when recruiting human resources. Wouldn't you agree?

**Watanabe:** I agree. From the perspective of workers, there is no longer any anxiety over recognition of INPEX as an operator today. Conversely, with the Abadi project, I imagine workers are questioning whether the workplace there is truly worth working at as a professional.

**Okawa:** Both then and now, major overseas petroleum companies have remained our competitors. Not surprisingly, we will be expected to firmly communicate the appeal of our projects so that people are drawn to them. In those days, INPEX had nothing to differentiate itself from the major players and we had no choice but to make Ichthys a success no matter what. In such circumstances, our corporate culture of treating workers with care has become ingrained and highly regarded. I believe that to be a major step forward. Such a corporate culture will continue to be a key point in stabilizing our organization from here on out.

In order for Japanese to lead human resource development and organizational development in the future, I would surmise that we have to take action as a global enterprise and proceed to demonstrate leadership.

**Watanabe:** Another thing, regarding Ichthys, is that cost overruns and schedule delays are frequently pointed out. While that is certainly due in part to our limited experience back then, generally speaking, those issues have the potential to arise in an LNG project. Rather, I would even say that with Ichthys, the ramp-up period (period leading to the stabilization of production volumes) could be evaluated highly for being so short. What say you?

**Okawa:** It took Ichthys roughly fourteen months to reach complete financial construction since LNG shipments began there in October 2018. Given how short this ramp-up period is compared to that of other LNG projects with a similar scale, it is an accomplishment we can be proud of on a global level. I consider it a team achievement.

## Aiming to become a first-rate company

**Watanabe:** With Ichthys, we had no prior experience as an operator, could not see the way out, and had no idea what would transpire the next day. Nonetheless, we gritted our teeth and did our best in that situation, and our efforts were rewarded as a result. Both the company and I were lucky to have gained this experience. I believe Abadi will benefit from the same experience as well.

**Okawa:** We still need to grit our teeth in the Abadi project, though.

**Watanabe:** We definitely should do so. But, as we know our efforts were rewarded, we can move forward with positivity. My guess is that our members in Jakarta share my sentiments.

We have of course shared with our shareholders and investors the timeline for the operation of Abadi, which

represents the basis of the realization of our "60-60 targets" set forth in the "INPEX Vision 2035." However, the decision to invest in a project is made based solely on its economics. For the sake of that as well, we will unite ourselves in spirit and strive to make Abadi a success while overcoming the various hardships we come across.



**Okawa:** It goes without saying that Ichthys is a revenue pillar for the INPEX Group. Given that, I feel it is our mission to continue the safe operation of this project and tie it into further revenue growth as we move forward. I am proud of my involvement in that mission.

Though it may sound improper, I often say that INPEX is still a second-rate company. That is to say, we need to fortify our revenue sources through continuing stable operation and expanding the project of Ichthys. And, only when Abadi gets off the ground as our second operator project can we say INPEX has become first-rate. That is how I feel. We will proceed to solidify our revenue pillars so as not to betray the expectations of all the stakeholders who believe in the future of the INPEX Group.