

Consolidated Financial Statements
For the year ended December 31, 2025

INPEX CORPORATION

Independent Auditor's Report

The Board of Directors
INPEX CORPORATION

The Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of INPEX CORPORATION and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2025, and the consolidated statements of profit or loss, comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

Basis for Opinion

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

Key Audit Matters

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

Impairment assessment for non-financial assets related to the Ichthys LNG Project

Description of Key Audit Matter	Auditor’s Response
<p>INPEX CORPORATION (“the Company”) recorded oil and gas assets of 3,888,982 million yen in the consolidated statement of financial position as of December 31, 2025. As described in Note 4 to the consolidated financial statements “Critical accounting estimates and judgments,” oil and gas assets related to the Ichthys LNG Project held through INPEX Holdings Australia Pty Ltd. (“IHA”), a consolidated subsidiary, amounted to 1,772,903 million yen. Also, investments accounted for using the equity method of 751,515 million yen in Ichthys LNG Pty Ltd (“ILNG”), a joint venture, were recorded. The balance of oil and gas assets held by ILNG included in the investment in ILNG amounted to 3,036,401 million yen (calculated based on the Company’s equity interest of 67.82%).</p> <p>As a result of the Group’s assessment for indications of impairment relevant to the Ichthys LNG Project considering key assumptions, operating conditions and other relevant factors that management has applied in determining this project’s net cash flows during the fiscal year, the Company assessed that there were no indications of impairment identified for non-financial assets related to the Ichthys LNG Project.</p>	<p>We performed the following audit procedures in response to the impairment assessment for non-financial assets related to the Ichthys LNG Project.</p> <ul style="list-style-type: none"> - We evaluated management’s assumptions regarding future crude oil prices by comparing them with estimates prepared by external energy-related market research organizations and with management’s assumptions used in the previous fiscal year. - We discussed the operating conditions, including reserves, operating expenses and development costs, with management and inspected board minutes and other relevant documents. - We evaluated management’s assumptions regarding reserves, operating expenses, development costs and internal carbon pricing used in determining the project’s net cash flows by discussing them with management and comparing them with assumptions used in the previous fiscal year. - We evaluated management’s assumptions regarding operating expenses by comparing them with estimates used in the previous fiscal year. - We verified future crude oil prices and discount rates in collaboration with our network firm’s valuation specialists. - We assessed the competence, capabilities, and objectivity of internal experts utilized by management in estimating reserves. - We evaluated management’s assumptions regarding reserves, which are estimated by internal experts and had been subject to certification by external experts in the past, by comparing actual production results for the year ended December 31, 2025, with production estimates made in previous years.

In concluding that no impairment indications existed, the Company primarily assessed that the project's net cash flows have not deteriorated significantly. The key assumptions used in determining the project's net cash flows include future crude oil prices, reserves, operating expenses, development costs, internal carbon pricing and discount rates. Among these assumptions, there is a high level of uncertainty in the estimates of future crude oil prices, reserves, operating expenses, development costs and internal carbon pricing, given the long period from the exploration and development phase to the recovery of the investment through production and sales, and there is a possibility that preferences for low-carbon energy may increase during the transition to net-zero. Also, with respect to the estimation of the discount rate, a high level of expertise is required in selecting the valuation methodology and input data. Accordingly, the impairment assessment for non-financial assets related to the Ichthys LNG Project involves significant judgment and estimation by management.

The balance of oil and gas assets held by IHA, a consolidated subsidiary, accounts for 45% of the oil and gas assets reported in the consolidated statement of financial position. Furthermore, when aggregated with the investment in ILNG accounted for using the equity method, the total amount related to the Ichthys LNG Project is material. In addition, given the long operating life of the Ichthys LNG Project, potential impacts arising from changes in key assumptions such as future crude oil prices could be significant. Therefore, the impairment assessment for non-financial assets related to the Ichthys LNG Project requires careful consideration.

Based on the above, we determined that the impairment assessment for non-financial assets related to the Ichthys LNG Project was significant in our audit of the consolidated financial statements for the current fiscal year, and was therefore identified as a key audit matter.

- We performed sensitivity analyses of the project's net cash flows to assess the impact of reasonably possible changes and certain stress factors, based on available information on future crude oil prices, discount rates, operating expenses and development costs.

Other Information

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with IFRS Accounting Standards.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended December 31, 2025 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Fee-related Information

The fees for the audits of the financial statements of INPEX CORPORATION and its subsidiaries and other services provided by us and other EY member firms for the year ended December 31, 2025 are 608 million yen and 200 million yen, respectively.

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

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

Ernst & Young ShinNihon LLC
Tokyo, Japan

April 21, 2026

Kazuhiko Yamazaki

Designated Engagement Partner
Certified Public Accountant

Satoshi Takahashi

Designated Engagement Partner
Certified Public Accountant

Mikio Shimizu

Designated Engagement Partner
Certified Public Accountant

Kentaro Moronuki

Designated Engagement Partner
Certified Public Accountant

Consolidated Financial Statements

(1) Consolidated Financial Statements

1. Consolidated Statement of Financial Position

		(Millions of yen)		(Millions of U.S. dollars)
	Notes	As of December 31, 2024	As of December 31, 2025	As of December 31, 2025
Assets				
Current assets				
Cash and cash equivalents	8, 31	241,675	168,407	1,075
Trade and other receivables	6, 9, 31	267,476	263,055	1,680
Inventories	10	67,241	68,389	436
Income taxes receivable		6,982	19,397	123
Loans receivable	31	45,659	54,305	346
Other financial assets	31	166,400	477,393	3,049
Other current assets		57,430	58,145	371
Subtotal		852,865	1,109,093	7,085
Assets held for sale	11	17,341	—	—
Total current assets		870,206	1,109,093	7,085
Non-current assets				
Oil and gas assets	6, 12, 15, 16	3,855,226	3,888,982	24,843
Other property, plant and equipment	13, 15	28,864	25,576	163
Goodwill	6, 14, 16	20,515	46,551	297
Intangible assets	14	17,015	31,360	200
Investments accounted for using equity method	16, 34	948,075	1,024,925	6,547
Loans receivable	31	1,433,298	1,409,382	9,003
Other financial assets	31	123,557	116,765	745
Asset for retirement benefits	20	904	980	6
Deferred tax assets	17	64,555	62,145	396
Other non-current assets		18,644	19,434	124
Total non-current assets		6,510,656	6,626,104	42,328
Total assets		7,380,863	7,735,198	49,413

		(Millions of yen)		(Millions of U.S. dollars)
	Notes	As of December 31, 2024	As of December 31, 2025	As of December 31, 2025
Liabilities and equity				
Liabilities				
Current liabilities				
Trade and other payables	6, 18, 31	192,576	217,690	1,390
Bonds and borrowings	19, 31, 36	193,847	541,482	3,459
Other financial liabilities	15, 31, 36	54,951	37,183	237
Income taxes payable		63,960	13,040	83
Asset retirement obligations	21	15,277	15,885	101
Other current liabilities		13,050	14,381	91
Total current liabilities		533,663	839,663	5,363
Non-current liabilities				
Bonds and borrowings	19, 31, 36	870,064	703,264	4,492
Other financial liabilities	15, 31, 36	62,950	46,589	297
Liability for retirement benefits	20	1,321	1,358	8
Asset retirement obligations	6, 21	381,660	477,817	3,052
Deferred tax liabilities	6, 17	388,217	628,151	4,012
Other non-current liabilities		5,151	15,448	98
Total non-current liabilities		1,709,366	1,872,631	11,962
Total liabilities		2,243,029	2,712,295	17,326
Equity				
Common stock	22	290,809	290,809	1,857
Capital surplus	22	458,254	454,020	2,900
Retained earnings	22	3,073,530	3,345,830	21,373
Treasury stock	22	(131,235)	(221,629)	(1,415)
Other components of equity	22	1,130,446	878,127	5,609
Total equity attributable to owners of parent		4,821,805	4,747,158	30,325
Non-controlling interests		316,027	275,745	1,761
Total equity		5,137,833	5,022,903	32,087
Total liabilities and equity		7,380,863	7,735,198	49,413

2. Consolidated Statement of Profit or Loss

		(Millions of yen)		(Millions of U.S. dollars)
	Notes	For the year ended December 31, 2024	For the year ended December 31, 2025	For the year ended December 31, 2025
Revenue	7, 25	2,265,837	2,011,351	12,848
Cost of sales		(915,310)	(864,515)	(5,522)
Gross profit		1,350,527	1,146,836	7,326
Exploration expenses	7	(53,350)	(16,733)	(106)
Selling, general and administrative expenses	26	(134,512)	(118,032)	(754)
Other operating income	27	35,832	84,100	537
Other operating expenses	27	(31,537)	(32,829)	(209)
Share of profit (loss) of investments accounted for using equity method	7, 34	104,831	72,099	460
Operating profit		1,271,789	1,135,440	7,253
Finance income	7, 28	149,491	120,194	767
Finance costs	7, 28	(122,469)	(82,161)	(524)
Profit before tax		1,298,811	1,173,473	7,496
Income tax expense	7, 17	(864,573)	(743,835)	(4,751)
Profit		434,238	429,638	2,744
Profit (loss) attributable to				
Owners of parent	7	427,344	393,836	2,515
Non-controlling interests		6,894	35,801	228
Profit		434,238	429,638	2,744
Earnings per share				(U.S. dollars)
Basic earnings per share (Yen)	30	345.31	330.82	2.11
Diluted earnings per share (Yen)	30	345.07	330.56	2.11

3. Consolidated Statement of Comprehensive Income

		(Millions of yen)		(Millions of U.S. dollars)
	Notes	For the year ended December 31, 2024	For the year ended December 31, 2025	For the year ended December 31, 2025
Profit		434,238	429,638	2,744
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Exchange differences on translation of foreign operations	29	(17,709)	(93,567)	(597)
Financial assets measured at fair value through other comprehensive income	29	(2,309)	26	0
Remeasurement gains (losses) on defined benefit plans	29	(183)	(411)	(2)
Total items that will not be reclassified to profit or loss		(20,201)	(93,952)	(600)
Items that may be reclassified subsequently to profit or loss				
Cash flow hedges	29	(2,376)	4,670	29
Exchange differences on translation of foreign operations	29	477,352	(166,537)	(1,063)
Financial assets measured at fair value through other comprehensive income	29	(130)	2,641	16
Share of other comprehensive income of investments accounted for using equity method	29, 34	(10,785)	(10,261)	(65)
Total items that may be reclassified subsequently to profit or loss		464,059	(169,486)	(1,082)
Total other comprehensive income		443,857	(263,438)	(1,682)
Comprehensive income		878,096	166,199	1,061
Comprehensive income attributable to				
Owners of parent		842,911	129,448	826
Non-controlling interests		35,184	36,751	234
Comprehensive income		878,096	166,199	1,061

4. Consolidated Statement of Changes in Equity

(Millions of yen)

	Notes	Equity attributable to owners of parent					Other components of equity	
		Common stock	Capital surplus	Retained earnings	Treasury stock	Exchange differences on translation of foreign operations	Cash flow hedges	
As of January 1, 2024		290,809	679,131	2,746,530	(221,330)	694,996	30,224	
Profit		—	—	427,344	—	—	—	
Other comprehensive income		—	—	—	—	431,352	(13,162)	
Total comprehensive income		—	—	427,344	—	431,352	(13,162)	
Purchase of treasury stock	22	—	—	—	(130,000)	—	—	
Disposal of treasury stock	22	—	(95)	—	95	—	—	
Cancellation of treasury stock	22	—	(219,999)	—	219,999	—	—	
Dividends	23	—	—	(100,278)	—	—	—	
Changes in ownership interest in subsidiaries		—	(983)	—	—	855	—	
Disposal of subsidiaries		—	—	—	—	—	—	
Share-based payment transactions	24	—	200	—	—	—	—	
Transfer from other components of equity to retained earnings		—	—	(64)	—	—	—	
Total transactions with owners		—	(220,877)	(100,343)	90,094	855	—	
As of December 31, 2024		290,809	458,254	3,073,530	(131,235)	1,127,203	17,062	

	Notes	Equity attributable to owners of parent					Non-controlling interests	Total
		Other components of equity			Total	Total		
		Financial assets measured at fair value through other comprehensive income	Remeasurement gains (losses) on defined benefit plans	Total				
As of January 1, 2024		(11,261)	—	713,959	4,209,101	289,932	4,499,033	
Profit		—	—	—	427,344	6,894	434,238	
Other comprehensive income		(2,440)	(183)	415,566	415,566	28,290	443,857	
Total comprehensive income		(2,440)	(183)	415,566	842,911	35,184	878,096	
Purchase of treasury stock	22	—	—	—	(130,000)	—	(130,000)	
Disposal of treasury stock	22	—	—	—	—	—	—	
Cancellation of treasury stock	22	—	—	—	—	—	—	
Dividends	23	—	—	—	(100,278)	(16,087)	(116,365)	
Changes in ownership interest in subsidiaries		—	—	855	(128)	7,266	7,138	
Disposal of subsidiaries		—	—	—	—	(268)	(268)	
Share-based payment transactions	24	—	—	—	200	—	200	
Transfer from other components of equity to retained earnings		(118)	183	64	—	—	—	
Total transactions with owners		(118)	183	919	(230,206)	(9,089)	(239,295)	
As of December 31, 2024		(13,820)	—	1,130,446	4,821,805	316,027	5,137,833	

(Millions of yen)

	Notes	Equity attributable to owners of parent					Other components of equity	
		Common stock	Capital surplus	Retained earnings	Treasury stock	Exchange differences on translation of foreign operations		
						Cash flow hedges		
As of January 1, 2025		290,809	458,254	3,073,530	(131,235)	1,127,203	17,062	
Profit		—	—	393,836	—	—	—	
Other comprehensive income		—	—	—	—	(261,053)	(5,590)	
Total comprehensive income		—	—	393,836	—	(261,053)	(5,590)	
Purchase of treasury stock	22	—	—	—	(90,411)	—	—	
Disposal of treasury stock	22	—	(17)	—	17	—	—	
Dividends	23	—	—	(111,453)	—	—	—	
Changes in ownership interest in subsidiaries		—	(4,460)	—	—	1,985	—	
Disposal of subsidiaries		—	—	—	—	—	—	
Share-based payment transactions	24	—	243	—	—	—	—	
Transfer from other components of equity to retained earnings		—	—	(10,083)	—	8,275	—	
Total transactions with owners		—	(4,233)	(121,537)	(90,393)	10,260	—	
As of December 31, 2025		290,809	454,020	3,345,830	(221,629)	876,410	11,471	

	Notes	Equity attributable to owners of parent					Non-controlling interests	Total
		Other components of equity				Total		
		Financial assets measured at fair value through other comprehensive income	Remeasurement gains (losses) on defined benefit plans	Total	Total			
As of January 1, 2025		(13,820)	—	1,130,446	4,821,805	316,027	5,137,833	
Profit		—	—	—	393,836	35,801	429,638	
Other comprehensive income		2,668	(411)	(264,388)	(264,388)	949	(263,438)	
Total comprehensive income		2,668	(411)	(264,388)	129,448	36,751	166,199	
Purchase of treasury stock	22	—	—	—	(90,411)	—	(90,411)	
Disposal of treasury stock	22	—	—	—	0	—	0	
Dividends	23	—	—	—	(111,453)	(81,181)	(192,635)	
Changes in ownership interest in subsidiaries		—	—	1,985	(2,475)	4,205	1,729	
Disposal of subsidiaries		—	—	—	—	(56)	(56)	
Share-based payment transactions	24	—	—	—	243	—	243	
Transfer from other components of equity to retained earnings		1,396	411	10,083	—	—	—	
Total transactions with owners		1,396	411	12,069	(204,096)	(77,033)	(281,129)	
As of December 31, 2025		(9,755)	—	878,127	4,747,158	275,745	5,022,903	

(Millions of U.S. dollars)

	Equity attributable to owners of parent						
	Notes	Equity attributable to owners of parent				Other components of equity	
		Common stock	Capital surplus	Retained earnings	Treasury stock	Exchange differences on translation of foreign operations	Cash flow hedges
As of January 1, 2025		1,857	2,927	19,634	(838)	7,200	108
Profit		—	—	2,515	—	—	—
Other comprehensive income		—	—	—	—	(1,667)	(35)
Total comprehensive income		—	—	2,515	—	(1,667)	(35)
Purchase of treasury stock	22	—	—	—	(577)	—	—
Disposal of treasury stock	22	—	(0)	—	0	—	—
Dividends	23	—	—	(711)	—	—	—
Changes in ownership interest in subsidiaries		—	(28)	—	—	12	—
Disposal of subsidiaries		—	—	—	—	—	—
Share-based payment transactions	24	—	1	—	—	—	—
Transfer from other components of equity to retained earnings		—	—	(64)	—	52	—
Total transactions with owners		—	(27)	(776)	(577)	65	—
As of December 31, 2025		1,857	2,900	21,373	(1,415)	5,598	73

	Equity attributable to owners of parent						
	Notes	Equity attributable to owners of parent				Other components of equity	
		Financial assets measured at fair value through other comprehensive income	Remeasurement gains (losses) on defined benefit plans	Total	Total	Non-controlling interests	Total
As of January 1, 2025		(88)	—	7,221	30,802	2,018	32,821
Profit		—	—	—	2,515	228	2,744
Other comprehensive income		17	(2)	(1,688)	(1,688)	6	(1,682)
Total comprehensive income		17	(2)	(1,688)	826	234	1,061
Purchase of treasury stock	22	—	—	—	(577)	—	(577)
Disposal of treasury stock	22	—	—	—	0	—	0
Dividends	23	—	—	—	(711)	(518)	(1,230)
Changes in ownership interest in subsidiaries		—	—	12	(15)	26	11
Disposal of subsidiaries		—	—	—	—	(0)	(0)
Share-based payment transactions	24	—	—	—	1	—	1
Transfer from other components of equity to retained earnings		8	2	64	—	—	—
Total transactions with owners		8	2	77	(1,303)	(492)	(1,795)
As of December 31, 2025		(62)	—	5,609	30,325	1,761	32,087

5. Consolidated Statement of Cash Flows

		(Millions of yen)		(Millions of U.S. dollars)
	Notes	For the year ended December 31, 2024	For the year ended December 31, 2025	For the year ended December 31, 2025
Cash flows from operating activities				
Profit before tax		1,298,811	1,173,473	7,496
Depreciation and amortization		359,230	351,372	2,244
Impairment loss (gain on reversal of impairment loss)	16	21,704	(19,848)	(126)
Increase (decrease) in asset retirement obligations		(2,515)	12,914	82
Finance costs (income)	28	(27,021)	(38,033)	(242)
Foreign exchange loss (gain)		(7,043)	(37,789)	(241)
Share of loss (profit) of investments accounted for using equity method		(104,831)	(72,099)	(460)
Decrease (increase) in inventories		718	3,960	25
Decrease (increase) in trade and other receivables		(17,795)	28,977	185
Increase (decrease) in trade and other payables		(15,571)	(2,433)	(15)
Other operating activities		16,869	10,317	65
Subtotal		1,522,554	1,410,809	9,012
Interest received		120,453	101,208	646
Dividends received		21,424	21,520	137
Interest paid		(58,938)	(44,677)	(285)
Income taxes paid		(950,756)	(794,967)	(5,078)
Net cash provided by (used in) operating activities		654,737	693,893	4,432
Cash flows from investing activities				
Payments into time deposits		(180,689)	(205,571)	(1,313)
Proceeds from withdrawal of time deposits		223,306	25,244	161
Payments for acquisition of exploration and evaluation assets		(47,678)	(28,721)	(183)
Payments for acquisition of development and production assets		(244,404)	(262,685)	(1,678)
Payments for purchases of other property, plant and equipment		(8,979)	(2,620)	(16)
Payments for purchases of investments		(293,284)	(516,684)	(3,300)
Proceeds from sale and redemption of investments		315,499	417,095	2,664
Payments for purchases of investments accounted for using equity method		(23,916)	(28,142)	(179)
Payments for acquisition of businesses	6	(40,907)	(43,017)	(274)
Net decrease (increase) in short-term loans receivable		1,531	(15,268)	(97)
Long-term loans made		(76,629)	(40,214)	(256)
Collection of long-term loans receivable		93,379	44,256	282
Other investing activities		(7,628)	(12,403)	(79)
Net cash provided by (used in) investing activities		(290,401)	(668,734)	(4,271)

		(Millions of yen)		(Millions of U.S. dollars)
	Notes	For the year ended December 31, 2024	For the year ended December 31, 2025	For the year ended December 31, 2025
Cash flows from financing activities				
Net increase (decrease) in commercial papers	36	79,980	219,514	1,402
Net increase (decrease) in short-term borrowings	36	(23,230)	75,382	481
Proceeds from long-term borrowings	36	75	—	—
Repayments of long-term borrowings	36	(143,405)	(102,751)	(656)
Repayments of lease liabilities	15, 36	(24,160)	(19,019)	(121)
Purchase of treasury stock		(130,000)	(90,411)	(577)
Cash dividends paid	23	(100,248)	(111,412)	(711)
Capital contribution from non-controlling interests		7,138	1,729	11
Cash dividends paid to non-controlling interests		(16,087)	(81,181)	(518)
Other financing activities		0	(2,580)	(16)
Net cash provided by (used in) financing activities		(349,937)	(110,730)	(707)
Net increase (decrease) in cash and cash equivalents		14,398	(85,571)	(546)
Cash and cash equivalents at beginning of the year	8	201,149	241,675	1,543
Effect of exchange rate changes on cash and cash equivalents		26,126	12,303	78
Cash and cash equivalents at end of the year	8	241,675	168,407	1,075

(2) Notes to Consolidated Financial Statements

1. Reporting entity

INPEX CORPORATION (hereinafter the “Company”) is a corporation domiciled in Japan. The location of the Company’s registered head office and principal place of business is disclosed on the Company’s website (<https://www.inpex.com/>). The consolidated financial statements, with the balance sheet date of December 31, 2025, comprise the financial statements of the Company and its subsidiaries (hereinafter the “Group”) as well as its interests in affiliates, joint operations and joint ventures. The principal businesses of the Group are the survey, exploration, development, production, and sale of oil, natural gas, and other mineral resources as well as business incidental and related to this business and investments and loans to companies engaged in these businesses.

2. Basis of preparation

(1) Compliance with IFRS Accounting Standards (hereinafter “IFRS”)

The consolidated financial statements of the Group have been prepared in accordance with IFRS as issued by the International Accounting Standards Board. The Group meets the requirements for a “specified company complying with designated international accounting standards” as set forth in Article 1-2 of the Regulation on Terminology, Forms and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Order No. 28 of 1976), and accordingly the Group has adopted the provisions of Article 312 of the same Regulation.

The Japanese language consolidated financial statements were authorized for issue by the Company’s Representative Director, President & CEO, Takayuki Ueda, on March 26, 2026. These English language consolidated financial statements were approved by him subsequent on April 21, 2026. There were no material events subsequent to the date of the Japanese language Consolidated Financial Statements, which required adjustment the reported amounts or additional disclosures in these English language Consolidated Financial Statements, except for disclosure of “38. Contingent Liabilities.”

(2) Functional currency and presentation currency

The consolidated financial statements of the Group have been presented in Japanese yen, which is also the Company’s functional currency, and amounts have been rounded down to the nearest million yen, except where otherwise indicated.

The translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation only, at ¥156.54=U.S.\$1.00, the exchange rate in effect as of December 31, 2025. This translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

3. Material accounting policies

The material accounting policies adopted in the preparation of the consolidated financial statements are shown below. These policies will continue to apply to all fiscal years presented unless otherwise indicated.

(1) Basis of consolidation

[1] Subsidiaries

Subsidiaries are all entities that are controlled by the Company. The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of a subsidiary are adjusted as necessary when the accounting policies of a subsidiary differ from those adopted by the Group.

Comprehensive income of subsidiaries is attributed to the owners of the parent company and the non-controlling interest, even if the non-controlling interest results in a negative balance.

Transactions involving changes in the parent company’s interest in a subsidiary that do not involve a loss of control are accounted for as equity transactions. The difference between adjustments for non-controlling interests and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the parent company.

When the Company loses control over a subsidiary, the gain or loss on disposal is calculated as the difference between the sum of the fair value of the consideration received and the fair value of the residual interest and the carrying amount of the assets (including goodwill), liabilities, and non-controlling interests of the subsidiary at the time control is lost, and it is recognized in profit or loss.

[2] Affiliates

Affiliates are entities over which the Group has significant influence, but not control or joint control, over their financial and operating policies.

Investments in interests in affiliates are accounted for using equity method and initially are recognized at acquisition cost at the time of acquisition. Thereafter, the Group's interest in the profit or loss and other comprehensive income of the affiliates is recognized and the investment amount is adjusted.

The financial statements of affiliates are adjusted as necessary when the accounting policies of an affiliate differ from those adopted by the Group.

[3] Joint arrangements

Joint arrangements are arrangements that require the unanimous consent of the parties sharing control over decisions regarding relevant activities. Joint arrangements are classified as either joint ventures or joint operations based on the rights and obligations of parties having joint control.

Joint ventures are joint arrangements where the parties with joint control of the arrangement have the rights to the net assets of the arrangement. Joint ventures are accounted for using equity method. The accounting policies of joint ventures are adjusted as necessary to be consistent with those adopted by the Group.

Joint operations are joint arrangements whereby the parties who have joint control of the arrangement have rights to the assets and obligations to the liabilities relating to the contractual arrangement. For investments in joint operations, only the Group's share of the assets, liabilities, revenue, and expenses of such joint operations is recognized. Significant intercompany transactions and receivables and payables are eliminated in proportion to the Group's ownership percentage.

[4] Business combinations and goodwill

Business combinations are accounted for using the acquisition method.

If the initial accounting is not completed by the end of the period in which the business combination occurred, the business combination is accounted for using provisional amounts, and the provisional amounts are adjusted in the measurement period within one year of the acquisition date.

Acquisition cost is measured as the sum of the consideration transferred and measured at fair value at the acquisition date, and the amount of any non-controlling interest in the acquiree.

The non-controlling interest in the acquiree is measured for each business combination at either fair value or an amount equal to the non-controlling interest's share of the fair value of the acquiree's identifiable net assets.

When the Group acquires a business, it classifies and designates the assets acquired and liabilities assumed based on terms of the contract, economic conditions, and related terms and conditions at the acquisition date. In addition, acquired identifiable assets and assumed liabilities are, in principle, measured at fair value at the acquisition date.

Goodwill is measured as the excess of the aggregate of the consideration transferred and the amount recognized as non-controlling interest over the net amount of identifiable assets acquired and liabilities assumed.

For the purpose of impairment testing, goodwill is allocated to each of the cash-generating units, or group of cash-generating units expected to benefit from synergies of the business combination.

After initial recognition, goodwill acquired in a business combination is not amortized but is carried at acquisition cost less accumulated impairment losses. Impairment testing is performed at the end of the fiscal year and whenever there is an indication of impairment.

Goodwill relating to affiliates and joint ventures included in the carrying amount of the investments accounted for using equity method is tested for impairment as a single asset without separating the goodwill from those investments. The Group assesses whether there is any objective evidence that an investment in an affiliate or joint venture is impaired. If any objective evidence of impairment exists, the Company performs an impairment test by comparing the recoverable amount (the higher of value in use and the fair value less costs of disposal, or FVLCD) of the investment to its carrying amount. Any impairment losses recognized in prior periods are reversed to the extent that the recoverable amount of the investment subsequently increases only when there has been a change in the estimates used for determining the recoverable amount of the investment, since the last impairment losses were recorded.

(2) Foreign currency translation

[1] Translation of foreign currency transactions

Transactions in currencies other than the functional currency (foreign currencies) are converted into the functional currency at the exchange rate on the transaction date.

Monetary items denominated in foreign currencies are retranslated into the functional currency at the exchange rate at the end of the fiscal year. Non-monetary items denominated in foreign currencies are translated into the functional currency using the exchange rate at the transaction date for those measured at acquisition cost, and using the exchange rate at the date of calculation of the relevant fair value for those measured at fair value.

Exchange differences arising from translation or settlement are recognized in profit or loss. However, exchange differences arising from financial assets measured through other comprehensive income and cash flow hedges are recognized in other comprehensive income.

[2] Translation of foreign operations

Assets and liabilities of foreign operations are translated into Japanese yen at the exchange rate at the end of the fiscal year.

Revenue and expenses are translated into Japanese yen using the average exchange rate for the fiscal year, unless the exchange rate has fluctuated significantly during the fiscal year. Translation differences arising from the translation of financial statements of foreign operations are recognized in other comprehensive income. As described in “(18)Income taxes,” income tax expenses related to items recognized in other comprehensive income are also recognized in other comprehensive income. Accordingly, income tax expenses related to translation differences arising from the translation of financial statements of foreign operations are recognized in other comprehensive income.

These amounts recognized in other comprehensive income are recognized in profit or loss when all or part of a foreign operation is disposed of. However, for the portion of income tax expenses recognized in other comprehensive income that relates to exchange differences on translation of foreign operations that were deemed to be zero on the transition date to IFRS, these amounts remain in other comprehensive income and are directly transferred to retained earnings upon the disposal of all or part of the foreign operation.

When a paid-in capital reduction results in a decrease of total absolute investment amount that constitutes a partial disposal of equity interests in a foreign operation, cumulative exchange differences associated with common stock and capital surplus in the foreign operation are proportionately reclassified to profit or loss. In oil and natural gas development projects, exploration and development activities typically require more than 10 years during which no product sales are generated, while substantial capital expenditures are required to discover prospective resources and construct production facilities. Accordingly, overseas projects are necessarily financed for exploration and development phases through equity investments and loans. After exploration and development activities have been successfully completed and production and sales of oil and natural gas have commenced, significant revenues are generated, while the level of invested capital decreases substantially compared with the exploration and development phases. As a result, ample cash flows are generated, and under the Group’s business model, such cash flows are expected to be allocated to the return of equity investments and the repayment of loans originally funded for the exploration and development activities. A paid-in capital reduction is therefore assessed to constitute a partial disposal of equity interests in a foreign operation, including in cases where it is implemented during the phase in which cash flows generated from production and sales activities are used to return equity investments and repay loans originally funded for the related exploration and development activities. Under such circumstances, even if common stock and capital surplus are reduced through a paid-in capital reduction, future funding needs of the project are expected to be sufficiently covered by cash flows generated from the project’s operating activities, and no additional funding is expected, whether through further equity issuance or additional borrowings, including intercompany financing. Accordingly, the Group judges that such a paid-in capital reduction has the economic substance of a partial disposal of equity interests in a foreign operation.

For transactions involving changes in ownership interest in a subsidiary that do not result in a loss of control, the exchange differences of the subsidiary are reallocated through equity between the equity attributable to owners of parent and the non-controlling interest in the subsidiary.

(3) Cash and cash equivalents

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

(4) Financial instruments

[1] Financial assets (excluding derivatives)

(i) Initial recognition and measurement

The Group recognizes financial assets on the contract date when it has become a party to the contractual provisions of the financial instruments.

At the time of initial recognition, all financial assets are measured at fair value, or if not classified as financial assets measured at fair value through profit or loss, at such fair value plus transaction costs directly attributable to the acquisition of the financial asset. Transaction costs directly attributable to the acquisition of financial assets measured at fair value through profit or loss are recognized in profit or loss.

(ii) Classification

(a) Debt financial assets

Financial assets measured at amortized cost

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

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

Financial assets measured at FVOCI

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

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

Financial assets measured at FVPL

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

(b) Equity financial assets

Financial assets measured at FVOCI

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

Financial assets measured at FVPL

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

(iii) Subsequent measurement

(a) Financial assets measured at amortized cost

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

(b) Financial assets measured at FVOCI

Debt financial assets measured at FVOCI

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

Equity financial assets measured at FVOCI

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

(c) Financial assets measured at FVPL

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

(iv) Impairment of financial assets

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

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

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

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

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

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

(v) Derecognition

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

[2] Financial liabilities (excluding derivatives)

(i) Initial recognition and measurement

The Group recognizes financial liabilities on the contract date when it has become a party to the contractual provisions of the financial instruments.

All financial liabilities are measured at fair value at initial recognition, except for financial liabilities measured at amortized cost, which are measured at fair value less directly attributable transaction costs.

(ii) Classification

Financial liabilities measured at amortized cost

Financial liabilities other than financial liabilities measured at FVPL are classified as financial liabilities measured at amortized cost.

(iii) Subsequent measurement

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

Financial liabilities measured at FVPL are measured at fair value, and changes in fair value are recognized in profit or loss.

(iv) Derecognition

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

[3] Derivatives and hedge accounting

The Group uses foreign exchange forward contracts, interest rate and currency swaps, commodity swaps, and commodity options to hedge foreign currency risk, interest rate risk, and commodity price fluctuation risk. As described in “(15)Provisions” and “31. Financial instruments (1)Financial risk management [3]Market risk (ii)Interest rate risk,” the Group uses derivative transactions, such as interest rate swaps, to mitigate the impact of changes in asset retirement obligations on the consolidated statement of profit or loss.

These derivatives are initially recognized at fair value on the date the derivative contract is entered into, and related transaction costs are recognized as expenses incurred. Remeasurements after initial recognition are also made at fair value, with changes in fair value recognized in profit or loss, except when designated as hedging instruments for cash flow hedges (hedges against exposure to changes in cash flows attributable to specific risks associated with recognized assets or liabilities or highly probably forecast transactions and that could affect profit or loss).

The Group supplies LNG through a portfolio comprising LNG produced from projects in which the Group participates and LNG procured from third parties. With respect to long-term LNG purchase contracts entered into with third parties, the Group does not have a practice of settling such contracts net in cash or another financial instrument, or by exchanging financial instruments.

Accordingly, these contracts are accounted for as executory contracts and are not measured at fair value.

Transactions that meet the criteria for hedge accounting are classified and accounted for as follows:

(i) Fair value hedges

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

(ii) Cash flow hedges

The effective portion of gain or loss on the hedging instrument is recognized in other comprehensive income, and the ineffective portion is recognized immediately in profit or loss. Amounts related to hedging instruments recorded in other comprehensive income are reclassified to profit or loss when the hedged transaction affects profit or loss. When the hedged item results in the recognition of a non-financial asset or non-financial liability, the amounts recognized in other comprehensive income are treated as an adjustment to the original carrying amount of the non-financial asset or non-financial liability.

The Group discontinues the application of hedge accounting prospectively when the hedging instrument no longer meets the criteria for hedge accounting, is expired, sold, terminated or exercised, or when the hedge designation is no longer appropriate.

[4] Fair value of financial instruments

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

Level 1: Market value of identical assets or liabilities in active markets

Level 2: Fair value measured using directly or indirectly observable inputs other than Level 1

Level 3: Fair value measured using valuation techniques that include unobservable inputs

[5] Finance income and finance costs

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

(5) Inventories

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

(6) Oil and gas assets

[1] Exploration, evaluation and development costs

The Group accounts for oil and natural gas exploration and evaluation payments using the successful efforts method. All expenditures directly related to concession acquisition costs, exploration wells, and appraisal wells are recognized as oil and gas assets (exploration and evaluation assets) and charged to exploration expenses if subsequently determined to be dry holes and to impairment losses if the prospect of commercial profitability is impaired. In addition, other exploration project costs incurred during the exploration stage, such as geological and geophysical costs and other than the exploration and evaluation wells, are charged to exploration expenses as incurred.

When the technical feasibility and viability of oil and natural gas extraction can be demonstrated, impairment tests are performed, and assets are transferred from oil and gas assets (exploration and evaluation assets) to oil and gas assets (development and production assets). The technical feasibility and viability of extraction is established when the final investment decision is made or when the development plan is approved by the government of the oil-producing country, whichever is later.

Development wells and related production equipment are recognized as oil and gas assets (development and production assets). These capitalized costs are depreciated using the unit-of-production method based on the total quantity of proved and probable reserves, from the inception of production. Reserves used in the unit-of-production method are calculated based on the Petroleum Resource Management System (PRMS), and the acquisition cost of qualifying oil and gas assets when calculating the depreciation rate using the unit-of-production method includes the capital expenditures planned to access proved undeveloped reserves or probable reserves. The future oil price forecasts used in calculating the reserves are based on the average price of oil and gas at the beginning of the month during the period, similar to the average price in the U.S. Securities and Exchange Commission's Regulation S-X, Rule 4-10(a).

The acquisition cost of property, plant and equipment comprises costs directly attributable to the acquisition of an item, costs of dismantling and removing the item and restoring the site on which it is located, and capitalized borrowing costs for long-term projects if capitalization criteria are met.

Expenditures relating to major maintenance and repair include the cost of replacing an asset or part of an asset, inspection costs and overhaul (detailed inspection) costs. Among the major inspection costs, the expenditures that qualify for recognition as property, plant and equipment are capitalized and depreciated over the period until the next inspection.

[2] Sales and distribution related assets

Oil and gas assets (sales and distribution related assets) recognized are primarily domestic pipelines used to deliver natural gas to customers, which are depreciated on a straight-line basis over their estimated useful lives.

The useful lives of major assets depreciated on a straight-line basis are as follows:

- Natural gas pipeline: 30 years

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

(7) Other property, plant and equipment

For property, plant and equipment, the cost model is applied for measurement after initial recognition, and property, plant and equipment are presented at cost less any accumulated depreciation and accumulated impairment losses.

Subsequent expenditures incurred after acquisition are accounted for either by including them in the asset's carrying amount or by recognizing them as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the Group and the amount can be measured reliably. Subsequent expenditures not included in cost are recognized in profit or loss as incurred.

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

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

- Buildings and structures: 2-50 years

- Machinery, equipment and vehicles: 2-17 years

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

(8) Goodwill and intangible assets

[1] Goodwill

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

[2] Intangible assets

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

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

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

- Software: 2-10 years

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

(9) Leases

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

Lease liabilities under lease transactions are measured as the discounted present value of total lease payments outstanding as of the commencement date of the lease. Variable lease payment amounts except for the amount that are determined in accordance with an index or rate do not constitute lease payments included in the measurement of the lease liability, but variable lease payments that are determined to be substantially fixed are included in the measurement of the lease liability.

Right-of-use assets are initially measured in the amount calculated by adjusting the initially measured amount of lease liabilities with initial direct costs, advance lease payments, etc. and adding any costs incurred to fulfill restoration obligations arising from the lease contract. Right-of-use assets are depreciated by the straight-line method over the lease term. The lease term is determined as the non-cancelable term of the lease plus the period during which it is reasonably certain that the option to extend the lease will be exercised or the option to terminate the lease will not be exercised.

Lease payments are allocated to finance costs and the repayment portion of the outstanding lease liabilities in a way that the constant rate of interest is applied to the outstanding lease liability. Finance costs are presented separately from depreciation associated with the right-of-use assets in the consolidated statement of profit or loss.

The determination of whether a contract is a lease or contains a lease, even if it does not legally take the form of a lease, is based on the judgement as to whether the substance of the contract at the date of commencement of the lease, i.e., performance of the contract is dependent on the use of a specific asset or group of assets and whether the contract transfers the right to use such assets.

The Group recognizes 100% of the right-of-use assets and lease liabilities if the Group is the operator and is deemed to have the sole right to direct the manner and purpose of use of the underlying asset. The Group recognizes right-of-use assets and lease liabilities in proportion to its share of equity interest if the Group is the operator and the joint operation (including all parties to the joint operation agreement) is deemed to have the right to control the use of specific assets and all parties to the agreement have a legal obligation to make payments to third-party suppliers. If the Group is not the operator, the right-of-use assets and lease liabilities are recognized based on the specific relationship to the liability as primary obligor in each joint operation agreement and in accordance with the situation.

Lease payments related to leases with a lease term of 12 months or less are recognized as expenses on a straight-line basis over the lease term or another regular basis. Regarding the components of the contract, for certain leases the Group applies the practical expedient of accounting for each lease component and related non-lease components as a single lease component, without distinguishing the non-lease component from the lease component. Applicable leases are those where the underlying assets are other than buildings, vessels (for transportation purposes), facilities (FPSO*1, FSO*2), and drilling rigs.

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

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

(10) Impairment of non-financial assets

For the Group's non-financial assets excluding inventories and deferred tax assets, the Group determines at the end of each fiscal year whether there is any indication that an asset or cash-generating unit (or group of units) to which the asset belongs may be impaired. If any such indication of impairment exists, an impairment test is performed. Goodwill impairment testing is performed at the end of the fiscal year and whenever there is an indication of impairment.

The recoverable amount is the higher of the value in use or the fair value less costs of disposal. In calculating value in use, estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects the time value of money and the inherent risks of the asset. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The cash-generating unit for assets other than goodwill is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The cash-generating unit or group of cash-generating units for goodwill is determined based on the unit by which the goodwill is managed for internal reporting purposes.

If the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount, an impairment loss is recognized in profit or loss.

For previously recognized impairment losses on assets other than goodwill, the Group determines at the end of each fiscal year whether there is any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there is an indication of impairment reversal, there has been a change in the estimates used to determine the recoverable amount, and the recoverable amount exceeds the carrying amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Impairment losses related to goodwill are not reversible.

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

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

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

A non-current asset or disposal group is classified as held for sale when: its carrying amount is expected to be recovered principally through a sale transaction rather than through continuing use; management of the Group is committed to sell the asset; the sale is highly probable, will occur within one year; and the asset is available for immediate sale.

A non-current asset or disposal group held for sale is measured at the lower of the carrying amount and FVLCD and is not depreciated or amortized.

Non-current assets and disposal groups that have already been disposed of or that are classified as held for sale are recognized as discontinued operations when they meet any of the following: - separate major line of business or geographical area of operations; part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; and subsidiary acquired exclusively with a view to resale.

(13) Employee benefits

[1] Post-employment benefits

(i) Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans. The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their services in the current and prior periods and by discounting that amount to present value. The fair value of any plan assets is then deducted from that amount.

Net interest expense on the net defined benefit liability (asset) is calculated by multiplying the net defined benefit liability (asset) by the discount rate and recorded as employee benefit expenses. The discount rate is the market yield at the end of the fiscal year for high quality corporate bonds with maturity dates approximating the terms of the Group's obligations.

When a plan is changed or curtailed, the change in the present value of the defined benefit obligation due to a change in benefit that relates to past service of employees is recognized immediately in profit or loss.

The Group immediately recognizes all adjustments by remeasurements arising from defined benefit plans in other comprehensive income and immediately transfers them to retained earnings.

(ii) Defined contribution plans

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

[2] Short-term employee benefits

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

(14) Stock-based compensation

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

(15) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and reliable estimates can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligations using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligations. The increase in the provision due to the passage of time is recognized as interest expense.

If the carrying amount of the corresponding asset retirement costs is zero in the increase (decrease) in asset retirement obligations that occurs at the end of the fiscal year due to a change in the discount rate, etc., the increase or decrease is recognized immediately in profit or loss and presented as cost of sales in the consolidated statement of profit or loss. As described in “(4)Financial instruments, [3] Derivatives and hedge accounting” and “31. Financial instruments (1)Financial risk management [3]Market risk (ii)Interest rate risk,” the Group uses derivative transactions, such as interest rate swaps, to mitigate the impact of changes in asset retirement obligations on the consolidated statement of profit or loss.

In addition, when the Group can expect to be reimbursed for part or all of the expenditure required to settle the provision, such compensation is recognized as a separate asset only if it is virtually certain that the compensation will be received.

When a provision and a reimbursement from an external party are recognized in the same fiscal year, they are presented net in the consolidated statement of profit or loss.

Asset retirement obligations related to domestic oil and natural gas production facilities, etc. are recognized when the Group is obligated to prevent mining pollution of well sites after the end of mining as stipulated by the Mine Safety Act and when costs to be borne at the end of operations can be reasonably estimated. Asset retirement obligations related to overseas oil and natural gas production facilities, etc. are recognized when the Group is obligated to abandon the production facilities, etc. such as removal of such production facilities, etc. in accordance with oil contracts with the governments of oil-producing countries, local laws and regulations, etc., and when costs to be borne at the end of operations can be reasonably estimated.

Obligations that are probable at the end of the fiscal year, but cannot be confirmed whether or not they are obligations as of the end of the fiscal year or do not meet the recognition criteria of provisions are disclosed as contingent liabilities in “21. Asset retirement obligations” and “38. Contingent liabilities.”

(16) Equity

The issue price of common stock issued by the Company is recorded in common stock capital and capital surplus, and costs directly attributable to the issuance (net of tax) are deducted from capital surplus.

When treasury stock is reacquired, the consideration paid including any direct transaction costs, net of tax, is recognized as a deduction from equity. When treasury stock is sold, the difference between the carrying amount and the consideration received is recognized as capital surplus.

(17) Revenue recognition

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

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

The Group conducts exploration, development, production and marketing of crude oil and natural gas (including LPG; the same applies hereinafter).

For sales of these products, it is concluded that the legal ownership rights and physical rights of possession, as well as material risks and economic value associated with ownership of the products, are transferred to the customer, and the Company obtains the right to receive consideration for the products from the customer, primarily at the time when control of the products is transferred to the customer, namely in the case of crude oil and natural gas the time of delivery of the products to the customer or the time when control is transferred to the customer based on trade terms prescribed in Incoterms or other materials. Revenue is recognized at this time. Revenue is recognized based on the transaction price prescribed in the contract with the customer. Because the transaction price is received within one year following delivery of the products, it does not contain significant financing components.

In revenue from the production of crude oil and natural gas, for which the Group shares a participating interest with other companies, there are cases when the quantity actually delivered does not match the quantity which corresponds to the participating interest held by the Group due to circumstances of vessel assignments or other matters. In such cases, the Group recognizes revenue based on the quantity that was actually delivered, and any significant difference between the quantity actually delivered and the quantity which corresponds to the participating interest held by the Group is adjusted with the other company that shares participating interest by means of the actual crude oil and natural gas that is delivered in or after the following fiscal year. In the event that the Group has received a delivery that exceeds the participating interest held by the Group, the cost of sales for the quantity that is above the quantity equivalent to the participating interest is also included in the fiscal year when the related revenue is recognized, and at the same time a liability to the other company which shares a participating interest is recorded. In the event that the Group has received a delivery that is less than the participating interest held by the Group, the cost of sales for the quantity that is below the quantity equivalent to the participating interest is recorded in the fiscal year when delivery and the related revenue is recognized, and at the same time an asset due from the other company which shares a participating interest is recorded.

(18) Income taxes

The Group's income tax expense includes, in addition to income taxes, taxes levied on current year profits calculated according to the rules established by the taxation authorities, such as petroleum resources taxes. Royalty payments based on production volume are not included in income tax expense.

Income tax expense consists of current income tax expense and deferred income tax expense. These are recognized in profit or loss, except for the taxes which arise from business combinations or recognized in either other comprehensive income or directly in equity.

Current income tax expense is calculated at the amount paid to or refunded from tax authorities using the tax rates enacted or substantively enacted as of the end of the fiscal year.

Deferred income tax expense is calculated based on temporary differences arising from the difference between the carrying amount of assets and liabilities for accounting purposes and the related tax basis amounts at the end of the fiscal year.

Deferred tax assets are recognized for deductible temporary differences, net operating loss carryforwards, and tax credit carryforwards, to the extent that it is probable that taxable income will be available against which they can be recovered.

Deferred tax assets are recognized for deductible temporary differences on investments in subsidiaries, affiliates, and joint ventures only if it is probable that sufficient taxable income will be available against which the benefits of the temporary differences can be utilized and it is probable that the temporary differences will reverse in the foreseeable future.

Deferred tax assets are reviewed each fiscal year and reduced to the extent that it is no longer probable that the tax benefits will be realized.

Deferred tax liabilities are recognized for all taxable temporary differences with the following exceptions:

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

Deferred tax assets and liabilities are measured at the tax rates expected to be applied in the period in which the asset is realized or the liability is settled based on the tax rates enacted or substantively enacted at the end of the fiscal year.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and current tax liabilities and when they are levied by the same tax authority on the same taxable entity, or when intending to settle the net amount of current tax liabilities and current tax assets of separate taxable entities or simultaneously realize assets and settle liabilities. In addition, for particular transactions recognizing the same amount of assets and liabilities from a single transaction, the Company recognizes deferred tax liabilities and deferred tax assets for the taxable temporary differences pertaining to recognized assets and the deductible temporary differences pertaining to recognized liabilities, respectively.

The Company and some subsidiaries apply the Japanese Group Relief System.

(19) Borrowing cost

Borrowing costs directly attributable to the acquisition, construction, or production of qualifying assets, that is, assets requiring a substantial period of time to get ready for their intended use or sale, are added to the acquisition cost of those assets until such time as the assets are substantively ready for their intended use or sale.

All borrowing costs other than the above are recognized in profit or loss in the period in which they are incurred.

(20) Earnings per share

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

4. Critical accounting estimates and judgments

The preparation of the consolidated financial statements in accordance with IFRS requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, revenues, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. The effect of a revision of an accounting estimate is recognized in the accounting period in which the estimate is revised and in future periods thereafter. Estimates and underlying assumptions that involve significant risks that could lead to material adjustments to the carrying amounts of assets and liabilities in the next fiscal year are as follows:

(Impacts of climate change)

The Group takes into account the impacts of climate change and the transition to net zero when preparing the consolidated financial statements. The Group has set a goal to achieve net-zero emissions by 2050 in line with the Paris Agreement objectives, contributing to the realization of a low-carbon society. On the other hand, oil and natural gas continue to be indispensable energy sources for economic and social activities, and its mission is to ensure their stable supply primarily in Japan and the Asian region. The Group is promoting the oil and natural gas business, lower-carbon solutions, and power-related business fields as core business areas to achieve both the net-zero emissions target and the mission of ensuring a stable supply.

The impacts of climate change and the transition to net zero are significant across all of the Group's core business areas - oil and natural gas business, lower-carbon solutions, and power-related business fields. To assess these impacts, the Group is analyzing the business environment of long-term future energy demand and customer trends, etc., by referring to multiple scenarios such as the Stated Policies Scenario (IEA-STEPS) of the International Energy Agency's (IEA) World Energy Outlook (WEO), and we use this information to formulate management strategies and decisions.

The purposes of scenario analysis are to quickly identify future policy trends and the possibility of changes in the business environment based on the assumption that these scenarios will be realized, and to reflect these in management strategies and plans. It differs from judgments and assumptions based on the latest available reliable information reflected in accounting estimates.

Therefore, even if scenario analysis shows indications of impairment or increased provisions for assets of each project of the Group, the Group does not believe these indications should be immediately reflected in the consolidated financial statements. In addition to the scenario analysis results, accounting estimates are reasonably estimated based on comprehensive consideration of the Group's strategy, the policies of each country, the analysis results of external organizations, and the unique circumstances of each project, etc. However, changes to the Group's strategy for future climate change risks and changes in the global decarbonization trend may have a significant impact on these.

(Future oil price forecasts and internal carbon pricing)

Future crude oil and natural gas prices are mainly determined by international market conditions and are subject to significant fluctuations due to the influence of various factors such as international and regional supply and demand and the global economy. Oil prices used in accounting estimates are determined by management's best estimates and judgments based on reports issued by several external organizations. In very long-term forecasts for oil prices, the Group considers scenarios issued by the IEA and other sources, while in the medium- to long-term, the Group's estimates are based on the assumption that oil prices will rise, reflecting higher break-even points in the crude oil and natural gas business, driven mainly by cost inflation and the continuation of a certain level of energy demand. The outlook for medium- to long-term oil prices as of December 31, 2025 is estimated to be U.S.\$70 per barrel (Brent crude oil price, excluding the impact of inflation) for fiscal year 2028 and beyond. Since the sales price of natural gas handled by the Group is also largely linked to crude oil prices, emphasis is placed on this oil price outlook in the determination of indications of impairment and impairment testing of the Group's non-financial assets. In addition, estimated future cash flows used to calculate value in use of non-financial assets for each project incorporate internal carbon pricing (hereinafter "ICP"), and in Australian projects where a carbon pricing system exists, the Group refers to price forecasts of several outside experts, etc. and uses AU\$85/tCO₂e for 2030, AU\$98/tCO₂e for 2040, and AU\$122/tCO₂e for 2050 (excluding the impact of inflation). In other countries and regions, where a carbon pricing system exists, the Group refers to its estimated price based on price forecasts of several outside experts, etc., and in areas where a carbon pricing system does not exist, the Group refers to the variable price linked to the South Korea price of IEA-STEPS in World Energy Outlook 2025 (WEO 2025). Although the Japan price for IEA-STEPS has been added from WEO 2025, the Japan policy referenced in IEA-STEPS is predicated on the 7th Strategic Energy Plan, and since the figures based on Japan's Nationally Determined Contribution (NDC) 3.0 were deemed to be ambitious, the Company continued to reference the South Korea price in the previous fiscal year. Now, a draft notification has been published, setting a reference upper price limit and adjusted standard transaction price for the Green Transformation Emissions Trading System (GX-ETS). Once the revision of the Act on Promoting the Transition to a Decarbonized Growth Economic Structure (GX Promotion Act) has been enacted, the Company plans to formulate ICPs to be applied to its domestic operations. With the transition to net zero, the increased

preference for low-carbon energy will necessitate a review of key assumptions, such as a decline in crude oil and natural gas prices, or an increase in ICP, and impairment losses may be recorded for oil and gas assets, goodwill, and investments accounted for using equity method.

(Reserves)

The Group's oil and gas assets (development and production assets) are depreciated using the unit-of-production method based on the total quantity of proved and probable reserves, and the reserves used in the unit-of-production method are calculated based on the Petroleum Resource Management System (PRMS). The future oil price forecasts used in calculating the reserves are based on the average price of oil and gas at the beginning of the month during the period, similar to the average price in the U.S. Securities and Exchange Commission's Regulation S-X, Rule 4-10(a). Estimates of the reserves depend on the available geological and engineering data from oil and gas reservoirs, the maturity of development plans and a considerable number of assumptions, factors and variables including economic conditions as of the date such estimates are made. These estimates may be revised in the future on the basis of geological and engineering data as well as development plans and information relating to changes in economic and other conditions made newly available through progress in production and operations. As a result, there is a possibility that reserves will be restated upwards or downwards. As to the reserves under a production sharing contract, not only production, but also oil and gas prices, invested capital, recovery of invested capital due to contractual conditions and remuneration fees may affect the economic entitlement. This may cause reserves to increase or decrease. The presuppositions related to these assumptions, factors and variables are determined based on management's best estimates and judgments.

Estimates of these reserves also impact impairment testing for oil and gas assets (development and production assets) totaling ¥3,567,123 million recognized as of December 31, 2025 and impairment testing in (1) "Impairment of non-financial assets."

Assumptions used in the estimates of reserves are impacted by economic conditions such as the transition to net zero, and if risks materialize that could lead to a downward revision of reserves, such as a decline in oil prices or a rise in ICP, depreciation may accelerate or impairment losses may occur.

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

(1) Impairment of non-financial assets

The Group uses future crude oil prices, reserves, operating expenses, development expenses, ICP and discount rates as major assumptions for the determination of indications of impairment of non-financial assets and impairment testing.

During the year ended December 31, 2025, an impairment loss of ¥28,428 million was recorded on oil and gas assets, and investments accounted for using equity method, while a gain on reversal of impairment losses of ¥41,253 million was recorded for the Offshore North Caspian Sea Contract Area Project.

In addition, significant non-financial assets recorded in the consolidated statement of financial position include those related to the Ichthys LNG Project, with oil and gas assets (development and production assets) amounting to ¥1,772,903 million, and investments accounted for using equity method amounting to ¥751,515 million as of December 31, 2025. Investments accounted for using equity method represent the balance of investment in Ichthys LNG Pty Ltd, in which the Group holds a 67.82% interest. The major assets held by Ichthys LNG Pty Ltd. are oil and gas assets related to the downstream business of the Ichthys LNG Project, and the balance of oil and gas assets for Ichthys LNG Pty Ltd as of December 31, 2025 (amount obtained by multiplying by the Group's share) is ¥3,036,401 million. As of December 31, 2025, the Group performed an assessment of indicators of impairment, taking into account key assumptions and operating status of the Ichthys LNG Project, etc. As a result, no indicators of impairment were identified for non-financial assets related to the Ichthys LNG Project.

This item is related to "12. Oil and gas assets," "16. Impairment of non-financial assets," and "34. Investments accounted for using equity method."

(2) Asset retirement obligations

Asset retirement obligations for future removal and abandonment of domestic and overseas oil and natural gas production facilities, etc. are recorded in the amount of ¥493,703 million as of December 31, 2025, based on reasonable estimates of the number of productive years or the number of years until completion of the contract period and the cost of removal and abandonment at the end of operations. As of December 31, 2025, the Group does not recognize a reduction in the number of productive years due to stricter regulations in various countries concerning climate change, etc. However, depending on future policies and laws and regulations of various governments concerning climate change, the Group's asset retirement obligations may increase in the future due to early production shutdowns of its oil and gas assets, increase in assets to be removed, changes in abandonment methods, and revision of the discount rate, etc. Asset retirement obligations have not been recognized for the natural gas pipeline, which serves as a domestic

gas sales and distribution related facility, because reliable estimates could not be made as of December 31, 2025 (Please refer to “21. Asset retirement obligations”). However, asset retirement obligations may be recorded if changes in the business environment, etc. are identified that would make it possible to determine a business termination date.
This item is related to “21. Asset retirement obligations.”

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

Among the newly established or amended standards and interpretations issued by the date of approval of the consolidated financial statements, the main ones that have not been early adopted by the Group are as follows.

The impact of the application of these standards on the consolidated financial statements is still under review.

Standards and interpretations	Mandatory application period (effective date)	Scheduled date of application by the Group	Summary of new standards, interpretations and amendments
IFRS 18 Presentation and Disclosure in Financial Statements	January 1, 2027	FY2027	A new standard that replaces IAS 1, which is the current accounting standard on presentation and disclosure in financial statements

6. Business combination

For the year ended December 31, 2024

The Group is involved in the upstream business of the Ichthys LNG Project via its wholly-owned subsidiary, INPEX Ichthys Pty Ltd, and conducts the joint operations in which it holds a 66.245% interest in the Ichthys Gas-Condensate Field (WA-50-L/WA-51-L) in Western Australia, Australia as an operator. In addition, the Group is involved in the downstream business of the same project via its joint venture, Ichthys LNG Pty Ltd, and owns gas pipelines and liquefaction facilities, and conducts the liquefaction and marketing business.

The Group acquired the participating interests (1.575%) held by Tokyo Gas Co., Ltd. (hereinafter “Tokyo Gas”) in the Ichthys LNG Project, etc. (hereinafter “the Projects”) through Tokyo Gas Australian project subsidiaries on March 28, 2024. Of the total consideration paid, ¥40,907 million pertains to the upstream business interest classified as a business combination. In addition, regarding the downstream business, the Group acquired shares of Ichthys LNG Pty Ltd and assumed loans receivables to the same company. Please refer to “31. Financial instruments” for the loans receivable.

This agreement results from the October 2022 decision by Tokyo Gas to sell the shares in its Australian project subsidiary that holds participating interests in the Projects, to MidOcean Energy Holdings Pty Ltd. In accordance with the relevant Joint Operating Agreements and Shareholders’ Agreement, Tokyo Gas notified the proposed sale to the Projects’ participating interest holders whereupon the Group exercised its pre-emptive rights under the respective Joint Operating Agreements and Shareholders’ Agreement to acquire Tokyo Gas’s participating interest in the Projects.

The Ichthys LNG Project is a highly competitive one that is expected to generate stable revenue over the long term. This acquisition of an additional participating interest in the Projects is aligned to the pursuit of its business targets and pathways outlined in “Long-term Strategy and Medium-term Business Plan (INPEX Vision @2022)”, and will contribute to energy security in Japan and Asia-Pacific region.

The consideration paid and fair value of main assets acquired at the time of acquisition are shown below. Note that no goodwill or negative goodwill has been generated.

The Group had applied provisional accounting treatment, as the adjustment and allocation of consideration paid had not been completed as of June 30, 2024, but the amounts have been finalized as of December 31, 2024. There is no change from the initial provisional amounts.

(Millions of yen)

Assets acquired	
Oil and gas assets (Development and production assets)	40,907
Fair value of assets acquired	40,907
Fair value of the consideration paid (Cash and cash equivalents)	40,907

For the year ended December 31, 2025

The Group is involved in oil and natural gas production and exploration in Norway via its local Norwegian entity INPEX Idemitsu Norge AS (hereinafter “IIN”), which is a 100% subsidiary of INPEX Norway Co., Ltd. Through IIN, the Group holds numerous licenses in the northern North Sea, the northern Norwegian Sea and the Barents Sea, and has engaged in steady production operations from fields in the northern North Sea including the Snorre and Fram fields.

The Group, through IIN, acquired from Pandion Energy AS a 10 percent participating interest each in the Valhall and Hod oil and gas fields currently in production and a 20 percent participating interest each in the Mistral and Slagugle oil and gas discoveries, which are yet to be developed, on October 31, 2025. The consideration paid amounted to ¥43,017 million in cash and cash equivalents.

With the acquisition of these new interests, IIN’s oil and gas production volume will increase from approximately 23,000 barrels per day to approximately 27,000 barrels per day. Additionally, these acquisitions are expected to further expand the Group’s business portfolio through future production from the Mistral and Slagugle oil and gas discoveries and the potential for exploration and development in the surrounding areas.

The consideration paid and fair value of the assets acquired and liabilities assumed at the time of acquisition are as follows. As the adjustment and allocation of the consideration paid had not been completed as of December 31, 2025, provisional accounting treatment has been applied.

	(Millions of yen)
Assets acquired	
Trade and other receivables *1	11,088
Oil and gas assets (Exploration and evaluation assets)	1,230
Oil and gas assets (Development and production assets)	62,991
Liabilities assumed	
Trade and other payables	(290)
Assets retirement obligations (non-current)	(32,460)
Deferred tax liabilities	(22,757)
Fair value of assets acquired and liabilities assumed, net	19,802
Goodwill *2	23,215
Fair value of the consideration paid (Cash and cash equivalents)	43,017

- Notes:
- The fair value of the trade and other receivables acquired are ¥11,088 million and the gross contractual amounts receivable are ¥11,088 million. No amounts are expected to be uncollectible.
 - Goodwill is recorded in the “Oil & Gas Overseas – Other Projects” segment and consists of as follows. No portion is expected to be deductible for tax purposes.
 - Goodwill arising from the deferred tax
This goodwill arises from the recognition, in accordance with IAS 12 Income Taxes, of a deferred tax liability, for the difference between the fair value and the tax base of the acquired participating interests in oil and gas fields. The corresponding offsetting entry is recognized as goodwill.
 - Goodwill arising from expected future excess earning power resulting from subsequent business developments
This goodwill represents the portion of the consideration paid that cannot be allocated to identifiable assets or liabilities and reflects the value of expected synergies contributing to the further expansion of the business portfolio in Norway.
 - Acquisition-related expenses for this business combination are ¥ 196 million and recorded in “Selling, general and administrative expenses” in the consolidated statement of profit or loss.
 - Information on profit or loss after the acquisition date related to this business combination as well as information on profit or loss under the assumption that the business combination was conducted at the beginning of the fiscal year is omitted because the impact on the consolidated statement of profit or loss is immaterial. In addition, information on profit or loss under the assumption that the business combination was conducted at the beginning of the fiscal year is unaudited.

7. Operating segments

(1) Overview of reportable segments

The operating segments of the Group are components of the Group for which discrete financial information is available and regularly reviewed by the Board of Directors to make decisions about allocation of managerial resources and to assess their performance. Operating segments are not aggregated in determining reportable segments.

In addition, as the main business of the Group is the global exploration, development, production and sales of oil and natural gas, and loans and investments in companies engaged in such activities, namely the oil and natural gas business (hereinafter “Oil & Gas”), the Group classifies the reportable segments as “Oil & Gas Japan” and “Oil & Gas Overseas,” and the “Oil & Gas Overseas” segment is further classified as “Ichthys Project,” which is a major operator project of the Group, and “Other Projects,” which is comprised of other overseas projects. The “Other” category consists of businesses that are not included in the reportable segments, including renewable energy & power-related business and CCS & hydrogen business, etc.

The reportable segments and other category are as follows:

Reportable segments, etc.		Main business and project name
Oil & Gas Japan		Minami-Nagaoka Gas Field, Naoetsu LNG Terminal, etc.
Oil & Gas Overseas	Ichthys Project	Ichthys LNG Project in Australia and exploration of surrounding area
	Other Projects	Projects in Australia (excluding the Ichthys LNG Project), Southeast Asia, Europe, Abu Dhabi, and other areas
Other		Renewable energy & power-related business, CCS & hydrogen business, crude oil sales agency and brokerage business, etc.

(2) Revenue and performance by segment

Accounting policies for the reportable segments are substantially the same as those described in “3. Material accounting policies.”

The Group’s foreign exchange gains and losses are not allocated to reportable segments, certain exceptions aside, because they are managed on a Group-wide basis.

Reportable segment profit is presented in profit attributable to owners of parent of the consolidated statement of profit or loss.

Intersegment transactions are carried out at arm’s length price.

Revenue, profit and other items of the Group by reportable segment are as follows:

For the year ended December 31, 2024

(Millions of yen)

	Reportable segments			Other *1	Total	Adjustments *2	Consolidated
	Oil & Gas Japan	Oil & Gas Overseas					
		Ichthys Project	Other Projects				
Revenue							
Revenue from external customers	216,953	373,263	1,657,921	17,699	2,265,837	—	2,265,837
Intersegment revenue	—	21,924	—	7,026	28,951	(28,951)	—
Total	216,953	395,187	1,657,921	24,726	2,294,789	(28,951)	2,265,837
Exploration expenses	(1,803)	(42,790)	(8,756)	—	(53,350)	—	(53,350)
Share of profit (loss) of investments accounted for using equity method	—	93,257	14,213	(2,639)	104,831	—	104,831
Finance income	3	116,745	26,220	2,524	145,493	3,997	149,491
Finance costs	(893)	(58,600)	(54,689)	(4,785)	(118,969)	(3,499)	(122,469)
Income tax expense	(5,365)	(46,982)	(810,736)	2,574	(860,509)	(4,063)	(864,573)
Segment profit (loss)	13,663	248,239	165,711	(14,545)	413,069	14,274	427,344
(Other items)							
Depreciation and amortization	18,920	130,331	206,619	490	356,361	2,868	359,230
Impairment loss *3	—	1,954	19,749	—	21,704	—	21,704
Investments for exploration and development, etc. *4	14,325	210,262	177,777	8,314	410,680	—	410,680

- Notes: 1. The “Other” category consists of the operating segments that are not included in the reportable segments, and includes renewable energy & power-related business and CCS & hydrogen business, etc.
2. “Adjustments” are as follows:
- (1) Adjustments of segment profit (loss) include corporate profit (loss) of ¥14,311 million that is not allocated to reportable segments or the “Other” category and elimination of intersegment transactions of ¥(36) million. Corporate profit (loss) mainly consists of foreign exchange gains (losses) of ¥13,968 million managed on a Group-wide basis and ¥(4,063) million as the portion of the amount of the income tax expense of the parent and the financial subsidiary attributable to all companies.
 - (2) Adjustments of depreciation and amortization are depreciation and amortization that are not allocated to any reportable segment or the “Other” category.
3. “Impairment loss” consists of impairment loss on oil and gas assets. Please refer to “16. Impairment of non-financial assets” for details.
4. “Investments for exploration and development, etc.” consists of mainly the total amount of payments for acquisition of exploration and evaluation assets and development and production assets within oil and gas assets and payments incurred during the fiscal year for acquiring shares to participate and make additional investments in projects such as oil, natural gas, and renewable energy. The amount corresponding to the Group’s investment stake in Ichthys LNG Pty Ltd, which is a joint venture, is included in this amount.

For the year ended December 31, 2025

(Millions of yen)

	Reportable segments			Other *1	Total	Adjustments *2	Consolidated
	Oil & Gas Japan	Oil & Gas Overseas					
		Ichthys Project	Other Projects				
Revenue							
Revenue from external customers	192,176	315,069	1,486,928	17,176	2,011,351	—	2,011,351
Intersegment revenue	—	19,784	—	7,206	26,990	(26,990)	—
Total	192,176	334,854	1,486,928	24,383	2,038,342	(26,990)	2,011,351
Exploration expenses	(971)	(62)	(15,699)	—	(16,733)	—	(16,733)
Share of profit (loss) of investments accounted for using equity method *3	—	60,501	17,117	(5,520)	72,099	—	72,099
Finance income	13	90,166	23,941	2,550	116,672	3,521	120,194
Finance costs	(1,148)	(35,157)	(32,341)	(8,134)	(76,781)	(5,379)	(82,161)
Income tax expense	(6,095)	(35,503)	(702,992)	2,619	(741,972)	(1,862)	(743,835)
Segment profit (loss)	22,452	270,801	131,790	(28,795)	396,249	(2,412)	393,836
(Other items)							
Depreciation and amortization	19,892	109,040	218,949	707	348,590	2,781	351,372
Impairment loss *4	—	—	21,405	—	21,405	—	21,405
Gain on reversal of impairment loss *4	—	—	41,253	—	41,253	—	41,253
Investments for exploration and development, etc. *5	15,460	64,360	283,717	26,502	390,041	—	390,041

Notes: 1. The “Other” category consists of the operating segments that are not included in the reportable segments, and includes renewable energy & power-related business and CCS & hydrogen business, etc.

2. “Adjustments” are as follows:

(1) Adjustments of segment profit (loss) include corporate profit (loss) of ¥(2,412) million that is not allocated to reportable segments or the “Other” category. Corporate profit (loss) mainly consists of foreign exchange gains (losses) of ¥(1,013) million managed on a Group-wide basis and ¥(1,862) million as the portion of the amount of the income tax expense of the parent and the financial subsidiary attributable to all companies.

(2) Adjustments of depreciation and amortization are depreciation and amortization that are not allocated to any reportable segment or the “Other” category.

3. Impairment loss on investments accounted for using equity method is included in “Share of profit (loss) of investments accounted for using equity method.” Please refer to “16. Impairment of non-financial assets” for details.

4. “Impairment loss” consists of impairment loss on oil and gas assets and “Gain on reversal of impairment loss” consists of gain on reversal of impairment loss on oil and gas assets. Please refer to “16. Impairment of non-financial assets” for details.

5. “Investments for exploration and development, etc.” consists of mainly the total amount of payments for acquisition of exploration and evaluation assets and development and production assets within oil and gas assets and payments incurred during the fiscal year for acquiring shares to participate and make additional investments in projects such as oil, natural gas, and renewable energy. The amount corresponding to the Group’s investment stake in Ichthys LNG Pty Ltd, which is a joint venture, is included in this amount.

(3) Information on products and services

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

(4) Information by region

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

(Millions of yen)

	For the year ended December 31, 2024	For the year ended December 31, 2025
Japan	722,010	625,880
China	452,507	341,261
Asia	685,418	704,108
Europe	274,691	233,951
Other	131,210	106,150
Total	2,265,837	2,011,351

Notes: 1. Revenues are classified by country or region based on the final destination and customer.

2. The main countries and regions associated with the regional classifications other than Japan and China are as follows:

(1) Asia: Korea, Singapore, Thailand and others

(2) Europe: Italy and others

(3) Other: Australia and others

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

(Millions of yen)

	As of December 31, 2024	As of December 31, 2025
Japan	296,188	299,109
Australia	2,088,258	2,003,420
Europe & NIS region	700,598	804,900
United Arab Emirates	660,697	704,043
Other	194,521	200,433
Total	3,940,265	4,011,905

- Notes: 1. Non-current assets are based on the location of the assets and consist of oil and gas assets, other property, plant and equipment, goodwill, intangible assets and other non-current assets.
2. The main countries and regions associated with the regional classifications other than Japan, Australia and United Arab Emirates are as follows:
(1) Europe & NIS region: Kazakhstan, Norway, Azerbaijan and others
(2) Other: Indonesia, Vietnam and others
3. In Kazakhstan in the European and NIS region, non-current assets were ¥475,712 million as of December 31, 2024 and ¥483,859 million as of December 31, 2025.

(5) Information on major customers

This information is omitted since there is no single external customer that makes up 10% or more of the revenue recorded in the consolidated statement of profit or loss.

8. Cash and cash equivalents

The breakdown of cash and cash equivalents is as follows:

(Millions of yen)

	As of December 31, 2024	As of December 31, 2025
Cash and demand deposits	139,754	131,769
Short-term investments	78,195	10,699
Time deposits with deposit terms of three months or less	23,725	25,937
Cash and cash equivalents in the consolidated statement of financial position	241,675	168,407

Short-term investments held by the Group mainly consist of money market funds. Money market funds constitute highly liquid investments in the short term and are subject to insignificant value fluctuation risk.

The balance of “Cash and cash equivalents” in the consolidated statement of financial position and the balance of “Cash and cash equivalents” in the consolidated statement of cash flows as of December 31, 2024 and December 31, 2025 are the same.

9. Trade and other receivables

The breakdown of trade and other receivables is as follows:

	(Millions of yen)	
	As of December 31, 2024	As of December 31, 2025
Notes and accounts receivable-trade	244,755	212,584
Accounts receivable-other	38,240	65,810
Allowance for doubtful accounts	(15,519)	(15,339)
Total	267,476	263,055

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

10. Inventories

The breakdown of inventories is as follows:

	(Millions of yen)	
	As of December 31, 2024	As of December 31, 2025
Merchandise and finished goods	24,994	25,509
Work in process	808	1,874
Raw materials and supplies	41,439	41,005
Total	67,241	68,389

Inventories recognized as expenses during the period amounted to ¥917,051 million and ¥850,395 million for the years ended December 31, 2024 and December 31, 2025, respectively.

11. Disposal group held for sale

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

	(Millions of yen)	
	As of December 31, 2024	As of December 31, 2025
Investments accounted for using equity method	17,341	—
Total assets	17,341	—

As of December 31, 2024

The investment accounted for using equity method in Japan South Sakha Oil Co., Ltd., an affiliate in the “Oil & Gas Overseas - Other Projects” segment, was classified as a disposal group held for sale due to the decision to sell shares of that company and because the potential to sell the shares was determined to be highly probable. The disposal group is measured at its carrying amount, as the fair value less costs of disposal exceeds the carrying amount. The Company has completed the sales of a portion of the shares held as of December 31, 2024 by the approval date of the consolidated financial statements for the year ended December 31, 2024, in accordance with the stock transfer agreement. The remaining shares are scheduled to be sold in the future.

As of December 31, 2025

Regarding the investment in Japan South Sakha Oil Co., Ltd., which was classified as a disposal group held for sale as of December 31, 2024, the Company completed the sale of the investment in the year ended December 31, 2025.

12. Oil and gas assets

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

(Millions of yen)

Acquisition cost	Exploration and evaluation assets	Development and production assets	Sales and distribution related assets	Total
As of January 1, 2024	227,575	5,386,188	345,849	5,959,614
Acquisitions	47,649	237,799	7,842	293,292
Acquisition through business combination	—	40,907	—	40,907
Disposals	(4,522)	(14,589)	(54)	(19,166)
Expensed as exploration expenses	(38,233)	—	—	(38,233)
Exchange differences on translation of foreign operations	22,862	573,624	895	597,382
Other *1	(717)	(40,396)	7,847	(33,266)
As of December 31, 2024	254,614	6,183,533	362,380	6,800,528
Acquisitions	25,282	300,372	3,705	329,359
Acquisition through business combination	1,230	62,991	—	64,221
Disposals *2	(1,271)	(20,626)	(808)	(22,706)
Transfer from Exploration and evaluation assets to Development and production assets	(31,199)	31,199	—	—
Expensed as exploration expenses	(3,797)	—	—	(3,797)
Exchange differences on translation of foreign operations	293	(23,829)	(89)	(23,625)
Other *1	—	26,068	(10,065)	16,003
As of December 31, 2025	245,152	6,559,709	355,122	7,159,984

Notes: 1. "Other" includes the impact of changes in estimates of asset retirement obligations and lease liabilities.

2. "Disposals" include a decrease of ¥(16,997) million resulting from a farm-out transaction relating to development and production assets.

(Millions of yen)

Accumulated depreciation and impairment losses	Exploration and evaluation assets	Development and production assets	Sales and distribution related assets	Total
As of January 1, 2024	(30,688)	(2,117,455)	(209,911)	(2,358,055)
Depreciation *1	—	(346,782)	(7,854)	(354,636)
Impairment loss *2	(5,707)	(15,996)	—	(21,704)
Disposals	—	10,632	47	10,680
Exchange differences on translation of foreign operations	(2,341)	(220,836)	(310)	(223,488)
Other	—	1,807	94	1,902
As of December 31, 2024	(38,736)	(2,688,631)	(217,934)	(2,945,302)
Depreciation *1	—	(336,970)	(8,500)	(345,471)
Impairment loss *2	(13,188)	(8,216)	—	(21,405)
Gain on reversal of impairment loss*2	—	41,253	—	41,253
Disposals	—	2,281	782	3,063
Exchange differences on translation of foreign operations	(821)	(2,559)	(16)	(3,397)
Other	—	256	—	256
As of December 31, 2025	(52,746)	(2,992,586)	(225,668)	(3,271,001)

Notes: 1. "Depreciation" is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of profit or loss.

2. Please refer to "16. Impairment of non-financial assets" for details of impairment loss and gain on reversal of impairment loss.

Carrying amount of oil and gas assets is as follows:

	(Millions of yen)			
Carrying amount	Exploration and evaluation assets	Development and production assets	Sales and distribution related assets	Total
As of January 1, 2024	196,887	3,268,733	135,937	3,601,558
As of December 31, 2024	215,877	3,494,902	144,446	3,855,226
As of December 31, 2025	192,405	3,567,123	129,453	3,888,982

Amounts of oil and gas assets under construction included and recognized in the carrying amounts above were ¥445,854 million as of December 31, 2024 and ¥547,739 million as of December 31, 2025.

Please refer to “37. Commitments” for commitments related to acquisition of oil and gas assets.

13. Other property, plant and equipment

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

Acquisition cost	Buildings and structures	Machinery, equipment and vehicles	Land	Construction in progress	Other	Total
As of January 1, 2024	27,600	13,040	5,897	2,119	6,153	54,811
Acquisitions	233	848	—	6,182	283	7,549
Disposals	(564)	(113)	(261)	—	(208)	(1,147)
Transfer from construction in progress	7,428	125	—	(8,045)	491	—
Exchange differences on translation of foreign operations	677	1	—	9	146	835
Other	487	—	—	—	(2)	484
As of December 31, 2024	35,864	13,902	5,635	265	6,864	62,533
Acquisitions	554	388	—	314	290	1,548
Disposals	(240)	(196)	(81)	—	(38)	(557)
Transfer from construction in progress	24	—	—	(119)	94	—
Exchange differences on translation of foreign operations	11	1	—	27	18	58
Decrease due to exclusion from consolidation	(372)	(4,857)	(131)	—	(37)	(5,399)
Other	1	1	—	—	—	2
As of December 31, 2025	35,842	9,240	5,421	488	7,193	58,186

(Millions of yen)

Accumulated depreciation and impairment losses	Buildings and structures	Machinery, equipment and vehicles	Land	Construction in progress	Other	Total
As of January 1, 2024	(14,176)	(10,365)	—	—	(4,789)	(29,330)
Depreciation *	(2,929)	(694)	—	—	(396)	(4,019)
Disposals	382	110	—	—	181	674
Exchange differences on translation of foreign operations	(322)	—	—	—	(115)	(439)
Other	—	(553)	—	—	—	(553)
As of December 31, 2024	(17,046)	(11,503)	—	—	(5,119)	(33,668)
Depreciation *	(3,264)	(482)	—	—	(339)	(4,086)
Disposals	190	194	—	—	35	420
Exchange differences on translation of foreign operations	(34)	(0)	—	—	(10)	(45)
Decrease due to exclusion from consolidation	356	4,467	—	—	31	4,855
Other	(65)	(1)	—	—	(19)	(85)
As of December 31, 2025	(19,863)	(7,325)	—	—	(5,421)	(32,610)

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

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

(Millions of yen)

Carrying amount	Buildings and structures	Machinery, equipment and vehicles	Land	Construction in progress	Other	Total
As of January 1, 2024	13,424	2,675	5,897	2,119	1,364	25,481
As of December 31, 2024	18,818	2,399	5,635	265	1,745	28,864
As of December 31, 2025	15,979	1,914	5,421	488	1,771	25,576

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

14. Goodwill and intangible assets

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

(Millions of yen)

Acquisition cost	Goodwill	Intangible assets		
		Software	Other	Total
As of January 1, 2024	20,471	22,747	12,110	34,857
Acquisitions	—	1,031	8,036	9,068
Disposals	—	(202)	(126)	(329)
Exchange differences on translation of foreign operations	44	1,115	622	1,737
Other	—	1	45	47
As of December 31, 2024	20,515	24,693	20,688	45,381
Acquisitions	—	855	14,914	15,770
Acquisition through business combination	23,215	—	—	—
Disposals	—	(150)	(88)	(239)
Exchange differences on translation of foreign operations	2,820	(106)	629	523
Other	—	0	(22)	(21)
As of December 31, 2025	46,551	25,292	36,121	61,414

(Millions of yen)

Accumulated amortization and impairment losses	Goodwill	Intangible assets		
		Software	Other	Total
As of January 1, 2024	—	(20,200)	(5,624)	(25,824)
Amortization *	—	(888)	(827)	(1,716)
Disposals	—	193	46	239
Exchange differences on translation of foreign operations	—	(1,025)	(40)	(1,065)
As of December 31, 2024	—	(21,921)	(6,445)	(28,366)
Amortization *	—	(1,017)	(272)	(1,290)
Disposals	—	132	63	196
Exchange differences on translation of foreign operations	—	88	(67)	20
Other	—	—	(614)	(614)
As of December 31, 2025	—	(22,717)	(7,335)	(30,053)

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

Carrying amount of goodwill and intangible assets is as follows:

(Millions of yen)

Carrying amount	Goodwill	Intangible assets		
		Software	Other	Total
As of January 1, 2024	20,471	2,547	6,485	9,033
As of December 31, 2024	20,515	2,771	14,243	17,015
As of December 31, 2025	46,551	2,574	28,785	31,360

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

15. Leases

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

The breakdown of lease-related expenses is as follows:

	(Millions of yen)	
	For the year ended December 31, 2024	For the year ended December 31, 2025
Depreciation associated with right-of-use assets		
Oil and gas assets		
Development and production assets	25,745	8,000
Sales and distribution related assets	1,386	1,366
Subtotal	27,131	9,367
Other property, plant and equipment		
Buildings and structures	2,458	2,561
Total	29,590	11,929
Interest expense on lease liabilities	1,546	1,347
Expense for short-term leases	7,290	817
Total	8,837	2,164

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

	(Millions of yen)	
	For the year ended December 31, 2024	For the year ended December 31, 2025
Right-of-use assets		
Oil and gas assets		
Development and production assets	37,811	38,352
Sales and distribution related assets	22,333	10,796
Subtotal	60,144	49,148
Other property, plant and equipment		
Buildings and structures	5,320	3,068
Total	65,465	52,216

The total increase in right-of-use assets through new acquisition during the years ended December 31, 2024 and December 31, 2025 were ¥2,713 million and ¥8,228 million, respectively.

The total cash outflow related to leases during the years ended December 31, 2024 and December 31, 2025 were ¥31,451 million and ¥19,837 million, respectively.

The total future cash outflow related to lease contracts that have not yet commenced during the years ended December 31, 2024 and December 31, 2025 were ¥79,813 million and ¥86,858 million, respectively.

Please refer to “31. Financial instruments” for the maturity analysis of lease liabilities. Lease liabilities are recorded in “Other financial liabilities” in the consolidated statement of financial position.

16. Impairment of non-financial assets

(1) Impairment loss and gain on reversal of impairment loss

The breakdown of impairment losses and gains on reversal of impairment loss by segment is as follows:

(Millions of yen)

	For the year ended December 31, 2024			For the year ended December 31, 2025		
	Oil and gas assets		Investments accounted for using equity method	Oil and gas assets		Investments accounted for using equity method
	Exploration and evaluation assets	Development and production assets		Exploration and evaluation assets	Development and production assets	
Impairment loss						
Oil & Gas						
Overseas - Ichthys Project	1,954	—	—	—	—	—
Oil & Gas						
Overseas - Other Projects	3,752	15,996	—	13,188	8,216	—
Other	—	—	—	—	—	7,023
Total	5,707	15,996	—	13,188	8,216	7,023
Gain on reversal of impairment loss						
Oil & Gas						
Overseas - Other Projects	—	—	—	—	41,253	—
Total	—	—	—	—	41,253	—

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

For the year ended December 31, 2024

Regarding the Prelude FLNG project of the “Oil & Gas Overseas - Other Projects” segment, an impairment test was conducted due to confirmed indications of impairment as a result of the decline in the short-term outlook for crude oil prices and production volume. As a result, the carrying amount of oil and gas assets related to the project was reduced to its recoverable amount, and an impairment loss of ¥14,713 million was recorded. The recoverable amount of ¥181,375 million is measured by value in use, which is calculated by discounting future cash flows to present value using a pre-tax discount rate of 11.6%.

For the year ended December 31, 2025

With respect to the Offshore North Caspian Sea Contract Area Project in the “Oil & Gas Overseas - Other Projects” segment, for which an impairment loss had been recognized in the past, indications of reversal of impairment loss were recognized due to factors such as a decline in the applicable discount rate from the end of the previous fiscal year and an increase in operational efficiency of the project’s operating facilities. As a result, a gain on reversal of impairment loss of ¥41,253 million was recognized, limited to the carrying amount that would have been determined had no impairment loss been recognized. The recoverable amount of ¥684,370 million is measured by value in use, which is calculated by discounting future cash flows to present value using a pre-tax discount rate of 9.09%.

Impairment losses of ¥7,023 million were recorded for certain investments accounted for using equity method related to renewable energy & power-related business included in the “Other” segment. These were mainly attributable to the recognition of indicators of impairment arising from delays and related issues with the long-term business plan at the Sarulla Geothermal Power Project, which led to the conduct of an impairment test.

Please refer to “4. Critical accounting estimates and judgments (1) Impairment of non-financial assets” for key assumptions related to the impairment loss.

(2) Impairment of goodwill

Goodwill arising from business combinations is allocated to the cash-generating unit or group of cash-generating units that will derive synergies generated by the business combination at the acquisition date.

The breakdown of the carrying amount of goodwill by segment and, by the cash-generating unit or by group of cash-generating units is as follows:

(Millions of yen)			
Reportable segment	Cash generating unit or group of cash generating units	As of December 31, 2024	As of December 31, 2025
	INPEX Idemitsu Norge AS	20,515	23,794
Oil & Gas Overseas — Other Projects	Goodwill arising from deferred tax recognized in the business combination on October 31, 2025 *	—	22,757

Note: As described in “6. Business combination,” the value is provisionally calculated since the adjustment and allocation of the consideration paid had not been completed as of December 31, 2025.

In the years ended December 31, 2024 and December 31, 2025, the recoverable amount for impairment testing was calculated based on value in use. Value in use is calculated by discounting the estimated future cash flows over the probable productive years based on the total quantity of proved and probable reserves in mining areas held to present value based on the pre-tax weighted average cost of capital of the relevant cash-generating unit or group of cash-generating units. Key assumptions in estimating cash flows are reserves and future oil prices. Please refer to “4. Critical accounting estimates and judgments” for details. The post-tax discount rate used in the calculation was 5.4 - 5.9% (4.9% in the year ended December 31, 2024). The pre-tax discount rate was 10.0 - 19.5% (6.0% in the year ended December 31, 2024) due to characteristics such as high tax rates and future cash flows, etc. in the regions where the cash-generating unit or group of cash-generating units operates.

Although there is a risk of impairment if the key assumptions used for impairment testing change, value in use is well above the carrying amount of the cash-generating unit or group of cash-generating units, and it is considered unlikely that value in use would be less than the carrying amount even if the key assumptions used for impairment testing changed within a reasonably foreseeable range.

17. Income taxes

(1) Deferred tax assets and deferred tax liabilities

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

(Millions of yen)

	Consolidated statement of financial position	
	As of December 31, 2024	As of December 31, 2025
Deferred tax assets		
Net operating loss carry-forwards	37,238	22,166
Excess depreciation	41,936	52,530
Liability for retirement benefits	2,787	2,905
Translation differences of assets and liabilities denominated in foreign currencies	3,134	2,807
Asset retirement obligations	88,514	134,208
Impairment loss	43,061	42,946
Lease liabilities	17,810	14,038
Other	60,265	66,475
Total	294,747	338,078
Deferred tax liabilities		
Foreign taxes	(548,426)	(631,258)
Valuation differences due to an application of the purchase method	(10,469)	(11,625)
Financial assets measured at FVOCI	(4,826)	(3,123)
Right-of-use assets	(14,018)	(9,347)
Investments on subsidiaries, etc. *	(28,976)	(231,660)
Other	(11,691)	(17,069)
Total	(618,409)	(904,084)
Net amount	(323,661)	(566,005)

Note: "Investments on subsidiaries, etc." of deferred tax liabilities as of December 31, 2025 includes deferred tax liabilities recognized due to the determination that the likelihood of temporary differences reversing within a foreseeable period has increased, in light of the capital policy of the Group, as described in "29. Other comprehensive income." This is related to the paid-in capital reductions described in "27. Other operating income and other operating expenses."

(Millions of yen)

	Consolidated statement of profit or loss	
	For the year ended December 31, 2024	For the year ended December 31, 2025
Deferred tax assets		
Net operating loss carry-forwards	(13,142)	(15,764)
Excess depreciation	8,288	10,211
Liability for retirement benefits	(724)	(278)
Translation differences of assets and liabilities denominated in foreign currencies	(2,782)	(386)
Asset retirement obligations	(6,579)	16,076
Impairment loss	3,217	3,990
Lease liabilities	(7,416)	(3,813)
Other	17,926	6,186
Total	(1,213)	16,221
Deferred tax liabilities		
Foreign taxes	(32,980)	(29,743)
Valuation differences due to an application of the purchase method	1,596	(282)
Financial assets measured at FVOCI	—	—
Right-of-use assets	1,527	4,530
Investments on subsidiaries, etc.	(7,045)	(633)
Other	2,766	(6,008)
Total	(34,134)	(32,137)
Net amount	(35,347)	(15,916)

(Change in presentation)

“Investments on subsidiaries, etc.,” previously included in “Other” in deferred tax liabilities, is presented separately since it has become material in the consolidated statement of financial position. As such, the balance of “Investments on subsidiaries, etc.” for the year ended December 31, 2024 has been reclassified to reflect this change in presentation.

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

(Millions of yen)

	For the year ended December 31, 2024	For the year ended December 31, 2025
At beginning of the year	(259,962)	(323,661)
Amount recorded in deferred tax expense	(35,347)	(15,916)
Amount recorded in other comprehensive income *1	(798)	(200,347)
Increase (decrease) due to business combination	—	(22,757)
Other *2	(27,553)	(3,323)
At end of the year	(323,661)	(566,005)

Notes: 1. “Amount recorded in other comprehensive income” for the year ended December 31, 2025 includes deferred tax liabilities recognized due to the determination that the likelihood of temporary differences reversing within a foreseeable period has increased, in light of the capital policy of the Group, as described in “29. Other comprehensive income.” This is related to the paid-in capital reductions described in “27. Other operating income and other operating expenses.”

2. “Other” is mainly due to exchange differences.

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

(Millions of yen)

	As of December 31, 2024	As of December 31, 2025
Deferred tax assets	64,555	62,145
Deferred tax liabilities	(388,217)	(628,151)
Net amount	(323,661)	(566,005)

Deferred tax assets as of December 31, 2024 and December 31, 2025 attributable to taxable entities that incurred losses during the years ended December 31, 2024 and December 31, 2025 were ¥33,076 million and ¥23,264 million, respectively. The Group determines the recoverability of deferred tax assets for deductible temporary differences by considering taxable income and tax planning based on future earning capacity attributable to reserves, etc.

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

(Millions of yen)

	As of December 31, 2024	As of December 31, 2025
Deductible temporary differences	638,529	649,281
Net operating loss carryforwards	778,908	723,650
Total	1,417,438	1,372,932

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

(Millions of yen)

	As of December 31, 2024	As of December 31, 2025
1 year or less	9,998	1,241
More than 1 year and up to 5 years	4,677	11,129
More than 5 years and up to 10 years	80,383	76,137
More than 10 years	48,847	18,329
Not due to be carried forward	635,003	616,812
Total	778,908	723,650

(2) Income tax expense

The breakdown of income tax expense is as follows:

	(Millions of yen)	
	For the year ended December 31, 2024	For the year ended December 31, 2025
Current tax expense	829,225	727,919
Deferred tax expense		
Occurrence and reversal of temporary differences, etc.	62,594	10,668
Change in tax rate	9,921	42
Write-downs and reversals of write-downs of deferred tax assets	(37,168)	5,204
Total	864,573	743,835

Current tax expense includes the amount of previously unrecognized tax losses, tax credits, or benefits arising from temporary differences in prior periods. The decrease in current tax expense associated with this during the years ended December 31, 2024 and December 31, 2025 were ¥27,651 million and ¥18,579 million, respectively.

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

	(%)	
	For the year ended December 31, 2024	For the year ended December 31, 2025
Statutory tax rate	28.0	30.6
Changes in unrecognized deferred tax assets	(3.1)	(0.3)
Foreign tax	34.8	34.1
Foreign tax credit	(4.3)	(7.8)
Adjustment for deductible foreign taxes	(4.5)	(4.4)
Differences of effective tax rates applied to tax effect accounting (foreign subsidiaries)	20.3	17.0
Share of profit (loss) of investments accounted for using equity method	(2.3)	(1.9)
Effect of subsidiary reorganization	(3.0)	(1.7)
Other	0.7	(2.2)
Average actual tax rate	66.6	63.4

From fiscal year beginning on or after January 1, 2025, the Company has changed the statutory tax rate used to calculate deferred tax assets and deferred tax liabilities from the previous 28.0% to 30.6%. As a result, the Group has presented the statutory tax rate of 30.6% for the year ended December 31, 2025 in the table above, together with a reconciliation to the Group's average actual tax rate. Due to the enactment of the "Act for Partial Revision of the Income Tax Act, etc." (Act No. 13 of 2025) in the Japanese Diet on March 31, 2025, the "Special Corporation Tax for National Defense" will be imposed from the fiscal years beginning on or after April 1, 2026. Accordingly, the effective statutory tax rate used for calculating deferred tax assets and deferred tax liabilities was changed from the previous rate of 30.6% to 31.5% for temporary differences expected to be reversed in or after the fiscal year beginning on January 1, 2027. The impact of this tax rate change on the consolidated financial statements is immaterial. The Group applies the amendments to IAS 12, "Income Taxes," issued on May 23, 2023. These amendments temporarily exempt the recognition and disclosure of deferred taxes for taxes arising from the Pillar Two model rules (hereinafter "Pillar Two income taxes") issued by the Organisation for Economic Co-operation and Development (OECD.) The amendments also require new disclosures regarding Pillar Two exposures.

The Group has applied this exception and has not recognized or disclosed deferred taxes related to Pillar Two income taxes. No amounts were recognized as tax expense for the years ended December 31, 2024 and December 31, 2025 due to these regulations.

18. Trade and other payables

The breakdown of trade and other payables is as follows:

	(Millions of yen)	
	As of December 31, 2024	As of December 31, 2025
Accounts payable-trade	49,383	30,977
Accounts payable-other	100,636	135,487
Accrued expenses	42,557	51,226
Total	192,576	217,690

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

19. Bonds and borrowings

The breakdown of borrowings is as follows:

	(Millions of yen)			
	As of December 31, 2024	As of December 31, 2025	Average interest rate (%)*1	Maturity *2
Current liabilities				
Commercial papers	79,980	299,696	—	—
Short-term borrowings	6,230	82,581	1.8	—
Current portion of long-term borrowings	107,635	149,204	4.1	—
Total	193,847	531,482		
Non-current liabilities				
Long-term borrowings	840,064	683,264	4.2	2027 to 2036
Total	840,064	683,264		

Notes: 1. "Average interest rate" is calculated using the weighted average rate of the outstanding balance as of December 31, 2025.

2. "Maturity" is the maturity of the outstanding balance as of December 31, 2025.

The breakdown of bonds payable is as follows:

(Millions of yen)							
Company name	Bond name	Date of issue	As of December 31, 2024	As of December 31, 2025	Interest rate (%)	Collateral	Maturity
INPEX CORPO- RATION	1 st , unsecured bond (with inter-bond pari passu clause)	March 16, 2021	10,000	10,000 (10,000)	0.08	Unsecured	March 16, 2026
INPEX CORPO- RATION	2 nd , unsecured bond (with inter-bond pari passu clause)	March 16, 2021	10,000	10,000	0.30	Unsecured	March 14, 2031
INPEX CORPO- RATION	3 rd , unsecured bond (with inter-bond pari passu clause) (Green Bonds)	October 15, 2021	10,000	10,000	0.25	Unsecured	October 15, 2031
Total			30,000	30,000 (10,000)			

Notes: Amounts in parentheses represent the current portion of bonds.

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

20. Employee benefits

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

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

(1) Defined benefit plans

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

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

	(Millions of yen)	
	As of December 31, 2024	As of December 31, 2025
Defined benefit plan obligations for funded plans	22,956	21,517
Plan assets	(30,280)	(33,642)
Defined benefit plan obligations for unfunded plans	1,321	1,358
Impact of asset ceiling	6,419	11,144
Net of defined benefit liabilities and assets recognized in the consolidated statement of financial position	416	378
Liability for retirement benefits	1,321	1,358
Asset for retirement benefits	(904)	(980)
Net of defined benefit liabilities and plan assets recognized in the consolidated statement of financial position	416	378

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

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

(Millions of yen)

	For the year ended December 31, 2024	For the year ended December 31, 2025
Present value of defined benefit plan obligations at beginning of the year	24,315	24,277
Service cost	1,779	1,436
Interest cost	465	570
Remeasurements		
Actuarial difference arising from change in demographic assumptions	111	19
Actuarial difference arising from change in financial assumptions	(958)	(2,118)
Actuarial difference arising from revision of actual results	135	14
Benefit payments	(1,535)	(1,748)
Exchange differences on translation of foreign operations	52	524
Other	(88)	(99)
Present value of defined benefit plan obligations at end of the year	24,277	22,876

The weighted average duration of defined benefit plan obligations as of December 31, 2024 and December 31, 2025 is 12.2 years and 11.2 years, respectively.

[3] Reconciliation of fair value of plan assets

Changes in fair value of plan assets are as follows:

(Millions of yen)

	For the year ended December 31, 2024	For the year ended December 31, 2025
Fair value of plan assets at beginning of the year	28,018	30,280
Interest income	522	712
Remeasurements		
Return on plan assets	1,209	1,966
Contributions to the plans	1,592	1,447
Benefit payments	(957)	(1,102)
Exchange differences on translation of foreign operations	1	400
Other	(107)	(62)
Fair value of plan assets at end of the year	30,280	33,642

The Group plans to contribute premiums of ¥1,266 million for the year ending December 31, 2026.

[4] Itemized breakdown of plan assets

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

(Millions of yen)

	As of December 31, 2024			As of December 31, 2025		
	With an active market	Without an active market	Total	With an active market	Without an active market	Total
Equity investments (domestic)	1,270	2,947	4,217	155	3,991	4,146
Equity investments (foreign)	398	2,502	2,900	713	5,130	5,844
Bonds (domestic)	—	—	—	—	3,736	3,736
Bonds (foreign)	—	7,526	7,526	—	6,010	6,010
Alternative assets *	—	8,550	8,550	—	6,913	6,913
Life insurance general account	—	5,885	5,885	—	5,261	5,261
Other	—	1,200	1,200	—	1,729	1,729
Total	1,668	28,612	30,280	869	32,772	33,642

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

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

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

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

[5] Impact of asset ceiling

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

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

(Millions of yen)

	For the year ended December 31, 2024	For the year ended December 31, 2025
Impact at beginning of the year	3,609	6,419
Remeasurements		
Change in impact of asset ceiling	2,809	4,725
Impact at end of the year	6,419	11,144

[6] Principal actuarial assumptions

The main assumptions used in actuarial calculations are as follows:

	As of December 31, 2024	As of December 31, 2025
Discount rate (%)	2.2	3.2

[7] Sensitivity analysis

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

	(Millions of yen)	
	As of December 31, 2024	As of December 31, 2025
When the discount rate increases by 0.5%	(1,075)	(854)
When the discount rate decreases by 0.5%	1,147	906

(2) Defined contribution plans

The amounts recognized as expenses in relation to defined contribution plans during the years ended December 31, 2024 and December 31, 2025 were ¥6,963 million and ¥7,189 million, respectively.

(3) Employee benefit expenses

The total employee benefit expenses included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of profit or loss for the years ended December 31, 2024 and December 31, 2025 were ¥46,997 million and ¥50,238 million, respectively.

21. Asset retirement obligations

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

Changes in asset retirement obligations are as follows:

	(Millions of yen)
	For the year ended December 31, 2025
At beginning of the year	396,937
Increase during the period	14,631
Accretion expenses	13,694
Obligations settled	(9,619)
Change in estimates *	37,679
Exchange differences on translation of foreign operations	8,087
Increase through business combination	32,460
Other increase (decrease)	(167)
At end of the year	493,703

Note: The change in estimates was made mainly because it became evident that the costs to be incurred after cessation of operations would increase at certain subsidiaries.

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

	(Millions of yen)
	For the year ended December 31, 2025
Current liabilities	15,885
Non-current liabilities	477,817
Total	493,703

The estimated period until fulfillment of the obligations constitutes either the number of productive years or the number of years until completion of the contract period (from within 1 year to 40 years), and the discount rate used in the calculation is between 0.9% and 5.3%.

For such obligations, the timing of expenditures may be unknown or may be several decades in the future. In addition, such obligations are subject to the impact of shortening the estimated time to fulfill the obligations depending on future policies and laws and regulations of each government regarding climate change, changes in work methods for mine abandonment, and rising prices of drilling equipment and materials, among other factors.

Regarding its natural gas pipeline, which serves as a domestic gas sales and distribution related facility, the Company has obligations to restore sites to their original condition upon business termination in accordance with lease contracts. The natural gas pipeline is currently being utilized as supply infrastructure with a high level of public significance and plans call for its very prolonged period of use as supply infrastructure with a high level of public significance on an ongoing basis. Therefore, it is not possible to determine a date of business termination as of December 31, 2025. In addition, there are no reliable fundamental quantitative figures such as discount rates for the relevant period due to plans calling for its very prolonged period of use. Based on the aforementioned, asset retirement obligations have not been recognized given that it is not possible to come up with reliable estimates with respect to such obligations.

The Company continues to check the business environment each fiscal year so that it will be possible to record asset retirement obligations in the event that changes in the business environment that would make it possible to determine a business termination date have been identified.

22. Equity and other equity items

(1) Capital management

The Company seeks to develop and maintain an optimal capital structure in order to achieve medium- to long-term group strategies and maximize corporate value.

The indicators the Company focuses on for capital management purposes are the ratio of equity attributable to owners of parent and net debt equity ratio (net D/E ratio). The target for these indicators is reported to and monitored by management on a continuous basis. The indicators as of December 31, 2024 and December 31, 2025 are as follows:

	As of December 31, 2024	As of December 31, 2025	(%)
Ratio of equity attributable to owners of parent *1	65.3	61.4	
Net D/E ratio *2	17.1	22.7	

Notes: 1. Total equity attributable to owners of parent / total assets

2. (Interest-bearing debts — cash and cash equivalents) / total equity attributable to owners of parent

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

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

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

	Common Stock		Class A Stock		(Shares)
	Number of shares authorized	Total number of shares issued	Number of shares authorized	Total number of shares issued	
As of January 1, 2024	3,600,000,000	1,386,667,167	1	1	
Increase (decrease) during the period *	—	(127,531,100)	—	—	
As of December 31, 2024	3,600,000,000	1,259,136,067	1	1	
Increase (decrease) during the period	—	—	—	—	
As of December 31, 2025	3,600,000,000	1,259,136,067	1	1	

Note: The changes in the total number of shares of common stock issued in the year ended December 31, 2024 were due to a decrease of 127,531,100 shares resulting from the cancellation of treasury stock.

The shares issued by the Company have no par value, and all outstanding shares have been fully paid.

The common stock is standard stock with no restrictions on the rights of shareholders. The number of shares constituting a unit is 100 shares, and each share unit has one voting right.

Class A stock has no voting rights, except as otherwise provided by law. Dividends of surplus or interim dividends for Class A stock shall be paid in an amount calculated by multiplying the amount of dividends of surplus or interim dividends for one share of common stock by 400. Class A stock shareholders have the right to claim distribution of residual assets in the amount calculated by multiplying the amount of residual assets to be distributed for each common stock of the Company by 400.

Approval of the holder of the Class A Stock is necessary in addition to resolutions of the General Meeting of Shareholders and resolutions of the Board of Directors for decisions on certain important matters such as: the appointment or removal of Directors; disposition of material assets; changes to the Articles of Incorporation; business integration, capital reduction or company dissolution in connection with the business of the Company. Accordingly, the Minister of Economy, Trade and Industry, as the holder of the Class A Stock, has veto rights over such important matters.

Such veto rights can be exercised only when it is judged to be highly probable that the Company will be managed in a manner which is inconsistent with the role it should play as a principal company for efficient achievement of a stable supply of energy to Japan, if :

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

(3) Treasury stock

The number of treasury stock is as follows:

	(Shares)	
	For the year ended December 31, 2024	For the year ended December 31, 2025
Total number of treasury stock:		
Common stock		
At beginning of the year	128,422,706	61,536,239
Increase (decrease) during the period *	(66,886,467)	32,206,129
At end of the year	61,536,239	93,742,368

Note: The main factors for the changes in the number of treasury stock during the year ended December 31, 2024 were an increase of 60,708,200 shares due to the purchase of treasury stock by resolution of the Board of Directors and a decrease of 127,531,100 shares due to the cancellation of treasury stock by resolution of the Board of Directors and a decrease of 63,710 shares due to delivery of the Company's stock by the Board Incentive Plan (BIP) Trust for remuneration for directors (and other officers).

The main factors for the changes in the number of treasury stock during the year ended December 31, 2025 were an increase of 32,021,800 shares due to the purchase of treasury stock by resolution of the Board of Directors and an increase of 195,400 shares due to the purchase of the Company's stock by the Board Incentive Plan (BIP) Trust for remuneration for directors (and other officers) and a decrease of 11,041 shares due to delivery of the Company's stock by the Board Incentive Plan (BIP) Trust for remuneration for directors (and other officers).

(4) Capital surplus

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

(5) Retained earnings

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

(6) Other components of equity

[1] Exchange differences on translation of foreign operations

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

[2] Cash flow hedges

This is the effective portion of the change of the hedging instrument in cash flow hedges.

[3] Financial assets measured at FVOCI

These are the changes in fair value of financial assets measured at FVOCI.

[4] Remeasurement gains (losses) on defined benefit plans

The effect of differences between the actuarial assumptions at the beginning of the year and actual experience, and the effect of changes in actuarial assumptions. These are recognized in other comprehensive income as incurred and transferred immediately from accumulated other comprehensive income to retained earnings.

23. Dividends

Dividends paid are as follows:

For the year ended December 31, 2024

Resolutions	Type of share	Cash dividends paid (Millions of yen)	Cash dividends per share (Yen)	Record date	Effective date
March 26, 2024 Ordinary General Meeting of Shareholders	Common stock	46,588	37	December 31, 2023	March 27, 2024
	Class A Stock	0	14,800	December 31, 2023	March 27, 2024
August 8, 2024 Board of Directors Meeting	Common stock	53,690	43	June 30, 2024	September 2, 2024
	Class A Stock	0	17,200	June 30, 2024	September 2, 2024

Notes: 1. The total amount of dividends (common stock) resolved at the Ordinary General Meeting of Shareholders on March 26, 2024 includes dividends of ¥32 million for shares held by the Board Incentive Plan (BIP) Trust for remuneration for directors (and other officers).
2. The total amount of dividends (common stock) resolved at the Board of Directors Meeting on August 8, 2024 includes dividends of ¥35 million for shares held by the Board Incentive Plan (BIP) Trust for remuneration for directors (and other officers).

For the year ended December 31, 2025

Resolutions	Type of share	Cash dividends paid (Millions of yen)	Cash dividends per share (Yen)	Record date	Effective date
March 28, 2025 Ordinary General Meeting of Shareholders	Common stock	51,532	43	December 31, 2024	March 31, 2025
	Class A Stock	0	17,200	December 31, 2024	March 31, 2025
August 8, 2025 Board of Directors Meeting	Common stock	59,921	50	June 30, 2025	September 1, 2025
	Class A Stock	0	20,000	June 30, 2025	September 1, 2025

Notes: 1. The total amount of dividends (common stock) resolved at the Ordinary General Meeting of Shareholders on March 28, 2025 includes dividends of ¥35 million for shares held by the Board Incentive Plan (BIP) Trust for remuneration for directors (and other officers).
2. The total amount of dividends (common stock) resolved at the Board of Directors Meeting on August 8, 2025 includes dividends of ¥51 million for shares held by the Board Incentive Plan (BIP) Trust for remuneration for directors (and other officers).

Dividends whose effective dates are in the year ending December 31, 2026 are as follows:

For the year ended December 31, 2025

Resolutions	Type of share	Cash dividends paid (Millions of yen)	Cash dividends per share (Yen)	Record date	Effective date
March 27, 2026 Ordinary General Meeting of Shareholders	Common stock	58,320	50	December 31, 2025	March 30, 2026
	Class A Stock	0	20,000	December 31, 2025	March 30, 2026

Note: The total amount of dividends (common stock) includes dividends of ¥50 million for shares held by the Board Incentive Plan (BIP) Trust for remuneration for directors (and other officers).

24. Share-based remuneration transactions

(1) Details of share-based remuneration plans

In 2018, the Company introduced a stock-based remuneration system for Directors, etc. with the aim of increasing the incentive for Directors, etc. to contribute to the medium- to long-term improvement of the corporate value of the Company by making clear the link between the remuneration of Directors, etc. and the Company's stock price. In the introduction of the System, a structure called "the Board Incentive Plan Trust" shall be adopted.

(1) Outline of the System

"The Board Incentive Plan Trust" is a system in which shares of the Company acquired by the trust and an amount of money equivalent to the proceeds from the disposal of shares of the Company are delivered and provided to the Directors, etc. in general at the time of their retirement, according to their positions and the degree of target achievement, etc. This system is accounted for as equity-settled share-based compensation.

(2) Shares of the Company that remain in the trust

Shares of the Company that remain in the trust are recorded as treasury stock in the consolidated statement of financial position with the carrying value of the trust. The carrying amounts and number of treasury stock as of December 31, 2024 and December 31, 2025 were ¥1,235 million and 827,850 shares and ¥1,604 million and 1,012,209 shares, respectively.

(2) Number of granted points and fair value

The compensation for received services is measured at the fair value of the Company shares as of the grant date, and is considered as expenses during the right vesting period. The same amount thereof is considered as an increase in equity. The fair value of points granted during the years ended December 31, 2024 and December 31, 2025 approximates the share price on the date of grant, so the share price on the date of grant is used. Expenses recorded in relation to share-based remuneration plans during the years ended December 31, 2024 and December 31, 2025 were ¥200 million and ¥243 million, respectively.

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

	For the year ended December 31, 2024	For the year ended December 31, 2025
Number of points granted during the period	130,734	132,962
Fair value per point (Yen)	1,533	1,833

25. Revenue

(1) Disaggregation of revenue

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

For the year ended December 31, 2024

(Millions of yen)

	Reportable segment			Other	Total
	Oil & Gas Japan	Oil & Gas Overseas			
		Ichthys Project	Other Projects		
Crude oil	3,725	150,739	1,544,937	12,059	1,711,461
Natural gas (excluding LPG)	193,154	222,523	109,591	283	525,553
Other	20,447	—	3,392	4,490	28,330
Revenue from contracts with customers	217,327	373,263	1,657,921	16,833	2,265,345
Other revenue *	(373)	—	—	865	492
Revenue from external customers	216,953	373,263	1,657,921	17,699	2,265,837

Note: "Other revenue" mainly includes grants, rental income in accordance with IFRS 16 "Leases," and gains or losses arising from derivative transactions in accordance with IFRS 9 "Financial Instruments." These derivative transactions are conducted to mitigate price fluctuation risks associated with certain crude oil sales transactions. Since the gains or losses from these transactions are settled on a net basis, the net amount of derivative gains or losses is included in revenue.

For the year ended December 31, 2025

(Millions of yen)

	Reportable segment			Other	Total
	Oil & Gas Japan	Oil & Gas Overseas			
		Ichthys Project	Other Projects		
Crude oil	2,657	118,392	1,399,457	9,530	1,530,038
Natural gas (excluding LPG)	169,272	196,676	82,430	211	448,591
Other	20,683	—	5,141	6,586	32,411
Revenue from contracts with customers	192,613	315,069	1,487,029	16,328	2,011,041
Other revenue *	(436)	—	(100)	848	310
Revenue from external customers	192,176	315,069	1,486,928	17,176	2,011,351

Note: "Other revenue" mainly includes grants, rental income in accordance with IFRS 16 "Leases," and gains or losses arising from derivative transactions in accordance with IFRS 9 "Financial Instruments." These derivative transactions are conducted to mitigate price fluctuation risks associated with certain crude oil and natural gas sales transactions. Since the gains or losses from these transactions are settled on a net basis, the net amount of derivative gains or losses is included in revenue.

(2) Contract balance

	(Millions of yen)		
	As of January 1, 2024	As of December 31, 2024	As of December 31, 2025
Receivables from contracts with customers			
Notes and accounts receivable-trade	195,577	244,755	212,584
Contract liabilities	5,337	6,002	6,769

Contract liabilities are mainly advances received in advance of performance under a contract and utilized upon recognition of revenue. The amounts of revenue recognized that were included in the contract liability balance at the beginning of the year for the years ended December 31, 2024 and December 31, 2025 were ¥288 million and ¥668 million, respectively. The amount of revenue (e.g., change in transaction price) recognized in the year ended December 31, 2025 from performance obligations satisfied in prior periods is not material.

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

(3) Transaction price allocated to remaining performance obligations

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

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

	(Millions of yen)	
	As of December 31, 2024	As of December 31, 2025
1 year or less	87,977	51,830
More than 1 year and up to 5 years	168,350	117,096
More than 5 years	130,480	117,160
Total	386,809	286,087

26. Selling, general and administrative expenses

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

	(Millions of yen)	
	For the year ended December 31, 2024	For the year ended December 31, 2025
Employee costs	39,841	45,067
Depreciation and amortization	13,076	13,745
Research and development expenses	35,663	13,146
Taxes and dues	7,305	7,681
Transportation costs	16,209	14,534
Other	22,415	23,857
Total	134,512	118,032

Total research and development expenses charged to cost of sales and general and administrative expenses during the years ended December 31, 2024 and December 31, 2025 were ¥35,673 million and ¥13,154 million, respectively.

27. Other operating income and other operating expenses

The breakdown of other operating income is as follows:

	(Millions of yen)	
	For the year ended December 31, 2024	For the year ended December 31, 2025
Gain on reversal of impairment loss *1	—	41,253
Foreign exchange gain *2	7,434	32,490
Gain on transfer of participating interests	15,497	4,864
Other	12,900	5,491
Total	35,832	84,100

Notes: 1. “Gain on reversal of impairment loss” consists of gain on reversal of impairment loss on oil and gas assets. Please refer to “16. Impairment of non-financial assets” for details.

2. Foreign exchange gains for the year ended December 31, 2025 consist of the reclassification of ¥34,707 million of the cumulative exchange differences on translation of foreign operations from equity to profit or loss, following partial disposals of equity interests in a foreign operation through paid-in capital reductions, as described in “3. Material accounting policies, (2) Foreign currency translation, [2] Translation of foreign operations.”

In accordance with the Group’s capital policy, for projects that have commenced production and sales and are generating ample cash flows, the Group determines the allocation of returns to the ultimate parent company among dividends, paid-in capital reductions, and repayments of intercompany financing, taking into comprehensive account the Group’s overall future funding needs, the appropriate balance between debt and equity, the Group’s tax positions both in the countries of operation and in Japan, foreign exchange market conditions, and other relevant factors. For the year ended December 31, 2025, in order to prepare investment funds for the Abadi LNG Project on a planned basis, which aims to commence production in the early 2030s, INPEX Holdings Australia Pty Ltd, a company comprising the Ichthys LNG Project, returned funds to the Company, which is a main investor in the Abadi LNG Project, through paid-in capital reductions of US\$1,110,000 thousand out of its total common stock of US\$10,031,953 thousand via INPEX Browse, Ltd., which directly holds the shares of INPEX Holdings Australia Pty Ltd. In accordance with the Group’s capital policy, the amounts of the paid-in capital reductions were determined with particular consideration given to the projected funding needs for the Abadi LNG Project and the tax implications at INPEX Browse, Ltd. These paid-in capital reductions correspond to partial disposals of equity interests in a foreign operation. Accordingly, ¥34,707 million of the cumulative exchange differences on the translation of foreign operation was reclassified from equity to profit or loss.

The Ichthys LNG Project commenced exploration activities following the acquisition of relevant licenses in 1998, transitioned to the development phase upon the final investment decision in 2012, and began production and sales activities after the completion of production facilities in 2018. The project is currently continuing stable production operations of LNG and other products. During the exploration and development phases, substantial investments and financing were obtained for purposes such as drilling exploration and production wells, and constructing floating production facilities and liquefaction plants. Since the commencement of production, the project has entered a phase in which significant revenues generated from product sales over several decades are expected to be used for the return and repayment of such investments and financing. While the Ichthys LNG Project is currently planned to maintain its existing production levels and additional development investments aimed at sustaining production levels, etc., the funding needs for such investments and related financing activities are highly likely to be sufficiently covered by future cash flows generated from the project’s operating activities. As no further capital injections such as increases in the common stock of INPEX Holdings Australia Pty Ltd or additional funding, including through intercompany financing, are expected, the paid-in capital reductions are assessed to constitute partial disposals of equity interests in that foreign operation with economic substance.

The breakdown of other operating expenses is as follows:

	(Millions of yen)	
	For the year ended December 31, 2024	For the year ended December 31, 2025
Impairment loss *	21,704	21,405
Other	9,833	11,424
Total	31,537	32,829

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

28. Finance income and finance costs

The breakdown of finance income is as follows:

	(Millions of yen)	
	For the year ended December 31, 2024	For the year ended December 31, 2025
Interest income		
Financial assets measured at amortized cost	120,022	101,326
Debt financial assets measured at FVOCI	4,615	7,175
Dividend income		
Equity financial assets measured at FVOCI	5,720	4,710
Gain on subsequent measurement of financial assets *	14,813	3,697
Other	4,319	3,284
Total	149,491	120,194

Note: In the “Oil & Gas Overseas - Ichthys Project” segment, the gain arising from changes in terms of financial assets measured at amortized cost without derecognition and revisions to the estimated future cash flows is recorded as “Gain on subsequent measurement of financial assets” in accordance with IFRS 9 “Financial Instruments.”

The breakdown of finance costs is as follows:

	(Millions of yen)	
	For the year ended December 31, 2024	For the year ended December 31, 2025
Interest expense		
Financial liabilities measured at amortized cost	77,631	51,493
Asset retirement obligations	14,881	13,393
Loss on valuation of derivatives *	21,849	6,487
Other	8,106	10,786
Total	122,469	82,161

Note: As described in “31. Financial instruments (1)Financial risk management [3]Market risk (ii)Interest rate risk,” the Group uses derivative transactions, such as interest rate swaps, to mitigate the impact related to changes in asset retirement obligations on the consolidated statement of profit or loss resulting from changes in asset retirement obligations, and includes valuation losses on such derivative instruments.

29. Other comprehensive income

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

	(Millions of yen)	
	For the year ended December 31, 2024	For the year ended December 31, 2025
Financial assets measured at FVOCI		
Amount recognized during the period	(936)	4,024
Amount of income taxes	(1,503)	(1,356)
Net of taxes	(2,440)	2,668
Remeasurement gains (losses) on defined benefit plans		
Amount recognized during the period	(888)	(705)
Amount of income taxes	705	293
Net of taxes	(183)	(411)
Cash flow hedges		
Amount recognized during the period	(4,007)	952
Amount of reclassification adjustments	1,630	3,718
Net of taxes	(2,376)	4,670
Exchange differences on translation of foreign operations		
Amount recognized during the period	514,117	(12,900)
Amount of reclassification adjustments *1	(4,473)	(34,707)
Amount of income taxes *2	(50,000)	(212,495)
Net of taxes	459,643	(260,104)
Share of other comprehensive income of investments accounted for using equity method		
Amount recognized during the period	13,462	2,666
Amount of reclassification adjustments	(24,247)	(12,927)
Net of taxes	(10,785)	(10,261)
Total other comprehensive income	443,857	(263,438)

- Notes: 1 The amount of reclassification adjustments under “Exchange differences on translation of foreign operations” for the year ended December 31, 2025 is a reclassification of the cumulative exchange differences on translation of foreign operations from equity to profit or loss associated with the paid-in capital reductions described in “27. Other operating income and other operating expenses.”
- 2 The income taxes on “Exchange differences on translation of foreign operations” include income tax expense related to translation adjustments arising from the translation of financial statements of foreign operations, as described in “3. Material accounting policies, (2) Foreign currency translation, [2] Translation of foreign operations.” For the years ended December 31, 2024 and December 31, 2025, this amounted to ¥(50,000) million and ¥(10,445) million, respectively. Among these, the portion related to exchange differences on translation of foreign operations that were deemed zero on the IFRS transition date constitutes an item that will not be reclassified to profit or loss, amounting to ¥(17,709) million and ¥(8,275) million for the years ended December 31, 2024 and December 31, 2025, respectively. The ¥(8,275) million for the year ended December 31, 2025 represents income taxes related to the paid-in capital reductions described in “27. Other operating income and other operating expenses.” This amount was directly transferred to retained earnings upon partial disposals of equity interests in a foreign operation.
- The income taxes on “Exchange differences on translation of foreign operations” include an impact of ¥(202,049) million resulting from the recognition of deferred tax liabilities in respect of taxable temporary differences for which deferred tax liabilities had not previously been recognized. This is because the Group had previously concluded that the timing of reversal of such temporary differences could be controlled and that it was highly unlikely that they would reverse within a foreseeable period. However, in light of the Group’s capital policy, the Group determined during the year ended December 31, 2025 that the likelihood of reversal of such temporary differences had increased. Among these, the portion related to exchange differences on translation of foreign operations that were deemed zero on the IFRS transition date constitutes an item that will not be reclassified to profit or loss, amounting to ¥85,291 million for the year ended December 31, 2025. This is related to the paid-in capital reductions described in “27. Other operating income and other operating expenses.”

30. Earnings per share

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

	For the year ended December 31, 2024	For the year ended December 31, 2025
Profit attributable to owners of parent (Millions of yen)	427,344	393,836
Profit not attributable to common stock of parent		
Dividends on Class A stock (Millions of yen)	(0)	(0)
Profit used to calculate basic earnings per share (Millions of yen)	427,344	393,836
Profit adjustments (Millions of yen)	—	—
Profit used to calculate diluted earnings per share (Millions of yen)	427,344	393,836
Average number of shares of common stock during the period (Shares)	1,237,578,149	1,190,484,943
Effect of dilutive potential shares of common stock		
Board Incentive Plan Trust (Shares)	848,454	928,860
Average number of dilutive shares (Shares)	1,238,426,603	1,191,413,803
Basic earnings per share (Yen)	345.31	330.82
Diluted earnings per share (Yen)	345.07	330.56

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

31. Financial instruments

(1) Financial risk management

The Group raises funds for the acquisition and development of oil, natural gas, renewable energy, and other projects as well as the construction of natural gas infrastructure primarily from cash flow on hand, bank loans and issuance of bonds. The development financing of oil and natural gas projects is primarily funded from long-term loans that the Group has secured from Japan Bank for International Cooperation, Japanese commercial banks and others. Japan Organization for Metals and Energy Security has provided guarantees for the principal on certain outstanding amounts of the Group's long-term loans, as appropriate. Development Bank of Japan Inc., Japanese commercial banks and others have provided long-term loans for the construction of domestic gas infrastructure. Funding for the acquisition and development of renewable energy projects, etc. is also procured through project financing and green financing. The Group generally borrows loans from banks with variable interest rates and issues bonds with fixed rates, while some loans are with a fixed interest rate based on appropriate judgments, depending on the nature of each project, market trends, and other factors.

Regarding the financing policy, the Group manages funds in consideration of being low-risk and high-liquidity. The Group uses derivative transactions only to hedge and manage risks of forecasted transactions and portfolio assets, and does not engage in speculative derivative transactions.

[1] Credit risk

Trade receivables such as notes and accounts receivable-trade and accounts receivable-other are comprised mainly from sales of crude oil and natural gas. Main trading partners are national oil companies, major oil companies and others. In line with the criteria for trading and credit exposure management, the Company properly analyzes the status of trading partners for early detection and reduction of default risks.

There is no significant credit risk exposure to specific counterparties, and there is no excessive concentration of credit risk that requires special management.

The carrying amount of financial assets shown in the consolidated financial statements is the maximum exposure to credit risk of the Group's financial assets. With respect to debt guarantees, the balance of debt guarantees listed in "38. Contingent liabilities" is the maximum exposure of the Group's credit risk.

Regarding exposure to these credit risks, there are no properties held as collateral or other credit enhancements.

The Group calculates allowance for doubtful accounts by classifying them into trade receivables and non-trade receivables. If it is determined that all or part of any debt cannot be collected or collection is extremely difficult, the debt will be deemed to be in default.

In addition, if it is determined that the cause of a payment delay is not due to temporary funding needs but to serious financial difficulties of the debtor, and the collectability of the debt is judged to be of particular concern, credit impairment is considered to have occurred.

The expected credit loss is the present value of the difference between the contractual cash flows that the Group should receive under the contract and the cash flows that the Group expects to receive. Under the basic approach, if the credit risk of a financial asset has increased significantly since initial recognition, the allowance for doubtful accounts for the financial asset is measured at an amount equal to the lifetime expected credit loss, and if the credit risk has not increased significantly, it is measured at an amount equal to 12 months of the expected credit loss.

Notwithstanding the above, for trade receivables that do not contain significant financing components, the allowance for doubtful accounts is measured at an amount equal to the expected credit loss for the entire period (simplified approach), but no allowance for doubtful accounts is recorded taking into consideration historical performance rates.

Changes in allowance for doubtful accounts are as follows:

(Millions of yen)

	Measured at an amount equal to 12-month expected credit loss	Measured at an amount equal to the expected credit loss for the entire period			Total
		Financial assets that are not credit impaired	Credit-impaired financial assets	Trade receivables	
As of January 1, 2024	—	—	14,600	—	14,600
Recognition	—	—	1,619	—	1,619
Amounts utilized (purposeful use)	—	—	—	—	—
Unused amounts reversed	—	—	—	—	—
As of December 31, 2024	—	—	16,220	—	16,220
Recognition	—	—	4,589	—	4,589
Amounts utilized (purposeful use)	—	—	—	—	—
Unused amounts reversed	—	—	(179)	—	(179)
As of December 31, 2025	—	—	20,630	—	20,630

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

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

(Millions of yen)

	Measured at an amount equal to 12-month expected credit loss	Measured at an amount equal to the expected credit loss for the entire period			Total
		Financial assets that are not credit impaired	Credit-impaired financial assets	Trade receivables	
As of December 31, 2024	1,716,282	—	16,220	267,476	1,999,979
As of December 31, 2025	2,019,209	—	20,630	263,055	2,302,895

There were no significant changes in the carrying amounts in aggregate that would affect the change in allowance for doubtful accounts for the years ended December 31, 2024 and December 31, 2025.

[2] Liquidity risk

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

The balances of financial liabilities by maturity are as follows:

As of December 31, 2024

(Millions of yen)

	Carrying amount	Contractual amount	1 year or less	More than 1 year and up to 5 years	More than 5 years and up to 10 years	More than 10 years
Non-derivative financial liabilities						
Bonds and borrowings	1,063,912	1,246,739	237,239	688,844	219,877	100,778
Lease liabilities	73,568	95,415	20,344	28,902	14,319	31,849
Other	206,639	206,639	205,882	666	—	90
Derivative financial liabilities						
Currency derivatives	9,476	9,476	9,476	—	—	—
Interest rate derivatives	20,794	20,794	13,084	7,709	—	—
Total	1,374,390	1,579,065	486,026	726,123	234,197	132,718

As of December 31, 2025

(Millions of yen)

	Carrying amount	Contractual amount	1 year or less	More than 1 year and up to 5 years	More than 5 years and up to 10 years	More than 10 years
Non-derivative financial liabilities						
Bonds and borrowings	1,244,747	1,373,486	575,897	522,840	207,276	67,471
Lease liabilities	52,489	87,997	12,634	30,132	10,857	34,373
Other	231,764	231,764	229,531	2,136	6	90
Derivative financial liabilities						
Currency derivatives	727	727	727	—	—	—
Interest rate derivatives	16,481	16,481	13,980	2,500	—	—
Total	1,546,210	1,710,457	832,771	557,610	218,140	101,935

[3] Market risk

(i) Foreign exchange risk

Many of the Group's companies operate overseas, and the functional currency of each company is determined based on the currency of the primary economic environment in which the company operates. Therefore, the Group's foreign exchange risk arises from transactions denominated in currencies other than the functional currency of each company. The Group strives to reduce foreign exchange risk by taking into account the balance of assets and liabilities denominated in currencies other than the functional currency of each company, balancing them across the Group. In addition, the Group hedges foreign exchange risks of receivables and payables denominated in currencies other than the functional currency of each company and scheduled transactions that are expected to occur in the future by using forward exchange contracts and other derivative transactions, taking into account that foreign exchange risks arising from these may be offset in the future. Regarding financial instruments held by the Group at the end of each fiscal year, if the yen depreciates 1% against the U.S. dollar, the impact on "Profit before tax" in the consolidated statement of profit or loss is as follows. The effects of translating financial instruments denominated in the functional currencies and the assets, liabilities, income and expenses of foreign operations into Japanese yen are not included. In addition, it is assumed that other fluctuation factors remain constant.

	(Millions of yen)	
	As of December 31, 2024	As of December 31, 2025
Profit before tax	(423)	288

(ii) Interest rate risk

The Group is exposed to interest rate risk arising from variable rate loans and borrowings primarily related to oil, natural gas, renewable energy and other business, and increases in interest rate levels may have a negative impact on the Group's operating results. The Group regularly analyzes the impact of interest rate fluctuations and provides measures to reduce interest rate risk, including derivative transactions such as interest rate swaps. However, the provided measures do not cover all of the interest rate risks of the Group and do not completely eliminate the impact of interest rate fluctuations. Regarding financial instruments affected by interest rate fluctuations held by the Group at the end of each fiscal year, if the interest rate increases by 1%, the impact on "Profit before tax" in the consolidated statement of profit or loss is as follows. It is assumed that other variable factors remain constant. This includes the values of interest rate swaps and other items aimed at mitigating the impact of changes in asset retirement obligations on the consolidated statement of profit or loss, as described in "3. Material accounting policies, (4)Financial instruments, [3] Derivatives and hedge accounting," "3. Material accounting policies, (15)Provisions," and "28. Finance income and finance costs." Changes in asset retirement obligations recognized at the end of the fiscal year due to a change in the discount rate, etc. are immediately recognized in profit or loss if the carrying amount of the corresponding asset retirement costs is zero, and are presented as cost of sales in the consolidated statement of profit or loss. In addition, even if the change is recorded as an adjustment to the asset retirement costs that has a carrying value, if it is determined that the related deferred tax asset is not recoverable, an income tax expense related to the taxable temporary differences is recognized immediately in relation to the increase or decrease. Gains and losses on these derivatives are recorded under finance income and finance costs, thereby reducing fluctuations in profit attributable to owners of parent.

	(Millions of yen)	
	As of December 31, 2024	As of December 31, 2025
Profit before tax	(15,773)	(9,187)

(iii) Fluctuation risks of commodity price

Sales price of oil and natural gas is exposed to fluctuation risks of commodity price. The Group hedges fluctuation risks of commodity price by conducting derivative transactions, such as commodity swaps and others, within the scope of actual demand, as necessary.

Although derivative transactions, such as commodity swaps and others, are subject to risk of commodity price fluctuations, such risk is offset by risk of commodity price fluctuations associated with applicable physical goods. As such, there was a limited impact on “Profit before tax” in the consolidated statement of profit or loss.

(iv) Fluctuation risks of market price related to securities

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

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

	(Millions of yen)	
	As of December 31, 2024	As of December 31, 2025
Marketable equity financial instruments	24,969	19,287

The impact on “Financial assets measured at FVOCI” in the consolidated statement of comprehensive income when there is a 10% decrease in the market price of equity financial instruments held by the Group at the end of each fiscal year is as follows. It is assumed that other variable factors remain constant.

	(Millions of yen)	
	For the year ended December 31, 2024	For the year ended December 31, 2025
Other comprehensive income, before tax	(2,496)	(1,928)

(2) Derivative financial instruments and hedge accounting

The Group uses foreign exchange forward contracts and commodity swaps to hedge foreign currency risk and commodity price fluctuation risk.

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

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

[1] Currency related

Foreign exchange forward contracts used to hedge foreign currency exchange risk are designated as cash flow hedges. In the years ended December 31, 2024 and December 31, 2025, hedge ineffectiveness has not been material.

[2] Commodity related

Commodity swaps used to hedge fluctuation risks of commodity price are designated as cash flow hedges. Because the conditions between the hedged item and the hedging instrument do not completely match, the differences in the conditions may result in hedge ineffectiveness. In the years ended December 31, 2024 and December 31, 2025, hedge ineffectiveness has not been material.

The details of the hedging instrument are as follows:

As of December 31, 2024

(Millions of yen)					
	Contract amounts	More than 1 year	Fair value		Average price or average rate
			Assets	Liabilities	
Currency-related					
Foreign exchange forwards					
Sell / USD and Buy / AUD	104,570	43,401	183	4,113	0.65 USD / AUD
Commodity-related					
Commodity swap					
Receive / floating and Pay / fixed	5,668	—	270	—	14.31 USD / MMBtu

As of December 31, 2025

None

Accumulated other comprehensive income related to cash flow hedges is as follows. Accumulated other comprehensive income related to cash flow hedges arising from the discontinued hedging relationship is not material.

(Millions of yen)		
	As of December 31, 2024	As of December 31, 2025
Currency-related		
Foreign exchange forwards	(2,750)	2,107
Interest-rate-related		
Interest rate swaps	22,263	10,744
Commodity-related		
Commodity swaps	(2,449)	(1,380)
Total	17,062	11,471

The above amounts include the share of accumulated other comprehensive income related to cash flow hedges of investments accounted for using equity method.

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

(Millions of yen)

	For the year ended December 31, 2024		For the year ended December 31, 2025	
	Change in value of hedging instruments recognized in other comprehensive income	Amount reclassified from accumulated other comprehensive income related to cash flow hedges to profit or loss	Change in value of hedging instruments recognized in other comprehensive income	Amount reclassified from accumulated other comprehensive income related to cash flow hedges to profit or loss
Currency-related				
Foreign exchange forwards	(3,828)	1,263	3,100	1,757
Commodity-related				
Commodity swaps	(178)	366	(2,148)	1,960
Total	(4,007)	1,630	952	3,718

Currency-related reclassification adjustments are included in “Other operating income” and “Other operating expenses” in the consolidated statement of profit or loss. Commodity-related reclassification adjustments are included in “Revenue” and “Cost of sales” in the consolidated statement of profit or loss.

No reclassification adjustments were made due to discontinuation of hedging activities.

(3) Fair value of financial instruments

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

Level 1: Market value of identical assets or liabilities in active markets

Level 2: Fair value calculated using directly or indirectly observable inputs other than Level 1

Level 3: Fair value calculated using valuation techniques that include unobservable inputs

[1] Fair value calculation method

The method for calculating the fair value of financial instruments is as follows:

(Cash and cash equivalents, trade and other receivables, and trade and other payables)

Since these items are settled in a short period of time and their fair value is almost the same as the carrying value, the relevant carrying value is used.

(Loans receivable)

For short-term loans receivable, the relevant carrying value is used since the item is settled in a short period of time and its fair value is almost the same as the carrying value.

The fair value of long-term loans receivable is calculated using the discounted present value method based on the interest rate that would be applicable to a new similar loan for the total amount of principal and interest. This valuation technique uses the discount rate as a significant unobservable input and is categorized as Level 3.

(Other financial assets and other financial liabilities)

The fair values of listed stocks, national government bonds and listed investment trusts are determined based on quoted market prices at the end of the fiscal year and categorized as Level 1.

Bonds payable are categorized as Level 2 because their fair value is calculated based on prices quoted by financial institutions, etc., which are not considered quoted prices in active markets.

The fair value of unlisted stocks is calculated using the comparable multiple valuation method. This valuation technique uses illiquidity discounts as significant unobservable inputs and is categorized as Level 3.

Among derivatives, the fair values of currency-related transactions and interest-rate-related transactions are determined based on prices quoted by counterparty financial institutions, and the fair values of commodity-related transactions are determined based on futures market prices. Since neither of these are considered quoted prices in active markets, they are categorized as Level 2.

(Bonds and borrowings)

For short-term borrowings and commercial papers, the relevant carrying value is used since the item is settled in a short period of time and its fair value is almost the same as the carrying value.

The fair value of bonds payable is calculated based on Reference Statistical Prices (Yields) for OTC Bond Transactions issued by Japan Securities Dealers Association. The fair value of long-term borrowings is calculated using the discounted present value method based on the interest rate that would be applicable to a new similar loan for the total amount of principal and interest. Both are categorized as Level 2 because the fair values are calculated using observable market data.

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

[2] Financial instruments measured at amortized cost

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

(Millions of yen)

	As of December 31, 2024		As of December 31, 2025	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets measured at amortized cost				
Loans receivable *				
Long-term loans receivable	1,432,799	1,432,799	1,409,382	1,409,382
Total	1,432,799	1,432,799	1,409,382	1,409,382
Financial liabilities measured at amortized cost				
Bonds and long-term borrowings				
Bonds payable	30,000	28,837	30,000	28,265
Long-term borrowings	947,700	931,745	832,469	821,443
Total	977,700	960,582	862,469	849,708

Note: "Loans receivable" include loans receivable to Ichthys LNG Pty Ltd, which is a joint venture, and the carrying amounts as of December 31, 2024 and December 31, 2025 were ¥1,467,403 million and ¥1,441,298 million, respectively. Of these, the carrying amounts of long-term loans receivable were ¥1,422,845 million as of December 31, 2024 and ¥1,402,882 million as of December 31, 2025. As described in "6. Business combination," during the year ended December 31, 2024, the Group acquired a 1.575% participating interest in the Ichthys LNG Project held by Tokyo Gas through its Australian project subsidiary, and the amount above includes the portion of loans assumed to Ichthys LNG Pty Ltd in connection with this transaction.

[3] Financial instruments measured at fair value

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

As of December 31, 2024

	(Millions of yen)			
	Level 1	Level 2	Level 3	Total
Financial assets measured at FVPL				
Other financial assets				
Derivative assets	—	6,988	—	6,988
Financial assets measured at FVOCI				
Other financial assets				
Stock	14,804	—	20,673	35,478
Bonds	135,104	34,813	—	169,918
Other	10,164	—	—	10,164
Total	160,074	41,802	20,673	222,550
Financial liabilities measured at FVPL				
Other financial liabilities				
Derivative liabilities	—	30,270	—	30,270
Total	—	30,270	—	30,270

As of December 31, 2025

	(Millions of yen)			
	Level 1	Level 2	Level 3	Total
Financial assets measured at FVPL				
Other financial assets				
Derivative assets	—	1,639	—	1,639
Financial assets measured at FVOCI				
Other financial assets				
Stock	6,595	—	17,710	24,305
Bonds	85,091	73,580	—	158,672
Other	12,692	—	—	12,692
Total	104,379	75,220	17,710	197,310
Financial liabilities measured at FVPL				
Other financial liabilities				
Derivative liabilities	—	17,208	—	17,208
Total	—	17,208	—	17,208

There were no significant transfers in fair value between Levels 1 and 2 for the years ended December 31, 2024 and December 31, 2025.

[4] Valuation process

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

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

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

As of December 31, 2024

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

As of December 31, 2025

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

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

[6] Change in financial instruments categorized as Level 3

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

(Millions of yen)

	For the year ended December 31, 2024	For the year ended December 31, 2025
At beginning of the year	21,220	20,673
Gains or losses recognized in other comprehensive income	(287)	(3,292)
Purchases	500	313
Sales	(499)	—
Other	(259)	15
At end of the year	20,673	17,710

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

(4) Equity financial assets measured at FVOCI

The Group designates shares held mainly for the purpose of maintaining good business relationships, promoting smooth business operations and creating business opportunities as equity financial assets measured at FVOCI.

The fair value of major items of marketable equity financial assets measured at FVOCI are as follows:

	(Millions of yen)	
	As of December 31, 2024	As of December 31, 2025
Japan Petroleum Exploration Co., Ltd.	8,093	5,597
Tokyo Gas Co., Ltd.	4,977	—

Equity financial assets measured at FVOCI that do not have quoted prices in active markets primarily comprised investments in oil and natural gas-related businesses. As of December 31, 2024 and December 31, 2025, the carrying amounts were ¥20,673 million and ¥17,710 million, respectively.

To improve asset efficiency and review business relationships, the Group derecognizes certain equity financial assets measured at FVOCI by selling them, etc.

The fair value at the time of derecognition, the cumulative gain (loss), and the dividend income for each fiscal year are as follows:

For the year ended December 31, 2024			For the year ended December 31, 2025		
Fair value	Cumulative gain (loss)	Dividend income	Fair value	Cumulative gain (loss)	Dividend income
759	143	—	10,878	1,662	185

When equity financial assets measured at FVOCI are derecognized, the cumulative gain (loss) recognized in other comprehensive income is transferred to retained earnings. Cumulative gain (loss), net of tax, of other comprehensive income transferred to retained earnings during the years ended December 31, 2024 and December 31, 2025 were ¥118 million and ¥(1,396) million, respectively.

(5) Transfer of financial instruments

The Group engages in unsecured bond lending transactions for a portion of the bonds it holds. In unsecured bond lending transactions, the Group has the right to receive interest equivalents generated from the bonds and bears the risk of price fluctuations of the bonds and counterparty risk. These bonds do not meet the criteria for derecognition of financial assets, and therefore, they remain recognized. These bonds are recorded as “Other financial assets” in the consolidated statement of financial position amounting to ¥46,430 million and ¥34,378million as of the years ended December 31, 2024 and December 31, 2025 respectively.

32. Pledged assets

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

(Millions of yen)

	As of December 31, 2024	As of December 31, 2025
Cash and cash equivalents	32,902	30,866
Trade and other receivables	28,955	24,446
Inventories	17,598	19,636
Other current assets	10,836	3,279
Oil and gas assets	1,843,915	1,770,688
Intangible assets	10,692	25,780
Investments accounted for using equity method	708,238	751,515
Loans receivable (non-current)	1,300,103	1,321,274
Other non-current assets	2,698	2,510
Total	3,955,941	3,949,998

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

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

(Millions of yen)

	As of December 31, 2024	As of December 31, 2025
Cash and cash equivalents	2,745	2,288
Other financial assets (current)	160	—
Investments accounted for using equity method	35,573	27,871
Loans receivable (non-current)	5,267	1,293
Other non-current assets	1,123	133
Total	44,870	31,585

33. Material subsidiaries and joint operations

(1) Major subsidiaries

Number of subsidiaries as of December 31, 2025: 88

Names of major subsidiaries:

INPEX JAPAN, LTD., INPEX Browse, Ltd., INPEX Holdings Australia Pty Ltd, INPEX Ichthys Pty Ltd, INPEX Oil & Gas Australia Pty Ltd, Japan Oil Development Co., Ltd., JODCO Onshore Limited, JODCO Lower Zakum Limited, INPEX Masela, Ltd., INPEX Idemitsu Norge AS, INPEX Southwest Caspian Sea, Ltd., INPEX North Caspian Sea, Ltd., and INPEX FINANCIAL SERVICES SINGAPORE PTE. LTD.

(2) Subsidiaries with material non-controlling interests

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

(3) Joint operations

The Group is involved in the upstream oil and natural gas business via its wholly-owned INPEX Ichthys Pty Ltd, with a 67.82% interest in the Ichthys Gas-Condensate Field (WA-50-L/WA-51-L) in Western Australia, Australia as an operator via the same company, and it conducts joint operations with TotalEnergies and other companies.

34. Investments accounted for using equity method

(1) Investment in affiliates

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

	(Millions of yen)	
	As of December 31, 2024	As of December 31, 2025
Total carrying amount	26,926	29,644

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

	(Millions of yen)	
	For the year ended December 31, 2024	For the year ended December 31, 2025
Share of profit	189	319
Share of other comprehensive income	(828)	289
Share of comprehensive income	(639)	609

(2) Investment in joint ventures

[1] Material joint ventures

Joint ventures that are material to the Group are as follows:

Name	Main business	Location	Major business location	Group ownership percentage (%)	
				As of December 31, 2024	As of December 31, 2025
Ichthys LNG Pty Ltd	Transportation, liquefaction and sales of oil and natural gas through pipeline in WA-50-L block in offshore Western Australia	Western Australia, Australia	Western Australia, Australia	67.82	67.82

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

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

(Millions of yen)

	As of December 31, 2024	As of December 31, 2025
Current assets	190,843	153,677
Cash and cash equivalents	70,447	47,764
Non-current assets	4,682,335	4,484,282
Total assets	4,873,178	4,637,960
Current liabilities	390,668	366,681
Financial liabilities (excluding trade and other payables and provisions) *1	334,138	314,274
Non-current liabilities	3,322,959	3,054,314
Financial liabilities (excluding trade and other payables and provisions) *1	2,981,486	2,675,016
Total liabilities	3,713,628	3,420,996
Total equity	1,159,550	1,216,964
Group's share of total equity	786,406	825,345
Consolidation adjustments *2	(78,168)	(73,829)
Carrying amount of investments	708,238	751,515

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

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

(Millions of yen)

	For the year ended December 31, 2024	For the year ended December 31, 2025
Revenue	947,941	823,820
Depreciation and amortization	(130,885)	(143,349)
Interest income	8,740	7,433
Interest expense	(169,002)	(143,227)
Income tax expense	(58,754)	(38,159)
Profit	139,023	89,209
Other comprehensive income	(9,089)	(16,500)
Comprehensive income	129,934	72,708
Dividends received by the Group	—	—

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

[2] Individually immaterial joint ventures

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

	(Millions of yen)	
	As of December 31, 2024	As of December 31, 2025
Total carrying amount	212,910	243,765

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

	(Millions of yen)	
	For the year ended December 31, 2024	For the year ended December 31, 2025
Share of profit	11,384	11,278
Share of other comprehensive income	(3,739)	639
Share of comprehensive income	7,645	11,917

Impairment losses were recognized for a portion of investment in joint ventures in the amounts of ¥7,023 million for the year ended December 31, 2025, and recorded in “Share of profit (loss) of investments accounted for using equity method” in the consolidated statement of profit or loss. In addition, such impairment losses are included in “Share of profit” in the table above.

35. Related parties

(1) Related party transactions

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

For the year ended December 31, 2024

			(Millions of yen)	
Classification	Name	Description of related party transaction	Transaction amounts	Outstanding amounts
		Loans of funds *1	74,283	
		Collection of loans *1	86,908	1,467,403
Joint ventures (including subsidiaries of joint ventures)	Ichthys LNG Pty Ltd	Gain on subsequent measurement of financial assets *2	14,813	
		Interest received *1	98,924	4,059
		Guarantee of liabilities *3	108,022	—
		Sale of finished goods *4	222,523	28,955
Other (companies in which the majority of voting rights are held by shareholders with significant influence, etc.)	Japan Organization for Metals and Energy Security	Acceptance of debt guarantees *5	89,761	—
		Payment of guarantee fees *5	884	179

- Notes:
- The Company determines the interest rate on loans of funds based on market interest rates in a reasonable and appropriate manner. As described in “6. Business combination,” during the year ended December 31, 2024, the Group acquired a 1.575% participating interest in the Ichthys LNG Project held by Tokyo Gas through its Australian project subsidiary, and the amount above includes the portion of loans assumed to Ichthys LNG Pty Ltd in connection with this transaction.
 - The gain arising from changes in terms of financial assets measured at amortized cost without derecognition and revisions to the estimated future cash flows is recorded as “Gain on subsequent measurement of financial assets” in accordance with IFRS 9 “Financial Instruments.”
 - “Guarantee of liabilities” is for securing loans from financial institutions, and the amounts are guaranteed balances by the Company as of December 31, 2024.
 - “Sale of finished goods” were conducted under general transactional conditions, which are the same as those used in transactions with independent third parties.
 - “Acceptance of debt guarantees” is for loans from financial institutions that have been guaranteed, and the Company pays guarantee fees based on the amount of the guarantees. In addition, the amounts are guaranteed balances by Japan Organization for Metals and Energy Security as of December 31, 2024.

For the year ended December 31, 2025

(Millions of yen)

Classification	Name	Description of related party transaction	Transaction amounts	Outstanding amounts
Joint ventures (including subsidiaries of joint ventures)	Ichthys LNG Pty Ltd	Loans of funds *1	37,478	
		Collection of loans *1	42,150	1,441,298
		Gain on subsequent measurement of financial assets *2	3,697	
		Interest received *1	83,906	3,716
		Guarantee of liabilities *3	98,207	—
		Sale of finished goods *4	196,676	24,446
Other (companies in which the majority of voting rights are held by shareholders with significant influence, etc.)	Japan Organization for Metals and Energy Security	Acceptance of debt guarantees *5	66,920	—
		Payment of guarantee fees *5	620	155

- Notes:
1. The Company determines the interest rate on loans of funds based on market interest rates in a reasonable and appropriate manner.
 2. The gain arising from changes in terms of financial assets measured at amortized cost without derecognition and revisions to the estimated future cash flows is recorded as “Gain on subsequent measurement of financial assets” in accordance with IFRS 9 “Financial Instruments.”
 3. “Guarantee of liabilities” is for securing loans from financial institutions, and the amounts are guaranteed balances by the Company as of December 31, 2025.
 4. “Sale of finished goods” were conducted under general transactional conditions, which are the same as those used in transactions with independent third parties.
 5. “Acceptance of debt guarantees” is for loans from financial institutions that have been guaranteed, and the Company pays guarantee fees based on the amount of the guarantees. In addition, the amounts are guaranteed balances by Japan Organization for Metals and Energy Security as of December 31, 2025.

(2) Compensation for key management personnel

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

(Millions of yen)

	For the year ended December 31, 2024	For the year ended December 31, 2025
Compensation and bonuses	587	593
Stock-based compensation	48	50
Total	635	644

36. Cash flow information

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

For the year ended December 31, 2024

(Millions of yen)

	As of January 1, 2024	Changes with cash flows	Changes without cash flows			As of December 31, 2024
			Exchange differences on translation of foreign operations	New leases	Other *	
Short-term borrowings	27,358	(23,230)	2,102	—	—	6,230
Commercial papers	—	79,980	—	—	—	79,980
Long-term borrowings	999,623	(143,330)	91,406	—	—	947,700
Bonds payable	30,000	—	—	—	—	30,000
Lease liabilities	88,465	(24,160)	7,226	1,199	835	73,568
Total	1,145,448	(110,740)	100,736	1,199	835	1,137,480

Note: “Other” includes the impact, etc. of changes in estimates of lease liabilities.

For the year ended December 31, 2025

(Millions of yen)

	As of January 1, 2025	Changes with cash flows	Changes without cash flows			As of December 31, 2025
			Exchange differences on translation of foreign operations	New leases	Other *	
Short-term borrowings	6,230	75,382	968	—	—	82,581
Commercial papers	79,980	219,514	—	—	201	299,696
Long-term borrowings	947,700	(102,751)	(12,027)	—	(451)	832,469
Bonds payable	30,000	—	—	—	—	30,000
Lease liabilities	73,568	(19,019)	(904)	8,228	(9,382)	52,489
Total	1,137,480	173,125	(11,964)	8,228	(9,632)	1,297,236

Note: “Other” includes the impact, etc. of changes in estimates of lease liabilities.

37. Commitments

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

(Millions of yen)

	As of December 31, 2024	As of December 31, 2025
Oil and gas assets	322,941	695,072
Other property, plant and equipment	83	8,252
Intangible assets	68	—
Total	323,093	703,324

The Group has entered into purchase agreements for LNG and other products. The balances of purchase agreements for the years ended December 31, 2024 and December 31, 2025 were ¥1,006,181 million and ¥1,874,341 million, respectively. The Company calculates balances of purchase agreements based on supply volumes and supply unit pricing specified in contracts, but when supply volumes and supply unit pricing include variable factors, the Company uses its best estimates.

In addition, the Group has subordinated loan agreements with Ichthys LNG Pty Ltd, which is a joint venture. The amounts of subordinated loan facility for the years ended December 31, 2024 and December 31, 2025 were ¥1,503,186 million and ¥1,487,695 million, respectively. The loan disbursement balances of subordinated loan facility for the years ended December 31, 2024 and December 31, 2025 were ¥1,297,742 million and ¥1,323,580 million, respectively.

38. Contingent liabilities

The Company guarantees transactions between joint ventures and financial institutions. The amounts guaranteed for the years ended December 31, 2024 and December 31, 2025 were ¥145,123 million and ¥142,582 million, respectively. The above amounts include guaranteed balances to Ichthys LNG Pty Ltd, which is a joint venture. For details, please refer to “35. Related parties.”

In December 2022, the Atyrau Oblast Department of Environment of the Committee of Environmental Regulation and Control, Republic of Kazakhstan (hereinafter “ARED”) issued a notification regarding an alleged violation of an administrative directive for breach of environmental laws and regulations to North Caspian Operating Company N.V. (hereinafter the “Operator”), which serves as the operator of the Offshore North Caspian Sea Contract Area project in the Republic of Kazakhstan. A Group subsidiary, INPEX North Caspian Sea, Ltd. (Company ownership stake: 51%; hereinafter “INPEX North Caspian Sea”), holds a 7.56% participating interest in the project. The notification concerned the licensing and permitting of the placement of sulfur produced from Kashagan oil field, the project’s main oil field.

The Operator contested the aforementioned notification and, following proceedings at the Cassation Court for Administrative Cases of the Republic of Kazakhstan, a final judgment was rendered on December 10, 2025, invalidating the notification on the grounds of, among other things, procedural deficiencies in its issuance. Although the 2022 notification was determined to be invalid, the Operator received in 2025 a new notification from ARED raising the same allegations as those contained in the notification issued in December 2022. The administrative penalty based on the new notification is calculated at approximately USD 4.7 billion in total. If the Operator were ultimately required to bear such penalty, INPEX North Caspian Sea could be required, pursuant to the joint operating agreement for this project, to bear its proportionate share based on its participating interest (approximately USD 355 million). The Operator contested the new notification and filed a lawsuit with the Specialized Interdistrict Administrative Court in Astana. On December 23, 2025, the court issued a first-instance judgment dismissing the Operator’s claims and on April 8, 2026, Appellate court issued a second-instance judgment dismissing the Operator’s claims; however, as of the approval date of the consolidated financial statements, the case remains pending.

Furthermore, on February 9, 2026, INPEX North Caspian Sea, in coordination with other project partners, initiated investor–state dispute settlement proceedings with the International Centre for Settlement of Investment Disputes in order to preserve its rights and legitimate interests and to seek an early resolution of the dispute. The Group believes that the Operator has conducted operations in compliance with applicable local laws and regulations and relevant agreements, and that all required licenses and permits for the placement of sulfur were duly obtained. In addition, as final resolution of this matter requires multiple processes and involves multilayered proceedings both within and outside the Republic of Kazakhstan, the Group considers it unlikely that the Group will incur financial burden in connection with this dispute and therefore has not recognized a provision.

Separately, INPEX North Caspian Sea, Ltd., together with other project partners, is involved in arbitration proceedings against the Republic of Kazakhstan relating to cost recovery and other matters under the production sharing contract entered into with the Republic of Kazakhstan. In regard to this arbitration process, INPEX North Caspian Sea, Ltd. received a Statement of Claim (petition for arbitration) from the Republic of Kazakhstan in early April 2024, and as of the approval date of the consolidated financial statements, the arbitration process is still ongoing. Although developments in this arbitration could result in financial burden on the Group, it is not practical at this time to estimate the quantitative impact thereof.

39. Subsequent events

Subsequent to the end of the reporting period, geopolitical tensions across the Middle East have increased significantly following military actions by Israel and the United States against Iran. As a result, not only have transportation risks in the surrounding sea areas increased, but uncertainty surrounding the business environment for energy-related operations in the Middle East has also increased. The Group operates multiple businesses in the region; however, as of the date of approval of the consolidated financial statements, it is difficult to reasonably estimate the specific quantitative impact of these events on the Group’s financial performance. If these events were to be prolonged or further escalate in the future, they could have an impact on the Group’s financial performance.