INPEX CORPORATION (TSE1605)

Press conference on “Business Development Strategy – Towards a Net Zero Carbon Society by 2050”

Summary of Q&A session

Date: January 27, 2021

Key questions:

Q1. By announcing its “business development strategy,” will INPEX change its policy on the ownership of oil and natural gas assets? Does INPEX have any specific leads concerning entry into the floating offshore wind power generation market?

A1. Our policy on the ownership of oil and natural gas assets partially depends on the future demand for crude oil and natural gas, but we aim to streamline development and production activities by selectively concentrating our resources on our four core business areas of Japan, Australia, Abu Dhabi and Indonesia. We do not yet have a track record in floating offshore wind power generation but intend to enter the market through partnerships with experienced companies.

Q2. What strengths can INPEX leverage in establishing a hydrogen business?

A2. It is our understanding that a hydrogen business would involve technologies that are an extension of those involved in the oil and natural gas upstream business. Blue hydrogen requires separating natural gas into hydrogen and CO2 and injecting the CO2 underground through CCS or CCUS. We have the natural gas assets as well as the technologies to inject CO2 underground, such as CO2 EOR. Also, considering the future increase in hydrogen demand with the advent of the hydrogen society, hydrogen production is expected to become large-scale overseas. We also have knowledge and experience in large-scale operations overseas as operator of the Ichthys LNG Project.

Q3. How does INPEX picture investing in oil and natural gas development? Will the company maintain the status quo?

A3. Our future investments in the oil and natural gas development business will depend on the demand for oil and natural gas in Japan and around the world. For example, we have secured concessions in Abu Dhabi until the 2050s, where there are plans for expanded development, so we would consider expansion if the demand for crude oil were to increase. The average annual scale of investment over the next five years is expected to be between approximately 250 billion and 300 billion yen. Of this amount, we foresee allocating around 20 to 30 billion yen annually to the five business pillars outlined in the “business development strategy” assuming the oil price will range between 50 and 60 US dollars per barrel. We will invest in the five business pillars with the profits generated through early-stage development and production at our upstream business.

Q4. Will the 1 million BOED production volume outlined in Vision 2040 remain unchanged?

A4. Our average daily net production volume is approximately 580,000 BOE (for the first three quarters of FY2020). While we included a view to reach 1 million BOED in Vision 2040, we have long disclosed our strategy to focus both on volume and value. We will make decisions while carefully monitoring how the global demand for oil and gas will change in the future. In many countries, oil and natural gas remain important sources of energy. Recently, the shortage of LNG supplies caused a spike in electricity prices in Japan. The energy transition and transformation are a must, but it is our responsibility to provide a stable supply to meet the demand for oil and natural gas, and from here on, we will focus our efforts on supplying cleaner natural gas.

Q5. Of the five business pillars, which will be the most pivotal? What are INPEX's projected sales figures attributed to renewable energy, hydrogen and new business initiatives, respectively, for 2030 and 2050?

A5. From a technical standpoint, CCS and CCUS are highly compatible with our (existing) operations, and therefore very important. Also, if these technologies are not established, the large volumes of CO2 emitted globally cannot be neutralized. In addition, the several methods of transporting hydrogen including liquefaction, conversion to ammonia or mixture with toluene each have their strengths and weaknesses, and it will be a challenge to clear this hurdle.

It is difficult to provide projected sales figures attributed to each business for 2030 and 2050 at this time, but as a company that supplies about 10 percent of Japan's oil and natural gas demand, we would like to aim to begin by making a similar contribution also in terms of hydrogen supply.

Q6. What is the rationale behind not including scope three in the climate change response goals? Will the annual allocation of around 20 to 30 billion yen cover all five business pillars? What is the projected scale of investment after the initial 5-year period?

A6. Our aim to achieve net zero in absolute emissions by 2050 will encompass scopes one and two. Scope three is an issue that needs to be addressed jointly between all stakeholders since we have no control over the activities of our customers. Forest conservation activities and the marketing of clean LNG based on emissions credits are initiatives that address scope three (emissions reductions), and we plan to pursue such measures.

The annual (investment) allocation of around 20 to 30 billion yen will cover all five business pillars over the next five or so years. Subsequent investments will be considered (in due course) based on social developments.

Q7. Slide 11 discusses early-stage upstream development and production. Does this mean INPEX will only invest in businesses that are existing or under development, and not in new opportunities that require lengthy development phases?

A7. Oil and natural gas will be addressed differently. For natural gas, there is a possibility that demand will grow steadily particularly in Asia over the medium- to long-term, and lack of investment may lead to supply shortages. Demand for hydrogen may also cause natural gas to transition from being a fuel to a raw material, so long-term investment is necessary. For crude oil, there is the risk of oil demand peaking out, so we will aim for early-stage development and production by pursuing developments focusing on the areas around our existing assets.

Q8. Will the “business development strategy” affect the allocation of funds and the shareholder return policy outlined in the medium-term business plan 2018-2022?

A8. The allocation of around 20 to 30 billion yen annually over the medium-term from the average annual (scale of) investment between approximately 250 billion and 300 billion yen over the next five years (assuming an oil price between 50 and 60 US dollars per barrel) does not deviate significantly from the rationale behind the formulation of the medium-term business plan 2018-2022 or the projected use of funds. There is also no change to the shareholder return policy.

Q9. Carbon offset LNG will likely be more expensive than LNG under long-term contracts. Will INPEX consider revising contracts? How does it plan to market clean LNG in connection with the current long-term sales and purchase contracts?

A9. Our LNG is sold based on long-term contracts. If buyers express demand for offset LNG during negotiations, we may consider such requests independently from long-term contracts. In addition to LNG buyers, we also market wholesale natural gas to small- to medium-sized gas operators in Japan. If these wholesale customers and end users express demand for clean gas, we will also consider marketing natural gas produced (re-gasified) from offset LNG.

End

Cautionary Statement

This document includes forward-looking information that reflects the plans and expectations of the Company. Such forward-looking information is based on the current assumptions and judgments of the Company in light of the information currently available to it, and involves known and unknown risks, uncertainties, and other factors. Such risks, uncertainties and other factors may cause the Company's performance, achievements or financial position to be materially different from any future results, performance, achievements or financial position expressed or implied by such forward-looking information. Such risks, uncertainties and other factors include, without limitation:

- *Price volatility and change in demand in crude oil and natural gas*
- *Foreign exchange rate volatility*
- *Change in costs and other expenses pertaining to exploration, development and production*

The Company undertakes no obligation to publicly update or revise the disclosure of information in this document (including forward-looking information) after the date of this document.

This document is an English language translation of the document originally created in Japanese. In case of discrepancies, the Japanese version prevails.