

■ INPEX CORPORATION (TSE 1605)

Presentation on financial results for the six months ended June 30, 2021

Summary of Q&A session

Date : August 11, 2021
Number of attendees : Approximately 80
Key questions :

Q1. For the fiscal year ending December 31, 2021 (hereinafter "FY2021"), free cash flow inclusive of Ichthys downstream IJV (hereinafter "FCF") is expected to be 320 billion yen. Approximately 100 billion yen will be used for repayment of Ichthys LNG project financing and approximately 60 billion yen will be allocated to dividends. How will you distribute the remaining FCF? Is the buyback of shares an option?

A1. The allocation of funds from FCF will be directed to (1) debt reduction, (2) shareholder returns, and (3) investment for growth, in that order of priority. We have said that share buybacks are an option for shareholder returns and a subject of future consideration. We would like to consider the possibility of the realization (of share buybacks) based on future business performance trends, etc.

Q2. The average annual scale of investment for the time being is understood to be approximately 250~300 billion yen. Looking ahead to 2030, which projects does INPEX expect to make full-scale investments in? Would it be CCS/CCUS evaluations as part of the Abadi LNG Project in response to environmental changes, the expansion and CCS evaluations of the Ichthys LNG Project, or the clean ammonia business?

A2. The upstream business continues to be our core business. We will seek to focus not only on quantitative expansion but also on qualitative growth. We will improve the competitiveness and resilience of projects by reducing project costs and divestment, etc. The biggest challenge is to maintain and expand the production volume of the Ichthys LNG Project. The Abadi LNG Project has excellent reservoir productivity. It is important for INPEX to work toward the realization of the project. The Abadi LNG Project's contract period extends until 2055, and we recognize the need to make CCS/CCUS evaluations and work on CO2 reduction as a minimal condition. Although detailed survey work has been suspended due to the spread of COVID-19, we will consider measures to realize

the project in response to changes in the external environment, such as the introduction of CCS/CCUS. In Abu Dhabi, drilling work on an exploration well commenced in May this year at Onshore Exploration Block 4. Regarding non-upstream business initiatives, expenditures for hydrogen projects and CCS/CCUS initiatives, etc. will mainly be directed at surveys and verification tests for the time being, but full-scale investment is expected to be required in the future.

Q3. The annual dividend (forecast) for the fiscal year ending December 31, 2021 is expected to amount to 40 yen per common stock. Is there a possibility that the annual dividend will be maintained at the 40-yen level in the future even in case of a decline in profit level?

A3. Regarding dividends, in line with the shareholder return policy outlined in Medium-term Business Plan 2018-2022 (hereinafter "MBP"), our policy is to gradually strengthen shareholder returns in accordance with growth of our financial results, with a dividend payout ratio of 30% or more, with stable payouts. We will determine the continuity from the perspectives of shareholder expectations for stable dividends and growth of our business performance.

Q4. It is understood that the Abadi LNG Project plans to consider ways to realize the project in line with the changing external environment through initiatives including the introduction of CCS/CCUS. Has INPEX's thinking toward the Abadi LNG Project changed? Does the Abadi LNG Project have strengths or advantages in implementing CCS/CCUS compared to other LNG projects? Also, is INPEX holding discussions with SHELL?

A4. While there are various low-carbon movements, there has been a change in the fact that the project will be based on CCS/CCUS. The contract period for the Abadi LNG Project extends until 2055, and it is important to work on reducing CO2 emissions. From the perspective of ensuring Abadi's long-term competitiveness as a green field project and maintaining sustainability, it is important to strengthen the economic efficiency of the project. We are engaged in ongoing dialogue with the Indonesian government and our partner SHELL on measures to realize projects aligned to changes in the external environment, such as the introduction of CCS/CCUS.

Q5. It is understood that cash flow from operations before exploration investment (inclusive of Ichthys downstream IJV) (hereinafter "CF from operations") in FY2021 is expected to be approximately 560 billion yen. Is one-off profit (loss) included in CF from operations?

A5. CF from operations increased by approximately 35 billion yen from the forecast issued in May (approximately 525 billion yen) due to the rise in oil prices and the depreciation of the yen. One-off profit (loss) for FY2021 is expected to be minus 5 billion yen. However, most of this is due to tax effects, ARO, etc., and items affecting cash flow are few.

Q6. If CCS is implemented at the Ichthys LNG Project, will this affect the competitiveness of the project?

A6. It is necessary to work on CO2 reduction at the Ichthys LNG Project. However, since there is a cost to CCS/CCUS, we are currently studying and evaluating various concepts and cost competitiveness issues, etc. There are several abandoned wells that have been drilled for natural gas around Darwin. Additionally, the Northern Territory Government of Australia is considering transforming Darwin into a CCS hub.

Q7. INPEX has set a goal of reducing net carbon intensity (Scope 1 + 2) by 30% or more in 2030 as a climate change response measure. How is this progressing? Is there a possibility that INPEX will reconsider its goals considering the Japanese government's policies of strengthening CO2 reduction measures?

Q7. Carbon intensity has been reduced from 41 kg-CO2/BOE in 2019 to 35 kg-CO2/BOE in 2020. For the time being, INPEX plan to introduce CCS in the future while taking measures such as reducing flaring, saving energy at its facilities and acquiring carbon credits. INPEX is involved in projects around the world, and our CO2 emissions in Japan make up less than 10% of our total CO2 emissions. INPEX has set a goal of net zero in absolute emissions (Scope1+2) by 2050. INPEX will work on CO2 reduction at projects both in and outside of Japan while meeting the domestic CO2 reduction target set by the Japanese government.

Q8. Should INPEX's vision and MDBP not be reviewed?

A8. MDBP covers a five-year period from 2018 to 2022. Although 2022 remains, we expect to achieve the targets outlined in MDBP to some extent. Also, considering

the changes in our business environment including the transition to a net zero carbon society, etc. we recognize the issue of how to address MDBP and this is a subject for future consideration.

Q9. Please advise on INPEX's progress and approach to marketing activities for the Abadi LNG Project.

A9. Work has been suspended due to the spread of COVID-19. However, we are engaged in ongoing dialogue with the market and buyers regarding long-term views on LNG demand and the degree of interest in CO2 reduction.

Q10. Will carbon-neutral LNG be a trend in Japan in the future?

A10. Carbon-neutral LNG is rapidly gaining attention in Japan and we have received many business inquiries. There is also considerable interest in carbon-neutral LNG from city gas companies, and we believe this trend will continue as Japan commits to net zero.

Q11. How profitable are carbon neutral gas sales and purchase contracts? Is a premium added to the regular price?

A11. Carbon-neutral LNG is now at a competitive stage in the market. To realize CO2 reduction, carbon neutral arrangements are made after acquiring credits derived from renewable energy and nature such as forest conservation, etc. As carbon neutralization costs are added to conventional gas prices, a certain amount of premium is required.

Q12. What is the reason for equity in losses of affiliates?

A12. The equity in losses of affiliates in the second quarter of FY2021 was 12.9 billion yen. This was mainly due to an equity-method loss of the Ichthys downstream company due to the impact of shutdown maintenance of the Ichthys LNG Project and a decline in gas sales prices as well as interest on borrowings and the total amount of several major equity-method affiliates in the production phase.

Q13. Why have INPEX's net loans including the Ichthys downstream company not been decreasing from approximately 2.1 trillion yen? What is the outlook going forward?

A13. Since foreign currency-denominated borrowing occupies the majority, foreign exchange impacts will occur on a quarterly basis. However, contract repayment is proceeding without delay over the year, and the total net loan including the Ichthys downstream company is expected to be less than 2 trillion yen.

End

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