■ INPEX CORPORATION (TSE1605)
Presentation on financial results for the three months ended Mar. 31, 2020
Summary of Q&A session

Date	:	May 12, 2020
Number of attendees	:	Approximately 80
Key questions	:	

Q1. INPEX's Medium-term Business Plan outlines plans to firstly allocate 1.7 trillion yen for growth investment out of the total 2.5 trillion yen cash flow from operations, then allocate the rest to debt repayment and shareholder returns, assuming a Brent oil price of 60 US dollars per barrel. However, facing a prolonged low oil price environment, how would you allocate cash flow? What would be the cash flow allocation plan in case of a Brent oil price of 30 dollars per barrel?

A1. In terms of cash flow for the fiscal year ending December 31, 2020 (hereinafter referred to as FY2020), the oil price dropping from 60 dollars per barrel to 35+ dollars per barrel will result in a 500 billion yen decrease in net sales. Therefore, operating cash flow will decrease to a considerable extent.

However, we expect to see a year-on-year increase in free cash flow for the FY2020 to approximately 150 billion yen (deducting investment from operating cash flow before exploration expenditure inclusive of Ichthys downstream JV) as a result of multiple factors including: an 82 billion yen reduction in total expenditure (sum of exploration and capital expenditure, etc.); the partial fixture at the beginning of the fiscal year of the oil price applicable to Ichthys LNG Project shipments in the first and second quarters; and factoring in the comparatively high oil prices during January and February 2020.

There is currently no change to our plans of allocating free cash flow in the order of debt reduction, shareholder returns and investment for growth, as outlined in the Medium-term Business Plan.

Q2. Would INPEX be able to secure enough cash flow in order to pay out the forecasted annual dividend of 24 yen per common stock for FY2020?

A2. As stated above, we expect to generate free cash flow of approximately 150 billion yen (deducting investment from operating cash flow before exploration expenditure inclusive of Ichthys downstream JV) for FY2020. We plan to allocate our free cash flow in the order of debt reduction, shareholder returns and investment for growth.

Despite the challenging business environment, we plan to maintain stable dividend payouts in order to enhance shareholder returns as outlined in the Medium-term Business Plan. Based on this, we have revised our annual dividend forecast for FY2020 to 24 yen per common stock.

Q3. During the 2007-2008 global financial crisis brought on by the collapse of Lehman Brothers, INPEX achieved a net positive income by conducting cost cutting initiatives. Would INPEX be able to achieve a net positive income even in this low oil price environment? How much capacity do you have left for further cost cuts? What are the exact figures for the stated 20%+ capex reduction and 40%+ exploration cost reduction plans?

A3. It is difficult to draw comparisons between the state of the economy then and now, in simple terms. The world's economic growth rate during the 2007-2008 global financial crisis was minus 0.5% whereas now the IMF is forecasting a minus 3.0% growth rate as a result of the spread of COVID-19. The decline in energy demand during the global financial crisis was about 3 million barrels per day, while currently, energy demand is considered to have fallen by between 20 to 30 million barrels per day. We therefore recognize that we must be prepared for a scenario in which the current, low oil price environment will persist for a certain amount of time.

For specific cost reduction figures, please refer to page 10 of the online presentation material. However, we will not limit ourselves to these figures and will endeavor to conduct additional cost cutting initiatives.

While the net income forecast for FY2020 would have turned negative based on calculations using the oil price sensitivity provided at the beginning of the current fiscal year, we are forecasting a net positive result driven by our various cost cutting initiatives and other factors.

Q4. Are there any impairment loss risks associated with Ichthys and other projects? Are impairment tests conducted quarterly?

A4. We would like to refrain from commenting on the risk of impairment losses pertaining to individual projects. Impairment loss tests are conducted quarterly based on future oil price outlooks and in consultation with an external auditor.

Q5. Are there any significant changes to the sensitivities (representing the impact on net income) for FY2020 announced in February, given the revised consolidated financial forecasts due to the substantial decline in crude oil prices? The press release states that "INPEX is currently revaluating the assets of the INPEX Group." Do you recognize that the long-term oil price outlooks (providing the basis for these revaluations) need to be changed?

A5. There is no change to the oil price sensitivity announced in February. We will consider future oil price outlooks with the external auditor and conduct impairment tests based on the discount rate, taking into account the market consensus.

Q6. What is Ichthys' contribution to the company's profit for the first quarter of FY2020? In addition, what measures are you taking to make Ichthys profitable under the current crude oil price assumptions?

A6. Ichthys' contribution to the company's profit for the first quarter of FY2020 was low to mid 20 billion yen. Ichthys' contribution to the company's profit for FY2020 is expected to be around 12 billion yen.

We expect Ichthys to financially support the company even with oil prices maintaining their current level for a certain amount of time. However, to respond to the low oil price era, we will implement measures such as postponing or reducing investment, reviewing operations and streamlining logistics, etc.

Q7. The net income forecast for the six months ending December 31, 2020 (third and fourth quarters) is minus 25 billion yen. If the oil price remains at 30 dollars per barrel over the medium term, what measures are you considering in order to achieve profitability?

A7. In addition to investment and cost reduction, INPEX will rigorously screen and evaluate new projects. Even if the current low oil price environment persists for more than a year, INPEX will build a strong corporate structure to sustain stable business operations.

Q8. Is the annual dividend for FY2020 fixed at 24 yen per common stock? Is there any possibility of an upside spurred by a rise in oil prices, etc.?

A8. The consolidated financial forecast and dividend forecast have been revised in line with the announcement of the financial results for the first quarter of FY2020. The final interim and year-end dividends will be determined based on the oil price situation etc. at the end of the second quarter and at the end of FY2020.

End