■ INPEX CORPORATION (TSE1605)
Presentation on financial results for the year ended December 31, 2020
Summary of Q&A session

Date : February 12, 2021
Number of attendees : Approximately 70
Key questions :

Q1. The production cost per barrel for the year ended December 31, 2020 (hereinafter "FY2020") is US$5.2/BOE, which is slightly lower compared to the previous fiscal year. How do you evaluate this result?

A1. In FY2020, we implemented investment and cost reduction measures. In our Medium-term Business Plan 2018-2022 (hereinafter "MBP"), we set a target to reduce production cost per barrel to US$5/BOE and our assessment is that we are approaching this target.

Q2. Why did the equity in earnings/losses of affiliates decrease in FY2020?

A2. The receipt and payment of interest from equity method affiliates (Ichthys downstream IJV), which were previously presented as net figures, are being presented as gross figures starting from FY2020. These accounts are entered in the other income and expenses segment, and do not impact profit or loss.

Q3. What is the approximate percentage of weighted average cost of capital (WACC) for INPEX?

A3. As of the end of December 2019, our WACC was estimated to be approximately 5% based on certain assumptions. However, cost of capital can be estimated using various methods and assumptions, and its value may change depending on the method and assumption used.

Q4. INPEX will invest approximately 20~30 billion yen annually in the five initiatives outlined in its "Business Development Strategy" (hereinafter "BDS"). What level of profitability does INPEX expect?

A4. We expect it will take some time for the specific initiatives listed in BDS to fully mobilize. Economically driven commercial operations are still some way off. We recognize that detailed profitability taking note of WACC is a subject of future study. The renewable energy initiatives business has medium-risk, mediumreturn characteristics, and INPEX will make evaluations based on the corresponding line of profitability.

Q5. Are research and development-related costs included in the annual investment of approximately 20~30 billion yen?

A5. Yes.

Q6. For the fiscal year ending December 31, 2021 (hereinafter "FY2021"), cash flow from investment (inclusive of Ichthys downstream IJV) (hereinafter "CF from investment") is expected to be 255 billion yen. In BDS, the average annual scale of investment over the next five years is approximately 250~300 billion yen (based on a US$50~60 oil price assumption). Please specify key investment targets and the breakdown of the investment. Is there a policy to strengthen investment in carbon neutral related businesses in the long term?

A6. We would like to also strengthen investment in carbon neutral-related business initiatives in the long term. However, many of the initiatives for 2021 consist of feasibility studies and preparations for demonstration tests, and we do not anticipate making large scale investments. Also, for example, strengthening CCS will by extension make our upstream business cleaner and is part of the process of evolving our upstream business. In terms of key investment targets, Ichthys and Abu Dhabi, etc. will be weighted. For Abadi, we need to conduct detailed surveys and carry out FEED work prior to making a final investment decision. However, the surveys have had to be suspended due to the spread of COVID-19. Regarding Abadi, we would like to decide based on a careful assessment of future demand in Asia and other factors.

Q7. Cash flow from operations before exploration investment (inclusive of Ichthys downstream IJV) (hereinafter "CF from operations") in FY2021 is expected to be approximately 440 billion yen, which is an improvement of approximately 90 billion yen compared to CF from operations in FY2020 (349.2 billion yen). What is the reason behind this improvement?

A7. This improvement can mostly be attributed to the rise in oil prices.

Q8. It seems that the increase in profit from the rise in oil prices is being allocated to CF from investment. Will cash earned from the rise in oil prices in the future be invested in the five initiatives outlined in BDS? Is the free cash flow (deducting “CF from investment” from “CF from operations,” hereinafter “FCF”) level of approximately 185 billion yen considered a financial target? What are INPEX’s thoughts on the balance between shareholder returns and debt repayment and FCF when oil prices rise?

A8. In FY2020, we significantly reduced the amount of our investment through investment and cost reductions as a countermeasure against the oil price downturn. In FY2021, we are expecting a growth investment of approximately 255 billion yen. This includes investments required to maintain the production volume of our projects and investments related to the five initiatives listed in BDS. This is not a policy to allocate all the FCF generated from the increase in oil prices to growth investment. As shown in MBP, the allocation of funds from CF from operations will be directed to (1) debt reduction, (2) shareholder returns, and (3) investment for growth, in that order of priority.

Q9. Using the current Brent crude oil price of US$ 60/barrel as an assumed oil price and the sensitivity figure provided, net income for FY2021 can be calculated as approximately 150 billion yen (simple calculation of US$7/barrel x 6.6 billion yen + 100 billion yen = 146.2 billion yen). At the beginning of FY2020, INPEX had forecasted a net income of approximately 145 billion yen and an annual dividend of 36 yen. In FY2021, if net income reaches approximately 150 billion yen, will the annual dividend be around 36 yen?

A9. At this moment, there is a lot of uncertainty surrounding oil prices. Regarding dividends, in line with the shareholder return policy outlined in MBP, there is no change in our policy of gradually strengthening shareholder returns with a dividend payout ratio of 30% or more in accordance with the growth of our financial results. We will re-determine the dividend amount at the end of the interim period and the end of the fiscal year upon assessing the business environment, including oil prices, etc.

Q10. Has INPEX’s thinking toward the Abadi LNG Project changed following the announcement of BDS? Given Abadi’s scheduled startup in the latter half of the 2020s and the company’s goals of achieving net zero (carbon emissions) by 2050, has the positioning of the project changed?

A10.The upstream business continues to be our core business, and it is our responsibility to respond to the demand for natural gas particularly in Asia. We will seek to focus not only on quantitative expansion but also on qualitative growth.

In order to invest in new business fields, it is essential for us to secure profits from our upstream operations. We will not take the position of forcibly and uniformly reducing investment in upstream businesses as some IOCs are doing. Abadi is an important project for INPEX, and our policy of implementing this project remains unchanged. In the future, we would like to make decisions based on the demand in Asia.

Q11. Why did INPEX increase the annual dividend forecast per share to 27 yen for FY2021? The payout ratio is about 39%, which is higher than past levels. What is the rationale for this dividend forecast?

A11. In FY2020, we recognized an impairment loss and reduced the annual dividend from the initial forecast of 36 yen to 24 yen. We have raised the annual dividend forecast for FY2021 from 24 yen to 27 yen (forecast) in line with the shareholder return policy set forth in MBP, considering that business performance is expected to recover to a considerable extent.

Q12. The net production volume for FY2020 is 573,000 barrels per day. Does INPEX expect to achieve the target of 700,000 barrels per day listed in MBP?

A12. Our net production volume decreased due to the impact of OPEC+ production cuts and the drop in demand due to the economic slowdown triggered by COVID-19. It is a challenging environment, but we would like to push forward toward the target.

Q13. Is there a possibility of share buybacks?

A13. We recognize that share buybacks are an option for shareholder returns and a subject of future consideration. For the time being, we would like to focus on dividends.

End

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*

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