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◆ INPEX CORPORATION
15th Ordinary General Meeting of Shareholders
Summary of Q&A session

Date : March 25, 2021
Venue : The Okura Tokyo
Number of attendees : 127
Key questions :

Q1: About oil price movements

A1: From a larger perspective, oil prices are steadily heading on a path of recovery. Globally and in Asia, energy demand is strong, and it is our understanding that numerous experts believe that oil prices will move toward a level of between about 60 and 80 dollars per barrel.

Q2: About the share price (impact of ESG investment activities)

A2: The drop in the share price can firstly be attributed to the deterioration of our financial performance as a result of the oil price downturn caused by the significant reduction in energy demand due to the COVID-19 pandemic and OPEC's failure to agree to a production cut. Another factor (contributing to the drop in the share price) is the increasing sense of uncertainty pervading the entire E&P industry in light of global environmental issues. While the reduction in earnings due the oil price downturn is an issue that concerns the entire E&P industry, we are strengthening our resilience to low oil prices, having reduced our investment in development and exploration by 37 percent and 64 percent, respectively, compared to initial forecasts. We are also maintaining stable operations at all our projects including the Ichthys LNG Project despite the prevalence of COVID-19, owing to the implementation of various countermeasures against the virus at our field locations. As for the sense of uncertainty faced by the entire E&P industry, we intend to overcome this by expanding our business to incorporate CCS, hydrogen and other new business fields, etc. as announced in January of this year.

Q3: About the payout ratio

A3: The annual dividend payout for the fiscal year ended December 2020 was 24 yen per common share, and we plan to raise this to 27 yen for the current fiscal year, ending December 2021. In our medium-term business plan, we list the payout ratio as 30 percent or higher. Our annual dividend payout forecast of 27 yen based

on our 100 billion yen full-year net profit forecast puts the payout ratio at about 39 percent. We would like to consider specific dividend payout levels as we monitor oil price movements and the state of our company.

Q4: About diversity and inclusion (compliance with “Minato City Ordinance for a Gender-Equal Society”)

A4: At INPEX, we are implementing a variety of policies to create a working environment where female employees can thrive professionally. These policies cover childcare leave, reduced working hours during childcare periods, flexible working hours without core times, special leave granted to employees with difficulties balancing professional and child-raising commitments under the (COVID-19-induced) state of emergency and a “job return program” for retirees. The percentage of female employees in management positions on a consolidated basis remains at a low level of below 6 percent, and this continues to be a challenge. In terms of diversity, we aim to be a company where all employees including LGBT employees can work to their full potential. We have built a network of “LGBT allies” and promote LGBT awareness among directors and employees through training sessions. In January 2021, we revised internal policies enabling the treatment of same-sex partners and children of same-sex partnerships as employees’ families (under the company’s human resources systems including its benefit package). We will continue to strive to create a workplace where all employees can work comfortably.

Q5: Request for the early implementation of “facility tours for shareholders.”

A5: We would like to host company seminars and facility tours as soon as possible, while carefully monitoring the situation of COVID-19.

Q6: On the use of the “LINE” application in the company’s business operations

A6: We take every precaution in terms of information security in both administrative and operational aspects, through countermeasures covering hardware, systems and employee training. We do not use any social networking services in our business operations, including LINE.

Q7: About development of blocks in the vicinity of the Ichthys Field (efficient pipeline use, production increase, etc.)

A7: There is (business) potential in the vicinity of the INPEX-operated Ichthys LNG Project including discovered gas fields. We are evaluating all possibilities, including the long-term use of the Ichthys LNG plant’s facilities by exporting gas (from these fields) to the plant and tie-ins to the existing pipeline. For the time being, we plan to maintain the production volume through drilling additional

production wells in the producing gas field. However, we would like to continue making forward-looking evaluations on the development of blocks in the vicinity (of the Ichthys Field) and aim to maintain the production volume over the long-term.

Q8: About the US Eagle Ford Project's production volume as a percentage of the total production from the company's entire operations

A8: The Eagle Ford Project's production volume based on INPEX's participating interest is about three thousand and several hundred barrels per day. This is less than one percent of INPEX's entire production volume.

Q9: About the impact of the Biden Administration's environmental policies on INPEX's US business

A9: Under the Biden Administration, new leases for drilling on federal land have been provisionally suspended. However, as the Eagle Ford Project assets do not fall under federal jurisdiction, there is no impact for the time being. While we also participate in the Lucius Project in the US Gulf of Mexico, as we understand that the (administration's) policies do not affect licenses that have already been issued, we believe there will be no impact to our business operations in the short-term. We will continue to closely monitor and address the Biden Administration's policies and the business environment in the US, etc.

Q10: About streamlining the number of Executive Officers

A10: We implement a very large number of projects in numerous countries, and it is inevitable that an appropriate number of personnel is needed to carefully oversee each of the projects. For this reason, we have Executive Officers in charge of corporate fields as well as individual regions. However, we would like to strive to execute our management while always paying attention to strengthening governance and streamlining.

Q11: About the appointment of foreign executive officers and directors

A11: We understand the importance of diversity including women and foreign nationals. While INPEX currently does not have any foreign directors, many of its directors have considerable international experience. Additionally, our advisory committee includes Dr. Kent Calder of Johns Hopkins University, who provides us with insight from a variety of perspectives. We recognize that securing diversity among our directors and executive officers is a very important issue, and we would like to incorporate the comment in our management going forward.

Q12: About the commercialization of hydrogen/ammonia and the promotion of the natural gas business

A12 : Conventional hydrogen and ammonia are typically referred to as “gray hydrogen” and “gray ammonia” as their production results in the emission of CO₂. We plan to capture this CO₂ and store it underground, thereby producing carbon free “blue hydrogen” and “blue ammonia.” While the practical application of blue hydrogen and blue ammonia involves challenges such as technical innovation and energy efficiency, the process of manufacturing blue hydrogen and blue ammonia is highly compatible with the technologies we have developed in the E&P industry. We have also amassed technological expertise on natural gas handling and underground injection such as CCS. We would like to aim to become a new energy provider in these fields.

We believe that demand for natural gas will continue to grow towards 2050 as natural gas will support the energy transition from coal to natural gas and serve as a raw material for hydrogen and ammonia. When the Abadi LNG Project will shift to the production phase, our crude oil to natural gas ratio will come close to about 50:50. In addition, we would like to accelerate natural gas exploration activities in Southeast Asia and Oceania and further increase the proportion of natural gas.

Q13: About the need to enforce COVID-19 countermeasures (mask-wearing) even when shareholders are making statements as part of managing the (shareholder meeting) proceedings

A13: Please accept our sincere apologies. While we chose to refrain from interrupting shareholders during their statements, infection prevention countermeasures benefit all those in attendance, and we will therefore point this out if a similar situation occurs.

Q14: About improving business efficiency through DX and exchanges with leading DX companies

A14: We have set up an internal task force to promote the improvement of business efficiency and are working on enhancing the visibility of business operations and reviewing workflows. In terms of DX, we are evaluating (its deployment) to improve the fuel efficiency of our LNG carriers and in robotic process automation, etc. We also exchange information with other companies in our industry as well as leading DX companies. We would like to continue working on the improvement of business efficiency utilizing DX.

Q15: Is the introduction of your shareholder benefit program a measure to shore up support assuming the dissolution of government-held shares?

A15: Our shareholder benefit program is a policy designed to help our shareholders become more familiar with our business operations and has no connection to government-held shares. The government's shareholding policy is determined by the Minister of Economy, Trade and Industry, and we are not in a position to comment on this, although we have not currently heard about any specific plans concerning the sale of shares by the government. As a company responsible for the stable provision of energy, we have confidence in contributing to the improvement of Japan's self-development ratio (of oil and natural gas) and expect that the government of Japan will continue to hold shares in our company.

Q16: About the introduction of the stock option system

A16: At INPEX, we introduced a stock-based remuneration system (Board Incentive Plan Trust) for Directors of the company in 2018, with the objective of increasing the incentive for Directors to contribute to the (medium- to long-term) improvement of our corporate value. In addition, every Director purchases company stock each month with a set amount of funds drawn from his monthly compensation, in adherence to company guidelines. As for the stock-based remuneration system, the number of shares to be issued (to each Director) has not been determined at this time, and is therefore not reflected in the number of (common) shares (of the company) held by each Director as listed in the reference material. We believe there will be opportunities in the future to comprehensively review our executive compensation system. At such times, we would like to carefully consider the appropriate number of shares to be held by executives as well as an appropriate compensation system by comparing various performance-linked compensation systems including a stock option system and stock-based compensation with transfer restrictions, etc.

Q17: About strategies to increase share price (share buybacks, enhanced promotion of renewable energy initiatives, etc.)

A17: We would like to continue our efforts to convey to our shareholders and investors that we are a company that will grow heading into the future, by improving our corporate resilience to be able to maintain our corporate value even at low oil prices and working on business fields like renewable energy, hydrogen and CCS. Share buybacks are one option in terms of shareholder returns, which we would like to continue evaluating. As for working on our renewable energy initiatives, etc., we would like to promote these activities even more proactively, as we have already communicated on various occasions to analysts, institutional investors, individual investors and foreign investors, etc.

Q18: About oil price hedging in the futures market

A18: As for oil price hedging, we spent a considerable amount of time last year debating the issue internally. While hedging does mitigate downside risk, it also limits upside potential. As a result of these extensive debates, we are now partially conducting oil price hedging. We would like to engage in further internal debates on oil price hedging taking into account oil price movements and the state of our production and respond accordingly.

Q19: About the appropriateness of limiting investment in renewables to 10 percent of the total investment figure

A19: Our “Business Development Strategy” outlines a plan to invest approximately 20~30 billion yen in new fields like renewables, hydrogen and CCS, which is about 10 percent of the average annual scale of investment of approximately 250~300 billion yen based on a 50~60 dollar oil price assumption. The oil majors have already begun making large investments in new fields, but we understand there are outstanding issues in terms of profitability. We would like to consider the appropriate timing and volume of investment for us, taking into account the state of global competition and when the advent of a hydrogen society will take place, in addition to such profitability issues.

Q20: About the development outlook of the Iraq business

A20: As for the Block 10 Project in Iraq, we discovered deposits of oil during our first exploratory drilling campaign started in 2016 and have since been conducting appraisal work on the oil column while drilling appraisal wells. At the same time, we are conducting development studies targeting commercialization.

Q21: About LNG sales strategies as LNG spot prices are increasing

A21: Last year, the LNG market faced a global downturn against the backdrop of the COVID-19 pandemic and the LNG price fell to below 2 dollars per MMBtu. At the beginning of this year, a recovery in demand and a supply shortage in the Asia Pacific region caused prices to soar to up to 30 dollars per MMBtu. Amid these price fluctuations, what we as a company can do to recover sales is to eliminate the volatility and variable factors to the extent possible and ensure that we deliver (the agreed) production volumes to our customers. Also, for new LNG projects such as Abadi, we must ensure that we deliver LNG that is more competitively priced than LNG produced at competing projects. Production at the Prelude FLNG Project has resumed, and the Ichthys LNG Project is steadfastly accumulating production volume, and these (factors) are expected to contribute to the recovery of sales.

Q22: About employee reward and the possibility of increasing wages

A22: The level of our wages is reasonable compared to common standards. This year, there were no calls from our labor union to increase basic wages and while we did not increase our basic wages, we implement pay raises each year. In terms of bonuses, we have in good faith responded to the labor union that the company would reward its employees for their efforts and commitment. We believe that remuneration is an important factor in securing quality employees, and pay salaries and bonuses to the extent possible while monitoring general standards. Our employees are the bedrock of our future development and growth. In addition to reward, we would like to strive to provide our employees with a working environment that stimulates motivation and commitment.

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- *Price volatility and change in demand in crude oil and natural gas*
- *Foreign exchange rate volatility*
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