

Date and time: March 28, 2023 (Tue); 10:00 AM  
Place: The Okura Tokyo  
Attendees: 205 shareholders  
Summary of key Q&A:

Q1: Net D/E ratio target

A1: The net D/E ratio of 50 percent or less in INPEX's medium-term business plan is based on the assumption that we will repay a significant amount of debt and the ratio of interest-bearing debt will decrease significantly.

Q2: Initiatives regarding offshore wind power generation in Akita Prefecture and geothermal power generation projects in Japan

A2: We were not able to participate in the "Round 1" public bid by the Japanese government in 2021, which included the offshore wind power generation project in Akita Prefecture. However, if we have the opportunity, we will consider participation in wind power generation initiatives not only offshore Akita Prefecture but also in other areas of the Sea of Japan. As for geothermal power generation, we have already joined four projects in Indonesia, where we have the largest shares among Japanese companies. Japan has the third largest volume of geothermal reserves after the United States and Indonesia. We are constructing geothermal power generation facilities in Oyasu, Akita Prefecture, which are scheduled to start operations in 2027. In Japan, geothermal power generation activities generally take a long time to start due to procedural matters, such as administrative approval and authorization. However, we will actively consider participating in geothermal power generation projects in Japan aiming for 2030.

Q3: The number and composition of shareholders

A3: The Minister of Economy, Trade and Industry, domestic and international investors and individual shareholders hold approximately 20 percent, 52 percent and 8 percent of INPEX shares, respectively. The total number of INPEX shareholders is about 220,000.

Q4: Proposal No.2 and shareholder returns

A4: We posted a consolidated profit of about 430 billion yen in net income and aim for a total payout ratio of over 40 percent. Therefore, assuming the current profit level, we would make an annual payout of about 160 billion yen. However, in doing so we would run the risk of running out of retained earnings in the non-consolidated balance sheet in five years. To avoid this situation and ensure steady shareholder returns, we propose to transfer 951 billion yen from our legal capital surplus to our capital surplus. Returns are generally paid from retained earnings, while the cancellation of treasury stock is drawn from capital surplus. We acquired 120 billion yen in treasury stock in the year ended December 2022. In the (hypothetical) event

that we cancel this treasury stock, we would like to maintain our dividends to shareholders by drawing from our capital surplus rather than retained earnings. We will determine shareholder returns as an appropriation of surplus at the general meeting of shareholders as an ongoing matter.

Q5: The ratio of candidates for Directors who are former government officials, career INPEX employees and female

A5: Many of the 12 candidates for Directors have spent their entire careers at INPEX. Some Outside Directors have worked for other companies or the government. However, as a rule, we select the right candidates for the right positions. Since we run a diverse business especially overseas, we nominate Directors with experience in many fields. As for female candidates, we re-nominated Atsuko Nishimura as Outside Director and Hiroko Kiba as Outside Audit & Supervisory Board Member. Diversity in human resources is an important issue, and we will continue to work on this issue.

Q6: Fluctuations in INPEX's financial performance due to crude oil prices and the foreign exchange market

A6: For the current fiscal year, we are forecasting a net income of 270 billion yen assuming a crude oil price of 75 US dollars per barrel and an exchange rate of 125 yen per one US dollar. A one dollar increase/decrease in the Brent crude oil price and a one yen depreciation/appreciation against the US dollar will impact our financial performance by six billion yen and three billion yen, respectively. Hypothetically, an average annual crude oil price of 80 US dollars per barrel will lead to a 30 billion yen profit increase, while an average annual foreign exchange of 130 yen against the US dollar will lead to a profit increase of 15 billion yen, bringing the total net income to approximately 315 billion yen on the basis of sensitivities to crude oil price and foreign exchange fluctuations only. Please use these sensitivities as reference.

Q7: PBR/stock price levels and the acquisition and cancellation of treasury stock in the future

A7: The INPEX stock price level rose in 2022 to some extent, but analyses conducted internally and by external professionals indicate that the price level does not adequately reflect our current and future value. While this is also true of PBR, the level is insufficient due to the significant increase in foreign currency translation adjustments attributed to the impact of the weaker yen and the increase in assets as a result of business expansion. In any event, we recognize that it is important to increase efficiency of the projects and to strengthen the competitiveness of assets through solid portfolio management. Furthermore, we will promote business strategies that meet the needs of the time for investors to have confidence in our future. As for capital policy, we have not yet determined how we will handle treasury stock, but cancellation is an important option. We will continue to explore ways to increase our stock price level, PBR level, capital and shareholder returns.

Q8: Appropriate crude oil price level

A8: Our business is structured in a way that financial performance improves when crude oil prices increase and the yen weakens. However, it is not the case that the higher the oil price the better, because stable prices are important to ensure stable demand. It is important for us to monitor market developments and strengthen our corporate culture to be able to generate profit even in the case of significant drops in crude oil prices.

Q9: LNG production and energy development prospects for 2050

A9: The INPEX-operated Ichthys LNG Project in Australia currently produces about 10 percent of Japan's total LNG demand. As our mission we strive to deliver a diverse and steady supply of energy required by Japan for as long as possible. INPEX has grown to the point where we can steadily supply 600,000 barrels per day, and our net production target for 2024 is 700,000 barrels per day. We intend to further expand the production and supply of new energy such as hydrogen and ammonia. The Japanese government has also set the goal of increasing Japan's independent oil and natural gas development ratio from 40 percent to 50 percent in 2030, and 60 percent in 2040. In this context, we will increase our presence as the largest contributor to this effort among Japanese companies.

Q10: Energy exploration in Japan

A10: Energy exploration in Japan is very important from the perspective of stable supply and the development of human resources related to the improvement of technical capabilities. We continue to be involved in onshore exploration activities at the Minami-Nagaoka Gas Field and in the Kaetsu region in Niigata Prefecture. Last year, we conducted exploratory drilling activities off the San'in coast and continue to study the surrounding waters as an important area. We are also focusing on offshore zones between Niigata and Akita prefectures. We intend to continue our exploration activities in Japan.

Q11: Treasury stock of Directors and contributions of career INPEX employees.

A11: It is a fact that some candidates for Directors do not hold treasury stock. However, the nominations particularly of the Outside Directors and Audit Members take into account their neutral positions. All Directors and Audit Members contribute to the management of INPEX through discussions on various aspects regardless of whether they hold treasury stock or not. Most Executive Officers have spent their entire careers at INPEX, and it is a fact that they work together regardless of their backgrounds. Although the Minister of Economy, Trade and Industry holds an approximately 20-percent share of the company, INPEX is a private company. We recognize that Directors and employees who have spent their entire careers at INPEX play extremely important roles in our growth. On the other hand, we require vast and diverse human resources to effectively negotiate with foreign governments and businesses. Considering this point, we will promote recruitment and hiring.

Q12: Challenges in promoting geothermal power generation in Japan

A12: As there is considerable synergy between geothermal power generation and our drilling technology, this is an area we will focus on. In Indonesia, we acquired participating interests in 4 areas including Muara Laboh, and have the largest share in geothermal power generation business activities among non-Indonesian companies. In Japan, we reached a final investment decision on a project in Oyasu, Akita Prefecture, and are beginning construction. While there are abundant geothermal resources in Japan, for example in Oyasu, it took 10 years to reach a final investment decision. Dialogue and coordination with parties associated with the hot spring industry are necessary because there are numerous hot springs where geothermal resources lie. Also, since many geothermal resources are found inside national parks and quasi-national parks, there are environmental regulations that apply. These factors have required time. On the other hand, the Ministry of the Environment and the Ministry of Economy, Trade and Industry have provided the backing of the government and we are making progress on gaining the support of local communities, which is essential for the project, as we make every effort towards development.

Q13: Online disclosure of documents concerning the General Meeting of Shareholders

A13: The amendment to the Articles of Incorporation of the Company concerning the online disclosure of documents was approved at the General Meeting of Shareholders last year. We plan to continue the system of online disclosure from the perspective of conserving paper resources, while we are prepared to provide documents in hardcopy as before.

Q14: INPEX's financial performance by segment

A14: More than 90 percent of our business is conducted outside of Japan, wherein the Ichthys LNG Project in Australia and various projects in Abu Dhabi make up a significant portion of our assets. There are cases where most of our profits are paid in local taxes and fees, depending on the tax systems of the countries in which we operate. We conduct our business activities taking into account such factors, as well as regional stability and net income.

Q15: The aging of Directors and Audit & Supervisory Board Members and the effectiveness of corporate governance due to the seniority of Directors

A15: The average age of candidates for Directors is about 67 years old, while that of candidates for Audit & Supervisory Board Members is just under 63 years old. This reflects our intent to have Outside Directors and Outside Audit & Supervisory Board Members in particular contribute their experience in the private sector etc. to the board of directors, which results in the nomination of relatively older candidates. Also, while the Audit & Supervisory Board Members are younger than the Directors, they provide uninhibited counsel during board meetings and other functions and their ability to express their opinions is in no way undermined.

#### Q16: Skill matrix

A16: Our Corporate Governance Guidelines stipulate the skills and experiences required of Directors and Audit & Supervisory Board Members, and we believe that each category on the skill matrix manifests the skills required to execute management duties. According to the Guidelines, Audit & Supervisory Board Member candidates are required to possess considerable insight as well as a fair and unbiased stance from a position independent of executives. Furthermore, at least one Audit & Supervisory Board member must have appropriate knowledge of finance and accounting. Other Audit & Supervisory Board Members have experience in technology, digital transformation and sales and marketing either internally or externally at general trading companies, which enables the Audit & Supervisory Board Members to conduct a complete and thorough auditing process.

#### Q17: Prospects for gas field developments in the East China Sea

A17: In the East China Sea, where the border between Japan and China has not been demarcated, the exploration of resources has been scheduled based on a 2008 agreement between the two countries. However, bilateral discussions have not progressed since then. We recognize there are challenges in terms of both economic and geopolitical issues and will consider our response in cooperation with related ministries and agencies as we monitor the discussions between the two governments.

#### Cautionary Statement

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