

**Q&A session from teleconference on
“Signing of share purchase agreement for equity participation into Arctic LNG 2
project in Russia” and “FID for LNG project in Mozambique”**

Date: July 8, 2019 (Monday) 16:00-16:50
Presenters: Motoyasu Nozaki, Managing Officer, Chief Operating Officer of Energy
Business Unit II
Taichi Nagino, GM, Russia Gas Business Division
Kei Matsuoka, GM, Mozambique LNG Project Development Department,
LNG Business Development Division
Masaya Inamuro, GM, IR Division

Q&A:

[Speaker 1]

Q1: Regarding the development cost of the two projects, are cash payments evenly spread out? Please explain more about the timing of the expected cash outflows.

A1: For the two projects, cash payments are roughly spread out evenly throughout their respective development periods of approximately four to five years.

Q2: I understand JOGMEC's equity interest in the projects are 50% for Area 1 and 75% for Arctic 2. Does Mitsui have any intention to purchase additional interest in these projects in the future? Additionally, would it be correct to say that JOGMEC's 75% joint equity participation was intended to mitigate Mitsui's risk exposure for Arctic 2?

A2: On the questions about JOGMEC's equity interest, either JOGMEC would need to decide to sell their ownership on their own, or Mitsui would need to request JOGMEC to proceed to a sale. We are not in a position to comment on JOGMEC's decision making. With that said, we do have an existing structure that enables us to consider and execute purchase of additional interest. With respect to Arctic 2, your understanding of how Mitsui's risk exposure is mitigated by JOGMEC's 75% interest is correct.

[Speaker 2]

Q3: I see that core operating CF and net income for the LNG business have been provided in the page titled “Quantitative Outlook”. Could you share which projects are included in the calculation?

A3: We are unable to disclose that information.

Q4: When you compare the two projects, the investment amount per annual production ton for Area 1 is higher than that of Arctic 2. Could you explain the difference?

A4: The metric may be somewhat misleading when used to compare projects. Area 1's cost includes project finance costs which are quite significant in amount. When this amount is excluded, their unit costs between the two projects are comparable.

Q5: Does the higher development cost for Area 1 reflect costs for future expansions, which will result in possible improvement of competitiveness?

A5: As you correctly pointed out, Area 1 project has potential for expansion and a part of the cost is upfront investment in anticipation of this. This includes investment in facilities that will be shared with Area 4. For shared facilities with binding agreements with Area 4, half of the costs are included. For all other ones, calculations have been made based on the assumption that the Area 1 project will incur the full amount of costs, which leads to a

rather inflated amount.

[Speaker 3]

Q6: Please elaborate on the company's revenue recognition method in relation to Arctic 2. In particular, how are sales revenue and dividend revenue recognized? Are there set rules for dividends distribution from the project company?

A6: Japan Arctic LNG (JAL BV) will sell approximately 2 million tons of LNG that JAL BV will offtake through the equity lifting method. Under an agreement between the project company and JAL BV, unit sales price up to and including a certain threshold are recognized as project company revenue and any unit sales price in excess of that are recognized as JAL BV profit. Additionally, dividend income from the project company will be recorded as revenue. The dividend payout system is clear, in that it comes from distributable profit.

Q7: Is it possible that Mitsubishi Corporation will be participating in the future?

A7: We are having ongoing discussions with Mitsubishi Corporation, but at this point we have nothing to announce, and we're not in a position to speak for other companies.

Q8: Is there a possibility that the 10% interest obtained by JAL BV will be reduced?

A8: The agreement was that, together with JOGMEC, we acquired a 10% interest in the project company from Novatek. We can't speculate on what may happen in the future.

[Speaker 4]

Q9: What are your long-term forecasts for LNG supply and demand?

A9: The energy industry is facing a "dual challenge" of volume expansion and quality improvement. In this context, LNG plays a major role, and demand is expected to steadily increase. While the spot price has been trading weaker recently, the general consensus is that it will strengthen again over the medium to long term.

Q10: How will you decide the sales price in the Arctic 2 project?

A10: We are not disclosing the pricing scheme for the project.

[Speaker 5]

Q11: What are the risks in pursuing a development project in the harsh environment of the Arctic Circle?

A11: Projects in different regions require different approaches. The operator, Novatek, has previous experience in the Arctic Circle with the Yamal LNG project. In fact, that project was completed under budget and ahead of schedule. That experience will be utilized in the Arctic 2 project and endeavors are made for further cost reductions through the adoption of the module method and the introduction of GBS.

Q12: This project involves a partnership with Russia. What are the country risks and how have they been reflected in the profitability hurdle rate?

A12: We are moving forward in close cooperation with the Japanese government. Comprehensive measures to reduce risk were taken before reaching an investment decision for the share purchase agreement.